



***CENTRAL BANK OF NIGERIA***

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

***RESEARCH DEPARTMENT***

# **CENTRAL BANK OF NIGERIA**

## **MONTHLY REPORT**

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## *1.0 Summary*

Provisional data indicated an increase in monetary aggregates during the review month. Over the level at the end of the preceding period, broad money ( $M_2$ ) rose by 1.5 per cent, compared with the increase of 5.3 per cent in June 2008, while narrow money ( $M_1$ ) fell by 5.3 per cent from the level in the preceding month. The increase was attributed wholly to the rise in aggregate banking system credit (net) to the domestic economy.

Available data indicated mixed developments in banks' deposit and lending rates in July 2008. The spread between the weighted average term deposit and maximum lending rates widened from 7.57 percentage points in the preceding month to 8.42. The margin between the average savings deposit and maximum lending rates, also, widened from 13.93 percentage points in June 2008 to 14.77. The weighted average inter-bank call rate was 8.61 per cent, down from 11.23 per cent in June, 2008, reflecting the liquidity condition in the banking system.

The value of money market assets outstanding increased by 0.9 per cent to ₦2,735.1 billion over the level in the preceding month. The rise was attributed largely to the increase in Commercial Papers and Bankers' Acceptances (BAs) outstanding. Activities on the Nigerian Stock Exchange were mixed as some of the major market indicators trended upward, while others trended downwards in the review month.

The major agricultural activities in the review month included: weeding, harvesting of yams, other root crops and maize, across the country. Also, poultry farmers intensified the clearing and disinfecting of broiler houses and surroundings to minimize the incidence of diseases associated with wet season. The prices of most Nigeria's major agricultural commodities at the London Commodities Market increased in the review month.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 1.90 million barrels per day (mbd) or 58.90 million barrels for the month, compared with 1.86 mbd or 55.80 million barrels in the preceding month. Crude oil export was estimated at 1.45 mbd or 44.95 million barrels in July, while deliveries to the refineries for domestic consumption remained at 0.445 mbd or 13.80 million barrels for the month. The average price of Nigeria's reference crude, the Bonny Light (37<sup>o</sup> API), estimated at US\$137.74 per barrel, fell by 0.7 per cent from the level in the preceding month.

The inflation rate for July 2008, on a year-on-year basis, was 14.0 per cent, compared with 12.0 per cent in June. The inflation rate on a twelve-month moving average basis, was 7.8 per cent, up from 7.0 per cent in June 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\$4.73 billion and US\$3.52 billion, respectively, resulting in a net inflow of US\$1.21 billion during the review month. Relative to the respective levels in the preceding month, inflow and outflow rose by 43.6 and 28.0 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 external debt service payments.

Foreign exchange sales by the Central Bank of Nigeria (CBN) to end-users through the authorized dealers stood at US\$1.3 billion, while demand declined by 10.5 per cent to US\$1.7 billion.

The gross external reserves rose by 2.0 per cent to US\$60.31 billion in July 2008, compared with US\$59.16 billion at end-June 2008. The weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated marginally by 0.04 per cent to ₦117.77 per dollar at the WDAS. In the bureaux de change segment of the market, however, the rate depreciated by 0.3 per cent to ₦119.00 per dollar. Non-oil export earnings by Nigeria's top 100 exporters increased by 3.8 per cent to US\$128.28 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 in the review month included: the trade talks at the meeting held in Geneva, Switzerland from July 21 – 30, 2008 to continue the Doha Round negotiation that had commenced in November, 2001. The purpose of the meeting was to agree on modalities for agriculture and non-agricultural market access (NAMA) — the formula and other methods to be used to cut tariffs and agricultural subsidies. Others included the next steps in concluding the Doha Round of negotiations. Also, the 6<sup>th</sup> D-8 Summit was held in Kuala Lumpur, Malaysia from July 4 – 8, 2008. The theme of the Summit was "Meeting Challenges through Innovative Cooperation". In another development, the World Bank on July 1, 2008 approved two credits totaling US\$450 million to support the Federal and State Governments of Nigeria in the fight against rural poverty. The Board of the Bank approved US\$250 million for FADAMA III and US\$200 million for Community and Social Development projects. Both projects were community driven development operations and were developed as a follow-up to the FADAMA II; Local Empowerment and Environment Management Project (LEEMP); and Community-based Poverty Reduction Project (CPRP) in the country. Lastly, an International Monetary Fund (IMF) report showed that the impact of surging food and fuel prices is being felt globally. The effect was found to be more acute for import-dependent poor and middle-income countries confronted with balance of payments problems, higher inflation, and worsening poverty.

## 2.0 FINANCIAL SECTOR DEVELOPMENTS

**M**onetary aggregates rose in July 2008, while banks' deposit and lending rates indicated mixed developments. The value of money market assets outstanding increased, following largely the rise in commercial papers and bankers acceptance. Transactions on the Nigerian Stock Exchange (NSE) were mixed during the review month.

### 2.1 Monetary and Credit Developments

Provisional data indicated that monetary aggregates rose in July 2008. Over the level at the end of the preceding month, broad money supply ( $M_2$ ) rose by 1.5 per cent compared with the increase of 5.3 per cent in June 2008, while narrow money supply ( $M_1$ ) fell by 5.3 per cent, in contrast to the increase of 8.4 per cent in the preceding month. Over the level at end-December 2007,  $M_2$  grew by 38.9 per cent. The rise in  $M_2$  was attributed wholly to the increase of 21.5 per cent in aggregate banking system credit (net) to the domestic economy (fig.1 and table 1).

Aggregate banking system credit (net) to the domestic economy rose by 21.5 per cent over the level in June 2008 to =N=4,907.1 billion, compared with the increase of 9.3 per cent in the preceding month. Relative to the level at end-December 2007, it grew by 82.5 per cent. The development was attributed to the respective increase of 10.4 and 8.7 per cent in claims on the Federal Government and the private sector.

At negative =N=2,434.0 billion, banking system's credit (net) to the Federal Government rose by 10.4 per cent, compared with the increase of 12.2 per cent in the preceding month. The development was attributed wholly to the 17.8 per cent increase in deposit money banks (DMBs) claims on the Federal Government, during the period.

Banking system's credit to the private sector rose by 8.7 per cent to =N=7,341.1 billion, in contrast to the decline of 0.5 per cent in June. The development reflected the 9.2 per cent increase in DMBs credit to the sector during the period (fig. 2).

At =N=8,037.0 billion, foreign assets (net) of the banking system fell by 3.4 per cent from the level in June 2008, in contrast to the increase of 2.1 per cent in the preceding month. The development was attributed to the respective decline of 18.9 and 1.6 per cent in DMBs' and CBN's holdings.

Quasi money rose by 9.6 per cent to =N=3,968.6 billion, compared with the increase of 1.9 per cent in June 2008. The development was attributed to the increase in time and savings deposits of the DMBs, during the period.

Other assets (net) of the banking system, fell by 10.6 per cent to =N=4,876.5 billion, compared with the decline of 2.6 per cent in the preceding month. The development reflected largely the decline in unclassified assets of the DMBs.

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

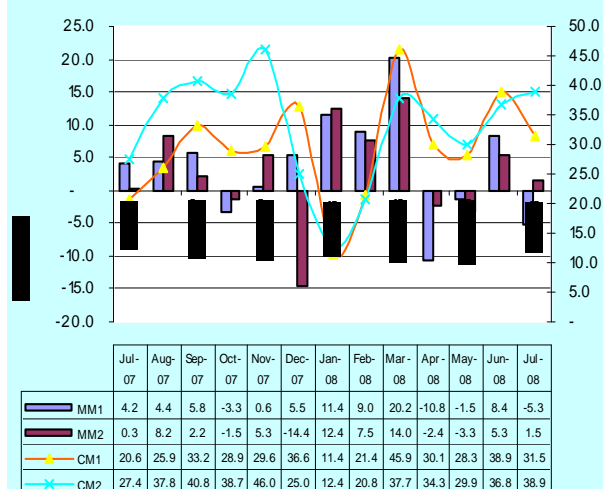
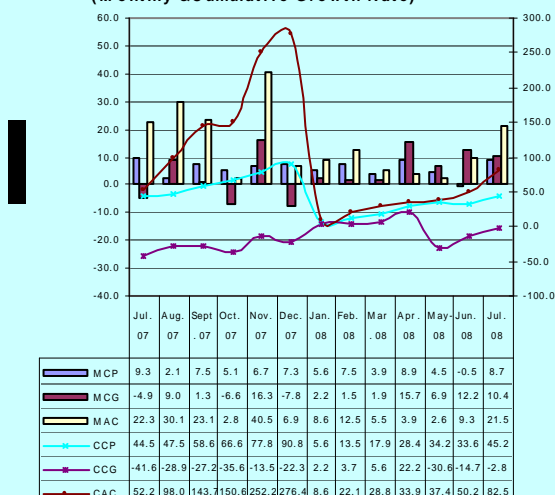


Figure 2: Aggregate Domestic Credit To The Economy (Monthly & Cumulative Growth Rate)



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

At =N=936.9 billion, currency in circulation rose by 2.0 per cent in July 2008 over the level in June 2008. The increase was traceable largely to the 4.8 per cent rise in currency outside the banking system.

Total deposits at the CBN amounted to =N=4,904.4 billion, indicating a decline of 5.3 per cent from the level in the preceding month. The development was attributed largely to the 45.1 and 42.9 per cent fall in private sector and DMBs deposits, respectively. The shares of the Federal Government, banks and “others” in total deposits at the CBN were 91.7, 7.0 and 1.3 per cent, respectively, compared with the shares of 86.2, 11.6 and 2.2 per cent, in June 2008.

## 2.3 Interest Rate Developments

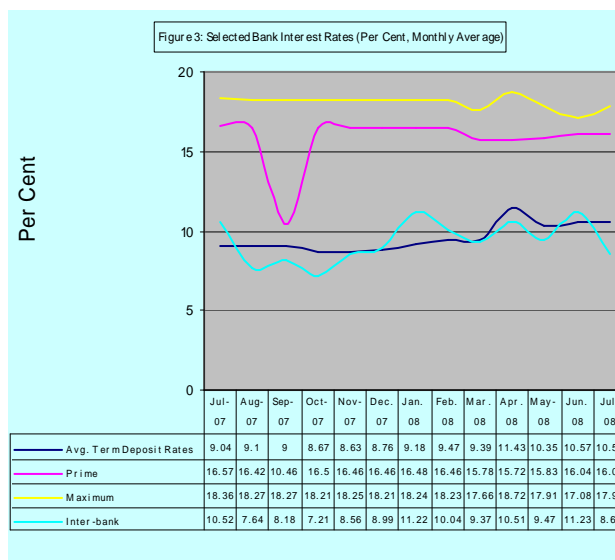
Available data indicated mixed development in banks’ deposit and lending rates in July 2008. With the exception of the seven-day deposit rate which fell by 0.33 percentage points to 5.36 per cent, all other rates on deposits of various maturities rose from a range of 10.97 – 11.77 per cent in the preceding month to 11.08 – 11.80 per cent. The average savings rate, however, remained at the preceding months level of 3.15 per cent. The average maximum lending rate rose by 0.84 percentage point to 17.92 per cent, while the average prime lending rate rose by 0.05 percentage point to 16.09 per cent. Consequently, the spread between the weighted average deposit and maximum lending rates widened from 7.57 percentage points in the preceding month to 8.42 percentage points. Similarly, the margin between the average savings deposit and maximum lending rates widened from 13.93 percentage points in the preceding month to 14.77 percentage points.

The liquidity surfeit in the banking system, following the huge injections of funds from the repayment of matured bills and the release of statutory revenue had a moderating effect on interest rates. At the inter-bank call segment, the weighted average rate was 8.61 per cent, down by 262 basis points from 11.23 per cent in June. Similarly, the weighted average rate for the Open Buy Back (OBB) was 7.84 per cent, down from 8.92 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 fell, respectively, by 95 and 4 basis points to close at 10.41 per cent and 13.06 per cent from 11.36 and 13.46 per cent in the preceding month.

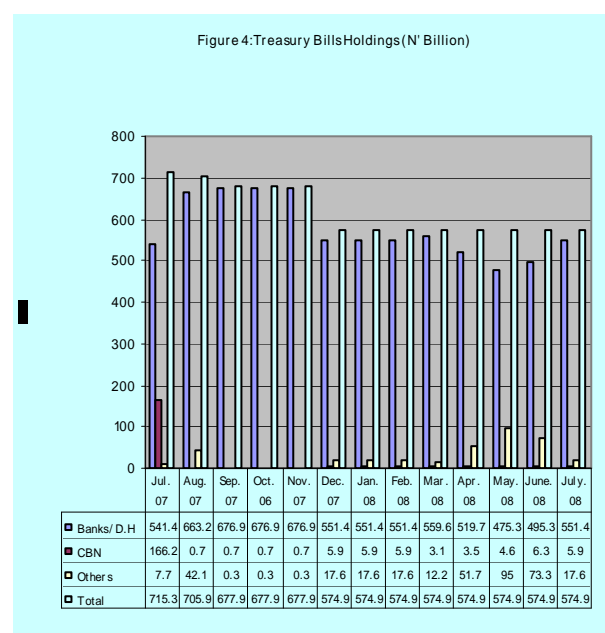
With an actual inflation rate of 14.0 percent at end-July 2008, all deposit rates, with the exception of the lending rates, were negative in real terms.

## 2.4 Money Market Developments

Provisional data indicated that the value of money market assets outstanding as at end-July 2008 was =N=2,735.1 billion, representing an increase of 0.89 per cent over the level at end-June 2008. The development was attributed to the respective increase of 3.22 and 2.69 per cent in value of commercial papers and banker’s acceptances.



Analysis of activities in the money market showed a remarkable improvement when compared with the preceding month, as market players increased patronage at the open market.



The sum of ₦406.6 billion, comprising ₦371.90 billion statutory revenue and ₦34.70 billion Value Added Tax (VAT) and budget augmentation for June 2008 were distributed in July, compared with ₦436.51 billion distributed in the preceding month. Furthermore, an additional sum of ₦563.05 billion excess crude oil proceed was also released in the review month.

The effects of the huge monetary injections in June 2008 lingered in July and led to the aggressive mop-up activities in the money market. The two-way quote trading, reverse repo transactions and direct OMO auctions were used to mop up excess funds in the banking system. Also, securities of 182- and 364 -day tenors were issued at the primary market to complement liquidity management. The analysis of sales in both the primary secondary segments indicated that ₦267.45 billion was sold at the two-way trading; ₦5.00 billion at the direct OMO auction; ₦325.5 billion at the reverse repo segment and the balance of ₦144.4 billion in the primary market. The rates at the two-way quotes ranged between 9.20 and 9.55 per cent for the various maturities offered.

At the primary market, Nigerian Treasury Bills (NTBs) of 91-, 182- and 364-day tenors were offered. The total amount offered and allotted were, respectively, ₦176.59 billion and ₦208.77 billion, compared with ₦175.00 and ₦182.60 billion in the preceding month. Total subscription was ₦318.60 billion, compared with ₦289.50 billion in June 2008. The increase in sales during the review month was due to the higher returns on investments for all the tenors. The range of issue rates for the 91- and 182-day NTBs were, respectively, 8.00 - 9.30 per cent and 9.10 - 9.55 per cent, compared with 8.00 - 8.55 per cent and 9.50 - 9.55 per cent in June 2008. At the 364-day tenored segment, the issue rate was 9.55 per cent, compared with 9.20 per cent in the preceding month.

A total of ₦45.00 billion, made up of ₦25.00 billion 3-year and ₦20.00 billion 10-year FGN bonds, were floated and allotted at coupon rates of 10.50 and 12.75, respectively. 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 ₦14,965.7 billion, representing the respective increase of 0.9 and 36.3 per cent over the levels in the preceding month and end-December 2007. The increase in total assets was attributed largely to the 28.3 and 14.2 per cent rise in claims on state & local government and claims on the Federal Government, respectively. The corresponding increase in liabilities was attributed largely to the 87.5 per cent rise in CBN

overdrafts to banks. Funds, sourced mainly from time, savings & foreign currency deposits and expansion of capital accounts, were used largely in the purchase of Federal Government securities and extension of credit to the private sector.

At ₦9,250.2 billion, DMBs credit to the domestic economy rose by 11.0 per cent over the level in the preceding month. The breakdown showed that credit to the government and private sector rose by 17.8 and 9.2 per cent over the preceding month's levels to ₦1,999.0 billion and ₦7,251.3 billion, respectively. Central Bank's credit to the DMBs fell by 11.4 per cent to ₦48.1 billion in the review month, reflecting the fall in loans and advances from the CBN.

Total specified liquid assets of the DMBs was ₦3,445.2 billion, representing 42.8 per cent of their total current liabilities. This level of assets was 8.5 percentage points lower than the preceding month's level, and 2.8 percentage points over the stipulated minimum ratio of 40.0 per cent for fiscal 2008. The loan-to-deposit ratio stood at 87.1 per cent, up from 82.2 per cent in June, and the prescribed maximum of 80.0 per cent for the industry.

## 2.6 Discount Houses

Total assets/liabilities of the discount houses stood at ₦288.9 billion at end-July 2008, down by 43.4 per cent from the level in the preceding month. The decline in assets relative to June 2008, was attributed largely to the respective decline of 73.3 and 50.7 per cent in cash and balances with banks and claims on banks. Similarly, the fall in total liabilities was attributed largely to the respective decline of 63.6 and 58.7 per cent in money at call and "other amount owing". Discount houses' investments in Federal Government securities of less than 91 days maturity fell by 2.1 per cent to ₦79.2 billion. At this level, discount houses' investments in Federal Government securities represented 50.8 per cent of their total deposit liabilities and was 9.2 percentage points below the prescribed minimum of 60.0 per cent for fiscal 2008. Total borrowings by the discount houses was ₦122.5 billion, while their capital and reserves amounted to ₦18.2 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 that activities on the Nigerian Stock Exchange (NSE) in July 2008 were mixed. The volume of activities rose by 0.9 per cent to 20.0 billion shares from 19.80 billion shares, while the value fell by 23.5 per cent to ₦190.8 billion from the level in June 2008. The insurance sub-sector was the most active, in volume terms, on the Exchange, with a trading volume of 11.0 billion shares valued at ₦14.9 billion

in 58,286 deals. This was followed by the banking sub-sector with 6.3 billion shares valued at ₦133.0 billion in 178,272 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 1.1 billion units worth ₦1.1 trillion in 9,220 deals in the review month, compared with 738.6 million units valued at ₦753.5 billion in 5,298 deals in June 2008. The most active bond (measured by turnover volume) was the 5th FGN Bond 2018 series 2 with a traded volume of 112.4 million units valued at ₦102.7 billion in 983 deals.

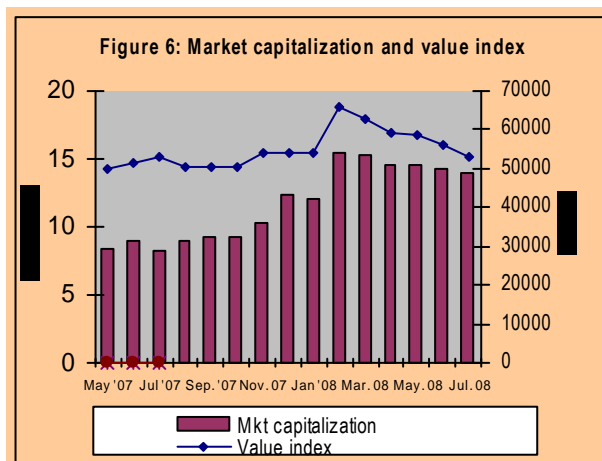
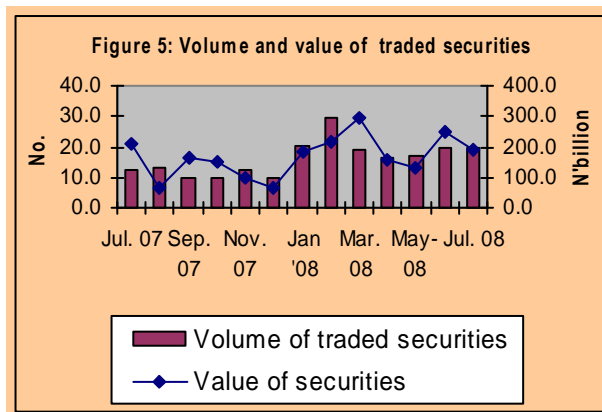
In the new issues market, a total of 8.9 billion ordinary shares of Starcomms Plc (6.9 billion ordinary shares) and FTN Cocoa Processing Plc (2.0 billion ordinary shares) were admitted to the daily official list at a price of ₦13.65 and ₦2.50 per share, respectively. This development brought the number of listed companies and securities to 225 and 318, respectively.

In a related development, 19.4 billion ordinary shares were registered as supplementary listings from seven (7) issues during the month, involving Presco Plc, Triple Gee & Co. Plc, Japaul Oil & Maritime Services Plc, Prestige Assurance Plc, Access Bank Plc, Fidelity Bank Plc and Sovereign Trust Insurance Plc.

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

The ₦2.46 billion Special FGN Bond 2012 for Local Contractors Debt was delisted from the Daily Official List. This action, brought the number of FGN Bonds to 41.

The All-Share Index and total market capitalization of the listed equities fell by 5.1 and 2.1 per cent to close at 53, 110.9 (1984 = 100) and ₦13.9 trillion, respectively, in the review month, compared with the level of 55,949.0 (1984 = 100) and ₦14.3 trillion in June. 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 July 2008 were weeding, harvesting of yams and other root crops as well as maize. Crude oil production was estimated at 1.90 million barrels per day (mbd) or 58.90 million barrels during the month. The end-period inflation rate for July 2008, on a year-on-year basis, was 14.0 per cent, compared with 12.0 per cent recorded in the preceding month. The inflation rate on a 12-month moving average basis was 7.8 per cent, compared with 7.0 per cent recorded in June 2008.

#### 3.1 Agricultural Sector

Major agricultural activities across the country in July 2008 consisted of weeding, harvesting of yams and other root crops as well as maize. In the livestock sub-sector. Most poultry farmers intensified the clearing and disinfecting of broiler houses as well as their surroundings to minimize the incidence of the diseases that are associated with wet season.



A total of =N=469.1 million was guaranteed to 4,368 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in July 2008. This represented a decline of 52.7 per cent from the level in the preceding month, but an increase of 32.4 per cent over the amount in the corresponding period of 2007. A sub-sectoral analysis of the loans guaranteed indicated that 4,160 beneficiaries in the food crops sub-sector had the largest share of =N=378.4 million (80.7 per cent), while 104 beneficiaries in the livestock sub-sector received =N=66.8 million (14.2 per cent).

Also, 37 beneficiaries in the cash crops sub-sector were guaranteed the sum of =N=11.0 million (2.3 per cent), while 15 beneficiaries in the fisheries sub-sector got =N=9.9 million (2.1 per cent) and 52 beneficiaries in the “others” sub-sector got =N=3.0 million (0.7 per cent). Analysis of lending by state showed that eighteen (18) states benefited from the scheme during the month. The highest sum of =N=95.0 million (20.3 per cent) was guaranteed to 1,923 farmers in Sokoto state, while the lowest sum of =N=0.2 million (0.04 per cent) was guaranteed to 1 farmer in Kano state.

Retail price survey of all staples by the CBN indicated increase in prices in July 2008. Over their levels in the preceding month, all the fourteen commodities monitored recorded price increase ranging from 1.6 per cent for white garri to 27.3 per cent for vegetable oil. Relative to the level in the corresponding period of 2007, all the commodities monitored also recorded price increase ranging from 6.8 per cent for yam flour to 90.3 per cent for white maize. The development was attributed to the increased urban demand from households and industrial consumers grains, rising cost of fuel and the poor condition of roads which raised production and distribution costs.

The prices of most of Nigeria’s major agricultural commodities at the London Commodities Market recorded marginal increase in the review month. At 313.88 (1990=100), the All-Commodities Price Index, in dollar terms, rose marginally by 0.01 and 8.7 per cent over the levels in the preceding month and the corresponding period of 2007, respectively. Further analysis indicated that all the six commodities monitored recorded price increase over their levels in June, ranging from 0.01 per cent for cocoa to 0.3 per cent for soya bean. Relative to the levels in the corresponding period of 2007, all the commodities also recorded price increase ranging from 3.6 per cent for cocoa to 195.0 per cent for soya bean.

Similarly, at 3,914.7 (1990=100), the All-Commodities price index, in naira terms, increased marginally by 0.01 and 9.6 per cent over their respective levels in the preceding month and corresponding period of 2007.

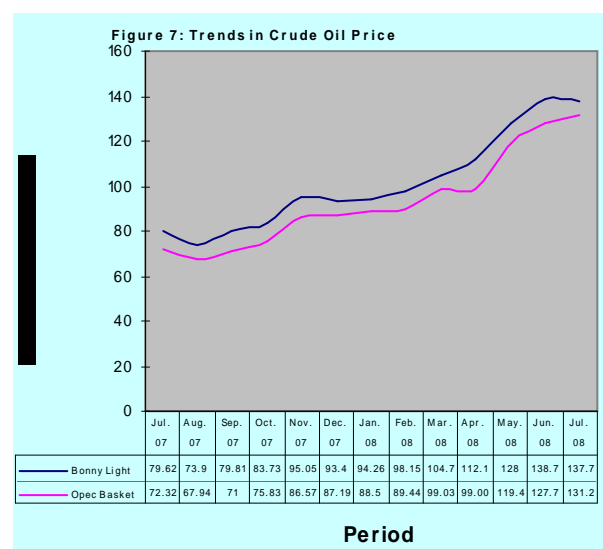
Also, all the commodities monitored recorded price increase over the level in June, ranging from 0.01 per cent for cocoa to 0.2 per cent for soya bean. Relative to the levels in the corresponding period in 2007, all the commodities recorded price increase ranging from 2.4 per cent for cocoa to 115.1 per cent for soya bean.

### 3.2 Petroleum Sector

Nigeria’s crude oil production, including condensates and natural gas liquids, was estimated at 1.90 million barrels per day (mbd) or 58.90 million barrels for the month, compared with 1.86 mbd or 55.80 million barrels in the preceding month. Crude oil export was estimated at 1.45 mbd or 44.95 million barrels in July 2008, compared with 1.41 mbd or 42.30 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\$137.74 per barrel, the price of Nigeria’s reference crude, the Bonny Light (37° API), declined by 0.7 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, and the Forcados also fell by 0.7, 0.5, and 0.7 per cent to US\$134.46, US\$133.69 and US\$138.00 per barrel, respectively, while that of Arab Light, rose by 2.7 per cent to US\$132.83 per barrel. 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 weakening economic growth.

The average price of OPEC’s basket of eleven crude streams, however, rose by 2.7 per cent to US\$131.22 per barrel, compared with US\$127.73 a barrel recorded in the preceding month. (Fig. 7).



### 3.3 Consumer Prices

The all-items composite Consumer Price Index (CPI) for July 2008 was 188.1 (May 2003=100), representing an increase of 2.2 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-July 2008 was 207.8 (May 2003=100), indicating an increase of 1.5 per cent over the level in the preceding month. The rural all-items CPI for July 2008 at 179.6 (May 2003=100), represented an increase of 2.5 per cent over the level in the preceding month. (Fig. 8)

The end-period inflation rate for July 2008, on a year-on-year basis, was 14.0 per cent, compared with 12.0 per cent recorded in the preceding month. The inflation rate on a twelve-month moving average basis for July 2008, was 7.8 per cent, compared with 7.0 per cent in June 2008. (Fig. 9)

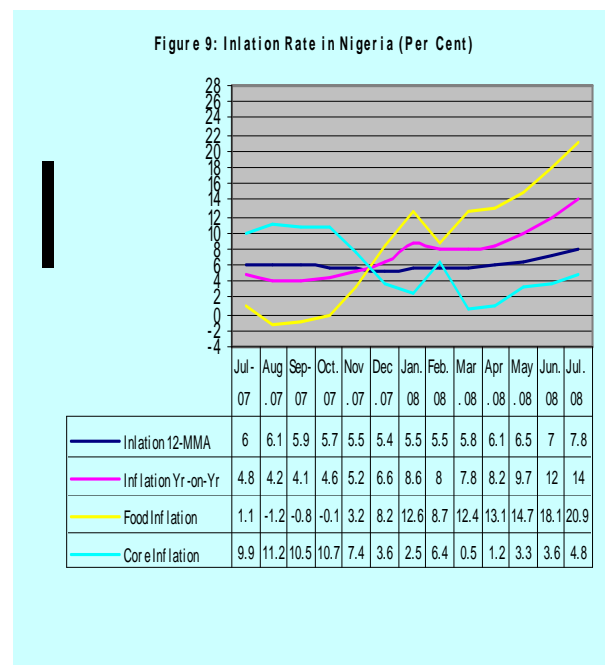
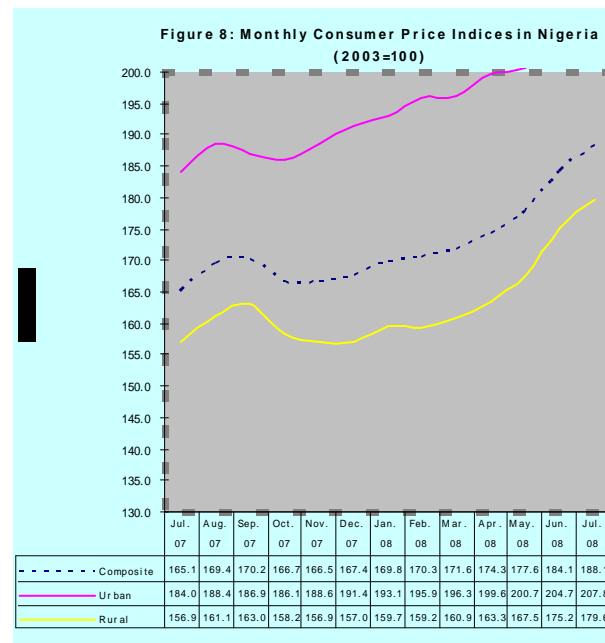
### 4.0 EXTERNAL SECTOR DEVELOPMENTS

Available data indicated that foreign exchange inflow and outflow through the CBN in July 2008 rose by 43.6 and 28.0 per cent over the level in the preceding month. Similarly, total non-oil export earnings by Nigeria's top 100 exporters rose by 3.8 per cent over the level in the preceding month. The gross external reserves also rose by 2.0 per cent to US\$60.31 billion in July 2008, while the weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated marginally by 0.04 per cent to =N=117.77 per dollar at the Wholesale Dutch Auction System (WDAS).

### 4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in July 2008 were US\$4.73 billion and US\$3.52 billion, respectively, representing a net inflow of US\$ 1.21 billion. Relative to the respective levels of US\$3.30 billion and US\$2.75 billion in the preceding month, inflow and outflow rose by 43.6 and 28.0 per cent, respectively.

The increase in inflow was attributed largely to the 45.1 per cent rise in non-oil receipts, while the increase in outflow was attributed largely to the 721.4 per cent rise in external debt service payments.



Available data on aggregate foreign exchange flows through the economy indicated that total inflow and outflow was US\$8.76 billion and US\$3.75 billion, representing an increase of 9.1 and 31.6 per cent, respectively, over the levels in the preceding month. But when compared with the corresponding period of 2007, inflow and outflow rose by 23.0 and 55.6 per cent, respectively. Oil sector receipts, at US\$4.54 billion, accounted for 51.8 per cent of the total, compared with US\$3.16 billion in the preceding month. Non-oil public sector inflow rose by 45.1 per cent to US\$196.3 million, while autonomous inflows fell by 15.0 per cent and accounted for 46.0 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 3.8 per cent over the level in the preceding month to US\$128.28 million. The development was attributed to the increase in the export volume of sesame seeds. A breakdown of the proceeds in the review month showed that agricultural sub-sector fell from US\$82.20 million to US\$61.86 million, while manufacturing and "others" sub-sectors rose from US\$33.63 million and US\$7.81 million in the preceding month to US\$59.16 million and US\$7.26 million, respectively.

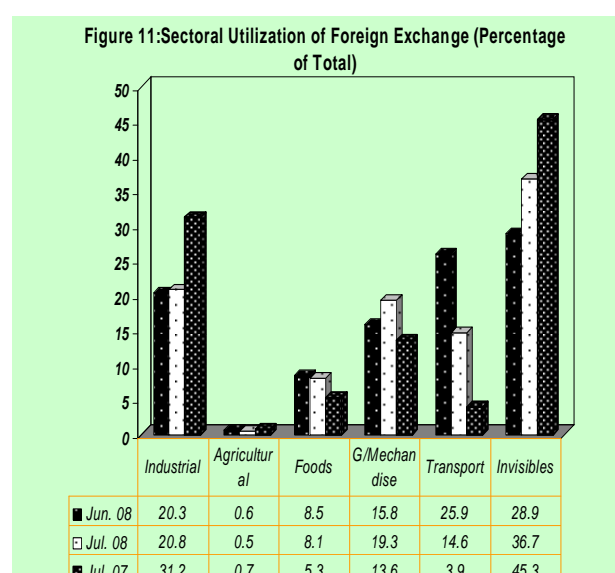
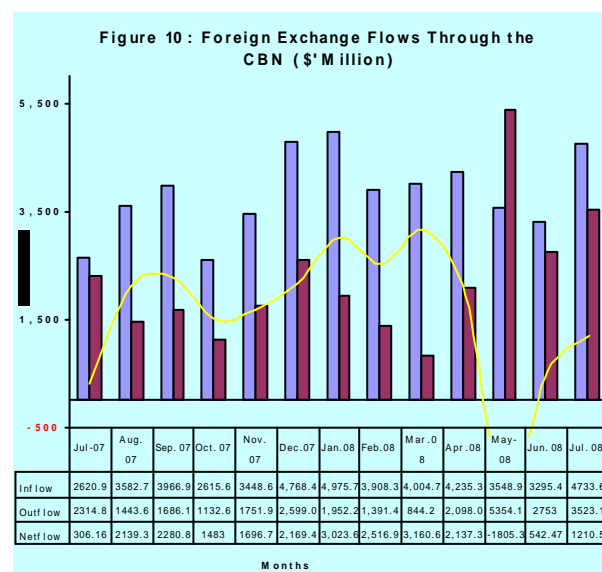
The shares of agricultural, manufacturing and "others" sub-sectors in total non-oil export proceeds were 48.2, 46.2 and 5.6 per cent, respectively, compared with 66.5, 27.2 and 6.3 per cent, in the preceding month. The top 100 exporters accounted for 100.0 per cent of all the non-oil export proceeds in the review month.

#### 4.3 Sectoral Utilisation of Foreign Exchange

The invisibles sector accounted for the bulk (28.9 per cent) of total foreign exchange disbursed in July 2008, followed by transport (25.9 per cent). Other beneficiary sectors, in a descending order included: industrial (20.3 per cent), food (8.5 per cent), and agricultural products (0.6 per cent) (Fig.11).

#### 4.4 Foreign Exchange Market Developments

Aggregate demand for foreign exchange by authorized dealers under the WDAS was US\$1.7 billion in July 2008, indicating a decline of 10.5 per cent each from the levels in the preceding month and the corresponding period of 2007. A total of US\$1.3 billion foreign exchange was sold by the CBN to authorized dealers in the review month. Under the WDAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar



appreciated marginally by 0.04 per cent to =N=117.77 per dollar.

In the bureau de change segment of the market, the average exchange rate, depreciated by 0.3 per cent to =N=119.00 per dollar. Consequently, the premium between the official and bureau de change rates widened from 0.8 per cent in the preceding month to 1.0 per cent during the review month. (Fig. 12)

## 4.5 External Reserves

Available data showed that Nigeria's external reserves at end-July 2008 stood at US\$60.31 billion, representing the respective increase of 2.0 and 39.4 per cent over the levels recorded in June and the corresponding period of 2007.

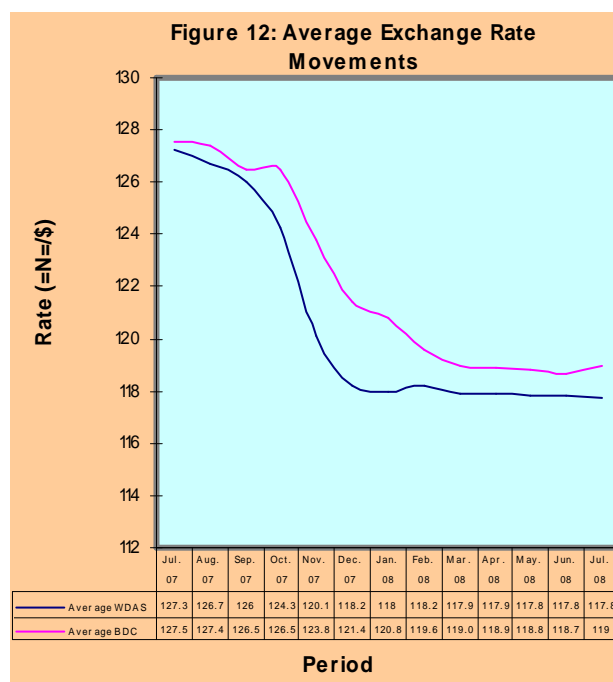
## 5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output in July 2008 was estimated at 86.92 million barrels per day (mbd), while demand was estimated at 86.39 mbd, representing an excess supply of 0.53 mbd, compared with 87.10 and 86.90 mbd supplied and demanded, respectively, in the preceding month.

Other major international economic developments of relevance to the domestic economy during the month included: the trade talks meeting held in Geneva, Switzerland from July 21 – 30, 2008 which was meant to continue the Doha Round that commenced in November, 2001. The goal of the meeting was to agree on modalities for agriculture and non-agricultural market access (NAMA) — the formula and other methods to be used to cut tariffs and agricultural subsidies, and a range of related provisions, including the next steps in concluding the Doha Round of negotiations. The modalities would determine the scale of reductions in tariffs on thousands of industrial and agricultural products and future levels of farm subsidies in the WTO's member countries.

In another development, the 6<sup>th</sup> D-8 Summit was held in Kuala Lumpur, Malaysia from July 4 – 8, 2008. The theme of the Summit was "Meeting Challenges through Innovative Cooperation". The meeting was preceded by the 25th Session of the Commission of D-8 on 4th and 5th of July 2008, followed by the 11th Session of the D-8 Council of Ministers on 6<sup>th</sup> of July, 2008. The following were the major highlights of the summit:

- \* The adoption of the decision on the setting up of the D-8 Permanent Secretariat and D-8 Roadmap for Economic Cooperation in the Second Decade of Cooperation (2008 - 2018).
- \* Adoption of a 10-year blueprint to substantially increase trade among member countries. The trade agreement which would run from 2008 to 2018, detailed the economic and business activities that member nations will pursue over the next decade. The Summit also called for a halt in the development of biofuel crops on arable land and instead boost agricultural production to solve the global food crisis and prevent disaster.



Also, the World Bank on July 1, 2008 approved two credits totaling US\$450 million to support the Federal and State Governments of Nigeria in the fight against rural poverty. The amount comprised the US\$250 million for FADAMA III and US\$200 million for the Community and Social Development project. Both projects were community-driven development operations and were developed as a follow-up to the FADAMA II, Local Empowerment and Environment Management Project (LEEMP), and Community-based Poverty Reduction Project (CPRP) in the country.

A World Bank report "Building Bridges: China's Growing Role as Infrastructure Financier for Sub-Saharan Africa" released on July 10, 2008 showed that China, India, and a few Middle Eastern Gulf nations were financing a number of infrastructure projects across Sub-Saharan Africa. Investment commitments in Africa by these emerging financiers jumped from less than \$1.0 billion per year before 2004 to \$8.0 billion in 2006 and \$5.0 billion in 2007, signaling a growing trend in cooperation among developing economies.

The following were the major findings of the report:

- \* Non-traditional financiers are making sizeable investment commitments in Sub-Saharan Africa's infrastructure, helping to fill annual needs estimated at \$22 billion by the Economic Commission for Africa.
- \* China has committed \$3.3 billion for ten projects which can potentially boost Sub-Saharan Africa's hydropower generation by 30 percent or 6,000 megawatts of installed capacity.

- \* China is financing the rehabilitation of 1,350 kilometers of railway and constructing 1,600 kilometers of new railway lines across the region, an important contribution to the continent's existing 50,000 kilometer rail network.
- \* About 70 per cent of Chinese investments are concentrated in Angola, Nigeria, Ethiopia, and Sudan
- \* Financing terms vary by country but typically involve a grant element of 33 per cent, close to the benchmark level for concessional finance.
- \* Some 35 African countries have received Chinese infrastructure finance. Many projects are less than \$50 million each.
- \* There have also been a handful of transactions worth more than \$1 billion, showing China's ability to provide large sums of money for specific infrastructure projects.
- \* India is also increasing its investments, committing \$2.6 billion since 2003. The bulk of Indian investments were in Nigeria. Oil-rich Gulf states and Arab donors are also playing a substantial role in African infrastructure, committing on average \$500 million every year over the past seven years.

Lastly, an International Monetary Fund (IMF) report showed that the impact of surging food and fuel prices was being felt globally. The effect was more acute for import-dependent poor and middle-income countries confronted with balance of payments problems, higher inflation, and worsening poverty. Analyzing the macro-economic policy challenges arising from the price

surges, the study argued that many governments will have to adjust policies in response to the price shock, while the international community will need to act in a concerted manner to address this global problem. The report indicated that if food prices rise further and oil prices stay the same, some governments will no longer be able to feed their people and at the same time maintain stability in their economies. The report underscored the need for a broad cooperative approach involving the countries affected, donors, and international organizations to cope with the effects of high prices. The following were the findings of the multi-country survey:

- \* Higher food prices have cost a group of 33 poor net food importers US\$2.3 billion, since January 2007. In the same period, the effect of rising oil prices on 59 low-income net oil importers was US\$35.8 billion, or 2.2 per cent of their GDP.
- \* Annual food price inflation for 120 low-income and emerging market countries rose to 12 per cent at the end of March 2008 from 10 per cent three months earlier, while fuel prices accelerated to 9 per cent from 6.7 per cent in the same period. Preliminary data indicated that the problem was worsening.
- \* Poor countries that are highly dependent on food imports were particularly vulnerable to rising food prices. The study found that low-income households were the most affected by food price inflation and warned that the share of undernourished in developing countries could rise rapidly above the current 40 per cent of total population.

TABLE 1

(=N=Million)

		JULY	JUNE	MAY	DECEMBER	CHANGE BETWEEN		CHANGE BETWEEN		CHANGE BETWEEN	
		(1)	(2)	2008	2007	(1&2)		(2&3)		(1&4)	
						ABSOLUTE	PER CENT	ABSOLUTE	PER CENT	ABSOLUTE	PER CENT
1	Domestic Credit	4,907,125.30	4,038,236.30	3,693,217.60	2,688,236.60	868,889.00	21.52	345,018.70	9.34	2,218,888.70	82.54
(a)	Claims on Federal Government (Net)	(2,433,993.00)	(2,716,445.30)	(3,094,241.20)	(2,368,484.30)	282,452.30	10.40	377,795.90	12.21	(65,508.70)	(2.77)
	By Central Bank (Net)	(4,432,987.40)	(4,413,045.00)	(4,751,320.00)	(4,074,422.80)	(19,942.40)	(0.45)	338,275.00	7.12	(358,564.60)	(8.80)
	By Banks (Net)	1,998,994.40	1,696,599.70	1,657,078.80	1,705,938.50	302,394.70	17.82	39,520.90	2.38	293,055.90	17.18
(b)	Claims on Private Sector	7,341,118.30	6,754,681.60	6,787,458.80	5,056,720.90	586,436.70	8.68	(32,777.20)	(0.48)	2,284,397.40	45.18
	By Central Bank	89,863.40	114,037.10	149,452.40	236,025.20	(24,173.70)	(21.20)	(35,415.30)	(23.70)	(146,161.80)	(61.93)
	By Banks	7,251,254.90	6,640,644.50	6,638,006.40	4,820,695.70	610,610.40	9.20	2,638.10	0.04	2,430,559.20	50.42
(i)	Claims on State and Local Governments	127,555.10	99,399.90	109,331.70	87,753.60	28,155.20	28.33	(9,931.80)	(9.08)	39,801.50	45.36
	By Central Bank		0.0	0.0	0.0	-		-			
	By Banks	127,555.1	99,399.9	109,331.70	87,753.60	28,155.20	28.33	(9,931.80)	(9.08)	39,801.50	45.36
(ii)	Claims on Non-Financial Public Enterprises	-	-	-	-	-		-		-	
	By Central Bank										
	By Banks										
(iii)	Claims on Other Private Sector	7,213,563.10	6,655,281.60	6,678,127.10	4,968,967.30	558,281.50	8.39	(22,845.50)	(0.34)	2,244,595.80	45.17
	By Central Bank	89,863.40	114,037.10	149,452.40	236,025.20	(24,173.70)	(21.20)	(35,415.30)	(23.70)	(146,161.80)	(61.93)
	By Banks	7,123,699.70	6,541,244.50	6,528,674.70	4,732,942.10	582,455.20	8.90	12,569.80	0.19	2,390,757.60	50.51
2	Foreign Assets (Net)	8,037,004.00	8,319,780.90	8,151,762.60	7,266,512.10	(282,776.90)	(3.40)	168,018.30	2.06	770,491.90	10.60
	By Central Bank	7,331,926.50	7,450,052.60	7,245,408.00	6,570,263.70	(118,126.10)	(1.59)	204,644.60	2.82	761,662.80	11.59
	By Banks	705,077.50	869,728.30	906,354.60	696,248.40	(164,650.80)	(18.93)	(36,626.30)	(4.04)	8,829.10	1.27
3	Other Assets (Net)	(4,876,538.00)	(4,409,648.40)	(4,298,646.60)	(4,144,922.10)	(466,889.60)	(10.59)	(111,001.80)	(2.58)	(731,615.90)	(17.65)
	<b>Total Monetary Assets (M<sub>2</sub>)</b>	<b>8,067,591.30</b>	<b>7,948,368.80</b>	<b>7,546,333.70</b>	<b>5,809,826.50</b>	<b>119,222.50</b>	<b>1.50</b>	<b>402,035.10</b>	<b>5.33</b>	<b>2,257,764.80</b>	<b>38.86</b>
	Quasi - Money <sup>1/</sup>	3,968,629.10	3,619,857.20	3,553,061.10	2,693,554.30	348,771.90	9.63	66,796.10	1.88	1,275,074.80	47.34
	Money Supply (M <sub>1</sub> )	4,098,962.20	4,328,511.70	3,993,272.60	3,116,272.10	(229,549.50)	(5.30)	335,239.10	8.40	982,690.10	31.53
	Currency Outside Banks	705,084.40	673,055.40	660,155.20	737,867.20	32,029.00	4.76	12,900.20	1.95	(32,782.80)	(4.44)
	Demand Deposits <sup>2/</sup>	3,393,877.80	3,655,456.30	3,333,117.40	2,378,404.90	(261,578.50)	(7.16)	322,338.90	9.67	1,015,472.90	42.70
	<b>Total Monetary Liabilities</b>	<b>8,067,591.20</b>	<b>7,948,368.80</b>	<b>7,546,333.70</b>	<b>5,809,826.50</b>	<b>119,222.40</b>	<b>1.50</b>	<b>402,035.10</b>	<b>5.33</b>	<b>2,257,764.70</b>	<b>38.86</b>

Notes:

<sup>1/</sup> Quasi-Money consists of Time,Savings and Foreign Currency Deposits at Deposit Money Banks, excluding Takings from Discount Houses.<sup>2/</sup> Demand Deposits consists of State, Local Government and Parastatals Deposits at the CBN; State, Local Government and Private Sector Deposits as well as Demand Deposits of Non-Financial Public Enterprises at Deposit Money Banks.<sup>3/</sup> Provisional.