CENTRAL BANK OF NIGERIA ECONOMIC REPORT

First Quarter 2024

ABOUT THE REPORT

The Central Bank of Nigeria (CBN) Economic Report present developments in the Nigeria economy, for dissemination to the public. The Report, which is published on a monthly and quarterly basis, provides insights on current developments in the real, fiscal, financial, and external sectors of the Nigerian economy, as well as global development that impact the domestic economy. In addition, it 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 download of the Report, including current and past issues can be obtained from the CBN website: www.cbn.gov.ng. All inquiries concerning the Report should be directed to the Director, Research Department, Central Bank of Nigeria, P.M.B. 187, Garki, Abuja, Nigeria.

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SUMMARY

Global economic activity expanded in Q12024 on account of renewed business optimism and improved consumer demand. From 50.47 index points in Q42023, global composite Purchasing Managers' Index (PMI) rose to 52.07 index points in the review period. Consumer price measures recorded mixed outcomes across regions amidst contractionary monetary policy stance and declining energy prices. Global financial markets remained bullish on the prospect of interest rate cuts by monetary authorities. Despite the ongoing tension in the Middle East region and production cuts by OPEC, crude oil spot prices fell, due to decreased demand from the OECD countries. Accordingly, the average spot price of Nigeria's reference crude, the Bonny Light (34.9° API), declined by 1.60 per cent to US$85.58 per barrel (pb) in Q12024, compared with US$86.97 pb in the preceding quarter. The prices of Brent, Forcados, WTI and OPEC Reference Basket, all exhibited similar trends as the Bonny Light.

The domestic economy grew in Q12024 despite strong headwinds. The real GDP grew by 2.98 per cent, compared with 3.46 per cent in Q42023, driven by expansions in both oil and non-oil sectors. Inflation pressures persisted, as the headline inflation rose to 33.20 per cent, compared with 28.92 per cent in Q42023, owing to rising energy and input costs, and protracted security challenges. Core inflation increased to 25.90 per cent from 23.06 per cent in the preceding quarter, due to increased cost of input and other structural factors. Food inflation rose to 40.01 per cent as against 33.93 per cent in the preceding quarter. Domestic crude oil production rose by 1.53 per cent to 1.33 mbpd, from 1.31 mbpd in the preceding quarter, reflecting increased production due to enhanced security surveillance on oil infrastructure.

Provisional data showed an improvement in fiscal operations in Q12024. Federally collected revenue rose by 14.55 per cent, relative to the level in the preceding quarter, but fell short of the benchmark by 45.81 per cent. Federal Government of Nigeria (FGN) retained revenue was 14.06 and 70.49 per cent below the levels in Q42023 and the target, respectively.

FGN expenditure dropped by 25.45 and 48.69 per cent, below the levels in the preceding quarter and the target, respectively. The faster decline in expenditure relative to revenue narrowed fiscal deficit by 31.30 and 2.13 per cent, relative to Q42023 and the target levels. At ₦97,340.71 billion (41.52% of GDP), total public debt outstanding was slightly above the 40.00 per cent benchmark as at end-December 2023.

The banking sector remained resilient, as financial soundness indicators were, largely, within regulatory thresholds. Monetary policy stance continued to be restrictive in the review period, even as the effect of exchange rate revaluation on net foreign assets lifted broad money supply (M3) by 16.52 per cent over the level at end-December 2023. Banking system liquidity increased by 17.52 per cent to ₦292.31 billion from ₦248.74 billion in the preceding quarter, reflecting the 18.31 per cent rise in Federal Account Allocation Committee (FAAC) distribution during the quarter and CRR refunds to banks. Rising interest rates aided investor appetite for domestic securities, illustrated by the higher subscriptions for the Nigerian Treasury Bills (NTBs) and Federal Government of Nigeria (FGN) bonds in the review quarter. The performance of the Nigerian capital market improved in Q12024, occasioned by an impressive Q42023 and full-year 2023 corporate earnings results.

Analysis of the external sector showed that the current account fell into a deficit position relative to the surplus recorded in the preceding quarter, on account of reduced trade surplus in the goods account. The financial account recorded a lower net incurrence of financial liabilities, driven by portfolio investment debt securities. The international investment position posted a higher net financial liability of US$87.55 billion. The external reserves which stood at US$33.12 billion at end-March 2024 could cover 4.4 months of import for goods and services or 5.5 months of import for goods only. The average exchange rate at the Nigerian foreign exchange market depreciated to ₦1,304.72/US$, from ₦841.15/US$ in Q42023.

1.0 GLOBAL ECONOMIC DEVELOPMENTS

Summary

Global economic activity continued to expand during the first quarter of 2024 following renewed business optimism and improved consumer demand. The trend in consumer prices was diverse across regions amidst contractionary monetary policy stance and declining energy prices. Global financial markets remained bullish on the expectation of imminent interest rate cuts by monetary authorities.

1.1 Global Economic Activity

Global Economic Activity

Global economic activity increased in the first quarter of 2024, with faster growth in both manufacturing and services sectors relative to the preceding quarter. The global composite Purchasing Managers' Index (PMI) rose to 52.07 index points in Q12024, from 50.47 index points in Q42023, due to improved consumer demand across sectors and regions. The manufacturing sector improved to 50.30 index points compared with the 49.03 index points in the preceding quarter driven by increases in the consumer, intermediate and investment goods industries. Similarly, the pace of expansion of the services sector, at 52.40 index points, was higher than the 50.87 index points recorded in the preceding quarter, on account of higher new orders and employment.

Table 1: Global Purchasing Managers' Index (PMI)

	Q32023	Q42023	Q12024
Composite	**50.90**	**50.47**	**52.07**
Employment	51.00	50.33	50.77
New Business	50.03	50.03	51.70
New Export Business	47.93	48.27	49.53
Future Output	61.93	61.73	63.50
Input Prices	57.03	56.10	56.23
Output Prices	53.57	53.33	53.30
Manufacturing	**48.90**	**49.03**	**50.30**
Services (Business Activity)	**51.53**	**50.87**	**52.40**
New Business	50.73	50.60	52.17
New Export Business	50.73	49.60	50.53
Future Activity	62.50	62.47	63.90
Employment	51.30	50.87	51.17
Outstanding Business	48.47	48.77	49.63
Input Prices	59.23	59.74	57.47
Prices Charged	54.63	54.03	53.90

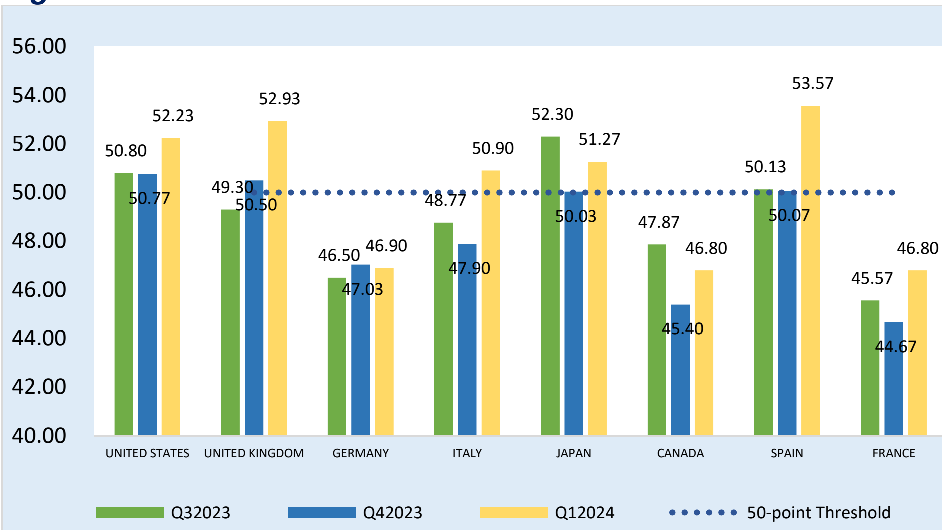
Source: JP Morgan

Economic activity in Advanced Economies

Economic activity in Advanced Economies (AEs) was uneven during Q12024. In the UK and Italy, economic activity expanded as the PMI rose to 52.93 and 50.90 index points, respectively, compared with the 50.50 and 47.90 index points, owing to higher new jobs that enhanced consumer demand, especially in the services industry. In the same vein, the rise in new export business orders, driven by improved foreign demand, raised the PMI in Spain (to 53.57 from 50.07 index points), the US (52.23 from 50.77 index points), and Japan (51.27 from 50.03 index points).

The PMI in France and Canada increased to 46.80 index points each, from 44.67 and 45.40 index points, respectively, but remained in the contraction region. The improvement was attributed to an uptick in private sector employment and increased business confidence, especially in Canada. In Germany, economic activity contracted further, due to reduced new orders, exacerbated by geopolitical tensions and high interest rates.

Figure 1: PMI in Selected Advanced Economies



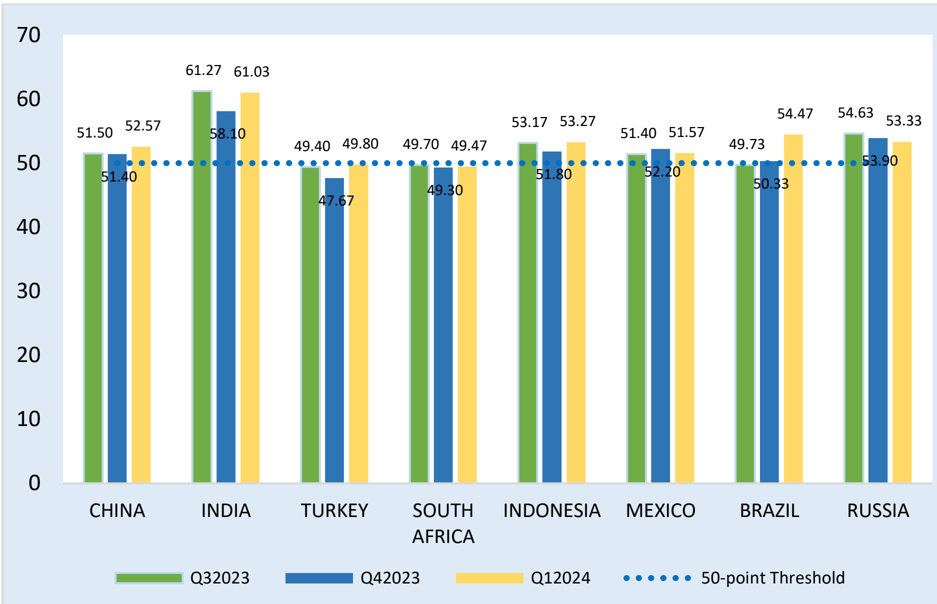
Source: *Trading Economics/Various countries' websites.*

Economic activity in EMDEs

Economic activity in most Emerging Markets and Developing Economies (EMDEs) expanded in Q12024 driven by higher demand. PMI in India and Brazil rose to 61.03 and 54.47 index points from 58.10 and 50.33 index points, respectively, in the preceding quarter. The development was attributed to an increase in new orders owing to increased domestic and foreign demand. Similarly, new orders buoyed economic activity in Indonesia and China as the PMI rose to 53.27 and 52.57 index points, from 51.80 and 51.40 index points, respectively. Russia and Mexico experienced slight decreases in PMI to 53.33 and 51.57 index points, respectively, from 53.90 and 52.20 index points in Q42023. In Mexico, firms remained confident about new orders and output, but concerns over lower US demand slowed economic activity. Despite the strong performance of the manufacturing sector in Russia, the weak performance of the services sector undermined economic outturn.

Conversely, economic activity improved in Turkey and South Africa though the respective PMI, at 49.80 and 49.47 index points, remained in the contraction region. South Africa experienced improvement in business sub-activity index and new orders, while Turkey marked its first expansion in the manufacturing sector after two quarters of contractions, driven mainly by a rebound in output.

Figure 2: PMI in Selected Emerging Market and Developing Economies



Source: Trading Economics/Various countries' websites.
Note: Turkey, Indonesia and Mexico PMIs data were based on manufacturing PMI.

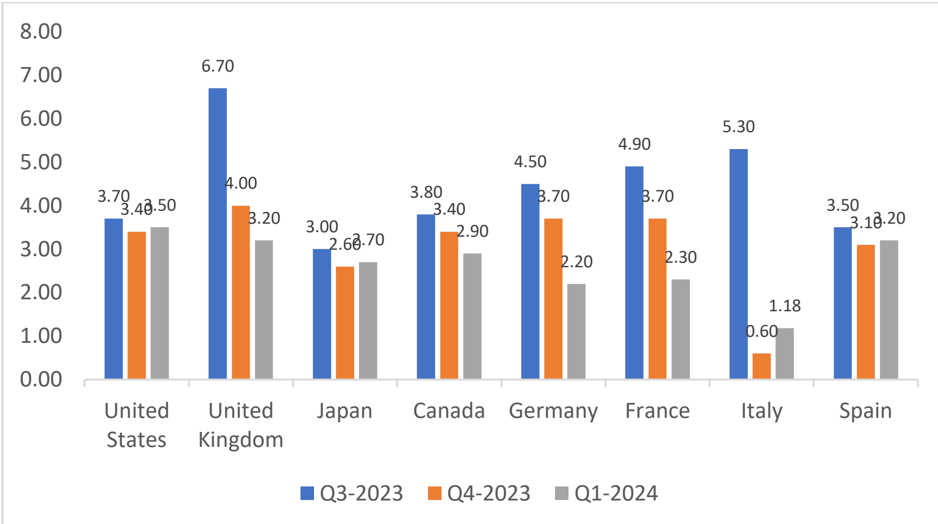
1.2 Global Inflation

Global Inflation

The trend in consumer prices was divergent across regions amidst contractionary monetary policy stance and declining energy prices. In the AEs, some European countries, especially France (2.30%) and Germany (2.20%), continue to see inflation rate approach the 2.00 per cent target of the European Central Bank (ECB), following slowdown in energy and food prices. The United Kingdom also recorded a decline in inflation rate to 3.20 per cent, from 4.00 per cent in Q42023, on the back of the significant fall in food prices, with core inflation dropping to its lowest level since 2021.

In the United States, however, inflation increased to 3.50 per cent, from 3.40 per cent in the previous quarter, driven by the increases in consumer, investment, and government spendings. Inflation rate rose to 3.20 per cent in Spain and 1.18 per cent in Italy, from 3.10 and 0.59 per cent, respectively, due to increased prices of utilities and housing. In Japan, inflation rose to 2.70 per cent from 2.60 per cent in the previous quarter due mainly, to base effect, as the impact of energy subsidies introduced by the government in February 2023 waned.

Figure 3: Inflation in Selected Advanced Economies (per cent)

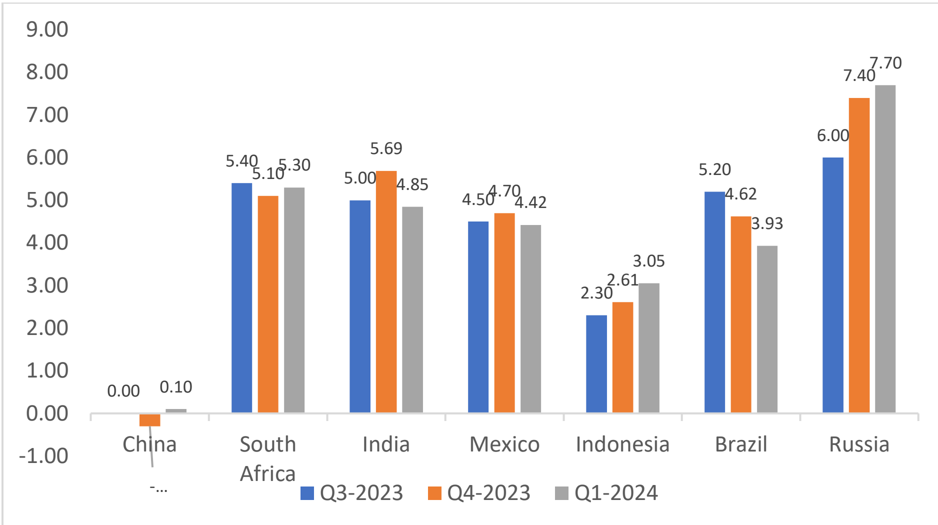


Source: *Trading Economics*

Inflation outcome in EMDEs was diverse in the review period owing to country idiosyncrasies. Notable moderations were recorded in Mexico (4.42% from 4.70%), Brazil (3.93% from 4.62%) and India (4.85% from 5.69%). Lower transportation costs dampened inflation in Mexico and Brazil, while the moderation in India derived primarily from easing food prices.

Inflation rose in Russia (7.70% from 7.40%), South Africa (5.30% from 5.10%), and Indonesia (3.05% from 2.61%), due to elevated costs of food and services. Likewise, inflation in Turkey rose to 68.50 per cent, compared with 64.80 per cent in the preceding quarter, underlined by rising food, hotel and education prices amidst currency weakness. In China, consumer prices increased to 0.10 per cent in Q12024, from deflation of 0.30 per cent in the preceding quarter, attributed to increased spending during the Lunar New Year holiday. However, the inflation remained below the country's target of 3.00 per cent.

Figure 4: Inflation in Selected EMDEs (per cent)



Source: *Trading Economics*

1.3 Global Financial Markets

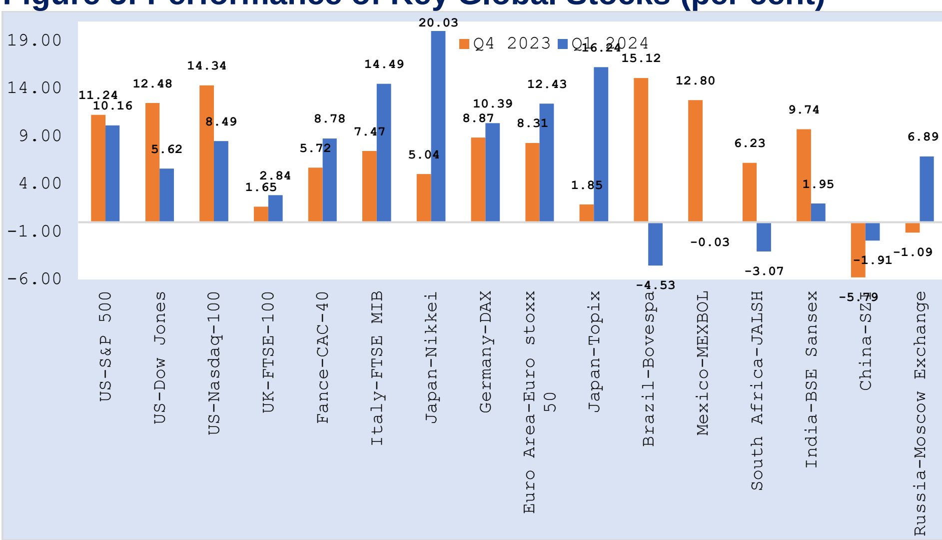
1.3.1 Global Financial Conditions

The global stock market sustained its bullish trend in Q12024, buoyed by the expectation of interest rate cuts by monetary authorities. Stock markets in AEs rallied due to moderating inflationary pressures and the likelihood of interest rate cuts. Significant growths were recorded for the EURO STOXX (12.43%), German DAX (10.39%), French CAC (8.78%) and UK FTSE 100 (2.84%). Japan's Nikkei 225 grew by 20.03 per cent, outperforming other AEs, as rising optimism on the Japanese economy spurred the surge in foreign capital inflows. In the US, despite the momentum of technology stocks that was powered by the AI boom, the pace of equity market growth was slowed by the diminished optimism of an early interest rate cut. Hence, the S&P, Nasdaq and Dow Jones indices rose by 10.16, 8.49, and 5.62 per cent, respectively.

The performance of equity markets in EMDEs was mixed and reflected the effects of moderating inflationary pressures and domestic headwinds. India's BSE Sensex 30 index increased by 1.96 per cent, on account of robust economic conditions and the expectation of policy continuity after the national elections. The Russian-IMOEX also rose by 6.89 per cent, supported by a strengthening ruble.

In contrast, the Chinese-SZI recorded 1.91 per cent negative returns, due to continued weaknesses in the property market and cautious investor sentiment of economic outlook, despite ongoing fiscal stimulus. Brazil's BOVESPA also contracted by 4.53 per cent, following the reduced prospect of an early rate cut by the US Fed. Fluctuations in exchange rate and declines in metal prices dragged the South Africa's JALSH index by 3.07 per cent.

Figure 5: Performance of Key Global Stocks (per cent)



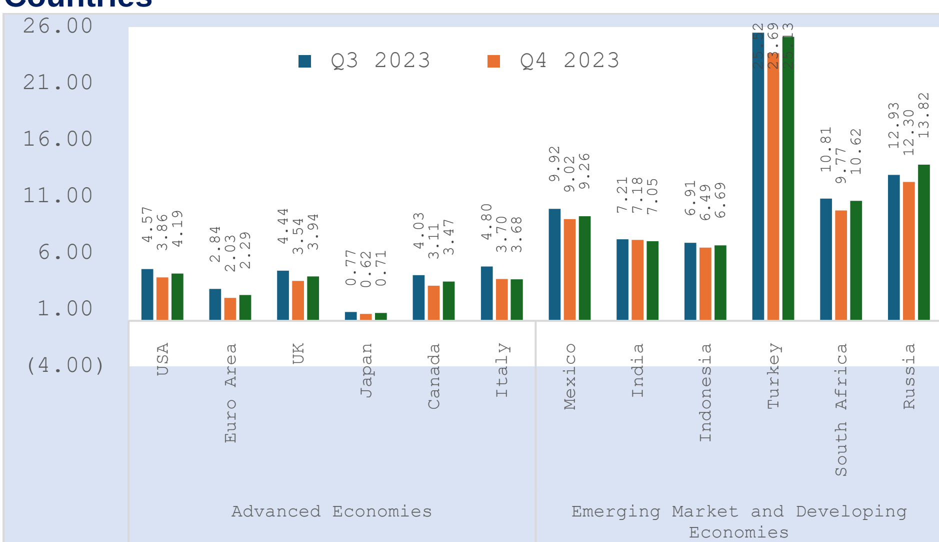
Source: *Reuters Refinitiv Eikon & Trading Economics*

An upward trend was generally observed in the global bond market, as the likelihood of an imminent rate cut is deferred. In AEs, the yield on 10-year bond rose, signalling falling prices as investors' expectations of policy rate cuts continued. Quarter-to-quarter comparison indicated that the 10-year bond yields rose in the

US (4.19% from 3.86%), UK (3.94% from 3,54%) and Euro area (2.29% from 2.03%). A similar upward trend was observed in Canada and Japan, where 10-year bond yields increased to 3.47 and 0.71 per cent, respectively, from 3.11 and 0.62 per cent in Q42023. However, Italy experienced a slight decrease in bond yields to 3.68 per cent, from 3.70 per cent in the preceding quarter.

Within the EMDEs, bond yields in Turkey and Indonesia rose marginally to 25.13 and 6.69 per cent, respectively, riding on elevated inflation in Turkey and uncertainties surrounding elections in Indonesia. In Russia and South Africa, sustained inflation pressures raised 10-year bond yields to 13.82 and 10.62 per cent, respectively. The yield in India, however, recorded a marginal decline to 7.05 as anticipation of India's inclusion in JPMorgan's index amplified the demand for bonds and pushed up bond prices.

Figure 6: 10-year Government Bond Yields for Selected Countries



Source: *Refinitiv Eikon* (Reuters)

Selected Emerging Markets Currencies

In the currency market, the Russian ruble and Chinese yuan appreciated against the US dollar by 2.04 and 0.70 per cent, respectively, relative to the levels in the preceding quarter. The appreciation of the Russian ruble was due to capital controls, while the strengthening of the Chinese yuan was attributed to increased capital inflow. The South African rand, however, depreciated by 8.86 per cent in Q12024, due to fragile investor confidence amidst high inflation, disruptive power outages and weakened macroeconomic outlook.

Table 2: Selected EMDEs' Currency Rates to the US dollar

Period	Chinese Yuan	Nigerian Naira	South African Rand	Russian Ruble
Q12023	6.85	460.93	17.76	73.30
Q42023	7.20	841.15	18.72	92.89
Q12024	7.15	1304.74	20.54	91.03

Sources: Central Bank of Nigeria & Reuters

1.4 Global Commodity Markets

World Crude Supply and Demand

World crude oil supply fell marginally in Q12024, highlighting lower outputs, especially, by non-OPEC producers. Total world crude oil supply decreased by 1.29 per cent to 101.53 million barrels per day (mbpd) in Q12024, compared with 102.86 mbpd in the preceding quarter. This was driven, largely, by a decrease in non-OPEC crude oil supply.

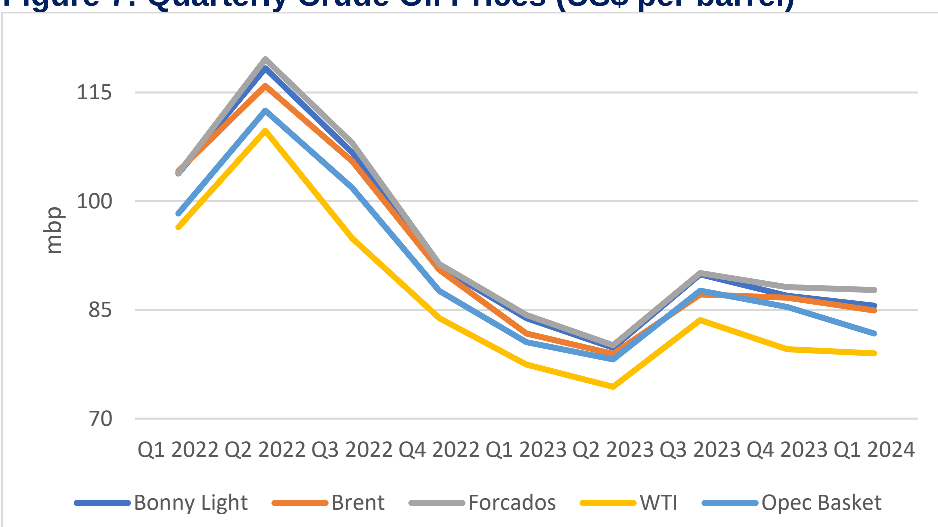
Non-OPEC crude supply declined by 1.01 mbpd or 1.32 per cent to 75.27 mbpd in Q12024, compared with 76.28 mbpd in the preceding quarter, driven, mainly, by lower output in the United States, Mexico, and Canada. Likewise, OPEC crude oil supply declined slightly by 0.32 mbpd or 1.20 per cent to 26.26 mbpd in Q12024, following lower supplies from Iraq, Kuwait, Libya, Algeria and Congo.

World crude oil demand fell marginally by 0.16 per cent to 101.73 mbpd in Q12024, from 101.89 mbpd in the preceding quarter. The slight decrease was due, mainly, to reduced demand for gasoline, diesel, and LPG, as travelling activities dropped, particularly in Europe, United States and the Former Soviet Union.

Crude Oil Prices

Crude oil spot prices fell in Q12024, on account of decreased demand from the OECD regions, including Europe and the United States, despite the ongoing tension in the Middle East region and production cuts by OPEC. The average spot price of Nigeria's reference crude, the Bonny Light (34.9° API), declined by 1.60 per cent to US$85.58 per barrel (pb) in Q12024, from US$86.97 pb in the preceding quarter. The prices of Brent, at US$84.94 pb, Forcados (US$87.72 pb), WTI (US$79.02 pb) and OPEC Reference Basket (US$81.75 pb), all exhibited similar trends as the Bonny Light.

Figure 7: Quarterly Crude Oil Prices (US$ per barrel)



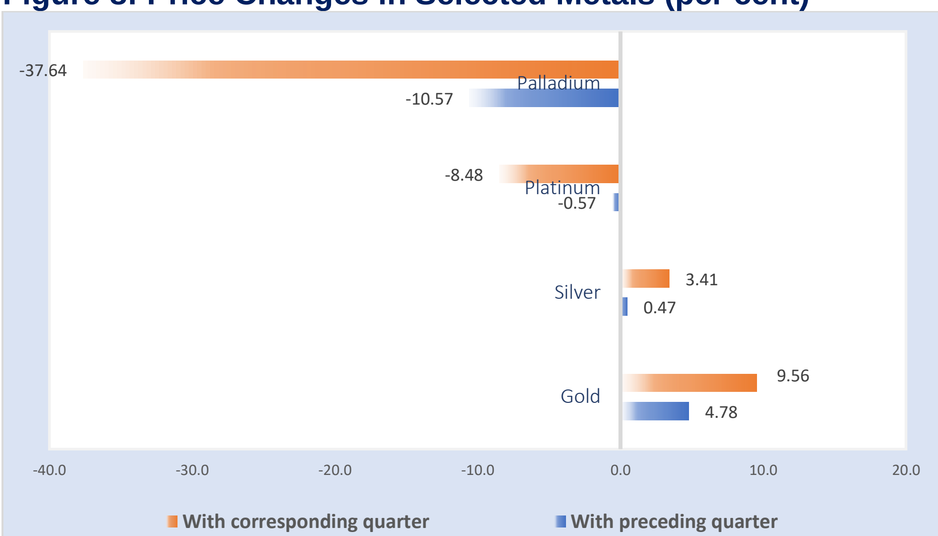
Source : Refinitiv Eikon (Reuters)

Other Mineral Commodities

The average spot prices of silver and gold rose, while those of platinum and palladium declined. The average spot prices of platinum and palladium fell by 0.57 and 10.58 per cent to US$906.60 per ounce and US$974.99 per ounce, respectively, in Q12024, compared with US$911.77 per ounce and US$1,090.38 per ounce in the preceding quarter. The decrease was attributed to weakened demand from the automotive industry amidst a supply glut.

Conversely, the prices of gold and silver rose by 4.78 and 0.47 per cent, to US$2,071.25 per ounce and US$23.34 per ounce, relative to the levels in the preceding quarter. The price increase was driven by rising tensions in the Middle East, which disrupted the production and transportation of precious metals.

Figure 8: Price Changes in Selected Metals (per cent)



Source: Refinitiv Eikon (Reuters)

Agricultural Commodity Prices

The all-commodity price index of Nigeria's major agricultural export rose in the review period. At 135.5 (2010=100), the index increased by 8.14 per cent in the first quarter of 2024 driven, largely, by the 46.85 per cent rise in the price of cocoa and 24.38 per cent for coffee. The sharp increase in the price of cocoa was due to climate induced drought in major producing countries in West Africa, which account for about 80 per cent of global supply of cocoa. The rise in the price of coffee reflected increased demand by a growing middle-class in China and the rest of Asia. Other commodities that recorded price increases included palm oil (7.58%), rubber (5.89%), and cotton (3.80%). Price declines were, however, recorded for wheat (11.19%), soyabean (7.84%), and groundnut (0.78%).

Table 3: Indices of Average World Prices of Nigeria's Major Agricultural Export Commodities for First Quarter 2024 (US$; Jan 2010=100)

COMMODITY	2023Q1/a	2023Q4/a	2024Q1/b	% Change	
				(1) & (3)	(2) & (3)
	1	2	3	4	5
All Commodities	***123.56***	***125.28***	***135.53***	***9.69***	***8.18***
Cocoa	*75.88*	*109.79*	*161.22*	*112.46*	*46.85*
Cotton	*127.07*	*121.01*	*125.61*	*-1.15*	*3.80*
Coffee	*145.74*	*178.66*	*222.22*	*52.48*	*24.38*
Wheat	*189.70*	*147.55*	*131.04*	*-30.92*	*-11.19*
Rubber	*45.77*	*49.13*	*52.02*	*13.66*	*5.89*
Groundnut	*143.62*	*168.48*	*167.17*	*16.40*	*-0.78*
Palm Oil	*114.90*	*98.63*	*106.10*	*-7.66*	*7.58*
Soya Beans	*145.77*	*129.00*	*118.89*	*-18.44*	*-7.84*

Sources: (a) World Bank Pink Sheet (b) Central Bank of Nigeria Staff Estimates

1.5 Monetary Policy Stance

Monetary policy stance remained restrictive, as most central banks left policy rates unchanged. In the US, amidst widespread expectation of rate cut, the Fed retained policy rates at a 5.25 – 5.50 per cent band. The incongruous uptick in inflation during the review period, however, implied continued delay of the anticipated rate cut. To further moderate inflation, the ECB and Bank of Canada held rates at a multi-year high of 4.50 and 5.00 per cent, respectively, in the same period. The Bank of England maintained a cautious approach towards curtailing inflation pressures as it kept policy rate at 5.25 per cent.

Most emerging economies held policy rate unchanged, except for a few with high inflationary pressures. China and India retained rates at 3.45 and 6.50 per cent, respectively, as inflation in China stayed low, and in India it remained within the reserve bank's target range. Policy rates were similarly left unchanged by the central banks in Indonesia (6.00%), South Africa (8.25%), and Russia (16.00%) to effectively anchor inflation expectations.

The central banks of Brazil and Mexico lowered rates by 25 and 50 basis points, to 10.75 and 11.00 per cent, respectively, to stabilise economic activities amidst continued disinflation. In contrast, the Bank of Japan raised policy rate to between 0.00 and 0.10 per cent, marking the end of eight years of negative interest rates. Turkey also raised its policy rate by a cumulative 750 basis points, to 50.00 per cent and hinted at further tightening if inflation remained unabated.

Table 4: Central Bank Policy Rates (per cent)

Country	Q2 2023	Q3 2023	Q4 2023	Q1 2024
United States	5.0-5.25	5.25-5.50	5.25-5.50	5.25%-5.50%
Canada	4.75	5.00	5.00	5.00
Euro Area	4.00	4.50	4.50	4.50
United Kingdom	4.50	5.25	5.25	5.25
Japan	-0.10	-0.10	-0.10	0.00-0.10
Brazil	13.75	12.75	11.25	10.75
Russia	7.50	13.00	16.00	16.00
India	6.50	6.50	6.50	6.50
China	3.55	3.45	3.45	3.45
South Africa	8.25	8.25	8.25	8.25
Mexico	11.25	11.25	11.25	11.00
Indonesia	5.75	6.00	6.00	6.00
Turkey	15.00	30.00	42.50	50.00

Source: *Various Central Banks' websites, Trading Economics.*

2.0 DOMESTIC ECONOMIC DEVELOPMENTS

2.1 Real Sector Developments

The Nigerian economy grew in Q12024, driven by improved performances in both the oil and non-oil sectors. The continued resilience of the economy highlighted the higher earnings from crude oil sales (arising from improved domestic crude production) and increased activities in stock and bond markets. Inflation pressures intensified, buoyed by elevated energy and input costs amidst prevailing security challenges.

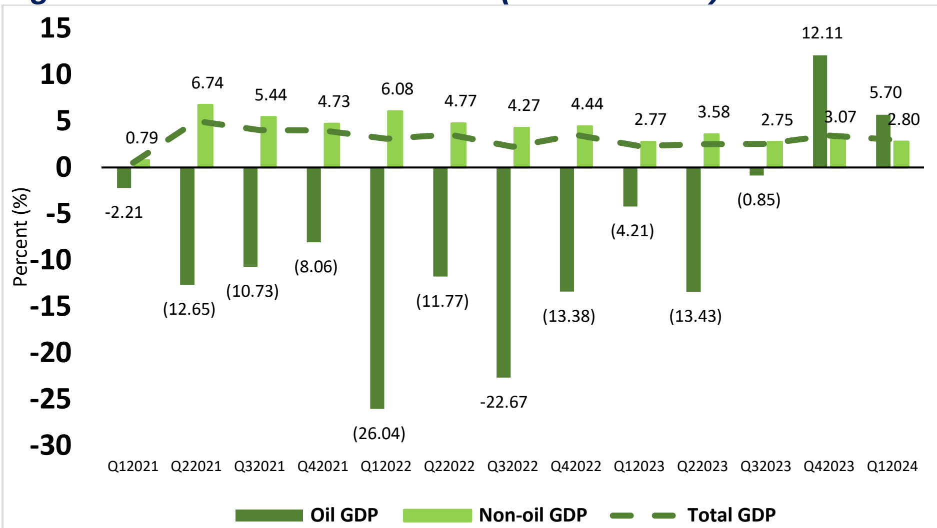
Domestic Output and Economic Activities

The real Gross Domestic Product (GDP) grew by 2.98 per cent (year-on-year) in Q12024 relative to 3.46 per cent in Q42023. Despite global and domestic shocks, growth remained positive following the ongoing reforms of the Federal Government. The sustained improvement in crude oil production, also boosted the performance of the economy.

The oil sector expanded by 5.70 per cent in Q12024, albeit slower than the 12.11 per cent growth in the preceding quarter. Despite this, the sector contributed 0.35 percentage point to the country's overall growth. The improvement was driven by a marginal increase in average crude oil production, which rose to 1.33 million barrels per day (mbpd), from 1.31 mbpd in Q42023.

The non-oil sector expanded by 2.80 per cent in Q12024, a slight deceleration from the 2.97 per cent growth in the previous quarter. The performance was underpinned by robust expansions in key segments, including financial & insurance, information & communication, crop production, trade, and real estate.

Figure 9: Real GDP Growth Rate (Year-on-Year)

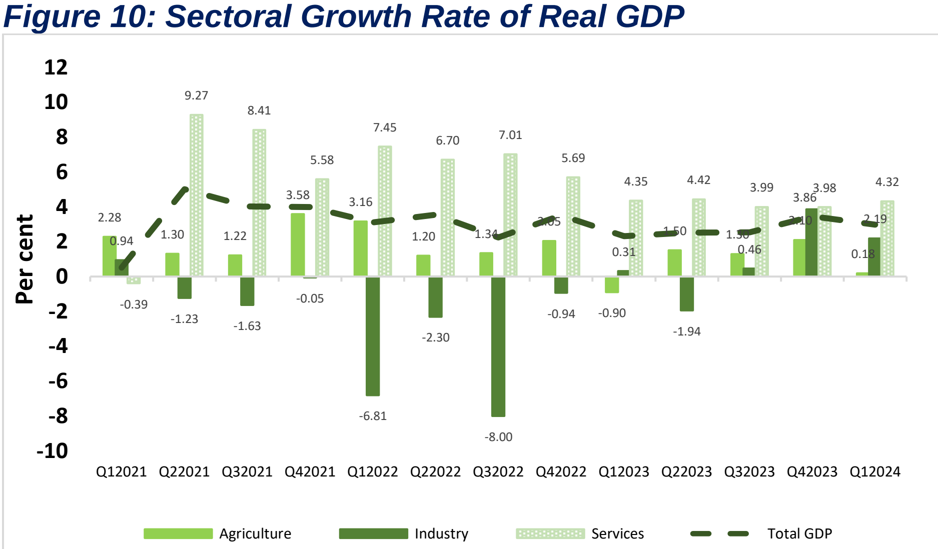


Source: National Bureau of Statistic

2.1.1 Sectoral Performance

The services, agriculture and industry sectors all grew in Q12024. The services sector continued to drive growth, contributing 2.47 percentage points to the overall GDP growth. The sector grew by 4.32 per cent in Q12024, compared with 3.98 per cent in Q42023. It also remained the most dominant sector, accounting for 58.04 per cent of aggregate GDP.

Figure 10: Sectoral Growth Rate of Real GDP



Source: National Bureau of Statistics

Within the services sector, the fastest growing sub-sectors are financial & insurance (31.24%), information & communications (5.43%), trade (1.23%), and real estate (0.84%), which contributed 1.67, 0.95, 0.20, and 0.04 percentage points, respectively, to total sectoral outcome. Growth in the financial & insurance sub-sector was spurred by increased activities in the stock and bonds markets, as well as other investment vehicles. The continued digital transformation within the finance sector, including the proliferation of fintech companies, mobile banking, and digital payment systems, also contributed to the growth in the sub-sector. The rising pace of digitalisation equally supported growth in the ICT sub-sector as banks sustained investment in IT security and fintech solutions. Moreso, continued demand for digital services, such as internet services, and e-commerce propelled the growth in the ICT sub-sector. Furthermore, increased consumer spendings, as well as increased demand for residential and commercial spaces owing to improved mortgage financing options were key drivers of trade and real estate sub-sectors.

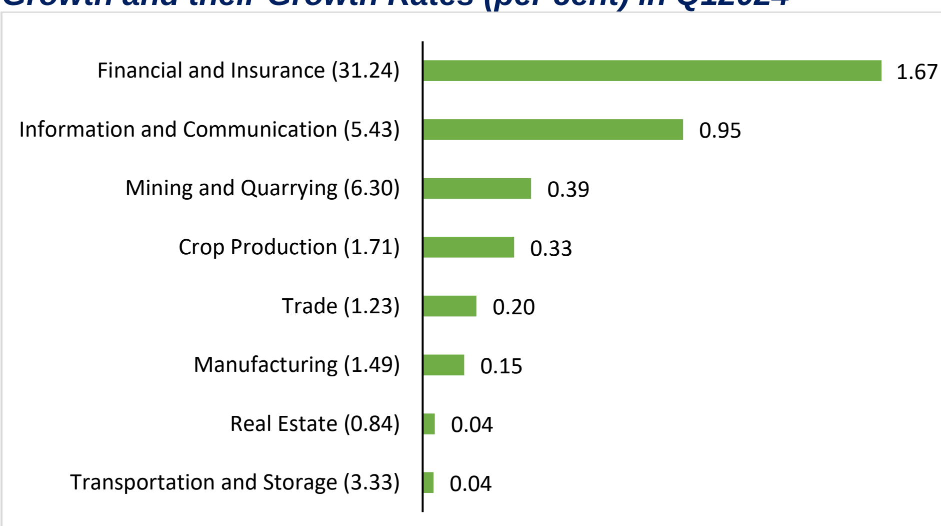
The agriculture sector grew by 0.18 per cent, compared with 2.10 per cent in the preceding quarter. The growth, although, slower than the preceding quarter was driven, majorly, by the continued support from both the fiscal and monetary authorities (particularly, the 2.15 million tonnes of fertilisers donated to farmers that boosted crop production during the review period). Increased demand for wood products propped growth outcome in the forestry sub-sector. Economic activity in the crop production and forestry sub-sectors expanded by 1.71 and 2.73 per cent, respectively, compared with 2.44 and 1.69 per cent in Q42023. However, livestock and fishing sub-sectors contracted by 23.29 and 1.44 per cent, compared with a 2.09 and 0.12 per cent contractions recorded in the preceding quarter. The livestock and fishing sub-sectors faced headwinds, as escalating feed costs for both fish and livestock constrained their performances.

The Industrial sector remained, broadly, resilient despite price pressures, as it maintained a positive trajectory with a growth of 2.19 per cent, compared with 3.86 per cent in the previous quarter. This was underlined by the continued expansion in the index of industrial production (IIP), which stood at 3.34 per cent (year-on-year) in Q12024 vis-à-vis 3.73 per cent in the preceding quarter. The improvement in crude oil production, owing to better surveillance of oil installations, also contributed to growth in the sector.

The realised growth in the industrial sector was further supported by the operationalisation of the Dangote Refinery, which began the commercial production, and supply of some refined petroleum products during the first quarter. A breakdown of sub-sectoral performances indicated sizeable outcomes in the mining & quarrying (6.30%), manufacturing (1.49%), and water supply (6.95%) sub-sectors. Electricity supply and construction sub-sectors, however, recorded downturns in Q12024, with contractions of 5.43 and 2.14 per cent, respectively, as against positive growths of 6.17 and 3.70 per cent in the preceding quarter.

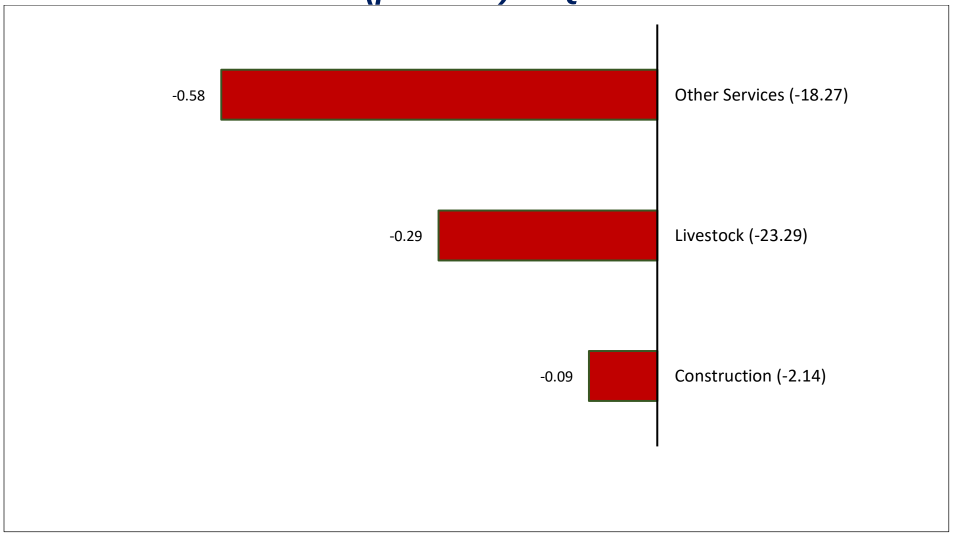
Out of the 22 sub-sectors in the economy, 16 sub-sectors expanded, while six sub-sectors, including livestock, fishing, electricity supply, construction, administrative services, and 'other' services, contracted in the review period.

Figure 11: Sub-sectors with Largest Contribution to GDP Growth and their Growth Rates (per cent) in Q12024



Source: National Bureau of Statistics

Figure 12: Sub-sectors with Least Contribution to GDP Growth and their Growth Rates (per cent) in Q12024



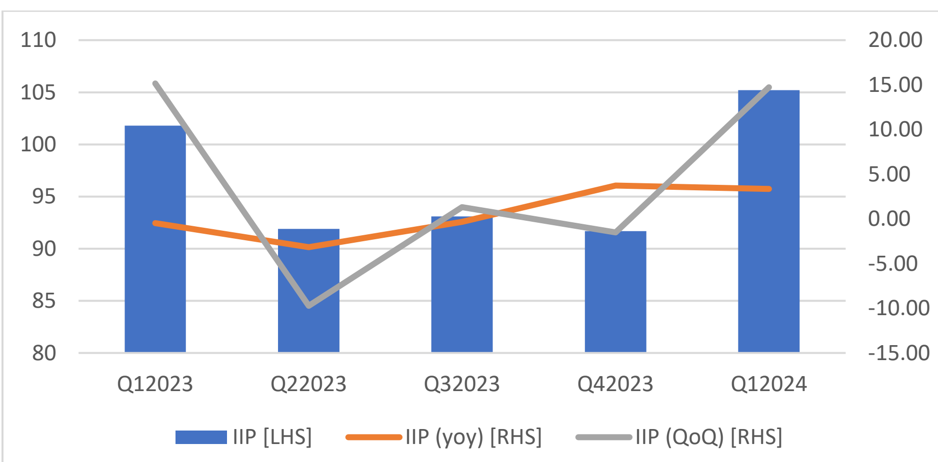
Source: National Bureau of Statistics

2.1.2 Economic & Business Activities

Industrial Production

Industrial sector activity improved during the review quarter, following expansions in mining and manufacturing sectors (amidst inflation and exchange rate pressures). Mining sector activity increased on account of a rise in crude oil and gas production, following enhanced security of oil and gas infrastructure in the Niger-Delta region.

Figure 13: Index of Industrial Production

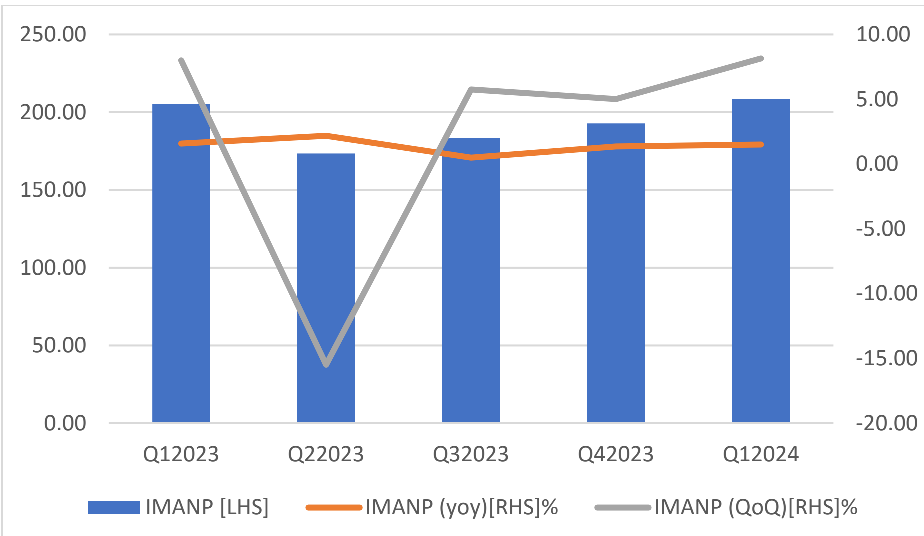


Source: Central Bank of Nigeria
Note: IIP refers to index of industrial production

Industrial Production

On a year-on-year (y-o-y) basis, Index of Industrial Production (IIP) grew by 3.34 per cent in Q12024, compared with 3.73 per cent in the preceding quarter, following strengthened mining sector activity and resilient manufacturing sector performance. On a quarter-on-quarter (q-o-q) basis, the IIP grew by 14.72 per cent from a negative of 1.50 per cent in Q42023.

Figure 14: Index of Manufacturing Production



Source: Central Bank of Nigeria

Note: IMANP refers to index of manufacturing production

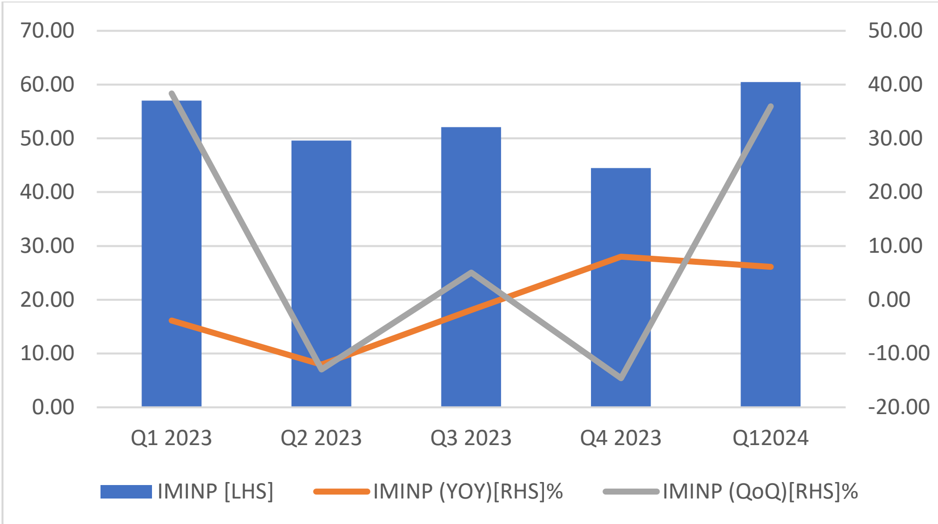
Manufacturing

The index of manufacturing production grew, both y-o-y and q-o-q, by 1.51 and 8.15 per cent, respectively, from 1.37 and 5.01 per cent in Q42023. This was attributed to the shifting preference of consumers towards domestically produced goods, majorly in the food, beverage & tobacco sub-sector, due to elevated cost of imported goods. However, high interest rate burden and input costs limited the ability of firms to significantly increase production.

Capacity Utilisation

Subsequently, the estimated average manufacturing capacity utilisation increased by 0.8 percentage point to 56.7 per cent in Q12024, compared with 55.9 per cent in the previous quarter.

Figure 15: Index of Mining Production



Source: Central Bank of Nigeria
Note: IMINP refers to the index of mining production

Mining

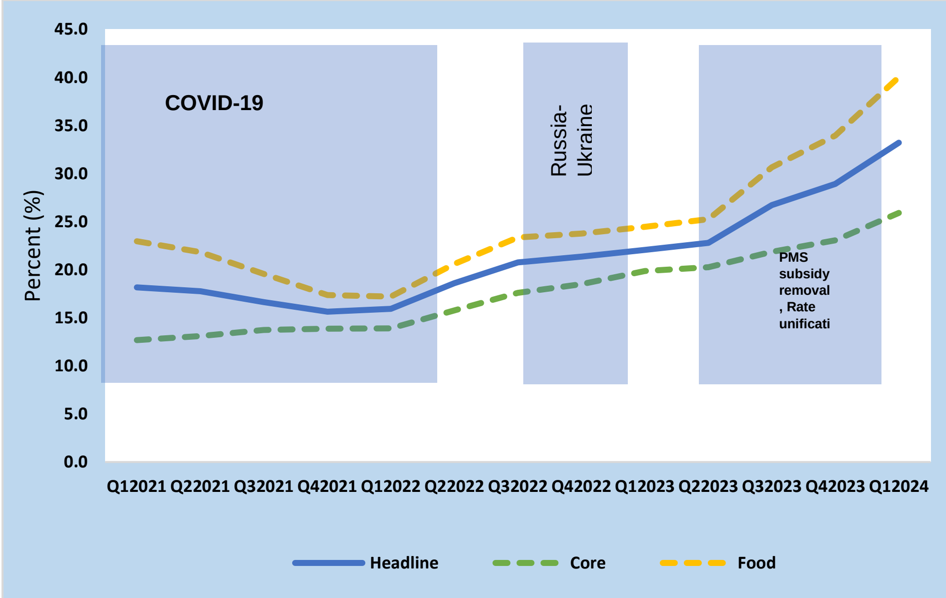
The index of mining production grew, on a y-o-y basis, by 6.14 per cent, compared with 8.01 per cent in Q42023. On a q-o-q basis, it grew by 35.96 per cent, in Q12024, compared with a contraction of 14.6 per in the proceeding quarter. This was attributed to increase in crude oil & natural gas production, following enhanced security measures to curtail the theft of petroleum products and safeguard oil installations.

2.1.3 Inflation

Headline Inflation

Inflation pressures remained elevated in the first quarter of 2024, owing to the lingering effects of PMS subsidy removal on energy and food prices, higher inflation expectations, and security challenges. Headline inflation rose, on a y-o-y basis, to 33.20 per cent, compared with 28.92 per cent in Q42023, following the increase in both food and core components of the CPI basket.

Figure 16: Headline, Food and Core Inflation (Year-on-Year)

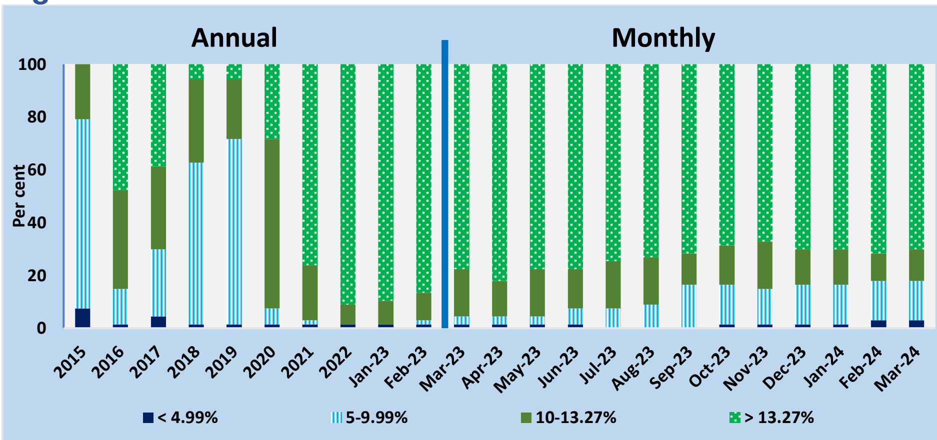


Sources: Central Bank of Nigeria and National Bureau Statistics

Inflation Pervasiveness

Inflation remained largely broad-based across the components of the CPI basket, although recent evidence indicated that it had become less pervasive over the last 12 months. About 70.15 per cent of the items in the CPI basket recorded price increases in March 2024, as against 77.61 per cent of the items in March 2023. The March 2024 outcome, whilst above the historical average of 13.27 per cent (1996-2023), was an improvement from 71.64 per cent in February 2024.

Figure 17: Inflation Pervasiveness[1]

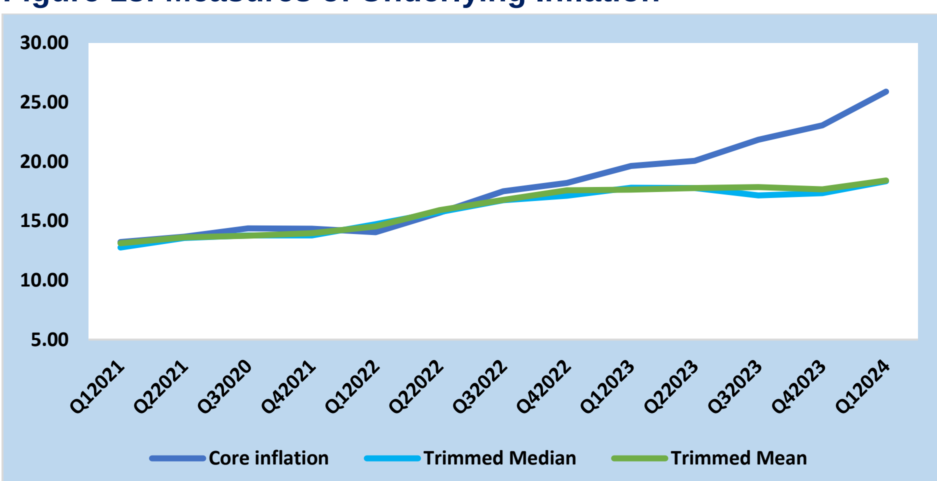


Source: Central Bank of Nigeria & National Bureau of Statistics

Core Inflation

Core inflation increased to 25.90 per cent, on a y-o-y basis, from 23.06 per cent in the preceding quarter. The rise in core inflation was due to increased costs of input amidst other persisting structural factors, such as insecurity and infrastructural deficits. Furthermore, inflation expectations and exchange rate depreciation reinforced the rise in core inflation.

Figure 18: Measures of Underlying Inflation[2]



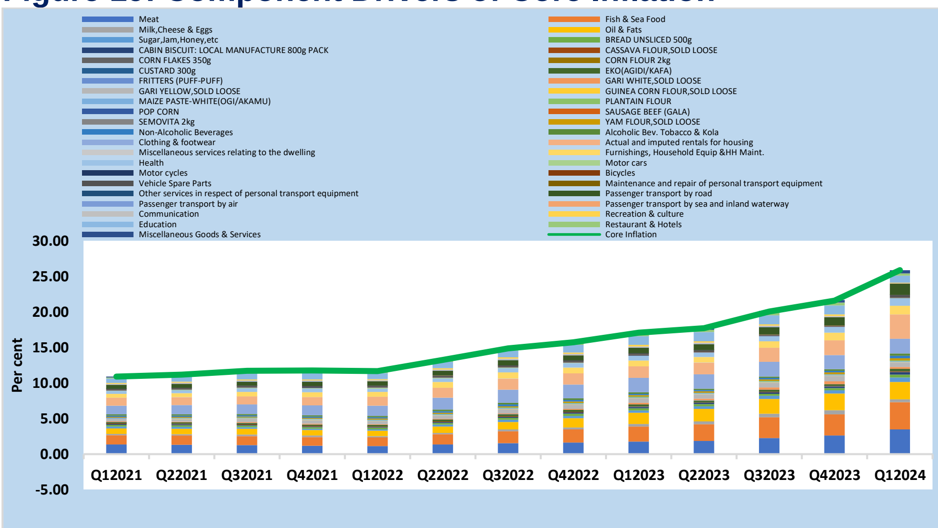
[1] Pervasiveness is measured by the number of headline CPI items that are within specific inflation range. It reflects the extent to which rising prices are affecting the cost of living. Historically, inflation in Nigeria has been high, with average inflation of 13.10 per cent from 1996–2023. Inflation is said to be more pervasive if there is a higher number of items registering inflation above the historical average. The CPI items are therfore categorised into four groups namely; percentage of items registering inflation of less than 4.99 per cent, between 5 per cent and 9.99 per cent, between 10 per cent and 13.10 per cent, and also inflation above 13.10 per cent.

[2] **Core inflation**: measure of underlying inflation defined as headline less farm produce less energy prices.
Trimmed Mean: measure of underlying inflation derived using the average rate of inflation after trimming away a certain percentage of the distribution of price changes outliers at both ends of that distribution.
Trimmed Median: measure of underlying inflation derived by obtaining median values from inflation of CPI components.

Source: Central Bank of Nigeria & National Bureau of Statistics

While all measures of underlying inflation remained elevated, the trend in trimmed mean and median rose at a slower pace than the core inflation. In addition, it indicated that fewer components of the inflation basket accounted for underlying inflationary pressure unlike the core measure.

Figure 19: Component Drivers of Core Inflation



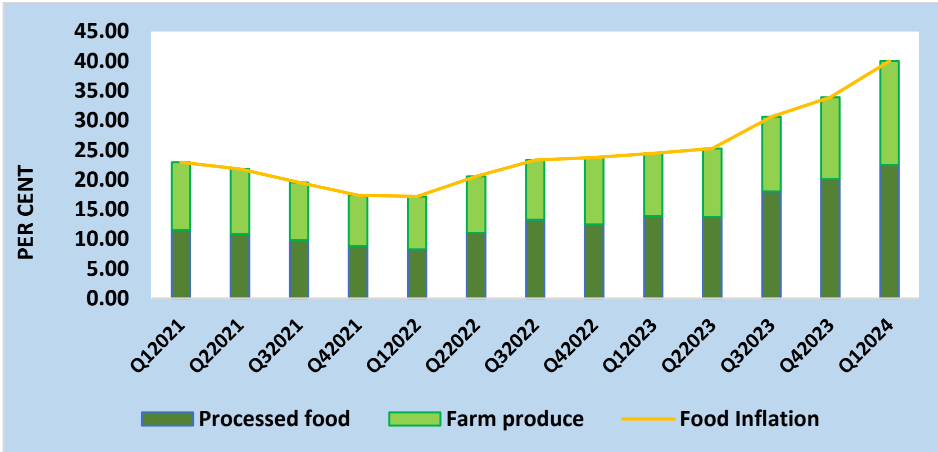
Source: National Bureau of Statistics

Further analysis of the drivers of core inflation in Q12024 revealed that fish & sea food contributed 3.84 percentage points (pp). Other contributors are meat (3.46 pp), actual & imputed rentals for housing (3.41 pp), oil & fats (2.43 pp), and clothing & footwear (2.08 pp).

Food Inflation

Food inflation rose to 40.01 per cent, on a y-o-y basis in Q12024, from 33.93 per cent in the preceding quarter. The upsurge in food inflation was, largely, on account of the ripple effects of PMS subsidy removal that prompted high transportation/logistics costs and pulled-up the prices of essential food items. Prices of some staple food crops were also affected by seasonality, thereby contributing to the rise in food inflation.

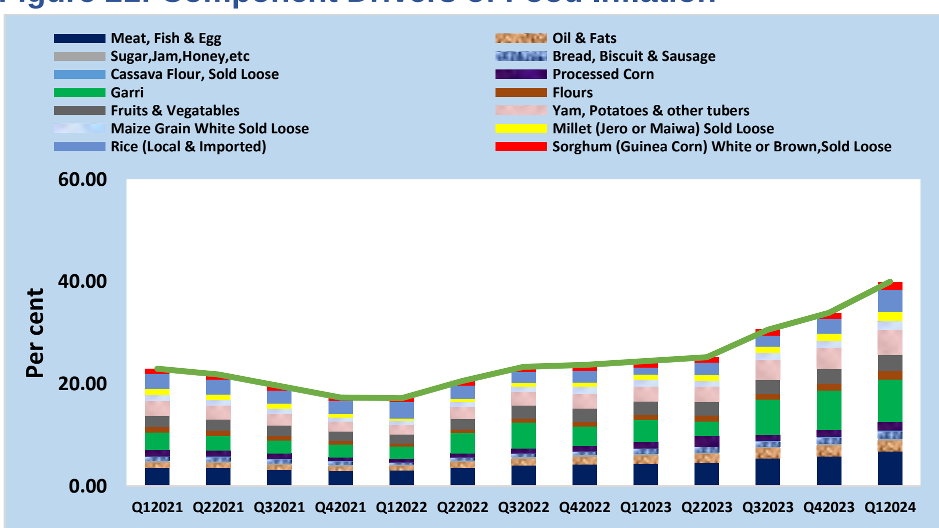
Figure 20: Contribution of Processed food and Farm produce to Food Inflation



Source: National Bureau of Statistics

In terms of contribution to food inflation, the processed food component continued to dominate. This was due to the persisting high energy cost, driven by elevated price of diesel, which exacerbated the cost of production. Further analysis showed that garri, at 8.30 percentage points (pp); meat, fish & egg (6.82 pp); yam, potatoes & other tubers (4.89 pp); rice (4.35 pp); fruits & vegetables (3.22 pp); and oil & fats (2.14 pp) were the major drivers of food inflation in Q12024.

Figure 21: Component Drivers of Food Inflation



Source: National Bureau of Statistics

2.1.4 Socio-Economic Developments

Transportation

Prospects for transportation efficiency were boosted with the official commissioning of the 37km red line Lagos mass rail transit (LMRT) project. Similarly, the Federal Government approved the funding of 30km dualisation of three sections of the Benin- Lokoja federal highway, under the Tax Credit Scheme by the BUA Group.

The aviation sector was further boosted, as an indigenous airline, Air Peace, launched a direct flight operation from Lagos to London during the review period. This would further stimulate growth in the sector through enhanced competitiveness in the aviation industry in Nigeria.

Education / Health

To bolster human capital developments in the health and social welfare sectors, the Federal Government of Nigeria approved the conversion of the Federal College of Dental Technology and Therapy in Enugu to a full-fledged University of Allied Health Sciences. This would support government plans to train 120,000 frontline health-workers nationwide and double the number of primary health facilities in local communities across all local government areas from 8,800 to over 17,000 in the next three years.

Empowerment

In the review period, the Senate passed the National Youth Service Corps (NYSC) Trust Fund Bill to empower corps members pursue various initiatives, including business ventures and community development projects. The Bill will provide a sustainable source of funds for the NYSC and support skills acquisition programmes for corps members, equipping them with practical skills that can enhance their employability and entrepreneurial abilities.

2.1.5 Energy Sector and Electricity

2.1.5.1 Domestic Crude Oil Market Developments

Crude Oil Production and Export

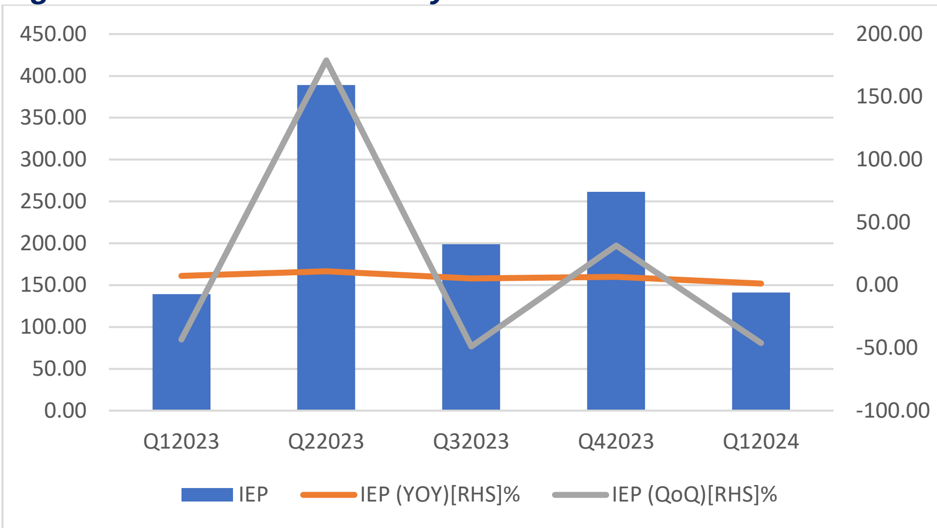
Domestic crude oil production rose marginally (quarter-on-quarter) due to enhanced security measures in the oil-producing areas.

Nigeria's average crude oil production rose by 1.53 per cent to 1.33 mbpd in Q12024, compared with 1.31 mbpd in the preceding quarter. Crude oil production increased in the Forcados and Bonny, Qua-Iboe, Escravos and Brass streams following enhanced security measures in the Niger-Delta region. The production level in Q12024 was, however, 248,000 bpd lower than the OPEC quota of 1.58 mbpd.

Index of Electricity production

Energy sector output weakened due to decreased water supply to hydro substations, reduced gas supply, and vandalism of some electricity transmission and distribution infrastructure. Analysis of the index of electricity production (IEP) indicated that electricity production contracted by 46.04 per cent (q-o-q) in Q12024, as against an increase of 31.47 per cent in Q42023. On a y-o-y basis, IEP increased marginally by 1.22 per cent in the review period, compared with 6.47 per cent in Q42023

Figure 22: Index of Electricity Production



Source: *Central Bank of Nigeria*
Note: IEP refers to index of electricity production

Electricity Generation / Consumption

The average estimated electricity generation in Q12024 at 3,856.5 MW/h, decreased by 6.13 per cent, relative to 4,106.3MW/h in Q42023. Likewise, the average estimated electricity consumption at 3,750.4 MW/h, decreased by 3.96 per cent in Q12024, compared with 3,903.4MW/h in the preceding quarter.

Box Information 1

Prices of all the monitored domestic agricultural commodities maintained an upward trend in the first quarter of 2024. The price increases ranged from 10.37 per cent for Maize grain white to 70.77 per cent for onion bulbs. The factors which contributed to the increase included, high energy cost (PMS and diesel), security challenges especially in major food producing areas, as well as low supply during the off-season.

Prices of Selected Domestic Agricultural Commodities in Q1 2024

		2023Q1	2023Q4	2024Q1	% Change	% Change
	UNIT	1	2	3	(1) & (3)	(2) & (3)
Agric eggs medium size	*1kg*	*891.89*	*1163.31*	*1402.99*	*57.30*	*20.60*
Beans: brown, sold loose	"	*602.26*	*788.63*	*1054.05*	*75.02*	*33.66*
Beans: white black eye, sold loose	"	*579.18*	*766.18*	*981.97*	*69.54*	*28.16*
Gari white, sold loose	"	*353.85*	*541.90*	*627.84*	*77.43*	*15.86*
Gari yellow, sold loose	"	*390.68*	*570.84*	*652.55*	*67.03*	*14.31*
Groundnut oil: 1 bottle, specify bottle	"	*1293.65*	*1655.31*	*2031.71*	*57.05*	*22.74*
Irish potato	"	*558.63*	*831.74*	*1226.32*	*119.52*	*47.44*
Maize grain white, sold loose	"	*341.53*	*743.40*	*820.50*	*140.24*	*10.37*
Maize grain yellow, sold loose	"	*345.44*	*742.57*	*845.80*	*144.85*	*13.90*
Onion bulb	"	*445.27*	*703.76*	*1201.82*	*169.91*	*70.77*
Palm oil: 1 bottle, specify bottle	"	*1086.66*	*1379.77*	*1527.79*	*40.60*	*10.73*
Rice agric, sold loose	"	*615.63*	*896.91*	*1155.23*	*87.65*	*28.80*
Rice local, sold loose	"	*532.56*	*881.71*	*1052.28*	*97.59*	*19.35*
Rice, medium grained	"	*597.21*	*926.41*	*1188.98*	*99.09*	*28.34*
Rice, imported high quality, sold loose	"	*764.20*	*1112.27*	*1429.51*	*87.06*	*28.52*
Sweet potato	"	*281.21*	*459.54*	*705.49*	*150.88*	*53.52*
Tomato	"	*473.26*	*685.26*	*991.11*	*109.42*	*44.63*
Vegetable oil: 1 bottle, specify bottle	"	*1218.96*	*1578.07*	*1916.11*	*57.19*	*21.42*
Wheat flour: prepackaged (Golden Penny)	*2kg*	*1272.60*	*1735.83*	*2282.85*	*79.38*	*31.51*
Yam tuber	*1kg*	*441.37*	*723.18*	*996.91*	*125.87*	*37.85*

Sources: *National Bureau of Statistics and Central Bank of Nigeria Staff estimates*

2.2 Fiscal Sector Developments

Summary

Provisional data showed that fiscal operations improved in Q12024. Federally collected revenue was 14.55 per cent above the proceeds in the preceding quarter, but 45.81 per cent less than the benchmark. Federal Government of Nigeria (FGN) retained revenue and expenditure were 14.06 and 25.45 per cent beneath the levels in Q42023, respectively, as fiscal deficit reduced by 31.30 per cent. Public debt, at ₦97,340.71 billion (or 41.52% of GDP), surpassed the 40.00 per cent benchmark as at end-December 2023.

2.2.1 Federation Account Operations

Federation Revenue

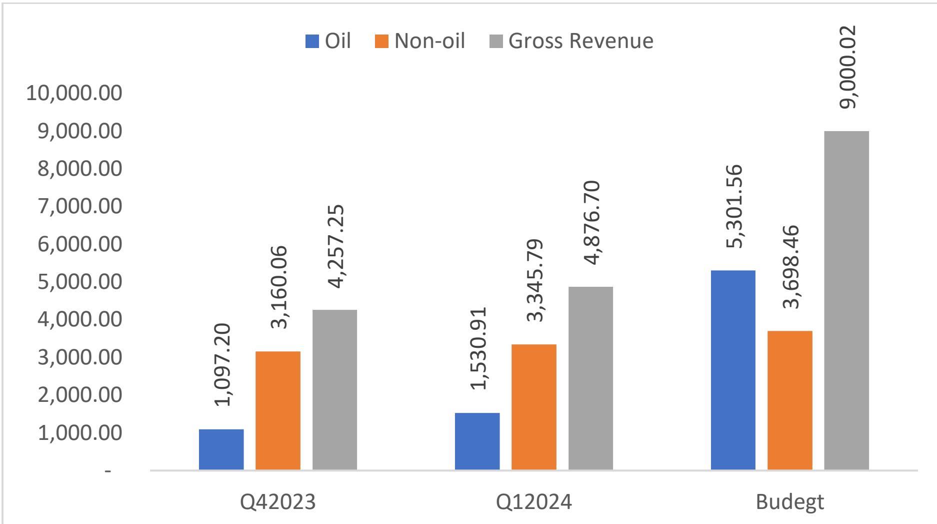
Gross Federation Account earnings improved in Q12024, compared with the preceding quarter, on account of higher receipts from both oil and non-oil sources. At ₦4,876.70 billion, provisional gross Federation Account receipt exceeded the level in Q42023 by 14.55 per cent but trailed the benchmark by 45.81 per cent. The higher receipt during the review period reflected higher revenues from crude oil & gas exports, petroleum profit tax (PPT), royalties, corporate tax, customs & excise duties, and value-added tax (VAT). With respect to the composition of gross federation revenue, non-oil revenue continued to dominate, accounting for 68.61 per cent, while oil revenue made up the balance.

Higher dividends payment by the Nigerian National Petroleum Company Limited (NNPCL), upstream CIT, crude oil & gas exports, PPT, and royalties receipts led to increase in oil revenue to ₦1,530.91 billion in Q12024, 39.53 per cent above the level in Q42023.[3] Oil revenue was, however, below the target by 71.12 per cent.

[3] Based on Nigeria's Petroleum Industry Act (PIA 2021), companies income tax (CIT) now applies to upstream crude oil production operations.

Non-oil revenue, at ₦3,345.79 billion, was 5.88 per cent above the level in the preceding quarter, but 9.54 per cent below target. The improvement was driven by higher collections from corporate tax, customs & excise duties, and VAT.

Figure 23: Gross Revenue and Benchmark (₦ Billion)



Source: *Office of the Accountant-General of the Federation (OAGF) and Federal Ministry of Finance (FMF)*

After accounting for deductions and additional revenue from non-stable sources, a net balance of ₦3,429.98 billion was distributed among the three tiers of government.[4] Of the amount, the Federal, State and Local governments received ₦1,143.55 billion, ₦1,143.05 billion and ₦834.12 billion, respectively. The balance of ₦309.26 billion was allocated to the 13% Derivation Fund for oil-producing states. The disbursement in Q12024 was 18.31 per cent above the level in Q42023, but 50.49 per cent short of the target.

[4] Non-stable sources include exchange gain, non-oil excess revenue, and excess crude revenue.

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

	Q12023	Q42023 1/	Q12024 1/	Budget*
Federation Revenue (Gross)	**3,537.13**	**4,257.25**	**4,876.70**	**9,000.02**
Oil	**1,341.12**	**1,097.20**	**1,530.91**	**5,301.56**
Crude Oil & Gas Exports	0.00	19.88	182.65	366.09
PPT	791.59	135.67	366.93	2,655.89
Royalties	533.11	489.89	592.68	1,605.90
Domestic Crude Oil/Gas Sales	0.00	56.86	0.00	26.25
Others	16.42	394.90	388.65	647.41
Non-oil	**2,196.01**	**3,160.06**	**3,345.79**	**3,698.46**
Corporate Tax	546.20	876.00	1,022.86	814.19
Customs & Excise Duties	389.67	584.41	667.35	717.22
Value-Added Tax (VAT)	741.32	1,011.35	1,373.73	988.53
Non-Regular Earnings/EMTL	51.26	118.10	50.97	43.78
Independent Revenue of Fed. Govt.	458.75	561.40	222.08	673.19
*Others***	8.80	8.80	8.80	461.55
Total Deductions/Transfers***	**1,383.13**	**2,211.10**	**2,669.87**	**2,115.51**
Federally Collected Revenue *Less Deductions & Transfers*	**2,153.99**	**2,046.16**	**2,206.83**	**6,884.51**
plus:				
Additional Revenue	**309.05**	**853.06**	**1,223.15**	**43.56**
Balance in Special Account from 2019	0.00	0.00	0.00	0.00
Excess Crude Revenue	*0.00*	0.00	0.00	0.00
Non-oil Excess Revenue	164.21	98.49	48.93	43.56
Exchange Gain	144.84	754.57	1,174.22	0.00
Total Distributed Balance	**2,463.04**	**2,899.22**	**3,429.98**	**6,928.07**
Federal Government	**929.60**	**1,046.77**	**1,143.55**	**3,288.04**
Statutory	826.06	905.50	951.67	3,150.68
VAT	103.55	141.27	191.88	137.37
State Government	**785.00**	**946.48**	**1,143.05**	**1,424.54**
Statutory	439.85	475.60	503.44	966.65
VAT	345.16	470.88	639.61	457.89
Local Government	**578.97**	**694.92**	**834.12**	**1,565.25**
Statutory	337.36	365.30	386.40	1,244.73
VAT	241.61	329.62	447.73	320.52
13% Derivation	**169.46**	**211.05**	**309.26**	**650.23**

***Source*: :** *Office of the Accountant-General of the Federation (OAGF), Federal Ministry of Finance, and CBN Staff Estimates.*
*Note: *Budget is based on 2024 appropriation Act, ** Includes Education Tax, Customs Special Levies (Federation Account), National Information Technology Development Fund, Customs Special Levies, Solid Minerals & Other Mining revenue, and other non-regular earnings; *** Deductions include cost of revenue collections and JVC cash calls; while transfers entail provisions for FGN Independent revenue and other non-federation revenue. /1 Figures are Provisional*

2.2.2 Fiscal Operations of the Federal Government

Federal Government Retained Revenue

Provisional data indicated that FGN retained revenue fell, largely, on account of lower receipts from FGN Independent Revenue. At ₦1,445.67 billion, FGN retained revenue was below the amount collected in Q42023, and the target by 14.06 and 70.49 per cent, respectively.

Table 6: FGN Retained Revenue (₦ Billion)

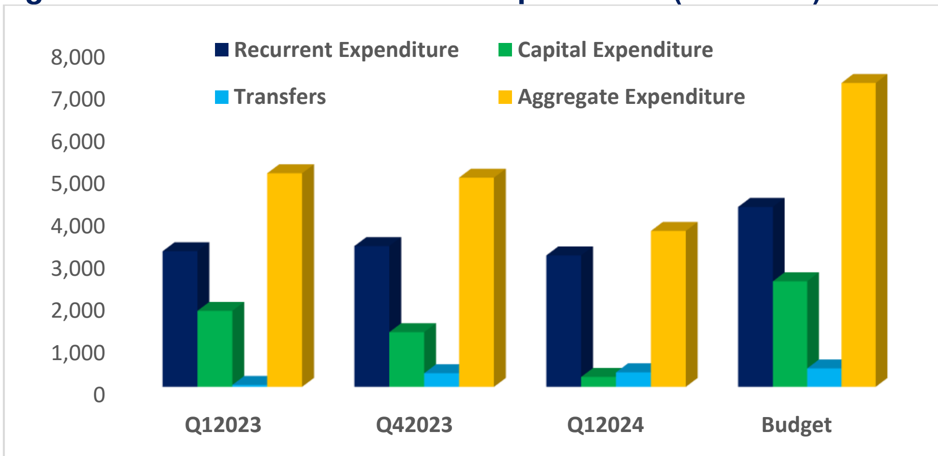
	Q12023	Q42023*	Q12024*	Budget
FGN Retained Revenue	**1,316.00**	**1,682.24**	**1,445.67**	**4,899.62**
Federation Account	692.44	578.46	477.88	*3,144.14*
VAT Pool Account	96.64	131.85	191.88	*137.37*
FGN Independent Revenue	458.75	561.40	222.08	*673.19*
Excess Oil Revenue	0.00	0.00	0.00	*0.00*
Excess non-oil	6.89	5.39	7.34	*6.53*
Exchange Gain	61.28	354.79	546.49	*0.00*
*Others***	0.00	50.36	0.00	*938.38*

***Source**: Data from: Office of the Accountant-General of the Federation (OAGF)*
*Note: *The figures are provisional*
*** Others include revenue from Special Accounts and Special Levies.*

Federal Government Expenditure

Provisional aggregate expenditure of the FGN dropped, owing, largely, to lower capital outlay. At ₦3,691.46 billion, expenditure in Q12024 was short of the level in the preceding quarter and the target by 25.45 and 48.69 per cent, respectively. In terms of composition, recurrent expenditure, at 84.30 per cent, continued to dominate FGN spending, compared with the shares of 6.37 and 9.33 per cent for capital outlay and transfers, respectively.

Figure 24: Federal Government Expenditure (₦ Billion)



Source: *CBN Staff Estimates and OAGF*

Overall Fiscal Balance

The fiscal operations of the FGN in Q12024 resulted in a narrower fiscal deficit. The provisional fiscal deficit of the FGN, at ₦2,245.79 billion, was 31.30 and 2.13 per cent lower than the level in Q42023 and the target, respectively. The reduced deficit reflected the faster decline in expenditure, relative to revenue.

Federal Government Debt

Public debt stock in Q42023 was 41.52 per cent of GDP, which exceeded the 40.00 per cent national threshold. Total public debt outstanding stood at ₦97,340.71 billion (or 41.52% of GDP), at end-December 2023, and was 10.73 per cent, higher than the levels at end-September 2023. A breakdown of the consolidated public debt showed that, domestic debt accounted for 60.74 per cent, while external debt obligations constituted 39.26 per cent. Of the consolidated public debt stock, FGN owed ₦91,477.86 billion (93.98%),[5] while State governments accounted for the balance (₦5,862.85 billion or 6.02%).

A disaggregation of the FGN debt obligations showed that domestic debt was ₦53,258.01 billion (58.22%), while external debt constituted ₦38,219.85 billion (41.78%). Further analysis revealed

[5] Includes the external debt of State governments, which are contingent liabilities of the Federal government.

that FGN Bonds maintained its dominance, with 83.11 per cent of the total domestic debt stock, followed by Treasury Bills (12.25%), Promissory Notes (2.50%), and FGN Sukuk (2.05%), while others[6] (0.10%) constituted the balance. Of the total external debt stock, multilateral, commercial and bilateral loans accounted for 49.77, 36.21, and 14.02 per cent, respectively.

Table 7: Fiscal Balance (₦ Billion)

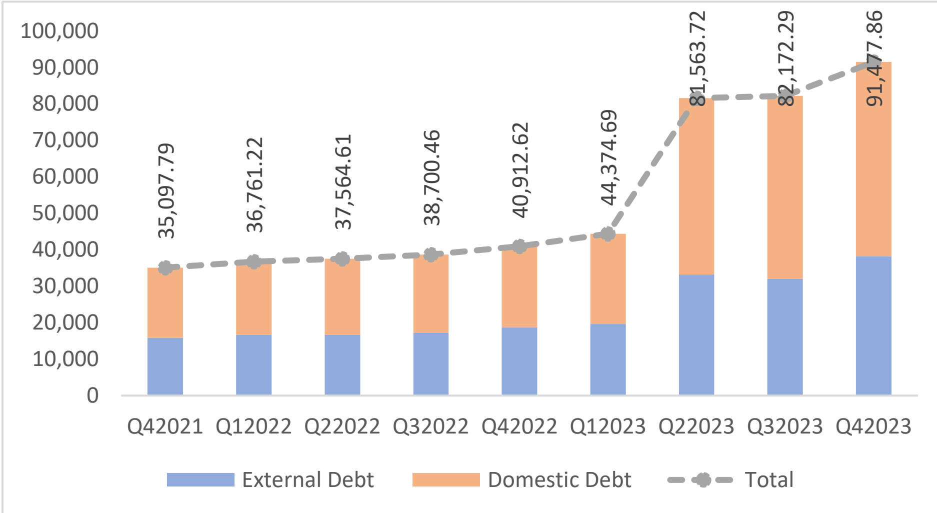
	Q12023	Q42023*	Q12024*	Budget
Retained revenue	**1,316.00**	**1,682.24**	**1,445.67**	**4,899.62**
Aggregate expenditure	**5,056.11**	**4,951.46**	**3,691.46**	**7,194.35**
Recurrent	**3,210.45**	**3,333.69**	**3,111.80**	**4,259.87**
Non-debt	1,237.72	1,456.70	1,420.35	2,192.13
Debt Service	1,972.73	1,876.98	1,691.45	2,067.74
Capital	1,798.95	1,294.47	235.11	2,498.79
Transfers	46.71	323.31	344.55	435.70
Primary balance	**-1,767.38**	**-1,392.24**	**-554.35**	**- 226.99**
Overall balance	**-3,740.11**	**-3,269.22**	**-2,245.79**	**-2,294.73**

Source*: Data from: Office of the Accountant-General of the Federation (OAGF) and CBN Staff Estimates*
Note*: * provisional*

Debt service obligations in Q42023 fell marginally by 0.44 per cent to ₦2,848.88 billion, from ₦2,861.61 billion in Q32023. The decrease was attributed to fewer maturing bilateral and commercial obligations, relative to the preceding quarter. A breakdown showed that domestic debt service was ₦2,000.60 billion (70.22%), while external debt service constituted ₦848.28 billion (29.78%).

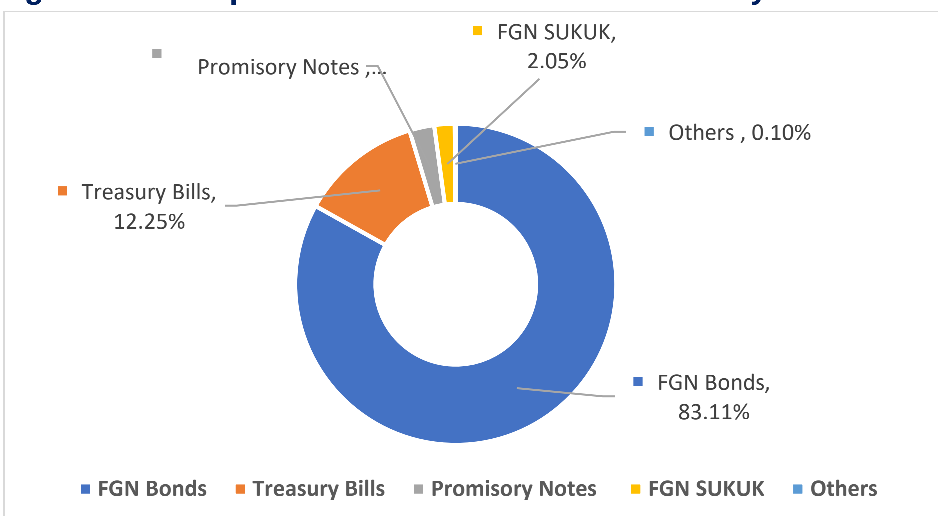
[6] Includes treasury bonds (0.00%), green bond (0.03%) and special FGN savings bond (0.07%).

Figure 25: FGN External and Domestic Debt Composition (₦ Billion)



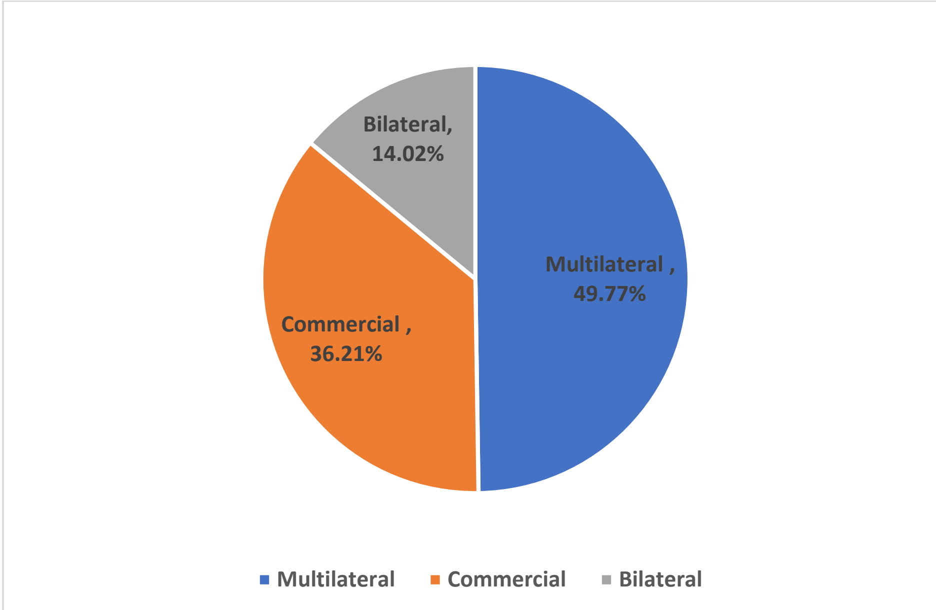
Source: *Debt Management Office*

Figure 26: Composition of Domestic Debt Stock by Instrument



Source*: Debt Management Office*

Figure 27: Composition of External Debt Stock by Instrument



***Source**: Debt Management Office*

2.3 Monetary and Financial Developments

Summary

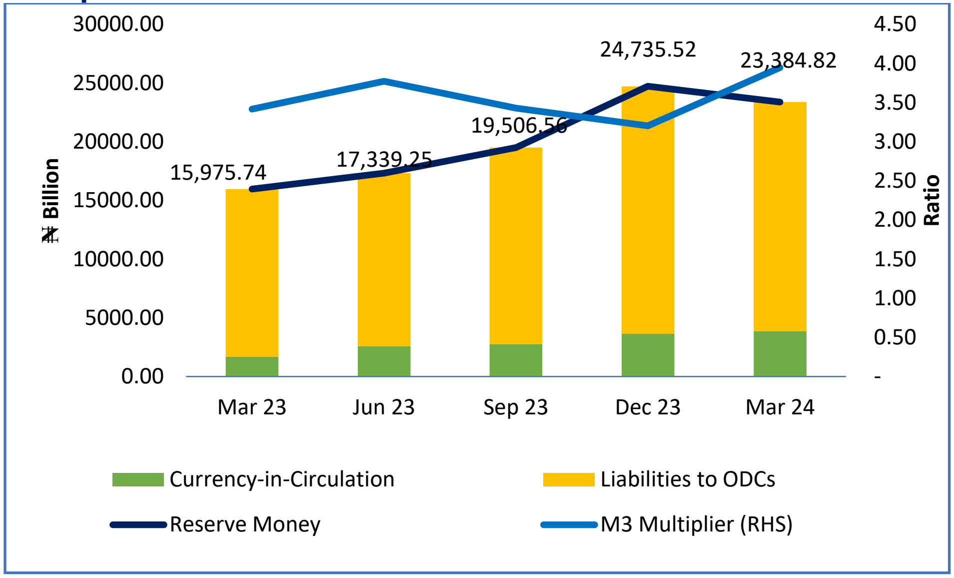
The Bank maintained a restrictive policy stance, raising the MPR by a cumulative 600 basis points to 24.75 per cent during the review period, and the CRR to 45.00 per cent from 32.5 per cent. Nonetheless, key monetary aggregates grew relative to the levels in the preceding quarter, driven by the revaluation effect of the exchange rate on net foreign asset. Higher interest rates stimulated investor appetite for domestic securities, fuelling increased subscriptions for the Nigerian Treasury Bills (NTBs) and FGN bonds in the review quarter. The banking sector remained resilient, as financial soundness indicators were largely within regulatory thresholds.

2.3.1 Monetary Developments

Reserve Money

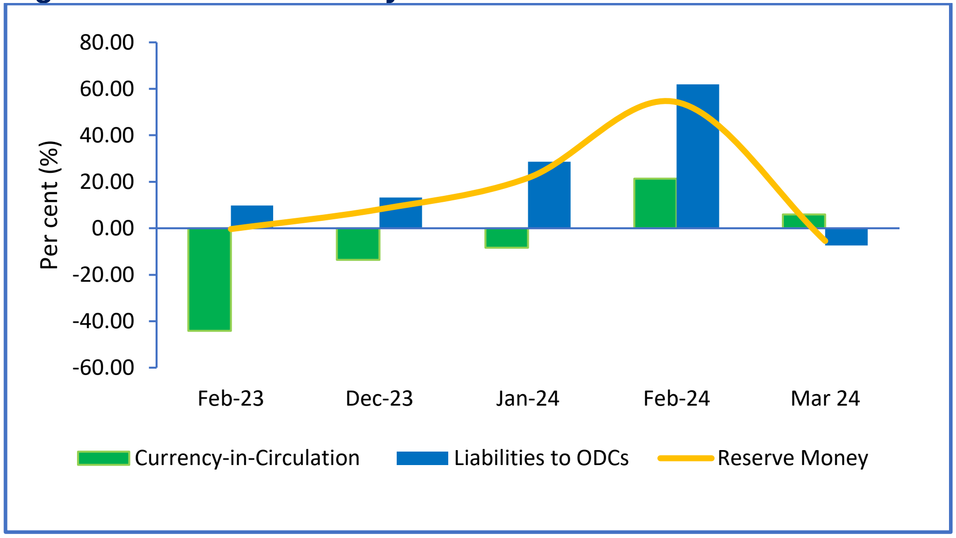
Reserve money fell at end-March 2024, on account of a decline in liabilities to other depository corporations (ODCs). Relative to the level at end-December 2023, reserve money declined by 5.46 per cent to ₦23,384.82 billion at end-March 2024. The fall in reserve money was driven by the 7.43 per cent decline in liabilities to ODCs arising from a decrease in their required reserves, following the Bank's contractionary monetary policy stance. The stock of reserve money was below the benchmark of ₦28,274.79 billion for 2024.

Figure 28: Developments in Reserve Money and Money Multiplier



Source: *Central Bank of Nigeria*

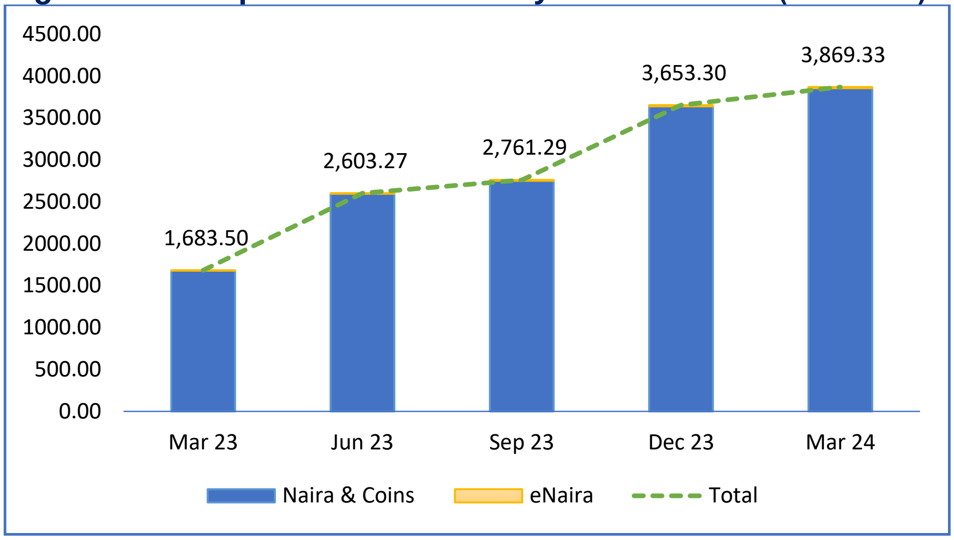
Figure 29: Reserve Money Growth Over end-December 2023



Source: *Central Bank of Nigeria*

The volume of eNaira as a component of currency in circulation (CIC) was ₦13.98 billion at end-March 2024, same as in the preceding quarter. In terms of the composition of total CIC, eNaira was 0.4 per cent, while banknotes and coins constituted the dominant share at 99.6 per cent.

Figure 30: Composition of Currency-in-Circulation (₦ Billion)



Source: *Central Bank of Nigeria*

The relationship between reserve money and broad money supply (M3) indicated a rise in the money multiplier to 3.95 at end-March 2024 from 3.2 in the preceding period. This followed the observed 16.52 per cent expansion (over preceding December) of M3 to ₦92,343.29 billion during the review period. From the asset side, growth in M3 was driven by the substantial increase in net foreign assets (NFA), which contributed 33.37 percentage points to broad money growth. The growth in NFA reflected the 57.55 per cent expansion in claims on non-residents as the exchange rate revaluation impacted official reserve assets. Net domestic assets (NDA), however, fell by 19.10 per cent reflecting the 41.61 per cent decline in net claims on central government, which outweighed the growth in claims on other sectors (13.87%).

Money Supply

On the liability side, the growth in M3 was driven by the increases in currency outside depository corporations (5.64%), transferable deposits (8.15%), and other deposits (22.86%). Securities other than shares declined significantly by 97.47 per cent. In terms of relative contribution, 'other deposits' led with 14.05 percentage points (pp). This was followed by transferable deposits (2.74 pp), currency outside depository corporations (0.24 pp), and securities other than shares (-0.52 pp). The growth in 'other deposits' was attributed to the rise in foreign currency deposits as a result of the exchange rate revaluation.

Table 8: Money and Credit Growth Over Preceding December (per cent)

	Mar-23	Sep-23	Dec-23	Mar-24	Contribution to M3 growth (Mar-24)	2024 Benchmark
Net Foreign Assets	-21.50	226.25	142.99	283.20	33.37	
Claims on Non-residents	-6.53	81.33	113.87	57.55	36.07	
Liabilities to Non-residents	-3.56	52.60	108.09	5.31	2.70	
Net Domestic Assets	6.76	12.54	44.62	-19.10	-16.85	22.65
Domestic Claims	9.76	23.47	45.31	-5.50	-6.67	
Net Claims on Central Government	19.49	-6.56	41.61	-41.61	-17.61	14.99
Claims on Central Government	13.19	24.26	63.30	-0.05	-0.03	
Liabilities to Central Government	-0.90	93.11	111.78	62.03	17.58	
Claims on Other Sectors	4.32	40.24	47.38	13.87	10.94	11.11
Claims on Other Financial Corporations	6.29	36.90	47.76	-4.63	-0.80	
Claims on State and Local Government	4.11	8.97	18.52	-2.49	-0.13	
Claims on Public Nonfinancial Corporations	17.99	89.04	-4.72	8.96	0.36	
Claims on Private Sector	1.91	39.44	57.78	22.07	11.52	
Total Monetary Assets (M_3)	4.68	28.28	51.86	16.52	16.52	**15.60**
Currency Outside Depository Corporations	-43.74	-5.95	33.67	5.64	0.24	
Transferable Deposits	9.67	26.01	46.83	8.15	2.74	
Narrow Money (M_1)	3.05	22.05	45.20	7.86	2.99	
Other Deposits	5.67	31.59	56.88	22.86	14.05	
Broad Money (M_2)	4.62	27.77	52.20	17.13	17.04	15.68
Securities Other than Shares	12.38	95.51	7.04	-97.47	-0.52	
Total Monetary Liabilities(M_3)	17.42	28.28	51.86	16.52	16.52	**15.60**

Source: *Central Bank of Nigeria*

2.3.2 Sectoral Utilisation of Credit

Sectoral Credit Utilisation

Total sectoral credit increased by 19.50 per cent to ₦53,221.14 billion at end-March 2024, from ₦44,536.13 billion at end-December 2023. This reflected 14.45 per cent rise in loans to agriculture, 19.73 per cent to industry, and 19.80 per cent to the services sectors. A breakdown indicated that the services sector accounted for 52.9 per cent of total loans, while the industry and agriculture sectors received 42.3 and 4.9 per cent, respectively.

Table 9: Sectoral Credit Allocation

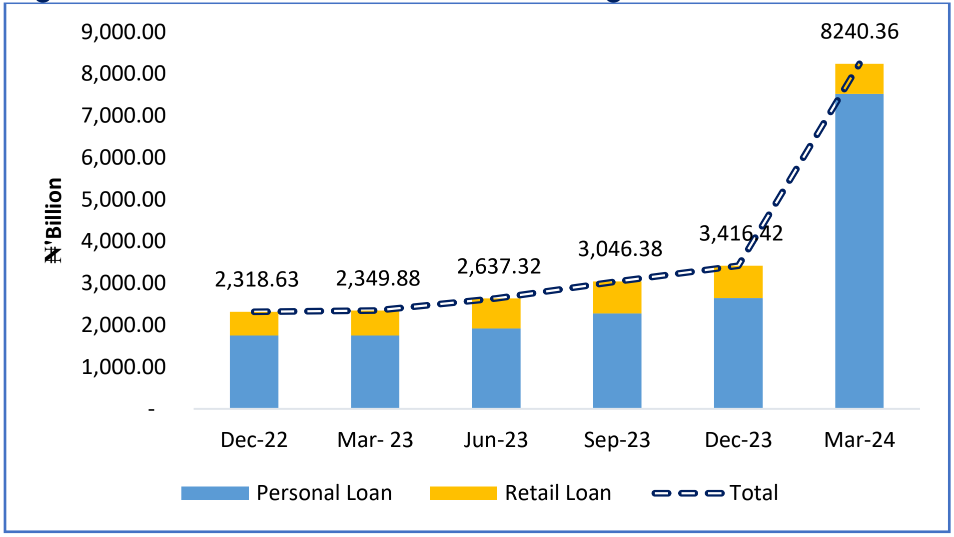
SECTORS	Allocation (₦ Billion)			Share in Total (%)			Growth (%)
	Mar-23 (1)	Dec-23 (2)	Mar-24 (3)	Mar-23 (4)	Dec-23 (5)	Mar-24 (6)	(3) & (2)
[a] Agriculture	**1,887.95**	**2,255.36**	**2,581.33**	**6.22**	**5.07**	**4.85**	**14.45**
[b] Industry	**12,334.84**	**18,781.93**	**22,488.13**	**40.65**	**42.17**	**42.25**	**19.73**
Manufacturing	5,655.28	7,732.46	8,697.94	18.90	18.64	16.34	12.49
[c] Services	**16,123.34**	**23,498.84**	**28,151.67**	**52.84**	**53.13**	**52.90**	**19.80**
Finance, Insurance & Capital Market	2,639.25	4,327.86	3,412.69	8.96	8.70	6.41	(21.15)
Trade & General Commerce	2,333.42	3,548.74	3,798.63	7.52	7.69	7.14	7.04
TOTAL	**30,346.13**	**44,536.13**	**53,221.14**	**100.0**	**100.0**	**100.0**	**19.50**

Source: *Central Bank of Nigeria*

Consumer Credit

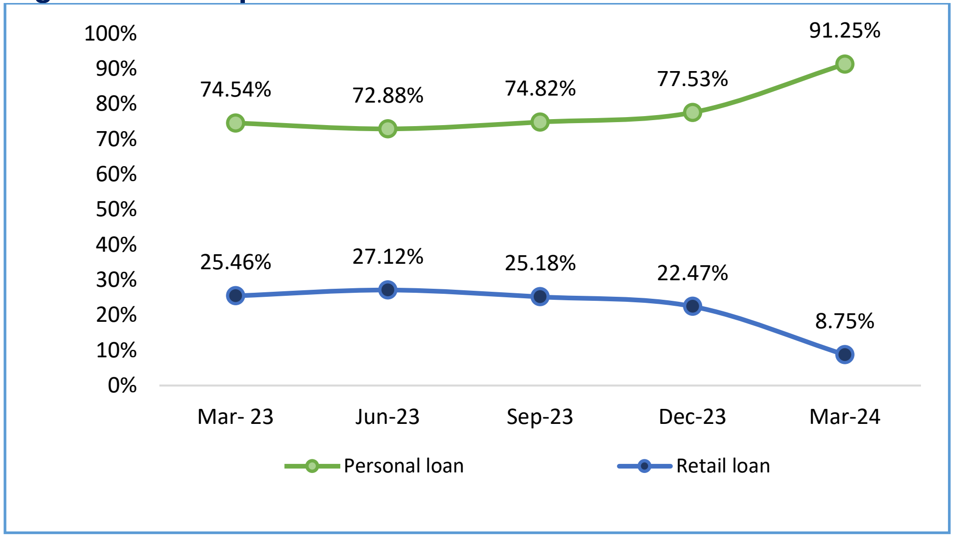
Consumer credit outstanding grew by 268.9 per cent to ₦8,240.36 billion at end-March 2024, relative to the level at end-December 2023. The substantial growth in consumer credit was attributable to inflation expectations. A disaggregation of consumer credit showed that personal loans increased by 270.4 per cent to ₦7,519.2 billion, while retail loans increased by 253.4 per cent to ₦721.13 billion. Personal loans remained the principal component of consumer credit, with a 91.2 per cent share, while retail loans accounted for the balance. As a proportion of total sectoral credit, consumer credit increased to 15.5 per cent, from 7.7 per cent at end-December 2023.

Figure 31: Consumer Credit Outstanding



Source: *Central Bank of Nigeria*

Figure 32: Composition of Consumer Credit



Source: *Central Bank of Nigeria*

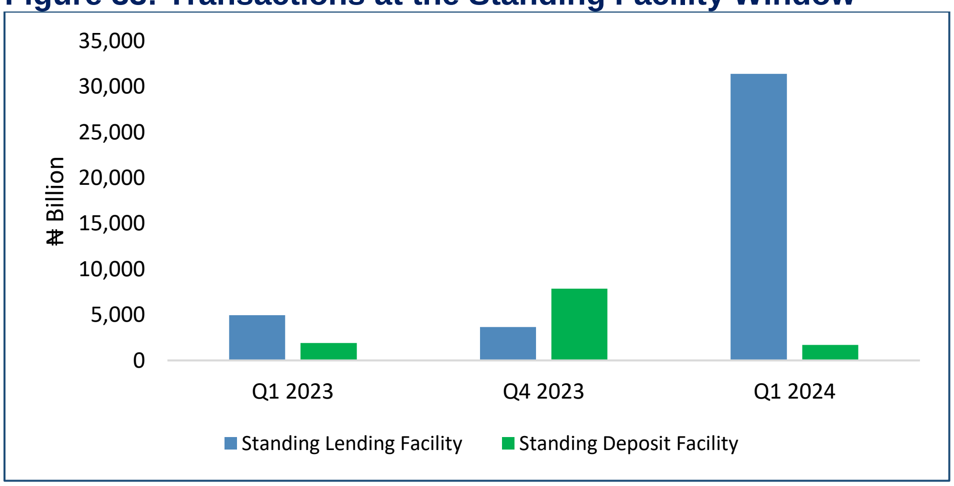
2.3.3 Financial Developments

2.3.3.1 Money Market Developments

Industry Liquidity Condition

Banking system liquidity increased, compared with the level in the preceding quarter. Average banking system liquidity increased by 17.52 per cent to ₦292.31 billion, reflecting the 18.31 per cent rise in FAAC distribution during the quarter. Despite the relative increase in liquidity, transactions at the standing lending facility (SLF) stood at ₦31,399.79 billion, with average daily request of ₦1,319.72 billion, while placement at the standing deposit facility (SDF) stood at ₦1,695.04 billion, with a daily average of ₦26.91 billion. Applicable rate for the SLF ranged from 19.75 to 25.75 per cent relative to 19.75 per cent in the preceding period. The range for the SDF was 15.75 – 21.75 per cent compared with 15.75 per cent that was applicable in Q42023. The applicable rates for the SLF and the SDF during the review period reflected the adjustments of the asymmetric corridor (from +100/-300 around an MPR of 18.75 per cent in January), first, to +100/-700 around an MPR of 22.75 per cent in February, and then reversed in March to +100/-300 around an MPR of 24.75 per cent.

Figure 33: Transactions at the Standing Facility Window

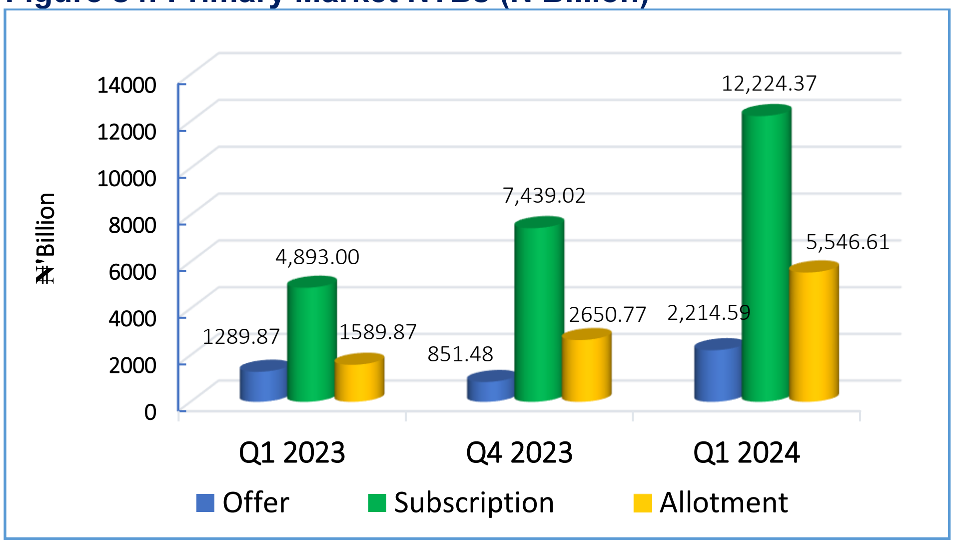


***Source**: Central Bank of Nigeria*

Primary Market

Patronage of NTBs and FGN bonds increased significantly due to higher yields during the review quarter. NTBs worth ₦2,214.59 billion, ₦12,224.37 billion, and ₦5,546.61 billion were offered, subscribed, and allotted, respectively, in the review quarter, relative to ₦851.48 billion, ₦7,439.02 billion, and ₦2,650.77 billion in Q42023. Analysis showed that 90.57 per cent of total subscription was for the 364-day NTBs, 3.80 per cent for the 182-day NTBs and 5.63 per cent for the 91-day NTBs.

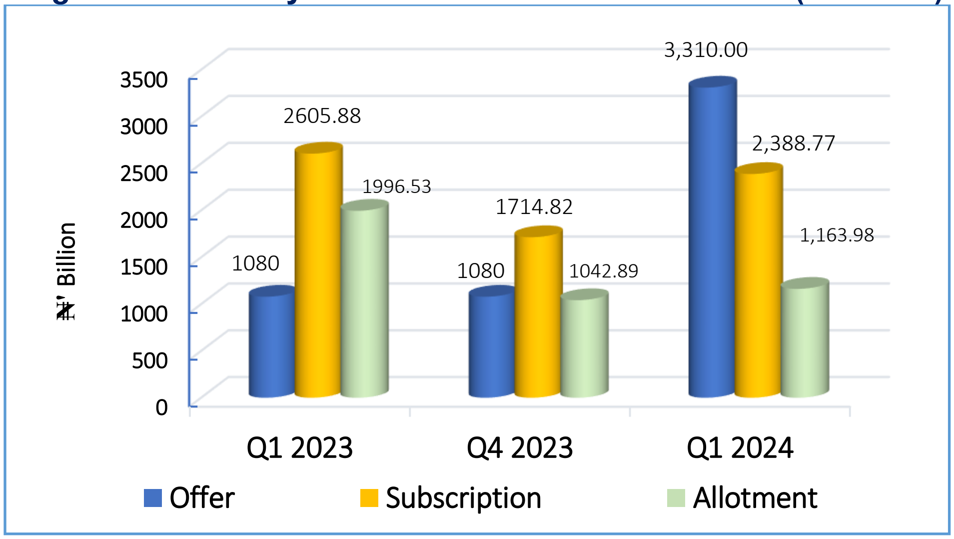
Figure 34: Primary Market NTBs (₦ Billion)



Source: *Central Bank of Nigeria*

The volume of transactions at the FGN bonds segment increased in the review quarter relative to the preceding quarter. Total amount offered, subscribed, and allotted were ₦3,310.00 billion, ₦2,388.77 billion and ₦1,163.98 billion, compared with ₦1,080.00 billion, ₦1,714.82 billion and ₦1,042.89 billion, respectively, in Q42023. The bid and marginal rates stood at 20.50 (±9.50) per cent and 17.73 (±2.73) per cent, compared with 17.00 (±3.00) per cent and 16.45 (±1.55) per cent, respectively, in the preceding quarter.

Figure 35: Primary Market Auctions of FGN Bonds (₦ Billion)

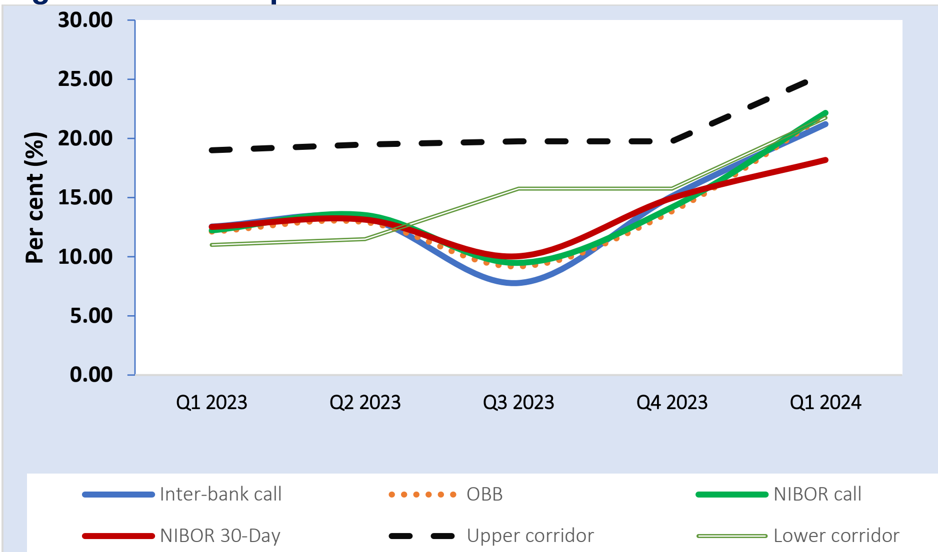


Source: *Central Bank of Nigeria*

Interest Rate Development

Short-term interest rates moved in tandem with the hikes in policy rate during the review period. The average interbank call and open buy back (OBB) rates rose by 6.09 and 8.16 percentage points to 21.21 and 22.01 per cent, from 15.12 and 13.85 per cent in Q42023, respectively. The Nigeria Interbank Offered Rate (NIBOR) call rate increased by 7.97 percentage points to 22.16 per cent from 14.19 per cent, while the NIBOR-30 rose to 18.18 per cent from 14.96 per cent.

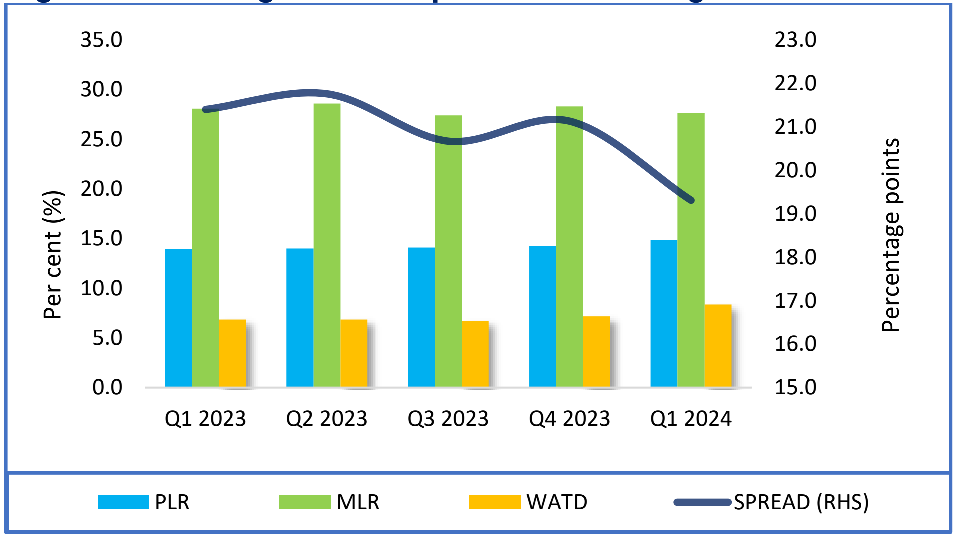
Figure 36: Developments in Short-term Interest Rates



Source: *Central Bank of Nigeria*

The trajectories of key lending rates were diverse during the review quarter. The prime lending rate increased by 0.61 percentage point to 14.86 per cent, relative to the level in the preceding quarter, while the maximum lending rate declined by 0.63 percentage point to 27.67 per cent. Deposits rates, however, increased broadly in the review quarter. Weighted average term deposit (WATD) rate rose by 1.19 percentage points to 8.36 per cent from 7.17 per cent a quarter earlier. Consequently, the spread between the WATD and maximum lending rates narrowed to 19.31 percentage points from 21.13 percentage points in the preceding quarter.

Figure 37: Average Term Deposit and Lending Rates



Source: *Central Bank of Nigeria.*
Note: *PLR= Prime lending rate; MXLR= Maximum lending rate; WATD= Weighted Average term deposit rate.*

2.3.3.2 Capital Market Developments

Market Capitalisation

The performance of the Nigerian capital market improved in the review period, on the release of an impressive Q42023 and full-year 2023 corporate earnings results. The aggregate market capitalisation and its components increased by 24.46 per cent to ₦93,590.66 billion, compared with ₦75,196.53 billion recorded in Q42023. Further analysis showed that the Exchange Traded Funds (ETF) recorded the most impressive performance followed by the equities and debt components. However, the equities component sustained its dominance in terms of contribution to the aggregate market capitalisation.

The ETF segment grew by 84.54 per cent to ₦42.48 billion, while the equities and debt components of the market appreciated by 44.51, and 0.47 per cent, respectively, to ₦59,129.00 billion and ₦34,419.18 billion. The equities component constituted 63.19 per cent, with debt and ETF constituting the balance.

NGX All-Share Index

The Nigerian Exchange All-Share Index (NGX-ASI) grew by 39.84 per cent to 104,562.06 index points, from 74,773.77 index points in the preceding quarter. The performance of the NGX-ASI was occasioned by buying interests in bellwether stocks and other stocks with strong fundamentals, arising from the impressive 2023 corporate earnings results, as well as new listings in Q12024.

Figure 38: Aggregate Market Capitalisation and All-Share Index

Source: *Nigerian Exchange (NGX) Limited*

The sectoral indices of the capital market were bullish in the review quarter, except for NGX- Sovereign Bond and NGX-Growth that trended downward, relative to the levels in the preceding quarter.

There was an uptick in trading activities on the Exchange, as the value of traded securities rose by 79.69 per cent to ₦778.12 billion, from ₦433.03 billion in the preceding quarter. The volume of traded securities increased by 34.38 per cent to 35.96 billion shares, from 26.76 billion shares in Q42023. Total number of deals conducted on the Exchange during the review quarter rose by 70.32 per cent to 709,076 from 416,324 deals in the preceding quarter.

Table 10: Nigerian Exchange (NGX) Limited Sectoral Indices

Sectoral Indices	2023 Q4	2024 Q1	Change (%)
NGX-AseM	639.55	1,504.55	135.25
NGX-Industrial Goods	2,712.27	4,841.20	78.49
NGX-Afri Div Yield	7,423.65	11,006.66	48.26
NGX-Consumer Goods	1,121.29	1,610.80	43.66
NGX-Premium	7,227.22	10293.26	42.42
NGX-30	2,790.28	3,880.71	39.08
NGX-Pension Board	1,308.54	1,812.28	38.50
NGX-Main Board	3,461.22	4,786.10	38.28
NGX-Lotus II	4,619.73	6,338.19	37.20
NGX-Insurance	321.66	405.94	26.20
NGX-Oil & Gas	1,043.06	1,294.38	24.09
NGX-Pension	3,241.03	3,934.33	21.39
NGX-Meri Value	5,194.34	6,171.88	18.82
NGX-CG	2,209.04	2,551.71	15.51
NGX-Banking	897.2	1,029.63	14.76
NGX-Afri Bank Value	2,075.50	2,277.89	9.75
NGX-Meri Growth	4,547.40	4,928.31	8.38
NGX-Sovereign Bond	759.75	730.8	-3.81
NGX-Growth	6,299.16	5,703.31	-9.

Source: Nigerian Exchange (NGX) Limited

Figure 39: Volume and Value of Traded Securities

Source: *Nigerian Exchange (NGX) Limited.*

There were 13 new listings, eight supplementary listings, one delisting, one suspension, and one migration on the Exchange in the review quarter. The listings comprised of savings bonds, ordinary shares, rights issues, and futures contracts.

Participation in the Equities Market

Investments in equities, by domestic and foreign participants, grew by 78.85 per cent to ₦1,547.94 billion over the preceding quarter. Analysis of the market revealed that investments by domestic participants, at ₦1,334.76 billion, accounted for 86.2 per cent of the total, while the ₦213.18 billion investment by foreign participants constituted the balance.

Table 11: Listings, De-listings, and Suspensions on the Nigerian Exchange Limited in Q12024

Company/Security	Shares Units/Price	Remarks	New/Supplementary/ Suspensions/Delisting
Royal Exchange Plc	4,116,296,059 ordinary shares of ₦50 kobo each at ₦50 kobo per share	Rights Issue	New
Sovereign Trust Insurance Plc	2,863,673,469 ordinary shares of ₦50 kobo each at ₦50 kobo Per Share	Rights Issue	Supplementary
Glaxo SmithKline Consumer Nigeria Plc		Court Order stopping further trading of the shares	Suspension of trading
FGN Bonds 11.033% FGN JAN 2026	603,421 Units	FGN Bond	New
FGN Bonds 12.033% FGN JAN 2027	1,394,296 Units	FGN Bond	New
Ellah Lakes Plc	753,786,788 ordinary shares of ₦50 kobo each at ₦2.90 kobo per share.	Rights Issue	Supplementary
12.751% FGNSB FEB 2026	841,917 units amounting to ₦841,917,000.00	FGN Bond	New
13.751% FGNSB FEB 2027	1,588,658 units totalling to ₦1,588,658,000.00	FGN Bond	New
11.033% FGNSB JAN 2026	603,421 units amounting to ₦603,421,000.00	FGN Bond	New
12.033% FGNSB JAN 2027	1,394,296 units amounting to ₦1,394,296,000	FGN Bond	New
Glaxo SmithKline Consumer Nigeria Plc	Delisting	Following application from the company	Delisting
Ellah Lakes Plc	Additional 753,786,788 ordinary shares of 50 Kobo each per share	FGN Bond	Supplementary
Chapel Hill Denham Management Limited	Additional listing of 106,350,000 units of ₦100 each per share at ₦108.89 each.	Rights Issue	Supplementary
16.2884% FGN MAR 2027	Additional 86,187,000 units	FGN Bond	Supplementary
14.55% FGN APR 2029	Additional 21,939,000 units	FGN Bond	Supplementary
14.70% FGN JUN 2033	Additional 43,346,000 units	FGN Bond	Supplementary
15.45% FGN JUN 2038	Additional 266,725,000 units	FGN Bond	Supplementary
12.751% FGNSB FEB 2026	841,917 units	FGN Bond	New
13.751% FGNSB FEB 2027	1,588,658 units	FGN Bond	New
Transcorp Power Plc	7,500,000,000 ordinary Shares of 50 Kobo each at N240.00	Rights Issue	New
NGX30U4	Futures contract at N3,954.50	Futures	New
NGXPENSIONU4	Futures contract at N3,789.75	Futures	New
18.50% FGN FEB 2031	873,527,020,000	FGN Bond	New
Nigeria Energy Sector Fund (NESF)	745,950 units at N552.20 restructuring and migration of (NESF)	Migration to SCM Capital Ethical Fund.	Migration

Source: Nigerian Exchange Limited (NGX).
Notes: FGN = Federal Government of Nigeria; Plc = Public Limited Liability Company; N/A = Not available.

2.3.3.3 Financial Soundness Indicators

The banking industry remained relatively resilient in the review quarter as the key financial soundness indicators weakened slightly but stayed broadly within the industry regulatory thresholds. Capital adequacy ratio (CAR) dropped by 2.08 percentage points to 11.05 per cent in Q12024, due to an increment in risk weighted assets over total qualifying capital. The ratio surpassed the 10.00 per cent benchmark for banks with national/regional authorisation, but fell below the 15.00 per cent threshold for banks with international authorisation.

The banks' asset quality, measured by the ratio of non-performing loans to total loans and advances, (NPL ratio) increased by 0.98 percentage point to 5.05 per cent in Q12024, relative to the 4.07 per cent recorded at the end of the preceding quarter. The ratio was marginally above the prudential benchmark of 5.00 per cent.

The industry Liquidity Ratio (LR) declined by 1.91 percentage points to 42.07 per cent in the review quarter, relative to the 43.98 per cent recorded in the preceding quarter. The LR remained above the minimum regulatory benchmark of 30.00 per cent, showing the liquidity sufficiency of the banks and their ability to meet up with their obligations.

2.4 External Sector Developments

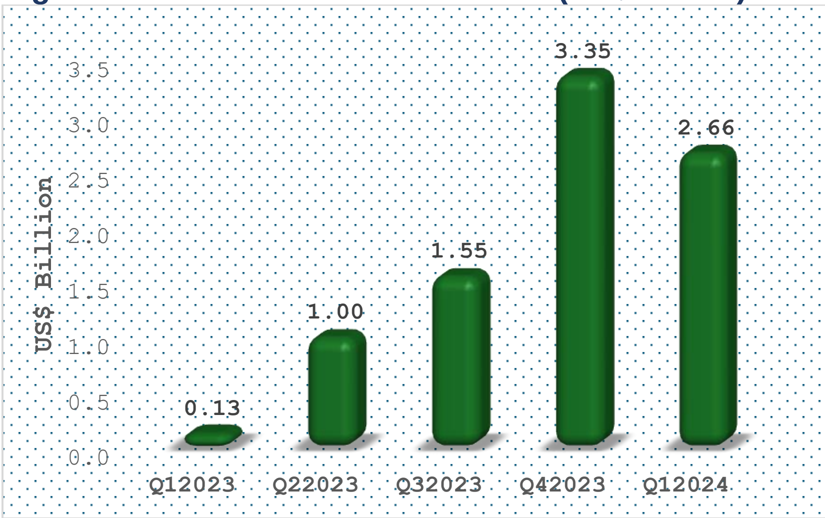
Summary

The performance of the external sector in Q12024 was driven by improvement in global economic conditions, and the increase in the domestic production of crude oil. The current account maintained a surplus position, reflecting sustained trade surplus. In the financial account, a net reduction in financial liabilities was recorded in Q12024, driven by repayment of short-term loan liabilities. The international investment position posted a lower net financial liability of US$67.24 billion compared with US$86.26 billion in the preceding quarter. At US$32.29 billion at end-March 2024, the external reserves could cover 7.1 months of import for goods and services or 10.1 months of import for goods only. The average exchange rate of the naira per US dollar at the Nigerian foreign exchange market depreciated by 35.53 per cent to ₦1,304.72/US$, from ₦841.15/US$ in Q42023.

2.4.1 Current and Capital Account

The surplus in the current account decline, due to a higher deficit in the primary income account in the review quarter. The current account posted a lower surplus of US$2.66 billion (5.82% of GDP) in Q12024, compared with US$3.35 billion (4.16% of GDP) in the preceding quarter. The reduced surplus was largely due to a higher deficit in the primary income account.

Figure 40: Current Account Balance (US$ Billion)



Source: *Central Bank of Nigeria*

Export Performance

Merchandise export earnings declined slightly in Q12024, primarily due to lower crude oil receipts. Aggregate export earnings declined by 4.89 per cent to US$14.19 billion in Q12024, from US$14.92 billion in Q4 2023. A breakdown reveals that oil receipts fell to US$12.42 billion from US$13.41 billion in the preceding quarter. The decline was attributed to a decrease in the average price of crude oil, to US$85.58 per barrel from US$86.97 per barrel. Despite this, domestic crude oil production increased to 1.33 million barrels per day (mbpd) from 1.31 mbpd.

Non-oil export receipts rose to US$1.77 billion, from US$1.51 billion in the preceding quarter, attributed to higher electricity export and other non-oil export receipts. Crude oil and gas export continued to dominate, constituting 87.53 per cent of the total export, while non-oil export accounted for the balance.

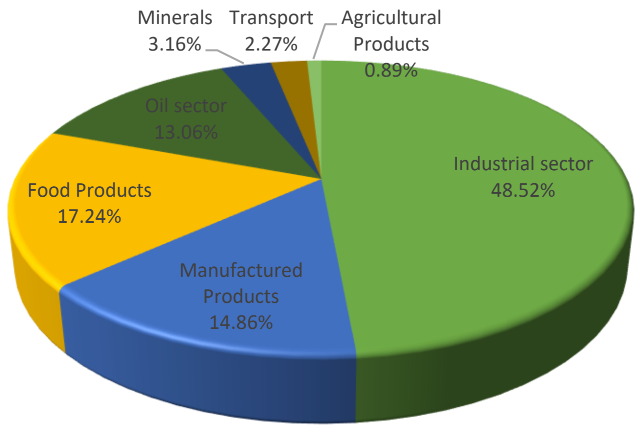
Merchandise Import

Importation of both oil and non-oil products declined in Q12024. Total merchandise import fell by 9.38 per cent to US$9.56 billion, from US$10.55 billion. The importation of oil products decreased to US$2.98 billion, from US$3.73 billion in the preceding quarter. Similarly, non-oil import declined to US$6.57 billion, from US$6.83

billion in the preceding quarter, driven by reduced demand for foreign tradables. Analysis by share showed that non-oil import accounted for 68.72 per cent of the total, while oil import constituted the balance.

A breakdown of import by classification revealed that the industrial sector, mainly raw materials and machinery accounted for the largest share at 48.52 per cent. Other contributors were food products (17.24%), manufactured products (14.86%), oil sector (13.06%), minerals (3.16%), transport (2.27%), and agricultural products (0.89%).

Figure 41: Import by Classification



Source: *Central Bank of Nigeria*

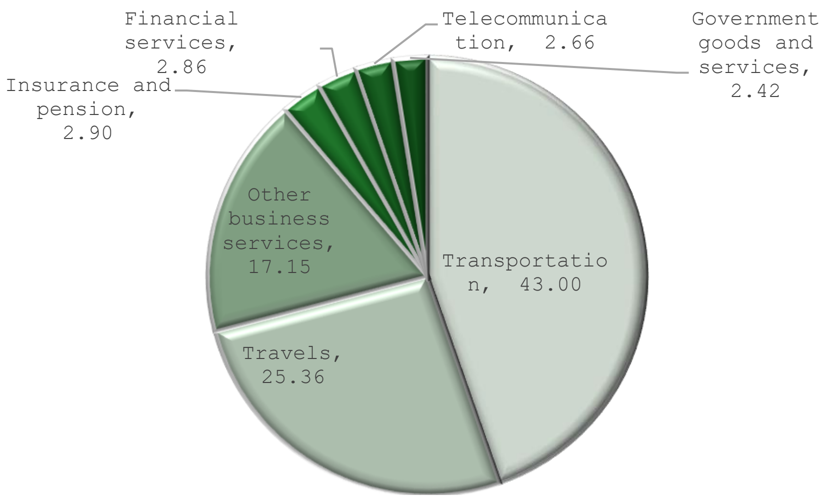
Services

The deficit in the services account narrowed, owing to reduced payments for travels and financial services. The deficit decreased by 10.48 per cent to US$3.16 billion, from US$3.53 billion in Q42023. Total payment for services declined by 11.16 per cent to US$4.14 billion, relative to the preceding quarter. A breakdown of services indicated that payments for travels was the major driver with 9.48 per cent decline to US$1.05 billion. Other notable components that declined were financial to US$0.16 billion (77.46%), telecommunications to US$0.12 billion (20.00%), and insurance &

pension services to US$0.12 billion (20.00%). There were also declines in personal, cultural & recreation to US$0.02 billion (60.00%) and construction to US$0.01 billion (97.50%). Payments for transportation, however, increased to US$1.78 billion (15.58%) and government goods services to US$0.11 billion (10.00%).

In terms of share, transportation constituted 43.00 per cent, followed by travels at 25.36 per cent, and 'other business services' at 17.15 per cent. Other shares were Insurance & pension (2.90%), financial services (2.86%), telecommunications (2.66%), and government services (2.42%). Other categories of services accounted for the balance.

Figure 42: Share of Services Out-Payments (per cent)



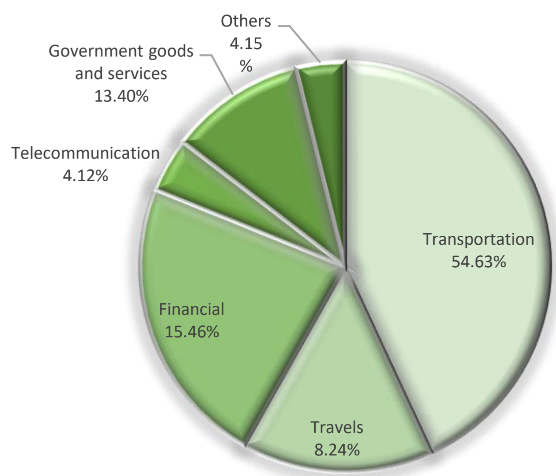
***Source**: Central Bank of Nigeria.*

Receipts from services decreased by 13.39 per cent, to US$0.97 billion, driven mainly by lower receipts from financial, travel, and insurance & pensions services. Financial services receipts decreased by 54.55 per cent to US$0.15 billion, travel services declined by 33.33 per cent to US$0.03 billion, while insurance & pension services fell by 24.55 per cent to US$0.02 billion.

Transport services receipts, however, increased to US$0.53 billion, from US$0.47 billion in Q42023, attributed to higher freight receipts in sea transportation services. Similarly, government services rose to US$0.13 billion from US$0.12 billion in the preceding quarter. Receipts from telecommunication services also increased by 33.33 per cent to US$0.04 billion.

In terms of share, receipts from transportation services stood at 54.63 per cent, and financial services at 15.46 per cent. Others were travels (8.24%), government goods & services (13.40%), and telecommunication services (4.12%). Other services accounted for the balance.

Figure 43: Share of Services Receipts

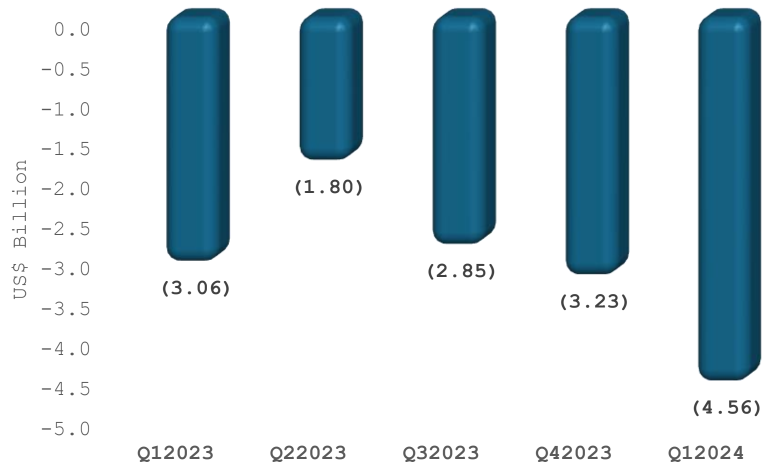


Source: Central Bank of Nigeria.

Primary Income

The deficit in the primary income account widened, due to higher investment income payments. The deficit increased by 41.18 per cent to US$4.56 billion from US$3.23 billion in Q42023. The development was, majorly, driven by a 29.64 per cent rise in investment income payments, particularly in direct investment. A disaggregation showed a higher deficit of US$4.62 billion in the investment income sub-account, relative to US$3.29 billion in Q42023, on account of higher income payments on equity and investment fund shares. Compensation of employees account, however, showed a surplus position of US$0.01 billion, which was 6.23 per cent above the level in the preceding quarter.

Figure 44: Primary Income Balance

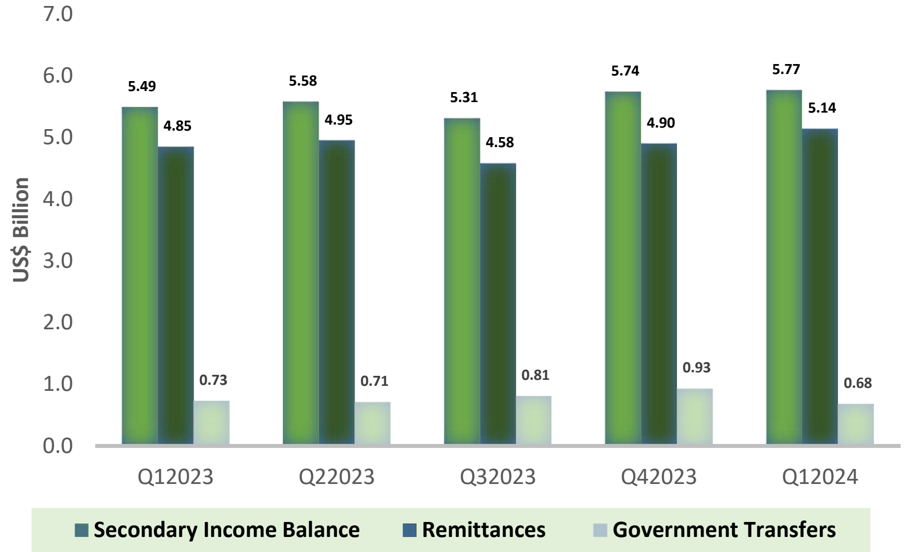


Source: *Central Bank of Nigeria.*

Secondary Income

The Secondary income account maintained a surplus position in Q12024. The surplus increased slightly to US$5.77 billion from US$5.74 billion in Q42023. The development was attributed to a higher inflow of private sector transfers, particularly workers' remittances, which rose to US$5.14 billion from US$4.90 billion in Q42023. General government transfers, however, decreased by 26.88 per cent to US$0.68 billion from US$0.93 billion in the preceding quarter, due to a decline in foreign aids & grants.

Figure 45: Secondary Income Balance and Remittances Inflow



Source: Central Bank of Nigeria.

2.4.2 Financial Account

Financial Account Developments

The financial account recorded a net reduction in financial liabilities. The financial account recorded a net reduction in financial liabilities of US$5.03 billion, in contrast to a net incurrence of US$7.44 billion in Q42023.

Net Incurrence of Liability

The economy recorded a net reduction of US$5.85 billion in financial liabilities, as against an inflow of US$8.38 billion in the preceding quarter. The development was due to repayment of short-term loan liabilities worth US$7.69 billion. ‘Other investment’ liabilities recorded a reduction of US$9.55 billion, in contrast to an inflow of US$4.92 billion in Q42023. Foreign portfolio inflows decreased to US$1.40 billion, from US$2.73 billion in Q42023. Direct investment increased significantly to US$2.38 billion, from US$0.71 billion in Q42023.

Residents disposed financial assets totaling US$0.82 billion, as against an acquisition of US$0.94 billion in Q42023. The development reflected the US$0.77 billion divestment in direct investment assets vis-à-vis an acquisition of US$0.19 billion in the preceding quarter, largely, due to the disposal of equity and investment fund shares by residents. Portfolio investments recorded a disposal of US$0.15 billion, in contrast to an acquisition of US$0.21 billion in Q42023. Other investment recorded a higher acquisition of US$1.05 billion, compared with US$0.22 billion in the preceding quarter.

Net Acquisition of Asset

2.4.3 External Debt

External Debt

Nigeria's external debt stock at end-March 2024 stood at US$42.12 billion (23.02% of GDP). A breakdown showed that the multilateral loans, from the World Bank Group, International Monetary Fund, and African Development Bank Group, amounted to US$20.83 billion, accounting for 49.45 per cent of the total. Commercial sources borrowed in the form of Euro bonds, at US$15.12 billion, accounted for 35.90 per cent. Syndicated loan arranged by African Finance Corporation, at US$0.27 billion, accounted for the balance. Loans from bilateral sources was US$5.96 billion or 14.02 per cent of the total external debt stock.

External debt service payment increased to US$1.12 billion at end-March 2024 from US$0.94 billion at the end of the preceding quarter. A breakdown showed that interest payment was US$0.43 billion, representing 38.39 per cent of the entire debt service payment. Principal repayment, at US$0.64 billion, comprised 57.14 per cent of the total, while 'other payments' constituted the balance. Analysis of interest payments showed that commercial borrowings accounted for 67.44 per cent of the total at US$0.29 billion, interest on multilateral loans amounted to US$0.05 billion or 11.63 per cent, while bilateral institutions made up the balance..

2.4.4 International Investment Position

International Investment Position

The international investment position posted a lower net financial liability of US$67.24 billion. The stock of financial assets declined to US$103.35 billion from US$103.87 billion in the preceding quarter due, largely, to the depletion in reserve assets. Direct investment assets fell to US$17.18 billion from US$17.66 billion. Portfolio investment assets also decreased by 3.47 per cent to US$4.16 billion, relative to the preceding quarter. Other investment assets, however, rose to US$49.57 billion from US$48.53 billion in the preceding quarter.

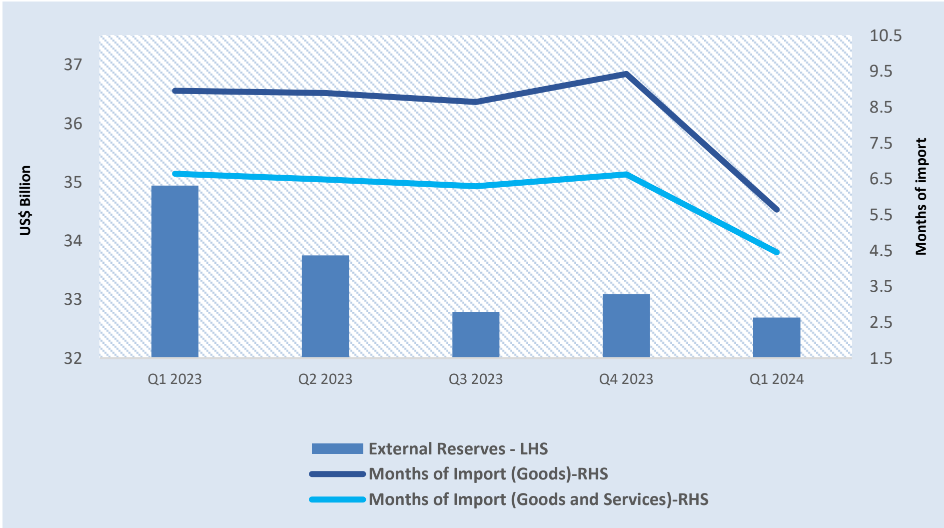
The stock of financial liabilities decreased to US$170.59 billion from US$190.13 billion in Q42023, attributed, mainly, to the 13.24 per cent decline in 'other investment' liabilities to US$73.94 billion. The stocks of direct investment and portfolio investment liabilities fell to US$68.84 billion and US$27.64 billion, respectively, compared with US$73.06 billion and US$31.59 billion in Q42024.

2.4.5 International Reserves

International Reserves

The external reserves remained above the benchmark of 3 months of import cover. The external reserves stood at US$32.29 billion at end-March 2024, relative to US$33.22 billion at end-December 2023. The level of external reserves in the review quarter could cover 7.1 months of import for goods and services or 10.1 months of import for goods only.

Figure 46: External Reserves and Months of Import Cover



Source: Central Bank of Nigeria

A breakdown of the external reserves showed that the shares of the CBN and the Federal Government stood at US$27.53 billion and US$4.59 billion, respectively, while the Federation accounted for the balance of US$0.07 million. In terms of currency composition, the holdings of external reserves were as follows: US dollar US$24.01 billion (74.89%); Special Drawing Rights US$4.29 billion (13.30%); Chinese Yuan US$3.24 billion (10.03%); Euro US$0.31 billion (0.96%); British Pounds US$0.27 billion (0.83%); while other currencies accounted for the balance.

2.4.6 Foreign Exchange Flows through the Economy

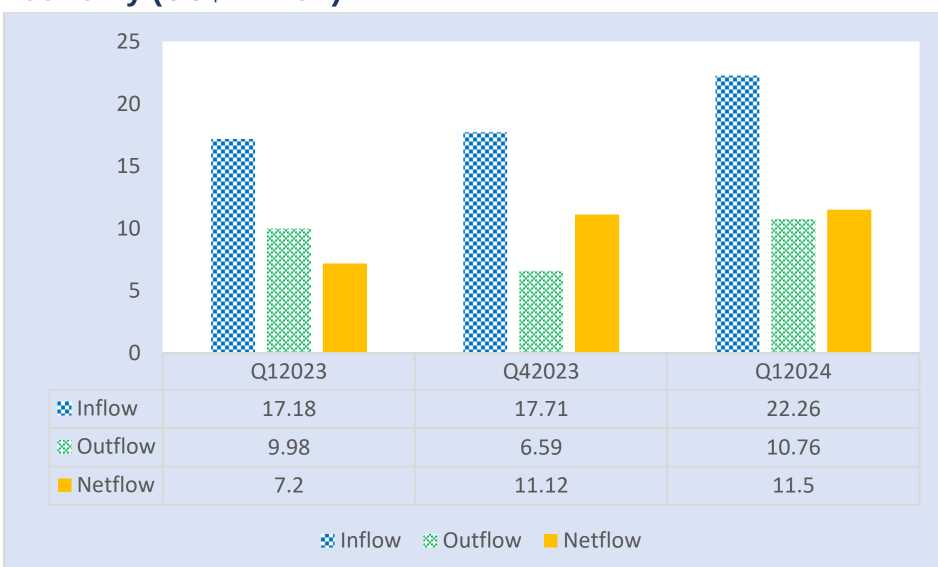
Foreign Exchange Flows through the Economy

Net foreign exchange inflow to the economy stood at US$11.50 billion in the review quarter. Foreign exchange inflow into the economy increased by 25.69 per cent to US$22.26 billion from US$17.71 billion in Q42023. Inflow through the Bank increased to US$8.09 billion from US$5.01 billion in the preceding quarter. Similarly, inflow through autonomous sources increased to US$14.17 billion, from US$12.70 billion in the preceding quarter.

Foreign exchange outflow through the economy rose by 63.28 per cent to US$10.76 billion, relative to US$6.59 billion in Q42023. Outflow through the Bank increased by 80.47 per cent to US$8.93 billion from US$4.95 billion in the preceding quarter. In the same vein, autonomous outflow rose by 10.98 per cent to US$1.82 billion, from US$1.64 billion in the preceding quarter.

Consequently, net foreign exchange inflow through the economy increased by 3.42 per cent to US$11.50 billion from US$11.12 billion in the preceding quarter. Similarly, net inflow through autonomous sources rose to US$12.35 billion from US$11.05 billion in the preceding quarter. A net outflow of US$0.85 billion was recorded through the Bank, compared with a net inflow of US$0.06 billion in the preceding quarter.

Figure 47: Foreign Exchange Transactions through the Economy (US$ Billion)

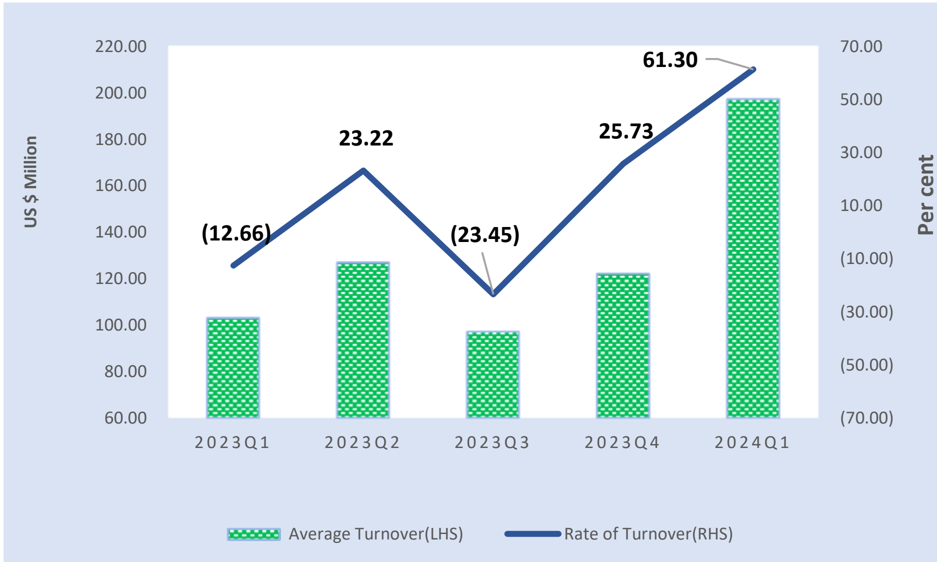


	Q12023	Q42023	Q12024
Inflow	17.18	17.71	22.26
Outflow	9.98	6.59	10.76
Netflow	7.2	11.12	11.5

Source: Central Bank of Nigeria

The average turnover at the Nigerian Foreign Exchange Market (NFEM) increased by 61.30 per cent to US$0.20 billion, relative to US$0.12 billion in Q42023, reflecting increased trading activities in the market.

Figure 48: Turnover in the NFEM



Source: Financial Markets Dealers Quotation

2.4.7 Exchange Rate Movement

Average Exchange Rate

The average exchange rate of the naira per US dollar at the NFEM depreciated by 35.53 per cent to ₦1,304.72/US$ from ₦841.15/US$ in Q42023.

3.0 ECONOMIC OUTLOOK

3.1 Global Outlook

Global output is expected to remain resilient but uneven across regions. The April 2024 IMF World Economic Outlook projected global growth to remain steady at 3.2 per cent in 2024, same as in 2023. This resilience is attributed to the ability to withstand various global shocks, despite elevated policy rates aimed at ensuring price stability. However, the pace and trajectory of growth are expected to be diverse among economies.

In AEs, growth rate is projected to rise to 1.7 per cent in 2024 from 1.6 per cent in 2023 and increase slightly to 1.8 per cent in 2025, driven by solid consumer spending, sustained job growth, higher real wages, and rising asset prices. In EMDEs, growth is projected to decline, marginally, to 4.2 per cent in 2024, from 4.3 per cent in 2023 and remain at 4.2 per cent in 2025. While moderate growth is anticipated in emerging and developing Asia, increased growth projections are estimated for economies in the Middle East and Central Asia, as well as Sub-Saharan African economies.

Global headline inflation is expected to fall from an annual average of 6.8 per cent in 2023 to 5.9 per cent in 2024. The decline in inflation is projected to come, primarily, from advanced economies, where the rate is expected to fall by 2.0 percentage points in 2024, while it is expected to decline in 2025 for EMDEs.

In AEs, inflation pressures are expected to continue to ease, as inflation rates fall towards the long-run objectives of major central banks in this group, driven by tight monetary policy. In EMDEs, inflation is forecast to moderate in 2024, but remain significantly above the 2010-2019 averages. The expected moderation is anchored on a slowdown in food and energy prices, although with upside risks.

3.2 Domestic Outlook

The outlook for the Nigerian economy remains positive in the near-term, despite immense headwinds. The positive outlook is anchored on the expected favourable trajectory of crude oil prices, and an increased level of domestic crude oil production. The removal of PMS subsidy is anticipated to expand the fiscal space, providing an additional impetus for growth. Nevertheless, this growth outlook is not without its downside risks, including global economic uncertainties, domestic security challenges, and heightened debt service obligations.

In the short-term, inflation pressures are expected to moderate. The strict implementation of the restrictive monetary policy measures is expected to moderate the pace of inflation within the short-term. This will be further aided by base effect rebalancing, and the waning impact of the increase in the domestic price of PMS. The impact of climate change on agricultural output, heightening insecurity and off-cycle elections, however, constitute significant risks to inflation dynamics.

Domestic prices are expected to remain elevated. The lingering effects of policy reforms shocks, especially, on transportation and manufacturing input costs, are expected to keep domestic prices up (but flattening) in the short-term. Supply chain disruptions could also persist due to the security challenges in the country. However, the Bank’s contractionary stance, clearing of the FX backlogs, as well as other reforms in the FX market, could help ease inflation pressures.

Nigeria's external position remains optimistic. This is driven by the expected upswing in domestic crude oil production and favourable crude oil prices. In addition, the gains from capital flows and remittances, on the back of continued implementation of policy reforms would support the outlook for external reserves. Nonetheless, the risks of capital reversals could be heightened by the delayed rate cuts in AEs and escalating geopolitical risks.