

## Review of Macroeconomic Developments in the First Quarter, 2023

### 1.0 Macroeconomic Conditions

#### 1.1 Global Economic Conditions

The global economy slightly slowed down in the first quarter of 2023, premised on the cumulative effects of the COVID-19 pandemic and the Russia-Ukraine war. The period was characterized by a distressed financial system caused by skyrocketing interest rates predicated on contractionary monetary policies of central banks across the globe.

The tightening financial and monetary conditions in the United States, occasioned by rising interest rates and engendered sales of financial assets at huge losses, led to the failure of a few banks in the United States, including the Silicon Valley Bank (SVB) and Signature Bank of New York in March 2023 (IMF, 2023)<sup>1</sup>. Around the same period, Credit Suisse, a globally significant bank, failed, marking the first failure of a global systemically important bank since the global financial crisis. These events raised concerns for financial stability during the period under review.

According to the International Monetary Fund (IMF), in its April 2023 World Economic Outlook (WEO), the global growth was estimated at 2.8 per cent, 0.1 percentage point lower than its January 2023 estimate of 2.9 per cent. The slight decrease in the estimated growth reflected growth loss across Emerging Market and Developing Economies (EMDEs), Latin America and the Caribbean (LAC) and sub-Saharan Africa (SSA), which cumulatively surpassed the growth gains recorded in the Advanced Economies (AEs).

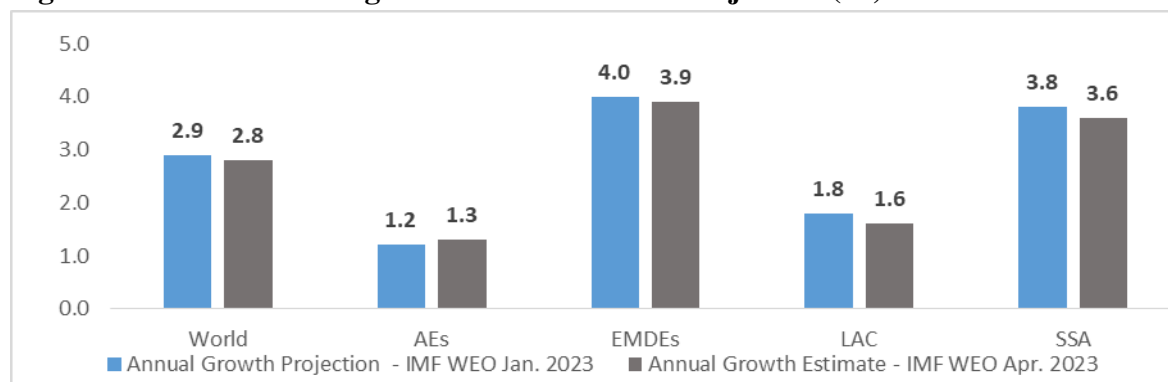
As shown in Figure 1.1, the IMF April 2023 WEO report indicated that the Advanced Economies grew by 1.3 per cent, slightly higher than the 1.2 per cent growth reported in its January report. This improved performance was driven by growth recorded in the United States, Euro Area and the United Kingdom, whose growth estimate of 1.4 per cent, 0.7 per cent and -0.6 per cent in January 2023 improved to 1.6 per cent, 0.8 per cent and -0.3 per cent, respectively, in April 2023 of the IMF report.

On the contrary, the EMDEs annual growth was 3.9 per cent in the first quarter of 2023, 0.1 percentage point lower than 4.0 per cent earlier predicted by the IMF in its January 2023 WEO update report. The slight growth reduction was attributed to the LAC and SSA, whose estimated growth of 1.6 per cent and 3.6 per cent fell short of the earlier IMF's predictions of 1.8 per cent and 3.8 per cent, respectively.

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<sup>1</sup> IMF (2023), 'Global Financial Stability Report: Safeguarding Financial Stability amid High Inflation and Geopolitical Risks', International Monetary Fund

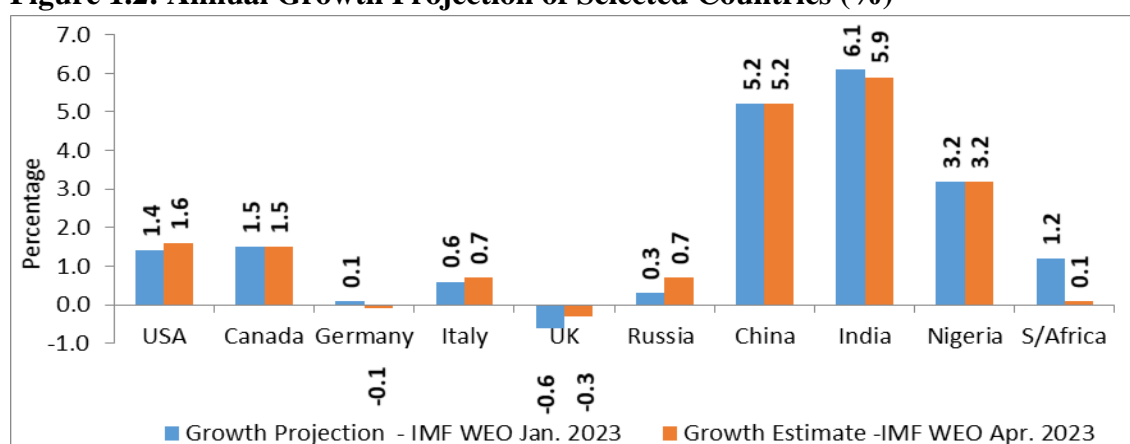
**Figure 1.1: Global and Regional Annual Growth Projection (%)**



Source: IMF WEO (January 2023 & April 2023 Reports)<sup>2</sup>

Improved economic performance of AEs derived from the increase in growth in constituent economies, such as the United States and Italy, where economic growth projected in January 2023 rose, as shown in Figure 1.2, from 1.4 per cent and 0.6 per cent to 1.6 per cent and 0.7 per cent, respectively, in April 2023. Similarly, weak growth performance in EMDEs stemmed from a decline in India and South Africa.

**Figure 1.2: Annual Growth Projection of Selected Countries (%)**



Source: IMF WEO (January 2023 Update & April 2023 Reports)<sup>3</sup>

In January 2023, India’s and South Africa’s growth projections worsened, falling from 6.1 per cent and 1.2 per cent to 5.9 per cent and 0.1 per cent, respectively. As also shown in Figure 1.2, growth was constant in China and Nigeria over the first quarter of 2023.

<sup>2</sup> Available and accessed on 20/04/2023 from:  
<https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023>  
<https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023>

<sup>3</sup> Available and accessed on 20/04/2023 from:  
<https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023>  
<https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023>

## 1.2 Global Financial Conditions

### 1.2.1 Global Inflation

The global headline inflation was estimated by the IMF at 7.0 per cent in the first quarter of 2023, representing 0.4 percentage points higher than the 6.6 percent predicted in January 2023. The headline inflation in the AEs and EMDEs, respectively, rose to 4.7 per cent and 8.6 per cent in the period, from 4.6 per cent and 8.1 per cent earlier forecasted by the IMF in its January 2023 edition of WEO.

However, there was a reduction in the core inflation, which excludes volatile food and energy prices, due to declining fuel and non-fuel commodity prices. The monetary-tightening policy of central banks worldwide is also expected to yield the desired inflation-reduction effects.

### 1.2.2 Asset Market Fragilities

The financial sector was vulnerable to the hikes in interest rates in the first quarter of 2023 that were occasioned by central banks' fights against high inflation. Consequently, proactive responses were taken by policymakers to halt systemic risks and reduce market anxieties that could further threaten financial sector vulnerabilities.

The policy responses notwithstanding, market sentiment remains fragile, and strains are still evident across several institutions and markets as investors reassess the fundamental health of the financial system. In the United States, investors' fears about losses on interest rate-sensitive assets led to the banking assets sell-off, especially by bank investors with concentrated deposit bases and large mark-to-market losses. In Europe, the impact was greatest on banks that traded at significant discounts to their book values, especially those with long-term concerns regarding profitability and their ability to raise capital. However, emerging market banks appeared to have avoided significant losses in their securities portfolios, while deposit funding was stable during the period.

### 1.2.3 International Trade

The IMF estimated growth in global trade volume at 2.4 per cent in the first quarter of 2023 based on its April 2023 WEO. The estimate was the same as earlier predicted in its January 2023 report and lower than 5.1 per cent recorded in 2022. The decline could be attributed to geopolitical tensions and potential financial instability arising from tightened monetary conditions worldwide.

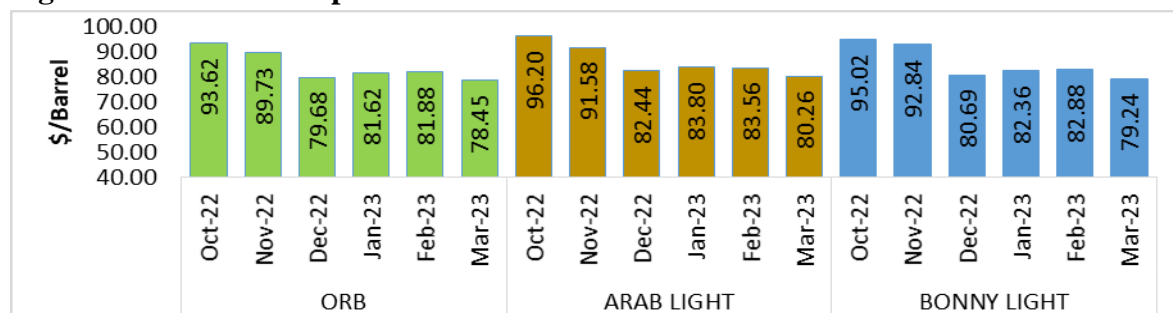
### 1.2.4 Commodity and Crude Oil Prices

The prices of oil and non-oil commodities declined in the first quarter of 2023, lowering headline inflation during the period. According to IMF's April 2023 WEO report, the annual percentage growth in oil and non-oil commodities prices declined by 24.1 per cent and 2.8 per cent, respectively, compared with its January 2023 predictions of 16.2 per cent and 6.3 per cent decline in oil and non-oil prices.

According to OPEC's monthly reports, the OPEC Reference Basket (ORB) crude spot prices bounced back in the first quarter of 2023 from the decline experienced in December 2022. As shown in Figure 1.3, the ORB prices increased from \$79.68 per barrel (pb) in December 2022 to \$81.62pb in January 2023 and further to \$81.88 pb in February 2023 before declining to \$78.45pb in March

2023. Similarly, Arab light prices increased to \$83.80 in January 2023 from \$82.44pb in December 2022, though they slightly fell to \$83.56 and \$80.26 in February and March 2023, respectively. Furthermore, Bonny light prices stood at \$82.36 pb in January 2023, as against \$80.69 pb recorded in December 2022. It further rose to \$82.88 pb in February 2023 before declining to \$79.24 pb in March 2023.

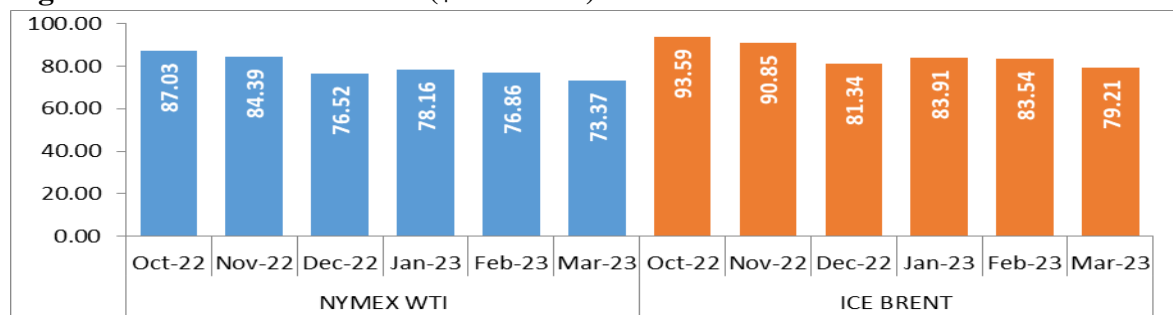
**Figure 1.3: Crude Oil Spot Price**



Source: OPEC Monthly Reports<sup>4</sup>

There were consecutive monthly declines in crude oil futures prices in the first quarter of 2023 compared with the fourth quarter of 2022. According to OPEC monthly reports, the NYMEX WTI increased from \$76.52 per contract (pc) in December 2022 to \$78.16pc in January 2023; it declined consecutively to \$76.86pc and \$73.37pc in February and March 2023, respectively. Similarly, the ICE Brent, which stood at \$81.34pc in December 2022, rose to \$83.91pc in January 2023 before declining to \$83.54pc and \$79.21pc, respectively, to \$83.54pc in February 2023 and further reduced to \$79.21pc in March 2023, as depicted in Figure 1.4.

**Figure 1.4: Crude Oil Futures (\$/Contract)**



Source: OPEC Monthly Reports<sup>5</sup>

### 1.3 Global Economic Outlook

The slowdown of global economic growth is expected to continue until 2024 as the economic and financial conditions remain tightened, especially due to the banking system turbulence experienced in the first quarter of 2023. The hike in policy rates by notable central banks across the world, occasioned by high inflationary pressure, is predicted to remain, which could pose significant risks

<sup>4</sup> Available and accessed on 20/04/2023 from: [https://www.opec.org/opec\\_web/en/publications/7107.htm](https://www.opec.org/opec_web/en/publications/7107.htm)

<sup>5</sup> Available and accessed on 20/04/2023 from: [https://www.opec.org/opec\\_web/en/publications/7107.htm](https://www.opec.org/opec_web/en/publications/7107.htm)

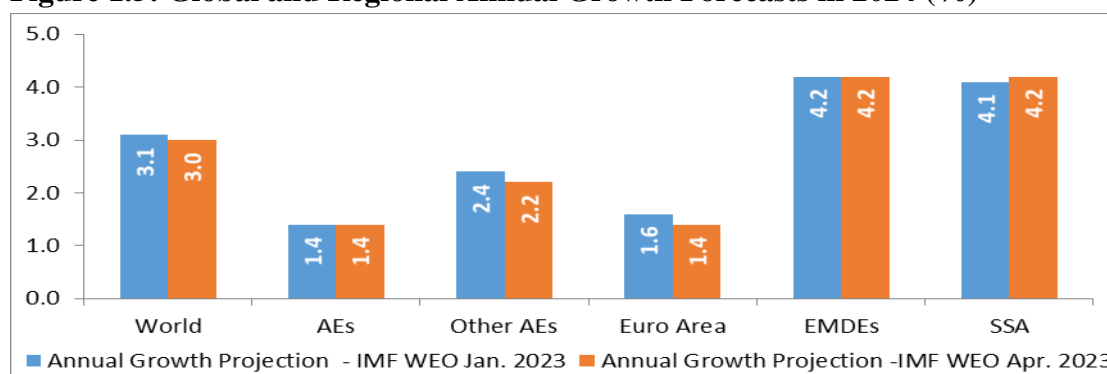
to the financial sector, with worrisome implications for the global economy in the medium to long term.

According to the forecast by IMF in April 2023, global growth for 2024 is projected to be 3.0 per cent representing 0.1 percentage points lower when compared with the January 2023 WEO forecast.

The slight reduction in global growth was due to mixed projected performance by different economy groups. The AEs and EMDEs growth forecast for 2024 remained at 1.4 per cent and 4.2 per cent, respectively. The growth forecasts for Other AEs and Euro Area, according to the April 2023 IMF WEO forecast, were 2.2 per cent and 1.4 per cent, respectively, representing 0.2 percentage points lower than the projections made by the IMF in its January 2023 edition of the report.

On a positive note, the SSA growth projection for 2024, according to the April 2023 WEO IMF report, was 4.2 per cent, which was 0.1 percentage points higher than the projection of the January 2023 edition of the report.

**Figure 1.5: Global and Regional Annual Growth Forecasts in 2024 (%)**



**Source:** IMF WEO (January 2023 & April 2023 Reports)<sup>6</sup>

The forecast performance of the economy groups will derive from the outcomes of the member countries' growth projections for 2024. The banking system turmoil in Europe and the U.S. in the first quarter of 2023 has been projected to result in tougher tightening of global financial conditions. For instance, the growth projections of Germany and Italy in 2024, according to the April 2023 IMF WEO, will fall below the earlier predictions made by the IMF in its January 2023 WEO report. According to the IMF, the continuous tightening of financial conditions could cause further growth loss.

As shown in Figure 1.6, there will neither be growth gains nor losses in China and Canada as their growth projections remained at 4.5 per cent and 1.5 per cent, respectively. However, the growth gain in SSA will derive from the respective growth in Nigeria and South Africa. According to the IMF April 2023 WEO report, Nigeria was projected to grow by 3.0 per cent in 2024, which was 0.1 percentage points higher than the earlier prediction made in the IMF January 2023 WEO report. Similarly, South Africa is expected to have a growth gain of 0.5 percentage points as the economy is

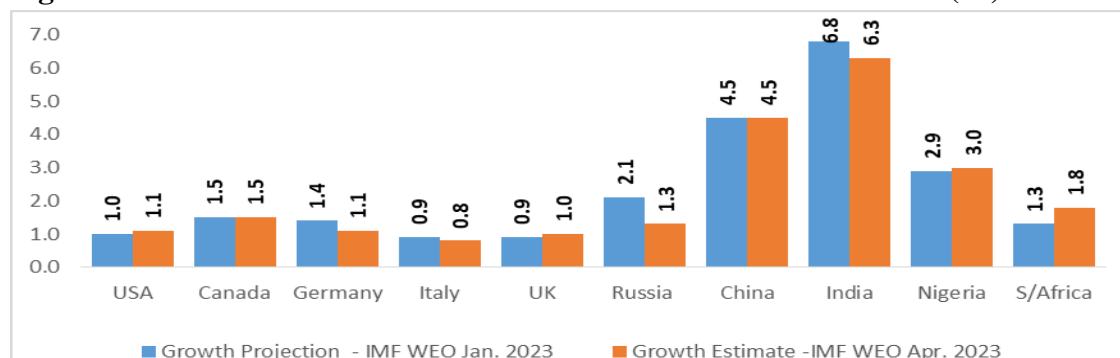
<sup>6</sup> Available and accessed on 20/04/2023 from:

<https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023>

<https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023>

projected to grow by 1.8 per cent in 2024, according to the IMF April 2023 WEO report, compared with the earlier prediction of 1.3 per cent growth in the January 2023 WEO report of the IMF.

**Figure 1.6: Annual Growth Forecasts for Selected Countries in 2024 (%)**



**Source:** IMF WEO (January 2023 & April 2023 Reports)<sup>7</sup>

## 1.4 Domestic Economic Conditions in Nigeria

### 1.4.1 Real GDP

The Nigerian economy grew by 2.31 per cent in the first quarter of 2023, lower than the 3.52 per cent recorded in the fourth quarter of 2022 and 3.11 per cent in the corresponding first quarter of 2022. The performance of the GDP was driven mainly by the Services sector, which recorded a growth of 4.35 per cent and contributed 57.29 per cent to the aggregate GDP. The lower growth performance in the first quarter of 2023, relative to the fourth quarter of 2022, was attributed to the adverse effects of the cash crunch experienced during the quarter. The agricultural sector grew by -0.90 per cent, lower than the growth of 3.16% recorded in the first quarter of 2022. This shows that the agriculture and the industry sectors contributed less to the aggregate GDP in the first quarter of 2023 than in the first quarter of 2022. These details on other growth components are presented in Table 1.1.

<sup>7</sup> Available and accessed on 20/04/2023 from:

<https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023>

<https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023>

<https://www.cbn.gov.ng/IntOps/Reserve.asp?MoveDate=5/10/2023%2012:00:44%20PM>

<https://nigerianstat.gov.ng/elibrary/read/1241325>

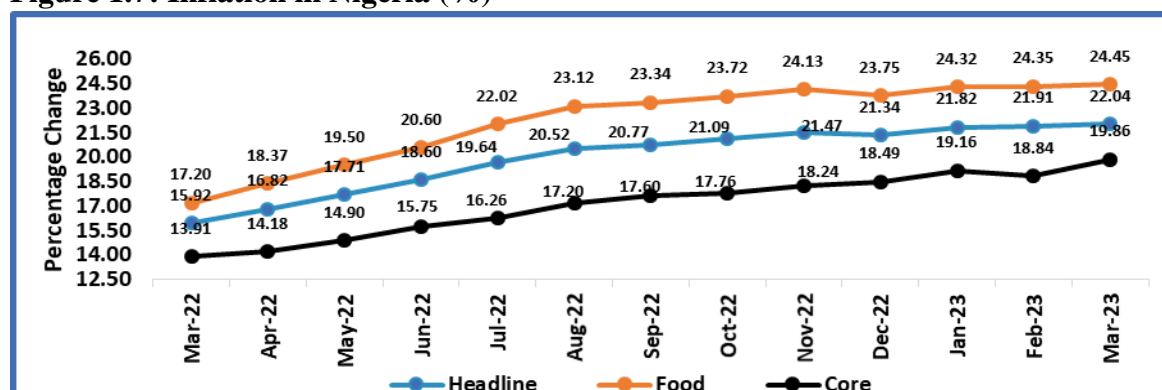
**Table 1.1: GDP Growth Rates and Related Indicators in Nigeria**

Macroeconomic Indicators	2022				2023
	Q1	Q2	Q3	Q4	Q1
Real GDP Growth (%)	3.11	3.54	2.25	3.52	2.31
Nonoil Growth Rate (%)	6.08	4.77	4.27	4.44	2.77
Oil Growth Rate (%)	-26.04	-11.77	-22.67	-13.38	-4.21
Contribution of the Nonoil Sector to GDP (%)	93.37	93.67	94.35	95.66	93.79
Contribution of the Oil Sector to RGDP (%)	6.63	6.33	5.66	4.34	6.21
Oil Production (MBPD)	1.49	1.43	1.20	1.34	1.51
Contribution of Agriculture to RGDP (%)	22.36	23.24	29.67	26.46	21.66
Contribution of Industries to RGDP (%) (Mining & Quarrying, Manufacturing, Construction etc.)	21.47	19.40	18.37	17.27	21.05
Contribution of Services to RGDP (%) (Trade, Health, education, finance ICT etc.)	56.17	57.35	51.96	56.27	57.29
Real GDP (₦ Trillion)	17.35	17.29	18.96	21.04	17.75

Source: National Bureau of Statistics First Quarter, 2023 Report

#### 1.4.2 Consumer Price and Food Indices (Inflation)

Inflation pressure in Nigeria persisted in the first quarter of 2023. In contrast to the slight decline in December 2022, all indicators of inflation rose in the first quarter of 2023. Headline inflation rose, as depicted in Figure 1.7, from 21.34 per cent at the end of December 2022 to 21.82 per cent and 21.91 per cent in January 2023 and February 2023, respectively, and further to 22.04 per cent in March 2023.

**Figure 1.7: Inflation in Nigeria (%)**

Source: CBN Statistical Database<sup>8</sup>

<sup>8</sup> Available and accessed on 15/04/2023 from: <https://www.cbn.gov.ng/rates/inflrates.asp>

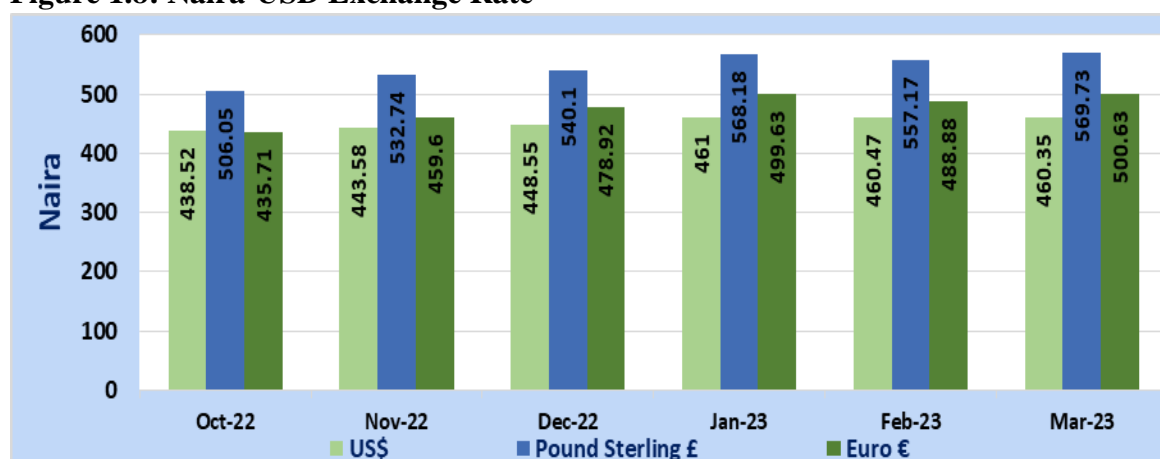


Food Inflation registered a similar pattern, rising from 23.75 per cent at the end of the fourth quarter in December 2022 to 24.32 per cent in January, 24.35 per cent in February and further to 24.45 per cent in March. Core inflation also rose from 18.49 per cent in December 2022 to 19.16 per cent in January 2023 and further to 19.86 per cent in March 2023, from a slight dip to 18.84 per cent in February 2023. The rise in the inflation rate was attributed mainly to increases in energy cost, transportation cost, exchange rate depreciation and the sharp increase in demand usually experienced during the festive season.

### 1.4.3 Exchange Rate Movement

Naira depreciated against the U.S. Dollar in the first quarter of 2023 when compared with its value at the end of the fourth quarter of 2022. The exchange rate depreciated from ₦448.55/\$1 at the end of December 2022 to ₦461.00/\$1 in January 2023. It, however, appreciated marginally to ₦460.47/\$1 in February 2023 and further to ₦460.35/\$1 at the end of March 2023, as shown in Figure 1.8.

**Figure 1.8: Naira-USD Exchange Rate**



Source: CBN Statistical Database<sup>9</sup>

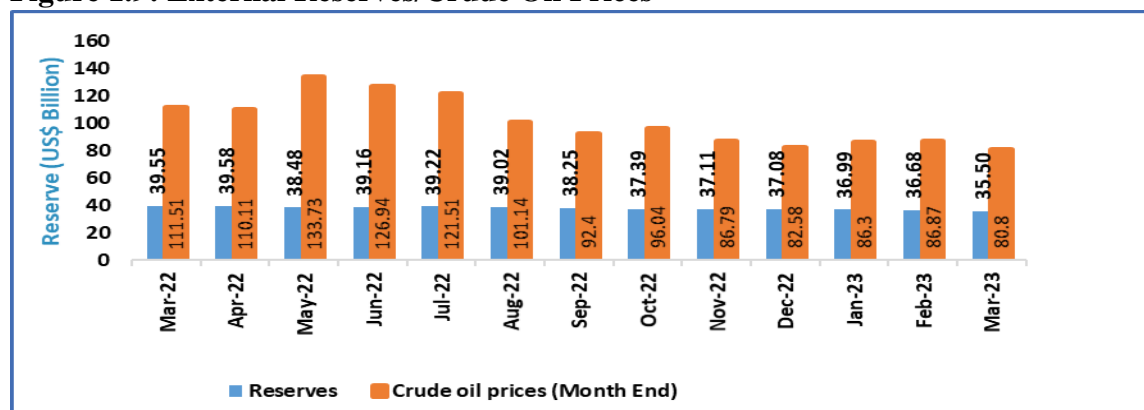
The Naira also depreciated against the Pound Sterling and Euro, as the exchange rate rose to ₦569.73/£ and ₦500.63/€ at the end of the first quarter of 2023 from ₦540.10/£ and ₦478.92/€ at the end of the fourth quarter of 2022.

### 1.4.4 External Reserves

The External Reserves continuously declined, as shown in Figure 1.9, from US\$37.08 billion in December 2022 to US\$36.99, US\$36.08 and US\$35.50 billion in January, February and March 2023. The reduction in the reserve was largely attributed to a fall in export crude oil prices due to demand pressure and a reduction in crude oil production. Crude oil price fell by 2.16 per cent to US\$80.80 per barrel (pb) at the end of the first quarter of 2023 from US\$82.58 pb at the end of the fourth quarter of 2022.

<sup>9</sup> Available and accessed on 15/4/2023 from: <https://www.cbn.gov.ng/rates/inflrates.asp>



**Figure 1.9: External Reserves/Crude Oil Prices**

Source: CBN Statistical Database<sup>10</sup>

### 1.5 Nigeria Public Debt Stock

Nigeria's total public debt was ₦49.85 trillion at the end of the first quarter of 2023, representing a 7.78 per cent rise from the ₦46.25 trillion debt in the fourth quarter of 2022 (Table 1.2). The domestic debts constituted 60.60 per cent or ₦30.21 trillion, while the external debts accounted for 39.40 per cent or ₦19.64 trillion of the public debt at the end of the first quarter of 2023.

**Table 1.2: Nigeria Public Debts**

(₦' Trillion)	2022				2023
	Q1	Q2	Q3	Q4	Q1
<b>Total Public Debt</b>	<b>41.60</b>	<b>42.85</b>	<b>44.06</b>	<b>46.25</b>	<b>49.85</b>
* Total External Debts	16.62	16.62	17.15	18.70	19.64
* Total Domestic Debts	24.98	26.23	26.91	27.55	30.21
Public Debt Quarterly growth rate (%)	5.16	3.00	2.80	4.97	7.78
Actual Domestic Debt Service (₦Billion)	668.69	664.73	820.68	406.77	874.13
Actual External Debt Service (₦Billion)	228.16	247.98	353.02	139.92	801.36
<b>Total Debt Services paid</b>	<b>896.85</b>	<b>912.71</b>	<b>1,621.91</b>	<b>546.69</b>	<b>1,675.49</b>
US\$/Naira Rate	415.75	414.72	432.37	448.08	460.35

Source: DMO First Quarter, 2023 Report

<sup>10</sup> Available and accessed on 15/4/2023 from:

<https://www.cbn.gov.ng/rates/DailyCrude.asp>;

<https://www.dmo.gov.ng/debt-profile/total-public-debt/4324-nigeria-s-total-public-debt-as-at-march-31-2023/file>

<https://www.dmo.gov.ng/debt-profile/domestic-debts/domestic-debt-service/4320-federal-government-actual-domestic-debt-service-for-january-to-march-2023/file>

<https://www.dmo.gov.ng/debt-profile/external-debts/debt-service/4322-nigeria-s-actual-external-debt-service-payments-in-1st-quarter-2023/file>

Nigeria spent ₦1,675.49 billion on domestic and external debt servicing during the fourth quarter of 2022 against ₦546.69 billion spent during the fourth quarter of 2022.

## 1.6 Financial Sector Developments

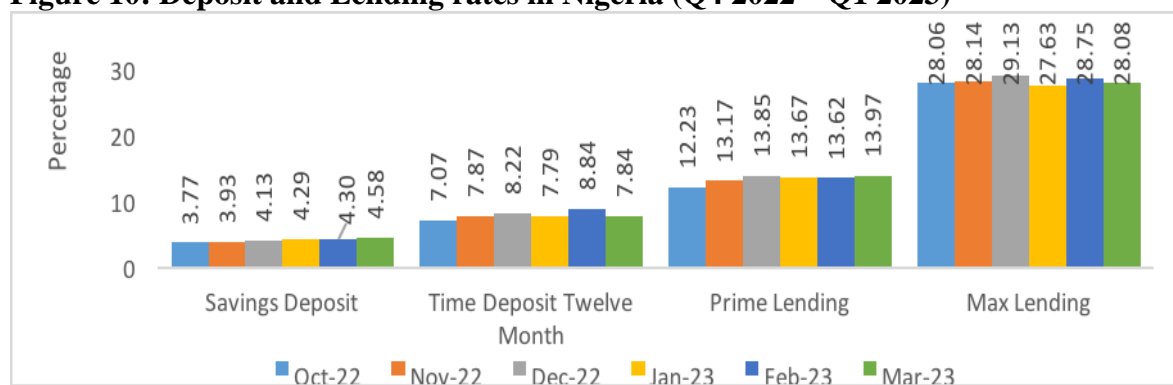
### 1.6.1 Money Market Development

Interest rate on Savings rose from 4.13 per cent in December 2022 to 4.29 per cent, 4.3 per cent and 4.58 per cent in January, February and March 2023, respectively. Interest rates on 12-Month Time Deposit declined from 8.22 per cent in December 2022 to 7.79 per cent in January 2023. It later rose to 8.84 per cent in February 2023 and declined to 7.84 per cent in March 2023, as shown in Figure 1.10.

Similarly, the Prime Lending rate declined, as depicted in Figure 1.10, from 13.85 per cent in December 2022 to 13.67 per cent and 13.62 per cent in January and February 2023, respectively, before rising to 13.97 per cent in March 2023. In addition, the maximum Lending rate declined from 29.13 per cent in December 2022 to 27.63 per cent in January 2023. This later rose to 28.75 per cent in February 2023 and moderated to 28.08 per cent in March 2023.

The increase in these rates during the quarter under review may be attributed to the rise in the Monetary Policy Rate (MPR) over the period.

**Figure 10: Deposit and Lending rates in Nigeria (Q4 2022 – Q1 2023)**

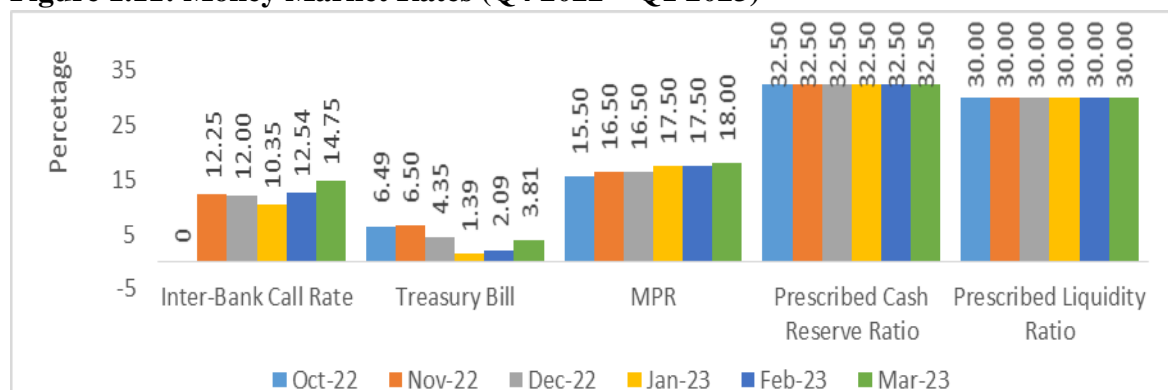


Source: CBN Statistical Database<sup>11</sup>

As shown in Figure 1.11, the Interbank call rate declined from 12.00 per cent in December 2022 to 10.35 per cent in January 2023 but ascended to 12.54 per cent and 14.75 per cent in February 2023 and March 2023, respectively. Similarly, the 91-day T-Bill rate declined from 4.35 per cent in December 2022 to 1.39 per cent in January 2023 but later rose to 2.09 per cent and 3.81 per cent in February 2023 and March 2023, respectively.

<sup>11</sup> <http://statistics.cbn.gov.ng/cbn-onlinestats/QueryResultWizard.aspx>

**Figure 1.11: Money Market Rates (Q4 2022 – Q1 2023)**

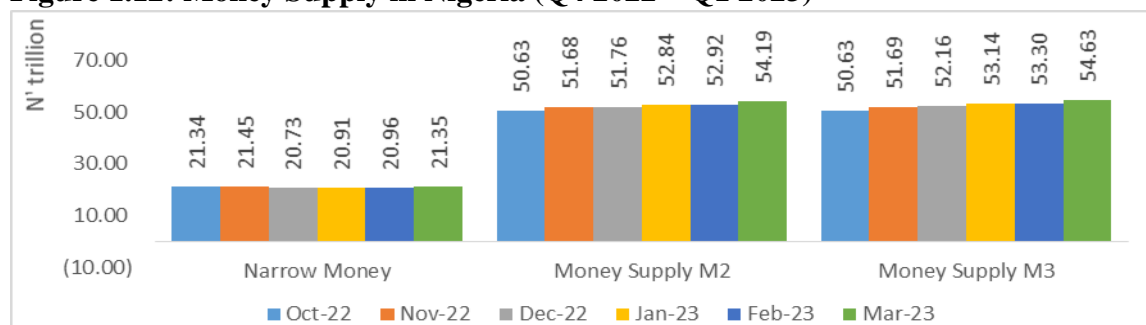


Source: Central Bank of Nigeria<sup>12</sup>

The Monetary Policy Rate (MPR) rose from 16.5 per cent at the end of the fourth quarter of 2022 to 17.5 per cent in the first quarter of 2023. However, the Cash Reserve Ratio (CRR) and Liquidity ratio remained unchanged at 32.50 per cent and 30.00 per cent, respectively, in the first quarter of 2023, as they had been several quarters earlier, as shown in Figure 1.11.

Narrow Money Supply (M1) rose from ₦20.73 trillion in December 2022 to ₦20.91 trillion in January 2023 and further to ₦20.96 trillion in February 2023 and later increased to ₦21.35 trillion in March 2023. Similarly, Money Supply (M2) rose from ₦51.76 trillion in December 2022 to ₦52.84 trillion, ₦52.92 trillion, and ₦54.19 trillion in January 2023, February 2023 and March 2023, respectively. Broad Money Supply (M3) also rose from ₦51.14 trillion in December 2022 to ₦53.14 trillion, ₦53.30 trillion, and ₦54.63 trillion in January, February and March 2023, respectively, as shown in Figure 1.12.

**Figure 1.12: Money Supply in Nigeria (Q4 2022 – Q1 2023)**



Source: Central Bank of Nigeria<sup>13</sup>

<sup>12</sup> <http://statistics.cbn.gov.ng/cbn-onlinestats/QueryResultWizard.aspx>

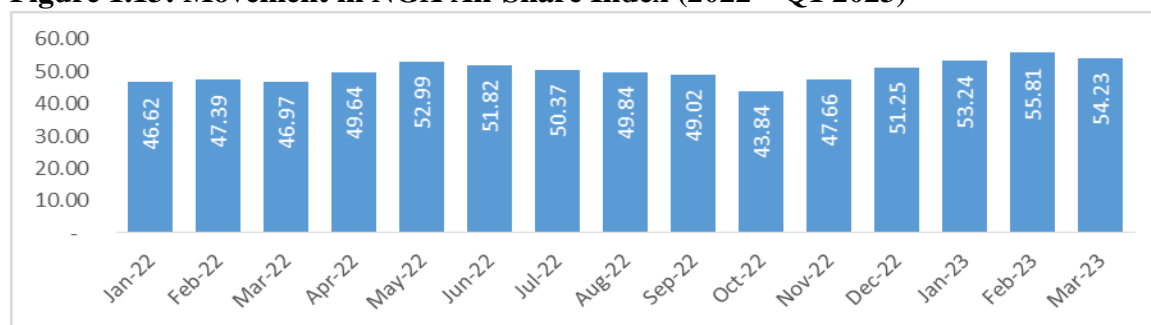
<sup>13</sup> <https://www.cbn.gov.ng/rates/mnycrredit.asp>

## 1.7 Capital Market Development

### 1.7.1 All-Share Index

The Nigerian Exchange Limited All-Share Index (NGX ASI) for all listed equities increased in the first quarter of 2023 relative to the fourth quarter of 2022. As shown in Figure 1.13, the Index rose from 51,251.06 at end-December 2022 to 53,238.67 and 55,806.26 in January 2023 and February 2023 but moderated to 54,232.34 in March 2023.

**Figure 1.13: Movement in NGX All-Share Index (2022 – Q1 2023)**



Source: NGX Market Capitalisation Reports<sup>14</sup>

### 1.7.2 Domestic and Foreign Portfolio Investments

As shown in Table 1.3, the total portfolio investment rose by 38.66 per cent from ₦140.70 billion in December 2022 to ₦195.10 billion in January 2023, declined by 3.17 per cent in February 2023 to ₦188.91 billion, and further dropped by 22.60 per cent to ₦146.22 billion in March 2023.

**Table 1.3: Domestic & Foreign Portfolio Transactions in Equity Trading in Q4 2022 – Q1 2023**

Year	Month	Total		Domestic			Foreign		
		₦' Billion	Growth (%)	₦' Billion	% of Total	Growth (%)	₦' Billion	% of Total	Growth (%)
2023	March	146.22	-22.60	137.03	93.71	-19.06	9.19	6.29	-53.16
	February	188.91	-3.17	169.29	89.61	-0.53	19.62	10.39	-21.20
	January	195.1	38.66	170.2	87.24	35.63	24.9	12.76	63.71
2022	December	140.7	34.80	125.49	89.19	39.51	15.21	10.81	5.41
	November	104.38	-5.19	89.95	86.18	10.31	14.43	13.82	-49.46

Sources: The Nigerian Exchange Limited's Domestic & Foreign Portfolio Investment Reports<sup>15</sup>

The percentage contribution of portfolio transactions by domestic investors rose from 89.19 per cent at the end of the fourth quarter of 2022 to 93.71 per cent at the end of the first quarter of 2023. Complementarily, the transactions by foreign investors declined in percentage terms from 10.81 per cent at the end of the fourth quarter of 2022 to 6.29 per cent at the end of the first quarter of 2023.

<sup>14</sup> Data used are available and accessed on 15/04/2023 from <https://ngxgroup.com/exchange/data/indices/>

<sup>15</sup> <https://ngxgroup.com/exchange/data/foreign-portfolio-investment-report/>

## 1.8 CBN Monetary Policy and Circulars

### 1.8.1 Monetary Policy

The CBN Monetary Policy Committee (MPC) met twice in the first quarter of 2023, on the 23<sup>rd</sup> and 24<sup>th</sup> of January 2023, as well as on the 20<sup>th</sup> and 21<sup>st</sup> of March 2023. The highlights of the Committee meetings held in January and March 2023 are as follows<sup>16</sup>:

#### **The Committee noted:**

- i. The challenges to the broad stability of the global economy, mainly the risks of global financial contagion from the recent bank failures in the United States and Switzerland. The Russia-Ukraine war has persisted for over a year, resulting in constraints in both the commodities and energy markets due to supply chain bottlenecks. The relationship between the US, China and Russia, alongside other major oil producers in the Middle East, had continued to deteriorate, leading to increased volatility in the oil market.
- ii. The fear of global financial contagion is gradually forcing investors to move away from the equities market to what they consider safer assets like investment in gold, while others seek higher yield returns in treasury securities. This, along with monetary policy normalization in advanced economies, is likely to keep global financial conditions tight.
- iii. The Capital Adequacy Ratio of the banking sector increased to 13.7 per cent in the first quarter of 2023 from 13.2 per cent in the fourth quarter of 2022. The banking system liquidity ratio of 43.1 per cent as at end March 2023 was commendably above the prudential requirement of 30 per cent. The sector Non-performing loan (NPL) ratio was 4.2 per cent, favourably lower than the prudential maximum of 5.0 per cent.
- iv. The CBN released ₦23.70 billion to eight (8) new real sector projects in agriculture, manufacturing and services under the ₦1.0 trillion Real Sector Facility. Total disbursements under the Real Sector Facility stood at ₦2.43 trillion, disbursed to 462 national projects, comprising 257 manufacturing, 95 agriculture, 97 services and 13 mining sector projects.
- v. Under the 100 for 100 Policy on Production and Productivity (PPP), the Bank also released ₦3.01 billion under the Nigerian Electricity Market Stabilisation Facility (NEMSF-2) for capital and operational expenditure of distribution companies (Discos) to improve their liquidity status and aid their recovery of legacy debt. This brings the cumulative disbursement under the facility to ₦254.39 billion.
- vi. The CBN also released ₦4.0 billion under the Intervention Facility for the National Gas Expansion Programme (IFNGEP) to promote the adoption of compressed natural gas (CNG) as the desired fuel for transportation and liquefied petroleum gas (LPG) as the desired cooking fuel.
- vii. Under the Export Facilitation Initiative, the CBN supported export-oriented projects with a sum of ₦5.34 billion, bringing the cumulative total disbursement under the intervention to ₦44.58 billion.

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<sup>16</sup> Document used in preparing this section is available from <https://www.cbn.gov.ng/documents/mpc.asp>

### 1.8.2 MPC Recommendations

- i. The Central Bank should enhance its efforts at stimulating growth and output, especially in the non-oil real sectors of the economy.
- ii. The Central Bank needs to focus on formulating and implementing policies that shield the economy from shocks emanating from the global economy as a means of maintaining price stability.
- iii. Fiscal Authorities should complement the intervention efforts of the Central Bank to support economic growth and maintain price stability.
- iv. The Central Bank needs to sustain its tight prudential regime to ensure that the NPL ratio is kept below its 5 0 per cent prudential benchmark.
- v. The Central Bank is advised to intensify its efforts at intervention schemes to enhance non-oil productivity, aid diversification, ease supply deficits, correct domestic imbalances, buoy the economic outlook and moderate structural inflation.

### 1.8.3 MPC Decisions

The MPC, in its statutory meetings held in the first quarter of 2023, voted to:

- i. raise the MPR to 18.0 per cent at the end of the first quarter of 2023 from 16.5 per cent at the end of the fourth quarter of 2022;
- ii. retain the asymmetric corridor of +100/-700 basis points around the MPR;
- iii. retain the CRR at 32.5 per cent and
- iv. retain the Liquidity Ratio at 30 per cent.

### 1.8.4 CBN Second Quarter Circulars

The CBN issued various 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/CON/OFI /001/304**

##### **Circular on Prohibition of Placement/Investment in Funds Managed By Uninsured Entities.**

The Central Bank of Nigeria, on January 9, 2023, issued a letter to all other Financial Institutions (OFIs) directing them to desist from investing in funds managed by uninsured entities. They are required to divest from all managed funds or products of uninsured entities and desist from such investments in the future. They must, therefore, liquidate existing placements in such entities by any OFI within 90 days from the date the letter was issued.

#### **ii. BSD /DIR/PUB/LAB/15/022**

##### **Circular to All Deposit Money Banks (DMBs), Mobile Money Operators (MMOs), Super Agents and Agents on Naira Redesign Policy (Cash Swap Programme in Rural/Underserved Areas)**

The Central Bank of Nigeria, on January 20, 2023, issued a circular to all DMBs, MMOs, as well as Super Agents of MMOs on the launching of its cash swap program in recognition of the need to maximise the channels through which underserved and rural communities can exchange their Naira. This will enable those in rural areas or those with limited access to formal financial services to be able to exchange old notes for redesigned notes.

**iii. PSM/DIR/PUB/CIR/001/043****Circular on Operational Guidelines for Open Banking**

The CBN, on March 7, 2023, issued a circular to Deposit Money Banks, Mobile Money Operators, and Payment Service Providers on the operational guidelines for Open Banking in furtherance of its mandate for the stability of the financial system and pursuant to its role in deepening financial system.

**iv. PSM/CIR/PUB/CIR/01/045****Circular on Exposure Draft of Regulatory Framework for Agent Banking in Nigeria**

The Central Bank of Nigeria issued a Circular on March 9, 2023, to banks, other financial institutions and payment service providers on the Exposure Draft of the Regulatory Framework for Agent Banking in Nigeria in furtherance of the drive for enhancement of financial inclusion.

**v. FPR/DIR/PUB/CIR/001/072****Circular on Guidelines for Change of Operating Licence for Banks and Other Financial Institutions in Nigeria -Exposure Draft**

The Central Bank of Nigeria, on March 28, 2023, issued an exposure draft to all banks and other financial Institutions on guidelines for change of Operating License for Banks and Other Financial Institutions in Nigeria to provide clarity to eligible financial institutions on regulatory requirements consequent upon the increasing requests from financial institutions to either upgrade or convert to other licence regimes.

**vi. PSM/DIR/PUB/CIR/01/040****Guidelines for Contactless Payments in Nigeria**

The Central Bank of Nigeria, on October 17, 2022, released the Guidelines for Contactless Payments in Nigeria in a bid to standardize operations in the payment system and to encourage the deployment of innovative products to further enhance financial system stability.

**vii. FPR/DIR/GEN/CIR/001/061****Circular on Guidelines for Licensing of Banks and Other Financial Institutions on Anti-Money Laundering and Combatting the Financing of Terrorism and Countering Proliferation Financing of Weapons of Mass Destruction**

The Central Bank of Nigeria on November 23, 2022, issued guidelines for licensing banks and other Financial Institutions in Nigeria on Anti-Money Laundering, combating the financing of terrorism and countering the proliferation financing of weapons of mass destruction to all individuals and entities with the aim of ensuring compliance with the AML//CFT/CPF requirements in license applications for Banks and other Financial Institutions.

**viii. PSM/DIR/CON/INM/018/122****Circular on Interoperability and Interconnectivity**

The CBN, on December 5, 2022, issued a circular to all banks requesting that all certified payment acceptance devices deployed in Nigeria accept all transactions arising from any card issued by any Nigerian bank.



**ix. CCD 21b Dec 2022****Re: Circular on Naira Redesign Policy (Revised Cash Withdrawal Limit)**

The Central Bank of Nigeria, on December 21, 2022, issued a circular to all Financial Institutions on the newly reviewed and revised weekly maximum cash withdrawal limits over the counter by individuals and corporate organizations to ₦500,000 and ₦5,000,000, respectively.