# CENTRAL BANK OF NIGERIA ECONOMIC REPORT

February 2023

# ABOUT THE REPORT

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

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

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# EXECUTIVE SUMMARY


*Global economic activities chronicled a turnaround in February 2023, as the Purchasing Managers' Index (PMI) surpassed the threshold level for the first time in seven months. The improvement in PMI was due to sustained expansion in services and renewed expansion in manufacturing sectors. The global composite PMI rose to 52.1 index points from 49.7 index points in the preceding month. Amidst headwinds from higher interest rates and cost of living squeeze, economic activities brightened in most Advanced Economies (AEs) on account of alleviated supply constraints. Economic activities in selected Emerging Markets and Developing Economies (EMDEs) expanded following the rise in manufacturing and service output in China, as the economy entered a post-COVID recovery stage. Consumer prices moderated in most AEs and EMDEs on the back of sharp drop in energy prices, and declines in food and non-food commodities, respectively.*

*Crude oil spot prices rose due to increased demand from China, following the reopening of its borders. The average spot price of Nigeria's reference crude oil, the Bonny Light (34.9° API), rose by 1.49 per cent to US$86.40 per barrel (pb), from US$84.78 pb in the preceding month. The prices of UK Brent, Forcados, West Texas Intermediate (WTI), and OPEC Reference Basket (ORB) at US$82.78 pb, US$86.24 pb, US$79.05 pb and US$81.86 pb, respectively, all exhibited similar upward movement.*

*On the domestic front, the pace of business activities slowed, following a fall in consumer demand, resulting in a decline in new orders, thereby leading firms to cut down on employment. Hence, the composite PMI contracted to 41.0 index points from 50.0 index points in the preceding period. Inflationary pressures persisted, following the increase in the food component of the CPI basket. Thus, headline inflation (Year-on-Year) rose to 21.91 per cent from 21.82 per cent in January 2023.*

*Fiscal conditions deteriorated in the review period as realized revenue fell short of the budget. Accretion to the federation account decreased by 32.3 per cent in February, relative to the preceding month, on account of the 60.2 per cent fall in oil revenue, which led to the expansion of provisional overall fiscal deficit by 29.0 per cent due to a 13.3 per cent surge in provisional FGN capital expenditure, and a 26.1 per cent fall in FGN retained revenue. Total public debt at ₦46,250.37 billion (or 23.2 per cent of GDP) at end-December 2022, remained within the statutory threshold.*

*The banking system remained healthy, as revealed by the benchmark indicators. The Bank sustained its tight policy stance to moderate the growth of money supply and rein in inflation. Developments in the monetary sector, reflected the sustained lethargic growth in key monetary aggregates, as the Bank's Currency Redesign and Cash-less Policy began to yield expected results. Banking system liquidity fell, leading to an increase in key money market rates and higher activities at both the Standing Lending and Standing Deposit Facilities windows. Activities on the Nigerian Exchange Limited were bullish, propelled by improved macroeconomic performance and higher corporate earnings/results declarations in 2022.*

*Activities in the external sector indicated that trade performance maintained a surplus position in February, despite higher import bills. However, foreign capital inflow into the economy declined significantly, as uncertainties surrounding the macroeconomy and the general elections heightened investors' apathy. The external reserves stood at US$36.05 billion, above the benchmark of three months of import cover. The average exchange rate of the naira to the US dollar at the I&E window appreciated by 0.03 per cent to ₦460.84/US$, from ₦460.99/US$ in the preceding month.*

*The prospect for the global economy is bright owing to the expectation of expansion, albeit at a slower pace, due to expected tight financial conditions. Global inflation is expected to trend downward on account of the anticipated effects of monetary policy tightening across several central banks. Similarly, Nigeria's economic growth outlook remains positive in the near term amid mounting downside risks, predicated on the assumption of a sustained trend in crude oil prices and improvement in production levels. Inflationary pressures are expected to moderate in the near term owing to relative stability in the exchange rate, tight monetary conditions, and improvement in global supply chains. A favourable outlook is also expected for external reserves in the near term. The improvement in the external reserves position is predicated on the assumption that crude oil prices and domestic crude production remain favourable.*

# 1.0 GLOBAL ECONOMIC DEVELOPMENTS

## 1.1 Global Economic Activity

***Global Economic Activity***

***Global economic activities recorded a turnaround in February 2023, as the Purchasing Mangers' Index (PMI) surpassed the threshold level for the first time in seven months.*** The improvement in PMI was due to sustained expansion in services and renewed expansion in manufacturing sectors. Other factors that boosted global economic activities included lower recession concerns, the peaking of cost pressures, the easing of supply chain disruptions and the reopening of China's economy. The global composite Purchasing Managers Index (PMI)1 rose to 52.1 index points in February 2023, from 49.7 in the preceding month. The manufacturing PMI expanded to 50.0 index points, compared with 49.1 index points in the preceding month. The services PMI improved to 52.6 basis points in February, from 50.0 points in the previous month. The key drivers for the improvement in global manufacturing and service PMI are the expansion in global trade and the bolstering of confidence accentuated by the economic recovery.

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

| | Dec-22 | Jan-23 | Feb-23 |
|---|---|---|---|
| **Composite** | 48.2 | 49.7 | **52.1** |
| Employment Level | 50.2 | 50.4 | 51.6 |
| New Business Orders | 47.7 | 49.8 | 51.3 |
| New Export Business Orders | 46.7 | 47.8 | 48.7 |
| Future Output | 61.0 | 64.1 | 64.8 |
| Input Prices | 59.7 | 60.9 | 59.8 |
| Output Prices | 55.1 | 55.0 | 55.3 |
| **Manufacturing** | 48.7 | 49.1 | **50.0** |
| **Services (Business Activity)** | 48.1 | 50.0 | **52.6** |
| New Business | 48.2 | 50.6 | 52.0 |
| New Export Business | 48.2 | 48.9 | 50.0 |
| Future Activity | 61.4 | 64.7 | 65.6 |
| Employment | 50.4 | 50.6 | 51.7 |
| Outstanding Business | 48.8 | 49.1 | 50.4 |
| Input Prices | 60.8 | 62.4 | 61.3 |
| Prices Charged | 55.3 | 55.0 | 55.5 |

***Source:*** *J.P. Morgan*
***Note:*** *Above 50 index points indicates expansion.*

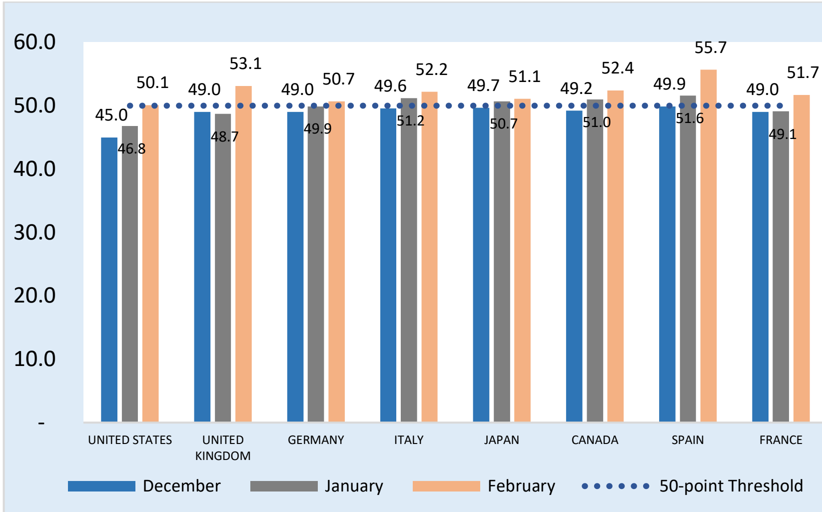
[1] J.P. Morgan Index

***Economic Activity in Advanced Economies***

***Amidst the headwinds from higher interest rates and the cost-of-living squeeze, economic activities brightened in most Advanced Economies (AEs) on account of alleviated supply constraints.*** Consequently, the PMI for most of the AEs indicated an expansion of business activities when compared to the previous month's level. Specifically, business activities in the US bounced back in February as the PMI unexpectedly increased to 50.1 index points from 46.8 index points in the previous month. The rebound in business activity fits in with the robust data, which suggests a solid momentum in the economy at the beginning of the year. In Canada, the manufacturing PMI rose further to 52.4 index points from 51.0 index points in the preceding month. The expansion in both output and new business orders came mainly from firmer domestic demand. In the UK, there was a solid increase in economic activity as the PMI rose to 53.1 index points in February 2023 from 48.7 index points in the preceding month. The rise was due to an improvement in the service sector, which expanded for the first time in eight months.

In Italy, the PMI increased to 52.2 index points from 51.2 index points in January 2023, supported by broad-based expansion in both the manufacturing and services sectors. This reflected an upswing in demand, which showed better-than-expected resilience as inflation and recession fears lessened and supply constraints eased. In the same vein, Japan recorded its quickest pace of expansion in four months driven by an increase in new business orders as the PMI rose to 51.1 index points in the reporting month from 50.7 index points in January. Germany's PMI rose to 50.7 index points in February from 49.9 in the previous month, underpinned by an uptick of activity in the service sector and broad-based growth in output for private companies. In Spain, the increase in PMI to 55.7 index points from 51.6 index points in the review period was prompted by improvements in both the manufacturing and services sectors. The improvement in the service sector spurred economic activities above the threshold level for the first time in four months in France, as the PMI rose to 51.7 index points in February from 49.1 index points in the previous month.

**Figure 1: PMIs of Selected Advanced Economies**




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

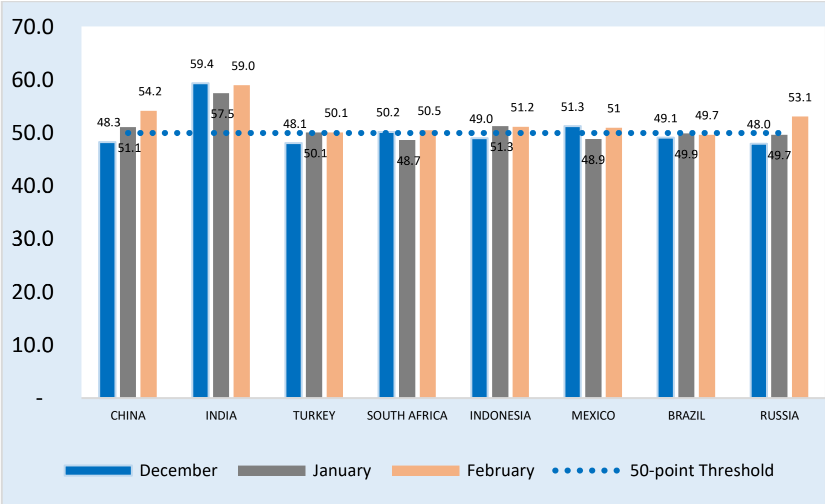
***Economic Activity in Emerging Markets and Developing Economies***

***Economic activity in the selected Emerging Markets and Developing Economies (EMDEs) improved in the month under review.*** India's PMI moved up to 59.0 index points from 57.9 index points in the previous month, driven by an upturn of new business activities in both services and manufacturing sectors. In China, the PMI rose to 54.2 index points in the month under review from 51.1 index points in the preceding month. The upturn was propelled by a renewed rise in manufacturing output and a sharper gain in services activity, as the Chinese economy enters a post-COVID recovery. In addition, the employment rate was at a 27-month high, linked to renewed increases in staffing levels across both the manufacturing and service sectors.

In South Africa, economic activity improved as the PMI rose to 50.5 index points from 48.7 index points in the previous month. This was driven by a slight pick-up in the performance of the private sector following five consecutive months of contraction. In Mexico, new orders amid a substantial uptick in international demand supported an increase in economic activity. Furthermore, the manufacturing PMI rose to 51.0 index points in February from 48.9 index points in the previous month. In Russia, the PMI edged up to 53.1 index points from 49.7 index points in the previous month. The expansion of economic activity stemmed mainly from the increase in demand from domestic consumers as new export orders fell further. Turkey's manufacturing PMI remained unchanged and above the threshold levels at 50.1 index points in February 2023, as some firms paused production due to the earthquake.

In Indonesia the PMI slowed, albeit within the expansion region to 51.2 index points in February from 51.3 index points in the preceding month. The slower pace of growth was attributed to a decline in new export orders. Similarly, the PMI in Brazil contracted marginally to 49.7 index points from 49.9 index points in the preceding month. The contraction in economic activity was attributed to client uncertainty that undermined new work intake in the service sector, as well as political uncertainty and high-interest rates.

**Figure 2: PMIs of Selected EMDEs**




***Source:*** *Trading Economics/Various Country Websites.*
***Note:*** *PMI for Turkey and Indonesia were based on Manufacturing PMI.*

## 1.2 Global Inflation

***Inflation in AEs***

***A sharp drop in energy prices progressively brought about moderation in consumer prices in some AEs, while others grappled with the lingering effects of the energy price shock.*** Consumer prices in the US fell further to 6.00 per cent in February 2023 from 6.40 per cent in January, driven by falling food prices and energy costs. In Japan, prices declined to 3.30 per cent from 4.30 per cent in the preceding month on account of a drop in the cost of transportation, fuel prices, and light and water charges. Similarly, the inflation rate in Italy fell to 9.10 per cent from 10.10 per cent in the previous month. In Canada, an elevated base year comparison and a slowing economy drove energy costs down as consumer prices slowed to 5.20 per cent in February from 5.90 per cent in January. The inflation rate remained unchanged in Germany at 8.70 per cent as the increase in the price of services was offset by the slowed increase in energy costs.

However, prices edged higher in the UK to 10.40 per cent from 10.10 per cent in the preceding month. The upward increase in prices was driven by the cost of food and non-alcoholic beverages, as the energy price shock from last year continued to filter through to the cost of goods and services. Also, the inflation rate in France rose to 6.30 per cent from 6.00 per cent in January, on account of pressure from food prices, as costs of energy eased. The elevated increase in the prices of food and non-alcoholic beverages drove Spain's inflation to 6.00 per cent from 5.90 per cent in the preceding month.

**Table 2: Inflation Rates in Selected Economies**

| Country | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 |
|---|---|---|---|---|---|---|---|
| United States | 8.30 | 8.20 | 7.75 | 7.10 | 6.50 | 6.40 | 6.00 |
| United Kingdom | 9.90 | 10.10 | 11.10 | 10.07 | 10.50 | 10.10 | 10.40 |
| Japan | 3.00 | 3.00 | 3.70 | 3.80 | 4.00 | 4.30 | 3.30 |
| Canada | 7.00 | 6.90 | 6.90 | 6.80 | 6.30 | 5.90 | 5.20 |
| Germany | 7.90 | 10.00 | 10.40 | 10.00 | 8.60 | 8.70 | 8.70 |
| France | 5.90 | 5.60 | 6.20 | 6.20 | 5.90 | 6.00 | 6.30 |
| Italy | 8.40 | 8.90 | 11.90 | 11.80 | 11.60 | 10.10 | 9.10 |
| Spain | 10.50 | 8.90 | 7.30 | 6.80 | 5.70 | 5.90 | 6.00 |
| China | 2.50 | 2.80 | 2.17 | 1.60 | 1.80 | 2.10 | 1.00 |
| South Africa | 7.60 | 7.80 | 7.60 | 7.40 | 7.20 | 6.90 | 7.00 |
| India | 7.00 | 7.41 | 6.77 | 5.88 | 5.72 | 6.52 | 6.44 |
| Mexico | 8.70 | 8.70 | 8.41 | 7.80 | 7.82 | 7.91 | 7.62 |
| Indonesia | 4.69 | 5.95 | 5.71 | 5.42 | 5.51 | 5.28 | 5.47 |
| Turkey | 80.20 | 83.45 | 85.51 | 84.39 | 64.27 | 57.68 | 55.20 |
| Brazil | 8.73 | 7.17 | 6.47 | 5.90 | 5.79 | 5.77 | 5.60 |
| Russia | 14.30 | 13.70 | 12.60 | 12.00 | 11.90 | 11.80 | 11.00 |

**Source:** *Trading Economics.*

***Inflation in EMDEs***

***Inflationary pressures receded in most Emerging Markets and Developing Economies (EMDEs)***. In China, consumer prices fell to 1.00 per cent from 2.10 per cent in the previous month, driven majorly by a sharp decline in both food and non-food goods, as consumers stayed cautious despite the removal of the zero-COVID policy. In the same vein, consumer prices in India fell slightly to 6.44 per cent in February from 6.52 per cent in the preceding month, attributed to a slowdown in the cost of fuel and light.

In Mexico, inflation eased to 7.62 per cent in February from 7.91 per cent in the previous month on account of slowing food prices. In Turkey, prices moderated to 55.20 per cent in February from 57.68 per cent in the preceding month, driven by a softer pace in all components except education. Also, in Brazil, consumer prices fell to 5.60 per cent in February from 5.77 per cent in the preceding month, driven by a decline in food and beverages, personal expenses, and transportation prices. Russia recorded its lowest rate of inflation since the invasion of Ukraine as consumer prices fell to 11.00 per cent in February from 11.80 per cent in the previous month. This was driven by a fall in food and non-food products, as well as services. On the contrary, consumer prices in Indonesia rose to 5.47 per cent from 5.28 per cent in the previous month. The rise in inflation was driven by the cost of food and clothing ahead of the Ramadan season. Similarly, consumer prices rose to 7.00 per cent from 6.90 per cent in South Africa, driven by pressure from food, non-alcoholic beverages, and transportation prices.

## 1.3 Global Financial Markets

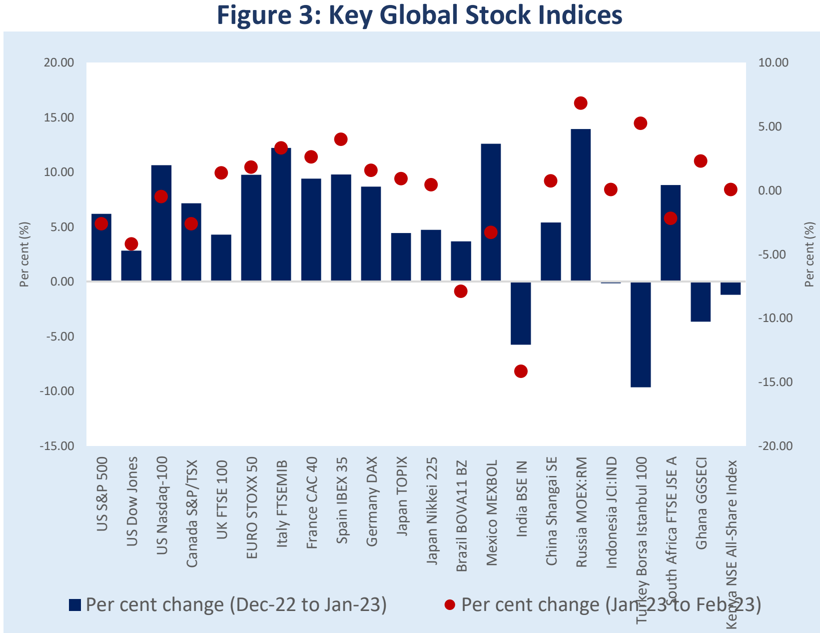
***Global financial conditions remained tight as contractionary policy measures to rein in elevated inflation continued***. Global equities declined during the month following a sharp rally in January, government bond yields rose further, and some currencies depreciated against the dollar. Performance was mixed in advanced markets. North American equity markets posted losses, while markets in Europe and Japan mostly posted gains at the end of February. Specifically, in the US markets, the S&P500, Dow Jones and NASDAQ fell by 2.61, 4.19 and 0.49 per cent, respectively. This was attributed to lower sentiments in the markets, given expectations of the US Fed maintaining high-interest rates for a longer period to control inflation. Similarly, the S&P/TSX in Canada fell by 2.63 per cent, led by broad-based declines in the technology and financial sectors. This was due to the spillover of weak sentiments on Wall Street, despite the easing of domestic inflation pressures.

Conversely, the EURO STOXX 50 rose by 1.80 per cent in February, following a rebound in business activity as the PMI rose to 52.3 index points from 50.3 index points in the previous month. Specifically, within Europe, the lead indices of the Spanish, Italian, French, and German stock markets all gained by 3.99, 3.30, 2.62 and 1.57 per cent, respectively at the end-February 2023. In Spain, manufacturing business activity rebounded from contractionary territory, while gains were fueled by rising business sentiment for the fourth consecutive month in Germany. The UK FTSE-100, gained 1.35 per cent at end-February 2022, owing to greater market optimism as the economy's performance has been more resilient than expected. In Japan, the depreciation of the Yen supported market sentiment for export-based companies. Consequently, the TOPIX and NIKKEI 225 gained by 0.91 and 0.43 per cent, respectively.

Equity markets in the EMDEs, underperformed AE markets in February, closing broadly lower than the level in the previous month. In Brazil, the BOVA11 BZ fell by 7.91 per cent owing to rising interest rates and a stronger dollar, coupled with investors' cautiousness given the new government. The South African JSE All-Share Index decreased by 2.19 per cent subdued by continued power outages and the manufacturing PMI, which remained in contractionary territory.

Notwithstanding, some markets posted positive returns. For instance, the Chinese Shanghai Stock Exchange-A and the Turkish BORSA Istanbul 100 indices grew by 0.74 and 5.24 per cent, respectively. The relaxation of COVID-19 restrictions induced gains in the Chinese stock markets, which positively impacted investors' sentiments. In Turkey, gains were due to investors' confidence, boosted by Turkey's Sovereign Wealth Fund announcing support to equity markets with a new internal mechanism established to contain the market fallout, following the earthquake incident earlier in the month of February.

**Figure 3: Key Global Stock Indices**

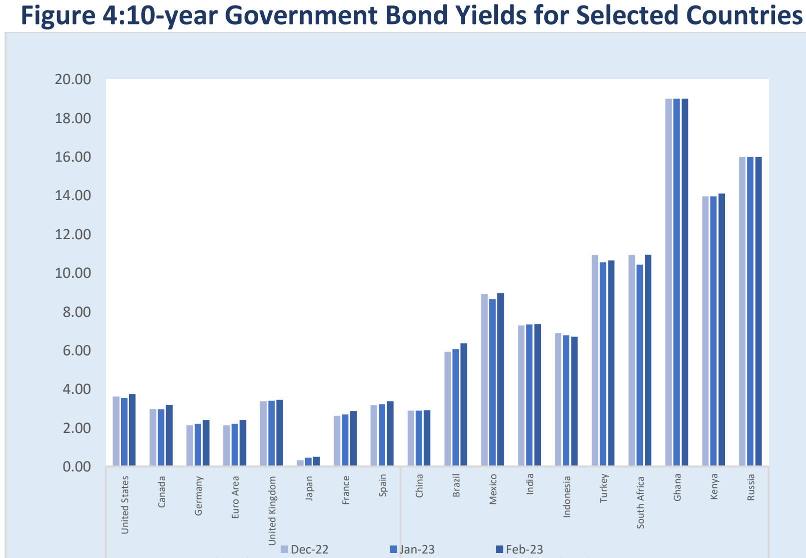



***Source:*** *Bloomberg.*

Yields on long-term government treasury bonds in most advanced and emerging economies rose marginally. Consequently, prices fell, influenced by monetary policy tightening by some central Banks. The US Federal Reserve, Bank of Canada, Bank of England, European Central Bank, Reserve Bank of India, and Bank of Mexico hiked their key policy rates between January and February, maintaining their hawkish stance. In the US and Canada, the 10-year Treasury yield stood at 3.75 per cent and 3.18 per cent, respectively, in February, indicating a 0.20 and 0.23 percentage point increase above the levels recorded in the previous month. Similarly, in the UK and the euro area, the 10-year government bond yield rose to 3.44 per cent and 2.41 per cent, from 3.40 per cent and 2.21 per cent in January 2023, respectively.

In the EMDEs, Mexico, China, and India's 10-year government bond yield rose to 8.96 per cent, 2.90 per cent and 7.35 per cent, representing 0.61 per cent, 0.01 per cent and 0.02 percentage point increase from the level recorded in the previous month, respectively. In Indonesia, however, the continued surge in subscription to government bonds by foreign investors resulted in a decrease in the yield on 10-year government bonds to 6.70 per cent.

**Figure 4:10-year Government Bond Yields for Selected Countries**

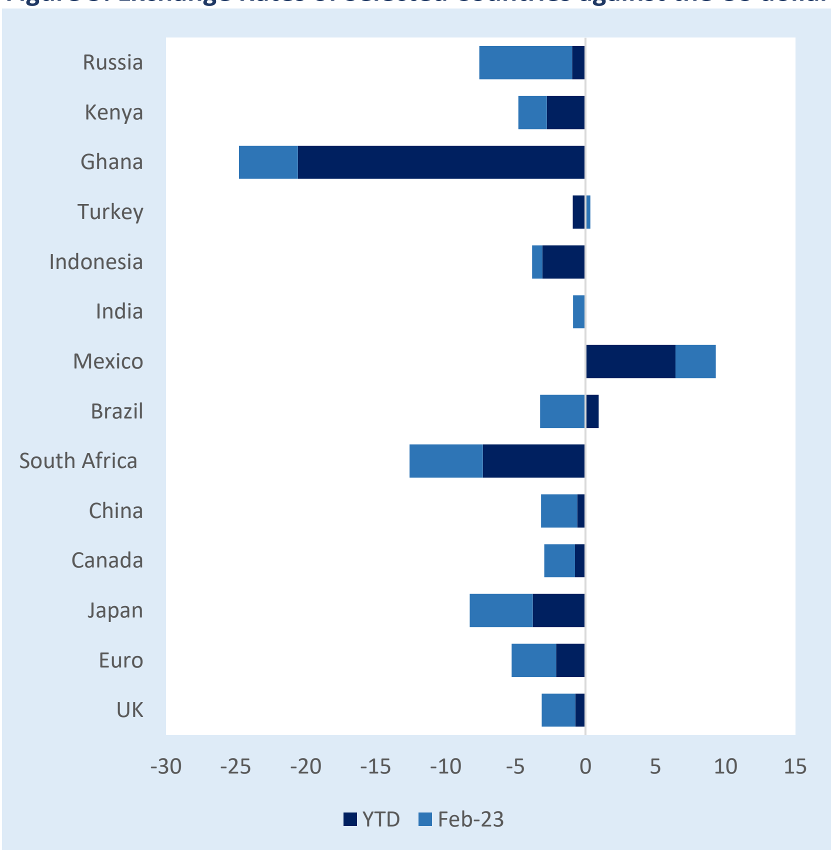



***Source:*** *Bloomberg*

In terms of currencies, the US dollar strengthened during the month, following the US Fed's continued rate hikes and stronger-than-expected data on the US job market, resulting in a broad-based depreciation of most sampled currencies. Major currencies in AEs depreciated against the US dollar, following country-specific peculiarities, in particular, the energy crisis in parts of Europe and the uncertainty surrounding the bond yield control policy after the announcement of a new head of the apex bank in Japan. Specifically, the Canadian dollar, British pound, euro, and Japanese yen depreciated by 2.21 per cent, 2.41 per cent, 3.16 per cent, and 4.50 per cent, respectively.

Currencies in most EMDEs followed a similar trend, with the Brazilian real, Russian ruble, Indian rupee, and Ghanian cedi, depreciating by 3.24 per cent, 3.16 per cent, 0.88 per cent and 4.22 per cent, respectively. In addition to the gains of the US dollar, other factors such as rising fiscal uncertainties in Brazil, falling oil revenues in Russia, weak domestic markets in India, and lower capital inflows to Ghana contributed to the country-specific developments. Generally, insufficient US dollar supply to fulfil demand led to the depreciation of the respective currencies vis-à-vis the US dollar. Albeit, the Mexican peso remained resilient during the month, appreciating by 2.89 per cent, supported by a strong fiscal environment.

**Figure 5: Exchange Rates of Selected Countries against the US dollar**




**Source:** Bloomberg

## 1.4 Global Commodity Market

**World Crude Supply and Demand**

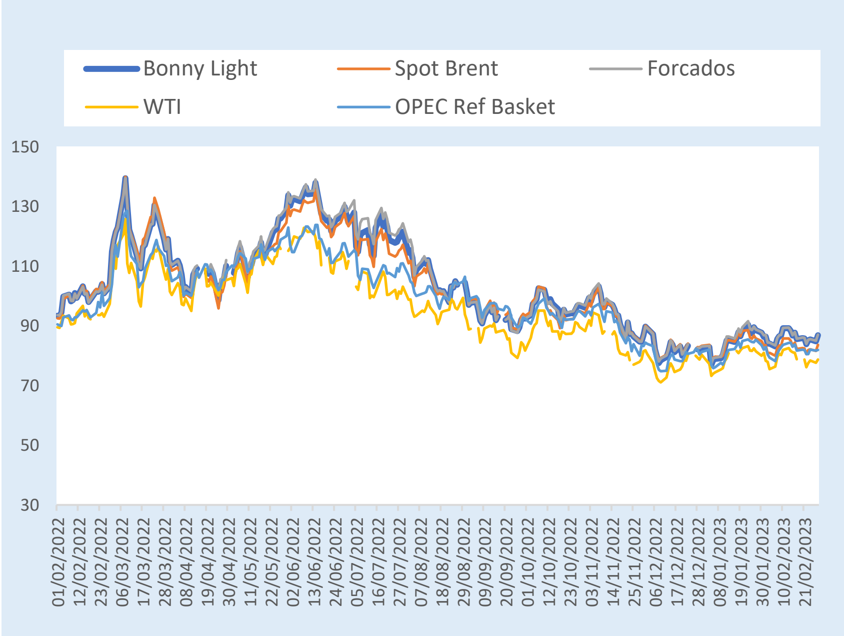
***Total world crude oil supply declined as production in Russia and OECD countries fell.*** Total world crude oil supply declined by 0.16 per cent to 100.79 million barrels per day (mbpd) in February 2023, below the 100.95 mbpd recorded in the previous month. The decline was due, largely, to decreased supply from Russia as western sanctions restrained European demand for Russian crude. Non-OECD supply declined by 0.01 per cent to 67.39 mbpd, from 67.40 mbpd in the previous month. Similarly, the total OECD supply fell by 0.45 per cent to 33.40 mbpd in February 2023, from 33.55 mbpd in the previous month.

OPEC crude oil production rose by 1.31 per cent to 28.67 mbpd in February 2023, from 28.30 mbpd in the preceding month. This increase was primarily due to increased production, especially in Iraq, Nigeria, and Saudi Arabia. On the demand side, total world demand rose by 2.42 per cent to 100.70 mbpd, from 98.32 mbpd in the preceding month. The development was driven by increased demand from China following the suspension of border controls introduced to curb the spread of COVID-19.

**Crude Oil Prices**

***Crude oil spot prices rose on the back of increased demand from China following the reopening of its borders***. The average spot price of Nigeria's reference crude oil, the Bonny Light (34.9° API), rose by 1.49 per cent to US$86.40 per barrel (pb), from US$84.78 pb in the preceding month. The prices of UK Brent at US$82.78 pb, Forcados at US$86.24 pb, WTI at US$79.05 pb and OPEC Reference Basket (ORB) at US$81.86 pb all exhibited similar upward movement.

**Figure 6: Global Crude Oil Prices (US$ per barrel) for February 2023**




***Source:*** *Refinitiv Eikon (Reuters)*

**Agricultural Commodity Prices**

***At the international front, prices recorded mixed developments amid the impact of the Russian-Ukraine war***. At 91.8 index points (Jan. 2010=100), the all commodities index was 0.2 per cent lower than its level in the previous month. The decline in the overall index was supported by a strong fall in the prices of rubber, cotton, and wheat by 8.0 per cent, 9.1 per cent, and 9.2 per cent, respectively.

The decline in the price of rubber and cotton was a result of subdued global demand, especially with the COVID-19 resurgence in China, while the expectations of ample supplies from the world's leading exporters coupled with the release of 5 million metric tons of wheat from Indian stock in 2023 drove the fall in wheat prices. On the other hand, the prices of groundnut, cocoa, palm oil, and coffee edged up during the month, partly, on the back of supply shortages from producing countries, labour shortages, particularly in the palm oil segment, unfavourable weather conditions, and rising global demand, which more than offset available stock.

**Table 3: Indices of Average World Prices of Nigeria's Major Agricultural Export Commodities**

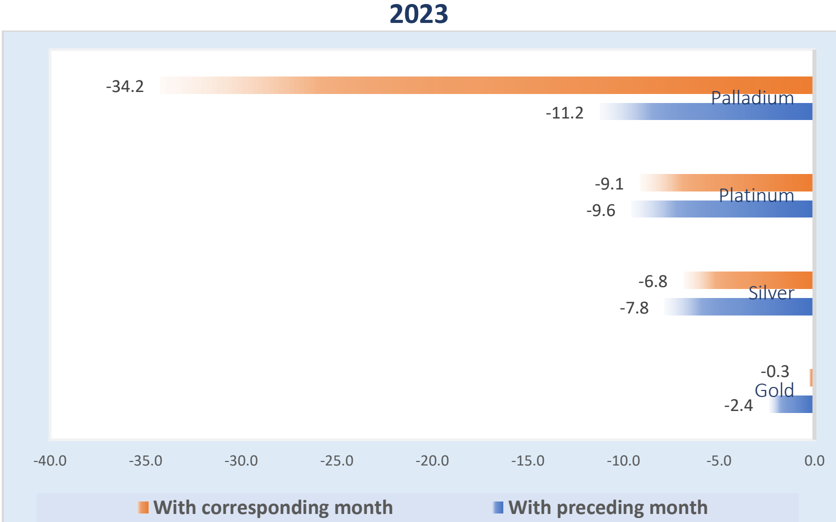
| COMMODITY | Feb. 2022 | Jan. 2023 | Feb. 2023 | % Change | |
|---|---|---|---|---|---|
| | | | | (1) & (3) | (2) & (3) |
| | 1 | 2 | 3 | 4 | 5 |
| All Commodities | 95.5 | 92.0 | 91.8 | -3.8 | -0.2 |
| Cocoa | 80.7 | 85.6 | 87.5 | 8.5 | 2.2 |
| Cotton | 78.6 | 59.7 | 54.3 | -31.0 | -9.1 |
| Coffee | 116.9 | 102.2 | 113.8 | -2.6 | 11.4 |
| Wheat | 122.1 | 124.1 | 112.6 | -7.8 | -9.2 |
| Rubber | 37.9 | 30.1 | 27.7 | -27.1 | -8.0 |
| Groundnut | 107.8 | 143.6 | 144.6 | 34.2 | 0.7 |
| Palm Oil | 108.9 | 76.3 | 81.1 | -25.6 | 6.3 |
| Soya Beans | 111.1 | 114.8 | 113.2 | 1.9 | -1.4 |

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

***Other Mineral Commodities***

***The average spot prices of gold, silver, platinum and palladium fell in February 2023 as demand for precious metals fell, due to, the strengthening of the US Dollar as well as expectations that the Federal Reserve would raise interest rates further to tackle inflation***. The average spot prices of gold and silver declined by 2.37 per cent and 7.83 per cent, month-on-month, to sell at US$1,853.62 per ounce and US$21.90 per ounce, respectively. Similarly, the prices of platinum and palladium declined by 11.21 per cent and 9.58 per cent, to sell at US$950.47 per ounce and US$1,538.36 per ounce (Figure 7).

**Figure 7: Price Changes in Selected Metals (per cent) for February 2023**




***Source:*** *Refinitiv Eikon (Reuters)*

# 2.0 DOMESTIC ECONOMIC DEVELOPMENTS

## 2.1 REAL SECTOR DEVELOPMENTS

*Summary*

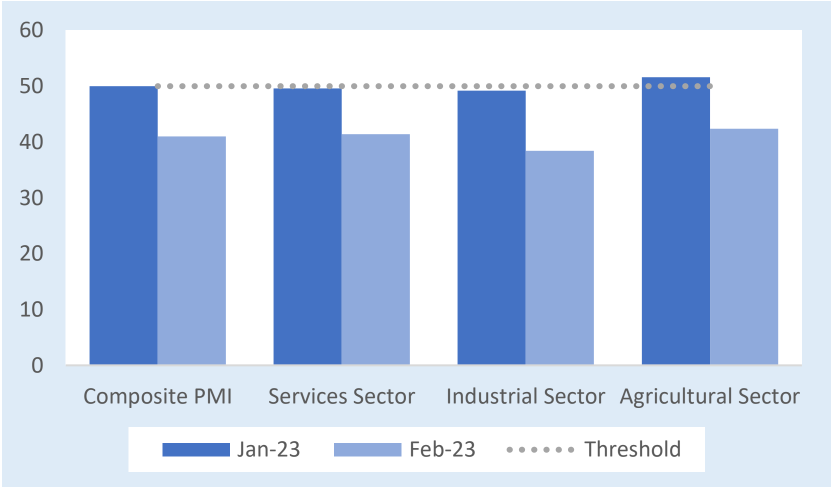
*Business activities in February 2023 lost momentum, following a fall in consumer demand and production levels. Consequently, the composite Purchasing Managers Index (PMI) contracted in the review period. Headline inflation inched up to 21.91 on the back of increased food prices. Domestic crude oil production improved to 1.31 mbpd from 1.26 mbpd in January 2023.*

### 2.1.1 Business Activities

***Purchasing Managers' Index***

***The pace of business activities slowed in February 2023, following a fall in consumer demand, resulting in a decline in new orders, thereby leading firms to cut down on employment.*** Thus, the composite Purchasing Managers Index (PMI) contracted to 41.0 index points, compared with 50.0 index points in the preceding period. The contraction was due to a decline in the activities of the agriculture, services and industry sectors.

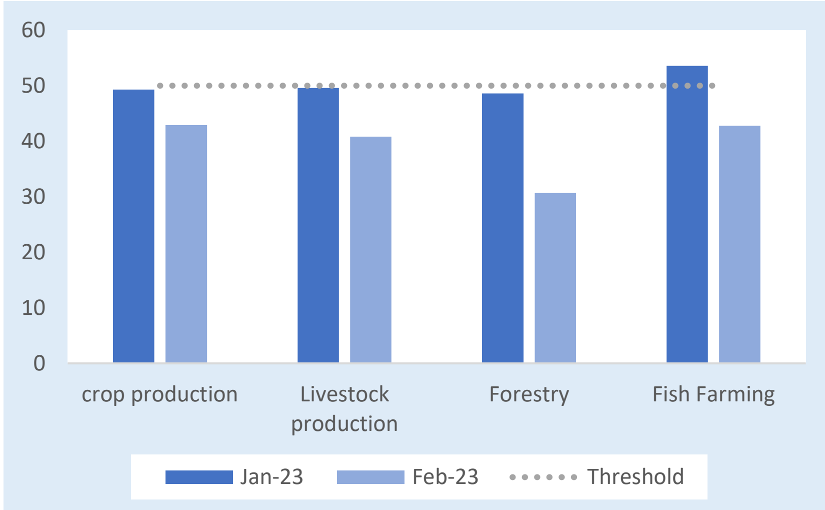
**Figure 8: Composite, Industry, Services and Agriculture PMI**




***Source:*** *Compiled by Statistics Department*

A disaggregation shows that the agriculture sector PMI contracted to 42.4 index points, relative to 51.6 index points in January. The development was driven by a decline in crop production, and livestock farming occassioned partly by low dry season farming and low demand for livstock produce, respectively. Other subsectors that recorded slower growth include fish farming and forestry.

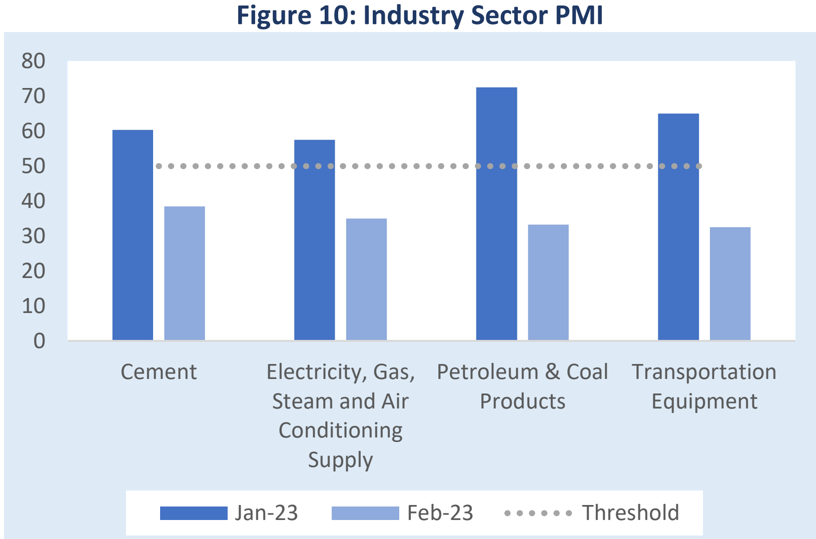
**Figure 9: Agricultural sector PMI**




***Source:*** *Compiled by Statistics Department*

The Industry sector PMI contracted further to 38.4 index points in February 2023, below the 49.2 index points in the preceding month. The decline was attributed to lower consumer demand, which was reflected in the cement, transportation equipment, Petroleum and Coal Products, Electricity, Gas, Steam and Air Conditioning Supply subsectors, among others.

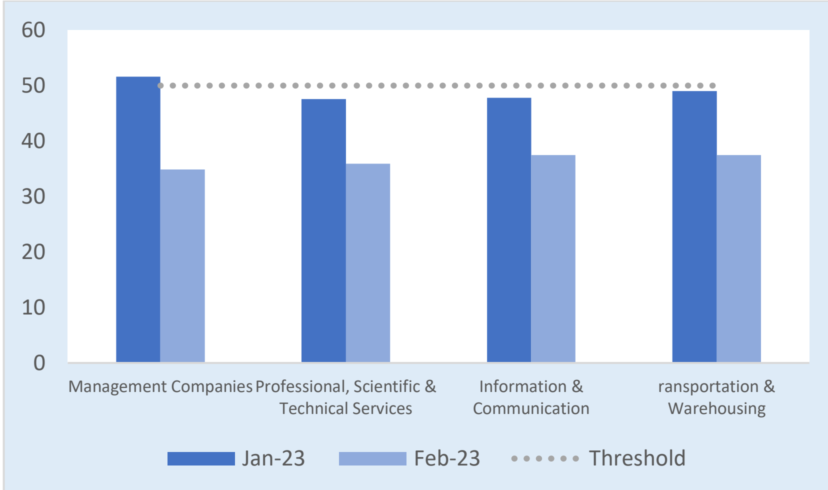
**Figure 10: Industry Sector PMI**




***Source:*** *Compiled by Statistics Department*

Also, the services sector's PMI further contracted to 41.4 index points in February from 49.6 index points in the preceding month, on the back of a decrease in new orders. The decline was reflected by a fall in activities in management companies, professional scientific & technical services, information and technology,transportation & warehousing subsectors, among others.

**Figure 11: Services Sectors PMI**




***Source: C****ompiled Statistics Department*

**Table 4: Composite, Industry, Services and Agriculture Purchasing Managers' Index**

| ***Components*** | ***Jan-23*** | ***Feb-23*** |
|---|---|---|
| ***Composite PMI*** | ***50.0*** | ***41.0*** |
| ***Industry Sector PMI*** | ***49.2*** | ***38.4*** |
| *Production Level* | *49.4* | *37.2* |
| *New Orders* | *47.3* | *32.5* |
| *Supplier Delivery Time* | *53.2* | *43.1* |
| *Employment Level* | *49.6* | *43.3* |
| *Raw Material Inventory* | *48.0* | *42.2* |
| ***Services Sector PMI*** | ***49.6*** | ***41.4*** |
| *Business Activity* | *50.4* | *36.2* |
| *New Orders* | *47.8* | *36.9* |
| *Employment Level* | *51.2* | *45.9* |
| *Inventory* | *49.0* | *46.5* |
| ***Agricultural Sector PMI*** | ***51.6*** | ***42.4*** |
| *Farm Yield/Output* | *51.8* | *42.2* |
| *New Orders* | *53.2* | *36.1* |
| *Employment Level* | *47.2* | *42.6* |
| *Inventories* | *50.8* | *44.8* |
| *General Farming Activities* | *54.8* | *46.6* |

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

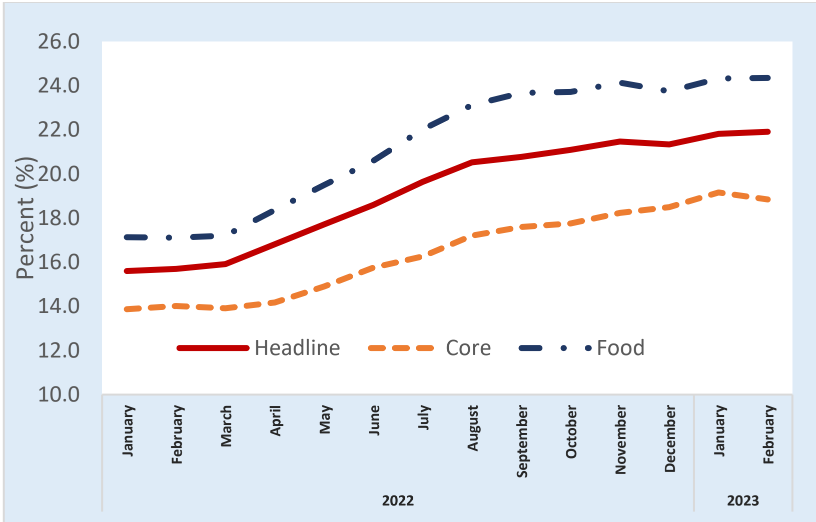
### 2.1.2 Price Developments

***Headline Inflation***

***Inflation rose in February 2023, following the increase in the food component of the CPI basket***. Thus, headline inflation (Year-on-Year) rose to 21.91 per cent from 21.82 per cent in January 2023. However, on a month-on-month basis, it fell to 1.71 per cent from 1.87 per cent in the preceding month. The period under review witnessed shortages in the supply of petroleum products across the country, particularly, the

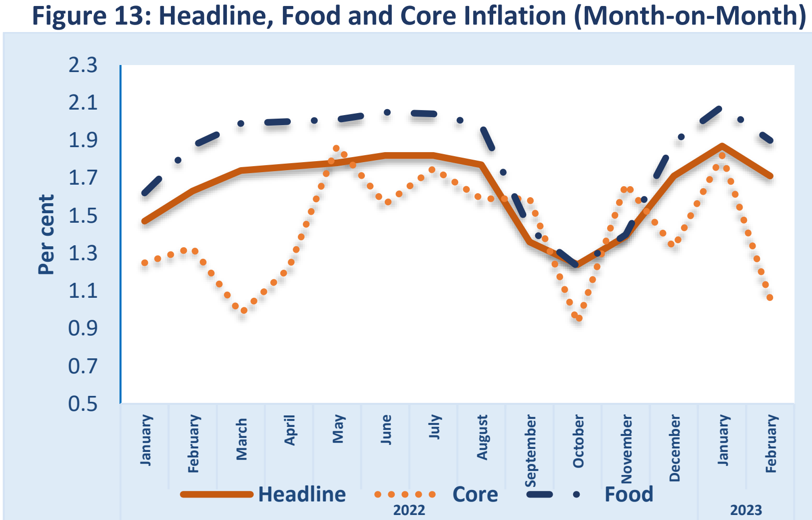
PMS, which impacted negatively on the cost of production, transport and logistics, thereby causing hike in food prices.

**Figure 12: Headline, Food and Core Inflation (Year-on-Year)**




***Source:*** *National Bureau of Statistics (NBS)*

**Figure 13: Headline, Food and Core Inflation (Month-on-Month)**




***Source:*** *NBS*

***Core Inflation***

Core inflation, on a year-on-year basis, moderated to 18.84 per cent from 19.16 per cent in the preceding month. The fall was attributed to a decrease in the cost of processed and locally manufactured goods, as well as subdued demand, following the CBN's contractionary monetary policy stance and naira redesign policy. Also, on a month-on-month basis, core inflation declined to 1.06 per cent from 1.82 per cent in the preceding month.

***Food Inflation***

However, food inflation, which is the main component of the CPI basket, on a year-on-year basis rose slightly to 24.35 per cent from

24.32 per cent in the preceding month. The increase was largely on the account of ripple effect of the shortage of PMS, higher fertilizer prices and lagged effect of floods on farm produce. But, on a month-on-month basis, it fell to 1.90 per cent, compared with 2.08 per cent in the preceding month.

### 2.1.3 Socio-Economic Developments

***Transportation***

The Federal Executive Council (FEC) approved the use of the Electronic Cargo Tracking System (ECT) known as Cargo Tracking Notes (CTN) to aid in the elimination of oil theft in the country. The system will tackle false declaration at ports, secure imports and exports, and provide transparency in cargo invoicing and declarations. The implementation of the scheme will also help curb revenue leakages, insecurity and improve safety at the nation's borders.

***Housing***

As part of measures to deliver decent, safe, and quality housing for Nigerian workers at affordable prices, the Federal Government commissioned 100 housing units at Ilara-Moki, in Akure, Ondo State. The housing programme is a collaboration between the Federal Mortgage Bank of Nigeria (FMBN), Nigeria Labor Congress (NLC), Trade Union Congress (TUC), and the Nigeria Employers' Consultative Association (NECA).

### 2.1.4 Domestic Crude Oil Market Developments

***Crude Oil Production and Export***

***Domestic crude oil production and export rose, mainly, due to increased surveillance around pipeline infrastructure, against crude oil theft and vandalism in the Niger Delta region***. Data from the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) showed that Nigeria's crude oil production increased by 4.0 per cent to 1.31 mbpd from 1.26 mbpd in the preceding month. Of the total produced, 0.45 mbpd was allocated for domestic refining for the Direct Sale Direct Purchase (DSDP) contract, while 0.86 mbpd was exported. Nigeria's production level remained below the OPEC monthly quota of 1.742 mbpd by 0.43 mbpd.

BOX 1 (DOMESTIC FOOD PRICES)

The impact of the 2022 flooding, lingering scarce and high-energy cost continued to fuel high food prices in February 2023.The growing imbalance between food supply and market demand pressure supported the upward price movement. Thus, the highest and lowest price increase were recorded for Irish potato at 3.3 per cent and tomatoes at 0.5 per cent, respectively during the review month. Other commodities that recorded price increases included; maize grain (yellow) 3.2 per cent, onion bulb (3.0 per cent), and palm oil and agric egg at 2.9 per cent apiece.

DOMESTIC PRICES OF SELECTED AGRICULTURAL COMMODITY PRICES FEBUARY 2023

| | | Feb. 2022 | Jan. 2023 | Feb. 2023 | % Change | % Change |
|---|---|---|---|---|---|---|
| | UNIT | 1 | 2 | 3 | (1) & (3) | (2) & (3) |
| *Agric eggs medium size* | *1kg* | *654.9* | *847.8* | *872.7* | *33.3* | *2.9* |
| *Beans: brown, sold loose* | " | *509.6* | *598.8* | *606.9* | *19.1* | *1.3* |
| *Beans: white black eye, sold loose* | " | *497.5* | *580.0* | *588.5* | *18.3* | *1.5* |
| *Gari white, sold loose* | " | *313.3* | *340.0* | *347.8* | *11.0* | *2.3* |
| *Gari yellow, sold loose* | " | *339.7* | *373.4* | *382.1* | *12.5* | *2.3* |
| *Groundnut oil: 1 bottle, specify bottle* | " | *971.0* | *1269.0* | *1304.8* | *34.4* | *2.8* |
| *Irish potato* | " | *430.5* | *561.9* | *580.3* | *34.8* | *3.3* |
| *Maize grain white, sold loose* | " | *287.6* | *330.2* | *338.1* | *17.6* | *2.4* |
| *Maize grain yellow, sold loose* | " | *289.7* | *332.3* | *342.8* | *18.3* | *3.2* |
| *Onion bulb* | " | *378.3* | *434.5* | *447.4* | *18.3* | *3.0* |
| *Palm oil: 1 bottle, specify bottle* | " | *825.5* | *1061.8* | *1092.5* | *32.3* | *2.9* |
| *Rice agric, sold loose* | " | *492.8* | *601.3* | *612.9* | *24.4* | *1.9* |
| *Rice local, sold loose* | " | *436.6* | *522.4* | *530.5* | *21.5* | *1.6* |
| *Rice, medium grained* | " | *487.4* | *583.3* | *595.2* | *22.1* | *2.1* |
| *Rice, imported high quality, sold loose* | " | *594.8* | *739.3* | *759.8* | *27.7* | *2.8* |
| *Sweet potato* | " | *227.2* | *274.7* | *278.5* | *22.6* | *1.4* |
| *Tomato* | " | *393.1* | *466.5* | *468.7* | *19.2* | *0.5* |
| *Vegetable oil: 1 bottle, specify bottle* | " | *950.5* | *1200.1* | *1223.9* | *28.8* | *2.0* |
| *Wheat flour: prepackaged (Golden Penny)* | *2kg* | *1021.7* | *1241.4* | *1261.6* | *23.5* | *1.6* |
| *Yam tuber* | *1kg* | *339.8* | *433.2* | *437.9* | *28.9* | *1.1* |

*Sources: Staff estimation based on data from the National Bureau of Statistics*

## 2.2 FISCAL SECTOR DEVELOPMENTS

Summary

*Accretion into the federation account decreased by 32.3 per cent in February relative to the preceding month, on account of the 60.2 per cent fall in oil revenue. The development led to the expansion of the overall fiscal deficit (provisional) by 22.8 per cent due to a 16.4 per cent surge in provisional FGN capital expenditure, and a 7.7 per cent fall in FGN retained revenue. Total public debt at ₦46,250.37 billion (23.2 per cent of GDP) at end-December 2022, remained within the 40.0 per cent national threshold.*

### 2.2.1 Federation Account Operations

***Drivers of Federation Revenue***

***Gross Federation Account revenue decreased in February due to a slump in oil revenue.*** At ₦1,038.28 billion, federation receipts were below the level in January by 32.3 per cent. Similarly, it was below the budget[2] of ₦1,580.34 billion by 34.3 per cent. The decline, relative to January was attributed to a fall in collections from Petroleum Profit Tax and Royalties. Oil revenue, at ₦308.07 billion, was 60.2 per cent below receipts in the preceding month. The outcome was driven, largely, by the 60.5 per cent decrease in collections from Petroleum Profit Tax and Royalties. Similarly, at ₦730.21 billion, non-oil revenue, was below the level in the preceding month and the monthly target by 3.7 per cent and 7.4 per cent, respectively. The decrease was largely attributed to the 10.5 per cent decline in collections from Corporate Tax on account of the seasonality associated with its payments.

[2] 2022 Budget was used, due to non-availability of detailed breakdown

## Table 5: Federally Collected Revenue and Distribution to the Three-Tiers of Government (₦' Billion)

| | Feb. 2022 | Jan. 2023 | Feb. 2023 | *Budget |
|---|---|---|---|---|
| **Federation Revenue (Gross)** | **665.79** | **1,532.77** | **1,038.28** | **1580.33** |
| **Oil** | **208.19** | **774.15** | **308.07** | **791.70** |
| *Crude Oil & Gas Exports* | 0.00 | 0.00 | 0.00 | 67.57 |
| *PPT & Royalties* | 157.64 | 767.69 | 303.19 | 530.91 |
| *Domestic Crude Oil/GasSales* | 41.92 | 0.00 | 0.00 | 42.04 |
| *Others* | 8.63 | 6.46 | 4.88 | 151.18 |
| **Non-oil** | **457.59** | **758.62** | **730.21** | **788.63** |
| *Corporate Tax* | 100.99 | 230.37 | 206.20 | 165.65 |
| *Customs & Excise Duties* | 129.17 | 131.67 | 139.43 | 154.88 |
| *Value-Added Tax (VAT)* | 191.22 | 250.51 | 250.01 | 203.48 |
| *Independent Revenue of Fed. Govt.* | 33.28 | 143.14 | 131.64 | 184.68 |
| *Others*** | 2.93 | 28.26 | 16.73 | 79.94 |
| **Total Deductions/Transfers** | ***196.32*** | ***592.75*** | ***416.91*** | ***334.87*** |
| **Federally-Collected Revenue** *Less Deductions & Transfers**** | **469.47** | **965.35** | **635.17** | **1,245.46** |
| *plus:* | | | | |
| **Additional Revenue** | **105.20** | **49.16** | **113.25** | **17.48** |
| *Balance in Special Account from 2019* | *0.00* | *0.00* | *0.00* | *0.00* |
| *Excess Crude Revenue* | *0.00* | *0.00* | *100.00* | *0.00* |
| *Non-oil Excess Revenue* | *100.00* | *24.32* | *13.25* | *17.48* |
| *Exchange Gain* | *5.20* | *24.84* | *0.00* | *0.00* |
| **Total Distributed Balance** | ***574.67*** | ***990.19*** | ***735.17*** | ***1,200.50*** |
| **Federal Government** | ***204.58*** | ***375.31*** | ***277.33*** | ***509.09*** |
| Statutory | *177.87* | *340.31* | *242.41* | *480.81* |
| VAT | *26.71* | *34.99* | *34.92* | *28.28* |
| **State Government** | ***179.25*** | ***299.56*** | ***244.98*** | ***345.54*** |
| Statutory | *90.22* | *182.92* | *128.57* | *251.29* |
| VAT | *89.03* | *116.64* | *116.40* | *94.25* |
| 13% Derivation | ***58.96*** | ***93.52*** | ***32.73*** | ***86.78*** |
| **Local Government** | ***131.88*** | ***221.81*** | ***180.13*** | ***259.09*** |
| Statutory | *69.55* | *140.16* | *98.65* | *193.11* |
| VAT | *62.32* | *81.65* | *81.48* | *65.98* |

**Source**: OAGF and CBN Staff Estimates

**Note**: *Budget is based on 2022 appropriation Act, ** Includes Education Tax, Customs Special Levies (Federation Account), National Technology Development, Customs Special Levies, Solid Mineral & Other Mining revenue, and other Non-regular earnings; *** Deductions includes cost of revenue collections and JVC cash calls; while transfers entails provisions for FGN Independent revenue and other Non-Federation revenue.

The sum of ₦735.17 billion was shared among the three tiers of government, after accounting for statutory deductions, transfers, and additional augmentation inflow. Of this amount, the Federal Government received ₦277.33 billion, while State and Local governments received ₦244.98 billion and ₦180.13 billion, respectively. The balance of ₦32.73 billion was appropriated to the 13.0% Derivation Fund for distribution among the oil-producing states. Disbursement in February was 25.8 per cent below the level in the preceding month, and 38.76 per cent, below the budget.

### 2.2.2 Fiscal Operations of the Federal Government

*Federal Government Retained Revenue*

***Provisional FGN retained Revenue declined, due to a drop in its share of federation account and independent revenue.*** At ₦478.57 billion, retained revenue of the FGN was below the level in January and the proportionate budget by 7.7 per cent and 42.4 per cent, respectively.

**Table 6: FGN Retained Revenue (₦ Billion)**

| | Feb. 2022 | Jan. 2023 | Feb. 2023 | *Budget |
|---|---|---|---|---|
| **FGN Retained Revenue** | **287.17** | **518.45** | **478.57** | **830.76** |
| *Federation Account* | 122.75 | *325.10* | *187.74* | *360.89* |
| *VAT Pool Account* | 26.71 | *34.99* | *34.92* | *26.39* |
| *FGN Independent Revenue* | 33.28 | *143.14* | *131.64* | *362.05* |
| *Excess Oil Revenue* | 0.00 | *0.00* | *52.68* | *0.00* |
| *Excess Non-Oil* | 52.68 | 3.65 | 1.99 | *0.00* |
| *Exchange Gain* | 2.44 | 11.56 | 0.00 | *0.00* |
| *Others*** | 49.31 | 0.00 | 69.60 | *81.43* |

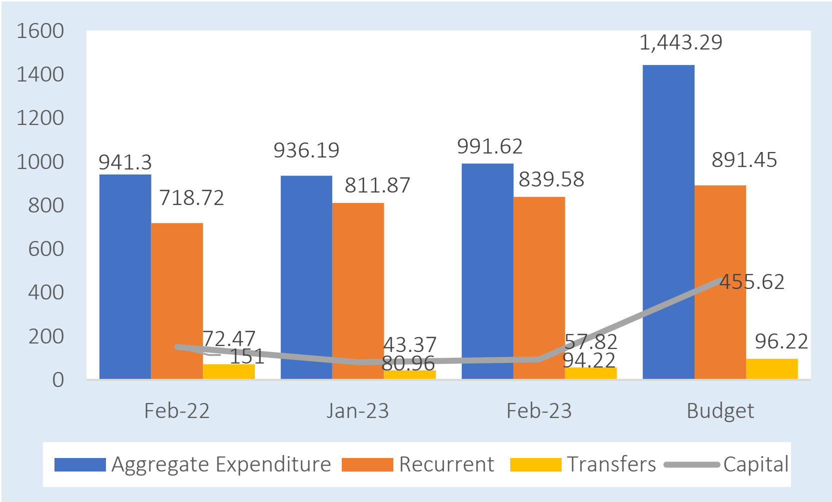
Source: Compiled from OAGF figures
Note: **Others include revenue from Special Accounts and Special Levies, *Based on 2022 appropriation Act

Note: The figures are provisional

*Federal Government Expenditure*

***Provisional aggregate expenditure increased on account of the rise in both recurrent and capital expenditures.*** Consequently, the provisional aggregate expenditure of the FGN at ₦991.62 billion rose by 5.9 per cent relative to the level in January and was 31.3 per cent below the monthly target. A breakdown of the expenditure reveals that recurrent expenditure, capital expenditure, and transfers accounted for 84.7 per cent, 9.5 per cent and 5.8 per cent of total expenditure, respectively.

**Figure 14: Federal Government Expenditure (₦ Billion)**




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

***Overall Fiscal Balance***

***The estimated overall fiscal deficit of the FGN expanded in February, due to a drop in the retained revenue.*** At ₦513.05 billion, the provisional fiscal deficit of the FGN rose by 22.8 per cent relative to the preceding month. However, it was 16.2 per cent below the budget benchmark.

**Table 7: Fiscal Balance (₦' Billion)**

| | Feb. 2022 | Jan. 2023 | Feb. 2023 | *Budget |
|---|---|---|---|---|
| Retained revenue | 287.17 | 518.45 | 478.57 | 830.76 |
| Aggregate expenditure | **941.30** | **936.19** | **991.62** | **1443.29** |
| Recurrent | **717.82** | **811.87** | **839.58** | **891.45** |
| Non-debt | 441.63 | 427.99 | 431.08 | 584.33 |
| Debt Service | 276.19 | 383.88 | 408.50 | 307.12 |
| Capital | 151.00 | 80.96 | 94.22 | 455.62 |
| Transfers | 72.47 | 43.37 | 57.82 | 96.22 |
| Primary balance | **-377.95** | **-33.87** | **-104.55** | **-305.40** |
| Overall balance | **-654.13** | **-417.75** | **-513.05** | **-612.52** |

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

***Federal Government Debt***

***Government borrowing in the review period remained anchored on the Medium-Term Debt Strategy (MTDS 2020- 2023) of the FGN.*** Total public debt outstanding at ₦46,250.37 billion (23.2 per cent of GDP) at end-December 2022, rose by 5.0 per cent and 16.9 per cent, relative to the levels at end-September 2022 and end-December 2021, respectively; it remained within the 40.0 per cent threshold. Domestic debt accounted for 59.6 per cent of total public debt, while external debt obligations constituted 40.4 per cent.

**Table 8: Total Public Debt (₦ Billion)**

| Type | End-December 2021 | End-September 2022 | End-December 2022 | Percentage of Total |
|---|---|---|---|---|
| External Debt | 15,855.23 | 17,148.54 | 18,702.25 | 40.4% |
| Of which: | | | | |
| FGN | 13,884.76 | 15,159.31 | 16,703.35 | 89.3% |
| States and FCT | 1,970.47 | 1,989.23 | 1,998.90 | 10.7% |
| Domestic Debt | 23,700.80 | 26,915.77 | 27,548.12 | 59.6% |
| Of which: | | | | |
| FGN | 19,242.56 | 21,551.92 | 22,210.36 | 80.6% |
| States and FCT | 4,458.24 | 5,363.85 | 5,337.75 | 19.4% |
| Total | 39,556.03 | 44,064.31 | 46,250.37 | 100.0 % |

***Source**: Debt Management Office and Central Bank of Nigeria staff estimates.*

Of the consolidated public debt outstanding, the FGN accounted for ₦40,912.62 billion (including the external debt of State governments, which are contingent liabilities of the FGN), while State governments' domestic debt stock made up the balance of ₦5,337.75 billion.

**Table 9: Composition of FGN Debt Stock by Instruments (₦' Billion)**

| | End-December 2021 | End-September 2022 | End-December 2022 | Percentage of Total |
|---|---|---|---|---|
| **Domestic Debt** | **19,242.56** | **21,551.92** | **22,210.36** | **100.0 %** |
| FGN Bonds | 13,963.22 | 15,780.02 | 16,421.56 | 73.9 % |
| Nigerian Treasury Bills | 3,786.14 | 4,542.78 | 4,422.72 | 19.9 % |
| Nigerian Treasury Bonds | 75.99 | 50.99 | 50.99 | 0.2 % |
| FGN Savings Bond | 16.42 | 24.95 | 27.51 | 0.1 % |
| FGN Sukuk | 612.55 | 612.55 | 742.55 | 3.3 % |
| Green Bond | 25.69 | 25.69 | 15.00 | 0.1 % |
| Promissory Notes | 762.54 | 514.94 | 530.03 | 2.4 % |
| **External Debt** | **15,855.23** | **17,148.54** | **18,702.25** | **100.0 %** |
| Multilateral | 7,704.86 | 8,007.49 | 9,061.37 | 48.4 % |
| Bilateral | 1,844.43 | 2,098.63 | 2,272.88 | 12.2 % |
| Commercial | 6,305.94 | 7,042.42 | 7,368.00 | 39.4 % |

***Source:*** *Debt Management Office and Central Bank of Nigeria staff estimates.*

## 2.3 MONETARY AND FINANCIAL DEVELOPMENTS

*Summary*

*Developments in the monetary sector in February 2023, reflected moderate growth in key monetary aggregates, as the Bank's Currency Redesign and Cash-less Policy began to yield expected results. Banking system liquidity fell, leading to an increase in key money market rates. Activities on the Nigerian Exchange Limited were bullish, propelled by improved macroeconomic performance and a better-than-expected 2022 corporate earnings/results declaration.*

### 2.3.1 Monetary Developments

***Reserve Money***

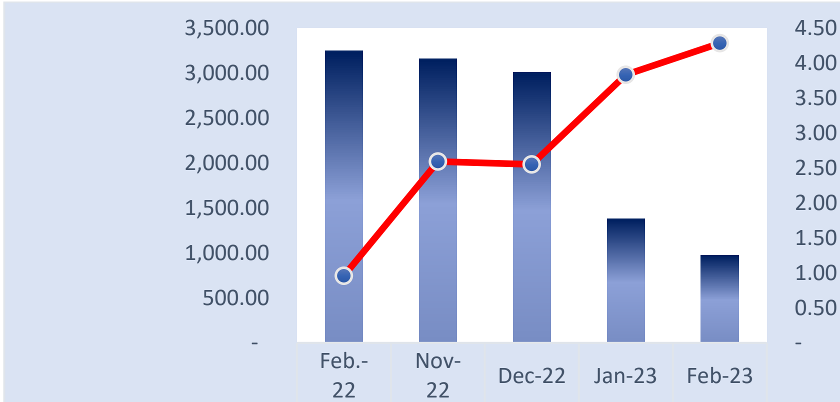
***Reserve money fell at the end of February 2023, driven, wholly by a decline in currency in circulation.*** Reserve money at end-February 2023 stood at ₦16,319.38 billion, a decline of 1.56 per cent compared with ₦16,577.67 billion at end-January 2023. The development was attributed to the decline in currency in circulation (CIC) resulting from the impact of the Bank's naira redesign policy. A decomposition of CIC reveals a decline in the value of naira and coins by 29. per cent to ₦977.81 billion, but an increase in the eNaira component by 11.76 per cent to ₦4.29 billion at end-February 2023. On the other hand, liabilities to Other Depository Corporations (ODCs) rose by 0.96 per cent, owing to a 20.4 per cent growth in required reserves.

**Table 10: Components of Reserve Money (₦ Billion)**

| | Feb-22 | Dec-22 | Jan-23 | Feb-23 | % Δ over Dec. 2022 | % Δ over Dec. 2022 |
|---|---|---|---|---|---|---|
| **Monetary Base** | **13,635.91** | **16,032.05** | **16,577.67** | **16,319.38** | **1.79** | **-1.56** |
| *Currency-In-Circulation* | *3,250.19* | *3,012.06* | *1,386.40* | *982.10* | *-67.39* | *-29.16* |
| *Liabilities to ODCs* | *10,385.72* | *13,019.99* | *15,191.27* | *15,337.28* | *17.80* | *0.96* |
| *Broad Money Multiplier (M3)* | *3.28* | *3.25* | *3.21* | *3.27* | | |

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

**Figure 15: Composition of Currency-in-Circulation (₦ Billion)**




| | Feb.-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 |
|---|---|---|---|---|---|
| Naira & Coins (LHS) | 3,249.23 | 3,161.66 | 3,009.51 | 1,382.56 | 977.81 |
| eNaira (RHS) | 0.96 | 2.60 | 2.55 | 3.83 | 4.29 |

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

***Broad Money***

With the money multiplier at 3.27 at end-February, in the wake of the naira redesign policy of the Bank, broad money supply (M3) grew by 2.34 per cent (annualised at 14.0 per cent) to ₦53,375.37 billion.

On the assets side, the growth in M3 was due to the increase in net foreign assets (NFA) and domestic claims. NFA rose by 29.31 per cent to ₦5,498.34 billion, reflecting the 0.2 per cent increase in claims on non-residents and the 6.7 per cent decrease in liabilities to non-residents. Specifically, the decline in liabilities to non-residents was due to the fall in transferable deposits, other deposits, and other loans to non-residents by 29.87 per cent, 10.35 per cent and 2.38 per cent, respectively.

Also, domestic claims increased by 6.66 per cent to ₦70,821.90 billion and contributed 8.48 percentage points to the growth in M3. The increase in domestic claims stem from increase in net claims on the central government and other sectors by 15.33 per cent and 1.54 per cent, respectively. Net claims on the central government contributed more (7.3 percentage points) to developments in the broad money supply than claims on other sectors (1.24 percentage point).

## Table 11: Money and Credit Growth over preceding December (%)

| | Feb-22 | Dec-22 | Jan-23 | Feb-23 | Contribution to M3 growth (Feb-23) | Annualised Growth (Feb-23 | 2023 Provisional Benchmark |
|---|---|---|---|---|---|---|---|
| **Net Foreign Assets** | -9.55 | -54.53 | 7.14 | 29.31 | 2.39 | 175.86 | 38.82 |
| *Claims on Non-residents* | 3.74 | 5.96 | 1.96 | 0.22 | 0.09 | 1.34 | |
| *Liabilities to Non-residents* | 3.41 | 55.43 | 0.72 | -6.73 | -2.29 | -40.40 | |
| **Net Domestic Assets** | 3.39 | 36.51 | 1.42 | -0.06 | -0.05 | -0.33 | 15.78 |
| **Domestic Claims** | 3.99 | 36.17 | 2.69 | 6.66 | 8.48 | 39.97 | |
| **Net Claims on Central Government** | 6.37 | 78.16 | 8.04 | 15.33 | 7.25 | 91.95 | 19.64 |
| *Claims on Central Government* | 9.22 | 42.53 | 4.68 | 11.83 | 7.92 | 70.98 | |
| *Liabilities to Central Government* | 12.92 | -3.73 | -3.39 | 3.43 | 0.68 | 20.60 | |
| **Claims on Other Sectors** | 3.05 | 19.53 | -0.48 | 1.54 | 1.24 | 9.27 | 13.50 |
| *Claims on Other Financial Corporations* | -1.49 | 12.02 | 4.12 | 4.29 | 0.73 | 25.74 | |
| *Claims on State and Local Government* | 15.01 | 32.47 | 1.08 | 3.00 | 0.19 | 18.00 | |
| *Claims on Public Nonfinancial Corporations* | 35.32 | 40.89 | -34.55 | -3.41 | -0.07 | -20.45 | |
| *Claims on Private Sector* | 2.21 | 19.95 | -0.73 | 0.72 | 0.39 | 4.32 | |
| **Total Monetary Assets ($M_3$)** | 0.67 | 17.35 | 1.89 | 2.34 | | 14.03 | 17.18 |
| *Currency Outside Depository Corporations* | -7.31 | -12.57 | -69.16 | -67.18 | -3.31 | -403.07 | |
| *Transferable Deposits* | 6.99 | 20.12 | 10.79 | 10.84 | 3.78 | 65.07 | |
| **Narrow Money ($M_1$)** | 4.66 | 14.80 | 0.88 | 1.17 | 0.47 | 7.05 | |
| *Other Deposits* | -2.07 | 17.61 | 2.87 | 3.21 | 1.91 | 19.27 | |
| **Broad Money ($M_2$)** | 0.67 | 16.47 | 2.07 | 2.40 | 2.38 | 14.38 | 18.07 |
| **Total Monetary Liabilities($M_3$)** | 0.67 | 17.35 | 1.89 | 2.34 | | 14.03 | 17.18 |

***Source:*** *Central Bank of Nigeria*; ***Note:*** *2023 benchmark are staff estimates*

On the liabilities side, the growth in M3 was due to 10.84 per cent and 3.21 per cent growth in transferable deposits and other deposits, respectively. Currency outside depository corporations (CODC) declined significantly by 67.18 per cent, reflecting the effects of the naira redesign policy and increased usage of electronic payment channels at end-February 2023. In terms of contribution to growth in broad money liabilities, transferable deposits contributed the most at 3.8 percentage points, while 'other deposits' contributed 1.8 percentage points.

### 2.3.2 Sectoral Credit Utilisation

***Sectoral Utilisation of Credit***

Total credit to key sectors of the economy increased by 0.72 per cent to ₦29,943.60 billion at the end of February 2023, from ₦29,730.11 billion at end-January 2023. A disaggregation of credit utilisation reveals that the Services sector, at ₦16,013.71 billion, accounted for the largest share (53.5 per cent), followed by Industry (₦12,046.59 billion) and Agriculture (₦1,883.30 billion), which accounted for 40.2 per cent and 6.3 per cent, respectively.

**Table 12: Relative Share in Total Sectoral Credit**

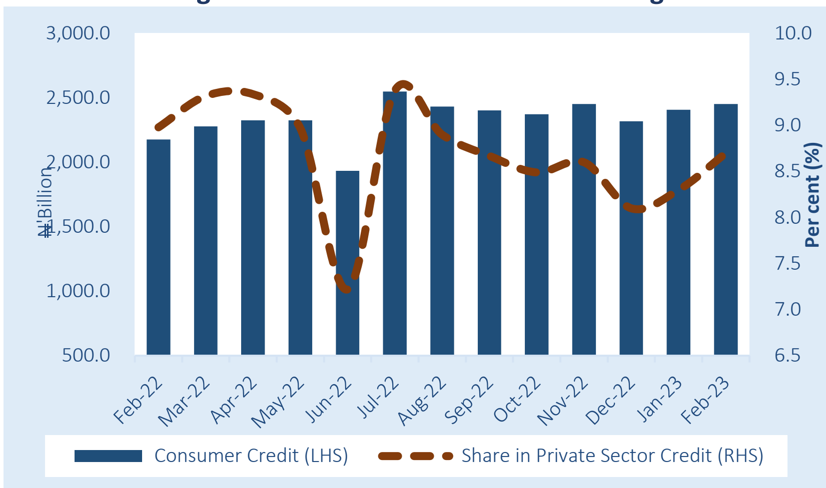
| ITEM | Feb-22 | Dec-22 | Jan-23 | Feb-23 | Percentage Share in Total | | |
|---|---|---|---|---|---|---|---|
| | =₦='Bn | =₦='Bn | =₦='Bn | =₦='Bn | Feb-22 | Dec-22 | Feb-23 |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| SECTORAL CREDIT ALLOCATION | | | | | | | |
| [a] Agriculture | 1,626.6 | 1,812.5 | 1,856.13 | 1,883.30 | 6.50 | 6.16 | 6.29 |
| [b] Industry | 10,087.93 | 12,074.31 | 11,944.08 | 12,046.59 | 40.28 | 41.01 | 40.23 |
| of which Manufacturing | 4,409.4 | 5,566.4 | 5,562.67 | 5,574.66 | 17.61 | 18.90 | 18.62 |
| [c] Services | 13,328.81 | 15,559.09 | 15,929.90 | 16,013.71 | 53.22 | 52.84 | 53.48 |
| of which Finance, Insurance & Capital Market | 1,715.31 | 2,638.84 | 2,634.72 | 2,605.03 | 6.85 | 8.96 | 8.70 |
| Trade/General Commerce | 1,779.8 | 2,214.4 | 2,243.10 | 2,261.31 | 7.11 | 7.52 | 7.55 |
| General | 2,560.02 | 2,724.37 | 2,845.26 | 2,854.37 | 10.22 | 9.25 | 9.53 |
| TOTAL PRIVATE SECTOR CREDIT | 25,043.4 | 29,445.9 | 29,730.1 | 29,943.6 | 100.0 | 100.0 | 100.0 |

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

***Consumer Credit***

Furthermore, consumer credit grew by 1.8 per cent to ₦2,451.2 billion, from ₦2,407.10 billion at the end-of January 2023. As a share of total claims on private sector, consumer credit grew marginally by 0.4 percentage point to 8.7 per cent at the end ofFebruary. This could be due to a higher precautionary demand for money by households, triggered by uncertainties surrounding the 2023 general elections.

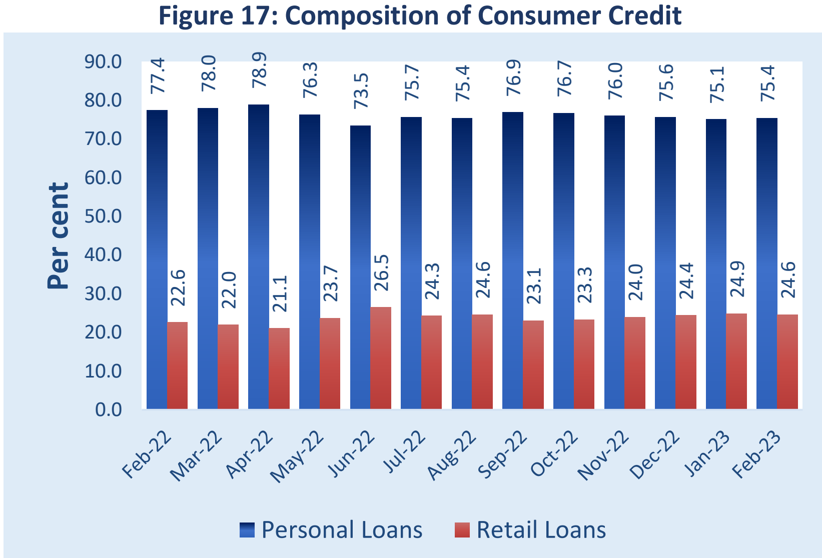
**Figure 16: Consumer Credit Outstanding**




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

A breakdown of consumer credit shows that personal loans stood at ₦1,848.88 billion, accounting for 75.4 per cent, while retail loans stood at ₦602.35 billion, and accounted for 24.6 per cent

**Figure 17: Composition of Consumer Credit**




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

## 2.3.3 Financial Developments

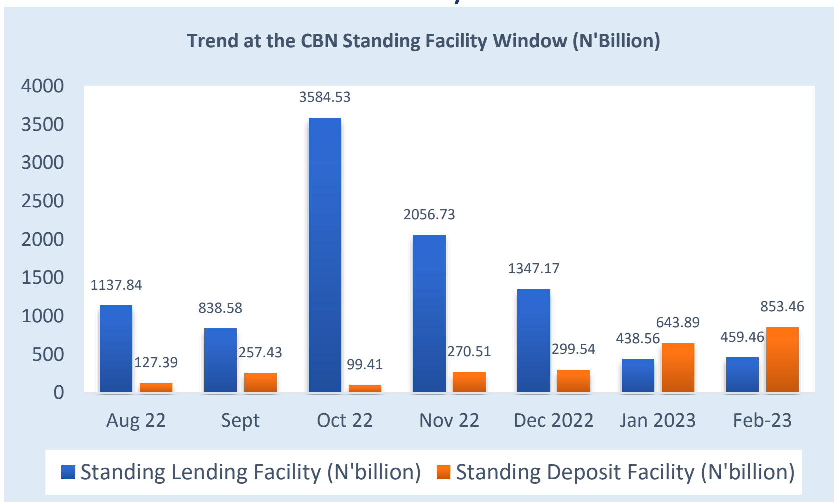
### 2.3.3.1 Money Market Developments

***Industry Liquidity Condition***

***Banking system liquidity declined owing to lower liquidity injections during the review period.*** Average net industry balance of the banking system declined by 31.8 per cent to ₦513.83 billion in February 2023, from ₦753.83 billion in the preceding month. The development could be attributed to a lower fiscal injection in the review month.

Consequently, total requests at the standing lending facility (SLF) window increased to ₦459.46 billion in the review month from ₦438.56 billion in January 2023. Total requests at the standing deposit facility (SDF) window also increased to ₦853.46 billion, compared with ₦643.89 billion in January 2023, due to a higher yield.

**Figure 18: Transactions at the CBN Standing Facility Windows (₦' Billion)**



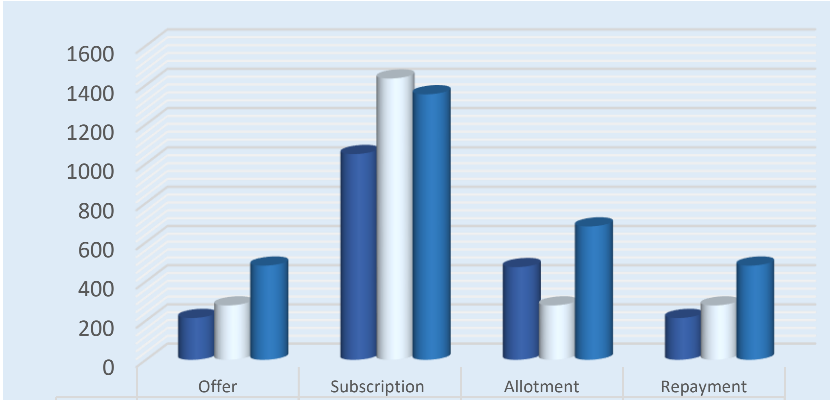

***Source****: Central Bank of Nigeria*

**Investment in Government Securities**

***Activities at both the NTBs and FGN Bond segments were relatively subdued in the review month.*** At the auctions, NTBs worth ₦480.57 billion, ₦1,352.84 billion and ₦680.57 billion were offered, subscribed to and allotted, respectively, relative to ₦277.47 billion, ₦1,433.26 billion and ₦277.47 billion in the preceding month.

A breakdown shows that total subscriptions were ₦25.37 billion (for 91-day auction), ₦32.60 billion (182-day auction) and ₦1,294.87 billion (364-day auction), in the review month, compared with ₦116.65 billion, ₦145.82 billion and ₦1,170.79 billion, respectively, in the preceding month. Notably, investors upheld their preference for longer-term securities due to higher yield. Longer-term (364-day) securities accounted for 95.7 per cent of total subscriptions.

**Figure 19: Primary Market NTBs (₦' Billion)**

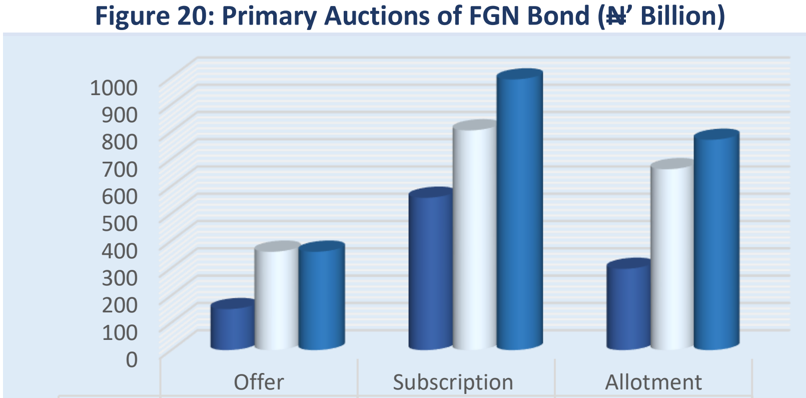


| | Offer | Subscription | Allotment | Repayment |
|---|---|---|---|---|
| Feb-22 | 213.3 | 1048.96 | 472.97 | 213.3 |
| Jan-23 | 277.47 | 1433.26 | 277.47 | 277.47 |
| Feb-23 | 480.57 | 1352.84 | 680.57 | 480.57 |

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

Tranches of the 10-, 20-, and 30-year FGN bonds were reopened and offered for sale during the review period. The term to maturity of the bonds ranged from 4 years to 27 years and 2 months. The total amount offered, subscribed to, and allotted was ₦360.00 billion, ₦992.11 billion and ₦770.56 billion, compared with ₦360.00 billion, ₦805.17 billion and ₦662.62 billion, respectively, in the preceding month. The bid and marginal rates stood at 14.8 (±2.8) per cent and 15.0 (±0.9) per cent compared with 14.7 (±2.9) per cent and 15.0 (±0.9) per cent, respectively, in January.

**Figure 20: Primary Auctions of FGN Bond (₦' Billion)**



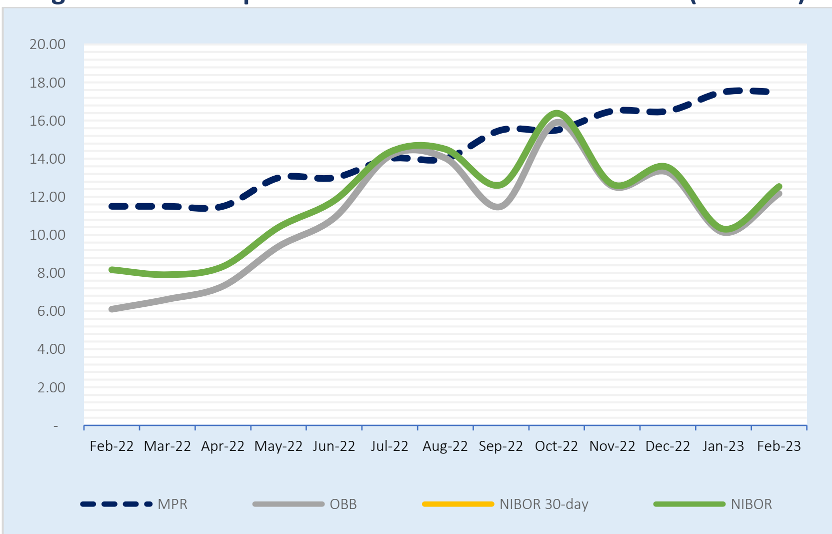
| | Offer | Subscription | Allotment |
|---|---|---|---|
| Feb-22 | 150 | 557.72 | 297.39 |
| Jan-23 | 360 | 805.17 | 662.62 |
| Feb-23 | 360 | 992.11 | 770.56 |

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

***Interest Rate Development***

***Key money market rates trended upwards in the review month, following the liquidity squeeze in the banking system and the sustained hike in the monetary policy rate.*** The Open Buy Back (OBB) and NIBOR-call rates increased to 12.2 per cent and 12.5 per cent, from 10.1 per cent and 10.3 per cent in January 2023, respectively. Similarly, the Nigerian Interbank Offered Rate (NIBOR-30), also trended upwards to 12.8 per cent from 11.6 per cent in the preceding month.

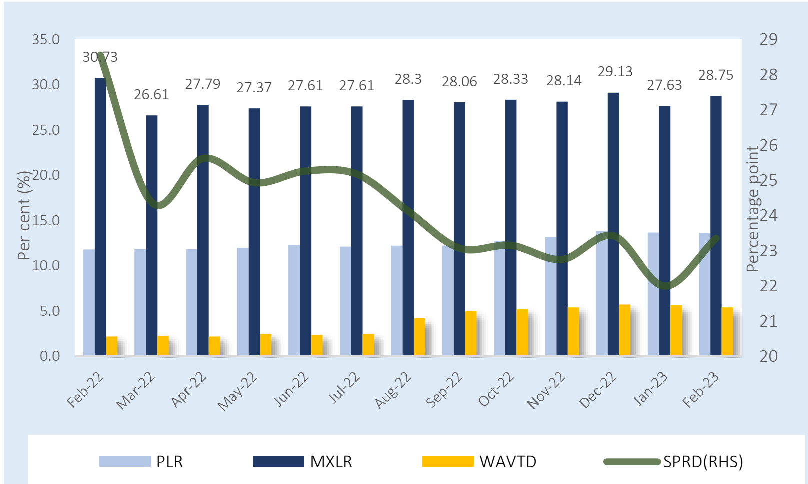
**Figure 21: Developments in Short-term Interest Rates (Per cent)**




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

The prime lending rate remained stable at 13.6 per cent, while the maximum lending rate increased to 28.8 per cent from 27.6 per cent in the preceding month. The weighted average term deposit (WAVTD) rate fell by 0.2 percentage point to 5.4 per cent in the review month. Consequently, the spread between the WAVTD and maximum lending rates widened by 1.4 percentage points to 23.4 percentage points.

**Figure 22: Trend in Average Deposit and Lending Rates**




***Note:*** *PLR= Prime lending rate; MXLR= Maximum lending rate; WAVTD= Weighted average term deposit rate; SPRD= Spread between MXLR and WAVTD*

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

### 2.3.2.1 Capital Market Developments

***Market Capitalisationn***

***Activities on the Nigerian Exchange (NGX) Limited were bullish in the review period, propelled by improved macroeconomic performance and better-than-expected 2022 corporate earnings/results declaration.*** Aggregate market capitalisation increased to ₦54,017.06 billion in the review period, compared with the ₦52,070.64 billion recorded in the preceding month, reflecting a 3.7 per cent improvement. The breakdown of the aggregate market capitalisation indicated that the equities, debts, and exchange traded funds (ETF) components increased by 4.8 per cent, 2.4 per cent and 11.5 per cent to close at ₦30,406.46 billion, ₦23,601.51 billion and ₦9.08 billion, respectively, from ₦29,003.28 billion, ₦23,059.21 billion and ₦8.15 billion, recorded in January. The development reflected a boost in investors' sentiment in the equities market, occasioned by enhanced macroeconomic performance and better-than-expected 2022 corporate earnings/results. The equities, debt and ETF components constituted 54.6 per cent, 45.3 per cent and 0.1 per cent of total market capitalisation, respectively.

***NGX All Share Index***

The All-Share Index (ASI) stood at 53,499.68 index points at the beginning of February and closed at 55,806.26 index points at the end of the month, reflecting a 4.8 per cent improvement. The performance of the NGX-ASI was driven by positive investor's reaction to impressive 2022 dividend earnings and improved 2022Q4 GDP growth.

**Figure 23: Aggregate Market Capitalisation and All-Share Index**


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

On the sectoral indices, the performances were bullish across all the major indices tracked except for the NGX-Insurance and NGX-Sovereign Bond, which trended southward, while the NGX-MERI Growth closed flat. The NGX-Growth and NGX-Oil & Gas were the best performing indices, occasioned by improved investors' sentiment and strong corporate earnings.

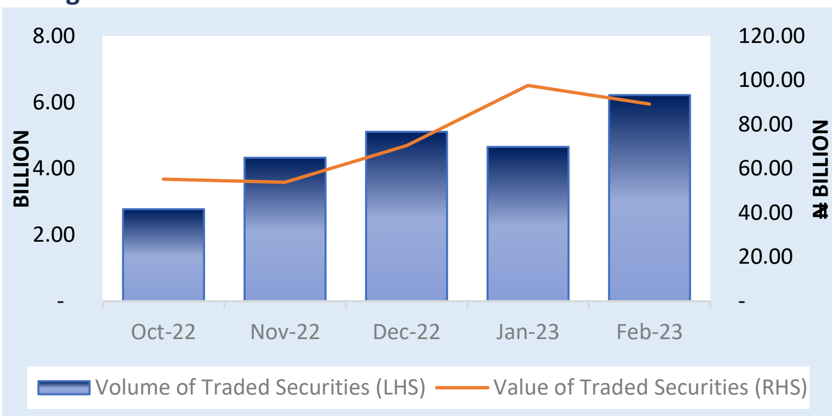
**Table 13: Nigeria Exchange (NGX) Limited sectorial Indices**

| *NGX Indices* | *Jan-23* | *Feb-23* | *Changes (%)* |
|---|---|---|---|
| NGX-Growth | 2,076.10 | 2,631.63 | 26.8 |
| NGX-Oil & Gas | 487.51 | 565.38 | 16.0 |
| NGX-Consumer Goods | 622.15 | 673.39 | 8.2 |
| NGX-Afri Bank Value | 1,050.99 | 1,133.38 | 7.8 |
| NGX-Premium | 4,888.36 | 5,232.55 | 7.0 |
| NGX-CG | 1,340.19 | 1,422.25 | 6.1 |
| NGX-Afri Div Yield | 3,514.96 | 3,708.57 | 5.5 |
| NGX-Lotus II | 3,381.08 | 3,548.77 | 5.0 |
| NGX-Pension | 1,878.69 | 1,965.39 | 4.6 |
| NGX-MERI Value | 2,499.38 | 2,613.39 | 4.6 |
| NGX-30 | 1,912.48 | 1,997.24 | 4.4 |
| NGX-Banking | 448.85 | 466.76 | 4.0 |
| NGX-Main Board | 2,422.21 | 2,500.76 | 3.2 |
| NGX-Industrial Goods | 2,454.72 | 2,517.77 | 2.6 |
| NGX-ASeM | 659.42 | 659.42 | 0.0 |
| NGX-MERI Growth | 2,420.49 | 2,420.28 | 0.0 |
| NGX-Sovereign Bond | 798.73 | 798.19 | -0.1 |
| NGX-Insurance | 183.71 | 179.55 | -2.3 |

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

Trading activities sustained positive momentum as the volume of traded securities increased by 33.6 per cent to 6.22 billion, compared with 4.66 billion recorded in the preceding period. However, the value of traded securities decreased by 8.7 per cent to ₦89.17 billion, compared with ₦97.66 billion recorded in the previous month. Similarly, the total deals traded in the equities market at the end of February fell by 16.0 per cent to 67,925 deals, compared with 80,885 deals recorded at the end ofJanuary.

**Figure 24: Volume and Value of Traded Securities on the NGX**




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

There were four new listings and one supplementary listing on the Exchange, comprising of two saving bonds, one unsecured bond, one equity right issue and one Sukuk bond.

**Table 14: Listings on the Nigerian Exchange Limited in the February 2023**

| Company/Security | Shares Units/Price | Remarks | Listing |
|---|---|---|---|
| FGN Savings Bonds | A total volume of 358,011 units of 7.934% FGNSB MAY 2024 amounted to ₦358,011,000.00. | Saving Bond | New |
| FGN Saving Bonds | A total of 748,449 units of 8.934% FGNSB MAY 2025 amounted to ₦748,449,000.00. | Saving Bond | New |
| TAJ Sukuk Issuance Program SPV Plc | Total of 11,359,989 units at ₦1000 each of 15% Series I Mudarabah Sukuk Issuance valued at ₦11,359,989,000.00 | Sukuk Bond | New |

| | | | |
|---|---|---|---|
| Lagos State Government Bonds | A total of 137,328,000 units of 10-Year 13.00% LAB DEC 2031 amounting to N137,328,000,000 under the N500 | Unsecured Bond | New |
| Neimeth International Pharmaceuticals Plc | Additional 2,373,947,500 units of Ordinary Shares of 50 Kobo Each at ₦1.55 Per Share | Equity (Right Issue) | Supplementary |

***Source:*** *Nigeria Exchange Limited (NGX).*
***Notes:*** *FGN=Federal Government of Nigeria Saving Bond; and Plc=Public Limited Liability Company*

### *2.3.2.2 Financial Soundness Indicators*

***The banking industry remained resilient in the review period, as reflected by the performance of the Financial Soundness Indicators (FSIs), which trended within prudential benchmarks***. The banking system Capital Adequacy Ratio (CAR) decreased by 0.1 percentage point to 13.7 per cent, compared with 13.8 per cent, recorded at the end of January. The development reflected a tepid decline in the banks' total qualifying capital. However, the ratio remained above the 10.0 per cent benchmark for banks with national/regional authorisation, but below the 15.0 per cent threshold for banks with international licenses.

The banks' asset quality, measured by the ratio of non-performing loans (NPL) to total loans, remained at 4.2 per cent, reflecting sustained improvement in loan recoveries by banks as the ratio remains below the prudential benchmark of 5.0 per cent. The Industry Liquidity Ratio (LR) decreased by 0.34 percentage points to 50.80 per cent, compared with 51.15 per cent recorded in the preceding period, reflecting reduced holdings of liquid assets by banks. The LR was above the minimum regulatory benchmark of 30.0 per cent, showing the banks' ability to meet up with their obligations.

## 2.4 EXTERNAL SECTOR DEVELOPMENTS

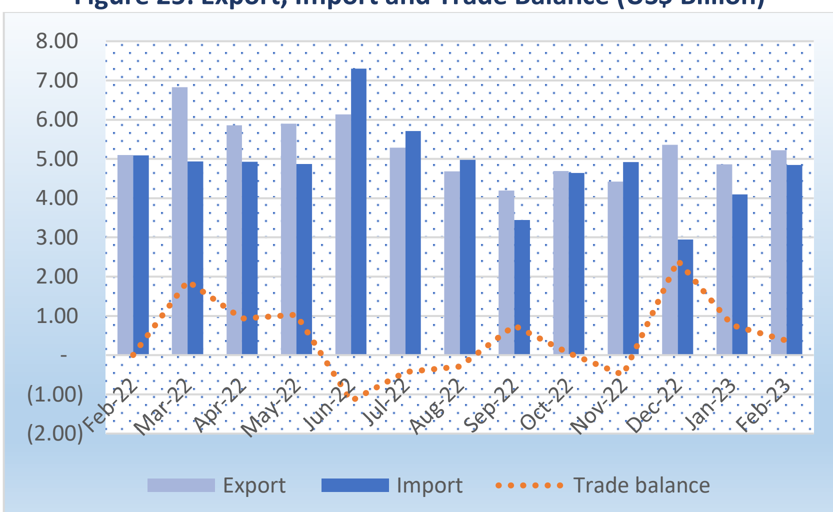
*Summary*

*Despite improved crude oil export receipts, trade surplus shrank due to higher import bills for petroleum products incurred to bridge the persistent domestic supply gap. Foreign capital inflows into the economy improved, owing largely to competitive yields on securities. A higher net foreign exchange inflow was recorded, driven majorly by increased inflows through the CBN.*

### 2.4.1 Trade Performance

***Trade surplus was constrictedd by higher import bills for both oil and non-oil products***. Provisional data shows that the trade surplus declined to US$0.37 billion, relative to US$0.76 billion in the preceding month. Total export receipts increased by 7.4 per cent to US$5.22 billion in February 2023, from US$4.86 billion in January 2023. Similarly, merchandise import grew by 18.3 per cent to US$4.85 billion, from US$4.10 billion in January 2023.

**Figure 25: Export, Import and Trade Balance (US$ Billion)**




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

***Following China's lifting of COVID-19 containment measures, global demand improved in the crude oil market, thus, pushing up prices and boosting crude oil and gas export receipts***. Estimates show that crude oil and gas export receipts increased to US$4.53 billion from US$4.21 billion in January 2023. A breakdown reveals that crude oil export receipts rose by 8.2 per cent to US$3.98 billion, from USS$3.68 billion in the preceding month. Similarly, gas export receipts increased by 2.7 per cent to US$0.55 billion, from US$0.53 billion in January 2023. Crude oil and gas accounted for 86.7 percent of total exports, with crude oil receipts accounting for 87.9 percent and gas receipts accounting for 13.3 percent.

***Non-Oil Export***

Non-oil export earnings rose by 7.0 per cent to US$0.69 billion, from US$0.65 billion in January 2023, as commodity prices remained favourable at the international market.

Analysis by direction of trade reveals that Brazil was the major destination of non-oil export products with a share of 20.8 per cent. Export to Netherlands followed with 10.0 per cent; India, 7.0 per cent; China, 6.8 per cent; and France, 6.0 per cent. The major commodities exported were urea, which accounted for the largest share of 31.1 per cent, followed by cocoa beans with 21.6 per cent; and sesame seeds, 10.6 per cent.

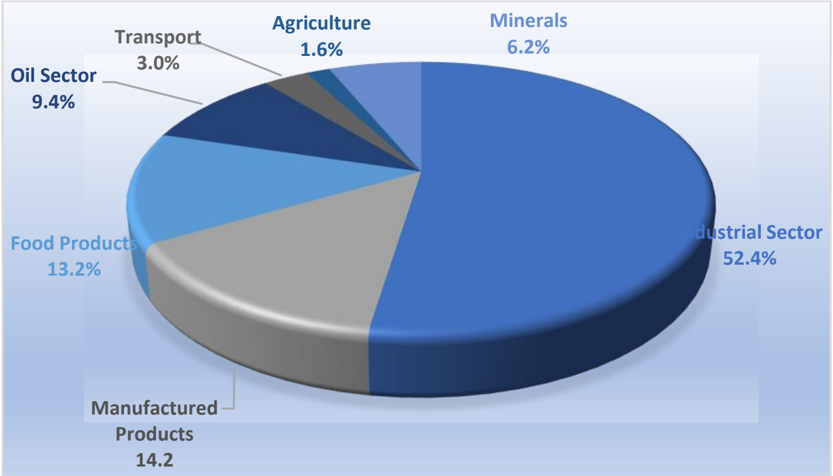
Receipts from the top 5 non-oil exporters declined by 1.9 per cent to US$0.24 billion, from US$0.25 billion in December 2023. Further analysis revealed that Indorama Eleme Fertilizer and Chemical Ltd and Dangote Fertilizer Ltd, were the top two exporters with shares of 15.9 per cent and 15.1 per cent of the total, respectively, from the export of urea and fertilizer. The third was Outspan Nigeria Ltd., with a share of 8.9 per cent from the export of cocoa beans. Starling Global and Ideal Ltd. was the fourth, with 3.8 per cent from the export of cocoa and cashew nut. Segilola Resources Operating Limited was fifth, with 2.6 per cent from the export of Gold.

***Import***

***Merchandise imports rose, due to increased importation of both oil and non-oil products.*** Provisional data shows that aggregate import rose by 18.3 per cent to US$4.85 billion, from US$4.10 billion in the preceding month. Importation of petroleum products increased to US$1.72 billion, from US$1.38 billion in January 2023. In the same vein, non-oil import rose by 15.2 per cent to US$3.13 billion, from US$2.72 billion in the preceding month. By share, non-oil import accounted for 64.5 per cent of total import, while oil constituted the balance of 35.5 per cent.

Sectoral utilisation of foreign exchange for visible import shows that industry had the largest share of 52.4 per cent, followed by manufactured products, 14.2 per cent; food products with 13.2 per cent; oil, 9.4 per cent; minerals, 6.2 per cent; transport, 3.0 per cent; and agriculture, 1.6 per cent, respectively.

**Figure 26: Import by Sector**




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

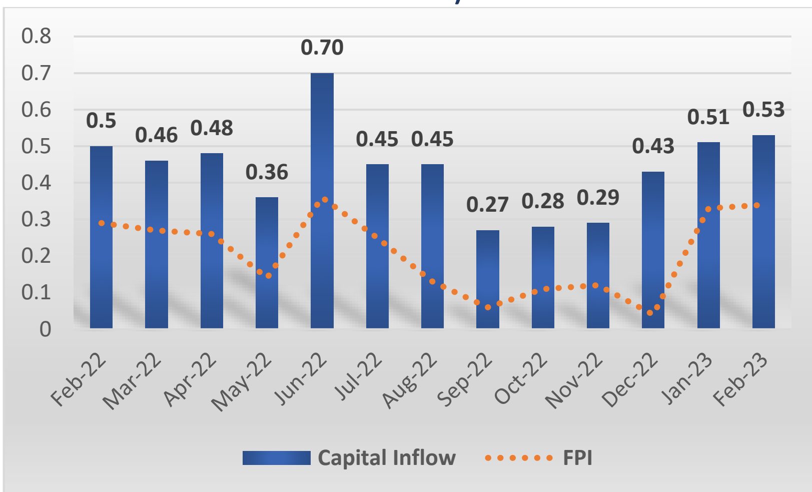
***Capital importation***

***Competitive yields on securities boosted the inflow of capital into the economy.*** Provisional data indicates that capital imported into the domestic economy increased by 4.1 per cent to US$0.53 billion, from US$0.51 billion in January 2023. A breakdown of capital inflow by type of investment shows that portfolio investment capital (mainly equity) at US$0.34 billion, accounted for 63.2 per cent of the total. Other investment capital (mainly loans) at US$0.17 billion accounted for 31.9 per cent. Foreign direct investment inflows of US$0.03 billion, accounted for the balance of 4.9 per cent.

Capital importation by nature of business shows that investment in the IT services sector dominated with 42.1 per cent, followed by production/manufacturing, 24.4 per cent; Banking, 13.9 per cent; shares, 12.7 per cent; trading, 3.0 per cent; financing, 1.4 per cent; and telecommunication, 1.3 per cent. Other sectors accounted for the balance.

A disaggregation of capital by originating country shows the United Kingdom as the major source of capital, accounting for 74.5 per cent of the total. Republic of South Africa, United Arab Emirates, Mauritius, Singapore, United States and British Virgin Islands followed with shares of 10.1 per cent, 4.8 per cent, 2.8 per cent, 2.0 per cent, 1.6 per cent and 1.3 per cent, respectively. The major destinations of capital in the domestic economy were Lagos and the Federal Capital Territory, with shares of 81.6 per cent and 17.4 per cent, respectively, while Akwa Ibom, Ogun and Ondo states accounted for the balance.

**Figure 27: Capital Inflow and Foreign Portfolio Investment (US$ Billion)**

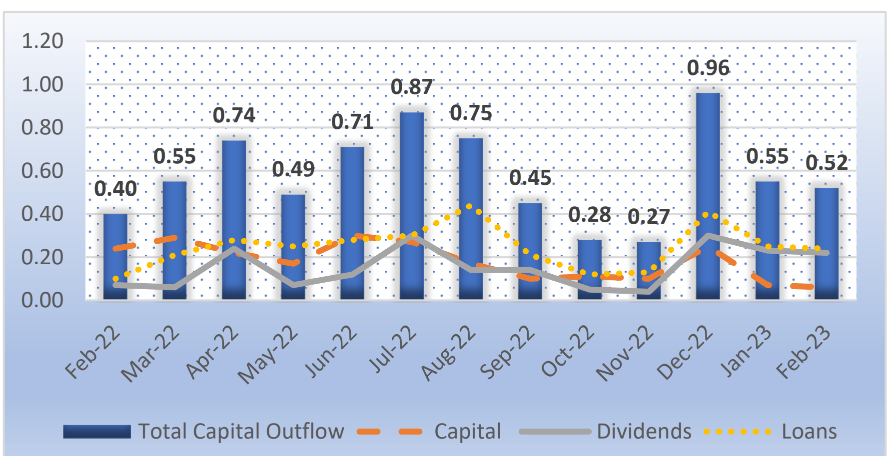



***Source:*** *Central Bank of Nigeria*

***Capital Outflow***

***Lower outflow of capital, loans and dividends led to a decrease in capital outflow from the domestic economy***. Capital outflow fell to US$0.52 billion, from US$0.55 billion in January 2023. A breakdown shows that, outflow in the form of capital decreased to US$0.06 billion, from US$0.07 billion in January. Outflow in the form of loans declined to US$0.24 billion, from US$0.25 billion in January. In the same vein, repatriation of dividends fell to US$0.22 billion, from US$0.23 billion in the preceding month. In terms of share, loans accounted for 45.9 per cent, followed by dividends at 41.7 per cent and capital, 12.4 per cent.

**Figure 28: Capital Outflow (US$ Billion)**

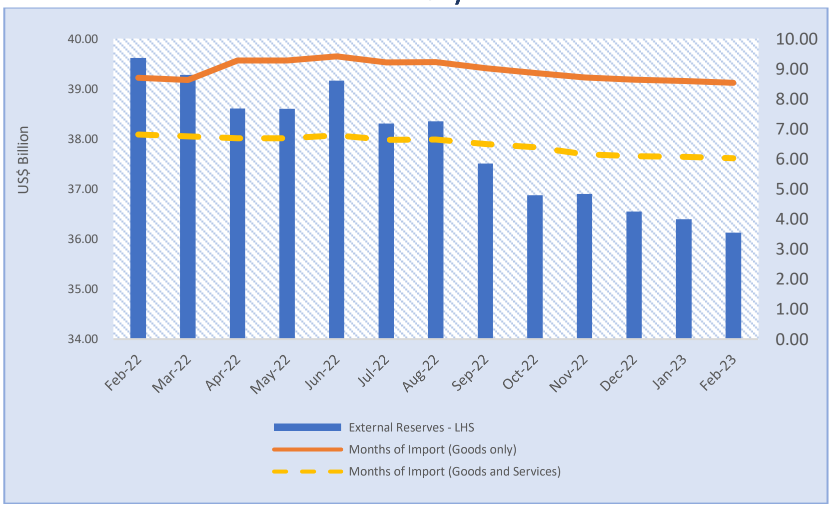



***Source:*** *Central Bank of Nigeria*

### 2.4.2 International Reserves

***The level of foreign reserves was above the benchmark of three months of import cover.*** The external reserves stood at US$36.13 billion as of February 28, 2023, compared with US$36.40 billion at the end of-January 2023. The external reserves could cover 6.0 months of import for goods and services or 8.5 months of import for goods only.

**Figure 29: External Reserves and Months of Import Cover (US$ Billion)**




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

### 2.4.3 Foreign Exchange Flows through the Economy

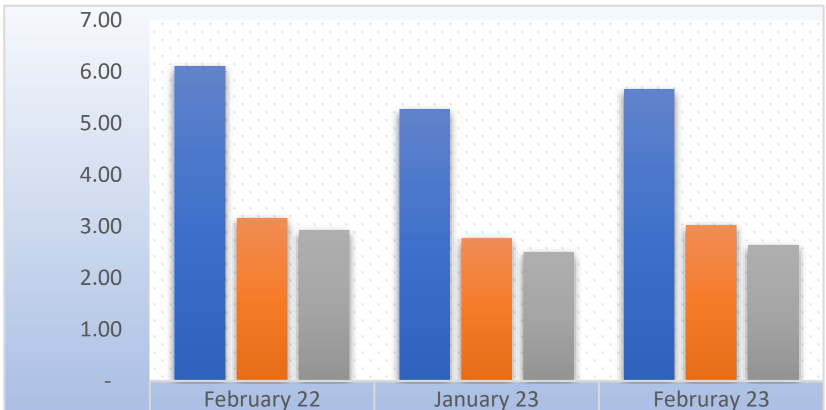
***Foreign Exchange Flows through the Economy***

***The economy recorded a higher net foreign exchange inflow, driven majorly, by increased inflow through the CBN. However, inflow through autonomous sources decreased relative to the preceding period.*** Foreign exchange flow through the economy recorded a net inflow of US$2.64 billion in February, compared with US$2.51 billion in the preceding period. Aggregate foreign exchange inflow into the economy increased by 7.2 per cent to US$5.66 billion in February, from US$5.28 billion in the preceding month. Similarly, foreign exchange outflows rose by 9.0 per cent to US$3.02 billion in February, from US$2.77 billion in the previous month.

Foreign exchange inflow through the Bank increased by 37.7 per cent to US$2.53 billion, from US$1.84 billion in January. Outflow through the Bank rose by 7.0 per cent to US$2.46 billion from US$2.30 billion in January. In contrast, Autonomous inflow decreased by 9.1 per cent to US$3.12 billion, from US$3.44 billion in the previous month, while autonomous outflow increased to US$0.56 billion from US$0.47 billion in January.

A net inflow of US$2.56 billion was recorded through autonomous sources, compared with US$2.97 billion in January. The CBN recorded a net inflow of US$0.075 billion, compared with a net outflow of US$0.46 billion in the preceding month.

**Figure 30: Foreign Exchange Transactions through the Economy (US$ Billion), February 2023**




| | February 22 | January 23 | Februray 23 |
|---|---|---|---|
| Inflow | 6.10 | 5.28 | 5.66 |
| Outflow | 3.17 | 2.77 | 3.02 |
| Netflow | 2.94 | 2.51 | 2.64 |

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

### 2.4.4 Exchange Rate Movement

***Average Exchange Rate***

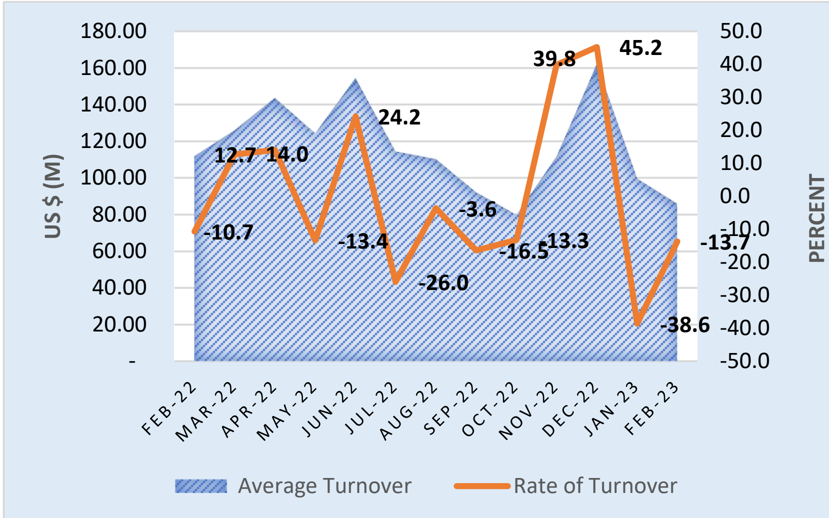
***The exchange rate of the naira appreciated at the I&E window relative to the preceding month.*** The average exchange rate of the naira per US dollar at the I&E window appreciated by 0.03 per cent to ₦460.84/US$, relative to ₦460.99/US$ in the preceding month.

### 2.4.5 Foreign Exchange Turnover at the I&E Window

***Foreign Exchange Turnover***

The average foreign exchange turnover at the Investors' and Exporters' window decreased by 13.7 per cent to US$85.80 million in February, relative to US$99.47 million in January.

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




***Source***: *Financial Markets Derivatives Quotations (FMDQ)*

## 3.0 ECONOMIC OUTLOOK

***Global Economic Outlook***

***The global economy is expected to expand, albeit at a slower pace, in 2023, owing mainly to tight financial conditions.*** According to the IMF, the global economy is projected to grow by 2.9 per cent from an estimated 3.4 per cent in the previous year. The downward projection is premised on the continued tight monetary stance by some central banks to rein in inflation and the lingering Russia-Ukraine war. In AEs, growth is projected to fall significantly to 1.2 per cent in 2023. This outlook reflects the effects of the faster-than-expected rate hikes on demand as well as the ongoing Russia-Ukraine war and the attendant sanctions imposed on Russia, which are expected to restrain growth. However, with expected stronger domestic demand in India and some parts of Latin America, the pace of growth in EMDEs is projected to grow by 4.0 per cent in 2023.

***Global inflation is expected to trend downward to 6.6 per cent in 2023.*** This downward projection partly reflects lower global commodity prices, especially crude oil and the expected effects of monetary policy tightening across several central banks. Notwithstanding, inflation is expected to remain above the pre-pandemic level of 3.5 per cent, as core inflation remained above the target for most economies.

***Domestic Economic Outlook***

***Nigeria's economic growth outlook remains positive in the near term, as crude oil prices and production levels are expected to improve***. The optimistic outlook is predicated on the assumption that the current trend in crude oil prices will be sustained. It is also predicated on the effective implementation of the Medium-Term National Development Plan (MTNDP) and the positive impact of CBN interventions on growth-enhancing sectors. However, a contraction in global demand, national security challenges, and the perennial infrastructural deficit pose headwinds to growth.

***Inflationary pressures are expected to moderate in the near term owing to relative stability in the exchange rate, tight monetary conditions, and improvements in global supply chains.*** The aggressive monetary tightening and the various supply-side interventions by the Bank are both expected to moderate prices in the near term.

***The fiscal outlook in the near-term continues to be optimistic amidst stabilizing oil prices, a sustained increase in domestic crude oil production, and increased surveillance of pipelines in the Niger Delta to checkmate oil theft***. However, the cash crunch experienced throughout the country as a result of the naira redesign policy has constrained commercial activities and is likely to have an impact on VAT and other non-oil revenue. Similarly, despite the positive outlook on oil returns, expenditure is expected to rise, in order to consolidate on the 2023 budget and ensure a smooth transition into a new democratic government, following the just concluded general elections.

***A favourable outlook is also expected for external reserves in the near term.*** The improvement in the external reserves position is predicated on the assumption that crude oil prices will remain above US$80 per barrel. However, lower crude oil earnings, the payment of fuel subsidies to petroleum marketers, rising import bills and increased external debt servicing could pose downside risks to the accretion of external reserves.