CENTRAL BANK OF NIGERIA

MONTHLY REPORT

OCTOBER 2006

RESEARCH AND STATISTICS DEPARTMENT

CENTRAL BANK OF NIGERIA

MONTHLY REPORT

The Central Bank of Nigeria Monthly 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, 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

Available data indicated decline in monetary aggregates in October, 2006. Broad money stock (M_2) fell by 0.8 per cent, in October 2006, over the level in the preceding month. Similarly, narrow money supply (M_1) declined by 1.6 per cent, in contrast to the 2.0 per cent increase in September, 2006. The development was attributable entirely to the increase in aggregate bank credit (net) to the domestic economy. Over the levels at end-December 2005, M_1 and M_2 grew by 17.5 and 29.7 per cent, respectively, representing an annualized growth rate of 21.0 and 35.6 per cent, respectively, compared with the targets of 13.3 and 27.8 per cent for fiscal 2006.

Available data indicated a general increase in banks' deposit and lending rates in October, 2006. The margin between banks' weighted average deposit and maximum lending rates, narrowed from 11.77 percentage points in September, 2006 to 11.28 percentage points in October, 2006. The spread between the average savings deposit and maximum lending rates, however, widened from 15.59 to 15.63 percentage points. The weighted average inter-bank call rate, which stood at 10.45 per cent in September, 2006 fell sharply to 1.40 per cent, reflecting the liquidity ease in the inter-bank funds market during the review period.

The value of money market assets outstanding increased by 0.7 per cent to ₦1,526.4 billion, compared with the increase of 1.2 per cent in the preceding month. The rise was traceable largely to the 2.0 per cent increase in FGN bonds outstanding. Available data indicated that activities on the Nigerian Stock Exchange were mixed during the review month as some of the major market indicators increased, while others trended down.

The predominant agricultural activities in the review month included: harvesting of various root and legume crops as well as planting of late crops due to the favourable climatic conditions recorded nationwide. The prices of most Nigerian major agricultural commodities at the London Commodities Market recorded mixed developments. At 105.5 (1985=100), the all-commodities price index, in dollar terms, declined by 2.0 per cent from the level in the preceding month.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.45 million barrels per day (mbd) in October, 2006, compared with 2.35 mbd in the preceding month. Crude oil export was estimated at 2.0 mbd for the month, while deliveries to the refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels for the month. The average price of Nigeria's reference crude, the Bonny Light (37^0 API) estimated at US\$59.38 per barrel, declined by 6.4 per cent from the level in September 2006.

The inflation rate on a year-on-year basis fell to 6.1 per cent in October, 2006, from 6.3 per cent recorded in the preceding month. Inflation rate on a twelve-month moving average was 9.0 per cent, compared with 10.0 per cent in September, 2006. The fall was attributable largely to the decline in the prices of some food items during the period under review.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) in October, 2006, amounted to US\$3.20 billion and US\$1.99 billion, respectively, resulting in a net inflow of US\$1.21 billion. The fall in inflow was attributable to the decline in both oil and non-oil sector receipts. The demand pressure in the foreign exchange market moderated in October, 2006, as foreign exchange sales by the CBN to the authorized dealers fell by 32.4 per cent from the preceding month's level. The weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated marginally by 0.02 per cent to ₦127.01 per dollar in October, 2006. In the Bureaux de change segment of the market, the rate, however, depreciated from ₦130.21 per dollar to ₦130.29 per dollar. Available data showed that Nigeria's gross external reserves increased by 2.3 per cent to US\$41.39 billion in

October, 2006. Non-oil export earnings by Nigeria's top 100 exporters in October, 2006 amounted to US$78.60 million, indicating a decline of 4.3 per cent from the level in the preceding month. The development was attributable largely to the variation in the prices of some of the commodities traded at the international commodities market during the review month.

Other major international economic developments of relevance to the domestic economy during the month included: a three-day state visit by His Excellency, Chief Olusegun Obasanjo to Addis Ababa, Ethiopia from October 8 – 10, 2006. The purpose of the visit was to strengthen bilateral relations as well as expand trade and investment between the two countries. Also, a Multi-Stakeholder Dialogue meeting was hosted by the New Economic Partnership for African Development (NEPAD) at the Le Meridien Hotel in Abuja, Nigeria on 29th October, 2006. The main objective of the Dialogue was to assess the attainment of a Single Currency Union in the African Region to facilitate Trade and Investment in the Region. The initiation of the de-escalation of remedial measures against Liberia was held by the Executive Board of the International Monetary Fund (IMF) in October, 2006, while a meeting was held at the Office of the Accountant General of the Federation, Abuja on October 18, 2006 to discuss a report on the utilization of the recovered Abacha loot.

2.0 FINANCIAL SECTOR DEVELOPMENTS

Money supply declined in October, 2006, while banks' deposit and lending rates generally increased. The value of money market assets outstanding increased, following the 2.0 per cent rise in FGN bonds outstanding. Transactions on the Nigerian Stock Exchange indicated mixed developments during the review month as some of the major market indicators increased, while others trended downward.

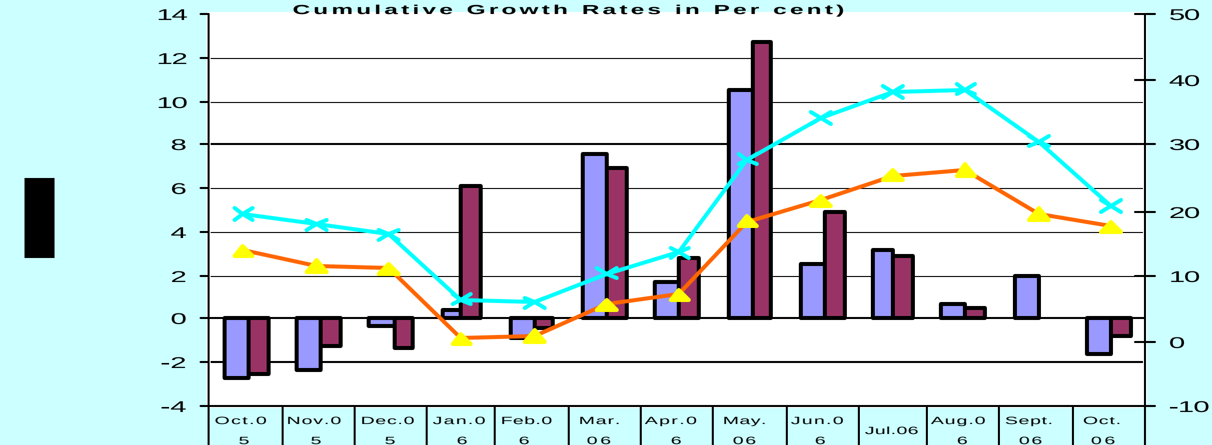
2.1 Monetary and Credit Developments

Provisional data indicated that monetary aggregates declined in October 2006. Broad money supply (M_2) and narrow money (M_1) fell by 0.8 and 1.6 per cent to ₦3,161.5 billion and ₦1,805.7 billion, in contrast to the increase of 0.1 and 2.0 per cent in September, 2006. The development was attributable wholly to the 58.2 per cent decline in aggregate bank credit to the domestic economy (net) of the banking system. This was, however moderated by the 10.2 per cent rise in foreign assets (net) of the banking system. Over the level at end-December 2005, M_1 and M_2, grew by 17.5 and 29.7 per cent, respectively, indicating an annualized growth rate of 21.0 and 35.6 per cent, respectively, compared with the targets of 13.3 and 27.8 per cent for fiscal 2006 (fig.1 and table 1).

Aggregate banking system credit (net) to the domestic economy fell by 58.2 per cent to ₦1,432.1 billion, compared with the decline of 0.8 per cent in September 2006. The development was traceable to the 228.6 per cent decline in bank credit to the Federal Government, reinforced by the 1.7 per cent decline in private sector credit. In the first ten months of the year, aggregate banking system credit (net) to the economy fell by 38.1 per cent.

Banking system's credit (net) to the private sector fell by 1.7 per cent to ₦2,528.1 billion, in contrast to the increase of 1.1 per cent in the preceding month. The fall reflected entirely the 62.8 per cent decline in CBN's claims on the sector during the month. Over the level at end-

Figure 1: Aggregate Money Supply in Nigeria (Monthly & Cumulative Growth Rates in Per cent)



	Oct.05	Nov.05	Dec.05	Jan.06	Feb.06	Mar.06	Apr.06	May.06	Jun.06	Jul.06	Aug.06	Sept.06	Oct.06
MM1	-2.7	-2.3	-0.3	0.4	-0.9	7.6	1.7	10.6	2.6	3.2	0.7	2	-1.6
MM2	-2.6	-1.3	-1.4	6.1	-0.4	7	2.8	12.7	4.9	2.9	0.5	0.1	-0.8
CM1	13.8	11.3	10.9	0.4	0.6	5.3	7.1	18.4	21.5	25.3	26.2	19.4	17.5
CM2	19.3	17.7	16.1	6.1	5.7	10.3	13.4	27.8	34.1	38	38.6	30.7	20.7

December 2005, aggregate bank credit to the private sector rose by 26.0 per cent.

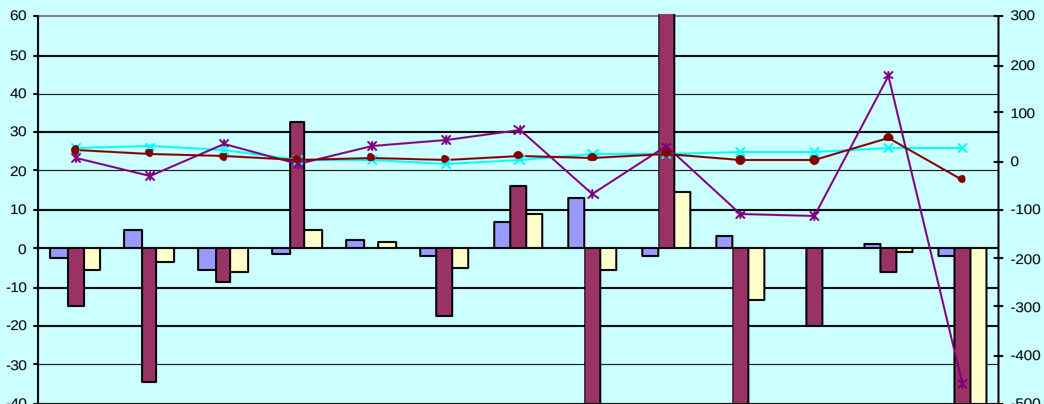
Banking system's credit (net) to the Federal Government in October, 2006, declined substantially by 228.6 per cent, compared with the decline recorded in the preceding month. The development reflected the increase in Federal Government's deposits with the CBN, reinforced by the decline in CBN's holdings of government securities, following the redemption of maturing treasury bills by the Federal Government. Over the level at end-December 2005, aggregate bank credit to the Federal Government fell substantially by 458.2 per cent.

At ₦6,982.7 billion, foreign assets (net) of the banking system increased by 10.2 per cent, compared with the increase of 2.6 per cent in September, 2006. The development was attributable entirely to the 11.7 per cent increase in the CBN's holding.

Quasi money rose by 0.3 per cent to ₦1,355.7 billion, in contrast to the decline of 2.4 per cent in the preceding month. The development was attributable to the rise in all the components, namely time, savings and foreign currency deposits of the DMBs during the month.

Similarly, other assets (net) of the banking system rose by 20.0 per cent, in October, 2006, in contrast to the decline of 2.0 per cent in the preceding month. The development reflected the increase in unclassified assets of the DMBs.

Figure 2:Aggregate Domestic Credit To The Economy (Monthly &Cumulative Growth Rate)



	Oct. 05	Nov. 05	Dec. 05	Jan. 06	Feb. 06	Mar. 06	Apr. 06	May. 06	Jun. 06	Jul. 06	Aug. 06	Sept. 06	Oct. 06
MCP	-2.5	4.9	-5.7	-1.5	2.1	-1.6	6.9	13	-2	3.5	0.2	1.1	-1.7
MCG	-15	-34.1	-8.9	32.4	-0.1	-17.4	16.2	-80.9	5,358.10	-108.4	-20.1	-6.3	-228.6
MAC	-5.4	-3.3	-6.2	4.8	1.6	-4.9	8.6	-5.39	14.4	-12.9	-0.1	-0.8	-58.2
CCP	26.2	31.0	24.8	3.6	0.5	-3	3.7	17.1	14.8	18.8	19	28.1	26
CCG	5.6	-30.4	36.6	-3.4	32.3	42.1	65.6	-68.4	28.9	-110.9	-113.1	178.6	-458.2
CAC	21.3	16.2	10.0	2.6	6.4	3	11.8	5.8	16.6	1.6	1.6	48	-38.1

2.2 Currency-in-circulation and Deposits at the CBN

At ₦629.5 billion, currency in circulation rose by 2.3 per cent in October, 2006, compared with the level in the preceding month. The rise was traceable entirely to the 2.7 per cent increase in currency outside banks.

Total deposits at the CBN amounted to ₦2,561.6 billion, indicating a substantial increase of 487.9 per cent over the level in the preceding month. The development was attributable largely to the 1,099.6 per cent increase in Federal Government's deposits. The shares of the Federal Government, banks and "others" in total deposits at the CBN were 91.6, 7.8 and 0.6 per cent, respectively, compared with 45.0 43.7, and 11.3 per cent, in the preceding month.

2.3 Interest Rate Developments

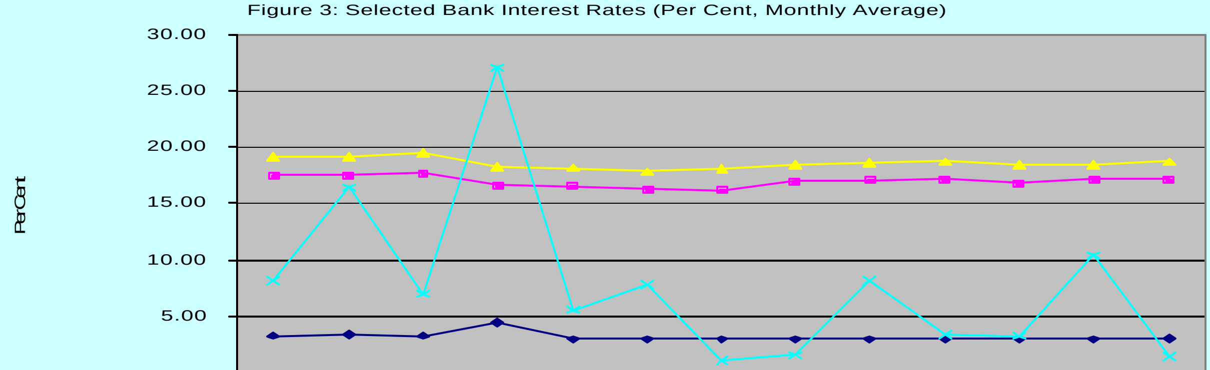
Available data indicated a general increase in banks' deposit and lending rates in October, 2006. The average savings deposit rate rose by 0.15 percentage point to 3.08 per cent, while other rates on deposits of various maturities rose from a range of 3.71–9.57 per cent in the preceding month to 3.08–10.23 per cent in the review month. The weighted average maximum lending rate also increased by 0.19 percentage points to 18.71 per cent. The weighted average prime lending rate, however, remained unchanged at the preceding month's level of 17.19 per cent.

Consequently, the spread between the weighted average deposit and maximum lending rates narrowed from 11.77 to 11.28 percentage points in October, 2006. The margin between the average savings deposit and maximum lending rates, however, widened from 15.59 percentage points in the preceding month to 15.63 percentage points.

The weighted average inter-bank call rate, which stood at 10.45 per cent in September, 2006 declined sharply to 1.40 per cent, reflecting the liquidity ease in the inter-bank funds market during the review month (fig. 3).

In real terms, prime and maximum lending rates remained positive at 8.2 and 9.7 per cent, respectively, when computed with the 12-month-moving average inflation rate of 9.0 per cent. Similarly, deposit rates on one, three and six months remained positive in real terms. Also, both lending and deposit rates were positive in real terms using the year-on-year inflation rate of 6.1 per cent.

Figure 3: Selected Bank Interest Rates (Per Cent, Monthly Average)



	Oct. 05	Nov. 05	Dec. 05	Jan. 06	Feb. 06	Mar. 06	Apr. 06	May. 06	Jun. 06	Jul. 06	Aug. 06	Sep. 06	Oct. 06
Savings	3.27	3.35	3.32	4.50	2.96	2.98	2.98	2.95	2.96	2.94	2.91	2.93	3.08
Prime	17.56	17.52	17.78	16.69	16.57	16.30	16.25	16.97	17.08	17.17	16.81	17.19	17.19
Maximum	19.13	19.18	19.54	18.23	18.14	17.89	18.03	18.36	18.61	18.70	18.39	18.52	18.71
Inter-bank	8.17	16.41	7.00	27.06	5.59	7.77	1.13	1.57	8.16	3.37	3.33	10.45	1.40

2.4 Money Market Developments

Available data indicated that the value of money market assets outstanding at end-October, 2006 increased by 0.7 per cent to ₦1,526.4 billion, compared with the increase of 1.2 per cent in the preceding month. The rise was traceable largely to the

2.0 per cent increase in FGN bonds outstanding. Treasury bills outstanding remained unchanged at ₦715.3 billion, as in the preceding month.

Treasury bills worth ₦105.0 billion were offered in October 2006, same as in the preceding month. Subscriptions and allotment stood at ₦196.2 billion and ₦103.9 billion, compared with ₦1210.4 billion and ₦104.7 billion, respectively, in the preceding month. Analysis of allotment showed that investment by the non-bank public stood at ₦46.6 billion, representing 44.9 per cent of the total, while the deposit money banks (DMBs) and discount houses jointly accounted for ₦56.1 billion or 54.0 per cent of the total amount issued during the month. The balance of ₦1.2 billion or 1.1 per cent was absorbed by the CBN.

Holdings of treasury bills outstanding showed that the DMBs and discount houses' share increased by 0.6 per cent to ₦561.9 billion. Holdings by the non-bank public, however, remained at ₦138.2 billion, same as in the preceding month. Consequently, the CBN's holding fell by 17.4 per cent to ₦15.2 billion.

2.5 Capital Market Developments

Available data indicated that activities on the Nigerian Stock Exchange (NSE) in October, 2006 recorded mixed developments. The volume and value of traded securities increased by 41.2 and 16.2 per cent to 4.8 billion shares and ₦56.0 billion, respectively, compared with the 3.4 billion shares and ₦48.21 billion in the preceding month. Over the level at end-December 2005, total turnover stood at 29.00 billion shares valued at ₦377.4 billion. The banking sub-sector maintained its dominance on the Exchange as it accounted for 58.9 per cent of the month's total volume of transactions. There were no transactions in the Federal Government and industrial loans/preference stocks.

In the new issues market, a total of ₦26.9 billion 3rd FGN Bond 2011, Series 13 with coupon rate of 12.99 per cent was admitted on the Exchange during the month under review, while the 1st FGN Bond 2006 was delisted, following its maturity and subsequent redemption on September 30, 2006. Also, a total of four supplementary listings worth ₦1.62 billion, involving three bonuses, and a rights issue was listed on the Exchange.

Market capitalization of the 287 listed securities declined by 0.5 per cent to ₦4.99 trillion, while value index increased by 0.3 per cent to 32,643.68 (1984=100), during the review month. The development was attributable largely to the decline in the prices of most of the highly capitalized stocks as well as the delisting of the matured 1st FGN Bond during the period.

2.6 Deposit Money Banks' Activities

Available data indicated that total assets/liabilities of deposit money banks (DMBs) stood at ₦7,136.8 billion, in October 2006, and represented a rise of 1.0 per cent over the level in the preceding month. Funds, which were sourced mainly from time, savings and foreign currency deposits, were utilized largely for the extension of credit to the private sector.

Aggregate credit to the domestic economy by the DMBs amounted to ₦3, 404.6 billion, representing an increase of 4.0 per cent over the level in the preceding month. The rise was traceable to the increase in claims on state and local government during the period.

The Central Bank's credit to the DMBs amounted to ₦9.9 billion, representing a decline of 39.1 per cent from the level in September 2006. The development reflected the further decline in banks' overdrawn position with the CBN during the period.

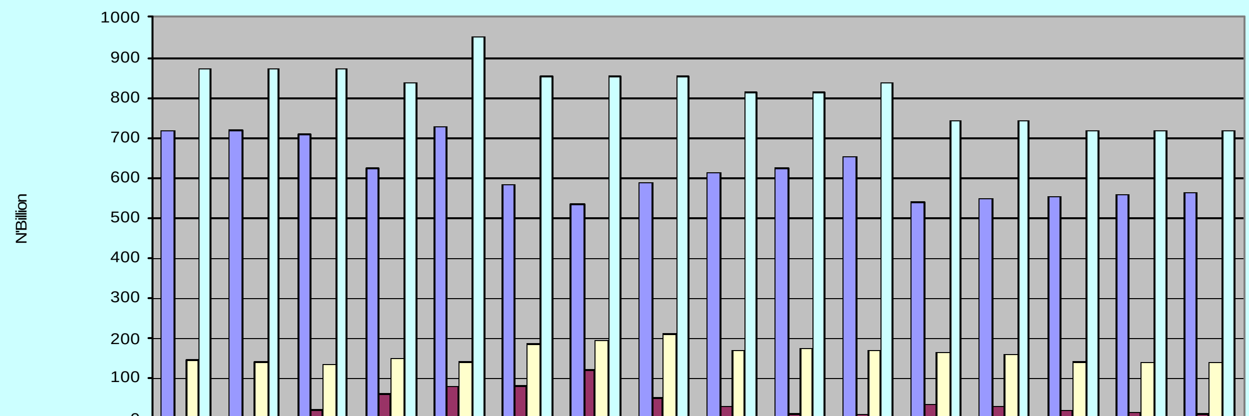
Total specified liquid assets of the DMBs stood at ₦2,247.8 billion, or 54.9 per cent of their total current liabilities. This level of liquid assets was 14.9 percentage points above the stipulated minimum ratio of 40.0 per cent for fiscal 2006, while the loans-to-deposit ratio, at 61.0 per cent, was 19.0 percentage points below the maximum target of 80.0 per cent.

2.7 Discount Houses

Provisional data indicated that total assets/liabilities of the discount houses stood at ₦257.4 billion in October 2006, representing an increase of 30.2 per cent over the level in the preceding month. The rise in assets was attributable to the 50.8 and 19.5 per cent increase in claims on the Federal Government and the banks, respectively, while the rise in liabilities was attributable largely to the 87.5 per cent increase in "money-at-call" during the period. Discount houses' investments in Federal Government securities of less than 91 days maturity stood at ₦120.1 billion, representing 52.1 per cent of their total liabilities. This level of investment was 45.0 per cent over the level in the preceding month but was 7.9 percentage points below the prescribed minimum of 60.0 per cent for fiscal 2006.

Total borrowing by discount houses was ₦98.9 billion, while their capital and reserves amounted to ₦15.2 billion, resulting in a gearing ratio of 6.5:1, compared with the prescribed maximum target of 50:1 for the year.

Figure 4:Treasury Bills Holdings (N' Billion)



	Jul. 05	Aug. 05	Sept. 05	Oct. 05	Nov. 05	Dec. 05	Jan. 06	Feb. 06	Mar. 06	Apr. 06	May. 06	Jun. 06	Jul. 06	Aug. 06	Sept. 06	Oct. 06
Banks/D.H	717.7	721.7	709.8	624.8	727.0	585.0	536.1	587.1	611.6	627.2	653.3	541.1	548.5	552.5	558.7	561.9
CBN	6.7	7.2	24.5	61.2	80.7	82.7	122.0	53.0	32.0	14.5	10.8	35.8	30.5	20.5	18.4	15.2
Others	147.2	142.7	137.3	150.6	143.2	187.2	196.7	214.7	171.5	173.3	171.2	164.2	162.1	142.2	138.2	138.2
Total	871.6	871.6	871.6	836.6	950.9	854.8	854.8	854.8	815.1	815.0	835.4	741.1	741.1	715.3	715.3	715.3

3.0 DOMESTIC ECONOMIC CONDITIONS

The predominant agricultural activities in October, 2006 were harvesting of various root and legume crops as well as planting of late crops due to the favourable climatic conditions recorded nationwide. In the livestock Sub-sector, poultry farmers intensified production of poultry products in preparation for the end-of-year festives. Crude oil production was estimated at 2.45 million barrels per day (mbd) or 75.95 million barrels for the month. The inflation rate for October, 2006, on a year-on-year basis, stood at 6.1 per cent, compared with 6.3 per cent recorded in the preceding month.

3.1 Agricultural Sector

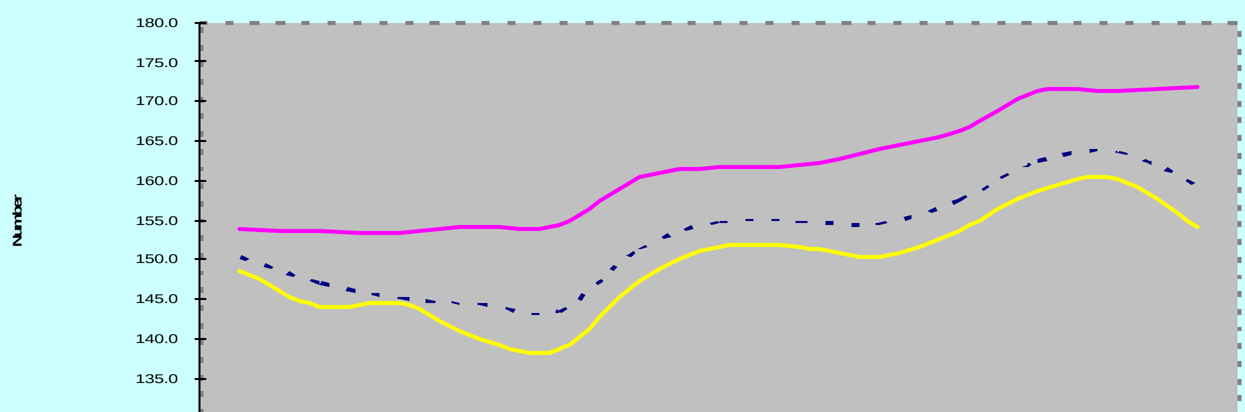
The major agricultural activities during the month of October, 2006 were harvesting of root and legume crops such as yams, irish and sweet potatoes, and groundnuts. Planting of late crops were also carried out in most areas, following favourable climatic conditions nationwide. In the Northern States, farmers were engaged in land and nurseries preparation for tomatoes, pepper, carrots, cabbage and other vegetables. In the livestock sub-sector, poultry farmers intensified production of poultry products in preparation for the end-of-year festives.

The sum of ₦988.8 million was granted to 11,568 farmers under the Agricultural Credit Guarantee Scheme (ACGS) during the review month, representing an increase of 52.1 and 106.0 per cent over the levels in the preceding month and the corresponding period of 2005, respectively. Analysis of the loans guaranteed by states showed that twenty-three states benefited from the scheme with the highest guaranteed sum of ₦189.1 million (19.1 per cent) to 1,001 farmers in Adamawa State, and the lowest sum of ₦0.9 million (0.09 per cent) granted to 9 farmers in Delta State.

Retail price survey of major staples by the CBN showed mixed developments in October, 2006. Nine of the fourteen commodities monitored, namely local rice, white beans, brown beans, guinea corn, yellow maize, white maize, white garri, yellow garri and yam flour recorded price increases of 1.6, 0.5, 0.5, 0.8, 1.1, 1.9, 0.2, 0.3 and 1.6 per cent, respectively over their levels in the preceding month. This was, however, moderated by the components of millet, eggs, palm oil, ground nut oil and vegetable whose prices declined by 1.3, 0.9, 0.8, 1.4 and 1.0 per cent, respectively, during the review month.

The prices of most Nigerian major agricultural commodities at the London Commodities Market recorded mixed

Figure 5: Monthly Consumer Price Indices in Nigeria (2003=100)



	Oct. 05	Nov. 05	Dec. 05	Jan. 06	Feb. 06	Mar. 06	Apr. 06	May. 06	Jun. 06	Jul. 06	Aug. 06	Sep. 06	Oct. 06
Composite	150.2	146.9	145.1	144.3	143.4	151.3	154.6	154.7	154.4	157.5	162.5	163.5	159.4
Urban	153.9	153.5	153.4	154.1	154.4	160.4	161.6	161.9	163.9	166.3	171.2	171.2	171.7
Rural	148.6	144.0	144.5	140.0	138.6	147.3	151.6	151.6	150.3	153.6	158.8	160.1	154.1

developments during the review month. At 105.5 (1985=100), the all-commodities price index, in dollar terms, declined by 2.0 per cent from the level in the preceding month. Further analysis showed that three of the six commodities monitored, namely coffee, cotton and cocoa, recorded price decline of 14.2, 3.2, and 2.5 per cent, respectively, while soya bean, palm oil and copra, recorded price increase of 4.2, 0.7 and 0.7 per cent, respectively, when compared with their levels in the preceding month.

In naira terms, at 9,287.25 (1985=100), the all-commodities price index, declined by 1.8 per cent from the level in the preceding month. Further analysis showed that three of the six commodities monitored, namely coffee, cotton and cocoa recorded price decline of 14.2, 3.2 and 2.5 per cent, respectively, from their levels in the preceding month. This was, however, moderated by the 4.2, 0.7 and 0.4 per cent price increase recorded by soya bean, palm oil and copra, respectively.

3.2 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.45 million barrels per day (mbd) or 75.95 million barrels in October, 2006, compared with 2.35 mbd or 70.5 million barrels in the preceding month. Crude oil export was estimated at 2.0 mbd or 62.0 million barrels for the month, compared with 1.9 mbd or 57.0 million barrels in September, 2006. Deliveries to refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels for the month.

At an estimated average price of US$59.38 per barrel, the price of Nigeria's reference crude, the Bonny Light (37º API), fell by 6.4 per cent from the level in the preceding month. Similarly, the prices of other competing crudes namely, the West Texas Intermediate, U.K Brent, Arab Light, and the Forcados, declined by 8.8, 7.4, 10.2, and 7.6 per cent to US$59.07, US$57.47, US$53.49 and US$58.76 per barrel, respectively, in the review month. The decline in price was attributable to excess supply of fuel and gasoline in the United States coupled with the reduced demand in that country. Also, eased geopolitical tensions in the Middle East region exerted downward pressure on petroleum prices.

3.3 Consumer Prices

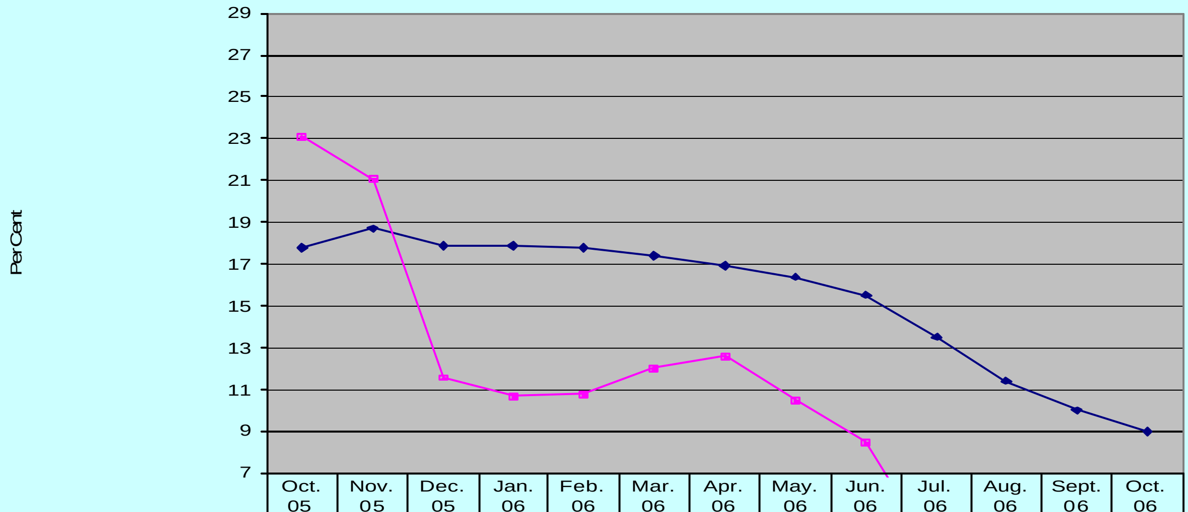
Data from the National Bureau of Statistics (NBS) showed that the all-items composite Consumer Price Index (CPI) for October, 2006 stood at 159.4 (May 2003=100), representing a decline of 2.5 per cent from the 163.5 recorded in the preceding month but an increase of 6.1 per cent over the corresponding period of 2005. The development was attributable to the decline in the following components: Food; Food and non alcoholic beverages; housing, water, electricity, gas & other fuel; furnishings, household equipment & maintenance; alcoholic beverages, tobacco & kola; communication; and miscellaneous goods & services by 2.9, 2.8, 2.0, 1.9, 1.8, 0.9 and 0.4 per cent, respectively. This was, however, moderated by the components of recreation and culture; restaurant & hotels; clothing and foot wear; health; education; and transport whose indices increased by 15.1, 12.2, 6.0, 5.1, 3.9 and 0.3 per cent, respectively.

The urban all-items CPI for October, 2006 stood at 171.7 (May 2003=100), representing an increase of 0.3 and 11.6 per cent over the levels in the preceding month and corresponding period of 2005, respectively. Also, the rural all-items CPI for October 2006, which stood at 154.1

(2003=100), indicated a decline of 3.8 percent from the level in the preceding month but an increase of 3.7 per cent in the corresponding month of 2005.

The rate of inflation for October, 2006, on a year-on-year basis stood at 6.1 per cent, compared with 6.3 per cent in the preceding month. The decline was attributable largely to the decline in the prices of some food items. The inflation rate on a twelve-month moving average basis for the month under review stood at 9.0 per cent, compared with 10.0 per cent recorded in September 2006.

Figure 6: Inflation Rate in Nigeria (Per Cent)



	Oct. 05	Nov. 05	Dec. 05	Jan. 06	Feb. 06	Mar. 06	Apr. 06	May. 06	Jun. 06	Jul. 06	Aug. 06	Sept. 06	Oct. 06
Inflation 12MMA	17.8	18.7	17.9	17.9	17.8	17.4	16.9	16.4	15.5	13.5	11.4	10	9
Inflation Yr-on-Yr	23.1	21.1	11.6	10.7	10.8	12	12.6	10.5	8.5	3	3.7	6.3	6.1

Source: Federal Office of Statistics (FOS), Lagos

4.0 EXTERNAL SECTOR DEVELOPMENTS

4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN, amounted to US$3.20 billion and US$1.99 billion, in October 2006, compared with US$3.39 billion and US$2.29 billion, respectively, in September 2006. This resulted in a net inflow of US$1.21 billion, compared with US$1.09 billion in the preceding month. Inflow and outflow declined by 5.6 and 13.1 per cent, respectively, relative to the preceding month's levels. The decline in inflow was attributable largely to the decline in oil sector receipts as a result of the fall in the price of crude oil in the international market, while the decline in outflow was traceable largely to the significant fall in DAS Utilisation.

Available data on aggregate foreign exchange flows through the economy in October 2006 showed that total inflow declined by 4.6 per cent to US$5.01 billion. Oil sector receipts, which accounted for 53.7 per cent of the total, fell by 14.6 per cent to US$2.69 billion from the level in the preceding month. Non-oil public sector inflows, however, increased by 108.7 per cent to US$0.48 billion and accounted for 9.6 per cent of the total inflows. Autonomous inflow, however, declined marginally by 0.5 per cent to US$1.84

billion, representing 36.7 per cent of the total.

At US$2.02 billion, aggregate foreign exchange outflow from the economy fell by 12.9 per cent from the preceding month's level, reflecting largely the sharp decline in DAS Utilisation, occasioned by the lull activities in the inter-bank foreign exchange market. Other official payments and autonomous sources, however, increased during the review month.

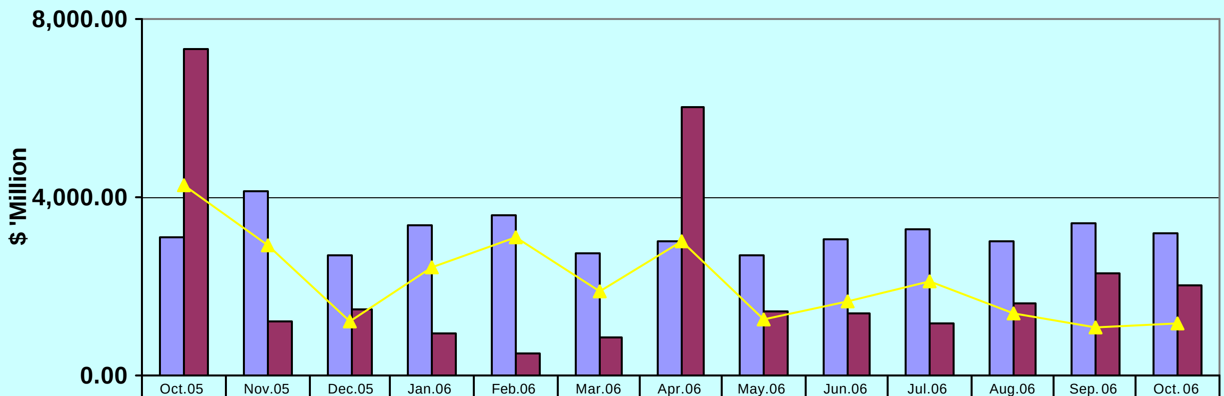
Cumulative inflows and outflows through the economy in the first ten months of the year stood at US$49.33 billion and US$18.48 billion, respectively, compared with US$39.33 billion and US$20.78 billion in the corresponding period of 2005. Consequently, the cumulative net inflow increased by 66.3 per cent to US$30.85 billion, compared with US$18.55 billion recorded in the corresponding period of 2005.

4.2 Non-Oil Export Proceeds by top 100 Exporters

Non-oil export earnings by Nigeria's top 100 exporters amounted to US$78.60 million in October, 2006, indicating a decline of 4.3 per cent from the preceding month's level.

A breakdown of the proceeds during the month showed that proceeds in respect of manufacturing sub-sector fell by 15.6 per cent to US$35.21 million in the review month. This was, however, moderated by the 4.7 and 45.1 per cent increase in agricultural and 'others' sub-sectors to US$39.70 million and US$3.69 million, respectively. The decline in non-oil export proceeds was attributable largely to the variation in the prices of some of the commodities traded at the international commodities market. The share of agricultural sector in total non-oil export proceeds was 50.5 per cent during the month, as against 46.1 per cent in the preceding month, while manufacturing sub-sector accounted for 44.8 per cent, compared with 50.7 percent in the preceding month. The share of "others" sub-sector increased from 3.1 per cent to 4.7 percent. The top 100 exporters accounted for 100 per cent of all the non-oil export proceeds in October, 2006.

Figure 7: Foreign Exchange Flows Through the CBN ($'Million)



	Oct.05	Nov.05	Dec.05	Jan.06	Feb.06	Mar.06	Apr.06	May.06	Jun.06	Jul.06	Aug.06	Sep.06	Oct.06
Inflow	3,067.16	4,099.98	2,703.53	3,344.88	3,588.05	2,722.23	2,990.02	2,677.39	3,050.33	3,249.12	2,991.52	3,385.70	3,160.70
Outflow	7,322.75	1,193.29	1,486.97	919.34	508.85	827.25	5,981.55	1,440.25	1,379.15	1,164.83	1,610.78	2,293.70	1,991.07
Netflow	4,255.59	2,906.69	1,216.56	2,425.54	3,079.20	1,894.98	2,991.53	1,237.14	1,671.18	2,084.29	1,380.74	1,092.00	1,169.67

Months

4.3 Sectoral Utilisation of Foreign Exchange

The industrial sector accounted for the bulk (42.0 per cent) of total foreign exchange disbursed in October, 2006, followed by the general merchandise sector (23.3 per cent). Other beneficiary sectors, in a descending order, included: invisibles (18.3 per cent), food (10.2 per cent), transport (5.3 per cent), and agricultural products (0.9 per cent) (Fig.8).

4.4.1 Foreign Exchange Market Developments

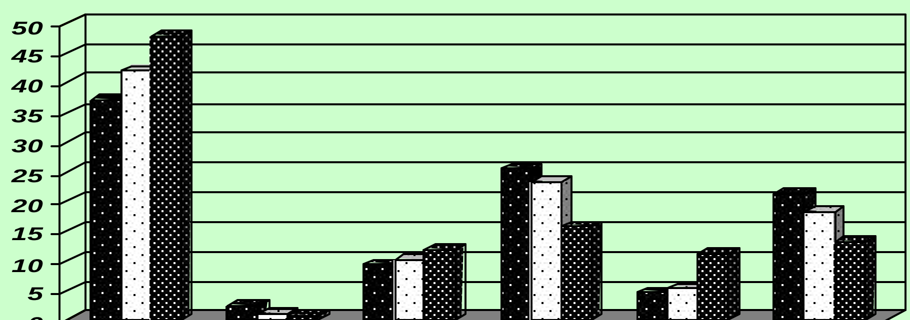
The sale of foreign exchange by the CBN to authorized dealers amounted to US$1,385.94 million, during the month under review, representing a decline of US$663.59 million or 32.4 per cent from the preceding month's level but an increase of 89.5 per cent over the level in the corresponding period of 2005. The development was attributable to the lull activities recorded at the inter-bank foreign exchange market. Under the WDAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar appreciated marginally by 0.02 per cent to ₦127.01 per dollar in October 2006. In the bureaux de change segment of the market, the rate, however, depreciated by 0.01 per cent to ₦130.29 per dollar from ₦130.21 per dollar in September, 2006.

Consequently, the premium between the official and bureaux de change rates widened from 2.5 per cent in September, 2006 to 2.6 per cent.

4.5 External Reserves

Available data showed that Nigeria's gross external reserves at end-October, 2006 stood at US$41.39 billion, representing an increase of 2.3 per cent over the level of US$40.46 billion recorded in the preceding month. When compared with the level at end-October, 2005, it rose by 73.0 per cent. At the current rate of foreign exchange commitments, the level of reserves could finance about 22.4 months of current foreign exchange disbursement, compared with 22.1 months in September, 2006.

Figure 12:Sectoral Utilization of Foreign Exchange (Percentage of Total)



	Industrial	Agricultural	Foods	G/Merchandise	Transport	Invisibles
Oct. 05	37.1	2.3	9.3	25.4	4.6	21.3
Oct. 06	42	0.9	10.2	23.3	5.3	18.3
Sept. 06	47.8	0.6	11.8	15.6	11.1	13.1

5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output in October 2006 was estimated at 85.70 million barrels per day (mbd), while demand was estimated at 84.20 mbd, compared with 84.40 mbd in the preceding month, indicating an excess supply of 1.5 mbd. The decline in demand was attributable to the switch from crude oil utilization to natural gas, by power plants/industries in the United States. The switch was necessitated by the escalating crude oil prices. Furthermore, recent efforts by countries to diversify their sources of energy to ethanol and bio-fuels also contributed to lower crude oil demand.

Other major international economic developments of relevance to the domestic economy during the month included: a three-day state visit by His Excellency, Chief Olusegun Obasanjo to Addis Ababa, Ethiopia from October 8 – 10, 2006. The purpose of the visit was to strengthen bilateral relations as well as expand trade and investment between the two countries. The two countries signed a Cooperation Agreement on Culture and Tourism, Bilateral Trade Agreements and Mutual Recognition Agreement on Standardization.

As part of the bilateral agreements reached by the two countries, the officials of both the Central Bank of Nigeria and the National Bank of Ethiopia (NBE) resolved as follows:

- To commence correspondent banking relations between the commercial banks in Ethiopia and Nigeria in order to facilitate trade and investment.
- CBN's willingness to share experience with its counterpart in Ethiopia in the areas of foreign exchange and exchange rate management in a liberalised economy.

In another development, the Continental Secretariat of the New Economic Partnership for African Development (NEPAD) hosted a Multi-Stakeholder Dialogue meeting at the Le Meridien Hotel in Abuja, Nigeria on 29th October, 2006. The event also marked the 5th Anniversary of the establishment of NEPAD.

Participants were drawn from various government agencies, the Organised Private Sector (OPS), Non-Governmental Organisations (NGOs) and Nigerians in the Diaspora (NIDO).

The highlights of the issues discussed at the Meeting were as follows:

- The need to accelerate the establishment of African financial institutions such as, the African Central Bank, the African Monetary Fund and the African Investment Bank.
- The meeting noted that the African Union, Regional Economic Communities (RECs) and member states have a critical role to play in promoting rapid socio-economic development in Africa through the establishment of large regional markets; the promotion of intra-African trade for the benefit of reaping economies of scale; and harmonization and coordination of national policies.
- Promoting and sustaining macroeconomic stability by implementing financial sector reforms; strengthening of informal financial institutions; and broadening of the tax base as

well as improving tax administration as measures to mobilize additional domestic resources for the financing of the development that need to be taken by the African countries.

- Noted the significant increase in Overseas Development Aid (ODA) to Africa (from US$13.5 billion in 2000 to US$31.6 billion in 2005). African governments were encouraged to put in place measures to eliminate aid dependency in the longer term by designing effective and credible "aid exit" strategies, supported by the efficient and effective efforts to mobilize resources domestically as well as from the Diaspora.

Also, the Executive Board of the International Monetary Fund (IMF) during the month initiated de-escalation of remedial measures applied against Liberia. In order to encourage further reform efforts by the Liberian authorities and provide a positive signal to Liberia's development partners, the Executive Board also lifted the declaration of non-cooperation status that had been in place since March 30, 1990. The Board also proposed lifting the suspension of Liberia's voting and related rights, following satisfactory performance, regarding economic policies and payments to the IMF during an evaluation period of approximately 12 months from the date of the Board decision. It noted the considerable progress made by the Liberian authorities in implementing its economic program monitored by IMF staff. Macroeconomic developments were observed to have been broadly favorable, with GDP growth expected to continue to recover to about 8 percent and inflation projected to be in the single digits in 2006. Financial management had been significantly strengthened under the new government, with strict adherence to a commitment control system designed to ensure that expenditure do not exceed available revenue.

Finally, a meeting to discuss a Report on the utilization of the recovered Abacha loot was held at the Office of the Accountant General of the Federation on October 18, 2006. The Report identified some of the sectors in which the money was expended as power, works, health, education and water resources. It however, noted that out of the ₦65.07 billion only ₦26.73 billion was expended by the implementation agencies accordingly.
Implementing ministries/agencies were, however, asked to give account/ explanation of how they utilized the 2004 budget/Abacha loot before end-October, 2006. The Committee also agreed that in subsequent years, the Abacha loot should be appropriated to specific/identifiable projects.