CENTRAL BANK OF NIGERIA ECONOMIC REPORT

October
2021

ABOUT THE REPORT

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

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

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EXECUTIVE SUMMARY

The global economy continued its recovery in October 2021, despite the threat of the Delta variant of COVID-19, as indicated by the average J.P. Morgan Global Composite Purchasing Managers' Index (PMI), which rose to 54.5 index points in October 2021, from 53.3 index points in September 2021. The growth was reinforced by sustained fiscal and monetary policy support and broader vaccine coverage. Growth in both Advanced Economies (AEs) and Emerging Markets and Developing Economies (EMDEs) improved, as PMIs in major economies within the regions expanded. The inflation rate in most economies increased because of supply chain constraints in the face of rising demand and input cost.

Positive sentiments buoyed activities in the global financial market, being the anticipated effects of the recently announced policy support in the US. Regarding the international oil market, crude prices rose to a seven-year high, on the back of supply constraints and drawdown of oil reserves in major economies. Consequently, the average price of the OPEC crude basket stood at US$82.11 barrels per day (bpd), relative to US$73.89 bpd in September.

As indicated by the PMI, domestic economic conditions improved in October 2021. The manufacturing sector led the economic growth, as the non-manufacturing sector's performance waned slightly. Four out of five subsectors under manufacturing recorded positive growth, while the raw material inventory subsector declined. In the non-manufacturing sector, growth was recorded in business activity and inventory subsectors, while new orders and employment declined. The headline inflation moderated to 15.99 percent, attributed to input cost and improved harvest. The food and core components followed the same trend.

The fiscal operations of the Federal government resulted in a narrower deficit, compared to September, as fiscal conditions improved with the increase in crude receipts. However, total expenditure and retained revenue were below their respective benchmarks in the month.

Developments in the monetary sector showed sustained growth in broad money supply (M3), driven largely by the increase in domestic claims, particularly credit to the private sector. There was a net withdrawal of liquidity from the banking system; hence the indicative money market rates rose relative to their levels in September 2021. Notwithstanding, the various indicators showed that the financial system was sound and stable.

Following the surge in crude prices in the external sector, the trade deficits narrowed. The naira exchange rate at the I&E window appreciated by 0.4 per cent, due to increased liquidity in the segment. There was a higher outflow of capital in October 2021, compared to September 2021. Despite the outflow, the level of reserves stood at US$41.30 billion and could cover 8.7 months of import (goods and services).

The prospects of output growth and price and financial stability in the near term are most positive. The expectations are anchored on the sustained rebound in crude prices, greater vaccination reach, softening supply bottlenecks, and continued policy support.

1.0. GLOBAL ECONOMIC DEVELOPMENTS

Global Economic Conditions

The global economy continued its recovery in October 2021, despite the threat of the Delta variant of COVID-19. The growth was reinforced by sustained fiscal and monetary policy support that improved financial conditions, manufactures and services, global trade, and enhanced capital flows. Broader vaccine coverage also boosted business optimism. Consequently, the average J.P. Morgan Global Composite Purchasing Managers' Index (PMI) rose to 54.5 index points in October 2021, from 53.3 index points in September 2021 (Table 1). The increase in the PMI was driven, mainly, by the services sector, which rose consistently in the last three months. Nonetheless, supply-chain constraints remained a major headwind to growth during the period, weighing negatively on delivery time and input cost.

Table 1: Global Purchasing Managers' Index (PMI)

	Aug-21	Sep-21	Oct-21
Composite	52.6	53.3	54.5
Manufacturing	54.1	54.1	54.3
Services (Business Activity)	52.9	53.8	55.6
Employment Level	51.6	51.6	52.7

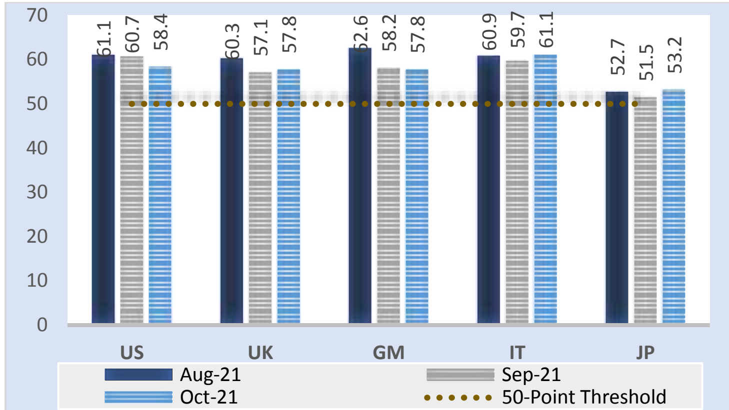
Source: JP Morgan

1.1 Global Output Growth

Advanced Economies

Economic activity in Advanced Economies (AEs) continued to rebound, due to increased vaccine uptake and sustained fiscal and monetary support. The recovery was propelled by increased economic activity following higher vaccine uptake. In addition, policy support from the fiscal and monetary authorities continued to improve the business environment, culminating in increased aggregate demand. In the UK and Japan, output growth was buoyed by better services sector performance. Thus, the PMI in the UK rose to 57.8 index points, above the 57.1 index points in the preceding month. Similarly, the PMI in Japan rose to 53.2 index points in October 2021, from 51.5 index points in September 2021. In the US, economic activities slowed, as PMI fell to 58.4 index points, from 60.7 index points, owing to delays and shortages that increased firms' input costs.

Figure 1: PMIs of Selected Advanced Economies

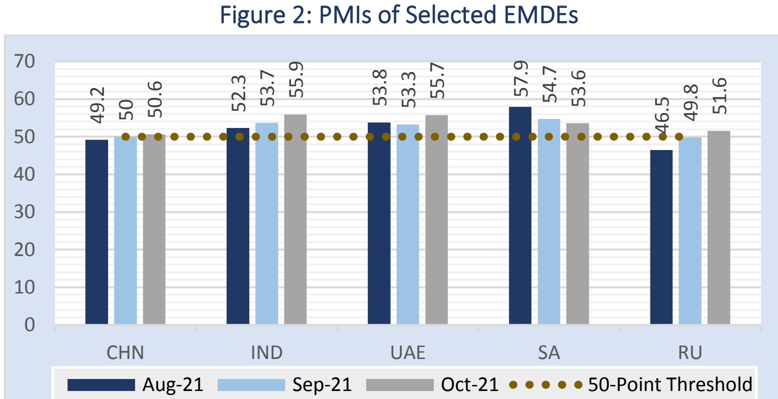


Source: Trading Economics/Various Country Websites
Note: US, UK, GM, IT and JP represent United States, United Kingdom, Germany, Italy and Japan, respectively.

Emerging and Developing Economies

Growth in Emerging Markets and Developing Economies (EMDEs) also improved as the PMI of major economies within the region expanded. Despite supply-chain disruptions, manufacturing activities in China, India, and Russia remained resilient, as new orders and exports expanded moderately. Specifically, PMI in India rose to 55.9 index points from 53.7 index points in September 2021, as rising demand for scarce products, such as fuel, increased input costs. Similarly, in Russia, PMI increased to 51.6 index points, from 49.8 index points in the preceding period. Developments in China followed a similar trend, as PMI rose to 50.6 index points, from 50.0 index points in September 2021. However, PMI in South Africa slowed to 53.6 index points from 54.7 index points in September 2021, due to the industrial action that disrupted economic activities in October.

Figure 2: PMIs of Selected EMDEs



Source: Trading Economics/Various Country Websites
Note: CHN, IND, UEA, SA, and RU represent China, India, United Arab Emirates, South Africa, and Russia, respectively.

1.2. Global Inflation

Global Inflation

Inflation in most economies inched up further, as supply chain constraints in the face of rising demand and rebound in commodity prices intensified inflationary pressures. Headline inflation in most AEs rose above their levels in the previous month, due to an increase in business costs, higher demand relative to supply, and a surge in commodity prices. Specifically, in the US, headline inflation accelerated to 6.20 per cent from 5.39 per cent in September 2021, attributed to supply-side constraints. Similarly, in Germany, following delivery bottlenecks and increased cost of production, inflation rose to 4.53 per cent from 4.06 per cent in September 2021. In the UK, the inflation rate rose sharply to 4.10 per cent from 2.90 per cent in September 2021. The surge in inflation was due to rising bills, especially energy, restaurant, and hotels bills, and the costs of raw materials and goods in factories.

In the EMDEs, developments in inflation were mixed. In China, inflation doubled to 1.50 per cent, from 0.70 per cent in September, due to a faster rise in the cost of non-food and a softer drop in food prices. In India, the downward trend in consumer prices reversed, as inflation rose marginally to 4.48 per cent in October 2021, from 4.40 per cent in September 2021, due mainly to the rise in prices of fuel, edible oil prices, and non-alcoholic beverages. Despite the increase in the policy rate in Mexico, the inflation rate increased to 6.24 per cent in October 2021, compared with 6.00 per cent in September 2021, attributed to the effect of increasing "heating up" in the U.S. economy. However, in South Africa, inflation moderated by 0.02 percentage points to 5.05 per cent.

Table 2: Summary of Global Inflation Rates

Country	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
United States	5.0	5.4	5.4	5.3	5.4	6.2
United Kingdom	2.1	2.4	2.1	3.0	2.9	4.1
Japan	-0.8	-0.5	-0.3	-0.4	0.2	0.1
Canada	3.6	3.1	3.7	4.1	4.4	4.7
France	1.4	1.5	1.2	1.9	2.2	2.6
Germany	2.6	2.4	3.8	3.9	4.1	4.5
Italy	1.3	1.3	2.0	2.0	2.5	3.0
China	1.3	1.1	1.0	0.8	0.7	1.5
India	5.3	5.6	5.3	4.8	4.4	4.5
Indonesia	1.7	1.3	1.5	1.6	1.6	1.7
Mexico	5.9	5.9	5.8	5.6	6.0	6.2
Turkey	16.6	17.5	19.0	19.3	19.6	19.9
South Africa	5.2	5.1	4.7	5.1	5.1	5.1
Nigeria	17.9	17.8	17.4	17.0	16.6	16.0

Source: OECD, NBS and Staff Compilation.

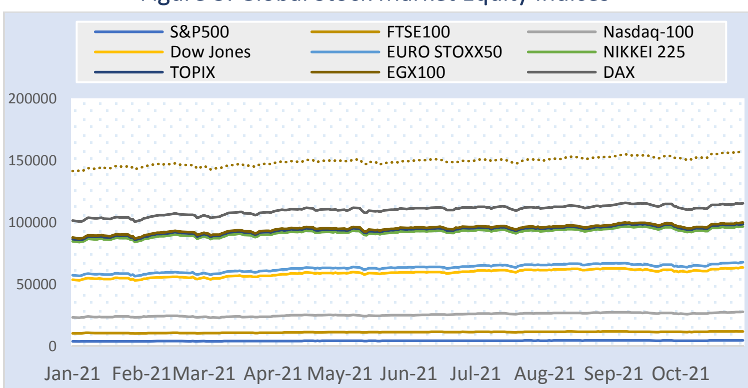
1.3. Global Financial Markets

Global Financial Market

The tempo of activity in global financial markets increased, following the anticipated effects of the US announcement of policy support. In the AEs, the equity market segment performed strongly, on the back of the US Congress increasing the debt ceiling and progress on the proposed infrastructure spending Bill. In the US the NASDAQ and S&P 500 stocks recorded gains of 5.8 per cent and 6.1 per cent, respectively, compared to the preceding month. This was the largest gain since November 2020. In the Eurozone, the market was also bullish, attributed mainly to increased output (gleaned from their PMIs) and monetary policy support that engendered positive sentiment. Particularly, the EURO STOXX closed 5.00 per cent higher in October than the previous month.

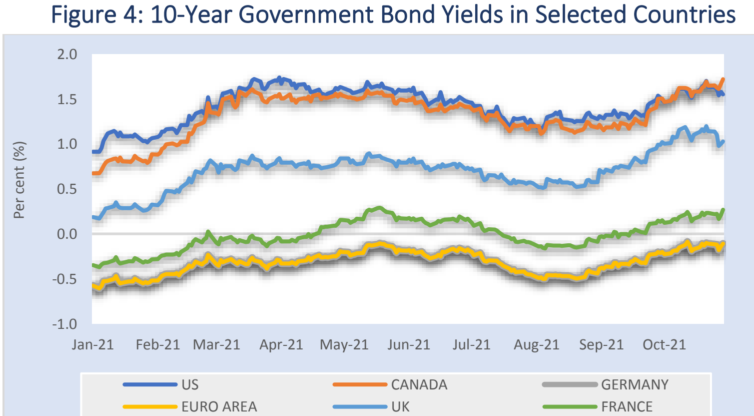
However, the performance of EMEs was less impressive, due to the weaker US dollar and lower Evergrande contagion risk.

Figure 3: Global Stock Market Equity Indices



Source: Bloomberg

Figure 4: 10-Year Government Bond Yields in Selected Countries



Source: Bloomberg data, CBN Staff compilation.

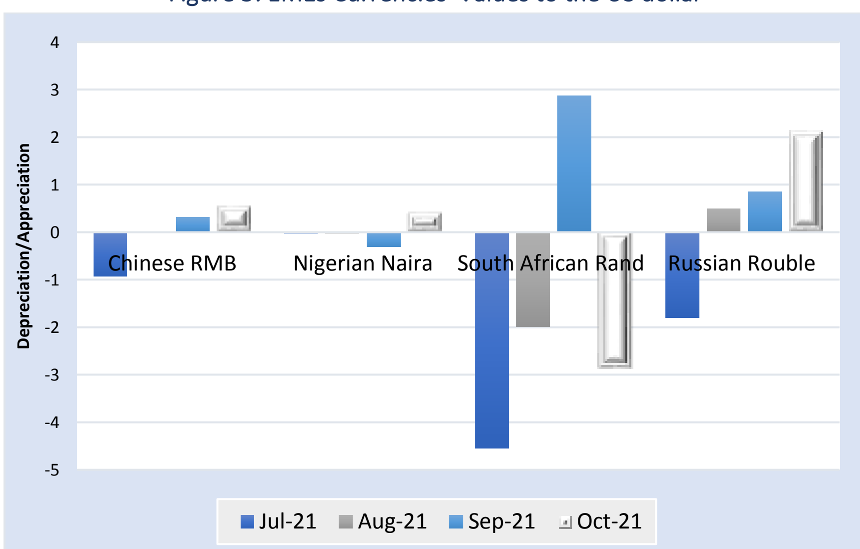
Note: US, UK represent United States, United Kingdom.

In the US and Europe, government yield rose in October 2021, due to central banks' anticipated monetary policy tightening amid continued inflationary pressures. The US 10-year Treasury yield stood at 1.55 per cent in October 2021, as there were further signs of waning economic momentum and the expected commencement of policy tapering by the US Fed. Also, in the UK, 10-year government bond yields increased to 1.03 per cent in October 2021, from 1.02 per cent in September 2021, due to the proposed shift in policy stance of the BoE to reign in inflationary pressures. However, EMDEs government bond yield remained largely flat, as emerging market currencies performance against the US dollar was mixed.

Emerging markets currencies

The estimated average exchange rate of the Chinese RMB, the Russian rouble and Nigerian naira to the US dollar appreciated by 0.5 per cent, 2.1 per cent, and 0.4 per cent, respectively in October 2021, while the South African Rand depreciated by 2.9 per cent against the rate in September 2021.

Figure 5: EMEs Currencies' Values to the US dollar



Source: CBN & Exchange Rates UK.

Table 3: EMEs Currencies' Rates to the US dollar

Period	Chinese RMB	Nigerian Naira	South African Rand	Russian Rouble
Oct-20	6.72	381	16.44	77.57
Sep-21	6.46	412.78	14.39	72.94
Oct-21	6.43	411.15	14.82	71.42

Source: CBN & Exchange Rates UK.

1.4. Global Commodity Market

Global Oil Market

Aggregate crude oil production, including Natural Gas Liquids (NGLs) and condensates by OPEC, increased with the relaxation of production cuts by OPEC+. Production rose by 0.8 per cent to 32.72 mbpd in October 2021, compared with 32.45 mbpd in the preceding month. OPEC's crude and non-crude portions increased by 1.0 per cent and 0.2 per cent to 27.38 mbpd and 5.35 mbpd, respectively.

Similarly, the total world crude oil supply increased by 1.4 per cent to 97.85 mbpd in October 2021, from 96.52 mbpd in September 2021. The increase was driven by supply from non-OECD producing countries, especially the OPEC+. Further analysis shows that non-OECD supply rose by 0.1 per cent to 65.89 mbpd, while OECD supply increased by 4.1 per cent to 31.96 mbpd from 30.71 mbpd in the preceding period.

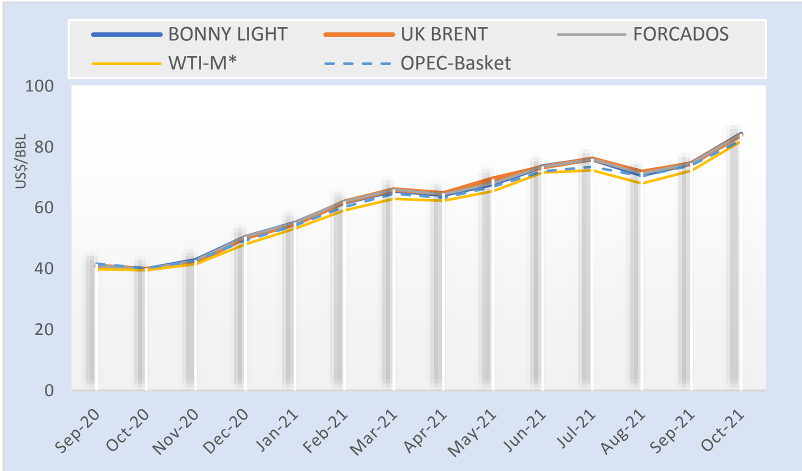
On the demand side, total world demand increased by 0.1 per cent to 98.54 mbpd in October 2021, from 98.43 mbpd in September 2021. The increase was due to the sustained global economic recovery. Regional analysis indicates that demand from OECD countries increased by 0.30 mbpd to 45.74 mbpd, while non-OECD demand declined by 0.19 mbpd to 52.80 mbpd.

Crude Oil Prices

Crude oil spot prices rose owing to the shortage in energy supply across Europe and China amid rising demand. Oil prices rose with the rebound in global demand, following a gradual recovery in the global economy. Furthermore, the increase in crude prices aided the energy supply constraint, particularly in Europe, which necessitated a switch from gas to crude oil by manufacturers and power plants. Also, in China, the need for winter heating further drove expectations about higher prices.

The average spot price of Nigeria's reference crude, the Bonny Light (34.9° API), rose by 12.8 per cent to US$84.11 per barrel (pb) in October 2021, from an average of US$74.55 pb in September 2021. The prices of Brent (US$83.85 pb), Forcados (US$84.01 pb), WTI (US$81.78 pb), and OPEC Reference Basket (ORB) (US$82.11 pb) also exhibited similar trend (Figure 7).

Figure 6: Trends in Crude Oil Prices

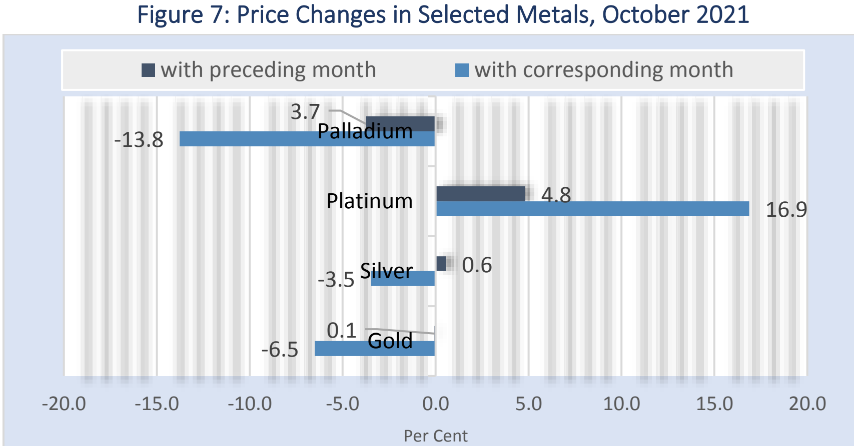


Source: Refinitiv Eikon (Reuters)

Other Mineral Commodities

Movements in the average spot prices of selected metals were mixed, as gold and palladium decreased, while the price of silver and platinum increased in October. The average spot price of gold and palladium fell by 0.1 per cent and 3.7 per cent, to US$1,776.30 and US$2,017.61, respectively. Conversely, the average spot price of silver and platinum rose by 0.55 per cent and 4.8 per cent, to US$23.37 and US$1,018.27, compared to US$23.24 and US$971.45, respectively, in the preceding month (Figure 8).

Figure 7: Price Changes in Selected Metals, October 2021



Source: Refinitiv Eikon (Reuters)

The decline in the price of gold and palladium was driven by divestment into dollar-denominated US treasury bills, following the increase in yields. Furthermore, the gradual recovery in global equity markets helped reduce the appeal for gold as a safe-haven asset. For silver and platinum, prices rose due to increased demand from the automotive sector, due to the new auto emission rules.

Agricultural commodity market

The average price indices of major agricultural export commodities rose, fuelled by relatively higher demand, and supply chain disruptions. Provisional data showed that the prices of cotton, soybeans, palm oil, rubber, and wheat increased by 2.49 per cent, 2.30 per cent, 1.70 per cent, 1.04 per cent, and 0.99 per cent, respectively (Table 4).

Specifically, the price of cotton increased due to lower production and distribution constraints. In the US (a top exporter), heatwaves affected output, while in India (a major producer), attacks of the pink bollworm pest and heavy rains lowered production.

The price of soybeans increased on the back of strong demand for edible oil and the expected increase in soya oil use, due to the renewable fuel policy under the US climate agenda. The price of palm increased due to lower output, supply chain challenges, and higher demand from the biofuel industries. The increase in the price of rubber was due to strong demand from China, as its economy continued to reopen.

However, the prices of coffee, groundnut, and cocoa decreased by 4.54 per cent, 2.94 per cent, and 2.14 per cent, respectively, compared to the previous month. The decrease was attributed, largely, to lower demand and improved supply from top producers such as Brazil (coffee), India (groundnut), and the West African countries (cocoa).

Table 4: Agricultural Export Commodities for October 2021

Indices of Average World Prices of Nigeria's Major Agricultural Export Commodities for October 2021 (Dollar Based) (Jan. 2010=100)

Commodity	Oct-20	Sep-21	Oct-21	% Change	
				(1) & (3)	(2) & (3)
	1	2	3	4	5
Cocoa	74.9	83.6	81.81	9.22	-2.14
Cotton	44.54	61.72	63.25	42.02	2.49
Coffee	72.65	111.17	106.13	46.07	-4.54
Wheat	79.44	85.4	86.25	8.57	0.99
Rubber	32.59	34.66	35.02	7.45	1.04
Groundnut	111.67	107.46	104.31	-6.59	-2.94
Palm Oil	66.36	95.69	97.32	46.65	1.7
Soya Beans	83.23	102.16	104.51	25.56	2.3

Sources: World Bank Pink Sheet and Staff Estimates

2.0. DOMESTIC ECONOMIC DEVELOPMENTS

2.1. REAL SECTOR DEVELOPMENTS

2.1.1. Economic Activities

Domestic Economic Activities

General economic conditions improved in October 2021, driven by the manufacturing sector, amid a slight decline from the non-manufacturing sector. Manufacturing PMI improved by 0.7 points to 47.3 index points, compared to 46.6 index points in September 2021. Expanded activities in the manufacturing sector prompted new orders and increased production, resulting in increased employment within the period. This development was attributed to increased production by firms to meet anticipated demand during the end-of-year festivities. On the other hand, the non-manufacturing PMI decreased slightly by 0.3 points to 47.5 index points, compared to 47.8 index points in the previous month.

Table 5: Manufacturing and Non-Manufacturing Sector PMIs

Components	Sep-21	Oct-21
Composite Manufacturing PMI	**46.6**	**47.3**
Production Level	*44.2*	*45.7*
New Orders	*44*	*44.1*
Supplier Delivery Time	*53.1*	*56.3*
Employment Level	*48.3*	*49.3*
Raw Material Inventory	*47.4*	*43.8*
Composite Non-Manufacturing PMI	**47.8**	**47.5**
Business Activity	*47*	*47.1*
New Orders	*45.8*	*45*
Employment Level	*49.8*	*48.7*
Inventory	*48.7*	*49.2*

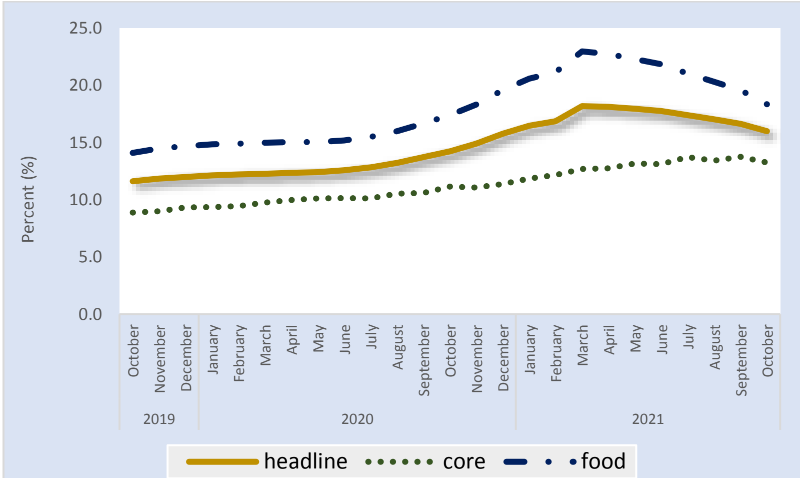
Source: Central Bank of Nigeria

2.1.2. Consumer Prices

Headline Inflation

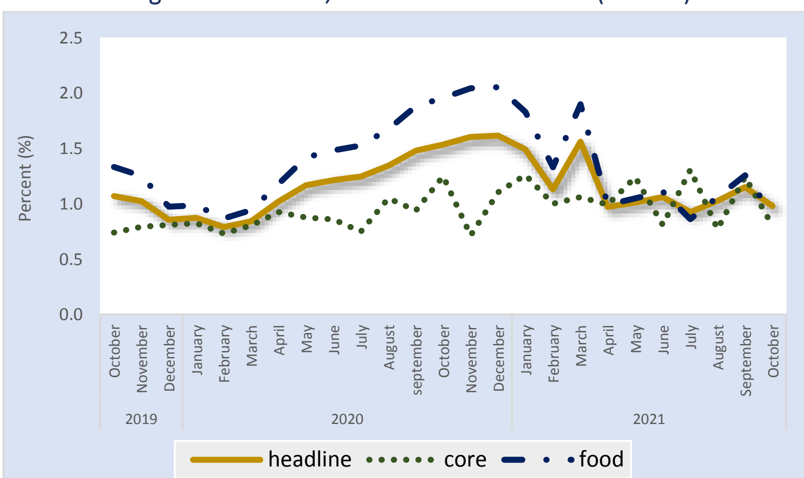
Inflation continued to decelerate in October 2021 because of increased agricultural output and improvement in the food supply chain. Thus, on a year-on-year (y-o-y) basis, headline inflation moderated to 15.99 per cent, compared with 16.63 per cent in the previous month. On a month-on-month (m-o-m) basis, it declined to 0.98 per cent from 1.15 per cent.

Figure 8: Headline, Food and Core Inflation (Y-o-Y)



Source: National Bureau of Statistics

Figure 9: Headline, Food and Core Inflation (M-O-M)



Source: National Bureau of Statistics

Food Inflation

Food inflation (y-o-y) slowed to 18.34 per cent in October 2021, from 19.57 per cent in September 2021, attributed to the reduction in input cost and improved harvest, as evidenced in the bread and cereals and tubers components. The decline in the price of bread was driven by moderation in the price of basic input, such as oil and sugar, while the reduction in the prices of cereals and tubers was explained by improved harvest. The improved output of tubers, especially cassava, led to a reduction in the prices of by-products, such as garri. On a month-on-month basis, food inflation declined to 0.91 per cent, compared with 1.26 per cent in the preceding month.

Overall, the increased output in the agricultural sector that helped moderate food prices was supported, partly, by the various intervention programmes of the Bank and other agencies.

Core Inflation

Core inflation (y-o-y) declined to 13.24 per cent, from 13.74 per cent in September. The decline was attributed to an increase in the supply of fish and meat products, following the improvement in the supply chain. On a month-on-month basis, core inflation also decreased to 0.80 per cent in October 2021, from 1.24 per cent in the preceding month.

Box Information 1

Domestic Food Price Watch
October 2021

The prices of major domestic food commodities decreased in October 2021, due to the seasonal increase in supply and the sustained intervention of the CBN in the agricultural sector. *The price decreases ranged from 0.8 per cent for beans (brown) to 15.8 per cent for tomatoes. In addition, the prices of rice (local) and rice (imported) remained the same as the previous month.*

However, the prices of palm oil, vegetable oil, wheat flour (pre-packaged), groundnut oil, agric egg, beans (white), and yam tubers increased by 5.7 per cent, 5.3 per cent, 4.6 per cent, 3.8 per cent, 3.2 per cent, 0.8 per cent and 0.5 per cent, respectively, compared to the previous month. The price increases were attributed, largely, to supply constraints.

Domestic Price Movement September and October 2021

2.1.3. Crude Oil Market Developments

Crude Oil Production and Prices

Domestic crude oil production and export decreased, due to force majeure that led to pipeline shut down. Production declined to 1.45 million barrels per day (mbpd) in October 2021, from 1.52 mbpd in the preceding month. The development was attributed to operational setbacks, with key pipelines facing persistent sabotage. Production concerns plagued the Bonny Light, Escravos, and Forcados, while other significant grades such as Qua Iboe, Brass River, Agbami, Akpo, and Egina remained low. Of the 1.45 mbpd produced, exports accounted for an average of 1.00 mbpd, while the balance was for domestic consumption. The average spot price of Nigeria's reference crude oil, the Bonny Light (34.9° API), stood at 12.8 per cent to US$84.11 per barrel (pb), relative to US$74.55 pb in September, indicating increased receipts to the government in the reporting period.

2.1.4. Socio-Economic Developments

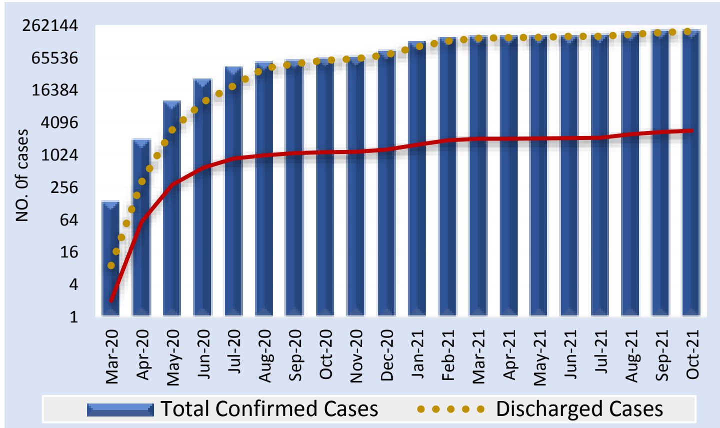
COVID-19 Update

Given the increasing incidence of the COVID-19 cases, vaccination intensified in the review period. Data from the National Primary Health Care Development Agency (NPHCDA) showed that 5.1 per cent of the target population (5,693,300) had received the first dose of the COVID-19 vaccine, as of October 31, 2021, while about 2.8 per cent of the target population (3,079,239) had received the second dose of the vaccine. The effort to increase the vaccination rate received a boost, with the donation of 3,577,860 doses of the Pfizer Vaccine by the United States. The donation followed an earlier 4 million doses of the Moderna vaccine from the U.S government.

The total number of confirmed cases in the country rose by 3.01 per cent to 211,961[1] from 205,765 in September 2021, indicating low compliance with the non-clinical COVID-19 preventive protocols in the face of increased activities nationwide. Consequently, deaths rose to 2,896 from 2,720 in the month under review. In contrast, the number of discharged cases increased to 203,121 in October 2021, from 193,617 in September 2021, resulting in a net decline in active cases to 5,944 from 9,428 in the preceding month. Improvements in the number of discharged and active cases indicate increased capacity of the health system to manage the pandemic.

[1] National Centre for Disease Control (NCDC) as at October 31, 2021

Figure 10: Covid-19 Statistics



Source: National Centre for Disease Control (NCDC)

Transportation

After the rehabilitation of the railway tracks, the commencement of the movement of containerrised cargo from Apapa port to Kaduna and Kano dry ports by the Nigerian Railway Corporation helped in making the supply chain more efficient by ensuring safety, reducing cost, and saving time.

To improve road transport infrastructure, the Federal Government approved ₦621.23 billion to reconstruct 21 federal roads (1,804.6 kilometres) across the six geo-political zones. The Nigerian National Petroleum Corporation (NNPC) would execute the project under the Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme. Nine of the selected roads are in the North Central, particularly Niger State, a major storage centre for the Corporation. Three roads each would be reconstructed in the North-East and the South-South, and two in the North-West, the South-West, and the South-East. The project aims to facilitate the efficient distribution of petroleum products.

Furthermore, the CBN increased the Healthcare Sector Intervention Fund from ₦100 billion to ₦200 billion to further cushion the impact of the pandemic on the health sector. Thus, more healthcare providers can enhance their capacities and meet the increasing demand for healthcare services.

To enhance job creation, entrepreneurship development, and economic growth, the CBN introduced and released guidelines for the Tertiary Institutions Entrepreneurship Scheme (TIES). The scheme aims to provide financing to encourage innovativeness for undergraduates and graduates of tertiary institutions. The focal areas of the scheme are; agribusiness, information technology, creative industry, science and technology, and the promotion of gender equality.

2.2 FISCAL SECTOR DEVELOPMENTS

Summary

The government's fiscal operations in October 2021 were anchored on the 2021 Appropriation Act, the Medium-Term Expenditure Framework, and Fiscal Strategy Papers (MTEF&FSP 2021-2023) and the Medium-Term Debt Strategy 2020-2023. The frameworks seek to achieve macroeconomic stability, food security, job creation, and mitigation of the immediate impact of COVID-19, among other objectives. Fiscal conditions in October 2021 improved relative to September 2021 as revenue increased and deficits narrowed. Federation earnings and retained revenue of the Federal Government of Nigeria (FGN) grew by 10.3 per cent and 4.4 per cent, respectively, relative to September, driven by higher oil receipts. This resulted in the expansion of the fiscal space, as the percentage increase in FGN retained revenue outweighed growth in spending, inducing a marginal reduction of 0.2 per cent in the fiscal deficit relative to September 2021.

2.2.1 Federation Account Operations

Drivers of Federation Revenue

Propelled by improved oil revenue inflow, arising from strong oil market fundamentals[2] in the preceding months, federally-collected revenue in October 2021 rose relative to September 2021. Federation revenue rose to ₦942.31 billion from ₦854.31 billion in September, representing a 10.3 per cent increase, but fell short of the proportionate benchmark of ₦1,024.72 billion by 8.0 per cent. In terms of share, non-oil revenue accounted for 50.3 per cent of total federation revenue, while oil revenue made up the balance of 49.7 per cent. This closely compares with the 50.6:49.4 non-oil-oil revenue mix envisaged in the 2021 Appropriation Act.

At ₦468.72 billion, earnings from oil sources jumped by 52.5 per cent, in October 2021 relative to September 2021 but fell short of the monthly target by 7.4 per cent (or ₦37.21 billion). The oil revenue increase was due largely to the ₦15.68 billion receipts from crude oil and gas exports and the doubling of earnings from petroleum profit tax and royalties (₦167.56 billion). The positive outcomes underscored the rebound in crude oil prices.

In contrast, non-oil receipts, at ₦473.59 billion, was below both the level in September and the budget target by 13.4 per cent and 8.7 per cent, respectively. The decline in non-oil revenue was attributed to a drop in major components; company income tax, customs and excise duties,

[2] This considers the 90-day period in the consummation of oil contracts and receipt of oil proceeds by the Nigerian National Petroleum Corporation.

value-added tax, and FGN independent revenue, with the largest decline in customs and exercise duties and FGN independent revenue sources.

Out of the gross federation receipts of ₦942.31 billion, a statutory deduction of ₦205.45 billion was made, leaving a balance of ₦736.86 billion for distribution to the three tiers. In addition, the sum of ₦3.10 billion derived from Exchange Gain was also distributed among the federating units, bringing the total disbursement in October 2021 to ₦739.96 billion. This was 14.4 per cent above the allocation in September 2021, but 8.8 per cent or ₦71.19 billion below the budgetary target. Of the total disbursement, the Federal, State, and Local governments received ₦301.31 billion, ₦220.27 billion, and ₦164.18 billion, respectively.

Table 6: Federally-Collected Revenue and Distribution to the Three-Tiers of Government (₦ Billion)

	Oct-2020	Sep-2021 1/	Oct-2021 1/	Budget
Federation Revenue (Gross)	**632.94**	**854.31**	**942.31**	**1,024.72**
Oil	**277.54**	**307.43**	**468.72**	**505.93**
Crude Oil & Gas Exports	12.63	-	15.68	52.50
PPT & Royalties	159.85	163.48	331.05	276.88
Domestic Crude Oil/Gas Sales	96.53	132.77	113.55	84.29
Others	8.52	11.17	8.44	92.26
Non-oil	**355.40**	**546.88**	**473.59**	**518.79**
Corporate Tax	87.63	158.91	149.39	124.71
Customs & Excise Duties	83.42	151.74	120.19	94.38
Value-Added Tax (VAT)	141.86	178.51	170.85	153.20
Independent Revenue of FGN	35.34	54.76	30.24	88.49
*Others**	7.17	2.96	2.92	58.01
Total Deductions/Transfers**	***173.46***	***210.58***	***205.45***	***213.56***
Federally-Collected Revenue Less *Deductions & Transfers*	**459.48**	**643.73**	**736.86**	**811.15**
plus:				
Additional Revenue	**156.54**	**3.23**	**3.10**	**56.42**
Excess Crude Revenue	*72.00*	*0.00*	*0.00*	*0.00*
Non-oil Excess Revenue	*45.00*	*0.40*	*0.00*	*56.42*
Exchange Gain	*39.54*	*2.83*	*3.10*	*0.00*
Total Distributed Balance	***616.02***	***646.96***	***739.96***	**811.15**
Federal Government	*255.75*	*262.92*	*301.31*	*346.47*
State Government	*185.65*	*203.82*	*220.27*	*235.90*
Local Government	*138.44*	*151.24*	*164.18*	*176.83*
13% Derivation	*36.19*	*28.98*	*54.21*	*51.96*

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

Note: 1/ Provisional

* Includes Education Tax, Customs Special Levies (Federation Account), National Technology Development, Customs Special Levies, Solid Mineral & Other Mining revenue, and other Non-regular earnings;

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

Table 7: Allocations to the three tiers of Governments (₦ Billion)

	Federal Government			State Government			Local Government		
	Statutory	VAT	Total	Statutory	VAT	Total	Statutory	VAT	Total
Oct-20	236.0	19.8	255.8	155.9	66.0	221.8	92.3	46.2	138.4
Sep-21	238.0	24.9	262.9	149.7	83.1	232.8	93.1	58.2	151.2
Oct-21	277.5	23.9	301.3	194.9	79.6	274.5	108.5	55.7	164.2
Benchmark	325.2	21.3	346.5	216.9	71.0	287.9	127.2	49.7	176.8

Source: Compiled from OAGF figures

2.2.2. Fiscal Operations of the Federal Government

Federal Government Retained Revenue

The retained revenue of the FGN rose by 4.4 per cent in October 2021, relative to September 2021, on account of higher statutory receipts. The retained revenue of the FGN rose to ₦331.55 billion in October 2021, compared with ₦317.68 billion in September 2021, reflecting higher receipt from the Federation Account. Notwithstanding, receipts from VAT and the FGN independent revenue sources declined by 4.3 per cent and 44.8 per cent, respectively. Despite higher receipts, FGN retained revenue in October 2021 was below the monthly target, highlighting the need to further broaden the revenue base.

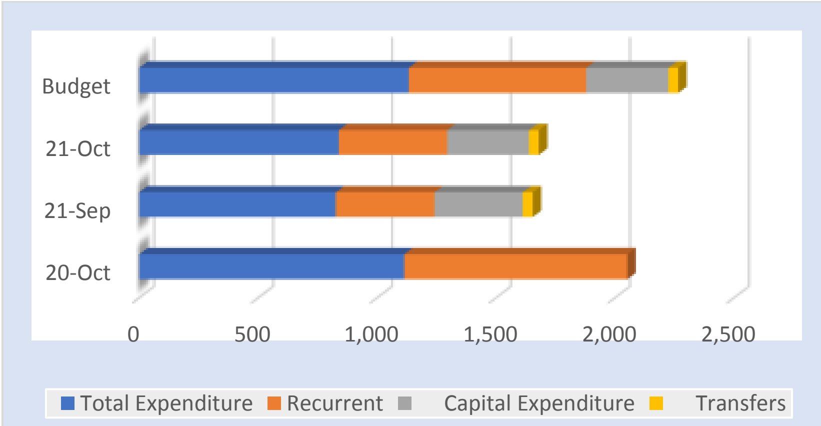
Table 8: FGN Retained Revenue (₦ Billion)

	Oct-20	Sep-21	Oct-21	Benchmark
FGN Retained Revenue	397.28	317.68	331.55	665.53
Federation Account	161.13	236.44	276.01	*295.46*
VAT Pool Account	19.79	24.93	23.86	*21.29*
FGN Independent Revenue	35.34	54.76	30.24	*88.49*
Excess Oil Revenue	33.00	0.00	0.00	*0.00*
Excess Non-Oil	23.71	0.21	0.00	*29.72*
Exchange Gain	18.12	1.33	1.44	*0.00*
*Others**	106.19	0.00	0.00	*230.58*

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

Provisional expenditure of the FGN, at N839.39 billion, exceeded the level in September 2021 by 1.5 per cent but was 25.9 per cent below the benchmark. Analysis of aggregate expenditure revealed that recurrent expenditure, accounted for 54.3 per cent of total government spending in October 2021, while capital expenditure and transfers constituted 40.7 per cent and 5.0 per cent, respectively. The increased share of capital expenditure reflected new releases to MDAs.

Figure 11: Federal Government Expenditure (₦ Billion)



Source: CBN Staff Estimates and compilation from OAGF data

Table 9: Federal Government Expenditure (₦ Billion)

	Oct-20	Sep-21	Oct-21	Benchmark
Aggregate Expenditure	1,113.55	826.65	839.39	1,132.34
Recurrent	937.68	413.55	456.09	747.20
of which:				
Personnel Cost	264.50	45.93	47.19	281.03
Pension and Gratuities	29.90	29.54	29.54	42.02
Overhead Cost	105.45	61.13	86.44	147.12
Interest Payments	373.09	256.53	269.43	277.03
Domestic	318.14	168.09	180.99	198.62
External	54.95	88.44	88.44	78.41
Special Funds	164.75	20.42	23.49	29.20
Capital Expenditure	152.90	371.73	341.93	343.76
Transfers	22.97	41.38	41.38	41.38

Source: CBN Staff Estimate

Overall Fiscal Balance

The fiscal space expanded in the reporting period, as the percentage increase in FGN retained revenue outweighed growth in spending, inducing a marginal reduction of 0.2 per cent in the fiscal deficit, relative to September 2021. However, the overall deficit of ₦507.84 billion was above the budget benchmark of ₦466.80 billion by 8.8 per cent (Table 10).

Table 10: Fiscal Balance (₦ Billion)

	Oct-20	Sep-21	Oct-21	Benchmark
Retained revenue	397.28	317.68	331.55	665.53
Aggregate expenditure	1,113.55	826.65	839.39	1,132.34
Primary balance	-343.18	-252.45	-238.41	-189.77
Overall balance	-716.27	-508.98	-507.84	-466.80

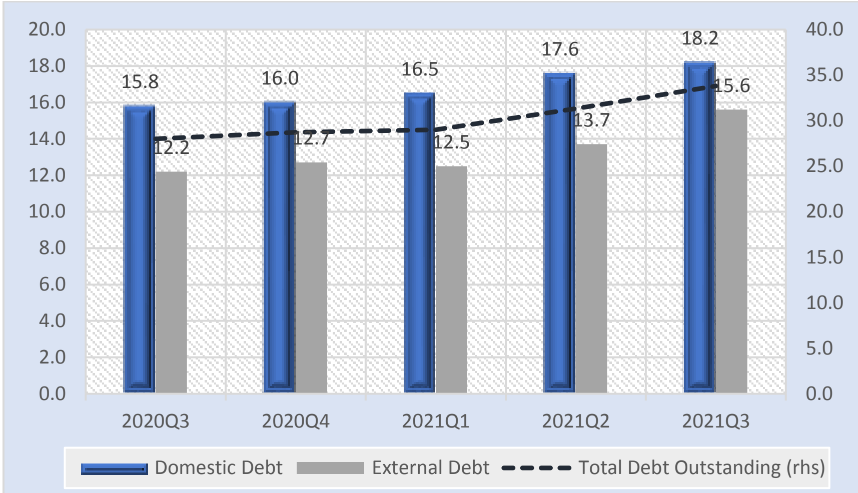
Source: Compiled from OAGF figures and CBN Staff Estimates
Note: The figures are provisional.

Federal Government Debt

Borrowing in the review period was anchored on the 2021 budget and the 2020 - 2023 Medium Term Debt Strategy framework. The debt profile of the FGN rose by 7.9 per cent to ₦33,805.84 billion at end-September 2021, relative to end-June 2021; driven by new borrowings for infrastructural development, COVID-19 mitigation, and fast-tracking of the economy. Domestic debt accounted for 53.9 per cent of FGN total debt, while external debt obligations constituted 46.1 per cent. This compares with the domestic-external debt target of 70:30 in the 2020-2023 medium-term debt strategy of the FGN. While the external portion of debt stock grew by 13.6 per cent, domestic debt outstanding rose by 3.4 per cent, compared to end-June 2021.

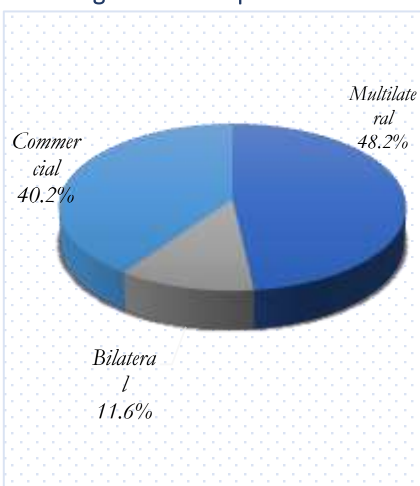
FGN bond issues remained dominant in the domestic debt portfolio, accounting for 73.8 per cent of the total domestic debt, followed by Treasury Bills (19.2 per cent); Promissory Notes (4.4 per cent); FGN Sukuk (2.0 per cent); and others (0.6 per cent). The distribution was in tandem with the FGN's objective to issue more long-term than short-term domestic debt instruments (75:25). In the composition of the external debt, Multilateral, Commercial and Bilateral loans accounted for 48.2 per cent, 40.2 per cent and 11.6 per cent of the total external debt stock, respectively. Debt service obligations amounted to ₦1,022.99 billion, compared with ₦440.63 billion in the second quarter of 2021. The increase was due largely to the rise in the payment of FGN Bonds and principal repayment of promissory notes.

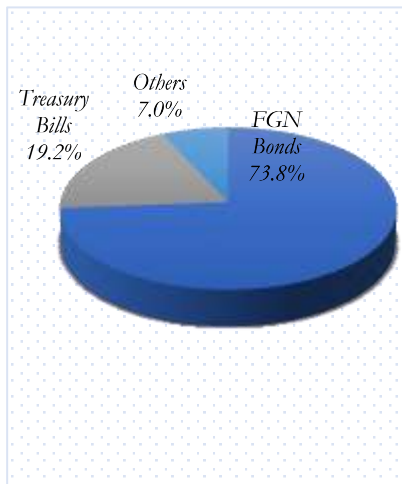
Figure 12: FGN External and Domestic Debt Composition (₦ Billion)



Source: Compiled from DMO figures

Figure 13: Composition of External and Domestic Debt Stock





Source: Compiled using data from the Debt Management Office (DMO)

2.3. MONETARY AND FINANCIAL DEVELOPMENTS

Summary

Developments in the monetary sector in October 2021 showed sustained growth in broad money supply (M3), driven largely by the increase in domestic claims, particularly credit to the private sector. Expansion in private sector credit resulted from the Bank's efforts at easing financial conditions for the growth of the economy. As in the preceding month, anticipated liquidity arising from maturing CBN bills, interventions in the real sector, and fiscal injections were addressed using the various liquidity management instruments, especially the Open Market Operations (OMO). Total transactions yielded a net withdrawal from the banking system in the review period; hence, key money market and lending rates trended upwards. Notwithstanding, the financial system remained safe and sound as gleaned from the financial soundness indicators. Also, activities on the Nigerian Exchange (NGX) Limited remained bullish, following positive sentiments, on the back of anticipated higher earnings in quarter three.

2.3.1. Monetary Developments

Reserve Money

Propelled by the rise in domestic claims, particularly credit to the private sector, broad money increased in the review period. *Broad money (M3) grew by 7.1 per cent to N41,370.84 billion at end-October 2021, compared with 4.7 per cent at end-September 2021. On annualised basis, broad money grew by 8.5 per cent, relative to the provisional benchmark of 9.9 per cent for 2021. The gap between the benchmark and the actual level of broad money gives room for greater monetary accommodation to support economic growth.*

Monetary Aggregates

Net claims on the central government and claims on other sectors rose by 3.8 per cent and 14.5 per cent to ₦12,847.52 billion and ₦32,509.40 billion, respectively. Of the total claims on other sectors, loans to the private sector rose by 23.7 per cent, to ₦23,154.30 billion, above the level in the preceding month. The development reflected gains from the enforcement of the loan-to-deposit ratio and other measures deployed by the Bank to enhance lending. However, Net Foreign Assets (NFA) fell by 1.5 per cent to ₦7,227.27 billion at end-October 2021, due to the 7.0 per cent rise in liabilities to non-residents.

In terms of contributions, NDA contributed 7.4 percentage points, while NFA contributed negatively (-0.3 percentage points) to the growth in M3 in end-October 2021 (Table 11).

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

	Contribution to M3 growth (Oct-21)	20-Dec	21-Sep	21-Oct	2021 Benchmark
Net Foreign Assets	**-0.29**	**23.44**	**-20.85**	**-1.5**	**27.98**
Claims on Nonresidents	*1.92*	*11.39*	*8.95*	*3.79*	-
Liabilities to Nonresidents	*-2.21*	*5.24*	*26.81*	*6.96*	-
Net Domestic Assets	**7.39**	**8.24**	**10.71**	**9.12**	**-**
Domestic Claims	12.5	15.91	10.31	11.35	13.41
Net Claims on Central Government	1.22	22.84	4.84	3.79	20.62
Claims on Central Government	*10.7*	*24.53*	*15.85*	*19.83*	-
Liabilities to Central Government	*-9.48*	*27.1*	*32.05*	*43.41*	-
Claims on Other Sectors	11.29	13.27	12.56	14.46	-
Claims on Other Financial Corporations	*-1.36*	*11.02*	*-6.02*	*-6.12*	-
Claims on State and Local Government	*0.95*	*10.64*	*11.7*	*17.67*	-
Claims on Public Nonfinancial Corporations	*0.2*	*2.51*	*45.58*	*9.81*	-
Claims on Private Sector	*11.5*	*15.16*	*19.75*	*23.73*	-
Broad Money (M3)	**7.1**	**10.84**	**4.72**	**7.1**	**9.99**
Currency Outside Depository Corporations	0.15	23.38	-4.97	2.3	-
Transferable Deposits	1.34	56.29	0.81	3.85	-
Narrow Money (M1)	1.49	50.04	-0.1	3.61	17.88
Other Deposits	8	19.19	12.7	14.21	-
Broad Money (M2)	9.49	30.57	7.28	9.72	-
Securities Other than Shares	-2.39	-84.56	-99.9	-99.9	-
Total Monetary Assets (M3)	**7.1**	**10.84**	**4.72**	**7.1**	**9.99**

Source: Central Bank of Nigeria; N/A = Not available

Growth in total monetary liabilities (sources side) was driven by growth in currency outside depository corporations (2.3 per cent), transferable deposits (3.9 per cent), and other deposits of depository corporations (14.2 per cent). Their respective contributions to broad money growth stood at 0.2, 1.3, and 8.0 percentage points. However, securities other than shares fell by 99.9 per cent to ₦933.30 billion, due, largely, to a decline in sales, arising from low yields, reducing growth in M3 by 2.4 percentage points.

Reserve money fell by 2.8 per cent to ₦12,734.51 billion at end-October 2021, due to a decline in liabilities to other depository corporations (ODCs). Liabilities to other depository corporations fell by 4.2 per cent, resulting from a decline in the required reserves and excess reserves components. The decline in the reserve money component of the broad money was offset by the relative increase of the money multiplier over the level in September 2021. The multiplier rose to 3.25 in October 2021, from 3.13 due to the increased rate of credit delivery. Consequently, the total monetary assets were funded by the reserve money and the money multiplier product. However, currency-in-circulation (C-I-C) grew by 2.0 per cent to ₦2,965.99 billion in end-October 2021.

Table 12: Components and Uses of Reserve Money (₦ Billion)

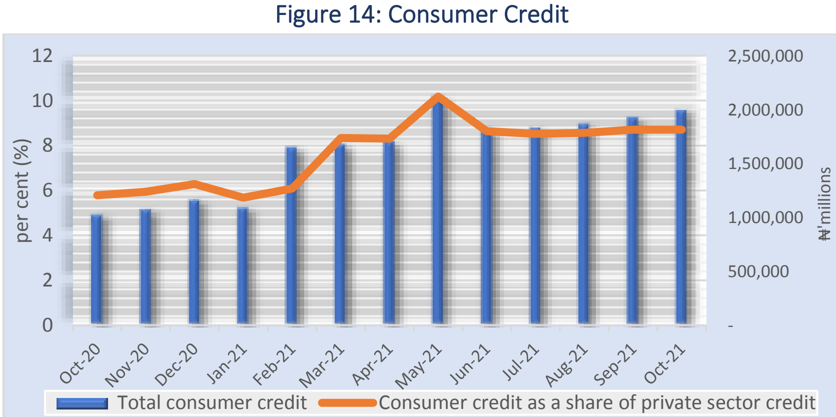
	Dec-20	Sep-21	Oct-21
Monetary Base	13,103.09	12,866.94	12,734.51
Currency-In-Circulation	*2,908.46*	*2,837.06*	*2,965.99*
Liabilities to ODCs	*10,194.63*	*10,068.88*	*9,768.52*

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

Consumer Credit

Consumer credit outstanding increased, owing to the surge in personal loans arising from an improved credit appraisal and diverse products offering. Total consumer credit extended by the Other Depository Corporations (ODCs) grew by 3.4 per cent to ₦2,009.88 billion at end-October 2021, from ₦1,942.87 billion at end- September 2021. The ratio of consumer credit to the total credit to the private sector in October 2021 was 8.7 per cent, the same share as in the preceding month.

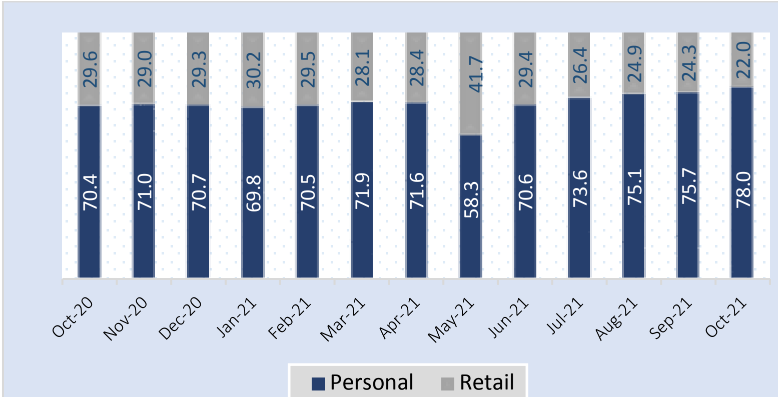
Figure 14: Consumer Credit



Source: Central Bank of Nigeria

A disaggregation of consumer loans revealed that personal loans maintained theirdominance, accounting for 78.0 per cent, increasing by 2.3 percentage points, above the level in the preceding month, while retail loans accounted for the balance of 22.0 per cent (Figure 16).

Figure 15: Composition of Consumer Credit in Nigeria (per cent)



Source: Central Bank of Nigeria

2.3.2 Money Market Developments

Primary Market Activities

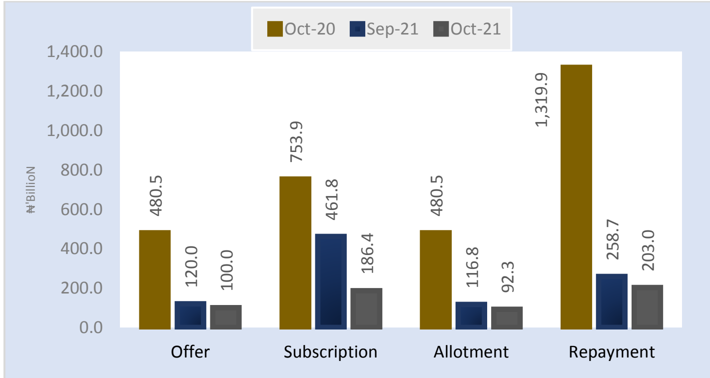
Lending activity dominated at the standing facility window, reflecting liquidity constraints in the segment. Standing Lending Facility (SLF) during the month was ₦503.69 billion (comprising ₦337.78 billion direct SLF and ₦165.92 billion Intra-day Lending Facility (ILF) converted to overnight SLF). Daily request ranged from ₦0.10 billion to ₦108.20 billion and averaged ₦13.58 billion in the 15 transaction days, while total interest earned was ₦0.28 billion. However, the total request for the SLF in October 2021 represents a 31.7 per cent decline, compared with ₦737.72 billion in the preceding month.

On the other hand, the total Standing Deposit Facility (SDF) during the review period was ₦112.56 billion, with a daily average of ₦7.03 billion in 16 transaction days, while the cost incurred on SDF stood at ₦0.02 billion. The SDF for the month under review was 43.8 per cent lower than the value in the previous month (₦200.35 billion).

Open Market Operations

The total amount of CBN bills offered, subscribed to, and allotted were ₦100.00 billion, ₦186.37 billion, and ₦92.34 billion, respectively, compared to ₦120.00 billion, ₦461.75 billion, and ₦116.76 billion in September 2021. The relatively lower bid-cover ratio for October 2021 reflects the tight liquidity condition in the market. The tenors of CBN bills used in conducting Open Market Operations (OMO) auctions in the review month ranged from 82 to 355 days, with bid rates averaging 8.50 (±1.60) per cent, while the stop rates averaged 8.55 (±1.55) per cent. Repayment of matured CBN bills was ₦203.00 billion, translating to a net injection of ₦110.66 billion through this medium.

Figure 16: Open Market Operations (OMO) (₦ Billions)



Source: Central Bank of Nigeria

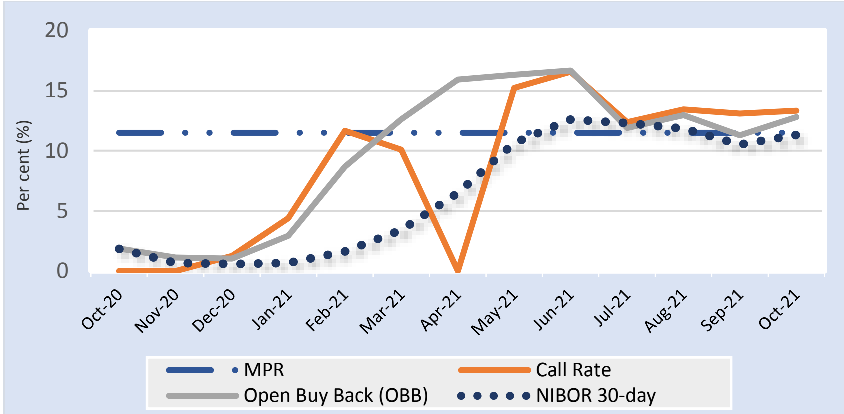
There were issues of Nigerian Treasury Bills and long-term FGN Bonds at the primary market. A total of ₦271.70 billion, ₦924.15 billion, and ₦463.66 billion were offered, subscribed to and allotted, at the auctions held in the month with 91-, 182- and 364-day tenors, respectively. At the 91-day auction, total offer, subscription, and allotment were ₦8.41 billion, ₦9.07 billion, and ₦6.91 billion, respectively, with bid rates averaging 3.98 (±1.53) per cent, and the stop rate was 2.50 per cent. For the 182-day auction, total offer, allotment, and subscription were ₦14.80 billion, ₦11.13 billion, and ₦8.97 billion, respectively. The bid rates averaged 5.10 (±1.65) per cent, while the stop rate was 3.50 per cent. At the 364-day auction, total offer, subscription, and allotment were ₦248.49 billion, ₦903.95 billion, and ₦406.41 billion, respectively, with bid rates averaging 7.12 (±0.13) per cent, while stop rates averaged 4.88 (±2.38) per cent. Overall, the market revealed stronger preference for long-tenored securities, which reflects positive expectation about inflation.

Interest Rate Developments

Movements in interest rates reflected the relatively tight liquidity condition in the market, as short-term rates trended above their levels in the preceding month. Daily inter-bank call and Open-Buy-Back rates averaged 11.00 per cent (±4.00) and 12.69 per cent (±6.55), respectively. Other rates such as the 7-, 30- and 90-day NIBOR[3] traded at averages of 13.89 per cent, 11.31 per cent and 12.45 per cent, respectively, compared with 12.38 per cent, 10.92 per cent and 11.85 per cent in the preceding month.

[3] Nigeria Inter Bank Offered Rate

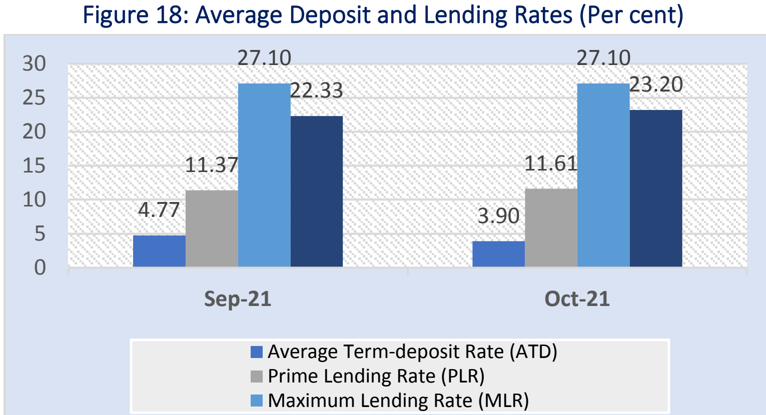
Figure 17: Interest Rate Trend



Source: Central Bank of Nigeria

The average term-deposit rate declined by 0.87 percentage points to 3.9 per cent. On the other hand, the average prime lending rate increased by 0.24 percentage points to 11.6 per cent, while the average maximum lending rate remained the same at 27.10 per cent, in October 2021. Consequently, the spread between the average term deposit and maximum lending rates widened by 0.87 to 23.2 percentage points (Figure 19).

Figure 18: Average Deposit and Lending Rates (Per cent)



Source: Central Bank of Nigeria

2.3.3 Financial Sector Soundness

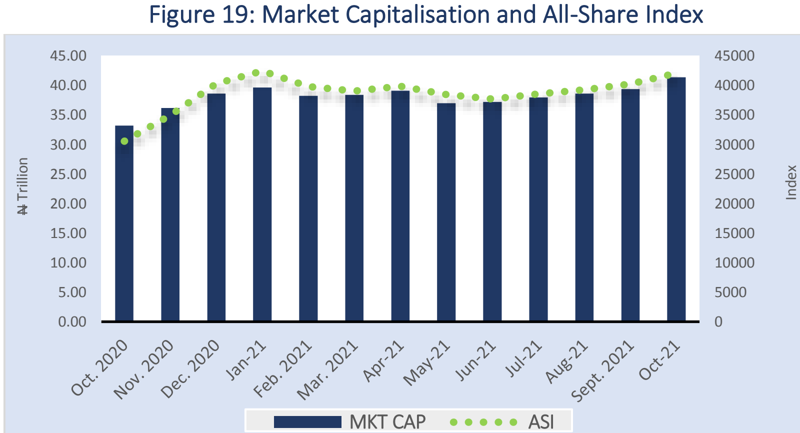
The financial system remained sound and stable, as soundness indicators stayed within regulatory thresholds, despite fears of the resurgence of a new variant of the COVID-19 virus in some countries. The Capital Adequacy Ratio (CAR) rose by 1.5 percentage points to 15.2 per cent at end-October 2021, relative to the 15.0 per cent level at end-September 2021, and exceeded the regulatory benchmark of 10.0 per cent by 5.2 percentage points. The development reflected an increase in total qualifying capital and lowered risk-weighted assets. Asset quality, measured by the ratio of Non-Performing Loans (NPLs) to the total outstanding loans, improved to 5.3 per cent, from 5.4 per cent in September 2021, though marginally above the regulatory threshold of 5.0 per cent. The improvement in NPL was due, mainly, to an increase in loan recoveries, as the economy continued to rebound. The liquidity ratio at 58.5 per cent was above the 30 per cent benchmark. However, compared to the level in September 2021, the ratio fell slightly by 2.6 percentage points.

3.3.4 Capital Market Developments

All-Share Index (ASI)

Market performance was driven by investors' expectations of year-end corporate financial results and price appreciation in medium and large capitalised stocks. The development was buoyed by investor's sustained buying interest in most blue-chip stocks especially, Airtel Africa, FBN Holdings (FBNH), Northern Nigeria Flour Mills (NNFM), UAC of Nigeria (UACN), Lafarge Africa, and Africa Prudential, driven by positive sentiments about anticipated higher third-quarter earnings, and divestment from fixed-income investments. Gains recorded by major blue-chip stocks led to the appreciation of market capitalisation by 5.0 per cent to ₦41.32 trillion at the end of the month, compared with ₦39.37 trillion at the end of the preceding month. The equities market capitalisation rose by 4.7 per cent to ₦21.94 trillion and constituted 53.1 per cent of the aggregate market capitalisation, compared with ₦20.96 trillion or 53.2 per cent at end-September 2021.

Figure 19: Market Capitalisation and All-Share Index



Source: Nigeria Exchange (NGX) Limited

The price appreciation in capitalised stocks led to the increase in the NGX ASI. The ASI, which opened at 40,243.05 at the beginning of the review month, rose by 4.5 per cent to 42,038.60 at the end of the month. On a sectoral basis, all indices trended upward during the review month, except the NGX-Asem, which remained flat (Table 13).

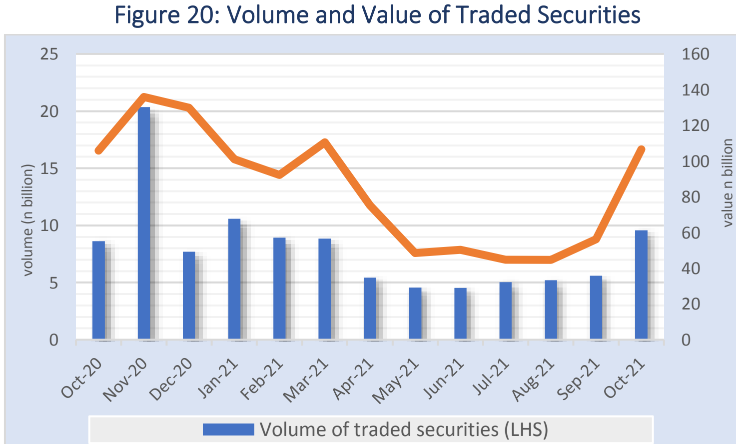
Table 13: Nigerian Exchange (NGX) Limited Indices

NGX Indices	September 2021	October 2021	Changes (%)
NGX- MERI	1,869.29	2,166.14	15.9
NGX-BANKING	370.85	410.39	10.7
NGX-OIL/GAS	367.27	390.9	6.4
NGX-MAIN BOARD	1,583.87	1,683.10	6.3
NGX-PENSION	1,552.33	1,647.94	6.2
NGX- CG	1,236.21	1,296.14	4.8
NGX Growth Index	1,026.97	1,074.59	4.6
NGX-AFR BANK	1,042.55	1,090.47	4.6
NGX- 30- INDEX	1,674.51	1,747.12	4.3
NGX-AFR Div Yield	2,512.25	2,620.49	4.3
NGX-INDUSTRIAL	2,089.38	2,177.38	4.2
NGX-INSURANCE	173.04	179.92	4.0
NGX-PREMIUM	4,070.31	4,186.24	2.8
NGX-MERI GROWTH	1,771.69	1,813.39	2.4
NGX-LOTUS	2,905.02	2,938.88	1.2
NGX-CONSUMER GOODS	567.17	569.51	0.4
NGX Sovereign	852.37	854.3	0.2
NGX-Asem	670.65	670.65	0.0

Source: Nigeria Exchange (NGX) Limited.

Volume and value of shares traded on the Exchange increased by 64.9 per cent and 91.4 per cent to 9.58 billion and ₦106.54 billion, respectively, in 93,345 deals at end-October 2021, compared with 5.81 billion and ₦55.66 billion, in 76,453 deals at end-September 2021 (Figure 21).

Figure 20: Volume and Value of Traded Securities



Source: Nigeria Exchange (NGX) Limited

There were three new and six supplementary listings in the review period. The new listings created an avenue for price discovery and an additional source of liquidity for investors (Table 14).

Table 14: Listings on the Nigerian Exchange Limited at end-October 2021

Company	Additional Shares (Units)	Reasons	Listing
LFZC Funding SPV Plc: Listing of Bonds	₦50 Billion 20 years at 13.25%. A Senior Guaranteed Fixed Rate Infrastructure Bond due 2041.	₦50b Bond Issuance programme	New
6.899% FGNSB OCT 2023	66,455	Bond Issuance	New
7.899% FGNSB OCT 2024	248,951	Bond Issuance	New
12.98% FGN MAR 2050	118,826,853	Bond Issuance	Supplementary
13.98% FGN Feb 2028	242,234,811	Bond Issuance	Supplementary
12.40% FGN MAR 2036	258,038,302	Bond Issuance	Supplementary
12.98% FGN MAR 2050	95,244,799	Bond Issuance	Supplementary
16.2499% FGN APR 2037	402,046,735	Bond Issuance	Supplementary
12.50% FGN JAN 2026	739,646,497	Bond Issuance	Supplementary

Source: Nigeria Exchange (NGX) Limited.

2.4. EXTERNAL SECTOR DEVELOPMENTS

Major Highlights

The performance of the external sector in October 2021 was mixed. Trade deficits narrowed due, largely, to a surge in crude oil prices. The effective management of the foreign exchange market ensured that the exchange rate remained stable, with an appreciation of 0.4 per cent of the naira. However, the bullish run of major international financial markets, particularly in the United States, adversely affected capital inflow.

2.4.1 Trade Performance

Trade balance improved, due to a surge in global crude oil prices and lower import demand. Available data showed that the trade deficit narrowed to US$0.24 billion in October 2021, from US$1.25 billion in September 2021, driven by increased export. Aggregate export receipts rose by 13.6 per cent to US$4.90 billion, compared with US$4.32 billion in the preceding period, attributed to higher crude oil export receipts. Merchandise import decreased by 7.7 per cent to US$5.14 billion, from US$5.57 billion in September 2021, on account of lower importation of both petroleum and non-oil related products.

Figure 21: Export, Import and Trade Balance (US$ Billion)

Source: Central Bank of Nigeria

Crude-Oil and Gas Export

Aggregate crude oil and gas receipts rose, driven mainly by the increase in crude oil prices at the international market. The value of crude oil and gas export increased by 14.9 per cent to US$4.45 billion, from US$3.88 billion in the preceding month. Disaggregation shows that crude oil export receipts rose by 17.8 per cent to US$4.00 billion, from USS$3.40 billion in September 2021, while gas export decreased to US$0.45 billion in October 2021, from US$0.48 in the preceding month. Crude oil and gas export accounted for 90.9 per cent of total export, of which oil exports constituted 81.7 per cent and gas export 9.2 per cent.

Non-Oil Export

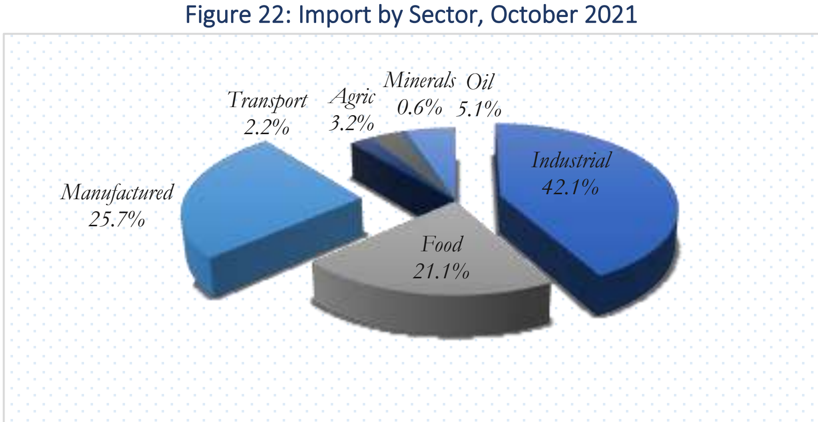
Non-oil export receipts increased, driven by re-exports in the review period. Provisional data showed that non-oil export earnings increased by 2.0 per cent to US$0.45 billion in October 2021, from US$0.44 billion in September 2021. A breakdown shows that the value of electricity export and other non-oil exports fell by 0.3 per cent and 1.5 per cent to US$0.007 billion and US$0.32 billion, respectively, while re-exports increased by 14.6 per cent to US$0.11 billion.

Import

Aggregate imports declined, reflecting the effort of the government to encourage domestic production. Consequently, aggregate import at US$5.14 billion declined by 7.7 per cent, relative to the level in September 2021. Disaggregation shows that imports of non-oil products fell by 8.2 per cent to US$4.03 billion, relative to US$4.39 billion in September 2021. Similarly, the importation of petroleum products decreased by 3.9 per cent to US$0.86 billion, from US$0.90 billion in September. The non-oil import accounted for 83.2 per cent of total import, while oil import made up the balance of 16.8 per cent.

In terms of sectorial utilisation of foreign exchange, industrial sector import, mainly, chemicals and machinery, accounted for 42.1 per cent of the total, manufactures (25.7 per cent) and food products (21.1 per cent). Also, the oil sector accounted for 5.1 per cent; agricultural sector, 3.2 per cent; transport sector, 2.2 per cent and minerals, 0.6 per cent of the total (Figure 23).

Figure 22: Import by Sector, October 2021



Source: Central Bank of Nigeria

Capital Importation

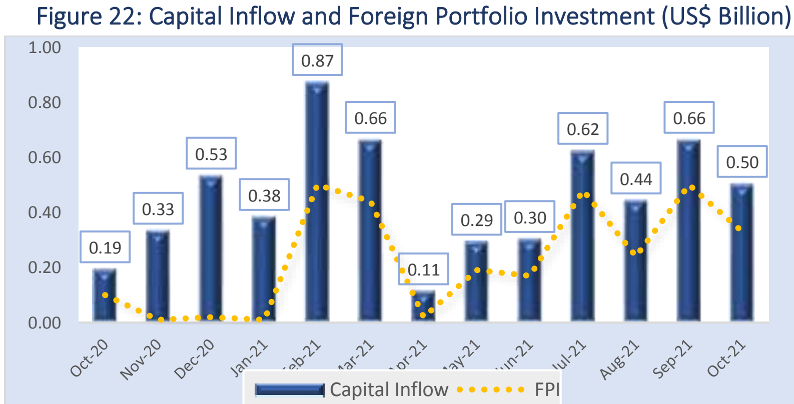
Foreign capital inflow to the domestic economy was adversely affected by the relative attractiveness of securities in the international financial market, particularly in the United States. Consequently, new capital importation decreased by 32.0 per cent to US$0.50 billion in October 2021, from US$0.66 billion in September 2021. Disaggregation of capital importation by type of investment shows that foreign portfolio investment inflow (mainly money market instruments), at US$0.33 billion, decreased by 34.0 per cent, relative to the US$0.50 billion in September 2021. Despite the decline, portfolio inflow remained dominant in total foreign investment, accounting for 65.0 per cent. The inflow of other investments, mostly loans, was US$0.14 billion or 28.2 per cent of the total, a slight increase from US$0.13 billion in September 2021. Foreign direct investment inflow stood at US$0.03 billion and accounted for 6.8 per cent.

Decomposing capital importation by nature of business shows that financing was 47.4 per cent, banking (13.8 per cent), shares (12.9 per cent), trading (8.9 per cent), telecommunication (7.4 per cent), servicing (3.8 per cent), production/manufacturing (3.6 per cent), agriculture (2.1 per cent), while others accounted for the balance.

Capital importation by country of origin indicates that the Republic of South Africa led the pack (46.1 per cent), followed by the United Kingdom (16.4 per cent) and Singapore (10.0 per cent). The Netherlands contributed 9.5 per cent, the United States of America (9.4 per cent), Guinea (2.0 per cent), Mauritius (1.8 per cent), United Arab Emirates (1.0 per cent), Czech Republic (0.9 per cent), and Denmark (0.9 per cent). Others accounted for the balance.

Analysis of capital importation by destination (states), reveals that Lagos and Abuja (FCT) were the main recipients with US$0.44 billion (or 88.3 per cent) and US$0.06 billion (or 11.7 per cent) of the total, respectively.

Figure 22: Capital Inflow and Foreign Portfolio Investment (US$ Billion)

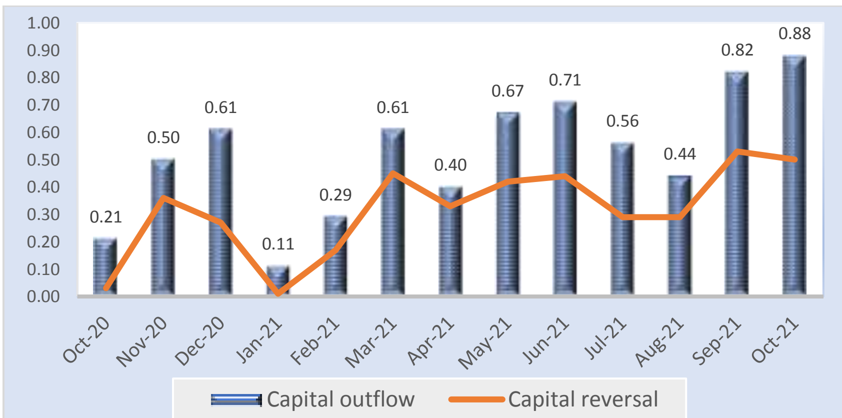


Source: Central Bank of Nigeria

Capital Outflow

Capital outflow increased by 7.6 per cent, driven mainly by financing and production/manufacturing sectors. Total capital outflow amounted to US$0.88 billion in October 2021, relative to US$0.82 billion in September 2021. A disaggregation of capital outflows by type of investment reveals that outflows of loans was US$0.34 billion, or 38.3 per cent of the total, dividends US$0.03 billion or 2.9 per cent, capital was US$0.50 billion or 56.5 per cent, while other outflows at US$0.02 billion accounted for 2.3 per cent of the total. Disaggregation of capital outflow by sectors reveals that outflow through the financing sector at US$0.37 billion was 42.3 per cent, production/manufacturing, US$0.19 billion (22.0 per cent), banking, US$0.12 billion (13.7 per cent), and telecommunications, US$0.10 billion (11.1 per cent). Other sectors accounted for the balance.

Figure 23: Capital Outflow (US$ Billion)



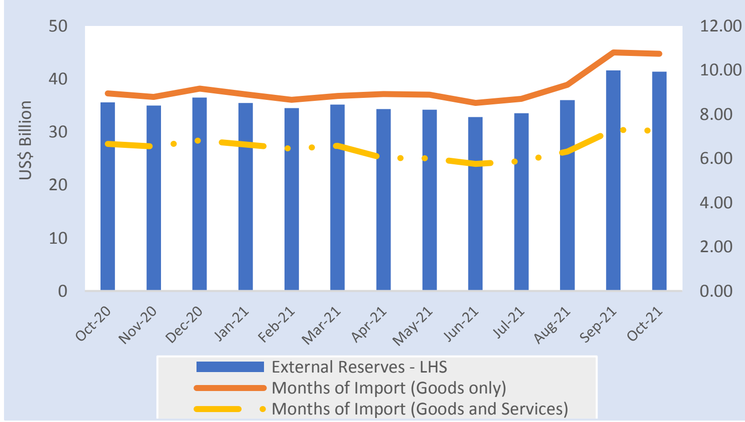
Source: Central Bank of Nigeria

2.4.2 International Reserves

International Reserves

The foreign reserves remained buoyant with the months of import cover above the international benchmark. The external reserves stood at US$41.30 billion at end-October 2021, compared to US$41.57 billion at end-September 2021. The external reserves could cover 8.70 months of import for goods and services or 11.38 months of import for goods only.

Figure 24: External Reserves and Months of Import Cover (US$ Billion)



Source: Central Bank of Nigeria

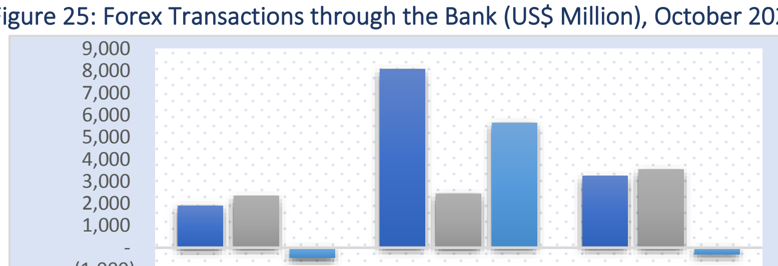
2.4.3 Foreign Exchange Flows through the Economy

Foreign Exchange Flows through the Economy

Foreign exchange flow through the economy dwindled in October. Aggregate foreign exchange inflow into the economy was US$7.00 billion, in October 2021, compared with US$13.38 billion in September 2021. The difference between the levels in October and the preceding month was mainly accounted for by the debt proceeds of Eurobonds, which boosted receipts in September 2021.

However, foreign exchange outflow through the economy increased by 32.3 per cent to U$4.31 billion in October 2021. Outflow through the Bank increased by 45.6 per cent, relative to September (mainly third-party MDA transfers and interbank sales). On the other hand, autonomous outflow declined by 7.2 per cent to US$0.76 billion, on account of the decrease in invisible imports. Consequently, the economy recorded a net inflow of US$2.69 billion in the review period.

Figure 25: Forex Transactions through the Bank (US$ Million), October 2021



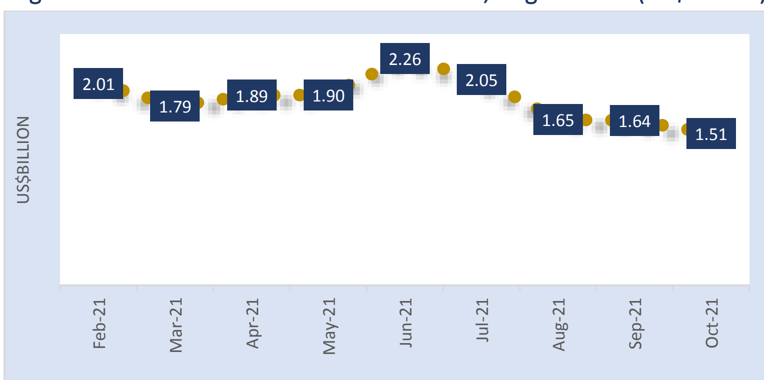
	October 20	September 21	October 21
Inflow	1,885.82	8,089.19	3,247.73
Outflow	2,346.48	2,436.93	3,547.66
Netflow	(460.66)	5,652.27	(299.94)

Source: Central Bank of Nigeria

2.4.4 Foreign Exchange Market Developments

The Bank continued to deploy its foreign exchange management instruments to ensure liquidity and stabilise the foreign exchange market. Total foreign exchange sales to authorised dealers by the Bank was US$1.51 billion in October 2021, representing a decrease of 7.9 per cent below US$1.64 billion in September 2021. Disaggregation shows that foreign exchange sales at the Small and Medium Enterprises (SME) and Investors and Exporters (I&E) windows rose by 3.7 per cent and 80.4 per cent to US$0.12 billion and US$0.55 billion, respectively. However, foreign exchange sales at the interbank, Secondary Market Intervention Sales (SMIS), and swap contracts fell by 27.7 per cent, 24.6 per cent and 74.3 per cent, to US$0.20 billion, US$0.60 billion, and US$0.04 billion, respectively, in October 2021, compared with the levels in September 2021.

Figure 25: Forex Sales to Authorised Dealers, August 2021 (US$ Billion)



Source: Central Bank of Nigeria

2.4.5 Exchange Rate Movement

Average Exchange Rate

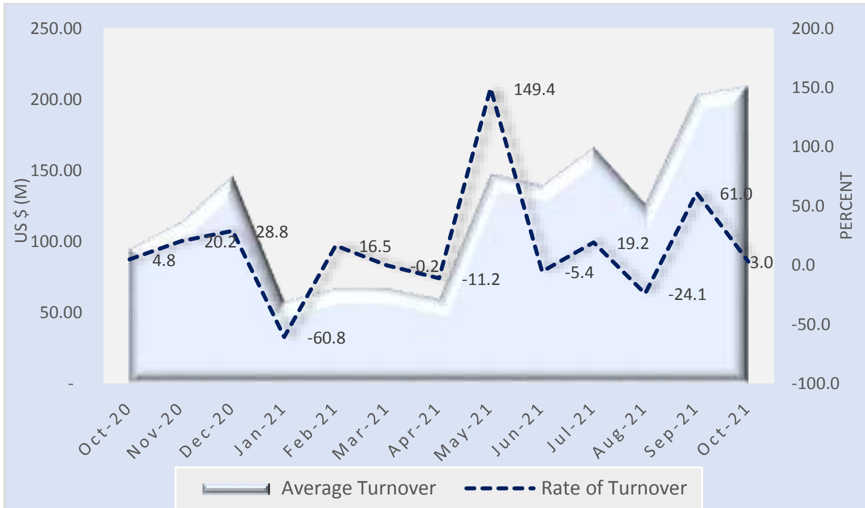
Following increased liquidity in the I&E segment of the foreign exchange market, the exchange rate of the naira appreciated. The average exchange rate of the naira per US dollar at the I&E window appreciated by 0.4 per cent to ₦411.22/US$ in October 2021, compared with ₦412.78/US$ in September 2021.

2.4.6 Foreign Exchange Turnover at the I&E Window

Foreign Exchange Turnover

The average foreign exchange turnover at the investors' and exporters' (I&E) window was US$209.29 million in October 2021, an increase of 3.0 per cent, relative to US$203.16 million in September 2021.

Figure 26: Turnover in the I&E Foreign Exchange Market (US$ Million)



Source: Financial Markets Derivatives Quotations (FMDQ)

2.5 Economic Outlook

2.5.1 Global Outlook

IMF projected the global economy to grow by 5.9 per cent in 2021 and 4.9 per cent in 2022. The global economy continues to recover, despite the resurgence in COVID-19 pandemic, particularly the spread of Delta and the threat of new variants. However, access to vaccines and early policy support are expected to drive recovery in 2022.

2.5.2 Domestic Outlook

The prospects for growth remain positive in the near-to-medium term, provided the current trend in crude oil prices is sustained. The optimism is also founded on the greater reach of vaccination, softening supply chain bottlenecks, and continuing policy support. Consequently, the economy is projected to grow by 2.86 per cent in 2021Q4 (year-on-year). However, security challenges and the continuing spread of COVID-19 could dampen growth momentum.

The inflation rate is expected to continue decelerating, as output increases, especially in the agriculture sector, following the crystallisation of the effects of the various interventions. Also, improving efficiency in the supply chain is expected to dampen inflationary pressures further. However, security challenges that obstruct farm activities and produce distribution could reverse the downward trend in inflation.

The financial system is expected to remain sound and stable with the sustained rebound of the economy and the continuation of the various forbearance measures granted to the banks. Financial conditions are also expected to improve with the increase in credit to the private sector, following the various interventions in the economy.

Based on sustained rise and stability in oil prices, fiscal performance is expected to improve in the near-to-medium term. The fiscal space is anticipated to expand with the continued effective implementation of the Strategic Revenue Growth Initiatives (SRGIs). However, a low vaccination rate amid a resurgence of COVID-19 infections could necessitate new rounds of restrictions, limiting revenue collections and impeding fiscal policy.

The outlook for the external sector remains positive, as the *trade deficits is expected to continue to narrow, due largely to a surge in crude oil prices.* The external reserve is expected to improve due to the relatively higher accretion rate, stemming from the anticipated rise in crude receipts.

However, the risk to this outlook includes a possible slowdown in global oil demand due to COVID-19 challenges.