2022
Half Year
Economic Report

Central Bank of Nigeria

2022 Half Year Economic Report

Central Bank of Nigeria
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ABOUT THE REPORT

The Central Bank of Nigeria (CBN) Economic Report presents economic developments in Nigeria, 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 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.

GOVERNANCE FRAMEWORK

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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 to the Board*

Members of the Monetary Policy Committee (MPC) as of 30 June 2022

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)*
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	Hassan Mahmud	*Secretary*

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26	Oluwakemi O. Osa-Odigie	-	*Security Services*
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16	Umar B. Ibrahim	-	*Gusau*
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31	Oruwari Oyoburuoma	-	*Owerri*
32	Okeke Chuks	-	*Port Harcourt*
33	Dahiru U. Nakazalle	-	*Sokoto*
34	Ayotunde O. Oladimeji	-	*Umuahia*
35	Itohan M. Ogbomon-Paul	-	*Uyo*
36	Francis E. Asuquo	-	*Yenagoa*
37	Sanusi S. Nyashi	-	*Yola*

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EXECUTIVE SUMMARY

The Global Economy

Global economic activity decelerated in the first half of 2022 due to supply-chain disruptions and heightened inflationary pressures, occasioned by rising energy and commodity prices due to the Russia-Ukraine war and COVID-19 containment measures. Thus, the global Composite Purchasing Managers' Index (PMI) fell to 52.30 index points in the first half of 2022, from 54.30 index points recorded in the second half of 2021, reflecting a slower pace of expansion. The development mirrored the IMF's revised growth forecast of 3.2 per cent for 2022, down from the 6.1 per cent growth for 2021.

The Real Economy

Domestic economic recovery continued in the first half of the year, despite global headwinds. The sustained growth in the domestic economy was realised on the heels of the full return to normalcy after the removal of the COVID-19 induced restrictions and the sustained implementation of the various economic stimulus packages by the fiscal and monetary authorities. Real GDP growth rose by 3.32 per cent in the first half of 2022, compared with 4.01 per cent and 2.70 per cent in the preceding half and the corresponding half of 2021, respectively.

Inflationary pressures surged in the first half of 2022, reversing the decline that started in the first half of 2021. Headline inflation rose to 18.60 per cent, from 15.63 per cent and 17.75 per cent in the preceding half and corresponding half of 2021, respectively. The rise in inflation was driven, mainly by increase in food and energy (diesel and gas) prices, persisting structural bottlenecks and security challenges in some parts of the country. The elevated inflationary pressures during the period, necessitated a tightening of monetary policy by the Bank.

Domestic crude oil production in the first half of 2022 dropped, owing, largely, to the rise in cases of crude oil theft and pipeline vandalism. At an average daily production of 1.36 million barrels per day (mbpd) or 246.2 million barrels in the first half of 2022, crude oil output during the period declined by 6.8 per cent, compared with the corresponding half of 2021. Crude oil prices surged in the review period due to heightened concerns about the future availability of crude oil in the global market, following sanctions imposed on Russian crude supply by the US, and the EU's decision to ban 90.0 per cent of Russian crude oil by the end of 2022. Accordingly, the average spot price of Nigeria's reference crude oil, the Bonny Light, rose by 71.2 per cent to US$110.96 per barrel (pb) from US$64.82 pb in the corresponding half of 2021.

The Bank sustained its development finance interventions in critical sectors of the economy to improve access to credit, support job creation and sustain economic recovery.

Fiscal Developments

Federation revenue in the first half of 2022 declined owing to the high cost of value shortfall recovery on premium motor spirit (PMS) and low domestic crude oil production, despite the high global crude oil prices, caused by the Russia-Ukraine war. Accordingly, at ₦5,479.10 billion (or 6.0 per cent of GDP), federally collected revenue fell by 4.2 per cent and 40.4 per cent relative to the level in the second half of 2021 and the budget benchmark, respectively.

Notwithstanding the rise in oil prices and the uncertainty surrounding global supply, oil revenue in the first half of 2022, at ₦2,095.34 billion (2.3 per cent of GDP), declined, relative to the level in the corresponding period in 2021 and the projection for 2022, and constituted 38.2 per cent of total revenue. This was attributed to high value shortfall recovery payment and low domestic crude oil production, occasioned by crude oil theft and pipeline vandalism. However, non-oil revenue, which accounted for the balance of 61.8 per cent of total revenue, at ₦3,383.76 billion (3.7 per cent of GDP), improved, relative to the first half of 2021. The performance was due to the rise in collection of company income tax (CIT), customs and excise duties and value added tax (VAT). Despite the leap in non-oil receipts, it fell below the proportionate target by 23.9 per cent.

Public debt rose during the period following new borrowing, mainly, to finance infrastructure projects and legacy liabilities. Total public debt outstanding, at end-June 2022, stood at ₦42,845.88 billion, representing 20.8 per cent above the level at end-June 2021. The total public debt-to-GDP ratio of 23.7 per cent, remained below the thresholds set by the 2020-2023 MTDS (40.0 per cent), WB/IMF (55.0 per cent) and ECOWAS (70.0 per cent).

Financial Developments

Nigeria's financial sector remained safe and sound in the first half of 2022. Financial soundness indicators moderated during the period, reflecting uncertainties in the global and domestic economies. However, they were still within regulatory thresholds. The Banking industry stress test revealed that the solvency and liquidity positions remained resilient under "mild" to "moderate" scenarios of sustained economic and financial conditions but were vulnerable under "severe" scenarios. The economy witnessed steady growth, on the back of the continued accommodative monetary policy stance of the CBN, which eased credit conditions in the economy. However, the Bank switched to a hawkish policy stance to tame heightened inflationary and foreign exchange pressures that persisted in the later part of the half-year. Growth in monetary aggregates was generally above indicative targets for 2022.

Broad money supply M_3 surged by 10.0 per cent to ₦48,890.24 billion at end-June 2022, owing to increase in net domestic assets (NDA), compared with 1.6 per cent growth at end-June 2021.

Liquidity conditions in the banking system were influenced by fiscal operations of government, Cash Reserve Requirement (CRR) operations, transactions in the foreign exchange market, maturity and issuance of CBN bills and government securities. These factors dictated the movement in money market rates, which trended downward in the review period. The weighted average monthly inter-bank call rate, declined to 9.4 per cent, compared with 10.5 per cent in the second half of 2021, following improved liquidity in the banking system.

Activities on the Nigerian equities market were bullish, despite volatile global market fundamentals arising from the Russia-Ukraine war. The NGX All-Share Index and aggregate market capitalisation rose, relative to their levels at end-December 2021 and end-June 2021. The improved market performance was due to bargain hunting, following the release of positive first quarter of 2022 corporate earnings results.

The Bank sustained its efforts at improving the safety, reliability, and efficiency of the payments system and attainment of a digital financial inclusion system through the continued implementation of the Payments System Vision 2025 Strategy Plan, during the review period.

External Sector Developments

The external sector experienced an unprecedented shock, following the Russia-Ukraine war, which resulted in supply-chain disruptions with the attendant hike in the prices of energy, food and other commodities. Consequently, the performance of the external account weakened in the review period, with an estimated overall balance of payments deficit of 0.3 per cent of GDP, compared with a surplus of 1.7 per cent of GDP in the second half of 2021. However, the deficit recorded was an improvement, compared with the deficit of 1.7 per cent of GDP in the first half of 2021. A current account surplus of 3.5 per cent of GDP was recorded in the review period, relative to the corresponding period of 2021, driven by higher export earnings from rising crude oil prices. The financial account maintained a net borrowing position with a net incurrence of financial liabilities of 1.0 per cent of GDP, compared with 1.2 per cent of GDP in the preceding period. Increased inflow of other investment liabilities resulted in a higher net liability position in Nigeria's International Investment Position (IIP).

The external reserves position at the end of June 2022 was US$39.16 billion, compared with US$32.99 billion at end-June 2021. This *could finance 8.9 months of import (goods only) or 6.7 months of import (goods and services), above the international benchmark of 3.0 months. The stock of external debt increased to US$40.06 billion, from US$38.39 billion at end-December 2021 and US$33.47 billion at end-June 2021, following additional disbursements from multilateral and bilateral sources, as well as the issuance of Eurobonds. The pressure in the foreign exchange market persisted, owing largely to a supply shortage. This led to the depreciation of the naira in the review period. The exchange rate of the naira to the US dollar at the I&E window, closed at ₦414.00/US$, at the end of June 2022, relative to ₦413.00/US$ at the end of December 2021 and ₦411.50/US$ at the end of June 2021.*

Outlook

The global economic outlook for the second half of 2022 remains cautiously optimistic, on account of the tightening financial conditions across various economies to tame rising global inflation, China's slowdown due to resurgence of the COVID-19 pandemic and the negative spillovers of the Russia-Ukraine war. Domestic outlook is positive, as output growth is expected to maintain its upward trajectory for the rest of the year. The optimism is predicated on continued policy support, positive impact of sustained CBN intervention on growth-enhancing sectors, effective implementation of the 2022 National Budget and the Medium-Term National Development Plan (MTNDP), and the increase in crude oil prices.

The external sector performance is expected to remain viable, as surplus trade balance is maintained in the short-to-medium term. With global crude oil prices remaining stable above US$100pb in the second half of 2022, accretion to external reserves is expected to improve. However, the Bank's continued intervention in the foreign exchange market, rising import bills, and increased external debt-servicing, would limit accretion to reserves.

Fiscal sector is expected to remain positive in the second half of the year, predicated on the effective implementation of the Finance Act 2021, under the Strategic Revenue Growth Initiatives (SRGIs) of the FGN, with its tax-reforms, expected to boost non-oil revenue. Furthermore, the imposition of new EU sanctions on Russia would continue to rally oil prices, thereby boosting oil earnings. However, constraints to crude oil production, elevated public debt, coupled with lingering insecurity challenges could pose downside risks to the realisation of set goals in the 2022 fiscal year.

The financial sector is expected to remain resilient in the second half of the year, reflecting CBN's effort in continuously monitoring the potential risks alongside periodic stress tests, to assess the safety and *health of the banking sector. Also, mandatory provisioning would mitigate the risk of deterioration in the quality of restructured loans.*

CBN MANDATE AND STRATEGY

THE CENTRAL BANK OF NIGEIRIA

Established by the CBN Act 1958 (as amended)
Commenced operation 1 July 1959

Vision

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

1. Become the model central bank
2. Deliver price stability conducive to economic growth
3. Achieve safe, stable, and sound financial system
4. Deliver credible, reliable, and efficient payments system
5. Promote sustainable finance and inclusive economic growth

Mission

- To ensure monetary, price and financial system stability as a catalyst for inclusive growth and sustainable economic development.

Mandate
(CBN Act 2007)

- Ensure monetary and price stability
- Issue legal tender currency in Nigeria
- Maintain external reserves to safeguard the international value of the legal tender currency
- Promote a sound financial system in Nigeria
- Act as Banker and provide economic and financial advice to the Federal Government

CBN Strategic Priorities (2019 – 2024): 5-Point Agenda

Preserving macroeconomic and financial stability

Promote inclusive growth and private sector investment by leveraging on monetary tools to maintain a low inflation environment, while trying to seek exchange rate stability

Foster the Development of a Robust Payments System

Drive the cashless initiative across the country to enhance efficiency and propel the financial inclusion drive

Improve Access to Credit

Improve consumer spending and investment by MSMEs through affordable and adequate credit

Grow our External Reserves

Conserve the utilization of reserves for critical raw materials and imports that are not produced locally

Diversify the Economy through intervention programmes

Boost productivity growth in both the agricultural and manufacturing sectors through end-to-end value chain credit intervention programmes

Section Two

THE GLOBAL ECONOMY

Global economic dynamics and the evolution of events shaped domestic economies around the world.

- Global Output Growth
- Global Inflation
- Global Financial Markets
- Central Banks' Responses
- Fiscal Measures

2.1 GLOBAL OUTPUT GROWTH

Global economic activity in the first half of 2022 was affected by a combination of factors, including rising energy and commodity prices, persisting supply chain disruptions, and the COVID-19 containment measures in China. The IMF, in its July 2022 World Economic Outlook (WEO), revised the 2022 growth forecast downward to 3.2 per cent from 3.6 per cent growth forecast in April 2022 report. This was due to deceleration in economic activity, driven by supply chain disruptions and inflationary pressures induced by the Russia-Ukraine war and the COVID-19 containment measures in China. The revision was corroborated by the average J.P. Morgan Global Composite Purchasing Manager's Index (PMI), which fell to 52.30 index points in the first half of 2022, from 54.30 index points in the second half of 2021, reflecting a slower pace of economic expansion. In addition, the manufacturing and services PMI indices fell to 53.30 and 52.80 index points in the first half of 2022, from 54.40 and 54.80 index points in the second half of 2021, respectively.

Table 2.1: Growth in Selected Countries

Country	Growth		
	2021	2022f	2023f
Global	*6.1*	*3.2*	*2.9*
Advanced Economies	*5.2*	*2.5*	*1.4*
United States	*5.7*	*2.3*	*1.0*
United Kingdom	*7.4*	*3.2*	*0.5*
Japan	*1.7*	*1.7*	*1.7*
Germany	*2.9*	*1.2*	*0.8*
Italy	*6.6*	*3.0*	*0.7*
Emerging Market & Developing Economies	*6.8*	*3.6*	*3.9*
Russia	*4.7*	*-6.0*	*-3.5*
China	*8.1*	*3.3*	*4.6*
India	*8.7*	*7.4*	*6.1*
Sub-Saharan Africa	*4.6*	*3.8*	*4.0*
South Africa	*4.9*	*2.3*	*1.4*
Nigeria	*3.6*	*3.4*	*3.2*

Note: 2022f and 2023f are forecasts
Source: IMF World Economic Outlook, July 2022.

Table 2.2: Global Composite PMI

	2021H1	2021H2	2022H1
Composite	*55.3*	*54.2*	*52.3*
Manufacturing	*55.0*	*54.4*	*53.3*
Services (Business Activity)	*55.5*	*54.8*	*52.8*

Source: IHS Markit, JP Morgan, Staff Compilation

Advanced Economies

Growth in advanced economies (AEs) slowed, due largely, to spillover effect of the Russia-Ukraine war and the associated energy price hikes. Output growth forecast was 2.5 per cent in 2022, below the 5.2 per cent in 2021, reflecting a downturn in economic activities. In the US, output growth was expected to slow to 2.3 per cent in 2022, from 5.7 per cent in 2021, attributed to the anticipated impact of a tighter monetary policy. Similarly, the growth projections for Germany, Italy and the UK were 1.2, 3.0 and 3.2 per cent, respectively, below the levels in 2021. The slowdown in economic activities was buttressed by the movement in the average JP Morgan Composite Global Purchasing Managers' Index (PMI).

In the United States and the United Kingdom, weak demand and supply shortages slowed the pace of economic activity as depicted by the decline in PMI to 54.43 and 56.67 index points in the first half of 2022, respectively, relative to their levels in the preceding and corresponding halves of 2021. Similarly, prevailing geopolitical uncertainty and rising inflationary pressures weighed on economic activity in Germany and Italy as PMI fell to 54.23 and 52.18 index points, respectively, from their levels in the preceding and corresponding halves of 2021.

Table 2.3: Selected Countries' PMIs

	2021H1	2021H2	2022H1
United States	*60.3*	*59.93*	*54.43*
United Kingdom	*59.8*	*58.60*	*56.67*
China	*51.4*	*50.15*	*46.47*
India	*54.2*	*55.04*	*54.48*
Germany	*63.3*	*59.92*	*54.23*
Italy	*60.0*	*61.13*	*52.18*
Japan	*52.2*	*53.20*	*50.33*
South Africa	*51.0*	*49.23*	*49.47*

Source: IHS Markit.

Emerging Markets and Developing Economies

Emerging Markets and Developing Economies (EMDEs) experienced a downturn, driven mainly by the lull in economic activities in China, India and Russia. Specifically, growth in China and India was estimated at 3.3 and 7.4 per cent, compared with 8.1 and 8.7 per cent in 2021, respectively. This was attributed to COVID-19 containment measures in China and unfavourable external conditions in India.

The PMI indicates that the Chinese economy contracted in the first half of 2022, even as the Indian economy decelerated recording 46.47 and 54.48 index points, respectively, in the first half of 2022, from 50.15 and 55.04 index points in the preceding half. In Russia, growth contracted by

6.0 per cent, against an expansion of 4.7 per cent in 2021, following the impact of the sanctions imposed on the economy.

In sub-Saharan Africa, output growth is projected to moderate to 3.8 per cent, from 4.6 per cent in 2021. The forecast reflects the cushioning effects of rising fossil fuel and metal prices for some commodity-exporting countries. The South African economy was projected to grow by 2.3 per cent, on the back of improved economic activity, particularly towards the end of the second half of the year, propelled by improved job creation and increased demand.

2.2 GLOBAL INFLATION

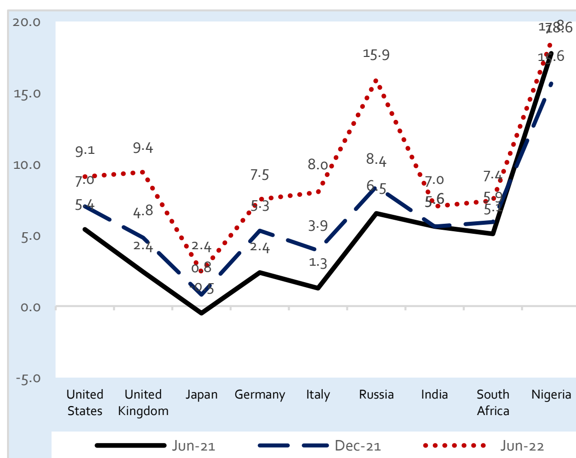
Inflationary pressures increased in the first half of 2022, following the Russia-Ukraine war, which exacerbated global supply chain disruptions, thus, elevating energy, food, and commodity prices.

In AEs, prices generally rose further, owing to the upsurge in energy prices. In the United States, inflation was 9.10 per cent at the end of June 2022, compared with 5.4 per cent at the end of -December 2021 and 4.80 per cent at end-June 2021. In the United Kingdom, inflation increased to 9.40 per cent at end-June 2022, compared with 4.80 per cent and 2.40 per cent at the end-December 2021 and end-June 2021, respectively. In Japan, consumer price index rose to 2.40 per cent at end-June 2022, from 0.80 per cent at end-December 2021 and 0.50 deflation at end-June 2021. Inflation in Germany and Italy rose to 7.50 per cent and 8.00 per cent, from 5.30 per cent, and 3.90 per cent at end-December 2021, respectively, and 2.35 per cent and 1.26 per cent at end-June 2021.

In EMDEs, inflation increased in the first half of 2022, compared with the level in the second half of 2021, due to increase in food and energy prices, and supply disruptions in many sectors. Specifically, inflation in China rose to 2.50 per cent at end-June 2022, from 1.50 per cent at end-December 2021 and 1.10 per cent at end-June 2021. Inflation in Russia and India increased to 15.90 and 7.01 per cent at end-June 2022, from 8.40 and 5.59 per cent in the preceding half, and 6.50 per cent and 5.58 per cent in the corresponding half of 2021, respectively.

Similarly, inflation in sub-Saharan Africa also rose during the first half of 2022, compared with the level in the second half of 2021, driven majorly, by rising food and energy costs. Inflation in South Africa increased to 7.40 per cent at end-June 2022, from 5.90 per cent at end-December 2021 and 5.07 per cent at end-June 2021.

Figure 2.1: Inflation Rates in Selected Countries (per cent)



Source: Trading Economics Website.

Table 2.4: Inflation in Selected Countries

Country	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
United States	5.4	5.4	5.3	5.4	6.2	6.8	7.0	7.48	7.87	8.5	8.3	8.6	9.1
United Kingdom	2.4	2.1	3.0	2.9	4.1	5.2	4.8	5.5	6.2	7.0	9.0	9.1	9.4
Japan	-0.5	-0.3	-0.4	0.2	0.1	0.6	0.8	0.5	0.9	1.2	2.5	2.5	2.4
Germany	2.4	3.8	3.9	4.1	4.5	5.2	5.3	4.9	5.1	7.3	7.4	7.6	7.5
Italy	1.3	2.0	2.0	2.5	3.0	3.7	3.9	4.8	5.7	6.7	6.2	6.8	8.0
Russia	6.5	6.5	6.7	7.4	8.1	8.4	8.4	8.7	9.2	16.7	17.8	17.1	15.5
China	1.1	1.0	0.8	0.7	1.5	2.3	1.5	0.9	0.9	1.5	2.1	2.1	2.5
India	5.6	5.3	4.8	4.4	4.5	4.9	5.6	6.0	6.1	7.0	7.8	7.0	7.0
South Africa	5.1	4.7	5.1	5.1	5.1	5.5	5.9	5.7	5.7	5.9	5.9	6.5	7.4
Nigeria	17.8	17.4	17.0	16.6	16.0	15.4	15.6	15.6	15.7	15.9	16.8	17.7	18.6

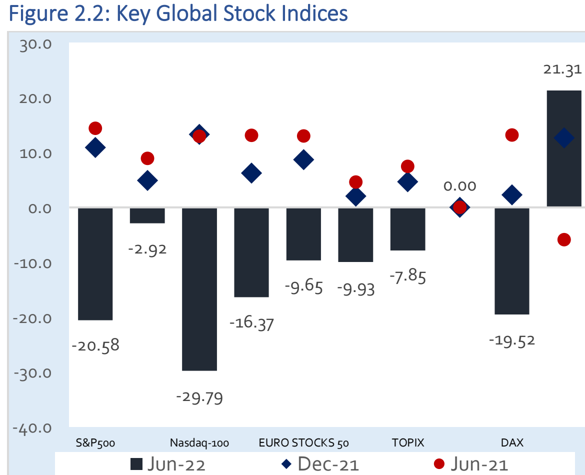
Source: Trading Economics Website.

2.3 GLOBAL FINANCIAL MARKETS

Global Financial Conditions

Tight global financial conditions in the first half of 2022 influenced investors' decision as they rebalanced their portfolio across financial instruments. Major equity indices declined, due to monetary tightening by most central banks and ensuing market reaction to surging inflation and rising interest rates in most economies. Specifically, growth in the S&P 500, DAX, Dow Jones and NASDAQ-100 declined by 20.58 per cent, 19.52 per cent, 16.37 per cent and 29.79 per cent respectively in the first half of 2022. Similarly, EURO STOCK 50, NIKKIE 225 and FTSE100 recorded decreases of 9.65 per cent, 9.93 per cent and 2.92 per cent, respectively.

Figure 2.2: Key Global Stock Indices



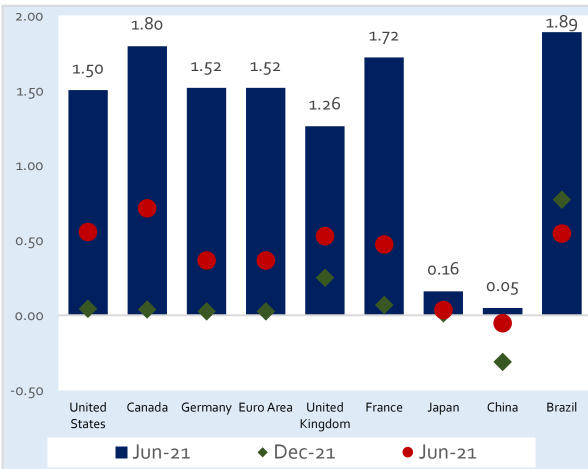
Source: Reuters and Bloomberg.

Government bonds rallied on the back of hawkish monetary policy stance in response to elevated inflation. Following forward guidance by the ECB to end asset purchases early in the third quarter of 2022, and the likely interest rate hike, yields in the euro area increased by 1.52 percentage points in the first half of 2022. Rate hike by the Bank of England in the first half of 2022 resulted in subsequent increase in the UK 10-year yield by 1.26 percentage points in the first half of 2022. Similarly, 10-year government bonds yields in the United States and Canada rose by 1.50 and 1.80

percentage points, respectively, from their level in the preceding half.

In the EMDEs, yields on 10-year government bonds in Brazil and China rose by 1.89 percentage points and 0.05 percentage point in the first half of 2022 relative to the preceding half.

Figure 2.3: 10-year Government Bond Yields for Selected Countries



Source: Bloomberg.

Currencies of selected emerging market economies weakened relative to the US dollar in the review period. The South African rand, Chinese RMB, and Russian rubles depreciated by 2.8 per cent, 0.8 per cent, and 6.7 per cent against the US dollar to 15.40 rand, 6.49 RMB, and 78.21 rubles, respectively. The depreciation was due to the twin threats of rising US interest rates and a looming global inflation.

Table 2.5: EMEs Exchange Rates/US$

Period	*Chinese RMB*	*Nigerian naira*	*South African rand*	*Russian ruble*
H1 2020	*6.91*	*376.43*	*14.29*	*66.64*
H2 2020	*6.80*	*387.91*	*16.38*	*74.69*
H1 2021	*6.47*	*406.67*	*14.54*	*74.33*
H2 2021	*6.43*	*412.16*	*14.97*	*72.98*
H1 2022	*6.49*	*416.02*	*15.40*	*78.21*

Source: Central Bank of Nigeria

2.4 GLOBAL COMMODITY PRICES

War-related disruptions and policy restrictions from major producing countries contributed to the upward price movement of monitored commodities in the first half of 2022. The Russia-Ukraine war brought unprecedented disruptions in production and supply chain network for most commodities, especially wheat, edible oils, and agricultural inputs such as fertilizers produced by the warring countries. Furthermore, policy restrictions from countries such as India and Indonesia banning the export of wheat and palm oil with the attendant high input cost and high market demand, added to the pressure on prices.

The all-commodities index, at 104.5 index points (2010=100), rose by 16.8 per cent and 35.5 per cent above the levels in the preceding half and the corresponding period of 2021, respectively. The increase was driven by surge in the prices of cotton, wheat, palm oil, soya-bean, coffee and rubber by 36.0 per cent, 35.8 per cent, 32.9 per cent, 22.3 per cent, 1.8 per cent, and 0.4 per cent, respectively.

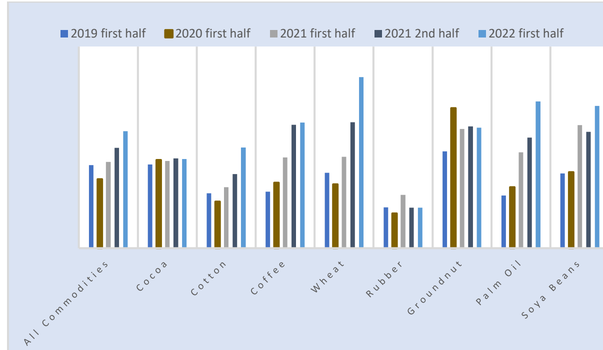
Palm oil and soybean prices rose on account of pent-up demand, due to the April 28 export ban by Indonesia, and increasing investment in biofuel operations in China and Southeast Asia. In addition, prices of cotton rose due to supply shocks amid droughts in West Texas, low crop yield in India, soaring energy prices, and post-COVID-19 pandemic demand pressure.

The index of wheat, at 152.6 index points (2010=100), rose by 35.6 per cent and 86.8 per cent above the levels in the preceding half and the corresponding period of 2021, respectively, fuelled majorly by the Russia-Ukraine[1] war.

The price index of coffee, at 112.1 index points (2010=100), rose by 1.8 per cent and 38.6 per cent above the levels in the preceding half and the corresponding period of 2021, respectively. Dry weather conditions in Brazil, supply chain challenges and freight costs, supported the rise, while the price of Rubber at 36.25 index points, rose marginally by 0.4 per cent in the preceding half, but declined by 23.8 per cent, compared with the corresponding period of 2021. The price increase for rubber during the review period was attributed to the seasonal shortage of the commodity amidst increasing world demand.

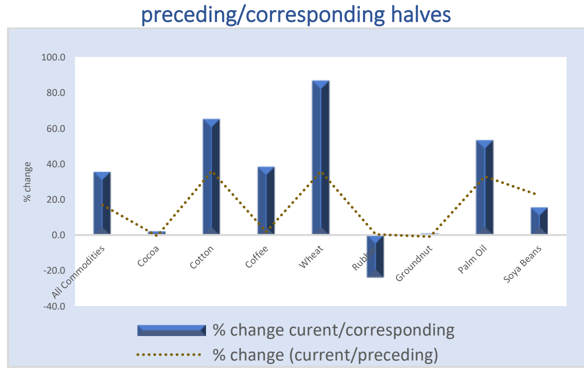
Similarly, the price of soya-bean, at 127.0 index points, was 22.3 per cent and 15.6 per cent higher than its levels in the previous half and the corresponding period of 2021. The development was driven by global supply tightening during the first quarter of 2022, due to drought in Brazil that delayed harvest, and a slowdown in exports, coupled with the attendant high market demand, especially from China.

Figure 2.4: Index of Major Agricultural Export Commodities



Source: Staff Computation based on data from Index Mundi

Figure 2.5: Trend of Major Export commodities Current vs preceding/corresponding halves



Source: Staff Computation based on data from Index Mundi

Conversely, the prices of groundnut and cocoa declined by 0.9 per cent and 0.5 per cent below their levels in the preceding half year, but rose by 0.9 per cent and 2.2 per cent, respectively, above their levels in the corresponding period of 2021. The decline in the prices of groundnut and cocoa, relative to the preceding half, was driven by improved production, which more than offset market demand.

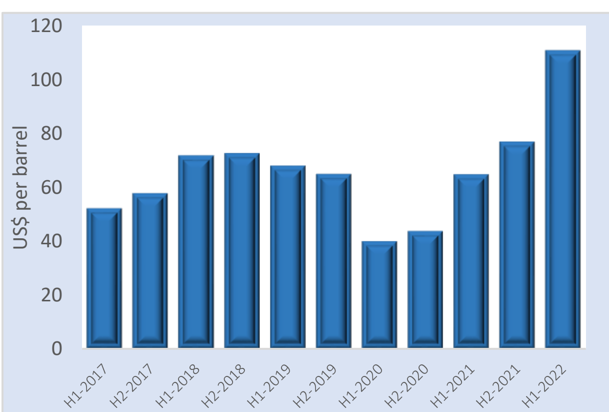
[1] Russia and Ukraine jointly account for 25.8 per cent and 11.4 per cent of global wheat and edible oil exports, respectively.

Crude Oil Prices

Crude oil prices surged in the first half of 2022 due to geopolitical tensions in Europe. Crude oil prices surged due to heightened concerns about the future availability of crude oil on the global market. This was on account of the sanctions imposed on Russian crude supply by the US and the European Union's decision to ban 90.0 per cent of Russian crude oil by the end of 2022. Consequently, the average spot price of Nigeria's reference crude, the Bonny Light, rose by 44.0 per cent in the first half of 2022 to US$110.96 per barrel (pb) from US$77.08 pb in the second half of 2021. It also rose by 71.2 per cent from US$64.82 pb recorded in the corresponding half of 2021.

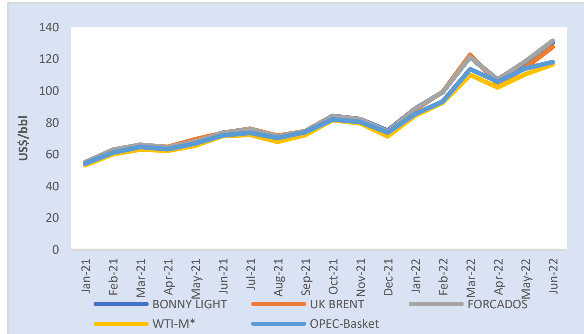
Similarly, prices of the Brent, Forcados, West Texas Intermediate (WTI) and OPEC Reference Basket rose by 42.5 per cent, 44.7 per cent, 38.8 per cent and 39.3 per cent to US$109.94 pb, US$111.60 pb, US$103.07 pb and US$105.47 pb, respectively, relative to the second half of 2021. The prices of all the crude streams rose, compared with the levels in the corresponding half of 2021.

Figure 2.6: Bonny Light Average Prices, 2017H1-2022H1(US$ per barrel)



Source: Refinitiv Eikon (Thomson Reuters

Figure 2.7: Average Monthly Crude Oil Prices, 2021-2022 (US$ per barrel)



Source: Refinitiv Eikon (Thomson Reuters)

Global Crude Oil Supply and Demand

Crude oil supply rose as OPEC+ agreed to increase production. Total world crude oil supply averaged 99.02 million barrels per day (mbpd), a 1.6 per cent increase above the level in the preceding half of 2021. The rise was attributed, mainly to the increase in aggregate OPEC supply by 10.68 per cent to 33.88 mbpd. Furthermore, the world crude oil supply increased by 5.8 per cent above the level in the corresponding half of 2021.

Aggregate crude oil supply, including natural gas liquids (NGLs) and condensates by OPEC, averaged 33.88 mbpd in the first half of 2022. This represented an increase of 3.61 per cent and 10.68 per cent, above the levels in the preceding half and corresponding half of 2021, respectively. Out of this, OPEC crude share increased by 12.22 per cent to 28.38 mbpd, while the remaining portion of OPEC supply, the Liquefied Natural Gas (LNG) and condensates increased to 5.50 mbpd in the first half of 2022, compared with 5.44 mbpd and 5.33 mbpd, in the preceding half and corresponding half of 2021, respectively. The rise in aggregate OPEC supply was driven largely, by the OPEC+ decision to adjust the monthly average crude oil production upwards by 0.4 mbpd.

World crude oil demand averaged 98.85 mbpd, a 0.55 per cent decrease, compared with 99.40 mbpd in the preceding half of 2021, and a 3.77 per cent increase, compared with 95.26 mbpd in the first half of 2021. The Organisation for Economic Co-operation and Development (OECD) countries' demand was 45.60 mbpd (46.0 per cent of the total world demand), while non-OECD countries accounted for the balance, at 53.25 mbpd.

Compared with the level in the corresponding period of 2021, the rise in world crude oil demand was driven, largely, by improved mobility across the world economies, as countries relaxed COVID-19 restrictions. Also, the rise in global crude oil demand was supported by increased fuel and diesel consumption as the summer driving peaks in the US and Europe. In comparison with the preceding period of 2021, the global crude oil demand declined as lockdown measures resurfaced in China over the new wave of the COVID-19 pandemic.

2.5 CENTRAL BANKS' RESPONSE

Most central banks tightened their monetary policy stance to tame the persistent inflationary pressures. In the United States, the Fed raised its policy rate cumulatively by 275 basis points (bps) to 1.75 per cent in the first half of 2022. The Bank of England and the Bank of Canada also raised their policy rates by 100 bps and 125 bps, respectively, to 1.25 per cent and 1.75 per cent in the review period. Furthermore, monetary authorities in EMDEs, tightened rates to tame inflation, and to retain and/or attract portfolio investment. The Bank of Mexico increased its repo rate by 225bps cumulatively to 7.75 per cent in the review period. Other emerging market central banks, such as South Africa, Egypt, and Ghana, also raised policy rates in the first half of 2022. Conversely, China maintained a dovish monetary stance, bringing the rates to 3.70 per cent in the first half of 2022, from 3.80 per cent in the second half of 2021.

Table 2.6: Monetary Policy Rates of Selected Central Banks

Country	2021H1	2021H2	2022H1
United States	0.3	1.75	4.5
United Kingdom	0.1	0.25	1.25
Japan	-0.1	-0.1	-0.1
Canada	0.5	0.5	1.75
Euro Area	0.0	0.0	0.0
China	3.85	3.80	3.70
India	4.0	4.0	4.9
Mexico	4.25	5.50	7.75
Turkey	19.0	14.0	14.0
Egypt	8.25	8.25	11.5
Ghana	13.5	14.5	19.0
South Africa	3.50	3.75	7.00
Nigeria	11.5	11.5	14.00

Source: Various Central Bank Websites.

2.6 FISCAL MEASURES

Many countries limited their fiscal space to cushion the impact of the war in Ukraine on their economies. Notably, the EU tightened economic sanctions such as the ban on imports from Russia of crude oil and refined petroleum products, agricultural commodities, and SWIFT. The EU also donated an emergency Macro-Financial Assistance (MFA) and the European Peace Facility (EPF) support to the Ukrainian economy and Armed Forces, respectively. The US government issued sanctions on Russian leaders, top businessmen and enterprises, including restricting the Central Bank of Russia from withdrawing its dollar-denominated foreign reserves.

Section Three

MACROECONOMIC PERFORMANCE

Enabled by policy support, the domestic economy continued in the recovery path in the first half of 2022.

- Monetary Policy
- Real Economy
- Fiscal Policy
- Financial Sector Developments
- Payments System Management
- External Sector Developments

3.1 MONETARY POLICY

Monetary Policy objectives

Price stability

Monetary Policy Environment

Priorities of Monetary Policy

- Ensure price stability
- Strengthen financial market fundamentals
- Encourage credit flow to the real sector

Major Economic Development

- Persistence of COVID-19 risk and weak global supply chains
- Heightened currency speculation
- Elevated global inflation
- Insecurity-induced inflationary pressure

Instruments of MP

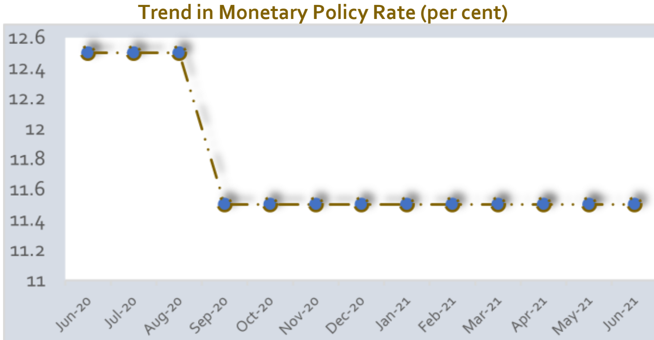
In the pursuit of its statutory mandate, the Bank during the review period, deployed an array of monetary policy instruments.

- The CBN Bill remained the major instrument of monetary policy, complemented by:
- Cash Reserve Ratio (CRR)
- Standing Facilities operations
- Interventions in the foreign exchange market.

Implications

- Persistence of macroeconomic risk
- Pressure on the exchange rate
- Declining but double-digit inflation figure
- Heightened investors' sentiment

Trend in Monetary Policy Rate (per cent)



Monetary Policy Decisions

24 and 25 January 2022	• The MPR at 11.50 per cent; • The Asymmetric Corridor of +100/-700 basis points around the MPR; • The CRR at 27.5 per cent; and • The Liquidity Ratio at 30 per cent.
21 March 2022	• Retain the MPR at 11.50 per cent; • Retain the asymmetric corridor of +100/-700 basis points around the MPR; • Retain the CRR at 27.5 per cent; and • Retain the Liquidity Ratio at 30 per cent.
23 and 24 May 2022	• Raise the MPR to 13.00 per cent; • Retain the asymmetric corridor of +100/-700 basis points around the MPR; • Retain the CRR at 27.5 per cent; and • Retain the Liquidity Ratio at 30 per cent.

Liquidity Management

The Bank continued [illegible]ure an optimal level of banking system liquidity for the attainment of its go[illegible]ing Open Market Operation (OMO), complemented by reserves requirement and discount window operation. Though the Bank maintained an accommodative monetary policy stance at the beginning of the period to sustain the fragile growth recovery, it, however, switched to a tight policy stance in the [illegible]art of the period, to rein in inflation.

The monetary policy rate which remained at 11.50 per cent, for the greater part of the first half of the year, was raised to 13.00 per cent in May 2022, to tame inflation. Other policy parameters such as asymmetric corridor remain unchanged at +100/-700 basis points around the MPR, the CRR at 27.5 per cent, and the Liquidity Ratio at 30.0 per cent. The foreign currency trading position of Authorized Dealers at the close of each business day remained at a maximum limit of +0.5 per cent and -10.0 per cent of their shareholders' fund unimpaired by losses.

Exchange Rate Policy

- *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.*

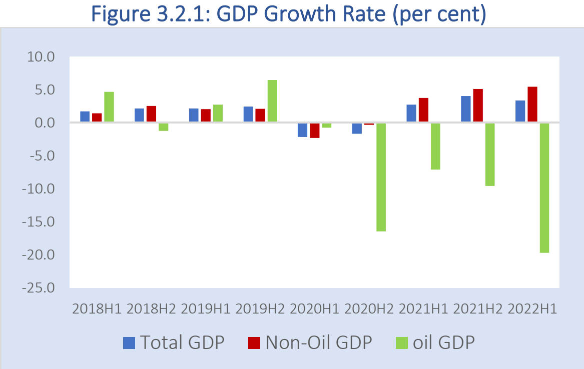
3.2 THE REAL ECONOMY

Domestic Output and Business Activities

Output

Positive output growth was sustained in the first half of 2022, following the rebound in economic activities, supported by robust fiscal and monetary stimuli. Real Gross Domestic Product (GDP) grew by 3.32 per cent, compared with 4.01 per cent and 2.70 per cent in the second half and the first half of 2021, respectively. Despite global headwinds, occasioned largely by the Russia-Ukraine war, growth in the domestic economy was realised on the heels of the return to normalcy since the relaxation of the COVID-19 restrictions and sustained implementation of the various economic stimulus packages by the fiscal and monetary authorities.

Figure 3.2.1: GDP Growth Rate (per cent)



Source: National Bureau of Statistics (NBS)

Overall, the growth was broad-based across sectors, and driven largely by the non-oil sector, which grew by 5.42 per cent in the first half of 2022, compared with 5.07 per cent and 3.70 per cent in the second half and the first half of 2021, respectively. Continued growth in the sector was driven, largely, by increased investments in ICT infrastructure, thus, spurring increased economic activities. Also, sustained fiscal and monetary stimuli to critical sectors of the economy gave impetus to the growth.

The Oil sector, however, constrained growth, contracting by 19.71 per cent during the period, compared with the contractions of 9.60 and 7.13 per cent in the second and first halves of 2021, respectively. The deteriorating performance of the Sector was attributed to the subsisting production and technical challenges, which manifested in high crude oil theft, vandalism, and force majeure' declared by Eni-Shell.

Sectoral Performance

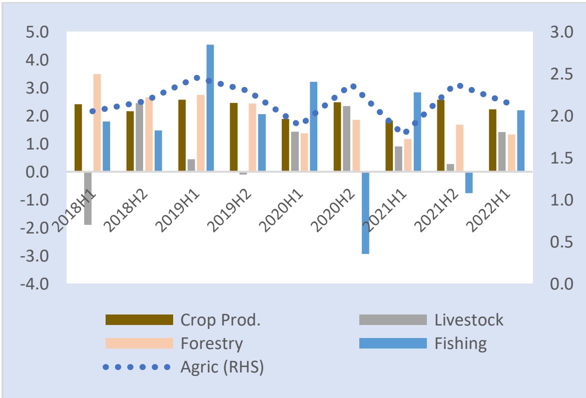
Agriculture and Services grew, while Industry contracted further in the first half of 2022.

Agriculture

Sustained policy support, clement weather conditions, and reduced farmer-herder clashes improved growth in the agriculture sector. The performance of agriculture improved as it grew by 2.15 per cent, compared with the 1.77 per cent growth in the first half of 2021. However, the sector's growth was slower than the 2.38 per cent in in the second half of 2021. This development was supported by the government's renewed effort in providing extension services to farmers, and continued implementation of the National Livestock Breed Improvement Programme, which, among others, moderated the farmer-herder clashes. The effort of the CBN to provide improved access to credit in the sector also aided its performance.

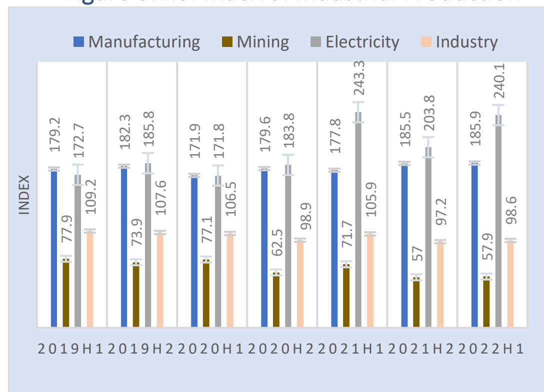
Consequently, the crop production, livestock, forestry, and fishery sub-sectors grew by 2.23 per cent, 1.42 per cent, 1.33 per cent and 2.20 per cent, respectively.

Figure 3.2.2: Agriculture Sector Performance (%)



Source: National Bureau of Statistics (NBS)

Figure 3.2.3: Index of Industrial Production



Source: Computed based on data obtained from NBS and Manufacturing Association of Nigeria (MAN)

Industry

Subsisting technical and production challenges, especially in the crude petroleum and natural gas sub-sector, further constrained the performance of the sector. Industry contracted by 4.73 per cent in the first half of 2022, compared with 0.86 per cent and 0.08 per cent contractions in the preceding and corresponding halves of 2021, respectively. The Sector constrained overall growth by 1.1 percentage points during the period. The poor performance of the sector was attributed to the dip in the output of crude petroleum and natural gas, owing to continued production and technical challenges, characterised by incessant oil theft and aging infrastructure. Also, oil refining dipped on account of non-functional local refineries.

The weak performance of the sector was reflected in the index of industrial production, which, at 98.6 index points (2010=100), declined by 6.8 per cent, compared with 105.8 index points in the corresponding period of 2021. It, however, increased by 1.4 per cent, compared with 97.2 index points in the second half of 2021.

The Manufacturing sub-sector, however, contributed the most to growth within the sector by 0.4 percentage point and grew by 4.55 per cent, compared with 3.26 per cent and 3.44 per cent in the preceding and corresponding halves of 2021, respectively. The improvement in the subsector was attributed to innovative supply chain delivery systems and other cost-cutting measures. The sub-sector showed resilience in the face of higher energy prices and weaker purchasing power of citizens owing to rising inflationary pressures. Also, the increased performance was also achieved on the heels of rising demand for locally manufactured goods, resulting in higher manufacturing capacity utilisation, which increased by 0.5 percentage point and 1.2 percentage points to 54.7 per cent, from 54.2 per cent and 53.5 per cent in the second half and first half of 2021, respectively.

Construction sustained its upwards growth trajectory, expanding by 4.48 per cent in the first half of 2022, compared with a growth of 3.75 per cent and 2.40 per cent in the preceding and corresponding halves of 2021, respectively. The sub-sector contributed 0.2 percentage point to overall output. The positive performance of the sub-sector was attributed to the continued effort of the government to deepen the quality of infrastructure in the country and sustained investment in the construction of houses.

In addition, the water supply, sewage and waste management sub-sector grew by 19.41 per cent, compared with 20.19 per cent and 16.92 per cent in the preceding and corresponding halves of 2021, respectively. This resulted to a 0.1 percentage point contribution to overall growth. The improved performance of the sub-sector was driven by increased investment in water supply projects, including the ₦23.50 billion World Bank Assisted Upgraded Bauchi Township Water Supply Scheme.

However, the Electricity, Gas, Steam & Air conditioner subsector contracted by 11.42 per cent in the first half of 2022, in contrast to 7.51 per cent and 56.58 per cent growth recorded in the previous and corresponding halves of 2021, respectively. The contraction was driven mainly by the decline in electricity generation and consumption, as the country witnessed incessant grid collapse following a significant downturn in power generation during the first half of 2022. Reduced gas supply and low water level to hydro generation stations were responsible for the low generation.

Thus, the average electricity generation, at 3,801.9 MW/h, decreased by 9.4 per cent and 5.2 per cent, compared with 4,157.9 MW/h and 3,998.60 MW/h in the second and first halves of 2021, respectively. Similarly, at 3,333.1 MW/h, the average electricity consumption fell by 10.2 per cent, compared with 3,672.1 MW/h in the corresponding period of 2021, but rose by 0.5 per cent, compared with 3,317.8 MW/h in the second half of 2021. Challenges occasioned by theft and vandalism of transmission and distribution networks, as well as planned maintenance, contributed to the low wheeling capacity to end users.

Table 3.2.1: Industry Sector Performance (Growth Rates)

	2020H1	2020H2	2021H1	2021H2	2022H1
Industry Sector	**-4.97**	**-6.7**	**-0.08**	**-0.86**	**-4.73**
Mining and Quarrying	-1.04	-15.54	-6.98	-8.67	-19.27
Manufacturing	-4.07	-1.51	3.44	3.26	4.55
Electricity, Gas, Steam & Air conditioner	-2.78	-2.98	56.58	7.51	-11.42
Water supply, sewage, waste Management.	3.16	4.68	16.92	20.19	19.41
Construction	-15.99	1.95	2.4	3.75	4.48

Source: National Bureau of Statistics (NBS)

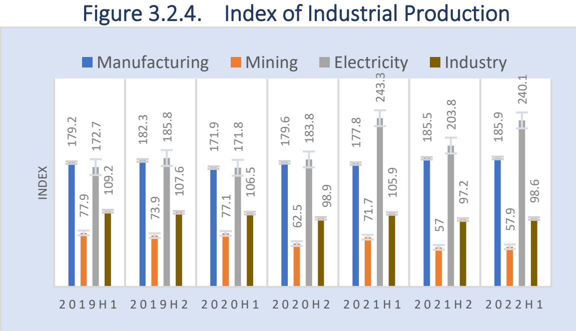
Industrial activities

Industrial activities in the first half of 2022 rose marginally, compared with the second half of 2021. This was attributed to increased manufacturing activities and improved business conditions and confidence. The index of industrial production, at 98.6 index points (2010=100), increased by 1.4 per cent, compared with 97.2 index points in the second half of 2021. The sector's activities, however, declined by 6.9 per cent, compared with 105.6 index points in the corresponding period of 2021.

Industry sub-sector analysis revealed that the index of mining production at 57.9 index points (2010=100), declined by 19.3 per cent, compared with 71.7 index points in the corresponding half of 2021. This was due to low crude oil production, as investment dipped in the upstream sector, with plans by major oil companies to divest. Also, infrastructural challenges, including oil pipeline leakages, fire incidence and poor maintenance of oil production facilities, contributed to the low performance. However, the performance of the sub-sector increased tepidly to 57.9 index points, compared with 57.0 index points in the second half of 2021.

Despite the rising cost of production, the manufacturing sub-sector recorded an improved performance. This was partly due to the crystallisation of the impact of monetary and fiscal stimulus in the real sector. Also, the increased performance was due to rising demand for locally manufactured goods, resulting in an upsurge in manufacturing capacity utilisation. Consequently, the index of manufacturing production rose by 0.2 per cent and 4.6 per cent to 185.9 index points (2010=100) in the first half of 2022, compared with 185.5 index points and 177.8 index points in the second half and the corresponding period of 2021. Similarly, the estimated manufacturing capacity utilisation in the first half of 2022, also increased by 0.5 percentage point and 1.2 percentage points to 54.7 per cent, from 54.2 per cent and 53.5 per cent in the second half and first half of 2021, respectively.

Figure 3.2.4. Index of Industrial Production



Source: Computed based on data obtained from NBS and Manufacturing Association of Nigeria (MAN)

Industrial Financing

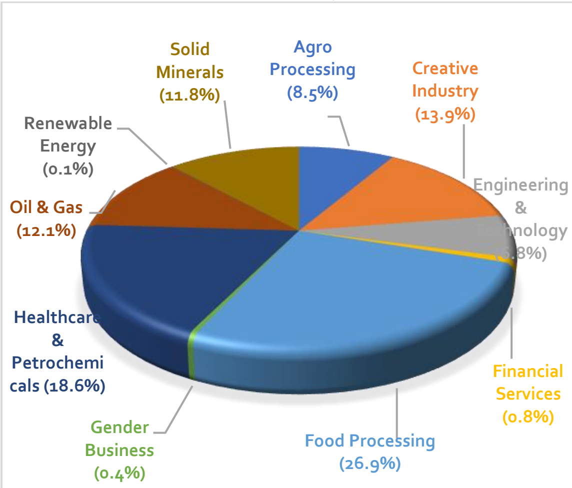
The provision of credit facilities to support industrial activities was sustained, especially by the Bank of Industry and the Nigeria Export-Import Bank.

- *The Bank of Industry*

Total credit disbursed by the Bank of Industry (BOI) to the industrial sector in the first half of 2022 rose by 28.0 per cent, to ₦106.90 billion, from ₦77.00 billion in the first half of 2021. The increase was attributed to a rise in the number of approved applications. From the disbursements, large enterprises got ₦84.40 billion (79.0 per cent), while small and medium enterprises received ₦22.50 billion (21.0 per cent).

A sectoral analysis of the disbursements showed that food processing was allocated ₦28.80 billion (26.9 per cent), followed by the healthcare & petrochemicals sector, ₦19.90 billion (18.6 per cent), creative industry received ₦14.90 billion (13.9 per cent) of the total, oil & gas sector ₦13.00 billion (12.1 per cent), solid minerals ₦12.6 billion (11.8 per cent). Others included; agro processing ₦9.10 billion (8.5 per cent), engineering & technology, ₦7.30 billion (6.8 per cent). While financial services received ₦0.90 billion (0.8 per cent), gender business ₦0.4 billion (0.4 per cent), and renewable energy ₦0.10 billion (0.1 per cent).

Figure 3.2.5: Summary of BOI Disbursements by Sector, 2022H1 (per cent)



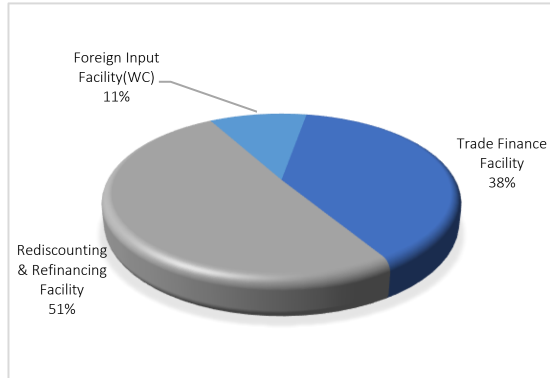
Source: Bank of Industry

- *The Nigeria Export-Import Bank*

The total funding support provided to the non-oil export sector, under the Nigeria Export-Import Bank (NEXIM) lending facilities in the first half of 2022 was ₦31.61 billion for 27 projects, compared with ₦54.40 billion to 38 projects in the second half of 2021 and ₦24.06 billion for 23 projects in the corresponding period of 2021. The decrease in funding new projects was attributed to increased credit risk perception arising from heightened global uncertainties.

A breakdown of the disbursement by facility shows that 51.0, 38.0, and 11.0 per cent were disbursed under Rediscounting & Refinancing Trade Finance, and Foreign Input Facilities, respectively.

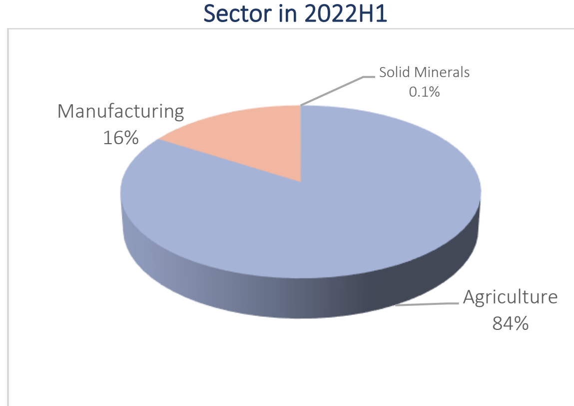
Figure 3.2.6: Summary of NEXIM Disbursement by Facility in 2022H1 (per cent)



Source: NEXIM

A sectoral analysis of the disbursement showed that the agricultural sector received ₦26.53 billion (84.0 per cent). This was followed by the manufacturing sector with ₦5.03 billion (15.9 per cent) and solid minerals, ₦0.05 billion (0.1 per cent).

Figure 3.2.7: Summary of NEXIM Disbursement by Sector in 2022H1



Source: NEXIM

- Renewable Energy

Electrification to the unserved and underserved communities improved in the review period. The Rural Electrification Agency (REA) continued to provide electrification for the rural areas under the Rural Electrification Fund (REF), the Capital Project (CP) and the Nigerian Electrification Project (NEP). A total number of 159 and 250 off-grid solar power projects were completed and ongoing, respectively, while the total installed and available capacity of the off-grid solar power completed and ongoing were 6,998.72 KW and 27,737.19 KW, respectively. Also, the total number of connections to the mini-grid and solar home system completed and ongoing were 746,818 and 507,571, respectively. However, challenges such as insecurity, insufficient funds and logistics, amongst others, continued to constrain the agency.

The major source of funding for NEP, REF and CP are from the World Bank and the African Development Bank (AfDB) credit facilities, REA and the Federal Government's annual capital budget, respectively.

Table 3.2.2: Summary of Renewable Energy Projects

S/N	Project title	Completed	Ongoing
1	Total number of off-grid solar power project	159 (total) 68 (NEP) 26 (REF) 65 (CP)	250 (total) 188 (NEP) 62 (REF)
2	Total installed and available capacity of the off-grid solar power (KW)	6,998.72 (total) 4,107 (NEP) 1,341 (REF) 1,550.72 (CP)	27,737.19 (total) 23,712.19 (NEP) 4,025 (REF)
5	Total number of connections to the off-grid (mini-grids and solar home system)	746,818 (total) 721,211 (NEP) 24,022 (REF) 1,585 (CP)	507,571 (total) 141,920 (NEP) 365,651 (REF)

Source: Rural Electrification Agency (REA)

Services

Services sustained its robust performance, owing to an improved business environment and increased leverage of ICT services and access to credit. The Sector grew by 7.07 per cent in the first half of 2022, compared with 6.84 per cent and 4.27 per cent in the second half and first half 2021, respectively, and contributed 3.9 percentage points to the overall GDP growth.

Table 3.2.3: Services Sector Performance (Growth Rates)

	2020H1	2020H2	2021H1	2021H2	2022H1	Growth Contribution in 2022H1
Services Sector	-2.64	-1.83	4.27	6.84	7.07	3.87
Trade	-9.64	-7.43	8.97	8.3	5.5	0.89
Accommodation and Food Services	-16.8	-18.56	-2.85	1.63	2.24	0.02
Transportation and Storage	-20.47	-24.01	6.3	26.39	15.4	0.2
Information and Communication	11.59	14.77	5.97	7.11	9.06	1.49
Arts, Entertainment & Recreation	-3.01	-3	-0.17	4.02	1.4	0
Financial and Insurance	19.63	-0.72	-1.47	23.74	20.88	0.78
Real Estate	-14.11	-5.07	2.79	1.85	4.43	0.23
Professional, Scientific & Technical Serv.	-8.08	-7.78	-1.43	1.32	1.9	0.06
Administrative and Support Services	-2.15	-3.26	2.02	3.04	2.87	0
Public Administration	-2.88	2.62	-1.34	0.53	1.97	0.04
Education	-10.83	-15.6	-3.5	1.4	1.58	0.03
Human Health & Social Services	1.49	2.94	4.79	5.07	4	0.03
Other Services	-5.98	-5.57	-1.54	1.28	3.1	0.11

Source: National Bureau of Statistics (NBS)

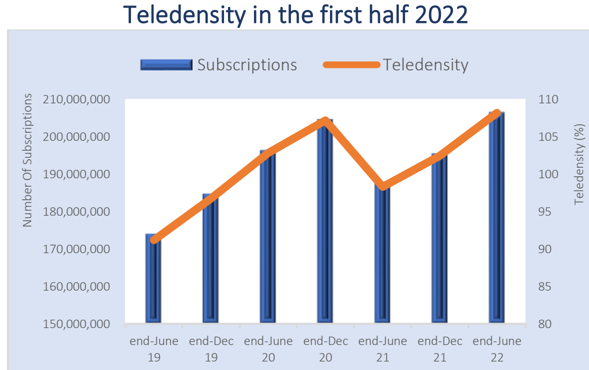
The Information and Communications Technology

The Information and Communications Technology (ICT) sub-sector grew by 9.06 per cent, compared with 7.11 per cent and 5.97 per cent in the second and first halves of 2021, respectively. The growth was triggered by the increase in the number of active mobile lines, which crossed the 200 million mark in April 2022 to reach 206,081,720 subscriptions at the end of first half of 2022.

Consequently, in the first half of 2022, teledensity across the country increased to 108.15 per cent, compared with 102.40 per cent and 98.28 per cent in the preceding and corresponding halves of 2021, respectively. The broadband subscription and penetration levels also increased to 84,607,363 and 44.32 per cent, respectively. This development was driven by increase in network coverages and demand, following increased private sector participation and online trading activities in the economy.

In addition, the Nigerian Communications Commission (NCC) issued the International Gateway and the Internet Service Provider (ISP) licences to Starlink Internet Services Nigeria Ltd to operate in Nigeria.

Fig 3.2.8: Active Telephony Subscriptions and Teledensity in the first half 2022



Data Source: Nigerian Communications Commission (NCC)

Finance and Insurance sub-sector

The finance and insurance sub-sector expanded by 20.88 per cent, compared with 23.74 per cent growth in the preceding half and a contraction of 1.47 per cent in the corresponding half of 2021. Improved access to consumer credit following the continued implementation of the loan-to-deposit ratio policy and other policy measures by the Bank supported the growth of the financial institutions' sub-sector during the period.

The Transport and Storage sub-sector

The Transport and Storage sub-sector grew by 15.40 per cent, compared with 26.39 per cent and 6.30 per cent in the preceding and corresponding halves of 2021, respectively. The growth was driven by sustained government and institutional support towards boosting infrastructure in the sector and addressing the scarcity of petroleum products. There was also notable increase in passenger and cargo movement across the sub-sector activities of air, rail and water transport.

The volume of passengers airlifted in both the domestic and international routes increased by 1.4 per cent to 8.9 million passengers during the period, compared with the corresponding half of 2021. However, this was lower than the number recorded in the second half of 2021 by 11.6 per cent. Similarly, the volume of domestic-bound passengers transported by air increased by 22.7 per cent in the first half of 2022, over the 5.9 million passengers airlifted in the corresponding half of 2021. It, however, declined by 16.9 per cent, when compared with 8.7 million passengers in the second half of 2021. The increase in the volume of domestic bound passengers was due to the persistent security challenges affecting road transport and rail. The volume of foreign passengers also rose, significantly, by 87.6 per cent and 21.1 per cent, from 0.90 million and 1.4 million passengers airlifted in the first and second halves of 2021, respectively.

Aircraft movement rose by 13.0 per cent to 140,966 flights in the first half of 2022, compared with the corresponding period of 2021, but declined by 12.5 per cent below the level in second half of 2021.

Mail movement rose to 40.8 million kg in the first half of 2022, an increase of 8.4 per cent and 12.0 per cent, above the levels in the first and second halves of 2021, respectively. However, cargo movement declined by 49.7 per cent and 30.3 per cent to 63.6 million kg, compared with the corresponding half of 2021 and the second half of 2021.

Activities in the marine sector declined compared with the first and second halves of 2021. This was observed in the decrease in the number of oceangoing vessels that berthed at the nation's ports to 1,992 in the first half of 2022, from 2,005 vessels in the first half of 2021, and 2,095 in second half of 2021. This further affected the volume of cargoes discharged and loaded at the ports, as cargo throughput, which stood at 39,971,942 metric tons and 39,916,165 metric tons in the first and second halves of 2021, decreased to 38,672,392 metric tons in the review period. The decrease in the first half of 2022 represents a decline of 3.12 per cent and 3.25 per cent from the corresponding and previous halves of 2021, respectively. The development was occasioned by reduced demand for imported consumer items on account of tighter macroeconomic environment and weaker purchasing power.

Other sub-sectors included, Trade (5.50 per cent), Real Estate (4.43 per cent), Human Health & Social services (4.00 per cent), 'Other Services' (3.10 per cent), Administrative and Support Services (2.87 per cent), Accommodation and Food Services (2.24 per cent), Public Administration (1.97 per cent) and Professional, Scientific & Technical Services (1.90 per cent), also grew during the review period.

Health

The Federal Government continued to strengthen institutions to improve the quality and coverage of health care services. Thus, the Federal Government launched a ₦62.10 billion Fund to sustain the country's HIV response, address killer diseases and public health emergencies. It also unveiled a National Biosecurity Policy and Action Plan for 2022-2026 to secure the health sector and its immediate environment from biological threats.

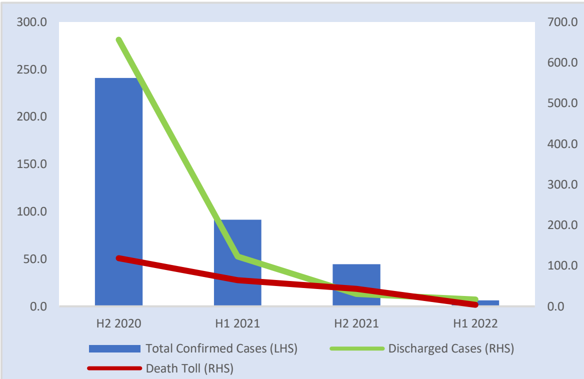
To deepen access to health insurance coverage and increase private sector participation in the provision of health insurance services, the National Health Insurance Authority (NHIA) bill was enacted during the review period. The Act establishes and empowers the NHIA to ensure the provision of mandatory health insurance for all Nigerians, in collaboration with state health insurance agencies, and to improve and harness private sector participation in the provision of health care services. Also, the new Act stipulates the establishment of a new Vulnerable Group Fund to provide subsidy for health insurance coverage for vulnerable people.

Furthermore, the Federal Government officially flagged-off the enrolment of Corps Members into the National Health Insurance Scheme (NHIS). The health initiative, known as NYSC Group Individual Family Social Health Insurance Programme (GIFSHIP), was designed to cover the periods of Pre-Orientation, until the end of Service of a Corps member, which is three weeks after disengagement from Service. Six Health Maintenance Organisations (HMOs) were selected for each geo-political zones to drive the process.

COVID-19 Update

The rate of active cases of COVID-19 infections declined, following sustained surveillance by relevant health authorities, compliance with containment measures, and a sustained vaccination drive. This followed a significant decline in the newly confirmed cases and recorded deaths. The rate of increase in the number of confirmed cases moderated in the first half of 2022 to 6.3 per cent, compared with 44.6 per cent and 91.3 per cent in the second half and corresponding half of 2021, respectively. Similarly, the rate of discharged cases declined to 16.8 per cent, compared with 30.5 per cent and 122.8 per cent in the second half and corresponding half of 2021, respectively. In addition, the death toll declined by 3.7 per cent as against 43.0 per cent in the second half, and 64.5 per cent in the corresponding period of 2021.

Fig 3.2.9: COVID-19: Confirmed, Discharged and Death Cases in the First Half of 2022



Source: National Centre for Disease Control (NCDC)

During the review period, Nigeria received a donation of 3.2 million Pfizer COVID-19 vaccines from the United States; 2 million doses of Johnson & Johnson (J&J) vaccines from the European Union and another 4.4 million doses of J&J from the government of Spain, and 859,600 doses of AstraZeneca vaccines from the Japanese Government.

Housing

The Federal Government sustained efforts to increase the delivery of housing to citizens as it commissioned a total of 372 housing units in Nasarawa, Delta, Kaduna, Kogi and Osun states in the first half of 2022. Out of the 372 housing units delivered in the review period, Nasarawa State got 76 units, while Delta, Kaduna, Kogi and Osun states got 68, 80, 76, and 72 units, respectively.

Education

The government's commitment to increase access to formal education, especially at the tertiary level, was sustained with the licensing of new educational institutions. To increase access to tertiary institutions, the Federal Executive Council (FEC) approved the issuance of provisional licences for the establishment of 12 additional private universities across the country. They included Pen Resource University Gombe (Gombe State), Al-Ansar University, Maiduguri (Borno State), Margaret Lawrence University (Delta State), and Khalifa Ishaku Rabiu University Kano (Kano State). Also on the list were Sports University Idumuje Ugboko (Delta State), Baba Ahmed University Kano, Saisa University of Medical Sciences and Technology (Sokoto State), Nigerian-British University Hasa (Abia State) and Peter University Acina-Onene (Anambra State). Others were Newgate University, Minna (Niger State), European University of Nigeria in Duboyi (Abuja) and the North-West University Sokoto. In a related development, the FEC approved the establishment of three new Federal Polytechnics, located in Umunnoechi in Abia State, Orogun in Delta State, and Kabo in Kano State. They would commence academic activities in October 2022.

The National Universities Commission (NUC) also granted approval for the establishment of two new universities by the Lagos State Government. The new universities would be developed through the conversion of selected old higher learning institutions in the State. Consequently, the old polytechnic in Ikorodu became the University of Science and Technology, while the Adeniran Ogunsanya College of Education, Ijanikin, and the Michael Otedola College of Primary Education, Epe, were merged to form the Lagos State University of Education. The creation of the two institutions would increase the State's capacity to cater for the growing population of admission seekers, while increasing access to higher education in the country.

To provide each senatorial district with opportunities to drive e-learning and foster a digital environment, the Federal Government approved ₦964.00 million for the provision of satellite-based education system equipment in 111 primary schools (three primary schools in each of the 36 States of the Federation and the Federal Capital Territory).

Furthermore, the Universal Basic Education Commission (UBEC) constructed six ICT schools in the six geopolitical zones at a cost of ₦21.60 billion.

The Nigerian Communications Commission (NCC) gave 16 Nigerian universities a total of ₦232.50 million telecommunications research and development grant to boost the development of the education sector. The researchable areas, which were technology based included: 5G Deployment; Innovative Clean Energy; Advanced Method of Quality of Service (QoS)/Quality of Experience Management and Test Mechanism; Internet of Things (IoT) Low Power Wide Area Network (LPWAN) Technology; and Monitoring and Localising of Drones.

Social Intervention

The Federal Government sustained its interventions aimed at improving the livelihood of its citizens during the period. As part of the effort toward poverty eradication and sustenance of the National Social Investment Programmes (NSIPs), the Federal Government, in collaboration with the CBN, flagged off the NEXIT/CBN Agri-Business Small and Medium Enterprises Investment Scheme for exited N-Power beneficiaries Batches A and B.

Also, Google keyed into the Government's entrepreneurship development drive by announcing US$1.00 million in support for African women, including Nigerian women entrepreneurs, to help grow their businesses. The Tech Giant also provided free tools to support their businesses by launching an intensive programme to drive the discovery of women-owned businesses through Google Business Profiles. This would help businesses create a free webpage to make it easier for them to be more accessible online.

- Employment and Job Creation

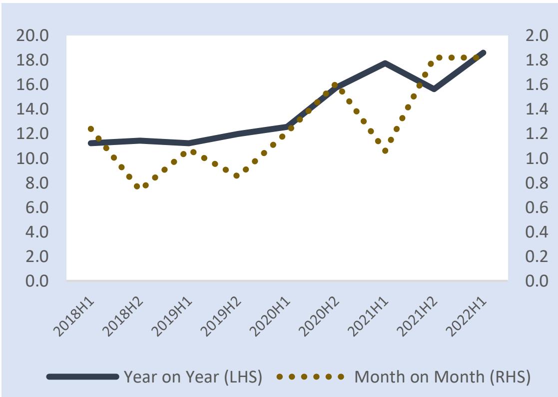
The Federal Government sustained its effort to improve employment by partnering with various stakeholders. The Government approved the opening of an employment and job creation portal called the Nigerian Labour Exchange (NILEX) to improve the database and the access to employment opportunities in the country. The platform would keep records of job vacancies and the skills of job seekers as well as unemployed Nigerians in the diaspora.

Consumer Prices

Rising food and energy prices and lingering security challenges fuelled headline inflation upward in the first half of 2022, thus reversing its downward trend in the second half of 2021. The reversal was driven, mainly, by increased prices of food and non-food items. In addition, the effects of soaring energy prices (such as diesel and gas), persisting structural bottlenecks, and lingering security challenges contributed to the rising inflation. Hence, headline inflation (year-on-year) rose to 18.60 per cent from 15.63 per cent and 17.75 per cent in the second and first halves of 2021, respectively. However, headline Inflation (Month-on-Month) in the first half of

2022 remains unchanged from its level of 1.82 per cent in the second half of 2021.

Figure 3.2.10: Headline Inflation Rate (per cent) 2018H1 to 2022H1



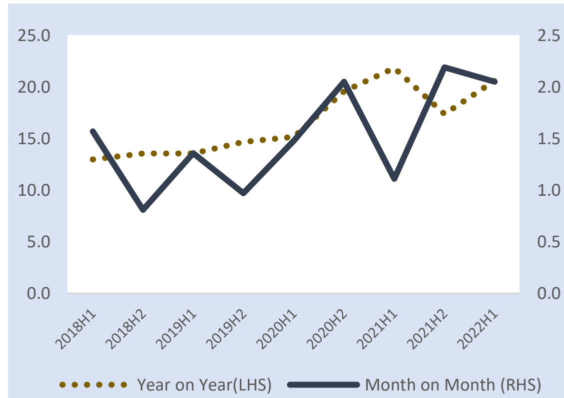
Source: National Bureau of Statistics (NBS)

Food Inflation

Food inflation rose persistently in the first half, driven, mainly, by lingering security challenges, rising input costs, and exchange rate pass-through to domestic prices. Specifically, prices of farm produce continued to rise on the heels of persisting security challenges that constrained farming activities, leading to disruptions in the supply of food items. Also, prices of processed food items maintained an upward trajectory due to persisting structural challenges that hampered food processing activities, especially, the increased prices of diesel and other input. Continued uptick in food prices was further supported by an increase in the price of imported food, which contributed an average of 4.4 percentage points to the increase in food prices.

Thus, food inflation (year-on-year) rose to 20.60 per cent, from 17.37 per cent in second half of 2021, but lower than the 21.83 per cent in the first half of 2021. On the other hand, the Month-on-Month food inflation declined to 2.05 per cent at end-June 2022, compared with 2.19 per cent in the second half of 2021.

Figure 3.2.11: Food Inflation Rate (per cent)2018H1 to 2022H1

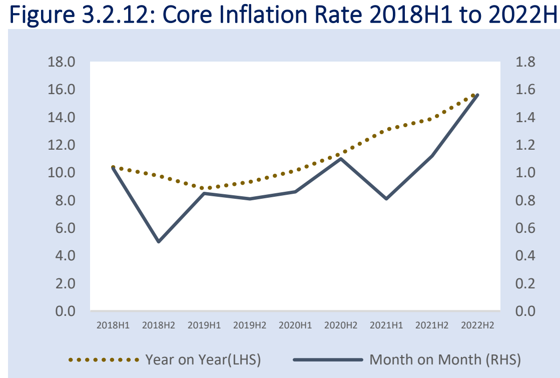


Source: National Bureau of Statistics (NBS)

Core Inflation

Core inflation (all-items less farm produce) sustained its rise to 15.75 per cent, compared with 13.87 per cent and 13.09 per cent in the preceding and corresponding halves of 2021, respectively. The persistent rise in core inflation was, largely, attributed to the effect of higher import prices, increase in the cost of transportation/logistics, and heightened security challenges.

Figure 3.2.12: Core Inflation Rate 2018H1 to 2022H1



Source: National Bureau of Statistics (NBS)

Domestic Commodity Prices

The Prices of most domestic agricultural commodities monitored trended upward in the first half of 2022. Despite improved output, domestic prices of agricultural products were higher than their levels in the second and first halves of 2021. The development was induced by structural factors such as: high transportation costs, driven by an increase in the price of diesel; supply shortages, resulting partly from the persisting security challenge; high demand; scarcity of foreign exchange for importation; and the Russia-Ukraine war, which further strained the food supply chain, especially imported commodities like wheat and edible oils.

The dynamics in agricultural commodity prices, compared to the preceding half indicated increase in onion bulb (21.1 per cent), vegetable oil (20.1 per cent), groundnut oil (18.7 per cent) and palm oil (18.4 per cent). Relative to the corresponding period of 2021, the edible oils increased by 46.1 per cent (groundnut oil), 45.5 per cent (palm oil), and 45.4 per cent (vegetable oil).

Other commodities also recorded an increase ranging from 2.1 per cent for garri yellow (sold loose) to 16.9 per cent for sweet potato. The upward price movement exacerbated inflationary pressure in the review period.

Table 3.2.4. Domestic Agricultural Commodity Prices

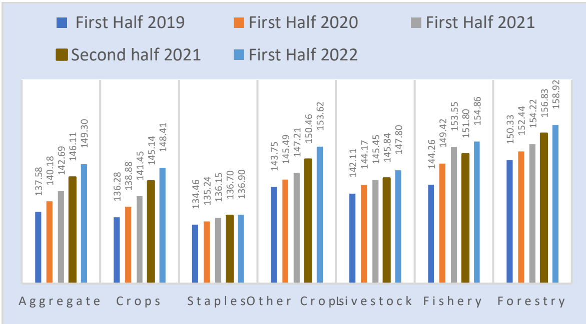
FOOD ITEM	Unit	1st Half, 2022 1	2nd Half, 2021 2	1st Half, 2022 3	% change (1) &(3)	% change (2) & (3)
Agric eggs medium size	"	530.33	608.00	672.55	26.82	10.6
Beans brown,sold loose	"	391.17	489.60	531.18	35.79	8.5
Beans:white black eye. sold loose	"	365.57	464.30	508.82	39.18	9.6
Gari white,sold loose	"	279.98	308.00	320.02	14.30	3.9
Gari yellow,sold loose	"	299.86	333.20	340.34	13.50	2.1
Groundnut oil: 1 bottle, specify bottle	"	689.66	848.70	1007.64	46.11	18.7
Irish potato	"	325.73	382.00	446.44	37.06	16.9
Maize grain white sold loose	"	235.44	271.30	298.85	26.93	10.2
Maize grain yellow sold loose	"	241.37	273.10	301.03	24.71	10.2
Onion bulb	"	309.56	320.10	387.79	25.27	21.1
Palm oil: 1 bottle,specify bottle	"	584.82	718.60	850.56	45.44	18.4
Rice agric sold loose	"	445.18	467.60	503.70	13.15	7.7
Rice local sold loose	"	397.51	415.40	444.56	11.84	7.0
Rice Medium Grained	"	443.45	464.60	490.39	10.59	5.6
Rice,imported high quality sold loose	"	545.97	556.60	611.75	12.05	9.9
Sweet potato	"	161.40	199.40	232.37	43.97	16.5
Tomato	"	290.42	367.90	417.03	43.60	13.4
Vegetable oil:1 bottle,specify bottle	"	677.14	820.00	984.61	45.41	20.1
Wheat flour: prepacked (golden penny 2kg)	"	773.83	907.20	1053.17	36.10	16.1
Yam tuber	"	255.44	315.10	354.14	38.64	12.4

Source: *National Bureau of Statistics (NBS)*

Agricultural production

Agricultural production index, at 149.3 points (2010=100), grew by 2.2 per cent and 4.6 per cent above the levels in the second and first halves of 2021. Relative to the preceding half, the crop and fishery sub-sectors grew by 2.1 per cent and 2.0 per cent, respectively, followed by livestock and forestry sub-sectors at 1.3 per cent, apiece. The performance of the sub-sectors was driven by sustained policy interventions and favourable weather condition.

Fig 3.2.13: Agriculture Production Index 2019HI to 2022HI



Source: National Bureau of Statistics (NBS)

Table 3.2.5: Agricultural Production Index

First Half 2021, Second Half 2021, First Half 2022

	1	2	3	%(3&1)	%(3&2)
Aggregate	142.69	146.11	149.3	4.63	2.18
Crops	141.45	145.14	148.41	4.92	2.25
Staples	136.15	136.7	136.9	0.55	0.14
other crops	147.21	150.46	153.62	4.36	2.10
Livestock	145.45	145.84	147.8	1.61	1.34
Fishery	153.55	151.8	154.86	0.86	2.02
Forestry	154.22	156.83	158.92	3.04	1.33

Source: National Bureau of Statistics (NBS)

The Extractive Industry
Crude Oil
Policy and Institutional Support

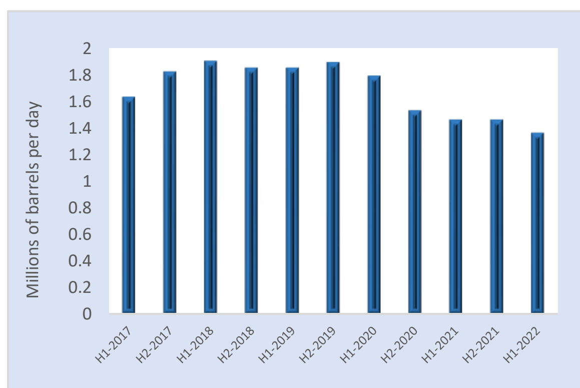
To optimise the nation's hydrocarbon resources, the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), awarded Petroleum-Prospecting Licences (PPLs) to indigenous operators for 57 marginal oil fields. This was in addition to the 30 marginal oil field licences issued earlier. The oil fields were awarded to qualified indigenous companies to encourage greater participation in the petroleum industry. The firms were given six years to develop the fields and commence full oil production.

To bridge the cost of transportation, and encourage investment in the transportation of petroleum products, the Federal Government increased the freight rate for petroleum product marketers by ₦10.00 per litre (95.6 per cent) to ₦20.46 per litre. The review was necessitated by the high cost of transporting petroleum products nationwide.

Crude Oil Production

At an average daily production of 1.36 million barrels per day (mbpd), Nigeria's crude oil output in the first half of 2022, declined by 6.8 per cent below the comparative periods in 2021. The decline in domestic crude oil production was due, largely, to rising cases of sabotage, which led to TotalEnergies, Shell and Eni declaring force majeures on Forcados, Bonny Light, and Brass crude streams export in February and March 2022, respectively.

Figure 3.2.14: Average Crude Oil Production (Million barrels per day)



Source: Refinitiv Eikon (Thomson Reuters)

Refinery Operations

The three Federal Government owned refineries, with a combined refining capacity of 445,000 barrels per day (bpd), remained shut, due to rehabilitation. Output from the Walter Smith Refinery and Niger Delta Petroleum Resources modular refineries, though operational, was inadequate to boost the consolidated capacity utilisation rate and meet domestic demand.

Table 3.2.6. Status of Operation of Refineries in Nigeria in the First Half 2022

S/No	Plants	Capacity (bpd)	Status
1	Port Harcourt Refining Company (PHRC)	210,000	Under rehabilitation
2	Kaduna Refining and Petrochemical Company (KRPC)	110,000	Under rehabilitation
3	(Warri Refining and Petrochemical Company WRPC)	125,000	Under rehabilitation
4	Walter Smith Refinery	5,000	Operational
5	Niger Delta Petroleum Resources	1,000	Operational
6	Dangote Refinery	650,000	Under construction

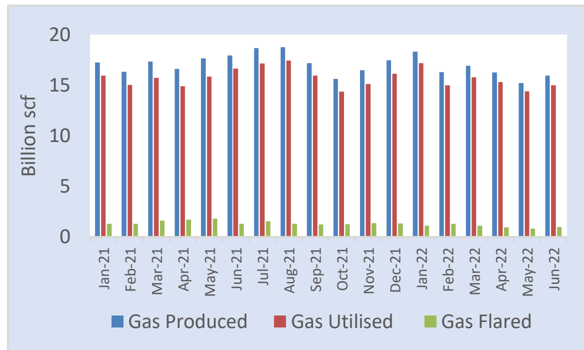
Source: Fitch Solutions

Gas Production and Utilisation

Estimated gas production in the first half of 2022 was 990,829 million standard cubic feet (mscf), compared with 1,043,196 mscf and 1,032,278 mscf in the second and first halves of 2021, representing a decrease of 5.02 per cent and 4.02 per cent, respectively.

Of the total gas produced, 94.0 per cent (981,079 mscf) was utilised, while the remaining 6.0 per cent was lost through gas flaring. Of the utilised gas, 5.3 per cent was expended as fuel gas, while 1.9 per cent, 4.4 per cent, 12.8 per cent, and 39.8 per cent were for Natural Gas Liquids/Liquified Petroleum Gas, Escravos Gas-to-Liquid (EGTL), domestic use, and Nigeria Liquified Natural Gas, respectively. 29.5 per cent of the total gas production was re-injected. Estimated value of gas exported in the first half of 2022 was US$3,044.65 million, a 12.43 per cent and 2.28 per cent increase from the US$2,708.01 million and US$2,976.83 million in the corresponding period of 2021 and preceding half of 2021, respectively.

Figure 3.2.15: Gas Production, Utilisation and Flared, 2021 – 2022 (Billion mscf)



Source: *NNPC Monthly Oil Reports*

Box 1: Policy Support and Developments in the Real Sector		
	Sector	Developments
1	Crop Production	Several institutional support policies were implemented in the review period to improve agricultural sector output: • The Federal Executive Council (FEC) approved the sum of ₦1.40 billion for the procurement of equipment and agricultural inputs for the National Youth Farmers Scheme. • The FEC also approved a memo to promote agriculture business in Nigeria through right farm gate pricing and the ban on foreigners and their representatives from purchasing agricultural commodities at the farm gates. • The Federal Government launched the Energizing Agriculture Programme (EAP), with funding support from the Global Energy Alliance for People and Planet (GEAP) to improve access to electricity in rural farming communities. • The National Varieties Release Committee (NVRC) in Nigeria approved the commercialisation of 45 new crop varieties, with two varieties of gingers registered for proper documentation in the nation's seeds catalogue. • Tomato and onion farmers in Kano State received new high-yielding varieties, Takahe onion seed and Xaman tomato seed, to boost their productivity. The new varieties were products of collaborations between Sasakawa Africa Association (SAA), Kano State Agro-Pastoral Development Project (KSADP), Alliance for Green Revolution (AGRA) and Bayer Company. • Nigeria and Ghana collaborated on Pod Borer Resistant (PBR) Cowpea to further enhance scientific bilateral collaboration for a "New Africa." • Julius Berger Nigeria (JBN) Plc established a cashew processing plant in Epe, Lagos State. The plant is highly efficient with no-waste, designed to have less impact on the environment. • An ultra-modern 420 metric tons per day capacity rice milling factory was commissioned in Kano State. • The St. Gabriel coconut oil refinery, a multi-billion-naira, with a one million daily coconut processing capacity with 3,000 staff, was inaugurated in Akwa Ibom State. • The Dangote Fertilizer Plant, which has the capacity to produce three million tons of urea and ammonia annually, built on a 500 hectares of land in the Lekki Free Trade Zone at a total cost of US$2.5 billion, was commissioned. • The Dangote Fertilizer Limited commenced the training of over one million farmers for the next three years on the best practices in fertilizer application to boost productivity. • The Alliance for Green Revolution in Africa (AGRA), a consortium of agriculture support organisations, inaugurated a training programme for 300,000 smallholder farmers in Kaduna State. The project would support farmers on crop value chain, with focus on maize, soybeans, and tomatoes by strengthening their entrepreneurial skills and market participation. • The National Agricultural Land Development Authority (NALDA) trained 200 Young Farmers in Israel and Morocco on crop production and animal husbandry. • The Federal Ministry of Agriculture and Rural Development (FMARD), in collaboration with the Nigerian Institute for Oil Palm Research (NIFOR), trained oil palm farmers on pest and soil fertility management in Edo State. The Ministry also distributed 200 oil palm fruit harvesting chisel and 1000 litres of organic path-away fertilizers to the farmers during the training. • A 10,000-hectare commercial oil palm plantation owned by JB Farms Limited was inaugurated in Ondo State. The project is expected to employ at least 10,000 direct and 30,000 indirect workers throughout its value chain. • The Ondo State Government announced the sum of ₦2.00 billion to support the production of oil palm in the state, and allocated 70,000 hectares of land to investors for palm oil and cocoa production. • The Oyo State Government launched the Tede Agri Industrial Cluster in Tede community of Oke-Ogun area of the state, located on 10,000 hectares of arable land, with infrastructure such as a dam and a housing scheme.
2	Livestock	• The Kano State Agro-Pastoral Development Project (KSADP) announced an investment of ₦10.93 billion for agro-pastoral projects in the 2022 fiscal year, which consists of 9.0 per cent for crops and the legume value chain interventions for small-holder farmers across the state.
3	Fisheries	• The Norwegian Government, through the Norwegian Seafood Council, carried out a capacity training for fishery officers and stakeholders in Lagos.

Box 1: Policy Support and Developments in the Real Sector Cont…

	Sector	Developments
4	Gas	• The Board of Directors of the Nigerian Liquefied Natural Gas Limited (NLNG) approved the supply of 100.0 per cent of the company's Liquefied Petroleum Gas (LPG) production (Propane and Butane) to the Nigerian market. • The Nigerian National Petroleum Company (NNPC) limited, Shell, Nigerian Agip Oil Company (NAOC) Limited, Total Energies and the Gas Aggregation Company of Nigeria (GACN) signed a Gas Sale and Aggregation Agreement (GSAA) to supply 70 million standard cubic feet (mscf) of gas to Dangote Fertilizer Company. • The NNPC Ltd. and energy infrastructure conglomerate, Sahara Group took delivery of two sets of 23,000 Coal Bed Methane (CBM) to Liquefied Petroleum Gas (LPG), with plans to add 10 vessels in the next few years to enhance Africa's transition to cleaner fuels. • A consortium of three companies namely; Falcon Corporation, ND Western Midstream Limited and FHN Gas Limited, were selected to build, exclusively own and operate a natural gas distribution infrastructure network within the Lagos Free Trade Zone (LFTZ).
5	Solid Minerals	• The Federal Government announced the auctioning of the National Integrated Mineral Exploration Project (NIMEP). The proceeds would be domiciled in a revolving fund to carry out more exploration activities across the country.
6	Industry	• The Bank of Industry and Bayelsa State Government unveiled a ₦2.00 billion Micro Small and Medium Enterprises (MSMEs) matching development fund to support entrepreneurs. • The Bank of Industry and the United Nations Industrial Development Organisation (UNIDO) also partnered to improve the nation's industrial energy efficiency. • The Federal Government, through the National Automotive Design and Development Council (NADDC) announced floating a ₦200.00 billion vehicle financing scheme. • The Central Bank of Nigeria partnered with the African Export-Import Bank, Deutsche Gesellschaft fur international Zusammenarbeit (GIZ) to roll out a 'factoring' programme as an alternative financing instrument for micro, small and medium enterprises. • The Federal Government signed an Interconnected Mini-grid Acceleration Scheme (IMAS) grant agreement with eight indigenous solar mini-grid developers for the development of 23 mini-grids across 11 States of the Federation. • The FEC approved ₦5.14 billion contract for the design, supply and installation of 1x60MBA, 132×33 KV transmission sub-station, with associated 4×132 KV line bay extension in Adamawa State.

Box 1: Policy Support and Developments in the Real Sector Cont…		
	Sector	Developments

7	Transport	• The Senate passed a bill to amend the Federal Airports Authority Act.
		• The Federal Executive Council (FEC) approved:
		  ○ ₦5.40 billion for the construction of an access road from Mpape to Shere-Galuwyi Resettlement Housing Scheme in Bwari area council of the FCT;
		  ○ ₦52.80 billion for the completion of three road projects that cuts across Akwa Ibom, Abia, Imo, Kwara and Cross River states;
		  ○ ₦115.40 billion for the dualisation of Kano-Kazaure-Kongolam highway in Katsina State under the Tax Credit Scheme;
		  ○ US$2.81billion for the procurement of rolling stocks and other operational and maintenance equipment for the Ibadan-Kano and Port Harcourt-Maiduguri rail lines;
		  ○ ₦56.30 billion for the completion of the Abaji-Koton Karfe section of the Abuja-Lokoja highway;
		  ○ Upward review of the Afo-Apoto-Oyo Boundary road, Kwara State, from ₦3.06 billion to ₦3.31 billion;
		  ○ ₦36.10 billion for the rehabilitation of Keffi-Nasarawa-Toto road in Nasarawa State;
		  ○ ₦169.70 billion for the reconstruction of three roads in Kebbi and Niger States and one in Taraba State under the Tax Credit Scheme;
		  ○ ₦90.80 billion for road rehabilitation in Taraba State and procurement of control tower radio communication systems for 12 airports - located in Akure, Benin, Calabar, Ibadan, Ilorin, Jos, Minna, Owerri, Sokoto, Yola, Kaduna and Enugu - and instrument landing systems in Lagos, Abuja, Katsina and Port Harcourt airports
		• US$329.00 million was approved for Consultancy Supervision Services of various railway projects in the country; including the Abuja to Warri rail project, Port Harcourt-Maiduguri railway, and the Kano-Katsina-Jibia-Maradi rail-line
		• ₦250.00 billion proceeds of the 2021 Sukuk issuance was allotted to fund road infrastructure across the six geopolitical zones and the FCT.
		• Six Nigerian Airlines - Air Peace, Azman Air, United Nigeria Airline, Arik Air, Aero Contractors and Max Air- signed a deal to form an alliance, called Spring Alliance. The objective of the alliance was to curb flight delays among the six partners, provide technical support to each other and reduce flight schedule disruptions by ensuring that passengers are airlifted by any of the members, irrespective of which partner airline's ticket the passengers possess.
		• The proposed Nigeria Air received the Air Transport License (ATL) from the Nigerian Civil Aviation Authority (NCAA), authorising it to provide scheduled and non-scheduled service. The ATL certification precedes the Air Operator's Certificate (AOC), which empowers the airline to operate scheduled commercial flights.

8	Health	• The Federal Government received 3.2 million doses of the Pfizer COVID-19 vaccines from the U.S Government. • The Japanese Government donated 859,600 doses of AstraZeneca COVID-19 vaccines to Nigeria, through the COVID-19 Vaccines Global Assess Facility, COVAX, and 4,400,000 doses of Johnson & Johnson COVID-19 vaccines was donated by the Government of Spain. • The President signed the National Health Insurance Authority (NHIA) Act into law. The Act empowers the NHIA to ensure provision of mandatory health insurance for all Nigerians in collaboration with state health insurance agencies, and stipulates the establishment of a new fund to provide subsidy for health insurance coverage for vulnerable persons in the country. • Following the re-emergence of Monkeypox disease, the NCDC activated a national multisectoral Emergency Operations Centre for Monkeypox (MPX-EOC) to strengthen and coordinate ongoing response activities in-country.
9	Environment	• The Federal Government unveiled a National Biosecurity Policy and Action Plan for 2022 - 2026, to secure the health of Nigerians and their immediate environment from biological threats. The framework includes instruments and activities that analyse and manage risks in food safety, animal life and health, plant life and health.

Development Financing

The Bank sustained its development finance interventions in the critical sectors of the economy to improve access to credit, ensure price stability, and support job creation and economic recovery. A total of 240 projects, including 1 state-based project, and 95,091 individuals and businesses benefited from 17 intervention programmes by the Bank, in the review period. The interventions included the disbursement of ₦69.13 billion to 51 projects, under the 100-for-100 policy on production and productivity (100 for 100 PPP) to enhance productivity and improve foreign exchange earnings.

Also, in complementing efforts at mitigating the challenges in the power sector, a total of ₦34.37 billion was disbursed to eight discos, under the Nigeria Electricity Market Stabilization Facility (NEMSF - 2). Furthermore, 16,569 electricity meters were distributed nationwide in the first half of 2022, via the National Mass Metering Programme (NMMP).

Cumulative repayments from the Bank's intervention programmes rose by 67.3 per cent to ₦471.82 billion from ₦282.30 billion in the preceding half. The increase reflected an increased drive for loan-recovery and positive returns on the programmes.

Table 3.2.7: Some Selected Disbursements on Interventions in the H1-2021 and H1-2022

	H1-2021			H2-2021			H1-2022 *		
	Disbursements		Repayments	Disbursements		Repayments	Disbursements		Repayments
	Amount (₦ Billion)	Beneficiaries	Amount (₦ Billion)	Amount (₦ Billion)	Beneficiaries	Amount (₦ Billion)	Amount (₦ Billion)	Beneficiaries	Amount (₦ Billion)
Agricultural Credit Guarantee Scheme (ACGS)	*2.17*	*9,719 loans guaranteed*	*1.75*	*3.75*	*21,974 Loans Guaranteed*	*2.01*	*3.21*	*13,194 Loans Guaranteed*	*2.14*
Commercial Agricultural Credit Scheme (CACS)	*16.25*	*11 projects*	*20.01*	*13.27*	*12 Projects*	*48.14*	*28.30*	*12 Projects*	*32.86*
Anchor Borrowers' Programme	*179.35*	*1,008,457 farmers*	*47.49*	*246.67*	*384,617 farmers*	*196.48*	*35.52*	*28,875 farmers*	*42.99*
Accelerated Agriculture Development Scheme (AADS)	*1.50*	*1 State government-sponsored projects*	*0.25*	*0.036*	*1 State government-sponsored projects*	*5.31*	*1.50*	*1 State government-sponsored projects*	*4.37*
Maize Aggregation Scheme (MAS)	*0.35*	*2 Projects*	*N/A*	*Nil*	*Nil*	*Nil*	*Nil*	*Nil*	*Nil*
Paddy Aggregation Scheme (PAS)	*4.17*	*1 Project*	*Nil*	*Nil*	*Nil*	*4.67*	*6.20*	*3 Projects*	*Nil*
Presidential Fertilizer Initiative (PFI)	*Nil*	*Nil*	*2.50*	*Nil*	*Nil*	*2.75*	*Nil*	*Nil*	*3.00*
National Food Security Programme (NFSP)	*Nil*	*Nil*	*8.31*	*Nil*	*Nil*	*2.30*	*Nil*	*Nil*	*2.03*
Real Sector Support Facility Using Differentiated Cash Reserve Ratio (RSSF-DCRR)	*199.69*	*32 Projects*	*1.97*	*476.30*	*39 Projects*	*0.08*	*210.29*	*34 Projects*	*18.50*
COVID-19 Intervention for Manufacturing Sector (CIMS)	*35.99*	*16 Projects*	*N/A*	*Nil*	*Nil*	*Nil*	*413.84*	*50 Projects*	*12.00*
Non-oil Export Stimulation Facility (NESF)	*Nil*	*Nil*	*0.58*	*1.76*	*Nil*	*3.88*	*Nil*	*Nil*	*2.00*
Micro, Small and Medium Enterprises Development Fund (MSMEDF)	*0.05*	*1 beneficiaries*	*2.91*	*0.69*	*Nil*	*2.82*	*Nil*	*Nil*	*2.52*
Agribusiness/Small and Medium Enterprises Investment Scheme (AGSMEIS)	*9.79*	*1,067 beneficiaries*	*0.135*	*22.92*	*154 Beneficiaries*	*1.16*	*1.60*	*2,720 Beneficiaries*	*0.008*
Creative Industry Financing Initiative (CIFI)	*0.07*	*21 beneficiaries*	*0.013*	*0.26*	*30 Beneficiaries*	*0.25*	*Nil*	*Nil*	*0.28*
Targeted Credit Facility (TCF)	*144.93*	*323,654 beneficiaries*	*N/A*	*69.91*	*64,008*	*Nil*	*24.37*	*50,302 Beneficiaries*	*Nil*
Nigeria Youth Investment Fund (NYIF)	*2.81*	*6,763*	*N/A*	*0.88*	*Nil*	*2.62*	*Nil*	*Nil*	*0.28*
Healthcare Sector Intervention Facility (HSIF)	*25.16*	*23 Projects*	*N/A*	*11.06*	*23 Projects*	*Nil*	*17.21*	*11 Projects*	*Nil*
Healthcare Sector Research & Development Intervention (Grant) Scheme (HSRDIS)	*0.15*	*5 beneficiaries*	*N/A*	*0.03*	*-*	*Nil*	*0.02*	*-*	*Nil*
National Mass Metering Programme (NMMP)	*36.04*	*393,702*	*N/A*	*11.79*	*346,401*	*N/A*	*0.20*	*16,569*	*Nil*
Nigeria Electricity Market Stabilization Facility (NEMSF - 2)	*120.29*	*7 DisCos*	*5.91*	*96.72*	*8 DisCos*	*N/A*	*34.37*	*8 DisCos*	*Nil*
Nigeria Bulk Electricity Trading – Payment Assurance Facility (NBET-PAF)	*88.99*	*1 Project*	*N/A*	*301.36*	*1 Project*	*Nil*	*26.93*	*1 Project*	*322.87*
Solar Connection Facility (SCF)	*7.00*	*100,000 SHS*	*N/A*	*0.00*	*Nil*	*Nil*	*0.00*	*Nil*	*Nil*
Intervention Facility for Nigeria Gas Expansion Programme (IFNGEP)	*15.20*	*2 Projects*	*N/A*	*24.00*	*4 Projects*	*-*	*26.00*	*4 Projects*	*Nil*
Tertiary Institution Entrepreneurship Scheme (TIES)				*0.03*	*6 Beneficiaries*	*Nil*	*0.26*	*53 Beneficiaries*	*Nil*
100FOR100 Policy on Production and Productivity (100FOR100 PPP)				*0.00*	*-*	*-*	*69.13*	*51 Projects*	*1.32*
Youth Entrepreneurship Development Programme (YEDP)				*Nil*	*Nil*	*0.001*	*Nil*	*Nil*	*0.12*
Power and Airline Intervention Facility (PAIF)	*0.89*	*-*	*33.21*	*0.99*	*Nil*	*6.56*	*Nil*	*Nil*	*15.91*
Textile Sector Intervention Facility (TSIF)	*0.39*	*1 Project*	*-*	*0.90*	*3 Projects*	*3.27*	*Nil*	*Nil*	*8.62*
Private – Accelerated Agricultural Development Scheme (P-AADS)				*Nil*	*Nil*	*Nil*	*Nil*	*Nil*	*Nil*
Export Facilitation Initiative (EFI)				*-*	*-*	*Nil*	*36.00*	*5 Projects*	*Nil*
Export Development Facility (EDF)				*-*	*-*	*Nil*	*17.08*	*15 Projects*	*Nil*

3.3 FISCAL DEVELOPMENTS

The Medium-Term Fiscal Policy Framework

The focus of fiscal policy in the first half of 2022 was to address the challenges of low economic growth, insecurity, inadequate public service delivery, and significant infrastructure deficits. These objectives were anchored on the 2022 Appropriation Act (as amended), the Medium-Term Expenditure Framework & Fiscal Strategy Papers 2022-2024 (MTEF/FSP 2022-2024), and the Medium-Term Debt Strategy 2020-2023 (MTDS 2020-2023).

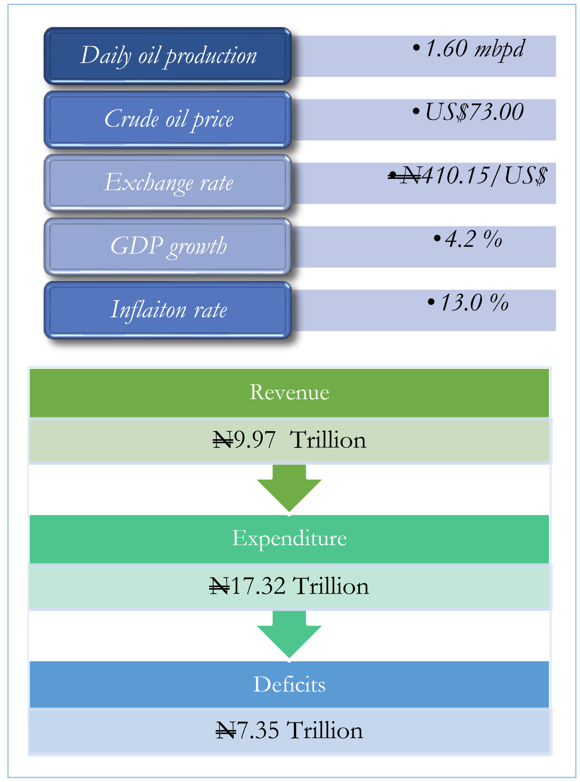
In the first half of 2022, low oil revenue earnings continued to weigh on federation revenue at both the federal and subnational levels, amid increased government spending. Consequently, the fiscal deficit in the first half of 2022 expanded to 6.3 per cent of GDP, while the public debt, at the end of June 2022, stood at 23.7 per cent of GDP, below the 40.0 per cent MTDS threshold.

Federation Account Operations

Federation Revenue

Revenue projections in the review period were hinged on oil parameters and non-oil reforms, envisaged in the 2022 Appropriation Act. Oil price was benchmarked at US$73.00 per barrel and domestic crude oil production at 1.60 million barrels per day (mbpd). The amendment of relevant tax laws through the 2021 Finance Act, particularly, the taxation of digital activities with significant economic presence, boosted non-oil revenue target. Revenue-enhancing measures, such as leveraging technology through e-collections and cost-saving measures such as the service-wide implementation of the Integrated Payroll and Personnel Information System (IPPIS) were expected to boost revenue outcomes.

Key Budget Parameters and Projections



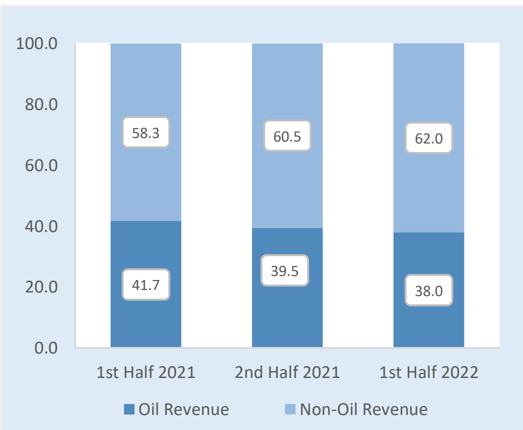
Source: 2022 Appropriation Act, (revised)

Revenue outcomes in the first half of 2022 declined, relative to the level in the second half of 2021, due to a high cost of value shortfall recovery for PMS and low domestic crude oil production. At ₦5,519.86 billion or 6.0 per cent of GDP, provisional gross federally collected revenue[2] declined by 3.5 per cent relative to the level in the second half of 2021. However, it rose

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

by 9.6 per cent relative to the first half of 2021 and fell short of the 2022 proportionate budget by 41.3 per cent. The shortfall was attributed, largely, to the significant payment of value shortfall recovery for
premium motor spirit (PMS), which outweighed the benefit of oil earning, despite the high global crude oil prices.

Figure 3.3.1: Structure of Federation Revenue (per cent)



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

Improvement in revenue outcome, relative to the first half of 2021, was driven by non-oil revenue, which accounted for 62.0 per cent of total federation earnings, while oil earnings constituted the balance of 38.0 per cent. This compared with the ratio of 49.5:50.6 (non-oil and oil) revenue ratio in the 2022 Appropriation Act.

The robust non-oil revenue performance reflected early gains from the government's diversification effort aided by the Strategic Revenue Growth Initiatives (SRGIs) and the Finance Act 2021. In contrast, the contribution of oil continued to be dampened by the high value shortfall recovery for PMS and low domestic crude oil production despite rising crude oil prices.

Table 3.3.1: Federally Collected Revenue and Distribution (₦ Billion)

	1st Half 2021	2nd Half 2021	1st Half 2022	Budget
Federation Revenue (Gross)	**5,035.13**	**5,720.28**	**5,519.86**	**9,196.51**
Oil	**2,100.40**	**2,257.87**	**2,095.34**	**4,750.21**
Crude Oil & Gas Exports	18.84	15.68	0.00	405.42
PPT & Royalties	1,403.59	1,667.25	1,707.64	3,185.47
Domestic Crude Oil/Gas Sales	618.75	510.71	339.12	252.26
Others	59.22	64.22	48.57	907.05
Non-oil	**2,934.73**	**3,462.41**	**3,424.52**	**4,646.30**
Corporate Tax	779.44	1,003.66	969.91	993.89
Customs & Excise Duties	544.59	753.36	789.36	929.29
Value-Added Tax (VAT)	1,025.54	1,017.42	1,181.86	1,220.90
Independent Revenue of Fed. Govt.	519.78	670.30	467.84	1,308.11
*Others**	65.38	17.67	15.54	479.64
Total Deductions/Transfers*	1,717.99	1,661.98	1,915.85	2,298.45
Federally Collected Rev (Net) *Less Deductions & Transfers***	**3,317.14**	**4,058.30**	**3,604.01**	**7,098.06**
Plus:				
Additional Revenue	**125.30**	**170.30**	**303.99**	**104.88**
Excess Oil Revenue	0.00	0.00	0.00	0.00
Excess Non-Oil Revenue	99.02	150.84	293.64	104.88
Exchange Gain	26.28	19.46	10.35	0.00
Total Distributed Balance	**3,442.45**	**4,228.60**	**3,907.99**	**7,202.94**
Federal Government	**1,348.73**	**1,736.14**	**1,473.96**	**3,054.53**
State Governments	**1,088.41**	**1,282.07**	**1,255.39**	**2,073.23**
Local Governments	**805.28**	**954.82**	**925.35**	**1,554.52**
13% Derivation	**200.03**	**255.58**	**253.30**	**520.65**

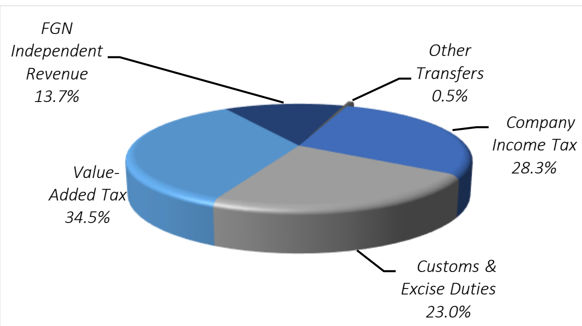
Sources: Federal Ministry of Finance, Budget, and National Planning (FMFB&NP)

Drivers of Federally Collected Revenue

- Non-oil Revenue

A gradual recovery in the domestic economy, stirred by improved economic activities and higher independent revenue, led to a favourable non-oil revenue outcome. Non-oil revenue at ₦3,424.52 billion (3.7 per cent of GDP), rose by 16.7 per cent relative to the first half of 2021. The improvement, relative to the level in the first half of 2021, reflected improved performance in non-oil revenue sources, particularly company income tax, customs and excise duties and value-added tax. Despite the rise in non-oil receipts, relative to the first half of 2021, they fell below the levels in the second half of 2021 and the proportionate target by 1.1 per cent and 26.3 per cent, respectively.

Figure 3.3.2: Composition of Non-Oil Revenue (per cent)

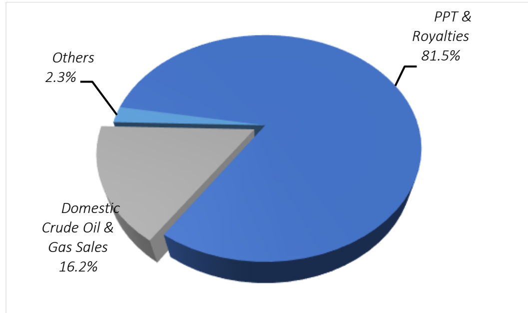


Sources: Federal Ministry of Finance, Budget and National Planning (FMFB&NP) and Office of the Accountant General of the Federation (OAGF).

- Oil Revenue

Despite the sustained rise in crude oil prices at the international market, oil receipt declined, relative to 2021 and the target for 2022. At ₦2,095.34 billion (2.3 per cent of GDP), oil revenue was 0.2 per cent and 7.2 per cent, below receipts in the first and second halves of 2021. It was also below the proportionate budget of ₦4,750.21 billion by 55.9 per cent. The low revenue was attributed to high value shortfall recovery for PMS and low domestic crude oil production occasioned by oil theft and pipeline vandalism.

Figure 3.3.3: Composition of Oil Revenue (per cent)



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

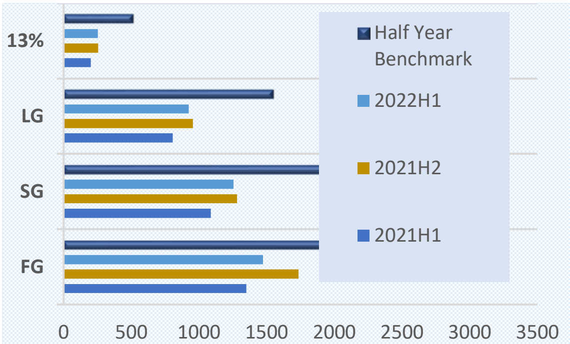
Deductions

From the gross revenue of ₦5,519.86 billion in the first half of 2022, statutory deductions from oil and non-oil revenues, as well as transfers, amounted to ₦1,915.85 billion, leaving a net distributable balance of ₦3,907.99 billion.

Allocations to the three tiers of government

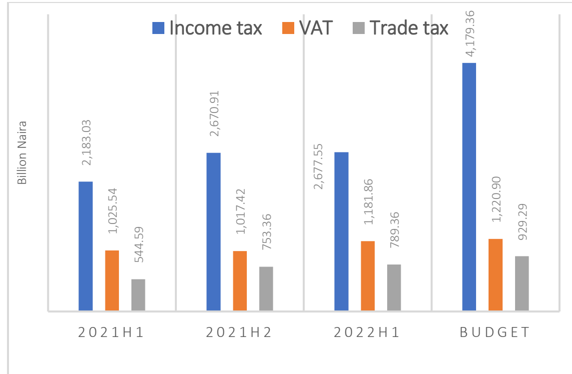
Gross allocation to the three tiers of government rose by 13.5 per cent, due, majorly, to increased Federation revenue, relative to the first half of 2021. However, the disbursement was 7.6 per cent and 45.7 per cent short of allocations in the second half of 2021 and the half year budget, respectively. The shortfall in federation allocation, and low independent revenue exacerbated fiscal pressure at the central and subnational levels, in the review period.

Figure 3.3.4: Distribution to the Three Tiers of Government and 13% Derivation Fund (₦ Billion)



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

Figure 3.3.5: Structure of Tax Revenue



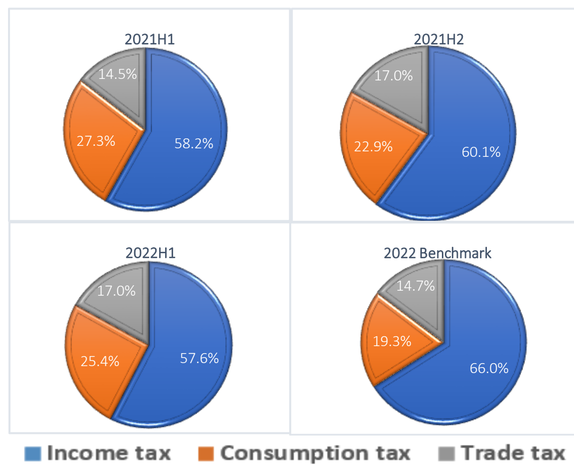
Note: PPT includes royalties, thus overstating its contribution.
Sources: Federal Ministry of Finance, Budget and National Planning (FMFB&NP) and Office of the Accountant General of the Federation (OAGF).

Structure of Tax Revenue

Analysis of the structure of federation revenue with a focus on tax performance, indicates sustained growth in the contribution of taxes to federation earnings since the first half of 2021. Tax revenue accounted for 85.2 per cent of total federation revenue in the first half of 2022, compared with 78.0 per cent and 75.8 per cent in the second and first halves of 2021, respectively. Income tax (consisting Petroleum Profit Tax (PPT) and Company Income Tax (CIT)) remained the main driver of tax revenue in the period, accounting for 57.4 per cent.

Tax revenue-to-GDP at 5.1 per cent, was above the levels in the first and second halves of 2021 at 4.8 per cent and 4.6 per cent, respectively. In comparison with an average of 16.6 per cent in 30 African countries[3], Nigeria's tax revenue-to-GDP during the period was below the average.

Figure 3.3.6: Composition of Tax Revenue



Sources: Staff computation using data from the Federal Ministry of Finance, Budget and National Planning (FMFB&NP) and Office of the Accountant General of the Federation (OAGF).
Note: Income tax consists of CIT and PPT. However, PPT includes royalties, which might overstate PPT contribution.

[3] Revenue Statistics in Africa OECD 2021.

Table 3.3.2: Federation Revenue Structure

	2021H1	2021H2	2022H1	Budget
Total revenue	5,035.13	5,720.27	5,518.85	9,682.04
Non-Tax	*1,216.59*	*1,260.92*	*854.53*	*3,083.12*
Tax	*3,818.55*	*4,459.36*	*4,664.32*	*6,598.92*
Tax Revenue Percentage of:				
Federation revenue	75.8	78.0	84.5	68.2
GDP	4.8	4.7	5.1	6.73
Income tax	2,183.03	2,670.91	2,677.55	4,179.36
PPT	*1,403.59*	*1,667.25*	*1,707.64*	*3,185.47*
CIT	*779.44*	*1,003.66*	*969.91*	*993.89*
Consumption tax	1,025.54	1,017.42	1,181.86	1,220.90
Trade tax	544.59	753.36	789.36	929.29
Other Taxes	*65.38*	*17.67*	*15.54*	*269.37*

Note: PPT includes royalties, thus overstating its contribution.
Sources: Staff computation using data from the Federal Ministry of Finance, Budget and National Planning (FMFB&NP) and Office of the Accountant General of the Federation (OAGF).

Table 3.3.3: FGN Retained Revenue (₦ Billion)

	2021H1	2021H2	2022H1	Budget
FGN Retained Revenue	**2,288.61**	**2,713.87**	**2,319.48**	**4,532.50**
Federation Account	1,141.86	1,505.48	1,185.93	2,869.15
VAT Pool Account	143.06	142.06	165.08	169.66
FGN Independent Revenue	519.78	670.30	467.84	1,308.11
Excess Oil Revenue	0.00	0.00	0.00	0.00
Excess Non-Oil	51.35	79.46	118.04	0.00
Exchange Gain	12.19	9.13	4.90	0.00
*Others**	420.38	307.43	377.68	185.59

Sources: Federal Ministry of Finance, Budget and National Planning (FMFB&NP) and Office of the Accountant General of the Federation (OAGF)
Note*: Includes Transfers from Special Levies Accounts, FGN's share of Signature Bonus, Domestic Recoveries, Stamp Duty, Grants and Donor Funding and Share of NLNG Dividend.

Fiscal Operations of the Federal Government

FGN Retained Revenue

Retained revenue of the FGN fell, occasioned by declines in statutory receipts from the Federation Account and FGN independent revenue. Provisional FGN retained revenue, at ₦2,319.48 billion (2.6 per cent of GDP), declined by 14.5 per cent and 48.8 per cent, relative to the levels in the second half of 2021 and the 2022 half year budget, respectively. It however rose above the receipt in the first half of 2021 by 1.4 per cent. The development was due to the low receipts from the Federation Account, driven by low crude oil production.

Federal Government Expenditure

Provisional aggregate expenditure of the FGN in the first half of 2022 rose substantially, amid rising interest payment obligations. At ₦8,042.32 billion (8.9 per cent of GDP), provisional aggregate expenditure of the FGN exceeded the levels in the first and second halves of 2021 by 38.7 per cent and 27.2 per cent, respectively. The increase reflected new spending priorities to grow the economy, as well as huge interest payment obligations.

Recurrent expenditure, at ₦5,176.67 billion (5.7 per cent of GDP), accounted for 64.4 per cent of total expenditure, while capital expenditure and transfers recorded 30.4 per cent and 5.2 per cent, respectively.

Table 3.3.4: FGN Expenditure (₦ Billion)

	2021H1	2021H2	2022H1	Half Year Benchmark
Aggregate Expenditure	**5,797.54**	**6,323.65**	**8,042.32**	**7,635.99**
Recurrent	**4,460.36**	**4,641.84**	**5,176.67**	**5,401.94**
of which:				
Personnel Cost	1,616.94	1,429.52	1,716.35	1,827.88
Pension and Gratuities	178.66	177.46	191.05	288.93
Overhead Cost	438.45	616.93	543.05	894.97
Interest Payments	**2,020.17**	**2,201.49**	**2,597.85**	**1,978.04**
Domestic	*1,523.02*	*1,752.35*	*2,048.15*	*1,416.43*
External	*497.15*	*449.14*	*549.70*	*561.61*
Special Funds	**206.14**	**216.43**	**128.35**	**412.12**
Capital Expenditure	**1,088.92**	**1,433.54**	**2,445.67**	**1,832.25**
Transfers	**248.26**	**248.27**	**419.98**	**401.80**

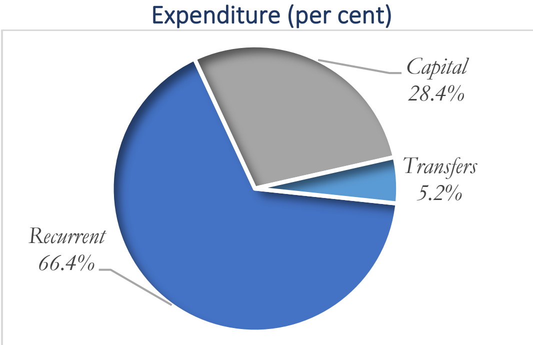
Source: CBN Staff Estimate

Table 3.3.5: Economic Classification of Government Expenditure
First Half 2022

	Expenditure (=N=billion)	*Percentage share*			
		Admin.	Economic services	Social and community services	Transfers
Recurrent	5,176.67	23.9	6.4	13.5	56.2
Capital	2,445.67	38.5	41.1	15.9	4.5
Transfers	419.98	-	-	-	-

Source: Staff Estimate

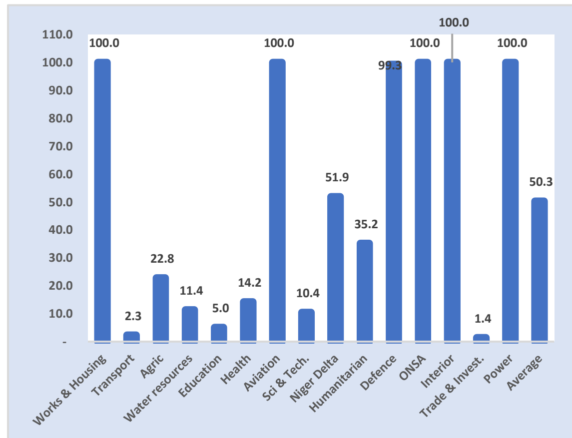
Figure 3.3.7: Composition of Federal Government Expenditure (per cent)



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

With regards to the capital budget releases and utilisation by MDAs, the Office of the National Security Adviser (ONSA), Interior, Works & Housing, Power, and Aviation ranked highest, while Education, Transport and Trade & Investment ranked least. On average, 50.3 per cent of capital releases was utilised in the first half of 2022

Figure 3.3.8: Expenditure performance (per cent)



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

Federal Government Fiscal Balance

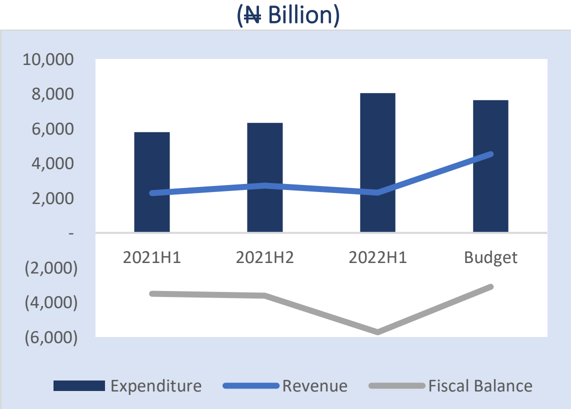
The fiscal operations of the Federal Government in the first half of 2022 recorded a deficit of 6.3 per cent of GDP, driven largely, by low revenue outcome amid rising debt service obligations. Provisional overall fiscal deficit at ₦5,722.84 billion rose by 63.1 per cent, 58.5 per cent and 84.4 per cent, relative to the levels in the first and second halves of 2021, and proportionate budget, respectively. This reflected the persistent revenue challenge, amid an upsurge in spending obligations. The deficit was financed from both domestic and external sources.

Table 3.3.6: Federal Government Fiscal Operations (₦ Billion)

	2021H1	2021H2	2022H1	Half Year Benchmark
Retained revenue	2,288.61	2,713.87	2,319.48	4,532.50
Aggregate expenditure	5,797.54	6,323.65	8,042.32	7,635.99
Primary balance	-1,488.76	-1,408.29	-3,124.99	-1,125.45
Overall balance	-3,508.93	-3,609.78	-5,722.84	-3,103.49
GDP (Nominal)	80,122.52	95,952.98	91,407.93	94,115.88·
Deficit-to-GDP (%)	4.48	3.76	6.26	3.3

Source: CBN Staff Estimates from available data
Note: * 2022 Figures are provisional, ** Estimate based on the 4.4% GDP growth rate forecast in the 2022 Appropriation Act

Figure 3.3.9: Federal Government Fiscal Operations (₦ Billion)



Sources: Federal Ministry of Finance, Budget and National Planning (FMFB&NP) and Office of the Accountant General of the Federation (OAGF).
Note: revenue and expenditure figures are provisional

Public Debt Strategy and Sustainability
Total Public Debt

Following new borrowings from domestic and external sources, majorly, for the financing of infrastructural facilities and legacy liabilities, public debt levels were elevated but remained below the threshold of 40.0 per cent of the GDP in the MTDS[4].

Total public debt outstanding, constituting Federal and State governments' debt obligation, at end-June 2022, stood at ₦42,845.88 billion or 23.4 per cent of the GDP and represented an increase of 8.3 per cent and 20.8 per cent above the levels at end-December 2021 and end-June 2021, respectively. The increase was attributed to new borrowings to fund part of the 2022 budget, settle the inherited arrears of the FGN to State governments, oil marketing companies, exporters, and local contractors.

Table 3.3.7: Total Public Debt (₦ Billion)

Type	2021H1	2021H2	2022H1
External Debt	**13,710.88**	**15,855.23**	**16,615.66**
Of which:			
FGN	11,845.63	13,884.76	14,723.46
States & FCT	1,865.24	1,970.47	1,892.20
Domestic Debt	**21,754.13**	**23,700.80**	**26,230.22**
Of Which:			
FGN	17,631.80	19,242.56	20,948.94
States & FCT	4,122.32	4,458.24	5,281.28
Total	**35,465.01**	**39,556.03**	**42,845.88**

Source: Debt Management Office.

[4]2020-2023 Medium-Term Debt Strategy framework

The consolidated debt stock of the Federal Government (including State governments' external debt, which forms part of the FGN's contingent liability), at end-June 2022, was ₦37,564.61 billion or 20.5 per cent of the GDP, while State governments' domestic debt stock accounted for the balance of ₦5,281.28 billion or 2.9 per cent of the GDP. As a ratio of total public Debt, FGN debt stock accounted for 87.7 per cent and the balance of 12.3 per cent was held by state governments.

Federal Government Debt Profile

- *Debt Strategy*

FGN borrowing in the review period was guided by the 2020-2023 MTDS, which stipulates the borrowing limits, optimal debt portfolio mix, cost-risk and other considerations towards ensuring debt sustainability.

Table 3.3.8: Revised MTDS Targets

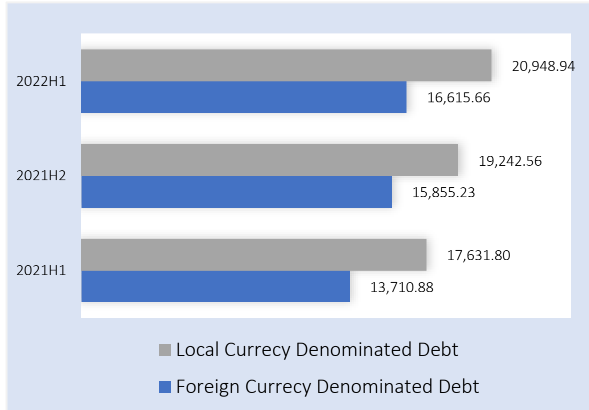
Indicator	Targets 2016-2019	Targets 2020-2023
Fiscal Sustainability: Total Public Debt as % of the GDP	Max. 25%	Max. 40%
Portfolio Composition:		
Domestic: External Debt Mix	Max.60: Min.40	Max.70: Min.30
Refinancing Risk: Average Tenor of Debt Portfolio	Min. 10 years	Min. 10 years
Long-Term: Short-Term Domestic Debt Mix	Min.75: Max.25	Min.75: Max.25

Source: MTDS 2020-2023, Debt Management Office.

- *FGN Debt Stock and Composition*

A breakdown of the FGN debt showed that domestic debt stood at ₦20,948.94 billion (55.8 per cent), while external debt was ₦16,615.66 billion (44.2 per cent). FGN Bond issues maintained its dominance, accounting for 72.5 per cent of the total domestic debt, followed by Treasury Bills (21.5 per cent), FGN Sukuk (2.9 per cent), Promissory Notes (2.5 per cent), and others[5] (0.6 per cent).

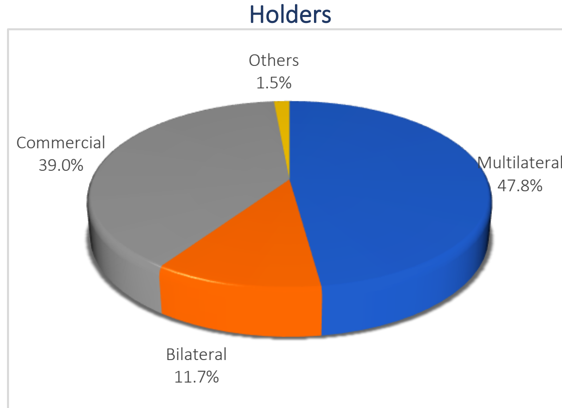
Figure 3.3.10: Composition of FGN Debt Stock (₦ Billion)



Source: Debt Management Office.

Holdings of Nigeria's external debt indicates that Multilateral, Commercial and Bilateral loans accounted for 47.8 per cent, 39.0 per cent and 11.7 per cent, respectively, while 'other'[6] loans constituted 1.5 per cent.

Figure 3.3.11: Composition of External Debt Stock by Holders



Source: Compiled from Debt Management Office figures.

- *Debt Service*

The consolidated debt service payments of the Federal Government, at end-June 2022, was ₦1,870.80 billion. The sum of ₦1,333.41 billion

[5] Composed of Treasury Bonds (0.4%), Green Bonds (0.1%) and FGN Savings Bond (0.1%)

6 Promissory Notes

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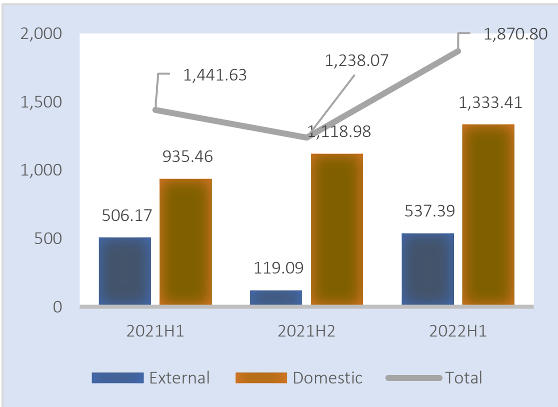
was paid to domestic creditors, while external creditors received ₦537.39 billion.

Figure 3.3.12: Breakdown of Total Debt Service (₦ Billion)



Source: Debt Management Office

Sub-National Government Fiscal Analysis

State Governments and FCT Finances

Revenue

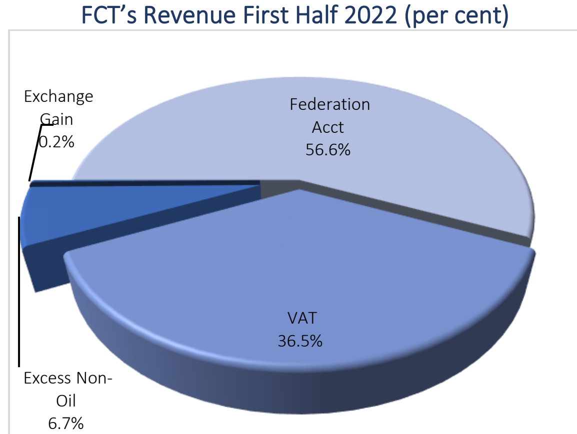
Improvement in non-oil earnings resulted in higher statutory receipts by state governments. At ₦1,508.69 billion, state governments' gross allocation increased by ₦220.25 billion or 17.1 per cent, relative to the level in the first half of 2021. The increase was due, largely, to significant improvement in VAT and Non-oil excess receipts. Relative to the level in the second half of 2021, however, non-oil revenue declined by ₦28.95 billion or 1.9 per cent.

Outstanding liabilities of state governments amounted to ₦277.25 billion[7] and was deducted from states' Federation Account receipts, leaving a net balance of ₦1,231.44 billion for distribution to the state governments. The allocations constituted: Federation Account (Statutory), ₦853.78 billion (56.6 per cent); VAT Pool Account, ₦550.27 billion (36.5 per cent); Non-oil Excess ₦101.10 billion (6.7 per cent); and Exchange Gain, ₦3.53 billion (0.2 per cent).

Expenditure

Further analysis shows that total provisional aggregate expenditure by state governments rose by 6.5 per cent to ₦2,853.31 billion in the first half of 2022, from ₦2,677.90 billion in the corresponding period of 2021. However, relative to the level in the second half of 2021, total expenditure fell by 5.0 per cent (₦149.11 billion). Capital expenditure at ₦1,202.12 billion fell by 12.1 per cent (₦166.04 billion), relative to the level in the preceding period of 2021. At ₦1,652.10 billion, recurrent expenditure maintained its dominance of total expenditure, accounting for 57.9 per cent in the review period.

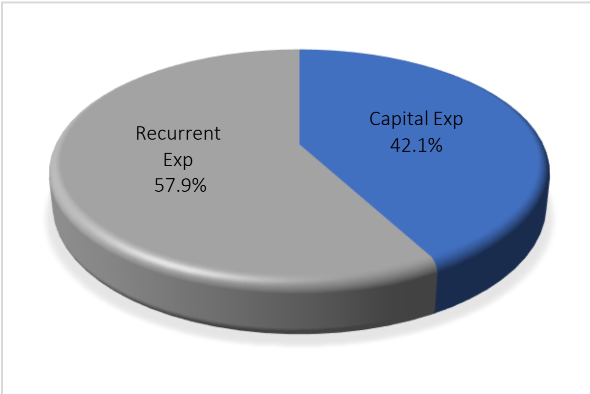
Figure 3.3.13: Composition of State Governments and FCT's Revenue First Half 2022 (per cent)



Source: Sources: Federal Ministry of Finance, Budget and National Planning (FMFB&NP), Office of the Accountant General of the Federation (OAGF) and Staff Estimates

[7] These arise from state governments' contractual obligations, including their contribution to external debt service fund, payments for fertiliser, State Agricultural Project, National Fadama Project and the National Agricultural Technology Support Programme.

Figure 3.3.14: Composition of State Governments and FCT's Expenditure, First Half 2022 (per cent)



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

Local Government Finances

The revenue profile of local governments was enhanced by improved collections in the VAT Pool Account. Total allocations to the 774 local governments from the Federation Account in the first half of 2022 was ₦925.35 billion. This was 14.9 per cent higher than the level in the first half of 2021. However, it was 3.1 per cent and 40.5 per cent lower than the second half of 2021 and the budget, respectively. Dynamics in the Federation Account earnings dictated the revenue performance of the subnational unit.

Gross allocation comprised receipts from the Federation Account, ₦463.75 billion (50.1 per cent); VAT, ₦385.19 billion (41.6 per cent); non-oil excess revenue, ₦74.49 billion (8.1 per cent); and exchange gain, ₦1.92 billion (0.2 per cent).

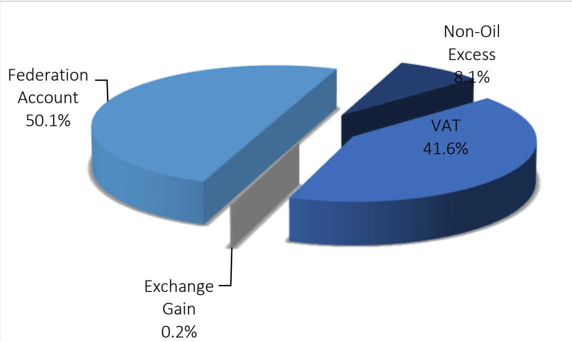
Table 3.3.9: Subnational Government Revenue (₦ Billion)

		2021H1	2021H2	2022H1	Benchmark
State Governments		1,088.41	1,282.07	1,255.39	2,073.23
Local Governments		805.28	954.82	925.35	1,554.52
13% Derivation		200.03	255.58	253.30	520.65
	State	**Allocation (₦'Billion)**			**% of Total**
		2021H1	**2021H2**	**2022H1**	
Top 3	Lagos	101.24	118.39	116.73	7.7
	Delta	93.49	117.63	115.48	7.7
	Rivers	71.74	87.64	86.68	5.7
Bottom 3	Ekiti	23.99	28.3	27.58	1.8
	Kwara	23.79	27.83	27.38	1.8
	Nassarawa	23.7	27.81	27.3	1.8
	Local	**Allocation (₦'Billion)**			**% of Total**
		2021H1	**2021H2**	**2022H1**	
Top 3	Lagos	61.85	65.81	75.06	8.1
	Kano	44.41	53.07	51.14	5.5
	Oyo	32.5	37.94	37.67	4.1
Bottom 3	Ebonyi	12.69	15.11	14.37	1.6
	Gombe	11.46	13.98	13.26	1.4
	Bayelsa	9.46	10.81	10.79	1.2

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

Local governments in Lagos, Kano and Oyo states received the highest allocations in the period at ₦75.06 billion (8.1 per cent), ₦51.14 billion (5.3 per cent), and ₦37.67 billion (4.1 per cent); while Ebonyi, Gombe and Bayelsa states ranked least receiving 1.6 per cent, 1.4 per cent and 1.2 per cent of the total allocation to the 774 local governments, respectively.

Figure 3.3.15: Composition of Statutory Allocations to Local Governments, First Half 2022 (per cent)



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

3.4 FINANCIAL DEVELOPMENTS

Monetary and Credit Developments

The Bank maintained an accommodative monetary policy stance for most part of the review period, to support growth. However, the need to tame inflationary pressures and encourage foreign capital inflow prompted a switch to a hawkish policy stance in the later part of the review period.

Reserve Money

Reserve money grew in the first half of 2022 on account of increased liabilities to other depository corporations. Required reserves of other depository corporations (ODCs) surged by 8.5 per cent at end-June 2022, triggered by penal debits on banks that defaulted on the minimum Loan to Deposit Ratio requirement. This propelled a 6.4 per cent growth in liabilities to ODCs, in contrast to the decline of 2.3 per cent and 6.0 per cent recorded in the preceding half and corresponding period of 2021, respectively.

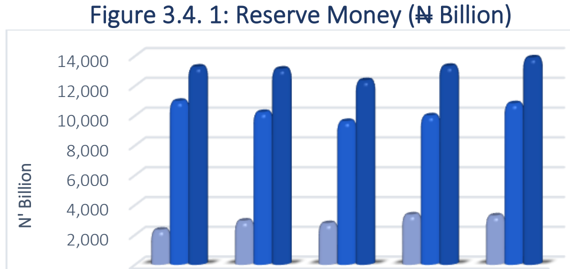
Table 3.4.1: Reserve Money (₦ Billion)

	Jun-20	Dec-20	Jun-21	Dec-21	Jun-22
Reserve Money	**13,245.39**	**13,107.92**	**12,333.85**	**13,295.15**	**13,860.27**
Currency in Circulation	2,300.83	2,908.46	2,741.26	3,325.16	3,255.56
Notes and Coins	2,300.83	2,908.46	2,741.26	3,324.21	3,254.20
eNaira	-	-	-	0.95	1.36
Liabilities to ODCs	10,944.55	10,199.46	9,592.59	9,969.99	10,604.70

Source: Central Bank of Nigeria

Consequently, reserve money grew by 4.3 per cent to ₦13,860.27 billion in the first half of 2022, compared with 1.4 per cent in the preceding half year, but was in contrast to the decline of 5.9 per cent in the corresponding period of 2021. On the contrary, currency in circulation (CIC), declined by 2.1 per cent in the first half of 2022, compared with the decline of 5.8 per cent in the corresponding period of 2021, but was in contrast to a growth of 14.3 per cent in the preceding half. The decline in CIC was attributed to the implementation of the cashless policy and increase in e-payment, which rose by 237.8 per cent in the first half of 2022 compared with the corresponding period of 2021.

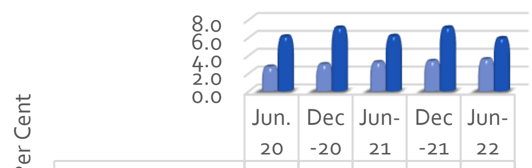
Figure 3.4. 1: Reserve Money (₦ Billion)



	Jun-20	Dec-20	Jun-21	Dec-21	Jun-22
CIC	2,300.83	2,908.46	2,741.26	3,325.16	3,255.56
LODCs	10,944.5	10,199.46	9,592.59	9,969.99	10,784.29
RM	13,245.3	13,107.92	12,333.85	13,295.15	13,860.27

Source: Central Bank of Nigeria

Figure 3.4.2: Currency-Reserve Deposit Ratio and Broad Money Multiplier



	Jun. 20	Dec -20	Jun-21	Dec -21	Jun-22
Broad Money Multiplier	2.70	2.97	3.20	3.34	3.53
Currency/Deposit Ratio	6.08	7.06	6.14	7.08	5.89

Source: Central Bank of Nigeria

Broad Money Supply

Broad money (M₃) grew above its benchmark in the first half of 2022, driven by net domestic assets (NDA). The growth in loans to the central government by depository corporations and the rise in claims on private sector resulted in an increase in net claims on central government and claims on other sectors. Net claims on central government and claims on other sectors grew by 31.6 per cent and 12.4 per cent, compared with the growth of 20.4 per cent and 16.8 per cent in the preceding half year, and 0.9 per cent and 9.2 per cent in the corresponding period of 2021, respectively. Consequently, NDA grew by 21.9 per cent in the first half of 2022, the same level of growth in the preceding half year, but lower than 11.9 per cent in the corresponding period of 2021.

Foreign loans and non-residents' deposits with depository corporations increased in the review period, leading to a 29.6 per cent surge in liabilities to non-residents. Resultantly, net foreign assets (NFA) fell by 34.7 per cent, compared with 18.7 per cent decline in the corresponding period of 2021, as against the growth of 4.2 per cent in the preceding half year.

The growth in NDA outweighed the decline in NFA, occasioning an increase in broad money supply (M_3) by 10.0 per cent (annualised at 20.0 per cent)

Table 3.4.2: Growth in Money Assets & Liabilities

	Jun 20	Dec 20	Jun 21	Dec 21	Jun 22
NFA	40.64	50.95	(18.73)	4.22	(34.68)
DC	**4.74**	**12.71**	**6.85**	**17.83**	**17.82**
Net claims on Government	(11.88)	13.81	0.88	20.42	31.61
Claims on					
Other Sectors	11.04	12.30	9.15	16.83	12.35
Other financial corporations	21.89	7.98	(1.89)	(5.34)	2.91
State and local government	(3.07)	10.64	3.57	20.63	29.85
Public nonfinancial corporations	(8.66)	(0.65)	28.75	3.44	42.37
Private sector	8.46	15.16	13.87	26.84	12.64
Broad money Liabilities	2.63	11.63	1.56	14.24	10.02
Currency outside depository corporations	(7.63)	23.38	(9.91)	17.74	(7.46)
Transferable deposits	21.88	54.69	3.25	13.30	16.61
Other deposits	10.88	20.63	3.86	19.99	8.19
Securities other than shares	(46.85)	(81.98)	(39.82)	(99.92)	(1.68)

Source: Central Bank of Nigeria

to ₦48,890.24 billion in the review period, compared with the benchmark of 14.9 per cent for the fiscal year.

Drivers of Growth in Monetary Assets

Growth in broad money supply was driven, majorly, by the contribution of domestic claims. Net domestic assets of the banking system at ₦42,789.31 billion, grew by 21.9 per cent and contributed 17.3 percentage points to the growth in broad money supply. Domestic claims grew by 17.8 per cent to ₦57,448.24 billion, and contributed 19.6 percentage points to the growth in money supply, compared with 18.9 and 7.3 percentage points in the preceding half and corresponding period of 2021, respectively.

Net claims on central government grew by 31.6 per cent, due to increase in depository corporation's claims on central government. Thus, net claims on central government contributed 9.8 percentage points to the growth in broad money supply in the first half of 2022, compared with 6.0 percentage points in the preceding half.

Similarly, claims on other sectors rose by 12.4 per cent to ₦39,233.61 billion in the review period, compared with the growth of 16.8 per cent and 9.2 per cent in the preceding half year and the corresponding period of 2021, respectively. This was driven, largely, by the growth of 42.4 per cent, 29.9 per cent, and 12.8 per cent in claims on public nonfinancial corporations, on states and local governments, and private sector, respectively. Consequently, claims on other sectors contributed 9.8 percentage points to the growth in broad money supply in the first half of 2022, compared with 12.9 and 7.0 percentage points in the preceding half-year and the corresponding period of 2021, respectively.

Table 3.4. 2: Growth in Monetary Assets and Liabilities

	Jun 20	Dec 20	Jun 21	Dec 21	Jun 22
NFA	40.64	50.95	(18.73)	4.22	(34.68)
DC	**4.74**	**12.71**	**6.85**	**17.83**	**17.82**
Net claims on Government	(11.88)	13.81	0.88	20.42	31.61
Claims on					
Other Sectors	11.04	12.30	9.15	16.83	12.35
Other financial corporations	21.89	7.98	(1.89)	(5.34)	2.91
State and local government	(3.07)	10.64	3.57	20.63	29.85
Public nonfinancial corporations	(8.66)	(0.65)	28.75	3.44	42.37
Private sector	8.46	15.16	13.87	26.84	12.64
Broad money **Liabilities**	2.63	11.63	1.56	14.24	10.02
Currency outside depository corporations	(7.63)	23.38	(9.91)	17.74	(7.46)
Transferable deposits	21.88	54.69	3.25	13.30	16.61
Other deposits	10.88	20.63	3.86	19.99	8.19
Securities other than shares	(46.85)	(81.98)	(39.82)	(99.92)	(1.68)

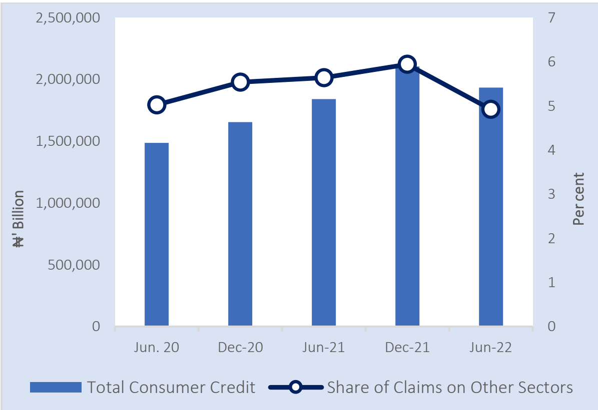
Source: Central Bank of Nigeria

Consumer Credit

The value of consumer credit extended by Other Depository Corporations (ODCs) declined as a result of the hike in the monetary policy rate. The rising trend in consumer credit in most part of the first half of 2022, was reversed with a rise in the policy rate in May. The rising lending rates resulted in lower demand for consumer credit. Consequently, consumer credit outstanding declined by 6.8 per cent to ₦1,933.18 billion, from ₦2,073.76 billion in the preceding half of 2021. However, there was an improvement, compared with ₦1,840.24 billion in the corresponding period of 2021.

Consumer credit constituted 4.9 per cent of total claims on other sectors, compared with 5.9 per cent and 5.6 per cent in the preceding half and the corresponding period of 2021, respectively.

Figure 3.4.3: Consumer Credit and its Share of Claims on Other Sectors



Source: Central Bank of Nigeria

Credit Utilisation by Sectors

Unwavering effort by the Bank to increase productivity and output spurred growth in sectoral credit, particularly in the services and industry sectors. Sustained implementation of the LDR policy, coupled with the Bank's critical intervention drives, engendered considerable growth in sectoral credit allocation to key sectors of the economy. Sectoral credit allocation stood at ₦26,846.40 billion at end-June 2022, representing an increase of 10.1 per cent and 22.6 per cent, relative to the ₦24,378.19 billion and ₦21,895.31 billion at end-December 2021 and end-June 2021, respectively.

Of the total credit allocated, services sector sustained its dominance, as it grew by 12.4 per cent and accounted for 54.5 per cent, relative to 53.3 per cent and 52.4 per cent at end-December 2021 and end-June 2021, respectively. The share of industry sector was also significant at 39.4 per cent, albeit lower than the 40.7 per cent and 42.3 per cent recorded at end-December 2021 and end-June 2021, respectively. The Agriculture sector recorded the lowest share of 6.1 per cent, though, higher than the 6.0 per cent and 5.3 per cent in the preceding half year and the corresponding period, respectively.

Table 3.4.3: Sectoral Credit Allocation

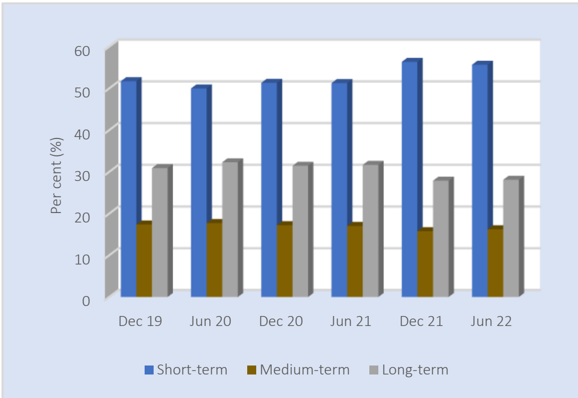
	Jun-21	Dec-21	Jun-22
Agriculture	**5.3**	**6.0**	**6.1**
Industry	**42.3**	**40.7**	**39.4**
of which Construction	5.0	4.4	4.4
Services	**52.4**	**53.3**	**54.5**
of which Trade/General Commerce	6.3	7.0	7.1

Source: Central Bank of Nigeria

Maturity structure of Banks' Claims and Liabilities

Short-term credit accounted for the bulk of banks' loan portfolio. Banks sustained preference for short-term loans, as credit with maximum maturity of one year accounted for 55.7 per cent at the end of the first half of 2022, relative to 16.2 per cent and 28.1 per cent for bank credit with medium-term and long-term tenors, respectively. Similar trend was observed at the end of the preceding and corresponding periods, as short-term bank credit also formed the bulk of banks' loan portfolio, accounting for 56.4 per cent and 51.3 per cent, respectively.

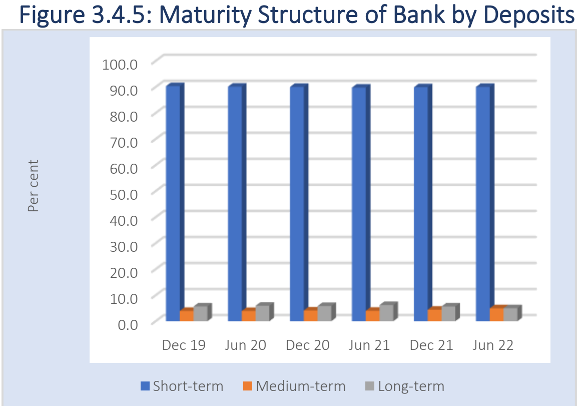
Figure 3.4.4: Distribution of Bank Loans and Advances by Maturity



Source: Central Bank of Nigeria

Banks deposit structure depicted similar trend as short-term deposit of less than one-year maturity accounted for 90.0 per cent, relative to 89.9 per cent and 89.8 per cent at end-December 2021 and the corresponding period of 2021, respectively. The medium and long-term deposits accounted for 5.0 per cent apiece of the total deposit. The preference for short-term deposits over the longer-term deposits was driven by macroeconomic uncertainties and inherent risks in the economy.

Figure 3.4.5: Maturity Structure of Bank by Deposits

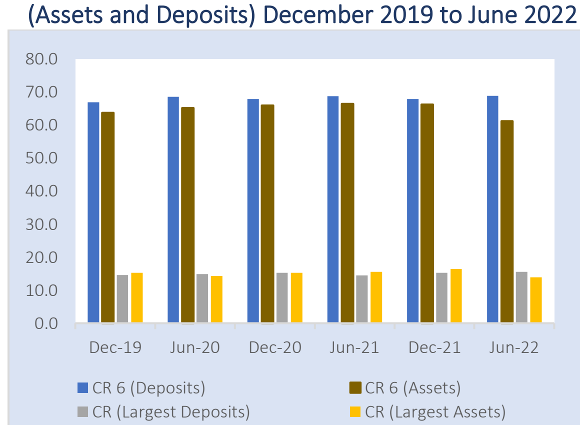


Source: Central Bank of Nigeria

Market Structure of the Banking Industry

The concentration ratio of the banking system in terms of assets improved, while the concentration ratio in terms of deposits remained unchanged. The review of the banking industry indicated that six banks in terms of assets had a concentration ratio of 61.2 per cent, an improvement compared with 66.2 per cent and 66.4 per cent in the preceding half and corresponding period of 2021, respectively. In terms of deposits, the concentration ratio of six of the largest banks remained at 68.8 per cent, the same as in the corresponding period of 2021. The composition of the six banks remains unchanged over time. However, there was no dominance of a single bank for both deposits and assets.

Figure 3.4.6: Market Concentration Ratios of Banks (Assets and Deposits) December 2019 to June 2022

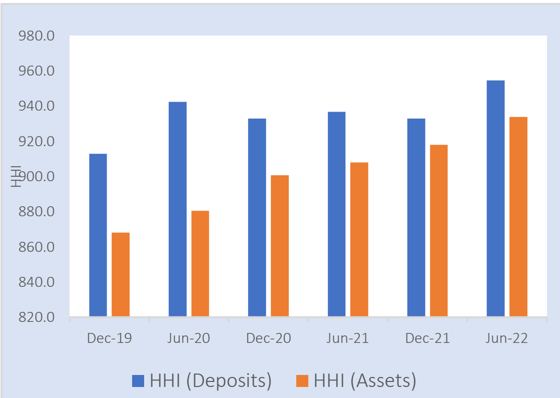


Source: Central Bank of Nigeria

The Herfindahl-Hirschman Index (HHI) of 954.53 (on a scale of 100 to 10,000) in deposits and 933.89 in assets reflects competitiveness in the banking system and allays concerns about the possibility of unhealthy dominance in the system. Nonetheless, the HHI position for both deposits and assets show a slight increase relative to the corresponding half year position of 936.66 and

907.93, and preceding half year of 847.43 and 854.24, respectively.

Figure 3.4.7: Measures of Competition in Banks: Herfindahl-Hirschman Index December 2019 to June 2022



Source: Central Bank of Nigeria

Financial Soundness

Nigeria's financial sector remained resilient, despite heightened global and domestic uncertainties. At end-June 2022, the industry Capital Adequacy Ratio (CAR) fell to 14.1 per cent, from 14.6 per cent and 15.5 per cent at end-December 2021 and end-June 2021, respectively. The development was attributed to the increase in risk-weighted assets of banks, which more than offset the increase in their total qualifying capital. The ratio, however, remained above the minimum regulatory benchmark of 10.0 per cent.

Analysis of bank asset quality measured by the ratio of non-performing loans (NPLs) to gross total loans stood at 5.0 per cent at end-June 2022, relative to 4.9 per cent at end-December 2021, and 5.7 per cent at end-June 20v21. The NPL ratio was at par with the 5.0 per cent prudential requirement.

The Industry Liquidity Ratio (LR) declined by 0.6 percentage point to 54.2 per cent, from 54.8 per cent at end-December 2021, reflecting a decrease in the stock of liquid assets held by banks. However, it indicated a significant increase of 12.9 percentage points, compared with 41.3 per cent at end-June 2021, but remained above the regulatory benchmark of 30.0 per cent.

Developments in Other Financial Institutions

To deepen access to financial services and promote inclusive growth, the Bank issued licences to new Other Financial Institutions (OFIs). The total number of OFIs at end-June 2022 was 6,697, relative to the 6,682 and 6,620 at end-December 2021 and end-June 2021, respectively. The increase in the number of OFIs was attributed to the issuance of nine new Microfinance Banks licenses and six Finance Companies (FCs).

There were 875 licensed MFBs at end-June 2022, comprising 9 National MFBs, 134 State MFBs, and 732 Unit MFBs; compared with the 866 and 875 MFBs at end-December 2021 and end-June 2021, respectively. The number of FCs in operation also increased to 106 at end-June 2022, compared with 100 at end-December 2021 and 91 at end-June 2021.

The number of operating Primary Mortgage Banks (PMBs) remained at 34 at end-June 2022, comprising 12 national PMBs and 22 state PMBs. The number was the same with that of end-December 2021.

Table 3.4.4: Breakdown of Other Financial Institutions

S/N	Type	No. of Institutions at end-June, 2021	No. of Institutions at end-December, 2021	No. of Institutions at end-June, 2022
1	**Microfinance Banks:**	**875**	**866**	**875**
	Unit	*734*	*723*	*732*
	State	*132*	*134*	*134*
	National	*9*	*9*	*9*
2	**Bureaux De Change**	**5,613**	**5,675**	**5,675**
3	**Finance Companies**	**91**	**100**	**106**
4	**Development Finance Institutions**	**7**	**7**	**7**
5	**Primary Mortgage Banks**	**34**	**34**	**34**
	State	*23*	*23*	*23*
	National	*11*	*11*	*11*
	Total	**6,620**	**6,682**	**6,697**

Source: CBN

Development Finance Institutions

The total assets of development finance institutions (DFIs) increased, due, largely to the rise in cash and bank balances. At the end- of June 2022, the total assets of the seven DFIs was ₦3,334.06 billion, an increase of 9.2 per cent and 6.9 per cent above the levels at end-December and end-June 2021, respectively. The rise resulted from increased bank balances, placements, investments and fixed assets. The increased asset was financed through accretion to reserves, increased borrowings and shareholders' fund.

Further analysis of the total assets by institution indicated that BOI (Bank of Industry), DBN (Development Bank of Nigeria), Federal Mortgage Bank of Nigeria (FMBN), Nigerian Export-Import Bank (NEXIM), NMRC, Bank of Agriculture (BOA) and The Infrastructural Bank (TIB) accounted for 59.8 per cent, 14.9 per cent, 14.5 per cent, 6.5 per cent, 2.6 per cent, 1.7 per cent and 0.1 per cent, respectively. The BOI, DBN, FMBN, NEXIM, BOA and NMRC accounted for 48.8 per cent, 20.1 per cent, 19.3 per cent, 8.5 per cent, 1.8 per cent and 1.6 per cent, of the total net loans and advances, respectively.

Table 3.4.5: Other Financial Institutions Consolidated Balance Sheet

ASSETS	Jun-21	Dec-21	Jun-22
	N'000	N'000	N'000
Cash & Bank Balances	71,991,694	966,032	22,002,218
Placements	526,751,221	428,810,530	466,507,297
Investments	1,002,362,306	909,038,807	1,121,464,031
Net Loans & Advances	1,385,949,576	1,585,391,610	1,598,617,094
Other Assets	65,861,932	67,871,628	60,525,133
Fixed Assets	64,825,466	62,248,045	64,943,907
Total Assets	3,117,742,195	3,054,326,652	3,334,059,680
Financed By:			
Paid-up Capital	238,780,740	238,780,740	238,780,740
Reserves	183,476,959	214,459,492	232,891,187
Shareholders' fund	422,257,699	453,240,232	471,671,927
Deposits	484,008,966	514,848,997	558,363,855
Borrowings	1,767,218,636	1,582,320,992	1,886,720,548
Due to Other Banks	93,513	11,415,214	2,927,389
Other Liabilities	393,220,299	438,596,675	371,031,896
Long-term Liabilities	50,943,082	53,904,542	43,344,065
Total Capital & Liabilities	3,117,742,195	3,054,326,652	3,334,059,680

Source: Central Bank of Nigeria

Table 3.4.6: Development Finance Institutions Consolidated Balance Sheet

ASSETS	Jun-21	Dec-21	Jun-22
	N'000	N'000	N'000
Cash & Bank Balances	303,240,800	227,365,705	263,824,378
Placements	816,378,530	671,072,047	708,544,239
Investments	1,114,391,867	1,015,708,474	1,231,449,913
Net Loans & Advances	2,532,381,772	2,930,059,195	3,023,609,148
Other Assets	248,727,814	236,664,533	249,145,506
Fixed Assets	161,244,028	142,791,342	170,071,913
Total Assets	5,176,364,811	5,223,661,296	5,646,645,097
Financed By:			
Paid-up Capital	468,505,050	466,876,723	498,230,745
Reserves	182,538,492	219,591,851	235,691,426
Shareholders' fund	651,043,542	686,468,574	733,922,171
Deposits	1,034,846,107	1,106,788,532	1,186,557,994
Borrowings	1,988,247,548	1,819,868,498	2,125,758,380
Due to Other Banks	30,762,607	49,566,894	157,941,082
Other Liabilities	875,449,945	862,519,135	920,530,197
Long-term Liabilities	596,015,062	698,449,663	521,935,273
Total Capital & Liabilities	5,176,364,811	5,223,661,296	5,646,645,097

Source: Central Bank of Nigeria

The total assets of OFIs, excluding the BDCs, was ₦5,646.65 billion at the end of June 2022. This was 9.1 per cent and 8.1 per cent above ₦5,176.36 billion and ₦5,223.66 billion, recorded at the end of December 2021 and the end of June 2021, respectively. Net loans and advances at ₦3,023.61 billion was 3.2 per cent and 19.4 per cent above the ₦2,930.06 billion and ₦2,532.38 billion at end-December 2021 and end-June 2021, respectively. At ₦1,231.45 billion, investments increased by 21.2 per cent and 10.5 per cent, compared with ₦1,015.71 billion and ₦1,114.39 billion at end-December 2021 and end-June 2021, respectively. Similarly, fixed assets at ₦170.07 billion at end-June 2022, reflected an increase of 19.1 per cent and 5.5 per cent above the levels at end-December 2021 and end-June 2021, respectively.

Deposits at ₦1,186.56 billion was 7.2 per cent and 14.7 per cent above the levels at end-December 2021 and end-June 2021, respectively. Borrowings amounted to ₦2,125.76 billion at end-June 2022, an increase of 16.8 per cent and 6.9 per cent, compared with the ₦1,819.87 billion and ₦1,988.25 billion at end-December 2021 and end-June 2021, respectively. Similarly, "due to other banks" increased by 218.6 per cent and 413.4 per cent to ₦157.94 billion at end-June 2022, relative to the ₦49.57 billion and ₦30.76 billion, at end-December 2021 and end-June 2021, respectively. Shareholders' fund amounted to ₦733.92 billion, an increase of 6.9 per cent and 12.7 per cent relative to ₦686.47 billion and ₦651.04 billion at end-December 2021 and end-June 2021, respectively. The increase in shareholders' funds was due to increase in paid-up capital and accretion to reserves.

Microfinance Banks

Assets of MFBs increased due to rise in net loans and advances, fixed assets and investment. Total assets of the MFBs rose by 8.3 per cent and 15.1 per cent to ₦1,408.58 billion at end-June 2022, from ₦1,301.11 billion and ₦1,223.89 billion at end-December 2021 and end-June 2021, respectively. The increase was, due, largely, to the increase in cash, short-term investments and net loans & advances. The asset gap was financed, largely, through increased borrowing, accretion to reserves and injection of capital in compliance with the April 2022 recapitalisation deadline.

Table 3.4.7: Microfinance Banks Consolidated Balance Sheet

Asset	Jun-21	Dec-21	Jun-22
	N'000	N'000	N'000
Cash	12,423,556	16,698,439	32,744,108
Balances with Banks	171,812,729	156,482,263	151,276,444
Placements	181,514,459	126,448,501	127,669,383
Short term Investments	22,552,229	21,563,298	32,033,882
Long Term Investments	6,084,727	6,383,322	7,381,753
Net Loans and Advances	738,999,456	901,660,358	955,227,381
Other Assets	62,748,789	57,217,332	66,799,279
Fixed Assets	27,750,852	14,652,379	35,449,116
Total Assets	**1,223,886,797**	**1,301,105,892**	**1,408,581,346**
Financed by			
Paid-up Capital	93,286,276	93,733,391	119,260,260
Reserves	50,852,705	66,125,223	54,573,548
Shareholders' Fund	144,138,981	159,858,614	173,833,808
Deposits	367,965,481	411,737,651	453,989,534
Takings from Other Banks	16,281,708	16,584,837	133,925,243
Long Term Loans/On-lending	464,873,270	448,434,925	390,356,047
Other Liabilities	230,627,357	264,489,865	256,476,714
Total liabilities	**1,223,886,797**	**1,301,105,892**	**1,408,581,346**

Source: Central Bank of Nigeria

Table 3.4.8: Finance Companies Consolidated Balance Sheet

Asset	Jun-21	Dec-21	Jun-22
	N'000	N'000	N'000
Cash	2,000,757	2,374,221	2,233,223
Balances with Banks	22,195,104	27,320,315	27,670,496
Placements	37,760,193	41,886,472	37,021,246
Investments	20,038,776	19,756,834	12,756,583
Net Loans and Advances	142,694,415	166,975,827	181,798,627
Other Assets	59,558,128	58,150,597	66,198,625
Fixed Assets	49,184,041	46,151,221	49,792,007
Total Assets	**333,431,414**	**362,615,487**	**377,470,807**
Financed by:			
Paid-up Capital	27,715,587	25,653,669	29,404,116
Reserves	20,009,092	15,185,826	17,780,420
Shareholders' Funds	47,724,679	40,839,495	47,184,536
Long Term Liabilities	3,233,191	1,852,173	1,940,146
Total Borrowings	221,028,912	237,547,506	239,037,832
Other Liabilities	61,444,632	82,376,313	89,308,293
Total Liabilities	**333,431,414**	**362,615,487**	**377,470,807**

Source: Central Bank of Nigeria

Finance Companies

Total assets of FCs increased, due, largely, to rise in net loans and advances and other assets. Total assets of finance companies increased to ₦377.47 billion at end-June 2022, an increase of 4.1 per cent and 13.2 per cent, compared with ₦362.62 billion and ₦333.43 billion at end-December 2021 and end-June 2021, respectively. The increase relative to the level at end-December 2021 was due to higher net loans & advances and increase in other assets. The increased loans and advances was financed through retention of profit, increase in borrowing, other liabilities, as well as, injection of additional capital.

Primary Mortgage Banks

The total assets of Primary Mortgage Banks (PMBs) increased due, mainly, to rise in net loans and advances, balances with banks and placements. Total assets of the PMBs, at ₦526.53 billion, reflected an increase of 4.1 per cent and 5.0 per cent relative to ₦505.61 billion and ₦501.30 billion at end-December 2021 and end-June 2021, respectively. The rise in assets was financed through additional capital injection and ploughed back profit.

Table 3.4.9: Primary Mortgage Banks Consolidated Balance Sheet

Asset	Jun-21	Dec-21	Jun-22
	N'000	N'000	N'000
Cash	*1,090,269*	*1,478,194*	*1,670,226*
Cash Reserve Requirement	*1,929,603*	*4,107,915*	*2,590,795*
Balances with Banks	*19,797,088*	*17,938,326*	*23,636,868*
Placement with banks	*70,352,657*	*73,926,544*	*77,346,313*
Investments/Non-current Assets Held for Sale	*43,638,411*	*45,411,458*	*46,623,126*
Short Term Investments	*11,498,442*	*6,884,809*	*4,388,071*
Investment in Quoted Shares	*8,216,976*	*6,669,946*	*6,802,467*
Net Loans and Advances	*264,738,325*	*276,031,400*	*287,966,046*
Other Assets	*60,558,965*	*53,424,976*	*55,622,469*
Fixed Assets	*19,483,669*	*19,739,697*	*19,886,883*
Total Assets	***501,304,405***	***505,613,265***	***526,533,264***
Financed by:			
Paid-up Capital	*108,722,447*	*108,708,923*	*110,785,629*
Reserves	*-71,800,264*	*-76,178,690*	*-69,553,729*
Shareholders' Funds	*36,922,183*	*32,530,233*	*41,231,900*
Deposits	*182,871,660*	*180,201,884*	*174,204,605*
Due to Banks/Others	*14,387,386*	*21,566,843*	*21,088,450*
Long-term Loans/NHF	*76,965,519*	*77,056,282*	*86,295,015*
Other Liabilities	*190,157,657*	*194,258,023*	*203,713,294*
Total Liabilities	***501,304,405***	***505,613,265***	***526,533,264***

Source: Central Bank of Nigeria

Examination of Other Financial Institutions

The Bank conducted target and Anti-Money Laundering and combating the Financing of Terrorism (AML/CFT) examinations on 204 OFIs. The target examination was conducted on 114 MFBs to ascertain their capital levels in line with the final re-capitalisation deadline of April 2022.

The onsite AML/CFT examination of 90 OFIs, excluding Bureaux de Change (BDCs), was to ascertain the OFIs' compliance with the extant Money Laundering (ML) and Terrorist Financing Acts and other applicable regulations. Money

Laundering and Financing of Terrorism (ML/FT) risks of the OFIs were evaluated in line with the GIABA assessment requirements. The outcome of the examination revealed that more than half of the OFIs examined were rated "Above Average". The examination, also, revealed various infractions of extant regulations and erring institutions were sanctioned appropriately.

Financial Markets

Money Market Developments

Liquidity conditions in the banking system eased, influencing the downward trend in key money market rates. The movement in banking system liquidity was influenced by injections through the fiscal operations of the government, effects of CRR debit, settlement of foreign exchange interventions, maturity and issuance of CBN bills and government securities.

Money Market Rates

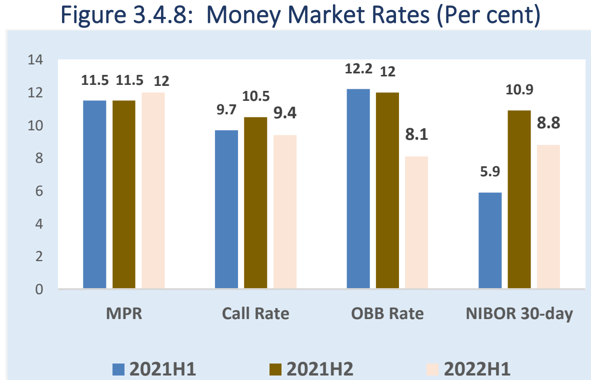
Money market rates trended southward, following improved liquidity in the banking system. The average net industry liquidity balance rose by 44.3 per cent to ₦200.27 billion from ₦138.76 billion in the preceding half of 2021. Consequently, the weighted average monthly inter-bank call and OBB rates declined to 9.4 and 8.1 per cent compared with 10.5 and 12.0 per cent in the second half of 2021, respectively. Similarly, the weighted average Nigeria Inter-bank Offered Rate (NIBOR 30-day) fell by 2.1 percentage points to 8.8 per cent.

Table 3.4.10: Money Market Rates, Weighted Average (per cent).

	MPR	Call Rate	OBB Rate	NIBOR 30-days
Jan-21	*11.5*	*4.4*	*2.9*	*0.7*
Feb-21	*11.5*	*11.7*	*8.7*	*1.6*
Mar-21	*11.5*	*10.1*	*12.6*	*3.4*
Apr-21	*11.5*	*0.0*	*15.9*	*6.5*
May-21	*11.5*	*15.2*	*16.3*	*10.7*
Jun-21	*11.5*	*16.6*	*16.7*	*12.6*
Average	11.5	9.7	12.2	5.9
Jul-21	*11.5*	*12.4*	*11.9*	*12.3*
Aug-21	*11.5*	*13.5*	*13.0*	*11.9*
Sep-21	*11.5*	*13.1*	*11.3*	*10.5*
Oct-21	*11.5*	*13.3*	*12.8*	*11.3*
Nov-21	*11.5*	*10.5*	*10.1*	*9.5*
Dec-21	*11.5*	*0.0*	*12.8*	*10.1*
Average	11.5	10.5	12.0	10.9
Jan-22	*11.5*	*14.3*	*8.5*	*9.0*
Feb-22	*11.5*	*9.3*	*6.1*	*9.4*
Mar-22	*11.5*	*4.5*	*6.6*	*8.2*
Apr-22	*11.5*	*8.7*	*7.3*	*8.2*
May-22	*13.0*	*8.4*	*9.4*	*9.5*
Jun-22	*13.0*	*11.1*	*10.9*	*8.5*
Average	12.0	9.4	8.1	8.8

Source: Central Bank of Nigeria

Figure 3.4.8: Money Market Rates (Per cent)



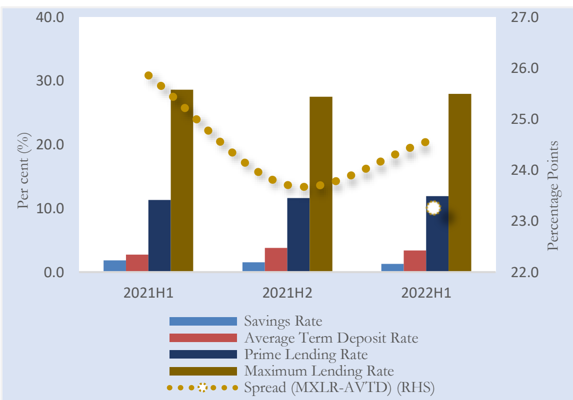
Source: Central Bank of Nigeria

Deposit and Lending Rates

Lending rates leaned towards the tight monetary policy stance of the Bank. The average prime and maximum lending rates inched up to 11.9 per cent and 28.0 per cent in the first half of 2022, from 11.6 per cent and 27.5 per cent in the second half of 2021, respectively. Compared with the level in the corresponding half of 2021, the prime lending rate fell by 0.6 percentage point, while the maximum lending rate rose by the same magnitude.

Average term deposit rate fell by 0.4 percentage point to 3.4 per cent, below its level in the second half of 2021. However, the spread between the average term deposit and maximum lending rates between the two periods, widened from 23.7 percentage points to 24.6 percentage points in the review period. This, however, represented a decline, compared with 25.9 percentage points in the corresponding half of 2021.

Figure 3.4.9: Banks Deposits and Lending Rates



Source: Central Bank of Nigeria

Open Market Operations

The Bank continued to use the CBN bills to manage liquidity in the banking system, boost tradable securities and deepen secondary market activities in the first half of 2022. The total amount of CBN bills issued, amounted to ₦7,249.61 billion, higher than ₦6,323.47 billion recorded in the preceding half of 2021, but lower than ₦7,456.08 billion in the corresponding half of 2021. Total public subscription and sales stood at ₦10,856.88 billion and ₦7,227.72 billion, compared with ₦7,342.20 billion and ₦6,309.02 billion, respectively, in the preceding half year. For the corresponding period of 2021, total subscription and sales were ₦11,650.75 billion and ₦7,339.03 billion, respectively.

The high level of activity in OMO in the review period relative to the level in the preceding period, reflected improved investors' confidence in the money market amid the hawkish monetary policy stance towards the end of the review period.

Discount Window Operations

Improved net liquidity in the banking system resulted in the reduction of repo transactions in the first half of 2022. Total request for repurchase agreements (repo) transactions fell by 34.7 per cent to ₦4,998.12 billion in the first half of 2022, compared with ₦7,648.86 billion and ₦6,410.40 billion in the preceding and corresponding halves of 2021, respectively. Applicable interest rate in the review period was 14.0 per cent (±2.5) for the 4-day to 90-day tenors. Total interest earned on repo transactions declined by 30.8 per cent and 70.5 per cent to ₦15.89 billion in the first half of 2022, compared with ₦22.96 billion and ₦53.83 billion earned in the preceding half year and corresponding period of 2021, respectively.

Standing Facilities Window

Transactions at the SDF window was consistent with the level of liquidity in the banking system. Activities at the Standing Deposit Facility (SDF) window increased due, largely, to improved banking system liquidity. The average daily amount rose to ₦18.51 billion for the 122 transaction days in the first half of 2022, compared with ₦10.11 billion for the 121 transaction days and ₦15.15 billion for the 120 transaction days in the preceding and corresponding halves of 2021, respectively.

Consequently, average daily interest payments on the deposits rose by 92.6 per cent to ₦3.28 million in the review period, from ₦1.70 million and ₦2.37 million in the preceding and corresponding halves of 2021.

At the Standing Lending Facility (SLF) window, the daily average of 81 transactions stood at ₦55.82 billion in the first half of 2022, as against ₦ 34.41 billion in 99 transactions in the second half of 2021 and ₦82.74 billion in 109 transactions in the first half of 2021.

Applicable rates, for the SLF and SDF, anchored on the MPR, were 12.5 per cent and 4.5 per cent from January to 23 May 2022; and 14.0 per cent and 6.0 per cent from 24 May to 30 June 2022, respectively. Comparatively, in the preceding and corresponding halves of 2021, the applicable rates for the SLF and SDF were 12.5 per cent and 4.5 per cent, respectively.

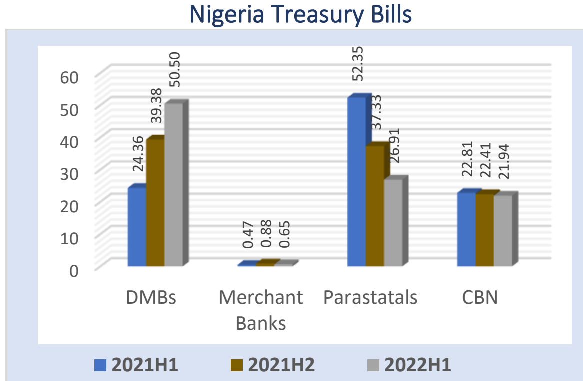
Inter-bank Transactions

Activities in the inter-bank funds market skewed towards the secured segment, as banks became risk averse to unsecured lending. The total value of transactions at the inter-bank funds market stood at ₦25,408.36 billion. This represented a decline of 12.1 per cent and 2.6 per cent, compared with the ₦28,893.31 billion and ₦26,076.17 billion in the preceding and the corresponding halves of 2021, respectively. At the Open-buy-back (OBB) segment, transactions increased significantly, attributed, largely, to the risk averse appetite of banks for unsecured lending. Consequently, transactions at the OBB segment stood at ₦25,257.84 billion, which accounted for 99.4 per cent, while the inter-bank call constituted the balance of 0.6 per cent (₦150.52 billion).

Primary Market Activities

Total value of the Nigerian Treasury Bills (NTBs) issued and allotted in the first half of 2022 amounted to ₦2,415.58 billion apiece, representing a decline of 2.2 per cent, below the level in the preceding half of 2021. Conversely, it grew by 45.0 per cent, compared with the level in the corresponding half of 2021. Total value of public subscription stood at ₦4,663.18 billion, compared with ₦5,116.73 billion and ₦3,101.23 billion in the preceding and the corresponding periods of 2021, respectively. The decrease in public subscription relative to the level in the preceding period of 2021 was due, mainly, to the declining yield in treasury bills.

Table 3.4.10 Structure of Outstanding holdings of Nigeria Treasury Bills

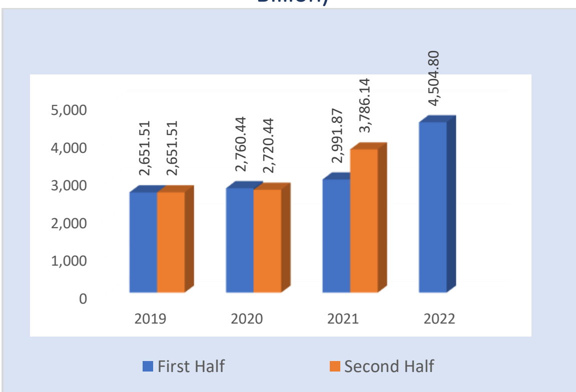


Source: Central Bank of Nigeria

Of the total NTBs allotted, banks and foreign investors, took up ₦1,782.22 billion or 73.8 per cent. Mandate and Internal Funds customers, including CBN Branches, stood at ₦564.50 billion or 23.4 per cent, while merchant banks accounted for the balance of ₦68.87 billion or 2.8 per cent. The successful bid rate in the market were 2.1 per cent (±0.4) for the 91-day; 3.4 per cent (±0.4), for the 182-day and 5.2 per cent (±1.3) for the 364-day tenors. Successful bid rates in the preceding period of 2021 stood at 6.2 per cent (±3.8) for the

91-day, 7.7 per cent (±4.3) for the 182-day and 8.9 per cent (±4.1) for the 364-day tenors.

Figure 3.4.11: Nigerian Treasury Bills Outstanding (₦ Billion)



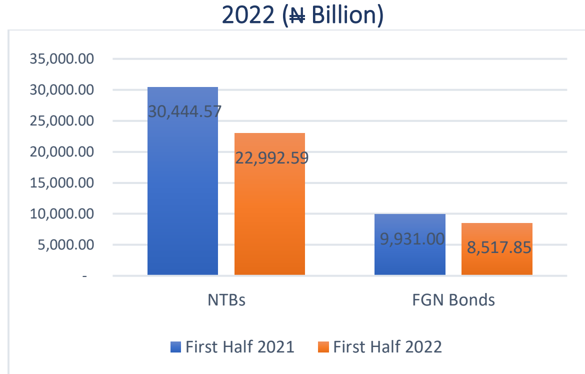
Source: Central Bank of Nigeria

The value of NTBs outstanding at end-June 2022 stood at ₦4,504.80 billion. This represented a growth of 19.0 per cent and 50.6 per cent above ₦3,786.14 billion and ₦2,991.87 billion in the preceding half year and corresponding period of 2021, respectively. Of the total, the share of commercial improved to 50.5 per cent, compared with 39.4 per cent and 24.4 per cent in the preceding and corresponding halves of 2021, respectively. Mandate customers and Internal Funds customers was 26.9 per cent, while merchant banks and CBN, accounted for 0.7 per cent and 21.9 per cent, respectively, in the review period.

Over-The-Counter Transactions in NTBs

Over-The-Counter (OTC) transactions in NTBs and FGN Bonds declined, attributed to low patronage by foreign and institutional investors. Transactions in NTBs stood at ₦22,992.59 billion in the first half of 2022, indicating a decline of 24.5 per cent (₦7,415.98 billion), compared with its level of ₦30,444.57 billion in the first half of 2021. Similarly, transactions in FGN Bonds stood at ₦8,517.85 billion, indicating a decline of 14.2 per cent below the level of ₦13,249.67 billion in the first half of 2021.

Figure 3.4.12: OTC Transactions in the First Half of 2022 (₦ Billion)



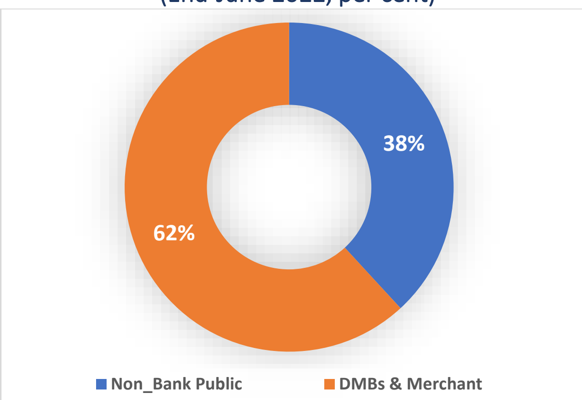
Source: Central Bank of Nigeria

Federal Government of Nigeria Bonds

FGN Bonds valued at ₦1,125.00 billion were offered to the public, while subscription, and sale stood at ₦2,852.56 billion and ₦1,805.45 billion, respectively. The amount offered covered new issues and reopening of FGN Bonds. In the preceding half of 2021, FGN Bonds issues, subscription and allotments amounted to ₦850.00 billion, ₦1,630.92 billion and ₦1,192.01 billion, respectively. FGN Bonds issues, subscription and allotment stood at ₦900.00 billion, ₦1,726.40 billion and ₦1,415.00 billion, respectively, in the corresponding period of 2021. The increase in issuance was attributed to a shortfall in revenue earnings.

The total value of FGN Bonds outstanding at end-June 2022, stood at ₦15,626.63 billion, compared with ₦14,395.75 billion and ₦13,659.66 billion at end-December 2021 and end-June 2021, respectively. The structure of holdings showed that 61.0 per cent (₦9,531.16 billion) was held by commercial banks, 0.8 per cent (₦132.63 billion) by merchant banks and the balance of 38.2 per cent (₦5,926.85 billion) was held by the non-bank public.

Figure 3.4.13: Distribution of FGN Bonds (End-June 2022, per cent)



Source: Central Bank of Nigeria

Table 3.4.11: Market rates (%) interest spread

Month	Savings Rate	Ave. Term Deposit Rate	Prime Lending Rate	Max. Lending Rate	Spread (Percentage points)
	(1)	(2)	(3)	(4)	(5) (2) & (4)
Jan-22	*1.3*	*3.4*	*11.7*	*27.7*	*24.2*
Feb-22	*1.3*	*3.4*	*11.8*	*30.7*	*27.3*
Mar-22	*1.3*	*3.3*	*11.8*	*26.6*	*23.3*
Apr-22	*1.3*	*3.2*	*11.8*	*27.8*	*24.6*
May-22	*1.4*	*3.7*	*12.0*	*27.4*	*23.7*
Jun-22	*1.4*	*3.5*	*12.3*	*27.6*	*24.1*
2022 H1	1.3	3.4	11.9	28.0	24.6

Source: Central Bank of Nigeria

Developments in the Capital Market

Activities in the Nigerian equities market were bullish in the first half of 2022, as the NGX All-Share Index and aggregate market capitalisation rose, despite volatile global market fundamentals arising from the Russia-Ukraine war. The bullish performance was due to bargain-hunting, occasioned by the release of positive first quarter 2022 corporate earnings results. Furthermore, there were 31 new listings in the capital market during the first half of 2022, compared with 30 and 28 listings in the second and first halves of 2021, respectively.

The aggregate volume and value of traded securities on the Exchange rose by 84.8 per cent and 91.8 per cent to 76.02 billion shares and ₦833.41 billion, respectively, in 617,379 deals at the end of June 2022, compared with 41.13 billion shares and ₦434.63 billion in 503,896 deals at end-December 2021. Similarly, aggregate volume and value of traded securities at the end of the first half of 2022 rose by 65.3 per cent and 60.5 per cent, compared with 45.98 billion shares and ₦519.25 billion in 555,042 deals at the end of the corresponding half of 2021. The equities sub-sector maintained its dominance in the capital market, accounting for 99.9 per cent and 99.7 per cent of the aggregate volume and value of transactions, respectively, while the debt and Exchange Traded Fund (ETF) segments accounted for the balance.

The sectoral analysis of the equities segment indicated that the financial services sector measured by volume of transactions, remained the most active, accounting for 54.99 billion shares or 71.9 per cent, valued at ₦421.97 billion or 39.8 per cent, in 296,774 deals or 48.1 per cent at end-June 2022.

Analysis of activities in the equities segment showed an increase in participation by domestic investors, relative to the corresponding and preceding periods. The levels of domestic and foreign investors' participation were 85.4 per cent and 14.71 per cent, respectively, compared with 77.7 per cent and 22.3 per cent in the preceding half. Relative to the levels in the corresponding half, the domestic and foreign investors' participation stood at 76.8 per cent and 23.2 per cent, respectively.

Figure 3.4.14: Volume and Value of Traded Equities on the NGX

Sources: Securities and Exchange Commission (SEC)/Nigerian Exchange Group (NGX) Limited

NGX All-Share Index

The NGX All-Share Index improved mainly due to investors' positive sentiment amid increased preference for blue-chip stocks. The NGX All-Share Index stood at 51,817.59 index points at end-June 2022, indicating an increase of 21.3 per cent and 36.7 per cent, relative to the 42,716.44 index points and 37,907.28 index points at end-December 2021 and end-June 2021, respectively. The development was due to the positive outcomes of the year 2021 and the first quarter of 2022 corporate earnings, which led to increased investment in blue-chip stocks.

Market Capitalisation

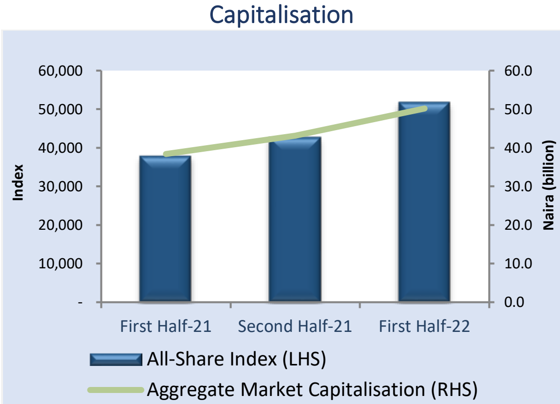
Increased interest in blue-chip stocks, especially in the telecommunications and financial sectors, drove market capitalisation. The aggregate market capitalisation of the 457 listed securities closed at ₦50.18 trillion, an increase of 16.4 per cent and 30.8 per cent, relative to the levels at end-December 2021 and end-June 2021, respectively. The increase was attributed, mainly, to the rise in the value of securities across different asset classes (equities, debt, and ETF), following improved trading in large and medium capitalised stocks, occasioned by bargain-hunting and profit-taking by investors.

Similarly, at ₦27.94 trillion, market capitalisation of the 176 listed equities rose by 25.3 per cent and 36.7 per cent at the end of June 2022, compared with the levels at the end of December 2021 and end-June 2021, respectively. Listed equities accounted for 55.7 per cent of the aggregate market capitalisation, while the debt and ETF components accounted for the balance of 44.3 per cent.

The top ten most capitalised companies on the Exchange accounted for ₦22.94 trillion or 82.1 per cent of the total equity market capitalisation and 45.7 per cent of the aggregate market capitalisation. Two banks made the top ten list, accounting for ₦1.29 trillion or 4.6 per cent of the total equity market capitalisation.

Total market capitalisation, as a percentage of GDP, stood at 54.9 per cent, in the review period compared with 43.8 per cent and 47.9 per cent at end-December 2021 and end-June 2021, respectively. The Warren Buffet Index measured by the ratio of the value of traded stocks to GDP was 0.9 per cent, implying that the stock market is slightly undervalued. The ratio remained, the same, compared with the 0.9 per cent at end-December 2021, but was higher when compared to the 0.6 per cent recorded at end-June 2021.

Figure 3.4.15: All-Share Index and Aggregate Market Capitalisation

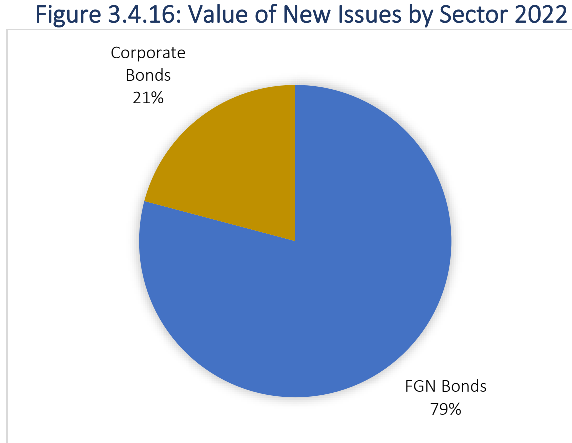


Sources: Securities and Exchange Commission (SEC) and Nigerian Exchange (NGX) Limited

Primary Market Activities

Activities in the primary segment of the Nigerian capital market improved in the first half of 2022. There were 31 new security issuances worth ₦2,090.20 billion, compared with 31 and 28 valued at ₦1,343.30 billion and ₦1,566.70 billion, in the preceding and corresponding halves of 2021, respectively. During the review period, one Initial Public Offering (IPO) worth ₦111.80 billion, two public offering valued at ₦9.90 billion, and three equity rights issues, worth ₦2.50 billion, were approved by the SEC relative to the zero-equity issued in the preceding period. This also compares with three private placements worth ₦13.00 billion and two rights issues worth ₦7.60 billion in the corresponding period of 2021. In the government segment of the primary market, 15 FGN Bonds worth ₦1,555.70 billion and 10 corporate bonds valued at ₦410.40 billion, were issued and allotted by the Debt Management Office (DMO). This compares with 18 FGN Bonds worth ₦769.91 billion, 16 corporate bonds valued at ₦257.69 billion, and one subnational bond worth ₦137.33 billion, issued in the preceding period of 2021, and 18 FGN Bonds worth ₦1,415.00 billion, and five corporate bonds valued at ₦131.10 billion in the corresponding period of 2021.

Figure 3.4.16: Value of New Issues by Sector 2022



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

Institutional Savings

Aggregate financial savings rose by 6.5 per cent and 24.2 per cent to ₦28,615.69 billion, from ₦26,868.76 billion and ₦23,044.50 billion at end-December 2021 and end-June 2021, respectively. The ratio of financial savings to GDP rose to 31.3 per cent from 28.0 per cent and 28.8 per cent at the end of the second and first halves of 2021. This was driven, largely, by high corporate earnings. 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

95.3 per cent of total financial savings, compared with 95.2 per cent and 93.7 per cent in the preceding and corresponding halves of 2021. Other institutions, comprising, primary mortgage banks, microfinance banks, life insurance companies, pension fund custodians and the Nigeria Social Insurance Trust Fund (NSITF), accounted for the balance of 4.8 per cent.

Financial Soundness

Nigeria's financial sector remained resilient, despite heightened global and domestic uncertainties. At end-June 2022, the industry Capital Adequacy Ratio (CAR) fell to 14.1 per cent, from 14.6 per cent and 15.5 per cent at end-December 2021 and end-June 2021, respectively. The development was attributed to the increase in banks' risk-weighted assets, which more than offset the increase in their total qualifying capital. The ratio, however, remained above the minimum regulatory benchmark of 10.0 per cent.

Analysis of bank asset quality measured by the ratio of non-performing loans (NPLs) to gross total loans stood at 5.0 per cent at end-June 2022, relative to 4.9 per cent at end-December 2021, and 5.7 per cent at end-June 2021. The NPL ratio was at par with the 5.0 per cent prudential requirement.

The Industry Liquidity Ratio (LR) declined by 0.6 percentage point to 54.2 per cent, compared with 54.8 per cent at end-December 2021, reflecting a decrease in the stock of liquid assets held by banks. However, it indicated a significant increase of 12.9 percentage points, compared with 41.3 per cent at end-June 2021, but remained above the regulatory benchmark of 30.0 per cent.

Developments in Financial System Stability and Macroprudential Policy

Amid high global and domestic uncertainties caused by the Russia-Ukraine war and the downside risks from the resurgence of COVID-19 in China, risks and vulnerabilities to financial system stability were contained using robust macroprudential policies.

Solvency Stress Tests and Liquidity Simulations

The banking industry solvency and liquidity position remained resilient under mild-to-moderate scenarios of sustained economic and financial conditions but could be vulnerable under severe scenarios of sustained economic and financial stress.

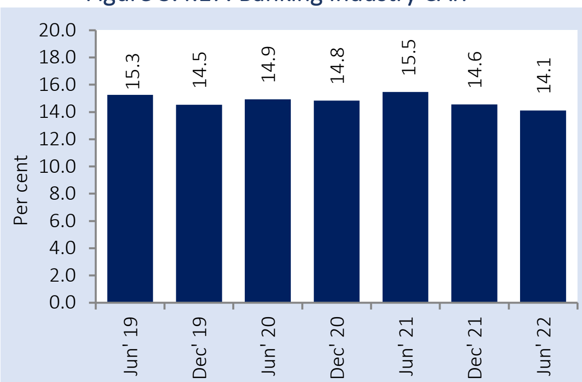
Consequently, the banking industry's resilience slightly moderated at end-June 2022, compared with the condition at end-December 2021. The baseline CAR, LR and NPLs ratio in the review period were 14.1 per cent, 54.2 per cent and 5.0 per cent, respectively. Return on Asset (ROA) and Return on Equity (ROE) stood at 2.0 per cent and 17.3 per cent, respectively. The CAR and LR were above the regulatory benchmarks, while NPLs at 5.0 per cent was within the threshold.

Table 3.4.12: Banking Industry Baseline Selected Key Indicators for First Half of 2022

	CAR%	LR%	NPLs%	ROA%	ROE%
Jun 2022	14.1	54.2	5.0	2.0	17.3
Dec 2021	14.6	54.8	4.9	2.3	27.5
Jun 2021	15.5	41.3	5.7	1.2	14.3
Percentage Point(s) Change	-0.5	-0.6	0.1	-0.3	-10.2
Benchmarks	10.0 - 15.0	30	5	-	-

Source: Central Bank of Nigeria

Figure 3.4.17: Banking Industry CAR



Source: Central Bank of Nigeria

Credit Risk

The impact of general credit risk shock of 15, 20, 30, 50 and 100 per cent in NPLs could result in a deterioration of banking industry CAR to 13.64 per cent, 13.49 per cent, 13.17 per cent, 12.53 per cent and 10.88 per cent, respectively from the baseline position of 14.11 per cent. The stress test revealed that the banking industry could withstand a credit risk shock of "up to 100.0 per cent increase" in the industry NPLs, as the CAR remained above the minimum regulatory requirement of 10.0 per cent.

Table 3.4.13: Credit Default Shocks on Banking Industry CAR (%)

Single Factor Shocks	End-Dec 2021	End-June 2022
Baseline CAR	14.5	14.1
Post-Shock CAR		
10% NPLs increase	14.2	13.8
15% NPLs increase	14	13.6
20% NPLs increase	13.8	13.5
30% NPLs increase	12.7	13.2
50% NPLs increase	10.9	12.5
100% NPLs increase	6.9	10.9

Source: Central Bank of Nigeria

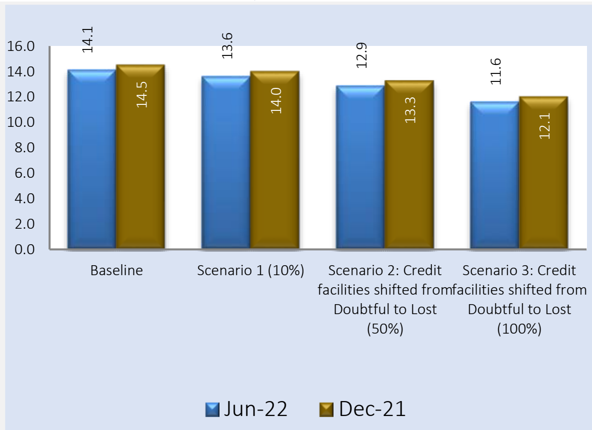
Similarly, the banking industry's resilience was demonstrated by the obligor credit concentration stress test as CAR remained above the minimum regulatory benchmark of 10.0 per cent under all three scenarios.

Table 3.4.14: Credit Concentration Risk on Banking Industry CAR (%)

	Dec-21	Jun-22
Baseline CAR	14.8	14.1
Single Factor Credit Concentration Shocks		
Scenario 1		
Five largest corporate credit facilities shifted from pass-through to sub-standard (10%)	14	13.6
Scenario 2		
Five largest corporate credit facilities shifted from sub-standard to doubtful (50%)	13.3	12.9
Scenario 3		
Five largest corporate credit facilities shifted from doubtful to lost (100%)	12.1	11.6

Source: Central Bank of Nigeria

Figure 3.4.18: Credit Concentration Risk for 2022H1 (per cent)

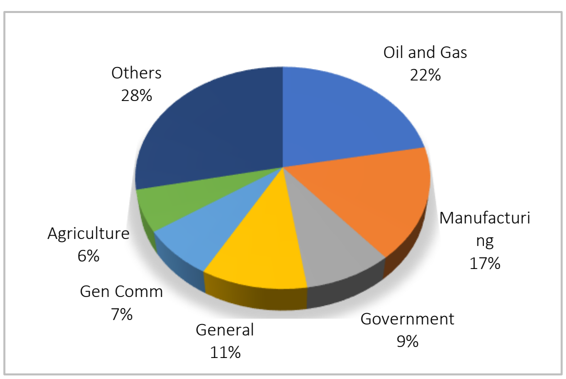


Source: Central Bank of Nigeria

Sector Credit Concentration Risk

Analysis of the banking industry's total credit by sector indicated that: Oil and Gas; Manufacturing; General; Government; General Commerce; and Agriculture accounted for 22.0 per cent, 16.7 per cent, 10.7 per cent, 8.8 per cent, 7.4 per cent, and 6.2 per cent, respectively, while others constituted the balance.

Figure 3.4.19: Sectoral Concentration of Credit



Source: Central Bank of Nigeria

The result of the stress test of the sector credit concentration indicated that the banking industry could absorb a shock up to 30.0 per cent in exposure to oil and gas as the post-shock CAR stood at 13.4 per cent. A shock of 50.0 per cent exposure to oil and gas sector, could however, lead to vulnerability in the banking industry.

Table 3.4.15: Stress Test on Oil and Gas Exposures

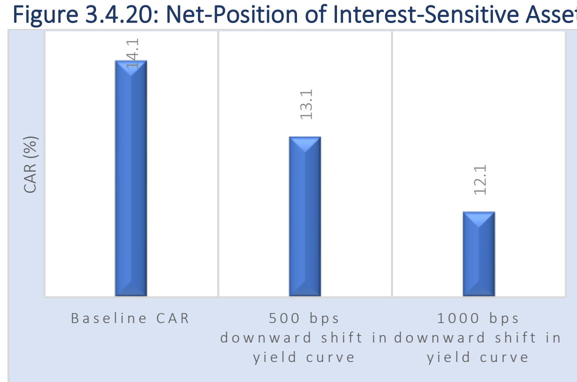
	Industry CAR (%)
Baseline CAR	14.1
30% Default on total exposure to Oil and Gas	13.4
50% Default on total exposure to Oil and Gas	9.7

Source: Central Bank of Nigeria

Interest Rate Risk

The stress test on the net position of interest-sensitive assets showed that the banks could withstand a shock of "up to 1,000 basis points downward shift in yield curve" as the industry's post-shock CAR of 12.1 per cent remained above the regulatory threshold of 10.0 per cent.

Figure 3.4.20: Net-Position of Interest-Sensitive Assets



Source: Central Bank of Nigeria

Table 3.4.16: Liquidity Stress Test Results (Post-Shock)

Scenario	Banks with Liquidity Ratios (LR) < 30%		Jun-21	
	Dec-21	Jun-22	LR (%)	Shortfall to 30% LR threshold (₦' billion)
Test 1: Implied Cash Flow Test				
Day 1	9	13	32.7	Nil
Day 2	14	19	28.6	432
Day 3	19	21	24.3	1,623.80
Day 4	20	21	19.7	2,760.50
Day 5	21	23	14.7	3,865.60
Implied Cash Flow Test (30 Days)	22	24	9.6	4,837.00

Source: Central Bank of Nigeria

Liquidity Stress Test

In the first half of 2022, Implied Cash Flow Analysis (ICFA) and Maturity Mismatch/Rollover Risk methods were used in liquidity stress tests to determine the resilience of individual banks and the banking industry to funding and liquidity shocks.

The outcome of the stress test showed that after a one-day run scenario, the liquidity ratio for the industry declined from 42.7 per cent baseline position to 32.7 per cent. Similarly, under the 5-day and 30-day scenarios, the liquidity ratio for the industry declined to 14.7 per cent and 9.6 per cent, indicating a liquidity position shortfall of ₦3.87 trillion and ₦3.84 trillion, respectively.

Figure 3.4.21: Industry Liquidity Ratios at Periods 1-5 and cumulative 30-day Shocks

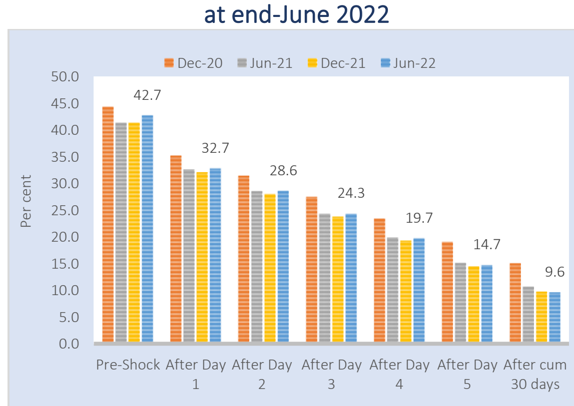
Bucket	Liabilities	Assets	Mismatch	Cumulative Mismatch
		₦ Billion		
≤30 days	33,948.91	20,530.76	13,428.21	13,428.21
31-90 days	4,933.13	3,839,70	1,099.74	14.527.95
91-180 days	1,584.54	3,904.52	-2,296.94	12,231.01
181-365 days	1,168.38	4,099.75	-2,912.36	9,318.65
1-3 years	2,200.01	5,529.72	-3,310.55	6,008.11
>3 years	3,185.51	10,543.78	-7,320.42	-1,312.31
Total	47,020.48	48,44.23	-1,427.74	

Source: Central Bank of Nigeria

Maturity Mismatch

The industry's baseline assets and liabilities maturity profile at end-June 2022, showed that the shorter end of the market (≤90-day bucket) was adequately funded, showing an excess of ₦1,427.74 billion assets over liabilities.

Table 3.4.17: Maturity Profile of Assets and Liabilities at end-June 2022



Source: Central Bank of Nigeria

The System-wide Maturity Mismatch Analysis (Test 2A) revealed that the banking industry was adequately funded, except for above 3-years bucket, while the industry had mismatches of ₦5,639.50 billion (Test 2B) and ₦7,833.49 billion (Test 2C). These represented decrease of ₦1,270.00 billion (Test 2B) and ₦1,300.00 billion

(Test 2C), relative to the test carried out at end-December 2021.

Table 3.4.18: Test Results for System-wide Maturity Mismatch at end-June 2022

	Test 2A[1]		Test 2B[2]		Test 2C[3]	
	₦ 'billion	No of banks with mismatch	₦ 'billion	No of banks with mismatch	₦ 'billion	No of banks with mismatch
≤30 days	18,704.88	4	11,915,.10	4	-36.96	4
31-90 days	6,380.16	5	-287.84	15	-175.46	6
91-180days	2,966.75	10	-2,636.89	26	-495.59	9
181-365days	2,355.37	14	-3,281.88	28	-484.58	10
1-3 Years	1,957.03	18	-3,989.71	29	-1,248.85	14
Above 3 years	-2,071.54	29	-7,358.27	29	(5,392.04))	23
Total	30,292.64		-5,639.50		-7,833.49	

1[1] Note: Test 2A: Descriptive Maturity Mismatch with no consideration for rollover.

1[2] Test 2B: Static Rollover risk Analysis with no closing of liquidity gaps in other buckets.

1[3] Test 2C: Dynamic Rollover risk test with use of liquid assets to close liquidity gaps in other buckets.

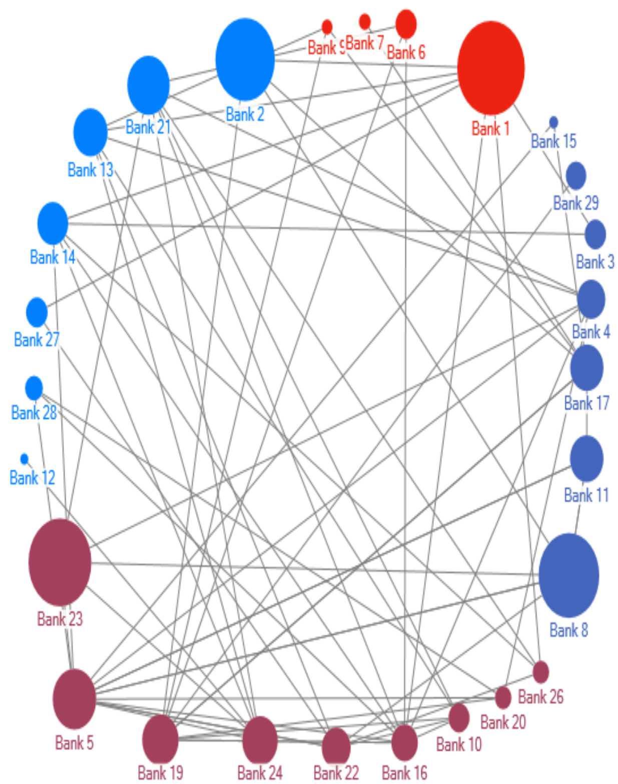
Source: Central Bank of Nigeria

Contagion Risk Analysis

Contagion risk analysis indicated rising exposure and interconnectedness (via interbank placements and takings). Total exposure rose to ₦597.49 billion at end-June 2022, representing 49.0 per cent increase from the ₦352.86 billion recorded at end-December 2021.

Six banks accounted for ₦387.30 billion or 64.8 per cent of total placements and ₦432.14 billion or 72.3 per cent of total takings. The exposures were within the safety corridor of the interbank market operations and did not signal significant threat to financial system stability, as all placements were secured.

Figure 3.4.22: Network Analysis based on Interbank Exposures



Node colour representation
Blue = Lenders,
Deep Blue= Net Placement
Red = Borrowers
Purple= Net Takings

Source: Central Bank of Nigeria

Box 2: Liquidity Stress Test Assumptions

Implied Cash Flow Analysis

The Implied Cash Flow Analysis (ICFA) assessed the ability of the banking system to withstand unanticipated substantial withdrawals of deposits, short-term wholesale and long-term funding over 5 days and cumulative 30 days, with specific assumptions on fire sale of assets. The test assumed gradual average outflows of 3.8 per cent, 5.0 per cent and 1.5 per cent of total deposits, short-term and long-term funding, respectively, over a 5-day period and a cumulative average outflow of 22.0 per cent, 11.0 per cent and 1.5 per cent of total deposits, short-term and long-term funding, respectively, on a 30-day balance. It also assumed that the assets would remain unencumbered after a fire sale.

Item No	Assets	% Unencumbered
1.	Cash and cash equivalents	100
2.	Current account with CBN	100
3.	Government bonds, treasury bills and other assets with 0% risk-weighting	66.5
4.	Certificates of deposit held	66.5
5.	Other short-term investments	49
6.	Collateralized placements and money at call	49
7.	CRR	100

The Maturity Mismatch/Rollover Risk

This approach assessed funding maturity mismatch and rollover risk for assets and liabilities in the 1-30- and 31-90-day buckets, with assumptions of availability of funding from the CBN and intra-group as described below:

- ***Test 2a: Descriptive Maturity Mismatch*** *assumed that the baseline mismatch remained, but 5.0 per cent of total deposits would be made available from the CBN and the intra-group;*
- ***Test 2b: Static Rollover Risk*** *assumed that 80.0 and 72.0 per cent of the funding in the 1-30- and 31-90-day buckets would be rolled over, with no possibility to close the funding gap from other buckets. However, 5.0 per cent of the total deposits would still be available from the CBN and the intra-group; and*
- ***Test 2c: Dynamic Rollover Risk*** *made the same assumption as in 2b, but with the option of closing the liquidity gap from other buckets.*

Source: Central Bank of Nigeria

Credit Risk Management System

The CBN sustained its regulatory oversight to ensure that banks fully comply with the redesigned Credit Risk Management System (CRMS) [8] ***to strengthen credit administration in Nigeria.*** The CBN CRMS database continued to serve as a veritable source of credit information in the Nigerian banking industry. The number of credit facilities on the CRMS database increased by 10.0 per cent and 22.2 per cent to 32,134,238 at end-June 2022 from 29,213,129 and 26,292,020 recorded at end-December 2021 and end-June 2021, respectively, due to increased credit by banks. The number of credit/facilities reported on the CRMS database comprised 31,206,335 individuals and 927,903 non-individuals.

The total number of credit/facilities with outstanding balances on the CRMS database declined by 6.8 per cent and 12.8 per cent to 4,563,136 at end-June 2022 from 4,898,075 and 5,233,014 at end-December 2021 and end-June 2021. This comprised 4,365,111 individuals and 198,025 non-individuals.

Private Credit Bureaux

The number of licensed Private Credit Bureaux (PCBs) remained at three, same as that of end-December 2021 and end-June 2021. At end-June 2022, the average number of uniquely identified credit records in the database of the three credit bureaux stood at an average of 62.17 million, indicating an increase of 6.78 million, compared with 55.39 million at end-December 2021.

The average number of uniquely identified credit records in the database of the PCBs increased by

[8] The CRMS is a regulatory tool designed to capture credit records and mitigate credit risk in the banking system

30.6 per cent compared with the 47.59 million recorded at end-June 2021. The increase was attributed, mainly, to the growth in credit in the banking sector, increased level of coverage of the credit reporting system, and awareness of the role of credit bureaux in the management of credit risk among stakeholders and the public. This also explained the 6.4 per cent increase in the average number of subscribers in the database of the three-private credit bureaux at end-June 2022.

Table 3.4.19: Credit Records in the Databases of the Bureaux at end-June 2022

S/N		CRC Credit Bureau Ltd	CR Services Credit Bureau Plc	First Central Credit Bureau Ltd
1	Number of credit records	66,732,752	64,100,565	55,681,214
2	Value of Credit Facilities (N'Tn)	36.84	27.65	33.63
3	Number of borrowers	27,892,377	17,842,523	20,323,840
4	Number of subscribers	1,667	691	1,394

Source: Central Bank of Nigeria

Compliance Developments and Consumer Protection

Financial Sector Surveillance

The Bank maintained its supervisory and surveillance activities in the banking sector, towards promoting a safe, stable, and sound financial system. These activities included the offsite appraisal of banks' periodic returns, regular onsite assessments (routine examinations and special investigations) and issuance of circulars and guidelines.

Financial Crimes Surveillance/Anti-Money Laundering/Combating the Financing of Terrorism and Countering (AML/CFT/CPF)

Based on the Mutual Evaluation Report (MER) conducted in 2019, which was adopted by the plenary of the Inter-Governmental Action Group Against Money Laundering in West Africa (GIABA) in August 2021, which placed Nigeria on the Enhanced Follow-Up process, requiring the country to make progress reports on efforts toward addressing the deficiencies noted in the MER. Some significant milestones achieved included:

- the commencement of the National Inherent Risks Assessment;
- enactment of three Anti-Money Laundering Laws: (1) Anti-Money Laundering (Prevention and Prohibition) Act, 2022; (2) Terrorism Financing (Prevention and Prohibition) Act, 2022; and (3) The Proceeds of Crime (Recovery and Management) Act, 2022; and
- domestication of the national AML/FT laws and the gazette of the latest CBN AML/CFT/CPF Regulations.

In line with these milestones, the AML/CFT supervisory procedures for conducting risk-based off-site and on-site examinations of financial institutions in Nigeria were reviewed. Supervisory cycles were being reviewed to accommodate risk-based targeted examination on the effectiveness of risk management practices in mitigating money laundering, terrorist financing and proliferation financing risks within the banking sector.

Also, the Bank collaborated with domestic and international stakeholders, namely; the Community of African Banking Supervisors (CABS), the College of Supervisors of the West African Monetary Zone (CSWAMZ), the Financial Stability

Board (FSB), Regional Consultative Group for sub-Saharan Africa (RCG SSA) and the Financial Stability Institute (FSI). These engagements reviewed developments in the banking system focusing on cross-border supervision issues and joint examination exercises.

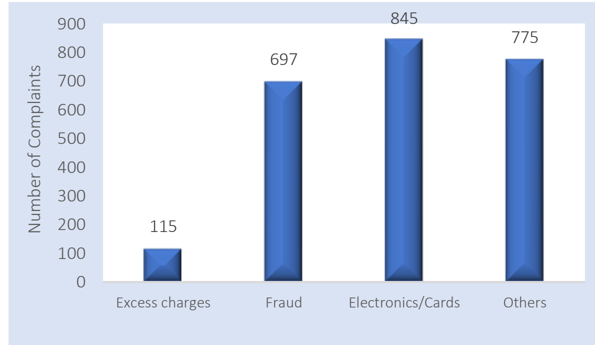
Similarly, the Bank submitted the updated Memorandum of Understanding (MoU) with Banque de Etats de l'Afrique Centrale (BEAC) on April 14, 2022, for execution. The MoU was updated to further enhance supervisory cooperation between the CBN and BEAC. The Bank also forwarded the completed questionnaire on the applicable laws and regulations guiding the CBN on information secrecy and data protection to the Bank of England (BoE).

Consumer Protection

The Bank sustained the implementation of measures to ensure consumer protection through effective customer complaints management. The Consumer Complaints Management System (CCMS) was modified to enhance efficiency and improve interface with the banking public, through the public portal. The portal would provide a platform for customers of financial service providers to escalate complaints that were neither resolved nor satisfactorily treated by the banks to the CBN.

Improved operational procedures and management of customer complaints have lowered the number of complaints. The Bank received 2,432 complaints, indicating a 2.1 per cent decrease, compared with the 2,483 in the second half of 2021. However, it was 23.3 per cent higher than the 1,973 complaints reviewed in the first half of 2021. The complaints comprised: fraud, 697 (28.7 per cent); electronic/cards, 845 (34.8 per cent); excess charges, 115 (4.7 per cent) and "Others", 775 (31.8 per cent).

Figure 3.4.23: Category of Consumer Complaints in the First Half of 2022



Source: Central Bank of Nigeria

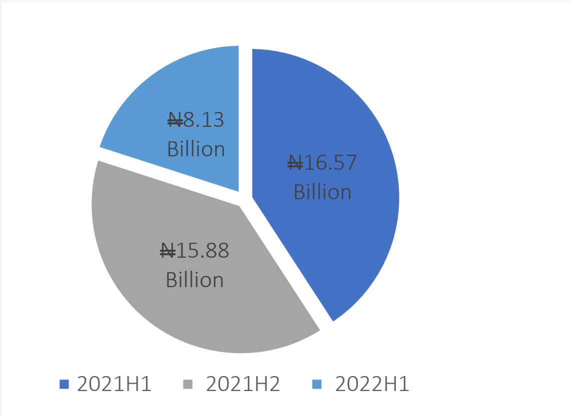
A total of 2,725 complaints were resolved, indicating an increase of 18.1 per cent and 29.3 per cent, relative to the 2,307 and 2,108 complaints, resolved in the preceding and corresponding periods of 2021, respectively.

Figure 3.4.24: Complaints Resolved in the First Half of 2022

Source: Central Bank of Nigeria

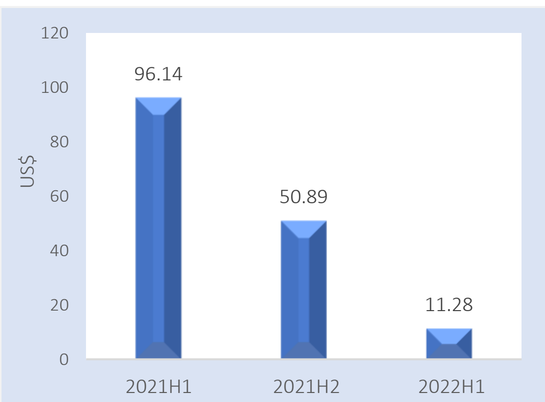
Total claims in local and foreign currencies amounted to ₦8.13 billion and US$11,283.93 in the first half of 2022, compared with the ₦15.88 billion and US$50.89 million in the preceding period of 2021 and ₦16.57 billion and US$96,140.41, respectively, in the corresponding period of 2021.

Figure 3.4.25a: Total Consumer Claims in the First Half of 2022 (₦ Billion)



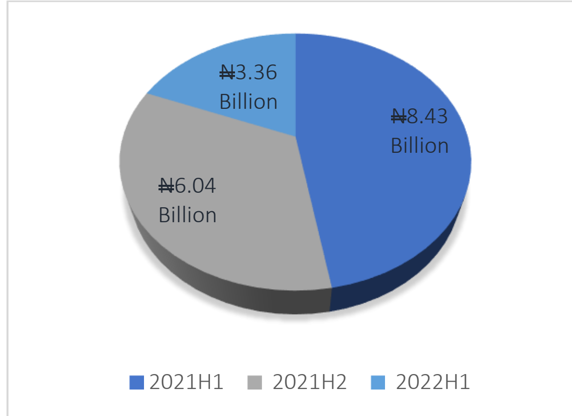
Source: Central Bank of Nigeria

Figure 3.4.25b: Total Consumer Claims in 2022H1 (US$)



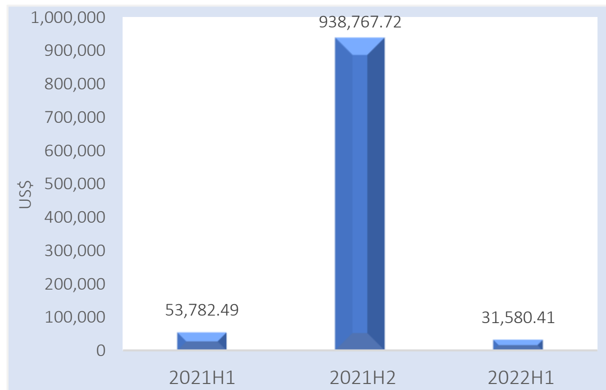
Source: Central Bank of Nigeria

Figure 3.4.26a: Total Refunds to Consumer Complaints in the First Half of 2022 (₦ Billion)



Source: Central Bank of Nigeria

Figure 3.4.26b: Total Refunds to Consumer Complaints in 2022H1 (US$)



Source: Central Bank of Nigeria

The sums of ₦3.36 billion and US$31,580.41 were refunded in the first half of 2022, compared with ₦6.04 billion and US$938,767.72 in the second half of 2021; and ₦8.43 billion and US$53,782.49 in the first half of 2021.

Market Conduct Supervision

The CBN initiated and implemented the development of a Risk-Based Supervision framework for Consumer Protection with the aim of identifying and focusing on financial products, services and practices, which posed significant risk to consumers. Consequently, the Consumer Protection Risk-Based Supervision Framework was developed.

Financial Literacy

The Bank, in collaboration with the Shared Agent Network Expansion Facilities (SANEF), organised a Financial Literacy Awareness Workshop, with 384 participants in attendance. The workshop was aimed at raising awareness on the Consumer Protection initiatives of the Bank and help consumers understand their rights and responsibilities.

The Bank, in collaboration with the Bankers' Committee and the Junior Achievers of Nigeria (JAN), conducted the 2022 Global Money Week (GMW) with the theme ***"Build Your Future, Be Smart About Money"*** between 21st and 25th March 2022. To commemorate the event, the Bank mentored over 500 secondary school students in rural areas on the importance of savings, budgeting, and investment, among others.

The Bank conducted a 5-day Financial Literacy programme for 132 participants titled "Training of Trainers (ToT) Programme for Faith-based Organisations" in April 2022.

Nigeria Sustainable Banking Principles

The CBN continued to monitor the implementation of the Nigeria Sustainable Banking Principles (NSBPs) at individual banks and industry levels. Semi-annual reports received from 26 banks revealed that significant progress was made in the implementation of the NSBPs. Banks that were yet to achieve the minimum prescribed requirements were advised to address the gaps.

The Asset Management Corporation of Nigeria

The cumulative recovery by Asset Management Corporation of Nigeria (AMCON) stood at ₦971.13 billion, comprising cash recoveries of ₦549.89 billion and asset & shares forfeiture of ₦421.24 billion. In the first half of 2022, the Corporation achieved cash recoveries of ₦17.08 billion and asset forfeiture valued at ₦633.22 million.

The net carrying value of AMCON's liabilities increased by 3.2 per cent to ₦5.72 trillion in the first half of 2022, from ₦5.54 trillion in the second half of 2021. However, the liabilities declined by 1.6 per cent, compared with ₦5.81 trillion in the corresponding half of 2021. Out of the ₦5.72 trillion, the combined value of the AMCON Note of ₦3.86 trillion and Loan of ₦500.00 billion, represented 76.3 per cent of the total liabilities. The Note was due to mature on 27 December 2023, while the ₦500.00 billion loan would be due for redemption on 30 December 2022. The CBN had commenced engagements with AMCON on the maturing obligation. The Corporation's total assets net of impairment stood at ₦896.49 billion at end-June 2022, representing 15.6 per cent of the liabilities.

Contributions to the Banking Sector Resolution Cost Fund (BSRCF) by the CBN and participating banks for the year 2022 was ₦354.06 billion. The CBN makes an annual contribution of ₦50.00 billion to the BSRCF, while the contribution of the participating banks is determined based on 50 basis points of their on-balance sheet assets and contingents.

All funds collected in the BSRCF were invested in Government Securities prior to utilisation of the funds in December of every year by AMCON to make scheduled repayments to the CBN. The BSRCF is governed by a Board of Trustees, constituted in line with the AMCON Amendment Act 2019, and audited annually by External Auditors appointed by the Board of Trustees in line with Section 60(T) of the AMCON Amendment Act 2015.

3.5 PAYMENTS SYSTEM MANAGEMENT

The Bank sustained implementation of its policies to enhance efficiency of the payments system and consolidate on the gains presented to the payments system by the COVID-19 pandemic, while contributing to the achievement of a digital financial inclusion system during the review period. Despite the downturn in global economic activities, the Nigerian payments system remained resilient at ensuring payments and settlement effectiveness during the review period. The Bank also embarked on the implementation of new initiatives to further deepen and widen the payments system landscape.

Payments System Policies

The Bank issued new regulations to promote healthy competition through increased capabilities of the payment infrastructure and interoperability. These include revised guidelines on Quick Response Code Payment and exposure draft on Operational Guidelines for Open Banking in Nigeria

Payments System Infrastructure

The implementation of the Bank Verification Number (BVN) and other innovative infrastructural initiatives progressed in the first half of 2022 with significant positive outcomes. The number of customers enrolled on the BVN platform at 54.1 million, represented an increase of 5.2 per cent and 11.5 per cent over 51.4 million and 48.5 million recorded in the preceding and corresponding periods, respectively. A total of 130.6 million bank accounts were linked with BVN, compared with 117.6 million and 109.6 million at end-December 2021 and end-June 2021, respectively. There were 212.2 million bank accounts in the banking industry at end-June 2022.

Payments System Strategy

Consistent with the PSV2025 Strategy Plan, the Bank continued the implementation of the Regulatory Sandbox, Open Banking Operations and QR Code Payment initiatives. Hence, the Bank issued a circular on the review of the Industry Quick Response (QR) Code presentment options for both merchant-presented and customer-presented modes. This was an improvement on the initial guidelines that allowed only merchant-presented option.

The Bank issued the exposure draft on Operational Guidelines for Open Banking in Nigeria aimed at promoting permissioned data sharing for delivery of innovative financial products and services to bank customers. The operational guidelines provide clear responsibilities and expectations for the various participants, ensure safeguards for financial system stability, promote competition and enhance access to banking and other financial services as well as stipulate that the Bank maintains an Open Banking Registry (OBR) for regulatory oversight.

Payments System Supervision and Regulation

The Bank continued to enhance its supervisory and regulatory oversight over the payments system during the review period. The number of licensed Payments Service Providers (PSPs) rose to 116 from 100 and 99 at end-December 2021 and end-June 2021, respectively. Further analysis showed that 4 licences were issued for Switching and Processing, 9 for Payments Solution Service

Providers (PSSPs), 4 for Payments Terminal Service Providers (PTSPs), 4 for Super Agents and 2 Cheque Printers were accredited in the first half of 2022. However, the number of Mobile Money Operators (MMOs) remained the same, while the number of card schemes declined to 7 from 8 during the preceding period. Also, the Bank issued licences to new Payments Service Banks (PSBs), namely: MoMo PSB and SmartCash PSB.

Implementation of Nigeria Cheque Standard and Nigeria Cheque Printers Accreditation Scheme Version 2.0

In compliance with the stipulations of the Nigeria Cheque Standard (NCS) and Nigeria Cheque Printers Accreditation Scheme (NICPAS) Version 2.0, accreditation exercises were conducted and licences for 2 Cheque Printers and 6 Cheque Personalisers were renewed in the review period.

The automation of the accreditation process for Cheque Printers and Personalisers in line with the NCS/NICPAS version 2.0, was in progress. Automation would: permit greater operational productivity and effectiveness; reduce turnaround time for processing request/application; and realign the steps to optimize flow of information between processing officers and applicants.

Table 3.5.1: Licensed Payments System Participants

License -Type	Number		
	June 2021	Dec. 2021	June 2022
Card Schemes	6	8	7
Switching and Processing	7	9	13
Mobile Money Operators*	16	16	16
Payment Solution Service Providers	26	30	39
Payment Terminal Service Providers	16	15	19
Super Agents	12	16	20
Third Party Processors**	5	n.a	n.a
Non-Bank Acquirers**	6	n.a	n.a
Accredited Cheque Printers	5	6	2
Total	**99**	**100**	**116**

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

The increase in consumer appetite for payment solutions and the emergence of disruptive technology in the financial services space resulted in the Bank's development of new and more flexible ways of engaging with the industry. The Bank set up the Regulatory Sandbox Steering and Technical committees to provide effective governance for the initiative.

The objectives of the Regulatory Sandbox are to:

i. increase the potential for innovative business models that advance financial inclusion;

ii. reduce time-to-market for innovative products, services, and business models;

iii. increase competition, widen consumers' choices and lower costs;

iv. ensure appropriate consumer protection safeguards in innovative products;

v. ensure adequate provisions in regulations to create an enabling environment for innovation without compromising on safety for consumers and the overall payment system; and

vi. provide an avenue for regulatory engagement with FinTech firms in the payment space, while contributing to economic growth.

Trends in the Payments System

Total electronic payment (e-payment) grew in volume and value, indicating increased adoption and usage during the first half of 2022. By segment, both the retail and wholesale e-payments recorded increases in volume and value. Further analysis showed that volume of total e-payments[9] increased by 11.2 per cent and 155.8 per cent to 10,053.5 million, from 9,037.8 million and 3,931.0 million in the second and first halves of 2021, respectively. Total e-payments rose by 20.3 per cent and 237.8 per cent to ₦738.06 trillion, from ₦613.41 trillion and ₦218.49 trillion in the second and first halves of 2021. The significant rise in the usage of electronic payment channels relative to the levels in the first and second halves of 2021, reflected greater digital financial inclusion.

Retail Payments System

The volume and value of retail e-payments transactions increased in the first half of 2022. The number of transactions across retail e-payment channels increased to 10,053.3 million during the review period by 11.2 per cent and 155.8 per cent from 9,037.8 million and 3,930.8 million in the preceding and corresponding halves of 2021, respectively. The corresponding value of transactions also rose to ₦701.15 trillion in first half of 2022, representing 20.7 per cent and 283.6 per cent increases over its levels in the preceding and corresponding periods of 2021.

A breakdown of the volume of transactions by e-payment channels showed that internet/web, PoS, mobile app, ATM, USSD and NEFT recorded increases of 298.3 per cent, 60.0 per cent, 147.1 per cent, 89.6 per cent, 11.1 per cent and 7.7 per cent to 6,487.2 million, 1,710.3 million, 803.2 million, 711.7 million, 267.7 million and 39.5 million in the first half of 2022 from their respective levels in the first half of 2021. In comparison with the preceding half year, transactions on mobile app, internet/web and PoS increased by 76.1 per cent, 14.1 per cent and 6.5 per cent, respectively, while transactions on NEFT, ATM and USSD declined by 69.1 per cent, 14.8 per cent and 2.5 per cent, respectively.

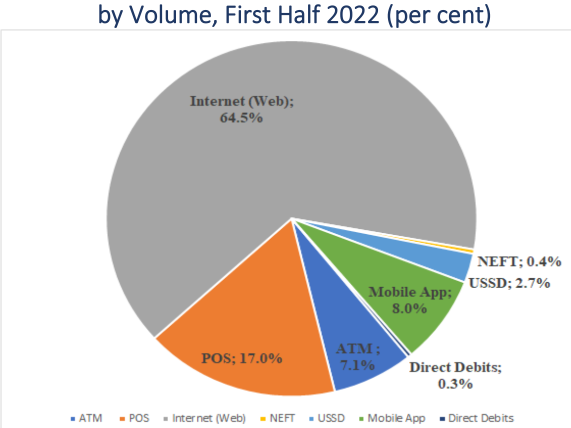
In value terms, transactions on ATM, PoS, internet/web, and mobile app channels grew by 60.0 per cent, 66.8 per cent, 163.5 per cent and 153.8 per cent, compared with their respective levels in the first half of 2021. Transactions on NEFT and direct debit channels grew in thousand folds, compared with their levels in the first half of 2021. In comparison with the preceding half of 2021, ATM, internet/web, PoS, NEFT and mobile app channels grew by 5.5 per cent, 16.3 per cent, 8.7 per cent, 23.7 per cent and 78.0 per cent, respectively. Direct debits fell by 22.8 per cent, relative to its level in the preceding period of 2021, while USSD channel recorded decline of 7.6 per cent and 8.8 per cent, compared with its level in the corresponding and preceding periods of 2021, respectively.

Analysis of the components of retail e-payments segment showed dominance of internet/web

[9] 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.

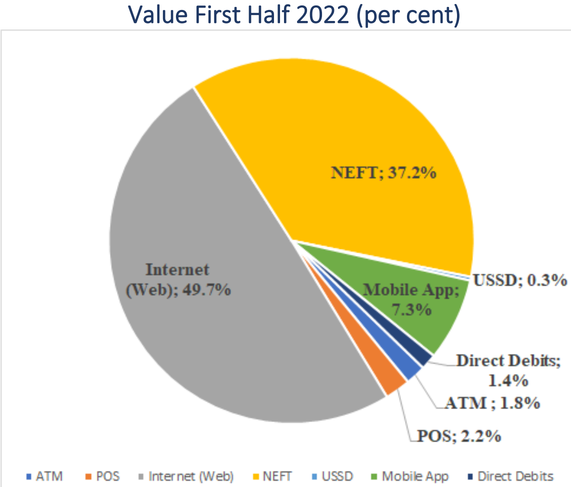
channel[10], which accounted for 64.5 per cent of total volume and 49.7 per cent of total value during the review period. The volume of transactions on PoS, mobile app and ATM channels, accounted for 17.0 per cent, 8.0 per cent, and 7.1 per cent, respectively in the first half of 2022. In value terms, NEFT transfers accounted for 37.2 per cent of the total value of e-payment transactions in the first half of 2022.

Figure 3.5.1: Composition of e-Payments Transactions by Volume, First Half 2022 (per cent)



Source: Central Bank of Nigeria

Figure 3.5.2: Share of e-Payments Transaction by Value First Half 2022 (per cent)



Source: Central Bank of Nigeria

Transactions by cheques in the review period increased both in volume and value. The volume of cheque transactions increased by 33.1 per cent to 8.4 million in the first half of 2022 from 6.3 million in the corresponding period of 2021, while it declined by 8.2 per cent from 9.2 million in the preceding half of 2021. The value of cheque transactions increased by 55.4 per cent to ₦7.49 trillion in the first half of 2022, from ₦4.82 trillion in the first half of 2021, but fell by 4.9 per cent, compared with the level in the preceding half of 2021.

Mobile Money Operators (MMOs) recorded a boost in their activities, which include cash-in, cash-out, fund transfer and bill payments. The volume and value of payments services provided by the MMOs via their agents touch points increased by 2.8 per cent and 83.3 per cent, respectively in the first half of 2022. The volume of transactions rose to 445.3 million during the review period from 433.0 million in the corresponding half of 2021. The value also increased to ₦9.58 trillion in the first half of 2022, from ₦5.23 trillion in the first half of 2021. The development was attributed to the increased onboarding of agents in the drive for improved financial inclusion.

At end-June 2022, the number of ATMs terminals stood at 19,392, compared with 19,355 at end-December 2021 and 19,156 terminals at end-June 2021. The number of connected Point-of-Sale (PoS) terminals increased to 1,299,738 at end-June 2022, from 915,519 and 638,983 at end-December 2021 and end-June 2021, respectively.

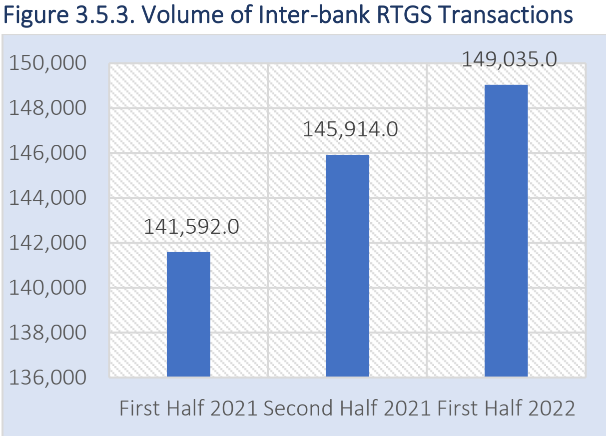
[10] Internet/web also include NIP, e-Bills Pay and Central Pay transactions.

Similarly, the number of agents at end-June 2022 stood at 1,249,845, compared with 1,002,514 at end-December 2021 and 776,661 at end-June 2021.

Wholesale Payments System

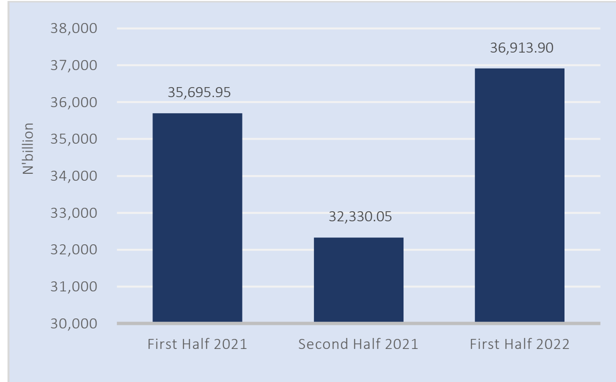
Transactions in the wholesale payments (Real Time Gross Settlement (RTGS)) system witnessed an increase in volume and value. The volume of inter-bank fund transfers through the CBN RTGS System increased by 5.7 per cent and 2.8 per cent to 149,035, compared with 141,592 and 145,914 in the first and second halves of 2021, respectively. Similarly, the value of transactions increased by 3.4 per cent and 14.2 per cent to ₦36.91 trillion, compared with ₦35.70 trillion and ₦32.33 trillion in the corresponding and preceding periods of 2021, respectively. The marginal increase in volume and value of transactions was attributed to the uptick in economic activities.

Figure 3.5.3. Volume of Inter-bank RTGS Transactions



Source: Central Bank of Nigeria

Figure 3.5.4. Value of Inter-bank RTGS Transactions



Source: Central Bank of Nigeria

Table 3.5.2: Volume and Value of Electronic Payments and Other Channels

Payment Channels	Number of Terminals			Volume of Transactions (Million)			Value of Transaction N' Trillion		
	Jun-21	Dec-21	Jun-22	Jun-21	Dec-21	Jun-22	Jun-21	Dec-21	Jun-22
ATM	*29,337*	*19,355*	*19,392*	640.46	835.54	711.71	7.90	11.98	12.64
POS	*638,983*	*915,519*	*1,299,738*	1,067.59	1,605.68	1,710.29	9.45	14.50	15.76
Internet (Web)	-	-		1,628.66	5,686.50	6,487.17	132.16	299.61	348.30
NEFT	-	-		20.84	127.74	39.52	10.57	210.99	261.03
RTGS	-	-		0.14	0.15	0.15	35.70	32.33	36.91
USSD	-	-		247.97	273.94	267.04	2.46	2.49	2.27
Mobile App	-	-		324.97	456.09	803.16	20.25	28.88	51.41
Direct Debits	-	-		0.31	52.20	34.43	0.01	12.63	9.75
Total e-Payment				3,930.95	9,037.83	10,053.45	218.49	613.41	738.06
Cheques	-	-		*6.3*	*9.2*	8.4	*4.82*	*7.87*	7.49
MMOs	-	-		*433.0*	*907.6*	445.3	*5.23*	*9.85*	9.58

Sources: Central Bank of Nigeria
NOTE: *Total e-payment transactions includes ATM, online transfers, NEFT, RTGS, USSD, mobile app, and direct debit transactions*
1/ Figures were revised

3.6 EXTERNAL SECTOR DEVELOPMENTS

The external sector experienced an unprecedented shock, following the outbreak of war between Russia and Ukraine. In addition to the lingering effect of COVID-19 containment measures, the development resulted in further accumulation of external debt, which undermined the viability of the external sector. Consequently, the external account weakened to a deficit of 0.3 per cent of GDP, from an overall balance of payments surplus of 1.7 per cent of GDP in the second half of 2021. The deficit, however, was an improvement, relative to the 1.7 per cent of GDP in the first half of 2021.

Rising international crude oil prices resulted in a significant improvement in export earnings, which culminated in a higher current account surplus of 3.5 per cent of GDP. The financial account maintained a net borrowing position with a net incurrence of financial liabilities of 1.0 per cent of GDP, compared with 1.2 per cent in the preceding period, while the international investment position (IIP) posted a higher net liability of US$74.09 billion in the review period.

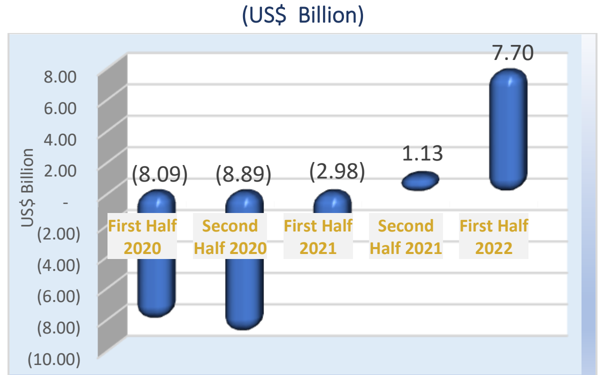
The external reserves position at end-June 2022 was US$39.16 billion and could finance 8.9 months of import (goods only) or 6.7 months of import (goods and services), and above the international benchmark of 3.0 months.

The stock of external debt increased to US$40.06 billion from US$38.39 billion at end-December 2021, following additional loan disbursements and receipt of Eurobond proceeds. The demand pressure in the foreign exchange market persisted, owing largely to supply shortage, leading to the depreciation of the naira in the review period.

Current and Capital Account Developments

Higher export earnings, and increased inflow of remittances, contributed to the significant improvement in the current account, as a higher surplus was recorded in the review period. Current account surplus improved significantly to US$7.70 billion (3.5 per cent of GDP), compared with US$1.13 billion in the second half of 2021. This contrasted with the deficit of US$2.98 billion in the first half of 2021. The improvement was mainly on account of increased export earnings, reflecting the gains of higher commodity prices at the international market, particularly crude oil and gas.

Figure 3.6.1: Current and Capital Account Balance (US$ Billion)



Source: Central Bank of Nigeria

Trade

The trade surplus in the goods account increased substantially to US$9.20 billion (4.6 per cent of GDP), relative to US$0.34 billion in the second half of 2021. This contrasted with a deficit of US$3.58 billion in the first half of 2021. The improvement was majorly on account of higher export receipts, following the sustained rise in commodity prices.

Export Performance

The COVID-19 induced supply chain disruptions, worsened by the Russia-Ukraine crisis, pushed crude oil and gas prices higher on the international market, thereby, boosting export receipts. Aggregate export earnings grew by 32.2 per cent to US$35.50 billion (16.1 per cent of GDP), compared with US$26.85 billion and US$20.01 billion in the second and first halves of 2021, respectively. The improvement was due largely, to the increase in the price of Nigeria's reference crude, the Bonny Light, to an average of US$110.96 per barrel, from US$77.06 per barrel and US$64.82 per barrel in the second and first halves of 2021, respectively.

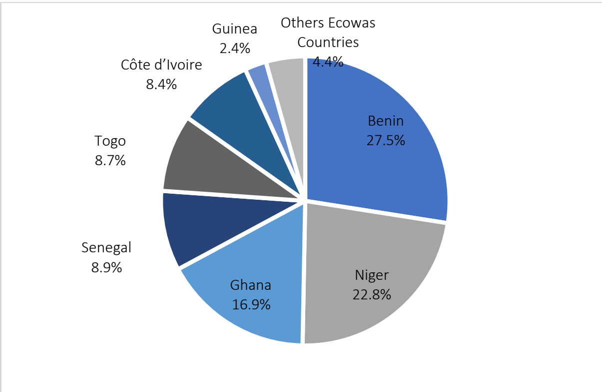
Crude oil and gas exports increased by 36.4 per cent to US$31.57 billion (14.3 per cent of GDP) in the first half of 2022, compared with US$23.14 billion and US$17.70 billion in the preceding and corresponding halves of 2021, respectively. Crude oil export receipts increased to US$27.76 billion, relative to US$20.16 billion and US$14.99 billion in the second and first half of 2021, reflecting significant gains from rising crude oil prices. Gas export receipts followed the same trend, increasing to US$3.81 billion, compared with US$2.98 billion and US$2.71 billion in the preceding and corresponding halves of 2021, respectively. In terms of share, crude oil and gas component remained dominant, accounting for 89.0 per cent of total exports, with crude oil constituting 78.3 per cent and gas accounting for 10.7 per cent. Non-oil exports accounted for the balance.

Non-oil exports proceeds rose by 6.0 per cent to US$3.93 billion (1.8 per cent of GDP), above US$3.71 billion and US$2.31 billion in the second and first halves of 2021, respectively. The increase reflected the effect of soaring global commodity prices. A breakdown of non-oil export by sector revealed that "other" non-oil category (driven by the export of urea) accounted for the largest share of 38.6 per cent of total non-oil export receipts. This was followed by agricultural sector exports, which constituted 34.8 per cent. Semi-manufactured, mineral products and manufactured products accounted for 12.2 per cent, 8.6 per cent and 5.9 per cent of total non-oil export, respectively. The country's major non-oil export commodities were urea, cocoa beans, sesame seeds, cashew nuts, and aluminium, while the major export destinations included Brazil, Vietnam, China, the Netherlands, Japan, Belgium, and Malaysia

Export to the ECOWAS Sub-Region

Nigeria's export to the ECOWAS sub-region improved, reflecting the effect of the reopening of the borders and return to normalcy from the COVID-19 pandemic lockdown measures. Nigeria's non-oil export to the ECOWAS sub-region increased significantly to US$254.98 million in the first half of 2022, from US$189.87 million and US$104.61 million in the second and first halves of 2021. A breakdown showed that Nigeria's export to Republic of Benin, at US$70.03 million, constituted 27.5 per cent of the total, followed by Niger with US$58.23 million (22.8 per cent); Ghana, US$43.01 million (16.9 per cent); and Senegal, US$22.82 million (8.9 per cent). Export to Togo was US$22.09 million (8.7 per cent); Côte d'Ivoire, US$21.40 million (8.4 per cent); and Guinea, US$6.19 million (2.4 per cent). Other countries accounted for the balance of 4.4 per cent. The major export commodities to the sub-region were tobacco, instant noodles, detergents, plastics, dairy products, soyabean meal and carbonated soft drinks.

Figure 3.6.2: Export to ECOWAS Sub-Regions (per cent)



Source: Central Bank of Nigeria

Foreign Exchange Earnings by Top the 100 Non-Oil Exporters.

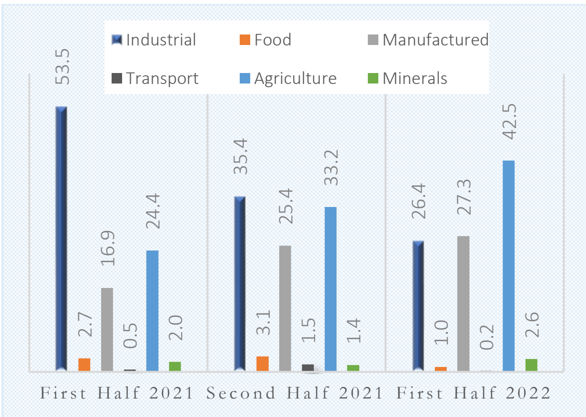
The Bank's drive to boost non-oil exports and soaring global commodity prices improved the receipts of the top 100 exporters in the review period. Receipts from the top 100 non-oil exporters rose substantially by 70.9 per cent to US$2.29 billion, from US$1.34 billion in the first half of 2021. It was also higher than US$1.67 billion in the preceding half of 2021. The value of the top 100 non-oil exports accounted for 58.3 per cent of total non-oil export receipts. Analysis shows that Indorama Eleme Fertilizer and Chemical Limited topped the list with US$667.81 million or 29.2 per cent of the total, from the export of urea, fertilizers, and agronomy services to Turkey and China. Dangote Fertilizer Limited followed with a value of US$206.14 million, representing 9.0 per cent of the total, from the export of fertilizer to the United States and Brazil. In third place were Starlink Global and Ideal Limited, with earnings of US$102.99 million (4.5 per cent) from the export of cocoa beans, cashew nuts, and sesame seeds to Turkey and China. Metal Recycling Industries Limited was placed fourth with an export value of US$84.18 million (3.7 per cent), from the export of aluminium alloy ingots, copper billets and brass ingots to China. This was followed by Segilola Resources Operating Limited with a value of US$67.38 million (2.9 per cent), from the export of gold to China.

Outspan Nigeria Limited and British American Tobacco were sixth and seventh, with export of US$62.00 million (2.7 per cent) and US$61.08 million (2.6 per cent), respectively. The former exported cocoa beans and cashew nuts to Malaysia, the US and Vietnam, while the latter exported cigarettes to Ghana, Cameroon, and Cote d'Ivoire. WACOT Limited, Olam Nigeria Limited and ETC Agro Company Nigeria Limited ranked eighth, ninth and tenth, with earnings of US$56.01 million (2.5 per cent), US$44.02 million (1.9 per cent), and US$43.60 million (1.8 per cent), respectively. WACOT exported cotton products, sesame seeds and ginger to The Netherlands and the United States, Olam exported fermented cocoa bean seeds to Australia, Greece and Turkey, and ETC Agro exported sesame seeds to Japan.

Non-Oil Receipts through Banks

Non-oil export proceeds repatriated through the banking system increased by 19.2 per cent to US$2.28 billion, relative to the level in the preceding period. This represented 58.0 per cent of total non-oil export receipts in the review period. A breakdown of the proceeds by sector showed that receipts from the export of agricultural products accounted for 42.5 per cent of total receipts, followed by manufactured products with a share of 27.3 per cent of the total. Proceeds from the sale of industrial products constituted 26.4 per cent; mineral products, 2.6 per cent; food products, 1.0 per cent; and transport, 0.2 per cent.

Figure 3.6.3: Non-Oil Export Receipts by Banks (per cent)



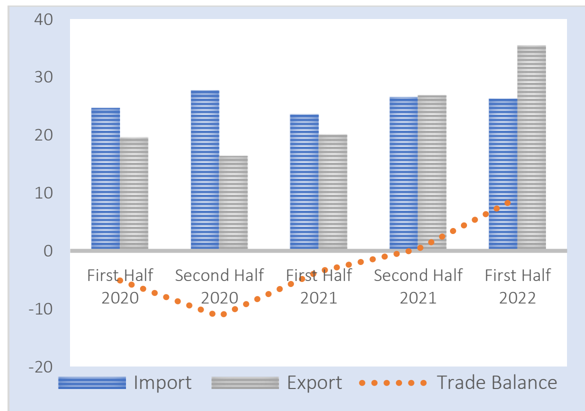
Source: Central Bank of Nigeria

Merchandise Import

Merchandise import bills declined, owing to demand switch to locally produced goods, coupled with the lingering effect of the supply chain disruption. Aggregate merchandise import was US$26.30 billion (12.0 per cent of GDP), compared with US$26.51 billion and US$23.59 billion in the second and first halves of 2021, indicating declines of 0.4 per cent and 12.8 per cent, respectively. Analysis shows that both the importation of non-oil products and petroleum products decreased to US$18.84 billion (8.6 per cent of GDP), and US$7.46 billion (3.4 per cent of GDP), relative to US$18.94 billion and US$7.57 billion in the second half of 2021, respectively. Despite the decline in non-oil import, it accounted for the larger share of 71.6 per cent of total import, while oil accounted for the balance of 28.4 per cent.

A breakdown of merchandise imports by broad economic categories indicated that the industrial sector accounted for 43.9 per cent, followed by fuels and lubricants, which constituted 26.8 per cent. Food and beverages was 13.4 per cent, while transport equipment and parts accounted for 8.4 per cent. Consumer goods represented 7.0 per cent, and others, 0.5 per cent.

Figure 3.6.4: Export, Import and Trade Balance (US$ Billion)



Source: Central Bank of Nigeria

Services

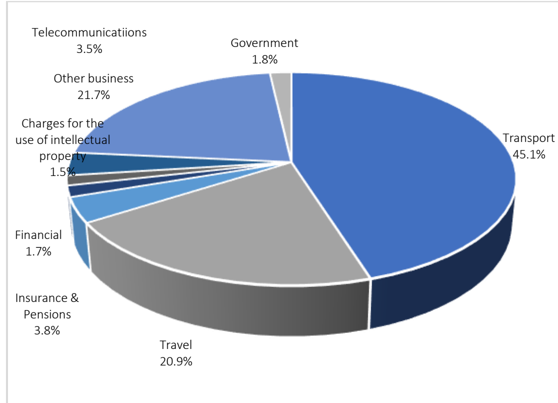
The deficit in the services account widened as the demand for services increased, driven majorly by higher cost of transportation and travel services. The deficit in the services account widened by 7.0 per cent to US$6.42 billion (2.9 per cent of GDP), compared with US$6.00 billion in both the second and first halves of 2021, respectively.

An analysis of the services account shows that payments for services import increased by 9.3 per cent to US$8.62 billion in the review period, relative to US$7.89 billion in the second half of 2021. A further breakdown reveals that payments for transportation and travels rose by 21.1 per cent and 30.2 per cent to US$3.89 billion and US$1.80 billion in the first half of 2022, respectively, from US$3.21 billion and US$1.38 billion in the second half of 2021. Payments for transportation also indicated an increase above US$2.18 billion in the corresponding period, but that for travels was lower than US$3.05 billion in the same period. The increase in payments for transportation was attributed to higher spending on personal transportation and freight charges, while that of travels was due to increased payment for health and education related travels, on account of easing of COVID-19 travel restrictions in some economies. Similarly, payments for telecommunication and government services increased by 3.8 per cent and 11.4 per cent to US$0.30 billion and US$0.15 billion, respectively, compared with the levels in the preceding period.

On the contrary, payment for other business services declined by 10.8 per cent to US$1.87 billion in the first half of 2022, relative to US$2.10 billion in the second half of 2021. This was driven by the heels of lower payments for professional and management consulting, technical, trade-related, and other services. Payments for financial services also declined significantly by 41.4 per cent to US$0.15 billion, relative to the level in the preceding period, as banks managed demand for foreign exchange efficiently. Insurance services, being a joint demand with merchandise import, also declined by 18.2 per cent to US$0.32 billion, compared with the level in the preceding period.

In terms of share in total services payments, transportation services accounted for 45.1 per cent, followed by other business services with 21.7 per cent. Travels was 20.9 per cent; insurance, 3.8 per cent; telecommunications and computer services, 3.5 per cent; government services, 1.8 per cent; financial services, 1.7 per cent; and charges on intellectual property, 1.5 per cent.

Figure 3.6.5: Share of Services Out-Payments (per cent)



Source: Central Bank of Nigeria

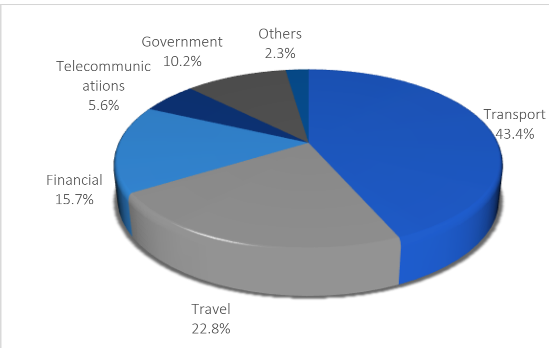
Aggregate earnings from services export increased by 16.1 per cent and 4.4 per cent to US$2.20 billion, compared with US$1.89 billion and US$2.10 billion in the preceding and corresponding halves of 2021, respectively. The increase was driven majorly by earnings from travel services, indicating a gradual return of the economy to pre-pandemic levels.

A breakdown shows that receipts from travels increased significantly to US$0.50 billion, from US$0.10 billion in the second half of 2021, due to higher inflow from other personal travels. Receipts from telecommunications services also increased by 26.0 per cent to US$0.12 billion, relative to US$0.10 billion in the second half of 2021.

Conversely, receipts in respect of transportation declined by 5.1 per cent to US$0.95 billion, from US$1.00 billion in the second half of 2021, following the decline in receipts from freight charges. Receipts from financial services also declined by 16.7 per cent to US$0.35 billion, relative to the US$0.41 billion in the preceding half of 2021. Furthermore, government services receipts decreased by 3.7 per cent to US$0.22 billion, from US$0.23 billion in the second half of 2021.

As a share of total services receipts, transport accounted for 43.4 per cent, while travel services constituted 22.8 per cent. This was followed by financial services receipts, which accounted for 15.7 per cent; government services, 10.2 per cent; and telecommunications services 5.6 per cent. Other categories of services accounted for the balance.

Figure 3.6.6: Share of Services Receipts (per cent)



Source: Central Bank of Nigeria

Primary Income

The deficit in the primary income account widened, as repatriation of investment income by foreign investors increased, reflecting uptick in business activities following the removal of COVID-19 restrictions. The deficit in the primary income account, at US$6.56 billion, widened by 43.3 per cent and 64.9 per cent, relative to US$4.58 billion in the preceding half of 2021 and US$3.98 billion in the corresponding period of 2021.

Investment income, comprising payments of dividends and profits, increased by 28.5 per cent to US$7.40 billion, compared with US$5.76 billion in the preceding half of 2021. A breakdown shows that of dividends payments increased by 29.1 per cent to US$6.37 billion, compared with US$4.94 billion in the second half of 2021. Similarly, reinvested earnings increased significantly to US$0.69 billion, from US$0.30 billion in the preceding half year. The increase reflected improvement in business environment, signaling gradual return to pre-pandemic levels.

Interest payments on portfolio investment also increased to US$0.13 billion in the review period, relative to US$0.07 billion in the second half of 2021. Interest payment on loans increased by 23.2 per cent to US$0.87 billion, from US$0.71 billion in the preceding period. Interest earnings on external reserves investments decreased to US$0.15 billion, from US$0.33 billion.

The compensation of employees sub-account maintained a surplus position, though lower by 1.1 per cent, at US$0.11 billion, compared with the level in the preceding half of 2021.

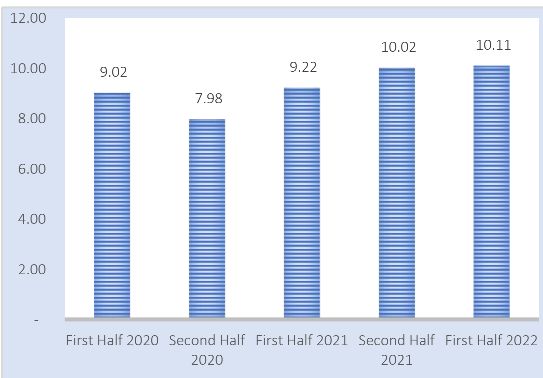
Secondary Income

Despite the challenging global economic environment, inflow of remittances improved, owing to the effective implementation of remittances reform policies by the Bank. The surplus in the secondary income account increased to US$11.48 billion (5.3 per cent of GDP) in the review period, compared with US$11.38 billion (4.9 per cent of GDP) in the preceding half of 2021. The surplus was also higher by 8.5 per cent, relative to US$10.6 billion in the corresponding period of 2021.

Remittances by Nigerian migrant workers, which constituted 86.4 per cent of total inflow, rose to US$10.11 billion, from US$10.02 billion and

US$9.22 billion in the preceding and corresponding halves of 2021. This was on the back of the continued adoption of official bank channels as a result of the Bank's policies on enhancing remittances inflow, particularly the "Naira-4-Dollar" Scheme. General government transfers decreased marginally to US$1.55 billion in the first half of 2022, compared with US$1.57 billion in the preceding half of 2021, reflecting lower inflow of grants, on account of lingering effect of COVID-19 in donor economies.

Figure 3.6.7: Workers' Remittances (US$' Billion)



Source: Central Bank of Nigeria

Financial Account Developments

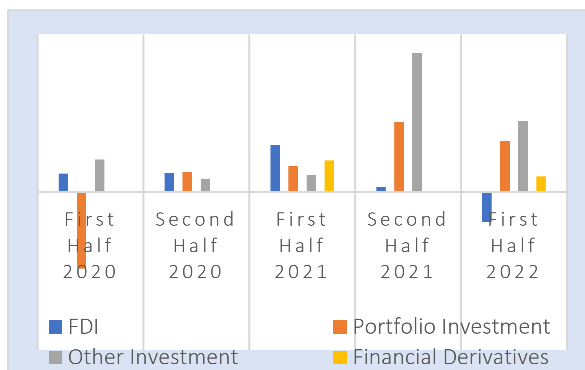
A net borrowing position was recorded in the review period, mainly on account of higher incurrence of liabilities, driven majorly by swap transactions. The financial account recorded a lower net incurrence of liabilities of US$2.19 billion or 1.0 per cent of GDP, compared with US$2.78 billion in the preceding half of 2021, and US$4.23 billion in the corresponding period of 2021, respectively. This was due, largely, to swap transactions in the review period.

Net Incurrence of Liabilities

Tighter global financial conditions, coupled with uncertainties surrounding the Russia-Ukraine conflict, dampened investors' sentiments, and resulted in a lower inflow of foreign capital in the review period. Aggregate foreign financial liabilities declined to US$6.83 billion, compared with US$13.58 billion and US$7.72 billion in the second and first halves of 2021, respectively.

A breakdown shows divestment in FDI amounting to US$1.91 billion in the first half of 2022, against an inflow of US$0.32 billion in the preceding half of 2021. Portfolio investment inflow, comprising equity and debt securities, reduced to US$3.22 billion, compared with US$4.45 billion in the preceding half of 2021, reflecting tighter global financial conditions and the effect of the rate hike in most advanced economies. Similarly, 'other' investment decreased to US$4.52 billion, relative to US$8.82 billion in the preceding half of 2021, as a result of lower incurrence of loans and decline in foreign currency placement in deposit taking corporations. Financial derivatives recorded an inflow of US$1.00 billion, following swap transactions in the review period.

Figure 3.6.8: Foreign Capital Inflow (US$ Billion)



Source: Central Bank of Nigeria

Net Acquisition of Asset

Aggregate financial assets decreased by 57.0 per cent to US$4.64 billion, compared with US$10.80 billion in the preceding half of 2021. The development was due, largely, to significantly lower foreign currency holdings of deposit-taking corporations. It, however, increased compared with US$3.49 billion in the corresponding half of 2021.

An analysis shows a divestment of direct investment assets by resident investors in the review period to the tune of US$0.25 billion, against an acquisition of financial assets of US$1.58 billion in the second half of 2021. Portfolio investment assets increased to US$0.29 billion, compared with US$0.25 billion in the preceding half of 2021. Acquisition of 'other investment' asset decreased to US$4.39 billion, compared with US$4.97 billion in the preceding half of 2021, reflecting lower foreign currency holdings of the deposit taking corporations. Consequently, reserve assets witnessed a depletion, amounting to US$0.79 billion in the review period, against an accretion of US$4.01 billion in the preceding half of 2021.

External Debt

Nigeria's public external debt surged in the review period, owing to new borrowings. Public external debt increased to US$40.06 billion at end-June 2022, compared with US$38.39 billion at end-December 2021, and US$33.47 billion at end-June 2021. A breakdown shows that loans from multilateral sources increased to US$19.16 billion, constituting 47.8 per cent of the total, from US$18.66 billion at end-December 2021, owing to additional loans from the World Bank and Africa Development Bank groups. Debt from commercial sources increased to US$15.62 billion (39.0 per cent), compared with US$14.67 billion (38.2 per cent), at end-December 2021, reflecting new issuance of Eurobonds. Loans from bilateral sources also increased to US$4.70 billion (11.7 per cent), compared with US$4.47 billion (11.6 per cent) at end-December 2021, due to new disbursements by China Exim Bank. Promissory notes declined by 2.1 per cent to US$0.59 billion and accounted for the balance.

International Investment Position

Increased inflow of other investment liabilities resulted to a higher net liability position in Nigeria's International Investment Position. A higher net financial liability of US$74.09 billion was recorded at end-June 2022, compared with US$70.30 billion at end-December 2021 and US$77.54 billion at end-June 2021.

The stock of financial liabilities, representing foreign investors' claims on the economy, grew to US$182.74 billion at end-June 2022, relative to US$174.55 billion at end-December 2021 and US$168.14 billion at end-June 2021, indicating an increase of 4.7 per cent and 8.5 per cent, respectively. The development reflected an increase in the stock of money market instruments held by foreign investors, bilateral currency swaps, and higher loan liabilities of banks and the general government. The stock of portfolio investment increased by 12.6 per cent to US$37.02 billion at end-June 2022, relative to US$32.87 billion at end-December 2021.

FDI liabilities fell by 0.3 per cent to US$87.28 billion at end-June 2022, relative to US$87.53 billion at end-December 2021. The stock of financial derivatives increased by 60.1 per cent to US$3.21 billion at end-June 2022, from US$2.00 billion at end-December 2021.

The stock of financial assets grew by 3.9 per cent to US$108.34 billion at end-June 2022, compared with US$104.25 billion at end-December 2021.

This was due to an increase in the stock of direct and portfolio investments abroad and other investment assets, indicating higher claims by Nigerian investors on the rest of the world.

Further analysis reveals that the stock of FDI assets declined by 2.1 per cent to US$13.30 billion at end-June 2022, relative to US$13.58 billion at end-December 2021. Other investment assets rose by 8.6 per cent to US$49.35 billion, compared with US$45.45 billion at end-December 2021.

The stock of reserve assets fell by 2.7 per cent to US$39.16 billion at end-June 2022, relative to US$40.23 billion at end-December 2021. Portfolio investment increased by 11.4 per cent to US$3.32 billion at end-June 2022, relative to its level at end-December 2021.

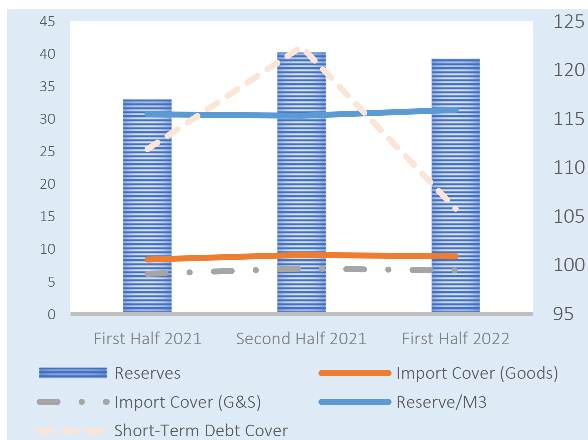
International Reserves

The external reserves remained above the international benchmark of three months of import cover. Gross external reserves at end-June 2022 stood at US$39.16 billion, compared with US$40.23 billion and US$32.99 billion at end-December 2021 and end-June 2021, respectively. The 2.7 per cent decline, when compared with the level at end- December 2021, was mainly, due to the Bank's intervention at the foreign exchange market and settlement of other obligations including public sector and external debt service payments.

A breakdown of external reserves by ownership shows that, the CBN maintained its dominance, with a share of 96.8 per cent, followed by the Federal Government with 3.1 per cent. The Federation accounted for the remaining 0.1 per cent. In terms of currency composition, the US dollar, at US$29.99 billion, constituted 76.6 per cent of the total; Special drawing rights, US$5.05 billion (12.9 per cent); Chinese yuan, US$3.65 billion (9.3 per cent); while other currencies accounted for the balance of 1.2 per cent.

An assessment of external reserves adequacy based on the traditional benchmark showed that, the end-June 2022 level of reserves could finance 6.7 months of import of goods and services or 8.9 months of goods only, higher than the 3.0 months international benchmark. The ratio of external reserves to short-term liabilities was 5.8 percentage points above the benchmark of 100.0 per cent short-term debt cover, based on the Greenspan-Guidotti measure of external reserves adequacy. In terms of external reserves to money supply (M3), the ratio, at 31.4 per cent, indicated that the level of reserves was inadequate, as it was above the international benchmark of 20.0 per cent.

Figure 3.6.9: External Reserves Stock and Reserve Adequacy Measures



Source: Central Bank of Nigeria

External Asset Management Programme and Income from Reserves Management

The performance of the external reserves portfolio was mixed. On the one hand, the persistent rise in inflation and subsequent increase in interest rates by the Federal Reserve Bank and other major central banks affected the performance of global financial assets, leading to decline in prices of fixed income securities, while income received from fixed term deposits and coupon payments increased. Consequently, the return on the money market and fixed income held-to-maturity portfolios were positive. On the other hand, gold and fixed income marked-to-market portfolios declined, recording unrealised losses.

The net asset value of the fixed income portfolio managed by the external asset managers decreased to US$7.26 billion at end-June 2022, from US$7.45 billion and US$7.46 billion at end-December 2021 and end-June 2021, respectively. This was due to decline in prices of bonds (fixed income securities) as yields increased. Cumulatively, the portfolio recorded an absolute return of US$853 million from inception to end-June 2022.

Foreign Exchange Flows

The economy recorded a lower net foreign exchange inflow on account of declining receipts from the Bank and autonomous sources. Foreign exchange flow through the economy recorded net inflow of US$16.84 billion in the first half of 2022, compared with US$28.15 billion in the second half of 2021.

Aggregate inflow into the economy fell by 23.7 per cent and 12.6 per cent to US$38.70 billion in the first half of 2022, compared with US$50.73 billion and US$44.27 billion, in the second and first halves of 2021, respectively. The development was driven, largely, by 36.9 per cent and 9.8 per cent decrease in inflow through the CBN and autonomous sources. A breakdown shows that inflow through the CBN and autonomous sources accounted for 42.4 per cent and 57.7 per cent, respectively.

Inflow through autonomous sources decreased by 9.8 per cent to US$22.30 billion, from US$24.72 billion in the second half of 2021. A disaggregation shows that invisible purchases declined by 11.7 per cent to US$19.99 billion, from US$22.64 billion in the second half of 2021. Of the total invisible purchases, ordinary domiciliary account decreased to US$9.00 billion, from US$10.26 billion in the second half of 2021. Similarly, total Over-the-Counter (OTC) purchases, at US$10.86 billion, indicated a 12.3 per cent decline, relative to US$12.38 billion in the second half of 2021. However, non-oil export receipts by banks increased by 12.0 per cent to US$2.28 billion, compared with US$2.03 billion in the second half of 2021.

Foreign exchange inflow through the CBN fell by 36.9 per cent to US$16.40 billion, from US$26.01 billion in the second half of 2021. The development was attributed to 44.8 per cent decline in non-oil receipts to US$12.43 billion, from US$22.52 billion in the second half of 2021. This was driven, mainly, by the 68.8 per cent, 33.0 per cent and 63.3 per cent decreases in proceeds from Revalued Gold Holding, Treasury Single Account (TSA) & Third-Party receipts, and other official receipts to US$1.25 billion, US$4.81 billion and US$1.29 billion, respectively. Further analysis reveals that interbank swaps and foreign exchange purchases increased by 32.4 per cent and 33.7 per cent to US$3.33 billion and US$1.18 billion, respectively, against the receipts in the preceding period.

Conversely, crude oil-related receipts rose by 13.8 per cent to US$3.97 billion, above the US$3.49

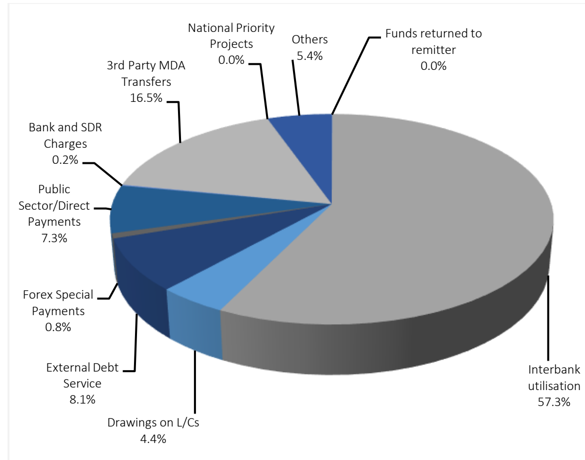
billion in the second half of 2021, as a result of increased global crude oil prices during the first half of 2022.

Aggregate foreign exchange outflow from the economy, at US$21.81 billion, declined by 3.2 per cent, relative to the level in the second half of 2021. A breakdown shows that outflow through the autonomous sources rose by 23.6 per cent to US$4.97 billion, compared with the level in the second half of 2021.

Aggregate foreign exchange outflow from the economy, at US$19.05 billion, declined by 34.6 per cent, relative to the level in the first half of 2020. A breakdown showed that outflow through autonomous sources fell by 21.1 per cent to US$1.41 billion, compared with the level in the first half of 2020, as a result of higher payment for invisible services.

Outflow through the CBN decreased by 9.0 per cent to US$16.89 billion, owing, largely, to decline in interbank utilisation, third-party MDA transfers, and public sector/direct payments. Further disaggregation shows that interbank utilisation, decreased by 7.9 per cent to US$9.67 billion or 57.3 per cent of the Bank's outflow, compared with the level in the second half of 2021, on account of lower foreign exchange sales at the Investors' and Exporters' (I&E), invisible/interbank and Secondary Market Intervention Scheme (SMIS) windows. Similarly, third-party MDA transfers and public sector/direct payments declined by 40.1 per cent and 26.2 per cent to US$2.78 billion and US$1.24 billion, respectively.

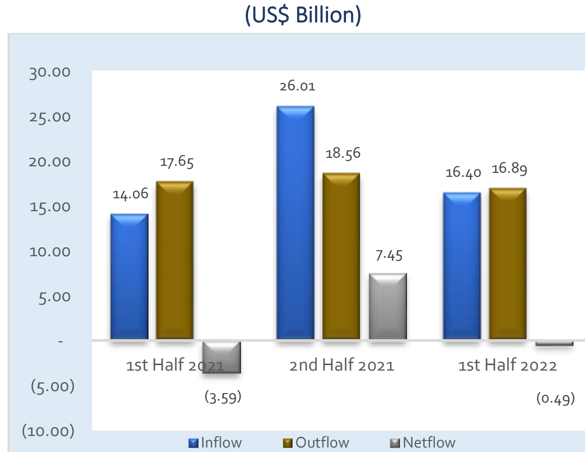
Figure 3.6.10: Foreign Exchange Disbursements through the CBN (per cent)



Source: Central Bank of Nigeria

A net inflow of US$17.33 billion was recorded through autonomous sources, compared with US$20.70 billion in the second half of 2021. The CBN recorded a net outflow of US$0.49 billion, in contrast to a net inflow of US$7.45 billion in the second half of 2021.

Figure 3.6.11: Foreign Exchange Flows through the CBN (US$ Billion)



Source: Central Bank of Nigeria

Foreign Exchange Management

Pressure in the foreign exchange market continued, amid persisting supply shortages. Consequently, the Bank implemented some policies and programmes to enhance foreign exchange inflow and ensure efficient utilisation of foreign exchange.

The Bank introduced the Race to $200.00 million (RT200) programme on 25 February 2022, to raise US$200.00 billion in foreign exchange earnings from non-oil export over the period of three to five years. The Scheme aims to enhance and diversify the sources of foreign exchange inflow, increase the level of contribution of non-oil exports, ensure the stability and sustainability of foreign exchange inflow, and support export-oriented companies to expand export operations and capabilities. The categories include Value-Adding Exports Facility, Non-Oil Commodities Expansion Facility, Non-Oil FX Rebate Scheme, Dedicated Non-Oil Export Terminal, and Bi-annual Non-Oil Export Summit.

The Rebate scheme was designed to incentivise non-oil export and encourage repatriation of export proceeds. The Scheme pays ₦65.00 for every US$1.00 repatriated and sold at the I&E window to Authorised Dealer Banks (ADBs) for other third-party use, and ₦35.00 for every US$1.00 repatriated and sold in the I&E window for own use on eligible transactions. In addition, the Bank commenced the Bi-annual Non-Oil Export Summit in June 2022.

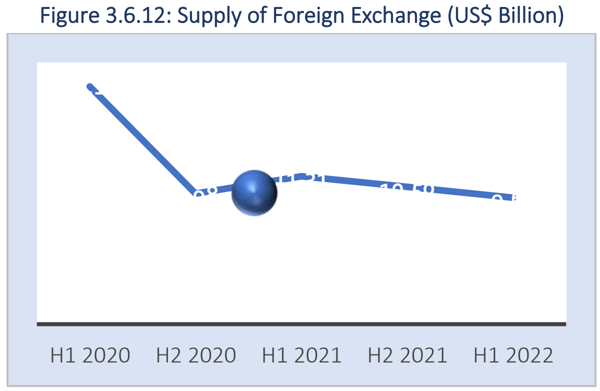
In line with efforts to ensure efficient utilization and management of foreign exchange, the Bank deployed the Price Verification System (PVS). The system is designed to operate on a global price verification mechanism guided by a benchmark price. The benchmark price is the actual spot market price obtainable at the time of consummation of invoicing in the markets, where the goods are traded.

Foreign Exchange Sales

The Bank sustained its interventions in the foreign exchange market to enhance liquidity and ensure stability. Total foreign exchange supplied to authorised dealers by the Bank was US$9.67 billion, a decrease of 7.9 per cent, below the level in the second half of 2021.

A breakdown reveals that foreign exchange sales at the inter-bank/invisible and Small and Medium Enterprises (SMEs) windows decreased to US$0.94 billion and US$0.72 billion, from US$1.28 billion and US$0.79 billion in the second half of 2021. Similarly, sales under the SMIS and to the I&E window declined by 6.4 per cent and 17.7 per cent to US$3.84 billion and US$2.24 billion, respectively, compared with the levels in the second half of 2021.

Figure 3.6.12: Supply of Foreign Exchange (US$ Billion)



Source: Central Bank of Nigeria

Forward and Swap Transactions

In the first half of 2022, wholesale forward sales declined by 1.3 per cent to US$4.84 billion, from US$4.78 billion in the corresponding half of 2021. Matured swap transactions increased by 65.8 per cent to US$1.93 billion, from US$1.16 billion in the second half of 2021.

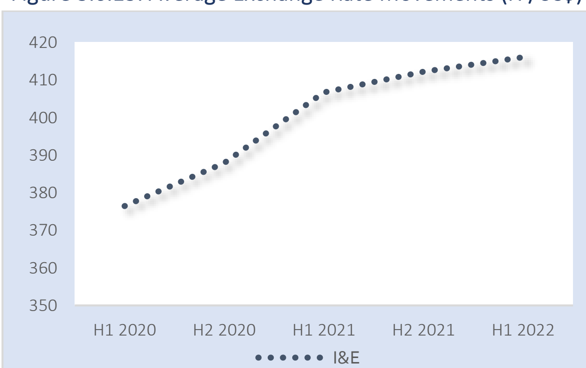
Exchange Rate Movements

The exchange rate of the naira to the US dollar remained relatively stable at the Investors' and Exporters' (I&E) window.

Spot Exchange Rate

The average exchange rate of the naira to the US dollar at the I&E window depreciated by 1.0 per cent and 2.2 per cent to ₦416.02/US$, relative to the ₦411.85/US$ and ₦406.77/US$ in the second and first halves of 2021, respectively.

Figure 3.6.13: Average Exchange Rate Movements (N /US$)



Source: Central Bank of Nigeria

The exchange rate of the naira to the US dollar at the I&E window, closed at ₦414.00/US$, at end-June 2022, relative to ₦413.00/US$ at the end-December 2021 and ₦411.50/US$ at end-June 2021.

Cross Rates

The average exchange rate of the naira appreciated by 3.5 per cent, 5.1 per cent and 8.5 per cent against the British pound, euro and Japanese yen, respectively, compared with their levels in the second half of 2021. Relative to peer countries, the naira appreciated by 6.4 per cent and 2.4 per cent, against the CFA francs and WAUA, relative to their respective values in the second half of 2021.

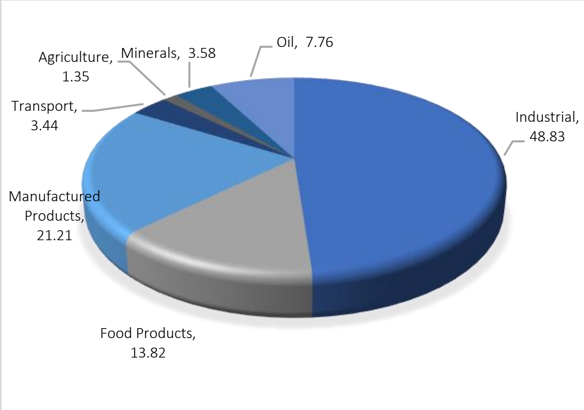
Sectoral Utilisation of Foreign Exchange

Aggregate utilisation of foreign exchange by sectors decreased, driven, mainly by contraction in invisibles import. Aggregate sectoral utilisation of foreign exchange was US$14.65 billion, indicating a decrease of 4.6 per cent, compared with the level in the preceding period of 2021. However, it rose by 43.1 per cent relative to the level in the corresponding period of 2021. A disaggregation reveals that US$9.04 billion or 61.7per cent of the foreign exchange was utilised for visible import, indicating an increase of 7.2 per cent and 53.6 per cent, compared with the levels in the second half and first half of 2021, respectively.

Further analysis shows that the amount utilised by the industrial sector, at US$4.41 billion, rose by 21.4 per cent, over the level in the second half of 2021. Similarly, utilisation by oil, mineral and transport sectors rose by 30.2 per cent, 237.1 per cent, and 31.0 per cent, to US$0.70 billion, US$0.32 billion and US$0.31 billion, respectively, compared with their respective levels in the preceding period.

The amount utilised for manufactured, food products and agricultural sectors declined by 8.0 per cent, 25.5 per cent and 26.2 per cent, to US$1.92 billion, US$1.25 billion and US$0.12 billion in the first half of 2022, respectively, relative to the levels in the preceding half of 2021.

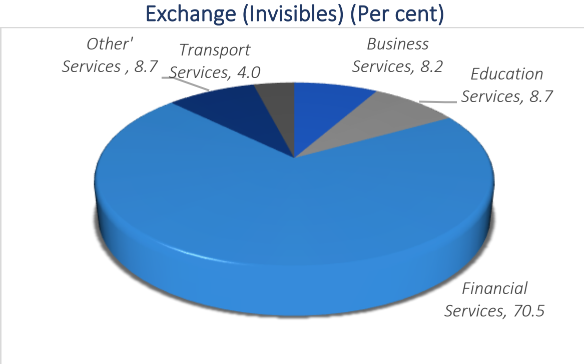
Figure 3.6.14: Share of Sectoral Utilisation of Foreign Exchange (Visible)



Source: Central Bank of Nigeria

Invisible transactions at US$5.62 billion or 38.3 per cent of the total, declined by 18.9 per cent, below the level of US$6.92 billion, in the second half of 2021, but increased by 28.9 per cent, above US$4.36 billion recorded in the first half of 2021. A breakdown shows that the amount utilised for financial services and other services declined by 27.7 per cent and 7.8 per cent, to US$3.96 billion and US$0.41 billion, respectively, below the levels in the second half of 2021. The amount utilised for educational, business and transport services, increased by 15.5 per cent, 31.5 per cent and 15.1 per cent, to US$0.49 billion, US$0.46 billion and US$0.22 billion, respectively, compared with the levels in the second half of 2022.

Figure 3.6.15: Share of Sectoral Utilisation of Foreign Exchange (Invisibles) (Per cent)

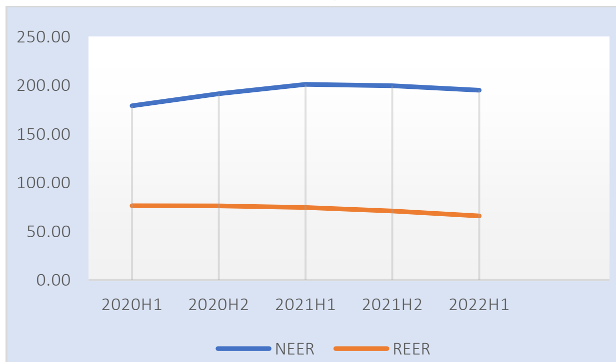


Source: Central Bank of Nigeria

Nominal Effective Exchange Rate (NEER) and Real Effective Exchange Rate (REER) Indices

The average 13-currency NEER index (November 2009=100) in the review period was 194.78 index points, indicating a decline of 2.3 per cent and 3.1 per cent, relative to the levels in the second and first half of 2021, respectively. The average REER index (November 2009=100), which measures external competitiveness, was 65.83 points, representing a decline of 7.2 per cent and 11.6 per cent, compared with the levels in the second and first half of 2021, respectively. The indices indicate depreciation against the major trading partners, which denote increased export competitiveness.

Figure 3.6.16: Nominal Effective Exchange Rate (NEER) and Real Effective Exchange Rate (REER).



Source: Central Bank of Nigeria

Section Four

OUTLOOK

The short-to medium-term outlook of the Nigerian economy is fragile but improving, drawing on dynamics in the global and domestic economies, market sentiments and forecasts.

- Outlook
  - Global Economy
  - Real Domestic Economy
  - Fiscal Policy
  - Financial Sector, and
  - External Economy

4.1 GLOBAL ECONOMIC OUTLOOK

Output: According to the IMF World Economic Outlook (July 2022), global output growth is expected to slow in the second half of 2022, as most economies seek to rein in the rising inflationary pressure. Global output, is therefore, projected to grow by 3.2 per cent in 2022, and 2.9 per cent in 2023, a moderation from the 6.1 per cent growth in 2021.

In the advanced economies (AEs), output growth is projected to slow to 2.5 per cent in 2022, and 1.4 per cent in 2023 from 5.2 per cent in 2021. In the United States, output is expected to moderate to 2.3 per cent in 2022 from 5.7 per cent in 2021, attributed to the anticipated impact of tighter monetary policy. Growth in the euro area is projected to slow to 2.6 per cent in 2022 from 5.4 per cent in 2021 but remain unchanged at 1.7 per cent in the UK.

In emerging markets and developing economies (EMDEs), growth is projected at 3.6 per cent in 2022, and 3.9 per cent in 2023, a deceleration from the 6.8 per cent growth recorded in 2021. The expected slowdown is driven by growth moderation in China and India. Specifically, China and India are projected to grow by 4.6 per cent and 3.3 per cent in 2022, from 7.3 per cent and 8.1 per cent, respectively, in 2021. In the Middle East and Central Asia, growth in 2022 is projected at 4.8 per cent from 5.8 per cent in 2021.

The outlook for sub-Saharan Africa is positive, with growth projected at 3.8 per cent in 2022, a slight decrease from the 4.6 per cent growth recorded in 2021. The projection for the region reflects the cushioning effects of rising fossil fuel and metal prices for some commodity-exporting countries.

Consumer Prices: Global inflation is expected to remain elevated in 2022 due to rising food and energy prices and lingering supply chain disruptions. The IMF projections, however, suggest a subdued inflation outlook in the near-term on the back of the central banks' tightening policy stance.

In advanced economies, prices are generally projected to rise in 2022, reflecting the impact of the Russia-Ukraine war on energy and commodity prices. In the United States, inflation is expected to stand at 7.7 per cent from 7.0 per cent at end-December 2021, while in the euro area, inflation is projected at 7.3 per cent. In the United Kingdom and Japan, inflation is projected at 10.5 per cent and 1.9 per cent, respectively, from 4.8 per cent and 0.8 per cent recorded at end-December 2021.

Inflation in EMDEs will continue to trend northward in 2022. In Asia, it will stand at 3.5 per cent and particularly, in China, consumer prices are expected to grow by 2.1 per cent.

In sub-Saharan Africa, inflation is projected at 12.2 per cent in 2022, occasioned primarily due to rising food and energy prices.

DOMESTIC ECONOMIC OUTLOOK

Nigeria's output growth is expected to maintain a positive trajectory for the rest of the year. The growth prospects are dependent on continued policy support and sustained increase in crude oil prices. Specifically, the Nigerian economy is estimated to grow in 2022 by 3.52 per cent (CBN), 4.20 per cent (FGN), and 3.40 per cent (IMF). The positive outlook is predicated on the effective implementation of the 2022 Appropriation Act and the 2022-2025 Medium-Term National Development Plan (MTNDP), and the continued interventions by the CBN in growth-enhancing sectors.

The uncertainties from the Russia-Ukraine war, as well as significant headwinds, such as rising energy prices, the risk of stagflation in the US, and the persisting security and infrastructural challenges, could undermine the positive outlook in the short-to-medium-term.

Domestic prices are expected to remain elevated through the second half of 2022. This is on the back of expected build-up in 2023 election-related spending, spillovers from global supply constraints, and exchange rate pass-through. More so, the persisting security and infrastructural challenges could exacerbate inflationary pressures.

However, inflation is expected to decelerate in the coming months given the expected good harvest season and the sustained interventions of the Bank in the real sector of the economy.

The outlook of the external sector remains optimistic, on account of expected favourable terms of trade. The positive outlook is supported by the sustenance of crude oil price above US$100.00pb and the gains from the Naira-4-dollar and the RT200 programmes of the Bank. However, the hike in interest rate by central banks across advanced economies increases the risk of capital outflow. Also, the rising external debt-servicing, are likely to weigh on external reserves accretion.

Fiscal conditions are expected to improve in the second half of 2022. This is premised on continued implementation of the Finance Act 2021, the Strategic Revenue Growth Initiatives (SRGIs), and tax reforms, which are expected to boost non-oil revenue. Rallying crude oil prices, arising from Russia-Ukraine crisis, are likely to boost oil earnings. However, low domestic crude oil production, rising public debt and lingering security challenges are likely to pose downside risks to fiscal outcomes.

The financial sector is expected to remain resilient in the second half of 2022. The outlook mirrors the efforts of the CBN in continuously monitoring emerging vulnerabilities and risks, including periodic stress tests, and the provision of risk mitigants.

Section Five

ADDITIONAL INFORMATION

An addendum of supporting activities and engagements of the Bank, in the review period is presented here.

International Meetings

- Regional
- Non-Regional

5.1 REGIONAL MEETINGS

44th Meeting of the Committee of Governors of the Central Banks of the West African Monetary Zone Member States.

The 44th meeting of the Committee of Governors of the Central Banks of the Member States of the West African Monetary Zone WAMZ was held virtually on 3 March 2022. The Meeting was held to deliberate on the status of the implementation of the WAMZ work programme and activities under the ECOWAS single currency programme. The reports of the 50th meeting of the Technical Committee formed the basis of deliberations and consideration.

The Meeting considered the following aspects of the report:

- WAMZ Macroeconomic development and convergence report, end-June 2021;
- Diagnostic report on the harmonization of statistics in the WAMZ member states;
- Proposed Roadmap for WAMZ countries migration to Inflation Targeting Framework;
- Progress report on the Capital Markets Integration and Insurance Industry in the WAMZ;
- Progress report on the Payments System Development in the WAMZ; and
- Proposed West African Monetary Institute (WAMI) Work Programme and budget for FY 2022.

The Committee of Governors made the following observations:

- The need to convene a technical seminar on the dynamics of NPLs control and management in the WAMZ;
- The need for the establishment of a regional harmonized supervisory and regulatory framework, considering cross-[21] country peculiarities, such as shocks, for the resolution of high NPLs within the WAMZ; and
- Member Central Banks shared diverse experiences on banking supervision and regulatory practices, policies, and measures for managing NPLs.

The Committee of Governors further endorsed the recommendations submitted by the Technical Committee.

50th Meeting of the Technical Committee of the West African Monetary Zone

The 50th Meeting of the Technical Committee of the WAMZ was held virtually from 28 February to 2 March 2022. The Meeting deliberated on the status of implementation of the WAMZ work programme and activities under the ECOWAS single currency programme at end-June 2021. The basis for consideration was the technical documents of the WAMI.

The Meeting made presentations and discussions on the following:

- WAMZ Macroeconomic Development and convergence report, end-June 2022;
- Diagnostic report on the harmonisation of statistics in the WAMZ member states;
- Proposed roadmap for WAMZ countries' migration to Inflation Targeting (IT) framework;
- Financial integration issues (Payments system, capital market integration, and insurance sector development); and
- Administrative issues (WAMI work programme and budget for FY 2022)

The Technical Committee deliberated and adopted the reports and made necessary recommendations.

WEST AFRICAN MONETARY AGENCY

The 40th Ordinary Meeting of the Joint Technical Committee (Economic and Monetary Affairs Committee, Operations and Administrative Committee) of WAMA.

The 40th Meeting of the Joint Technical Committee of the West African Monetary Agency (WAMA) was held virtually during 24-26 February 2022. The Meeting considered and adopted the following reports:

- Director General's progress reports for the second half of 2021;
- ECOWAS Macroeconomic convergence report for the first half of 2021;
- Macroeconomic impact of the COVID-19 pandemic in ECOWAS;
- The impact of policy measures adopted to mitigate the impact of COVID-19 and its implications for the stabilisation phase of the ECOWAS Monetary union;
- Reserve pooling in the proposed ECOWAS single currency area (Update);
- Implementation of the ECOWAS payments and settlement system (EPSS) project (update);
- Exchange rate developments in the ECOWAS as of 31 December 2021;
- Transition to a flexible exchange rate regime: Strategic Considerations;
- WAMA work programme for 2022;
- Proposed budget for 2022; and
- Harmonisation of terminal benefits, standardisation of provident fund scheme and harmonisation of staff benefits: WAMA, WAMI, West African Monetary Agency (WAIFEM).

Fourth Ordinary Meeting of the Audit Committee of WAMA

The 4th Ordinary Meeting of the Audit Committee of the WAMA was held virtually on 23 February 2022 and was presided over by the Central Bank of Nigeria.

The reports considered at the meeting included:

- Review of the evaluation committee for the appointment of an external auditor for WAMA for the Financial Year ended 31 December 2021;
- Review of the updated rules and regulations of WAMA; and
- Internal audit report for the periods July to December 2021.

The Committee unanimously considered and adopted the reports.

5.2 NON-REGIONAL MEETINGS

Fitch Rating Agency in February 2022 Confirmed Nigeria's Long-Term Foreign-Currency Issuer Default Rating (LTFC IDR) at B with a Stable Outlook

The following were highlights of the review:

- **Institutional weakness is a long-term credit constraint:** Fitch 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. However, it assessed fiscal policy effectiveness as weak, which was reflected in the government's inability to expand the non-oil revenue base significantly thereby exposing the economy to further shocks;

- **Weak monetary and macroeconomic performance:** Fitch noted that inflation had been relatively volatile;
- **Existing financial buffers were almost entirely depleted:** Nigeria's existing financial buffers, the Excess Crude Account (ECA) and the Nigerian Sovereign Investment Authority (NSIA), were assessed as too small to form a credible policy hedge against protracted oil price volatility or shocks;
- **Domestic liquidity risk remained under control:** Fitch acknowledged the government's ability to assess the domestic capital markets to finance its deficits. Government bonds were by far the largest component of the debt markets (excluding CBN certificates). It was observed that local banks and pension funds held most government debt, which remained relatively liquid; and
- **External liquidity risk remained limited:** The rating agency observed that the Federal Government's external debt was relatively small at around 9.0 per cent of GDP and around 29.0 per cent of general government debt as of 2021.

African Union Summit

The 35th African Union (AU) Summit took place in February 2022. The 40th Ordinary Session of the Executive Council (Ministerial Session) took place on 2-3 February and the 35th Ordinary Session of the African Union Assembly (Heads of State and Government Session) took place from 5-6 February 2022.

- ❖ The African Continental Free Trade Agreement (AfCFTA) gained center stage at the 35th AU submit. There was an agreement on origin rules.

6th Summit of the European Union and African Union Heads of State and Government

The Sixth Summit of European Union (EU) and African Union Heads of State and Government was held in Brussels on 17-18 February 2022. The Summit issued a "Joint Vision for 2030" that aims to consolidate a "renewed partnership" between the two continents to further strengthen the solidarity, security, peace, and sustainable economic development and prosperity for citizens and future generations, bringing together the people, regions, and organizations. The Summit promised an investment package of €150.00bn for Africa over the next seven years.

African Development Bank

The African Development Bank Group (AfDB) and Africa, in partnership with the African Union Commission and the African Union Development Agency (AUDA-NEPAD), are exploring collaboration with global partners to create an Alliance for Green Infrastructure in Africa. AfDB President, Dr. Akinwumi A. Adesina made the announcement on 17 February 2022 while speaking at a thematic roundtable on climate change and energy transition at the 6th European Union-African Union Summit in Brussels, Belgium.

The European Investment Bank, Bank for Reconstruction and Development, the French Development Agency and The Rockefeller Foundation have expressed their interest in joining the Alliance. It is globally acknowledged that climate change continues to devastate Africa's economies and the livelihoods of its people, despite the continent's minimal contribution to greenhouse gas emissions. Climate change has taken lives, caused food insecurity, displaced populations, damaged critical infrastructure, and disrupted economies. Moreover, increased geopolitical tensions could further threaten livelihoods and stability.

The Alliance for Green Infrastructure in Africa is expected to complement, enhance, and partner with continental and global initiatives to crowd in private capital to fund green infrastructure projects. The idea is to bridge investment gaps and engender financing at scale and with speed. The Alliance's overarching goal will be to leverage the private sector to transparently develop transformative infrastructure that sustainably bridges Africa's infrastructure deficit in a climate-resilient manner.

G-24 Technical Group Meeting Session on "Central Bank Digital Currencies: Implications on Developing Countries.

The G-24 Technical Group Meeting was held virtually on 10 March 2022. The Meeting discussed the implications of the Central Bank Digital Currencies (CBDCs) on Developing Countries. The meeting discussed the potential of these innovations in enhancing financial access, as well as associated risks to financial stability. One of the presentations focused on the Central Bank of Nigeria's perspectives on the benefits and challenges of developing CBDCs.

Central Banks across the world have started to consider issuing digital currencies to enhance businesses and households seeking faster, safer, easier, and cheaper means of payments. A 2021 survey of Central Banks by the Swiss-based Bank for International Settlements (BIS) found 86.0 per cent of banks in active research for CBDCs potential, 60.0 per cent experimenting with the technology and 14.0 per cent deploying pilot projects on CBDCs.

With the launch of the Central Bank of Nigeria's digital currency ''e-Naira" on 25 October 2021, a new level of engagement and collaboration among players in the payments and financial services value chain in Nigeria was stimulated. The meeting further discussed the growing feedback, highlights, and challenges so far since the launch of the e-Naira.

2022 Spring Meetings of the Boards of Governors of the International Monetary Fund/The World Bank Group, 18-24 April 2022.

The 2022 Spring Meetings of the Board of Governors of the World Bank Group (WBG) and the International Monetary Fund (IMF) were held physically and virtually from 18-24 April 2022. The Honourable Minister of Finance, Budget, and National Planning, Ms. Zainab Ahmed, led the Nigerian delegation to the meetings.

The sidelines meeting of the Inter-Governmental Group of Twenty-Four (G-24) on International Monetary Affairs and Developments was held at the same period. The G24 Ministers expressed sadness at the tragic deaths and devastation in Ukraine and strongly supported international efforts to provide humanitarian support and restore peace and stability and recognised that the crisis compounds and intensifies risks and undermines economic recovery worldwide.

The G24 Ministers noted that the pandemic had imposed huge costs. Many impediments to the global recovery remained, with growth prospects increasingly divergent and uncertain. GDP growth over the medium-term in many emerging markets and developing economies (EMDEs) was projected to fall below pre-pandemic levels. Urgent global action was needed to prevent hunger and food crises among vulnerable countries and poorer households and avert financial distress in highly indebted EMDEs.

The G24 Ministers expressed concern about increasing risks to financial stability that may disrupt the economic recovery. In managing the exit from accommodative macroeconomic policies, policymakers need to strike a balance between containing surging inflation and supporting economic recovery. Higher than expected increase in interest rates in advanced economies could raise rates globally and trigger capital outflows from developing countries, reducing access to financial markets, and further increasing debt vulnerabilities.

The International Monetary and Financial Committee (IMFC) noted that the recovery of the global economy continued but has slowed down owing to new COVID-19 variants and setback from the Russia-Ukraine war and its ramifications, which could amplify existing challenges. The resulting surge in energy and food prices has added to inflationary pressures, while supply disruptions have further intensified, and financial markets and capital flows are exhibiting increased volatility.

Against the backdrop of current uncertainties, the Committee pledged to intensify efforts to achieve the goal of a more resilient, sustainable, and inclusive global economy, while remaining fully committed to fostering multilateral cooperation. It reiterated its strong commitment to further accelerate climate action in line with the Paris Agreement, considering country-specific factors, and looked forward to strong ambition for the Conference of Party (COP27), including enhanced action on adaptation and resilience.

The Committee welcomed the Managing Director's Global Policy Agenda. In the context of current stress in the macroeconomic circumstances and outlook, the Committee looked forward to the IMF's swift and vital real-time and granular support to members through its tailored cutting-edge policy advice, timely financial support, and targeted capacity development in close and effective collaboration with international partners.

The Committee supported the IMF's increased surveillance focus on risk analysis and contingent policy advice; and its efforts to continue strengthening multilateral surveillance and analytical work on pressing policy issues, including inflation and its drivers, policy mixes and international spillovers, financial, external, and corporate sector vulnerabilities, fiscal adjustment, scarring from the pandemic, and inequality.

International Monetary Fund Staff Visit

The International Monetary Fund (IMF) staff visited the country from 8-11 June 2022 and had discussions with key stakeholders including the Central Bank of Nigeria.

The IMF delegation from Washington had an opening meeting with the Governor and consultations with various departments of the Bank during this visit.

The meetings were for the IMF to gain more insight into recent developments in the Nigerian economy. The CBN responded to questions surrounding; Development Finance, Central Bank Digital Currency (e-Naira), Cash flows, and Balance of Payments.

7th Africa-Ireland Economic Forum

Seventh Africa - Ireland economic forum themed ''Prospering Post-Pandemic: Towards a Sustainable, Greener Future" was held in Dublin on 30 June 2022. Dr. Akinwumi A. Adesina, President of the African Development Bank Group, and Ambassador Mariam Katagum, Minister of State, for Industry, Trade and Investment of Nigeria, delivered keynote address. Issues deliberated upon at the event included regional trade, green growth in the agriculture, food and energy sectors, women's economic empowerment, and how technology, innovation, and entrepreneurship are being leveraged for Africa's growth.