CENTRAL BANK OF NIGERIA ECONOMIC REPORT

Fourth Quarter 2021

ABOUT THE REPORT

The Central Bank of Nigeria (CBN) Economic Report is a compilation and analysis of economic developments in Nigeria within the review period. The Report, which is published on a monthly and quarterly basis, provides insights into the current developments in the real, fiscal, financial, and external sectors of the Nigerian economy and the global economic developments. It also reflects the policy initiatives of the Bank within the period.

The Report is targeted at a wide spectrum of readers, including economists, policymakers, financial analysts in government and the private sectors, and the general public. Subscription to the Report is available without charge to individuals, institutions, corporations, embassies, and development agencies. Free copies of the Report, both current and past issues, can be obtained from the CBN website: *www.cbn.gov.ng. Please direct all publications inquiries to the Director, Research Department, Central Bank of Nigeria, P.M.B. 187, Garki, Abuja, Nigeria.*

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EXECUTIVE SUMMARY

Recovery of global economic activities firmed up in the fourth quarter of 2021 on the back of rising consumer demand, and sustained policy support from governments. The average global composite Purchasing Manager's Index (PMI), improved marginally to 54.53 points, from 53.87 points in the previous quarter, reflecting global economic expansion, albeit at a slow pace. However, the Pandemic-induced supply vs demand imbalances, higher energy, and consumer prices continued to weigh down economic activities. Globally, inflationary pressures persisted, as rising demand, supply chain disruptions, as well as higher food and energy prices, pushed up inflation rates, leaving monetary authorities with the challenge of supporting the fragile economic recovery while containing the rising inflation.

Domestic economic recovery continued in the fourth quarter of 2021, though at a slower pace, owing to the emergence of the Omicron variant of the COVID-19 pandemic, which resulted in a re-introduction of partial lockdown measures. Real GDP grew by 3.98 per cent in the fourth quarter of 2021 (year-on-year), compared with 4.03 per cent in the preceding quarter. Inflationary pressures continued to moderate in the review quarter, following the sustained implementation of the government's agricultural support schemes, which buoyed agricultural output. Accordingly, headline inflation (year-on-year) slowed to 15.63 per cent, from 16.63 per cent recorded in the third quarter of 2021. Also, food inflation dropped significantly to 17.37 per cent, from 19.57 per cent, although core inflation inched up to 13.87 per cent from 13.74 per cent, owing to higher demand for gas, liquid fuel, utilities, and other household consumables.

Federation receipts in the fourth quarter of 2021 declined, following shortfalls in oil revenue. At ₦2,844.73 billion, provisional Federation receipts fell below the quarterly benchmark and the level in the preceding quarter by 7.5 per cent and 0.7 per cent, respectively. Non-oil revenue maintained its dominance, accounting for 60.8 per cent of the total collections, while oil revenue constituted the balance of 39.2 per cent. Provisional Federal Government of Nigeria (FGN) retained revenue, at ₦1,265.34 billion, declined by 36.6 per cent and 3.2 per cent, relative to the budget benchmark and the preceding quarter, respectively, reflecting the persistent revenue challenge over the past two years. Following a decline in aggregate expenditure in the fourth quarter of 2021, the fiscal deficit of the FGN contracted by 12.0 per cent to ₦2,232.33 billion, relative to the preceding quarter.

Financial conditions generally improved in the fourth quarter of 2021. The key monetary aggregates exceeded their 2021 annual growth benchmarks, reflecting the accommodative monetary policy stance of the Bank which expanded credit to crucial sectors of the economy in a bid to strengthen recovery. Broad money supply (M3) grew by 12.6 per cent at the end-December 2021, above the indicative benchmark of 9.99 per cent, driven, largely, by the 17.3 per cent increase in banking system claims on the domestic economy.

There was sustained improvement in banking system liquidity in the fourth quarter of 2021, as reflected in a downward trend in key interest rates. In the review period, Nigeria's financial sector was stable, according to key financial soundness indicators. Activities on the Nigerian Exchange Limited (NGX) remained bullish, following sustained investors' buying interest in blue-chip stocks and repositioning ahead of full-year earnings results and dividend declarations.

The external sector's performance slackened in the review period, despite rising crude oil prices. The development was due, largely, to uncertainties surrounding the emergence of the Omicron variant of COVID-19, which weakened global demand and increased domestic demand pressure. Thus, Nigeria's external account recorded a deficit of US$1.34 billion, in contrast to a surplus of US$5.28 billion in the preceding quarter. The current account surplus moderated to US$2.43 billion, relative to US$3.68 billion due to higher import bills for goods and services. The financial account recorded higher net incurrence of financial liability of US$2.96 billion, relative to US$2.57 billion in the preceding quarter. The external reserves, as at end-December 2021, was US$40.23 billion, compared with US$41.57 billion at the end-September 2021. The current level of external reserves could finance 10.2 months of goods or 7.7 months of goods and services imports. At the I&E window of the foreign exchange market, the average naira exchange rate was relatively stable during the review quarter.

Growth prospects for the Nigerian economy remain positive but fragile in the near- term, on the back of a rebound in manufacturing activities, improvements in vaccination rates, and supportive impact of CBN interventions on growth-enhancing sectors. Staff projections indicate moderation in inflationary pressures in the short-term due to the broad-based policy support to bolster food security and catalyse dry season farming. The uptick in global economic activities and fiscal reforms channelled towards revenue mobilisation are expected to enhance the fiscal space. However, lingering security challenges and the delayed implementation of the Petroleum Industry Act (PIA) are the major downside risks to the outlook.

1.0 GLOBAL ECONOMIC DEVELOPMENTS

1.1 Global Economic Activities

Global Economic Conditions

Recovery of global economic activities firmed up in the fourth quarter of 2021, on the back of rising consumer demand, and sustained policy support from governments. Consequently, the average J.P. Morgan Global Composite Purchasing Manager's Index (PMI) improved marginally to 54.5 points in the fourth quarter of 2021, from 53.9 points in the previous quarter (Table 1), reflecting global economic expansion, albeit slowly. Expansion in economic activities was supported by both the manufacturing and services sectors, which recorded gains in job creation and new orders. Nonetheless, the pandemic-induced supply gaps as well as rising energy, and consumer prices, continued to depress economic activities.

Table 1: Global Purchasing Managers' Index (PMI)

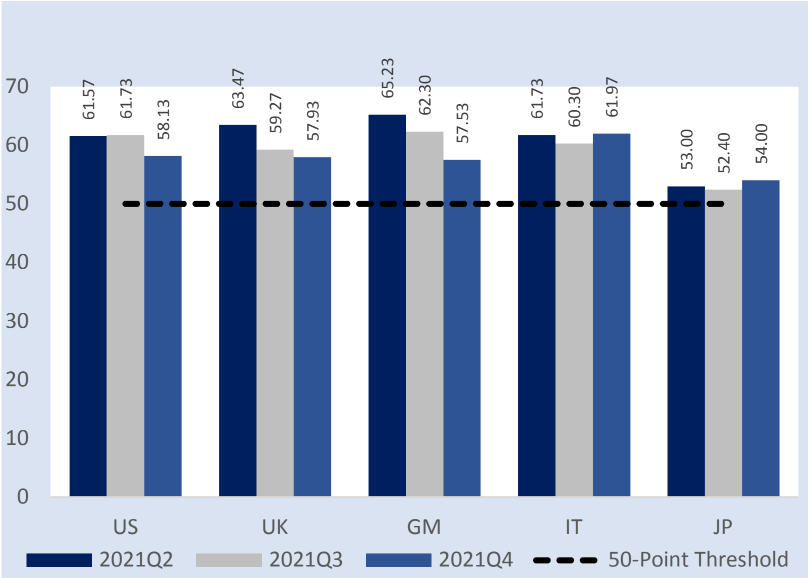
	2020Q4	***2021Q3***	***2021Q4***
Composite	*53.0*	*53.9*	*54.5*
Manufacturing	*53.5*	*54.5*	*54.2*
Services (Business Activity)	*52.3*	*54.3*	*55.3*
Employment Level	*51.2*	*51.9*	*52.6*

Source: *IHS Markit, JP Morgan*

Economic Activity in Advanced Economies

Due to the increased spread of the Omicron variant during the quarter, most Advanced Economies (AEs) observed a slight decline in economic activities. Specifically, the PMIs in most AEs dipped in the fourth quarter of 2021, though they remained above the 50-point threshold, signifying a deceleration in economic activities. In the United States, the composite PMI moderated to 58.13 index point, from 61.7 index point in the preceding quarter, due to decline in factory activities, amid worsening vendor performance. Similarly, the PMIs in Germany and Italy declined to 57.5 index points and 61.9 index points, respectively, compared with 62.3 index points and 60.3 index points, in the third quarter. However, there was an improvement in Japan's economic activities, as composite PMI rose to 54.0 index point, from 52.4 index points cent in the third quarter, due to improvement in business conditions, following widespread vaccination.

Figure 1: Selected Advanced Economies PMIs

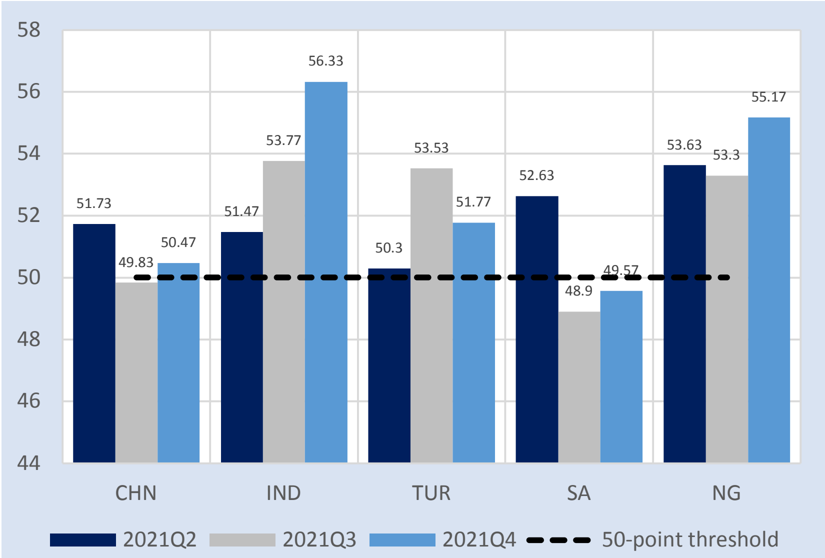


***Source**: Trading Economics/ Various Country Websites, CBN Staff compilation.*
***Note**: US, UK, GM, IT, JP represent United States, United Kingdom, Germany, Italy, Japan, respectively.*

Economic Activity in Emerging and Developing Economies

Recovery in Emerging Markets and Developing Economies (EMDEs) remained fragile due to low vaccine rollout, rising inflation, and limited fiscal space, especially among countries with high debt profiles. In China, the composite PMI improved to 50.5 index points, from 49.8 index points in the preceding quarter, due to growth in the services sector and the general improvement in business conditions, following a sharp cut in coal prices by the government. Likewise, India recorded expansion in economic activities, reflected by the rise in PMI to 56.3 index points, from 53.8 index points, as production and foreign sales firmed up. However, economic activities in South Africa remained tepid due to the spike in the COVID-19 caseload. The composite PMI improved marginally to 49.6 index points, from 48.9 index points in the preceding quarter. Turkey's economic activities declined marginally to 51.8 index points, from 53.5 index points, due to the slowdown of new orders and output, attributed to soaring prices and supply-chain disruptions.

Figure 2: PMI in Selected EMDEs



Source: *Trading Economics/Various countries' websites, CBN Staff compilation*
Note: *CHN, IND, TUR, SA and NG represent China, India, Turkey, South Africa and Nigeria, respectively.*

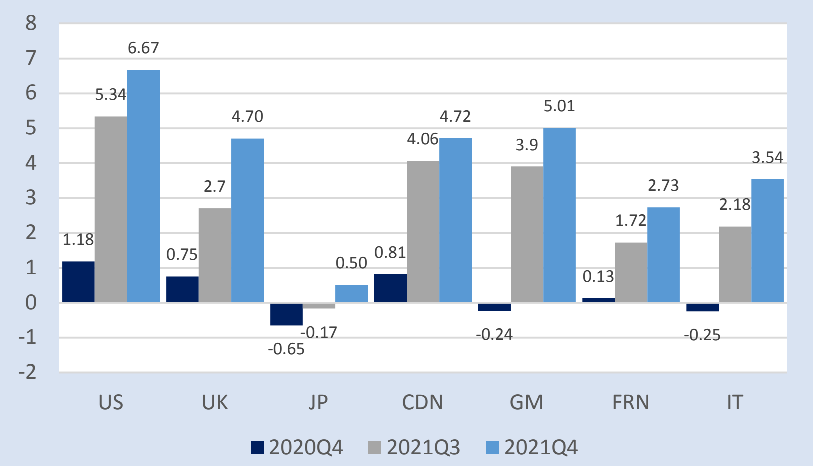
1.2 Global Inflation

Global Inflation

Globally, inflation continued to rise in many countries, as rebound in consumer demand, supply shortages, and higher food and energy prices intensified. In most AEs, headline inflation remained above their respective central banks' targets, and the levels in the previous quarter. This was worsened by the increase in business costs in sectors, with persistent labour shortages drove up consumer prices. Also, the discovery of the Omicron variant and the resurging wave of COVID-19 cases triggered uncertainties that accelerated consumer demand and deepened supply shortages. In the US, headline inflation rose to an average of 6.67 per cent in the fourth quarter of 2021, from 5.34 per cent in the third quarter of 2021. The spike came, majorly, from price increases in consumer durable goods, especially housing, used cars, and trucks.

Consumer prices in Germany accelerated, as inflation rate rose to 5.01 per cent, from 3.90 per cent in the preceding quarter, due to the continuing surge in energy prices, raw material shortages, and supply bottleneck. Similarly, in the UK, the inflation rate rose sharply to 4.70 per cent, from 2.70 per cent in the preceding quarter of 2021. The inflationary pressure was triggered by the rise in food prices, non-alcoholic beverages, and household goods. Japan's elevated inflation was precipitated by the sharp rise in food prices, housing cost, and increase in raw materials costs. Consequently, inflation averaged 0.50 per cent in the fourth quarter of 2021, vis-à-vis -0.17 per cent in the preceding quarter.

Figure 3: Inflation Rates in Selected Advanced Economies (per cent)

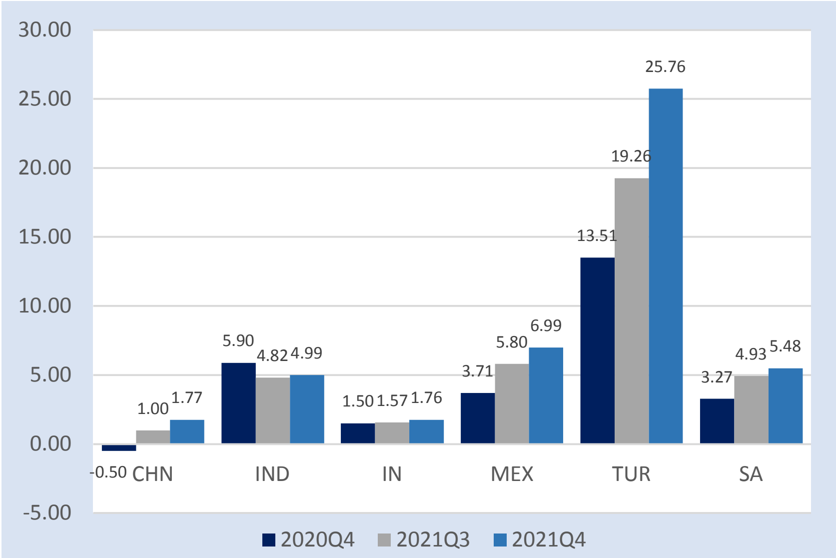


Source: *OECD*

Note: *US, UK, JP, CDN, GM, FRN and IT represent United States, United Kingdom, Japan, Canada, Germany, France, and Italy, respectively.*

In EMDEs, most countries witnessed an upward inflation trend during the quarter. China's inflation rose to 1.77 per cent in the fourth quarter of 2021, from 1.00 per cent in the preceding quarter, attributed to the rise in demand amidst supply-side constraints. In India, headline inflation increased to 4.99 per cent, from 4.82 per cent, following higher prices of food, clothing, and footwear. Also, in Mexico, prices edged up to 6.99 per cent, from 5.80 per cent reflecting heightening prices of fresh food products, non-alcoholic beverages, transportation, furniture, and household maintenance. South Africa's headline inflation rose to 5.48 per cent, compared with 4.93 per cent in the previous quarter, emanating from increased transportation costs amidst hikes in fuel price.

Figure 4: Inflation Rates in Selected EMDEs (per cent)



Source: *OECD*

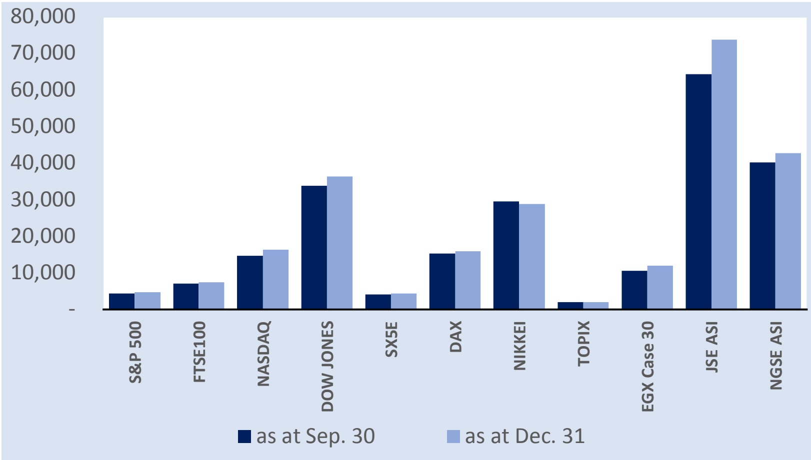
Note: *CHN, IND, IN, MEX, TUR and SA represent China, India, Indonesia, Mexico, Turkey, and South Africa, respectively.*

1.3 Global Financial Markets

Global Financial Markets

The performance of financial markets across the globe was largely positive, due to continuing economic recovery and strong corporate profit growth, resulting from improved COVID-19 vaccine administration. Major equity indices in AEs staged a year-end upswing despite a weaker November. However, Emerging Market's performance in the fourth quarter remained mixed. In the US, the NASDAQ, S&P 500, and Dow Jones stocks closed higher at 10.65 per cent, 11.09 per cent, and 7.37 per cent, respectively, compared to their levels at the preceding quarter. Equities rose as the fears over Omicron and Federal Reserve's assets tapering subsided. In Europe, the UK FTSE100 and the EURO STOXX gained 4.21 per cent and 6.18 per cent, respectively. Within the EMDEs, the Nigerian NSE, South African JSE, and Egyptian EGX Case 30 indices increased by 7.1 per cent, 14.4 per cent, and 13.6 per cent, respectively.

Figure 5: Global Stock Market Equity Indices



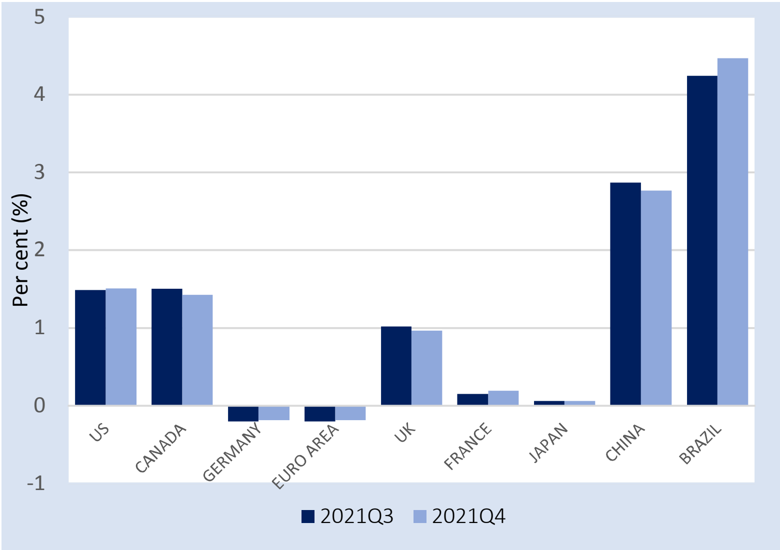
Source: *Bloomberg*

Yields on 10-year government bond in most AEs remained largely unchanged in the fourth quarter of 2021. The US 10-year Treasury yield for the quarter rose, marginally, to 1.51 per cent, from 1.49 per cent, as sentiment improved especially in the final weeks of the period. Similarly, Germany's 10-year bond yield rose slightly, from -0.21 per cent to -0.19 per cent, due to the late sell-off of assets. In the UK, however, 10-year yield declined to 0.97 per cent from 1.02 per cent[1].

Within the EMDEs, local currency bond yields exhibited mixed movements in the fourth quarter in response to central bank actions. In Brazil, the 10-year bond yield rose to 4.47 per cent, from 4.24 per cent, as the central bank embarked on an aggressive monetary tightening cycle to tame double-digit inflation. 10-year bond yield, however, fell to 2.7 per cent in China, the lowest level since June 2020, as interbank borrowing costs fell after the central bank boosted short-term liquidity.

[1] Due to rates hike by the Bank of England

Figure 6: 10-Year Government Bond Yields, 2021Q3 and 2021Q4



Source: *Bloomberg data*

1.4 Central Banks' Policy Rates

Monetary Authorities continued to face the challenge of rising inflation, as they struggled to prop fragile economic recovery from the pandemic. Most monetary policy stances remained dovish, with policy rates largely unchanged during the quarter. However, while the Fed has indicated the likelihood of hiking policy rate for the first time in three years and reducing its asset holding, the Bank of England raised the benchmark interest rate by 0.15 percentage points during the quarter. To curtail the raging inflation, the Bank of Mexico continued to reinforce its monetary tightening during the quarter, raising the rates by a cumulative 75 bps, from 4.75 per cent to 5.5 per cent. Conversely, the Central Bank of Turkey continued its easing policy, reducing the one-week repo rate by a total of 400 bps; bringing down the rate to 14.00 per cent, from 18.00 per cent in the preceding quarter, as the Bank moved to unorthodox inflation policy measures.

Table 2: Central Bank Policy Rates (per cent)

Country	2021Q1	2021Q2	2021Q3	2021Q4
United States	0.25	0.25	0.25	0.25
United Kingdom	0.10	0.10	0.10	0.25
Japan	-0.1	-0.1	-0.1	-0.1
Canada	0.25	0.25	0.25	0.25
Euro Area	0.00	0.00	0.00	0.00
China	3.85	3.85	3.85	3.80
India	4.00	4.00	4.00	4.00
Mexico	4.00	4.25	4.75	5.50
Indonesia	3.50	3.50	3.50	3.75
Turkey	18.00	19.00	18.00	14.00
South Africa	3.50	3.50	3.50	3.50
Ghana	14.50	13.50	13.50	14.50
Nigeria	**11.50**	**11.50**	**11.50**	**11.50**

Source: *Various Central Banks' websites.*

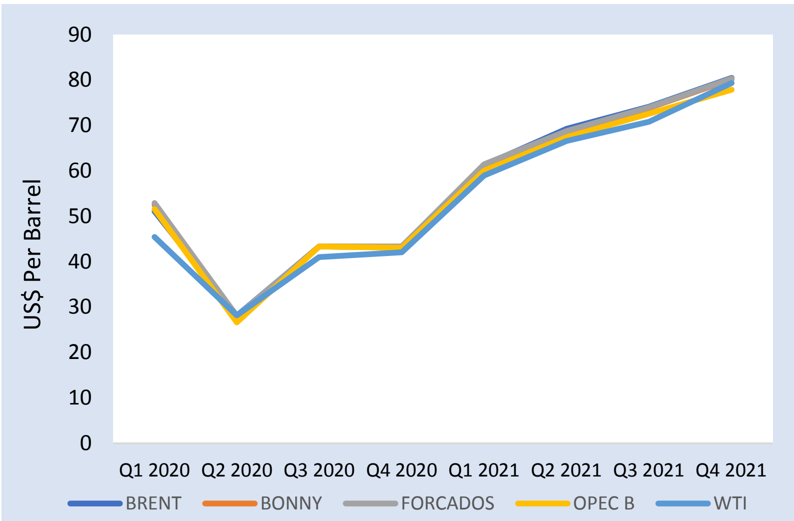
1.5 Global Oil Market

World Crude Oil Prices

Spot prices of crude oil rose significantly, due to the recovery in global demand and OPEC+ decision to remain cautious with output increases.

The average spot price of Nigeria's reference crude oil, the Bonny Light (34.9° API), was US$80.44 per barrel (pb) in the fourth quarter of 2021, representing an increase of 9.0 per cent, compared with US$73.78 pb recorded in the preceding quarter. The prices of Brent, at US$80.16 pb, Forcados, at US$80.33 pb and WTI, at US$77.86 pb, and OPEC Reference Basket (ORB) at US$79.32 pb, exhibited similar upward movements (Figure 7).

Figure 7: Trends in Crude Oil Prices



Source: *Refinitiv Eikon (Thomson Reuters)*

The ascent in crude oil prices was attributed, largely, to the rebound in global oil demand, as economic activities firmed up, coupled with OPEC+ decision to remain cautious with further ease in production[2]. Furthermore, the persistent energy supply challenges across Europe and rising energy demand, following falling temperatures in China, as winter approaches, also contributed to the pressure on crude oil prices.

World Crude Oil Supply and Demand

World crude oil supply in the fourth quarter of 2021 was 98.77 mbpd, an increase of 2.3 per cent, compared with 96.55 mbpd, recorded in the preceding quarter. The increase was largely from non-OECD countries, where supply increased by 1.10 mbpd to 66.54 mbpd, from 65.44 mbpd in the preceding quarter.

Similarly, OPEC's aggregate supply, including non-crude and other liquids, increased by 0.94 mbpd or 2.9 per cent, to an average of 33.15 mbpd in the fourth quarter of 2021, compared with 32.21 mbpd recorded in the preceding quarter. OPEC's aggregate supply was driven, largely, by OPEC's crude oil portion, which increased by 3.2 mbpd.

World crude oil demand increased by 1.7 per cent to 99.60 mbpd in the fourth quarter of 2021, from 97.91 mbpd recorded in the preceding period. The development was, driven, largely, by the increase in demand from non-OECD countries, which rose by 1.24 mbpd to 53.72 mbpd.

Overall, the global crude oil market recorded a supply deficit of 0.83 mbpd in the fourth quarter of 2021, compared with a 1.36 mbpd deficit in the preceding quarter.

1.6 Global Commodity Market Developments

Agricultural Commodity Prices

The prices of most of the selected export commodities monitored increased, on the back of firmer demand and tighter supplies. The price indices of cotton, palm oil, wheat, coffee, rubber, groundnut, and cocoa increased by 24.5 per cent, 21.5 per cent, 18.0 per cent, 10.9 per cent, 6.5 per cent, 5.2 per cent, and 1.2 per cent, respectively. Extreme weather conditions, pest attacks, and logistic challenges continued to enflame the price of cotton. In the US, heatwaves affected its production, while yield in India was hampered by pink bollworm attacks. Similarly, wheat export constraints in major producing countries (US, Russia and Argentina) continued to constrain supplies globally and exacerbates excess demand.

[2] OPEC and non-OPEC participating countries in the Declaration of Cooperation (DoC) had agreed to adjust upward the overall production level by 0.4 mbpd on a monthly basis, with effect from August 2021.

Furthermore, labour shortages, flooding, and COVID-19-induced logistic challenges, especially in Malaysia, amplified palm oil prices. For coffee, adverse weather conditions, global supply constraints, and uncertainty stemming from exporting countries, such as Ethiopia, affected price dynamics.

On the other hand, the price index for soybeans decreased by 6.2 per cent, compared to the previous quarter, owing to a bumper harvest in the US and favourable weather conditions in Brazil.

Table 3: Selected Agricultural Export Commodities

INDICES OF AVERAGE WORLD PRICES OF NIGERIA'S MAJOR AGRICULTURAL EXPORT COMMODITIES FOR FOURTH QUARTER 2021 (DOLLAR BASED) (JAN. 2010=100)

COMMODITY	2020Q4/1	2021Q3/1	2021Q4/2	% Change	
				(1) & (3)	(2) & (3)
	1	2	3	4	5
Cocoa	76.88	80.28	81.21	5.64	1.16
Cotton	46.35	60.06	74.76	61.32	24.48
Coffee	75.24	104.27	115.62	53.66	10.88
Wheat	80.38	85.80	101.23	25.94	17.99
Rubber	33.12	35.28	37.57	13.42	6.49
Groundnut	123.26	106.31	111.88	-9.23	5.24
Palm Oil	74.34	91.42	111.03	49.36	21.45
Soya Beans	89.49	106.51	99.88	11.61	-6.22

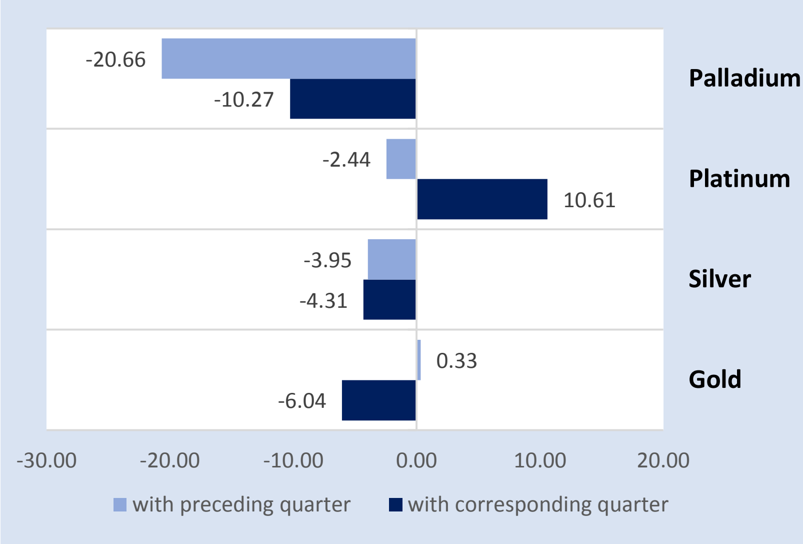
Sources: (1) World Bank Pink Sheet (2) Staff Estimates

Other Mineral Commodities

There was a general decline in the prices of other mineral commodities, although gold prices increased. Average spot prices of silver, platinum, and palladium was US$23.33 per oz, US$996.60 per oz, and US$1,943.32 per oz in the fourth quarter of 2021, representing declines of 3.9 per cent, 2.4 per cent, and 20.7 per cent, respectively, relative to their levels in the preceding quarter. The decline reflected the fall in demand, especially from car manufacturing companies and prospects of electric vehicles replacing gasoline-powered cars.

Conversely, the average spot price of gold rose 0.3 per cent, to US$1,795.67 per ounce (oz), from US$1,789.69 per oz (Figure 8). The increase in the price of gold was attributed to a weaker dollar and falling US Treasury yields.

Figure 8: Price Changes of some Selected Precious Metals (per cent), Q4 2021

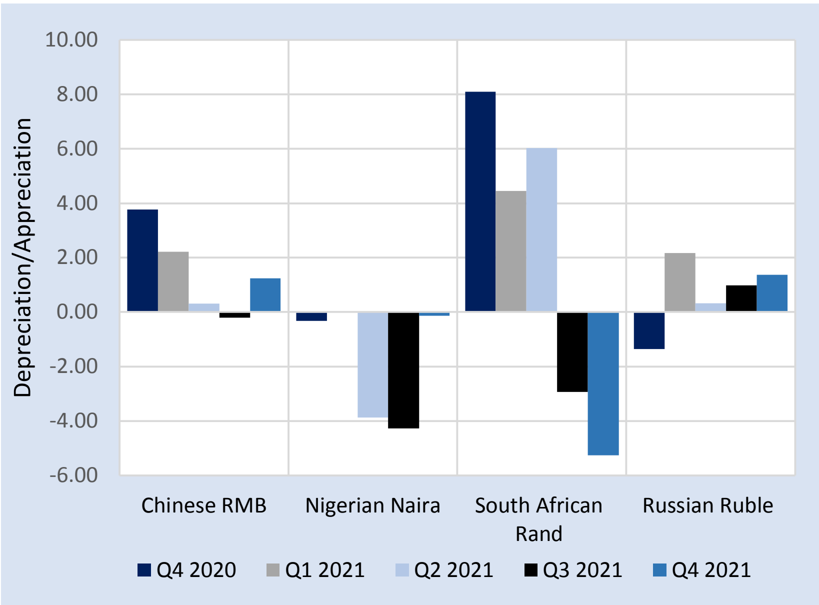


Source: *Refinitiv Eikon (Thomson Reuters)*

Emerging Market Currencies

The performance of emerging market currencies against the US dollar was mixed during the review period. The Russian ruble and Chinese RMB appreciated by 1.4 per cent and 1.2 per cent, respectively, relative to the levels in the preceding quarter. However, the South African rand and Nigerian naira depreciated against the dollar by 5.3 per cent and 0.14 per cent, in the fourth quarter of 2021, respectively.

Figure 9: EMEs Currency Values to the US dollar



Source: *Central Bank Nigeria & Reuters*

Table 4: EMEs Currency Rates to the US dollar

Period	*Chinese RMB*	*Nigerian Naira*	*South African Rand*	*Russian Ruble*
2020 Q4	*6.62*	*381.00*	*15.63*	*76.06*
2021 Q3	*6.47*	*411.89*	*14.57*	*73.48*
2021 Q4	*6.39*	*412.43*	*15.38*	*72.49*

Sources: *Central Bank of Nigeria & Reuters*

2.0 DOMESTIC ECONOMIC DEVELOPMENTS

2.1 REAL SECTOR DEVELOPMENTS

2.1.1. Domestic Output and Business Activities

Domestic Output

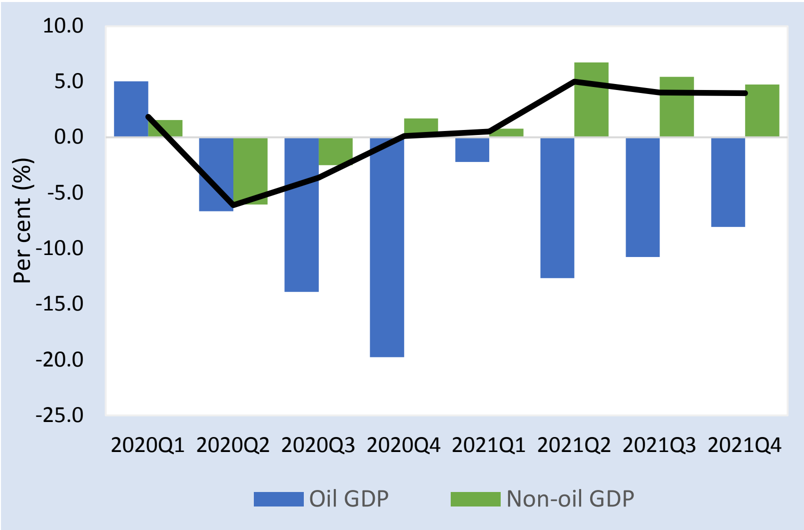
The economy recorded output growth, for the fifth consecutive quarter, as sustained fiscal and monetary supports propelled improvements in economic activities. Real GDP grew by 3.98 per cent in the fourth quarter of 2021 (y-o-y), compared with 4.03 per cent in the preceding quarter. This development indicated a steady recovery of the economy from the unsavory effects of the COVID-19 pandemic that begun in 2020. Quarter-on-quarter GDP growth rate at 9.63 per cent, signified the continued improvement in the performance of the economy.

Growth in the period was driven, largely, by the non-oil sector, (especially services and agriculture sectors) which contributed 4.46 percentage points to overall GDP growth relative to 4.97 percentage points in the third quarter of 2021. The non-oil sector sustained its growth momentum, expanding by 4.73 per cent, in the fourth quarter of 2021, compared with 5.44 per cent, in the previous quarter. This development reflected the rebound in economic activities, following sustained policy support to the real sector, such as Anchor Borrower's Programme (ABP), Commercial Agriculture Credit Scheme, and Real Sector Support Facility (RSSF), among others.

The oil sector continued to retard overall growth after recording a negative (0.47 percentage point) contribution. The negative contribution of the oil sector was due to the lower volume of crude oil output[3], which fell to 1.45 mbd (less condensates) in the fourth quarter of 2021, compared with 1.52 mbd produced in the fourth quarter of 2020.

[3] This was attributed to supply disruptions following malfunctioning barge that obstructed tanker path and pipeline leakages due to aging infrastructure.

Figure 10: Real GDP Growth Rate, 2020Q1-2021Q4

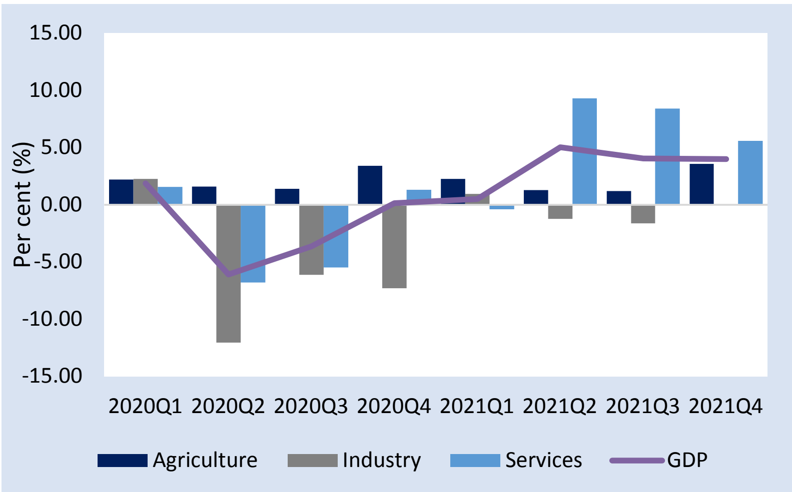


Source: *National Bureau of Statistics (NBS)*

Sectoral Performance

The services and agriculture sectors grew, in real terms, in the fourth quarter of 2021, while the industry sector dipped, owing to the contraction of some activity sectors. The services sector contributed the most (3.03 per cent) to the growth in overall output, growing by 5.58 per cent (y-on-y), though, slower than the growth rate of 8.41 per cent in the previous quarter.

Figure 11: Sectoral Growth Rates of Real GDP, 2020Q1-2021Q4



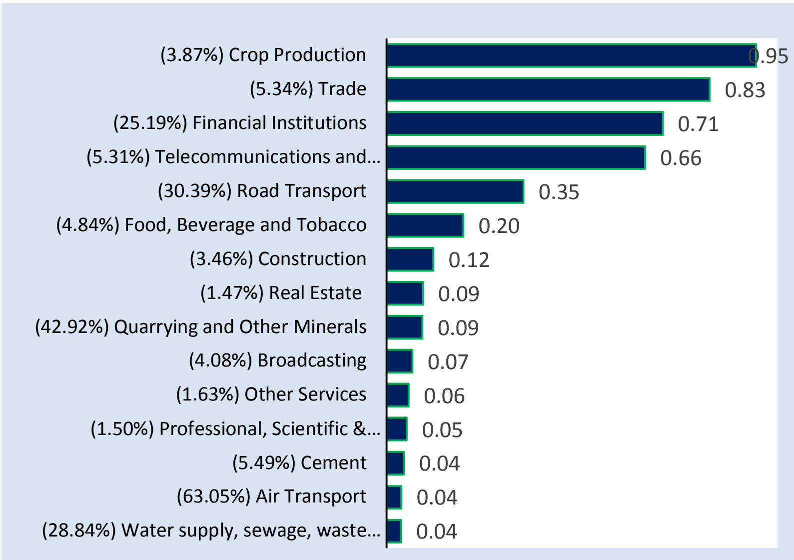
Source: *National Bureau of Statistics (NBS)*

The performance of the services sector was driven, mainly, by trade, ICT, finance, and transportation subsectors, which grew by 5.34 per cent, 5.03 per cent, 24.14 per cent, and 29.72 per cent, respectively.

The agriculture sector recorded 3.58 per cent, growth in the fourth quarter of 2021, the highest recorded by the sector in 2021, compared with 1.22 per cent in the preceding quarter. The development was due to sustained policy support (especially crop production) and robust demand for end-of-year festivities. Thus, crop production, livestock, forestry, and fishery subsectors grew by 3.87 per cent, 0.41 per cent, 1.41 per cent, and 1.69 per cent, compared to 1.36 per cent, 0.12 per cent, 1.98 per cent, and -3.97 per cent, respectively, in the third quarter of 2021.

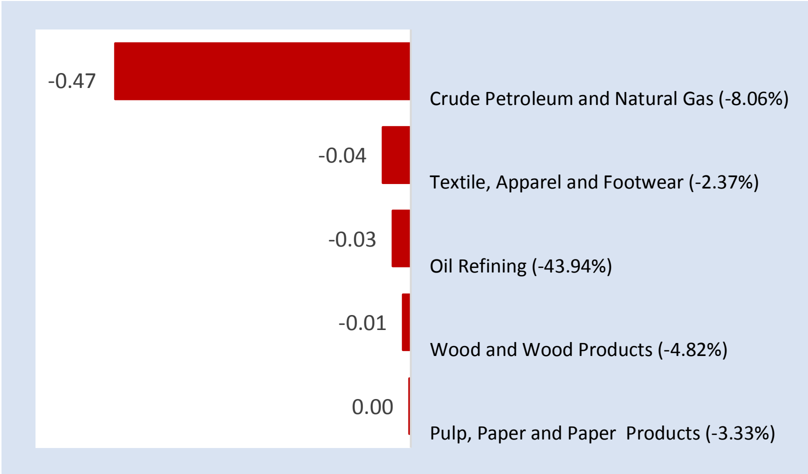
The industry sector continued to record weak performance, contracting further by 0.05 per cent in the fourth quarter of 2021, compared with a contraction of 1.23 per cent and 1.63 per cent, recorded in the second and third quarters of 2021, respectively. This reflected the poor performance of the mining and quarrying and the manufacturing subsectors, occasioned by the contraction in oil refining, wood & wood products, pulp, paper & paper products, and textile, apparel & footwear, which contracted by 43.94 per cent, 4.82 per cent, 3.33 per cent and 2.37 per cent, respectively. Though the crude petroleum & natural gas subsector remained in the contraction region, its performance improved as its contraction narrowed to 8.06 per cent, in the third quarter of 2021, from 10.73 per cent, in the previous.

Figure 12: Top 15 Subsectors with largest Contribution to GDP and Growth Rates



Note: *Figures in bracket represent the growth rates, while the ones at each bar indicate their contribution to GDP growth*
Source: *CBN Staff Computation using data from National Bureau of Statistics (NBS)*

Figure 13: Bottom Subsectors with Least Contribution to GDP Growth and their Growth Rates



Note: *Figures in bracket represent the growth rates, while the ones at each bar indicate their contribution to GDP growth*
Source: *CBN Staff Computation using data from National Bureau of Statistics (NBS)*

2.1.2. Index of Industrial Production

Industrial Production

The decline in manufacturing and mining activities impinged industrial production. The index of Industrial Production in the fourth quarter of 2021, at 90.0 (2010=100), indicated a 13.8 per cent decrease, from 104.4 points in the preceding quarter. The development was due to rising input costs, which slowed the pace of activities in the manufacturing sub-sector.

In addition, a malfunctioning barge that obstructed a tanker path, led to a decline in mining activities. This was complicated by the spread of the Omicron variant of the COVID-19 pandemic, foreign exchange shortage, as well as supply chain constraints, which continued to threaten business activities.

Manufacturing

The manufacturing production index decreased to 184.8 (2010=100) in the fourth quarter of 2021, showing a fall of 0.7 per cent, compared with 186.1 points recorded in the preceding period. Similarly, Capacity utilisation declined to 55.1 per cent, a fall of 0.8 percentage points from the preceding quarter. The decline in manufacturing activities was majorly attributed to the poor performance of the Cement subsector within the period, following the rising cost of production and high inventory from the third quarter.

Mining

The mining production index in the fourth quarter of 2021, at 46.5 (2010=100) index points, decreased by 31.1 per cent, compared with 67.5 index points in the preceding period. The decline in mining activities was attributed, largely, to the fall in crude oil and gas production, as the shutdown of some oil production infrastructures and maintenance activities occurred.

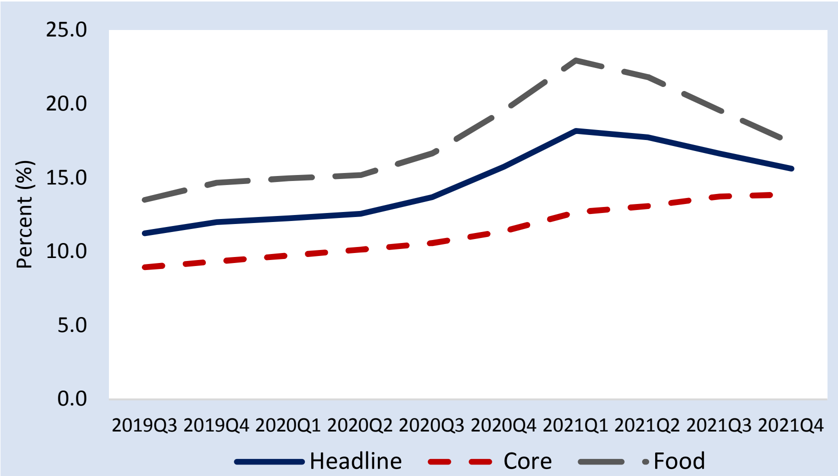
2.1.3. Consumer Prices

Sustained implementation of government's agricultural support schemes positively impacted agricultural output and food supply chain, thus, moderating inflationary pressures in the fourth quarter of 2021.

Headline Inflation

Headline inflation (y-o-y) slowed to 15.63 per cent in the fourth quarter of 2021, compared with 16.63 per cent in the preceding quarter.

Figure 14: Headline, Food and Core Inflation (y-o-y)



Source: *National Bureau of Statistics (NBS)*

Food Inflation

Food inflation moderated to 17.37 per cent (y-o-y) in the fourth quarter of 2021, compared with 19.57 per cent in the preceding quarter. The decrease in food inflation was driven by better agricultural output, owing to the increased harvest of maturing crops and the continued impact of the various CBN intervention programmes.

Core Inflation

However, core inflation inched up to 13.87 per cent in the fourth quarter of 2021, compared with 13.74 per cent in the preceding quarter. The rise in core inflation was attributed to higher demand for gas, liquid fuel, wine, actual and imputed rentals for housing, tobacco, spirit, cleaning, repair, and hire of clothing, garments, shoes, and other footwear and clothing materials.

Box Information 1: Domestic Food Prices

Domestic food prices maintained a downward trend in the fourth quarter of 2021.

Provisional data from the National Bureau of Statistics (NBS) showed that the prices of major domestic food commodities decreased during the review period. The decrease ranged from 0.1 per cent for rice (agric.) to 17.5 per cent for tomato. Other commodities that recorded price decreases were gari (white), gari (yellow), maize (yellow), beans (brown) and sweet potato which decreased by 12.8 per cent, 8.2 per cent, 4.3 per cent, 3.6 per cent, and 3.3 per cent, respectively. The price developments were influenced by improved supply of commodities due to the ongoing harvest season. However, the prices of palm oil, vegetable oil, groundnut oil, wheat flour, and egg increased by 13.2 per cent, 10.8 per cent, 8.6 per cent, 8.1 per cent, and 6.8 per cent, respectively, compared to the previous quarter.

2.1.4. Crude Oil Market Developments

Crude Oil Production and Export

Domestic crude oil production and export declined in the fourth quarter of 2021 due to the force majeure declared on Forcados crude by Shell.
Nigeria's crude oil production averaged 1.45 million barrels per day (mbpd) (less Condensates) in the fourth quarter, a decrease of 0.68 percent, compared with the 1.46 mbpd produced in the previous quarter. Crude oil export averaged 0.96 mbpd, representing a decrease of 1.98 per cent compared with 1.01 mbpd recorded in the previous quarter. The crude oil production fell as Shell declared force majeure on Forcados crude after a malfunctioning barge obstructed a tanker path.

2.1.5 Energy Sector

Electricity Generation & Consumption

The upgrade of transmission infrastructure under the Presidential Power Initiative and the continuous metering of households under the National Mass Metering Programme (NMMP) have positively impacted electricity generation and distribution.
The average electricity generation stood at 4,379.11 MW/h in the fourth quarter of 2021, an increase of 11.2 per cent relative to the level

in the preceding quarter. Equally, average electricity consumption in the fourth quarter of 2021 was 3,408.65 MW/h, indicating an increase of 5.6 per cent relative to the preceding quarter.

2.1.6 Development Financing

Development Financing

The Bank's interventions in the real sector towards sustaining recovery of output growth continued in the fourth quarter of 2021. A total of ₦561.24 billion was expended as interventions on the economy's critical sectors as of December 17, 2021. The energy/infrastructure sector received the highest disbursements of N297.8 billion of the total sum. This was followed by the industrial, agricultural, MSMEs, and health sectors with ₦151.9, ₦77.8, ₦33.3, and ₦0.5 billion, respectively.

Table 5: Intervention Funds, as at December 17, 2021

Sector	17-Dec			Cumulative			
	Disburse (N'bn)	Share (%)	Beneficiaries	Disburse. (N'bn)	Share (%)	Repayments (N'bn)	Beneficiaries
Agriculture	**77.75**	**13.86**		**1635.75**	**31.77**		
Anchor Borrowers' Programme	*75.99*	13.54	*N.A*	919.73	17.86	54.76	*4,014,611 farmers*
N200 Billion Commercial Agricultural Credit Scheme (CACS)	*1.76*	0.32	*N.A*	716.02	13.91	10.39	*663 projects*
Energy/Infrastructure	**297.8**	**53.06**		**1505.24**	**29.23**	-	
Nigeria Electricity Market Stabilization Facility 2 (NEMSF 2)	*20.58*	3.67	-	*184.31*	3.58	-	-
Nigeria Bulk Electricity Trading-Payment Assurance Facility (NBET-PAF)	*274.33*	48.88	-	*1,273.10*	24.72	-	*1 project*
National Mass Metering Programme (NMMP)	*2.89*	0.51	*Procurement and Installation of 25,489 meters*	*47.83*	0.93	-	-
MSMEs	**33.27**	**5.92**		**498.12**	**9.68**	-	
Agribusiness/Small and Medium Enterprises Investment Scheme (AGSMEIS)	*12.99*	2.31	*N.A*	*134.63*	2.62		*37,571*
Targeted Credit Facility (TCF)	*20.28*	3.61	*N.A*	*363.49*	7.06	-	*726,198*
Industries	**151.93**	**27.07**		**1401.03**	**27.22**	-	
COVID-19 Intervention Facility for the Manufacturing Sector (CIFMS)	*58.23*	10.38	-	*405.45*	7.88	-	*114*
RSSF Using Differentiated Cash Reserve Ratio (RSSF-DCRR)	*93.70*	16.69	-	*995.58*	19.34	-	*261*
Health	**0.49**	**0.08**		**108.22**	**2.10**		
Health Care Sector Intervention Fund (HSIF)	*0.49*	0.09		*108.22*	2.10		*116*
Total	*561.24*	100		*5148.36*	100		

Source: *Central Bank of Nigeria*

2.1.7. Socio-Economic Developments

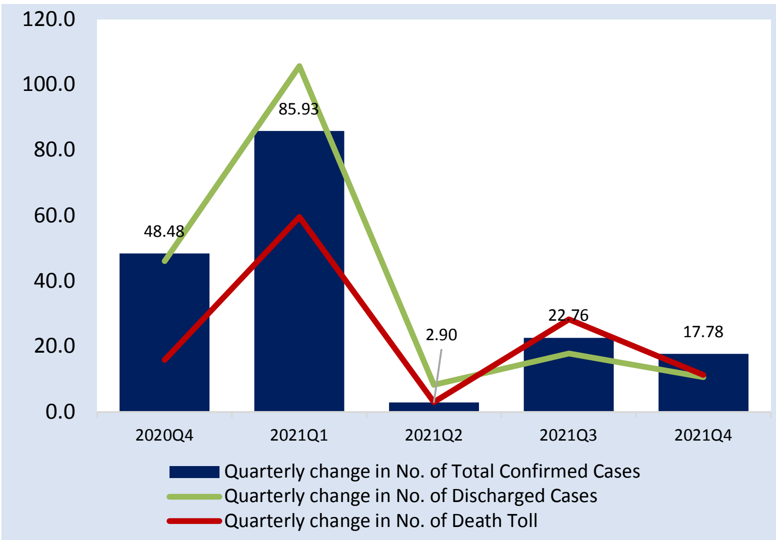
Health: COVID-19 Update

Vaccination against COVID-19 infections continued amid the outbreak of the Omicron variant. Available data[4] showed that 9.2 per cent of the eligible target population (a total of 10,457,893 persons) had received the first dose of the COVID-19 vaccine at end-December 2021, while about 4.0 per cent of the targeted population (a total of 4,515,006 eligible persons) had received the second dose.

However, figures from the National Centre for Disease Control (NCDC) showed that at end-December 2021, the cumulative number of confirmed cases in the country rose by 17.8 per cent, compared with 22.8 per cent in the preceding quarter. Although the rate of growth has been slower than the preceding quarter, the increase in incidence cases was due to the new Omicron variant of the Covid-19 virus, which was first discovered on December 1, 2021, in the country, as well as the lax compliance to COVID-19 protocols during the end of year festivities.

The number of discharged cases rose by 10.7 per cent, compared with 17.9 per cent at the end of the third quarter of 2021. Furthermore, the number of deaths rose by 11.4 per cent, compared with 28.3 per cent in the preceding quarter, while the number of active cases rose by 165.3 per cent, compared with 651.83 per in the preceding quarter.

Figure 15: Quarterly Covid-19 Statistics[5] (per cent)



Source: *National Centre for Disease Control (NCDC)*

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[4] *National Primary Health Care Development Agency (NPHCDA)*
[5] *COVID-19 data as at December 31, 2021.*

2.2 FISCAL SECTOR DEVELOPMENTS

Summary

On the back of tepid oil receipts and persisting revenue challenge, provisional federally collected revenue in the fourth quarter of 2021 was lower than the quarterly target and receipts in the preceding quarter by 7.5 per cent and 0.7 per cent, respectively. Retained revenue of the Federal Government of Nigeria (FGN) declined by 3.2 per cent, relative to third-quarter earnings, while spending dropped by 8.8 per cent. Consequently, provisional fiscal deficits narrowed by 12.0 per cent, compared with the preceding quarter. The debt profile of the FGN remained elevated but aligned with the 2021 debt strategy.

2.2.1. Federation Account Operations

Drivers of Federation Revenue

Federation receipts in the fourth quarter of 2021 declined, following shortfalls in oil revenue. At ₦2,844.73 billion, provisional Federation receipts fell below the quarterly benchmark and the level in the preceding quarter by 7.5 per cent and 0.7 per cent, respectively. The shortfalls were largely the result of poor performances in some oil revenue components. Non-oil maintained its dominance of gross Federation receipts in the period, accounting for 60.8 per cent of the total collections, while oil revenue constituted the balance of 39.2 per cent. This is a deviation from the 51:49 non-oil versus oil revenue mix, projected in the 2021 budget.

At ₦1,115.57 billion, oil revenue was below the collections in the budget benchmark and the preceding quarter by 26.5 per cent and 2.5 per cent, respectively. Relative to the budget, all components of oil revenue (excluding PPT & Royalties) declined, reflecting the effects of structural encumbrances (including force majeure and pipeline vandalism) unrelated to oil price developments.

Provisional data indicated that non-oil receipts, at ₦1,729.56 billion, was 0.5 per cent above the earnings in the preceding quarter. The increase was driven by a 42.4 per cent rise in FG Independent Revenue collection, much so that the decline in CIT collections could not dampen revenue performance in the period under review. Growth in FG Independent Revenue was indicative of the seasonality effect associated with the payment of operating surplus by MDAs.

Federation Revenue Distribution

Lower Federation collections in the fourth quarter of 2021, caused disbursements to the three tiers of government to fall to ₦2,087.82 billion, from ₦2,140.77 billion in the third quarter of 2021. The lower disbursement was due to the increased statutory deductions of ₦917.82 billion in the fourth quarter of 2021, compared with ₦733.03 billion in the third quarter of 2021. Consequently, the sums of ₦847.04 billion, ₦764.86 billion, and ₦475.91 billion were allocated to the Federal, State, and Local governments, respectively.

Table 6: Federally-Collected Revenue and Distribution to the Three-Tiers of Government (₦ billion)

	2020Q4	preceding quarter	fourth quarter of 2021 1/	Budgeted
Federation Revenue (Gross)	**2,179.20**	**2,864.42**	**2,844.73**	**3,074.15**
Oil	**985.57**	**1,142.70**	**1,115.17**	**1,517.78**
Crude Oil & Gas Exports	43.10	0.00	15.68	157.51
PPT & Royalties	514.81	833.19	834.06	830.64
Domestic Crude Oil/Gas Sales	401.62	276.66	234.05	252.86
Others	26.04	32.85	31.38	276.77
Non-oil	**1,193.63**	**1,721.72**	**1,729.56**	**1,556.37**
Corporate Tax	285.94	629.06	374.60	374.13
Customs & Excise Duties	251.51	358.81	394.55	283.13
Value-Added Tax (VAT)	425.11	484.11	533.31	459.59
Independent Revenue of Fed. Govt.	172.0	240.88	418.30	265.47
*Others**	59.07	8.87	8.80	174.04
Total Deductions/Transfers*	**727.97**	**733.03**	**917.82**	**809.95**
Federally-Collected Revenue Less *Deductions & Transfers***	**1,451.24**	**2,131.39**	**1,926.91**	**2,264.20**
plus:				
Additional Revenue	**264.80**	**9.38**	**160.92**	**56.42**
Excess Crude Revenue	*144.0*	*0.00*	*0.00*	*0.00*
Non-oil Excess Revenue	*66.0*	*0.40*	*150.44*	*56.42*
Exchange Gain	*54.80*	*8.98*	*10.48*	*0.00*
Total Distributed Balance	***1,716.04***	***2,140.77***	***2,087.82***	***2,320.63***
Federal Government	**702.63**	**889.09**	**847.04**	**979.96**
Statutory	*643.33*	*821.53*	*772.55*	*916.09*
VAT	*59.30*	*67.57*	*74.49*	*63.86*
State Government	**623.46**	**772.78**	**764.86**	**833.41**
Statutory	*326.31*	*416.69*	*391.85*	*464.65*
VAT	*197.68*	*225.22*	*248.31*	*212.88*
13% Derivation	*99.48*	*130.87*	*124.71*	*155.88*
Local Government	**389.94**	**478.90**	**475.91**	**507.25**
Statutory	*251.57*	*321.25*	*302.10*	*358.23*
VAT	*138.37*	*157.65*	*173.81*	*149.02*

Source: *OAGF and CBN Staff Estimates*

Note: 1/ Provisional, * Includes Education Tax, Customs Special Levies (Federation Account), National Technology Development, Customs Special Levies, Solid Mineral & Other Mining revenue, and other Non-regular earnings. ** Deductions includes cost of revenue collections and JVC cash calls, while transfers entails, provisions for FGN Independent revenue and other Non-Federation revenue.

2.2.2. Fiscal Operations of the Federal Government

Federal Government Retained Revenue

FGN retained revenue declined due to shortfalls in the receipt from Federation account sources. At ₦1,265.34 billion[6], provisional retained revenue of the FGN declined by 36.6 per cent and 3.2 per cent, relative to the budget benchmark and the preceding quarter, respectively, reflecting the subsisting revenue challenge over the past two years.

Table 7: FGN Retained Revenue (₦ billion), Fourth Quarter 2021

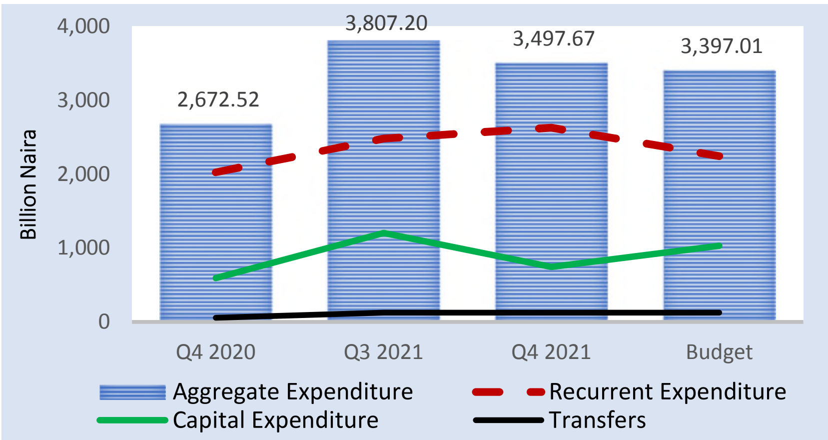
	Q4-20	Q3-21	Q4-21	Benchmark
FGN Retained Revenue	**1,030.21**	**1,306.16**	**1,265.34**	**1,996.59**
Federation Account	*517.45*	*817.06*	*688.42*	*886.37*
VAT Pool Account	*59.30*	*67.57*	*74.49*	*63.86*
FGN Independent Revenue	*172.00*	*240.88*	*418.30*	*265.47*
Excess Oil Revenue	*66.00*	*0.00*	*0.00*	*0.00*
Excess Non-Oil	*25.12*	*0.21*	*79.25*	*0.00*
Exchange Gain	*34.77*	*4.25*	*4.88*	*89.16*
*Others**	*155.58*	*176.19*	*0.00*	*691.73*

Source: *Compiled from OAGF figures*
*Note: * Others include revenue from Special Accounts, signature bonus and Special Levies*
Note: The Benchmark figures are provisional.

Federal Government Expenditure

The decline in provisional capital expenditure triggered an 8.8 per cent[7] drop in aggregate spending in the fourth quarter of 2021, relative to the preceding quarter. A disaggregated analysis revealed that recurrent expenditure rose by 5.6 per cent, relative to the preceding quarter, while capital expenditure dropped by 61.3 per cent, over the same period. Recurrent spending maintained its dominance, accounting for 75.1 per cent; while capital expenditure and transfers constituted the balance of 21.3 per cent and 3.6 per cent, respectively.

Figure 16: Federal Government Expenditure (₦ billion), 2021Q4



Source: *CBN Staff Estimates and compilation from OAGF data*

[6] Provisional Data
[7] Provisional data.

Table 8: Federal Government Expenditure (₦ billion)

	2020Q4	2021Q3	2021Q4	Benchmark
Aggregate Expenditure	***2,672.52***	***3,807.20***	***3,497.67***	***3,397.01***
Recurrent	*2,023.90*	*2,480.57*	*2,627.83*	*2,241.59*
Personnel Cost	*672.33*	*823.25*	*917.57*	*843.09*
Pension and Gratuities	*89.69*	*88.67*	*88.68*	*126.05*
Overhead Cost	*304.77*	*143.78*	*328.53*	*441.36*
Interest Payments	*718.92*	*1,400.68*	*1,230.20*	*831.10*
Domestic	*554.06*	*1,135.37*	*992.05*	*595.87*
External	*164.86*	*265.32*	*238.15*	*235.22*
Special Funds	*238.20*	*24.19*	*62.86*	*29.20*
Capital Expenditure	*593.46*	*1,202.50*	*745.71*	*1,031.29*
Transfers	*55.16*	*124.13*	*124.13*	*124.13*

Source: *CBN Staff Estimate*

Overall fiscal balance

Aggregate expenditure fell faster than revenue, thus tapering the provisional deficit. At ₦2,232.33 billion, the provisional fiscal deficit of the FGN was 12.0 per cent lower than the level in the preceding quarter.

Table 9: Fiscal Balance (₦ billion), Fourth Quarter 2021

	Q4-20	Q3-21	Q4-21	Benchmark
Retained revenue	*1,030.21*	*1,306.16*	*1,265.34*	*1,996.60*
Aggregate expenditure	*2,672.52*	*3,807.20*	*3,497.67*	*3,397.01*
Primary balance	*-923.39*	*-1,100.36*	*-1,002.13*	*-569.31*
Overall balance	*-1,642.31*	*-2,501.04*	*-2,232.33*	*-1,400.40*

Source: *Compiled from OAGF figures and CBN Staff Estimates*
Note: *The figures are provisional.*

Federal Government Debt

Public borrowing conformed with the medium-term debt strategy of the Federal Government. FGN debt outstanding rose to ₦33,805.84 billion at end-September 2021, an increase of 7.9 per cent, relative to end-June 2021[8]*.* Domestic debt accounted for 53.9 per cent of FGN total debt, while external debt obligations constituted 46.1 per cent. This is set against the ratio of 70:30 for domestic-external debt target in the 2020-2023 medium-term debt strategy of the FGN.

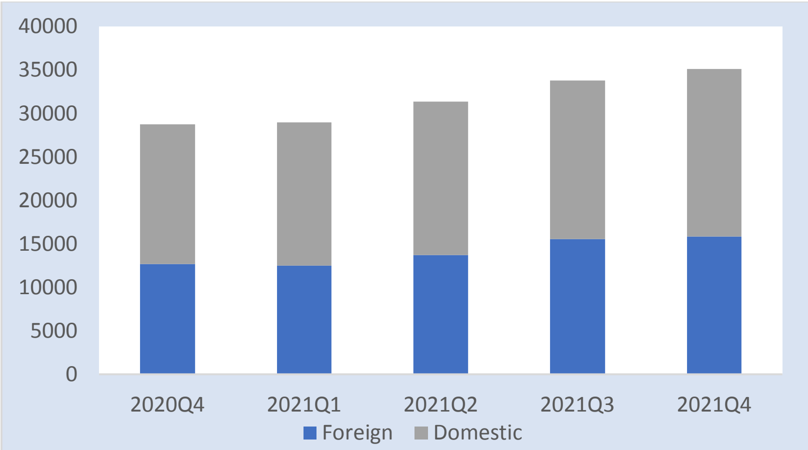
FGN bond issues maintained its dominance in the composition of domestic debt portfolio, accounting for 72.6 per cent of the total domestic debt, followed by Treasury Bills (19.7 per cent), Promissory

[8] *DMO is yet to release statistics on Federal Government Debt for the 4th Quarter. Consequently, this section retains analysis in the 3rd Quarter report*

Notes (4.0 per cent), FGN Sukuk (3.2 per cent), and others[9] (0.6 per cent). The composition was in tandem with the FGN's objective to hold more of long-term domestic debt instruments than short-term (75:25). With regards to holders of Nigeria's external debt, Multilateral, Commercial and Bilateral loans accounted for 48.6 per cent, 38.2 per cent and 11.6 per cent of the total external debt stock, respectively; while 'others' loans constituted 1.6 per cent.

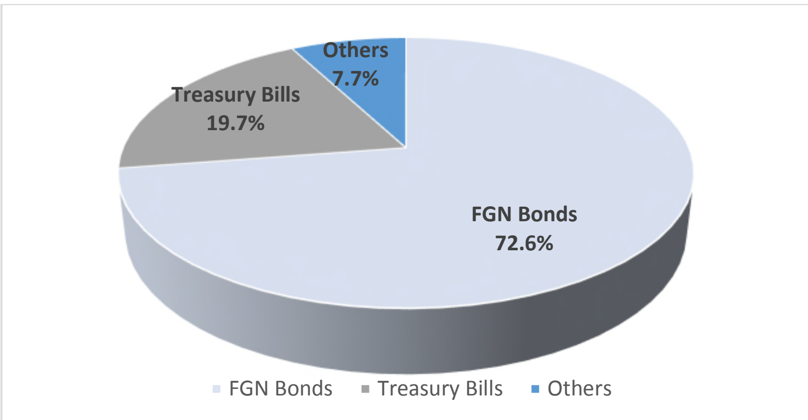
Debt service obligations as at 2021Q4 was ₦445.22 billion, compared with ₦1,023.13 billion in the preceding. The significant dip was due, largely, to the redemption of maturing debt obligations.

Figure 17: FGN External and Domestic Debt Composition (₦ Trillion)



***Source**: Compiled from DMO figures.*

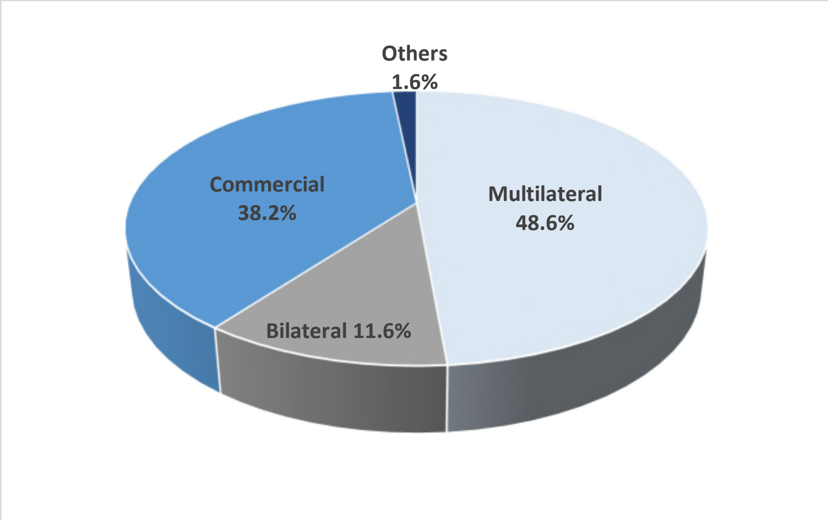
Figure 18: Composition of Domestic Debt Stock by Instrument



***Source**: Compiled from DMO figures*

[9] This includes Treasury bonds (0.4 per cent), Green bond (0.1 per cent) and Special FGN Savings bond (0.1 per cent).

Figure 19: Composition of External Debt Stock by Holders



***Source**: Compiled from DMO figures*

2.3 MONETARY AND FINANCIAL SECTOR

Summary

Financial conditions generally improved in the fourth quarter of 2021. Key monetary aggregates exceeded their 2021 annual benchmarks, reflecting the accommodative monetary policy stance of the Bank, driven, largely, by the expansion in credit to the critical sectors of the economy. Market interest rates trended downward following improved banking system liquidity during the review quarter. Activities in the Nigerian bourse were bullish on the heels of investors' confidence in the viability of capital market investment.

2.3.1 Monetary Developments

Reserve Money

Reserve money grew in the last quarter of 2021 due to increased currency-in-circulation. Currency-in-circulation (CIC) grew by 14.3 per cent, arising from the end of year festivities and reinforced by liquidity injection into the banking system from matured CBN bills and FAAC disbursements. However, liabilities to ODCs declined due to the fall in deposits of other depository corporations. The growth in CIC led to a 1.4 per cent rise in reserve money to ₦13,295.15 billion at end-December 2021, from ₦12,905.94 billion at end-September 2021.

Table 10: Components and uses of Reserve Money (₦ Billion)

	Dec-20	Sep-21	Dec-21
Monetary Base	**13,107.93**	**12,905.94**	**13,295.15**
Currency-In-Circulation	*2,908.46*	*2,837.06*	*3,325.16*
Liabilities to ODCs	*10,199.46*	*10,068.88*	*9,969.99*

Source: *Central Bank of Nigeria*
Note: *ODCs = Other Depository Corporations*

Monetary Aggregates

The growth in broad money surpassed its benchmark for fiscal 2021. With the money multiplier at 3.3 at the end-December 2021, broad money supply (M3) grew by 12.6 per cent, above the indicative benchmark of 9.99 per cent for fiscal 2021. The development reflected a significant expansion in domestic claims (17.3 per cent), which more than offset the 1.8 per cent decline in net foreign assets (NFA). The rise in NDA was due to the 15.9 per cent growth in net claims on central government and the 17.8 per cent increase in claims on 'other' sectors.

Of the total claims on 'other' sectors, credit to the private sector grew by 27.9 per cent at end-December 2021, compared with 19.8 per cent at end-September 2021. The development signifies improved credit delivery to the real economy by the banking system congruent with the Bank's accommodative policy stance.

Table 11: Money and Credit Growth over preceding December (per cent)

	Contribution to M_3 growth Dec-2021	Dec-22	Sep-22	Dec-22
Net Foreign Assets	-0.41	50.98	-35.28	-1.77
Claims on Non-residents	2.67	12.52	7.86	5.26
Liabilities to Non-residents	-3.04	-7.12	43.69	11.1
Net Domestic Assets	13.04	3.55	15.74	16.95
Domestic Claims	18.35	12.71	13.43	17.25
Net Claims on Central Government	4.71	13.81	13.16	15.96
Claims on Central Government	12.36	19.35	20.88	24.08
Liabilities to Central Government	-7.65	27.79	31.33	35.07
Claims on Other Sectors	13.63	12.3	13.54	17.75
Claims on Other Financial Corporations	-1.14	7.98	-3.37	-5.32
Claims on State and Local Government	1.1	10.64	11.7	20.63
Claims on Public Nonfinancial Corporations	0.26	-0.65	50.21	13.24
Claims on Private Sector	13.41	15.16	19.75	27.88
Broad Money	12.63	11.53	3.67	12.63
Currency Outside Depository Corporations	1.14	23.38	-4.97	17.74
Transferable Deposits	4.85	54.69	1.85	14.15
Narrow Money (M_1)	5.99	48.74	0.78	14.72
Other Deposits	9.4	20.63	11.36	16.63
Broad Money (M_2)	15.39	31	6.93	15.83
Securities Other Than Shares	-2.67	-81.98	-99.91	-99.92
Total Monetary Liabilities(M_3)	12.63	11.53	3.67	12.63

Source: *Central Bank of Nigeria*

The corresponding growth in total monetary liabilities stems from the rise in currency outside depository corporations (17.7 per cent), transferable deposits (14.2 per cent), and 'other' deposits (16.6 per cent). 'Other' deposits contributed the most to the growth of broad money liabilities (9.40 percentage points), while transferable deposits and currency outside depository corporations contributed 4.9 and 1.1 percentage points, respectively. The growth in 'other' deposits hinged on the rise in savings, time, and foreign currency deposits, resulting from higher yields on savings and time deposits. This was reflected by the rise in 3-months and 12-months deposits rates to 4.94 and 6.79 per cent at end-December 2021 from 4.64 and 6.72 per cent at end-September 2021, respectively. The upsurge in currency outside depository corporations and transferable deposits arising from growing demand for cash for the yuletide season prompted growth in narrow money supply (M1) by 14.7 per cent to ₦18,169.30 billion in the review quarter.

Sectoral Utilisation of Credit

Sectoral credit utilisation increased due to enhanced credit delivery by the banking system to support the real economy. Credit utilisation by sectors of the economy grew by 6.9 per cent to ₦24,378.19 billion at end-December 2021, owing, largely, to the increased credit to trade/general commerce. An analysis of credit utilisation revealed that the industry and services sectors remained the dominant sectors, as their share in total credit stood at 40.7 per cent and 53.4 per cent, respectively, compared with 41.7 per cent and 52.8 per cent at the end-September 2021. The agriculture sector's share increased by 0.6 percentage point to 6.0 per cent compared with 5.4 per cent at the end-September 2021.

Table 12: Sectoral Utilisation of Credit

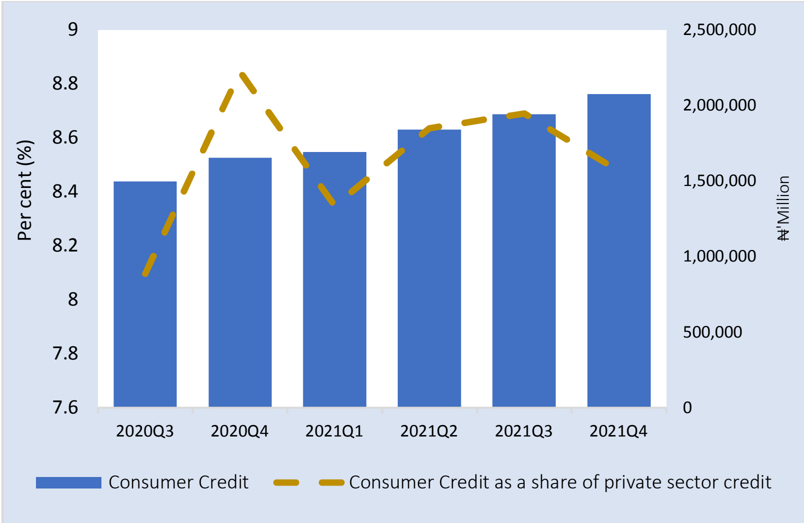
	Dec-20	Sep-21	Dec-21
Agriculture	**5.2**	**5.4**	**6.0**
Industry	**41.9**	**41.7**	**40.7**
Construction	*4.7*	*4.8*	*4.4*
Services	**52.9**	**52.8**	**53.4**
Trade/General Commerce	*6.6*	*6.9*	*7.0*

Source: *Central Bank of Nigeria*

Consumer Credit

Consumer credit outstanding increased due to higher personal and retail loans. Consumer credit outstanding, at ₦2,073.76 billion, rose by 6.7 per cent at the end-December 2021 from ₦1,942.87 billion at end-September 2021. At that level, consumer credit constituted 8.5 per cent of total credit to the private sector. The growth in consumer credit could be ascribed to the slight decline in the maximum lending rate in the review quarter.

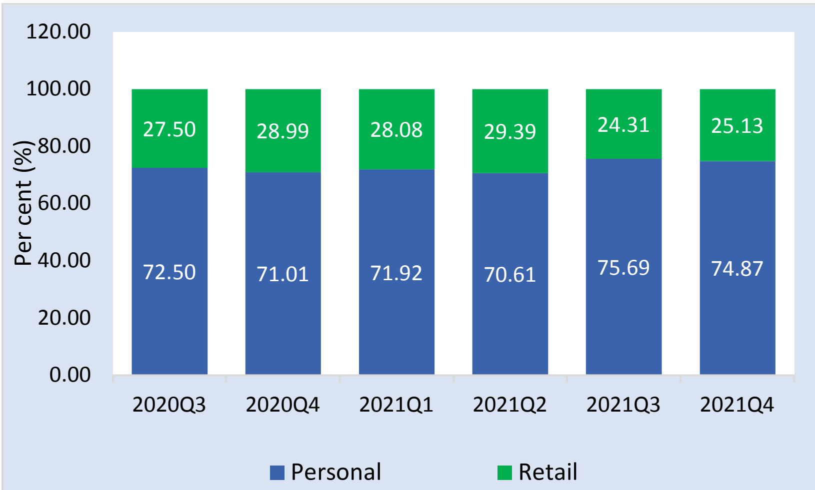
Figure 20: Consumer Credit



Source: *Central Bank of Nigeria*

A breakdown of consumer loans showed that personal loans sustained its dominance, accounting for the largest share of 74.9 per cent, while retail loans explained the remaining 25.1 per cent.

Figure 21: Composition of Consumer Credit in Nigeria



Source: *Central Bank of Nigeria*

2.3.2 Financial Developments

The financial markets remained resilient in the fourth quarter of 2021 despite the negative impact of the Omicron variant of the COVID-19 pandemic. The positive development boosted investors' confidence, resulting in a bullish stance on the major equity market indices on the Nigerian Exchange Limited.

2.3.2.1 Money Market Developments

Liquidity Flows

There was ample liquidity in the banking system in the last quarter of 2021 as reflected in decline in interest rates. The average net industry liquidity position rose by 51.7 per cent in the fourth quarter of 2021, to ₦499.31 billion, from ₦329.11 billion in the preceding quarter, buoyed by the repayment of matured CBN bills and FAAC allocation. Provisioning and settlement of foreign exchange purchases, investment in CBN bills, and Cash Reserve Ratio (CRR) debit constituted the withdrawals from the banking system.

Open Market Operations

CBN bills with tenor to maturity of 219 days (±136) were auctioned through Open Market Operations (OMO) in the review quarter. Volume of subscription rose in the review quarter to ₦762.80 billion, compared with ₦718.02 billion in the preceding quarter, even as the bid rate declined to 8.50 per cent (±1.60) from 8.53 per cent (±1.73). Transactions at the standing facilities window amplified, with greater recourse to the standing deposit facility during the review period.

Primary Market

At the primary market, investment in debt securities was skewed to longer tenor instruments. A total of ₦653.61 billion, ₦2,309.45 billion, and ₦946.54 billion worth of NTBs were respectively offered, subscribed, and allotted in the review quarter, compared with ₦1,021.98 billion, ₦2,941.54 billion, and ₦1,523.32 billion, in the preceding quarter. Subscriptions for NTBs were skewed favouring the 364-day tenor, which accounted for 97.6 per cent of total subscriptions in the fourth quarter of 2021, signifying investors' appetite for longer tenor instruments. Subscriptions to FGN Bonds decreased to ₦650.47 billion in the fourth quarter of 2021 from ₦965.13 billion in the third quarter. The development coincides with the falling government securities yield in the review quarter.

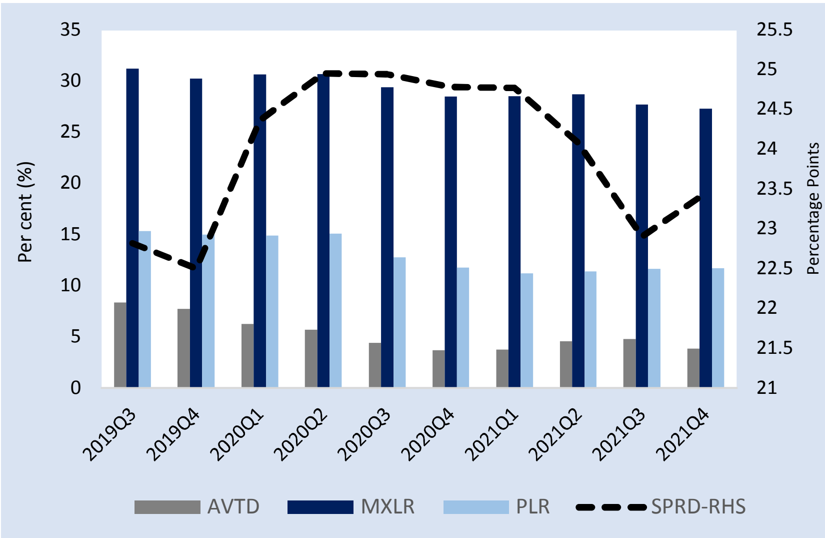
Interest Rate Developments

Key short-term interest rates plunged, reflecting improved banking system liquidity. Daily inter-bank call and Open-Buy-Back rates was 11.17 per cent (±7.65) and 14.50 per cent (±10.50), respectively. Other rates such as the 7-day, 30-day, and 90-day NIBOR traded at averages of 13.30, 10.25, and 11.14 per cent, respectively, compared with their respective levels of 13.26,11.69 and 12.76 per cent in the preceding quarter.

Ample banking system liquidity reflected in the 5.6 per cent increase in the average value of lending transactions to ₦22,967.77 billion. Thus, the average maximum lending rate dipped by 0.38 percentage points to 27.31 per cent, from 27.70 per cent in the third quarter of 2021. However, the prime lending rate increased marginally by 0.06 percentage points to 11.70 per cent. In real terms, these rates are juxtaposed against the inflation rate of 15.63 per cent.

Average term-deposit rate rose by 0.12 percentage points to 3.86 per cent, leading to a narrowed spread between the deposit and lending rates. The spread between the average term deposit and maximum lending rates narrowed by 0.25 percentage points to 23.71 per cent in the fourth quarter of 2021.

Figure 22: Interest Rate Trend (per cent)



Source: *Central Bank of Nigeria*

2.3.2.2 Capital Market Developments

Activities on the Nigerian Exchange Limited (NGX) were bullish.

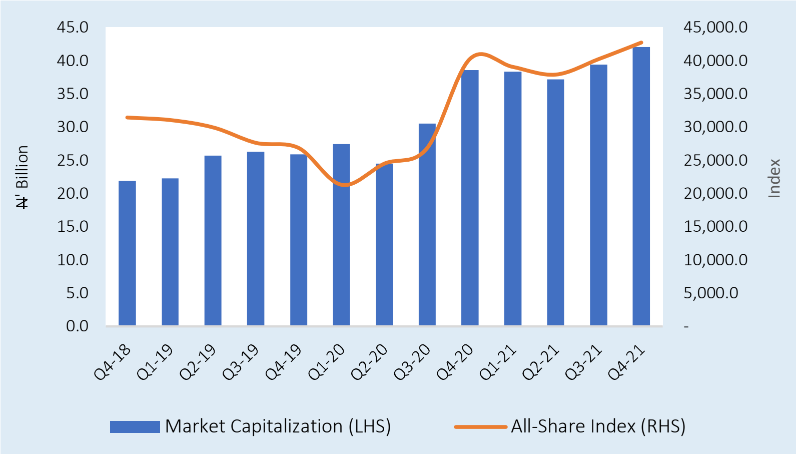
Market Capitalisation

Aggregate market capitalisation appreciated by 6.4 per cent to ₦43.12 trillion in the fourth quarter, of 2021, compared with the ₦40.55 trillion recorded at the end of the preceding quarter, following sustained investors' buying interest in blue-chips stocks and repositioning ahead of full-year earnings results and dividend declarations. Further analysis showed that the equities and debt components increased by 6.4 per cent and 7.3 per cent to ₦22.30 trillion and ₦19.74 trillion, respectively. The Exchange Traded Fund (ETF) component, however, declined by 38.9. Per cent to ₦0.007 trillion.

NSE All Share Index

The All-Share Index (ASI) opened at 40,221.17 at the beginning of the review quarter, and closed at 42,716.44 at end-December 2021, reflecting a 6.2 per cent gain. The increase in the NGX ASI was on account of price appreciation in the medium and capitalised stocks.

Figure 23: Market Capitalisation and All-Share Index



Source: *Nigeria Exchange (NGX) Limited*.

In the fourth quarter of 2021, while the NGX-ASeM remained flat, fourteen sectoral indices trended upward, while three trended downward (Table 1).

Table 13: Nigeria Exchange (NGX) Limited Indices

NGX Indices	2021 Q3	2021 Q4	Changes (%)
NGX Growth Index	1,026.97	1,269.66	23.63
NGX- MERI VALUE	1,869.29	2,134.95	14.21
NGX -INSURANCE	173.04	198.11	14.49
NGX -MAIN BOARD	1,583.87	1,748.37	10.39
NGX -BANKING	370.85	406.07	9.50
NGX -PENSION	1,552.33	1,624.09	4.62
NGX -AFR Div Yield	2,512.25	2,559.43	1.88
NGX - CG	1,236.21	1,278.00	3.38
NGX Sovereign	852.37	860.95	1.01
NSE- 30- INDEX	1,674.51	1,722.30	2.85
NGX -Asem	670.65	670.65	0.00
NGX-CONSUMER GOODS	567.17	589.28	3.90
NGX -LOTUS	2,905.02	3,009.51	3.60
NGX -PREMIUM	4,070.31	4,167.78	2.39
NGX -MERI GROWTH	1,771.69	1,805.02	1.88
NGX -OIL/GAS	367.27	345.01	-6.06
NGX -INDUSTRIAL	2,089.38	2,008.30	-3.88
NGX -AFR BANK VALUE	1,042.55	1,038.82	-0.36

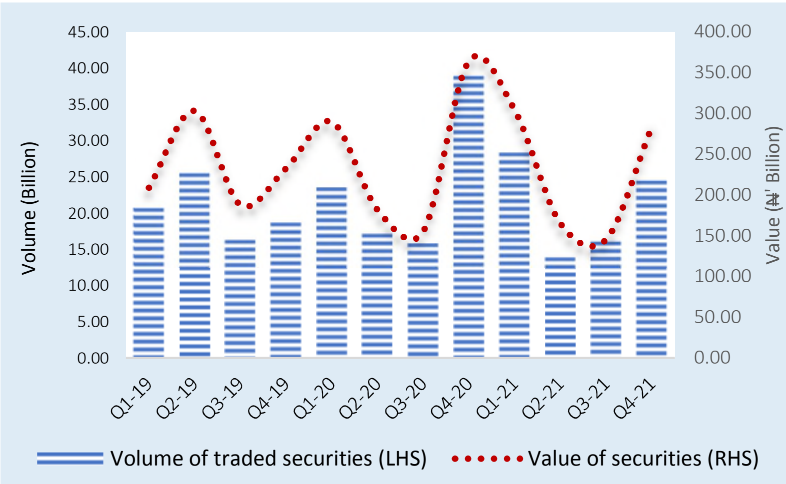
Source: *Nigeria Exchange (NGX) Limited*.

Volume & Value of Transactions

Trading activities increased in the fourth quarter relative to the third quarter of 2021. Total turnover volume and value of securities traded (263,962 deals), rose by 47.2 per cent and 89.2 per cent to 24.50 billion shares and ₦284.33 billion, respectively, in, relative to the 16.08 billion shares worth ₦145.24 billion (239,729 deals), recorded at the end of the preceding quarter. Average daily volume traded increased by 52.01 per cent from 259.91 million in the third quarter of 2021 to 395 million in 2021Q4, while the average daily value of securities was unchanged at ₦2.35 billion.

There were eight new and eight supplementary listings in the fourth quarter of 2021 (Table 14).

Figure 24: Volume and Value of Traded Securities



Source: *Nigeria Exchange (NGX) Limited*.

Table 14: Supplementary Listings on the Nigerian Stock Exchange at end-December 2021

Company	Additional Shares (Units)	Reasons	Listing
FTN Cocoa Processors Plc	N1.7 billion Rights Issuance of Ordinary shares of 50 kobo each at 50 kobo per share	N1.7 billion Rights Issuance programme	New Listing
7.376% FGS NOV 2023	133,407 units	Bond Issuance	New Listing
8.376% FGS NOV 2024	285,437 units	Bond Issuance	New Listing
6.899% FGNSB OCT 2023	66,455 units	Bond Issuance	New Listing
LFZC Funding SPV Plc: Listing of Bonds	N50 Billion 20 years at 13.25%. A Senior Guaranteed Fixed Rate Infrastructure Bond due 2041.	N50b Bond Issuance programme	New Listing
ABC Transport Plc	N1.127 billion Rights Issuance of Ordinary shares of 1naira each at share	N1.127 billion Rights Issuance programme	New Listing
Ronchess Global Resources Plc	91 million Ordinary shares Rights Issuance of 50 kobo each at 35 kobo per share	Rights issuance programme	New listing
7.899% FGNSB OCT 2024	248,951units	Bond Issuance	New Listing
12.98% FGN MAR 2050	118,826,853 units	Bond Issuance	Supplementary Listing
13.98% FGN Feb 2028	242,234,811 units	Bond Issuance	Supplementary Listing
12.40% FGN MAR 2036	258,038,302 units	Bond Issuance	Supplementary Listing
12.98% FGN MAR 2050	95,244,799 units	Bond Issuance	Supplementary Listing
16.2499% FGN APR 2037	402,046,735	Bond Issuance	Supplementary Listing
12.98% FGN MAR 2050	155,906,900	Bond Issuance	Supplementary Listing
16.2499% FGN APR 2037	32,190,900	Bond Issuance	Supplementary Listing
12.50% FGN JAN 2026	37,151,899	Bond Issuance	Supplementary Listing

Source: *Nigeria Exchange (NGX) Limited.*

2.3.2.3 Financial Sector Soundness

Financial Sector Indicators

Nigeria's financial sector remained stable, as depicted by key financial soundness indicators. The industry Capital Adequacy Ratio (CAR) fell by 0.5 percentage points to 14.5 per cent in the fourth quarter of 2021, relative to the 15.0 per cent recorded in the preceding quarter. However, the ratio was above the regulatory benchmark of 10.0 per cent. The decline relative to the levels in the preceding quarter was attributed to the increase in banks' risk-weighted assets, which more than offset the increase in total qualifying capital of the banks.

In the review period, analysis showed healthier banks' loan quality indicator[10], relative to the preceding quarter, and it corrected below the 5.0 per cent prudential requirement. The non-performing loans (NPLs) ratio improved to 4.8 per cent in the fourth quarter of 2021, from 5.4 per cent recorded in the preceding quarter, due, mainly, to the increase in loan recoveries by banks. The industry liquidity ratio (LR) declined by 6.2 percentage points to 54.9 per cent in the review period,

[10] measured by the ratio of Non-Performing Loans to industry total outstanding loans

compared with 61.0 per cent at the end-September 2021, reflecting a decrease in the stock of liquid assets held by banks. At that level, the LR remained higher than the regulatory benchmark of 30.0 per cent.

2.4. EXTERNAL SECTOR DEVELOPMENTS

2.4.1. External Balance

Summary

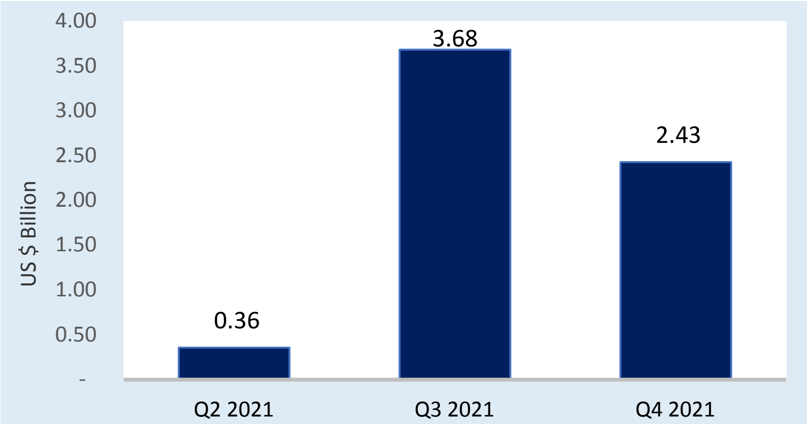
The external sector's performance slowed in the review period, despite rising crude oil prices. The development was due largely to uncertainties and muted economic activities, following the emergence of the Omicron virus, which moderated global economic activities, rising import bills for goods and services, and increased foreign exchange demand pressure. Thus, Nigeria's external account recorded a deficit position of US$1.34 billion, in contrast to a surplus of US$5.28 billion in the preceding quarter. Current account surplus dropped to US$2.43 billion, relative to US$3.68 billion in the preceding quarter, driven by higher import bills for goods and services. The financial account recorded higher net incurrence of financial liability of US$2.64 billion, relative to US$2.57 billion in the preceding quarter. The external reserves as at end-December 2021, was US$40.23 billion, compared with US$41.57 billion at end-September 2021. The level could only finance 10.2 months of goods or 7.7 months of goods and services import. At the I&E window of the foreign exchange market, average naira exchange rate stood at ₦412.43/US$ during the fourth quarter of 2021.

2.4.2. Current & Capital Account

Current and Capital Account Developments

The current account sustained its surplus position, though at lower level than was recorded in the preceding period. The tapering was on account of increased importation of goods and services due to end-of-year festivities. Provisional data showed that the current account posted a lower surplus of US$2.43 billion (2.2 per cent of GDP), compared with US$3.68 billion (3.4 per cent of GDP), in the preceding quarter. The development was largely due to higher import of goods and services, joined to a lower surplus position in the secondary income account as both general government and workers remittances inflow declined.

Figure 25: Current Account Balance (US$ billion)



Source: *CBN*

Export Performance

The sustained rise in crude oil prices at the international market boosted export receipts during the review period. Export earnings rose by 1.3 per cent to US$12.82 billion in the fourth quarter of 2021, compared with the US$12.65 billion in the preceding quarter. A disaggregation showed that crude oil exports increased marginally by 0.9 per cent to US$9.90 billion, relative to US$9.81 billion in the preceding quarter. The development was driven, majorly, by the increase in the average price of Nigeria's reference crude, the Bonny Light, to US$80.44 per barrel, from US$73.78 in the previous quarter. Similarly, gas exports grew by 0.3 per cent to US$1.35 billion, compared with US$1.34 billion in the preceding quarter, due to higher prices at the international market, amidst supply shortages. Non-oil export receipts also grew by 5.0 per cent to US$1.57 billion, from US$1.49 billion in the preceding quarter, owing to increased export, particularly agricultural produce. In terms of share of total exports, crude oil and gas export receipts remained dominant, accounting for 87.8 per cent, with oil representing 77.2 per cent, while gas accounted for 10.6 per cent. Non-oil export accounted for the balance of 12.2 per cent.

Merchandise Import

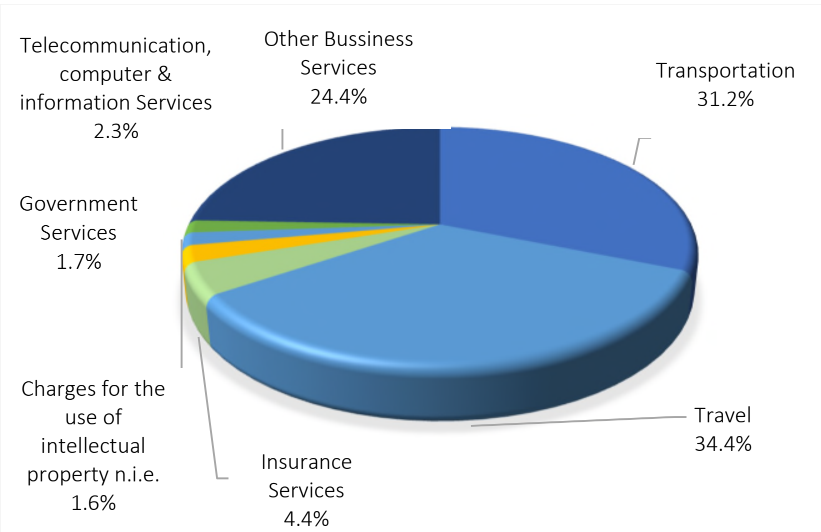
Higher demand for merchandise goods, particularly on the back of the end-of-year festivities, boosted the demand for imports, thus, resulting in higher import bills. Merchandise import increased by 8.9 per cent to US$11.86 billion in the fourth quarter of 2021, relative to the US$10.88 billion in the preceding quarter. The development was attributed to an increase in both petroleum products and non-oil import in the review period, to meet the growing end-of-year festive demand. Non-oil import grew to US$8.53 billion, from US$7.73 billion in the preceding quarter, while import of petroleum products increased by 5.5 per cent to US$3.33 billion, from US$3.15 billion, on account of higher demand for premium motor spirit. The share of non-oil import remained dominant, accounting for 72.0 per cent of total import, while petroleum products posted for the balance of 28.0 per cent.

A breakdown of non-oil import by sector revealed that importation of raw materials and machinery for industrial use accounted for the highest share of 43.9 per cent, followed by manufactured products, with a share of 23.2 per cent. Importation of food products accounted for 21.4 per cent, while oil sector, transport and agricultural accounted for 6.0, 2.9 and 1.6 per cent, respectively. The mineral sector accounted for the balance of 1.1 per cent.

Services

The gradual return to normalcy as access to vaccines across the world improved, stimulated the demand for services, particularly travels, leading to increased services payments. The services account posted a wider deficit of US$2.87 billion in the fourth quarter of 2021, from US$2.51 billion in the preceding quarter. A breakdown showed that payment for services during the quarter amounted to US$3.87 billion, compared with US$3.43 billion in the preceding quarter of 2021. Specifically, payment in respect of travel and other business services increased significantly by 52.8 and 27.0 per cent to US$1.30 billion and US$0.92 billion, relative to US$0.85 billion and US$0.73 billion in the preceding period.

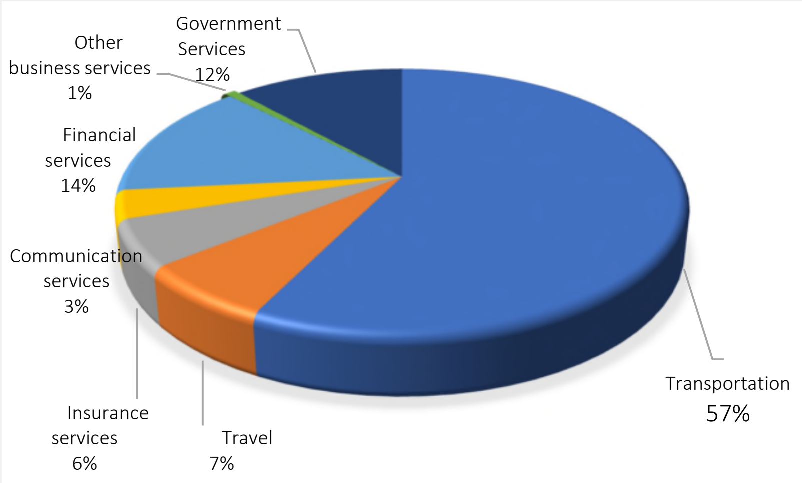
Figure 26: Share of Service Out-Payments



Source: *Central Bank of Nigeria*

Analysis of services receipts showed an increase of 8.7 per cent to US$1.00 billion, compared with US$0.92 billion in the preceding quarter. A breakdown showed that receipts from transportation and financial services export stood at US$0.61 billion and US$0.14 billion, respectively, accounting for 57.3 per cent and 14.3 per cent of total export receipts, respectively.

Figure 27: Share of Services Receipts (per cent)

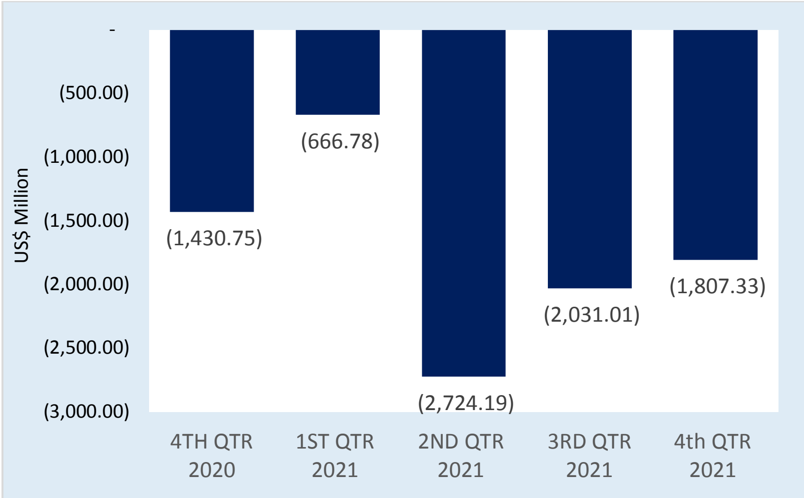


Source: *Central Bank of Nigeria*

Primary Income

Lower repatriation of dividends and profits by non-resident investors resulted in narrowing the primary income account. The deficit in the primary income declined by 11.0 per cent to US$1.81 billion from US$2.03 billion in the preceding quarter. The development reflected the seasonality effect as most companies declared dividends at the earlier part of the year. The compensation of employees sub-account maintained a surplus position at US$0.05 billion in the fourth quarter of 2021, though 9.8 per cent lower than the level in the preceding quarter.

Figure 28: Primary Income Balance (US$ million)

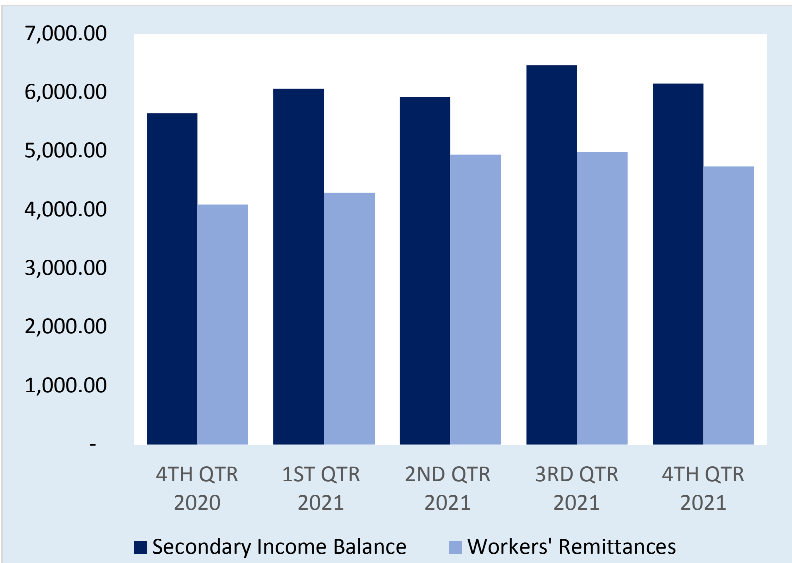


Source: *Central Bank of Nigeria*

Secondary Income

The emergence and spread of the Omicron COVID-19 variant affected global economic dynamics and hampered the inflow of workers' remittances. The secondary income account posted a lower surplus of US$6.15 billion, compared with US$6.46 billion in the preceding quarter, owing to a decrease in both general government and personal transfer receipts. Personal transfers, including workers' remittances, fell by 5.0 per cent to US$4.72 billion in the fourth quarter of 2021, compared with US$4.97 billion in the preceding quarter, while receipts by the general government in the form of transfers decreased by 4.0 per cent to US$1.50 billion.

Figure 29: Secondary Income Balance and Remittances Inflow (US$ million)



Source: *Central Bank of Nigeria*

2.4.3. Financial Account

Financial Account Developments

Notwithstanding the persistent global financial market uncertainties arising from the surge in the new omicron variant and seasonal factors, the financial account posted net incurrence of financial liabilities. The financial account recorded net incurrence of financial liability of US$2.64 billion (2.7 per cent of GDP), relative to US$2.57 billion (2.3 per cent of GDP) in the preceding quarter. The development was driven, largely by the significant reduction in the acquisition of financial assets, and higher inflow of direct investment, reflecting renewed confidence in the domestic economy.

Net Incurrence of Liability

An estimated financial inflow of US$4.57 billion was recorded in the fourth quarter of 2021, compared with US$11.88 billion in the preceding quarter. The reduction was due to the significant decline in the inflow of portfolio and other investments to US$1.52 billion and US$1.83 billion, compared with US$7.46 billion and US$4.43 billion, respectively in the previous quarter. However, the inflow of direct investment increased to US$1.21 billion, majorly due to the increased inflow of reinvested capital in the review period, a reflection of renewed investors' confidence in the economy.

Net Acquisition of Asset

Financial asset stood at US$1.93 billion in the fourth quarter of 2021, compared with US$9.31 billion in the preceding quarter. This follwed the decline in foreign currency holdings of the banks and the monetary authority, as well as the depletion in external reserves. A disaggregation showed that direct and other investment assets decreased by 62.4 per cent and 17.2 per cent, respectively, below their levels in the preceding quarter. Similarly, reserve assets recorded a depletion of US$1.34 billion in the review period, as against an accretion of US$5.28 billion in the third quarter of 2021, reflecting the Bank’s intervention in the foreign exchange market to meet the balance of payment needs of the country.

2.4.4. External Debt[11]

Public Sector External Debt

Nigeria’s public sector external debt stock and external debt service payment at end-September 2021 stood at US$37.96 billion (8.6 per cent of GDP) and US$0.52 million, respectively. A breakdown showed that the multilateral loans, from the World Bank, International Monetary Fund, and African Development Bank Groups, amounted to US$18.28 billion, accounting for 48.2 per cent of the total. A total of US$14.67 billion was borrowed from commercial sources in the form of Euro and

[11] *DMO yet to release data on external debt for the 4th quarter 2021. Consequently, this section retains the analysis made in the 3rd quarter economic report*

Diaspora Bonds (38.7 per cent). Loans from bilateral sources was US$4.40 billion, or 11.6 per cent of the total, while promissory notes were US$0.60 billion, or 1.5 per cent of the total debt stock.

The external debt service payment stood at US$0.52 million at end-September 2021, relative to US$0.30 million in the preceding quarter. A breakdown showed that the principal repayment was US$0.17 million, accounting for 32.7 per cent of the entire payment. Interest payment totalled US$0.32 million, or 61.5 per cent of the total, while other payments made up the balance. An analysis of interest payments showed that interest payment to multilateral institutions accounted for 5.8 per cent of the total and was US$0.03 million, while that to bilateral institutions accounted for 9.6 per cent of the total at US$0.05 million. Interest payments on commercial borrowings at US$0.25 million was 48.1 per cent of the total.

International Investment Position

2.4.5. International Investment Position (IIP)

Nigeria's International Investment Position (IIP) recorded an estimated net financial liability of US$78.99 billion at end-December 2021. The estimated stock of financial assets declined by 8.7 per cent to US$93.67 billion at end-September 2021, compared with US$102.57 billion at end-September 2021. This was due largely to decrease in Foreign direct investment, other investment and stock of reserve assets in the review period.

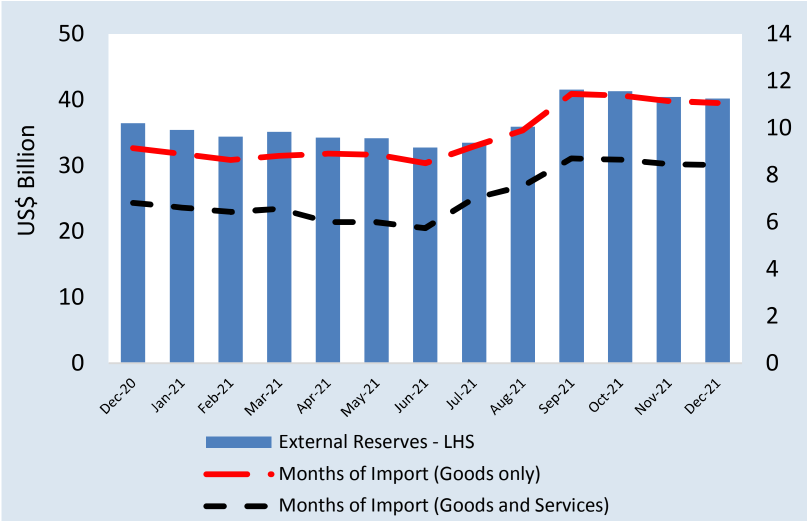
The stock of financial liabilities representing foreign investors' claims on the economy decreased by 4.6 per cent to US$172.66 billion at end-December 2021, compared with US$181.08 billion at end-September 2021. The development reflected a decrease in the stock of direct, portfolio and other investment liabilities in the fourth quarter of 2021 when compared to the preceding quarter.

International Reserves

2.4.6. International Reserves

Increased foreign exchange sales at the Investors and Exporters (I&E) window, coupled with other public sector payments, led to depletion in external reserves. Nigeria's international reserves decreased to US$40.23 billion at end-December 2021, compared with US$41.57 billion at the end -September 2021. The level of external reserves could cover about 7.7 months of import for goods and services or 10.2 months of import for goods only.

Figure 30: External Reserves and Months of Import Cover



Sources: *Central Bank of Nigeria*

A breakdown of the external reserves by ownership showed that the share of CBN was US$37.98 billion (94.4 per cent), Federal Government, US$2.19 billion (5.4 per cent), while the Federation accounted for the balance of US$0.06 billion (0.2 per cent). In terms of currency composition, the US dollar was US$30.27 billion, (75.2 per cent); Special Drawing Rights US$5.32 billion (13.2 per cent); Chinese Yuan US$4.27 billion (10.6 per cent); GB Pounds, US$0.25 billion (0.6 per cent); Euro US$0.11 billion (0.3 per cent); and other currencies accounted for the balance.

2.4.7 Foreign Exchange Flows through the Economy

Foreign Exchange Flows through the Economy

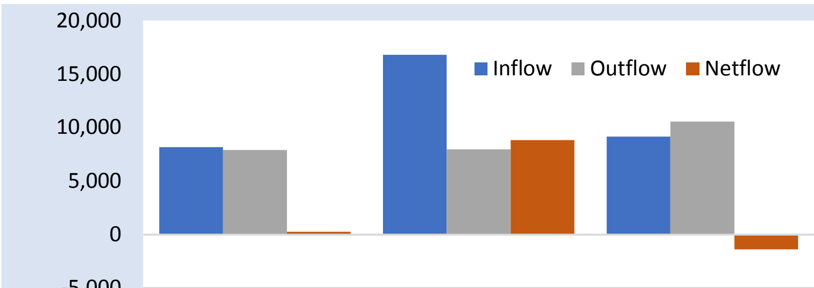
Foreign exchange inflow through the economy declined in the fourth quarter of 2021, owing to lower inflow through both the Bank and autonomous sources. Foreign exchange inflow into the economy fell by 31.7 per cent to US$20.62 billion, from US$30.20 billion in the preceding period. The development was driven by the 45.5 per cent and 14.4 per cent lower inflow through the CBN and the autonomous sources, respectively. Foreign exchange inflow through the Bank at US$9.18 billion, fell below the US$16.83 billion in the preceding quarter as both oil and non-oil receipts declined, as a result of lower receipts from interest on reserves and interbank swaps. A disaggregation showed that proceeds from oil-related sources declined by 12.2 per cent to US$1.63 billion, relative to the preceding period. Similarly, receipts from non-oil sources fell to US$7.54 billion, compared with US$14.97 billion in the preceding quarter. Foreign exchange inflow through autonomous sources declined to US$11.44 billion, relative to

US$13.37 billion in the preceding period, driven mainly by a reduction in over-the-counter (OTC) purchases and non-oil export receipts.

Foreign exchange outflow through the economy rose by 19.4 per cent to US$12.21 billion, relative to the level in the preceding quarter, majorly on account of increased foreign exchange intervention and utilisation for visible imports. Outflow through the Bank at US$10.58 billion, increased by 32.5 per cent, relative to US$7.98 billion in the preceding quarter, attributable to increased sales to I&E window, third-party MDA transfers, public sector direct payments, and Joint Venture Cash Call payments. However, autonomous outflow decreased by 27.2 per cent to US$1.63 billion, due to lower utilisation of foreign exchange for invisible imports.

Consequently, the economy recorded a lower net inflow of US$8.41 billion in the fourth quarter, compared with US$19.98 billion in the preceding quarter, reflecting the lower net inflow of US$9.81 billion recorded through autonomous sources. In contrast, a net outflow of US$1.40 billion was recorded through the Bank, compared with a net inflow of US$8.85 billion in the preceding quarter.

Figure 31: Foreign Exchange Transactions through the Bank (US$ billion)



	Q4 2020	Q3 2021	Q4 2021
Inflow	8,171.83	16,831.30	9,176.59
Outflow	7,918.35	7,981.37	10,577.32
Netflow	253.48	8,849.93	(1,400.73)

Source: *Central Bank of Nigeria*

2.4.8. Developments in the Foreign Exchange Market

Foreign Exchange Market Developments

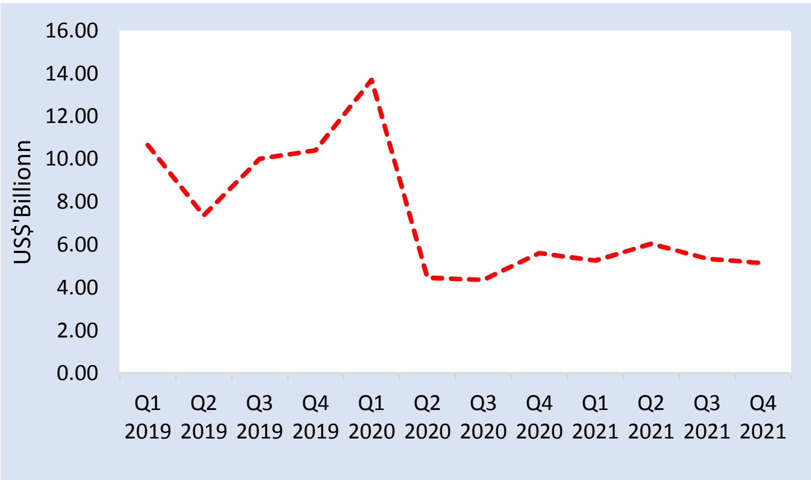
In the fourth quarter, effective November 30, 2021, the Bank deployed the e-form A and e-form NCX to replace the paper copies so as to improve efficiency and transparency in foreign exchange transactions. In addition, the Bank launched a new policy - "100 for 100 PPP – Policy on Production and Productivity" - to support 100 private sector companies for 100 days, among other objectives, reduce import dependency and conserve foreign exchange.

2.4.9. Transactions in the Foreign Exchange Market

Spot Transactions

Total foreign exchange sales to authorised dealers by the Bank at US$5.15 billion, decreased by 3.6 per cent, compared with the level in the preceding quarter. A disaggregation showed that sales to Investors and Exporters' window rose by 142.3 per cent to US$1.93 billion, relative to the level in the preceding quarter, reflecting increased demand pressure. However, foreign exchange sales at interbank and SMIS window declined by 24.0 per cent and 4.4 per cent to US$0.55 billion and US$2.00 billion, respectively, relative to the levels in the preceding quarter, reflecting lower demand. Similarly, SME interventions and matured swap contracts also decreased by 5.5 per cent and 67.4 per cent to US$0.38 billion and US$0.29 billion, compared with the preceding quarter.

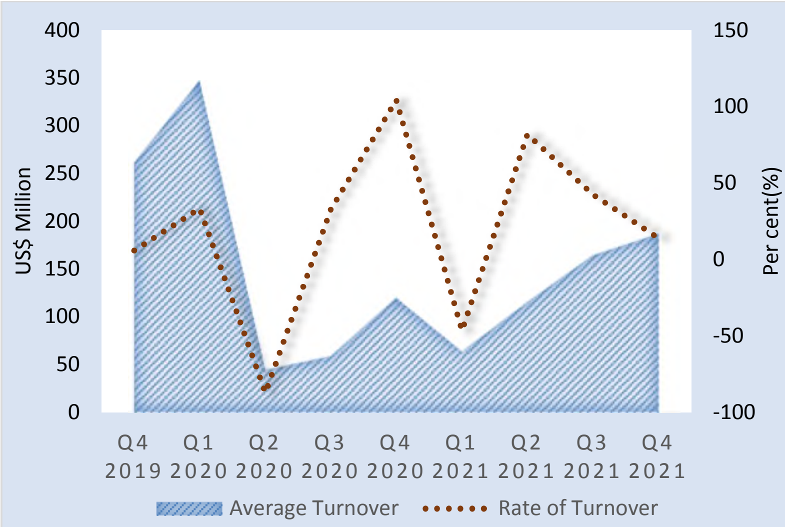
Figure 32: Foreign Exchange Sales to Authorised Dealers (US$ billion)



Source: *Central Bank of Nigeria*

The average turnover at the I&E segment increased by 14.9 per cent to US$0.19 billion, relative to the level in the preceding quarter, reflecting increased liquidity in the window, following sustained foreign exchange intervention by the Bank.

Figure 33: Turnover in the I&E Foreign Exchange Market



Source: *Central Bank of Nigeria*

2.4.10. Exchange Rate Movement

Average Exchange Rate

The naira exchange rate was relatively stable at the I&E window, supported by the Bank's sustained interventions. The average exchange rate of the naira per US dollar at the I&E window, depreciated marginally by 0.1 per cent to ₦412.43/US$, compared with ₦411.89/US$, in the preceding quarter.

3.0 ECONOMIC OUTLOOK

3.1 Global Outlook

Growth prospects, in the near term, is threatened by renewed disruptions from the Omicron variant of COVID-19, protracted financial stress, and probable cessation of policy support. According to IMF WEO, the global economy is projected to grow by 5.9 per cent in 2021 (0.1 percentage point lower than the forecast published in July) and 4.9 per cent in 2022. This revision is anchored on idiosyncratic factors, such as supply shortages, reduced fiscal support, and monetary policy normalisation in the US, and the pandemic-induced disruptions related to the zero-tolerance COVID-19 policy and protracted financial stress among property developers in China. In addition, the wide disparity in the pace of vaccination between advanced economies and low-income developing countries is expected to further dampen the growth outlook in the medium-term, as the low-income countries continue to lag other country groups.

In 2023, global growth is expected to slow further to 3.8 per cent, albeit a 0.2 percentage point higher than the October IMF WEO forecast. This revision is hinged on strong consumer demand and improved business confidence, supported by subsisting policy support, after current drags on growth dissipate in the second half of 2022. However, the expected policy normalisation in most advanced economies and the emergence of more virulent strains of coronavirus disease, sluggish progress observed in vaccination programmes in emerging and developing economies, tighter labour markets, and broader slowdown in China pose debilitate global outlook.

Global inflation is expected to remain elevated in the near term, driven by several factors of varying importance across regions. Inflation in advanced economies is projected to average 3.9 per cent in 2022, a 0.8 percentage point increase over the level in 2021, on the back of rising energy prices, prominently in Europe and supply chain disruptions, especially in the US. Similarly, average inflation in EMDEs is expected to rise slightly to 5.9 per cent in 2022, from 5.7 per cent in the preceding year due to COVID-19 containment measures in China, higher import prices in Latin America and the Caribbean region, and rising food prices in sub-Saharan Africa. Inflationary pressures are expected to subside in 2023, assuming inflation expectations are well anchored as supply chain disruptions ease, monetary policy tightens, supply-demand imbalances in the energy sector recede, and demand rebalances away from goods-intensive consumption towards services.

Most commodity prices, especially agricultural commodities, may remain elevated in the first quarter of 2022. Global market fundamentals have received a boost owing largely to improvements in vaccination rates globally, lower COVID-19 mortality, and lesser possibilities for lockdowns. These developments may likely weigh down the increasing rally in demand as supplies are expected to improve. However, most commodity prices, especially agricultural commodities, may remain elevated in the first quarter of 2022. This is hinged on higher global inflation rates, including high shipping costs, energy and fertilizer prices, as well as the shortage of labour in many countries, particularly for palm oil, cotton, and coffee exporters. In addition, the new or unfolding variants of the coronavirus will continue to increase uncertainties in the market.

3.2 Domestic Outlook

Near-term growth outlook for the Nigerian economy is positive but fragile. The economy is projected to grow at 2.94 per cent in the first quarter of 2022, with an annual growth of 2.71 per cent in 2022. The positive outlook is predicated on the judicious implementation of the Medium-Term National Development Plan (2021 – 2025), a rebound in manufacturing activities, improvement in vaccination rates, and the favourable impact of CBN interventions on growth-enhancing sectors. Other potential growth enablers include: the implementation of the Petroleum Industry Act (PIA), which is expected to expand the fiscal space of government; the proposed take-off of the 650,000-capacity Dangote refinery in the third quarter of 2022; and increased rate of adoption of the eNaira, which is expected to improve cost efficiency on transactions and financial inclusion in the medium-to-long term. However, lingering security challenges, infrastructure deficit, and unstable electricity supply are likely headwinds that could undermine economic recovery.

Inflationary pressure is expected to moderate in the short term, following broad-based policy support to critical sectors. The ongoing harvest, which commenced in the third quarter of 2021, and the efforts of the Bank at improving food security and boosting the outcome of dry season farming will continue to moderate prices in the short term. Consequently, headline inflation is expected to decline to 13.7 per cent[12] in March 2022, from 15.6 in December 2021.

The fiscal outlook remains moderately optimistic in the near term. Recovery in crude oil prices due to an uptick in global economic activities and the continuous implementation of the strategic revenue growth initiatives of the FGN is expected to enhance the fiscal space and ultimately impact the economy positively. However, lingering security challenges and the delayed implementation of the PIA remain the major downside risks to the outlook.

The monetary policy stance is expected to remain accommodative. Intervention through OMO and CRR debits is expected to continue to neutralize the effect of the expected inflows from maturing CBN bills and ensure price stability conducive for economic growth. Improved yields on fixed income securities and bullish activities in the equities market may likely persist.

[12] Staff Estimates

However, inflationary pressures and growth concerns are key challenges to monetary policy.

Nigeria's external reserves outlook is tepid amidst sustained high global crude oil price. The level of external reserves is projected to inch up in the near term, as crude oil prices continue to rise and global demand grow. However, rising global crude oil production (driven by Russia, and the United States) could depress prices and impact external reserves accretion.