



CENTRAL BANK OF NIGERIA

***ECONOMIC REPORT
FOURTH QUARTER 2011***

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 gross domestic product (GDP) grew by 7.7 per cent, compared with 7.4 per cent in the preceding quarter. The development was attributed, largely, to the increase in the contribution of the industry and non-oil sectors.

Broad money supply, (M_2), grew by 5.4 per cent at end-December 2011 relative to the level at end-September 2011. The development reflected the 24.3 and 7.7 per cent rise in domestic credit (net) and foreign assets (net) of the banking system, respectively, which more than offset the 55.0 per cent fall in other assets (net) of the banking system. Narrow money supply, (M_1), also rose by 12.7 per cent, compared with the increase of 6.4 per cent at the end of the preceding quarter of 2011. Reserve money (RM) increased by 34.8 per cent over the level at the end of the preceding quarter, and was 50.8 per cent above the indicative benchmark for the fourth of 2011.

Available data indicated an upward trend in banks' interest rates. The spread between the weighted average term deposit and maximum lending rates narrowed to 17.48 from 17.71 per cent in the preceding quarter. The margin between the average savings deposit and maximum lending rates, however, widened from 20.77 per cent in the preceding quarter to 21.80 per cent. The weighted average interbank call rate, which stood at 8.72 per cent in the preceding quarter, rose to 15.64 per cent, reflecting the liquidity condition in the interbank funds market.

The value of money market assets outstanding increased by 4.4 per cent above the level in the preceding quarter to ₦5,408.6 billion. The development was attributed to the 5.3 and 4.4 per cent increase in FGN Bonds and NTBs outstanding, respectively. Activities on the Nigerian Stock Exchange (NSE) in the fourth Quarter 2011 were mixed.

Total federally-collected revenue in the Fourth quarter of 2011 stood at ₦3,025.10 billion, representing a decline of 9.1 per cent from the level in the preceding quarter, but an increase of 31.3 and 51.7 per cent over the budget estimate and receipts in the corresponding period of 2010, respectively. At ₦2,408.12 billion, oil receipts, which constituted 79.6 per cent of the total, exceeded the budget estimate and the level in the corresponding quarter of 2010 by 41.3 and 66.2 per cent, respectively, but was however, lower than the level in the preceding quarter by 8.9 per cent. The decline in oil

receipts relative to the preceding quarter was attributed, largely, to the fall in the receipts from domestic crude oil and gas sales during the period. Non-oil receipts, at N616.98 billion (20.4 per cent of the total), was above the budget estimate and the corresponding quarter of 2010 by 2.7 and 12.6 per cent, respectively, but was below the level in the preceding quarter by 9.9 per cent per cent. The decline in non-oil revenue relative to the preceding quarter's level largely reflected the decline in corporate taxes and National Information Technology Development Fund (NITDF) during the review period.

Federal Government retained revenue for the fourth quarter of 2011 was ₦587.71 billion, while total expenditure was ₦952.77 billion. Thus, the fiscal operations of the Federal Government resulted in an estimated deficit of ₦365.06 billion or 3.7 per cent of estimated nominal GDP for fourth quarter 2011, compared with the deficit of ₦161.13 billion and ₦715.88 billion for the preceding quarter and the corresponding quarter of 2010, respectively.

Agricultural activities during the quarter under review were dominated by harvesting of various crops, especially yam, Irish and sweet potatoes, maize and groundnuts. Farmers continued with the preparation of land and nurseries for tomatoes, pepper, carrots, cabbage and other vegetables. In the livestock sub-sector, farmers engaged in fattening and other management activities in anticipation of the end of year sales.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.24 million barrels per day (mbd) or 206.08 million barrels for the quarter. Crude oil export was estimated at 1.79 mbd or 164.68 million barrels for the quarter, while allocations 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° API)) estimated at US\$112.28 per barrel, fell by 3.1 per cent below the level in the preceding quarter.

The end-period headline inflation rate (year-on-year), for the fourth quarter of 2011, was 10.3 per cent, same as at the end of the preceding quarter, but lower than the 11.8 per cent recorded at end of the corresponding quarter of 2010. Inflation rate on a twelve-month moving average basis was 10.8 per cent, compared with 11.4 and 13.7 per cent in the preceding quarter and the corresponding quarter of 2010, respectively.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US\$13.60 billion and US\$13.40 billion, respectively, resulting in a net inflow of US\$0.20 billion during the

quarter. Foreign exchange sales by the CBN to authorized dealers amounted to US\$11.57 billion in the fourth quarter of 2011, compared with US\$14.51 billion in the third quarter of 2011.

The average exchange rate of the Naira vis-à-vis the US dollar depreciated by 1.7 and 3.5 per cent to N155.85 per US dollar and N150.65 per US dollar in the preceding quarter and corresponding period of 2010, respectively. In the bureaux-de-change segment of the market, the naira traded at an average of N161.63 per US dollar, compared with N161.71 per US dollar in the preceding quarter. In the interbank segment, the Naira exchanged at an average of N160.29 to the US dollar in the fourth quarter of 2011, compared with N154.32 and N151.65 per US dollar in the previous quarter and the corresponding quarter of 2010, respectively. Non-oil export earnings by Nigerian exporters, at US\$974.29 million, increased by 177.3 and 43.5 per cent over the levels in the preceding quarter and the corresponding quarter of 2010, respectively.

Major international economic developments and meetings of relevance to the domestic economy during the quarter included: the Sixth Ordinary Session of the ECOWAS Convergence Council of Ministers of Finance and Governors of Central Banks held in Lome, Togo, on October 14, 2011. The meeting adopted documents to guide the process for the creation of a single currency in the region.

Also, the Sixth African Economic Conference (AEC) was held in Addis Ababa from October 25-28, 2011. The conference discussed issues relating to the environment, climate change and green growth and how they affect Africa's future prosperity. The participants also reviewed over 40 research proposals and propositions on political, economic and social issues that could help African countries to improve their economies and agriculture without harming the environment.

In a bid to curtail the Euro debt crisis, Euro zone leaders led by French President Nicholas Sarkozy and German Chancellor Angela Merkel struck a deal with private banks and insurers on October 27, 2011 to accept a 50.0 per cent loss on Greek Government bond holdings, under a plan to lower Greece's debt burden and to contain the two-year old Euro zone crisis.

The 41st Council Meeting of the African Development Bank (AfDB) held in Washington, D.C. from November 9 – 10, 2011. At the Meeting, the Global Environment Facility (GEF) approved a grant of USD 20.5 million for the Lake Chad Basin Regional Program for the Conservation and Sustainable Use of Natural Resources and Energy Efficiency. The AfDB plans to contribute USD 146 million of its

resources to the program and was working closely with the five implementing countries (Central African Republic, Cameroon, Niger, Nigeria and Chad) on the program design.

Furthermore, the Seventh Ordinary Session of the Conference of African Ministers of Trade was held in Accra, Ghana on November 29, 2011. Participants deliberated on issues related to intra-African trade, trade with partners outside the African continent, the non-diversification of African exports with regard to products as well as destination markets. Other issues discussed included modalities to boost Intra-African trade, establishment of Continental Free Trade Area (CFTA) and strengthening of supply capacities.

The inaugural Africa Trade Forum (ATF) 2011 was held at the United Nations Conference Centre (UNCC) in Addis Ababa on November 22, 2011 with the theme “Accelerating Intra-African Trade and Enhancing Africa’s participation in Global Trade”. The specific objectives of the Forum were to discuss and agree on specific inputs into the African Ministerial Conference on Trade, as well as the African Union Heads of State Summit scheduled for January 2012, on the theme “Boosting Intra-African Trade”. Participants at the Forum include government policy makers, private sector operators, civil society, parliamentarians, academia and researchers, RECs and export promotion agencies.

Finally, the second meeting of the Working Group of the Steering Committee of the African Central Bank (ACB) was held at the Steering Committee Secretariat in Abuja, Nigeria from December 12 – 16, 2011. The meeting was convened to discuss and review the Terms of Reference and to design a work programme, action plan, timelines and a budget for the establishment of the African Central Bank.

2.0 *Financial Sector Developments*

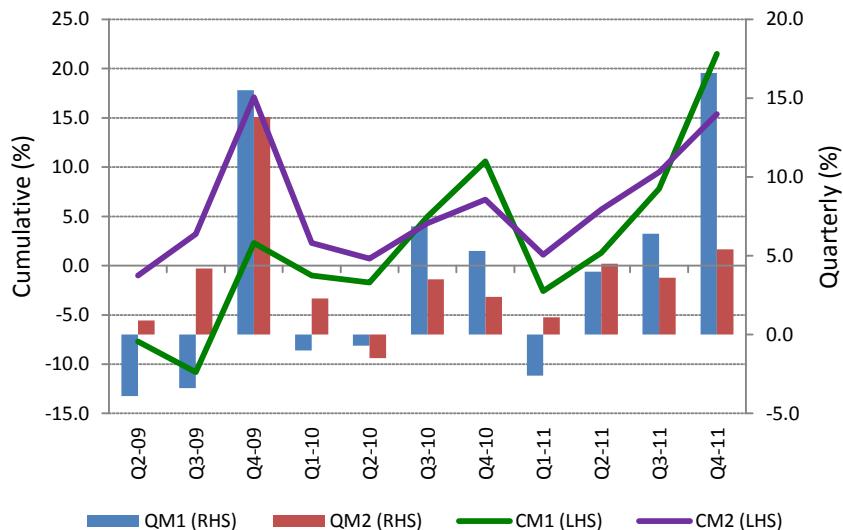
2.1 Monetary and Credit Developments

The growth in the key monetary aggregate was significant at the end of the fourth quarter of 2011. Banks' deposit rates generally increased, while lending rates indicated mixed developments during the quarter under review. The value of money market assets increased, due largely, to the rise in FGN bonds and NTBs. Transactions on the Nigerian Stock Exchange (NSE) was mixed during the review quarter.

Key monetary aggregate grew moderately during Q4 2011.

Provisional data indicated that major monetary aggregate grew significantly at the end of the fourth quarter of 2011. Relative to the level at the end of the preceding quarter, broad money supply, (M_2), grew by 5.4 per cent to ₦13,300.3 billion at end-December 2011, compared with the growth of 3.6 per cent at end-September 2011. The development reflected the 24.3 per cent and 7.7 per cent growth in domestic credit (net) and foreign assets (net), respectively, which more than offset the effect of the 55.0 per cent decline in other assets (net) of the banking system. Narrow money supply, (M_1), at ₦6,768.4 billion, also rose by 12.7 per cent at the end of the fourth quarter, compared with the increase of 6.4 per cent at the end of the preceding quarter of 2011. The development reflected the 15.9 and 19.9 per cent increase in its demand deposit and currency components, respectively. Quasi money, at ₦6,531.9, declined by 1.3 per cent below the level at the end of the corresponding quarter.

Relative to the level at end-December 2010, M_2 rose by 15.4 per cent, reflecting the 42.4 and 10.4 per cent increase in domestic credit (net) and foreign assets (net) of the banking system, respectively. Similarly, M_1 grew by 21.5 per cent, owing to the 15.0 and 23.1 per cent increase in its currency outside banks and demand deposit components, respectively (Fig. 1, Table 1).

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

At ₦12,403.2 billion, aggregate banking system credit (net) to the domestic economy, rose by 24.3 per cent at the end of the fourth quarter of 2011, compared with 12.1 per cent at the end of the preceding quarter. The development reflected largely, the 53.6 and 16.3 per cent increase in claims on the Federal Government and the private sector, respectively.

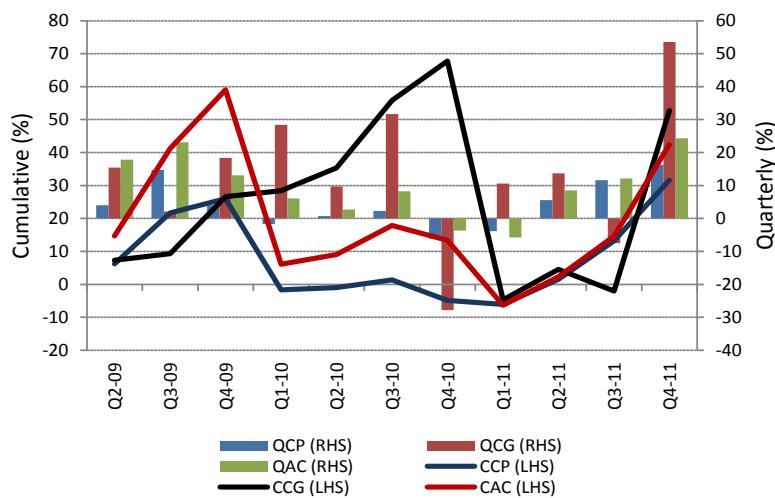
Banking system's credit (net) to the Federal Government, at the end of the review quarter, rose by 53.6 per cent to negative ₦531.2 billion, in contrast to a decline of 7.5 per cent in the preceding quarter. The development was accounted for largely by the increase in banking system's holdings of Federal government securities, particularly FGN Bonds and Treasury Bills. The Federal Government, however, remained a net lender to the banking system at the end of the review quarter.

At the end of fourth quarter 2011, banking system's credit to the private sector rose by 16.3 per cent to ₦12,934.3 billion, compared with the increase of 11.6 per cent at the end of the

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

preceding quarter. The development was attributed, wholly, to the 15.8 per cent increase in claims on the core private sector (Fig. 2, Table 1).

Figure 2: Growth Rate of Aggregate Domestic Credit to the Economy²



At ₦7,180.6 billion, foreign assets (net) of the banking system increased by 7.7 per cent at the end of the fourth quarter of 2011, compared with the increase of 3.4 per cent at the end of the preceding quarter of 2011. The development was attributed to the increase of 11.4 per cent in CBN's holdings of foreign assets. Quasi-money fell by 1.3 per cent to ₦6,531.9 billion, in contrast to the growth of 1.2 per cent at the end of the preceding quarter of 2011. The development reflected the rise in two of its components namely, time and savings deposits of the DMBs.

Other assets (net) of the banking system rose by 55.9 per cent, to ₦6,283.5 billion, compared with the increase of 26.6 per cent at end-September 2011. The increase reflected, largely, the rise in unclassified assets of both the CBN and the DMBs.

Banking system credit to the private sector rose at the end of the fourth quarter of 2011.

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

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).

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

	Mar-09	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11
Domestic Credit (Net)	17.8	2.7	8.1	-6.4	-9.8	8.5	12.1	24.3
<i>Claims on Federal Government (Net)</i>	-15.4	-9.7	-31.1	9.3	-40.1	13.7	-7.5	53.6
<i>Claims on Private Sector</i>	4.0	0.7	2.3	-4.9	-4.1	5.6	11.6	16.3
<i>Claims on Other Private Sector</i>	3.6	0.5	2.1	-5.4	-4.3	5.6	12.3	15.8
Foreign Assets (Net)	-5.7	-10.6	-0.5	0.8	7.4	-7.6	3.4	7.7
Other Assets (Net)	8.0	8.1	6.7	18.7	13.6	-10.1	26.6	-55.9
Broad Money Supply (M2)	0.9	-1.5	3.5	2.7	1.1	4.5	3.6	5.4
Quasi-Money	6.0	-2.1	0.7	-0.3	4.6	4.9	1.2	-1.3
Narrow Money Supply (M1)	-3.9	-0.7	-0.7	5.3	-2.6	4.0	6.4	12.7
<i>Memorandum Items:</i>								
Reserve Money (RM)	-10.7	9.5	-12.4	37.2	-7.6	21.1	-7.6	34.8

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

At ₦1, 565.8 billion, currency in circulation rose by 16.6 per cent at the end of the fourth quarter of 2011, in contrast to the decline of 1.5 per cent at the end of the preceding quarter of 2011. The development was attributed, largely, to the 23.0 per cent increase in currency outside the banking system.

Total deposits at the CBN amounted to ₦5,893.7 billion, indicating an increase of 13.3 per cent, compared with 9.8 per cent at the end of the preceding quarter of 2011. The development reflected the 115.3 and 8.5 per cent increase in DMBs and private sector deposits, respectively, which more than offset the 0.2 per cent decline in Federal Government Deposit. Of the total deposits, the shares of the Federal Government, banks and "others" were ₦4,072.5 billion (69.1 per cent), ₦1,218.5 billion (20.7 per cent) and ₦602.8 billion (10.2 per cent), respectively.

Reserve money (RM) increased at the end of the fourth quarter of 2011.

Consistent with the trends in DMBs' deposits with the CBN, the reserve money (RM), increased by 34.8 per cent to ₦2,784.3 billion, from ₦1,908.9 billion at the end of the preceding quarter.

2.3 Money Market Developments

Following the monetary tightening stance of the Bank, most financial market indicators trended upward during the review period. The Bank was proactive in the implementation of its monetary policy. In order to ensure that major inflows such as the purchase of ₦1.84 trillion worth of Asset Management

Corporation (AMCON) Bond by the Bank did not distort the market, stabilization security worth N373.73 billion was sold to the DMBs to mop up the surplus created.

Following the completion of the process of recapitalization of most of the intervened banks during the review quarter, the financial markets became more stable with stronger banks emerging. The development resulted in the reduction of volume requested at both the SLF and repurchase transaction (REPO) segments.

Provisional data indicated that the value of money market assets outstanding at the end of the fourth quarter of 2011 stood at N5,408.6 billion, showing an increase of 4.4 per cent, compared with the increase of 3.8 per cent recorded at the end of the third of 2011. The development was attributed to the 5.3 and 4.4 per cent increase in FGN Bonds and Nigerian Treasury Bills outstanding, respectively.

2.3.1 *Interest Rate Developments*

Available data indicated an upward trend in banks' interest rates in the fourth quarter of 2011. With the exception of the average savings deposit, which declined by 0.16 percentage point to 1.41 per cent, all other rates on deposits of various maturities rose from a range of 2.13 – 5.81 per cent in the third quarter of 2011 to 3.37 – 7.09 per cent. Similarly, at 5.73 per cent, the average rate on term deposit, increased by 1.10 percentage point above the level in the preceding quarter. The maximum and prime lending rates also rose by 0.87 and 0.80 percentage points to 23.21 and 16.69 per cent, respectively, in the fourth quarter. Consequently, the spread between the weighted average term deposit and maximum lending rate narrowed to 17.48 percentage points from 17.71 in the preceding quarter. The margin between the average savings deposit and the maximum lending rate, however, widened from 20.77 per cent in the preceding quarter to 21.80 percentage points. *With headline inflation rate of 10.3 per cent at end-December 2011, all rates, with the exception of lending rates, were negative in real terms.*

At the interbank call segment, the weighted average interbank call rate, which stood at 8.72 per cent at end September 2011, rose significantly by 6.92 percentage points

All deposits of various maturities trended upwards in Q4 2011.

The spread between the weighted - average term deposit and maximum lending rates widened.

All interbank money market rates trended upwards in Q4 2011.

to 15.64 per cent in the fourth quarter of 2011, reflecting the liquidity condition in the inter-bank funds market. The weighted average rate at the Open Buy Back (OBB) segment, increased to 13.52 per cent at the end of the review quarter from 8.8 per cent in the preceding quarter. The Nigeria Interbank Offered Rate (NIBOR) for the 7- and 30-day tenors also increased to 15.83 and 16.30 per cent, respectively, in the review quarter from 10.33 and 11.25 per cent in the third quarter of 2011 (Fig. 3, Table 2).

Figure 3: Selected DMBs Interest Rates (Average)

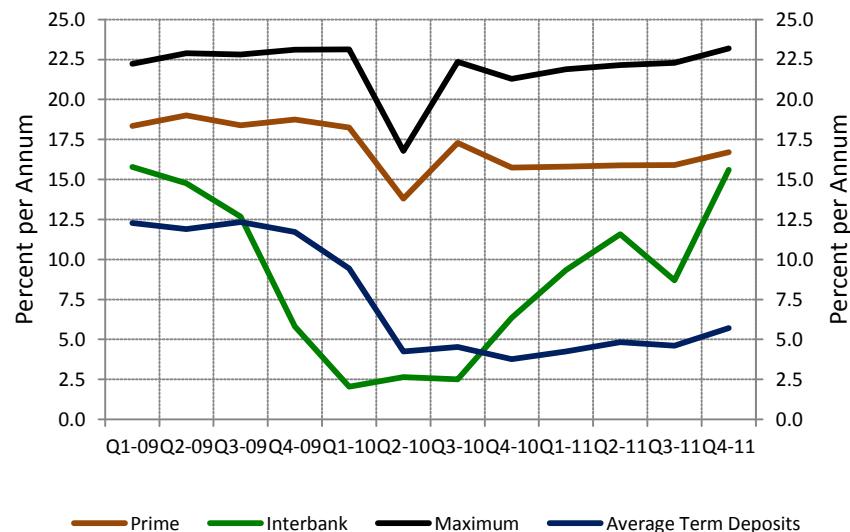


Table 2: Selected Interest Rates (Percent, Averages)

	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11
Average Term Deposits	12.33	11.72	8.70	5.7	4.1	4.4	4.1	4.7	4.6	5.7
Prime Lending	18.38	18.6	18.86	18.5	17.0	15.7	15.8	15.8	15.9	16.7
Interbank	12.68	5.80	2.59	2.98	2.5	8.2	7.6	10.6	8.7	15.6
Maximum Lending	22.82	23.12	23.24	22.69	22.3	21.9	21.9	22.2	22.3	23.2

2.3.2 Commercial Paper (CP)

The value of Commercial Paper (CP), held by DMBs declined by 3.0 per cent to ₦203.0 billion at the end of the fourth quarter of 2011, as against an increase of 11.0 per cent at the end of the preceding quarter. Thus, CP constituted 3.8 per cent of the total value of money market assets outstanding, compared with 4.0 per cent as at the end of the preceding quarter.

Investment in
CPs by DMBs
declined in the
fourth quarter
of 2011.

2.3.3 Bankers' Acceptances (BAs)

The value of BAs held by DMBs fell by 15.6 per cent to ₦73.4 billion at the end of the review quarter, as against the rise of 45.1 per cent at the end of the preceding quarter. The development reflected the decline in investments in BAs by deposit money banks and discount houses. Consequently, BAs accounted for 1.4 per cent of the total value of money market assets outstanding at the end of the review quarter, compared with 1.7 per cent at the end of the preceding quarter.

DMBs' holdings of BAs fell during Q4 of 2011.

2.3.4 Open Market Operations

Maturities ranging from 6 to 356 days were used to mop up excess liquidity at the Open Market Operation (OMO). Total sales in the fourth quarter was N1,416.12 billion, while the bid rates ranged from 11.00 – 20.69 per cent. The issue rates for the review period ranged from 12.31 – 17.05 per cent. The fourth quarter allotment showed an increase of 130.8 per cent, compared with the previous quarter allotment of ₦613.49 billion.

2.3.5 Primary Market

At the primary market segment, NTBs of 91-, 182- and 364-day tenors, amounting to ₦907.50, ₦1,462.78 and ₦872.79 billion, respectively, were offered, subscribed to and allotted in the fourth quarter of 2011, compared with the respective sums of ₦782.16 billion, ₦1396.4 billion and ₦709.22 billion in the preceding quarter. The bid rates ranged from 10.0100 to 19.0100 per cent for the 91- day tenor, 11.2500 to 19.1100 per cent for the 182-day tenor and 12.5000 to 20.0000 per cent for the 364-day tenor, compared with the range of 6.80 to 10.23, 7.09-12.99 and 8.4-13.50 per cent for the same tenors in the preceding quarter. Patronage at the primary market remained impressive and reflected market players' preference for risk-free government securities with attractive yields.

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

2.3.6 Bonds Market

FGN Bonds of 3-, 5- and 10-year tranches were re-opened during the fourth quarter of 2011. The total amount allotted for the 3-, 5- and 10-year tenors were ₦8.00 billion, ₦17.67 billion, and ₦159.10 billion, respectively. The marginal rates were

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

15.50 – 18.00, 16.30 - 18.00 and 15.00-18.00 per cent, respectively, for the 3-, 5- and 10- year tenors. The increase in yield in the fourth quarter was attributed to further monetary tightening through the upward review of MPR by the Bank, from 8.75 in July to 9.25 per cent in September 2011 and to 12.0 per cent in October 2011.

The MPR and SLF rates were 12.0 and, 14.0 per cent, while the SDF was 10.0 per cent.

2.3.7 CBN Standing Facilities

The total Standing Lending Facility (SLF) granted during the review period was ₦10,448.41 billion, compared with ₦12,886.59 billion in third the quarter 2011. The development was due mainly to the stronger position of some DMBs that had recently completed the process of recapitalization and the inflow from the AMCON Bond proceeds.

2.4 Deposit Money Banks' Activities

Available data indicated that the total assets and liabilities of the DMBs stood at ₦19,396.6 billion at the end of the fourth quarter of 2011, representing a decline of 2.0 per cent from the level at the end of the preceding quarter. The funds, which were sourced, largely, from increased deposit liabilities and recovery of loans from the private sector, were used mainly to purchase Federal Government Securities, acquisition of unclassified liabilities and accretion to capital accounts. Central Bank's credit to the DMBs largely, loans and advances, declined by 25.6 per cent to ₦295.0 billion at the end of the review quarter.

The liquidity ratio in December 2011 at 42.0 per cent was above the stipulated minimum liquidity ratio by 12.0 percentage points. Loan-to-deposit ratio fell below the prescribed minimum by 35.2 percentage points.

At ₦12,632.0 billion, DMBs' credit to the domestic economy, increased by 2.4 per cent above the level in the preceding quarter. The development was attributed, wholly, to the 43.7 per cent increase in claims on the Federal Government.

Total specified liquid assets of the DMBs stood at ₦6,090.9 billion, representing 42.0 per cent of their total current liabilities. At that level, the liquidity ratio rose by 22.0 and 12.0 percentage points above the levels at the end of the preceding quarter and the stipulated minimum ratio of 30.0 per cent, respectively. The loans-to-deposit ratio, at 44.8 per cent, also increased by 1.4 percentage points above the level at the end of the preceding quarter, but was 35.2 percentage points below the prescribed minimum ratio of 80.0 per cent.

2.5 Discount Houses' Activities

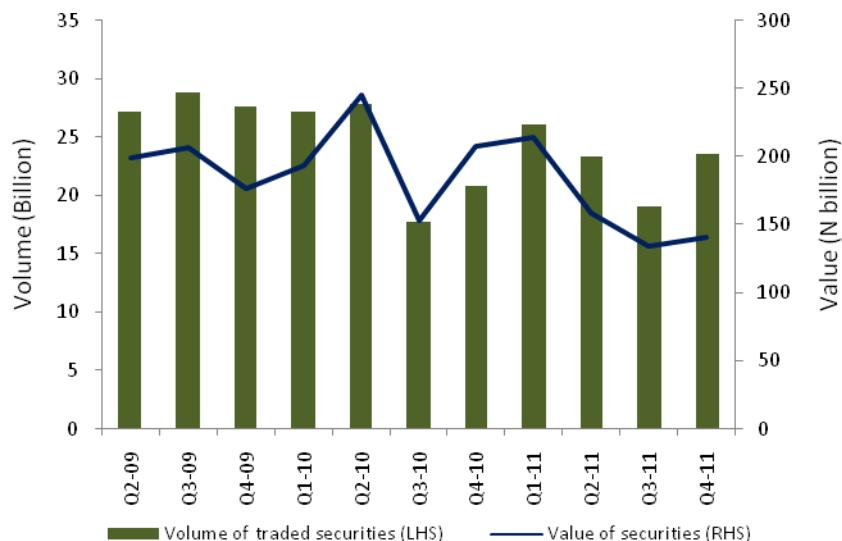
Total assets/liabilities of the discount houses stood at ₦305.9 billion at the end of fourth quarter of 2011, indicating a decline of 8.4 and 15.6 per cent below the levels at the end of the preceding quarter and the corresponding quarter of 2010, respectively. The fall in assets was accounted for, largely, by the 50.9 per cent decline in claims on "others". Correspondingly, the fall in total liabilities was attributed, largely, to the decline of 30.3 per cent in the level of money-at-call during the period.

Discount houses' investment in Federal Government securities of less than 91-day maturity increased by 12.2 per cent to ₦62.5 billion and represented 20.4 per cent of their total deposit liabilities. At this level, discount houses' investment was also 27 percentage points below the prescribed minimum level of 60.0 per cent for fiscal 2011. Total borrowing by the discount houses was ₦3.0 billion, while their capital and reserves stood at ₦49.6 billion. This resulted in a gearing ratio of 1.2:1, compared with the stipulated maximum of 50:1 for fiscal 2011.

2.6 Capital Market Developments

2.6.1 Secondary Market

Activities on the Nigerian Stock Exchange (NSE) were mixed. The volume and value of traded securities rose by 23.6 and 4.8 per cent to 23.6 billion shares and N140.9 billion, respectively, in 428,993 deals, compared with 19.09 billion shares, valued at N134.44 billion, in 317,002 deals in the preceding quarter. The Banking sub-sector remained the most active on the Exchange with a traded volume of 939.01 billion shares, valued at N77.01 billion in 111,645 deals. This was followed by the insurance sub-sector with a traded volume of 8.93 billion shares, valued at N13.7 billion in 7,482 deals.

Figure 4: Volume and Value of Traded Securities**Table 3: Traded Securities on the Nigerian Stock Exchange (NSE)**

	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11
Volume (Billion)	27.6	27.2	27.3	17.7	20.8	26.1	24.3	19.1	23.6
Value (₦ Billion)	177.0	193.8	245.2	153.0	207.6	214.6	159.1	134.4	140.9

2.6.2 Over-the-Counter (OTC) Bonds Market

Transactions on the Over-the-Counter (OTC) bonds market, indicated a turnover of 1.83 billion units worth ₦1.4 trillion in 13,206 deals in the review quarter, compared with 2.6 billion units, valued at ₦1.3 trillion, in 17,944 deals in the third quarter of 2011.

2.6.3 New Issues Market

There were four (4) supplementary issues in the fourth quarter of 2011 as shown below.

Table 4: New and Supplementary Securities Issue

S/N	Company	Additional Shares (billion)	Reasons
1	Premier Breweries Plc	0.86	Conclusion of Rights issue
2	Sovereign Trust Insurance Plc	1.7	Conclusion of Right Issue
3	Ecobank Transnational Incorp.	2.5	Acquisition of Oceanic Bank Inter. Plc
4	Sterling Bank Plc	3.1	Merged with Equitorial Trust Bank Ltd

Market capitalization increased, while All-Share Index trended downwards during Q4 2011.

2.6.4 Market Capitalization

The market capitalization of the 186 listed securities rose by 1.1 per cent to ₦10.28 trillion over the preceding quarter's level of ₦10.17 trillion. The equities sub-sector, accounted for 63.61 per cent of the total market capitalization (₦10.28 trillion).

2.6.5 NSE All-Share Index

The All-Share Index of listed securities which opened at 23,373.0 at the beginning of the quarter, closed at 20,730.63, representing a decline of 12.7 per cent below the level in the preceding quarter. Three of the four sectoral indices, the NSE Food/Beverage, Banking and Insurance, increased by 0.9, 0.14 and 0.04 per cent, respectively, while Oil/Gas index declined by 0.42 per cent.

Figure 5: Market Capitalization and All-Share Index

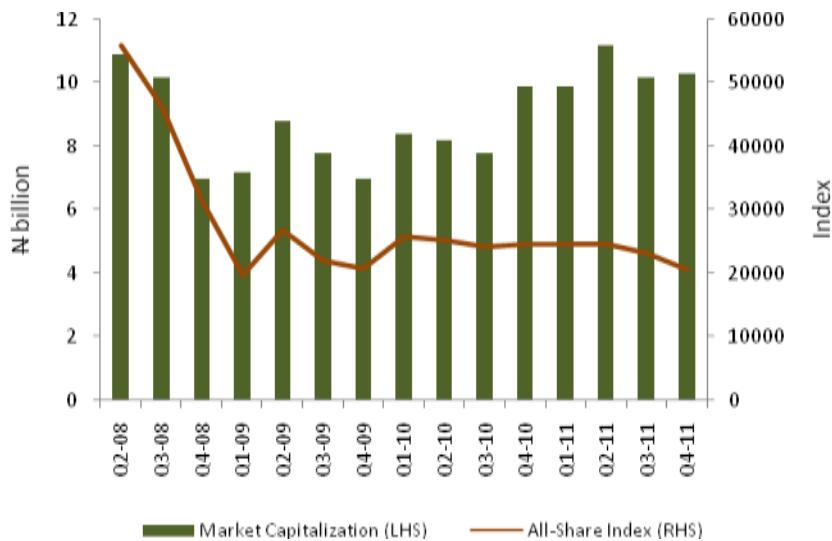


Table 5: Market Capitalization and All Share Index (NSE)

	Q1-09	Q2-09	Q3-09	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11
Market Capitalization (₦ trillion)	7.2	8.8	7.8	8.2	7.8	9.9	9.9	11.2	10.2	10.3
All Share Index (Equities)	19851.9	26861.6	22065.0	25384.1	24268.2	24770.5	24621.2	24980.2	23373.0	20730.6

3.0 *Fiscal Operations*

3.1 Federation Account Operations

Available data showed that total federally-collected revenue during the fourth quarter of 2011 stood at ₦3,025.10 billion, representing a decline of 9.1 per cent from the level in the preceding quarter, but an increase of 51.7 per cent above the level in the corresponding quarter of 2010 (Fig. 6, Table 5).

Gross federally collected revenue fell by 9.1 per cent below the level in the preceding quarter.

Figure 6: Components of Gross Federally Collected Revenue

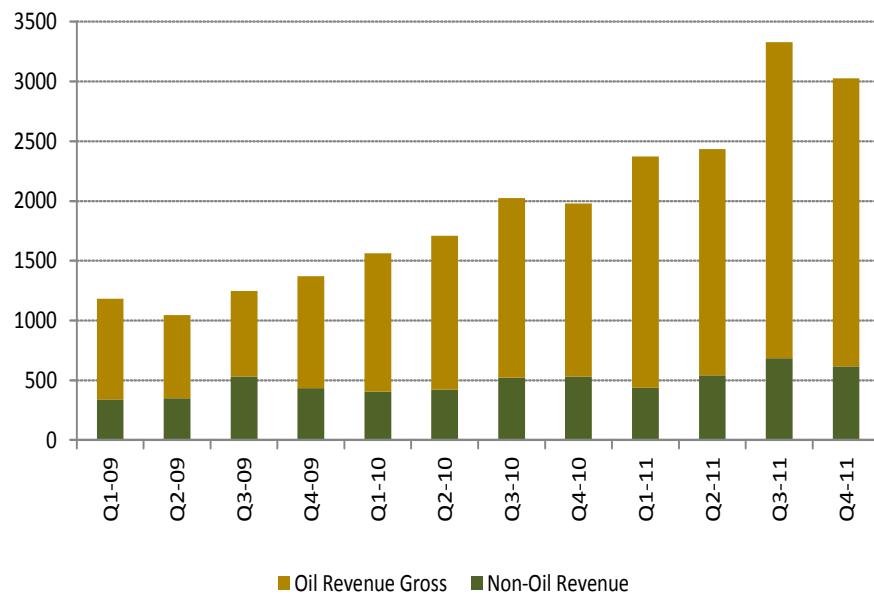
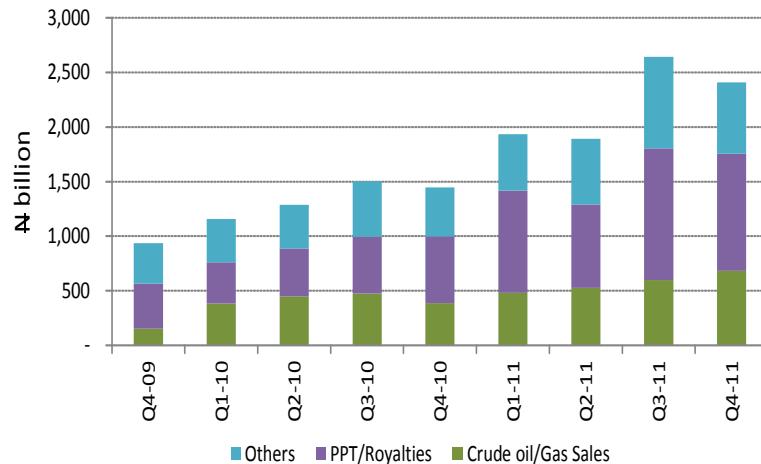


Table 6: Gross Federation Account Revenue (₦ billion)

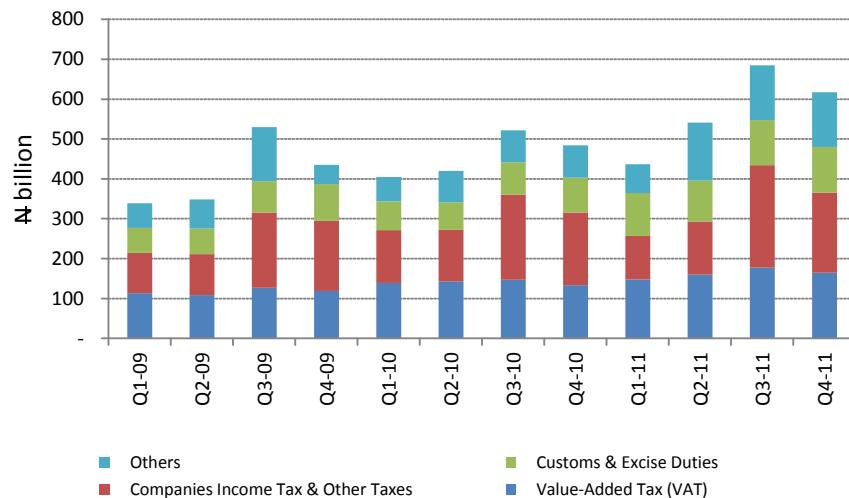
	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11
Federally-collected revenue (Gross)	1246.9	1371.5	1554.3	1712.0	2023.6	1994.6	2372.3	2433.2	3327.8	3025.1
Oil Revenue	716.8	936.3	1156.7	1288.7	1502.0	1448.6	1935.6	1892.4	2642.8	2408.1
Non-Oil Revenue	530.1	435.2	397.5	423.3	521.5	546.0	436.6	540.9	685.0	617.0

At ₦2,408.12 billion, gross oil receipts, which constituted 79.6 per cent of the total, exceeding the budget estimate by 41.3 per cent, but was lower than the level in the preceding quarter by 8.9 per cent. The decline in oil receipts relative to the preceding quarter was attributed, largely, to the fall in the receipts from petroleum profit tax (PPT) and royalties (Fig. 7, Table 7).

Figure 7: Gross Oil Revenue and Its Components**Table 7: Components of Gross Oil Revenue (N billion)**

	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11
Oil Revenue	716.8	936.3	1156.7	1288.7	1502.0	1448.6	1935.7	1892.4	2642.8	2408.1
Crude oil/Gas Sales	205.9	151.9	384.8	449.5	476.1	385.8	481.1	526.6	596.9	683.4
PPT/Royalties	329.4	414.9	376.5	436.7	520.1	611.4	935.9	763.1	1206.5	1070.9
Others	181.4	369.4	394.1	402.4	505.8	450.5	517.8	602.8	839.4	653.8

Non-oil receipts, at N616.98 billion (20.4 per cent of the total), was above the budget estimate by 2.7 per cent, but was below the level in the preceding quarter by 9.9 per cent. The decline in non-oil revenue relative to the preceding quarter reflected, largely, the decline in Corporate Taxes and National Information Technology Development Fund (NITDF) during the review period (Fig. 8, Table 8).

Figure 8: Gross Non-Oil Revenue and Its Components**Table 8: Components of Gross Non-Oil Revenue (N billion)**

	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11
Non-Oil Revenue	435.2	397.5	423.3	512.5	546.0	436.6	540.9	667.3	617.0
Value-Added Tax (VAT)	119.1	139.2	143.1	147.3	133.1	147.4	159.7	177.7	164.7
Companies Income Tax & Other Taxes	175.8	132.2	129.3	213.2	182.6	109.8	133.5	257.0	200.3
Customs & Excise Duties	92.0	72.0	68.7	81.0	87.5	107.7	102.9	112.9	114.9
Others	48.3	61.4	82.2	80.1	80.3	71.8	144.8	119.8	176.6

As a percentage of projected fourth quarter 2011 nominal GDP, oil and non-oil revenue were 24.2 and 6.2 per cent, respectively.

Of the gross federally-collected revenue during the review quarter, the sum of ₦1,404.18 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 ₦663.50 billion, while the states and local governments received ₦336.54 billion and ₦259.46 billion, respectively. The balance of ₦144.68 billion went to the 13.0% Derivation Fund for distribution to the oil-producing states. Also, the Federal Government received ₦23.72 billion from the VAT Pool Account, while the state and local governments received ₦79.05 billion and ₦55.34 billion, respectively. During the period under review, the sum of ₦257.08 billion was drawn-down from the excess crude account to bridge the short-fall in revenue for the period and was shared as follows: Federal (₦117.82 billion), state (₦59.76 billion) and local governments

The sum of ₦1404.18 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.

(₦46.07 billion). Thus, the total allocation to the three tiers of government in the fourth quarter of 2011 amounted to ₦1,849.83 billion.

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 2011 budget provision for the quarter.

At ₦587.71 billion, the Federal Government retained revenue for the fourth quarter of 2011 was lower than the quarterly budget estimate, receipts in the preceding quarter and the corresponding quarter of 2010 by 34.7, 50.4, and 34.8 per cent, respectively. Of this amount, the Federal Government share from the Federation Account was N423.20 billion (72.07%), the VAT Pool Account was N15.55 billion (2.65%), FGN Independent Revenue N39.51 billion (6.64%), while "Others" accounted for N109.45 billion (18.64%), respectively (Fig. 9, Table 8).

Figure 9: Federal Government Retained Revenue

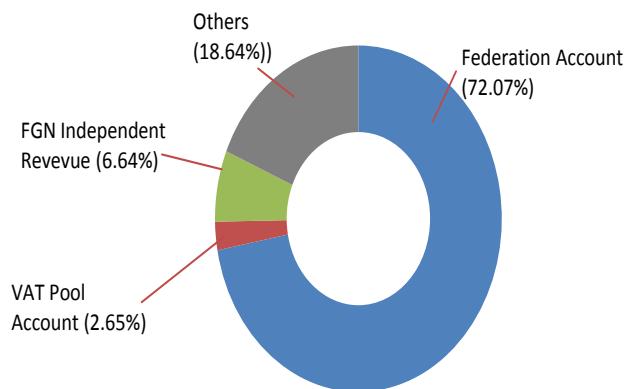


Table 9: Federal Government Fiscal Operations (₦ billion)

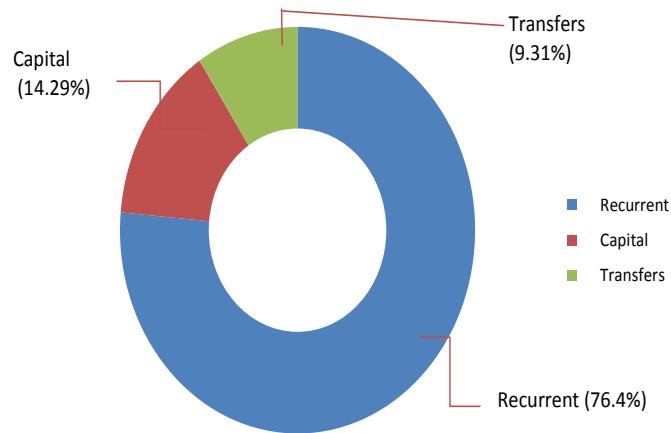
	Q1-09	Q2-09	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11
Retained Revenue	701.7	519.4	562.9	827.7	827.7	783.8	585.9	735.0	1184.2	587.7
Expenditure	669.1	894.7	840.4	977.7	1028.2	1499.6	872.5	912.5	1345.3	952.8
Overall Balance: Surplus(+)/Deficit(-)	32.6	-375.3	-277.5	-150.0	-150.0	-715.8	-286.6	-177.5	-161.1	-365.1

Total expenditure for fourth quarter stood at ₦952.77 billion, indicating lower outlay relative to the levels in the quarterly budget estimate and the preceding quarter by 19.6 and 29.2

per cent, respectively. The development was attributed to the delay in capital releases during the period. A breakdown of total expenditure showed that the recurrent component accounted for 76.4 per cent, capital component 14.3 per cent, while statutory transfers accounted for the balance of 9.3 per cent (Fig. 10). Further breakdown of the recurrent expenditure showed that the non-debt component accounted for 79.5 per cent, while debt service payments accounted for the balance of 20.5 per cent.

Thus, the fiscal operations of the Federal Government resulted in an estimated deficit of N365.06 billion or 3.7 per cent of GDP, compared with the quarterly budget deficit and the preceding period deficit of N284.16 billion and N161.13 billion, respectively. The deficit was financed mainly from domestic sources, particularly through the issuance of additional FGN Bonds.

Figure 10: Federal Government Expenditure



3.2.2 *Statutory Allocations to State Governments*

Total receipts, including the 13.0 per cent Derivation Fund and share of VAT of the state governments from the Federation Account stood at ₦672.38 billion during the review quarter. This represented an increase of 8.9 and 53.8 per cent, over the levels in the preceding quarter and the corresponding quarter

The fiscal operations of the FG resulted in an estimated deficit of 3.7 per cent of GDP in Q4 2011, financed through domestic borrowing.

of 2010, respectively.

Further breakdown showed that, at ₦79.05 billion, receipts from the VAT Pool Account declined by 6.7 per cent from the level in the preceding quarter, while receipts from the Federation Account stood at ₦593.32 billion. Of the Federation Account receipts, N490.32 was from statutory allocation, while N182.06 billion was from the 13% Derivation Fund. On a monthly basis, the sum of N229.09 billion, N220.85 billion and N222.44 billion was allocated as statutory allocations and VAT receipts to the 36 state governments in October, November and December 2011, 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 2011, stood at ₦372.40 billion. This amount was lower than the level in the preceding quarter by 24.6 per cent, but higher than the level in the corresponding quarter of 2010 by 37.1 per cent. Of the total amount, allocation from the Federation Account was 85.1 per cent, while VAT Pool Account accounted for the balance of 14.9 per cent. On a monthly basis, the sum of ₦122.36 billion, ₦127.92 billion and ₦122.12 billion was allocated as statutory allocations and VAT receipts to the 774 local governments in October, November and December 2011, respectively.

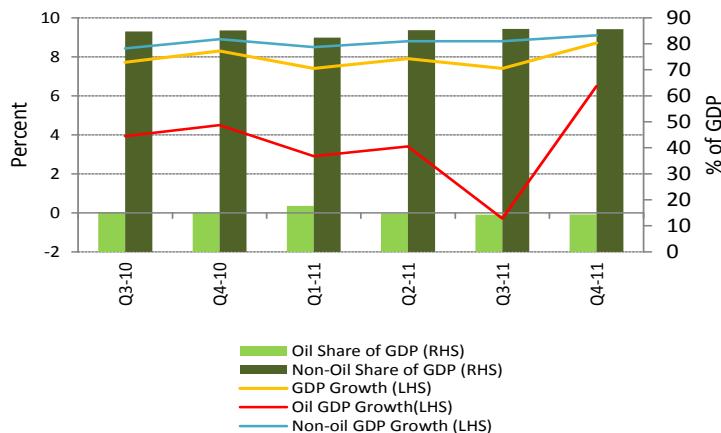
4.0 Domestic Economic Conditions

Aggregate output growth measured by the real gross domestic product (GDP) grew by 7.7 per cent, compared with 7.4 per cent in the preceding quarter. The development was attributed largely to the 9.1 per cent growth in the non-oil sector. Crude oil production was estimated at 2.24 million barrels per day (mbd) or 206.08 million barrels for the quarter. The end-period inflation rate for the fourth quarter of 2011, on year-on-year basis, was 10.3 per cent, compared with 10.3 and 11.8 per cent in the preceding quarter and the corresponding quarter of 2010, respectively. The inflation rate on a 12-month moving average basis was 10.8 per cent, compared with the 11.4 and 13.7 per cent in the preceding quarter and corresponding period of 2010.

4.1 Aggregate Output

Aggregate output in the fourth quarter measured by gross domestic product (GDP) at 1990 basic prices grew by 7.7 per cent, compared with 7.4 per cent recorded in the preceding quarter. The rise in the review quarter was attributed largely to the growth in the non-oil sector. Relative to the corresponding quarter of 2010, the real GDP grew at approximately 8.4 per cent.

Real non-oil GDP stood at 9.1 per cent and accounted for 85.6 per cent of total GDP in the review quarter. Real oil GDP, comprising crude petroleum and natural gas, grew by 6.5 per cent when compared with the level at the preceding quarter of 2011 and accounted for 14.4 per cent of the total GDP (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)**

	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11
Growth Rate (%)						
Real GDP	7.7	8.3	7.4	7.7	7.4	8.7
Oil (Crude Petroleum/Natural Gas)	3.9	4.5	2.9	3.4	-0.3	6.5
Non-oil	8.4	8.6	8.4	8.8	8.8	9.1
Share in Real GDP (%)						
Real GDP	100.0	100.0	100.0	100.0	100.0	100.0
Oil (Crude Petroleum/Natural Gas)	15.2	14.9	17.6	14.8	14.3	14.4
Non-Oil	84.8	85.1	82.4	85.2	85.7	85.6

4.2 Agricultural Sector

Agricultural activities during the fourth quarter of 2011 were dominated by harvesting of various crops, especially yam, Irish and sweet potatoes, maize and groundnuts. Farmers continued with the preparation of land and nurseries for tomatoes, pepper, carrots, cabbage and other vegetables. In the livestock sub-sector, farmers engaged in fattening and other management activities in anticipation of the end of year sales.

A total of ₦3, 378.8 million was guaranteed to 15,405 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in the fourth quarter of 2011. This represented a decline of 4.9 per cent from the level in the preceding quarter, but an increase of 12.9 per cent above the level in the corresponding quarter of 2010.

A sub-sectoral analysis of the loans guaranteed indicated that the food crops sub-sector received the largest share of ₦2,015.9 million (59.7 per cent) for 11,328 beneficiaries, while the livestock sub-sector got ₦761.0 million (22.5 per cent) for 1,481 beneficiaries. Also, 1,085 beneficiaries in the fisheries sub-sector obtained ₦316.9 million (9.4 per cent); 'Others' sub-sector obtained ₦136.8 million (4.0 per cent) guaranteed to 231 beneficiaries. In the mixed crop sub-sector, 1,232 beneficiaries received ₦122.4 million (3.6 per cent), while ₦25.7 million (0.8 per cent) was disbursed to 48 beneficiaries in the cash crop sub-sector. Further analysis showed that, 35 states benefited from the scheme during the quarter, with the highest and lowest sums of ₦431.3 million (12.8 per cent) and ₦2.3 million (0.07 per cent) guaranteed to farmers in Kano and Ondo states, respectively.

At end-December 2011, the total amount released by the CBN during the fourth quarter under the Commercial Agriculture Credit Scheme (CACS) since inception to the participating banks stood at ₦151.02 billion (for one hundred and ninety projects). The beneficiaries included twenty six state governments (Table 10).

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	38.41	34
2	Zenith Bank	18.54	13
3	First Bank of Nigeria Plc	16.23	48
4	Union Bank Nigeria PLC	14.86	18
5	Unity Bank Plc	12.30	8
6	Access Bank Plc	9.93	10
7	Stanbic IBTC Bank	9.25	20
8	Skye Bank Plc	8.67	6
9	Fidelity Bank Plc	7.56	8
10	GTBank Plc	5.55	8
11	Oceanic Bank Plc	2.62	4
12	Sterling Bank Plc	2.45	4
13	Mainstreet Bank Plc	2.00	1
14	Citibank Plc	1.50	1
15	Diamond Bank Plc	0.99	5
16	Wema Bank Plc	0.16	2
TOTAL		151.02	190

The retail prices of most staples recorded decline in the fourth quarter of 2011. Ten of the fourteen commodities monitored

The retail prices of most staples fell during Q4 2011.

recorded price decline from their levels in the preceding quarter ranging from 1.8 per cent for local rice to 13.1 per cent for yam flour. Palm oil, white garri, yellow garri and brown beans, however, recorded price increase of 0.2, 0.5, 0.9 and 1.9 per cent, respectively. The price development was, largely, attributed to the dampening effect of good harvest on food prices. When compared with their levels in the corresponding period of 2010, all the commodities monitored recorded price increase, which ranged from 1.0 per cent for brown beans to 0.1 per cent for eggs (medium).

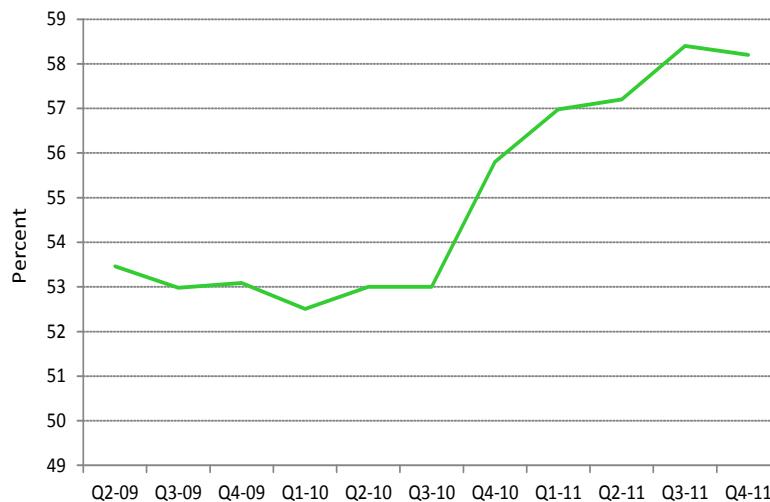
4.3 Industrial Production

The improvement in industrial activities during Q4 2011 was accounted for by the increased activities in the manufacturing sub-sector.

Industrial capacity utilization was estimated to have increased by 3.8 percentage points relative to the level in the corresponding period of 2010.

Industrial activities during the fourth quarter of 2011 indicated an improvement relative to the level in the preceding quarter. At 135.1 (1990=100), the estimated index of industrial production rose by 1.5 and 7.4 per cent, over the levels attained in the preceding quarter and the corresponding quarter of 2010, respectively. The development reflected the increased activities in the manufacturing sub-sector.

The estimated index of manufacturing production, at 103.9 (1990=100), increased by 2.1 and 8.4 per cent, over the levels in the preceding quarter and the corresponding period of 2010, respectively. The estimated capacity utilization also increased by 3.8 percentage points to 59.9 per cent over the level in the corresponding period of 2010. The development was attributed to the increased business confidence arising from the relative economic stability reflected in the higher growth of GDP (Fig. 12, Table 11).

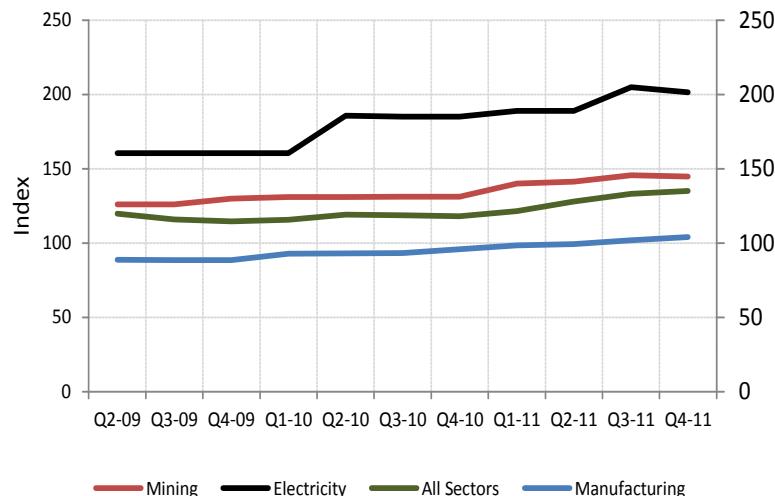
Figure 12: Capacity Utilization Rate

At 144.8 (1990=100), the index of mining production declined by 0.6 per cent from the level attained in the preceding quarter, but rose by 8.0 per cent over the level in the corresponding quarter of 2010. The decline in mining production during the quarter was accounted for by the fall in quarrying and other mining activities.

At 3,213.75 MW/h, estimated average electricity generation fell by 1.6 per cent, from the level attained in the preceding quarter. The development resulted from the fall in gas supply to the thermal stations as well as the fall in water level at the hydro stations.

At 2,733.56 MW/h, estimated average electricity consumption, fell by 4.2 per cent over the level in the preceding quarter. The development was attributed to the decline in electricity generation and consequent fall in power supply (Fig. 13, Table 12).

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

Figure 13: Index of Industrial Production (1990=100)**Table 12: Index of Industrial Production and Manufacturing Capacity Utilization Rate**

	Q3-09	Q4-09	Q1-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11
All Sectors (1990=100)	114.6	115.6	117.5	121.4	127.9	127.2	128.8	133.0	135.1
Manufacturing	88.6	88.4	88.6	93.2	95.9	98.5	99.3	101.8	103.9
Mining	125.9	125.9	129.9	131.2	131.2	140.1	141.2	145.7	144.8
Electricity	160.4	160.4	160.4	185.0	185.0	189.8	204.8	204.8	201.5
Capacity Utilization (%)	53.5	53.0	53.1	53.2	55.8	57.0	57.2	58.4	58.2

4.4 Petroleum Sector

Crude oil and natural gas production increased to 2.24 mbd during Q4 2011.

Crude oil export also recorded an increase in Q4 2011.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.24 million barrels per day (mbd) or 206.08 million barrels during the fourth quarter of 2011, compared with 2.19 mbd or (201.48 million barrels) in the preceding quarter. This represented an increase in production level of 0.05 mbd or 2.28 per cent. Consequently, crude oil export was estimated at 1.79 mbd or (164.68 million barrels) in the review period, compared with 1.74 mbd in the preceding quarter, representing an increase of 2.9 per cent. The increase was attributed to the restoration of major oil pipelines, which supplies crude to Warri and Kaduna refineries as well as the success of the amnesty programme introduced by the Federal government. Allocation of crude oil for domestic consumption was 0.45 mbd or 41.4 million barrels during the period under review.

At an estimated average of US\$112.28 per barrel, the price of Nigeria's reference crude, the Bonny Light (37° API), fell by 3.14 per cent, from 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 fell, to US\$88.59, US\$110.85 and US\$113.4 per barrel, respectively, from US\$88.71, US\$114.21 and US\$116.79 per barrel in the preceding quarter. Similarly, the average price of OPEC's basket of eleven crude streams also fell by 0.5 per cent from the level in the preceding quarter to US\$107.9. The development was attributed largely to the improved supply situation in the North Sea and the return of Libyan production (Fig. 14, Table 13).

Average crude oil prices, including Nigeria's reference crude, Bonny Light (370 API), fell in the international crude oil market in Q4 2011.

Figure 14: Trends in Crude Oil Prices

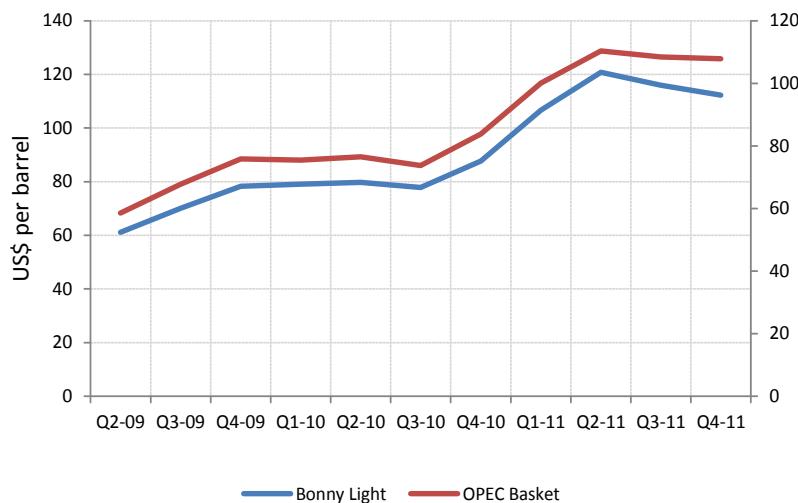


Table 13: Average Crude Oil Prices in the International Oil Market

	Q3-09	Q4-09	Q1-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11
Bonny Light	61.14	70.05	78.74	77.81	87.74	106.66	120.83	115.92	112.28
OPEC Basket	58.51	67.78	75.45	73.76	83.86	100.06	110.31	108.44	107.90

4.5 Consumer Prices³

Available data showed that the all-items composite Consumer Price Index (CPI) at the end of the fourth quarter of 2011, was 126.0 (November 2009=100), representing an increase of 1.6 and 10.3 per cent over the levels in the

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 general price level rose in Q4 2011 relative to Q3 2011. This was on account of the increase in the prices of food items and non-alcoholic beverages, as well as clothing and footwear, kerosene and diesel and transport.

preceding quarter and the corresponding quarter of 2010, respectively. The development was attributed, largely, to the increase in the prices of food items and non-alcoholic beverages, as well as clothing and foot wear, kerosene and diesel and transport.

The urban all-items CPI at the end of the fourth quarter 2011, was 122.3 (November 2009=100), indicating an increase of 1.9 and 9.0 per cent over the levels in the preceding quarter and the corresponding quarter of 2010, respectively. Similarly, at 129.0 (November 2009=100), the rural all-items CPI at the end of the quarter, increased by 1.3 and 11.3 per cent over the levels in the preceding quarter and the corresponding quarter of 2010, respectively (Fig. 15, Table 14).

Figure 15: Consumer Price Index

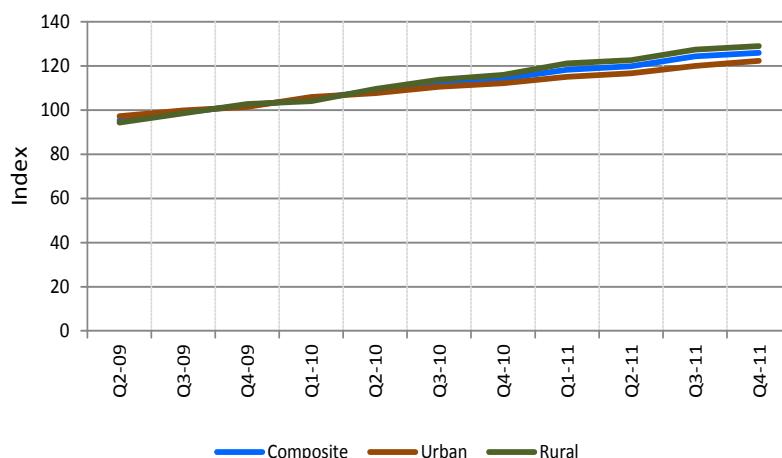


Table 14: Consumer Price Index (November 2009=100)

	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11
Composite	102.2	104.9	108.8	112.4	114.2	118.3	119.9	124.0	126.0
Urban	101.4	106.0	107.7	110.6	112.2	115.0	116.6	120.0	122.3
Rural	102.8	104.0	109.6	113.8	115.9	121.1	122.6	128.4	129.0

The headline inflation (y-o-y) decreased by 1.7 percentage point, in Q4 2011.

The end-period inflation rate for the fourth quarter of 2011, on a year-on-year basis remained at the preceding quarter's level of 10.3 per cent, but lower than the level of 11.8 per cent at the end of the corresponding quarter of 2010. The inflation rate on a twelve-month moving average basis for the fourth quarter, was 10.8 per cent, compared with 11.4 and 13.7 per cent in the preceding quarter and the corresponding quarter of 2010, respectively (Fig. 16, Table 15).

Figure 16: Inflation Rate**Table 15: Headline Inflation Rate (%)**

	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11
12-Month Moving Average	13.1	12.5	12.8	13.1	13.8	13.7	13.0	12.3	11.4	10.8
Year-on-Year	10.4	13.9	14.8	14.1	13.6	11.8	12.8	10.2	10.2	10.3

5.0 External Sector Developments

Provisional data indicated that foreign exchange inflow through the CBN in the fourth quarter of 2011 declined by 0.5 per cent below the level in the preceding quarter but rose by 86.1 per cent over the level in the corresponding quarter of 2010. Outflow also decreased by 5.1 per cent below the level in the preceding quarter but was higher than the level in the corresponding quarter of 2010 by 41.5 per cent. Total non-oil export receipts by banks rose significantly by 177.3 per cent over the level in the preceding quarter. The average Naira exchange rate vis-à-vis the US dollar, depreciated by 1.7 and 3.9 per cent to ₦155.85 and ₦160.29 per dollar at the Wholesale Dutch Auction System (WDAS) and Interbank segments of the market, respectively. It however appreciated by 0.05 per cent to ₦161.63 at the Bureau De Change (BDC) segment. The gross external reserves rose by 0.3 per cent from the preceding quarter's level to US\$32.64 billion.

5.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in the fourth quarter of 2011 amounted to US\$13.60 billion and US\$13.40 billion, respectively, resulting in a net inflow of US\$0.21 billion. Relative to the levels in the preceding quarter, inflow and outflow fell by 0.5 and 5.1 per cent, respectively. The fall in inflow and outflow was attributed to the 14.0 per cent decline in oil receipts and the decline in the funding of the wDAS segment of the foreign exchange market, respectively (Fig. 17, Table 15).

Foreign exchange inflow and outflow through the CBN fell by 0.5 and 5.1 per cent, respectively to post a net inflow of US\$0.21 billion.

Figure 17: Foreign Exchange Flows Through the CBN

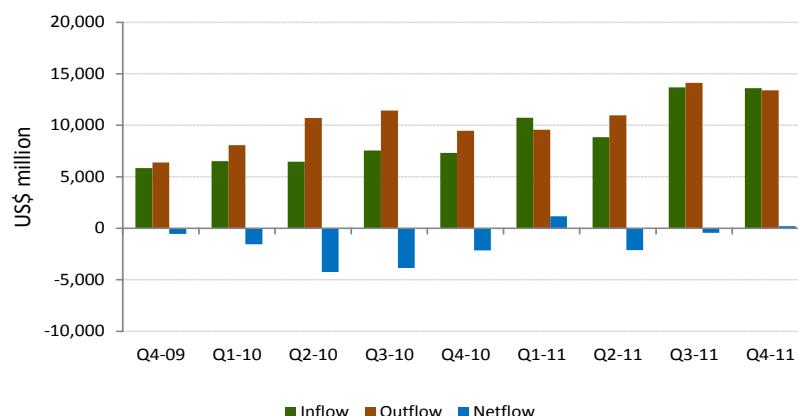


Table 16: Foreign Exchange Flows Through the CBN (US\$ million)

	Q4-09	Q1-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11
Inflow	8083.0	5840.7	7557.0	7310.0	10719.4	8854.9	13673.1	13603.6
Outflow	9014.9	6396.3	11424.1	9468.9	9560.4	10970.6	14121.6	13395.7
Netflow	-931.9	-555.6	-3867.1	-2158.9	1158.9	-2115.6	-448.5	208.0

Autonomous inflows into the economy declined by 22.2 per cent, in Q4 2011 relative to the preceding quarter.

Available data on aggregate foreign exchange flows through the economy indicated that total inflow amounted to US\$25.11 billion, representing a decline of 11.8 and 6.5 per cent below the level in the preceding quarter and the level in the corresponding quarter of 2010, respectively. Oil sector receipts, which accounted for 42.3 per cent of the total, stood at US\$10.61 billion, compared with the respective levels of US\$12.33 billion and US\$7.06 billion in the preceding quarter and corresponding quarter of 2010.

Non-oil public sector inflows, which accounted for 11.9 per cent of the total foreign exchange flows, increased significantly by 123.1 per cent above the preceding quarter's level , while autonomous inflow, which accounted for 45.8 per cent, declined by 22.2 per cent below the preceding quarter's level.

At US\$13.83 billion, aggregate foreign exchange outflow from the economy fell by 4.0 below the level in the preceding quarter, but increased by 42.0 per cent over the level in the corresponding quarter of 2010. The fall, relative to the preceding quarter, was accounted for by a 6.5 per cent decline in the funding of wDAS.

5.2 Non-Oil Export Earnings by Exporters

Total non-oil export earnings by exporters increased during the fourth quarter of 2011 on account of an increase in the prices of most traded commodities.

Total non-oil export earnings by Nigerian exporters stood at US\$974.29 million. This indicated an increase of 177.3 and 43.5 per cent over the levels in the preceding quarter and the corresponding quarter of 2010, respectively. The development was attributed largely to the increase in the exports of industrial, food and manufactured products during the review quarter. A breakdown of the proceeds in the review quarter showed that, manufactured products, industrial, agricultural products, mineral, food products and transport earned

US\$516.4 million, US\$288.1 million, US\$98.1, US\$56.4 million, million, US\$13.0 million, and US\$2.3 million, respectively.

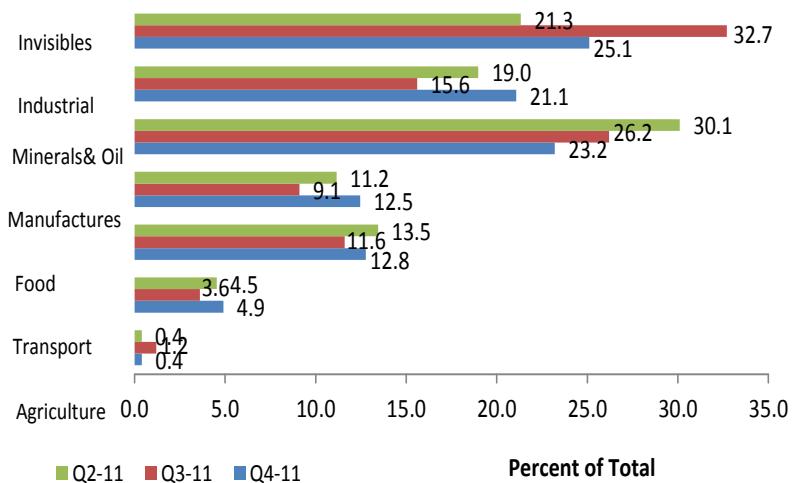
The shares of manufactured products, industrial, agricultural products, minerals, food products and transport in non-oil export proceeds were 53.0, 29.6, 10.1, 5.8, 1.3 and 0.2 per cent, respectively.

5.3 Sectoral Utilisation of Foreign Exchange

The mineral and oil sector accounted for the bulk (27.7 per cent) of total foreign exchange disbursed in the fourth quarter of 2011, followed by industrial sector (21.7 per cent). Other beneficiary sectors, in a descending order included: invisibles (21.4), manufactured products (14.0 per cent), food (9.9 per cent), transport sector (5.0 per cent) and agricultural products (0.3 per cent) (Fig.18).

The minerals and oil sector accounted for the bulk of the total foreign exchange disbursed during Q4 2011.

Figure18: Sectoral Utilisation of Foreign Exchange



Demand for foreign exchange by authorized dealers decreased during Q4 2011, below the level in Q3 2011 but increased by 54.5 per cent above the corresponding period of 2010.

5.4 Foreign Exchange Market Developments

Foreign exchange demand by the authorized dealers stood at US\$11.57 billion, indicating a decline of 20.2 below the level in the preceding quarter but an increase of 54.5 per cent above the level in the corresponding period of 2010. The sum of US\$9.54 billion, (excluding inter-bank sales and swaps) was sold by the CBN during the review period, indicating a

decrease of 21.4 per cent below the level in the preceding quarter, but an increase of 39.4 per cent over the level in the corresponding quarter of 2010 (Fig. 19, Table 17).

Figure 19: Demand for and Supply of Foreign Exchange

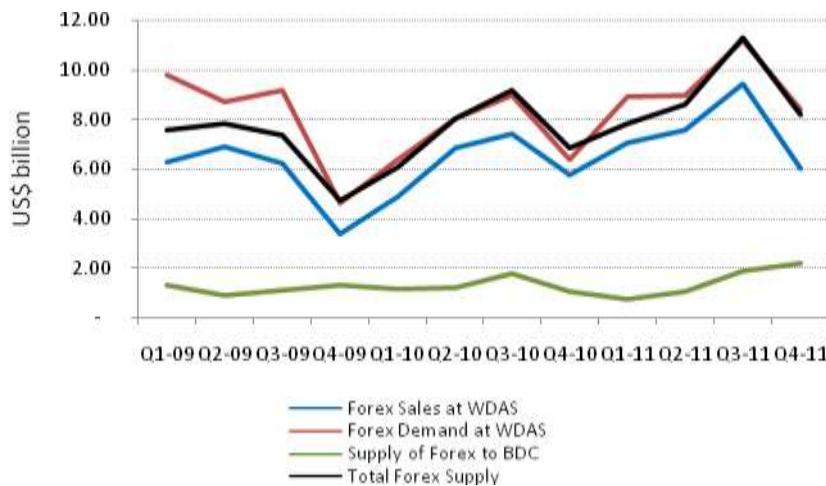


Table 17: Demand for and Supply of Foreign Exchange (US\$ billion)

	Q1-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11
Forex Sales at WDAS	4.9	7.4	5.7	7.1	7.6	9.4	6.0
Forex Demand at WDAS	6.4	9.0	6.3	8.9	9.0	11.2	8.4
Supply of Forex to BDC	1.2	1.8	1.1	0.7	1.1	1.9	2.2
Total Forex Supply(BDC and WDAS)	7.8	6.1	9.2	6.8	7.8	12.1	9.5

The Naira exchange rate vis-à-vis the US dollar depreciated at the wDAS and interbank segments but appreciated at the BDC segment of the foreign exchange market in Q4 2011.

The premium between the wDAS rate and the rates in the other two segments were 2.8 per cent for the interbank and 3.7 per cent for the BDC segment.

Under the wDAS, the average exchange rate of the Naira vis-à-vis the US dollar depreciated by 1.7 per cent to ₦155.85 per US dollar from ₦153.32 in the preceding quarter. It also depreciated by 3.5 per cent relative to the level in the corresponding quarter of 2010. In the bureau-de-change segment of the market, the naira traded at an average of ₦161.63 per US dollar, compared with ₦161.71 per US dollar in the preceding quarter. In the interbank segment, the Naira exchanged at an average of ₦160.29 to the US dollar in the fourth quarter of 2011, compared with ₦154.32 and ₦151.65 per US dollar in the previous quarter and the corresponding quarter of 2010, respectively (Fig. 20, Table 17).

The premium between the wDAS and the bureau-de-change rates narrowed from 5.2 per cent in the preceding quarter to 3.6 per cent, while that between the wDAS and interbank widened from 0.7 per cent in the preceding quarter to 2.8 per

cent (Fig. 21, Table 16).

Figure 20: Average Exchange Rate Movements

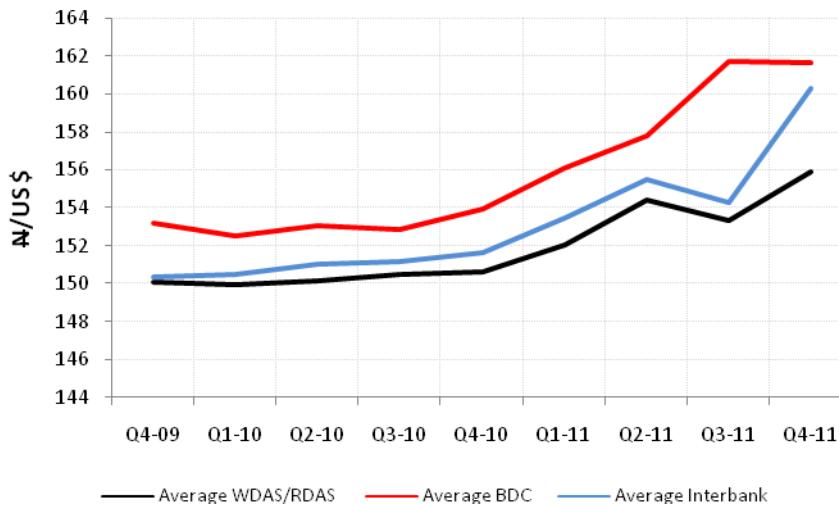
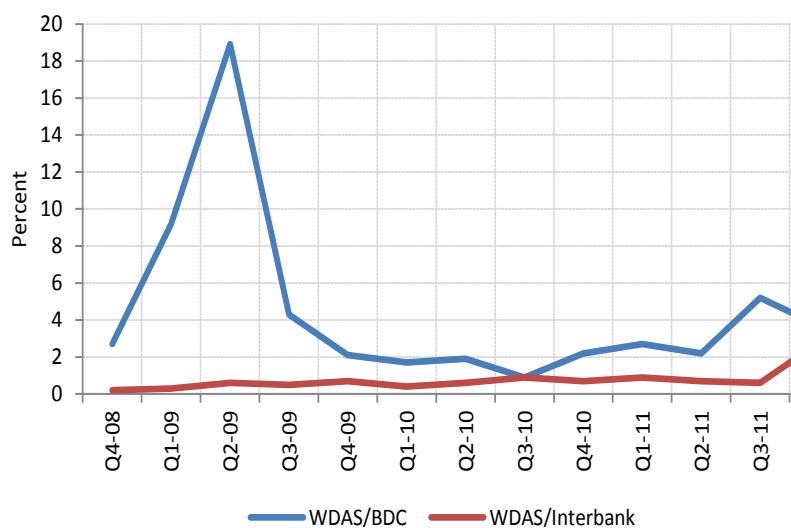


Table 18: Exchange Rate Movements and Exchange Rate Premium

	Q4-09	Q1-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11
Average Exchange Rate (N/US\$)								
WDAS/RDAS	150.9	149.9	150.5	150.6	152.0	154.4	153.3	155.9
BDC	157.4	152.5	152.8	153.8	156.1	157.8	161.7	161.6
Interbank	152.8	150.4	151.2	151.6	153.5	155.5	154.3	160.3
Premium (%)								
WDAS/BDC	4.3	2.1	0.9	2.2	2.7	2.2	5.2	3.7
WDAS/Interbank	1.3	0.4	0.9	0.7	0.9	0.7	0.6	2.8

Figure 21: Exchange Rate Premium



Gross external reserves rose during the fourth quarter of 2011.

5.5 Gross External Reserves

Gross external reserves at the end of the fourth quarter of 2011 stood at US\$32.64 billion, indicating an increase of 0.3 per cent above the US\$32.53 billion recorded at the end of the preceding quarter. A breakdown of the reserves showed that CBN holding stood at US\$24.29 billion (74.4 per cent), Federal Government holding was US\$3.19 billion (9.8 per cent) and the Federation Account portion (Excess Crude) was US\$5.16 billion (15.8 per cent) (Fig. 22, Table 18).

Figure 22: Gross External Reserves

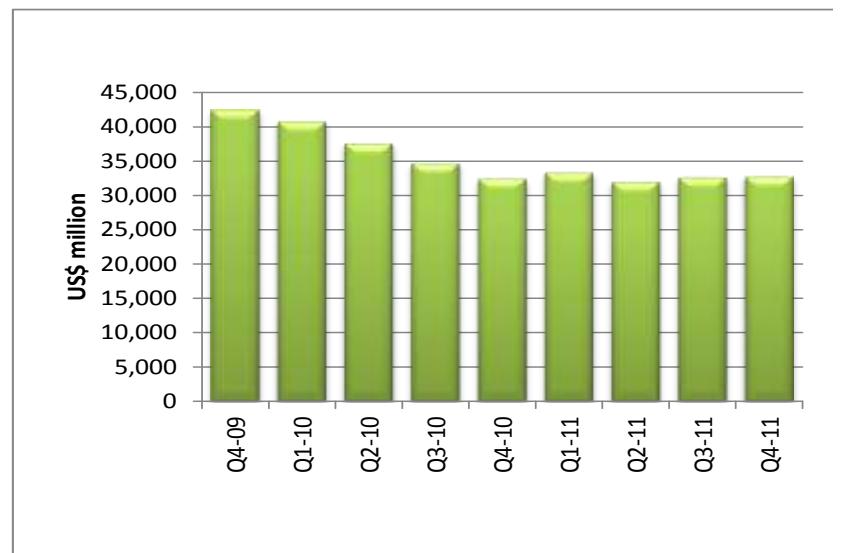


Table 19: Gross External Reserves (US\$ million)

	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11
External Reserves	43462.74	43343.33	37468.44	34589	32347.49	33221.8	31890.48	32,531.30	32,643.20

6.0 Global Economic Conditions

6.1 Global Output

The prospects for rapid growth in global output in 2012 remains unlikely as the impact of the financial turmoil in Europe has spread to the developing and other high-income countries, which were previously unaffected. The contagion has raised borrowing costs in many parts of the world, pushed down major stock market indices and adversely affected capital flows to developing countries. Europe appeared to have entered a recession and growth in several major developing countries recorded slower rates than in 2010.

According to the revised World Bank Global Economic Prospects, the global economy was revised downwards to grow at 2.5 per cent in 2012 and 3.1 per cent 2013. High-income country was expected to grow by 1.4 and 2.0 per cent in 2012 and 2013, respectively. Growth in developing countries was also revised downwards to 5.4 and 6.0 per cent.

The global economy experienced sluggish growth for most of 2011 due to the persistence of the Euro area debt crisis and continue protests at the MENA.

6.2 Global Inflation

Inflationary movement in the quarter under review was mixed. While Inflation declined rapidly in most of the high-income countries, outcomes in developing countries were varied. Generally, in 2011, commodity price shocks had a major and sustained impact on inflation, especially among the industrialized economies. Oil prices surged to near-record highs, following the cut-off of Libyan crude oil in 2011, driving both increases in fuel and food prices.

6.3 Global Commodity Demand and Prices

Projections by the World Bank put oil prices at an average of over US\$100/pbl during the fourth quarter of 2011, due to weakening oil demand, recovery of oil production in Libya, and surplus conditions in the U.S.

Global commodity prices peaked in early 2011, before it

declined in late 2011 due to expected weak outlook in output of advanced countries and slow demand in emerging markets. Price of metals declined the most, with agricultural raw materials having the largest individual fall, especially cotton and rubber; edible oils such as coconut and palm kernel oil; and cocoa.

6.4 International Financial Markets

Global financial markets recorded large volatile movement in the fourth quarter. This development was attributed to the downgrade of U.S. sovereign ratings and increased uncertainty as a result of the European debt crisis, which adversely affected most emerging markets. In addition, the contagion from high-income countries affected the risk-premium, yields, stock markets, capital flows and currencies of developing countries.

In the period under review, performance of international stocks was mixed. In Africa, the Egyptian EGX CSE 30 index lost the most with 12.4 per cent, while the South African JSE AS index was the major gainer with an increase of 7.8 per cent. Nigeria's AS index had an increase of 1.8 per cent.

In North America, the S&P 500, Mexico Bolsa and the S&P/TSX Composite indices gained by 11.2, 10.7 and 2.8 per cent, respectively. In South America, the Argentine Merval index and Brazilian Bovespa index rose by 18.1 and 8.5 per cent, respectively, while the Columbian IGBC General index fell by 1.9 per cent.

Europe's FTSE 100, DAX, CAC 40, and MICEX indices increased by 8.7, 7.2, 6.0 and 2.6 per cent, respectively, while Asia's stock markets did not fare so well, with India's BSE Sensex, Japan's Nikkei 225 and China's Shanghai Stock Exchange indices declined by 6.1, 2.8 and 2.3 per cent, respectively.

The performance of the U.S. Dollar against major world currencies as at end-December 2011 was mixed. In Africa, the Nigerian Naira, Egyptian Pound and Ghanaian Cedi depreciated against the U.S. Dollar by 1.36, 1.17 and 2.50 per cent, respectively; while the South African Rand and Kenyan

Shilling appreciated against the US dollar by 0.12 and 15.15 per cent, respectively. In Europe, the British Pound remained stable, the Euro depreciated against the U.S. Dollar by 2.67 percent, while the Russian Ruble appreciated against the U.S. Dollar by 0.12 per cent.

6.5 Other International Economic Developments and Meetings

Other major international economic developments and meetings of relevance to the domestic economy during the review quarter included: the Sixth Ordinary Session of the ECOWAS Convergence Council of Ministers of Finance and Governors of Central Banks held in Lome, Togo, on October 14, 2011. The meeting adopted documents to guide the process for the creation of a single currency in the region.

Also, the Sixth African Economic Conference (AEC) was held in Addis Ababa from 25th to 28th of October, 2011. The Conference, with the theme "Green Economy and Structural Transformation" discussed issues relating to the environment, climate change and green growth and how they affect Africa's future prosperity. Over 40 research proposals and propositions on political, economic and social issues that could help African countries to improve their economies without harming the environment were also reviewed.

Furthermore, the International Monetary fund (IMF) October 2011 Regional Economic Outlook on Sub-Saharan Africa was released in Washington D.C in October 2011. The outlook revealed that growth will remain strong as in recent years at an average of over 5.0 per cent.

The Euro debt crisis driven by events in Greece, Italy and Spain continued to trouble the Euro area and the global economy. In a bid to curtail the Euro debt crisis, Euro zone leaders struck a deal with private banks and insurers in October 2011 to accept a 50.0 per cent loss on Greek Government bond holdings and lower Greece's debt burden.

The 41st Council Meeting of the African Development Bank (AfDB) was held from November 9 – 10, 2011. At the Meeting, the Global Environment Facility approved a grant of USD 20.5 million for the Lake Chad Basin Regional Program for conservation and sustainable use of natural resources and energy efficiency. The AfDB plans to contribute USD 146 million to the program, which comprises six projects in Central African Republic, Cameroon, Niger, Nigeria, Chad and one for the Lake Chad Basin Commission – (LCBC).

Also, the Seventh Ordinary Session of the Conference of African Ministers of Trade was held in Accra, Ghana on November 29, 2011. Issues discussed include intra-African trade performances, traditional trade with partners outside the African continent, the non-diversification of African exports with regard to products, modalities to boost Intra-African trade, establishment of Continental Free Trade Area (CFTA) and strengthening of supply capacities.

The inaugural Africa Trade Forum (ATF) 2011 was held in Addis Ababa on November 22, 2011 with the theme “Accelerating Intra-African Trade and Enhancing Africa's participation in Global Trade”. They discussed specific inputs into the African Ministerial Conference on Trade, as well as the African Union Heads of State Summit scheduled for January 2012, on the theme “Boosting Intra-African Trade”.

Finally, the second meeting of the Working Group of the Steering Committee of the African Central Bank (ACB) was held at the Steering Committee Secretariat in Abuja, Nigeria from December 12 – 16, 2011.

APPENDIX TABLES

Table A1: Money and Credit Aggregates

	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11
<i>N billion</i>							
Domestic Credit (Net)	4820.8	5677.2	6991.2	8612.9	9309.8	8708.5	7854.7
Claims on Federal Government (Net)	-3405.6	-2879.8	-2820.2	-1489.9	-1026.3	-1121.8	-1571.8
Central Bank (Net)	-4658.2	-4348.8	-3970.8	-3272.8	-3037.4	-2884.0	-3401.4
Banks	1252.6	1469.0	1150.6	1782.9	2011.1	1762.2	1829.6
Claims on Private Sector	8226.4	8556.9	9811.4	10102.8	10335.9	9830.3	9426.5
Central Bank	313.6	336.1	445.7	396.5	564.5	632.2	437.5
Banks	7912.8	8220.8	9365.7	9706.3	9771.3	9198.2	8989.0
Claims on Other Private Sector	8015.6	8305.3	9516.4	9763.7	9994.6	9460.5	9049.8
Central Bank	313.6	336.1	445.7	396.5	564.5	632.2	437.5
Banks	7702.0	7969.2	9070.7	9367.1	9430.1	8828.4	8612.3
Claims on State and Local Government	210.9	251.7	295.0	319.2	341.3	369.8	376.7
Central Bank	--	--	--				
Banks	210.9	251.7	295.0	319.2	341.2	369.8	376.7
Claims on Non-financial Public Enterprises	--	--	--				
Central Bank	--	--	--				
Banks	--	--	--				
Foreign Assets (Net)	8105.3	7643.6	6886.9	6484.8	6453.9	6506.6	6988.1
Central Bank	6961.2	6642.6	5858.9	5401.0	5226.5	5372.3	5722.8
Banks	1144.2	1001.0	1027.9	1083.7	1227.5	1134.3	1265.3
Other Assets (Net)	-3928.4	-4243.7	-4419.6	-4252.2	-4539.0	-3689.6	-3189.2
Total Monetary Assets (M2)	8997.8	9077.0	9458.5	10845.5	11224.8	11525.5	11653.6
Quasi-Money 1/	4331.1	4592.4	5125.0	5927.5	5968.9	5954.3	6229.1
Money Supply (M1)	4666.7	4484.6	4333.5	4918.0	5256.0	5571.3	5424.5
Currency Outside Banks	804.1	746.5	778.7	795.4	881.0	1082.3	1112.7
Demand Deposits 2/	3862.6	3738.2	3554.8	4122.6	4375.0	4489.0	4311.8
Total Monetary Liabilities (M2)	8997.8	9077.0	9458.5	10845.5	11224.8	11525.5	11653.6
<i>Memorandum Items:</i>							
Reserve Money (RM)	1384.0	1291.5	1262.0	1535.1	1344.4	1845.7	1706
Currency in Circulation (CIC)	1037.8	1006.6	1031.9	1063.6	1125.5	1378.1	1416.4
DMBs Demand Deposit with CBN	346.2742443	284.8943461	230.1215833	471.4793	218.92969	467.6	289.5

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)

	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11
<i>Percentage Change Over Preceding Quarter</i>						
Domestic Credit (Net)	23.1	13.1	2.7	8.1	-6.5	-9.8
Claims on Federal Government (Net)	-2.1	-18.4	9.7	-31.1	9.3	-40.1
Claims on Private Sector	14.7	4.0	0.7	2.3	-4.9	-4.1
Claims on Other Private Sector	14.6	4.0	0.5	2.2	-5.4	-4.3
Claims on State and Local Government	17.2	5.2	0.8	6.9	8.4	1.9
Claims on Non-financial Public Enterprises	--	--	--	--	--	-
Foreign Assets (Net)	-9.9	10.3	-10.6	-0.5	0.8	7.4
Other Assets (Net)	4.1	7.0	8.1	6.8	-18.7	13.6
Total Monetary Assets (M2)	4.2	13.8	-1.5	3.5	2.4	1.1
Quasi-Money 1/	11.6	12.5	-2.1	0.7	-0.3	4.6
Money Supply (M1)	-3.4	15.5	-0.7	6.9	6	-2.6
Currency Outside Banks	4.3	19.1	-4.6	10.8	22.9	2.8
Demand Deposits 2/	-4.9	14.7	0.1	6.1	2.6	-4.0
Total Monetary Liabilities (M2)	4.2	13.8	-1.5	3.5	2.7	1.1
<i>Memorandum Items:</i>						
Reserve Money (RM)	-2.3	31.1	9.5	-12.4	37.3	-7.6
Currency in Circulation (CIC)	2.5	14.5	-8.0	5.8	22.5	2.8
DMBs Demand Deposit with CBN	-19.2	105.2	53.4	-53.6	113.6	-38.1
<i>Percentage Change Over Preceding December</i>						
Domestic Credit (Net)	14.6	-11.5	9.0	17.8	10.2	-9.8
Claims on Federal Government (Net)	-7.3	22.5	35.3	55.4	51.3	-40.12
Claims on Private Sector	26.6	-1.7	-1.0	1.3	-3.7	-4.1
Claims on Other Private Sector	25.1	-1.8	-1.1	1.0	-4.4	-4.3
Claims on State and Local Governments	107.2	3.7	2.9	10	19.2	1.9
Claims on Non-financial Public Enterprises	--	--	--	--	--	--
Foeign Asset (Net)	-11.2	-4.5	-14.6	-15.0	-14.3	7.4
Other Asset (Net)	9.1	-2.2	10.1	4.0	21.9	13.6
Total Monetary Assets (M2)	-1.0	-12.2	0.7	4.3	7	1.1
Quasi-Money 1/	6.6	-11.1	2.8	3.6	3.3	4.6
Money Supply (M1)	-7.7	-13.4	-1.7	5.0	11.3	-2.6
Currency Outside Banks	-16.4	-16.0	-14.2	-5.0	16.7	2.8
Demand Deposits 2/	-5.7	-12.8	1.1	7.3	10.1	-4.0
Total Monetary Liabilities (M2)	-1.0	-12.2	0.7	4.3	7.0	1.1
<i>Memorandum Items:</i>						
Reserve Money (RM)	-16.6	-23.7	-7.2	-18.7	11.6	-7.6
Currency in Circulation (CIC)	-12.9	-12.7	-10.0	-4.8	16.6	2.8
DMBs Demand Deposit with CBN	-27.6	-51.3	35.0	-53.7	-1.0	-38.1

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 A3: Federal Government Fiscal Operations (₦ billion)

	Q2-09	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11
Retained Revenue	701.7	562.9	827.7	728.9	783.8	585.9
<i>Federation Account</i>	363.8	356.0	440.0	516.2	518.7	504.3
<i>VAT Pool Account</i>	16.3	20.1	20.6	21.2	25.2	21.4
<i>FGN Independent Revenue</i>	29.2	15.9	36.9	27.6	72.7	35.9
<i>Excess Crude</i>	100.7	136.4	152.9	113.2	62.5	15.2
<i>Others</i>	191.8	34.5	177.4	50.7	104.6	9.0
Expenditure	669.1	840.5	977.7	1028.2	1499.7	872.5
<i>Recurrent</i>	428.5	546.5	750.6	795.0	1138.6	682.5
<i>Capital</i>	192.7	241.0	204.1	143.8	309.0	165.6
<i>Transfers</i>	47.9	28.8	23.0	89.4	41.3	40.5
Overall Balance: Surplus(+)/Deficit(-)	32.6	-277.5	150.0	-299.3	-715.9	-286.6

