CENTRAL BANK OF NIGERIA ECONOMIC REPORT

October 2022

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 monthly and quarterly, provides insights into the current developments in the real, fiscal, financial, and external sectors of the Nigerian economy and global economic developments. It also reflects on the policy initiatives of the Bank within the period.

The Report is targeted at a wide range of readers, including economists, policymakers, financial analysts in the government and private sectors, and the public. Free copies of the Report, both current and past issues, can be obtained from the CBN website: ***www.cbn.gov.ng***. *All inquiries concerning the report should be directed to The Director, Research Department, Central Bank of Nigeria, P.M.B. 187, Garki, Abuja, Nigeria.*

Contents

ABOUT THE REPORT i

EXECUTIVE SUMMARY 1

1.0 GLOBAL ECONOMIC DEVELOPMENTS 4

1.1 Global Economic Conditions 4
1.1.1 Global Economic Activity 4
1.1.2 Global Inflation 6
1.1.3 Global Financial Markets 8
1.1.4 Global Commodity Market 10

2.0 DOMESTIC ECONOMIC DEVELOPMENTS 14

2.1. Real Sector Developments 14
2.1.1 Business Activities 14
2.1.2 Domestic Price Developments 16
2.1.3 Domestic Crude Oil Market Developments 18
2.1.4 Development Financing 20
2.1.5 Socio-Economic Developments 20
2.2. Fiscal Sector Developments 22
2.2.1 Federation Account Operations 22
2.2.2 Fiscal Operations of the Federal Government 24
2.3. Monetary and Financial Developments 28
2.3.1 Monetary Developments 28
2.3.1.1 Credit Utilisation 30
2.3.2 Financial Developments 32
2.3.2.1 Money Market Developments 32
2.3.2.2 Capital Market Developments 36
2.4. External Sector Developments 40
2.4.1 Trade Performance 40
2.4.2 International Reserves 44
2.4.3 Foreign Exchange Flows Through the Economy 44
2.4.4 Foreign Exchange Market Developments 45
2.4.5 Exchange Rate Movement 46
2.4.6 Foreign Exchange Turnover at the I&E Window 46

3.0 ECONOMIC OUTLOOK 47
3.1. Global Outlook 47
3.2. Domestic Outlook 47

Tables

Table 1: Global Composite Purchasing Managers' Index (PMI) 4
Table 2: Summary of Global Inflation Rates.. 7
Table 3: Selected Agricultural Export Commodities, October 2022.................. 12
Table 4: Intervention Funds in October 2022 20
Table 5: Federally Collected Revenue and Distribution (₦' Billion).................... 23
Table 6: FGN Retained Revenue (₦' Billion), October 2022 24
Table 7: Fiscal Balance (₦' Billion) Oct-22... 25
Table 8: Components of Reserve Money (₦' Billion) 28
Table 9: Money and Credit Growth over Preceding December (%) 29
Table 10: Relative Share in Total Sectoral Credit (Per cent) 30
Table 11: Nigeria Exchange (NGX) Limited Sectoral Indices.............................. 37
Table 12: Listings on the Nigerian Exchange (NGX) Limited 38

Figures

Figure 1: PMIs of Selected Advanced Economies 5
Figure 2: PMIs of Selected EMDEs 6
Figure 3: Selected Equity Indices (Growth rates).. 8
Figure 4: 10-Year Bond Yield of Selected Countries (Monthly average, per cent) 9
Figure 5: Developments in the Currency Market.. 10
Figure 6: Global Crude Oil Prices (US$ per barrel) 11
Figure 7: Price Changes in Selected Metals (per cent) for October 2022 13
Figure 8: Composite, Industry, Services and Agriculture PMI 14
Figure 9: Services Sector PMI 15
Figure 10: Agricultural Sector PMI.. 15
Figure 11: Industry Sector PMI 16
Figure 12: Headline, Food and Core Inflation (Year-on-Year) 17
Figure 13: Headline, Food and Core Inflation (Month-on-Month)..................... 18
Figure 14: Federal Government Expenditure (₦' Billion), October 2022 25
Figure 15: FGN External and Domestic Composition (₦' Billion)........................ 26
Figure 16: Composition of Domestic Debt by Instrument 27
Figure 17: Composition of External Debt by Holders.. 27
Figure 18: Consumer Credit Outstanding 30
Figure 19: Composition of Consumer Credit 31
Figure 20: Trend at the CBN Standing Facility Windows (₦' Billion) 33
Figure 21: Primary Market NTBs (₦' Billion) 34
Figure 22: Primary Auctions of FGN Bond (₦' Billion) 34
Figure 23: Developments in Short-term Interest Rates (Per cent)..................... 35
Figure 24: Trend in Average Deposit and Lending Rates 36
Figure 25: Aggregate Market Capitalisation and All-Share Index....................... 37
Figure 26: Volume and Value of Traded Securities on the NGX......................... 38
Figure 27:Export, Import and Trade Balance (US$ Billion)................................. 40
Figure 28: Import by Sector (October 2022)... 42
Figure 29: Total Capital Inflow and Foreign Portfolio Investment (US$ Billion) .. 43
Figure 30: Capital Outflow (US$ Billion)... 43

Figure 31: External Reserves and Months of Import Cover (US$ Billion) 44
Figure 32: Foreign Exchange Transactions through the Bank (US$ Millions), October 2022 45
Figure 33: Foreign Exchange Sales to Authorised Dealers in October 2022 46
Figure 34: Turnover in the I&E Foreign Exchange Market (US$ Million)............ 46

EXECUTIVE SUMMARY

Global economic activity slowed, for the third consecutive month, in October 2022, driven by weakened demand and lower business confidence, indicating heightened recession risks. This was reflected in the Global Composite Purchasing Managers Index (PMI), which contracted further to 49.0 index points in October 2022, from 49.6 index points in September 2022, due to a sustained drop in production, amid weakening demand conditions and persisting inflationary pressures. However, the crystallisation of monetary and fiscal policy measures moderated inflationary pressures in some economies.

On the domestic front, economic activities in October 2022 improved, as the composite Purchasing Managers Index (PMI) expanded, compared with the preceding period, due to increased activities in the services and agriculture sectors. Inflationary pressure exacerbated in the month, as headline inflation rose to 21.09 per cent as against 20.77 per cent recorded in September, driven by the surge in food prices due to flooding in some parts of the country, and persisting high-energy prices. Domestic crude oil production rose, due to increased surveillance of pipeline infrastructure against vandals in the Niger Delta region. However, it remained below the OPEC quota due to subsisting challenges. The prices of most of the monitored agricultural export commodities, at the international market, maintained downward trends in October 2022, due to lower demand and improved global supply prospects. The all-commodities price index stood at 89.9 index points (2010=100), representing a 3.3 per cent decrease, compared with the previous month, following lingering demand concerns, amidst challenging global economic conditions.

Crude oil spot prices rose in the review month, as market participants increased their demand for crude oil in the spot market, in response to the expected two million barrels per day production cuts in November and December 2022 announced by OPEC+. The average spot price of Nigeria's reference crude oil, the Bonny Light (34.9° API), rose by 3.55 per cent, to US$96.56 per barrel (pb), from US$93.25 pb in September.

Nigeria's fiscal conditions in October 2022 improved as Federation Account revenue increased by 7.0 per cent, relative to the preceding month, following significant accretion in petroleum profit tax and royalties. The provisional data available indicate that the retained revenue of the FGN expenditure decreased by 3.7 per cent and 13.1 per cent, respectively, leading to a 21.0 per cent contraction in overall fiscal deficit. Total public debt remains elevated but within sustainable level, at N44,064.31 billion or 22.6 per cent of GDP as at end-September 2022.

The Bank sustained its tight monetary policy stance to ensure monetary aggregates remain within the programme target and rein in inflation. Broad money supply (M3) grew by 13.8 per cent, translating to an annualised growth of 16.6 per cent. Key short-term interest rates rose, as the tight policy stance affected banking system liquidity. Despite the tight policy stance, credit to private sector rose by 17.7 per cent, suggesting potentials for sustained economic recovery. The financial system remained sound and stable, as key financial soundness indicators were within their regulatory threshold. The industry Capital Adequacy Ratio fell by 0.4 percentage point to 13.4 per cent from 13.8 per cent in September, driven by a marginal decrease in total qualifying capital over movements in total risk weighted assets. Activities on the Nigerian Exchange (NGX) Limited were bearish, occasioned by sustained portfolio rebalancing, as investors showed preference for fixed income instruments in response to the hawkish monetary policy stance.

Despite the increase in crude oil export receipts, the significantly higher import bills for petroleum products to bridge the domestic supply gap resulted in lower trade surplus in the review period. The trade surplus declined by 93.7 per cent to US$0.05 billion, from US$0.75 billion in the preceding period. Foreign capital imported into the economy grew in the review period, owing to improvement in portfolio inflow. Foreign capital inflow into the economy also improved, owing majorly, to incurrence of new loans, while lower repatriation of dividends and outflow of loans moderated capital outflow. The stock of external reserves was US$36.87 billion at end-October 2022, relative to US$37.39 billion at end-September 2022, and could finance 6.4 months of import for goods and services. The average exchange rate at the I&E window depreciated by 1.2 per cent to ₦440.85/US$, relative to ₦435.62/US$ in the previous month.

The outlook for the global economy remains pessimistic, as high risks and uncertainty persist, and economic activity softens. Global inflation is expected to remain elevated and broad-based for the rest of the year despite ongoing monetary policy rate hikes, across most central banks. This is due to energy and food price shocks and lingering supply-demand imbalances. The prospects for the Nigerian economy remain positive as domestic output is projected to grow by 3.30 per cent in 2022Q4 (year-on-year), driven by improved manufacturing activities and crude oil production, effective implementation of the Medium-Term National Development Plan (2021-2025), and the positive impact of CBN interventions on growth-enhancing sectors, among others. However, interest rate hikes, persistent security challenges, global supply chain disruptions, and flooding, could dampen growth momentum. Fiscal outlook in the near-term remains optimistic. This is attributed to the rebound in crude oil price, production, and the renewed efforts to eradicate crude oil theft. Similarly, the improved revenue *generation from the non-oil sector are expected to buoy government revenue. Nigeria's external sector is expected to remain resilient despite the downside risks associated with growing global uncertainties in the international oil market and structural factors.*

1.0 GLOBAL ECONOMIC DEVELOPMENTS

1.1 Global Economic Conditions

Summary

Global economic activity contracted further in October 2022, on the back of weakened demand, and lower business confidence. Inflationary pressures moderated in some economies on the back of the crystallisation of monetary and fiscal policy measures. Global financial markets improved across some segments and regions, despite the aggressive stance of monetary authorities on inflation and uncertain economic outlook. In the commodities markets, the international oil market witnessed a decrease in total world crude oil supply in line with the OPEC+ decision to cut production in October 2022, which resulted in a rise in crude oil spot prices, as market participants increased their demand for crude oil in the spot market because of the expected production cuts.

1.1.1 Global Economic Activity

Global Economic Conditions

Global economic activity slowed for the third consecutive month in October 2022, driven by weakened demand and lower business confidence, indicating heightened recession risks. Global[1] Composite Purchasing Managers Index (PMI) contracted further to 49.0 index points in October 2022, from 49.6 index points in September 2022. Both the manufacturing and services sectors experienced contractions within the review period. Specifically, manufacturing and services PMIs declined to 49.4 index points and 49.2 index points in October 2022, respectively, from 49.8 index points and 50.0 index points a month ago. The contraction was due to a sustained drop in production amid weakening demand conditions and a worsening global outlook.

Table 1: Global Composite Purchasing Managers' Index (PMI)

	Aug-22	Sept-22	Oct-22
Composite	**49.3**	**49.6**	**49.0**
Employment Level	50.3	50.8	50.3
New Business Orders	48.2	47.7	46.9
New Export Business Orders	47.0	45.9	46.2
Future Output	60.1	57.9	56.7
Input Prices	61.1	61.3	61.1
Output Prices	56.7	56.6	56.5
Manufacturing	**50.3**	**49.8**	**49.4**
Services (Business Activity)	**49.3**	**50.0**	**49.2**
New Business	50.5	50.5	49.2
New Export Business	48.1	48.6	46.9
Future Activity	62.3	62.3	59.1
Employment	52.1	51.5	51.2
Outstanding Business	48.3	49.8	48.5
Input Prices	66.2	65.3	65.2
Prices Charged	57.0	57.0	56.5

Source: *JP Morgan, CBN Staff compilation.*

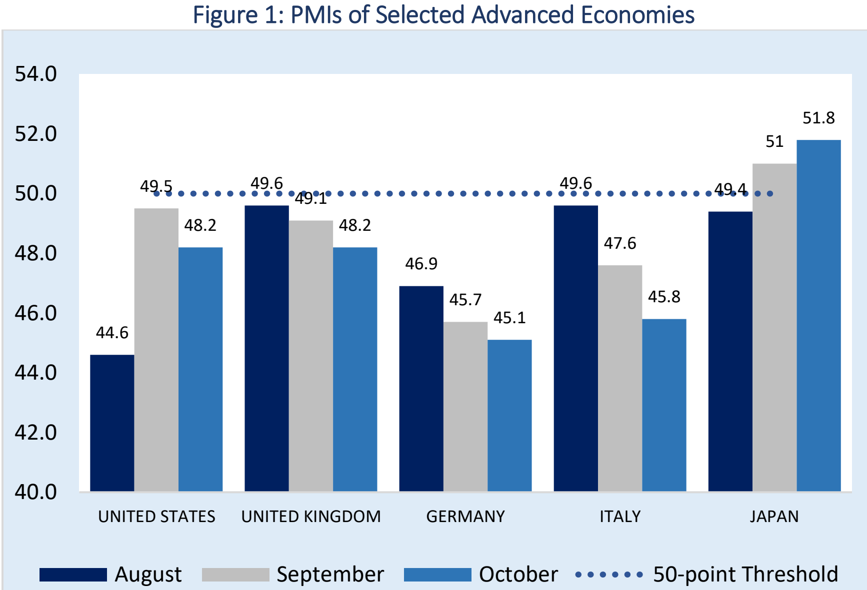
[1] IHS Markit & J.P. Morgan Index

Note: *50-Point threshold was adopted for the analysis.*

Economic Activity in Advanced Economies

Economic activities slowed in most Advanced Economies (AEs), due to lower trade flows, and waning business confidence. Economic activities declined in most AEs, except in Japan, which recorded an improvement in PMI at 51.8 index points in October 2022, from 51.0 index points in September. In the US, PMI further contracted to 48.2 index points, from 49.5 index points in the preceding month. The contraction in economic activities was driven by a fall in new exports due to rising inflation, a drop in new businesses, sharper deterioration in services amid stronger US dollar. Similarly, economic activities contracted further in the UK to 48.2 index points from 49.1 index points in September, due to a decline in business confidence, occasioned by rising inflationary concerns and uncertainty in the economic outlook. In Germany and Italy, PMI contracted to 45.1 and 45.8 index points in October, from 45.7 index points and 47.6 index points, respectively, in the preceding month owing to weaker domestic and foreign demand that dampened manufacturing output and new export orders.

Figure 1: PMIs of Selected Advanced Economies

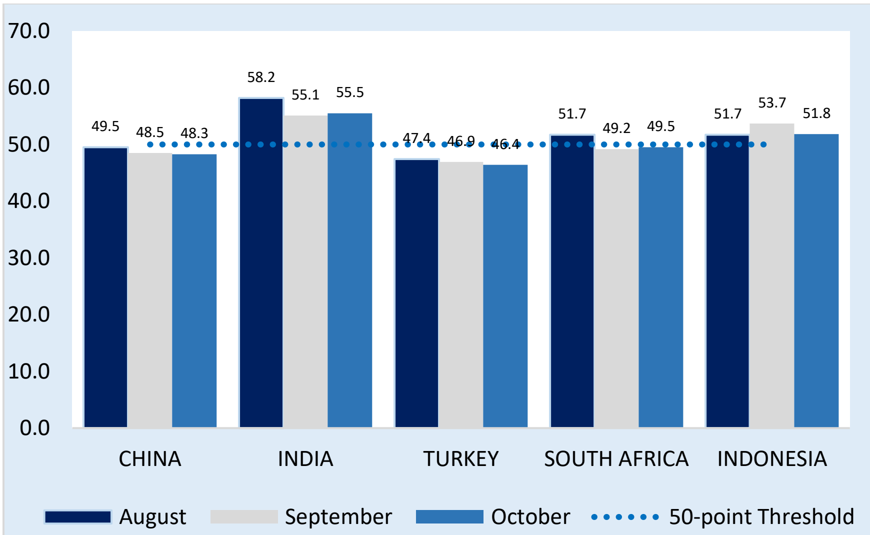


Source: *Trading Economics/Various Country Websites, CBN Staff compilation.*
Note: *50-Point threshold was adopted in the analysis.*

Economic Activity in Emerging Markets and Developing Economies

Economic activities in Emerging Markets and Developing Economies (EMDEs) slowed, following declines in the services sector across most countries. In Turkey, PMI fell to 46.4 index points, in the month under review, from 46.9 index points in September 2022, due to lower demand, amid challenging market conditions that affected production and employment. Chinese PMI contracted marginally to 48.3 index points, from 48.5 index points, following the negative impact of COVID controls that slowed new orders. Though PMI in South Africa increased marginally, it remained below the benchmark, as activities remained subdued on the back of sharp inflationary pressures, worsening economic uncertainties, supply chain disruptions and reduced business confidence. However, economic activities improved in India and Indonesia as PMI rose to 55.5 index points and 51.7 index points, respectively, from 55.1 index points and 51.3 index points in the preceding month, due to expansions in factory orders and improvement in underlying demand conditions.

Figure 2: PMIs of Selected EMDEs



Source: *Trading Economics/Various Country Websites.*
Note: *Data for Turkey and Indonesia indicate the Manufacturing PMI.*

1.1.2 Global Inflation

Global Inflation

Inflationary pressures in some notable economies moderated, due to the crystallisation of monetary and fiscal policy measures. In Advanced Economies (AEs), price development was mixed. While inflationary pressure eased in some countries such as the US, others, particularly in Europe, continued to suffer from persisting inflation, due to the energy crisis induced by geopolitical tensions. In the United States, consumer prices maintained a downward trend as it declined to 7.75 per cent in October 2022, from 8.20 per cent in the previous month. The decline was due to the drop in energy costs and food prices in the face of tight monetary policies and improvements in supply chains. In Canada, accelerated motor fuel and mortgage prices offset slower food inflation, thus, keeping the headline inflation at the preceding month's level of 6.90 per cent.

Inflation, however, rose in France to 6.20 per cent, from 5.55 per cent in the previous month, driven by rising prices of energy, food, and manufactured goods. Italy's inflation also surged to a 38-year-high, at 11.90 per cent in October 2022, from 8.87 per cent in the preceding month. The sharp rise was attributed, mainly to higher energy prices, owing to the large premium the country pays to source for energy outside Russia. Inflation in Germany rose to 10.40 per cent in October, from 10.00 per cent in September 2022 due to higher costs of energy, food prices and the weakening euro. Similarly, inflation rate in the UK jumped to 11.10 per cent from 10.10 per cent in September 2022, driven majorly by the prices of gas and electricity, despite the Energy Price Guarantee (EPG). Also, high prices of imported raw commodities and persistent weakening of the yen drove up inflation in Japan to 3.70 per cent, from 3.00 per cent in the previous month.

Table 2: Summary of Global Inflation Rates

Country	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22
United States	8.60	9.1	8.50	8.30	8.20	7.75
United Kingdom	9.10	9.4	10.10	9.90	10.10	11.10
Japan	2.50	2.4	2.60	3.00	3.00	3.70
Canada	7.70	8.1	7.60	7.00	6.90	6.90
Germany	7.90	7.6	7.50	7.90	10.00	10.40
France	5.20	5.8	6.10	5.90	5.55	6.20
Italy	6.80	8.0	7.90	8.40	8.87	11.90
China	2.10	2.5	2.70	2.50	2.80	2.17
South Africa	6.50	7.4	7.80	7.60	7.50	7.60
India	7.04	7.01	6.71	7.00	7.41	6.77
Mexico	7.65	7.99	8.15	8.70	8.70	8.41
Indonesia	3.55	4.35	4.95	4.69	5.95	5.71
Turkey	73.50	78.62	79.60	80.20	83.45	85.51

Source: *OECD, NBS and CBN Staff Compilation.*

Inflation decelerated generally in Emerging Markets and Developing Economies (EMDEs) in October. In China, inflation moderated to 2.17 per cent in October 2022, from a two-year high of 2.80 per cent in September, due to weak domestic demand. Similarly, Indonesia and India's inflation eased to 5.71 per cent and 6.77 per cent, from 5.95 per cent and 7.41 per cent, respectively, in the preceding month. This was attributed mainly to falling food prices in both countries. Inflation also eased in Mexico to 8.41 per cent from 8.70 per cent in the previous month, with an appreciable softening in food prices. South Africa's inflation edged up marginally to 7.60 per cent, from 7.50 per cent in September 2022, driven, mainly, by food and non-alcoholic beverages, housing, and utilities. However, galloping inflation persisted in Turkey, reaching 85.51 per cent, from 83.45 per cent in September, as the central bank continued to cut down interest rates, amid the fall in the lira. The prices of food and non-alcoholic beverages, furnishings and household equipment were the main drivers of inflation.

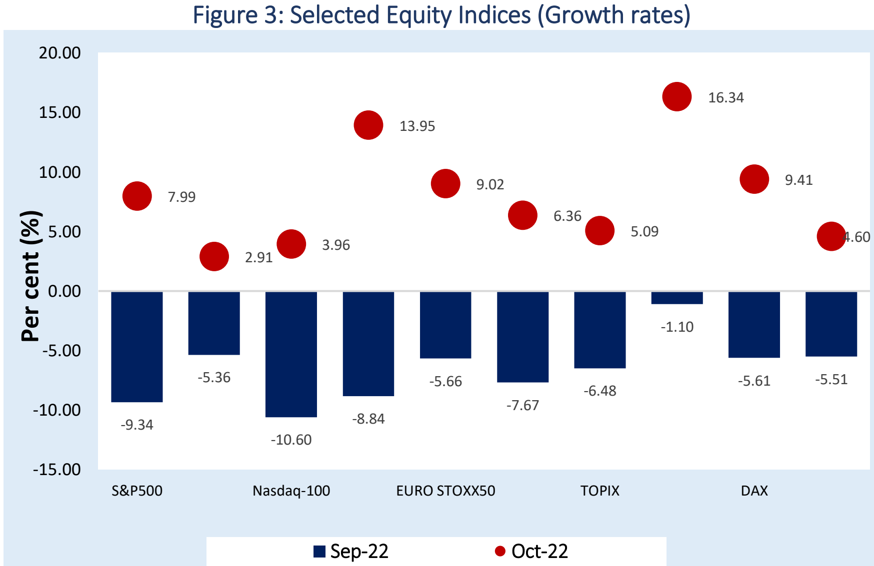
1.1.3 Global Financial Markets

Global Equities Market

Global financial markets improved across some segments and regions, despite the aggressive stance of monetary authorities on inflation and uncertain economic outlook. Equity prices rose as investors focused on the earnings season, with more than half of the companies having delivered better-than-expected results. Specifically, the Dow Jones, S&P 500, NASDAQ, and FTSE100, climbed by 13.95 per cent, 7.99 per cent, 3.96 per cent, and 2.91 per cent, respectively, from their September positions.

Equity prices in the Eurozone also rose, following the ECB's statement on the fears of a possible recession, signalling ease of rate hikes in the future, and supporting increased appetite for equities. The EURO STOXX and DAX gained 9.02 per cent and 9.41 per cent, respectively. Similarly, stocks in Japan remained resilience, as investors anticipated the slowing of an interest rate hike in the US. Consequently, NIKKEI and TOPIX were bullish, improving from the previous month by 6.36 per cent and 5.05 per cent, respectively. In Africa, the Egyptian EGX30 also closed high with an increase of 16.34 per cent during the month. In South Africa, the Medium-Term Budget Policy Statement, and the rising confidence in abilities to tackle corruption, lifted sentiment as the JSE Top40 improved by 4.60 per cent.

Figure 3: Selected Equity Indices (Growth rates)

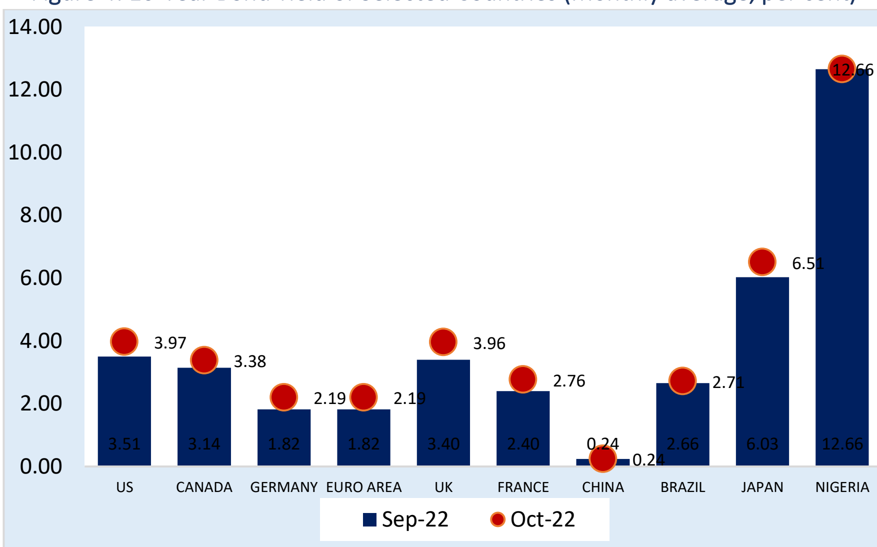


Source: *Bloomberg, CBN Staff Compilation*

Global Bonds Market

In the fixed-income securities space, 10-year government bond yields rose across most economies in the month under review. The average 10-year government bond yield in the United States rose to 3.97 per cent, with better-than-expected labour market data and an upside surprise on inflation, reinforcing a hawkish response by the Federal Reserve. In the UK, political events signalling a new fiscal stance, brought some stability in the market as the average 10-year government bond yields rose to 3.96 per cent from its September level. Similarly, average yields in the euro area and Japan rose to 2.19 per cent and 6.51 per cent, respectively. Also, Germany, France, and Brazil's bond yields trended upward to an average of 2.19 per cent, 2.76 per cent and 2.71 per cent, respectively. However, the average 10-year government bond yield remain unchanged at 0.24 per cent in China as injections from the People's Bank of China (PBoC) helped to prevent the yields from rising higher.

Figure 4: 10-Year Bond Yield of Selected Countries (Monthly average, per cent)

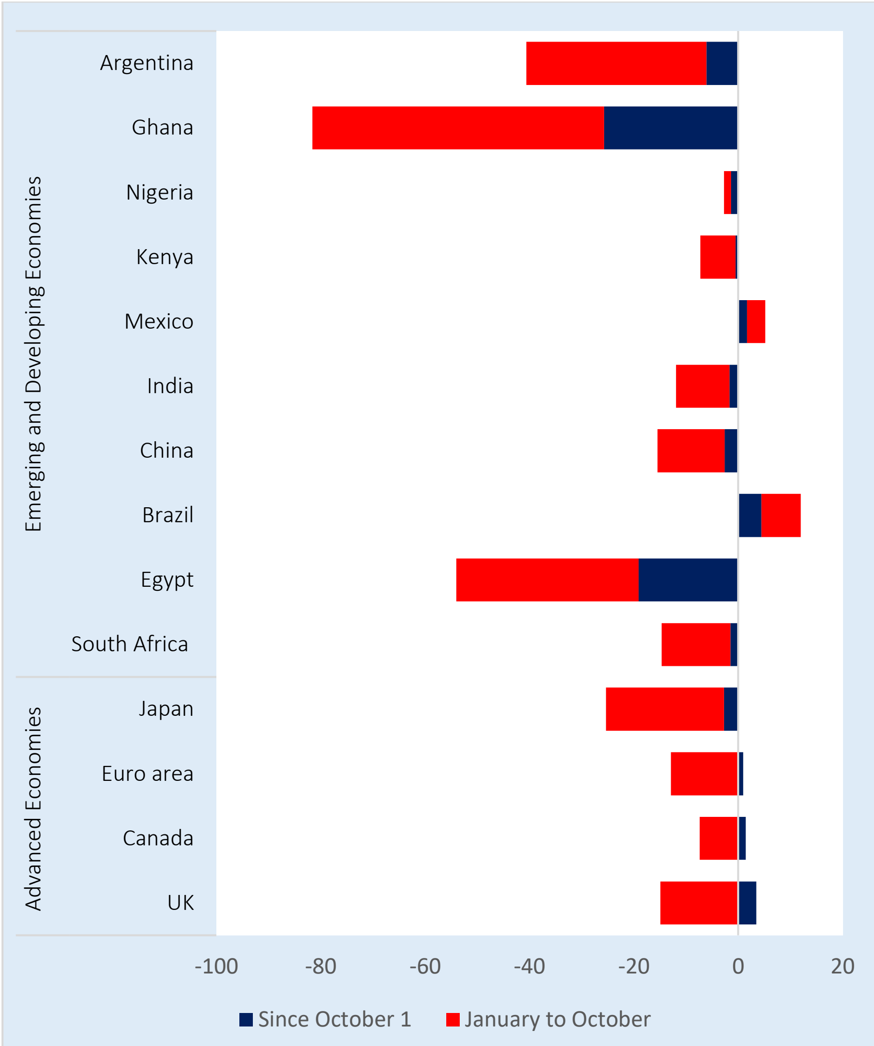


Source: *Bloomberg, CBN Staff Compilation.*
Note: *US, UK represent United States, United Kingdom.*

Currency Market

In the foreign exchange market, the dollar continued to strengthen, given the tight monetary policy stance of the Federal Reserve. Nevertheless, this surge is waning as the Fed signaled a less aggressive hike for the rest of the year. This led the Euro and Canadian dollar to appreciate by 0.99 per cent and 1.47 per cent in October from the previous month. Notably, some currencies have also gained considerably, following some country-level developments. The Pound Sterling appreciated by 3.45 per cent between September and October, brought about by the stability of the newly elected Prime Minister, which improved risk sentiments. The Mexican Peso and Brazilian Real have stood strong thus far and further appreciated within the period by 1.67 per cent and 4.44 per cent, respectively, benefiting from relatively high yields. Conversely, several currencies have also weakened against the dollar, particularly those of emerging and developing economies. The worst performers are the Egyptian Pound, which depreciated by 19.09 per cent and Ghanian Cedi, by 25.71 per cent, as weak economic fundamentals and depleting external reserves continue to push down on exchange rates.

Figure 5: Developments in the Currency Market



Source: *Bloomberg and CBN Staff Calculations*
Note: *Average January to September 2022 and October 2022*

1.1.4 Global Commodity Market

World Crude Supply and Demand

Total world crude oil supply decreased, in line with the OPEC+ decision to cut production in October 2022. Total world crude oil supply declined by 0.75 per cent to 101.03 million barrels per day (mbpd) in October 2022, from 101.79 mbpd in the previous month. The fall in world crude oil supply was due, largely, to decreased supply from non-OECD countries, owing to OPEC+ decision to cut production by 100,000 bpd in October 2022. The non-OECD supply fell to 68.37 mbpd in October, from 69.34 mbpd in the previous month, while total OECD supply rose to 32.66 mbpd, from 32.45 mbpd in the previous month.

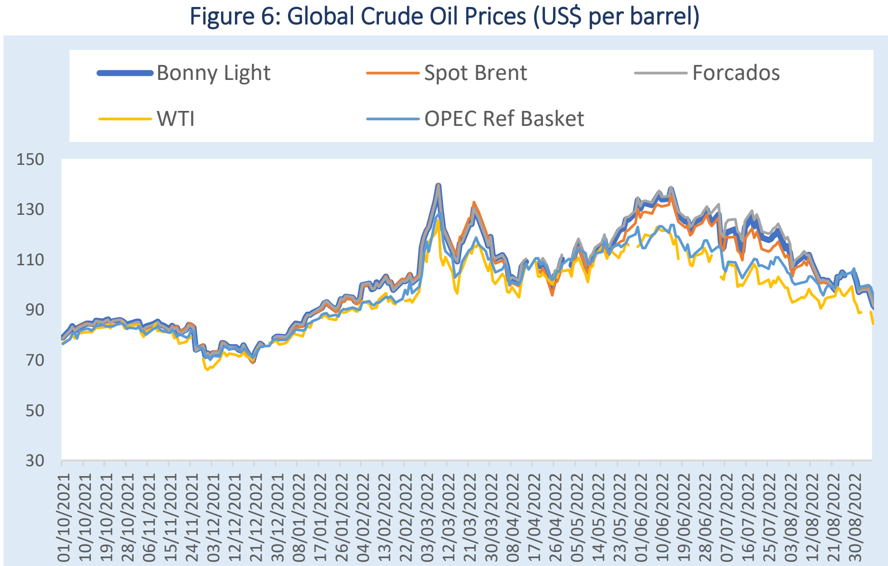
OPEC crude oil production decreased by 0.71 per cent to 29.49 mbpd, from 29.70 mbpd in the preceding month. This decrease was due, majorly, to the decreased production, especially in Saudi Arabia where output dropped to 10.84 mbpd in October, from 10.99 mbpd in the preceding month, in compliance with the OPEC+ decision. Other OPEC countries such as Nigeria, Angola, Congo, and Equatorial Guinea produced significantly lower than their assigned quotas due to structural issues in those countries.

On the demand side, total world demand decreased by 0.14 per cent to 99.63 mbpd, from 99.77 mbpd in the preceding month. Crude oil demand declined due, largely, to intermittent COVID lockdowns in China, which lowered demand from the Chinese refineries.

Crude Oil Prices

Crude oil spot prices rose in October 2022, as market participants increased their demand for crude oil in the spot market, in response to the expected two million barrels per day production cuts in November and December announced by OPEC+. The average spot price of Nigeria's reference crude oil, the Bonny Light (34.9° API), rose by 3.55 per cent to US$96.56 per barrel (pb), from US$93.25 pb in the preceding month. The prices of UK Brent at US$95.07 pb, Forcados at US$96.62 pb, WTI at US$89.49 pb and OPEC Reference Basket (ORB) at US$93.61 pb all exhibited similar movement.

Figure 6: Global Crude Oil Prices (US$ per barrel)



Source: *Reuters data*

Agricultural Commodity Prices

The prices of most of the monitored agricultural export commodities at the international market maintained a downward trend in October 2022, due to lower demand and improved global supply prospects. The average price index for all the monitored commodities stood at 89.9 index points, representing a 3.3 per cent decrease, compared with the previous month. The decrease ranged from 1.4 per cent for groundnut to 15.2 per cent for cotton. The price decreases were due, largely, to the lingering demand concerns amidst challenging global economic conditions and slow growth, as well as improved supply from producing countries. However, the prices of wheat and cocoa increased by 4.5 per cent and 0.5 per cent, respectively, on account of supply constraints and concerns about global shortages.

Table 3: Selected Agricultural Export Commodities, October
(in dollars; Jan 2010=100)

Indices of Average World Prices of Nigeria's Major Agricultural Export Commodities for October 2022 (Dollar Based) (JAN. 2010=100)

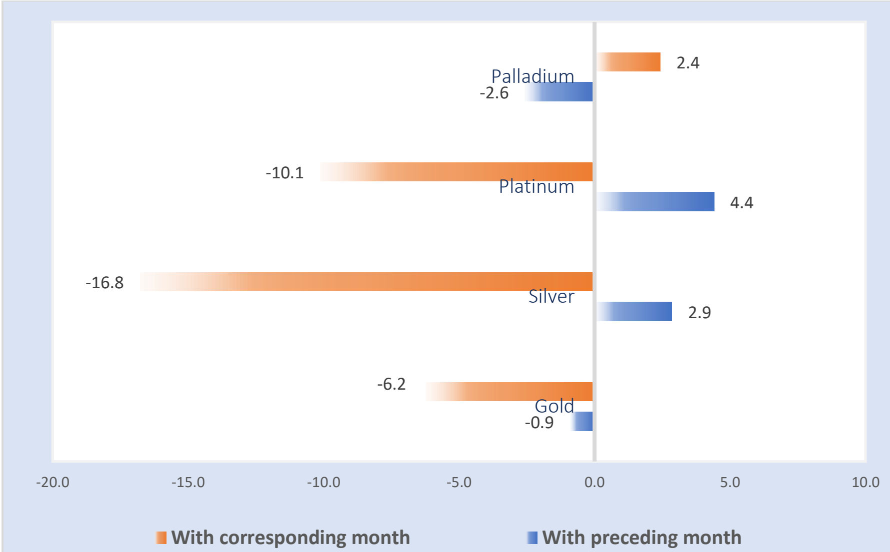
COMMODITY	Oct. 2021	Sept. 2022	Oct. 2022	% Change	
				(1) & (3)	(2) & (3)
	1	2	3	4	5
All Commodities	92.22	92.95	89.91	-2.50	-3.27
Cocoa	84.08	75.11	75.46	-10.25	0.46
Cotton	69.88	70.01	59.34	-15.08	-15.24
Coffee	111.73	118.52	109.48	-2.02	-7.63
Wheat	115.71	136.74	142.88	23.48	4.49
Rubber	36.93	28.21	27.48	-25.59	-2.59
Groundnut	112.15	119.61	117.96	5.18	-1.38
Palm Oil	106.12	73.65	72.00	-32.15	-2.24
Soya Beans	101.14	121.75	114.70	13.42	-5.79

Sources: World Bank Pink Sheet

Other Mineral Commodities

The average spot price of silver and platinum rose in October 2022, due to increased demand from the automotive industry. The average spot price of silver and platinum rose by 2.86 per cent and 4.41 per cent to sell at US$19.45 per ounce and US$915.15 per ounce, respectively, from US$18.91 per ounce and US$876.46 per ounce in the previous month. The increase in the price of both metals was because of increased demand from the automobile industry, where silver loadings are used in the manufacture of electric vehicles and platinum in the manufacture of catalytic converters. Conversely, the average spot price of gold and palladium fell by 0.90 per cent and 2.57 per cent, to sell at US$1,665.62 per ounce and US$2,066.61 per ounce, from US$1,680.73 per ounce and US$2,121.09 per ounce, respectively, in the preceding month. The price of the gold fell as US treasury yields improved.

Figure 7: Price Changes in Selected Metals (per cent) for October 2022



Source: *Refinitiv Eikon IV (Reuters)*

2.0 DOMESTIC ECONOMIC DEVELOPMENTS

2.1. Real Sector Developments

Summary

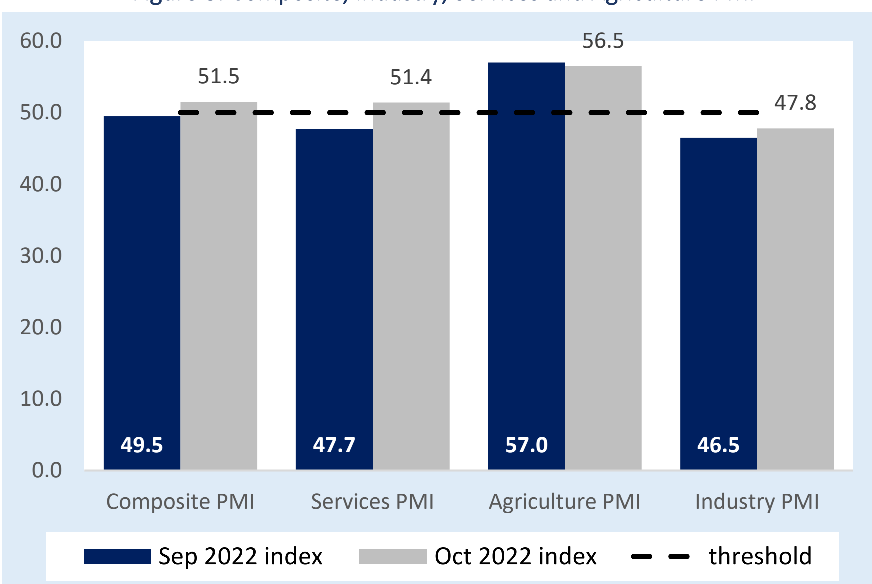
Economic activities in October 2022 improved, as the composite Purchasing Managers Index (PMI) expanded, compared with the preceding period, due to increased activities in the services and agriculture sectors. Inflationary pressure exacerbated in the month, as headline inflation rose to 21.09 as against 20.77 recorded in September. Domestic crude oil production rose in October 2022, due to increased surveillance of pipeline infrastructure against vandals in the Niger Delta region however, it remained below the OPEC quota due to subsisting challenges.

2.1.1 Business Activities

Purchasing Manager's Index

Business activities in October 2022 improved, following expectations of rising prices and preparations towards the festive season, which boosted consumer demand. Consequently, new orders increased, leading companies to upscale their staffing and inventory levels. The composite Purchasing Managers Index (PMI) expanded to 51.5 index points, compared with 49.5 index points in September. The expansion was due to increased activities in the services, agriculture and industry sectors.

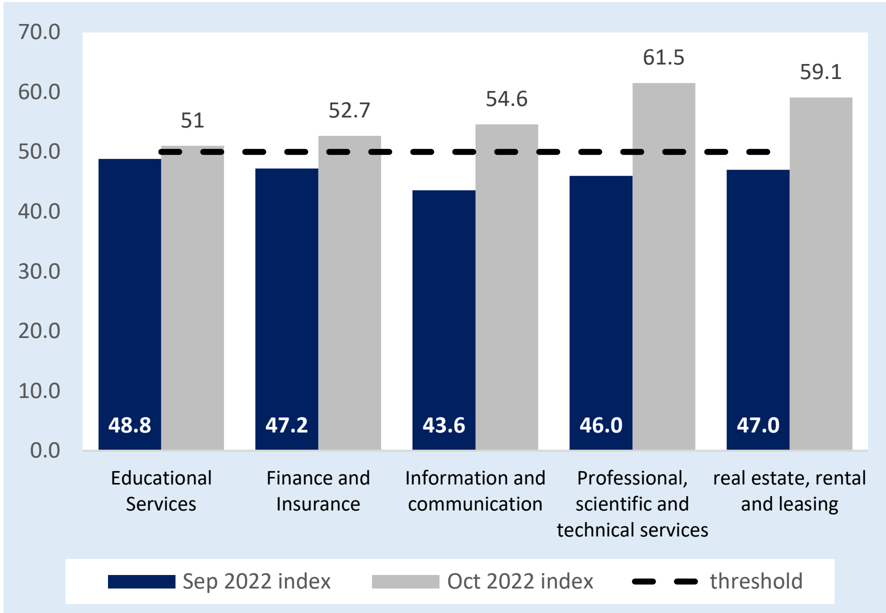
Figure 8: Composite, Industry, Services and Agriculture PMI



***Source**: Staff Compilation using data from the Statistics Department*

The services sector PMI expanded to 51.4 index points, compared with 47.7 index points in the preceding month. This shows an improvement in business conditions reflected by growth in educational services, finance & insurance, information & communications, professional scientific & technical services, and real estate, rental & leasing.

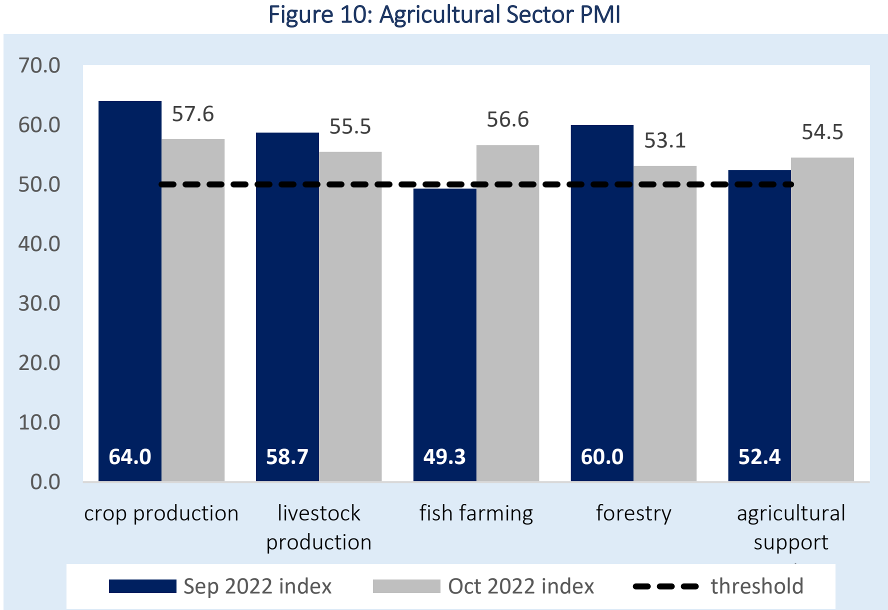
Figure 9: Services Sector PMI



***Source:** Staff Compilation using data compiled by the Statistics Department*

The Agriculture sector PMI stood at 56.5 index points, showing a slower expansion, relative to 57.0 index points in September 2022. The improved activities in agricultural support services, fish farming, livestock production, among others, contributed to the expansion in the sector. However, the moderation in activities was partly attributed to the flooding that affected crop production and general farming activities within the period.

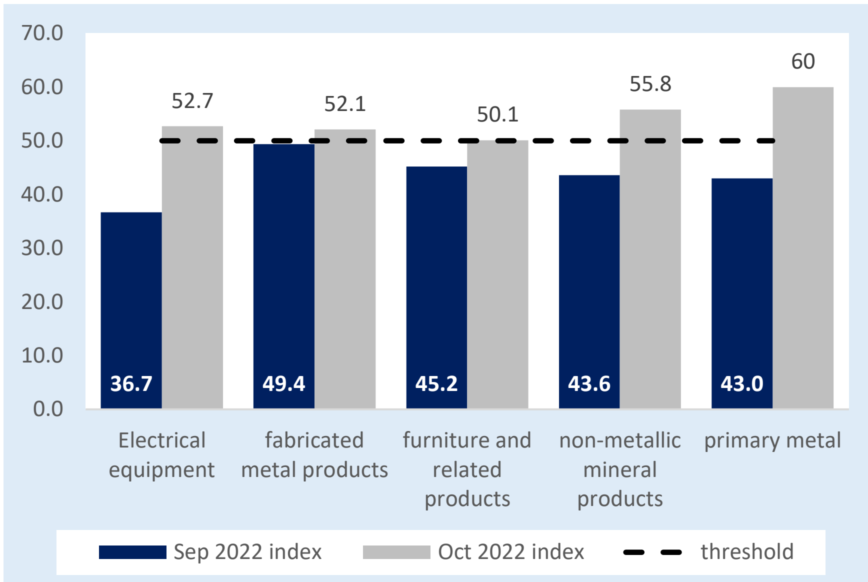
Figure 10: Agricultural Sector PMI



***Source:** Staff Compilation using data compiled by the Statistics Department.*

The Industry sector PMI increased to 47.8 index points in October 2022, compared with 46.5 index points in the preceding month. Though the Industry PMI was lower than the threshold, it improved relative to the preceding month owing to higher demand that was reflected in primary metals, non-metallic mineral products, electrical equipments, among others.

Figure 11: Industry Sector PMI



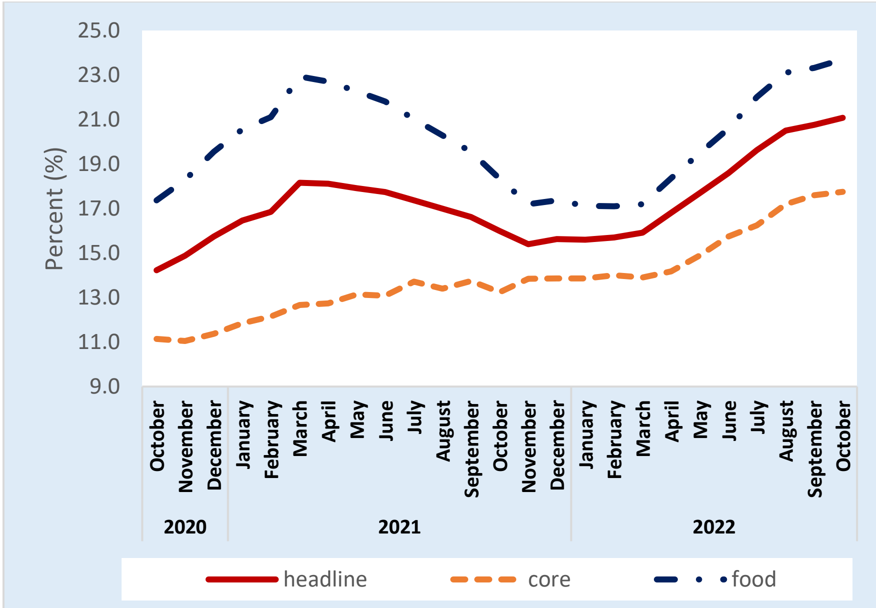
Source: *Staff Compilation using data compiled by the Statistics Department*

2.1.2 Domestic Price Developments

Headline Inflation

Inflationary pressure persisted in October, following the increase in the index of both food and non-food components of the CPI basket. Headline inflation (Year-on-Year) rose to 21.09 per cent in October, from 20.77 per cent in the preceding month. The increase, which represents the ninth consecutive month of increment, was driven largely by the effect of flooding in some parts of the country, persisting high-energy prices, increase in transport and logistics cost, as well as other structural issues, such as insecurity. However, on a month-on-month basis, it decelerated to 1.24 per cent, from 1.36 per cent in the preceding month, reflecting the impact of the ongoing harvest.

Figure 12: Headline, Food and Core Inflation (Year-on-Year)



Source: *National Bureau of Statistics (NBS)*

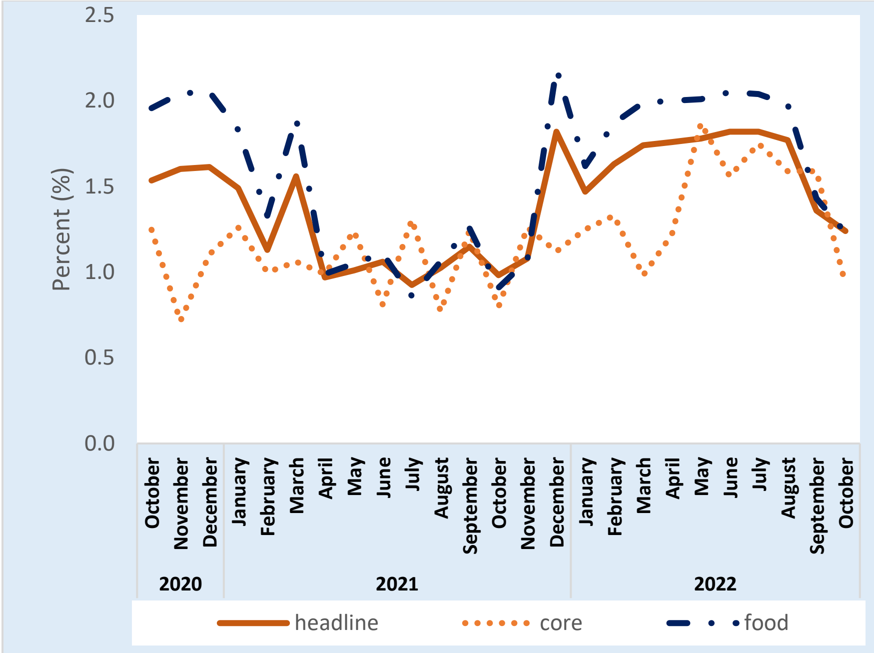
Core Inflation

Core inflation on a year-on-year basis rose by 17.76 per cent, compared with 17.60 per cent in the previous month. The rise in core inflation was attributed to the continued rise in global inflation, tighter global economic conditions, higher energy prices, and other structural deficiencies. However, on a month-on-month basis, the pressure decelerated to 0.93 per cent from 1.59 per cent in the preceding month, following the effect of the recent tight monetary policy stance of the Bank.

Food Inflation

Food inflation (year-on-year) surged further to 23.72 per cent, from 23.34 per cent in the previous month. The rise in food inflation was due to higher cost of farm produce, processed food and imported food, particularly in items such as: fruits, vegetables, frozen fish, garri, oil and fats, resulting from the increased cost of diesel and other farm inputs. Also, supply chain disruptions caused by floods in some parts of the country, which affected some distribution channels contributed to the uptick in food inflation. However, on a month-on-month basis, food inflation slowed to 1.23 per cent, from 1.43 per cent in the preceding month, reflecting ongoing harvest.

Figure 13: Headline, Food and Core Inflation (Month-on-Month)



Source: *National Bureau of Statistics (NBS)*

2.1.3 Domestic Crude Oil Market Developments

Crude Oil Production and Export

Domestic crude oil production and export rose in October 2022 due to increased surveillance of pipeline infrastructure against vandals in the Niger Delta region. Available data from the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) indicate that the average daily crude oil production rose by 8.10 per cent, to 1.014 mbpd, from 0.938 mpbd, in September 2022. Nigeria's production level remains below the OPEC quota of 1.826 mbpd, by 0.812 mbpd. With the domestic crude oil allocation pegged at 0.445 mbpd, crude oil export rose by 15.42 per cent, to average 0.569 mbpd, from 0.493 mbpd in the September 2022.

Box Information 1

The prices of major domestic farm products maintained an upward trend in October 2022, compared with the previous month. *Majority of the monitored domestic agricultural commodities recorded price increases during the review period. The increase ranged from 0.7 per cent for sweet potato to 4.0 per cent for onion bulbs. This development was largely driven by factors such as flooding (which submerged farmlands and road networks), dilapidated and non-functional infrastructure, among others.*

However, other commodities recorded price decreases ranging from 0.2 per cent for brown beans to 3.4 per cent for white gari.

Prices of Selected Domestic Agricultural Commodities in October 2022

		Oct. 2021/a	Sept. 2022/a	Oct. 2022/b	% Change	% Change
	UNIT	1	2	3	(1) & (3)	(2) & (3)
Agric eggs medium size	1kg	614.89	752.37	767.08	24.7	2.0
Beans: brown, sold loose	"	478.76	556.81	555.83	16.1	-0.2
Beans: white black eye, sold loose	"	464.74	543.15	538.69	15.9	-0.8
Gari white, sold loose	"	292.57	309.69	299.24	2.3	-3.4
Gari yellow, sold loose	"	321.57	345.17	341.81	6.3	-1.0
Groundnut oil: 1 bottle, specify bottle	"	852.32	1113.33	1125.96	32.1	1.1
Irish potato	"	367.85	484.33	488.35	32.8	0.8
Maize grain white, sold loose	"	266.23	302.00	292.24	9.8	-3.2
Maize grain yellow, sold loose	"	267.45	305.22	299.72	12.1	-1.8
Onion bulb	"	306.07	397.18	413.26	35.0	4.0
Palm oil: 1 bottle, specify bottle	"	727.21	927.34	944.95	29.9	1.9
Rice agric, sold loose	"	465.64	552.46	565.20	21.4	2.3
Rice local, sold loose	"	415.03	471.42	460.93	11.1	-2.2
Rice, medium grained	"	463.38	532.42	538.98	16.3	1.2
Rice, imported high quality, sold loose	"	553.23	668.53	677.64	22.5	1.4
Sweet potato	"	192.14	255.24	256.99	33.8	0.7
Tomato	"	347.47	445.12	443.63	27.7	-0.3
Vegetable oil: 1 bottle, specify bottle	"	825.46	1075.89	1091.73	32.3	1.5
Wheat flour: prepackaged (Golden Penny)	2kg	912.72	1121.28	1131.04	23.9	0.9
Yam tuber	1kg	313.05	409.23	418.55	33.7	2.3

Sources: (a) National Bureau of Statistics (b) Staff Estimates

2.1.4 Development Financing

The Bank slowed on disbursement under its intervention programmes, with renewed focus on recovery. In the review period, the sum of ₦10.00 billion was disbursed to the manufacturing/industry sector.

Table 4: Intervention Funds in October 2022

Sector	18-Oct			Cumulative			
	Disburs (N'bn)	Share (%)	Beneficiaries	Disburs. (N'bn)	Share (%)	Repayments (N'bn)	Beneficiaries
Agriculture	0	0.00		1,789.23	34.70		
Anchor Borrowers' Programme	*0*	0.0	-	1,044.21	20.25	-	*4,554,983 farmers*
Commercial Agricultural Credit Scheme (CACS)	*0*	0.00	-	745.02	14.45	-	*679 projects*
Energy/Infrastructure	0	0.00		1,621.62	31.45	-	
Nigeria Electricity Market Stabilization Facility 2 (NEMSF 2)	*0*	0.00	-	*251.38*	4.87	-	*9 Discos*
Nigeria Bulk Electricity Trading-Payment Assurance Facility (NBET-PAF)	*0*	0.00	-	*1,300.04*	25.21	-	-
Infrastructure facility for National Gas Expansion Programme (IFNGEP)	*0*	0.00	-	*70.2*	1.36	-	*7*
MSMEs	0	0.00		415.78	8.06	-	828,039
Tertiary Institutions Entrepreneurship Scheme (TIES)	*0*	0.00	-	*0.33*	0.01		*71*
Targeted Credit Facility (TCF)	*0*	0.00	-	*415.45*	8.06	-	*827,968*
Industries	10	100.00		1,196.45	23.20	-	368 Projects
COVID-19 Intervention Facility for the Manufacturing Sector (CIFMS)	*0*	0.00	-		0.00	-	*NA*
RSSF Using Differentiated Cash Reserve Ratio (RSSF-DCRR)	*10*	100.00	-	*1,196.45*	23.20	-	*207*
Health	0	0.00		133.56	2.59		124
Health Care Sector Intervention Fund (HSIF)	*0*	0.00	-	*133.56*	2.59		*134*
Total	*10*	100		*5,156.64*	100		

Source: *Central Bank of Nigeria*

2.1.5 Socio-Economic Developments

Transportation

The implementation of the road Infrastructure Tax Credit Scheme, deepened private sector participation in road infrastructure delivery, as the FEC approved the construction and dualisation of the 110 kilometres Enugu-Onitsha Expressway by MTN at over ₦202.8 billion and the 3.7 kilometres Umuchi-Ususu-Umueme Road in Abia State by GZ Industries at ₦4.2 billion.

The FEC approved the establishment of a Maintenance Repair and Overhaul (MRO) centre in the Nation's Capital. The approval was given following the issuance of a Full Business Case (FBC) Compliance Certificate by the Infrastructure Concession Regulatory Commission (ICRC) to the Federal Ministry of Aviation. The MRO centre which would be the first in West and

Central Africa would be a one-stop-shop for the overhaul, routine maintenance and service of aircrafts. It is expected to generate US$185 million. It would be established as a Public Private Partnership (PPP) using the Build Operate and Transfer (BOT) PPP model and a concession period of 30 years.

Furthermore, FEC approved ₦11.8 billion for the procurement of equipment and setting up of a fire-fighting trucks maintenance centre in Katsina State, and an aircraft maintenance centre in Abuja. The Centre will cater for aviation firefighting equipment, including all other firefighting equipment around the country.

The Federal Government also granted approval to Lagos State Government for the construction of the Lekki International Airport at the Lekki-Epe axis of the state. The airport would be a partnership between the federal government, through the Ministry of Aviation, and the State, in conjunction with local and foreign investors. The new airport would ensure better accessibility for individuals and businesses around the industrial layout in the State and contribute towards the decongestion of the existing airport in the State.

2.2. Fiscal Sector Developments

Summary

Federation Account revenue increased by 7.0 per cent in October 2022, relative to the preceding month, following significant accretion to petroleum profit tax and royalties. Provisional data indicate that the retained revenue and expenditure of the FGN decreased by 3.7 per cent and 13.1 per cent, respectively, leading to a 21.0 per cent contraction in the overall fiscal deficit. Total public debt remains elevated but within sustainable level, at ₦44,064.31 billion or 22.6 per cent of GDP as at end-September 2022.

2.2.1 Federation Account Operations

Drivers of Federation Revenue

Receipts into the Federation Account increased in October 2022, as a result of significant boost in oil revenue. Provisional data shows that gross federation receipts at ₦1,178.64 billion exceeded the level in September 2022 by 7.0 per cent, but below the target of ₦1,580.34 billion by 25.4 per cent. The rise in revenue was attributed to the surge in international crude oil prices. In terms of contribution, non-oil revenue remained dominant, constituting 54.2 per cent, while oil revenue accounted for 45.8 per cent.

Oil revenue, at ₦540.31 billion, outperformed receipts in the preceding month by 100.8 per cent, driven, largely, by the 103.1 per cent rise in collections from Petroleum Profit Tax and Royalties.

However, at ₦638.33 billion, non-oil receipts, was below the preceding month by 23.3 per cent, and fell short of the monthly target by 19.1 per cent. The decrease was ascribed, largely, to the drop in collections from FGN independent revenue, corporate tax, and customs and excise duties, which declined by 31.5 per cent, 27.3 per cent and 24.3 per cent, respectively. The drop in corporate tax was due to seasonality effect associated with its collection. Similarly, receipts from VAT dipped by 11.8 per cent, triggered by softening demand.

Table 5: Federally Collected Revenue and Distribution to the Three-Tiers of Government (₦' Billion)

	2021-Oct.	2022-Sep	2022-Oct.	Budgeted
Federation Revenue (Gross)	**1,089.73**	**1,101.61**	**1,178.64**	**1,580.34**
Oil	**468.72**	**269.11**	**540.31**	**791.70**
Crude Oil & Gas Exports	15.68	0.00	0.00	67.57
PPT & Royalties	331.05	263.61	535.50	530.91
Domestic Crude Oil/GasSales	113.55	-	-	42.04
Others	8.44	5.50	4.81	151.18
Non-oil	**621.01**	**832.50**	**638.33**	**788.64**
Corporate Tax	149.39	209.59	152.37	165.65
Customs & Excise Duties	120.19	175.66	133.03	154.88
Value-Added Tax (VAT)	170.85	231.17	203.96	203.48
Independent Revenue of Fed. Govt.	177.65	213.15	146.04	184.68
*Others**	2.92	2.93	2.93	79.94
Total Deductions/Transfers*	***352.87***	***448.47***	***486.57***	***397.33***
Federally-Collected Revenue *Less Deductions & Transfers***	**736.86**	**653.14**	**692.07**	**1,183.01**
plus:				
Additional Revenue	**3.10**	**20.00**	**8.17**	**17.48**
Balance in Special Account from 2019	**0.00**	**0.00**	**0.00**	**0.00**
Excess Crude Revenue	*0.00*	*20.00*	*0*	*0.00*
Non-oil Excess Revenue	*0.00*	*0.00*	*8.17*	*17.48*
Exchange Gain	*3.10*	*0.00*	*0.00*	*0.00*
Total Distributed Balance	***739.96***	***673.14***	***700.24***	***1,200.49***
Federal Government	***301.31***	***259.63***	***262.64***	***509.09***
Statutory	*277.45*	*227.34*	*234.15*	*480.81*
VAT	*23.86*	*32.29*	*28.49*	*28.28*
State Government	***274.48***	***249.27***	***277.18***	***432.31***
Statutory	*140.72*	*115.33*	*122.23*	*251.29*
VAT	*79.55*	*107.63*	*94.96*	*94.25*
13% Derivation	***54.21***	***26.30***	***59.99***	***86.78***
Local Government	***164.18***	***164.25***	***160.42***	***259.09***
Statutory	*108.49*	*88.90*	*93.94*	*193.11*
VAT	*55.68*	*75.34*	*66.47*	*65.98*

Source: OAGF and CBN Staff Estimates
Note: * Includes Education Tax, Customs Special Levies (Federation Account), National Technology Development, Customs Special Levies, Solid Mineral & Other Mining revenue, 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.

The sum of ₦700.24 billion was distributed to the three tiers of government, after accounting for statutory deductions, transfers, and additional inflow from the non-oil excess revenue. Of this amount, the Federal Government received ₦262.64. billion, while State and Local governments received ₦277.18 billion and ₦160.42 billion, respectively. The sum of ₦59.99 billion was allocated to the 13.0% Derivation Fund for distribution among the oil-producing states. Disbursement in October 2022 was 4.0 per cent above the preceding month, but 41.7 per cent, below the budget target.

2.2.2 Fiscal Operations of the Federal Government

Federal Government Retained Revenue

The FGN Retained Revenue decreased due, largely, to fall in the FGN Independent Revenue. At ₦547.85 billion, provisional retained revenue of the FGN was below the preceding month and the proportionate budget by 3.7 per cent and 34.1 per cent, respectively.

Table 6: FGN Retained Revenue (₦' Billion), October 2022

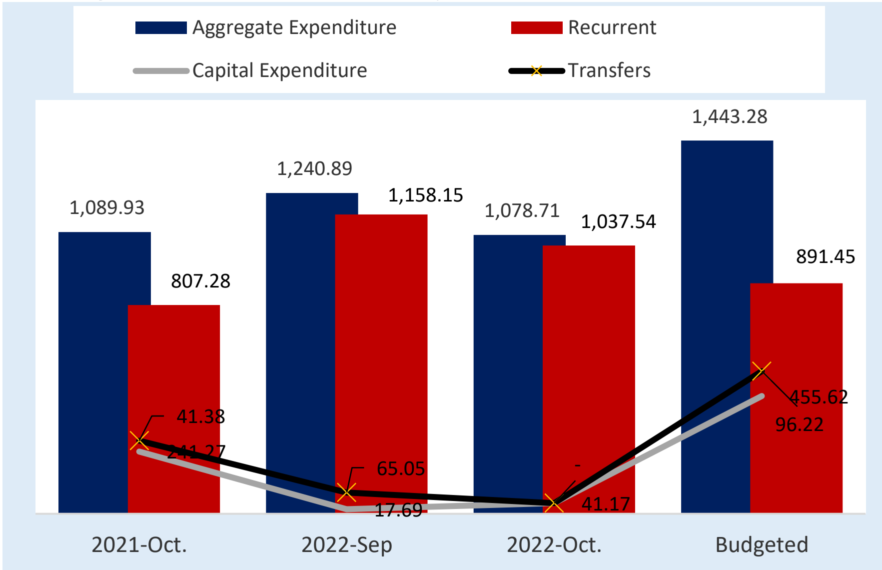
	2021-Oct.	2022-Sep	2022-Oct.	Budgeted
FGN Retained Revenue	**478.96**	**569.02**	**547.85**	**830.77**
Federation Account	276.01	216.81	232.92	*360.89*
VAT Pool Account	23.86	32.29	28.49	*26.39*
FGN Independent Revenue	177.65	213.15	146.04	*362.05*
Excess Oil Revenue	0.00	10.52	0.00	*0.00*
Excess Non-Oil	0.00	0.00	1.23	*0.00*
Exchange Gain	1.44	0.00	0,00	*0.00*
*Others**	0.00	96.24	139.17	*81.43*

Source: *Compiled from OAGF figures*
Note: ** Others include revenue from Special Accounts and Special Levies*
Note: *The figures are provisional*

Federal Government Expenditure

Driven by the decline in domestic interest payment, the provisional aggregate expenditure of the FGN fell by 13.1 per cent and 25.3 per cent, relative to September 2022 and the monthly target, respectively. Provisional aggregate expenditure of the FGN amounted to ₦1,078.71 billion in the review period. A breakdown of the expenditure revealed that recurrent expenditure and capital expenditure accounted for 96.2 per cent and 3.8 per cent of total expenditure, respectively.

Figure 14: Federal Government Expenditure (₦' Billion), October 2022



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

Overall Fiscal Balance

The estimated overall fiscal deficit of the FGN narrowed in October 2022. At ₦530.87 billion, the provisional fiscal deficits of the FGN reduced by 21.0 per cent and 13.3 per cent compared with the levels in the preceding month and the budget benchmark, respectively.

Table 7: Fiscal Balance (₦' Billion) Oct-22

	2021-Oct.	2022-Sep	2022-Oct.	Budgeted
Retained revenue	*478.96*	*569.02*	*547.85*	*830.77*
Aggregate expenditure	*1,089.93*	*1,240.89*	*1,078.71*	*1,443.28*
Recurrent	*807.28*	*1,158.15*	*1,037.54*	*891.45*
Non-debt	*423.78*	*448.60*	*418.70*	*584.33*
Debt Service	*383.50*	*709.59*	*618.83*	*307.12*
Capital	*241.27*	*17.69*	*41.17*	*455.62*
Transfers	*41.38*	*65.05*	*0.00*	*96.22*
Primary balance	*-227.46*	*37.72*	*87.96*	*-305.40*
Overall balance	*-610.96*	*-671.87*	*-530.87*	*-612.52*

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

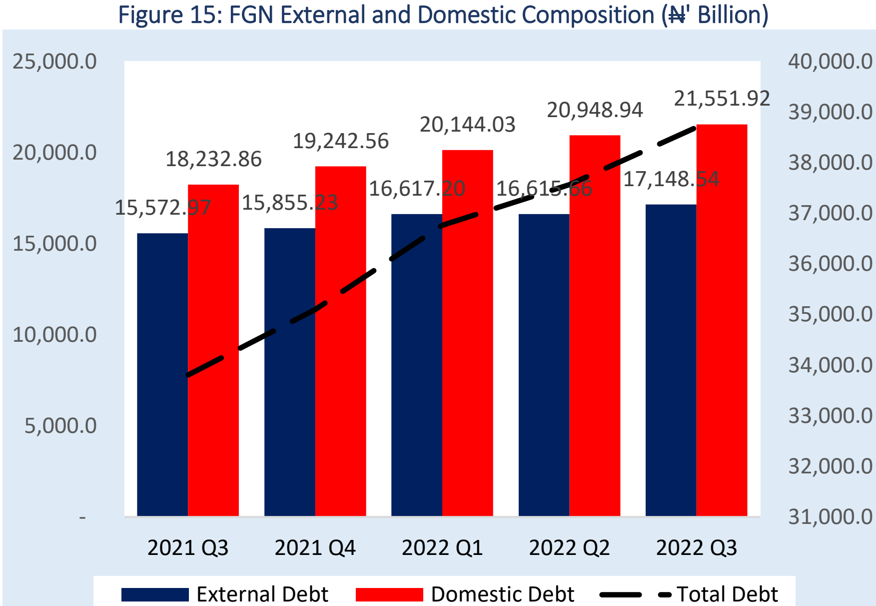
Federal Government Debt

Public borrowing was in tandem with the medium-term debt strategy of the FGN. At ₦44,064.31 billion, total public debt outstanding rose by 2.8 per cent, at end-September 2022, compared with the level at end-June 2022. Domestic debt accounted for 61.1 per cent of total debt, while external debt constituted 38.9 per cent of the consolidated public debt outstanding. FGN (including State governments' external debt, which forms part of the FGN's contingent liability) accounted for ₦38,700.46 billion (87.8 per cent), while State governments' domestic debt stock accounted for the balance of ₦5,363.85 billion (12.2 per cent).

Further analysis showed, that FGN's domestic debt stood at ₦21,551.92 billion (55.7 per cent), while external debt accounted for ₦17,148.54 billion (44.3 per cent). FGN bond issues maintained its dominance, accounting for 73.3 per cent of the total domestic debt. Treasury Bills accounted for 21.1 per cent, FGN Sukuk (2.8 per cent), Promissory Notes (2.4 per cent), and others[2] (0.4 per cent) constituted the balance. With regards to external debt composition, Multilateral, Commercial, and Bilateral loans accounted for 46.7 per cent, 39.4 per cent and 12.2 per cent, respectively, while 'other' loans constituted 1.7 per cent.

Debt service obligations in 2022Q3, amounted to ₦1,162.19 billion, compared with ₦912.71 billion in 2022Q2. The rise was attributed to principal repayments and redemption of matured debt obligations.

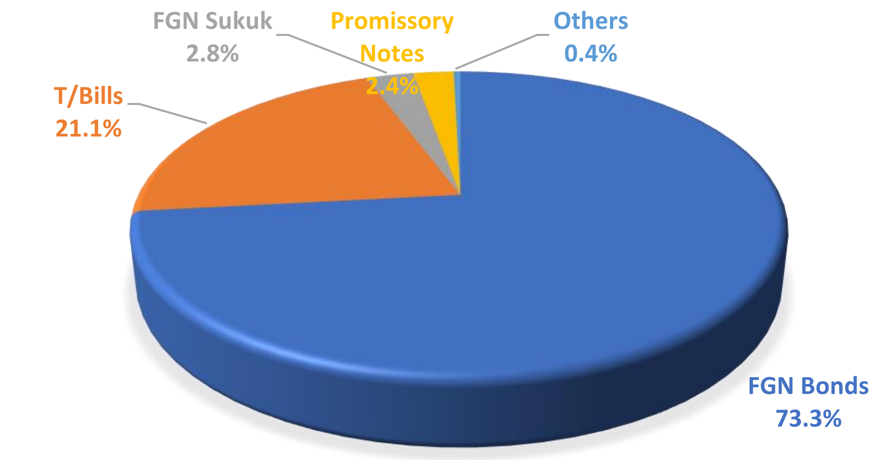
Figure 15: FGN External and Domestic Composition (₦' Billion)



***Source**: Compiled from DMO Figures*

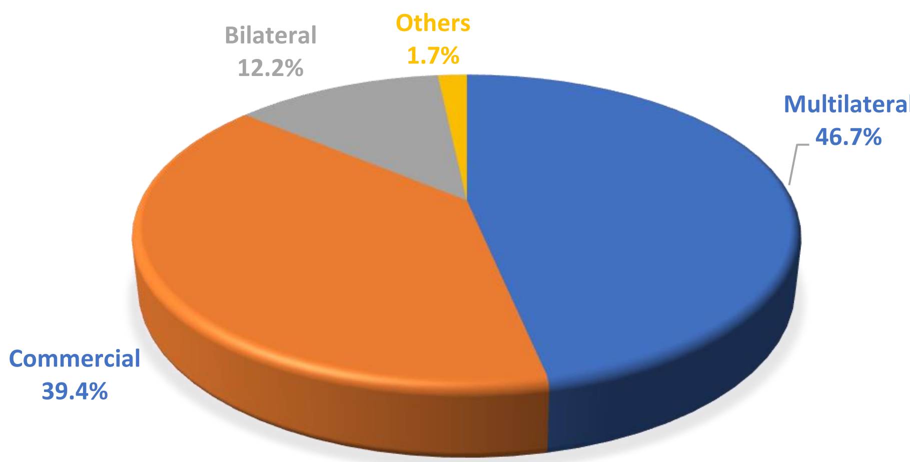
[2] This includes Treasury bonds (0.2 per cent), Green bond (0.1 per cent) and Special FGN Savings bond (0.1 per cent).

Figure 16: Composition of Domestic Debt by Instrument



Source: *Compiled from DMO figures*

Figure 17: Composition of External Debt by Holders



Source: *Compiled from DMO figures*

2.3. Monetary and Financial Developments

Summary

The Bank sustained its tight monetary policy stance to ensure monetary aggregates remain within the programme target and rein in inflation. Key short-term interest rates rose, as the tight policy stance affected banking system liquidity. The financial system remained sound and stable, as key financial soundness indicators were within their regulatory threshold. On the Nigerian Exchange (NGX) Limited, activities were bearish on account of portfolio switching to fixed income instruments.

2.3.1 Monetary Developments

Reserve Money

Reserve money grew on the heels of increase in liability to other depository corporations. The 17.4 per cent growth in liabilities to other depository corporations (ODCs), arising from 17.3 per cent increase in required reserves engendered sustained growth in reserve money by 12.8 per cent at end-October 2022. However, the slight moderation of 0.8 per cent in currency-in-circulation constituted a drag on reserve money growth during the period.

Table 8: Components of Reserve Money (₦' Billion)

	Oct-21	Dec-21	Sep-22	Oct-22
Monetary Base	12,734.57	13,295.15	15,007.59	14,999.46
Currency-In-Circulation	2,965.99	3,325.16	3,228.75	3,298.79
Of which:				
Naira and Coins	2,965.99	3,324.22	3,227.09	3,296.72
eNaira	-	0.94	1.48	2.07
Liabilities to ODCs	9,768.59	9,969.99	11,778.84	11,700.67
Monetary Base (% Growth over Preceding December)	-2.85	1.43	12.88	12.82
Broad Money Multiplier (M_3)	3.26	3.34	3.29	3.37

Source: Central Bank of Nigeria;

The money multiplier at 3.4 in the period, amplified the reserve money to yield an increase in broad money supply (M3). Broad money supply (M3), at ₦50,578.61 billion, grew by 13.8 per cent, translating to an annualised growth of 16.6 per cent, which is 170 basis points higher than the 2022 benchmark. The sustained tight monetary policy stance and the Bank's currency redesign effort are expected to bring the growth within the programme target of 14.9 per cent.

Broad Money

On the asset side, the growth in broad money supply (M3) was driven by increase in Net Domestic Assets (NDA), which outweighed the contraction in Net Foreign Assets (NFA). Net Domestic Assets (NDA) grew by 27.0 per cent on account of the 63.9 per cent and 16.8 per cent increase in net claims on central government and claims on other sectors, respectively, both of which contributed 19.9 percentage points and 13.2 percentage points to the growth in broad money (M3), respectively. Growth in claims on other sectors was driven, mainly, by the 17.7 per cent growth in private sector credit, an indication that recent hikes in policy rate may not have had negative impact on credit to critical sectors of the economy. Conversely, Net Foreign Assets (NFA) contracted by 35.8 per cent, despite the 4.4 per cent growth in claims on non-residents. The decline was a fallout of the 37.2 per cent increase in liabilities to non-residents, which stemmed from increased foreign loans and deposits.

Table 9: Money and Credit Growth over Preceding December (%)

	Contr.to M_3 growth (Oct-22)	Oct-21	Dec-21	Sep-22	Oct-22	Annualised rate	2022 Bench mark
Net Foreign Assets	-7.53	-20.16	4.22	-52.04	-35.79	-42.95	-
Claims on Non-residents	2.04	2.75	5.11	1.64	4.35	5.23	-
Liabilities to Non-residents	9.57	21.78	5.86	45.54	37.18	44.62	-
Net Domestic Assets	21.33	19.21	21.92	27.80	27.02	32.42	-
Domestic Claims	33.11	14.94	17.83	29.90	30.18	36.22	16.23
Net Claims on Central Government	19.89	12.65	20.42	64.93	63.87	76.64	12.26
Claims on Central Government	20.25	25.07	22.66	39.62	36.74	44.09	-
Liabilities to Central Government	0.36	41.90	25.68	6.76	1.52	1.82	-
Claims on Other Sectors	13.23	15.82	16.83	16.02	16.83	20.20	17.73
Claims on Other Financial Corporations	1.55	-3.24	-5.34	7.76	8.73	10.47	-
Claims on State and Local Government	1.65	17.67	20.63	29.28	29.34	35.21	-
Claims on Public Nonfinancial Corporations	0.58	13.71	3.44	34.27	31.95	38.34	-
Claims on Private Sector	9.45	24.20	26.84	16.76	17.70	21.24	-
Total Monetary Assets (M_3)	13.80	6.61	14.24	11.00	13.80	16.56	14.92
Currency Outside Depository Corporations	-0.23	1.81	17.74	-7.10	-3.41	-4.10	-
Transferable Deposits	7.58	4.70	13.30	22.16	22.28	26.74	-
Narrow Money (M_1)	7.35	4.24	14.00	17.40	18.10	21.72	-
Other Deposits	6.45	11.36	19.99	6.62	10.86	13.04	-
Broad Money (M_2)	13.80	9.64	17.48	11.00	13.80	16.56	-
Total Monetary Liabilities(M_3)	13.80	6.61	14.24	11.00	13.80	16.56	14.92

Source: *Central Bank of Nigeria*

From the liability side, the 22.3 per cent and 10.9 per cent growth in transferable deposits and other deposits, respectively, accounted for the increase in total monetary liabilities, as they outweighed the 3.4 per cent decline in currency outside depository corporations (CODC). The falling CODC may intensify further in the near-term, as the Bank begins implementation of its planned currency redesign policy. In terms of contribution, growth in transferable deposits contributed the most to the growth in monetary liabilities at 7.6 percentage points, followed by other deposits that contributed 6.5 percentage points. CODC constituted a drag on the growth in monetary liabilities by 0.23 percentage point.

2.3.1.1 Credit Utilisation

Sectoral Utilisation of Credit

Credit to key sectors of the economy rose, presenting upward potential for sustained economic recovery. Total credit utilisation by sectors grew by 1.1 per cent to ₦28,500.03 billion. Specifically, credit utilisation in the agriculture sector rose by 0.9 per cent to ₦1,672.18 billion from ₦1,658.04 billion in the preceding month, while that of the industry and services sectors grew by 2.3 per cent and 0.1 per cent to ₦11,744.46 billion and ₦15,083.40 billion, respectively. Analysis of the relative share of the sectors in total credit revealed that the shares of the services and industry sectors were 52.9 per cent and 41.2 per cent, respectively, while agriculture accounted for the balance of 5.9 per cent.

Table 10: Relative Share in Total Sectoral Credit (Per cent)

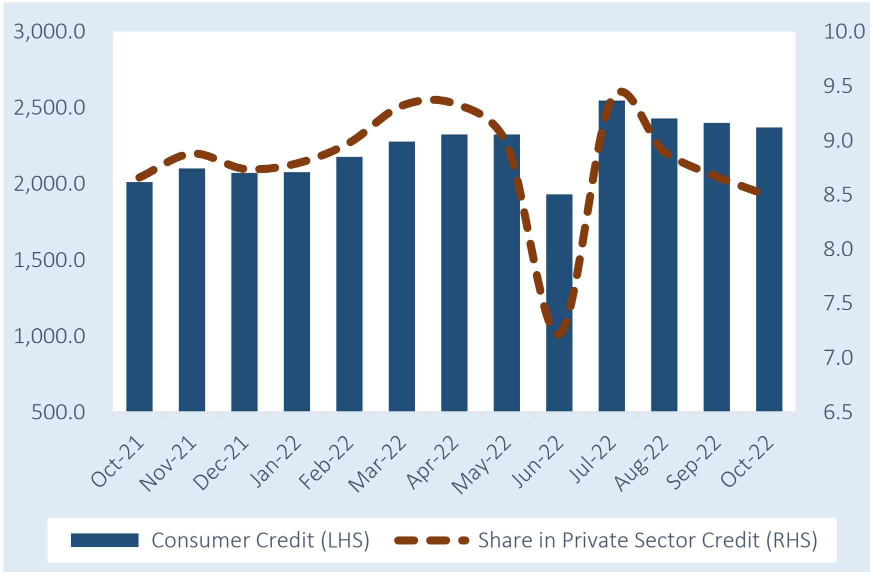
	Oct-21	Dec-21	Sep-22	Oct-22
Agriculture	5.53	5.98	5.88	5.87
Industry	41.85	40.66	40.70	41.21
of which Construction	4.70	4.40	4.15	4.06
Services	52.62	53.36	53.42	52.92
of which Trade/General Commerce	6.90	7.01	7.12	7.23

Source: *Central Bank of Nigeria*

Consumer Credit

Consumer credit outstanding declined, owing to the tight monetary policy stance of the Bank, aimed at taming inflationary pressures in the economy. Consumer credit outstanding declined by 1.3 per cent to ₦2,372.00 billion from the level at end-September. As a share of total claims on the private sector, consumer credit fell by 0.2 percentage point to 8.5 per cent, from 8.7 per cent at end-September.

Figure 18: Consumer Credit Outstanding



Source: *Central Bank of Nigeria*

A disaggregation of consumer credit shows that personal loans stood at ₦1,818.55 billion, accounting for 76.7 per cent, while retail loans stood at ₦553.46 billion, and accounted for 23.3 per cent. The decline in personal loans by 0.2 percentage point drove the fall in consumer credit outstanding.

Figure 19: Composition of Consumer Credit

Source*: Central Bank of Nigeria*

2.3.2 Financial Developments

2.3.2.1 Money Market Developments

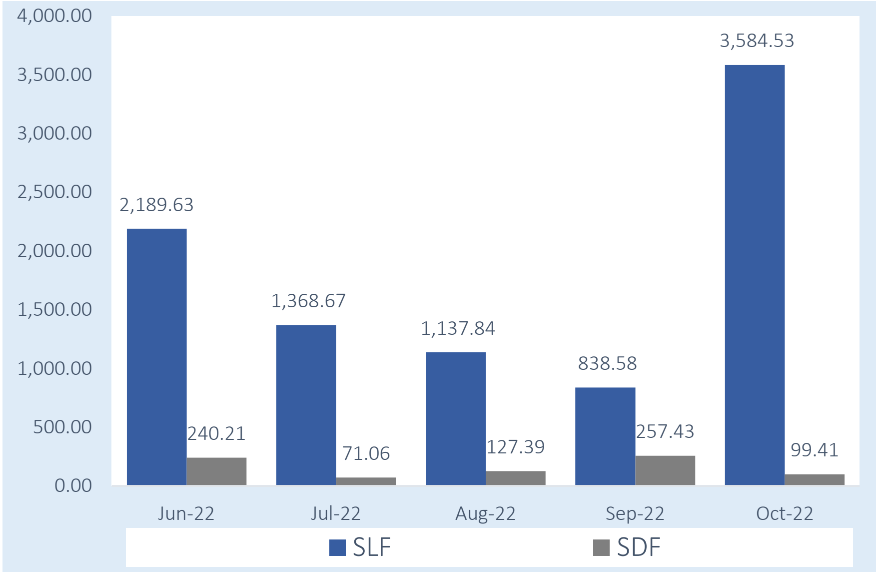
Industry Liquidity Condition

The banking system continued to experience low level of liquidity amidst the tight monetary policy stance of the Bank. Specifically, the average net banking industry closing balance declined by 26.2 per cent to ₦186.57 billion, from ₦252.81 billion in September. The low liquidity condition reflects the increased Cash Reserve Ratio (CRR) debits on the banks, following the 500 basis points increase in CRR at the September MPC meeting.

Standing Facilities Window Operation

Consequently, patronage at the Standing Lending Facility (SLF) window exceeded that of the Standing Deposit Facility (SDF) window. Total cumulative request for SLF stood at ₦201.18 billion, compared with ₦5.23 billion cumulative requests for SDF, with applicable rates of 16.5 per cent and 8.5 per cent, respectively.

Figure 20: Trend at the CBN Standing Facility Windows (₦' Billion)



Source: Central Bank of Nigeria

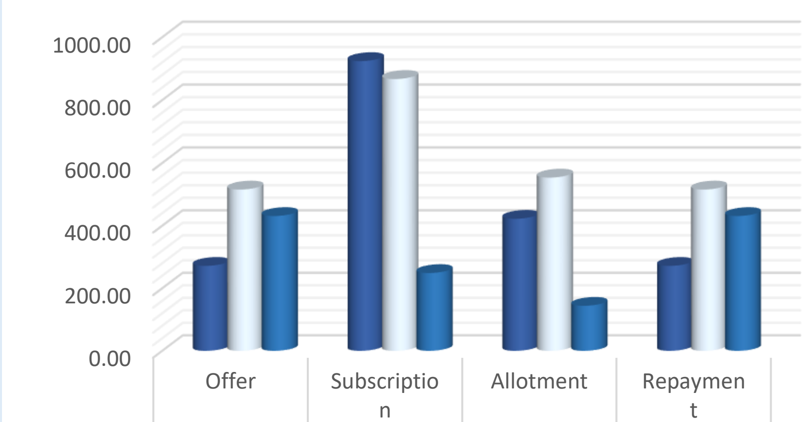
Primary Market

Despite the improved rates, low level of liquidity in the banking system slowed activities in both the NTB and FGN bonds segment in the review period. At the auctions, NTBs of 91-, 182-, and 364- day tenors worth ₦431.16 billion, ₦248.90 billion, and ₦144.00 billion were offered, subscribed, and allotted relative to ₦515.68 billion, ₦867.17 billion, and ₦553.66 billion in September, respectively. The stop rates across all maturities increased to 10.5(±4.0) per cent, from 8.8(±3.3) per cent in September.

A breakdown of activities shows that total subscriptions for 91-day auction was ₦3.77 billion, 182-day auction, ₦13.23 billion and 364-day auction, ₦231.90 billion, compared with ₦14.83 billion, ₦18.52 billion and ₦833.82 billion in the preceding month, respectively. Total allotments for the 91-, 182-, and 364- day auctions were ₦3.28 billion, ₦12.63 billion and ₦128.09 billion, compared with ₦11.69 billion, ₦14.82 billion and ₦527.15 billion in September, respectively. The low demand could be due largely, to low level of liquidity in the banking system.

With respect to demand for different maturities, investors maintained their preference for longer-term securities (364-day), as it accounted for 93.2 per cent of total subscriptions and 89.0 per cent of total allotments.

Figure 21: Primary Market NTBs (₦' Billion)

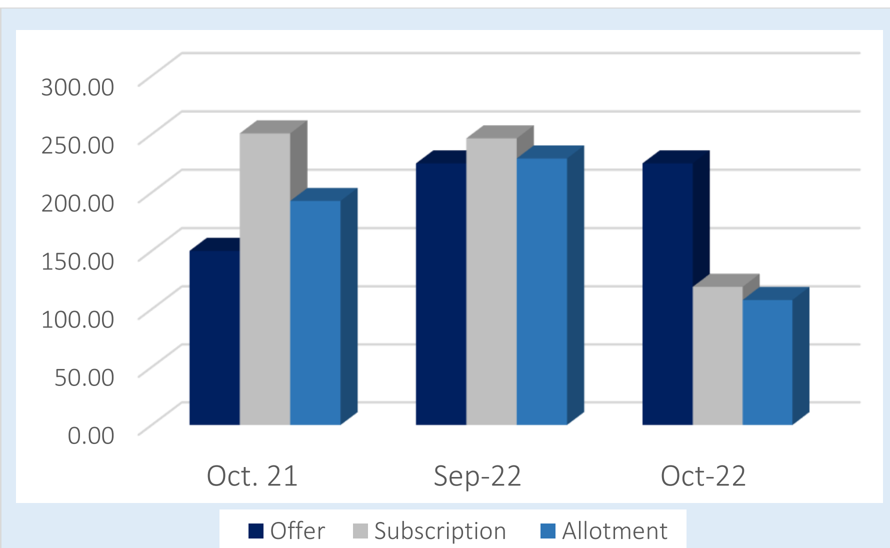


	Offer	Subscription	Allotment	Repayment
Oct-21	271.70	924.15	422.28	271.70
Sep-22	515.68	867.17	553.66	515.68
Oct-22	431.16	248.90	144.00	431.16

Source: *Central Bank of Nigeria*

FGN bonds of 10- and 20-year tranches worth ₦225.00 billion, ₦119.18 billion, and ₦107.88 billion were offered, subscribed to, and allotted, respectively, compared with similar tranches worth ₦225.00 billion, ₦246.44 billion and ₦229.20 billion in the preceding month. The bid and marginal rates stood at 16.0(±1.5) per cent and 15.3(±0.8) per cent, respectively, compared with 13.7(±2.8) per cent and 14.0(±0.5) per cent in the preceding month. Low activities at this segment reflects the low level of liquidity in the banking system.

Figure 22: Primary Auctions of FGN Bond (₦' Billion)

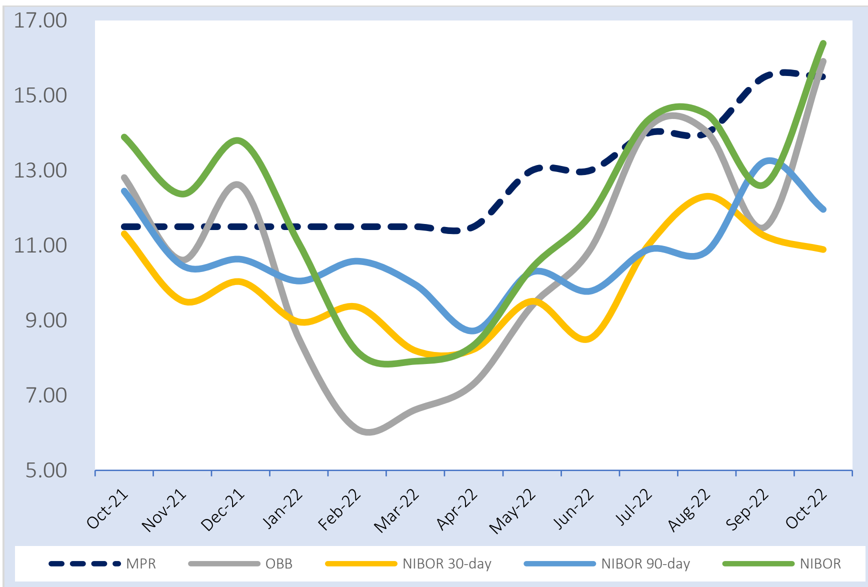


Source: *Central Bank of Nigeria*

Interest Rate Development

Developments in key money market rates were mixed. The MPR remained at 15.5 per cent with the asymmetric corridors at +100/-700bps for lending and deposits, while the CRR and Liquidity Ratio stood at 32.5 per cent and 30.0 per cent, respectively. The average Open Buy Back (OBB) rate, and Nigerian Interbank Offered Rate (NIBOR) increased by 4.4 percentage points, and 3.8 percentage points to 15.9 per cent and 16.4 per cent, respectively. The increased rate at the interbank segment reflects the low level of liquidity in the banking system. NIBOR 30-day and NIBOR 90-day rates, however, declined by 0.4 percentage points and 1.3 percentage points to 10.9 per cent and 12.0 per cent, respectively.

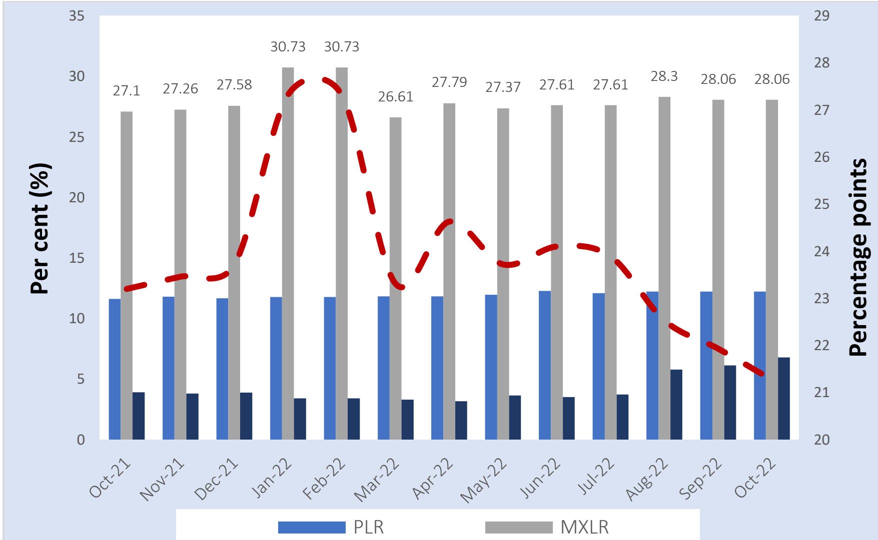
Figure 23: Developments in Short-term Interest Rates (Per cent)



Source: *Central Bank of Nigeria*

Consistent with the monetary policy stance, the prime and maximum lending rates rose by 0.5 percentage point and 0.3 percentage point to 12.7 per cent and 28.3 per cent, respectively, in the review month relative to the level in September 2022. The average term deposit rate rose by 0.7 percentage point to 6.8 per cent from 6.1 per cent in the preceding month. Consequently, the spread between the average term deposit and maximum lending rates narrowed by 21.5 percentage points, relative to 21.9 percentage points in September 2022, indicating improved intermediation efficiency of the banks.

Figure 24: Trend in Average Deposit and Lending Rates



Note: *PLR= Prime lending rate; MXLR= Maximum lending rate; AVTD= Average term deposit rate; SPRD= Spread*
Source: *Central Bank of Nigeria*

2.3.2.2 Capital Market Developments

Market Capitalisation

Activities on the Nigerian Exchange (NGX) Limited were bearish in October 2022, occasioned by sustained portfolio rebalancing, as investors showed preference for fixed income instruments in response to the hawkish monetary policy stance. Aggregate market capitalisation depreciated by 4.9 per cent to ₦47,113.81 billion, from ₦49,533.09 billion at end-September. A disaggregation of the components of the aggregate market capitalisation indicated that the equities and Exchange Traded Funds (ETF) components declined by 9.7 per cent and 0.8 per cent, to ₦23,877.97 billion and ₦6.78 billion, respectively. Debt market capitalisation, however, appreciated by 0.7 per cent to ₦23,229.06 billion, reflecting portfolio switching during the review period. The equities, debt and ETF components constituted 50.68 per cent, 49.30 per cent and 0.02 per cent of the aggregate market capitalisation, respectively.

NGX All Share Index

The All-Share Index (ASI) declined by 10.6 per cent to close at 43,839.08 index points in the review month, from 49,024.16 index points at end-September, reflecting the sustained switching of assets from equities to fixed income instruments, as investors took advantage of expected higher returns on investment arising from the monetary policy rate hike.

Figure 25: Aggregate Market Capitalisation and All-Share Index

Source: *Nigeria Exchange (NGX) Limited.*

In the review period, all other indices trended downward, except for the NGX-Industrial and the NGX-Meri Value which appreciated, while the NGX-ASEM, NGX-Afr Bank Value and NGX-Growth remained flat relative to their levels in the preceding month.

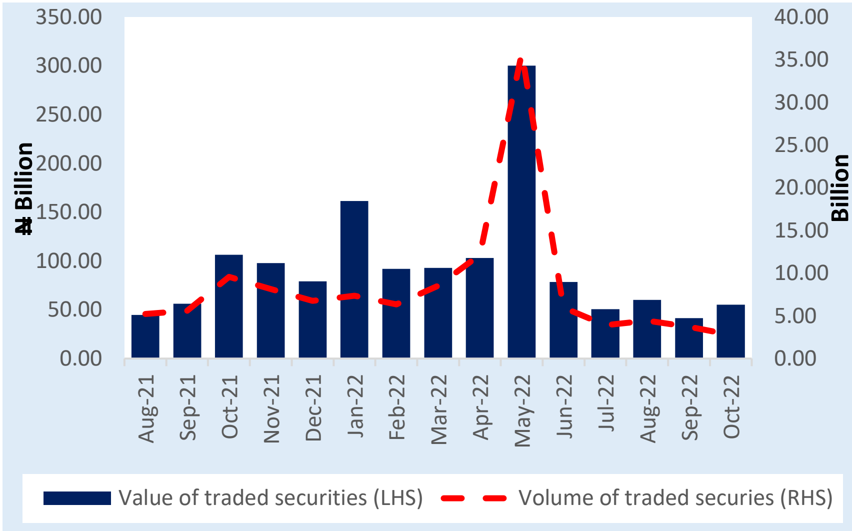
Table 11: Nigeria Exchange (NGX) Limited Sectoral Indices

NGX Indices	September 2022	October 2022	Changes (%)
NGX-INDUSTRIAL	1,773.22	1,888.51	6.5
NGX- MERI VALUE	2,061.42	2,113.85	2.5
NGX-AFR BANK VALUE	837.40	837.52	0.0
NGX-ASeM	658.99	658.99	0.0
NGX Growth Index	1,659.11	1,659.11	0.0
NGX Sovereign	837.85	836.04	-0.2
NGX-BANKING	379.2	375.01	-1.1
NGX-AFR Div. Yield	2,911.40	2,862.98	-1.7
NGX-PENSION	1,659.38	1,615.86	-2.6
NGX- CG	1,177.21	1,145.72	-2.7
NGX-CONSMER GOODS	584.68	567.8	-2.9
NGX-MERI GROWTH	2,135.97	2,030.13	-5.0
NGX-OIL/GAS	508.26	482.32	-5.0
NGX-PREMIUM	4,438.40	4,210.81	-5.1
NGX-INSURANCE	168.6	159.8	-5.2
NGX-LOTUS	3,039.72	2,750.36	-9.5
NGX-30	1,746.95	1,579.86	-9.6
NGX -MAIN BOARD	2,251.59	1,928.63	-14.3

Source: *Nigeria Exchange (NGX) Limited.*

The total volume and value of traded shares on the Exchange at end-October 2022 were 2.78 billion shares and ₦55.16 billion, respectively, traded in 67,350 deals, compared with 3.71 billion shares and ₦41.60 billion, traded in 76,836 deals, at end-September. There were three new listings in the review period.

Figure 26: Volume and Value of Traded Securities on the NGX



Source: *Nigeria Exchange (NGX) Limited.*

Table 12: Listings on the Nigerian Exchange (NGX) Limited at end-October 2022

Company/Security	*Additional Shares (Units)*	*Remarks*	*Listing*
Geregu Power Plc	*25,000,000,000 units of 50k ordinary shares at ₦100 per share*	*Ordinary shares*	*New*
Dangote Industries Plc	*Tranche A ₦10,465,500,000.00 7-Year at 12.75% bond Series 1.*	*Senior Unsecured Bonds*	*New*
Dangote Industries Plc	*10-year Trance B 13.50% ₦177,119,045,000.00 bond*	*Senior Unsecured Bonds*	*New*

Source: *Nigeria Exchange (NGX) Limited.*

2.3.2.3 Financial Soundness Indicators

The Nigerian financial sector remained safe and sound as the key financial soundness indicators were within regulatory thresholds. The industry Capital Adequacy Ratio fell by 0.4 percentage point to 13.4 per cent from 13.8 per cent in September, driven by a marginal decrease in total qualifying capital over movements in total risk weighted assets. The ratio was above the minimum threshold of 10.0 per cent.

The banks' loan quality indicator,[3] the Non-Performing Loans ratio, improved marginally by 0.1 percentage points to 4.8 per cent, relative to the 4.9 per cent in September, following sustained loan recoveries in the

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

review period. This was within the 5.0 per cent prudential requirement. The industry liquidity ratio (LR) declined by 5.0 percentage point to 51.3 per cent from 56.3 per cent recorded at end-September, but still above the regulatory benchmark of 30.0 per cent. This reflects a decrease in the stock of liquid assets held by the banks in favour of longer-tenored assets, especially fixed income instruments.

2.4. External Sector Developments

Summary

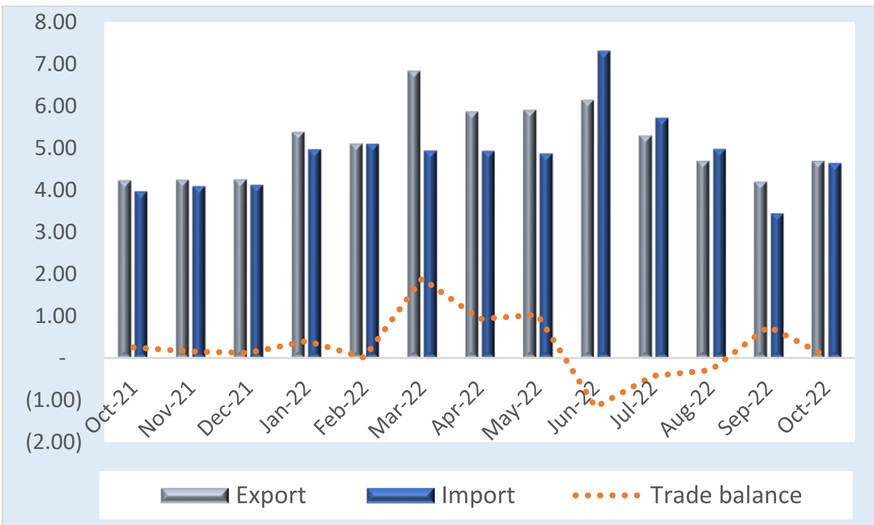
Despite the increase in crude oil export receipts, the significantly higher import bills for petroleum products resulted in lower trade surplus in the review period. On the other hand, foreign capital inflow into the economy improved, owing majorly to incurrence of new loans.

2.4.1 Trade Performance

Trade Performance

Lower trade surplus was recorded in the review period, on account of higher import bills. Available data shows a decline of 93.7 per cent in trade surplus to US$0.05 billion, from US$0.75 billion in the preceding period. Aggregate export receipts rose by 11.9 per cent to US$4.69 billion, relative to US$4.19 billion in September 2022. Similarly, merchandise import rose by 34.9 per cent to US$4.64 billion, from US$3.44 billion in September 2022.

Figure 27:Export, Import and Trade Balance (US$ Billion)



Source: *Central Bank of Nigeria*

Crude Oil and Gas Export

The decision by the OPEC+ to cut global production by 2mb/d from November 2022 stoked higher crude oil prices at the international market, thereby resulting in improved crude oil export earnings. Crude oil and gas export receipts rose to US$4.30 billion, compared with US$3.81 billion in September 2022. A breakdown reveals that receipts from crude oil export grew by 13.3 per cent to US$3.65 billion (77.9 per cent of total export), from USS$3.23 billion in the preceding month. Similarly, the price of Nigeria's reference crude, the Bonny Light, rose by 3.5 per cent to an average of US$96.56pb, from US$93.25pb in September 2022. Gas export receipts also increased by 9.6 per cent to US$0.64 billion (13.7 per cent of total export), from US$0.58 billion in the preceding month.

Non-Oil Export

Non-oil export earnings rose by 3.6 per cent to US$0.40 billion, from US$0.38 billion in September 2022, largely, due to sustained favourable commodity prices at the international market. Analysis by direction of trade reveals that Brazil was the major destination of non-oil export products with a share of 21.7 per cent. Export to France followed with 8.2 per cent; Spain, 7.5 per cent; Argentina, 6.5 per cent; and China, 6.4 per cent. The major commodities exported were urea, which accounted for the largest share of 39.1 per cent, followed by cocoa beans with 11.6 per cent; and aluminum, 7.2 per cent.

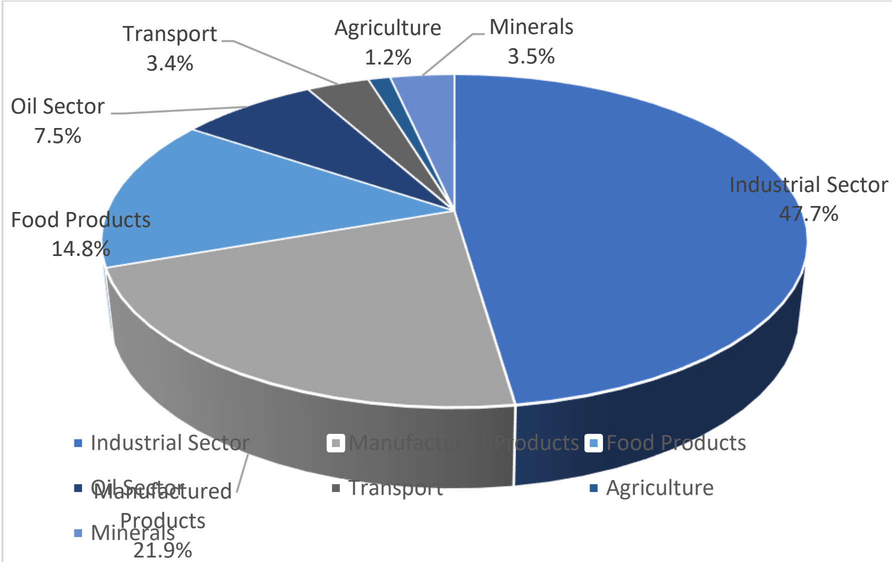
Receipts from the top 5 non-oil exporters increased by 37.1 per cent to US$0.18 billion, compared with US$0.13 billion in September 2022. Analysis showed that Indorama Eleme Fertilizer and Chemical Ltd and Dangote Fertilizer Limited maintained their positions as the first and second, with shares of 54.8 per cent and 21.8 per cent of the total, respectively, from the export of urea and fertilizer. In the third position was British-American Tobacco Nigeria Limited, with a share of 8.3 per cent, from the export of cigarettes. Metal Recycling Industries Limited followed, with 8.2 per cent of the total, from the exports of aluminum alloy ingots, copper billets and brass ingots. Outspan Nigeria Limited placed fifth, with 6.9 per cent, from the export of cocoa beans.

Import

Higher import bills, particularly, for petroleum products, coupled with rising global prices, pushed merchandise import northward. Consequently, aggregate import increased by 34.9 per cent to US$4.64 billion, from US$3.44 billion in the preceding month. The increase in import was driven by the rise in the import of petroleum products to US$1.24 billion, from US$0.12 billion in September 2022, to bridge domestic supply gap. Similarly, non-oil import rose by 2.5 per cent to US$3.41 billion, from US$3.32 billion in the preceding month. In terms of share, non-oil import accounted for 73.4 per cent, while oil constituted the balance of 26.6 per cent of the total.

Data on sectoral utilisation of foreign exchange for visible import shows that, industry constituted the largest share of 47.7 per cent, followed by manufactured products with 21.9 per cent; food products, 14.8 per cent; oil, 7.5 per cent; minerals, 3.5 per cent; transport, 3.4 per cent; and agriculture, 1.2 per cent.

Figure 28: Import by Sector (October 2022)



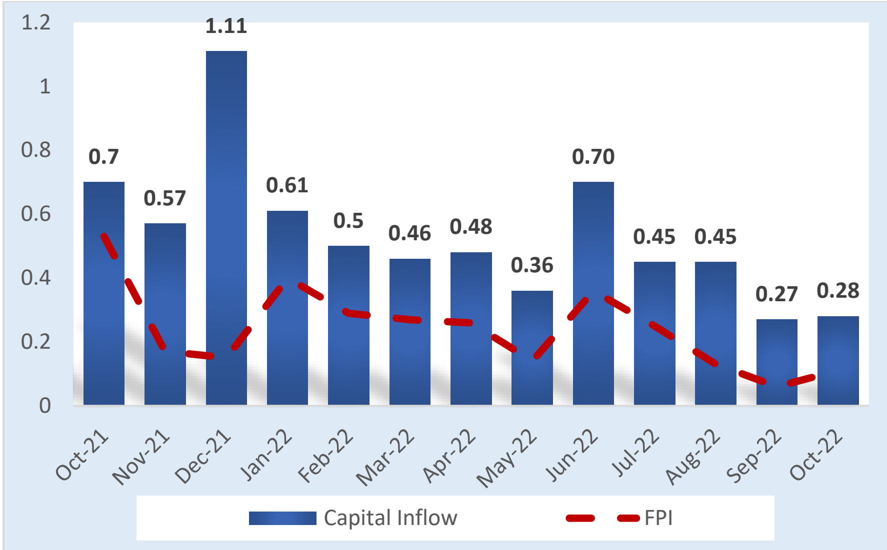
Source: *Central Bank of Nigeria*

Foreign capital imported into the economy grew in the review period, owing to improvement in portfolio inflow. Capital imported into the domestic economy increased by 4.5 per cent to US$0.28 billion, from US$0.27 billion in September 2022. A breakdown of capital inflow by type of investment shows that foreign direct investment inflow, constituting 6.3 per cent of the total, declined by 56.3 per cent to US$0.02 billion. Inflow of foreign portfolio investment, representing 40.7 per cent, grew by 75.6 per cent to US$0.11 billion, with investment in fixed income securities dominating. Other investment capital (mainly loans), which accounted for 53.0 per cent of the total, fell by 2.6 per cent to US$0.15 billion.

In terms of capital importation by nature of business, investment in the banking sector dominated with 26.8 per cent, followed by production/manufacturing, 23.4 per cent; financing, 21.1 per cent; servicing, 8.8 per cent; trading, 8.7 per cent; and shares, 7.3 per cent. Other sectors accounted for the balance.

A further analysis of capital importation by country of origin reveals that United Kingdom remained the main source of capital, accounting for 58.7 per cent of the total. Mauritius, United States, Republic of South Africa, Singapore, and Panama followed with shares of 12.0 per cent, 7.1 per cent, 4.3 per cent, 3.5 per cent, and 1.1 per cent, respectively. The major destinations of capital in the domestic economy were, Federal Capital Territory, Lagos and Akwa-Ibom, with shares of 49.5 per cent, 41.7 per cent, and 8.8 per cent, respectively.

Figure 29: Total Capital Inflow and Foreign Portfolio Investment (US$ Billion)

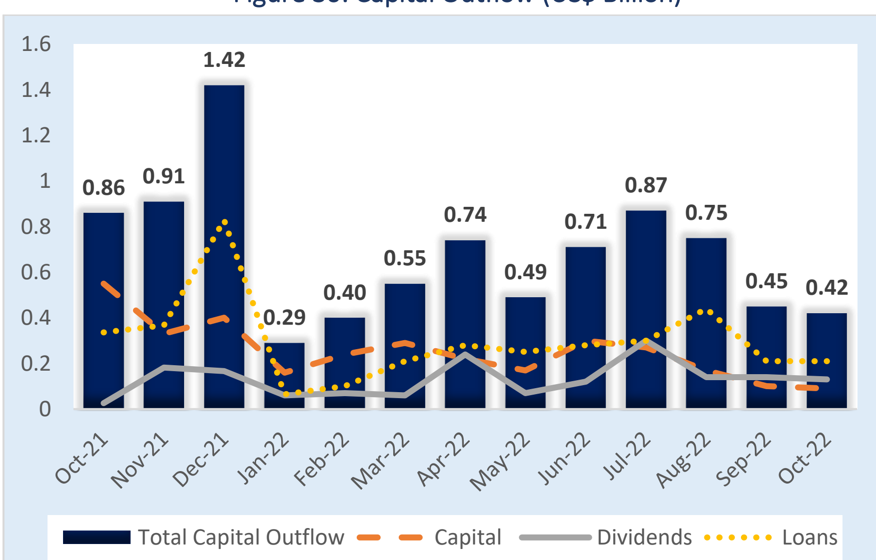


Source: *Central Bank of Nigeria*

Capital Outflow

Lower repatriation of dividends and outflow of loans moderated capital outflow. Capital outflow decreased significantly by 38.0 per cent to US$0.28 billion, compared with US$0.45 billion in September 2022. A breakdown shows that repatriation of dividends decreased by 61.9 per cent to US$0.05 billion, from US$0.14 billion in September 2022. Outflow of loans also declined to US$0.12 billion, relative to US$0.21 billion in September 2022. However, outflow in the form of capital reversals increased by 5.7 per cent to US$0.11 billion, from US$0.10 billion in September 2022.

Figure 30: Capital Outflow (US$ Billion)



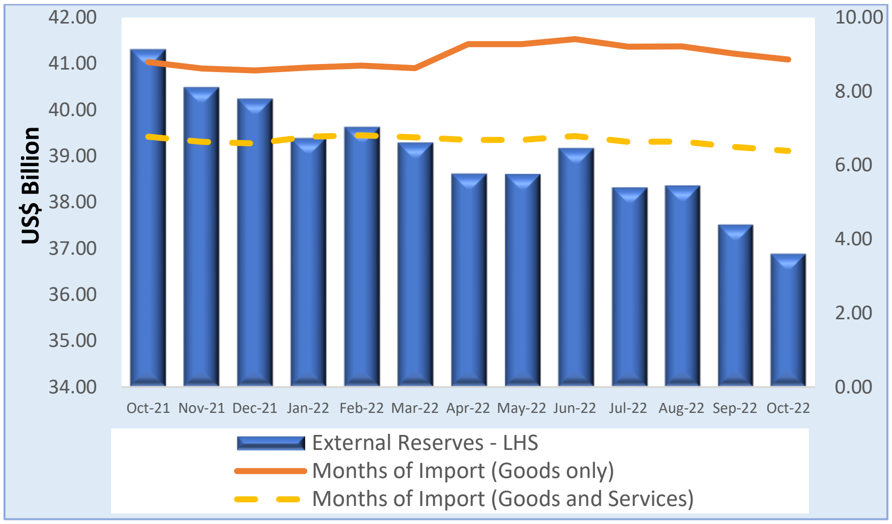
Source: *Central Bank of Nigeria*

2.4.2 International Reserves

International Reserves

The stock of foreign reserves remained above the standard benchmark of three months of import cover. The external reserves stood at US$36.87 billion at end-October 2022, relative to US$37.39 billion at end-September 2022. The level of external reserves could cover 6.4 months of import for goods and services or 8.9 months of import for goods only.

Figure 31: External Reserves and Months of Import Cover (US$ Billion)



Source: Central Bank of Nigeria

2.4.3 Foreign Exchange Flows Through the Economy

Foreign Exchange Flows through the Economy

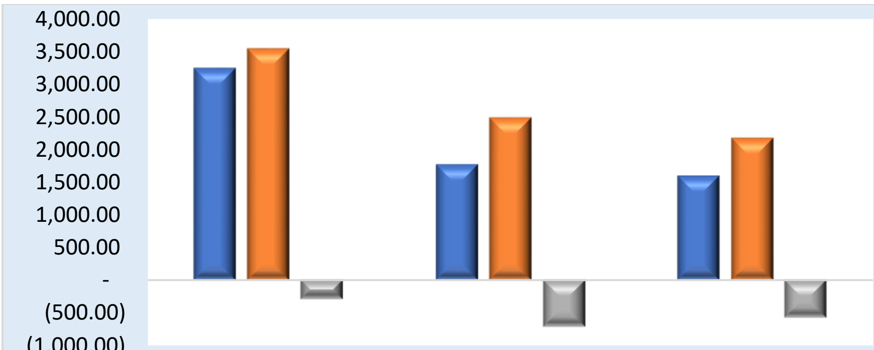
The economy recorded a lower net foreign exchange inflow, driven majorly, by decreased inflow through the Bank and autonomous sources. Aggregate foreign exchange inflow into the economy declined by 14.5 per cent to US$4.21 billion in October, from US$4.93 billion in September. Similarly, foreign exchange outflow through the economy decreased by 19.9 per cent to US$2.34 billion in October, from US$2.92 billion in the previous month. This resulted in a lower net inflow of US$1.87 billion in October 2022, compared with US$2.00 billion in the preceding month.

An analysis of foreign exchange inflow shows that inflow through the Bank decreased by 9.7 per cent to US$1.61 billion, from US$1.78 billion in September. A disaggregation shows that receipts from crude oil related sources decreased by 12.4 per cent to US$0.61 billion. Also, receipt from non-oil sources fell by 8.0 per cent to US$1.00 billion, relative to the level in the previous month. Inflow through autonomous sources also decreased by 17.3 per cent to US$2.60 billion, from US$3.15 billion in the preceding month, due to lower invisible purchases and non-oil export receipts by banks.

Aggregate foreign exchange outflow through the Bank fell by 12.4 per cent to US$2.19 billion, from US$2.50 billion in September, due largely to decline in external debt service and third-party MDA transfers. Also, autonomous outflow declined by 64.1 per cent to US$0.15 billion, from US$0.42 billion in September, on account of decreased visible and invisibles imports.

The CBN recorded a lower net outflow of US$0.58 billion, compared with US$0.72 billion in the preceding month. Similarly, lower net inflow of US$2.45 billion was recorded through autonomous sources, compared with US$2.72 billion in the preceding month.

Figure 32: Foreign Exchange Transactions through the Bank (US$ Millions), October 2022



	October 21	September 22	October 2022
Inflow	3,247.73	1,781.20	1,608.56
Outflow	3,547.66	2,498.36	2,188.06
Netflow	(299.94)	(717.16)	(579.50)

Inflow Outflow Netflow

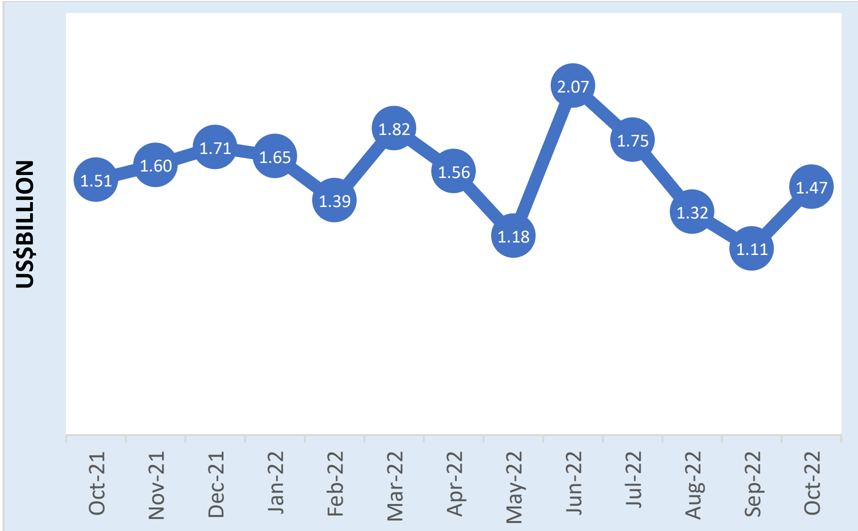
Source: *Central Bank of Nigeria*

2.4.4 Foreign Exchange Market Developments

Foreign Exchange Sales

Total foreign exchange sales to authorised dealers by the Bank was US$1.46 billion, an increase of 31.7 per cent, relative to US$1.11 billion in September. A disaggregation shows that foreign exchange sales at the Small and Medium Enterprises (SME), Secondary Market Intervention Sales (SMIS) and the invisibles window increased by 27.0 per cent, 21.2 per cent and 61.2 per cent to US$0.15 billion, US$0.58 billion, and US$0.24 billion, respectively, relative to the previous month's levels. Similarly, matured swap contract rose by 73.4 per cent to US$0.36 billion, from US$0.21 billion. However, sales at the Investors and Exporters (I&E) window decreased by 20.3 per cent to US$0.12 billion in October, from US$0.15 billion in September 2022.

Figure 33: Foreign Exchange Sales to Authorised Dealers in October 2022



Source: *Central Bank of Nigeria*

2.4.5 Exchange Rate Movement

Exchange Rate

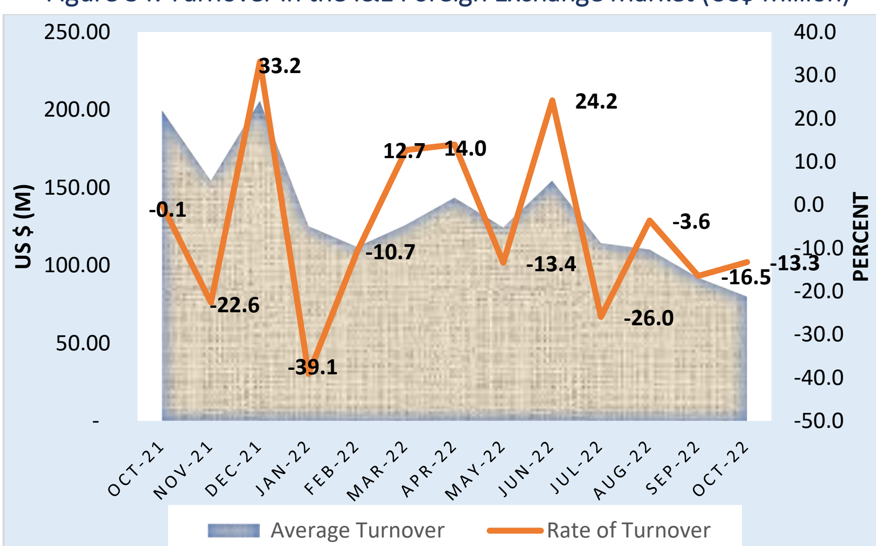
The exchange rate of the naira to the US dollar depreciated at the I&E window relative to the preceding month. The average exchange rate at the I&E window depreciated by 1.2 per cent to ₦440.85/US$, from ₦435.62/US$ in the previous month.

2.4.6 Foreign Exchange Turnover at the I&E Window

Foreign Exchange Turnover

The average turnover at the Investors' and Exporters' window decreased by 13.3 per cent to US$79.83 million in October, from US$92.05 million in September 2022.

Figure 34: Turnover in the I&E Foreign Exchange Market (US$ Million)



Source: *Financial Markets Derivatives Quotations (FMDQ)*

3.0 ECONOMIC OUTLOOK

3.1. Global Outlook

Economic Outlook for 2022

The outlook for the global economy remains pessimistic, as high risks and uncertainty persist and economic activity softens. The outlook is plagued by elevated inflation and energy crisis across the globe, following the fallout of massive sanctions on Russia and the spillover effect of the United States' aggressive interest rate hikes. The IMF revised outlook report for October 2022 projected global growth would fall to 3.2 per cent in 2022, from 6.0 per cent in 2021. This remains the same as the previous IMF forecast. The downward in growth forecast is predicated on worsening household purchasing power and tighter monetary and financial conditions due to the war in Ukraine and associated supply-chain disruptions. In addition, the sporadic outbreak of COVID-19 and lockdowns and the deepening real estate crisis in China, contributed to the downward growth forecast. In the AEs, the revised outlook projected output to grow by 2.4 per cent in 2022, from 5.2 per cent in 2021 and below the 2.5 per cent in the previous forecast with downgrades mainly pronounced in the US and Europe. By contrast, the EMDEs' growth is revised marginally upwards to 3.7 per cent in 2022, from the 3.6 per cent in the previous forecast, albeit, down from 6.8 per cent recorded in 2021.

Global inflation is expected to remain elevated and broad-based for the rest of the year, despite ongoing monetary policy rate hikes across most central banks. This is due to energy food and price shocks, and lingering supply-demand imbalances. Consequently, the IMF expects larger inflation in AEs to stand at 7.2 per cent at the end of 2022. Similarly, inflation is expected to rise in emerging markets and developing economies to 9.9 per cent in 2022.

3.2. Domestic Outlook

Domestic Economic Outlook for the Fourth Quarter of 2022

The prospects for the Nigerian economy remain positive as domestic output is projected to grow by 3.30 per cent in 2022Q4 (year-on-year). This outlook is driven by the assumption of improved manufacturing activities and crude oil production, effective implementation of the Medium-Term National Development Plan (2021-2025), and the positive impact of CBN interventions on growth-enhancing sectors, among others. However, interest rate hikes, persistent security challenges, global supply chain disruptions, and flooding could dampen growth momentum.

Inflation is projected to remain elevated, rising further to 21.29 per cent, in November 2022. While the rise in the food component of inflation can be attributed mainly to increased exchange rate pass-through, core inflation is expected to be driven largely by the rise in energy prices. Other reasons for the increase in domestic prices are flooding and insecurity in food-producing areas, as well as rise in production costs. Also, the spillover effect of the Russia-Ukraine war, and the consequent escalation of supply-chain disruption, would continue to push inflationary pressures upward. Nonetheless, the aggressive monetary tightening and the various supply side interventions by the CBN, are expected to moderate the raging inflation in the near term.

Fiscal outlook in the near-term remains optimistic. This is attributed to the rebound in crude oil price and the renewed efforts to eradicate crude oil theft. Similarly, the improved revenue generation from the non-oil sector are expected to buoy government revenue. However, the lingering insecurity, flood disaster and elevated public debt poses some downside risks.

Nigeria's external sector is expected to remain resilient despite the downside risks associated with growing global uncertainties at the international oil market and structural factors. The outlook is predicated on sustained upward trajectory of crude oil price and the relatively stable exchange rate of the Naira. However, downside risks to the outlook includes lower crude oil production due to oil theft and increased external debt-servicing. In addition, higher US treasury yield and dollar denominated assets could deter inflow of foreign investments on domestic denominated assets, thereby stoking foreign exchange scarcity and weakening of the Naira exchange rate.