CENTRAL BANK OF NIGERIA ECONOMIC REPORT

November 2020

FORWARD

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

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

Contents

FORWARD .... **i**

EXECUTIVE SUMMARY **2**

1.0 GLOBAL ECONOMIC DEVELOPMENTS **6**

1.1. Global Output Growth **6**
1.2 Global Inflation **8**
1.3 Global Financial Market **9**
1.4 Global Oil Market **11**
2.0. DOMESTIC ECONOMIC DEVELOPMENTS **13**

2.1. THE REAL SECTOR **13**
2.1.1. Economic and Business Activities 13

2.1.2 Industrial Sector Activities 16

2.1.3 Consumer Prices 18

2.1.4 Social and Other Economic Developments 19

2.1.5 Commodity Market Developments 22

2.1.6 Development Financing 25

2.1.7 Developments in the Energy Market 25

2.1.8 Real Sector Outlook 27

2.2 THE FISCAL SECTOR **28**
2.2.1 Federation Account Operations 28

2.2.2. Fiscal Operations of the Federal Government 30

2.2.3. Fiscal Outlook 33

2.3. THE MONETARY AND FINANCIAL SECTOR **34**
2.3.1. Monetary Developments 34

2.3.2. Financial Developments 38

2.4 THE EXTERNAL SECTOR **43**
2.4.1 External Trade and Capital Flows 43

2.4.2. External Reserves 47

2.4.3 Other Developments in the External Sector 48

2.4.4 Foreign Exchange Flows through the Economy 49

2.4.5 Foreign Exchange Flow through the CBN 49

2.4.6 Foreign Exchange Flow Through Autonomous Sources 50

2.4.7 Sectoral Utilization of Foreign Exchange 51

2.4.8 External Sector Risks 55

Tables

Table 1: Growth Projections in Selected Countries...................................... 7
Table 2: Global Purchasing Managers' Index (PMI) 7
Table 3: Overview of Global Inflation Rates, Jan.-Oct. 2020 (Per cent) 9
Table 4: Manufacturing and Non-Manufacturing Sector Purchasing Managers' Index for November 2020 17
Table 5: Agricultural Export Commodities for November 2020................. 23
Table 6: Domestic Prices of Selected Agricultural Commodities in 24
Table 7: Volume and Amount of Loans.. 26
Table 8: Federally Collected Revenue and Distribution (N' Billion) 29
Table 9: Allocations to Subnational Governments (N' Billion) 30
Table 10: The Fiscal Balance of the FGN (N' Billion).................................. 30
Table 11: FGN Retained Revenue (N' Billion)... 31
Table 12: Federal Government Expenditure (N' Billion) 31
Table 13: Total Public Debt (N' Billion) 32
Table 14: Money and Credit Aggregates (Growth Rates) 35
Table 15: Sectoral Credit Utilization (in per cent)...................................... 36
Table 16: Supplementary Listings on the Nigerian Stock Exchange (November 2020) 41
Table 17: International Reserves Per Capita of Some Selected Countries in Africa 48
Table 18: EMEs Currencies' Rates to the US Dollar.................................... 54

Figures

Figure 1: PMIs in Selected Countries (Index Points) 8
Figure 2: Movement in Equity Market Prices.. 10
Figure 3: 10-Year Government Bond Yields (Per cent).............................. 10
Figure 4: Global Crude Oil Prices ($/barrel) 11
Figure 5: Real GDP Growth rates, 2019Q1-2020Q3 (Per cent) 14
Figure 6: Sectoral Performance of Real GDP, 2019Q1-2020Q3 (Per cent) . 14
Figure 7: Top 17 Sectors with Fastest Growth in 2020Q3 (Per cent) 16
Figure 8: Top 17 Sectors with Least Growth in 2020Q3 (Per cent) 16
Figure 9: Headline, Food and Core Inflation(Year-on-Year) in Per cent...... 18
Figure 10: Headline, Food and Core Inflation (Month-on-Month) in Per cent 19
Figure 11: Nigeria's Covid-19 Statistics 20
Figure 12: Price Changes in Selected Metals (Per cent) for November 2020 25
Figure 13: Trends in Crude Oil Prices 26
Figure 14: Federal Government Expenditure (₦' Billion)........................... 32
Figure 15: FGN External and Domestic Debt Composition (₦' Billion)........ 33
Figure 16: The Ratio of Currency Outside Depository Corporations........... 34
Figure 17: Consumer Credit 37
Figure 18: Composition of Consumer Credit in Nigeria (per cent)............. 37
Figure 19: Trend in Interest Rates... 40
Figure 20: Volume and Value of Traded Securities 41
Figure 21: Market Capitalisation and All-Share Index............................... 42
Figure 22: Export, Import and Trade Balance (US$ Billion)........................ 43
Figure 23: Import by Sector, November 2020 (Per cent)........................... 45
Figure 24: Capital Inflow and Foreign Portfolio Investment (FPI) (US$ Billion) 46
Figure 25: Capital Outflow (US$ Billion).. 47
Figure 26: External Reserves and Months of Import Cover for Nigeria 48

Figure 27: Foreign Exchange Transactions through the Bank (US$ Billion) 50
Figure 28: Major Visible Import as Per cent of Total Utilisation of Foreign Exchange 51
Figure 29: Major Invisible Imports as Per cent of Total Utilisation of Foreign Exchange 52
Figure 30: Trend in Foreign Exchange Sales to Authorised Dealers (US$ billion).. 52
Figure 31: Turnover in the I&E Foreign Exchange Market 53
Figure 32: EMEs Currencies' Values to the US dollar 54

EXECUTIVE SUMMARY

The Nigerian economy continued to gain momentum in November 2020, following increased production activities by firms, with strengthening consumer demand. Nevertheless, the performance of the economy still reflected the lagged effects of the COVID-19 pandemic containment measures, which gave rise to persisting inflationary pressures, uncertainties in the crude oil market, as well as uncertain business environment. The increase in pump price of Petroleum Motor Spirit (PMS) and electricity tariff hike, during the period, impacted negatively on consumers' welfare and the economy, by reducing consumers' purchasing power, increasing consumption expenditure, and worsening the uncertainty in the general business climate. Meanwhile, the decrease in domestic and foreign investments persevered, posting a risk to the economic recovery prospects.

The outlook for the global economy in November 2020 was less pessimistic, largely, due to the recovery in household spending and investments, recent development of a COVID-19 vaccine and various fiscal and monetary policy supports in different countries. As economies strived to combat the adverse effects of the pandemic, growth in advanced economies generally rebounded in the third quarter of 2020. Growth in emerging markets and developing economies, excluding China, however, remained fragile, reflecting the upsurge in COVID-19 cases, volatility in oil prices, rising commodity prices, as well as political and trade uncertainties. Most economies recorded improvements in the Purchasing Managers' Index (PMIs), following the easing of lockdown, recovery in demand and resumption of business activities. Global inflation generally remained below pre-pandemic levels in most regions, as competing forces helped in shaping price development. However, price changes differed from region to region. The global financial market remained resilient, amid existing financial vulnerabilities and the adverse effects of the resurgence of the COVID-19 pandemic on economic and financial conditions. The global crude oil market received a boost, with news of progress in COVID-19 vaccine development expected to improve global demand.

Despite the harvest season, inflation inched up during the review period, spurred by lingering demand and supply shocks. Supply bottlenecks were driven by food supply shortages, owing to the impact of the #EndSARS protests on food delivery chains, flooding in some food growing regions of the country, and persisting security challenges. Increased demand for food items in preparation for the end-of-year festivities also aggravated demand shocks during the period. Thus, headline inflation, for November 2020, rose to 14.89

per cent (year-on-year) from 14.23 per cent in the previous month and 11.85 per cent in the corresponding month of 2019. Spot crude oil prices rose slightly in November 2020, following the announcements of a near-term release of COVID-19 vaccines, as well as prospects of an extension of the OPEC+ output cuts. Thus, the average spot price of Nigeria's reference crude oil, the Bonny Light (32.9° API), rose to US$42.70 per barrel (pb) in November 2020, compared with US$39.74 pb in the previous month.

At ₦706.47 billion, gross Federally collected revenue in November 2020 contracted by 16.6 per cent and 19.7 per cent, compared with the budget benchmark and the receipt in November 2019, respectively. Similarly, Federal government retained revenue, at ₦284.76 billion, dropped significantly by 36.3 per cent, relative to the level in the corresponding period of 2019. Driven by the rise in personnel and overhead costs, provisional aggregate expenditure rose to ₦905.26 billion from ₦738.71 billion in the preceding period. Consequently, estimated fiscal deficit in November stood at ₦620.49 billion, relative to the ₦421.35 billion recorded in October 2020. Total FGN debt outstanding at the end of June 2020 was ₦31,008.64 billion[1]; with domestic and external components accounting for 57.6 per cent and 42.4 per cent, respectively.

The growth in broad money supply (M_3) improved, on account of the sustained accommodative monetary policy stance, driven, mainly, by the need to enhance access to credit to key sectors of the economy. Consequently, M_3 grew by 5.0 per cent at end-November 2020, compared with the growth of 3.6 per cent at end-October 2020. The expansion in private sector credit was sustained, as the monetary authority continued to intervene to boost growth and development of the economy.

There was sufficient liquidity in the banking system to drive financial intermediation. This was reflected in the decline in key lending and other money market rates in the review period. This liquidity condition in the banking system in November 2020 was also evident in the significant growth in total bank reserves and overall increase in the reserve money. The Bank intervened to moderate liquidity in the banking system through open market operations (OMO) and discount window activities in November 2020. Key interest rates, prime and maximum lending rates, rose at end-November 2020, due, mainly, to increased demand for money by small enterprises and large corporates to revamp their businesses, amid the recession in the economy. The financial sector was generally stable in the review

[1] This includes the external debt of states and the FCT guaranteed by the Federal government, which constitutes about 4.96 per cent of the total.

period, although there was marginal deterioration in some key financial soundness indicators. Despite the recession, capital market activities on the Nigerian Stock Exchange (NSE) remained bullish, due, mainly, to gains recorded in medium and large capitalised stocks. The gains were driven by liquidity in the financial market, among other factors.

The performance of the external sector improved in the review period, owing to the gradual rebound in economic activities that led to improvements in both trade and capital flows. Provisional data showed that aggregate external trade and capital inflow increased above levels in October 2020. The value of aggregate external trade increased by 3.1 per cent to US$7.76 billion in November 2020, compared with US$7.53 billion in October 2020. The increase in aggregate external trade reflected increased export of goods and higher demand for import, particularly raw materials. In the same vein, a total of US$0.33 billion new capital was imported into the economy in November 2020, compared with US$0.19 billion in October 2020.

To help liberalise and improve liquidity in the foreign exchange market, the Bank announced the amendment of procedures for the receipt of diaspora remittances on November 30, 2020. The beneficiaries of remittances thenceforth, have the option of receiving their funds in foreign currency (US Dollars) or transferring into ordinary domiciliary accounts. The exchange rate of the naira remained stable in the interbank segment, but slightly depreciated at the Bureau de Change (BDC) and Investors' & Exporters (I&E) windows, due to increased demand pressure. Thus, the average exchange rate of the naira per US dollar at the interbank segment of the foreign exchange market remained unchanged at ₦381.00/US$, relative to the level in the preceding month. However, at the BDC segment, the exchange rate depreciated by 2.9 per cent below the level in the preceding month to ₦472.74/US$. The rate at I&E window also depreciated by 0.3 per cent to ₦386.91/US$ in the review period. The stock of external reserves fell by 1.7 per cent and 9.9 per cent to US$34.97 billion at end-November 2020, below the levels of US$35.58 billion and US$38.80 billion at end-October 2020 and end-November 2019, respectively. This was due, mainly, to increased interventions in the I&E, Secondary Market Intervention Sales (SMIS) and BDC segments of the foreign exchange market. At that level, the external reserves could finance 6.7 months of import of goods and services.

Growth in the Nigerian economy was expected to remain in the low negative level at end 2020, following tepid economic activity, emanating from the COVID-19 pandemic, structural rigidities and insecurity across the country. However, the improvement in PMI in November 2020 shows signs of recovery of the economy over the level in Q3 2020. The manufacturing and non-manufacturing PMIs rose to 50.2 index point and 47.6 index point, respectively, in November 2020, compared with 49.4 index point and 46.8 index point in October 2020. This reflected improved confidence in the economy, driven by growth in new orders, improved supply delivery time, rising production levels and new export orders. The fiscal outlook has a tinge of gray in view of the recession and the low crude oil price in the international market. However, the series of official interventions are expected to boost aggregate demand, thereby leading to improved pace of economic recovery.

1.0 GLOBAL ECONOMIC DEVELOPMENTS

1.1. Global Output Growth

Global Growth

The outlook for the global economy in November 2020 was less pessimistic, due, largely, to the recovery in household spending and investments, recent development of COVID-19 vaccines and various fiscal and monetary policy support. However, global economic recovery remains largely uneven. While business activities improved in the U.S., the euro area experienced contraction, amid renewed lockdown measures. China retained its lead in global economic recovery, while the pace of recovery in Emerging Markets and Developing Economies (EMDEs) remained sluggish. Despite the gradual economic recovery, the global outlook remains shrouded in uncertainties, following the surge in debt levels, renewed lockdown measures due to the resurgence of the COVID-19 pandemic in Europe, and sluggish global trade. Nonetheless, the discovery of COVID-19 vaccines and continued monetary and fiscal interventions are expected to strengthen global economic recovery.

Economic Activity in Advanced Economies

As economies strived to combat the adverse effects of the pandemic, growth in advanced economies (AEs) generally rebounded in the third quarter of 2020. In the U.S., the PMI rose to 56.7 in November 2020 from 53.4 in the preceding month, indicating an expansion in manufacturing activities and optimism for a post-election economy. On the other hand, the euro area witnessed a slowdown in activities, as PMI fell from 54.8 in October to 53.6 in November 2020, due to the renewed lockdown measures. Similarly, the index for Japan fell from 48.7 to 48.3 in October and November 2020, respectively, driven by a decline in new orders and a rise in unemployment levels. However, the resurgence of the pandemic in Europe, which necessitated renewed containment measures, presents significant downside risks for the region. In line with this, the UK might post the slowest pace of growth amongst its peers by December 2020, amid renewed lockdown measures and uncertainties surrounding the end of the Brexit transition period. Accordingly, the IMF projected a contraction in growth by -5.8 per cent in 2020 for advanced economies, a 2.3 percentage point revision from its June 2020 WEO forecast (Table 1).

Economic Activity in Emerging and Developing Economies

Growth in emerging markets and developing economies, excluding China, remained fragile, reflecting the upsurge in COVID-19 cases, volatility in oil prices, as well as political and trade uncertainties. Consequently, business activities within the region remained subdued, as indicated by the PMI. Specifically, in India, new orders rose at a slow pace and employment continued to decline, as the PMI in November declined to 56.3 from 58.9 in October 2020. Likewise, manufacturing PMI in Russia declined from 46.9 in October to 46.3 in November 2020, reflecting a decline in new orders. On the other hand, growth remained strong in China, as both the manufacturing and non-manufacturing sectors recorded improvements in the review period, attributed to a recovery in household spending.

Regardless, recovery is expected to be more broad-based in 2021, as the growth rate for EMDEs is projected to increase to 6.0 per cent. Furthermore, growth in Sub-Saharan Africa is expected to rebound to 3.1 per cent in 2021, following a contraction of 3.0 per cent in 2020 (Table 1).

Table 1: Growth Projections in Selected Countries

Country	Growth		
	2019	2020f	2021f
Global	*2.9*	*-4.4*	*5.2*
Advanced Economies	*1.7*	*-5.8*	*4.0*
United States	*2.3*	*-4.3*	*3.1*
United Kingdom	*1.4*	*-9.8*	*5.1*
Japan	*0.7*	*-5.3*	*2.3*
Germany	*0.6*	*-6.0*	*4.2*
Italy	*0.3*	*--10.6*	*5.2*
Emerging Market & Developing Economies	*3.7*	*-3.3*	*6.0*
Russia	*1.3*	*-4.1*	*2.8*
China	*6.1*	*1.9*	*8.2*
India	*4.2*	*-10.3*	*8.8*
Sub-Saharan Africa	*3.1*	*-3.0*	*3.1*
South Africa	*0.2*	*-8.0*	*3.0*
Nigeria	*2.2*	*-4.3*	*1.7*

Source: IMF World Economic Outlook (WEO), October 2020. Note: f= forecast

Global Production

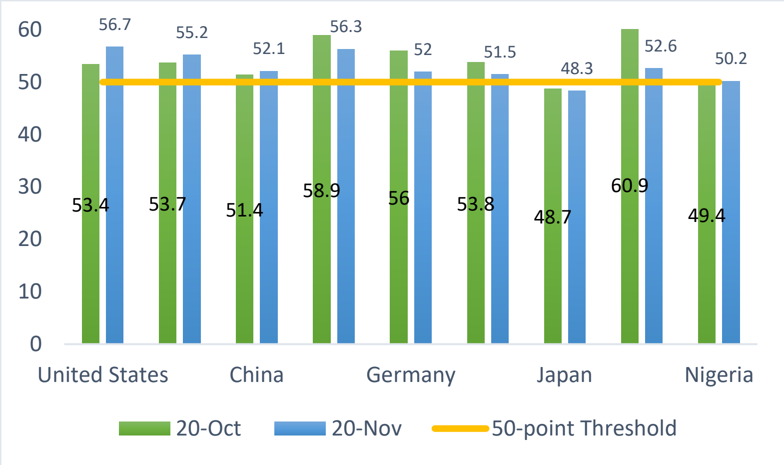
Most economies have recorded improvements in Purchasing Managers' Index (PMIs), following the easing of lockdown measures, recovery in demand and resumption of business activities. Global trade and industrial production picked up but remained generally uneven across economies in the review period, owing to income differences and the rate of spread of the pandemic. Consequently, PMIs followed a similar pattern, with economies like the U.S. and China witnessing improved business activities, while the euro area recorded a decline in activities (Figure 1).

Table 2: Global Purchasing Managers' Index (PMI)

	Aug-20	Sep-20	Oct-20	Nov-20
Composite	*52.4*	*52.5*	*53.3*	*53.1*
Manufacturing (Output)	*51.8*	*52.4*	*53.0*	*53.7*
Services (Business Activity)	*51.9*	*52*	*52.9*	*52.8*

Sources: JP Morgan, Reuters, November 2020.

Figure 1: PMIs in Selected Countries (Index Points)



Source: IHS Markit, November 2020.
Note: For the Index 50 ≥ expansion.

1.2 Global Inflation

Global Inflation

Global Inflation remained below pre-pandemic levels, as competing forces shaped price developments, although differed slightly from region to region. Overall, global headline inflation was held down in AEs by substantially larger effects of weak aggregate demand, associated with subdued economic activities and depressed commodity prices, which outweighed the inflationary pressure of supply interruptions, surging food prices and currency depreciations among EMDEs. While headline inflation continued to decline in the United States, United Kingdom and Japan, it increased slightly, but remained below central bank targets and above market expectations in some Euro area countries and Canada. Among the emerging and developing economies, inflation moderated slightly in China and India, but increased marginally in South Africa and Nigeria (Table 3). These differences reflected country-specific shocks, varying business cycle trajectory of each economy and policy responses.

Further analysis showed that inflation in the United States moderated to 1.2 per cent in November from 1.4 per cent in October, owing largely to continued decline in cost of medical care commodities, energy prices and transportation services. Also, Japan's consumer price level went into deflation as it dropped to -0.9 per cent in November 2020 from 0.0 per cent in September 2020, due largely to negative drag on consumption from the resurgence of the COVID-19 pandemic. In the United Kingdom, the slight decrease in inflation stemmed from downward pressures from clothing, furnishing and food prices. On the other hand, in Canada, inflation rose to 0.95 per cent in November 2020, reflecting higher prices for food and shelter, due to rent prices and household operations.

In major emerging markets, China's inflation rate eased from 1.7 per cent in September to 0.5 per cent in October, the lowest point since November 2009. This was a result of high base effects, where there was a surge in prices of pork in the previous year, coupled with a fall in cost of transportation and utilities. Meanwhile, within the EMDEs, inflation in South Africa in October rose to 3.3 per cent, while Nigeria recorded 14.9 per cent in November. This reflects a 7-month high for South Africa and the highest inflation rate since February 2018 in Nigeria. The rise in inflation in these countries stemmed mainly, from upward pressure in food prices, particularly in Nigeria, where insecurity abound in food producing areas.

Table 3: Overview of Global Inflation Rates, Jan.-Oct. 2020 (Per cent)

Country	Jan-20	Mar-20	May-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
ADVANCED ECONOMIES								
United States	2.49	1.54	0.12	0.99	1.31	1.37	1.18	1.18
United Kingdom	1.80	1.50	0.70	1.10	0.50	0.70	0.90	0.60
Japan	0.70	0.40	0.10	0.30	0.20	0.00	-0.40	-0.90
Canada	2.40	0.89	-0.37	0.15	0.15	0.51	0.66	0.95
France	1.49	0.67	0.36	0.78	0.22	0.05	0.05	0.20
Germany	1.74	1.44	0.57	-0.09	0.00	-0.19	-0.19	-0.28
Italy	0.49	0.10	-0.19	-0.39	-0.48	-0.58	-0.29	-0.20
EMERGING AND DEVELOPING ECONOMIES								
China	5.40	4.30	2.40	2.70	2.40	1.70	0.50	0.5
India	7.49	5.50	5.10	5.33	5.63	5.64	5.90	6.93
Indonesia	2.68	3.03	2.03	1.23	1.07	1.30	1.44	1.50
Mexico	3.24	3.25	2.84	3.62	4.05	4.01	4.09	3.33
Turkey	12.15	11.86	11.39	11.76	11.77	11.75	11.89	14.03
South Africa	4.40	4.06	2.06	3.20	3.01	2.92	3.27	3.2
Nigeria	**12.13**	**12.26**	**12.40**	**12.82**	**13.22**	**13.71**	**14.23**	**14.89**

Source: OECD and NBS

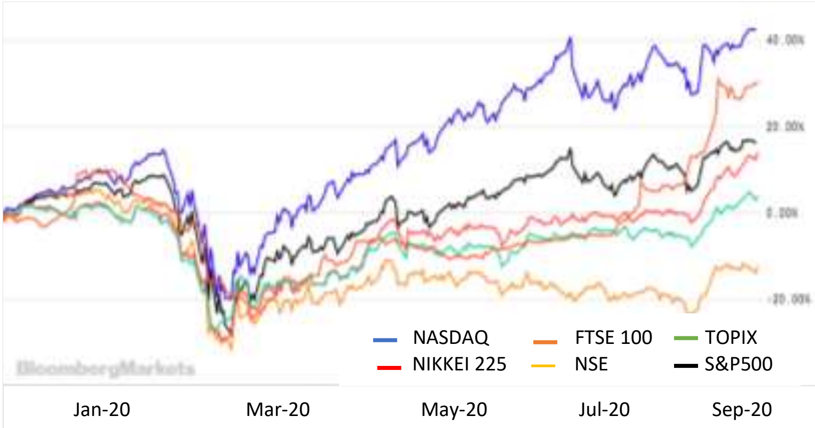
1.3 Global Financial Market

Global Financial Market

The global financial market has remained resilient, though mixed, amid existing financial vulnerabilities and the adverse effects of the second wave of the COVID-19 pandemic on economic and financial conditions. The global financial conditions further eased in November 2020 across all markets, on the back of positive results on COVID-19 vaccine trials, successful conduct of the US elections and improved market sentiments. However, the resurgence of the COVID-19 pandemic in some climes dampened business and economic activities. In November 2020, the global stock market gained momentum, closing broadly higher across most regions at the end of the month (Figure 2). Specifically, in the US, equities rose, the largest monthly gain since April 2020, following positive results of a COVID-19 vaccine and Fed’s support to aid the US economic recovery. Likewise, in the Eurozone, equities closed bullish boosted by the renewed policy support by the European Central Bank (ECB) and the development of COVID-19 vaccine, which drove demand for riskier assets and raised optimism in the market. Similarly, in EMEs, equities rose due to expectations of additional fiscal stimulus in the US and renewed prospects of more stable trade relations with the US under a Biden presidency.

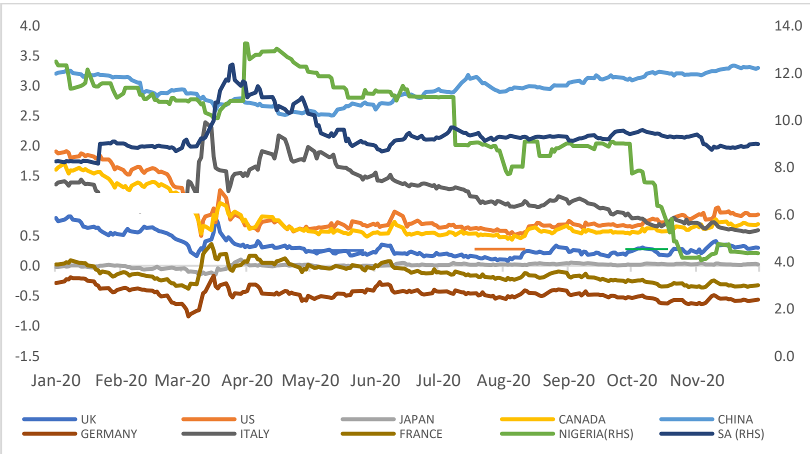
Government bond yields remained low among Advanced Economies (AEs), amidst expectations of stimulus packages from monetary and fiscal authorities, but corporate bonds outperformed government bonds (Figure 3). This development stems from a host of factors, including low inflation and zero-bound interest rates. On the currency front, several emerging market currencies recovered partially after depreciating sharply against the US dollar at the beginning of the year. However, the Brazilian real, Turkish lira, and Argentine peso have not fully rebounded, given country-specific long-standing structural issues and external vulnerabilities.

Figure 2: Movement in Equity Market Prices



Source: Bloomberg Markets

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

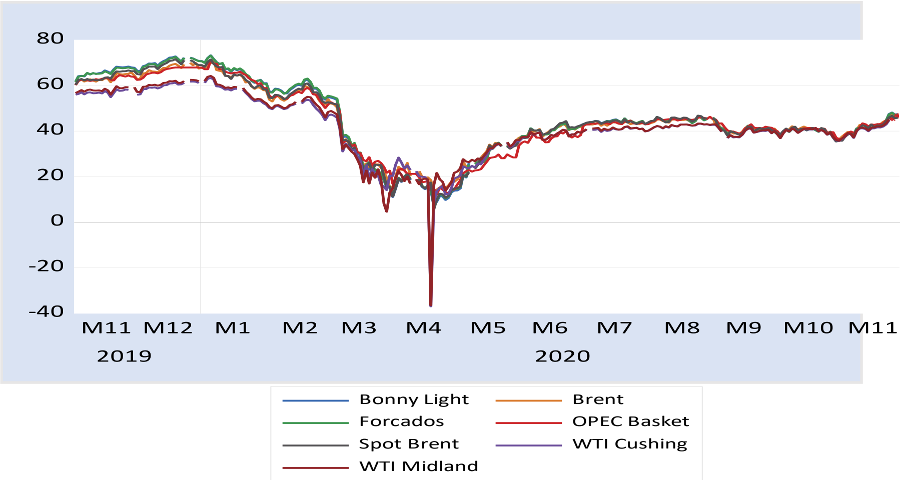


Source: Reuters

1.4 Global Oil Market

The international global crude oil market received a boost, as news of progress in COVID-19 vaccine development brightened prospects for improved global demand. Oil prices rose to the highest level since March 2020, as the news of COVID-19 vaccine developments paved the way for a more sustained recovery in oil demand (Figure 4).

Figure 4: Global Crude Oil Prices ($/barrel)



Source: Reuters

Aggregate crude oil production, including Natural Gas Liquids (NGLs) and condensates by the OPEC was 29.97 mbpd in November 2020, representing an increase of 2.9 per cent, compared with 29.12 mbpd in the preceding month. The increase in aggregate OPEC supply was, due, largely, to increase in Libyan crude production as a result of the easing of the initial blockade on oilfields and ports by the Libyan forces. OPEC's crude supply increased by 0.78 mbpd, whereas NGLs increased by 0.07 mbpd in the review month.

World Crude Supply and Demand

Total world crude oil supply and demand in November 2020, recorded an increase of 1.5 per cent and 1.0 per cent, month-on-month to an average of 94.55 mbpd and 97.41 mbpd, compared with 93.12 mbpd and 96.44 mbpd in October 2020, respectively. The increase in world crude oil supply was driven, mainly by, non-OECD supplies which rose by about 1.1 mbpd, while the increase in global demand was also driven, mainly by 0.85 mbpd rise in demand from non-OECD countries, following strengthening fuel demand by Asian countries, particularly China and India. Demand from OECD countries increased by 0.12 mbpd in November 2020. Following the re-imposition of lockdown measures across Europe aimed at slowing down the spread of COVID-19 virus, which had dampened demand outlook, the OPEC+ considered an extension of the production cuts for three months to support the stability of the oil market. However, Libya's current production of 1.25 mbpd could pose a challenge to

OPEC+ rebalancing efforts, considering that Libya was exempted from the cuts, and at the time the new OPEC+ pact was agreed, it was producing less than 100,000 bpd, due to the blockade by Libyan Eastern forces. The determination of Libya's National Oil Company to stabilize production at 1.7 mbpd before joining the OPEC+ quota agreement has generated concern for the oil market and for the Group. The OPEC+ coalition was expected to discuss and decide on whether to extend current production cut or taper it during the next meetings between November 30 and December 3, 2020.

Despite the positive news on the success rate of vaccines for COVID-19 which provided the much-needed support for the market, there were still several factors that prevailed in the oil market which could hamper the demand recovery and impose excess supply situation in the global crude oil market. Such factors include renewed lockdown measures across Europe targeted to slow down the COVID-19 pandemic, which continued to pose significant threats to demand recovery. Similarly, a ramp-up of Libyan output to about 1.25 mbpd, along with an increase in the US rig count pose a supply-side constraint to the envisaged stability in the crude oil market.

2.0. DOMESTIC ECONOMIC DEVELOPMENTS

2.1. THE REAL SECTOR

2.1.1. Economic and Business Activities

Economic and Business Activities

Economic activities in November 2020 continued to gain momentum, following increased production by firms, with strengthening consumer demand. Nevertheless, the performance of the economy still reflected the lagged effects of the COVID-19 pandemic containment measures, which gave rise to persisting inflationary pressures, high uncertainties in crude oil price and production, as well as high uncertainty in business expectations. Consequently, the Gross Domestic Product (GDP) in 2020Q3 contracted for the second consecutive time, plunging the economy officially into a recession. The economy was characterized by fragile business conditions, despite the growth recorded by more sectors relative to the previous quarter. The increase in pump price of PMS and electricity tariff hike, during the period, impacted negatively on consumers' welfare thus; aggravating inflationary pressures, reducing consumers' purchasing power, and worsening uncertainty in the business climate. Meanwhile, the decrease in private and foreign investments exacerbated, due to the persisting uncertainty, thus dampening recovery prospects for businesses and corporates.

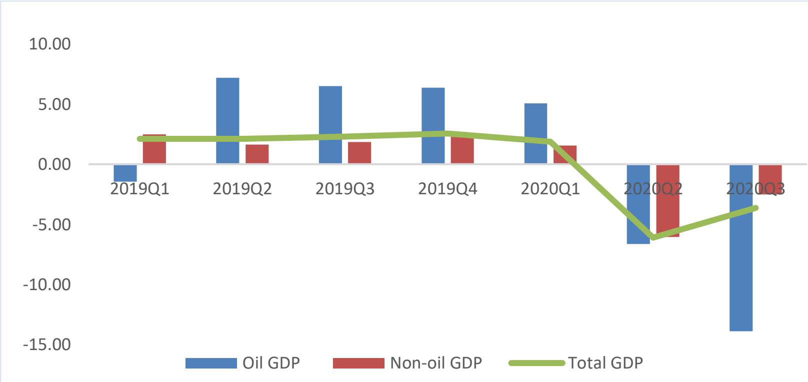
Domestic Output and Economic Activities

Data released by the National Bureau of Statistics (NBS) showed that real GDP in 2020Q3 contracted by 3.62 per cent (year-on-year), compared with the contraction of 6.10 per cent recorded in 2020Q2 (Figure 5). The performance, though negative, indicated an improvement, relative to the previous quarter, as the number of sectors that recorded growth in 2020Q3 increased to 17, from the 13 recorded in 2020Q2. However, following two consecutive contractions, the economy was officially in a recession in 2020Q3. The continued underperformance of the economy was due, mainly, to the COVID-19 pandemic containment measures, which led to a slump in demand and price of crude oil, dampened aggregate demand, persistent inflationary pressure and decline in household welfare.

On a year-on-year basis, Non-oil GDP contracted by 2.51 per cent, compared with 6.05 per cent contraction in 2020Q2. The slight improvement in the performance of the non-oil sector was due, mainly, to the easing of movement restrictions, which aided business activities. Growth in the sector was driven, largely, by: telecommunications and information services (1.60 per cent); crop production (0.37 per cent); food, beverage, and tobacco (0.22 per cent); financial institutions (0.15 per cent) and construction (0.09 per cent).

The performance of the oil sector weighed down growth outcomes in 2020Q3, as it contracted by 13.89 per cent, compared with the contraction of 6.63 per cent recorded in the previous quarter. This was due to the slump in crude oil price and decrease in production activities within the sector.

Figure 5: Real GDP Growth rates, 2019Q1-2020Q3 (Per cent)



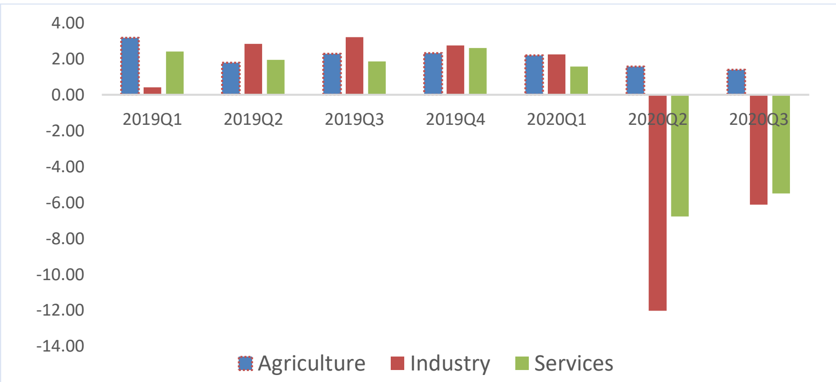
Source: National Bureau of Statistics (NBS)

Sectoral Developments

Industry and Services sectors contracted in 2020Q3, though with modest improvements, compared with the preceding quarter. However, the agricultural sector remained resilient, as it maintained a positive trajectory, albeit with a lower performance relative to 2020Q2. The performance of the agricultural sector reflected the continued intervention in the sector by the CBN.

The Agricultural sector contributed the most (0.41 per cent) to the slight improvement in overall output growth in 2020Q3, with a growth rate of 1.39 per cent (year-on-year), compared with 1.58 per cent in the preceding quarter (Figure 6). All the agriculture subsectors recorded growths, except the fishing subsector that contracted by 2.07 per cent.

Figure 6: Sectoral Performance of Real GDP, 2019Q1-2020Q3 (Per cent)

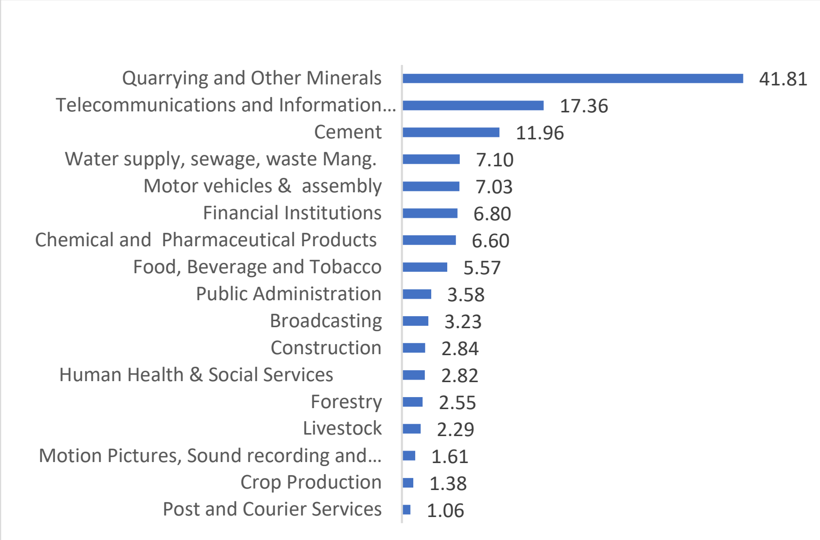


Source: National Bureau of Statistics (NBS)

The services sector contracted by 5.49 per cent (year-on-year), showing signs of recovery from the contraction of 6.78 per cent in 2020Q2. The sector, having been directly affected by the restrictions on movement, began to recover as the restrictions were gradually lifted and businesses and other economic activities resumed. Most of the subsectors recorded contractions, except telecommunications & information services; financial institutions; public administration; broadcasting; human health & social services; motion pictures, sound recording & music production; and post and courier services, which recorded growths of 17.36 per cent, 6.80 per cent, 3.58 per cent, 3.23 per cent, 2.82 per cent, 1.61 per cent and 1.06 per cent, respectively. The overall performance of the services sector also reflected the resumption of domestic and international air travels, after a more than four-month hiatus in the aviation industry. Following these developments, the human health & social services subsector witnessed increased activities on account of efforts to support the health sector in coping with the COVID-19 pandemic. The post and courier services subsector recorded growth relative to the previous quarter, also owing to the easing of restrictions on movement in the period.

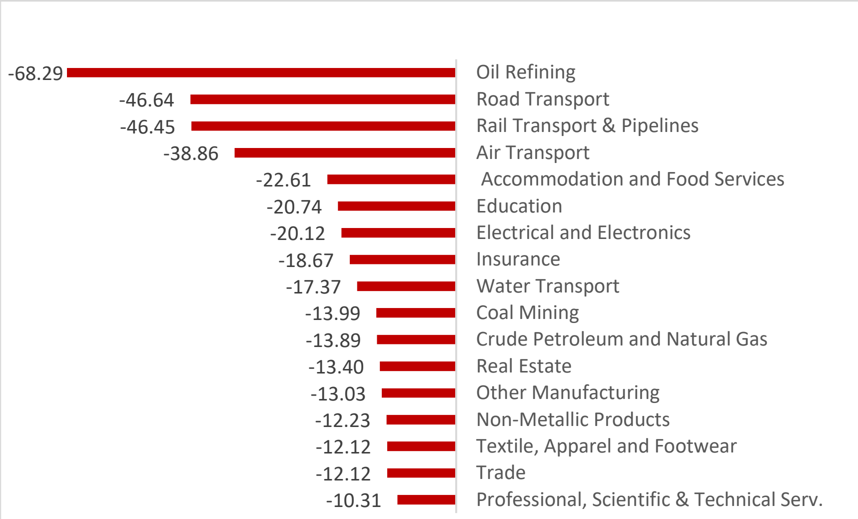
The performance of the industrial sector followed a similar trend with that of the services sector as it also contracted by 6.12 per cent, compared with a contraction of 12.05 per cent in 2020Q2. Though contracted, its performance represented an improvement relative to 2020Q2. Thus, some of the industry subsectors recorded significant growth rates, including: quarrying and other minerals (41.81 per cent); cement (11.96 per cent); water supply, sewage and waste management (7.03 per cent); motor vehicles & assembly (7.10 per cent); chemical and pharmaceutical products (6.60 per cent); food, beverage, and tobacco (5.57 per cent); and construction (2.84 per cent) recorded growth. Crude petroleum & natural gas and coal mining subsectors contracted, compared with their levels in 2020Q2. A graphical view of the performance of the various activity sectors is presented in Figures 7 and 8.

Figure 7: Top 17 Sectors with Fastest Growth in 2020Q3 (Per cent)



Source: National Bureau of Statistics

Figure 8: Top 17 Sectors with Least Growth in 2020Q3 (Per cent)



Source: National Bureau of Statistics

2.1.2 Industrial Sector Activities

Purchasing Managers' Index

The slight improvement in the performance of the economy was reflected in the composite manufacturing and non-manufacturing Purchasing Managers' Index (PMI) for November 2020. The manufacturing PMI expanded for the first time since May 2020 to 50.2 index point above the 49.4 index point level recorded in October 2020 (Table 4). The expansion in the manufacturing PMI was due to the gradual recovery by firms from the effect of the lockdown restrictions, which disrupted the supply chain. Expansion was recorded in (8) subsectors, namely: cement; transportation equipment; non-metallic mineral products; furniture & related products; plastic & rubber products; food, beverage & tobacco products; printing & related support activities; and textile, apparel, leather & footwear. The growth in the subsectors, were attributed to increased consumer demand, as the end-of-year festive period approached.

Equally, the non-manufacturing composite PMI for November 2020 rose to 47.6 index point, compared with 46.8 index point recorded in October 2020. Growth was observed in agriculture, transportation and warehousing, healthcare, and social assistance.

Table 4: Manufacturing and Non-Manufacturing Sector Purchasing Managers' Index for November 2020

Components	20-Oct	20-Nov
A. Composite Manufacturing PMI	**49.4**	**50.2**
Production Level	*50.0*	*51.7*
New Orders	*51.2*	*50.5*
Supplier Delivery Time	*51.8*	*51.8*
Employment Level	*46.0*	*52.2*
Raw Material Inventory	*46.2*	*47.3*
B. Composite Non-Manufacturing PMI	**46.8**	**47.6**
Business Activity	*48.7*	*50.5*
New Orders	*47.8*	*46.9*
Employment Level	*44.2*	*46.7*
Inventory	*46.3*	*46.1*

Source: Statistics Department, Central Bank of Nigeria

New orders

Increased consumer demand led to growth in new orders and production level. New orders for the manufacturing subsector witnessed a marginal expansion, with seven subsectors recording increases. The index stood at 50.5 point, compared with 51.2 index point recorded in the preceding month. Similarly, new orders for the non-manufacturing subsector, which stood at 46.9 index points, compared with 47.8 point recorded in October 2020. This was due to the decline in the new orders for most of the subsectors, except for: electricity, gas, steam, and air conditioning supply; management of companies; and transportation and warehousing, which witnessed a growth.

Inventories

The developments in new orders and production level, led to a slight improvement in raw material inventory. The level of inventory stood at 47.3 index point in November, from 46.2 point recorded in the preceding month. Improvement in supplier's delivery time and access to raw materials also prompted the increase in new order. However, inventory for the non-manufacturing sector was 46.1 index point compared with 46.3 index point in the preceding month, following a slower pace of recovery in business activities.

Employment

Employment level improved modestly during the review period. Firms ramped up their operations to meet up with the rising consumer demand. Subsequently, employment level for the manufacturing sub-sector witnessed expansion, which stood at 52.2 index point, compared with the level of 46.2 index point in October 2020. Also, employment level for the non-manufacturing sector was 46.7 index point, compared with 44.2 point in the preceding month.

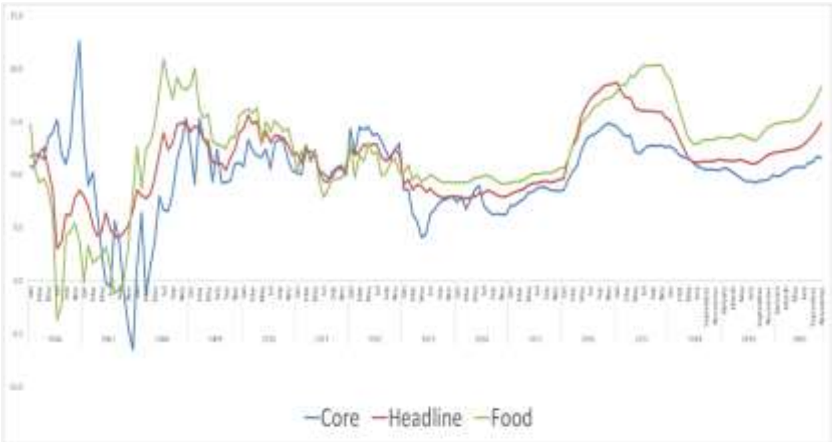
2.1.3 Consumer Prices

Despite the harvest season, inflationary pressures continued during the review period, spurred by persistent demand and supply shocks. Supply shocks were driven by food supply shortages, owing to: the lingering impact of the #EndSARS protests on food delivery chain; flooding in some food growing regions of the country; and persisting security challenges. Increased demand for food items in preparation for the end-of-year festivities also aggravated demand shocks during the period.

Headline Inflation

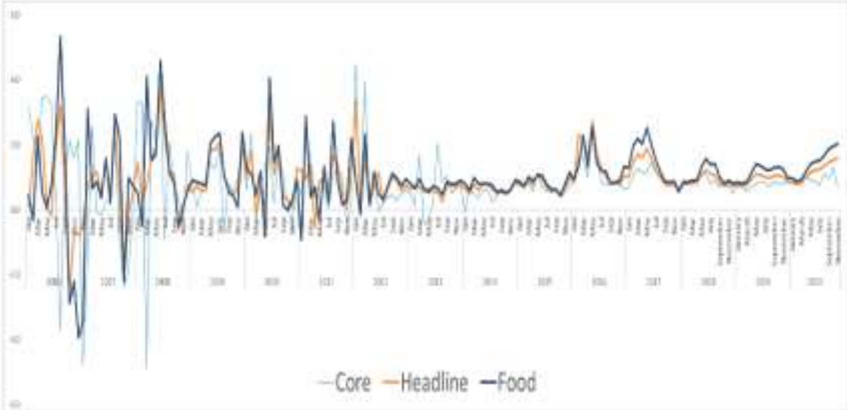
Consequently, headline inflation for November 2020 rose to 14.89 per cent (year-on-year) from 14.23 per cent in the previous month and 11.85 per cent in the corresponding month of 2019. (Figure 9). The rise in headline inflation was attributed, mainly, to the persistent increase in prices of the food component of the CPI basket.

Figure 9: Headline, Food and Core Inflation(Year-on-Year) in Per cent



Source: National Bureau of Statistics (NBS)

Figure 10: Headline, Food and Core Inflation (Month-on-Month) in Per cent



Source: National Bureau of Statistics (NBS)

Food Inflation

Food inflation, which has higher weight in the CPI basket, continued to rise at a faster pace. Consequently, the year-on-year food inflation in November 2020, rose to 18.30 per cent from 17.38 per cent in the previous month. On a month-on-month basis, the food index rose by 2.04 per cent, compared with 1.96 per cent in October 2020 (Figure 10). The rise in the food index was caused by increases in prices of bread and cereals, potatoes, yam and other tubers, meat, fish, fruits, vegetables and oils and fats.

Core Inflation

However, core inflation on a year-on-year basis, decreased to 11.05 per cent in the review period, falling by 0.09 percentage point, when compared with the previous month's rate of 11.14 per cent. On a month-on-month basis, core inflation declined by 0.71 per cent, which is lower than the decline of 1.25 per cent in the previous month, although there were price increases in medical services, hospital services, pharmaceutical products, motor cars, vehicle spare parts, maintenance/repair of personal transport equipment, repair of furniture and paramedical services. The increases were moderated by improvement in the availability of goods and services, following increased economic activities and the strengthening of supply chain activities after the #*EndSARS* protests.

2.1.4 Social and Other Economic Developments

Health

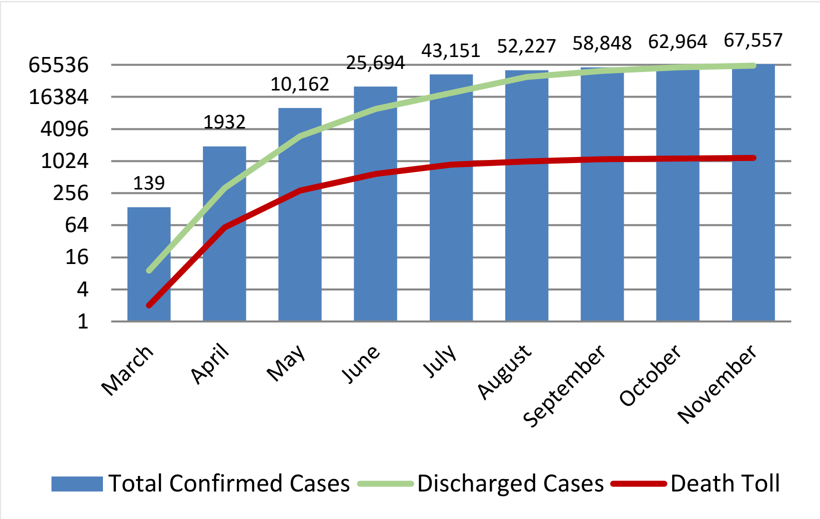
As of November 30, 2020, the number of confirmed COVID-19 cases increased by 7.3 per cent to 67,557 from 62,964 recorded at end-October 2020. Following the increasing daily record of new cases, the pandemic continued to affect not only the health sector, but also household livelihood, relative consumption distribution and employment levels. According to NBS[2], the share of employed

[2] COVID-19 National Longitudinal Phone Survey (NLPS) Impact Monitoring, Round 5, September 2020

Nigerians aged 15-64 fell slightly lower than before the crisis, at 71.0 per cent in September 2020, compared with 77.0 per cent in July/ August 2018[3]. This appeared to have worsened household welfare and overall socio-economic development. The report further revealed that the share of people who were currently working fell across the consumption distribution, with a relatively larger decline for individuals in the lowest consumption segment. To cope with declining welfare, the share of working Nigerians engaged in commercial activities rose from 18.0 per cent in July/August 2018 to 26.0 per cent in September 2020, while the overall share of working Nigerians engaged in agriculture remained relatively unchanged at 48.0 per cent between July/ August 2018 and September 2020.

Public health experts warned that Nigeria faced the risk of a possible second wave, due to the high volume of human traffic between Nigeria; and Europe and America, and weak compliance with COVID-19 containment guidelines. The number of active cases increased to 3,102 from 3,028, while recorded fatalities rose to 1,173 from 1,143 in the previous month (Figure 11).

Figure 11: Nigeria's Covid-19 Statistics4



Source: Nigeria Centre for Disease Control (NCDC)

The health sector received support in the fight against the deadly tuberculosis (TB) disease, as the Global Fund announced a three-year grant of US$143 million to Nigeria starting from 2021. The grant was

[3] Households were drawn from the sample of households interviewed in 2018/2019 for the General Household Survey—Panel (GHSPanel). The extensive information collected in the GHSPanel just over a year prior to the pandemic provides a rich set of background information on COVID-19 NLPS households, which can be leveraged to assess the differential impacts of the pandemic in the country.

[4] Covid-19 data as of November 30, 2020

expected to enable the procurement of drugs, enhance access to testing across the country, and empower health workers at the community level to effectively respond and contain the disease.

Furthermore, the Federal Government launched the 'Group, Individual, and Family Social Health Insurance Programme (GIFSHIP)' to improve the quality of human capital and access to affordable health care. The programme is expected to enable individuals, families and groups across different income groups to access universal health care at reduced costs, while boosting healthcare penetration towards the attainment of Universal Health Coverage.

Transportation

On November 2, 2020, the aviation industry received a boost with the announcement of FGN's approval of a ₦5.0 billion bailout fund for airline operators and other business owners in the subsector, to cushion the effects of the COVID-19 pandemic on the country's aviation industry. Accordingly, out of the ₦5.0 billion bailout fund, ₦4.0 billion was designated for domestic airlines operators and ₦1.0 billion, for other business owners within the subsector. This was expected to further help operators in the industry recover losses incurred.

Social Interventions

In October 2020, the Federal Government initiated a Special Grant Project for Rural Women with a target of empowering over 700,000 women with a grant of ₦20,000 each to cushion the effects of the COVID-19 pandemic on rural households. Consequently, the disbursement of the grant commenced with disbursement to over 150,000 poor rural women across the 36 states of the Federation and the Federal Capital Territory. The grant was expected to increase beneficiaries' access to the financial capital required for economic activities in targeted areas, and contribute towards improving living standards by providing opportunity for the beneficiaries to increase income levels and enhance food security.

In addition, the Federal Government, through the Ministry of Youth and Sports Development, launched the Digital Skill Acquisition, Employability, Entrepreneurship, and Leadership (DEEL) initiative to boost youth development and reduce youth unemployment in the country. Eligible youths were to be trained on Digital literacy and Digital Skills Acquisition, Robotics and Artificial intelligence, mobile device repairs, and program on coding. The initiative was aimed at training between 500,000- 1,000,000 youths in the next two years.

Education

Tertiary education received a boost with the approval of a ₦12.0 billion-research grant for 12 Nigerian universities[5] by the Tertiary

[5] University of Abuja (UNIABUJA); University of Benin (UNIBEN); University of Ibadan (UI); University of Maiduguri (UNIMAD); Bayero University, Kano (BUK); Nnamdi Azikiwe University (UNIZIK); University of Uyo (UNIUYO); Micheal Okpara University of Agriculture, Umudike (MOUAU); University of Jos (UNIJOS); University of Lagos

Education Trust Fund (TETFund). The research grant was intended to support the selected universities to undertake research and development programmes in strategic and targeted areas, involving multi-disciplinary studies, while improving human capital through expertise development in global competitive research. Some identified areas of research include: food security; arid zone development; agricultural and engineering translational studies; aquaculture, biodiversity conservation; as well as eco-system management. The outcome of the research findings was expected to deepen prospects for sustained economic growth in the country.

2.1.5 Commodity Market Developments

Agricultural Commodity Prices

Provisional data showed that the All-commodities price index (in US$ terms, 2010=100) stood at 90.23 index point in November 2020, compared with the 91.13 index point in the previous month. This indicated a decrease in the overall price basket, which was due to the 7.76 per cent and 5.23 per cent drop in the price indices of rubber and wheat, respectively. However, of the nine export commodities monitored, the prices of five increased during the month, as follows: cotton (5.23 per cent), coffee (4.78 per cent); groundnut (4.27 per cent; cocoa (3.49 per cent); and palm oil (0.30 per cent) (Table 5). The lingering effects of the COVID-19 pandemic and speculations of a second wave continued to disrupt supply chains and dampen food availability, consequently resulting to spikes in prices.

Furthermore, tension among cocoa-producing countries contributed to the price increase in cocoa. On the other hand, the drop in global production, and China's strong buying led to the price uptick for crude palm oil. Other factors included declines in palm oil production, which dropped by 5.5 per cent and 4.0 per cent in Indonesia and Malaysia, respectively, during the first nine months of 2020 (Index Mundi).

(UNILAG); Abubakar Tafawa Balewa University (ATBU) and Uthman Danfodio University, Sokoto (UDUS).

Table 5: Agricultural Export Commodities for November 2020

Average World Prices of Nigeria's Major Agricultural Export Commodities for November 2020 (in US dollars; 2010 = 100)

Commodity	Nov-19	Oct-20	Nov-20	% Change (1) & (3)	% Change (2) & (3)
	(1)	(2)	(3)	(4)	(5)
All Commodities	85.30	91.13	90.23	5.78	-0.99
Cocoa($/kg)	*2.52*	*2.29*	*2.37*	*-5.95*	*3.49*
Cotton($/kg)	*1.65*	*1.53*	*1.61*	*-2.42*	*5.23*
Coffee($/kg)	*3.11*	*3.35*	*3.51*	*12.86*	*4.78*
Wheat($/mt)	*223.5*	*245.2*	*232.4*	*3.98*	*-5.22*
Rubber($/kg)	*1.54*	*2.19*	*2.02*	*31.17*	*-7.76*
Groundnut($/mt)	*1388.5*	*1532.7*	*1598.19*	*15.10*	*4.27*
Palm Oil($/mt)	*685.41*	*819.3*	*821.75*	*19.89*	*0.30*
Soya Bean($/mt)	*375.5*	*454.3*	*438.83*	*16.87*	*-3.41*
Sorghum($/mt)	*161.9*	*177.8*	*175.58*	*8.45*	*-1.25*

Source: Staff estimates based on World Bank Commodity Price Data

Domestic Food Prices

The prices of all domestic commodities monitored in November 2020 recorded increases, ranging from 0.2 per cent for Agric eggs to 4.6 per cent for Garri white sold loose (Table 6). The development was attributed to several reasons, including the increased market demand, following the preparation for the end of year festivities, flooding, insecurity in key producing areas, and the hike in Premium Motor Spirit (PMS) pump price and electricity tariff. Other factors were the aftermath of the '#EndSARS' protests, which resulted in the looting of agricultural commodities in some warehouses, unhealthy price-fixing by middlemen, and the sustained border protection policy that added pressure on the short market supply.

Table 6: Domestic Prices of Selected Agricultural Commodities in November 2020

Food Item	Unit	Nov-19	Oct-20	Nov-20	% Change	% Change
		1	2	3	(1) & (3)	(2) & (3)
Agric eggs (medium size price of one)	1kg	*463.91*	*481.35*	*482.32*	*4.0*	*0.2*
Beans brown, sold loose	'	*307.30*	*315.06*	*326.14*	*6.1*	*3.5*
Beans: white black eye. sold loose	"	*284.65*	*288.23*	*297.31*	*4.4*	*3.2*
Garri white, sold loose	"	*160.06*	*239.52*	*250.52*	*56.5*	*4.6*
Garri yellow, sold loose	"	*181.32*	*267.08*	*276.94*	*52.7*	*3.7*
Groundnut oil: 1 bottle, specify bottle	"	*580.03*	*635.62*	*644.71*	*11.2*	*1.4*
Irish potato	"	*289.23*	*305.32*	*305.46*	*5.6*	*0.0*
Maize grain white sold loose	"	*149.63*	*199.46*	*208.42*	*39.3*	*4.5*
Maize grain yellow sold loose	"	*151.65*	*204.29*	*213.26*	*40.6*	*4.4*
Palm oil: 1 bottle, specify bottle	"	*466.93*	*245.67*	*520.21*	*11.4*	*2.6*
Rice agric sold loose	"	*384.04*	*507.21*	*437.40*	*13.9*	*1.7*
Rice local sold loose	"	*344.01*	*244.90*	*406.26*	*18.1*	*2.6*
Rice Medium Grained	"	*378.50*	*237.20*	*433.92*	*14.6*	*2.0*
Rice, imported high quality sold loose	"	*445.45*	*430.01*	*533.91*	*19.9*	*2.5*
Sweet potato	"	*146.58*	*395.88*	*164.99*	*12.6*	*1.4*
Tomato	"	*251.21*	*425.57*	*287.65*	*14.5*	*0.6*
Vegetable oil:1 bottle, specify bottle	"	*512.53*	*520.93*	*602.40*	*17.5*	*1.9*
Wheat flour: pre-packaged (golden penny 2kg)	"	*673.48*	*162.70*	*741.95*	*10.2*	*1.1*
Yam tuber	"	*203.20*	*285.94*	*244.25*	*20.2*	*0.9*

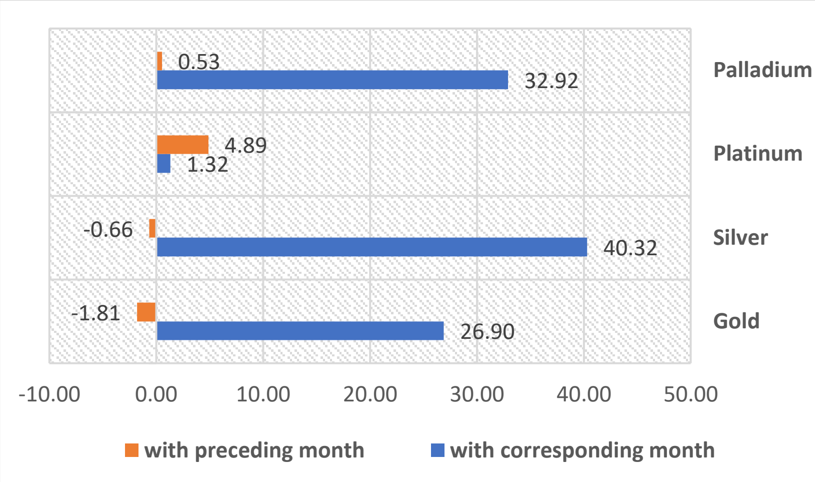
Source*:* Staff estimates based on data from the National Bureau of Statistics

Mineral Commodities

Available data from Reuters indicated an increase in the average spot prices of platinum and palladium, while prices of gold and silver declined in November 2020.

On a month-on-month basis, the prices of gold and silver recorded losses of 1.8 per cent and 0.7 per cent, respectively, trading at US$1,865.45 and US$24.05 per ounce, compared with US$1,899.76 and US$24.21 per ounce in October 2020. However, the prices of platinum and palladium recorded average gains of 4.9 per cent and 0.5 per cent, respectively, in November 2020 (Figure 12). Investors' optimism amid news of the success rates of COVID-19 vaccines and the rising real yield of US treasury, have provoked more risk taking in financial markets. This optimism proved detrimental for some safe-haven assets. Unlike gold and silver, however, platinum and palladium posted increased prices. These commodities have additional uses, such as in automobiles, batteries, electronics, and solar panels industries; thus, benefitting from renewed economic optimism.

Figure 12: Price Changes in Selected Metals (Per cent) for November 2020



Source: Reuters

A major factor supporting platinum and palladium is the robust Chinese demand amid the shutdown of mines in South Africa, coupled with tightening short-term supply of these metals. The sharp rebound in China's economy underpinned much of the recent rally in the prices of industrial metals. However, a reversal of safe-haven flows from the announcement of a vaccine, was the main factor driving the decline in the prices of gold and silver. The risk on sentiment took away attention from safe-haven assets and brought more demand into equities.

2.1.6 Development Financing

Development Financing

The Bank continued with its intervention schemes in the economy to enhance credit delivery, bolster productivity and growth, as well as to cushion the effect of the prevailing demand and supply shocks.

The drive to ease access to credit is yielding the desired results, as the volume and amount of loans disbursed to households increased. Also, disbursements by NIRSAL Microfinance Bank (NMFB) to Small and Medium Enterprises (SMEs) increased in both amount and number of loans.

Total disbursement to households stood at ₦44.62 billion as at November 12, 2020, compared with ₦35.43 billion at July 1, 2020 in response to the increased demand for investable funds by households to combat the impact of COVID-19 pandemic. Similarly, total disbursement to SMEs stood at ₦30.90 billion as at 12th November 2020, compared with ₦11.40 billion at 1st July 2020 in response to the increased demand for investable funds by businesses to increase output and cushion the impact of COVID-19 pandemic.

Table 7: Volume and Amount of Loans Disbursed by NMFB for November 2020

Period	July 2020	November 2020	Remarks
NMFB Loans to Households	84,265 (₦35.51b) **Approved** 81,602 (₦35.43b) **Disbursed** **(July 1, 2020)**	108,533 (₦46.37b) **Approved** 103,428 (₦44.62b) **Disbursed** **(November 12, 2020)**	Increased
NMFB Loans to SMEs	11,150 (₦18.37b **Approved** 7,701 (₦11.3998b) **Disbursed** **(July 1, 2020)**	21,640 (₦34.85b) **Approved** 18,414 (₦30.90b) **Disbursed** **(November 12, 2020)**	Increased

Source: Research Department using data from NMFB

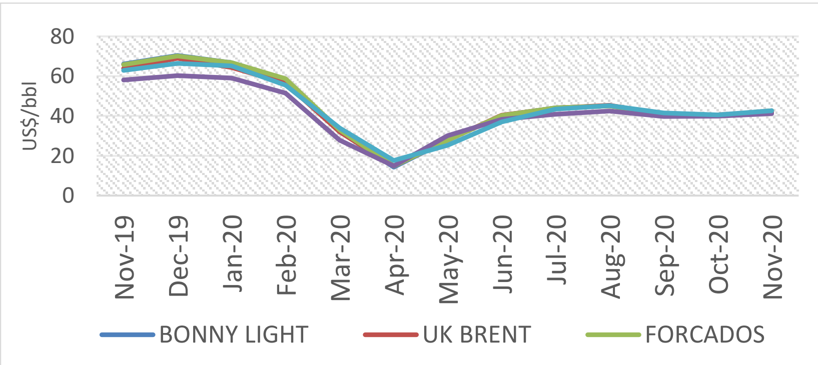
2.1.7 Developments in the Energy Market

Spot Oil Prices

Spot crude oil prices rose slightly in November 2020 with announcements of a near-term release of successful COVID-19 vaccines, as well as prospects of an extension of the OPEC+ output cuts.

The average spot price of Nigeria's reference crude, the Bonny Light (32.9° API), rose to US$42.70 per barrel (pb) in November 2020, compared with US$39.74 pb in the previous month. However, the price represented a decline, compared with the US$61.09 pb in the corresponding period of 2019. In addition, the UK Brent at US$42.02 pb, Forcados at US$42.70 pb, WTI at US$41.50 pb and OPEC basket of thirteen selected crude streams at US$42.61 pb, exhibited similar trends as the Bonny Light (Figure 13).

Figure 13: Trends in Crude Oil Prices



Source: Thomson Reuters

Despite the positive news that provided the much-needed support for the market, including the success rate of vaccines for COVID-19, there were still several factors which could hamper the demand recovery and worsen the excess supply situation in the global crude oil market. These included the re-imposition of lockdown measures across Europe targeted to slow COVID-19 infection rates; a ramp-up of Libyan output to about 1.25 million barrels per day (mbpd); and an increase in the US rig count, which posed supply-side constraints to a sustained increase in crude oil benchmark prices.

Domestic Crude Oil Production and Export

Domestic crude oil production and export decreased, month-on-month, due to reduced investment in exploration and production activities, as indicated in the number of active rig count from 10 in October to 7 in November 2020. Nigeria's crude oil production, including Agbami crude grade, recorded a decrease of 0.04 mbpd or 2.6 per cent, month-on-month, to average 1.50 mbpd from 1.54 mbpd in October 2020. Of the 1.50 mbpd, exports accounted for an average of 1.05 mbpd, while allocation for domestic consumption of 0.45 mbpd accounted for the balance in November 2020. The decrease in the crude oil production was due, largely, to reduced investment in exploration and production activities, as gleaned from a decline in active rig count from 10 in October to 7 in November 2020. The rig count is largely a reflection of the level of exploration, development and production activities occurring in the oil and gas sector. Nigeria achieved 99 per cent compliance with the OPEC+ output quota in November, compared to 87 per cent compliance rate in October 2020. Nigeria's export in the period decreased by 3.7 per cent from 1.09 mbpd recorded in the previous month.

2.1.8 Real Sector Outlook

Real Sector Outlook

Growth outlook in the economy is expected to improve as economic activities pick up in the festive period and crude oil prices stabilize. More so, the discovery of a possible COVID-19 vaccine could further bolster business confidence and quell the lingering uncertainty. However, growth would be constrained by a number of factors, including the resurgence of the COVID-19 pandemic already being experienced in several countries; uncertainties regarding the oil price trajectory; persistent inflation and high unemployment levels that continue to weigh down on household purchasing power; infrastructural deficits and insecurity; the lagged effect of disruption in economic activities occasioned by the '#EndSARS' protests; and increase in the pump price of PMS.

2.2 THE FISCAL SECTOR

2.2.1 Federation Account Operations

Summary of FGN Fiscal Operations

At ₦706.47 billion, provisional gross Federally collected revenue in November 2020 contracted by 16.6 per cent and 19.7 per cent, compared with the budget benchmark and the receipt in November 2019 (Table 8). It, however, increased by 7.2 per cent, relative to the preceding month. The increase was attributed to upticks in both oil and non-oil revenue components. Federal Government retained revenue stood at ₦284.76 billion in November 2020, indicating a significant drop of 36.3 per cent, relative to its level in the corresponding period of 2019. Driven by the rise in personnel and overhead costs, provisional aggregate expenditure rose to ₦905.26 billion from ₦738.71 billion in the preceding period. Consequently, estimated fiscal deficit in November expanded to ₦620.49 billion, relative to ₦421.35 billion recorded in October 2020. Total FGN debt outstanding at end-June 2020, was ₦31,008.64 billion; with domestic and external components accounting for 57.6 per cent and 42.4 per cent of the total debt stock, respectively.

Federation Account Operations

At ₦535.07 billion, Federation Account revenue increased, relative to its level in the previous month, but fell below the benchmark of ₦621.12 billion and collections in the corresponding period of 2019, by 13.9 per cent and 21.6 per cent, respectively. Though gross revenue from both oil and non-oil revenue outperformed the previous month, the increased cash call deductions, affected the distributable revenue in November 2020.

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

	Nov-19	Oct-20	Nov-20	Budget
Federation Revenue (Gross)	**879.79**	**659.23**	**706.47**	**846.84**
Oil	**489.08**	**277.54**	**302.41**	**295.39**
Crude Oil & Gas Exports	46.78	12.63	11.59	54.74
PPT & Royalties	303.98	159.85	146.90	102.45
Domestic Crude Oil/Gas Sales	127.07	96.53	135.35	35.55
Others	11.25	8.52	8.57	102.65
Non-oil	**390.70**	**381.69**	**404.07**	**551.45**
Corporate Tax	137.17	87.63	102.35	149.88
Customs & Excise Duties	77.23	83.42	66.39	83.69
Value-Added Tax (VAT)	104.91	141.86	126.46	182.55
Independent Revenue of Fed. Govt.	44.73	61.62	64.01	77.74
Stamp Duty	0.00	0.00	37.67	0.00
*Others**	26.67	7.17	7.18	57.59
Total Deductions/Transfers*	***207.01***	***199.75***	***251.80***	***225.72***
Federally-Collected Revenue (Net) *Less Deductions & Transfers***	**672.78**	**459.48**	**454.67**	**621.12**
plus:				
Additional Revenue	**9.81**	**156.54**	**80.39**	**0.00**
Excess Crude Revenue	*0.00*	*72.00*	*72.00*	*0.00*
Non-oil Excess Revenue	*8.70*	*45.00*	*1.00*	*0.00*
Exchange Gain	*1.11*	*39.54*	*7.39*	*0.00*
Total Distributed Balance	***682.59***	***616.02***	***535.07***	***621.12***
Federal Government	*295.74*	*255.75*	*220.75*	*239.13*
State Government	*192.70*	*185.65*	*161.83*	*192.98*
Local Government	*144.99*	*138.44*	*120.59*	*142.78*
13% Derivation	*49.16*	*36.19*	*31.90*	*46.22*

Sources: Office of the Accountant General of the Federation (OAGF) and CBN Staff Estimates
Note: * Includes Education Tax, Customs Special Levies (Federation Account), National Technology Development, Customs Special Levies, Solid Mineral & Other Mining revenue, Stamp Duty and other Non-regular earnings; ** Deductions includes cost of revenue collections and Joint Venture Companies (JVC) cash calls; while transfers entails provisions for FGN Independent revenue and other Non-Federation revenue.

The distributable revenue for November 2020 fell by 13.1 per cent, 21.6 per cent and 13.9 per cent relative to its levels in October 2020, November 2019, and the budget benchmark, respectively. Consequently, the allocations to the three tiers of government also declined, relative to these comparable periods (Table 8).

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

	Local Government			State Government		
	Statutory	VAT	Total	Statutory	VAT	Total
Nov-19	*109.74*	*35.25*	*144.99*	*191.50*	*50.36*	*241.86*
Oct-20	*92.27*	*46.17*	*138.44*	*155.87*	*65.96*	*221.83*
Nov-20	*79.42*	*41.16*	*120.59*	*134.92*	*58.81*	*193.73*
Benchmark	**83.59**	**59.19**	**142.78**	**154.64**	**84.56**	**239.20**

Source: Compiled from OAGF figures.

Drivers of Federation revenue

The increase in oil revenue in November 2020 was driven by the upturn in receipts from Domestic Crude/Gas Sales, which was 280.7 per cent and 6.5 per cent above its benchmark and the level in November 2019, respectively, due to increased demand, arising from easing of lockdowns in several countries.

The growth in non-oil revenue in November 2020 increased by 5.9 per cent over the level in October 2020. This was, however, below the budget benchmark. The major driver of the increase in non-oil revenue in November 2020 was the receipt of ₦37.67 billion from stamp duty collections.

2.2.2. Fiscal Operations of the Federal Government

Fiscal Operations of the Federal Government

The fiscal operations of the Federal Government in November 2020 recorded an estimated deficit of ₦620.49 billion, compared with the ₦414.63 billion benchmark and the levels of ₦421.35 billion and ₦274.26 billion recorded in the preceding month and the corresponding period of 2019, respectively (Table 10).

As a result of the decline in retained revenue by 10.3 per cent and an increase in aggregate expenditure by 22.6 per cent (relative to the level in the preceding month), estimated fiscal deficit rose by 49.7 per cent and 47.3 per cent above the 2020 budget benchmark and the level in October 2020, respectively. The rise in fiscal deficit was attributed to the 51.9 per cent increase in recurrent expenditure, owing to the government's quest to stimulate aggregate demand to mitigate the impact of the COVID-19 pandemic.

Table 10: The Fiscal Balance of the FGN (₦' Billion)

	19-Nov	20-Oct	20-Nov	Benchmark
Retained revenue	*447.35*	*317.37*	*284.76*	*486.25*
Aggregate expenditure	*721.61*	*738.71*	*905.26*	*900.88*
Primary balance	*-121.89*	*-280.20*	*-416.36*	*-168.65*
Overall balance	**-274.26**	**-421.35**	**-620.49**	**-414.63**

Source: Compiled from OAGF figures and CBN Staff Estimates
Note: The fiscal numbers are provisional pending the receipt of consolidated data from the Office of the Accountant General of the Federation.

Federal Government Retained Revenue

The revenue profile of the FGN (Table 11), shows that the retained revenue of ₦284.76 billion declined by 41.4 per cent and 36.3 per cent, relative to the benchmark and the level in November 2019, respectively. This was due to a decline in all components, particularly the share of Federation account which declined by 22.3 per cent and 39.8 per cent relative to the benchmark and the level in November 2019, respectively.

Table 11: FGN Retained Revenue (₦' Billion)

	Nov-19	Oct-20	Nov-20	Benchmark Revenue
FGN Retained Revenue	447.35	317.37	284.76	486.25
Federation Account	*276.12*	*161.13*	*166.20*	*213.77*
VAT Pool Account	*15.11*	*19.79*	*17.64*	*25.37*
FGN Independent Revenue	*44.73*	*61.62*	*64.01*	*77.74*
Excess Oil Revenue	*0.0*	*33.00*	*33.00*	*0.00*
Excess Non-Oil	*3.99*	*23.71*	*0.53*	*169.38*
Exchange Gain	*0.52*	*18.12*	*3.39*	*0.00*
*Others**	*106.89*	*0.00*	*0.00*	*228.3*

Sources: OAGF and Staff Estimate
Note: * Others include FGN Special Accounts and Special Levies

Federal Government Expenditure

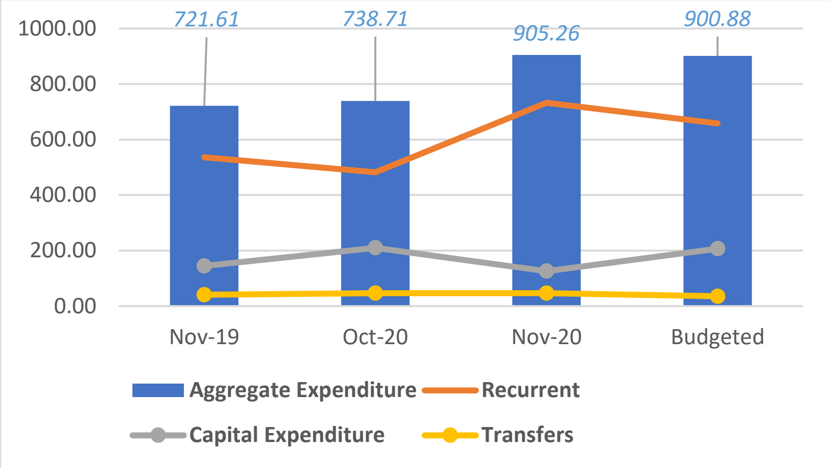
The estimated aggregate expenditure of the Federal Government rose by 22.5 per cent to ₦905.26 billion, from ₦738.71 billion in October 2020 (Table 12 and Figure 14). Releases to MDAs in respect of overhead and personnel costs were the major drivers of the increase in government expenditure during the period. There was 183.3 per cent rise in overhead costs and 18.7 per cent growth in personnel cost, relative to their levels in October 2020. Total expenditure was also above the budget benchmark of ₦900.88 billion by 0.5 per cent (Table 12).

Table 12: Federal Government Expenditure (₦' Billion)

	Nov-19	Oct-20	Nov-20	Budgeted
Aggregate Expenditure	721.61	738.71	905.26	900.88
Recurrent	536.00	482.18	732.60	657.83
of which:				
Personnel Cost	203.76	250.41	297.19	253.87
Pension and Gratuities	29.17	0.00	0.00	44.73
Overhead Cost	126.05	76.58	216.97	84.09
Interest Payments	152.37	141.15	204.13	245.98
Domestic	*107.93*	*100.34*	*163.33*	*178.85*
External	*44.44*	*40.80*	*40.80*	*67.12*
Special Funds	*24.65*	*14.05*	*14.31*	*29.17*
Capital Expenditure	144.80	209.82	125.95	207.38
Transfers	40.81	46.71	46.71	35.67

Sources: Staff Estimates and Compilation from the Fiscal Liquidity Assessment Committee engagements

Figure 14: Federal Government Expenditure (₦' Billion)



Source: CBN Staff Estimates

Given the imperative of financing the persistent and rising fiscal deficits, public debt outstanding remained high. According to the Debt Management Office, total public outstanding debt[6], at end-September 2020, stood at ₦32,222.76 billion or US$84.574 Billion, and increased by 3.9 per cent and 22.9 per cent, relative to the preceeding quarter and the level in September 2019 (Table 13). The increase in debt stock was due to new borrowings to fund COVID-19 responses by both the states and Federal government, and to augment revenue shortfalls. The Federal government accounted for 87.0 per cent of the total public debt stock, while the states and the Federal Capital Territory (FCT) constituted the balance of 13.0 per cent.

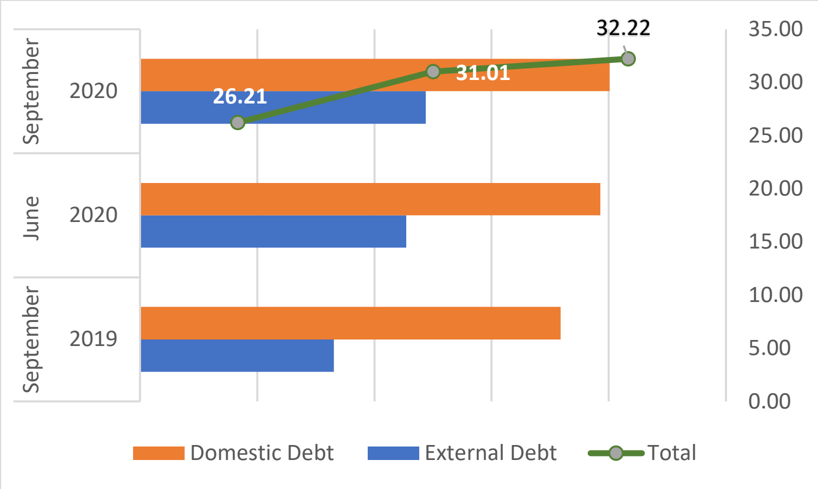
Table 13: Total Public Debt (₦' Billion)

Type	September 2019	June 2020	September 2020
External Debt	**8,271.04**	**11,363.24**	**12,186.35**
Of which:			
FGN	-	9,824.28	12,186.35
States and FCT	-	1,538.96	-
FGN + State	8,271.04		
Domestic Debt	**17,943.94**	**19,645.40**	**20,036.41**
Of Which:			
Federal Government	13,901.55	15,455.70	15,846.23
States and FCT	4,042.39	4,189.70	4,190.18
Total	**26,214.98**	**31,008.64**	**32,222.76**

Source: Compiled from Debt Management Office (DMO)

[6] Including Federal and States' debt obligations.

Figure 15: FGN External and Domestic Debt Composition (₦' Billion)



Source: Compiled from Debt Management Office (DMO)

Domestic and external debts accounted for 56.5 per cent and 43.5 per cent the FGN outstanding debt stock, respectively, compared with the target of 70:30 ratio, projected in the 2020-2023 Debt Management Strategy (DMS).

FGN bond issues dominated domestic debt instruments and accounted for 73.5 per cent of total domestic debt, while Treasury bills, Promissory Notes, FGN Sukkuk and Others[7], accounted for 17.2 per cent, 6.1 per cent, 2.3 per cent, and 0.9 per cent, respectively. The dominance of FGN bond in the domestic debt mix, reflected government's preference for long-term debts. External debt, on the other hand, comprised Multilateral (52.0 per cent), Bilateral (12.5 per cent) and Commercial (35.5 per cent) loans.

Interest payment obligations in the reporting period, amounted to ₦797.41 billion, compared with ₦416.43 billion and ₦752.37 billion in 2020Q2 and 2019Q3. The increase in interest payment was, due, largely, to the maturity of FGN bonds, Eurobonds, and loans from Exim Bank of China.

2.2.3. Fiscal Outlook

Fiscal Outlook

The fiscal outlook has a tinge of gray in view of the recession, the low crude oil price in the international market and expectation of a second wave of COVID-19. However, the series of fiscal and monetary policy interventions are expected to boost both aggregate supply and demand, thereby leading to fast economic recovery.

---

[7] Includes Treasury Bond, 0.6 per cent; Green Bond, 0.2 per cent; and Special FGN Savings Bond, 0.1 per cent.

2.3. THE MONETARY AND FINANCIAL SECTOR

The Nigerian economy continued to be hit hard by the lingering effects of the COVID-19 pandemic and economic headwind from the uncertainty around international crude oil prices and the current state of the economy in recession.

2.3.1. Monetary Developments

The growth in broad money supply improved, on account of the sustained accommodative monetary policy stance, driven, mainly, by the need to enhance credit extension to key sectors of the economy. Claims on the domestic economy grew by 9.5 per cent at end-November 2020, compared with 7.7 per cent at end-October 2020. The growth in domestic claims reflected the 10.5 per cent rise

Growth Over Preceding December (%)	Nov-19	Oct-20	Nov-20
Domestic Claims	**22.6**	**7.7**	**9.3**
Claims on Central Government (Net)	71.5	3.5	6.8
Claims on Other Sectors	12.4	9.3	10.2
Claims on Other Financial Corporatins	8.7	9.7	9.0
Claims on State and Local Government	3.3	6.5	7.3
Claims on Public Non-Financial Corporations	45.5	-6.8	-5.1
Claims on Private Sector	13.9	10.2	11.9
Foreign Assets (Net)	-33.8	30.1	31.6
Other Items (Net)	-33.8	119.9	136.0
Currency Outside Depository Corporations	**-5.4**	**3.8**	**11.5**
Transferable Deposits	-2.9	40.2	45.7
Money Supply (M1)	-3.4	33.3	39.2
Other Deposits	**9.5**	**18.1**	**19.0**
Broad Money Liabilities (M2)	4.4	23.7	26.4
Securities other than shares	**28.4**	**-93.5**	**-98.6**
Broad Money Liabilities (M3)	9.0	3.6	5.0
Memorandum Items:			
Reserve Money (RM)	2.4	69.9	76.4
Currency in Circulation (CIC)	-5.4	2.3	8.9
Liabilities to other Depository Corporations	6.2	96.3	102.8
Growth Over Preceding Month (%)			
Domestic Claims	0.2	0.3	1.5
Claims on Central Government (Net)	-3.3	7.9	3.2
Claims on Other Sectors	1.3	-2.2	0.9
Claims on Other Financial Corporatins	-1.1	-0.7	-0.6
Claims on State and Local Government	3.7	0.7	0.7
Claims on Public Non-Financial Corporations	5.0	-1.4	1.8
Claims on Private Sector	2.2	-3.3	1.5
Foreign Assets (Net)	12.8	2.0	1.2
Other Items (Net)	**-10.4**	**0.7**	**7.3**
Currency Outside Depository Corporations	6.3	4.0	7.5
Transferable Deposits	-1.1	4.8	3.9
Money Supply (M1)	0.1	4.7	4.4
Other Deposits	0.6	0.6	0.7
Total Monetary Liabilities (M2)	2.2	2.2	2.2
Securities other than shares	5.7	-62.2	-78.8
Total Monetary Liabilities (M3)	1.6	0.3	1.3
Memorandum Items:			
Reserve Money (RM)	-1.3	8.6	3.8
Currency in Circulation (CIC)	**7.1**	**3.0**	**6.4**
Liabilities to other Depository Corporations	**-4.5**	**9.8**	**3.3**

Table 14: Money and Credit Aggregates (Growth Rates)

Growth Over Preceding December (%)	Nov-19	Oct-20	Nov-20
Domestic Claims	**22.6**	**7.7**	**9.3**
Claims on Central Government (Net)	71.5	3.5	6.8
Claims on Other Sectors	12.4	9.3	10.2
Claims on Other Financial Corporatins	8.7	9.7	9.0
Claims on State and Local Government	3.3	6.5	7.3
Claims on Public Non-Financial Corporations	45.5	-6.8	-5.1
Claims on Private Sector	13.9	10.2	11.9
Foreign Assets (Net)	-33.8	30.1	31.6
Other Items (Net)	-33.8	119.9	136.0
Currency Outside Depository Corporations	**-5.4**	**3.8**	**11.5**
Transferable Deposits	-2.9	40.2	45.7
Money Supply (M1)	-3.4	33.3	39.2
Other Deposits	**9.5**	**18.1**	**19.0**
Broad Money Liabilities (M2)	4.4	23.7	26.4
Securities other than shares	**28.4**	**-93.5**	**-98.6**
Broad Money Liabilities (M3)	9.0	3.6	5.0
Memorandum Items:			
Reserve Money (RM)	2.4	69.9	76.4
Currency in Circulation (CIC)	-5.4	2.3	8.9
Liabilities to other Depository Corporations	6.2	96.3	102.8
Growth Over Preceding Month (%)			
Domestic Claims	0.2	0.3	1.5
Claims on Central Government (Net)	-3.3	7.9	3.2
Claims on Other Sectors	1.3	-2.2	0.9
Claims on Other Financial Corporatins	-1.1	-0.7	-0.6
Claims on State and Local Government	3.7	0.7	0.7
Claims on Public Non-Financial Corporations	5.0	-1.4	1.8
Claims on Private Sector	2.2	-3.3	1.5
Foreign Assets (Net)	12.8	2.0	1.2
Other Items (Net)	**-10.4**	**0.7**	**7.3**
Currency Outside Depository Corporations	6.3	4.0	7.5
Transferable Deposits	-1.1	4.8	3.9
Money Supply (M1)	0.1	4.7	4.4
Other Deposits	0.6	0.6	0.7
Total Monetary Liabilities (M2)	0.5	2.2	2.2
Securities other than shares	5.7	-62.2	-78.8
Total Monetary Liabilities (M3)	1.6	0.3	1.3
Memorandum Items:			
Reserve Money (RM)	-1.3	8.6	3.8
Currency in Circulation (CIC)	**7.1**	**3.0**	**6.4**
Liabilities to other Depository Corporations	**-4.5**	**9.8**	**3.3**

Source: Central Bank of Nigeria

Expansion in private sector credit was sustained, as the monetary authority continued to take measures to further stimulate economic activities, boost growth and quicken economic recovery. Credit to the private sector grew by 12.3 per cent at end-November 2020, compared with 10.2 per cent in the preceding month. The development was due to an uptick in economic activities, as shown by a rise in PMI to 50.2 index point at end-November 2020, compared with 49.4 index point at end-October 2020. Sectoral credit utilisation by the "'other" sectors of the economy, at ₦19,610.85 billion, rose by 1.7 per cent at end-November 2020, above its level at end-October 2020. A breakdown of the credit showed that the industrial sector increased by 0.1 percentage point to 37.1 per cent of the total disbursement, over the October 2020 level. The services, government, agricultural and construction sectors contributed 38.4 per cent, 8.4 per cent, 4.9 per cent and 4.8 per cent at end-November 2020, respectively, same as in the preceding month. However, the trade and general commerce sector declined by 0.1 percentage point to 6.4 per cent in November 2020 (Table 15).

Sectoral Utilisation of Credit

Table 15: Sectoral Credit Utilization (in per cent)

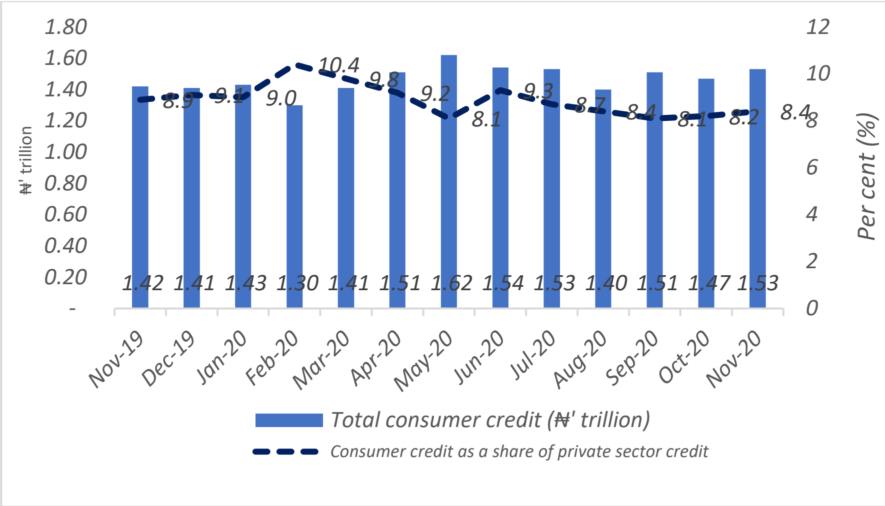
	Dec-19	Aug-20	Sep-20	Oct-20	Nov-20
Agriculture	4.6	4.8	4.8	4.9	4.9
Industry	37.3	37.9	37.2	37.0	37.1
Construction	4.1	4.7	4.9	4.8	4.8
Trade/General Commerce	7.2	6.5	6.5	6.5	6.4
Government	8.8	8.1	8.2	8.4	8.4
Services	37.9	37.9	38.4	38.4	38.4

Source: Central Bank of Nigeria

Consumer Credit

Consumer credit outstanding, at ₦1,529.87 billion in November 2020, rose by 4.3 per cent and 6.8 per cent relative to the level at the end of the preceding period and the corresponding period of 2019, respectively. The ratio of consumer credit to private sector credit increased marginally to 8.4 per cent at end-November 2020, from 8.2 per cent at end-October 2020. The increase in the ratio was due, largely, to the rise in the volume of loans and advances disbursed to businesses and individuals by other depository corporations (Figures 17 and 18).

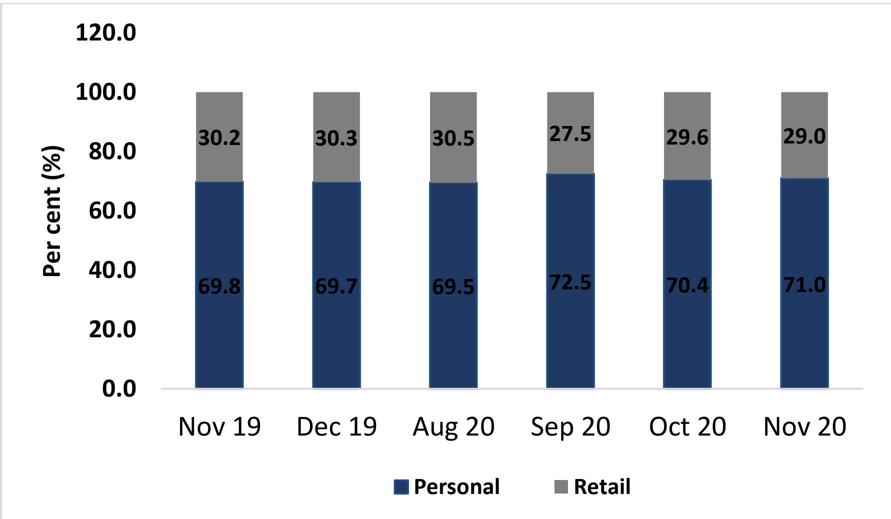
Figure 17: Consumer Credit



Source: Central Bank of Nigeria (CBN)

A breakdown of consumer loans showed that personal loans rose by 0.8 per cent, while retail loans fell by 1.8 per cent at end-November 2020.

Figure 18: Composition of Consumer Credit in Nigeria (per cent)



Source: Central Bank of Nigeria (CBN)

Change in Monetary Liabilities

Bank customers continued to express confidence in the banking system, despite the lingering effects of the COVID-19 pandemic and the recession in the economy. As a result, Depository Corporations' transferable and other deposits grew, due to increased demand, savings, time, and foreign currency deposits by bank customers. However, demand for cash also surged, on account of the increasing need for cash by households for the end of year. Consequently, currency outside depository corporations, rose by 11.6 per cent, causing a slight deterioration in intermediation efficiency, as the ratio of currency outside depository corporations to broad money rose by

0.1 percentage point to 6.2 per cent, above the level at end-October 2020. The increase in transferable deposits of depository corporations and currency outside depository corporations meant that narrow money supply (M_1) expanded by 39.2 per cent at end-November 2020.

Reserve Money

Ample liquidity in the banking system in November 2020 was reflected in the significant growth in total bank reserves, which resulted in an increase in reserve money. Reserve money grew by 76.4 per cent to ₦15,309.55 billion at end-November 2020, compared with the growth of 69.9 per cent at end-October 2020. At ₦12,649.84 billion, liabilities to Other Depository Corporations grew by 102.8 per cent at end-November 2020, relative to the growth of 96.3 per cent at end-October 2020, which led the currency-reserve ratio to increase to 21.0 per cent at end-November 2020 from 20.4 per cent at the end of the preceding month. Currency-in-circulation (CIC) rose by 8.9 per cent to ₦2,659.71 billion at end-November 2020, compared with the 2.3 per cent growth in the preceding month.

2.3.2. Financial Developments

Financial markets globally remained volatile in the review period, as countries continued to grapple with the COVID-19 pandemic and investors braced for the possibility of a second round of lockdown. Although financial markets showed signs of modest recovery and surged shortly after the US elections, financial conditions remained relatively tight. In the domestic economy, the financial sector was generally stable in the review period, despite the economic recession. Asset quality, measured by the ratio of Non-Performing Loans (NPLs) to industry total outstanding loans stood at 5.9 per cent at end-November 2020, a slight deterioration from the 5.7 per cent at end-October 2020 and above the 5.0 per cent prudential threshold. On the other hand, the industry Capital Adequacy Ratio (CAR) at 15.4 per cent, exceeded the regulatory benchmark of 10.0 per cent by 5.4 percentage points at end-November 2020. It, however, fell by 0.1 percentage point, relative to the 15.5 per cent at end-October 2020. At 56.04 per cent, the liquidity ratio, decelerated relative to the preceding month's level, but remained above the 30.0 per cent benchmark.

2.3.2.1 Money Market Developments

Open Market Operations (OMO)

There was sufficient liquidity in the banking system which made financial intermediation relatively more efficient. This led to the decline in the overage of key lending and money market rates in the review period. Repayments of matured CBN bills, Federal Government (FGN) bonds and Nigerian Treasury bills, as well as fiscal disbursements to the three tiers of Government (FAAC) in the banking system were the major sources of the ample liquidity in the banking system in November 2020.

The Bank intervened to moderate liquidity in the banking system through OMO and discount window activities in November 2020. The tenors of the instruments were from 117 to 362 days. Total amount offered, subscribed to and allotted, were ₦230.00 billion, ₦1,287.64 billion and ₦210.90 billion, respectively, with a bid and stop rate of 4.6 per cent apiece. Repayment of matured CBN bills stood at ₦821.75 billion, translating to a net injection of ₦610.85 billion through this medium.

At the Government securities market, NTBs and long-term FGN Bonds were issued at the primary market on behalf of the Debt Management Office (DMO). NTBs of 91-, 182- and 364-day tenors, amounting to ₦318.42 billion, ₦1,049.06 billion and ₦318.42 billion, respectively, were offered, subscribed and allotted. The bid-cover ratio of 3.9 for 91-day, 2.5 for 182-day and 3.4 for 364-day tenor, reflected investors preference for instruments with shorter maturities. The developments were due, mainly, to the recession witnessed in the economy in 2020Q3, amid rising uncertainties and investors sentiments towards fixed income investment. There was no repayment of matured NTBs during the review period.

Primary Market

FGN Bonds of 15- and 25-year tranches were reopened and offered for sale in the review period. Term to maturity of the Bonds were 14 years, 4 months to 24 years, 8 months. Total amount offered, subscribed and allotted, were ₦80.00 billion, ₦184.74 billion and ₦80.00 billion, respectively. The bid and marginal rates on all tenors were 6.1 per cent and 5.4 per cent, respectively.

Standing Facilities Window Operation

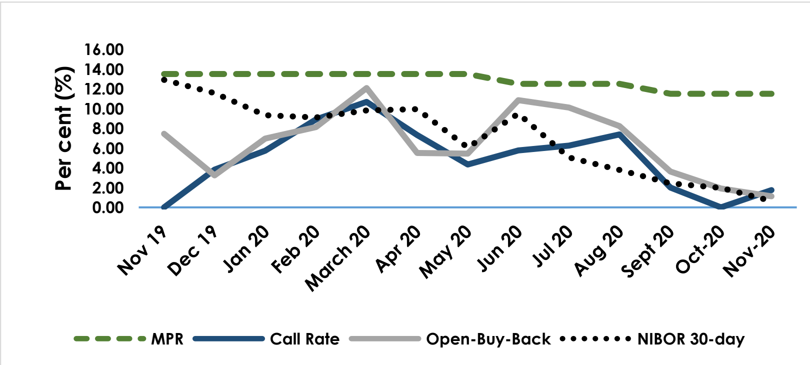
Deposit Money Banks (DMBs) and merchant banks continued to access the standing facilities window to square liquidity positions in November 2020. The trend at the CBN standing facilities window showed more frequency at the Standing Deposit Facility (SDF) window, compared with the Standing Lending Facility (SLF), due to the banking system liquidity surfeit. Applicable rates for the SLF and SDF stood at 12.5 per cent and 4.5 per cent, respectively. Total request for the SLF granted from November 1-26, 2020 was ₦15.95

billion, made up of ₦3.15 billion direct SLF and ₦12.79 billion Intraday Lending Facilities (ILF) converted to overnight repo. Daily average was ₦2.66 billion in 6 transaction days from November 1-26, 2020. Total interest earned was ₦0.09 billion. Total SDF granted, during the review period, was ₦726.98 billion with a daily average of ₦38.26 billion in 19 transaction days from November 1-26, 2020. Daily request ranged from ₦31.30 billion to ₦45.10 billion. Cost incurred on SDF in the month stood at ₦0.12 billion.

Interest Rate Developments

Key interest rates, including prime and maximum lending rates, followed the trend in liquidity conditions in the economy in November 2020. Money market rates were generally stable and moved in tandem with the level of liquidity in the review period. Short-term money market rates traded below the MPR of 11.50 per cent in the review period. Average inter-bank and OBB rates were 1.75 per cent and 1.12 per cent, respectively, in November 2020. Other rates such as, the 7-day, 30-day, and 90-day NIBOR traded at averages of 1.79 per cent, 0.64 per cent and 0.78 per cent, respectively. From their levels in the preceding month, average prime and maximum lending rates rose by 0.29 percentage point and 0.49 percentage point to 11.60 per cent and 28.85 per cent, respectively, in November 2020. Average term-deposit rate also fell by 0.28 percentage point to 3.87 per cent. The spread between the average term-deposit and average maximum lending rates widened by 0.64 percentage point to 25.13 percentage points at end-November 2020. With inflation at 14.89 per cent at end-November 2020, deposits and prime lending rates were negative in real term, while maximum lending rate was positive (Figure 19).

Figure 19: Trend in Interest Rates

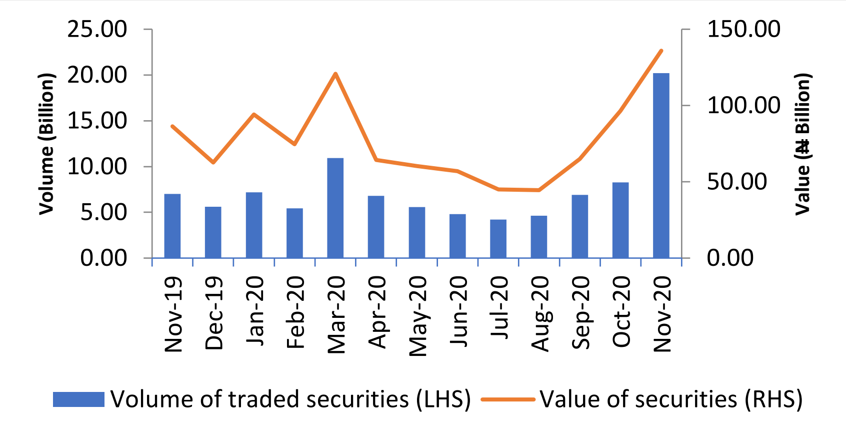


Source: Central Bank of Nigeria (CBN)

2.3.2.1 Capital Market Developments

Despite the recession, capital market activities on the Nigerian Stock Exchange (NSE) remained bullish in November 2020. The sustained momentum was due, mainly, to gains recorded in medium and large capitalised stocks, which impacted positively on the market. Thus, the All-Share Index (ASI) and aggregate market capitalisation rose, relative to their levels in the preceding month. Similarly, turnover volume rose by 134.2 per cent to 20.21 billion shares, while turnover value rose by 39.8 per cent to ₦135.93 billion, in 148,519 deals at end-November 2020, compared with 8.63 billion shares worth ₦101.51 billion, in 106,626 deals at end-October 2020. (Figure 20). There was one new and one supplementary listing in the review period (Table 16).

Figure 20: Volume and Value of Traded Securities



Source: Nigerian Stock Exchange (NSE)

Table 16: Supplementary Listings on the Nigerian Stock Exchange (November 2020)

Organisation	Additional Units	Bond Description	Reasons	Listing
FGN Bonds	22,500,000	12.50% FGN MAR, 2035	Rights Issue	Supplementary
FGN Bonds	27,500,000	9.80% FGN JUL, 2045	Rights Issue	New

Source: Nigerian Stock Exchange (NSE)

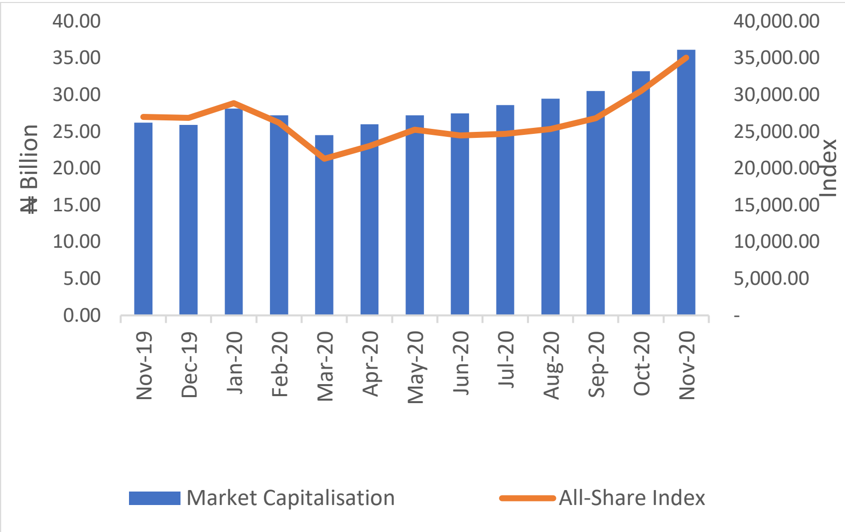
Market Capitalisation

Bargain hunting activity and the new listing of 27,500,000 units of bonds (9.80% FGN Jul 2045) largely drove the increase in market capitalisation in the review month. The aggregate market capitalisation rose by 8.8 per cent to ₦36.13 trillion during the review period, compared with ₦33.20 trillion at the end of the preceding month. The equities market capitalisation also increased by 14.7 per cent to ₦18.32 trillion and constituted 50.7 per cent of the aggregate market capitalisation, compared with ₦15.97 trillion and 48.1 per cent at the end of the preceding month.

NSE All-Share Index

The news of a COVID-19 vaccine developed by Pfizer-BioNTech, as well as ease in contraction of the growth rate of GDP in the third quarter of 2020 spurred a positive momentum that appreciated the ASI in the review month. Consequently, the ASI, which opened at 30,479.39 at the beginning of the month, rose by 15.0 per cent to 35,042.14 at end-November 2020 (Figure 21). All sectoral indices trended upwards, except for the NSE-AseM index, which closed flat at 728.51. The NSE-Consumer Goods, NSE-Banking, NSE-Pension, NSE Premium, NSE Lotus, NSE-Industrial, NSE-Oil and Gas, and NSE-Insurance indices rose by 6.7 per cent, 8.4 per cent, 10.1 per cent, 15.8 per cent, 13.9 per cent, 24.8 per cent, 0.6 per cent and 7.1 per cent to close at 582.41, 404.01, 1,360.65, 3,128.88, 2,490.00, 1,657.23, 216.59 and 115.41, respectively, at end-November 2020

Figure 21: Market Capitalisation and All-Share Index



Source: Nigerian Stock Exchange (NSE)

2.4 THE EXTERNAL SECTOR

2.4.1 External Trade and Capital Flows

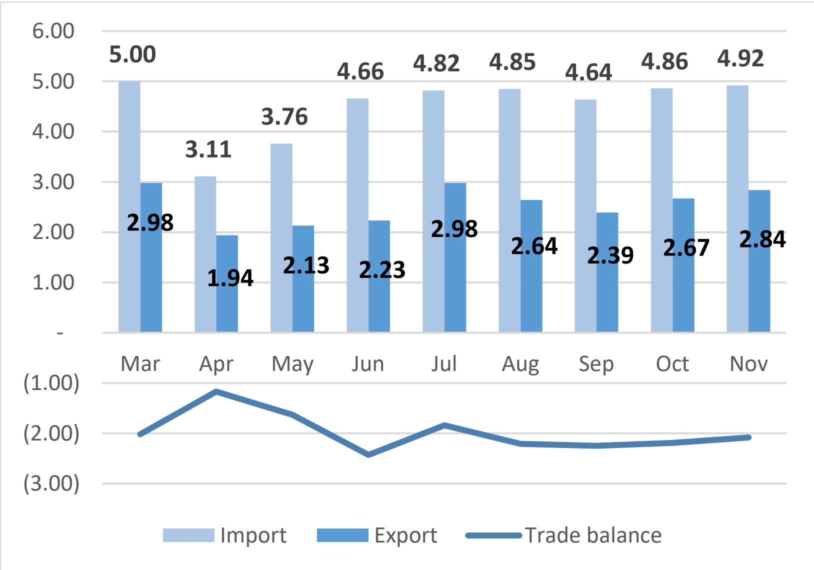
Major Highlights

Despite the second wave of the COVID-19 pandemic, particularly in the United States and Europe, economic activities continued to rebound gradually, aided by the positive COVID-19 vaccine updates during the review period. Consequently, both trade and capital flows improved in November 2020. Provisional data showed that aggregate external trade and capital inflow increased above their levels in October 2020 by 3.1 per cent and 73.7 per cent, respectively.

Trade Performance

On month-on-month basis, the value of aggregate external trade increased by 3.1 per cent to US$7.76 billion in November 2020, compared with US$7.53 billion in October 2020. The development reflected increased export of goods and higher demand for import, particularly raw materials, as economic activities continued to rebound. However, when compared with the corresponding period of 2019, it indicated a 22.5 per cent decline. Aggregate export increased by 6.4 per cent to US$2.84 billion in the review period, above US$2.67 billion in the previous period, due largely to increase in the export of crude oil but moderated by the decline in other non-oil products. Merchandise import also increased by 1.2 per cent to US$4.92 billion in November 2020, above US$4.86 billion in October 2020, due to increase in the importation of raw materials for domestic production. Consequently, a lower trade deficit of US$2.08 billion was recorded in November 2020, relative to US$2.19 billion in October 2020(Figure 22).

Figure 22: Export, Import and Trade Balance (US$ Billion)



Source: Central Bank of Nigeria

Crude Oil and Gas Export

The relative improvement in crude oil prices at the international market, following positive market sentiments, occasioned by the COVID-19 vaccine optimism, which led to an increase in crude oil export receipts. Available data showed that the value of crude oil export increased by 8.5 per cent to US$2.31 billion in November 2020, above US$2.13 billion in October 2020. This was, however, 37.9 per cent below the US$3.72 billion in the corresponding period of 2019. Gas export, on the other hand, decreased by 3.1 per cent to US$0.31 billion in November 2020, relative to the US$0.32 billion in October 2020. Crude oil and gas component remained dominant and accounted for 93.7 per cent of total export.

Non-Oil Export

Despite the gradual pick-up in global economic activities, Nigeria's non-oil export declined slightly. During the review period, non-oil export decreased by 4.8 per cent to US$0.20 billion in November 2020, compared with US$0.21 billion in October 2020. A disaggregation showed that electricity export and re-export declined by 1.2 per cent and 29.9 per cent to US$0.01 billion and US$0.06 billion, respectively, compared with the levels in October 2020. Earnings from other non-oil export increased to US$0.14 billion during the review period, relative to US$0.11 billion in October 2020.

Non-oil Export Receipts from Top Ten Exporters

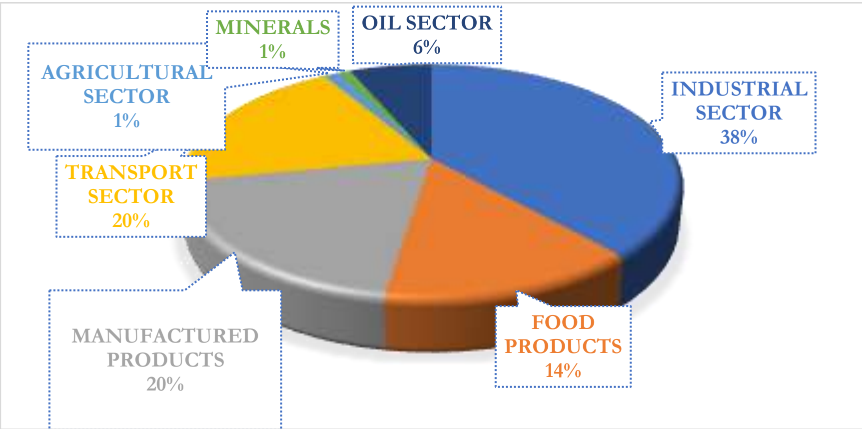
Estimates of export proceeds of the top ten non-oil exporters for November 2020 was US$100.88 million. A disaggregation revealed that Olam Nigeria Limited topped the list with a value of US$26.65 million or 17.1 per cent of the total, from the export of cocoa beans, cashew nuts, and sesame seeds to Turkey and China. The second major non-oil exporter was Starlink Global and Ideal Limited, with an export value of US$16.49 million (10.6 per cent), from the export of raw cocoa beans, raw cashew nuts, shea nuts and sesame seeds to Malaysia. The third major non-oil exporter was British American Tobacco Nigeria Limited at US$12.57 million (8.0 per cent), realised from the export of cigarettes to Liberia, Guinea, Ghana, Cameroun, Cote d'Ivoire and Niger Republic. The fourth major non-oil exporter was Indorama Eleme Fertilizer and Chemicals Limited, with a value of US$9.82 million (6.3 per cent), realised from the export of urea, fertilizers and agronomy services to Turkey and China. Tulip Cocoa Processing Limited, with export value of US$7.66 million (4.9 per cent) realised from the export of cocoa liquor, butter and cake to The Netherlands was placed fifth position. The sixth, seventh, eighth, ninth and tenth positions were occupied by Mamuda Industries Nigeria Limited, Metal Recycling Industries Limited, AAK Nigeria Oils and Fats Limited, Armajaro Nigeria Limited, and Valency Agro Nigeria Limited, respectively. These companies earned US$7.21 million (4.6 per cent), US$6.66 million (4.3 per cent), US$5.73 million (3.7 per cent), US$5.00 million (3.2 per cent), and US$3.07 million (2.0 per cent), respectively. They exported leather, aluminum, vegetable oils and fats, cocoa beans and dry pure prime pressed cocoa butter to India, Saudi Arabia, Malaysia, and United States, respectively.

Import

The gradual pick-up in economic activities resulted in higher imports for industrial uses and infrastructural upgrade. Thus, the rising importation of raw materials during the review period resulted in a month-on-month increase in non-oil import. Estimated merchandise import increased by 1.2 per cent to US$4.92 billion in November 2020, above US$4.86 billion in October 2020. It was, however, below the US$5.04 billion in the corresponding period of 2019 by 2.4 per cent. As economic activities gradually rebounded, import of non-oil products, increased to US$4.22 billion in the review period, from US$4.17 billion in October 2020. Non-oil products import continued to dominate the import sub-sector, which constituted 85.8 per cent of the total. Import of petroleum products, representing the remaining 14.2 per cent of total import, was estimated at US$0.69 billion in November 2020, compared with US$0.55 billion in October 2020. The development indicated a 25.5 per cent increase over the preceding month's level, resulting from uptick in economic activities as restrictions eased in the country.

A breakdown of import by sector showed that the industrial sector remained the dominant sector, with a share of 38.4 per cent, followed by the manufactured products and transport sectors with shares of 19.5 per cent apiece. Food products accounted for 14.1 per cent; oil sector, 6.3 per cent; agricultural sector, 1.2 per cent; and minerals sector, 1.0 per cent of the total (Figure 23).

Figure 23: Import by Sector, November 2020 (Per cent)



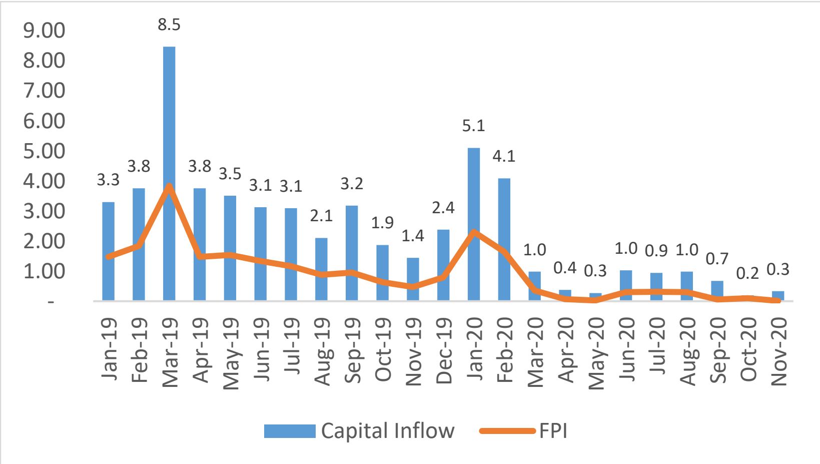
Source: Central Bank of Nigeria (CBN)

Capital Importation

Provisional data showed an improvement in capital inflow during the review period, owing to increased demand for loans, to ease the growing financial difficulties of both the government and other institutional sectors in the economy. The situation was not peculiar to Nigeria, as the effect of the COVID-19 pandemic continued to weigh on different economies. A total of US$0.33 billion new capital was imported into the economy in November 2020, compared with US$0.19 billion in October 2020 (Figure 24). A disaggregation of capital importation by type of investment showed that inflow of Other Investments (OI) in the form of loans was US$0.22 billion, representing 68.2 per cent of the total, followed by Foreign Direct Investment (FDI) inflow of US$0.01 billion, which accounted for 29.3 per cent. Foreign Portfolio Investment (FPI) inflow at, US$0.01 billion, constituted 2.5 per cent of the total. These values were higher than the US$0.09 billion and US$0.09 billion for OI and FDI, respectively, except for the FPI that remained flat in the preceding period. In terms of capital importation by nature of investment, inflow to the agricultural sector was highest at 29.0 per cent. Shares accounted for 25.2 per cent; banking, 17.8 per cent; production/manufacturing, 16.7 per cent; financing, 5.4 per cent; and trading, 5.0 per cent, while the rest accounted for 0.9 per cent.

A breakdown of capital importation by originating country showed that Singapore, The Netherlands, Mauritius, United Arab Emirates and the United Kingdom, accounted for 32.7 per cent, 25.1 per cent, 16.3 per cent, 9.5 per cent, and 3.4 per cent, respectively, of the total inflow. By destination of capital, Lagos State and Abuja were the top recipients of the inflow at US$0.26 billion (79.3 per cent) and US$0.07 billion (20.6 per cent), respectively.

Figure 24: Capital Inflow and Foreign Portfolio Investment (FPI) (US$ Billion)

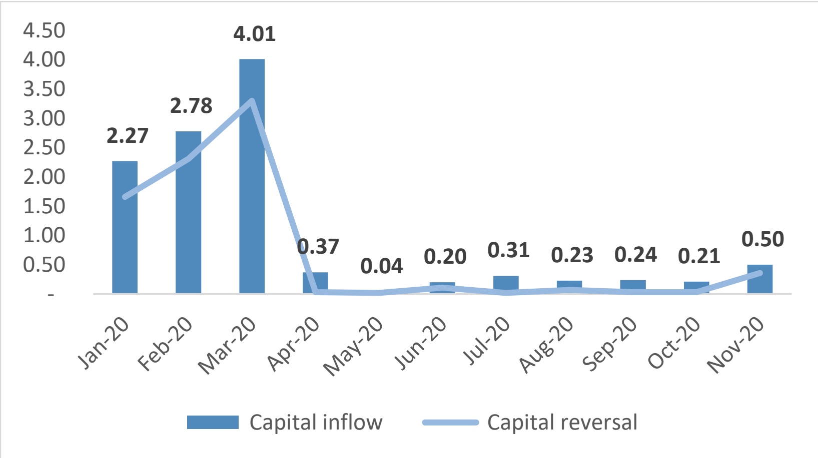


Source: Central Bank of Nigeria (CBN)

Capital Outflow

Capital outflow increased by 4.2 per cent, month-on-month, to US$0.50 billion in November 2020, relative to US$0.48 billion in October 2020, owing to the bullish performance of the domestic capital market. A disaggregation showed that outflow in form of capital reversal, at US$0.30 billion, accounted for 55.6 per cent, while loans worth US$0.20 billion and dividends of US$0.04 billion accounted for 37.0 per cent and 7.4 per cent, respectively (Figure 25).

Figure 25: Capital Outflow (US$ Billion)



Source: Central Bank of Nigeria (CBN)

2.4.2. External Reserves

External Reserves

Despite the increase in economic activities globally and positive news of a COVID-19 vaccine, the external reserves declined, due to lower foreign exchange receipts and sustained intervention to stabilise the exchange rate. Consequently, the external reserves fell by 1.7 per cent to US$34.97 billion at end-November 2020, below the levels of US$35.58 billion at end-October 2020 and by 9.9 per cent, when compared with US$38.80 billion at end-November 2019 (Figure 26). This was due, mainly, to increased interventions in the Investors' and Exporters (I&E), SMIS and BDC segments of the foreign exchange market. The external reserves position could cover 6.7 months of import for goods and services or 8.1 months of import for goods only, using the import figure for 2020Q3.

Further analysis showed that Nigeria's reserves per capita decreased to US$169.59, compared with US$172.60 in October 2020, while Egypt's reserves per capita increased to US$342.36 from US$338.92 in October 2020. Reserve per capita position for South Africa and Angola was US$725.49 and US$461.32, while their reserve positions were US$43.03 billion and US$15.16 billion, respectively, in October 2020 (Table 17).

Figure 26: External Reserves and Months of Import Cover for Nigeria

Source: Central Bank of Nigeria

Table 17: International Reserves Per Capita of Some Selected Countries in Africa

Country	October 2020		November 2020	
	Reserves (US$bn)	*Reserve Per Capita (US$)*	*Reserves (US$bn)*	*Reserve Per Capita (US$)*
Nigeria	*35.58*	*172.60*	*34.96*	*169.59*
Angola	*15.16*	*461.32*	*N/A*	*N/A*
South Africa	*43.03*	*725.49*	*N/A*	*N/A*
Egypt	*34.68*	*338.92*	*35.04*	*342.36*

Sources: CBN and Reuters

2.4.3 Other Developments in the External Sector

Currency Ownership and Composition

A breakdown of the external reserves by ownership indicated that, the share of CBN was US$29.85 billion (85.44 per cent); Federal Government US$5.01 billion (14.35 per cent); and Federation US$0.07 billion (0.21 per cent). In terms of currency composition, the US dollar at US$28.22 billion, accounted for 80.78 per cent; Chinese yuan, US$4.21 billion (12.04 per cent); special drawing rights, US$2.10 billion (6.01 per cent); GB Pounds, US$0.23 billion (0.67 per cent); Euro US$0.16 billion (0.47 per cent); Japanese Yen, US$0.01 billion (0.03 per cent) while other currencies accounted for the balance.

2.4.4 Foreign Exchange Flows through the Economy

Foreign Exchange Flows

Slow global economic recovery and uncertainty in the crude oil market, resulted in lowered foreign exchange inflow into the economy. Consequently, aggregate foreign exchange inflow into the economy was US$5.70 billion, a decrease of 13.3 per cent and 62.0 per cent, below the respective levels in the preceding month and the corresponding month of 2019.

Also, foreign exchange outflow through the economy fell by 24.6 per cent and 66.6 per cent to US$1.96 billion, below the levels of US$2.60 billion and US$5.87 billion, respectively, in the preceding month and the corresponding period of 2019. Consequently, the foreign exchange transactions through the economy resulted in a net inflow of US$3.73 billion, compared with US$3.97 billion and US$9.11 billion in the preceding month and the corresponding month of 2019, respectively.

2.4.5 Foreign Exchange Flow through the CBN

Foreign Exchange Flows Through the CBN

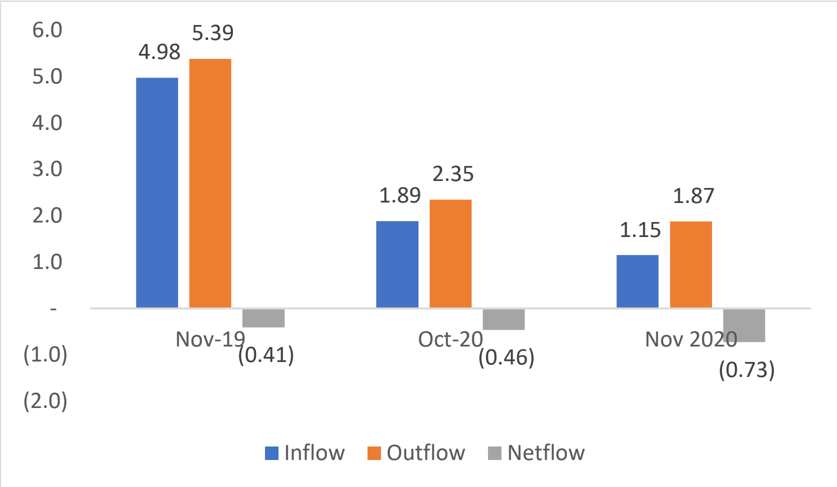
Foreign exchange inflow through the CBN fell, due, mainly to lower non-oil receipts in November 2020. The weak performance of non-oil receipts was attributable to the unabated insecurity and the aftermath of the '#EndSARS' protests. Aggregate foreign exchange inflow through the CBN was US$1.15 billion, a decrease of 39.1 per cent and 76.9 per cent, below the levels in the preceding month and corresponding month of 2019, respectively. The development was due, largely, to 50.1 per cent decline in non-oil receipts to US$0.73 billion from US$1.47 billion in the previous month.

Disaggregation of non-oil receipts showed that foreign exchange purchases, TSA & third-party receipts and other official receipts declined by 58.7 per cent, 45.3 per cent and 39.1 per cent, below their respective levels in October 2020 to US$0.13 billion, US$0.14 billion and US$0.24 billion. Similarly, unutilised funds from FX transactions, returned payments, interest on reserves & investments and unutilised IMTO funds fell by 44.7 per cent, 99.2 per cent, 34.8 per cent and 19.4 per cent, compared with the levels in the preceding month to US$0.01 billion, US$0.001 billion, US$0.01 billion and US$0.03 billion, respectively. However, DMB cash receipts, rose by 904.0 per cent to US$0.16 billion, relative to the preceding period. There were no interbank swaps in the review period, compared with swaps of US$0.25 billion in October 2020.

Aggregate foreign exchange outflow through the CBN decreased by 20.4 per cent and 65.3 per cent to US$1.87 billion, below the respective levels of US$2.35 billion and US$5.39 billion in the preceding month and the corresponding period of 2019. A breakdown of the outflow through the Bank showed that interbank utilisation was US$1.27 billion; third party MDA transfers (US$0.20 billion); external debt service (US$0.18 billion); public sector/direct payment (US$0.14 billion); drawings on L/Cs (US$0.08 billion); forex special payment (US$0.01 billion); and Bank and SDR charges/fees (US$0.48 million).

Overall, foreign exchange flows through the Bank in the review period resulted in a net outflow of US$0.73 billion, compared with US$0.46 billion and US$0.41 billion in October 2020 and November 2019, respectively (Figure 27).

Figure 27: Foreign Exchange Transactions through the Bank (US$ Billion)



Source: Central Bank of Nigeria (CBN)

2.4.6 Foreign Exchange Flow Through Autonomous Sources

Flows through autonomous sources

Foreign exchange inflow through autonomous sources amounted to US$4.55 billion, indicating a decrease of 2.9 per cent and 54.5 per cent, below the levels in the preceding month and corresponding period of 2019, respectively. Of the total, non-oil export receipts by banks were US$0.22 billion; external accounts purchase (US$0.005 billion); and invisible purchases, comprising ordinary domiciliary account and total over-the-counter (OTC) purchases (US$4.33 billion).

Outflow through autonomous sources, at US$0.09 billion, decreased by 65.4 per cent and 81.7 per cent below the levels in October 2020 and November 2019, respectively. Overall, a net inflow of US$4.46 billion was recorded in the review period, compared with US$4.43 billion and US$9.52 billion in the preceding month and the corresponding period of 2019, respectively.

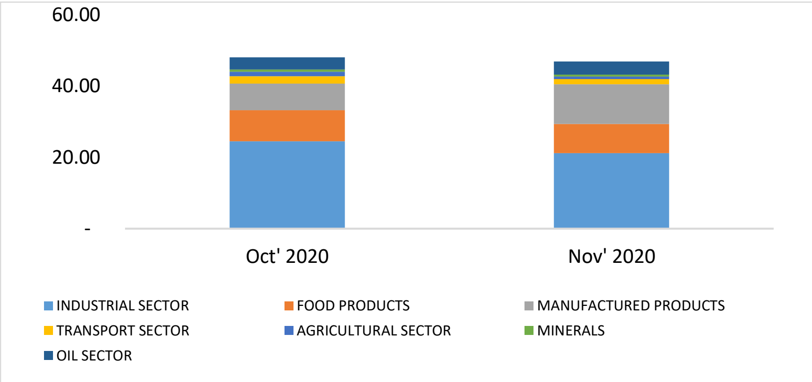
2.4.7 Sectoral Utilization of Foreign Exchange

Sectoral Utilisation of Forex

Foreign exchange utilisation by sectors in November 2020 rose by 10.8 per cent, over the level in the preceding month to US$2.52 billion, attributed to the gradual return to normalcy in economic activities in Nigeria. Of this, visible and invisible imports increased by 8.0 per cent and 13.4 per cent, over the levels in the preceding month to US$1.18 billion and US$1.34 billion, constituting 46.9 per cent and 53.1 per cent of the total foreign exchange utilisation, respectively.

A disaggregation of foreign exchange utilisation for visible transactions showed that US$0.28 billion was utilised for manufactured products; food products, US$0.20 billion; oil sector, US$0.09 billion; and mineral sub-sector, US$0.01 billion. This indicated an increase of 66.3 per cent, 3.2 per cent, 17.8 per cent and 6.9 per cent, respectively, over the levels in the preceding month. The amount utilised for the Industrial, Transport and Agricultural sectors fell below the levels in October by 4.1 per cent, 26.8 per cent and 38.8 per cent to US$0.53 billion, US$0.04 billion and US$0.02 billion, respectively (Figure 28).

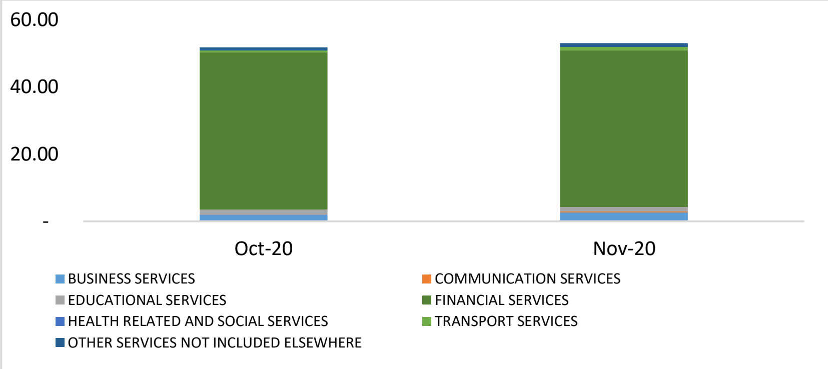
Figure 28: Major Visible Import as Per cent of Total Utilisation of Foreign Exchange



Source: Central Bank of Nigeria (CBN)

A disaggregation of the foreign exchange utilisation for invisible transactions showed that financial services were US$1.18 billion (46.7 per cent); educational services, US$0.03 billion (1.3 per cent); transport services, US$0.02 billion (1.0 per cent); and other services not included elsewhere were US$0.03 billion (1.2 per cent). Furthermore, communication services were US$8.23 million; and health related and social services, US$0.19 million, respectively (Figure 29).

Figure 29: Major Invisible Imports as Per cent of Total Utilisation of Foreign Exchange

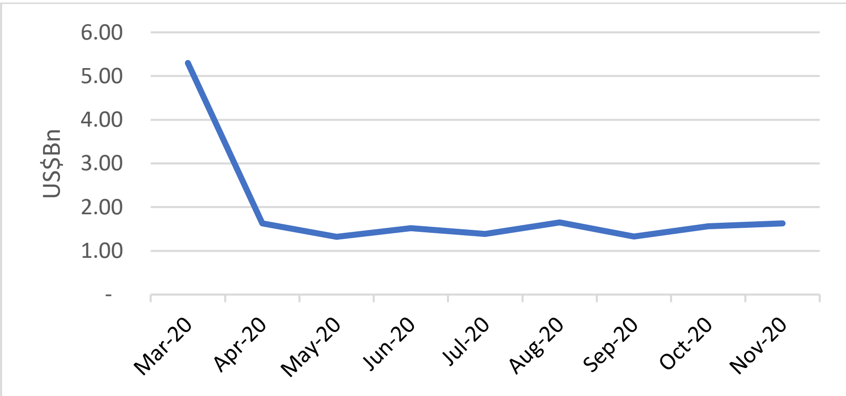


Source: Central Bank of Nigeria (CBN)

Foreign Exchange Market Development

To help liberalise and improve liquidity in the foreign exchange market, the Bank announced the amendment of procedures for receipt of diaspora remittances on November 30, 2020. The beneficiaries of remittances thenceforth, had the option of receiving funds in foreign currency cash or transferred into their ordinary domiciliary accounts. Foreign exchange sales to authorised dealers by the Bank was US$1.27 billion in November 2020, a decrease of 18.5 per cent and 63.1 per cent below the levels in the preceding month and corresponding month of 2019, respectively (Figure 30). A disaggregated analysis showed that foreign exchange sales to BDC operators, Swaps transactions, SMIS and SME interventions declined by 0.7 per cent, 10.9 per cent, 55.9 per cent and 8.8 per cent below the levels in the preceding month to US$0.42 billion, US$0.11 billion, US$0.28 billion and US$0.09 billion, respectively. However, sales at the interbank and intervention at the I&E window rose by 86.3 per cent and 29.7 per cent, respectively, over the levels in the preceding month.

Figure 30: Trend in Foreign Exchange Sales to Authorised Dealers (US$ billion)



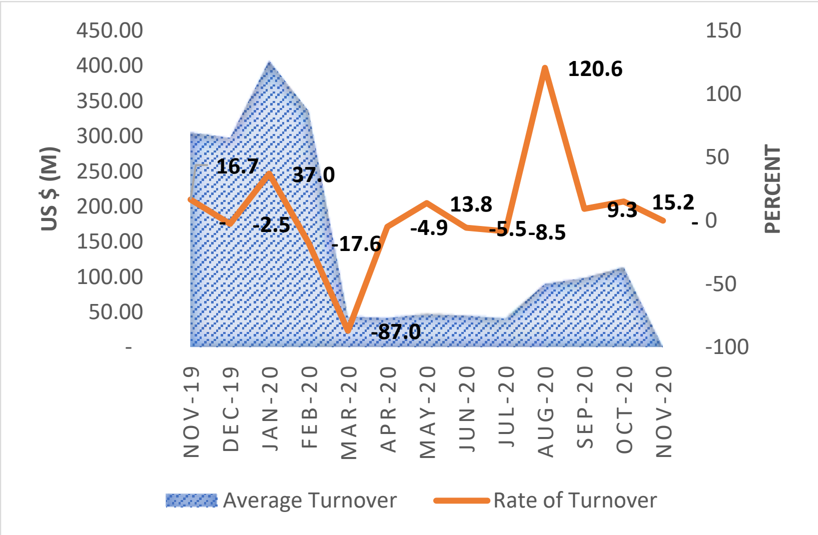
Source: Central Bank of Nigeria (CBN)

Average Exchange Rate

The exchange rate of the naira remained stable in the interbank segment but depreciated at the BDC and I&E window due to increased demand pressure. The average exchange rate of the naira per US dollar at the interbank segment of the foreign exchange market remained unchanged at ₦381.00/US$, relative to the level in the preceding month. However, at the BDC segment, the exchange rate depreciated by 2.9 per cent below the level in the preceding month to ₦472.74/US$. The rate at I&E window also depreciated by 0.3 per cent to ₦386.91/US$ in the review period. Consequently, the premium between the average interbank and BDC rates widened to 24.1 per cent in November 2020 from 20.5 per cent in October 2020. The premium between the BDC and I&E, also, widened to 22.2 per cent from 19.0 per cent, in the preceding month.

The average foreign exchange turnover at the I&E market rose by 15.2 per cent to US$113.38 million in November 2020 from US$98.39 million in October 2020, indicating improved liquidity at the window (Figure 31). This, however, represented a decrease of 100 per cent below the level in the corresponding period of 2019.

Figure 31: Turnover in the I&E Foreign Exchange Market

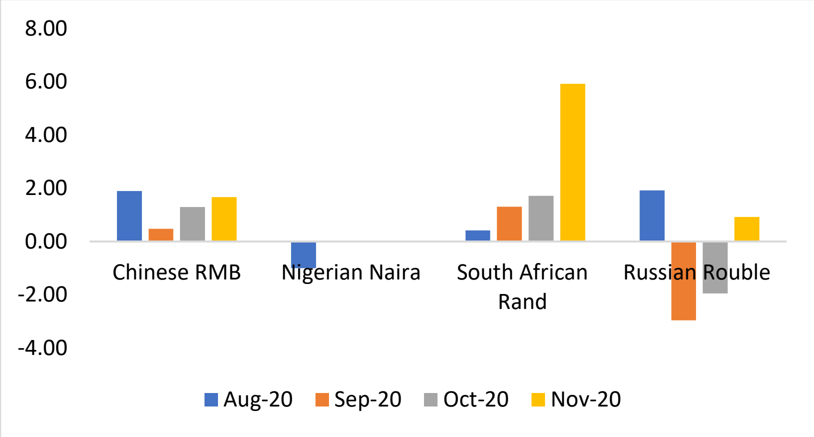


Source: Financial Market Dealers Quotations (FMDQ)

Emerging Markets Currencies

Positive news of COVID-19 vaccine approval and the outcome of the US election boosted emerging market currencies in November 2020. Consequently, the average exchange rate of the South African rand appreciated by 5.9 per cent, compared with the level in October 2020. Similarly, the Chinese RMB maintained its gains against the US dollar with a 1.7 per cent appreciation. Likewise, the Russian rouble appreciated by 0.9 per cent against the US dollar during the review period (Figure 32, Table 18).

Figure 32: EMEs Currencies' Values to the US dollar



Source: CBN & Exchange Rates UK.

Table 18: EMEs Currencies' Rates to the US Dollar

Period	Chinese RMB/US$	Nigerian Naira/US$	South African Rand/US$	Russian Rouble/US$
Sep-20	*6.81*	*381.00*	*16.72*	*76.05*
Oct-20	*6.72*	*381.00*	*16.44*	*77.57*
Nov-20	*6.61*	*381.00*	*15.52*	*76.86*

Sources: Central Bank of Nigeria (CBN) & Exchange Rates UK.

Naira Against Selected International Currencies

The naira weakened relative to major currencies due to increased demand pressure in the foreign exchange market amid lower inflows. Analysis of the average exchange rate of the naira against selected major international currencies, in the review period, indicated that the naira depreciated respectively by 1.7 per cent, 0.5 per cent and 0.8 per cent against the British pound, the euro and the Japanese yen compared with the levels in October 2020. At the regional level, the naira also depreciated against the CFA franc and WAUA by 0.5 per cent each, respectively, compared with the levels in the preceding month.

End-Period Exchange Rate

The end-period exchange rate of the naira to the US dollar at the interbank segment remained unchanged in the review month at ₦381.00/US$. However, at the BDC segment, the end-period exchange rate depreciated by 7.1 per cent to ₦495/US$, compared with ₦460.00/US$ at end-October 2020. The end-period premium between the interbank and BDC rates, widened to 29.9 per cent, from 20.7 per cent in the preceding month. This was due to increased demand pressure in the BDC segment in the review period. Similarly, the rate at the I & E window depreciated by 1.1 per cent to ₦390.25 /US$, from ₦386.00/US$ at the end October 2020. The development was attributed to the foreign exchange liquidity shortage in the review period.

2.4.8 External Sector Risks

Exchange Rate Pressure

Foreign exchange pressure remained a threat to the growth of the economy. Lower oil production, reduced foreign exchange receipts and the weak performance of non-oil export, constitute a threat to external sector viability.

Spike in COVID- 19 Infections

Despite positive news of approval of vaccines, the second wave of COVID-19 infections in Nigeria and its trading partners in Europe, the USA and India, could further affect the performance of the Nigerian economy negatively.

Insecurity/ Social Unrest

The lingering insecurity situation in the country has continued to hinder the productivity of the real sector, particularly the agricultural and manufacturing sectors thereby constraining efforts at diversifying the economy.