CENTRAL BANK OF NIGERIA

ECONOMIC REPORT FOR THE MONTH OF MAY 2009

RESEARCH DEPARTMENT

CENTRAL BANK OF NIGERIA

MONTHLY REPORT

The Central Bank of Nigeria Monthly Report is designed for the dissemination of financial and economic information on the Nigerian economy on current basis. The Report analyses developments in the financial, real and external sectors of the economy, as well as international economic issues of interest. The Report is directed at a wide spectrum of readers including economists and financial analysts in government and the private sector, as well as general readers.

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1.0 Summary

Provisional data indicated decline in monetary aggregates in May 2009. Broad money supply (M_2) fell by 3.1 per cent over the level in April 2009, while narrow money supply (M_1) declined by 5.4 per cent. The contraction in M_2 was attributed wholly to the fall in net foreign assets and other assets (net) of the banking system.

Available data indicated mixed developments in banks' deposit and lending rates. The spread between the weighted average deposit and maximum lending rates narrowed from 12.76 percentage points in April 2009 to 12.23. The margin between the average savings deposit and maximum lending rates, also, narrowed from 20.17 percentage points in April to 19.89. The weighted average inter-bank call rate, which stood at 12.51 per cent in the preceding month, rose to 13.17 per cent at end-May 2009, reflecting the liquidity condition in the banking system.

The value of money market assets outstanding increased by 1.7 per cent to =N=2,999.5 billion over the level in April 2009. The rise was attributed to the 3.0 per cent increase in outstanding FGN bonds. Activities on the Nigerian Stock Exchange were slightly bullish as al the major market indicators trended upwards in the review month.

The major agricultural activities in the review month included: harvesting of tree crops; clearing of land for the 2009 cropping season; and the preparation of irrigated land for cultivation. In the livestock sub-sector, farmers continued to re-stock broilers and layers to replenish sales during the festive season.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 1.70 million barrels per day (mbd) or 52.70 million barrels for the month, compared with 1.71 mbd or 51.30 million barrels in April 2009. Crude oil export was estimated at 1.25 mbd or 38.75 million barrels for the month, while deliveries to the refineries for domestic consumption remained at 0.445 mbd or 13.80 million barrels. The average price of Nigeria's reference crude, the Bonny Light (37^0 API), estimated at US$60.02 per barrel, rose by 17.3 per cent over the level in the preceding month.

The inflation rate for May 2009, on a year-on-year basis, was 13.2 per cent, compared with 13.3 per cent in the preceding month. The inflation rate on a twelve-month moving average basis was, however, 13.8 per cent, compared with 13.5 per cent in the preceding month.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US$2.04 billion and US$3.36 billion, respectively, resulting in a net outflow of US$1.32 billion in May 2009.

Relative to the respective levels in the preceding month, inflow and outflow rose by 0.7 and 16.5 per cent, respectively. The rise in inflow was attributed to the increase in crude oil receipts, while the increase in outflow was due largely to the rise in drawings on L/Cs as well as RDAS utilisation.

Foreign exchange sales by the Central Bank of Nigeria (CBN) to end-users through the authorized dealers stood at US$3.11 billion, indicating an increase of 18.7 per cent over the level in the preceding month, while demand increased by 12.3 per cent to US$4.10 billion. The weighted average exchange rate of the Naira vis-à-vis the US dollar, depreciated by 0.4 per cent to =N=147.84 per dollar at the RDAS. In the bureau-de-change segment of the market, the rate also, depreciated by 0.2 per cent to =N=180.63 per dollar.

Other major international economic developments of relevance to the domestic economy during the review month included: the 24th Meeting of the Convergence Council of Ministers and Governors of the West African Monetary Zone (WAMZ) held in Abuja, Nigeria on May 23, 2009. The meeting was preceded by the 21st Meeting of the Committee of Governors of Central Banks of the WAMZ. The Convergence Council noted that the December 1, 2009 deadline for the commencement of the WAMZ Monetary Union was not feasible and approved that the new dateline for the Union be on or before January 1, 2015. Also, the ECOWAS Convergence Council, comprising Ministers of Finance and the Governors of Central Banks of member states held an Extraordinary Meeting on May 25, 2009. The Convergence Council approved a revised road map for the realisation of a single currency for West Africa by 2020. The roadmap outlined activities to be undertaken ahead of the new date, including the review and harmonisation of the convergence criteria, the harmonisation of statistics, domestic policies and the legal, accounting and statistical frameworks of public finance. In another development, the Association of African Central Banks Continental Seminar on Liquidity Management was held in Abuja from May 7 – 9, 2009. The seminar had three sub-themes namely: What Concept of Liquidity for African Economies; Suitable Liquidity Management and Forecasting Tools for Africa; and Collaboration among African Central Banks in Liquidity Management in the Context of the International Financial Crisis.
Lastly, the 153rd Extraordinary Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) was convened in Vienna, Austria in the review month. The Conference considered the report of the Ministerial Monitoring Sub-Committee and reviewed the oil market situation, as well as the demand and supply projections for 2009, particularly the third and fourth quarters. It observed that the severe and broad impact of the ongoing global economic downturn, precipitated by the financial crisis, had led to a weakness in global oil demand, which was likely to remain for some time.

2.0 FINANCIAL SECTOR DEVELOPMENTS

Monetary aggregates declined in May 2009, while banks' deposit and lending rates indicated mixed development. The value of money market assets increased, largely on account of the rise in outstanding FGN Bonds. Transactions on the Nigerian Stock Exchange (NSE) were bullish as all the major market indicators trended upward during the review month.

2.1 Monetary and Credit Developments

Provisional data indicated that monetary aggregates declined in May 2009. Broad money (M_2) fell by 3.1 per cent to =N=8,720.6 billion, compared with the decline of 0.04 per cent in April 2009. Similarly, narrow money (M_1) declined by 2.1 per cent to =N=4,322.5 billion, compared with the fall of 5.9 per cent in the preceding month. The contraction in M_2 reflected the 3.2 and 5.0 per cent fall in net foreign assets and other assets (net) of the banking system (fig.1 and table 1).

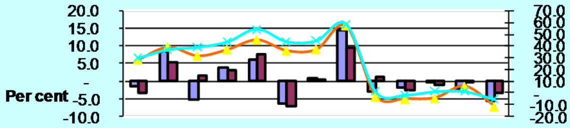
Aggregate banking system's credit (net) to the domestic economy rose by 3.5 per cent to =N=5,456.7 billion in May 2009, compared with the increase of 9.4 per cent in April 2009. The development was attributed largely to the 1.7 and 1.5 per cent increase in claims on the Federal Government and private sector, respectively.

At =N=3,052.7 billion, banking system's credit (net) to the Federal Government rose by 1.7 per cent, compared with the increase of 8.8 per cent in April 2009. The rise was attributed largely to the increase in deposit money banks' (DMBs) holdings of government securities during the month.

Banking system's credit to the private sector rose by 1.5 per cent to =N=8,509.3 billion, compared with the increase of 1.9 per cent in April 2009. The development in the review month reflected largely the increase in DMBs' claims on other private sector (fig 2).

At =N=7713.0 billion, foreign assets (net) of the banking system declined by 3.2 per cent, compared with the decline of 1.8 per cent in the preceding month. The development was attributed to the fall in both the CBN's and DMBs' holdings.

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



	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09
MM1	-1.5	8.4	-5.3	4.0	6.0	-6.3	0.8	14.4	-2.7	-1.9	0.2	-2.1	-5.4
MM2	-3.3	5.3	1.5	3.2	7.5	-6.9	0.6	9.6	1.4	-2.5	-1.0	0.04	-3.10
CM1	28.3	38.9	31.5	36.8	45.1	35.9	37.0	56.7	-2.7	-4.6	-3.9	5.9	-11.0
CM2	29.9	36.8	38.9	43.4	54.2	43.5	44.4	58.2	1.4	-1.1	1.8	1.8	-4.9

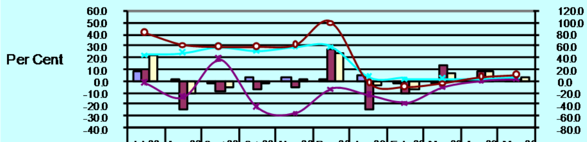
Similarly, quasi money fell by 0.8 per cent to =N=4,398.1 billion, in contrast to the increase of 2.3 per cent in April 2009. The development reflected the decline in all the components, namely, time, savings and foreign currency deposits of the DMBs during the period.

Other assets (net) of the banking system, also, fell by 5.0 per cent, compared with the decline of 7.8 per cent in in the preceding month. The fall was attributed to the decline in unclassified assets of both the CBN and the DMBs during the review month.

2.2 Currency-in-circulation and Deposits at the CBN

At =N=1,026.9 billion, currency in circulation declined

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



	Jul.08	Aug.08	Sept.08	Oct.08	Nov.08	Dec.08	Jan.09	Feb.09	Mar.09	Apr.09	May.09
MCP	8.7	0.9	0.7	2.9	3.6	1.1	5.6	-0.6	0.2	1.9	1.5
MCG	10.4	-24.3	-8.2	-6.5	-5.7	26.5	-23.9	-9.8	14.3	8.8	1.7
MAC	21.5	-10.7	-4.4	0.2	1.9	24.2	-3.5	-7.1	7.3	9.4	3.5
CCP	45.2	46.5	57.9	52.2	57.7	59.5	5.6	5.0	2.1	4.0	5.6
CCG	-2.8	-27.8	36.4	-45.2	-53.5	-12.9	-23.9	-36.0	-9.6	0.04	1.8
CAC	82.5	63.0	57.9	58.3	61.3	100.6	-3.5	-10.4	-2.7	6.5	10.2

by 2.0 per cent in May 2009 from the level in April, 2009. The fall was due to the 7.2 per cent decline in currency outside banks, during the month.

Total deposits at the CBN amounted to =N=5,454.7 billion, indicating a 3.7 per cent decline from the level in April 2009. The development was attributed to the fall in Federal Government, bank and other deposits, respectively. The shares of the Federal Government, banks and "others" in total deposits at the CBN were 88.4, 6.4 and 5.2 per cent, respectively, compared with the shares of 86.4, 8.1 and 5.5 per cent, in April 2009.

2.3 *Interest Rate Developments*

Available data indicated mixed developments in banks' deposit and lending rates in May 2009. With the exception of the average savings deposit rate, which declined by 0.03 percentage points to 3.00 per cent, other rates on deposits of various maturities rose from a range of 6.32–12.95 per cent in April 2009 to 6.68–13.18 per cent. Similarly, the average prime lending rate increased by 0.19 percentage point to 19.53 per cent, while the average maximum lending rate declined by 0.31 percentage point to 22.86 per cent. Consequently, the spread between the weighted average deposit and maximum lending rates narrowed from 12.76 percentage points in the preceding month to 12.23 percentage points. The margin between the average savings deposit and maximum lending rates, also, narrowed from 20.17 percentage points in the preceding month to 19.89 percentage points.

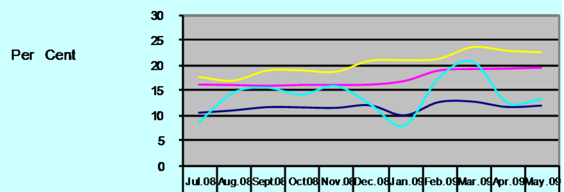
The weighted average inter-bank call rate, which was 12.51 per cent in the preceding month, rose to 13.17 per cent at end-May 2009, reflecting the liquidity condition in the banking system.

2.4 *Money Market Developments*

Activities in the money market slowed down in May 2009 as the effects of the liquidity injections into the banking system in April eased away. Direct auctions were conducted to boost tradable maturities at the secondary market, while DMBs continued to access the standing lending, tenored repo and Expanded Discount Window facilities to even their positions. At the primary market for Nigerian Treasury Bills (NTBs) and FGN Bonds, public participation was impressive as market players showed preference for government securities. The various reforms at the foreign exchange market also continued as the Monetary Policy Committee (MPC) rolled out new decisions that were expected to impact on the market positively, particularly the increase in the net foreign exchange open position (NOP) for banks from 1.0 to 2.5 per cent with immediate effect, while keeping in view the possibility of raising it further at the end of June 2009.

Provisional data indicated that the value of money market assets outstanding at end-May 2009 was N2, 999.5 billion, representing an increase of 1.7 per cent over the level at end-April 2009. The increase during the period was attributed largely to the 3.0 per cent rise in outstanding FGN Bonds.

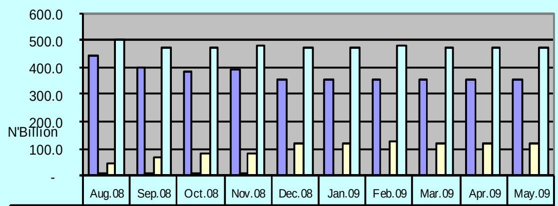
Figure 3: Selected Bank Interest Rates (Per Cent, Monthly Average)



	Jul.08	Aug.08	Sept.08	Oct.08	Nov.08	Dec.08	Jan.09	Feb.09	Mar.09	Apr.09	May.09
Average Term Deposit Rates	10.56	11.00	11.62	11.56	11.48	11.96	10.06	12.57	12.67	11.65	11.91
Prime	16.09	15.99	15.84	16.01	16	16.08	16.81	18.95	19.25	19.34	19.53
Maximum	17.92	17.17	19.22	19.23	18.97	21.18	21.27	21.54	23.91	23.17	22.86
Inter-bank	8.61	14.45	15.42	14.09	15.77	12.17	7.91	17.3	20.6	12.51	13.17

As the liquidity in the system remained relatively tight, activities were geared towards injecting funds into the banking system. There was no purchase of government securities through the two-way quote platform as the offer rates quoted at the trading sessions were unattractive. However, in order to boost tradable maturities at the secondary market as well as deepen activities in the money market, direct auction was conducted once, compared with four (4) conducted in April 2009. NTBs worth =N=20.00 billion were offered at the auction and total public subscription was =N=76.00 billion. The sum of =N=39.25 billion was allotted at the secondary market auctions. The tenors were 119- and 189-days,

Figure 4:Treasury Bills Holdings (N' Billion)



	Aug.08	Sep.08	Oct.08	Nov.08	Dec.08	Jan.09	Feb.09	Mar.09	Apr.09	May.09
Banks/D.H	446.7	400.8	382.7	390.1	352.4	352.4	358.4	352.4	352.4	352.4
CBN	8.0	7.1	7.4	8.9	0.4	0.4	0.4	0.4	0.4	0.4
Others	46.0	64.0	81.8	83.5	119.1	119.1	123.1	119.1	119.1	119.1
Total	500.6	471.9	471.9	482.5	471.9	471.9	481.9	471.9	471.9	471.9

while the issue rates ranged from 3.04 to 5.00 per cent. Nigerian Treasury Bills of 91- 182- and 364-day tenors totalling N120.22 billion were offered, with issue amounts of N30.22 billion, N60.00 billion and N30.00 billion, respectively. Total public subscription for all the auctions was N191.20 billion, while the sum of N120.22 billion was allotted to the public. In the preceding month, total issue and allotment were N135.00 billion a piece, and public subscription was N135.24 billion. All the auctions were oversubscribed as market players showed strong preference for government securities, following the uncertainties surrounding the performance of equities at the capital market.

The range of issue rates for the 91-, 182- and 364-day NTBs were from 3.15 to 6.75 per cent. In the preceding month, the issue rates ranged from 2.00 to 6.50 per cent for the 91-, 182- and 364-day NTBs. Analysis of the issue rates showed that returns on investments were market-driven.

Total lending facility granted to DMBs stood at =N=2,721.07 billion, down from =N=3,778.73 billion in the preceding month. Analysis of the lending profile of DMBs and discount houses showed that daily lending which was moderate at the beginning of the month, rose before the distribution of statutory revenue. Thereafter, daily lending declined before rising again towards the end of the month.

2.5 Deposit Money Banks' Activities

Available data indicated that total assets/liabilities of the DMBs amounted to =N=15,428.1 billion, representing a decline of 1.0 per cent from the level at end-April 2009. Funds, sourced mainly from claims on other financial institutions as well as unclassified liabilities, were used largely in the settlement of demand deposits and investments in money market instruments.

At =N=9,463.1 billion, credit to the domestic economy rose by 1.8 per cent over the level in April 2009. The breakdown showed that credit to government rose by 2.5 per cent over the level in April 2009, while credit to the core private sector rose by 1.7 per cent in the same period.

Central Bank's credit to the DMBs fell by 8.0 per cent to =N=154.9 billion in May 2009, reflecting the decline in overdraft facilities to the DMBs.

Total specified liquid assets of the DMBs was =N=2,612.8 billion, representing 31.1 per cent of their total current liabilities. This level of assets was 4.6 percentage points below the preceding month's level, but exceeded the stipulated minimum ratio of 25.0 per cent for fiscal 2009 by 6.1 per cent. The loan-to-deposit ratio rose by 0.2 per cent to 87.6 per cent, which was 7.6 percentage points over the stipulated maximum target of 80.0 per cent.

2.6 Discount Houses Activities

Total assets/liabilities of the discount houses stood at =N=322.7 billion at end-May 2009, indicating a decline of 16.8 per cent from the level in April 2009. The fall in assets was attributed largely to the 85.1 per cent decline in "claims on banks", while the fall in total liabilities was attributed largely to the 100.0 per cent decline in "borrowings".

Discount houses' investments in Federal Government securities of less than 91 days maturity amounted to =N=75.4 billion, representing 29.1 per cent of their total deposit liabilities. At this level, discount houses' investments in Federal Government securities increased by 209.0 per cent over the level in the preceding month, but declined by 30.9 percentage points below the stipulated minimum of 60.0 per cent for fiscal 2009.

Total borrowings by the discount houses was =N=4.2 million, while their capital and reserves amounted to =N=36.9 billion, resulting in a gearing ratio of 3.4:1, compared with the stipulated maximum target of 50:1 for fiscal 2009.

2.7 Capital Market Developments

Available data indicated improved performance on the Nigerian Stock Exchange (NSE) in May 2009. The turnover volume and value of traded securities rose by 0.1 and 34.2 per cent to 7.96 billion shares and =N=56.9 billion in 135,499 deals, respectively, compared with 7.956 billion shares and =N=42.4 billion in 121,940 deals in April 2009. Total volume of trading between January and May 2009 was 35.11 billion shares valued at =N=207.41 billion, down from 85.03 billion shares valued at =N=1.25 trillion in the corresponding period of 2008. The banking sub-sector was the most active on the Exchange with a traded volume of 4.64 billion shares valued at =N=36.8 billion in 78,221 deals, followed by the insurance sub-sector with a traded volume of 1.04 billion shares valued at =N=1.02 billion in 11,956 deals. There were no transactions on the Federal Government and industrial loans/preference stocks.

Transactions on the over-the-counter (OTC) bond segment of the market recorded a turnover of 1.5 billion units worth =N=1.52 trillion in 9,256 deals, in contrast to a total of 1.31 billion shares valued at =N=1.36 trillion in 9,215 deals in the preceding month. The most active bond by turnover volume was the 5th FGN Bond 2013 Series 1 with traded volume of 129.4 million units valued at N126.7 billion in 524 deals. This was followed by the 6th FGN Bond 2012 Series 1 with a traded volume of 121.31 million units valued at =N=122.51 billion in 765 deals. Thirty-three (33) of the available forty-two (42) FGN Bonds were traded in the review month, compared with thirty-two (32) in the preceding month.

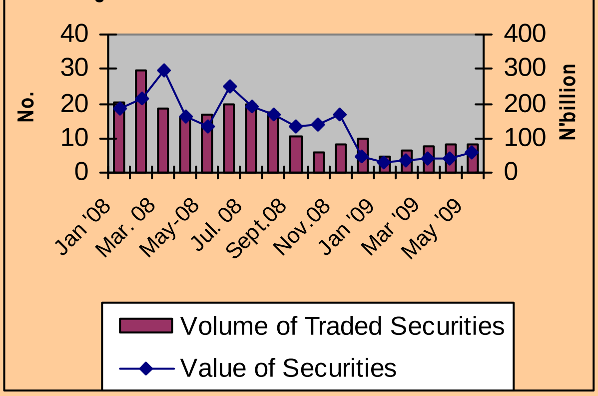
Between January and May, total transactions on FGN Bonds through the OTC were 7.02 billion valued at =N=7.145 trillion in 45,382 deals. Comparatively, the OTC market for FGN Bonds recorded transactions volume of 3.1 billion shares worth =N=3.2 trillion in 24,764 deals, in 2008.

In the new issues market, 4,035,497,307 shares in favour of Afromedia Plc were admitted at the price of =N=2.92 per share by way of introduction. The company was listed in the Media sub-sector. Also, there were two (2) supplementary listings during the month, compared with four (4) in the preceding month.

In a related development, the Council of the Nigerian Stock Exchange approved the delisting of nine (9) dormant companies during the review month. These included: Ferdinard Oil Mills Plc, Footwear Accessories Manufacturing & Distribution Plc, BCN Plc, Chrislieb Plc, Epic Dynamics Plc, Liz Olofin & Company Plc, Oluwa Glass Company Plc, Aba Textile Mills Plc and Asaba Textile Mills Plc.

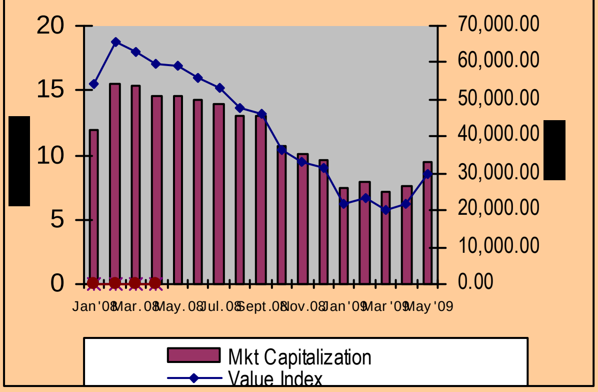
The Nigerian Stock Exchange All-Share Index (ASI), rose by 38.2 per cent to 29,700.24 (1984 = 100), compared with the increase of 8.3 per cent in April. This compared with the closing value of 31,450.78 on December 31, 2008, the year-to-date drop in the NSE ASI stood at 5.6 per cent. Similarly, the NSE-30 Index rose by 35.2 per cent to 982.02. The NSE Food/Beverage Index also increased by 26.2 per cent to close at 606.05, while the NSE Banking Index rose by 51.7 per cent to close at 542.45 in the review month. The NSE Insurance Index and the NSE Oil/Gas Index increased by 15.5 and 17.4 per cent to close respectively at 412.55 and 384.59.

Figure 5: Volume and Value of Traded Securities



The market value of the 295 listed securities closed at N9.45 trillion, the highest value in the first five months of the year, representing an increase of 24.8 per cent over the =N=7.6 trillion recorded in April. The increase in market capitalization was attributed to the rise in the prices of some equities as well as rising investors' confidence in some quoted companies. The 207 listed equities accounted for =N=6.8 trillion or 71.7 per cent of total market capitalization and represented an increase of 38.7 per cent over the =N=4.9 trillion recorded in April.

Figure 6: Market Capitalization and Value Index



3.0 DOMESTIC ECONOMIC CONDITIONS

The major agricultural activities during the month of May 2009 were harvesting of tree crops; clearing of land for the 2009 cropping season; and preparation of irrigated land for cultivation. In the livestock sub-sector, farmers continued to re-stock broilers and layers to replenish sales during the festive season. Crude oil production was estimated at 1.70 million barrels per day (mbd) or 52.70 million barrels during the month. The end-period inflation rate for May 2009, on a year-on-year basis was 13.2 per cent, compared with 13.3 per cent recorded in the preceding month. The inflation rate on a 12-month moving average basis was 13.8 per cent, compared with 13.5 per cent in April 2009.

3.1 Agricultural Sector

Agricultural activities during the month of May in the southern states centered on harvesting of tree crops and clearing of land for the 2009 cropping season, while activities in the northern states included preparation of irrigated land for cultivation. In the livestock sub-sector, farmers continued to re-stock broilers and layers to replenish sales during the festive season.

A total of =N=353.8 million was guaranteed to 1,606 farmers under the Agricultural Credit Guarantee Scheme (ACGS) during the month. This represented an increase of 17.2 and 31.8 per cent over the levels in the preceding month and the corresponding month of 2008, respectively. A sub-sectoral analysis of the loans guaranteed indicated that the food crops sub-sector had the largest share of =N=215.2 million or 60.8 per cent guaranteed to 1,291 beneficiaries, while the livestock sub-sector received =N=78.4 million or 22.2 per cent guaranteed to 162 beneficiaries.

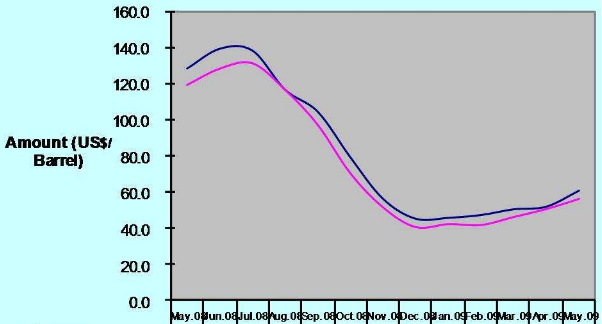
Also, eighty five (85) beneficiaries in the fisheries sub-sector received =N=31.2 million or 8.8 per cent and twenty two (22) beneficiaries in the cash crops sub-sector received =N=3.1 million or 0.9 per cent. A sum of =N=25.9 million or 7.3 per cent was guaranteed to forty six (46) beneficiaries in the "others" sub-sector. Analysis by state showed that 14 states benefited from the scheme, with the highest and lowest loans of =N=137.6 million (38.9 per cent) and =N=0.9 million (0.2 per cent) guaranteed to Kaduna and Katsina states, respectively.

Retail price survey of most staples by the CBN showed price increases in May 2009. All the commodities monitored, recorded price increase ranging from 0.6 per cent for a tin of palm oil to 11.5 per cent for millet, over their levels in the preceding month. Relative to their levels in the corresponding month of 2008, nine of the commodities recorded price decline ranging from 2.9 per cent for yam flour to 39.3 per cent for palm oil, while five commodities recorded price increases ranging from 4.1 per cent for white beans to 18.3 per cent for groundnut oil.

3.2 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 1.70 million barrels per day (mbd) or 52.70 million barrels for the month, representing a decline of 0.6 per cent from the level in the preceding month. Similarly, crude oil export was estimated at 1.25 mbd or 38.75 million barrels in the month, while deliveries to the refineries for domestic consumption remained at 0.445 mbd or 13.80 million barrels for the month.

Figure 7: Trends in Crude Oil Price



	May.08	Jun.08	Jul.08	Aug.08	Sep.08	Oct.08	Nov.08	Dec.08	Jan.09	Feb.09	Mar.09	Apr.09	May.09
Bonny Light	128.	139.	138.	116.	104	78.6	55.5	44.4	44.9	46.5	49.7	51.1	60.0
Opec Basket	119.	128.	131.	116.	96.9	70	51.1	40.1	41.8	41.3	45.7	50.2	55.8

Period

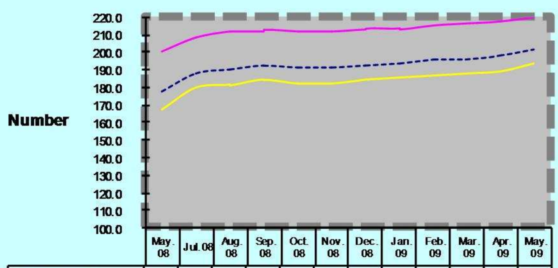
At an estimated average of US$60.02 per barrel, the price of Nigeria's reference crude, the Bonny Light (37º API), rose by 17.3 per cent over the level in April 2009. The average prices of other competing crudes namely, the West Texas Intermediate, U.K Brent and Forcados rose by 18.7, 14.4 and 13.6 per cent to US$58.33, US$57.83 and US$58.55 per barrel, respectively. Over the level in April, the average price of OPEC's basket of eleven crude streams rose by 11.2 per cent to US$55.81. The development was attributed to the continued disruption in oil production in the Niger Delta region as a result of militants activities.

3.3 Consumer Prices

Available data showed that the all-items composite Consumer Price Index (CPI) in May 2009 was 201.0 (May 2003=100), representing an increase of 1.8 per cent over the level in the preceding month.

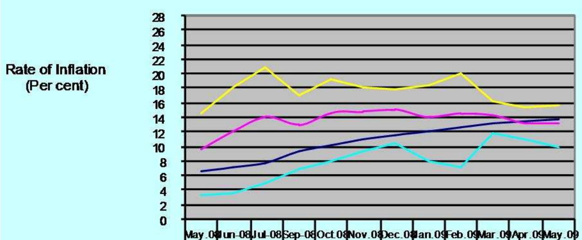
The urban all-items CPI at end-May 2009 was 219.9 (May 2003=100), indicating an increase of 1.4 per cent over the level in the preceding month. The rural all-items CPI for the month was 192.9 (May 2003=100), and represented an increase of 2.1 per cent over the level in the preceding month.

Figure 8: Monthly Consumer Price Indices in Nigeria (2003=100)



	May. 08	Jul. 08	Aug. 08	Sep. 08	Oct. 08	Nov. 08	Dec. 08	Jan. 09	Feb. 09	Mar. 09	Apr. 09	May. 09
Composite	177.6	188.1	190.3	192.4	191.2	191.1	192.6	193.6	195.1	196.2	197.4	201.0
Urban	200.7	207.8	211.2	212.1	211.7	211.3	213.2	213.3	215.0	215.8	216.8	219.9
Rural	167.5	179.6	181.3	183.8	182.4	182.4	183.7	185.1	186.5	187.8	189.0	192.9

Figure 9: Inlation Rate in Nigeria (Per Cent)



	May.08	Jun-08	Jul-08	Sep-08	Oct.08	Nov.08	Dec.08	Jan.09	Feb.09	Mar.09	Apr.09	May.09
Inlation 12-MMA	6.5	7.0	7.8	9.2	10.1	10.9	11.6	12.0	12.6	13.1	13.5	13.8
Inlation Yr-on-Yr	9.7	12.0	14.0	13.0	14.7	14.8	15.1	14.0	14.6	14.4	13.3	13.2
Food Inlation	14.7	18.1	20.9	17.1	19.2	18.1	18.0	18.4	20	16.2	15.3	15.7
Core Inlation	3.3	3.6	4.8	6.9	7.9	9.3	10.4	8.0	7.2	11.8	10.9	9.9

The end-period inflation rate for May 2009, on a year-on-year basis, was 13.2 per cent, compared with 13.3 per cent in the preceding month. The inflation rate on a twelve-month moving average basis for May 2009, was 13.8 per cent, compared with 13.5 per cent in April 2009.

4.0 EXTERNAL SECTOR DEVELOPMENTS

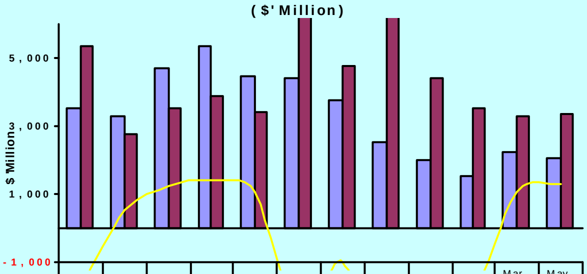
Provisional data indicated that foreign exchange inflow and outflow through the CBN in May 2009 rose by 0.7 and 16.5 per cent, respectively, over the levels in the preceding month. The weighted average exchange rate of the Naira vis-à-vis the US dollar, depreciated by 0.4 per cent to =N=147.84 per dollar at the RDAS.

4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in January 2009 were US$2.04 billion and US$3.36 billion, respectively, representing a net outflow of US$1.32 billion. Relative to the respective levels of US$2.02 billion and US$2.88 billion in the preceding month, inflow and outflow rose by 0.7 and 16.5 per cent. The increase in inflow was attributed to the increase in crude oil receipts, while the rise in outflow was due largely to the respective increase in drawings in Letter of Credits (L/Cs) and Retail Dutch Auction System (RDAS) utilization.

Provisional data on aggregate foreign exchange flows through the economy indicated that total inflow was US$4.30 billion, representing a decline of 2.6 and 50.3 per cent from the levels in the preceding month and the corresponding month of 2008, respectively. Oil sector receipts, which accounted for 22.8 per cent of the total, stood at US$0.97 billion, compared with US$0.92 billion in the preceding month. Non-oil public sector and autonomous inflow fell by 3.4 and 5.5 per cent and accounted for 25.2 and 52.0 per cent of the total, respectively. At US$3.43 billion, aggregate foreign exchange outflow from the economy rose by 16.4 per cent over the level in the preceding month. The increase in outflow was attributed to the respective rise in drawings on L/Cs and RDAS utilization.

Figure 10: Foreign Exchange Flows Through the CBN ($' Million)



	May-08	Jun. 08	Jul. 08	Aug. 08	Sept.08	Oct.08	Nov.08	Dec. 08	Jan. 09	Feb. 09	Mar. 09	May. 09
Inflow	3548.89	3295.44	4733.55	5346.95	4,474.4	4,395.7	3,761.3	2,506.3	2,015.4	1,503.1	2240.66	2038.91
Outflow	5354.14	2752.97	3523.06	3908.49	3,438.7	7,009.5	4,774.6	7,150.2	4,397.6	3,531.0	3308.19	3356.94
Netflow	-1805.3	542.47	1210.49	1438.46	1,035.7	-2,613.7	-1,013.3	-4,643.8	-2,382.2	-2,027.9	1067.53	1318.03

Months

4.2 Non-Oil Export Earnings by Exporters

Total non-oil export earnings received by banks rose by 59.7 per cent over the level in the preceding month to US$170.2 million. The development was attributed largely to the increase in the prices of the goods traded at the international market. A breakdown of the proceeds in May 2009 showed that proceeds of industrial, food products, manufactured products, transport, agricultural, and minerals stood at US$96.90 million, US$3.17 million, US$47.61 million, US$0.17 million, U$11.92 and US$10.47 million, respectively.

The shares of industrial, food products, manufactured products, transport, agricultural, and minerals sub-sectors in non-oil export proceeds were 56.8, 1.9, 28.0, 0.1, 7.0 and 6.2 per cent, respectively, in the review month.

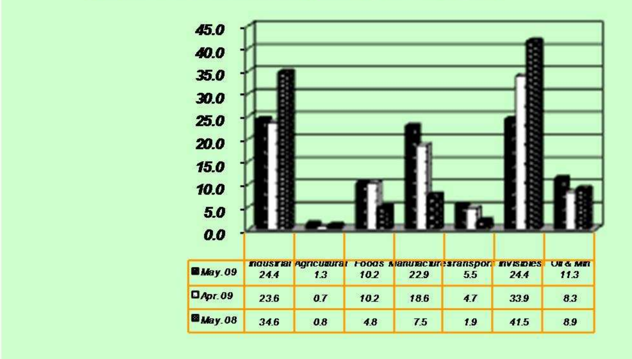
4.3 Sectoral Utilisation of Foreign Exchange

The industrial and invisibles accounted for 24.4 per cent each of the total foreign exchange disbursed in May 2009, followed by manufactured goods (22.9 per cent). Other beneficiary sectors, in a descending order of importance included; Oil & mineral (11.3), food (10.2 per cent), transport sector (5.5 per cent), and agricultural sector (1.3 per cent) (Fig.11).

4.4 Foreign Exchange Market Developments

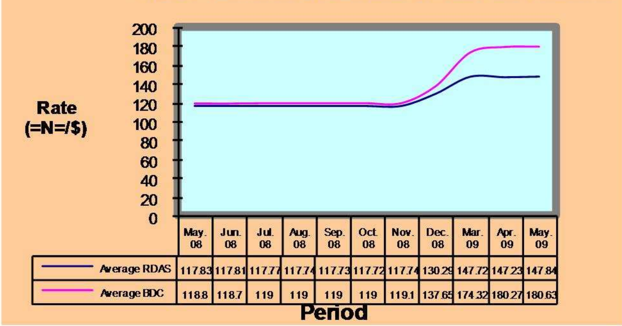
Aggregate demand for foreign exchange by authorized dealers under the Retail Dutch Auction System (RDAS) was US$4.10 billion in May 2009, indicating an increase of 12.3 and 105.0 per cent over the levels in the preceding month and the corresponding month of 2008, respectively. At US$3.11 billion, the amount of foreign exchange sold by the CBN to authorized dealers rose by 18.7 per cent

Figure 11:Sectoral Utilization of Foreign Exchange (Percentage of Total)



over the level in the preceding month. Under the RDAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar depreciated by 0.4 per cent to =N=147.84 per dollar. In the bureau-de-change segment of the market, the average rate also depreciated by 0.2 per cent to =N=180.63 per dollar. Consequently, the premium between the official and bureaux de change rates narrowed from 22.4 per cent in the preceding month to 22.2 per cent.

Figure 12: Average Exchange Rate Movements



5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output in May 2009 was estimated at 83.47 million barrels per day (mbd), while demand was estimated at 81.73 mbd, representing an excess supply of 1.74 mbd, compared with 83.29 and 82.51 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 meeting of the Economic Community of West African States (ECOWAS) Ministerial Monitoring Committee (MMC), comprising ECOWAS Ministers of Trade and Finance, held in Abuja on May 15, 2009. The Ministers are responsible for coordinating the ongoing negotiations of the Economic Partnership Agreement (EPA) with the European Union (EU).

The following were the major highlights of the meeting;

- The Committee urged regional negotiators to secure unequivocal commitment from the European Commission and EU member states to contribute to the funding of a development programme aimed at ameliorating the effects of the agreement on West Africa.
- The MMC also called for the “rapid mobilisation of resources required to implement priority projects” that will improve the competitiveness of the regional economy as it opens its markets to EU goods.
- On the issue of the liberalisation of market access for European goods, the Committee reiterated their position of July 2007 that only between 60 and 70 per cent of the regional economy should be affected over a transition period of 25 to 30 years and to be preceded by a 5 – 7 year period of moratorium.
- The Committee also reviewed the legal text prepared by regional experts for the agreement and directed the Commission to structure a programme with the accompanying road map, for the preparation of the specific commitments and requests to be submitted to the EU Commission.

In another development, the 24th meeting of the Convergence Council of Ministers and Governors of the West African Monetary Zone (WAMZ) was held in Abuja, Nigeria on May 23, 2009. The meeting was preceded by the 21st meeting of the Committee of Governors of Central Banks of the WAMZ.

The major decisions of the meeting were as follows:

- The Convergence Council concluded that the December 1, 2009 deadline for the commencement of the WAMZ Monetary Union was not feasible and approved that the new deadline for the Union be on or before January 1, 2015.
- The Council urged member states to continue to pursue appropriate monetary and fiscal policies and rigorous implementation of the structural and institutional benchmarks under the Banjul Action Plan (BAP) in order to achieve convergence and durable monetary union.
- The Council directed West African Monetary Institute (WAMI) to continue to collaborate with the ECOWAS Commission on the implementation of the BAP, especially the trade related aspect.

- The Council urged WAMI to carry out further studies on the type and structure of the West African Central Bank (WACB), and the cost implications of operationalising the WAMZ institutions, taking into cognizance the ECOWAS monetary programme and plans to establish the African Central Bank, as well as review the statute of the WACB.
- Member states were urged to accelerate the creation of the WAMZ/ECOWAS Common Economic Space by fast tracking the implementation of the decisions on the quoting and trading of WAMZ currencies.

In a related development, the ECOWAS Convergence Council, comprising Ministers of Finance and the Governors of Central Banks of member states held an Extraordinary Meeting on May 25, 2009. The meeting was chaired by Nigeria's Minister of Finance, Dr. Mansur Muhtar. The Council approved a revised road map for the realisation of a single currency for West Africa by 2020. The roadmap also outlined activities to be undertaken ahead of the new date including the review and harmonisation of the convergence criteria, the harmonisation of statistics, domestic policies and the legal, accounting and statistical frameworks of public finance.

The 44th Annual Meeting of the Board of Governors of the African Development Bank (AfDB) and the 35th Annual Meeting of the African Development Fund (AfDF) were held jointly from May 13 – 14, 2009 in Dakar, Senegal.

The following were the highlights of the meetings:

- The Governors noted that the major challenge facing the continent was to sustain the progress recorded by several African countries over the past five years. This called for new prospects and responsibilities for the Bank. In this context, development partners were urged to increase their financing by paying special attention to the poorest countries and increasing concessional resources.
- The Governors invited the Bank to streamline regional integration processes especially, in the areas of infrastructure, agriculture and energy efficiency. They also requested management of the Bank to carry out an in-depth analysis of the Bank's capacity and redefine the instruments that were best suited to fulfill the targets in the various countries.
- They commended the Bank for the improvements in its operations, the focus on infrastructure, regional integration, governance and fragile states and the increase of private sector operations in low-income countries.
- They, however, called for selectivity in the Bank's intervention, the assessment of skills mix, the focus on the right balance of staff between the Bank's headquarters and field offices and the clear definition of their respective roles.

In another development, the Association of African Central Banks Continental Seminar on Liquidity Management was held in Abuja from May 7 – 9, 2009. It was attended by about 100 participants from member central banks and regional institutions. The seminar had three sub-themes namely: What Concept of Liquidity for African Economies; Suitable Liquidity Management and Forecasting Tools for Africa; and Collaboration among African Central Banks in Liquidity Management in the Context of the International Financial Crisis.

Lastly, the 153rd Extraordinary Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) was convened in Vienna, Austria in the review month. The Conference considered the report of the Ministerial Monitoring Sub-Committee and reviewed the oil market situation, as well as the demand and supply projections for 2009, in particular the third and fourth quarter. It observed that the severe and broad impact of the ongoing global economic downturn, precipitated by the financial crisis, had led to a weakness in global oil demand, which was likely to remain for some time.

The Conference noted that the crude volumes entering the market were in excess of actual demand and that, although crude inventories had fallen over the preceding two months, stocks remained high. Moreover, it was considered appropriate to note the impact of the fall in crude oil prices witnessed over the preceding 12 months, coupled with the continuous price volatility, on the ability of oil producers to continue to make the investments required to guarantee adequate energy supplies in the medium-to-long term, given the cost of adding new capacity.

The Conference also noted that although recent positive economic indicators pointed towards the possibility of the recession bottoming-out before the year-end, the world was nevertheless still faced with weak industrial production, shrinking world trade and high unemployment. The Conference therefore decided to maintain current production levels for the time being, as member countries reiterated their firm commitment to the individually agreed production allocations, as well as their readiness to respond swiftly to any developments which might place oil market stability and their interests in jeopardy.

TABLE 1
MONETARY AND CREDIT DEVELOPMENTS
(=N=Million)

		May	April	May	March	DECEMBER	DECEMBER	CHANGE BETWEEN		CHANGE BETWEEN		CHANGE BETWEEN		CHANGE BETWEEN		CHANGE BETWEEN	
		2009	2009	2008	2009	2008	2007	(1&5)		(1&2)		(2&5)		(3&6)		(2&4)	
		(1)	(2)	(3)	(4)	(5)	(6)					ABSOLUTE	PER CENT	ABSOLUTE	PER CENT	ABSOLUTE	PER CENT
1	Domestic Credit	5,456,657.30	5,273,397.80	3,693,217.60	4,820,837.50	4,951,860.30	2,688,236.50	504,797.0	10.19	183,259.50	3.48	321,537.5	6.49	1,004,981.1	37.38	452,560.3	9.39
				-										0.0			
(a)	Claims on Federal Government (Net)	(3,052,666.00)	(3,106,511.20)	(3,094,241.20)	(3,405,605.00)	(3,107,688.60)	(2,368,484.40)	55,022.6	1.77	53,845.20	1.73	1,177.4	0.04	-725,756.8	-30.64	299,093.8	8.78
	By Central Bank (Net)	-4327952.4	(4,350,533.70)	(4,751,320.00)	(4,658,177.00)	(4,532,113.60)	(4,074,422.80)	204,161.2	4.50	22,581.30	0.52	181,579.9	4.01	-676,897.2	-16.61	307,643.3	6.60
	By Banks (Net)	1275286.4	1,244,022.50	1,657,078.80	1,252,572.00	1,424,425.00	1,705,938.40	-149,138.6	-10.47	31,263.90	2.51	-180,402.5	-12.66	-48,859.6	-2.86	-8,549.5	-0.68
				-										0.0			
				-										0.0			
(b)	Claims on Private Sector	8,509,323.30	8,379,909.00	6,787,458.80	8,226,442.50	8,059,548.90	5,056,720.90	449,774.4	5.58	129,414.30	1.54	320,360.1	3.97	1,730,737.9	34.23	153,466.5	1.87
	By Central Bank	321475	324,755.90	149,452.40	313,611.60	260,148.80	236,025.20	61,326.2	23.57	(3,280.90)	-1.01	64,607.1	24.83	-86,572.8	-36.68	11,144.3	3.55
	By Banks	8187848.3	8,055,153.10	6,638,006.40	7,912,830.90	7,799,400.10	4,820,695.70	388,448.2	4.98	132,695.20	1.65	255,753.0	3.28	1,817,310.7	37.70	142,322.2	1.80
				-										0.0			
				-										0.0			
(i)	Claims on State and Local Governments	250,069.40	213,670.00	109,331.70	210,869.00	149,765.10	87,753.60	100,304.3	66.97	36,399.40	17.04	63,904.9	42.67	21,578.1	24.59	2,801.0	1.33
	By Central Bank	0	-	-	0.0		-	0.0	#DIV/0!	-		0.0		0.0			
	By Banks	250069.4	213,670.00	109,331.70	210,869.00	149,765.10	87,753.60	100,304.3	66.97	36,399.40	17.04	63,904.9	42.67	21,578.1	24.59	2,801.0	1.33
				-													
				-													
(ii)	Claims on Non-Financial Public Enterprises			-	-	-	-										
	By Central Bank	0	-	-		-											
	By Banks	0	-	-			-										
				-										0.0			
(iii)	Claims on Other Private Sector	8,259,253.90	8,166,239.00	6,678,127.10	8,015,572.80	7,909,783.80	4,968,967.30	349,470.1	4.42	93,014.90	1.14	256,455.2	3.24	1,709,159.8	34.40	150,666.2	1.88
	By Central Bank	321475	324,755.90	149,452.40	313,611.60	260,148.80	236,025.20	61,326.2	23.57	(3,280.90)	-1.01	64,607.1	24.83	-86,572.8	-36.68	11,144.3	3.55
	By Banks	7937778.9	7,841,483.10	6,528,674.70	7,701,961.20	7,649,635.00	4,732,942.10	288,143.9	3.77	96,295.80	1.23	191,848.1	2.51	1,795,732.6	37.94	139,521.9	1.81
				-								0.0		0.0			
				-								0.0		0.0			
2	Foreign Assets (Net)	7,713,037.20	7,963,791.80	8,148,341.80	8,105,332.20	8,550,430.30	7,266,512.10	-837,393.1	-9.79	(250,754.60)	-3.15	-586,638.5	-6.86	881,829.7	12.14	-141,540.4	-1.75
	By Central Bank	6667365.4	6,906,527.40	7,241,987.20	6,961,170.10	7,270,807.40	6,570,263.70	-603,442.0	-8.30	(239,162.00)	-3.46	-364,280.0	-5.01	671,723.5	10.22	-54,642.7	-0.78
	By Banks	1045671.8	1,057,264.40	906,354.60	1,144,162.10	1,279,622.90	696,248.40	-233,951.1	-18.28	(11,592.60)	-1.10	-222,358.5	-17.38	210,106.2	30.18	-86,897.7	-7.59
				-								0.0		0.0			
				-								0.0		0.0			
3	Other Assets (Net)	-4449113.1	(4,236,181.50)	(4,295,225.70)	(3,928,352.40)	(4,335,455.30)	(4,144,922.10)	-113,657.8	-2.62	(212,931.60)	-5.03	99,273.8	2.29	-150,303.6	-3.63	-307,829.1	-7.84
				-				0.0	#DIV/0!	-		0.0		0.0			
	Total Monetary Assets (M_2)	8,720,581.40	9,001,008.10	7,546,333.70	8,997,817.30	9,166,835.30	5,809,826.50	-446,253.9	-4.87	(280,426.70)	-3.12	-165,827.2	-1.81	1,736,507.2	29.89	3,190.8	0.04
				-								0.0		0.0			
	Quasi - Money 1/	4398124.9	4,431,343.50	3,553,061.10	4,331,102.30	4,309,523.10	2,693,554.30	88,601.8	2.06	(33,218.60)	-0.75	121,820.4	2.83	859,506.8	31.91	100,241.2	2.31
				-								0.0		0.0			
				-								0.0		0.0			
	Money Supply (M_1)	4322456.5	4,569,664.60	3,993,272.60	4,666,715.00	4,857,312.20	3,116,272.20	-534,855.7	-11.01	(247,208.10)	-5.41	-287,647.6	-5.92	877,000.4	28.14	-97,050.4	-2.08
	Currency Outside Banks	764389.7	823,772.50	660,155.20	804,073.30	892,675.60	737,867.30	-128,285.9	-14.37	(59,382.80)	-7.21	-68,903.1	-7.72	-77,712.1	-10.53	19,699.2	2.45
	Demand Deposits 2/	3558066.8	3,745,892.00	3,333,117.40	3,862,641.70	3,964,636.60	2,378,404.90	-406,569.8	-10.25	(187,825.20)	-5.01	-218,744.6	-5.52	954,712.5	40.14	-116,749.7	-3.02
				-								0.0		0.0			
				-								0.0		0.0			
	Total Monetary Liabilities	8,720,581.40	9,001,008.10	7,546,333.70	8,997,817.30	9,166,835.30	5,809,826.50	-446,253.9	-4.87	(280,426.70)	-3.12	-165,827.2	-1.81	1,736,507.2	29.89	3,190.8	0.04

Notes: - - - -

1/ Quasi-Money consists of Time,Savings and Foreign Currency Deposits at Deposit Money Banks, excluding Takings from Discount Houses.

2/ 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.

3/ Provisional.

*revised