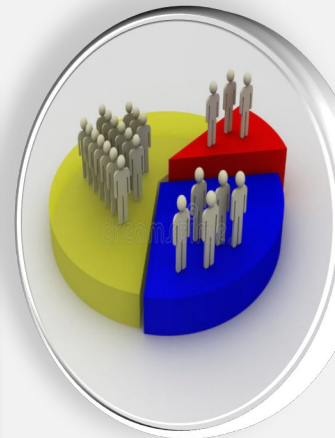


Unchanging Monetary Policy Parameters

The monetary policy committee provided policy parameters at the first meeting for the 2019 fiscal year, held on 21st and 22nd January, 2019¹. As presumed, all parameters were left unchanged at their current levels: MPR at 14 percent, CRR at 22.5 percent, liquidity ratio at 30 percent, and asymmetric corridor of +200/-500 basis points around the MPR. This is the 14th consecutive time the MPC will retain all parameters, and the apex bank is justifying its stance by insisting that the economy has remained on a noteworthy track based on prevailing positive macroeconomic performances². The committee's optimistic outlook is likely hinged on, among other laudable achievements, the acclaimed return of foreign investors' confidence and convergence of the foreign exchange market – the CBN has relentlessly upheld the value of the Naira despite perceptions of election risks on exchange rates. In the coming months, changes in monetary policy parameters will however depend on the macroeconomic performance after the elections as well as the objective to hit the CBN's inflation target of 6 to 9 percent.



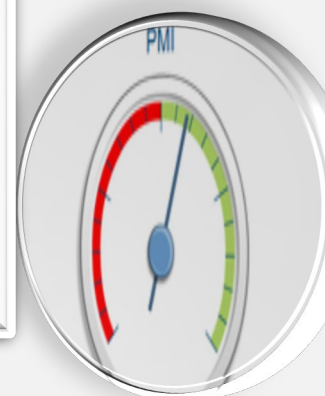
High Illicit Financial Flows

Latest Global Financial Integrity report show that Nigeria ranks among the top countries with the highest incidence of illicit financial flows (funds moved across borders illegally). According to the IMF Direction of Trade Statistics (DOTS), with an inflow of \$5.9 billion and outflow of \$8.3 billion in 2015³, resource-rich Nigeria ranked second place only to South Africa (\$10.2 billion outflow) in terms of dollar value of illicit flows in Africa. The surge in illicit flows elucidates, among others, the complex nature of corrupt practices, tax evasion, and transfers of profits by multinationals in Nigeria. These are particularly corroborated by severe malfunction and breakdown of international borders, and seemingly questionable practices of financial sector operators. Unfortunately, the adverse effects are not limited to foreign reserve drain, reduced tax revenue, stifled trade and investment, and a weakened financial sector. There is need for the Central Bank of Nigeria to ensure greater vigilance to check illegal financial flows through the banking system. Deposit Money Banks and all other financial institutions should be monitored more closely to curb illicit financial flows.



Improved Performance on Corruption Perception Index

Nigeria has moved up four places on the corruption perception index from 148th position in 2017 to 144th out of 180 countries in 2018. The latest index shows that Nigeria had a score of 27/100⁴. The commitment by the government to ensure the return of stolen public funds may have marginally elevated the country's position on the index. Ongoing efforts such as the declaration of national emergency on corruption, development of anti-corruption strategy and improvement of anti-corruption policy framework indicate a moderate level of political will⁵. However, at 27/100 points, the unenviable rating is far from favorable and portrays an extremely snail-paced progress. The underlying setback may be due to the slow judicial process in bringing corrupt offenders to book. Aside addressing grand corruption, the government should also tackle petty corruption where low- and mid-level public officials abuse entrusted power in their dealings with citizens.



ECONOMIC SNAPSHOT		
Quarterly Indicators	'18Q2	'18Q3
GDP Growth Rate (%)	1.5	1.8
Oil GDP (%)	-3.95	-2.90
Non-oil GDP (%)	2.05	2.35
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	261.4	530.60
Portfolio Investment (US \$Millions)	4,119.5	1,723.1
Other Investment (US \$Million)	1,132.8	601.5
External Debt (FGN & States- N'Billion)	6,750.91	6,614.61
Domestic Debt (FGN + States & FCT N'billion)	15,628.76	15,814.19
Manufacturing Capacity utilization (%)	54.6	54.6
Monthly Indicators	Nov'18	Dec'18
Headline Inflation (%)	11.28	11.44
Food Sub-Index (%)	13.30	13.36
Core Sub-Index (%)	9.8	9.8
External Reserves (End Period) (US\$ Million)	42,167.18	
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	57.9	61.1
Non-Manufacturing PMI	58.4	62.3
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	147.50	145.80
Diesel (AGO -N/Litre)	219.54	221.56
Kerosene (HHK -N/Litre)	298.32	290.74
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	10.91	
Savings Deposit (%)	4.07	
Prime Lending (%)	16.64	
Maximum Lending (%)	30.80	
Narrow Money (N'Billion)	10,688.66	
Broad Money (N'Billion)	25,461.74	
Net Domestic Credit (N'Billion)	26,062.99	
Credit to the Government (N'Billion)	2,980.22	
Credit to the Private Sector(N'Billion)	23,082.75	
Currency in Circulation (N'Billion)	2,100.12	
FAAC (N'Billion)	812.76	

*Revised GDP figures/tentative figures
NA: Not Available

¹CBN (2019). “Central Bank Of Nigeria Communiqué No.122of The Monetary Policy Committee Meeting Of Monday 21st And Tuesday 22ndjanuary, 2019”. Retrieved from, <https://www.cbn.gov.ng/Out/2019/MPD/CENTRAL%20BANK%20OF%20NIGERIA%20COMMUNIQUE%20No.%20122%20OF%20THE%20MONETARY%20POLICY%20COMMITTEE%20MEETING%20OF%20MONDAY%2021ST%20AND%20TUESDAY%2022ND%20JANUARY,%202019.pdf>

²This Day (2019). “Emefiele Insists Economy on Track, MPC Retains 14% Interest Rate”. Accessed January 27, 2019. <https://www.thisdaylive.com/index.php/2019/01/23/emefiele-insists-economy-on-track-mpc-retains-14-interest-rate/>

³Global Financial Integrity (2019). “Illicit Financial Flows to and from 148 Developing Countries: 2006-2015”. Retrieved from, <https://www.gfintegrity.org/wp-content/uploads/2019/01/GFI-2019-IFF-Update-Report-1.29.18.pdf>

⁴Transparency International (2019). “Corruption Perception Index 2018”. Retrieved from, <https://www.transparency.org/country/NGA>

⁵This Day (2019). “TI Scores Buhari’s Anti-corruption War Low”. Accessed January 30, 2019. <https://www.thisdaylive.com/index.php/2019/01/30/ti-scores-buharis-anti-corruption-war-low/>