CENTRAL BANK OF NIGERIA ECONOMIC REPORT

October 2020

ABOUT THE REPORT

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

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EXECUTIVE SUMMARY

Economic activities improved in October 2020, following increased consumer demand and expansion in production, owing to interventions in the real sector by both the fiscal and monetary authorities. However, despite the relative improvements, the Purchasing Managers' Index (PMI) of both manufacturing and non-manufacturing remained below the 50.0 per cent threshold. The composite manufacturing PMI for October 2020, which stood at 49.4 index point was above the 46.9 index point recorded in September 2020. This development was driven by expansion in six subsectors, namely: cement; electrical equipment; transportation equipment; chemical & pharmaceutical products; printing & related support activities; and textile, apparel, leather & footwear.

In the review month, the recovery in global economic activity continued, albeit with a gradual and uneven momentum, amidst threats of the second wave of the COVID-19 pandemic. The gradual improvement in the global economic activity pointed towards greater recovery for Advanced Economies (AEs), but remained fragile for Emerging Markets and Developing Economies (EMDEs), except for China, where economic activity picked momentum and was expected to finish with stronger recovery at end 2020. The PMI of most economies rebounded and remained above the 50-point threshold, following the lifting of the COVID-19 containment measures and the resumption of business activities in both the industrial and services sectors. Movements in the inflation rate in most AEs and EMDEs were uneven, owing to demand-pull and cost-push factors associated with the COVID-19 pandemic and other idiosyncratic shocks. The global financial conditions continued to ease following increased momentum in equity markets, lower borrowing costs and reduced fluctuations in the exchange rates of major currencies. The outlook for the crude oil market appeared uncertain, given the resurgence of the COVID-19 pandemic in some countries and higher crude supply from Libya.

In the domestic economy, inflationary pressures persisted, due to the sustained imbalance between demand and supply as a result of climatic disruption of farming activities in some parts of the country, as well as the shock from the deregulation of the downstream oil sector. Headline inflation rose to 14.2 per cent in October 2020, compared with the 13.7 per cent and 11.6 per cent recorded in September 2020 and October 2019, respectively. Crude oil price declined in October 2020, with the average spot price of Nigeria's reference crude oil, the Bonny Light (37°

API) down by 1.4 per cent to US$40.27/barrel, due to increase in supply by the OPEC.

Provisional figures showed that total federally collected revenue in October 2020 fell by 18.3 per cent to ₦616.35 billion, compared with its level in September 2020, and was below the budget benchmark by 27.2 per cent. The plunge was attributed to declines in both oil and non-oil revenue components. Retained revenue of the Federal Government in October 2020 was ₦274.48 billion, while total expenditure stood at ₦725.70, resulting in a deficit of ₦451.22 billion. Total FGN debt outstanding at end-June 2020, stood at ₦31,008.64 billion, with the domestic and external components accounting for 57.6 per cent and 42.4 per cent, respectively.

Growth in broad money supply (M_3) remained sluggish in the review period but was higher than the level in the preceding month, due to the growth in net domestic and foreign claims. M_3 grew by 3.5 per cent at end-October 2020, compared with the 3.2 per cent recorded at end-September 2020. The growth in monetary liabilities was driven, mainly, by the increase in transferable deposits, savings, time and foreign currency deposits. Banks' credit to the private sector grew by 10.0 per cent, as medium and small-scale businesses and households sought more credit to improve their liquidity. Similarly, total bank reserves grew in October 2020, due to liquidity surfeit in the banking system.

Developments in the financial sector were mixed in the review period as some of the key financial soundness indicators improved while others worsened. The banking system recorded adequate liquidity levels, enough to enhance financial intermediation. This was reflected in the decline in key lending and money market rates in the review period. Capital market activities on the Nigerian Stock Exchange (NSE) were bullish in October 2020, due to the gains in blue-chip stocks, especially the banking stocks.

The external sector conditions improved in the review period due to the gradual rebound in economic activities, improvements in trade and relative stability in oil prices. Staff estimates show that, aggregate external trade in October 2020 increased by 3.0 per cent to US$5.55 billion, compared with its level in September 2020. However, capital inflow fell by 71.4 per cent to US$0.19 billion from the level in the preceding month, as the effect of the COVID-19 pandemic continued to weigh on global financial markets and capital flows.

In the review period, demand pressure in the foreign exchange market persisted, particularly at the interbank and BDC segments. The average exchange rate of the naira to the US dollar at the interbank segment of the market at ₦381.00/US$ remained the same as in the previous month. The exchange rate at the BDC segment depreciated by 0.9 per cent below the level in the preceding month to ₦459.05/US$. Consequently, the premium between the average interbank/BDC rates widened by 1.1 percentage points to 20.5 per cent in October 2020. The I&E window, however, recorded a marginal appreciation of 0.03 per cent to ₦385.89/US$ due to the weakening of the US dollar as a result of heighten tension in the run-up to the November 2020 US presidential election. The stock of external reserves declined, marginally, in October 2020, by 0.3 per cent to US$35.58 billion and is equivalent to 7.9 months of import cover of goods and services.

The Bank's reduction of MPR by 100 basis points in the September MPC meeting was expected to stimulate credit expansion to critical sectors of the economy and spur growth. However, the aftermath of the EndSARS protests across the country, disrupted economic activities, undermined the expected positive outcomes, and could sustain inflationary pressure in the coming months with ramifications for growth outlook. Also, adverse weather conditions, which resulted in the flooding of farmlands across the country could increase demand and supply shocks, and further drive prices upward.

In the fiscal sector, the impending second wave of the COVID-19 pandemic could subdue global demand for crude oil, dampen oil receipts, and weaken non-oil revenue on account of slowdown in economic activities, with adverse effects on public finance.

The country's economic outlook for the rest of 2020 remained fragile and would continue to be shaped by the impact of the COVID-19 pandemic and the direction of crude oil prices. Like most emerging and developing economies, Nigeria's growth is expected to remain subdued for the rest of 2020, largely on account of the adverse impact of the COVID-19 pandemic. Nigeria's reliance on crude oil export as its main source of foreign exchange and government revenue puts the country in a more difficult situation, given the uncertainties surrounding the energy sector. In addition, the lingering structural rigidities could impede growth.

1.0 GLOBAL ECONOMIC DEVELOPMENTS

1.1. Global Output Growth

Global Economic Conditions

The recovery in global economic activity continued in October 2020, with a gradual and uneven momentum, amidst threats of the second-round effects of the COVID-19 pandemic. The global economy signalled improvement as global business and economic activities accelerated in the review month. Specifically, global composite PMI rose to 53.3 index point in October 2020, above the 52.1 index point recorded in September 2020, signifying gradual pick up of activities, especially in the manufacturing and services sectors. Accordingly, the IMF, in its October 2020 World Economic Outlook (WEO), revised the global growth projection for 2020 to indicate contraction by 4.4 per cent, a 0.5 percentage point increase above the June 2020 projection. The development portrayed expansion in some economies. Growth outcome was driven by the size and spread of the monetary and fiscal stimuli responses, which supported credit provision, helped to maintain household disposable income and retained cash flow for firms.

Economic Activity in Advanced Economies

The performance of the global economy in the review period points towards greater recovery for Advanced Economies (AEs). Growth performance and prospects in advanced economies appear less dire, as output growth projection for the region contracted by 5.8 per cent, resulting in an increase of 2.2 percentage points above the previous projection (Table 1). The revision reflects better-than anticipated 2020 second quarter GDP outturns, where economic activity picked up, following the easing of lockdown measures, as well as signs of a stronger recovery in the third quarter of 2020. Particularly, the PMI has remained above the 50-point threshold since July 2020 across major advanced economies (Table 2). In addition, sizeable policy support within the AEs, particularly the US, protected disposable income, which supported near-term economic activity. This resulted in an upward revision of US output growth to a contraction of 4.3 per cent (3.7 percentage points higher than June IMF WEO 2020 projection). However, in the Euro area, growth is expected to contract deeper by 8.3 per cent (1.9 percentage points lower than the June 2020 IMF WEO projection). This could be attributed to the renewed upticks and resurgence of COVID-19 pandemic across the sub-region, necessitating a second wave of lockdown measures.

Economic Activity in Emerging Markets and Developing Economies

Growth performance in emerging markets and developing economies remained fragile, except for China, where economic activity picked up, indicating a stronger recovery for the rest of 2020. Output contraction across the Emerging Markets and Developing Economies (EMDEs) alongside weak existing structural imbalances have dampened growth performance and prospects. The IMF WEO October 2020 projected a contraction of 3.3 per cent for EMDEs in 2020 (Table 1), a 0.3 percentage point downgrade from the June 2020 IMF WEO projection. This was hinged on: subdued commodity prices; heightened pressure in foreign exchange markets; weak prospects for external demand relative to counterparts in the AEs; and lower prospects for tourism-dependent economies, owing to reduced cross-border travels. However, prospects for China surpassed that of many other countries within this region, as activity rebounded faster than expected owing to eased lockdown restrictions in April 2020. Recovery in 2021 is expected to be more broad-based, as the growth rate for EMDEs is projected to increase to 6.0 per cent. Growth in sub-Saharan Africa is projected to contract by 3.0 per cent in 2020, but would rebound to 3.1 per cent in 2021.

Table 1: Growth in Selected Countries

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

Sources: IMF World Economic Outlook (WEO), October 2020.
*=Projections

Table 2: Global Purchasing Managers' Index (PMI)

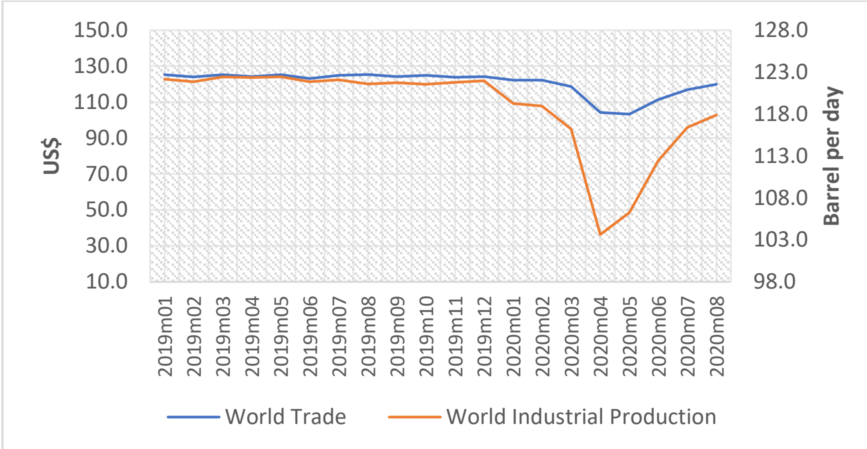
	Aug-20	Sep-20	Oct-20
Composite	*52.4*	*52.1*	*53.3*
Manufacturing (Output)	*51.8*	*50.7*	*50.9*
Services (Business Activity)	*51.9*	*52.9*	*52.8*

Sources: *JP Morgan, Reuters*

Global Production

In the review month, the Purchasing Managers' Index (PMI) of most economies rebounded above the 50-point threshold, following the lifting of the COVID-19 containment measures and resumption of business activities in both the industrial and services sectors. Global trade and industrial production (Figure 1) picked up as restrictions were eased, and retail sales recovered stronger than industrial production. Consequently, PMIs generally rebounded in most countries (Table 3) and by end-2021, strong recovery is expected in the advanced economies with fewer job losses and firm bankruptcies.

Figure 1: Global Trade (Volume)



Sources: World Trade Monitor and CPB Netherlands Bureau for Economic Policy Analysis.

Table 3: Selected Countries' PMIs

	20-Feb	20-Mar	20-Apr	20-May	20-Jun	20-Jul	20-Aug	20-Sep	20-Oct
United States	50.7	48.5	36.1	39.8	49.6	50.9	53.1	53.2	53.4
United Kingdom	51.7	47.8	32.6	40.7	50.1	55.3	55.2	54.1	53.7
China	40.3	50.1	49.4	50.7	51.2	52.8	53.1	53	51.4
India	54.5	51.8	27.4	30.8	47.2	46	52	56.8	58.9
Germany	48	45.4	34.5	36.6	44.6	51	52.2	56.4	56
Italy	48.7	40.3	31.1	45.4	47.5	51.9	53.1	53.2	53.8
Japan	47.8	44.2	41.9	38.4	37.8	45.2	47.2	47.7	48.7
South Africa	44.3	48.1	46.1	50.2	53.9	51.2	57.3	58.3	60.9
Nigeria	58.3	51.1	42.4	51.1	41.1	44.9	48.5	46.9	49.4

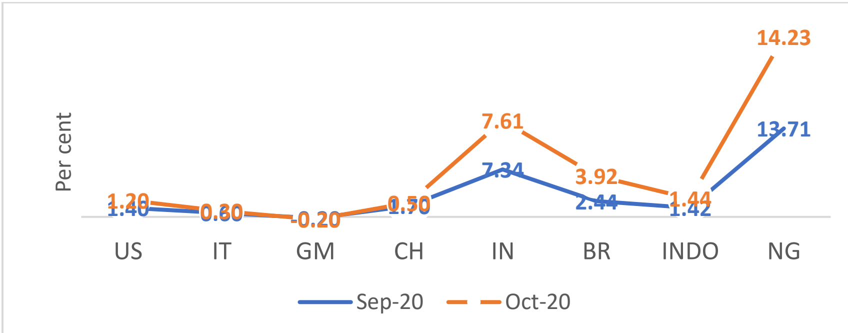
Source: IHS Markit.
Note: For the Index 50 ≥ expansion.

1.2. Global Inflation

Global Inflation

In October 2020, domestic price movements in most Advanced Economies (AEs) and EMDEs were uneven, with demand-pull and cost-push factors, following the effects of the COVID-19 pandemic and other idiosyncratic shocks. In AEs like the US, consumer price fell to 1.2 per cent in October 2020, from the 1.4 per cent recorded in September 2020. This was driven, largely, by decline in energy prices, cost of medical care, commodities and transportation services. For instance, Italy's consumer price fell to 0.3 per cent in October 2020, from the 0.6 per cent recorded in September 2020, due, mainly, to lower prices of unprocessed foods and regulated energy products. However, consumer prices in most EMDEs rose, except in China. The price levels in India, Indonesia, Nigeria and Brazil increased in October 2020, from the levels in September 2020 (Figure 2). This was due to upward pressure in food prices ahead of the festival season in India; increases in the prices of food, drinks and tobacco in Indonesia, rise in the prices of food and beverages in Brazil; and insecurity and increased price of PMS on food prices in Nigeria. In contrast, Chinese consumer price eased to 0.5 per cent in October 2020 from the 1.7 per cent in September 2020 on account of lower food prices and transport costs (Figure 2).

Figure 2: Selected Countries' Inflation Rate (September & October 2020)



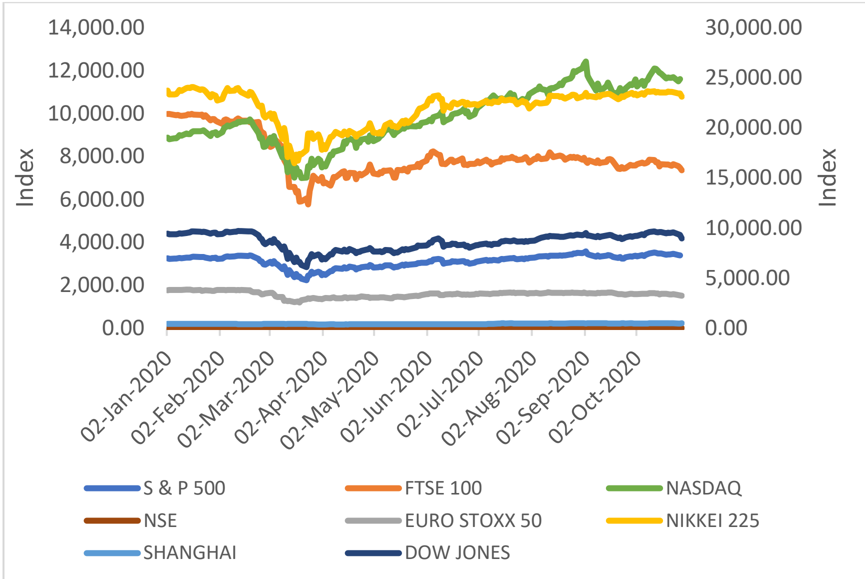
Sources: Trading Economics/Various Country Websites, CBN Staff compilation

1.3. Global Financial Markets

Global Financial Markets

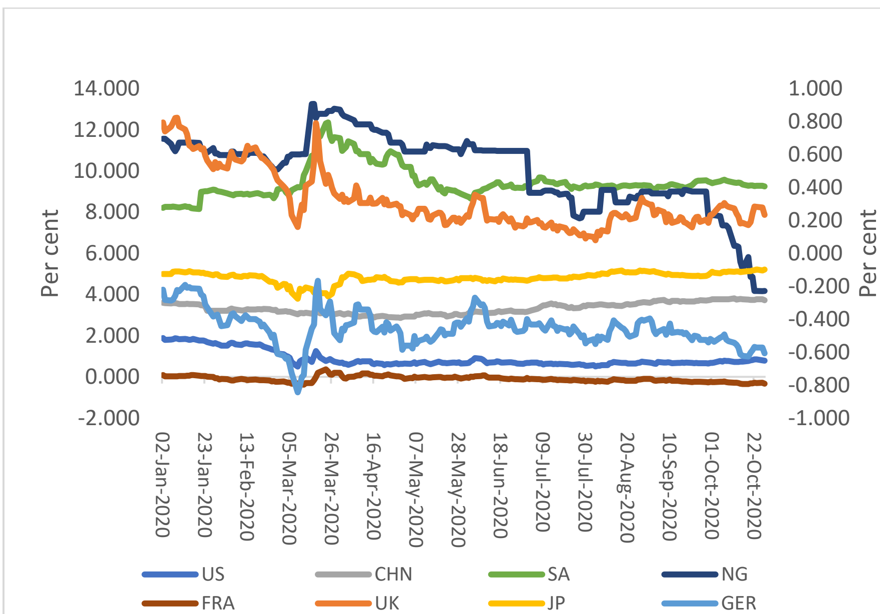
The global financial conditions continued to ease in October 2020, following increased momentum in equity markets, lower borrowing costs and reduced fluctuations in the exchange rates of major currencies. The COVID-19 pandemic had compelled policymakers in AEs and EMDEs to take unprecedented actions to protect public health and safeguard financial systems. In October 2020, equity prices continued to gain momentum globally, although with varying degrees across regions. Broad stock price indices improved with significant gains, returning to the pre-COVID-19 levels (Figure 3). More so, borrowing costs plummeted as indicated by money market credit spreads, which narrowed since May 2020 and remained flat. These developments were attributed to sustained zero bound interest rates maintained in most AEs, and the injection of liquidity by central banks. Despite moderate signs of recovery across markets, financial conditions are yet to ease fully as investors remained cautious of the lingering risk of the second-round of the COVID-19 containment measures (Figures 3, 4 & 5). Yet, continued accommodative financial conditions might facilitate further buildup of vulnerabilities, which could be exposed in the event of a disorderly normalization of monetary policy.

Figure 3: Selected Equity Market Indices



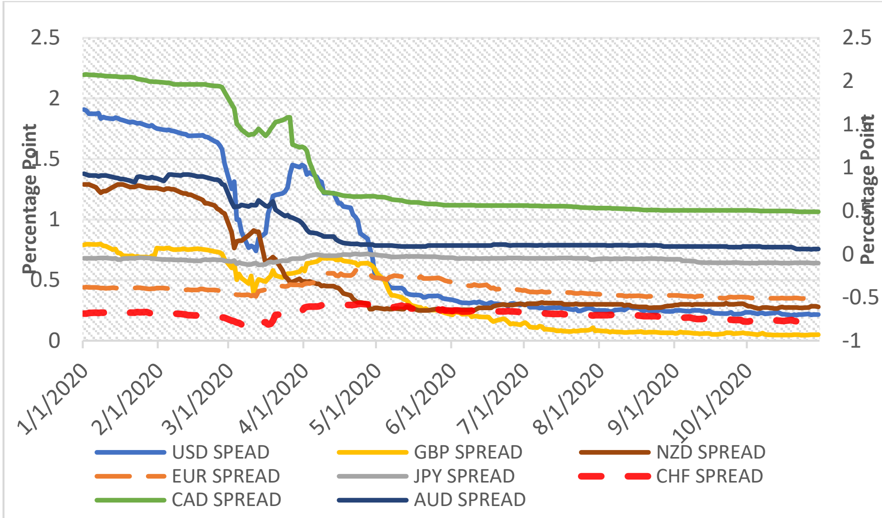
Source: Bloomberg data, Central Bank of Nigeria (CBN) Staff compilation.

Figure 4: 10-year Government Bond Yields for Selected Countries



Source: Thomson Reuters DataStream, CBN Staff compilation.

Figure 5: Money Market Credit Spread in Selected Countries



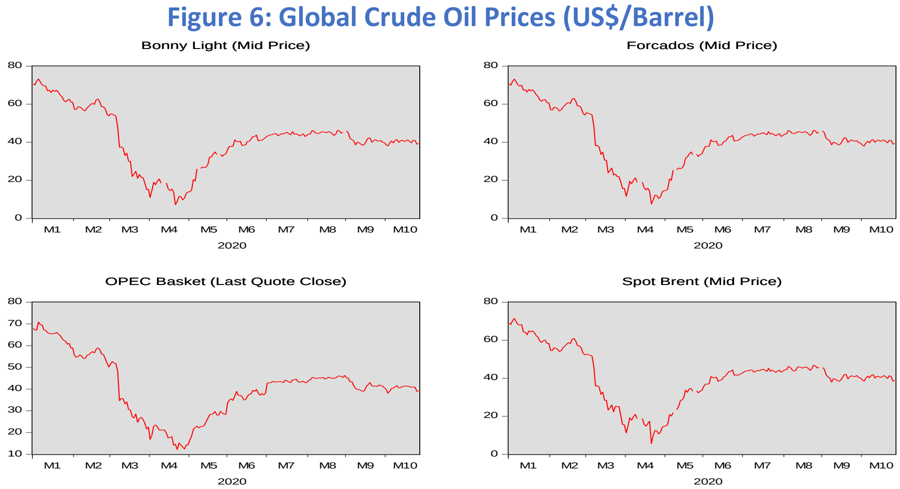
Sources: Bloomberg data, CBN Staff compilation.

1.4 Global Oil Market

Global Oil Market

The outlook for the crude oil market appears uncertain given the resurgence of the COVID-19 pandemic in some countries and higher crude supply from Libya. With the second wave of the COVID-19 pandemic in several countries, there were fears that demand could weaken in the crude oil market in the coming months, especially as Libya's decision to increase supply could create supply glut. In addition, uncertainty over the outcome of the US election, particularly in relation to the contrasting energy policy stance of the two main presidential candidates continue to weaken sentiments in the market. Nonetheless, with fears of price wars almost non-existent, any further decline in prices could be countered with further output cut by the OPEC and allies.

Figure 6: Global Crude Oil Prices (US$/Barrel)



Sources: Reuters and CBN staff compilation.

1.5 Domestic Outlook

The country's economic outlook for the rest of 2020 remained fragile and would continue to be shaped by the impact of the COVID-19 pandemic and the direction of crude oil prices. Like most emerging and developing economies, Nigeria's growth is expected to remain subdued for the rest of 2020, largely on the back of the adverse impact of the COVID-19 pandemic. Nigeria's reliance on crude oil export as main source of foreign exchange puts the country in a more difficult situation, given the uncertainties surrounding the energy sector. In addition, the lingering structural rigidities is also expected to impede growth. The IMF in October 2020 projected that the Nigerian economy would contract by 4.3 per cent in 2020, an improvement over the 5.4 per cent contraction projected in June 2020 for the same period.

Economic Outlook for Nigeria

Inflationary pressure is expected to linger in the near term driven largely by food supply shocks. Headline inflation is expected to continue in the upward trajectory in the coming months, as food supply shocks associated with rising flood cases and insecurity in the food producing regions and increase in the price of Premium Motor Spirit (PMS) continue to influence the domestic price level. Also, it is expected that the base effect will contribute additional layer of pressure on inflation for the rest of 2020.

The current level of the reserves (which closed at US$35.58 billion in October 2020) is expected to be sustained in the near-term, especially with renewed commitments of the OPEC and its allies on production cut drives to buoy world oil price. Nonetheless, the major risk remained the direction of crude oil prices amidst the possibility of a surge in the COVID-19 pandemic cases, which could engender a return to strict lockdown measures and the attendant demand and supply disruptions.

2.0. DOMESTIC ECONOMIC DEVELOPMENTS

2.1. THE REAL SECTOR

2.1.1. Economic and Business Activities

Domestic Output and Economic Activities

In the review month, economic activities improved following increased consumer demand that led to expansion in production, propelled by the special financial interventions by both the fiscal and the monetary authorities. The relative improvements ensured that the Purchasing Managers' Index (PMI) of both manufacturing and non-manufacturing tended towards the 50.0 per cent threshold. However, the headline inflation rose to 14.23 per cent (year-on-year) in October 2020, above the 13.71 per cent and 11.61 per cent recorded in September 2020 and October 2019, respectively.

In October 2020, expansion 6 subsectors namely: cement; electrical equipment; transportation equipment; chemical & pharmaceutical products; Printing & related support activities; as well as, Textile, apparel, leather & footwear, led to the increase in the composite manufacturing PMI to 49.4 index point, above the 46.9 index point recorded in September 2020 (Table 4).

Similarly, the non-manufacturing composite PMI for October 2020 increased to 46.8 index point compared with 41.9 index point recorded in September 2020. The increase in non-manufacturing composite PMI was attributed to growth observed in arts, entertainment & recreation; electricity, gas, steam & air conditioning supply; and, health care & social assistance.

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

Components	20-Sep.	20-Oct.
A. Composite Manufacturing PMI	***46.9***	***49.4***
Production Level	47.3	50.0
New Orders	46.4	51.2
Supplier Delivery Time	53.5	51.8
Employment Level	44.1	46.0
Raw Material Inventory	43.0	46.2
B. Composite Non-Manufacturing PMI	***41.9***	***46.8***
Business Activity	*43.7*	*48.7*
New Orders	39.5	47.8
Employment Level	*41.6*	*44.2*
Inventory	43.1	46.3

Source: Central Bank of Nigeria

New Orders

The improvement in business activities and the continuous easing of COVID-19 restrictions led to increased consumer demand. As a result, new orders and production level expanded in the review period, particularly for the printing & related support activities subsector, as well as, arts, entertainment and recreation subsectors. New orders increased to 51.2 and 47.8 index points for both manufacturing and non-manufacturing sectors in October 2020, above their respective levels of 46.4 and 39.5 index points recorded in the preceding month. The growth in the printing & related support activities subsector was, partly, due to the rise in the demand for printing and related support products/services, following resumption of schools.

Inventories

The rise in new orders and production level, prompted a marginal increase in inventories. Consequently, raw material inventories for manufacturing in October 2020 stood at 46.0 index point and inventories for non-manufacturing rose to 48.1 index point. This was attributed to improved access to raw materials, and, improved supplier delivery time.

2.1.2. Employment

Employment

The level of employment improved, but at a slower pace in the review period. At 46.0 and 44.2 index points, employment in both manufacturing and non-manufacturing PMIs, rose compared with the 44.1 and 41.6 index points, respectively, recorded in September 2020. The improvement in capacity utilization was attributed to increase in firms' operations, to meet rising consumer demand.

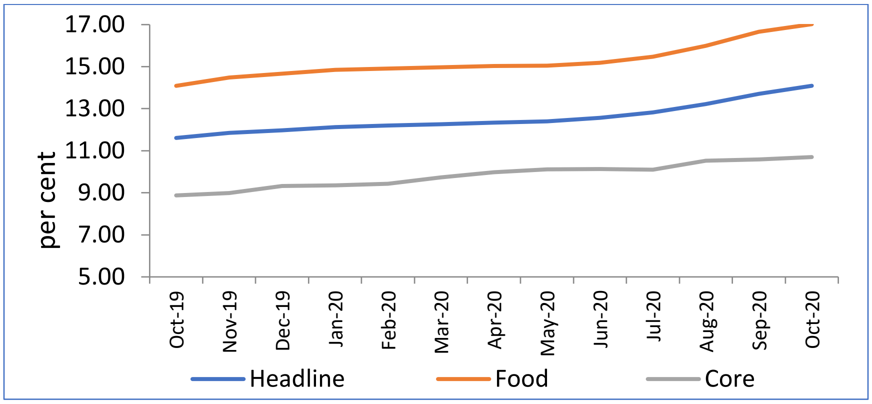
2.1.3. Consumer Prices

Headline Inflation

Inflationary pressures persisted due to the imbalance in demand and supply from weather-induced disruption of farming activities in some parts of the country, insecurity in some agrarian communities, as well as the deregulation of the downstream sector. However, economic activities continued to recover from the effect of the COVID-19 pandemic containment measures.

Headline inflation for October 2020 rose to 14.2 per cent (year-on-year), above the 13.7 per cent and 11.6 per cent recorded in September 2020 and October 2019, respectively. The rise in headline inflation was mainly attributed to the persistent increase in prices of food component of the CPI basket.

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

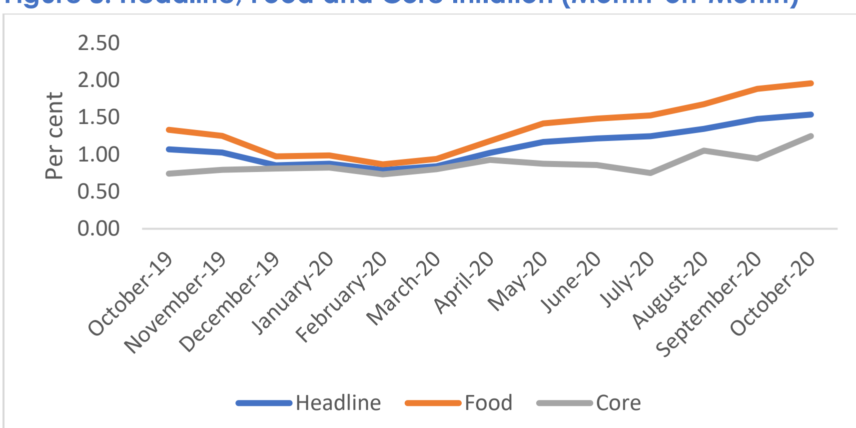


Source: National Bureau of Statistics (NBS)

Food Inflation

Food inflation, which has a higher weight in the CPI basket, rose to 17.4 per cent (year-on-year) in October 2020, above the 16.7 per cent recorded in September 2020. On a month-on-month basis, the food index was estimated to rise by 2.0 per cent compared with the 1.88 per cent recorded in September 2020. The rise in the food index was as a result of increases recorded in the prices of bread & cereals, potatoes, yam & other tubers, meat, fish, fruits, and oils & fats.

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



Source: National Bureau of Statistics (NBS)

Core Inflation

Core inflation (non-food inflation) increased to 11.1 per cent, up by 0.6 percentage points, compared with the level in September 2020. On a month-on-month basis, core inflation rose by 1.3 per cent, higher than the 0.9 per cent in September 2020. The rise in core inflation was noticeable in the increases in air travel, medical services, hospital services, pharmaceutical products, road transport, motor cars, vehicle spare parts, maintenance and repair of personal transport equipment, repair of furniture and paramedical services.

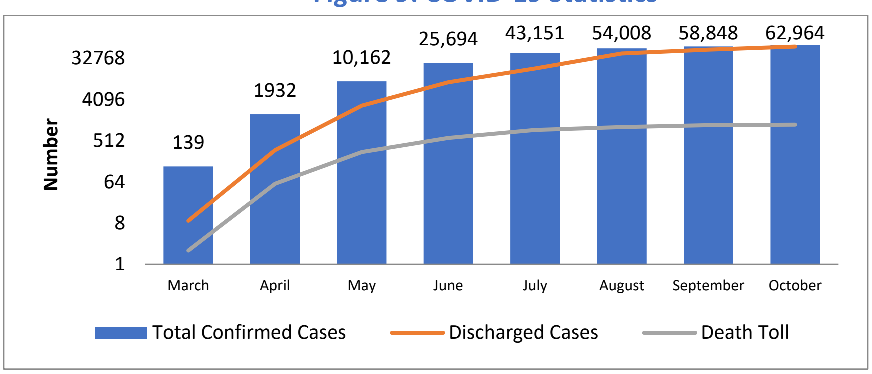
2.1.4 Socio-Economic Developments

Health

To enhance Universal Health Coverage, the Nigerian government rolled out some innovative strategies aimed at optimising services at the Primary Healthcare Centres (PHC) across the country. The strategies were part of the recently launched 10-year plan to optimise services at primary healthcare centres. Under the plan, every PHC in the country would have at least one doctor, a pharmacist, a staff nurse and other paramedical support staff. It will grant easier access to essential healthcare services for the most vulnerable Nigerians, including financial risk protection. The plan also proposes to increase immunisation rate to 80.0 per cent by 2028 and reduce maternal and child deaths.

The number of confirmed cases of COVID-19, increased by 7.0 per cent to 62,964 at end-October 2020, compared with the 58,848 cases recorded at end-September 2020. However, the number of active cases declined significantly by 59.0 per cent to 3,028 from the 7,378 recorded at end-September 2020; while the number of discharged cases increased by 16.7 per cent to 58,790 from 50,358 recorded in September 2020. So far, the country had recorded 1,146 COVID-19 related deaths.

Figure 9: COVID-19 Statistics[1]



Source: NCDC

[1] Covid-19 data as at October 25, 2020

Transport

The Federal Executive Council (FEC) approved the sum of US$3.02 billion for the rehabilitation and reconstruction of the Port Harcourt - Maiduguri Eastern Narrow-Gauge Railway, with new branch lines and trans-shipment facilities. Also, the FEC approved contracts for the construction of a deep seaport in Bonny and a railway industrial park in Port Harcourt under a Public-Private-Partnership (PPP) programme in the sum of US$241.15 million and US$461.92 million, respectively. However, the financial cost for the projects would be borne by the private sector partners.

Aviation

The Federal Government signed a Bilateral Air Service Agreement (BASA) with the United States of America, India, Morocco and Rwanda with a view to boosting activities in the aviation industry. The Agreement would enable free movement of commercial flights among the members and operate in accordance with the constitutional requirements of the countries involved. For Nigeria, the pact was expected to boost opportunities for domestic carriers and create avenues for Nigeria to benefit from the international air travel market, while protecting the country's interests, as well as those of commercial airlines operating in the country.

Education

Activities in the education sector rose during the review period, as the Federal Government approved the reopening of all schools with effect from October 12, 2020. All the 104 Federal Unity Schools across the country were reopened, while private and state government schools were free to resume on the same date. However, regulatory bodies were mandated to work out the modalities for the resumption of tertiary institutions. Consequently, detailed guidelines for the reopening of all institutions of learning was developed after consultations with relevant stakeholders and the Presidential Task Force on COVID-19. However, a second round of closure of schools was ordered by Edo, Ogun, Osun, Ekiti, Ondo and Lagos State Governments following the tension generated by the End-SARS protests in those states.

The Federal Government approved a new national teaching policy. Highlights of the approved policy, include: the re-introduction of the bursary scheme for students studying education courses in the Universities and Colleges of Education across the country, with an assurance of automatic employment upon graduation; a special salary scale for teachers in the country; a special pension scheme to enable the profession retain experienced personnel; teachers' retirement age limit was extended to 65 years or a maximum active service period of 40 years; posting allowance for science teachers employed in rural areas as well as other allowances and benefits peculiar to such postings. The policy also includes building low-cost housing estates for teachers in rural areas, sponsorship for at least one refresher training per annum to benchmark best practices for improved teaching and learning. The Tertiary Education Trust Fund (TETFUND) would fund teaching practice in Universities and Colleges of Education. The implementation of the policy was expected to boost the quality of education and reduce youth unemployment.

2.1.5. Commodity Market Developments

Agricultural Commodity Prices

The prices of most agricultural export commodities maintained an upward trend in October 2020. Provisional data indicated that the all-commodity price index (in US$ terms, 2010=100) stood at an average of 85.50 index points in October 2020. This represented a 3.2 per cent increase above the level in September 2020. In addition, the prices of groundnut oil, soya beans, rubber, palm oil, cocoa, cotton, and coffee increased by 7.6 per cent, 3.1 per cent, 2.9 per cent, 1.6 per cent, 1.5 per cent, 0.4 per cent, and 0.04 per cent, respectively. The development was, due largely to stronger demand as countries continued to recover from the impact of the COVID-19 pandemic lockdown measures. However, the prices of wheat and sorghum remained unchanged in October 2020, as the levels in the preceding month (Table 5).

Table 5: Agricultural Export Commodities for October 2020

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

Commodity	Oct-19	Sep-20	Oct-20	% Change (1) & (3)	% Change (2) & (3)
	-1	-2	-3	-4	-5
All Commodities	*75.63*	*82.83*	*85.50*	*13.05*	*3.22*
Cocoa	*79.58*	*80.32*	*81.51*	*2.42*	*1.48*
Cotton	*44.05*	*42.16*	*42.34*	*-3.89*	*0.43*
Coffee	*51.18*	*64.65*	*64.67*	*26.36*	*0.04*
Wheat	*65.09*	*64.73*	*64.73*	*-0.55*	*0.00*
Rubber	*30.11*	*39.16*	*40.28*	*33.80*	*2.87*
Groundnut	*89.39*	*110.69*	*119.14*	*33.29*	*7.63*
Palm Oil	*48.16*	*64.99*	*66.02*	*37.10*	*1.58*
Soya Bean	*69.77*	*77.46*	*79.84*	*14.43*	*3.08*
Sorghum	*73.93*	*85.52*	*85.52*	*15.68*	*0.00*

Source: Staff Estimates based on data from Index Mundi

Domestic food prices recorded mixed development in October 2020.
The prices of most of the food crops monitored increased, relative to the levels recorded in September 2020. A breakdown shows that the rise in the price of garri (white) was the highest at 1.6 per cent, followed by Maize (yellow) at 1.5 per cent. In addition, the prices of garri (yellow), maize (white), and sweet potato increased by 1.3 per cent a piece. Beans (white), vegetable oil, beans (brown), and tomato recorded increases of 1.2 per cent, 0.9 per cent, 0.8 per cent, and 0.6 per cent, respectively. The increase in the prices of food crops was attributed to the demand and supply shocks from the End-SARS protests and deregulation of petroleum pump price. In addition, the increase in the price of cereals, particularly garri and maize, was compounded by consumers' substitution of rice with these commodities, due to the hike in the price of rice, following supply distructions.

However, the prices of wheat flour, Irish potato, and yam tubers decreased by 1.6 per cent, 1.2 per cent, and 0.3 per cent, respectively, compared with the levels in the previous month (Table 6).

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

Food Item	Unit	Oct 19	Sep 20	Oct 20	% Change	% Change
		1	2	3	(1) & (3)	(2) & (3)
Agric eggs (medium size price of one)	1kg	*462.46*	*480.76*	*481.35*	*4.1*	*0.1*
Beans brown, sold loose	'	*308.93*	*312.66*	*315.06*	*2.0*	*0.8*
Beans: white black eye. sold loose	"	*292.00*	*284.87*	*288.23*	*-1.3*	*1.2*
Gari white, sold loose	"	*162.42*	*235.77*	*239.52*	*47.5*	*1.6*
Gari yellow, sold loose	"	*175.57*	*263.57*	*267.08*	*52.1*	*1.3*
Groundnut oil: 1 bottle, specify bottle	"	*562.59*	*633.39*	*635.62*	*13.0*	*0.4*
Irish potato	"	*264.29*	*309.10*	*305.32*	*15.5*	*-1.2*
Maize grain white sold loose	"	*142.25*	*196.98*	*199.46*	*40.2*	*1.3*
Maize grain yellow sold loose	"	*138.74*	*201.33*	*204.29*	*47.3*	*1.5*
Palm oil: 1 bottle, specify bottle	"	*202.88*	*244.75*	*245.67*	*21.1*	*0.4*
Rice agric sold loose	"	*464.70*	*505.32*	*507.21*	*9.1*	*0.4*
Rice local sold loose	"	*208.69*	*244.37*	*244.90*	*17.4*	*0.2*
Rice Medium Grained	"	*200.11*	*236.28*	*237.20*	*18.5*	*0.4*
Rice, imported high quality sold loose	"	*340.27*	*425.79*	*430.01*	*26.4*	*1.0*
Sweet potato	"	*303.69*	*390.68*	*395.88*	*30.4*	*1.3*
Tomato	"	*339.78*	*423.04*	*425.57*	*25.3*	*0.6*
Vegetable oil:1 bottle, specify bottle	"	*382.57*	*516.13*	*520.93*	*36.2*	*0.9*
Wheat flour: pre-packaged (golden penny 2kg)	"	*138.46*	*165.30*	*162.70*	*17.5*	*-1.6*
Yam tuber	"	*233.38*	*286.92*	*285.94*	*22.5*	*-0.3*

Source: *National Bureau of Statistics*

2.1.6. Development Financing

Development Financing

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

The major guarantees/releases of funds under the intervention schemes of the Bank included the: Commercial Agriculture Credit Scheme (CACS); Anchor Borrowers' Programme (ABP), Agricultural Credit Guarantee Scheme Fund (ACGSF), Agri-Business/Small and Medium Enterprise Investment Scheme (AGSMEIS), Real Sector Support Facility (RSSF), Power and Airline Intervention Fund (PAIF), Textile Sector Intervention Fund (TSIF), Non-oil Export Stimulation Facility (NESF) and the Health Sector Intervention Facility (HSIF).

The sum of ₦9.8 billion was released under the CACS to eight deposit money banks (DMBs) for disbursement to twelve projects in September 2020, bringing the cumulative disbursements in respect of 627 projects to ₦665.4 billion. Also, the sum of ₦6.4 billion representing steady repayments by 64 ongoing projects was recorded in September 2020. Distribution by value chain showed that of the 627 CACS sponsored projects, Production accounted for 60.4 per cent, while Processing accounted for 29.1 per cent. Storage, Input Supplies, and Marketing registered 4.5 per cent, 3.4 per cent, and 2.6 per cent, respectively.

Under the Anchor Borrowers Programme, the sum of ₦1.9 billion was disbursed to 2,521 farmers to cultivate 8,963 hectares of land through three Participating Financial Institutions (PFIs). The total loan disbursed from inception to end-September 2020 was ₦490.2 billion to 2,592,730 farmers cultivating 3,097,834 hectares across some commodities, namely; Cassava, Cotton, Fish, Ground nut, Maize, Poultry, Rice, Soya Beans, Wheat, Cattle, Sorghum, Ginger, Castor Seed, Sesame, Tomato, Cocoa, Yellow Pepper, Oil Palm, Cowpea and Onion.

With regard to the new window for funding through the Differentiated Cash Reserves Requirement (DCRR) option under the Real Sector Support Facility (RSSF), a total of thirty-seven applications valued at ₦194.6 billion were received by the CBN in line with the resolve to channel better, and long-term capital flow to the real sector to encourage local manufacturing, bolster economic recovery and stimulate growth. Thus, from inception to end-September 2020, the sum of ₦166.2 billion for a total of twenty-five projects had been disbursed under the Scheme. Also, disbursement under the NESF stood at ₦43.99 billion released to thirteen obligors, while repayments stood at ₦11.7 billion from inception to end-September 2020.

Similarly, the Bank guaranteed the sum of ₦1.0 billion to 10,105 farmers under the ACGS in September 2020. This amount represented an increase of 221.8 per cent above the level in August 2020. A sub-sectoral analysis indicated that food crops obtained the largest share of ₦461.0 million guaranteed to 4,744 beneficiaries. Mixed crops registered ₦405.3 million guaranteed to 4,850 beneficiaries. Livestock, cash crops, fishery, and others received ₦73.9 million, ₦33.5 million, ₦25.8 million, and ₦9.8 million guaranteed to 238, 167, 67, and 39 beneficiaries, respectively. Further analysis indicated that 28 states and the FCT benefited from the Scheme with the highest and lowest sums of ₦404.2 million and ₦0.8 million guaranteed to farmers in Adamawa and Sokoto States, respectively.

Also, the Bank disbursed the sum of ₦26.99 billion to 6,372 beneficiaries under the AGSMEIS in September 2020, bringing the cumulative disbursement from inception to end-September 2020 to ₦66.2 billion in favour of 17,541 beneficiaries. To facilitate the AGSMEIS, the Bank ratified NIRSAL Microfinance to oversee the operations of the Scheme. In September 2020, the sum of ₦7.75 billion was disbursed to 10 projects through nine PFIs under the HSIF established within the RSSF-DCRR in March 2020. This brought the cumulative sum disbursed from inception to end-September 2020 to ₦47.1 billion in favour of 46 beneficiaries.

The sum of ₦52.0 billion had been disbursed in favour of forty-one projects from inception to end-September 2020 under the TSIF. ₦3.0 billion was disbursed to Inez Global Ltd in the Power Sector in September 2020 under the PAIF. Thus, the cumulative disbursement from inception to end-September 2020 stood at ₦311.2 billion to seventy-four projects comprising fifty power projects valued at ₦190.4 billion, and twenty-four airline projects valued at ₦120.8 billion.

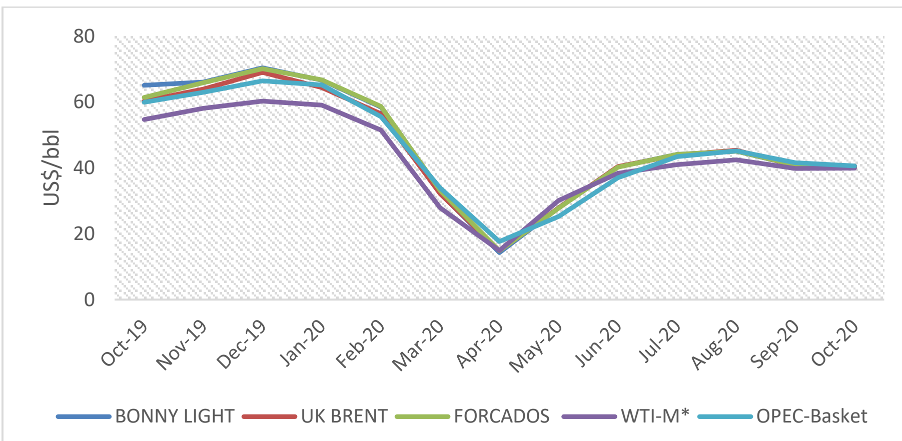
Oil Prices

In October 2020, the increase in supply by OPEC led to a slight decrease in spot crude oil prices. The average spot price of Nigeria's reference crude oil, the Bonny Light (37° API) fell by 1.4 per cent, month-on-month, to US$40.27 per barrel (pb), compared with the US$40.84 pb in September 2020. It, also, declined by 38.1 per cent when compared with the US$65.10 pb in the corresponding period of 2019. The UK Brent at US$40.57 pb, Forcados at US$40.25 pb and the OPEC basket of thirteen selected crude streams at US$40.60, exhibited a similar declining trend.

The increase in OPEC crude supply was driven by higher volumes from Iran and Libya, particularly, with production increasing by 385,000 bpd, following the easing of a blockade by the Libyan Eastern forces. Both countries were initially exempted from the OPEC+ production quotas. The market interpreted the production increase as a possible threat to any oil market rebalancing and a defeat to the aim of the OPEC's production cuts deal. However, the WTI rose slightly to US$39.95, driven mainly, by demand side factors, particularly, from the US as its crude oil stocks significantly declined by 5.42 million barrels, compared with the 3.39 million barrels earlier projected for October 2020 by the American Petroleum Institute (API).

In addition, there were growing concerns that an increase in COVID-19 infections worldwide and especially, in Europe, might dampen crude oil demand and prices, as fresh movement restrictions resurfaced in Europe and in the US (Figure 10).

Figure 10: Trends in Crude Oil Prices

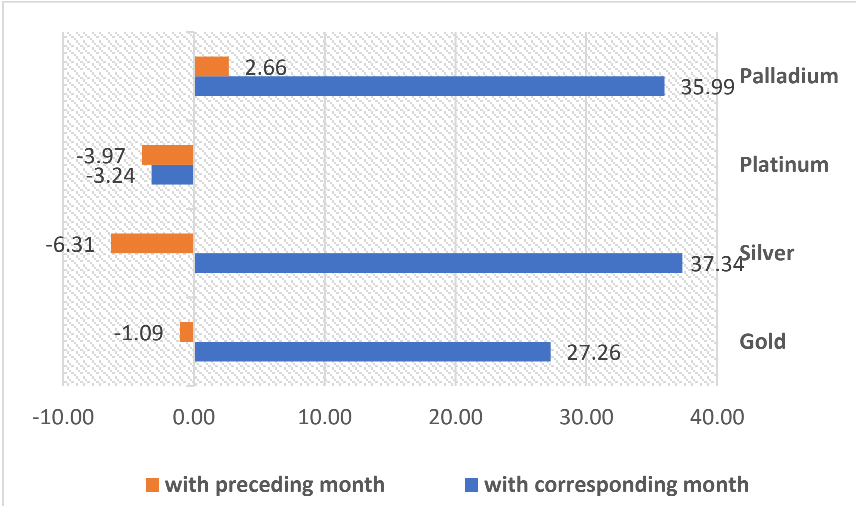


Source: Thomson Reuters

The strong US dollar exchange rate against major currencies led to the decline in the prices of gold, silver and platinum while there was an average gain in the spot price of palladium in October 2020, compared with the level in the preceding month as monitored by Reuters.

The prices of gold, silver and platinum recorded a decline of 1.1 per cent, 6.3 per cent and 4.0 per cent month-on-month, and sold at US$1,902.19, US$24.20 and US$869.04 per ounce, respectively, compared with the US$1,923.12, US$25.83 and US$904.98 per ounce sold in September 2020. However, the price of palladium recorded an average gain of 2.66 per cent and sold at US$2,351.98 per ounce, compared with the US$2,290.95 per ounce sold in September 2020 (Figure 11).

Figure 11: Price Changes in Selected Metals (per cent) for October 2020



Source: Reuters

Although the prices of gold, silver and platinum declined, compared with the prices in the previous month, the precious metals recorded gradual and consistent price increases in the review period. The development was attributable to consumers' continuous preference for safe-haven assets against the backdrop of rising COVID-19 cases in Europe.

The monthly average 2.66 per cent rise in the price of Palladium was driven, mainly by improved demand by auto-manufacturing industries. Palladium was currently in a supply deficit as the demand from automotive industry increased. Tight emissions standards for cars, particularly, in China, prompted the increase in the demand for palladium.

Domestic Crude Oil Production and Export

Nigeria's crude oil production and export decreased, month-on-month, due to the country's commitment to compensate for its over production in May-June 2020. In October 2020, Nigeria's crude oil production, including condensates and natural gas liquids, recorded an estimated decline of 0.01 million barrels per day (mbpd) or 0.70 per cent, month-on-month, to an average of 1.50 mbpd. The breakdown of the production level showed that, exports accounted for an average of 1.05 mbpd, while allocation for domestic consumption accounted for the balance of 0.45 mbpd. The decrease in crude oil production followed the nation's commitment to compensate for its over production of 334,000 bpd in May-June 2020. Nigeria had achieved 96.0 per cent compliance in October 2020, by additionally cutting about 310,000 barrels compared with the level in September 2020. Nigeria's oil export in the review period decreased by 0.9 per cent, the same rate with the decrease in the total production output of 0.01 mbpd.

Aggregate crude oil production, including Natural Gas Liquids (NGLs) and condensates by the OPEC was estimated at 29.58 mbpd in October 2020, representing an increase of 2.5 per cent, compared with the 28.87 mbpd recorded in September 2020. The increase in OPEC supply was, due mainly, to the increase in crude oil production by Libya and Iran, that were previously exempted from the OPEC+ production cuts agreement because of the political and economic issues in both countries.

World Crude Supply and Demand

Total world crude oil supply in October 2020, recorded an estimated increase of 1.4 per cent month-on-month to an average of 93.12 mbpd compared with 91.84 mbpd in September 2020, while demand declined by 0.2 per cent to 96.44 mbpd compared with 96.65 mbpd in September 2020. The increase in world crude oil supply was driven mainly by an increase in OPEC supplies as a result of the resumption in Libya's production and export as the Eastern forces eased the initial blockade. With the resumption of oil production by Libya, there were indications that the oil market would be over supplied through the coming months. In addition, the OPEC+ effort in rebalancing the oil market might be hampered. The Joint Ministerial Monitoring Committee (JMMC) of the OPEC+, in its October 19, 2020 meeting, observed that economic recovery had slowed due to the resurgence of COVID-19 cases in major economies, particularly, in the US, Asia and Europe. The Committee reiterated its call for those countries that were still underperforming to swiftly implement their production cut commitments, including their compensation plan for earlier overproduction. Also, the Committee emphasized that failure to do so would be detrimental to oil market rebalancing.

2.1.7 Outlook

Real Sector Outlook

The economy is expected to experience gradual improvement as more sectors of the economy reopen. The Bank's expansionary policy stance was expected to stimulate credit expansion to critical sectors of the economy and spur growth. However, the aftermath of the recent End-SARS protests across the country, that led to huge loss of properties and disruption of economic activity, could weigh down the expected positive outcomes and sustain inflationary pressure in the coming months. In addition, adverse weather conditions, which resulted in the flooding of farmlands across the country and disruption of farming activities could increase demand and supply shocks, that would further drive prices upward.

2.2 FISCAL SECTOR DEVELOPMENTS

2.2.1 Federation Account Operations

At ₦616.35 billion, gross Federally collected revenue in October 2020 was below the budget benchmark by 27.2 per cent. It declined by 18.3 per cent and 33.0 per cent when compared with the level in the preceding month and the corresponding period of 2019, respectively. This was attributed to declines in both oil and non-oil revenue components. Federal Government retained revenue was ₦274.48 billion in October 2020, indicating a drop of 6.6 per cent and 52.8 per cent relative to the levels in the preceding month and corresponding period of 2019. Driven by the rise in personnel costs and capital releases, provisional aggregate expenditure rose to ₦725.70 billion from ₦712.30 billion in the preceding period. Consequently, estimated fiscal deficit in October widened to ₦451.22 billion, from ₦418.50 billion in September 2020. Total Federal Government debt outstanding as at end-June 2020, was ₦31,008.64 billion; with domestic and external debt components accounting for 57.6 per cent and 42.4 per cent of the total debt stock, respectively.

Federation Account Operations

Due to the slow pace of global economic recovery and the resurgence of COVID-19 cases in some European, Asian and Latin American countries, which depressed global demand and dampened crude oil prices, the federally collected revenue in October 2020, amounted to ₦616.35 billion, reflecting a shortfall of 27.2 per cent relative to the ₦846.84 billion budget benchmark. It also fell by 18.3 per cent and 33.0 per cent compared with the amounts in the preceding month and the corresponding period of 2019, respectively. Netting off deductions and transfers, and accounting for additional revenue from exchange rate gain, excess oil and excess non-oil revenue sources, a net balance of ₦616.02 billion was distributed among the three tiers of government (Table 7).

Allocations to the three tiers of government fell in October 2020 due to the decline in distributable revenue by 5.1 per cent, 8.5 per cent and 0.8 per cent, relative to the levels in the preceding month, corresponding period of 2019 and the budget benchmark (Table 8).

Table 7: Federally Collected Revenue and Distribution (₦' Billion)

	Oct-19	Sep-20	Oct-20	Benchmark
Federation Revenue (Gross)	**919.75**	**754.06**	**616.35**	**846.84**
Oil	**577.30**	**288.73**	**277.54**	**295.39**
Crude Oil & Gas Exports	35.93	14.84	12.63	54.74
PPT & Royalties	319.90	219.08	159.85	102.45
Domestic Crude Oil/Gas Sales	179.14	47.42	96.53	35.55
Others	**42.33**	7.40	8.52	102.65
Non-oil	**342.45**	**465.33**	**338.81**	**551.45**
Corporate Tax	125.61	201.44	87.63	149.88
Customs & Excise Duties	72.87	85.93	83.42	83.69
Value-Added Tax (VAT)	92.87	150.23	141.86	182.55
Independent Revenue of Fed. Govt.	36.31	20.90	18.74	77.74
*Others**	14.79	6.83	7.17	57.59
Total Deductions/Transfers**	***247.70***	***105.20***	***156.86***	***226.67***
Federally Collected Revenue (Net)	**672.05**	**648.85**	**459.49**	**620.17**
plus:				
Additional Revenue	**0.95**	**0.00**	**156.54**	**0.00**
Excess Crude Revenue	*0.00*	*0.00*	*72.00*	*0.00*
Non-Oil Excess Revenue	*0.00*	*0.00*	*45.00*	*0.00*
Exchange Gain	*0.95*	*0.00*	*39.54*	*0.00*
Total Amount Disbursed	***673.01***	***648.85***	***616.02***	***621.12***
Federal Government	293.80	272.90	255.75	239.13
State Government	186.82	197.65	185.65	192.98
Local Government	140.86	147.42	138.44	142.78
13% Derivation	51.53	30.88	36.19	46.22

Source: Compiled from OAGF figures and CBN Staff Estimates

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

Table 8: Allocations to Subnational Governments (₦' Billion)

	State Government			Local Government		
	Statutory	VAT	Total	Statutory	VAT	Total
Oct-19	193.77	44.58	238.35	109.66	31.21	140.86
Sept-20	158.67	69.86	228.53	98.52	48.90	147.42
Oct-20	**155.87**	**65.96**	**221.83**	**92.27**	**46.17**	**138.44**
Benchmark	*154.64*	*84.56*	*239.20*	*83.59*	*59.19*	*142.78*

Source: Compiled from OAGF figures.

Drivers of Federation Revenue

Decline in receipts from Petroleum Profit Tax (PPT) & Royalties, was attributed to the decrease in oil revenue in October 2020. Relative to the budget benchmark and the corresponding period of 2019, oil revenue fell by 41.8 per cent and 50.0 per cent, respectively. Although, at ₦96.53 billion, Domestic Crude Oil & Gas sales rose substantially by 103.6 per cent relative to receipts in September 2020, it was less than the collections in October 2019. The value of Crude Oil & Gas exports fell by 64.8 per cent below its level in the corresponding period of 2019. The decline was attributed to weakened global demand owing to the lingering effects of the COVID-19 pandemic, as Nigeria's crude oil export fell to 1.06 mbd in October 2020 from the 1.48 mbd in October 2019.

The adverse impact of the COVID-19 pandemic subdued non-oil revenue in October 2020, as receipts fell by 27.0 per cent and 1.1 per cent, relative to the levels in September 2020 and October 2019. Receipts from Corporate Tax was the worst hit, having recorded declines of 56.5 per cent and 30.2 per cent below its levels in September 2020 and October 2019, respectively. The significant drop in Corporate Tax was due mainly to the fact that the dates for filing returns by companies were not yet due. Collections from VAT, which accounted for about 41.9 per cent, fell by 5.6 per cent to ₦141.86 billion, from ₦150.23 billion collected in September 2020.

2.2.2. Fiscal Operations of the Federal Government

Fiscal Operations of the Federal Government

The persisting effects of the COVID-19 pandemic on the fiscal profile and operations of the Federal Government led to a huge deficit in October 2020. The estimated deficit amounted to ₦451.22 billion compared with the budget benchmark of ₦414.63 billion, the ₦418.50 billion in September 2020 and the ₦323.84 billion in October 2019. The estimated fiscal deficit rose by 8.8 per cent and 7.8 per cent above the 2020 budget benchmark and the level in September 2020, respectively. The development was attributed to the 6.6 per cent decline in retained revenue, and the 1.9 per cent increase in aggregate expenditure relative to the level in the preceding month (Table 9).

Table 9: Fiscal Balance (₦' Billion)

	Oct-19	Sep-20	Oct-20	Benchmark
Retained revenue	580.93	293.80	274.48	486.25
Aggregate expenditure	904.77	712.30	725.70	900.88
Primary balance	- 67.50	-240.92	-310.10	-168.65
Overall balance	**-323.84**	**-418.50**	**-451.22**	**-414.63**

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

Federal Government Retained Revenue

The revenue profile of the FGN revealed a lingering challenge due to declines in statutory receipts and persistent shortfalls in FGN Independent revenue. The total retained revenue of ₦274.48 billion recorded in October 2020, was significantly below the budget benchmark and the level recorded in October 2019 by 43.6 per cent and 52.8 per cent, respectively (Table 10).

Table 10: FGN Retained Revenue (₦' Billion)

	Oct-19	Sep-20	Oct-20	Benchmark
FGN Retained Revenue	**580.93**	**293.80**	**274.48**	**486.25**
Federation Account	279.98	251.95	161.13	*213.77*
VAT Pool Account	13.37	20.96	19.79	*25.37*
FGN Independent Revenue	36.31	20.90	18.74	*77.74*
Excess Oil Revenue	0.00	0.00	33.00	*0.00*
Excess Non-Oil	*0.00*	*0.00*	*23.71*	*0.00*
Exchange Gain	*0.44*	*0.00*	*18.12*	*0.00*
*Others**	*250.82*	*0.00*	*0.00*	*169.38*

Source: Compiled from OAGF figures
Note: * Others include revenue from FGN Special Accounts, Special Levies and FGN share of signature bonus

Federal Government Expenditure

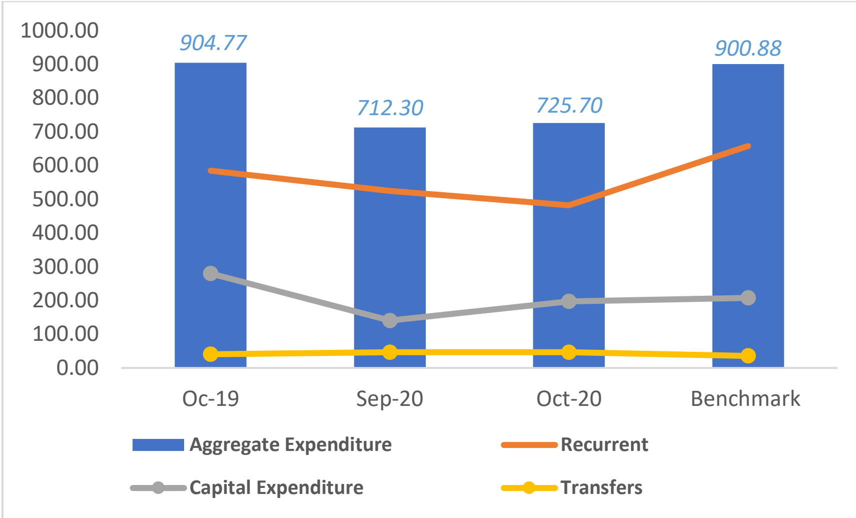
Releases to MDAs in respect of personnel cost and capital expenditure, were the major drivers of government expenditure in October 2020. At ₦725.70 billion, provisionally estimated aggregate expenditure of the Federal Government, rose by 1.9 per cent above the ₦712.30 billion in September 2020, but declined by 19.8 per cent below the ₦904.77 billion in the corresponding period of 2019. Overall, total expenditure fell below the budget benchmark of ₦900.88 billion by 19.4 per cent, indicative of government's revenue constraint (Table 11, Figure 12).

Table 11: Federal Government Expenditure (₦' Billion)

	Oc-19	Sep-20	Oct-20	Benchmark
Aggregate Expenditure	**904.77**	**712.30**	**725.70**	**900.88**
Recurrent	584.25	524.92	482.15	657.83
of which:				
Personnel Cost	218.79	194.76	250.41	253.87
Pension and Gratuities	29.17	29.89	-	44.73
Overhead Cost	56.81	101.36	76.58	84.09
Interest Payments	256.34	177.58	141.12	245.98
Domestic	*211.90*	*136.80*	*100.34*	*178.85*
External	*44.44*	*40.78*	*40.77*	*67.12*
Special Funds	23.14	21.33	14.05	29.17
Capital Expenditure	279.85	140.67	196.84	207.38
Transfers	40.68	46.71	46.71	35.67

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

Figure 12: Federal Government Expenditure (₦' Billion)



Source: CBN Staff Estimates

Federal Government Debt

Following the persistent and rising fiscal deficits, public debt outstanding remained high. Total public debt[2] outstanding, at end-June 2020, stood at ₦31.01 trillion or 22.3 per cent of GDP. This reflected an increase of 8.3 per cent and 20.6 per cent over the levels in the preceding quarter and the corresponding quarter of 2019, respectively. The increase was attributed, largely, to the growing financing need of the Federal Government of Nigeria (FGN), as the COVID-19 pandemic continue to constrict revenue. Total FGN debt accounted for 81.5 per cent of the total debt outstanding, while states owed the balance of 18.5 per cent. Furthermore, state governments' share of the total external debt, which stood at 13.5 per cent, constituted a contingent liability to the FGN, in line with section 47 (3) of the Fiscal Responsibility Act 2007 (Table 12, Figure 13).

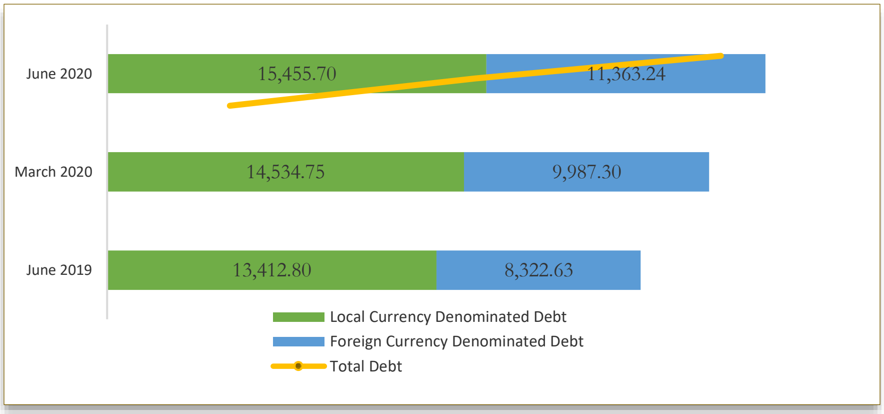
Table 12: Total Public Debt (₦' Billion)

Type	June 2019	March 2020	June 2020
External Debt	**8,322.63**	**9,987.30**	**11,363.24**
Of which:			
FGN	7,012.87	7,912.98	9,824.28
States and FCT	1,309.76	2,074.32	1,538.96
Domestic Debt	**17,379.02**	**18,641.19**	**19,645.40**
Of Which:			
Federal Government	13,412.80	14,534.75	15,455.70
States and FCT	3,966.22	4,106.44	4,189.70
Total	**25,701.65**	**28,628.49**	**31,008.64**

Source: Compiled from Debt Management Office

[2] Including Federal and States' debt obligations.

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



Source: Compiled from Debt Management Office (DMO) figures

Domestic debt represented 57.6 per cent of the total debt outstanding, while external debt was 42.4 per cent. Analysis of the domestic debt portfolio mix indicated that short-term Nigerian Treasury Bills (NTBs) constituted 17.9 per cent, while 72.7 per cent were medium- to long-term instruments. The relatively high composition of domestic debt raises concern about the crowding out of private investment since domestic banks were the major holders of public debt instruments.

On the other hand, foreign debt comprised loans from Commercial (35.5 per cent of total external debt stock), Multilateral (52.0 per cent) and bilateral sources (12.5 per cent). The composition reflected government's preference for financing sources with favourable terms.

2.2.3. Fiscal Outlook

Fiscal Outlook

In the face of an impending second wave of the COVID-19 pandemic, as witnessed in parts of Europe and Asia, global demand for crude oil is expected to remain subdued. This could dampen oil receipts and weaken non-oil revenue due to slowdown in economic activities. Consequently, the prospects of government's fiscal position in the near-term remains shaky.

2.3. MONETARY AND FINANCIAL DEVELOPMENTS

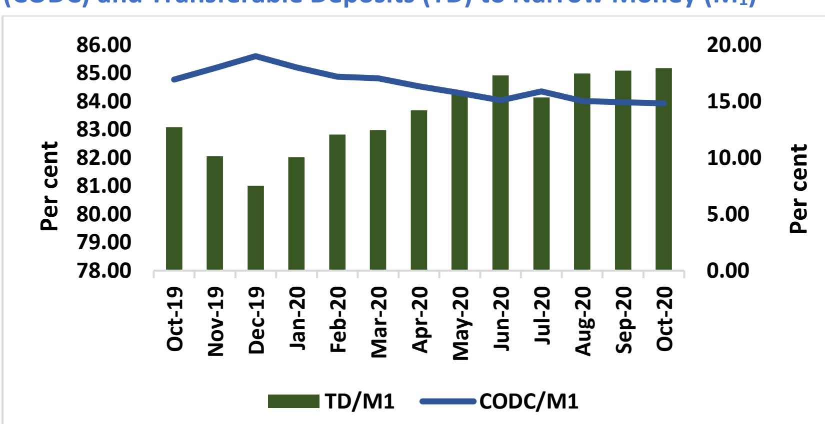
2.3.1. Monetary Developments

Monetary Aggregates

The growth in broad money supply remained sluggish in the review period, but was slightly higher than the preceding month, arising mainly from growth in net domestic and foreign claims. Consequently, there was ample room for monetary accommodation to improve credit flow to productive sectors of the economy. Domestic claims grew by 7.6 per cent at end-October 2020, compared with 7.4 per cent at end-September 2020. The development resulted from the 9.2 per cent and 3.5 per cent rise in claims on other sectors and net claims on the central government, respectively. Growth in claims on other sectors was occasioned by the continuous need to provide credit to key sectors of the economy, and the increase in net claims on the central government, indicating government's preference for domestic credit, relative to foreign loans during the review period. Similarly, the significant decline in foreign liabilities of the Bank and depository corporations to non-residents, resulted to a 30.1 per cent growth in Net Foreign Assets (NFA). Consequently, broad money (M_3) grew by 3.5 per cent at end-October 2020, compared with 3.2 per cent at end-September 2020.

The growth in monetary liabilities was driven, mainly, by the increase in transferable deposits, savings, time and foreign currency deposits by economic agents. Currency outside depository corporations rose by 3.8 per cent, in contrast to the decline of 0.2 per cent at the end of the preceding month, reflecting the preference for holding cash for the end of year festivities. The increase in transferable deposits of depository corporations and currency outside depository corporations led to a 33.0 per cent expansion in narrow money supply (M_1) at end-October 2020.

Figure 14: 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)

	Aug-20	Sep-20	Oct-20
Growth Over Preceding December (%)			
Domestic Claims	6.9	7.4	7.6
Claims on Central Government (Net)	-9.8	-4.1	3.5
Claims on Other Sectors	12.9	11.7	9.2
Claims on Other Financial Corporatins	20.0	10.5	9.8
Claims on State and Local Government	3.6	5.8	6.5
Claims on Public Non-Financial Corporations	-8.0	-5.5	-6.8
Claims on Private Sector	11.7	13.8	10.0
Foreign Assets (Net)	49.2	27.5	30.1
Other Items (Net)	93.5	116.0	117.6
Currency Outside Depository Corporations	**-2.5**	**-0.2**	**3.8**
Transferable Deposits	31.2	33.5	39.9
Money Supply (M1)	24.7	27.1	33.0
Other Deposits	**15.5**	**17.4**	**18.1**
Broad Money Liabilities (M2)	18.9	21.0	23.6
Securities other than shares	**-50.5**	**1.3**	**1.3**
Broad Money Liabilities (M3)	6.9	3.2	3.5
Memorandum Items:			
Reserve Money (RM)	57.9	56.4	69.9
Currency in Circulation (CIC)	-3.0	-0.6	2.3
Liabilities to other Depository Corporations	81.8	78.7	96.3
Growth Over Preceding Month (%)			
Domestic Claims	-2.3	1.6	0.2
Claims on Central Government (Net)	2.5	15.1	7.9
Claims on Other Sectors	0.2	-2.1	-2.3
Claims on Other Financial Corporatins	0.3	-9.1	-0.6
Claims on State and Local Government	1.5	2.1	0.7
Claims on Public Non-Financial Corporations	-2.8	-0.8	-1.4
Claims on Private Sector	0.2	0.9	-3.4
Foreign Assets (Net)	13.4	-12.6	2.0
Other Items (Net)	**-4.5**	**-8.0**	**0.8**
Currency Outside Depository Corporations	-2.7	2.4	4.0
Transferable Deposits	6.0	3.2	4.8
Money Supply (M1)	4.6	3.1	4.7
Other Deposits	2.5	1.3	0.6
Total Monetary Liabilities (M2)	3.3	2.0	2.2
Securities other than shares	-14.7	0.0	0.0
Total Monetary Liabilities (M3)	1.6	-0.4	0.3
Memorandum Items:			
Reserve Money (RM)	2.0	-0.8	8.6
Currency in Circulation (CIC)	**-1.0**	**2.4**	**3.0**
Liabilities to other Depository Corporations	**2.7**	**-1.5**	**9.8**

Source: Central Bank of Nigeria

Change in Monetary Liabilities

Liquidity conditions in the banking system led to accumulation of reserves at the CBN, and a rise in reserve money at end-October 2020. Reserve money grew by 69.9 per cent to ₦14,745.57 billion at end-October 2020, compared with the growth of 56.4 per cent at end-September 2020. At ₦12,246.60 billion, liabilities to other depository corporations grew by 96.3 per cent at end-October 2020, relative to the growth of 78.7 per cent at end-September 2020. Currency-in-circulation (CIC) rose by 2.3 per cent to ₦2,498.98 billion at end-October 2020, in contrast to the decline of 0.6 per cent in the preceding month (Table 13). Consequently, there was a slight decline in the currency reserve ratio to 20.4 per cent at end-October 2020 from 21.8 per cent at the end of the preceding month.

Sectoral Utilisation of Credit

Private sector credit was increased to stimulate economic activities and shorten recession. Credit to the private sector grew by 10.0 per cent at end-October 2020, compared with 13.8 per cent in the preceding month. The development was due to the credit demand as a result of the uptick in economic activities as shown by a rise in PMI to 49.4 index points at end-October 2020, compared with 46.9 index points at end-September 2020. However, sectoral credit utilisation, at ₦19,289.69 billion, fell by 0.4 per cent at end-October 2020, below the level at end-September 2020, following the slight decline in utilisation by the industrial and construction sectors. A breakdown of the credit development showed that the industrial sector accounted for 37.0 per cent of the total disbursement, compared with 37.2 per cent in September 2020, while the services sector received 38.4 per cent at end-October 2020, same as in the preceding month. The agricultural and government sectors accounted for 4.9 per cent and 8.4 per cent, respectively, at end-October 2020, compared with 4.8 per cent and 8.2 per cent, respectively, in September 2020, while construction sector declined by 0.1 percentage point to 4.8 per cent in October 2020 (Table 14).

Table 14: Sectoral Credit Utilisation

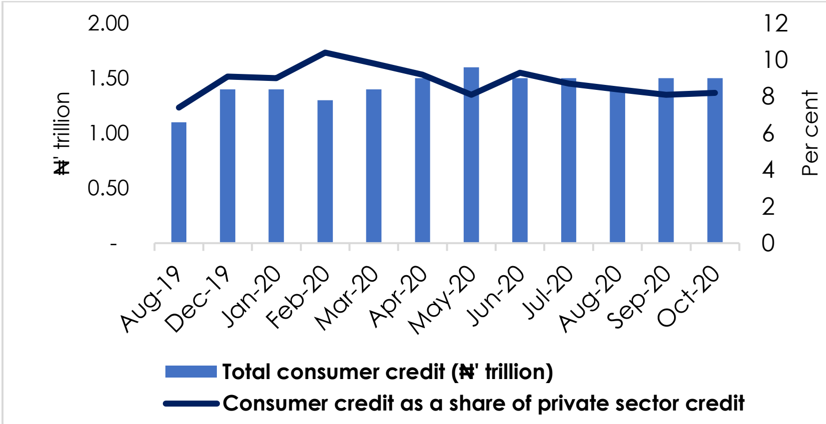
Sector	Dec-19	Jul-20	Aug-20	Sep-20	Oct-20
Agriculture	4.6	4.9	4.8	4.8	4.9
Industry	37.3	38.1	37.9	37.2	37.0
Construction	4.1	4.6	4.7	4.9	4.8
Trade/General Commerce	7.2	6.6	6.5	6.5	6.5
Government	8.8	8.0	8.1	8.2	8.4
Services	37.9	37.8	37.9	38.4	38.4

Source: Central Bank of Nigeria

Consumer Credits

Consumer credit outstanding, at ₦1,466.46 billion in October 2020, fell 2.1 per cent below the level at the end of the preceding period, but was 15.3 per cent above the level in the corresponding period of 2019. The ratio of consumer credit to private sector credit was 8.2 per cent at end-October 2020, compared to 8.1 per cent at end-September 2020. The increase in the ratio was attributed, mainly, to the decline in rates on loans and advances disbursed to businesses and individuals by other depository corporations, in the wake of the contraction in 2020Q3 GDP and the effects of the COVID-19 pandemic (Figures 15, 16).

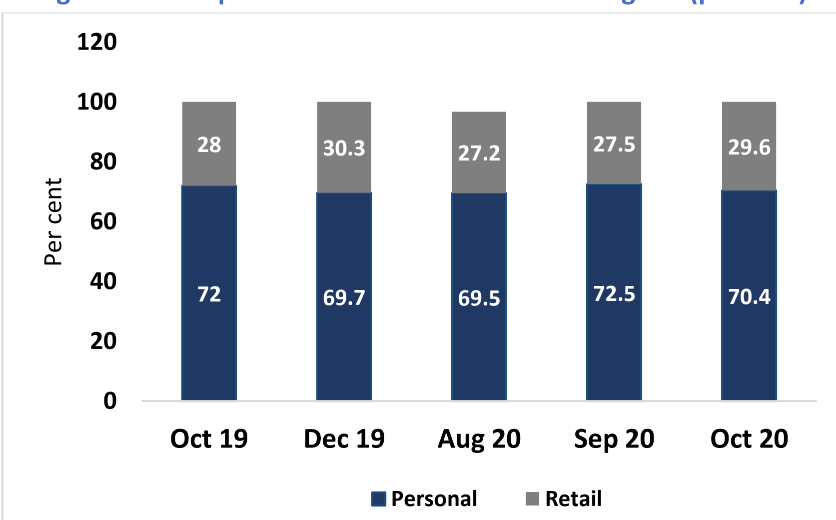
Figure 15: Consumer Credit



Source: Central Bank of Nigeria

A breakdown of consumer loans showed that retail loans rose by 7.6 per cent, while personal loans fell by 2.9 per cent at end-October 2020.

Figure 16: Composition of Consumer Credit in Nigeria (per cent)



Source: Central Bank of Nigeria

2.3.2. Financial Developments

Global financial markets remained volatile amidst the lingering COVID-19 pandemic. Although financial markets have shown signs of moderate recovery, financial conditions were still relatively tight, as investors remain cautious of a possible second round of lockdown. However, the financial sector remained stable in the review period as key financial

Financial Soundness Indicators

soundness indicators improved. The banking industry Capital Adequacy Ratio (CAR) rose to 15.5 per cent at end-October 2020, from 15.4 per cent at end-September 2020. The ratio exceeded the regulatory benchmark of 10.0 per cent by 5.5 percentage points. Asset quality, measured by the ratio of Non-Performing Loans (NPLs) to industry total outstanding loans, stood at 5.7 per cent at end-October 2020, an improvement from the 6.0 per cent recorded at end-September 2020, but above the 5.0 per cent prudential requirement. At 58.4 per cent, liquidity ratio, decelerated by 5.5 percentage points relative to the preceding month's level, but remained above the 30.0 per cent benchmark.

2.3.2.1 Money Market Developments

There was ample liquidity in the banking system that improved financial intermediation in October 2020. Repayments of matured CBN bills, Federal Government (FGN) bonds and Nigerian Treasury bills, as well as, fiscal disbursements to the three tiers of Government (FAAC) were the major sources of liquidity in the banking system during the review period.

Open Market Operations (OMO)

The Bank intervened to moderate liquidity in the banking system through OMO and discount window activities in October 2020. The tenors of the instruments were from 91 to 364 days. Total amount offered, subscribed and alloted, were ₦480.52 billion, ₦753.88 billion and ₦480.52 billion, respectively, with a bid rate of 8.0 per cent, while the stop rate was 8.1 per cent. Repayment of matured CBN bills stood at ₦1,319.90 billion, translating to a net injection of ₦839.38 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 ₦124.88 billion, ₦618.09 billion and ₦124.88 billion, respectively, were offered, subscribed and allotted. The bid-cover ratio of 2.6 for 91-day, 9.9 for 182-day and 5.0 for 364-day tenor, reflected investors preference for instruments with medium-to-long-term maturities. There was no repayment of matured NTBs during the review period.

Primary Market

FGN Bonds of 15- and 25-year tranches were reopened and offered for sale in the review period. Term to maturity of the Bonds ranged from 14 years, 5 months to 24 years, 9 months. Total amount offered, subscribed and allotted, were ₦30.00 billion, ₦235.87 billion and ₦45.00 billion, respectively. Allotment on non-competitive basis was ₦5.00 billion. The bid and marginal rates on all tenors were 8.3 per cent and 5.5 per cent, respectively.

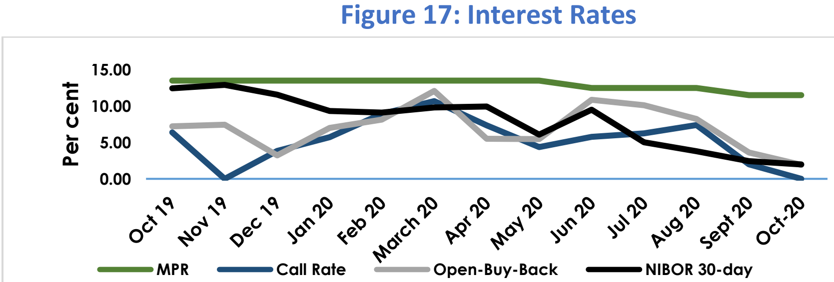
Standing Facilities Window Operation

Deposit Money Banks (DMBs) and merchant banks continued to access the Standing Facilities window to square their liquidity positions in October 2020. The trend at the CBN standing facilities window showed more frequency at the Standing Deposit Facility (SDF) segment, due to improved liquidity in the banking system. Applicable rates for the SLF and SDF stood at 12.5 per cent and 4.5 per cent, respectively. Total request for the SLF granted from October 1-26, 2020 was ₦34.54 billion. This entirely constituted Intraday Lending Facilities (ILF) converted to overnight repo, as there was no request for direct SLF. Daily average was ₦1.64 billion in 5 transaction days from October 1-26, 2020. Total interest earned was ₦0.45 billion. A total of ₦606.90 billion was placed at the SDF during the review period, with a daily average of ₦35.70 billion in 17 transaction days during the same period. Daily request ranged from ₦13.00 billion to ₦50.00 billion. Cost incurred on SDF in the month stood at ₦0.11 billion.

Interest Rate Developments

Key interest rates, prime and maximum lending rates, recorded significant declines at end-October 2020, due, mainly, to the sustained intervention by the CBN and liquidity surfeit in the system. Money moved in tandem with the level of liquidity in the review period. 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 0.0 per cent and 1.9 per cent, respectively, in October 2020. Other rates such as, the 7-day and 30-day NIBOR traded at averages of 3.5 per cent and 2.0 per cent, respectively. From their levels in the preceding month, average prime and maximum lending rates fell by 0.2 percentage point and 0.1 percentage point to 11.3 per cent and 28.4 per cent, respectively, in October 2020. Average term-deposit rate also fell by 0.3 percentage point to 3.9 per cent. The spread between the average term-deposit and average maximum lending rates widened by 0.2 percentage point to 24.5 percentage points at end-October 2020. With inflation at 14.2 per cent at end-October 2020, deposits and prime lending rates were negative in real term, while maximum lending rate was positive (Figure 17).

Figure 17: Interest Rates

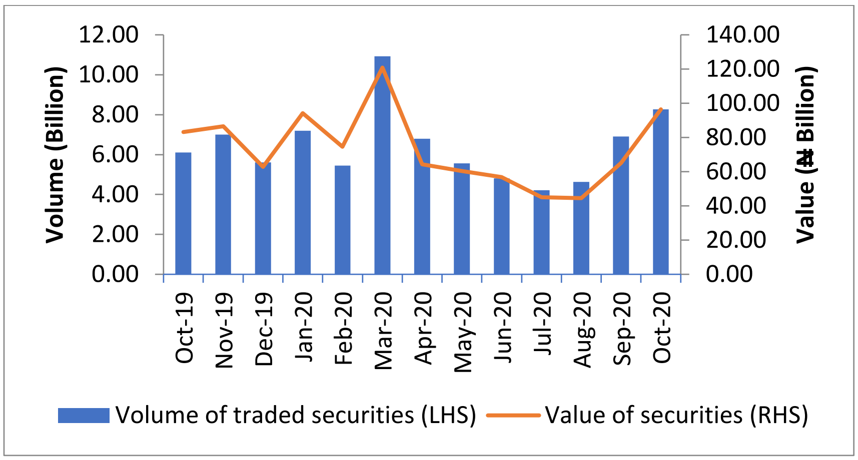


Source: Central Bank of Nigeria

2.3.2.1 Capital Market Developments

Capital market activities on the Nigerian Stock Exchange (NSE) were bullish in October 2020, due to profitable balance sheet of blue-chip companies, especially the banking industry. The All-Share Index (ASI) and aggregate market capitalisation rose, relative to their levels in the preceding month. Transactions by volume on the NSE rose by 19.5 per cent to 8.26 billion shares valued at ₦96.45 billion in 101,876 deals at end-October 2020, compared with the 6.91 billion shares worth ₦65.02 billion, in 82,521 deals at end-September 2020 (Figure 18). There were two supplementary listings in the review period (Table 15).

Figure 18: Volume and Value of Traded Securities



Source: NSE

Table 15: Supplementary Listings on the Nigerian Stock Exchange (October 2020)

Company	Additional Shares (Units)	Reasons	Listing
NEWGOLD ETF	687,142 units	Right Issue	Supplementary Listing
Dangote Sugar Refinery Plc.	146.88 Million shares	Right Issue	Supplementary Listing

Source: NSE

Market Capitalisation

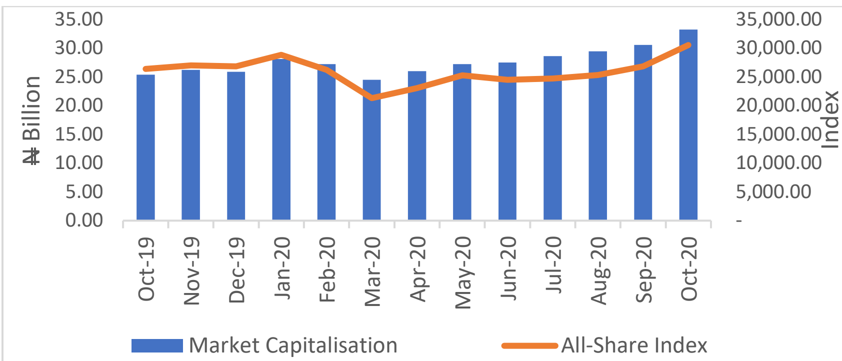
Increased trading in most actively traded blue-chip stocks boosted the performance on the NSE, causing the market capitalisation to appreciate in the review month. Aggregate market capitalisation rose by 8.8 per cent to ₦33.20 trillion in October 2020, compared with the ₦30.53 trillion as at end-September 2020. The equities market capitalisation also rose by 13.8 per cent to ₦15.97 trillion and constituted 48.1 per cent of the total market capitalisation, compared with ₦14.04 trillion and 46.0 per cent at the end of the preceding month.

NSE All-Share Index

The gains in the share prices of bellwethers, in the banking (Zenith Bank Plc and GTBank) and cement (WAPCO) industries led to a positive momentum that appreciated the ASI in the review month. Consequently, the ASI, which closed at 26,831.76 at end-September 2020, rose by 13.8 per cent to close at 30,530.69 at end-October 2020.

Relative to the levels in the preceding month, all the sectoral indices trended upwards, except for the NSE-ASeM that closed flat at 728.51. The NSE-Consumer Goods, NSE-Banking, NSE-Pension, NSE Premium, NSE Lotus, NSE-Industrial, NSE-Oil and Gas and NSE-Insurance indices rose by 20.3 per cent, 20.0 per cent, 17.5 per cent, 14.0 per cent, 13.0 per cent, 11.2 per cent, 10.3 per cent and 4.5 per cent to close at 546.09, 372.61, 1,235.76, 2,701.82, 2,185.70, 1,327.95, 215.33 and 145.11, respectively, at end-October 2020 (Figure 19).

Figure 19: Market Capitalisation and All-Share Index



Source: Nigerian Stock Exchange

2.4. EXTERNAL SECTOR DEVELOPMENTS

External Sector Performance

The performance of the external sector improved in the review period due to the gradual rebound in economic activities, enhanced trade activities and relative stability in oil prices. Staff estimates showed that aggregate external trade in October 2020 increased by 3.0 per cent. However, capital inflow witnessed a decline of 71.4 per cent from the level in the previous month, as the effect of the COVID-19 pandemic continued to weigh on global financial markets and capital flows.

Trade Performance

Provisional data showed that the value of aggregate external trade increased by 3.0 per cent to US$5.55 billion in October 2020, compared with US$5.39 billion in September 2020. However, the value showed a 59.4 per cent decline below the US$13.67 billion recorded in the corresponding period of 2019. The month-on-month increase in total trade was largely on account of the increase in imports, mainly for upscaling critical infrastructure and industrial use. Merchandise imports increased by 4.3 per cent to US$3.41 billion in October 2020, above the US$3.27 billion in September 2020, driven by increase in non-oil imports, particularly raw materials. Aggregate export increased marginally by 0.6 per cent to US$2.14 billion in the review period, compared with US$2.13 billion in the preceding month, driven mainly by rise in crude oil and gas exports. Consequently, a trade deficit of US$1.27 billion was recorded in October 2020, compared with US$1.14 billion in September 2020.

Crude Oil and Gas Exports

Relative stability in crude oil prices at the international market led to a marginal increase in crude oil export receipts in the review period. Estimates showed that the value of crude oil exports increased by 2.0 per cent to US$1.51 billion in October 2020, above US$1.48 billion in September 2020, but was 62.7 per cent lower than US$4.05 billion in the corresponding period of 2019. Gas exports, however, fell by 0.5 per cent to US$0.30 billion in October 2020, relative to the level in September 2020. The crude oil and gas sector dominated the export receipts, accounting for 84.6 per cent of the total.

Non-oil Exports

The effect of the COVID-19 pandemic on the global economy continued to adversely affect the country's non-oil exports. Consequently, non-oil exports decreased by 2.7 per cent to US$0.33 billion in October 2020, compared with US$0.34 billion in the preceding month. A disaggregation of non-oil exports showed that, re-exports declined by 7.6 per cent to US$0.16 billion in October 2020, below US$0.17 billion in the previous period. Earnings from "Other" non-oil exports increased to US$0.17 billion, relative to US$0.16 billion in September 2020, while electricity export remained unchanged at US$0.06 billion in October 2020 relative to the value in September 2020.

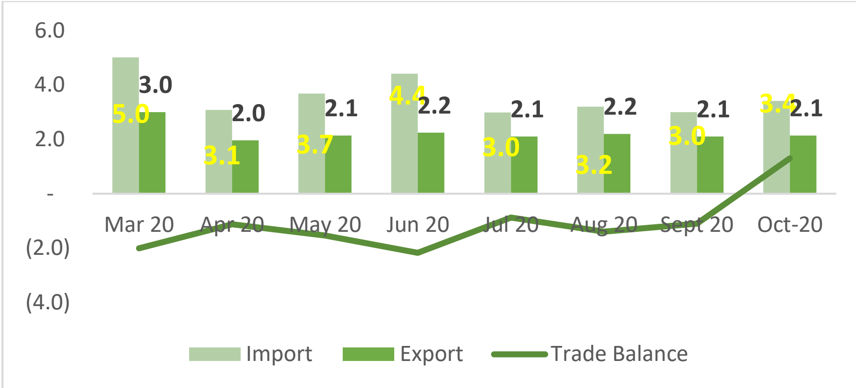
Export Receipts by Top Ten Exporters

Provisional data indicated that aggregate export proceeds of the top ten non-oil exporters was US$100.88 million in October 2020. A breakdown showed that, Olam Nigeria Limited topped the list with a value of US$26.65 million (17.1% of the total) from the export of cocoa beans, cashew nuts, and sesame seeds to Turkey and China. The second major non-oil exporter was Starlink Global and Ideal Limited, with export value of US$16.49 million (10.6%), from the export of raw cocoa beans, raw cashew nuts, shea nuts and sesame seeds to Malaysia. The third major non-oil exporter was British American Tobacco Nigeria Limited at US$12.57 million (8.0%), realised from the export of cigarettes to Liberia, Guinea, Ghana, Cameroun, Cote d'Ivoire and Niger Republic. The fourth major non-oil exporter was Indorama Eleme Fertilizer and Chemicals Limited, with a value of US$9.82 million (6.3%), realised from the export of urea, fertilizers and agronomy services to Turkey and China. Tulip Cocoa Processing Limited, with export value of US$7.66 million (4.9%) occupied the fifth position. The sixth, seventh, eighth, ninth and tenth positions were occupied by Mamuda Industries (Nig) Limited, Metal Recycling Industries Limited, AAK Nigeria Oils and Fats Limited, Armajaro Nigeria Limited and Valency Agro Nigeria Ltd, respectively. These companies earned US$7.21 million, (4.6%), US$6.66 million (4.3%), US$5.73 million (3.7%), US$5.0 million (3.2%), and US$3.07 million (2.0%), respectively. The exported items were leather, aluminum, vegetable oils and fats, cocoa beans and dry pure prime pressed cocoa butter to India, Saudi Arabia, other Asian and Middle East countries, Malaysia, and United States, respectively.

Imports

The increase in non-oil imports, particularly raw materials drove merchandise imports to increase by 4.3 per cent to US$3.41 billion in October 2020, up from the US$3.27 billion recorded in September 2020. However, the value was 60.3 per cent lower than the US$8.57 billion recorded in the corresponding period of 2019. The import of non-oil products, which constituted 96.7 per cent of total import, increased to US$3.30 billion in the review period, above the US$3.15 billion in September 2020, due to the rebound in economic activities. On the other hand, the import of petroleum products, representing 3.3 per cent of total import, decreased marginally to US$0.11 billion in October 2020, from the level in the previous period, reflecting steady domestic demand (Figure 20).

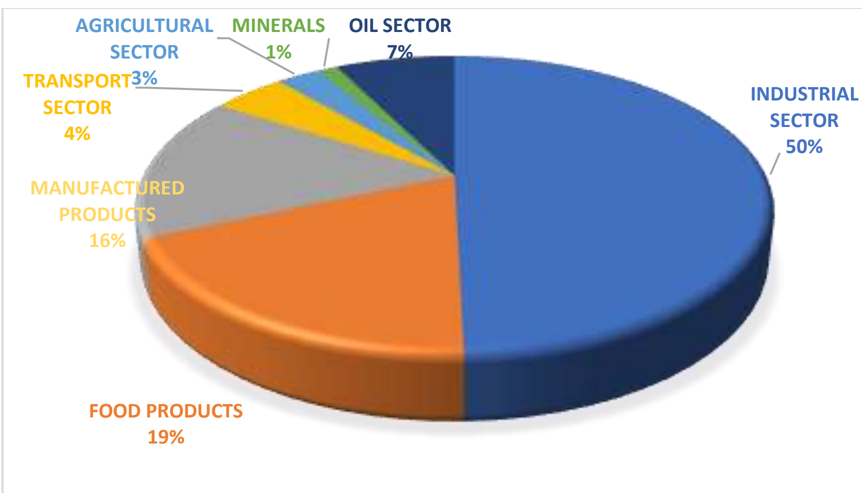
Figure 20: Export, Import and Trade Balance (US$ billion)



Source: Central Bank of Nigeria

A breakdown of provisional import data by sector showed that the industrial sector accounted for the largest share of the total with 49.6 per cent, followed by Food products with a share of 18.7 per cent. Manufactured products accounted for 15.8 per cent; Oil sector, 7.4 per cent; Transport sector, 4.5 per cent; Agricultural sector, 2.7 per cent; and Minerals sector, 1.2 per cent of the total (Figure 21).

Figure 21: Import by Sector, October 2020 (Per cent)



Source: Central Bank of Nigeria

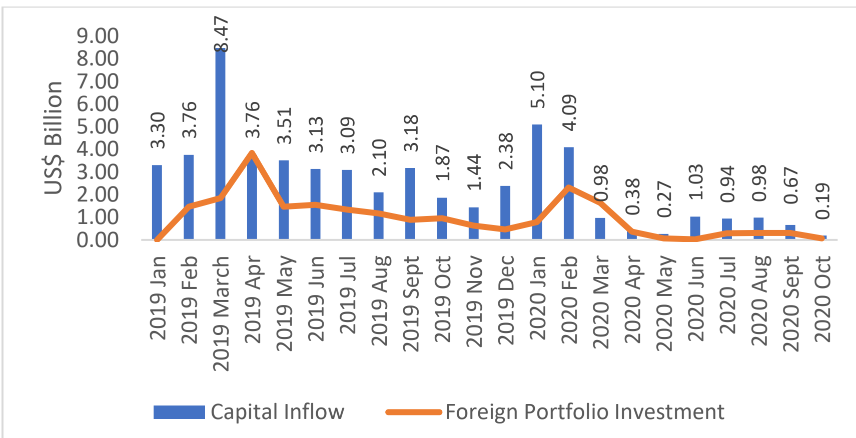
2.4.1 Capital Importation and Capital Outflow

Capital Importation

In the review period, capital inflow declined by 71.4 per cent due to tight global financial conditions, as countries, particularly, the developed economies struggle with the second wave of the COVID-19 pandemic. Capital importation data showed that inflow declined to US$0.19 billion in the review period, below US$0.67 billion in September 2020 (Figure 22). A disaggregation of inflow in the review period, showed that foreign direct investment (FDI) at US$0.09 billion accounted for 45.8 per cent of total inflow, foreign portfolio investment (FPI) at US$0.10 billion accounted for 5.6 per cent of total inflow, while Other Investments (OI), largely in form of loans was US$0.09 billion or 48.6 per cent of the total inflow. Except for FDI, these showed declines when compared with the US$0.06 billion, US$0.16 billion and US$0.17 billion for FDI, OI and FPI, respectively recorded in the preceding month.

Capital importation by nature of investment was dominated by portfolio investment, which accounted for 41.5 per cent, followed by production/manufacturing (16.3 per cent), financing (13.4 per cent), trading (9.6 per cent), and agriculture (8.0 per cent). A breakdown of capital by originating country showed that the United Kingdom took the lead with 25.3 per cent, the Netherlands and Singapore accounted for 14.8 per cent and 8.3 per cent, respectively, of the total inflow, while by destination, Lagos State, Abuja and Enugu were the top recipients of the inflow at US$0.11 billion, US$0.07 billion and US$0.01 billion, respectively.

Figure 22: Capital Inflow and FPI (US$ Billion)

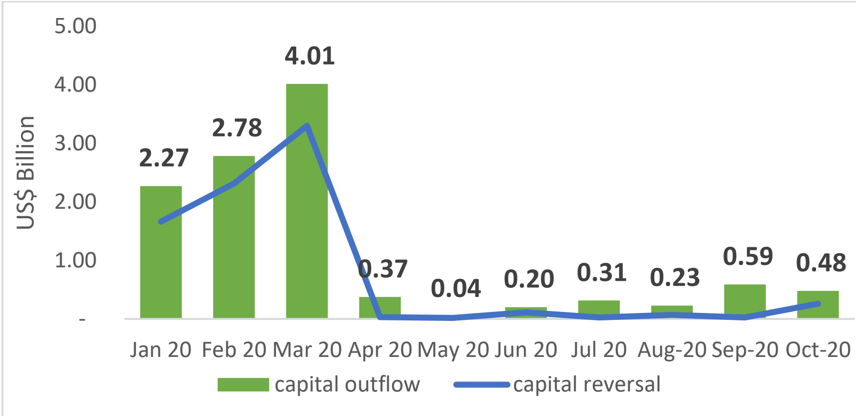


Source: Central Bank of Nigeria

Capital Outflow

The moderation in the repatriation of dividends by non-resident investors resulted in the 18.6 per cent decline in the capital outflow to US$0.48 billion in October 2020, relative to the US$0.59 billion in the preceding month. A detailed disaggregation showed that, of the total capital outflow, loan repayment component at US$0.17 billion, accounted for 35.9 per cent, while dividends at US$0.04 billion, accounted for 9.4 per cent. Capital reversal of US$0.26 billion, accounted for 54.7 per cent (Figure 23).

Figure 23: Capital Outflow (US$ Billion)



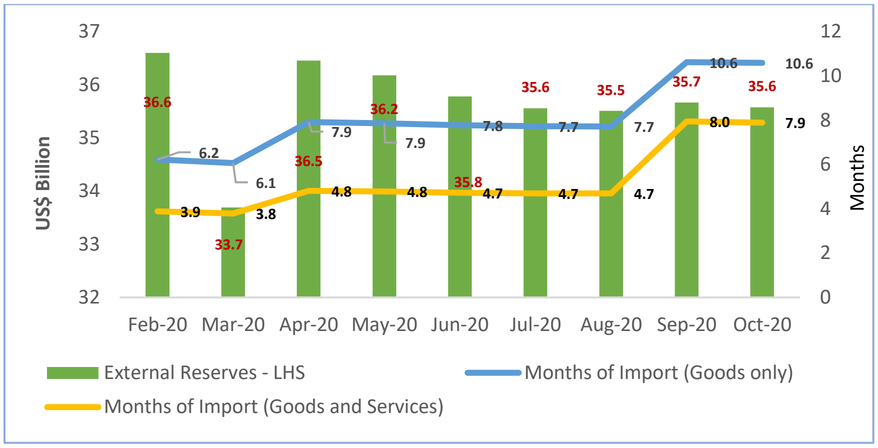
Source: Central Bank of Nigeria

International Reserves

2.4.2 International Reserves

Low oil receipts amid rising demand for foreign currency exerted pressure on the international reserves causing it to decline in the review month relative to its level in the preceding month. Consequently, the external reserves as at October 30, 2020 fell by 0.3 per cent and 10.2 per cent to US$35.58 billion, compared with US$35.67 billion and US$39.61 billion at end-September 2020 and end-October 2019, respectively. The decrease was due, mainly, to the Bank's objective of ensuring predictable macroeconomic environment through interventions in SMIS, BDC and I &E windows to stabilise the naira exchange rate. The external reserves position could cover 7.9 months of import of goods and services and 10.6 months of import of goods only. Nigeria's reserves per capita was US$172.60 compared with US$174.44 in September 2020 (Figure 24). Available information showed that South Africa and Egypt with reserve stocks of US$43.03 billion and US$34.68 billion, respectively, recorded reserve per capita of US$725.53 and US$338.89, respectively (Table 16).

Figure 24: External Reserves and Months of Import Cover for Nigeria



Source: Central Bank of Nigeria

Table 16: International Reserves Per Capita of Some Selected African Countries

Country	September 2020		October 2020	
	Reserves (US$bn)	Reserve Per Capita (US$)	Reserves (US$bn)	Reserve Per Capita (US$)
Nigeria	35.96	174.44	35.58	172.60
South Africa	43.79	738.34	43.03	725.53
Egypt	33.86	330.88	34.68	338.89

Source: Central Bank of Nigeria and Reuters

Reserves Composition and Ownership Structure

A breakdown of the external reserves by ownership showed that, the CBN had the largest share of US$30.41 billion (85.5%) followed by the Federal Government with US$5.10 billion (14.3%). The Federation portion accounted for the balance of US$0.07 billion (0.2%). In terms of currency composition, the US dollar at US$28.86 billion, constituted 81.1 per cent of total; Chinese Yuan, US$4.22 billion (11.9%) and Special Drawing Rights, US$2.12 billion (5.9%). Others are GB Pounds, US$0.23 billion (0.6%); Euro, US$0.15 billion (0.4%); Japanese Yen, US$0.01 billion (0.03%) and other currencies accounted for the balance.

2.4.3 Foreign Exchange Flows through the Economy

Foreign Exchange Flows through the Economy

In the review period, the global economic recovery was hampered by the second wave of the outbreak of COVID-19 cases in several countries, particularly in Europe, and geopolitical tensions (US-China, China-India, Turkey-Greece, Russia-Saudi Arabia) that weakened investors' sentiment, leading to a decrease in aggregate foreign exchange flows in October 2020. Available data showed that, aggregate foreign exchange inflow to the economy was US$6.47 billion, compared with US$7.34 billion in the preceding month and US$9.23 billion in the corresponding period of 2019, indicating a decrease of 11.9 per cent and 29.9 per cent, respectively. The reduction in foreign exchange inflow through the economy was mainly attributed to the fall in foreign exchange earnings from the oil and non-oil receipts by 39.6 per cent and 14.9 per cent, respectively.

On the other hand, foreign exchange outflow through the economy, driven, largely, by outflow through the Bank, rose by 23.2 per cent to US$2.60 billion, compared with the level in the preceding month. It, however, declined by 51.4 per cent relative to the level in the corresponding month of 2019. The development relative to the preceding month was attributed mainly to the 22.8 per cent increase in the foreign exchange outflows through the Bank especially for interbank utilisation during the review period.

Consequently, the foreign exchange transactions through the economy resulted in a net inflow of US$3.87 billion, a decrease of 26.1 per cent below the net inflow of US$5.23 billion in the preceding month but remained steady when compared with the level in the corresponding month of 2019.

2.4.4 Foreign Exchange Flows through the Central Bank of Nigeria

Foreign exchange Flows through the CBN

The non-oil sector remained the major source of foreign exchange inflow to the economy through the CBN. Aggregate foreign exchange inflow through the CBN stood at US$1.89 billion, a decrease of 22.0 per cent and 46.4 per cent below the levels in September 2020 and October 2019, respectively. This was attributed largely, to the 14.9 per cent and 39.6 per cent decrease in the non-oil and oil receipts through the Bank to US$1.47 billion and US$0.42 billion, respectively, in the review period. The development was attributed to the low oil prices as well as the slow rate of recovery in most economies due, mostly, to the resurgence of COVID-19 in several countries globally, including the USA, Europe and the UK.

Further analysis of non-oil receipts showed that inflow from other official receipts, foreign exchange purchases and returned payments increased to US$0.39 billion, US$0.32 billion and US$0.15 billion from US$0.26 billion, US$0.16 billion and US$0.10 billion, respectively, compared with their levels in the preceding month. Furthermore, interbank/institutional Swaps and TSA & third-party receipts declined below levels in the previous month by 66.7 per cent and 36.3 per cent to US$0.25 billion and US$0.26 billion, respectively. Similarly, unutilised IMTO funds, unutilised funds from forex transaction, interest on reserves and investments, declined by 61.7 per cent, 0.5 per cent and 9.4 per cent to US$0.04 billion, US$0.03 billion and US$0.01 billion, respectively.

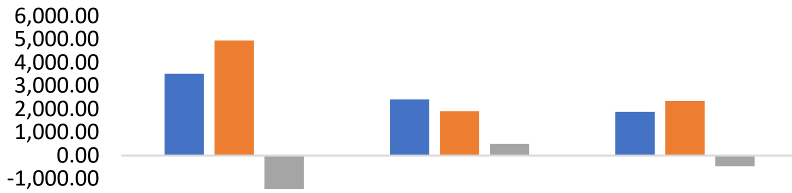
Aggregate foreign exchange outflow through the CBN increased by 22.8 per cent to US$2.35 billion from US$1.91 billion in the preceding month. The Bank continued efforts to meet the foreign exchange demands arising from the increase in cross-border travel activities in the review period. A breakdown of the outflow through the Bank during the review period showed: interbank utilisation, US$1.56 billion; public sector/direct payment, US$0.31 billion; third party MDA transfers, US$0.21 billion; external debt service, US$0.08 billion; forex special payment, US$0.01 billion and drawings on Letters of Credit (L/Cs), US$0.03 billion. The decline of 58.6 per cent in the drawings on L/Cs was attributed to the Bank's policy on the cessation of third-party payments using Form M and introduction of Product Price Verification Mechanism to curb foreign exchange leakages through inflation of imports prices.

Interbank Utilisation

Interbank utilisation, which constituted 66.4 per cent of total outflow through the CBN, increased by 17.6 per cent in the review month, driven by the increased interventions to ensure foreign exchange liquidity and stability. Provisional data showed that foreign exchange sales to the SMIS window, BDC segment and matured swap transaction rose to US$0.65 billion, US$0.42 billion and US$0.12 billion, respectively, over US$0.54 billion, US$0.34 billion and US$0.01 billion in the preceding month. Further disaggregation showed that I & E, SME and interbank sales, however, decreased to US$0.23 billion, US$0.10 billion, and US$0.03 billion, respectively, below US$0.26 billion, US$0.12 billion, and US$0.05 in the preceding month.

Overall, foreign exchange flows through the Bank in the review period resulted in a net outflow of US$0.46 billion in contrast to a net inflow of US$0.51 billion in the preceding month (Figure 25).

Figure 25: Foreign Exchange Transactions through the Bank (US$ Million) in October 2020



	Oct 19	Sept 2020	Oct 2020
Inflow	3,520.49	2,416.96	1,885.82
Outflow	4,952.02	1,911.65	2,346.48
Netflow	(1,431.53)	505.31	(460.66)

Inflow Outflow Netflow

Source: Central Bank of Nigeria

2.4.5 Foreign Exchange Flows through Autonomous Sources

Foreign Exchange Flows through Autonomous Sources

Slower than expected recovery from the COVID-19 pandemic, amid second wave of the virus infection affected the flow of foreign exchange through autonomous sources. Provisional data showed that, aggregate inflow through autonomous sources amounted to US$4.58 billion, indicating decreases of 6.9 per cent and 18.9 per cent below its levels in the preceding month and corresponding month of 2019, respectively. Foreign exchange inflow through autonomous sources accounted for 70.9 per cent of the total inflow through the economy. This comprised: invisible purchases, which accounted for 96.6 per cent of the total autonomous sources; Non-oil export receipts by banks (3.3%); and external accounts purchases (0.1%). The invisible purchases at US$4.43 billion, declined by 7.8 per cent, compared with the level in the preceding month. Of this, total OTC purchases and ordinary domiciliary account fell by 3.5 per cent and 18.8 per cent to US$3.33 billion and US$1.10 billion, respectively, below their levels in the preceding month. Further disaggregation of the total OTC purchases showed that capital importation declined by 69.9 per cent to US$0.19 billion relative to the preceding period. The development was attributed to a shift in foreign investors' decisions to invest in safe-haven commodities like gold, due to fear of vulnerabilities in emerging and developing countries' currencies.

Outflow through autonomous sources at US$0.27 billion increased by 27.2 per cent above the level in the preceding month but decreased by 36.3 per cent below the level in the corresponding period of 2019. The increase was attributed to the 48.1 per cent rise in invisible import, (which included financial services, distribution services and business services) to US$0.24 billion from US$0.16 billion in the preceding month. Overall, foreign exchange flow through autonomous sources resulted in a net inflow of US$4.33 billion, reflecting a decrease of 8.4 per cent and 18.4 per cent relative to US$4.73 billion and US$5.31 billion in the preceding month and the corresponding month of 2019, respectively.

Non-oil Receipts by Banks

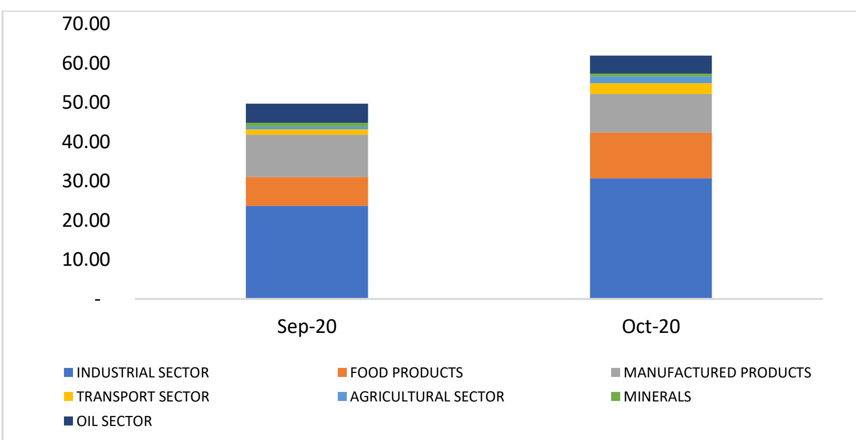
Non-oil export receipts by banks was estimated at US$0.11 billion, a decrease of 9.6 per cent compared with the US$0.12 billion recorded in the preceding month. The development was traced to low receipts from some sectors, especially, industrial and agricultural sectors.

2.4.6 Sectoral Utilisation of Foreign Exchange

Sectoral Utilisation of Foreign Exchange

Provisional data for October 2020 showed that total foreign exchange utilisation by sectors increased by 2.8 per cent from the preceding month to US$1.71 billion, reflecting gradual improvement in economic activities in Nigeria and across the globe on account of relaxation of lockdown measures. Visible imports rose by 28.2 per cent to US$1.06 billion, while invisible imports fell by 22.3 per cent to US$0.65 billion, constituting 61.9 per cent and 38.1 per cent of the total foreign exchange utilisation, respectively. A disaggregation of foreign exchange utilisation for visible transactions showed that the amount utilised for industrial sector, food products and manufactured products subsectors amounted to US$0.53 billion, US$0.20 billion and US$0.17 billion, from US$0.39 billion, US$0.12 billion, US$0.18 billion, respectively, in the preceding month. Also, oil, transport, agriculture and mineral subsectors amounted to US$0.08 billion, US$0.05 billion, US$0.03 billion and US$0.01 billion in October from US$0.07 billion, US$0.02, US$0.01 and US$0.02 billion, respectively, in September 2020 (Figure 26).

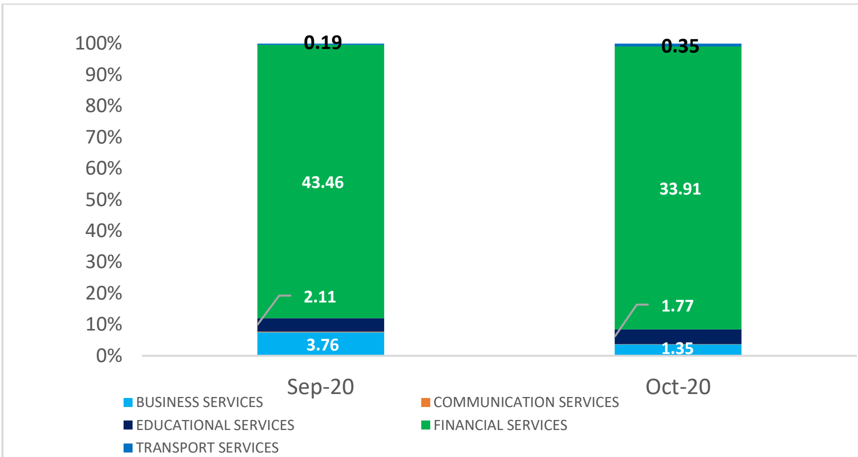
Figure 26: Major Visible Imports as Per cent of Total Utilisation of Foreign Exchange



Source: Central Bank of Nigeria

A disaggregation of the foreign exchange utilisation under the invisible component showed that: financial services stood at US$0.58 billion and accounted for 33.9 per cent of the total; educational services, US$0.03 billion (1.8%); business services, US$0.02 billion (1.4%); other services not included elsewhere was US$0.01 billion (0.6%); transport services, US$0.006 billion (0.4%); and communication services, US$0.001 million (0.1%) (Figure 27).

Figure 27: Major Invisible Imports as Per cent of Total Utilisation of Foreign Exchange



Source: Central Bank of Nigeria

2.4.7 Foreign Exchange Market Developments

Foreign Exchange Policy

The Bank continued to stabilise the exchange rate in the review month.
Following the resumption of foreign exchange sales to the BDC segment of the foreign exchange market in September 2020, liquidity injection to the retail-end of the market is expected to discourage speculative activities.

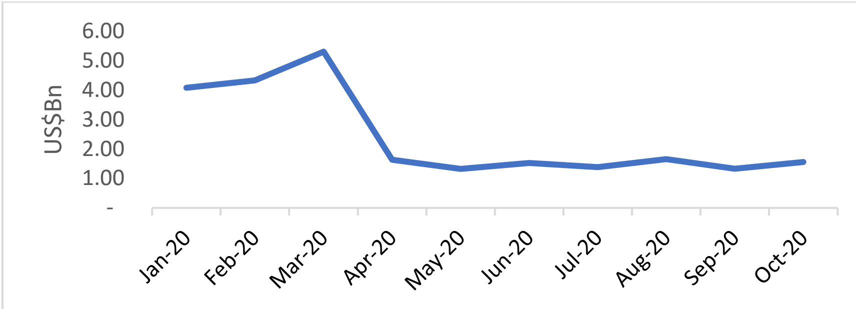
2.4.8 Spot Transactions in the Foreign Exchange Market

Spot Transactions

Provisional data showed that in October 2020, total foreign exchange sales to authorised dealers by the Bank amounted to US$1.56 billion; an increase of 17.6 per cent from the level in the preceding month, but a decline of 50.8 per cent below the level in the corresponding month of 2019. The development, relative to the preceding month, was attributed, largely, to increased matured swap transactions, which rose to US$0.12 billion from US$0.01 billion in September 2020. Similarly, foreign exchange cash sales to SMIS and BDC rose by 18.7 per cent and 23.9 per cent respectively to US$0.65 billion and US$0.42 billion in the review period, respectively.

A further disaggregation showed that sales to interbank, I &E and SME respectively fell by 37.6 per cent, 10.2 per cent and 11.8 per cent to US$0.23 billion, US$0.20 billion and US$0.08 billion, relative to their levels in the preceding month (Figure 28).

Figure 28: Foreign Exchange Sales to Authorised Dealers (US$ billion)



Source: Central Bank of Nigeria

2.4.9 Exchange Rate Movement

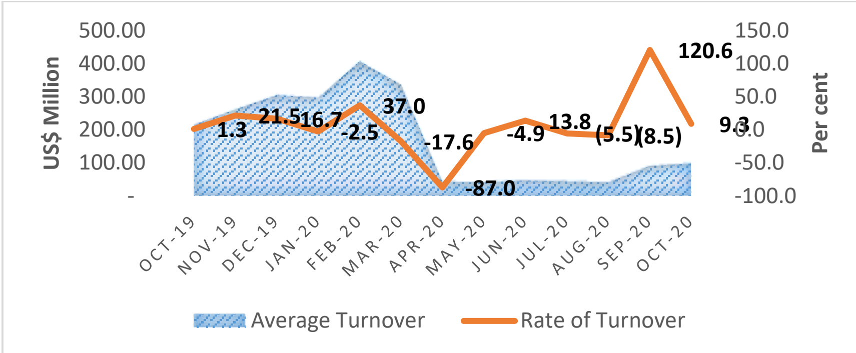
Exchange Rate Movement

Provisional data indicated that, the average exchange rate of the naira to the US dollar at the interbank segment of the foreign exchange market remained flat at ₦381.00/US$ as in September 2020. The exchange rate at the BDC segment depreciated by 0.9 per cent below the level in the preceding month to ₦459.05/US$. Consequently, this led to the widening of the premium between the average interbank/BDC rate by 1.1 percentage points to 20.5 per cent in October 2020 from 19.4 per cent in September 2020. The I&E window recorded a marginal appreciation of 0.03 per cent to ₦385.89/US$ due to the increased liquidity in the foreign exchange market.

Provisional average turnover at the investors and exporters' foreign exchange market rose by 9.3 per cent to US$98.40 million in October 2020 from US$90.05 million in the preceding month. This, however, represented a decrease of 54.3 per cent over the level in the corresponding period of 2019 (Figure 29). The premium between the BDC/I&E, also, widened by 1.2 percentage points to 19.0 per cent from 17.8 per cent in the preceding month.

Provisional data showed that, the end-period exchange rate of the naira to the US dollar at the interbank segment and the I&E window remained unchanged in the review month at ₦381.00/US$ and ₦386.00/US$, respectively. However, at the BDC segment, the end-period exchange rate appreciated by 0.7 per cent to ₦460.00/US$, compared with ₦463.00/US$ at the end of September 2020.

Figure 29: Turnover in the I&E Foreign Exchange Market



Source: Financial Market Dealers Quote

Naira against Selected International Currencies

The naira strengthened against major currencies, owing to the reduction in demand pressure, particularly at the I&E window. Analysis of the average exchange rate of the naira against selected major international currencies, indicated that the naira appreciated by 0.60 and 0.58 per cent against the British pound and the euro, respectively, while the naira depreciated against the Japanese yen by 0.5 per cent compared with the levels in preceding month. Similarly, the naira strengthened at the regional level as it appreciated against the CFA franc and WAUA by 0.7 per cent and 0.02 per cent, respectively, relative to the levels in September 2020.

Emerging Market Currencies

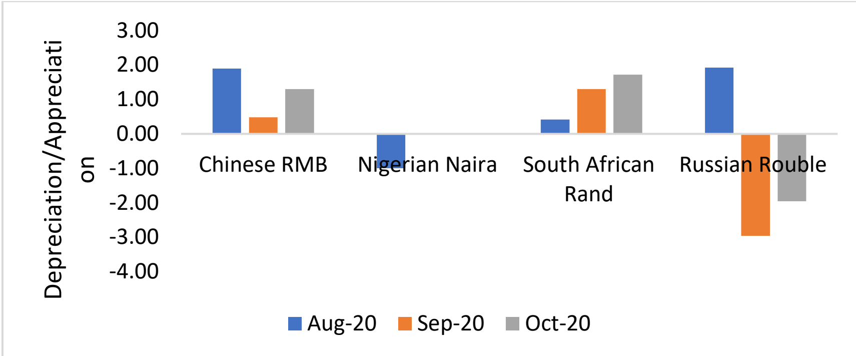
Analysis of the emerging market currencies in October 2020 showed a sustained momentum of recovery from the lows recorded since the beginning of the year. This was attributed to the weakening dollar as a result of the impact of hurricane that disrupted Shale oil production areas in the USA. Consequently, the average exchange rate of the South African rand appreciated by 1.7 per cent, compared with the level in September 2020. Likewise, the Chinese RMB gained further grounds against the US dollar as it appreciated by 1.3 per cent in the review period. However, the Russian rouble depreciated against the US dollar by 2.0 per cent in the review period (Table 17, Figure 30).

Table 17: EMEs Currencies' Rates to the US dollar

Period	Chinese RMB/US$	Nigerian Naira/US$	South African Rand/US$	Russian Rouble/US$
Aug-20	6.84	381.00	16.94	73.80
Sep-20	6.81	381.00	16.72	76.05
Oct-20	6.72	381.00	16.44	77.57

Sources: Central Bank of Nigeria and Reuters.

Figure 30: EMEs Currencies' Values to the US dollar



Sources: Central Bank of Nigeria and Reuters.

2.4.10 External Sector Outlook

Global Oil Demand in Slow Recovery

The spike in COVID-19 infections might continue to affect the recovery of global oil demand. In addition, OPEC+ oil production cut of 9.7 million bpd agreed upon in April 2020, was reduced by 2.0 million bpd in August 2020. A further 2.0 million bpd cut is expected in January 2021 and this might lead to oil glut and by extension a further drop in oil prices.

Spike in COVID- 19 Infections

Although the development of COVID-19 vaccines is at final stages for deployment, the second wave of infection in major Nigeria's trading partners, like Europe, the USA and India, could cause more damage to the domestic economy. Thus, Nigeria's economic recovery might further weaken without robust proactive trade and foreign exchange policies.

Insecurity/ Social Unrest

The EndSARS protests in the country and subsequent violence in some areas sent negative signals to international investors as some embassies within the country closed for safety. This could negatively affect investors' confidence in the country.

Loan repayment

Foreign exchange outflow, particularly loan repayments, which constituted 35.9 per cent of capital outflow is a serious drawback on the available foreign exchange for upscaling infrastructural financing and industrial uses. This is, however, expected to linger in the short to medium-term in view of the surge in Nigeria's debt accumulation.

Foreign exchange earnings

The current level of the reserves is expected to be sustained in the near-term, especially with renewed commitments of the OPEC and its allies on production cut drives, aimed at buoying up crude oil prices. Nonetheless, the major risk remained the direction of crude oil prices amidst the possibility of upsurge in the COVID-19 pandemic cases, which could engender a return to strict lockdown measures and the attendant demand and supply disruptions. In addition, the resumption of foreign exchange sales to Bureau-de-Change also presents additional pressure on the level of external reserve.