CENTRAL BANK OF NIGERIA

ECONOMIC REPORT FOR THE SECOND QUARTER OF 2009

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RESEARCH DEPARTMENT

CENTRAL BANK OF NIGERIA

QUARTERLY ECONOMIC REPORT

The Central Bank of Nigeria Quarterly Economic 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, fiscal, 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 from the National Bureau of Statistics (NBS) estimated GDP growth in the second quarter of 2009 at 5.13 per cent, compared with 4.85 per cent in the preceding quarter. The projected growth was driven mainly by the non-oil sector, particularly agriculture which constituted 43.9 per cent of total GDP and contributed 2.4 percentage points to the growth in real GDP in the quarter. Broad money (M_2) grew by 0.9 per cent, relative to the preceding quarter. The increase in M_2 was attributed largely to the rise in aggregate banking system credit to the domestic economy (net). Narrow money (M_1), however, contracted by 3.9 per cent from the level in the preceding quarter.

Available data indicated a general decline in banks' deposit rates, while lending rates increased. The spread between the weighted average term deposit and maximum lending rates widened from 9.97 percentage points in the preceding quarter to 11.00 percentage points. The margin between the average savings deposit and maximum lending rates, also, widened from 19.33 to 19.96 percentage points during the period. The weighted average inter-bank call rate fell to 14.76 per cent from 15.27 per cent in the preceding quarter, reflecting the liquidity condition in the inter-bank funds market.

The value of money market assets outstanding rose by 9.8 per cent over the level in the preceding quarter to =N=3,164.9 billion. The increase was attributed largely to the rise in outstanding FGN bonds and Nigerian Treasury Bills (NTBs). Activities on the Nigerian Stock Exchange were bullish as all the major market indicators trended upward.

Total federally-collected revenue in the first quarter, 2009 stood at =N=1,044.89 billion, representing a decline of 21.2 and 11.6 per cent from the proportionate budget estimate and the preceding quarter's level. At =N=696.61 billion, oil receipts constituted 66.7 per cent of the total revenue, and was lower than the budget estimate and the level in the preceding quarter. The fall in oil receipts relative to the budget estimate was attributed to the decline in crude oil and gas sales as well as petroleum profit tax and royalties. Non-oil receipts, at =N=348.29 billion or 33.3 per cent of the total, exceeded the receipts in the preceding quarter, but lower than the level in the budget estimate. The decline in non-oil receipts relative to the preceding quarter was attributed to the fall in Companies Income Tax (CIT) and Value-Added-Tax. Federal Government retained revenue for the second quarter, 2009 was =N=519.36 billion, while total expenditure was =N=901.59 billion. Thus, the fiscal operations of the Federal Government resulted in an estimated overall deficit of =N=382.23 billion, compared with =N=57.96 billion in the preceding quarter and the budgeted deficit of =N=209.15 billion.

The major agricultural activities in the review quarter included harvesting of tree crops and the clearing and preparation of irrigated land for the cropping season.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 1.70 million barrels per day (mbd) or 154.70 million barrels for the quarter. Crude oil export was estimated at 1.25 mbd or 113.75 million barrels for the quarter, while deliveries to the refineries for domestic consumption remained at 0.445 mbd or 40.50 million barrels. The average price of Nigeria's reference crude, the Bonny Light (37^0 API), estimated at US$61.14 per barrel, rose by 32.5 per cent over the level in the preceding quarter. The end-period inflation rate for the second quarter, 2009, on a year-on-year basis, was 11.2 per cent, compared with 14.4 and 12.0 per cent recorded at the end of the preceding quarter and the corresponding quarter 2008, respectively. Inflation rate on a twelve-month moving average basis for the second quarter, was 13.7 per cent, compared with 13.1 and 7.0 per cent recorded in the preceding quarter and the corresponding quarter, 2008, respectively.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US$5.47 billion and US$9.16 billion, respectively, resulting in a net outflow of US$3.69 billion during the quarter. Foreign exchange sales by the CBN to the authorized dealers amounted to US$7.84 billion in the review quarter. The weighted average exchange rate of the Naira vis-à-vis the US dollar, depreciated by 0.6 per cent to =N=147.76 per dollar at the RDAS. In the bureaux de change segment of the market, the naira also depreciated from =N=160.37 per dollar to =N=175.68 per dollar. Non-oil export earnings by Nigerian exporters increased by 46.4 per cent over the level in the preceding quarter to US$379.06 million. . The development was attributed largely to the increase in the prices of all the commodities traded at the international commodities market during the period.

There was modest growth globally in the quarter under review, though the recession persisted and the recovery was uneven and likely to be sluggish. This was because financial systems remained impaired and support from public policies will gradually diminish. Also, the investments made by companies between 2002 and 2007 that have now turned into surplus capacity, following the global financial crisis, if not eliminated, might result into more jobs losses and surge in corporate bankruptcies, as spending and investments slide.

Other major international economic developments of relevance to the domestic economy during the quarter included: the meeting of the Leaders of the Group of Twenty (G-20) in London on April 2, 2009 to discuss the global economic crisis and its challenges (see April 2009 Report). The Ordinary Meeting of the Bureau of the Association of African Central Banks (AACB) was held in Addis Ababa, Ethiopia on April 9, 2009 (see April 2009 Report).

In a related development, the second meeting of the Joint Committee of the African Union Commission and the AACB took place in Addis Ababa, Ethiopia on April 9, 2009 (see April 2009 Report). The 2009 Spring Meetings of the Board of Governors of the World Bank Group and the International Monetary Fund (IMF) took place in Washington, D. C, USA from April 25-26, 2009 (see April 2009 Report). The Global Monitoring Report (GMR) 2009, a development emergency report released by the International Monetary Fund (IMF) and the World Bank on April 24, 2009 warned that the global financial crisis was imperiling the attainment of the 2015 Millennium Development Goals (MDGs) and creating an emergency for development (see April 2009 Report). Also, 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 (see May 2009 Report). 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 (see May 2009 Report). The Association of African Central Banks Continental Seminar on Liquidity Management was held in Abuja from May 7 – 9, 2009. The 153rd Extraordinary Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) was convened in Vienna, Austria in the review quarter (see May 2009 Report).

In another development, the Second Joint Annual Meeting of the African Union Conference of Ministers of Economy and Finance and the United Nations Economic Commission for Africa (ECA) Conference of African Ministers of Finance, Planning and Economic Development was held in Cairo, Egypt from June 6-7, 2009.

Also, the 5th Session of China-Nigeria Economic and Technical Cooperation Joint Commission was held in Beijing, China from June 22 – 26, 2009. Collaborative issues were discussed on economic cooperation, banking and finance, energy, solid minerals, and infrastructure development. In a related development, the 79th Regular Council Session, 139th Executive Committee Meeting and the 19th Meeting of the Consultative Board on the World Cocoa Economy of the International Cocoa Organisation (ICCO) were held in Moscow from June 1 – 5, 2009. The Meeting considered the following amongst others: membership of the International Cocoa Organization; distribution of votes; review of observer status of non-member countries; special Reserve Fund; relocation of the ICCO Headquarters to Ivory Coast; cocoa production and consumption; and proposals for a future cocoa agreement.

Lastly, a special ECOWAS – Spain Summit was held in June 2009. It was attended by Heads of State and Government of ECOWAS and the Prime Minister of Spain. The summit agreed to take steps towards strengthening cooperation in areas of infrastructural development, renewable energy, war against malaria and illicit trafficking in persons, drugs and arms.

2.0 FINANCIAL SECTOR DEVELOPMENTS

2.1 Monetary and Credit Developments

Major monetary aggregate rose, while banks' deposit and lending rates declined in the second quarter of 2009. The value of money market assets increased, following largely the rise in outstanding FGN bonds and Nigerian Treasury Bills (NTBs). Transactions on the Nigerian Stock Exchange (NSE) were bullish as the major market indicators trended upward.

Provisional data indicated growth in monetary aggregate in the second quarter, 2009. Broad money (M_2) rose by 0.9 per cent to =N=9,077.0 billion, as against the decline of 1.8 per cent in the first quarter of 2009. Narrow money (M_1), however, fell by 3.9 per cent to =N=4,328.5 billion from the level in the preceding quarter. The rise in M_2 was accounted for largely by the 17.8 per cent increase in aggregate banking system credit to the domestic economy (net) (fig. 1 and table 1).

At =N=5,677.2 billion, aggregate banking system credit (net) to the domestic economy increased by 17.8 per cent in the second quarter of 2009, as against the decline of 2.6 per cent in the preceding quarter. The development reflected largely the 15.4 per cent rise in claims on the Federal Government, reinforced by the 3.6 per cent increase in private sector.

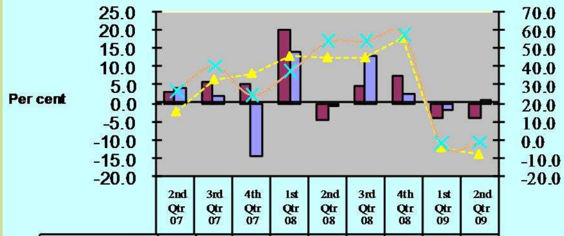
Banking system's credit (net) to the Federal Government increased by 15.4 per cent to negative =N=2,879.8 billion, as against the decline of 9.6 per cent in the preceding quarter. The rise was attributed to the increase in deposit money banks' (DMBs) holding of Federal Government securities.

Banking system's credit to the private sector rose by 3.6 per cent to =N=8,305.3 billion, compared with the increase of 1.3 per cent in the preceding quarter. The rise reflected largely the 3.5 per cent increase in bank's claims on the sector (fig 2).

At =N=7,643.6 billion, foreign assets (net) of the banking system fell by 5.7 per cent, compared with the decline of 5.2 per cent in the preceding quarter. The development was attributed largely to the 4.6 per cent decline in the CBN's holdings.

Quasi money increased by 6.0 per cent to =N=3,319.9 billion, compared with the increase of 0.5 per cent in the preceding quarter. The development was attributed to the rise in all the components namely, time, savings and foreign currency deposits of the DMBs.

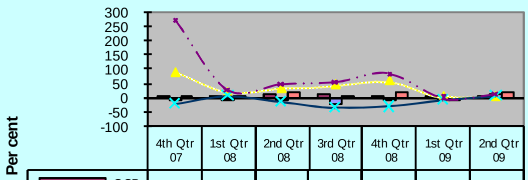
Figure 1: Aggreagate Money Supply in Nigeria (Quarterly and Cummulative Growth Rates in Per cent)



	2nd Qtr 07	3rd Qtr 07	4th Qtr 07	1st Qtr 08	2nd Qtr 08	3rd Qtr 08	4th Qtr 08	1st Qtr 09	2nd Qtr 09
QM1	3.1	5.8	5.5	20.2	-4.8	4.6	7.4	-3.9	-3.9
QM2	4.2	2.2	-14.4	14.0	-0.6	12.7	2.3	-1.8	0.9
CM1	15.7	33.2	36.6	45.9	45.2	45.2	55.9	-3.9	-7.7
CM2	27.0	40.8	25.0	37.7	54.1	54.2	57.8	-1.8	-1.0

Other assets (net) of the banking system, increased by 8.0 per cent to =N=4,243.8 billion, in contrast to the decline of 9.4 per cent in the preceding quarter. The fall reflected largely the decline in unclassified liabilities of both CBN and DMBs during the quarter.

Figure 2: Aggregate Domestic Credit to the Economy (Quarterly and Cummulative Growth Rate)



	4th Qtr 07	1st Qtr 08	2nd Qtr 08	3rd Qtr 08	4th Qtr 08	1st Qtr 09	2nd Qtr 09
QCP	7.3	3.9	13.3	10.4	7.8	2.1	3.6
QCG	-7.8	1.9	-8.6	-19.4	-3.8	-9.6	15.4
QAC	6.9	5.5	16.6	4.4	16.7	-2.6	17.8
CCP	90.8	18	33.6	47.5	59.4	2.1	6.2
CCG	-22	5.6	-14.7	-36.9	-31.2	-9.6	7.3
CAC	276	28.8	50.2	56.8	84.2	-2.6	14.7

2.2 Currency-in-circulation and Deposits at the CBN

At =N=1,006.6 billion, currency in circulation fell by 3.0 per cent in June 2009 over the level in March 2009. The decline was due wholly to the fall of 7.2 per cent in currency outside the banking system during the period.

Total deposits at the CBN amounted to =N=5,388.7 billion, indicating a decline of 5.2 per cent from the level in the preceding quarter. The development was attributed largely to the fall in Federal Government deposits, reinforced by the decline in banks' deposits. The shares of the Federal Government, banks and "others" in total deposits at the CBN were 89.3, 5.2 and 5.4 per cent, respectively, compared with the shares of 89.0, 6.1 and 4.9 per cent, in March 2009.

2.3 Money Market Developments

Activities in the money market slowed in the quarter as the effects of the actions taken by the Bank in the preceding quarter to inject liquidity in the banking system fizzled out. Direct auctions were conducted in the review period**,** which helped to boost tradable maturities at the secondary market. Deposit money banks also continued to access the standing lending, tenored repo and Expanded Discount Window facilities to square up their positions.

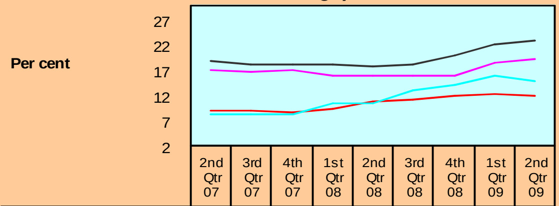
Provisional data indicated that the value of money market assets outstanding at end-June 2009 was =N=3,164.9 billion, representing an increase of 9.8 per cent over the level at end-March 2009. The increase during the period was attributed to the 12.2 and 36.0 per cent increase in FGN Bonds and NTBs, respectively.

2.3.1 Interest Rate Developments

Available data indicated a general decline in banks' deposit rates, while lending rates increased in the second quarter, 2009. With the exception of the average savings deposit rate, which rose by 0.01 percentage points to 2.93 per cent, all other rates on deposits of various maturities declined from a range of 6.97 – 13.58 per cent in the preceding quarter to 6.74 – 13.14 per cent. Similarly, at 11.89 per cent, average term deposit rate fell by 38 basis points from the level in the preceding quarter. On the other hand, the average prime and maximum lending rates rose by 67 and 65 basis points to 19.01 and 22.89 per cent, respectively. Consequently, the spread between the weighted average term deposit and maximum lending rates widened from 9.97 percentage points in the preceding quarter to 11.00 percentage points. The margin between the average savings deposit and maximum lending rates, also, widened from 19.33 percentage points in the preceding quarter to 19.96 percentage points.

At the inter-bank call segment, the weighted average rate, which stood at 15.27 per cent in the preceding quarter, fell to 14.76 per cent, reflecting the liquidity condition in the inter-bank funds market. Similarly, the weighted average rate for the Open Buy Back (OBB) fell by 53 basis points from the level in the preceding quarter to 7.32 per cent. In tandem with developments at the inter-bank market, the Nigeria Inter-Bank Offer Rate (NIBOR) on 7- and 30-day tenors declined to 15.81 and 17.00 per cent from 16.14 and 17.30 per cent in the preceding quarter. With headline inflation rate at 11.2 per cent at end-June, all deposit rates, with the exception of savings and 7-day rates, were positive in real terms.

Figure 3: Selected Bank Interest Rates (Per cent Average)



	2nd Qtr 07	3rd Qtr 07	4th Qtr 07	1st Qtr 08	2nd Qtr 08	3rd Qtr 08	4th Qtr 08	1st Qtr 09	2nd Qtr 09
Avg. Term Deposits	8.97	8.99	8.69	9.35	10.78	11.06	11.67	12.27	11.89
Prime	16.92	16.46	16.9	16.05	15.86	15.97	16.03	18.34	19.01
Inter-bank	8.00	8.13	8.25	10.21	10.4	12.83	14.01	15.79	14.76
Maximum	18.74	18.27	18.24	18.17	17.9	18.1	19.79	22.24	22.89

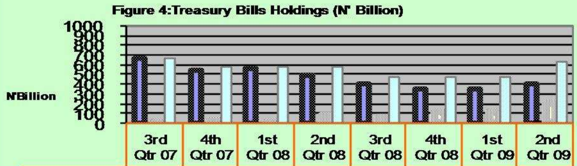
2.3.2 Commercial Papers (CPs)

Investment in Commercial Papers (CPs) as a supplement to bank credit to the private sector fell in the review period. The value of CPs held by the DMBs fell by =N=69.9 billion to =N=678.4 billion at end-June 2009, compared with the decline of =N=74.4 billion at end-March 2009. Thus, CPs constituted 21.4 per cent of the total value of money market assets outstanding at end-June 2009, compared with 25.9 per cent at the end of the preceding quarter.

2.3.3 Bankers' Acceptances (BAs)

Holdings of BAs by the DMBs fell by 15.1 per cent to =N=65.8 billion at end-June 2009, as against the increase of 16.7 per cent in the preceding quarter. The fall reflected the decline in investments by deposit money banks and discount houses. Consequently, BAs accounted for 2.1 per cent of the total value of money market assets outstanding at the end of the second quarter, compared with 2.7 per cent in the preceding quarter.

Figure 4:Treasury Bills Holdings (N' Billion)



	3rd Qtr 07	4th Qtr 07	1st Qtr 08	2nd Qtr 08	3rd Qtr 08	4th Qtr 08	1st Qtr 09	2nd Qtr 09
Banks/D.H	676.9	551.4	559.6	495.3	400.8	352.4	352.4	417.1
CBN	0.7	5.9	3.1	6.3	7.1	0.4	0.4	23.4
Others	0.3	17.6	12.2	73.3	64.0	119.1	119.1	201.4
Total	677.9	574.9	574.9	574.9	471.9	471.9	471.9	641.9

2.3.4 Open Market Operations

Open market operations (direct auctions and tenored repurchase transactions) were complemented by the standing lending facility and cash reserve requirements. There was no purchase of government securities through the two-way quote platform due to the unattractiveness of the offer rates quoted at the trading sessions.

However, in order to boost tradable maturities at the secondary market and deepen activities among money market dealers, direct auctions were conducted four times. Consequently, total NTBs offered in the second quarter was =N=205.80 billion, while total subscription and allotment were =N=331.00 and =N=185.20 billion, respectively. In the preceding quarter, =N=60.00 billion was offered, while subscription and allotment were =N=139.50 billion and =N=62.29 billion, respectively.

2.3.5 Primary Market

Nigerian Treasury Bills of 91-,182- and 364-day tenors were offered fortnightly during the review period. Total NTBs offered in line with the issue programme of bi-monthly auctions was =N=341.60 billion. Public subscription and allotment were =N=560.30 billion and =N=341.60 billion, respectively, compared with =N=667.75 billion and =N=275.58 billion subscribed to and allotted in the first quarter.

The range of issue rates for the 91- and 182-day NTBs were from 3.135 to 5.15 per cent and from 5.898 to 6.75 per cent at the 364-day segment. All the auctions were oversubscribed as market players showed strong preference for government securities considering the bearish performance of equities at the capital market. The need for market players to shore up their holdings of government securities also buoyed activities at that segment.

2.3.6 Bonds Market

FGN Bonds, of 3-, 5- and 20-year tenors were reopened in line with the restructuring of the domestic debt profile to longer tenors and offered to the public in the period under review. A total of =N=170.00 billion, made up of =N=75.00 billion, 3-year, =N=55.00 billion, 5-year and =N=40.00 billion, 20-year FGN Bonds were offered and allotted at marginal rates of 10.10 to 11.00, 10.70 to 11.85 and 11.50 to 12.79 per cent, respectively. The total public subscription for all the auctions stood at =N=349.97 billion. The coupon rates ranged from 9.92 to 10.95 per cent for the 3-year Bond, 11.40 to 12.00 per cent for the 5 year Bond and 13.21 to 13.45 per cent for the 20-year Bond. The impressive subscription, especially for the 20-year tenor, reflected market players' sustained confidence in the Nigerian economy. The preference for longer-tenored securities, whose yields were perceived to be stable and attractive, also buoyed subscription at the auctions.

2.3.7 CBN Standing Facilities

The deposit money banks and discount houses continued to access the standing lending facility. The lending and repo rates were fixed at 8.00 per cent after its reduction from 9.75 per cent on April 8, 2009. However, interest payment on overnight deposit by the DMBs remained at zero per cent.

Analysis of CBN lending to the deposit money banks and discount houses showed that daily lending was initially high, but declined after the series of actions taken by the Bank to inject liquidity into the banking system and the release of excess crude oil proceeds in the latter part of the quarter. Consequently, total lending facility granted to the DMBs for the quarter stood at =N=10, 299.24 billion.

2.4 Deposit Money Banks' Activities

Available data indicated that total assets/liabilities of the DMBs amounted to =N=15,519.9 billion, representing a decline of 0.1 per cent from the level in the preceding quarter. The development was attributed largely to the 26.5 per cent decline in reserves, reinforced by the 12.3 per cent fall in foreign assets.

Funds, which were sourced mainly from claims on other financial institutions and mobilisation of deposits were used mainly for the extension of credit to the private sector.

At =N=9,438.2 billion, credit to the domestic economy rose by 5.4 per cent over the level in the preceding quarter. The development was attributed largely to the 17.3 and 3.5 per cent decline in claims on the Federal Government and private sectors, respectively.

Central Bank's credit to the DMBs rose by 23.1 per cent to =N=169.8 billion in the review quarter, reflecting the increase in CBN's loan & advances to the DMBs.

Total specified liquid assets of the DMBs stood at =N=3,037.5 billion, representing 34.7 per cent of their total current liabilities. At that level, the liquidity ratio fell by 0.9 percentage points from the preceding quarter's level, but was 9.7 percentage points above the stipulated minimum ratio of 25.0 per cent. The loans-to-deposit ratio fell by 2.1 percentage points to 84.5 per cent from the level in the preceding quarter, and exceeded the prescribed minimum target of 80.0 per cent by 4.5 percentage points.

2.5 Discount Houses' Activities

Total assets/liabilities of the discount houses stood at =N=466.0 billion in the second quarter of 2009, indicating a decline of 24.0 and 8.7 per cent from the levels in the preceding quarter and the corresponding period of 2008, respectively. The fall in assets was accounted for largely by the 34.9 per cent decline in claims on banks during the quarter.

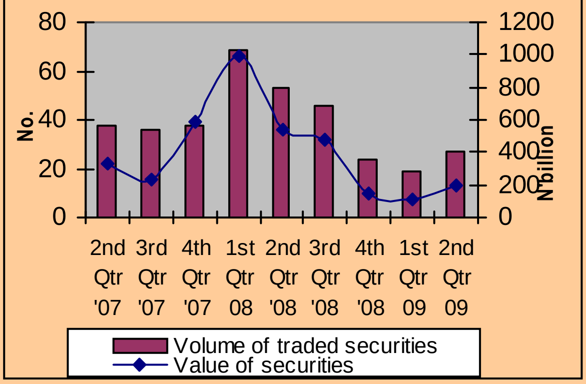
Correspondingly, the fall in total liabilities was attributed largely to the 36.6 per cent decline in borrowings during the period. Discount houses' investments in Federal Government securities of less than 91 days maturity rose by 15.0 per cent to =N=30.3 billion, representing 7.6 per cent of their total deposit liabilities. At this level, discount houses' investments fell by 0.9 per cent from the level in the preceding quarter. This level of investment was 52.4 percentage points below the prescribed minimum level of 60.0 per cent for fiscal 2009.
Total borrowing by the discount houses was =N=65.1 billion, while their capital and reserves amounted to =N=39.5 billion. Thus, resulting in a gearing ratio of 5.1:1, compared with the stipulated maximum target of 50:1 for fiscal 2009.

2.6 Capital Market Developments

2.6.1 Secondary Market

Available data indicated that activities on the Nigerian Stock Exchange (NSE) in the second quarter of 2009 were bullish as all the major market indicators trended upward. The volume and value of traded securities rose by 41.7 and 84.3 per cent to 27.2 billion shares and =N=199.4 billion, respectively, compared with 19.2 billion shares and =N=108.2 billion in the first quarter of 2009. In the first half of the year, total turnover volume and value stood at 46.4 billion shares and =N=310.5 billion, respectively. The banking subsector was the most active on the Exchange with traded volume of 16.1 billion shares valued at =N=133.5 billion exchanged in 269,968 deals. There were no transactions on the Federal Government and industrial loans/preference stocks.

Figure 5: Volume and value of traded securities



2.6.2 Over-the-Counter (OTC) Bonds Market

Transactions on the over-the-counter (OTC) bond segment of the market indicated that a turnover of 4.4 billion units worth =N=4.2 trillion in 23,405 deals was recorded in the review quarter, compared with a total of 4.2 billion units valued at =N=4.3 trillion exchanged during the preceding quarter. The most active bond measured by turnover volume was the 6th FGN Bond 2012 Series 1 with traded volume of 241.0 billion units valued at =N=236.9 billion in 2,016 deals.

2.6.3 New Issues Market

In the new issues market, a total of 4,035,497,307 shares in favour of Afromedia Plc was admitted at the price of =N=2.92 per share by way of introduction. The Company was listed in the Media sub-sector. Also, 4,966,666,668 shares in favour of MTECH Communications Plc were admitted to the Daily Official List at a price of =N=2.50 per share by way of introduction. The Company was listed in the Information, Communication and Telecommunications subsector. In a related development, 3,205,725,266 Units of Lotus Capital Halal Investment Fund was admitted on the Daily Official List under Memorandum Listing at =N=0.87 per unit during the review quarter. By this action, the number of Managed Funds granted under Memorandum Listing status increased to 25. During the review quarter, there were eight (8) supplementary listings, same as in the preceding quarter.

In another development, the Council of the Nigerian Stock Exchange approved the delisting of nine (9) dormant companies during the review period.

2.6.4 Market Capitalization

The total market capitalization of the 295 listed securities rose by 22.2 per cent to =N=8.8 trillion from the preceding quarter's level. The increase in market capitalization was attributed to the price gains recorded by the highly capitalized stocks. The 208 listed equities accounted for =N=6.1 trillion or 69.6 per cent of the total market capitalization.

2.6.5 NSE All-Share Index

The NSE All-Share Index, which opened at 19,851.89, closed at 26,861.55, representing an increase of 35.3 per cent over the level in the preceding quarter. Relative to the closing value of 31,450.78 on December 31, 2008, the year-to-date fall in the NSE All-Share-Index stood at 14.6 per cent. Also, the NSE Insurance Index fell by 8.6 per cent to close at 367.32. The NSE-30 Index rose by 42.9 per cent to 903.88, while the NSE Food/Beverage Index also increased by 25.1 per cent to close at 504.00. The NSE Banking Index and NSE Oil/Gas Index rose by 43.8 and 34.6 per cent to close, respectively, at 459.08 and 419.09.

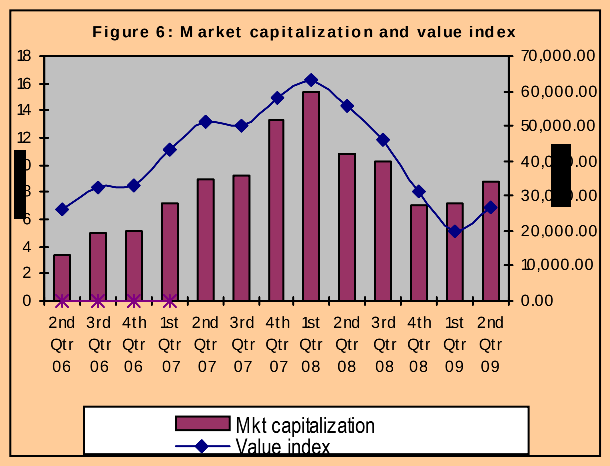


Figure 6: Market capitalization and value index

The balance of =N=64.73 billion went to the 13.0 per cent derivation fund for distribution by the oil producing states. To bridge the shortfall in revenue for the period, the sum of =N=328.09 billion was augmented by monetization of part of the excess crude account and shared as follows: Federal Government (=N=150.37 billion), state governments (=N=76.27 billion), local governments (=N=58.80 billion) and oil producing states (=N=42.65 billion).

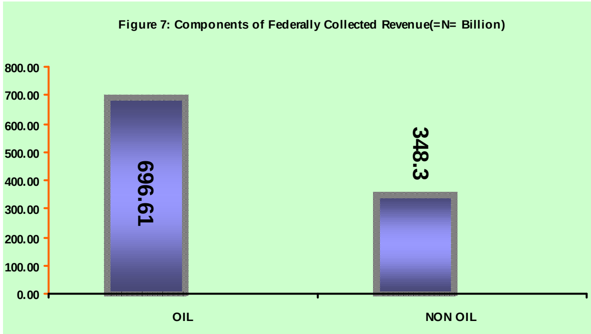


Figure 7: Components of Federally Collected Revenue(=N= Billion)

3.0 FISCAL OPERATIONS

3.1 Federation Account Operations

Available data showed that total federally-collected revenue during the second quarter of 2009 stood at =N=1,044.89 billion, representing a decline of 21.2 and 11.6 per cent from the proportionate budget estimate and receipts in the preceding quarter, respectively. At =N=696.61 billion, oil receipts, which constituted 66.7 per cent of the total, was lower than the proportionate budget estimate and the receipts in the preceding quarter by 10.5 and 17.3 per cent, respectively. The fall in oil receipts relative to the preceding quarter was attributed to the decline in receipts from crude oil and gas sales as well as petroleum profit tax and royalties occasioned by militant activities in the Niger Delta.

Non-oil receipts, at =N=348.29 billion or 33.3 per cent of the total, was lower than the budget estimate by 36.4 per cent but exceeded the receipts in the preceding quarter by 2.7 per cent. The decline relative to the budget estimate was attributed largely to the fall in Value-Added tax (VAT) and Companies Income Tax (CIT) (fig 7).

As a percentage of GDP, oil revenue was 13.7 per cent, while non-oil revenue stood at 6.8 per cent in the second quarter of 2009. The decline in revenue relative to the level in the preceding quarter was due to the fall in oil receipts during the review quarter.

Of the total federally-collected revenue during the review quarter, the sum of =N=655.98 billion was transferred to the Federation Account for distribution among the three tiers of government and the 13.0 per cent derivation fund. The Federal Government received =N=311.47 billion, while the state and local governments received =N=157.98 billion and =N=121.80 billion, respectively.

3.2 The Fiscal Operations of the Three Tiers of Government

3.2.1 The Federal Government

At =N=519.36 billion, the Federal Government retained revenue for the second quarter 2009, was lower than the proportionate budget estimate and the receipts in the preceding quarter by 13.5 and 30.5 per cent, respectively.

At =N=901.59 billion, total expenditure for the review period rose by 11.4 and 30.8 per cent over the proportionate budget estimate and the level in the preceding quarter, respectively. The rise in total expenditure relative to the budget estimate and the preceding quarter was attributed largely to the increase in capital releases during the quarter. A breakdown of total expenditure showed that the recurrent component accounted for 63.1 per cent, capital component 31.3 per cent, while statutory transfers accounted for the balance of 5.6 per cent. As a percentage of GDP, recurrent expenditure was 8.4 per cent, while capital expenditure and transfers stood at 4.2 and 0.8 per cent, respectively.

The fiscal operations of the Federal Government in the second quarter 2009, resulted in an overall deficit of =N=382.23 billion, compared with the deficits of =N=57.96 billion in the preceding quarter and the budgeted sum of =N=209.15 billion.

As a percentage of GDP, the fiscal deficit was 5.7 per cent in the review quarter. The fiscal deficit was financed from additional issuance of FGN Bonds and other funds.

3.2.2 Statutory Allocations to State Governments

During the second quarter of 2009, total receipts, including the 13.0 per cent Derivation Fund and share of VAT by the state governments from the Federation Account stood at =N=393.86 billion. This represented a decline of 8.7 and 32.8 per cent from the levels in the preceding quarter and the corresponding period of 2008, respectively.

Further breakdown showed that at =N=52.23 billion, receipts from the VAT Pool Account declined by 4.0 per cent from the level in the preceding quarter, while receipts from the Federation Account stood at =N=341.63 billion. On monthly basis, the sum of =N=160.94 billion, =N=113.78 billion and =N=393.86 billion were allocated to the 36 state governments in April, May and June 2009, respectively.

3.2.3 Statutory Allocations to Local Government Councils

Total receipts by the local governments from the Federation and VAT Pool Accounts during the second quarter of 2009, stood at =N=217.16 billion. This was lower than the level in the preceding quarter and the corresponding quarter of 2008 by 8.0 and 30.0 per cent, respectively. Of this amount, allocation from the Federation Account was =N=180.60 billion or 83.2 per cent of the total, while VAT Pool Account accounted for =N=36.56 billion or 16.8 per cent. On monthly basis, the sums of =N=86.14 billion, =N=63.40 billion and =N=67.62 billion were allocated to the 774 local governments in April, May and June 2009, respectively.

3.3 Consolidated Federal Government Debt

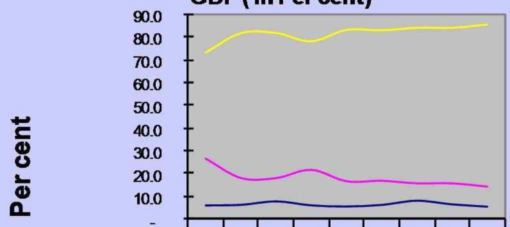
At =N=3,364.06 billion or 14.8 per cent of GDP, the estimated total Federal Government debt as at end-June 2009, rose by 11.3 per cent over the level at end-March 2009. The breakdown comprised of domestic debt of =N=2,812.79 billion and external debt of =N=551.27 billion (US$3.72 billion). The rise in total debt was accounted for by the issuance of additional FGN Bonds, increase in treasury bills outstanding as well as naira exchange rate depreciation during the quarter.

3.3.1 Domestic Debt

The domestic debt stock of the Federal Government outstanding at the end of the second quarter, 2009 was estimated at =N=2,812.79 billion, representing an increase of 13.1 per cent over the level at the end of the first quarter. As a percentage of GDP, total domestic debt was 12.4 per cent.

The increase in total domestic debt was attributed largely to the issuance of additional FGN Bonds and the rise in treasury bills outstanding during the quarter.

Figure 8: Trends in Oil and Non-Oil Share of GDP (in Per cent)



	2nd Qtr 07	3rd Qtr 07	4th Qtr 07	1st Qtr 08	2nd Qtr 08	3rd Qtr 08	4th Qtr 08	1st Qtr 09	2nd Qtr 09
GDP Growth	5.7	6.1	7.8	5.8	5.2	6.0	8.2	6.3	5.1
Oil Share of GDP	26.4	18.1	18.0	21.6	16.7	16.9	15.8	15.8	14.4
Non-Oil Share of GDP	73.6	81.9	82.0	78.4	83.3	83.1	84.2	84.2	85.6

4.0 DOMESTIC ECONOMIC CONDITIONS

Aggregate output growth in the economy measured by the gross domestic product (GDP) was estimated at 5.13 per cent in the second quarter of 2009, compared with 4.85 per cent in the preceding quarter. The projected growth was driven mainly by the non-oil sector, particularly agriculture which constituted 43.9 per cent of total GDP and contributed 2.4 percentage points to the growth in real GDP. Agricultural activities centered on harvesting of tree crops, clearing and the preparation of irrigated land for cultivation. Crude oil production was estimated at 1.70 million barrels per day (mbd) or 154.7 million barrels for the quarter. The end-period inflation rate for the second quarter of 2009, on a year-on-year basis, was 11.2 per cent, compared with 14.4 per cent in the preceding quarter. The inflation rate on a 12-month moving average basis was 13.7 per cent, compared with the preceding quarter's level of 13.1 per cent.

4.1 Agricultural Sector

The weather situation improved during the review quarter as rainfall stabilized in the second month of the quarter in the coastal areas and the Federal Capital Territory (FCT). Agricultural activities in the Southern States centered on harvesting of tree crops and the clearing of land for the cropping season, while farmers in the Northern States were engaged in the preparation of land for cultivation.

During the review period, a total of =N=891.6 million was guaranteed to 4,920 farmers under the Agricultural Credit Guarantee Scheme (ACGS). This amount represented an increase of 20.7 per cent over the level in the preceding quarter, but a decline of 37.6 per cent from the level in the corresponding quarter of 2008. A sub-sectoral analysis of the loans guaranteed indicated that the food crop sub-sector had the largest share of =N=446.1 million or 50.0 per cent to 3,862 beneficiaries, while the livestock sub-sector received =N=251.2 million or 28.3 per cent to 488 beneficiaries. Also, 228 beneficiaries in the fisheries sub-sector obtained =N=105.5 million or 11.8 per cent. In the cash crops sub-sector, 182 beneficiaries got =N=47.7 million or 5.4 per cent, while 160 beneficiaries in ‘others’ had =N=41.0 million or 4.5 per cent. Further analysis showed that 27 states benefited from the scheme during the quarter, the highest and lowest sums of =N=137.6 million (15.4 per cent) and =N=1.1 million (0.1 per cent) went to Kaduna and Ondo States, respectively.

The retail prices of most staples recorded increase in the second quarter of 2009. Thirteen of the fourteen commodities monitored recorded price increase, which ranged from 0.7 per cent for groundnut oil to 89.8 per cent for millet over their levels in the preceding quarter, while vegetable oil recorded a price decline of 4.3 per cent. The rise in the price of most commodities was attributed to the subsisting food situation in the country.

4.2 Industrial Production

Industrial activities during the second quarter of 2009, declined relative to the preceding quarter. At 114.6 (1990=100), the estimated index of industrial production fell by 1.2 and 3.2 per cent from the levels attained in the preceding quarter and the corresponding period of 2008, respectively. The fall reflected the poor performance in manufacturing activities, mining output and electricity generation.

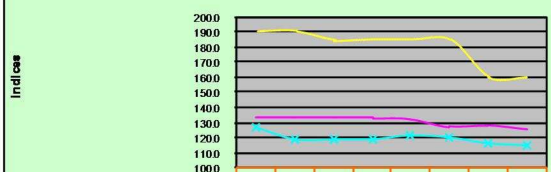
The estimated index of manufacturing production, at 88.6 (1990=100), declined by 1.4 and 2.6 per cent from the levels in the preceding quarter and corresponding period of 2008, respectively. The estimated capacity utilization also fell by 2.3 percentage points to 53.5 per cent during the review quarter. The decline was accounted for by poor electricity supply which constrained production and weak demand as a result of the impact of the global recession.

At 125.9 (1990=100), the index of mining production declined by 1.3 and 2.7 per cent from the levels attained in the preceding quarter and the corresponding period of 2008, respectively. The decline was attributed to the fall in crude oil and gas production, resulting from the crisis in the Niger Delta region.

At 1,503.4 MW/h, estimated average electricity generation fell by 26.1 per cent from the level attained in the preceding quarter. The decline reflected the malfunctioning of some units of the nation’s hydro electric power generating plants and the decline in supply of gas to thermal stations as well as the breakdown of turbines at the Egbin thermal station.

At 1,324.7 MW/h, estimated average electricity consumption declined by 23.1 per cent from the level in the preceding quarter. Of the total, residential consumption accounted for 52.6 per cent, commercial & street lighting accounted for 27.1 per cent, while industrial consumption accounted for 20.3 per cent. The fall in electricity consumption was attributed to epileptic power supply due to the decline in gas supply to the thermal stations occasioned by drop in water level at the reservoirs of the hydro power stations, as well as poor maintenance of the transmission and distribution facilities during the review quarter.

Figure 9: Index of Industrial Production (1990=100)



	Q3. 07	Q4. 07	Q1. 08	Q2. 08	Q3. 08	Q4. 08	Q1. 09	Q2. 09
Manuf.	90.2	90.1	90.0	88.0	89.3	86.4	89.9	88.6
Mining	133.5	133.6	132.9	132.8	132.5	127.2	127.6	125.9
Electricity	190.9	191.3	185.6	185.6	185.6	185.6	160.4	160.4
All Sectors	126.3	118.8	118.7	119.2	120.9	119.8	115.9	114.6

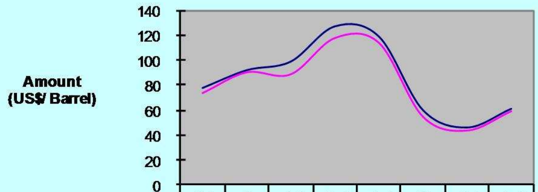
4.3 Petroleum Sector

Nigeria’s crude oil production, including condensates and natural gas liquids was estimated at 1.70 million barrels per day (mbd) or 154.70 million barrels (mbd) during the second quarter of 2009, compared with 1.78 mbd or 160.20 mbd in the preceding quarter. This represented a decline of 4.5 per cent. The development was attributed to the continued disruption in oil production in the Niger Delta region as a result of militant activities. Crude oil export was estimated at 1.25 mbd or 113.75 million barrels in the review period, compared with 1.33 mbd or 121.03 million barrels in the preceding quarter. The development was attributed to the continued attacks on oil export facilities, including the Trans Ramos Pipeline facility belonging to the Shell Petroleum Development Company (SPDC). Deliveries to the refineries for domestic consumption remained at 0.445 mbd or 40.95 million barrels in the review quarter.

At an estimated average of US$61.14 per barrel, the price of Nigeria’s reference crude, the Bonny Light (37º API), rose by 32.5 per cent over the level in the preceding quarter.

The average prices of other competing crudes namely, the West Texas Intermediate, the U.K Brent and the Forcados also rose by 45.5, 36.8 and 29.2 per cent to US$59.44, US$59.76 and US$60.32 per barrel, respectively. The average price of OPEC's basket of eleven crude streams also, rose by US$15.79 dollars to US$58.25 over the level in the preceding quarter. The increase in price was attributed to the high expectations of global economic recovery as well as the falling inventories in top oil consuming nation, the United States of America.

Figure 10: Trends in Crude Oil Price



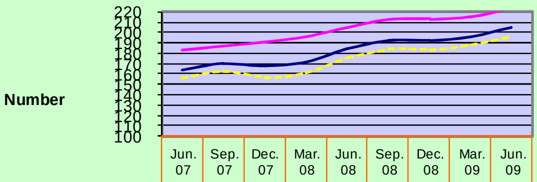
Period	3rd Qtr 07	4th Qtr 07	1st Qtr 08	2nd Qtr 08	3rd Qtr 08	4th Qtr 08	1st Qtr 09	2nd Qtr 09
Bonny Light	77.76	91.99	98.9	127.0	118.9	59.98	46.15	61.14
Opec Basket	73.1	90.00	88.4	118.0	114.0	53.74	42.5	58.25

4.4 Consumer Prices

Available data showed that the all-items composite Consumer Price Index (CPI) for the end of the second quarter of 2009, was 204.7 (May 2003=100), representing an increase of 4.3 and 11.2 per cent over the levels in the preceding quarter and the corresponding period of 2008, respectively. The development was attributed largely to the increase in the prices of some staple food items, household goods and miscellaneous services.

The urban all-items CPI at the end of the second quarter of 2009, was 223.5 (May 2003=100), indicating an increase of 3.6 and 9.2 per cent over the levels in the preceding quarter and the corresponding quarter of 2008, respectively. Similarly, the rural all-items CPI for the quarter, at 196.6 (May 2003=100), represented an increase of 4.7 and 12.2 per cent over the levels in the preceding quarter and the corresponding period of 2008, respectively.

Fig. 11: Quarterly Consumer Price Indices in Nigeria (2003=100)

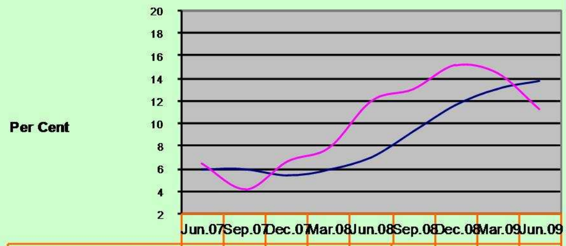


	Jun. 07	Sep. 07	Dec. 07	Mar. 08	Jun. 08	Sep. 08	Dec. 08	Mar. 09	Jun. 09
Composite	164.3	170.2	167.4	171.6	184.1	192.4	192.6	196.2	204.7
Urban	183.5	186.9	191.4	196.3	204.7	212.1	213.1	215.8	223.5
Rural	156	163	157	160.9	175.2	183.8	183.7	187.8	196.6

The end-period inflation rate for the second quarter of 2009, on a year-on-year basis, was 11.2 per cent, compared with 14.4 and 12.0 per cent in the preceding quarter and the corresponding quarter of 2008, respectively.

The inflation rate on a twelve-month moving average basis for the second quarter of 2009, was 13.7 per cent, compared with 13.1 and 7.0 per cent recorded in March 2009 and the corresponding period of 2008, respectively.

Figure 12: Inflation Rate in Nigeria (Per Cent)



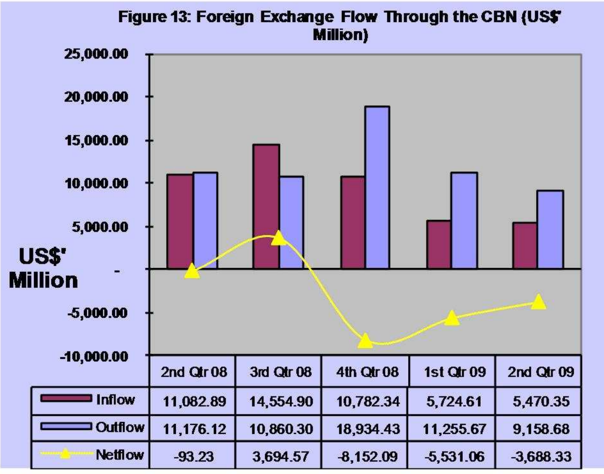
	Jun.07	Sep.07	Dec.07	Mar.08	Jun.08	Sep.08	Dec.08	Mar.09	Jun.09
Inflation 12MMA	5.9	5.9	5.4	5.8	7.0	9.2	11.6	13.1	13.7
Inflation Yr-on-Yr	6.4	4.1	6.6	7.8	12.0	13.0	15.1	14.4	11.2

5.0 EXTERNAL SECTOR DEVELOPMENTS

Provisional data indicated that foreign exchange inflow and outflow through the CBN in the second quarter of 2009 fell by 4.4 per cent and 18.7 per cent, respectively. However, total non-oil export earnings receipts by banks rose by 46.4 per cent over the level in the preceding quarter. The weighted average exchange rate of the Naira vis-à-vis the US dollar, depreciated by 0.6 per cent to =N=147.76 per dollar at the Retail Dutch Auction System (RDAS).

5.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in the second quarter of 2009 amounted to US$5.47 billion and US$9.16 billion, respectively, representing a net outflow of US$3.69 billion. Relative to the respective levels of US$5.72 billion and US$11.26 billion in the preceding quarter, inflow and outflow fell by 4.4 and 18.7 per cent. The decline in inflow was attributed to the 24.0 per cent fall in oil receipts, while the fall in outflow was attributed largely to the 100.0 per cent decrease in inter-bank sales at the foreign exchange market during the review quarter.



	2nd Qtr 08	3rd Qtr 08	4th Qtr 08	1st Qtr 09	2nd Qtr 09
Inflow	11,082.89	14,554.90	10,782.34	5,724.61	5,470.35
Outflow	11,176.12	10,860.30	18,934.43	11,255.67	9,158.68
Netflow	-93.23	3,694.57	-8,152.09	-5,531.06	-3,688.33

Available data on aggregate foreign exchange flows through the economy indicated that total inflow amounted to US$12.23 billion, representing a decline of 31.8 and 52.0 per cent from the levels in the preceding quarter and the corresponding period of 2008. Oil sector receipts, which accounted for 26.4 per cent of the total, stood at US$3.23 billion, compared with the respective levels of US$4.25 billion and US$10.31 billion in the preceding quarter and corresponding period of 2008. Non-oil public sector inflows, which accounted for 18.3 per cent of the total, however, rose by 51.4 per cent, while autonomous inflow, which accounted for 55.3 per cent decline by 44.6 per cent.

At US$9.47 billion, aggregate foreign exchange outflow from the economy declined by 17.4 and 17.2 per cent from the levels in the preceding quarter and the corresponding period of 2008, respectively. The fall in outflow relative to the preceding quarter was attributed largely to the lull in activities at the inter-bank segment of the foreign exchange market during the review quarter.

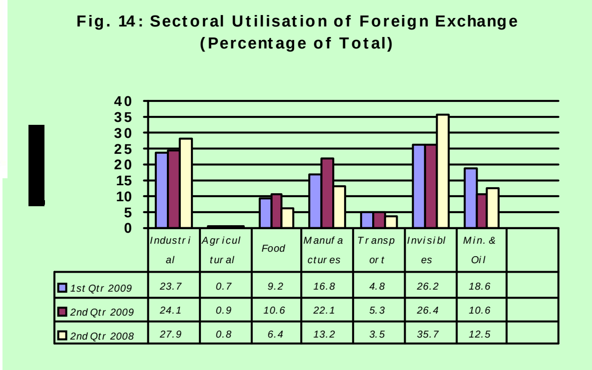
5.2 Non-Oil Export Proceeds by Exporters

Total non-oil export earnings by Nigeria's exporters increased by 46.4 per cent to US$379.06 million over the level in the preceding quarter. A breakdown of the proceeds in the review quarter showed that the proceeds of industrial, food products, manufactured products, transport, agricultural, and minerals stood at US$158.70 million, US$7.92 million, US$74.79 million, US$0.17 million, US$70.68 million and US$66.80 million, respectively.

The shares of industrial, food products, manufactured products, transport, agricultural, and minerals sub-sectors in non-oil export proceeds were 41.9, 2.1, 19.7, 0.1, 18.6 and 17.6 per cent, respectively, in the review quarter. The development was attributed largely to the increase in the prices of the goods traded at the international market.

5.3 Sectoral Utilisation of Foreign Exchange

The invisibles sector accounted for the bulk (26.4 per cent) of total foreign exchange disbursed in the first quarter of 2009, followed by the industrial sector (24.1 per cent). Other beneficiary sectors, in a descending order of importance, included: manufactured products (22.1 per cent), food (10.6 per cent), minerals & oil (10.6 per cent), transport (5.3 per cent) and agricultural products (0.9 per cent) (Fig.14).

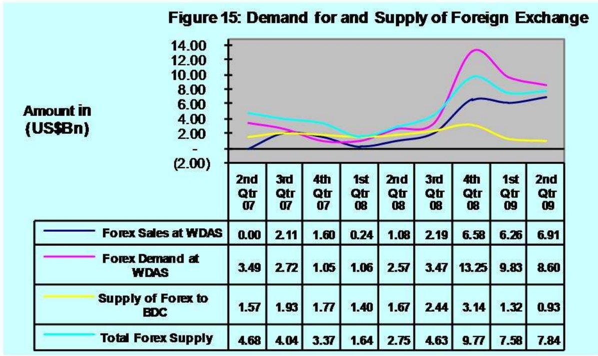


	Industrial	Agricultural	Food	Manufactures	Transport	Invisibles	Min. & Oil
1st Qtr 2009	23.7	0.7	9.2	16.8	4.8	26.2	18.6
2nd Qtr 2009	24.1	0.9	10.6	22.1	5.3	26.4	10.6
2nd Qtr 2008	27.9	0.8	6.4	13.2	3.5	35.7	12.5

5.4 Foreign Exchange Market Developments

Foreign exchange demand by the authorized dealers stood at US$9.53 billion, indicating a decline of 14.5 per cent from the level in the preceding quarter. Relative to the level in the corresponding period of 2008, demand rose by 85.7 per cent. Consequently, a total amount of US$7.84 billion was sold by the CBN during the period, indicating a fall of 3.4 per cent from the level in the preceding quarter.

Under the RDAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar depreciated by 0.6 per cent to =N=147.76 per dollar from =N=146.86 per dollar in the preceding quarter. It also showed a depreciation of 20.2 per cent from the level in the corresponding period of 2008. In the bureaux-de-change segment of the market, the naira traded at an average of =N=175.68 per dollar, compared with =N=160.37 and =N=118.81 per dollar in the preceding quarter and the corresponding quarter of 2008, respectively. Consequently, the premium between the official and the bureaux-de-change rates widened from 9.2 per cent in the preceding quarter to 18.9 per cent (fig. 16).



	2nd Qtr 07	3rd Qtr 07	4th Qtr 07	1st Qtr 08	2nd Qtr 08	3rd Qtr 08	4th Qtr 08	1st Qtr 09	2nd Qtr 09
Forex Sales at WDAS	0.00	2.11	1.60	0.24	1.08	2.19	6.58	6.26	6.91
Forex Demand at WDAS	3.49	2.72	1.05	1.06	2.57	3.47	13.25	9.83	8.60
Supply of Forex to BDC	1.57	1.93	1.77	1.40	1.67	2.44	3.14	1.32	0.93
Total Forex Supply	4.68	4.04	3.37	1.64	2.75	4.63	9.77	7.58	7.84

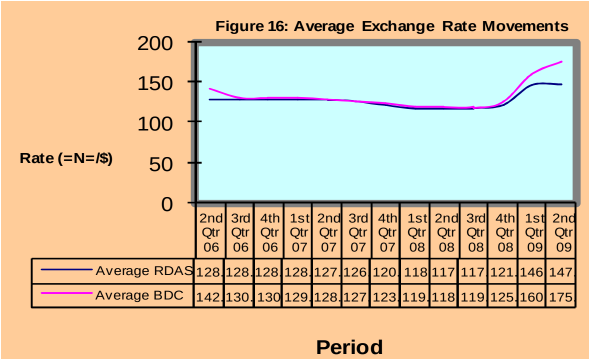


Figure 16: Average Exchange Rate Movements

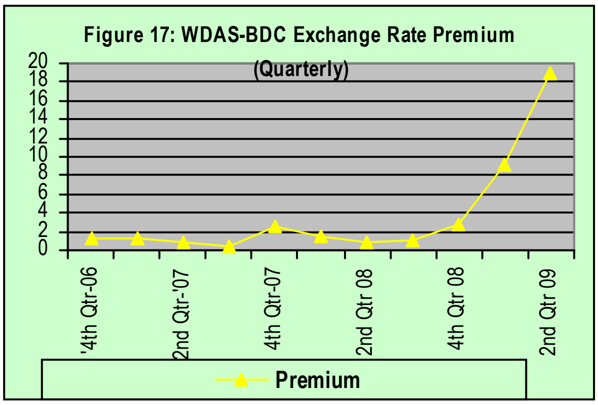


Figure 17: WDAS-BDC Exchange Rate Premium (Quarterly)

6.0 GLOBAL ECONOMIC CONDITIONS

There was modest growth globally in the quarter under review, though the recession was not over and the recovery was uneven and likely to be sluggish. This was because financial systems remain impaired and support from public policies would gradually diminish, while households in countries that suffered asset price bursts would rebuild savings. It has been observed that investments made by companies between 2002 and 2007 have now turned into surplus capacity, following the financial crisis, which if not eliminated, might lead to more jobs losses and surge in corporate bankruptcies as spending and investments slide.

The main policy priority remained restoring financial sector health. Macroeconomic policies need to stay supportive, while preparing the ground for an orderly unwinding of extraordinary levels of public intervention.
At the same time, given weak internal demand prospects in a number of current account deficit countries, including the United States, policies need to sustain stronger demand in key surplus countries.

Advanced economies as a group is still projected not to show a sustained recovery in activity until the second half of 2010, consistent with the April 2009 World

The global recession has hit the euro area harder than the US, partly because the majority of euro area countries are more dependent on exports for growth and consequently more vulnerable to drops in global demand. Accordingly, the present economic situation is assessed unanimously as bad in all euro area countries. In the case of the United States, the economy appeared to be bottoming out and may start to recover in the second half of 2009.

Asian countries have experienced lower growth because of large year-on-year decline in exports. In the region, economic expectations have been upgraded except in Indonesia and Bangladesh. In Japan, following a dismal first quarter growth, there are signs that output is stabilizing. Improved consumer confidence, progress in inventory adjustment, aggressive fiscal policies, and strong performance by some other Asian economies are expected to lift growth in the coming quarters.

Latin America's largest economies, particularly Brazil, have experienced about 30.0 per cent decline in exports and consequently, about 1.9 per cent decline in GDP. In addition, the decline in U.S. housing construction has caused a drop of remittances and foreign direct investment has dried up.

Low income African countries are also experiencing fall in remittances and decline in development assistance inflow. Growth will be lower and budgets strained, while the remarkable gains achieved over the past decade in poverty reduction could be reversed and the MDGs put under threat. The priority for all African countries would be directed toward containing the adverse impact of the crisis on growth and poverty, while preserving the hard won gains of recent years, including macroeconomic stability.

6.1 Global Inflation

Inflation pressures have continued to ease with the continued weakness of the global economy. Year-on-year inflation moderated to 1.7 per cent in May, down from 6.0 per cent in the preceding year. In the advanced economies, headline inflation fell below zero per cent in May as oil prices remained far below levels in the preceding year, despite their recent recovery. Core inflation was 1.5 per cent, down from 2.0 per cent in the preceding year.

Similarly, headline and core inflation in the emerging markets have moderated, falling below 4.5 per cent and to around 1.0 per cent in May, respectively.

However, developments have been uneven, with inflation falling more in China, India and the Middle East than elsewhere.

Despite upward pressure from recovering commodity prices, global inflation is expected toremain subdued through 2010. Risks of sustained deflation are small, as core inflation and inflation expectations in most major economies were still within the range of 1to 2 per cent.

6.2 Global Commodity Prices

The growth of the global economy and commodity prices are correlated. Since the beginning of the second quarter when the global recession started to bottom out, global commodity price decline also started to decelerate. World crude oil output in the second quarter 2009, was estimated at 84.30 million barrels per day (mbd), while demand was estimated at 83.10 mbd, compared with 84.60 and 84.40 mbd supplied and demanded in the preceding quarter, respectively. The marginal decline in demand was due to the continued deterioration of economic activities in the world economy. Indeed, crude oil prices rose from below $50 to over $60 per barrel. China took advantage of the low prices to stock pile thus engendering prices to improve over the first quarter levels. Forecasts of sluggish global economic growth through 2010 hindered the commodities futures market and kept prices generally low.

6.3 International Financial Markets

The risks to the global financial system moderated from the extreme levels of the first quarter. Unprecedented policy actions undertaken by central banks and governments world-wide succeeded in stabilizing the financial condition of banks, reduced funding pressures and counterparty risk concerns, and supported aggregate demand. These interventions reduced the risk of another systemic failure similar to the collapse of Lehman Brothers.

Bank debt and inter-bank markets resumed functioning, albeit with massive public sector support.

Concerns regarding liquidity and counter-party risks in the banking sector declined, as evidenced by the narrowing of LIBOR-overnight index and credit default swap spreads. Goldmansachs and other banks in the U.S. started paying back to the Treasury the money lent to them under the Troubled Assets Relief Programme (TARP). However, overall financial conditions remained tight. Growth in bank credit to the private sector continued to slow in mature economies and securitization markets outside those supported by the public sector remained impaired, while lower-quality borrowers have little access to capital market funding. Furthermore, public sector interventions that underpinned the reduction in private sector risks, resulted in a concomitant increase in public sector risks and a mounting burden on fiscal sustainability.

Corporate bond markets functioned more normally, a critical development for countries, notably the United States, that rely more heavily on non-bank market financing. Corporate credit and asset-backed spreads tightened significantly and issuance rose, as firms sought alternatives to scarce bank credit. High-yield issuance also increased recently, but was still restricted to higher quality credit, and spreads remained historically wide.

Emerging market assets benefited from the recovery of commodity prices and improved growth prospects, especially in Asia. The return of risk appetite also, led to a resumption of portfolio inflows from investors. Emerging market equities rebounded 30.0 to 60.0 per cent, matching or outpacing mature market equities. Despite these positive developments, the overall outlook for emerging markets remained vulnerable to lower than expected global growth and constrained international bank lending.

Banks contracted their cross-border positions at a faster rate than their domestic balance sheets, although there was evidence that parent banks maintained funding levels to their emerging market subsidiaries. Consequently, cross-border deleveraging was leading to an unwinding of the rapid financial globalization that occurred over the past 10 years.

This trend would likely continue, placing additional pressure on those banking systems that are heavily reliant on cross-border funding. Emerging Europe and the Commonwealth of Independent States (CIS) are particularly vulnerable to contractions in cross-border funding had not benefited as much from the market rebound seen elsewhere.

Globally, sovereign yield curves steepened considerably, as conventional monetary policy easing had anchored short-term rates, while the longer end of the curve rose sharply, reflecting in part improved recovery prospects and reduced risks of deflation.

6.4 Other International Economic Developments and Meetings

Other major international developments and meetings of relevance to the domestic economy during the review quarter included: the meeting of the Leaders of the Group of Twenty (G-20) in London on April 2, 2009 to discuss the global economy issues and challenges (see April Report). The Ordinary Meeting of the Bureau of the Association of African Central Banks (AACB) was held in Addis Ababa, Ethiopia on April 9, 2009 (see April Report). The second meeting of the Joint Committee of the African Union Commission and the Association of African Central Banks (AACB) was held in Addis Ababa, Ethiopia on April 9, 2009.

The meeting considered the new approach suggested by the African Union Commission (AUC) which entailed setting up a steering committee to oversee preparations for the establishment of the African Central Bank (ACB) (see April Report). Also, the 2009 Spring Meetings of the Board of Governors of the World Bank Group and the International Monetary Fund (IMF) took place in Washington, D. C, USA from April 25-26, 2009. These meetings were preceded by bilateral meetings. The Global Monitoring Report (GMR) 2009, a development emergency report released by the International Monetary Fund (IMF) and the World Bank on April 24, 2009 warned that the global financial crisis has constrained the attainment of the 2015 Millennium Development Goals (MDGs) and created an emergency for development (see April Report).

The meeting of the Economic Community of West African States (ECOWAS) Ministerial Monitoring Committee (MMC), comprising ECOWAS Ministers of Trade and Finance, was 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) (see May report). 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 (see May Report).

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 considered and 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 (see May Report). The 44th Annual Meeting of the Board of Governors of the African Development Bank (ADB) and the 35th Annual Meeting of the African Development Fund (ADF) were held jointly from May 13 – 14, 2009 in Dakar, Senegal(see May Report). 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 (see May report).

In a related development, the 153rd Extraordinary Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) was convened in Vienna, Austria in the review quarter. The Conference considered the report of the Ministerial Monitoring Sub-Committee and 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 (see May Report).

In another development, the Second Joint Annual Meeting of the African Union Conference of Ministers of Economy and Finance and the United Nations Economic Commission for Africa (ECA) Conference of African Ministers of Finance, Planning and Economic Development was held in Cairo, Egypt from June 6-7, 2009. The following are the highlights of the meeting:

Ministers recognized that although the financial crisis was triggered by events in advanced countries, its effects were being felt in Africa as recent projections indicated that in 2009 the crisis would reduce growth in the region by two to four percentage points, with dire consequences for Africa's ability to reduce poverty and meet the Millennium Development Goals (MDGs) by the 2015 target date. Consequently, bold and swift actions were needed to cushion the impact of the crisis.

They acknowledged that several countries in the region lacked the ability and flexibility to conduct countercyclical policies needed to mitigate the impact of the crisis on their economies. They urged regional and multilateral development finance institutions to increase their financial support to African countries and ensure that the financial crisis does not become a humanitarian disaster.

They acknowledged the existence of a wide gap between domestic savings and investment requirements in Africa, as well as the need to close the financing gap in order to increase the prospects of meeting the MDGs. They recognized the crucial role of domestic resource mobilization in laying a solid foundation for sustained growth and development noting that growth would increase domestic revenue if it was accompanied by structural change, improved fiscal policies and better tax administration.

Ministers noted that although Africa is not a major contributor to global warming, it is the region most likely to be significantly affected by climate change. They called on industrialized countries to provide financial and technical assistance to Africa to enable them to respond to the challenges presented by climate change.

- They called for efforts to be made to increase Africa's voice and participation in international financial institutions as well as other forums on reform of the global financial architecture.

Also, the 5th Session of China-Nigeria Economic and Technical Cooperation Joint Commission was held in Beijing, China from June 22 – 26, 2009. Collaborative issues were discussed, including issues on economic cooperation, banking and finance, energy, solid minerals, and infrastructure development.

In a related development, the 79th Regular Council Session, 139th Executive Committee Meeting and the 19th Meeting of the Consultative Board on the World Cocoa Economy of the International Cocoa Organisation (ICCO) were held in Moscow from June 1 – 5, 2009. The meeting considered the following amongst others: membership of the International Cocoa Organization; distribution of votes; review of observer status of non-member countries; Special Reserve Fund; relocation of the ICCO Headquarters to Ivory Coast; cocoa production and consumption; and proposals for a future cocoa agreement.

Lastly, a special ECOWAS – Spain Summit was held in June 2009. It was attended by Heads of State and Government of ECOWAS and the Prime Minister of Spain. The summit agreed to take steps towards strengthening cooperation in areas of infrastructural development, renewable energy, war against malaria and illicit trafficking in persons, drugs and arms. The cooperation would also cover the implementation of the ECOWAS Agricultural Policy (ECOWAP), the promotion of gender and professional training.

The Spanish government pledged to provide a total of Euro 262 million to strengthen regional integration in West Africa. Euro 240 million out of the donation would be dedicated to boosting agricultural productivity to be spread over three years. The amount will help facilitate the implementation of ECOWAP, its national and regional priority programmes as well as regional efforts towards increased food production and anti-famine activities through support for regional agricultural programmes.

Appendix 1: Selected Macroeconomic Indicators (GDP, Money & Credit, Money Market & Capital Market Indicators)

	2nd Qtr 07	3rd Qtr 07	4th Qtr 07	1st Qtr 08	2nd Qtr 08	3rd Qtr 08	4th Qtr 08	1st Qtr 09	2nd Qtr 09
GROSS DOMESTIC PRODUCT (at 1990 Constant Basic Prices)									
Growth Rate (%)	5.5	6.6	7.8	5.8	5.2	6.0	8.2	4.85	5.13
Oil share of GDP (%)	18.7	18.6	18.0	21.6	16.7	16.9	15.8	19.0	14.4
Non-Oil share of GDP (%)	81.3	81.4	82.0	78.4	83.3	83.1	84.2	81.0	85.6
GROSS DOMESTIC PRODUCT (at Current Basic Prices)									
Growth Rate (%)	26.9	12.99	38.70	14.35	17.52	14.77	15.13		
Oil share of GDP (%)	29.7	45.7	31.0	46.31	37.50	35.20	37.92		
Non-Oil share of GDP (%)	70.3	54.3	69.0	53.69	62.50	64.80	62.08		
MONEY & CREDIT									
Narrow Money (M_1) (%)[1]	-4.0	17.5	11.9	20.2	-4.1	4.5	7.4	-3.9	-3.9
Broad Money (M_2) (%)[1]	2.0	9.3	7.9	14.0	-0.2	12.7	2.3	-1.9	0.8
Narrow Money ((M_1) (%)[2]	0.6	18.3	32.4	45.9	39.9	45.2	55.9	-3.9	-7.7
Broad Money (M_2) (%)[2]	11.0	21.3	30.9	37.7	37.4	54.1	57.8	-1.9	-1.0
Aggregate Credit (Net) (%)[1]	20.9	324.6	52.4	35.8	17.7	4.4	27.0	-2.6	17.8
Aggregate Credit (Net) (=N= 'b)[1]	330.9	1,404.8	2,141.4	2,907.4	613.2		5,391.8	4,820.8	5,677.2
Credit to Government (Net) (%)[1]	-14.2	11.7	-5.6	-5.0	-7.8	-18.9	-17.2	-9.6	15.4
Credit to Government (Net) (=N= 'b)[1]	-3,117.0	-2,752.6	-2,908.1	-3,054.0	-195.9	-3,230.0	-2,674.5	-3,405.6	-2,879.8
By CBN	-3,596.9	-3,818.4	-4,074.4	-4,474.0	61.0	-5,107.6	-4,097.8	-4,658.2	-4,348.8
By DMB	480.0	1,065.8	1,166.3	1,420.1	-256.9	1,877.6	-1,423.3	1,252.6	1,469.0
Federal Government Deposits (=N= 'b)	4,718.4	4,963.7	4,171.5	4,548.2	4,498.7	4,745.2	5,475.3	5,059.4	4,812.7
Credit to Private Sector (%)[1]	14.8	20.6	21.5	18.1	13.6	10.4	7.9	2.1	3.6
Credit to Private Sector (=N= 'b)[1]	3,447.8	4,157.4	5,049.5	5,961.3	809.1	7,474.7	8,066.3	8,226.4	8,305.3
Private Sector Deposit (=N= 'b)	15.8	11.6	70.5	54.8	63.4	163.0	339.6	280.5	291.1
Aggregate Credit (%) [2]	340.4	86.3	184.1	35.8	51.6	56.8	100.6	-2.6	14.7
Credit to Government (%) [2]	50.4	-51.9	-60.5	-5.0	-13.9	-36.4	-12.3	-9.6	7.3
Credit to Private Sector (%)[2]	14.8	62.0	96.8	18.1	33.9	47.8	59.5	2.1	6.2
Base Money (=N= 'b)	858.3	898.3	1,195.3	1,200.0	1,517.8	1,247.2	1,497.0	1,239.4	1,239.4
(Growth Rate, %)[1]									
Currency in Circulation (=N='b)	722.3	960.8	891.8	891.8	918.3	976.4	1,155.3	1,037.8	1,006.6
Bank Reserves (=N='b)	245.0	647.0	827.4	308.2	599.5	270.8	393.8	346.3	284.9
Money Supply (=N='b)	4,458.5	4,811.7	6,486.2	7,998.2	7,982.9	8,960.7	9,180.9	8,997.8	9,077.0
NTB SALES (=N='b)									
NTB Sales at Primary Market	359.9	327.1	689.6	399.5	569.0	188.8	264.2	235.6	341.6

	2nd Qtr 07	3rd Qtr 07	4th Qtr 07	1st Qtr 08	2nd Qtr 08	3rd Qtr 08	4th Qtr 08	1st Qtr 09	2nd Qtr 09
NTB Sales at OMO (N' B)	743.6	847.7	1,684.0	484.3	919.0	861.5	0.0	62.29	185.20
INTEREST RATES (%)									
Inter-bank Call Rate (Weighted Average)	8.00	8.13	8.25	10.21	10.40	12.83	14.01	15.27	14.76
Minimum Rediscount Rate/Monetary Policy Rate	8.00	8.00	9.5	10.0	10.25	9.45	9.75	9.75	8.00
Treasury Bill Rate									
Savings Deposit Rate	3.81	3.51	3.23	2.97	2.97	3.06	3.17	2.91	2.93
Deposit Rates (Consolidated)	7.75	7.67	7.47	7.86	9.67	9.92	10.45	9.67	10.36
Average Term Deposit Rate	9.04	9.05	8.69	9.35	10.78	11.06	11.67	12.27	11.00
7 Days	5.59	5.83	5.54	5.38	5.55	5.64	7.06	6.97	6.74
1 Month	10.38	10.50	9.90	10.51	11.71	11.52	12.10	12.85	12.52
3 Months	10.37	10.45	9.87	10.71	12.19	12.22	12.76	13.85	13.02
6 Months	9.96	9.67	9.49	9.98	11.94	12.33	12.74	13.57	13.14
12 Months	8.11	7.46	7.75	9.48	11.16	12.28	12.68	13.43	12.92
Over 12 Months	9.85	9.69	9.56	10.01	12.14	12.38	12.66	13.23	13.00
Prime Lending Rate	17.30	14.48	16.49	16.05	15.86	15.97	16.03	18.34	19.01
Maximum Lending Rate	18.16	15.63	18.24	18.17	17.90	18.10	19.79	22.24	22.89
Average Lending Rate									
Real Interest Rate (Max. Lending Rate)	12.34	11.53	11.64	10.37	5.08	3.3	4.69	7.14	11.69
Real Interest rate (Ave. Deposit Rate)	1.31	3.57	2.09	1.55	-1.22	-4.88	-4.65	-2.83	0.69
CAPITAL MARKET									
All Share Value Index	51,330.46	50,229.01	57,990.22	63,016.56	55,949.00	46,216.13	31,450.78	19,851.89	26,861.55
Market Capitalization (=N='t)	8.9	9.2	13.3	15.3	14.2	10.0	7.0	7.2	8.8
Value of Shares Traded (=N='b)	330.5	231.3	582.4	990.4	743.1	475.6	150.8	106.9	199.4
Volume of Shares Traded ('b)	37.8	35.9	37.7	68.6	53.1	45.6	23.7	19.0	27.2

1 Percentage change over preceding Quarter
2 Percentage change over preceding December
**** Commencement of MPR***
GDP Figures are revised for 2007