

Review of Macroeconomic Developments in the Second Quarter, 2024

2.0 Macroeconomic Conditions

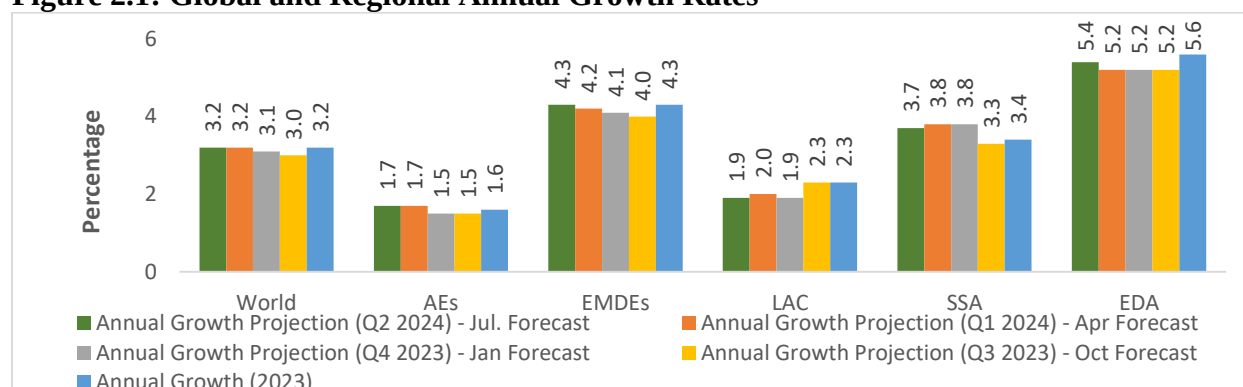
2.1 Global Economic Conditions

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.

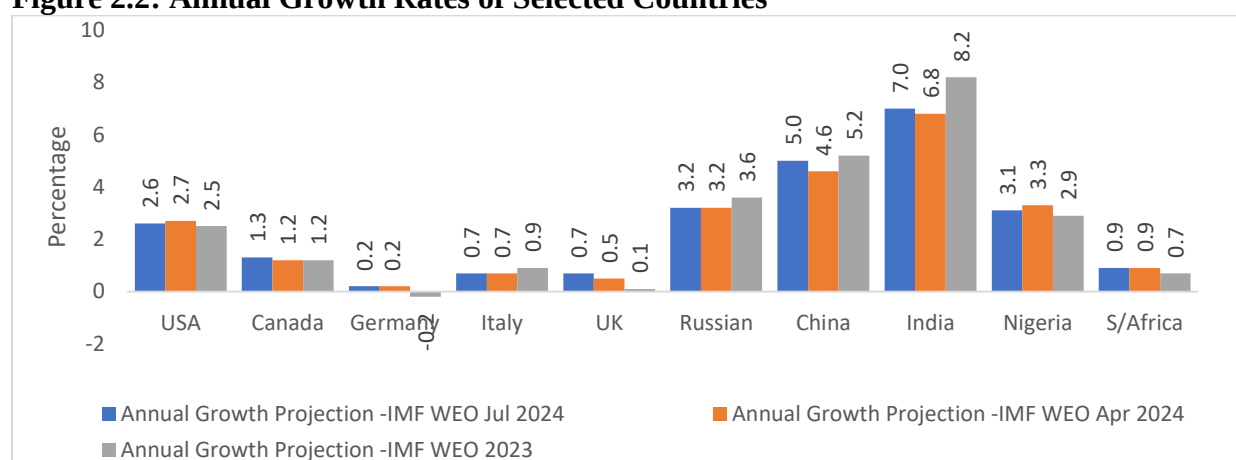
Similarly, EDA's growth rate improved by 0.2 percentage points, achieving an annual growth of 5.4 per cent in the second quarter, compared with 5.2 per cent annual growth recorded in the previous quarter. However, annual growth in Advanced Economies (AE) in the second quarter of 2024 remained unchanged, while that of Latin America and the Caribbean (LAC) and Sub-Saharan 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 2024¹ & July 2024² 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 report²³, 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

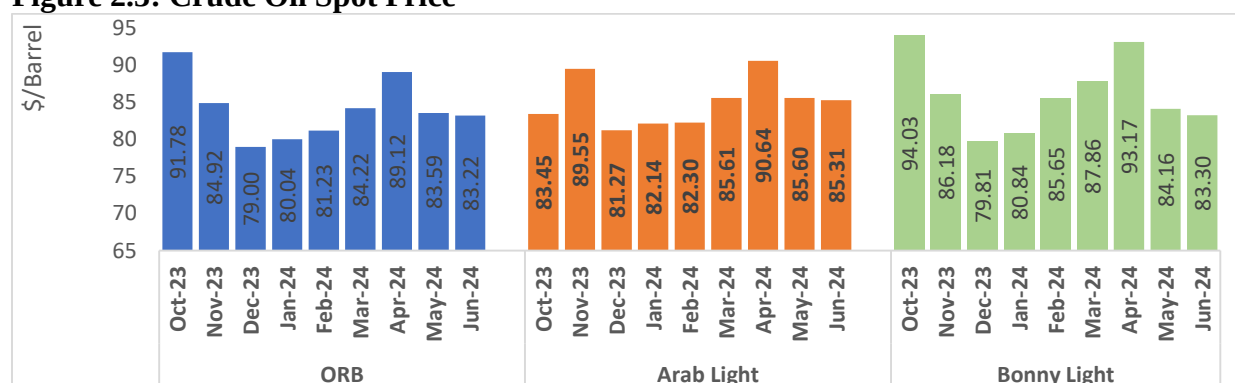
The IMF, in its July 2024 WEO, projected the world trade volume to rise to 3.1 per cent in 2024, from 0.8 per cent in 2023. The projection increased slightly from the 3.0 per cent growth forecasted by the IMF in its April 2024 WEO and short of the 3.3 per cent growth projected by the IMF in its January 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.

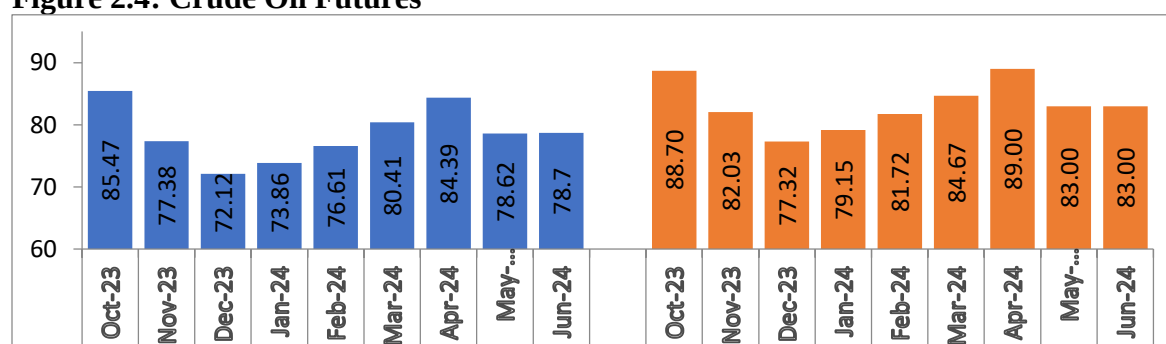
The OPEC monthly reports show that the crude spot prices of OPEC Reference Basket (ORB), Arab Light and Bonny Light increased in April 2024, an upward trend sustained since January 2024, but declined in May and June 2024. As shown in Figure 2.3, the ORB prices increased from \$79.00 per barrel (pb) in 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 Reports²⁴

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 Reports²⁴

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.

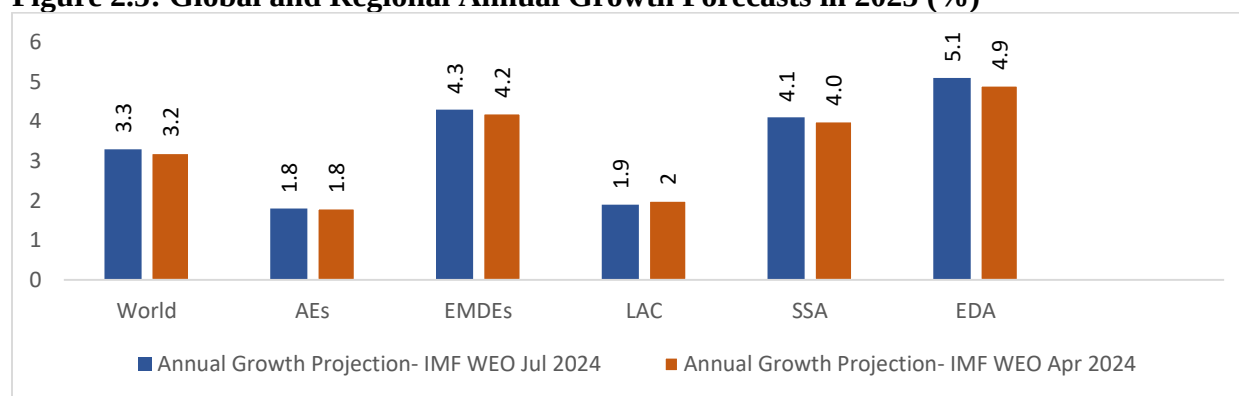
Overall, risks to the outlook remain balanced, as in the IMF April 2024 WEO, but some near-term risks have gained prominence. These include upside risks to inflation that stem from a lack of progress on services disinflation and price pressures emanating from renewed trade or geopolitical tensions. Risks 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.

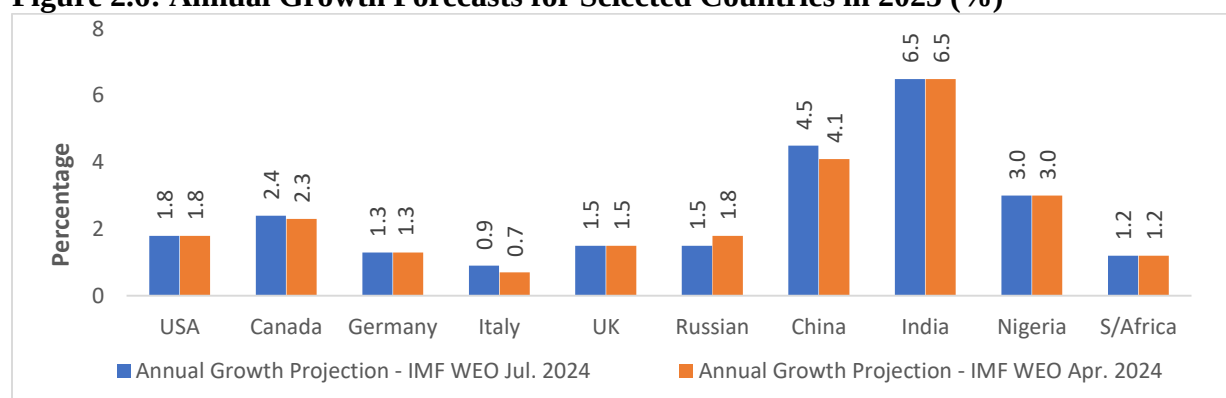
Figure 2.5: Global and Regional Annual Growth Forecasts in 2025 (%)



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 2024¹ & July 2024² 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 2024¹ & July 2024² 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

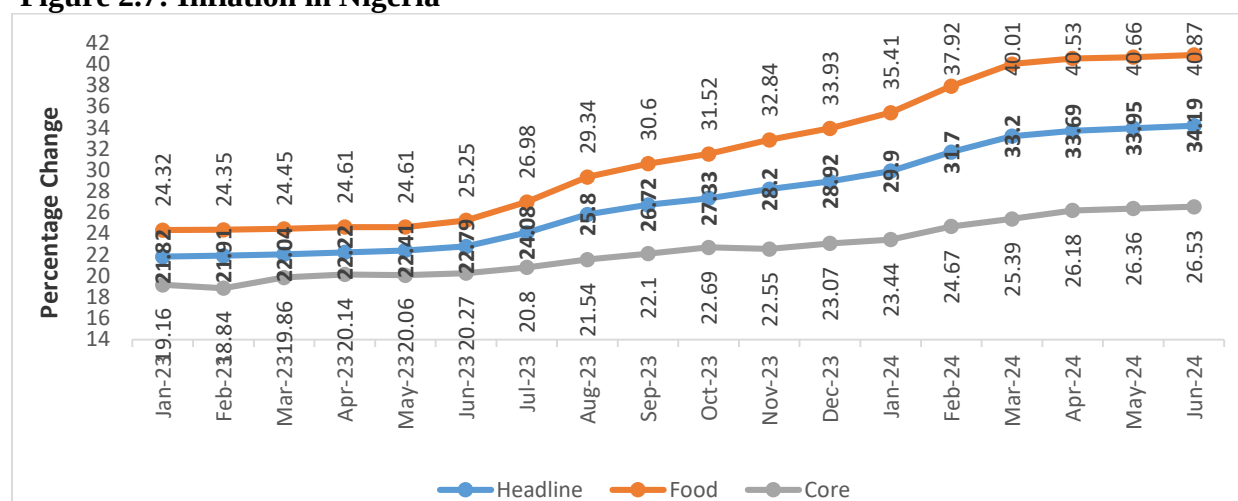
Source: NBS (Q1, 2024) Nigerian Gross Domestic Product Report Q1, 2024²⁵

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 34.19 per cent in June 2024.

Figure 2.7: Inflation in Nigeria



Source: CBN Statistical Database²⁶

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>

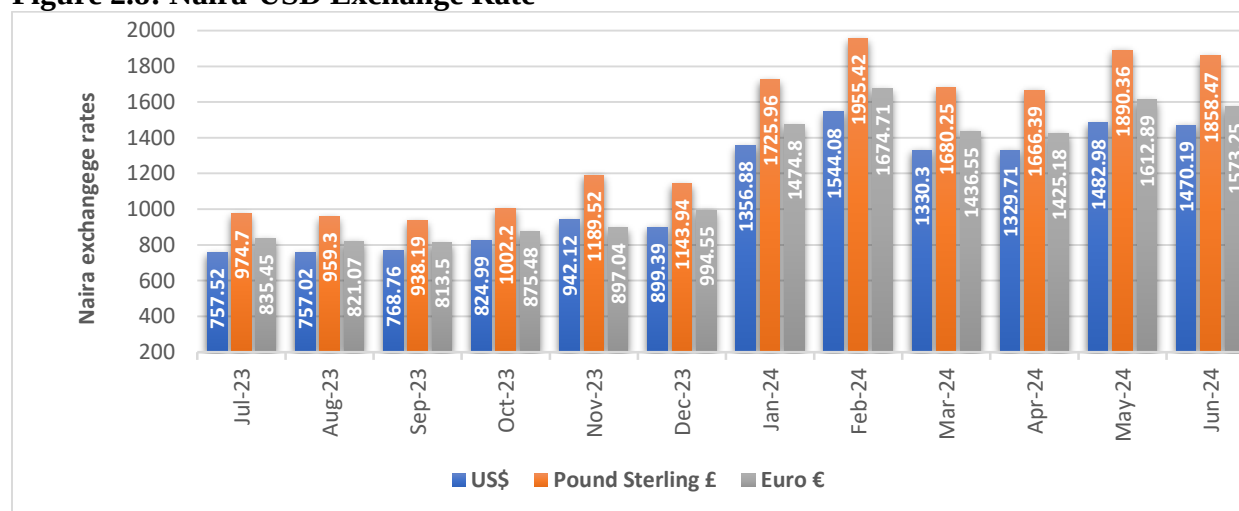
²⁶ <https://www.cbn.gov.ng/rates/inflrates.asp>

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 Database²⁷

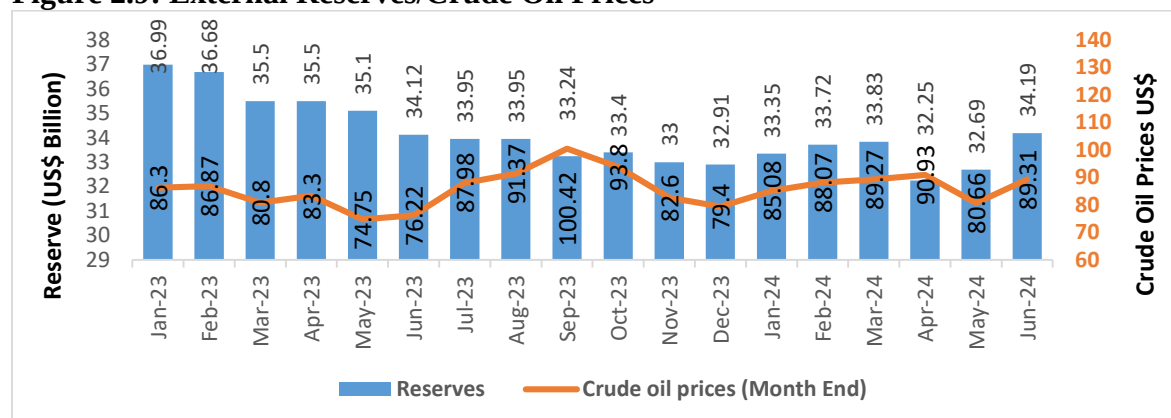
Similarly, the Naira depreciated against both the Pound Sterling and the Euro. The exchange rate increased to ₦1,858.47/£1 and ₦1,573.20/€1 by the end of June 2024, compared to ₦1,680.25/£1 and ₦1,436.55/€1 at the end of March 2024.

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 PricesSource: 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 Office³⁰

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.

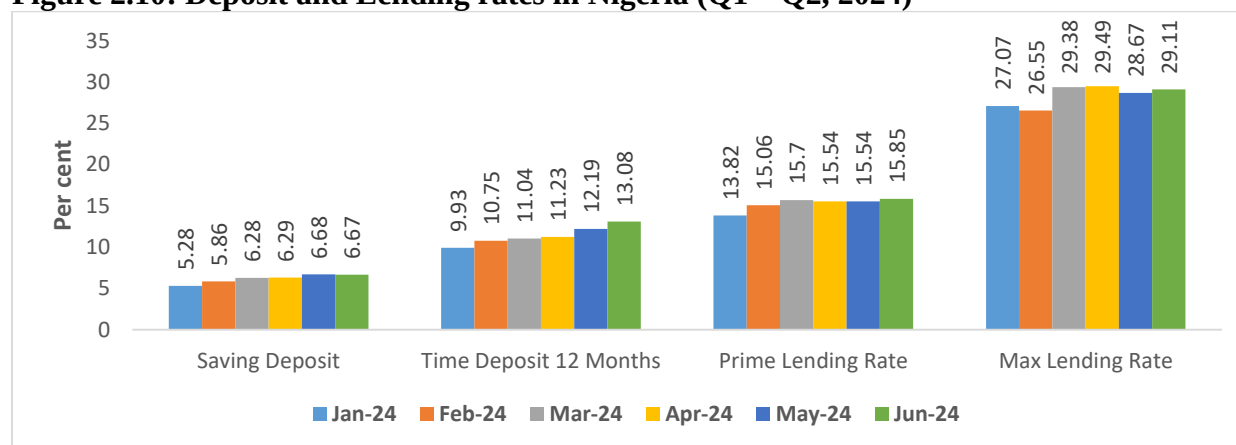
2.6 Financial Sector Developments

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)



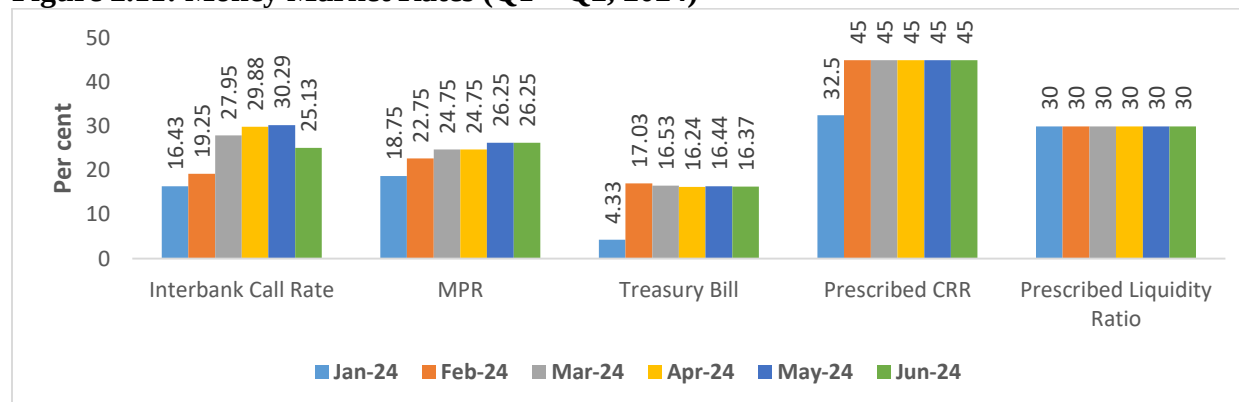
Source: Central Bank of Nigeria³¹

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.

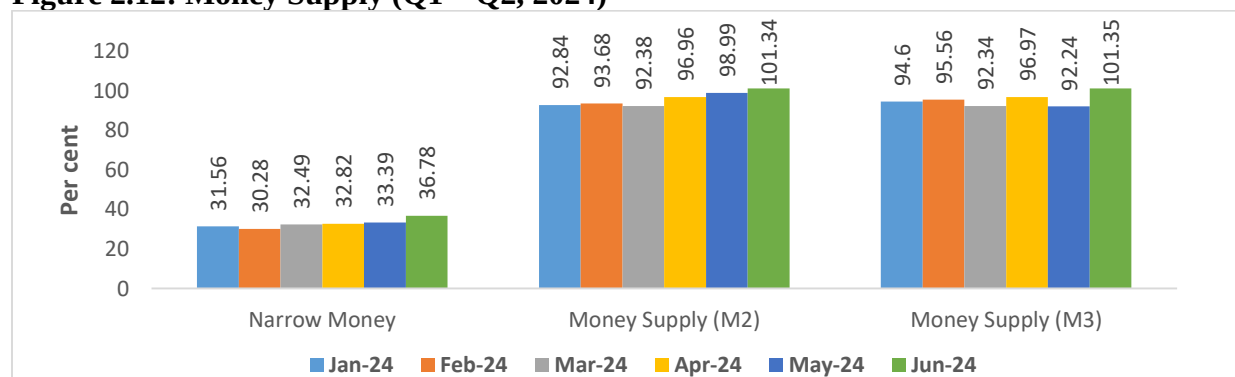
Figure 2.11: Money Market Rates (Q1 – Q2, 2024)



Source: Central Bank of Nigeria³¹

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 Nigeria³²

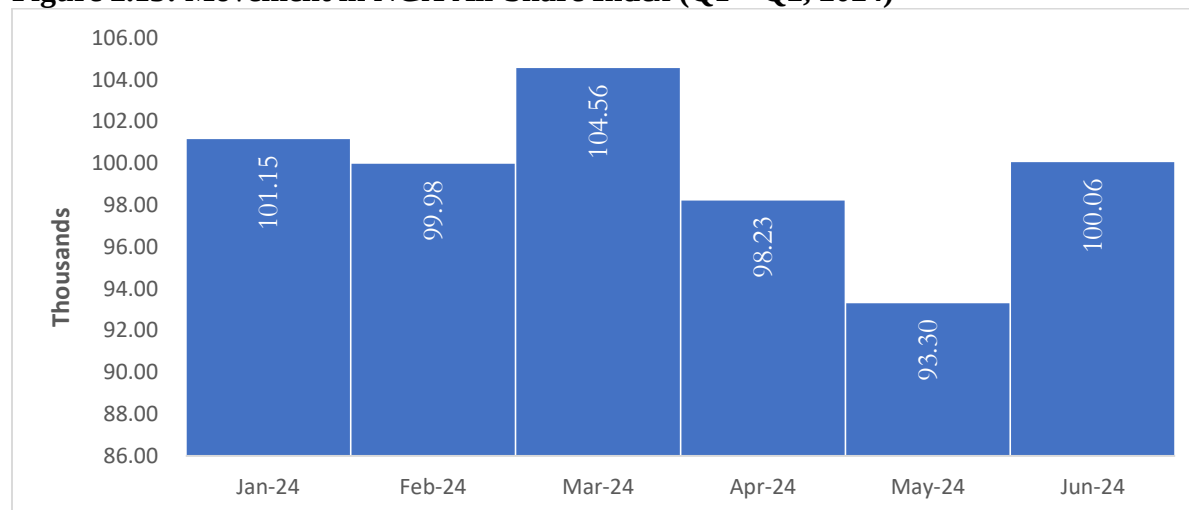
³²<https://www.cbn.gov.ng/rates/mnycrredit.asp>

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 as '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 economy

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.