Review of Macroeconomic Developments in the Fourth Quarter of 2021

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2. Macroeconomic Conditions

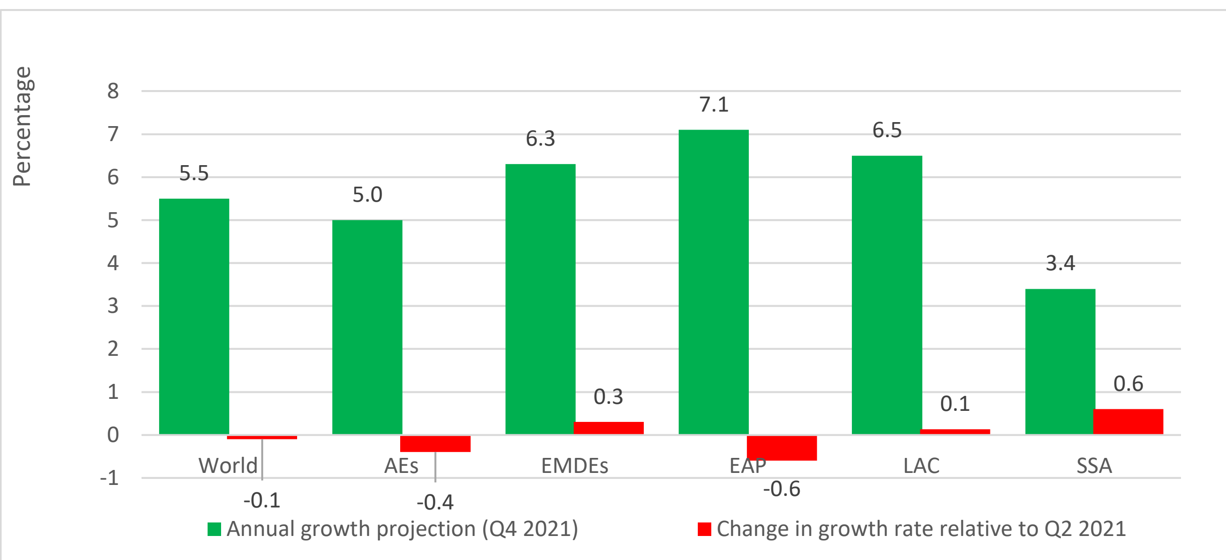
2.1 Global Economic Conditions

The global economic growth remained steady in the fourth quarter of 2021. However, the balance of risks against economic progress tilted downwards, with an implication of a less promising outlook for 2022. Although Advanced Economies (AEs) experienced a slowdown in growth momentum due to the outbreak of the Omicron variant of the Corona virus, overall global GDP was sustained by strong economic growth in Emerging Markets and Developing Economies (EMDEs).

According to IMF in its January 2022 World Economic Outlook (WEO), the estimated 2021 global economic growth remained at 5.9 per cent, as earlier projected in October 2021. The World Bank's estimate of 2021 global economic growth marginally dipped from 5.6 per cent in its June 2021 Global Economic Prospect (GEP) report to 5.5 per cent in its January 2022 GEP.

The slight downward moderation of global economic growth was associated mainly with slowed growth in AEs in the fourth quarter of 2021, where growth was revised downward by the World Bank from 5.4 per cent in its June 2021 GEP report to 5.0 per cent in January 2022, as shown in Figure 2.1. That was apparently due to weak performance occasioned by the emergence of the Omicron strain of Corona virus which necessitated policy restrictions that undermined output, supply disruptions, as well as reconsideration of policy support on the back of inflationary pressures that threatened recovery at its early phase, among other reasons.

Figure 2.1: World Bank's Estimates of Annual Growth Rates in 2021



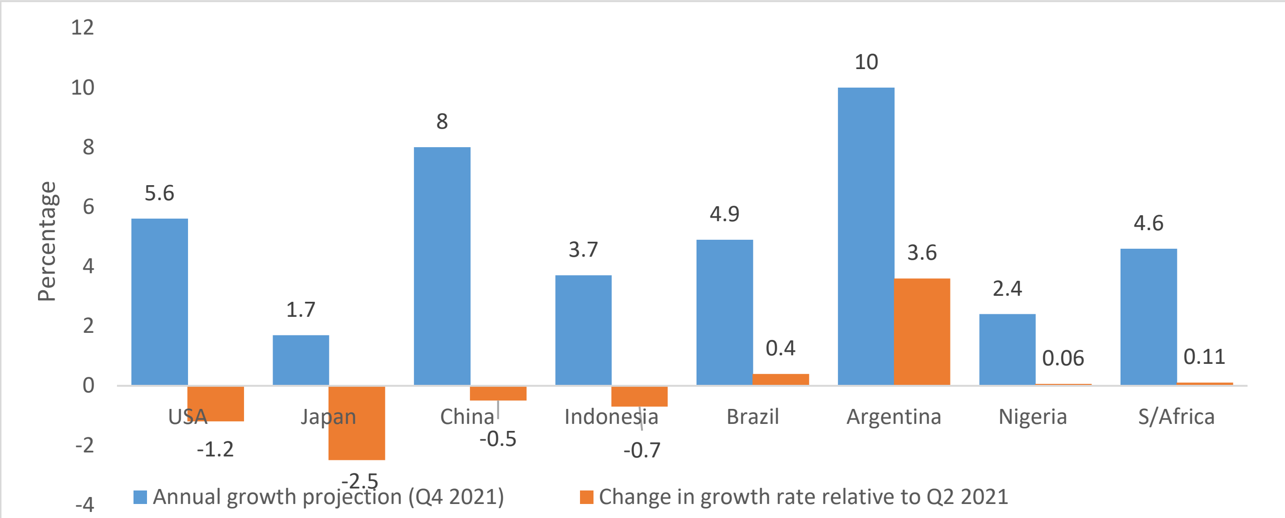
Source: World Bank's Global Economic Prospect (June 2021 and January 2022)

Notwithstanding the downside risks to economic growth in AEs, EMDEs posted stronger growth in the fourth quarter of 2021, necessitating positive growth revision to its annual growth by the World Bank from 6.0 per cent in its June 2021 GEP report to 6.3 per cent in January 2022. Growth gains from Sub-Saharan Africa (SSA) supported those from other EMDEs, such as the Latin America and the Caribbean (LAC), to counteract the slippage from AEs, and also prevent global economic growth from dropping significantly.

LAC and SSA were estimated by the World Bank in its January 2022 GEP report to grow by 6.7 per cent and 3.5 per cent, respectively. The estimates were much higher than the 5.2 per cent and 2.8 per cent growth projections in the June 2021 GEP report. The impact of the EMDEs on global growth would have been stronger if not for the poor growth performance of the East Asia and Pacific (EAP), where annual growth was revised downwards by the World Bank in its January 2022 GEP report to 7.1 per cent from the growth forecast 7.7 per cent in June. Economic growth in country groups reflects performance in constituent countries. Negative revision to AEs growth in the fourth quarter of 2021 resulting from a weak performance in the United States and Japan for which annual growth projection was revised by IMF from 6.0 per cent and 2.4 per cent in September 2021 to 5.6 per cent and 1.6 per cent in December 2021, respectively. Figure 2.2 shows that economic growth in the US and Japan was also revised downward by the World Bank from 6.8 per cent and 4.2 per cent in its June 2021 Global Economic Prospect report to 5.6 per cent and 1.7 per cent, respectively, in January 2022.

The robust growth in EMDEs in the fourth quarter of 2021, as indicated by the upward revision in its annual growth, benefited from LAC and SSA. As shown in Figure 2.2, LAC's economic performance in the fourth quarter of 2021 obtained from solid growth in Argentina and Brazil, for which annual economic growth was revised upwards by the World Bank from 6.4 per cent and 4.5 per cent in the June 2021 GEP report to 10 per cent and 4.9 per cent in January 2022 GEP. China and Indonesia, however, had their annual growth estimates downgraded from 8.5 per cent and 4.4 per cent in the June GEP report to 8.0 per cent and 3.7 per cent, respectively, in January, thus explaining the grim growth performance of East Asia and the Pacific. Improvement in the SSA's economic growth stemmed from increased economic growth in Nigeria and South Africa, estimated by the World Bank in its January 2022 GEP to be 2.4 per cent and 4.6 per cent, respectively, higher than the annual growth of 1.8 per cent and 3.5 per cent forecast in June 2021.

Figure 2.2: World Bank's Estimates of Annual Growth Rates of Selected Countries



Source: World Bank's Global Economic Prospect (June 2021 and January 2022)

2.2.1 International Trade

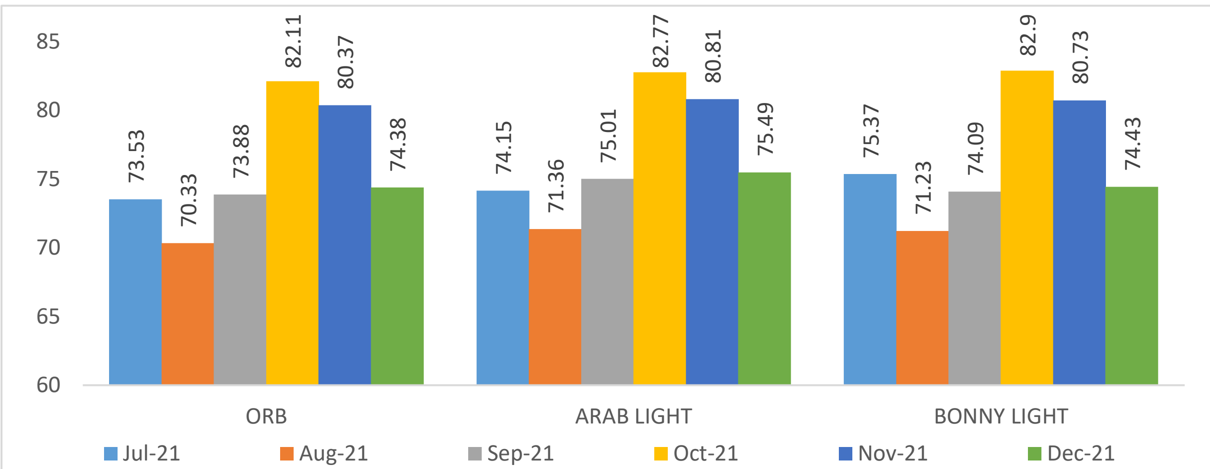
The international trade in the fourth quarter of 2021 continued to benefit from firm global demand in the first and second quarters of 2021. Annual growth in global trade was projected by the World Bank in its January 2022 GEP report to rise to 9.5 per cent, above the 8.3 per cent growth forecast in June 2021. However, the growth momentum of international trade in goods and services began to show softness on the back of weakened global growth in the fourth quarter arising from growth slowdowns in Advanced Economies and some other parts of the world, as well as disruptions in global supply chain arising from COVID-19 induced bottlenecks. Notwithstanding, the volume of global trade is projected by the Organisation for Economic Co-operation and Development (OECD) to be higher than its pre-pandemic levels by the end of 2021.

The improvement in global trade continued to support commodity prices in the fourth quarter of 2021. Non-energy commodity price index grew, according to the World Bank's GEP January report, 2022 by 31.9 per cent; higher than the 22.5 per cent growth projected in June 2021. Annual growth in oil prices was projected to rise to 67.2 per cent, higher than the growth of 50.3 per cent growth in June 2021. As reported in the World Bank's December 2022 Monthly Report, crude oil price peaked at $86 per barrel in October 2021 before moderating to $73 per barrel in mid-December 2021 amidst the softening of global demand occasioned by the corona virus reinfections boosted by the Omicron surge, as well as the Organization of the Petroleum Exporting Countries (OPEC) decision to increase global crude oil supply.

2.2.2 Crude Oil Price Trajectories

According to OPEC, the spot price of major crude oils rose by 12 per cent in October 2021. The OPEC Reference Basket (ORB), a weighted average of prices for petroleum blends produced by the Organization's members, rose, as depicted in Figure 2.3, from $73.88 in September 2021 to $82.11 in October 2021. It later moderated downwards to $80.37 in November and further dipped to $74.38 in December 2021.

Figure 2.3: Crude Oil Price ($' barrel)

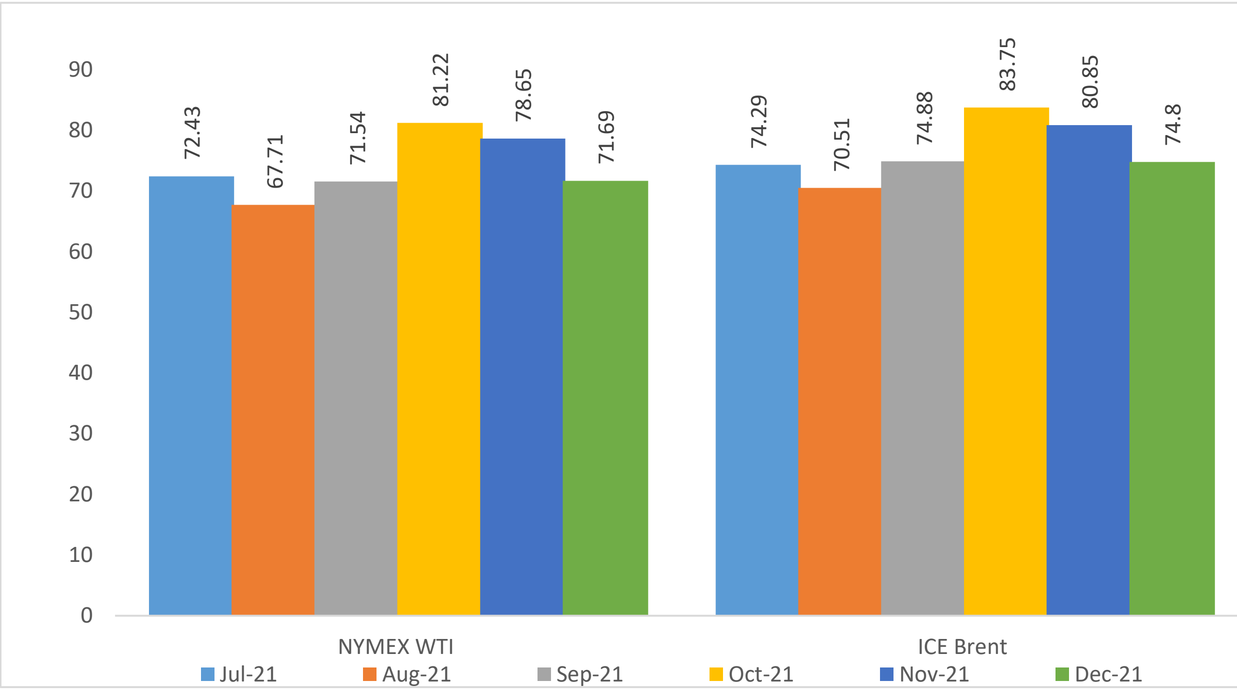


Source: OPEC Monthly Reports (August 2021-January 2022)

Figure 2.3 also shows that Arab Light and Bonny light equally rose from $75.01 and $74.09 in September 2021 to $82.77 and $82.90 in October 2021 but later declined to $80.81 and $80.73 in November 2021 and continued their descent to $75.49 and $74.43 in December 2021, respectively. The decline in oil prices in the fourth quarter of 2021 stemmed from uncertainty in global demand for oil over concerns about the COVID-19 resurgence and the spread of the new Omicron variants of the corona virus. The yearly performance of crude oil prices in 2021 was sturdier than in 2020. For instance, the average prices of the ORB, Arab Light, and Bonny Light in 2021, as reported in the OPEC January 2022 Monthly Report, were $69, $70, and $70, much higher than $41.47, $41.91 and $41.53 in 2020, respectively. The relatively higher prices were supported by a reduction in supply arising from firmer global demand, depletion in record-high oil stock levels, and more balanced demand and supply fundamentals.

The futures prices of crude oil also followed a similar pattern as the spot prices. Crude oil futures prices peaked in October 2021 on the back of market perception of the demand-supply gap in the energy market during the winter period. The rising prices of other energy commodities like gas and coal in anticipation of winter demand for heating and other needs rubbed on expected prices of crude oil as a substitute commodity. The futures price of the West Texas Intermediate crude oil on the New York Mercantile Exchange (NYMEX WTI) jumped, as shown in Figure 2.4, by 14 per cent month-on-month from $71.54 in September 2021 to $81.22 in October 2021 on the back of tightening of the oil market in the USA market as reflected by the decline in gasoline stock. Similarly, the futures price of Brent crude on the Intercontinental Exchange (ICE Brent) also steeply rose from $74.88 in September 2021 to $83.75 in October 2021.

Figure 2.4: Crude Oil Futures ($/contract)



Source: OPEC

The momentum of crude oil futures prices was, however, dampened by the resurgence of the COVID-19 virus and market concerns about the effectiveness of the vaccines on the omicron strains and their plausible effects on global demand. NYMEX WTI and ICE Brent declined to $78.65 and $80.85, respectively, in November 2021 and further to $71.69 and $74.80 in December 2021 (Figure 2.4).

The decline in the last two months of 2021 notwithstanding, future prices of crude oil were markedly higher in 2021 than in 2020 by over 50 per cent. For instance, the average NYMEX WTI and ICE Brent in 2021 were $68.11 and $70.95, far higher than $39.34 and $43.21 in 2020 by over 73.13 per cent and 64.20 per cent, respectively. The performance of crude oil futures derived from the progress in COVID-19 vaccines against the pandemic in most of 2021 and global growth recovery on the back of an optimistic rebound in global demand for energy and non-energy commodities.

2.2.3 Global and Regional Inflation

The combination of high energy prices and other rising input prices (especially wages) leads to rising inflation globally. According to the World Bank in its October 2021 Monthly Report, global headline inflation rose from 3.9 per cent in August 2021 to 4.6 per cent in October 2021. Similarly, inflation in Advanced Economies rose, according to the World Bank in its December 2021 Monthly Report, from 3.4per cent in September 2021 to 4.9 per cent in November 2021, due to an inflation surge in the US from 5.4 per cent to 6.8 per cent over the same period. Inflation in Emerging Markets and Developing Economies continued to rise above 5.0 per cent over the third and fourth quarters of 2021. Rising inflation affects the dynamics of the real interest rate, debt sustainability, and spread on debt instruments. According to the World Bank January 2022 GEP, global corporate borrowing costs (nominal interest rate on corporate debt) had been rising, although the debt had been stable. That had negative effects on default rates, rate of bankruptcy, and market liquidity.

Second, policy rates are being raised in many countries to stem inflationary momentum, despite the fragility of economic growth and slowing pace of economic activity in the wake of the COVID-19 resurgence. Despite the hikes in the policy rate by many Emerging Markets and Developing Economies, portfolio inflows declined in 2021. That development may worsen the contractionary effects of policy rate hikes in these economies.

2.3 Domestic Economic Conditions

2.3.1 Nigerian Real GDP Growth and Sectorial Contributions

In the fourth quarter of 2021, Gross Domestic Product (GDP) grew by 3.98 per cent (year-on-year) in real terms, showing sustained positive growth for the fifth quarter since the recession witnessed in 2020. The fourth quarter of 2021 growth rate was lower than that recorded in the third quarter of 2021 by 5 basis points but higher than that recorded in the fourth quarter of 2020 by 387 basis points when compared to quarter on quarter.

The economic growth achieved in the fourth quarter of 2021 resulted mainly from solid performance in the Non-Oil Sector, which moderated the effects of the growing decline in the Oil Sector. The Non-Oil Sector grew by 4.73 per cent, while the Oil Sector declined by 8.06 per cent in the fourth quarter of 2021. The poor performance in the Oil Sector stemmed from a reduction in average daily oil production from 1.61 million barrels per day (mbpd) and 1.57 mbpd in the second and third quarters of 2021, respectively, to 1.50 mbpd in the fourth quarter of 2021. Table 2.1 presents Nigerian economic growth rates and those of the constituent sectors throughout 2020 and 2021.

Table 2.1: Nigerian Economic Growth Rates by Sectors

Categories	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4
Oil Production (MBPD)	2.07	1.81	1.67	1.56	1.72	1.61	1.57	1.50
Real GDP Growth (%)	1.87	-6.1	-3.62	0.11	0.51	5.01	4.03	3.98
Oil Growth Rate (%)	5.06	-6.63	-13.89	-19.76	-2.21	-12.65	-10.73	-8.06
Non-Oil Growth Rate (%)	1.55	-6.05	-2.51	1.69	0.79	6.74	5.44	4.73
Contribution of the Oil Sector to RGDP (%)	9.50	8.93	8.73	5.87	9.25	7.42	7.49	5.19
Contribution of the Non-Oil Sector to GDP (%)	90.50	91.07	91.27	94.13	90.75	92.58	92.51	94.81
Contribution of Agriculture to RGDP (%)	21.96	24.65	30.77	26.95	22.35	23.78	29.94	26.84
Contribution of Industries to RGDP (%) (Mining & Quarrying, Manufacturing, Construction, etc.)	23.65	21.87	21.59	18.77	23.75	20.57	20.41	18.05
Contribution of Services to RGDP (%) (Trade, Health, education, finance ICT, etc.)	54.39	53.49	47.64	54.28	53.90	55.66	49.65	55.11

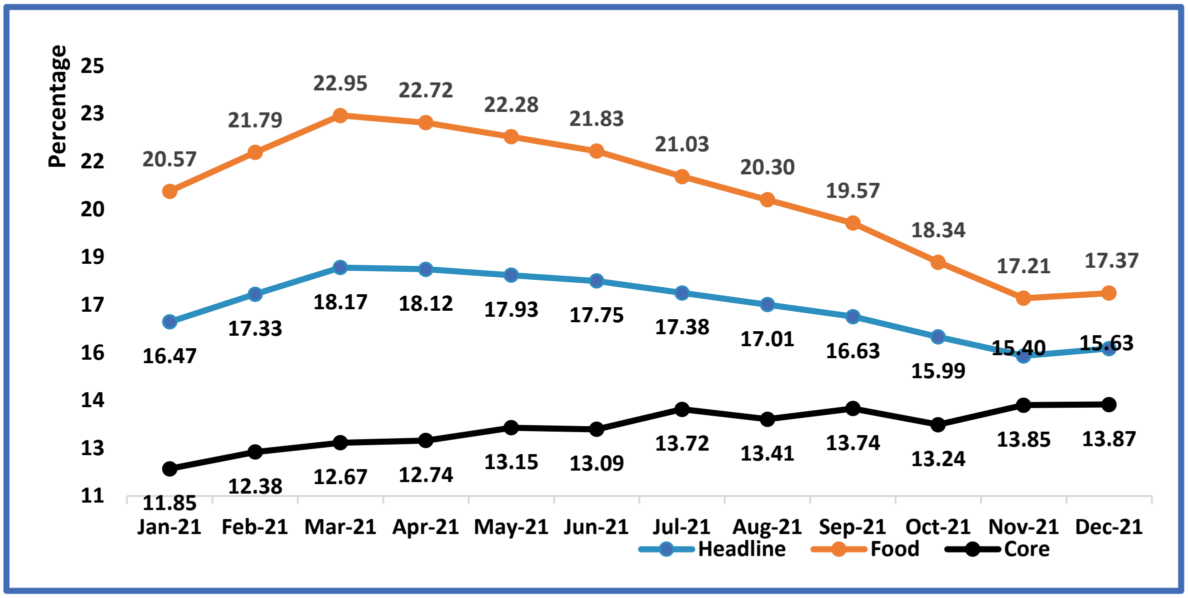
Source: National Bureau of Statistics

The Oil Sector contributed 5.19 per cent to the total real GDP in the fourth quarter of 2021, lower than its contribution of 7.49 per cent in the third quarter of 2021 and that of the corresponding quarter of 2020, which stood at 5.87 per cent. Meanwhile, the Non-Oil Sector contributed 94.81 per cent of GDP in the fourth quarter of 2021, higher than 92.51 per cent and 92.58 per cent recorded in the third and second quarters of 2021, respectively.

2.3.2 Consumer Price and Food Indices (Inflation)

The headline inflation (year-on-year) slightly edged up to 15.63 per cent in December 2021 from 15.40 per cent in November 2021. The rate was, however, lower than the 15.99 per cent recorded in October 2021. Generally, inflation in the fourth quarter of 2021 was lower when compared with the third quarter of 2021 rates of 17.38 per cent, 17.01 per cent, and 16.63 per cent in July, August, and September 2021, respectively (Figure 2.5).

Figure 2.5: Inflation Rates in Nigeria



Source: NBS E-library

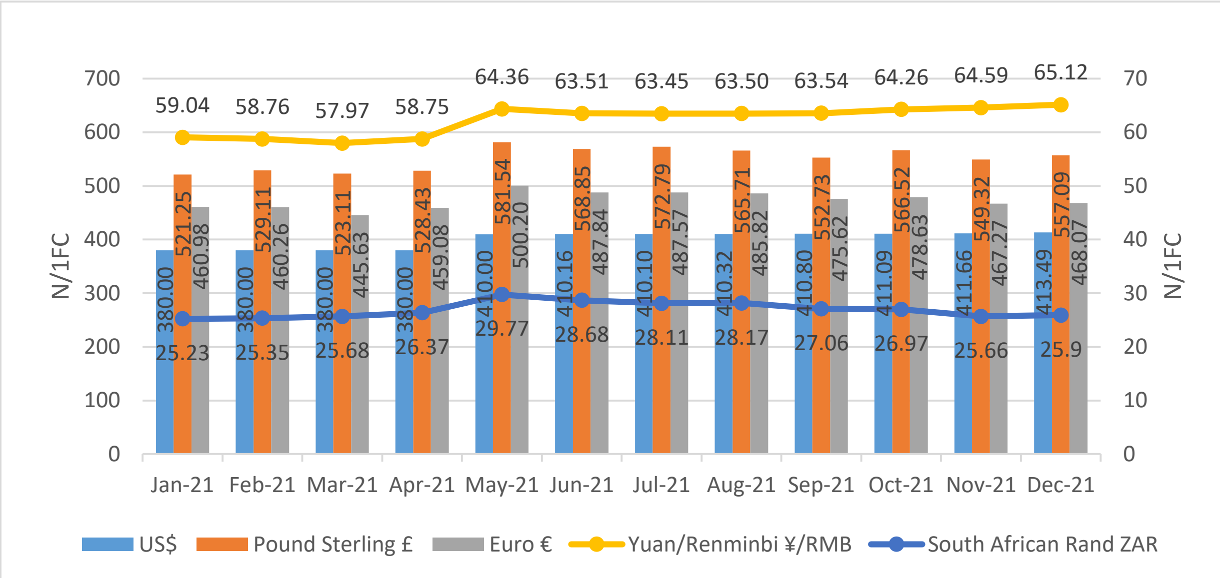
Food inflation and core inflation followed the same pattern as headline inflation. Food and core inflation recorded an uptick to 17.37 per cent and 13.83 per cent, respectively, in December 2021, from 17.21 per cent and 13.85 per cent in November 2021. While food inflation in the fourth quarter of 2021 was lower than in the third quarter of 2021, core inflation was higher in the fourth quarter of 2021 when compared with the third quarter of 2021.

2.3.3 Exchange Rate Movement

The naira exchange rate had remained stable at the Investors' & Exporters' (I&E) foreign exchange window. Figure 2.6 presents the trend of Naira to US$, Pound Sterling, Euro, Yuan/Renminbi, and South African Rand rates at the I&E FX Window.

The Naira exchange rate vis-à-vis the US Dollar depreciated to ₦413.49/US$ at the end of the fourth quarter of 2021, up from ₦410.8/US$ and ₦410.16/US$ at the end of the third and second quarters of 2021, respectively. Similarly, the Naira depreciated against the Pound Sterling to ₦557.09/£ in the fourth quarter of 2021 from ₦552.73/£ at the end of the third quarter of 2021. The Euro, the Chinese Yuan/Renminbi, and the South African Rand rates stood at ₦468.07/€, ₦65.12/¥, RMB, and ₦25.9/ZAR, respectively, in the fourth quarter of 2021.

Figure 2.6:Foreign Exchange Rate Movement

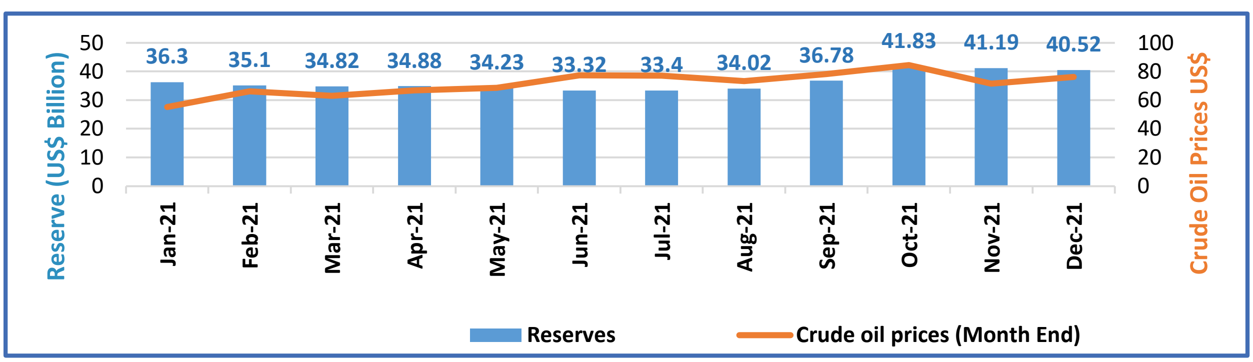


Source: CBN Statistical Database

2.3.4 External Reserve Movements

As indicated in Figure 2.7, the gross External Reserves stood at US$40.52 billion at the end of the fourth quarter in 2021, up from US$36.78 billion and US$33.32 billion in the third and second quarters of 2021, respectively. The growth in external reserves was driven by increases in crude oil prices. The rise in crude oil prices from US$62.98 at the end of the first quarter in 2021 to US$77.34 and US$78.11 in the second and third quarters of 2021, respectively, before marginally declining to US$76.25 at the end of the fourth quarter of 2021, are in tandem with the movement of external reserves.

Figure 2.7: External Reserves/Crude Oil Prices



Source: CBN Statistical Database

2.3.5 Nigeria Public Debt Stock

Nigeria's public debt grew by 4.11 per cent from ₦38.00 trillion in the third quarter of 2021 to ₦39.56 trillion in the fourth quarter of 2021, with domestic debts accounting for 59.92 per cent of the total debt or ₦23.70 trillion, and external debts at 40.08 per cent or ₦15.86 trillion as at December 2021. Table 2.2 highlights the status of the total public debt stock from the first quarter of 2020 to the fourth quarter of 2021.

Table 2.2: Nigeria Public Debts

(N' Trillion)	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4
Total Public Debt	28.63	31.01	32.22	32.92	33.11	35.46	38.00	39.56
* Total External Debts	9.99	11.36	12.19	12.71	12.47	13.71	15.57	15.86
* Total Domestic Debts	18.64	19.65	20.04	20.21	20.64	21.75	22.43	23.70
- FG Only	14.53	15.46	15.85	16.02	16.51	17.63	18.23	19.24
- State & FCT	4.11	4.19	4.19	4.19	4.12	4.12	4.20	4.46
External Debts (%)	34.89%	36.65%	37.82%	38.60%	37.67%	38.66%	40.98%	40.08
Domestic Debts (%)	65.11%	63.35%	49.18%	61.40%	62.33%	61.34%	59.02%	59.92
Public Debt growth rate	4.49%	8.31%	3.90%	2.17%	0.58%	7.10%	7.17%	4.11
Actual Domestic Debt	609.13	312.81	604.19	351.99	612.71	322.75	808.49	310.50
Actual External Debt	70.60	103.62	193.23	110.28	382.30	113.91	213.52	117.40
Total Debt Services paid	779.73	416.43	797.42	462.27	995.01	436.66	1,022.01	
US$/Naira Rate	361	361	381	381	381	381	410	410

Source: DMO - Total Public Debts, External Debt Services, and Domestic Debt Services

2.4 Financial Sector Developments

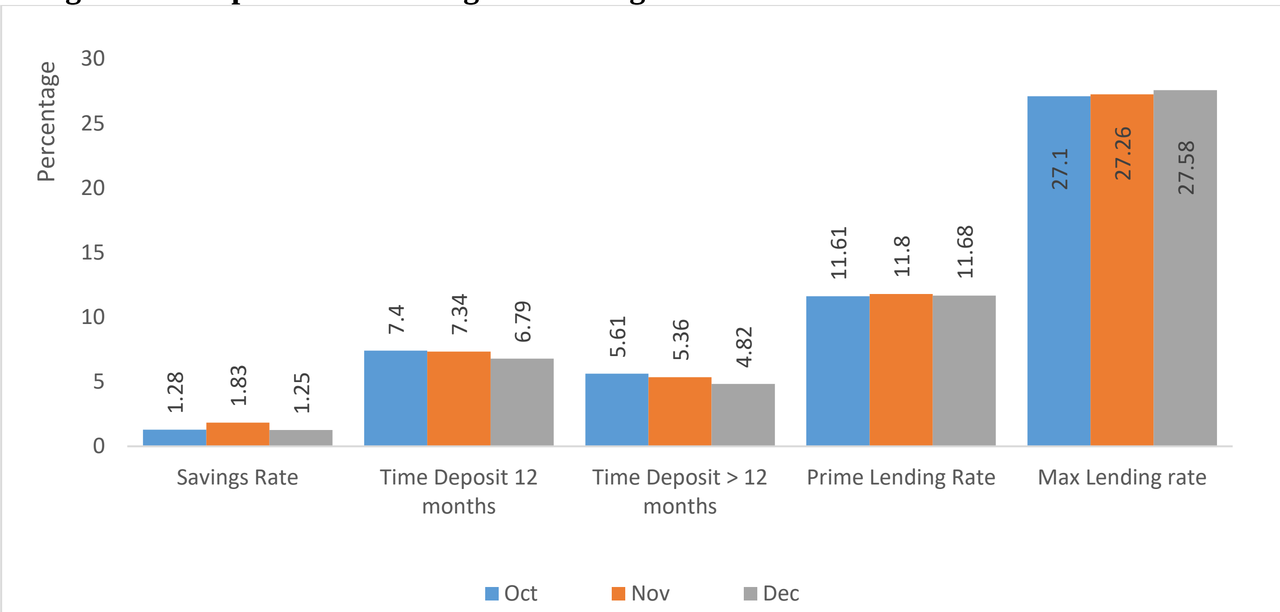
This section discusses developments in money and capital markets in Nigeria for the fourth quarter of 2021.

2.4.1 Money Market Development

2.4.1.1 Interest Rates Movement

Interest rates on Time Deposits for 12 Months and Time Deposit for more than 12 Months declined from 7.4 per cent and 5.61 per cent in October 2021 to 7.34 per cent and 5.36 per cent in November 2021 and further fell to 6.79 per cent and 4.82 per cent in December 2021, respectively (Figure 2.8). Interest rates on Savings rose from 1.28 per cent in October 2021 to 1.83 per cent in November 2021 before declining to 1.25 per cent in December 2021. Prime Lending rate rose from 11.61 per cent in October 2021 to 11.80 per cent in November 2021 and then dropped to 11.68 per cent in December 2021. The maximum Lending rate, on the other hand, increased from 27.1 per cent in October 2021 to 27.26 per cent and 27.58 per cent in November and December 2021, respectively.

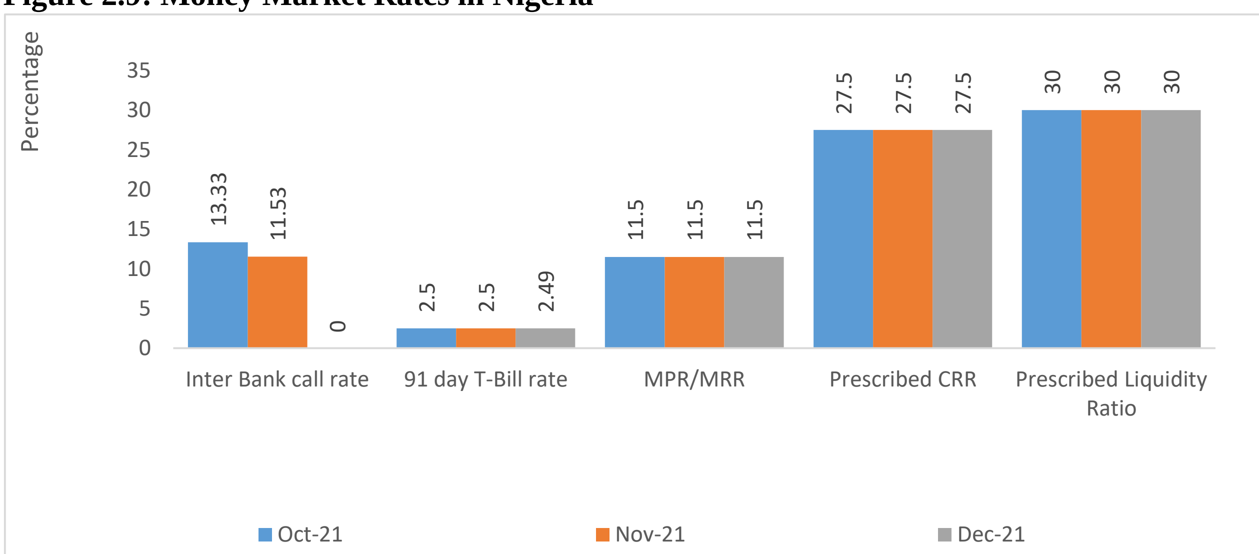
Figure 2.8: Deposit and Lending rates in Nigeria



Source: CBN Statistical Database

As at the end of the fourth quarter of 2021, the benchmark monetary policy rate (MPR)was retained at 11.5 per cent with the asymmetric corridor of +100/-700 basis points around the MPR, while Cash Reserve Ratio (CRR) and Prescribed Liquidity ratio were left unchanged at 27.5 per cent and 30 per cent, respectively. Interbank call rate, on the other hand, fell from 13.33 per cent in October to 11.53 per cent in November and totally declined to 0 per cent in December of 2021. On the other hand, the 91-day T-Bill rate maintained a 2.5 per cent rate in October and November 2021 and later declined to 2.49 per cent in December 2021, as shown in Figure 2.9.

Figure 2.9: Money Market Rates in Nigeria

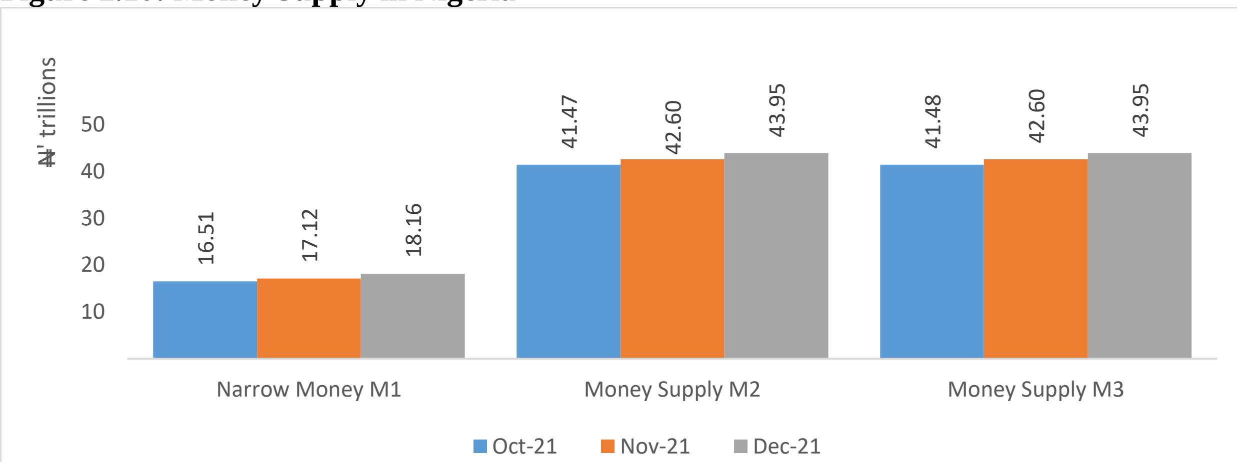


Source: CBN Statistical Database

2.4.1.2 Money Supply

Money Supply had been increased in the fourth quarter of 2021. Money Supply (M2) rose from ₦41.47 trillion in October 2021 to ₦42.60 trillion and ₦43.95 trillion in November and December 2021, respectively. Narrow Money (M1) increased from ₦16.51 trillion in October 2021 to ₦17.12 trillion in November 2021 and ₦18.16 trillion in December 2021. Broad Money M3 similarly rose from ₦41.48 trillion in October 2021 to ₦42.60 trillion in November 2021 to ₦43.95 trillion in December 2021 (Figure 2.10).

Figure 2.10: Money Supply in Nigeria



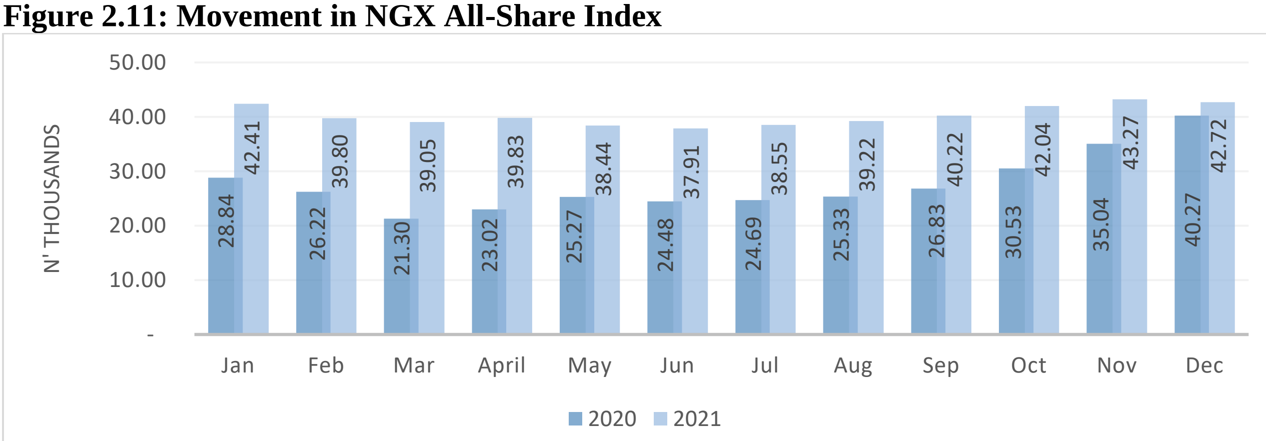
Source: CBN Statistical Database

2.4.2 Capital Market Development

2.4.2.1 The All-Share Index

The Nigerian Exchange Limited All-Share Index (NGX ASI) for all listed equities, which stood at 42,038.60 points as of end-October 2021, increased to 43,270.94 points at end-November 2021. However, it fell to 42,716.44 points by the end of December 2021. Compared with the ASI figure of 40,221.17 points recorded at the end of the third quarter of 2021, the fourth quarter marked an increase of 5.45 per cent, however, representing a year-to-date loss of 0.88 per cent as at the end of 2021, as shown in Figure 2.11.

Figure 2.11: Movement in NGX All-Share Index



Source: NSE

2.4.2.2 Market Capitalisation

Capitalization of equities and Federal Government of Nigeria (FGN) bonds appreciated by 6.40 per cent and 8.12 per cent, while corporate bonds depreciated by 8.34 per cent as at December 31, 2021, from ₦20.96 trillion, ₦17.41trillion and ₦783.67 billion in the third quarter of 2021 to ₦22.30 trillion, ₦18.82 trillion and ₦718.30 billion in the fourth quarter of 2021, respectively (Table 2.3).

Table 2.3: Market Capitalisation (₦' billion) by Type of Security

Indicators	End-Q4 2021	End-Q3 2021	% Change (Q4 2021- Q3 2021)	End-Q4 2020	% Change (Q4 2021- Q4 2020)
Equities	22,302.75	20,961.61	6.40%	21,063.17	5.89%
Exchange Traded Funds (ETF)	7.35	12.03	-38.88%	24.51	-70.01%
Total Debts	19,744.40	18,397.22	7.32%	17,501.90	12.81%
Corporate Bonds/ Debenture	718.30	783.67	-8.34%	507.76	41.47%
FGN Bonds	18,818.55	17,406.00	8.12%	16,721.72	12.54%
State and Local Bonds	207.56	207.56	0.00%	270.80	-23.35%
Supranational Bonds	-	-	-	1.62	-100.00%
Total Market. Capitalisation**	**42,054.50**	**39,370.85**	**6.82%**	**38,589.58**	**8.98%**
**** Excluding Memorandum Listings**					

Source: NGX Market Capitalisation Reports

2.4.2.3 Domestic and Foreign Portfolio Investment

Total domestic and foreign transactions as at 31 December 2021 stood at ₦158.26 billion, with foreign investors executing 22.32 per cent of the value while domestic investors executed 77.68 per cent of the flow. The total transaction value declined by 19.31 per cent from ₦196.14 billion by the end of November to ₦158.26 billion at the end of December 2021 (Table 2.4).

Table 2.4: Domestic and Foreign Portfolio Investment in 2021

Year	Month	Total		Domestic			Foreign		
		₦' Billion	Growth (%)	₦' Billion	% of Total	Growth (%)	₦' Billion	% of Total	Growth (%)
2021	December	158.26	-19.31	122.94	77.68	-2.86	35.32	22.32	-49.22
	November	196.14	-7.95	126.58	64.54	-25.82	69.56	35.46	63.98
	October	213.07	80.34	170.65	80.09	81.93	42.42	19.91	74.21
	September	118.15	32.13	93.8	79.39	46.43	24.35	20.61	-3.98
	August	89.42	-0.39	64.06	71.64	-13.71	25.36	28.36	63.30
	July	89.77	-10.92	74.24	82.70	-4.02	15.53	17.30	-33.69

	June	100.77	3.68	77.35	76.76	0.59	23.42	23.24	15.43
	May	97.19	-39.23	76.9	79.12	-41.70	20.29	20.88	-27.59
	April	159.93	-30.01	131.91	82.48	-29.78	28.02	17.52	-31.05
	March	228.49	5.99	187.85	82.21	22.37	40.64	17.79	-34.53
	February	215.58	-7.26	153.51	71.21	-16.99	62.07	28.79	30.62
	January	232.46	-13.66	184.94	79.56	-7.21	47.52	20.44	-32.04

Sources: The Nigerian Exchange Limited, Domestic & Foreign Portfolio Investment Report

2.5 CBN Monetary Policy and Circulars

2.5.1 Monetary Policy

The CBN Monetary Policy Committee (MPC) met once during the fourth quarter of 2021, on the 22nd and 23rd of November 2021. The highlights of the Committee meeting are presented hereinafter.

The Committee noted the following:

- The slow, uneven pace of COVID-19 vaccination (in less developed economies) and continuous mutation of the virus pose challenges to forecasts for a robust recovery of the global economy in 2021.
- The Committee noted the continued moderation in headline inflation (year-on-year) to 15.99 per cent in October 2021 from 16.63 per cent in September, the seventh consecutive month of decline. The decrease was attributed to a marginal decline in the food and core components. Inflation, however, remained above the Bank's implicit tolerance corridor of 6 – 9 per cent and above its benchmark policy rate of 11.5 per cent despite its progressive decline.
- The banking sector's Capital Adequacy Ratio (CAR) and Liquidity Ratio (LR) remained above the prudential limits. The CAR, as of 23rd November 2021, was 15.2 per cent, while LR stood at 41.2 per cent.
- The Central Bank's interventions aimed at sustaining recovery of output growth and addressing the downside risks to other external and domestic shocks to the economy noted that, under the Targeted Credit Facility, the Bank had disbursed a total of ₦363.49 billion to 766,719 beneficiaries. Among the beneficiaries are 638,070 households and 128,649 small businesses. Under its Agribusiness Small and Medium Enterprise Investment Scheme (AGSMEIS), a total of ₦134.63 billion has been released to 37,571 entrepreneurs.
- Under the Anchor Borrowers' initiative, the Bank released a total of ₦43.19 billion to support the cultivation of over 250,000 hectares of crops during the 2021 dry season and ₦5.88 billion to finance six (6) large-scale agricultural projects under the Commercial Agriculture Credit Scheme (CACS). The sum of ₦261.92 billion was disbursed for 42 additional projects under the ₦1 trillion manufacturing intervention. Cumulatively, the bank has disbursed the sum of N1.08 trillion under this Scheme.
- Furthermore, the Bank recently introduced the 100 for 100 Policy on Production and Productivity (PPP), designed to create the flow of finance and investments to enterprises with the potential to kick-start a sustainable economic growth trajectory, accelerate structural transformation, promote diversification, and improve productivity in the country.

- The continued security challenge across the country remained a major source of concern, noting its impact on business confidence, foreign investment inflows, and overall economic activities. The persistence of insecurity in major food-producing areas remained a key downside risk to the recovery.

The Committee's Decision

The Committee unanimously agreed to:

i. Retain the MPR at 11.5 per cent.

ii. Retain the asymmetric corridor of +100/-700 basis points around the MPR.

iii. Retain the CRR at 27.5 per cent.

iv. Retain the Liquidity Ratio at 30 per cent.

2.5.2 CBN Circulars

The CBN issued several circulars and guidelines on the operations of insured deposit-taking financial institutions for the period under review. Highlights of some of the circulars are presented below:

i. OFI/DOA/LTT/CON/002/138

Adoption of International Financial Reporting Standards by Other Financial Institutions (OFI)

The CBN issued a circular on 8 October 2021 on the adoption of the International Financial Reporting Standard by OFIs. The major highlight of the circular was the requirement for all OFIs to prepare their annual financial statements (AFS) from the 2021 financial year in accordance and full compliance with International Financial Reporting Standard (IFRS). Other Financial Institutions that were implementing the IFRS for the first time were expected to comply fully with IFRS I.

ii. PSM/DIR/CON/INM/013/149

Revised Regulatory Framework for Bank Verification Number (BVN) Operations and Watch-List for the Nigerian Banking Industry

On 12 October 2021, the CBN issued a circular on the revised regulatory framework for bank verification number operations and watch-list for the Nigerian banking industry. The framework sought to enhance the effectiveness of customer due diligence and Know Your Customer processes as part of the overall strategy for promoting safe and efficient banking and payment systems.

iii. FPR/DIR/PUB/CIR/001/024

Guidelines on Disposal of Non-Permissible Income

The CBN, on 13 October 2021, issued a circular on the guidelines on the disposal of non-permissible income. The guideline is to ensure standardization in the treatment of non-permissible income by non-interest financial institutions in Nigeria.

iv. FPR/DIR/PUB/CIR/001/023

Regulatory Guidelines on the e-Naira

The CBN, on 25 October 2021, issued a circular regarding regulatory guidelines on e-Naira. The guideline seeks to promote simplicity in the operations of the e-Naira, encourage its acceptability and use, promote low-cost transactions, and drive financial inclusion while minimizing inherent risks of disintermediation or any negative impact on the financial system.

v. DFD/DIR/PUB/CIR/01/002
Guidelines for Implementation of 100 for 100 Policy on Production and Productivity (100 for 100 PPP)
On 12 October 2021, the CBN issued a circular on guidelines for the implementation of the 100 for 100 policy on production and productivity. The guideline aims to stimulate the flow of credit to the real sector of the economy to reverse the nation's over-reliance on imports.