



***CENTRAL BANK OF NIGERIA***

***ECONOMIC REPORT FOR  
THE MONTH OF AUGUST  
2008***

***RESEARCH DEPARTMENT***

# **CENTRAL BANK OF NIGERIA**

## **MONTHLY REPORT**

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## 1.0 Summary

Available data indicated an increase in monetary aggregates in August 2008. Broad money ( $M_2$ ) rose by 3.2 per cent over the level in the preceding month, compared with the increase of 1.5 per cent in July 2008, while narrow money ( $M_1$ ) rose by 4.0 per cent over the level in the preceding month. The increase was attributed largely to the respective rise in other assets (net) and foreign assets (net) of the banking system.

Available data indicated mixed developments in banks' deposit and lending rates in August 2008. The spread between the weighted average deposit and maximum lending rates narrowed from 8.42 percentage points in the preceding month to 7.31. The margin between the average savings deposit and maximum lending rates, also narrowed from 14.77 percentage points in July 2008 to 14.13. The weighted average inter-bank call rate was 14.45 per cent, up from 8.42 per cent in July, 2008, reflecting the tight liquidity condition in the banking system.

The value of money market assets outstanding increased by 1.0 per cent to ₦2,727.3 billion over the level in the preceding month. The rise was attributed largely to the increase in outstanding FGN Bonds and Commercial Papers. Activities on the Nigerian Stock Exchange were bearish as all the major market indicators trended downwards in the review month.

The major agricultural activities in the review month included: crop harvesting and land preparation for the planting of late crops across the country. Also, poultry farmers intensified the clearing and disinfecting of facilities in preparation for the yuletide season. The prices of most Nigeria's major agricultural commodities at the London Commodities Market declined marginally in the review month.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 1.96 million barrels per day (mbd) or 60.76 million barrels for the month, compared with 1.90 mbd or 58.90 million barrels in the preceding month. Crude oil export was estimated at 1.51 mbd or 46.81 million barrels in July, while deliveries to the refineries for domestic consumption remained at 0.445 mbd or 13.95 million barrels for the month. The average price of Nigeria's reference crude, the Bonny Light (37<sup>0</sup> API), estimated at US\$166.17 per barrel, fell by 15.7 per cent from the level in the preceding month.

The inflation rate on a year-on-year was down to 12.4 per cent in August 2008, from 14.0 per cent in July. The inflation rate on a twelve-month moving average, was 8.5 per cent, up from 7.8 per cent in July 2008. The development was attributed largely to the increase in the price of some staple food items, kerosene, diesel, gas and some building materials.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US\$5.35 billion and US\$3.91 billion, respectively, resulting in a net inflow of US\$1.44 billion during the review month. Relative to the respective levels in the preceding month, inflow and outflow rose by 13.1 and 11.1 per cent. The increase in inflow was attributed largely to the rise in non-oil receipts, while the rise in outflow was due largely to the increase in DAS utilisation.

Foreign exchange sales by the Central Bank of Nigeria (CBN) to end-users through the authorized dealers stood at US\$2.0 billion, up by 54.2 per cent over the level in July 2008, while demand rose by 45.9 per cent to US\$2.5 billion.

The gross external reserves fell by 0.3 per cent to US\$60.13 billion in August 2008, compared with US\$60.31 billion at end-July 2008. The weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated marginally by 0.03 per cent to ₦117.74 per dollar at the WDAS. In the bureaux de change segment of the market, however, the rate remained unchanged at ₦119.00 per dollar as in July. Non-oil export earnings by Nigeria's top 100 exporters increased by 7.7 per cent to US\$138.10 million. The development was attributed to the increase in the volume of sesame seeds.

Other major international economic developments of relevance to the domestic economy included: the 32<sup>nd</sup> Ordinary Meeting of the Assembly of Governors of the Association of African Central Banks (AACB) held in Kigali, Rwanda, on August 22, 2008. The main objective of the meeting was to iron out the necessary conditions for the proper functioning of the three African financial institutions, namely; the African Monetary Fund, the African Central Bank and the African Investment Bank. The Governors underscored the crucial role that these institutions could play in reinforcing the economic development of the African continent. Others included the Third Session of the Nigeria-Iran Joint Commission held in Abuja, Nigeria from August 25 – 28, 2008. The Joint Commission reviewed different areas of economic cooperation and came up with proposals that would boost development and strengthen relations between the two countries. Also, the African Development Bank (AfDB) Group and the West African Monetary Institute (WAMI) on August 4, 2008 in Tunis, signed a grant agreement of 14 million Units of Account (UA), equivalent to US\$ 23.0 million, to finance the West African Monetary Zone (WAMZ) Payments System Development project, which aims at standardizing the payments system in The Gambia, Guinea and Sierra Leone. Lastly, a World Bank report released on August 26, 2008 indicated that there were more poor people around the world than previously thought. The report further revealed huge successes in the fight to overcome extreme poverty. The new estimates, which reflect improvements in internationally comparable price data, provided a much more accurate picture of the cost of living in developing countries and set a new poverty line of US\$1.25 a day.

## 2.0 FINANCIAL SECTOR DEVELOPMENTS

**M**onetary aggregates rose further in August 2008, while banks' deposit and lending rates indicated mixed developments. The value of money market assets outstanding increased, following largely the rise in outstanding FGN and commercial papers. Transactions on the Nigerian Stock Exchange (NSE) were bearish during the review month as all the major capital market indicators declined.

### 2.1 Monetary and Credit Developments

Available data indicated that monetary aggregates rose further in August 2008. Over the level in the preceding month, broad money supply ( $M_2$ ) rose by 3.2 per cent, compared with the increase of 1.5 per cent in July 2008, while narrow money supply ( $M_1$ ) rose by 4.0 per cent, in contrast to the decline of 5.3 per cent in the preceding month. Over the level at end-December 2007,  $M_2$  grew by 43.4 per cent. The rise in  $M_2$  was attributed mainly to the respective increase of 7.4 and 5.3 per cent in other assets (net) and foreign assets (net) of the banking system (fig. 1 and table 1).

Aggregate banking system credit (net) to the domestic economy fell by 10.7 per cent from the level in July 2008 to =N=4,382.8 billion, in contrast to the increase of 21.5 per cent in the preceding month. Relative to the level at end-December 2007, it grew by 63.0 per cent. The development was attributed wholly to the decline of 24.3 per cent in claims on the Federal Government.

Banking system's credit (net) to the Federal Government fell by 24.3 per cent, in contrast to the increase of 10.4 per cent in the preceding month. The development was attributed to the decline of the 12.2 and 2.5 per cent in Central Bank and deposit money banks (DMBs) claims on the Federal Government, respectively.

Banking system's credit to the private sector rose by 0.9 per cent to =N=7,408.7 billion, compared with the increase of 8.7 per cent in July. The development reflected entirely the 166.9 per cent increase in CBN claims on the sector (fig. 2).

At =N=8,458.8 billion, foreign assets (net) of the banking system rose by 5.3 per cent over the level in the preceding month, in contrast to the decline of 3.4 per cent in July 2008. The development was attributed to the respective increase of 15.8 and 4.3 per cent in

DMBs' and CBN's holdings.

Quasi money rose by 2.5 per cent to =N=4,066.6 billion, compared with the increase of 9.6 per cent in July 2008. The development reflected the rise in time, savings and foreign currency deposits of the DMBs.

Other assets (net) of the banking system, rose by 7.4 per cent to =N=4,512.0 billion, in contrast to the decline of 10.5 per cent in the preceding month. The development reflected largely the respective decline in unclassified liabilities of the CBN and DMBs.

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

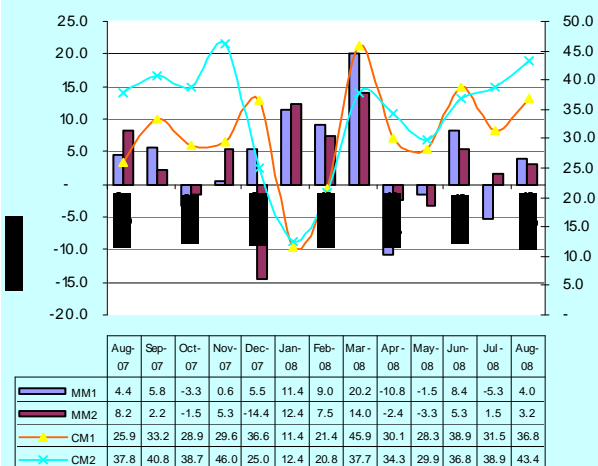
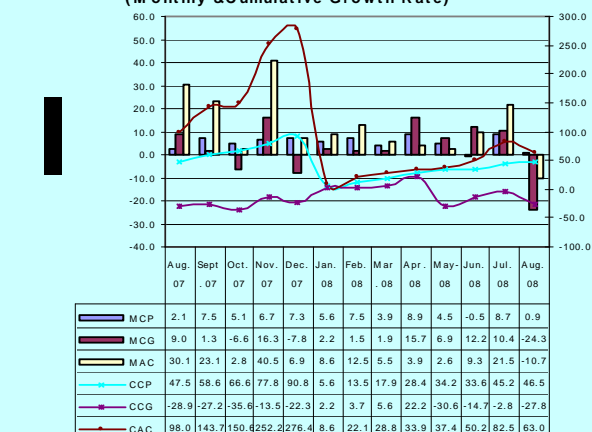


Figure 2: Aggregate Domestic Credit To The Economy (Monthly & Cumulative Growth Rate)



## 2.2 Currency-in-circulation and Deposits at the CBN

At =N=948.3 billion, currency in circulation rose by 1.2 per cent in August 2008 over the level in July 2008. The increase was traceable largely to the 2.9 per cent rise in currency outside the banking system.

Total deposits at the CBN amounted to =N=5,501.1 billion, up by 12.2 per cent over the level in the preceding month. The development was attributed largely to the 84.1 and 12.5 per cent rise in private sector and Federal Government deposits, respectively. The shares of the Federal Government, banks and “others” in total deposits at the CBN were 92.0, 5.9 and 2.1 per cent, respectively, compared with the shares of 91.7, 7.0 and 1.3 per cent, in July 2008.

## 2.3 Interest Rate Developments

Available data indicated mixed development in banks’ deposit and lending rates in August 2008. With the exception of the average savings deposit rate which fell by 0.11 percentage points to 3.04 per cent, all other rates on deposits of various maturities rose from a range of 5.36 – 11.71 per cent in July to 5.39 – 12.29 per cent. The average prime and maximum lending rates fell by 0.75 per cent and 0.1 percentage points to 17.17 and 15.99 per cent, respectively. Consequently, the spread between the weighted average deposit and maximum lending rates narrowed from 8.42 percentage points in July to 7.31 percentage points. Similarly, the margin between the average savings deposit and maximum lending rates narrowed from 14.77 percentage points in the preceding month to 14.13 percentage points.

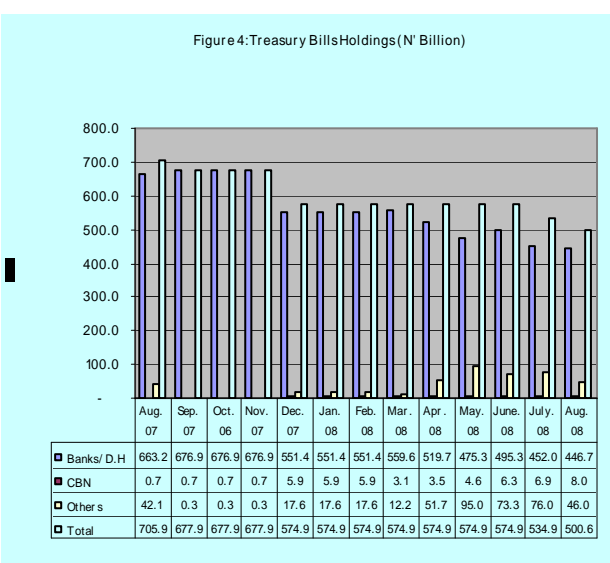
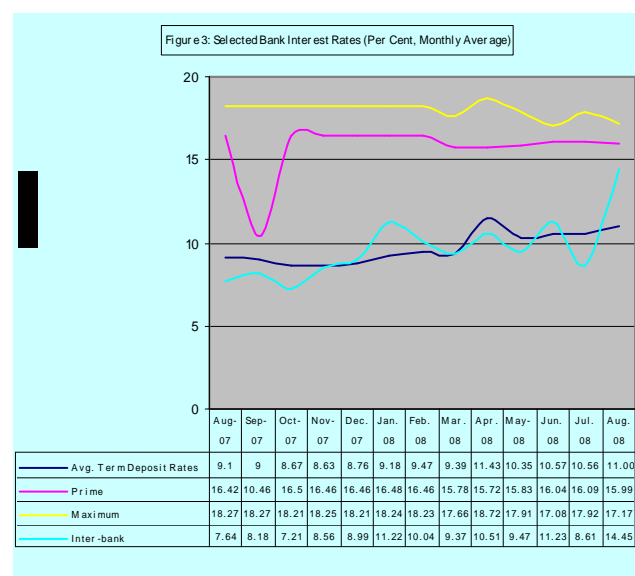
The rates at the inter-bank call segment rose compared with their levels in the preceding month. The weighted average rate was 14.45 per cent, up by 5.84 percentage points from 8.61 per cent in July. Similarly, the weighted average rate for the Open Buy Back (OBB) was 10.36 per cent, up from 7.84 per cent in the preceding month. In tandem with the activities at the inter-bank market, the Nigeria Inter-Bank Offered Rate (NIBOR) for the 7-day and 30-day tenored segments rose, respectively, by 364 and 228 basis points to close at 14.05 and 15.34 per cent from 10.41 and 13.06 per cent in the preceding month.

## 2.4 Money Market Developments

Provisional data indicated that the value of money market assets outstanding as at end-August 2008 was =N=2,727.3 billion, representing an increase of 1.0 per cent over the level at end-July 2008. The development was attributed to the respective increase of 3.7 and

2.9 per cent in the value of outstanding FGN Bonds and commercial papers.

The volume of transactions at the two-way quote trading and reverse repo segments were low due to the unfavourable rates. Direct OMO auction was not conducted at the secondary market. Bank lending facility increased during the month, reflecting the tight liquidity condition. Subscriptions for the 182- and 364- day tenors were however, high as market players showed preference for long term investments. Also, subscription was equally high at the 3- and 10-year FGN Bonds auctions, because of the attractive yield. At the inter-bank segment, rates rose generally. The benchmark NIBOR tenored rates also rose.



Liquidity injection through the payment of matured bills amounted to ₦338.7 billion, compared with ₦557.2 billion in the preceding month. Total sales in the review month amounted to ₦78.7 billion, compared with ₦742.3 billion sold in July, 2008. The breakdown of sales indicated that ₦32.0 billion was sold at the two-way quote trading platform, while ₦56.7 was issued at the primary segment of the market for liquidity management. There were no reverse repo transactions during the month. The rates at the two-way quotes ranged between 9.40 and 9.50 per cent for the various maturities offered.

At the primary market segment, Nigerian Treasury Bills (NTBs) of 91-, 182- and 364-day tenors were offered amounting to ₦110.77 billion, compared with ₦176.60 billion in the preceding month. Total subscription was ₦156.30 billion, while the sum of ₦84.46 billion was allotted to the public. The range of issue rates for the 91- and 182-day NTBs were, 8.20 - 9.23 per cent and 8.90 - 9.53 per cent, respectively, compared with 8.00 - 9.30 per cent and 9.50 - 9.55 per cent in July 2008. At the 364-day tenored segment, the issue rate was 9.20 per cent, compared with 9.55 per cent in the preceding month.

A total of ₦50.00 billion, made up of ₦30.00 billion 3-year (re-opening) and ₦20.00 billion 10-year (re-opening) FGN bonds, were floated and allotted at coupon rates of 10.50 and 10.70 per cent, respectively. The bonds were over-subscribed to the tune of ₦51.39 billion. The impressive subscription, especially by foreign investors reflected the increased confidence in the Nigerian economy and the market players' preference for longer-tenored securities.

## 2.5 *Deposit Money Banks' Activities*

Available data indicated that total assets/liabilities of the twenty four (24) DMBs amounted to ₦15,038.8 billion, representing the respective increase of 0.5 and 36.9 per cent over the levels in the preceding month and end-December 2007. The increase in total assets was attributed wholly to the 18.8 per cent rise in foreign assets. The corresponding increase in liabilities was attributed largely to the 27.0 per cent rise in foreign liabilities.

Funds, sourced mainly from increase in share capital and time, savings and foreign currency deposits, were utilised largely in the accumulation of foreign assets and unclassified liabilities.

At ₦9,117.0 billion, DMBs credit to the domestic economy fell by 1.4 per cent from the level in the preceding month. The breakdown showed that credit to the government and private sector, respectively, fell by 2.5 and 1.1 per cent from the preceding month's levels to ₦1,948.2 billion and ₦7,168.8 billion, respectively. Central

Bank's credit, mainly overdraft facility to the DMBs, fell by 20.2 per cent to ₦63.4 billion in the review month.

Total specified liquid assets of the DMBs was ₦3,310.3 billion, representing 40.0 per cent of their total current liabilities. This level of assets was 2.8 percentage points lower than the preceding month's level, but met the stipulated minimum ratio of 40.0 per cent for fiscal 2008. The loan-to-deposit ratio stood at 84.3 per cent, down from 87.1 per cent in July, but exceeded the prescribed maximum of 80.0 per cent for the industry by 4.3 per cent.

## 2.6 *Discount Houses*

Total assets/liabilities of the discount houses stood at ₦314.7 billion at end-August 2008, representing an increase of 8.9 per cent over the level in the preceding month. The rise in assets relative to July 2008, was attributed largely to the respective increase of 37.9 and 19.2 per cent in claims on others and Federal Government. Similarly, the rise in total liabilities was attributed largely to the respective increase of 80.1 and 6.4 per cent in "other amount owing" and capital and reserves. Discount houses' investments in Federal Government securities of less than 91 days maturity rose by 13.3 per cent to ₦90.9 billion. At this level, discount houses' investments in Federal Government securities represented 34.5 per cent of their total deposit liabilities, which was 25.5 percentage points below the prescribed minimum of 60.0 per cent for fiscal 2008. Total borrowing by the discount houses was ₦103.0 billion, while their capital and reserves amounted to ₦30.9 billion, resulting in a gearing ratio of 6.7:1, compared with the stipulated maximum ratio of 50:1 for fiscal 2008.

## 2.7 *Capital Market Developments*

Available data indicated bearish development on the Nigerian Stock Exchange (NSE) in August 2008. The volume and value of transaction, respectively, fell by 12.9 and 11.1 per cent to 17.4 billion shares and ₦169.6 billion, compared with 20.0 billion shares valued at ₦190.8 billion recorded in July 2008. The banking sub-sector was the most active in volume terms on the Exchange, with a trading volume of 9.6 billion shares valued at ₦124.1 billion in 126,777 deals. This was followed by the Insurance sub-sector with 5.7 billion shares valued at ₦7.3 billion in 33,811 deals. Transactions in the Federal Government and industrial loans/preference stocks, however, remained dormant during the month. (Fig. 5)

Transactions on the Over-the-Counter (OTC) bond market, indicated a turnover of 699.4 million units worth ₦691.9 billion in 6,183 deals in the review month, compared with 1.1 billion units valued at

=N=1.1 billion in 9,220 deals in July 2008. Also, as in July, the most active bond (measured by turnover volume) was the 5th FGN Bond 2018 series 2, with a traded volume of 63.9 million units valued at =N=59.5 billion in 463 deals.

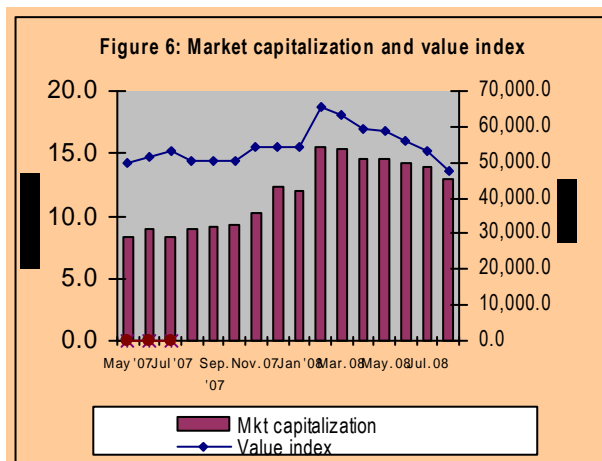
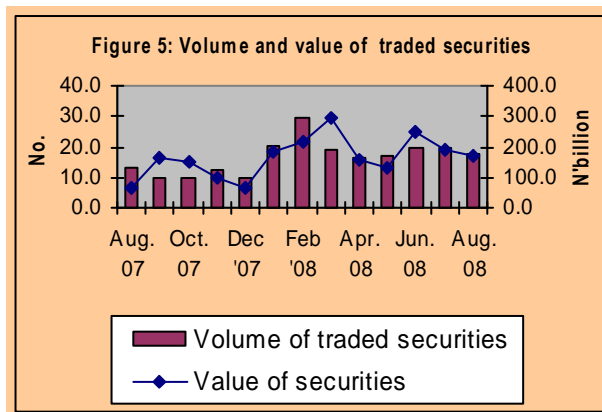
In the new issues market, a total of 1.5 billion ordinary shares of Capital Hotels Plc were admitted to the daily official list at a price of =N=6.50 per share by way of introduction. The shares were listed in the Hotel and Tourism sub-sector thus, bringing the number of listed companies and securities on the Exchange to 226 and 319, respectively.

In a related development, 12.4 billion ordinary shares were registered as supplementary listings from eleven (11) issues during the month, involving First Bank Nig. Plc, Costain (WA) Plc, Julius Berger Nig. Plc, Regency Alliance Insurance Plc, Academy Press Plc, Flour Mills of Nig. Plc, Diamond Bank Plc, Intercontinental Bank Plc, WAPIC Insurance Plc, Ashaka Cement Plc, Neimeth International Pharmaceutical Plc and Union Homes Savings & Loans Plc.

Two funds, ARM Aggressive Growth Funds and Kakawa Guaranteed Income Fund were granted Memorandum Listing, thus, bringing the funds under such category to 21.

In another development, the name of Royal Exchange Assurance Nig. Plc was changed to Royal Exchange Plc and the company was moved from Insurance sector to the "Other Financial Institutions" sector, following the restructuring that took place in the company.

The All-Share Index and total market capitalization of the listed securities fell by 10.0 and 6.4 per cent to close at 47, 789.2 (1984 = 100) and =N=13.0 trillion, respectively, in the review month, compared with the level of 53,110.9 (1984 = 100) and =N=13.9 trillion in July. Market capitalization for the 226 listed equities amounted to =N=10.1 trillion and accounted for 77.7 per cent of the total market capitalization compared with =N=10.6 recorded in the preceding month. The development was attributed largely to the price losses recorded by the highly capitalized companies in the insurance and banking sub-sectors. (Fig. 6)



### 3.0 DOMESTIC ECONOMIC CONDITIONS

The major agricultural activities across the country in August 2008 were crop harvesting and land preparation for the planting of late crops. Crude oil production was estimated at 1.96 million barrels per day (mbd) or 60.76 million barrels during the month. The end-period inflation rate for August 2008, on a year-on-year basis, was 12.4 per cent, down from 14.0 per cent recorded in the preceding month. The inflation rate on a 12-month moving average basis was 8.5 per cent, compared with 7.8 per cent recorded in July 2008.

#### 3.1 Agricultural Sector

Major agricultural activities across the country in August 2008 consisted of crop harvesting and land preparation for the planting of late crops. In the livestock sub-sector, most poultry farmers were preoccupied with the clearing and disinfecting of facilities in preparation for the yuletide season.



A total of ₦711.52 million was guaranteed to 7,377 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in August 2008. This represented respective increase of 51.7 and 191.3 per cent over the levels in the preceding month and the corresponding period of 2007. A sub-sectoral analysis of the loans guaranteed indicated that 6,817 beneficiaries in the food crops sub-sector had the largest share of ₦529.5 million (74.4 per cent), and 278 beneficiaries in the livestock sub-sector received ₦107.2 million (15.1 per cent).

Also, 103 beneficiaries in the cash crops sub-sector were guaranteed the sum of ₦29.8 million (4.2 per cent), 44 beneficiaries in the fisheries sub-sector got ₦36.8 million (5.2 per cent) and 135 beneficiaries in the “others” sub-sector received ₦8.3 million (1.2 per cent). Analysis of lending by state showed that twenty two (22) states benefited from the scheme during the month. The highest sum of ₦185.6 million (26.1 per cent) was guaranteed to 3,857 farmers in Benue state, while the lowest sum of ₦1.0 million (0.2 per cent) was guaranteed to 48 farmers in Ekiti state.

Retail price survey of all staples by the CBN indicated increase in prices in August 2008. Over their levels in the preceding month, eleven of the fourteen commodities monitored recorded price increase ranging from 1.0 per cent for eggs to 56.2 per cent for groundnut oil. Relative to the level in the corresponding period of 2007, all the commodities monitored except yam flour, recorded price increase ranging from 25.7 per cent for eggs to 92.6 per cent for white maize. The development was attributed to the higher energy prices, particularly diesel which raised both production and transportation costs.

The prices of most of Nigeria’s major agricultural commodities at the London Commodities Market recorded marginal decline in the review month. At 313.72 (1990=100), the All-Commodities Price Index, in dollar terms, fell marginally by 0.1 from the level in the preceding month, but indicated an increase of 8.7 per cent over the level in the corresponding period of 2007. Further analysis indicated that all the six commodities monitored recorded price decline from their levels in July, ranging from 0.01 per cent for cocoa to 0.4 per cent for soya bean. Relative to the levels in the corresponding period of 2007, all the commodities, however, recorded price increase ranging from 4.3 per cent for cocoa to 135.1 per cent for soya bean.

Similarly, at 3,918.7 (1990=100), the All-Commodities price index, in naira terms, declined marginally by 0.1 per cent from the level in the preceding month. It, however, rose by 9.6 per cent over the level in the corresponding period of 2007.

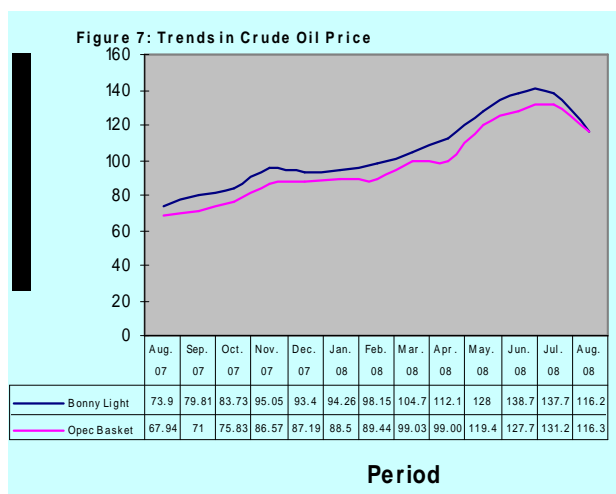
The price decline recorded ranged from 0.01 per cent for cocoa to 0.3 per cent for soya bean. Relative to the levels in the corresponding period in 2007, all the commodities recorded price increase ranging from 3.3 per cent for cocoa to 106.4 per cent for soya bean.

### 3.2 Petroleum Sector

Nigeria’s crude oil production, including condensates and natural gas liquids was estimated at 1.96 million barrels per day (mbd) or 60.76 million barrels for the month, compared with 1.90 mbd or 58.90 million barrels in the preceding month. Crude oil export was estimated at 1.51 mbd or 46.81 million barrels in August 2008, up from 1.45 mbd or 44.95 million barrels in July. 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\$116.17 per barrel, the price of Nigeria’s reference crude, the Bonny Light (37° API), declined by 15.7 per cent from the level in the preceding month. The average price of other competing crude namely, the West Texas Intermediate, the U.K Brent, Arab Light and the Forcados also fell by 12.9, 13.9, 13.5 and 15.2 per cent to US\$117.16, US\$115.06, US\$114.96 and US\$117.00 per barrel, respectively. The fall in price was attributed to the continued lull in the demand for crude oil from the United States, the world’s top consumer, due to the weakening economic growth and the recent recovery of the US dollar against other major currencies.

The average price of OPEC’s basket of eleven crude streams also fell by 11.4 per cent to US\$116.31 per barrel, compared with US\$131.22 a barrel recorded in the preceding month. (Fig. 7).



### 3.3 Consumer Prices

The all-items composite Consumer Price Index (CPI) for August 2008 was 190.3 (May 2003=100), up by 1.2 per cent over the level in the preceding month. The development was attributed to the increase in the price of some food items, diesel, kerosene, gas and some building materials.

The urban all-items CPI for end-August 2008 was 211.2 (May 2003=100), indicating an increase of 1.6 per cent over the level in the preceding month. The rural all-items CPI for August 2008, at 181.3 (May 2003=100), increased by 0.9 per cent over the level in the preceding month. (Fig. 8)

The end-period inflation rate for August 2008, on a year-on-year basis, was 12.4 per cent, down from 14.0 per cent recorded in the preceding month. The inflation rate on a twelve-month moving average basis for August 2008, was 8.5 per cent, compared with 7.8 per cent in July 2008. (Fig. 9)

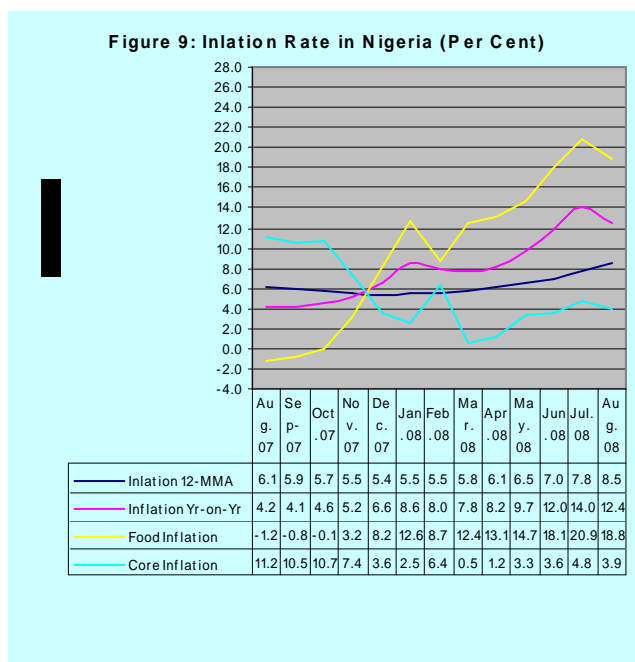
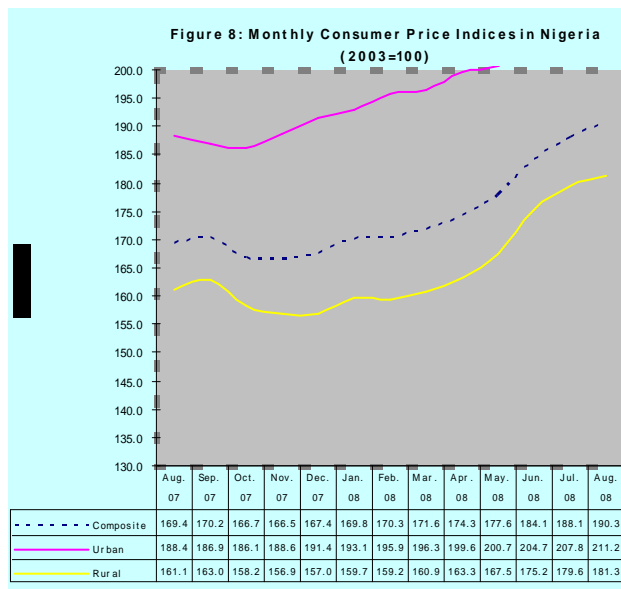
## 4.0 EXTERNAL SECTOR DEVELOPMENTS

### 4.1 Foreign Exchange Flows

Available data indicated that foreign exchange inflow and outflow through the CBN in August 2008 rose by 13.1 and 11.1 per cent over the levels in the preceding month. Similarly, total non-oil export earnings by Nigeria's top 100 exporters rose by 7.7 per cent over the level in the preceding month. The gross external reserves however, fell by 0.3 per cent to US\$60.13 billion in August 2008, while the weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated marginally by 0.03 per cent to =N=117.74 per dollar at the Wholesale Dutch Auction System (WDAS).

Foreign exchange inflow and outflow through the CBN in August 2008 were US\$5.35 billion and US\$3.91 billion, respectively, representing a net inflow of US\$ 1.44 billion. Relative to the respective levels of US\$4.73 billion and US\$3.52 billion in July 2008, inflow and outflow rose by 13.1 and 11.1 per cent, respectively.

The increase in inflow was attributed largely to the 33.9 per cent rise in non-oil receipts, while the increase in outflow was attributed largely to the 13.7 per cent rise DAS utilisation.



Available data on aggregate foreign exchange flows through the economy indicated that total inflow and outflow was US\$9.61 billion and US\$3.99 billion, representing an increase of 7.0 and 6.4 per cent, respectively, over the levels in the preceding month. Relative to the corresponding period of 2007, however, inflow and outflow rose by 43.6 and 141.8 per cent, respectively. Oil sector receipts, at US\$5.08 billion, accounted for 52.9 per cent of the total, compared with US\$4.54 billion in the preceding month. Non-oil public sector inflow rose by 33.9 per cent to US\$262.9 million, while autonomous inflows rose by 0.2 per cent and accounted for 44.3 per cent of the total. (Fig. 10)

#### 4.2 Non-Oil Export Proceeds by top 100 Exporters

Total non-oil export earnings by Nigeria's top 100 exporters rose by 7.7 per cent over the level in the preceding month to US\$138.10 million. The development was attributed to the increase in the export value of sesame seeds. A breakdown of the proceeds in the review month showed that agricultural and "others" sub-sectors rose from US\$61.86 million and US\$7.26 million in July to US\$84.57 million and US\$11.57 million, respectively, while manufacturing sub-sector fell from US\$59.16 million in the preceding month to US\$41.96 million.

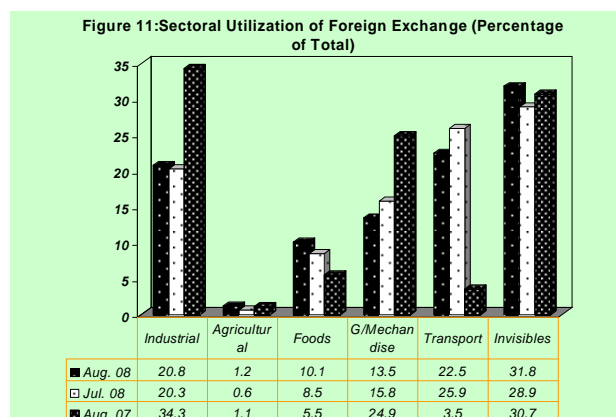
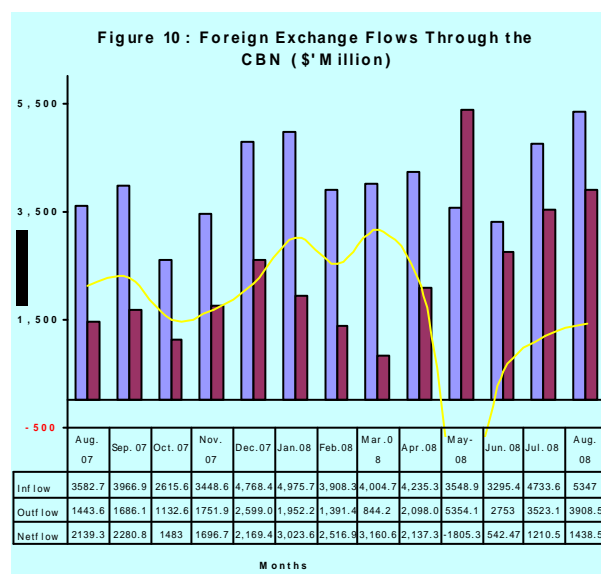
The shares of agricultural, manufacturing and "others" sub-sectors in total non-oil export proceeds were 61.3, 30.3 and 8.4 per cent, respectively, compared with 48.2, 46.1 and 5.7 per cent, in the preceding month. The top 100 exporters accounted for 99.9 per cent of all the non-oil export proceeds in the review month.

#### 4.3 Sectoral Utilisation of Foreign Exchange

The invisibles sub-sector accounted for 31.9 per cent of total foreign exchange disbursed in August 2008, followed by transport (22.5 per cent). Other beneficiary sectors, in a descending order included: industrial (20.8 per cent), general merchandise (13.5 per cent), food (10.1 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 WDAS was US\$2.5 billion in August 2008, indicating respective increase of 45.9 and 88.7 per cent over the levels in the preceding month and the corresponding period of 2007. A total of US\$2.0 billion foreign exchange was sold by the CBN to authorized dealers in the review month. The increase in demand



was attributed to the surge in the purchase of foreign exchange for the importation of fuel (petroleum motor spirit) by some oil companies and the remittances of dividend during the period.

Under the WDAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar appreciated marginally by 0.03 per cent to =N=117.74 per dollar.

In the bureau de change segment of the market, the average exchange rate remained unchanged at the July level of =N=119.00 per dollar. Consequently, the premium between the official and Bureau de Change rates widened slightly from 1.0 per cent in the preceding month to 1.1 per cent in August 2008 (Fig. 12).

#### 4.5 External Reserves

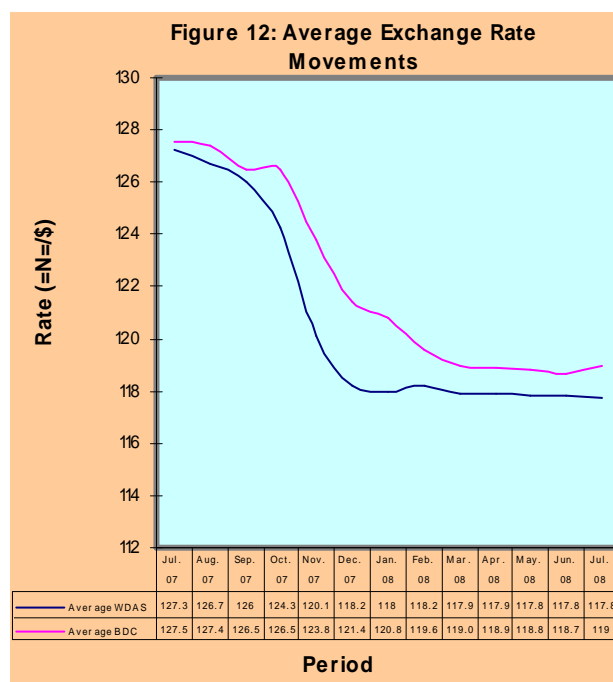
Available data showed that Nigeria's external reserves at end-August 2008 stood at US\$60.13 billion, representing a decline of 0.3 per cent from the level in the preceding month. It however, indicated an increase of 33.6 per cent over the level in the corresponding period of 2007.

#### 5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output in August 2008 was estimated at 87.13 million barrels per day (mbd), while demand was estimated at 86.33 mbd, representing an excess supply of 0.8 mbd, compared with 86.92 and 86.39 mbd supplied and demanded, respectively, in the preceding month.

Other major international economic developments of relevance to the Nigerian economy during the month included: the 32<sup>nd</sup> Ordinary Meeting of the Assembly of Governors of the Association of African Central Banks (AACB) held in Kigali, Rwanda, on August 22, 2008. The meeting was attended by representatives of 37 Central Banks, the African Union Commission, regional economic and monetary integration institutions, international financial institutions, the diplomatic corps, as well as members of the financial sector. The main objective of the meeting was to iron out the necessary conditions for the proper functioning of the three African financial institutions, namely; the African Monetary Fund, the African Central Bank and the African Investment Bank. The Governors underscored the crucial role that these institutions could play in reinforcing the economic development of the African continent as a whole. The meetings ended with the election of Mr. François Kanimba, Governor of the National Bank of Rwanda, as the New AACB Chairperson for the year 2008/2009.

In another development, the Third Session of the Nigeria-Iran Joint Commission was held in Abuja, Nigeria from August 25 – 28, 2008. The Nigeria delegation was led by Ambassador (Dr.) Chike Anigbo, Under-Secretary (African Affairs) of the Ministry of Foreign Affairs, while the Iranian delegation was led by Dr. Mohammadali Zeyghami, Deputy Head of Marketing and Trade relations, Ministry of Commerce. The Joint Commission reviewed different areas of economic cooperation and came up with proposals that would boost development and strengthen relations between the two countries. The following were the major highlights of the session:



- \* On the establishment of financial infrastructure for the promotion of economic and trade cooperation, the Iranian side expressed readiness to establish a joint Iranian and Nigerian bank in Nigeria, purchase stocks of reliable banks in Nigeria as well as establish branches of Iranian banks in Nigeria. The Nigerian side, while welcoming this proposal, agreed to bring the matter to the attention of the appropriate financial authorities in Nigeria for necessary action.
- \* The Export Guarantee Fund of Iran expressed readiness to cover the risk of the failure for repayment of short and medium-term credits payable to the Nigerian importers/exporters, provided irrevocable letters of credit will be opened with one of the reliable banks in Nigeria or that the relevant guarantee would be provided by one of the said banks.
- \* In order to promote bilateral banking relations, the Export Development Bank of Iran expressed readiness to grant a Line of Credit to the Nigeria Export-Import Bank (NEXIM).
- \* The Iranian side expressed its readiness to participate in the construction of oil and gas infrastructure, thermal power plant, gas, steam, combined cycle and utility units, in form of EPC and IPP and to render technical and engineering services to Nigeria.

- \* Both parties emphasized the need for sharing experiences and exchange of delegations on housing and urban developments, as well as utilizing the latest technology, regional and national programming, GIS, encouragement and support for the establishment of joint advisory engineering and contracting companies by private and public sectors.

Also, the African Development Bank (AfDB) Group and the West African Monetary Institute (WAMI) on August 4, 2008 in Tunis, signed an agreement for a grant of 14 million Units of Account (UA), equivalent to US\$ 23.0 million, to finance the West African Monetary Zone (WAMZ) Payments System Development project, which aims at standardizing the payment systems in The Gambia, Guinea and Sierra Leone. The Agreement was signed by the Bank Group's Vice-President for Sector Operations, Zeinab B. El-Bakri and the Director-General of WAMI, Dr. Temitope Oshikoya. The project is an important regional financial infrastructural requirement for the harmonization of the payment systems in five of the six-member countries of the WAMZ. It is expected to upgrade the payment systems in the three countries to the same level as those in Ghana and Nigeria.

The main component of the project is the development of Real Time Gross Settlement (RTGS), a large value funds transfer system whereby financial intermediaries can settle inter-bank transfers continuously and in real time for their own account as well as the accounts of their customers in the three countries.

Lastly, a World Bank report released on August 26, 2008 indicated that there were more poor people around the world than previously thought. The report further revealed big successes in the fight to overcome extreme poverty. The new estimates, which reflect improvements in internationally comparable price data, provide a much more accurate picture of the cost of living in developing countries and set a new poverty line of US\$1.25 a day. The data is based on the results of the 2005 *International Comparison Program* (ICP), released earlier this year.

The data showed that marked regional differences in progress against poverty persist. Poverty in East Asia has fallen from nearly 80 per cent of the population living below US\$1.25 a day in 1981 to 18 per cent in 2005. However, the poverty rate in Sub-Saharan Africa remained at 50 per cent in 2005 same as in 1981, although with more encouraging recent signs of progress.

