Review of Macroeconomic Developments in the Second Quarter of 2022

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1. Macroeconomic Conditions

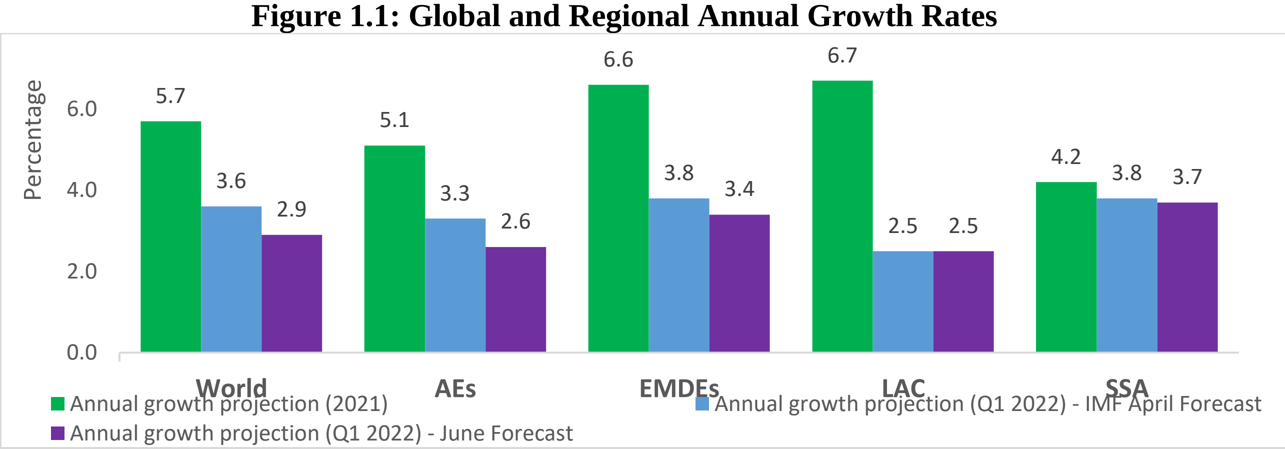
1.1 Global Economic Conditions

Global economic growth continued to weaken in the second quarter of 2022, as indicated by the trajectories of many macroeconomic indicators. The weak growth performance in the quarter was consequent upon the lingering effects of the COVID-19 pandemic and the Russia-Ukraine war.

According to the World Bank Global Economic Prospects Report of June 2022, the global economic growth was expected to slow down from 5.7 per cent in 2021 to 2.9 per cent in 2022, lower than the 4.1 percent earlier projected in January 2022. When compared with the IMF's annual growth forecast of 3.6 per cent in April 2022, the global growth expectation by the World Bank in the second quarter of 2022 was relatively weaker. This portrays the worrisome trajectory in global growth prospects and the underlying indicators.

The global economic condition reflected developments in various economic groups, namely: Advanced Economies (AEs), Emerging Markets and Developing Economies (EMDEs), Latin America and the Caribbean (LAC), and Sub-Saharan Africa (SSA), among others. As depicted in Figure 1.1, the economic growth of AEs, EMDEs, LAC, and SSA declined, according to World Bank in June 2022, from 5.1 per cent, 6.6 per cent, 6.7 per cent, and 4.2 per cent in 2021 to 2.6 per cent, 3.4 per cent, 2.5 per cent and 3.7 per cent, respectively.

Figure 1.1: Global and Regional Annual Growth Rates



AE= Advanced Economies EMDEs = Emerging Markets and Developing Economies
Latin America and the Caribbean (LAC) SSA= Sub-Saharan Africa
Source: World Bank, June 2022 Global Economic Prospects & IMF April 2022 WEO

It is worthy of note that growth losses in 2022 were about 50 per cent of the growth recorded in 2021, with the exception of SSA. The magnitude of the losses underscored the severity of the scarring growth-inhibitive effects of the COVID-19 pandemic and the Russia-Ukraine war.

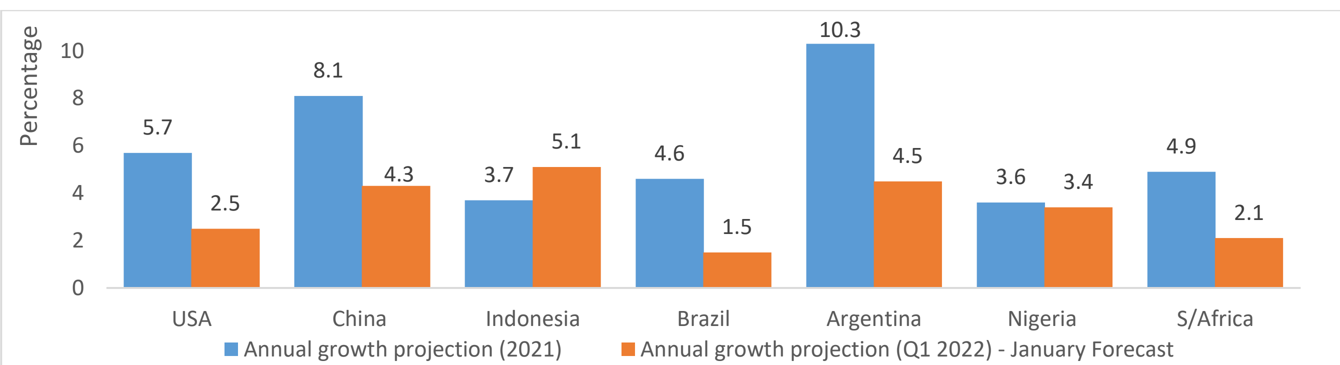
The growth forecasts for AEs, EMDEs, and LAC by the World Bank in its June 2022 GEP were also far lower than its January 2022 forecast of 3.8 per cent, 4.6 per cent, and 2.6 per cent; while the June 2022 annual growth forecast of SSA outperformed the 4.1 per cent January 2022 growth forecast. Relative to IMF's April 2022 forecast of 3.3 per cent and 3.8 per cent, annual growth forecasts for AEs and EMDEs in June were respectively lower.

Weak growth performance in AEs was driven by rising energy prices, tightening financial conditions, and supply chain disruptions that were worsened by the Russia-Ukraine conflict. In EMDEs, as well as LAC, growth slowdowns were fuelled by the volatility of commodity prices that was worsened by weakening external demand, rising input costs emanating from supply chain and trade disruptions, and softening confidence occasioned by uncertainties and policy support withdrawals.

Growth development in various economy groups stemmed from economic conditions in constituent countries. Declining growth in AEs derived from growth performance in the USA, where growth dipped, as shown in Figure 1.2, from an annual growth estimate of 5.7 per cent in 2021 to an annual growth forecast of 2.5 per cent as at June 2022.

In the EMDE group, China experienced a decline in growth from 8.1 per cent in 2021 to 4.3 per cent annual growth forecasted in June 2022. Due to the size effect, growth revision in China outweighed positive growth development in Indonesia (and a few other countries), where the growth rate of 3.7 per cent in 2021 was projected to rise to 5.1 per cent by June 2022, resulting in overall decline in EMDE's over the period.

Figure 1.2: Annual Growth Rates of Selected Countries



Source: World Bank, June 2022 Global Economic Prospects

Similarly, Figure 1.2 shows that the growth decline in LAC is influenced by a downward revision in the growth of Brazil and Argentina from 4.6 per cent and 10.3 per cent in 2021 to 1.5 per cent and 4.5 per cent, respectively, in end-June 2022. Also, poor growth performance in Nigeria and South Africa contributed to the growing decline in SSA. Both Nigeria and South Africa experienced a dip in growth from 3.6 per cent and 4.9 per cent in 2021 to 3.4 per cent and 2.1 per cent, as forecasted by the World Bank in June 2022.

The dampening economic conditions around the world resulted from the interplay of macroeconomic and policy developments driven by shocks arising from the Pandemic and the Russia-Ukraine war.

1.1.1 Global Inflation

Inflation continued to rise in the second quarter of 2022 and was expected by the World Bank to peak by mid-2022. Thereafter, it was projected to softly moderate downward as global growth gradually firmed up over the medium term. According to the World Bank's June 2022 GEP and Global Monthly Report (GMR), global median inflation rose from 4.6 per cent in February 2022 to 7.6 per cent in June 2022.

The background for rising consumer price inflation had been set by policy interventions against negative shocks occasioned by the COVID-19 pandemic. The inflationary strain was worsened by supply shocks arising from the Russia-Ukraine war.

The resulting rising price of commodities (oil and non-oil) had negative effects on inflation for commodity importers, while the soaring prices of production inputs equally penalised commodity exporters who relied on imported inputs, leading to worsening inflation in those countries.

The negative supply shocks ignited by the Russia-Ukraine conflict combined with the lingering demand and supply shocks from the COVID-19 pandemic reduced growth as higher consumer prices muted pent-up demand, while contractionary policies occasioned increase in input prices, and depressed consumer demand softened investment demand. The complex interaction in these macro variables weakened growth in the second quarter of 2022.

1.1.2 International Trade

International trade continued to slow down in the second quarter of 2022 on the back of complex interconnection between existing pandemic-occasioned supply-chain disruptions and those from the Russia-Ukraine war.

The war underscored the economic woes that could trail disturbance to trade inter-linkages in a globalised world. In addition to negative effects on global trade of strain in the global transportation of finished products, the conflict had led to a decline in exports and imports to the warring countries. While the trade from Russia and Ukraine constituted a small proportion of the global trade, the supply of production inputs and commodities from these countries had fallen significantly on the back of the conflict and had led to disruption in the global supply chain, reduced production, and muted global trade.

As a result of the interplay of shocks against production and trade, international trade weakened as its growth was expected to dip from 10.3 per cent in 2021 to 4.0 per cent in 2022, lower than the January 2022 forecast of 5.8 per cent.

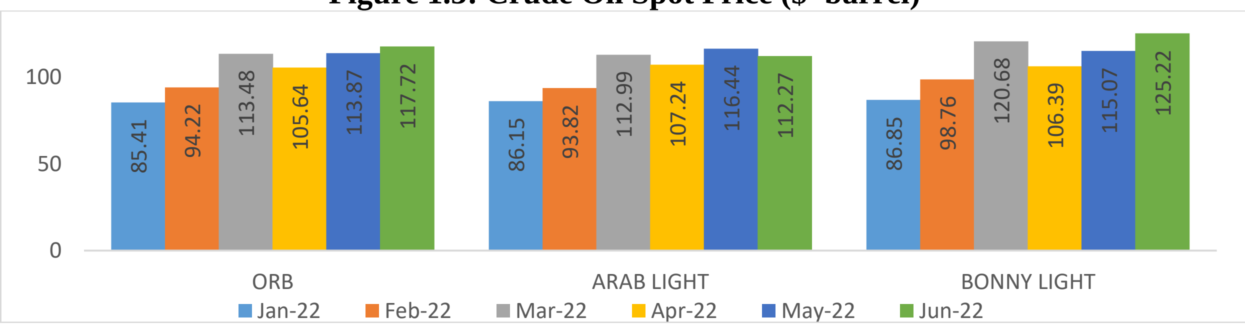
1.1.3 Commodities and Crude Oil Price Trajectories

The prices of commodities continue to surge on the back of supply-chain disruptions and constrained international trade. Agricultural prices were expected by the World Bank in its June 2022 GEP to rise by 18 per cent on the back of reduced production of grains in Ukraine due to the war and conflict-induced rise in input prices, especially fertiliser, as well as the decline in the export of grains from Ukraine and Russia due to disruption to transport and logistics.

The OPEC Reference Basket (ORB) as shown in Figure 1.3, declined from $113.48 per barrel (pb) in March 2022 to $105.64 pb in April 2022 before picking up to $113.87 pb and $117.72 pb in May and June 2022, respectively. Similarly, Arab Light and Bonny light declined from $112.99 pb and $120.68 pb in March 2022 to $107.24 pb and $106.39 pb in April 2022. While Arab Light jumped to $116.44 pb in May 2022 but later declined to $112.27 pb in June 2022, Bonny Light continued to ascend to $115.07 pb and $125.22 pb in May and June 2022, respectively.

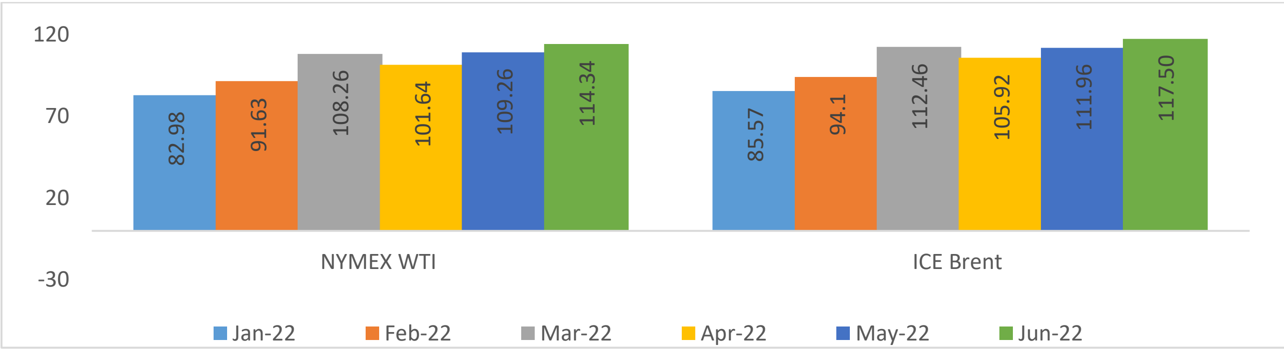
Congruently, the futures price of the West Texas Intermediate crude oil on the New York Mercantile Exchange (NYMEX WTI) and the futures price of Brent crudes on the Intercontinental Exchange (ICE Brent) declined from $108.26 pb and $112.46 pb in March 2022 to $101.64 pb and $105.92 pb in April 2022, respectively, in response to similar underlying factors that affected spot prices, as well as muted business confidence and rising uncertainties surrounding the global economic outlook.

Figure 1.3: Crude Oil Spot Price ($' barrel)



Source: OPEC Monthly Reports

Figure 1.4: Crude Oil Futures ($/contract)



Source: OPEC Monthly Reports

As shown in Figure 1.4, the NYMEX WTI and ICE Brent, however, continued to rise in the second quarter of 2022, from $101.64 & $105.92 in April to $109.26 & $111.96 in May 2022 and $111.34 & $117.50 in June 2022, respectively.

The upward surge in the spot and futures prices of crude oil derived from firming demand and supply conditions that interplayed to provide strong market fundamentals for the price increase. On the back of improving refining margin, the resumption of refining activities, and the relaxation of mobility restrictions and lockdown in China, market demand rose to give crude oil prices a lift. Supply factors that also supported the price climb included supply shortfall due to planned reductions and unplanned outages arising from the geopolitical tension in Europe.

1.1.4 Global Economic Outlook

The medium to long-term prospects of the global economy is beclouded by the existing downside risks and their unabating momentum. As a result, the global economy is only expected to achieve 3.0 per cent in 2023 and 2024. The medium-term performance in the global economy derives from the combination of performances from different economy groups.

In the AEs, the economic outlook was less promising as its growth was expected to wane further from 2.6 per cent in 2022 to 2.2 per cent and 1.9 per cent over the medium term in 2023 and 2024, respectively. This outlook stemmed from weak medium-term growth expectations in the US, where growth would continue to decline from 2.5 per cent in 2022 to 2.4 per cent in 2023 and further to 2.0 per cent in 2024.

The drag over the medium-term growth outlook of AEs would be contributed by the ongoing policy withdrawal, both fiscal and monetary, which, though targeted to curb inflationary pressures, posed significant risks to economic growth.

The supply shocks arising from the Russia-Ukraine war were expected to limit output as a result of the effects of high input prices on production and demand. These shocks might contribute further to inflationary pressures in the medium term, as they continued to undermine the gains of policy interventions against inflation in AEs.

The EMDEs were, however, expected to have a firmer growth over the medium term. This expectation cushioned the weak outlook in AEs to moderate the global economic growth outlook. Economic growth in EMDEs was expected to move up from 3.4 per cent in 2022 to 4.2 per cent in 2023 and 4.4 per cent in 2024.

This outlook was largely driven by Chinese economic growth projection from 4.3 per cent in 2022 to 5.2 per cent and 5.1 per cent in 2023 and 2024, respectively. Other EMDEs like Brazil and Argentina were expected to experience a slow growth in the medium term due to the combination of lingering demand and supply shocks occasioned by the Covid-19 pandemic, spill-over from the Russia-Ukraine war and weakened global demand.

The SSA outlook was expected to improve from annual growth of 3.7 per cent in 2022 to 3.8 per cent and 4.0 per cent in 2023 and 2024. This is expected to be driven by countries other than large economies like Nigeria and South Africa, whose outlook were less encouraging, given the decline in their economic growth from 3.4 per cent and 2.1 per cent in 2022 to an average of 3.2 per cent and 1.7 percent over 2023-24 period, respectively.

1.2 Domestic Economic Conditions

1.2.1 Nigerian Real GDP Growth and Sectorial Contributions

The Nigerian economy grew in real terms by 3.54 per cent during the second quarter of 2022. This growth in the real Gross Domestic Product (GDP) was 0.43 percentage points higher than the 3.11 per cent recorded in the first quarter of 2022 but was 0.44 percentage points lower than the 3.98 per cent growth recorded in the fourth quarter of 2021.

Table 1.1 presents real GDP growth rates in Nigeria and contributions by the constituent sectors from the first quarter of 2021 to the second quarter of 2022.

Table 1.1: Trajectory of Macroeconomic Indicators in Nigeria over 2021-22 period

Macroeconomic Indicators	2021				2022	
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
Oil Production (MBPD)	1.72	1.61	1.57	1.50	1.49	1.43
Real GDP (N' Trillion)	16.83	16.69	18.54	20.33	17.35	17.29
Real GDP Growth (%)	0.51	5.01	4.03	3.98	3.11	3.54
Oil Growth Rate (%)	-2.21	- 12.65	- 10.73	-8.06	-26.04	-11.77
Non-Oil Growth Rate (%)	0.79	6.74	5.44	4.73	6.08	4.77
Contribution of the Oil Sector to RGDP (%)	9.25	7.42	7.49	5.19	6.63	6.33
Contribution of the Non-Oil Sector to GDP (%)	90.75	92.58	92.51	94.81	93.37	93.67
Contribution of Agriculture to RGDP (%)	22.35	23.78	29.94	26.84	22.36	23.24
Contribution of Industries to RGDP (%) (Mining & Quarrying, Manufacturing, Construction, etc.)	23.75	20.57	20.41	18.05	21.47	19.40
Contribution of Services to RGDP (%) (Trade, Health, education, finance ICT, etc.)	53.90	55.66	49.65	55.11	56.17	57.35

Source: NBS (Q2, 2022) Nigerian Gross Domestic Product Report

When compared to the preceding quarter, the growth of the non-oil sector in the second quarter of 2022 dropped to 4.77 per cent by 1.31 percentage points. However, the contribution of the non-oil sector to real GDP increased to 93.67 per cent in the quarter under review by 0.30 percentage points larger than the 93.37 per cent recorded in the first quarter of 2022.

The oil sector shrank by 11.77 per cent in the second quarter of 2022 compared with the 26.04 per cent contraction recorded in the first quarter of 2022. Also, the contribution of the oil sector to real GDP declined by 0.30 percentage point from 6.63 per cent in the first quarter of 2022 to 6.33 per cent in the second quarter of the year. The average daily crude oil production maintained a downward trend as it declined to 1.43 mbpd in the second quarter of 2022 from 1.49 mbpd in the first quarter of 2022.

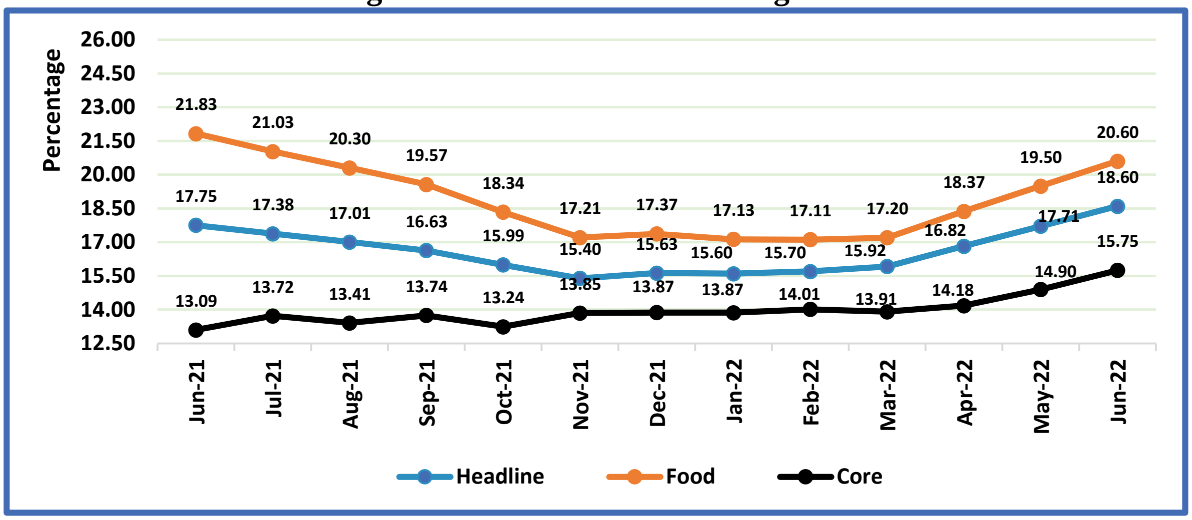
1.2.2 Consumer Price and Food Indices (Inflation)

The inflation rates in Nigeria consistently rose in the second quarter of 2022. Headline inflation moved from 15.92 per cent in March 2022 to 16.82 per cent in April 2022, then to 17.71 per cent and 18.60 per cent in May and June 2022, respectively.

The trajectory of headline inflation is influenced by food and core inflation, which rose, respectively from 17.20 per cent and 13.91 per cent in March 2022 to 18.37 per cent and 14.18 percent in April 2022 before ascending to 19.50 per cent and 14.90 per cent in May 2022, and to 20.60 per cent and 15.75 per cent in June 2022.

The headline inflation was largely driven by rise in prices of gas, liquid fuel, solid fuel, and passenger transport by road/air, amongst others.

Figure 1.5: Inflation Rates in Nigeria

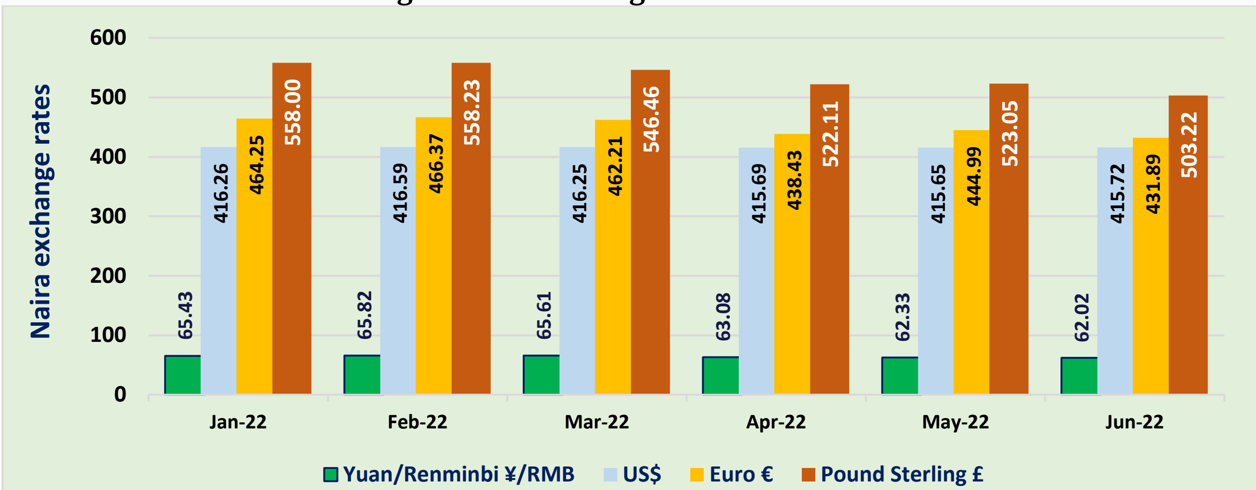


Source: National Bureau of Statistics

1.2.3 Exchange Rate Movement

The Naira exchange rates for most foreign currencies were relatively stable across the Investors' & Exporters' FX (I&E) window during the second quarter of 2022. The Naira to the USD exchange rates in end-April, end-May, and end-June 2022 were ₦415.69, ₦415.65, and ₦415.72, respectively, compared with ₦416.25 at the end of the first quarter of 2022. However, the Naira appreciated relative to the Pound Sterling and Euro from ₦546.46/£ and ₦462.21/€ in the first quarter of 2022 to ₦503.22/£ and ₦431.89/€ at the end of the second quarter 2022. Chinese Yuan/Renminbi fluctuated from ₦65.61/¥_RMB at the end of the first quarter of 2022 to ₦62.02/¥_RMB at the end of the second quarter of 2022. Figure 1.6 presents the movements of Naira to US Dollar, Pound Sterling, Euro, and Yuan/Renminbi rates at the Investors' & Exporters' FX Window.

Figure 1.6: Exchange Rate Movement



Source: CBN statistical database

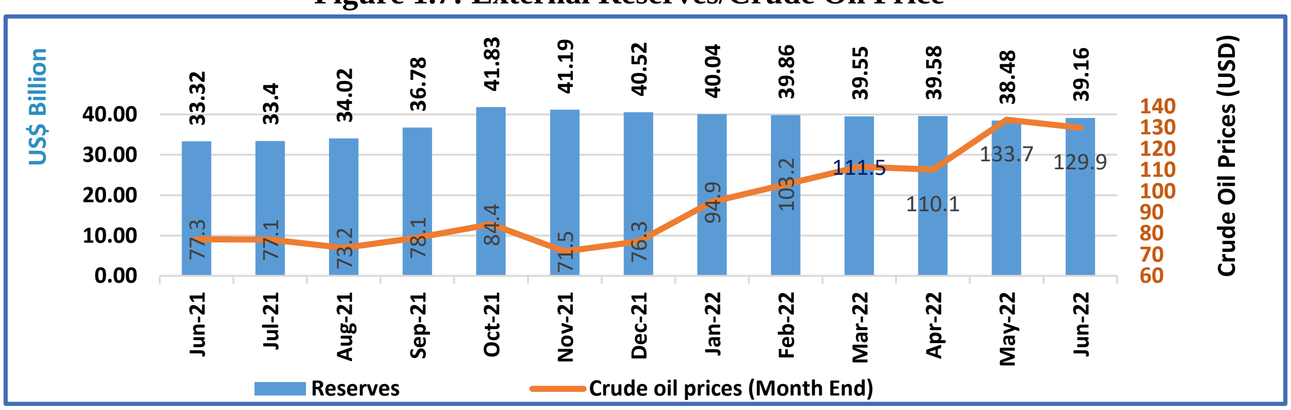
1.2.4 External Reserve Movement

The stock of gross external reserves slightly rose from US$39.55 billion in end-March 2022 to US$39.58 billion in end-April 2022. Thereafter, it declined to US$38.48 billion in end-May 2022 before rising to US$39.16 billion in end-June 2022. Compared with the end of the first quarter of 2022, external reserves were lower by US$391.47 million, representing a 0.99 per cent decline.

The decline in the stock of external reserves was as a result of weak accretion to the reserves from exports and the high cost of importation of refined petroleum products compounded by a supply shortage of petroleum products in the first two quarters.

Figure 1.7 presents the trend of Nigeria's external reserves and crude oil prices from the end of June 2021 to the end of June 2022.

Figure 1.7: External Reserves/Crude Oil Price



Source: CBN Statistical database

1.2.5 Nigeria Public Debt Stock

Nigeria's total public debt rose from ₦41.60 trillion at the end of the first quarter of 2022 to ₦42.85 trillion at the end of the second quarter of 2022, representing an increase of 1.25 percentage points. The domestic debts was ₦26.23 trillion, representing 61.21 per cent of the total, while the external debts accounted for 38.79 per cent (₦16.62 trillion) of the total public debt as of the end of the second quarter of 2022. Also, ₦912.71 billion was spent on domestic and external debt servicing during the second quarter of 2022, representing a 1.77 per cent increase from the ₦896.85 billion spent during the first quarter of 2022 (Table 1.2).

Table 1.2: Nigeria Public Debts

	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2
Total Public Debt (₦' Tn)	33.11	35.46	38.00	39.56	41.60	42.85
*** Total External Debts (₦' Tn)**	12.47	13.71	15.57	15.86	16.62	16.62
*** Total Domestic Debts (₦' Tn)**	20.64	21.75	22.43	23.70	24.98	26.23
- FG Only (₦' Tn)	16.51	17.63	18.23	19.24	20.14	20.95
- State & FCT (₦' Tn)	4.12	4.12	4.20	4.46	4.84	5.28
External Debts (% of Total)	37.67	38.66	40.98	40.08	39.94	38.78
Domestic Debts (% of Total)	62.33	61.34	59.02	59.92	60.06	61.22
Public Debt growth rate (%)	0.58	7.10	7.16	4.11	5.16	3.00
Actual Domestic Debt Service (₦'Billion)	612.71	322.75	808.49	310.50	668.69	664.73
Actual External Debt Service (₦'Billion)	382.30	113.91	213.52	118.26	228.16	247.98
Total Debt Services paid (₦'Billion)	995.01	436.66	1,022.01	428.76	896.85	912.71

Source: DMO

1.3 Financial Market Development

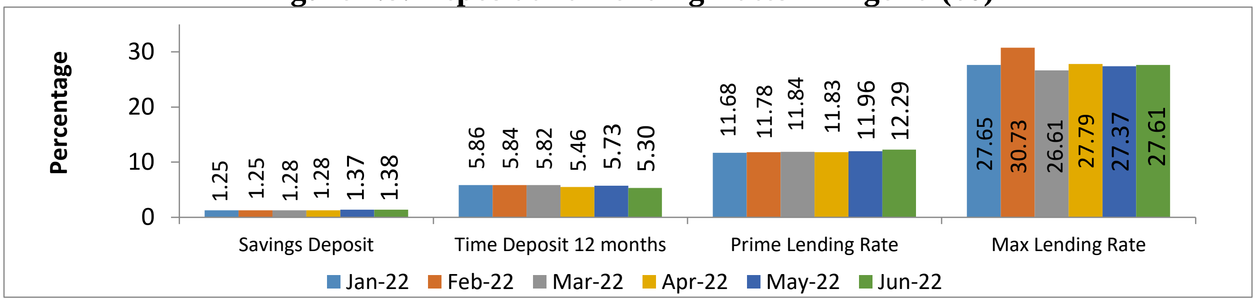
1.3.1. Money Market Development

Interest rates in the Nigerian money market were relatively stable in the first quarter of 2022, given their minimal volatility over the period. The interest rate on Savings was flat from end-March 2022 to end-April 2022 as it remained at 1.28 per cent, but slightly increased to 1.37 per cent at end-May 2022 and further to 1.38 per cent at end-June 2022 (Figure 1.8). Interest rates on 12-Month Time Deposit however declined slightly, from 5.82 per cent end-March 2022 to 5.46 per cent at end-April 2022 but rose to 5.73 per cent and slipped to 5.30 per cent at end-May and end-June 2022, respectively.

Similarly, the Prime Lending rate moderated, as depicted in Figure 1.8, from 11.84 per cent at end-March 2022 to 11.83 per cent at at end-April 2022 but trended up to 11.96 per cent and 12.29 per cent at end-May and end-June 2022, respectively. The Maximum Lending rate, on the other hand, increased from 26.61 per cent at end-March 2022 to 27.79 per cent end-April 2022 before declining to 27.37 per cent, then rose to 27.61 per cent end-May and end-June 2022, respectively.

The increase in these rates during the quarter under review can be attributed to rise in the Monetary Policy Rate (MPR) following the monetary policy committee (MPC) decision in May 2022.

Figure 1.8: Deposit and Lending Rates in Nigeria (%)

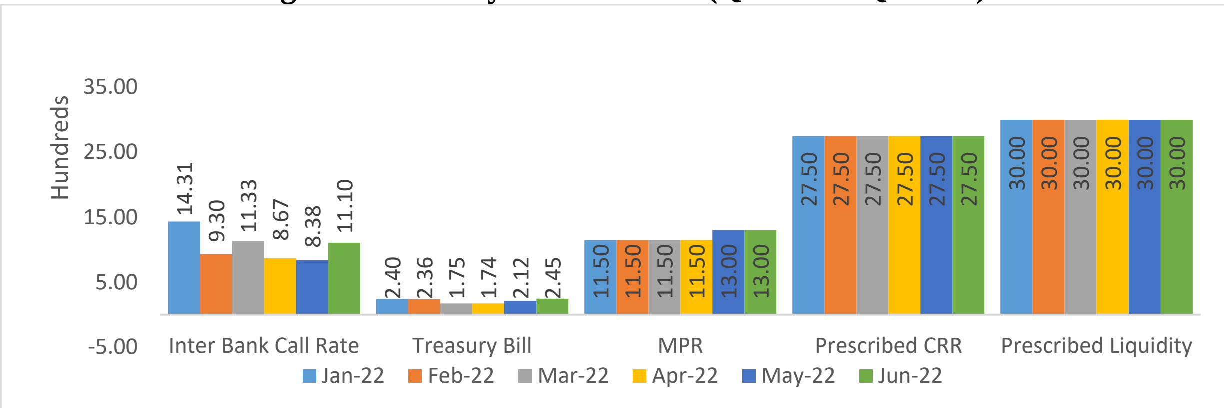


Source: CBN Statistical Database

As depicted in Figure 1.9, Cash Reserve Ratio (CRR) and Liquidity Ratio remained fixed at 27.50 per cent and 30.00 per cent from end-March 2022 to end-April 2022, respectively. However, the MPR was increased to 13.00 per cent in May 2022, remaining unchanged at end-June 2022. Interbank call rate, on the other hand, fell from 11.33 per cent at end-March 2022 to 8.67 per cent at end-April 2022 and further to 8.38 per cent at end-May 2022 but rose to 11.10 per cent at end-June 2022. While the 91-day T-Bill rate fell from 1.75 per cent at end-March 2022 to 1.74 per cent at end-April 2022 but it rose marginally to 2.12 per cent at end-May 2022 and further to 2.45 per cent at end-June 2022.

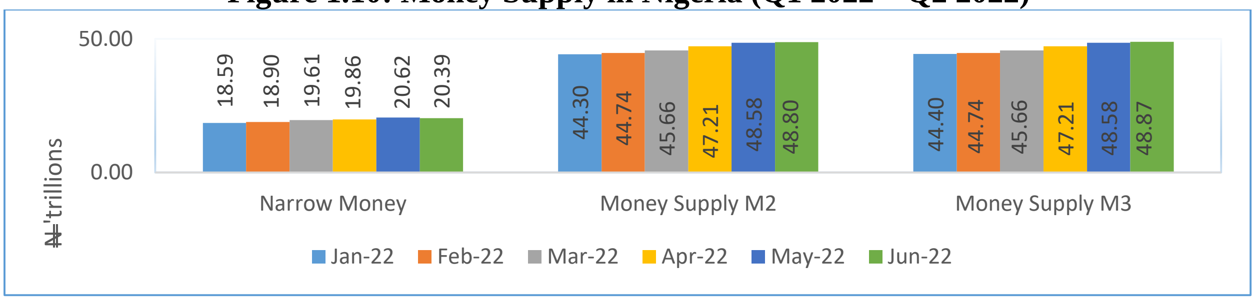
Money Supply increased, as depicted in Figure 1.10, in the first and second quarter of 2022. Narrow Money (M1) increased from ₦19.61 trillion at end-March 2022 to ₦19.86 trillion at end-April 2022, later to ₦20.62 trillion at end-May 2022, but slightly declined to ₦20.39 trillion at end-June 2022. Money Supply (M2) rose from ₦45.66 trillion at end-March 2022 to ₦47.21 trillion at end-April 2022, later to ₦48.58 trillion at end-May 2022, and further to ₦48.80 trillion at end-June 2022. Similarly, Broad Money (M3) also rose from ₦45.66 trillion at end-March 2022 to ₦47.21 trillion, ₦48.58 trillion, and ₦48.87 trillion at end-April, end-May, and end-June 2022, respectively.

Figure 1.9: Money Market Rates (Q1 2022 – Q2 2022)



Source: Central Bank of Nigeria

Figure 1.10: Money Supply in Nigeria (Q1 2022 – Q2 2022)



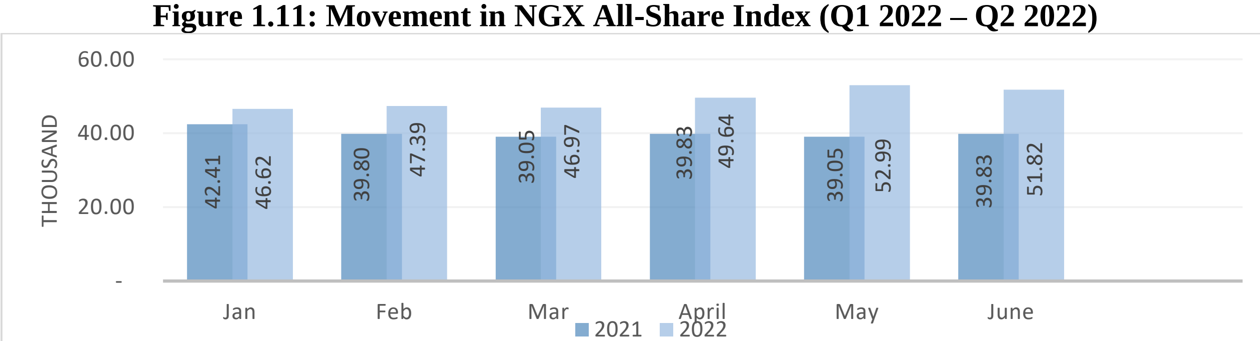
Source: Central Bank of Nigeria

1.3.2 Capital Market Development

a) The All-Share Index

The Nigerian Exchange Limited All-Share Index (NGX ASI) for all listed equities increased in the second quarter of 2022, relative to the first quarter of 2022. As shown in Figure 1.11, the Index rose from 46,965.48 at end-March 2022 to 49,638.94 and 52,990.28 at the end-April and May 2022, respectively.

Figure 1.11: Movement in NGX All-Share Index (Q1 2022 – Q2 2022)



Source: NGX Market Capitalisation Reports

b) Domestic and Foreign Portfolio Investment

Total domestic and foreign transactions at the end of June 2022 stood at ₦156.52 billion, with foreign investors executing 26.96 per cent of the value while domestic investors executed 73.04 per cent of the flow. The total transaction value of domestic and foreign portfolio dipped by 74.23 per cent from ₦607.45 billion at the end of May 2022 to ₦156.52 billion at the end of June 2022 (Table 1.3).

Table 1.3: Domestic & Foreign Portfolio Transactions in Equity Trading in 2022-2021

Year	Month	Total		Domestic			Foreign		
		₦' Billion	Growth (%)	₦' Billion	% of Total	Growth (%)	₦' Billion	% of Total	Growth (%)
2022	June	156.52	-74.23	114.33	73.04	-79.66	42.19	26.96	-6.87
	May	607.45	195.05	562.15	92.54	214.40	45.30	7.46	67.28
	April	205.88	11.13	178.80	86.85	24.96	27.08	13.15	-35.78
	March	185.26	0.93	143.09	77.24	3.59	42.17	22.76	-7.18
	February	183.56	-43.24	138.13	75.25	-51.03	45.43	24.75	9.97
	January	323.38	104.33	282.07	87.23	129.44	41.31	12.77	16.96
2021	December	158.26	-19.31	122.94	77.68	-2.88	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

Sources: The Nigerian Stock Exchange's Domestic & Foreign Portfolio Investment Reports

1.4. CBN Monetary Policy and Circulars

1.4.1 Monetary Policy

The CBN Monetary Policy Committee (MPC) met once in Q2 2022: on the 23rd and 24th of May 2022. The highlights of the meetings held are presented hereinafter.

The Committee, noted amongst others that:

- The intensified geopolitical tensions and persisting macroeconomic uncertainties associated with the Russia-Ukraine crisis, the cocktail of sanctions imposed on Russia, headwinds stemming from the lingering impact of the COVID-19 pandemic, and the rise in upside risks to inflation and downside risks to growth.
- The post-pandemic policy support had remained broadly expansionary, at least, from a fiscal standpoint, given the sharp rise in inflation across both the Advanced & Emerging Market Economies, which had generated growing concern amongst central banks, as the progressive rise in inflation, driven by rising aggregate demand and wage growth, was putting unsustainable upward pressure on price levels.
- The banking sector's Capital Adequacy Ratio (CAR) and Liquidity Ratio (LR) remained above the prudential limits. CAR moderated slightly to 14.6 per cent in April 2022 from 14.4

per cent in February 2021, while LR remained above its prudential limit at 43.7 per cent in April 2022. The Non-Performing Loans Ratio stood at 5.3 per cent in April 2022, compared with its prudential limit of 5.0 per cent, reflecting sustained stability in the banking system, though there remains a need to bring this down to the prudential limit.

- The performance of the equities market remained strong and positive in the second quarter of 2022. The All-Share Index (ASI) and Market Capitalization (MC) increased significantly from 46,965.48 and N25.31 trillion on March 31, 2022, to 52,979.48 and N28.56 trillion on May 20, 2022, respectively, indicating improving macroeconomic fundamentals and consumer confidence.
- The Manufacturing Purchasing Managers' Index (PMI) declined marginally from 49.10 index points in March 2022 to 48.90 index points in April 2022. The Non-Manufacturing PMI improved marginally from 48.10 index points in end-March 2022 to 49.50 index points in end-April 2022, as uncertainties persisted around the poor security situation in the country, infrastructural constraints, and ease of doing business in Nigeria.

The Committee recommended that:

- The CBN should redouble its efforts at supporting the priority growth-enhancing sectors of the economy.
- The Federal Government should do more to provide a safe and secure environment for economic agents to boost activities and growth.
- Though GDP grew by 3.11 percent (y-o-y) in the first quarter of 2022, highlighting a steady recovery for the 6th consecutive quarter, there were concerns about the somewhat aggressive rise in inflation by almost 90 basis points in April 2022. To dampen the expectation of inflationary pressure, it recommended that the CBN should continue its adoption of an accommodative approach to development finance initiatives that have supported the growth of the economy and sustained recovery. As such, the development finance initiatives of the Bank should remain at 5 per cent till March 2023.
- There was a need to bring down the Non-Performing Loans (NPL) ratio in the banking system, which stood at 5.3 per cent in April 2022, compared with its prudential limit of 5.0 per cent.
- The deteriorating and persisting insecurity condition of the country should be tackled proactively to strengthen banks' activities and promote domestic and foreign investment.

The Committee's Decision

The Committee thus decided by a majority vote to

i. Raise MPR from 11.5 per cent to 13.0 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.

1.4.2 CBN Second Quarter 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. PSM/DIR/CON/INM/016/019 Issuance of Operational Guidelines for Open Banking in Nigeria

The Central Bank of Nigeria, on May 13, 2022, released the Regulatory Framework for Open Banking in Nigeria aimed at establishing the principles for data sharing across the banking and payment system to promote innovations and broaden the range of financial products and services available to bank customers. The guidelines apply to banking and other related financial services as categorised and determined by the Bank in the Regulatory Framework for Open Banking in Nigeria.

ii. FPR/DIR/PUB/CIR/001/049

Re: Enrolment of Other Financial Institutions (OFIs) on the Credit Risk Management System (CRMS)

The CBN, on May 24, 2022, issued a circular to all OFIs on their enrolment in the credit risk management system. The deadline for complying with the pre-requirements of the 10-digit Nigeria Uniform Bank Account Number (NUBAN) format tagged with Bank Verification Number (BVN) or Taxpayer Identification Number (TIN) for individual and non-individual accounts respectively, was June 20, 2022. Also, the enforcement of the "submit before disbursement" requirement on the CRMS guideline is expected to commence on August 1, 2022.

iii. COD/BNCH

Guidelines for the Registration and Operation of Bank Neutral Cash Hubs (BNCH) in Nigeria

The CBN, on June 2, 2022, issued the guideline for the registration and operation of Bank Neutral Cash Hubs in Nigeria. The aim of the hubs is to provide a platform for bank customers to make cash deposits and receive value, irrespective of the bank with which their account is domiciled, thus reducing cost and improving the operational efficiency of the cash management value chain in the country.

iv. FMD/DIR/PUB/GUI/001/002 Re: Guidelines for the Operation of Non-Interest Financial Institutions' Instruments

The CBN, on June 9, 2022, issued a revised guideline to all licensed Non-Interest banks and deposit money banks with non-interest banking windows for the operation of non-interest financial institutions instruments to complement those in the conventional banking system. The guideline replaced the circular on "Guidelines for the Operation of Non-Interest Financial Instruments" issued in December 2012 and "Introduction of Two New Instruments –Funding for Liquidity Facility and Intra-Day Facility for Non-Interest Banks" issued in August 2017.

v. FPR/DIR/PUB/CIR/001/052

Central Bank of Nigeria (Anti Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing of Weapons of Mass Destruction in Financial Institutions) Regulations, 2022.

On June 20, 2022, the Central Bank of Nigeria (CBN) issued a regulation to all Banks, Other Financial Institutions, and Payment Service Providers on the "Anti Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing of Weapons of Mass Destruction in Financial Institutions" to comply with the provisions of the Money Laundering Act, 2022; Terrorism (Prevention and Prohibition) Act, 2022 and other relevant extant AML/CFT/CPF regulations. It revoked the CBN AML/CFT Regulations 2013.

vi. OFI/DOA/CON/ACT/004/155

Issuance of Risk-Based Cyber Security Framework and Guidelines for Other Financial Institutions (OFIs)

The Central Bank of Nigeria, on June 29, 2022, issued a letter to all Other Financial Institutions on the Risk-Based Cyber Security Framework and Guidelines for their operations. The guidelines represent the minimum requirements OFIs are expected to put in place to strengthen their cyber defences.