CENTRAL BANK OF NIGERIA
ECONOMIC REPORT

February 2022

ABOUT THE REPORT

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

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

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EXECUTIVE SUMMARY

The *global economy rebounded from the slow pace of economic activity in the preceding month, following the easing of the Omicron-induced restrictions in the Advanced Economies (AEs), despite significant inflation risks and divergent pace of economic recovery across regions. In most AEs, the pace of economic expansion accelerated significantly as the relaxation of containment measures spurred consumer demand and business confidence. However, in the Emerging Markets and Developing Economies (EMDEs), economic activity revealed mixed developments due to rising uncertainties and country-specific factors. Inflationary pressures continue to haunt the global economy as households grapple with the rising cost of living, while the Russia-Ukraine conflict posed serious setback to the performance of the global financial markets, with major equities recording losses. Although uncertainties clouded the international oil market, global crude oil production increased as OPEC+ supply, and crude oil spot prices rose in February due to concerns of supply shortfall as geopolitical tensions escalated in Europe. Fuelled by tight supply conditions, prices of most agricultural export commodities trended upward just as average spot prices of gold, silver, platinum, and palladium increased.*

The domestic economic activity expanded, although at a slower pace, reflecting softer consumer demand as the Manufacturing Purchasing Managers Index (PMI) moderated to 50.1 index points, from 51.4 index points in January 2022.

Inflationary pressures remain elevated as headline inflation rose to 15.70 per cent, from 15.60 per cent in January 2022, driven mainly by the disruption in the supply of refined petroleum products, which increased transportation and other related costs. This disruption pushed up core inflation to 14.01 per cent in the review period. However, food inflation moderated to 17.11 per cent, compared with 17.13 per cent in the preceding month, attributed to improvement in output of farm produce and moderation in the prices of processed food. To further boost domestic output and support economic diversification, the Bank's interventions in critical sectors of the economy were sustained.

Fiscal conditions remained fragile in February 2022, driven by elevated spending amidst subdued revenues due to value shortfall recovery for Premium Motor Spirit (PMS). Provisional data shows that federally collected revenue was 22.0 per cent below target and 15.4 per cent below the level in January 2022. Similarly, FGN retained revenue plummeted by 8.3 per cent over the same period, while its expenditure increased marginally by 0.2 per cent on account of higher recurrent expenditure as government sought to rev up consumption, especially of vulnerable groups, prompting a 6.5 per cent expansion in the overall deficit. The debt profile of the FGN remained elevated as the government *implemented measures to soften the impact of the Pandemic. Even though the debt profile was within the FGN medium-term debt strategy, it exerted pressure on the fiscal account as borrowing costs increased in the face of rising domestic and global interest rates*.

Financial conditions softened on account of substantial fiscal stimuli and monetary accommodation to address supply shocks and the potential drag on credit expansion as global uncertainties persist. Hence, broad money grew by 2.1 per cent (annualised to 12.7 per cent), while credit to the private sector increased by 18.1 per cent. Subdued activities in the Standing Lending Facility (SLF) window and the strong patronage at the Standing Deposit Facility (SDF), confirm healthier liquidity in the banking system. Hence, key short-term interest rates declined, just as the Nigerian financial market showed resilience despite a volatile global financial market. Furthermore, activities in fixed income securities increased as investors navigate difficult economic conditions and underlying pricing pressures in search of better yields.

At the external sector, the build-up of geopolitical tensions in Eastern Europe occasioned by the Russia-Ukraine conflict heightened concerns for a protracted disruption of the global supply chain, raising the spectre of elevated commodity prices, particularly crude oil and gas. Consequently, higher crude oil export receipts resulted in a higher trade surplus in the review period. However, global uncertainties and worse-than-expected negative spill over effects continue to weigh on the performance of non-oil export and merchandise import as it remained subdued on account of lingering supply chain disruption. Favourable sovereign ratings and higher oil and gas prices led to a higher net foreign exchange inflow, resulting in accretion to external reserves. The Bank tapered its interventions in the foreign exchange market to improve efficiency in the utilization of foreign exchange and to conserve external reserves. The naira exchange rate at the I&E window remained relatively stable, despite the upscaling of cyclical and structural demand factors amidst foreign exchange supply constraints.

In terms of outlook, the global economy is expected to expand at a slower pace in 2022, owing to the ripple effects of the Russia-Ukraine crisis. Given the broadening of price pressures as geopolitical risks escalate, global inflation is projected to remain elevated in the short-term, on supply shocks, emanating from energy and food prices. On the domestic front, the economy is expected to sustain its growth trajectory in the near term. This optimistic outlook is hinged on the sustenance of the current crude oil price trend, overcoming of operational constraints in the oil sector, the effective implementation of the Medium-Term National Development Plan (MTNDP), and the positive impact of CBN interventions on growth-enhancing sectors, among others. However, persistent *security challenges and subsisting structural factors, such as infrastructural deficit, remain potential headwinds to the domestic economic outlook. The price pressures would remain elevated in the near term due to the protracted spill over effect of the Russia-Ukraine conflict on energy and food prices. Headline inflation is, thus, projected to rise in the first quarter of the year, driven by the food and core components, if the shortage of refined petroleum products and disruption of electricity supply, coupled with security challenges in some parts of the country, persists.*

Fiscal outlook for the near-term is optimistic as positive sentiments around crude oil prices, anchored on successive reductions in US oil reserves, are expected to ensure stable crude oil prices and improve the near-term oil revenue. However, constraints to effective tax administration, the value shortfall recovery for PMS, and heightening security challenges, constitute downside risks to the fiscal outlook. The external account is expected to be favourable in the near-term hinged on the sustenance of rising crude oil prices emanating from the Russia-Ukraine conflict. At the same time, potential increase in interest rates by the US Federal Reserve Bank could lead to capital flow reversals. Nigeria's external reserves are projected to improve in the near term, though the value shortfall recovery for PMS, rising import bills, and increased external debt servicing obligations remain risks to reserves accretion.

1.0 GLOBAL ECONOMIC DEVELOPMENTS

1.1 Global Economic Activity

Global Economic Conditions

The global economy rebounded from the slow pace of growth in the preceding month, following the easing of the Omicron-induced restrictions in the advanced economies, despite significant inflation risks and divergent pace of economic recovery across regions. The Global Composite Purchasing Managers' Index (PMI) rose to 53.4 index points in February, from 51.4 index points in January 2022. Markedly, the services sector witnessed the highest expansion, driven by improvements in business services and consumer services sub-sectors, especially in advanced economies. Despite supply chain delays and workforce shortages, the manufacturing sector also recorded a modest improvement in activities.

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

	Dec-21	Jan-22	Feb-22
Composite	*54.3*	*51.4*	*53.4*
Manufacturing	*54.3*	*53.2*	*53.6*
Services (Business Activity)	*54.7*	*51.3*	*53.9*
Employment Level	*51.6*	*51.5*	*52.5*

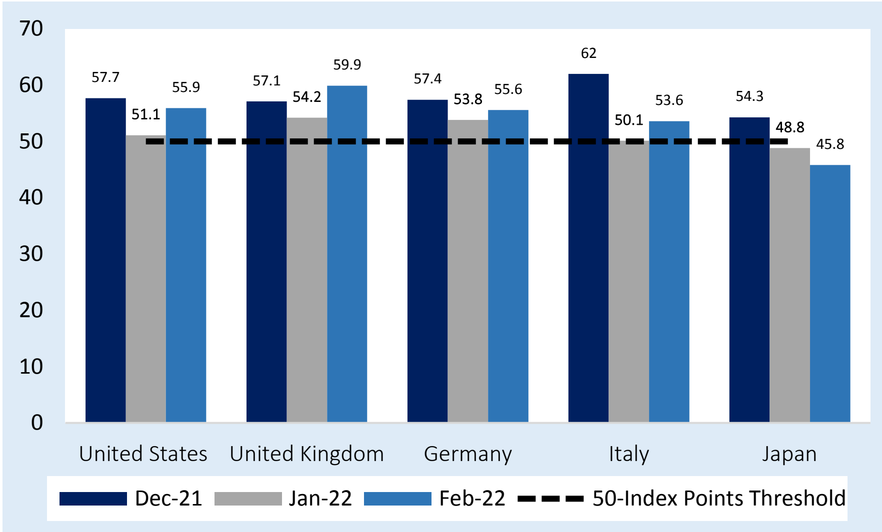
Source: *IHS Markit, JP Morgan.*

Economic Activity in Advanced Economies

The pace of economic expansion accelerated significantly in most Advanced Economies (AEs), as the relaxation of containment measures spurred business activities. Country analysis shows that the United Kingdom recorded the sharpest rate of expansion owing to the relaxation of various containment measures, with the PMI rising to 59.9 index points in February from 54.2 index points in January 2022. Similarly, increased demand led to an expansion in economic activities in the US and Germany, as evidenced in accelerated export orders. Accordingly, the US and Germany PMIs rose to 55.9 index points and 55.6 index points in February 2022, from 51.1 index points and 50.1 index points, respectively, in the preceding month. In Italy, the rebound in economic activities, especially in the service sector, increased the PMI to 53.6 index points in February 2022 from 50.1 index points.

However, the Japanese economy recorded a second successive month of contraction in economic activities as the PMI fell to 45.8 index points in February 2022 from 48.8 index points in the preceding period. This development was underpinned by supply chain disruptions and the renewed COVID-19 containment measures.

Figure 1: PMIs of Selected Advanced Economies



***Source**: Trading Economics/Various Country Websites.*

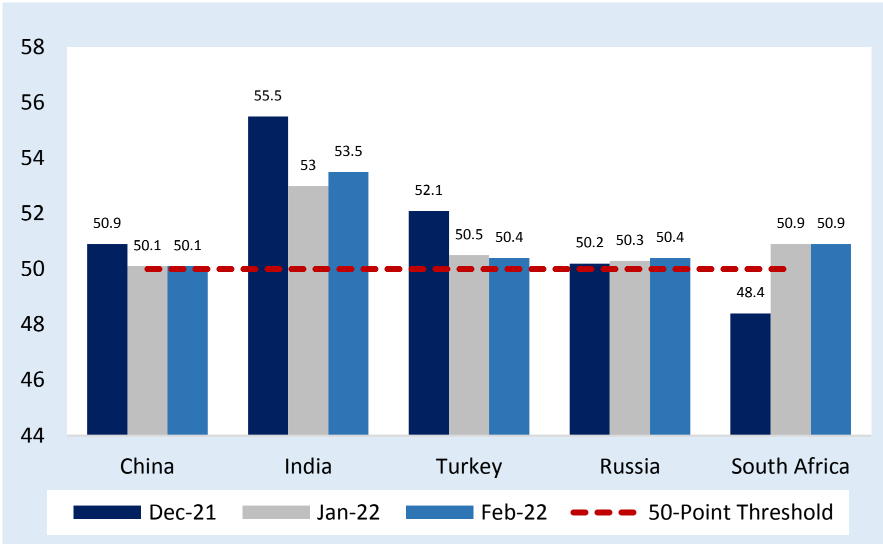
Economic Activity in Emerging Markets and Developing Economies

Economic activity moderated in the Emerging Markets and Developing Economies (EMDEs) in the review period, due to waning consumer business confidence and rising uncertainties.

New orders picked up in India and Russia, where the PMIs rose to 53.5 index points and 50.4 index points, from 53.0 index points and 50.3 index points, respectively. Moderate and stable economic activity in South Africa and China kept the PMIs unchanged at 50.9 index points and 50.1 index points, respectively.

Conversely, the Manufacturing PMI in Turkey declined marginally to 50.4 index points in February from 50.5 index points in January 2022. The reversals in the milestones achieved in the previous 3 months underscored the waning confidence in the economy following aggregate price increases and rising uncertainties.

Figure 2: PMIs of Selected EMDEs



Sources: *Trading Economics/ Various Country Websites.*

1.2 Global Inflation

Global Inflation

Inflationary pressures continue to haunt the global economy as households grapple with the rising cost of living. Headline inflation rose in most AEs, due to soaring energy costs (gasoline prices) and food prices. Specifically, headline inflation in the United States and the United Kingdom stood at 7.87 per cent and 6.20 per cent, respectively, the highest recorded in decades. Inflation also increased to 5.10 per cent and 5.70 per cent in Germany and Canada, from 4.90 per cent and 5.10 per cent, respectively, in the preceding month.

Within the EMDEs, price developments were mixed owing to country-specific factors. In Mexico, inflation accelerated to 7.28 per cent, reversing the downward trend observed in the previous two months. In India and Nigeria, inflation edged up slightly to 6.07 per cent and 15.70 per cent, respectively, from 6.01 per cent and 15.60 per cent in January 2022. While the rise in food items accounted for the price uptick in India, disruptions to the domestic fuel supply chain inched up prices in Nigeria. However, China's inflation remained at the previous month's level of 0.90 per cent. Conversely, inflation in Indonesia eased to 2.06 per cent in February, from 2.18 per cent due to falling food and utility prices as the government set price controls.

Table 2: Summary of Global Inflation Rates

Country	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
United States	5.39	6.20	6.80	7.00	7.48	7.87
United Kingdom	2.90	4.10	5.20	4.80	5.50	6.20
Japan	0.20	0.10	0.60	0.80	0.50	0.90
Canada	4.38	4.65	4.70	4.80	5.10	5.70
Germany	4.06	4.53	5.20	5.30	4.90	5.10
China	0.70	1.50	2.30	1.50	0.90	0.90
South Africa	5.07	5.05	5.50	5.90	5.70	5.70
India	4.40	4.48	4.91	5.59	6.01	6.07
Mexico	6.00	6.24	7.37	7.36	7.07	7.28
France	2.16	2.62	2.78	2.80	2.85	3.60
Italy	2.54	3.02	3.70	3.90	4.80	5.70
Indonesia	1.60	1.65	1.75	1.87	2.18	2.06
Turkey	19.58	19.89	21.31	36.08	48.69	54.44
Nigeria	**16.63**	**15.99**	**15.40**	**15.63**	**15.60**	**15.70**

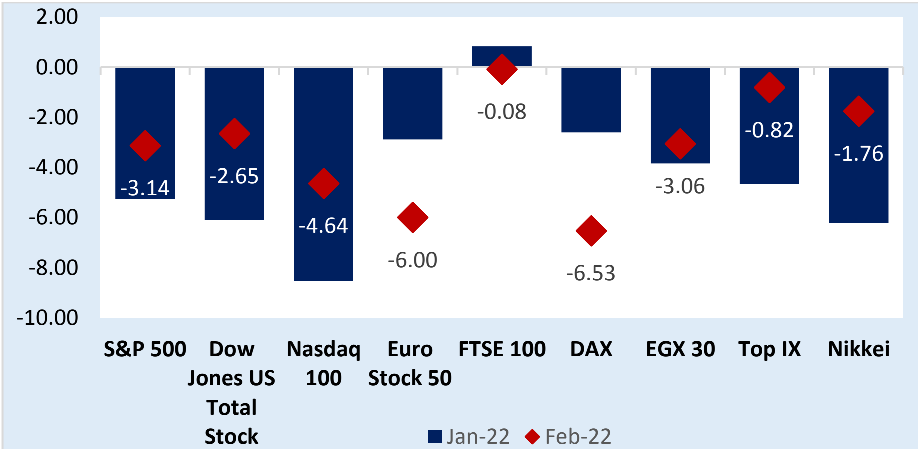
Sources: *OECD and NBS.*

1.3. Global Financial Markets

Global Financial Markets

The Russia-Ukraine conflict posed a serious setback to the performance of the global financial markets, with major equities recording losses. Uncertainties surrounding the geopolitical tensions dominated equity market sentiments in most AEs as investors assessed the implications of the Russia-Ukraine crisis. Consequently, equity indices in the Eurozone underperformed other regions due to the region's reliance on Russian energy. Specifically, the DAX, EURO STOXX, and FTSE fell by 6.53 per cent, 6.00 per cent, and 0.08 per cent, respectively, in February, relative to the January levels. In the US, the NASDAQ and Dow Jones closed lower in February 2022, at -4.64 per cent and -2.65 per cent, respectively, compared to their levels in the preceding month. The NIKKEI 225 also fell by 1.76 per cent.

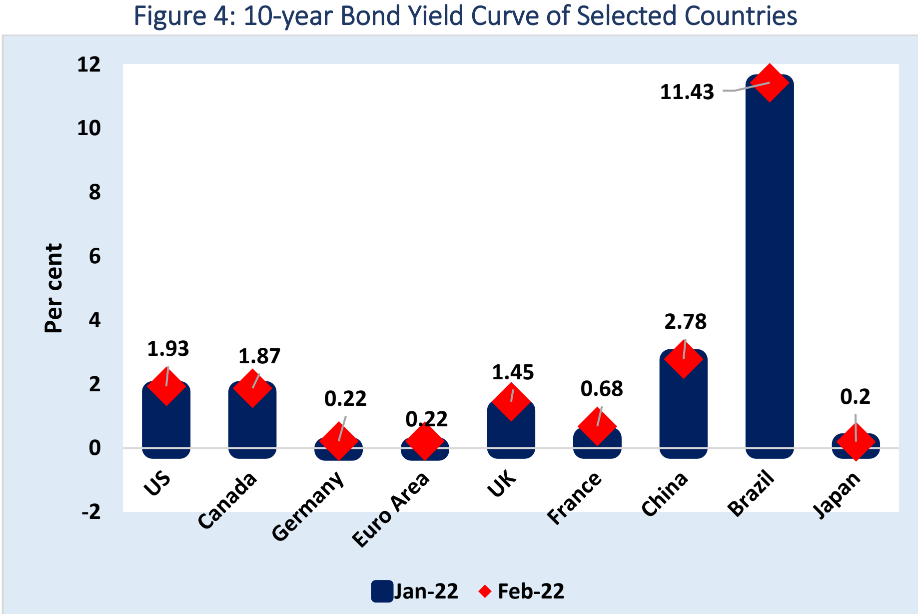
Figure 3: Growth of Selected Equity Indices (Per cent)



Source: *Bloomberg*

Bond yields began the month higher, on account of the expected policy tightening of the Fed and the European Central Bank (ECB) as well as hawkish surprises by the Bank of England (BoE). However, the geopolitical tensions pushed yields downwards from mid-February 2022 to the end of the month. Consequently, yields ended the month slightly higher than the values in January. Specifically, the US 10-year yield rose to 1.93 per cent from 1.76 per cent. German 10-year yields also rose to 0.22 per cent from a negative per cent of 0.05. In EMDEs, the Brazilian 10-year yield increased by 0.07 percentage points to 11.43 per cent in the month under review as that of China rose by 0.02 percentage points to 2.78 per cent.

Figure 4: 10-year Bond Yield Curve of Selected Countries

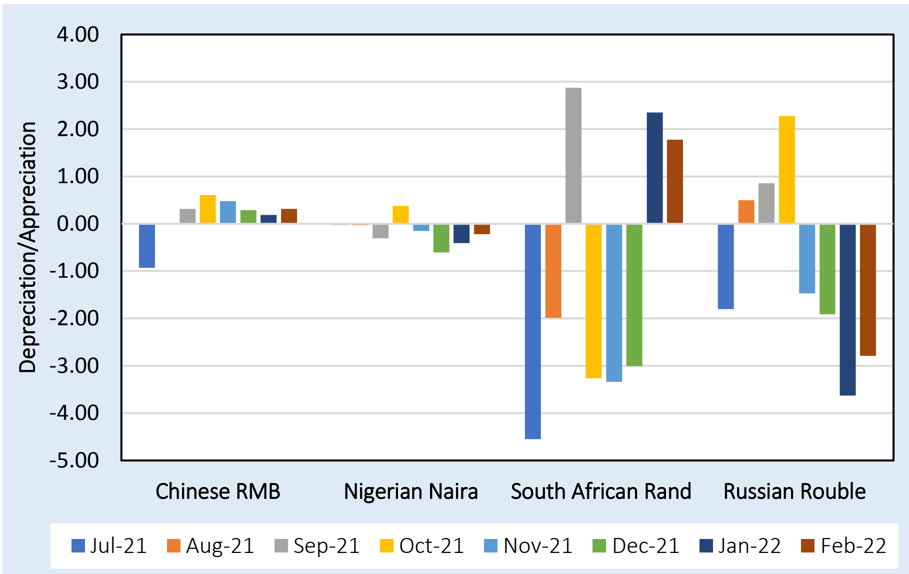


Source: *Bloomberg.*

Emerging markets and developing economies currencies

The average exchange rate of the Russian Rouble depreciated by 2.8 per cent, due to Western sanctions on Russia. On the other hand, the Chinese RMB and South African Rand appreciated by 0.3 per cent and 1.8 per cent to the US dollar, respectively, in the review month.

Figure 5: Selected EMDEs Currencies' Values to the US dollar



Sources: *CBN and Exchange Rates UK.*

Table 3: Selected EMDEs Currencies' Rates to the US dollar

Period	Chinese RMB	Nigerian Naira	South African Rand	Russian Rouble
Feb-21	6.46	381.00	14.77	74.34
Jan-22	6.36	416.03	15.50	76.57
Feb-22	6.34	416.95	15.23	78.76

***Sources*:** *CBN and Exchange Rates UK*

1.4 Global Commodity Market

World Crude Supply and Demand

Global crude oil production increased as OPEC+ supply rose in line with the continued implementation of their production agreement. The world crude oil supply increased by 0.9 per cent to 99.87 million barrels per day (mbpd) in February 2022, from 99.00 mbpd in January 2022 due to increased supply from non-OECD oil producing countries. Total OECD supply rose, marginally, by 0.1 per cent, to 32.46 mbpd from 32.44 mbpd in the previous month, while non-OECD supply rose by 1.3 per cent, to 67.41 mbpd in February 2022, from 68.29 mbpd in January 2022.

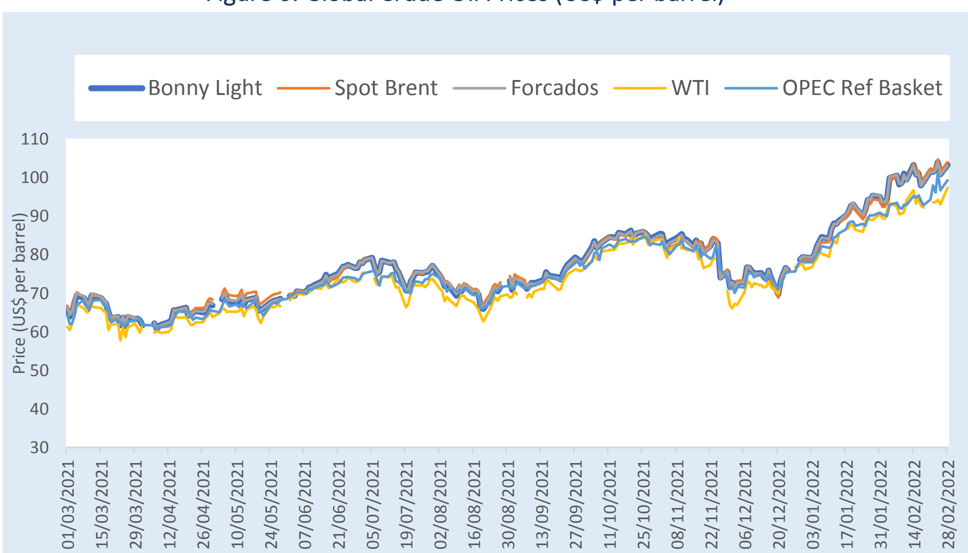
OPEC's aggregate crude oil production rose by 1.6 per cent, to 33.94 mbpd in February 2022, compared with 33.40 mbpd, in January 2022. The breakdown further indicates that the crude portion rose by 2.2 per cent, to 28.38 mbpd, while the non-crude portion fell by 1.4 per cent, to 5.56 mbpd.

On the demand side, total world demand increased by 1.6 per cent, to 100.64 mbpd, compared with 99.03 mbpd, in January, as consuming countries sought to stockpile crude oil to guard against a potential supply disruption occasioned by the Russia-Ukraine crisis.

Crude Oil Prices

Spot prices of crude oil rose due, largely, to concerns about geopolitical tensions in Europe, and a shortfall in supply. The monthly average spot price of Nigeria's reference crude oil, the Bonny Light (34.9° API), rose by 12.3 per cent, to US$99.64 per barrel (pb), from US$88.71 pb, in the preceding month. The prices of Brent, at US$99.79 pb, Forcados at US$99.60 pb, WTI at US$92.78 pb and OPEC Reference Basket (ORB) at US$94.20 pb, all exhibited similar trends as the Bonny Light. The rise in crude oil prices was attributed to investors' concern about the impact of the Russia-Ukraine crisis on the global crude oil supply. The resultant rise in demand more than offset OPEC+ efforts to increase supply, further tightening the crude oil market.

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



Source: *Reuters data*

Agricultural Commodity Prices

Prices of most agricultural export commodities trended upwards in the review month, fuelled by tight supply conditions. The average price index for all the monitored commodities stood at 100.1 index points, representing a 4.9 per cent increase, compared with the levels in January 2022. The prices of palm oil, soya beans, cotton, wheat, cocoa, groundnut, and rubber increased by 13.2 per cent, 9.1 per cent, 4.8 per cent, 4.3 per cent, 3.3 per cent, 1.1 per cent, and 0.6 per cent, respectively. The price increases were due, largely, to the supply constraints occasioned by the Russia-Ukraine tension, labour shortages, and weather conditions in key producing countries. However, the price of coffee decreased by 0.5 per cent, compared with the previous month, largely on the back of the improved exports from key suppliers (Table 4).

Table 4: Prices of Selected Agricultural Export Commodities, February 2022 (in US dollars; Jan 2010=100)

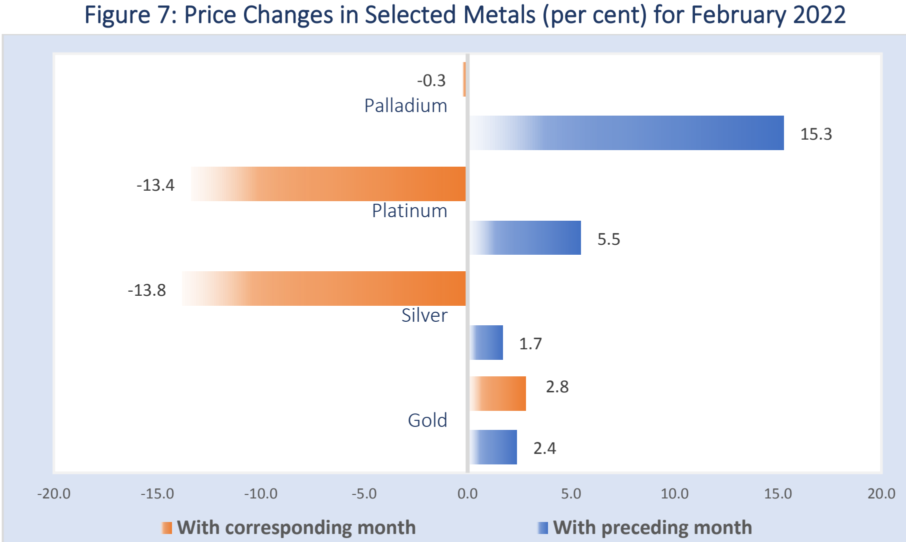
COMMODITY	Feb. 2021	Jan. 2022	Feb. 2022	% Change	
				(1) & (3)	(2) & (3)
	1	2	3	4	5
All Commodities	55.0	95.5	100.1	82.1	4.9
Cocoa	78.6	80.7	83.4	6.0	3.3
Cotton	55.2	78.6	82.4	49.2	4.8
Coffee	77.7	116.9	116.3	49.6	-0.5
Wheat	94.4	122.1	127.4	34.9	4.3
Rubber	35.8	37.9	38.2	6.6	0.6
Groundnut	136.6	107.8	109.0	-20.2	1.1
Palm Oil	82.6	108.9	123.3	49.3	13.2
Soya Beans	105.9	111.1	121.2	14.5	9.1

Source: *World Bank Pink Sheet*

Other Mineral Commodities

Average spot prices of gold, silver, platinum, and palladium increased as investors sought safe-haven assets to guard against the impact of the Russia-Ukraine conflict. The average spot prices of gold and silver rose by 2.4 per cent and 1.7 per cent, month-on-month, to US$1,859.03 per ounce and US$23.51 per ounce, respectively in February 2022. Similarly, the average spot prices of platinum and palladium rose by 5.5 per cent and 15.3 per cent, to US$1,046.28 per ounce and US$2,338.45 per ounce, compared with US$991.96 per ounce and US$2,028.58 per ounce, respectively, in the preceding month.

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



Source: *Refinitiv Eikon IV (Reuters)*

2.0. DOMESTIC ECONOMIC DEVELOPMENTS

2.1. Real Sector Developments

Summary

The domestic economic activity expanded in February 2022, although at a slower pace, reflecting softer consumer demand, as the Manufacturing Purchasing Managers Index (PMI) moderated to 50.1 index points, from 51.4 index points in January 2022. Inflationary pressures remain elevated, driven, mainly, by increased transportation and other related costs. Interventions in the real economy continued to bolster activities in agriculture, manufacturing, healthcare, and micro, small and medium enterprises (MSMEs) sectors.

Purchasing Managers Index

2.1.1 Domestic Economic Activity ***Business activities expanded at a slower pace due to constrained consumer demand.*** The Manufacturing PMI moderated to 50.1 index points, from 51.4 index points in January 2022. The tepid expansion was on account of the resilience in production, though rising input prices weighed on the pace of growth. However, the non-manufacturing PMI declined slightly by 0.1 index points to 49.0 index points, from 49.1 index points in the preceding month, as business activities slowed amid softer consumer demand.

Table 5: Manufacturing and Non-Manufacturing Sector Purchasing Managers' Index (PMI)

Components	Jan-22	Feb-22
Composite Manufacturing PMI	**51.4**	**50.1**
Production Level	*51.4*	*51.4*
New Orders	*50.2*	*47.6*
Supplier Delivery Time	*54.1*	*51.0*
Employment Level	*51.1*	*52.1*
Raw Material Inventory	*51.3*	*49.5*
Composite Non-Manufacturing PMI	**49.1**	**49.0**
Business Activity	*49.1*	*49.4*
New Orders	*49.2*	*48.3*
Employment Level	*49.6*	*49.3*
Inventory	*48.6*	*49.0*

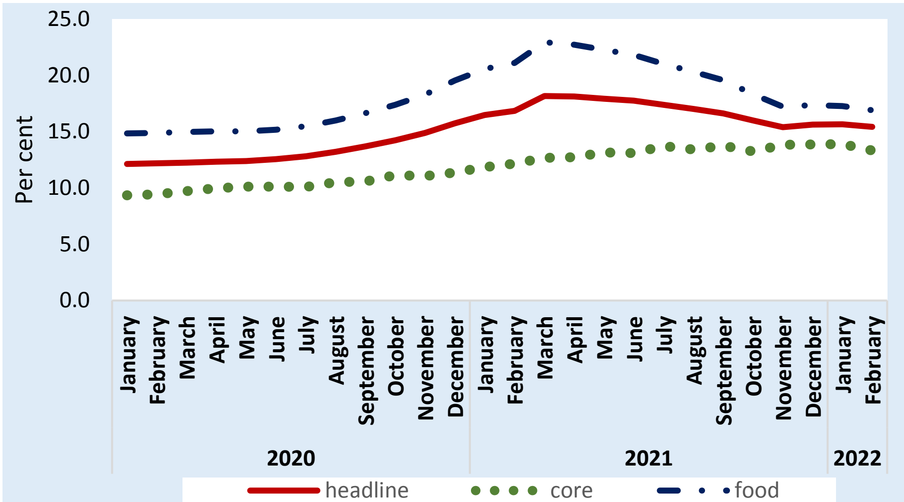
***Source**: Central Bank of Nigeria*

2.1.2 Domestic Inflation

Headline Inflation

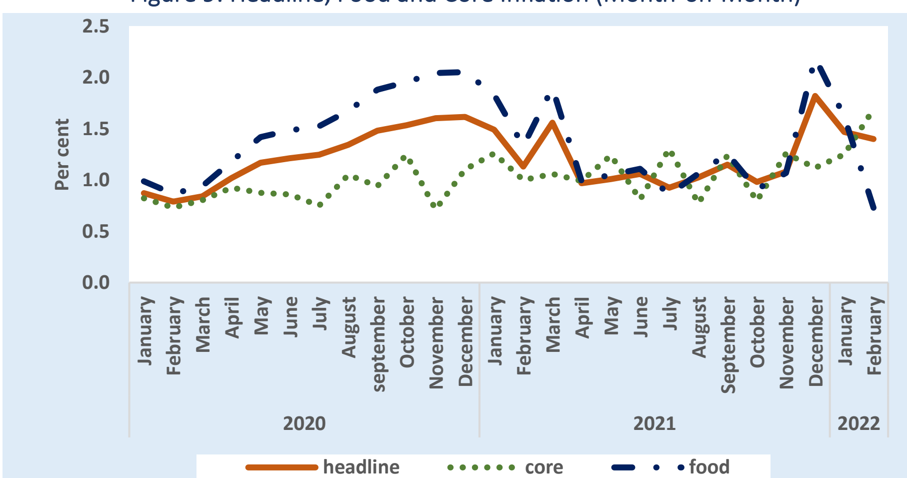
Headline inflation rose in February 2022, driven mainly by increased transportation and other related costs. Headline inflation (year-on-year) increased to 15.70 per cent, from 15.60 per cent in January 2022. On a month-on-month basis, it rose to 1.63 per cent, from 1.47 per cent in the preceding month. The rise in headline inflation was attributed to increased transportation and other related costs, due mainly, to disruptions in the supply of petroleum products such as PMS, diesel, and aviation fuel, across the country. Furthermore, accommodation costs and prices of clothing and footwear also contributed to the uptick in inflation.

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



Source: *NBS.*

Figure 9: Headline, Food and Core Inflation (Month-on-Month)



Source: *NBS.*

Food Inflation

Food inflation (year-on-year) moderated to 17.11 per cent, from 17.13 per cent in the preceding month, attributed to an increase in farm produce, particularly tubers, maize, millets, and sorghums. Similarly, moderation in the prices of processed food, especially yellow garri and bread, contributed to the lower food inflation. Nevertheless, on a month-on-month basis, food inflation rose to 1.87 per cent, from 1.62 per cent in January 2022, on account of higher transport costs.

Core Inflation

The disruption in the supply of petroleum products, coupled with the increase in transport and related costs, pushed up core inflation to 14.01 per cent, compared with 13.87 per cent, in the preceding month. On a month-on-month basis, it rose to 1.33 per cent, from 1.25 per cent in January 2022.

Box 1: Prices of Selected Domestic Agricultural Commodities

The prices of selected domestic farm produce monitored increased in February 2022, compared to the previous month. *The increase ranged from 1.4 per cent for plantain (ripe) to 7.1 per cent for fresh tomatoes. The development was driven by the rising cost of refined petroleum products during the month and the lingering insecurity which affects agricultural activities. The rising uncertainty surrounding the Russia/Ukraine rift also contributed to the rise in wheat prices due to supply chain disruption.*

DOMESTIC PRICES OF SELECTED AGRICULTURAL COMMODITIES

		Feb. 2021	Jan. 2022	Feb. 2022	% Change	% Change
Commodity	UNIT	1	2	3	(1) & (3)	(2) & (3)
Agric eggs medium size	1kg	518.30	643.52	654.90	26.4	1.8
Beans brown, sold loose	"	351.68	498.85	509.65	44.9	2.2
Beans: white black eye. sold loose	"	330.93	481.47	497.54	50.3	3.3
Frozen chicken	"	1919.18	2283.89	2351.31	22.5	3.0
Gari white, sold loose	"	259.59	307.53	313.27	20.7	1.9
Gari yellow, sold loose	"	282.79	332.00	339.72	20.1	2.3
Groundnut oil: 1 bottle, specify bottle	"	676.87	941.10	971.01	43.5	3.2
Maize grain white sold loose	"	222.86	280.66	287.60	29.1	2.5
Maize grain yellow sold loose	"	229.76	280.44	289.70	26.1	3.3
Mudfish (aro) fresh	"	1038.13	1256.25	1282.31	23.5	2.1
Onion bulb	"	297.83	368.10	378.26	27.0	2.8
Palm oil: 1 bottle, specify bottle	"	585.01	805.45	825.51	41.1	2.5
Plantain(ripe)	"	236.50	288.51	292.54	23.7	1.4
Plantain(unripe)	"	221.08	262.51	268.52	21.5	2.3
Rice agric sold loose	"	442.09	480.53	492.81	11.5	2.6
Rice local sold loose	"	391.01	430.21	436.58	11.7	1.5
Rice Medium Grained	"	444.17	477.33	487.43	9.7	2.1
Rice, imported high quality sold loose	"	537.37	581.87	594.80	10.7	2.2
Sweet potato	"	145.86	217.78	226.34	55.2	3.9
Tomato	"	269.18	367.01	393.08	46.0	7.1
Vegetable oil:1 bottle, specify bottle	"	667.43	920.76	950.46	42.4	3.2
Wheat flour: prepacked (golden penny 2kg)	2kg	758.55	974.87	1021.66	34.7	4.8
Yam tuber	1kg	242.82	331.24	339.76	39.9	2.6

Source: National Bureau of Statistics

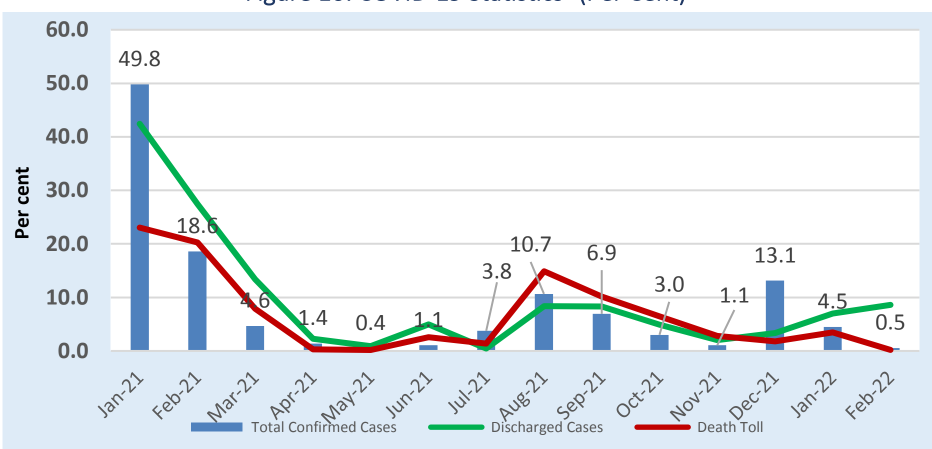
2.1.2 Socio-Economic Developments

Notwithstanding the debilitating impact of COVID-19, Nigeria continues to record appreciable milestones in its efforts against the COVID-19 pandemic and provides support for socio-economic development in the country. Increased vaccinations contributed to the lower rate of new infections and, ultimately, the number of active cases in February 2022. Data from the National Primary Health Care Development Agency (NPHCDA) showed that the eligible target population that had received the first dose of the COVID-19 vaccine, at end-February 2022, increased to 16.0 per cent, from 13.5 per cent in January 2022. Similarly, about 7.6 per cent of the target population had received the second dose of the vaccine, compared with 5.0 per cent in January.

Health & COVID-19 Update

The rate of new infections declined, significantly, to 0.5 per cent, from 4.5 per cent in the preceding month. The number of discharged cases increased by 8.6 per cent, while COVID-19-related deaths declined by 0.2 per cent. Consequently, the number of active cases declined by 88.7 per cent in February 2022.

Figure 10: COVID-19 Statistics[1] (Per Cent)



Source: *Nigeria Center for Disease Control*

To support the commitment to the vaccination drive, 2 million doses of Johnson and Johnson (J&J) COVID-19 vaccines were received from the European Union during the period. The J&J vaccines, according to the NPHCDA, were to be distributed to persons living in difficult-to-reach places such as riverine areas, desert areas, and areas challenged by insecurity.

Transportation

Rail infrastructure received a boost as the Federal Government approved US$2.81 billion for the procurement of rolling stocks and other operational and maintenance equipment for the Ibadan-Kano and Port Harcourt-Maiduguri rail lines. Similarly, contracts worth US$328.87 million were awarded for

[1] COVID-19 data as at February 28, 2022.

consultancy to supervise the various railway projects in the country for 36 months.

The sum of ₦115.4 billion was also approved for the dualisation of the Kano-Kazaure-Kongolam highway in Katsina State to be financed by BUA International Limited under the Tax Credit Scheme. In addition, ₦250 billion 2021 Sukuk proceeds was disbursed to the Federal Ministry of Works And Housing, and the Federal Capital Territory Administration (FCTA), for road infrastructure development across the six geopolitical zones and the FCT.

Environment

The National Biosecurity Policy and Action Plan 2022 - 2026, was unveiled in February 2022 to secure the health of Nigerians and their immediate environments from biological threats. The Policy is designed to foster an integrated and holistic Biosecurity strategy that will be implemented through the One-health approach for the prevention, early detection, rapid response to biothreats and recovery from biosecurity incidents.

2.1.3 Domestic Crude Oil Market Developments

Crude Oil Production and Export

Domestic crude oil production and export increased due to the lifting of a force majeure declared by Shell. Average crude oil production rose by 2.1 per cent to 1.49 mbpd, from 1.46 mbpd in January 2022, following the successful repair of the malfunctioned Royal Dutch Shell's barge. Out of the 1.49 mbpd produced, exports accounted for an average of 1.04 mbpd, while the allocation for domestic consumption, accounted for the balance.

2.1.4 Development Financing

Development Financing

To further boost domestic output and support economic diversification, the bank's interventions in critical sectors of the economy was sustained during the month under review with the industrial sector receiving the largest disbursement. At end-February 2022, the sum of ₦208.09 billion was disbursed to critical sectors of the economy, under 10 monitored intervention programmes. The industrial sector received the largest intervention, as it accounted for 80.03 per cent, of total disbursements. This was followed by energy/infrastructure with 10.50 per cent, MSMEs (3.96 per cent), Agriculture (3.33 per cent), and Health (2.16 per cent).

Table 6: Intervention Funds, as of February 2022

Sector	FEB-2022			Cumulative		
	Disbursed (₦'bn)	Share (%)	Beneficiaries	Disbursed. (₦'bn)	Share (%)	Beneficiaries
Agriculture	**6.93**	**3.33**		**1668.9**	**68.57**	
Anchor Borrowers' Programme	*2.08*	0.99	*N.A*	948.03	38.95	*4,014,611 farmers*
₦200 Billion Commercial Agricultural Credit Scheme (CACS)	*4.85*	2.33	*N.A*	720.87	29.62	*668 projects*
Energy/Infrastructure	**21.86**	**10.50**		**275.13**	**11.3**	
Nigeria Electricity Market Stabilization Facility 2 (NEMSF 2)	*12.64*	6.07	-	*232.93*	9.57	*10 projects*
Nigeria Bulk Electricity Trading-Payment Assurance Facility (NBET-PAF)	*6.22*	2.99	-	-	-	*1 project*
Infrastructure facility for National Gas Expansion Programme (IFNGEP)	*3.00*	1.44	*Procurement and Installation of 25,489 meters*	*42.20*	1.73	*15 projects*
MSMEs	**8.27**	**3.96**		**377.10**	**15.49**	
Tertiary Institutions Entrepreneurship Scheme (TIES)	*0.264*	0.12	*N.A*	*0.293*	0.01	*59*
Targeted Credit Facility (TCF)	*8.01*	3.84	*N.A*	*376.81*	15.48	*797,351*
Industries	**166.53**	**80.03**		**-**	**-**	
RSSF Using Differentiated Cash Reserve Ratio (RSSF-DCRR)	*166.53*	80.03	-	-	-	*207*
Health	**4.50**	**2.16**		**112.72**	**4.63**	
Health Care Sector Intervention Fund (HSIF)	*4.50*	2.16		*112.72*	4.63	*122*
Total	*208.09*	100		*2433.85*	100	

Source: *Central Bank of Nigeria*

2.2. Fiscal Sector Developments

Summary

Fiscal conditions were fragile in February 2022, driven by elevated spending amidst subdued fiscal revenues, due to lower tax receipts and value shortfall recovery for PMS. Provisional data shows that federally collected revenue was 22.0 per cent below target and 15.4 per cent, below the level in January 2022. Similarly, FGN retained revenue deteriorated by 8.3 per cent, over the same period, while its expenditure increased by 0.2 per cent, prompting a 6.5 per cent expansion in the overall deficit. The debt profile of the FGN remained elevated, but within the FGN medium-term debt strategy, as the government implemented measures to soften the impact of the Pandemic on most vulnerable households.

2.2.1 Federation Account Operations

Drivers of Federation Revenue

Provisional federally collected revenue declined in February 2022, due operational constraints, and the subsisting effects of the pandemic as well as value shortfall recovery for PMS. Provisional data indicate that federally collected revenue, at ₦799.60 billion, fell below the levels in the preceding month and the proportionate monthly target, by 22.0 per cent and 15.4 per cent, respectively. The shortfall was ascribed, largely, to lower receipts from Petroleum Profit Tax (PPT) & Royalty, and Corporate Tax components. Non-oil accounted for a dominant 74.0 per cent of gross federally collected revenue, in the period, while oil revenue constituted the balance of 26.0 per cent, highlighting the persistent challenges in the oil sector.

Further analysis indicates that, at ₦208.20 billion, oil revenue was lower than collections in the preceding month and the proportionate budget benchmark by 36.9 per cent and 58.8 per cent, respectively. All components of oil revenue fell short of their prorated budget benchmark, reflecting the effects of operational constraints.

Likewise, non-oil receipts, at ₦591.40 billion, fell by 3.8 per cent against earnings in January 2022, but was higher than its proportionate budget target by 14.0 per cent. The development was driven by a 33.6 per cent decrease in corporate tax, reflecting the cyclicality of corporate tax receipts.

Table 7: Federally-Collected Revenue and Distribution to the Three Tiers of Government (₦' Billion)

	Feb-21	Jan-22	Feb-22	Budgeted
Federation Revenue (Gross)	**900.34**	**944.63**	**799.60**	**1,024.72**
Oil	**369.48**	**329.99**	**208.20**	**505.93**
Crude Oil & Gas Exports	1.52	0.00	0.00	52.50
PPT & Royalties	195.46	246.92	157.64	276.88
Domestic Crude Oil/Gas Sales	163.63	74.40	41.92	84.29
Others	8.87	8.67	8.64	92.26
Non-oil	**530.86**	**614.64**	**591.40**	**518.79**
Corporate Tax	117.44	152.04	100.99	124.71
Customs & Excise Duties	89.35	132.35	129.17	94.38
Value-Added Tax (VAT)	157.35	201.26	191.22	153.20
Independent Revenue of Fed. Govt.	115.56	126.06	167.09	88.49
*Others**	51.16	2.93	2.93	58.01
Total Deductions/Transfers*	***336.00***	***249.95***	***330.13***	***247.57***
Federally-Collected Revenue *Less Deductions & Transfers***	**564.34**	**694.67**	**469.47**	**754.73**
plus:				
Additional Revenue	**0.00**	**5.15**	**105.20**	***56.42***
Excess Crude Revenue	*0.00*	*0.00*	*0.00*	*0.00*
Non-oil Excess Revenue	*0.00*	*0.44*	*100.00*	*56.42*
Exchange Gain	*0.00*	*5.15*	*5.20*	*0.00*
Total Distributed Balance	***564.34***	***699.82***	***574.67***	***811.15***
Federal Government	*227.00*	*279.46*	*204.58*	*346.47*
Statutory	*205.05*	*251.35*	*177.87*	*325.18*
VAT	*21.95*	*28.11*	*26.71*	*21.29*
State Government	*205.95*	*256.49*	*238.21*	*287.86*
Statutory	*104.00*	*127.49*	*90.22*	*164.93*
VAT	*73.17*	*93.70*	*89.03*	*70.96*
13% Derivation	*28.78*	*35.30*	*58.96*	*51.96*
Local Government	*131.40*	*163.88*	*131.87*	*176.83*
Statutory	*80.18*	*98.29*	*69.55*	*127.16*
VAT	*51.22*	*65.59*	*62.32*	*49.67*

Sources: *OAGF and CBN Staff Estimates*

Notes: * 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 include cost of revenue collections and JVC cash calls, while transfers entail provisions for FGN Independent revenue and other Non-Federation revenue.

The sum of ₦574.67 billion was distributed to the three tiers of government after taking statutory deductions and transfers into account. The allocation was 17.9 per cent below the ₦699.82 billion disbursed in January 2022.

2.2.2 Fiscal Operations of the Federal Government

Federal Government Retained Revenue

FGN revenue declined in February 2022 driven by a lower allocation from the Federation Account, as net oil and gas revenues were much lower than expected. At ₦371.67 billion, the provisional revenue of the FGN dropped by 8.3 per cent, relative to the preceding month. It was also short of the budget target by 44.2 per cent, indicating perennial revenue challenges.

Table 8: FGN Retained Revenue (₦' Billion), February 2022

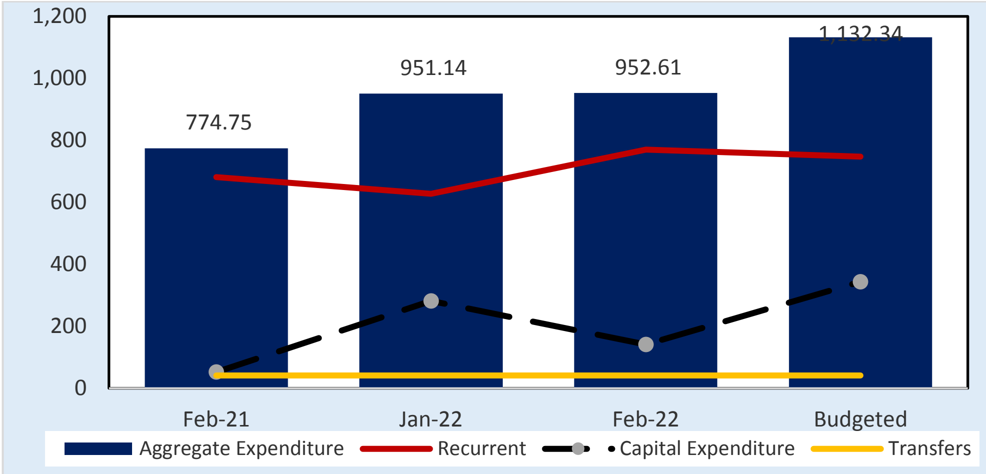
	Feb-21	Jan-21	Feb-22	Benchmark
FGN Retained Revenue	380.21	405.51	371.67	*665.53*
Federation Account	205.05	248.88	112.75	*295.46*
VAT Pool Account	21.95	28.11	26.71	*21.29*
FGN Independent Revenue	115.56	126.06	167.09	*88.49*
Excess Oil Revenue	0.00	0.00	0.00	*0.00*
Excess Non-Oil	0.00	0.00	52.68	*29.72*
Exchange Gain	0.00	2.46	2.44	*0.00*
*Others**	37.66	0.00	0.00	*230.58*

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

Federal Government Expenditure

Despite a shortfall in revenue, federal government aggregate spending rose marginally, on account of higher recurrent expenditure, as the government sought to rev-up consumption, especially of vulnerable groups. At ₦952.61 billion, provisional aggregate expenditure rose by 0.15 per cent, from ₦951.14 billion in January 2022, owing to a 22.7 per cent rise in recurrent expenditure. The rise in total expenditure was dampened by the 50.0 per cent decline in capital expenditure. Thus, recurrent spending maintained its dominance in total expenditure, accounting for 80.9 per cent; while capital expenditure and transfers constituted the balance of 14.8 per cent and 4.3 per cent, respectively.

Figure 11: Federal Government Expenditure (₦' Billion), February 2022



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

Overall fiscal balance

The decline in FGN retained revenue and increase in FGN outlay further expanded the fiscal deficit in February 2022. At ₦580.93 billion, the provisional fiscal deficit of the FGN was 6.5 per cent above the level in the preceding month.

Table 9: Fiscal Balance (₦' Billion), February 2022

	Feb-21	Jan-22	Feb-22	Benchmark
Retained revenue	380.21	405.51	371.67	665.53
Aggregate expenditure	774.75	951.14	952.61	1,132.34
Recurrent	681.05	627.64	770.14	747.20
Non-debt	387.10	387.99	582.17	470.17
Debt Service	293.95	239.65	187.97	277.03
Capital	52.32	282.12	141.09	343.76
Transfers	41.38	41.38	41.38	41.38
Primary balance	-100.58	-305.97	-392.96	-189.77
Overall balance	-394.53	-545.63	-580.93	-466.80

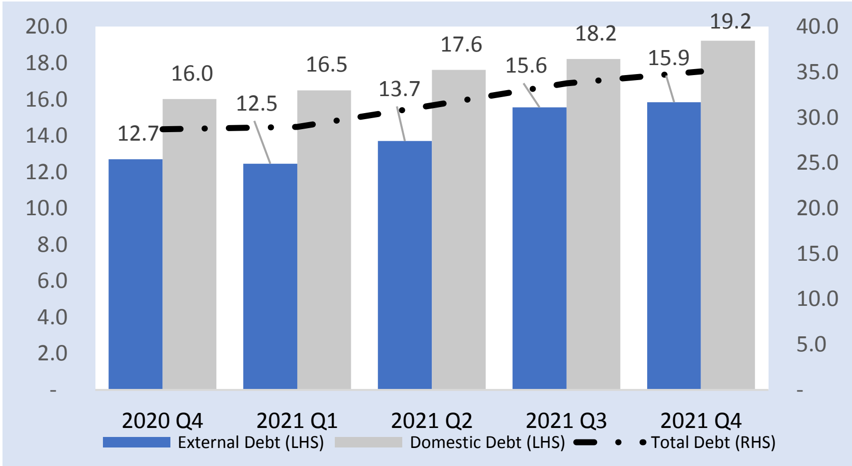
Sources: *Compiled from OAGF figures and CBN Staff Estimates*
Note: *The figures are provisional.*

Federal Government Debt

Though public borrowing was in tandem with the medium-term debt strategy of the FGN, it remained elevated as at end-December 2021 exerting pressure on the fiscal account as borrowing costs were being piled in the face of rising domestic and global interest rates. FGN debt rose by 3.8 per cent to ₦35, 097.79 billion at end-December 2021, relative to the stock at end-September 2021. A breakdown shows that domestic debt accounted for 54.8 per cent, while external debt constituted 45.2 per cent, a further deviation from the 70:30 ratio for domestic-external debt target in the 2020-2023 medium-term debt strategy of the FGN.

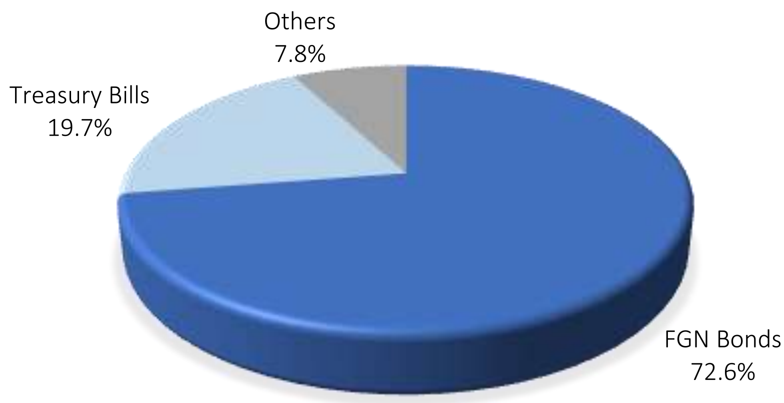
FGN bond issuance dominated the domestic debt portfolio, accounting for 72.6 per cent of the total domestic debt, followed by Treasury Bills (19.7 per cent); Promissory Notes (4.0 per cent); FGN Sukuk (3.2 per cent); and others (0.6 per cent). The distribution was in tandem with the FGN's objective to hold more long-term domestic debt instruments than short-term instruments (75:25) to create a breathing space for the government in its fiscal expenditure management. Analysis of Nigeria's external debt by holders indicate that Multilateral, Commercial and Bilateral loans accounted for 48.6 per cent, 38.2 per cent, and 11.6 per cent of the total external debt stock, respectively, while Promissory Notes accounted for the balance.

Figure 12: FGN External and Domestic Debt Composition (₦' Trillion)



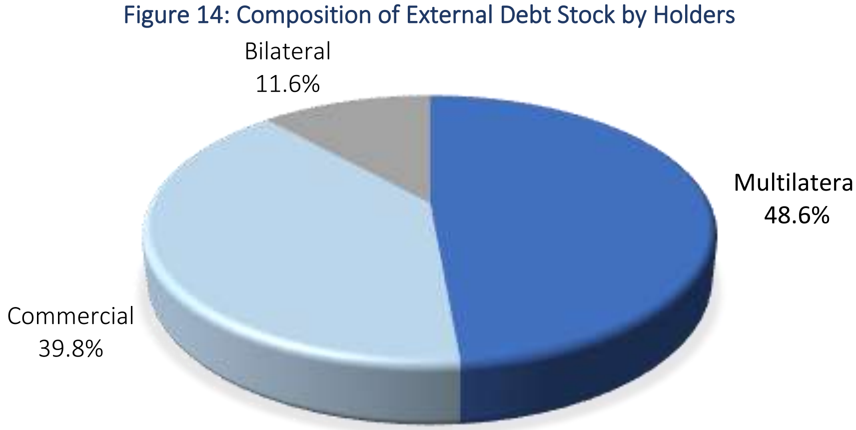
Source: *Debt Management Office (DMO) figures*

Figure 13: Composition of Domestic Debt Stock by Instrument



Source: *Debt Management Office (DMO) figures.*

Figure 14: Composition of External Debt Stock by Holders



Source: *Debt Management Office (DMO) figures.*

2.3 Monetary and Financial Developments

Summary

Financial conditions softened, on account of substantial fiscal stimuli and monetary accommodation to address supply shocks and the potential drag on credit expansion, as global uncertainties persist. Hence, broad money grew by 2.1 per cent (annualised to 12.7 per cent), while credit to the private sector increased by 18.05 per cent. Subdued activities in the SLF window and the strong patronage at the SDF confirm healthier liquidity in the banking system. Hence, key short-term interest rates declined, just as the Nigerian financial market showed resilience, despite a volatile global financial market. Furthermore, fixed-income securities activities increased, as investors navigated difficult economic conditions and underlying pricing pressures in search of better yields.

2.3.1 Monetary Developments

Reserve Money

Reserve money maintained its growth momentum, reflecting the subsisting accommodative monetary policy stance. It grew by 2.6 per cent, to ₦13, 635.91 billion, on account of the 4.2 per cent increase in liabilities to other depository corporations (ODCs).

Table 10: Components of Reserve Money (₦ Billion)

	Feb- 21	Dec-21	Jan-22	Feb-22
Monetary Base	**13,395.21**	**13,295.15**	**13,608.46**	**13,635.91**
Currency-In-Circulation	2,779.83	3,325.16	3,288.03	3,250.19
Of which: Notes and Coins	*2,779.83*	*3,324.22*	*3,287.68*	*3,249.23*
eNaira	-	*0.94*	*0.95*	*0.96*
Liabilities to ODCs	10,615.38	9,969.99	10,320.43	10,385.72
Broad Money Multiplier (M3)	2.89	3.29	3.28	3.28

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

Broad Money

Broad money supply grew in the review period, driven by the increase in domestic claims to the economy. Given the money multiplier of 3.28, the broad money supply (M3) grew by 2.1 per cent (annualised to 12.7 per cent) to ₦44, 745.85 billion from the level at end-December 2021. The growth in M3 compared with the provisional benchmark of 15.2 per cent, suggests room for monetary expansion. The growth in M3 was propelled by the increase in domestic claims, arising, in part, from policy responses to the COVID-19 pandemic. Net claims on central government and claims on other sectors grew by 11.9 per cent and 4.9 per cent, respectively, culminating in a 6.8 percentage growth in domestic claims. However, net foreign assets (NFA) fell by 12.4 per cent, due to increased liabilities to non-residents by the depository corporations.

Table 11: Money and Credit Growth over Preceding December (Per cent)

	Contribution to M3 growth (Feb-22)	Feb-21	Dec-21	Feb-22	2022 Provisional benchmarks
Net Foreign Assets	**-2.50**	**-6.35**	**-1.77**	**-12.41**	0.89
Claims on Non-residents	2.72	-1.50	5.26	5.72	
Liabilities to Non-residents	5.21	2.52	11.10	19.03	
Net Domestic Assets	**4.61**	**1.54**	**16.95**	**5.78**	**38.95**
Domestic Claims	7.55	4.13	17.25	6.82	16.23
Net Claims on Central Government	3.63	9.51	15.96	11.92	11.42
Claims on Central Government	5.15	5.32	24.08	9.11	
Liabilities to Central Government	1.52	-0.37	35.07	5.83	
Claims on Other Sectors	3.92	2.06	17.75	4.88	
Claims on Other Financial Corporations	-0.31	-1.28	-5.32	-1.74	
Claims on State and Local Government	0.85	1.51	20.63	15.01	
Claims on Public Nonfinancial Corporations	2.19	9.32	13.24	109.57	
Claims on Private Sector	1.19	3.30	27.88	2.17	18.05
Total Monetary Assets (M3)	**2.12**	**-0.28**	**12.63**	**2.12**	**15.21**
Currency Outside Depository Corporations	-0.47	-7.04	17.74	-7.02	
Transferable Deposits	2.10	6.16	14.15	6.04	
Narrow Money (M1)	**1.60**	**4.08**	**14.72**	**3.93**	**23.56**
Other Deposits	0.49	-1.71	16.63	0.83	
Broad Money (M2)	**3.59**	**0.72**	**15.83**	**2.12**	**15.21**
Securities Other Than Shares	0.00	-35.21	-99.92	101.00	
Total Monetary Liabilities(M3)	**2.12**	**-0.28**	**12.63**	**2.12**	**15.21**

Source: *Central Bank of Nigeria*

The growth in total monetary liabilities stemmed from the 6.0 per cent and 0.8 per cent increases in transferable deposits and other deposits, respectively. In terms of relative contributions, transferable deposits contributed the most (2.1 percentage points), followed by other deposits (0.5 percentage point). Currency outside depository corporations contributed negatively (-0.5 percentage points) to the growth in broad money liability. Narrow money (M1) grew by 3.93 per cent to ₦18, 897.33 billion at end-February 2022, owing, wholly, to the increase in the transferable deposits.

2.3.1.1 Credit Utilisation

Sectoral Utilisation of Credit

To support the economic recovery, total sectoral credit allocation increased by 2.4 per cent to ₦25, 043.39 billion at end-February 2022 from ₦24, 446.20 billion in January 2022. A breakdown of the credits indicates that credit utilisation in agriculture, industry, and services sectors increased to ₦1, 626.65

billion, ₦10, 087.93 billion, and ₦13, 328.81 billion, respectively, from ₦1, 464.24 billion, ₦9, 996.01 billion, and ₦12, 985.95 billion, in January 2022. Distinctively, the industry and services sectors sustained their dominance as their shares of the total credit stood at 40.28 per cent and 53.22 per cent, respectively, while the agriculture sector stood at 6.50 per cent.

Table 12: Relative Share in Total Sectoral Credit (Per cent)

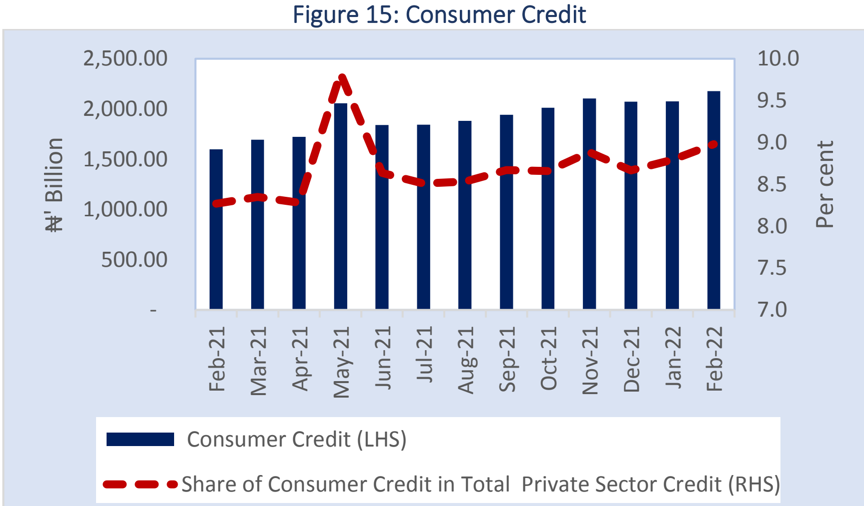
	Feb-21	Dec-21	Jan-22	Feb-22
Agriculture	***5.23***	***5.98***	***5.99***	***6.50***
Industry	***42.26***	***40.65***	***40.89***	***40.28***
Of which Construction	*4.84*	*4.39*	*4.19*	*4.17*
Services	***52.51***	***53.36***	***53.12***	***53.22***
Of which Trade/General Commerce	*6.38*	*7.01*	*6.90*	*7.11*

Source: *Central Bank of Nigeria*

Consumer Credit

Owing to the increased banking system liquidity, consumer credit outstanding increased to ₦2, 178.11 billion at end-February 2022, accounting for 8.9 per cent of total credit to the private sector (Figure 15). The sustained increase in consumer credit reflects the growing confidence in the economy, as economic activities gathered momentum.

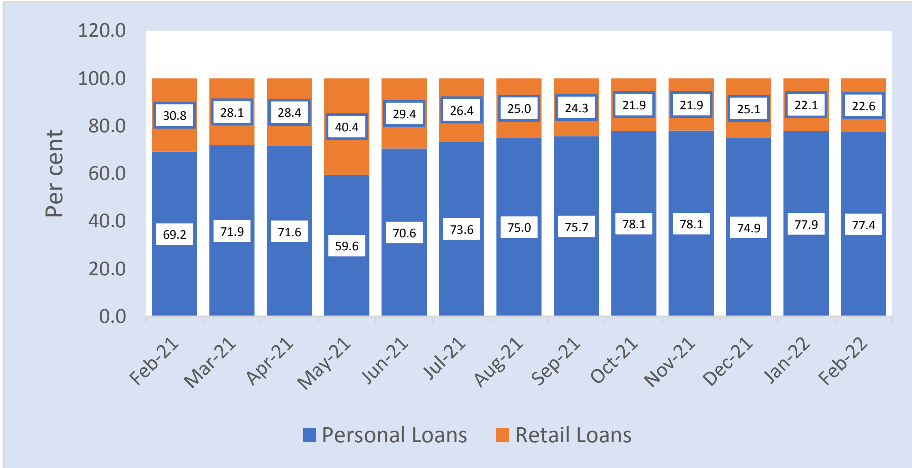
Figure 15: Consumer Credit



Source: *Central Bank of Nigeria*

In terms of the composition of consumer credit, personal loans, at 77.4 per cent, accounted for the largest share, while retail loans accounted for the balance of 22.6 per cent.

Figure 16: Composition of Consumer Credit (per cent)



Source: *Central Bank of Nigeria*

2.3.2 Financial Developments

Key performance indicators in the Nigerian financial market were within industry benchmarks in February 2022, showing resilience despite a volatile global financial market.

2.3.2.1 Financial Soundness Indicators

The financial sector remained stable in February 2022, as the key financial soundness indicators were resilient. The industry Capital Adequacy Ratio (CAR) rose by 0.1 percentage point to 14.4 per cent, from 14.3 per cent in January 2022, due to an increase in the total qualifying capital of banks. The ratio remained above the minimum regulatory benchmark of 10.0 per cent.

Banks' loan quality indicator[2] continued to improve as the non-performing loan (NPL) ratio was below the 5.0 per cent prudential requirement. NPL ratio stood at 4.8 per cent, compared with 5.0 per cent recorded in the preceding month, driven by an increase in loan recoveries. The industry Liquidity Ratio (LR) decreased by 0.7 percentage points to 55.0 per cent, from 55.7 per cent at end-January 2022, but remained above the regulatory benchmark of 30.0 per cent.

2.3.2.2 Money Market Developments

Liquidity Management

Open Market Operations, repo activities, and fiscal disbursements to the three tiers of government drove liquidity in the banking system in February 2022. Repayment of matured CBN bills worth ₦604.47 billion, repo activities worth ₦480.35 billion, and ₦590.55 billion fiscal disbursements to the three tiers of Government, drove liquidity in the banking system, summing up to an injection of ₦1,675.37 billion, which more than offset the withdrawal of ₦270.00 billion. This resulted in substantial growth in average banking system liquidity to

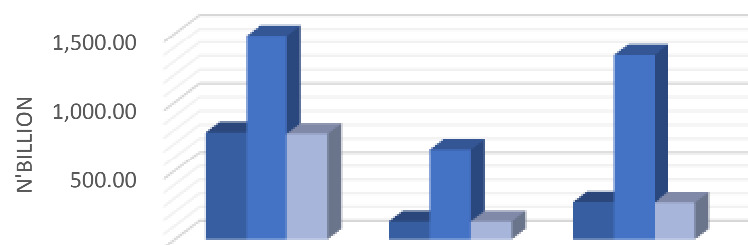
[2] measured by the ratio of Non-Performing Loans to industry total outstanding loans

₦310.56 billion at end-February 2022, from ₦178.49 billion in January 2022.

Open Market Operations

Strong investor appetite for risk-free assets and the Bank's continued intervention to moderate liquidity, drove activities in the open market. Total subscriptions and allotment increased to ₦1,340.03 billion and ₦266.09 billion, from ₦654.91 billion and ₦130.00 billion, respectively, in the preceding month. The bid and stop rates remained unchanged at 8.53 per cent (±1.57) and 8.55 per cent (±1.55), respectively.

Figure 17: Open Market Operations (₦' Billion)



	FEBRUARY 2021 (N'B)	JANUARY 2022 (N'B)	FEBRUARY 2022 (N'B)
Offer	780.00	130.00	270.00
Subscription	1,482.49	654.91	1,340.03
Allotment	770.12	130.00	266.09

Source: *Central Bank of Nigeria*

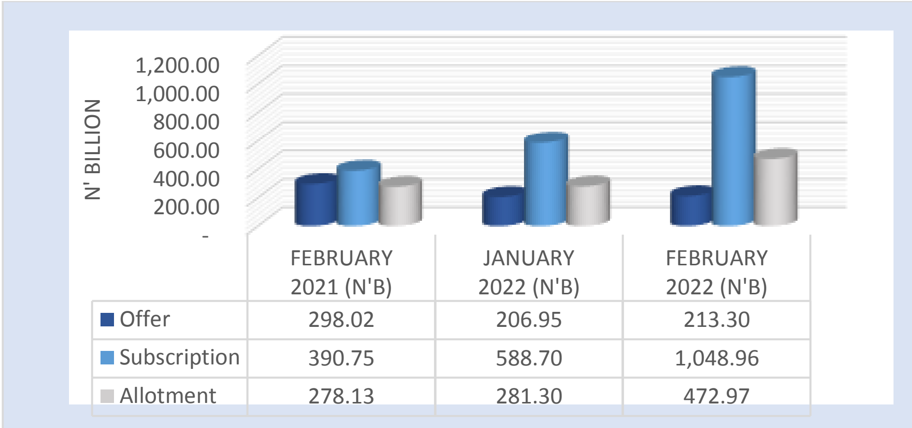
Standing Facilities Window Operation

Subdued activities in the SLF window and the strong patronage at the SDF confirm increased liquidity in the banking system. Activities at the standing facility window reflected ease in banking system liquidity during the review period. The total standing deposit facility (SDF) increased significantly by 60.79 per cent, to ₦472.38 billion, from ₦293.79 billion in January 2022. Conversely, transactions at the standing lending facility (SLF) decreased by 24.69 per cent, to ₦255.75 billion, from ₦339.59 billion in January 2022.

Primary Market

Activities at both the NTB and FGN bonds segment of the primary market increased as investors navigated difficult economic conditions and underlying price pressures in search of better yields. The bid and stop rates for the 91-day bill, 182-day bill, and 364-day bill trended downward. Despite this, a higher total subscription of ₦1,048.96 billion was recorded, compared with ₦588.70 billion, in January 2022 (Figure 18). A similar trend was revealed in the FGN bond segment as subscriptions increased significantly in the review period, to ₦557.72 billion, compared with ₦325.24 billion in January 2022.

Figure 18: Primary Market NTBs (₦' Billions)



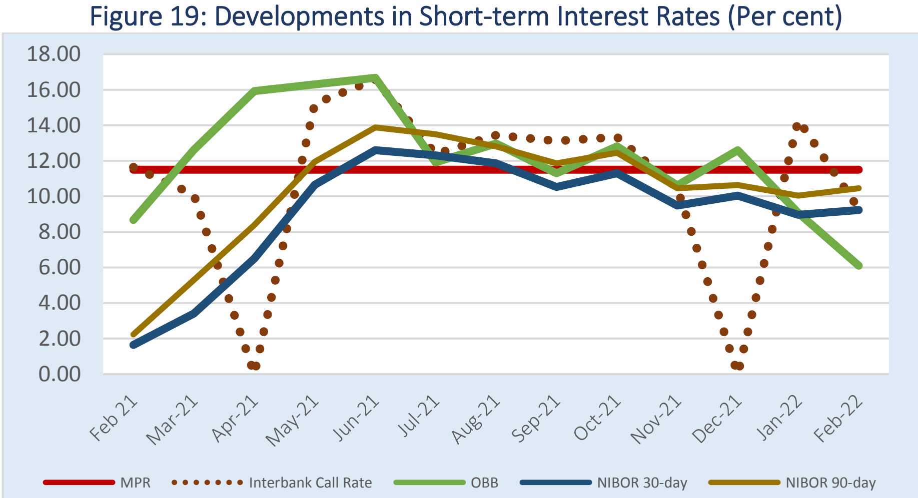
	FEBRUARY 2021 (N'B)	JANUARY 2022 (N'B)	FEBRUARY 2022 (N'B)
Offer	298.02	206.95	213.30
Subscription	390.75	588.70	1,048.96
Allotment	278.13	281.30	472.97

***Source**: Central Bank of Nigeria*

Interest rates Development

Key short-term interest rates declined as liquidity in the banking system eased due to subsisting monetary policy accommodation. Average Inter-bank call and Open-Buy-Back (OBB) rates dropped by 5.01 and 2.97 percentage points to close the review period at 9.30 per cent and 6.10 per cent, from the 14.31 per cent, and 9.07 per cent in the preceding month, respectively. Similarly, NIBOR rate declined by 3.21 percentage points, to 8.17 per cent. However, NIBOR 30-day and NIBOR 90-day rose by 0.28 percentage points and 0.41 percentage point, to 9.24 per cent and 10.46 per cent, respectively.

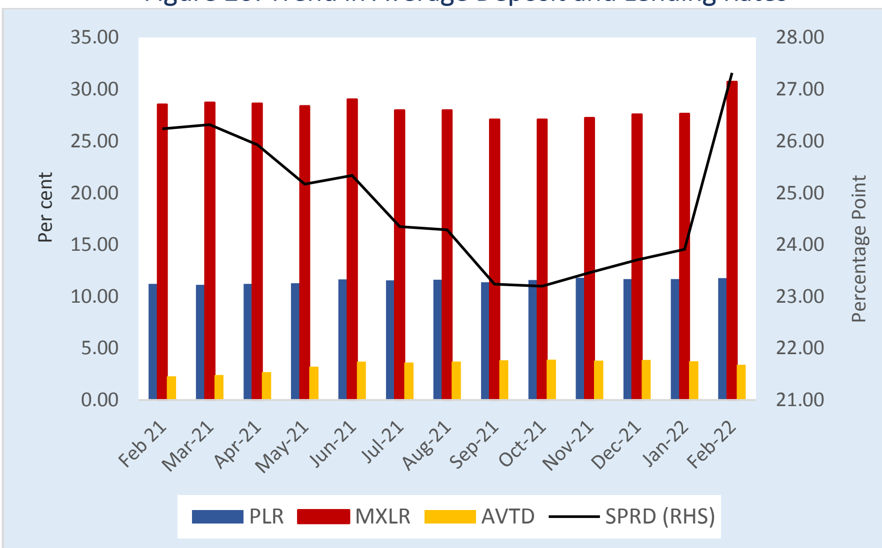
Figure 19: Developments in Short-term Interest Rates (Per cent)



***Source:** Central Bank of Nigeria*

The average term deposit rate fell by 0.33 percentage points, to 3.41 per cent, from 3.74 per cent in January 2022. In contrast, maximum and prime lending rates increased by 3.08 percentage points and 0.10 percentage points, to 30.73 per cent and 11.78 per cent, respectively, from 27.65 per cent and 11.68 per cent in January 2022. This culminated in a wider spread between maximum lending an average term deposit rate of 27.32 percentage points in the month under review. The increase in maximum lending rate discouraged borrowers as they sought to ring-fence against unprecedented supply shocks, elevated prices, and higher risk premia, leading to decreased demand for a loan, as the value of transactions in the segment decreased to ₦301.69 billion, from ₦334.21 billion in the preceding month. However, the value of transactions in the prime lending segment increased to ₦23, 819.00 billion, from ₦23, 000.57 billion, in the preceding month.

Figure 20: Trend in Average Deposit and Lending Rates



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

2.3.2.3 Capital Market Developments

Activities on the Nigerian Exchange (NGX) Limited maintained a bullish trend in February 2022, driven, mainly, by the interplay of bargain hunting and profit-taking, as investors reacted to the release of 2021 full-year corporate accounts.

Market Capitalisation

The aggregate market capitalisation appreciated by 1.1 per cent, to ₦46.65 trillion, at end-February, compared with the ₦46.13 trillion, recorded at end-January 2022. Further analysis of the components of aggregate market capitalisation shows that equities market capitalisation rose by 1.7 per cent, to ₦25.54 trillion, and constituted 54.8 per cent of the aggregate market capitalisation. The debt component appreciated by 0.5 per cent, to ₦21.99 trillion, compared with the ₦21.00 trillion, at end-January 2022, while the Exchange-Traded Fund (ETF) component depreciated by 2.4 per cent, to ₦7.17 billion, from ₦7.34 billion, at end-January 2022.

All-Share Index

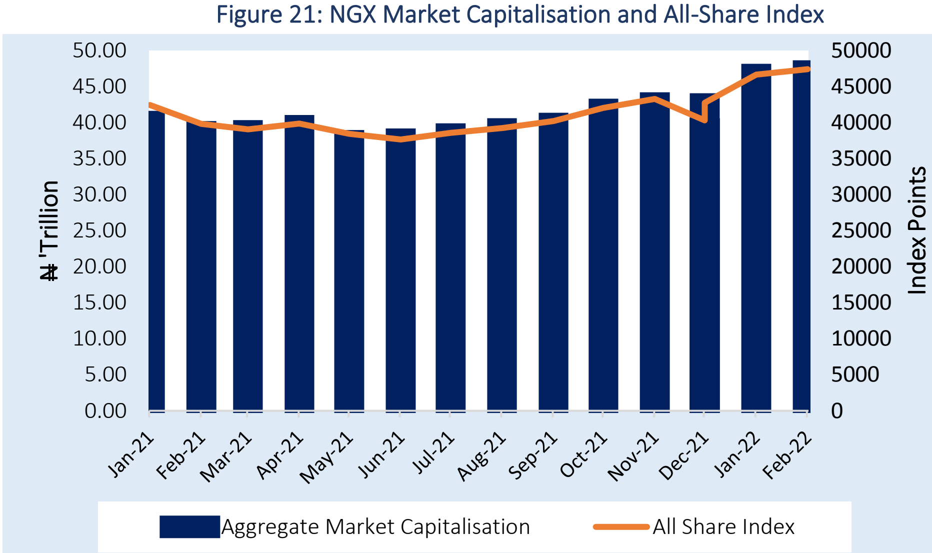
The All-Share Index appreciated by 1.7 per cent, to 47,394.53 index points, in February 2022, relative to 46,624.67 index points, at end-January 2022. The rise was due to price appreciation in blue-chip stocks, induced by the interplay of bargain hunting and profit-taking, as investors respond to the release of 2021 full-year audited corporate accounts. All sectoral indices appreciated relative to their levels in the preceding month, except for NGX-AseM and NGX-Industrial which trended downward.

Table 13: Nigerian Exchange (NGX) Limited Indices

NGX Indices	*January 2022*	*February 2022*	*Changes (%)*
NGX-Growth Index	*1280.26*	*1,450.40*	*13.3*
NGX-Afri Div Yield	*2746.75*	*3,018.70*	*9.9*
NGX-Oil & Gas	*393.81*	*424.36*	*7.6*
NGX-Meri Growth	*1,922.32*	*2,016.59*	*4.9*
NGX-Premium	*4,263.77*	*4,417.60*	*3.6*
NGX-Meri Value	*2,248.03*	*2,323.59*	*3.4*
NGX-Pension	*1,673.92*	*1,722.57*	*2.9*
NGX-Industrial	*2076.32*	*2,134.86*	*2.8*
NGX-Banking	*441.35*	*453.53*	*2.8*
NGX-30	*1774.74*	*1,820.16*	*2.6*
NGX_CG	*1,303.80*	*1,337.24*	*2.6*
NGX-Insurance	*186.32*	*191.04*	*2.5*
NGX-Consumer Goods	*571.36*	*588.00*	*2.3*
NGX-Afri Bank Value	*1082.64*	*1,104.83*	*2.1*
NGX-Lotus	*2,997.04*	*3,048.36*	*1.7*
NGX-Sovereign Bond	*860.61*	*866.79*	*0.7*
NGX-Mainboard	*2,017.50*	*2,018.83*	*0.1*
NGX-ASeM	*670.65*	*658.99*	*-1.7*

Source: *Nigeria Exchange (NGX) Limited.*

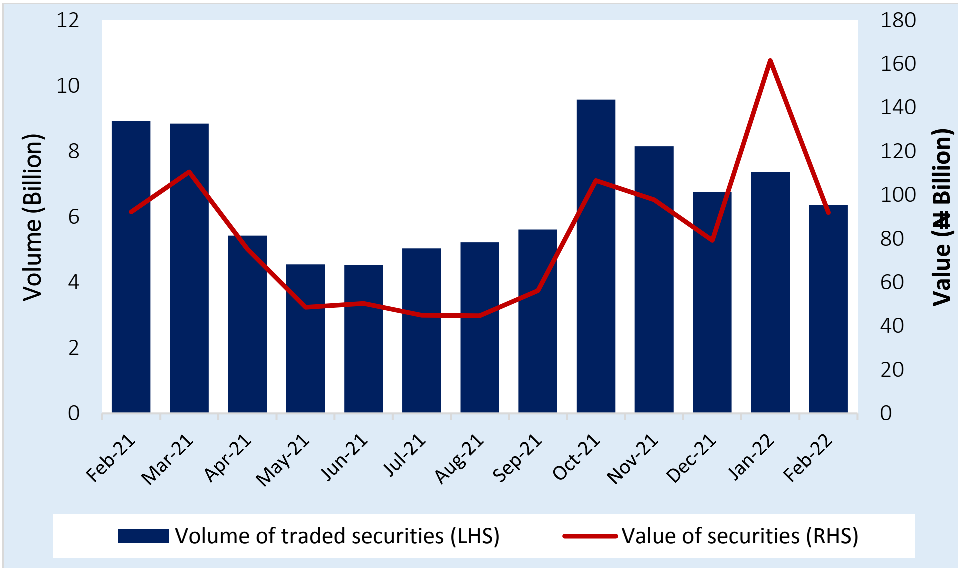
Figure 21: NGX Market Capitalisation and All-Share Index



Source: *Nigeria Exchange (NGX). Limited.*

The total volume and value traded on the floor of the Exchange fell by 13.6 per cent and 43.1 per cent, to 6.36 billion shares and ₦91.89 billion, respectively, in 101,559 deals at end-February 2022, compared with the 7.36 billion shares worth ₦161.55 billion, in 82,962 deals, recorded at end-January 2022.

Figure 22: NGX Volume and Value of Traded Securities



Source: *Nigeria Exchange (NGX). Limited*

There were four (4) new listings and one (1) supplementary listing in February 2022, which created an avenue for price discovery and an additional source of liquidity for existing and new investors, and improved investors' confidence.

Table 14: Listings on the Nigerian Exchange (NGX) Limited at end-February 2022

Securities	*Units*	*Remarks*	*Listing*
Abbey Mortgage Bank Plc.	*3,692,307,692 ordinary shares*	*Rights Issue at 82 kobo per share*	*Supplementary*
7.220% FGS FEB 2024	*163,689,000.00*	*Savings Bond*	*New*
8.220% FGS FEB 2025	*483,109,000.00*	*Savings Bond*	*New*
7.542% FGS JAN 2024	*154,207*	*Savings Bond*	*New*
8.542% FGS JAN 2025	*383,442*	*Savings Bond*	*New*

Source: *Nigeria Exchange (NGX) Limited.*

2.4. External Sector Developments

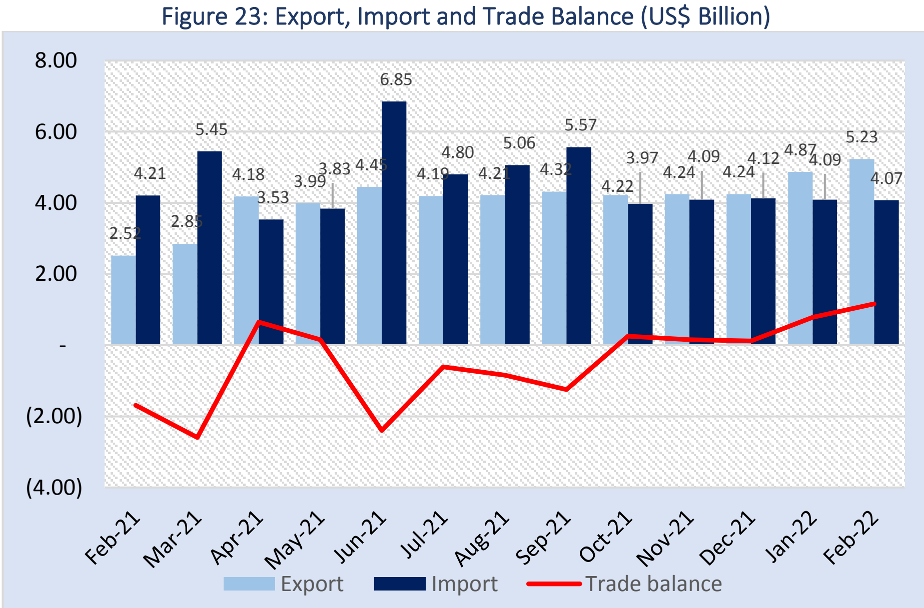
Summary

The build-up of geopolitical tensions in Eastern Europe, occasioned by the Russia-Ukraine conflict, heightened concerns for a protracted disruption of the global supply chain, raising the spectre of elevated commodity prices, particularly crude oil and gas. Consequently, higher crude oil export receipts resulted in a higher trade surplus. The external reserves increased due to a higher inflow of third-party related receipts and crude oil proceeds, as the Russia-Ukraine conflict drove up commodity prices. However, the inflow of foreign capital decelerated, due mainly to uncertainties surrounding the Russia-Ukraine conflict and the expected policy normalization by the Advanced economies central banks. The Bank tapered its interventions in the foreign exchange market to improve efficiency in the utilization of foreign exchange and to conserve external reserves. This development coupled with the moderation in activities at the investors' and exporters' (I&E) window supported the relative stability of the naira exchange rate.

2.4.1 Trade Performance

Despite the headwind's sequel to the Russia-Ukraine conflict, Nigeria's trade performance was impressive, recording a higher trade surplus aided by rising crude oil prices. Provisional data shows a 48.9 per cent increase in trade surplus to US$1.16 billion from US$0.78 billion in January 2022. Aggregate export receipts grew by 7.4 per cent to US$5.23 billion in February 2022, compared with US$4.87 billion in January 2022. However, merchandise import fell by 0.5 per cent to US$4.07 billion in February 2022, from US$4.09 billion in January 2022.

Figure 23: Export, Import and Trade Balance (US$ Billion)



Source: *Central Bank of Nigeria*

Crude Oil and Gas Export

Heightened concerns about global crude oil and gas supply, drove prices higher, benefiting crude oil-exporting countries like Nigeria. Accordingly, estimated aggregate crude oil and gas export receipts rose by 8.8 per cent and stood at US$4.66 billion, compared with US$4.29 billion in January 2022. Further analysis shows that crude oil receipts increased by 9.2 per cent to US$4.16 billion, from USS$3.81 billion in January 2022, driven by the rise in the price of Nigeria's reference crude. The Bonny Light rose by 12.3 per cent, to an average of US$99.64pb, relative to US$88.71pb in January 2022. Similarly, gas export receipts, grew by 5.2 per cent to US$0.51 billion, from US$0.48 billion in January 2022. The dominance of crude oil and gas export in total export was evident as it constituted 89.2 per cent of total export, with oil accounting for 79.5 per cent, while gas export represented 9.7 per cent.

Non-Oil Export

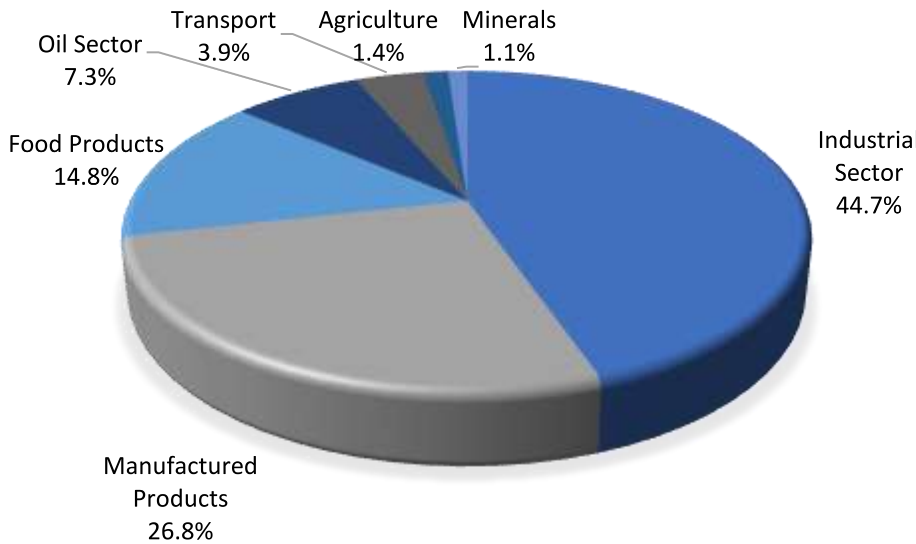
The performance of non-oil export slowed in the review period, as a result of heightened global uncertainties. Provisional data shows a 2.8 per cent decline in non-oil export receipts to US$0.57 billion, from US$0.58 billion in January 2022. Further analysis shows that other non-oil export, re-export, and electricity export declined by 10.3 per cent, 4.0 per cent, and 2.0 per cent, to US$0.37 billion, US$ 0.19 billion, and US$0.04 billion, respectively.

Import

Merchandise import remained subdued because of lingering supply chain disruption exacerbated by global uncertainties. Estimated aggregate imports decreased by 0.5 per cent to US$4.07 billion in February 2022, from US$4.09 billion in January 2022, occasioned by the 1.2 percentage point decline in non-oil import. Conversely, the importation of petroleum products increased by 1.7 per cent to US$1.00 billion, from US$0.98 billion in January 2022, to close the protracted supply gap. Non-oil import remained dominant as it accounted for 75.4 per cent of the total import bill, while oil import constituted the balance.

Data on sectorial utilisation of foreign exchange for import shows that industrial sector products constituted the largest share of 44.7 per cent, followed by manufactured products with 26.8 per cent. Importation of food products represented 14.8 per cent, while the oil sector accounted for 7.3 per cent, transportation, mineral and agriculture sector imports accounted for 3.9 per cent, 1.1 per cent and 1.4 per cent, respectively, of the total.

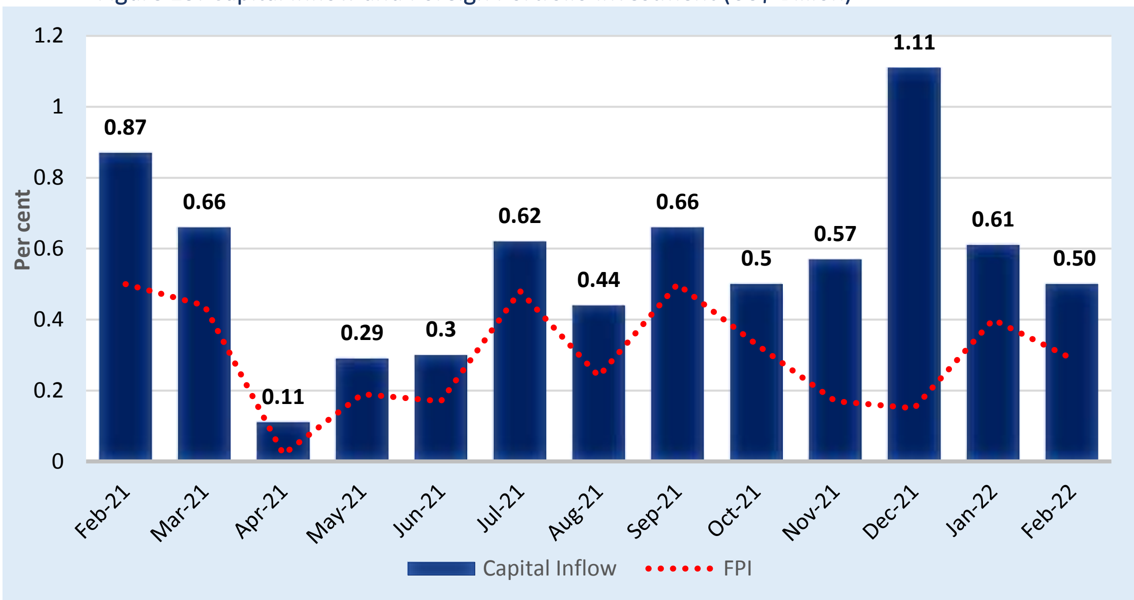
Figure 24: Import by Sector, February 2022 (Per cent)



Source: *Central Bank of Nigeria*

Foreign capital inflow declined in the review period, on account of cautious investors' sentiments in the wake of the Russia-Ukraine conflict and reduced yield. New capital imported into the domestic economy was US$0.50 billion, compared with US$0.61 billion in January 2022, indicating a decline of 23.7 per cent. A breakdown of capital imported by type of investment indicates that the inflow of other investment capital, at US$0.16 billion, constituted 31.4 per cent, of which loan was US$0.14 billion or 27.3 per cent, while other claims, at US$0.02 billion, represented 4.1 per cent. Foreign direct investment inflow, in the form of equity, was US$0.05 billion or 10.6 per cent of the total. Portfolio investment, at US$0.29 billion, constituted 58.0 per cent. Of the total portfolio capital, the inflow for the purchase of money market instruments was US$0.22 billion (44.7 per cent), bonds, US$0.06 billion (11.2 per cent), and equity, US$0.01 billion (2.1 per cent).

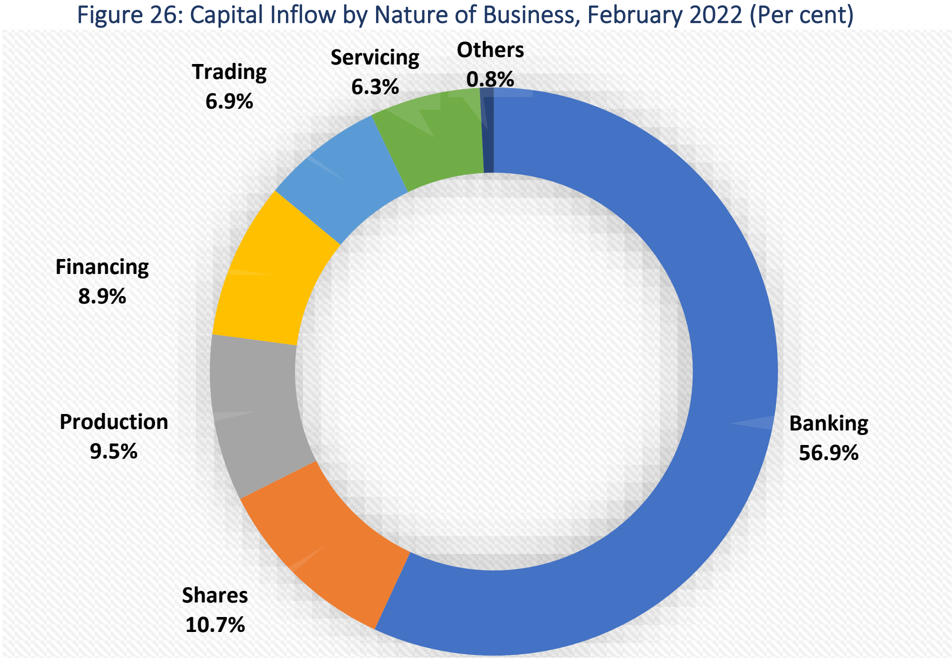
Figure 25: Capital Inflow and Foreign Portfolio Investment (US$ Billion)



Source: *Central Bank of Nigeria*

Analysis of capital imported by nature of business reveals that 56.9 per cent of the capital was directed to banking. This was followed by shares, 10.7 per cent; production/manufacturing, 9.5 per cent; financing, 8.9 per cent; trading, 6.9 per cent; and servicing, 6.3 per cent. Other sectors accounted for the balance.

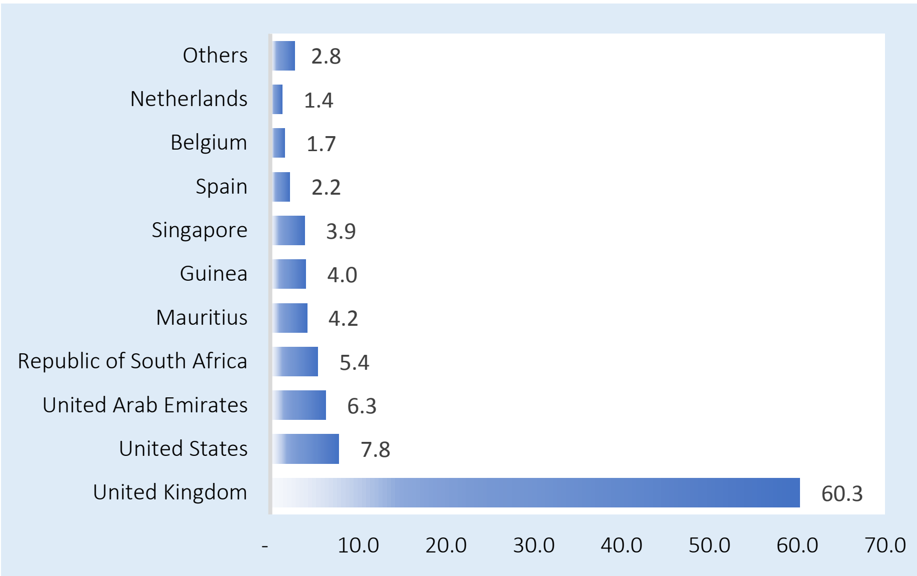
Figure 26: Capital Inflow by Nature of Business, February 2022 (Per cent)



Source: *Central Bank of Nigeria*

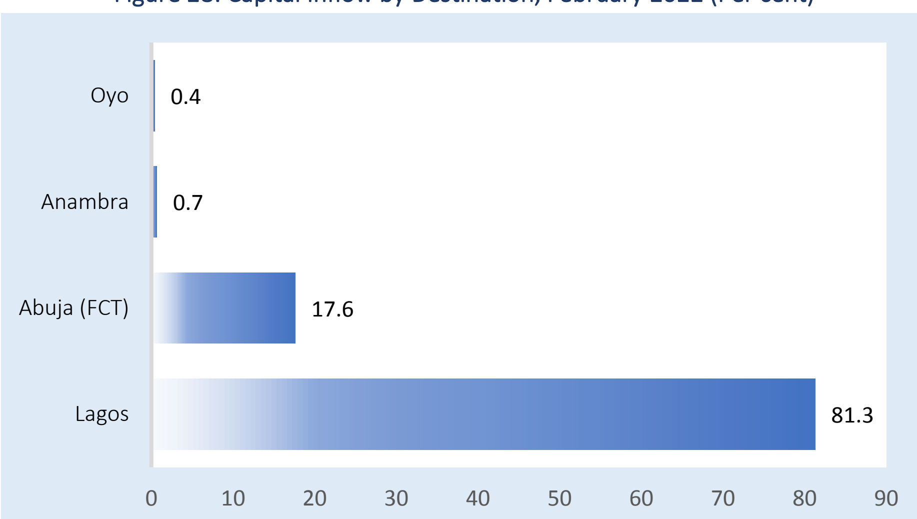
Further analysis of capital by originating country shows that the United Kingdom remained the dominant source of capital inflow, accounting for 60.3 per cent of the total. The United States, United Arab Emirates, The Republic of South Africa, Mauritius, Guinea, and Singapore followed in that order with shares of 7.8 per cent, 6.3 per cent, 5.4 per cent, 4.2 per cent, 4.0 per cent, and 3.9 per cent, respectively. The major destinations of capital in the domestic economy were Lagos State and Abuja (FCT), with US$0.40 billion, representing 81.3 per cent and US$0.09 or 17.6 per cent, respectively. Anambra and Oyo States received the balance.

Figure 27: Capital Inflow by Country of Origin, February 2022 (Per cent)



Source: *Central Bank of Nigeria*

Figure 28: Capital Inflow by Destination, February 2022 (Per cent)

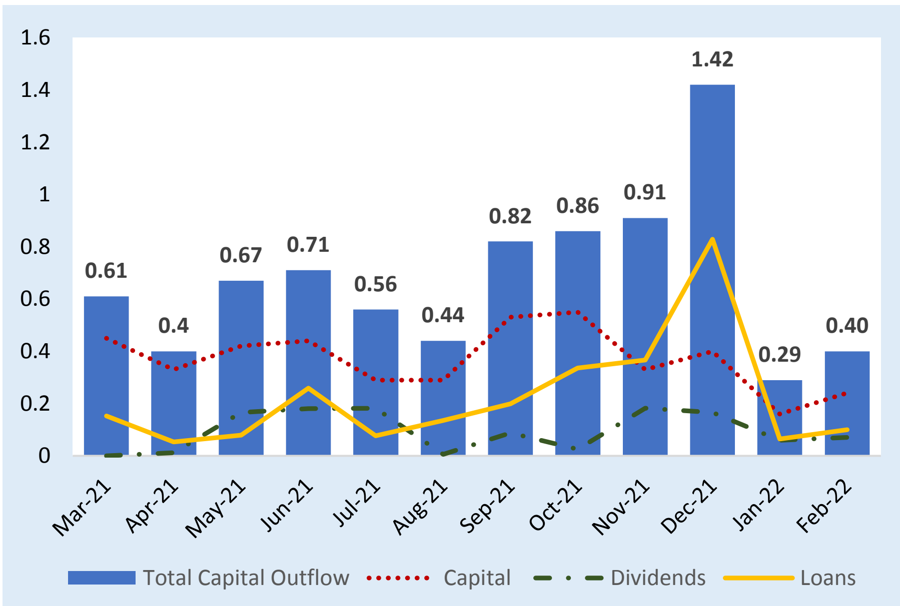


Source: *Central Bank of Nigeria*

Capital Outflow

The outflow of capital from the domestic economy increased, marginally, as capital reversals and loans inched up on account of escalating global geopolitical risks and an uncertain economic environment. Capital outflow increased by 37.9 per cent to US$0.40 billion, compared with US$0.29 billion in January 2022. A disaggregation reveals that outflow in the form of capital reversal (mainly from banking, financing, and production/manufacturing sectors) was US$0.24 billion, constituting 59.2 per cent. Outflow in the form of loans was US$0.10 billion, or 23.7 per cent, while the repatriation of dividends, at US$0.07 billion, accounted for 17.1 per cent.

Figure 29: Capital Outflow (US$ Billion)



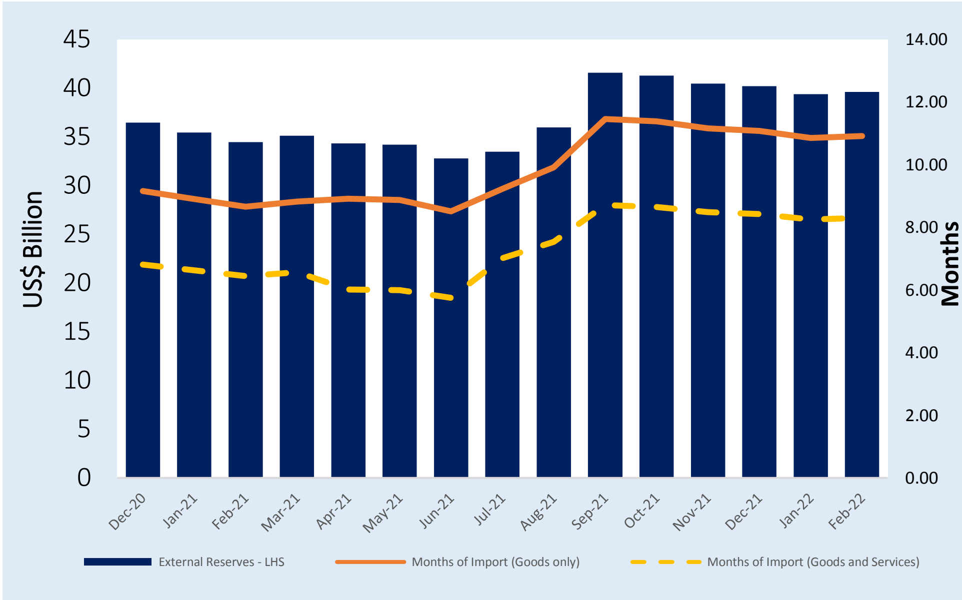
Source: *Central Bank of Nigeria*

2.4.2 International Reserves

International Reserves

Despite global economic uncertainties and subsisting shocks arising from the COVID-19 pandemic, the external reserves increased, due to crude oil and third-party receipts, as the Russia-Ukraine conflict drove up commodity prices. The external reserves stood at US$39.67 billion at end-February 2022, from US$39.38 billion at end-January 2022. The external reserves could cover 6.5 months of import for goods and services or 8.5 months of import for goods only.

Figure 30: External Reserves and Months of Import Cover



Source: *Central Bank of Nigeria*

2.4.3 Foreign Exchange Flows through the Economy

The economy recorded higher net foreign exchange inflow, driven by favourable sovereign ratings and higher oil and gas prices. Aggregate foreign exchange inflow into the economy rose by 42.8 per cent, to US$6.32 billion in February 2022, compared to US$4.43 billion in January 2022. However, the total foreign exchange outflow decreased by 5.8 per cent to US$3.17 billion, from the US$3.36 billion in the preceding month.

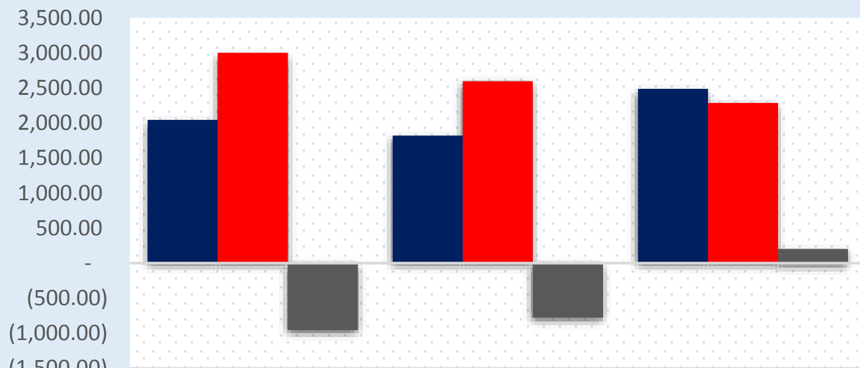
Foreign Exchange Flows through the Economy

Further analysis shows that foreign exchange inflow through the CBN rose by 36.7 per cent to US$2.49 billion from US$1.82 billion in January 2022, attributed, mainly, to the 53.0 per cent increase in non-oil components, such as institutional swaps, returned payments, TSA, and Third-party receipts, and other official receipts. Autonomous inflow also increased by 47.0 per cent to US$3.83 billion from US$2.61 billion, due to a rise in invisible purchases (ordinary domiciliary accounts and total Over-the-Counter purchases).

Foreign exchange outflow through the CBN declined by 12.0 per cent to U$2.29 billion, from US$2.60 billion in January, due, largely, to decreases in foreign exchange sales at the Investors and export (I&E), Small and Medium Enterprises (SME) intervention and interbank/invisible foreign exchange windows, as well as Third-Party MDA Transfers. Autonomous outflow, increased by 15.4 per cent to US$0.88 billion from US$0.76 billion in January, on account of increased invisible imports.

Consequently, net foreign exchange inflow rose to US$3.16 billion, from US$1.07 billion. A net inflow of US$0.20 billion was recorded through the Bank in February, compared with a net outflow of US$0.78 billion in the previous month.

Figure 31: Foreign Exchange Transactions through the Bank (US$ Million), February 2022



	February 21	January 22	February 2022
Inflow	2,049.31	1,823.21	2,492.77
Outflow	3,006.55	2,601.21	2,288.37
Netflow	(957.24)	(778.00)	204.40

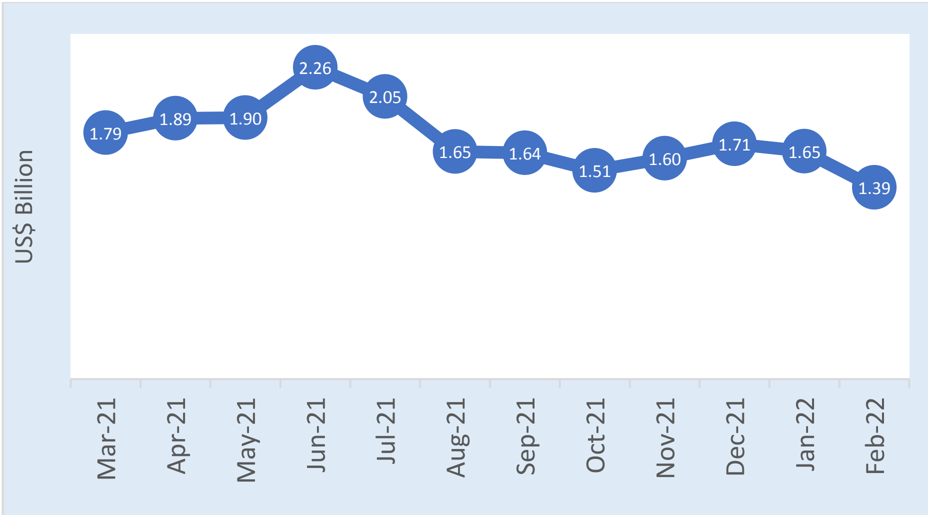
Inflow Outflow Netflow

Source: *Central Bank of Nigeria*

2.4.4 Foreign Exchange Market Developments

The Bank tapered its interventions in the foreign exchange market to improve efficiency in the utilization of foreign exchange and to conserve external reserves. Total foreign exchange sales to authorised dealers by the Bank was US$1.39 billion in February, a decrease of 16.1 per cent, relative to US$1.65 billion in January. Further analysis shows that matured swaps contracts and the Secondary Market Intervention Sales (SMIS) windows rose by 60.2 per cent and 3.9 per cent in February to US$0.34 billion and US$0.56 billion, respectively, relative to their levels in January 2022. In contrast, foreign exchange sales at the I&E and the SME windows, and the interbank segment fell by 49.0 per cent, 37.9 per cent and 44.8 per cent to US$0.29 billion, US$0.09 billion, and US$0.1 billion, respectively, in February 2022.

Figure 32: Foreign Exchange Sales to Authorised Dealers in February 2022(US $Billion)



Source: *Central Bank of Nigeria*

2.4.5 Exchange Rate Movement

Average Exchange Rate

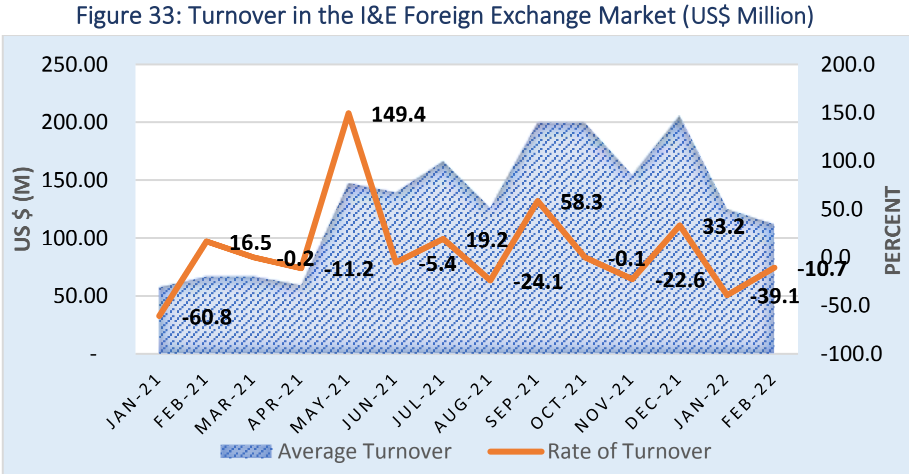
The naira exchange rate at the I&E window remained relatively stable in the review period despite the upscaling of cyclical and structural demand factors amidst foreign exchange supply constraints. The average exchange rate of the naira per US dollar at the I&E window depreciated by 0.22 per cent to ₦416.95/US$, in February 2022, compared with ₦416.03/US$ in the previous month.

2.4.6 Foreign Exchange Turnover at the I&E Window

Foreign Exchange Turnover

Activities at the investors and exporters' (I&E) window slowed, as revealed by the lower foreign exchange turnover. The average foreign exchange turnover was US$0.111 billion in February 2022, a decline of 10.7 per cent, compared with US$0.125 billion in January 2022, indicative of reduced liquidity at the window.

Figure 33: Turnover in the I&E Foreign Exchange Market (US$ Million)



Source: *Financial Markets Derivatives Quotations (FMDQ)*

3.0 ECONOMIC OUTLOOK

3.1 Global Outlook

The global economy is expected to expand at a slower pace in 2022, owing to the ripple effects of the Russia-Ukraine crisis. Though the IMF had projected the global economy to grow by 4.4 per cent in 2022 and 3.8 per cent in 2023, supply shocks arising from the escalation of the Russia-Ukraine conflict are expected to dampen growth prospects.

With the broadening of price pressures, global inflation is anticipated to remain elevated in the short-term, driven by rising food and energy prices, emanating from supply shocks. In that regard, the average projections for inflation in Advanced Economies (AEs) and Emerging Markets & Developing Economies (EMDEs) would be much higher than the 3.9 per cent and 5.9 per cent released by the IMF for 2022.

3.2 Domestic Outlook

Economic Outlook for the First Quarter

There is optimism around economic expansion in the first quarter of 2022 and over the near term on the back of sustenance of the current crude oil price trend and the overcoming of operational constraints in the oil sector. The Nigerian economy is projected to sustain its trend of recovery in the first quarter of 2022. The positive outlook is predicated on the assumption that the current trend in crude oil prices would be sustained. It is also founded on the effective implementation of the Medium-Term National Development Plan (MTNDP) and the positive impact of CBN interventions on growth-enhancing sectors, among others. However, persistent security challenges and the subsisting infrastructural deficit could be a drag on the wheel of progress.

Inflationary pressures are expected to remain elevated in the near term due to energy and food prices. Headline inflation is projected to rise in the first quarter of the year, driven by the food and core components, if the shortage of refined petroleum products and disruption of electricity supply coupled with security challenges in some parts of the country persists. However, the positive impact of various CBN and FGN interventions in the agricultural sector is expected to moderate food price pressures.

Fiscal outlook for the near term is optimistic. Positive sentiments around crude oil prices, anchored on successive reduction in US oil reserves, are expected to improve the near-term oil revenue. Furthermore, continued implementation of the Strategic Revenue Growth Initiatives (SRGIs), the Finance Act 2021, and the implementation of the Petroleum Industry Act are expected to improve the government's fiscal position. However, constraints to effective tax administration, the value shortfall recovery for PMS and heightening security challenges constitute downside risks to the fiscal outlook.

The outlook for the external account is expected to be favourable in the near term, hinged on the sustenance of rising crude oil prices, emanating from the ongoing Russia-Ukraine conflict. The current account position is expected to improve, as the crude oil price is predicted to remain above US$100 per barrel in the near term on the back of geopolitical tensions in Europe. In this regard, Nigeria's external reserves are projected to improve from its current levels in the near term. However, the value shortfall recovery for PMS, rising import bills, increased external debt servicing and capital flow reversals occasioned by the hike in Fed rate, pose downside risks to reserves accretion.