CENTRAL BANK OF NIGERIA ECONOMIC REPORT

January 2021

ABOUT THE REPORT

The Central Bank of Nigeria (CBN) Economic Report is a periodic publication by the Research Department of the Bank. The Report, which is published on a monthly and quarterly basis, provides an overview of developments in the real, fiscal, financial, and external sectors of the Nigerian economy, as well as on global issues of interest. It also highlights the policy initiatives of the CBN in the pursuit of its mandate.

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

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EXECUTIVE SUMMARY

Global economic outlook varied significantly across countries in January 2021, although the recent roll-out of the COVID-19 vaccines raised hopes of a rebound in global growth. The tepid expansion recorded in January 2021, was led by the US where business activities accelerated, despite continued supply chain disruptions. In China, business activities and new orders also increased, albeit, slowly just as the pace of recovery in the Emerging Markets and Developing Economies (EMDEs) remained sluggish. However, economic activities in the euro area continued to contract due to the renewed lockdown measures. The IMF's World Economic Outlook (WEO) for January 2021 projected the global economy to grow at 5.5 per cent in 2021, compared with an estimated contraction of 3.5 per cent in 2020. The 2021 growth forecast was revised upward by 0.3 percentage point, indicating additional policy support in large economies and expectations of a vaccine-powered strengthening of economic activities. Despite the continued recovery in economic activities in some countries, the global outlook remained considerably uncertain amid surging global debt levels renewed lockdown measures (following the resurgence of the pandemic in Europe), and sluggish global trade. Nonetheless, the emergence of COVID-19 vaccines and the continued implementation of monetary, fiscal, and structural policies boost the prospects for global economic recovery.

Domestic economic activities weakened in January 2021, due to slowing momentum in manufacturing and non-manufacturing activities. This followed the end of year festivities and dampened consumer demand which was exacerbated by rising production cost from inflationary pressure and foreign exchange scarcity. This is in addition to the disruption of supply chains arising from the reintroduction of COVID-19 mitigation measures, sequel to the manifestation of a second wave of the coronavirus. Consequently, both the Composite Manufacturing and the Non-Manufacturing Purchasing Managers' Indices (PMIs) deteriorated in January 2021, relative to December 2020. The Composite Manufacturing PMI contracted to 44.9 index points, from the 49.6 index points recorded in the preceding period. The decrease was associated with the decline in demand, rising production cost and supply chain bottlenecks experienced by firms, in the review period. Similarly, the Composite Non-Manufacturing PMI for January 2021 dropped to 43.3 index points from 45.7 index points recorded in December 2020. The index recorded declines in all the subcomponent indexes.

Prices of most agricultural export commodities maintained an upward trend in January 2021. Also, crude oil spot price rose to US$54.87 pb, an 11-month high. However, the oil price in January 2021 was 18.0 per cent below the level in the comparable month of 2020. The rise in crude oil prices in the review period was supported by the announcement of a voluntary output cut of 1.00 million barrels per day (mbpd) by Saudi Arabia.

Despite the modest recovery in crude oil prices, gross federally collected revenue stood at ₦807.54 billion in January 2021, representing a shortfall of 4.6 per cent relative to the budget benchmark. The low revenue performance was due to the decline in non-oil receipts, following the lingering effects of the COVID-19 pandemic on business activities and the resultant shortfall in tax revenue.

Federal Government of Nigeria (FGN) retained revenue remained depressed at ₦285.26 billion in January 2021, falling short of its budget benchmark and collections in January 2020, by 41.3 per cent and 7.5 per cent, respectively. FGN's Fiscal deficit widened in January 2021, as a result of elevated spending, arising from the rollover and release of capital expenditure mandate in the 2020 Appropriation Act to Ministries, Departments and Agencies (MDAs).

The lingering effects of the COVID-19 pandemic and economic headwinds, continued to incumber the Nigerian economy, as it trudged towards recovery. Broad money supply declined in January 2021, due largely to the fall in net domestic assets of depository corporations, which outweighed the growth in net foreign assets.

Financial markets were relatively calm and stable in the period under review, despite the resurgence of the COVID-19 pandemic around the world. The banking system liquidity moderated, but remained buoyantly above the regulatory benchmark of 30.0 per cent. Capital market activities on the Nigerian Stock Exchange (NSE) was bullish in January 2021, as investors' sentiment improved regardless of lingering global uncertainties. Anticipated release of positive full year financial statements by quoted companies and the concomitant low yield in the fixed income market explicate domestic investors' interest in equities, which contributed to the surge in the capital market activities.

The continued spread of the second wave of the COVID–19 pandemic weakened global economic recovery and led to a decline in foreign exchange inflow into the economy in the month under review. The average exchange rate, at the inter-bank segment, the Bureau-de-Change (BDC) segment, and the Investors and Exporters (I&E)

window, were ₦381.00/US$, ₦472.73/US$ and ₦394.04/US$, respectively, in the review period. Nigeria's external reserves dropped to US$35.43 billion compared with US$36.46 billion in the preceding month, driven, mainly, by foreign exchange interventions and third-party payments. At this level, the external reserves level is the equivalent of 6.1 months of imports of goods and services cover.

1.0 GLOBAL ECONOMIC DEVELOPMENTS

1.1 Global Output

Global Economic Conditions show improvements

The outlook for the global economy varied significantly across countries in January 2021, despite the recent roll-out of the COVID-19 vaccines, which raised hopes of a global economic recovery. The moderate expansion in January 2021 was led by the US, where business activities accelerated, despite substantial supply chain disruptions. In China, business activities and new orders showed slow increase. The pace of recovery in the Emerging Markets and Developing Economies (EMDEs) emerged sluggish, while economic activities in the euro area continued to contract amid renewed lockdown measures. The IMF's World Economic Outlook (WEO) for January 2021 projected the global economy to grow at 5.5 per cent in 2021, in contrast to an estimated contraction of 3.5 per cent for 2020. The 2021 growth forecast was revised upward by 0.3 percentage point, indicating continued stimulus packages in large economies and expected positive impact of accelerated vaccine roll-out. (Table 1). Despite the continued recovery in some economies, the global outlook remained uncertain due to rising global debt levels, renewed lockdown measures (following the resurgence of the pandemic in Europe), and sluggish global trade. Nonetheless, the roll-out of the COVID-19 vaccines and continued implementation of monetary, fiscal, and structural policies strengthen global growth prospect.

1.2. Developments in Advanced Economies

Uneven Economic Activities in Advanced Countries

As economies continued to combat the adverse effects of the COVID-19 pandemic, advanced economies' output performance maintained an upward trajectory in January 2021, although at varying degrees. Growth for Advanced Economies (AEs) was attributed to continued expansionary policy, roll-out of the COVID-19 vaccines, and strengthening of business activities. This was evident in the US, where business activities continued to improve. The US PMI rose to 59.1 index points in January 2021 from 57.1 in December 2020, indicating a strong expansion in manufacturing activities, output and new orders (following a peaceful transfer of power to the newly-elected President). Growth in the euro area and other large economies, within the zone, remained weak, owing to renewed COVID-19 containment measures, which disrupted business activities. This was evident as the PMI of the euro area fell to 54.8 index points in January 2021, from 55.2 index points in December 2020. Similarly, the PMI for Japan fell to 49.7 index point in January 2021, compared with 50.0 index points in December 2020, reflecting the decline in new orders and rise in unemployment levels. However, amid the resurgence of the COVID-19 pandemic, the index for Germany remained strong and was above the 50-point benchmark at 57.0 in January 2021. This was attributed to improved business confidence, rise in international sales, and new orders. Notwithstanding the variation in growth performance in AEs, the January 2021 WEO projected an output growth rate of 4.3 per cent in

2021, in contrast to a 4.9 per cent contraction forecast in 2020 (Table 1).

1.3 Emerging Markets and Developing Economies (EMDEs)

Weak Economic Activities in Emerging and Developing Economies

Growth recovery in the emerging markets and developing economies remained weak, except in China, where effective containment measures were put in place. Growth momentum bolstered in China, as both manufacturing and non-manufacturing sectors recorded improvements in the review period, attributed to a recovery in household spending. Other factors included effective containment measures and public investment response. In other EMDEs, though still fragile, the liquidity support provided by various central banks is expected to facilitate strong recovery. In countries, like India and Russia, business activities continued to improve in January 2021, albeit at a slow pace, as indicated by the PMI numbers. For instance, in India, new orders rose, and employment improved, as the PMI in January 2021 rose to 57.7 index points, above 56.4 index points in December 2020. Likewise, manufacturing PMI in Russia rose to 50.9 index points in January 2021 above 49.7 index points in December 2020, reflecting expansion in production and new orders. The recovery was expected to be more broad-based in 2021, as the growth rate for EMDEs was projected to increase to 6.3 per cent (Table 1). Furthermore, growth in Sub-Saharan Africa was expected to contract by 2.6 per cent in 2020, and later rebound to 3.2 per cent in 2021 (Table 1).

Table 1: Growth Projections in Selected Countries

Country	Growth		
	2020	**2021f**	**2022f**
Global	*-3.5*	*5.5*	*4.2*
Advanced Economies	*-4.9*	*4.3*	*3.1*
United States	*-3.4*	*5.1*	*2.5*
United Kingdom	*-10.0*	*4.5*	*5.0*
Japan	*-5.1*	*3.1*	*2.4*
Germany	*-5.4*	*3.5*	*3.1*
Italy	*-9.2*	*3.0*	*3.6*
Emerging Market & Developing Economies	*-2.4*	*6.3*	*5.0*
Russia	*-3.6*	*3.0*	*3.9*
China	*2.3*	*8.1*	*5.6*
India	*-8.0*	*11.5*	*6.8*
Sub-Saharan Africa	*-2.6*	*3.2*	*3.9*
South Africa	*-7.5*	*2.8*	*1.4*
Nigeria	*-3.2*	*1.5*	*2.5*

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

1.4 Global Production

Global Production Rebounded

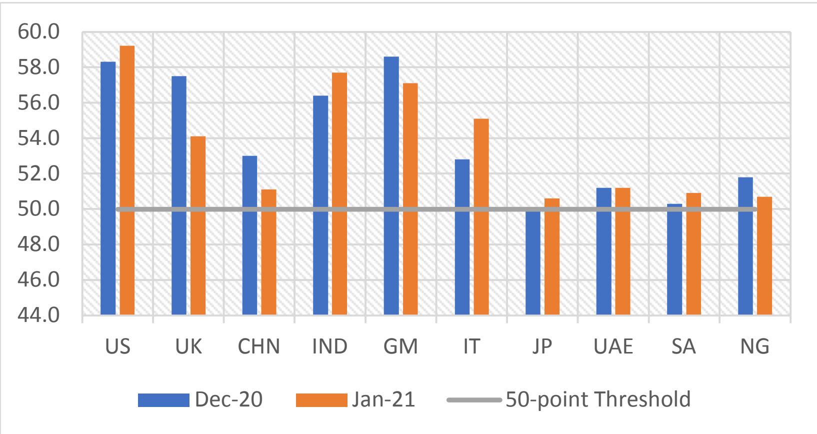
Global production continued to experience improvements as reflected in the PMI numbers, but the renewed waves and new variants of COVID-19 posed a threat for the outlook. The J. P. Morgan Report for January 2021 showed a rise in the U.S. PMI from 57.1 index points in December 2020 to 59.1 index points in January 2021, indicating a strong expansion in manufacturing activities, output, and new orders against the backdrop of a peaceful transition of power to the new President. Economies like the UK, Germany, and China also witnessed improved business activities, with the euro area recording improvements in both intermediate and investment goods, despite the pandemic and related restrictions (Figures 1 and 2). It is expected that the development and successful roll-out of the COVID-19 vaccines would lead to easing of restrictions and a noticeable uplift in economic activities in the coming months.

Table 2: Global Purchasing Managers' Index (PMI)

	Oct-20	Nov-20	Dec-20	Jan-21
Composite	*53.3*	*53.1*	*52.7*	*52.3*
Manufacturing (Output)	*53.0*	*53.8*	*53.8*	*53.5*
Services (Business Activity)	*52.9*	*52.2*	*51.8*	*51.6*

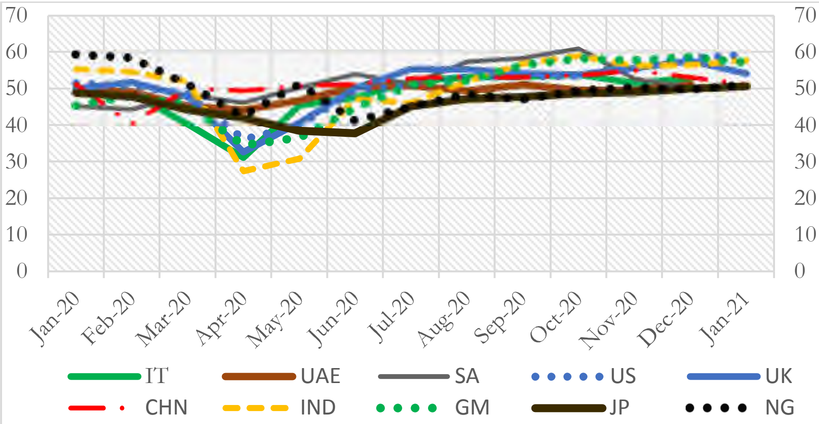
Sources: JP Morgan, Reuters

Figure 1: PMIs in Selected Countries (Index Points)



Sources: Trading Economics/Various Country Websites, CBN Staff compilation.
Note: US, UK, CHN, IND, GM, IT, JP, UEA, SA and NG represent United States, United Kingdom, China, India, Germany, Japan, United Arab Emirate, South Africa and Nigeria respectively.

Figure 2: Selected Countries' PMIs from January 2020 to January 2021 (Index Points)



Sources: Trading Economics/Various Country Websites, CBN Staff compilation.
Note: US, UK, CHN, IND, GM, IT, JP, UEA, SA and NG represent United States, United Kingdom, China, India, Germany, Italy, Japan, United Arab Emirate, South Africa and Nigeria respectively.

1.5 Global Inflation

Global Inflation Stayed Moderate

Global inflation remained largely subdued and below central banks' targets, particularly among AEs, due to weak consumption and investment spending, amid a higher-than-trend unemployment levels. Despite the slight increases in consumer prices in January 2021, inflationary pressures have remained muted across AEs. However, in the EMDEs, inflation outcomes were mixed, as the rate moderated in China and India while it ascended in others due to to persisting exchange rate pressures, low capital inflow, and longstanding structural issues (Table 3). These differences reflected country-specific shocks, varying cyclical positions of the economy, and idiosyncratic policy responses.

Consumer prices inflation in the US sustained its ascent to 1.40 per cent in January 2021 from 1.36 per cent in December 2020, driven by higher food prices, utility gas services, and medical care services. In the same vein, inflation rate in the United Kingdom (UK) increased to 0.9 per cent in January 2021 from 0.8 per cent in the preceding month, due to higher costs of transportation, furniture, and household goods. Nonetheless, inflation rates remained well below the US Fed's and Bank of England's 2.0 per cent target. Likewise, consumer price inflation rate in January 2021 rose to 1.0 per cent in both Canada and Germany, due to higher costs of transportation and gasoline in Canada, and higher VAT rates, newly introduced CO_2 charges and higher food prices in Germany.

On the other hand, consumer prices in China deflated by negative 0.3 per cent in January 2021 vis-à-vis and inflation of 0.2 per cent in December 2020, due to lower prices of transport, rent, fuel, and utilities. Similarly, in India, inflation rate fell to 4.1 per cent in January 2021 from 4.6 percent in December 2020, as food inflation slowed sharply in the month. In contrast, Nigeria's inflation rate rose to 16.5 per cent in January 2021 from 15.8 per cent in December 2020, reflecting foreign exchange constraints, heightened insecurity, and food supply shortages, despite the reopening of land borders. In South Africa, inflation rose to 3.2 per cent in January 2021 on account of upward price pressures in education, health, and restaurant and hotels (Table 3).

Table 3: Global Inflation Rates (2020 – January 2021)

Country	Jan-20	Mar-20	Jun-20	Oct-20	Nov-20	Dec-20	Jan-21
United States	2.49	1.54	0.65	1.18	1.18	1.36	1.40
United Kingdom	1.80	1.50	0.80	0.90	0.60	0.80	0.90
Japan	0.70	0.40	0.10	-0.40	-0.90	-1.20	-0.60
Canada	2.40	0.89	0.20	0.66	0.95	0.73	1.00
France	1.49	0.67	0.66	0.05	0.20	-0.02	0.55
Germany	1.74	0.85	-0.19	-0.19	-0.28	-0.30	1.00
Italy	0.49	-0.19	-0.58	-0.29	-0.20	-0.20	0.70
China	5.40	4.30	2.50	0.50	-0.50	0.20	-0.3
India	7.49	5.50	5.06	5.90	5.29	4.59	4.06
Indonesia	2.68	3.03	1.30	1.44	1.60	1.68	1.55
Mexico	3.24	3.25	4.01	4.09	3.33	3.15	3.40
Turkey	12.15	11.86	11.75	11.89	14.03	14.60	15.00
South Africa	4.40	4.06	2.92	3.27	3.18	3.10	3.24
Nigeria	**12.13**	**12.26**	**13.71**	**14.23**	**14.89**	**15.75**	**16.47**

Sources: OECD and National Bureau of Statistics.

1.6 Global Financial Markets

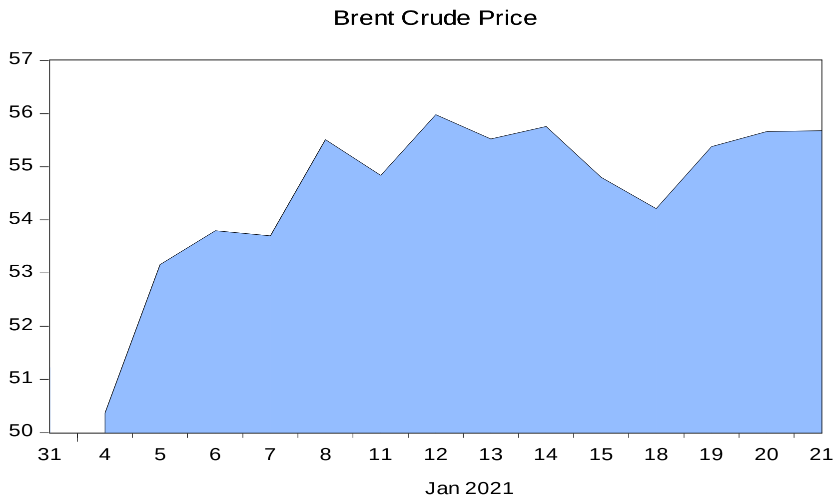
Improvements in Global Financial Markets

Cautious optimism is expected to trail the global financial markets in the near term, as the second wave of the COVID-19 pandemic heightened fears of partial or localised lockdowns. The global equities market extended the gains recorded towards the end of the fourth quarter of 2020 to January 2021 (Figure 3). Investors' sentiment remained largely positive, on the backdrop of rapid roll-out of COVID-19 vaccines and expectations of improved corporate earnings, following the easing of lockdown measures across the globe. In addition, the positive trade prospects that the Biden presidency presented, contributed to the bullish sentiment during the period. Fixed income yields remained largely low, as several economies continued to drive a near-zero interest rate environment to boost credit and support economic activities. Over the short-to-medium term, the virulence of the second wave of the COVID-19 pandemic, the availability (and success) of the vaccines, as well as the effectiveness of fiscal and monetary stimulus is expected to shape investors' sentiments. Specifically, EMDEs may begin to see mild increases in foreign portfolio inflows, albeit lower than pre-COVID levels. Expectedly, the combination of sustained fiscal interventions and low yields in advanced economies, as well as improved growth prospects across the EMDEs may also boost foreign portfolio inflows in the region.

1.7 Global Oil Market

The near-term outlook for crude oil prices appeared positive on the back of the continuous commitment of the OPEC and its allies to production cut. Battered by the COVID-19 pandemic for most part of 2020, the global crude oil market began the year 2021 with a price rally. Brent, at an average of $55pb in January 2021, rose from an average of $45pb in the early part of December 2020, reflecting improved demand as expectations of a successful roll-out of the COVID-19 vaccines continued to put fundamentals on a stronger trajectory for the year (Figure 5). Nonetheless, recovery could be hampered by the resurgence of the pandemic and the re-introduction of lockdown measures. However, the continued commitment of the OPEC and its allies to keep supply under control could provide the much-needed stability in the market. In anticipation of weaker demand, during the month of January 2021, the OPEC and its allies decided against a further easing of supply cuts, with Saudi Arabia promising an additional 1mbpd reduction in supply in February and March 2021.

Figure 3: Global Crude Oil Price



Sources: Macro Trends and CBN staff compilation.

2.0. DOMESTIC ECONOMIC DEVELOPMENTS

2.1. THE REAL SECTOR

2.1.1. Economic and Business Activities

Economic and Business Activities

Domestic economic activities in January 2021 weakened due to slowing momentum in manufacturing and non-manufacturing activities (following the end of year festivities and dampened consumer demand), and rising production cost Consequently, both the Composite Manufacturing and the Non-Manufacturing Purchasing Managers' Indices (PMIs) deteriorated in January 2021, relative to December 2020.

The Composite Manufacturing PMI contracted to 44.9 index points, from the 49.6 index points recorded in the preceding period. The decrease was associated with the decline in demand, rising production cost and supply chain bottlenecks experienced by firms, in the review period. All components of the Composite Manufacturing PMI contracted, except supplier delivery time, which increased to 55.7 index points from 51.2 points in December 2020, due to improvements in logistics, shipments and inventory control.

Similarly, the Composite Non-Manufacturing PMI for January 2021 dropped to 43.3 index points from 45.7 points in December 2020. The index recorded declines in all the subcomponent indexes (Table 4).

Table 4: Purchasing Managers' Index for January 2021

Components	*20-Dec*	*21-Jan*
A. Composite Manufacturing PMI	**49.6**	**44.9**
Production Level	51.6	43.8
New Orders	50.2	41.2
Supplier Delivery Time	51.2	55.7
Employment Level	46.3	44.2
Raw Material Inventory	46.9	44.1
B. Composite Non-Manufacturing PMI	**45.7**	**43.3**
Business Activity	*46.9*	*43.8*
New Orders	45.1	41.7
Employment Level	45.1	45
Inventory	45.7	42.6

Source: Central Bank of Nigeria

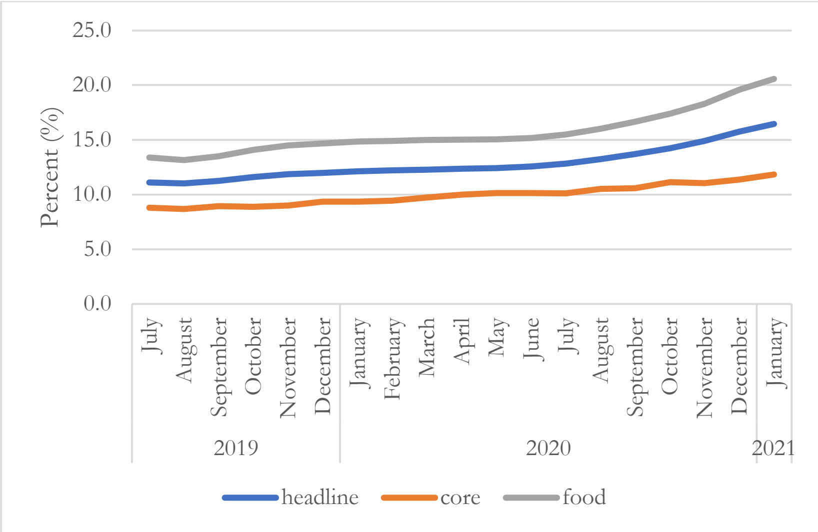
2.1.2 Consumer Prices

Headline Inflation

Inflationary pressures persisted in January 2021, as in the last 3 months of 2020. The moderation was driven by milder demand and supply shocks after the end-of-year festivities and the effect of the re-opening of the land borders in December 2020. Headline inflation for January 2021 rose to 16.5 per cent (year-on-year) from 15.8 per cent and 12.1 per cent in the preceding and corresponding months of

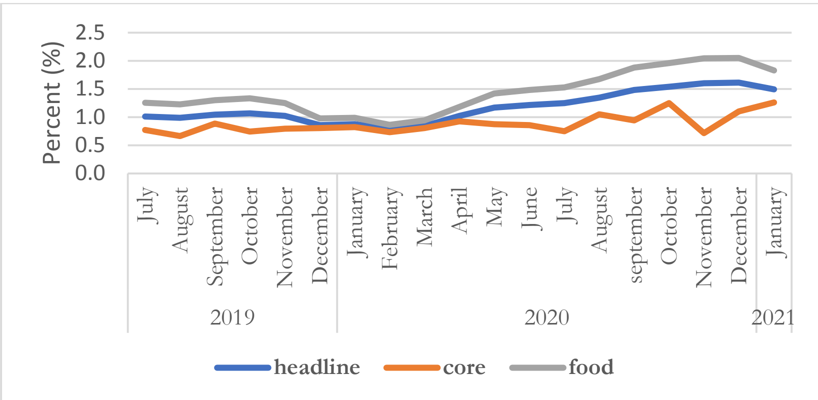
2020, respectively. The rise in headline inflation was attributed, mainly, to increase in prices of the food components of the CPI basket. However, on a month-on-month basis, headline inflation declined to 1.49 per cent from 1.61 per cent recorded in the preceding month. This decline was attributed to the relative stability of petroleum products prices, electricity tariff and the reopening of land borders, as well as reduction in commodities' demand caused by a drop in consumption levels after the end-of-year festivities across the country.

Figure 4: Headline, Food and Core Inflation (Year-on-Year) in Per cent



Source: National Bureau of Statistics (NBS)

Figure 5: Headline, Food and Core Inflation (Month-on-Month) in Per cent



Source: National Bureau of Statistics (NBS)

Food Inflation

Food inflation, which has the highest weight in the CPI basket, rose by 1.0 percentage point in January 2021 to 20.6 per cent (year-on-year). The rise in the food index was as a result of increases recorded in the prices of bread and cereals, potatoes, yam and other tubers, meat, fish, fruits, and oils and fats. On a month-on-month basis, food inflation declined by 1.8 per cent below the 2.1 per cent recorded in December 2020. This was mainly attributed to the increased availability of food products, following the re-opening of land borders in December 2020, and the moderation in demand for food items after the end-of-year festivities.

Core Inflation

Similarly, year-on-year core inflation rose to 11.9 per cent in the review period over the previous month's rate of 11.4 per cent. On a month-on-month basis, core inflation also rose to 1.3 per cent from 1.1 per cent recorded in the previous month. The observed ascent in core inflation was attributed to the supply chain disruptions caused by increased insecurity across the country.

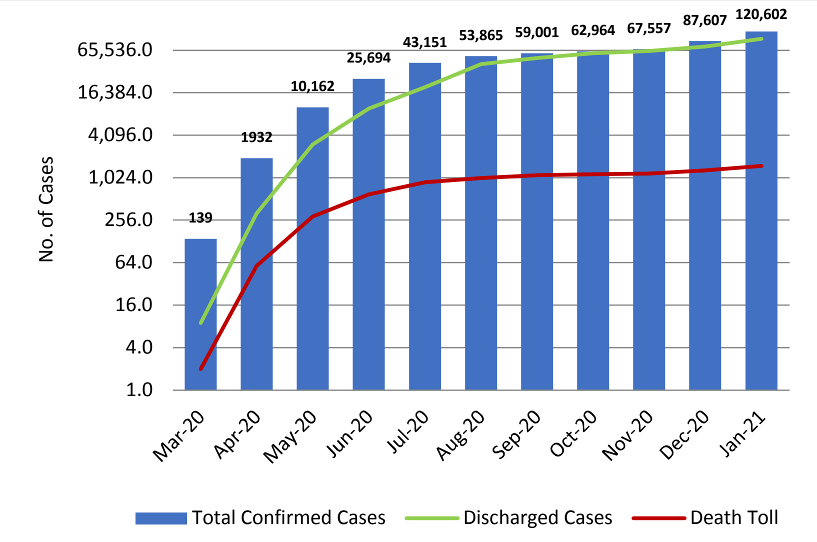
2.1.3 Social and Other Economic Developments

COVID-19 Pandemic

As the country continued to grapple with the second wave of the COVID-19 infections, figures from the National Centre for Disease Control (NCDC) showed a spike in new cases during the review period. The total number of confirmed cases in the country surged by 37. 7 per cent to 120,602 as at January 24, 2021, from 87,607 on December 31, 2020. Consequently, the number of active cases increased to 23,199 from 12,605, while recorded fatalities rose to 1,502 from 1,289 in the preceding month. On January 22, 2021, Nigeria recorded 2,314 new cases – its highest ever daily case count, outstripping the previous record of 1,664 daily infections (Figure 8). The high number of recorded cases and deaths may be due to increased testing coverage and the pandemic-response fatigue, which resulted in weak compliance to non-pharmaceutical protocols of preventing infections. The increase in the number of cases was also followed increased local and international travels, restored business and religious activities, reopening of schools and massive gatherings that preceded the year 2021. To put the pandemic under control, the National Economic Council (NEC) approved the release of ₦6.45 billion to set up oxygen production plants in 38 locations to contend with the increasing number of patients who require oxygen therapy. Furthermore, the sum of ₦255.00 million was approved for repairs of oxygen plants in five hospitals. In the same vein, efforts at exploring options to develop vaccines locally received a boost, as the Federal Government, through the Federal Ministry of Finance, Budget and National Planning, released ₦10.00 billion to support domestic vaccine production.

During the review period, the Federal Government released guidelines for the use of approved antigen-based Rapid Diagnostic Test-Kits (RDTs) and also rolled out a pilot exercise on their use in five tertiary health institutions in Abuja. The aim was to drastically expand testing, as the country was yet to test 1.0 per cent of its population.

Figure 6: COVID-19 Statistics



Source: Nigeria Centre for Disease Control (NCDC)

Education

Activities in the education sector resumed, as the Federal Ministry of Education gave the approval for the reopening of schools at all levels from January 18, 2021. However, safety guidelines were issued for all schools to comply with. To enhance qualitative technical education, the Federal Government approved the establishment of Federal Polytechnic, Wannune, Benue state. Consequently, approval was given for a take-off grant of ₦2.00 billion for the Polytechnic from the funding resources of the Tertiary Education Trust Fund (TETFund) for the provision of core facilities.

Transportation

To boost international transport infrastructure and promote trade between Nigeria and the Niger Republic, the Nigerian government awarded the contract for the design, construction, and financing of the US$1.96 billion cross-border Kano-Katsina-Jibia-Maradi and Kano-Dutse rail project. The single-track standard-gauge line would provide a coastal connection between landlocked Niger Republic and the southern Nigerian ports of Lagos. The railway corridor would run through the Nigerian states of Kano, Jigawa, and Katsina, and terminate in the Maradi region in the Niger Republic. Under the condition of the contract signed, Mota-Engil would also construct a new university in Nigeria as a Corporate Social Responsibility. The 283.750-kilometre rail line would help develop freight and passenger transport as it would be integrated with roads, thereby, facilitating bilateral trade and aid reconstruction in the northern region. During the period, the Nigeria Railway Corporation (NRC) commenced e-ticketing for the Abuja-Kaduna rail services to enhance efficiency, promote accountability, and reduce leakages.

The Ekiti State Government flagged off the construction of 1,000 kilometres of roads across the state. The project was co-financed by the State Government, the World Bank, and the French Agency for Development (AFD), under the Rural Access and the Agricultural

Marketing Project (RAAMP). The project took off with six pilot roads with others to commence in due course. Similarly, the Kwara State Government commenced the construction of 700 kilometers of roads under the RAAMP intervention. The state contributed ₦400.00 million as its counterpart funding commitment to the US$60.00 million projects that would be spread across the 16 local area councils of the state in phases. The roads, when completed, are expected to stimulate the grassroots economy, open up the rural areas and improve socio-economic activities in the hinterlands, prevent post-harvest losses usually incurred by farmers and empower residents, as the contractors handling the project were instructed to engage local artisans and workmen in the construction. Also, the Dangote Group completed Nigeria's longest rigid pavement located in Kogi State. The 43-kilometre Obajana-Kabba road is one of the country's most strategic highways connecting the Northern and the Southern parts of the country

Social Interventions

As part of efforts toward economic recovery, Nigeria launched the Special Public Works Programme (SPWP), which is one of the biggest job creation initiatives to shield young people from the adverse impact of the COVID-19 pandemic. The SPWP was designed to engage 774,000 itinerant and low-skilled young Nigerians. Beneficiaries of the programme were expected to perform various community services and receive ₦20,000.00 monthly stipend for a period of three months.

Similarly, as part of efforts to lift at least 20 million Nigerians out of extreme poverty in the next two years, the Federal Government launched an Emergency Intervention Scheme aimed at delivering financial support to at least 1 million urban-based poor households affected by the COVID-19 pandemic. The Cash Transfer scheme tagged Rapid Response Register (RRR), was part of the Economic Sustainability Plan (ESP) designed to build a shock responsive framework for capturing and registering the urban poor and vulnerable populations across Nigeria. The RRR focuses, mainly, on the urban poor selected using scientifically validated methods of satellite remote sensing technology, machine learning algorithm, and big data analysis. Each of the identified one million households were expected to directly receive ₦5,000.00 cash transfers from January to June 2021. The scheme was expected to improve the livelihoods of the beneficiaries through enhanced household purchasing power, smoothening consumption, increase savings and acquisition of household assets, and improve the local economy.

Furthermore, to cushion the effect of the COVID-19 pandemic on the aviation sector, the Federal Government disbursed ₦5.00 billion Aviation Intervention Fund among scheduled and non-scheduled carriers, as well as other stakeholders affected by the pandemic. Of the total sum, scheduled carriers got ₦3.00 billion, while non-scheduled operators received ₦1.00 billion. The grant was given to operators with valid Air Operating Certificates (AOCs) and distributed according to the operational size of the carriers. The remaining ₦1.00 billion was disbursed to all the ground handling firms, catering service providers, National Association of Nigerian Travel Agencies (NANTA), Aviation Fuel Marketers and the airport car hire operators. The grant support was expected to help the aviation industry to restart and rebuild connectivity as well as offset salary backlog and pending insurance premiums.

2.1.4. Commodity Market Developments

Agricultural Commodity Prices

Prices of most agricultural export commodities maintained an upward trend in January 2021. The all-commodities price index (in US$ terms, 2010=100) stood at 85.7 index points in January 2021, indicating an increase of 2.9 per cent, compared with the level in the preceding month. The increase in the overall index was due, largely, to a significant increase in the prices of rubber, soya beans, and palm oil, which rose by 12.9 per cent, 6.1 per cent, and 4.1 per cent, respectively. The price increase in rubber was attributed to demand shocks, as the automobile industry continued to stabilise from the impact of restrictions put in place to curtail the impact of the COVID-19 pandemic. The price increase in soya beans and palm oil was attributed to increased demand from China, as it recovered from the effects of the pandemic, as well as supply rigidity in major palm oil-producing countries.

Further analysis indicated that prices of commodities such as cotton, cocoa, coffee, and sorghum, also increased, by 2.6 per cent, 2.6 per cent, 2.3 per cent, and 1.8 per cent, respectively. The increase in the price of cocoa was due, mainly, to the delay in the shipment of the commodity from Ivory Coast. The rise in the price indices of cotton, coffee, and sorghum was due, largely, to increased demand.

Table 5: Indices of Average World Prices of Nigeria's Major Agricultural Export Commodities for January 2021 (in dollars; 2010 = 100)

Commodity	Jan. 2020[1]	Dec. 2020[1]	Jan. 2021[2]	% Change (1) & (3)	% Change (2) & (3)
	(1)	(2)	(3)	(4)	(5)
All Commodities	80.71	83.27	85.67	6.13	2.87
Cocoa	85.07	75.25	80.71	-5.12	2.60
Cotton	47.03	41.53	49.55	5.36	2.64
Coffee	57.31	63.11	65.11	13.61	2.31
Wheat	73.24	69.27	64.73	-11.62	0.00
Rubber	35.37	35.37	55.29	56.33	12.87
Groundnut	98.91	135.47	123.96	25.33	-2.75
Palm Oil	65.97	60.76	82.99	25.80	4.14
Soya Bean	70.79	72.46	97.59	37.86	6.07
Sorghum	75.02	85.52	87.04	16.02	1.78

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

Domestic prices of agricultural commodities also ascended in January 2021. The prices of major commodities monitored, during the month under review, recorded increases, ranging from 0.1 per cent for white maize to 5.5 per cent for rice (agric). The prices of other commodities such as beans (brown), garri (yellow), groundnut oil, beans (white), and palm oil also increased, by 4.8 per cent, 3.2 per cent, 3.1 per cent, 3.0 per cent, and 2.7 per cent, respectively.

Price developments witnessed across all the commodities monitored during the review month were attributed to the effects of uncertainty surrounding the second wave of the COVID-19 pandemic, the hike in PMS pump price and electricity tariffs, which increased the cost of production, transportation, and storage of the commodities. Other drivers were insecurity in key producing areas and unhealthy price-fixing by middlemen. However, the price of rice, (imported high quality) fell by 0.4 per cent, as a result of the relaxation of the land border protection policy.

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

Food Item	Unit	Jan-20[1]	Dec-20[1]	Jan-21[2]	% Change	% Change
		1	2	3	(1) & (3)	(2) & (3)
Agric eggs (medium size price of one)	1kg	*454.17*	*499.55*	*502.77*	*10.7*	*0.6*
Beans brown, sold loose	'	*285.61*	*336.24*	*352.44*	*23.4*	*4.8*
Beans: white black eye. sold loose	"	*268.80*	*309.07*	*318.23*	*18.4*	*3.0*
Gari white, sold loose	"	*409.31*	*467.64*	*476.47*	*16.4*	*1.9*
Gari yellow, sold loose	"	*159.64*	*238.65*	*246.39*	*54.3*	*3.2*
Groundnut oil: 1 bottle, specify bottle	"	*182.19*	*263.27*	*271.55*	*49.0*	*3.1*
Irish potato	"	*571.88*	*664.78*	*671.51*	*17.4*	*1.0*
Maize grain white sold loose	"	*281.09*	*320.01*	*320.41*	*14.0*	*0.1*
Maize grain yellow sold loose	"	*148.86*	*205.63*	*215.55*	*44.8*	*4.8*
Palm oil: 1 bottle, specify bottle	"	*149.62*	*207.51*	*213.19*	*42.5*	*2.7*
Rice agric sold loose	"	*225.83*	*372.25*	*392.83*	*73.9*	*5.5*
Rice local sold loose	"	*457.59*	*552.22*	*563.35*	*23.1*	*2.0*
Rice Medium Grained	"	*206.17*	*233.84*	*239.01*	*15.9*	*2.2*
Rice, imported high quality sold loose	"	*197.06*	*213.48*	*212.66*	*7.9*	*-0.4*
Sweet potato	"	*382.21*	*448.71*	*459.01*	*20.1*	*2.3*
Tomato	"	*338.58*	*405.64*	*414.09*	*22.3*	*2.1*
Vegetable oil:1 bottle, specify bottle	"	*381.42*	*443.03*	*453.51*	*18.9*	*2.4*
Wheat flour: pre-packaged (golden penny 2kg)	"	*453.24*	*550.94*	*564.79*	*24.6*	*2.5*
Yam tuber	"	*141.23*	*154.98*	*155.50*	*10.1*	*0.3*

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

2.1.5. Development Financing

Development Financing

Intervention schemes by the Bank continued to focus on enhanced credit delivery to critical sectors, in a bid to boost productivity and stimulate the real sector of the economy.

Available data showed that, in November 2020, a cumulative sum of ₦672.9 billion was disbursed to 636 projects under the Commercial Agricultural Credit Scheme (CACS), of which, ₦443.9 billion had been repaid. In addition, a total of 21 projects benefitted from a cumulative sum of ₦95.5 billion under the Paddy Aggregation Scheme (PAS). Under the Anchor Borrowers Programme (ABP), the sum of ₦497.2 billion had been disbursed to 2,504,690 beneficiaries, out of which ₦118.7 billion was repaid. Furthermore, the Agribusiness/SME Investment Scheme (AGSMEIS) had about 22,057 projects that benefitted from the ₦83.5 billion. Similarly, a total of 7 projects benefitted from the sum of ₦6.0 billion under the Maize Aggregation Scheme (Table 7).

2.1.6 Developments in the Energy Market

Spot Oil Prices

Crude oil spot prices, of all the crude streams, rose to an 11-month high in January 2021 amid the announcement of a voluntary output cut of 1 million barrels per day (mbpd) by Saudi Arabia, which is expected to bring the oil market into deficit for most of 2021.

The monthly average spot price of Nigeria's reference crude oil, the Bonny Light (32.9° API), rose by 8.7 per cent to US$54.69 per barrel (pb) as at January 22, 2021, compared with US$50.33 pb in the preceding month, but declined by 18.0 per cent from the US$66.69 pb recorded in the corresponding period of 2020. In addition, the UK Brent at US$54.40 pb, Forcados at US$54.89 pb, WTI at US$52.94 pb, and the OPEC Basket of thirteen selected crude streams at US$54.00 pb, exhibited a similar trend as the Bonny Light (Figure 9).

Traders expect that Saudi Arabia's plan to voluntarily cut 1 million barrels per day of its output would bring the oil market into deficit for most part of the year 2021. Other reasons for the rise in crude oil prices included: supply cuts from Iraq and Libya; a weaker US dollar (which made crude oil cheaper for holders of other currencies); and expectations of large stimulus package, by the Biden Administration in the US and other economies.

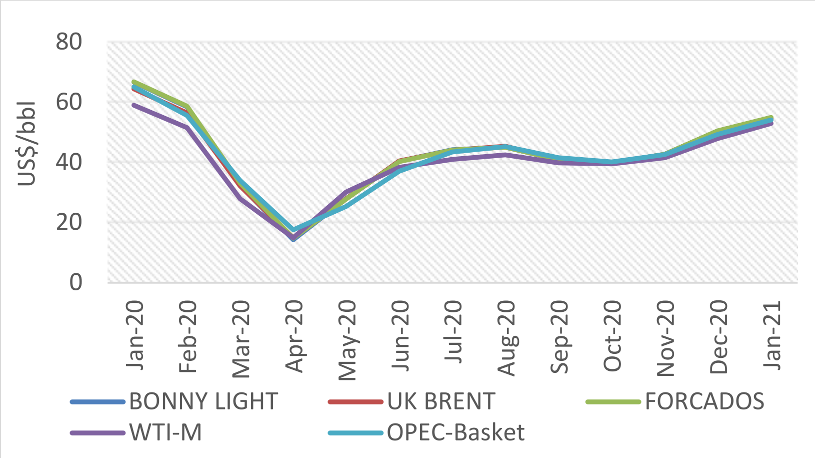
Table 7: Development Financing Schemes and Initiatives

Intervention/Initiative	Projects (Cumulative)	Disbursements ₦(billion)	Repayments
Commercial Agricultural Credit Scheme (CACS)	*636*	*672.9*	*443.9b*
Paddy Aggregation Facility (PAS)	*21*	*95.5*	*93.5b*
Rice Distribution Facility (RDF)	*1*	*1.0*	*0*
Anchor Borrowers' Programme (ABP)	*2,504,690*	*497.2*	*118.7b*
Accelerated Agricultural Development Scheme (AADS)	*9,983*	*14.9*	*0*
Micro, Small and Medium Enterprises Development Fund (MSMEDF)	*216,704*	*83.9*	*34.7b*
Shared Agents Network Expansion Facility (SANEF)	*13*	*5.5*	*0.64b*
SME/Rediscount & Refinancing Facility (SMERRF)	*604*	*300.9*	*151.1b*
Real Sector Support Facility (RSSF)	*25*	*166.2*	*22.5b*
Covid-19 Intervention for the Manufacturing Sector (CIMS)	*111*	*228.2*	*0*
Textile Sector Intervention Facility (TSIF)	*41*	*78.0*	*3.1b*
CBN-BOI Industrial Facility (CBIF)	*60*	*100.0*	*0*
Power and Airline Intervention Fund (PAIF)	*74*	*311.2*	*194.6b*
Nigerian Electricity Market Stabilization Facility (NEMSF)	*37*	*189.2*	*70.3b*
Nigerian Bulk Electricity Trading-Payment Programme (NBET-PAF)	*1*	*866.0*	*0*
National Food Security Programme (NFSP)	*4*	*59.1*	*11.4b*
Presidential Fertilizer Initiative (PFI)	*18*	*35.0*	*10.8b*
Non-Oil Export Stimulation Facility (NESF)	*13*	*44.0*	*12.0b*
Export Development Fund (EDF)	*1*	*50.0*	*0*
Agribusiness/SME Investment Scheme (AGSMEIS)	*22,057*	*83.5*	*0.205b*
Targeted Credit Facility (TCF)	*317,949*	*149.2*	*0*
Maize Aggregation Scheme (MAS)	*7*	*6.0*	*6.0b*
Healthcare Sector Intervention Facility (HSIF)	*62*	*60.7*	*0.775b*
Youth Entrepreneurship Development Programme (YEDP)	*67*	*173.4*	*0.51b*

Source: Central Bank of Nigeria

At the current crude oil prices, Nigeria's fiscal position appeared to have improved, with brightened prospects of effective execution of the 2021 Budget (benchmarked at US$40.0 pb and 1.8 mbpd production volume, including condensates). However, this prospect may be constrained by the under-performance of the non-oil revenue sources, as economic activities continued to teeter, following the recession and the second wave of the COVID-19 pandemic.

Figure 7: Trends in Crude Oil Prices



Source: Refinitiv Eikon (Reuters)

Crude Oil Production and Exports

Domestic crude oil production and exports increased, month-on-month, following an increase in OPEC+ output quota by an additional 0.5 mbpd in January 2021. Nigeria's crude oil production, including the Agbami crude stream, recorded an estimated increase of 1.3 per cent, month-on-month, from 1.53 mbpd in the preceding month. Out of the estimated 1.55 mbpd produced in January 2021, exports accounted for an average of 1.10 mbpd, while the allocation for domestic consumption accounted for the balance. The rise in crude oil production followed the increase in OPEC+ output quota by an additional 0.5 mbpd, from a production cut of 7.7 mbpd to 7.2 mbpd in January 2021.

Aggregate crude oil production, including Natural Gas Liquids (NGLs) and condensates by OPEC, was estimated at 30.54 mbpd in January 2021, representing an increase of 0.3 per cent, compared with 30.45 mbpd in the preceding month. The increase in aggregate OPEC supply was due, majorly, to the rise in non-crude production. Many OPEC members, including Nigeria, increased the production of non-crude (Condensates and Natural Gas Liquids), which was exempted from the OPEC production cuts in the Declaration of Cooperation (DoC) by the Organisation in April 2020. OPEC's non-crude portion increased by 0.08 mbpd from 4.99 mbpd, while its crude portion increased by 0.01 mbpd from 25.47 mbpd.

World Crude Supply and Demand

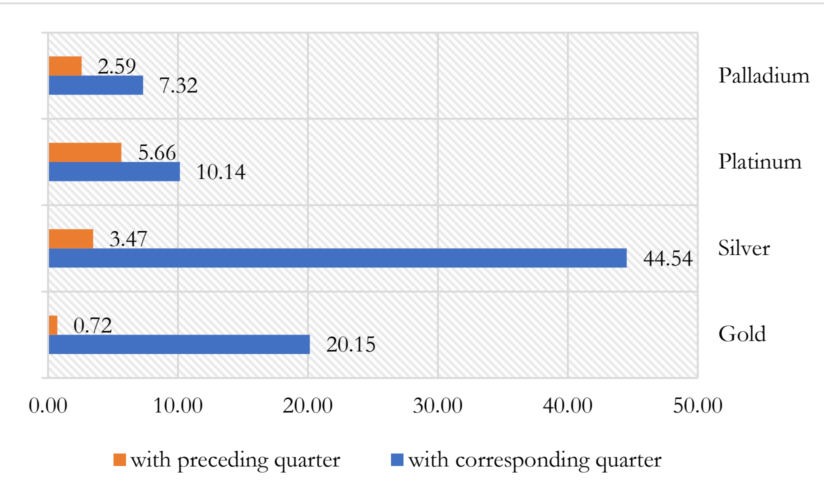
Total world crude oil supply in January 2021, recorded an estimated increase of 1.4 per cent, month-on-month, to an average of 96.74 mbpd, compared with 95.38 mbpd in the preceding month. The world crude oil demand decreased by 2.6 per cent to an average of 96.05 mbpd, compared with 98.64 mbpd in the preceding month. The increase in world crude oil supply was driven, mainly, by the former Soviet Union (including Russia) and OPEC. In contrast, the decrease in global demand was driven, largely, by the decline in China's demand, following renewed lockdown measures to curtail the resurgence of the COVID-19 infection.

The OECD and Non-OECD crude oil demand declined to 44.15 mbpd and 51.90 mbpd, from 45.07 mbpd and 53.56 mbpd, respectively, in December 2020, following renewed lockdown measures to curtail the spread of the COVID-19 infection in some parts of Europe and China. Similarly, OECD supply decreased from 30.81 mbpd to 30.53 mbpd, following a decline in US production. However, the Non-OECD supply increased from 64.58 mbpd to 66.21 mbpd in the review period, driven, mainly, by an increase in supply from the former Soviet Union (Including Russia).

Other Mineral Commodities

Available data from Refinitiv Eikon (Reuters) indicated increases in the average spot prices of gold, silver, platinum, and palladium at end-January 2021. The prices of gold and silver recorded an average gain of 0.7 per cent and 3.5 per cent, month-on-month, to sell at US$1,873.51 per ounce and US$ 25.93 per ounce, respectively, compared with US$1,860.13 and US$25.06 per ounce in the preceding month. Similarly, platinum and palladium recorded average gains of 5.7 per cent and 2.6 per cent, to sell at US$1,085.18 per ounce and US$2,397.26 per ounce, compared with US$1,027.05 and US$2,336.78 per ounce in the preceding month (Figure 10).

Figure 8: Price Changes in Selected Metals (per cent)- January 20, 2021



Source: Refinitiv Eikon (Reuters)

The increase in the prices of gold and silver was driven by a weaker US dollar, prospects of further US stimulus, and lower real yields. The Biden Administration was due to roll out massive spending plans, (including US$1,400.0 cheques for most Americans, a temporary boost in unemployment benefits, and a rise in the federal minimum wage to US$15.0 per hour), which pushed investors into both gold and silver to protect their portfolios from inflationary risks. Similarly, the increase in the prices of both platinum and palladium was driven by the robust demand from the automobile sector, which uses industrial metals in pollution-control devices, such as catalytic converters.

2.1.7 Outlook for the Real Sector

Economic Outlook

The outlook for the Nigerian economy is expected to follow the trajectory of crude oil prices and the headwinds, largely associated with the effects of the COVID-19 pandemic. The performance of the domestic economy remained tepid, as recovery efforts lost momentum in the last month of 2020, as shown by the PMI, which fell below the 50-point benchmark in December 2020 to 49.6 and 45.2 in January, for both Manufacturing and non-Manufacturing, respectively. This weak performance was attributed to the resurgence of the COVID-19 pandemic, foreign exchange pressures, and increased costs of production, which resulted in a general increase in prices. However, with the exit of the economy from recession in 2020Q4, with a growth rate of 0.11 per cent, in contrast to contraction of 3.62 per cent in 2020Q3, economic growth is expected to receive further boost in 2021, on the back of the judicious execution of the economic stimulus package of ₦2.3 trillion, the timely passage of the 2021 budget, the anticipated stability in crude oil prices and production, and the re-opening of the land borders, as well as likely roll-out of the COVID-19 vaccines.

Although, currently, there are inflationary pressures, due to food supply shortages, arising from the heightened levels of insecurity, hike in electricity tariffs, and increase in PMS prices, the on-going intervention activities of the CBN, in addition to the reopening of the land borders, are expected to provide relief to food supply shortages and dampen the pressures from food price inflation in the coming months.

2.2 THE FISCAL SECTOR

2.2.1 Federation Account Operations

Summary of FGN Fiscal Operations

Federally collected revenue in January 2021 was ₦807.54 billion. This was 4.6 per cent below the provisional budget benchmark and 12.8 per cent lower than the collection in the corresponding period of 2020[1]. Oil and non-oil revenue constituted 45.4 per cent and 54.6 per cent of the total collection, respectively. The modest rebound in crude oil prices in the preceding three months enhanced the contribution of oil revenue to total revenue, relative to the budget benchmark; non-oil revenue sources underperformed, owing to the shortfalls in collections from VAT, Corporate Tax, and FGN Independent revenue sources.

Retained revenue of the Federal Government of Nigeria (FGN) was lower-than-trend due to the lingering effects of the COVID-19 pandemic. At ₦285.26 billion[2], FGN's retained revenue fell short of its programmed benchmark and collections in January 2020, by 41.3 per cent and 7.5 per cent, respectively. In constrast, the provisional aggregate expenditure of the FGN rose from ₦717.60 billion in December 2020 to ₦770.77 billion in the reporting period, but remained 14.4 per cent below the monthly target of ₦900.88 billion. Fiscal operations of the FGN in January 2021 resulted in a tentative overall deficit of ₦485.51 billion. Total public debt outstanding of the FGN as at end-September 2020, stood at ₦28,032.58 billion, with domestic and external debts accounting for 56.5 per cent and 43.5 per cent, respectively.

Federation Account Operations

Despite the modest recovery in crude oil prices, federally collected revenue in January 2021 fell below its benchmark, owing to the decline in non-oil receipts, which resulted from the lingering effects of the COVID-19 pandemic on business activities, and the concomitant shortfall in tax revenue.

The Federation Account realised the sum of ₦807.54 billion in January 2021, 45.4 per cent of which was from oil and 54.6 per cent from non-oil revenue sources. The amount was 4.6 per cent below the budget benchmark and 12.8 per cent below receipts in the corresponding period of 2020. Of the realised sum, ₦258.07 billion represented statutory deductions and non-federation transfers, leaving a net balance of ₦549.47 billion. An additional sum of ₦10.73 billion was realised from Forex Equalisation and Exchange Gain, bringing the total net distributable sum to the three tiers of government to ₦560.20 billion. Although the disbursement was an improvement on the preceding month's allocation of ₦544.95 billion,

[1] The pro rata monthly budget estimates for the 2021 fiscal year was being awaited from the Budget Office of the Federation as at the time of completing this Report.

[2] This is provisional pending the release of finalized numbers from the Office of the Accountant-General of the Federation.

it fell short of the provisional budget estimate and disbursement in January 2020, by 9.8 per cent and 16.8 per cent, respectively. The shortfall in allocations was attributed to the low receipts into the Federation Account and the relatively high statutory deductions.[3] The shortfall in revenue target is likely to further constrain fiscal policy implementation, particularly, at the sub-national governments, where a chunk of annual budgets was expected to be financed from the FAAC allocations. As shown in Table 9, total allocations to both states and local governments in January 2021, remained below the provisional budget estimate.

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

	Jan-20	Dec-20	Jan-21	Provisional Budget
Federation Revenue (Gross)	**926.32**	**833.74**	**807.54**	**846.84**
Oil	**556.82**	**405.62**	**366.53**	**295.39**
Crude Oil & Gas Exports	57.08	18.88	13.53	54.74
PPT & Royalties	301.39	208.06	208.26	102.45
Domestic Crude Oil/Gas Sales	189.32	169.74	136.25	35.55
Others	9.03	8.95	8.49	102.65
Non-oil	**369.5**	**428.12**	**441.01**	**551.45**
Corporate Tax	142.18	95.96	105.51	149.88
Customs & Excise Duties	67.9	101.7	90.04	83.69
Value-Added Tax (VAT)	114.81	156.79	171.36	182.55
Independent Revenue of Fed. Govt.	11.43	66.61	66.96	77.74
Stamp Duty	0.00	0.00	0.00	0.00
*Others**	33.18	7.06	7.14	57.59
Total Deductions/Transfers*	***250.84***	***296.66***	***258.07***	***225.72***
Federally Collected Revenue (Net) *Less Deductions & Transfers***	**675.48**	**537.08**	**549.47**	**621.12**
plus:				
Additional Revenue	**1.18**	**7.87**	**10.73**	**0.00**
Excess Crude Revenue	*0.00*	*0.00*	*0.00*	*0.00*
Non-oil Excess Revenue	*0.00*	*0.00*	*0.00*	*0.00*
Exchange Gain	*1.18*	*7.87*	*10.73*	*0.00*
Total Distributed Balance	***673.21***	***544.95***	***560.2***	***621.12***
Federal Government	*287.93*	*215.6*	*218.3*	*239.13*
State Government	*191.3*	*171.17*	*178.28*	*192.98*
Local Government	*143.7*	*126.79*	*131.80*	*142.78*
13% Derivation	*50.28*	*31.39*	*31.83*	*46.22*

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

[3] JVC Cash Calls constituted about 62.0 per cent of the total statutory deductions in January 2021.

Table 9: Allocations to Subnational Governments

	State Government			Local Government		
	Statutory	VAT	Total	Statutory	VAT	Total
Jan-20	188.12	53.38	241.51	106.33	37.37	143.70
Dec-20	129.65	72.91	202.56	75.76	51.03	126.79
Jan-21	130.43	79.68	210.11	76.02	55.78	131.80
Benchmark	***154.64***	***84.56***	***239.2***	***83.59***	***59.19***	***142.78***

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

Federation Account revenue in January 2021 was significantly driven by developments in the oil and non-oil revenue inflows.

Drivers of Federation Revenue

Oil revenue, at ₦366.53 billion, exceeded the provisional target of ₦295.39 billion by 24.1 per cent, due to the sustained improvement in crude oil prices. However, despite the modest increase in oil prices, oil receipts in the review period was 34.2 per cent below the receipts in the corresponding period of 2020. This was attributed to the weak global demand relative to the pre-COVID-19 pandemic levels.

A disaggregation of oil receipts in January 2021, indicated that proceeds from the Petroleum Profit Tax (PPT) & Royalties and Crude Oil & Gas Sales, contributed ₦208.26 billion and ₦136.25 billion, respectively, jointly accounting for 94.0 per cent of the total oil revenue. At ₦13.53 billion, Crude Oil & Gas Export was significantly below the provisional target for January 2021 and earnings in the corresponding period of 2020 by 75.3 per cent and 76.3 per cent, respectively. This suggested that accrued revenues from crude oil and gas sales, were majorly realised from domestic consumption, as crude oil export earnings remained low.

At ₦441.01 billion or 54.6 per cent of the gross federation revenue, the contribution of non-oil revenue to the federation revenue was 20.0 per cent below the provisional benchmark. However, non-oil receipts in January 2021 outperformed collections in December 2020 and January 2020, by 3.0 per cent and 19.4 per cent, respectively. A disaggregation of non-oil revenue revealed that Value-Added Tax (VAT), at ₦171.36 billion, accounted for 38.9 per cent of the non-oil revenue, while Corporate Tax, Customs & Excise Duties, FGN Independent Revenue and Others, accounted for 23.9 per cent, 20.4 per cent, 15.2 per cent, and 1.6 per cent, respectively. Although VAT return was below its provisional benchmark, it exceeded receipts in the preceding month and the corresponding period of 2020 by 9.3 per cent and 49.3 per cent, respectively.

2.2.2. Fiscal Operations of the Federal Government

Federal Government Fiscal Operations

Provisional data showed that the fiscal deficit of the FGN widened in January 2021, as a result of elevated spending, arising from the rollover and release of capital mandate to Ministries, Departments and Agencies (MDAs). At ₦485.51 billion, the provisional overall fiscal deficit of the FGN was 17.1 per cent and 11.5 per cent higher than the target budget deficit and the level in January 2020. The rise in fiscal deficit was due, largely, to the rollover and release of outstanding (capital) allocations to the MDAs in the 2020 budget, which pushed up aggregate expenditure. The disbursement was, however, unlikely to constitute liquidity risks, as it had already been accommodated in the financial programme of the government in the 2020 fiscal year.

Table 10: Fiscal Balance (₦' Billion)

	Jan-20	Dec-20	Jan-21	Provisional Budget
Retained revenue	308.34	282.21	285.26	486.25
Aggregate expenditure	803.45	717.60	770.77	900.88
Primary balance	-126.96	-167.50	-379.56	-168.65
Overall balance	-495.11	-435.39	-485.51	-414.63

Sources: Compiled from Office of the Accountant-General of the Federation figures and Central Bank of Nigeria Staff Estimates
Note: These figures are provisional, pending the release of reconciled numbers by the OAGF.

Federal Government Retained Revenue

The persistent revenue challenge of the FGN lingered in the review period, as the estimated retained revenue of the Federal Government, at ₦285.26 billion, fell short of the provisional budget benchmark of ₦486.25 billion by 41.3 per cent. Although retained revenue in January 2021 was 1.1 per cent above the level in the preceding month, it was 41.3 per cent below the benchmark. A decomposition of the revenue sources of the Federal government, revealed that receipts from the VAT Pool Account and the FGN Independent Revenue rose marginally, above their levels in the preceding month. However, the receipts from the VAT Pool Account and FGN Independent Revenue remained below targets, by 5.8 per cent and 13.9 per cent, respectively. Also, the projected receipts of ₦228.3 billion from ‘Other’ sources, including revenues from Special Account and Special Levies, were not realised in the review period (Table 11).

Table 11: FGN Retained Revenue (₦' Billion)

	Jan-20	Dec-20	Jan-21	Provisional Budget
FGN Retained Revenue	308.34	282.21	285.26	486.25
Federation Account	*271.36*	*190.12*	*189.45*	*213.77*
VAT Pool Account	*16.02*	*21.87*	*23.9*	*25.37*
FGN Independent Revenue	*11.43*	*66.61*	*66.96*	*77.74*
Excess Oil Revenue	*0.00*	*0.00*	*0.00*	*0.00*
Excess Non-Oil	*0.00*	*0.00*	*0.00*	*169.38*
Exchange Gain	*0.55*	*3.61*	*4.94*	*0.00*
*Others**	*8.98*	*0.00*	*0.00*	*228.3*

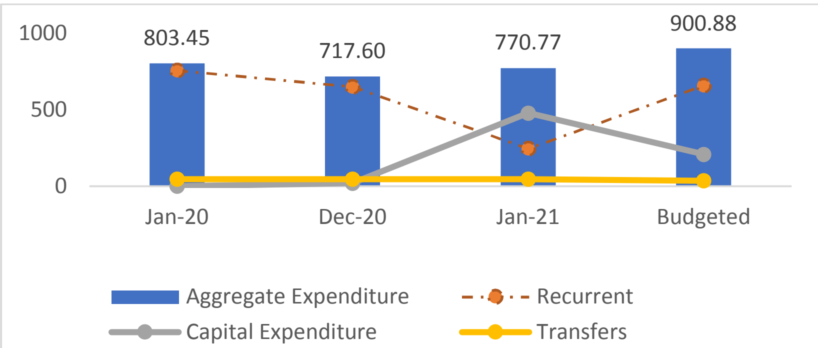
Source: Compiled from Office of the Accountant-General of the Federation figures
Note: * FGN Independent Revenue is provisional, while Others include revenue from Special Accounts and Special Levies

Federal Government Expenditure

Driven by the 2020 capital expenditure mandate releases, provisional aggregate expenditure of the FGN in January 2021, at ₦770.77 billion, was 7.4 per cent higher than aggregate spending in the preceding month but 14.4 per cent below the provisional benchmark.

A breakdown of government spending in January 2021, revealed that capital expenditure accounted for the largest share of the aggregate expenditure. As a share of the total expenditure, capital expenditure constituted 62.1 per cent, compared with 32.8 per cent and 6.1 per cent, for recurrent expenditure and transfers, respectively. The disproportionate share of capital expenditure in the review period, was ascribed to the roll-over of capital spending in the 2020 budget to the MDAs.

Figure 9: Federal Government Expenditure (₦ Billion)



Sources: CBN Staff Estimates and compilation from OAGF data

Table 12: Federal Government Expenditure (₦' Billion)

	Jan-20	Dec-20	Jan-21	Provisional Budget
Aggregate Expenditure	**803.45**	**717.60**	**770.77**	**900.88**
Recurrent	756.41	650.31	245.14	657.83
of which:				
Personnel Cost	284	292.57	115.11	253.87
Pension and Gratuities	30.76	*0.00*	*0.00*	44.73
Overhead Cost	50.87	73.31	10.04	84.09
Interest Payments	368.14	267.89	105.95	245.98
Domestic	*323.7*	*218.7*	*58.68*	*178.85*
External	*44.44*	*49.19*	*47.27*	*67.12*
Special Funds	*22.64*	*16.54*	*14.05*	*29.17*
Capital Expenditure	0.33	20.58	478.92	207.38
Transfers	46.71	46.71	46.71	35.67

Source: CBN Staff Estimate

Note: Aggregate expenditure in December 2020 and January 2021 are provisional

Federal Government Debt

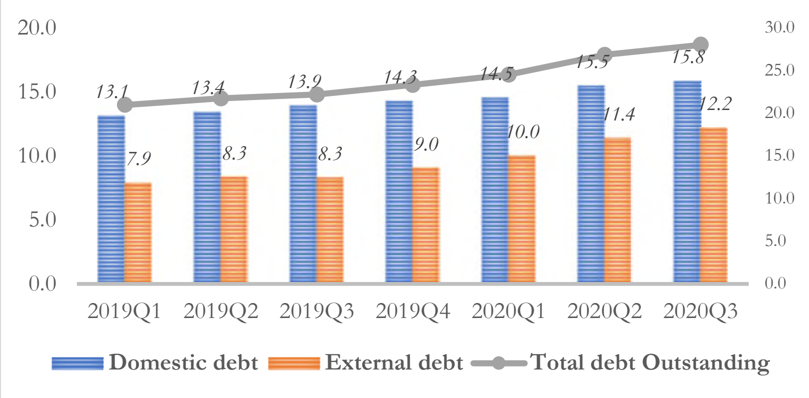
FGN debt increased marginally relative to the preceding quarter, on account of the exclusion of subnational external debt component from the consolidated debt liability of the FGN. At ₦28,032.58 billion[4], the total debt stock of the FGN as at end-September 2020 rose by 4.5 per cent and 26.4 per cent, relative to ₦26,818.95 billion and ₦22,172.59 billion recorded in the preceding quarter and corresponding period of 2019, respectively. Domestic and external debts accounted for 56.5 per cent and 43.5 per cent of the total debt stock, respectively, compared with the target of 70:30 ratio, projected in the 2020-2023 Debt Management Strategy.

FGN bond issues dominated domestic debt instruments and accounted for 73.5 per cent of total domestic debt, while Treasury bills and Others[5] accounted for 17.2 per cent and 9.3 per cent, respectively. The dominance of FGN bond in the domestic debt portfolio, reflected government's preference for long-term debts. On the other hand, foreign debt comprised Multilateral (52.4 per cent), Bilateral (12.7 per cent) and Commercial (34.9 per cent) loans.

Debt service obligations in the reporting period, amounted to ₦797.41 billion, compared with ₦416.43 billion and ₦752.37 billion in 2020Q2 and 2019Q3, respectively. The increase was due largely to the maturity of FGN bonds, Eurobonds, and loans from Exim Bank of China. The depreciation of the naira exchange rate also contributed to the rising debt service payments during the review period.

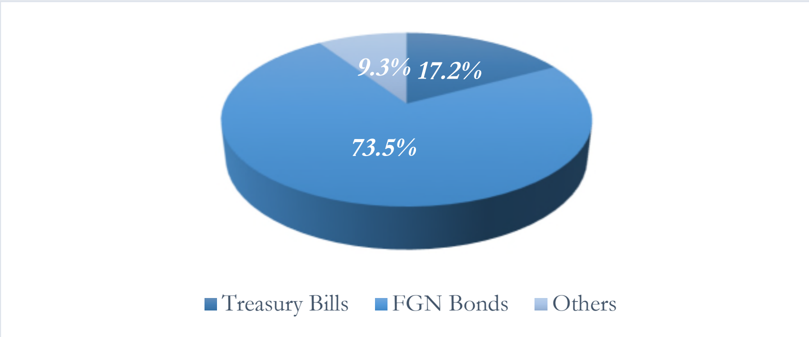
[4] In the review period, States and FCT external debt guaranteed by the FGN was zero.
[5] Includes Promissory Notes (6.1 per cent), FGN Sukkuk (2.3 per cent), Treasury Bond (0.6 per cent), Green Bond (0.2 per cent), and Special FGN Savings Bond (0.1 per cent).

Figure 10: FGN External and Domestic Debt Composition (₦ Trillion)



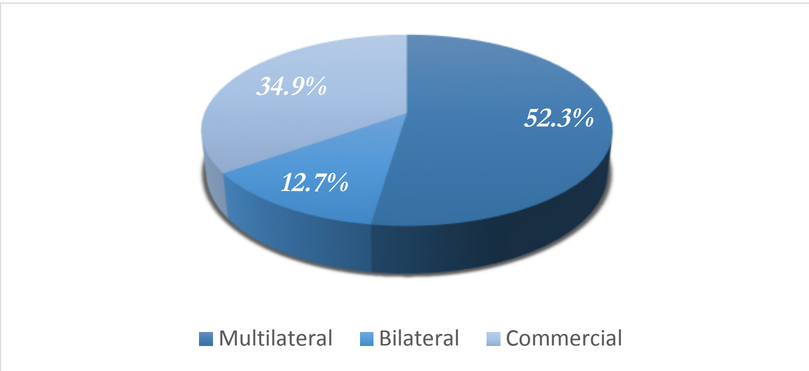
Source: Compiled from Debt Management Office (DMO)

Figure 11: Composition of Domestic Debt Stock by Instrument



Source: Compiled from DMO figures

Figure 12: Composition of External Debt Stock by Holders



Source: Compiled from DMO figures

2.2.3. Fiscal Outlook

Fiscal Outlook

With the emergence of a second wave of the COVID-19 pandemic and countries contemplating a return to COVID-19 containment measures, the observed recovery in global crude oil demand and prices could be reversed. This could be worsened by potential glut in the oil market, as some OPEC+ countries were less receptive to further production cuts in order to stabilise crude oil prices. The potential reduction in oil earnings from the crystallisation of these events could further constrain fiscal policy in Nigeria over the short-to-medium term, thereby, necessitating another round of fiscal and monetary policies intervention. In addition, progress on domestic revenue mobilization from the non-oil sector is surrounded by significant downside risks as the economy remained fragile, following the recession and impacts of the COVID-19 pandemic. A continued strengthening of the dollar vis-à-vis the naira would also raise debt service burdens, thereby reducing resources for growth.

2.3. THE MONETARY AND FINANCIAL SECTOR

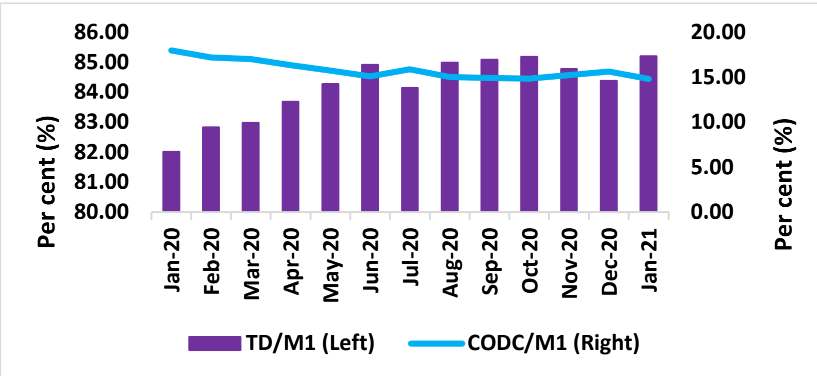
The dampened optimism in global output recovery (due to the resurgence of the COVID-19 pandemic) ontraction in the domestic economy, and rising inflationary pressure were the major concerns for the Bank's Monetary Policy Committee (MPC) in January 2021. *Accordingly, the Bank sustained its policies of spurring growth momentum while containing the inflationary pressures. The MPC met in January 2021 and retained the MPR at 11.5 per cent; kept the asymmetric corridor at +100/-700 basis points around the MPR for Standing Lending and Deposit Facilities; maintained the CRR at 27.5 per cent; and held the Liquidity Ratio at 30 per cent. Growth in domestic credits, at 2.8 per cent, was modest, reflecting largely, the 6.4 per cent increase in net claims on the central government, as credit to other sectors and claims on the private sector grew by 1.4 per cent and 3.1 per cent, respectively.*

2.3.1. Monetary Developments

Monetary Aggregates

Broad money supply (M_3) declined in January 2021 due, largely, to the fall in net domestic assets of depository corporations, which more than offset the growth in net foreign assets. As a result of the growth in net foreign assets of the CBN, which outweighed the decline in that of other depository corporations, net foreign assets of the banking system grew by 1.3 per cent to ₦7,224.90 billion at end-January 2021, compared with the growth of 20.0 per cent at the end-December 2020. Net domestic assets declined by 1.0 per cent, compared with a decline of 6.7 per cent in the corresponding period of 2020. The development was due, mainly, to the reduction in CBN claims on other financial corporations and state and local governments. Consequently, M_3 fell by 0.6 per cent at end-January 2021, compared with the decline of 2.1 per cent at end-December 2020. The growth in narrow money (M_1) was driven, wholly, by the increase in transferable deposits, reflecting economic agents' continued confidence in the banking sector. This development was buttressed by the decline in the ratio of currency outside depository corporations (CODC) to M_1 (CODC/M1).

Figure 13: The Ratio of Currency Outside Depository Corporations (CODC) and Transferable Deposits (TD) to Narrow Money (M_1)



Source: Central Bank of Nigeria

Table 13: Money and Credit Aggregates (Growth Rates)

	Nov-20	Dec-20	Jan-21
Growth Over Preceding December (%)			
Domestic Claims	9.5	15.9	2.8
Claims on Central Government (Net)	6.8	22.8	6.4
Claims on Other Sectors	10.5	13.3	1.4
Claims on Other Financial Corporatins	9.1	11.0	-2.0
Claims on State and Local Government	7.3	10.6	-9.7
Claims on Public Non-Financial Corporations	-5.1	2.5	6.3
Claims on Private Sector	12.3	15.2	3.1
Foreign Assets (Net)	31.6	20.0	1.3
Other Items (Net)	135.8	4.9	111.3
Currency Outside Depository Corporations	**11.6**	**23.5**	**-5.2**
Transferable Deposits	45.6	56.3	1.0
Money Supply (M1)	39.2	50.0	0.0
Other Deposits	**19.0**	**19.2**	**0.2**
Broad Money Liabilities (M2)	26.5	30.6	0.1
Securities other than shares	**-98.6**	**-68.8**	**-14.7**
Broad Money Liabilities (M3)	5.0	13.5	-0.6
Memorandum Items:			
Reserve Money (RM)	76.4	50.9	1.2
Currency in Circulation (CIC)	8.9	19.1	-2.7
Liabilities to other Depository Corporations	102.8	63.4	2.3
Growth Over Preceding Month (%)			
Domestic Claims	1.7	5.9	2.8
Claims on Central Government (Net)	3.2	15.1	6.4
Claims on Other Sectors	1.1	2.5	1.4
Claims on Other Financial Corporatins	-0.6	1.8	-2.0
Claims on State and Local Government	0.7	3.1	-9.7
Claims on Public Non-Financial Corporatic	1.8	8.0	6.3
Claims on Private Sector	2.0	2.5	3.1
Foreign Assets (Net)	1.2	-8.8	1.3
Other Items (Net)	**7.2**	**-55.5**	**111.3**
Currency Outside Depository Corporations	7.5	10.6	-5.2
Transferable Deposits	3.9	7.3	1.0
Money Supply (M1)	4.4	7.8	0.0
Other Deposits	0.8	0.1	0.2
Total Monetary Liabilities (M2)	2.2	3.3	0.1
Securities other than shares	-78.8	2157.8	-14.7
Total Monetary Liabilities (M3)	1.3	8.1	-0.6
Memorandum Items:			
Reserve Money (RM)	3.8	-14.4	1.2
Currency in Circulation (CIC)	**6.4**	**9.4**	**-2.7**
Liabilities to other Depository Corporations	**3.2**	**-19.4**	**2.3**

Source: Central Bank of Nigeria

Growth in domestic claims reflected increased net lending to the central government and claims on the private sector, induced by the Bank's effort to enhance economic activity. Net claims on the central government grew by 6.4 per cent at end-January 2021, in contrast to a decline of 4.5 per cent in the corresponding period of 2020. The development reflected, largely, net claims of commercial and merchant banks and non-interest banks on account of increased government securities holdings. Credit to the private sector grew by 1.4 per cent at end-January 2021, compared with 0.1 per cent in the corresponding period of 2020.

Sectoral Utilisation of Credit

A sectoral decomposition of domestic credit showed that the services sector accounted for 37.7 per cent, followed by the industrial sector at 37.2 per cent. Government, trade and agriculture, accounted for 8.6 per cent, 6.5 per cent and 5.2 per cent, respectively, while construction accounted for the balance of 4.8 per cent (Table 14).

Table 14: Sectoral Credit Utilisation

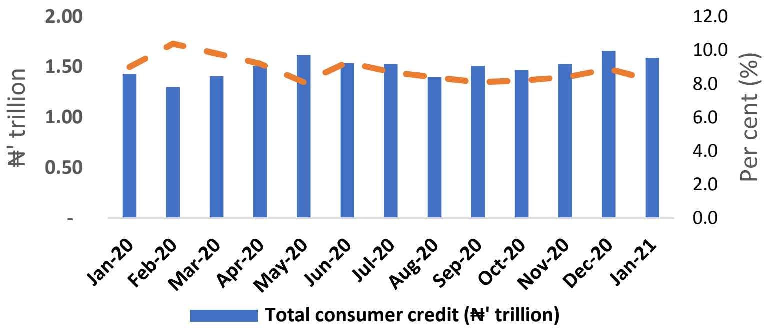
	Oct-20	*Nov-20*	*Dec-20*	*Jan-21*
Agriculture	4.9	4.9	5.2	5.2
Industry	37.0	37.1	37.2	37.2
Construction	4.8	4.8	4.7	4.8
Trade/General Commerce	6.5	6.4	6.6	6.5
Government	8.4	8.4	8.7	8.6
Services	38.4	38.4	37.6	37.7

Source: Central Bank of Nigeria

Consumer Credit

Consumer credit outstanding, at ₦1,593.4 billion in January 2021, fell by 4.0 per cent below the level in December 2020. At that level, consumer credit constituted 8.2 per cent of credit to the core private sector, compared with 8.9 per cent in December 2020. The decrease in the ratio largely reflected the decline in personal loans and advances by other depository corporations (Figures 16 and 17).

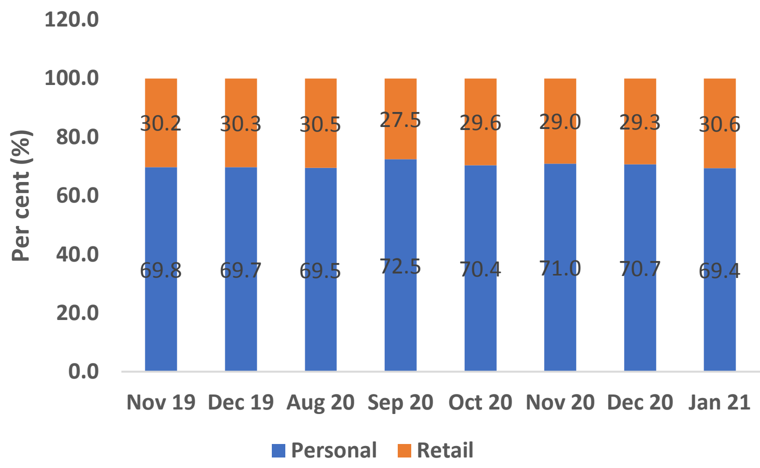
Figure 14: Consumer Credit



Source: Central Bank of Nigeria (CBN)

A breakdown of consumer loans in January 2021 showed that personal loans accounted for the largest share of 69.4 per cent, but it represented a decline of 1.3 percentage points from the level in December 2020, while retail loans accounted for 30.6 per cent and rose by 1.3 percentage points.

Figure 15: Composition of Consumer Credit (per cent)



Source: Central Bank of Nigeria (CBN)

Change in Monetary Liabilities

Despite the second wave of the COVID-19 pandemic, bank customers demonstrated continued confidence in the banking system. Accordingly, increased demand, savings, time and foreign currency deposits by bank customers led to the 1.0 per cent and 0.2 per cent growth in transferable and other deposits of the depository corporations, respectively, at end-January 2021. Currency outside depository corporations fell by 5.2 per cent, indicating an improvement in intermediation efficiency (Table 13). The increase in transferable deposits of the depository corporations led to the marginal increase in M_1 at end-January 2021.

The modest growth in liabilities to other depository corporations which reflected the adequate liquidity in the banking system, solely, explained the rise in reserve money.

Reserve Money

At ₦10,433.42 billion, liabilities to Other Depository Corporations grew by 2.3 per cent in January 2021, in contrast to a decline of 1.4 per cent in the corresponding period of 2020. Currency-in-circulation declined by 2.7 per cent, compared with 7.9 per cent at end-January 2020. Consequently, reserve money grew by 1.2 per cent to ₦13,264.59 billion in contrast to a decline of 3.2 per cent at end-January 2020. The drivers of growth in reserve money were growth in net foreign assets, claims on other depository corporations, and claims on other sectors, which grew by 4.9 per cent, 3.2 per cent, and 0.2 per cent, respectively.

Table 15: Reserve Money: Sources and Uses (₦ Billion)

	Jan-20	Dec-20	Jan-21
Net Foreign Assets	7,904.9	8,341.4	8,747.3
Claims On Other Depository Corporations	1,317.7	2,498.5	2,575.0
Net Claims On Central Government	5,625.4	8,559.5	8,481.0
Claims On Other Sectors	8,716.3	9,519.6	9,539.1
Liabilities (Uses of Reserve Money)			
Monetary Base	8,399.8	13,103.1	13,264.6
Currency-In-Circulation	2,249.8	2,908.5	2,831.2
Liabilities to Other Depository Corporations	6,150.0	10,194.6	10,433.4
Other Liabilities to Other Depository Corporations	6,262.8	6,815.6	7,031.9
Shares And Other Equity	- 308.6	1,117.9	1,096.0
Other Items (Net)	1,323.1	2,680.9	2,669.3

Source: CBN

2.3.2. Financial Developments

Financial markets were relatively stable in the review period despite the resurgence of the COVID-19 pandemic around the world. The domestic money market remained very liquid, leading to low short-term interest rates. At the fixed income securities segment yield on FGN increased, reflecting rising inflationary pressures, while the Nigerian Treasury Bills (NTB) yield declined. Similarly, yields on the CBN securities slightly moderated from the preceding month's level.

Financial Soundness Indicators

Asset quality, measured by the ratio of Non-Performing Loans (NPLs) to industry total outstanding loans, stood at 6.1 per cent at end-January 2021, the same level as in the preceding month but remained above the 5.0 per cent prudential requirement. The industry Capital Adequacy Ratio (CAR) fell by 0.3 percentage point to 14.8 per cent at end-January 2021, relative to the 15.1 per cent at end-December 2020. The ratio was, however, 4.8 percentage points above the regulatory benchmark of 10.0 per cent. At 63.94 per cent, the liquidity ratio, decelerated, relative to the preceding month's level of 65.45 per cent, but remained above the 30.0 per cent benchmark.

2.3.2.1 Money Market Developments

Sufficient liquidity in the banking system drove financial intermediation in the review period. Major sources of liquidity in the banking system in January 2021 were repayments of matured CBN bills, Federal Government (FGN) bonds and Nigerian Treasury Bills (NTBs), as well as fiscal disbursements to the three tiers of government (through FAAC). OMO and discount window activities remained the major tools employed by the Bank to control liquidity in the banking system in January 2021.

Open Market Operations (OMO)

The tenors of the instruments were from 89 to 362 days. Total amount offered, subscribed to, and allotted were ₦500.00 billion, ₦2,233.11 billion, and ₦453.41 billion, respectively, with a bid rate of

3.5 per cent (±2.2), while the stop rate was 3.6 per cent (±2.1). Repayment of matured CBN bills stood at ₦1,168.73 billion, translating to a net injection of ₦715.32 billion through this medium.

At the Government securities market, NTBs and long-term FGN Bonds were issued at the primary market on behalf of the Debt Management Office (DMO). NTBs of 91-, 182- and 364-day tenors, amounting to ₦419.66 billion, ₦574.74 billion, and ₦289.20 billion, respectively, were offered, subscribed to, and allotted. The bid-cover ratio of 1.6 for 91-day, 1.2 for 182-day, and 2.4 for 364-day tenor, echoed investors' preference for instruments with longer maturities, compared with those with shorter maturities. Repayment of matured NTBs was ₦419.66 billion, translating to a net injection of ₦130.46 billion.

Primary Market

FGN Bonds of 10-, 15- and 25-year tranches were reopened and offered for sale in the review period. Term-to-maturity of the Bonds were 6 years, 2 months to 24 years, 6 months. Total amount offered, subscribed to, and allotted were ₦150.00 billion, ₦238.30 billion, and ₦122.40 billion, respectively. Allotment on non-competitive basis was ₦48.00 billion. The bid and marginal rates on all tenors were 10.2 per cent (±5.8) and 8.6 per cent, respectively. The bid-to-cover ratio was 1.95, reflecting oversubscription by 58.8 per cent, which was attributed, largely, to the renewed investors' confidence in the market.

Standing Facilities Window Operation

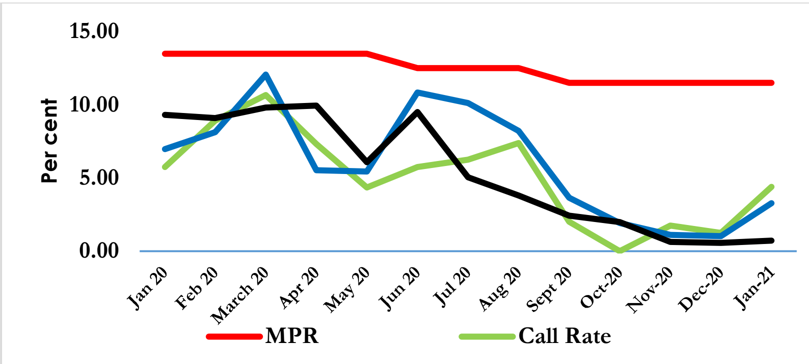
Deposit Money Banks (DMBs) and merchant banks made more placements than borrowings in the Standing Facilities window in January 2021. The trend showed that banks deposited more than they borrowed at the window, due to the liquidity condition in the banking system, with applicable rates for the Standing Lending Facility (SLF) and Standing Deposit Facility (SDF) at 12.5 per cent and 4.5 per cent, respectively. Total request for the SLF and granted from January 1–31, 2021 was ₦492.50 billion, made up of ₦68.30 billion direct SLF and ₦424.20 Intraday Lending Facilities (ILF) converted to overnight repo. Daily average was ₦35.18 billion in 14 transaction days from January 1–31, 2021 with a total interest of ₦0.29 billion. Total SDF granted, during the review period, was ₦528.33 billion with a daily average of ₦26.42 billion in 20 transaction days from January 1-31, 2021. Daily request ranged from ₦4.70 billion to ₦42.59 billion. Cost incurred on SDF in the month stood at ₦0.08 billion.

Interest Rate Developments

Major money market rates declined at end-January 2021, owing, largely, to the adequacy of banking system liquidity. Short-term money market rates traded below the MPR of 11.5 per cent for a major part of the period. Average inter-bank and OBB rates were 4.4

per cent and 2.9 per cent, respectively, in January 2021. Other rates such as the 7-day and 30-day NIBOR traded on average at 2.9 per cent and 0.7 per cent, respectively. Average prime and maximum lending rates fell, marginally, from their levels in the preceding month by 0.1 percentage and 0.01 percentage point to 11.3 per cent and 28.3 per cent, respectively, in January 2021. The average term-deposit rate rose by 0.14 percentage point to 3.7 per cent, generating a narrowed spread of 24.6 percentage points between the average term-deposit and average maximum lending rates at end-January 2021. With inflation at 16.5 per cent at end-January 2021, deposits and prime lending rates were negative in real term, while maximum lending rate was positive. (Figure 18).

Figure 16: Interest Rates



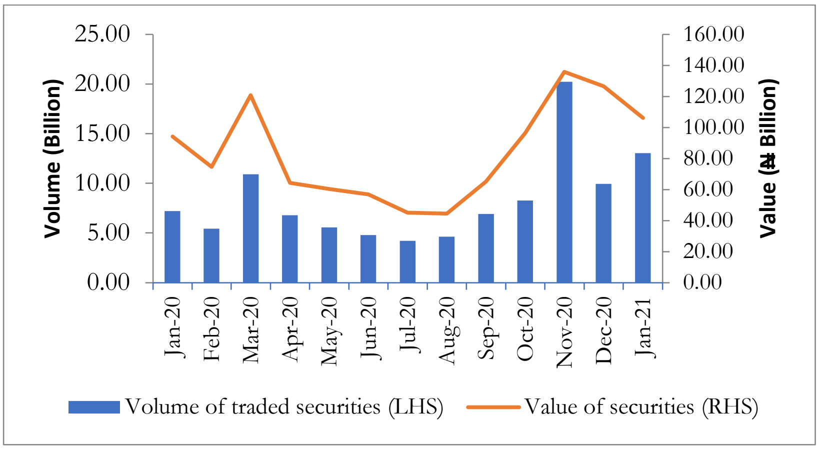
Source: Central Bank of Nigeria

2.3.2.2 Capital Market Developments

Capital market activities on the Nigerian Stock Exchange (NSE) remained bullish in January 2021. This was due, mainly, to gains in the stocks of blue-chip companies. Also, domestic investors' interest in equities, and the anticipated release of positive full year financial statements by quoted companies, as well as the low yield in the fixed income market, contributed to the surge in the market.

Turnover volume rose by 31.2 per cent to 13.04 billion shares, while turnover value fell by 16.2 per cent to ₦106.07 billion, in 121,430 deals at end-January 2021, compared with 9.94 billion shares worth ₦126.53 billion, in 96,853 deals at end-December 2020 (Figure 19). There were 2 new listings in the review period (Table 16).

Figure 17: Volume and Value of Traded Securities



Source: Nigerian Stock Exchange (NSE)

Table 16: New Listings on the Nigerian Stock Exchange (January 2021)

Organisation	Additional Units	Bond Description	Reasons	Listing
Flour Mills Nig PLC	4.89 Million	5.50% 2026	Additional Units	New
Flour Mills Nig PLC	25 Million	6.25% 2028	Additional Units	New

Source: NSE

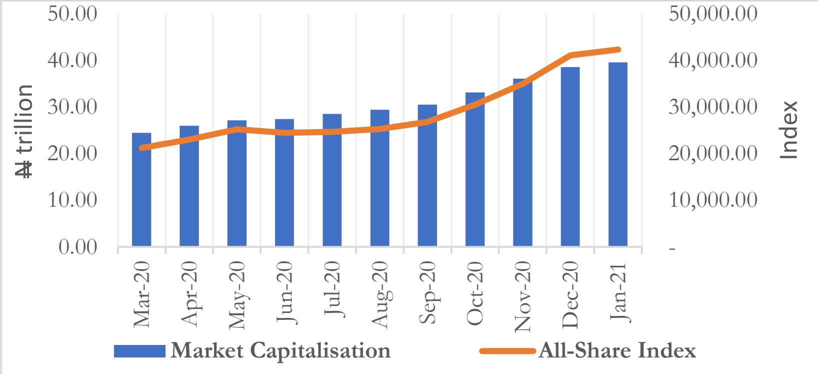
Market Capitalisation

Market capitalisation appreciated in the review month, due to increased patronage by domestic investors in the equities market and the new listing of 25 million shares of Flour Mills Nigeria Plc. Consequently, the aggregate market capitalisation rose by 2.7 per cent to ₦39.62 trillion during the review period, compared with ₦38.59 trillion recorded at the end of the preceding month. The equities market capitalisation also increased, by 5.4 per cent to ₦22.19 trillion, and constituted 56.0 per cent of the aggregate market capitalisation, compared with ₦21.06 trillion and 54.6 per cent at end-December 2020.

NSE All-Share Index

The surge in the All-Share index in the review month was driven, mainly, by gains in the stocks of blue-chip companies, as well as positive news of the likely roll-out of the COVID-19 vaccines in Nigeria. Consequently, the ASI, which opened at 41,147.39 at the beginning of the review month, rose by 3.1 per cent to 42,412.66 at end-January 2021. With the exception of the NSE-ASeM index, which closed flat, all other sectoral indices trended upward in the review month (Figure 20).

Figure 18: Market Capitalisation and All-Share Index



Source: Nigerian Stock Exchange (NSE)

2.4 THE EXTERNAL SECTOR

2.4.1 External Trade and Capital Flows

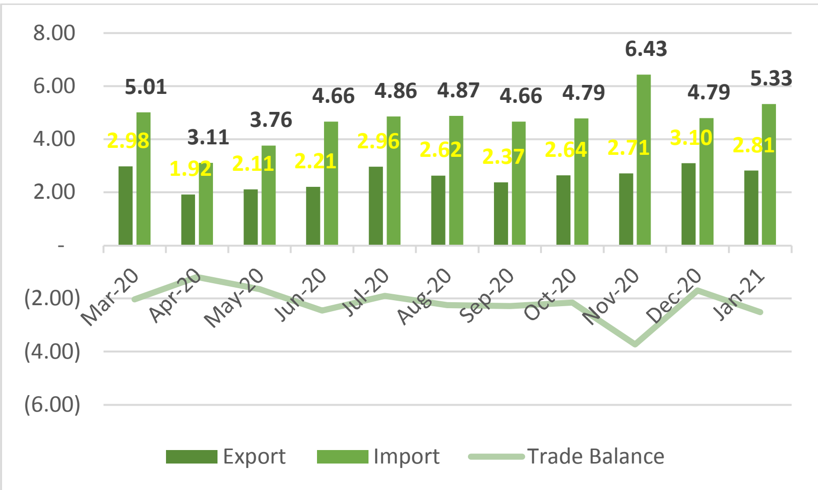
Major Highlights

Despite the roll-out of the COVID-19 vaccines, global economic development remained depressed by the second wave of the COVID-19 pandemic, particularly with the emergence and spread of strains of the virus. Consequently, trading activities and capital inflow to Nigeria remained below the pre-pandemic levels during the review period. Aggregate external trade improved marginally by 3.2 per cent, while capital inflow declined substantially by 31.3 per cent compared with their levels in December 2020.

Trade Performance

The expected positive effect of the re-opening of Nigeria's land borders on trading activities was evident, despite the adverse effects of the second wave of the COVID-19 pandemic Data on aggregate external trade at US$8.14 billion, showed a month-on-month increase of 3.2 per cent, from US$7.89 billion recorded in December 2020. When compared with the corresponding period of 2020, it indicated a 27.5 per cent decline. Aggregate exports declined by 9.2 per cent to US$2.81 billion in the review period, compared with US$3.10 billion in December 2020, due, largely, to decline in crude oil and gas export receipts. Merchandise imports, however, increased to US$5.33 billion in January 2021, from US$4.79 billion in December 2020, as domestic demand improved in the review period. A higher trade deficit of US$2.51 billion was recorded in January 2021, relative to US$1.69 billion in December 2020 (Figure 21).

Figure 19: Exports, Imports, and Trade Balance (US$ Billion)



Source: Central Bank of Nigeria

Crude Oil and Gas Exports

The OPEC+ decision to restrain output into mid-2021, coupled with infrastructural challenges at some of the country's production and loading terminals led to the decline in crude oil production during the review period Consequently, crude oil and gas export receipts decreased by 5.6 per cent to US$2.59 billion in January 2021, compared with US$2.74 billion in December 2020. Crude oil exports declined by 4.5 per cent to US$2.21 billion in January 2021, from US$2.31 billion in December 2020. However, it was 44.7 per cent below the US$4.00 billion recorded in the corresponding period of 2020. Although the average price of Nigeria's reference crude, the Bonny Light, increased to US$54.87 per barrel in January 2021, from US$50.33 in December 2020, crude oil production declined to 1.4mbpd, compared with 1.53mbpd during the same period. Similarly, gas exports decreased by 11.8 per cent to US$0.38 billion in January 2021, relative to US$0.43 billion in December 2020, largely due to decline in the price of liquified natural gas at the international market. Crude oil and gas component remained dominant and accounted for 91.9 per cent of total exports, with crude oil accounting for 78.5 per cent and gas component constituting 13.4 per cent.

Non-Oil Exports

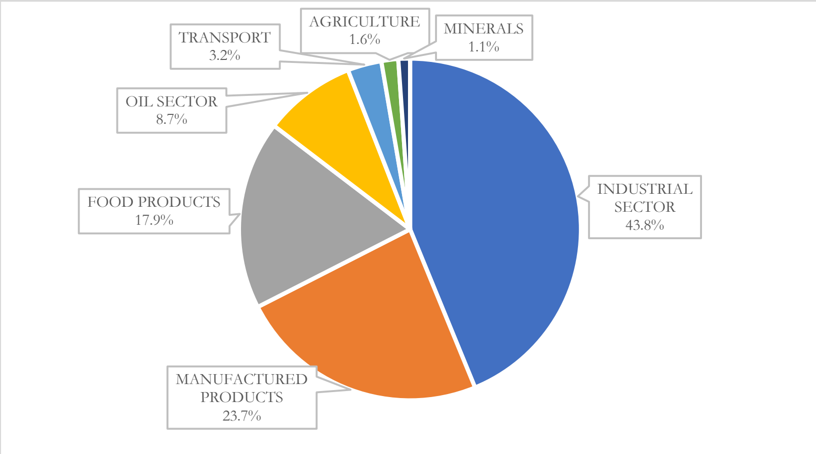
The second wave of the COVID-19 pandemic significantly undermined Nigeria's non-oil exports, with a further decline of 36.1 per cent below the level in December 2020. Non-oil exports at US$0.23 billion in January 2021, declined by 36.1 per cent, compared with US$0.36 billion in December 2020. A disaggregation showed that electricity export, re-exports and other non-oil export declined by 4.0 per cent, 49.1 per cent and 19.7 per cent to US$0.007 billion, US$0.10 billion and US$0.12 billion, respectively, compared with the levels in December 2020.

Imports

Despite the resurgence of the COVID-19 pandemic, domestic economic activities improved in January 2021, which boosted demand for the importation of both petroleum products and non-oil. On month-on-month basis, Merchandise imports increased by 11.2 per cent to US$5.33 billion in January 2021, compared with US$4.79 billion in December 2020. This was also below the US$5.62 billion recorded in the corresponding period of 2020, by 5.3 per cent. Import of non-oil products increased by 0.5 per cent to US$4.69 billion in the review period, from US$4.66 billion in December 2020. Import of non-oil products continued to dominate total imports, as it accounted for 88.0 per cent of the total. Import of petroleum products, increased significantly to US$0.64 billion in January 2021, compared with US$0.13 billion in December 2020, and constituted 20.0 per cent of total imports. The development was as a result of increased importation of premium motor spirit and Automotive Gas Oil in the review period.

A breakdown of imports by sector showed that the industrial sector (mainly chemicals and raw materials) accounted for the largest share of 43.8 per cent, followed by manufactured products, and food products sectors with 23.7 and 17.9 per cent, respectively. Oil sector accounted for 8.7 per cent; transport sector, 3.2 per cent; agriculture sector (mainly farm inputs), 1.6 per cent; and minerals sector, 1.1 per cent of the total (Figure 22).

Figure 20: Imports by Sector in January 2021 (Per cent)



Source: Central Bank of Nigeria

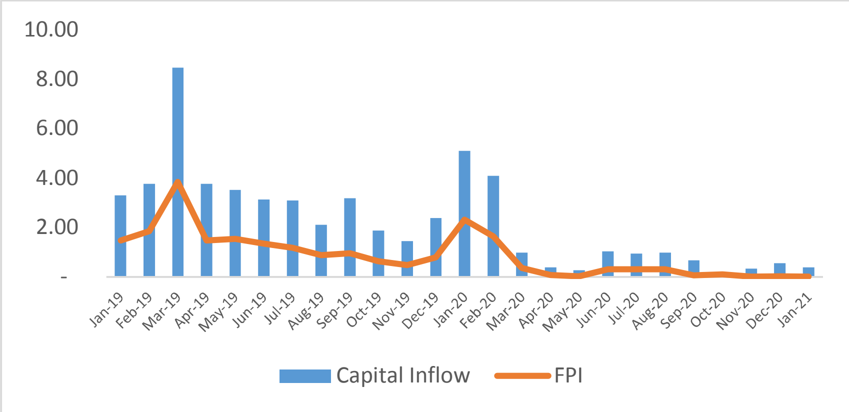
2.4.2 Capital Importation and Capital Outflow

Capital Importation

Estimated data revealed a reduction in capital importation during the review period, reflecting the tight global financial conditions and narrowing interest rate differentials, occasioned by low yields on domestic money market instruments. A total of US$0.38 billion new capital was imported into the economy in January 2021, compared with US$0.55 billion in December 2020. A disaggregation of capital importation by type of investment showed that inflow of other investments (OI) accounted for the largest share at US$0.29 billion, and represented 75.5 per cent of the total, followed by foreign direct investment (FDI) inflow of US$0.06 billion, which accounted for 16.4 per cent. Foreign portfolio investment (FPI) inflow, at US$0.01 billion, constituted 8.1 per cent of the total. When compared with the US$0.44 billion, US$0.09 and US$0.02 billion for OI FDI and FPI, respectively, in the previous period, it indicated a decline of 34.1 per cent, 33.3 per cent and 50.0 per cent, respectively.

In terms of capital importation by nature of investment, banking accounted for 39.6 per cent; shares, 31.5 per cent; production/manufacturing, 12.8 per cent; telecommunication, 6.1 per cent; financing, 6.0 per cent; and agriculture, 4.0 per cent. Other sectors accounted for the balance. A breakdown of capital importation by originating country showed that the United Kingdom, The Netherlands, Republic of South Africa, United Arab Emirates, Singapore, Denmark and Hong Kong accounted for 46.8 per cent, 20.1 per cent, 7.9 per cent, 6.5 per cent, 4.2 per cent, 3.2 per cent and 3.1 per cent, respectively, of the total inflow. By destination of capital, Lagos State, Abuja (FCT) and Ogun State were the top recipients of the inflow at US$0.18 billion (75.6 per cent), US$0.08 billion (24.1 per cent), and US$0.006 billion (0.2 per cent), respectively.

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

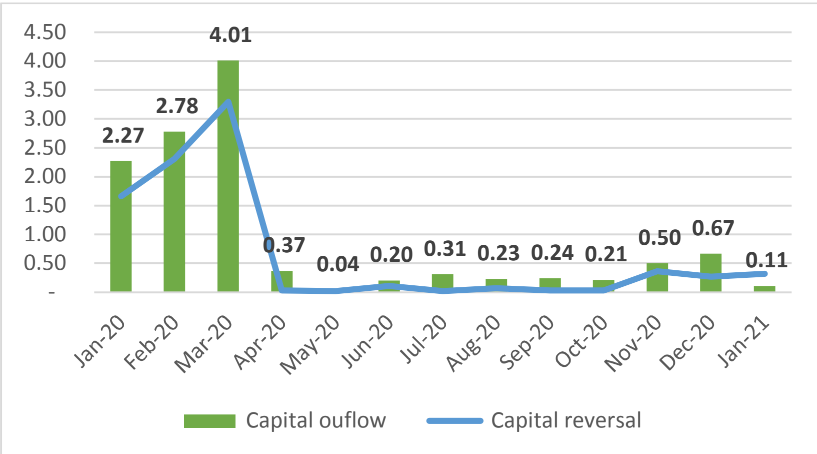


Source: Central Bank of Nigeria

Capital Outflow

Capital outflow decreased significantly by 83.6 per cent (month-on-month) to US$0.11 billion in January 2021, relative to US$0.67 billion in December 2020. A disaggregation showed that outflow in the form of loans at US$0.09 billion, accounted for 83.8 per cent, while capital reversal worth US$0.01 billion accounted for 12.7 per cent of the total. Repatriation of dividends and profits accounted for the balance of 3.5 per cent.

Figure 22: Capital Outflow (US$ Billion)



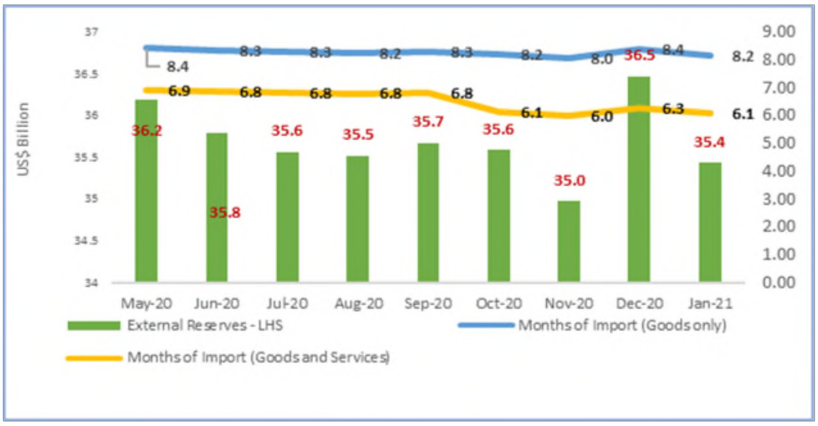
Source: Central Bank of Nigeria

2.4.3. External Reserves

External Reserves

As a consequence of the lower foreign exchange receipts, the official external reserves declined. External reserves stood at US$35.44 billion at end-January 2021, a decrease of 2.8 per cent and 3.5 per cent from US$36.46 billion in December 2020 and US$36.73 billion in January 2020 (Figure 24). At that level, the external reserves position could cover 6.1 months of import for goods and services and 8.2 months of import for goods only. Available data showed that Nigeria's reserves per capita decreased to US$171.88, compared with US$176.89 at end-December 2020 (Table 16). This was below other countries such as South Africa and Egypt with respective reserves per capita of US$876.57 and US$391.86, in January 2021.

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



Source: Central Bank of Nigeria

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

Country	December 2020		January 2021	
	Reserves (US$bn)	Reserve Per Capita (US$)	Reserves (US$bn)	Reserve Per Capita (US$)
Nigeria	36.46	176.89	35.43	171.88
South Africa	55.01	927.57	51.99	876.57
Egypt	40.06	391.49	40.10	391.86

Sources: Central Bank of Nigeria and Reuters

Currency Ownership and Composition

A breakdown of external reserves by ownership revealed the shares of CBN as US$30.18 billion (85.18 per cent); Federal Government, US$5.18 billion (14.62 per cent); and Federation, US$0.07 billion (0.20 per cent). In terms of currency composition, the US dollar at US$28.64 billion, accounted for 80.81 per cent; Chinese yuan, US$4.31 billion (12.16 per cent); special drawing rights, US$2.12 billion (6.0 per cent); GB Pounds, US$0.24 billion (0.66 per cent); Euro, US$0.12 billion (0.34 per cent); Japanese Yen, US$0.01 billion (0.03 per cent); while other currencies accounted for the balance.

2.4.4 Foreign Exchange Flows through the Economy

Foreign Exchange Flows through the Economy

The continued spread of the COVID–19 pandemic weakened global economic recovery and led to a decline in foreign exchange inflow into the economy in the month under review. Provisional data showed that, aggregate foreign exchange inflow into the economy was US$5.47 billion, showing decreases of 54.2 per cent and 67.5 per cent below its level in the preceding month and corresponding month of 2020, respectively. This was attributed to the respective 66.2 per cent and 45.1 per cent decrease in inflow through the CBN and Autonomous sources.

Foreign exchange outflow through the economy fell by 22.1 per cent and 57.1 per cent to US$2.97 billion, from the levels of US$3.81 billion and US$6.92 billion, respectively, in the preceding month and the corresponding month of 2020. This was driven, largely, by the decline in outflow through the CBN. Consequently, the foreign exchange transactions through the economy resulted in a net inflow of US$2.50 billion, compared with US$8.13 billion and US$9.90 billion in the preceding month and the corresponding period of 2020, respectively.

2.4.5 Foreign Exchange Flows through the CBN

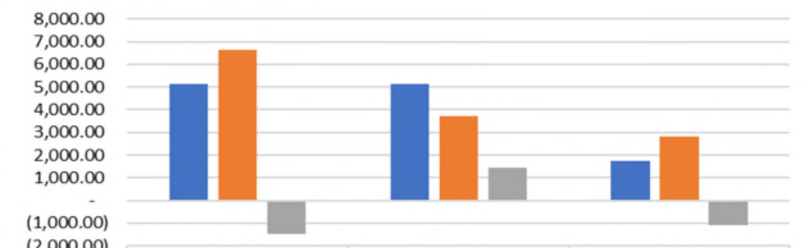
Foreign Exchange Flows Through the CBN

Foreign exchange inflow through the CBN dropped significantly during the review month**.** Aggregate foreign exchange inflow through the CBN was US$1.73 billion, indicating decreases of 66.2 per cent and 66.4 per cent, from the levels of US$5.14 billion and US$5.16 billion, in the preceding month and the corresponding month of 2020, respectively**.** This was due, mainly, to the absence of interbank/institutional Swaps and proceeds from government debts in the review period.

Aggregate foreign exchange outflow, through the CBN, also fell by 23.4 per cent and 57.4 per cent to US$2.83 billion, from the respective levels of US$3.70 billion and US$6.65 billion in the preceding month and the corresponding period of 2020. A breakdown of the outflow through the Bank showed that interbank utilisation was US$1.47 billion; external debt service, US$0.62 billion; third party MDA transfers, US$0.32 billion; public sector/direct payment, US$0.32 billion; drawings on L/Cs, US$0.08 billion; and forex special payment, US$0.02 billion.

Overall, the foreign exchange flows through the Bank during the review period resulted in a net outflow of US$1.10 billion, compared with the net outflow of US$1.50 billion in the corresponding month of 2020, but in contrast to the net inflow of US$1.44 billion in the preceding month (Figure 25).

Figure 24: Exchange Transactions through the Bank (US$ Million)



	Jan 20	Dec 20	Jan 21
Inflow	5,155.75	5,137.91	1,734.51
Outflow	6,652.58	3,697.59	2,832.54
Netflow	(1,496.82)	1,440.31	(1,098.02)

Inflow Outflow Netflow

Source: Central Bank of Nigeria

2.4.6 Foreign Exchange Flows Through Autonomous Sources

Flows through Autonomous Sources

Aggregate inflow through autonomous sources amounted to US$3.74 billion, indicating a decrease of 45.1 per cent and 68.0 per cent from the levels in the preceding month and the corresponding month of 2020. Of the total, invisible purchases, which comprised ordinary domiciliary accounts and total Over-the-Counter (OTC) purchases, was US$3.48 billion; non-oil export receipts by banks was US$0.25 billion; and external accounts purchases, US$0.003 billion.

Outflow through autonomous sources at US$0.14 billion, increased by 21.3 per cent from the level in December 2020 but declined by 48.5 per cent from the level in January 2020. Overall, a net inflow of US$3.60 billion was recorded in the review period, compared with net inflows of US$6.69 billion and US$11.39 billion in the preceding and corresponding periods, respectively.

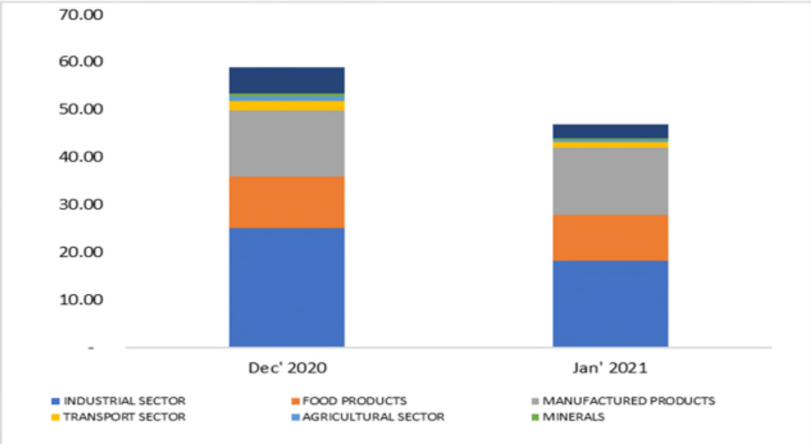
2.4.7 Sectoral Utilisation of Foreign Exchange

Sectoral Utilisation of Forex

Total foreign exchange utilisation by sectors decreased by 40.3 per cent from the preceding month to US$2.75 billion, reflecting a drop in end-user demand for foreign exchange, owing to year-end ease in economic activities. Visible and invisible imports, constituting 46.9 per cent and 53.1 per cent of the total foreign exchange utilisation declined by 53.4 per cent and 20.7 per cent to US$0.77 billion and US$0.87 billion, respectively. A disaggregation of foreign exchange utilisation for visible transactions showed that the amount utilised for industrial, manufactured products, and food products sub-sectors amounted to US$0.30 billion, US$0.23 billion, and US$0.16 billion, respectively, relative to US$0.72 billion, US$0.38 billion, and US$0.31 billion in the preceding month. Also, oil, transport, agriculture, and mineral subsectors amounted to US$0.05 billion, US$0.02 billion, US$0.008 billion, and US$0.006 billion, respectively, in January 2021, compared with US$0.15 billion, US$0.05 billion, US$0.02 billion, and US$0.02 billion in December 2020.

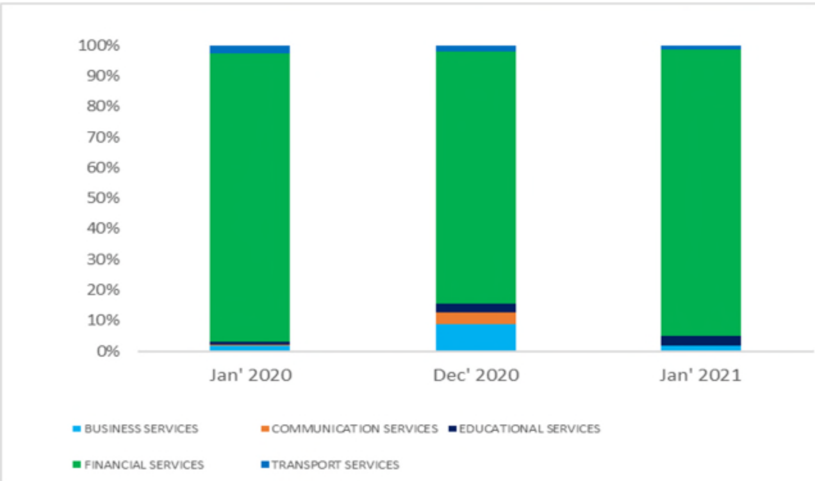
A disaggregation of the foreign exchange utilisation for invisible transactions showed that financial services stood at US$0.81 billion and accounted for 49.3 per cent of the total. The share of other sectors were as follows: business services, US$14.91 million (0.9 per cent); educational services, US$26.44 million (1.6 per cent); health related, US$0.14 million (0.01 per cent); transport services, US$12.97 million (0.8 per cent); and communication services, US$1.78 million (0.1 per cent). Other services not included elsewhere received US$6.73 million (0.4 per cent).

Figure 25: Major Visible Imports as Per cent of Total Utilisation of Foreign Exchange



Source: Central Bank of Nigeria

Figure 26: Major Invisible Imports as Per cent of Total Utilisation of Foreign Exchange



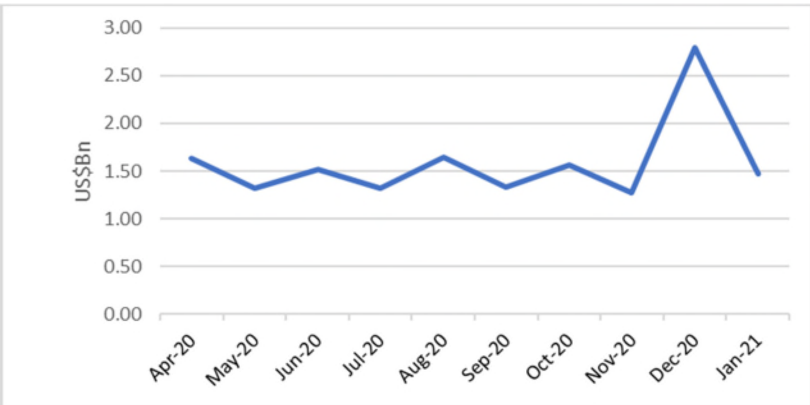
Source: Central Bank of Nigeria

2.4.8 Foreign Exchange Market Developments

Foreign exchange Market Development

In order to promote transparency and increase Diaspora remittance inflows, the Bank further updated and reiterated the modalities for the pay-out of diaspora remittances. In a circular dated January 22, 2021, the Bank emphasised that only licenced IMTOs are permitted to carry on business of facilitating remittance transfers into Nigeria; all diaspora remittances must be received by beneficiaries in foreign currency cash or into their designated domiciliary accounts; and IMTOs were mandated to desist from allowing remittance pay-outs in naira. The measures were meant to promote transparency in Diaspora remittance transfers and thereby improve remittances inflows. Total foreign exchange sales to authorised dealers by the Bank was US$1.47 billion in January 2021, a decrease of 47.4 per cent and 64.0 per cent from the level in the preceding month and corresponding period of 2020, respectively. A disaggregation showed that foreign exchange sales at the I&E, SMIS, SME, and interbank fell by 79.9 per cent, 38.3 per cent, 19.8 per cent, and 37.3 per cent to US$0.22 billion, US$0.48 billion, US$0.10 billion, and US$0.04 billion, respectively. Similarly, foreign exchange cash sales to BDC operators and matured swap transactions fell by 19.3 per cent and 48.7 per cent, compared with its level in the preceding month to US$0.42 billion and US$0.12 billion, respectively, in the review period.

Figure 27: Foreign Exchange Sales to Authorised Dealers (US$ billion)



Source: CBN

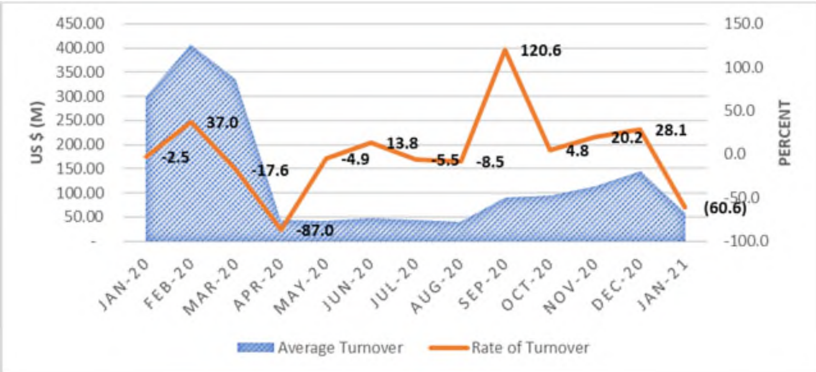
2.4.9 Exchange Rate Movement

Average Exchange Rate

The exchange rate of the naira remained flat in the interbank segment but depreciated at the BDC segment and I&E window. The average exchange rate of the naira per US dollar at the interbank segment of the foreign exchange market remained unchanged at ₦381.00/US$, relative to the level in the preceding month. At the BDC segment, the exchange rate depreciated by 0.2 per cent from the level in the preceding month to ₦472.40/US$. The rate at the I&E window, however, appreciated by 0.2 per cent to ₦394.03/US$ in the review period. Consequently, the premium between the average interbank/BDC rates widened to 24.0 per cent from 23.8 per cent in December 2020. Similarly, the premium between the BDC/I&E rates, widened to 19.9 per cent from 19.4 per cent in the preceding month.

Foreign exchange turnover at the investors and exporters' market stood at US$57.28 million in January 2021, showing a decline of 60.6 per cent from the US$145.20 million in December 2020, and 80.7 per cent from the level in the corresponding period of 2020.

Figure 28: Turnover in the I&E Foreign Exchange Market

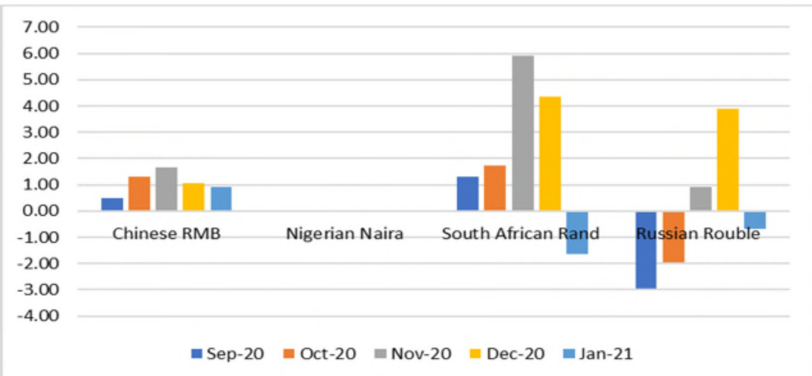


Source: Financial Market Dealers Quotations

Emerging Markets Currencies

During the review period, the first fallout from rising U.S. Treasury yields emerged, with a stronger dollar buffeting emerging-market currencies. This negatively affected some of the emerging market currencies in January 2021. As a consequence, the average exchange rate of the South African rand depreciated by 1.7 per cent, compared with the level in December 2020. Similarly, the Russian rouble depreciated by 0.7 per cent against the US dollar. However, the Chinese RMB maintained its gains against the US dollar with a 0.9 per cent appreciation, while the naira remained unchanged at the interbank segment in the review period (Figure 30, Table 18).

Figure 29: EMEs Currencies' Values to the US dollar



Source: Central Bank of Nigeria & Reuters

Table 18: EMEs Currencies' Rates to the US dollar

Period	Chinese RMB/US$	Nigerian Naira/US$	South African Rand/US$	Russian Rouble/US$
Nov -20	6.61	381.00	15.52	76.86
Dec-20	6.54	381.00	14.87	73.98
Jan-21	6.48	381.00	15.12	74.48

Source: Central Bank of Nigeria & Reuters

2.4.10 External Sector Risks

Global Oil Prices

The pandemic, the pace of recovery of economic activities, and oil demand from the COVID-19-inflicted crisis posed a major challenge to oil producers in rebalancing the market. The uncertainty led the OPEC+ group to hold a ministerial meeting on January 5, 2021 to discuss the state of the oil market, which culminated in a decision to refrain from lifting output cuts from 7.7 million bpd to 7.2 million in February 2021 as originally planned.

Exchange Rate Pressure

The risk appetite for capital inflow is muted by the second wave of the COVID-19 pandemic, which led to net capital outflows to safe haven investments. This could lead to increased pressure on the foreign exchange market.

Spike in COVID- 19 Infections

Plans for the distribution of the COVID-19 vaccines to developing countries were made by major vaccines producers in collaboration with World Health Organisation (WHO), after being rolled out in some developed countries. However, the spike in infections in some developed countries, led to further lockdown measures with attendant implications for global trade flows.

Insecurity/ Social Unrest

The worsening insecurity situation in the country could further undermine economic activities and debilitate investors' appetite if serious and conscious efforts are not made to address it.

Inadequate Foreign Exchange Earnings

The lull in foreign exchange earnings could have adverse impact on the level of external and fiscal buffers in the economy.

External Sector Outlook

The outlook for the external sector position remains stable. External reserves is expected to maintain a steady accretion in the coming months, due to the likely increase in oil price, the recent exchange rate management policies put in place by the CBN, partial global economic recovery, and the optimism over the roll-out of the COVID-19 vaccines. This could be buoyed by the renewed commitments of the OPEC and its allies to maintain production cuts and stabilise the global oil market. However, the prevailing upsurge in COVID-19 cases along with domestic inflationary pressures and speculative activities in the foreign exchange markets could reduce the inflow of private capital needed to finance the rising debt levels.