CENTRAL BANK OF NIGERIA ECONOMIC REPORT

May 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 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. Free copies of the Report, both current and past issues, can be obtained from the CBN website: ***www.cbn.gov.ng****. Please direct all publications inquiries 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 improved marginally in May, despite rising energy prices and supply chain disruptions, associated with the war in Ukraine. In Advanced Economies (AEs), economic activity slowed amid softening demand, and heightened economic uncertainties. Economic performance in Emerging Market and Developing Economies (EMDEs) improved slightly, following a boost in business activities, especially in India and China. On the global scene, inflationary pressures were driven by supply chain disruptions, rising food prices and energy costs, occasioned by uncertainties surrounding the Russia-Ukraine war. The global financial market indices witnessed mixed performances, in the face of rising inflation and central banks' monetary policy normalisation. World crude oil production increased as OPEC+ supply rose in line with the production agreement to increase monthly supply by 0.432 million barrels per day (mbpd). Crude oil spot prices rose, due to increased demand, as the summer driving season kicked in, and optimism about China's easing of lockdown restrictions grew.

On the domestic front, economic activity improved, as the manufacturing PMI was above the 50-point threshold, due to growth in manufacturing and increased business activities. The manufacturing Purchasing Managers Index (PMI) grew to 50.1 index points, compared with 48.9 index points in April, attributed to increased consumer demand, which stimulated growth and employment. Inflationary pressures heightened, driven mainly, by supply chain disruptions, and increased energy costs. Consequently, headline inflation, (year-on-year), rose to 17.71 per cent, compared with 16.82 per cent in April. Similarly, food inflation rose to 19.50 per cent (y-o-y) from 18.37 per cent in April, ascribed to the increased costs of processed food, particularly, meat, milk, cheese, eggs, garri, oil and fats. Core inflation (y-o-y) also increased to 14.90 per cent from 14.18 per cent in April, driven by the rising cost of imported goods. The Bank continued its intervention programmes in critical sectors to boost output, address structural rigidities and tame inflation.

Fiscal conditions improved, following contraction in the fiscal deficit. The overall fiscal deficit of the FGN contracted by 18.5 per cent, following a 14.0 per cent decline in expenditure, below the benchmark. However, the federation and Federal Government receipts recorded shortfalls of 35.8 per cent and 7.2 per cent, relative to their respective monthly targets, due to lower non-oil receipts. The FGN retained revenue also fell, following lower allocations from the Federation and VAT Pool accounts. Total public debt outstanding, as at end-March 2022, was N41,604.06 billion, or 18.8 per cent of GDP.

Monetary and financial developments reflected sustained growth in key monetary aggregates. Efforts to boost credit to critical economic sectors continued to yield results, as shown in the growth of private sector credit. Broad money (M3) grew by 10.8 per cent, driven largely, by the increases in *domestic claims, particularly claims on central government, public non-financial corporations, and private sector. Movements in key interest rates were mixed. The financial system remained stable, as financial soundness indicators were within regulatory benchmarks. Activities on the Nigerian Exchange (NGX) Limited were bullish, with positive investor sentiments.*

The external sector's performance improved, as the increase in crude oil and gas prices engendered a trade surplus. However, due to tight global financial conditions, and the effects of the policy rate hikes in major advanced economies, foreign capital inflow decreased. Capital outflow decreased, particularly, in the capital and loans components. The available stock of external reserves was adequate, as it could finance 6.6 months of imports, compared with the 3 months international benchmark. The average exchange rate of the naira per US dollar at the Investors & Exporters (I&E) window was relatively stable at ₦415.95/US$, compared to ₦415.53/US$ in April.

The prospect for increased global growth has been weakened by the lingering pandemic-induced supply disruptions, the continued Russia-Ukraine war, which triggered rising energy, food and commodity prices, and tight global financial conditions. On the domestic front, growth prospects are positive but constrained by the challenges of insecurity and infrastructural deficit. In addition, inflationary pressures are expected to remain elevated, as the Russia-Ukraine war drives commodity prices.

1.0 GLOBAL ECONOMIC DEVELOPMENTS

1.1 Economic Activities

Global economic performance improved slightly in May 2022, despite rising energy prices and supply chain disruptions associated with the war in Ukraine. Global Composite Purchasing Managers' Index (PMI) rose to 51.5 index points in May from 51.2 index points in April, driven mainly, by the easing of the COVID-19 lockdown in China, which boosted service and manufacturing activities. Also, the manufacturing PMI rose to 52.4 index points from 52.3 index points. However, the services sector's PMI remained unchanged at 52.2 index points in May. Nonetheless, within the sector, there were slight improvements in business activity, underpinning a rise in new orders, new export businesses, and higher employment.

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

	Mar-22	Apr-22	May-22
Composite	52.7	51.2	51.5
Manufacturing	57.1	52.3	52.4
Services (Business Activity)	53.4	52.2	52.2
Employment Level	53.4	53.3	53.4
Output	52.7	48.6	49.7
New Business Orders	53.8	50.5	52.5
New Export Business Orders	48.8	48.3	48.6
Future Output	68.9	61.8	64.4
Input Prices	70.5	71.6	71.5
Output Prices	61.4	63.8	61.3

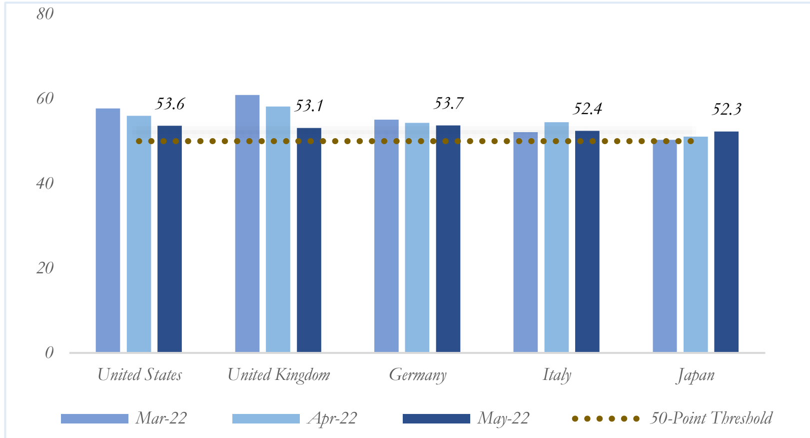
Source: JP Morgan

Note: Above 50 index points indicates expansion; Manufacturing data for Indonesia, South Korea were not available in May, while Services data were also unavailable for Japan and Russia.

Economic Activity in AEs

Growth in Advanced Economies (AEs) slowed in May, following softening demand and heightened economic uncertainty. Specifically, the pace of economic activities waned in major AEs except for Japan, which witnessed an upturn in both the manufacturing and service sectors. In the US, output expanded at a slower pace to 53.6 index points from 56.0 index points in April, following supply constraints and inflationary pressures. Likewise, in the UK and Germany, the PMI showed slower expansion at 53.1 index points and 53.7 index points from 58.2 index points and 54.3 index points, respectively, in April. This was attributed to a combination of factors, including supply chain pressures, material shortages, and a decline in demand. However, in Japan, economic activities improved to 52.3 index points from 51.1 index points in April, as the easing of COVID-19 restrictions boosted the growth in new orders.

Figure 1: PMIs of Selected Advanced Economies

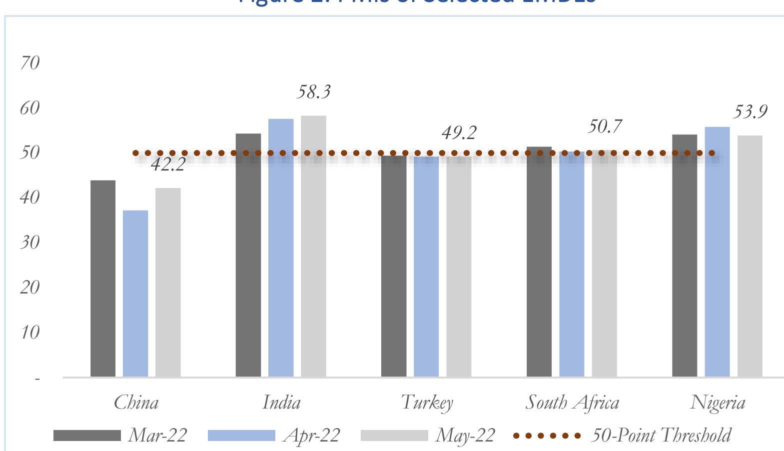


Source: Trading Economics/Various Country Websites

Economic Activity in EMDEs

Economic performance in Emerging Markets and Developing Economies (EMDEs) improved, marginally, following a boost in business activities in India and China. Economic activities expanded slightly within this region, although countries faced similar challenges as their AE counterparts. In India, economic activities improved as the composite PMI rose to 58.9 index points from 57.6 index points in the previous month. This was supported by substantial growth in new businesses, following the reopening of the economy. Furthermore, economic activities in South Africa improved marginally, following a slight rebound in both output and new orders. In China, PMI rose to 47.2 index points from 37.2 index points, attributed to the easing COVID-19 restrictions.

Figure 2: PMIs of Selected EMDEs



Source: Trading Economics/Various Country Websites

1.2 Global Inflation

The Russia-Ukraine war continued to fuel uncertainty and obstruct global supply chains, leading to widespread inflationary pressures, particularly on energy and food prices. In most Advanced Economies, inflation rose, due mainly, to rising energy costs. In the United States, consumer prices increased to 8.60 per cent, in May, from 8.30 per cent, in April. The highest rise was seen in food, energy, and gas prices. Likewise, in Germany and France, inflation increased to 7.90 per cent and 5.20 per cent from 7.40 and 4.80 per cent in April, respectively. This was driven, mainly by the sharp rise in the price of energy, particularly, petroleum products, as well as food and services. Also, inflation in the UK rose marginally to 9.10 per cent in May, from 9.00 per cent the previous month, driven by housing and utilities, transport and food prices. After a month of disinflation in Italy, headline inflation increased to 6.80 per cent from 6.20 per cent in April.

In the same vein, inflation pressures remained elevated in the EMDEs. Specifically, in Turkey, inflation continued to rise, reaching 73.50 per cent from 69.97 per cent in the previous month, as energy prices surged amid the depreciation of the lira and negative real interest rates. Also, inflation in Indonesia increased to 3.55 per cent from 3.47 per cent in the previous month, due to stronger demand that impacted the prices of housing, utilities, furnishing and services. In South Africa, the inflation rate increased to 6.50 per cent from 5.90 per cent in April, higher than the Reserve Bank's 3-6 per cent target. Transport, food and non-alcoholic beverages rose faster because of higher fuel prices. However, China's inflation rate remained unchanged from the previous month's 2.10 per cent. Conversely, India experienced disinflation as consumer prices declined to 7.04 per cent from 7.79 per cent in April, on account of a cut in taxes on petrol and diesel, export restrictions on some food items, and the hike in the repo rate. In Mexico, the inflation rate slowed to 7.65 per cent from 7.68 per cent in the previous month as the cost of services and housing declined.

Table 2: Inflation Rates in Selected Countries

Country	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
United States	7.00	7.48	7.87	8.50	8.30	8.60
United Kingdom	4.80	5.50	6.20	7.00	9.00	9.10
Japan	0.80	0.50	0.90	1.20	2.50	2.50
Canada	4.80	5.10	5.70	6.70	6.80	7.70
Germany	5.30	4.90	5.10	7.30	7.40	7.90
China	1.50	0.90	0.90	1.50	2.10	2.10
South Africa	5.90	5.70	5.70	5.90	5.90	6.50
India	5.59	6.01	6.07	6.95	7.79	7.04
Mexico	7.36	7.07	7.28	7.45	7.68	7.65
France	2.80	2.85	3.60	4.50	4.80	5.20
Italy	3.90	4.80	5.70	6.70	6.20	6.80
Indonesia	1.87	2.18	2.06	2.64	3.47	3.55
Turkey	36.08	48.69	54.44	61.14	69.97	73.50
Nigeria	15.63	15.60	15.70	15.92	16.82	17.71

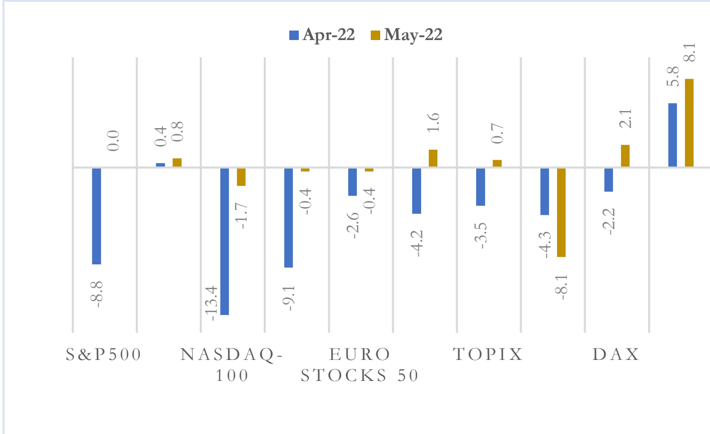
Source: Organisation for Economic Cooperation and Development, and National Bureau of Statistics

1.3 Global Financial Market

The performance of the global financial market was mixed in May, in the face of rising inflation and central banks' monetary policy normalisation. Stocks in the United States concluded the month flat, as the Federal Reserve's tone shifted from dovish to hawkish, following concerns about inflation, and fear of recession. The NASDAQ declined by 1.65 per cent from the level in April. However, the Dow Jones and the S&P 500 indices ended May with a marginal increase of 0.37 per cent and 0.01 per cent, respectively, from their April positions. Also, the NSGE, DAX, NIKKEI, and TOPIX indices rose by 8.05 per cent, 2.06 per cent, 1.16 per cent and 0.69 per cent, respectively, in May over their respective positions in the previous month.

The index of the Egyptian Exchange, EGX30, and the EURO STOXX 50 fell by 8.13 per cent and 0.36 per cent, respectively, in the month under review, from their positions in the previous month. The EURO STOXX 50 fell for the fifth consecutive month as investors reacted to the ongoing Russian-Ukraine war.

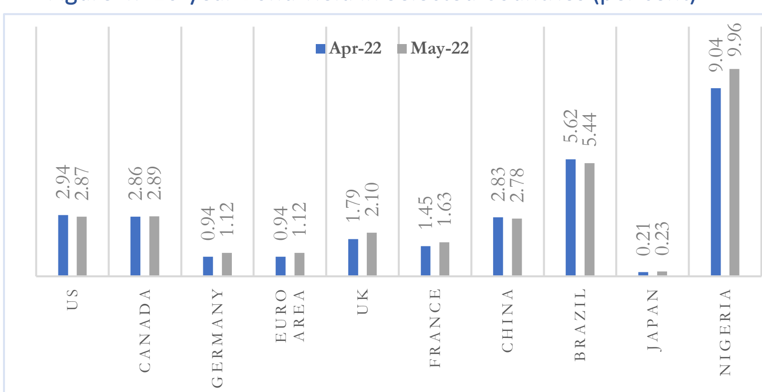
Figure 3: Growth in Selected Equity Indices



Source: Bloomberg

Bond yields rose as investors continued their hunt for protection in bonds. The 10-year government bond yield increased to 1.12 per cent, 1.12 per cent, 2.10 per cent, and 1.63 in the Euro Area, Germany, United Kingdom, and France, from 0.94 per cent, 0.94 per cent, 1.79 per cent and 1.45 per cent in April, respectively. Also, bond yields increased in Nigeria, Japan and Canada to 9.96 per cent, 0.21 per cent, and 2.89 per cent, respectively, compared with levels in the previous month. However, in the US, the anticipation of new economic data and monetary policy statements caused the 10-year bond yield to fall to 2.87 per cent from 2.94 per cent in April. Similarly, bond yields in Brazil and China fell to 5.44 per cent and 2.78 per cent in May from the levels in April.

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

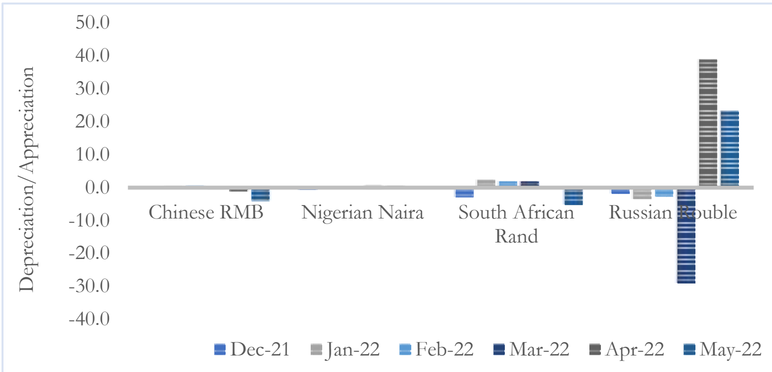


Source: Bloomberg

EMDEs' currencies

The average exchange rate of the Russian Rouble against the US dollar appreciated by 23.2 per cent, supported by strict capital controls and compliance by foreign buyers to pay for crude oil in Roubles. In contrast, the Chinese Renminbi (RMB) and South African Rand depreciated by 4.2 per cent and 5.3 per cent to the US dollar in the review month.

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



Sources: Central Bank of Nigeria & Exchange Rates UK

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

Period	Chinese Renminbi	Nigerian Naira	South African Rand	Russian Rouble
May-22	6.4	396.8	14.1	74.0
Apr-22	6.4	415.5	15.0	80.1
May-22	6.7	416.0	15.9	65.0

Sources: Central Bank of Nigeria & Exchange Rates, UK

1.4 Global Commodity Market

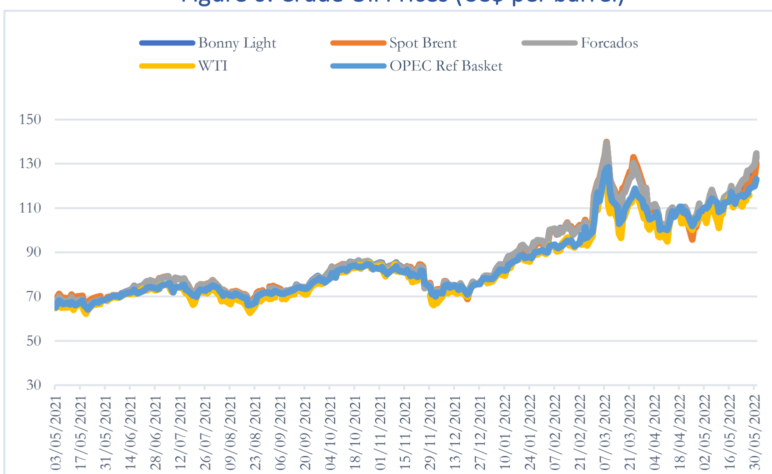
Global oil market

World crude oil production increased in May, following OPEC+'s production agreement. Global crude oil supply increased by 0.9 per cent to 99.50 million barrels per day (mbpd) from 98.66 mbpd in April. The non-OECD supply rose by 1.1 per cent to 67.24 mbpd, compared with 66.52 mbpd in the preceding month. Similarly, OECD supply rose marginally, by 0.4 per cent to 32.26 mbpd from 32.14 mbpd. In compliance with the OPEC+ production agreement, OPEC's crude oil production increased by 1.5 per cent to 28.93 mbpd from 28.49 mbpd in April. Global demand increased by 0.9 per cent to 98.27 mbpd, compared with 97.37 mbpd in the preceding month, due to rising demand for gasoline, especially in the US and Europe for the summer driving season.

Crude oil prices

The average spot prices in the international oil market rose in May 2022, due to increased demand in preparation for the summer driving season and optimism about China's easing of lockdown restrictions. The average spot price of Nigeria's reference crude oil, the Bonny Light (34.9° API), rose by 9.6 per cent to US$116.72 per barrel (pb), compared with US$106.51 pb in April 2022. The prices of Brent, at US$114.32 pb, Forcados at US$118.31 pb, WTI at US$110.41 pb, and OPEC Reference Basket (ORB), at US$113.94 pb, all exhibited similar movements (Figure 6). The increase in crude oil prices was due to higher gasoline demand, mainly in the US and Europe, for the summer driving season. In addition, crude oil prices were supported by expectations that easing COVID-19 restrictions in China would boost demand.

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

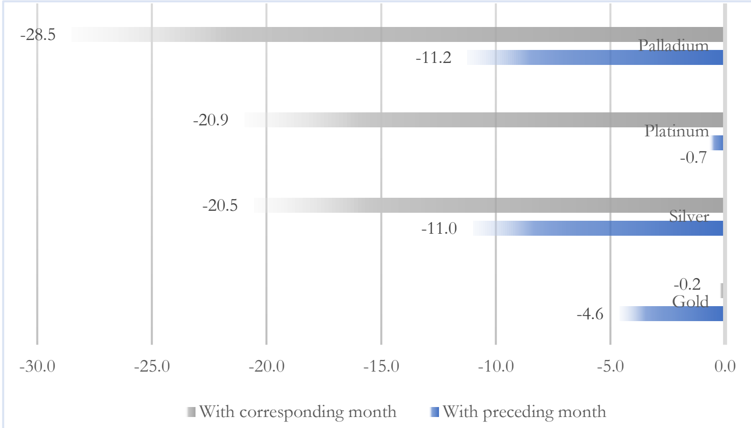


Source: Reuters

Other Mineral Commodities

Average spot prices of gold, silver, platinum, and palladium decreased in May, as the US Fed increased interest rates to tame inflation. The average spot prices of gold and silver fell by 4.6 per cent and 11.0 per cent, month-on-month, to sell at US$1,848.08 per ounce and US$21.86 per ounce, respectively. Similarly, the average spot prices of platinum and palladium fell by 0.7 per cent and 11.2 per cent, to sell at US$957.26 per ounce and US$2,054.24 per ounce, compared with US$963.61 per ounce and US$2,314.24 per ounce, respectively, in the preceding month (Figure 7). The prices of the precious metals fell as demand for the metals declined in response to the hike in interest rates by the US Federal Reserve.

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



Source: Refinitiv Eikon (Reuters)

Agricultural Commodity Prices

On the international front, developments in prices were mixed. Prices of four of the eight monitored commodities recorded price increases ranging from 5.0 per cent (cotton) to 14.1 per cent (wheat), while others recorded declines ranging from 1.6 per cent (groundnut) to 3.7 per cent (coffee). For price increases, wheat edged up the most, as global supply shortfalls persisted, following reduced exports from Ukraine. Palm oil recorded the second largest increase due to labour shortages, climate change, and the recent ban by Indonesia on palm exports. Cotton and soya bean prices also rose due to weather-related issues. On the other hand, the prices of groundnut, cocoa, rubber, and coffee declined, due largely, to relative higher supply, than demand.

Table 4: Selected Agricultural Export Commodities (Dollar Based) (Jan. 2010=100)

COMMODITY	May. 2021	Apr. 2022	May. 2022	% Change	
				(1) & (3)	(2) & (3)
	1	2	3	4	5
All Commodities	**83.3**	**106.8**	**111.4**	**33.7**	**4.3**
Cocoa	78.9	80.2	78.1	(1.0)	(2.7)
Cotton	54.1	92.5	97.1	79.5	5.0
Coffee	84.7	110.4	106.4	25.6	(3.7)
Wheat	97.0	161.6	184.3	90.0	14.1
Rubber	36.1	36.3	35.3	(2.1)	(2.8)
Groundnut	105.6	105.2	103.5	(2.0)	(1.6)
Palm Oil	92.0	136.3	147.3	60.0	8.1
Soya Beans	118.0	132.1	139.5	18.2	5.6

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

2.0. DOMESTIC ECONOMIC DEVELOPMENTS

2.1. Real Sector Developments

Summary

Economic activities in May 2022 improved as the manufacturing Purchasing Managers Index (PMI) was above the previous month's level and crossed the 50-point threshold. Headline inflation rose on account of supply chain disruptions and increased energy costs. The Bank continued to support the priority economic sectors to sustain growth.

2.1.1 Economic Activities

Purchasing Managers Index

Economic activities improved, as manufacturing PMI expanded to 50.1 index points from 48.9 index points in April. The expansion in manufacturing PMI was driven by increased consumer demand, which stimulated growth in employment, production levels and supply delivery time. On the other hand, the non-manufacturing PMI improved to 49.8 index points from 49.5 index points in April, but remained within the contraction region. The development was attributed to an uptick in employment and inventory within the review period.

Table 5: Manufacturing and Non-Manufacturing PMI

Components	*Apr-22*	*May-22*
Composite Manufacturing PMI	48.9	50.1
Production Level	*51.4*	*50.8*
New Orders	*46.0*	*47.0*
Supplier Delivery Time	*49.1*	*54.7*
Employment Level	*50.2*	*50.9*
Raw Material Inventory	*48.6*	*49.8*
Composite Non-Manufacturing PMI	49.5	49.8
Business Activity	*49.9*	*49.7*
New Orders	*48.3*	*45.8*
Employment Level	*50.9*	*51.8*
Inventory	*49.0*	*51.8*

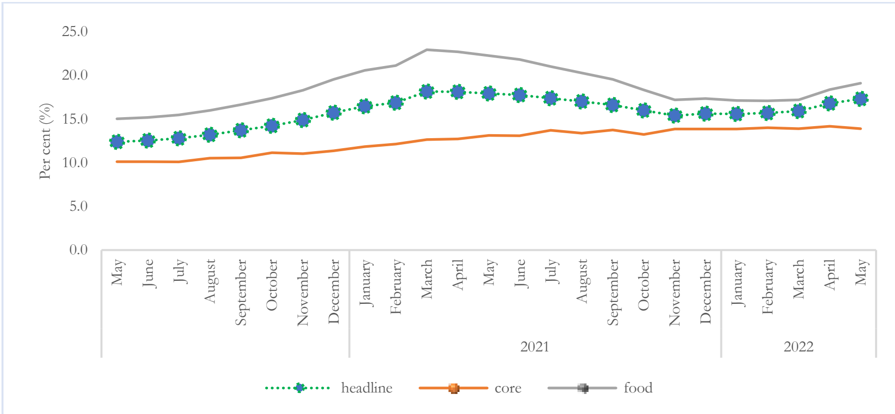
Source: Central Bank of Nigeria

2.1.2 Consumer Prices

Headline Inflation

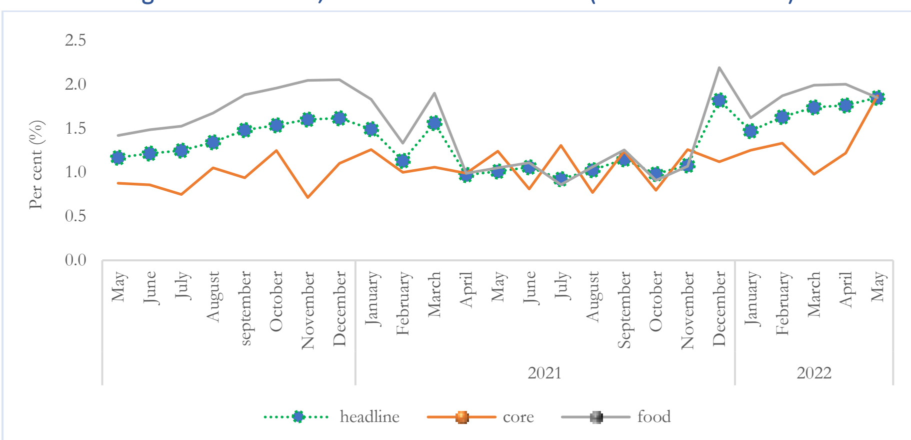
Headline inflation rose in May 2022, driven by both the food and non-food components of the CPI basket. The rise was attributed to supply-chain disruptions; and increase in diesel, transport, and logistics costs. Thus, headline inflation, year-on-year (y-o-y), rose to 17.71 per cent, compared with 16.82 per cent in April (Figure 8). The development was driven by increased costs of restaurant and hotel services, processed food, farm produce and imported food items. Also, spending on the primaries for the 2023 general elections put pressure on the general price level. On a month-on-month (m-o-m) basis, headline inflation increased to 1.78 per cent from 1.76 per cent in the preceding month (Figure 9).

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 (y-o-y) increased to 14.90 per cent from 14.18 per cent in April. The rise in core inflation was attributed to the the gobal supply chain disruptions, occassioned by the Russia-Ukraine war, that elevated import prices. On a month-on-month basis, it rose to 1.87 per cent, compared with 1.22 per cent in April.

Food Inflation

Similarly, food inflation (y-o-y) rose to 19.50 per cent, compared with 18.37 per cent in April. The rise in food inflation was attributed to insecurity, and seasonal shortages, especially in fruits, vegetables, grains, rice, fish, yam, and other tubers. Also, rising factor costs drove the prices of processed food, particularly meat, milk, cheese, eggs, garri, oil, and fats. On a month-on-month basis, food inflation increased slightly to 2.01 per cent, compared with 2.00 per cent in April.

Box 1: Prices of Selected Domestic Agricultural Commodities in May 2022

The prices of major domestic food items maintained an upward trend in May and was 2.1 per cent higher than the level in April. All the monitored commodities recorded price increases except, garri yellow, which declined by 0.2 per cent. The increases ranged from 0.7 per cent for rice medium grained to 4.8 per cent for tomatoes. High transportation costs and strong demand drove the price increases. Moreover, the security challenge, which continued to disrupt agricultural activities and distribution networks also contributed to the price pressure.

		May. 2021	Apr. 2022	May. 2022	% Change	% Change
	UNIT	1	2	3	(1) & (3)	(2) & (3)
Agric eggs medium size		*541.53*	*677.13*	*690.27*	*27.5*	*1.9*
Beans: brown, sold loose		*439.22*	*535.55*	*552.01*	*25.7*	*3.1*
Beans: white black eye, sold loose		*407.23*	*512.95*	*522.65*	*28.3*	*1.9*
Gari white, sold loose		*301.88*	*322.02*	*327.92*	*8.6*	*1.8*
Gari yellow, sold loose		*318.70*	*341.85*	*341.19*	*7.1*	*-0.2*
Groundnut oil: 1 bottle, specify bottle	*1 bottle*	*703.36*	*1022.64*	*1044.71*	*48.5*	*2.2*
Irish potato		*325.15*	*449.41*	*460.41*	*41.6*	*2.4*
Maize grain white, sold loose		*248.86*	*302.00*	*309.21*	*24.3*	*2.4*
Maize grain yellow, sold loose		*256.28*	*303.84*	*313.35*	*22.3*	*3.1*
Onion bulb		*307.53*	*391.96*	*400.09*	*30.1*	*2.1*
Palm oil: 1 bottle, specify bottle	*1 bottle*	*593.36*	*859.84*	*876.19*	*47.7*	*1.9*
Rice agric, sold loose		*445.23*	*507.93*	*516.05*	*15.9*	*1.6*
Rice local, sold loose		*397.80*	*447.22*	*452.97*	*13.9*	*1.3*
Rice, medium grained		*441.49*	*492.70*	*495.94*	*12.3*	*0.7*
Rice, imported high quality, sold loose		*544.09*	*616.34*	*630.36*	*15.9*	*2.3*
Sweet potato		*172.63*	*236.24*	*238.45*	*38.1*	*0.9*
Tomato		*303.51*	*424.44*	*444.85*	*46.6*	*4.8*
Vegetable oil: 1 bottle, specify bottle	*1 bottle*	*686.67*	*998.06*	*1020.36*	*48.6*	*2.2*
Wheat flour: prepackaged (Golden Penny)	*2kg*	*785.87*	*1066.18*	*1093.23*	*39.1*	*2.5*
Yam tuber	*1kg*	*269.98*	*357.01*	*368.52*	*36.5*	*3.2*
Average change M-on-M			*543.27*	*554.94*		***2.10***

Sources: National Bureau of Statistics and Staff Estimates

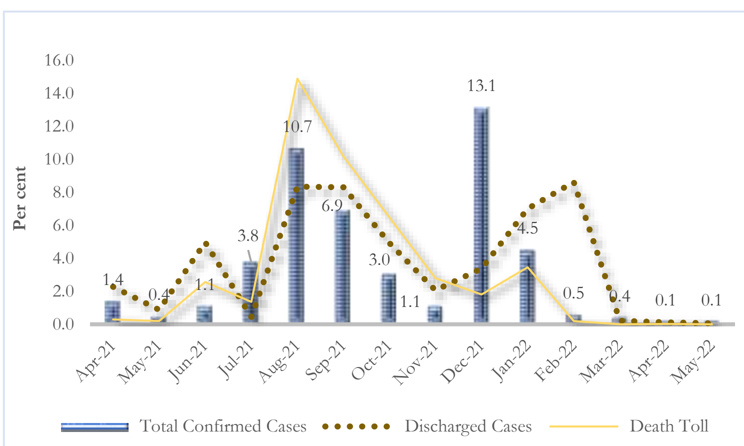
2.1.3 Socio-Economic Developments

Health & COVID-19 Update

Efforts at containing the spread of the COVID-19 pandemic continued to yield positive results, as the rate of confirmed cases declined, and the rate of discharged cases increased. This was attributed to sustained surveillance by relevant health authorities, compliance with precautionary measures, and a sustained vaccination drive. Data from the Nigeria Centre for Disease Control (NCDC) showed that at end-May, the rate of increase in the number of confirmed cases declined to 0.10 per cent, compared with 0.11 per cent in April (Figure 10). The rate of discharged cases increased by 0.05 per cent, compared with 0.12 per cent in the preceding month. Although, there were no COVID-19-related deaths, compared with the previous month, the rate of active cases increased by 7.4 per cent, compared with a decline of 0.18 per cent, recorded last month.

Data from the National Primary Health Care Development Agency (NPHCDA) showed that 24.1 per cent of the eligible target population had been partially vaccinated against COVID-19 infection as of end-May 2022, compared with 20.9 per cent in the previous month. Similarly, the percentage of the targeted population that had been fully vaccinated increased by 3.0 percentage points to about 16.8 per cent.

Figure 10: COVID-19 Statistics[1]



Source: Nigeria Center for Disease Control

With the re-emergence of monkey pox disease in the country, the NCDC activated the National Multisectoral Emergency Operations Centre for Monkeypox (MPX-EOC) to strengthen and coordinate response activities in the country. As at May 29, 2022, the Agency reported a total of 21

[1] Covid-19 data as at May 31, 2022.

confirmed cases, with one death, from 9 states and the FCT: Adamawa (5), Lagos (4), Bayelsa (2), Delta (2), Cross River (2), Kano (2), Imo (1), Rivers (1) and FCT (2).

The National Health Insurance Authority Bill (2022) was signed into law, to replace the National Health Insurance Scheme Act (2004), which was repealed. The new law empowers state governments to accredit primary and secondary healthcare facilities and ensure enrolment in the Scheme. The Act stipulates the establishment of a new vulnerable group fund to provide subsidies for health insurance coverage for vulnerable persons. Furthermore, every citizen would easily access health and medical services, especially for ailments not captured in the first scheme, at a subsidised cost. This development reflects a major drive toward the attainment of Universal Health Coverage (UHC) in the country and improved access to healthcare by the vulnerable.

Transportation

To improve road infrastructure in the country, the Federal Government released ₦3.0 billion Sukuk fund to finance the Numan-Jalingo road in Adamawa and Taraba states. The 103-kilometer Numan- Jalingo road is part of the Maiduguri – Calabar highway.

Similarly, the Federal Executive Council (FEC) approved the reconstruction of four roads under the Tax Credit Scheme for ₦169.7 billion. The approval covered the reconstruction of 234 kilometres of road from Bali to Sheti in Taraba State at the cost of ₦95.23 billion and three roads in Kebbi and Niger states for the sum of over ₦74.4 billion.

Futhermore, to revive the seaport in Delta State, the Federal Government awarded a contract for remedial dredging of the Escravos channel to enable bigger vessels into the Port. It will also enable the Port to have a better draft and avoid vessels running aground.

2.1.4 Domestic Crude Oil Market Developments

Crude Oil Production and Export

Domestic crude oil production and export decreased due to shut-ins in some oil wells over pipeline vandalism. The crude oil production fell to 1.28 mbpd, by 5.2 per cent in May 2022, from 1.35 mbpd recorded in April. Out of the 1.28 mbpd produced, export accounted for an average of 0.83 mbpd, while the allocation for domestic consumption accounted for the balance. Nigeria's production level was below the OPEC quota of 1.75 mbpd by 0.47 mbpd.

2.1.5 Development Financing

The Bank continued to provide buffers to sustain the recovery of output growth and curtail the downside risks to other external and domestic

economic shocks. A total of ₦142.44 billion was disbursed to the real sector in May, under the twelve monitored intervention programmes. Of the total disbursement, the Industrial sector with ₦ 90.38 billion remained the main sector of focus as 63.45 per cent of the funds were disbursed to the sector. Of the total intervention, the Real Sector Support Facility and Differentiated Cash Reserve Ratio (RSSF-DCRR) was the main window, accounting for 58.31 per cent of the total fund disbursed. This was followed by the Micro Small and Medium Enterprises (MSMEs) segment (₦27.1 billion, 19.02 per cent), Energy/infrastructure (₦21.21 billion, 14.89 per cent), Health (₦2.0 billion, 1.40 per cent), and Agriculture (₦ 1.75 billion, 1.23 per cent).

Table 6: Intervention Funds as of May 2022

Sector	May			Cumulative		
	Dis. (N'bn)	Share (%)	Ben.	Dis. (N'bn)	Share (%)	Ben.
Agriculture	**1.75**	**1.23**		**1,750.35**	**31.76**	
Anchor Borrowers' Programme	*0.98*	0.69	*Smallholder farmers*	1,006.03	17.68	*4,209,622 farmers*
N1,006.03 billion Commercial Agricultural Credit Scheme (CACS)	*0.77*	0.54	*1 Rice mill project*	744.32	13.08	*678 projects*
Energy/Infrastructure	**21.21**	**14.89**		**1,619.69**	**28.47**	
Nigeria Electricity Market Stabilization Facility 2 (NEMSF 2)	*1.21*	0.85	-	*254.46*	4.47	*10 projects*
Nigeria Bulk Electricity Trading-Payment Assurance Facility (NBET-PAF)	*5.00*	3.51	-	*1,300.03*	22.85	-
Infrastructure facility for National Gas Expansion Programme (IFNGEP)	*15.00*	10.53	*9 Projects*	*65.20*	1.15	*15 projects*
MSMEs	**27.1**	**19.02**		**552.242**	**9.71**	
Tertiary Institutions Entrepreneurship Scheme (TIES)	N/A	N/A	N/A	*0.29*	0.01	*59*
Targeted Credit Facility (TCF)	*25.00*	17.55	*48,485 Households & SMEs*	*415.45*	7.30	*827,968*
AGSMEIS	*0.100*	0.07		*136.2*	2.39	*40,292 beneficiaries*
SMERRF	*2.00*	1.40		*0.302*	0.01	
Industries	**90.38**	**63.45**		**1,633.36**	**28.71**	
100 for 100 PPP	*7.32*	5.14	*4 Projects*	*0.61*	1.01	*48 projects*
RSSF Using Differentiated Cash Reserve Ratio (RSSF-DCRR)	*83.06*	58.31	*11 Projects*	*1,632.75*	28.70	*219*
Health	**2.00**	**1.40**		**133.4**	**2.34**	
Health Care Sector Intervention Fund (HSIF)	*2.00*	1.40	*1 healthcare project*	*133.4*	2.34	*128 healthcare projects*
Total	***142.44***	**100**		***5,689.04***	**100**	

Source: Central Bank of Nigeria

Note: Ben. = Beneficiaries; Dis. = Disbursements; and Rep. = Repayments.

2.2 FISCAL SECTOR DEVELOPMENTS

Summary

The government fiscal operations remained anchored on the extant fiscal framework[2] to pursue macroeconomic stability, income generation, and the expansion of fiscal space to boost infrastructural development, among other objectives. The revenue challenge persisted in May 2022, as the federation and Federal Government recorded shortfalls of 35.8 per cent and 7.2 per cent, relative to the respective monthly targets. However, the overall fiscal deficit of the FGN contracted by 1.5 per cent, relative to the target, driven, largely, by a 14.0 per cent drop in aggregate expenditure. Total public debt outstanding, at end-March 2022, stood at ₦41,604.06 billion or 18.8 per cent of GDP, and remained within the 40.0 per cent debt-GDP threshold.

2.2.1 Federation Account Operations

Provisional federally collected revenue in May dropped due to lower non-oil receipts. At ₦1,015.44 billion, federation revenue fell below the levels in April and the monthly budget by 22.4 per cent and 35.8 per cent, respectively. The decline was attributed to a 30.4 per cent shortfall in non-oil receipts, relative to the target. In terms of share, non-oil revenue maintained its dominance in gross federation receipts, accounting for 54.1 per cent, while oil revenue constituted the balance of 45.9 per cent.

Drivers of Federation Revenue

Oil revenue, at ₦466.34 billion, was above the level in April by 3.6 per cent, but fell short of the budget target by 41.1 per cent. The increase in oil revenue relative to April was attributed to increased earnings from Domestic Crude Oil and Gas sales, following the surge in crude oil price. However, higher value shortfall recovery, for Premium Motor Spirit (PMS), continued to weigh on gross oil earnings.

On the other hand, non-oil receipts, at ₦549.10 billion, dropped below the levels in April and the monthly budget by 36.0 per cent and 30.4 per cent, respectively. The performance reflected the 66.2 per cent, 24.1 per cent, and 18.5 per cent decline in Company Income Tax (CIT), Customs & Excise Duties, and Value-Added Tax (VAT), respectively. In addition, receipts from CIT were particularly low, due to seasonal effects, as firms prepared towards the end-June cut-off date for filing tax returns.

[2] The fiscal framework for the period includes, the 2022 Appropriation Act and the Medium-Term Expenditure Framework and Fiscal Strategy Papers (MTEF&FSP 2022-2024).

The sum of ₦636.60 billion was distributed to the three tiers of government after statutory deductions and transfers. This was 12.3 per cent lower than the ₦725.57 billion disbursed in the preceding month.

Table 7: Federally-Collected Revenue and Allocation (₦ Billion)

	May-21	Apr-22	May-22	Budgeted
Federation Revenue (Gross)	**846.72**	**1,307.74**	**1,015.44**	**1,580.92**
Oil	**285.21**	**450.06**	**466.34**	**791.7**
Crude Oil & Gas Exports	0.00	0.00	0.00	67.57
PPT & Royalties	276.84	430.78	390.28	530.91
Domestic Crude Oil/ Gas Sales	0.00	11.15	66.69	42.04
Others	8.37	8.13	9.37	151.18
Non-oil	**561.51**	**857.68**	**549.10**	**788.64**
Company Income Tax	126.31	353.06	119.27	165.65
Customs & Excise Duties	85.31	141.34	107.22	154.88
Value-Added Tax (VAT)	176.71	219.5	178.83	203.48
Independent Revenue of Fed. Govt.	168.85	140.85	140.85	184.68
*Others**	4.32	2.93	2.93	79.94
Total Deductions/Transfers**	***252.64***	***582.17***	***387.73***	***349.74***
Federally-Collected Revenue *Less Deductions & Transfers*	**594.08**	**725.57**	**627.71**	**1,183.01**
plus:				
Additional Revenue	**22.81**	**0.00**	**8.89**	***17.48***
Balance in Special Account from 2019	**0.00**	**0.00**	**0.00**	**0.00**
Excess Crude Revenue	*0.00*	*0.00*	*0.00*	*0.00*
Non-oil Excess Revenue	*20.56*	*0.00*	*8.89*	*17.48*
Exchange Gain	*2.25*	*0.00*	*0.00*	*0.00*
Total Distributed Balance	***563.82***	***725.57***	***636.60***	***1,200.49***
Federal Government	*244.01*	*277.10*	*247.07*	*509.09*
Statutory	*219.36*	*246.44*	*222.09*	*480.81*
VAT	*24.65*	*30.66*	*24.98*	*28.28*
State Government	*229.58*	*280.56*	*244.40*	*432.31*
Statutory	*111.26*	*125.00*	*112.65*	*251.29*
VAT	*82.17*	*102.2*	*83.26*	*94.25*
13% Derivation	*36.15*	*53.36*	*48.49*	*86.78*
Local Government	*143.30*	*167.91*	*145.13*	*259.09*
Statutory	*85.78*	*96.37*	*86.85*	*193.11*
VAT	*57.52*	*91.54*	*58.28*	*65.98*

Sources: Office of Accountant General of the Federation (OAGF) and CBN Staff Estimates

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

2.2.2 Fiscal Operations of the Federal Government

Federal government retained revenue

The retained revenue of the FGN fell, following lower allocations from the Federation and VAT Pool accounts. At ₦387.93 billion, the provisional retained revenue of the FGN declined by 7.2 per cent and 56.7 per cent, relative to April and the budget, respectively. Shortfalls in earnings at the federation level affected FGN receipts in the review period.

Table 8: FGN Retained Revenue (₦ Billion)

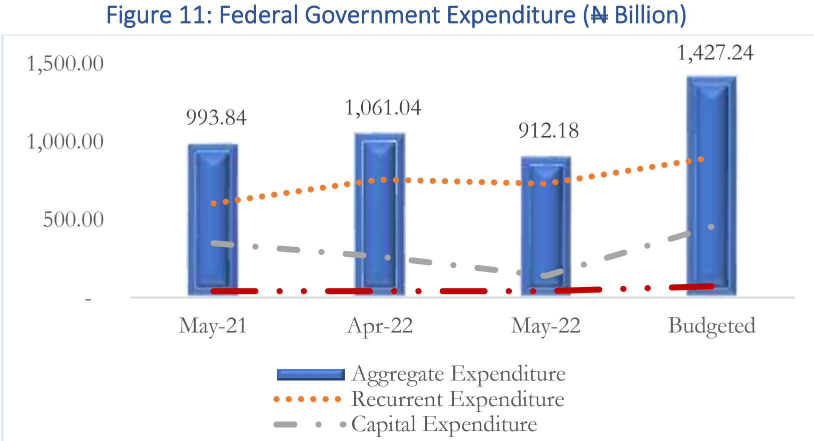
	May-21	Apr-22	May-22	Budget
FGN Retained Revenue	**423.95**	**417.96**	**387.93**	**895.07**
Federation Account	*207.48*	*246.44*	*217.41*	*478.19*
VAT Pool Account	*24.65*	*30.66*	*24.98*	*28.28*
FGN Independent Revenue	*168.85*	*141.85*	*140.86*	*184.68*
Excess Oil Revenue	*0.00*	*0.00*	*0.00*	*0.00*
Excess Non-Oil	*10.83*	*0.00*	*4.68*	*0.00*
Exchange Gain	*1.05*	*0.00*	*0.00*	*0.00*
*Others**	*11.09*	*0.00*	*0.00*	*203.92*

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

Federal Government expenditure

Driven mainly, by the reduction in capital spending, the aggregate expenditure of the FGN dropped by 14.0 per cent. Provisional data indicate that, at ₦912.18 billion, aggregate expenditure in May contracted by ₦148.87 billion or 14.0 per cent, relative to the ₦1,061.04 billion in April. This was explained by a 3.4 per cent and 46.8 per cent decline in recurrent and capital releases, respectively. Consequently, recurrent spending maintained its dominance in total FGN spending; accounting for 80.2 per cent; capital expenditure and transfers constituted the balance of 15.3 per cent and 4.5 per cent, respectively.

Figure 11: Federal Government Expenditure (₦ Billion)



Sources: CBN Staff Estimates and OAGF data

Overall fiscal balance

The disproportionate reduction in expenditure and revenue outcomes resulted in a contraction in the overall fiscal deficit, during the period. Following the 14.0 per cent decline in government spending and 7.2 per cent fall in FGN retained revenue, the provisional fiscal deficit, at ₦524.25 billion, was 18.5 per cent and 1.5 per cent below the level in April and the budget benchmark, respectively.

Table 9: Fiscal Balance (₦ Billion)

	May-21	Apr-22	May-22*	Budget
Retained revenue	423.95	417.96	387.93	895.07
Aggregate expenditure	993.84	1,061.04	912.18	1,427.24
Recurrent	*604.15*	*757.21*	*731.21*	*899.15*
Non-debt	*366.73*	*546.01*	*529.50*	*575.82*
Debt Service	*237.42*	*211.20*	*201.71*	*323.33*
Capital	348.31	262.45	139.59	455.62
Transfers	41.38	41.38	41.38	72.47
Primary balance	-332.47	-431.89	-322.54	-208.84
Overall balance	-569.89	-643.09	-524.25	-532.17

Sources: Compiled from OAGF figures and CBN Staff Estimates
Note: * = Provisional

Consolidated Public Debt

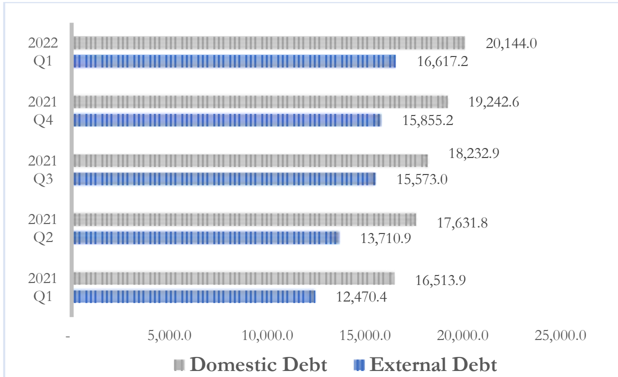
As at end-March 2022, consolidated public debt outstanding stood at ₦41,604.06 billion (or 18.8 per cent of GDP), reflecting an increase of 5.2 per cent, relative to the level at end-December 2021. Domestic debt accounted for 60.1 per cent of total debt, while external debt constituted 39.9 per cent. 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 constituted the balance of ₦4,842.84 billion (11.6 per cent).

Of the FGN's share of the total debt outstanding, domestic debt stock constituted ₦20,144.03 billion (54.8 per cent), while external debt accounted for ₦16,617.19 billion (45.2 per cent). FGN bond issues maintained its dominance, 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[3] (0.6 per cent). Regarding holdings of Nigeria's external debt, Multilateral, Commercial and Bilateral loans accounted for 47.4 per cent, 39.8 per cent and 11.3 per cent, respectively, while 'other' loans constituted 1.5 per cent.

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

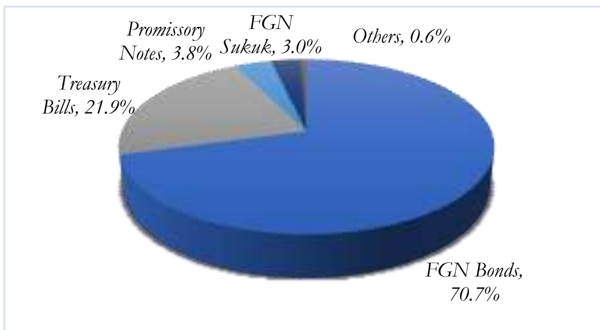
Debt service obligations in the first quarter of 2022, amounted to ₦897.17 billion, compared with ₦428.60 billion in the fourth quarter of 2021. The rise was attributed to the redemption of matured debt obligations.

Figure 12: FGN Debt Composition (₦ Billion)



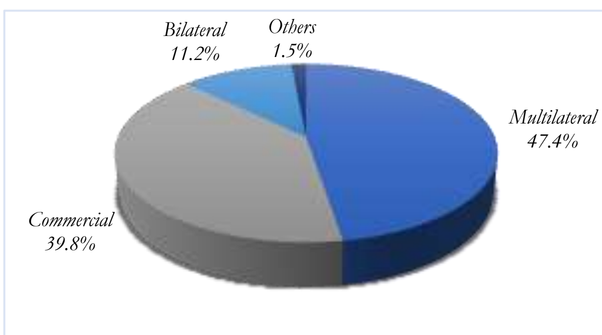
Source: Debt Management Office (DMO)

Figure 13: Domestic Debt Stock Composition by Instrument



Source: Debt Management Office (DMO)

Figure 14: Composition of External Debt Stock by Holders



Source: Debt Management Office (DMO)

2.3 Monetary and Financial Developments

Summary

Developments in the monetary sector in May 2022 indicated sustained growth in key monetary aggregates. Efforts toward boosting credit to key sectors of the economy continued to yield results as shown in the considerable growth in private sector credit. The aggregate market capitalisation and All-Share Index appreciated as positive investors' sentiment spurred activities in the capital market. The overall financial conditions remained stable, as key financial soundness indicators were within regulatory benchmarks.

2.3.1 Monetary Developments

Reserve Money

Reserve money increased in May, largely driven by liabilities to other depository corporations. It grew by 9.3 per cent over the level at end-December 2021. The growth was attributed to the 12.4 per cent and 0.2 per cent increase in liabilities to other depository corporations and currency-in-circulation, respectively. The growth in reserve money revealed the market's preference for the transactionary motive for holding money.

Table 10: Components of Reserve Money (₦ Billion)

	May-21	Dec-22	Apr-22	May-22
Monetary Base	**13,064.1**	**13,295.2**	**14,734.8**	**14,535.0**
Currency-In-Circulation	*2,790.9*	*3,325.2*	*3,351.6*	*3,331.8*
Liabilities to ODCs	*10,273.2*	*9,970.0*	*11,383.3*	*11,203.2*
Monetary Base (% Growth over Preceding December)	*1.8*	*1.4*	*10.8*	*9.3*
Broad Money Multiplier (M3)	*3.1*	*3.3*	*3.2*	*3.3*

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

Drivers of Broad Money

The money multiplier increased from 3.30 at end-December 2021 to 3.34 in May. Consequently, the broad money supply (M3) grew by 10.8 per cent to ₦48,556.91 billion, relative to the end-December 2021. On an annualised basis, M3 grew by 25.95 per cent, and was above the target of 14.92 per cent for 2022.

Analysing from the asset side, the growth in broad money supply (M3) was buoyed by the 18.3 per cent growth in Net Domestic Assets (NDA), as the Net Foreign Assets (NFA) recorded a decline of 19.0 per cent. Regarding relative contribution, the NDA accounted for 14.6 percentage points growth in the broad money supply, while the NFA constituted a drag on broad money growth by 3.8 percentage points.

The growth in NDA was driven by the combined impact of a 37.1 per cent and 8.5 per cent increase in net claims on central government and claims on other sectors, respectively. Net claims on central government contributed 11.28 percentage points to the growth in M3, while claims on other sectors contributed 6.65 percentage points.

The growth in claims on other sectors was driven by 5.2 per cent, 25.1 per cent, 49.7 per cent and 6.4 per cent in claims on other financial corporations, state and local governments, public non-financial corporations, and the private sector, respectively. Of the 8.5 per cent growth in claims on other sectors, claims on the private sector contributed the highest at 4.3 per cent. The development reflected the Bank's continued efforts to boost credit to key economic sectors.

The contraction in Net Foreign Assets (NFA) was the fallout of a 2.7 per cent decline in claims on non-residents and a 9.2 per cent increase in liabilities to non-residents.

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

	Contribution to M3 growth (May-22)	May-21	Dec-22	May-22	Benchmark 2022
Net Foreign Assets	**-3.83**	**18.02**	**-1.77**	**-19.04**	**-**
Claims on Non-residents	-1.3	-3.53	5.26	-2.74	-
Liabilities to Non-residents	2.53	8.5	11.1	9.22	-
Net Domestic Assets	14.64	8.58	16.95	18.33	38.95
Domestic Claims	*18.13*	*7.94*	*17.25*	*16.37*	*16.23*
Net Claims on Central Government	*11.28*	*9.22*	*15.96*	*37.08*	*12.26*
Claims on Central Government	12.82	11.48	24.08	22.66	-
Liabilities to Central Government	1.54	14.55	35.07	5.89	-
Claims on Other Sectors	*6.85*	*7.45*	*17.75*	*8.53*	*17.73*
Claims on Other Financial Corporations	0.94	-2.63	-5.32	5.22	-
Claims on State and Local Government	1.43	3.33	20.63	25.05	-
Claims on Public Nonfinancial Corporations	0.99	19.88	13.24	49.67	-
Claims on Private Sector	3.49	11.88	27.88	6.39	-
Total Monetary Assets (M3)	**10.81**	**2.45**	**12.63**	**10.81**	**14.92**
Currency Outside Depository Corporations	-0.44	-7.18	17.74	-6.53	-
Transferable Deposits	6	4.48	14.15	17.27	-
Narrow Money (M1)	**5.57**	**2.64**	**14.72**	**13.42**	**-**
Other Deposits	5.25	2.03	16.63	8.97	-
Broad Money (M2)	**10.81**	**2.28**	**15.83**	**10.81**	**14.92**
Securities Other Than Shares	0.0001	8.18	-99.92	2.67	-
Total Monetary Liabilities(M3)	**10.81**	**2.45**	**12.63**	**10.81**	**14.92**

Source: Central Bank of Nigeria

The major contributors to the growth in monetary liabilities were transferable deposits and other deposits at 6.0 percentage points and 5.25 percentage points, respectively. On the other hand, currency outside depository corporations recorded a negative contribution, constituting a drag of 0.44 percentage points to the growth in M3.

2.3.2 Credit Utilisation

Sectoral Utilisation of Credit

Credit to key sectors of the economy increased by 1.9 per cent to ₦26,370.05 billion, from ₦25,876.72 billion at end-April 2022. The expansion was driven by increased credit to industry and services. Specifically, the preceding month's credit to industry and services increased by ₦276.87 billion and ₦234.06 billion, respectively, to ₦10,571.61 billion and ₦14,188.01 billion. However, credit to the agricultural sector decreased by ₦17.59 billion to ₦1,610.43 billion over the same period. In terms of relative share in total credit, services and industry maintained dominance with a share of 53.8 per cent and 40.1 per cent, respectively, while the share of agriculture stood at 6.1 per cent.

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

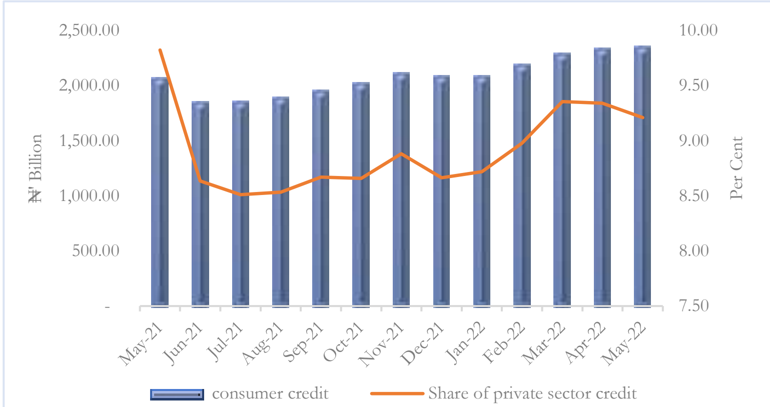
	May-21	Dec-22	Apr-22	May-22
Agriculture	5.1	6.0	6.3	6.1
Industry	42.0	40.7	39.8	40.1
of which Construction	*4.7*	*4.4*	*4.5*	*4.5*
Services	52.8	53.4	53.9	53.8
of which Trade/General Commerce	*6.0*	*7.0*	*7.0*	*7.1*

Source: Central Bank of Nigeria

Consumer Credit

Consumer credit outstanding increased in the review period due to the growth in retail loans. Consumer credit outstanding grew by 0.8 per cent to ₦2,344.10 billion at end-May, from ₦2,325.97 billion in the preceding month. The sustained increase in consumer credit reflected a growth of new financial product offerings and the effectiveness of the bank's various policies to encourage credit expansion. By disaggregation, retail loans recorded a sizable growth of 13.2 per cent, to ₦554.83 billion from ₦489.97 billion at end-April, while personal loans decreased by 2.5 per cent to ₦1,789.26 billion relative to ₦1,835.99 billion in the preceding month.

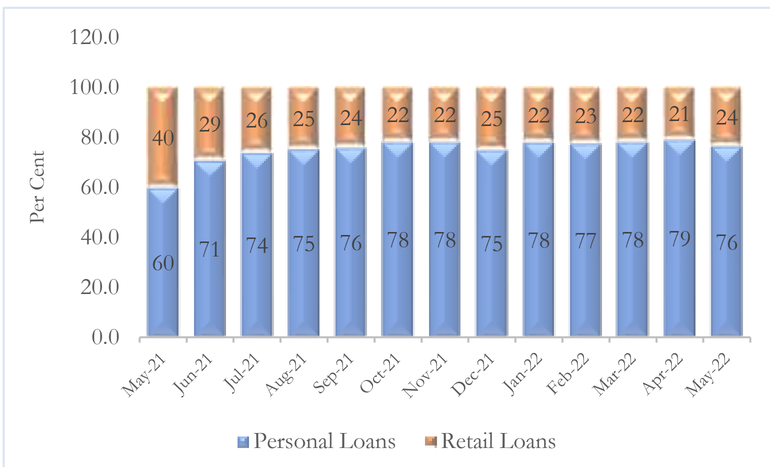
Figure 15: Consumer Credit Outstanding



Source: Central Bank of Nigeria

The composition of consumer credit outstanding shows that personal loans accounted for the largest share of 76.3 per cent during the period, while retail loans accounted for 23.7 per cent.

Figure 16: Composition of Consumer Credit (per cent)



Source: Central Bank of Nigeria

2.3.3 Financial Developments

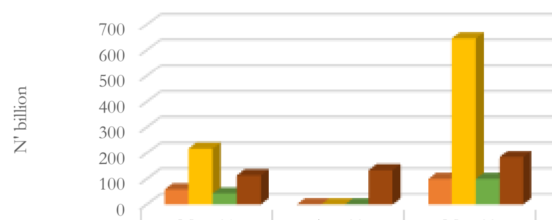
2.3.3.1 Money Market Developments

Industry Liquidity

Developments in the money market indicated improved banking system liquidity, in the review period. Average banking system liquidity increased by 26.6 per cent to ₦197.84 billion relative to ₦156.30 billion in the preceding month. The major drivers of liquidity in the review period were fiscal injections (₦813.86 billion), repos (₦870.32 billion), and OMO bills repayment (₦643.01 billion). The maturities of OMO bills and repos were 238.57 per cent and 83.29 per cent higher than the preceding month's level of ₦189.92 billion and ₦474.83 billion, respectively.

Following the liquidity trend in the period, the Bank conducted three OMO auctions in May. The sums of ₦100.00 billion, ₦645.51 billion and ₦100.00 billion were offered, subscribed, and allotted, respectively. Demand for the instruments remained strong, as reflected in the bid-cover ratio of 6.46. In the period, ₦643.01 billion of OMO bills matured, while ₦100.00 billion were allotted, thus, yielding a net injection of ₦543.01 billion.

Figure 17: Open Market Operations



	May. 21	Apr-22	May-22
Offer	60.00	0.00	100.00
Subsciption	218.61	0.00	645.51
Allotment	43.19	0.00	100.00
Repayment	114	133.39	184.40

Source: Central Bank of Nigeria

Standing Facilities Window Operation

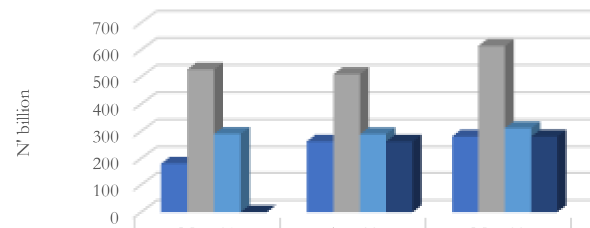
Activities at the standing facility (SF) window increased in the period. Despite the improved liquidity, the total standing lending facility increased considerably by 20.4 per cent to ₦737.05 billion relative to ₦612.43 billion at end-April 2022. Similarly, relative to the preceding month, the total standing deposit facility increased slightly by 0.2 per cent to ₦321.23 billion from ₦320.55 billion. At the open buyback (OBB) segment, as the rate increased by 190 basis points to 9.39 per cent, the value of transactions declined to ₦213.75 billion from ₦228.42 billion in the preceding month. The average daily number of deals in the OBB segment fell to 64 from 75 deals in the preceding period.

Primary Market

Activities in both the NTB and FGN bonds segment increased in May. At the auctions conducted on behalf of the Debt Management Office (DMO), the sums of ₦280.50 billion, ₦614.09 billion, and ₦311.35 billion were offered, subscribed, and allotted, respectively, relative to ₦262.23 billion, ₦509.90 billion and ₦289.09 billion in April. The stop rates across all maturities increased to 4.12±2.38 per cent, compared with 3.27±1.53 per cent in April. The demand for bills at the auction was stronger, as reflected in a higher bid-cover ratio of 1.97, relative to 1.76 in April. With respect to maturities, there was a higher investors' preference for the 364-day paper, as it accounted for 94.21 per cent of total bids and 97.22 per cent of total allotment.

In the FGN bond segment, the sums of ₦225.00 billion, ₦575.63 billion, and ₦345.26 billion were offered, subscribed, and allotted, respectively, compared with ₦225.00.00 billion, ₦409.41 billion, and ₦219.88 billion, respectively, in the preceding month. Like the NTBs segment, demand for FGN bonds at the auction was stronger relative to the preceding month, with a higher marginal rate range of 11.5±1.5 per cent (previously 11.4±1.4 per cent).

Figure 18: Primary Market NTBs



	May. 21	Apr-22	May-22
Offer	180.73	262.23	280.50
Subscription	527.32	509.89	614.09
Allotment	290.11	289.09	311.35
Repayment	0.00	262.23	280.50

Source: Central Bank of Nigeria

Interest Rate Development

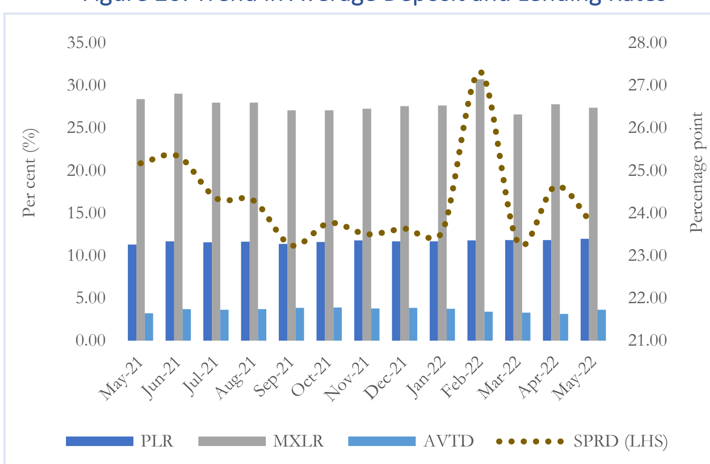
The trend of key short-term interest rates was mixed. The average open buy back (OBB) rate increased by 190 basis points to 9.39 per cent from 7.49 per cent in the preceding period, despite the improved banking system liquidity that characterised the review period. Likewise, the Nigerian Interbank Offered Rate (NIBOR) recorded increases, with the average NIBOR-30 and NIBOR-90 rates rising to 9.51 per cent and 10.29 per cent, respectively, from 8.81 per cent and 8.69 per cent in the preceding month. Nonetheless, the interbank rate recorded 29-basis points moderation to 8.38 per cent from 8.67 per cent in April.

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

Source: Central Bank of Nigeria

Banks' lending rates exhibited mixed trends, as the maximum lending rate declined by 42 basis points to 27.37 per cent, from 27.79 per cent in April, while the prime lending rate, on the other hand, recorded 13 basis points increase to 11.96 per cent relative to the 11.83 per cent 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 term deposit rate; SPRD= Spread

Notwithstanding the improved banking system liquidity, the average term deposit rate increased by 0.49 percentage points to 3.65 per cent. The decline in the maximum lending rate and increase in average term deposit rate resulted in the moderation of the spread between both rates.

2.3.3.2 Capital Market Developments

Market Capitalisation

Activities on the Nigerian Exchange (NGX) Limited were bullish in May, occasioned by investors' positive sentiments, driven by* the *interim declaration of dividends and the favourable first-quarter corporate results. The aggregate market capitalisation appreciated by 5.1 per cent to ₦51,018.37 billion, from ₦48,523.47 billion at end-April. The equities, bonds, and Exchange Traded Fund (ETF) appreciated by 6.7 per cent, 3.2 per cent and 4.4 per cent, to ₦28,564.52 billion, ₦22,446.39 billion, and ₦7.50 billion, respectively, relative to ₦26,760.86 billion, ₦21.755.47 billion and ₦7.14 billion at end-April.

NGX All Share Index

The NGX All-Share Index (ASI) opened at 50,126.41 index points at the beginning of May and closed at 52,990.28 index points at end-May, showing an appreciation of 5.1 per cent. This was occasioned by an improved growth outlook, interim declaration of dividend, and favourable first quarter 2022 corporate results that buoyed investor confidence.

Figure 21: Market Capitalisation and All-Share Index

Source: Nigeria Exchange (NGX) Limited

Developments in the various sectoral indices were mixed. For example, the NGX-AseM remained unchanged relative to the levels in the preceding month. At the same time, all other indices trended upward, except the NGX-Sovereign Bond, NGX-CG, NGX-Growth, NGX-Banking, NGX-AFR Div Yield, NGX-MERI Value, NGX-AFR Bank Value and NGX-Insurance.

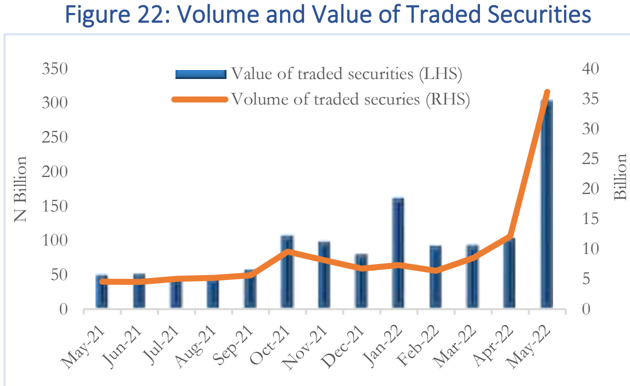
Table 13: Nigeria Exchange (NGX) Limited Indices

NGX Indices	End-April 2022	End-May 2022	Changes (%)
NGX-Main Board	2093.2	2346.1	12.1
NGX-Consumer Goods	618.1	651.7	5.4
NGX-MERI Growth	2289.2	2409.3	5.2
NGX-Oil & Gas	524.4	547.6	4.4
NGX- Premium	4818.1	4980.9	3.4
NGX-Lotus II	3170.2	3273.0	3.2
NGX-30	1886.3	1930.7	2.4
NGX-Pension	1858.4	1877.7	1.0
NGX-Industrial Goods	2185.3	2194.2	0.4
NGX-ASeM	659.0	659.0	0.0
NGX-Sovereign Bond	861.0	860.0	-0.1
NGX-CG	1367.9	1360.3	-0.6
NGX-Growth	1446.5	1432.6	-1.0
NGX-Banking	434.8	425.7	-2.1
NGX-AFR Div Yield	3390.5	3305.9	-2.5
NGX-MERI Value	2333.8	2256.7	-3.3
NGX-AFR Bank Value	1033.2	989.2	-4.3
NGX-Insurance	193.1	181.2	-6.1

Source: Nigeria Exchange (NGX) Limited

The total volume and value of traded shares grew by 197.6 per cent and 195.1 per cent to 36.16 billion shares and ₦303.94 billion, respectively, in 123,980 deals, compared with the 12.15 billion shares and ₦103.01 billion, in 100,300 deals, at the end-April 2022. There were three (3) new and three (3) supplementary listings during the review period (Table 14).

Figure 22: Volume and Value of Traded Securities



Source: Nigeria Exchange (NGX) Limited

Table 144: Listings on the Nigerian Stock Exchange as at end-May 2022

Company/Securities	Units	Remarks	Listing
12.50% FGN APR 2032	155,917,447	Savings Bond	New
7.338% FGS APR 2024	503,477	Savings Bond	New
8.338% FGS APR 2025	634,931	Savings Bond	New
ABC Transport	1,127,236,000 Ordinary Shares of 50 kobo each at ₦0.35	Right Issue	Supplementary
13.53% FGN MAR 2025	74,277,715	Savings Bond	Supplementary
13.00% FGN JAN 2042	118,381,720	Savings Bond	Supplementary

Source: Nigeria Exchange (NGX) Limited

2.3.3.3 Financial Soundness Indicators

The financial system was stable in May, as key financial soundness indicators remained within the regulatory thresholds. The industry Capital Adequacy Ratio (CAR) stood at 14.4 per cent and was above the statutory minimum threshold of 10.0 per cent. However, compared to the level in April, it fell marginally by 0.22 percentage point. The marginal decline in CAR was driven by a slight drop in total qualifying capital relative to the marginal increase in the total risk-weighted asset.

Similarly, the banks' loan quality indicator[4] improved by 0.1 percentage point relative to the preceding month. The non-performing loan (NPL) ratio stood at 5.2 per cent at end-May, compared with the threshold of 5.0 per cent. The industry Liquidity Ratio (LR) was above the regulatory benchmark of 30.0 per cent. At end-May, the LR rose by 0.8 percentage points to 55.3 per cent, from 54.5 per cent in the preceding month, reflecting an increase in the stock of liquid assets.

[4] Measured by the ratio of Non-Performing Loans to industry total outstanding loans

2.4 EXTERNAL SECTOR DEVELOPMENTS

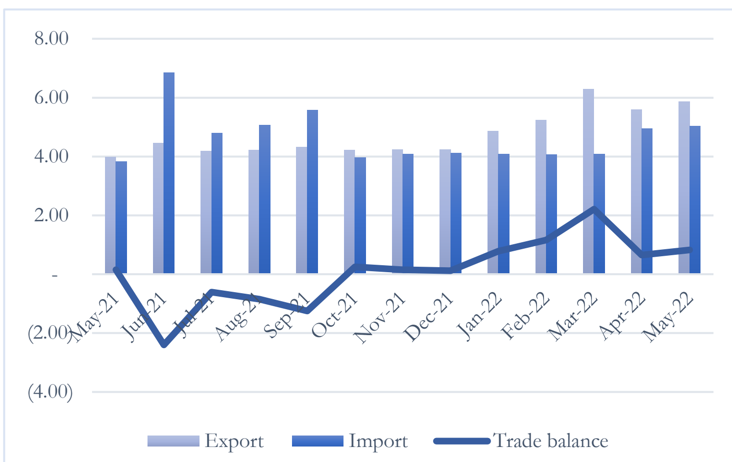
Summary

The performance of the external sector was mixed in May 2022. On the positive side, total trade increased by 3.6 per cent, with improved export earnings attributed to the higher crude oil prices. On the contrary, foreign capital inflow decreased due to tight global financial conditions, following the Russia-Ukraine conflict and the effect of the policy rate hike in major advanced economies. The average exchange rate of the naira per US dollar at the I&E window was relatively stable at ₦415.95/US$, relative to ₦415.53/US$ in April. The available stock of external reserves was adequate, as it could finance 6.6 months of import, higher than the international benchmark of three months import cover

2.4.1 Trade Performance

The Russia-Ukraine conflict continued to push up crude oil and gas prices, thereby improving the trade balance. Provisional data showed that Nigeria's total trade increased by 3.6 per cent to US$10.92 billion from US$10.53 billion in April. This development resulted in a 26.0 per cent increase in trade surplus to US$0.83 billion, from US$0.66 billion in the preceding period. A disaggregation shows that aggregate export receipts rose by 5.0 per cent to US$5.87 billion, compared with US$5.59 billion in April. Similarly, merchandise import rose by 2.2 per cent to US$5.04 billion, relative to US$4.94 billion in April.

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



Source: Central Bank of Nigeria

Crude Oil and Gas Export

Higher crude oil and gas export receipts of US$5.13 billion were recorded in May, compared with US$4.88 billion in April. Further analysis indicates that crude oil export rose by 5.0 per cent to US$4.53 billion, relative to USS$4.31 billion in April. The increase was primarily driven by a 9.6 per cent rise in price to an average of US$116.72 pb, compared to US$106.51 pb in the preceding period. Similarly, gas export receipts grew by 5.0 per cent to US$0.60 billion, compared with US$0.57 billion in April. Analysis by composition reveals that crude oil and gas exports, maintained dominance in total export, accounting for 88.5 per cent (oil, 78.1 per cent and gas, 10.4 per cent).

Non-Oil Export

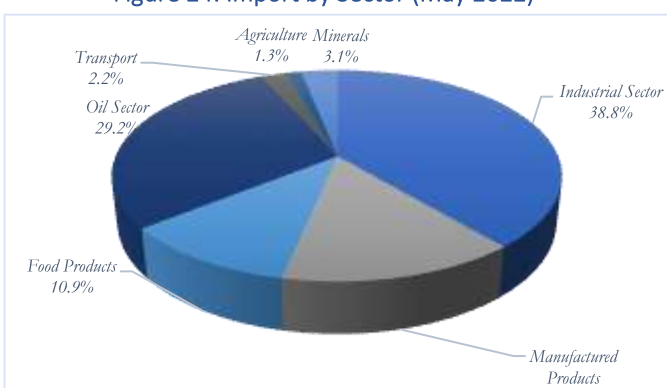
Similarly, non-oil export earnings rose by 4.8 per cent to US$0.75 billion, relative to US$0.71 billion in April. This was due to the 5.0 per cent increase in "Other non-oil Exports" and re-exports to US$0.55 billion and US$0.17 billion, respectively.

Import

Estimated aggregate imports increased by 2.2 per cent to US$5.04 billion, compared with US$4.94 billion in the preceding month, driven largely, by an increase in oil imports by 52.0 per cent to US$1.47 billion, compared with US$0.97 billion in April. However, imports of non-oil products declined by 1.2 per cent to US$3.57 billion, relative to US$3.61 billion in the preceding month. With respect to share in total, non-oil import remained dominant as they accounted for 70.8 per cent, while oil constituted the balance of 29.2 per cent.

Estimated data on sectoral utilisation of foreign exchange for visible imports shows that industry recorded the largest share of 38.8 per cent, followed by oil with 29.2 per cent; while manufacturing (14.5 per cent), food (10.9 per cent), minerals (3.1 per cent), transport (2.2 per cent) and agriculture (1.3 per cent), accounted for the balance.

Figure 24: Import by Sector (May 2022)



Source: Central Bank of Nigeria

Capital Importation

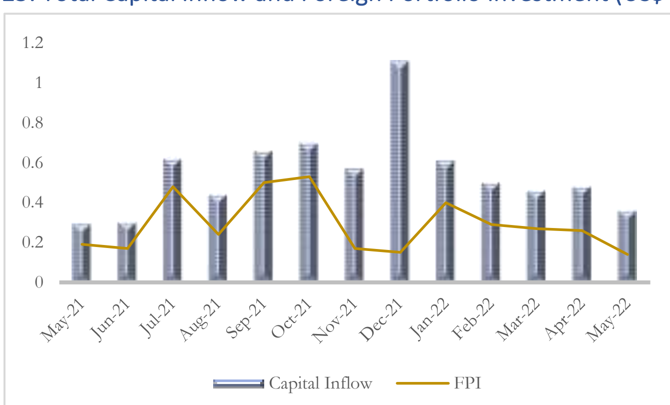
Tight global financial conditions and the hikes in policy rates in the US, and other advanced economies slowed foreign capital inflow in May. At US$0.36 billion, capital importation declined by 26.7 per cent from US$0.48 billion in April. A breakdown of capital imported by type indicates that portfolio investment, at US$0.14 billion, accounted for 38.2 per cent. This comprised bonds, US$0.09 billion (25.4 per cent); money market instruments, US$0.04

billion (12.5 per cent); and equity, US$0.01 billion (0.2 per cent). The inflow of other investment capital, at US$0.17 billion, constituted 49.3 per cent, of which loans were US$0.15 billion or 43.6 per cent of the total. The Foreign direct investment inflow in the form of equity, at US$0.04 billion, accounted for 12.6 per cent.

By nature of business, the bulk of the capital imported was in the banking sector (32.8 per cent), followed by financing (20.0 per cent), production/ manufacturing (14.9 per cent), telecommunication (10.3 per cent), trading (7.3 per cent), shares (6.5 per cent), and agriculture (3.7 per cent). Other sectors accounted for the balance.

Further analysis of capital importation, by origin, showed that the United Kingdom remained dominant, accounting for 48.2 per cent of the total. United Arab Emirates, United States, Republic of South Africa, Singapore, Luxembourg, and Mauritius followed with shares of 12.7 per cent, 10.3 per cent, 7.7 per cent, 4.8 per cent, 3.9 per cent, and 3.0 per cent, respectively. The major destinations of capital in the domestic economy were Lagos, Abuja (FCT), Anambra and Ekiti, with US$0.20 billion (55.8 per cent), US$0.15 (42.1 per cent), US$0.01 billion (2.0 per cent), and US$0.005 billion (0.1 per cent), respectively.

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

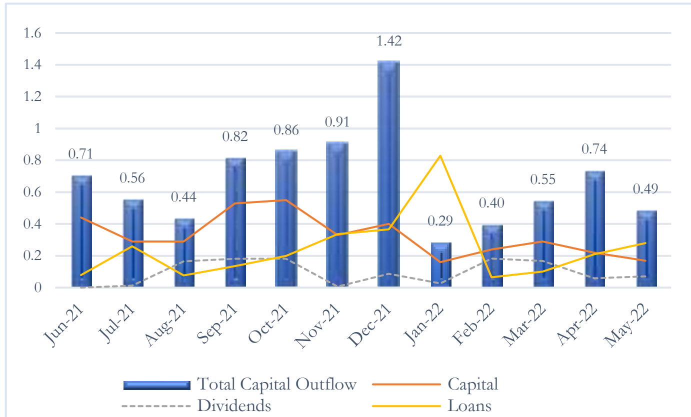


Source: Central Bank of Nigeria

Capital Outflow

Capital outflow decreased, particularly, capital and loans, in the banking and financing sectors. Capital outflow decreased by 33.7 per cent to US$0.49 billion, compared with US$0.74 billion in April. A disaggregation reveals that outflow in the form of loans was US$0.25 billion relative to US$0.28 billion in April 2022, while outflow in the form of capital reversal (mainly from financing and product and manufacturing sectors) stood at US$0.17 billion, compared with US$0.22 billion in April 2022. Repatriation of dividends also stood at US$0.07 billion, relative to US$0.24 billion in April 2022.

Figure 26: Capital Outflow (US$ Billion)



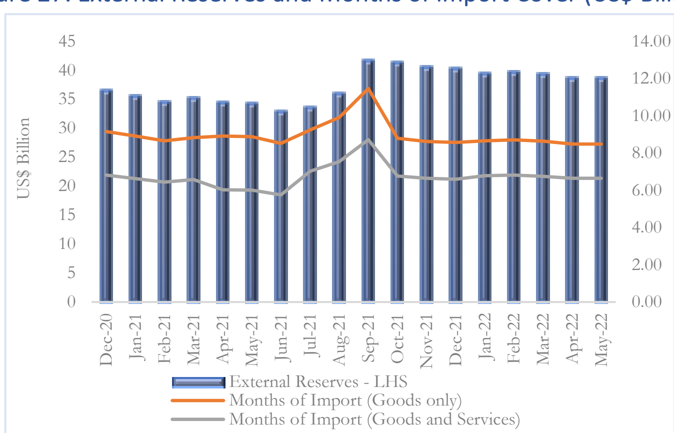
Source: Central Bank of Nigeria

2.4.2 International Reserves

International Reserves

The available stock of external reserves was adequate, as it could finance up to 6.6 months of imports, more than the international benchmark of three months import cover. The external reserves stood at US$38.60 billion at end-May 2022, from US$38.61 billion at end-April 2022. The external reserves could cover 6.6 months of import for goods and services or 8.5 months of import for goods only.

Figure 27: External Reserves and Months of Import Cover (US$ Billion)



Source: Central Bank of Nigeria

2.4.3 Foreign Exchange Flows through the Economy

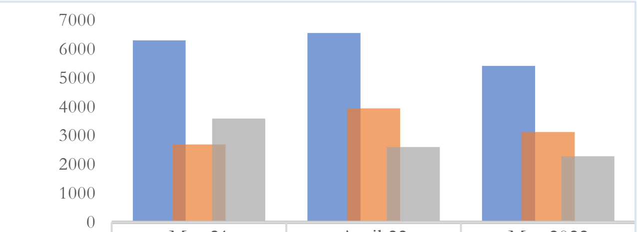
Foreign Exchange Flows through the Economy

The economy recorded a net foreign exchange inflow of US$2.29 billion, relative to US$2.61 billion in the previous month. Aggregate foreign exchange inflow into the economy fell by 17.3 per cent to US$5.42 billion from US$6.56 billion in April. Similarly, total foreign exchange outflow declined by 20.7 per cent to US$3.13 billion from US$3.95 billion in April.

Further analysis shows that foreign exchange inflow through the Bank decreased by 14.2 per cent to US$2.12 billion from US$2.47 billion in the preceding month, largely attributed to a 47.2 per cent decline in crude oil export receipts. Autonomous inflow also fell by 19.2 per cent to US$3.31 billion from US$4.09 billion, due to decreases in total over-the-counter (OTC) purchases.

Foreign exchange outflow through the Bank declined by 25.8 per cent to U$2.12 billion from US$2.86 billion in April, attributed, largely, to decreases in matured swap transactions, drawings on letters of credits (LCs), third-party MDAs transfers, and foreign exchange sales at the Investors and Exporters (I&E) and the Secondary Market Intervention Sales (SMIS) windows. Autonomous outflow, declined by 7.5 per cent to US$1.01 billion from US$1.09 billion in April, on account of lower invisible imports. Consequently, a net outflow of US$0.005 billion was recorded through the Bank, compared with US$0.39 billion in April.

Figure 28: Foreign Exchange Transactions through the Economy (US$ Million)

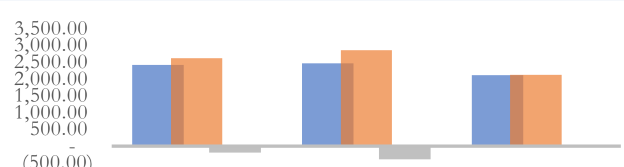


	May 21	April 22	May 2022
Inflow	6302.63	6557.95	5423.70
Outflow	2701.34	3948.07	3129.19
Netflow	3601.30	2609.87	2294.514

Inflow Outflow Netflow

Source: Central Bank of Nigeria

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



	May 21	April 22	May 2022
Inflow	2,418.38	2,468.19	2,118.05
Outflow	2,614.57	2,860.25	2,123.01
Netflow	(196.19)	(392.06)	(4.96)

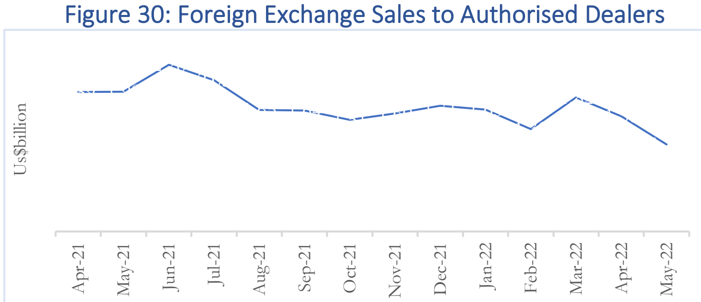
Inflow Outflow Netflow

Source: Central Bank of Nigeria

2.4.4 Foreign Exchange Market Developments

Total foreign exchange sales to authorised dealers by the Bank were US$1.18 billion, a decrease of 24.4 per cent, below US$1.56 billion in April. A breakdown shows that foreign exchange sales at the Investors and Exporters (I&E) and interbank/invisible windows decreased by 37.9 per cent and 0.7 per cent to US$0.16 billion apiece, below their respective levels in the preceding month. Similarly, SMIS and matured swap contracts fell by 7.0 per cent and 71.4 per cent to US$0.64 billion and US$0.10 billion, respectively, compared to the amounts in April. However, foreign exchange sales at the Small and Medium Enterprises (SMEs) window rose by 8.4 per cent to US$0.12 billion in the review period.

Figure 30: Foreign Exchange Sales to Authorised Dealers



Source: Central Bank of Nigeria

2.4.5 Exchange Rate Movement

Average Exchange Rate

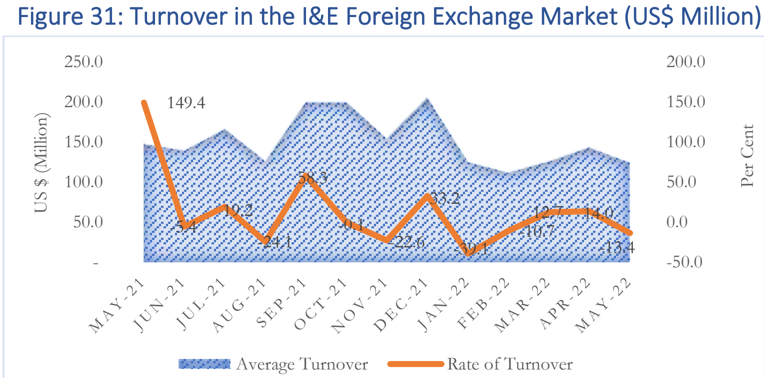
The average exchange rate of the naira was relatively stable at the I&E window relative to the preceding month. The average exchange rate of the naira per US dollar at the I&E window was relatively stable at ₦415.95/US$, compared with ₦415.53/US$ in April.

2.4.6 Foreign Exchange Turnover at the I&E Window

Foreign Exchange Turnover

The average foreign exchange turnover at the I&E window was US$124.32 million in May, a decrease of 13.4 per cent, below US$143.55 million in April 2022.

Figure 31: Turnover in the I&E Foreign Exchange Market (US$ Million)



Source: Financial Markets Derivatives Quotations (FMDQ)

3.0 ECONOMIC OUTLOOK

3.1 Global Outlook

Global Growth

The prospect for increased global growth has been weakened by the lingering pandemic-induced supply disruptions, the continued Russia-Ukraine war, which triggered rising energy, food and commodity prices, and tight global financial conditions. According to the IMF's World Economic Outlook in April, the growth rate of the global economy is expected to fall to 3.6 per cent in 2022, a 0.8 percentage point below the forecast in January. In Advanced Economies (AEs) and Emerging Market and Developing Economies (EMDEs), growth is predicted to slow to 3.3 per cent and 3.8 per cent in 2022, from the initial forecasts of 3.9 per cent and 4.8 per cent, respectively.

Global Inflation

Global inflation is expected to remain elevated for the rest of 2022, driven, mainly, by increased commodity and energy prices, imbalances between supply and demand stemming from the Russia-Ukraine war and the lingering effect of COVID-19 in some regions. Consequently, global consumer prices are expected to rise to 5.7 per cent in AEs and 8.7 per cent in EMDEs, representing 1.8 and 2.8 percentage points above the projections in January. In AEs, price pressures are likely to be driven by labour shortages, while in EMDEs, the pressure would largely be driven by rising food prices.

3.2 Domestic Outlook

Domestic Growth

The prospects for growth of the Nigerian economy remain positive, driven by the expectation of higher crude prices, effective implementation of the Medium-Term National Development Plan (MTNDP), and the effect of CBN interventions in the real sector, among others. However, security challenges and infrastructure deficits could dampen the growth momentum if not addressed.

Consumer Prices

Inflationary pressure is expected to remain elevated in the near term, stemming from seasonal effects, security challenges, rising energy cost, and the spill-over effect of the Russia-Ukraine war. Rising global inflation could be imported, especially from Nigeria's major trading partners. However, sustained interventions of the CBN and FGN in growth-enhancing sectors are expected to ease supply chain bottlenecks and moderate inflationary pressure.

Fiscal Outlook

Fiscal outlook in the near term is modestly optimistic as prevailing global economic conditions continue to favour crude oil prices, thereby, boosting government revenue. However, the various constraints to crude oil production could significantly narrow the fiscal space, if not resolved.

External Reserves

Accretion to external reserves is expected to continue, with rising crude oil prices and an improving economic environment. However, rising import bills, particularly, petroleum products, constitute a major headwind to reserves accretion.