CENTRAL BANK OF NIGERIA ECONOMIC REPORT

July 2022

ABOUT THE REPORT

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

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

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EXECUTIVE SUMMARY

Global economic activity slowed in July, especially in developed countries, attributed, mainly, to increased energy prices. The knock-on effect of the Russia-Ukraine war continued to impact the performance of the Advanced Economies (AEs) and Emerging Markets and Developing Economies (EMDEs). Developments in inflation was mixed, amidst hike in interest rates, supply chain disruptions and increased energy prices. The trends in financial market indices were mixed, in the face of rising equity prices, declining yields, and tight monetary conditions. World crude oil production increased following improved supply from OECD and non-OECD countries. Crude oil spot prices declined following releases from the US crude oil strategic reserves and pessimism about the world economic growth.

On the domestic front, economic activity expanded, as the manufacturing Purchasing Managers Index (PMI) was above the 50-point threshold. The manufacturing PMI slowed to 50.2 index points, compared with 51.1 index points in June, attributed mainly to the drag in supply delivery time and employment level. Inflationary pressures continued, driven mainly, by supply chain disruptions and increased energy costs. Consequently, headline inflation, (year-on-year), rose to 19.64 per cent, compared with 18.60 per cent in June. The Bank continued its intervention programmes in critical sectors to boost output, address structural rigidities in a bid to moderate aggregate prices.

The provisional FGN retained revenue improved, following an increase in oil and non-oil revenue, as it rose by 32.1 per cent, relative to June, but remained significantly below the target for 2022; while expenditure fell by 2.1 per cent. Thus, the provisional fiscal deficit of the FGN contracted by 12.4 per cent, relative to June, but expanded by 45.6 per cent when compared with the benchmark. Total public debt outstanding at end-March 2022, was ₦41,604.06 billion, or 18.8 per cent of GDP and within the 40.0 per cent threshold in the Medium-Term Debt Management Strategy.

The financial system remained safe and sound, as reflected by key indicators. Monetary aggregates were within the programme target and the Bank wielded tight policy stance to rein in inflation and enhance foreign capital flows. Key money market rates trended upwards in response to the liquidity conditions. The All-Share Index (ASI) of the NGX declined, on account of flight to profit in the fixed income market.

The economy recorded a trade surplus of US$1.35 billion, despite the supply chain disruptions and energy crisis, occasioned by the Russia-Ukraine war.

However, foreign capital inflow decreased, as investors divested to other climes following monetary tightening. The stock of external reserves, at US$38.31 billion, could cover 6.6 months of import for goods and services. The average exchange rate of the naira per US dollar at the I&E window was ₦417.38/US$, relative to ₦415.64/US$ in the preceding month.

The prospect for increased global growth is pessimistic due to uncertainties prevalent in major economies and heightening global inflation. On the domestic front, growth prospects remain positive, but could be constrained by the challenges of insecurity and perennial infrastructural deficit. In addition, inflationary pressure is expected to remain elevated in the near-term, stemming from increased production and transportation costs. However, given the policy stance of the Bank, it is expected that inflation would be moderated in the medium-term.

1.0 GLOBAL ECONOMIC DEVELOPMENTS

1.1 Economic Activities

The expansion in global economic activities slowed in July, especially in developed countries, attributed mainly to the rise in energy prices. The JP Morgan Global Composite Purchasing Managers' Index (PMI) stood at 50.8 index points in July compared with 53.5 index points in June. The Services sector was the worst affected as the growth slowed to 51.1 index points in July from 53.9 index points in the preceding month. Similarly, the manufacturing PMI declined to 52.1 index points from 53.1 index points in June, driven, majorly, by a contraction in the intermediate goods subsector. Also, employment, new business, and export orders slowed in July. Specifically, the Euro area and Japan recorded a decrease in new jobs.

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

	May-22	Jun-22	Jul-22
Composite	51.5	53.5	50.8
Manufacturing	52.4	53.1	52.1
Services (Business Activity)	52.2	53.9	51.1
Employment Level	53.4	53.1	52.1
New Business Orders	52.5	51.4	51.2
New Export Business Orders	48.6	49.3	48.0
Future Output	64.4	61.2	60.2
Input Prices	71.5	69.3	67.7
Output Prices	61.3	59.7	58.1

Source: JP Morgan

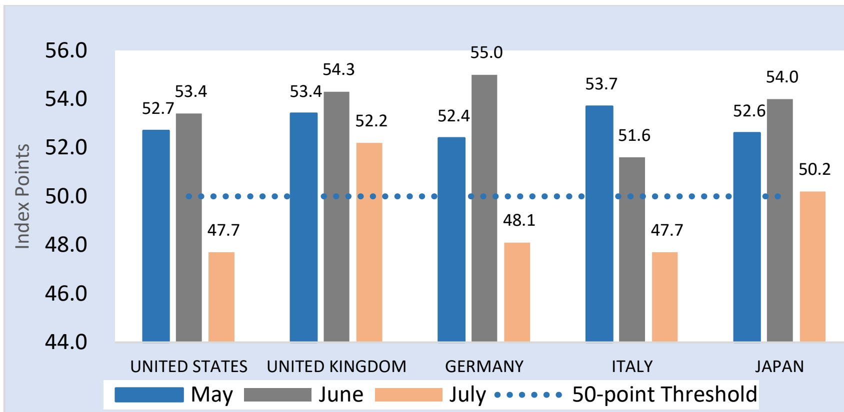
Note: Above 50 index points indicates expansion.

Manufacturing and Services data for Ireland and manufacturing data for Canada were not available for inclusion in the July numbers.

Economic Activity in Advanced Economies

Economic activities in Advanced Economies (AEs) contracted as the knock-on effect of the Russia-Ukraine war hit Europe and the United States. Soaring inflation and tight financial conditions restricted economic activity in most advanced economies. In the US, output contracted to 47.7 index points from 53.4 index points in June, following subdued demand conditions in the manufacturing and services sectors. Similarly, in Italy and Germany, the PMIs fell below the 50-index points threshold to 47.7 index points and 48.1 index points, respectively, from 51.6 index points and 55.0 index points, in June. Italy's manufacturing and services sectors contracted due to the impact of the war in Ukraine and expectations of a deteriorating economic outlook. Declines in domestic and export demand, supply shortages, and heightened uncertainty in the business environment affected economic activity in Germany. Likewise, economic activity in Japan decreased as the PMI fell to 50.2 index points from 54.0 index points in June, reflecting slower industrial and service activity in the face of raw material shortages, increased energy and wage expenses, and a weaker yen relative to the US dollar.

Figure 1: PMIs of Selected Advanced Economies

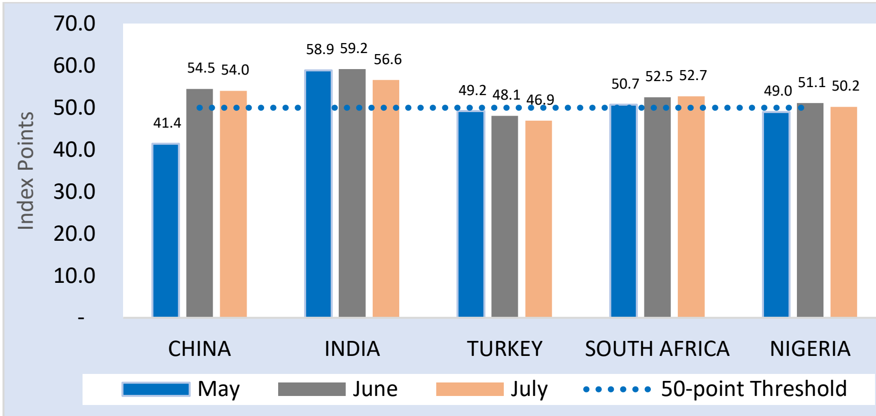


Source: Trading Economics/Various Country Websites

Economic Activity in EMDEs

Economic performance in Emerging Markets and Developing Economies (EMDEs) was mixed, as most countries displayed resilience. Economic activities contracted slightly within the region, although some countries, such as South Africa, expanded. The PMI for South Africa rose to 52.7 index points from 52.5 in the preceding month, due, mainly to the improvement in demand. On the contrary, economic activities in India slowed as the composite PMI fell to 56.96 index points from 59.2 index points in the previous month, driven by the decline in activity in the service sector. In Nigeria, the PMI fell marginally to 50.2 index points from 51.1 index points in June due to increased production costs. In China, movement restrictions in some cities due to renewed surge in COVID-19 infections led to the decline in growth as the PMI fell to 54.0 index points from 54.5 index points in June. The decrease in consumer demand in Turkey resulted in subdued output and new orders as the PMI dropped to 46.9 index points from 48.1 index points in the preceding month.

Figure 2: PMIs of Selected EMDEs



Source: Trading Economics/Various Country Websites.
Note: *Turkey numbers are for Manufacturing PMI.*

1.2 Global Inflation

Global Inflation

Developments in inflation were mixed, amidst hike in interest rates, global supply chain disruptions and increase in food and energy prices. In the United States, consumer prices decreased to 8.50 per cent from 9.10 per cent in the preceding month. Canada's inflation rate also decelerated to 7.60 per cent from 8.10 per cent in June, due to a sharp drop in gasoline prices. Similarly, Germany and Italy experienced marginal disinflation, to 7.50 per cent and 7.90 per cent in July relative to 7.60 per cent and 8.00 per cent, respectively, recorded in the preceding month. The slowdown in Germany and Italy was mainly driven, by the decelerating energy prices in the wake of fuel discounts in both countries. However, despite monetary tightening in the UK, inflation reached a-four decades high of 10.10 per cent from 9.40 per cent in the preceding month. The rise was attributed to the rise in the price of metals and non-metallic minerals and energy. Japan also witnessed an increase in inflation to 2.60 per cent in July, from 2.40 per cent, due to the weakening yen that impacted the cost of food, fuel, light, and water.

Prices within EMDEs followed a similar trend. India's inflation rate declined to 6.71 per cent from 7.01 per cent in the preceding month, due to a slowdown in food prices, transportation, and communication. Conversely, in South Africa, inflation rate rose to 7.80 per cent from 7.40 per cent in June. The rise in the cost of transport, food, and non-alcoholic beverages were the major drivers of price pressure. The inflation rate inched up in China and Indonesia to 2.70 per cent and 4.95 per cent from 2.50 per cent and 4.35 per cent, respectively, in the preceding month. Food prices rose the most due to pent-up demand in both countries owing to the return to normalcy after a lift in restrictions. Similarly, the inflation rate in Mexico increased to 8.15 per cent from 7.99 per cent in the preceding month as the prices of goods and services, particularly housing, rose. Turkey's inflation remained high, rising to 79.60 per cent from 78.62 per cent in the preceding month, as the lira continued to depreciate amid the high cost of raw materials, transport, and negative real interest rates.

Table 2: Inflation Rates in Selected Countries

Country	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22
United States	7.87	8.50	8.30	8.6	9.1	8.5
United Kingdom	6.20	7.00	9.00	9.1	9.4	10.1
Japan	0.90	1.20	2.50	2.5	2.4	2.6
Canada	5.70	6.70	6.80	7.7	8.1	7.6
Germany	5.10	7.30	7.40	7.9	7.6	7.5
China	0.90	1.50	2.10	2.1	2.5	2.7
South Africa	5.70	5.90	5.90	6.5	7.4	7.8
India	6.07	6.95	7.79	7.04	7.01	6.71
Mexico	7.28	7.45	7.68	7.65	7.99	8.15
France	3.60	4.50	4.8	5.2	5.8	6.1
Italy	5.70	6.70	6.20	6.80	8.00	7.90
Indonesia	2.06	2.64	3.47	3.55	4.35	4.95
Turkey	54.44	61.14	69.97	73.5	78.62	79.60
Nigeria	15.7	15.92	16.82	17.71	18.6	19.64

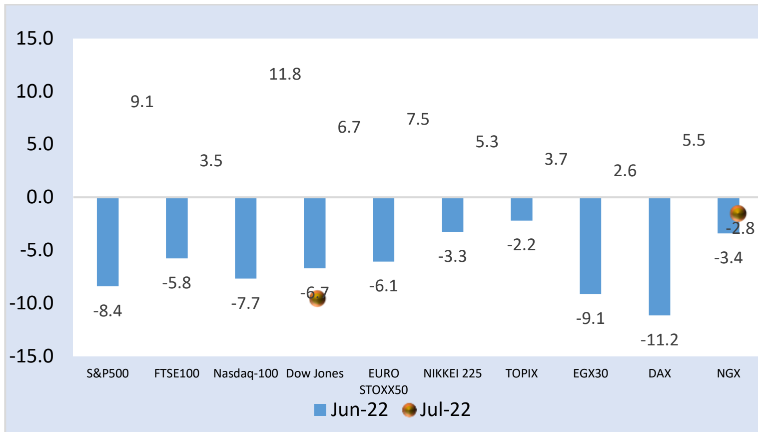
Source: OECD and NBS.

1.1.2 Global Financial Market

Global Financial Market

The performance of the global financial market improved across regions as equity prices rose, implying declining yields, driven by expectations of an economic downturn. US stock indices improved in July, attributed to the 75 basis points (bps) hike in interest rate by the Federal Reserve. Stocks in the Eurozone also gained, except the FTSE in the UK. The ECB raised interest rate by 50bps, ending the era of negative rates. Stock markets in Japan rose steadily owing to widened interest rate differential with the United States and increased domestic inflation. In the same vein, other Asian stocks posted positive returns due to Wall Street's rally and positive U.S. futures. The NASDAQ, S&P 500, EURO STOXX and Dow Jones, improved by 11.8 per cent ,9.1 per cent, 7.5 per cent, and 6.7 per cent from positions in June, respectively. Similarly, the DAX, NIKKEI, TOPIX, and EGX30 rose by 5.5 per cent, 5.3. per cent, 3.7 per cent 2.3 per cent and 2.8 per cent, respectively. The NGX also improved albeit a negative growth of 2.8 per cent in July 2022 compared with its performance in the preceding month.

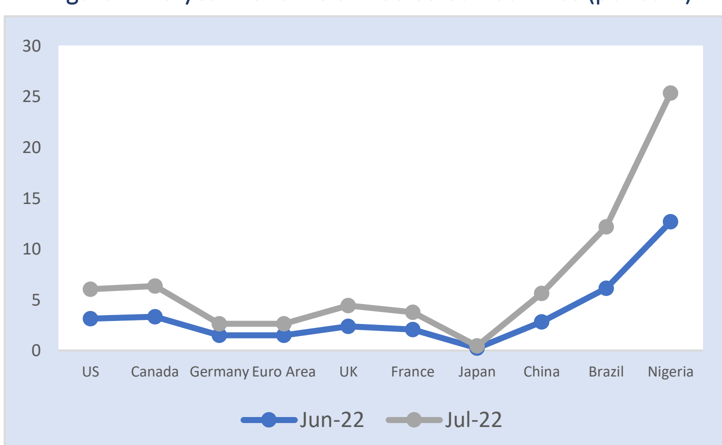
Figure 3: Growth in Selected Equity Indices (per cent)



Sources: Bloomberg, Reuters and CBN

The 10-year government bond yield decreased to 3.03 per cent, 2.89 per cent, 2.06 per cent and 1.72 per cent in Canada, the United States, the United Kingdom, and France, respectively, from their positions in June. Also, bond yields declined by 1.13 per cent in Germany and the Euro Area, apiece. This trend was similar in emerging markets as the 10-year government bond yield declined in China and Brazil by 2.80 per cent and 6.06 per cent, respectively.

Figure 4: 10-year Bond Yield in Selected Countries (per cent)

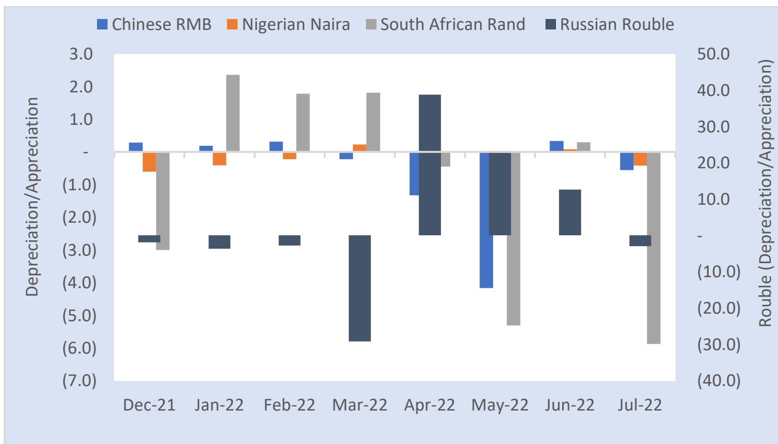


Source: Bloomberg.

Emerging markets and developing economies' currencies

The average exchange rate of the South African Rand and Russian Rouble depreciated against the US dollar by 5.9 per cent and 3.0 per cent, respectively. The developments in South Africa were due to a trade deficit compared to a surplus in June, while the expectations that Russia may curb the currency's recent strength, due to stringent capital control measures and a rise in fossil-fuel prices, affected the Rouble. Similarly, the Chinese RMB depreciated by 0.6 per cent, while the average exchange rate of the naira per US dollar at the I&E window remained relatively stable, though depreciated marginally by 0.4 per cent owing to demand pressure.

Figure 5:EMDEs Currencies to the US Dollar



Source: CBN & Exchange Rates UK

Table 3: EMDEs Currencies' Rates to the US Dollar

Period	Chinese RMB	Nigerian Naira	South African Rand	Russian Rouble
Jul-21	6.48	411.39	14.51	73.93
Jun-22	6.7	415.64	15.82	57.7
Jul-22	6.73	417.38	16.81	59.48

Sources: CBN & Exchange Rates UK

1.1.3 Global Commodity Market

Global oil market

Total world crude oil production increased following improved supply from the OECD and non-OECD countries. Crude oil supply rose by 0.58 per cent to 100.32 million barrels per day (mbpd) in July, from 99.74 mbpd in June. The rise in world crude oil supply was largely driven, by improved supply from the OECD and non-OECD producing countries as maintenance wound down in the North Sea, Canada and Kazakhstan. The supply from non-OECD countries rose by 0.25 per cent to 67.93 mbpd from 67.76 mbpd in the preceding month, while the total OECD supply rose by 0.46 per cent to

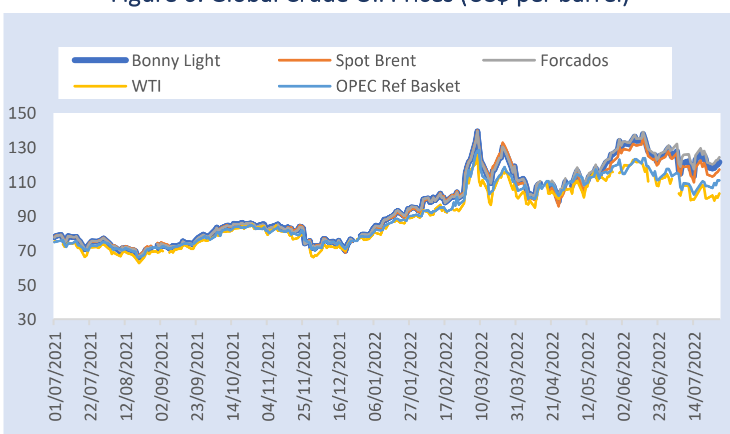
32.56 mbpd, from 32.41 mbpd in the preceding month. However, OPEC's production fell marginally by 0.12 per cent to 33.73 mbpd, relative to 33.77 mbpd in the preceding month, as some of the OPEC members produced less than stipulated for July.

Total world crude oil demand fell by 0.49 per cent to 98.83 mbpd, from 99.32 mbpd in the preceding month, due to lower levels of demand in China, resulting from the extension of COVID-19 lockdowns.

Crude Oil Prices

The spot price of crude oil declined on account of the US releases of crude from its strategic reserves, amid pessimism about the global economy. Consequently, the average spot price of Nigeria's benchmark crude oil, the Bonny Light (34.9° API), declined by 7.35 per cent to US$120.54 per barrel (pb), from US$130.10 in June. The prices of Brent at US$117.12 pb, Forcados at US$123.85 pb, WTI at US$103.34 pb, and OPEC Reference Basket (ORB) at US$108.60 pb all exhibited similar movements (Figure 6). The drop in crude oil spot prices was due to the crude oil releases by the US from its strategic reserves as well as concerns about an impending economic contraction.

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



Source: Refinitiv Eikon (Reuters).

Agricultural Commodity Prices

The prices of most agricultural commodities at the international market decreased in July, compared with the preceding month, partly due to the UN agreement with Russia and Ukraine on grain exports through the black sea as well as seasonal factors that enabled increased supply. The average price index for all the monitored commodities stood at 92.97 index points, a decrease of 11.1 per cent, compared with the preceding month. The decrease ranged from 3.3 per cent for coffee to 29.6 per cent for palm oil. The decline was driven by improved supply prospects for vegetable oils and grains, on account of the UN deal on Ukraine export. Increased export, especially from Indonesia, also influenced the drop in the price of palm oil.

However, the price of groundnut increased by 0.9 per cent, on account of supply constraints from major producers, such as India.

Table 4: Indices of Average World Prices of Nigeria's Major Agricultural Export Commodities (US$, Jan. 2010=100)

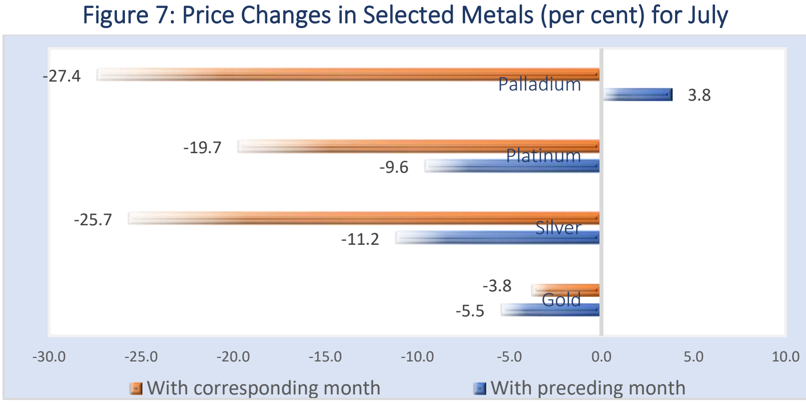
COMMODITY	Jul-21	Jun-22	Jul-22	% Change	
				(1) & (3)	(2) & (3)
	1	2	3	4	5
All Commodities	83.48	104.57	92.97	11.37	-11.09
Cocoa	76.05	75.89	73.17	-3.78	-3.58
Cotton	58.16	91.78	78.00	34.11	-15.01
Coffee	100.49	110.33	106.64	6.12	-3.34
Wheat	96.00	149.94	124.79	29.98	-16.77
Rubber	34.78	34.89	33.18	-4.60	-4.90
Groundnut	106.23	117.09	118.11	11.18	0.87
Palm Oil	86.10	121.58	85.58	-0.60	-29.61
Soya Beans	110.02	135.05	124.27	12.95	-7.99

Sources: World Bank Pink Sheet

Other Mineral Commodities

The average spot prices of gold, silver and platinum decreased in July, as investors switched portfolios to fixed income investments following the hike in rate by the US Fed. The average spot prices of gold, silver and platinum fell by 5.5 per cent, 11.2 per cent and 9.6 per cent, to sell at US$1,726.48 per ounce, US$19.09 per ounce, and US$871.21 per ounce, respectively. The increase in interest rates by the US Fed led to rising US yields and a stronger dollar, thus, reducing the demand for the metals as safe haven assets. Conversely, the average spot price of palladium rose by 3.9 per cent, to sell at US$1,978.82 per ounce, compared with US$1,905.16 per ounce in the preceding month (Figure 6). The price of palladium increased in response to lower supply from Russia, the world's largest producer of palladium, due to sanctions imposed on Russia.

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



Source: Refinitiv Eikon IV (Reuters)

2.0. DOMESTIC ECONOMIC DEVELOPMENTS

2.1. Real Sector Developments

Summary

Domestic economic activities in July expanded, albeit at a slower pace, as both the manufacturing and non-manufacturing PMIs were above the 50-point threshold. However, inflationary pressure remained a concern as it increased above the level in the preceding month.

2.1.1 Economic Activities

Purchasing Managers Index

Economic activities expanded as the manufacturing Purchasing Managers' Index (PMI) stood at 50.2 index points, above the 50-index points threshold. However, this was slower compared with 51.1 index points in the previous month. The expansion in manufacturing PMI was driven by growth in new orders, which stimulated production activities. However, the slowdown in supplier's delivery time constituted a major drag to economic activities, arising from supply chain constraints that accompanied higher energy prices and persisting security challenges during the period. Conversely, the non-manufacturing PMI rose, tepidly, to 50.4 index points, compared with 50.3 index points in the preceding month, attributed to increase in inventory levels.

Table 5: Manufacturing and Non-Manufacturing Purchasing Managers' Index

Components	Jun-22	Jul-22
Composite Manufacturing PMI	**51.1**	**50.2**
Production Level	*46.5*	*49.4*
New Orders	*42.5*	*47.1*
Supplier Delivery Time	*72.6*	*53.7*
Employment Level	*53.1*	*52.3*
Raw Material Inventory	*51.7*	*51.9*
Composite Non-Manufacturing PMI	**50.3**	**50.4**
Business Activity	*49.4*	*49.1*
New Orders	*49.1*	*48.0*
Employment Level	*51.8*	*50.5*
Inventory	*51.1*	*54.1*

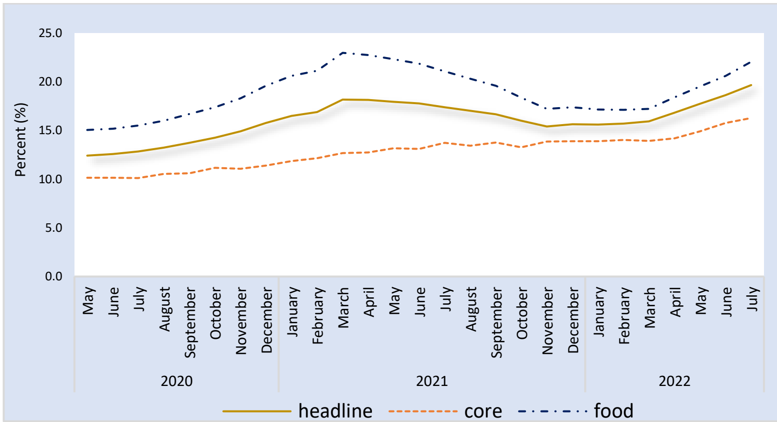
Source: Central Bank of Nigeria

2.1.2 Domestic Price Development

Headline Inflation

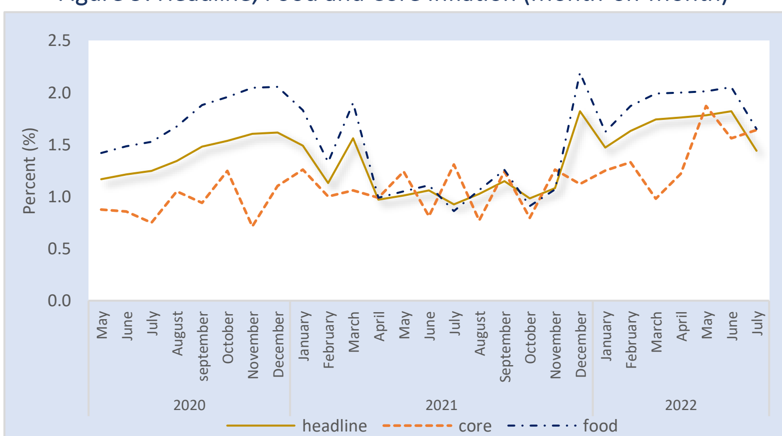
Inflationary pressure continued in both the food and non-food components of the CPI basket. Thus, headline inflation (year-on-year) rose to 19.64 per cent in July from 18.60 per cent in the preceding month. The increase was driven by the rise in the cost of production due to higher energy prices and supply chain disruptions. Also, the persisting security challenges across the country continued to impact on food production and distribution. On a month-on-month basis, headline inflation steadied at 1.82 per cent, same as in the preceding month (Figure 8).

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



Source: National Bureau of Statistics

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



Source: National Bureau of Statistics

Core Inflation

Core inflation rose to 16.26 per cent, compared with 15.75 per cent in the previous month. The rise was attributed to the continued increase in import costs as a result of higher global inflation and lower global output, amid increased energy prices. On a month-on-month basis, core inflation rose to 1.75 per cent from 1.56 per cent in the preceding month.

Food Inflation

Food inflation (year-on-year) increased to 22.02 per cent, compared with 20.60 per cent in the preceding month. This was occassioned by the higher cost of processed food, particularly meat, fish, bread, garri, oil and fats. Also, seasonal shortages and increased cost of diesel, contributed to the rise in the cost of farm produce and imported food items, such as – fruits, vegetables, yam and rice. However, on a month-on-month basis, it moderated to 1.65 per cent, compared with 2.05 per cent in the preceding month.

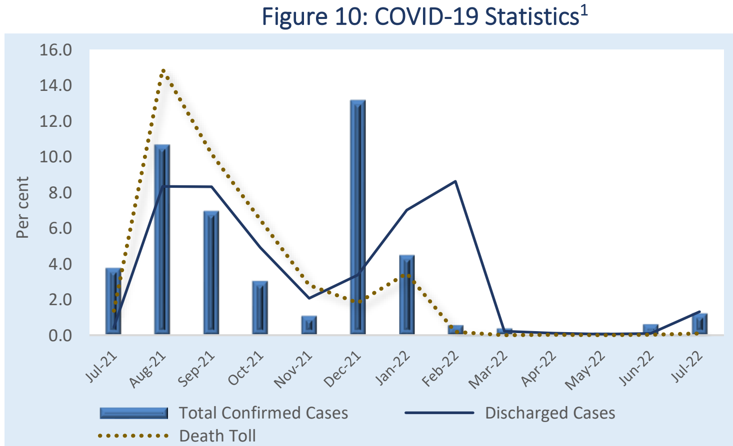
2.1.3 Update on COVID-19

The rate of confirmed cases of COVID-19 increased in the period under review, even in the face of sustained vaccination drive, due to lower risk perception. Data from the National Centre for Disease Control (NCDC) showed that at end-July 2022, the rate of confirmed cases rose by 1.49 per cent, compared with 0.59 per cent in June (Figure 9). The rise in cases pointed to waning compliance with non-clinical COVID-19 preventive protocols by residents. However, the rate of active cases declined by 19.81 per cent, compared with an increase of 44.54 per cent in the preceding month, while the rate of death increased by 0.09 per cent, compared with 0.03 per cent.

Furthermore, data from the National Primary Health Care Development Agency (NPHCDA) showed that 24.3 per cent of the target population had been fully vaccinated as at end-July, compared with 20.9 per cent in the preceding month. Similarly, of the target population, 10.5 per cent had been partially vaccinated compared with 10.7 per cent in the preceding month.

Health & COVID-19 Update

Figure 10: COVID-19 Statistics[1]



Source: Nigeria Center for Disease Control

2.1.4 Update on Transportation

Transportation

In a bid to improve commercial aviation, the Federal Executive Council (FEC) approved a Bilateral Air Service Agreement (BASA) with Canada. The Agreement which would enable a direct service link between Nigeria and Canada, was in accordance with the Chicago Convention, to which both

[1] COVID-19 data as at July 31, 2022.

Nigeria and Canada are signatories. Key features of the BASA include: granting of rights and privileges, designation of airlines authorisation, withholding, revocation, suspension and limitation of authorisation as well as application of national laws and regulations. Other components include: safety standards certificates and licences, aviation security, custom duties and other charges, statistics pricing and general terms and conditions of carriage, availability of airports and aviation facilities and services, capacity, airline representatives, ground handling, sales and transfer of funds, consultations, and settlement of disputes, among others.

2.1.5 Domestic Crude Oil Market

Crude Oil Production and Export

Domestic crude oil production and export decreased due to continued pipeline vandalism and industrial action by oil workers. Domestic crude oil production and export fell to 1.13 mbpd and 0.68 mbpd, a decline of 5.83 per cent and 9.33 per cent, respectively, from 1.20 mbpd and 0.75 mbpd, respectively, in June. The decline was as a result of the renewed cases of pipeline vandalism, oil theft, and the industrial action by employees of Addax Petroleum Development Nigeria. Nigeria's production level remained below the OPEC quota of 1.779 mbpd by 0.649 mbpd.

Box Information 1

Prices of Selected Domestic Agricultural Commodities in July

	UNIT	Jul. 2021 1	Jun. 2022 2	Jul. 2022 3	% Change (1) & (3)	% Change (2) & (3)
Agric eggs medium size	*1kg*	*577.55*	*704.19*	*715.12*	*23.8*	*1.6*
Beans: brown, sold loose	"	*485.44*	*551.40*	*556.66*	*14.7*	*1.0*
Beans: white black eye, sold loose	"	*444.21*	*536.17*	*545.65*	*22.8*	*1.8*
Gari white, sold loose	"	*329.20*	*332.53*	*337.30*	*2.5*	*1.4*
Gari yellow, sold loose	"	*347.70*	*353.95*	*358.72*	*3.2*	*1.3*
Groundnut oil: 1 bottle, specify bottle	"	*768.81*	*1062.90*	*1085.92*	*41.2*	*2.2*
Irish potato	"	*380.21*	*473.77*	*483.34*	*27.1*	*2.0*
Maize grain white, sold loose	"	*275.82*	*324.32*	*333.16*	*20.8*	*2.7*
Maize grain yellow, sold loose	"	*280.63*	*321.04*	*328.41*	*17.0*	*2.3*
Onion bulb	"	*322.08*	*393.32*	*397.82*	*23.5*	*1.1*
Palm oil: 1 bottle, specify bottle	"	*635.31*	*870.90*	*876.46*	*38.0*	*0.6*
Rice agric, sold loose	"	*462.35*	*510.02*	*513.37*	*11.0*	*0.7*
Rice local, sold loose	"	*411.97*	*488.68*	*497.08*	*20.7*	*1.7*
Rice, medium grained	"	*456.00*	*511.94*	*517.61*	*13.5*	*1.1*
Rice, imported high quality, sold loose	"	*552.80*	*636.20*	*643.75*	*16.5*	*1.2*
Sweet potato	"	*199.86*	*247.91*	*253.04*	*26.6*	*2.1*
Tomato	"	*414.83*	*438.33*	*443.94*	*7.0*	*1.3*
Vegetable oil: 1 bottle, specify bottle	"	*739.32*	*1018.26*	*1032.71*	*39.7*	*1.4*
Wheat flour: prepackaged (Golden Penny)	*2kg*	*830.60*	*1087.09*	*1099.05*	*32.3*	*1.1*
Yam tuber	*1kg*	*308.72*	*384.48*	*394.43*	*27.8*	*2.6*

Sources: National Bureau of Statistics and Staff Estimates

The prices of major domestic farm products maintained an upward trend in July, compared with the previous month. *All the monitored agricultural commodities recorded price increases in the review period. The increase ranged from 0.6 per cent for palm oil to 2.7 per cent for maize (white). The development was driven, largely, by structural factors, such as the persisting security challenges affecting agricultural activities and distribution networks, rising cost of production (inputs and energy prices) as well as the seasonal shortages in supply at the height of the raining season.*

2.1.6 Development Financing

The Bank sustained its intervention programmes in the economy to curtail the downside risks to domestic and external shocks. Information in Table 3 indicates that the sum of ₦132.14 billion was disbursed under the ten monitored interventions to critical sectors of the economy. Of the amount disbursed, the manufacturing/industry sector received the most (62.86 per cent), followed by micro, small, and medium enterprises, and energy/infrastructure with 18.92 per cent and 16.05 per cent, respectively.

Table 6: Intervention Funds in July

Sector	22-JULY					
	Disburs (N'bn)	Share (%)	Beneficiaries	Disburs. (N'bn)	Share (%)	Beneficiaries
Agriculture	**0.87**	**0.66**		**1,750.35**	**26.42**	
Anchor Borrowers' Programme	*0.10*	0.10	*1*	1,006.03	15.19	*4,209,622 farmers*
Commercial Agricultural Credit Scheme (CACS)	*0.77*	0.58	*1*	744.32	11.24	*678 projects*
Energy/Infrastructure	**21.21**	**16.05**		**1,619.70**	**24.45**	
Nigeria Electricity Market Stabilization Facility 2 (NEMSF 2)	*1.21*	0.92	-	*254.46*	3.84	-
Nigeria Bulk Electricity Trading-Payment Assurance Facility (NBET-PAF)	*5.00*	3.78	-	*1,300.04*	19.63	-
Infrastructure facility for National Gas Expansion Programme (IFNGEP)	*15.00*	11.35	-	*65.20*	1.00	-
MSMEs	**25.00**	**18.92**		**415.75**	**6.28**	
Tertiary Institutions Entrepreneurship Scheme (TIES)	-	-		*0.29*	0.01	*59*
Targeted Credit Facility (TCF)	*25.00*	18.92		*415.45*	6.27	*827,968*
Industries	**83.06**	**62.86**		**2,707.66**	**40.88**	**368 Projects**
COVID-19 Intervention Facility for the Manufacturing Sector (CIFMS)	-	-	-	*550.36*	8.31	*NA*
RSSF Using Differentiated Cash Reserve Ratio (RSSF-DCRR)	*83.06*	62.86	*11 Projects*	*1,632.76*	24.65	*207*
Health	**2.00**	**1.51**		**130.49**	**1.97**	**124**
Health Care Sector Intervention Fund (HSIF)	*2.00*	1.51	*1*	*130.49*	1.97	*124*
Total	***132.14***	**100**		***6,623.95***	**100**	

Source: Central Bank of Nigeria

2.2 FISCAL SECTOR DEVELOPMENT

Summary

Fiscal conditions improved in July, following an increase in oil and non-oil revenue and a decline in expenditure outlay. Specifically, the retained revenue of the FGN rose by 32.1 per cent, relative to June, but remained significantly below the proportionate target for 2022; while expenditure fell by 2.1 per cent. Consequently, the provisional overall deficit contracted by 12.4 per cent, relative to June, but expanded by 45.6 per cent, compared with the target. Total public debt stood at ₦41,604.06 billion or 18.8 per cent of GDP at end-March 2022 and remained within the threshold of 40.0 per cent of GDP.

2.2.1 Federation Account Operations

Receipts into the Federation Account increased as a result of higher oil and non-oil earnings. At ₦1,373.16 billion, the gross receipt exceeded the level in the preceding period by 39.6 per cent. However, it was below the monthly target of ₦1,580.34 billion by 13.1 per cent. The increase in revenue outcomes, relative to June, was attributed to increased receipt from Petroleum Profit Tax (PPT) & Royalties and the seasonality effect associated with tax filing. In terms of contribution to government revenue, non-oil revenue remained dominant, constituting 65.2 per cent, while oil revenue accounted for 34.8 per cent.

Drivers of Federation Revenue

Oil revenue, at ₦478.36 billion, rose by 25.9 per cent relative to the preceding period, driven, largely by the 47.1 per cent rise in PPT and Royalties receipts. However, oil revenue declined by 13.1 per cent relative to the budget of ₦791.70 billion. The contribution of oil to gross revenue was moderated by the cost of value shortfall recovery for PMS and production losses due to crude oil theft.

Similarly, at ₦894.80 billion, non-oil receipts, exceeded collections in the preceding month and the monthly target by 48.2 per cent and 13.5 per cent, respectively. The improved performance was ascribed, largely, to the significant rise in collections from corporate taxes, following the effect of the June 30th cut-off date for filing tax returns by companies in Nigeria. VAT collections also exceeded target by 2.3 per cent, but was 2.4 per cent below the earnings in June.

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

	2021-July	2022-June	2022-July	Budgeted
Federation Revenue (Gross)	1,025.45	983.81	1,373.16	1,580.34
Oil	412.10	379.83	478.36	791.70
Crude Oil & Gas Exports	0.00	0.00	0.00	67.57
PPT & Royalties	351.13	275.64	405.45	530.91
Domestic Crude Oil/Gas Sales	52.64	98.58	64.00	42.04
Others	8.33	5.62	8.90	151.18
Non-oil	613.35	603.98	894.80	788.64
Corporate Tax	298.47	153.61	447.08	165.65
Customs & Excise Duties	107.31	155.09	150.62	154.88
Value-Added Tax (VAT)	154.47	213.18	208.15	203.48
Independent Revenue of Fed. Govt.	50.07	79.17	86.01	184.68
*Others**	3.02	2.93	2.93	79.94
Total Deductions/Transfers*	*296.04*	*400.29*	*570.75*	*349.74*
Federally-Collected Revenue *Less Deductions & Transfers***	729.41	583.52	802.41	1,230.60
plus:				
Additional Revenue	3.69	97.27	0.00	*17.48*
Balance in Special Account	*0.00*	*0.00*	*0.00*	*0.00*
Excess Crude Revenue	*0.00*	*0.00*	*0.00*	*0.00*
Non-oil Excess Revenue	*0.00*	*97.27*	*0.00*	*17.48*
Exchange Gain	*3.69*	*0.00*	*0.00*	*0.00*
Total Distributed Balance	*733.09*	*680.78*	*802.41*	*1,200.49*
Federal Government	*304.95*	*229.56*	*321.86*	*509.09*
Statutory	*283.40*	*199.79*	*292.79*	*480.81*
VAT	*21.55*	*29.78*	*29.07*	*28.28*
State Government	*267.04*	*275.28*	*298.22*	*432.31*
Statutory	*143.75*	*142.57*	*148.50*	*251.29*
VAT	*71.83*	*99.26*	*96.91*	*94.25*
13% Derivation	*51.47*	*33.45*	*52.80*	*86.78*
Local Government	*161.10*	*175.94*	*182.33*	*259.09*
Statutory	*110.82*	*106.46*	*114.49*	*193.11*
VAT	*50.28*	*69.48*	*67.84*	*65.98*

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

The sum of ₦802.41 billion was distributed to the three tiers of government, after accounting for statutory deductions, transfers, and additional inflow from non-oil excess revenue. Of this amount, Federal Government received ₦321.86 billion, while State and Local governments received ₦245.42 billion and ₦182.33 billion, respectively. The balance of ₦52.80 billion was allocated to the 13.0 per cent Derivation Fund for distribution among the oil-producing states. The disbursement in July was 17.9 per cent above the level in the preceding month.

2.2.2. Fiscal Operations of the Federal Government

Federal Government Retained Revenue

The provisional retained revenue of the FGN rose, relative to June on account of improved revenue performance at the federation level. At ₦407.87 billion, estimated retained revenue of the FGN exceeded receipts in the preceding month by 32.1 per cent. However, it was below the proportionate monthly budget by 50.9 per cent.

Table 8: FGN Retained Revenue (₦ Billion)

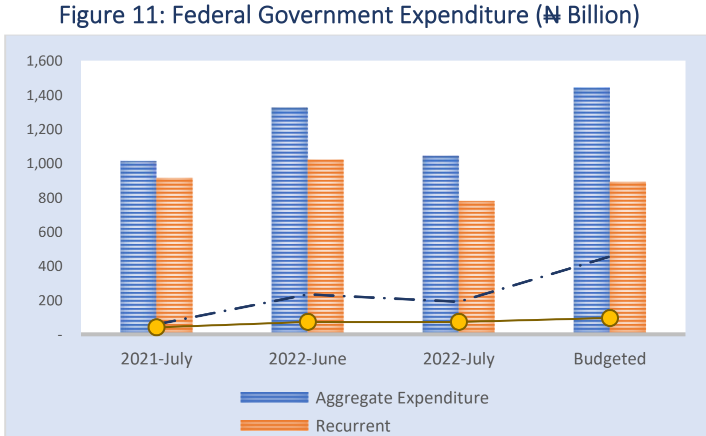
	Jul-21	Jun-22	Jul-22	Budget
FGN Retained Revenue	365.02	308.73	407.87	830.77
Federation Account	281.62	185.20	292.79	*360.89*
VAT Pool Account	21.55	29.78	29.07	*26.39*
FGN Independent Revenue	50.07	79.17	86.01	*362.05*
Excess Oil Revenue	0.00	0.00	0.00	*0.00*
Excess Non-Oil	0.00	14.59	0.00	*0.00*
Exchange Gain	1.78	0.00	0.00	*0.00*
*Others**	10.00	0.00	0.00	*81.43*

Note: * Others include revenue from Special Accounts and Special Levies; 2/ All figures are provisional.
Source: Compiled from OAGF figures

Federal Government Expenditure

Provisional aggregate expenditure of the FGN fell by 2.1 per cent and 9.9 per cent, relative to June and the monthly target, respectively, driven by the decline in capital expenditure. Provisional aggregate expenditure of the FGN amounted to ₦1,042.69 billion. A breakdown revealed that recurrent expenditure, capital expenditure, and transfers accounted for 79.8 per cent, 14.7 per cent and 5.5 per cent of total expenditure, respectively. A disaggregation of recurrent expenditure shows that the debt component accounted for 58.7 per cent, while non-debt accounted for the balance of 41.3 per cent.

Figure 11: Federal Government Expenditure (₦ Billion)



Source: CBN Staff Estimates and compilation from OAGF data

Overall Fiscal Balance

The decline in expenditure outlay and rise in retained revenue, relative to their levels in the preceding period, resulted in a contraction in FGN fiscal deficit in July. At ₦634.82 billion, the provisional fiscal deficits of the FGN narrowed by 12.4 per cent relative to the level in the preceding month. However, fiscal deficit widened by 45.6 per cent, compared with the monthly budget of ₦612.52 billion.

Table 9: Fiscal Balance (₦' Billion)

	Jul-21	Jun-22	Jul-22	Budget
Retained revenue	365.02	308.73	407.87	830.77
Aggregate expenditure	1,013.88	1,327.35	1299.93	1,443.28
Recurrent	913.75	1,021.62	1,036.86	891.45
Non-debt	365.05	413.79	428.36	584.33
Debt Service	548.71	607.83	608.50	307.12
Capital	58.75	233.25	190.60	455.62
Transfers	41.38	72.47	72.47	96.22
Primary balance	-100.15	-410.78	-283.55	-305.40
Overall balance	-648.86	-1,018.62	-892.05	-612.52

Source: Compiled from OAGF figures and CBN Staff Estimates

Note: The figures are provisional.

Federal Government Debt

Public borrowing was within the threshold of the Medium-Term Debt Strategy (2020-2023) of the FGN. At ₦41,604.06 billion at end-March 2022, total public debt stock rose by 5.2 per cent relative to the level at end-December 2021. Domestic debt accounted for 60.1 per cent of total debt, while external debt constituted 39.9 per cent. Of the consolidated public debt outstanding, FGN (including State governments' external debt, which forms part of the FGN's contingent liability) accounted for ₦36,761.22 billion (88.4 per cent), while the State governments' domestic debt stock accounted for the balance of ₦4,842.84 billion (11.6 per cent).

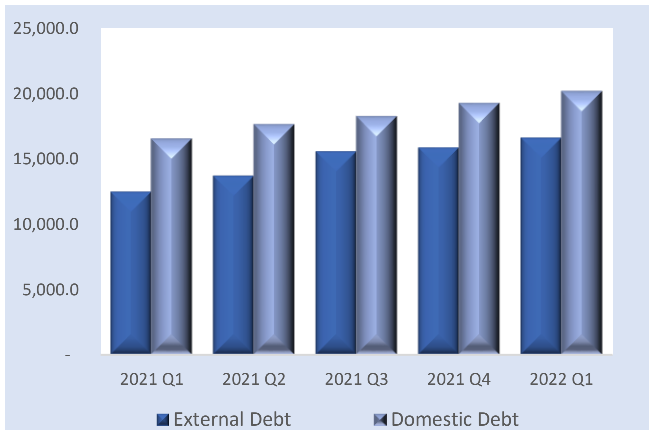
Further analysis shows that FGN domestic debt stood at ₦20,144.03 billion (54.8 per cent), compared with ₦16,617.19 billion (45.2 per cent) in external debt. FGN bond issues dominated, accounting for 70.7 per cent of the total domestic debt, followed by Treasury Bills (21.9 per cent), Promissory Notes (3.8 per cent), FGN Sukuk (3.0 per cent), and others[2] (0.6 per cent). Regarding holdings of Nigeria's external debt, Multilateral,

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

Commercial and Bilateral loans accounted for 47.4 per cent, 39.8 per cent and 11.3 per cent, respectively, while 'other' loans[3] constituted 1.5 per cent.

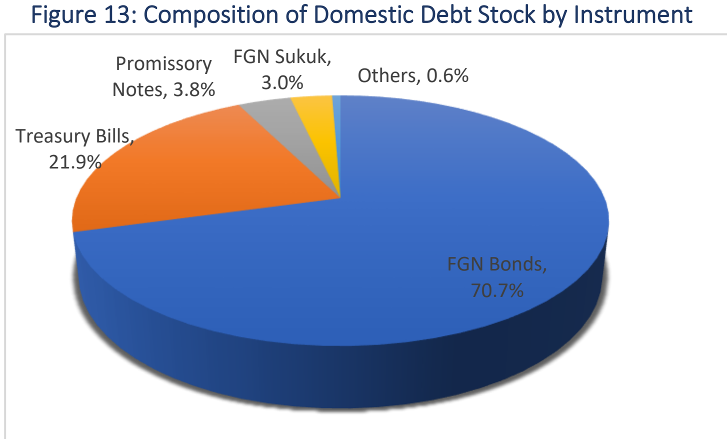
Debt service obligations in 2022Q1, amounted to ₦897.17 billion, compared with ₦428.60 billion in 2021Q4. The rise was attributed to the principal repayments and redemption of matured debt obligations.

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



Source: Compiled from DMO figures

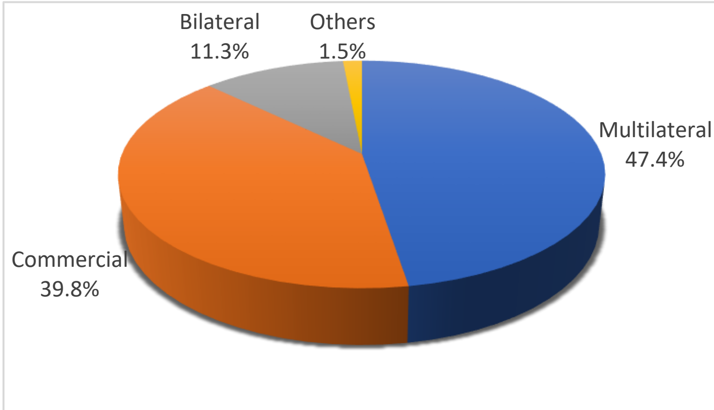
Figure 13: Composition of Domestic Debt Stock by Instrument



Source: Compiled from DMO figures

[3] Promissory notes issued to settle the arrears of the Federal Government to Local Contractors

Figure 14: Composition of External Debt Stock by Holders



Source: Compiled from DMO figures

2.3 MONETARY AND FINANCIAL DEVELOPMENTS

Summary

The financial system remained safe and sound as asset quality improved in July. Growth in key monetary aggregates remained within the programme target, and the Bank wielded tight policy stance to rein in inflation and enhance foreign capital flows. The liquidity squeeze induced increase in money market rates, thus, the All-Share index declined, in part, as a result of flight to profit in the fixed income market.

2.3.1 Monetary Developments

Reserve Money

Reserve money increased reflecting sustained confidence in the banking system by economic agents. Specifically, reserve money grew by 5.5 per cent to ₦14,026.89 billion, over the level at end-December 2021. The growth was mainly, accounted for by liabilities to ODCs which increased by 8.2 per cent. The growth in the Bank's liabilities to ODCs was attributed to the increase in required reserves and other liabilities by 8.6 per cent and 1.7 per cent, to ₦10,784.29 billion and ₦586.64 billion, respectively. However, currency-in-circulation moderated the growth in monetary base, as it contracted by 2.5 per cent. The reduction in the currency-in-circulation is attributable to the increased usage of electronic platforms for transactions in the economy.

Table 10: Components of Reserve Money (₦ Billion)

	July-21	Dec-21	June-22	July-22
Monetary Base	12,830.89	13,295.15	13,860.27	14,026.89
Currency-In-Circulation	*2,812.10*	*3,325.16*	*3,255.56*	*3,242.60*
Liabilities to ODCs	*10,018.77*	*9,969.99*	*10,604.70*	*10,784.29*
Money Multiplier (M_3)	*3.10*	*3.34*	*3.53*	*3.44*

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

Drivers of Broad Money

The money multiplier stood at 3.44, compared with 3.34 at end-December 2021, resulting in the expansion of the broad money supply (M_3). The M_3 grew by 8.6 per cent to ₦48,259.38 billion, relative to the level at end-December 2021. On an annualised basis, M_3 growth was 14.7 per cent, slightly below the programme target of 14.9 per cent for 2022.

From the asset side, the rise in M_3 was due to Net Domestic Assets (NDA) that grew by 23.6 per cent, which outweighed the 47.9 per cent decline in Net Foreign Assets (NFA). In terms of relative contribution, the NDA accounted for 18.7 percentage points of the growth in M_3, while the NFA constituted a drag of 10.1 percentage points.

The observed growth in the NDA was accounted for by 45.1 per cent and 14.2 per cent increase in net claims on central government and claims on other sectors, respectively. Net claims on central government and claims on other sectors contributed 14.1 percentage points and 11.1 percentage points, respectively, to the growth in M_3. The growth in claims on other sectors was driven by the 42.7 per cent, 30.2 per cent, 14.6 per cent and 5.1 per cent rise in claims on public non-financial corporations, claims on state and local government, claims on private sector, and claims on other financial corporations, respectively.

The contraction in NFA was the net effect of the 38.6 per cent rise in liabilities to non-residents and the 0.3 per cent decline in claims on non-residents in the review period. The out-turn of the NFA was a consequence of the weak accretion to reserves and increase in capital outflows that trailed the tight financial conditions in the international market.

Table 11: Growth in Monetary Aggregates over Preceding December (%)

	July-21	Dec-21	July-22	Contribution to M_3 Growth	Annualised Growth Rate	2022 benchmark
Net Foreign Assets	**-16.73**	**4.22**	**-47.92**	**-10.08**	**-82.15**	**-**
Claims on Non-residents	-2.48	5.11	-0.31	-0.15	-0.54	-
Liabilities to Non-residents	9.36	5.86	38.62	9.94	66.20	-
Net Domestic Assets	**12.15**	**21.92**	**23.64**	**18.67**	**40.53**	
Domestic Claims	**8.70**	**17.83**	**22.96**	**25.19**	**39.36**	**16.23**
Net Claims on Central Government	**5.50**	**20.42**	**45.13**	**14.05**	**77.37**	**12.26**
Claims on Central Government	8.62	22.66	31.45	17.34	53.92	-
Liabilities to Central Government	12.85	25.68	13.69	3.28	23.48	-
Claims on Other Sectors	**9.94**	**16.83**	**14.17**	**11.13**	**24.29**	**17.73**
Claims on Other Financial Corporations	-3.84	-5.34	5.07	0.90	8.69	-
Claims on State and Local Government	7.98	20.63	30.20	1.70	51.76	-
Claims on Public Nonfinancial Corporations	24.52	3.44	42.73	0.77	73.25	-
Claims on Private Sector	15.68	26.84	14.55	7.77	24.94	-
Total Monetary Assets (M_3)	**2.18**	**14.24**	**8.58**	**8.58**	**14.72**	**14.92**
Currency Outside Depository Corporations	-5.05	17.74	-7.38	-0.49	-12.65	-
Transferable Deposits	4.11	13.30	16.76	5.70	28.73	-
Narrow Money (M_1)	**2.67**	**14.00**	**12.83**	**5.21**	**22.00**	**-**
Other Deposits	6.74	19.99	5.68	3.37	9.74	-
Broad Money (M_2)	**5.03**	**17.48**	**8.58**	**8.58**	**14.72**	**-**
Securities Other Than Shares	-98.20	-99.92	100.00	0.00	171.43	14.92
Total Monetary Liabilities (M_3)	**2.18**	**14.24**	**8.58**	**8.58**	**14.72**	**14.92**

Note: Figures for July 2022 are provisional, while the previous months have been revised.
Source: Central Bank of Nigeria

On the liability side, the major contributors to the growth in M_3 were transferable deposits and other deposits by 5.7 percentage points and 3.4 percentage points, respectively. Currency outside depository corporations declined by 7.4 per cent, indicating sustained preference for electronic relative to cash transactions.

2.3.2 Sectoral Credit Utilisation

Sectoral Utilisation of Credit

Despite the tight financial conditions in the economy, the various initiatives of the Bank targeted at critical sectors of the economy to spur growth increased sectoral credit utilisation. Specifically, total credit increased by 2.5 per cent to ₦27,527.19 billion at end-July, from ₦26,846.40 billion at end-June. A breakdown of total credit utilisation shows that, credit to the agricultural sector expanded by 3.8 per cent to ₦1,694.08 billion, from the level at end-June. Similarly, credit to industry and services sectors grew by 2.7 per cent and 2.2 per cent, to ₦10,880.31 billion and ₦14,952.80 billion, respectively.

In terms of share in total credit, services and industry maintained dominance with shares of 54.3 per cent and 39.5 per cent, respectively, while the share of agriculture stood at 6.2 per cent (Table 11).

Table 12: Share in Total Sectoral Credit (per cent)

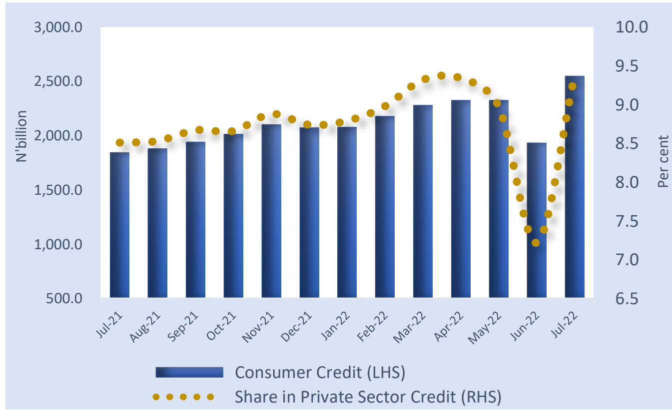
	Ju-21	Dec-21	Jun-22	Jul-22
Agriculture	5.45	5.98	6.07	6.15
Industry	42.05	40.66	39.45	39.53
Of which Construction	*4.91*	*4.39*	*4.39*	*4.22*
Services	52.50	53.36	54.47	54.32
Of which Trade/General Commerce	*6.60*	*7.01*	*7.13*	*7.07*

Source: Central Bank of Nigeria

Consumer Credit

Consumer credit outstanding increased in the review period on account of the growth in retail loans. Consumer credit outstanding grew by 31.9 per cent to ₦2,549.00 billion, from ₦1,933.18 billion at the end of the preceding month. As a share of total claims on the private sector, consumer credit rose to 9.4 per cent, from 7.2 per cent at end-June (Figure 14). The increase in consumer credit could be attributed to general rise in prices which impacts on households' budget and spending behaviour.

Figure 15: Consumer Credit Outstanding



Source: Central Bank of Nigeria

A disaggregation of consumer credit shows personal loans stood at ₦1,928.71 billion, accounting for 75.7 per cent, while retail loans stood at ₦620.29 billion, and accounted for 24.3 per cent (Figure 15).

Figure 16: Composition of Consumer Credit (Per cent)

Source: Central Bank of Nigeria

2.3.3 Financial Developments

2.3.3.1 Money Market Developments

Industry Liquidity Condition

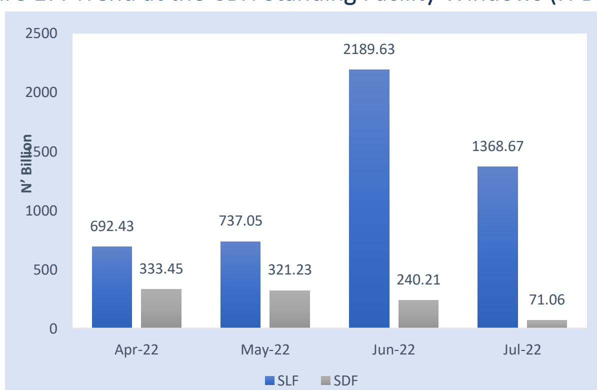
The level of liquidity in the banking system declined, as the Bank increased the policy rate, following tight global financial conditions and domestic inflationary pressure. The Monetary Policy Rate (MPR) was further raised by 100 basis points (bps) to 14.0 per cent in July, following a 150bps hike in May. Consequently, average liquidity in the banking system was lower compared with the preceding month. Specifically, the average closing liquidity of Other Depository Corporation (ODCs) declined to ₦147.12 billion from ₦166.86 billion in June.

The major sources of liquidity injections were fiscal disbursements to the three tiers of government, repayment of matured CBN bills, FGN Bonds and Nigerian Treasury Bills (NTBs). On the other hand, provisioning and settlement of foreign exchange purchases, auctioning of NTBs, as well as Cash Reserve Requirement (CRR) debits, moderated liquidity. There was no OMO auction in the review period.

Standing Facilities Window Operation

Activities at the Standing Facility (SF) window was consistent with the liquidity condition in the banking system. There was more patronage at the Standing Lending Facility (SLF) window than the Standing Deposit Facility (SDF) window. Total cumulative request for SLF stood at ₦1,368.67 billion compared with ₦71.06 billion cumulative requests for SDF during the period.

Figure 17: Trend at the CBN Standing Facility Windows (₦ Billion)

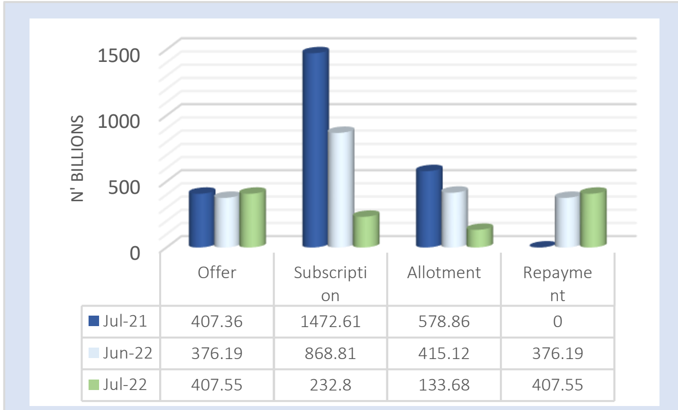


Source: Central Bank of Nigeria

Primary Market

Activities at the NTB and FGN bonds segment moderated on the back of liquidity squeeze. At the auctions, NTBs of 91-, 182- and 364- day tenors worth ₦407.55 billion, ₦231.80 billion and ₦133.68 billion were offered, subscribed and allotted, respectively, relative to ₦376.19 billion, ₦868.81 billion and ₦415.12 billion in June (Figure 17). The stop rates across all maturities increased to 4.88 (±2.13) per cent, compared with 4.42 (±2.02) per cent in June. Investments in the segment was weaker, as reflected in the lower bid-cover ratio of 1.73 relative to 2.09 in June. With respect to demand for different maturities, investors' preferred longer-term security (364-day), as it accounted for 95.8 per cent of total subscriptions and 93.5 per cent of total allotments. This preference could be attributed to positive inflation expectations in the market.

Figure 18: Primary Market NTBs

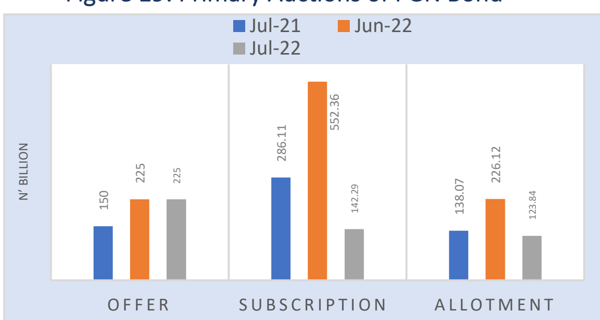


Source: Central Bank of Nigeria

Interest Rate Development

At the FGN bonds segment, securities worth ₦225.00 billion, ₦142.29 billion and ₦123.84 billion were offered, subscribed and allotted, respectively, compared with ₦225.00 billion, ₦552.36 billion and ₦226.12 billion, in the preceding month (Figure 18). Similar to the NTBs segment, demand for FGN bonds at the auction was lower relative to the preceding month, because of tight liquidity conditions. The marginal rate was also higher at 12.4 (±1.4) per cent, compared with 11.6 (±1.5) per cent in the preceding month.

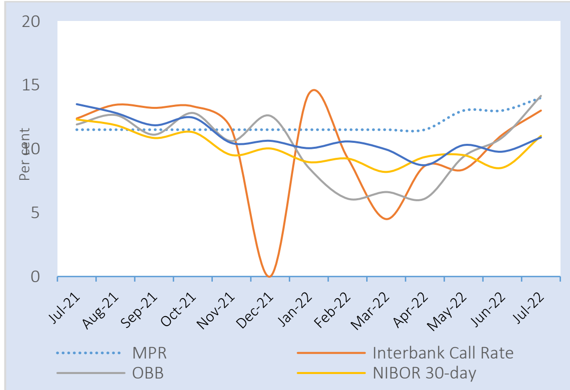
Figure 19: Primary Auctions of FGN Bond



Source: Central Bank of Nigeria

Key money market rates rose in response to the liquidity condition. The average interbank call rate increased by 190bps to 13.0 per cent, from 11.1 per cent in the preceding month. Similarly, the average open buy back (OBB) rate rose by 326bps to 14.2 per cent. The Nigeria Interbank Offered Rate (NIBOR) also increased, with the average NIBOR-30 and NIBOR-90 rates rising by 249.0bps and 111.0bps to 11.0 per cent and 10.9 per cent, respectively, from 8.5 per cent and 9.8 per cent (Figure 19).

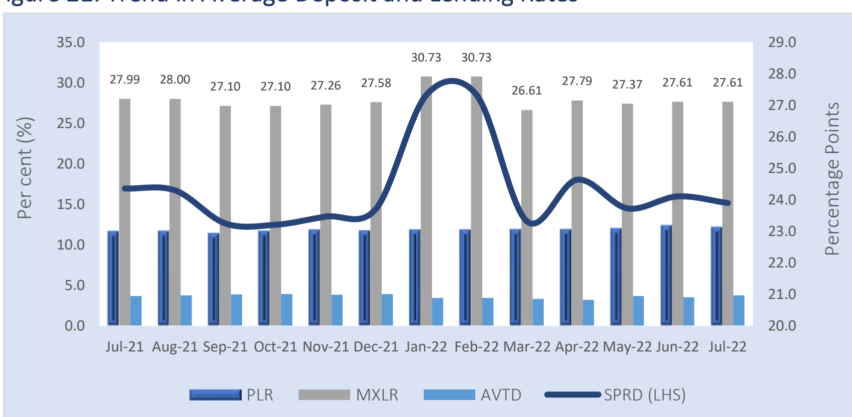
Figure 20: Developments in Short-term Interest Rates



Source: Central Bank of Nigeria

The prime lending rate (PLR) declined by 19bps to 12.1 per cent, from 12.3 per cent in June, while the maximum lending rate (MLR), remained unchanged at 27.6 per cent. However, the weighted average term deposit rate (AVTD) rose by 21bps to 3.7 per cent from 3.5 per cent in June. The rise in average term deposit rate, given the MLR, resulted in the narrowing of the spread by 23.9 percentage points relative to 24.1 percentage points in the preceding month (Figure 20).

Figure 21: Trend in Average Deposit and Lending Rates



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

2.3.2.2 Capital Market Developments

Market Capitalisation

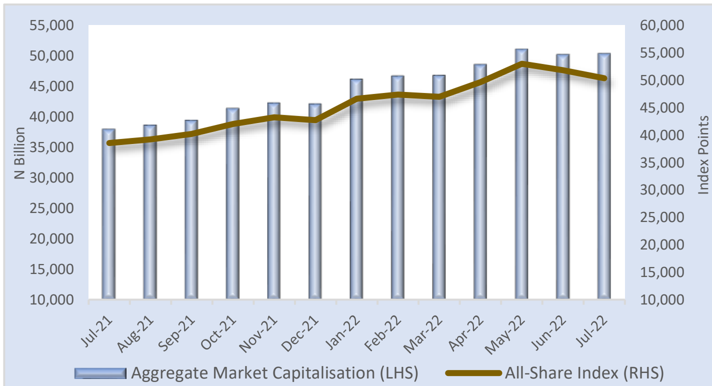
The performance of the Nigerian Exchange (NGX) Limited were mixed. The aggregate market capitalisation appreciated by 0.3 per cent to ₦50.30 trillion from ₦50.17 trillion (Figure 21). With respect to the sub-segments, the equities market capitalisation and the exchange traded funds (ETF) fell by 2.8 per cent and 0.9 per cent to ₦27.16 trillion and ₦7.38 billion, respectively, relative to ₦27.94 trillion and ₦7.45 billion at end-June.

However, the debt market component rose by 4.1 per cent to ₦23.13 trillion in July from ₦22.23 trillion.

NGX All Share Index

The NGX All-Share Index depreciated by 2.8 per cent to 50,370.25 relative to 51,817.59 at end-June, occasioned by portfolio switching by investors following the relative attractiveness of fixed income investments (Figure 21).

Figure 22: Aggregate Market Capitalisation and All-Share Index



Source: Nigeria Exchange (NGX) Limited.

With the exception of the NGX-Main Board, NGX-Growth and the NGX-Oil and Gas, which indices trended upward, all other indices depreciated, while the NGX-ASEM and NGX-Sovereign Bond remained flat relative to their levels in the preceding month (Table 12).

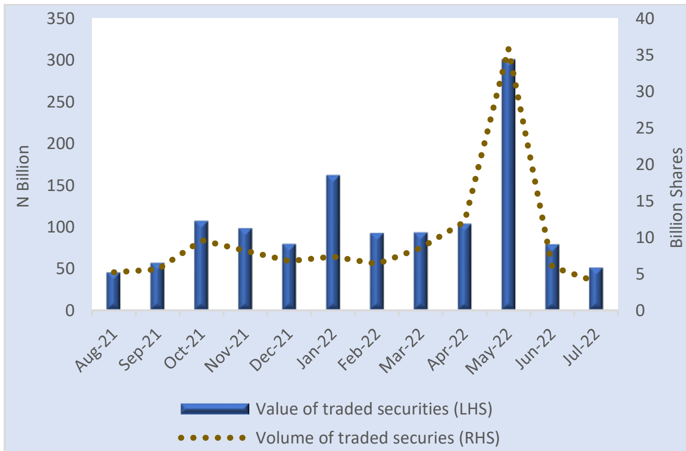
Table 13: Movements in Nigeria Exchange (NGX) Limited Indices

NGX Indices	End-Jun-22	End-Jul-22	Changes (%)
NGX-OIL/GAS	545.34	556.28	2
NGX Growth Index	1,487.20	1,498.14	0.7
NGX -MAIN BOARD	2,274.79	2,280.63	0.3
NGX Sovereign	854.22	854.18	0
NGX-ASeM	658.99	658.99	0
NGX-MERI GROWTH	2,364.94	2,306.23	-2.5
NGX-LOTUS	3,251.25	3,142.86	-3.3
NGX-30	1,887.62	1,820.25	-3.6
NGX-INDUSTRIAL	2,152.24	2,062.30	-4.2
NGX-AFR BANK VALUE	925.95	881.41	-4.8
NGX-AFR Div. Yield	3,191.06	3,034.86	-4.9
NGX-BANKING	397.79	378.21	-4.9
NGX- MERI VALUE	2,167.09	2,047.35	-5.5
NGX-PENSION	1,823.58	1,722.50	-5.5
NGX-INSURANCE	178.33	167.04	-6.3
NGX- CG	1,319.70	1,233.62	-6.5
NGX-PREMIUM	4.924.13	4,593.86	-6.7
NGX-CONSUMER GOODS	623.99	573.27	-8.1

Source: Nigeria Exchange (NGX) Limited.

The total volume and value of shares traded at end-July were 3.92 billion and ₦50.68 billion, respectively, traded in 80,134 deals, compared with 5.97 billion and ₦78.46 billion, in 96,479 deals at end-June.

Figure 23: Trend in the Volume and Value of Traded Securities



Source: Nigeria Exchange (NGX) Limited.

There were five new and one supplementary listings on the Nigerian Stock Exchange during the review period (Table 13).

Table 14: Listings on the Nigerian Stock Exchange at end-July

Company/Security	Units	Remarks	Type of Listing
Dangote Cement PLC 11.85% APR 2027	Tranche A 4,269,000 units of ₦4,269,000,000 5 Year Bonds	Senior unsecured Bonds	New
Dangote Cement PLC 12.35% APR 2029	Tranche B 23,335,000 units of ₦23,335,000,000 7 Year Bonds	Senior unsecured Bonds	New
Dangote Cement PLC 13% APR 2032	Tranche C 88,396,000 units of ₦88,396,000,000 10 Year Bonds	Senior unsecured Bonds	New
8.375% FGN MAR 2029	1,250,000 units of $1,250,000,000.00 USD	Series 12 Euro Bond	New
FGN Roads Sukuk Company 1 Plc	250 million units of ₦250 Billion 13% Ijarah Sovereign Sukuk 10year Bonds	Unsecured Bonds	New
Nigerian Breweries PLC	145,074,002 ordinary shares of 50k each	Scrip Dividend	Supplementary

Source: Nigeria Exchange (NGX) Limited.

2.3.2.3 Financial Soundness Indicators

The financial sector remained stable and sound as key financial soundness indicators were within regulatory benchmarks. At 13.8 per cent, the industry Capital Adequacy Ratio (CAR), measured as the ratio of total qualifying capital to total risk weighted asset, was above the minimum threshold of 10.0 per cent. In June, the CAR was 14.1 per cent.

Banks’ loan quality indicator (Non-Performing Loan Ratio) stood at 4.8 per cent, as against 5.0 per cent in the preceding month. It was also better than the indicative prudential benchmark by 0.2 percentage points. The improvement in the NPL ratio was due to write-offs and increased provisioning by banks.

The industry liquidity ratio (LR), which stood at 55.1 per cent, was above the regulatory benchmark of 30.0 per cent, the same trend as observed in the preceding month when it stood at 54.2 per cent. This was indicative of the increase in the stock of liquid assets held by banks as buffer against adverse shocks.

2.4 EXTERNAL SECTOR DEVELOPMENTS

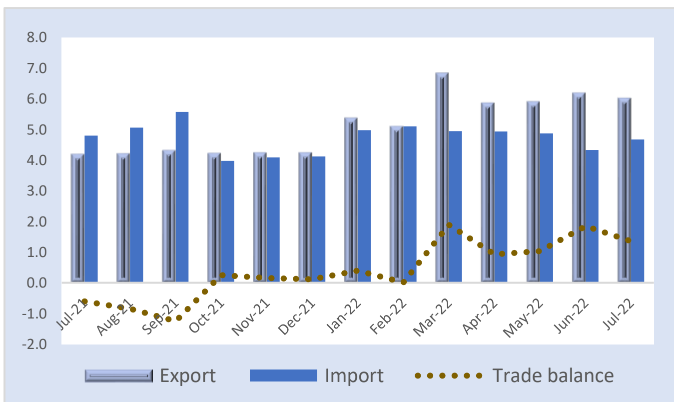
Summary

In July, there was a trade surplus of US$1.35 billion, despite the supply chain disruptions and energy crisis, occasioned by the Russia-Ukraine war. However, foreign capital inflow decreased, as investors divested to other climes following monetary tightening. The stock of external reserves, at US$38.31 billion, could cover 6.6 months of import for goods and services. The average exchange rate of the naira per US dollar at the I&E window was ₦417.38/US$, relative to ₦415.64/US$ in the preceding month.

2.4.1 Trade Performance

Trade surplus moderated on account of the decline in export receipts and higher import bills. Aggregate export receipts fell by 1.9 per cent to US$6.02 billion, relative to US$6.14 billion in June; while merchandise import rose by 7.9 per cent to US$4.67 billion, compared with US$4.33 billion in June. Consequently, the trade surplus of US$1.35 billion was recorded, as against US$1.81 billion in June.

Figure 24: Export, Import and Trade Balance (US$ Billion)



Source: Central Bank of Nigeria

Crude Oil and Gas Export

Concerns over the prospects of global recession and the lockdown in major cities in China, dampened oil demand, and resulted in the decline in crude oil prices. The lower price and the decline in domestic crude oil output, weighed on export receipts. Consequently, a lower crude oil and gas export receipts of US$5.39 billion was recorded, compared with US$5.52 billion in June. A breakdown shows that crude oil export fell by 0.8 per cent to US$4.74 billion from USS$4.78 billion in the preceding month. The decline was caused by a decrease in both the price and output of Nigeria's reference crude. The price of Bonny Light fell by 7.4 per cent to an average of US$120.54 pb, compared to US$130.10 pb in June, while production fell by 5.8 per cent to 1.13mbpd from 1.20mbpd in June. Gas export receipts also declined by 12.3 per cent to US$0.65 billion, compared with US$0.74 billion in the preceding month. Crude oil and gas exports accounted for 89.6 per cent of total exports (oil, 78.8 per cent and gas, 10.8 per cent).

Non-Oil Export

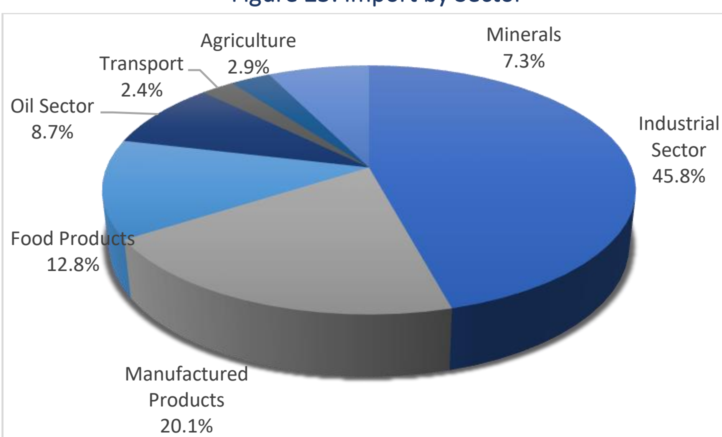
Non-oil export earnings rose by 1.5 per cent to US$0.62 billion in July, compared with the level in June. This was due, largely, to a 12.1 per cent and 1.3 per cent increase in electricity and other non-oil products export receipts to US$0.02 billion and US$0.61 billion, respectively.

Import

Higher oil import drove the increase in total import bills. Aggregate import increased by 7.9 per cent to US$4.67 billion from US$4.33 billion in the preceding month, mainly driven by the 87.6 per cent surge in oil import to US$1.14 billion from U$0.61 billion in June. However, non-oil imports fell by 5.0 per cent to US$3.54 billion from US$3.72 billion in the preceding month. By composition, non-oil import accounted for 75.7 per cent, while oil constituted the balance of 24.3 per cent.

Sectoral utilisation of foreign exchange shows that industrial sector import dominated with a share of 45.8 per cent, followed by manufactured products with 20.1 per cent; food products (12.8 per cent), oil (8.7 per cent), minerals (7.3 per cent), agriculture (2.9 per cent) and transport (2.4 per cent).

Figure 25: Import by Sector



Source: Central Bank of Nigeria

Capital Importation

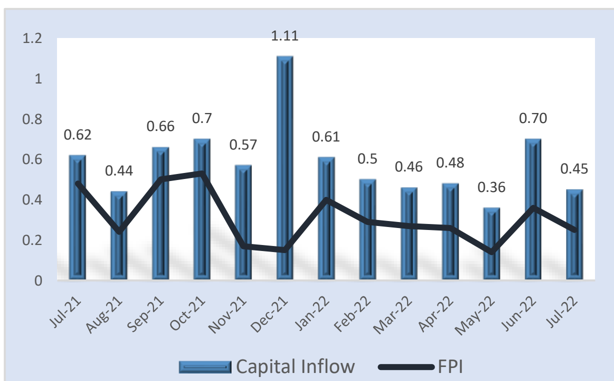
Foreign capital inflow decreased, as investors moved to other climes, following monetary tightening. Capital importation declined by 36.0 per cent to US$0.45 billion from US$0.70 billion in June. A breakdown of capital imported by type of investment shows that portfolio investment, at US$0.25 billion, accounted for 55.2 per cent. A disaggregation of portfolio investments by category of instruments shows that money market instruments, at US$ 0.16 billion, accounted for 35.2 per cent, bonds, US$0.09 billion or 19.5 per cent; and equity, US$0.02 billion or 0.5 per cent. Other investment capital inflows (mainly loans), at US$0.19 billion, accounted for 43.1 per cent of total inflows. Foreign direct investment inflows in the form of equity, at US$0.08 billion, accounted for 1.7 per cent.

By nature of business, the banking sector received the most capital (46.4 per cent), followed by financing (21.5 per cent), telecommunications (14.7 per cent), shares (6.3 per cent), agriculture (5.2 per cent), production/manufacturing (2.7 per cent), while others accounted for the balance.

Analysis by origin revealed that the United Kingdom maintained its dominance, accounting for 59.6 per cent. Hong Kong, Republic of South Africa, Singapore, Netherlands, the United States, and Mauritius followed with shares of 15.4 per cent, 8.9 per cent, 5.4 per cent, 2.0 per cent, 2.0 per cent and 1.5 per cent, respectively. Other countries accounted for the balance.

The destinations of capital in the domestic economy were Lagos, Abuja (FCT), and Oyo, with US$0.35 billion (78.2 per cent), US$0.10 (21.6 per cent), and (0.2 per cent), respectively.

Figure 26: Total Capital Inflow (US$ Billion)

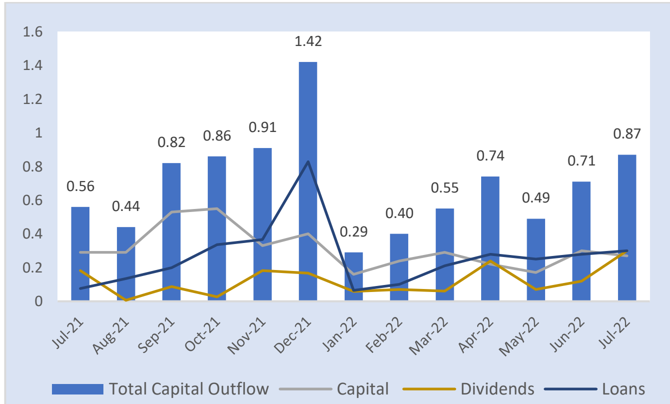


Source: Central Bank of Nigeria

Capital Outflow

Loans and repatriation of dividends led capital outflow. Capital outflow increased by 23.0 per cent to US$0.87 billion from US$0.71 billion in June. A breakdown shows that outflows in the form of loans (mainly from production/manufacturing) stood at US$0.30 billion, compared with US$0.28 billion in June, while repatriation of dividends also increased to US$0.30 billion from US$0.12 billion in June. On the other hand, outflows in form of capital reversals declined by 11.9 per cent to US$0.27 billion, in comparison to the level in June.

Figure 27: Capital Outflow (US$ Billion)



Source: Central Bank of Nigeria

2.4.2 International Reserves

International Reserves

The external reserves remained above the international benchmark of three months of import cover. The external reserves stood at US$38.31 billion at end-July, relative to US$39.16 billion at end-June. This could cover 6.6 months of import for goods and services or 8.4 months of import for goods only.

Figure 28: External Reserves and Months of Import Cover (US$ Billion)

Source: Central Bank of Nigeria

2.4.3 Foreign Exchange Flows through the Economy

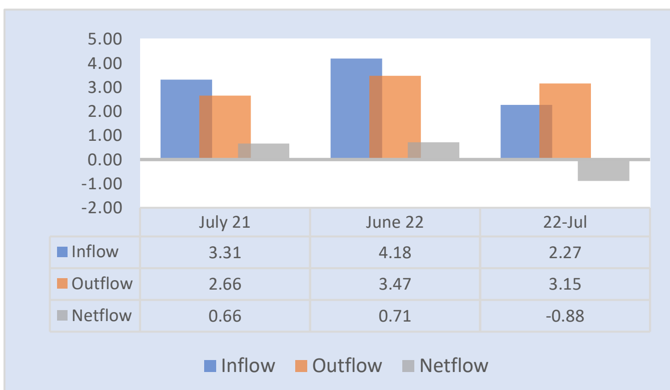
Foreign Exchange Flows through the Economy

The economy recorded a net foreign exchange inflow of US$1.64 billion in July. Aggregate foreign exchange inflow into the economy was US$5.22 billion, compared with US$7.59 billion in June, while total foreign exchange outflow amounted to US$3.58 billion relative to US$3.94 billion. Consequently, a net inflow of US$1.64 billion was recorded.

Further analysis shows that foreign exchange inflow through the Bank decreased by 45.8 per cent to US$2.27 billion from US$4.18 billion in June, driven mainly by decline in non-oil components (interbank/institutional Swaps and TSA & Third-Party Receipts/MDA Transfers). Autonomous inflow also fell by 13.5 per cent to US$2.95 billion, from US$3.41 billion in the preceding period, due to decreases in invisible purchases.

Foreign exchange outflow through the Bank declined to US$3.15 billion from US$3.47 billion in June, driven mainly, by decreases in Public Sector/Direct Payments and interbank utilisation. Autonomous outflow, also declined to US$0.43 billion from US$0.48 billion in the preceding month, on account of lower visible imports. Consequently, a net outflow of US$0.88 billion was recorded through the Bank, compared with a net inflow of US$0.71 billion in June.

Figure 29: Foreign Exchange Transactions through the Bank (US$ Billion)



	July 21	June 22	22-Jul
Inflow	3.31	4.18	2.27
Outflow	2.66	3.47	3.15
Netflow	0.66	0.71	-0.88

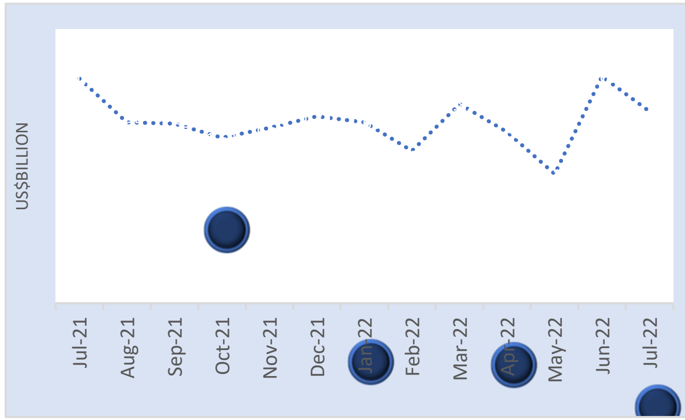
Source: Central Bank of Nigeria

2.4.4 Foreign Exchange Market Developments

Total foreign exchange sales to authorised dealers by the Bank was US$1.75 billion in July, a decrease of 15.4 per cent, relative to US$2.07 billion in June. A breakdown shows that foreign exchange sales at the interbank/invisible window and matured Swaps decreased by 22.0 per cent and 59.1 per cent, respectively, to US$0.13 billion and US$0.27 billion, below their respective levels in the preceding month. In contrast, FX sales at Investors and Exporters (I&E), Secondary Market Intervention Sales (SMIS) and Small and

Medium Enterprises (SMEs) windows rose by 5.8 per cent, 0.6 per cent and 65.7 per cent, respectively, to US$0.44 billion, US$0.72 billion, and US$0.19 billion, compared to their levels in June.

Figure 30: Foreign Exchange Sales to Authorised Dealers



Source: Central Bank of Nigeria

2.4.5 Exchange Rate Movement

Average Exchange Rate

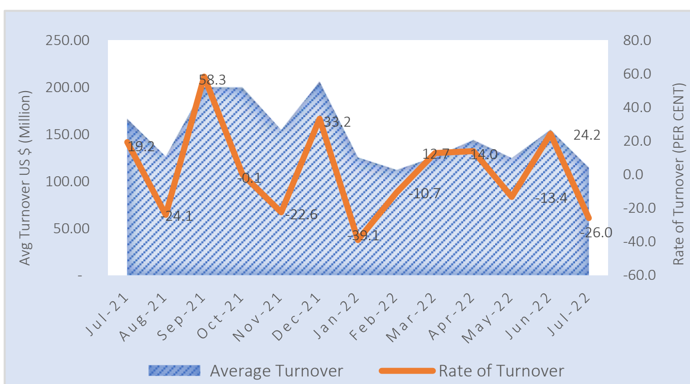
The exchange rate of the naira remained relatively stable at the I&E window. The average exchange rate of the naira per US dollar at the I&E window stood at ₦417.38/US$, relative to ₦415.64/US$ in the preceding month.

2.4.6 Foreign Exchange Turnover at the I&E Window

Foreign Exchange Turnover

The average foreign exchange turnover at the investors' and exporters' window was US$114.31 million in July, a decrease of 26.0 per cent, relative to US$154.40 million in June.

Figure 31: Turnover in the I&E Foreign Exchange Market



Source: Financial Markets Derivatives Quotations (FMDQ)

3.0 ECONOMIC OUTLOOK

3.1 Global Economic Outlook

Economic Outlook

The prospect for global economic growth remains pessimistic. *The outlook is dimmed by the uncertainties in major economies, heightening global inflation and energy crisis, following the continuation of the Russia-Ukraine war. The IMF's World Economic Outlook Report for July 2022 revised global growth to 3.2 per cent for 2022 from 6.1 per cent in its earlier forecast. The downward revision hinges on reduced household purchasing power, the tighter monetary policy stance, renewed COVID-19 lockdowns and the deepening real estate crisis in China.*

Global inflation is expected to heighten in 2022 due to rising food and energy prices and lingering supply-demand imbalances. The IMF projections indicate that developments in central banks' policy directions suggest a decline in inflation in the near-term.

3.2 Domestic Outlook

The prospect for growth in the Nigerian economy is optimistic. The optimism is built on the assumption that the government would continue to support the growth-enhancing sectors, effective implementation of the Medium-Term National Development Plan (MTNDP), rising crude oil prices, among others. However, persistent security challenges and the perennial infrastructural deficit, could dampen growth momentum.

Domestic prices are expected to remain elevated in the near-term but moderate over the medium-term. The rise in inflation is projected to stem from rising production and energy costs, supply chain disruptions and the spill-over effects from the Russia-Ukraine war. Nevertheless, the tight monetary stance of the CBN would help to moderate inflation in the medium-term.

The fiscal outlook is optimistic in the near-term. Non-oil revenue is expected to rise, given the sustained implementation of the Finance Act 2022, under the Strategic Revenue Growth Initiatives (SRGIs) of the FGN and its bold tax broadening reforms. Similarly, the commercialisation of NNPC is expected to improve oil revenue. However, the downside risks remain, on account of oil theft and pipeline vandalism.

Accretion to external reserves is expected if crude oil prices continue to rise and production ramped up. *The expected increase in the stock of external reserves would help maintain the stability in the exchange rate in the I&E*

window. However, the rising value short fall recovery remains possible headwind to the accretion to external reserves.