



CENTRAL BANK OF NIGERIA

***ECONOMIC REPORT FOR
THE MONTH OF AUGUST
2007***

RESEARCH AND STATISTICS DEPARTMENT

CENTRAL BANK OF NIGERIA

MONTHLY REPORT

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1.0 Summary

Available data indicated growth in monetary aggregates during the review month. Broad money supply (M_2) and narrow money supply (M_1) increased by 2.2 and 7.2 per cent over the levels in the preceding month, respectively. The increase was attributable to the rise in both other assets (net) and banking system credit to the domestic economy.

Available data indicated a mixed development in banks' deposit rates in August 2007. The spread between the weighted average deposit and maximum lending rates narrowed from 10.66 percentage points in the preceding month to 10.56. Similarly, the margin between the average savings deposit and maximum lending rates, narrowed from 14.59 percentage points in July, 2007 to 14.56. The weighted average inter-bank call rate, which stood at 10.52 per cent in the preceding month, fell to 7.64 per cent at end-August 2007, reflecting the liquidity ease in the inter-bank funds market.

The value of money market assets outstanding declined by 0.9 per cent to ₦2,125.7 billion over the level in the preceding month. The fall was attributable to the 19.1 per cent decline in commercial papers (CPs). Activities on the Nigerian Stock Exchange indicated mixed developments during the review month.

The major agricultural activities in the review month included: harvesting of maize, roots and tuber crops. In the livestock sub-sector, most poultry farmers intensified clearing and disinfecting of broiler houses as well as their surroundings to minimize the incidence of diseases associated with the wet season. The prices of most Nigerian major agricultural commodities at the London Commodities Market recorded increases during the review month.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.2 million barrels per day (mbd) or 68.2 million barrels, compared with 2.15 mbd in the preceding month. Crude oil export was estimated at 1.75 mbd or 54.25 million barrels for the month, while deliveries to the refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels. The average price of Nigeria's reference crude, the Bonny Light (37⁰ API), estimated at US\$73.90 per barrel, fell by 7.2 per cent from the level in the preceding month.

The inflation rate for August 2007, on a year-on-year basis, was 4.2 per cent, compared with 4.8 per cent recorded in the preceding month. The development reflected largely the stability in the supply of petroleum products and the harvest of agricultural products such as maize, yam, vegetables and fruits.

The inflation rate on a twelve-month moving average basis was, however, 6.1 per cent, compared with 6.0 per cent in the preceding month,

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US\$3.58 billion and US\$1.44 billion, respectively, resulting in a net inflow of US\$2.14 billion during the month. Relative to the respective levels in the preceding month, inflow rose by 36.6 per cent, while outflow declined by 37.7 per cent. The rise in inflow was attributable largely to the increase in non-oil receipts, while the decline in outflow was due to the significant fall in WDAS utilization and other official payments.

Foreign exchange sales by the Central Bank of Nigeria (CBN) to end-users through the authorized dealers stood at US\$1.11 billion, indicating a decline of 36.6 per cent from the level in the preceding month, while demand declined from US\$1.26 billion to US\$0.70 billion. The fall in demand was attributable to the improved activities in the inter-bank foreign exchange market

The gross external reserves rose by 4.0 per cent to US\$45.01 billion in August 2007, compared with US\$43.26 billion at end-July 2007. This level of reserves could finance 20.6 months of current import commitments, compared with 19.0 months in the preceding month. The weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated by 0.4 per cent to ₦126.68 per dollar at the WDAS. In the bureaux de change segment of the market, the rate also appreciated by 0.07 per cent to ₦127.43 per dollar from ₦127.52 per dollar. Non-oil export earnings by Nigeria's top 100 exporters amounted to US\$82.41 million, indicating a decline of 22.6 per cent from the level in the preceding month. The development was attributable to the variations in the commodity prices at the international market.

Other major international economic developments of relevance to the domestic economy during the review month included: an inter-ministerial Preparatory Committee meeting to the 62nd Session of the United Nations Assembly (UNGA) held at the Ministry of Foreign Affairs on August 1, 2007. The meeting was convened by the International Organisations Department of the Ministry. Also, the 31st Ordinary Meeting of Governors of the Association of African Central Banks (AACB) was held in Tripoli, Libya on August 15 2007. In another development, the African Consultative Group of the International Monetary Fund (IMF) met on August 20, 2007 in Maputo, Mozambique to exchange views on the progress to date on IMF reforms, in particular on the consensus and support needed for reforms aimed at improving voice and governance at the Fund.

Furthermore, Nigeria completed the Fourth and Final review of the IMF Policy Support Instrument (PSI) programme which was approved by the Executive Board of the IMF on October 17, 2005. A review of the PSI improved the country's image and encourages international investment in the country. The IMF team carried out the review from August 19—28, 2007. Also, the Economic Community of West African States (ECOWAS) on August 8, 2007 signed a \$1.5 million grant agreement with the African Capacity Building Foundation (ACBF) to enable it strengthen its capacity for data collection in Member States and promote data-based planning in the region. The grant which will be disbursed over four years will enable ECOWAS implement eight core activities that will reinforce the capacity of the states to generate minimum statistical information needed for effective decision-making and planning. Finally, the European Commission also approved €44.8 million to support regional integration in West Africa. The support will cover a period of five years, from 2007—2011 and focuses on the four main pillars of West Africa's regional policy namely, Achievement of Common Market; Macroeconomic Stability and Convergence; Institutional Capacity Building; and Competitiveness Enhancement and Productive Sectors. The programme will be implemented by the Ecowas Commission.

2.0 FINANCIAL SECTOR DEVELOPMENTS

Monetary aggregates increased in August 2007, while banks' deposit rates indicated mixed developments. The value of money market assets declined, following largely the fall in commercial papers (CPs). Transactions on the Nigerian Stock Exchange (NSE) were mixed during the review period.

2.1 Monetary and Credit Developments

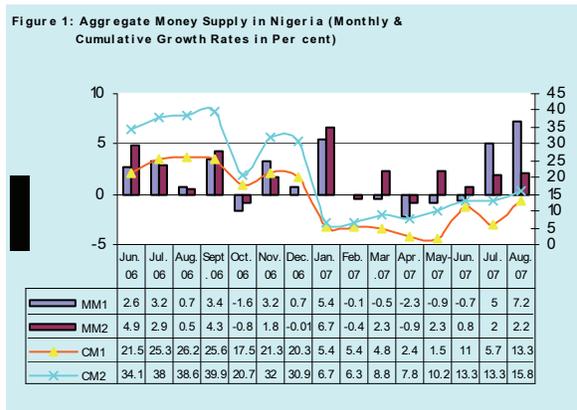
Available data indicated that broad money supply (M_2) rose by 2.2 per cent to =N=4,253.5 billion, compared with the increase of 2.0 per cent in the preceding month, while narrow money supply (M_1) rose by 7.2 per cent to =N=2,192.7 billion, compared with the increase of 5.0 per cent in July 2007. The rise in M_2 was attributable to the increase in both other assets (net) and aggregate banking system credit to the domestic economy. Over the level at end-December 2006, M_2 grew by 15.8 per cent, compared with the target of 19.0 per cent for fiscal 2007 (fig.1 and table 1).

Aggregate banking system credit (net) to the domestic economy rose significantly by 81.2 per cent to =N=479.9 billion in August 2007, in contrast to the decline of 19.9 per cent in the preceding month. The development reflected the increase in claims on both the Federal Government and the private sector during the period.

At negative =N=3,486.1 billion, banking system's credit (net) to the Federal Government rose by 1.9 per cent, in contrast to a decline of 14.0 per cent in the preceding month. The increase in the review period was attributed to the 4.0 and 1.1 per cent rise in claims by both the Central Bank (CBN) and deposit money banks (DMBs), respectively, during the period.

Banking system's credit to the private sector rose by 3.9 per cent to =N=3,3965.0 billion, compared with the increase of 10.7 per cent in the preceding month. The rise in the review month reflected largely the 47.9 per cent increase in CBN's claims on the core private sector (fig 2).

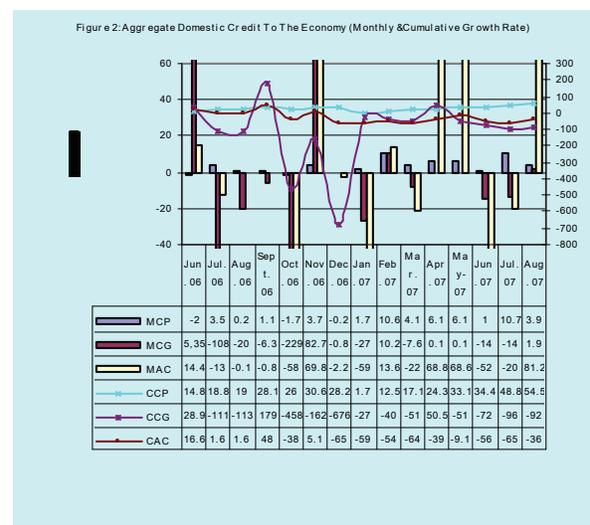
At =N=7,370.7 billion, foreign assets (net) of the banking system declined by 3.7 per cent, compared



with the decline of 0.1 per cent in the preceding month. The development was attributable largely to the 6.3 per cent fall in the deposit money banks' holdings.

Quasi money fell by 2.6 per cent to =N=2,060.7 billion, compared with the decline of 0.7 per cent in the preceding month. The development was attributable to the fall in all the components namely, time, savings and foreign currency deposits of the DMBs during the month.

Other assets (net) of the banking system, however, rose by 4.3 per cent to =N=3,597.2 billion, compared with the increase of 4.0 per cent in the preceding month. The rise reflected largely the increase in unclassified assets of the CBN during the review month.



2.2 Currency-in-circulation and Deposits at the CBN

At ₦717.7 billion, currency in circulation rose by 0.5 per cent in August 2007 over the level in July, 2007. The rise was traceable to the increase of 0.9 per cent in currency outside the banking system during the period.

Total deposits at the CBN amounted to ₦5,340.4 billion, indicating a decline of 1.6 per cent from the level in the preceding month. The development was attributable to the declines recorded in all the components, namely Federal Government, deposit money banks' and "others" during the month.. The shares of the Federal Government, banks and "others" in total deposits at the CBN were 96.2, 3.4 and 0.4 per cent, respectively, compared with the shares of 96.0, 3.5 and 0.5 per cent, in July 2007.

2.3 Interest Rate Developments

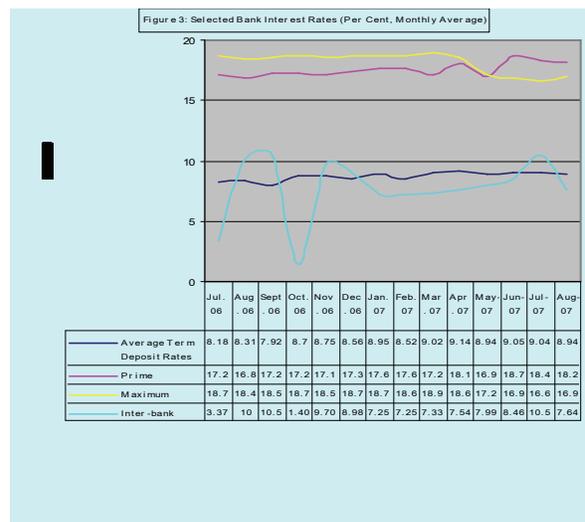
Available data indicated mixed developments in banks' deposit rates in August 2007. With the exception of the 3-month and 12-month savings rates which rose by 0.18 and 0.14 percentage points to 10.58 and 8.20 per cent, respectively, all other rates on deposits of various maturities declined from a range of 5.69 – 10.46 per cent in the preceding month to 5.69 – 10.61 per cent. Similarly, the average maximum and prime lending rates declined by 0.09 and 0.15 percentage points to 18.27 and 16.42 per cent, respectively. Consequently, the spread between the weighted average deposit and maximum lending rates narrowed from 10.66 percentage points in the preceding month to 10.56 percentage points. Similarly, the margin between the average savings deposit and maximum lending rates narrowed from 14.59 percentage points in the preceding month to 14.56 percentage points.

The weighted average inter-bank call rate, which was 10.52 per cent in the preceding month, fell to 7.64 per cent at end-August 2007, reflecting the liquidity ease in the inter-bank funds market.

2.4 Money Market Developments

Activities in the money market indicated improved performance during the month of August 2007 when compared with the preceding month's level as market players increased their patronage at the open market. Also, with the improved liquidity in the system, there was less need for market players to access the CBN lending facility. Consequently, amount granted to the DMBs declined significantly to N13.69 billion in August 2007, from N629.05 billion in the preceding month.

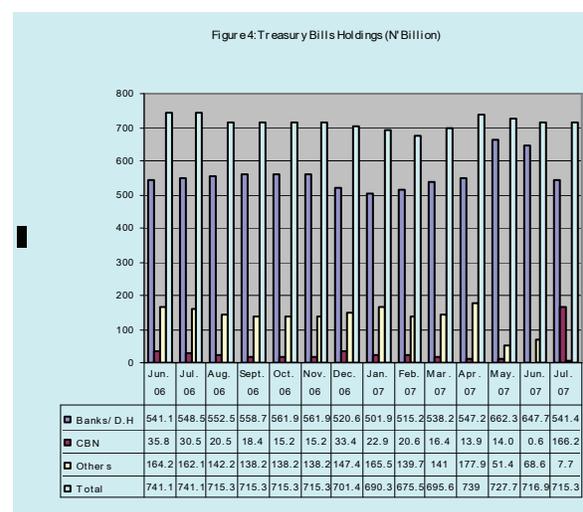
At the open market, auctions were conducted on Reuter trading system using the two-way quote whereby authorised dealers were required to give their



bid and offer rates.

The CBN also intervened in the market by buying bills from deposit money banks and this helped to stabilise rates.

Treasury bills worth ₦125.10 billion were offered during the month, compared with ₦105.10 billion in the preceding month. Subscriptions and sales were ₦160.50 billion and ₦125.0 billion, respectively, compared with ₦161.70 billion and ₦125.0 billion in the preceding month. The sustained patronage in



the market was attributable to the increased awareness of the safety in holding government securities. The liquidity surfeit experienced in the latter part of the month also prompted the patronage at the primary market.

Provisional data indicated that the value of money market assets outstanding as at end-August 2007 declined by 0.9 per cent to ₦2,132.7 billion, in contrast to the increase of 5.1 per cent in the preceding month. The development was attributable wholly to the 19.1 per cent fall in commercial papers (CPs).

FGN bonds worth ₦66.0 billion was issued during the review month, compared with ₦56.00 billion issued in the preceding month. The 9th and 10th series of the 4th FGN bonds 2012 and 2 017 were issued for 5- and 10-year tenors in line with the restructuring of the domestic debt profile to longer tenors. A total of ₦66.0 billion made up of ₦46.0 billion 5-year bonds and ₦20.0 billion 10-year bonds were issued and allotted at coupon rates of 9.50 and 9.35 per cent, respectively. Total public subscription for the two issues stood at ₦88.86 billion with bid rates ranging from 7.0 to 12.0 per cent, reflecting market players' preference for longer-tenured securities, whose yields were perceived to be stable and attractive. The sustained patronage at the FGN bonds auction signify the increased confidence in the Nigerian economy where long term investments are expected to ultimately boost growth and development.

In line with the new framework for monetary policy implementation, open market operations were conducted as necessary, using the two-way quote trading and tenored reverse repo. This was aimed at mopping up specific amounts of excess funds in the banking system. Similarly, the multiple tenors offered, ranging from 37-157 days and were structured to synchronise its maturity with that of the primary market, in order to deepen liquidity and facilitate the tradability of instruments. During the review period, subscription and sales amounted to ₦37.75 billion and ₦304.50 billion, respectively, compared with ₦0.17 billion and ₦82.20 billion in the month of July 2007. Rates during the month ranged from 6.90 to 7.20 per cent, compared with 6.30 to 7.30 per cent in the preceding month. Also, in anticipation of the outcome of the Monetary Policy Committee (MPC) deliberations, especially on the direction of rates, market players remained cautious about investment in government securities.

2.5 *Deposit Money Banks' Activities*

Available data indicated that total assets/liabilities of the DMBs amounted to ₦8,673.0 billion, representing an increase of 0.1 and 35.5 per cent over the levels in the preceding month and at end-December 2006, respectively. Funds, which were sourced mainly from draw-down on reserves and the accumulation of demand deposits were used largely in extending credit to the core private sector.

At ₦4,506.7 billion, credit to the domestic economy rose by 3.7 and 28.5 per cent over the levels in the preceding month and at end-December 2006, respectively. The breakdown showed that credit to the core private sector rose by 3.2 per cent, over the level in the preceding month.

Central Bank's credit to the DMBs fell by 1.4 per cent to ₦9.7 billion in the review month, reflecting the repayment of loans and advances from CBN.

Total specified liquid assets of the DMBs was ₦2,057.3 billion, representing 40.0 per cent of their total current liabilities. This level of assets was 7.5 percentage points lower than the preceding month's level but met the stipulated minimum ratio of 40.0 per cent for fiscal 2007. The loan-to-deposit ratio fell by 1.8 per cent below the preceding month's level and was 9.5 percentage points below the prescribed maximum target of 80.0 per cent.

2.6 *Discount Houses*

Total assets/liabilities of the discount houses stood at ₦234.3 billion as at end-August 2007, indicating an increase of 25.0 per cent over the level in the preceding month. The rise in assets relative to the preceding month was attributable to the 80.4 per cent increase in "cash and balances with banks", while the increase in total liabilities was attributable to the rise in "money-at-call" by 182.1 per cent. Discount houses' investments in Federal Government securities of less than 91 days maturity amounted to ₦10.2 billion, representing 44.9 per cent of their total deposit liabilities. At this level, discount houses' investments declined by 32.8 and 15.1 percentage points from the level in the preceding month and the prescribed minimum of 60.0 per cent for fiscal 2007, respectively.

Total borrowings by discount houses was ₦106.6 billion, while their capital and reserves amounted to ₦18.7 billion, resulting in a gearing ratio of 5.7:1, compared with the stipulated maximum target of 50:1 for fiscal 2007.

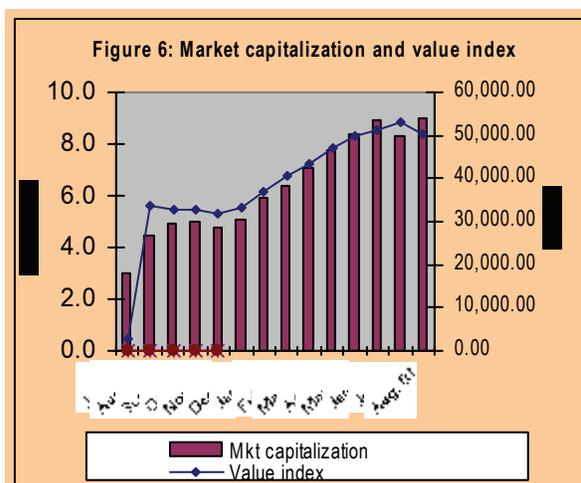
2.7 Capital Market Developments

Available data indicated that activities on the Nigerian Stock Exchange (NSE) in the month of August 2007 showed mixed developments. The volume of traded securities rose by 6.4 per cent to 13.3 billion shares, while the value of traded securities fell by 38.8 per cent to ₦62.7 billion, compared with 12.5 billion shares and ₦102.5 billion in the preceding month. The banking sub-sector remained the most active on the exchange, with a trading volume of 9.5 billion shares in 169,918 deals. This was followed by the Insurance sub-sector with 2.9 billion shares in 33,596 deals. Transactions in the Federal Government and industrial loans/preference stocks, however, remained dormant during the month.

Transactions on the Over-the-Counter (OTC) bond market, indicated that a turnover of 471.1 million units worth ₦497.4 billion in 3,872 deals was recorded in the review month, compared with 263.9 million units valued at ₦280.8 billion in 1,295 deals recorded in July 2007. The most active bond was the 4th FGN Bond 2017 series 8 with a traded volume of 26.8 million units valued at ₦27.4 billion in 251 deals.

In the new issues market, issuance of the 4th FGN bonds progressed as two Federal Government Bonds namely, the ninth (5-year) 2012 and the tenth (10-year) 2017 series of bonds valued at ₦66.0 billion were admitted to the Daily Official List with coupon rates of 9.50 and 9.35 per cent and subscription rates of 7.00 and 7.99 per cent, respectively. The issues were over-subscribed in excess of ₦22.86 billion. Also, a total of eight supplementary listings involving five bonuses, one right issue, one loan stock and one Initial Public Offering were made during the review period.

In another development, the shares of the Nigerian Aviation Handling Co. Plc was placed on technical suspension, following the receipt of the company's application to undertake supplementary share offering. Technical suspensions were also imposed on Afribank Nigeria Plc, First City Monument Bank and Great Nigeria Insurance Plc following their application to undertake supplementary share offerings. However, the technical suspension on Transnational Corporation of Nigeria Plc was removed on the listing of shares from its IPO during the month under review. The All-Share Index fell by 5.2 per cent to close at 50,291.09 (1984 = 100), while the total market capitalization of the 209 listed securities fell by 5.3 per cent to ₦9.0 trillion in the review month. The development was attributable largely to price losses gains recorded by the highly capitalized companies in the banking and insurance sub-sectors.



3.0 DOMESTIC ECONOMIC CONDITIONS

The major agricultural activities during the month of August 2007 were harvesting of maize, roots and tuber crops as well as the cultivation of cereals. In the livestock sub-sector, most poultry farmers intensified clearing and disinfecting of broiler houses as well as their surroundings to minimize the incidence of diseases associated with the wet season. Crude oil production was estimated at 2.2 million barrels per day (mbd) or 68.2 million barrels during the month. The end-period inflation rate for August 2007, on a year-on-year basis, was 4.2 per cent, compared with 4.8 per cent recorded in the preceding month. The inflation rate on a 12-month moving average basis was, 6.1 per cent, compared with 6.0 per cent in July, 2007.

3.1 Agricultural Sector

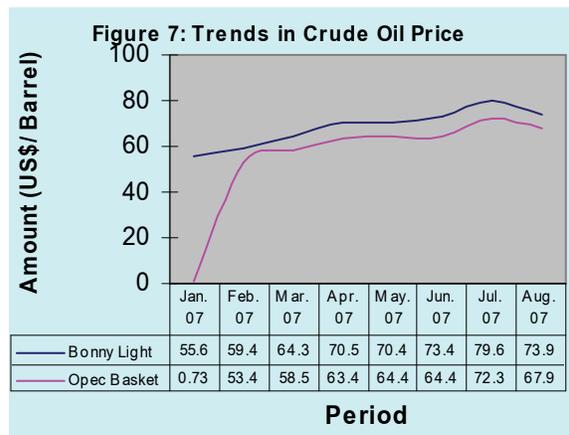
Agricultural activities during the month of August 2007 consisted of harvesting of maize, root and tuber crops in the Southern States. In the Northern States, the cultivation of cereals such as cowpea and sorghum were intensified. In the livestock sub-sector, most poultry farmers intensified clearing and disinfecting of broiler houses as well as their surroundings to minimize the incidence of diseases associated with wet season.

A total of ₦244.3 million was guaranteed to 1,817 farmers under the Agricultural Credit Guarantee Scheme (ACGS) during the month. This represented a decline of 31.1 and 55.4 per cent from the levels in the preceding month and the corresponding period of 2006, respectively.

A sub-sectoral analysis of the loans guaranteed indicated that the food crops sub-sector had the largest share of ₦238.9 million or 97.8 per cent guaranteed to 1,807 beneficiaries, while the livestock sub-sector received ₦4.4 million or 1.8 per cent guaranteed to 8 beneficiaries. Also, the fisheries sub-sector obtained ₦1.0 million or 0.4 per cent guaranteed to 2 beneficiaries. There was no guarantee for the cash crops, mixed and others sub-sectors. Analysis by state showed that 20 states benefited from the scheme during the review month, with the highest and lowest sums of ₦88.0 million (36.0 per cent) and ₦0.9 million (0.4 per cent) guaranteed to Adamawa and Osun states, respectively.

Retail price survey of most staples by the CBN showed that the prices of major staples recorded mixed developments in August 2007. Eight of the fourteen commodities monitored, namely white beans, brown beans, millet, guinea corn, yellow maize, white maize, eggs and palm oil recorded price increases of 0.8, 0.6, 1.0, 1.4, 1.7, 1.3, 0.4 and 2.1 per cent, respectively, over the levels in the preceding month. This development was, however, moderated by the components of local rice, white garri, yellow garri, yam flour, groundnut oil and vegetable oil whose prices declined by 0.1, 0.2, 0.6, 0.7, 0.1 and 0.8 per cent, respectively, during the review month.

The prices of most Nigerian major agricultural commodities at the London Commodities Market recorded increase during the review month. All the six commodities monitored during the period, in dollar terms,



recorded price increase ranging from 1.0 per cent for cocoa to 30.8 per cent for soya bean over the levels in the preceding month. Similarly, in naira terms, all the six commodities traded, recorded price increase ranging from 0.8 per cent for cocoa to 18.7 per cent for soya bean over the levels in the preceding month.

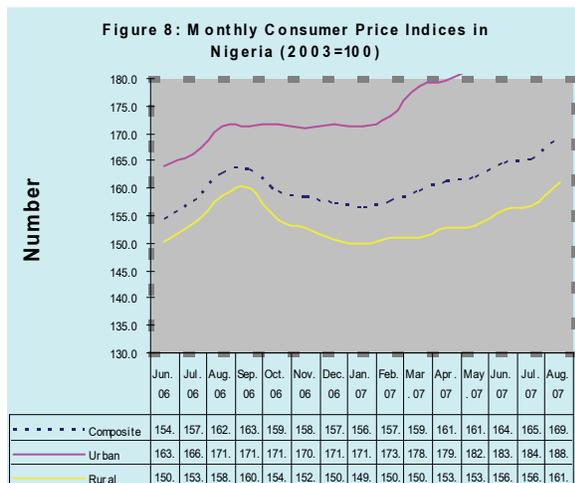
3.2 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.2 million barrels per day (mbd) or 68.2 million barrels for the month, representing an increase of 2.3 per cent over the level in the preceding month. Crude oil export was estimated at 1.75 mbd or 54.25 million barrels in the month, compared with 1.70 mbd or 52.7 million barrels in the preceding month. Deliveries to the refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels for the month.

At an estimated average of US\$73.90 per barrel, the price of Nigeria's reference crude, the Bonny Light (37° API), declined by 7.2 per cent from the level in the preceding month. The average prices of other competing crudes namely, the West Texas Intermediate, the U.K Brent, the Arab Light, and the Forcados also fell by 1.5, 7.9, 1.9 and 6.9 per cent to US\$72.59, US\$71.76, US\$68.63 and US\$73.50 per barrel, respectively. The average price of OPEC's basket of eleven crude streams declined by 6.1 per cent to US\$67.94 from the level in the preceding month. The decline in price was attributed to the crisis in the United States' financial market which slowed demand as well as the reduced threat from the tropical storm in the Atlantic Ocean.

3.3 Consumer Prices

Available data showed that the all-items composite Consumer Price Index (CPI) for the month of August, 2007 was 169.4 (May 2003=100), representing an increase of 2.6 per cent over the level in the preceding month. The development was attributable to the increase in the price of some processed food items and services.

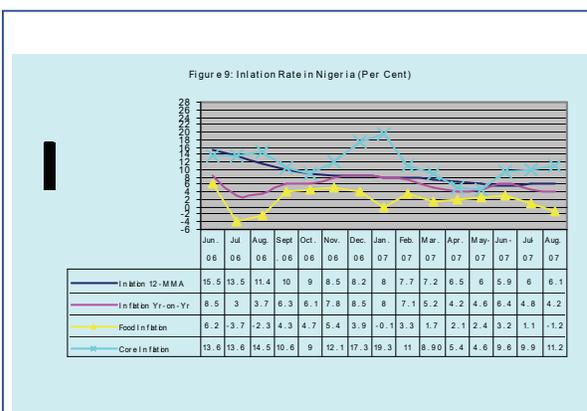


The urban all-items CPI for the end of August, 2007 was 188.4 (May 2003=100), indicating an increase of 2.4 per cent over the level in the preceding month. Similarly, the rural all-items CPI for the month was 161.1 (May 2003=100), and represented an increase of 2.7 per cent over the level in the preceding month. The end-period inflation rate for August 2007, on a year-on-year basis, was 4.2 per cent, compared with 4.8 per cent recorded in the preceding month. The inflation rate on a twelve-month moving average basis for August 2007, was 6.1 per cent, compared with 6.0 per cent in July 2007, reflecting largely the stability in the supply of petroleum products and the harvest of agricultural products.

4.0 EXTERNAL SECTOR DEVELOPMENTS

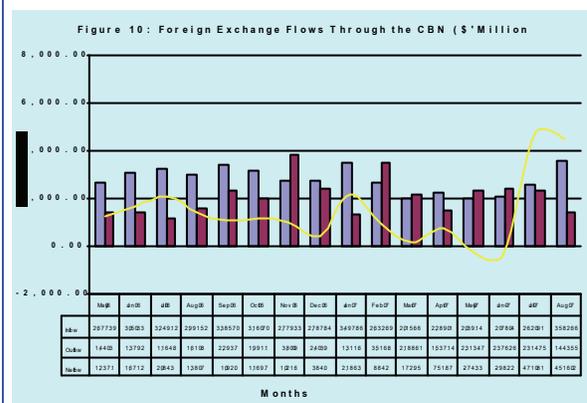
4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in August 2007 were US\$3.58 billion and US\$1.44 billion, respectively, representing a net inflow of US\$2.14 billion. This compared with the respective levels of US\$2.62 billion and US\$2.31 billion in the preceding month, inflow rose by 36.6 per cent, while outflow declined by 37.7 per cent. The rise in inflow was attributable largely to the increase in non-oil receipts during the period.



while the decline in outflow was due to the significant fall in WDAS utilization and other official payments.

Provisional data on aggregate foreign exchange flows through the economy indicated that total inflow was US\$6.04 billion, representing a decline of 15.2 per cent from the level in the preceding month, but an increase of 12.6 per cent over the level in the corresponding period of 2006. Oil sector receipts, which



accounted for 46.8 per cent of the total, stood at US\$2.8 billion, compared with US\$2.4 billion or 33.6 per cent in the preceding month. Non-oil public sector inflows rose by 230.2 per cent, while autonomous inflow declined by 45.4 per cent and both accounted for 12.6 and 40.8 per cent of the total, respectively.

At US\$2.36 billion, aggregate foreign exchange outflow from the economy fell by 36.9 per cent from the level in the preceding month. The decline in outflow relative to the preceding month was attributable to the 36.4 and 63.60 per cent fall in DAS Utilisation and other official payments, respectively. The decline was, however, moderated by the 148.4 and 153.1 per cent rise in debt service payments and drawings on L/C, respectively.

In the first eight months of the year, the total inflow and outflow were US\$42.6 billion and US\$17.5 billion, respectively, representing a net inflow of US\$25.1 billion, compared with the net inflow of US\$10.5 billion in the corresponding period of 2006.

4.2 Non-Oil Export Proceeds by top 100 Exporters

Total non-oil export earnings by Nigeria's top 100 exporters declined by 2.2 per cent from the level in the preceding month to US\$82.41 million. The development was attributable to the variations in world commodity prices at the international market. A breakdown of the proceeds in the review month showed that manufacturing and "others" sub-sectors rose from US\$38.1 million and US\$21.8 million in the preceding month to US\$40.6 million and US\$24.1 million, respectively, while Agricultural sub-sector declined from US\$46.6 million to US\$17.7 million.

The shares of agricultural, manufacturing and others' sub-sectors in total non-oil export proceeds were 21.1, 48.4, and 28.6 per cent, respectively, compared with 42.5, 34.8 and 19.9 per cent, in the preceding month. The top 100 exporters accounted for 98.1 per cent of all the non-oil export proceeds during the review month.

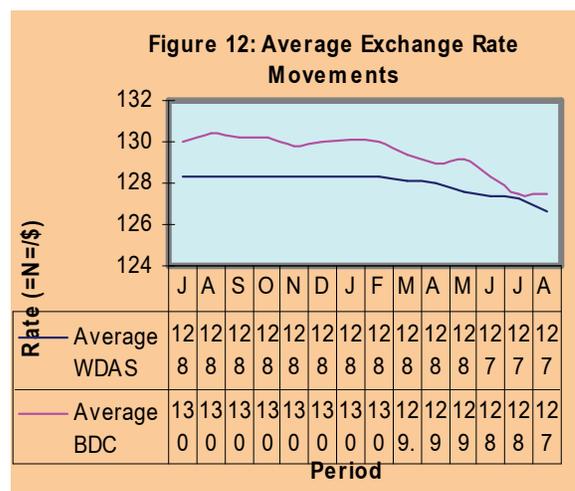
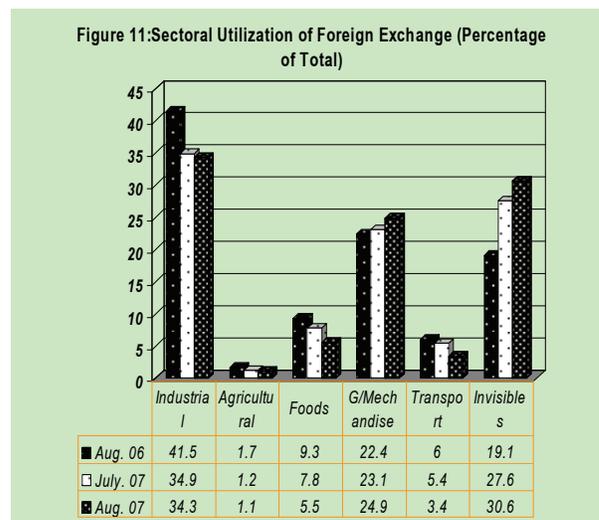
4.3 Sectoral Utilisation of Foreign Exchange

The industrial sector accounted for the bulk (34.3 per cent) of total foreign exchange disbursed in August 2007, followed by invisibles (30.6 per cent). Other beneficiary sectors, in a descending order of importance, included: general merchandise (25.0 per cent), food (5.5 per cent), transport (3.4 per cent) and agricultural products (1.2 per cent) (Fig.11).

4.4 Foreign Exchange Market Developments

Aggregate demand for foreign exchange by authorized dealers under the Dutch Auction System (WDAS) was US\$695.99 million in August 2007, indicating a decline of 44.9 per cent from the level in the preceding month. The development was attributable to the large inflow of foreign exchange for investment in the domestic capital market coupled with the improved inflows from autonomous sources during the period under review. Consequently, the amount of foreign exchange sold by the CBN to authorized dealers declined by 36.4 per cent to US\$1.1 billion from the level in the preceding month. Under the WDAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar appreciated by 0.4 per cent to ₦=126.68 per dollar. The development reflected the further efforts made at liberalizing the foreign exchange market under the Wholesale Dutch Auction System (WDAS). In the bureaux de change segment of the market, the average rate, also, appreciated by 0.07 per cent to ₦=127.43 per dollar.

Consequently, the premium between the official and bureaux de change rates rose from 0.3 per cent in the preceding month to 0.6 per cent. Overall, the foreign exchange market remained stable, reflecting the economic fundamentals as well as the depth of the market.



4.5 External Reserves

Available data showed that Nigeria's external reserves at end-August 2007 stood at US\$45.01 billion, representing an increase of 4.0 per cent over the level of US\$43.3 billion recorded in the preceding month. This level of reserves could finance 20.3 months of current import commitments, compared with 19.0 months in the preceding month.

5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output in the month of August 2007 was estimated at 85.30 million barrels per day (mbd), while demand was estimated at 84.57 mbd, representing an excess supply of 0.73 mbd, compared with 85.10 and 85.20 mbd supplied and demanded, respectively, in the preceding month.

Other major international economic developments of relevance to the domestic economy during the month included: an inter-ministerial Preparatory Committee meeting to the 62nd Session of the United Nations Assembly (UNGA) held at the Ministry of Foreign Affairs on August 1, 2007. The meeting was convened by the International Organisations Department of the Ministry of Foreign Affairs.

The following were the highlights of the meeting:

- The need to re-examine the mandate of the IMF in the light of the changed nature of international capital flows, resulting to persistent global imbalances;
- That the volatility of short-term capital be brought under control to avoid international financial crisis;
- On trade and development, it was agreed that the Nigerian delegation should support the conclusion of the negotiation of the Doha Work Programme on rule-based multilateral trading system as well as the inclusion of favourable concessions to developing countries in the framework;
- On sustainable development, the Nigerian delegation should support the implementation of Agenda 21 which focuses on simultaneous economic and social development; and
- It was agreed that Nigeria should demand for flexibility in aid usage such that countries can use their aid receipts to build up external reserves, if their absorptive capacity is low.

Also, the 31st Ordinary Meeting of Governors of the Association of African Central Banks (AACB) was held in Tripoli, Libya on August 15, 2007.

Some of the major decisions taken at the meeting were as follows:

- The Assembly of AACB Governors adopted the progress report on the African Monetary Cooperation Programme (AMCP);

- The Governors considered and approved the work programme of the Secretariat and the 2008 AACB budget;
- The Governors noted the unfortunate situation of some central banks failing on their obligations of contributions and signing of statutes and agreed to invoke Article 8 of the statutes relating to sanctions on erring members;
- The Assembly agreed to form a joint committee between the AU and AACB to reconcile their strategies for the establishment of the African Central Bank (ACB) as well as the formation of both the African Investment Bank (AIB) and the African Monetary Fund (AMF); and
- The Assembly also elected Mr. Farhat O. Bengdara, Governor of the Central Bank of Libya as the Chairman of AACB for 2007/2008.

In another development, the African Consultative Group of the International Monetary Fund (IMF) met on August 20, 2007 in Maputo, Mozambique to exchange views on the progress to date on IMF reforms, in particular on the consensus and support needed for reforms aimed at improving voice and governance at the Fund. Some of the highlights of the meeting included:

- The Governors reaffirmed their commitment to ensuring that Africa is positioned to participate effectively in the governance of the Fund, especially given the Fund's important advisory and financing role in the region; and
- The Governors also underscored the need for further strengthening of the capacity in the Executive Directors' offices for African countries and called for early consideration of an amendment of the Articles of Agreement. This would enable each Executive Director elected by large number of members to appoint more than one Alternate Executive Director.

Furthermore, Nigeria completed the fourth and final review of the IMF Policy Support Instrument (PSI) programme which was approved by the Executive Board of the IMF on October 17, 2005. The review improved the country's image and encouraged international investment in the country. The IMF team carried out the review from August 19—28, 2007. Below are the highlights of the review:

- Nigeria's performance on the programme, especially with regard to reserves, inflation and growth was strong and the overall assessment was favourable;

- The country met three out of the five structural assessment performance measures. Of the remaining two measures, the Abuja Power Project was on-going and would likely be met before the end of September 2007, while the other, the FIRS reforms would be delayed to early 2008;
- Although the fiscal targets were met, the large carry over of capital expenditure from the last quarter was a threat; and
- On the whole, the Mission commended the Management of the Bank for the improvement in the quality of data supplied to the Mission and urged the Bank to sustain the good work and later promised to present the review to the Executive Board of the Fund in October, 2007.

Also, the Economic Community of West African States (ECOWAS) on August 8, 2007 signed a \$1.5 million grant agreement with the African Capacity Building Foundation (ACBF) to enable it strengthen its capacity for data collection in Member States and promote data-based planning in the region. The grant which would be disbursed over four years will enable ECOWAS to implement eight core activities that will reinforce the capacity of the states to generate minimum statistical information needed for effective decision –making and planning.

Finally, the European Commission also approved €44.8 million to support regional integration in West Africa. The support will cover a period of five years, from 2007—2011 and focus on the four main pillars of West Africa’s regional policy namely, achievement of common market; macroeconomic stability and convergence; institutional capacity building; and competitiveness enhancement and productive sectors. The programme will be implemented by the Ecowas Commission.