Central Bank of Nigeria

2021 Annual Economic Report

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Central Bank of Nigeria

2021
Annual Economic Report

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Central Bank of Nigeria

Contents

STATEMENT BY THE GOVERNOR

The global economy recovered modestly in 2021 amidst uncertainties, linked to the persistence of the COVID-19 pandemic, with the emergence of new variants of the virus and their effects on supply-chain disruptions, and global inflationary pressures. The modest recovery led to the implementation of monetary policy normalisation by some major central banks, amongst other policy measures.

Although lower-than-expected, there was improvement in global economic indices. This was evident in increased consumer spending, investments, and trade in merchandise. This development was in spite of the threats of new variants of COVID-19. In comparing the performance of the various economies, it was apparent that the developed economies were in a better position to contain the impact of the new variants, due to the strong policy measures, by their governments and improved access to the COVID-19 vaccines. However, the policy measures put in place may also have given rise to unintended negative effects, such as increased inflation, in those economies. On the flip side, the gradual withdrawal of both monetary and fiscal stimuli may likely slow down the economic recovery process in 2022.

In the Emerging Markets and Developing Economies (EMDEs), however, poor access to vaccines and limited policy support, resulted in a macroeconomic downturn. China, on the other hand, despite being one of the few countries that avoided sliding into a recession, showed signs of a slow-down, as output weakened in the third quarter of 2021. Generally, it was expected that growth in the EMDEs would be sluggish in 2022, due to the low vaccination and limited policy support.

The Nigerian economy, however, showed relative resilience to global developments during the year, especially when compared to its peers. The National Bureau of Statistics (NBS) report indicated that the economy grew by 3.4 per cent in 2021 from a contraction of 1.92 per cent in 2020. The growth was driven by improvements in the non-oil sector, due largely, to the Bank's policy initiatives and support for the economic diversification programme of the Federal Government, through development finance initiatives such as the Anchor Borrowers' Programme. This was, however, complemented by the increase in international oil prices in the third and fourth quarters of the year.

The NBS report was further corroborated by the Purchasing Managers' Index (PMI), which rose to 52.0 index points in December 2021, from the 49.6 index points recorded in December 2020. The development in the PMI was bolstered by the increased level of business activities in the economy, which gave rise to an increase in new orders and upswing in job creation and enterprise productivity. Domestic inflation declined marginally by 0.12 per cent, to 15.63 per cent in December 2021, reflecting the marginal decrease in both the food and core components of inflation. Inflation, however, remained above the 6 - 9 band as stipulated in the CBN's strategy document.

The Central Bank of Nigeria (CBN) continued to collaborate with the fiscal authority to support and sustain the economy through people-oriented policies and intervention programmes, in line with the Federal Government's vision on food security. This was complemented with the unveiling of the one million-bag-Mega-Rice-Pyramid by the Rice Farmers Association of Nigeria (RIFAN). The Pyramids, built with the produce of the 2020/2021 dry season harvest of the CBN Anchor Borrowers'

Programme, were unveiled by President Muhammadu Buhari in Niger, Kebbi, and Gombe States. Similarly, the first ever Maize pyramid was also unveiled in Katsina State in 2021.

The Bank also adopted the Nigerian Autonomous Foreign Exchange (NAFEX) rate, called the I&E rate as the official exchange rate on 24 May 2021, to further unify the rates at the different segments of the market. The Bank implemented various policies to curtail demand pressures, while sustaining its interventions in the foreign exchange market to enhance liquidity and ensure exchange rate stability. Consequently, the Naira maintained a relative stability, closing at ₦414.34 per US$ in December 2021. External reserves rose to US$40.23 billion at end-December 2021, from US$36.48 billion at end-December 2020, indicating an increase of 10.2 per cent or US$3.72 billion.

The banking industry remained sound and resilient on the back of an effective supervisory framework and the deployment of appropriate policy tools. Thus, non-performing loans (NPLs) remained reasonably low despite the Bank's pursuit of an aggressive credit expansion programme, as NPL declined to 4.85 per cent, at end-December 2021, from 6.01 per cent at end-December 2020. Also, the capital adequacy ratio of the banking industry stood at 14.53 per cent, which was above the regulatory requirements.

The positive economic indices highlighted above, and many others were no doubt, the result of the proactive monetary and exchange rate policies, and the development finance initiatives of the Bank designed to improve the standard of living of the citizenry. Thus, during the year, the Bank sustained all its policies aimed at addressing declining food security and economic development, and introduced new ones to moderate the effects of the COVID-19 pandemic on the poor and vulnerable groups in the country. Some of the initiatives included:

- *The Tertiary Institutions Entrepreneurship Scheme (TIES) designed for undergraduates and graduates of tertiary institutions in Nigeria. This Initiative was geared towards encouraging entrepreneurship development among youths after graduation, rather than seeking white – collar jobs. The cumulative disbursement under this Programme stood at ₦293.00 million to 59 beneficiaries as at December 2021;*
- *The Targeted Credit Facility (TCF): In the year 2021, the Bank disbursed a total of ₦20.29 billion to 40,521 beneficiaries (35,340 households and 5,181 small businesses). This brought the cumulative disbursements under the TCF to ₦369.78 billion for 777,666 beneficiaries, comprised of 648,052 households and 129,614 small businesses;*
- *The Health Sector Intervention Facility (HSIF): In line with the Bank's efforts to ensure sustainable improvement in the healthcare sector, the Bank disbursed ₦498.0 million to two healthcare projects under this Scheme in 2021, bringing the cumulative disbursement to ₦108.85 billion for 118 projects, comprising 31 pharmaceuticals, 82 hospitals, and four medical service providers; and*
- *The 100 for 100 policy on production and productivity (PPP): The objective of this policy is to create the flow of finance and investments to enterprises with the potential to stimulate economic growth, promote diversification, accelerate structural transformation, and improve productivity in the country.*

Although, both the domestic and global economies are showing signs of recovery, the negative economic effects of the COVID-19 pandemic continue to linger, as new variants of the disease are being discovered and fully vaccinated adult population was less than 15.0 per cent at end-December 2021. Consequently, we must intensify efforts towards the attainment of a high vaccinated rate for a sustainable and all-inclusive economic growth.

I want to use this medium to commend the Board, Management, and staff of the Bank for their support, ingenuity, and deligent service during the year. The various successes recorded by the Central Bank could not have been attained without your cooperation and dedication to duty. I also wish to thank the Presidency, the distinguished leadership of the National Assembly, Honourable Ministers of the Federal Republic, Nigeria's development partners, the organised private sector, and other stakeholders, for their support and cooperation through the year 2021.

We look forward to the 2022 with renewed hope for a more prosperous economy.

Godwin I. Emefiele, CON

Central Bank of Nigeria.

EXECUTIVE SUMMARY

This Report reviews the operations and policies of the Central Bank of Nigeria (CBN), in addition to the global and domestic macroeconomic developments in 2021. It is organised in two parts. The first part highlights the activities and operations of the Bank, while the second part reviews the performance of the economy in relation to the various policy measures implemented by the Bank to stimulate growth and promote macroeconomic and financial stability.

The Bank continued to focus on its key mandate of monetary and price stability to ensure sustained recovery, following the adverse effects of the COVID-19 pandemic. Thus, it maintained an accommodative monetary policy stance, with all the policy parameters kept unchanged throughout the year.

Accordingly, the Bank implemented a cocktail of conventional and unconventional policies to boost economic activities and support output growth. As a result of these policy measures, economic activities rebounded in 2021, as GDP grew significantly by 3.40 per cent from a contraction of 1.92 per cent in 2020. The growth was driven, largely, by the performance of the non-oil sector, occasioned by the relaxation of the COVID-19 induced restrictions and sustained policy support aimed at easing credit conditions for businesses and households. Headline inflation declined marginally to 15.63 per cent at end-2021, from 15.75 per cent at end-2020. At ₦409.42/US$, the annual average exchange rate of the naira to the US dollar in 2021 depreciated by 6.7 per cent at the Investors' and Exporters' (I&E) window, compared with ₦382.18/US$ in 2020.

Leadership and Governance

The membership of the Board of Directors of the Bank remained unchanged in 2021. The Board held six regular meetings, while the Committee of Governors held 49 regular meetings. The Finance and General-Purpose Committee held six meetings, whereas the Remuneration, Ethics, and Anti-Corruption, Corporate Strategy, Financial System Stability, Pension Fund Management, Investment and Audit Committees, held four meetings each, and the Risk and Cybersecurity as well as the Establishment Committees, held three meetings each, in 2021.

The Monetary Policy Committee

In 2021, the Monetary Policy Committee (MPC) held its six regular bi-monthly meetings in January, March, May, July, September, and November. Major developments in the global and domestic economic and financial environments were reviewed. The decisions on the stance of monetary policy, in each of the meetings, were conveyed to the public through communiques and press briefings.

The Bank sustained its accommodative monetary policy stance in 2021, to mitigate the lingering impact of the COVID-19 pandemic on the economy. Thus, the Bank retained its monetary policy measures and held all policy parameters unchanged, to manage the banking system liquidity and moderate exchange rate pressures, to ensure sustained output recovery. The Monetary Policy Rate (MPR) was retained at 11.5 per cent, while the asymmetric corridor was held

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at +100/-700 basis points around the MPR, for the Standing Lending Facility (SLF) and Standing Deposit Facility (SDF), respectively. Similarly, the Cash Reserve Ratio (CRR) was kept at 27.5 per cent with the Liquidity Ratio retained at 30.0 per cent.

Mandate Operations

To meet the currency needs of the economy, the Bank approved the printing of an indent of 2,458.50 million pieces of banknotes of various denominations by the Nigerian Security Printing and Minting Company (NSPM) Plc. This represented a decrease of 2.39 per cent from 2,518.68 million pieces in 2020. Of the total, 2,421.32 million pieces, representing 98.49 per cent were printed at end-December 2021, compared with 100 per cent printed in 2020. Currency-in-Circulation (CIC) stood at ₦3,325.16 billion at end-December 2021, an increase of 14.38 per cent or ₦418.03 billion compared with ₦2,907.13 billion at end-December 2020. The increase was attributed to the release of intervention funds for various schemes and monetisation of oil proceeds by the Bank. As part of its currency management initiatives, the Bank's Mint Tracking System (MTS) became operational across its 37 Branches, to enhance efficiency and transparency in banknote distribution.

Demand pressure in the foreign exchange market prevailed in 2021 following the gradual recovery of domestic economic activities. The Bank implemented various policies to curtail the pressure while sustaining its interventions in the foreign exchange market, to enhance liquidity and ensure exchange rate stability. To encourage diaspora remittances, the Bank introduced the Naira-4-Dollar Scheme in March 2021 and directed licensed International Money Transfer Operators (IMTOs) to pay beneficiaries of diaspora remittances in foreign currency. Also, the Bank discontinued the sale of foreign exchange to Bureaux-de-Change (BDC) operators and suspended the processing and issuance of new licences for BDC operations, to curb sharp practices in the market. Consequently, it increased foreign exchange supply to banks to meet demand for invisible services, SME transactions, and repatriation of profits and dividend by non-resident investors.

The structure of the Nigerian banking sector remained the same in 2021. The number of licensed banks, however, increased to 33 at end-December 2021, compared with 32 at end-December 2020, following the licensing of the Premium Trust Bank Limited to operate as a commercial bank with regional authorisation. The licensed banks comprised 24 commercial banks, six merchant banks, and three non-interest banks, of which, eight banks had international authorisation while eighteen and seven had national and regional authorisation, respectively. Also, there were five Holding Companies and three Payment Service Banks (PSBs) at end-December 2021. In the Other Financial Institutions (OFIs) sub-sector, there were 6,682 licensed institutions at end-December 2021, compared with 6,532 at end-December 2020, reflecting an increase of 150 in the number of OFIs. The total number of OFIs comprised seven Development Finance Institutions (DFIs), 34 Primary Mortgage Banks (PMBs), 866 Micro Finance Banks (MFBs), 100 Finance Companies (FCs), and 5,675 Bureaux de Change (BDCs).

The Bank continued its surveillance activities in 2021 towards promoting the soundness, stability, and safety of banking institutions. The Bank sustained the risk-based supervision (RBS) approach as the pivot of its supervisory framework. In September 2021, the Bank released the Basel III Guidelines and Reporting Templates on: Regulatory Capital; Leverage Ratio (LeR); Large Exposures (LEX); Liquidity Coverage Ratio (LCR), and Liquidity Monitoring Tools (LMT). The implementation of the guidelines commenced in November 2021 and the first set of returns from the banks were received in December 2021. Furthermore, Guidelines on Liquidity Risk Management and Internal Liquidity Adequacy Assessment Process (ILAAP) were issued to further strengthen the rules on Liquidity risk management practices in banks. This required banks to ensure that all material liquidity risks were identified, effectively managed, and covered by a high-quality liquidity buffer, and submitted to the CBN for review. The ILAAP was expected to complement the Internal Capital Adequacy Assessment Process (ICAAP). The Guidelines on Supervisory Review Process (SRP) and ICAAP were revised to ensure that Pillars 1 and 2 minimum capital requirements were properly aligned with the banks' risk profile, business model, and systemic importance.

To mitigate the risks of money laundering and terrorism financing, the Bank continued to monitor the implementation and compliance with the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) laws and regulations in the banking industry. The Bank, therefore, sustained its collaboration and cooperation with both domestic and international stakeholders in compliance with the Financial Action Task Force (FATF) Recommendations 2 and 40 on international and national cooperation and coordination, towards addressing money laundering. Nigeria was placed on Enhanced Follow-Up Process by the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) and the International Co-operation Review Group Process (ICRG) of the FATF, following the report of a Mutual Evaluation Exercise on Nigeria conducted by GIABA. Thus, the Bank and other AML/CFT stakeholder agencies in the country are working on modalities to address the deficiencies in the country's AML/CFT regime, as contained in the Mutual Evaluation Report (MER). The Bank developed Guidelines on AML/CFT Regulations for Other Financial Institutions to assist OFIs in identifying, assessing, and mitigating ML & TF risks in their business operations, which would improve compliance with the Regulations. Furthermore, the report of the on-site AML/CFT cross-border examinations conducted on the subsidiaries of three Nigerian banks showed no significant issues of regulatory concern.

Despite the continued lull in the global financial markets and adverse shocks to capital flows, due to the COVID-19 pandemic, the financial sector remained stable, as the key financial soundness indicators remained within the regulatory thresholds. Industry levels of capital adequacy and liquidity ratios remained higher than regulatory minimum. Industry capital adequacy ratio (CAR) fell marginally to 14.53 per cent at end-December 2021, from 15.05 per cent at end-December 2020, due to a slight increase in risk weighted assets. The industry threshold for CAR, remained at 15.00 per cent for banks with international authorisation and 10.00 per cent for banks with national or regional authorisation. The industry liquidity ratio decreased to 54.88 per cent at end-December 2021, from 65.45 per cent at end-December 2020, reflecting a decrease in the stock of liquid assets held by banks. Apart from three commercial banks, all commercial, merchant, and non-interest banks met the minimum regulatory liquidity ratios of: 30.00 per *cent, 20.00 per cent, and 10.00 per cent, respectively, at end-December 2021.*

The Bank continued to implement policy measures to enhance the safety, credibility, and reliability of the payments system, despite the impact of the COVID-19 pandemic. Consequently, the Bank issued the Regulatory Frameworks for Quick Response (QR) Code for payments, Open Banking, and Sandbox Operations, to increase payment interoperability options and integration of banks and OFIs with innovators in the financial services space. Also, the Bank revised the Regulatory Framework for Bank Verification Number (BVN) Operations and Watch-list for the Nigerian Financial System. The major highlights of the revised framework were the inclusion of Mobile Money Operators (MMOs) and Payments Service Providers (PSPs) as participants, following their designation as OFIs in the Banks and Other Financial Institutions Act (BOFIA) 2020.

The Bank sustained its interventions in the priority sectors of the economy, specifically those with potential for stimulating output growth, creating jobs, increasing food and industrial raw materials production, and enhancing economic diversification. Two new intervention schemes introduced in 2021 were: Tertiary Institutions Entrepreneurship Scheme (TIES) and the "100 for 100" Policy on Production and Productivity. The Bank also continued its implementation of the existing development finance programmes and schemes, including the Agricultural Credit Guarantee Scheme (ACGS); Commercial Agriculture Credit Scheme (CACS); Micro, Small and Medium Enterprises Development Fund (MSMEDF); Power and Airlines Intervention Fund (PAIF); Anchor Borrowers' Programme (ABP); Paddy Aggregation Scheme (PAS); Agribusiness/Small and Medium Enterprises Investment Scheme (AGSMEIS); Nigeria Youth Investment Fund (NYIF); and Targeted Credit Facility (TCF), among others.

Corporate Activities

During the year under review, the Bank's focus was largely to leverage information technology to meet its mandate. It sustained and fortified the cyber resilience of the IT infrastructure and services against cyber-attacks. The Bank continued the upgrade of the core banking application and gross settlement system as well as its integration with the Pan-African Payment and Settlement System (PAPSS), to enable cheaper and faster national and cross-border payments. To promote a more inclusive financial system and enhance the effectiveness of monetary policy transmission, the Bank launched the Central Bank Digital Currency (CBDC), "the eNaira", in October 2021. Also, the Bank automated forms "NCX" and "A" (for non-commercial exports and invisible transactions, respectively), on the Trade Monitoring System (TRMS) to reduce the application processing time and enhance efficiency of the process.

The Bank sustained Its objective of maintaining corporate security and providing a safe and conducive working environment, in all its locations, for effective and efficient operations. It complied with the National Fire Safety Code of Nigeria (NFSCN) at its Head Office and received the Fire Safety Certificate after a satisfactory assessment of the building. Also, the Bank strengthened collaboration with the security agencies to ensure that the Bank's facilities were secured, and banking operations were conducted as scheduled. The Bank provided varied medical interventions to sustain a healthy and productive workforce. To prevent the spread of COVID-19 infections, a bankwide COVID-19 vaccination was *carried out in line with the World Health Organisation (WHO) and the Nigeria Centre for Disease Control (NCDC) vaccine status requirements. Vaccines deployed included Astra Zeneca (5,584), Moderna (4,281), and Pfizer booster (181) vaccines.*

The Bank continued to strengthen the legal and regulatory framework to improve the overall effectiveness of the financial system in line with its mandate. To this end, relevant bills from the National Assembly were reviewed, including: the Petroleum Industry Bill (PIB) 2020; A Bill for an Act to Establish the Nigerian Health Infrastructure Development Bank; Asset Management Corporation of Nigeria (Amendment) Bill, 2021; the proposed amendments to a Bill for an Act to establish the Institute of Mortgage Brokers and Lenders of Nigeria 2016; among others. The Bank through its Legal Department drafted and reviewed some agreements, guidelines, and Memorandum of Understandings (MoUs), including the Deed of Termination by JP Morgan Chase & Co. on the Custodial Agreement between the CBN and JP Morgan Chase Bank, N.A. London; agreement between Deutsche Bundes Bank and CBN concerning the provision of certain services for foreign central banks, monetary authorities or international organisations, renewal of the Chinese yuan/naira bilateral currency swap arrangement between the Peoples Bank of China and the Central Bank of Nigeria; agreement between the Central Bank of Nigeria and Lopworks Limited on the implementation of Enterprise Network and Applications Security Solution for Trade Monitoring System (TRMS) Project. The CBN was involved in 1,328 cases, out of which two were foreign. Of the 1,326 local cases, 684 were garnishee proceedings. In 2021, 955 cases were decided in courts, of which 845 were either struck out, or dismissed, or discontinued by the plaintiffs or judgement given in favour of the Bank. The remaining are being challenged by the Bank on appeal.

At end-December 2021, a total of 55 Departmental audits, 47 Process audits, and 76 Branch audits, were carried out. Also, 195 currency disposal operations, requiring audit witnesses were completed.

ECONOMIC REPORT

The Global Economy

The Global economy grew by 5.9 per cent, against a contraction of 3.1 per cent in 2020. The recovery was supported by strong consumer spending, induced by further easing of the COVID-19 restrictions and robust policy support, which boosted investment. Nevertheless, there were differences in recovery rates across countries, due to uneven vaccine distribution and country-specific factors. Output growth in Advanced Economies (AEs) stood at 5.0 per cent, relative to a contraction of 4.5 per cent in 2020, despite the emergence of the Delta and Omicron variants of COVID-19. In Emerging Market and Developing Economies (EMDEs), output grew by 6.5 per cent, from a contraction of 2.0 per cent in 2020. The strong growth in EMDEs emanated from the 9.0 per cent, 8.1 per cent, and 4.0 per cent growth in India, China, and sub-Saharan Africa, respectively. Global inflation remained elevated, due to the persistent supply chain disruptions, increased energy and transportation costs. In the Advanced Economies, inflation rose to 2.8 per cent from 0.7 per cent in 2020, and in the EMDEs inflationary pressures mirrored developments in the AEs, as inflation rose to 5.6 per cent from 5.1 per cent in 2020.

The 2021 Spring and Annual Meetings of the Bretton Woods Institutions (BWIs) were held virtually and in-person in Washington DC, from 29

March to 9 April 2021 and from 4 October to 17 October 2021, respectively. The Meetings noted that the global economy was recovering from the COVID-19 crisis faster than expected, due to the unprecedented policy responses and rapid progress in vaccine development and administration. The Meeting reiterated the importance of a strong global financial safety net, with an adequately resourced, quota-based IMF at its centre. At the continental level, the meeting of Heads of State and Government of the African Union (AU) noted that 54 out of the 55 member countries of the African Union have signed the African Continental Free Trade Agreement AfCFTA, while over 40 countries submitted their respective tariff offers.

The Real Sector

Gross Domestic Product (GDP), measured at 2010 constant basic prices, grew by 3.4 per cent in 2021, in contrast to a contraction of 1.92 per cent in 2020. The development was driven, mainly, by the performance of the non-oil sector, which grew by 4.4 per cent. Despite higher crude oil prices, the oil sector continued to weigh down on growth outcomes and contracted by 8.30 per cent in 2021. The growth in GDP in the review period reflected improved crude oil prices, sustained policy support, and other interventions aimed at easing credit conditions for businesses and households.

Headline inflation, (year-on-year), declined marginally to 15.63 per cent in 2021, compared with 15.75 per cent in 2020. The moderation in inflation (year-on-year), was due to the effect of higher agricultural output growth, improvement in the food supply chain and other goods and services, following the easing of the COVID-19 restrictions.

The average spot price of Nigeria's reference crude, the Bonny Light (37^o API) was US$71.05 per barrel in 2021, compared with US$42.18 per barrel in 2020, an increase of 68.4 per cent. Similarly, average price of the OPEC basket of 13 crude streams was US$69.81 per barrel, representing an increase of 68.5 per cent, compared with US$41.42 in 2020. The rise in oil price was due to the rebound in aggregate demand, as the global economy continued its recovery.

Fiscal Sector

Fiscal operations in 2021 were challenged by the lingering effects of the COVID-19 pandemic, which weakened revenue outcomes, necessitated additional non-discretionary spending, and raising public debt. Provisional federally collected revenue (gross) at ₦10,755.40 billion (6.0 per cent of GDP) fell short of the 2021 target by 12.5 per cent, but improved by 15.9 per cent relative to the revenue inflows in 2020. This was driven by improved non-oil revenue performance, on the back of the recovery in economic activities and the positive impact of the Strategic Revenue Growth Initiatives (SRGIs) as well as the Finance Acts 2020 and 2021. The consolidated revenue and expenditure of the general government was ₦10,571.43 billion (6.0 per cent of GDP) and ₦19,135.50 billion (10.9 per cent of GDP) respectively, resulting in an overall deficit of ₦8,564.07 billion (4.9 per cent of GDP). Federal Government retained revenue and aggregate expenditure at ₦5,045.44 billion (2.9 per cent of GDP) and ₦12,164.15 billion (6.9 per cent of GDP) respectively, resulted in an overall deficit of ₦7,118.71 billion (4.0 per cent of GDP), compared with ₦6,248.59 billion (4.1 per cent of GDP) in 2020. The deficit was above the revised WAMZ primary convergence criterion and the *requirement of the Fiscal Responsibility Act, 2007 of 3.0 per cent of GDP.*

The consolidated public debt stock, at end-December 2021, stood at ₦39,556.03 billion or 22.5 per cent of GDP, an increase of 20.2 per cent from its level at end-December 2020. The increase was attributed to the new concessional loans from Multilateral and Bilateral sources to part-finance the deficit in the 2021 Appropriation Act.

Financial Sector

The performance of key monetary aggregates was mixed in 2021. Broad (M3) and narrow money (M1) grew by 12.6 per cent and 15.8 per cent, respectively, compared with their indicative targets of 10.0 per cent and 17.9 per cent, respectively. The growth, however, reflected the expansion in banking system claims on the domestic economy, which stood at 17.2 per cent, relative to the benchmark of 13.4 per cent. Reserve money grew modestly by 1.4 per cent at end-December 2021, significantly lower than the 51.0 per cent growth at end-December 2020. The growth was due wholly to the 14.3 per cent rise in currency in circulation, attributed to the introduction of the e-Naira. Interest rates movements reflected liquidity conditions in the money market, and trended upwards in 2021.

The financial sector showed resilience in 2021 as revealed by key indicators. Aggregate savings trended upwards, as reflected in the slightly higher ratio of quasi money to GDP of 14.8 per cent, compared with 14.4 per cent in 2020. Banking system asset to GDP remained unchanged at 66.4 per cent relative to the level at end-December 2020, reflecting relative stability in the size of the financial sector. The indicator of intermediation efficiency, measured by the ratio of currency outside banks to broad money supply, however, deteriorated marginally to 6.7 per cent at end-December 2021, compared with 6.4 per cent at end-December 2020.

The External Sector

The performance of the external sector was impressive in 2021, despite the continued effect of the mutation of the COVID-19 virus, as the overall balance of payments recorded a surplus of US$3.75 billion (0.1 per cent of GDP), compared with a deficit of US$1.66 billion (0.4 per cent of GDP) in 2020. The surplus was on account of a sharp decline in trade deficit, reduced services payments, higher inflow of remittances and general government transfers. The financial account recorded a net incurrence of financial liabilities, equivalent to 1.7 per cent of GDP in 2021, against a net acquisition of financial assets equivalent to 0.2 per cent of GDP in 2020. The current and capital account deficits narrowed significantly by 88.4 per cent to US$1.85 billion or 0.4 per cent of GDP in 2021, compared with US$15.99 billion or 3.7 per cent of GDP in 2020.

The stock of external reserves at end-December 2021 was US$40.23 billion and could finance 9.6 months of import of goods only, or 7.3 months of import of goods and services. This was higher than both the international benchmark and the West African Monetary Zone (WAMZ) convergence criterion of three months import cover. The stock of external debt at end-December 2021 increased by 15.1 per cent to US$38.39 billion, representing 9.1 per cent of GDP, which was within the international threshold of 40.0 per cent of GDP. The International Investment Position (IIP) recorded a net financial liability of US$71.59 billion as against US$73.38 billion in 2020. The average exchange rate of the naira to the US dollar in the I&E window depreciated by 6.7 per cent to ₦409.42/US$, from ₦382.18/US$ in 2020.

Similarly, the end-period I&E rate closed at ₦435.00/US$, indicating a 14.2 per cent depreciation, compared with ₦381.00/US$ at end-December 2020.

PART 1:

Activities of the Bank

"The current economic and structural challenges demand a shared and urgent focus by all stakeholders from the Government, the private sector, and the citizens. On its part, the Bank is committed to be part of solving the fundamental economic problems confronting the nation"

- *Godwin I. Emefiele, CON*

CBN Strategy

Mission

"To ENSURE monetary, price, and financial system stability as a catalyst for inclusive growth and sustainable economic development"

Vision

"To be a people-focused Central Bank promoting confidence in the economy and enabling an improved standard of living"

Core Values

- Integrity
- Partnership
- Accountability
- Courage
- Tenacity

Governor's Strategic Focus (2019-2024)

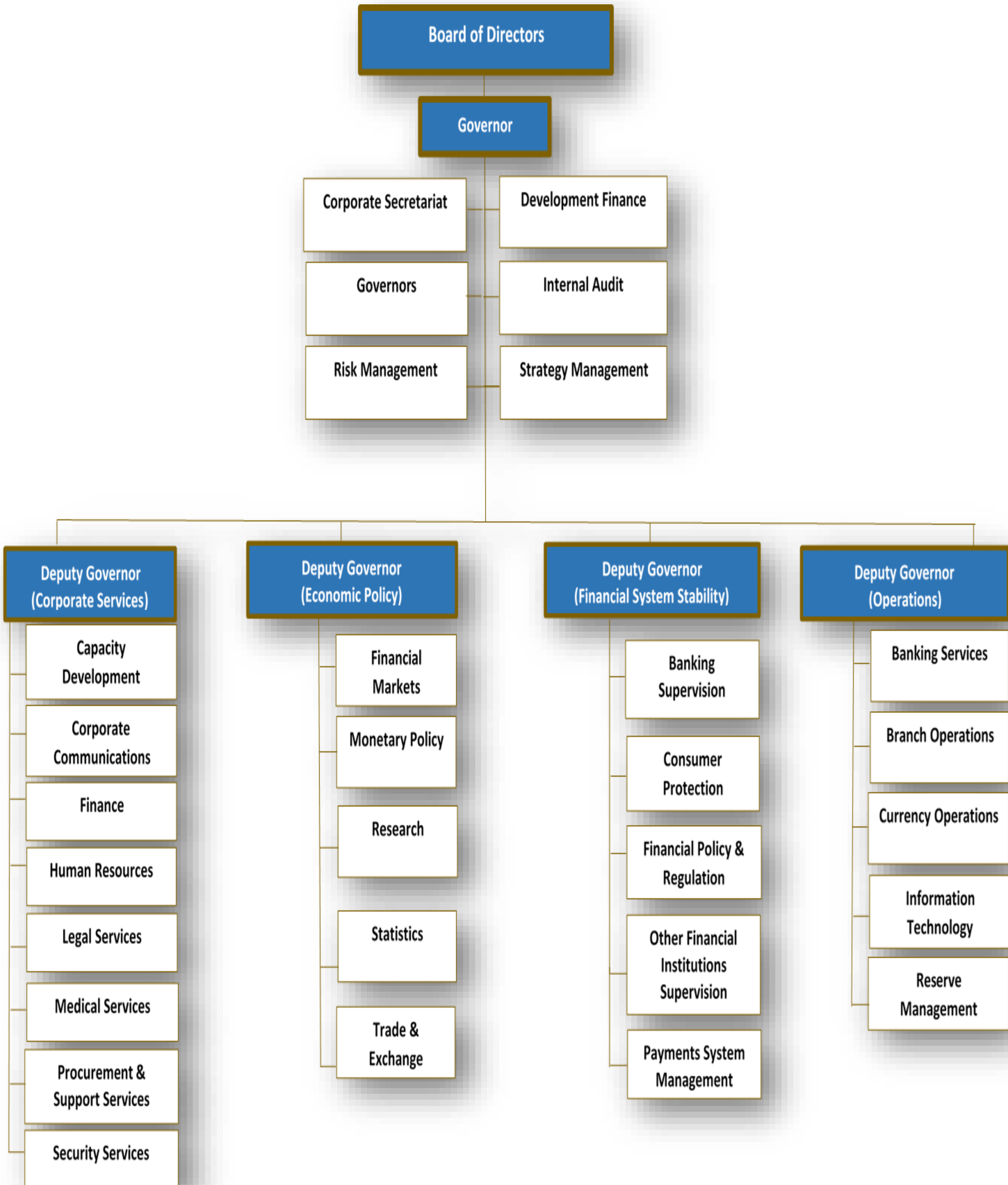
Godwin I. Emefiele, CON
Governor, Central Bank of Nigeria

"The Strategic focus of the Central bank of Nigeria, over the next five years is, primarily, driven by the need to support continued growth and development of the Nigerian economy"

Strategy

Preserve domestic macroeconomic and financial stability	• Achieve single-digit inflation and accelerate the rate of employment; • Support improved productivity in the agricultural and manufacturing sectors; • Improve the supervision of financial institutions and pursue the recapitalisation of the banking industry; and • Develop a robust mechanism to protect against loss of data, fraud and cybercrime.
Foster the development of a robust payments system infrastructure	• Improve speed and efficiency of payment channels and ensure they are safe and secure • Develop a regulatory sandbox in collaboration with NIBSS, banks and Fintechs; and • Support the spread and utilisation of digital modes of transactions and ensure the interoperability of payment channels.
Targeted development finance	• Financial Inclusion; • Access to Credit; and • Consumer Lending – lending to MSMEs and mortgage lending.
Grow external reserves	• Increase and diversify Nigeria's export base ; and • Aggressively implement the N500bn facility for growth of non-oil exports.
Support efforts at diversifying the economy through intervention programmes in the agriculture and manufacturing sectors	• Boost productivity growth in both the agriculture and manufacturing sectors through e to-end value chain credit intervention programmes.

GOVERNANCE STRUCTURE



Godwin I. Emefiele, CON

Governor and Chairman, Board of Directors

Since 3 June 2014.

Prior to his appointment as the Governor of the Central Bank of Nigeria in June 2014, Godwin I. Emefiele (CON) was the Chief Executive Officer and Group Managing Director of Zenith Bank PLC. With over 35 years of experience in the banking sector, he helped to grow Zenith Bank in his executive capacities at various times, superintending corporate banking, treasury, financial control, and strategic planning. Before his banking career, he held teaching appointments, first, at the University of Nigeria, Nsukka and then, the University of Port Harcourt, where he taught finance and insurance, respectively. He is also an alumnus of Executive Education at Stanford University, Harvard University and Wharton Graduate Schools of Business. Emefiele holds B.Sc. and MBA degrees in Banking and Finance, and an Honourary Doctorate degree in Business Administration from the University of Nigeria, Nsukka.

Aishah N. Ahmad (Mrs.), CFA, CAIA

Deputy Governor, Financial System Stability
Board Member

Since 23 March 2018.

Aishah Ahmad is a seasoned financial policy expert with experience spanning over twenty years. She is an Honorary Fellow of the Chartered Institute of Bankers of Nigeria (CIBN) and holds the Chartered Financial Analyst (CFA) and Chartered Alternative Investment Analyst (CAIA) designations. She has held many leadership positions across private wealth, investment management, and banking in major financial institutions including Executive Director at the then Diamond Bank PLC. She obtained a bachelor's degree in Accounting from the University of Abuja, MBA (Finance) from the University of Lagos, and MSc. in Finance and Management from Cranfield University, UK. She is also an alumnus of Executive Education at Harvard Kennedy School.

Edward L. Adamu

Deputy Governor, Corporate Services
Board Member

Since 23 March 2018.

Mr. Edward Adamu is a strategy and knowledge management specialist with over 35 years of professional experience. Prior to his appointment as Deputy Governor, he was Director, Strategy Management and Director of the Human Resources Departments, at the Central Bank of Nigeria, having risen through the ranks. He holds a B.Sc. degree in Quantity Surveying from the Ahmadu Bello University, Zaria and has received several certifications from world-class institutions, including the Executive Certificate in Economic Development from the Harvard Kennedy School. Mr. Adamu is a fellow of the Nigerian Institute of Quantity Surveyors and the Institute of Credit Administration.

Folashodun A. Shonubi

Deputy Governor, Operations

Board Member

Since 17 October 2018.

Mr. Shonubi is a seasoned information technology-driven banker with over 30 years professional experience. Prior to his appointment, he held several positions, including the Managing Director NIBSS PLC, and Executive Director, Information Technology and Operations at Union Bank of Nigeria PLC. He has worked in several financial institutions in executive IT and Treasury roles; was a Director, Information Technology and Corporate Services in Renaissance Securities Nigeria limited with responsibility for the Group's IT infrastructure in Africa and was Executive Director in Ecobank Nigeria Limited. He holds two Masters Degrees, in Business Administration and Mechanical Engineering, from the University of Lagos.

Kingsley I. Obiora, Ph.D

Deputy Governor, Economic Policy

Board Member

Since 2 March 2020.

Dr. Obiora is an economist with vast working experience in regional and international institutions, including the West African Monetary Institute (WAMI), Accra, Ghana and the International Monetary Fund (IMF), Washington DC, USA. Before his appointment as a Deputy Governor in the CBN, he was on the Board of the IMF as an Alternate Executive Director, representing the interests of 23 African Countries, including Nigeria. Earlier in his career, he was a Special Assistant to the President's Chief Economic Adviser, a Technical Adviser to the National Economic Management Team, and the Special Adviser on Economic Matters to the CBN Governor. Dr. Obiora holds a B.Sc. in Economics and Statistics from the University of Benin and Masters and Doctorate degrees in Economics from the University of Ibadan.

NON-EXECUTIVE DIRECTORS' PROFILES

Prof. Justitia O. Nnabuko

Non-Executive Director

Board Member

Since 7 July 2018.

Professor Justitia Nnabuko is an academic with a wealth of experience having served in various capacities at the University of Nigeria (UNN) since 1983. She holds a B.Sc. in Business Education from UNN, a PhD from the same University and became a Professor of Marketing in 2010. Prior to her appointment as a member of the CBN Board, she was the Dean of the Faculty of Business Administration at UNN. Prof. Nnabuko is a Fellow of the National Institute of Marketing of Nigeria, member of the Academy of Management, Nigeria, Nigerian Institute for Public Relations, Institute of Management Consultancy and National Association of Women of Academics.

Adeola S. Adetunji

Non-Executive Director Board Member

Since 7 July 2018.

Mr. Adeola Adetunji holds a B.Sc. degree in Economics from the University of Ife, MBA from the University of Pittsburgh, USA and joined the CBN Board with vast boardroom and senior management experience. At various times before his appointment, he served as the MD/CEO of Coca-Cola Nigeria Limited, MD Waveside Limited, MD Coca-Cola Sabco North & East Africa, among others. Mr. Adetunji is a member of the Global Advisory Council, University of Pittsburgh, USA; Young Presidents Organisation, and a Non-Executive Director at AIH Properties, South Africa.

Prof. Michael I. Obadan

Non-Executive Director Board Member

Since 7 July 2018.

Professor Michael Obadan brings to the CBN Board a wealth of knowledge and broad experience acquired from numerous capacities both locally and internationally. He is currently a Professor of Economics at the University of Benin, Edo State. In the course of his career, he held various senior management positions, including Director-General, National Centre for Economic Management and Administration, Dean of the Faculty of Social Sciences, University of Ibadan, Research Director/Adviser of New Nigeria Bank Limited, and Chairman, Economic Policy Analysis and Management Network, Harare, Zimbabwe. Professor Obadan obtained his B.Sc. and PhD degrees in Economics from the University of Ibadan and is a fellow of the Nigerian Economic Society (NES) and member of many professional bodies. He is widely published and has received numerous awards.

Prof. Ummu A. Jalingo

Non-Executive Director

Board Member

Since 7 July 2018.

Professor Ummu Ahmed Jalingo began her professional career in 1997 as a Lecturer in Bayero University, Kano (BUK), where she rose to the position of Professor in 2010. She was the Head of the Economics Department, BUK from 2009 to 2013, and is currently the Director of the Centre for Social and Economic Research (CSER) in the Federal University, Dutse. She holds a B.Sc. degree in Economics from BUK and a PhD in Economics from the Usman Danfodio University, Sokoto. She is a member of many professional bodies and a recipient of many awards in recognition of her contributions to National Development.

Ahmed Idris
Accountant General of The Federation
Board Member
Since 7 July 2018.

Mr. Ahmed Idris is a Non-Executive Director of the CBN Board in his capacity as the Accountant-General of the Federation. He holds B.Sc in Accountancy and a M.Sc. in International Affairs and Diplomacy from the Ahmadu Bello University, Zaria as well as an MBA from Bayero University, Kano. He is a vastly experienced accountant, who began his career with the organised private sector before joining the Federal Public Service in 2000. His public service experience spans various MDAs, including the Petroleum (Special) Trust Fund, National Poverty Eradication Programme, Ministry of Police Affairs, Federal Ministry of Interior, the Nigeria Security and Civil Defense Corps, and Ministry of Mines and Steel Development before his appointment as the Accountant-General of the Federation. Mr. Idris is a fellow and member of many professional bodies.

Dr. Abdu Abubakar
Non-Executive Director
Board Member
Since 4 April 2019.

Dr. Abdu Abubakar holds a First Class honours B.Sc. degree in Quantity Surveying from the Ahmadu Bello University, Zaria. He has over thirty years of combined experience in his academic and non-academic careers. Dr. Abdu is an expert in Construction Economics and Management and has served in various capacities, including Executive Director in charge of Banking Operations and Services at First Bank PLC. He also held senior positions in ATM Consortium Limited, Interswitch Limited, First Pension Custodian Nigeria Limited and Rainbow Town Development Limited. He was also a Special Assistant to the Honourable Minister of State for Education and Special Adviser to the Governor of the Central Bank of Nigeria on Private Sector and Parastatals.

Aliyu Ahmed
Board Member
Permanent Secretary, Federal Ministry of Finance
Appointed 25 September 2020.

Mr. Aliyu Ahmed is a Non-Executive Director of the CBN Board in his capacity as the Permanent Secretary, Ministry of Finance. He holds a B.Sc. in Quantity Surveying from Ahmadu Bello University, Zaria, Nigeria and a M.Sc. in Financial Economics from the University of Strathclyde, Glasgow, United Kingdom as well as an MBA in Finance from the University of Lagos. Mr. Aliyu served as a Lecturer in the Department of Economics and Management Studies Usmanu Danfodiyo University, Sokoto, Nigeria from 1989-1993 prior to his long and distinguished career in the Federal Civil Service which culminated in his appointment as Federal Permanent Secretary on December 18, 2019. Mr. Aliyu also served on the Technical Sub-committee of the Nigeria's Economic Management Team from 2006-2009. Currently, Aliyu serves on the Boards of Directors of the following Institutions: Africa Export Import Bank, Cairo, Egypt; OPEC Fund for International Development (OFID) Vienna, Austria, Nigeria National Petroleum Corporation (NNPC) and Asset Management Corporation of Nigeria (AMCON).

Principal Organs & Officers of the Bank
(as at 31 December 2021)

Members of the Board of Directors of the Bank

1	Godwin I. Emefiele, *CON*	-	*Governor (Chairman)*
2	Aishah N. Ahmad	-	*Deputy Governor (Financial System Stability)*
3	Edward L. Adamu	-	*Deputy Governor (Corporate Services)*
4	Folashodun A. Shonubi	-	*Deputy Governor (Operations)*
5	Kingsley I. Obiora	-	*Deputy Governor (Economic Policy)*
6	Adeola S. Adetunji	-	*Non-Executive Director*
7	Ahmed Idris	-	*Non-Executive Director*
8	Aliyu Ahmed	-	*Non-Executive Director*
9	Ummu A. Jalingo	-	*Non-Executive Director*
10	Justitia O. Nnabuko	-	*Non-Executive Director*
11	Michael I. Obadan	-	*Non-Executive Director*
12	Abdu Abubakar	-	*Non-Executive Director*
	Alice Karau	-	*Secretary to the Board*

Members of the Committee of Governors

1	Godwin I. Emefiele, *CON*	-	*Governor (Chairman)*
2	Aishah N. Ahmad	-	*Deputy Governor (Financial System Stability)*
3	Edward L. Adamu	-	*Deputy Governor (Corporate Services)*
4	Folashodun A. Shonubi	-	*Deputy Governor (Operations)*
5	Kingsley I. Obiora	-	*Deputy Governor (Economic Policy)*
	Alice Karau	-	*Secretary*

Members of the Monetary Policy Committee

1	Godwin I. Emefiele, CON	-	*Governor (Chairman)*
2	Aishah N. Ahmad	-	*Deputy Governor (Financial System Stability)*
3	Edward L. Adamu	-	*Deputy Governor (Corporate Services)*
4	Folashodun A. Shonubi	-	*Deputy Governor (Operations)*
5	Kingsley I. Obiora	-	*Deputy Governor (Economic Policy)*
6	Adeola F. Adenikinju		*Member*
7	Aliyu R. Sanusi		*Member*
8	Robert C. Asogwa		*Member*
9	Michael I. Obadan		*Member*
10	Aliyu Ahmed		*Member*
	Mahmud Hassan		*Secretary*

Principal Officers of the Bank as at 31 December 2021
Departmental Directors

1	Samuel C. Okojere	-	*Banking Services*
2	Haruna B. Mustapha	-	*Banking Supervision*
3	Elizabeth O. Fasoranti	-	*Branch Operations*
4	Aisha B. Abubakar	-	*Capacity Development Department*
5	Rashida J. Monguno	-	*Consumer Protection*
6	Osita C. Nwanisobi	-	*Corporate Communications*
7	Alice Karau	-	*Corporate Secretariat*
8	Ahmed B. Umar	-	*Currency Operations*
9	Philip Y. Yusuf	-	*Development Finance*
10	Benjamin A. Fakunle	-	*Finance*
11	Angela A. Sere-Ejembi	-	*Financial Markets*
12	Chibuzo A. Efobi	-	*Financial Policy and Regulation*
13	Mohammed D. Suleyman*	-	*FSS 2020 Secretariat*
14	Jeremiah Abue**	-	*Governors*
15	Amina A. Habib	-	*Human Resources*
16	Rakiya S. Mohammed	-	*Information Technology*
17	Lydia I. Alfa	-	*Internal Audit*
18	Sirajuddin K. Salam-Alada	-	*Legal Services*
19	Abdulkadir A. Jibril	-	*Medical Services*
20	Hassan Mahmud	-	*Monetary Policy*
21	Nkiru E. Asiegbu	-	*Other Financial Institutions Supervision*
22	Musa I. Jimoh	-	*Payments System Management*
23	Arinze A. Stanley	-	*Procurement and Support Services*
24	Michael A. Adebiyi	-	*Research*
25	Benjamin C. Nnadi	-	*Reserve Management*
26	Blaise Ijebor	-	*Risk Management*
27	Oluwakemi Osa-Odigie	-	*Security Services*
28	Mohammed M. Tumala	-	*Statistics*
29	Clement O. Buari	-	*Strategy Management*
30	Scholastica O. Nnaji	-	*Trade and Exchange*
31	Olorunsola E. Olowofeso ***	-	*West African Monetary Institute*
32	Abubakar A. Kure****	-	*NIRSAL Microfinance Bank*

*Retired on 21st December 2021.
**Died on 21st December 2021.
***On Secondment.
****On Posting.

Special Advisers to the Governor as at 31 December 2021		
1	Emmanuel U. Ukeje	*Economic Matters*
2	Ebipere Clark	*Energy Sector*
3	Yakubu Umar	*Islamic Finance*
4	Oluwatoyin M. Fasheitan	*Payments*
5	Aisha Usman Mahmoud	*Sustainable Banking*

Branch Controllers as at 31 December 2021			
1	Christopher O. Adayi	-	*Abakaliki*
2	Wahab L. Oseni	-	*Abeokuta*
3	Ibeawuchi F. Amagwu	-	*Abuja*
4	Omotoso W. Abiola	-	*Ado-Ekiti*
5	Fatai A. Yusuf	-	*Akure*
6	Olaoba A. Oladimeji	-	*Asaba*
7	Benedicth I. C. Maduagwu	-	*Awka*
8	Haladu A. Idris	-	*Bauchi*
9	Renner D. Jumbo	-	*Benin*
10	Mannir D. Abdullahi	-	*Birnin-Kebbi*
11	Glory U. Iniunam	-	*Calabar*
12	Gana A. Abdulkadir	-	*Damaturu*
13	Sa'adatu A. Ibrahim	-	*Dutse*
14	Chiedozie E. Okonjo	-	*Enugu*
15	Shehu A. Goringo	-	*Gombe*
16	Bui U. Ibrahim	-	*Gusau*
17	Olufolake M. Ogundero	-	*Ibadan*
18	Ademola S. Mohammed	-	*Ilorin*
19	Idirisa D. Maina	-	*Jalingo*
20	Esther C. Tinat	-	*Jos*
21	Biu U. Ibrahim	-	*Kaduna*
22	Babangida Jino	-	*Kano*
23	Dahiru N. Usman	-	*Katsina*
24	Samson A. Isuwa	-	*Lafia*
25	Atise J. Ekhator	-	*Lagos*
26	Ahmed I. Sule	-	*Lokoja*
27	Tijani K. Lawan	-	*Maiduguri*
28	John O. Itaha	-	*Makurdi*
29	Binta A. Aliyu	-	*Minna*
30	Ajuma D. Madojemu	-	*Osogbo*
31	Okeke C. Godfrey	-	*Owerri*
32	Oruwari B. Oyoburuoba	-	*Port Harcourt*
33	Yusuf B. Wali	-	*Sokoto*
34	Onyeka M. Ogbu	-	*Umuahia*
35	Itohan M. Ogbomon-Paul	-	*Uyo*
36	Ene F. Asuquo	-	*Yenagoa*
37	Satu J. Jatau	-	*Yola*

2.0 MANDATE OPERATIONS

2.1 MONETARY POLICY

Primary Objective of Monetary Policy

Price and Monetary Stability

Implicit Target

Headline Inflation of 6-9 per cent

Monetary Policy Environment

Priorities of MP

- Ensure price and macroeconomic stability
- Stimulate investments to the manufacturing sector
- Mitigate the downside risks of COVID-19
- Accessible credit to firms and households
- Ensure sustained recovery from the effects of the COVID-19 pandemic
- Ease access to foreign exchange for small and medium enterprises, and invisible transactions
- Navigating prevailing uncertainties

Drivers

- Ubiquitous and subsisting impact of the twin shocks of the COVID Pandemic and oil price shocks
- Unprecedented production and supply chain disruptions, slacking consumption demand, and stiffening effect on economic activities and consumer confidence
- Extraordinary decline in global trade and demand.

Instruments of MP

In the pursuit of its statutory objectives, the Bank during the review period, also deployed an array of conventional and unconventional monetary policy instruments.

- The Open Market Operations (OMO) remained the major instrument for liquidity management, complemented by:
- Cash Reserve Ratio (CRR)
- Liquidity Ratio (LR)
- Standing Facilities operations
- Discount Window Operations
- Interventions in the foreign exchange market.

Implications

Prevailing stress in the domestic economy led to:

- Disruptions in the rebound in economic recovery,
- Capital flow reversals
- Subdued external reserves level
- Pressures on the exchange rate and domestic prices
- Broadening of price pressures due to structural and cyclical factors
- Inflationary pressure – 15.75 per cent in December 2020, from 12.13 per cent in January 2020.

CBN COVID-19 Policy Initiatives

- Sustained implementation of the Loan-to-Deposit Ratio (LDR) and a suite of development finance initiatives.
- Reduced interest rates on all applicable CBN interventions from 9 to 5 per cent.
- ₦1.0 trillion credit facility for the manufacturing sector.
- Targeted Credit Facility (TCF) for households and micro, small and medium enterprises (MSMEs).
- ₦100.0 billion credit facility for the pharmaceutical companies.
- Granted a one-year moratorium and reduced interest rate from 9.0 to 5.0 per cent on all CBN related intervention programmes.
- Regulatory forbearance to restructure loans in impacted sectors.

Monetary Policy Committee (MPC) Decisions in 2021

Date of Meeting	Decision
25 and 26 January 21 Communiqué No. 134	*Retained the MPR at 11.5 per cent;* *Retained the CRR at 27.5 per cent;* *Retained the liquidity ratio at 30.0 per cent; and* *Retained the asymmetric corridor at +100 and -700 basis points around the MPR.*
22 and 23 March, 2021 Communiqué No. 135	*Retained the MPR at 11.5 per cent;* *Retained the CRR at 27.5 per cent;* *Retained the liquidity ratio at 30.0 per cent; and* *Retained the asymmetric corridor at +100 and -700 basis points around the MPR.*
24 and 25 May, 2021 Communiqué No. 136	*Retained the MPR at 11.5 per cent;* *Retained the CRR at 27.5 per cent;* *Retained the liquidity ratio at 30.0 per cent; and* *Retained the asymmetric corridor at +100 and -700 basis points around the MPR.*
26 and 27 July 2021 Communiqué No. 137	*Retained the MPR at 11.5 per cent;* *Retained the CRR at 27.5 per cent;* *Retained the liquidity ratio at 30.0 per cent; and* *Retained the asymmetric corridor at +100 and -700 basis points around the MPR.*
16 and 17 September, 2021 Communiqué No. 138	*Retained the MPR at 11.5 per cent;* *Retained the CRR at 27.5 per cent;* *Retained the liquidity ratio at 30.0 per cent; and* *Retained the asymmetric corridor at +100 and -700 basis points around the MPR.*
22 and 23 November, 2021 Communiqué No. 139	*Retained the MPR at 11.5 per cent;* *Retained the CRR at 27.5 per cent;* *Retained the liquidity ratio at 30.0 per cent; and* *Retained the asymmetric corridor at +100 and -700 basis points around the MPR.*

Exchange Rate Policy

- The Bank adjusted the foreign exchange rate towards unifying the exchange rates in all segments of the forex market
- The objective was to close the wide premium in all segments of the market, while enhancing price discovery.
- Sustained intervention in the foreign exchange market and retention of the I&E window to attract autonomous inflow of foreign exchange to stabilise the domestic currency.
- Contain demand pressure and supply constraints
- Promote diaspora remittances and capital repatriation
- Improve foreign exchange earnings and liquidity in the foreign exchange market
- Improve the overall balance of payments and grow external reserves

2.1.1 Liquidity Management

Liquidity management in 2021 was anchored on ensuring optimal banking system liquidity to achieve monetary and price stability. The liquidity condition during the year was influenced by issuances of new and maturing CBN bills, provisioning and settlement of foreign exchange purchases, Federation Account Allocation Committee (FAAC) disbursements, and sustained interventions by the fiscal and monetary authorities.

The Bank pursued an accommodative monetary policy stance aimed at managing banking system liquidity and moderating exchange rate pressure, to ensure a sustained recovery from the adverse effects of the COVID-19 pandemic. The Bank retained the Monetary Policy Rate (MPR) at 11.5 per cent, with an asymmetric corridor of +100/-700 basis points around the MPR throughout the year. Similarly, the Cash Reserve and Liquidity ratios were held at 27.5 per cent and 30.0 per cent, respectively. Furthermore, Open Market Operations (OMO) were conducted periodically, complemented by discount window operations to stabilise liquidity.

The Bank continued to operate special windows to ease access to foreign exchange for small and medium enterprises, and invisible transactions. The Bank also retained the net foreign currency trading position at 0.5 per cent and -10.0 per cent of shareholders' funds unimpaired by losses, to limit commercial banks' exposure to foreign exchange risks. To improve foreign exchange inflows into the country, the Bank introduced the 'Naira 4 Dollar' Scheme, and directed licensed IMTOs to pay beneficiaries of diaspora remittances in foreign currency.

The performance of key monetary aggregates was mixed. Broad (M3) and narrow money (M1) grew by 12.6 per cent and 15.8 per cent, respectively, compared with their indicative targets of 10.0 per cent and 17.9 per cent, for 2021. Aggregate bank credit to the economy grew by 17.3 per cent, compared with the benchmark of 13.4 per cent while credit to private sector grew by 17.6 per cent, which was above its 2021 benchmark of 16.8 per cent. The Net Foreign Assets (NFA) of the banking system declined by 1.8 per cent to ₦8,814.45 billion, in contrast to the growth of 23.4 per cent in 2020. The monetary base stood at ₦13,295.15 billion, representing a growth rate of 1.4 per cent, but was lower than the benchmark of ₦13,538.85 billion for 2021.

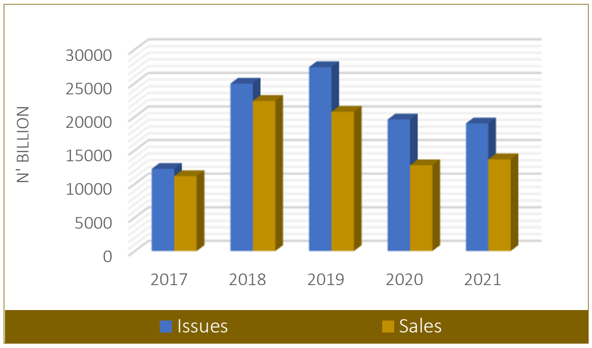
2.1.2 Monetary Operations

Liquidity management was conducted using the issuances of new and maturing CBN bills, provisioning and settlement of foreign exchange purchases as well as Cash Reserve Ratio (CRR) maintenance operations.

2.1.2.1 Open Market Operations

CBN bills were auctioned through Open Market Operations (OMO) with total offer and sales of ₦13,779.55 billion and ₦13,648.05 billion, respectively. There was a decline in the volume of subscriptions in 2021 to ₦18,992.95 billion, from ₦19,578.50 billion in 2020, with a slightly lower bid rate of 7.12 per cent (± 5.89), compared with 7.68 per cent (± 6.33) in the preceding year.

Figure 2.1.1: OMO Issues and Sales, 2017 – 2021



Source: Central Bank of Nigeria

2.1.2.2 Repurchase Transactions (Repos)

Request for tenored repo transactions increased in 2021, following the Bank's commencement of collateral execution at the discount window. The total request for repo transactions was ₦14,108.47 billion, compared with ₦828.21 billion in 2020. The market interest rates ranged from 14.0 per cent to 17.0 per cent for 4-day to 90-day tenors, compared with 16.0 per cent to 19.0 per cent in 2020. Consequently, total interest earned on repo was ₦76.61 billion, a significant increase of 461.66 per cent above ₦13.64 billion in 2020. The substantial increase in repo transactions reflected a preference for tenored funds relative to the overnight facilities, following the implementation of collateral execution of transactions at the standing lending facility (window).

2.1.3 Discount Window Operations

CBN Standing Facilities

Transactions at the standing facility window, revealed a decline at the Standing Deposit Facility (SDF) and an increase at the Standing Lending Facility (SLF). Activity at the SDF window decreased to an average daily amount of ₦12.65 billion in 240 transaction days in 2021, from ₦29.12 billion in 249 transaction days in 2020. Resultantly, the average daily interest payments on the deposits decreased to ₦2.04 million in 2021, from ₦7.87 million in 2020. The average daily request for SLF was ₦60.52 billion in 207 transaction days, of which Intra-day Lending Facility (ILF) conversion averaged ₦21.60 billion or 35.67 per cent of average daily requests. The average daily interest charged was ₦34.24 million. In 2020, the average daily request for SLF was ₦33.48 billion in 154 transaction days, of which ILF conversion was ₦14.19 billion or 42.39 per cent while the average daily interest income stood at ₦23.44 million.

2.1.4 Interest Rate Policy and Developments

Money Market Rates

Interest rates developments reflected liquidity conditions in the money market, as they trended upwards in 2021. Money market rates rose generally in 2021 in response to the relatively tighter banking system liquidity. The average call and the Open Buy Back rates rose by 7.10 basis points and 5.86 basis points to 12.69 per cent and 12.13 per cent, respectively, from their levels in 2020. Similarly, NIBOR call and NIBOR-30 rates rose to 12.61 per cent and 8.52 per cent, respectively, from 6.75 per cent and 5.45 per cent in 2020.

Table 2.1. 1: Average Money market rates

	IBCR	NIBOR Call	OBB	30-day NIBOR	MPR
2020	**5.5**	**6.8**	**6.3**	**5.5**	**11.5**
Jan	4.4	3.2	3.3	0.7	11.5
Feb	11.7	8.4	8.7	1.7	11.5
Mar	10.1	12.8	12.6	3.4	11.5
Apr	30.0	14.3	16.8	7.1	11.5
May	16.0	15.9	16.2	10.8	11.5
Jun	16.9	17.2	16.4	12.7	11.5
Jul	12.4	13.4	11.9	12.3	11.5
Aug	13.5	13.7	12.7	11.8	11.5
Sep	13.2	12.4	11.1	10.9	11.5
Oct	13.3	13.9	12.8	11.3	11.5
Nov	11.5	12.4	10.6	9.5	11.5
Dec	0.0	13.8	12.6	10.0	11.5
2021	**12.7**	**12.6**	**12.1**	**8.5**	**11.5**

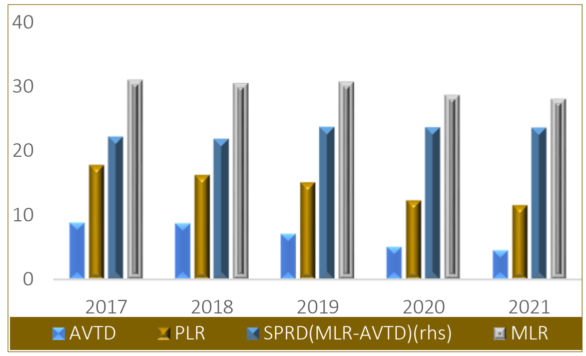
Source: Central Bank of Nigeria

Note: IBCR-Interbank Call Rate, NIBOR- Nigeria Inter Bank Offered Rate, OBB – Open Buy Back, MPR- Monetary Policy Rate.

Deposit and Lending Rates

Average lending and deposit rates declined in 2021 relative to their levels in 2020. Prime and maximum lending rates declined by 0.75 basis point and 0.59 basis point to 11.48 per cent and 28.06 per cent, respectively, compared with their levels in 2020. The developments reflected the deliberate policies of the Bank to lower the cost of credit in the economy, including interventions in critical sectors of the economy, leading to affordable credit for the real sector. With the average term deposit rate at 4.50 per cent in 2021, the spread between the maximum lending and average term deposit rate narrowed by 0.03 percentage point to 23.56 per cent from the level in 2020.

Figure 2.1. 2: Average Deposit and Lending Rates, 2017 – 2021



Source: Central Bank of Nigeria

2.2 CURRENCY MANAGEMENT

2.2.1 Issuance of Legal Tender Currency

The Bank approved an indent of various denominations of banknotes to meet the currency needs of the economy. In 2021, an indent of 2,458.50 million pieces of banknotes of various denominations was approved. This represented a decrease of 2.39 per cent from the 2,518.68 million pieces approved in the preceding year. Of the approved 2,458.50 million pieces of banknotes, only 2,421.32 million pieces, representing 98.49 per cent, were delivered by the Nigerian Security Printing and Minting Company (NSPM) Plc.

2.2.2 Currency-in-Circulation

Currency-in-circulation (CIC) rose significantly in 2021, as the economy continued to recover from the impact of the Covid-19 pandemic. The CIC stood at ₦3,325.16 billion as at end-December 2021, compared with ₦2,907.13 billion at end-December 2020. This represented an increase of 14.38 per cent or ₦418.03 billion, attributed mainly to the release of intervention funds and monetisation of oil proceeds by the Bank.

Table 2.1. 2: Currency-In-Circulation 2017 – 2021 (Value & Volume)

Denomination	2017		2018		2019		2020		2021	
	CIC (₦Billions)	CIC (Million pieces)	CIC (₦Billions)	CIC (Million pieces)	CIC (₦Billions)	CIC (Million pieces)	CIC (₦Billions)	CIC (Million pieces)	CIC (₦Billions)	CIC (Million pieces)
₦1000	1,228.84	1,228.84	1,288.22	1,288.22	1,460.44	1,460.44	1,678.27	1,678.27	1,933.23	1,933.23
₦500	658.28	1,316.57	722.30	1,444.60	710.64	1,421.27	922.03	1,844.07	1,001.65	2,003.30
₦200	132.89	664.46	120.52	602.62	145.24	726.22	170.10	850.48	245.45	1,227.24
₦100	70.56	705.59	62.02	620.16	69.35	693.50	79.26	792.63	80.93	809.33
₦50	30.41	608.25	22.78	455.54	25.12	502.45	24.30	486.01	24.12	482.44
₦20	21.18	1,058.81	20.33	1,016.68	18.69	934.30	20.28	1,014.14	22.04	1,101.83
₦10	10.07	1,006.82	8.01	801.34	7.69	768.82	7.84	783.69	10.36	1,036.38
₦5	3.76	752.15	2.70	540.74	2.88	576.91	3.44	688.62	5.77	1,153.66
₦2	0.22	107.57	0.41	204.38	0.41	204.37	0.41	204.37	0.41	204.37
₦1	0.62	616.49	0.74	736.08	0.74	736.05	0.74	736.05	0.74	736.05
TOTAL	**2,156.82**	**8,065.54**	**2,248.04**	**7,710.36**	**2,441.20**	**8,024.33**	**2,906.67**	**9,078.32**	**3,324.70**	**10,687.83**
.50K	0.34	681.48	0.34	681.48	0.34	681.48	0.34	681.48	0.34	681.48
.25K	0.09	348.23	0.09	348.23	0.09	348.23	0.09	348.23	0.09	348.23
.10K	0.03	315.58	0.03	315.58	0.03	315.58	0.03	315.58	0.03	315.58
1K	0.00	31.37	0.00	31.37	0.00	31.37	0.00	31.37	0.00	31.37
TOTAL	**0.46**	**1,376.66**	**0.46**	**1,376.66**	**0.46**	**1,376.66**	**0.46**	**1,376.66**	**0.46**	**1,376.66**

Source: Central Bank of Nigeria

2.2.3 Currency Management Initiatives

The Bank prioritised the implementation of several initiatives in 2021, to enhance its currency management operations.

2.2.3.1 Nigerian Cash Management Scheme (NCMS)

The Bank sustained efforts in implementing its Cash Activity Reporting Portal (CARP). As a result, the Bank hosted an industry-wide workshop aimed at enhancing the quality and integrity of data transmitted to the Portal and improving its analytics. Industry stakeholders, including the Nigeria Inter-Bank Settlement System (NIBSS), banks, Cash Processing Companies (CPCs) and Cash-In-Transit (CIT) companies, participated actively in the workshop. The Bank also initiated consultations with industry stakeholders towards validating and subsequently, issuing the operational guidelines in respect of Bank Neutral Cash Hubs. These are new cash collection centres that would be established by registered processing companies or banks in areas with high volumes of commercial activities and cash transactions. The hubs would provide a platform for customers to make cash deposits and receive value irrespective of the bank with which their account is domiciled.

2.2.3.2 Banknote Tracking Initiative

The Bank's Mint Tracking System (MTS) became operational across its thirty-seven (37) Branches. The System was developed, in collaboration with the Nigerian Security Printing & Minting Company (NSPM) Plc., to improve efficiency in identifying the recipients of new banknotes upon issuance by the Bank. The MTS would enhance efficiency and transparency in banknote distribution and mitigate incidences of currency hoarding and illegal sale of new banknotes.

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2.2.3.3 Forensic Currency Laboratory

The Bank's digital forensic currency laboratory facility was being established to aid independent authentication and quality assessment of various input of naira banknotes. The forensic laboratory would enable the Bank to take ownership and facilitate the expeditious adjudication of mutilated/burnt and suspected counterfeit banknotes. The establishment of the laboratory would promote in-house analysis of banknotes by the CBN, as the sole issuer of the legal tender currency in Nigeria. It would also enable the Bank to conduct routine analysis of counterfeit notes received through designated channels, to ascertain the security features that are being attacked by counterfeiters.

2.2.3.4 Authentication and Processing of Foreign Currency Deposits by Banks

To enhance the management of foreign exchange deposits in the banking system, the Bank initiated the authentication and processing of foreign currency deposits by banks, and transfer to their offshore accounts. The deposit receipt/authentication of foreign exchange by banks commenced on 18 July 2017. At end-December 2021, US$21.54 billion had been received and processed/authenticated at Lagos and Abuja branches of the CBN, while an income of ₦21.36 billion was generated. Of the amount received, a total of US$3.20 billion was utilised for BDC intervention operations, while US$95.92 million and US$15.03 million were used for payments to MDAs and other end users, respectively.

2.2.3.5 Status Update on Sustainable Disposal Initiative

In line with the Bank's Sustainable Disposal Initiative, off-taker agreements had been signed with three (3) companies for the purchase of paper banknote waste. During the review year, two of the three companies took delivery of eight hundred and forty-nine (849) tonnes of paper banknote waste across seven (7) locations, earning the Bank ₦4.27 million income.

2.2.3.6 Currency Management Income and Expenditure

The Bank generated the sum of ₦3,715.23 million as income from currency management activities in 2021, compared with ₦6,499.91 million in 2020. This represented a decrease of ₦2,784.68 million or 42.84 per cent. The income generated was largely, from penal charges on unsorted banknotes deposited by banks and charges for processing of foreign currency deposits with the Bank.

The Bank incurred a total of ₦69,048.04 million, as expenses on currency operations in 2021, representing an increase of ₦3,155.70 million or 4.79 per cent, relative to ₦65,892.34 million in 2020.

2.3 FOREIGN EXCHANGE MANAGEMENT

2.3.1 Foreign Exchange Market and Management

The gradual recovery of the domestic economic activities from the effects of the COVID-19 pandemic containment measures spurred increased demand pressure in the foreign exchange market, amid supply constraints. The Bank implemented various policies to curtail the pressure, while sustaining its interventions in the foreign exchange market to enhance liquidity and ensure exchange rate stability.

To promote transparency and encourage inflow of diaspora remittances, the Bank permitted only licensed international money transfer operators (IMTOs) to facilitate remittances into the country and mandated that all such inflows be paid to the beneficiaries in foreign currency. Similarly, the "Naira 4 Dollar" Scheme was introduced, an incentive that pays ₦5 for every US$1.0 remitted. The Scheme, which was scheduled to end on 8 May 2021, was extended indefinitely to consolidate its success.

The Bank adopted the Nigerian Autonomous Foreign Exchange (NAFEX) rate, called the I&E rate, as the official exchange rate on 24 May 2021, to further unify the rates at different segments of the market. The Bank also increased foreign exchange supply to the banks to meet increased demand for invisible services (PTA, BTA, tuition fees, and medical payments), SME transactions, and repatriation of profit and dividends by non-resident investors.

At the 137th meeting of the MPC, the Bank announced the discontinuation of foreign exchange sales to the Bureau de Change (BDC) operators and suspended the processing and issuance of new licences for BDC operations, to curtail sharp practices. Consequently, foreign exchange sales were rechannelled to commercial banks to meet PTA/BTA demand.

To further improve foreign exchange supply, the Bank sustained its participation at the Naira-Settled Over-The-Counter (OTC) Futures Market, and continued the implementation of the Bi-lateral Currency Swap Agreement (BCSA) with the People's Bank of China (PBoC), through the Retail Secondary Market Intervention Sales (SMIS).

To facilitate the implementation of the National Sugar Master Plan, the Bank directed all authorised dealers not to open form 'M' or access foreign exchange in the Nigerian foreign exchange market, for any company for the importation of sugar without the approval of the Bank.

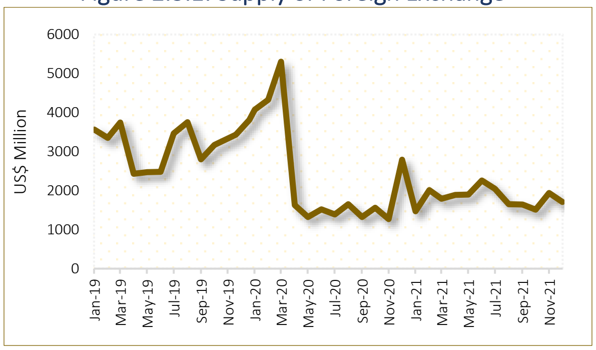
The Bank automated the Form 'NCX' for non-commercial exports and Form 'A' for invisible transactions (PTA/BTA, medicals, education, and other remittances) on the trade monitoring system. The development would improve the efficiency of the process.

Reflective of the supply constraints and the policy environment, aggregate foreign exchange supplied by the Bank decreased by 22.5 per cent to US$21.81 billion, from US$28.16 billion in 2020. A disaggregation showed that foreign exchange cash sales to BDC operators declined to US$3.21 billion[1], from US$5.33 billion in 2020. Similarly, wholesale forwards, matured swap contracts, and interventions in the Investors and Exporters (I&E) window, decreased by 95.6 per cent, 11.1 per cent, and 44.6 per cent to US$0.097 billion, US$3.24 billion, and US$4.57 billion, respectively, from the levels in 2020. However, sales to interbank/invisible, Small and Medium Enterprises (SMEs) sales, and Secondary Market Intervention Sales (SMIS) segments rose by 189.2 per cent, 30.4 per cent, and 5.1 per cent to US$1.98 billion, US$1.54 billion, and US$7.18 billion, respectively, from their levels in 2020. The surge in interbank/invisibles was to

[1] Figure captures January to July 2021, as foreign exchange sales to BDCs was discontinued afterwards.

accommodate demand, following the discontinuation of sales of foreign currency to BDCs.

Figure 2.3.1: Supply of Foreign Exchange



Source: Central Bank of Nigeria

Furthermore, the sum of US$9.41 billion matured at the forwards segment, while US$4.40 billion remained outstanding at end-December 2021. At the Naira-Settled OTC Futures market, a total of US$6.88 billion was traded, US$20.46 billion matured while US$5.33 billion was outstanding at end-December 2021.

In line with the Bi-lateral Currency Swap Agreement (BCSA) with the People's Bank of China (PBoC), 24 auctions were conducted in 2021 and Renminbi worth CNY3.31 billion was sold, compared with the sum of CNY1.02 billion in the 2020. The cumulative sum of CNY5.78 billion had been sold from inception to end-December 2021.

2.3.2 Foreign Exchange Flow

The economy recorded a lower net foreign exchange inflow on account of dwindling receipts from both crude oil and non-oil sources. Aggregate foreign exchange inflow into the economy declined by 9.4 per cent to US$94.78 billion, from US$104.62 billion in 2020. Foreign exchange inflow through the economy comprised inflow through the Bank, constituting 42.3 per cent, and autonomous sources, 57.7 per cent, of the total.

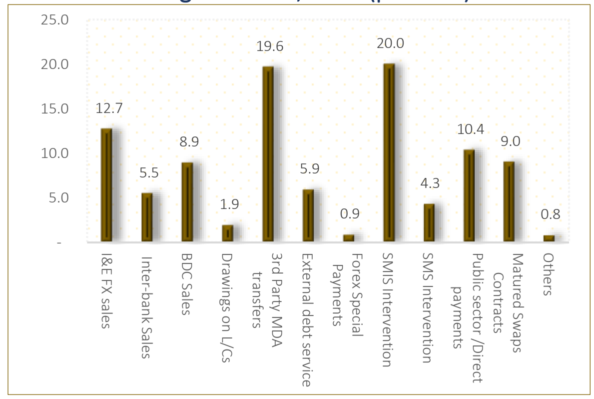
A disaggregation showed that foreign exchange inflow through the Bank increased marginally by 0.2 per cent to US$40.06 billion, from US$39.99 billion in 2020. A breakdown of the inflow through the Bank, showed that earnings from crude oil export fell by 34.2 per cent to US$6.77 billion, compared with US$10.30 billion in the preceding year. The non-oil component, however, rose by 12.1 per cent to US$33.29 billion, from US$29.69 billion in 2020. The development was attributed, mainly, to proceeds from the sale of Eurobonds worth US$4.00 billion. Interbank swaps, TSA and third-party receipts, and other official receipts also rose by 39.9 per cent, 58.9 per cent, and 63.7 per cent, respectively, to US$7.04 billion, US$8.86 billion, and US$5.91 billion, from their levels in 2020. In addition, interest on reserves and investment, and returned payments increased by 3.6 and 13.2 per cent to US$0.49 billion and US$0.47 billion, respectively, relative to 2020. However, foreign exchange purchases, banks cash receipts, and unutilised funds from foreign exchange transactions fell by 46.9 per cent, 74.8 per cent, and 61.0 per cent to US$2.02 billion, US$0.86 billion, and US$0.30 billion, respectively, from their levels in 2020.

Inflow through autonomous sources decreased by 15.3 per cent to US$54.71 billion, from US$64.63 billion in 2020, driven, largely by lower over the counter (OTC) purchases. A disaggregation of autonomous inflow showed that: invisibles declined by 18.1 per cent to US$51.52 billion in 2021, on account of lower OTC purchases. A breakdown of OTC purchases showed that capital importation declined by 37.6 per cent to US$6.66 billion. Other OTC purchases and home remittances also decreased, by 28.9 per cent and 97.7 per cent, to US$23.82 billion and US$0.03 billion, respectively, in 2021. Non-oil export receipts by banks, however, increased significantly by 83.2 per cent to US$3.12 billion. External account purchases increased to US$0.07 billion, relative to the level in 2020.

Aggregate foreign exchange outflow from the economy declined by 7.6 per cent to US$41.47 billion, from US$44.89 billion in 2020. Of this, outflow through the Bank constituted 87.3 per cent while autonomous sources accounted for the balance of 12.7 per cent.

Foreign exchange outflow through the Bank, declined by 14.3 per cent to US$36.20 billion, from US$42.24 billion in the preceding year. The development was due, largely, to 22.5 per cent and 44.0 per cent reduction in foreign exchange market sales and public sector/direct payments, respectively. The decline in direct payments was attributed to the lower Joint Venture Company (JVC) cash call payments. Similarly, estacode payments and drawings on letters of credit fell by 0.5 per cent and 18.1 per cent to US$0.02 billion and US$0.69 billion, respectively, from the levels in 2020. However, third-party MDA transfers and external debt service at US$7.06 billion and US$2.13 billion, rose by 53.3 per cent and 36.6 per cent, respectively, from the levels in 2020.

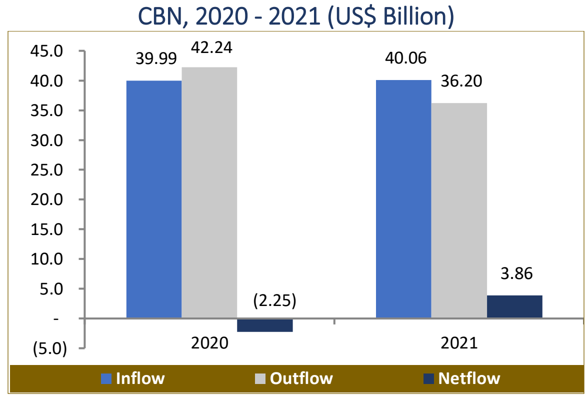
Figure 2.3.2a: Foreign Exchange Disbursement through the CBN, 2021 (per cent)



Source: Central Bank of Nigeria

Outflow through autonomous sources increased by 99.4 per cent to US$5.27 billion, relative to the level in 2020, out of which payments for invisible and visible imports were US$4.99 billion and US$0.28 billion, respectively. Overall, the economy in 2021 recorded a lower net inflow of US$53.30 billion, compared with US$59.74 billion in 2020. Of this total, US$49.44 billion or 92.8 per cent was through autonomous sources, while the balance of US$3.86 billion or 7.2 per cent was through the Bank.

Figure 2.3. 2b: Foreign Exchange Flows through the CBN, 2020 - 2021 (US$ Billion)

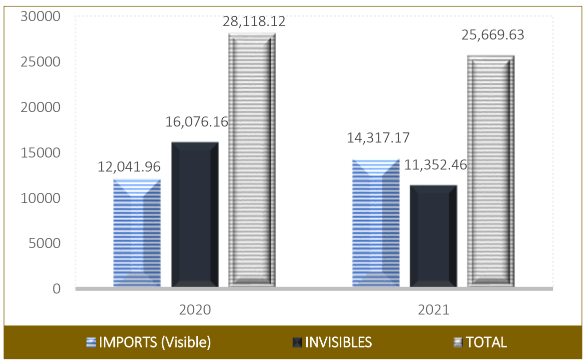


Source: Central Bank of Nigeria

2.3.3 Sectoral Utilisation of Foreign Exchange

Aggregate utilisation of foreign exchange by sectors decreased, driven by a decline in invisible imports. Foreign exchange utilised by major economic sectors, decreased by 8.7 per cent to US$25.67 billion in 2021, compared with US$28.12 billion in 2020. The development was due to the decline in foreign exchange utilisation for major invisibles.

Figure 2.3. 3a Sectoral Utilisation of Foreign Exchange, 2020 - 2021 (US$ Million)

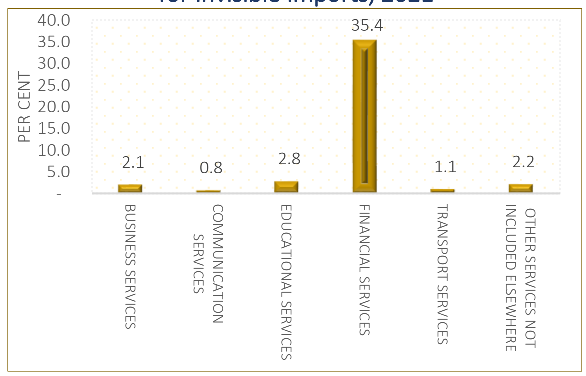


Source: Central Bank of Nigeria

Analysis show that the amount utilised for invisible trade declined by 29.4 per cent to US$11.35 billion or 44.2 per cent of the total, from US$16.08 billion, in 2020. This was attributed to the 38.7 per cent decline in financial services. Similarly, foreign exchange utilised for business services declined by 9.8 per cent, to US$0.53 billion, from the level in 2020. However, foreign exchange utilised for communication services, transport services, educational services, and 'other services' rose significantly to US$0.19 billion, US$0.27 billion, US$0.72 billion, and US$0.55 billion, respectively, relative to their levels in 2020.

In terms of share, financial services constituted the bulk with 35.4 per cent of the total, followed by education services which accounted for 2.8 per cent. Business services accounted for 2.1 per cent, transport services, 1.1 per cent; communication services, 0.8 per cent and other services, 2.2 per cent.

Figure 2.3.3b: Sectoral Utilisation of Foreign Exchange for Invisible Imports, 2021

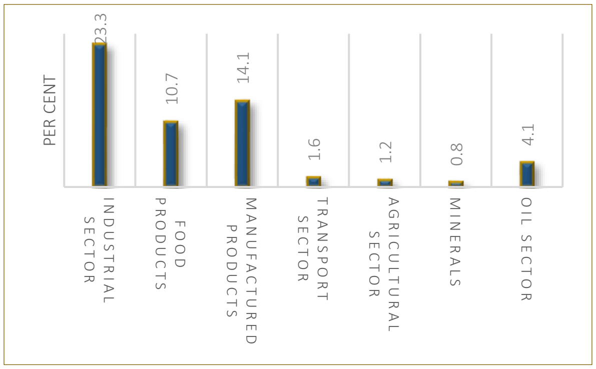


Source: Central Bank of Nigeria

Utilisation in respect of visible imports, however, rose by 18.9 per cent to US$14.32 billion or 55.8 per cent of the total, from US$12.04 billion in 2020. A decomposition of visible imports shows that foreign exchange utilisation in the industrial, food products, manufacturing, agricultural, and mineral sub-sectors rose by 11.4 per cent, 43.7 per cent, 39.4 per cent, 58.2 per cent, and 39.1 per cent, to US$6.0 billion, US$2.74 billion, US$3.62 billion, US$0.30 billion, and US$0.22 billion, respectively, from their levels in 2020. Foreign exchange utilisation in the transport and oil sub-sectors fell by 15.9 per cent and 21.4 per cent to US$0.41 billion and US$1.04 billion, respectively, relative to their levels in 2020.

The share of industrial services import was 23.3 per cent of total utilisation, while manufactured products constituted 14.1 per cent. Utilsation for food products was 10.7 per cent, oil sector, 4.1 per cent; transport sector, 1.6 per cent, agricultural sector, 1.2 per cent; and minerals sector, 0.8 per cent.

Figure 2.3.3c: Sectoral Utilisation of Foreign Exchange for Visible Imports, 2021



Source: Central Bank of Nigeria

2.3.4 Foreign Exchange Reserves and Management

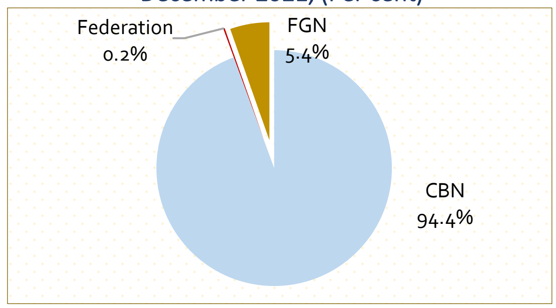
The additional Special Drawing Rights of US$3.34 billion allocated by the IMF and the receipts of US$4.00 billion Eurobonds sales, boosted the external reserves position in 2021. External reserves rose to US$40.23 billion at end-December 2021, from US$36.48 billion at end-December 2020, indicating an increase of 10.2 per cent or US$3.72 billion. The level could finance 9.6 months of import for goods only, or 7.3 months of import of goods and services, compared with 7.4 months of import (goods) or 5.8 months of import (goods and services) at end-December 2020.

Figure 2.3. 1: Gross External Reserves Position and Months of Import Cover, 2017 – 2021

Source: Central Bank of Nigeria

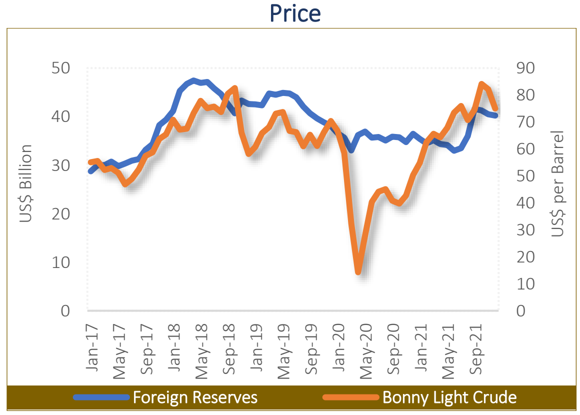
A breakdown of the external reserves by ownership at end-December 2021 shows that, the share of CBN was 94.4 per cent (US$37.98 billion); Federal Government, 5.4 per cent (US$2.19 billion); and Federation, 0.2 per cent (US$0.06 billion).

Figure 2.3. 2: Holdings of External Reserves at end-December 2021, (Per cent)



Source: Central Bank of Nigeria

Figure 2.3. 3: External Reserves Position and Crude Oil Price



Source: Central Bank of Nigeria

Reserve management operations in 2021 yielded a total of US$0.08 billion, a decrease of 86.4 per cent, relative to the level in 2020. The decrease was due, mainly, to monthly price and exchange rate revaluation on gold holdings and the continuous rise in bond yields, which led to a fall in the value of managed portfolios. In addition, low interest rates on the money market portfolio, current account, and repos also contributed to the decline in the income.

Funds invested in different portfolios continued to be measured against specified benchmarks. The performance of the US Treasury Bonds portfolio is benchmarked against the Bank of America Merrill Lynch 1-3 years US Treasury Index, while the Global Government Bonds Short-Duration portfolio is benchmarked against the Bank of America Merrill Lynch Global Government Bond G7 1–3-year Index, ex-Italy 100% hedged into USD. The Offshore Renminbi portfolio is measured against the FTSE DIM Sum off-shore CNY Bond Index while the MBS Portfolio is benchmarked against the Barclays US MBS Index.

At end-December 2021, the net asset value of the fixed income portfolio managed by the external asset managers stood at US$7.45 billion, compared with US$6.41 billion initial investment. The increase was due to net accretion from portfolio activities. Overall, the portfolio recorded an absolute return of about US$1.04 billion from inception to end-December 2021.

2.4 SURVEILANCE OF THE ACTIVITIES OF FINANCIAL INSTITUTIONS

2.4.1 Banking Supervision

The Bank continued its supervisory and surveillance activities in 2021, towards promoting a safe, stable, and sound banking system. The Bank sustained the risk-based supervision (RBS) approach as its pivot supervisory framework. The supervisory activities included the off-site appraisal of banks' periodic returns, regular on-site assessments (routine examinations and special investigations), as well as issuance of relevant guidelines to banks.

The CBN released the following guidelines and reporting templates as part of the Basel III standards:

- guidelines on Regulatory Capital, which sets out the criteria that banks' capital instruments must meet to be eligible for regulatory purposes to enhance the resilience of banks, standards for risk-based capital definition, capital conservation buffer (CCB1), counter-cyclical buffer (CCB2), and higher loss absorbency (HLA);

- guidelines on Leverage Ratio (LeR), which was introduced as a simple, transparent, and non-risk-based leverage ratio, to act as a credible supplementary measure to the risk-based capital requirement. The CBN expects banks to calculate the leverage ratio to supplement their risk-based capital requirement as provided in the reporting template;

- guidelines on Large Exposures (LEX), which sets out supervisory expectations in relation to the definition of large exposure, regulatory reporting, large exposure limit, and treatment of specific exposure classes; and
- guidelines on Liquidity Standards, which include the Liquidity Coverage Ratio (LCR) and Liquidity Monitoring Tools (LMT) aimed at promoting the short-term resilience of the liquidity risk profile of Nigerian banks. This would ensure that banks maintain adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted easily and immediately into cash in private markets, to withstand a significant liquidity stress scenario lasting 30 calendar days. The banks would deploy appropriate tools to regularly monitor their liquidity positions given the uncertainty around the timing of outflows and inflows.

To operationalise these guidelines, the following reporting templates for the rendition of returns were also released:

- Reporting Templates for Group Capital Adequacy (TR-GCAR);
- Reporting Templates for Solo Capital Adequacy (TR-SCAR);
- Reporting Templates for LeR (TR-LeR);
- Reporting Templates for LEX (TR-LEX); and
- Reporting Templates for LMT (TR-LMT).

The implementation of the guidelines commenced in November 2021, with a parallel run for an initial period of six months.

Guidelines on Liquidity Risk Management and Internal Liquidity Adequacy Assessment Process (ILAAP) were issued to guide the assessment of liquidity, ensure a prudent funding profile, and implement a robust process for the management of liquidity and funding risks, to further strengthen the rules on liquidity risk management practices in banks. Accordingly, banks were required to ensure that all material liquidity risks were identified, effectively managed, and covered by a sufficient level of high-quality liquidity buffer, as documented in the ILAAP and submitted to the CBN for review. The ILAAP was expected to complement the Internal Capital Adequacy Assessment Process (ICAAP).

The Guidelines on Supervisory Review Process (SRP) and (ICAAP) were revised to ensure that Pillar 1 and Pillar 2 minimum capital requirements were properly aligned with banks' risk profiles, business model, and systemic importance.

2.4.2 The Financial Regulations Advisory Council of Experts (FRACE) Activities

The Financial Regulations Advisory Council of Experts (FRACE) met to review and approve requests received from the CBN, Debt Management Office (DMO), Pension Commission (PENCOM), and four non-interest banks. The compendium of the resolutions of the FRACE Series 1 was concluded and hosted on the CBN website. In a related development, FRACE reviewed and approved transaction documents for the ₦10.0 billion 7-year Family Home Sukuk, the first private Sukuk in Nigeria.

The Federal Government of Nigeria ₦250.00 billion sovereign Sukuk 2021 was approved by the FRACE, based on a forward Ijarah (Lease) contract (Ijarah Mawsufah fil dhimmah). A total sum of ₦612.56 billion had been raised through the Sukuk instrument, since its inception in 2017 to finance infrastructural facilities.

2.4.3 Reforms in the Other Financial Institutions (OFIs)

The Bank sustained the reforms in the other financial institutions (OFIs) sub-sector to tackle the credit needs of MSMEs, improve productive capacity, and promote inclusive growth. The Bank conducted a reclassification exercise for Unit MFBs to re-align their licence categories according to their location and ensure accurate determination of their required capital, following the expiration of the first phase of recapitalisation of MFBs in April 2021. The Bank also granted merger approval to fifteen Unit MFBs and conducted capital verification exercise to ascertain the compliance level of MFBs with the final deadline of April 2022. The Exercise revealed that 263 MFBs met the 2021 capital requirement while others were constrained due to the adverse impact of the COVID-19 pandemic.

At end-December 2021, 690 candidates had completed the Level II microfinance certification examination administered by the Chartered Institute of Bankers of Nigeria (CIBN) in the April 2021 Diet. This brought the total number of certified candidates to 7,790, compared with 7,102 at end-December 2020.

The Bank held meetings with the National Association of Microfinance Banks (NAMBs) executives, and re-emphasised the following, among others:

- MFBs were required to prepare their Audited Financial Statements in line with the IFRS requirements, and comply with the new submission deadlines for Monthly Returns (5th day of every month) and Annual Audited Financial Statements (3 months after financial year-end: March) as stated in the BOFIA 2020;
- all MFBs were required to create corporate e-mails to reduce their exposure to cybersecurity attacks and ensure effective electronic communication with the CBN;
- mandatory enrollment of all MFBs on the Credit Risk Management System (CRMS) platform, to enable them to comply with credit reporting standards, and to qualify for inclusion in the Global Standing Instruction (GSI) platform; and
- implement Basel II requirements to complement International Financial Reporting Standard (IFRS) to enhance transparency, capital cost reduction, adequate capital, and liquidity management.

The policy reform in the finance companies' sub-sector was aimed at repositioning the FCs to be active participants in the digital consumer lending framework proposed by the CBN. The following action points were reached at the meeting with the Finance Houses Association of Nigeria (FHAN) executives:

- collaboration with Factoring Companies and other stakeholders within and outside Nigeria, to facilitate the passing of the proposed Factoring Bill to law by the National Assembly;
- engagement with Nigeria Interbank Settlement System (NIBSS) and inclusion of finance companies on the CRMS, to fast-track the onboarding of Finance Companies in the (GSI) platform;
- ensure the implementation of Basel II for all OFIs to fast-track FCs' effective adoption of IFRS;
- organise workshop on Basel II and Audited Financial Statements (AFS) for key officers of the FCs and their External Auditors;
- commence the process of liquidating failed FCs as a follow-up to the Target Examination carried out on the failed FCs in 2021; and
- ensure that the Anti Money Laundering (AML) and Know-Your-Customer (KYC) training of the FCs' staff were undertaken.

During the review period, the Bank suspended the licensing of new Bureaux-De-Change (BDCs) and sale of foreign exchange to the sub-sector, to strengthen the Anti-Money Laundering, Combating the Financing of Terrorism, and Counter Proliferation Financing (AML/CFT/CPF) oversight across the financial system, and address the susceptibility of the sub-sector to money laundering and terrorist financing risk.

Other developments included the road map for the implementation of the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) Mutual Evaluation Report, development of a Guidance Note to deter and detect ML/FT/PF risk, and automate the rendition of the AML/CFT/CPF returns.

2.4.4 Credit Risk Management System and Private Credit Bureaux

The CBN Credit Risk Management System (CRMS) continued to serve as a veritable source of credit information in the banking industry. The total number of credit facilities on the CRMS database increased by 35.2 per cent to 29.21 million, from 21.62 million at end-December 2020. The number of credit facilities comprised 28.34 million and 0.87 million individual and non-individual borrowers, respectively.

The total number of facilities with outstanding balances on the CRMS database rose by 24.2 per cent to 4.90 million at end-December 2021, from 3.94 million at end-December 2020, comprising 4.78 million and 0.12 million individual and non-individual borrowers, respectively. The improvement in credit record was attributed, mainly, to increased compliance by banks, following strict enforcement of the CBN Regulatory Guidelines on the CRMS.

Box Information 1

Credit Market Statistical Update 2021

The maiden edition of the Credit Market Statistical Update was published in November 2021, as part of the fulfilment of the requirements of Section 8(1f) of the Credit Reporting Act, 2017. The publication is a compendium of activities in the credit reporting system (credit bureaux) and activities of the National Collateral Registry.

The report focuses on providing reliable credit data to stakeholders for analysis that would provide an insight into borrowers' and lenders' preferences, behaviour, and trends in the credit market. The report also provides policymakers and regulators with the tools for assessing the impact of various interventions in the credit market and serves as a pointer on how to improve the effectiveness of the overall financial intermediation process.

Table 2.4.1: Borrowers from the Banking Sector (Commercial, Merchant and Non-Interest Banks)

Description	Dec-20	Dec-21
*** Total No. of Credit/facilities reported on the CRMS:**	**21,616,075**	**29,213,129**
Individuals	20,887,088	28,338,562
Non-Individuals	728,987	874,567
*** Total No. of Outstanding Credit facilities on the CRMS:**	**3,944,882**	**4,898,075**
Individuals	*3,830,870*	*4,779,565*
Non-Individuals	*114,012*	*118,510*

Source: Central Bank of Nigeria
* The figures include borrower(s) with multiple loans and/or credit lines.

The number of licensed Private Credit Bureaux (PCBs) at end-December 2021 remained at three. Available information from the database of the PCBs showed that the number of uniquely identified credit records increased by 11.3 per cent to 55.39 million, from 49.76 million in 2020.

The increase was attributed, mainly, to the wider coverage of the credit reporting system, as provided in the Credit Reporting Act 2017, and increased awareness of the activities of credit bureaux in the management of credit risk, among stakeholders and the general public.

2.4.5 Prudential Review and Examination

The financial sector remained stable in the review period, as indicated by key financial soundness indicators, despite the impact of the COVID-19 pandemic. The health of banks was generally sound in 2021, as industry level capital adequacy and liquidity ratios exceeded regulatory minimum. In addition, the non-performing loan (NPL) ratio was lower than its regulatory threshold. As a result of a slight increase in risk weighted assets, the industry capital adequacy ratio (CAR) fell marginally to 14.53 per cent at end-December 2021, compared with 15.05 per cent at end-December 2020. The industry threshold for CAR, remained at 15.00 per cent for banks with international authorisation and 10.00 per cent for banks with either national or regional authorisation.

The industry liquidity ratio decreased to 54.88 per cent at end-December 2021, compared with 65.45 per cent at end-December 2020, reflecting the fall in the stock of liquid assets held by banks. Apart from three commercial banks, all other commercial, merchant, and non-interest banks met the minimum regulatory liquidity ratios of: 30.00 per cent, 20.00 per cent, and 10.00 per cent, respectively, at end-December 2021.

Due to sustained loan recoveries, write-offs, and disposal of pledged collaterals, the asset quality of the banking industry, measured by the ratio of non-performing loans to total loans, improved, as the ratio declined to 4.94 per cent at end-December 2021, from 6.13 per cent at end-December 2020. At that level, the ratio was below the regulatory threshold of 5.00 per cent. Loan loss provision stood at 101.24 per cent at end-December 2021, compared with 94.17 per cent at end-December 2020.

2.4.6 Corporate Governance and Sustainable Banking in the Financial Services Sector

The Bank continued to assess the corporate governance standing of banks to ensure compliance with extant laws and regulations. The Bank conducted reviews of corporate governance practices, including insider-related credit for all banks with the specific objective of detecting insider-related abuses. The corporate governance score card assessment has continued to engender good corporate practices in banks.

Corporate governance scorecard assessments conducted in June 2021, revealed that out of the eight banks assessed, five were rated "Acceptable", two were rated "Needs Improvement"; and one was rated "Weak".

Another scorecard assessment was performed in November 2021 on ten banks: baseline assessments on six banks and revalidation assessments on four banks. The results revealed that the six banks selected for baseline assessments were all rated "Acceptable", while three out of the four banks selected for re-validation assessments made significant improvements in their corporate governance practices, and were also rated "Acceptable". However, one bank on the re-validation assessment showed marginal improvement on its corporate governance practices and was rated "Needs Improvement".

Also, the Bank continued to monitor the implementation of the Nigerian Sustainable Banking Principles (NSBP) in the industry, to provide appropriate intervention to resolve implementation challenges and offer an objective, fair, and equitable basis for possible incentives.

2.4.7 Financial Crimes Surveillance/Anti-Money Laundering/Combating the Financing of Terrorism

The Bank took pragmatic steps to mitigate the risks of money laundering and terrorism financing. The Bank continued to monitor the implementation and compliance with the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) laws and regulations in the banking industry. The Bank, therefore, sustained collaboration and cooperation with both domestic and international stakeholders, in compliance with the Financial Action Task Force (FATF) Recommendations 2 and 40, on international and national cooperation and coordination, towards addressing money laundering.

A Mutual Evaluation Exercise on Nigeria was conducted by the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA), and rated Nigeria as moderate on Effectiveness and Immediate Outcome (IO3) and Supervision and Immediate Outcome (IO6).

To ameliorate the deficiencies discovered in OFIs operations, the Bank developed Guidelines on AML/CFT Regulations for Other Financial Institutions to assist OFIs in identifying, assessing, and mitigating ML & TF risks in their business operations. This would improve compliance with the regulations.

The Bank issued a circular to all banks and OFIs to scale-up their cybersecurity measures and update their alert protocols on AML/CFT monitoring systems, in line with the red flags and emerging trends, to protect the financial sector from cyber-attacks.

The Guidelines on Global Standing Instruction (GSI) has enhanced credit recovery in the banking industry, as well as entrenched discipline in borrowing.

Towards enhancing cybersecurity practices in the Nigerian banking industry, the CBN in 2021:

- collaborated with the Committee of Chief Information Security Officers of Nigerian Financial Institutions (CCISONFI) to launch a cybersecurity awareness and public enlightenment programme tagged #NoGoFallMaga; and
- conducted workshops for the CCISONFIs to enhance banks' cybersecurity and resilient capabilities.

On-site AML/CFT cross-border examinations were conducted on foreign subsidiaries of three Nigerian banks: two in Ghana and one in The Gambia to assess their compliance with the AML/CFT Regulations. The examination results showed no significant issues of regulatory concerns.

Further to the CBN directive on the status and reporting line of Chief Compliance Officers, banks were given a dispensation to operate a cluster structure. The approved cluster structures took into cognisance, the size, number and proximity to each branch as well as the level of automation of the compliance function, without compromise.

A spot check was conducted at various branches to ensure that:

- banks were implementing their CBN-approved cluster structures; and
- the function of the Cluster Compliance Officer is separated clearly from that of internal control/ audit.

The banks complied with the AML/CFT extant laws and regulations as they were rated 'Acceptable' (comprising 30 banks - 22 Commercial, 2 Non-Interest and 6 Merchant banks).

In 2021, the risk control functions – Corporate Governance/Board & Senior Management, Risk Management, AML Policies and Procedures, Internal/External Audit, Monitoring & Reporting of Suspicious transactions, Compliance function and Training - were rated as 'Acceptable' in mitigating the identified ML/TF risks. Corporate Governance/Board witnessed a deterioration as no bank was rated strong on the function during the assessment. The overall ML/FT risk (residual risk) in the industry was adjudged 'Above Average'. The findings showed that the major source of ML/TF risk in the industry was the banks' delivery channels.

2.4.8 Routine, Special and Target Examination

The Joint CBN and NDIC Risk Assets Examination (RAE) of 29 commercial, merchant, and non-interest banks was carried out in February 2021. Sequel to the exercise, banks were required to make additional loan loss provisions, where appropriate.

The Joint CBN and NDIC Risk-Based Supervision (RBS) Examination was also carried out on 29 banks. A total of 14 banks and two financial holding companies (HoldCos) were examined between July and August 2021, for the period covering 1 October 2019 to 30 June 2021. The examination of 15 banks and two HoldCos, covering the period 1 October 2020 to 30 September 2021, was carried out between October and December 2021.

The maiden examination of one non-interest bank and one commercial bank was conducted in 2021, following their commencement of operations, to establish a baseline risk assessment of the institutions. Similarly, the RBS examination of the private credit bureaux (PCBs) was carried out in June 2021.

2.4.9 Cross Border Supervisory Activities

The framework on Cross Border Supervision was revised to enhance the supervision of foreign subsidiaries of Nigerian banks. The Bank hosted various meetings of the College of Supervisors for Zenith Bank Group, Access Bank Group, First Bank Group, Standard Chartered Bank Group, and UBA Group. The Bank also hosted the Community of African Bank Supervisors (CABS) Working Group on Crisis Management, Bank Resolution, and FinTechs, with participation from 11 jurisdictions as well as the African Development Bank (AfDB).

The Bank also participated at the virtual meeting of the CABS hosted by the National Bank of Rwanda and the Association of African Central Banks (AACB) in March 2021, during which an update on the activities of the CABS Working Group on Crisis Management, Banking Resolution, and FinTechs was presented to members.

The Bank reviewed the draft Multilateral Memorandum of Understanding (MMoU) for CABS' members, on supervisory cooperation and information sharing arrangements, between participating central banks of the Association of African Central Banks (AACB). The draft MMoU was developed by the CABS Working Group on Cross-Border Banking Supervision, as part of the implementation of the "Africa Bank Information Exchange Initiative".

At the Secretariat for the CABS Working Group on Crisis Management, Bank Resolution, and FinTech, the CBN:

- developed the draft Framework for Fintech Regulation and Supervision, and the draft Memorandum of Understanding (MoU) to manage regulatory arbitrage of Fintech Regulation;
- forwarded the draft framework on Crisis Management and Banking Resolution to Making Finance Work for Africa (MFW4A) for expert review and comments, prior to submission to CABS; and
- proposed the holding of the 2021 FinTech Forum by the Bank. The Forum is a cross-industry initiative expected to bring together FinTech players and regulators within Africa.

The Bank participated in a virtual regional workshop on "Improving Cross Border and Consolidated Supervision" for African bank supervisors/regulators during the period 10-14 May 2021. The Workshop was organised by the South African Reserve Bank (SARB) in its capacity as the lead in the CABS Working Group on Cross-Border Banking Supervision.

The Bank also participated at the 1st and 2nd Continental Seminars by the AACB, which were held virtually from 31 May-2 June and 28-30 June 2021, respectively. During the Seminars, a presentation entitled "Resolution of Non-Performing Loans: What Strategies for African Central Banks?" was delivered by the Bank.

The CABS WG developed a draft framework on FinTech regulation and supervision. The objective of the Framework was to provide guidance on the minimum requirements for the coordination of the activities of the FinTech sub-sector, given the cross-border operations of FinTechs. The draft framework took cognisance of best practices, the requirements of the Financial Stability Board (FSB), the International Monetary Fund (IMF), and the Bank for International Settlement (BIS), and reviewed the frameworks issued by other supervisory authorities, especially in Africa. The Framework is undergoing quality assurance review.

The Bank attended a virtual meeting of the CABS Working Group on Cross-Border Banking Supervision hosted by the South African Reserve Bank on 3 December 2021. The discussions included feedback from the Cybersecurity and De-risking of Correspondent Banking Relationships Sub-Working Groups, and updates on the Cross-border Bank Supervision Information Exchange.

Also, the Bank participated in the 39th Meeting of College of Supervisors of the West African Monetary Zone (CSWAMZ) held on 5 and 11 February 2021, 9 and 13, 16 -17 and 26 - 27 August 2021. The Meeting provided members with the opportunity to review developments in the banking system across the Zone in 2021. The discussions focused on cross-border supervisory issues, joint examination exercises, Basel II/III capital requirements, and IFRS 9 and 16, as well as other relevant financial stability concerns of the sub-region, in line with the mandate of the College.

The expert committee on the review of the Risk-Based Supervisory Framework for the West Africa Monetary Zone submitted its report to CSWAMZ at its 39th Meeting, with Nigeria as a member of the Committee.

In the area of capacity building, the Bank participated in a virtual training programme on Risk-Based Supervision organised by the South African Reserve Bank, delivered by the Toronto Centre from 22-26 November 2021.

The meeting of the Inter-Agency Committee, comprised of representatives of the Bank and the Nigerian Export Processing Zones Authority (NEPZA) on the Regulations of Banking Operations in the free zones in Nigeria, was reconvened during the review period. The meeting discussed the next steps to accomplish the mandate of the Committee. A sub-team was constituted to review the draft Regulations, given some recent legal and regulatory developments.

In another development, the Bank of Ghana requested a bilateral Memorandum of Understanding (MoU), as a pre-requisite for the establishment of offshore entities by Nigerian banks in Ghana. A draft MoU was, therefore, developed and forwarded for their review and comments. An MoU was also initiated and forwarded to the Bank of Botswana for review and comments/inputs, given the cross-border expansion of Nigerian banks to these jurisdictions. The respective draft MoUs for the Colleges of Supervisors for Zenith Bank, UBA, First Bank, and Access Bank Groups were finalised and forwarded to members for their review.

2.4.10 Examination of Foreign Subsidiaries

The Bank conducted on-site RBS examination of Access Bank UK, FBN Ghana, FBN Congo, FBN Gambia, FCMB UK, UBA Ghana and UBA America. Similarly, the maiden virtual RBS examination of all eight subsidiaries of GTBank in Tanzania, Ghana, Sierra Leone, UK, Liberia, Kenya, and Cote d' Ivoire was carried out. The objective of the exercise was to achieve the consolidated supervision of all the components of the banking group at a point in time.

2.4.11 Foreign Exchange Monitoring/Examination

To ensure compliance of the Authorised Dealers (ADs) with extant Foreign Exchange rules and regulations, and utilisation of foreign exchange acquired for eligible transactions, the Bank conducted routine foreign exchange examination of twenty-six ADs comprised of twenty-two commercial banks and four merchant banks. The examination, which covered the period 1 April 2020 to 31 March 2021, was conducted remotely via the CBN SharePoint correspondence and virtual platforms. Some of the significant infractions observed during the routine examination included:

- utilisation of cash deposits in excess of US$10,000.00 for telegraphic transfers by some banks' customers contrary to the CBN Circular ref. TED/FEM/FPC/GEN/01/003 dated 24 February 2020 and Memorandum 25 5(b) and 5(d) of the CBN FX Manual;

- funds transfer from Domiciliary accounts to third parties without stating the purpose of the transfer, contrary to Memorandum 25(5)(d) of the CBN Foreign Exchange Manual 26 July, 2018;

- usage of Domiciliary account balances to fund the importation of goods without the processing of Form "M", thereby contravening the provisions of Memorandum 9 (1) of the FX Manual;
- permitting utilisation by small import customers in excess of the quarterly permissible limit of US$20,000.00 per quarter in breach of the CBN circular TED/FEM/FPC/GEN/01/004 of 24 April 2017;
- non-compliance with Net Open Position Limit (NOPL) contrary to the provision of CBN circular reference BSD/DIR/GEN/LAB/08/006 dated 28 January 2015;
- breach of Foreign Currency Trading Position without approval from the CBN in contravention of sections 2.3.1 and 2.3.2 of the Revised Guidelines for the Operation of the Nigerian Inter-Bank Foreign Exchange Market of 15 June 2016;
- non-repatriation of Export proceeds as at 31 March 2021 contrary to the CBN circular reference TED/FEM/FPC/GEN/01/005 dated 19 February 2015, and sanctionable in line with the provision of CBN Circular reference TED/FEM/FPC/GEN/01/013 dated 26 October 2017;
- importation of prohibited items with Form "Q" in contravention of CBN circular TED/FEM/FPC/GEN/01/010 of 23 June 2015;
- non-utilisation of autonomous/interbank funds within 72 hours of receipt, contrary to the provisions of the CBN Circular referenced TED/FEM/FPC/GEN/01/001 on 'Daily Foreign currency trading positions of banks and period for utilisation of funds' dated 12 January 2015; and
- rendition of false returns, in contravention of CBN circular dated 25 February 2003 on the rendition of false returns to regulatory authorities.

Appropriate penalties were imposed, where the responses were deemed inadequate.

Ad-hoc spot checks on the foreign exchange activities of banks were also conducted. The checks investigated reported anomalies and customers' complaints in the foreign exchange market. Some of the ad-hoc spot checks were also conducted remotely via the CBN SharePoint correspondence and virtual platform.

2.4.12 Domestic Systemically Important Banks

Five (5) banks were designated as Domestically Systemically Important Banks (D-SIBs) in the last assessment conducted at end-December 2021[2]. The D-SIBs accounted for ₦34.20 trillion (57.7 per cent) of the industry total assets at end-December 2021, ₦23.06 trillion (60.0 per cent) of total industry deposits, and ₦13.78 trillion (56.1 per cent) of the aggregate industry credit.

2.4.13 Macroprudential Surveillance and Regulation

The CBN sustained the top-down assessment of the solvency and liquidity of the banking industry in the review period, to ensure financial system stability.

[2] These banks were subjected to enhanced supervision of their activities given the significant impact the failure of any of the institutions could have on the overall financial system. Assessment of D-SIBs is conducted after every six months.

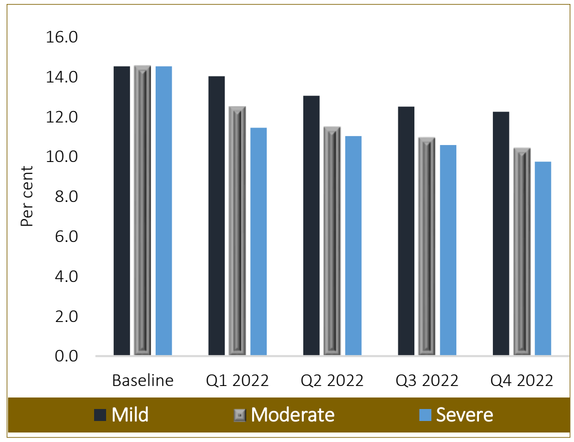
2.4.13.1. Banking Industry Solvency and Liquidity Stress Tests

Solvency and liquidity positions of the banking industry remained robust under mild to moderate scenarios of sustained economic contraction, but could be vulnerable under severe scenario. Targeted regulatory interventions being implemented by the Bank were expected to mitigate the potential impact of the COVID-19 pandemic on the economy and ensure financial system stability.

The CBN conducted the top-down banking industry stress tests on 23 commercial and five merchant banks to assess their resilience to systemic risks. These tests were over a 4-quarter horizon using deterministic assumptions around sharp fall in oil prices, reduced global demand for Nigeria's crude oil products, decline in government revenue, unfavourable current account position, and fall in GDP. Complementarily, the banks carried out the bottom-up solvency and liquidity stress tests, in line with the ICAAP provisions.

Under the severe scenario of sustained significant contraction in GDP of 1.1 per cent, 1.9 per cent, 2.3 per cent, and 2.5 per cent, in the first, second, third, and fourth quarters of 2022, the banking industry CAR would fall to 11.4 per cent, 11.0 per cent, 10.6 per cent, and 9.7 per cent, respectively. The severity of the simulated GDP contraction, however, may be contained by appropriate macroeconomic and macroprudential policies.

Figure: 2.4.1 Impact of GDP Contraction on CAR



Source: Central Bank of Nigeria

A further stress testing of idiosyncratic impact of the COVID-19 pandemic on banks' CAR in respect of defaults in unstructured portfolios was carried out. The results showed that the industry NPL ratio would rise to 24.1 per cent, while the CAR would fall to 9.7 per cent, if 15.0 per cent of the unstructured credit portfolio is classified as "Lost". This may pose a threat to financial system stability.

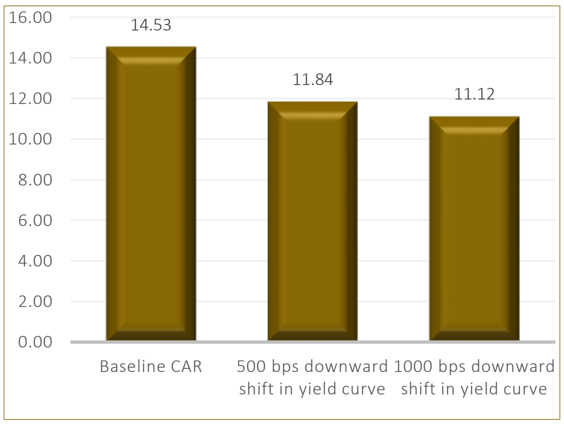
Table 2.4.4: Impact of Selected Shocks on CAR, ROA and ROE

Banking Industry (Per cent)	
Baseline ROA	0.22
Baseline ROE	3.08
Impact of Downward Shift in Yield Curve Shocks on CAR	
500 bps downward shift in yield curve	*11.84*
1000 bps downward shift in yield curve	*11.12*
Impact of Downward Shift in Yield Curve Shocks on ROA	
500 bps downward shift in yield curve	*-0.14*
1000 bps downward shift in yield curve	*-0.5*
Impact of Downward Shift in Yield Curve Shocks on ROE	
500 bps downward shift in yield curve	*-1.98*
1000 bps downward shift in yield curve	*-7.05*

Source: Central Bank of Nigeria

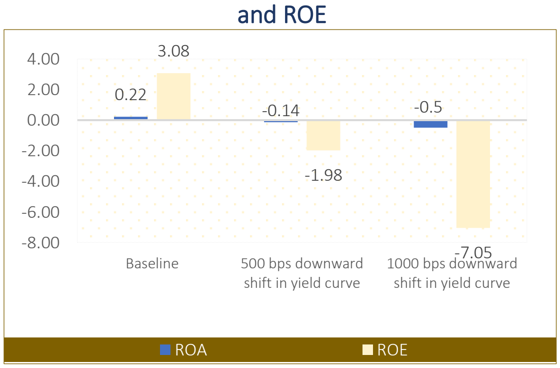
The stress test on the net position of interest-sensitive instruments showed that the industry maintained a stable solvency position to interest rate shock of "up to 1,000 basis points downward shift in yield curve", as the post-shock CAR declined from 14.5 per cent to 11.1 per cent. It remained significantly above the 10.0 per cent regulatory threshold. The interest rate shocks, however, had significant adverse impact on the ROA and ROE.

Figure 2.4.2: Impact of Interest Rate Shocks on CAR



Source: Central Bank of Nigeria

Figure 2.4.3: Impact of Interest Rate Shocks on ROA and ROE

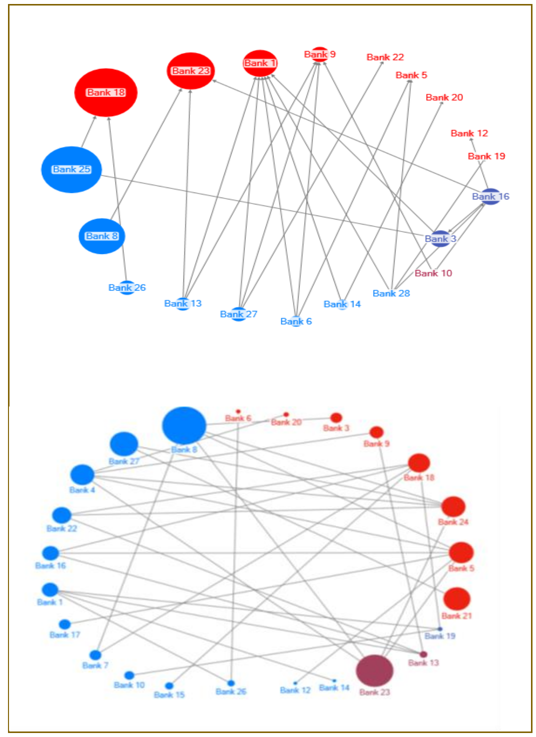


Source: Central Bank of Nigeria

2.4.13.2 Contagion Risk Analysis

Contagion risk analysis showed an increase in exposure and interconnectedness (via interbank placement and takings). The total exposure increased by 3.3 per cent to ₦409.31 billion at end-December 2021, from ₦396.34 billion at end-December 2020.

Figure 2.4.4: Contagion Risk end-December 2020 and end-December 2021



Source: Central Bank of Nigeria

Note: Blue= Placement only, Deep Blue= Net Placement, Red= Takings only, Purple = Net Takings

2.4.14 Examination of Other Financial Institutions

In its continued effort to promote safety and soundness in the financial system as well as ensure financial system stability, the Bank examined 771 OFIs in 2020. The exercise covered special examination of 451 Microfinance Banks (MFBs), 12 Primary Mortgage Banks (PMBs), and eight (8) Finance Companies (FCs), and routine Risk-Based Supervision (RBS) examination of 123 MFBs, 152 BDCs, as well as 25 Systemically Important Other Financial Institutions (SIOFIs), comprised of 13 MFBs, 28 PMBs, and 4 FCs.

The special examination comprised existence check on 61 MFBs placed on "Watch List" and target examination of 390 MFBs, 12 PMBs and eight (8) FCs, with liquidity and capital deficiencies. The existence check revealed that 12 MFBs were in operation, 33 had closed shop, 11 were inactive, while five (5) were undergoing restructuring. The average LR and portfolio-at-risk (PAR) of the 12 MFBs were 161.9 per cent and 74.0 per cent, respectively. Four of the MFBs met the minimum capital adequacy ratio of 10.0 per cent, nine (9) met the minimum liquidity ratio of 20.0 per cent, while one MFB operated within the maximum Portfolio at risk (PAR) of 5.0 per cent.

The target examination conducted on the 223 MFBs showed that 221 were active while, 2 MFBs had closed shop. Analysis of the active MFBs, showed that 21 MFBs were rated "Sound", 10 MFBs "Marginal", 35 MFBs "Unsound" and 155 MFBs "Insolvent". The average liquidity ratio of the institutions was 68.8 per cent, which was above the required minimum of 20.0 per cent for MFBs, while average PAR of negative 70.5 per cent, did not meet the required minimum and maximum benchmark of 5.0 per cent. Further analysis showed that 6, 19, and 146 MFBs met the required PAR, CAR, and Liquidity Ratio benchmarks, respectively.

Target examination conducted on the 12 PMBs, revealed that 11 PMBs were in operation while one was undergoing restructuring. The adjusted capital and capital adequacy ratios of the 11 PMBs were below the minimum regulatory requirements while four met the minimum liquidity ratio of 20.0 per cent. Similarly, the target examination of the eight FCs revealed that two FCs were "Sound", one "Technically Insolvent", two inactive, while three could not be rated as they were not carrying out only finance business.

The scope of the RBS examination of the 152 BDCs covered a review of corporate governance practices, sources of foreign exchange and its utilisation, rendition of returns, adequacy of documents for foreign exchange transactions, and compliance with relevant regulations. Six of the BDCs were not physically present at their registered addresses, hence, not examined. Money Laundering and Financing of Terrorism (ML/FT) risks were evaluated in line with the GIABA assessment requirements. The result of the Composite Risk Rating (CRR) of 146 BDCs showed one "Low", four "Moderate", 78 "Above Average", and 63 "High". Also, the examination revealed various infractions of extant regulations, and the erring institutions were appropriately sanctioned.

The RBS examination conducted on the 123 MFBs and 25 SIOFIs covered a review of their corporate governance practices, inherent risks in their operations and assessment of the effectiveness of management controls put in place to mitigate the identified risks. The outcome of the RBS examination of 25 SIOFIs is presented in table 2.4.5.

Supervisory Letters were issued to the erring institutions, with regulatory directives to inject additional capital, effect sound corporate governance, ensure compliance with extant laws and regulations, and implement all recommendations.

Table 2.4.5 RBS Examination Reports of the Systemically Important Other Financial Institutions

OFIs	Composite Risk Rating (CRR)	NPL	Earnings Rating	Capital Rating	Prudential and Soundness Analysis
Primary Mortgage Banks	1 = Low 3 = Moderate 2 = Above Average 2 =High	Average NPL Ratio of 77.9 per cent was above the regulatory maximum of 30.0 per cent.	1 = Strong 4 = Acceptable 3 = Needs Improvement	3 = Strong 3 = Acceptable 2 = Needs Improvement	Average CAR and liquidity ratio of 55.7 per cent and 129.5 per cent, respectively were above the regulatory minimum of 10 and 20.0 per cent
Finance Companies	1 = Low 1= Above Average 2 = High	Average NPL of 17.7 per cent was above the regulatory maximum of 10.0 per cent.	1 = Strong 1 = Needs Improvement 2 = Weak	1 = Strong 2 = Acceptable 1 = Weak	Average CAR of 19.4 per cent was above the 12.5 per cent regulatory requirement.
Microfinance Banks	4 = Moderate 7 = Above Average 2 = High	Average PAR was 25.9%, above the regulatory maximum of 5%	5 = Acceptable 6 = Needs Improvement 2 = Weak	5 = Strong 5 = Acceptable 2 = Needs Improvement 1 = Weak	Average CAR and liquidity ratio were 27.6 and 57.4 per cent, respectively. These were above the regulatory minimum benchmarks of 10 and 20.0 per cent.

Source: Central Bank of Nigeria

2.4.15 Consumer Protection

The public portal of the Bank's customer complaints management system (CCMS), for the automation of complaints handling and redress mechanism, went live in 2021. The pilot phase of the automation commenced with the escalation of eNaira-related complaints, while other categories of complaints would be on-boarded in phases.

Consumer complaints declined by 3.8 per cent to 4,456 in 2021. A total of 4,602 complaints were resolved in 2021, including some outstanding complaints from 2020. This amounted to a total claim of ₦32.45 billion and US$50.97 million, out of which the sums of ₦14.46 billion and US$992,000.00 were refunded.

To ensure compliance with the Consumer Protection Regulations (CPR), particularly the provisions of the Guide to Charges by Banks and Other Financial Institutions, compliance examination was conducted in September 2021 on twenty banks covering the period January - June 2021. The outcome of the examination revealed a satisfactory level of compliance with regulatory provision.

The Bank also initiated the development of RBS Framework for Consumer Protection, to promote efficient market conduct in the financial ecosystem. This was aimed at identifying financial products services and practices, which poses significant risk to consumers.

2.4.16 Financial Literacy and Education

To increase the awareness on financial literacy and education, the Bank participated in the National Peer Group Educator Programme (NAPGEP) Financial Inclusion Training of Trainers for Volunteer Corp Members (VCM) held in May 2021. Six (6) staff of the Bank served as Financial Literacy Trainers at selected NYSC Orientation Camps nationwide.

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The Bank began the Beta testing of its financial literacy e-learning platform, sabiMONI. The objective of the test was to collate feedback on user experience to improve the quality of the portal.

The Bank commemorated the World Savings Day (WSD) event by implementing a School Out-reach and Mentoring programme in eight locations across the country (Bauchi, Kano, Lagos, Oyo, Abia, Niger, Akwa Ibom and the FCT). A total of 644 participants took part in the event.

2.4.17 The Asset Management Corporation of Nigeria

The annual target and routine on-site examinations of the Asset Management Corporation of Nigeria (AMCON) were conducted in 2021.

The net carrying value of AMCON's outstanding liabilities reduced slightly to ₦5.52 trillion at end-December 2021, from ₦5.66 trillion at end-December 2020, following the repayment of ₦108.28 billion while the carrying value of the loan (Debenture) remained at ₦500.00 billion. The combined value of AMCON Notes and loans represented 79.0 per cent of its liabilities. The Note would mature on 27 December 2023, while the ₦500.00 billion loan would be due for redemption on 30 December 2022. The Corporation's total assets net of impairment stood at ₦949.84 billion at end-December 2021, representing 17.2 per cent of its liabilities.

From the inception of its operations to December 2021, the Corporation has achieved a total recovery of ₦953.42 billion, made up of cash recovery of ₦532.81 billion, and assets and shares forfeiture of N420.61 billion. The Corporation achieved cash recoveries of ₦92.79 billion and assets forfeitures valued at ₦6.26 billion during the review year.

The AMCON Act, 2010, was amended during the year, to establish the Banking Sector Resolution Cost Fund to provide funding for AMCON from contribution by the CBN and levies on eligible financial institutions. Following the amendment, the sum of ₦307.97 billion was contributed by the CBN and participating banks in 2021.

2.5 BANKING AND PAYMENTS SYSTEM OPERATIONS

The payments system remained secured, efficient, and reliable, supported by the Bank's strategic initiatives and policies aimed at engendering financial system stability.

2.5.1 PAYMENTS SYSTEM POLICIES

The safety and stability of the payments infrastructure and interoperability of the system were enhanced with new policies and standards.

2.5.1.1 Payments System Strategy

The Bank developed the Payments System Vision (PSV) 2025 to consolidate on the gains of PSV 2020 that was 'nationally utilised and internationally recognised'. The Vision aims at achieving secured, reliable, and user-centric financial solutions in compliance with international standards, with a minimal risk to the stability of the Nigeria financial system by 2025. The PSV 2025 recognises the technology and business trends, in the local and global markets. The strategy leverages innovations and new technologies such as: new payment methods; open banking; digital access, distributed ledger technology (DLT); big data and artificial intelligence; cyber-security; digital identity and user authentication; the machine learning and robotics process automation.

2.5.1.2 Payments System Infrastructure

To ensure a robust and efficient payments system, the Bank revised the framework for Bank Verification Number (BVN) Operations and Watch-List. The major features of the revised framework are: the inclusion of Mobile Money Operators (MMOs) and Payments Service Providers (PSPs) as participants, in compliance with the provisions of the BOFIA 2020, to access BVN database in Tier 1 (direct access) and Tier 2 (indirect access); and the introduction of the 'deceased' category under the BVN Watch-List, amongst others.

At end-December 2021, BVN enrolment stood at 51.82 million, representing an increase of 13.0 per cent, compared with 45.85 million in 2020. A total of 81,943,551 bank accounts were linked with BVN, while the total number of active bank accounts stood at 96,955,467 at end-December 2021. Also, the number of BVN on the Watch-List due to fraudulent transactions and deceased categories stood at 5,347 and 9,300, respectively.

To ensure efficient, secure, and transparent Treasury Single Account (TSA) banking operations in Nigeria, the Bank initiated the TSA Enhancement Project, an e-collections and e-payments scheme. The Scheme enables the creation of a central repository of all TSA e-collection data and eases the payment of government revenue by payers. The TSA e-collection Aggregator model went live on 8 March 2021 and enabled the participation of all licensed Payments Solution Service Providers (PSSPs) as collecting agents for the ministries, departments and agencies (MDAs) without the need to directly integrate with the Bank, with NIBSS as the aggregator and the CBN as the settlement bank.

Under the TSA e-payments process, the CBN Internet Banking (CIB) provides a user interface for the MDAs to conduct banking transactions. The enhancement of the existing e-payment system interface to a standardised Application Programming Interface (API) would enable MDAs integrate their internal payment solutions with the CBN, and provide all necessary reporting in its final stage.

2.5.1.3 Promotion of Interoperability

The Bank issued the Regulatory Framework for Quick Response (QR) Code payments in Nigeria to deepen and widen payment interoperability options. The QR Code is used to present, capture, and transmit payments information across payments infrastructure. It can be scanned by imaging devices, processed, and transmitted by appropriate technology based on the Europay, Mastercard, Visa (EMV) QR Code Specification for Payments System. Implementation of the QR Code for payments is based on the Merchant-presented mode. Issuers and Acquirers are to ensure that only Payment Terminal Service Aggregator (PTSA) certified QR Code are utilised.

The CBN issued the Regulatory Framework for Open Banking to guide the growing integration of banks and OFIs with innovators in the financial services space. Open banking fosters the sharing and leveraging of customer-permissioned data by banks with third party firms, through APIs, to build solutions and services that provide efficiency, greater financial transparency and options for account holders. The Framework provides an enabling regulatory environment for the provision of innovative and customer-centric financial services, through the safe utilisation and exchange of data, defines risk-based data access levels and service categorisations towards effective management of risks in the operation of open API. It also outlines baseline requirements and standards for the exchange of data and services among participants; provides risk management guidance for operators leveraging data and APIs in the provision of financial services; promotes competition in banking and other financial services; and enhances access to financial services.

2.5.1.4 Supervision and Regulation

The Bank implemented a new licence categorisation to enhance its oversight function on payments service providers. The guidelines categorised licences into: Switching and Processing; Mobile Money Operations (MMOs); Payments Solution Services (PSSs), and Regulatory Sandbox. It further provides that only MMOs can hold customers funds. Companies desiring to combine activities under the switching and MMO categories are permitted to do so under a holding company structure, and payments system companies in PSS category may hold any of Payment Solution Service Providers (PSSP), Payment Terminal Service Providers (PTSP), and Super-Agent licence or a combination.

The number of participants with operating licences in the different categories increased to 100 in 2021, from 97 at end-December 2020. In the Switching and Processing category, there were nine participants; 16 in the MMO category; and 61 in the PSS category. The PSS category comprises three licence types; PSSP (30), PTSP (15), and Super-Agents (16). Also, there were eight Card Schemes and six Accredited Cheque Printers.

Table 2.5.1: Licensed Payments System Participants

License -Type	Number	
	Dec-20	Dec-21
Card Schemes	6	8
Switching and Processing	7	9
Mobile Money Operators	16*	16*
Payment Solution Service Providers	26	30
Payment Terminal Service Providers	16	15
Super Agents	12	16
Third Party Processors**	5	n.a
Non-Bank Acquirers**	6	n.a
Accredited Cheque Printers	3	6
Total	**97**	**100**

Source: Central Bank of Nigeria
Note: *The data represents Non-Bank Licensed Mobile Money Operators; ** n.a – Not applicable with new licence categorisation

The Bank sustained the regulation and supervision of Payments Service Banks (PSBs) to enhance access to financial services for the under-banked and unbanked segments. The Supervisory Framework for PSBs was issued to streamline their activities for transparency and healthy competition.

The Bank revised the Regulatory Framework and Guidelines for Mobile Money Services in Nigeria to deepen mobile money operations and agency banking. The revised framework re-defines the roles and responsibilities of participants and set basis for regulation of services. The major revision included: the introduction of savings wallets; procedure for resolving failed MMOs by the CBN and NDIC; transaction limits; and submission of audited financial statements to the CBN.

The Bank issued Guidelines for Licensing and Regulation of Payments Service Holding Companies (PSHC) in Nigeria, to enhance its oversight function on the PSPs under the new licence categorisation. The regulation stipulated, among others, the required structure for entities that intend to operate MMO and Switching licences together. It provided the guidance on corporate governance and prudential requirements for the operation of PSHC; and listed permissible and non-permissible activities.

The Bank issued the Regulatory Framework on Non-Bank Merchant Acquiring to deepen e-payment outreach and adoption. The guidelines established Non-Bank Acquiring (NBA) as a regulated service in Nigeria and provided the rights and obligations of parties involved in the process, minimum standards, and requirements for the operations of NBA, among others.

The Bank also approved the Framework for Regulatory Sandbox operations to promote innovation and onboarding of FinTech start-ups, while ensuring safety and stability of the payments system. The Regulatory Sandbox is a formal process for firms to conduct live tests of new, innovative products, services, delivery channels, or business models in a controlled environment, with regulatory oversight, subject to appropriate conditions and safeguards.

In compliance with the stipulations of the Nigeria Cheque Standards (NCS) and Nigeria Cheque Printers Accreditation Scheme (NICPAS) Version 2.0, the Bank conducted accreditation exercise for six Cheque Printers in the review period. Consequently, the licences of five existing Cheque printers, namely Superflux International Ltd; Tripple Gee Company Plc; KAS Art Services Ltd; Yaliam Press Ltd; and Nigeria Printing and Minting Company (NSPMC) were renewed while a new licence was issued to Marvelous Mike Press Ltd. Accreditation process of one Cheque Printer, Euphoria Group Ltd was ongoing.

The Bank also approved the automation of the accreditation process for Cheque Printers and Personalisers to increase productivity and effectiveness; reduce turnaround time for processing requests/applications; and realign the steps to optimize the flow of information between processing officers and applicants.

Following the accreditation of Cheque Management Centres (CMCs), a total of seven CMCs, namely; Stanbic IBTC bank, Zenith bank, First bank, Ecobank, Wema bank, Keystone bank, and Providus bank had valid licences to carry out personalisation of cheques.

Furthermore, the extension granted for the parallel run of the old and new cheques, due to the COVID-19 pandemic, ended on 31 March 2021. Consequently, full enforcement of the NCS and NICPAS Version 2.0 commenced on 1 April 2021, with only the new cheques allowed in the clearing system. The key features of the new cheque included: the QR Code for faster verification of cheque details; expiry date of printed cheque booklets; and clear zone to ensure the MICR code line is not tampered.

2.5.2 TRENDS IN THE NIGERIA PAYMENTS SYSTEM

Transactions in the payments system increased significantly across all electronic payment (e-payments) channels. The volume and value of e-payments[3] increased by 61.1 per cent and 34.1 per cent to 16,325.89 million and ₦1,670,503.48

[3] E-payments transactions includes all electronic platforms used to settle financial transactions for households and businesses, such as ATMs, PoS, MMOs, internet (web), USSD, Mobile Apps, and Direct Debits.

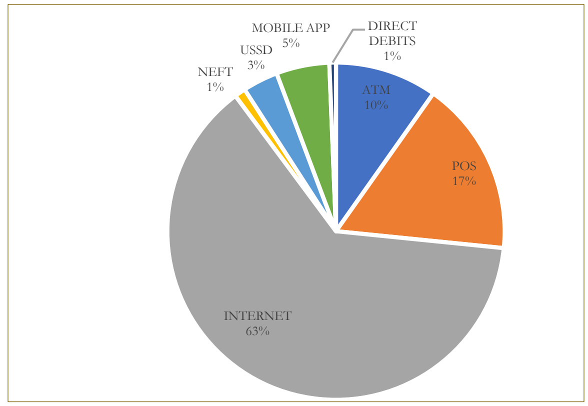
billion, respectively, relative to 10,132.6 million and ₦1,245,658.13 billion in the preceding year. The increase was attributed to the rise in the number of PoS deployed, which significantly impacted on e-payment transactions via the channel.

2.5.2.1 Retail Payments System

The volume of transactions across e-payment channels in the retail payments segment rose significantly. The volume grew by 61.1 per cent to 16,324.84 million in 2021, from 10,132.3 million in 2020. The corresponding value of transactions also increased, by 43.4 per cent, to ₦1,082,297.47 billion, from ₦754,830.82 billion in 2020. A breakdown of the volume of transactions by e-payment channels revealed significant increase to 10,321.57 million, 2,743.56 million, 831.54 million, 552.91 million, and 103.28 million in 2021, from 6,480.6 million, 655.8 million, 411.5 million, 482.3 million, and 3.0 million for Internet (web), PoS, Mobile App, USSD, and Direct Debit payments, respectively, in 2020. However, volume of transactions on ATM terminals and NEFT declined by 16.5 per cent each.

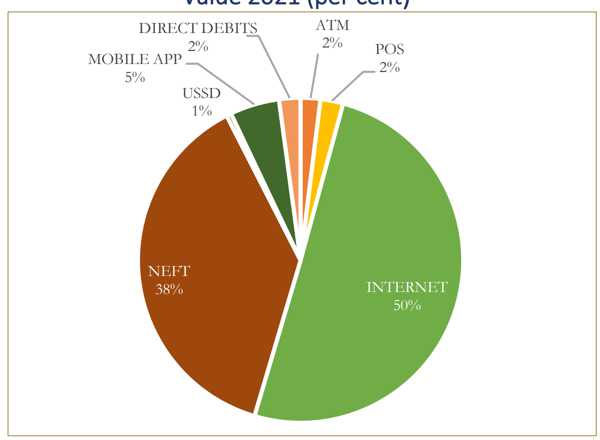
The value of transactions across most e-payment channels showed an increase over their respective levels in 2020. Analysis of the components of e-payment channels showed dominance of internet (web), accounting for 63.2 per cent of total volume and 50.4 per cent of total value. Volume of transactions on PoS and ATMs channels accounted for 16.8 per cent and 9.8 per cent, respectively, while the value accounted for 2.3 per cent and 2.0 per cent. However, NEFT transfers accounted for 1.1 per cent and 37.9 per cent of the total volume and value of e-payment transactions, respectively, in 2021.

Figure 2.5.1: Composition of e-Payments Transactions by Volume, 2021 (per cent)



Source: Central Bank of Nigeria

Figure 2.5.2: Share of e-Payments Transaction by Value 2021 (per cent)



Source: Central Bank of Nigeria

Table 2.5.2: Volume and Value of Electronic Payments

Payment Channels	No. of Terminals		No. of Transactions (million)		Value ₦' Billion	
	20-Dec	21-Dec	20-Dec	21-Dec	20-Dec	21-Dec
ATMs	*18,810*	*19,399*	*1,914.2*	*1,599.2*	*18,199.7*	*21,230.9*
POS	*459,285*	*915,519*	*438.6*	*2,743.56*	*4,727.10*	*24,455.42*
Internet (Web)	-	-	*6,480.6*	*10,321.6*	*392,340.2*	*545,039.69*
RTGST	-	-	*13.46*	*1.04*	*490,827.30*	*588,206.01*
NEFT	-	-	*184.9*	*172.79*	*299,695.12*	*410,171.47*
USSD	-	-	*482.3*	*552.91*	*5,033.40*	*5,179.91*
Mobile App	-	-	*411.5*	*831.54*	*32,400.90*	*53,208.27*
Direct Debit	-	-	*3.0*	*103.28*	*2,434.40*	*23,011.79*
Total e-payments			***10,132.6***	***16,325.89***	***1,245,658.13***	***1,670,503.48***
Retail e-payments			***10,132.3***	***16,324.84***	***754,830.8***	***1,082,297.47***
Mobile (MMOs)	-	-	*769.2*	*1,201.5*	*14,987.7*	*15,395.0*
NIP	-	-	*2,033.6*	*3,473.2*	*158,146.3*	*271,959.6*
e-Bills Pay	-	-	*1.0*	*1.2*	*1,487.9*	*2,278.7*
REMITA	-	-	*44.2*	*58,293.9*	*19,445.7*	*28,594.4*
NAPS			*20.2*	*21.1*	*14,528.8*	*20,127.7*
m-Cash			*0.2*	*0.1*	*0.4*	*0.5*
Central Pay			*0.5*	*0.3*	*3.7*	*2.3*

Source: CBN, banks, NIBSS, switches, PSSPs, and MMOs

Note: 1. NIP, e-Bills Pay, REMITA, NAPS and Central Pay, which were previously reported as inter-scheme, are now appropriately aggregated under the internet/web channel transactions; 2. m-Cash is reported under USSD in 2020; 3. MMO is not reported separately in 2020, as activities are carried out through other reported channels; 4. RTGS and NEFT were not previously reported (Format)

The value of cheque transactions increased by 2.1 per cent to ₦15.61 trillion, compared with ₦15.42 trillion in 2020, while the volume of cheque transactions decreased by 8.5 per cent to 18.25 million, from 20.0 million in 2020. The performance was attributed to increased preference for electronic payment channels.

2.5.2.2 Wholesale Payments System

Transactions in the wholesale payments (Real Time Gross Settlement (RTGS) system) witnessed a decrease in volume and a slight increase in value in the review period. The volume decreases by 92.3 per cent to 1,042,115 in 2021 relative to 13,460,532 in 2020. However, the value of the transactions increased by 19.8 per cent to ₦588,206.01 billion, from ₦490,827.30 billion in 2020.

2.6 DEVELOPMENTAL FUNCTIONS

2.6.1: CBN Interventions

The Bank sustained its interventions in the critical sectors of the economy to deliver affordable and accessible credit to businesses and households for economic recovery. Three new intervention schemes were introduced: the Tertiary Institutions Entrepreneurship Scheme (TIES), 100 for 100 Policy on Production and Productivity (PPP), and the Nigerian Brown Revolution.

The TIES was introduced in November 2021 and targeted at entrepreneurship development among graduates of universities and polytechnics. The Scheme aims to provide an innovative financing model that would boost job creation, enhance entrepreneurship development, and support economic growth. Furthermore, TIES would foster the creation and acceleration of a culture of innovation-driven entrepreneurship skills among Nigerian youths. The sum of ₦29.13 million was disbursed to six maiden beneficiaries at the official launch of the Scheme.

The 100 for 100 PPP was introduced in November 2021 to stimulate investments in the manufacturing sector. Under this Initiative, the Bank on a quarterly basis, selects 100 private companies with potential to significantly increase domestic production and productivity. The policy would boost non-oil exports, reduce imports, and improve foreign exchange earnings.

The Nigerian Brown Revolution, a scheme under the Anchor Borrowers' Programme (ABP), was designed to boost production and reduce import of wheat by 60.0 per cent, thus, conserving about US$2.0 billion import bill annually. The Scheme targets at least 150,000 farmers in 15 states for the cultivation of at least 180,000 hectares of land. The sum of ₦41.2 billion had been disbursed since the inception of the Scheme. The Scheme facilitated the procurement of 13,000 metric tonnes of improved and heat-tolerant wheat seeds for local farmers.

To further consolidate on the gains of the recent economic recovery, the Bank sustained its intervention across critical sectors. In agriculture, the Bank continued intervening through the Anchor Borrowers' Programme, Commercial Agricultural Credit Scheme (CACS), Paddy Aggregation Scheme (PAS), Maize Aggregation Scheme (MAS) and the Agricultural Credit Guarantee Scheme (ACGS).

In the energy/ infrastructure sector, the Nigeria Electricity Market Stabilization Facility 2 (NEMSF 2), Nigeria Bulk Electricity Trading-Payment Assurance Facility (NBET-PAF), Intervention Facility for the National Gas Expansion Programme (IFNGEP), and the National Mass Metering Programme (NMMP) remained the major windows of the Bank's intervention.

In the MSME sector, the Bank intervened using the Agri-business/Small and Medium Enterprises Investment Scheme (AGSMEIS), Nigeria Youth Investment Fund (NYIF), Creative Industry Financing Initiative (CIFI), Micro, Small and Medium Enterprises Development Fund (MSMEDF), and the Targeted Credit Facility (TCF).

In the industry sector, the COVID-19 Intervention for the Manufacturing Sector (CIMS), Textile Sector Intervention Facility (TSIF), Power and Airline Intervention Fund (PAIF) and the Real Sector Support Facility (RSSF), using Differentiated Cash Reserve Ratio (RSSF-DCRR) were the main intervening windows of the Bank. The Health Sector Research and Development (Grant) Scheme (HSRDIS) and the Health Care Sector Intervention Fund (HSIF) provided the windows for interventions in the Health Sector.

The table 2.6 shows the disbursements, number of beneficiaries and repayments under the Schemes.

Table 2.6. 1: Disbursement, Number of Beneficiaries and Repayments

Sector	Disbursement						
	2021			Cumulative			
	Amount (N' b)	Share (%)	Beneficiaries	Amount (N' b)	Share (%)	Beneficiaries	Repayments (N' b)
Agriculture	435.403	18.67		1,810.86	55.94		566.92
Anchor Borrowers' Programme	*394.36*	16.91	*85 Anchors (1,393,074 farmers)*	899.51	27.79	*577 Anchors (4,268,986 farmers)*	332.39
N200 Billion Commercial Agricultural Credit Scheme (CACS)	*30.6*	1.31	*12 Banks*	716.02	22.12	*666 projects*	73.30
Paddy Aggregation Scheme(PAS)	*4.17*	0.18	*1 Rice Miller*	60.56	1.87	*22 Rice Millers*	58.06
Maize Aggregation Scheme (MAS)	*0.353*	0.02	*1 Project*	6.352	0.20	*8 Projects*	6.00
Agricultural Credit Guarantee Scheme (ACGS)	*5.92*	0.25	*31,666 Loans*	128.42	3.96	*1,122,636*	97.17
Energy/Infrastructure	*681.29*	*29.22*		*Nill*	*Nill*		*Nill*
Nigeria Electricity Market Stabilization Facility 2 (NEMSF 2)	*187.36*	8.04	-	-		-	
Nigeria Bulk Electricity Trading-Payment Assurance Facility (NBET-PAF)	*407.12*	17.46	*Procurement and Installation of meters*	-	-	-	*21.55*
Intervention Facility for the National Gas Expansion Programme (IFNGEP)	*39.20*	1.68		-			
National Mass Metering Programme (NMMP)	47.61	2.04	*8 meter asset providers under 8 DisCos*	-	-	-	
MSMEs	*324.63*	*13.92*		*506.40*	*15.64*		
Agribusiness/Small and Medium Enterprises Investment Scheme (AGSMEIS)	*32.60*	*1.40*	*10,668 beneficiaries*	*134.60*	*4.16*	-	*318.94*
Nigeria Youth Investment Fund (NYIF)	*2.81*	*0.12*	*6,764.00*	*3.01*	*0.09*	*7,057*	
Creative Industry Financing Initiative (CIFI)	*3.31*	*0.14*	*370 Projects*				*323.45*
Micro, Small and Medium Enterprises Development Fund (MSMEDF)	*96.08*	*4.12*					*38.62*
Targeted Credit Facility (TCF)	189.83	8.14	*387,662 beneficiaries*	368.79	11.39	*777,666*	-
Industries	*854.20*	*36.63*	-	*811.31*	*25.06*	-	
COVID-19 Intervention Facility for the Manufacturing Sector (CIFMS)	*176.73*	7.58	-	*405.45*	12.53	-	
Textile Sector Intervention Facility (TSIF)	*1.45*	0.06		*92.10*	2.85	*41 Projects*	*16.97*
Power and Airline Intervention Fund (PAIF)	*1.88*	0.08	*3 Power projects*	*313.76*	9.68	*192 (51 power projects) 120.763 (24 airline projects)*	*N234,43 (N101.75 for airline and N132.68 for power projects)*
RSSF Using Differentiated Cash Reserve Ratio (RSSF-DCRR)	674.14	28.91	*121 projects*	-	-		*89.03*
Health	*36.253*	1.55		*108.22*	3.36	-	-
HSRDIS	*0.233*	0.009	5 applications	*Nill*	*Nill*	*Nill*	*Nill*
Health Care Sector Intervention Fund (HSIF)	*36.02*	1.54	45 projects	*108.66*	3.36	117 projects	89.03
Total	*2,331.78*	*100*		*3,236.79*	*100*		

Source: Central Bank of Nigeria

3.0 CORPORATE ACTIVITIES

The Bank sustained the coordination, monitoring, and reporting of its strategic projects and initiatives in the review period. The CBN completed the building of new branches in five locations and provided enhanced health care facilities during the year. In addition, it continued its corporate social responsibility through capacity building and the provision of financial and other forms of assistance to institutions, organisations, and individuals. The staff of the Bank sustained their support for the less-privileged, physically challenged groups, orphanages, and gender-related issues/initiatives through their regular contributions to the CBN Staff Alms Fund (C-SAF).

3.1 ADMINISTRATION

3.1.1 The Board of Directors and Other Committees

The membership of the Board of Directors of the Bank remain unchanged in the review period. As at 31 December 2021, the Board comprised the Governor, Godwin I. Emefiele (Chairman), four Deputy Governors, namely: Aishah N. Ahmad (Financial System Stability); Edward L. Adamu (Corporate Services); Folashodun A. Shonubi (Operations); and Kingsley I. Obiora (Economic Policy). In addition, there were seven Non-Executive Directors namely: Abdu Abubakar; Adeola Adetunji; Ummu A. Jalingo; Justitia O. Nnabuko; Mike I. Obadan; Ahmed Idris (Accountant-General of the Federation); and Aliyu Ahmed (Permanent Secretary, Federal Ministry of Finance, Budget and National Planning).

The Board of Directors held six regular meetings, while the Committee of Governors held 49 regular meetings. The Finance and General-Purpose Committee held six meetings, the Remuneration, Ethics, and Anti-Corruption, Corporate Strategy, Financial System Stability, Pension Fund Management, Investment and Audit Committees, held four meetings each, while the Risk and Cybersecurity as well as the Establishment Committees held three meetings each, in 2021.

Table 3.1. 1: Board of Directors' Meetings and Attendance

S/N	Member	No. of Meetings Attended
1	Godwin I. Emefiele	6 out of 6
2	Aishah N. Ahmad	6 out of 6
3	Edward L. Adamu	6 out of 6
4	Folashodun A. Shonubi	6 out of 6
5	Kingsley I. Obiora	6 out of 6
6	Abdu Abubakar	6 out of 6
7	Adeola Adetunji	6 out of 6
8	Aliyu Ahmed	6 out of 6
9	Idris Ahmed	6 out of 6
10	Justitia O. Nnabuko	6 out of 6
11	Mike I. Obadan	6 out of 6
12	Ummu A. Jalingo	6 out of 6

Source: Central Bank of Nigeria

Table 3.1. 2: Committee of Governors' Meetings and Attendance

S/N	Member	No. of Meetings Attended
1	Godwin I. Emefiele	46 out of 49
2	Aishah N. Ahmad	36 out of 49
3	Edward L. Adamu	47 out of 49
4	Folashodun A. Shonubi	45 out of 49
5	Kingsley I. Obiora	37 out of 49

Source: Central Bank of Nigeria

3.1.2 The Monetary Policy Committee (MPC)

In 2021, the Monetary Policy Committee (MPC) held its regular bi-monthly meetings in January, March, May, July, September, and November. Major developments in the global and domestic economic and financial environments were reviewed. Decisions on the direction of monetary policy were conveyed to the public through communiques and press briefings.

The MPC retained all the policy parameters during the year to consolidate economic recovery and stem inflationary pressure. Thus, the Monetary Policy Rate (MPR), Cash Reserve Ratio (CRR), and liquidity ratio were retained at 11.5 per cent, 27.5 per cent and 30.0 per cent, respectively, while the Asymmetric Corridor of +100/-700 basis points was maintained around the MPR.

The Committee approved the expansion of the Targeted Credit Facility (TCF) and the Agri-Business/Small and Medium Enterprise Investment Scheme (AGSMEIS) to boost economic growth and generate employment. The Committee identified the need to increase the inflow of diaspora remittances through the introduction of the "CBN Naira-4-Dollar" Scheme in March 2021. Diaspora remittance recipients were rewarded with an extra ₦5.00 for every dollar received through the official window. The Bank in July 2021 discontinued foreign currency sales to the Bureau De Change (BDC) operators, and suspended the issuance of new licences owing to observed malpractices and the flouting of extant regulations. Also, on 25 October 2021, the Bank launched the Central Bank Digital Currency (CBDC), known as "the eNaira" with over 600,000 wallet downloads in the first three months of its operations. The Initiative is aimed at building a more inclusive financial system, and the promotion of effective transmission of monetary policy.

Table 3.1. 3: Monetary Policy Committee Meetings and Attendance

S/N	Members	No. of Meetings Attended
1	Godwin I. Emefiele	6 out of 6
2	Aishah N. Ahmad	6 out of 6
3	Edward L. Adamu	6 out of 6
4	Folashodun A. Shonubi	6 out of 6
5	Kingsley I. Obiora	5 out of 6
6	Mike I. Obadan	6 out of 6
7	Adeola F. Adenikinju	6 out of 6
8	Aliyu R. Sanusi	5 out of 6
9	Robert C. Asogwa	6 out of 6
10	Aliyu Ahmed	6 out of 6

Source: Central Bank of Nigeria

3.1.3 Development of CBN Branches and Intervention Projects

The Bank completed the building of new branches in five locations, and provided enhanced health care facilities during the year. Thus, new CBN branches were completed in: Abakaliki; Gusau; Lafia; Birnin Kebbi; and Dutse. Other projects successfully delivered were: the renovation of CBN Makurdi Branch, and the construction of Currency Processing and Destruction Unit (CPDU) in Lagos Branch.

3.1.4 Information Technology

The Bank leveraged information technology in pursuit of its mandate. It sustained and fortified the cyber resilience of the IT infrastructure and services against cyber-attacks. Achievements recorded included:

- transforming the national payments system infrastructure, and integration of the Pan-African Payments and Settlement System (PAPSS);
- delivering fast and responsive IT services that resulted in the resolutions

of 97.0 per cent incidents within the Service Level Agreement (SLA); business customer satisfaction rate of 83.6 per cent; and 99.3 per cent availability of critical IT services. Also, 90.0 per cent of staff attained the capacity-building target of 10 business days annually;

- increasing greater awareness of the Bank's staff on information security;
- creation of special data team to manage the delivery of Enterprise Data Warehouse (EDW), and establishment of business intelligence unit to work with SBUs, to develop real time dashboards and reports; and
- an assessment of digital transformation in the CBN conducted by Garter, which revealed that the Bank had automated about 70.0 per cent of its back-office processes, compared to the financial industry average of 32.0 per cent.

The Bank, in collaboration with the National Cybercrime Council and the Office of National Security Adviser (ONSA), participated in the review of the National Cyber security Policy and Strategy (NCPS 2021). This led its awareness drive towards implementation in the financial industry.

The Bank automated forms "NCX" and "A", for non-commercial exports and invisible transactions, respectively, on the Trade Monitoring System (TRMS). The development led to a reduction in application processing time by 70.0 per cent, with over 24,912 requests, and a disbursement of ₦129,000,000 within its first month of operation.

3.1.5 Library Operations

The number of library resources consulted by staff in 2021 was 19,614, representing an increase of 551.1 per cent above the 3,012 recorded in 2020. This was attributed to the easing of the COVID-19 pandemic restrictions in April 2021.

A total of 7,148 users visited the Library online catalogue in 2021, an increase of 78.6 per cent compared with 4,003 in 2020. The Bank implemented the CBN Digital Commons, aimed at increasing the visibility of CBN's research and publications. A total of 18,032 downloads were made from the platform by users from 162 countries in the review period. The Bank also implemented a single sign-on and remote authentication solution (OpenAthens), which enables remote access to electronic resources outside the Banks' computer network. The volume of books in the Bank's library system remained at 120,169 in 2021, as the Library relied majorly on e-resources, owing to the COVID 19 pandemic.

The Bank continued to provide access to electronic resources (eBooks, electronic journals, databases, data and statistical sources), covering economics, finance, business, accounting, management, and banking, through publishers like Springer Nature, Elsevier, the IMF, the World Bank, ProQuest, Fitch Solutions and Economic Intelligence Unit (EIU). A breakdown of these resources includes electronic books (ProQuest, Journal Storage (JSTOR)). The following databases were also available: EBSCOHost; Journal Storage (JSTOR); Access to Global Online Research in Agriculture (AGORA); Online Access to Research in Environment (OARE); and Data and statistical sources (FitchConnect; the International Monetary Fund (IMF) Data; World

Bank Open Data; and the Economist Intelligence Unit (EIU)).

3.1.6 Legal Services

The Bank continued to strengthen the legal and regulatory framework to improve the overall effectiveness of the financial system. Some agreements, guidelines, and Memoranda of Understanding (MoU) were drafted and reviewed. These included: the proposed Africa Finance Corporation ₦500 billion critical infrastructure facility; Deed of Termination by JPMorgan Chase & Co. on the Custodial Agreement between the CBN and JP Morgan Chase Bank, N.A. London; agreement between Deutsche Bundes Bank and the CBN concerning the provision of certain services for foreign central banks, monetary authorities or international organisations; an agreement between the CBN and the Nigeria Governors' Forum (NGF) under the Anchor Borrowers' Programme Guidelines, CBN 2016; Renewal of the Chinese yuan/naira bilateral currency swap arrangement between the Peoples Bank of China and the Central Bank of Nigeria; the Operations of Non-Interest Financial Institutions' Instruments by the CBN; draft Framework for the Operationalisation of the Non-Interest Asset Backed Securities; and the draft Statute of the African Monetary Institute (AMI).

The agreements between the Bank and the Bank of Botswana; and the Central Bank of the United Arab Emirates, respectively, were also reviewed. Others were the US$2.00 billion Swap Transaction between the CBN and Goldman Sachs International Bank – Proposed Amendment of Confirmation Document; the resolution of the conflicts between the Finance Act 2020 and the Banking and Other Financial Institutions Act 2020 in respect of the unclaimed funds Trust Fund in the banking sector; and the agreement between the Central Bank of Nigeria and Lopworks Limited on the implementation of Enterprise Network and Applications Security Solution for Trade Monitoring System (TRMS) Project.

The CBN was involved in 1,328 cases, out of which two were foreign. Of the local cases, 684 were garnishee proceedings. The other cases bordered on a wide range of issues arising from disputes in the exercise of regulatory powers of the Bank, breach of contract, alleged wrongful termination of contracts, banking/financial operations, revocation of banking licences, and matters involving the Bank's landed properties. Thus, 955 cases were decided in courts, of which 845 were either struck out, dismissed, or discontinued by the plaintiffs or judgement given in favour of the Bank. The remaining were being challenged by the Bank on appeal.

Relevant bills from the National Assembly were also reviewed, including: the Petroleum Industry Bill (PIB) 2020; Nigerian Postal Services Act N127 LFN 2004 (Repeal and Establishment) Bill, 2021; A Bill for an Act to Establish the Nigerian Health Infrastructure Development Bank; Chartered Institute of Forensic and Investigative Professionals of Nigeria (Establishment) Bill, 2021; A Bill for an Act to Establish the National Assembly Library Trust Fund (Hb.987); Asset Management Corporation of Nigeria (Amendment) Bill, 2021; amendments to a Bill for an Act to establish the Institute of Mortgage Brokers and Lenders of Nigeria 2016; National Roads Fund Bill 2021; Nigerian Minerals Value Chain Regulations, 2021; and National Agricultural Development Fund (Est) Bill 2021.

3.1.7 Security Services

The Bank continued to improve on its security architecture to provide a safe and conducive working environment in all its locations. Thus, the Bank deployed modern security tools and equipment to ensure asset protection, staff security, emergency preparedness, personnel safety, and operational resilience. It also reinforced existing security processes and ensured the implementation of Physical Security Policy and Security Operations Manual.

The Bank consolidated and upgraded strategies focused on strengthening existing deterrent, detection, and delay security systems, with a view to maximising response capabilities in all its locations in the country. Also, security assessment and safety audit of the facilities were conducted to determine their compliance with best practice in security and safety management processes.

The Bank continued its collaborations with the Nigeria Police, the Department of State Security Services, the Federal Fire Service, and other security agencies for adequate security. This was to address threats to banking operations and ensure that the Bank's facilities were secured. The CBN complied with the National Fire Safety Code of Nigeria (NFSCN) in its Head Office and received Fire Safety Certificate after a satisfactory assessment of the building.

3.1.8 Internal Audit

In 2021, 178 audits were planned, comprising 55, 47, and 76 audits of Departments, Processes, and Branches, respectively. Also, 195 currency disposal operations, requiring audit witnesses, were carried out. Currency stock taking was conducted in all branches of the Bank. Furthermore, the Bank identified critical exceptions, bordering on control weaknesses, to the Audit Committee of the Board to ensure compliance and resolution of the exceptions.

To ensure capacity improvement through continuous learning for better service delivery, intense in-house training sessions were conducted for the internal auditors on TeamMate and Interactive Data Extraction and Analysis (IDEA).

3.1.9 Risk Management

The Bank conducted thirty-three Risk Control Self-Assessment (RCSA) workshops for selected Strategic Business Units (SBUs), towards strengthening resilience, to withstand threats to its operations. The outcomes were used to initiate risk mitigation actions and update the Enterprise Risk Register. In addition, Business Continuity Plans (BCPs), which provides a detailed alternative working arrangement in the event of unplanned interruptions to critical services, were reviewed across the SBUs.

Information Technology (IT) Disaster Recovery (DR) tests were conducted, to ensure protection against data loss, thereby guaranteeing the continuity of critical services of the Bank in the event of disruptions at the Head Office. An evaluation of the Bank's cybersecurity risk was also undertaken, to assess and resolve the vulnerability of the Bank's IT assets. Also, to address the risks posed by increasing reliance on third parties and other stakeholders, the Bank implemented a Third-Party Risk Management Framework and Insider Threat Policy, in all the SBUs.

The CBN held three meetings of the Chief Risk Officers (CROs) Forum, comprised of CROs of all banks in Nigeria. The Forum strengthened the interactions between the banking industry operators and regulators, in advancing the practice of risk management, and aligned regulatory requirements with best practices.

The Bank's Risk Management Committee (RMC) met three times to evaluate the effectiveness of risk management processes across the Bank. In addition, the Bank's Reputational Risk Forum (BRF) held fortnightly to identify, assess, monitor, and manage its reputational risk exposures.

As part of the risk governance structure of the Bank, several meetings of the Investment and Risk and Cyber-Security Committees; and the Information Technology Steering Committee were held during the review period.

3.1.10 Strategic Initiatives Management

The Bank executed its strategic projects and initiatives, despite constraints caused by the COVID-19 pandemic in 2020. The management processes of these initiatives included: budgeting; monitoring and evaluation; and performance reporting. The CBN produced a Project Management Policy and Enterprise Project/Portfolio Management Handbook, in line with the phased change management approach for the implementation of its enterprise programme management function. This entailed the systematic introduction of project management artifacts into the enterprise project management space to ensure effective stakeholders' participation and buy-in. These key organisational process assets would further deepen and drive the standardisation and institutionalisation of project management practices. The Bank developed a new strategy to stimulate the Nigerian economy. The new strategy adopted an issue-based methodology, which was more focused, and dynamic in approach. Consequently, a new vision and mission statement was developed for the Bank as follows:

- Vision Statement: To be a people-focused Central Bank promoting confidence in the economy and enabling an improved standard of living; and
- Mission Statement: To ensure monetary, price, and financial system stability as a catalyst for inclusive growth and sustainable economic development.

The strategy comprised seven thematic areas with expected positive impact on the Bank and the Nigerian economy. The thematic areas are:

- price stability that promotes sustainable economic development and improved standard of living;
- foster confidence in the integrity and soundness of Nigeria's financial system that enhances the nation's competitiveness;
- leverage technology and innovation to ensure a secured, efficient, and reliable "digital financial inclusion" system;
- facilitate finance to enhance productivity in targeted sectors for sustainable job creation and inclusive growth;
- strengthen and maintain sustainable foreign reserves to build resilience against shocks;
- excel in delivering operational excellence in all activities, processes, and actions of the Bank; and
- empower purpose-driven team dedicated to delivering measurable impact.

3.1.11 Data Governance Operating Model

The CBN facilitated the setting up of the Data Governance Council (DGC), responsible for policies and guidelines that would ensure effective data management, to support effective

Management decision making. In addition, the Data Governance Policy (DGP) was approved by the CBN Board to manage the availability, usability, integrity, and security, as well as privacy in the processing, usage, storage, and dissemination of data in the Bank. This would ensure effective governance of the Bank's key data assets (structure, people, processes, and technology), and impact positively on the Bank's Management decision-making capabilities.

The Bank also developed a Data Governance Operating Model Implementation Plan and aligned it with the Project Oxygen (Big Data) work-plan, to ensure the implementation of data analytics capability Bank-wide, and promote data-driven culture in the CBN.

3.1.12: Strategic Initiatives and Projects Management in the Central Bank of Nigeria

The Bank continued the implementation of its strategic initiatives and projects. The initiatives and projects included: the budget process; project implementation; monitoring and evaluation; risk management; performance reporting, and maturity enhancement.

Also, in line with improving its project management practices, the Bank deployed a web-based solution for the management of projects and initiatives. The automation was expected to improve project monitoring, reduce project delivery cycle, eliminate project duplications, improve project benefits realisation, improve the management of project budgets, and enhance project and portfolio reporting. This would enable users obtain regular ad-hoc, daily, weekly, monthly, quarterly, and annual reports for various stakeholder needs.

3.1.13 Ethics, Anti-Corruption and Governance

Ethics, Compliance, and Anti-corruption Seminar

The Bank conducted the annual ethics, compliance, and anti-corruption seminar for its employees with the theme *"Workplace Ethics and Compliance in a Dynamic Global Environment: The COVID-19 Experience"*. The objective was to remind staff of their ethical responsibilities and obligations in the workplace, notwithstanding the Pandemic. The virtual event recorded 5,580 participants.

3.1.14: The 2021 Anti-Corruption Day

The Bank participated virtually in the annual World Anti-corruption day activities with the theme *"Your Role, Your Right: Say No to Corruption"*. The topics covered during the Programme included: Strategic Approach to Fighting Corruption; Building an Upright and Value-oriented Society; and Beneficial Ownership Disclosure.

3.1.15: Compliance with the Code of Business Ethics and Compliance, and the Remuneration, Ethics, and Anti-Corruption Committee

In 2021, there were visits to the strategic business units (SBUs), to ascertain the level of compliance with the Code of Business Ethics and Compliance (COBEC). The Remuneration, Ethics, and Anti-Corruption Committee (REACC) of the Board, met four times to consider issues related to the following, among others:

- implementation, monitoring, and enforcement of compliance with all policies, rules, and guidelines on ethics and anti-corruption such as the COBEC, oath of allegiance and whistle blowing;
- facilitation of the administration of the asset declaration forms; and

- sensitisation of staff on issues of anti-corruption and ethics.

3.1.16: Anti-Money Laundering and Combating Financing of Terrorism

As part of its effort on anti-money laundering and combating financing of terrorism (AML/CFT), the CBN sustained its collaboration with both internal and external stakeholders, through the quarterly inter-departmental stakeholders' meetings and the bi-monthly virtual meetings of the Association of Chief Compliance Officers of Banks in Nigeria (ACCOBIN). It also conducted customer due diligence for 31 branches.

Enhanced Due Diligence (EDD) was carried out in six CBN branches to ascertain the volume and value of cash withdrawals over the counter by security agencies, ministries, departments, and agencies (MDAs). Also, SWIFT sanctions screening was conducted with 60,042 SWIFT messages screened. Reports generated indicating "hits" (suspected messages) were reviewed for Management consideration and no true hit was found. AML/CFT questionnaires were received from 13 correspondent banks, which were promptly completed and returned to the respective banks.

The CBN joined the Association of Certified Fraud Examiner (ACFE), and Law Enforcement and Government Alliance (LEGA), making the Bank the first government agency in Nigeria, and the first central bank in Africa signed to the global alliance. This was a proactive step to show the Bank's commitment to the fight against money laundering, fraud, illicit financial flows, and other forms of emerging financial crimes.

3.1.17: The Financial System Strategy (FSS)

The CBN, in collaboration with some participating institutions and key stakeholders, implemented several initiatives in 2021, aimed at achieving its strategic objectives. These initiatives were in the areas of:

- Legal and Regulatory Framework;
- Human Capital Development;
- Business Community-Based Credit Model (B2CM);
- Enhancing Diaspora Inflows;
- Housing Finance Ecosystem Diagnostic Study; and
- Factoring and Receivables.

3.1.18: The Shared Services Programme

i. Cash-Less Policy

The Cash-less policy was fully implemented in Lagos, Ogun, Abia, Anambra, Rivers, and Kano States as well as the FCT. However, implementation of the policy in the remaining states was yet to be enforced due to the COVID-19 pandemic.

ii. The Shared IT Standards and Infrastructure Initiatives

To improve the overall efficiency of the Nigerian banking sector, the Bank, in conjunction with the Bankers Committee approved the implementation of the shared IT Standards and Infrastructure initiatives. The initiatives included: Nigerian Financial Services Network (NFSN); IT Standards Compliance Audit; the Shared Power Infrastructure; and the Shared Data Centre (SDC). The objective of the NFSN was to provide a unified, resilient, sustainable, and secured network infrastructure, to connect all institutions involved in financial services in Nigeria. The project's conceptual design was revalidated, and Proof of Concept (PoC) concluded.

On the Shared Data Center initiative, 20 commercial banks had migrated their remote data centres to the shared Disaster Recovery Data Centre (DRDC). The remaining banks were at various stages of concluding plans to migrate their remote data centres to the shared DRDC.

The IT Standards Council reviewed and expanded the scope of the IT Standards blueprint to include new IT Standards, which were released to the industry for compliance. National Microfinance Banks and Payment Services Providers (PSPs) were included into the IT Standards progamme, to facilitate an end-to-end operational standard across the Nigerian financial services industry.

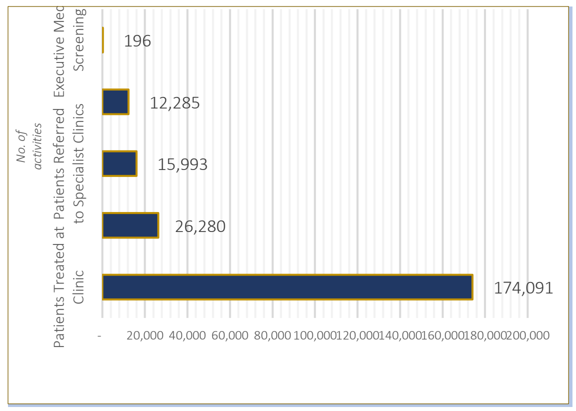
3.1.19 Medical Services

The Bank provided various medical interventions to sustain a healthy and productive workforce, such as remodeling the old CBN Clinic in Abuja, to provide Isolation Centre, Molecular Laboratory, and Vaccination services, to sustain a healthy and productive workforce.

The Bank's staff clinics attended to a total of 174,091 cases, involving staff and dependants. Of these cases, 26,280 were referred to stand-by hospitals, while 165 staff/defendants were treated overseas for conditions that could not be handled locally. A total of 493 adult vaccines were administered to staff, while 1,746 routine immunisation were administered to staff children. In addition, COVID-19 vaccination was carried out bank-wide, in line with the World Health Organisation (WHO) and the Nigeria Centre for Disease Control (NCDC) vaccine status requirements. Vaccines administered included the Astra Zeneca (5,584), Moderna (4,281), and Pfizer booster (181) vaccines. Also, 762 prospective employees were screened for diseases and substance abuse.

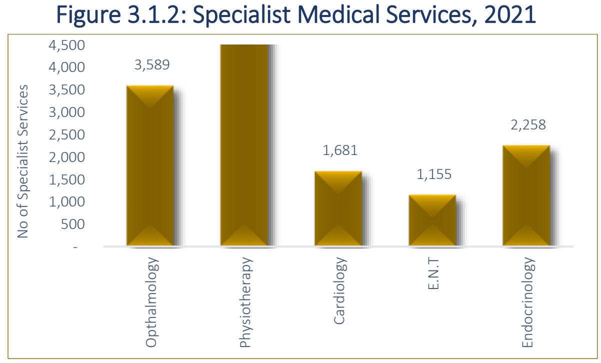
As part of the comprehensive health care plan for Bank's staff, several health seminars were conducted on topical health issues such as: Ebola Virus Disease (EVD); COVID-19 pandemic; Hepatitis B infection; HIV/AIDS; Diabetes Mellitus; and Hypertension. Of the in-house specialty clinics, physiotherapy had the highest attendance of 7,310, followed by ophthalmology with 3,589, while ENT (ear, nose, and throat) recorded the least attendance of 1,155 patients. The Bank also sponsored comprehensive medical screening of 196 Executives.

Figure 3.1.1: Staff Clinic Activities, 2021



Source: Central Bank of Nigeria

Figure 3.1.2: Specialist Medical Services, 2021



Source: Central Bank of Nigeria

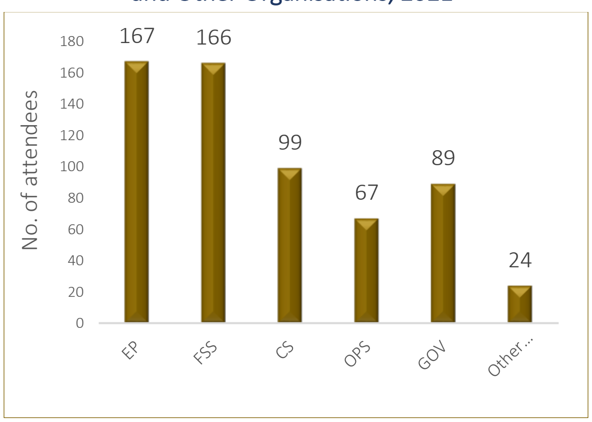
3.1.20: Training

In line with the Bank's manpower development strategy, 7,901 staff participated in several training (physical and virtual class) programmes. Of the total, 279 attended overseas courses, while 7,622 attended local training programmes (physical and virtual).

i. Courses Attendance by Directorates and other Organisations at the CBN International Training Institute (ITI) in 2021

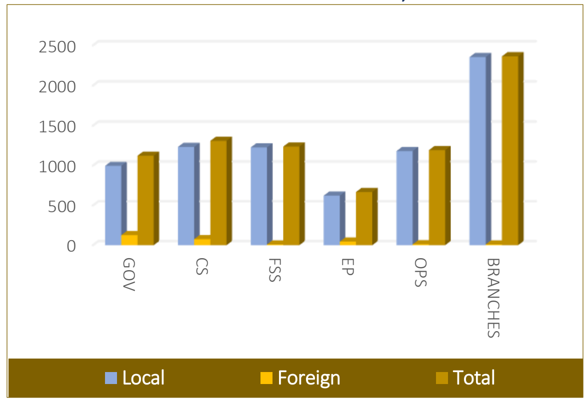
A total of 612 participants attended 26 different courses at the ITI. A breakdown showed that the Economic Policy Directorate recorded the highest with 167; followed by Financial System Stability, 166; Corporate Services Directorate, 99; Governors Directorate, 89; Operations Directorate recorded 67; and Other organisations, 24 attendees.

Figure 3.1.5: ITI Course Attendance by Directorates and Other Organisations, 2021



Source: Central Bank of Nigeria

Figure 3.1.4: Local and Foreign Training Distribution by Directorates and Branches, 2021

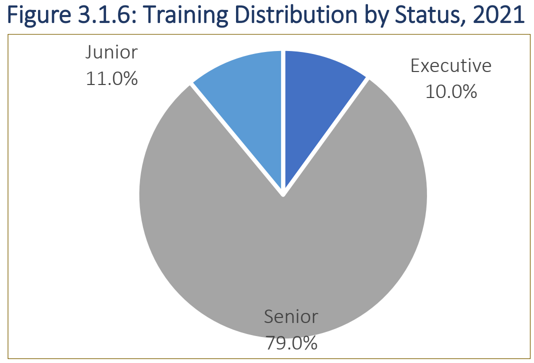


Source: Central Bank of Nigeria

The local and foreign training distribution by directorate showed that the Corporate Services Directorate recorded the highest with 1,311; followed by Financial System Stability 1,239; Operations Directorate recorded 1,195, Governors Directorate 1,124, Economic Policy Directorate recorded 668, while the Branches recorded 2,364.

Analysis of training in the review period indicated that 10.0 per cent of staff who benefitted were Executives, 79.0 per cent were Senior, while 11.0 per cent of the slots went to the Junior category.

Figure 3.1.6: Training Distribution by Status, 2021

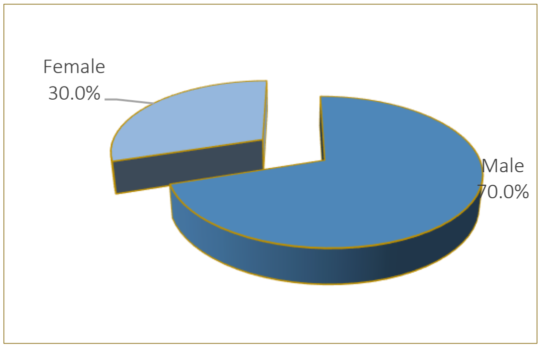


Source: Central Bank of Nigeria

Analysis by gender showed that the beneficiaries of the local training programmes comprised 70.0 per cent male and 30.0 per cent female staff.

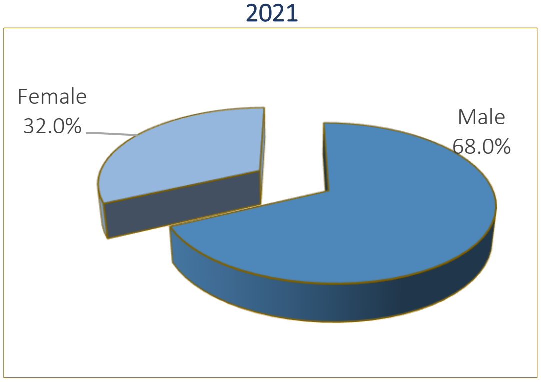
Similarly, staff beneficiaries of foreign training comprised 68.0 per cent male and 32.0 per cent female.

Figure 3.1.7a: Local Training Distribution by Gender 2021



Source: Central Bank of Nigeria.

Figure 3.1.7b: Foreign Training Distribution by Gender 2021



Source: Central Bank of Nigeria.

ii. Partnership Programmes and Research Project

The Bank collaborated with the US Federal Reserve Bank (FRB) and the IMF, to deliver five supervisory webinars for central bankers. Also, it partnered with the West African Institute for Financial and Economic Management (WAIFEM), and organised a training on Financial Soundness Indicators and Public Sector Debt Statistics. Furthermore, the CBN conducted a research project titled *"Learning Transfer in the New Normal: An Evaluation of the Bank's Transition to Digital Learning Platforms during the COVID-19 pandemic"*.

3.1.21: Staff Exit

The Bank lost the services of 257 staff through: 33 deaths; four dismissals; one end of contract appointment; 108 mandatory retirements; 16 resignations; 74 voluntary retirements; and 21 withdrawal of services.

3.1.22: Staff Promotion

The Bank appointed eight Directors and promoted 2,145 staff to different grades. A breakdown indicated that 157 executives, 1,357 senior; and 631 junior staff benefited from the exercise.

3.1.23: Staff Social Responsibility

The staff of the Bank sustained its support for the less-privileged in the society through its regular contributions to the CBN Staff Alms Fund (C-SAF), which supports worthy courses such as orphanages, educational schemes, and healthcare. A total of ₦232.02 million was realised from the monthly departmental contributions at end-December 2021.

3.1.24: Nigerian Sustainable Banking Initiatives

The Bank introduced a sustainable waste management initiative to reduce its carbon footprint, with emphasis on reducing, re-using, and recycling materials. This was done through a three-pronged approach: budget discipline to reduce spending; encouraging the re-use of materials by signing agreements with Original Equipment Manufacturers (OEM) to repurchase equipment at their end of life; and recycling of waste into useful products.

Furthermore, the Bank carried out a sensitisation exercise on environmental sustainability, to enlighten staff on the proper separation of wastes and recycled materials into useful products. A total of 272 bundles of toilet rolls and 48 reams of A4 paper were produced from the Bank's paper wastes in 2021.

The Bank collaborated with the Federal Ministry of Environment to develop initiatives and create enabling frameworks to align the Nigerian Sustainable Banking Principles (NSBPs) with the Nationally Determined Contributions (NDCs), under the Paris Climate Agreement (PCA). The CBN also intensified effort to encourage banks to align their financing activities to green investments.

The Bank celebrated the 2021 World Environment Day (WED) on 5 June 2021 with the theme ***"Ecosystem Restoration"***. This was a call to individuals, organisations, and countries to "heal the planet and its people by preventing, halting, and reversing the degradation of ecosystems worldwide". It carried out several activities to mark the day, including a Tree planting exercise at the Head Office on 3 June 2021 by the Governor, and the four Deputy Governors. Also, there was a commemorative webinar on 8 June 2021.

The Bank joined other organisations all over the world to celebrate the Annual International Women's Day (IWD) on 10 March 2021 with the theme *'Women in Leadership: Achieving an Equal Future in a COVID-19 World'*, with the hashtag *#ChooseToChallenge*. Series of activities were carried out virtually to commemorate the day, including the 3rd Annual Breakfast Meeting for 100 CBN Women with the Deputy Governor, Financial System Stability (FSS), Mrs. Aishah Ahmad, CFA on 13 March 2021, and a webinar, on 18 March 2021 with the theme, 'Positioning Women for Leadership in a Changing World' with hashtags *#EmpoweredToLead and #ChooseToLead*.

Speakers and panelists were drawn from within and outside the Bank, and they underscored the Bank's commitment to gender equality. It was attended by about 900 women and dignitaries from all over the world, including the Governor, Central Bank of Nigeria (CBN), Dr. Godwin I. Emefiele (CON) and a former Vice President of World Bank Ms. Arunma Oteh (OON).

3.2 COMMUNICATION AND COMMUNITY ENGAGEMENTS

3.2.1 Communication

The Bank sustained transparency and accountability in the conduct of its activities, by effectively communicating policies and programmes during the year. These included: dissemination of the decisions of the Monetary Policy Committee (MPC); the Bankers' Committee meetings; outcomes of the Bank's participation at the Spring and Annual Meetings of the IMF and World Bank; and policy positions of the Bank.

The Bank approved the transmission of MPC Communiqués to the Chairmen of the Banking Committees (Senate and House of Representatives) of the National Assembly within 48 hours of release. Also, the Bank, periodically, provided adequate briefing to various committees of the two chambers of the National Assembly on the state of the economy, generally, and, the health of the banking system.

The Governor and other top Management of the Bank made 21 appearances at the National Assembly in 2021. Also, the Bank facilitated a Retreat for the Senate Committee on Banking, Insurance and Other Financial Institutions and the House of Representatives Committee on Banking and Currency held in Kaduna and Lagos, respectively.

3.2.2 Community Engagements

Interactive sessions with some critical stakeholders (organised Labour and Civil Society) were organised, on the 5-Year Policy Thrust of the Central Bank of Nigeria (2019 – 2024). The sessions were held in the six geo-political zones: South-East, South-South, South-West, North-Central, North-West, and North-East.

The Bank organised a sensitisation programme, titled, 'CBN Fair' bothering on consumer protection, CBN Interventions, and eNaira, among others. It was held simultaneously at the following locations: Sokoto and Birnin-Kebbi, Enugu and Awka, Lagos and Abeokuta, Bauchi and Gombe, Calabar and Uyo, Abakaliki and Umuahia as well as Kaduna and Kano, respectively. The Abakaliki/Umuahia and Kaduna/Kano programmes were leveraged as platforms to sensitise stakeholders on the Central Bank Digital Currency (CBDC) – the eNaira project. As part of continued effort at expanding its reach to stakeholders on its policies and programmes, the Bank participated at the Abuja, Enugu, Kaduna, and Lagos International Trade fairs.

The Bank organised various sporting activities in collaboration with relevant stakeholders, in line with its corporate social responsibility. Consequently, the 16th edition of the CBN Junior Tennis Championship was held at the Lagos Lawn Tennis Court, Race Course, Lagos while the 43rd edition of the CBN Senior Open Tennis Tournament was held at the Tennis Court, Moshood Abiola National Stadium, Abuja. Also, the CBN Governor's Golf Tournament was held at the IBB International and Country Golf Club, Maitama, Abuja. The 35th edition of the CBN All Financial Institutions Football Competition was held at the U.J. Esuene Stadium, Calabar, Cross River State. Also, the 40th edition of the CBN Governor's Cup Football Competition was played at the Lekan Salami Stadium, Adamasingba, Ibadan, Oyo State.

The Bank held the Annual Seminar for Finance Correspondents and Business Editors (FICAN) in two runs. The first run with the theme 'Leveraging digital economy to drive growth, job creation, and sustainable development in the midst of a global pandemic' was held in Kano from 24 – 26 March 2021, while the second run took place from 5 – 7 October 2021 in Enugu, Enugu State, with the theme 'Trends in Nigerian Payments System: Regulating the Fintech Digital Playing Field'.

In 2021, the Bank continued its corporate social responsibility through capacity building and the provision of financial and other forms of assistance to institutions, organisations, and individuals. The Bank received and processed 436 project requests for financial assistance. Of this number, 77 projects, spread across the six geo-political zones of the country were approved, resulting in the disbursement of ₦1.00 billion. A further analysis of the projects indicated that 12 were focused on community development; health care, 23; education and research, 24; women and youth empowerment, six; sports development, five; and special donations, seven.

3.3 RESEARCH AND COLLABORATIVE ACTIVITIES

The Bank conducted research and collaborative studies on the Nigerian economy and sustained the publications of: 2020 Annual Economic Report; 2021 Half-Year Economic Report; Monetary Policy Review; Financial Stability Report; CBN Economic and Financial Review; CBN Briefs; the 2020 Statistical Bulletin; and the CBN Journal of Applied Statistics. Others were the occasional paper series and the CBN Bullion.

The Bank collaborated with the National Bureau of Statistics (NBS) and the National Population Commission (NPopC) to conduct the 2021 Household, Finance, and Consumption Survey. In addition, it partnered with the Centre for Econometric and Allied Research (CEAR) of the University of Ibadan, on 'Research Process for Policy Analysis: A Practical Guide'. It honoured requests to present papers and facilitate in training programmes, including those from the Federal Ministry of Finance, Budget and National Planning, Chartered Institute of Bankers of Nigeria (CIBN), Financial Institutions Training Centre (FITC), the West African Institute for Financial and Economic Management (WAIFEM), the College of Supervisors for the West African Monetary Zone (CSWAMZ), the Association of African Central Banks (AACB), and the International Monetary Fund (IMF). In addition, staff presented papers at professional conferences, both within and outside the country.

Box 2

The Revised Central Bank of Nigeria Macroeconomic Model of the Nigerian Economy (CBN-MAMONE)

The Central Bank of Nigeria (CBN) developed and operationalised the Macroeconomic Model of the Nigerian economy (CBN-MAMONE). The Model estimates the relationships among the various sectors of the economy, including real, external, monetary and financial, as well as fiscal sectors, with the objective of facilitating the decision-making process of the Monetary Policy Committee (MPC). However, the CBN-MAMONE was revised in 2016, to incorporate some observations including: the lack of sound theoretical underpinnings for some of the equations and their linkages; unavailability of some required data to fit and run the model; inability to capture market and price expectations in the labour market and price variables.

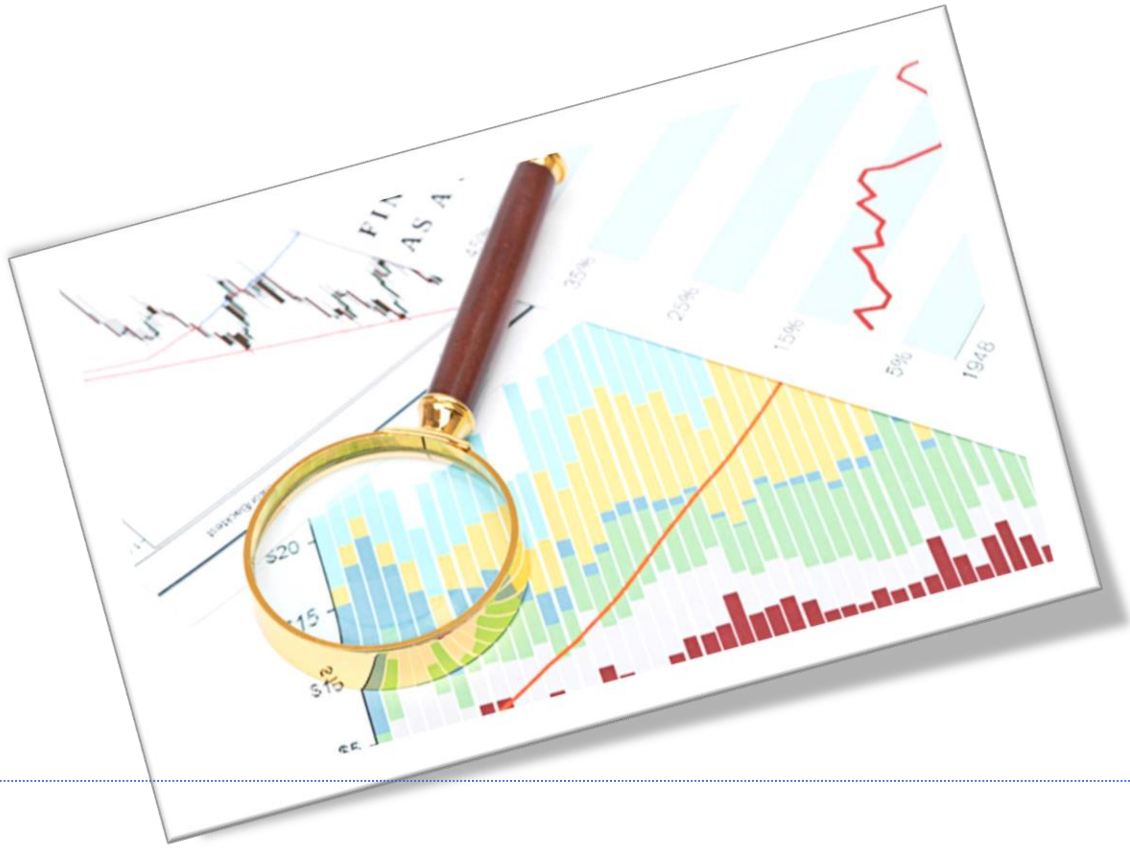
In addition, due to some major developments in global and domestic economies, the 2016 model was further revised to address the global economic meltdown and the ongoing COVID-19 pandemic, which have changed the structure of the world economy. Specifically, output, which was driven mainly by agriculture and trade sectors, have changed, and is now driven by the services sector, particularly the ICT sub-sector. Aside, the model was characterised with some weaknesses. First, there were limited policy variables exogenised within the system of equations, implying the resulting scenario analyses provided limited policy options to Management and MPC members. Precisely, with the exception of the Cash Reserve Ratio (CRR), policy variables such as the anchor rate (MPR) and the asymmetric corridor rates (the standing lending and deposit facility rates), loans to deposit ratio (LTDR), among others, were conspicuously omitted from the system. Second, the model used data in quarterly frequency, as against the monthly frequency outputs required to guide policy formulation during the MPC meetings. Third, the model was not codified, thus, was operated on EViews, using dropdown manual-click operations, and all the model outputs were in the EViews interface.

The revision, undertaken in 2021, improved the model by accommodating significant changes in the macroeconomic environment, persistent insecurity challenges, and increasing monetary policy spill-over from other economies. The framework of the latest CBN-MAMONE has ten (10) equations, with each equation established on sound theoretical postulation, to capture the transmission mechanism across various sectors of the Nigerian economy. To this end, the model's critical economic sectors include the real, financial, external, and fiscal sectors. The expansion of the equations to ten implies that the new model can now simulate and make conditional forecasts of the ten endogenous variables, captured or represented by the ten equations. Also, in the revised CBN-MAMONE, policy variables such as the CRR, MPR, LTDR, and asymmetric corridor rates, are explicitly featured as exogenous variables in the system of equations. It, however, was done with full recourse to a priori considerations, transmission channels, and the sectoral interconnectedness of the Nigerian economy. Other exogenous variables include the US Fed Funds rate and crude oil price (COP), which featured in the system to control external shocks that could impact the Nigerian economy. The inclusion of the US Fed Funds rate was to capture possible spill-over effects to the Nigerian economy, particularly, in capital and trade flows, which may result from global developments and policy changes from leading economies of the world.

Furthermore, the model captures the effect of the COVID-19 pandemic using the Manufacturing Purchasing Managers Index (MPMI), which effectively tracks the level of economic activity in Nigeria during the COVID-19 pandemic lockdown. Similarly, the model captures the news effects and public sentiments about the levels of insecurity and foreign exchange market instability using two constructed indices; the index of insecurity and foreign exchange market pressure, using Google Trend. This revised model utilises both monthly and quarterly frequencies to address the earlier challenge of the delays in timeliness, and data frequency, to guide policy decisions during MPC meetings. Finally, the model is codified, making its operation more technology driven.

PART 2:

Economic Report



"… We commit to working assiduously to bringing down inflation to single digit; while accelerating the rate of employment…"

- *Godwin I. Emefiele, CON*

4.0 THE GLOBAL ECONOMY

Global output rebounded in 2021 relative to the COVID-19 pandemic-induced contraction in 2020, due to a resurgence in demand, following the relaxation of COVID-19 containment measures. The global economy grew by 5.9 per cent, against a contraction of 3.1 per cent in 2020. The recovery was supported by strong consumer spending, induced by further easing of COVID-19 restrictions, and robust policy support, which boosted investment. Nevertheless, there were differences in recovery rates across countries/regions, due to uneven access to COVID-19 vaccines, varying policy support, and country-specific factors.

Table 4.1.1: Changes in World Output and Prices, per cent

Country	Growth		Inflation	
	2020	2021	2020	2021
Global	-3.1	5.9		
Advanced Economies	-4.5	5.0	0.7	3.1
United States	-3.4	5.6	1.2	4.3*
United Kingdom	-9.4	7.2	0.9	2.2*
Japan	-4.5	1.6	0.0	-0.2*
Germany	-4.6	2.7	0.4	2.9*
Italy	-8.9	6.2	-0.1	1.7*
Emerging Market & Developing Economies	-2.0	6.5	5.1	5.7
Russia	-2.7	4.5	3.4	5.9*
China	2.3	8.1	2.4	1.1*
India	-7.3	9.0	6.2	5.6*
Sub-Saharan Africa	-1.7	4.0	10.3	10.7*
South Africa	-6.4	4.6	3.3	4.4*
Nigeria	1.8	3.0	13.2	16.9*

Source: IMF, October 2021 and January 2022 World Economic Outlook,
Note: * indicates projections

4.1 GLOBAL OUTPUT

4.1.1 Advanced Economies

Growth in Advanced Economies (AEs) was robust, due to strong policy support and improved COVID-19 vaccine coverage. The growth stood at 5.0 per cent, as against a contraction of 4.5 per cent in 2020, despite the threats of the Delta and Omicron variants of COVID-19. The development reflected increased manufacturing and services activities, strengthened by fiscal and monetary interventions, and successful vaccine campaign. Specifically, the United States and the euro area grew by 5.7 per cent and 5.2 per cent, from contractions of 3.6 per cent and 6.4 per cent, respectively, in 2020. The United Kingdom also witnessed a sharp recovery, as output rebounded by 7.5 per cent, having contracted by 9.4 per cent in 2020.

4.1.2 Emerging Market and Developing Economies

Buoyed by strong consumption expenditure, higher commodity prices, rise in industrial output, and fiscal stimuli, the output performance of Emerging Markets and Developing Economies (EMDEs) improved. The output grew to 6.5 per cent, from a contraction of 2.0 per cent in 2020. The strong growth in EMDEs was driven by increased growth performance in sub-Saharan Africa.

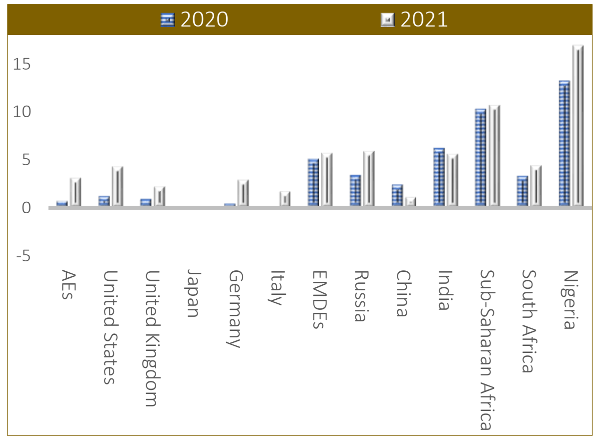
In sub-Saharan Africa, growth improved by 4.0 per cent in 2021, from a contraction of 1.7 per cent in 2020, due to the reopening of economic activities, international borders, and a rise in commodity prices, amidst modest stimulus support. The Chinese economy posted a higher growth of 8.1 per cent in 2021, compared with 2.3 per cent in 2020, due to a gradual increase in industrial production, high consumption expenditure, and a steady rise in industrial production, amid strong exports. In South Africa, despite the social protest and surge in COVID-19, the economy improved by 4.9 per cent in 2021, against the 6.4 per cent plunge in 2020. The recovery was spurred by improved household consumption and exports, bolstered by government social aid and drawdown on savings.

4.2 GLOBAL INFLATION

Global inflation remained elevated, due to persistent supply chain disruptions, energy and transportation costs. In Advanced Economies, inflation rose to 2.8 per cent from the 0.7 per cent in 2020, due mainly, to supply-chain disruptions, rising global demand, and higher commodity prices. Specifically, in the United States, the euro area, and the United Kingdom, inflation rose to 4.7 per cent, 2.6 per cent, and 2.6 per cent from 1.2 per cent, 0.3 per cent, and 0.9 per cent, respectively, in 2020. The rise in inflation was due to increased transportation, energy, and food costs. However, Japan experienced a deflation of 0.2 per cent from 0.0 per cent in 2020. The development emanated from the persistent weakening of consumer demand, which was reinforced by uncertainty surrounding the evolution of the pandemic.

Inflationary pressure in EMDEs mirrored developments in the AEs, as inflation rose to 5.6 per cent from 5.1 per cent in 2020. Specifically, in Russia and sub-Saharan Africa, prices increased by 5.7 per cent and 10.7 per cent from 3.4 per cent and 10.3 per cent, respectively, in 2020. The rise in inflation was driven by supply-chain disruptions and increased consumer demand, which fuelled rising food and energy prices. Conversely, inflation in China decelerated to 1.1 per cent in 2021, from 2.4 per cent in 2020 due largely, to a drop in the prices of pork and poultry products, owing to base effects.

Figure 4.2.1: Inflation Rates in Selected Countries (per cent)



Source: IMF WEO January 2022

4.3 GLOBAL FINANCIAL MARKETS

4.3.1 Global Financial Conditions

Recovery in economic activities, fiscal stimulus measures, and the monetary policy stance in major economies, positively affected equity markets. However, most currencies depreciated, owing to uneven shocks to capital flows arising from the third wave of the COVID-19 pandemic. Specifically, the United States S&P 500, Canadian S&P/TSX Composite, Europe FTSE 100, France CAC 40, and the German DAX, indices grew by 27.1 per cent, 21.6 per cent, 14.3 per cent, 28.9 per cent, and 15.9 per cent, respectively. Similarly, the Chinese Shanghai Stock Exchange-A, Indian BSE/ Sensex, the Nigerian NGX, South African JSE, and the Egyptian EGX Case 30 indices grew by 4.8 per cent, 21.6 per cent, 6.1 per cent, 24.1 per cent, and 10.2 per cent, respectively, in 2021.

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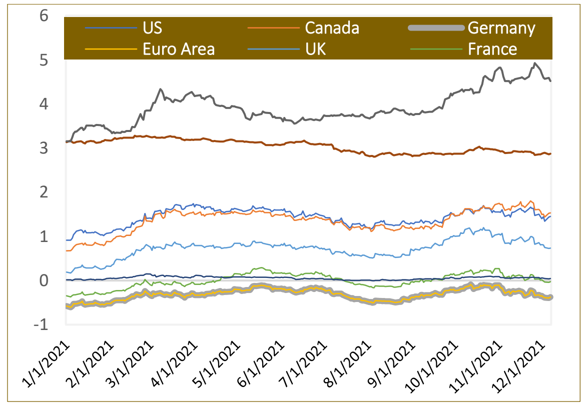
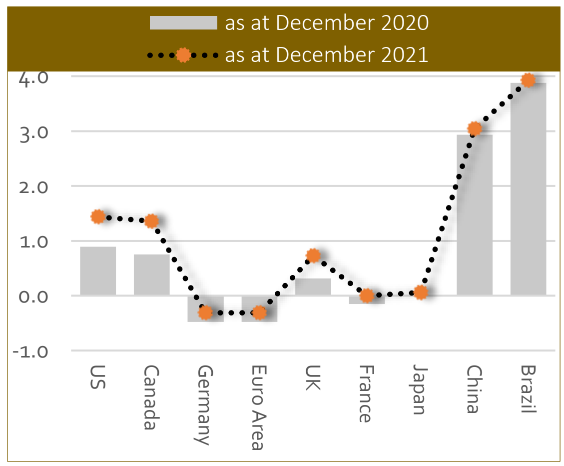
In general, yields on long-term government treasury bonds in most advanced and some emerging economies were influenced by growth prospects and monetary policy stance in the review period. Specifically, yields on long-term government bonds witnessed record highs in the first half of 2021, due to the optimism on economic recovery, following improved growth outlook and inflation expectations. However, yields declined slightly in the third quarter, as investors divested towards safer assets due to rising uncertainties in the global market, arising from the emergence of new COVID-19 variants. Yields, thereafter, picked up in the fourth quarter on the back of anticipated monetary policy tightening in major economies. On average, the 10-year Treasury yields in the US and Canada stood at 1.43 per cent and 1.36 per cent, respectively, in December 2021, a 0.54 percentage point and 0.60 percentage point increase from their levels in December 2020. Also, in the UK, yields on 10-year government bond increased to 0.73 per cent in December 2021, from 0.31 per cent in December 2020. Notably, the yields on Japan's 10-year treasury bond rose to 0.06 per cent, against a negative yield of 0.01 per cent in December 2020. The yields on government bonds in selected EMDEs, such as China and Brazil, rose modestly to 3.04 per cent and 3.93 per cent in December 2021, from 2.93 per cent and 3.88 per cent, respectively.

Figure 4.3.1: Key Global Stock Indices



Source: Bloomberg.

Figure 4.3.2: 10-year Government Bond Yields for Selected Countries



Source: Data from Bloomberg.

The currency market performance across economies showed mixed outcomes. Most currencies in the AEs depreciated against the U.S. dollar. Specifically, the British pound, the euro, and the Japanese yen depreciated by 1.35 per cent, 6.82 per cent, and 10.24 per cent, respectively, while the Canadian dollar remain unchanged at C$1.27/US$. Similarly, most EMDEs followed similar trend as the Russian ruble, Indian rupee, South African rand, Kenyan shilling, and Ghanaian cedi depreciated by 1.61 per cent, 1.71 per cent, 8.02 per cent, 7.61 per cent, and 4.40 per cent, respectively. The general depreciation was due mainly, to disparate shocks to capital flows arising from the third wave of the COVID-19 pandemic.

However, the Egyptian pound and Chinese renminbi strengthened against the U.S. dollar by 0.06 per cent and 2.67 per cent, respectively, in 2021. The development was due to the supportive monetary policy measures, implementation of export-oriented policies, and improved investors' confidence in these economies.

4.4 GLOBAL COMMODITY DEMAND AND PRICES

The prices of major agricultural export commodities trended upward on tighter supply conditions with the attendant rally in demand and labour shortage. On average, prices of all the commodities monitored, except groundnut and cocoa, showed resilience in the international front. The All-commodity Index rose to 76.6 index points from 70.6 index points in the previous year. The rise ranged between 11.1 per cent for Wheat to 36.4 per cent for Palm oil. Other commodities that recorded increase in the year included: rubber, 15.4 per cent; coffee, 17.1 per cent; cotton, 26.8 per cent; and soya beans, 32.0 per cent.

The higher prices were influenced by the uptick in demand, as countries continued to recover from the impact of the COVID-19 pandemic. The strong rally in demand was supported by tightening export supply conditions, especially for wheat and soya beans. The robust import demand for palm oil and concerns about labour shortages in Indonesia and Malaysia (top producers of the commodity) continued to fuel the price surge. Moreover, rising crude oil prices increased the demand for vegetable oil in the production of biodiesel, thus increasing the price of the commodity. The price of groundnut and cocoa, on the other hand, decreased by 22.3 per cent and 6.0 per cent, respectively, compared with their levels in 2020, largely on account of improved global supply, which exceeded demand.

Table 4.4.1: International Commodity Price Index

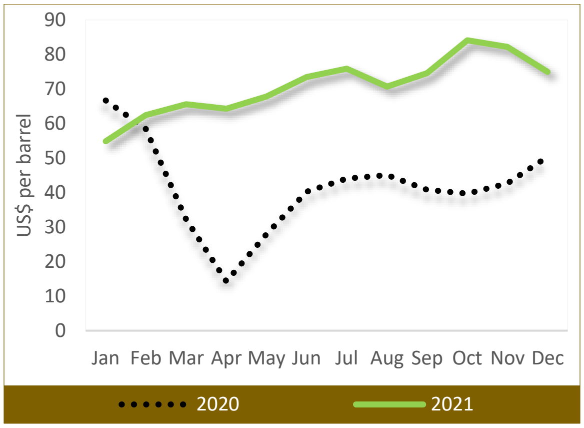
COMMODITY	2017	2018	2019	2020	2021	% Change (4) & (5)
	1	2	3	4	5	7
Cocoa	*66.3*	*75.0*	*76.5*	*77.5*	*72.8*	***-6.0***
Cotton	*49.8*	*54.4*	*46.4*	*42.8*	*54.3*	***26.8***
Coffee	*107.3*	*90.1*	*78.2*	*73.0*	*85.5*	***17.1***
Wheat	*57.7*	*66.1*	*68.5*	*73.8*	*82.0*	***11.1***
Rubber	*35.5*	*29.2*	*30.1*	*28.4*	*32.7*	***15.4***
Groundnut	*108.3*	*96.2*	*97.5*	*134.0*	*104.0*	***-22.3***
Palm Oil	*60.8*	*51.7*	*48.7*	*60.9*	*83.1*	***36.4***
Soya Beans	*72.1*	*72.3*	*67.6*	*74.5*	*98.4*	***32.0***
Ave.				***70.6***	***76.6***	***8.5***

Source: Central Bank of Nigeria.

i. Crude Oil Prices

Crude oil prices rose in 2021, on the back of the rebound in aggregate demand, as the global economy continued its recovery. The average spot price of Nigeria's reference crude, the Bonny Light (34.90 API), was US$71.05 per barrel (pb) in 2021, an increase of 68.4 per cent above the 2020 average of US$42.19 pb. The average prices of the UK Brent crude, Forcados, and West Texas Intermediate also rose, to US$71.20 pb, US$71.14 pb, and US$68.62 pb, respectively. Furthermore, the average price of the OPEC Basket increased by 68.5 per cent to US$69.81 pb in 2021.

Figure 4.4.1: Average Price of Bonny Light



Source: Refinitiv Eikon (Thomson Reuters).

ii. Global Crude Oil Supply and Demand

Crude oil supply was lower than its demand during the period despite the increase in OPEC+ supply. OPEC's aggregate crude oil supply, including natural gas liquids (NGLs), averaged 31.59 million barrels per day (mbpd) in 2021, an increase of 5.3 per cent, above the level in 2020. The rise in aggregate OPEC supply was driven, mainly, by the increase in its crude oil portion, which grew by 1.38 mbpd due to OPEC+ decision to gradually increase supply by 400,000 bpd in the second half of 2021. The total world crude oil supply averaged 95.49 mbpd, an increase of 3.3 per cent above the level in 2020. The rise in world crude oil supply was due, largely, to the increase in Non-Organisation for Economic Co-operation and Development (Non-OECD) supply by 2.51 mbpd, particularly from the OPEC+ countries.

World crude oil demand averaged 96.89 mbpd, compared with 94.63 mbpd in 2020, an increase of 2.4 per cent. The demand from the non-OECD countries averaged 52.53 mbpd (54.2 per cent of the total world demand), while OECD countries accounted for the balance. With the easing of lockdown restrictions and the improved vaccination rates globally, economic activities recovered gradually, thus, supporting increased demand. Furthermore, the gas supply shortage experienced during the winter months in Europe led to increased demand for crude oil, as European energy companies substituted crude oil for natural gas to meet the energy needs of consumers.

Table 4.4.2: World Trade Volumes, 2020 – 2021 (Average Annual Percentage Change in Trade in Goods and Services)

	Advanced Economies		Emerging Markets & Developing Economies	
Volume of Trade	2020	2021	2020	2021
Exports	-9.4	8.0	-5.2	11.6
Imports	-9.0	9.0	-8.0	12.1
Terms of Trade	0.8	0.9	-1.0	1.6

Source: WEO, January 2022.

4.5 WORLD TRADE

4.5.1 World Trade

With the ease of global movements and increased fiscal support, global trade improved in 2021. In the AEs, aggregate exports increased by 8.0 per cent, while in the EMDEs exports rose by 11.6 per cent. Similarly, aggregate imports improved by 9.0 per cent and 12.1 per cent in the AEs and EMDEs, respectively. Consequently, the terms of trade in the AEs and EMDEs improved marginally to 0.9 per cent and 1.6 per cent, from 0.8 per cent and 1.0 per cent, respectively, in 2020.

4.6 MONETARY POLICY STANCE

The policy stance by central banks was mixed. Advanced Economies held policy rates to curtail the impact of the shocks of the COVID-19 pandemic, while most EMDEs tightened their monetary policy stance to prevent capital outflows and further reduce inflationary pressure. The Federal Reserve and the Bank of England maintained their policy rates at 0.25 per cent and 0.10 per cent, respectively, in 2021, to tackle inflationary concerns, rising oil prices, widening output gap, and currency depreciation. The Central Bank of Brazil increased its policy rates seven times within the range of 2.0 per cent to 8.3 per cent in 2021. The South African Reserve Bank increased its policy rate by 25 basis points from 3.5 per cent to 3.75 per cent in 2021 to encourage foreign capital inflow and moderate inflation. The CBN, however, retained the policy rate at 11.5 per cent in 2021.

Table 4.6.1: Monetary Policy Rates of Selected Countries, 2020-2021 (per cent)

Country	2020	2021
United States	0.13	0.25
Euro Area	0.00	0.00
United Kingdom	0.10	0.10
China	3.85	3.85
Russia	4.25	8.50
India	4.00	4.00
Brazil	2.00	9.25
Indonesia	3.75	3.50
Chile	0.50	4.00
South Africa	3.50	3.75
Kenya	7.00	7.00
Nigeria	11.50	11.50

Source: Various Central Bank Websites

4.7 FISCAL POLICY MEASURES

Fiscal policy remained, largely, expansionary, as governments continued to support economic recovery. Several governments in the AEs and EMDEs sustained a targeted fiscal support to vulnerable households and firms during the Covid-19 pandemic. These fiscal interventions included: transfers, wage subsidies, and liquidity support to households and firms. For instance, the US government approved a US$1.9 trillion coronavirus relief package to support households, the unemployed, children, veterans, and small businesses, among others, to enhance living standards and position the economy on the path of sustainable growth.

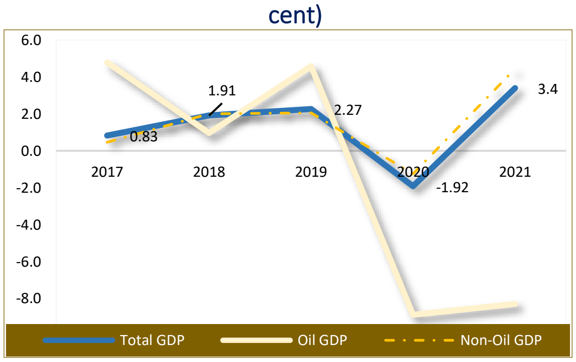
5.0 THE REAL ECONOMY

The economy grew by 3.4 per cent in 2021, from a contraction of 1.9 per cent in 2020. The rebound in economic activities was driven, largely, by the broad-based performance of the non-oil sector, especially services and agricultural sectors. It was further supported by improved crude oil prices, sustained policy support to the economy as well as other interventions aimed at easing credit conditions for businesses and households. Headline inflation (year-on-year) moderated to 15.63 per cent, from 15.75 per cent in 2020, due to the improved supply of goods and services, following further relaxation of the COVID-19 restrictions.

5.1 DOMESTIC OUTPUT

The economy rebounded in 2021, thus, reversing the COVID-19 induced contraction in 2020. The real Gross Domestic Product (GDP), at 2010 constant basic prices, grew by 3.4 per cent to ₦72.4 trillion in 2021, from ₦70.0 trillion in 2020. The development was driven, largely, by the broad-based performance of the non-oil sector, particularly, services and agriculture sectors, which contributed 2.9 percentage points and 0.6 percentage points to overall growth, respectively.

Figure 5.1. 1: Real GDP Growth Rate 2017-2021 (per cent)



Source: National Bureau of Statistics (NBS)

The rebound of the economy in 2021 was supported by improved crude oil prices, proactive COVID-19 containment measures, and sustained policy support to the economy, especially, in agriculture and other interventions aimed at easing credit conditions for businesses and households.

Nevertheless, the improved growth performance was constrained by a 0.7 percentage point negative contribution from the oil sector, due to the security challenges, ageing infrastructure, and delay in the implementation of needed reforms in the sector.

Table 5.1. 1: Sectoral[4] Contribution to the Growth Rate of Real GDP (2017-2021) (percentage points)

Activity sector	2017	2018	2019	2020	2021
Agriculture	0.8	0.5	0.6	0.6	0.6
Crop Production	*0.8*	*0.5*	*0.6*	*0.5*	*0.5*
Industry	0.4	0.3	0.5	-1.3	-0.1
Crude Petroleum	*0.4*	*0.1*	*0.4*	*-0.8*	*-0.7*
Construction	*0.04*	*0.1*	*0.1*	*-0.3*	*0.1*
Service	-0.4	1.1	1.1	-1.2	2.9
Trade	*-0.2*	*-0.1*	*-0.1*	*-1.4*	*1.3*
Information and Communications	*-0.1*	*1.1*	*1.1*	*1.7*	*1.0*
Total (GDP)	**0.8**	**1.9**	**2.3**	**-1.9**	**3.4**

Source: National Bureau of Statistics

The non-oil sector recorded broad-based growth, as 41 activity sectors expanded in 2021, compared with 18 activity sectors in 2020. The sector grew by 4.4 per cent, against a contraction of 1.3 per cent in 2020. The services sector recorded a growth of 5.6 per cent, against a contraction of 2.2 per cent in 2020. The development reflected increased pace of economic activities that accompanied the relaxation of the restrictions and easier access to credit for businesses. Most of

[4] The table presents the major sectoral contributors to real GDP growth.

the activity sectors within the services sector, reversed the contractions recorded in 2020. For instance, transport, trade, and real estate activities grew by 16.3 per cent, 8.6 per cent, and 2.3 per cent, from contractions of 22.3 per cent, 8.5 per cent, and 9.2 per cent in 2020, respectively. Similarly, finance and insurance; and human health activities grew by 10.1 per cent and 4.9 per cent, from 9.4 per cent and 2.2 per cent in 2020, respectively.

The information and communications technology (ICT) grew by 6.6 per cent in 2021, albeit lower than the 13.2 per cent in 2020. The slower pace of growth was attributed to reduced dependence on ICT for work, businesses, and learning, following the easing of the COVID-19 restrictions that dominated 2020. Although, accommodation related activities remained in contraction in 2021, the rate of contraction in the sub-sector narrowed to 0.5 per cent, compared with 17.8 per cent in 2020.

Despite the persisting security challenges and its impact on farming activities, the agricultural sector sustained its growth in 2021, spurred by continued policy support, fewer flood incidences, and good harvests. The sector grew by 2.1 per cent, compared with 2.2 per cent in 2020. Crop production (which remained the main driver of growth in agriculture) and fishery grew by 2.3 per cent and 1.2 per cent, respectively while forestry and livestock sub-sectors grew by 1.4 per cent and 0.6 per cent, respectively.

Though, most sub-sectors within the industrial sector recovered from the impact of the COVID-19 induced shock experienced in 2020, the industrial sector remained in contraction in 2021, due to the poor performance of the mining and quarrying sub-sector, especially crude oil sub-sector. The rate of contraction narrowed to 0.5 per cent from 5.9 per cent in 2020. Mining and quarrying sub-sector contracted by a lesser degree to 7.8 per cent from 8.5 per cent in 2020; while electricity, gas, steam, and air conditioner; manufacturing; and construction related activities returned to the path of growth in 2021, increasing by 27.6 per cent, 3.4 per cent, and 3.1 per cent, respectively, as against contractions of 2.9 per cent, 2.8 per cent, and 7.7 per cent, respectively, in 2020. Similarly, water, sewage, and waste management grew by 18.3 per cent, compared with 3.8 per cent in 2020.

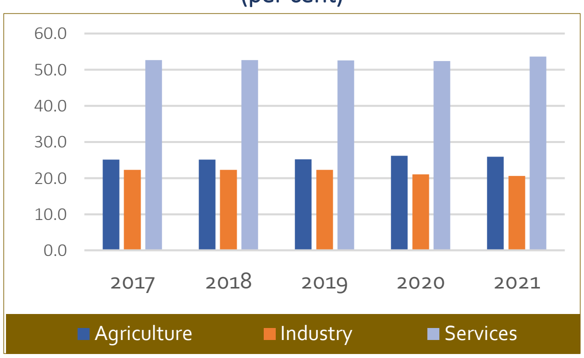
Table 5.1. 2: Sectoral Growth Rates of Real GDP (2017-2021) (per cent)

Activity Sector	2017	2018	2019	2020	2021
Agriculture	**3.5**	**2.1**	**2.4**	**2.2**	**2.1**
Crop Production	*3.6*	*2.3*	*2.5*	*2.2*	*2.3*
Livestock	*1.6*	*0.3*	*0.2*	*1.9*	*0.6*
Forestry	*3.3*	*3.1*	*2.6*	*1.6*	*1.4*
Fishery	*1.3*	*1.6*	*3.3*	*0.3*	*1.2*
Industry	**2.2**	**1.6**	**2.3**	**-5.9**	**-0.5**
Crude Petroleum	*4.8*	*1*	*4.6*	*-8.9*	*-8.3*
Solid Minerals	*0.1*	*10.1*	*-5*	*15.7*	*19.7*
Utilities	*12.6*	*7.3*	*-1.9*	*-0.8*	*24.6*
Manufacturing	*-0.2*	*2.1*	*0.8*	*-2.8*	*3.4*
Construction	*1*	*2.3*	*1.8*	*-7.7*	*3.1*
Services	**-0.9**	**1.8**	**2.2**	**-2.2**	**5.6**
Trade	*-1.1*	*-0.6*	*-0.4*	*-8.5*	*8.6*
Transport and Storage	*3.9*	*13.9*	*10.7*	*-22.3*	*16.3*
Information and Communications	*-1.0*	*9.7*	*9.2*	*13.2*	*6.6*
Accommodation & Food Services	*-1.6*	*1.8*	*2.9*	*-17.8*	*-0.5*
Finance and Insurance	*1.3*	*2*	*2.6*	*9.4*	*10.1*
Real Estate	*-4.3*	*-4.7*	*-2.4*	*-9.2*	*2.3*
Human Health & Social Services	*-0.3*	*-0.3*	*0.3*	*2.2*	*4.9*
Total (GDP)	**0.8**	**1.9**	**2.3**	**-1.9**	**3.4**
Oil GDP	**4.7**	**1.0**	**4.6**	**-8.9**	**-8.3**
Non-Oil GDP	**0.5**	**2.0**	**2.1**	**-1.3**	**4.4**

Source: National Bureau of Statistics

The weak oil sector performance continued to drag growth, despite higher crude oil prices in 2021. The sector contracted by 8.3 per cent in 2021, compared with the contraction of 8.9 per cent in 2020. Despite higher crude oil prices in 2021, the decrease in crude oil output to 1.46 million barrels per day (mbpd) in 2021, from 1.66 mbpd in 2020 outweighed the price gains of US$71.05pb in 2021. The drop in crude oil production was attributed largely to the persistent damage to some key pipelines and terminals, the frequent shut-ins, and the various force majeure on major oil terminals, such as the Forcados, Yoho and Ima, Bonga, Akpo, ERHA, and Brass as well as Egina and Pennington terminals in 2021.

Figure 5.1. 2: Sectoral Shares in GDP, 2017-2021 (per cent)



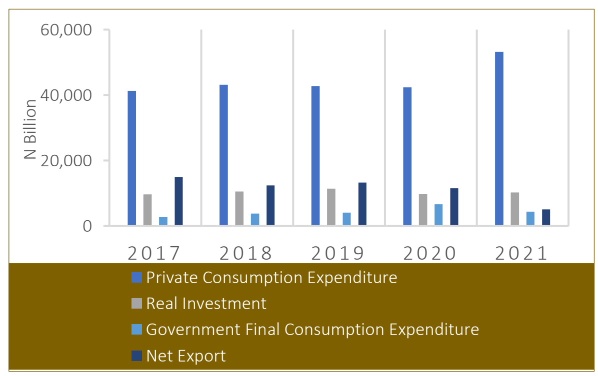
Source: National Bureau of Statistics

The services sector remained the dominant sector in 2021. At 53.6 per cent, the services sector accounted for the largest share of total real GDP in 2021 while agriculture and industry accounted for 25.9 per cent and 20.6 per cent, respectively.

Gross domestic product at 2010 purchasers' value (GDP by Expenditure), grew by 3.65 per cent to ₦73,382.77 billion compared to ₦70,800.54 billion in 2020. Growth was driven by the rise in private consumption and real investment (gross fixed capital formation), which grew by 25.62 per cent and 4.66 per cent, to ₦53,166.50 billion and ₦10,216.82 billion, from ₦42,322.37 billion and ₦9,761.50 billion, respectively, in the preceding year.

Final government consumption expenditure, however, declined by 34.03 per cent to ₦4,391.43 billion, from ₦6,656.81 billion in 2020. Similarly, net exports fell by 55.77 per cent to ₦5,112.76 billion, from ₦11,559.97 billion in 2020.

Figure 5.1. 3: Real GDP (Expenditure Approach) at 2010 Purchasers' Price, 2017 - 2022



Source: National Bureau of Statistics (GDP)

5.1.1 Agriculture

Policy, Institutional Support and Other Developments

Government continued to support the agricultural sector through policies and programmes to boost output and employment. The Nigerian Sovereign Investment Authority (NSIA), in partnership with the OCP Africa, commenced the construction of a

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multibillion-naira fertiliser plant in Akwa-Ibom State. The Project, when completed, would be expected to produce 750,000 metric tonnes of ammonia and one million metric tonnes of phosphate fertiliser, annually, by 2025.

To further expand the agricultural value chain and promote the development of Special Agro Processing Zones (SAPZ) across the country, the National Agricultural Land Development Authority (NALDA) established integrated farm estates in Borno, Imo, Kwara, and Ogun States. Similarly, the Kogi State government secured a US$100.00 million grant from the African Development Bank (AfDB) to establish SAPZs in the state. It also secured an additional US$72.00 million from the International Fund for Agricultural Development (IFAD) and the World Bank to build agricultural infrastructure in the state.

The NALDA also established a 30,000-bird poultry farm with an incubation centre to produce 250,000 broilers per annum in Yobe State. This development was to boost output in the poultry industry as well as help cushion the effect of the Avian Influenza flu outbreak experienced during the year. Similarly, Chi Nigeria Limited expanded the capacity of its hatchery by 8 million-day-old chicks to 44 million-day-old chicks.

Towards enhancing value addition and minimising post-harvest losses, the Nigeria Stored Products Research Institute (NSPRI) distributed post-harvest storage facilities to farmers, including smoking kiln, icefish box, and hermetic steel drum, in Delta, Edo, Kogi, Kwara, and Niger states.

With a view to ending frequent farmers-herders' crises in the country and boost livestock production, the Federal Government disbursed funds for the uptake of the National Livestock Transformation Programme (NLTP) in two pioneering states, Nasarawa and Plateau states.

In addition, the Federal Ministry of Agriculture and Rural Development (FMARD) carried out several activities to support the agricultural sector, thus it:

- acquired 100,000 hectares of land for the cultivation of rice in Nasarawa State;
- established Gum Arabic processing centres in Borno, Kano, and Yobe states, and refurbished the existing Gum Arabic testing Laboratory at the Rubber Research Institute of Nigeria (RRIN), Benin-City, Edo state, for improved quality assurance; and
- approved licences for 39 companies to import fish, to meet the demand for seafood, and lower food inflation in the country.

Private sector investment in the sector was boosted with the establishment of a ₦18.0 billion rice farm in Bauchi State by Tiamin Rice Limited. The farm, situated on 10,000 hectares of land, was projected to produce over 120,000 metric tonnes of rice annually.

Similarly, Olam Integrated Rice Farm increased its paddy rice production capacity, from 120,000 metric tonnes per annum to 240,000 metric tonnes, using mechanisation to ramp up production on its 5,000-hectare farmland in Nasarawa State.

Agricultural Production

Agricultural output recorded a modest growth, on the back of sustained support from the Bank and the Federal Government. Agricultural production index stood at 147.7 points (2010=100), a 2.1 per cent growth, relative to the level in 2020. The development was attributed to various interventions by the Bank, which boosted output and enhanced value chain activities during the year.

Table 5.1. 3: Index of Agricultural Production by Type of Activity (2010=100)

Sub-sector	2017	2018	2019	2020	2021	Change (%)
Crops	136.2	139.3	142.8	146.0	149.4	2.3
Staples	*137.9*	*140.9*	*144.5*	*146.6*	*149.1*	*1.7*
Other crops	*136.6*	*141.3*	*142.7*	*143.7*	*144.5*	*0.6*
Livestock	128.1	128.5	128.7	131.2	132.0	0.6
Fishery	141.5	143.8	148.3	148.7	150.4	1.2
Forestry	129.4	133.4	136.9	139.1	141.1	1.4
Aggregate	**135.4**	**138.3**	**141.6**	**144.6**	**147.7**	2.1

Source: Staff computation based on data from National Bureau of Statistics

Crops

Crop production index at 149.4 (2010=100), sustained its upward trajectory, and grew by 2.3 per cent, above the level in 2020. The growth was influenced, largely by a 15.0 per cent growth in rice production. The sustained growth in crop production reflected the impact of the various intervention initiatives of the Bank on output.

Livestock

Livestock production recorded marginal improvement, to 132.0 index points (2010=100) in 2021, indicating 0.6 per cent growth above the 131.2 index points in 2020. The largest increase was recorded in goat meat and beef at 2.8 per cent apiece. Pork and milk production also grew, by 2.2 per cent and 0.2 per cent, respectively, while mutton and egg production declined by 1.2 per cent and 0.6 per cent, respectively. The poultry segment recorded a growth of 2.0 per cent in 2021, compared with 5.0 per cent in 2020. Poultry production suffered from constraints associated with the importation of feeds and insecurity.

Despite these challenges, the Bank's strategic maize reserves, under the ABP, continued to provide buffers to the market, which helped cushion the effect of scarcity of the commodity on the poultry segment. The Bank also facilitated the funding of maize farmers and processors through the ABP Commodity Association, Private/Prime Anchors, state governments, Maize Aggregation Scheme (MAS), and the Commercial Agricultural Credit Scheme (CACS).

Fishery

The index of the fishery sub-sector grew by 1.2 per cent to 150.4 index points (2010=100). The growth was supported by a 5.2 per cent and 4.5 per cent increase in fish farming and industrial (trawling) coastal fish and shrimps, respectively. On the other hand, artisanal coastal catches declined by 1.5 per cent in 2021. Overall, the government's backward integration policy on fish production, through the establishment of fish farm clusters and fish feed mills across the six geo-political zones, continued to support the domestic fish production value chain.

Forestry

At 141.1 index points (2010=100), forestry grew by 1.4 per cent, driven by strong growth in 'paper and paperboards' and 'sawn wood' segments at 9.3 per cent and 5.5 per cent, respectively. Similarly, wood-based panels and round wood grew by 0.9 per cent and 1.3 per cent, respectively, in 2021. Heavy reliance on firewood and charcoal for energy, and growing demand for other wood related products remained the major drivers of forestry growth.

Agricultural Prices

The prices of monitored commodities trended upward, due to rising input cost, security, transportation, and logistics challenges. The prices of all the commodities monitored increased, relative to 2020. The highest increases were recorded for white and brown beans at 52.1 per cent and 47.2 per cent, respectively; while rice (medium grained) and rice local (sold loose) recorded the lowest increase at 11.6 per cent and 11.9 per cent, respectively (Table 5.1.5).

Table 5.1.4: Domestic Commodity Prices

Commodity	Unit	2017 *1*	2018 *2*	2019 *3*	2020 *4*	2021 *5*	Change (%) *(4) & (5)*
Agric eggs medium size	*1kg*	*499.871*	*497.52*	*466.04*	*474.29*	*569.17*	*20.0*
Beans: brown, sold loose	*"*	*367.755*	*401.82*	*339.57*	*299.19*	*440.37*	*47.2*
Beans: white black eye, sold loose	*"*	*330.139*	*356.10*	*306.96*	*272.73*	*414.96*	*52.1*
Gari white, sold loose	*"*	*275.012*	*201.96*	*159.03*	*207.69*	*294.00*	*41.6*
Gari yellow, sold loose	*"*	*304.732*	*244.34*	*176.68*	*234.55*	*316.55*	*35.0*
Groundnut oil: 1 bottle, specify bottle	*"*	*509.35*	*590.04*	*570.69*	*616.72*	*769.17*	*24.7*
Irish potato	*"*	*308.277*	*287.68*	*279.57*	*310.32*	*353.85*	*14.0*
Maize grain white, sold loose	*"*	*179.892*	*181.83*	*146.94*	*179.26*	*253.36*	*41.3*
Maize grain yellow, sold loose	*"*	*182.281*	*186.39*	*149.22*	*181.02*	*257.24*	*42.1*
Onion bulb	*"*	*234.706*	*247.89*	*223.02*	*260.30*	*314.83*	*20.9*
Palm oil: 1 bottle, specify bottle	*"*	*465.986*	*494.10*	*461.60*	*489.10*	*651.70*	*33.2*
Rice agric, sold loose	*"*	*339.852*	*325.69*	*331.17*	*407.13*	*456.40*	*12.1*
Rice local, sold loose	*"*	*305.046*	*279.53*	*292.47*	*363.35*	*406.47*	*11.9*
Rice, medium grained	*"*	*333.907*	*318.81*	*327.38*	*406.90*	*454.03*	*11.6*
Rice, imported high quality, sold loose	*"*	*394.888*	*370.34*	*377.99*	*490.85*	*551.31*	*12.3*
Sweet potato	*"*	*129.241*	*145.63*	*139.92*	*158.95*	*180.42*	*13.5*
Tomato	*"*	*312.931*	*299.51*	*241.54*	*283.23*	*329.17*	*16.2*
Vegetable oil: 1 bottle, specify bottle	*"*	*531.886*	*540.97*	*501.68*	*572.18*	*748.57*	*30.8*
Wheat flour: prepackaged (Golden Penny)	*2kg*	*634.269*	*656.52*	*668.83*	*709.63*	*840.49*	*18.4*
Yam tuber	*1kg*	*254.003*	*260.56*	*198.34*	*231.42*	*285.25*	*23.3*

Sources: National Bureau of Statistics (NBS)

This document is for CBN internal consumption

5.1.2 Industry

Industrial Policy and Institutional Support

The Federal Government implemented various policies and programmes to improve ease of doing business and competitiveness. Lagos, Kano, Abuja, and Port Harcourt international airports were approved as Special Economic Zones (SEZs), an initiative to attract foreign investments and facilitate rapid economic growth. In addition, the Federal Government established a ₦5.0 billion grant support for micro, small and medium enterprises (MSMEs) to stimulate direct local production. The Fund, which is under the MSME Survival Fund and Guaranteed off-take Stimulus Schemes, would boost funding support to activities, increase output, and create jobs.

In the same vein, the African Export-Import Bank (Afreximbank) and the Nigeria Export-Import Bank (NEXIM) signed a Memorandum of Understanding to establish a US$50.0 million Joint Project Preparation Fund (JPPF). The Fund would provide early project preparation financing and technical support services to public and private sector entities operating in the manufacturing, agro-processing, healthcare, information and communications technology, and creative industries.

Also, the Bank of Industry (BoI) secured a ₦1.0 billion syndicated loan to support micro, small and medium enterprises (MSMEs). The facility, which is part of the Federal Government's Economic Sustainability Plan (ESP), would create at least 1.3 million jobs across the country, while strengthening the growth of businesses.

Furthermore, the Federal Government initiated the Solar Power Naija programme, a concessionary financing for off-grid developers, worth ₦140.0 billion, to provide cleaner energy sources and harness renewable energy resources. The project would be financed by the Bank and commercial banks. The programme would extend electricity to 25 million individuals through Solar Home System (SHS), increase the local content of the off-grid solar value chain, promote the growth of domestic manufacturers, and create at least 250,000 jobs.

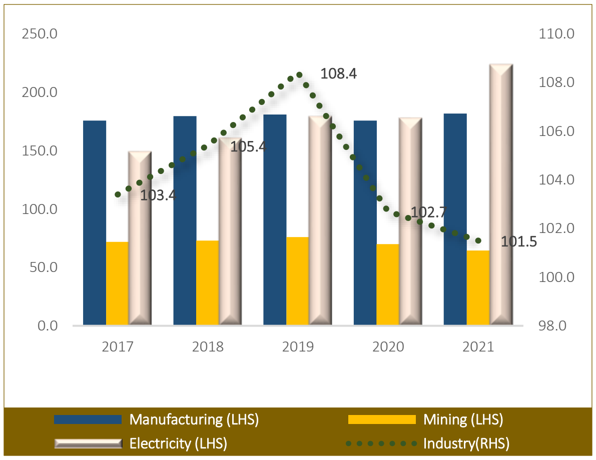
Similarly, the Federal Government introduced new standards for solar components manufacturing and importation, to provide a regulated solar market, and ensure the potential for renewable energy technology deployments. The new standards would support the government's objective of accelerating access to clean energy.

Industrial Production

Industrial activities slowed, due to a decline in mining activities and the lingering effect of the COVID-19 pandemic, amid inherent structural rigidities. The shutdown of some crude oil infrastructure and maintenance activities led to low crude oil and gas production, and decline in the mining subsector. In addition, the pace of growth in business and economic activities was slowed by high energy loss and rising prices that resulted in increased cost of production.

Thus, the average industrial production index for 2021, stood at 101.5 (2010=100), a decrease of 1.2 per cent, from 102.7 in 2020.

Figure 5.1.4: Index of Industrial Production, (2010=100)

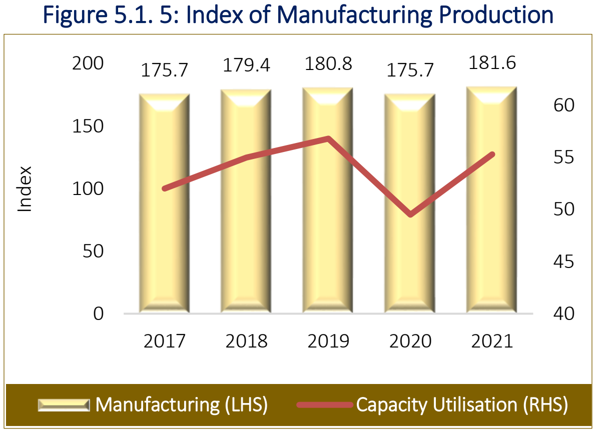


Source: Staff estimates

Manufacturing

Activities in the manufacturing subsector gained momentum following sustained policy support, rising consumer demand, and improvement in the supply chain. The index of manufacturing production rose by 3.4 per cent to 181.6 index points in 2021, from 175.7 index points in 2020. The development reflected increased new orders, production, and capacity utilisation. As such, the estimated average manufacturing capacity utilisation improved by 5.0 percentage points to 54.5 per cent in 2021, from 49.5 per cent in 2020.

Figure 5.1. 5: Index of Manufacturing Production



Source: Staff estimate

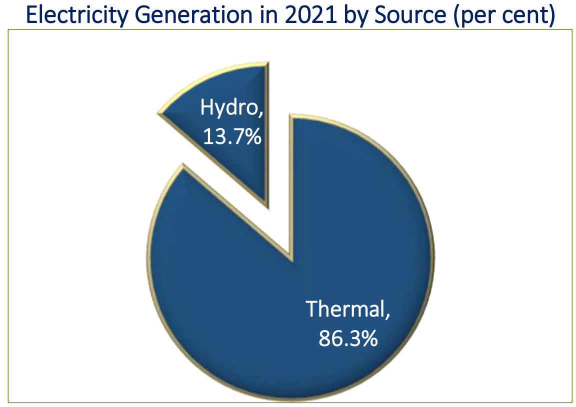
Electricity Generation

Electricity generation improved on account of the addition of Dadinkowa new hydropower plant, and upgrade of transmission infrastructure. At 4,078.26 MW/h, the average electricity generation in 2021 increased by 10.9 per cent, compared with 3,676.14 MW/h in 2020. The increase was attributed to continued maintenance of various generating plants across the country, resulting from improved access to electrical equipment and machineries.

Provisional data showed that in 2021, total installed electricity generation capacity increased by 2.2 per cent to 14,873.4 MW, from 14,557.8 MW in 2020. This was due to the installation of the new Dadinkowa generation plant and expansion in the capacity of existing generation plants (Sapele and Geregu Generation Plants).

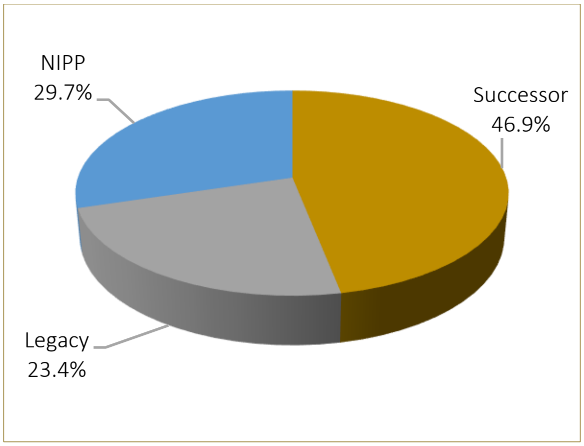
A disaggregation of the installed capacity showed that hydro and thermal constituted 13.7 per cent and 86.3 per cent, respectively.

Figure 5.1. 6: Nigeria's Power System: Composition of Electricity Generation in 2021 by Source (per cent)



Source: Transmission Company of Nigeria and the Nigeria Electricity Regulatory Commission

Figure 5.1. 7: Nigeria's Power System: Composition in 2021 by Holding (per cent)



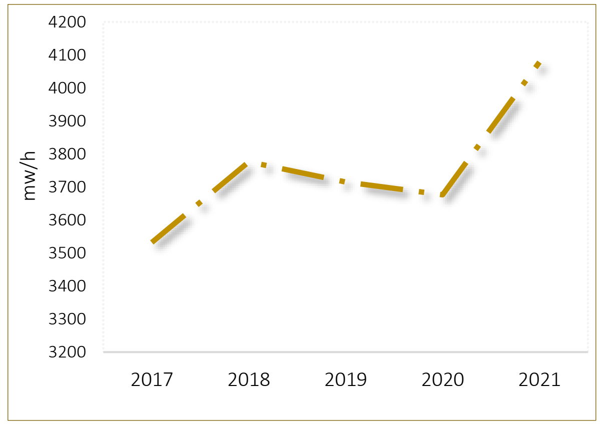
Source: Transmission Company of Nigeria and the Nigeria Electricity Regulatory Commission

Energy Consumption

Electricity Consumption

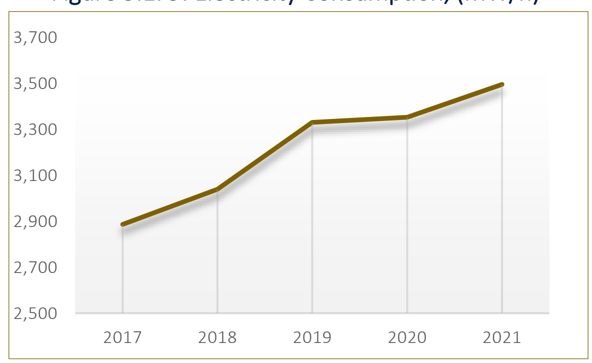
Electricity consumption increased, due to the completion of the first phase of the National Mass Metering Programme (NMMP) that was flagged off in 2020, and the implementation of the Order on the 'Structured Replacement of Faulty and Obsolete Meters of End-use Customers' by the Nigerian Electricity Regulatory Commission (NERC). The average electricity consumption, in 2021, increased by 4.3 per cent to 3,494.94 MW/h, from 3,351.49 MW/h in 2020. This was attributed, largely, to improved performance of the Electricity Distribution Companies (DISCOs), following the implementation of the first phase (Phase zero) of the NMMP. Also, the upgrade and maintenance of various transmission and distribution networks across the country contributed to the improvement. Some notable projects during the year include the replacement of the corroded glass disc insulators at Ikeja to Oshogbo 330kv transmission line, upgrade of Kebbi – Sokoto transmission line, and the delivery and installation of 60/66 MVA power transformer in Abuja and Kano. However, energy loss rose to 14.0 per cent in 2021 from 9.4 per cent in 2020, due to down time associated with the upgrade and maintenance of various transmission networks.

Figure 5.1. 8: Electricity Power Generation



Source: Nigerian Electricity Regulatory Commission

Figure 5.1. 9: Electricity Consumption, (MW/h)



Source: Nigerian Electricity Regulatory Commission

Hydro-Power Consumption

At 5,667,394.05 tons of coal equivalent (tce), the volume of hydropower consumed in 2021 increased by 35.0 per cent, from 4,196,533.50 in 2020. This was attributed to the addition of new power plant (Dadinkowa), improvement in water management, and turn around maintenance of the hydro-power plants.

The Extractive Industry:

Crude Oil

Policy and Institutional Support

Government continued to push for reforms to create an enabling environment for investment and to achieve regulatory efficiency in the oil sector. The Petroleum Industry Bill (PIB) was passed and signed into law, as the Petroleum Industry Act, 2021 (PIA), to create an enabling investment environment and codify the regulatory, administrative, and fiscal framework for the industry. This led to the scrapping of the Department of Petroleum Resources (DPR), Petroleum Equalisation Fund (PEF), and Petroleum Products Pricing Regulatory Agency (PPPRA). They were replaced with the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) and the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA). Furthermore, the Nigerian National Petroleum Corporation (NNPC) was incorporated under the Companies and Allied Matters Act (CAMA) to become a limited liability company - Nigerian National Petroleum Company Limited.

The NNPC Limited signed contracts of US$1.5 billion, US$897.67 million, and US$586.9 million, for the rehabilitation of the Port Harcourt, Warri, and Kaduna refineries, respectively, to restore the country's refining capacity for petroleum products. Additionally, the NNPC Limited acquired a 20.0 per cent (US$2.76 billion) stake in the Dangote Refinery and Petrochemicals. On completion, it would boost the supply of petroleum products across the country and conserve foreign exchange.

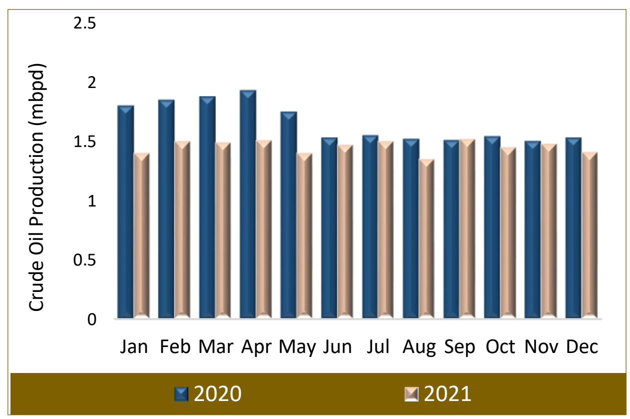
During the 2021 Intra-African Trade Fair, held in South Africa, the NNPC Limited secured a 5-year US$1.04 billion loan facility under a Forward Sale Agreement with Afreximbank to finance crude oil exploration in the country. The loan would be repaid with about 35, 000 barrels per day (bpd) of crude oil over the term of the loan.

Domestic Crude Oil

Crude Oil Production

Nigeria's crude oil production declined in 2021, due mainly to the damage to crude oil infrastructure. Average crude oil production and condensates (Agbami crude grade), was 1.46 million barrels per day (mbpd) or 532.9 million barrels (mb). This represented a decline of 12.0 per cent, from the 1.66 mbpd or 607.56 mb in 2020. The decline was due majorly to the persistent damage to some critical crude oil infrastructure as well as the high cost of restarting some of the oil wells that were earlier shut-in.

Figure 5.1.10: Bonny Light Crude Production for 2020 and 2021



Source: Refinitiv Eikon (Reuters)

Refinery Utilisation

The three government-owned refineries (Kaduna, Warri, and Port-Harcourt), with a nameplate capacity of 445,000 barrels per day (bpd), remained shut in 2021, because of the on-going rehabilitation works in the refineries. To meet domestic petroleum products supply requirement for the year, the entire 0.45 mbpd allocated to the NNPC Limited for refined products for domestic consumption were processed under the Direct-Sales Direct-Purchase (DSDP) scheme.

Natural Gas

Policy and Institutional Support

To deepen gas penetration across the nation, the Federal Government launched the Nigerian LPG Expansion Plan (NLEP) to increase the usage of Liquefied Petroleum Gas (LPG), from the current 5.0 per cent to 90.0 per cent in the next ten years. This would minimise carbon emission and reduce the environmental impact of using kerosene, firewood, and charcoal for cooking. The energy mix for cooking currently stands at: firewood (60.0 per cent); kerosene (30.0 per cent); LPG (5.0 per cent); and charcoal (5.0 per cent).

Furthermore, the Federal Government inaugurated the Rungas composite cylinder manufacturing plant in Alaro City, Epe, Lagos State, to increase local production of LPG cylinders, reduce its importation and boost the penetration of cooking gas in the country. The Facility, alongside, the Rungas Prime Plant in Bayelsa State, are being developed with equity investment from the Nigerian Content Development and Monitoring Board (NCDMB). Upon completion, the two plants would have a combined capacity of producing over 1.2 million cylinders per annum.

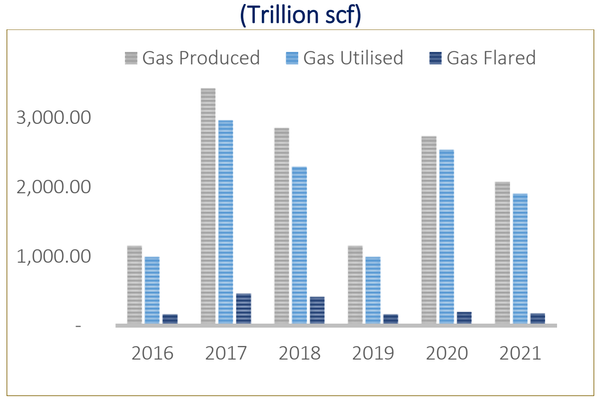
Also, a Gas Development Agreement (GDA) was signed by NNPC Limited and Sterling Exploration and Energy Production Company (SEEPCO), an indigenous firm, under the Oil Mining License (OML) 143. This Agreement would support the effort of the Federal Government to reduce gas flaring and increase gas utilisation in the country.

Gas Production and Utilisation

Gas production and utilisation decreased during the year. The total volume of gas produced in 2021 was 2,075.47 billion cubic feet (bcf), a decrease of 24.0 per cent from 2,729.10 bcf in 2020. The decline was due mainly to the decrease in the production of associated gas, following divestment by international oil companies (IOCs), as well as infrastructural constraints, which restricted the country's production capacity significantly. Of the total gas produced, 91.8 per cent or 1,904.50 bcf was utilised while 8.2 per cent or 170.98 bcf was flared. From the volume utilised, 12.9 per cent or 246.60 bcf was sold domestically to companies including the Nigerian Gas Company (NGC) and 30.9 per cent or 590.07 bcf was re-injected.

Additionally, 108.37 bcf was utilised as fuel gas, 36.40 bcf was used to produce Natural Gas Liquids (NGL)/LPG, and 79.86 bcf was converted to Escravos Gas-To-Liquids (EGTL). Finally, the largest proportion of the gas produced, 40.6 per cent or 843.19 bcf, was sold to the Nigeria LNG Limited (NLNG). The value of gas exported at US$5,684.84 million, represented, a 23.83 per cent increase from the US$4590.49 million in 2020.

Figure 5.1.11: Gas Production, Utilisation and Flaring (Trillion scf)



Source: Nigerian National Petroleum Company (NNPC) Limited

Solid Minerals

Policy and Institutional Support

Government continued to implement strategies and reforms to enhance participation in the sub-sector, boost output, and reduce dependence on the oil sector. The Federal Government created the artisanal and small-scale mining clusters in the six geopolitical zones of the country, to promote efficiency and increase specialisation in minerals exploitation and marketing. This was in line with the broader strategy of the Presidential Gold Mining Development Initiatives (PAGMI), aimed at addressing the structural and institutional bottlenecks within the subsector.

In addition, the first Fire Assay Laboratory was established in Kaduna State to analyse the content of gold, silver, and platinum-group metals in ores and concentrates. The development would promote growth in the solid minerals sub-sector, attract foreign investment and conserve foreign exchange expended on the analysis of mineral ore abroad. Similarly, Dukia Gold, an indigenous gold and precious metals refining company, obtained approval from the Lagos Commodities and Futures Exchange (LCFE) to trade its exchange-traded notes on the LCFE platform. This would help deepen the Nigerian commodities market through the provision of gold-backed financial instruments that has potential to attract investors.

Furthermore, the Federal Government negotiated a bilateral agreement with the United Arab Emirates (UAE) to track huge illegal movement of gold from Nigeria to Dubai. The move was necessitated, following the substantial outflow of gold, from Nigeria to the UAE, without evidence of requisite royalty payments and approved certificate of exportation.

To improve efficiency and curtail the loss of revenue in the sub-sector, the Federal Government revoked several mining licenses following the non-payment of annual service fees and imposed a ban on all forms of mining activities in Zamfara state.

Solid minerals Production

Solid mineral production rose on account of reforms and the recovery from the pandemic-induced slowdown in 2020. A total of 79.85 million tons of solid minerals were produced in 2021, indicating a 12.4 per cent increase above the 71.04 million tons in 2020. Analysis shows that non-metallic minerals rose by 12.2 per cent to 78.45 million tons with limestone production increasing to 31.19 million tons in 2021, from 30.87 million tons in 2020. Similarly, carbonaceous minerals, which composed solely of coal, rose by 36.5 per cent to 1.31 million tons in 2021, from 0.96 million tons in 2020.

Also, precious and semi-precious minerals production rose by 257.7 per cent to 13.54 tons with a significant increase in the production of topaz and amethyst, which rose to 5.9650 tons and 1.4510 tons in 2021, from 1.816 tons and 0.0005 tons in 2020, respectively. Weak infrastructure has continued to constrain gold production, as it fell by 35.6 per cent to 0.96 tons in 2021 from 1.49 tons in 2020.

The production of metallic minerals declined by 47.5 per cent to 94,477.05 tons in 2021. The production of metallic minerals fell, due largely, to increasing cases of illegal mining. The production of iron ore and lead/zinc ore fell to 1,543.08 tons and 43,263.43 tons in 2021, from 3,412.53 tons and 149,750.33 tons in 2020, respectively.

Precious metal prices

The annual average prices of gold and silver rose by 1.6 per cent and 22.2 per cent to US$1,798.82

per ounce and US$25.12 per ounce in 2021, from US$1770.82 per ounce and US$20.56 per ounce in 2020, respectively. The development was due to the heightened inflation concerns, as economic activity improved in Western countries, which led to a weaker US dollar, and made precious metals like gold and silver attractive to investors as safe haven assets.

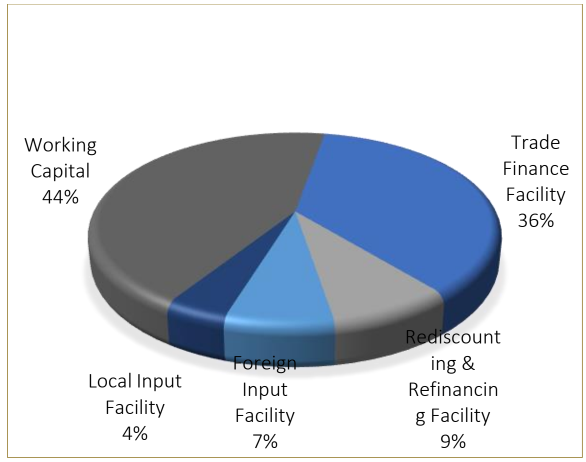
Similarly, the annual average prices of platinum and palladium rose by 23.2 per cent and 9.0 per cent to US$1,087.92 per ounce and US$2,393.59 per ounce in 2021, from US$883.14 per ounce and US$2,195.88 per ounce in 2020, respectively. Rising demand from the automotive industry increased the demand for platinum and palladium, both of which are used in the manufacturing of catalytic converters in automobiles.

Institutional Financing

The Nigeria Export-Import Bank (NEXIM)

Under the various lending facilities, the total funding support provided to the non-oil export sector in 2021, amounted to ₦78.5 billion for 54 beneficiary projects, compared with ₦31.3 billion disbursed to 39 projects in 2020. The significant improvement in disbursement was due to the inflow of ₦50 billion second tranche of the Export Development Facility (EDF) from the Central Bank of Nigeria (CBN). A breakdown of the disbursement by facility shows that 43.7 per cent, 36.2 per cent, 8.4 per cent, 7.4 per cent and 4.3 per cent, were disbursed under the Working Capital, the Trade Finance Facility, the Rediscounting & Refinancing Facility, Foreign Input Facility, and the Local Input Facility, respectively.

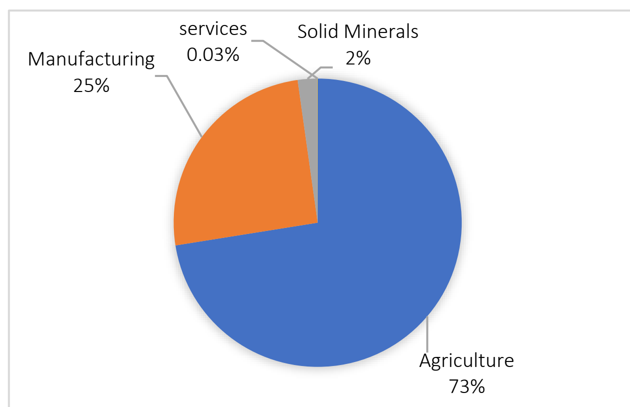
Figure 5.1.12: Summary of NEXIM Disbursements by Facility, 2021 (per cent)



Source: Nigerian Export-Import Bank

A sectoral analysis of total disbursements shows that the agriculture, manufacturing, solid minerals, and services sectors received ₦56.9 billion, ₦19.8 billion, ₦1.7 billion and ₦0.0023 billion, representing 73.5 per cent, 25.3 per cent, 2.2 per cent, and 0.03 per cent, respectively.

Figure 5.1.13: Summary of NEXIM Disbursements by Sector, 2021 (per cent)



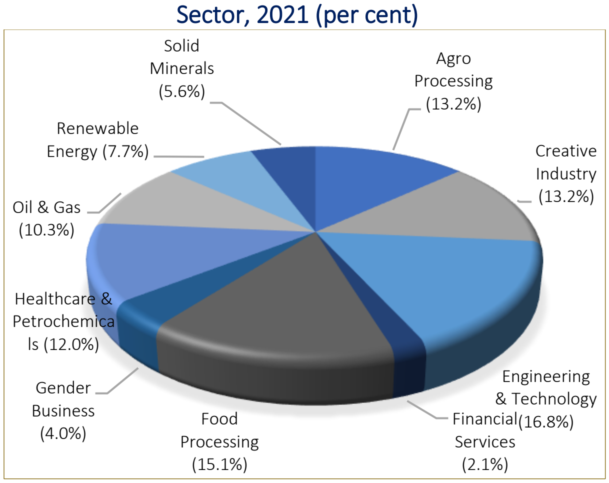
Source: Nigerian Export-Import Bank

The Bank of Industry

The total credit disbursed under the BoI various facilities in 2021 rose by 48.7 per cent to ₦215.7 billion, from ₦145.1 billion in 2020. The surge in the value of disbursement was due to an increase in the number of approvals, following improved activities after the easing of the COVID-19 restrictions. A breakdown of the total reveals that, large enterprises received ₦189.7 billion, while Small & medium enterprises got ₦26.0 billion, representing 87.9 per cent and 12.1 percent, respectively. An estimated 967,875 jobs (direct and indirect) were created through BoI's intervention in business activities within the year.

A sectoral analysis of the disbursements shows that engineering & technology received ₦36.3 billion (16.8%); food processing, ₦32.6 billion (15.1%); creative industry, ₦28.5 billion (13.2%); agro processing, ₦28.4 billion (13.2%); healthcare & petrochemicals sector, ₦ 25.8 billion (12.0%); oil & gas sector, ₦22.2 billion (10.3%); renewable energy, ₦16.6 billion (7.7%); solid minerals, ₦12.0 billion (5.6%); Gender business, ₦8.7 billion (4.0%), and Financial services, ₦4.6 billion (2.1%).

Figure 5.1.14: Summary of BOI Disbursements by Sector, 2021 (per cent)



Source: Bank of Industry

5.1.3 Services

Transport

The Transport sub-sector recorded an improvement, following the lifting of the restrictions on human and vehicular movement imposed by the government during the COVID-19 pandemic.

Road Transport

Policy and Institutional Support

Efforts to improve the quality of road infrastructure were sustained in the review period, following approvals and disbursements toward construction and general repairs of road networks. Under the Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme, the Federal Government approved the construction of five concrete roads worth ₦309 billion by Dangote Industries Limited. The roads are in Borno, Kaduna, Lagos, and Ogun states, totaling 274.9 kilometres. Also approved under the Scheme, was the construction and rehabilitation of 21 federal roads across the six geopolitical zones of the country, by the Nigerian National Petroleum Corporation (NNPC) Limited.

Additional efforts toward financing road infrastructure across the six geo-political zones included the issuance of the fourth sovereign Sukuk by the Debt Management Office (DMO), worth ₦250.0 billion. The proceeds would be deployed to the Federal Ministry of Works and Housing, Federal Capital Territory Administration (FCTA), and the Ministry of Niger Delta Affairs.

The Highway Development and Management Initiative (HDMI) was initiated by the Federal Government through the Federal Ministry of Works and Housing, to manage and develop the Federal Road network. The Initiative leverages private sector engagement to attract sustainable investment in the development of road infrastructure and maximise the use of assets along the right-of-way. Under the pilot phase of the Initiative, 12 Federal Highways covering 1,963 kilometers were approved for concession. These included – Benin-Asaba; Abuja-Lokoja; Kano-Katsina; Onitsha-Owerri; Sagamu-Benin, and Abuja-Keffi-Akwanga. Others were Kano-Shuari; Potiskum-Damaturu; Lokoja-Benin; Enugu-Port Harcourt; Ilorin-Jebba; Lagos-Ota-Abeokuta; and Lagos-Badagry-Seme border. The Initiative is expected to create 200,000 indirect jobs and 50,000 direct jobs.

Other efforts to boost road infrastructure during the year included the approval of the sum of ₦79.6 billion by Federal Government for the completion of the dualisation of the 26-kilometre Udukpani–Itu-Ikot Ekpene road linking Cross River and Akwa-Ibom states. This would further ease movement between the Southern and Northern parts of the country.

Additional road projects carried out by the Federal Ministry of Works and Housing during the year included; the Nnewi-Uduma Road, Sections I and II (26.27 kilometers) in Enugu and Ebonyi States; Kano-Maiduguri Road Section II (100.08 kilometers) in Jigawa and Bauchi States; Kano-Maiduguri Road Section III (Azare-Potiskum 106.34 kilometres) in Bauchi and Yobe States; Vandeikya-Obudu Cattle Ranch Road Phases I and II (24 kilometres) in Benue and Cross River States; Sokoto-Tambuwal-Jega-Kontagora-Makera Road (304 kilometres) in Sokoto, Kebbi, and Niger states.

Similarly, there were critical interventions approved by some state governments for the construction and general maintenance of various roads across the country. Some of these were the construction of over 30 township roads, a flyover, and a dual carriageway by the Kogi State government as well as the Warri-Benin carriageway in Delta State. Also, the Kogi State Government signed two loan agreements with the World Bank and the International Fund for Agricultural Development (IFAD) valued at US$62.0 million and US$10.0 million, respectively, for rehabilitation of over 500 kilometres of rural roads.

Furthermore, the States continued to benefit from the World Bank intervention of the Rural Access and Agricultural Marketing Project (RAAMP), including the construction of 1,000 kilometres of roads across Ekiti State; and the construction of 700 kilometres of roads in Kwara State.

A 400-meter border bridge between Nigeria and Cameroon, which commenced in 2017, and the 360-meter bridge at Ikom in Cross River State were completed during the year. In addition, the Dangote Group completed the 43-kilometre Obajana-Kabba pavement road located in Kogi State. It is a major highway that connects the Northern and Southern parts of the country.

Air Transport

The aviation sub-sector sustained its recovery, following continued support from the Federal Government and full resumption of operations. To cushion the effects of the COVID-19 pandemic on the aviation sector, the Federal Government disbursed ₦5.00 billion under the Aviation Intervention Fund, among airline operators and other stakeholders. Also, activities in the sub-sector improved, as international flight operations resumed at Mallam Aminu Kano International Airport (MAKIA) and Port Harcourt International Airport, after months of closure over COVID-19 concerns.

Airport infrastructure was strengthened with the commissioning of the Anambra International

Cargo and Passenger Airport in Umueri by the state government. The Airport would boost the economy of the State and create jobs.

Access to air services also received a boost, as the Nigerian Civil Aviation Authority (NCAA) issued the United Nigeria Airlines an Air Operators Certificate (AOC), as an approval to commence flight services in Nigeria.

Similarly, Dana Air and Ibom Air took steps to improve operational efficiency, following a codeshare agreement. This would enable the airlines to operate flights on behalf of each other, as well as coordinate and harmonise their passenger travel itinerary. It would also minimise the cost of operation and generate more profits for the airlines while enhancing domestic airline operations, and reducing flight delays\, and cancellation.

To boost operations of the aviation system and address challenges of flight disruptions occasioned by bad weather conditions, the Federal Government approved the installation of Category Three Instrument Landing System in three airports across the country: the Mallam Aminu Kano International Airport (MAKIA); Port Harcourt International Airport; and Katsina Airport. The System would allow aircraft landing under zero weather visibility, making it five airports, including Lagos and Abuja.

Consequently, following the increase in activities in the aviation industry, total passenger traffic in 2021 grew, significantly, by 58.9 per cent to 15,858,671 over 9,980,975 in 2020, while total aircraft movement increased to 260,564, an increase of 30.1 per cent relative to 200,304 in 2020.

Domestic Operations

Data from the Federal Airports Authority of Nigeria (FAAN) revealed that a total of 13,619, 905 passengers were airlifted by domestic airlines in 2021. This represented a 62.5 per cent increase from the 8,383,913 passengers airlifted in 2020. Total aircraft movement in 2021 stood at 228,316, a 27.9 per cent increase over the 178,517 in 2020. The increase in both domestic passenger traffic and aircraft movement was attributed to the lifting of air travel restrictions imposed by the Federal Government, to curb the COVID-19 pandemic, and the return of the economy to normalcy.

International Operations

The number of airline passengers on international routes in 2021 increased by 40.2 per cent to 2,238,766, from 1,597,062 in 2020. Aircraft movement also increased, by 48.0 per cent, to 32,245, from 21,787 in 2020, reflecting the lifting of restrictions on international air travel, as most countries relaxed the COVID-19 containment measures.

Cargo movement at designated airports increased by 63.7 per cent to 241.5 million kgs, from 147.5 million kgs in 2020. Mail movement also increased by 66.0 per cent to 74.0 million kg in 2021, from 44.6 million kg in 2020.

Rail Transport

The Federal Government continued to improve rail infrastructure, as new projects commenced. The Federal Government approved the design, construction, and financing contract for the US$1.96 billion cross-border Kano-Dutse-Jibia (Katsina State)-Maradi (Niger Republic) rail project. The standard-gauge line would provide a link between landlocked Niger and the Southern Nigerian ports of Lagos. The rail line would provide an alternative means of transportation in the coverage areas, as it would be integrated with roads, thereby, facilitating commercial activities in the region.

Also, the Federal Government commissioned the US$1.5 billion 157-kilometre Lagos-Ibadan standard gauge railway project for full commercial activities. Similarly, commercial freight and haulage services were officially flagged-off on the Warri-Itakpe standard gauge rail line.

Construction activities commenced on the Kano – Kaduna segment of the Lagos – Kano railway modernisation project. The rail line would facilitate the establishment of a supply chain network and boost commercial activities along its corridor.

Additionally, the Nigeria Railway Corporation (NRC) commenced e-ticketing for the Abuja-Kaduna rail services to enhance efficiency and promote accountability as well as reduce leakages in rail system operations.

To improve mobility and traffic within Lagos via an efficient and sustainable transportation alternative, the Lagos State Government kicked-off the construction of the 37-kilometer Lagos Rail Mass Transit Red Line, which would traverse Agbado to Marina.

The Federal Government commenced the rehabilitation and reconstruction of the US$3.2 billion Port Harcourt-Maiduguri narrow-gauge railway project, Bonny Deep sea port, and the Railway Industrial Park, Port Harcourt, to improve transportation and supply chain networks. In addition, activities in the eastern railway corridor were revived, with the connection of the rail line to the new seaport and Industrial Park, designed to boost movement of people, cargo, and freight locally, across the West African sub-region, while creating job opportunities.

Data from the NRC showed that a total of 2.92 million passengers and 168,359 tons of freight were moved by rail, compared with 1.01 million passengers and 68,127 tons of freight in 2020. This indicated an increase of 189.1 per cent and 147.1 per cent for passenger and freight movement, respectively, following the reopening of the economy. The Corporation also took delivery of 2 sets of DMUs (Diesel Multiple Unit), other locomotives, and Executive Coaches of various capacities, to improve services and movement along the standard gauge lines.

Water Transport

Infrastructure in the maritime sub-sector was enhanced. To ensure safer waterways, the Federal Government approved the award of a ₦6.3 billion contract for waterways surveillance under the Integrated National Security and Waterways Protection Infrastructure (the Deep Blue project). The Project would ensure the safety of the country's shores, as well as the preservation of the nation's natural resources and assets.

The Lekki Port LFTZ (Lagos Free Trade Zone) Enterprise Limited received the sum of US$60.0 million, being the first instalment of the US$629.0 million loan facility from the China Development Bank, for the construction of the Lekki Deep Sea Port.

Also, the Electronic Truck Call-Up system, known as *Eto App,* was launched at the Apapa Port, Lagos to help decongest the roads leading to the ports, and tackle corruption and other artificial bottlenecks at the port. The system is designed for the scheduling and management of truck movement, and access to and from the Lagos Ports Complex and the Tin Can Island Ports, Apapa.

Data from the Nigerian Ports Authority (NPA) showed that from January to December 2021, a total of 4,100 ocean going vessels berthed at the Nigerian ports, an increase of 3.2 per cent from the 3,972 vessels in 2020. Cargo throughput increased by 1.9 per cent to 79,915,877 metric tons in the same period, from 78,443,623 metric tons in 2020. The increase in the number of ships and cargo throughput was attributed to the rebound in maritime and trade activities, after the reopening of economies from the COVID-19 induced restrictions.

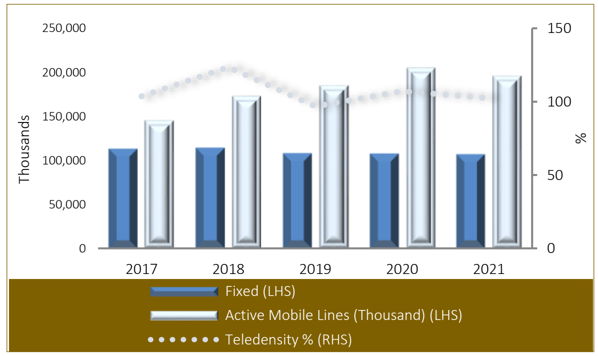
Information & Communications Technology

The Information and Communications Technology (ICT) sub-sector remained a major contributor to non-oil sector's growth in 2021. To support the development of the economy, the National Digital Economy Policy and Strategy (NDEPS), was implemented by the Federal Government. The Policy was designed to achieve effective development of 5G network to cover major urban areas in the country by 2025.

Data from the Nigerian Communications Commission (NCC) showed that the number of active telephone lines decreased by 4.4 per cent to 195.5 million at end-December 2021, from 204.6 million at end-December 2020. Similarly, teledensity declined to 102.40 lines per 100 inhabitants at end-December 2021, from 107.18 lines per 100 inhabitants at end-December 2020. The number of internet users also decreased, to 142.0 million at end-December 2021, from 154.3 million at end-December 2020.

The development in mobile telephony and internet usage was due, largely, to the decreased usage of various ICT infrastructures and tech-related services in education and businesses, as economic activities returned to normalcy, after the lockdown in 2020. Broadband internet penetration also decreased to 40.88 per cent at end-December 2021, from 45.02 per cent at end-December 2020, lower than the country's set target of 70.0 per cent broadband penetration by 2025.

Figure 5.1.15: Fixed Wired, Teledensity and Active Mobile Lines



Source: Nigerian Communication Commission

A further analysis indicated that the wireless Global System for Mobile (GSM) communication segment continued to dominate market share; the number of subscribers in the telecom sub-sector was 141.6 million lines at end-December 2021, while Fixed Wired and VoIP were 12,064 and 342,473, respectively. Among the GSM networks, Mobile Telecommunications Network (MTN) had the largest share of the market with 58.8 million lines, followed by Globacom with 39.5 million lines, Airtel with 37.5 million lines, and 9mobile with 5.8 million lines, at end-December 2021.

5.2 THE SOCIAL SECTORS

5.2.1 Education

Activities in the Education Sector picked up, after the lifting of the nation-wide closure of schools following the disruptions of the academic calendar in the aftermath of the COVID-19 pandemic. While the recovery process in the primary and secondary schools continued, pupils in some parts of the Northern states of the country were left behind due to rising insecurity. However, new learning techniques, especially through digital platforms continued to surge, as education providers were conforming to the new normal. To incentivise and motivate those in the teaching profession, the Federal Government announced a new salary scale for teachers and increased the retirement age to 65 from 60 years, with effect from January 2022.

To increase accessibility to education, the Federal Government approved the establishment of four new universities in the country comprised of two Universities of Technology and two Universities of Health Sciences. The Universities of Technology would be in Jigawa and Akwa Ibom states, while the Universities of Health Sciences would be established in Bauchi and Osun states. Consequently, the Federal Government approved a take-off grant of ₦4.0 billion each for the universities of technology and ₦5.0 billion each for the universities of health science from the TETFund.

The National Universities Commission (NUC) granted approval for the establishment of three new state universities in Delta, bringing the total number of public universities to 98. The universities, which were upgraded from existing institutions are, Delta State University of Education, Agbor (formerly College of Education, Agbor); Delta State University of Science and Technology, Ozoro (formerly Delta State Polytechnic, Ozoro) and Delta State University of Science and Agriculture, Anwai-Asaba (formerly Delta State University, Anwai Campus). Also, 20 new private universities were approved with a provisional three-year licence from the NUC. This brought the total number of private universities in the country to 99.

Efforts to improve the quality of skilled manpower in meteorology received a boost, as the Federal Government, through the Ministry of Aviation, granted approval to the Nigerian Meteorological Agency (NiMet) to commence full academic activities at the Meteorological Institute of Science and Technology (MIST), Katsina State. The Institute was established in 2019 to serve as a centre for training and research on meteorological and climate change sciences.

5.2.2 Health

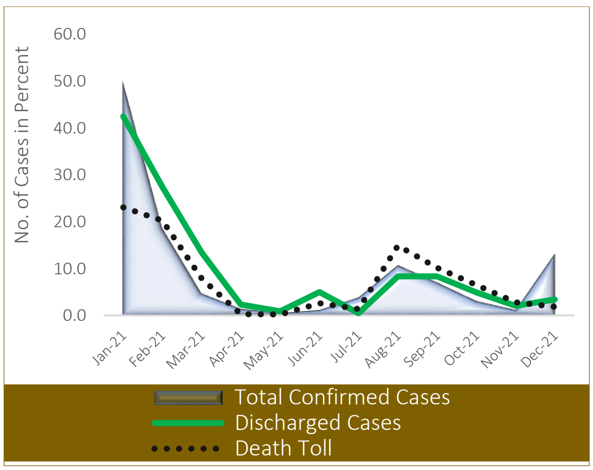
The health sector continued to receive the much-needed support towards full recovery from the impact of the COVID-19 pandemic. The Federal Government continued to provide guidelines for containing the COVID-19 pandemic and the overhauling of health facilities to improve the sector's efficiency. In that regard, the Federal Government approved the sum of ₦3.07 billion for the Nigeria Centre for Disease Control (NCDC) to acquire laboratory equipment.

The African Export-Import Bank (Afreximbank) commenced its African Medical Centre of Excellence (AMCE) project in Abuja, Nigeria. The project intends to provide world-class care to both low and high-income patient groups across the continent. It would also offer education and clinical research services, with a view to building talents and becoming a top tier quaternary-level medical facility. The Abuja AMCE would also provide about 3,000 jobs during its construction and operational phases.

COVID-19 Update

Weak compliance with the COVID-19 protocols during the 2020 end-of-year festivities, led to a resurgence in the number of new cases that spilled into the early part of 2021. However, the newly confirmed cases and mortalities subsided with the commencement of the COVID-19 vaccine roll-out in March 2021. The Federal Government approved the vaccines for use in Nigeria, which included the Oxford Astrazeneca, Moderna, Johnson and Johnson (J&J), and Pfizer BioNTech. Consequently, Nigeria received 3.92 million doses of the AstraZeneca COVID-19 vaccine as the first shipment for the over 16 million doses allocated to the country through the COVAX Facility.

Figure 5.2. 1: COVID-19 Statistics in Nigeria 2021



Source: Nigeria Centre for Disease Control

With the roll-out of the vaccines, the second wave of the pandemic, which commenced in the fourth quarter of 2020 subsided. The number of total confirmed cases moderated in the first half of 2021 to 1.1 per cent in June 2021, from 49.8 per cent in January 2021. However, with the discovery of the Delta variant in July 2021, there was an uptick in the number of new infections, signifying a third wave of the virus in the country.

At end-December 2021, data from the NCDC showed that the total number of infected persons stood at 242,341, compared with 87,607 in December 2020. Discharged cases and death toll totalled 214,296 and 3,031, respectively, as against 73,713 and 1,289, respectively in the corresponding period of 2020.

Also, the rise in the number of patients in need of oxygen due to the surge in COVID-19 infections in the country, necessitated the Federal Government to set up oxygen plants in 38 locations nationwide to the tune of ₦6.45 billion.

5.2.3 Housing and Urban Development

Activities in the Housing Sector rebounded in the review period after the disruption caused by the COVID-19 lockdown measures to curb the spread of infections in 2020. The Federal Ministry of Works and Housing unveiled a low-cost housing subscription portal in fulfilment of providing affordable housing facilities for all Nigerians. Over 5,000 housing units, ranging from 1- to 3-bedroom bungalows and blocks of flats were made available under the scheme across 34 states of the Federation and the FCT.

5.3 SOCIAL INTERVENTION

The Federal Government continued to alleviate poverty and cushion the effect of COVID-19 pandemic through various social safety-nets. A new phase of the Government Enterprise Empowerment Programme (GEEP 2.0) commenced in August 2021, with one million beneficiaries. The GEEP 2.0 is an improvement over the earlier version of the Scheme, which commenced in 2016. The Scheme comprises three programmes: TraderMoni for marginalised youth; MarketMoni that targets vulnerable women; and the FarmerMoni focused on rural farmers. The new phase as rolled out, comprised new strategies including an increase in the loan portfolio of TraderMoni and MarketMoni loans from ₦10,000 to ₦50,000, while the FarmerMoni is ₦300,000 with the provision of value chain, and creation of digital marketplace (e-platform) for beneficiaries to sell their products.

5.4 ENVIRONMENT

The Federal Government continued its efforts to meet the climate change goals, in line with global standards. The President approved the Revised National Climate Change Policy (NCCP) and the National Climate Change Programmes for Nigeria, to reflect relevant updates on emerging issues in the sector. The new policy is expected to run from 2021 through 2030, as Nigeria's legal framework to address climate change issues and promote a green economy.

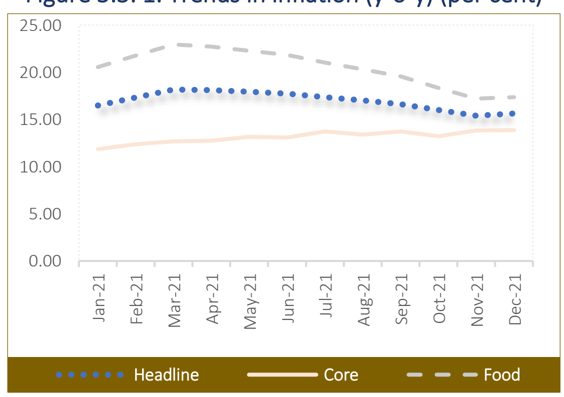
The Federal Government sustained efforts on the long-term emission reduction strategies and climate action, including net zero emission by 2060. This followed the launch of the Deep Decarbonisation Project (DDP)-Nigeria in collaboration with the Agence Française de Dévelopment (AFD). The Project is a national research and capacity building project for the implementation of a Deep Decarbonisation Pathway Programme (DDPP).

To boost the country's capacity for a comprehensive climate-resilient management, the World Bank approved a US$700 million credit facility from the International Development Association (IDA) for the Nigeria Agro-Climatic Resilience in Semi-Arid Landscapes (ACReSAL) Project. The Project is a 6-year strategic initiative that would strengthen the implementation of sustainable landscape management practices in Northern Nigeria within four components: Dryland Management; Community Climate Resilience; Institutional Strengthening and Project Management; and Contingent Emergency Response. The Project adopts a multi-dimensional approach that would impact on the livelihoods of the extreme poor, vulnerable and marginalised groups in the region, while also enabling the country to meet its climate goals of curbing degradation and strengthened climate resilience.

5.5 CONSUMER PRICES

Inflation trended downwards for most parts of the year, due mainly to improved food supply on account of sustained interventions in agriculture. Headline inflation, (y-o-y) declined marginally to 15.63 per cent in 2021 from 15.75 per cent in 2020. After a peak of 18.17 per cent in March, headline inflation (y-o-y) maintained a steady decline, dipping to 15.40 per cent in November, after which a slight uptick to 15.63 per cent was recorded in December 2021. The deceleration reflected higher agricultural output, improvement in the food supply chain and other goods and services, following the easing of the COVID-19 restrictions, and sustained intervention in the foreign exchange market.

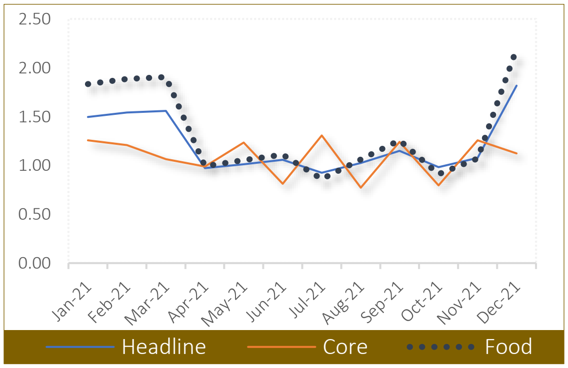
Figure 5.5. 1: Trends in Inflation (y-o-y) (per cent)



Source: National Bureau of Statistics

On a month-on-month basis, significant fluctuations were observed throughout the year. The fluctuations in month-on-month headline inflation followed the pattern of food price increases, indicating that month-on-month headline inflation was driven largely by food price developments.

Figure 5.5. 2: Trends in Inflation (m-o-m) (per cent)



Source: National Bureau of Statistics

Food inflation maintained a downward trend for most parts of the year, declining to 17.37 per cent in 2021 from 19.56 per cent, in 2020. After peaking at 22.95 per cent in March, aggregate food prices fell steadily to 17.37 per cent in December. The development was driven by improved harvests and supply of food crops, due to lower flood incidences, and continued improvement in food supply chain.

Cost-push factors such as the effect of supply chain disruption, hike in global price of LPG, exchange rate pass through following exchange rate adjustment, and persistent security challenges with disruptions to transport and business activities, as well as demand pull factors driven by the rebound in aggregate demand, albeit slower response by firms, pushed up core inflation consistently during the year, except in June and September, when slight moderations were recorded. Consequently, core inflation rose to 13.87 per cent compared with 11.37 per cent in 2020. It rose from 11.85 per cent in January to 12.67 per cent in March and further climbed to 13.09 per cent in June. Further hikes were recorded at 13.74 per cent in September and 13.87 per cent in December 2021. On a month-on-month basis, core inflation maintained a mixed trend, though ending at 1.12 per cent in December, lower than 1.26 per cent in January 2021.

6.0 FISCAL POLICY & DEVELOPMENTS

Fiscal policy in 2021 was hampered, largely, by the lingering adverse effects of the COVID-19 pandemic, which impaired revenue outcomes, necessitating additional non-discretionary spending, and raising public debt. As such, the fiscal operations of the three tiers of government (general government) resulted in a provisional deficit of 4.9 per cent of GDP. The consolidated public debt at 22.5 per cent of GDP at end-December 2021, was within the 40.0 per cent debt-GDP threshold.

6.1 FISCAL POLICY THRUST IN 2021

Fiscal policy in 2021 was anchored on frameworks that prioritised macroeconomic stability, food security, energy sufficiency, industrialisation, infrastructural development, public finance management reforms, job creation, and mitigation of the devastating impact of COVID-19, among other objectives. The 2021 FGN budget, tagged *'Budget of Economic Recovery and Resilience'*, which drew on extant medium-term frameworks (MTEF/FSP, MTDS, and MNDP), was the implementation vehicle of the Economic Sustainability Plan (ESP). The ESP represented a cocktail of emergency responses to mitigate the impact of COVID-19 on the economy and restore growth. The Finance Acts, 2020 and 2021, were legislative initiatives under the Strategic Revenue Growth Initiatives (SRGIs), aimed at boosting revenue to improve the fiscal space.

ESP, MNDP 2021-2025 and SRGIs

- ***Economic Sustainability Plan 2020****: A transitional and emergency economic plan that anchors on fiscal stabilisation policies*
- ***Medium Term National Development Plan 2021-2025:*** *A multisectoral strategy to achieve: accelerated growth*
- *economic diversification, investment in critical infrastructure, and strengthening security and good governance.*
- ***Strategic Revenue Growth Initiatives:*** *Embodies major tax reforms (conveyed in the 2019 and 2020 Finance Acts) to enhance public financial management and diversify government revenue base*

MTEF/FSP 2021-2023, MTDS 2020-2023

- ***Medium Term Expenditure Framework and Fiscal Strategy Papers 2021-2023:*** *Highlights the macroeconomic objectives of the government in 2021-2023: with a broad objectives of accelerated economic growth, job creation, structural transformation, poverty reduction and income equality.*
- ***Medium Term Debt Strategy 2020-2023:*** *States the borrowing plan of the FGN in the medium term. Sets limits public debt, portfolio composition, refinancing risks and guarantees with the objectives to optimize government's debt portfolio mix based on costs and risk tradeoffs.*

•2021 FGN Budget and Finance Acts 2020 and 2021

- ***The 2021 FGN Budget was anchored on the MTEF/FSP 2021-2023 and MTDS 2020-2023:***
- *The instruments of fiscal stabilisation to accelerate the pace of economic recovery and social inclusion. To deliver on the goals of the National Economic Sustainability Plan and the Medium Term National Development Plan (2021-2025)*
- ***The highlights of the Finance Acts, as initiatives under the SRGIs include to:*** *raise revenues, support fiscal equity, align domestic tax laws to with global best practices; and support MSMEs to the Ease of Doing Business Reforms.*

6.2. FEDERATION REVENUE

Revenue outcomes in 2021 improved, relative to 2020, but remained below targets owing to *subdued oil earnings.* Though non-oil revenue exceeded its benchmark by 2.8 per cent, the effect of low oil receipts (28.2 per cent shortfall) overshadowed the overall revenue performance

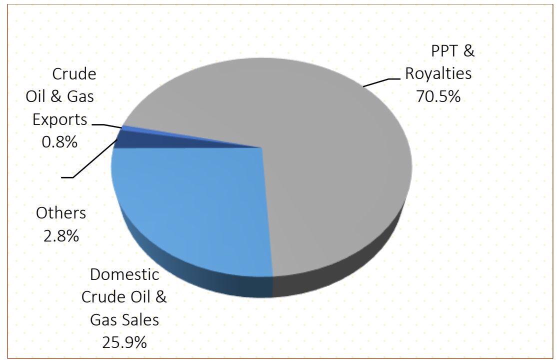
of the federation. Specifically, provisional federally collected revenue (gross), [5] at ₦10,755.40 billion or 6.0 per cent of GDP fell short of the 2021 target by 12.5 per cent. However, relative to the earnings in the preceding year, federation revenue improved by 15.9 per cent, driven by non-oil performance, following the recovery in economic activities and the positive impact of the SRGIs.

6.2.1 Components of Federation Revenue and Distribution

Oil Revenue

Despite the remarkable recovery in the average price of crude oil in 2021, following a rebound in global demand, oil earnings were generally subdued on account of a large deviation between actual domestic production and its budget benchmark. At ₦4,358.27 billion (2.4 per cent of GDP), provisional gross oil revenue[6] was below its benchmark by 28.2 per cent and constituted 40.5 per cent of total federation revenue. The development was attributed to low domestic crude oil production, which averaged 1.46 million barrels per day (mbpd), against the benchmark of 1.86 mbpd. Recurring oil theft, pipeline vandalism, and force majeure at major terminals, were the proximate causes. In addition, rising fuel (PMS)[7] import bill, given low domestic refining capacity, also contributed to the reduction in oil income.

Figure 6.2. 1: Composition of Oil Revenue (per cent)



Source: Data from the OAGF and the FMFB&NP

Non-oil Revenue

The implementation of the Finance Act 2020, under the SRGIs, amid boost in aggregate demand, resumption of business activity, and policy support, buoyed non-oil revenue. Non-oil revenue, at ₦6,397.11 billion (3.6 per cent of GDP), surged by 40.8 per cent above the level in 2020, and constituted 59.5 per cent of total federation revenue. The rise was driven by significant boost in the FGN Independent Revenue, Value Added Tax (VAT), and Corporate Tax, which accounted for 18.6 per cent, 31.9 per cent, and 27.9 per cent of aggregate receipts, respectively.

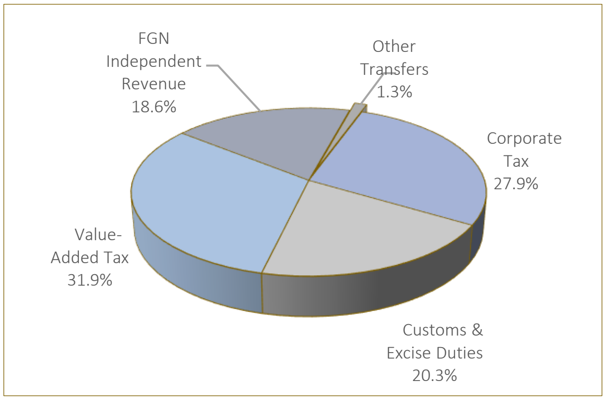
Figure 6.2. 2: Composition of Non-Oil Revenue

[5] Earnings lodged in the Federation Account by virtue of Section 161 of the Federal Republic of Nigeria Constitution 1999 as amended.

[6] Oil transaction contracts take about 90 days to fully materialise. Consequently, oil revenue receipts in the current period are reflective of developments in the domestic and global economies, three months preceding the current period of analysis.

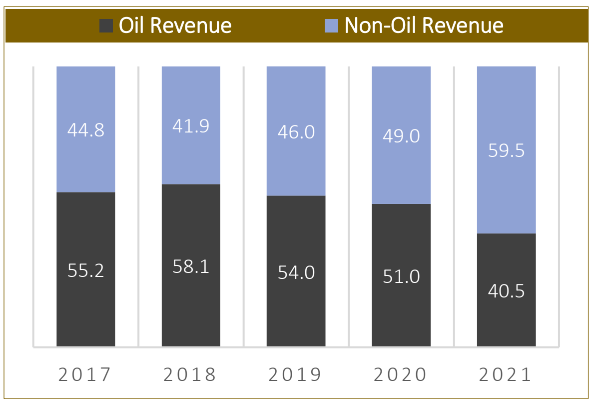
[7] Premium Motor Spirit

(per cent)



Source: Data from the Office of Accountant General of the Federation (OAGF) and the Federal Ministry of Finance, Budget, and National Planning (FMFB&NP).

Figure 6.2. 3: Structure of Gross Federation Revenue (per cent)



Source: Data from the Office of Accountant General of the Federation (OAGF) and the Federal Ministry of Finance, Budget, and National Planning (FMFB&NP).

Distribution of Federation Revenue

Improved collections arising from strong non-oil performance increased disbursements to the three tiers of government to ₦7,751.10 billion, from ₦7,179.10 billion in 2020. Consequently, the sums of ₦3,127.56 billion, ₦2,392.10 billion, and ₦1,776.79 billion were allocated to the Federal, State, and Local Governments, respectively.

6.2. 1: Federally Collected Revenue and Distribution

(₦ Billion)

	2020	2021	Budget
Federation Revenue (Gross)	9,276.1	10,755.4	12,296.6
Oil	4,732.5	4,358.3	6,071.1
Crude Oil & Gas Exports	356.5	34.5	630.05
PPT & Royalties	2,803.9	3,070.8	3,322.6
Domestic Crude Oil/Gas Sales	1,461.1	1,129.5	1,011.4
Others	111.0	123.4	221.5
Non-oil	4,543.6	6,397.1	6,225.5
Corporate Tax	1441.5	1,783.1	1,496.5
Customs & Excise Duties	909.5	1,298.0	1,132.5
Value-Added Tax (VAT)	1,474.5	2,043.0	1,838.4
Independent Revenue of Fed. Govt.	492.3	1,190.1	1,061.9
*Others**	225.8	83.0	696.2
Total Deductions/Transfers**	2,680.6	3,379.9	2,970.8
Federally Collected Revenue *Less Deductions & Transfers*	6,592.0	7,375.5	9,325.8
Plus:			
Additional Revenue	587.1	375.7	677.0
Excess Oil Revenue	248.0	0.00	0.0
Excess Non-Oil Revenue	144.0	279.9	677.0
Exchange Gain	*195.1*	*95.8*	*0.0*
Total Distributed Balance	7,179.1	7,751.1	9,733.8
Federal Government	3,028.0	3,127.6	4,157.6
State Governments	2,117.2	2,392.1	2,830.7
Local Governments	1,583.6	1,776.8	2,122.0
13% Derivation	450.3	454.6	623.5

Source: Compiled from Office of the Accountant-General Federation (OAF) figures and CBN Staff Estimates

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

Table 6.2. 2: Sources of Revenue to the Three Tiers of Government, 2021 (₦ Billion)

Source	FGN			SGs			LGs	Grand Total
	FG's Share	FCT	Sub-Total	States	13%	Sub-Total		
Statutory Allocation	*2,597.09*	*50.30*	*2,647.30*	*1,342.80*	*449.30*	*1,792.10*	*1,035.20*	*5,474.64*
Additional: Share from Excess Oil Revenue	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Additional: Excess Non-Oil Revenue (Excess Bank Charges, etc)	*144.63*	*2.80*	*147.40*	*74.80*	*0.00*	*74.80*	*57.70*	*279.86*
Additional: Share from Exchange Gain	*46.76*	*0.90*	*47.70*	*24.20*	*5.30*	*29.40*	*18.60*	*95.74*
Share of VAT	*266.11*	*19.00*	*285.10*	*950.40*	*0.00*	*950.40*	*665.30*	*1,900.80*
FG Independent Revenue	*1,190.08*	*0.00*	*1,190.10*	*0.00*	*0.00*	*0.00*	*0.00*	*1,190.10*
Internally Generated Revenue	*0.00*	*0.00*	*0.00*	*764.80*	*0.00*	*764.80*	*26.40*	*791.20*
Less State Allocation to LG	*0.00*	*0.00*	*0.00*	*22.20*	*0.00*	*22.20*	*0.00*	*22.20*
Net Internally Generated Revenue	*0.00*	*0.00*	*0.00*	*764.80*	*0.00*	*764.80*	*26.40*	*791.20*
Grants	*0.00*	*0.00*	*0.00*	*74.40*	*0.00*	*74.40*	*8.90*	*83.30*
Share of Stabilization Fund	*0.00*	*0.00*	*0.00*	*2.70*	*0.00*	*2.70*	*0.00*	*2.70*
State Allocation to LG	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*21.90*	*21.90*
Others	*727.80*	*0.00*	*727.80*	*0.00*	*0.00*	*0.00*	*3.30*	*731.10*
TOTAL	4,972.48	73.00	5,045.40	3,234.10	454.6	3,688.70	1,837.30	10,571.43

Source: OAGF, the FMFB&NP and CBN Staff Estimates

6.3 GENERAL GOVERNMENT FINANCES[8]

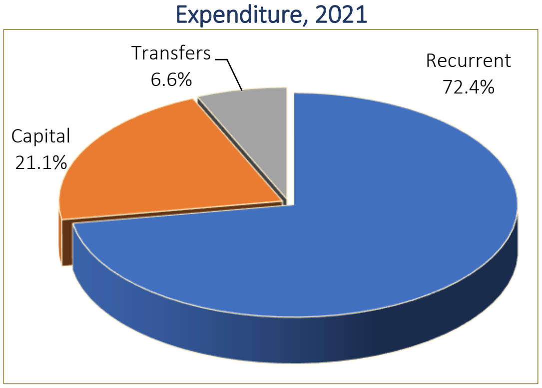
6.3.1 Aggregate Revenue of the three tiers of Government

The revenue of the three tiers of government increased marginally in 2021, occasioned by improved non-oil receipts. Provisional aggregate revenue of the general government, at ₦10,571.43 billion or 6.0 per cent of GDP comprised: the Federation Account, ₦5,474.64 billion; VAT Pool Account, ₦1,900.80 billion; Excess Non-Oil Revenue[9], ₦279.86 billion; and Exchange Gain, ₦95.74 billion[10].

Aggregate Expenditure

Aggregate expenditure by the general government increased, due largely, to the COVID-19-related spending. Aggregate provisional expenditure, at ₦19,135.50 billion (10.9 per cent of GDP), increased by 9.9 per cent, above the level in 2020. A breakdown shows that recurrent expenditure, at ₦13,848.77 billion (7.9 per cent of GDP), accounted for 72.4 per cent of the total, while capital expenditure at ₦4,030.94 billion (2.3 per cent of GDP); and transfers, ₦1,255.80 billion (0.7 per cent of GDP); represented 21.1 per cent and 6.6 per cent of the total, respectively.

Figure 6.3. 1: Composition of General Government Expenditure, 2021



Source: Staff estimates

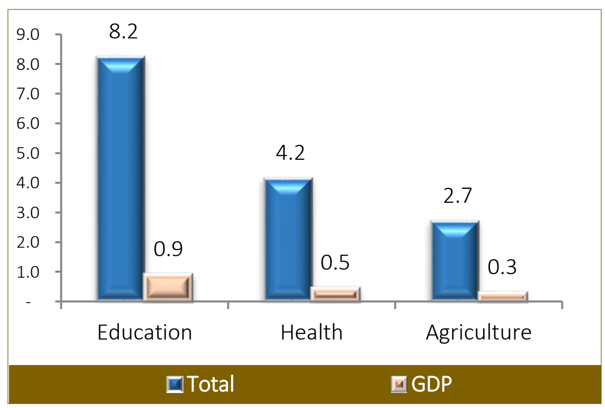
6.3.3 Consolidated Fiscal Balance and Financing

Fiscal space of the general government narrowed, attributed to higher non-discretionary spending. The fiscal operations of the general government resulted in an estimated primary and overall deficits of ₦4,214.82 billion (2.4 per cent of GDP) and ₦8,564.07 billion (4.9 per cent of GDP), compared with ₦3,974.59 billion (2.6 per cent of GDP), and ₦7,355.49 billion (4.8 per cent of GDP), respectively, in 2020. The deficit was financed, largely, from domestic sources.

6.3.4 Consolidated Expenditure on Primary Welfare Sectors[11]

Consolidated general government spending on the primary welfare sectors in 2021 increased by 6.0 per cent to ₦2,897.19 billion (1.6 per cent of GDP) from ₦2,732.44 billion in 2020.

Figure 6.3. 2: General Government Expenditure on Key Primary Welfare Sectors, 2021 (per cent of total and GDP)



Sources: Staff estimates using FMFB&NP & OAGF data

[8] Consolidated fiscal operations of the three-tiers of government.
[9] Includes other memorandum sharing such as Excess Bank Charges
[10] Include additional Excess crude/PPT payment to the three-tiers of government.
[11] Classification for identifying poverty-reducing expenditures

6.4 FISCAL OPERATIONS OF THE FEDERAL GOVERNMENT

6.4.1 Federal Government Fiscal Balance

The combined effects of low oil earnings and higher expenditure commitments induced FGN's expansion of its fiscal balance. Provisional overall deficit of the FGN, at ₦7,118.71 billion[12] (4.0 per cent of GDP), exceeded the budget of ₦5,601.62 billion by 27.1 per cent. It was also 13.9 per cent above the level in 2020. Notably, the deficit overshot the Fiscal Responsibility Act (FRA) and WAMZ primary convergence criterion thresholds of 3.0 per cent of GDP apiece, and the 3.9 per cent target for the 2021 Fiscal Year (2021FY).

The high deficit was indicative of an expansionary fiscal stance, in an effort to mitigate the lingering effects of the COVID-19 pandemic, support growth, combat insecurity, and provide critical infrastructure.

Table 6.4. 1: Fiscal Balance 2021 (₦ Billion)

	2020	2021	Budget
Retained revenue	3,983.1	5,045.4	7,986.4
Aggregate expenditure	10,231.7	12,164.2	13,588.0
Primary balance	-2,983.7	-2,897.1	-2,277.2
Overall balance	-6,248.6	-7,118.7	-5,601.6
Deficit-to-GDP	-4.1	-4.0	-3.9

Source: OAGF and the FMFB&NP and Staff estimates

6.4.2 Federal Government Retained Revenue

Driven by strong non-oil revenue performance, the retained revenue of the FGN improved, relative to 2020. This was indicative of the uptick in economic activity and gains from the implementation of the Finance Acts 2020 and 2021. Provisional FGN Retained Revenue, at ₦5,045.44 billion or 2.9 per cent of GDP in 2021, rose by 26.7 per cent, above the 2020 receipt. However, it was 36.8 per cent short of its benchmark. The decline was attributed to the fall in oil proceeds, owing to production shortfalls, relative to the budget benchmark. Notably, significant increases of 141.8 per cent and 57.3 per cent were recorded in FGN Independent Revenue and other revenue sources (including, transfers from special accounts, NLNG Dividend, and signature bonuses), respectively, relative to their 2020 levels.

Table 6.4. 2: FGN Retained Revenue (₦ Billion)

	2020	2021	Benchmark
FGN Retained Revenue	3,983.1	5,045.4	7,986.4
Federation Account	2,534.1	2,647.3	3,545.5
VAT Pool Account	205.7	285.1	255.5
FGN Independent Revenue	492.3	1,190.1	1,061.9
Excess Oil Revenue	120.8	0.0	0.0
Excess Non-Oil	75.8	147.4	356.7
Exchange Gain	91.6	47.7	0.0
*Others**	462.8	727.8	2,766.9

Source: OAGF and the FMFB&NP and Staff estimates
Note: * Includes transfers from special accounts, NLNG Dividend and FGN's share of Signature Bonus.

[12] This is higher than the OAGF's deficit of ₦6,910.17 billion because it includes part of the 2020 Capital expenditure of ₦618.92 billion expended in 2021.

6.4.3 Federal Government Expenditure

The FGN's plan to optimise spending, by reducing the share of recurrent expenditure in total spending, was hampered by the COVID-19 pandemic, necessitating higher social welfare and capital spending. Aggregate expenditure was 18.9 per cent above the level in 2020, but was below the benchmark by 10.5 per cent.

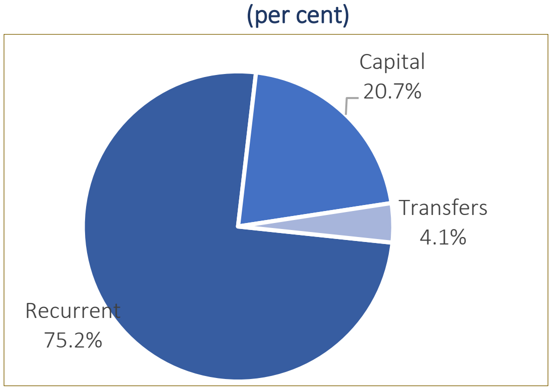
Table 6.4. 3: FGN Expenditure (₦ Billion)

	2020	2021	Budget
Aggregate Expenditure	10,231.7	12,164.2	13,588.0
Recurrent:	8,188.8	9,145.15	8,966.4
Personnel Cost	*2,763.4*	*3,046.5*	*3,372.3*
Pension &Gratuities	*359.6*	*356.1*	*504.2*
Overhead Cost	*1,572.5*	*1,055.4*	*1,765.4*
Interest Payments	*3,264.9*	*4,221.7*	*3,324.4*
Domestic	*2,711.7*	*3,275.4*	*2,383.5*
External	*553.2*	*946.3*	*940.9*
Special Funds	*228.4*	*465.5*	*0.0*
Capital Expenditure	1,614.9	2,522.5	4,125.15
Transfers	428.0	496.5	496.53

Source: CBN Staff estimate

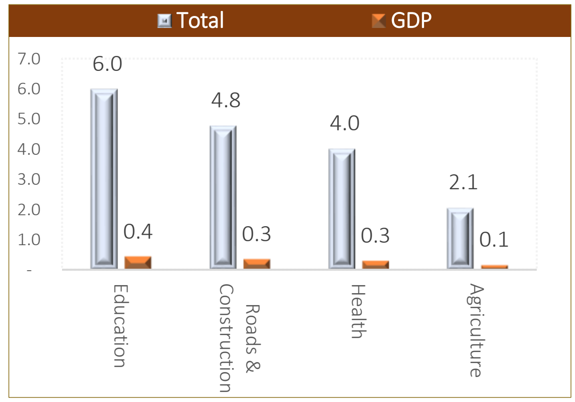
Non-debt expenditure was below the benchmark by 22.6 per cent and constituted 65.3 per cent of total expenditure, while interest payments amounted to ₦4,221.65 billion or 34.7 per cent of total expenditure.

Figure 6.4. 4: Composition of FGN Expenditure (per cent)



Source: Data from the Office of the Accountant General of the Federation (OAGF)

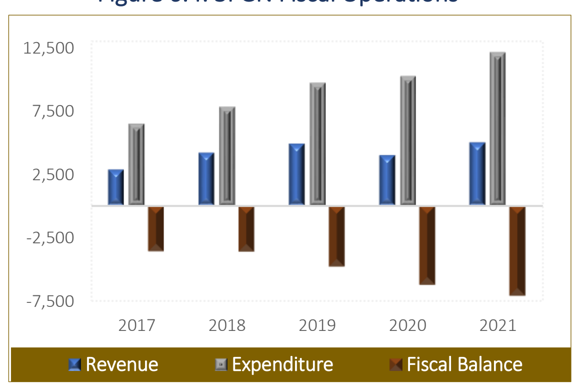
Figure 6.4. 1: Federal Government's Expenditure on Key Primary Welfare Sectors, 2021 (per cent of total and GDP)



Source: Data from the Office of the Accountant General of

Recurrent expenditure, at ₦9,145.15 billion or 5.2 per cent of GDP, maintained its dominance in total spending, accounting for 75.2 per cent of the total expenditure. Capital expenditure [13] (₦2,522.47 billion) and transfers (₦496.53 billion) constituted 20.7 per cent and 4.1 per cent, respectively. The rise in expenditure, relative to the level in 2020 was attributed to the 56.2 per cent and 10.2 per cent increase in capital spending and personnel cost, respectively.

Figure 6.4. 5FGN Fiscal Operations



Source: Staff estimates

[13] Represented 40.4 per cent of the FGN retained revenue in 2020. This was above the West African Monetary Zone's (WAMZ) minimum benchmark of 20.0 per cent.

Based on the primary welfare classification of aggregate expenditure, primary welfare sector received the sum of ₦2,044.63 billion (1.2 per cent of GDP) or 16.8 per cent of total expenditure.

Further analysis reveals that expenditure on roads and construction increased by 26.5 per cent to ₦579.68 billion, relative to the level in 2020. Furthermore, outlay on agriculture and natural resources, education, and health increased by 25.8 per cent, 2.0 per cent, and 0.1 per cent, respectively, compared with the levels in 2020.

Table 6.4.4: Economic Classification of Government Expenditure 2021

	Expenditure (N billion)	Percentage share			
		Admin.	Economic services	Social services	Transfers
Recurrent	9,145.15	23.7	5.4	15.7	55.2
Capital	2,522.47	25.2	43.7	12.0	19.1
Transfers	496.53	-	-	-	-

Source: Staff estimates.

6.5 SUB-NATIONAL GOVERNMENT FISCAL ANALYSIS

6.5.1 State Governments and FCT Finances[14]

Overall Fiscal Balance and Financing

The fiscal balance of state governments widened as a result of the shortfalls in statutory allocations and lower-than-expected internal revenue generation. Provisional data on state governments' finances (including the FCT), indicated that their fiscal operations deteriorated by 30.6 per cent, resulting in a deficit of ₦1,444.76 billion or 0.8 per cent of GDP, compared with the deficit of ₦1,106.42 billion (0.7 per cent of GDP) in 2020. The deficit was financed, mainly, from domestic borrowing (commercial banks and new Bond issues).

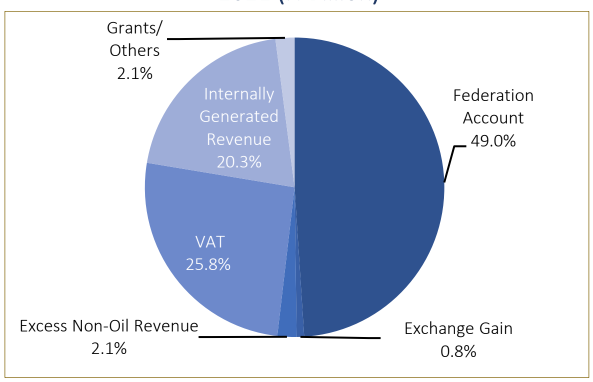
Revenue

Following significant increase in VAT allocation, revenue outcomes in the states improved in 2021, relative to the preceding period. At ₦3,761.63 billion or 2.1 per cent of GDP, aggregate revenue of state governments improved, compared with collections in 2020.

Although statutory allocations at ₦1,842.33 billion (including Federation Account and 13.0 per cent Derivation Fund) declined, it accounted for 49.0 per cent of states' total revenue in 2021FY.

Similarly, the contribution of Internally Generated Revenue (IGR) at ₦764.80 billion, declined marginally, and constituted 20.3 per cent of total revenue.

Figure 6.5. 1: Composition of States and FCT revenue, 2021 (₦ Billion)



Sources: Data from FMFB&NP and the OAGF data & Staff estimates

[14] Provisional data.

Table 6.5. 2: State Governments' and the FCT Revenue 2021 Revenue, 2021 (₦ Billion)

Item	2020 Amount (N' b)	2020 Share of: Revenue (%)	2020 Share of: GDP (%)	2021 Amount (N' b)	2021 Share of: Revenue (%)	2021 Share of: GDP (%)
Federation Account	1929.2	52.8	1.3	1842.3	49.0	1.0
Excess Oil Revenue	80.0	2.2	0.1	0.0	0.0	0.0
Excess Non-Oil Revenue	21.6	0.6	0.0	77.6	2.1	0.0
VAT	699.4	19.1	0.5	969.4	25.8	0.6
Internally Generated Revenue	764.9	20.9	0.5	764.8	20.3	0.4
Exchange Gain	82.0	2.2	0.1	30.4	0.8	0.0
Grants & Others	79.6	2.2	0.1	77.2	2.1	0.0
Total	**3,656.7**	**100.0**	**2.4**	**3,761.6**	**100.0**	**2.1**

Sources: FMFB&NzP, OAGF and staff estimates.
Note: Internally generated revenue and Grants & Others are provisional

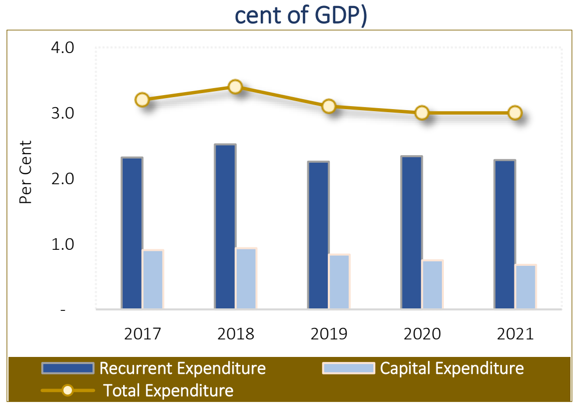
Tax Effort

Total IGR of the 36 states and the FCT constituted 20.3 per cent of total revenue and was marginally below the collections in 2020. A disaggregation by States shows that Lagos ranked highest with 35.0 per cent of the aggregate IGR, followed by Rivers and Delta, with 13.9 per cent and 3.7 per cent, respectively while Yobe ranked the least with 0.4 per cent. Overall, State governments' tax effort in 2021, relative to 2020, deteriorated marginally by 0.01 per cent.

Expenditure

The total expenditure of State governments rose by 9.3 per cent to ₦5,206.4 billion (3.0 per cent of GDP), relative to 2020. The development was driven by expenditures to facilitate post-pandemic economic recovery and curb the rising spate of insecurity in states. A breakdown reveals that, at ₦4,011.94 billion or 2.3 per cent of GDP, recurrent expenditure was 11.2 per cent above the level in 2020 and accounted for 77.1 per cent of the total expenditure. Capital expenditure, at ₦1,194.45 billion, or 0.7 per cent of GDP, was 3.3 per cent above the level in 2020 and constituted 22.9 per cent of the total.

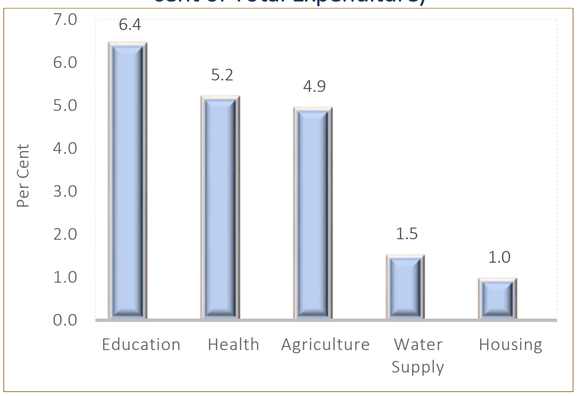
Figure 6.5. 1: State Governments' Expenditure (per cent of GDP)



Source: States' OAG and Staff estimates

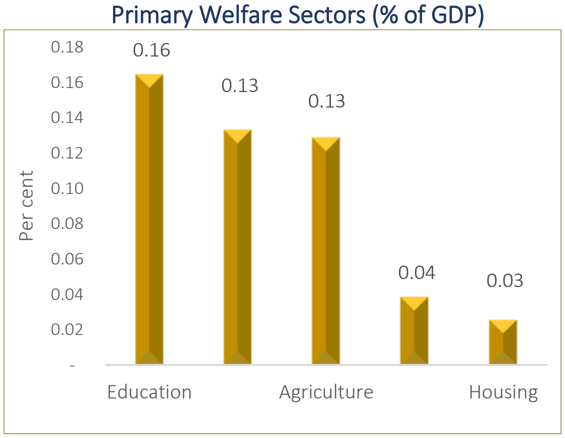
Aggregate expenditure on primary welfare sectors by states amounted to ₦988.85 billion. This represented 0.5 per cent of GDP and 19.0 per cent of total expenditure. Education received the highest share at ₦335.09 billion and accounted for 33.9 per cent of total expenditure on primary welfare.

Figure 6.5.2: State Governments' Expenditure in Key Primary Welfare Sectors, 2021 (per cent of Total Expenditure)



Source: Staff Estimates

Figure 6.5. 3: State Government Expenditure in Key Primary Welfare Sectors (% of GDP)



Source: Staff Estimates

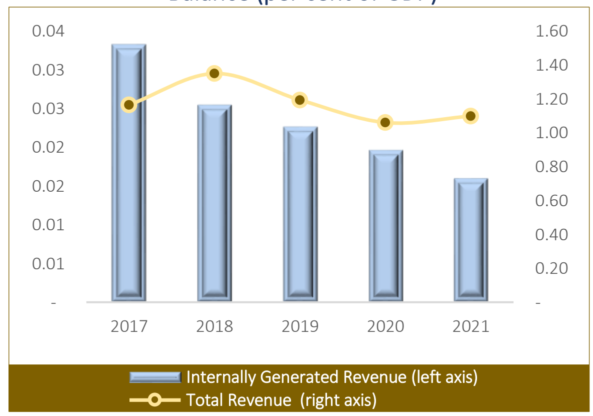
6.5.2 Local Governments' Finances[15]

The Overall Fiscal Balance and Financing

Fiscal operations of the local governments (LGs) deteriorated, as fiscal deficit widened by 22.4 per cent, relative to 2020FY. LGs' fiscal deficit widened to ₦0.60 billion in 2021FY, from ₦0.49 billion in 2020FY. The deficit was financed from domestic sources. The relatively low IGR of LGs underscored fiscal stress at that level, and dependence on intergovernmental fiscal transfers.

[15] Provisional

Figure 6.5. 4: Local Governments Revenue and Overall Balance (per cent of GDP)



Sources: FMFB&NP, OAGF data and Staff Estimates

Revenue

Improvement in revenue outcomes at the federation level, impacted LGs' finances positively, as the provisional aggregate revenue of the 774 LGs rose by 12.3 per cent. Aggregate revenue of the LGs stood at ₦1,837.30 billion (1.0 per cent of GDP), comprising allocations from the Federation Account, ₦1,035.22 billion (56.3 per cent); the VAT Pool Account, ₦665.28 billion (36.2 per cent); and Internally Generated Revenue (IGR), ₦26.40 billion (1.4 per cent). Other revenue sources included: Excess Non-Oil Revenue, ₦57.65 billion (3.1 per cent); State Allocation, ₦21.93 billion (1.2 per cent); Exchange Gain, ₦18.64 billion (1.0 per cent); Grants & Others, ₦8.88 billion (0.5 per cent), while 'Others' amounted to ₦3.32 billion (0.2 per cent).

The IGR[16] of the LGs in 2021 was 10.0 per cent below the collection in 2020. As in previous years, Lagos had the highest IGR in 2021, accounting for 14.0 per cent of the total, while Kwara ranked the least with 0.1 per cent of the total IGR. The not-too-impressive IGR in the period reflected the low

[16] Including fees and fines, local licenses, earnings from commercial undertakings, rent on LG property, interest payments and dividends, among others.

efficiency of tax administration systems at the local government level.

Table 6.5. 3: Local Government Revenue 2021 (₦Billion)

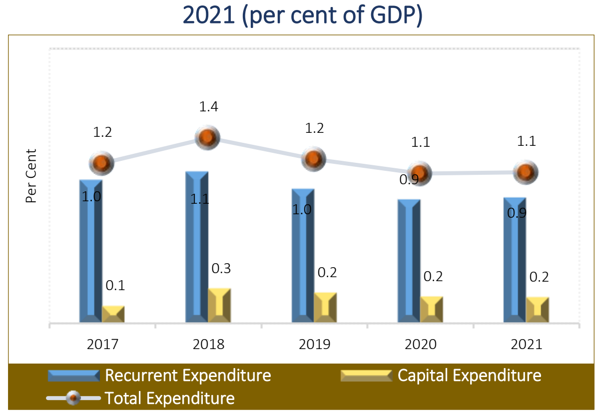
Item	2020			2021		
		Share of:			Share of:	
	Amount (N' b)	Revenue (%)	GDP (%)	Amount (N' b)	Revenue (%)	GDP (%)
Federation Account	999	61.1	0.6	1,035.20	56.9	0.6
VAT	480	29.3	0.3	665.3	36.5	0.4
Internally Generated Revenue	29.3	1.8	-	26.4	1.5	-
Excess Non-Oil Revenue	11.6	0.7	-	57.7	3.1	-
Excess Oil Revenue	47.2	2.9	-	-	-	-
Exchange Gain	34.8	2.1	-	7.1	0.4	-
Grants & Others 2/	34.3	2.1	-	34.1	1.9	-
Total	**1,636.30**	**100**	**1.1**	**1,837.30**	**100**	**1.1**

Sources: FMFB&NP, OAGF, and Staff Estimates.
1/Provisional, 2/Including Allocation from states and other miscellaneous revenue

Expenditure

Provisional data reveals that aggregate spending of the 774 LGs rose in 2021, relative to 2020. At ₦1,837.92 billion (1.0 per cent of GDP), it increased by 12.3 per cent, necessitated by the imperative to cushion the impact of the COVID-19 pandemic on households. A breakdown indicates that recurrent outlay was ₦1,523.91 billion or 82.9 per cent of the total, while capital expenditure stood at ₦314.02 billion, and accounted for the balance of 17.1 per cent.

Figure 6.5. 5: Local Governments Expenditure, 2017-2021 (per cent of GDP)

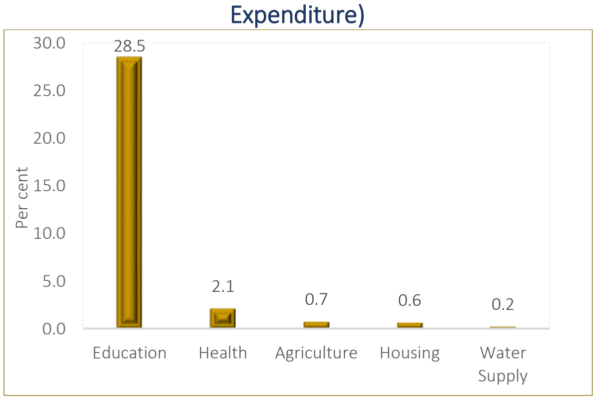


Source: Data from States Ministries of LGs and Staff Estimates

A breakdown of recurrent expenditure shows that personnel cost was ₦1,151.16 billion (75.5 per cent) of the total, while overheads and consolidated revenue fund charges and 'Others' amounted to ₦170.26 billion (11.2 per cent) and ₦202.48 billion (13.3 per cent), respectively. A disaggregation of capital expenditure by functions reveals that administration accounted for ₦111.9 billion (35.6 per cent) while social & community services, economic services, and transfers, accounted for ₦88.2 billion (28.1 per cent), ₦66.1 billion (21.2 per cent), and ₦47.2 billion (15.0 per cent), respectively.

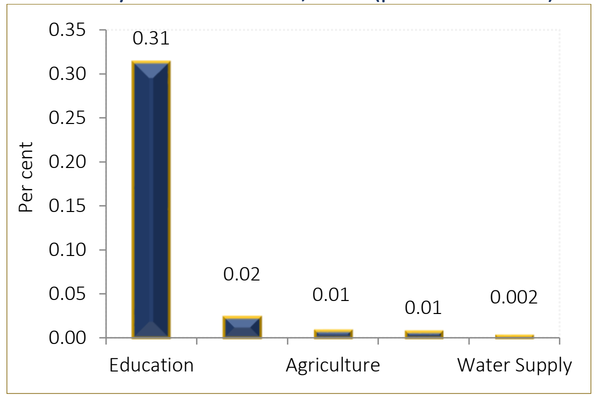
Analysis of spending on primary welfare sector showed that the sum of ₦586.2 billion or 0.4 per cent of GDP, was expended on the primary welfare sectors, an increase of 5.0 per cent, above the level in 2020 and accounted for 32.2 per cent of total expenditure. Expenditure on health increased by 7.5 per cent, as a result of the COVID-19-induced expenditure. In addition, expenditure on housing, agriculture, water supply, and education increased by 2.0 per cent, 2.0 per cent, 1.6 per cent, and 4.9 per cent, respectively, compared with their levels in 2020.

Figure 6.5. 6: Local Governments Expenditure on Primary Welfare Sectors, 2021 (Per cent of total Expenditure)



Source: Data from States Ministries of LGs and Staff Estimates

Figure 6.5. 7: Local Governments Expenditure on Primary Welfare Sectors, 2021 (per cent of GDP)



Source: Staff Estimates.

6.6 PUBLIC DEBT STRATEGY AND SUSTAINABILITY

6.6.1 Total Public Debt

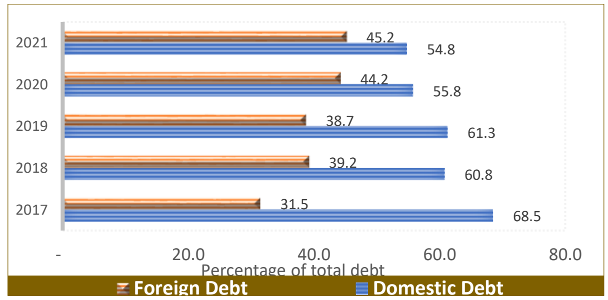
Public debt remained aligned with the Medium-Term Debt Strategy (MTDS, 2020-2023) and within the 40 per cent debt-GDP threshold, though widening deficits continued to necessitate new borrowing. The consolidated public debt, consisting of both the Federal and State Governments' liabilities, at end-December 2021, stood at ₦39,556.03 billion or 22.5 per cent of GDP, an increase of 20.2 per cent over the level at end-December 2020. The increase was attributed to new concessional loans from Multilateral and Bilateral sources to part-finance the deficit in the 2021 Appropriation Act. The FGN owed 83.7 per cent of the total outstanding debt, while State governments accounted for the balance of 16.3 per cent. However, given that the FGN guarantees external borrowing by States, in line with section 47 (3) of the Fiscal Responsibility Act, 2007, the latter's share of external debt remained a contingent liability of the FGN.

Table 6.6. 1: Total Public Debt (₦ Billion)

Type	2019	2020	2021
External Debt	**9,022.4**	**12,705.6**	**15,855.2**
Of which:			
FGN	7,534.3	10,948.2	13,884.8
States and FCT	1,488.1	1,757.4	1,970.4
Domestic Debt	**18,378.9**	**20,209.9**	**23,700.8**
Of which:			
FGN	14,272.6	16,023.9	19,242.6
States and FCT	4,106.3	4,168.0	4,458.2
Total	**27,401.4**	**32,915.5**	**39,556.0**

Source: Compiled from DMO Data

Figure 6.6. 1: Composition of FGN Debt Stock



Source: Compiled from DMO data

6.6.2 Federal Government Debt

The 2020-2023 MTDS, which outlines the borrowing plan, limit and composition of government borrowing, specifies an optimal domestic-external debt ratio of 70:30 and a long-to-short-term domestic debt ratio of 75:25. Domestic debt at 54.8 per cent of the total, was below the 70.0 per cent target, while external debt at 45.2 per cent was above the 30 per cent threshold.

The consolidated debt stock of the FGN at end-December 2021, stood at ₦35,097.79 billion or 20.2 per cent of GDP, and was within the 40.0 per cent of GDP threshold specified in the MTDS, and represented an increase of 22.2 per cent above the level in 2020.

Analysis of the domestic debt portfolio reveals a preference for longer-tenored instruments, with FGN bond maintaining its dominance at 72.6 per cent of the total domestic debt portfolio, followed by Promissory Notes (4.0 per cent); FGN Sukuk (3.2 per cent); and others[17] (0.6 per cent), while short-tenored Treasury Bills constituted 19.7 per cent. The debt portfolio mix was in tandem with the FGN's objective to hold more long-term domestic debt instruments than short. The composition by holdings of external debt, reveals that Multilateral, Commercial, and Bilateral loans accounted for 48.6 per cent, 39.8 per cent, and 11.6 per cent of the total, respectively. The mix was influenced, largely, by interest cost, tenor, and borrowing terms and conditions.

Total debt service in 2021[18] was ₦2,925.65 billion or 1.7 per cent of GDP, an increase of 46.0 per cent above the level at end-December 2020. The rise was due, largely, to principal repayments amounting to ₦653.26 billion.

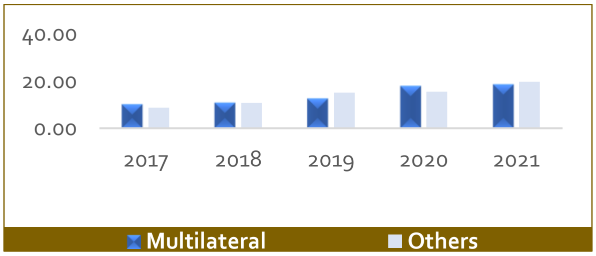
Debt service obligations accounted for 58.5 per cent of FGN retained revenue, 37.0 per cent of

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

[18] Represents actual debt service payments by the Debt Management Office which may differ from the figures in the Federal Government finances table that indicates contributions to the external creditors' fund (a fund dedicated for External Debt Service Payment Obligations).

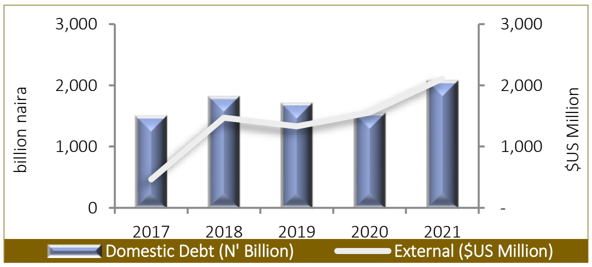
non-debt expenditure, and 27.2 per cent of gross revenue in 2021.

Figure 6.6. 2: Breakdown of External Debt Stock (US$ Billion)



Source: Data from the DMO

Figure 6.6. 3: Breakdown of Total Debt Service



Source: Data from the DMO

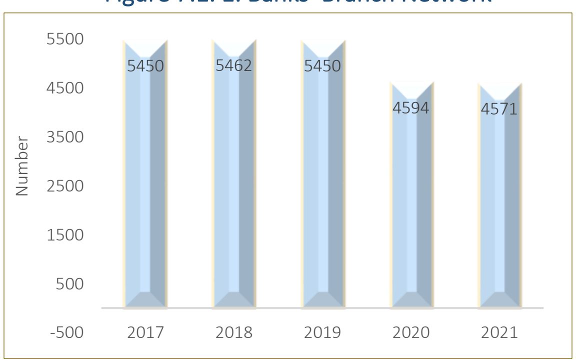
7.0 FINANCIAL SECTOR DEVELOPMENTS

7.1 INSTITUTIONAL DEVELOPMENTS

7.1.1 Growth and Structural Changes

The number of licensed banks increased to 33 at end-December 2021, from 32 in 2020. The increase was due to the issuance of licence to Premium Trust Bank Ltd to operate as a commercial bank with regional authorisation within the South-South, South-West and North Central sub-regions. The licensed banks comprised 24 commercial banks, six (6) merchant banks and three (3) non-interest banks. Eight (8) banks had international authorisation, while 18 and seven (7) had national and regional authorisations, respectively. The number of bank branches stood at 4,571 at end-December 2021, compared with 4,594 in 2020. There were five (5) holding companies and three (3) payment service banks.

Figure 7.1. 1: Banks' Branch Network



Source: Central Bank of Nigeria

The number of offshore subsidiaries of Nigerian banks reduced to 59 at end-December 2021, from 60 at end-December 2020. The number of affiliates, international branches, and agents of Nigerian banks stood at one, three, and one, respectively, while the number of representative offices remained at four, same as in 2020, thus, bringing the total number of offshore entities to 69 in 2021, compared with 67 in 2020.

In the other financial institutions (OFIs) sub-sector, there were 6,901 licensed institutions at end-December 2021, compared with 6,532 institutions in 2020, reflecting an increase of 369 OFIs. The increase was as a result of the licensing of 7 MFBs, 13 FCs and 364 BDCs. The year witnessed the merger of 15 MFBs and an upgrade of one National MFB to a Regional Bank. The total number of OFIs comprised 7 DFIs, 34 PMBs, 866 MFBs, 100 FCs, and 5,894 BDCs.

Institutional Savings

Financial savings rose, reflecting increased accumulation of capital stock for investment to stimulate economic growth. Aggregate financial savings increased by 23.4 per cent to ₦26,932.07 billion, compared with ₦21,892.91 billion at end-December 2020. The ratio of financial savings to GDP rose marginally to 15.5 per cent, compared with 15.0 per cent recorded at end-December 2020. Further analysis on financial savings showed that, banks (commercial, merchant, and non-interest banks) remained the dominant depository institutions in the financial system, accounting for 93.6 per cent of total financial savings. Other savings institutions, comprising PMBs, MFBs, life insurance companies, pension fund custodians, and the Nigerian Social Insurance Trust Fund (NSITF), accounted for the balance of 6.4 per cent.

7.2 MONETARY AND CREDIT DEVELOPMENTS

The monetary policy stance remained accommodative in 2021, in response to global and domestic macroeconomic challenges. Monetary policy was influenced, largely, by the effects of the COVID-19 pandemic and the emergence of new variants of the virus. The persisting supply chain disruption, global inflationary pressure, oil price volatility, and monetary policy normalisation by some major central banks posed major challenges to the domestic macroeconomic environment. Monetary policy was cautiously lax, to help the Bank anchor expectations and prevent economic agents from undue speculative activities, aimed at striking an appropriate balance between supporting economic recovery and achieving price stability.

Key policy parameters were unchanged in 2021, while the Bank intensified real sector interventions, providing credit to key sectors of the economy at concessionary rate, which was reduced from 9.0 per cent to 5.0 per cent. These initiatives pushed broad money supply above the target for 2021 fiscal year.

7.2.1 Broad Money Supply

Growth in broad money supply was attributed mainly to the increase in domestic assets. Broad money supply (M3) increased by 12.6 per cent to ₦43,818.47 billion at end-December 2021, compared with the 10.0 per cent indicative target for 2021, and the 11.6 per cent growth at end-December 2020. The growth in M3 was driven by the 16.9 per cent increase in net domestic assets (NDA), which more than offset the 1.8 per cent decline in net foreign assets (NFA). The decline in NFA was driven by the 11.1 per cent surge in liabilities to non-residents, which outweighed the 5.3 per cent increase in claims on non-residents.

Of the NDA, domestic claims grew by 17.2 per cent, compared with the 12.7 per cent growth at end-December 2020, due to the combined impact of the 17.7 per cent and 16.0 per cent growth in claims on other sectors and net claims on central government, respectively. The growth in net claims on the central government owed, largely, to increased ways and means advances by the Bank and securities holdings by Other Depository Corporations (ODCs). Credit to the private sector rose by 27.9 per cent to ₦23,931.8 billion, constituting 49.3 per cent of the total domestic claims. It was followed by credit to states & local governments, and public non-financial corporations, which grew by 20.6 per cent and 13.2 per cent, respectively.

The corresponding increase in monetary liabilities was driven by 17.7 per cent, 16.6 per cent, and 14.2 per cent rise in currency outside depository corporations, other deposits, and transferable deposits, respectively. Other deposits constituted 62.7 per cent of the total deposit liabilities, following the rise in savings and time deposits of ODCs. Foreign currency deposit increased by 37.4 per cent to ₦8,387.14 billion at end-December 2021 and constituted 32.7 per cent of other deposit liabilities of ODCs. Narrow money (M1) recorded a growth of 14.7 per cent to ₦18,169.30 billion at end-December 2021, relative to the growth of 48.7 per cent at end-December 2020.

Drivers of Growth in Broad Money

Domestic claims, particularly credit to the private sector, was the key driver of broad money growth. Domestic claims contributed 18.4 percentage points to the growth in broad money, 0.2 percentage points higher than 2020. The significant contribution of domestic claims to monetary growth, driven largely, by claims on the private sector at 13.4 percentage points, reflected the Bank's emphasis on real sector development, and greater credit delivery to the sector. Net claims on the central government, contributed 4.7 percentage points to the growth in broad money supply.

Net foreign assets contributed negatively by 0.41 percentage point to the growth in broad money supply, on account of the significant increase in liabilities to non-residents.

Table 7.2. 1: Growth in Monetary Assets and Liabilities 2017 – 2021 (per cent)

Item	Dec 2017	Dec 2018	Dec 2019	Dec 2020	Dec 2021
Net Foreign Assets	39.8	7.8	-49.8	51.0	-1.8
Net Domestic Assets	-13.8	20.8	38.3	3.5	16.9
Domestic Claims	-3.3	9.6	29.0	12.7	17.2
Net Claims on Central Government	-17.6	32.4	105.4	13.8	16.0
Claims on Other Sectors	-0.4	5.8	13.1	12.3	17.7
Claims on Other Financial Corporations	2.0	34.4	-1.0	8.0	-5.3
Claims on State and Local Government	51.2	16.8	7.1	10.6	20.6
Claims on Public Nonfinancial Corporations	-73.0	328.3	1.8	-0.6	13.2
Claims on Private Sector	-1.5	-10.4	22.9	15.2	27.9
Broad Money Liabilities	**1.4**	**15.0**	**6.4**	**11.6**	**12.6**
Currency Outside Depository Corporations	-2.2	7.0	6.0	23.4	17.7
Transferable Deposits	5.2	10.4	1.5	54.7	14.2
Other Deposits	3.1	11.0	13.6	20.6	16.6
Of Which FCD	-0.6	11.6	22.3	9.8	37.4
Total Deposits	3.8	10.8	9.4	31.6	15.7
Deposits In NC	4.9	10.6	6.5	37.3	11.2
Securities Other Than Shares	-7.8	38.8	-5.0	-82.0	-99.9
Monetary Base	**10.9**	**10.7**	**20.9**	**51.0**	**1.4**
Currency in Circulation	-1.0	8.0	4.9	19.1	14.3
Liabilities to Other Depository Corporations	17.9	12.1	28.6	63.5	-2.2
M1	3.7	9.7	2.4	48.7	14.7
M2	3.3	10.5	9.2	31.0	15.8
M3	1.4	15.0	6.4	11.6	12.6

Source: Central Bank of Nigeria

Table 7.2. 2: Contribution to the Growth in M3 2017 - 2021 (percentage point)

Item	Dec-17	Dec-18	Dec-19	Dec-20	Dec21
Net Foreign Assets	11.13	3.03	-18.00	3.19	-0.41
Net Domestic Assets	-9.89	12.62	24.45	5.80	13.04
Domestic Claims	-3.11	8.77	25.24	18.18	18.35
Net Claims on Central Government	-2.82	4.23	15.83	8.57	4.71
Claims on Other Sectors	-0.30	4.54	9.41	9.61	13.63
Claims on Other Financial Corporations	0.40	7.01	-0.24	-0.39	-1.14
Claims on State and Local Government	1.80	0.88	0.38	0.74	1.10
Claims on Public Nonfinancial Corporations	-1.72	2.06	0.04	-0.95	0.26
Claims on Private Sector	-0.77	-5.41	9.23	10.21	13.41
Monetary Assets	1.39	14.98	6.45	8.99	12.63
Currency Outside Depository Corporations	-0.14	0.44	0.35	1.94	1.14
Transferable Deposits	1.36	2.80	0.40	14.27	4.85
Other Deposits	1.53	5.58	6.65	12.37	9.40
Of Which FCD	-0.09	1.66	3.10	0.45	5.87
Total Deposits	2.89	8.38	7.05	26.64	14.25
Deposits in National Currency	2.98	6.72	3.95	26.19	8.39
Securities Other than Shares	-1.36	6.16	-0.95	-19.59	-2.76
Monetary Liabilities	1.39	14.98	6.45	8.99	12.63

Source: Central Bank of Nigeria

7.2.2 Reserve Money

Growth in reserve money was driven, largely, by currency-in-circulation. Reserve money grew modestly by 1.4 per cent at end-December 2021 to ₦13,295.15 billion, significantly lower than the 51.0 per cent growth recorded at end-December 2020. The development was due to the 14.3 per cent rise in currency-in-circulation, which outweighed the 2.3 per cent reduction in liabilities to ODCs. Major sources of reserve money growth were claims on Public Nonfinancial Corporations and the private sector, which rose by 154.3 per cent and 72.2 per cent, respectively. Table 7.2.3 indicated that the increase in net claims on central government occurred, largely, from ways and means advances, which increased by 33.1 per cent, compared with 50.3 per cent at end-December 2020.

Table 7.2.3: Reserve money (sources) (percentage change)

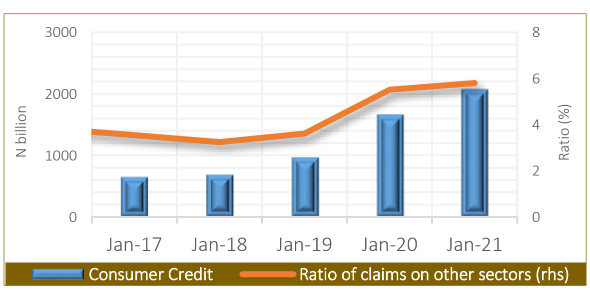
	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21
Net Foreign Assets	*44.44*	*12.02*	*-35.70*	*30.60*	*-16.68*
Claims on Other Depository Corporations	*-9.19*	*-11.97*	*-12.55*	*85.34*	*20.06*
Net Claims on Central Government	*-176.00*	*-1273.08*	*590.43*	*32.57*	*18.38*
Claims on Central Government	*9.80*	*40.10*	*48.76*	*31.87*	*27.99*
Of Which Ways and Means	*48.64*	*63.55*	*61.17*	*50.32*	*33.12*
Liabilities to Central Government	*13.23*	*23.84*	*-14.77*	*31.19*	*37.22*
Claims on Other Sectors	*6.40*	*29.48*	*10.61*	*7.19*	*8.98*
Claims on Other Financial Corporations	*5.83*	*32.74*	*-2.20*	*4.20*	*-4.79*
Claims on State and Local Government	*96.56*	*2.73*	*0.85*	*-0.23*	*15.92*
Claims on Public Nonfinancial Corporations	*-91.13*	*61.60*	*15.73*	*-7.80*	*154.25*
Claims on Private Sector	*271.75*	*0.79*	*1122.65*	*31.70*	*72.19*
Monetary Base	*10.87*	*10.74*	*20.90*	*51.00*	*1.43*
Currency in Circulation	*-1.01*	*8.00*	*4.86*	*19.05*	*14.33*
Liabilities to Other Depository Corporations	*17.93*	*12.11*	*28.61*	*63.51*	*-2.25*
Other Liabilities to Other Depository Corporations	*252.99*	*55.51*	*13.03*	*68.28*	*25.79*
Shares and Other Equity	*-145.09*	*260.29*	*-82.22*	*-732.30*	*94.17*
Other Items (Net)	*5963.70*	*4.86*	*-26.44*	*200.09*	*6.84*

Source: Central Bank of Nigeria

7.2.3 Consumer Credit

Consumer credit sustained its rising trajectory in 2021, reflecting the sustained effective implementation of the Bank's loan-to-deposit ratio (LDR) policy and improvement in economic activities. Consumer credit outstanding grew significantly at end-December 2021 by 24.7 per cent to ₦2,073.76 billion, from ₦1,663.07 billion at end-December 2020. Consumer credit outstanding accounted for 8.48 per cent of total claims on the private sector, slightly lower than the 8.52 per cent recorded at end-December 2020.

Figure 7.2. 1: Consumer Credit, 2017 – 2021

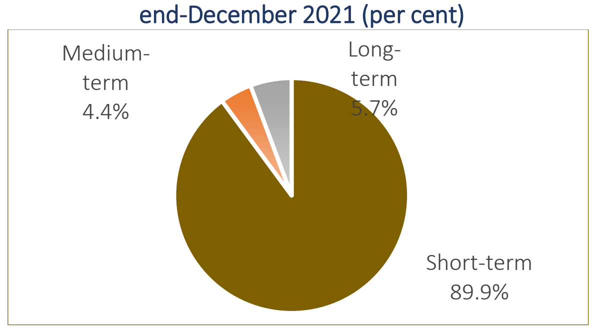


Source: Central Bank of Nigeria

7.2.4 Maturity Structure of Banks' Loans and Advances, and Deposit Liabilities

Short-term deposits and credit remained dominant in banks' portfolio. Deposit liabilities, with maturity of one year and below, constituted 89.9 per cent of the total deposit liabilities at end-December 2021, compared with 90.0 per cent in 2020. The medium-term deposit liabilities indicated an upward trajectory over a five-year period, accounting for 4.4 per cent in 2021, while long-term deposits constituted 5.7 per cent.

Figure 7.2.2: Maturity Structure of DMBs' Deposits at end-December 2021 (per cent)



Source: Central Bank of Nigeria

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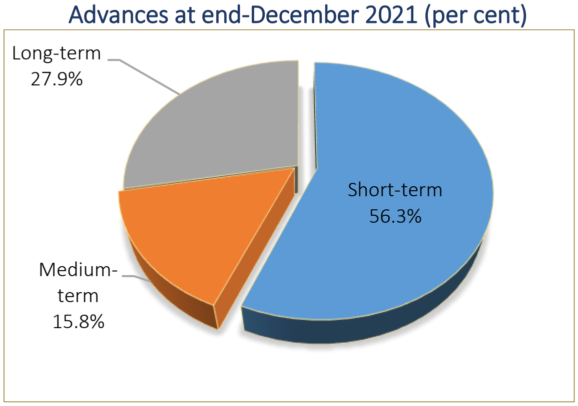
The share of outstanding loans and advances exhibited similar trend, with short-term credit accounting for 56.3 per cent of the total outstanding loans and advances at end-December 2021, 5.1 percentage points, higher than the 51.3 per cent in 2020. The medium-term and long-term maturities accounted for 15.8 per cent and 27.9 per cent, respectively, compared with 17.2 per cent and 31.5 per cent at the end of 2020.

Figure 7.2.3: Maturity Structure of DMBs' Loans and Advances at end-December 2021 (per cent)



Source: Central Bank of Nigeria

Table 7.2.4: Maturity Structure of DMB's Loans and Advances, and Deposit Liabilities

Tenor	Loans (%)					Deposits (%)		
	2017	2018	2019	2020	2021	2017	2018	2019
0-30 days	25.6	25.2	28.7	29.0	28.8	74.4	72.9	73.0
31-90 days	7.8	9.3	10.2	7.4	9.3	12.9	10.1	10.9
91-180 days	5.3	4.4	5.7	4.4	5.9	4.8	3.2	4.2
181-365 days	5.0	8.3	7.1	10.5	12.3	3.7	1.9	2.3
Short-term	43.7	47.2	51.7	51.3	56.3	95.9	88.1	90.3
Medium-term - (above 1 year & below 3 Years)	18.0	17.4	17.4	17.2	15.8	1.3	3.8	4.0
Long-term (3 years & Above)	38.4	35.4	30.9	31.5	27.9	2.8	8.1	5.7

Source: Central Bank of Nigeria

Table 7.2. 5: Share in Outstanding Credit to the Private Sector, 2017 – 2021 (per cent)

Item	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21
Agriculture	**3.40**	**4.00**	**4.60**	**5.20**	**6.00**
Industry	**43.80**	**45.10**	**41.40**	**41.90**	**40.70**
of which: Construction	4.20	4.10	4.10	4.70	4.40
Services	**52.90**	**50.90**	**53.90**	**52.90**	**53.30**
of which: Trade/General Commerce	6.50	7.10	7.20	6.60	7.00

Source: Central Bank of Nigeria

7.2.5 Sectoral Distribution of Credit

The industry and services sectors accounted for the largest share of credit to the private sector. Credit utilisation by sectors of the economy grew by 19.7 per cent to ₦24,378.2 billion at end-December 2021. A breakdown of the credit showed that the industry and services sectors remained the dominant sectors, as their share in total credit stood at 40.7 per cent and 53.3 per cent, respectively, compared with 41.9 per cent and 52.9 per cent at end-December 2020. The agricultural sector's share increased marginally to 6.0 per cent, compared with 5.2 per cent.

7.2.6 Financial Sector Development Indicators

The financial sector showed resilience, as revealed by key indicators. Aggregate savings maintained an upward trajectory in 2021, as reflected in the higher ratio of 'other' deposits (OD) to GDP of 14.8 per cent, relative to 14.4 per cent in 2020. The ratio of banking system's asset to GDP remains unchanged at 67.3 per cent, reflecting relative stability in the size of the financial sector. The ratio of claims on 'other' sector (COS) to GDP and claims on the private sector (CPS) to GDP increased to 20.3 per cent, and 13.8 per cent, compared with 19.6 per cent and 12.3 per cent in 2020, respectively, following sustained efforts at credit support to the domestic economy. However, intermediation efficiency indicator, measured by the ratio of currency outside banks (COB) to broad money supply, deteriorated marginally to 6.7 per cent, from 6.6 per cent at end-December 2020.

Table 7.2. 6: Financial Sector Development Indicators

Item	2017	2018	2019	2020	2021
M3/GDP	*25*	*25.6*	*23.9*	*25.5*	*25.3*
CIC/M3	*7.6*	*7.1*	*8.5*	*7.7*	*7.6*
COB/GDP	*1.6*	*1.5*	*1.4*	*1.6*	*1.7*
OD/GDP	*12.7*	*12.6*	*12.5*	*14.4*	*14.8*
NDC/GDP	*22.8*	*22.3*	*25.2*	*27.2*	*28.0*
COS/GDP	*19.6*	*18.4*	*18.3*	*19.6*	*20.3*
CPS/GDP	*13*	*10.4*	*11.2*	*12.3*	*13.8*
Banking System's Assets/GDP	*57.6*	*59.5*	*57.7*	*67.3*	*67.3*
COB/M3	*6.3*	*5.8*	*7.0*	*6.6*	*6.7*

Source: Central Bank of Nigeria

7.2.7 Money Multiplier and Velocity of Money

At end-December 2021, broad money multiplier, stood at 3.3, showing an increase of 0.3 above the level at end-December 2020, indicating a faster pace of monetary expansion. Currency-to-reserves ratio also increased, albeit marginally, by 0.1 to 7.2 in 2021.

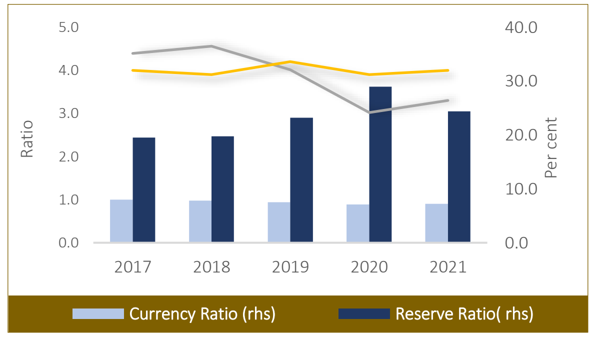
The velocity of broad money increased slightly to 4.0, compared with 3.9 in 2020, suggesting a rebound in economic activity.

Table 7.2. 7: Currency reserves, reserve ratio, Multiplier and Velocity of M3

Item	2017	2018	2019	2020	2021
Currency Ratio	*8.0*	*7.8*	*7.5*	*7.1*	*7.2*
Reserve Ratio	*19.5*	*19.8*	*23.2*	*29.0*	*24.4*
M3 Multiplier	*4.4*	*4.6*	*4.0*	*3.0*	*3.3*
Velocity of M3	*4.0*	*3.9*	*4.2*	*3.9*	*4.0*

Source: Central Bank of Nigeria

Figure 7.2. 2: Money Multiplier, Currency Ratio and Reserve Ratio



Source: Central Bank of Nigeria

7.3 MONEY MARKET DEVELOPMENTS

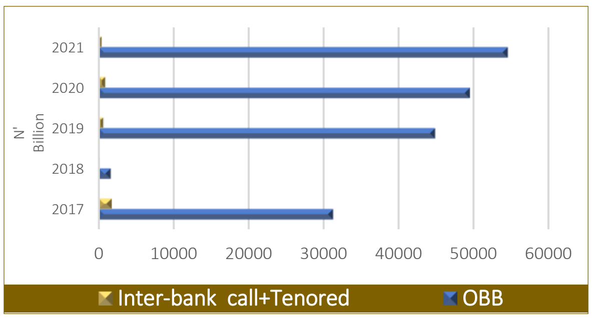
7.3.1 Inter-bank Market Transactions

The market revealed strong preference for collateralized transactions at the interbank window. The total value of transactions increased by 9.9 per cent to ₦54,969.47 billion in 2021, from ₦50,349.84 billion in 2020. Open Buy Back and unsecured inter-bank transactions accounted for 99.31 per cent and 0.69 per cent of the total inter-bank deals, relative to 98.32 per cent and 1.68 per cent, respectively, in 2020. The fall in transactions in the call segment reflects bank's preference for collaterised transactions. Further disaggregation of the transactions at the inter-bank market showed a decrease in call placements by 57.1 per cent to ₦354.00 billion, from ₦824.65 billion in 2020. At the OBB segment, transactions increased by 10.3 per cent to ₦54,588.18 billion, compared with ₦49,502.95 billion in 2020.

Figure 7.3. 1: Value of Interbank Funds Market Transactions, 2017 – 2021 (₦ Billion)

Source: Central Bank of Nigeria

Figure 7.3. 2: Share of Interbank Funds Market Transactions, 2017 – 2021

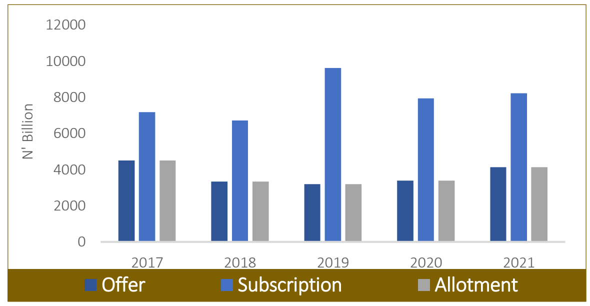


Source: Central Bank of Nigeria

7.3.4 Primary Market Activities

Total value of the Nigerian Treasury Bills (NTBs) rose, due to the increased issuance of NTBs to finance fiscal deficit. The total value of NTBs offered and allotted was ₦4,135.48 billion apiece, indicating an increase of ₦752.34 billion or 22.24 per cent above ₦3,383.14 billion in 2020. The total public subscription stood at ₦8,217.96 billion, relative to ₦7,931.77 billion in 2020. Public subscriptions remained comparatively higher than the offered amount due to the lack of alternative instruments with similar risk-return characteristics.

Figure 7.3. 3: NTB Issues, Subscriptions and Allotments, 2017 – 2021



Source: Central Bank of Nigeria

Structure of Nigerian Treasury Bill Holdings

The structure of allotment of the instrument indicated that banks, including foreign investors, took up ₦2,910.75 billion (70.4 per cent), mandate and internal funds stood at ₦1,095.85 billion (26.5 per cent), and merchant banks at ₦128.87 billion (3.1 per cent). The stop rates stood at 1.33 per cent (± 1.18) for the 91-day, 2.25 per cent (± 1.25) for the 182-day, and 5.63 per cent (± 4.13) for the 364-day.

The sum of ₦3,060.62 billion was repaid in 2021, resulting in a net borrowing of ₦1,074.85 billion from the banking system.

Over-the-Counter Transactions in Treasury Bills and FGN Bonds

There was a significant increase in Over-the-Counter (OTC) transactions for NTBs, in contrast to FGN Bonds. Over the Counter (OTC) transactions for NTBs amounted to ₦19,175.61 billion, indicating an increase of ₦8,545.79 billion or 80.4 per cent, above the ₦10,629.83 billion recorded in 2020. The development was attributed, largely, to increased transactions by foreign and other institutional investors.

On the other hand, OTC transactions in FGN Bonds amounted to ₦19,360.78 billion, representing a decrease of ₦7,524.98 billion or 38.9 per cent below the ₦26,885.76 billion recorded in 2020. The trend was attributed to investors' preference to hold instruments to maturity.

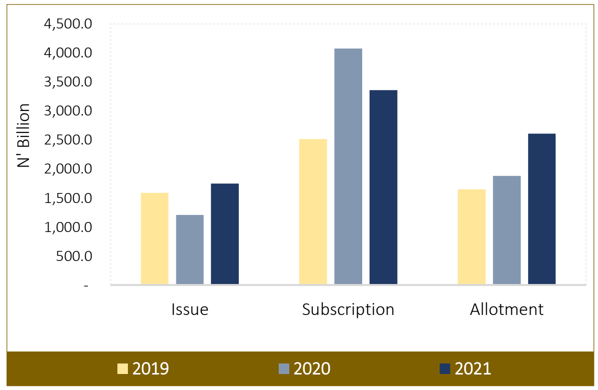
7.3.5 Federal Republic of Nigeria Treasury Bonds

A total sum of ₦75.99 billion worth of Federal Republic of Nigeria Treasury Bonds (FRNTBs) was outstanding at end-December 2021, compared with ₦100.99 billion at end-December 2020. FRNTBs worth ₦25.00 billion were redeemed in the review period. A breakdown of the amount outstanding indicated that ₦14.29 billion or 18.8 per cent was held by the CBN, while ₦61.70 billion or 81.2 per cent was held in the Sinking Fund. In 2020, CBN held ₦18.01 billion or 17.8 per cent, while ₦82.98 billion or 82.2 per cent was held in the Sinking Fund. There was no new issue of FRNTBs in 2021.

7.3.6 Federal Government of Nigeria (FGN) Bonds

Total FGN Bonds offered to the public in 2021 was ₦1,750.00 billion, while public subscriptions and allotments stood at ₦3,357.32 billion and ₦2,607.01 billion, respectively. The amount offered comprised new issues and re-opening of FGN Bonds series 1, 2, 3, 4, 5, and 6. In 2020, FGN Bonds issuance, subscriptions, and allotments were ₦1,210.00 billion, ₦4,077.27 billion, and ₦1,879.40 billion, respectively.

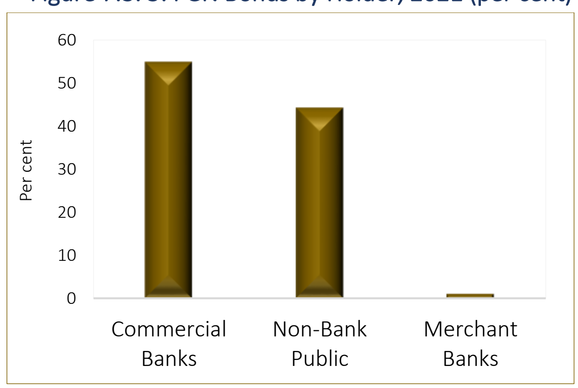
Figure 7.3. 4: Outstanding FGN Bonds, 2021



Source: Central Bank of Nigeria

The structure of holdings of the FGN Bonds showed that: ₦7,881.77 billion or 54.6 per cent was held by the commercial banks; ₦6,367.35 billion or 44.3 per cent by the non-bank public; and the balance of ₦146.64 billion or 1.0 per cent was held by merchant banks (Figure 7.3.5).

Figure 7.3. 5: FGN Bonds by Holder, 2021 (per cent)



Source: Central Bank of Nigeria

7.3.7 FGN Savings Bonds

FGN Savings Bonds worth ₦3.54 billion were allotted during the review period, indicating a decrease of ₦0.10 billion or 2.8 per cent, from ₦3.64 billion at end-December 2020. The decrease was attributed to the reduced number of FGN Savings Bond auctions and lower subscriptions. The new issues were 2- and 3- year tenors with coupon rates ranging from 2.20 per cent to 8.89 per cent for 2-year tenor, and from 3.20 per cent to 9.89 per cent for the 3- year tenor. The range of coupon rates in 2021 was higher compared with a range of 1.32 per cent to 7.14 per cent, for 2-year tenor and 1.82 per cent to 8.14 per cent for 3-year tenor in 2020. Consequently, the total value of FGN Savings Bonds outstanding at end-December 2021 stood at ₦16.42 billion.

7.3.8 FGN Green Bonds

There was no new issue of FGN Green Bond during the review period, same as in 2020. Consequently, the total value of Green Bonds outstanding remained at ₦25.69 billion at end-December 2021.

7.3.9 FGN Sukuk

During the review year, a 10-Year FGN Sukuk worth ₦250.00 billion was issued and allotted apiece, with a rental rate of 13.00 per cent payable semi-annually. Thus, the total value of FGN Sukuk outstanding at end-December 2021 was ₦612.56 billion, reflecting an increase of 68.95 per cent above the ₦362.56 billion recorded in 2020. The increase was attributed to greater awareness of market participants to the developmental benefits of Shari'ah compliant financial instruments.

7.3.10 FGN Promissory Notes

FGN Promissory Notes valued at ₦209.71 billion matured and were redeemed in 2021. Consequently, the outstanding stock of the instrument at end-December 2021 stood at ₦762.54 billion, representing a decrease of 21.58 per cent, from ₦971.66 billion at end-December 2020.

7.4 DEVELOPMENTS IN OTHER FINANCIAL INSTITUTIONS

The Other Financial Institutions (OFIs) sub-sector continued to drive financial inclusion and economic growth, through the provision of financial services to critical sectors including the micro, small and medium enterprises. The number of OFIs rose to 6,682 at end-December 2021, compared with 6,532 institutions at end-December 2020, reflecting an increase of 150 OFIs. The increase in OFIs was attributed to the licensing of new OFIs (comprised of 159 BDCs, 13 FCs, and 7 MFBs). The period also witnessed the merger of 15 MFBs, revocation of 14 BDC licences and upgrade of one National MFB to a Regional Bank.

Table 7.4.1: Number of OFIs

	2020	2021	Difference
MFBs	874	866	-8
FCs	87	100	13
DFIs	7	7	-
PMBs	34	34	-
BDCs	5,530	5,675	145
Total	6,532	6,682	150

Source: Central Bank of Nigeria

Total assets of OFIs, excluding the BDCs, rose in 2021 due to the injection of additional capital and increase in deposits as well as other liabilities. Consequently, net loans and advances, cash and bank balances also increased significantly, while placements declined. Similarly, share capital and reserves rose, accounting for the increase in shareholders' fund. Other liabilities also increased while borrowings decreased.

Table 7.4.2: Balance Sheet of OFIs Excluding BDCs

	2020	2021	% Change
Cash and Bank Balances	190.52	227.37	19.30
Placements	852.56	671.07	-21.30
Investments	1,159.48	1,015.71	-12.40
Net Loans and Advances	2,153.43	2,930.06	36.10
Fixed Assets	170.37	142.79	-16.19
Assets	4,748.76	5,223.66	10.00
Share Capital	456.73	466.88	2.22
Reserves	124.403	219.59	76.50
Shareholder's Fund	581.16	686.47	18.10
Deposits	977.63	1,106.79	13.21
Borrowings	2,057.74	1,819.87	-11.60
Deposits Due to other Banks	29.60	49.57	67.43
Other Liabilities	588.17	979.72	66.57
Long-Term Loans	514.45	581.25	12.98

Source: Central Bank of Nigeria

7.4.1 Development Finance Institutions

Although the number of development finance institutions (DFIs) remain unchanged, the total assets increased, reflecting increase in loans and advances. Total assets and loans and advances of the seven DFIs[19] grew, due largely to the increase in deposits and other liabilities. However, placements and investment declined, attributed mainly to the decline in borrowing. Shareholders' funds of the DFIs increased significantly on account of the accretion to reserves by the BOI, DBN, and NMRC.

Table 7.4.3a: Balance Sheet of DFIs

	2020	2021	% Change
Cash and Bank Balances	25.88	0.97	-96.27
Placements	538.02	428.81	-20.30
Investments	1,062.01	909.04	-14.40
Net Loans and Advances	1,283.83	1,585.39	23.50
Fixed Assets	62.57	62.25	-0.52
Assets	3,044.48	3,054.33	0.30
Reserves	131.80	214.46	62.72
Shareholder's Fund	370.58	453.24	22.31
Deposits	439.91	514.85	17.00
Borrowings	1,857.09	1,582.32	-14.80
Deposits Due to other Banks	1.56	11.42	632.98
Other Liabilities	339.20	438.60	29.30
Long-Term Loans	36.14	53.90	49.15

Source: Central Bank of Nigeria

Analysis of the DFIs' consolidated balance sheet reveals that the BOI, DBN, and FMBN accounted for 87.7 per cent and 86.7 per cent of the total assets and net loans & advances of the DFIs, respectively, while NEXIM, NMRC, BOA, and TIB accounted for the balance.

Table 7.4.3b: Total Assets and Liabilities of DFIs

	Assets	Net Loans and Advances
BOI	56.9	48.0
DBN	16.4	18.4
FMBN	14.4	20.3
NEXIM	6.2	7.2
NMRC	3.3	1.3
BOA	2.8	4.7
TIB	0.1	-

Source: Central Bank of Nigeria

7.4.2 Microfinance Banks

The MFBs' total assets increased, due largely to the significant rise in net loans and advances, and balances with banks. Though the number of licensed MFBs declined to 866 (nine National, 134 State, and 723 Unit MFBs), from 874 (10 National,

[19] Bank of Industry (BOI); Federal Mortgage Bank of Nigeria (FMBN); Nigerian Export-Import Bank (NEXIM); Bank of Agriculture (BOA); Infrastructure Bank (TIB); Development Bank of Nigeria (DBN); and Nigeria Mortgage Refinance Company (NMRC).

134 State and 730 Unit MFBs) at end-December 2020, the total assets of the MFBs increased, as net loans and advances, and bank balances rose. However, placements with banks decreased. The shareholders' funds of MFBs increased, due largely to capital injection and accretion to reserves from ploughed back profits as other liabilities increased significantly.

Table 7.4.4a: Balance Sheet of MFBs

	2020	2021	% Change
Cash and Bank Balances	113.0	173.2	53.3
Placements	212.3	126.5	-40.5
Investments	23.9	28.0	17.0
Net Loans and Advances	508.0	901.7	77.5
Fixed Assets	25.1	14.7	-41.6
Assets	929.8	1301.0	39.9
Paid-up-Capital	84.8	93.7	10.6
Reserves	45.9	66.1	44.0
Shareholder's Fund	130.7	159.9	22.3
Deposits	366.9	411.7	12.2
Borrowings	-	-	-
Deposits Due to other Banks	24.3	16.6	-31.4
Other Liabilities	110.0	264.5	140.4
Long-Term Loans	298.0	448.4	50.5
FSIs	2020.0	2021.0	Benchmark
CAR	-	15.4	10.0
LR	-	78.1	20.0
PAR	-	5.9	5.0

Source: Central Bank of Nigeria

Note: FSIs are financial soundness indicators.

Investible funds available to the sub-sector at end-December 2021, amounted to ₦475.19 billion. The funds were sourced mainly from increase in long-term loans/on-lending, other liabilities, and deposits as well as a decrease in placements with banks. The funds were utilised mainly to increase net loans and advances, bank balances, and cash.

Off-site analysis of MFBs' Statutory Returns at end-December 2021 showed that 463 MFBs met the minimum capital adequacy ratio (CAR) of 10.00 per cent, 597 met the minimum liquidity ratio (LR) of 20.00 per cent, while 127 MFBs operated within the maximum Portfolio-At-Risk (PAR) of 5.00 per cent.

Table 7.4. 4b: Maturity Structure of Assets and Liabilities of Microfinance Banks (MFBs), 2020 - 2021

	2020		2021	
Tenor/Period	Loans and Advances	Deposits	Loans and Advances	Deposits
0-30 days	10.2	30	21.1	40.2
31-60 days	3.2	8.2	7.7	7.7
61-90 days	4.7	9.6	7.9	11.3
91-180 days	15.0	14.9	22.6	15.4
181-360 days	20.4	8.6	19.5	11.6
Short-Term	53.5	71.3	78.7	86.2
Above 360 days	46.5	28.7	21.3	13.8
Total	**100**	**100**	**100**	**100**

Source: Central Bank of Nigeria

Short-term credit dominated the microfinance market in 2021. At end-December 2021, short-term loans accounted for 78.7 per cent of the total, representing an increase of 46.9 percentage points, compared with 53.5 per cent at end-December 2020. Loans with maturity period of over 360 days accounted for 21.3 per cent, compared with 46.5 per cent at end-December 2020. The deposit structure also remained largely short-term, as deposits of less than one-year maturity accounted for 86.2 per cent, an increase of 20.9 percentage points, compared with 71.3 per cent recorded at end-December 2020. On the other hand, deposits of over one-year maturity accounted for 13.8 per cent, reflecting a decrease of 14.9 percentage points, compared with 28.7 per cent at end-December 2020.

7.4.3 Finance Companies

The assets of finance companies increased, due largely to newly licensed institutions and increase in loans and advances as well as investment. The total assets of the FCs increased, as investment and net loans and advances rose. Conversely, shareholders' funds decreased due largely to the decline in reserves, while borrowings and other liabilities increased.

Investible funds available to the FC sub-sector amounted to ₦71.92 billion at end-December 2021, sourced mainly from increases in borrowing and other Liabilities, and a decline in fixed assets. The funds were utilised mainly to increase loans and advances, and investment as well as absorb the ₦3.76 billion loss recorded in 2021.

Table 7.4.5: Balance Sheet of FCs

	2020	2021	% Change
Cash and Bank Balances	28.62	29.69	3.74
Placements	44.29	41.89	-5.42
Investments	11.36	19.76	74.00
Net Loans and Advances	113.55	166.98	47.10
Fixed Assets	62.37	46.15	-26.00
Assets	313.11	362.62	15.80
Reserves	18.94	15.19	-19.80
Shareholder's Fund	43.82	40.84	-6.80
Deposits	-	-	-
Borrowings	200.64	237.55	18.39
Deposits Due to other Banks	-	-	-
Other Liabilities	66.80	82.38	23.32
Long-Term Loans	1.85	1.85	0.27
FSIs	**2020**	**2021**	**Benchmark**
CAR	15.81	11.12	12.50
NPL	24.60	19.90	10.00

Source: Central Bank of Nigeria

Analysis of FCs statutory returns at end-December 2021, showed that the average capital adequacy ratio declined and was below the minimum regulatory benchmark of 12.5 per cent. The decline in CAR was due, largely, to an increase in loans and advances, which led to a substantial rise in Risk Weighted Assets, as against a decline of 6.8 per cent in shareholders' funds during the period.

Similarly, the NPL ratio improved, reflecting an improvement in asset quality and loan repayment. The NPL ratio of 38 FCs exceeded the maximum of 10.0 per cent, while the NPL ratio of 56 FCs was within the threshold.

7.4.4 Primary Mortgage Banks

The total assets of PMBs increased, due largely, to the increase in net loans and advances, and placements with banks. Though the number of primary mortgage banks (PMBs) remained at 34 (22 state and 12 National PMBs), the total assets of the sub-sector increased. The shareholders' funds declined, owing largely to further deterioration of reserves. However, deposit liabilities, deposits due to other banks, and other liabilities all increased in 2021.

Specifically, the total assets of the sub-sector increased by 9.6 per cent to ₦505.61 billion at end-December 2021, compared with ₦461.34 billion at end-December 2020, due largely to increases in net loans and advances, as well as placements with banks. Net loans and advances and placements with banks increased by 11.3 per cent and 27.7 per cent to ₦276.03 billion and ₦73.93 billion at end December 2021, from ₦248.09 billion and ₦57.91 billion, respectively, at end-December 2020.

The shareholders' funds declined by 9.8 per cent to ₦32.53 billion at end-December 2021 from ₦36.05 billion at end-December 2020. However, Deposit liabilities, Due to other banks and other liabilities, increased to ₦180.20 billion, ₦21.57 billion and ₦194.26 billion at end-December 2021 from ₦170.82 billion, ₦3.86 billion and ₦178.44 billion respectively, at end-December 2020.

Investible funds available to the sub-sector at end-December 2021 amounted to ₦53.79 billion and were sourced mainly from increase in deposits due to other banks, other liabilities, deposits, and long-term loans as well as decrease in investment/non-current assets held. The funds were utilised mainly to finance increases in placements with bank, loans and advances, and other assets.

Table 7.4.6: Balance Sheet of PMBs

	2020	2021	Per centage change (%)
Cash and Bank Balances	23.06	23.52	1.99
Placements	57.91	73.93	27.7
Investments	62.21	45.41	-27.0
Net Loans and Advances	248.09	276.03	11.3
Fixed Assets	20.35	19.74	-3.0
Assets	461.34	505.61	9.6
Reserves	-72.27	-76.18	5.4
Shareholder's Fund	36.05	32.53	-9.8
Deposits	170.82	180.20	5.5
Borrowings	-	-	-
Deposits Due to other Banks	3.86	21.57	458.8
Other Liabilities	178.44	194.26	8.9
Long-Term Loans	72.17	77.06	6.8
FSIs	2020	2021	Benchmark
CAR	11.50	10.00	10.00
LR	48.20	43.70	20.00
NPL	-	29.00	10.00

Source: Central Bank of Nigeria

Off-site analysis of PMB's statutory returns at end-December 2021, showed that 25 PMBs met the required CAR of 10.00 per cent minimum, while 28 PMBs met the required minimum liquidity ratio of 20.00 per cent.

7.4.5 Bureaux-De-Change

The number of licensed BDCs increased to 5,675 at end-December 2021, compared with 5,530 at end-December 2020. This indicated an increase of 145, occasioned by the licensing of 159 new BDCs and revocation of 14 BDC licences before the Bank suspended the issuance of new BDC licences in July 2021.

7.5 CAPITAL MARKET DEVELOPMENTS

7.5.1 Policy, Regulation, and Institutional Environment

The prevailing domestic macroeconomic environment and global economic dynamics, shaped developments in the Nigerian capital market. The Securities and Exchange Commission (SEC) sustained its activities, which were aimed at strenghtening regulation and ensuring efficient functioning of the Nigerian capital market, in line with the stipulated recommendations contained in the Nigerian Capital Market Master Plan (2015 - 2025). Some initiatives carried out by the Commission in the review period included:

- issuance of a Framework on Warehousing and Collateral Management for Commodities Exchanges in March 2021. It provided a regulatory framework for the operations of warehouses that store commodities to be traded on the commodities exchanges, collateral managers, and issuance of electronic warehouse receipts. The Framework also provides for the rights, rules, and responsibilities of participants in the commodities exchanges;

- reintroduction of periodic renewal of registration by Capital Market Operators (CMOs) to maintain reliable data on those that are active to strengthen supervision and monitoring;

- constitution of an Identity Management Committee for the Capital Market to harmonise various databases of investors for the facilitation of data accuracy in the market. The Committee cuts across the capital market, banking, payments system, and technology/innovation enablers, with the SEC as the secretariat;

- appointment of the DG SEC as Chairman of the West African Securities Regulators Association (WASRA) on June 14, 2021 for a two-year term;
- launching of the Securities Issuers Forum (SIF) in August 2021, in collaboration with the Nigeria Employers' Consultative Association (NECA), to liaise with Chief Executive Officers (CEOs) and Company Secretaries of public companies, to serve as a medium for regular engagement to address challenges, improve the business environment, and enhance their contribution to the economy;

- establishment of a Regulatory FinTech Sandbox, as an incubation programme for FinTech companies in June 2021. This will offer a new type of financial product, service or applying innovative technology to an existing financial product or service, whose development had been stalled due to absence of clear regulations;

- enforcement of custody requirements for Mutual Funds and other Collective Investment Schemes (CISs). Consequently, all clients' assets via the CISs would be held under an independent custodial agreement; and
- establishment of a FinTech Division to formulate and implement policies to regulate cryptocurrency investments and products, in September 2021.

7.5.2 The Nigerian Stock Exchange

The Nigerian Exchange Group Plc. (NGX) implemented various initiatives aimed at enhancing its strategic performance. The Exchange completed its demutualisation process in March 2021, following statutory approvals from the Securities and Exchange Commission and Corporate Affairs Commission (CAC). Resultantly, the NSE became a non-operating holding company, the Nigerian Exchange Group Plc. (NGX Group).

The holding company has three (3) operating subsidiaries, including: Nigerian Exchange Limited (NGX) as the operating exchange; NGX Regulation Limited (NGX RegCo) as the independent regulatory company; and NGX Real Estate Limited (NGX RelCo) as the real estate company.

NGX Group was subsequently listed by introduction on Exchange in October 2021, in line with its post demutualisation plans. The Exchange also registered seven contracts with the SEC ahead of the launch of Exchange Traded Derivatives.

Other significant accomplishments of the NGX in 2021, included:

- launching of its maiden edition of the "Digital only" version of the 2021 NGX Annual Factbook (X-Factbook) to enhance the digital experience for its stakeholders;

- completed the design of a Post Trade Allocation framework, and enhanced the share detachment process for investors with custodians, for operational support and enhanced market efficiency;

- completion of user acceptance test (UAT) on Derivatives Instrument Set-Up and Trading, the integration with the CCP technology of NG Clearing; framework for the introduction of seven new products on the market, framework for the introduction of Environmental and Social & Governance Board, to attract impact investments;

- launching of an enhanced version of its X-Mobile App in September 2021 to enhance participation by providing users with market snapshots and analytics, securities prices, financial news, and trade simulation;

- conducted four Financial Literacy Seminars on Retail Investment and Global Money Week events to increase market awareness and improve market penetration; and

- received approval on amendments to the NGX Market Making Rules and relaunched the NGX Market Making Programme across the various listed asset classes.

The Secondary Market

The secondary segment of the Nigerian capital market maintained a bullish stance in 2021, despite the COVID-19 uncertainties, as investors took advantage of price appreciation of some blue-chip stocks. The NGX All-Share Index (ASI) and aggregate market capitalisation increased relative to their levels at end-December 2020.

NSE All-Share Index

The NGX All-Share Index grew significantly in 2021, owing to recovering corporate earnings amidst improved investor sentiments. The NGX All-Share Index rose by 6.1 per cent to 42,716.44 in 2021. Similarly, all sectoral indices of the NGX, returned positive, except for NGX-AseM, NGX-Afri Value, and NGX-Industrial Index, which declined.

In terms of performance, the NGX-Oil/Gas was the most impressive with a growth of 52.5 per cent, followed by NGX-AfriInvest Dividend Yield (26.8 per cent); NGX-Premium (20.1 per cent); NGX-Pension (17.0 per cent); NGX- MERI Value (15.3 per cent); and NGX-MERI Growth (9.1 per cent).

Table 7.5.1: Nigerian Exchange (NGX) Limited Indices

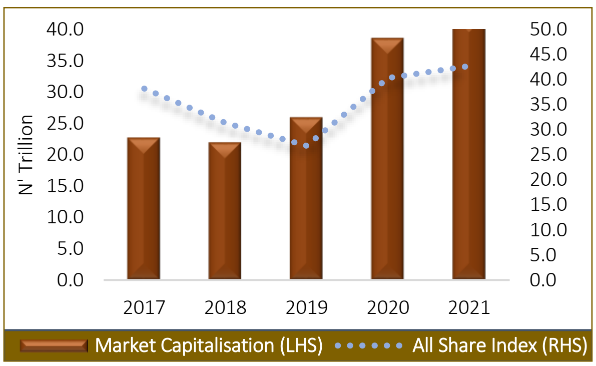
NGX Indices	2021	2020	Changes (%)
NSE-OIL/GAS	345.01	226.2	52.52
NSE-AFR Div Yield	2,559.43	2,017.91	26.84
NSE-PREMIUM	4,167.78	3,470.77	20.08
NSE-PENSION	1,624.09	1,388.64	16.96
NSE- MERI VALUE	2,134.95	1,851.31	15.32
NSE-MERI GROWTH	1,805.02	1,654.15	9.12
NSE-LOTUS	3,009.51	2,846.19	5.74
NSE- 30- INDEX	1,722.30	1,640.11	5.01
NSE-CORPORATE GOVERNANCE	1,278.00	1,220.61	4.70
NSE-INSURANCE	198.11	189.5	4.54
NSE-BANKING	406.07	393.02	3.32
NSE-MAIN BOARD	1,748.37	1,725.91	1.30
NSE Growth Index	1,269.66	991.89	-0.20
NSE-ASEM	670.65	729.87	-0.30
NSE-CONSUMER GOODS	589.28	573.35	-0.50
NSE-INDUSTRIAL	2,008.30	2,052.33	-2.15
NSE-AFRINVEST VALUE	1,038.82	1,113.18	-6.68

Source: Securities and Exchange Commission (SEC)/NGX Limited

Market Capitalisation

Market capitalisation improved, induced by a late rally in blue-chip stocks. Aggregate market capitalisation of the 314-listed securities rose by 9.0 per cent to ₦42.05 trillion, reflecting an increase in the value of securities in equities and debt segments of the market. Aggregate market capitalisation, as a percentage of GDP, was 23.9 per cent, compared with 25.0 per cent at end-December 2020. Similarly, the ratio of the value of traded stocks to GDP was 0.5 per cent, compared with 0.7 per cent recorded at end-December 2020.

Figure 7.5.1: Trends in Market Capitalisation and NGX Value Index, 2017 - 2021



Source: Securities and Exchange Commission (SEC)/Nigerian Stock Exchange (NSE)

A breakdown of the components of the Aggregate Capitalisation showed that the bond, exchange-traded funds (ETF) and equities, stood at ₦19.74 trillion, ₦0.007 trillion, and ₦22.30 trillion, respectively.

The cumulative volume and value of traded securities were 87.11 billion shares and ₦953.87 billion, respectively, in 1,060,017 deals at end-December 2021. This represented a decline of 10.2 per cent and 12.2 per cent, compared with 96.96 billion shares and ₦1,086.19 billion, respectively, in 1,156,830 deals, in 2020. The bulk of the transactions were in equities, which accounted for 99.9 per cent of the turnover volume, and 96.0 per cent of value of traded securities.

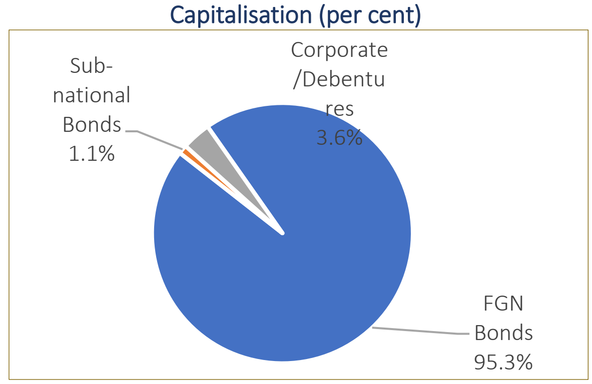
Figure 7.5.2: Volume and Value of Transactions at the NGX

Source: Securities and Exchange Commission (SEC)/NGX Limited

Bond Segment

The market capitalisation of 146-listed bonds stood at ₦19.74 trillion (45.8 per cent). The bond segment included: Federal Government Bonds (₦18,820.00 billion or 95.3 per cent); sub-national and supra-national Bonds (₦207.66 billion or 1.1 per cent); and Corporate Bonds/Debentures (₦718.30 billion or 3.6 per cent).

Figure 7.5.3: Composition of Bonds Market Capitalisation (per cent)



Source: SEC/NGX Limited

Exchange Traded Funds

Exchange Traded Funds (ETFs) of ₦0.007 trillion (0.02 per cent) accounted for the balance of the aggregate market capitalisation. The number of ETFs remained at 12, same as at end-December 2020.

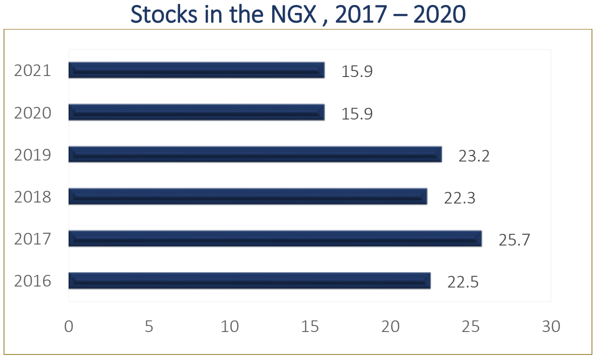
Equities Segment

Market capitalisation of 156-listed equities rose by 5.9 per cent to ₦22.30 trillion at end-December 2021, and constituted 53.0 per cent of aggregate market capitalisation. There were eight banks in the top twenty (20) most-capitalised stocks on the Exchange, same as in 2020, accounting for 8.0 per cent of the aggregate market capitalisation in 2021, compared with 8.7 per cent in 2020.

The average daily volume and value of traded equities were 330.03 million shares and ₦3.29 billion, respectively, compared with 370.02 million shares and ₦3.92 billion in 2020.

The financial services sub-sector of the equities market dominated activities, with 56.09 billion shares (64.4 per cent), valued at ₦476.96 billion (50.0 per cent) in 559,092 deals, compared with 60.54 billion shares (68.0 per cent) valued at ₦606.69 billion (55.6 per cent) in 661,571 deals in 2020.

Figure 7.5.4: Share of Banks in the 20 Most Capitalised Stocks in the NGX , 2017 – 2020



Source: Securities and Exchange Commission (SEC)/NGX Limited

Foreign Portfolio Inflow

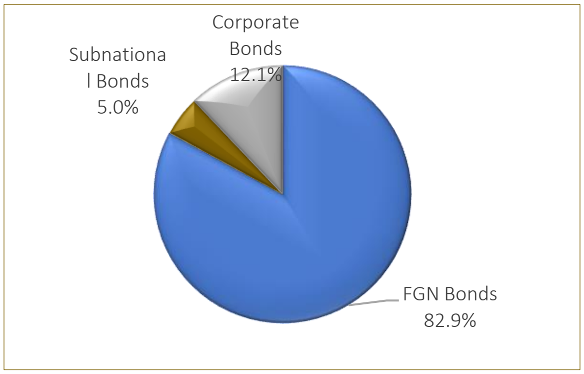
The review period saw massive withdrawals of assets by foreign portfolio investors for reinvestment in safe-haven assets, such as the US treasuries and gold in the wake of the COVID-19 pandemic. Investors' activities in the market showed that domestic portfolio investment flows remained higher than foreign portfolio investment flows throughout 2021. Accordingly, the share of domestic portfolio investment, in total transactions, was 77.1 per cent, while the foreign transactions accounted for 22.9 per cent of total transactions, compared to 66.4 per cent and 33.6 per cent, respectively, in 2020.

The New Issues Market

Activities in the primary segment of the Nigerian capital market were slightly weak in 2021. There were 62 newly issued securities worth ₦2.91 trillion in 2021, compared with 64 securities, valued at ₦2.28 trillion in 2020. Three private placements worth ₦12.99 billion and two equity rights issues, worth ₦7.57 billion, were approved by the Commission in 2021.

In the government segment of the primary market, 36 FGN Bonds worth ₦2,316.01 billion, one sub-national bond (₦137.33 billion), and 21 corporate bonds (₦388.79 billion), were issued and allotted by the Debt Management Office (DMO) in the review period, compared with: 36 FGN Bonds, worth (₦1,879.40 billion); and 21 corporate bonds (₦168.72 billion), issued in 2020.

Figure 7.5.5: Value of New Issues by Sector 2021



Source: Securities and Exchange Commission (SEC)/Nigerian Stock Exchange (NSE)

8.0 EXTERNAL SECTOR DEVELOPMENT

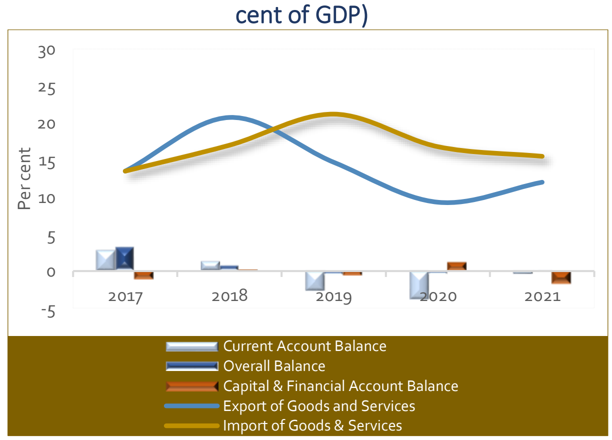
Despite the continued effects of the mutation of the COVID-19 virus, particularly the Delta and Omicron variants, the performance of the external sector was impressive, as the overall balance of payments recorded a surplus, as against a deficit in 2020, while the current account deficit narrowed significantly. The development was occasioned by the recovery in global economic activities, which boosted demand and trade activities. In addition, the surge in commodity prices, particularly crude oil, contributed to the strong performance of the external account, resulting in increased foreign exchange earnings, and accretion to external reserves. This development, in addition to the IMF financial support to cushion the impact of COVID-19, and the proceeds of Eurobond boosted the external reserves position. Thus, the stock of external reserves stood at US$ 40.23 billion at end-December 2021 compared with US$ 36.48 billion at end-December 2020. Despite the buildup of demand pressure, the exchange rate remained relatively stable in the review period, supported by the Bank's robust foreign exchange management policies and sustained interventions in the foreign exchange market.

8.1 BALANCE OF PAYMENTS

8.1.1 Major Developments

The improved global economic recovery and rising commodity prices resulted in strong performance of the external sector in the review period. An overall balance of payments surplus of US$3.75 billion, representing 0.1 per cent of GDP, was recorded in 2021, as against a deficit of US$1.66 billion or 0.4 per cent of GDP in 2020. The current and capital accounts recorded a significantly lower deficit of US$1.85 billion or 0.4 per cent of GDP in the review period, compared with US$15.99 billion or 3.7 per cent of GDP in 2020. The development was on account of significantly lower trade deficit occasioned largely by higher crude oil prices, reduced services payments, and higher inflows of remittances and general government transfers. The financial account recorded a net incurrence of financial liabilities, equivalent to 1.6 per cent of GDP in 2021, against a net acquisition of financial assets equivalent to 0.2 per cent of GDP in 2020. The stock of external reserves at end-December 2021 was US$40.23 billion and could finance 9.6 months of imports for goods only, or 7.3 months of import of goods and services. The stock of public external debt at end-December 2021 increased by 15.1 per cent to US$38.39 billion, representing 9.1 per cent of GDP, which was within the international threshold of 40.0 per cent of GDP. The net financial liability in Nigeria's International Investment Position (IIP) decreased by 2.4 per cent in 2021, relative to its level in 2020.

Figure 8.1. 1: Balance of Payments, 2017-2021 (Per cent of GDP)



Source: Central Bank of Nigeria

8.2 THE CURRENT AND CAPITAL ACCOUNTS

Higher crude oil prices and improved inflow of transfers impacted positively on the current and capital accounts position, as the deficit narrowed significantly in 2021. The current and capital accounts deficit narrowed by 88.4 per cent to US$1.85 billion or 0.4 per cent of GDP in 2021, from US$15.99 billion or 3.7 per cent of GDP in 2020. The impressive outcome was due to higher export earnings, lower import bills, and improved inflow of transfers.

8.2.1 The Goods Account

Improved export receipts, following the sustained rise in crude oil prices and higher earnings from gas and non-oil exports, resulted in a lower trade deficit in 2021. The trade deficit stood at US$3.25 billion or 0.7 per cent of GDP, compared with a deficit of US$16.40 billion or 3.8 per cent of GDP in 2020. The sharp decrease in the trade deficit was driven by a 30.4 per cent increase in aggregate export earnings and a 4.3 per cent decline in the import bills, relative to their levels in 2020.

Figure 8.2. 1: Value of Import, Export and Trade Balance, 2017 – 2021 (US$ million)

Source: Central Bank of Nigeria

Import (CIF)

The lingering supply chain disruption, particularly with the emergence of the Delta and Omicron variants of the COVID-19 virus, moderated the import of goods (unadjusted for balance of payments). Import (CIF) fell by 4.5 per cent to US$54.71 billion in 2021, from US$57.32 billion in 2020. This was due to the decline in the importation of non-oil products, especially non-durable goods. Accordingly, non-oil imports declined by 19.5 per cent to US$39.83 billion, from US$49.51 billion in 2020. The gradual domestic economic recovery boosted the demand for petroleum products, especially Premium Motor Spirit (PMS) and Automotive Gas Oil (AGO), thus, resulting in significant increase in oil imports by 90.5 per cent to US$14.88 billion, from US$7.81 billion in 2020. Analysis of imports shows that non-oil imports remained dominant, accounting for 72.8 per cent of the total, while oil imports accounted for the balance of 27.2 per cent.

A disaggregation, based on returns from commercial banks, shows that the industrial sector accounted for 38.0 per cent of total imports, followed by manufactured products with 22.8 per cent. Food products, oil, transport, agriculture, and mineral sub-sectors accounted for 17.4 per cent, 15.9 per cent, 2.6 per cent, 1.9 per cent, and 1.4 per cent, respectively.

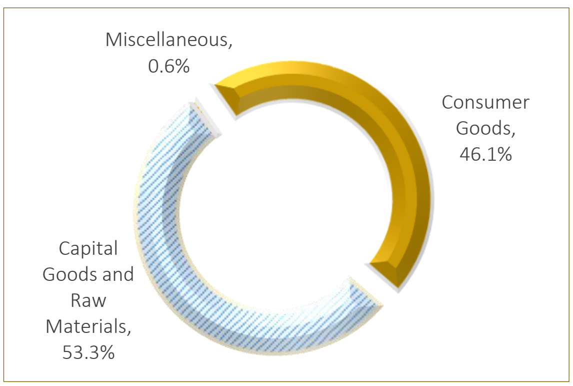
Import by Major Groups

Analysis of imports by major groups reveals preference for capital goods and raw materials in 2021, as the category continued to dominate total imports with a value of US$29.14 billion or 53.3 per cent of the total, compared with US$31.12 billion or 54.3 per cent in 2020. The development reflected pent-up demand for manufactured goods as a result of the gradual return to normalcy.

Within the category, imports of capital goods at US$24.21 billion constituted 44.3 per cent of the total, while raw materials (mainly industrial chemicals) imports was US$4.93 billion, representing 9.0 per cent of the total. The dominance of capital goods reflected on-going efforts at upscaling the nation's infrastructure to boost productivity and enhance external sector competitiveness.

The consumer goods category, which constituted 46.1 per cent of the total, declined by 2.4 per cent to US$25.21 billion in 2021, from US$25.84 billion in 2020. A disaggregation of the consumer goods category shows that, of the 46.1 per cent share, importation of durable goods, valued at US$13.34 billion, accounted for 24.4 per cent of the total while non-durable goods, at US$11.87 billion, represented 21.7 per cent. Miscellaneous imports, at US$0.36 billion, accounted for the balance.

Figure 8.2. 2: Import by Major Groups, 2021 (per cent)

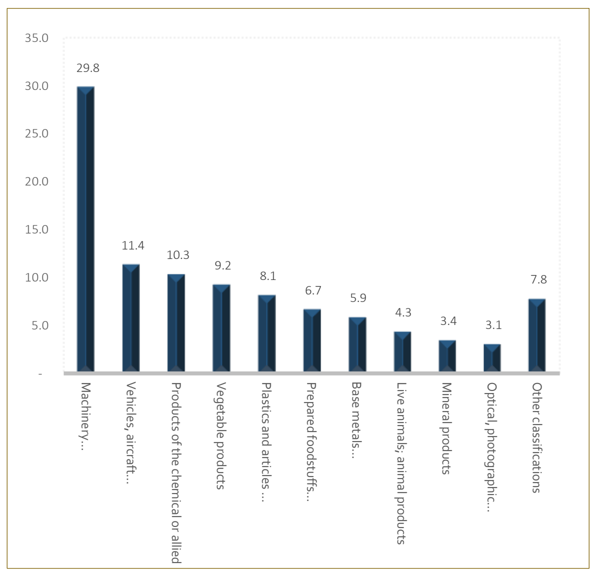


Source: Central Bank of Nigeria

Import by the Harmonised System (HS) Classification

An analysis of imports by Harmonised System (HS) classification shows that machinery and mechanical appliances, at US$16.32 billion, accounted for the largest share of 29.8 per cent of the total, followed by vehicles, aircrafts, vessels, and associated transport equipment at US$6.21 billion (11.4 per cent). Products of the chemical or allied was US$5.65 billion (10.3 per cent); vegetable products, US$5.05 billion (9.2 per cent); plastic and articles thereof, US$4.46 billion (8.1 per cent); prepared foodstuffs, beverages, spirits, and vinegar, US$3.65 billion (6.7 per cent); and base metals and articles of base metal, US$3.20 billion (5.9 per cent). Further analysis shows that live animals & animal products, at US$2.38 billion, constituted 4.3 per cent of the total; mineral products, US$1.89 billion (3.4 per cent); optical photographic, cinematographic, measuring appliances, US$1.67 billion (3.1 per cent). Others included: pulp of wood, US$1.34 billion (2.4 per cent); textile & textile articles, US$0.90 billion (1.7 per cent); while "other" categories accounted for the balance.

Figure 8.2. 3: Import by HS Classification, 2021 (per cent)



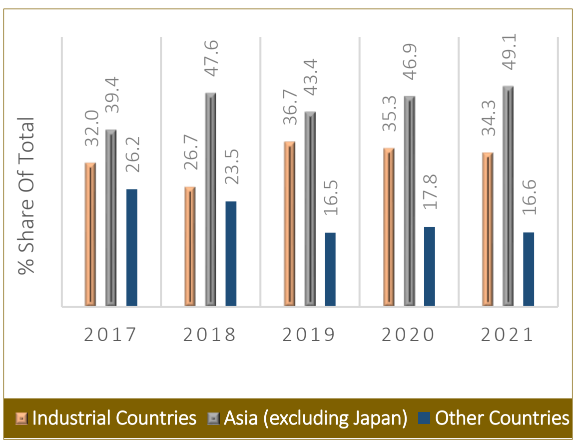
Source: Central Bank of Nigeria

Non-oil Imports by Country of Origin

A breakdown of non-oil imports by origin shows China as the leading source, accounting for 36.5 per cent of the total. This was followed by India and The Netherlands, with 10.3 per cent and 10.1 per cent, respectively. Imports from the U.S.A was 9.3 per cent, Belgium 6.9 per cent while Germany and Russia had a share of 3.6 per cent apiece. Imports from Korea represented 2.3 per cent, Brazil 2.1 per cent, while other countries accounted for the balance.

Analysis by group showed the dominance of imports from Asia (excluding Japan) with an increased share of 49.1 per cent, from 46.9 per cent in 2020. However, the share of industrialised countries decreased to 34.3 per cent, from 35.3 per cent in 2020. Similarly, the share of "Other" countries as a group, declined to 16.6 per cent in 2021, relative to the 17.8 per cent in 2020.

Figure 8.2. 4: Non-oil Import by Region, 2017-2021 (percentage share of total)



Source: Central Bank of Nigeria

Export (FOB)

The improved oil demand on account of economic recovery, in addition to the cuts in OPEC+ output, influenced rising crude oil prices, which resulted in higher export proceeds in 2021. Thus, exports increased significantly by 30.4 per cent to US$46.86 billion, equivalent to 11.1 per cent of GDP, from US$35.94 billion or 8.4 per cent of GDP in 2020. A breakdown shows that crude oil and gas receipts rose by 30.1 per cent to US$40.84 billion or 9.6 per cent of GDP, above the US$31.40 billion or 7.3 per cent of GDP in 2020. Crude oil exports rose to US$35.16 billion, driven by the increase in the price of Nigeria's reference crude, the Bonny Light, by 68.4 per cent to an average of US$71.05 per barrel, from US$42.19 per barrel in 2020. The development was, largely, due to improvement in global demand for commodities, particularly crude oil and the compliance of member countries with the OPEC+ production cap, aimed at boosting crude oil prices.

Similarly, receipts from gas exports increased, by 23.8 per cent to US$5.68 billion, equivalent to 1.3 per cent of GDP, from US$4.59 billion or 1.1 per cent of GDP in 2020. The development was attributed largely to increased global demand, amid supply constraints, which triggered a surge in gas prices to a high record level, particularly in the last quarter of 2021.

Furthermore, non-oil exports, including electricity exports increased by 32.5 per cent to US$6.02 billion or 1.4 per cent of GDP in 2021, from US$4.54 billion or 1.1 per cent of GDP in 2020. This was as a result of increased receipts from the exports of other non-oil products, especially, agricultural produce.

A breakdown of total exports shows that crude oil and gas remained dominant, at 87.2 per cent, while non-oil exports accounted for 12.8 per cent.

Crude Oil Exports

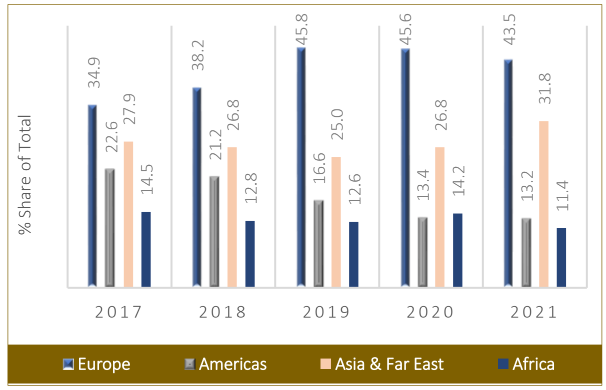
Nigeria's crude oil exports in the review period showed a 31.1 per cent increase in value to US$35.16 billion. However, the volume of crude oil exports fell by 15.3 per cent. A breakdown of exports by destination shows that India maintained its lead as the highest importer of Nigeria's crude oil, followed by Spain, The Netherlands, and Canada. By continent, Europe was the major destination for Nigeria's crude oil exports, with US$15.27 billion, representing 43.5 per cent of the total. Within the group, Spain ranked highest with US$4.84 billion, accounting for 13.8 per cent of the total. This was followed by: The Netherlands, US$2.63 billion (7.5 per cent); France, US$1.94 billion (5.5 per cent); Italy, US$1.68 billion (4.8 per cent), and Portugal US$0.93 billion (2.7 per cent); and other countries in the group accounted for the balance.

Asia followed Europe with US$11.17 billion or 31.8 per cent of the total. India imported US$6.97 billion worth of Nigeria's crude and had the largest share of 19.8 per cent of the total, followed by Indonesia, with a value of US$1.77 billion or 5.0 per cent; Singapore US$0.87 billion, 2.5 per cent; and China with US$0.61 billion representing 1.7 per cent of the total. Next to Asia was the African continent, where Nigeria exported crude oil worth US$3.99 billion (11.4 per cent) in 2021. South Africa ranked highest within the group with US$1.55 billion or 4.4 per cent; Côte d'Ivoire, US$1.28 billion, accounting for 3.6 per cent; and Cameroun, US$0.55 billion or 1.6 per cent of the total.

Nigeria exported crude oil worth US$3.54 billion (10.1 per cent) to North America in 2021. Canada and the USA, with import values of US$2.02 billion (5.7 per cent) and US$1.53 billion (4.3 per cent), were the major destinations for Nigeria's crude oil in the region. Nigeria realised US$1.11 billion (3.2 per cent) from the export of crude oil to South America, with Brazil and Uruguay accounting for 1.4 per cent and 0.9 per cent, respectively.

In the Oceania/Pacific continent, exports to Australia, at 0.2 per cent, solely accounted for the total crude oil exports to the region.

Figure 8.2. 5: Direction of Crude Oil Exports



Source: Central Bank of Nigeria

Non-oil Exports

Improved global demand, following increased vaccination and further relaxation of the COVID-19 restrictions, resulted in higher non-oil export receipts. Consequently, non-oil exports receipts increased by 32.4 per cent to US$6.02 billion or 1.4 per cent of GDP in 2021, from US$4.54 billion or 1.1 per cent of GDP in 2020. A breakdown of non-oil export by product showed that agricultural produce category, valued at US$2.60 billion, constituted the highest share of 43.2 per cent of the total. Within the category, export of cocoa beans dominated with a share of 18.7 per cent, followed by sesame seeds, 10.6 per cent; cashew nuts, 7.6 per cent; rubber, 1.8 per cent; ginger, 1.3 per cent; and other agricultural produce made up the balance.

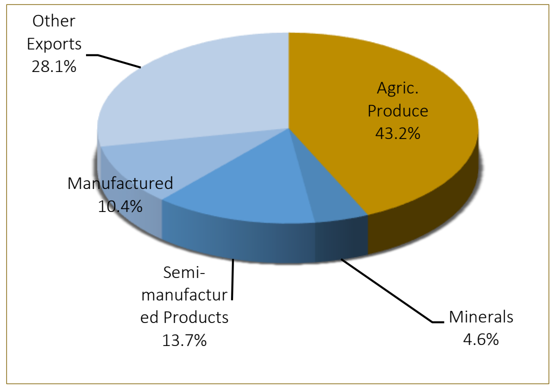
The "other" export category, at US$1.69 billion, accounted for 28.0 per cent of total non-oil exports, of which Urea, 17.5 per cent; Other products, 4.3 per cent; electricity, 3.6 per cent; cement/lime products, 1.4 per cent; petroleum products, 0.9 per cent; charcoal, 0.3 per cent and fertilizer, 0.1 per cent.

The semi-manufactured products category, with a value of US$0.82 billion, constituted 13.7 per cent of the total. Within the category, aluminum recorded the highest performance with a share of 5.5 per cent, followed by leather and processed skins at 1.7 per cent; cocoa products, 1.1 per cent; lead, 1.0 per cent; copper, 0.7 per cent; poly products, 0.6 per cent; wheat bran pellets, 0.4 per cent; and steel/iron, 0.3 per cent. Other semi-manufactured products within the sub-category accounted for the balance.

The manufactured goods category, at US$0.63 billion, accounted for 10.4 per cent of the total, of which export of tobacco, 3.0 per cent; aluminum products, 1.5 per cent; copper, 0.7 per cent; milk products, 0.5 per cent; empty bottles and insecticide, 0.4 per cent apiece; soap and detergents, 0.3 per cent; ceramic tiles and glass, vehicles, beer and beverages, Pet Flakes/Plastic, 0.2 per cent apiece; and Plastic Footwear, 0.1 per cent. Other manufactured products accounted for the balance.

The minerals category recorded the lowest export value of US$0.28 billion, accounting for 4.6 per cent of the total. Within the category, lead constituted 2.3 per cent; zinc, 0.7 per cent; copper, 0.5 per cent, and manganese, 0.2 per cent. Other minerals accounted for the balance.

Figure 8.2. 6: Non-oil Export by Product, 2021

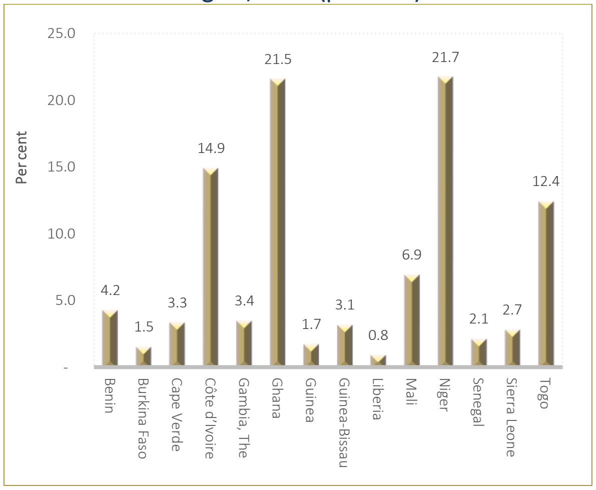


Source: Central Bank of Nigeria

Non-oil Exports to the ECOWAS Sub-Region

The value of non-oil exports to the ECOWAS sub-region was US$291.71 million, an increase above the US$235.35 million in 2020. Exports to Niger was the highest with US$63.21 million, or 21.7 per cent of the total. This was followed by Ghana, US$62.76 million (21.5 per cent); Côte d'Ivoire, US$43.33 million (14.9 per cent); Togo, US$36.05 million (12.4 per cent), Mali, US$20.01 million (6.9 per cent); and Benin, US$12.27 million (4.2 per cent). Furthermore, exports to The Gambia was next at US$9.96 million (3.4 per cent); Cape Verde, US$9.57 million (3.3 per cent); Guinea Bissau, US$9.04 million (3.1 per cent); Sierra Leone, US$7.97 million (2.7 per cent), and Senegal, US$5.98 million (2.1 per cent). Exports to Guinea was US$4.86 million (1.7 per cent); Burkina Faso, US$4.23 million (1.5 per cent); and Liberia was the least at US$2.47 million (0.8 per cent). The dominant export products to the sub-region remained: tobacco; plastics; rubber; plastic footwear; soap and detergents as well as polybags.

Figure 8.2.7: Non-oil Export to the ECOWAS Sub-Region, 2021 (per cent)



Source: Central Bank of Nigeria

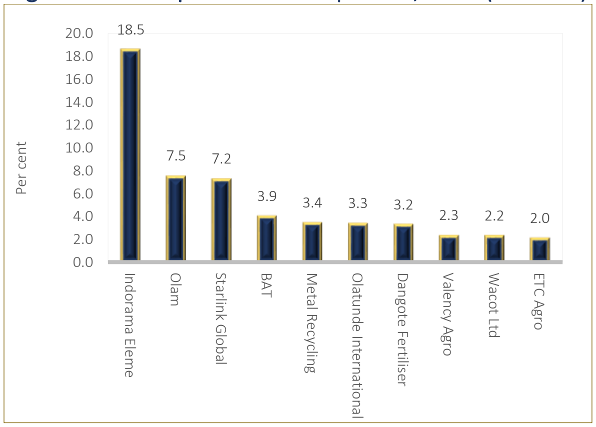
Activities of the Top 100 Non-oil Exporters

Aggregate value of the top one hundred (100) non-oil exports increased significantly by 53.4 per cent to US$2.90 billion, from US$1.89 billion in 2020. This constituted 58.8 per cent of total non-oil export proceeds received through the banking system and 48.3 per cent of total non-oil export receipts. A breakdown shows that Indoroma Eleme Fertilizer and Chemical Ltd ranked 1st with proceeds of US$537.50 million, accounting for 18.5 per cent of the total, from the export of granular urea in bulk to Côte d'Ivoire, Brazil, Canada, the USA, Senegal, Benin, Cameroon, and Argentina. Olam Nigeria Limited ranked 2nd with US$216.79 million or 7.5 per cent of the total, from the export of premium grade sesame seeds and fermented cocoa bean seeds to Australia, Greece, Turkey, The Netherlands, and Syria. Starlink Global and Ideal Limited ranked 3rd with US$209.08 million or 7.2 per cent of the total, from the export of raw cocoa beans, raw cashew nuts, shea nuts, and sesame seeds to Malaysia. In the 4th place was the British American Tobacco (BAT) Nigeria, with US$114.62 million (4.0 per cent of the total), from the export of cigarettes to Liberia, Guinea, Ghana, Cameroon, Côte d'Ivoire, and Niger.

Metal Recycling Industries Limited ranked 5th with proceeds of US$98.14 million (3.4 per cent of the total) from the export of aluminum to Saudi Arabia. Olatunde International Limited ranked 6th with US$96.00 million, realised from the export of raw cocoa beans to Spain, The Netherlands, and Belgium. Dangote Fertilizer Limited ranked 7th with proceeds of US$93.40 million (3.2 per cent of the total) from the export of fertilizers to the United States and Brazil. Valency Agro Nigeria Limited occupied the 8th position with export receipts valued at US$65.53 million (2.3 per cent of the total), from the export of agro & consumer goods, sulphur & fertilizers, and steel & scrap to The Netherlands and the USA. Wacot Limited ranked 9th with proceeds of US$65.09 million (2.2 per cent of the total) from the export of sesame seed and ginger to The Netherlands, Italy, Poland, Turkey, Japan, and India. ETC Agro Company Nigeria Limited ranked 10th with a value of US$58.88 million (2.0 per cent of the total) from export of sesame seeds to Japan.

De-Potter Nigeria Limited, BUA Cement Company Plc, and De United Foods Industries Limited occupied the 98th, 99th , and 100th positions, with earnings of US$3.23 million, US$3.20 million and US$3.01 million, respectively, from the export of agricultural products, cement, and uncooked noodles, to Kenya, Uganda, and Tanzania.

Figure 8.2. 8: Top 10 Non-oil Exporters, 2021 (Per cent)



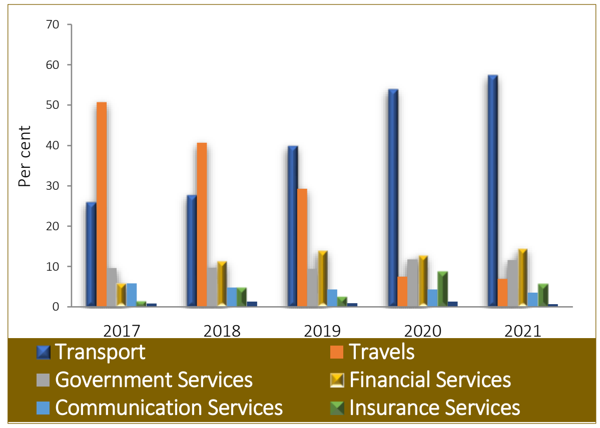
Source: Central Bank of Nigeria

8.2.2 Services Account

The deficit in the services account narrowed significantly, due to lower payments in respect of freight charges, travels, and other business services. The deficit narrowed by 24.2 per cent, to US$12.01 billion (2.7 per cent of GDP), from US$15.84 billion (3.7 per cent of GDP) in 2020.

Aggregate services receipts increased by 0.1 per cent to US$4.00 billion, compared with the level in 2020. Of the total, receipts in respect of transportation services increased by 10.2 per cent to US$2.26 billion, representing 56.6 per cent of the total. Receipts in respect of financial services was US$0.63 billion, representing 15.7 per cent of the total, relative to US$0.56 billion in 2020. Government services receipts increased, marginally, by 0.8 per cent to US$0.46 billion (11.6 per cent), cfrom the level in 2020. Insurance and travel services receipts were US$0.19 billion (4.7 per cent) and US$0.26 billion (4.8 per cent), compared with US$0.39 billion and US$0.31 billion, respectively, in 2020. Receipts in respect of communication services increased by 3.2 per cent to US$0.17 billion, representing 4.2 per cent of total receipts, from US$0.16 billion in 2020.

Figure 8.2. 9: Percentage Share of Services Receipts, 2017-2021



Source: Central Bank of Nigeria

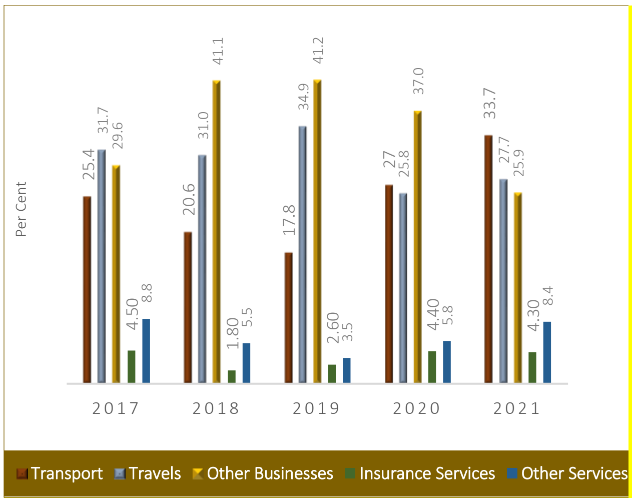
Payments for international services decreased significantly, by 19.3 per cent to US$16.00 billion, from US$19.83 billion in 2020, attributed to the lingering effects of the COVID-19 pandemic, which slowed domestic economic activities that resulted in a sharp decline in demand for international services.

A disaggregation shows that payment in respect of other business services, particularly technical services declined significantly, by 39.1 per cent to US$4.14 billion in 2021, from US$6.80 billion in 2020. However, payments for transportation increased slightly by 1.0 per cent to $5.39 billion in 2021, from US$5.34 billion in 2020. Travel services also declined, by 20.1 per cent to US$4.43 billion, from US$5.55 billion in 2020, due, largely to a decrease in business travels and health related expenditure. Insurance services payments declined by 22.7 per cent to US$0.69 billion, from its levels in 2020, while payments for financial and government services increased by 4.7 per cent and 13.0 per cent, to US$0.39 billion and US$0.26 billion, respectively.

In terms of their share in total payments, transportation services accounted for 33.7 per cent. Travel services constituted 27.7 per cent;

other business services, 25.9 per cent; financial services, 2.5 per cent; insurance and computer & information services, 4.3 per cent and 2.7 per cent, respectively; and government services, 1.7 per cent. "Other Categories" accounted for the balance.

Figure 8.2. 10: Percentage Share of Services Payment, 2017-2021



Source: Central Bank of Nigeria

Table 8.2. 1: Net Share of Major Invisible Transactions (Per cent) 2017 – 2021

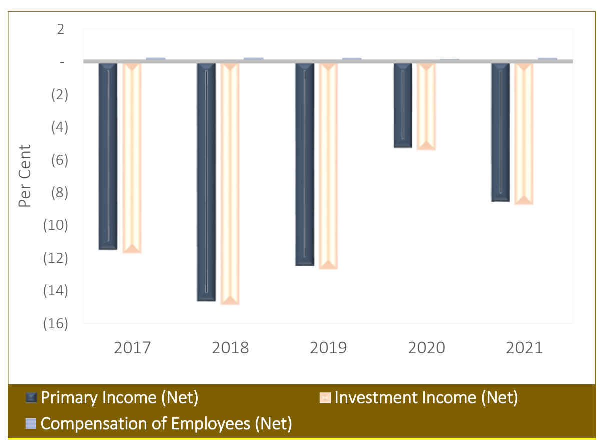
Items	2017	2018	2019	2020	2021
Transportation	25.3	19.3	14.6	20.3	33.7
Travel	24.5	29.2	35.6	30.3	27.7
Insurance Services	5.6	1.3	1.5	3.3	4.3
Communication Services	-0.5	-0.2	-0.2	-0.9	2.7
Construction Services	0.01	0.2	0.1	0.1	0.0
Financial Services	1.9	0.5	-0.6	-1.1	2.5
Computer and Information Services	1.7	1	0.5	2	2.7
Government Services	-1.7	-0.8	-0.6	45.8	1.7
Personal, Cultural & Recreational Services	0.8	0.2	0.3	0	0.0
Other Business Services	40.5	48.5	47.9	-1.4	25.9
Total	100	100	100	100	100

Source: Central Bank of Nigeria

8.2.3 The Primary Income Account

The deficit in the primary income account surged, due mainly to higher repatriation of profits and dividends by non-resident investors. This reflected improved economic activities after the relaxation of the COVID-19 restriction measures. The primary income account posted a higher deficit of US$8.56 billion, equivalent to 2.0 per cent of GDP in 2021, relative to US$4.77 billion or 1.1 per cent of GDP in 2020, indicating an increase of 79.5 per cent. The development was attributed, mainly, to increased outflow in the investment income sub-account, which rose by 62.4 per cent to US$10.45 billion, from US$6.43 billion in 2020, on account of higher dividend payments and distributed branch profits. The compensation of employees' sub-account, which maintained its surplus position, registered an increase of 21.8 per cent to US$0.21 billion in 2021, from US$0.17 billion in 2020.

Figure 8.2.11: Primary Income Account (US$ Billion), 2017-2021

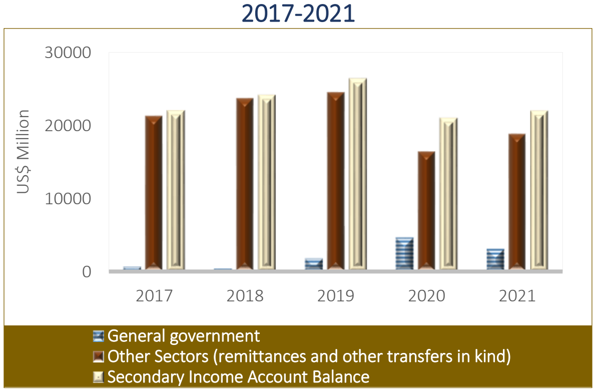


Source: Central Bank of Nigeria

8.2.4 The Secondary Income Account

The improvement in global economic activities, especially in migrant hosting economies, following the relaxation of lockdown measures and the Bank's deliberate policies on boosting remittances, led to an increase in diaspora remittances inflow and higher surplus in the secondary income account. The surplus position in the secondary income account improved by 4.5 per cent to US$21.96 billion, representing 5.0 per cent of GDP, from US$21.02 billion or 4.9 per cent of GDP in 2020. This was attributed majorly, to increased

Figure 8.2.12: Secondary Income Account (US$ Million), 2017-2021



Source: Central Bank of Nigeria

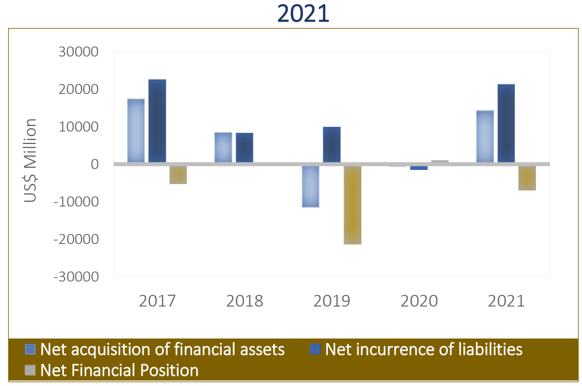
8.3 THE FINANCIAL ACCOUNT

Improved inflow of capital into the Nigerian economy significantly influenced the performance of the financial account in 2021. Consequently, the financial account recorded a net incurrence of financial liabilities of US$7.01 billion, equivalent to 1.6 per cent of GDP in 2021. This was in contrast to the net acquisition of assets of US$0.98 billion or 0.2 per cent of GDP in 2020. The development was attributed, mainly, to increased inflow of portfolio debt securities and loan liabilities by the

workers' remittances inflow. The surplus in the other sectors' sub-account, which comprised receipts from personal transfers, social contributions, and benefits also increased, by 14.8 per cent to US$18.87 billion in 2021, from US$16.44 billion in 2020. The improvement was attributed, mainly, to increased workers' remittances, reflecting the positive effect of the Bank's foreign exchange reform policies, particularly, the naira-4-dollar scheme on the remittances environment.

general government to tackle infrastructure deficit in the country.

Figure 8.3. 1: Financial Account (US$ Million), 2017-2021



Source: Central Bank of Nigeria

A breakdown of financial flows reveals that foreign financial assets, was US$14.23 billion or 3.2 per cent of GDP, as against a disposal of US$0.57 billion or 0.3 per cent of GDP in 2020. The significant improvement was attributed to the increased holdings of foreign currency deposits by financial corporations and the private sector.

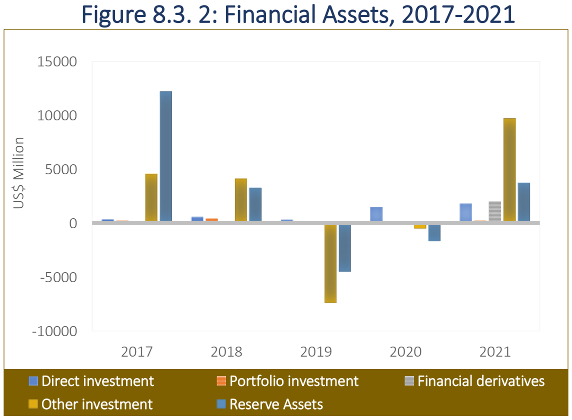
Furthermore, acquisition of direct investment assets increased by 22.5 per cent to US$1.81 billion or 0.4 per cent of GDP, from US$1.47 billion or 0.3 per cent of GDP in 2020. The development was due to increased appetite for foreign assets by resident investors who reflected higher claims on direct investment enterprises by resident investors, as uncertainties surrounding the global economy on account of the COVID-19 pandemic continued to wane.

Portfolio investment assets rose significantly by 76.6 per cent to US$0.19 billion in 2021, from its level in 2020. In addition, financial derivative worth US$2.00 billion was acquired by the Bank as a contracted bilateral currency swap with Goldman Sachs International Bank in the period.

Other investment assets registered an acquisition of US$9.74 billion or 2.3 per cent of GDP, in contrast to a disposal of US$0.48 billion or 0.1 per cent of GDP in 2020, largely on account of higher foreign currency holdings by financial corporations and the private sector.

External reserves recorded an accretion of US$3.75 billion in contrast to a depletion of US$1.63 billion in 2020. The development was on account of the receipt from the sale of Eurobonds and additional SDR allocations from the IMF.

Figure 8.3. 2: Financial Assets, 2017-2021



Source: Central Bank of Nigeria

Aggregate financial liabilities, representing foreign financial inflow, improved significantly as US$21.30 billion or 5.0 per cent of GDP was incurred in 2021, in contrast to US$1.54 billion or 0.4 per cent of GDP increased in 2020. The development reflected positive investor sentiments on account of improved yield in the domestic market.

A breakdown showed that foreign direct investment grew to US$3.31 billion or 0.8 per cent of GDP, from US$2.39 billion or 0.6 per cent of GDP in 2020. This was due to the higher inflow of equity and investment fund shares. Similarly, reinvested earnings improved to US$0.97 billion in 2021, relative to the level in 2020. Inflow with respect to acquisition of debt instruments was lower by 40.5 per cent in 2021, owing to a reduction in the holdings of direct investment enterprises.

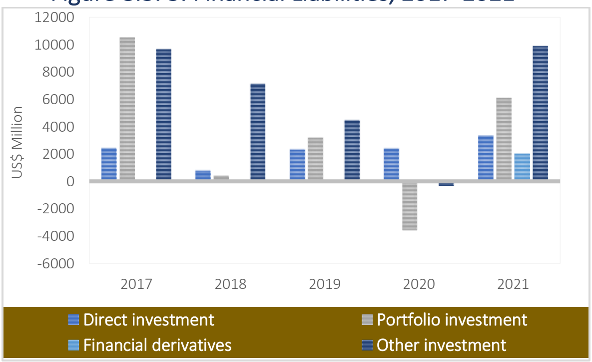
Portfolio capital inflow of US$6.10 billion or 1.4 per cent of GDP was recorded in 2021, as against a reversal of US$3.59 billion or 0.8 per cent of GDP in 2020. Inflow for the purchase of both equity and debt securities by non-resident investors rose significantly, following the bullish performance of the domestic capital market, arising from the recovery of corporate earnings; and competitive returns on fixed income securities. Specifically, inflow of debt securities was impressive with a higher inflow of US$2.07 billion and US$3.89 billion by the Central Bank and the general government in 2021, as money market instruments and Eurobonds proceeds, respectively.

The short-term debt measure of external reserves adequacy, computed as the ratio of external reserves to portfolio investment was over six times more than the 100.0 per cent benchmark for short-term debt cover of the Greenspan-Guidotti, at 659.61 per cent in 2021.

Other investment liabilities stood at US$9.88 billion or 2.3 per cent of GDP, driven, largely, by loans, in contrast to a repayment of US$0.34

billion or 0.1 per cent of GDP in 2020. This was on account of the acquisition of other loan liabilities, largely by the general government and deposit-taking corporations.

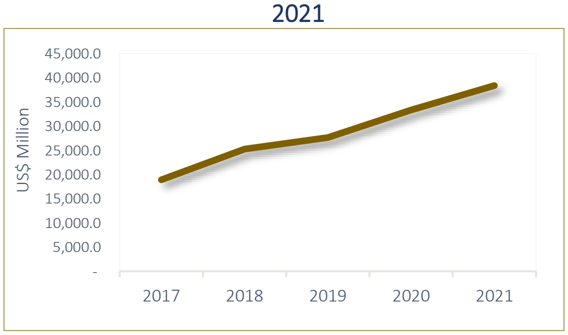
Figure 8.3. 3: Financial Liabilities, 2017-2021



Source: Central Bank of Nigeria

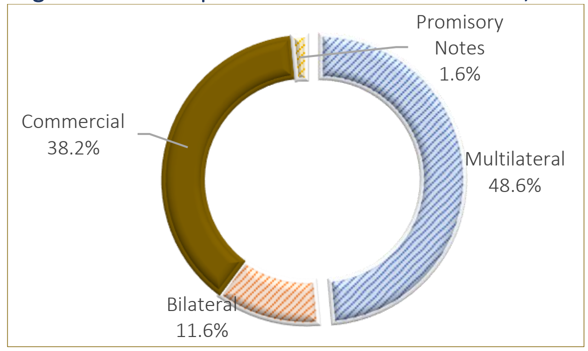
Public external debt stock increased by 15.1 per cent at end-December 2021 to US$38.39 billion, compared with the US$33.35 billion at end-December 2020. This was due, largely, to the additional disbursements from multilateral and bilateral sources during the review period.

Figure 8.3.4: External Debt Stock (US$ Million), 2017-2021



Source: Central Bank of Nigeria

Figure 8.3.5: Composition of External Debt Stock, 2021



Source: Central Bank of Nigeria

Multilateral borrowing, mainly, from the IMF, the World Bank, and the African Development Bank, increased to US$18.66 billion or 48.6 per cent of total external debt, compared with US$17.93 billion or 53.8 per cent in 2020. This reflected the additional disbursements by the World Bank Group.

Similarly, loans from commercial sources, in the form of Euro and Diaspora bonds, increased to US$14.67 billion or 38.2 per cent of the total, from the US$11.17 billion or 33.5 per cent of the total in 2020. The development was as a result of the issuance of additional Eurobonds in 2021. Loans from bilateral sources, principally, the China EXIM Bank, also increased to US$4.47 billion, representing 11.6 per cent of the total, from US$4.06 billion or 12.2 per cent in 2020. Promissory notes increased to US$0.60 billion, representing 1.6 per cent of the total, from US$0.19 billion or 0.6 per cent of the total in 2020. At 9.1 per cent of GDP, public sector external debt remained within the international threshold of 40.0 per cent of GDP.

8.4 CAPITAL IMPORTATION AND OUTFLOW

8.4.1 Capital Importation by Nature of Investment

Returns from commercial banks show that aggregate new capital injected into the economy was US$6.51 billion in 2021, compared with US$10.48 billion in 2020, indicating a decrease of 37.9 per cent. A disaggregation of capital importation by type of investment showed that portfolio investment, at US$3.16 billion, accounted for the largest share of 48.5 per cent of the total. Of this amount, money market instruments were US$2.39 billion, representing 36.7 per cent of the total; government bonds, US$0.56 billion or 8.7 per cent; and equities, US$0.21 billion or 3.2 per cent of the total. Inflow of FDI was US$0.69 billion, representing 10.6 per cent of the total inflow, of which equity accounted for 99.1 per cent of the total FDI inflow. Other investment inflow at US$2.66 billion constituted 40.9 per cent of the total. A further breakdown of other investment inflow shows that loans was US$2.4 billion or 36.8 per cent of the total, while other claims at US$0.26 billion accounted for 3.9 per cent. Trade credit and currency deposits accounted for the balance.

Table 8.4. 1: New Capital Inflows (US$ Million)

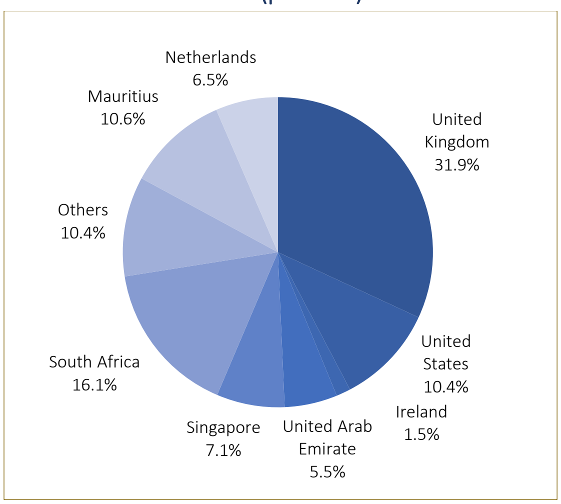
Nature of Capital	2017	2018	2019	2020	2021
FDI – Equity	1,038.7	1,288.3	922.2	1,026.0	686.7
FDI - Other capital	2.3	5.6	12.1	3.0	0.6
Sub-Total	**1,041.0**	**1,293.9**	**934.3**	**1,028.9**	**687.3**
Portfolio Investment – Equity	3,594.0	2,456.4	1,893.2	755.1	209.0
Portfolio Investment – Bonds	526.8	980.2	1,022.4	231.2	564.1
Portfolio Investment - Money Market Instruments	3,309.5	8,731.7	13,449.9	4,150.9	2,387.4
Sub – Total	**7,430.3**	**12,168.4**	**16,365.5**	**5,137.2**	**3,160.5**
Other Investments - Trade Credits	295.7	6.9	0.1	0.1	0.2
Other Investments - Loans	2,894.3	3,684.7	5,078.8	3,378.9	2.399.6
Other Investments - Currency Deposits	3.5	1.0	3.0	0.9	0.7
Other Investments - Other Claims	739.6	284.9	1,608.4	934.6	263.1
Sub – Total	**3,933.1**	**3,977.5**	**6,690.3**	**4,314.4**	**2,663.6**
TOTAL	**12,404.4**	**17,439.8**	**23,990.1**	**10,480.5**	**6,511.4**

Source: Central Bank of Nigeria

8.4.2 Capital Importation by Country of Origin

A breakdown of capital importation by country of origin shows that the United Kingdom was the dominant source of capital inflow to Nigeria with a value of US$2.08 billion or 31.9 per cent of the total, followed by the Republic of South Africa, US$1.05 billion or 16.1 per cent. Inflow from Mauritius was US$0.69 billion (10.6 per cent); the United States, US$0.68 billion (10.4 per cent); Singapore, US$0.64 billion (7.1 per cent); The Netherlands, US$0.42 billion (6.5 per cent); United Arab Emirates, US$0.36 billion (5.5 per cent); and Togo, US$0.09 billion (1.3 per cent). Other countries accounted for the balance.

Figure 8.4. 1: Capital Importation by Country of Origin, 2021 (per cent)

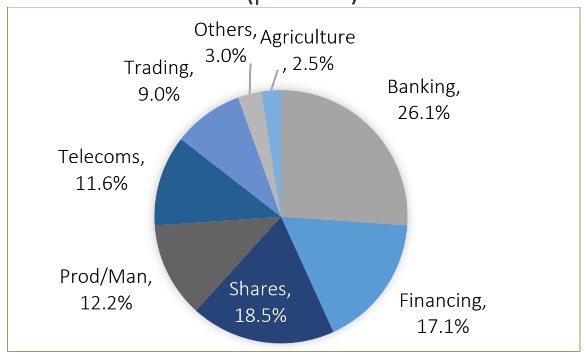


Source: Central Bank of Nigeria

8.4.3 Capital Importation by Sector

Analysis of imported capital by economic sectors indicates that banking received the highest share of 26.1 per cent, valued at US$1.70 billion. Inflow for shares amounted to US$1.20 billion and accounted for 18.5 per cent of the total. Financing, production/manufacturing, Telecoms, trading, and agriculture sectors received US$1.11 billion, US$0.79 billion, US$0.75 billion, US$0.59 billion, and US$0.16 billion, representing 17.1 per cent, 12.2 per cent, 11.6 per cent, 9.0 per cent, and 2.5 per cent, respectively. Inflow to other sectors accounted for the balance.

Figure 8.4. 2: Capital Importation by Sector, 2021 (per cent)

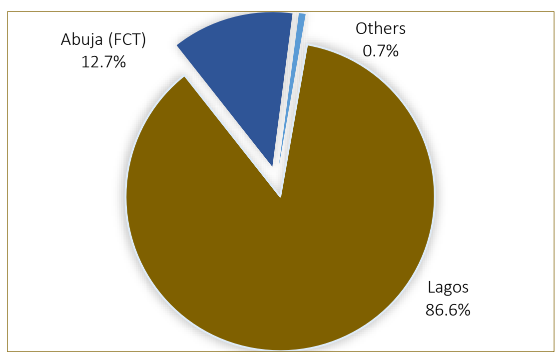


Source: Central Bank of Nigeria

8.4.4 Capital Importation by Destination

A breakdown of capital importation by destination shows that Lagos State received the highest inflow, representing 86.6 per cent of the total, valued at US$5.64 billion, followed by the Federal Capital Territory (FCT) with US$0.83 billion, representing 12.7 per cent of the total. Other States accounted for the balance.

Figure 8.4. 3: Capital Importation by States, 2021 (per cent)



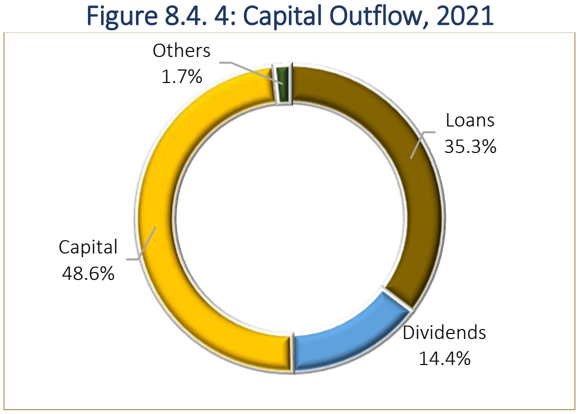
Source: Central Bank of Nigeria

8.4.5 Capital Outflow

Despite the ravaging effects of the COVID-19 pandemic, aggregate capital outflow declined by 37.8 per cent to US$7.73 billion in 2021, from US$12.43 billion in 2020. The development was, largely, as a result of the uptick in domestic economic activities, which encouraged greater reinvestment of earnings by resident investors.

A disaggregation shows that outflow in the form of capital reversal, which accounted for 48.6 per cent of total outflow, declined by 73.4 per cent to US$3.76 billion, from US$8.86 billion in 2020. This was followed by repayment of loans, which accounted for 35.3 per cent of the total, at US$2.73 billion, relative to US$2.70 billion in 2020, indicating an increase of 1.1 per cent. Repatriation of dividends increased by 37.0 per cent to US$1.11 billion (14.4 per cent of the total), from US$0.81 billion in 2020. Other outflows accounted for 1.7 per cent of the total, while repatriation of profits accounted for the balance.

Figure 8.4. 4: Capital Outflow, 2021



Source: Central Bank of Nigeria

8.5 THE INTERNATIONAL INVESTMENT POSITION

The International Investment Position showed a lower net borrowing position with a financial liability of US$71.60 billion in 2021, compared with US$73.38 billion in 2020. The development was attributed to the rise in the holdings of financial assets and boost in external reserves by 10.3 per cent to US$43.37 billion. The stock of financial assets increased by 18.8 per cent to US$103.85 billion at end-December 2021, from US$87.41 billion at end-December 2020, due, largely, to higher asset positions in other investments and reserve assets.

A breakdown of aggregate stock of financial assets shows that foreign direct investment increased by 10.7 per cent to US$13.58 billion, from US$12.27 billion at end-December 2020, on account of the 12.0 per cent and 8.9 per cent increase in the stock of debt securities and equity & investment fund shares, respectively. Portfolio investment assets, also, increased by 31.0 per cent to US$2.98 billion at end-December 2021, from US$2.27 billion at end-December 2020, following the 26.7 per cent increase in the holdings of debt securities by resident investors.

The stock of other investment assets rose by 23.8 per cent to US$45.05 billion, from US$36.38 billion at end-December 2020, due, largely, to an increase in the stock of foreign currency holdings of the private sector and increase in the stock of trade credits. A breakdown shows that the stock of trade credits to non-residents increased by 68.1 per cent to US$2.13 billion at end-December 2021, from US$1.27 billion at end-December 2020. The development was driven, largely, by higher demand for Nigeria's crude oil at the international market.

In addition, the stock of loans to foreign entities fell by 68.1 per cent, to US$0.61 billion, from US$1.91 billion at end-December 2020. This was on account of the decline in the stock of short-term loans extended by Nigerian banks to their non-resident subsidiaries.

The stock of foreign currency deposits, increased by 27.4 per cent to US$42.31 billion at end-December 2021, from US$33.20 billion at end-December 2020, due to the 49.2 per cent and 23.5 per cent increase in the holdings of the deposit taking corporations and the private sector, respectively.

The external reserves at end-December 2021, rose by 10.3 per cent to US$40.23 billion, from US$36.48 billion at end-December 2020. This was due largely to the 150.6 per cent and 0.9 per cent increase in the special drawing rights and foreign exchange components of the reserve asset, respectively.

As a share of total stock of assets at end-December 2021, other investment assets remained dominant at 43.4 per cent, followed by reserve assets, 38.7 per cent; direct investment, 13.1 per cent; portfolio investment, 2.9 per cent, with financial derivatives accounting for the balance of 1.9 per cent.

The stock of financial liabilities grew by 9.1 per cent to US$175.45 billion at end-December 2021, from US$160.79 billion at end-December 2020. A disaggregation shows that the stock of inward direct investment increased by 2.2 per cent to US$88.92 billion at end-December 2021, from US$87.01 billion at end-December 2020, driven by fresh investments in the oil sector. Direct investment in equity capital and reinvested earnings increased by 2.7 per cent to US$52.21 billion, from US$50.84 billion at end-December 2020. Similarly, the stock of debt instruments increased by 1.5 per cent to US$36.71 billion, from US$36.17 billion at the end of 2020, indicating higher investment among related parties.

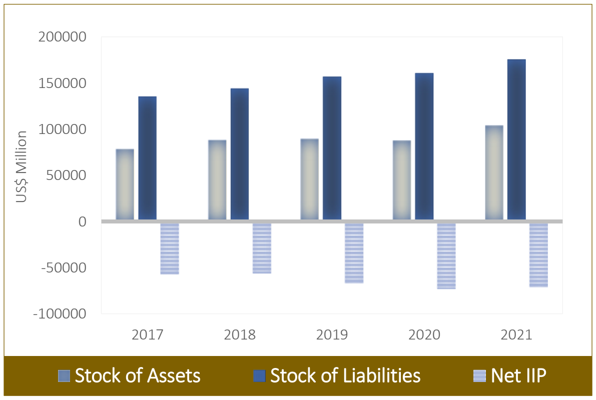
The stock of inward portfolio investments grew by 17.7 per cent to US$32.87 billion, from US$27.93 billion at end-December 2020. This was due, majorly, to the 21.2 per cent increase in debt securities to US$29.12 billion, from US$24.03 billion, at end-December 2020. The increase was driven by the rise in non-residents investment in money market instruments.

Other investment liabilities also rose, by 12.7 per cent to US$51.66 billion at end-December 2021, from US$45.82 billion at end-December 2020, driven, largely, by the increase in the stock of loans, which grew by 6.6 per cent to US$40.11 billion, from US$37.63 billion at the end of 2020. A breakdown showed that loans to general government and deposit taking corporations rose by 7.0 and 33.5 per cent, to US$23.72 billion and US$5.86 billion, respectively, as a result of fresh loan disbursements. Loans to the private sector decreased by 4.9 per cent to US$10.52 billion at end-December 2021, on account of principal repayments.

However, the stock of currency and deposits increased by 5.7 per cent to US$6.35 billion at end-December 2021, from US$6.01 billion at end-December 2020, driven, largely, by inflow from currency swap transactions with Goldman Sachs International Bank.

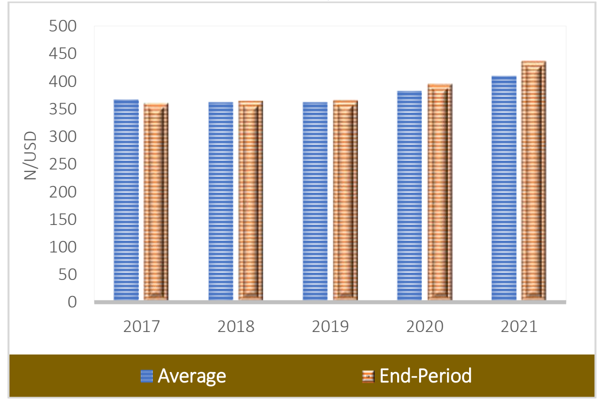
In terms of share, direct investment dominated financial liabilities, accounting for 50.7 per cent of the total, followed by other investment liabilities with a share of 29.5 per cent, portfolio investment liabilities, 18.7 per cent, and financial derivatives, 1.2 per cent.

Figure 8.5.1: International Investment Position, 2017-2021 (US$ Million)



Source: Central Bank of Nigeria

Figure 8.6. 1: Average and End-Period I&E Exchange Rate of the Naira per US Dollar



Source: Central Bank of Nigeria

8.6 EXCHANGE RATE MOVEMENTS

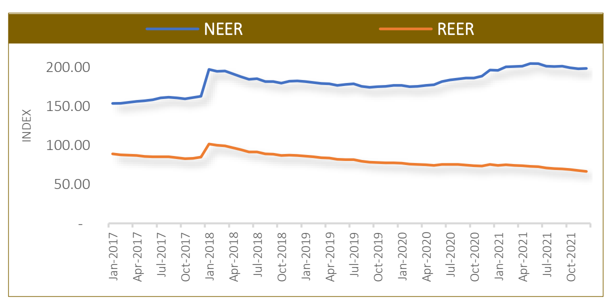
The average exchange rate of the naira to the US dollar depreciated at the Investors' and Exporters' (I&E) window, due, mainly to rising demand pressures amidst supply constraints. The average exchange rate of the naira at the I&E window depreciated to ₦403.80/US$ and ₦411.27/US$ in February and May, respectively, from ₦394.03/US$ in January 2021. The development was attributed to increased foreign exchange demand, resulting from the gradual recovery of the global economy after the easing of most of the COVID-19 containment measures. The naira maintained relative stability at ₦411.50/US$ in August but, depreciated to ₦412.78/US$ in September and ₦414.34/US$ in December 2021, respectively.

The annual average exchange rate at the I&E window in 2021, was ₦409.42/US$, a depreciation of 6.7 per cent, relative to ₦382.18/US$ in 2020. Similarly, the end-period I&E rate, closed at ₦435.00/US$ in 2021, a depreciation of 14.2 per cent, when compared with the ₦381.00/US$ in 2020.

8.7 THE NOMINAL AND REAL EFFECTIVE EXCHANGE RATES

Provisional data showed that the average 19-currency nominal effective exchange rate (NEER) index increased by 10.0 per cent to 200.21 index points in 2021, from 182.02 index points in 2020. The average 19-currency real effective exchange rate (REER) index, which measures external competitiveness of a country was 71.29 index points in 2021, showing a decrease of 4.8 per cent, from 74.94 index points in the preceding period. This suggested a depreciation against the major trading partners, thus, indicating improved competitiveness. The REER index opened at 73.96 index points in January 2021 and closed at 66.38 index points in December 2021.

Figure 8.7. 1: Nominal and Real Effective Exchange Rate Indices, 2017 - 2021



Source: Central Bank of Nigeria

Table 8.7. 1: Nominal and Real Effective Exchange Rate Indices (November 2009=100)

	2020 1/		2021 2/		Percentage Change	
	Monthly index	Annual average index	Monthly index	Annual average index	Monthly index	Annual average index
NEER	195.86	182.02	197.89	200.21	1.03	10.00
REER	75.23	74.94	66.38	71.29	(11.76)	(4.87)

Source: Central Bank of Nigeria
1/ Revised
2/ Provisional

9.0 INTERNATIONAL ECONOMIC RELATIONS

At the regional level, the 973rd Meeting of the African Union (AU) Peace and Security Council (PSC) expressed concerns over the humanitarian crisis arising from the continued attacks by the Boko Haram terrorists group in the Lake Chad Basin Region and appealed for humanitarian support from Member States and the International Community. At the sub-regional level, the 58th Ordinary Session of the Economic Community of West African States (ECOWAS), Authority of Heads of State and Government noted the ratification of the AfCFTA and submission to the African Union of common schedules of tariff concessions for trade by many Member States, and directed the ECOWAS Commission to sustain support rendered to Member States in the development and implementation of national strategies for adaptation to the rules of the AfCFTA. At the level of international cooperation, the 2021 Annual Meetings of the Bretton Woods Institutions (BWIs) noted that the COVID-19 pandemic had caused an unprecedented public health, economic, and social crises, pulling millions of people into extreme poverty, amidst worsening fragility, conflict, and violence in many regions. Hence, requiring accelerated transformational reforms to build a more resilient, sustainable, and inclusive global economic recovery.

9.1 REGIONAL CO-OPERATION

9.1.1 African Union (AU)

Meeting of the African Continental Free Trade Area

The Meeting of the African Continental Free Trade Area (AfCFTA) held virtually on 1 January 2021. The Secretary-General of the AfCFTA, H.E. Wamkele Mene, noted that 54 out of the 55 member countries of the African Union had signed the AfCFTA Agreement, 33 countries had ratified the Agreement, while over 40 countries had submitted their respective tariff offers. He further stated that the implementation of the AfCFTA Agreement would be an instrument for Africa's development, given the opportunities it would provide for Small and Medium Enterprises (SMEs) to access new markets.

Peace and Security Council Meeting of the African Union

The Peace and Security Council (PSC) of the African Union (AU) held its 973rd meeting, virtually, on 18 January 2021 and considered the Report of the Multinational Joint Task Force (MNJTF) against Boko Haram. The Peace and Security Council:

- commended the efforts made by the MNJTF and Lake Chad Basin Commission (LCBC) Countries, namely: Cameroon, Chad, Niger, Nigeria, and the Republic of Benin in the fight against the Boko Haram terrorist group. It noted the significant progress in weakening the operational capability of the terrorist group;
- strongly condemned the continued attacks and abuses committed by the Boko Haram terrorist group, which had resulted in the destruction of infrastructure in the region and rising number of Internally Displaced Persons (IDPs);

- expressed concerns over the continued use of Unmanned Aerial Vehicles (UAVs) within the MNJTF Area of Operation by Boko Haram in its reconnaissance operations. Consequently, the PSC requested that the Commission on the MNJTF, in collaboration with LCBC countries and the Republic of Benin, should engage with the relevant stakeholders to explore more effective options of responding to the threat as well as curtail any form of political, military, and financial support to the Boko Haram terrorist group;
- requested the mobilisation of additional support from the AU for the activities of the MNJTF, especially in the areas of providing armaments and resources for Quick Impact and Peace Strengthening Projects, as well as Humanitarian support for the affected population;
- stressed the need to fully implement the Regional Strategy for the Stabilisation, Recovery, and Resilience of the Boko Haram-affected areas of the Lake Chad Basin Region through the African Union Post Conflict Reconstruction and Development Centre;
- expressed gratitude to the AU's partners, especially the European Union, for their continued support to the activities of the MNJTF, including the 60 million Euros provided to support the MNJTF for 2021;
- expressed concern over the humanitarian crisis in the affected areas of the Lake Chad Basin Region and appealed to the AU Member States and the international community to step up humanitarian support to the affected communities; and
- renewed the mandate of the MNJTF for another period of 12 months, effective 31 January 2021.

i. Ordinary Session of the Economic Community of West African States Authority of Heads of State and Government

The 58th Ordinary Session of the Economic Community of West African States (ECOWAS) Authority of Heads of State and Government was held virtually on 23 January 2021. The Meeting considered the report of the 85th Ordinary Session of the ECOWAS Council of Ministers that took place in the period 20 – 21 January 2021. The Authority:

- commended Member States for the measures taken to contain the COVID-19 pandemic;
- approved the harmonised ECOWAS Protocol for cross-border movement of persons and goods during the pandemic and capped the cost of the COVID-19 PCR test at US$50.00 for ECOWAS nationals traveling within the region. It also approved a pooled procurement approach for anti-COVID-19 vaccines and instructed the ECOWAS Commission to set up a Vaccine Revolving Fund;
- noted the deterioration in attaining the ECOWAS macroeconomic convergence in 2020 by the Member States, due to measures taken to combat the COVID-19 pandemic;
- granted ECOWAS Member States waiver in respect of achieving the macroeconomic convergence criteria in 2021, given the expected negative impact of the second wave of the COVID-19 pandemic on economies of Member States;
- directed the ECOWAS Commission, the West African Monetary Agency (WAMA), West

African Monetary Institute (WAMI), UEMOA Commission, and Member States' central banks, to submit to its next Ordinary Session: a draft of the new Convergence and Macroeconomic Stability Pact among ECOWAS member states, with a start date of 1 January 2022 for the convergence phase; and a new roadmap for the ECOWAS Single Currency Programme;

- directed the ECOWAS Commission, WAMA, and Member States' central banks to expedite work towards the rapid interconnection of ECOWAS Payments System, and submit a report at the following Ordinary Session scheduled for June 2021;
- noted the commencement of the AfCFTA on 1 January 2021, the ratification of the agreement by 12 out of the 15 ECOWAS Member States, as well as the submission to the African Union of common schedules of tariff concessions for trade in goods, and specific commitments on trade in services in five priority sectors by some Member States;
- encouraged Member States, yet to ratify the AfCFTA Agreement, to accelerate the process of ratification, to promote harmonious trade liberalisation in the region and maintain the integrity of the ECOWAS Common External Tariff;
- directed the ECOWAS Commission to continue to support the Member States in the development and implementation of national strategies for adaptation in the rules of the AfCFTA;
- implored the ECOWAS Commission to continue advocacy campaigns in the Member States for greater involvement of all stakeholders, and to continue to coordinate the approaches of Member States in negotiations under the AfCFTA;
- expressed concerns over continued terrorist attacks in frontline countries, particularly in Burkina Faso, Mali, Niger, and Nigeria; and
- acknowledged contributions by Ghana and Nigeria to fund the implementation of the 2020 – 2024 Action Plan and urged the other Member States to expedite payment of their voluntary contributions.

ii. West African Institute for Financial and Economic Management End-of-Year Statutory Meetings

The End-of-Year Statutory Meeting of the West African Institute for Financial and Economic Management (WAIFEM) was held virtually from 4 – 15 February 2021. The Meetings commenced with the 43rd Meeting of the Technical Committee of WAIFEM, which held from 4 - 5 February 2021, and recommended the following draft reports to the Board of Governors for approval:

- Strategic Plan for 2021 - 2025;
- Budget for the Year 2021;
- Manual for WAIFEM Endowment Fund;
- Manual for WAIFEM Research Account; and
- the Impact Assessment of the Doctoral Fellowship/Visiting Scholar Schemes.

iii. West African Monetary Zone End-of-Year Statutory Meetings

The End-of-Year Statutory Meetings of the West African Monetary Zone (WAMZ) commenced with the 48th Meeting of the WAMZ Technical Committee, which held from 8 – 9 February 2021, followed by the 42nd Meeting of the Committee of Governors of WAMZ held on 15 February 2021. Also, the 45th Meeting of the Convergence Council of Ministers and Central Bank Governors took place on 16 February 2021.

The following documents were considered and recommended for approval:

- WAMZ Macroeconomic Developments and Convergence Report, end-June 2020;
- Paper on Assessing the Preparedness of WAMZ Member States' Migration to Inflation Targeting Framework;
- Paper on Fiscal Convergence in the WAMZ;
- WAMZ Payments System Development Project – Progress Report;
- Proposed WAMI Work Programme and Budget FY 2021;
- Model Act for Specialised Deposit-taking Institutions and Specialised Deposit-taking Holding Companies of the West African Monetary Zone;
- Report of the 38th Meeting of the College of Supervisors of the WAMZ (CSWAMZ); and
- Report of the 3rd Meeting of the College of Supervisors of Non-Bank Financial Institutions.

iv. West African Monetary Agency (WAMA) End-of-Year Statutory Meeting

The End-of-Year Statutory Meetings of the West African Monetary Agency (WAMA) were held virtually, starting with the 38th Meeting of the Technical Committee of WAMA, which held from 10 - 12 February 2021, followed by the 57th Meeting of the Committee of Governors of WAMA on 15 February 2021.

The Technical Committee of WAMA considered and recommended a number of reports to the Committee of Governors. These included Reports on:

- the ECOWAS Monetary Cooperation Programme for first Half 2020;
- Exchange Rate Developments in ECOWAS;
- establishment of a Community Solidarity and Stabilisation Fund;
- reserve pooling for the ECOWAS single currency area;
- size and distribution of the capital of the Central Bank of West Africa (CBWA);
- WAMA Work Programme and Proposed Budget for 2021; and
- the review of WAMA staff terminal benefits.

v. Meeting of the Technical Sub-Committee on the ECOWAS Single Currency Programme

A virtual meeting of the Technical Sub-Committee on the ECOWAS Single Currency Programme was held from 7 – 9 April 2021. The Meeting reviewed the:

- draft of the new Sheet for the ECOWAS Single Currency Programme proposed by the Regional Institutions; and
- proposal for the definition of "majority" within the framework of the Pact for Convergence and Macroeconomic Stability between the ECOWAS Member States.

vi. Inaugural Meeting for the Establishment of the Proposed Trade Development Committee of the West African Monetary Zone

The Convergence Council of the WAMZ, at its 45th meeting held virtually on 16 February 2021 called for the establishment of a Trade Development Committee to focus on connectivity across all transport modes, particularly, maritime, to facilitate faster and cheaper movement of goods within the Zone. In this regard, the Council directed WAMI, to convene an inaugural meeting to establish the Trade Development Committee of the WAMZ.

Consequently, the inaugural meeting for the establishment of the Trade Development Committee of the West African Monetary Zone (WAMZ) held virtually from 13 - 14 April 2021, and considered the concept note for establishing the Trade Development Committee of the WAMZ.

vii. West African Monetary Agency Seminar for the Governors of the Central Banks of Member States of the ECOWAS

The West African Monetary Agency (WAMA) organised a one-day virtual Seminar for the Governors of the Central Banks of Member States of the ECOWAS on ‘Policy Responses to Emerging Extreme Events and Lessons from the European Monetary Integration Process’ on 28 May 2021.

The Seminar discussed the experience of the Euro Area vis-à-vis its monetary union that took off in 1999. The Governors examined the policies adopted in their various central banks, and how those policies had helped to stabilise their economies during similar economic crises like the COVID-19 pandemic.

The following papers were presented during the Seminar:

- Monetary policy challenges in the time of COVID-19 pandemic and COP26 (United Nations Climate Change Conference);
- Banking Supervision and Climate Change: Relevance for the ECOWAS;
- Towards Convergence: the European and ECOWAS Experience; and
- Building a Strong Monetary Institute: the Role of WAMA.

viii. Continental Seminar of the Association of African Central Banks 2021

The first Continental Seminar of the Association of African Central Banks (AACB) for 2021 was held virtually from 31 May to 2 June 2021 on the theme: “Remittances, Fluctuations of Exchange Rates and Management of Foreign Reserves: Financing Opportunities for Africa and Implications for African Central Banks.”

The Seminar held two plenary sessions centred around six presentations, namely:

- contribution of remittances in enhancing development finance in Africa;
- leveraging FinTech to ensure efficiency and compliance in the remittance market;
- exchange rate fluctuations and consolidation of foreign reserves in Africa;
- migrant workers' remittances: financing African economies and the impact of COVID-19 pandemic;
- FinTech and the migrant remittance market; and
- migrant workers' remittances, current account structure and the consolidation of foreign reserves.

ix. Meeting of Nigerian Stakeholders on Trade Development.

The WAMZ Convergence Council in February 2021 directed WAMI to organise a meeting with the key stakeholders in Nigeria on trade, before convening the meeting of all WAMZ member states. The objectives of the meeting were to harness ideas from Nigeria’s stakeholders, and outline actionable points to promote trade in WAMZ Member Countries. Consequently, the Meeting of the Nigerian stakeholders on trade developments led by the DG, WAMI, was held between 21 and 24 June 2021 at the CBN.

During the meeting, a presentation was made by the Nigeria Export-Import (NEXIM) Bank, titled “The Sea Link Project”. The Presentation gave an insight into what NEXIM had done on trade development.

x. *Ordinary Meeting of the Joint Technical Committee of WAMA.*

The 39th ordinary meeting of the Joint Technical Committee (Economic and Monetary Affairs Committee; and the Operations and Administration Committee) of WAMA was held virtually from 9 – 11 August 2021. The Meeting considered the following documents:

- Economic and Monetary Affairs Committee Report;
- Director General's Progress Report;
- ECOWAS Macroeconomic Convergence Report for 2020;
- Paper on Transition to Inflation Targeting: Strategic considerations for the Future ECOWAS Monetary Union;
- Paper on Macroeconomic Data Compilation and Dissemination: Progress and Challenges in ECOWAS countries;
- Paper on Reserve Pooling in the Proposed ECOWAS Single Currency Area;
- Report on Size and Distribution of Capital of the Proposed Central Bank of West Africa; and
- Report on Implementation of the ECOWAS Payments and Settlement System.

xi. *Statutory Meetings of the West African Institute for Financial and Economic Management*

The Statutory Meetings of the West African Institute for Financial and Economic Management (WAIFEM) were held virtually, starting with the 44th Meeting of the Technical Committee from 12 – 13 August 2021, followed by the 41st Meeting of the Board of Governors on 26 August 2021.

The developments in WAIFEM were reviewed by the Technical Committee, and recommendations were made to the Board of Governors. Some of the documents considered by the Technical Committee included:

- Draft Audit Report for the year ended 31 December 2020;
- Draft Training Programme for the Year 2022;
- Draft Guidelines for the Doctoral Fellowship/Visiting Scholar Schemes;
- Draft Annual Report and Statement of Accounts for the year ended 31 December 2020; and
- Draft Proposal for Blended e-Learning.

xii. *Mid-Year Statutory Meetings of The West African Monetary Zone*

The West African Monetary Zone (WAMZ) Meetings were held virtually in the period 16 -18 August and 26 – 27 August 2021. The Meetings commenced with the 49th Meeting of the WAMZ Technical Committee from 16 – 18 August 2021, followed by the 43rd Meeting of the Committee of Governors of the WAMZ on 26 August 2021, and concluded with the 46th Meeting of the Convergence Council of Ministers and Central Bank Governors on 27 August 2021. The Technical Committee reviewed the developments in the WAMZ, and made recommendations to the Committee of Governors of Central Banks of the

WAMZ, who, in turn, presented their recommendations to the Convergence Council.

The Technical Committee recommended that Member States should be encouraged to:

- sustain the short-term efforts in curbing the spread and containing the impact of the COVID-19 pandemic on the economy;
- fast-track the implementation of reforms to address structural challenges and invest in social infrastructure, while providing adequate social safety nets to enhance response and resilience to shocks;
- increase investment in the agriculture and mining sectors, with the view to modernising their operations to realise the potentials of these sectors;
- increase investment in growth-enhancing capital projects for sustaining long-term growth, and repositioning the private sector to lead the pursuit of inclusive growth and employment generation;
- ensure price stability by improving current account balances, addressing supply-side constraints and maintaining prudent monetary policy measures;
- strengthen tax administration and public financial management to boost revenue mobilisation, while implementing expenditure rationalisation measures to improve compliance with the fiscal deficit criterion;
- limit the growth in the public debt stock in the short term, and implement policy measures to reduce it to sustainable levels in the medium-to-long term;
- remain steadfast in the discharge of oversight responsibilities in the financial sector, particularly banking, by enforcing compliance with good corporate governance practices and credit risk management guidelines to avert losses and reduce the NPLs;
- fast-track the update and harmonisation of statistical and policy frameworks within the Zone to facilitate the comparison of Member States' data and performance;
- leverage the capacity building window of WAIFEM and other member countries that are advanced for assistance in terms of capacity building for National Bureau of Statistics (NBS);
- seek funds from ECOWAS to enable WAMI conduct some of the activities under the harmonisation of statistics in the Zone;

In addition, the Technical Committee adopted:

- the Proposed Roadmap for WAMZ Countries Migration to Inflation Targeting (IT) Framework;
- the Progress Report on the Capital Markets Integration and Insurance Industry in the WAMZ; and
- The Progress Report on Payments System Development in the WAMZ.

Lastly, the Technical Committee considered the proposed Work Programme of WAMI for 2022.

xiii. Association of African Central Banks Governors' Symposium

The Banque Centrale du Congo (BCC) virtually hosted the Association of African Central Banks (AACB) Governors' Symposium on 19 August 2021, on the theme ''African Economies and the COVID-19 Pandemic: Crisis Management and Policies for the Economic Recovery'', as a prelude to the 43rd Ordinary Meeting of the Assembly of Governors, held on 20 August 2021. The following were the resolutions of the symposium:

- states were urged to improve the management of public finances and investment by considering climate change;
- governments were encouraged to continue efforts to increase domestic revenue

mobilisation, by implementing reforms to increase tax revenues through digitalisation, and the inclusion of environmental and natural taxes; and

- states were also invited to promote private investment and public-private partnerships (PPP), by continuously improving the business environment to mitigate investors' perception of risk.

xiv. Ordinary Meeting of The Assembly of Governors of Association of African Central Banks

The Assembly of Governors of the Association of African Central Banks (AACB) held its 43rd Ordinary Meeting virtually on 20 August 2021. The Meeting hosted by the Banque Centrale du Congo (BCC) was attended by participants from 33 Central Banks and the African Union Commission (AUC).

The Assembly reviewed the following:

- progress report on implementing the African Monetary Cooperation Programme (AMCP) in 2020;
- lists of decisions from the Bureau Meeting on 13 February 2020, in Dakar, Senegal, and virtual Bureau meetings on 18 June 2020, 26 November 2020, and 7 May 2021;
- amendment of the AACB Statutes to include provisions related to the terms and conditions for observer status and the position of Vice-Chairperson of the Sub-regional Committees;
- refinement of the AMCP convergence criteria and the draft Statutes and Structure of the African Monetary Institute (AMI);
- activities of the Community of African Banking Supervisors (CABS) and Multilateral Memorandum of Understanding;
- reports of the Task Force on the Integration of Payments System in Africa and its two Working Groups;
- update on Pan-African Payments and Settlement System (PAPSS) implementation in the West African Monetary Zone (WAMZ);
- themes of the AACB Symposium of Governors and the Continental Seminar for 2022.
- AACB Chairperson and Vice-Chairperson and Composition of the Bureau for 2021-2022.

xv. Second Extraordinary Session of the African Union Specialised Technical Committee on Finance, Monetary Affairs, Economic Planning, and Integration

The meeting of Experts of the AU Second Extraordinary Session of the Specialised Technical Committee (STC) on Finance, Monetary Affairs, Economic Planning, and Integration was held virtually on 15-16 December 2021.

The Meeting considered the following reports and made necessary recommendations:

- report of the Ministers' Workshop on African Union Financial Institutions (AUFIs), the reallocation of the International Monetary Fund's Special Drawing Rights, Vaccine Acquisition and Financing, and the establishment of the African Financial Stability Mechanism on 3 November 2021;
- proposals on the macroeconomic convergence criteria;
- draft terms of reference of the technical study to address all the technical issues surrounding the implementation of the AUFIs
- concept notes on "In-Depth Study on positioning Africa to build back better and achieve the Goals and Targets of the Agenda 2063, Agenda 2030, and High 5s for Transforming Africa, anchored on attaining

and sustaining 7 to 10 per cent annual growth";

- the Report on Africa Peer Review Mechanism (APRM) Support to the Member States in the field of International Credit Rating agencies (ICRAs);
- the African Principles and Guidelines on Corporate Governance; and
- African Union Legacy Project on Diaspora Investment, and a presentation of "Strategic, Business and Operational Framework for an African Diaspora Finance Corporation".

9.2 NON-REGIONAL MEETINGS

i. 2021 Spring Meetings of the Boards of Governors of the International Monetary Fund (IMF)/World Bank Group

The 2021 Spring Meetings of the Board of Governors of the World Bank Group (WBG) and the International Monetary Fund (IMF) were held virtually between 29 March and 9 April 2021. The sideline meetings included those of the International Monetary and Finance Committee (IMFC) of the Governors of IMF, the Development Committee (DC) of the World Bank Group, as well as the Meetings of the Ministers of the Inter-Governmental Group of twenty-four (G-24). The proceedings of the Meetings were:

The G-24 Ministers:

- noted that, though the global economy showed signs of recovery from the COVID-19 pandemic, the path to broad-based and inclusive recovery was fraught with uncertainty in the availability and access to safe and affordable vaccines for all and the strength of external financial support to developing countries;
- noted that the pandemic had strained health systems and severely hit economies of developing countries, with limited fiscal space to respond;
- observed that millions of people had fallen into extreme poverty, and food insecurity had risen steeply, especially in the poorest countries and those living in fragile and conflict-affected areas;
- indicated that G-24 members' urgent priorities were to contain the pandemic, thus, scaling up vaccinations and rebuilding economies to avoid a lost decade of development and a major decline in people's well-being;
- noted that international cooperation was essential to secure a better recovery for all countries, and promote a strong pace of global convergence of per capita income levels between advanced and developing countries;
- reiterated the importance of a strong global financial safety net, with an adequately resourced, quota-based IMF at its centre; and
- welcomed the stronger support in the IMF's Executive Board for a meaningful new allocation of Special Drawing Rights (SDRs), to address long-term global liquidity needs.

The IMFC:

- noted that the global economy was recovering from the crisis faster than expected, due to the unprecedented policy response and rapid progress in vaccine development;
- highlighted that the prospects for recovery were highly uncertain and uneven within and across countries due to varying policy space, different economic structures and rigidities, pre-existing vulnerabilities, and uneven access to vaccines;
- emphasised that elevated financial vulnerabilities could pose risks, should global financial conditions tighten swiftly and that sound policies were required for the stability of the international monetary system;
- remained committed that its exchange rates reflect underlying economic fundamentals and noted that exchange rate flexibility could

facilitate the adjustment of their economies; and
- called on the IMF to make a comprehensive proposal on a new Special Drawing Rights (SDR) general allocation of US$650 billion to meet the long-term global need to supplement reserves, while enhancing transparency and accountability in the reporting and use of SDRs.

The Development Committee:

- noted that the COVID-19 pandemic had caused an unprecedented public health, economic, and social crisis, threatening the lives and livelihoods of millions. The economic shocks increased the level of poverty, worsened inequalities, and reversed development gains;
- observed that fragility, conflict, and violence (FCV) had worsened in many regions. It was urgent to address drivers of FCV, forced displacement, and migration. It looked forward to the implementation of the FCV strategy;
- highlighted a sustainable and inclusive recovery required for addressing financial sector vulnerabilities, eliminating tax evasion, and mobilising vital investments; and
- commended the WBG for scaling-up climate finance over the past two years, its continued role as the largest multilateral source of climate investment in developing countries, emphasis on biodiversity, and technical and financial support for adaptation, mitigation, and resilience.

The Inter-Governmental Group of Twenty-Four

The Meeting of the Inter-Governmental Group of Twenty-Four (G-24) Technical Group Meeting (TGM) was held virtually from 23 February to 18 March 2021. The theme was *"Toward an Agenda for an Inclusive, Resilient and Sustained Recovery".* Deliberations were centred on the adverse economic impact of the COVID-19 pandemic on Emerging Markets and Developing Countries (EMDCs).

Sessions on Managing Capital Flow Volatility, International Tax Cooperation, Domestic Resource Mobilisation to Support a Better Post-COVID Recovery and Delivering on Climate Finance to Support Better Recovery and Climate Goals were held during the meeting.

ii. International Monetary Fund Virtual Staff Visit Consultations

The International Monetary Fund (IMF) held a Virtual Staff Visit Mission Consultation with Nigeria from 1-7 June 2021. The IMF Team reviewed recent economic developments, policy, and outlook amidst the ongoing COVID-19 pandemic and its impact on the economy. The Team also assessed the mitigating measures taken to contain the pandemic to ensure price and exchange rate stability, and the overall soundness of the economy. The Team proffered recommendations to the monetary authorities on current and future policy directions.

iii. Hybrid Annual Meetings of the Board of Governors of the World Bank Group, the International Monetary Fund (IMF) and the Inter-Governmental Group of Twenty-Four

The 2021 Hybrid Annual Meetings of the Board of Governors of the World Bank Group (WBG), the International Monetary Fund (IMF), and the Inter-Governmental Group of Twenty-Four (G-24) on International Monetary Affairs and Developments were held in-person and virtually from 4 – 17 October 2021.

The G-24 Ministers:

- called for stronger multilateral cooperation to scale up vaccine supply and ensure equitable access by all countries to affordable vaccines, which was the most critical global public good; and
- noted that COVID-19 had exacerbated social and economic inequalities between and within countries. Addressing these inequalities was essential to avoid long-lasting scars and build a better and more inclusive future. It should be a key area for stronger responses from the IMF, the WBG, and other MDBs, working with relevant organisations, within their respective mandates.

The IMFC:

- pledged to work together to accelerate transformational reforms to build a more resilient and sustainable global economy;
- looked forward to the outcomes of COP26 and committed strongly to accelerate climate action in line with the Paris Agreement, considering country-specific factors;
- noted the IMF's continued support to members experiencing balance of payments needs, increasingly through upper-credit tranche arrangements; and
- appreciated the G20's commitment to step up efforts to implement the Common Framework for debt treatment, which was also agreed by the Paris Club, in a timely, orderly, and coordinated manner, jointly supported by the IMF and the World Bank as well as the IMF's broad agenda on debt sustainability, transparency, and restructuring.

The Development Committee:

- commended the WBG for its largest crisis response in history. Through the fiscal year 2021, the WBG committed US$157.00 billion to protect the poor and vulnerable, expand social protection, support businesses, and preserve and create jobs, while helping over 100 countries with emergency health response and strengthening health systems.

iv. *Moody's Bi-Annual Rating Review 2021*

Moody's Rating Agency held a Virtual Meeting with the Government of Nigeria to conduct its bi-annual rating review from 1 - 2 November 2021. Arising from the review, Moody:

- acknowledged that compared with her peers, Nigeria had been able to develop a pension system and relatively deep capital market, and had experienced peaceful transitions of power;
- assessed fiscal policy effectiveness as weak, reflected in the government's inability to significantly expand the non-oil revenue base, thus, exposing the economy to further shocks;
- noted that inflation has been relatively volatile and was expected to be at 15 .0 per cent at the end of 2021, supported by expected good harvests, which would reduce food prices throughout the country. The anticipated decline in inflation may be temporarily delayed by the phasing out of energy subsidies in 2022, if implemented;
- perceived that the relatively scarce dollar liquidity in 2020 due to oil price shocks and the COVID-19 pandemic, would ameliorate in 2021;
- assessed existing financial buffers of Nigeria as an inadequate hedge against protracted oil price volatility or shocks;

- acknowledged the government's ability to assess the domestic capital market to finance its deficits. It was observed that most government debts were held by local banks and pension funds, which remained relatively liquid;
- noted the Federal Government external debt at around 9.0 per cent of GDP and around 29.0 per cent of general government debt in 2021;
- highlighted Nigeria's external vulnerability, evidenced by the presence of a parallel foreign exchange market, due specifically, to soft capital controls imposed during the 2016 oil price and production shocks. The Agency forecasted a current-account deficit of around 1.1 per cent of GDP for 2021;
- changed the outlook to the Federal Government of Nigeria as stable from negative, and affirmed its long-term issuer and senior unsecured ratings at B2. This reflected the Agency's expectation that higher oil prices and some measures taken by the government would help stabilize the county's credit metrics and support its external position; and
- affirmed Nigeria's (P)B2 senior unsecured medium-term note programme rating.

v. *International Monetary Fund Article IV Consultation Meeting 2021*

The Mission:

- welcomed steps taken towards the unification of the exchange rate and stressed the need to adopt a market-clearing exchange rate to build foreign exchange buffers through higher capital inflow;
- advised that a more open trade regime was needed to unleash the growth potential of the AfCFTA;
- recommended that monetary policy remain supportive of the nascent recovery, but warrants close monitoring;
- reiterated its previous advice to (i) modernise the 2007 CBN Act to establish the primacy of price stability, and (ii) strengthen the monetary transmission mechanism by integrating the interbank and debt markets, and using central bank or government bills of short maturity as the main liquidity management tool;
- noted that the banking sector had been resilient due largely to ample pre-crisis buffers;
- warned, however, that stress tests conducted by the authorities showed that a severe shock requiring loan reclassification could erode the system's buffers;
- noted that financial inclusion continued to improve despite the COVID-19 pandemic, but remains considerably below Nigeria's ambitious inclusion targets; and
- supported the time-bound debt relief measures currently in place and recommended vigilance to guard against financial stability risks.

To forestall stability risks, the Mission specifically recommended the following measures:

- expiration of the COVID-19 pandemic-related loan restructuring as planned in March 2022 in line with the economic recovery;
- timely action against the undercapitalised banks and, more broadly, applying the new provisions under the BOFIA 2020 to further bolster corporate governance;
- additional regulation to safeguard sound practices and consumer protection in the growing segment of digital payments and lending;

- introduction of additional macroprudential instruments to better manage systemic and cyclical risks, in the context of Basel III implementation; and
- impact assessment of the eNaira on monetary policy transmission and financial stability.

APPENDIXES

Link to 2021 Annual Economic Report tables

https://www.cbn.gov.ng/Out/2023/RSD/2021%20Annual%20Report%20Tables.xlsx

Appendix 1A: Selected Macroeconomic and Social Indicators /1

Indicator	2017	2018	2019	2020 2/	2021
Domestic Output and Prices					
GDP at Current Mkt Prices (₦ billion)	114,899.2	129,086.9	145,639.1	154,252.3	176,075.5
GDP at Current Mkt Prices (US$ billion)	375.7	421.7	474.5	429.9	440.0
Nominal GDP per Capita (₦)	601,966.0	659,027.8	724,702.6	747,862.6	832,341.2
Real GDP per Capita (₦)	362,574.0	360,109.5	358,741.3	343,262.8	346,893.8
Nominal GDP per Capita (US$)	1,968.6	2,153.1	2,361.2	2,084.3	2,080.1
Real GDP per Capita (US$)	1,185.7	1,176.5	1,168.8	956.7	866.9
Real GDP Growth (%)	0.8	1.9	2.3	-1.9	3.4
Oil Sector	*4.7*	*1.0*	*4.6*	*-8.9*	*-8.3*
Non-Oil Sector	*0.5*	*2.0*	*2.1*	*-1.3*	*4.4*
Sectoral GDP Growth (%)					
Agriculture	**3.4**	**2.1**	**2.4**	**2.2**	**2.1**
Industry	**2.1**	**1.9**	**2.3**	**-5.8**	**-0.5**
Services	**-0.9**	**1.8**	**2.2**	**-2.2**	**5.6**
Oil Production (mbd)	1.7	1.9	1.9	1.7	1.5
GDP Deflator Growth (%) 3/	11.1	10.2	10.4	7.7	10.2
Inflation Rate (%) (Dec-over-Dec)	15.4	11.4	12.0	15.8	15.6
Inflation Rate (%) (12-month moving average)	16.5	12.1	11.4	13.2	17.0
Core Inflation Rate (%) (Dec-over-Dec) 4/	12.1	9.8	9.3	11.4	13.9
Core Inflation Rate (%) (12-month moving average) 4/	13.5	10.5	9.2	10.3	13.2
Food Inflation Rate (%) (Dec-over-Dec)	19.4	13.6	14.7	19.6	17.4
Food Inflation Rate (%) (12-month moving average)	19.5	14.3	13.7	16.2	20.4
Aggregate Demand and Savings (% of GDP)					
Aggregate Demand	100.0	100.0	100.0	100.0	100.0
Private Final Consumption Expenditure	80.1	76.6	74.6	67.4	66.2
Government Final Consumption Expenditure	4.4	5.6	5.6	9.7	8.5
Gross Fixed Capital Formation	14.7	19.0	24.6	28.3	31.5
Increase in Stock	0.8	0.8	0.8	0.9	0.7
Net Export of Goods and Non-Factor Services	0.0	-2.0	-5.6	-6.3	-7.0
Export of Goods and Non-Factor Services	*13.2*	*15.5*	*14.2*	*7.8*	*11.9*
Import of Goods and Non-Factor Services	*13.2*	*17.5*	*19.8*	*14.1*	*18.9*
Domestic Saving	13.1	16.8	23.0	25.0	29.2
Gross National Saving	13.1	14.8	17.4	18.7	22.2

Appendix 1B: Selected Macroeconomic and Social Indicators /1

Indicator	2017	2018	2019	2020	2021 2/
Public Finance (% of GDP)					
General Government					
Revenue	6.2	7.7	7	6.5	6
Expenditure	10	10.8	10.9	11.3	10.9
Transfers	0.8	0.8	0.7	0.7	0.7
Current Balance	-0.9	0.1	-0.6	-1.6	-1.9
Primary Balance	-2.2	-1.4	-2.1	-2.6	-2.4
Overall Balance	-3.8	-3.2	-3.9	-4.8	-4.9
Federal Government					
Retained Revenue	2.5	3.2	3.4	2.6	2.9
Total Expenditure	5.6	6.1	6.7	6.6	6.9
Recurrent Expenditure	4.2	4.4	4.8	5.3	5.2
Of which: Interest Payments	1.6	1.7	1.7	2.1	2.4
Foreign	*0.2*	*0.2*	*0.3*	*0.4*	*0.5*
Domestic	*1.4*	*1.4*	*1.4*	*1.8*	*1.9*
Capital Expenditure and Net Lending	1.1	1.3	1.6	1.0	1.4
Transfers	0.4	0.4	0.3	0.3	0.3
Current Balance (Deficit(-)/Surplus(+))	-1.6	-1.1	-1.6	-1.9	-1.6
Primary Balance (Deficit(-)/Surplus(+))	-1.7	-1.2	-1.4	-2.7	-2.3
Overall Fiscal Balance (Deficit(-)/Surplus(+))	-3.1	-2.8	-3.3	-4.1	*-4.0*
Financing	3.1	2.8	3.3	4.1	4.0
Foreign	1.1	0.8	0	0	0.9
Domestic	2.1	2.0	3.3	4.1	3.1
Banking System	*1.2*	*0.0*	*0.0*	*0.0*	*0.0*
Non-bank Public	*-0.5*	*0.5*	*0.6*	*1.3*	*1.6*
Other Funds	*1.3*	*1.5*	*2.7*	*2.7*	*1.5*
Federal Government Debt Stock	16.0	15.9	16	18.6	19.9
External 5/	5.0	6.0	6.2	8.2	9.0
Domestic	11.0	9.9	9.8	10.4	10.9

Appendix 1C: Selected Macroeconomic and Social Indicators… Continued /1

Indicator	2017	2018	2019	2020	2021 2/
Money and Credit (Growth Rate %)					
Reserve Money	10.9	10.7	20.9	51	1.4
Narrow Money (M_1)	3.7	9.7	2.4	48.7	14.7
Broad Money (M_2)	3.3	10.5	9.2	31	15.8
Broad Money (M_3)	1.4	15	6.4	11.6	12.6
Net Foreign Assets	39.8	7.8	-49.8	51	-1.8
Net Domestic Assets	-13.5	19.5	38.3	3.5	16.9
Domestic Claims (DC)	-3.3	9.6	29	12.7	17.2
Net Claims on Government	*-17.6*	*32.4*	*105.4*	*13.8*	*16*
Claims on Other Sectors (COS)	*-0.4*	*5.8*	*13.1*	*12.3*	*17.7*
Money Multiplier for M_3	4.4	4.6	4	3	3.3
Income Velocity of M_3	4.0	3.9	4.2	4.0	4.0
Financial Development Indicators (%)					
M_3/GDP	24.8	25.4	23.9	25.2	24.9
CIC/M3	7.6	7.1	7	7.5	7.6
COB/M3	6.3	5.8	5.8	6.4	6.7
QM/M3	50.8	49	52.3	56.5	58.5
CIC/GDP	1.9	1.8	1.7	1.9	1.9
COS/GDP	19.4	18.2	18.3	19.4	20
Claims on Private Sector (CPS)/GDP	12.9	10.2	11.2	12.1	13.6
COS/Non-Oil GDP	21.5	20.6	20.2	21	21.5
DMBs Assets/GDP	30.5	29.8	29.9	35.4	35.7
CBN's Assets/GDP	26.6	29.2	27.8	31.1	30.6
Banking System's Assets/GDP	57	58.9	57.7	66.4	66.4
Capital Market Indicators					
All Share Value Index (1984=100)	38,243.2	31,430.5	26,842.1	40,270.7	42,716.4
Value of Stocks Traded (Billion Naira)	1,078.2	1,203.4	931.5	1,086.2	953.9
Value of Stocks/GDP (%)	0.9	0.9	0.6	0.7	0.5
Market Capitalization (Billion Naira)	22,917.90	21,904.0	25,890.2	38,589.6	42,054.5
Of which: Banking Sector (Billion Naira)	*2,501.80*	*1,675.7*	*1,341.7*	*1,407.2*	*1,271.3*
Insurance Sector (Billion Naira)	*147.3*	*115.9*	*117.6*	*148.1*	*152.7*
Market Capitalization/GDP (%)	19.9	17	17.8	25	23.9
Of which: Banking Sector/GDP (%)	*2.2*	*1.3*	*0.9*	*0.9*	*0.7*
Insurance Sector/GDP (%)	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*
Banking Sector Cap./Market Capitalization (%)	10.9	7.7	5.2	3.6	3
Insurance Sector Cap./Market Capitalization (%)	0.6	0.5	0.5	0.4	0.4
Interest Rates (% per annum)					
Monetary Policy Rate (MPR) (end period)	14	14	13.5	11.5	11.5
Repurchase Rate (Average)	19	19	19	17.5	15.1
Treasury Bill Rate (Average)					
91-day	13.5	11	9.6	1.6	2.2
182-day	16.9	12.1	11.2	2.2	3.3
364-day	18	12.8	12.2	3.5	6.9
Inter-bank Call Rate (end-period)	9	14	3	1	18
Deposit Rates (end-period)					
Savings Rate	4.1	4.1	3.9	2	1.3
3-months Fixed	9.6	9.5	6.6	2.7	4.9
6-months Fixed	11.1	10.5	7.5	2.6	4.8
12-months Fixed	10.9	10.3	9	5	6.8
Prime Lending Rate (end period)	17.7	16.2	15	11.4	11.7
Maximum Lending Rate (end period)	31	30.5	30.7	28.3	27.6
Government Bond (Average coupon)					
5-year	15.8	13.6	13.7	9	-
7-year	-	14.3	14.5	-	-
10-year	15.9	14.3	14.2	8.1	-
15-year	-	-	-	9.4	11.5
20-year	16.4	-	-	-	12.1
25-year	-	-	-	7.9	13.5
30-year	-	-	14.3	11.7	11.7

Appendix 1D Selected Macroeconomic and Social Indicators… Continued /1

Indicator	2017	2018	2019	2020	2021 2/
Balance of Payments Indicators (% of GDP)					
Current Account Balance	3.4	1.5	-3.1	-3.7	-0.4
Goods Account	3.5	4.9	0.6	-3.8	-0.7
Services Account (net)	-3.5	-6.2	-7.1	-3.7	-2.7
Income Account (net)	-2.5	-2.9	-2.1	-1.1	-1.9
Current Transfers	5.9	5.7	5.6	4.9	5.0
Capital and Financial Account Balance	1.4	0.0	4.5	0.2	-1.6
Overall Balance	3.3	0.8	-0.9	-0.4	0.1
Other External Sector Indicators					
External Reserves (US$ million)	39,353.5	42,594.8	38,092.7	36,476.9	40,230.8
Number of Months of Import Equivalent	14.5	12.5	7.4	8.4	9.6
Average Crude Oil Price (US$/barrel)	54.9	72.5	66.4	42.2	71.1
Average Official Rate (₦/US$)	305.8	306.1	306.9	358.8	400.1
End of Period Official Rate (₦/US$)	306	307	307	381	435
Average Bureau de Change Exchange Rate (₦/US$)	395.4	361.5	359.5	433.7	-
End of Period Bureau de Change Exchange Rate (₦/US$)	363	361	362	465	-
Social Indicators					
Population (million)	190.87	195.87	200.96	206.3	211.5
Population Growth Rate (%)	2.6	2.6	2.5	2.6	2.5
Unemployment Rate (%)	18.8	23.13	-	33.3	-

Sources: Central Bank of Nigeria (CBN), Federal Ministry of Finance (FMF), National Bureau of Statistics (NBS), National Population Commission (NPOPC), Nigeria National Petroleum Corporation (NNPC), Nigerian Stock Exchange (NSE)
1/ Revised
2/ Provisional
3/ Based on GDP measured at basic prices.
4/ Core Inflation is measured as the rate of change of all-item Consumer Price Index (CPI) less farm produce.
5/ Includes State Government Debts
All ratios of GDP are computed based on GDP at Current Market Prices.
M1 = Narrow Money Supply; M2 = Broad Money Supply (M2); M3 = Broad Money Supply (M3); GDP = Gross Domestic Product; CIC = Currency in Circulation
COB = Currency Outside Banks; QM = Quasi-Money.