CENTRAL BANK OF NIGERIA

ECONOMIC REPORT
FOURTH QUARTER 2010

The Central Bank of Nigeria Quarterly Economic Report is designed for the dissemination of financial and economic information on the Nigerian economy on current basis. The Report analyses developments in the financial, fiscal, real and external sectors of the economy, as well as international economic issues of interest. The Report is directed at a wide spectrum of readers including economists and financial analysts in government and the private sector, as well as general readers.

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1.0 Summary

Provisional data from the National Bureau of Statistics (NBS) showed that estimated gross domestic product (GDP) grew by 8.3 per cent, compared with 7.7 per cent in the preceding quarter. The development was driven mainly by the non-oil sector which contributed 85.1 per cent of the total GDP.

Broad money (M_2) rose by 2.4 per cent, relative to the preceding quarter. The development was accounted for largely, by the increase in other assets (net) of the banking system. Similarly, narrow money (M_1), rose by 5.3 per cent over the level in the preceding quarter. Relative to end-December 2009, M_1 and M_2 rose by 10.6 and 6.7 per cent, respectively. Also, Reserve money (RM) grew by 34.2 per cent from the level at the end of the preceding quarter, and was below the indicative benchmark for end-Q4 2010 by 23.7 per cent.

Available data indicated a general decline in banks' deposit and lending rates. The spread between the weighted average term deposit and maximum lending rates narrowed from 18.14 percentage points in the preceding quarter to 17.95 percentage points. The margin between the average savings deposit and maximum lending rates also narrowed from 20.77 percentage points in the preceding quarter to 20.36 percentage points. The weighted average interbank call rate which stood at 2.50 per cent in the preceding quarter rose significantly to 9.20 per cent, reflecting the liquidity condition in the interbank funds market.

The value of money market assets outstanding increased by 17.8 per cent above the level in the preceding quarter to ₦4,510.3 billion. The development was attributed to the respective increase in the volume of Nigerian Treasury Bills, Bankers' Acceptances (BAs) and Eligible Development Stocks. Activities on the Nigerian Stock Exchange (NSE) were bullish during the quarter under review.

Total federally-collected revenue in the fourth quarter of 2010 stood at ₦1,942.19 billion, exceeding the proportionate budget estimate and the corresponding quarter of 2009, by 11.0 and 41.6 per cent respectively. However, it was 4.5 per cent below the receipts in the preceding quarter. At ₦1,448.63 billion, oil receipts, which constituted 74.6 per cent of the total, exceeded the proportionate budget estimate and the receipt in the corresponding quarter of 2009, by 18.2 and 54.7 per cent, respectively. However, it was 3.6 per cent, below the receipts in the preceding quarter. The rise in oil receipts relative to the proportionate budget estimate was largely attributed to the sharp increase in domestic crude oil and gas sales.

Non-oil receipts, at ₦493.57 billion (25.4 per cent of the total), was lower than the proportionate budget estimate and the levels in the preceding quarter by 5.8 and 7.1 per cent, respectively, but surpassed the level in the corresponding quarter of 2009 by 13.4 per cent. The shortfall relative to the proportionate budget estimate, reflected largely the decline in the independent revenue of the Federal Government and customs and excise duties.

Federal Government retained revenue for the fourth quarter of 2010 was ₦573.72 billion, while total expenditure was ₦1,636.16 billion. Thus, the fiscal operations of the Federal Government resulted in an estimated deficit of ₦1,062.44 billion or 13.2 per cent of estimated nominal GDP for Q4 2010, compared with the budgeted deficit of ₦387.70 billion and ₦810.01 billion for the quarter under review and the corresponding quarter of 2009, respectively.

Agricultural activities during the quarter under review centered on harvesting of tubers, fruits, vegetables and late maturing grains as well as pre-planting operations in preparation for the dry season. In the livestock sub-sector, farmers engaged in fattening and other management activities in preparation for the end of year sales.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.17 million barrels per day (mbd) or 199.64 million barrels for the quarter. Crude oil export was estimated at 1.72 mbd or 158.24 million barrels for the quarter, while deliveries to the refineries for domestic consumption remained at 0.45 mbd or 41.4 million barrels. The average price of Nigeria's reference crude, the Bonny Light (37^0 API), estimated at US87.74 per barrel, rose by 12.76 per cent over the level in the preceding quarter.

The end-period headline inflation rate (year-on-year), for the fourth quarter of 2010, was 11.8 per cent, compared with 13.6 and 13.9 per cent recorded at the end of the preceding quarter and the corresponding quarter of 2009, respectively. Inflation rate on a twelve-month moving average basis for the fourth quarter was 13.7 per cent, compared with 13.8 and 12.5 per cent in the preceding quarter and the corresponding quarter of 2009, respectively.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US$7.3 billion and US$9.5 billion, respectively, resulting in a net outflow of US$2.2 billion during the quarter. Foreign exchange sales by the CBN to the authorized dealers amounted to US$6.8 billion in Q4 2010, compared with US$9.2 billion in the third quarter.

The average Naira exchange rate vis-à-vis the US dollar, *depreciated by 0.1 per cent to ₦150.65 per dollar at the WDAS. At the bureaux-de-change segment of the market, the Naira also depreciated from ₦152.81 per dollar to ₦153.89; while at the interbank segment, it depreciated from ₦151.19 per US dollar in Q3 2010 to ₦151.65.*

Non-oil export earnings by Nigerian exporters rose by 29.7 per cent, to US$666.5 million from the level in the preceding quarter. The development was attributed largely to the rise in the prices of all the commodities traded at the international commodities market.

World crude oil output and demand in Q4 2010 were estimated at 86.94 mbd and 86.61 mbd, compared with the respective 85.89 mbd and 86.56 mbd supplied and demanded in the preceding quarter. The increase in demand was due to the swift recovery of activities in the world economy, led by China, India, the Middle East and the United States of America.

International economic developments of relevance to the domestic economy during the review quarter included: the 2010 Annual Meetings of the World Bank Group and the International Monetary Fund (IMF) were held in Washington D.C., USA from October 5 – 10, 2010.

Furthermore, the third ECOWAS Business Forum on the theme "Harnessing Energy Resources to Enhance the Competitiveness of the West African Economy" and the first Award Ceremony for Entrepreneurial Innovation were held in Abidjan, Cote d'Ivoire from September 28 – October 1, 2010. The objective was to propose solutions, and, institutional mechanisms for the harmonization of regulations and policies that would ensure effective operations in the energy sector in West Africa.

The Forum also took note of initiatives undertaken at national, regional and continental levels aimed at promoting a more conducive investment climate, harmonizing the policy framework and widening the participation of the private sector in the energy sector. These initiatives included the West Africa Power Pool and the West Africa Gas Pipeline.

In another development, the fifth African Economic Conference was held in Tunis, Tunisia from October 27 – 29, 2010 with the theme 'Setting the Agenda for Africa's Economic Recovery and Long-Term Growth'. The conference was co-organized by the African Development Bank (AfDB), the United Nations Economic Commission for Africa (UNECA), the United Nations Development

Programme (UNDP), and the Development Bank of Southern Africa (DBSA). The conference addressed Africa's position in the post-economic crisis world. Important subject areas included China-Africa trade; the role of the private sector; the promotion of savings and investment in Africa; the creation of new African financial products; development financing; fiscal policy; governance; green growth, and regional integration.

The G-20 Leaders Summit was held in Seoul, South Korea from November 11 – 12, 2010. The Summit agreed on a series of policy actions designed to respond to the challenges of global recovery and renewed growth, and to better prevent future crises. At the initiative of South Korea, development was included as a substantive item on the G-20 agenda. The Seoul Development Consensus sets out their commitment to work in partnership with developing countries. A multi-Year Action Plan on Development was also agreed. African Leaders welcomed the consensus and the emphasis it gives to shared growth, to generating new poles of growth, and national policy ownership. Particular emphasis was given to infrastructure development; a high-level panel would be established to recommend measures to mobilise infrastructure financing and review Multilateral Development Bank's (MDB's) policy frameworks.

Finally, the 5th Session of the Nigeria-Cameroon Joint Commission was held at the Transcorp Hilton Hotel, Abuja from November 23 – 24, 2010. The Session reviewed the relations between the two countries and expressed satisfaction with the outcome of the Green Tree Agreement. It also called for the speedy implementation of all pending Cooperation Agreements between the two countries for the mutual benefit of the peoples of Nigeria and the Cameroons.

2.0 Financial Sector Developments

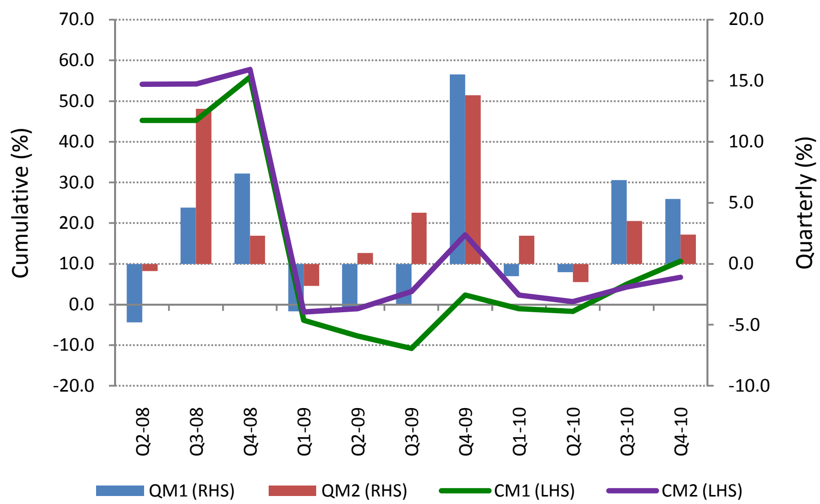
2.1 Monetary and Credit Developments

The key monetary aggregate expanded relative to the level at the end of the preceding quarter. Banks' deposit and lending rates generally declined at the end of the fourth quarter of 2010. The value of money market assets increased, following largely, the rise in the volume of Treasury bills, Bankers' Acceptances (BAs) and Eligible Development Stocks (EDS)). Transactions on the Nigerian Stock Exchange (NSE) were bullish during the quarter under review

The key monetary aggregate expanded during Q4 2010.

Provisional data indicated that the major monetary aggregate expanded at the end of the fourth quarter of 2010 relative to the end of the third quarter. Broad money supply, (M_2), rose by 2.4 per cent over the level at the end of the fourth quarter of 2010 to ₦11,488.7 billion, compared with an increase of 3.5 per cent at the end of the preceding quarter. The development was accounted for, largely, by the increase in other assets (net) of the banking system, which more than offset the effect of the decline in domestic credit (net) and foreign assets (net) of the banking system, respectively. Narrow money supply (M_1), at ₦5,534.5 billion, increased by 5.3 per cent, over the level at the end of the preceding quarter. However, quasi money fell by 0.2 per cent below the level in the preceding quarter. Relative to the level at end-December 2009, M_2 rose by 6.7 per cent, reflecting the 13.4 and 20.1 per cent increase in net domestic credit and other assets (net) of the banking system, respectively. Similarly, M_1 grew by 10.6 per cent, owing to the increase in the demand deposit component (Fig. 1, Table 1).

Figure 1: Growth Rate of Narrow Money (M1) and Broad Money (M2)[1]



At ₦8,962.9 billion, aggregate banking system credit (net) to the domestic economy at the end of the fourth quarter of 2010, fell by 3.7 per cent from the level at the end of the preceding quarter, in contrast to the increase of 8.1 per cent in the corresponding quarter. The development reflected largely the decline in net claims on the Federal Government and claims on the private sector. Over the level at end-December 2009, aggregate banking system credit (net) to the domestic economy rose by 13.4 per cent, due to the increase in claims on the Federal Government.

Banking system credit to the private sector fell at the end of the fourth quarter of 2010.

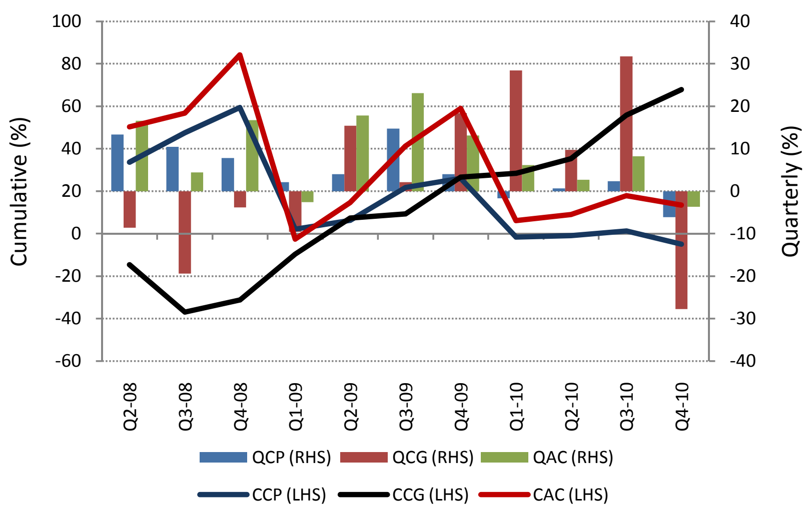
Banking system's credit (net) to the Federal Government, at end of the review quarter, fell by 27.8 per cent to negative ₦740.7 billion, compared with a decline of 31.1 per cent in the preceding quarter. The development was accounted for, largely, by the decline in the both CBN and DMBs' holdings of Federal Government securities (14.9 and 8.2 per cent, respectively). Relative to the level at end-December 2009, banking system's claims (net) on the Federal Government rose significantly by 67.8 per cent.

Relative to the level at the end of the preceding quarter,

[1] QM1 and QM2 represent quarter-on-quarter changes, while CM1a and CM2 represent cumulative changes (year-to-date).

banking system's credit to the private sector fell by 6.1 per cent to ₦9,703.7 billion, in contrast to the 2.3 per cent rise at the end of the third quarter. The development reflected the decline in DMBs' claims on the sector. Banking system's claims on the private sector fell by 4.9 per cent, from the level at end-December 2009, owing largely to the decline in DMB's claims on the sector (Fig. 2, Table 1).

Figure 2: Growth Rate of Aggregate Domestic Credit to the Economy[2]



At ₦6,303.6 billion, foreign assets (net) of the banking system declined, by 2.3 per cent at the end of the fourth quarter of 2010, compared with the decline of 0.5 per cent at the end of the preceding quarter. The development was attributed to the fall in both DMB and CBN's holdings. Relative to the level at end-December 2009, foreign assets net of the banking system fell by 17.0 per cent.

Foreign assets (net) of the banking system declined further at the end of the quarter under review.

Quasi-money also, fell by 0.3 per cent to ₦5,954.3 billion, in contrast to the rise of 0.7 per cent at the end of third quarter of 2010. The development reflected the fall in all the components, namely; time, savings and foreign currency deposits of the DMBs. Over the level at end-December 2009, quasi-money, however, rose by 3.3 per cent.

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[2] QCP, QCG and QAC represent quarter-on-quarter changes in credit to private sector, credit to government (net) and aggregate credit (net) to the domestic economy, respectively, while CCP, CCG and CAC, represent the cumulative changes (year-to-date).

Other assets (net) of the banking system fell, by 16.8 per cent, to negative ₦3,777.9 billion, as against the increase of 6.8 per cent in the preceding quarter. The decline reflected largely the fall in unclassified assets of the CBN during the quarter. Relative to the level at end-December 2009, other asset (net) of the banking system, however, rose by 20.1 per cent.

Table 1: Growth in Monetary and Credit Aggregates (Percent)

	Dec-09	Jun-09	Sep-09	Jun-10	Sep-10	Dec-10
Domestic Credit (Net)	13.1	13.1	6.1	2.7	8.2	-3.7
Claims on Federal Government (Net)	-18.4	-18.4	28.4	9.7	31.7	-27.8
Claims on Private Sector	4.0	4.0	-1.7	0.7	2.3	-6.1
Claims on Other Private Sector	3.9	4.0	-1.8	0.5	0.5	-6.6
Foreign Assets (Net)	10.3	10.3	-4.5	-10.6	-1.8	-2.3
Other Assets (Net)	20.1	7.0	-2.2	8.1	-4.9	-16.8
Broad Money Supply (M2)	6.7	13.8	2.3	-1.5	3.5	2.4
Quasi-Money	3.3	12.5	5.1	-2.1	0.7	-0.3
Narrow Money Supply (M1)	10.6	15.5	-1.0	-0.7	-0.7	5.3
Memorandum Items:						
Reserve Money (RM)	31.1	-2.3	31.1	9.5	-12.4	34.2

2.2 Currency-in-circulation (CIC) and Deposits at the CBN

At ₦1,378.0 billion, currency in circulation rose by 22.4 per cent at the end of the fourth quarter of 2010 over the level at the end of the preceding quarter. The development was attributed largely to the 22.9 per cent increase in currency outside the banking system, reflecting seasonal demand.

Total deposits at the CBN amounted to ₦4,240.7 billion, indicating a marginal decline of 1.8 per cent from the level at the end of the preceding quarter. The decline of 7.3 and 5.0 per cent in both Federal Government and private sector deposits, respectively, was responsible for the observed movement in total deposits. Of the total deposits, the shares of the Federal Government, banks and ''others'' were ₦3,192.9 billion (75.3 per cent), ₦425.9 billion (10.0 per cent) and ₦621.9 billion (14.7 per cent), respectively.

Reserve money (RM) rose but was below the benchmark for the end of the fourth quarter 2010 by 19.2 per cent.

Consistent with the trends in CIC and DMBs' deposits with the CBN, the CBN operating target, the reserve money (RM), rose from ₦1,344.3 billion at the end of the preceding quarter to ₦1,803.9 billion. This was, however, below the benchmark of ₦2,232.3 billion for the end of the fourth quarter 2010.

2.3 Money Market Developments

Financial market indicators showed that activities in the fourth quarter of 2010 followed the swings in liquidity condition. Thus, request for the Bank's Standing Facilities (BSF) and rates at the inter-bank market responded to the liquidity swings. At the Open Market Operations (OMO), Nigerian Treasury Bills (NTBs) were sold at both the direct auction and the 2-way quote trading segments. Rates at the major segments of the interbank market moved in response to the increase in the Standing Deposit Facilities (SDF) and liquidity swings experienced during the review period. Moreover, the Bank's intervention at the foreign exchange market kept the exchange rate relatively stable. The Monetary Policy Rate (MPR) was reviewed upward by 25 basis points to 6.25 per cent, from 6.0 per cent with the adjustment of the asymmetric corridors at +/- 200 basis points. This had a significant effect on the yield curve and interest rates. Interbank call rate which hovered around 4.0 per cent in July peaked at an average of 8.0 per cent in December, 2010.

Provisional data indicated that, at ₦4,510.3 billion, the value of money market assets outstanding at the end of the fourth quarter of 2010 increased by 17.8 per cent over the level at the end of the preceding quarter. The development was attributed to the 90.7, 68.2 and 10.0 per cent increase in the volume of Nigerian Treasury Bills, Bankers Acceptances and Eligible Development Stocks, respectively.

2.3.1 Interest Rate Developments

Developments in deposit and lending rates were mixed in Q4 2010.

Available data indicated mixed developments in banks' deposit and lending rates in the fourth quarter of 2010. With the exception of the 6-month and 12-month deposit rates which declined by 1.24 and 0.80 percentage point to 3.89 and 3.77 per cent, respectively, all other rates on deposit of various maturities, including the average savings rate, rose from a range of 1.48 – 5.30 per cent in the third quarter of 2010, to 1.49 – 5.62 per cent. At 3.90 per cent, the average term deposit rate fell by 22 basis points from the level in the preceding quarter. Similarly, the average prime and maximum lending rates fell by 98 and 40 basis points to 16.00 and 21.85 per cent, respectively. Consequently, the spread

The spread between the weighted average term deposit and maximum lending rates narrowed, while in real terms all deposit rates turned significantly negative.

between the weighted average term deposit and maximum lending rates narrowed from 18.14 percentage points in the preceding quarter to 17.95 percentage points. The margin between the average savings deposit and maximum lending rates also narrowed to 20.36 percentage points from 20.77 percentage points in the preceding quarter. With headline inflation rate at 11.8 per cent at end-December, all deposit rates, were negative in real terms.

All interbank money market rates trended upwards in Q4 2010.

At the interbank call segment, the weighted average rate, which stood at 2.50 per cent in the preceding quarter, rose significantly to 9.20 per cent, reflecting the liquidity condition in the interbank funds market. Similarly, the weighted average rate at the Open Buy Back (OBB) segment rose from 1.94 per cent in September 2010 to 4.92 per cent at the end of the fourth quarter of 2010. Also, the Nigeria Inter-bank Offered Rate (NIBOR) for the 7- and 30-day tenors rose significantly to 10.00 and 11.92 per cent at the end of the fourth quarter from 3.17 and 5.27 per cent, respectively, at the end of third quarter of 2010 (Fig. 3, Table 2).

Figure 3: Selected DMBs Interest Rates (Average)

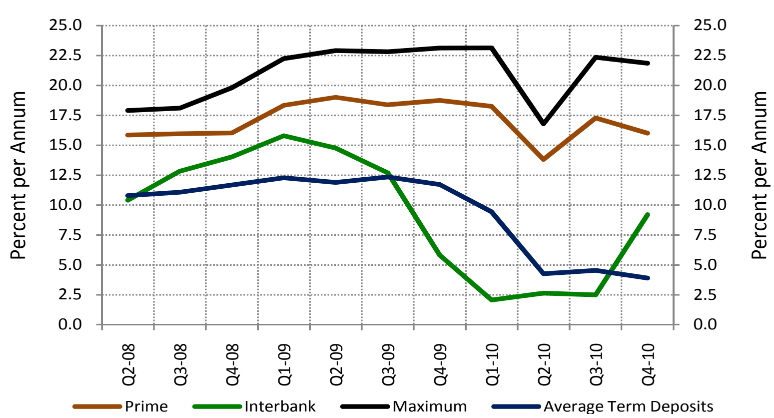


Table 2: Selected Interest Rates (Percent, Averages)

	Q2-09	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10
Average Term Deposits	11.89	12.33	11.72	8.70	5.68	4.12	3.90
Prime Lending	19.01	18.38	18.76	18.86	18.49	16.98	16.00
Interbank	14.76	12.68	5.80	2.59	2.98	2.50	9.20
Maximum Lending	22.89	22.82	23.12	23.24	22.69	22.25	21.85

2.3.2 Commercial Paper (CP)

The value of Commercial Paper (CP) held by DMBs as a supplement to bank credit to the private sector fell by 10.1 per cent to ₦189.2 billion at the end of fourth quarter 2010, compared with the decline of 58.6 per cent at the end of the third quarter. Thus, CP constituted 4.2 per cent of the total value of money market assets outstanding at the end of fourth quarter, compared with 5.5 per cent as at the end of the preceding quarter.

Investment in CP by DMBs fell in the fourth quarter of 2010.

2.3.3 Bankers' Acceptances (BAs)

The value of BAs held by DMBs increased by 29.6 per cent to ₦189.23.1 billion at the end of the review quarter, as against the decline of 1.9 per cent at the end of the preceding quarter. The development reflected the increase in investments by deposit money banks and discount houses. Consequently, BAs accounted for 1.8 per cent of the total value of money market assets outstanding at the end of the fourth quarter, compared with 1.6 per cent at the end of the preceding quarter.

DMBs' holdings of BAs rose during Q4 of 2010.

2.3.4 Open Market Operations

NTBs offered, subscribed and allotted at the direct OMO auction in the fourth quarter of 2010 amounted to ₦80.00 billion, ₦138.43 billion and ₦74.75 billion, respectively. NTBs worth ₦30.00 billion was offered, ₦70.25 billion, was subscribed, while ₦10.00 billion was allotted at 5.0234 per cent. Furthermore, NTBs of various lengths of maturities were traded at the two-way quote trading platform. The bid rates ranged from 4.8 -10.9999 per cent, while the total sale was ₦10.00 billion. OMO bills worth ₦104.00 billion matured and were repaid within the review period.

2.3.5 Primary Market

At the primary market segment, NTBs of 91-, 182- and 364-day tenors, amounting to ₦557.99 and ₦589.05 billion were offered and allotted in the fourth quarter of 2010. Total public subscription stood at ₦1,051.50 billion, and exceeded the amount offered and allotted by 88.4 and 78.5 per cent, respectively. The bid rates ranged from 4.9500 – 10.9990 for the 91-, 182- and 364-day tenors, compared with the range of 2.2350 – 7.5500 per cent for the same tenors in the preceding quarter. Patronage at the primary market remained impressive

Patronage at the primary market remained impressive due to market players' preference for risk-free government securities.

and reflected market players' preference for risk-free government securities.

2.3.6 Bonds Market

Subscription for FGN Bonds of various maturities was impressive driven by market players' confidence in the economy and their perception about stable and attractive yields.

FGN Bonds of 3-, 5-, 7- and 20-year tenors amounting to ₦263.12 billion were re-opened (in line with the debt management programme) during the period under review. Total public subscription and allotments stood at ₦431.53 billion and ₦282.17 billion, respectively. In the third quarter, the respective offer, subscription and allotment were ₦110.0 billion, ₦225.34 billion and ₦117.49 billion for the 3- year, ₦110.0 billion, ₦193.42 billion and ₦117.33 for the 5- year and ₦110.0 billion, ₦243.81 billion and ₦116.64 billion for the 20- year tenor. FGN Bonds had consistently enjoyed market players' patronage due to the fact that FGN bonds often provide a hedge against interest rate fluctuations and are generally regarded as risk-free.

2.3.7 CBN Standing Facilities

The MPR, SLF and SDF rates were 6.25, 8.0 and 1.0 per cent, respectively, in the interbank funds market in Q4 2010.

The request for the Bank's Standing Facilities during the review period reflected the swings in liquidity arising from volatility in oil revenue. The rates for the facilities were reviewed upwards to 3.25 and 8.25 per cent for the SDF and SLF, respectively, following the review of the Monetary Policy Rate and its asymmetric corridors adjustment at the MPC meeting of September 21, 2010.

The total Standing Lending Facility (SLF) granted during the review period was ₦3,146.82 billion, compared with ₦81.36 billion in the third quarter of 2010. The considerable increase of ₦3,065.46 billion in the SLF demanded and granted was due mainly to the tight liquidity condition in the money market. Requests for SLF were received on 44 days, out of the 60 business days in the fourth quarter, 2010, compared with 7 days out of 46 business days in the third quarter of 2010.

The sum of ₦2,546.46 billion was deposited by DMBs in the review period, compared with ₦14,287.20 billion in the preceding quarter. Total requests for the Standing Deposit Facility (SDF) declined by 82.2 per cent. The dearth of liquidity in the review period contributed to the low level of transaction recorded at the window.

2.4 Deposit Money Banks' Activities

DMBs' credit to the private sector fell in Q4 2010.

Available data indicated that at the end of the fourth quarter of 2010, the total assets/liabilities of the DMBs stood at ₦17,331.6 billion, representing a decline of 3.8 per cent from the level at the end of the preceding quarter. The development was attributed largely to the 7.3 and 13.6 per cent decline in DMB's foreign assets and other assets of the banking system, respectively. The funds, which were sourced largely from the increase in their unclassified liabilities, were used mainly to increase capital.

At ₦10,960.3 billion, credit to the domestic economy declined by 6.9 per cent from the level in the preceding quarter. The development was attributed largely to the 12.8 per cent increase in claims on the Federal Government.

Central Bank's credit to the DMBs, largely loans and advances, fell by 10.5 per cent to ₦418.7 billion at the end of the review quarter.

Total liquid assets of the DMBs to total current liabilities ratio stood at 31.7 per cent and exceeded the stipulated minimum liquidity ratio by 6.7 percentage points. Loan-to-deposit ratio fell below the prescribed minimum by 19.4 percentage points.

Total specified liquid assets of the DMBs stood at ₦3,472.8 billion, representing 31.7 per cent of their total current liabilities. At that level, the liquidity ratio fell by 2.9 percentage point from the level at the end of the preceding quarter, but was 6.7 percentage points above the stipulated minimum ratio of 25.0 per cent. The loans-to-deposit ratio fell by 17.4 percentage points below the level at the end of the preceding quarter to 60.6 per cent, and was 19.4 percentage points below the prescribed minimum ratio of 80.0 per cent.

2.5 Discount Houses' Activities

Total assets/liabilities of the discount houses stood at ₦361.1 billion at the end of fourth quarter of 2010, indicating an increase of 22.4 and 16.7 per cent, over the levels at the end of the preceding quarter and the corresponding quarter of 2009, respectively. The rise in assets was accounted for largely by the 188.7 per cent rise in fixed assets, reinforced by the 124.1 per cent rise in cash and balances. Correspondingly, the rise in total liabilities was attributed largely to the increase of

46.3 and 37.3 per cent in the levels of money-at-call and capital and reserves, respectively, during the period.

Discount houses' investment in Federal Government securities of less than 91-day maturity rose to ₦55.1 billion and represented 20.0 per cent of their total deposit liabilities. At this level, discount houses' investment contracted by 12.7 per cent from the level at the end of the preceding quarter. It was also 47.3 percentage points below the prescribed minimum level of 60.0 per cent for fiscal 2010. Total borrowing by the discount houses was ₦27.1 billion, while their capital and reserves stood at ₦41.4 billion. This resulted in a gearing ratio of 0.7:1, compared with the stipulated maximum of 50:1 for fiscal 2010.

2.6 Capital Market Developments

2.6.1 Secondary Market

Available data indicated that activities on the Nigerian Stock Exchange (NSE) in the fourth quarter of 2010 were bullish. The volume and value of traded securities rose by 19.5 and 35.7 per cent to 20.8 billion shares and ₦207.6 billion, respectively, in 349,848 deals, compared with 17.7 billion shares, valued at ₦153.0 billion, in 394,180 deals in the preceding quarter. The Banking sub-sector remained the most active on the Exchange with a traded volume of 12.6 billion shares, valued at ₦101.2 billion, in 198,003 deals. This was followed by the Insurance sub-sector with a traded volume of 2.7 billion shares, valued at ₦1.8 billion, in 16,067 deals. The Food/Beverages & Tobacco sub-sector was third with a traded volume of 0.7 billion shares, valued at ₦21.7 billion, in 29,934 deals. A total of 173 equities were traded, compared with 174 in the preceding quarter. Banking stocks accounted for the top five (5) most active. Zenith Bank Plc topped the list with a transaction volume of 1.72 billion shares, followed by First Bank Nigeria Plc with 1.24 billion shares and Access Bank Plc placed third with 1.21 billion shares.

Figure 4: Volume and Value of Traded securities

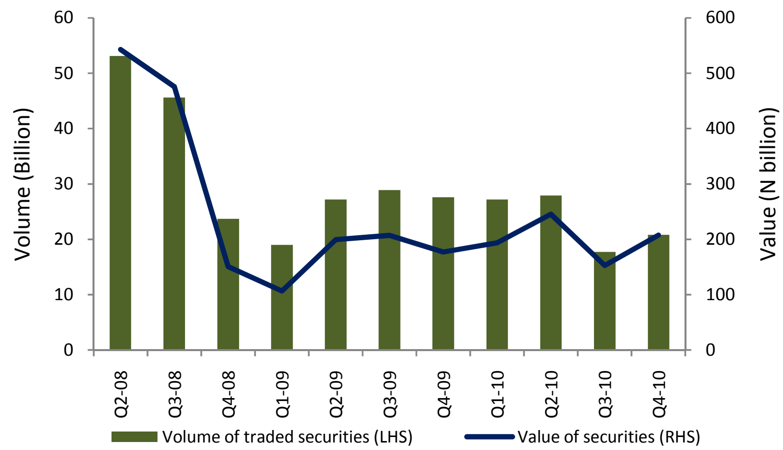


Table 3: Traded Securities on the Nigerian Stock Exchange (NSE)

	Q2-09	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10
Volume (Billion)	27.2	28.9	27.6	27.2	27.3	17.7	20.8
Value (₦ Billion)	199.4	207.1	177.0	193.8	245.2	153.0	207.6

2.6.2 Over-the-Counter (OTC) Bonds Market

Transactions on the Over-the-Counter (OTC) bond market, indicated a turnover of 2.3 billion units, worth ₦1.18 trillion, in 15,921 deals, in the review quarter, compared with 3.31 billion units, valued at ₦3.42 trillion, in 32,761 deals recorded in the third quarter of 2010. The most active bond was the 10.00% FGN July 2030 Bond with a traded volume of 564.21 million units, valued at ₦442.4 billion in 4,297 deals, followed by the 9.45% FGN January 2013 Bond with a traded volume of 123.65 million units, valued at ₦127.84 billion in 1,076 deals. The value of Federal Government Bonds fell by 10.9 per cent, from ₦1.93 trillion to ₦1.72 trillion, while the value of corporate bond rose by 39.2 per cent, following the listing of UBA Plc's ₦20.0 billion Fixed Rate Sub-ordinate Unsecured Notes (Series 1). The value of sub-national bonds rose by 12.4 per cent, following the listings of the Kaduna State Government's N8.5 billion 12.5% Fixed Rate Bond 2015 and the Ebonyi State Government's ₦20.0 billion 14% Fixed Rate Development Bond.

2.6.3 New Issues Market

In the new issues market, the 15,494,019,668 shares, in favor of Dangote Cement Plc were admitted on the daily official list at a price of ₦135.0 each. Also, 3,722,493,620 shares, in favor of Multi-Trex Integrated Foods Plc were admitted on the daily official list at a price of ₦3.00 each. In addition, the

792,914,256 shares, in favor of Paints and Coatings Manufacturers Nigeria Plc were admitted on the daily official list at a price of ₦3.00 each. Similarly, the Kaduna State Government's ₦8.5 billion 12.5% Fixed Rate Bond 2015 and the Ebonyi State Government's ₦20.0 billion 14% Fixed Rate Development Bond were admitted on the daily official list. There were two (2) supplementary listings in the fourth quarter of 2010, compared with eight (8) in the preceding quarter (see table below).

Table 4: Supplementary Listings on the Nigeria Stock Exchange (NSE) for the Fourth Quarter 2010

S/N	Company	Additional Shares (billion)	Reasons
1	Unity Bank Plc	17.3	Conclusion of Rights offer
2	Tantalizers Plc	0.3	Conclusion of Placing

Six (6) securities were delisted from the daily official list in the fourth quarter of 2010. These included, Incar Nigeria Plc, Access Bank Plc ₦13.5 billion 3- Year Redeemable Convertible Bond, 3,915,527,334 shares in favour of Benue Cement Company Plc, 7.00% FGN Bond October 2010 (4th FGN Bond 2010 Series 12), 9.2% FGN Bond November 2010 (4th FGN Bond 2010 Series 13) and 8.99% FGN Bond December 2010 (4th FGN Bond 2010 Series 14).

2.6.4 Market Capitalization

Market capitalization and All-Share Index trended upward during Q4 2010.

The market capitalization of the 264 listed securities rose by 26.9 per cent to ₦9.9 trillion over the preceding quarter's level. The 217 listed equities, accounted for 79.9 per cent of the total market capitalization.

2.6.5 NSE All-Share Index

The All-Share Index which opened at 24,268.24 at the beginning of the quarter, closed at, 24,770.52, representing an increase of 2.1 per cent over the level in the preceding quarter. The NSE Food/Beverage, Banking, Insurance and Oil/Gas indices rose by 8.4, 17.9, 18.5 and 2.9 per cent, respectively.

Figure 5: Market Capitalization and All-Share Index

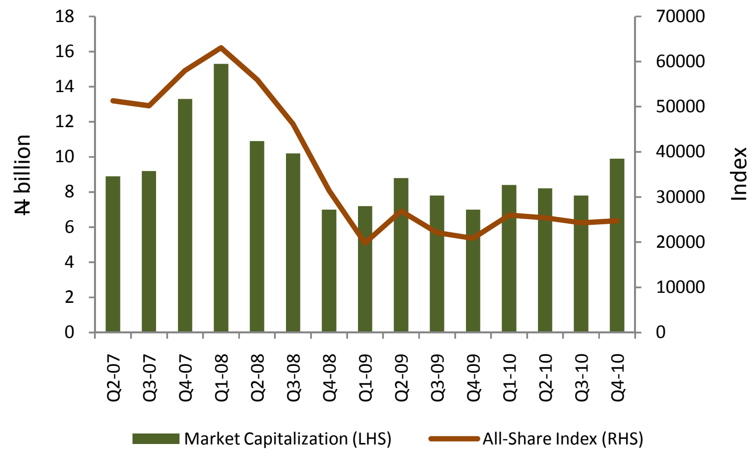


Table 5: Market Capitalization and All Share Index (NSE)

	Q1-09	Q2-09	Q3-09	Q4-09	Q2-10	Q3-10	Q4-10
Market Capitalization (₦ trillion)	7.2	8.8	7.8	7.0	8.2	7.8	9.9
All-Share Index	19851.9	26861.6	22065.0	20827.2	25384.1	24268.2	24770.5

3.0 Fiscal Operations

3.1 Federation Account Operations

Available data showed that total federally-collected revenue during the fourth quarter of 2010 stood at ₦1,942.19 billion, showing an increase of 11.0 and 41.6 per cent, over the proportionate budget provisions and the level in the corresponding quarter of 2009, respectively. However, it was 4.5 per cent below the receipts in the preceding quarter (Fig. 6, Table 6).

Gross federally collected revenue rose by 11.0 per cent over the 2010 proportionate budget provisions for Q4.

Figure 6: Components of Gross Federally Collected Revenue

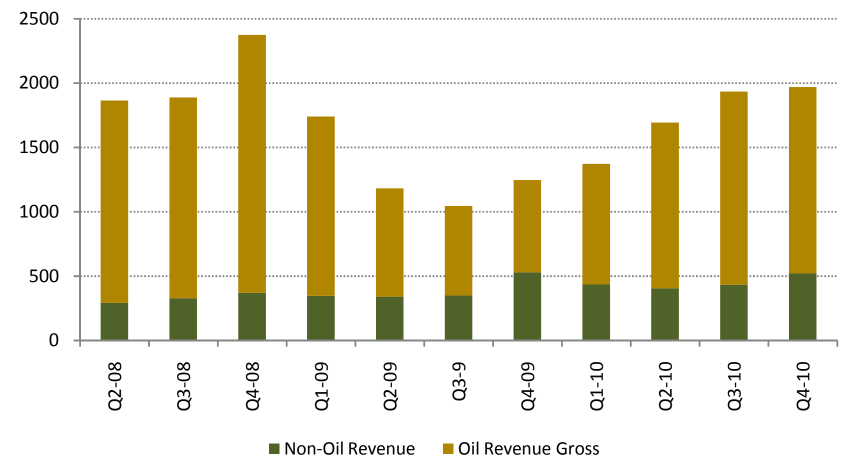


Table 6: Gross Federation Account Revenue (₦ billion)

	Q2-09	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10
Federally-collected revenue (Gross)	1044.9	1246.9	1371.5	1561.6	1712.0	2023.6	1942.19
Oil Revenue	696.6	716.8	936.3	1156.7	1288.7	1502.0	1488.6
Non-Oil Revenue	348.3	530.1	435.2	404.9	423.3	521.5	493.5

At ₦1,448.63 billion, gross oil receipts, which constituted 74.6 per cent of the total, exceeded the proportionate budget estimate and the level in the corresponding quarter of 2009, by 18.2, and 54.7 per cent, respectively. However, it was 3.6 per cent below the receipts in the preceding quarter. The increase in oil receipts relative to the proportionate budget estimate was attributed largely to the sharp increase in crude oil price at the international oil market and rise in domestic crude oil and gas sales (Fig. 7, Table 7).

Figure 7: Gross Oil Revenue and Its Components

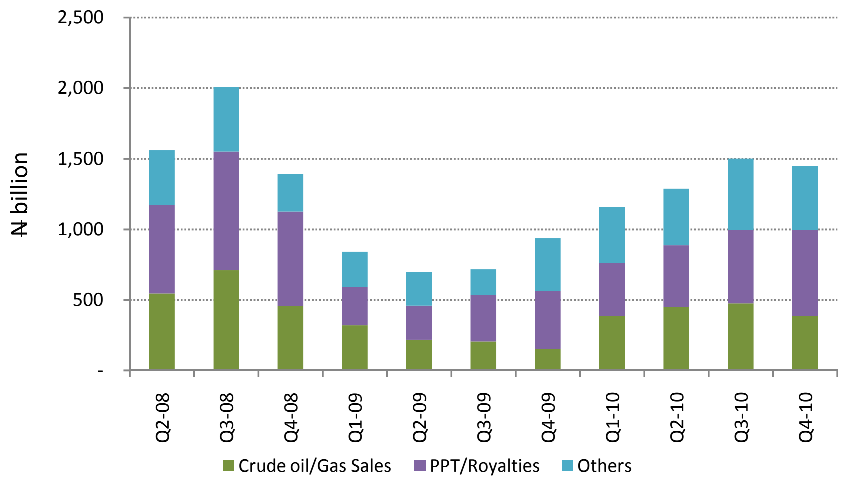


Table 7: Components of Gross Oil Revenue (₦ billion)

	Q2-09	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10
Oil Revenue	696.6	716.8	936.3	1156.7	1288.7	1502.0	1448.6
Crude oil/Gas Sales	*219.7*	*205.9*	*151.9*	384.8	449.5	476.1	385.8
PPT/Royalties	*240.8*	*329.4*	*414.9*	376.5	436.7	520.1	611.4
Others	*236.2*	*181.4*	*369.4*	395.4	402.4	505.8	451.4

Non-oil receipts, at ₦493.57 billion (25.4 per cent of the total), was lower than the proportionate budget estimate and the levels in the preceding quarter by 5.8 and 7.1 per cent, respectively, but surpassed the level in the corresponding quarter of 2009 by 13.4 per cent. The shortfall relative to the proportionate budget estimate reflected largely the decline in the independent revenue of the Federal Government and customs and excise duties (Fig. 8, Table 8).

Figure 8: Gross Non-Oil Revenue and Its Components

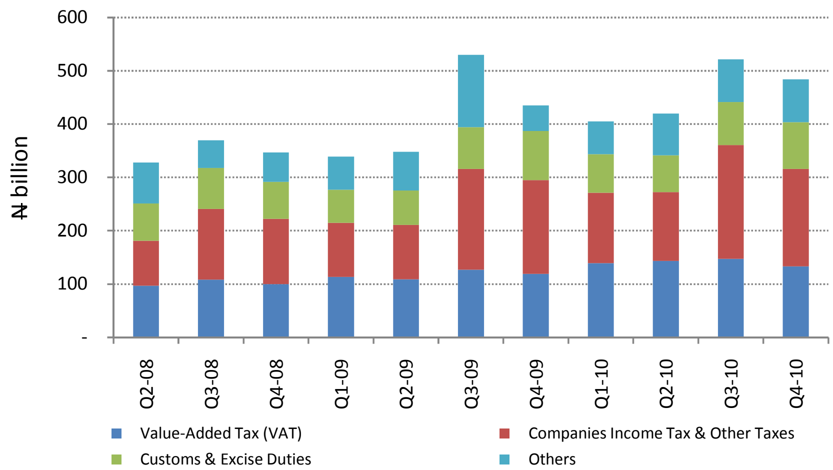


Table 8: Components of Gross Non-Oil Revenue (₦ billion)

	Q2-09	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10
Non-Oil Revenue	**348.3**	**530.1**	**435.2**	**404.9**	*423.3*	*512.5*	*493.5*
Value-Added Tax (VAT)	*108.8*	*127.1*	*119.1*	*139.2*	*143.1*	*147.3*	*133.1*
Companies Income Tax & Other Taxes	*102.3*	*188.6*	*175.8*	*132.2*	*129.3*	*213.2*	*182.6*
Customs & Excise Duties	*64.4*	*78.6*	*92.0*	*72.0*	*68.7*	*81.0*	*87.5*
Others	*72.8*	*135.7*	*48.3*	*61.4*	*82.2*	*80.1*	*80.3*

As a percentage of projected forth quarter 2010 nominal GDP, oil revenue was 18.0 per cent, while non-oil revenue stood at 6.1 per cent.

Of the gross federally-collected revenue during the review quarter, the sum of ₦1,094.84 billion (after accounting for all deductions and transfers) was transferred to the Federation Account for distribution among the three tiers of government and the 13.0% Derivation Fund. The Federal Government received ₦518.72 billion, while the States and Local Governments received ₦263.11 billion and ₦202.84 billion, respectively. The balance of ₦110.17 billion went to the 13.0% Derivation Fund for distribution by the oil-producing states. Also, the Federal Government received ₦19.17 billion, while the State and Local Governments received ₦63.91 billion and ₦44.73 billion, respectively, from the VAT Pool Account. Thus, the total allocation to the three tiers of government in the fourth quarter amounted to ₦1,222.65 billion, representing, a shortfall of 1.1 per cent from the quarterly proportionate budget estimate.

The sum of ₦1,094.84 billion out of the federally collected revenue was set aside for distribution by the three tiers of government and the 13.0 % Derivation Fund for oil producing states.

3.2 The Fiscal Operations of the Three Tiers of Government

3.2.1 The Federal Government

Federal government estimated retained revenue was lower than the proportionate budget estimate, while total expenditure was lower than the proportionate 2010 budget provision for the quarter.

At ₦573.72 billion, the Federal Government retained revenue for the fourth quarter of 2010, was lower than the proportionate budget estimate, the receipts in the preceding quarter and the corresponding quarter of 2009 by 30.6, 15.7 and 13.5 per cent, respectively. Of this amount, the shares from the Federation Account was N518.72, while the VAT Pool account and FGN Independent Revenue accounted for ₦25.20 and ₦29.80 billion, respectively (Fig. 9, Table 9).

Figure 9: Federal Government Retained Revenue

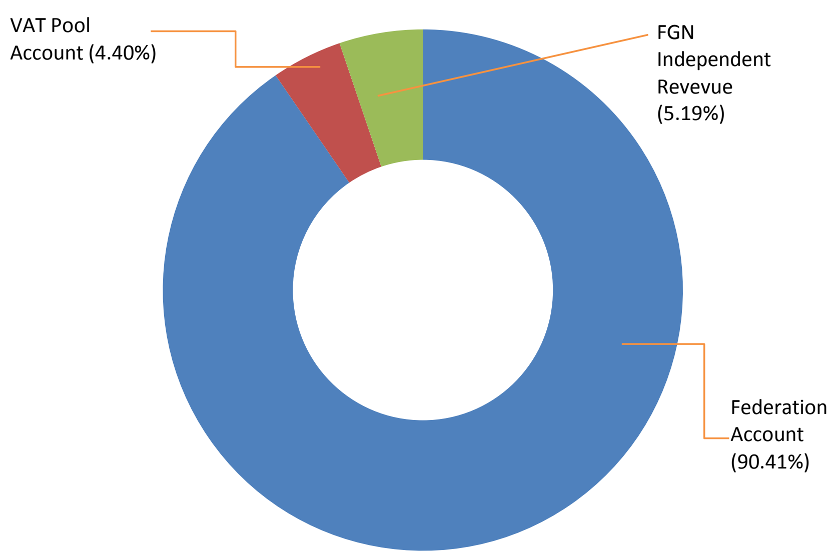
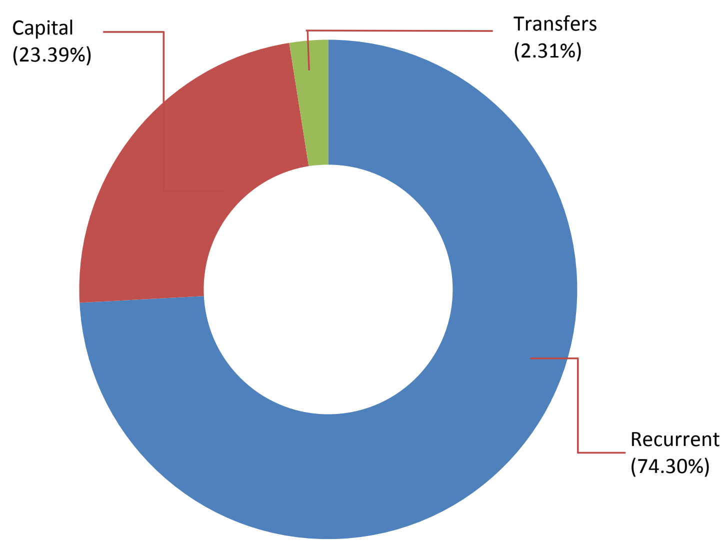


Table 9: Federal Government Fiscal Operations (₦ billion)

	Q1-09	Q2-09	Q3-09	Q4-09	Q2-10	Q3-10	Q4-10
Retained Revenue	701.7	519.4	758.8	663.2	827.7	827.7	573.7
Expenditure	669.1	894.7	950.2	939.0	977.7	1028.2	1636.1
Overall Balance: Surplus(+)/Deficit(-)	32.6	-375.3	-191.4	-275.8	-150.0	-150.0	-1062.4

At ₦1,636.16 billion, total expenditure for Q4 2010 was higher than the proportionate budget estimate, the level in the preceding quarter and the corresponding quarter of 2009, by 34.7, 86.7 and 74.2 per cent, respectively. The rise in total expenditure relative to the proportionate budget estimate was attributed largely to the increase in interest payment and recurrent expenditure. A breakdown of total expenditure showed that the recurrent component accounted for 74.3 per cent, capital component 23.4 per cent, while statutory transfers accounted for the balance of 2.3 per cent (Fig. 10). As a percentage of projected fourth quarter 2010 nominal GDP, recurrent expenditure was 15.1 per cent, while capital expenditure and transfers stood at 4.6 and 0.5 per cent, respectively.

Figure10: Federal Government Expenditure



The fiscal operations of the Federal Government in the fourth quarter of 2010, resulted in a total notional deficit of ₦1,062.44 billion, compared with the budgeted deficit of ₦387.70 billion and a deficit of ₦299.28 billion in the preceding quarter of 2010.

The fiscal operations of the FG resulted in an estimated deficit of 13.2 per cent of GDP in Q4 2010, financed through other funds.

The fiscal deficit was 13.2 per cent of the estimated nominal GDP in the review quarter, compared with 3.9 per cent in the preceding quarter. The fiscal deficit was largely financed from domestic sources (through Non-Bank Public).

3.2.2 Statutory Allocations to State Governments

Total receipts, including the 13.0 per cent Derivation Fund and share of VAT by the state governments from the Federation Account stood at ₦437.18 billion during the review quarter.

This represented a decline of 0.1 per cent below the level in the preceding quarter, however, it was 26.6 per cent higher than the corresponding quarter of 2009.

Further breakdown showed that, at ₦63.91 billion, receipts from the VAT Pool Account decreased by 9.6 per cent from the level in the preceding quarter, while receipts from the Federation Account stood at ₦373.27 billion. On a monthly basis, the sum of ₦147.46 billion, ₦144.09 billion and ₦145.62 billion was allocated to the 36 state governments in October, November and December 2010, respectively.

3.2.3 Statutory Allocations to Local Government Councils

Total receipts by the Local Governments from the Federation and VAT Pool Accounts during the fourth quarter of 2010, stood at ₦247.57 billion. This fell short of the level in the preceding quarter and the corresponding quarter of 2009 by 19.8 and 9.0 per cent, respectively. Of the total amount, allocation from the Federation Account was 81.7 per cent, while VAT Pool Account accounted for the balance of 18.3 per cent. On a monthly basis, the sum of ₦84.0 billion, ₦80.95 billion and ₦82.62 billion was allocated to the 774 local governments in October, November and December 2010, respectively.

4.0 Domestic Economic Conditions

Aggregate output measured by the gross domestic product (GDP) grew by 8.3 per cent, compared with 7.7 per cent in the preceding quarter. The growth was driven mainly by the non-oil sector, notably agriculture, wholesale and retail trade, and services. Crude oil production was estimated at 2.17 million barrels per day (mbd) or 199.64 million barrels for the quarter. The end-period inflation rate for the fourth quarter of 2010, on a year-on-year basis, was 11.8 per cent, compared with 13.6 and 13.9 per cent in the preceding quarter and the corresponding quarter of 2009, respectively. The inflation rate on a 12-month moving average basis was 13.7 per cent, compared with the 13.8 and 12.5 per cent in the preceding quarter and corresponding period of 2009.

4.1 Aggregate Output

Aggregate output in the fourth quarter measured by gross domestic product (GDP) at 1990 basic prices, indicated a projected growth of 8.3 per cent, compared with 7.7 per cent in the preceding quarter. The growth was driven mainly by the non-oil sector, notably agriculture, wholesale and retail trade, and services, reinforced by the modest improvement in crude petroleum and natural gas production.

Real output growth in Q4 2010 remained strong, driven largely by the non-oil sector.

Non-oil GDP remained at an estimated 8.9 per cent in the review quarter and accounted for 85.1 per cent of total GDP. Oil GDP, comprising crude petroleum and natural gas, grew by 1.2 per cent and accounted for 14.9 per cent of the total GDP. It represented a 0.3 percentage point decline from the preceding quarter's level (Fig. 11, Table 10).

Figure 11: Real GDP Growth Rate and Share of Oil and Non-oil in GDP

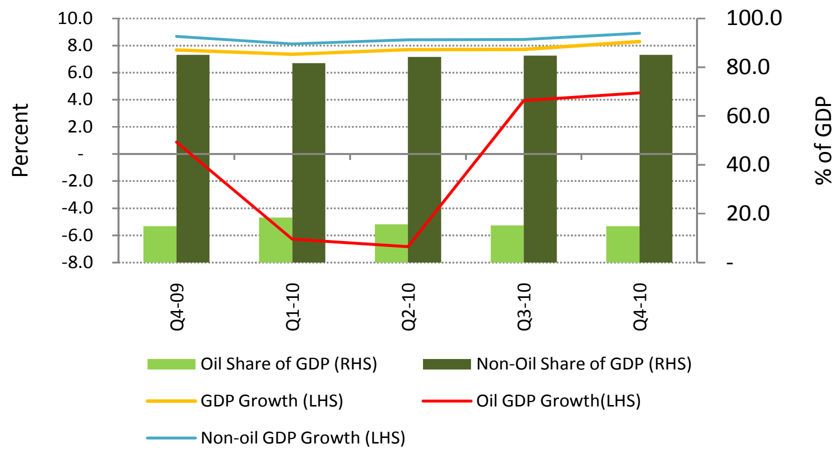


Table 10: Growth Rate of Real GDP and Sectoral Shares (Percent)

	Q2-09	Q3-09	Q4-09	Q1-10	Q3-10	Q4-10
Growth Rate (%)						
Real GDP	**7.5**	**7.3**	**7.7**	**7.4**	**7.7**	**8.3**
Oil (Crude Petroleum/Natural Gas)	*-6.7*	*18.0*	*0.9*	*-6.3*	*3.9*	*4.5*
Non-oil	*8.2*	*8.2*	*8.7*	*8.1*	*8.4*	*8.9*
Share in Real GDP (%)						
Real GDP	***99.7***	***100.0***	***100.0***	***100.0***	**100.0**	**100.0**
Oil (Crude Petroleum/Natural Gas)	*16.0*	*15.8*	*14.9*	*18.4*	*15.2*	*14.9*
Non-Oil	*83.7*	*84.2*	*85.1*	*81.6*	*84.8*	*85.1*

4.2 Agricultural Sector

Agricultural activities during the review quarter were dominated by harvesting of tubers, fruits, vegetables and late maturing grains as well as pre-planting operations in preparation for the dry season farming. In the livestock sub-sector, farmers were engaged with fattening and other management activities in preparation for the end of year sales.

A total of ₦2.99 million was guaranteed to 20,448 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in the fourth quarter of 2010. This represented a decline of 10.3 per cent from the level in the preceding quarter, but an increase of 29.4 per cent over the level in the corresponding quarter of 2009.

A sub-sectoral analysis of the loans guaranteed indicated that the food crops sub-sector received the largest share of ₦2.28 billion (76.3 per cent) for 17,510 beneficiaries; the livestock sub-sector got ₦373.8 million (12.5 per cent) for 947 beneficiaries. Also, 304 beneficiaries in the fisheries sub-sector obtained ₦147.3 million (4.9 per cent), while ₦19.1 million (0.6 per cent) went to 116 beneficiaries in the cash crop sub-sector. 'Others' sub-sector obtained ₦148.5 million (4.9 per cent) guaranteed to 1,506 beneficiaries. Further analysis showed that 35 states benefited from the scheme during the quarter. The highest and lowest sums of ₦271.4 million (9.1 per cent) and ₦1.8 million (0.06 per cent) went to Adamawa and Niger states, respectively.

At end-December 2010, the total amount released by the CBN under the Commercial Agriculture Credit Scheme (CACS) to the participating banks for disbursement stood at ₦96.81 billion (for one hundred and four projects). The beneficiaries included eighteen state governments (Table 11).

Table 11: Disbursement of Credit Under the Commercial Agriculture Credit Scheme (CACS)

S/N	Participating Banks	Amount Disbursed (₦ billion)	Number of Projects/State Governments
1	United Bank for Africa (UBA) Plc	35.16	32
2	Zenith Bank Plc	13.84	10
3	Union Bank of Nigeria Plc	10.9	12
4	First Bank of Nigeria Plc	9.14	25
5	Skye Bank Plc	6	3
6	Unity Bank Plc	5.4	3
7	Access Bank Plc	5.18	6
8	GT Bank Plc	4.25	5
9	Fidelity Bank Plc	3.5	4
10	Oceanic Bank Plc	2.09	1
11	Stanbic IBTC Bank	1.35	3
	TOTAL	**96.81**	**104**

The retail prices of most staples recorded decline in the fourth quarter of 2010. Nine of the fourteen commodities monitored recorded price decline from their levels in the preceding quarter. These ranged from 0.1 per cent for guinea corn to 10.6 per cent for maize (white). Groundnut oil, eggs, beans (brown), vegetable oil and palm oil, however, recorded price

The retail prices of most staples fell during Q4 2010.

increase of 0.6, 1.0, 1.9, 5.1 and 11.6 per cent, respectively. The fall in the price of most commodities was attributed to the increase in supply of grains to the market.

4.3 Industrial Production

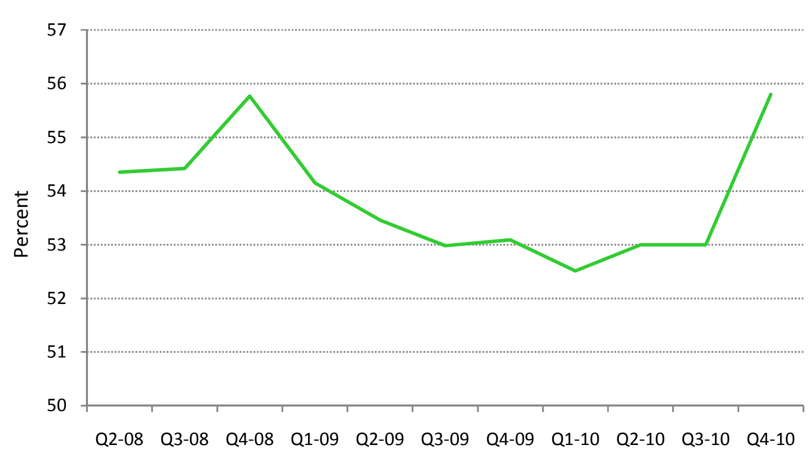
There was a slight improvement in industrial activities during Q4 2010 on account of increased activities in the manufacturing and mining sub-sectors.

Industrial activities during the fourth quarter of 2010 indicated a slight improvement relative to the preceding quarter. At 127.9 (1990=100), the estimated index of industrial production rose by 3.4 and 5.8 per cent, over the levels attained in the preceding quarter and the corresponding quarter of 2009, respectively. The development reflected the increased activities in the electricity, manufacturing and mining sub-sectors.

Industrial capacity utilization was estimated to have increased by 2.8 percentage points relative to the level in Q3 2010.

The estimated index of manufacturing production, at 95.9 (1990=100), increased by 2.9 and 3.1 per cent, over the levels in the preceding quarter and the corresponding period of 2009, respectively. The estimated capacity utilization also increased by 2.8 percentage points to 55.8 per cent during the review quarter (Fig. 12, Table 10). The development was attributed to the increase in business confidence as a result of positive policy measures taken by the government to revive the sector as well as the improvement in electricity supply.

Figure 12: Capacity Utilization Rate



At 131.2 (1990=100), the index of mining production increased by 2.1 and 2.7 per cent, respectively, over the levels attained in the preceding quarter and the corresponding quarter of 2009.

At 3,256.0 MW/h, estimated average electricity generation increased by 8.7 per cent, over the level attained in the preceding quarter. The development resulted from the increase in gas supply to the thermal stations.

Average electricity generation and consumption increased during the quarter under review.

At 3,187.0 MW/h, estimated average electricity consumption, rose by 15.1 per cent over the level in the preceding quarter. The development was attributed to the increase in power supply, occasioned by the improvements in electricity generation and transmission (Fig. 13, Table 11).

Figure 13: Index of Industrial Production (1990=100)

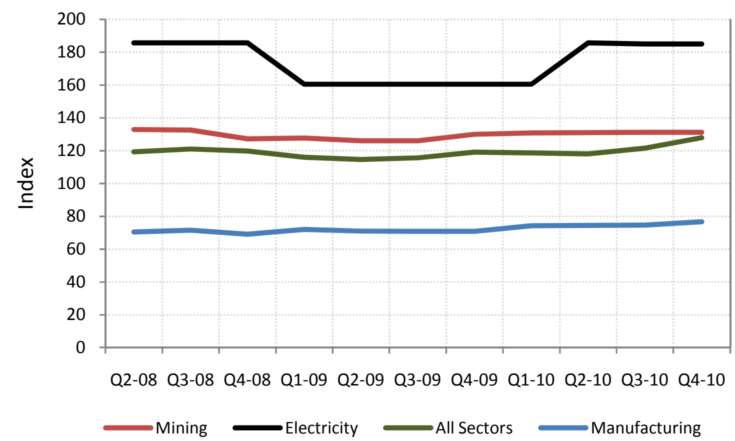


Table 12: Index of Industrial Production and Manufacturing Capacity Utilization Rate

	Q1-09	Q2-09	Q3-09	Q4-09	Q1-10	Q3-10	Q4-10
All Sectors (1990=100)	**115.9**	**114.6**	**115.6**	**119.0**	**117.5**	**121.4**	**127.9**
Manufacturing	*89.9*	*88.6*	*88.4*	*88.6*	*92.9*	*93.2*	*95.9*
Mining	*127.6*	*125.9*	*125.9*	*129.9*	*130.9*	*131.2*	*131.2*
Electricity	*160.4*	*160.4*	*160.4*	*160.4*	*160.4*	*185.0*	*185.0*
Capacity Utilization (%)	***54.2***	***53.5***	***53.0***	***53.1***	**52.5**	**53.2**	**55.8**

4.4 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.17 million barrels per day (mbd) (199.64 million barrels) during the fourth quarter of 2010, compared with 2.19 mbd (201.48 million barrels) in the preceding quarter. This represented a decrease of 0.02 per cent. The decrease in production was due to the renewed attacks on oil facilities by militants in the Niger Delta region.

Crude oil and natural gas production decreased, by 0.02 per cent, to 2.17 mbd during Q4 2010.

Crude oil export was estimated at 1.72 mbd (158.24 million

Crude oil export also recorded a marginal decrease.

barrels) in the review period, compared with 1.74 mbd (160.08 million barrels) in the preceding quarter. Deliveries to the refineries for domestic consumption remained at 0.45 mbd (41.4 million barrels).

Average crude oil prices, including Nigeria's reference crude, Bonny Light (37° API), rose in the international crude oil market in Q4 2010.

At an estimated average of US$87.74 per barrel, the price of Nigeria's reference crude, the Bonny Light (37º API) rose, by 12.8 per cent, over the level in the preceding quarter. The average prices of other competing crudes namely; the West Texas Intermediate, the U.K Brent and the Forcados also rose, by 10.3, 12.2 and 11.6 per cent to US$84.33, US$86.61 and US$87.46 per barrel, respectively. Similarly, the average price of OPEC's basket of eleven crude streams also rose, by 13.7 per cent, to US$83.86 over the level in the preceding quarter (Fig. 14, Table 12).

Figure14: Trends in Crude Oil Prices

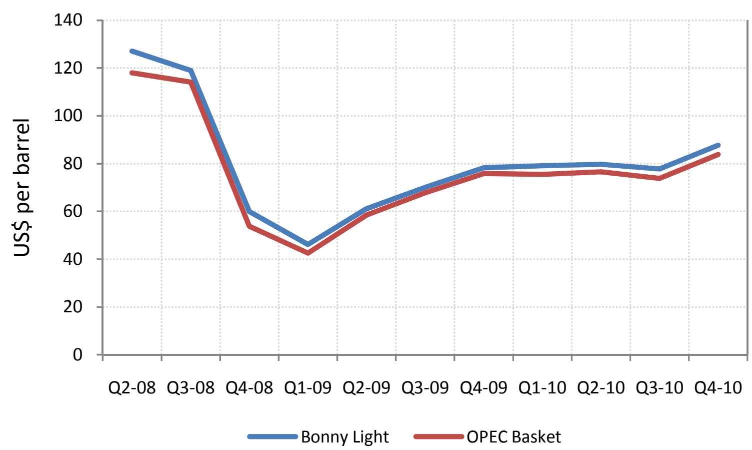


Table 13: Average Crude Oil Prices in the International Oil Market

	Q1-09	Q2-09	Q3-09	Q4-09	Q1-10	Q3-10	Q4-10
Bonny Light	46.15	61.14	70.05	78.25	78.74	77.81	87.74
OPEC Basket	42.50	58.51	67.78	75.89	75.45	73.76	83.86

4.5 Consumer Prices[3]

The general price level rose in Q4 relative to Q3 2010, on account of the increase in the price of staple food.

Available data showed that the all-items composite Consumer Price Index (CPI) at the end of the fourth quarter of 2010, was 114.2 (November 2009=100), representing an increase of 1.6 and 11.7 per cent over the levels in the preceding quarter and the corresponding quarter of 2009, respectively. The development was attributed largely to the increase in the prices of staple food and non-alcoholic beverages.

The urban all-items CPI at the end of the fourth quarter of 2010, was 112.2 (November 2009=100), indicating an increase of 1.4 and 10.7 per cent over the levels in the preceding quarter and the corresponding quarter of 2009, respectively. Similarly, the rural all-items CPI at the end of the quarter, at 115.9 (November 2009=100), represented an increase of 1.8 and 12.7 per cent over the levels in the preceding quarter and the corresponding quarter of 2009, respectively (Fig. 15, Table 13).

Figure15: Consumer Price Index

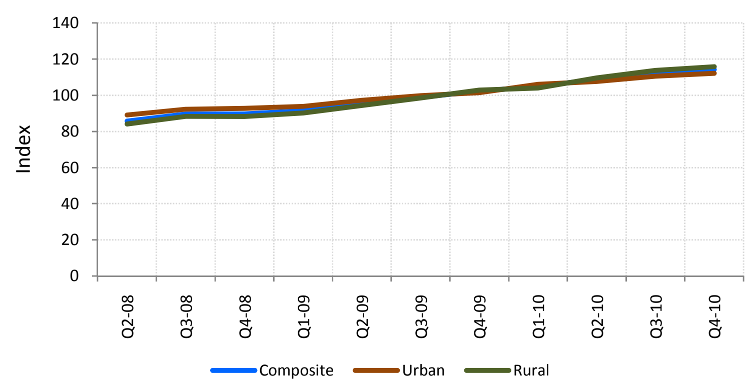


Table 14: Consumer Price Index (November 2009=100)

	Q2-09	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10
Composite	95.3	98.9	102.2	104.9	108.8	112.4	114.2
Urban	97.2	99.8	101.4	106.0	107.7	110.6	112.2
Rural	94.4	98.5	102.8	104.0	109.6	113.8	115.9

[3] New CPI with November 2009 = 100 as base and new weight based on the 2003/2004 Nigeria Living Standard Survey (NLSS) was released by the National Bureau of Statistics (NBS) on 18th October 2010.

The headline inflation (y-o-y) declined by 1.8 percentage point, in Q4 2010.

The end-period inflation rate for the fourth quarter of 2010, on a year-on-year basis, was 11.8 per cent, compared with 13.6 and 13.9 per cent in the preceding quarter and the corresponding quarter of 2009, respectively. The inflation rate on a twelve-month moving average basis for the fourth quarter, was 13.7 per cent, compared with 13.8 and 12.5 per cent in the preceding quarter and the corresponding quarter of 2009, respectively (Fig. 16, Table 14).

Figure 16: Inflation Rate

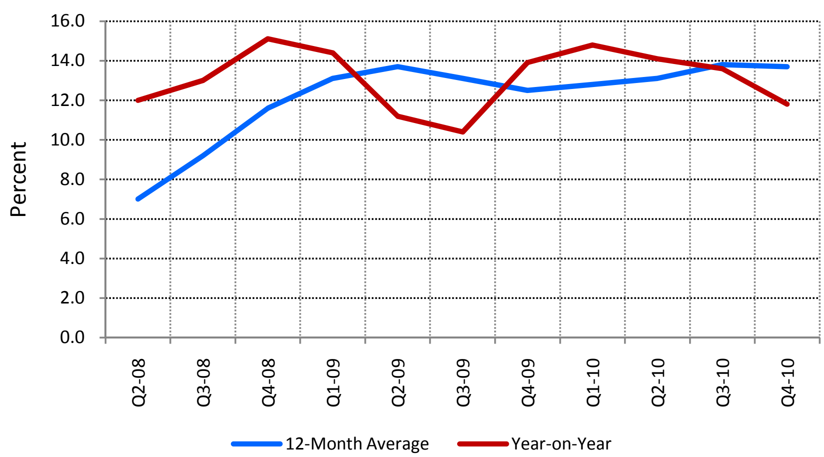


Table 15: Headline Inflation Rate (%)

	Q2-09	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10
12-Month Moving Average	13.7	13.1	12.5	12.8	13.1	13.8	13.7
Year-on-Year	11.2	10.4	13.9	14.8	14.1	13.6	11.8

5.0 External Sector Developments

Provisional data indicated that foreign exchange inflow through the CBN in the fourth quarter of 2010 fell by 3.9 per cent from the level in the preceding quarter, but rose by 25.2 per cent when compared with the level in the corresponding quarter of 2009. Outflow fell by 16.7 per cent below the levels in the preceding quarter, but rose by 48.0 per cent relative to the level in the corresponding quarter of 2009. Total non-oil export receipts by banks rose by 29.7 per cent, from the level in the preceding quarter. The average Naira exchange rate vis-à-vis the US dollar, depreciated by 0.1, 0.7 and 0.3 per cent to ₦150.65, N153.89 and N151.65 per dollar at the Wholesale Dutch Auction System (WDAS), Bureau De Change (BDC) and Interbank segments of the market, respectively. The gross external reserves declined by 6.5 per cent from the preceding quarter's level.

5.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in the fourth quarter of 2010 amounted to US$7.3 billion and US$9.5 billion, respectively, resulting in a net outflow of US$2.2 billion. Relative to the levels of US$7.6 billion and US$11.4 billion in the preceding quarter, inflow and outflow fell by 3.9 and 16.7 per cent, respectively. The fall in inflow was attributed to the decline in non-oil receipts, while outflow fell due, largely, to the 26.1 per cent fall in WDAS utilization (Fig. 17, Table 15).

Foreign exchange inflow and outflow through the CBN fell by 3.9 and 16.7 per cent respectively, below the preceding quarter's levels, to post a net outflow of US$2.2 billion

Figure17: Foreign Exchange Flows Through the CBN

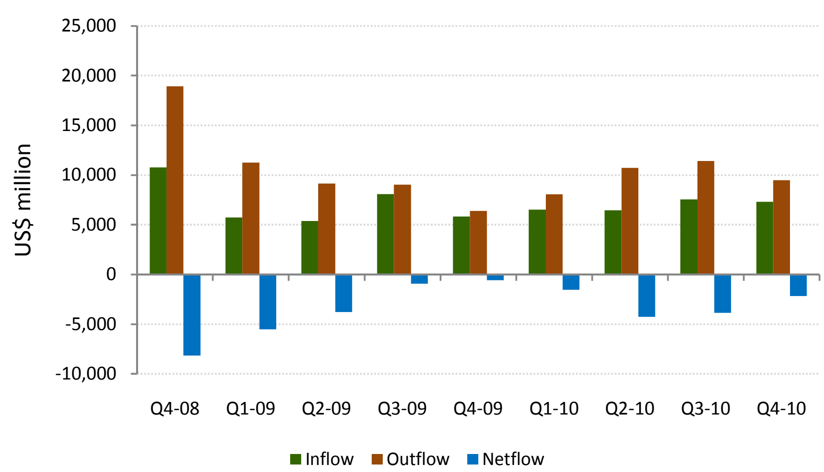


Table 16: Foreign Exchange Flows Through the CBN (US$ million)

	Q1-09	Q2-09	Q3-09	Q4-09	Q1-10	Q3-10	Q4-10
Inflow	5724.6	5359.6	8083.0	5840.7	6521.1	7557.0	7310.0
Outflow	11255.7	9135.1	9014.9	6396.3	8070.2	11424.1	9468.9
Netflow	**-5531.1**	**-3775.5**	**-931.9**	**-555.6**	**-1549.1**	**-3867.1**	**-2158.9**

Autonomous inflows into the economy increased significantly, by 55.1 per cent, in Q4 2010 relative to the preceding quarter.

Available data on aggregate foreign exchange flows through the economy indicated that total inflow amounted to US$30.85 billion, representing an increase of 35.7 and 57.8 per cent, respectively, over the levels in the preceding quarter and corresponding quarter of 2009. Oil sector receipts, which accounted for 22.9 per cent of the total, stood at US$7.1 billion, compared with the respective levels of US$6.9 billion and US$5.3 billion in the preceding quarter and corresponding quarter of 2009.

Non-oil public sector inflows, which accounted for 0.8 per cent of the total, fell from the preceding quarter's level by 59.2 per cent, while autonomous inflow, which accounted for 76.3 per cent, increased by 55.1 per cent.

At US$9.8 billion, aggregate foreign exchange outflow from the economy declined by 16.9 per cent from the level in the preceding quarter, but rose by 50.8 per cent over the level in the corresponding quarter of 2009. The outcome, relative to the preceding quarter, was accounted for, largely, by the decline in WDAS Utilisation.

5.2 Non-Oil Export Earnings by Exporters

Total non-oil export earnings by exporters rose during the fourth quarter of 2010 on account of increase in the prices of most traded commodities.

Total non-oil export earnings by Nigerian exporters, at US$666.5 million, rose by 29.7 per cent over the level in the preceding quarter. The development was attributed largely to the rise in the prices of the commodities traded at the international market. A breakdown of the proceeds in the review quarter showed that food products, industrial, manufactured products, mineral, agricultural sector and transport earned US$243.21 million, US$199.77 million, US$95.10 million, US$86.73 million, US$41.47 million and US$0.22 million, respectively.

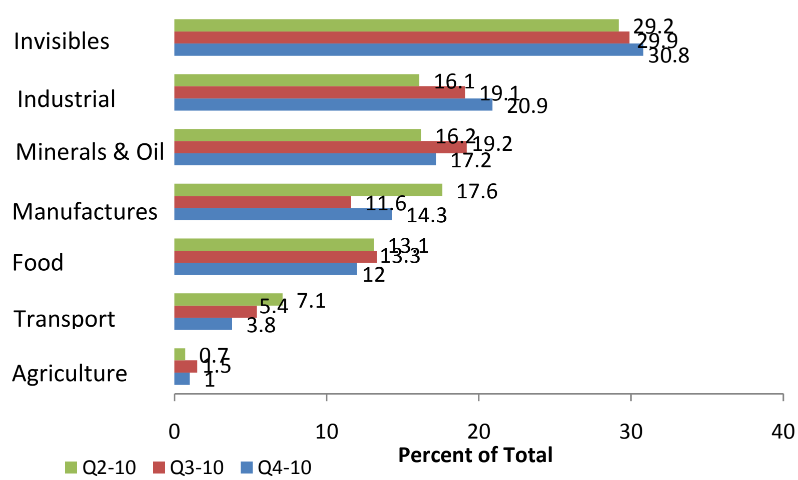
The shares of food products, industrial, manufactured products, mineral, agricultural sector and transport in non-oil export proceeds were 36.5, 29.7, 14.3, 13.0, 6.2 and 0.3 per cent, respectively.

5.3 Sectoral Utilisation of Foreign Exchange

The invisibles sector accounted for the bulk (30.8 per cent) of total foreign exchange disbursed in the fourth quarter of 2010, followed by industrial sector (20.9 per cent). Other beneficiary sectors, in a descending order included: mineral & oil (17.2 per cent), manufactured products (14.3 per cent), food (12.0 per cent), transport sector (3.8 per cent) and agricultural products (1.0 per cent) (Fig.18).

As in the preceding quarter, the invisibles sector accounted for the bulk of the total foreign exchange disbursed during Q4 2010.

Figure18: Sectoral Utilisation of Foreign Exchange



5.4 Foreign Exchange Market Developments

Foreign exchange demand by the authorized dealers stood at US$7.5 billion, indicating a decline of 30.5 per cent from the level in the preceding quarter. Relative to the level in the corresponding period of 2009, demand rose by 25.6 per cent. The sum of US$6.8 billion was sold by the CBN during the review period, indicating a decline of 26.1 per cent from the level in the preceding quarter (Fig. 19, Table 16).

Demand for foreign exchange by authorized dealers fall significantly during Q4 2010, relative to the level in Q3 2010 but increased when compared with the level in the corresponding period of Q4 2009.

Figure 19: Demand for and Supply of Foreign Exchange

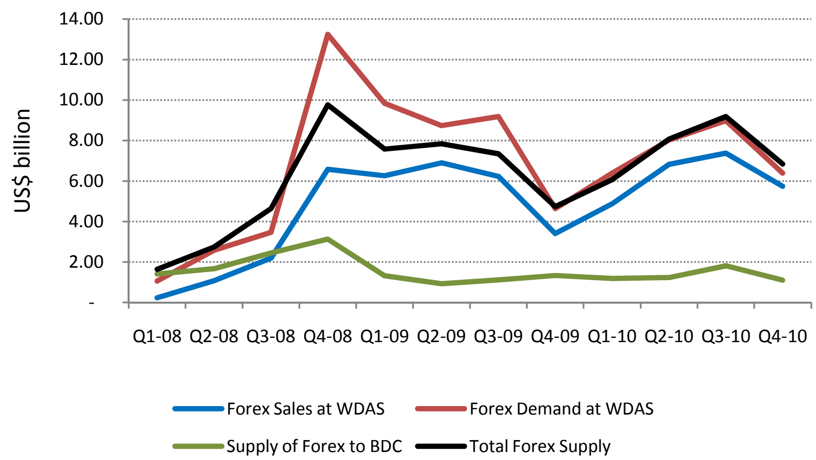


Table 17: Demand for and Supply of Foreign Exchange (US$ billions)

	Q1-09	Q2-09	Q3-09	Q4-09	Q1-10	Q3-10	Q4-10
Forex Sales at WDAS	*6.3*	*6.9*	*6.2*	*3.4*	*4.9*	*7.4*	*5.7*
Forex Demand at WDAS	*9.8*	*8.7*	*9.2*	*4.6*	*6.4*	*9.0*	*6.3*
Supply of Forex to BDC	*1.3*	*0.9*	*1.1*	*1.3*	*1.2*	*1.8*	*1.1*
Total Forex Supply	*7.6*	*7.8*	*7.3*	*4.7*	*6.1*	*9.2*	*6.8*

The Naira exchange rate vis-à-vis the US dollar depreciated slightly at the WDAS and BDC segments of the foreign exchange market in Q4 2010. It also depreciated marginally in the interbank segment.

Under the WDAS, the average exchange rate of the Naira vis-à-vis the US dollar depreciated by 0.1 per cent to ₦150.65 per dollar from ₦150.48 in the preceding quarter. It also depreciated by 0.4 per cent relative to the level in the corresponding quarter of 2009. In the bureaux-de-change segment of the market, the naira traded at an average of ₦153.89 per dollar, compared with ₦152.81 and ₦153.16 per dollar in the preceding quarter and the corresponding quarter of 2009, respectively. In the interbank segment, the Naira exchanged for an average of ₦151.65 to the US dollar in Q4 2010, compared with ₦151.19 and ₦150.35 per dollar in Q3 2010 and Q4 2009, respectively (Fig. 20, Table 17).

The premium between the WDAS rate and the rates in the other two segments were 0.7 per cent for the interbank and 2.2 per cent for the BDC segment.

The premium between the WDAS and the bureaux-de-change rates widened from 1.9 per cent in the preceding quarter to 2.2 per cent, while that between the WDAS and interbank also widened from 0.6 per cent in the preceding quarter to 0.7 per cent (Fig. 21, Table 17).

Figure 20: Average Exchange Rate Movements

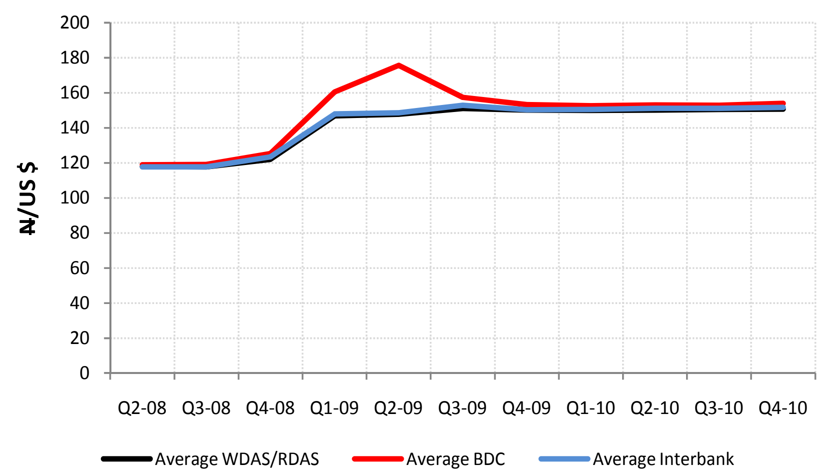
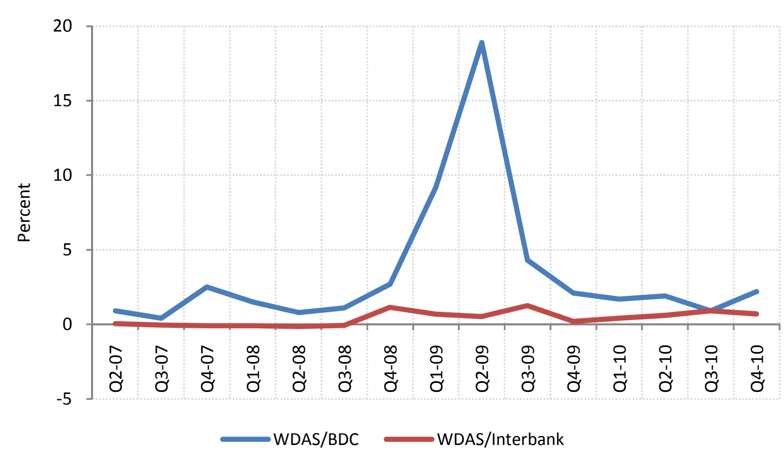


Table 18: Exchange Rate Movements and Exchange Rate Premium

	Q1-09	Q2-09	Q3-09	Q4-09	Q1-10	Q3-10	Q4-10
Average Exchange Rate (₦/$)							
WDAS/RDAS	*146.9*	*147.8*	*150.9*	*150.1*	*149.9*	*150.5*	*150.6*
BDC	*160.4*	*175.7*	*157.4*	*153.2*	*152.5*	*152.8*	*153.8*
Interbank	*147.9*	*148.5*	*152.8*	*150.4*	*150.5*	*151.2*	*151.6*
Premium (%)							
WDAS/BDC	*9.2*	*18.9*	*4.3*	*2.1*	*1.7*	*0.9*	*2.2*
WDAS/Interbank	*0.7*	*0.5*	*1.3*	*0.2*	*0.4*	*0.9*	*0.7*

Figure 21: Exchange Rate Premium



5.5 Gross External Reserves

Gross external reserves continued its decline during the fourth quarter of 2010, as accretion to reserves remained minimal.

The gross external reserves at the end of the fourth quarter of 2010 stood at US$32.35 billion, indicating a decline of 6.5 per cent from the level of US$34.59 billion at the end of the preceding quarter. A breakdown of the reserves showed that CBN holding stood at US$27.62 billion (85.4 per cent), Federal Government holding was US$2.56 billion (7.9 per cent) and the Federation Account portion (Excess Crude) was US$2.17 billion (6.7 per cent) (Fig. 22, Table 18).

Figure 22: Gross External Reserves

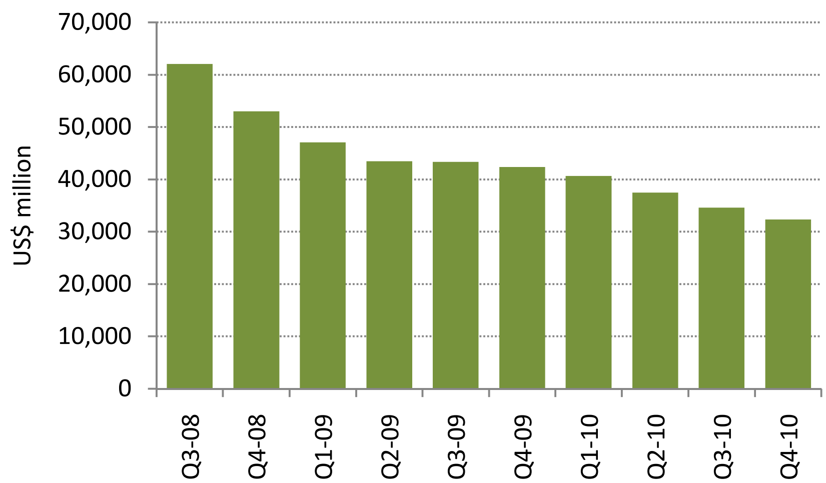


Table 19: Gross External Reserves (US$ million)

	Q2-09	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10
External Reserves	47081.9	43462.74	43343.33	42382.49	37468.44	34589	32347.49

6.0 Global Economic Conditions

6.1 Global Output

The World Economic Outlook (WEO) update released in January 2011 by the International Monetary Fund (IMF) revealed that the global economy was estimated to grow at 5.0 per cent in 2010, which was 0.2 per cent higher than its earlier estimates of 4.8 per cent for 2010. Revised estimates released by the US Bureau of Economic Analysis indicated that real Gross Domestic Product (GDP) in USA increased at an annual rate of 2.6 per cent in the third quarter of 2010, which was 0.9 per cent higher than the 1.7 per cent recorded in the second quarter. The increase in third quarter real GDP primarily reflected positive contributions from personal consumption expenditure, private inventory investment, non-residential fixed investment, exports, and federal government spending that were partly offset by a negative contribution from residential fixed investment.

The global economy was experiencing steady recovery, though at varying speeds across and within regions.

In the euro area, real GDP increased by 1.9 per cent during the third quarter of 2010, compared with 1.5 per cent in the previous quarter. Germany has been driving growth in the euro area as debt-strapped countries such as Ireland, Portugal and Greece grapple with a loss of investor confidence in their ability to finance themselves. Germany's economy, Europe's largest, is forecast to expand by 3.7 per cent in 2010. Growth in Japan was estimated at 5.3 per cent, while China is estimated to grow at 9.6 per cent.

6.2 Global Inflation

Global inflation in the fourth quarter of 2010 was mixed. In the United States, inflation fell slightly to 1.1 per cent in November 2010 from 1.2 per cent in October.

The indices for food, energy and all items less food and energy recorded slight increases in November, 2010.

In the Euro area, annual inflation rate was 1.9 per cent in November 2010, same as in October. The lowest annual rates were recorded in Ireland (-0.8 per cent), Slovakia (1.0 per cent) and the Netherlands (1.4 per cent), and the highest in Romania (7.7 per cent), Estonia (5.0 per cent) and Greece (4.8 per cent). Compared with October 2010 level, annual inflation rate rose in ten Member States, remained stable in five and fell in twelve.

In Japan, very low levels of inflation were recorded during the fourth quarter, falling from 0.2 per cent in October to 0.1 per cent in November of 2010. In China, the consumer price index rose to 5.1 per cent in November, from 4.4 per cent in October. The consumer price index rose to 4.9 per cent in cities and 5.6 per cent in rural areas. Food prices increased by 11.7 per cent, while the non-food prices increased by 1.9 per cent.

6.3 Global Commodity Demand and Prices

World crude oil output in fourth quarter of 2010 was estimated at 86.94 million barrels per day (mbd), while demand was estimated at 86.61 mbd, compared with 85.89 and 86.56 mbd supplied and demanded, respectively, in the preceding quarter. The increase in demand was due to the swift recovery of activities in the world economy, led by China, India, the Middle East and the United States of America. Also, cold winter in Europe strengthened heating oil consumption during the period under review.

The World Commodity Prices report released by the World Bank revealed that commodity prices (measured in U.S. dollar) surged in December 2010. Energy prices increased by 6.5 per cent, while non-energy prices rallied at 4.8 per cent. Food, beverages, raw materials, and metals rose by 5.3, 4.8, 5.9 and 6.0 per cent, respectively.

6.4 International Financial Markets

In the fourth quarter of 2010, financial market developments were dominated by expectations of further monetary policy measures by some central banks and concerns about the sustainability of fiscal positions in certain euro-area member countries. In the United States and the United Kingdom, market expectations of further monetary stimulus had been building following weaker-than-expected macroeconomic data. This led to a fall in government bond yields. The US Federal Reserve announced in November that it would increase its purchases of government assets. As a consequence, US real and nominal bond yields declined significantly, while equity prices rose strongly between August and early November as investors increasingly priced in the expected actions. In the United Kingdom, expectations of further asset purchases receded following a stronger-than-expected third-quarter GDP release and the November Inflation Report. Government bond yields subsequently rose. In the euro area, a deteriorating economic outlook in some member countries and revelations of further losses at certain banks contributed to perceptions of worsening fiscal positions in some vulnerable economies. This was compounded by uncertainty about the future resolution mechanism for sovereign debt crises.

The Fed's anticipated monetary easing impacted on market prices well beyond the United States as well. The US dollar depreciated against most other major currencies. Together with even lower US interest rates, this made the dollar the currency of choice for foreign exchange trades and intensified capital flows to emerging markets. The result, which was reflected in higher equity and bond prices in the faster-growing emerging market economies, prompted a number of these countries to introduce policy measures aimed at dampening the rate of capital inflows. Since early November, attention has shifted to the euro area, with market participants becoming increasingly concerned about exposures to Ireland and other economies. Once again, credit spreads increased significantly on government bonds issued by affected countries. This time concerns were driven by two factors: the deteriorating fiscal situation in Ireland that stemmed from continued government support for troubled banks; and consideration of EU treaty changes that would make it possible to impose losses on holders of bonds issued by governments in financial distress. Even as an EU support package for Ireland was approved on in late November, the stress persisted, with attention turning first to Portugal and

Spain and later to Belgium and Italy. The situation did, however, stabilise in early December in anticipation of possible ECB support.

6.5 Other International Economic Developments and Meetings

Other major international economic developments of relevance to the domestic economy during the review quarter included: the 2010 Annual Meetings of the World Bank Group and the International Monetary Fund (IMF) held in Washington D.C., USA from October 5 – 10, 2010. The Honourable Minister of Finance, Mr. Olusegun Aganga chaired the 2010 Annual Meetings. The following are the highlights of the meetings:

- The G-24 Ministers noted that the pace of global recovery had weakened and become more uncertain since April, 2010. Most developing regions continued to maintain their growth momentum, reflecting strong fundamentals and robust macroeconomic frameworks, while the recovery, however, became more sluggish in advanced economies, with many facing a vicious cycle of weak sovereign balance sheets, high unemployment and lack of consumer confidence, and continued fragility in the financial sector;

- In view of the risks posed by surges in capital flows, Ministers called on the IMF to strengthen the monitoring of such flows and to consider options for mitigating risks;

- They also called for strengthening of the Fund's bilateral and multilateral surveillance, noting that stronger and evenhanded surveillance to uncover vulnerabilities in large advanced economies is a priority;

- Ministers welcomed the steps taken to enhance the IMF's lending toolkit as part of the efforts to strengthen global financial safety nets.

- They welcomed the changes in the Flexible Credit Line (FCL) including the removal of the implicit access cap and lengthening the duration of arrangements under this facility.

- Ministers welcomed the establishment of the Precautionary Credit Line (PCL) to meet the diverse needs of members. They noted that these facilities should be seen as a complement and not as a substitute to the legitimate and country-specific needs for reserve accumulation;
- A 3rd Constituency for Africa was constituted at the World Bank, comprising South Africa, Nigeria and Angola. South Africa would provide the Executive Director, while Nigeria would provide the Alternate Director.

Furthermore, the third ECOWAS Business Forum with the theme: Harnessing Energy Resources to Enhance the Competitiveness of the West African Economy and the first Award Ceremony for Entrepreneurial Innovation were held in Abidjan, Cote d' Ivoire from September 28 - October 1, 2010. The objective was to propose solutions and, institutional mechanisms for the harmonization of regulations and policies that would ensure effective operations in the energy sector in West Africa.

The Forum further took note of initiatives undertaken at national, regional and continental levels aimed at promoting a more conducive investment climate, harmonizing the policy framework and widening the participation of the private sector in the energy sector. These initiatives included the West Africa Power Pool and the West Africa Gas Pipeline.

In another development, the 5th African Economic Conference was held in Tunis, Tunisia from October 27 – 29, 2010 with the theme 'Setting the Agenda for Africa's Economic Recovery and Long-Term Growth'. The conference was co-organized by the African Development Bank (AfDB), the United Nations Economic Commission for Africa (UNECA), the United Nations Development Programme (UNDP), and the Development Bank of Southern Africa (DBSA). The conference addressed Africa's position in the post-economic crisis world. The AEC featured a wide-range of seminars to discuss key post crisis issues and the economic way forward for Africa. Important subject areas included China-Africa trade; the role of the private sector; the promotion of savings and investment in Africa; the creation of new African financial products; development financing; fiscal policy; governance; green growth, and regional integration.

Also, the Committee of 10 African Ministers of Finance and Governors of Central Banks met on October 6, 2010 in Washington, D.C. The meeting was organized jointly by the African Development Bank (AfDB), the Economic Commission for Africa, and the African Union Commission. The objectives of the meeting were to discuss measures to support the ongoing Africa's recovery and turn it into high growth path; strengthening mobilization of domestic resources; and options for financing sustainable energy solutions.

The following were some of the highlights of the meeting:

- The Committee reviewed the economic performance of the continent and its various sub-regions in 2009 and the outlook for 2010 and 2011 and noted that Africa is recovering and regaining its momentum. They however noted that Africa still faces considerable development challenges and resource gaps.
- They noted that while Africa weathered the crisis, overall, vast differences in outcomes have emerged across countries and sub-groups. Exit strategies from crisis interventions thus needed to vary.
- They agreed that to reach strong, sustained and shared growth, macroeconomic frameworks would need to become more flexible, coherent, and credible. Equally important was that the objectives for macroeconomic policy should be refocused from overemphasizing stabilization to growth.
- To close the vast infrastructure deficit, there was need to establish more public-private partnerships and develop new, innovative forms of financing.

- The Committee further noted that Africa has a massive energy deficit, which limits private sector development, reduces growth, and adversely impacts delivery of basic health and education services. At the same time Africa has considerable untapped potential, particularly for renewable energy. Closing the gap is an opportunity: to promote clean energy; to chart a lower carbon development path; to increase private sector involvement; and to innovate. Africa has contributed little to global warming but is projected to be most affected by climate change.

The End of Year 2010 Statutory Meeting of the West African Monetary Agency (WAMA) was held in Dakar, Senegal from November 23 - 25, 2010. The meeting of the Committee of Governors held on November 25 was preceded by the Joint Technical Committee meeting from November 23 -24, 2010. The objectives of the meetings were to discuss the activities undertaken by WAMA under the ECOWAS Monetary Cooperation Programme during the second half of 2010, including studies, missions and meetings, as well as staff and administrative matters. The meetings discussed various reports, including the progress achieved in the second half of 2010, macroeconomic convergence for the first half of 2010 and staff and administrative issues. The Committee of Governors underscored the importance of financial sector integration in ECOWAS, and observed the need for the process to begin with all the relevant components at the national level. In view of the existing political challenges in Guinea, the Governors consulted and agreed that Nigeria should retain the Chair of the Committee pending resumption of stability in that country.

Furthermore, the G-20 Leaders Summit was held in Seoul, South Korea from November 11 – 12, 2010. The G20 agreed on a series of policy actions designed to respond to the challenges of global recovery and renewed growth, and to better prevent future crises. At the initiative of South Korea development was included as a substantive item on the G-20 agenda. The Seoul Development Consensus sets out their commitment to work in partnership with developing countries. A multi-Year Action Plan on Development was also agreed. African Leaders welcomed the consensus and the emphasis it gives to shared growth, to generating new poles of growth, and national policy ownership. Particular emphasis was given to infrastructure development; a High-Level Panel will be established to recommend measures to mobilise infrastructure financing and review Multilateral Development Bank's (MDB's) policy frameworks.

An International Mission Fund (IMF) Article IV Mission visited Nigeria from November 4–18, 2010 to conduct the 2010 Article IV Consultation, which involved discussion on Nigeria's economic policies with the authorities. Discussions focused on recent developments in the Nigerian economy, the outlook for 2010 and 2011, and the macroeconomic policy framework needed to support Nigeria's long-term goals identified in the country's development strategy, Vision 20:2020. At the end of the Mission, Mr. Scott Rogers, IMF Mission Chief for Nigeria, issued a statement stating that the Nigerian economy weathered the global economic recession and domestic banking crisis remarkably well and that real Gross Domestic Product growth in 2010 is expected to be exceptionally high on the back of a strong recovery in oil production and continued strong growth in other sectors. The statement noted that inflation remains stubbornly high and international reserves continue to fall as the authorities tried to support the exchange rate.

The IMF Mission emphasized the importance of developing a consistent macroeconomic policy framework with the fiscal and monetary authorities and the need for both agencies to collaborate to achieve stability and growth. The Mission supported the authorities' intended reduction in the fiscal deficit for 2011–13, noting that it would enable the government to rebuild safety buffers, support an expansion of credit to the private sector, and lower inflation. It recommended the reallocation of expenditures from recurrent to capital projects to support economic growth. The Mission stated that the medium-term fiscal policy for all levels of government should be anchored by a strong oil-price rule which would align government spending with available resources.

The IMF Mission noted that the quick and firm interventions by the CBN were instrumental in stabilizing the financial sector, and observed that substantial progress was being made in making the Asset Management Corporation of Nigeria (AMCON) operational and in strengthening banking supervision. The Mission highlighted the importance of establishing clear criteria for eligible assets and ensuring full transparency and accountability of AMCON's operations and financial results.

Finally, the 5th Session of the Nigeria-Cameroon Joint Commission was held at the Transcorp Hilton Hotel, Abuja from November 23 – 24, 2010. The Joint Commission was presided over by the leaders of the delegations. In their opening statements, they reviewed the relations between the two countries and expressed satisfaction with the outcome of the Green Tree Agreement. They called for the speedy implementation of all pending Cooperation Agreements between the two countries for the mutual benefit of the peoples of Nigeria and the Cameroons.

The following are some key decisions and discussions at the Joint Commission:

- The Cameroonian side noted that their traders, firms and visitors in Nigeria are unable to remit money back to Cameroon, except through the United Bank for Africa. It was agreed that a meeting be convened between the relevant authorities in Nigeria and Cameroon, to enhance banking relations between the two countries.
- The two sides agreed that the various recommendations on Posts, Telecommunications, and funds transfer adopted at a meeting in October 2009 should be implemented.
- The Cameroonian side raised concern about prohibition of some imports by Nigeria and the inability of some Cameroonian goods to enter the Nigerian market for not having NAFDAC certification. The two sides agreed to explore areas where exemptions on import prohibition can be made for Cameroonian exports. It was also agreed that NAFDAC and its

Cameroonian counterpart should meet and agree protocols on product certification.

- The two countries entered into a Framework Agreement on electricity interconnection. It will lay down the institutional framework for planning, coordination, financing and realisation of electricity interconnection between the Contracting Parties. The Cameroonian side agreed to supply electric power from the Lagdo Dam on River Benue to Adamawa State in Nigeria.
- The Cameroonian side reported that it was difficult for their investors to get space in the Calabar Free-Trade Zone. It was agreed that the Free-Trade Zone Authority of Nigeria would provide necessary information at the Nigerian Embassy in Yaoundé to enable Cameroonians know the steps to follow in applying for space at any of the Free-Trade Zones in Nigeria.
- The two countries agreed to conclude before the end of the first quarter of 2011, the new Trade Agreement between them. The Agreement would provide for the establishment of a Joint Trade Committee that will address issues that arise in the course of bilateral economic relations.
- The two parties expressed satisfaction with the progress so far made in the construction of the Bamenda-Manfe-Abakaliki-Enugu highway which is being financed by the African Development Bank (AfDB), since it was flagged-off in June 2010. The Cameroonian side disclosed that the Japanese Government was also providing financing support to the project. It was agreed that the current effort should be maintained and Nigeria agreed to support the construction of a bridge on the Mayo-Tiyel River linking both countries.

APPENDIX TABLES

Table A1: Money and Credit Aggregates

	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
	₦ billion					
Domestic Credit (Net)	**4820.8**	**5677.2**	**6991.2**	**8612.9**	**9317.7**	**8962.9**
Claims on Federal Government (Net)	*-3405.6*	*-2879.8*	*-2820.2*	*-1489.9*	*-1018.1*	*-740.7*
Central Bank (Net)	-4658.2	-4348.8	-3970.8	*-3272.8*	*-3029.2*	*-2586.3*
Banks	1252.6	1469.0	1150.6	*1782.9*	*2011.1*	*1845.6*
Claims on Private Sector	*8226.4*	*8556.9*	*9811.4*	*10102.8*	*10335.9*	*9703.7*
Central Bank	313.6	336.1	445.7	*396.5*	*564.5*	*588.9*
Banks	7912.8	8220.8	9365.7	*9706.3*	*9771.3*	*9114.7*
Claims on Other Private Sector	*8015.6*	*8305.3*	*9516.4*	*9763.7*	*9994.6*	*9333.8*
Central Bank	313.6	336.1	445.7	*396.5*	*564.5*	*588.9*
Banks	7702.0	7969.2	9070.7	*9367.1*	*9430.1*	*8744.9*
Claims on State and Local Government	*210.9*	*251.7*	*295.0*	*319.2*	*341.3*	*369.8*
Central Bank	--	--	--			
Banks	210.9	251.7	295.0	*319.2*	*341.2*	*369.8*
Claims on Non-financial Public Enterprises	--	--	--			
Central Bank	--	--	--			
Banks	--	--	--			
Foreign Assets (Net)	**8105.3**	**7643.6**	**6886.9**	**6484.8**	**6368.3**	**6303.6**
Central Bank	6961.2	6642.6	5858.9	*5401.0*	*5140.8*	*5169.3*
Banks	1144.2	1001.0	1027.9	*1083.7*	*1227.5*	*1134.3*
Other Assets (Net)	-3928.4	-4243.7	-4419.6	*-4252.2*	*-4461.1*	*-3777.8*
Total Monetary Assets (M2)	**8997.8**	**9077.0**	**9458.5**	**10845.5**	**11224.9**	**11488.7**
Quasi-Money 1/	4331.1	4592.4	5125.0	*5927.5*	*5968.9*	*5954.2*
Money Supply (M1)	**4666.7**	**4484.6**	**4333.5**	**4918.0**	**5256.0**	**5534.4**
Currency Outside Banks	804.1	746.5	778.7	*795.4*	*881.0*	*1082.1*
Demand Deposits 2/	3862.6	3738.2	3554.8	*4122.6*	*4375.0*	*4452.2*
Total Monetary Liabilities (M2)	**8997.8**	**9077.0**	**9458.5**	**10845.5**	**11224.9**	**11488.7**
Memorandum Items:						
Reserve Money (RM)	1384.0	1291.5	1262.0	*1535.1*	*1344.4*	*1803.9*
Currency in Circulation (CIC)	1037.8	1006.6	1031.9	*1063.6*	*1125.5*	*1378.0*
DMBs Demand Deposit with CBN	346.2742443	284.8943461	230.1215833	471.4793	218.92969	425.8902

1/ Quasi money consist of Time, Savings and Foreign Currency Deposit at Deposit Money Banks excluding Taking from Discount Houses.

2/ Demand Deposit consist of State, Local and Parastatals Deposits at CBN, State, Local Government and Private Sector Deposits as well as Demand Deposits of non-financial Public Enterprises at Deposit Money Banks.

Table A2: Money and Credit Aggregates (Growth Rates)

	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
	Percentage Change Over Preceding Quarter					
Domestic Credit (Net)	17.8	23.1	13.1	2.7	8.1	-3.7
Claims on Federal Government (Net)	-15.4	-2.1	-18.4	9.7	-31.1	-27.8
Claims on Private Sector	4.0	14.7	4.0	0.7	2.3	-6.1
Claims on Other Private Sector	3.6	14.6	4.0	0.5	2.2	-6.6
Claims on State and Local Government	19.3	17.2	5.2	0.8	6.9	8.4
Claims on Non-financial Public Enterprises	--	--	--	--	--	--
Foreign Assets (Net)	-5.7	-9.9	10.3	-10.6	-0.5	-2.3
Other Assets (Net)	8.0	4.1	7.0	8.1	6.8	-16.8
Total Monetary Assets (M2)	0.9	4.2	13.8	-1.5	3.5	2.4
Quasi-Money 1/	6.0	11.6	12.5	-2.1	0.7	-0.3
Money Supply (M1)	-3.9	-3.4	15.5	-0.7	6.9	5.3
Currency Outside Banks	-7.2	4.3	19.1	-4.6	10.8	22.9
Demand Deposits 2/	-3.2	-4.9	14.7	0.1	6.1	1.8
Total Monetary Liabilities (M2)	0.9	4.2	13.8	-1.5	3.5	2.4
Memorandum Items:						
Reserve Money (RM)	-6.7	-2.3	31.1	9.5	-12.4	34.2
Currency in Circulation (CIC)	-3.0	2.5	14.5	-8.0	5.8	22.5
DMBs Demand Deposit with CBN	-17.7	-19.2	105.2	53.4	-53.6	94.5
	Percentage Change Over Preceding December					
Domestic Credit (Net)	14.6	14.6	-11.5	9.0	17.8	13.4
Claims on Federal Government (Net)	-7.3	-7.3	22.5	35.3	55.4	67.8
Claims on Private Sector	21.7	26.6	-1.7	-1.0	1.3	-4.9
Claims on Other Private Sector	20.3	25.1	-1.8	-1.1	1.0	-5.7
Claims on State and Local Governments	96.9	107.2	3.7	2.9	10	19.2
Claims on Non-financial Public Enterpris	--	--	--			
Foeign Asset (Net)	-19.5	-11.2	-4.5	-14.6	-15.0	-17.0
Other Asset (Net)	1.9	9.1	-2.2	10.1	4.0	20.1
Total Monetary Assets (M2)	-1.0	-1.0	-12.2	0.7	4.3	6.7
Quasi-Money 1/	6.6	6.6	-11.1	2.8	3.6	3.3
Money Supply (M1)	-7.7	-7.7	-13.4	-1.7	5.0	10.6
Currency Outside Banks	-16.4	-16.4	-16.0	-14.2	-5.0	16.7
Demand Deposits 2/	-5.7	-5.7	-12.8	1.1	7.3	9.2
Total Monetary Liabilities (M2)	-1.0	-1.0	-12.2	0.7	4.3	6.7
Memorandum Items:						
Reserve Money (RM)	-16.6	-16.6	-23.7	-7.2	-18.7	9.1
Currency in Circulation (CIC)	-12.9	-12.9	-12.7	-10.0	-4.8	16.6
DMBs Demand Deposit with CBN	-27.6	-27.6	-51.3	35.0	-53.7	-9.8

Table A3: Federal Government Fiscal Operations (₦ billion)

	Q1-09	Q2-09	Q3-09	Q2-10	Q3-10	Q4-10
Retained Revenue	**701.7**	**519.4**	**758.8**	**827.7**	**728.9**	**573.7**
Federation Account	*363.8*	*311.5*	*346.3*	*440.0*	*516.2*	*518.7*
VAT Pool Account	*16.3*	*15.7*	*18.3*	*20.6*	*21.2*	*25.2*
FGN Independent Revenue	*29.2*	*25.1*	*9.8*	*36.9*	*27.6*	*29.8*
Excess Crude	*100.7*	*150.4*	*201.0*	*152.9*	*113.2*	*0.0*
Others	*191.8*	*16.7*	*183.3*	*177.4*	*50.7*	*0.0*
Expenditure	**669.1**	**894.7**	**950.2**	**977.7**	**1028.2**	**1636.2**
Recurrent	*428.5*	*568.5*	*559.9*	*750.6*	*795.0*	*1216.2*
Capital	*192.7*	*282.0*	*354.3*	*204.1*	*143.8*	*382.8*
Transfers	*47.9*	*44.1*	*36.0*	*23.0*	*89.4*	*41.1*
Overall Balance: Surplus(+)/Deficit(-)	**32.6**	**-375.3**	**-191.4**	**150.0**	**-299.3**	**-1062.4**

Table A4: Gross Domestic Product at 1990 Basic Prices

	Q3-2009	Q4-2009	Q1-2010	Q2-2010	Q3-2010[1]	Q4-2010[1]
			₦ billion			
Real GDP	**197.08**	**210.60**	**160.18**	**174.56**	**212.30**	**228.07**
Oil GDP	*31.12*	*31.38*	*29.41*	*27.41*	*32.34*	*33.44*
Crude Petroleum & Natural Gas	31.12	31.38	29.41	27.41	32.34	33.44
Non-oil GDP	*165.70*	*179.22*	*130.60*	*147.52*	*179.96*	*177.81*
Agriculture	89.11	86.71	57.16	73.88	94.24	91.53
Industry (excluding crude petroleum/natural Gas)	7.59	15.72	2.29	7.46	8.24	16.96
Building & Construction	3.78	3.90	3.00	3.51	3.33	4.37
Wholesale & Retail Trade	32.34	39.10	35.17	28.26	37.30	43.75
Services	32.88	33.79	31.35	34.05	36.82	38.16
			Relative Share (%)			
Real GDP	**100**	**100**	**100**	**100**	**100**	**100**
Oil GDP	*15.8*	*14.9*	*18.4*	*15.7*	*15.2*	*22.1*
Crude Petroleum & Natural Gas	15.8	14.9	18.4	15.70	15.23	14.65
Non-oil GDP	*84.1*	*85.1*	*81.6*	*84.3*	*84.8*	*77.9*
Agriculture	45.2	41.2	35.9	42.60	44.39	40.11
Industry (excluding crude petroleum/natural Gas)	3.9	7.5	1.4	4.30	3.88	7.43
Building & Construction	1.9	1.9	2.7	2.00	1.56	1.91
Wholesale & Retail Trade	16.4	18.6	222.0	16.20	17.56	19.17
Services	16.7	16.0	19.7	19.60	17.34	16.72
			Growth Rate (%)			
Real GDP	**7.3**	**7.67**	**7.36**	**7.69**	**7.72**	**8.36**
Oil GDP	*5.34*	*5.33*	*4.08*	*3.96*	*3.93*	*6.56*
Crude Petroleum & Natural Gas	*4.11*	*4.18*	*4.08*	*3.96*	*3.93*	*6.56*
Non-oil GDP	*8.24*	*8.67*	*8.13*	*8.41*	*8.43*	*8.63*
Agriculture	5.30	5.32	5.43	5.84	5.76	5.56
Industry (excluding crude petroleum/natural Gas)	9.52	8.32	7.44	7.67	8.55	7.91
Building & Construction	11.76	12.87	13.15	12.00	10.72	12.12
Wholesale & Retail Trade	9.54	10.87	9.54	11.40	11.82	11.89
Services	7.77	7.98	11.07	11.60	11.99	12.91

Source: National Bureau of Statistics.

[1] *Provisional.*