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To be one of the best Deposit Insurers in the world.

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To protect depositors and contribute to the stability of the financial system through effective supervision of insured institutions, provision of financial and technical assistance to eligible insured institutions, prompt payment of guaranteed sums, and orderly resolution of failed insured financial institutions.

NDIC Core Values

In its commitment to public service, the NDIC employees have a tradition of distinguished public service guided by the following five core values:

Integrity & Accountability

Respect & Fairness

Professionalism

Teamwork

Passion

TABLE OF CONTENTS

CONTENT **PAGE**

Review of Macroeconomic Developments in the First Quarter, 2024

1.0 Macroeconomic Conditions

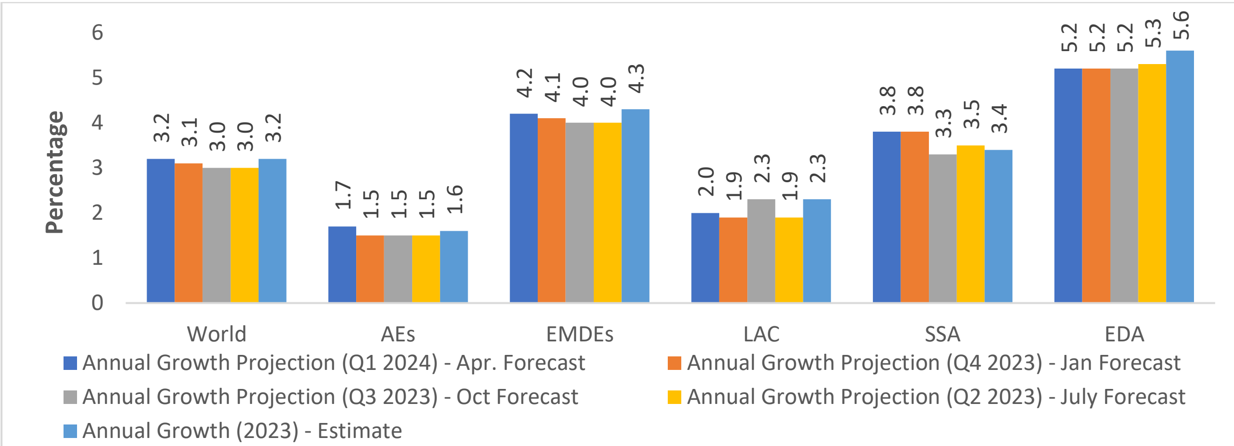
1.1 Global Economic Conditions

In the first quarter of 2024, the global economy continued to recover from the long-term effects of COVID-19 pandemic, Russia-Ukraine war, cost-of-living crisis, and monetary tightening. The rebound was driven by tailwinds from favourable economic developments during the period under review amidst tight, albeit easing, headwinds. According to the International Monetary Fund (IMF) in its April 2024 World Economic Outlook (WEO) update, the tailwinds include stronger-than-expected private consumption, greater-than-expected government spending in United States and several Emerging and Developing Economies (EMDEs), faster disinflation, increased labour force participation, larger-than-expected increase in the stock of physical capital, favourable global supply developments, decreased delivery times and transportation costs owing to the resolution of pandemic-era supply chain disruptions, and accommodative fiscal stance across many countries. However, the gains from these positive developments were weakened by downside risks including weak productivity growth, growing free trade distortions, increasing geo-economic fragmentation, rising geo-political tension in the middle east through the Israel-Gaza war, growing debt levels, and high interest rates.

The IMF, in its April 2024 WEO update, estimated the global economy to grow at 3.2 per cent in 2024, higher by 0.1 percentage point than the January 2024 WEO projection, but the same as the annual growth for 2023. The global economic growth recorded in the first quarter of the year benefited from growth gains in Advanced Economies (AEs), EMDEs, and Latin America and the Caribbean (LAC). As shown in Figure 1.1, the 2024 growth estimate for Aes by the IMF was 1.7 per cent, which is 0.2 percentage point higher than 1.5 per cent predicted in its January 2024, October, and July 2023 editions, as well as higher than the 1.6 per cent annual growth estimated for 2023.

Similarly, EMDEs, and LACs recorded a growth gain of 0.1 percentage point each as they respectively achieved annual growth of 4.2 per cent, and 2.0 per cent in the first quarter, compared with 4.1 per cent, and 1.9 per cent recorded in the previous quarter. However, annual growth in Emerging and Developing Asia (EDA), and Sub-Saharan Africa's (SSA) in first quarter of 2024 remained the same as in the last quarter of 2023.

Figure 1.1: Global and Regional Annual Growth Rates

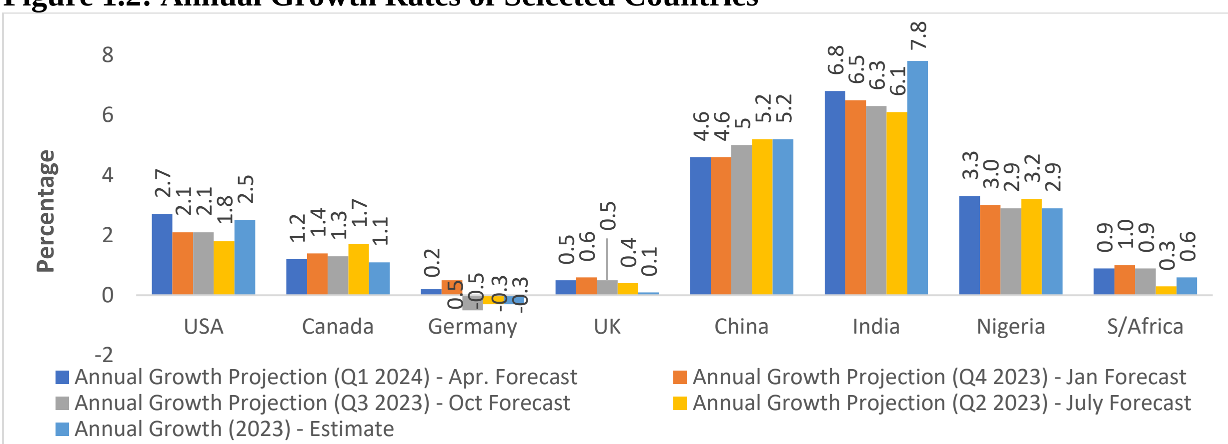


AE= Advanced Economies; EMDEs= Emerging Market and Developing Economies; LAC=Latin America and the Caribbean; SSA= Sub-Saharan Africa; EDA=Emerging and Developing Asia

Source: IMF WEO (January 2024[1] & February 2024[2] Edition)

As depicted in Figure 1.2, growth gains in Aes stemmed mainly from the economic performance of the United States, as the most Aes had growth declines. While the United States had annual economic growth rise of 0.6 percentage point to 2.7 per cent in the first quarter of 2024 from the fourth quarter of 2023, United Kingdom, Germany, and Canada had growth declines of 0.1, 0.3, and 0.2 percentage points, respectively, in the quarter under review.

Figure 1.2: Annual Growth Rates of Selected Countries



Source: IMF WEO (January 2024[3] & April 2024[4] Edition)

Growth improvement in the EMDEs in the first quarter of 2024 was supported largely by growth gains of 0.3 and 0.6 percentage points in India and Russia respectively, as China's economic growth in the quarter remained the same as in the previous quarter. While Nigeria recorded growth gains of 0.3 percentage points in the first quarter, from 3.0 per cent annual growth in the last quarter 2023 to 3.3 per cent in first quarter of 2024, South Africa's annual economic growth dipped by 0.1

[1] https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024
[2] https://www.imf.org/en/Publications/WEO/Issues/2024/04/16/world-economic-outlook-april-2024
[3] https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024
[4] https://www.imf.org/en/Publications/WEO/Issues/2024/04/16/world-economic-outlook-april-2024

percentage point from 1.0 per cent in the last quarter of 2023 to 0.9 per cent in the first quarter of 2024. The mixed growth pattern partly explains static growth of the SSA over the period under review.

1.2 Global Financial Conditions

1.2.1 Global Inflation

The global headline inflation was projected by the IMF in its April 2024 WEO to decline from the annual rate of 6.8 per cent in the fourth quarter of 2023 to 5.9 per cent in 2024. The decline was occasioned by easing labour market conditions, softening global commodity prices, favourable supply-side conditions, and gains recorded from monetary policy tightening conducted by central banks across the world.

Banking system's exposure to commercial real estate and firms remained a source of concern, as the tighter labour market and financial conditions, renewed tensions in supply chains could lead to a rise in interest rates, decline in asset prices, rising debt levels as well as higher debt service costs, among others. These developments could increase risks to financial system stability during the period under review. Thus, global financial stability remained prone to significant uncertainty around interest rates, in relation to the economic outlook.

In view of the increasing geopolitical tensions, evolving technologies, renewed cyber risk, elevated level of global inflation rate (above its target), and macroeconomic uncertainty, there is a risk of higher interest rate expectations. That could further elevate global financial stability risks and tighten financial conditions as it could lead to higher loan loss provisioning, significant drop in equity and bonds value, and potential deterioration in the economic outlook.

1.2.2 International Trade

The IMF, in its April 2024 WEO, projected the world trade volume to grow by 3.0 per cent in 2024, from 0.4 per cent in 2023. The projection also fell short of the 3.3 per cent growth expected by the IMF in its January 2024 WEO. The drop in the growth projection was mainly triggered by geopolitical tension, geo-economic fragmentation, increasing trade restrictions, rising food, energy, and transportation costs on the back of the lingering effects of the Russian/Ukraine war and attacks in the Red Sea, which constrained global trade, among others.

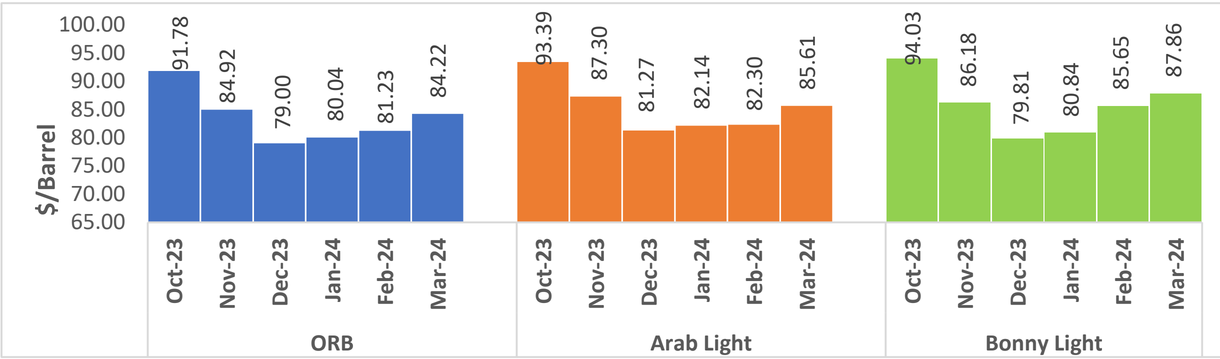
1.2.3 Commodity and Crude Oil Prices

According to the IMF, in its April 2024 WEO, oil prices were projected to decline by annual rate of 2.5 per cent in the first quarter of 2024, compared with 16.4 per cent decline in 2023. Conversely, the prices of non-oil commodities were expected to increase by 0.1 percentage point in the first quarter of 2024, compared with 5.7 per cent decline in 2023. The recent price declines were largely attributed to weaker expectation about global demand growth, strong oil supply by non-OPEC countries, and fading concerns about escalation of the Israel-Hamas conflict. The increase in non-oil prices was supported by rising food and beverages, Iron ore, and Gold prices owing to higher demand for safe haven.

The OPEC monthly reports showed that the crude spot prices of OPEC Reference Basket (ORB), Arab Light and Bonny Light increased in March 2024, an upward trend sustained since January 2024. As shown in Figure 1.3, the ORB prices increased from $79.00 per barrel (pb) in December

2023 to $80.04 pb in January 2024, and further to $81.23 pb and $84.22 pb in February and March 2024, respectively.

Figure 1.3: Crude Oil Spot Price

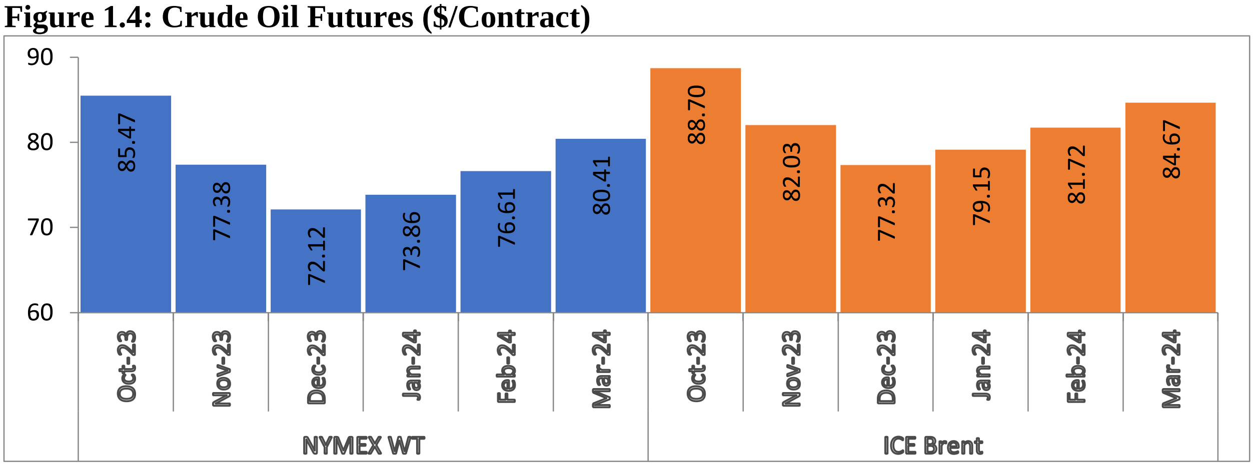


Source: OPEC Monthly Reports[5]

Similarly, Arab light prices increased from $81.27 pb in December 2023 to $82.14 pb in January 2024, and further to $82.30 pb and $85.61 pb in February, and March 2024, respectively. Bonny light price also followed the same pattern as it rose from $79.81 pb in December 2023 to $80.84 pb in January 2024, and sustained that momentum to $85.65 pb, and $87.86 pb in February and March 2024, respectively.

The rising price of crude oil in part derived from bullish positions by speculators arising from strong supply and demand evidenced by drawdown in US oil product inventories. The movement in the futures prices, as depicted in Figure 1.4, share similar patterns with that of crude oil. West Texas Intermediate crude oil on the New York Mercantile Exchange (NYMEX WTI) and the Intercontinental Exchange (ICE Brent) rose from $73.86 per contract (pc) and $79.15 pc in January 2024 to $80.41 pc and $84.67 pc in March 2024, respectively.

Figure 1.4: Crude Oil Futures ($/Contract)



Source: OPEC Monthly Reports[6]

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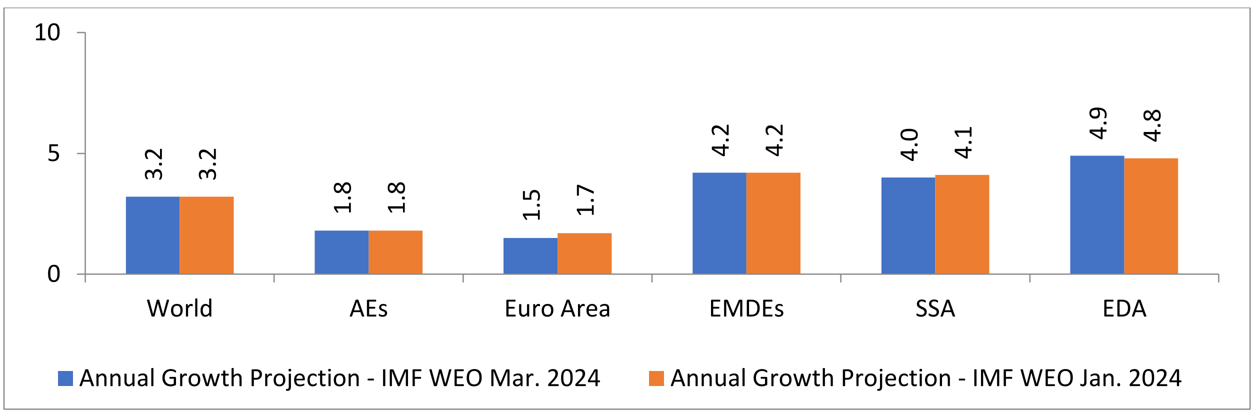
[5] https://www.opec.org/opec_web/en/publications/338.htm
[6] https://www.opec.org/opec_web/en/publications/7107.htm

1.3 Global Economic Outlook

The global economy was projected to be stable but slow in 2025 on the back of spillover effects from a greater-than-expected resilience demonstrated in United States and EDAs. Global headline inflation was estimated to decline from an estimated 5.9 per cent in 2024 (annual average) to 4.5 per cent in 2025. The decline was expected to continue and benefit from the effects of tight monetary policies, withdrawal of public support, favourable global supply developments, diminishing effects of energy supply shocks, and improving labour market conditions. However, inflationary pressure may persist, especially due to commodity price spikes amid extreme weather conditions, ongoing attacks in the Red Sea, rising freight costs, and the lingering effects of Russian/Ukraine war on supply chains. Other downside risks include the geo-economic fragmentation, and Gaza/Israel conflict which could spill over into wider region and hinder the cross-border flow of commodities, triggering additional price volatility, thus impacting economic activities.

According to the IMF, in its April 2024 WEO forecast, the projected global growth for 2025 is 3.2 per cent, the same as earlier estimated in its January 2024 WEO edition. The static growth outlook, as depicted in Figure 1.5, is reflective of inertia in growth performance of Aes and EMDEs, as well as dilution of EDA's contributions to global economic outlook improvement by growth lethargy in the Euro Area and the SSA.

Figure 1.5: Global and Regional Annual Growth Forecasts in 2025 (%)



AE= Advanced Economies; EMDEs= Emerging Market and Developing Economies; SSA= Sub-Saharan Africa; EDA=Emerging and Developing Asia

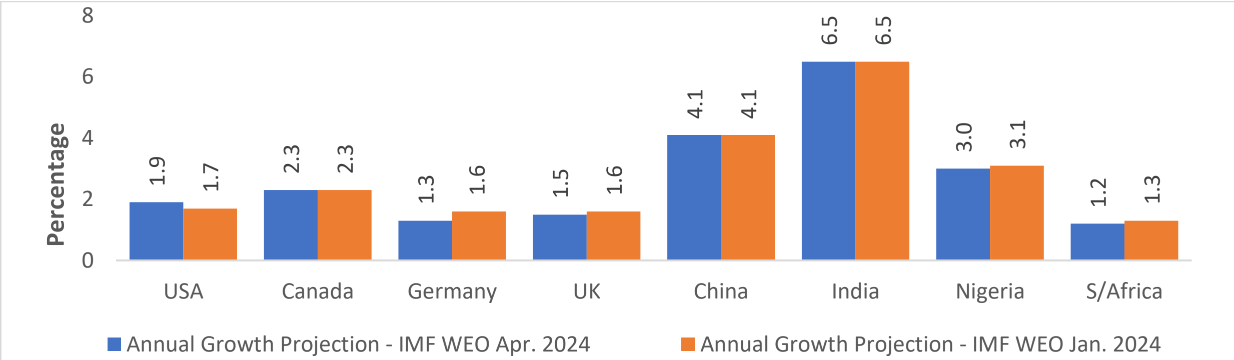
Source: IMF WEO (January 2024[7], April 2024[8] Report)

Despite the lukewarm outlook of the Aes and the Euro Area, the 2025 macroeconomic outlook of United States and Russia improved with growth projections of 1.9 per cent and 1.8 per cent, respectively, as shown in Figure 1.6, when compared with January 2024 forecasts.

[7] https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024

[8] https://www.imf.org/en/Publications/WEO/Issues/2024/04/16/world-economic-outlook-april-2024

Figure 1.6: Annual Growth Forecasts for Selected Countries in 2025 (%)



Source: IMF WEO (January 2024[9] & April 2024[10] Report)

In contrast, the 2025 growth rate forecasts for Germany and Italy fell below the earlier projection of IMF January 2024 by 0.3 and 0.4 percentage points, respectively, and 0.1 percentage point, for each of United Kingdom, Nigeria, and South Africa.

1.4 Domestic Economic Conditions

1.4.1 Real GDP

The Nigerian economy grew by 2.98 per cent, quarter-on-quarter (q-o-q) to ₦18.28 trillion in the first quarter of 2024 from ₦17.75 trillion quarterly output (in constant prices) in the first quarter of 2023. This growth though lower than 3.46 per cent recorded in the fourth quarter of 2023, is larger than 2.31 per cent achieved in the corresponding first quarter of 2023.

The economic performance in the first quarter benefited from improvement in the oil sector which not only grew by 5.70 per cent in the quarter under review (compared with negative 4.21 per cent in the first quarter of 2023), but also increased its contribution to GDP to 6.38 per cent in the first quarter of 2024 from 6.21 per cent recorded in the first quarter of 2023. Though the contribution of non-oil sector dropped slightly to 93.62 per cent in the first quarter of 2024 from 93.79 per cent in the first quarter of 2023, the growth rate for non-oil sector increased to 2.80 per cent in the first quarter of 2024, from 2.77 per cent in the first quarter of 2023.

Table 1.1: GDP Growth Rates and Related Indicators in Nigeria

Real GDP and Sectoral Components	2023					2024
	Q1	Q2	Q3	Q4	Annual	Q1
	Real Gross Domestic Product, Real GDP, (₦' Trillion)					
Real GDP (constant price)	17.75	17.72	19.44	21.77	**76.68**	18.28
	Growth Rates (Percentage)					
Real GDP (Economic growth)	2.31	2.51	2.54	3.46	**2.74**	2.98
Non-oil Sector	2.77	3.58	2.75	3.07	**3.04**	2.80
Oil Sector	(4.21)	(13.43)	-	12.11	**(2.22)**	5.70
Agricultural sector	(0.90)	1.50	1.30	2.10	**1.13**	0.18
Industrial Sector	0.31	(1.94)	0.46	3.86	**0.72**	2.19
Service Sector	4.35	4.42	3.99	3.98	**4.18**	4.32

[9] https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024
[10] https://www.imf.org/en/Publications/WEO/Issues/2024/04/16/world-economic-outlook-april-2024

	Sectoral Contribution (Percentage)					
Non-oil Sector	93.79	94.66	94.52	95.30	**94.60**	93.62
Oil Sector	6.21	5.34	5.48	4.70	**5.40**	6.38
Total (oil and Non-oil)	100.00	100.00	100.00	100.00	**100.00**	100.00
Agriculture	21.66	23.01	29.31	26.11	**25.18**	21.07
Industry	21.05	18.56	18.00	17.34	**18.65**	20.89
Service	57.29	58.42	52.70	56.55	**56.18**	58.04
Total (Agric, Industry, and Service)	100.00	100.00	100.00	100.00	**100.00**	100.00

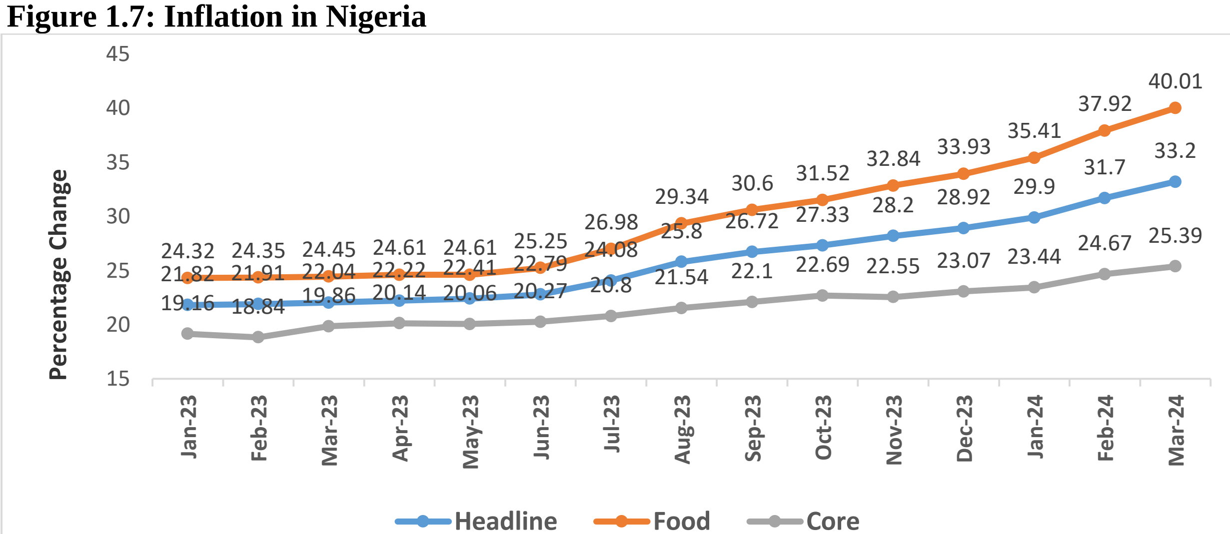
Source: NBS (Q1, 2024) Nigerian Gross Domestic Product Report Q1, 2024[11]

Similarly, the service sector has the largest impact on economic growth, when compared to the Agricultural and Industrial Sectors. Besides the largest contribution of 58.04 per cent to the real GDP, compared with 57.29 per cent in the corresponding first quarter of 2023, its growth of 4.32 per cent is far larger than 2.19 per cent and 0.18 per cent growth achieved by the Industrial and Agricultural Sectors which respectively contributed 20.80 per cent and 21.07 per cent of the real GDP in the first quarter of 2024, compared with 21.05 and 21.66 percent recorded in the first quarter of 2023.

1.4.2 Consumer Price and Food Indices (Inflation)

Inflation pressure in Nigeria remains unabated in first quarter of 2024, as all indicators of inflation continued to rise. As depicted in figure 1.7, Headline inflation increased from 28.92 per cent at the end of December 2023 to 29.9 per cent, 31.7 per cent, and 33.2 per cent in January, February and March, 2024, respectively.

Figure 1.7: Inflation in Nigeria



Source: CBN Statistical Database[12]

[11]Available and accessed on 27/05/2024 from: https://nigerianstat.gov.ng/elibrary/read/1241460#:~:text=Executive%20Summary,of%202023%20growth%20of%202.54%25

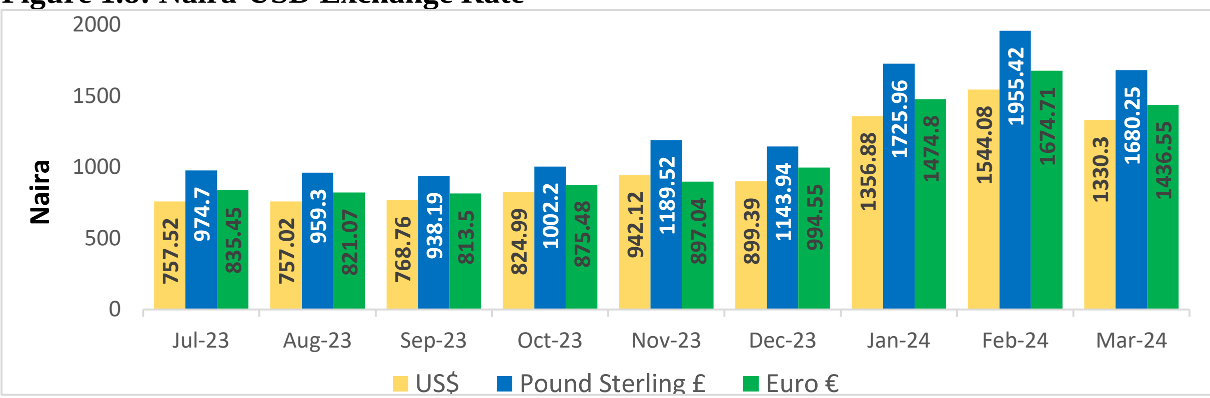
[12] https://www.cbn.gov.ng/rates/inflrates.aspg

Similarly, Food inflation rose significantly from 33.93 per cent at the end of fourth quarter of 2023 to 35.41 per cent in January 2024, 37.92 per cent in February 2024 and 40.01 per cent in March 2024. Likewise, core inflation consistently increased from 23.07 per cent in December 2023 to 23.44 per cent in January 2024 and further to 24.67 per cent and 25.39 per cent in February and March 2024, respectively. The rise in inflation rate was attributed to the general rise in the cost of goods and services, transportation cost as well as increase in fuel and food prices.

1.4.3 Exchange Rate Movement

As shown in Fig 1.8, the Naira depreciated against the US dollar in the first quarter of 2024. The exchange rate rose from ₦899.39/$1 at the end of December 2023 to ₦1,356.88/$1 in January 2024. It further depreciated to ₦1,544.08/$1 in February 2024, but later appreciated to ₦1,330.30/$1 at the end of March 2024.

Figure 1.8: Naira-USD Exchange Rate



Source: CBN Statistical Database[13]

Similarly, the Naira depreciated against the Pound Sterling and Euro, as the exchange rate rose to ₦1,680.25/£1 and ₦1,436.55/€1 at the end of the first quarter of 2024 from ₦1,143.94/£1 and ₦994.55/€1 at the end of the fourth quarter of 2023.

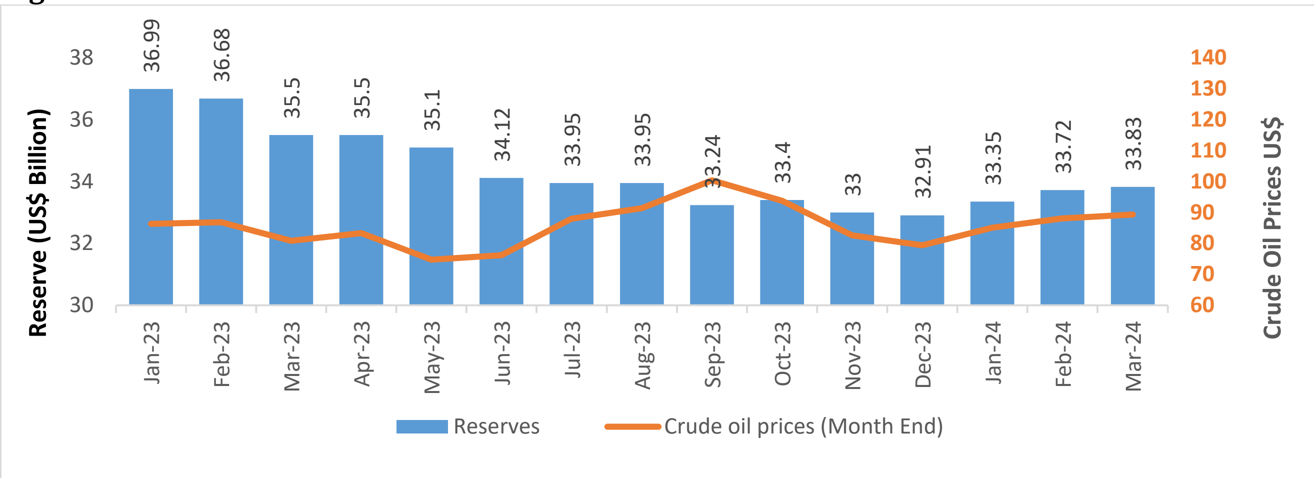
1.4.4 External Reserves

External reserves increased consistently, as shown in Figure 1.9 from US$32.91 billion at the end of the fourth quarter of 2023 to US$33.35 billion, US$33.72 billion and US$33.83 billion in January, February and March, 2024 respectively. This increase is consistent with government's policy to boosting the external reserve position of the Country.

Given that one of the major contributors to external reserves in Nigeria is income from crude oil, the price of crude oil also rose by 12.43 per cent to $89.27 bp at the end of the first quarter of 2024 from US$79.40 pb at the end of the fourth quarter of 2023 arising from production cuts by OPEC, reduced supply from Russia, and escalating geopolitical tensions in the Middle East.

[13] https://www.cbn.gov.ng/rates/ExchRateByCurrency.asp

Figure 1.9: External Reserves/Crude Oil Prices



Source: CBN Statistical Database[14,15]

1.5 Nigeria Public Debt Stock

Nigeria's total public debt rose from ₦97.34 trillion in the fourth quarter of 2023 to ₦121.67 trillion at the end of first quarter of 2024, representing a 24.99 per cent increase over the period. The debt comprises domestic debts and the external debts which stood at ₦65.65 trillion and ₦56.02 trillion, accounting for 53.95 per cent and 46.05 per cent, respectively, of the total public debt at end of the first quarter of 2024. The difference of 24.99 per cent between the two periods arose from the sharp increase in the USD/Naira exchange rate.

Table 1.2 Nigeria Public Debt

Debts	2023				2024
	Q1	Q2	Q3	Q4	Q1
	Public Debts (₦' Trillion)				
Total External Debt	19.64	33.25	31.98	38.22	56.02
Total Domestic Debts	30.21	54.13	55.93	59.12	65.65
Total Public Debt	49.85	87.38	87.91	97.34	121.67
Public Debt Growth Rate (%)	7.78	75.29	0.61	10.73	24.99
	Public Debts ($' Billion)				
Total External Debt	47.36	80.17	77.11	92.16	42.11
Total Domestic Debts	72.84	130.52	134.86	142.55	49.35
Total Public Debt	120.2	210.7	211.97	234.71	91.46
	Public Debts (External/Internal as Proportion of Total (%)				
Total External Debt	39.40	38.05	36.38	39.26	46.05
Total Domestic Debts	60.60	61.95	63.62	60.74	53.95
Total Public Debt	100	100	100	100	100
	Debt Service				
Actual External Debt Services ($ 'Million)	801.36	368.26	1390.71	943.17	1,120.01
Actual External Debt Services (₦' Billion)	368.91	283.7	1069.12	848.28	1,489.94
Actual Domestic Debt Service (₦' Billion)	874.13	565.88	1,792.47	2,000.6	989.24
Total Debt Services paid (₦' Billion)	1,243.04	849.58	2,861.59	2,848.88	2,479.18
US$/Naira Rate	460.35	770.38	768.76	899.39	1330.3

Source Debt Management Office[16]

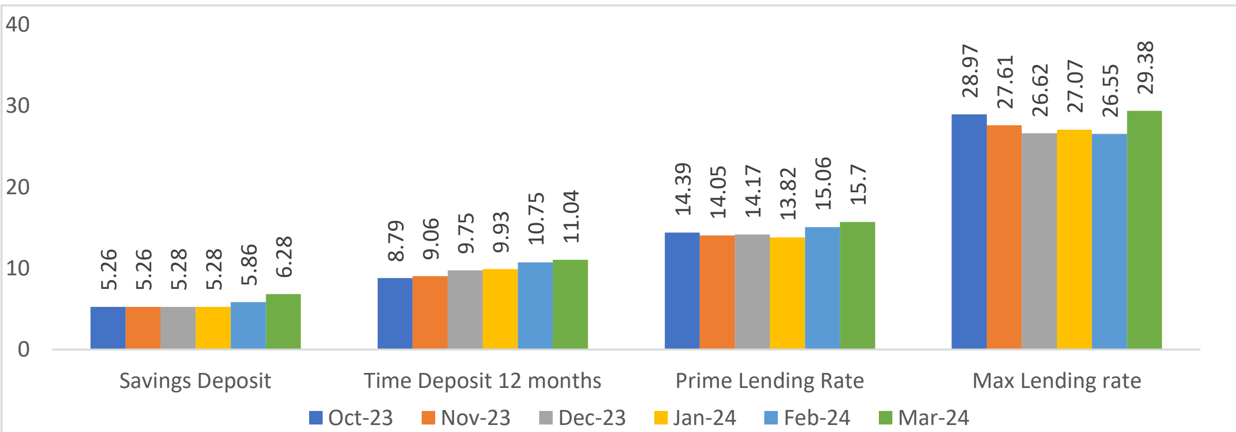
[14] https://www.cbn.gov.ng/IntOps/Reserve.asp?MoveDate=5/2/2024%2011:54:26%20AM
[15] https://www.cbn.gov.ng/rates/DailyCrude.asp
[16] https://www.dmo.gov.ng/debt-profile/domestic-debts/domestic-debt-service

1.6 Financial Sector Developments

1.6.1 Money Market Development

The money market in 2024 opened with the interest rate on savings of 5.28 per cent in January 2024, as it was in December 2023. As shown in Figure 1.10, the interest rate rose to 5.86 per cent and 6.28 per cent in February and March 2024, respectively. Interest rates on 12-Month Time Deposit and Prime Lending Rate share a similar pattern, rising from 9.93 per cent and 13.82 per cent in January to 10.75 per cent and 15.06 per cent in February 2024, and later to 11.04 per cent and 15.70 per cent in March 2024. Max Lending Rates however first declined from 27.07 per cent in January 2024 to 26.55 per cent in February 2024, before rising to 29.38 per cent in March 2024.

Figure 1.10: Deposit and Lending rates in Nigeria (Q4, 2023 – Q1, 2024)



Source: Central Bank of Nigeria[17]

Figure 1.11 shows that although interbank call rate declined from 16.99 per cent in December 2023 to 16.43 per cent in January 2024, it rose to 19.25 per cent in February 2024, and 27.95 per cent in March 2024. Treasury bill rate declined from 8.93 per cent in December 2023 to 4.33 per cent in January 2024, but rose to 17.03 per cent in February 2024, and declined to 16.53 per cent in March 2024.

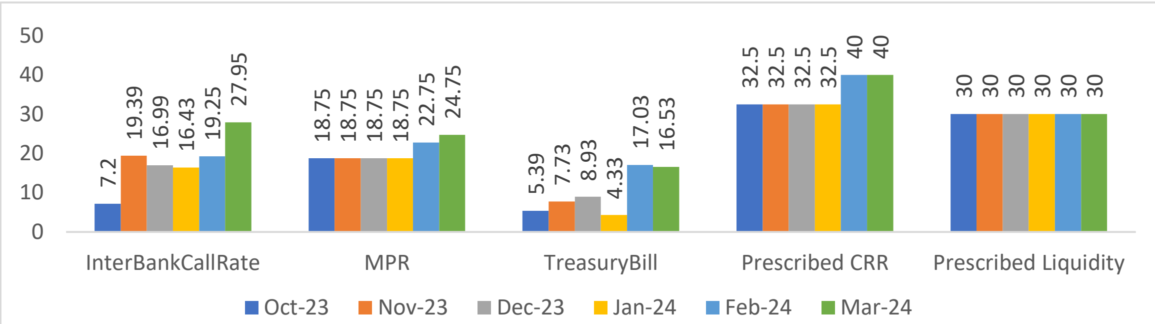
Monetary Policy Rate (MPR) which had been at 18.75 per cent in the fourth quarter of 2023 and January 2024, rose to 22.75 per cent in February 2024, and 24.75 per cent in March 2024. Prescribed Cash Reserve Ratio had a similar path, remaining at 32.5 per cent in the fourth quarter of 2023 and January 2024, before rising to 40 per cent in February and March 2024. Prescribed Liquidity Ratio remained at 30 per cent in the fourth quarter of 2023 and the first quarter of 2024.

The increase in MPR and Cash Reserve Ratio (CRR) was aimed at stemming the inflationary pressure as well as ensuring sustained exchange rate stability. The increase in MPR was expected to attract more foreign participants in the financial markets given the attractive rates on investment. In the banking sector, higher MPR and CRR are expected to increase the cost of funds and thus, curb inflationary pressure through reduced liquidity. However, adverse effect might be expected

[17] https://www.cbn.gov.ng/rates/mnymktind.asp

on the quality of assets in the banking sector given the higher cost of borrowing and impact on repayment.

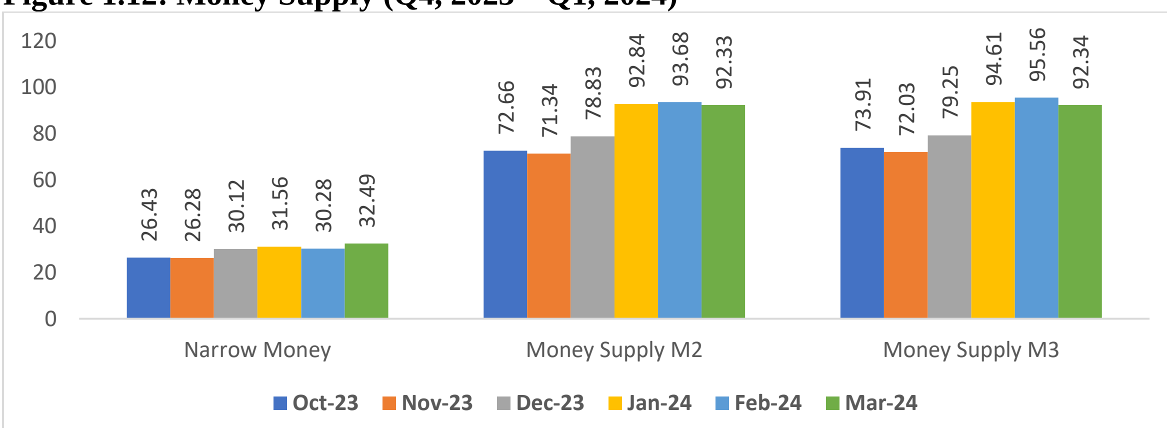
Figure 1.11: Money Market Rates (Q4, 2023-Q1, 2024)



Source: Central Bank of Nigeria[17]

As depicted in Figure 1.12, Narrow Money (M1), which stood at ₦30.12 trillion in December 2023, rose to ₦31.56 trillion in January 2024, declined to ₦30.28 trillion in February 2024, but later rose to ₦32.49 trillion in march, 2024. Money Supply (M2) and Broad Money Supply (M3) rose from ₦78.83 trillion and ₦79.25 trillion in December 2023 to ₦94.61 trillion and ₦95.56 trillion in February, 2024, but later declined to ₦92.33 trillion and ₦92.54 trillion in March 2024, respectively.

Figure 1.12: Money Supply (Q4, 2023 – Q1, 2024)



Source: Central Bank of Nigeria[18]

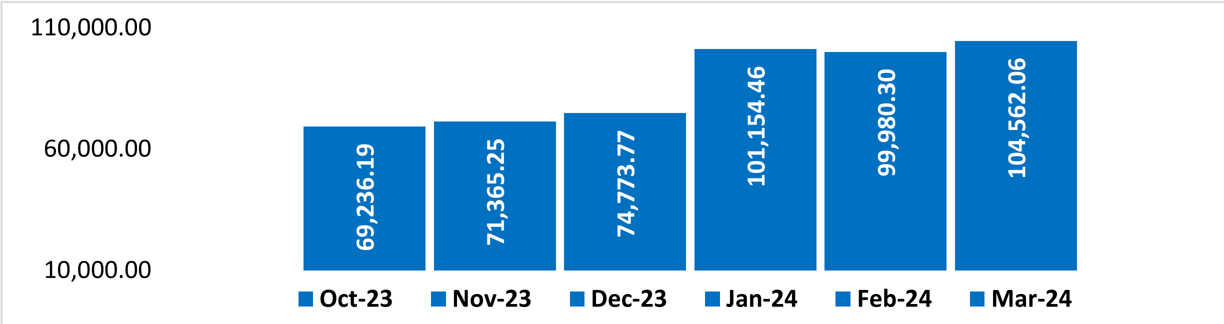
1.7 Capital Market Development

1.7.1 All-Share Index

The Nigeria Exchange Limited All-Share Index (NGX ASI) for all listed equities increased in the fourth quarter of 2023, relative to the first quarter of 2024. As shown in Figure 1.13, the index rose from 74,773.77 at end-December 2023 to 101,154.46 in January 2024, but moderated to 99,980.30 in February and rose to 104,562.06 in March 2024.

[18] https://www.cbn.gov.ng/rates/mnycredit.asp

Figure 1.13: Movement in NGX All-Share Index (Q4, 2023- Q1, 2024)



Source : NGX Market Capitalisation Reports[19]

1.7.2 Domestic and Foreign Portfolio Investments

As shown in Table 1.3, the total portfolio investment increased by 89.45 per cent from ₦343.90 billion in December 2023 to ₦651.52 billion in January 2024, declined by 45.07 per cent in February 2024 to ₦357.88 billion, and later rose to ₦538.54 billion in March 2024, an increment of 50.48 per cent.

Percentage contribution of portfolio transactions by domestic investors declined from 86.08 per cent at the end of fourth quarter of 2023 to 82.50 per cent at the end of the first quarter of 2024. On the other hand, percentage contribution of portfolio transactions by foreign investors increased from 13.92 per cent at the end of fourth quarter of 2023 to 17.50 per cent at the end of the first quarter of 2024.

Table 1.3: Domestic & Foreign Portfolio Transactions in Equity Trading in (Q4, 2023 – Q1, 2024)

Year	Month	Total		Domestic			Foreign		
		₦' Billion	Growth ()	₦' Billion	of Total	Growth ()	₦' Billion	of Total	Growth ()
2024	March	538.54	50.48	598.41	82.50	1.09	94.26	17.50	-4.84
	February	357.88	-45.07	292.07	81.61	59.83	65.81	18.39	23.91
	January	651.52	89.45	182.74	91.85	-38.27	53.11	8.15	10.95
2023	December	343.90	14.38	296.03	86.08	29.10	47.87	13.92	-32.93
	November	300.67	36.09	229.30	76.26	22.24	71.37	23.74	113.94
	October	220.94	38.66	187.58	84.90	35.63	33.36	15.10	63.71

Sources: The Nigerian Stock Exchange's Domestic & Foreign Portfolio Investment Reports[20]

1.8 CBN Monetary Policy and Circulars

1.8.1 Monetary Policy

The CBN Monetary Policy Committee (MPC) met twice, on 26th – 27th of February and 25th – 26th of March, in the first quarter of 2024. The highlights of the Committee meetings are as follows:

[19] https://ngxgroup.com/exchange/data/indices/

[20] https://doclib.ngxgroup.com/market_data-site/other-market-information-site/FPI%20Report/NGX%20Domestic%20and%20Foreign%20Portfolio%20Investment%20Report-%20January%202024%2021%2002%202024.pdf

The Committee noted:

i. Global output growth is projected to remain relatively stable in the year 2024, in comparison to the previous year and may further improve in the next year, 2025.This is largely due to the resilience of the United States economy, activities in emerging markets and developing economies, as well as the fiscal stimulus in China. Despite this improvement, there are still risks to the continuous stability of global output growth due to the16nauthorts in the Middle East (Israel and Gaza), Europe (Russia and Ukraine) and possible extension to other regions. Furthermore, climate change issues such as floods and droughts pose further disruptions to the global supply chains. These disruptions, along with geopolitical tensions, remain a major concern to monetary policy.

ii. Risks to both the global and the domestic economy continue to linger. Major risks include the fear of a continuous tightened monetary policy resulting from geographic shocks, the Israel-Gaza conflict, continued attacks in the Red Sea, amongst others.

iii. Inflation is moderating across many regions of the globe, indicating early signs of a disinflationary process within tight monetary policy stances. Despite this moderation, inflation remains above the Central Banks' targets in Advanced Economies. Accordingly, Emerging Markets and Developing Economies may continue to experience an outflow of capital. As financial conditions in advanced countries continue to tighten, the Nigerian domestic economy may be significantly impacted as pressure on the exchange rate through capital outflow is likely to increase.

iv. Domestic headline inflation rose further from 29.90 per cent in January 2024 to 31.70 per cent in February 2024. Food inflation also rose to 37.92 per cent in February 2024, from 35.41 per cent in January 2024. Core inflation rose to 24.67 per cent in February 2024, from 23.44 per cent in January 2024. Strong exchange rate pass-through to domestic prices; rising cost of transportation; high cost of energy and other production inputs; lingering insecurity, especially in food producing areas; and legacy infrastructure deficits remain the main factors driving inflationary pressures.

1.8.2 MPC Recommendations

i. The CBN should sustain its collabourations in addressing the persistent inflationary pressures.

ii. The CBN advised that food insecurity should be addressed in order to manage current inflationary pressures through the provision of palliatives, disbursement of grains from strategic reserves, circulation of seeds and fertilizers, and farm implements for dry season farming.

iii. The CBN emphasized the need for the full implementation of the Federal Government's agricultural policies and programmes to improve food supply. The CBN also emphasized the need to improve tax-to GDP-ratio to enhance broader fiscal consolidation.

iv. The CBN should ensure that banks sustain their surveillance and compliance with existing regulatory and macro prudential guidelines.

v. The CBN should also intensify actions on the Recapitalization of banks to strengthen the system against potential risks.

vi. The CBN should strengthen efforts in making sure that activities needed to enhance economic growth and output especially in the non-oil real sectors are established and implemented assiduously.

1.8.3 MPC Decisions

The MPC, in its statutory meetings held in the first quarter of 2024, voted to:

i. Raise the MPR by 200 basis points to 24.75 per cent from 22.75 per cent.
ii. Adjust the asymmetric corridor around the MPR to +100/-300 basis points
iii. Retain the Cash Reserve Ratio of Deposit Money Banks at 45.0 per cent.
iv. Adjust the Cash Reserve Ratio of Merchant Banks from 10.0 per cent to 14.0 per cent
Retain the Liquidity Ratio at 30.0 per cent

1.8.4 CBN First 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. FPR/DIR/PUB/LET/001/023

Circular to all Microfinance Banks on Late and Non-Rendition of Statutory Monthly Returns to the Central Bank of Nigeria through the FinA Application

The CBN on March 5, 2024 issued a circular to all Microfinance Banks on the Late and Non-Rendition of Statutory Monthly Returns to the Central Bank of Nigeria through the FinA Application. The circular instructed that all MFBs are to ensure that their monthly FinA returns are submitted on or before the 5th day after the month end.

ii. BSD/DIR/PUB/LAB/017/002

Circular to all Banks and Other Financial Institutions on revised Guidelines for Blacklisting

The CBN on March 8, 2024 issued a circular to all Banks and Other Financial Institutions on revised guidelines for blacklisting in a bid to exercise its powers as enshrined in section 47 of the BOFIA Act (2020). The new Guidelines supersede the “Review of Operational Guidelines for blacklisting” issued by the CBN, dated June 28, 2016.

iii. BSD/DIR/PUB/LAB/017/003

Guidelines to all Banks on Impact of recent FX Policy Reforms: prudential Guidance to the Banking sector

The CBN on March 14, 2024 issued Prudential Guidance to the Banking Sector. The banks were required to exercise utmost prudence and set aside FCY revaluation gains as counter-cyclical buffer to cushion any adverse movements in the FX rate. In that regard, banks shall not utilize such FX revaluation gains to pay dividends or meet operating expenses.

iv FPR/DIR/PUB/CIR/002/009

Circular to all Commercial, Merchant and Non-Interest Banks on Review of Minimum Capital Requirements; and Promoters of Proposed Banks

The CBN on March 28, 2024 issued a circular on upward review of minimum capital requirements to all Commercial, Merchant and Non-Interest Banks. The new capital requirements for Commercial Banks with International, National, and Regional authorizations were ₦500 billion, ₦200 billion and ₦50 billion, respectively. Furthermore, the new capital requirement for Merchant Bank was ₦50 billion, while Non-Interest Banks with National and Regional authorization were ₦20 billion and ₦10 billion, respectively.

Review of Macroeconomic Developments in the Second Quarter, 2024

2.0 Macroeconomic Conditions

2.1 Global Economic Conditions

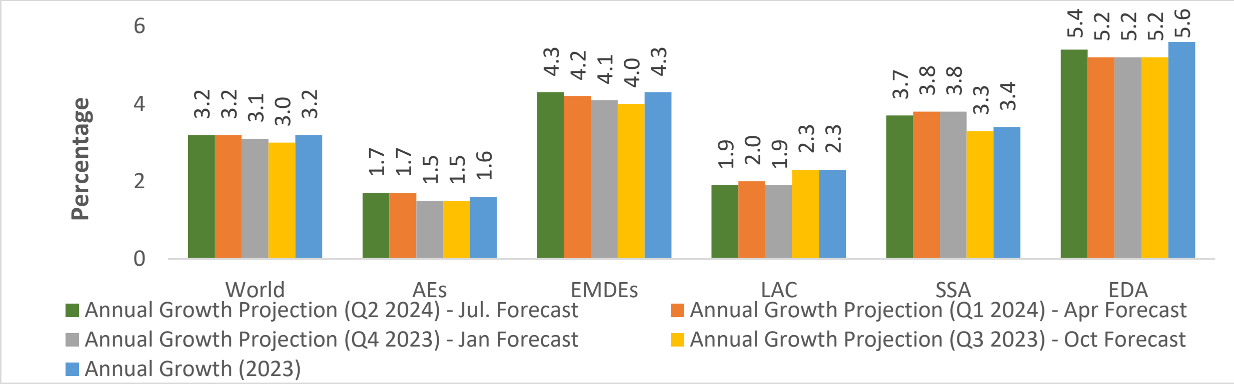
In the second quarter of 2024, global economy was characterized by mixed economic performance across constituent economic groups and countries. However, output divergence across economies continued to narrow as cyclical factors diminished and economic activity aligned more closely with its potential output. Growth patterns among major advanced economies converged, reflecting a reduction in output gaps. The economic growth achieved in the period derived largely from emerging market economies in Asia, particularly India and China, which together accounted for almost half of the global growth. However, the increased upside risks to inflation heightened the likelihood of prolonged higher interest rates amidst escalating trade tensions and increased policy uncertainty.

According to the International Monetary Fund (IMF) in its July 2024 World Economic Outlook (WEO) update, global activity and world trade firmed up at the turn of the year, with trade spurred by strong exports from Asia, particularly in the technology sector. Relative to the April 2024 WEO, first quarter growth was stronger than anticipated in many countries, although there were notable downside surprises in Japan and the United States. Meanwhile, the momentum on global disinflation is slowing, influenced by diverse sectoral dynamics: persistent high inflation in services, tempered to some extent by stronger disinflation in goods prices. At the same time, a number of central banks in emerging market economies remained cautious about reducing interest rates owing to external risks. These risks include changes in interest rate differentials and the associated depreciation of their currencies against the dollar.

The IMF's July 2024 WEO Update forecasted the global economic growth rate to remain stable at 3.2 per cent in 2024. This projection is consistent with the April 2024 forecast and represents an increase of 0.1 percentage points from the January 2024 estimate, maintaining parity with the annual growth rate for 2023. Growth in the second quarter benefited from gains in Emerging Market and Developing Economies (EMDEs), largely driven by Emerging and Developing Asia (EDA). As illustrated in Figure 2.1, the IMF's 2024 growth estimate for EMDEs is 4.3 per cent, marking an increase of 0.1, 0.2, and 0.3 percentage points compared to the April 2024, January 2023, and October 2023 projections, respectively, and aligning with the 4.3 per cent growth recorded for 2023.

Similarly, EDA's growth rate improved by 0.2 percentage points, achieving an annual growth of 5.4 per cent in the second quarter, compared with 5.2 per cent annual growth recorded in the previous quarter. However, annual growth in Advanced Economies (AE) in the second quarter of 2024 remained unchanged, while that of Latin America and the Caribbean (LAC) and Sub-Sahara Africa (SSA) declined to 1.9 per cent and 3.7 per cent in the second quarter 2024 from 2.0 per cent and 3.8 per cent in first quarter 2024, respectively.

Figure 2.1: Global and Regional Annual Growth Rates

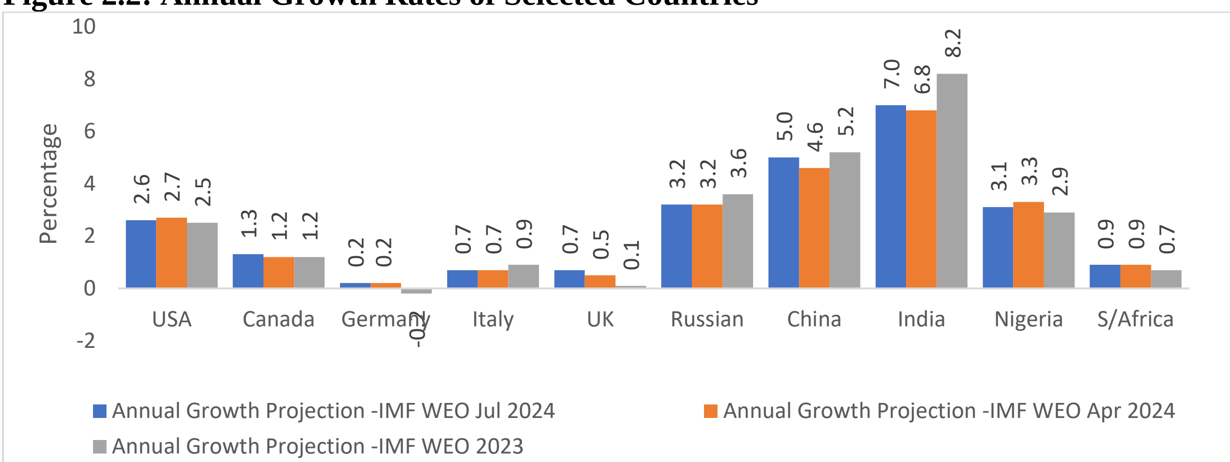


AE= Advanced Economies; EMDEs= Emerging Market and Developing Economies; LAC=Latin America and the Caribbean; SSA= Sub-Saharan Africa; EDA=Emerging and Developing Asia

Source: IMF WEO (April 2024[21,1] & July 2024[22,2] Edition)

The stagnant growth in the Aes between the first and second quarters of 2024 stems from the lackluster growth performance of the countries in this economic group. Slight growth gains in UK and Canada from annual growth rate of 0.5 per cent and 1.2 per cent in the first quarter to 0.7 per cent and 1.3 per cent (as Figure 2.2 shows) was dwarfed by a 0.1 per cent growth loss in the United States, from the projected annual growth rate of 2.7 per cent in the first quarter of 2024.

Figure 2.2: Annual Growth Rates of Selected Countries



Source: IMF WEO (April 2024[1] & July 2024[2] Edition)

Growth gains in EMDEs were driven by the economic performance of China and India, despite a general decline in growth across other EMDE countries. As depicted in Figure 2.2, China and India

[21] https:// www.imf.org/en/Publications/WEO/Issues/2024/04/16/world-economic-outlook-april-2024
[22] https://www.imf.org/-/media/Files/Publications/WEO/2024/Update/July/English/text.ashx

had annual economic growth rate increases of 0.4 and 0.2 percentage points respectively, reaching 5.0% and 7.0% in the second quarter of 2024.

The weak economic performance in Africa's largest economies likely contributed to the slow growth of the SSA region. Nigeria recorded a growth decline of 0.2 percentage points, from 3.3 per cent annual growth rate in the first quarter of 2024, to 3.1 per cent in the second quarter of 2024. Nonetheless, this was greater than the 2.9 per cent recorded in 2023. South Africa's annual economic growth remained stable at 0.9 per cent in the second quarter of 2024, same as the first quarter of 2024, but higher than the 0.7 per cent growth recorded in 2023.

2.2 Global Financial Conditions

2.2.1 Global Inflation

The World Bank in its June 2024 report[23], projected that global inflation would decline to 3.2 per cent by the end of 2024. This projection reflects an anticipated moderation in inflationary pressures, albeit with notable risks that could affect the accuracy of this forecast. Factors contributing to this cautious outlook include ongoing supply chain disruptions, geopolitical tensions, and fluctuations in commodity prices, all of which have the potential to influence inflation dynamics on a global scale.

Compared to their positions at the end of the first quarter, central banks in major advanced economies have become somewhat more cautious regarding the pace of policy easing due to increased uncertainty surrounding the inflation forecast. The World Bank in its June 2024 report projected global inflation to decline to 3.2 per cent at the end of 2024.

In the second quarter of 2024, market expectations regarding the trajectory of policy rate cuts have been revised downward. This adjustment reflects a broader reassessment of future monetary policy paths and their implications for the global financial conditions. Consequently, longer-term yields have generally adjusted in response to these expectations. However, a notable divergence is observed in the US, where medium to long-term yields have remained unchanged, on net, since April, while developments in the US interest rates have led to gyrations of the exchange rate for the US dollar against major advanced economy currencies since April 2024. The Japanese yen has seen sustained depreciation pressures against the dollar over this period, characterized by excessive moves in the currency and subsequent market interventions by the authorities.

Broadly speaking, emerging market currencies have been subject to depreciation pressures. These markets have also experienced net capital outflows since April, with their sensitivity to shifts in US policy expectations contributing to these outflows. While international sovereign bond issuance has slowed, a few frontier markets have opted for pre-financing redemptions due in the upcoming quarter. The undertaking of this strategy, despite elevated financing costs, aims to mitigate the much anticipated refinancing risk.

[23]https://thedocs.worldbank.org/en/doc/abf6fab46b08d9edfcf1187e6a3e108e-0350012023/related/Global-Monthly-Jun2024.pdf

2.2.2 International trade

The IMF, in its July 2024 WEO, projected the world trade volume to rise to 3.1 per cent in 2024, from 0.8 per cent in 2023. The projection increased slightly from the 3.0 per cent growth forecasted by the IMF in its April 2024 WEO and short of the 3.3 per cent growth projected by the IMF in its January 2024 WEO. The moderation in the growth projection was mainly triggered by lingering inflationary pressure, geopolitical tension, geo-economic fragmentation, increasing trade restrictions, rising food, energy, and transportation costs on the back of the lingering effects of Russian/Ukraine war and attacks in the Red Sea, which constrained global trade, among others.

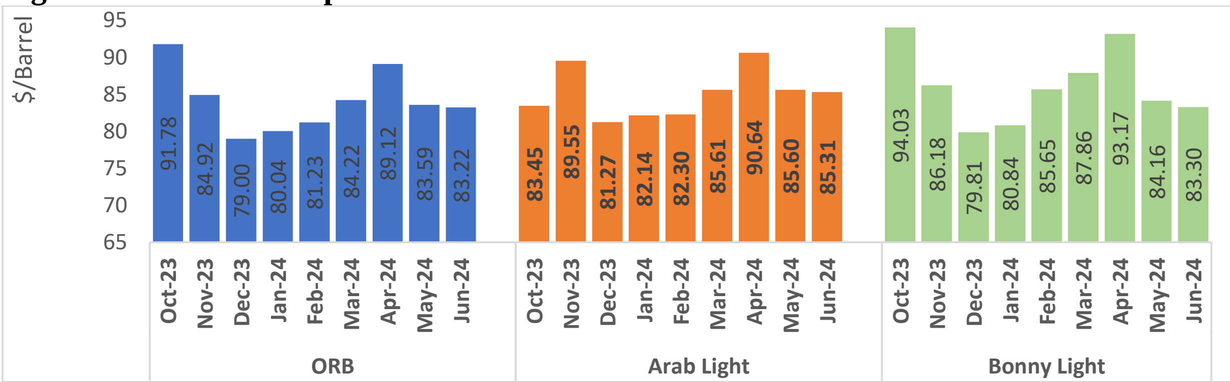
2.2.3 Oil and Nonoil Prices

According to the IMF in its July 2024 WEO, oil prices were projected to increase by 0.9 per cent year-on-year in 2024, compared with the 16.4 per cent decline in 2023. Conversely, the prices of non-oil commodities were expected to increase by 5.0 percentage points in the second quarter of 2024, compared with the 5.7 per cent decline in 2023. The recent price increase was largely attributed to anticipated increase in global demand growth and fading concerns about escalation of the Israel-Hamas conflict. The increase in the non-oil prices were supported by rising food and beverages, iron ore, and gold prices owing to higher demand for safe haven.

The OPEC monthly reports show that the crude spot prices of OPEC Reference Basket (ORB), Arab Light and Bonny Light increased in April 2024, an upward trend sustained since January 2024, but declined in May and June 2024. As shown in Figure 2.3, the ORB prices increased from $79.00 per barrel (pb) in December 2023 to a peak of $89.12 (pb) in April 2024, before the decline in May to $83.59 pb and $83.22 pb in June.

Similarly, Arab light prices increased from $81.27 pb in December 2023 to attain a peak of $90.64 pb in April 2024, before declining to $85.60 pb and $85.31 pb, in May and June 2024, respectively. Bonny light price also followed the same pattern as it increased from $79.81 pb in December 2023 to $91.17 pb in April 2024, before declining to $84.16 pb and $83.30 pb in May and June 2024, respectively. The decline was attributed to Market sentiment which was dampened by mixed economic data from the US and China, along with comments from the US Federal Reserve (the Fed) indicating it was too early to consider rate cuts. Moreover, US Energy Information Administration (EIA) weekly data reported weak fuel demand in the US and an unexpected build in gasoline and distillate stocks amid the onset of the summer holiday and driving season, which added downward pressure.

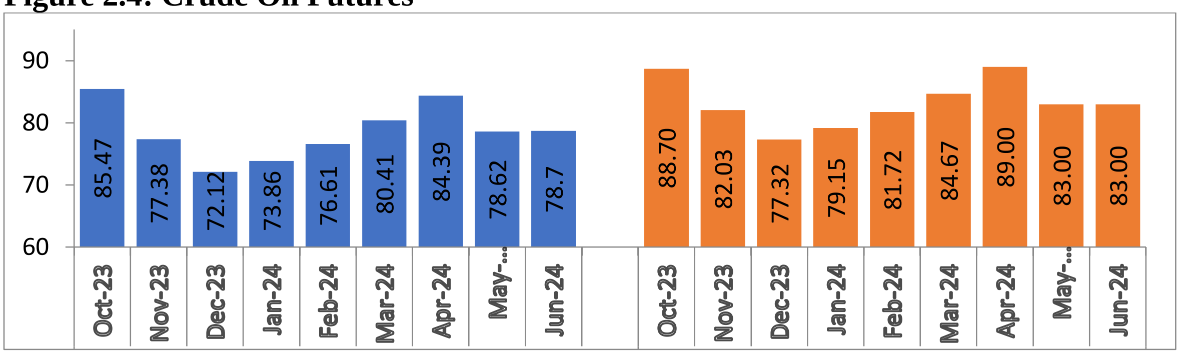
Figure 2.3: Crude Oil Spot Price



Source: OPEC Monthly Reports[24]

The movement in the futures prices, as depicted in Figure 2.4, share similar patterns with that of crude oil. Texas Intermediate crude oil on the New York Mercantile Exchange (NYMEX WTI) and the Intercontinental Exchange (ICE Brent) rose from $73.86 per contract (pc) and $79.15 pc in January 2024 to $84.39 pc and $89.00 pc in April 2024, respectively, but declined to $78.62 pc and $83.00 pc in May respectively. NYMEX WTI increased slightly in June to $78.70 pc, while ICE Brent remained the same in June 2024.

Figure 2.4: Crude Oil Futures



Source: OPEC Monthly Reports[24]

2.3 Global Economic Outlook

The global economy was projected to remain stable but with slightly higher growth trajectory in 2025, on the back of stronger activity in EDA, particularly China and India, given rebound in consumption and strong export.

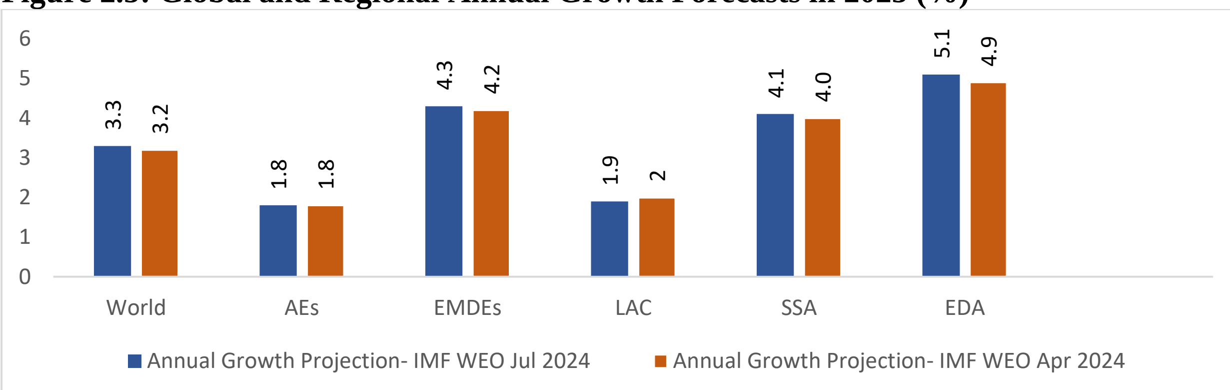
Overall, risks to the outlook remain balanced, as in the IMF April 2024 WEO, but some near-term risks have gained prominence. These include upside risks to inflation that stem from a lack of progress on services disinflation and price pressures emanating from renewed trade or geopolitical tensions. Risks of persistent inflation in the services sector are tied to both wage and price setting, given that labour accounts for a high share of the costs in that sector.

[24] https://www.opec.org/opec_web/en/publications/7107.htm

Uncertainty around the global inflation outlook is expected to persist even as momentum around global disinflation is expected to slow down. This reflects different sectorial dynamics: the persistence of higher-than-average inflation in the price of services, tempered to some extent by stronger disinflation in the prices of goods, nominal wage growth remains brisk, above price inflation in some countries, partly reflecting the outcome of wage negotiations earlier this year and short-term inflation expectations that remain above target.

According to the IMF, in its July 2024 WEO forecast, the projected global growth for 2025 is 3.3 per cent, an increase of 0.1 per cent above the April 2024 WEO edition. The slight increase in projected growth outlook is, as depicted in Figure 2.5, reflective of slight growth improvement in EMDE, EDA and SSA amidst growth inertia in Aes and the Euro Area.

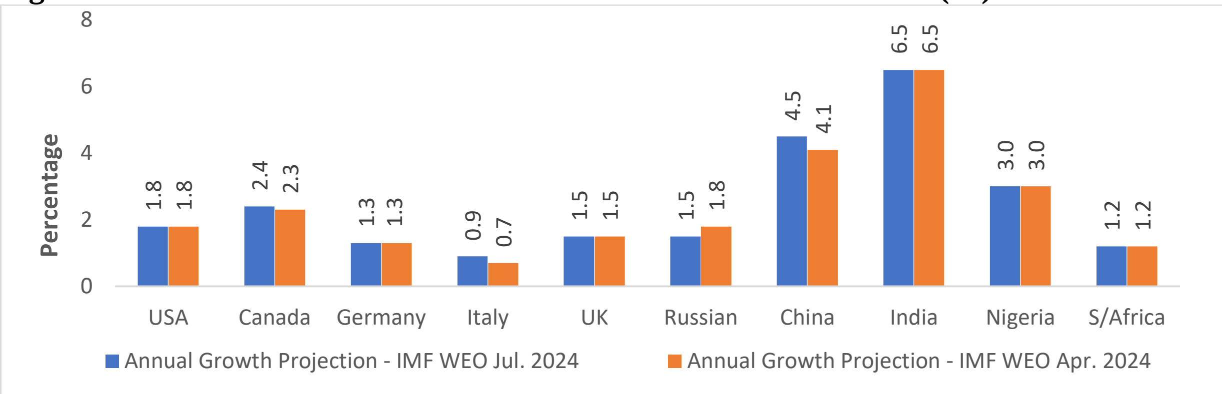
Figure 2.5: Global and Regional Annual Growth Forecasts in 2025 (%)



AE= Advanced Economies; EMDEs= Emerging Market and Developing Economies; SSA= Sub-Saharan Africa; EDA=Emerging and Developing Asia; EDE= Emerging and Developing Europe; MECA= Middle East and Central Asia
Source: IMF WEO (April 2024[1] & July 2024[2] Edition)

The projected growth of the EDA's was anchored on the forecasted contribution of India and China, with growth contribution of 6.5 per cent and 4.5 per cent, respectively, in 2025. China's contribution increased by 0.4 percentage point from the earlier projection of the IMF in April 2024. The macroeconomic outlook for 2025 economic growth projections of Canada and Italy increased to 2.4 per cent and 0.9 per cent respectively, while that of United States, Germany and UK were stable at their 2025 economic growth projections of 1.8 per cent, 1.3 per cent and 1.5 per cent, respectively, as it was in the April 2024 forecast as shown in Figure 2.6.

Figure 2.6: Annual Growth Forecasts for Selected Countries in 2025 (%)



Source: IMF WEO (April 2024[1] & July 2024[2] Edition)

Similarly, the 2025 growth rate forecasts for India, Nigeria and S/Africa remained stable at 6.5 per cent, 3.0 per cent and 1.2 per cent, as with the earlier projections of April, 2024. In contrast, the 2025 growth rate forecasts for Russia, fell below the earlier projection of IMF in April 2024, by 0.3 percentage points.

2.4 Domestic Economic Conditions

2.4.1 Real GDP

The Nigerian economy grew by 3.19 per cent, quarter-on-quarter (q-o-q), in the second quarter of 2024 to ₦18.29 trillion (in constant prices), from ₦17.72 trillion quarterly output, in the second quarter of 2023. This growth rate is higher than the 2.51 per cent and 2.98 per cent recorded in the second quarter of 2023 and the first quarter of 2024 respectively.

The economic performance in the second quarter benefited from improvement in the oil sector which not only grew by 10.15 per cent in the quarter under review (compared with negative 13.43 per cent growth in the second quarter of 2023) but also increased its contribution to GDP to 5.70 per cent in the second quarter of 2024, from 5.34 per cent recorded in the second quarter of 2023. However, the contribution of non-oil sector dropped slightly to 94.30 per cent in the second quarter of 2024 from 94.66 per cent in the second quarter of 2023.

Table 2.1: GDP Growth Rates and Related Indicators in Nigeria

Real GDP and Sectoral Components	**2023**					**2024**	
	Q1	**Q2**	**Q3**	**Q4**	**Annual**	**Q1**	**Q2**
	Real Gross Domestic Product, Real GDP, (₦' Trillion)						
Real GDP (constant price)	17.75	17.72	19.44	21.77	**76.68**	18.28	18.29
	Growth Rates (Percentage)						
Real GDP (Economic growth)	2.31	2.51	2.54	3.46	**2.74**	2.98	3.19
Non-oil Sector	2.77	3.58	2.75	3.07	**3.04**	2.80	2.80
Oil Sector	(4.21)	(13.43)	(0.85)	12.11	**(2.22)**	5.70	10.15
Agricultural sector	(0.90)	1.50	1.30	2.10	**1.13**	0.18	1.41
Industrial Sector	0.31	(1.94)	0.46	3.86	**0.72**	2.19	3.53
Service Sector	4.35	4.42	3.99	3.98	**4.18**	4.32	3.79

	Sectoral Contribution (Percentage)						
Non-oil Sector	93.79	94.66	94.52	95.30	**94.60**	93.62	94.30
Oil Sector	6.21	5.34	5.48	4.70	**5.40**	6.38	5.70
Total (oil and Non-oil)	100.00	100.00	100.00	100.00	**100.00**	100.00	100.00
Agriculture	21.66	23.01	29.31	26.11	**25.18**	21.07	22.61
Industry	21.05	18.56	18.00	17.34	**18.65**	20.89	18.62
Service	57.29	58.42	52.70	56.55	**56.18**	58.04	58.76
Total (Agric, Industry, and Service)	100.00	100.00	100.00	100.00	**100.00**	100.00	100.00

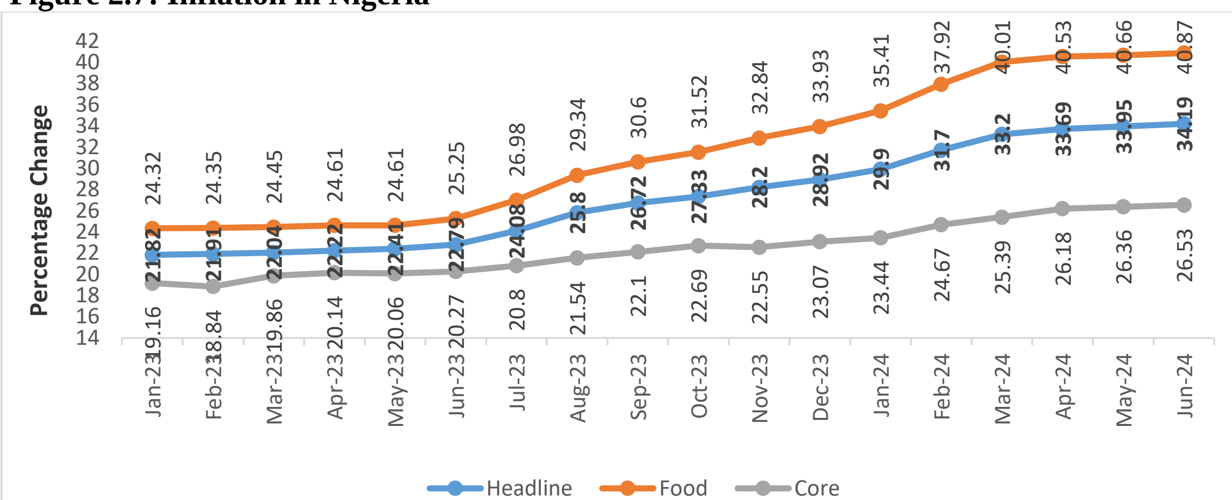
Source: NBS (Q1, 2024) Nigerian Gross Domestic Product Report Q1, 2024[25]

The services sector grew by 3.79 per cent and contributed 58.76 per cent to the real GDP, thereby having the largest impact on economic growth in the second quarter of 2024. While the Agricultural sector and the Industries sector achieved growth of 1.41 per cent and 3.53 per cent, respectively, they contributed 22.61 and 18.62 per cent to real GDP in the second quarter of 2024.

2.4.2 Consumer Price and Price Indices

Inflation pressure in Nigeria persisted in the second quarter of 2024 as all indicators of inflation rose in the second quarter of 2024. As depicted in figure 2.7, Headline inflation increased from 33.2 per cent at the end of March 2024, to 33.69 per cent in April. This upward trend continued, with the inflation rate reaching 33.95 per cent in May and attaining 34.19per cent in June 2024.

Figure 2.7: Inflation in Nigeria



Source: CBN Statistical Database[26]

Food inflation also experienced a steady rise, moving from 40.01 per cent in March 2024 to 40.53 per cent in April, 40.66 per cent in May and 40.87 per cent in June 2024. Core inflation followed a similar upward trajectory, increasing from 25.39 per cent in March 2024, to 26.18 per cent in

[25] Available and accessed on 27/05/2024 from: https://nigerianstat.gov.ng/elibrary/read/1241460#:~:text=Executive%20Summary,of%202023%20growth%20of%202.54%25

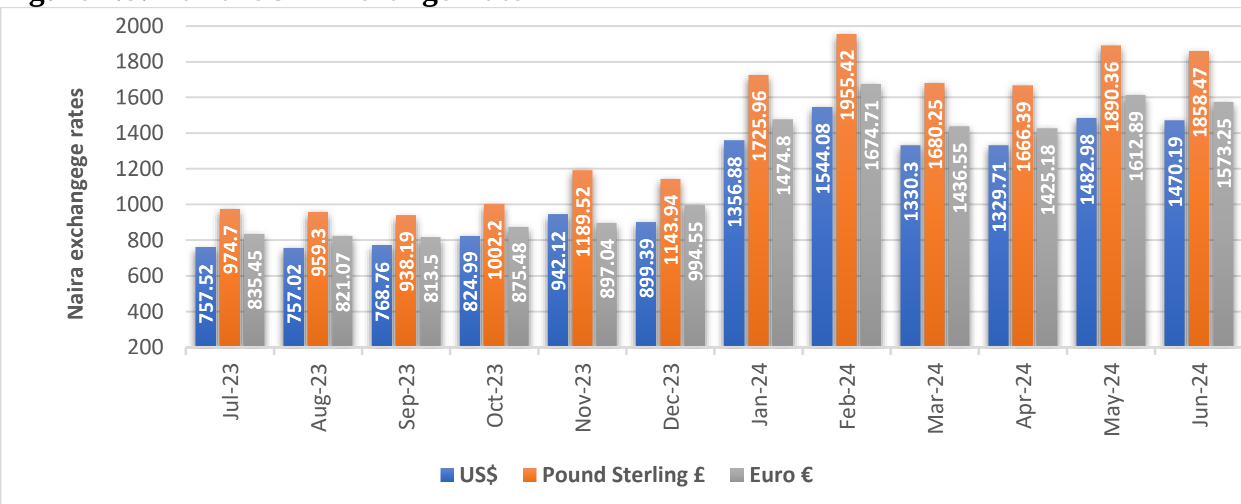
[26] https://www.cbn.gov.ng/rates/inflrates.asp

April, 26.36 per cent in May, and 26.53 per cent in June 2024. The overall rise in the inflation rates can primarily be attributed to heightened energy and transportation costs, as well as a general rise in the cost of goods and services.

2.4.3 Exchange Rate Movement

As illustrated in Figure 2.8, the Naira exhibited mixed movements against major currencies during the second quarter of 2024. The exchange rate of the Naira to the US dollar experienced a marginal appreciation from ₦1,330.30/$1 at the end of March 2024 to ₦1,329.71/$1 in April 2024. However, this trend was reversed in May 2024, as the exchange rate depreciated to ₦1,482.98/$1, and further to ₦1,470.19/$1 in June 2024.

Figure 2.8: Naira-USD Exchange Rate



Source: CBN Statistical Database[27]

Similarly, the Naira depreciated against both the Pound Sterling and the Euro. The exchange rate increased to ₦1,858.47/£1 and ₦1,573.20/€1 by the end of June 2024, compared to ₦1,680.25/£1 and ₦1,436.55/€1 at the end of March 2024.

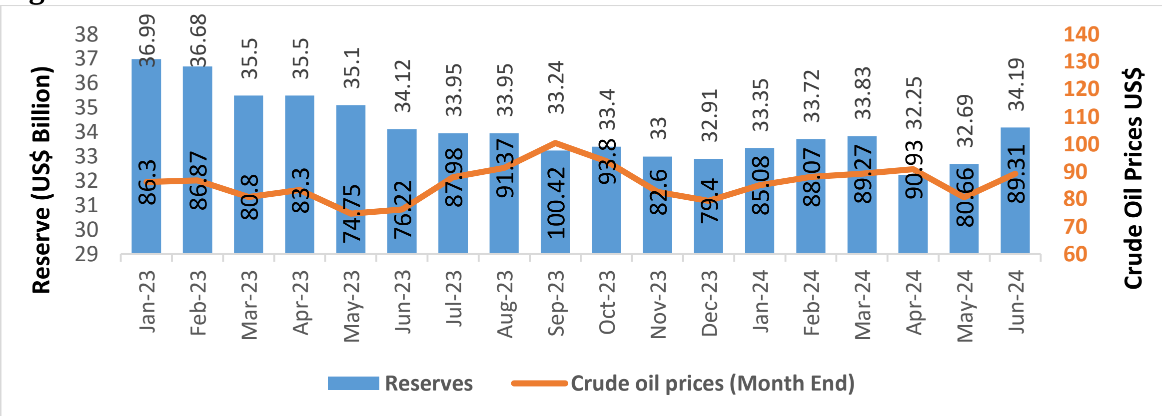
2.4.4 External Reserves

The External Reserves of Nigeria indicate a mixed performance in the second quarter of the year, as shown in Figure 2.9. The Reserves decreased from US$33.83 billion at the end of the first quarter 2024 to US$32.25 billion in April 2024. However, a recovery was noted in May 2024, with reserves increasing to US$32.69 billion in May 2024 and further rising to US$34.19 billion in June 2024.

During the same period, the price of crude oil rose by 0.045 per cent to $89.31 bp at the end of the second quarter of 2024 from US$89.27 pb at the end of the first quarter of 2024.

[27] https://www.cbn.gov.ng/rates/ExchRateByCurrency.asp

Figure 2.9: External Reserves/Crude Oil Prices



Source: CBN Statistical Database[28,29]

2.5 Nigeria Public Debt Stock

Nigeria's total public debt rose by 10.37 per cent to ₦134.29 trillion at the end of second quarter of 2024 from ₦121.67 trillion at the end of the first quarter of 2024. The debt comprised domestic debts and the external debts which stood at ₦71.22 trillion and ₦63.07 trillion, accounting for 53.04 per cent and 46.96 per cent respectively, of the total public debt at end of the second quarter of 2024.

Table 2.2 Nigeria Public Debt

Debts	**2023**				**2024**	
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
Public Debts (₦' Trillion)						
Total External Debt	19.64	33.25	31.98	38.22	56.02	63.07
Total Domestic Debts	30.21	54.13	55.93	59.12	65.65	71.22
Total Public Debt (TPD)	49.85	87.38	87.91	97.34	121.67	134.29
TPD Growth Rate (per cent)	7.78	75.29	0.61	10.73	24.99	10.38
Public Debts ($' Billion)						
Total External Debt	47.36	80.17	77.11	92.16	42.11	42.90
Total Domestic Debts	72.84	130.52	134.86	142.55	49.35	48.45
Total Public Debt	120.2	210.7	211.97	234.71	91.46	91.35
Public Debts (External/Internal as Proportion of Total (per cent)						
Total External Debt	39.40	38.05	36.38	39.26	46.05	46.96
Total Domestic Debts	60.60	61.95	63.62	60.74	53.95	53.04
Total Public Debt	100	100	100	100	100	100
Debt Service						
Actual External Debt Services ($' Million)	801.36	368.26	1390.71	943.17	1,120.01	1,120.39

[28] https://www.cbn.gov.ng/IntOps/Reserve.asp?MoveDate=7/22/2024%203:50:58%20PM

[29] https://www.cbn.gov.ng/rates/DailyCrude.asp

Actual External Debt Services (₦' Billion)	368.91	283.7	1069.12	848.28	1,489.94	1,647.19
Actual Domestic Debt Service (₦' Billion)	874.13	565.88	1,792.47	2,000.6	989.24	2,852.75
Total Debt Services paid (₦' Billion)	1,243.04	849.58	2,861.59	2,848.88	2,479.18	4,499.94
US$/Naira Rate	460.35	770.38	768.76	899.39	1330.3	1,470.19

Source: Debt Management Office[30]

As shown in Table 2.2, the total of ₦2,479.18 billion was spent on debt servicing in the first quarter of 2024, comprising of ₦1,489.94 billion and ₦989.24 billion on domestic and external debt servicing, respectively.

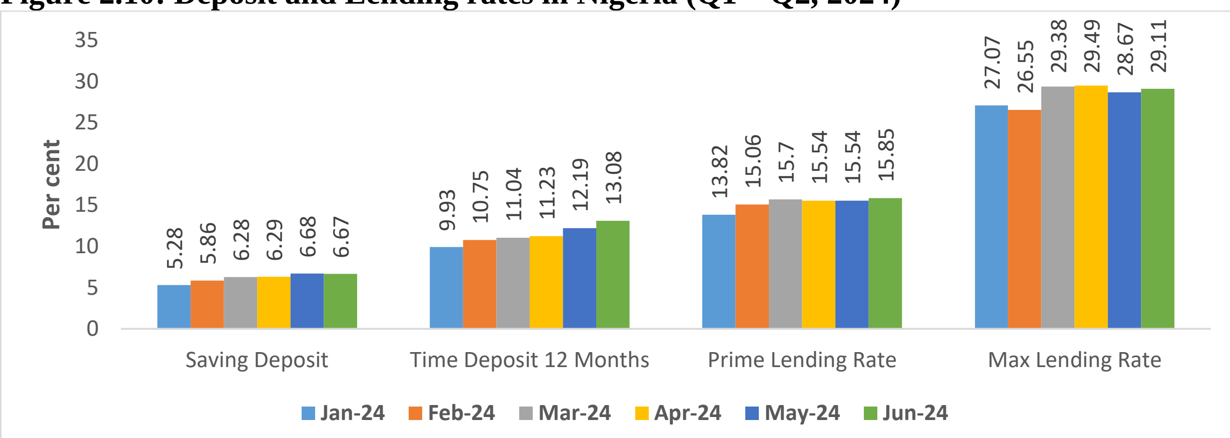
2.6 Financial Sector Developments

2.6.1 Money Market Developments

Figure 2.10 shows the deposit and lending rates in Nigeria. The savings deposit slightly rose from 6.28 per cent in March to 6.29 per cent and 6.68 per cent in April and May 2024 respectively, then slightly declined to 6.67 per cent in June 2024. Interest rates on time deposit also follows a similar pattern as it slightly increased from 11.04 per cent in March to 11.23 per cent and 11.29 per cent in April and May, respectively in 2024, then later rose to 13.08 per cent in June 2024.

Prime lending rate increased slightly from 15.7 per cent in March to 15.54 per cent in April and May 2024, before increasing slightly to 15.85 per cent in June 2024. Max lending rate rose from 29.38 per cent in March to 29.49 per cent in April and declined to 28.67 per cent in May 2024; it however increased to 29.11 per cent in June 2024.

Figure 2.10: Deposit and Lending rates in Nigeria (Q1 – Q2, 2024)



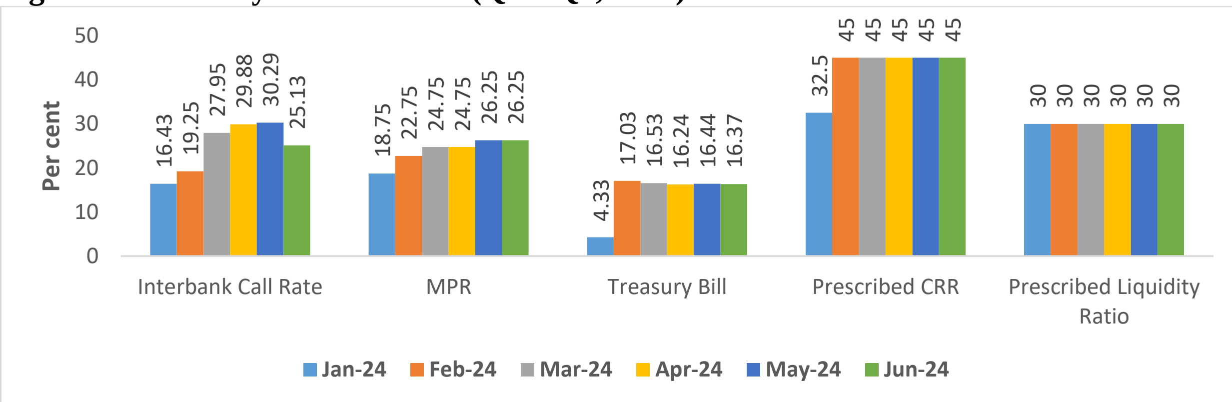
Source: Central Bank of Nigeria[31]

[30] https://www.dmo.gov.ng/debt-profile/external-debts/debt-service/5081-nigeria-s-actual-external-debt-service-payments-in-3rd-quarter-2024

[31] https://www.cbn.gov.ng/rates/mnymktind.asp

Figure 2.11 compares the money market rates from the first quarter to second quarter of 2024. The interbank call rate, which had been at 27.95 per cent in March rose to 29.88 per cent and 30.29 per cent in April and May 2024, respectively, then declined to 25.13 per cent in June 2024. MPR though, remained the same at 24.75 per cent in March and April. It however increased to 26.25 per cent in May, and remained same in June 2024. Treasury bill slightly declined from 16.53 per cent in March to 16.24 per cent in April, then slightly rose to 16.44 per cent in May, and later declined to 16.37 per cent in June 2024. The prescribed CRR has been unchanged at 45.00 per cent since March 2024. Similarly, Liquidity ratio has remained at 30.00 per cent since January 2024.

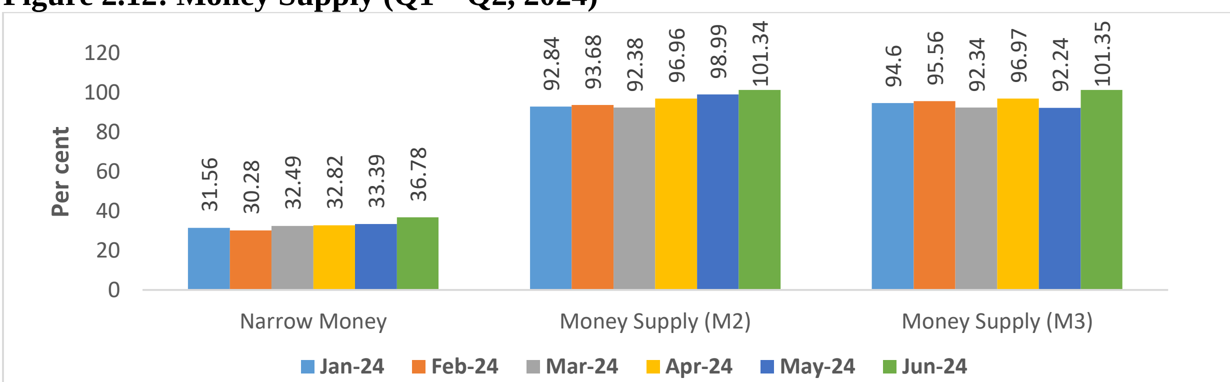
Figure 2.11: Money Market Rates (Q1 – Q2, 2024)



Source: Central Bank of Nigeria[31]

As depicted in Figure 2.12, Narrow Money (M1), which stood at ₦32.49 trillion in March, rose to ₦32.82 trillion, ₦33.39 trillion and 36.78 trillion in April, May, and June 2024, respectively. Money Supply (M2) which was ₦92.38 trillion in March 2024 rose to ₦96.96 trillion, ₦98.99 trillion and ₦101.34 in April, May and June 2024, respectively. Broad Money Supply (M3), which stood at ₦92.34 trillion in March increased to ₦96.97 trillion in April, decreased to ₦92.24 trillion in May 2024 and later rose to 101.35 trillion in June 2024.

Figure 2.12: Money Supply (Q1 – Q2, 2024)



Source: Central Bank of Nigeria[32]

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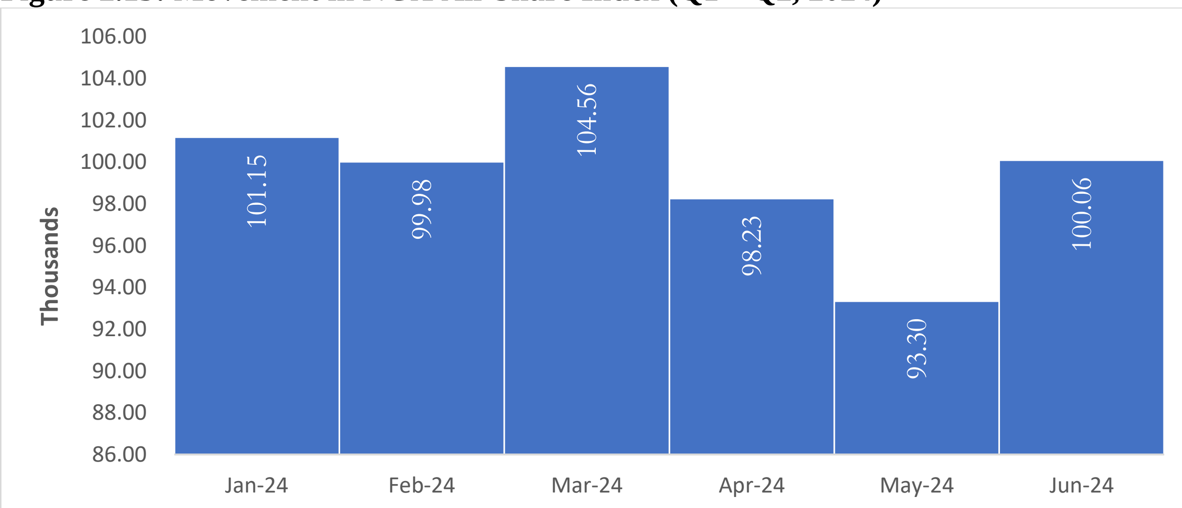
[32]https://www.cbn.gov.ng/rates/mnycredit.asp

2.7 Capital Market Development

2.7.1 All-Share Index

The Nigeria Exchange Limited All-Share Index (NGX ASI) for all listed equities decreased in the second quarter of 2024, relative to the first quarter of 2024. As shown in Figure 2.13, the index fell from 104,562.06 at end of the first quarter, to 98,225.63 in April 2024, and further to 93,300.08 before rising to 100,057.49 in June 2024.

Figure 2.13: Movement in NGX All-Share Index (Q1 – Q2, 2024)



Source : NGX Market Capitalisation Reports [33]

2.7.2 Domestic and Foreign Portfolio Investments

As shown in Table 2.3, the total portfolio investment fell by 35.71 per cent from ₦538.54 billion in March 2024 to ₦346.23 billion in April 2024, then rose by 2.64 per cent in May 2024 to ₦355.38 billion and later declined by 0.23 per cent to ₦354.55 billion in June 2024.

Percentage contribution of portfolio transactions by domestic investors increased from 1.09 per cent at the end of first quarter of 2024 to 18.13 per cent at the end of the second quarter of 2024. The percentage contribution of portfolio transactions by the foreign investor declined from -4.84 per cent at the end of first quarter of 2024 to -33.71 per cent at the end of the second quarter of 2024.

[33] https://ngxgroup.com/exchange/data/indices/

[34] https://doclib.ngxgroup.com/market_data-site/other-market-information-site/FPI%20Report/NGX%20Domestic%20and%20Foreign%20Portfolio%20Investment%20Report-%20January%202024%2021%2002%202024.pdf

Table 2.3: Domestic & Foreign Portfolio Transactions in Equity Trading (Q1 – Q2, 2024)

Year	Month	Total		Domestic			Foreign		
		₦' Billion	Growth (%)	₦' Billion	of Total	Growth (%)	₦' Billion	of Total	Growth (%)
2024	June	354.55	-0.23	272.36	76.82	18.13	82.19	23.18	-33.71
	May	355.38	2.64	231.10	65.03	2.53	124.28	34.97	2.86
	April	346.23	-35.71	225.40	65.10	-49.27	120.83	34.90	28.19
	March	538.54	50.48	444.28	82.50	1.09	94.26	17.50	-4.84
	February	357.88	-45.07	292.07	81.61	59.83	65.81	18.39	23.91
	January	651.52	89.45	598.41	91.85	-38.27	53.11	8.15	10.95

Sources: The Nigerian Exchange's Domestic & Foreign Portfolio Investment Reports [34]

2.8 CBN Monetary Policy and Circulars

2.8.1 Monetary Policy Development

The CBN Monetary Policy Committee (MPC) met on the 20th and 21st of May, in the Second Quarter of 2024. The highlights of the Committee meetings are as follows:

The Committee noted that:

i. The IMF in its July 2024 WEO increased Nigeria's growth forecast to 3.1 per cent from 3.0 per cent in 2024, and its prediction remained unchanged for the world economy in 2024 and 2025, at 0.0 per cent and 0.1 percent respectively However, the tight financial conditions and widespread supply chain disruptions brought on by geopolitical unrest and economic fragmentation have been cited as the projection's challenges;

   The global economy is seeing growth due to factors such 's China's fiscal support, the Advanced Economies', the Emerging Markets' and Developing Economies' resilience;

ii. While headline inflation increased moderately year over year in April 2024, headline, food, and core measures all declined significantly month over month. This comes after a decline in headline and food measures month over month in March 2024, indicating that the Bank's recent tight monetary policy stance is starting to have the desired effects;

   I growing cost of farm produce, transportation, limitations imposed by infrastructure along the distribution network, security issues in certain areas that produce food, and exchange rate pass-through to domestic prices for imported food items are obstacles to the effective control of food inflation

iii. The current fluctuations in the foreign exchange market can be attributed to seasonal demand, which reflects how supply and demand interact in a system of free markets

iv. Overall, the banking system remains safe, sound and stable, despite the headwinds confronting the econom

The Committee recommended that:

i. The CBN should sustain its collaborations towards addressing the persistent inflationary pressures;
ii. The CBN should continue to monitor developments in the global and domestic economies to guide policy and ensure that inflation expectations are adequately anchored;
iii. The CBN noted the marginal increase in the external reserve balance between March and April 2024 and suggested sustained focus on accretion to reserves;
iv. The CBN should also intensify actions on the Recapitalization of banks to strengthen the system against potential risks;
v. The CBN urged that more be done to address the security of farming communities to guarantee improved food production in these areas.

The MPC, in its statutory meetings held in the Second quarter of 2024, voted to:

i. Raise the MPR by 150 basis points to 26.25 per cent from 24.75 per cent;
ii. Retain the asymmetric corridor of +100/-300 basis points around the MPR;
iii. Retain the Cash Reserve Ratio of Deposit Money Banks at 45.00 per cent;
iv. Retain the Liquidity Ratio at 30.00 per cent.

2.8.2 CBN Circulars & Guidelines

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. BSD/DIR/PUB/LAB/017/004

Circular to all Banks on the use of Foreign-Currency Denominated Collaterals for Naira loans

The CBN on April 8, 2024 issued a circular to all banks on the use of foreign-currency-denominated collaterals for Naira loans. The circular prohibited the current practice of using foreign-currency-denominated collaterals for naira loans except where the foreign currency is either i. Eurobonds issued by the Federal Government or ii. Guarantees foreign banks, including standby letters of credits. The circular also instructed that all loans currently secured with dollar-denominated collaterals other than as mentioned above should be wound down within 90 days.

ii. BSD/DIR/PUB/LAB/017/005

Circular to all Banks on the regulatory measures to improve lending to real sector on the Nigerian Economy

The Central Bank of Nigeria (CBN) on April 17, 2024 issued a circular to all Banks on the regulatory measures to improve lending. The circular reviewed the Loan-to-Deposit Ratio (LDR) policy to align with the current monetary tightening by the CBN. On that note, the CBN has decided to reduce the LDR by 15 percentage points to 50 per cent in a similar proportion to increase in the CRR rates for Banks.

iii. BSD/DIR/PUB/LAB/017/007
Circular to all Banks, Other Financial Institutions and Non-Bank Financial Institutions

The CBN on May 6, 2024 issued a circular to Financial Institutions and Non-Bank Financial Institutions to extend the suspension of the processing fees of 2 per cent and 3 per cent previously charged on all cash deposits above these thresholds until September 30, 2024. The circular instructed that; all financial institutions regulated by the CBN should continue to accept all cash deposits from the public without any charges until September 30, 2024

v. BSD/DIR/PUB/LAB/017/008

Circular to all Banks and Payment Services Banks on the issuance of Risk-Based Cybersecurity Framework and Guidelines

The CBN on May 31, 2024 issued the Risk-Based Cybersecurity Framework and Guidelines for Deposit Money Banks (DMBs) and Payment Service Banks PSBs. The guidelines represent the minimum requirements to be put in place by all DMBs and PSBs in their respective cybersecurity programs. The CBN has fixed July 31, 2024 as the effective date for full compliance with the provision of the guidelines where all DMBs and PSBs were expected to do so, on or before the date.

Financial Condition and Performance of Deposit Money Banks in the First and Second Quarter, 2024

3.0 Introduction

The performance of Deposit Money Banks (DMBs) remained resilient in the first half of 2024 despite the elevated risk that arose due to a volatile foreign exchange market, which largely affected economic activities. This section provides an assessment on the financial condition and performance of DMBs for the first and second quarter of 2024.

3.1 Structure of Assets and Liabilities

The Total Assets of the 35 DMBs stood at ₦143,324.67 billion as at June 30, 2024, an increase of ₦11,374.77 billion (8.62 per cent) from ₦131,949.90 billion as at March 31, 2024. The growth resulted from significant increase in balances with Banks & Central Bank, Loans & Advances to Customers, and Financial Assets held at Fair Value through Other Comprehensive Income (FVOCI), by 10.84 per cent, 5.25 per cent and 28.11 per cent, respectively (See Table 3.1).

Other components of the DMB's balance sheet that contributed to the growth of Total Assets included Financial Assets held at Amortised Cost, Financial Assets Held for Trading and Loans & Advances to Banks which increased by ₦2,071.72 billion (17.91 per cent), ₦1,704.28 billion (24.23 per cent) and ₦1,077.62 billion (54.19 per cent), from ₦11,565.69 billion, ₦7,034.96 billion and ₦1,988.76 billion as at March 31, 2024, to ₦13,637.40 billion, ₦8,739.24 billion and ₦3,066.38 billion as at June 30, 2024, respectively.

The growth in Total Liabilities was largely funded by Deposit from Customers, Shareholders' Funds (SHF) and Debt Instrument. Deposit from Customers increased by ₦8,380.13 billion (10.48 per cent) from ₦79,973.14 billion as at end March, 2024 to ₦88,353.27 billion as at end June 2024, constituting the largest share of industry liabilities at 61.65 per cent. Sharehold'rs' Fund and Debt Instrument recorded a growth of ₦1,609.88 billion (21.39 per cent) and ₦1,489.57 billion (32.21 per cent), from ₦7,526.82 billion and ₦4,623.94 billion as at end March 2024, to ₦9,136.70 billion and ₦6,113.51 billion as at end June 2024, respectively.

The DMBs' borrowings also increased by ₦962.29 billion (9.86 per cent), from ₦9,758.83 billion as at March 31, 2024, to ₦10,721.12 billion as at June 30, 2024. Furthermore, Deposit from Banks recorded a growth of ₦188.49 billion (1.91 per cent), from ₦9,881.09 billion as at March 31, 2024 to ₦10,069.58 billion as at June 30, 2024, as depicted in Table 3.1.

Table 3.1: Structure of D'Bs' Assets and Liabilities for the First and Second Quarter, 2023

	As at June 30, 2024		As at March 31, 2024		Changes btw Q1&Q2 2024	
PARAMETER	**INDUSTRY '(₦' Billion)**	**Per cent of TOTAL**	**INDUSTRY' (₦' Billion)**	**Per cent of TOTAL**	**INDUSTRY' (₦' Billion)**	**Per cent of TOTAL**
ASSETS						
Cash Balances	1,043.85	0.73	842.11	0.64	201.74	23.96
Balances with Banks & Central Bank	43.314.75	30.22	39,078.78	29.62	4,235.97	10.84
Loans & Advances to Banks	3,066.38	2.14	1,988.76	1.51	1,077.62	54.19
Loans & Advances to Customers	48,731.82	34.00	46,302.73	35.09	2,429.09	5.25

Financial Assets Held for Trading	8,739.24	6.10	7,034.96	5.33	1,704.28	24.23
Financial Assets held as Fair Value through Other Comprehensive Income (FVOCI)	10,977.11	7.66	8,568.78	6.49	2,408.34	28.11
Financial Assets held as Amortised Cost	13,637.40	9.52	11,565.69	8.77	2,071.72	17.91
Assets Pledged as Collateral	4,516.57	3.15	5,435.89	4.12	-919.32	-16.91
Investment in Subsidiaries & Associates	1,078,31	0.75	1,135.55	0.86	-57.24	-5.040
Property Plant and Equipment	1,799.72	1.26	1,784.90	1.35	14.81	0.83
Other Assets	6,301.56	4.40	8,104.60	6.14	1,803.04	-22.25
Asset Classified as Held for Sale & Discontinued Operations	117.97	0.08	107.16	0.08	10.81	10.08
TOTAL ASSETS	**143,324.67**	**100.00**	**131,949.90**	**100.00**	**11,374.77**	**8.62**
LIABILITIES						
Deposit from Banks	10,069.58	7.03	9,881.09	7.49	188.49	1.91
Deposit from Customers	88,353.27	61.65	79,973.14	60.61	8,380.13	10.48
Financial Liabilities Held for Trading	348.96	0.24	1,406.26	1.07	-1,057.30	-75.19
Borrowings	10,721.12	7.48	9,758.83	7.40	962.29	9.86
Debt Instrument	6,113.51	4.27	4,623.94	3.50	1,489.57	32.21
Other Liabilities	18,581.53	12.96	18,779.82	14.23	-198.29	-1.06
TOTAL LIABILITIES	134,187.97	93.63	124,423.07	94.30	9,764.90	7.85
Sharehold'rs' Fund	9,136.70	6.37	7,526.82	5.70	1,609.88	21.39
TOTAL LIABILITIES & SHF	**143,324.67**	**100.00**	**131,949.90**	**100.00**	**11,374.77**	**8.62**

Source: NDIC

3.2 Financial Performance Indicators of DMBs

3.2.1 Capital Adequacy

The Average Capital Adequacy Ratio (CAR) of DMBs improved by 147 basis points from 11.05 per cent as at end March, 2024 to 12.52 per cent as at end June, 2024. This improvement derived from significant increase in the Total Qualifying Capital (TQC) by ₦1,148.39 billion (18.51 per cent) from ₦6,203.38 billion as at end March, 2024 to ₦7,351.77 billion as at end June, 2024.

The increase in the TQC was largely driven by the Tier 1 capital (core capital) of most banks, which grew by ₦1,205.99 billion (23.96 per cent), from ₦5,032.55 billion as at end March, 2024 to ₦6,238.53 billion as at end June, 2024, as shown in Table 3.2.

Table 3.2: DMBs' Capital Adequacy Position

Capital Adequacy Performance Indicators (%)	As at June 30, 2024	As at March 31, 2024
Capital to Risk-Weighted Assets Ratio	12.52	11.05
Capital to Total Assets Ratio	5.13	4.70
Adjusted Capital Ratio	11.58	9.91
Parameters (₦' Billion)		
Total Qualifying Capital	7,351.77	6,203.38
Total Risk-Weighted Assets	58,704.47	56,144.51

Source: NDIC

3.2.2 Asset Quality

The ratio of Impaired Credit to Total Credit declined from 5.05 per cent as at end March, 2024 to 3.90 per cent as at end June, 2024, below the prudential limit of 5.0 per cent. The decline in this ratio signaled significant improvement in the asset quality. While Total Credit increased by ₦2,532.99 billion (4.72 per cent) to ₦56,219.48 billion as at end of second quarter, 2024, from ₦53,686.49 billion as at end of first quarter, 2024, impaired credits fell by ₦517.94 billion (23.61 per cent), to ₦2.19 trillion as at June 30, 2024, from ₦2.71 trillion as at March 31, 2024. Furthermore, the share of Total Earning Assets to Total Assets slightly increased by 145 basis points from 56.02 per cent as at end March, 2024 to 57.47 per cent as at end June, 2024, as shown in Table 3.3.

Table 3.3: Asset Quality

Performance Indicators (%)	As at June 30, 2024	As at March 31, 2024
Impaired Credits to Total Credits	3.90	5.05
Total Earning Assets to Total Assets	57.47	56.02
Total Impairment to Impaired Credits	82.06	82.80
Impaired Credits to Shareholders' Fund	31.16	46.14
Parameters (₦' Billion)		
Total Assets	143,324.67	131,949.90
Total Earning Assets	82,362.66	73,912.01
Total Credits	56,219.48	53,686.49
Impaired Credits	2,194.17	2,712.11

Source: NDIC (2023)

3.3 Sectoral Allocation of Credits

A review of sectoral allocation of credit of the DMBs revealed that, Oil & Gas sector as well as the Manufacturing sector received the highest shares of credit, recording 29.09 per cent and 17.41 per cent as at end March 2024, to 29.77 per cent and 16.33 per cent as at end June, 2024, respectively. However, Arts, Entertainment & Recreation, and Activities of Extraterritorial had the least allocation for the period under review.

On the other hand, Manufacturing sector accounted for ₦9,178.26 billion (16.33 per cent) of the DMBs total credit as at end June, 2024. The sector reported a decrease of ₦168.37 billion (1.08 per cent) when compared with ₦9,346.63 billion (17.41 per cent) as at end March, 2024, as depicted in Table 3.4.

Table 3.4: Structure of Credit Allocation among Sectors (%)

S/N	SECTORS	As at June 30, 2024	As at March 31, 2024
1	Oil and Gas	29.77	29.09
2	Manufacturing	16.33	17.41
3	General	9.83	8.13
4	Finance and Insurance	9.24	8.53
5	General Commerce	6.78	8.21
6	Government	5.25	5.13
7	Agriculture	4.46	4.95
8	Construction	3.99	4.05
9	Power and Energy	3.04	3.14
10	Information And Communication	2.93	3.32
11	Transportation And Storage	2.55	2.63
12	Real Estate	1.89	1.81
13	Capital Market	1.72	1.36
14	Professional, Scientific And Technical Activities	0.72	0.67
15	Public Utilities	0.53	0.50
16	Human Health And Social Work Activities	0.28	0.34
17	Water Supply; Sewerage, Waste Management And Remediation Activities	0.26	0.24
18	Education	0.21	0.19
19	Administrative And Support Service Activities	0.12	0.17
20	Mining And Quarrying	0.09	0.08
21	Arts, Entertainment And Recreation	0.02	0.05
22	Activities Of Extraterritorial Organizations And Bodies	0.00	0.00

Source: NDIC

3.4 Earnings and Profitability

The DMBs' total income of ₦4,848.50 billion as at June 30, 2024, increased by ₦662.77 billion (15.83 per cent), from ₦4,185.73 billion as at March 31, 2024. This was majorly due to the growth in Total Operating Income by 35.69 per cent, from ₦2,258.82 billion as at March 31, 2024 to ₦3,032.87 billion as at June 30, 2024. This was reflected in an increase in interest income of ₦590.34 billion (21.88 per cent).

On the other hand, Total Expenses increased at a lower rate of ₦202.02 billion (6.45 per cent), from ₦3,131.57 billion as at March 31, 2024 to ₦3,333.60 billion as at June 30, 2024. Increase in Total Expense was attributed to an increase in Total Operating Expenses by ₦352.25 billion (28.71 per cent), from ₦1,226.86 billion as at end March 2024 to ₦1,579.11 billion as at end June, 2024. This resulted in a Profit-Before-Tax (PBT) of ₦1,514.90 billion as at June 30, 2024. The PBT grew by ₦460.75 billion (43.71 per cent) when compared with ₦1,054.15 billion as at March 31, 2024.

In addition, the industry's Return on Assets, Return on Equity, Net Interest Margin, and Yield on Earning Assets recorded improvements as at end of second quarter, 2024, as presented in Table 3.5.

Table 3.5: Earning and Profitability Performance of the Banking Industry

Performance Indicators	As at June 30, 2024	As at March 31, 2024	Changes Btw Q1 & Q2 2024 (₦)	Changes Btw Q1 & Q2 2024 (%)
Interest Income (₦' Billion)	3,288.33	2,697.99	590.34	21.88
Interest Expense (₦' Billion)	1,633.93	1,382.67	251.25	18.17
Net Interest income (₦' Billion)	1,654.40	1,315.32	339.08	25.78
Recoveries (₦' Billion)	53.50	15.34	38.16	248.68
Operating Income (₦' Billion)	3,032.87	2,258.82	814.00	35.69
Operating Expenses (₦' Billion)	1,579.11	1,226.86	352.25	28.71
Total Income (₦' Billion)	4,848.50	4,185.73	662.77	15.83
Total Expense (₦' Billion)	3,333.60	3,131.57	202.02	6.45
Profit before Tax (₦' Billion)	1,514.90	1,054.15	460.75	43.71
Parameters in (%)				
Return on Assets (%)	3.66	3.03		
Return on Equity (%)	61.56	55.54		
Net Interest Margin (%)	7.52	6.73		
Yield on Earning Assets (%)	15.16	13.80		

Source: NDIC

3.5 Liquidity Profile

The Average Liquidity Ratio (ALR) of the DMBs increased by 628 basis point from 43.79 per cent as at March 31, 2024 to 50.07 per cent as at June 30, 2024. The growth in ALR was attributed to an increase in the Total Specified Liquid Assets by ₦7,361. 92 billion (35.97 per cent) which was driven by the increases in volume of CBN Registered Certificates, FGN Bonds and Net Inter-Bank Placements with other Banks during the period. The Net Credit to Deposit Ratio, which measures banks' lending activities, decreased slightly from 67.13 per cent as at end March, 2024 to 63.63 per cent as at end June, 2024, as shown in Table 3.6.

Table 3.6: DMBs Liquidity Profile

Performance Indicators (%)	As at June 30, 2024	As at March 31, 2024
Average Liquidity Ratio	50.07	43.79
Net Credit to Deposit Ratio	63.63	67.13
Net Inter-Bank Takings to Deposit Ratio	0.00	0.90

Source: NDIC

3.6 Conclusion

The performance of banking industry improved in the period under review, with Capital Adequacy Ratio above the prudential threshold for 25 out of 35 DMBs. The Total Assets of the banking industry increased by 8.62 per cent from ₦131,949.90 billion as at March 31, 2024, to ₦143,324.67 billion as at June 30, 2024; while Deposit from Customers also appreciated by 10.48 per cent during the same period. There was also significant improvement in the Asset Quality, and Earnings

& Profitability indicators in the period under review. However, a decrease of 3.5 per cent was recorded on Net Credit to Deposit ratio as at end June, 2024.

Activities of the NDIC in the First Quarter, 2024

4.0 Introduction
This report discusses the activities and achievements of the NDIC in the first quarter of 2024.

4.1 Update on Corporate Strategic Performance
The NDIC continued to implement its various strategic initiatives in the period under review. At end-March 2024, the Corporation:

i. Concluded the review of the Corporat'on's Integrated Management System (IMS) Framework. The report is ready for submission to the ISO Consultant (KPMG Advisory Services), in preparation for the upcoming ISO Surveillance Audit for the three ISO standards: 22301, 20000, and 27001.
ii. Submitted report of the reforms implemented by the Corporation from 2021-2023 to Bureau of Public Service Reforms (BPSR). The purpose of the report was to enable BPSR to harmonise and consolidate all strands of reforms across the public service.
iii. Automated its 24-Hour Toll-Free Help Desk (ZoHo Desk) a41nauthorizing the Desk policy guidelines to ensure effective and efficient resolutions of deposit'rs' and other stakehold'rs' enquiries/complaints.
iv. Conducted the first quarter of 2024 Service Level Agreement (SLA) ratings of all Departments, Units, and Zones (DUZs), using its Service Level Agreement Management System (SLAMS).
v. Conducted the biennial review of the Standard Operating Procedure (SOP) manuals of all DUZs in line with the Corporat'on's approved policy and uploaded the SOP on the NDIC Portal.

4.2 Corporate Operational Performance.
4.2.1 Payments to Insured and Uninsured Depositors of Closed Insured Banks
i. In the first quarter of 2024, the NDIC paid ₦936,051.49 to 21 insured depositors and ₦40.79 million to uninsured depositors of 49 DMBs in-liquidation. Cumulatively, the NDIC had paid ₦8.28 billion to 444,214 insured depositors and ₦105.29 billion to uninsured depositors of 49 DMBs in-liquidation at end-March 2024.
ii. The NDIC also paid ₦89.87 million to 1,500 insured depositors, while ₦37.86 million was paid to uninsured depositors of one Microfinance Bank (MFB) in-liquidation during the review period. Cumulatively, the NDIC had paid ₦5.12 billion to 135,196 insured depositors and ₦227.98 million to uninsured depositors of closed MFBs at end-March 2024.
iii. During the first quarter of 2024, 52 insured depositors were paid ₦18.47 million, while no payment was made to uninsured depositors of 51 Primary Mortgage Banks (PMBs) in-liquidation. The cumulative insured amount paid by the NDIC to 2,625 depositors of closed PMBs stood at ₦359.07 million, and ₦261.99 million to the uninsured depositors as at March 31, 2024.

4.2.2 Payments to Creditors of Banks in-Liquidation

There was no payment to creditors of the 49 DMBs in-liquidation during the period under review. The cumulative payment to 1,033 out of 1,320 creditors, therefore, remained at ₦1.28 billion as in the quarter ended December 31, 2023.

4.2.3 Payments to Shareholders of Banks in-Liquidation

During the period under review, the NDIC paid the sum of ₦136,080 to two shareholders of closed DMBs in-liquidation. Consequently, the cumulative sum of ₦4.90 billion had been paid to 1,000 shareholders as at March 31, 2024.

4.3 Asset Management Activities

4.3.1 Risk Assets Recovery

The sum of ₦194.03 million was recovered from debtors of nine DMBs in-liquidation during the first quarter of 2024. Similarly, the sum of ₦21.09 million, and ₦79.51 million were recovered from debtors of 25 MFBs, and debtors of four PMBs in-liquidation, respectively. The total recovery from the risk assets of banks in-liquidation for the period was ₦294.63 million, as detailed in Table 4.1.

Table 4.1: Loan Recoveries' (₦' Million) for the Fourth Quarter of 2023 and First Quarter of 2024

INSURED INSTITUTIONS	Q4, 2023				Q1, 2024			
	October	November	December	TOTAL	January	February	March	TOTAL
	₦'mn	₦'mn	₦'mn	₦'mn	₦'mn	₦'mn	₦'mn	₦'mn
DMBs	26.65	9.54	4.89	41.08	64.1	126.38	3.55	194.03
MFBs	5.34	6.64	7.83	19.81	8.61	1.57	10.91	21.09
PMBs	14.71	0.6	3.05	18.36	66.95	7.99	4.57	79.51
GRAND TOTAL	**46.70**	**16.79**	**15.76**	**79.25**	**139.7**	**135.9**	**19.03**	**294.63**

Source: NDIC

The total risk assets recovery of ₦294.63 million represented an increase of ₦215.38 million (271.77 per cent) from ₦79.25 million recovered in the fourth quarter of 2023. The total recovery in the first quarter represents 22.66 per cent of the Corporation's full-year Risk Assets Recovery target of ₦1,300 million.

At end-March 2024, the cumulative recovery of Risk Assets of all banks in-liquidation stood at ₦32,657.65 million, comprising ₦31,337.39 million, ₦399.54 million and ₦920.72 million from debtors of DMBs, MFBs and PMBs in-liquidation, respectively.

4.3.2 Disposal of Physical Assets of Banks in-Liquidation

The total amount realised from the sales of physical assets of MFBs in-liquidation in the first quarter ended March 31, 2024, was ₦36.77 million, compared with the sum of ₦46.82 million realised in the fourth quarter of 2023. There was no such realisation from other categories of banks in liquidation. The realisation in the first quarter represents 3.68 per cent of the Corporation's full-year budgeted Physical Assets Recovery target of ₦1,000 million.

As at March 31, 2024, the cumulative realisation from Physical Assets and Rent collected on properties of banks in-liquidation stood at ₦23,878.59 million. This figure comprised ₦22,528.23 million, ₦1,116,94 million and ₦233.42 million for DMBs, MFBs and PMBs in-liquidation, respectively.

4.3.3 Realisation of Investments of Banks in-Liquidation

The amount realised from investments of nine banks in-liquidation during the first quarter of 2024 was N4.78 million, compared with N30.22 million realised during the fourth quarter of 2023. The sum comprised N3,209.01, N4.66 million, and N115,596.45 for one DMB, seven MFBs, and one PMB in-liquidation, respectively. Table 4.2 presents the summary of quarterly recoveries against the target for the year.

Table 4.2: Actual and Target Recoveries/Realisations by Asset Category'(₦' Million) at the end of the First Quarter 2024

S/N	ASSET TYPE	RECOVERY'(₦' Million)	TARGET'(₦'Million)	ACHIEVEMENT (%)
1	Risk Assets	294.63	1,300	22.66
2	Physical Assets	36.77	1000	3.68
3	Investments	4.78	-	-
	TOTAL	**336.18**	**2300**	**14.62**

Source: NDIC

The cumulative sum realized from investments of banks in-liquidation stood at ₦5,995.77 million at end-March 2024. This figure comprised realisations of ₦5,802.95 million, ₦123.76 million, and ₦69.06 million from the sale of investments of DMBs, MFBs and PMBs, respectively.

4.4.Bank Supervision Risk-Based Supervision

4.4.1 On-Site Examination of Payment Service Banks

In the first quarter of 2024, CBN/NDIC examiners conducted Risk Based Supervision (RBS) of two Payment Service Banks (PSBs).

4.4.2 Risk Asset Examination - On-Site Examination of DMBs

During the period under review, CBN/NDIC examiners conducted Risk Assets Examination (RAE) of 41 banks, comprising 35 DMBs and Six PSBs. The CBN led the examination of 32 out of the 41 banks, while the NDIC led the remaining nine. The objective of the examination was to facilitate the 'CBN's approval of the DMBs' 2023 Annual Audited Accounts.

4.4.3 Quality Assurance on DMBs' Examination Reports

The quality assurance of the under-listed examinations was jointly carried out by the CBN/NDIC Supervisory Methodology Group during the first quarter 2024:

i. RAE Reports as at December 31, 2023.

ii. RBS Reports of 16 high and above-average risk-rated banks as at September 30, 2023.

4.4.4 On and Off-Site Monitoring of DMBs and PSBs

As at March 31, 2024, the NDIC monitored 41 examined banks. The monitoring exercise aims to assess the extent of the banks' implementation of previous examiners' recommendations.

4.4.5 On-Site Examination of MFBs and PMBs

The CBN allocated 160 banks (150 MFBs and 10 PMBs) to the NDIC for the 2024 on-site RBS Examination cycle, representing 50.94 per cent increase, compared with 106 banks (100 MFBs and 6 PMBs) allocated in 2023. The planning for the RBS examination is ongoing, after which the fieldwork will commence.

4.4.6 Investigations/Consumer Protection

At the end of the first quarter of 2024, 108 customer complaints from various banks were received by the NDIC, in addition to 84 brought forward from the fourth quarter of 2023, bringing the total to 192. These complaints involve the sum of ₦315.42 million deducted from customers' accounts. Of the 192 complaints, 133, representing 69 per cent, were fully resolved, 53 (28 per cent) were still being investigated, while six (3 per cent) were stepped down because account details and disputed amounts were not provided. In addition, out of the 133 investigations concluded, the NDIC successfully ensured the affected banks refunded the sum of ₦13.83 million and recommended a further refund of ₦20.37 million to the complainants. In comparison, the complainants should bear the sum of ₦48.34 million due to negligence.

At the PMB-MFB sub-sector, 18 customer complaints from various banks were received by the NDIC during the first quarter ended March 31, 2024. When added to 13 brought forward from the fourth quarter of 2023, the total complaints amounted to 31. Of these complaints, 6 (19.35 per cent) were fully resolved, while 25 (80.65 per cent) were at various stages of resolution.

4.4.7 Premium Assessment, Collection and Deposit Verification on Insured Banks

During the quarter under review, the NDIC collected a total premium of ₦2.20 billion from 235 banks comprising 233 MFBs and two PMBs. The premium collected in the first quarter of 2024 represented 169.23 per cent of the ₦1.3 billion target collection of 2024 for the PMB-MFB sub-sector. Notably, the increase in premium collection was due to the premium payment of ₦1.4 billion by Moniepoint MFB.

4.4.8 Fit and Proper Persons Enquiries

As at end-March 2024, the NDIC received and treated 186 requests (involving 556 individuals) from the other financial sector regulators (CBN, National Insurance Commission, National Pension Commission) to conduct due diligence on prospective appointees in the financial sector.

4.5 Legal Activities

The major legal activities of the Corporation for the quarter ended March 31, 2024 were as follows:

i. The NDIC monitored 84 debt recovery "f "₦100 million and above", 71 debt recovery of "below ₦100 million", 49 corporate cases, 26 Defensive Litigations, six defensive cases involving MFBs & PMBs, 113 winding-up petition cases of MFBs & PMBs, and 17 cases handled by in-house counsel.
ii. The NDIC further monitored 14 criminal cases pending at the various national courts involving fraud, granting unauthorised and unsecured credit facilities, conspiracy, non-disclosure of interest and stealing funds belonging to DMBs in-liquidation..

4.6 Enterprise Risk Assessment

In the first quarter of 2024, the Enterprise Risk Management activities of the NDIC included:

i. Review of the Change Management and Incident Log, as well as the Integrated Management Manual, to address enterprise risks and harness opportunities.

i. Successful conduct of a facility test, IT application test, and risk assessment on the NDIC Academy (Alternate site) to assess the Corporation's resilience. The significant risks identified during these exercises were profiled, and appropriate controls were reinforced.

4.7 Achievements/Challenges

4.7.1 Achievements

The following are some of the notable achievements of the NDIC during the quarter ended March 31, 2024:

i. The NDIC received the 'Financial Institution of the Year' award from the Silverbird Group.
ii. The Corporation received two awards for 'Best use of social media' and 'Excellence in adopting emerging technologies' from the Nigeria Technology Awards (NITA).
iii. The Corporation obtained four judgments in her favour in various courts of the federation.
iv. The NDIC executed 36 Corporate Social Responsibility (CSR) Projects across the six geopolitical regions of the country.
v. The NDIC paid ₦936,051.49 to 21 insured depositors and ₦40.79 million to uninsured depositors of 49 DMBs in-liquidation. The NDIC also paid ₦89.87 million to 1,500 insured depositors, while ₦37.86 million was paid to uninsured depositors of one MFB in-liquidation during the review period.
vi. ₦194.03 million was recovered from debtors of nine DMBs in-liquidation during the first quarter of 2024. Similarly, the sum of ₦21.09 million, and ₦79.51 million were recovered from debtors of 25 MFBs, and debtors of four PMBs in-liquidation, respectively. Consequently, the total recovery from the risk assets for the period was ₦294.63 million.

4.7.2 Challenges

Regardless of the achievements mentioned above, the NDIC is still confronted with the following challenges:

i. Difficulty in debt recovery.
ii. Difficulty in execution of judgments.
iii. Protracted legal processes.

4.8 Conclusion

Through its various activities, the Corporation has consistently pursued the achievement of its public policy objectives of depositors' protection, enhancing public confidence, and promoting financial system stability.

Activities of the NDIC in the Second Quarter, 2024

5.0 Introduction

This report discusses the activities and achievements of the NDIC in the second quarter of 2024.

5.1 Update on Corporate Strategic Performance

The NDIC continued to implement its various strategic initiatives in the period under review. At end-June 2024, the Corporation:

i. Trained and certified 14 Staff, Lead Implementers, and Lead Auditors on the updated version of the ISO/IEC 27001:2022 standard to equip them in implementation and addressing minor non-conformities.
ii. Completed the integration of the three ISO standards: 22301 (BCMS), 20000 (SMS), and 27001 (ISMS) to enhance operational efficiency and address Non-Conformities, Observations and Opportunities for Improvement (OFIs) identified during the stage 2 Audit.
iii. Commenced mid-term review of the NDIC 2021-2025 Strategic Plan to assess performance and align the Plan with current realities as well as address emerging issues affecting the Corporation.
iv. Commenced the biennial review of Standard Operating Procedures (SOPs) of all Departments, Units, and Zones (DUZs) to promote efficiency and facilitate on-the-job training for newly recruited or newly assigned staff.
v. Conducted the NDIC's Composite Rating (CR) for the third and fourth quarter of 2023 and the first quarter of 2024, with a rating of 69.33 per cent, 70 per cent, and 89 per cent, respectively. The cumulative Composite Rating of the Corporation for the three quarters resulted in an Average Composite Rating (ACR) of 76.11 per cent.

5.2 Corporate Operational Performance

5.2.1 Payments to Insured and Uninsured Depositors of Closed Insured Banks

i. In the third quarter of 2023, the NDIC paid ₦4.49 million to 26 insured depositors and in the second quarter of 2024, the NDIC paid ₦8.25 billion to 119,984 insured depositors of Heritage Bank in-liquidation and ₦474.32 million to uninsured depositors of banks in-liquidation. Cumulatively, the NDIC had paid ₦16.53 billion to 564,198 insured depositors and ₦105.76 billion to uninsured depositors of 50 DMBs in-liquidation as at end-June 2024.
ii. The NDIC also paid ₦20.33 million to 304 insured depositors, while ₦19.02 million was paid to uninsured depositors of one Microfinance Bank (MFB) in-liquidation during the review period. Cumulatively, the NDIC had paid ₦5.14 billion to 135,500 insured depositors and ₦247.01 million to uninsured depositors of 546 MFBs in-liquidation at end-June 2024.
iii. During the second quarter of 2024, 10 insured depositors were paid ₦3.60 million, while no payment was made to uninsured depositors of 55 Primary Mortgage Banks (PMBs) in-liquidation. The cumulative insured amount paid by the NDIC to 2,687 depositors of closed PMBs stood at ₦362.67 million, and ₦261.99 million to the uninsured depositors as at June 30, 2024.

5.2.2 Payments to Creditors of Banks in-Liquidation

The NDIC paid ₦612,500.00 to one creditor of a MFB in-liquidation during the period under review. The cumulative payment to 1,034 out of 1,320 creditors, therefore, is ₦1.28 billion at end-June 2024.

5.2.3 Payments to Shareholders of Banks in-Liquidation

During the period under review, the NDIC paid the sum of ₦839,457.50 to seven shareholders of closed DMBs in-liquidation. Consequently, the cumulative sum of ₦4.90 billion had been paid to 1,007 shareholders as at June 30, 2024.

5.3 Asset management activities

5.3.1 Risk Assets Recovery

The sum of ₦125.22 million was recovered from debtors of 13 DMBs in-liquidation during the second quarter of 2024. Similarly, the sum of ₦10.73 million and ₦9.07 million were recovered from debtors of four PMBs and 12 MFBs in-liquidation, respectively. The total recovery from the risk assets of banks in-liquidation for the period was ₦145.02 million, as detailed in Table 5.1.

Table 5.1: Loan Recoveries'(₦' Million) for the First Quarter and Second Quarter of 2024

INSURED INSTITUTIONS	Q1, 2024				Q2, 2024			
	January	February	March	TOTAL	April	May	June	TOTAL
	₦'mn	₦'mn	₦'mn	₦'mn	₦'mn	₦'mn	₦'mn	₦'mn
DMBs	64.10	126.38	3.55	194.03	27.00	35.06	63.15	125.22
PMBs	66.95	7.99	4.57	79.51	6.29	4.45	-	10.73
MFBs	8.61	1.57	10.91	21.09	4.02	1.42	3.63	9.07
GRAND TOTAL	**139.66**	**135.94**	**19.03**	**294.63**	**37.30**	**40.93**	**66.79**	**145.02**

Source: NDIC

The total risk assets recovery of ₦145.02 million represented a decrease of ₦149.61 million (50.78 per cent) from ₦294.63 million recovered in the first quarter of 2024. The total recovery in the first quarter represents 11.16 per cent of the Corporation's full-year Risk Assets Recovery target of ₦1, 300 million.

At end-June 2024, the cumulative recovery of Risk Assets of all banks in-liquidation stood at ₦32,802.67 million, comprising ₦31,462.61 million, ₦931.45 million and ₦408.61 million from debtors of DMBs, PMBs, and MFBs in-liquidation, respectively.

5.3.2 Disposal of Physical Assets of Banks in-Liquidation

The total amount realised from the sales of physical assets of banks in-liquidation in the second quarter ended June 30, 2024, was ₦7.01 million, compared with the sum of ₦36.77 million realised in the first quarter of 2024. The recovery of ₦7.01 million comprised the sum of ₦44,477.50, ₦178,677.50, and ₦6.79 million realised for DMBs, PMBs, and MFBs, respectively.

As at June 30, 2024, the cumulative realisation from Physical Assets and Rent collected on property of banks in-liquidation stood at ₦23,885.60 million. This figure comprised ₦22,528.27 million, ₦233.60 million, and ₦1,123.72 million for DMBs, PMBs, and MFBs in-liquidation, respectively.

5.3.3 Realisation of Investments of Banks in-Liquidation

The amount realised from investments of 59 banks in-liquidation during the second quarter of 2024 was N10.23 million, compared with N4.78 million realised during the first quarter of 2024. The sum comprised N2.39 million, N2.01 million, and N5.83 million for 32 DMBs, 25 PMBs, and two MFBs in-liquidation, respectively. Table 5.2 presents the summary of quarterly recoveries against the target for the year.

The cumulative sum realised from investments of banks in-liquidation stood at ₦6,006.01 million at end-June 2024. This figure comprised realisations of ₦5,805.34 million, ₦74.90 million, and ₦125.77 million from the sale of investments of DMBs, PMBs, and MFBs, respectively.

Table 5.2: Year to date Actual Recoveries/Realisations by Asset Category'(₦' Million) at the end of the Second Quarter 2024

S/N	ASSET TYPE	RECOVERY '(₦'mn)
1	Risk Assets	439.66
2	Physical Assets	43.78
3	Investments	15.01
	TOTAL	**498.45**

Source: NDIC

5.4 Bank Supervision

5.4.1 Risk Based Examination (RBS) - On-Site Examination of DMBs

In the second quarter of 2024, the CBN/NDIC conducted risk-based supervision (RBS) of non-interest banking window of the SunTrust Bank and maiden examination of Alternative Bank (Sterling Bank), and the reports writing/vetting exercise of these banks were concluded during the period under review.

Furthermore, as at June 30, 2024, the NDIC monitored 40 examined banks. The monitoring exercise aims to assess the extent of the banks' implementation of previous examiners' recommendations.

5.4.2 On-Site Examination of MFBs and PMBs

The CBN allocated 160 banks (150 MFBs and 10 PMBs) to the NDIC for the 2024 on-site RBS Examination cycle, representing 50.94 per cent increase, compared with 106 banks (100 MFBs and 6 PMBs) allocated in 2023.

During the period under review, the Corporation conducted RBS examination of 150 MFBs. Accordingly, the examination reports of 69 MFBs were issued to the banks and CBN, and the report writing exercise for the 81 MFBs is on-going, while the examination of 10 PMBs will be conducted within the third quarter of the year

5.4.3 Investigations/Consumer Protection

At the end of the second quarter of 2024, 195 customer complaints from various banks were received by the NDIC, in addition to 84 brought forward from the fourth quarter of 2023, bringing the total to 279. These complaints involve the sum of ₦493.28 million and US$225,807.92 deducted from customers' accounts. Of the 279 complaints, 223 (79.93 per cent), were fully resolved, and 48 (17.20 per cent) were still being investigated. In contrast, 8 (2.87 per cent) were stepped down because account details and disputed amounts were not provided. In addition, out of the 223 investigations concluded, the NDIC successfully ensured the affected banks refunded the sum of ₦11.87 million and recommended a further refund of ₦14.22 million to the complainants. However, the amount borne by the complainants due to their negligence was ₦18.10 million during the quarter under review, representing a 62.56 per cent decrease compared with ₦48.34 million recorded in the quarter ended March 2024.

In the PMB-MFB sub-sector, the NDIC received 14 customer complaints from various banks during the second quarter ended June 30, 2024, in addition to 18 complaints received in the first quarter. When added to the 13 brought forward from the fourth quarter of 2023, the total complaints totaled 45.

5.4.4 Premium Assessment, Collection and Deposit Verification on Insured banks

During the quarter under review, the NDIC collected an additional premium of ₦115.54 million from 77 MFBs and one PMB, bringing the total premium collected in the first six months of 2024 to ₦2.31 billion from 313 banks comprising 310 MFBs and three PMBs. The premium collected in the first six months of 2024 represented 177.69 per cent of the ₦1.3 billion target collection of 2024 for the PMB-MFB sub-sector. Notably, the increase in premium collection was due to the premium payment of ₦1.4 billion by Moniepoint MFB.

5.4.5 Fit and Proper Persons Enquiries

At end-June 2024, the NDIC received and treated 86 requests (involving 349 individuals) from the other financial sector regulators (CBN, National Insurance Commission, National Pension Commission) to conduct due diligence on prospective appointees in the financial sector

5.5 Legal Activities

The major legal activities of the Corporation for the quarter ended June 30, 2024 were as follows:

i. The NDIC monitored 84 debt recoveries “f "₦100 million and above", 71 debt recoveries of "below ₦100 million", 46 corporate cases, 27 High Profile Defensive Litigations, six defensive cases involving MFBs & PMBs, 70 winding-up petition cases of MFBs & PMBs closed in 2023, 14 Criminal cases, and 16 cases handled by in-house counsel.
ii. The Corporation obtained an additional 50 winding-up orders from the Federal High Court regarding MFBs and PMBs whose licenses were revoked by the Central Bank of Nigeria (CBN) in 2023. This brings the total number of winding-up orders obtained for these banks to 120.
iii. The NDIC further monitored 15 criminal cases pending at the various national courts involving fraud, granting unauthorised and unsecured credit facilities, conspiracy, non-disclosure of interest and stealing funds belonging to DMBs in-liquidation.

5.6 Enterprise Risk Assessment

In the second quarter of 2024, the Enterprise Risk Management activities of the NDIC included:

i. Reviewed the Enterprise Risk Management Framework, Incident Log, and the improvement register.
ii. Conducted internal audit of the Business Continuity Management System (BCMS).

iii. Also, conducted a facility test, IT application test, Business Impact Assessement (BIA), and risk assessment on the NDIC Academy (Alternate site) to assess the Corporation's resilience. The significant risks identified during these exercises were profiled, and appropriate controls were reinforced.

5.7 Achievements/Challenges

5.7.1 Achievements

The following are some of the notable achievements of the NDIC during the quarter ended June 30, 2024:

i. The NDIC received the ‘2024 Africa Regulatory Technology’ award on Regulatory Standards & Compliance from RegTech Africa.
ii. The Corporation also received the “Most Attended Government Organisation” merit award at the 35th Enugu International Trade Fair.
iii. The Corporation reviewed the maximum deposit insurance coverage for all categories of banks’ depositors in the country, from ₦500,000.00 to ₦5,000,000.00 for DMBs and MMOs, ₦500,000.00 to ₦2,000,000.00 for PSBs, as well as from ₦200,000.00 to ₦2,000.000.00 for PMBs, and MFBs consistent with international best practices.
iv. The NDIC paid the maximum deposit insurance coverage of ₦5,000,000.00 to verified defunct Heritage Bank Plc depositors whose operating licence was revoked by the CBN) on Monday 3 June 2024.
v. The Corporation was able to commence payment of insured deposits to depositors of the defunct Heritage Bank Plc within a record time of four (4) days.
vi. The Corporation obtained a total of 3 judgments in various courts of the federation, two of which were in its favour, while one was against the Corporation.
vii. The NDIC paid ₦8.25 billion to 119,984 insured depositors of Heritage Bank in-liquidation and ₦474.32 million to uninsured depositors of 50 DMBs in-liquidation. The NDIC also paid ₦20.33 million to 304 insured depositors, while ₦19.02 million was paid to uninsured depositors of one MFB in-liquidation. In addition, the Corporation paid ₦3.60 million to uninsured depositors of 55 PMBs in-liquidation during the review period.
viii. The sum of ₦125.22 million was recovered from debtors of 13 DMBs in-liquidation during the second quarter of 2024. Similarly, the sum of ₦10.73 million, and ₦9.07 million were recovered from debtors of 4 PMBs and 12 MFBs in-liquidation, respectively. Consequently, the total recovery from the risk assets of banks in-liquidation for the period was ₦145.02 million.

5.7.2 Challenges

ii. Regardless of the achievements mentioned above, the NDIC is still confronted with the following challenges:
iii. Difficulty in debt recovery.
iv. Difficulty in execution of judgments.
v. Protracted legal processes.
vi. Non-availability of title documents.

vii. Poor documentation by failed banks and inadequate information on borrowers

5.8 Conclusion

Through its various activities, the Corporation has consistently pursued the achievement of its public policy objectives of depositors' protection, enhancing public confidence, and promoting financial system stability.

Impact of Monetary Policy on Financial Openness in Nigeria

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Abstract

This study examines the impact of monetary policy on financial openness as well as direction of causality between monetary policy and financial openness in Nigeria covering the period 1980 to 2019. The econometric techniques of analysis that the study used were Autoregressive Distributed Lag (ARDL) bounds test and Granger causality to address objectives of the study. The results reveal that monetary policy had short run and long run positive and significant effect on financial openness in Nigeria. The result of the ARDL bounds test shows that monetary policy and financial openness had long run relationship, and short run deviation from long run equilibrium in the relationship between monetary policy and financial openness is corrected annually at an adjustment speed of 84 per cent. The result of Granger causality shows that there exists uni-directional causality between monetary policy and financial openness in Nigeria, that is, direction of causality runs from monetary policy to financial openness in the economy. The study concludes that monetary policy plays a pivotal role in the determination and attraction of foreign capital flows within and outside the economy. The empirical findings recommend that monetary authority should ensure efficiency of monetary policy in deriving the benefits of financial openness and protect the economy against the adverse effects of financial openness.

Keywords: Monetary policy; financial openness; causality; Nigeria
Jel Classification: E52; F36; C59; 055

1.0 Introduction

The part that capital flows play has become more important with the globalization of the financial market. Despite the benefits of capital flows such as enhancing investment activities, it poses significant challenges to an economy with weak macroeconomic stability and thereby hinders policymakers in the country. Financial openness is defined as the opening of a country's financial market to other countries of the world in a broad sense. Financial market openness and financial transactions enable individuals to conduct a variety of financial transactions in their home market while also allowing residents and domestic institutions to transact in international financial markets.

Nigeria has benefited immensely from capital flows due to different incentives and policy actions that were taken to attract these inflows. The surge of capital flows in developing countries such as Nigeria weaken the strength of central banks to affect national liquidity, such as domestic money supply, and consequently a country's economic performance. Nonetheless, Nigeria's share of global capital flows is insignificant compared to 2005 net private capital flows worth US$ 491.0 billion for developing countries (WDI, 2006). Foreign capital flows, on the other hand, are influenced by the prevailing monetary factors. This position is supported by Kouri and Porter (1974) that monetary policy is an important source of capital flows.

Over the years there have been one main reason that complicate empirical research on financial openness which has always produced mixed results is the proxies of financial openness which are *de jure* and *de facto*. In the literature, these measurements were used as a proxy for financial openness. Majority of scholars (such as Kose, Prasad, Rogoff & Wei, 2006; Orji, Anthony-Orji & Ogbuabor, 2016; Arimurti & Morley, 2020; Nwokoye & Oniore, 2017, Nihat, Mustafa & Bayram, 2005) argued that de facto is the best measurement of financial openness. Hence, this study used de facto as a measurement of financial openness.

Empirically, de Mendonca and Nascimento (2020) examine the influence of financial openness and economic globalization on monetary policy inefficiency and macroeconomic instability and find that financial openness and economic globalization are key to enhance monetary policy efficiency and macroeconomic stability. Guru and Yadav (2021) show that financial openness significantly enhances productivity and capital accumulation in developing countries but only boosts productivity in less developed countries. Egbetunde and Abayomi (2020) concludes that deepening of the financial sector attracts more FDI inflow to the Nigerian economy and thereby promoting sustainable development.

Fasanya and Olayemi (2020) show that financial openness largely erodes the growth-promoting role of financial development and argue that financial system's performance needs to be stabilized in Nigeria. Arimurti and Morley (2020) show that capital inflows and outflows are key determinant of nominal interest rates in an economy. BIS (2021) posits that a change in the exchange rate typically helps reduce current account imbalances and stabilize output.

The nexus between monetary policy and financial openness has not extensively addressed in the literature, particularly in Nigeria. Therefore, this study examines the effect of monetary policy on financial openness in Nigeria as well as direction of causality between monetary policy and financial openness for effective policy making in the country.

Following the introductory section, the rest of the paper is structured as follows: section two focused on the review of literature, section three described the data and empirical method, the empirical results were reported in section four while section five concluded the paper.

2.0 Literature Review

Financial openness refers to the free cross-boundary of capital flows resulting from less capital restrictions imposed by government and more free market role in capital market. Bennett (2005) views financial openness as a group of operational reforms and policy agenda aimed to deregulate and transform a country's financial mechanism with the view to achieving a liberalized market-oriented system within an appropriate regulatory framework. In operational terms, this study adopts financial openness as the extent to which Nigeria's financial markets are integrated with global financial systems, measured through *de facto* indicators of capital flows.

Correspondingly, monetary policy is defined by Anyanwu (1993) as the instrument used by monetary authorities to regulate and control the volume, cost, and direction of money and credit in the economy to attain macroeconomic stability. Understanding the interaction between these two variables – financial openness and monetary policy – is key for developing economies such as Nigeria, where liberalization has altered the policy environment.

From a theoretical viewpoint, greater financial openness is argued to strengthen the domestic financial system by enhancing capital allocation efficiency and boosting investment (Levine, 2001). Nevertheless, critics caution that financial openness may not always expand welfare, particularly in the existence of institutional weaknesses, trade distortions, or macroeconomic instability (Bhagwati, 1998; Rodrik, 1998; Rodrik & Subramanian, 2009; Stiglitz, 2000). The Capital Flow Theory, which underpins this study, posits that foreign capital movements are influenced by domestic monetary conditions. Specifically, a contraction in net domestic assets through open market operations raises domestic interest rates, thereby enticing foreign capital (Nwokoye & Oniore, 2017). This theoretical link, first advanced by Kouri and Porter (1974), suggests that monetary policy can serve as an important source of capital flows.

According to Kose et al. (2006), financial openness can be measured through *de jure* and *de facto* indicators. The *de jure* measure focuses on the legal or regulatory removal of capital flow restrictions, while the *de facto* measure captures actual financial integration based on observed cross-border transactions. Orji et al. (2016) examined the impact of both measures on output volatility in Nigeria using a GARCH model and found that neither contributed significantly to volatility. In contrast, Guru and Yadav (2021) reported that *de jure* openness significantly affects capital stock, output, and productivity, whereas *de facto* openness shows mixed effects.

Several empirical studies have discovered the interaction between financial openness and monetary policy. Karras (2001) found a negative relationship between financial openness and the effectiveness of monetary policy on output growth but a positive relationship with inflation across different country groups. Equally, Berument et al. (2007), using quarterly data from 1957–2003 for 29 countries, detected that the effect of financial openness on policy outcomes varies by country characteristics such as exchange rate regime, central bank independence, exposure to crises, and capital control policies. In Africa, Ekpo and Effiong (2017) examined 37 countries from 1990–2015 and found a strong link between financial openness and monetary policy effectiveness, showing that greater openness tends to lower inflation by improving money supply discipline.

Other scholars have studied the effect of monetary conditions on capital flows. Bacchetta et al. (2013) observed that favourable monetary policy enhances the stabilizing role of capital flows, while contractionary policy weakens economic resilience. Nwokoye and Oniore (2017) established, using the ARDL framework, that both short-run and long-run variations in capital inflows are significantly driven by monetary policy instruments. Clark, Converse, Coulibaly, and Kamin (2020) further noted that capital flows to emerging economies were sensitive to shifts in U.S. monetary policy, particularly during the post-2008 period. Similarly, Dua and Sen (2006) found a long-run relationship among capital flows, exchange rates, fiscal and monetary policy indicators, and current account balances in India, suggesting that policy dynamics influence external financial integration.

The institutional dimension of financial openness has also drawn attention. Okada (2013) found that while the direct relationship between financial openness and capital flows was statistically weak across 112 countries, the interaction with institutional quality was significant, implying that governance intermediates the effectiveness of openness. Likewise, Santana *et al.* (2013) investigated the effect of financial openness on capital flows in a sample of 51 countries (developed and developing) during the period of 1970-2010 using OLS techniques and found that financial openness enhanced the flow of total capital, FDI and other form of capital in both developed and developing countries.

Recent studies further highlight the macroeconomic implications of capital mobility. Safwat, Salah and El Sherif (2021) revealed that foreign debt can either support or hamper growth in Egypt depending on how borrowed funds are utilized. Brkić (2021) also detected that external borrowing relieves domestic financing constraints, thereby supporting investment. In related contexts, Tiberto and de Mendonça (2023) noted increasing FDI inflows to developing economies, while Oanh, Van, and Dinh (2023) found that financial stability positively influences money supply and inclusion in advanced economies but has weaker effects in developing ones. Similarly, Bencharles and Kokumo-Oyakhire (2022) showed that while financial openness and portfolio investment drive growth in developed countries, their effects are insignificant in developing countries. Bila et al. (2023) further showed that economic prosperity strengthens cross-border aid flows in Africa, illustrating the interconnectedness of openness, growth, and regional interdependence.

In view of the above assertions, most of the studies are not strictly focused on the nexus between monetary policy and financial openness, particularly Nigeria. Hence, this study.

3.0 Methodology

The study examines the effect of monetary policy on financial openness in Nigeria. This study rests on the framework of the Capital Flow Model (see Nwokoye and Oniore, 2017). In this framework, financial openness is a function of monetary policy instruments. Thus, we have the model below

$$FOP = f(MP) \quad (1)$$

Where FOP = financial openness indicators; MP = monetary policy instruments

This study used two *de facto* financial openness indicators, namely: net foreign asset (NFA) and capital flow (CF). The monetary policy instruments used are money supply (MS), exchange rate (EXR) and interest rate (INR). Therefore, the instruments of monetary policy are stated below

$$MP = f(MS, EXR, INR) \quad (2)$$

Substituting the monetary policy instruments into Model 1 yields the following explicit model

$$FOP_t = \alpha_0 + \alpha_1 MS_t + \alpha_2 EXR_t + \alpha_3 INR_t + \varepsilon_t \quad (3)$$

Where α_0 = intercept term and ε_t = error term

In the literature, inflation rate is also among the determinant of financial openness and it is incorporated into Equation (3), yielding the re-specified model:

$$FOP_t = \alpha_0 + \alpha_1 MS_t + \alpha_2 EXR_t + \alpha_3 INR_t + \alpha_4 INF_t + \varepsilon_t \quad (4)$$

Where INF = inflation rate

The indicators of financial openness used in this paper are estimated in different model.

The study used secondary data and covered a period of 1980 to 2019. The data for the variables were sourced from the Central Bank of Nigeria Statistical Bulletin (CBN), 2020 and World Development Indicators (WDI) 2020. Specifically, broad money supply sourced from CBN statistical bulletin (2020) and other variables sourced from WDI (2020).

The econometric techniques of analysis that the study used to capture objective of the study is Autoregressive Distributed Lag (ARDL). The study conducts robustness checks by determining the direction of causality using Granger causality test. The ARDL model that capture objective of the study is specified below

$$\Delta FOP_t = \beta_0 + \sum_{i=0}^{n} \beta_1 \Delta FOP_{t-1} + \sum_{i=0}^{n} \beta_2 \Delta MS_{t-1} + \sum_{i=0}^{n} \beta_3 \Delta EXR_{t-1} + \sum_{i=0}^{n} \beta_4 \Delta INR_{t-1} + \sum_{i=0}^{n} \beta_5 \Delta INF_{t-1}$$
$$+ \delta_1 MS_{t-1} + \delta_2 EXR_{t-1} + \delta_3 INR_{t-1} + \delta_4 INF_{t-1} + \lambda ECM_{t-1} + \varepsilon_t \quad (5)$$

Where ECM = error correction term representing the speed of adjustment toward long-run equilibrium

While the Granger causality model is stated as follow

$$FOP_t = \sum_{i=1}^{k} \alpha_i FOP_{t-i} + \sum_{i=1}^{k} \beta_i MP_{t-i} + \upsilon_t \qquad (6)$$

$$MP_t = \sum_{i=1}^{k} \lambda_i MP_{t-i} + \sum_{i=1}^{k} \delta_i FOP_{t-i} + \upsilon_t \qquad (7)$$

Where rejection of the null hypothesis that $\beta_i = 0$ (or $\delta_i = 0$) implies the existence of Granger causality in the respective direction.

Prior to estimation, the study performs unit root tests for all variables to determine their order of integration. If the series are integrated at order one – I(1), the equation is modeled at first difference to achieve stationarity, as expressed below:

$$\Delta y_t = \rho y_{t-1} + \varepsilon_t \qquad (8)$$

A time series is stationary if it does not change overtime, which implies that its values have constant variability. This enables us to avoid the problems of spurious regressions that are associated with non-stationary time series models.

4.0 Results and Discussion

The unit root test was conducted for all the variables in the study and the results are presented in Table 1 below.

Table 1: Unit Root Test

Variables					
	ADF UNIT ROOT TEST				**ORDER OF INTEGRATION**
	Level		**First Difference**		
	t-stat	**Critical Values**	**t-stat**	**Critical Values**	
CF	-4.731583	-2.938987**	-6.114488	-2.945842	I(0)
NFA	-0.378607	-2.943427	-4.619139	-2.948404**	I(1)
INR	-4.569301	-2.938987**	-12.68686	-2.9411445	I(0)
INF	-3.003137	-2.938987**	-5.834835	-2.941145	I(0)
EXR	-1.918866	-2.938987	-4.299008	-2.941145**	I(1)
MS	-1.072075	-2.943427	-5.643062	2.945842**	I(1)

Note: CF = capital flow; NFA = net foreign asset

The results reveal that money supply, exchange rate and net foreign asset are stationary at first difference because at first difference t-statistic was greater than the MacKinnon critical value at 5 per cent significance level but at level the t-statistic was less than the MacKinnon Critical Values at 5 per cent significance level. The other variables such as capital flow, interest rate and inflation were stationary at level. The results of the unit root tests indicate that there is mixture of stationarity i.e. I(0) and I(1). With the results of the unit root, we used ARDL in order to capture dynamic relationship among the variables. Firstly, we examine the ARDL bound test approach to cointegration proposed by Pesaran et al. (2001) and the calculated F-statistic is compared to the tabulated critical value in Pesaran (2001). The result of the bound test is presented in Table 2 below:

Table 2: ADRL Bounds Test

	F-statistic	Optimal lag	Significant level	I(0) bound at (per cent)	I(1) bound at (per cent)
Model 1 (CF)	5.452995	3	5 per cent	2.56	3.49
Model 2 (NFA)	3.912185	2	5 per cent	2.56	3.49

For both models, the F-statistics exceed the upper bound critical value at 5 per cent and this implies that the null hypothesis of the test is rejected. Therefore, the study concluded that the variables are cointegrated, that is, there is long run relationship between monetary policy and financial openness. Thereafter, the study examines the long run and short run relationship between financial openness and monetary policy in Nigeria. Table 3 below shows the results of the long run and short run relationship.

Table 3: The Estimates for the ARDL Model

Model 1 (CF)			Model 2 (NFA)		
Variable	Coefficient	t-stat	Variable	Coefficient	t-stat
D(CF(-1))	-0.769076**	-3.968822	D(NFA(-1))	0.230096	1.177597
D(MS)	0.630766***	2.892078	D(EXR)	-0.001078**	-2.099918
D(INF(-1))	0.132411***	5.189324	D(INR(-1))	0.003830	1.270236
D(EXR)	-0.009332*	-1.855506	D(INF)	-0.007909**	-2.282020
D(INR(-1))	0.071434	1.481446	NFA(-1)	1.065325***	14.44806
CF(-1)	-0.008713	-0.057265	EXR(-2)	0.001312*	1.926795
EXR(-3)	-0.012428**	-2.321894	INF(-1)	0.018115***	4.194052
INR(-1)	0.114012**	2.625342	INF(-2)	-0.007479**	-2.415632
INF(-1)	0.126695***	3.853339	MS(-1)	-0.093386***	-2.875263
MS	0.474294**	2.433077	EXR(-2)	0.001312*	1.926795
ECM(-1)	-0.842086***	-6.395112	ECM(-1)	-0.948817***	-5.390913
Adjusted R-squared		0.781063	Adjusted R-squared		0.679594
Durbin-Watson stat		2.33329	Durbin-Watson stat		2.102444

****,**, * indicate significance level at 1 per cent, 5 per cent and 10 per cent respectively.*

The ARDL estimates show that monetary policy significantly affects financial openness in Nigeria, but the direction and magnitude differ depending on the proxy used.

In Model 1 (capital flow), money supply has a positive and significant effect both in the short and long run. This suggests that an expansionary monetary policy – through increased liquidity – stimulates economic activity and attracts foreign capital inflows. Conversely, in Model 2 (net foreign assets), money supply exerts a negative long-run effect, implying that expansionary monetary conditions may encourage capital outflows or reduce external asset holdings by residents. This contrast highlights the dual effect of liquidity expansion: while it promotes short-term inflows, it may weaken the long-term accumulation of foreign assets.

Interest rate exerts a positive and significant effect on financial openness in Model 1 but is insignificant in Model 2. This indicates that higher domestic interest rates attract short-term capital inflows seeking returns, but they do not significantly influence Nigeria's long-term external asset position.

Exchange rate movements have negative short-run effects on capital flows (Model 1) but positive long-run effects on net foreign assets (Model 2). This suggests that short-term currency depreciation discourages inflows due to volatility, while in the long run, an improved exchange rate may strengthen Nigeria's external investment position.

Inflation rate shows a positive and significant short-run effect on capital flows, implying that inflationary expansion may initially increase nominal asset returns and stimulate temporary inflows. However, the negative short-run effect in Model 2 reveals that sustained inflation can erode the real value of foreign asset holdings.

Collectively, these results indicate that financial openness responds differently to monetary policy channels depending on the dimension captured – either through inflows (capital flow) or asset holdings (net foreign assets). The contrasting signs emphasize the need for balanced monetary management to attract stable capital while maintaining sustainable external positions.

The negative and significant ECM coefficients (-0.842 and -0.949) confirm a high speed of adjustment - 84% and 95% respectively – towards long-run equilibrium after short-run shocks. This reinforces the evidence of cointegration and suggests a strong self-correcting mechanism in the financial openness–monetary policy relationship.

The ECM results corroborate the results of the ARDL bound test. The ECM coefficient is negative and significant, indicating that there exists a long run relationship between monetary policy and financial openness in Nigeria. The value of -0.843 and -0.948 for the error correction coefficient show that the speed of adjustment for any past variation in the equilibrium is approximately 84.3 per cent and 94.8 per cent in model 1 and 2 respectively. By implication, shock that distort long run relationship between monetary policy and financial openness will be restored back to equilibrium at the speed of 84.3 per cent and 94.8 per cent if and only if stable macroeconomic policy is put in place. This suggests that the monetary authority should stimulate efficient monetary policies and stable macroeconomic policies in order to protect the economy from adverse effect of financial openness.

The stability tests of the models were conducted using cumulative sum of square (CUSUMSQ) plots. The results indicate that the ARDL estimation models are stable because the plot lines fall within 5 per cent significance level.

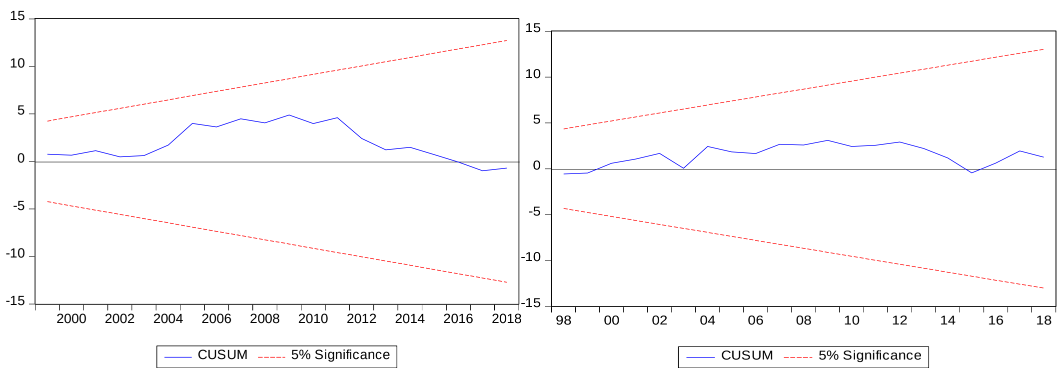

Figure 1: Stability test

The study also conducted serial correlation, heteroscedasticity, and Ramsey reset test; and the results for the tests are presented in Table 4 below

Table 4: Diagnostic Test Results

TEST	**Model 1**		**Model 2**	
	RESULT	**PROB.**	**RESULT**	**PROB.**
Serial Correlation	0.401	0.753	0.752	0.484
Heteroscedasticity	0.751	0.710	1.418	0.239
Ramsey Reset Test	4.146	0.055	0.377	0.546

From Table 4 above, the tests affirm that the estimated model is free of serial correlation, heteroscedasticity and the model is well specified.

The study also examined the direction of causality between monetary policy and financial openness in Nigeria. The VEC Granger causality / block exogeneity wald tests were conducted to determine the direction of causality and the result is presented in Table 5 below.

Table 5: Granger Causality Test

Direction of Causality: MP → FOP		Direction of Causality: FOP → MP	
F-stat	Prob.	F-stat	Prob.
2.65388 *	0.0696	1.54906	0.2256

** indicates 10 per cent significance level; MP = monetary policy and FOP = financial openness*

The Granger causality test reveals a unidirectional causality from monetary policy to financial openness, suggesting that monetary policy drives movements in financial openness rather than the reverse. This aligns with the theoretical proposition that effective monetary policy frameworks foster integration with global financial markets.

5.0 Conclusion

The study investigates the impact of monetary policy on financial openness for the periods 1980 to 2019, using ARDL and Granger causality techniques. The results show that monetary policy instruments – particularly money supply, interest rate and exchange rate – significantly influence financial openness in Nigeria. Moreover, the causality test indicates a unidirectional relationship running from monetary policy to financial openness, underscoring the pivotal role of monetary policy in driving external financial integration. The findings carry several policy implications that are vital to the design of Nigeria's macroeconomic and financial sector policies. First, the positive and significant effect of money supply on financial openness suggests that liquidity expansion facilitates cross-border financial transactions and enhances investor confidence. However, in the Nigerian context – where inflationary pressures and fiscal dominance are recurrent – expansionary monetary policies must be implemented with caution. The Central Bank of Nigeria (CBN) should therefore balance liquidity growth with inflation control by strengthening monetary transmission mechanisms and coordinating fiscal policies. This would help ensure that increased money supply translates into productive investment rather than speculative capital inflows that could destabilize the financial system. Second, the study's finding that interest rate exerts a positive and significant effect on financial openness implies that higher interest rates attract short-term capital inflows. While this may temporarily boost foreign reserves, persistent reliance on high interest rates could crowd out domestic investment and raise the cost of borrowing for local businesses. The monetary authority should thus pursue an interest rate policy that maintains Nigeria's attractiveness to foreign investors while sustaining domestic productive capacity. This calls for targeted credit interventions in productive sectors – such as manufacturing and agriculture – to offset potential adverse effects of tight monetary conditions. Third, the result showing that exchange rate movements significantly influence financial openness highlights the importance of exchange rate stability in managing capital flows. A competitive exchange rate can promote exports and attract foreign investment; however, persistent depreciation without corresponding growth in domestic output may worsen external imbalances. Hence, policies that enhance local production, diversify exports, and reduce dependence on imported goods are essential to ensure that exchange rate adjustments yield sustainable benefits from financial openness. Lastly, the unidirectional causality from monetary policy to financial openness reinforces the need for credible and transparent monetary management. Stable macroeconomic conditions – characterized by low inflation rate, predictable exchange rate movements, and efficient liquidity management – are prerequisites for sustained capital inflows and long-term financial integration. The CBN should therefore strengthen policy credibility through consistent communication, data transparency, and effective coordination with fiscal authorities. In summary, monetary policy in Nigeria must not only aim at attracting foreign capital but also ensure that such inflows are stable, productive, and growth-enhancing. A coherent mix of liquidity management, interest rate alignment, and exchange rate stabilization – anchored on improved domestic production capacity – will enable Nigeria to harness the benefits of financial openness while mitigating its potential risks.

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