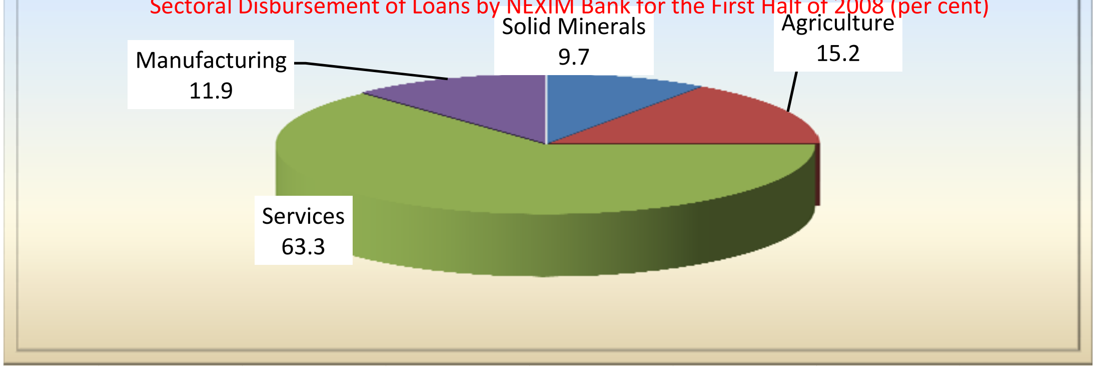
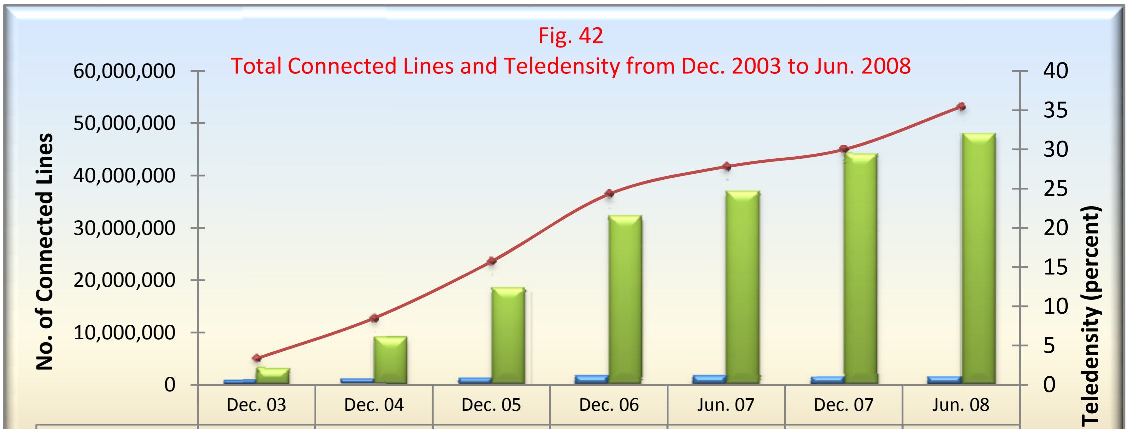
The sectoral breakdown of the disbursement indicated that the service sector received the highest amount of N250 million or 63.3 per cent, followed by agriculture sub-sector with 15.2 per cent. The manufacturing and solid minerals sectors accounted for 11.9 and 9.7 per cent of the total disbursement, respectively.

Fig. 41
Sectoral Disbursement of Loans by NEXIM Bank for the First Half of 2008 (per cent)



3.3.9 Telecommunications

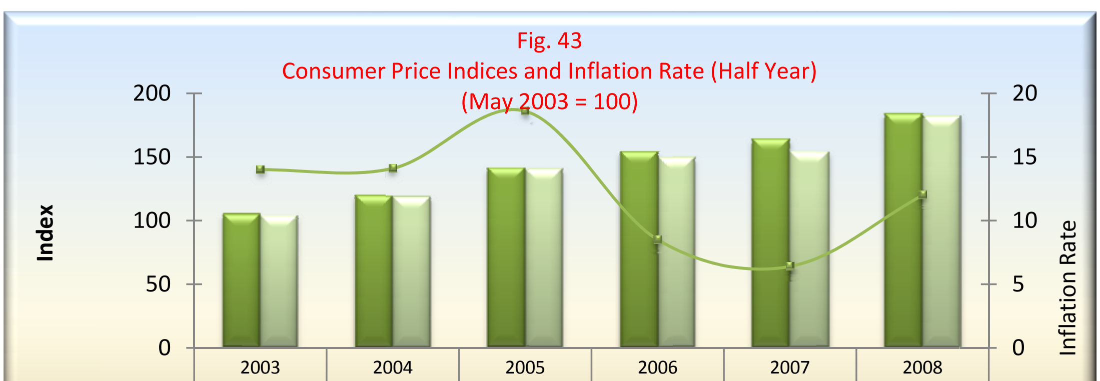
The growth observed in the telecommunications sub-sector in 2007 was sustained. Available data from the Nigerian Communications Commission (NCC) indicated that the total number of active telephone lines grew by 18.2 per cent to 49.6 million lines at end-June 2008, from 42.0 million lines at end-December 2007. The teledensity consequently rose from 30.0 per 100 inhabitants in December 2007 to 35.4 per 100 inhabitants in June 2008. As in the past five years, growth in the sector was attributed to the developments in the mobile telephone sub-sector where the number of lines increased by 8.3 per cent to 48.1 million active lines at end-June 2008, from 44.4 million active lines at end-December 2007. Developments in the sector during the first half of 2008 included further increase in the roll out of the Code Division Multiple Access (CDMA). The total number of active mobile CDMA, which is part of the total mobile lines in the system increased by 348.6 per cent to 1.7 million lines at end-June 2008, from 384,315 lines at end-December 2007. The first half of 2008 also saw the full operation of Visafone Nigeria Plc, which bought over the business operations of former Cellcom Nigeria Plc. However, the number of active fixed telephone lines decreased by 1.4 per cent to 1.6 million lines at end-June 2008.



	Dec. 03	Dec. 04	Dec. 05	Dec. 06	Jun. 07	Dec. 07	Jun. 08
Fixed	872,473	1,027,519	1,223,258	1,687,972	1,704,722	1,579,664	1,557,355
Mobile	3,149,472	9,174,209	18,587,000	32,322,202	37,000,000	44,353,727	48,049,304
Teledensity	3.35	8.5	15.72	24.29	27.8	29.98	35.43

3.3.10 Consumer Prices

The moderation in consumer prices which began in the second half of 2007 was reversed in the first half of 2008, as prices assumed an upward trend. The all item composite consumer price index (CPI) stood at 184.1 (May 2003 = 100) in June 2008, compared with 167.4 at end-December 2007 and 164.3 in June 2007. The year-on-year headline inflation rate fluctuated upwards, and peaked at 12.0 per cent in June 2008, compared with 6.6 per cent at end-December 2007 and 6.4 per cent in June 2007. The 12-month moving average rate of inflation also increased from 5.9 per cent in June 2007 to 7.0 per cent in June 2008. The development was attributed to the world food crisis and the high price of fuels in the first half of 2008, which raised both transportation cost and the prices of food items.



	2003	2004	2005	2006	2007	2008
Composite	105.2	120	142.3	154.4	164.3	184.1
Food	104.1	119.3	140.8	149.6	154.4	182.2
Inflation	14	14.1	18.6	8.5	6.4	12

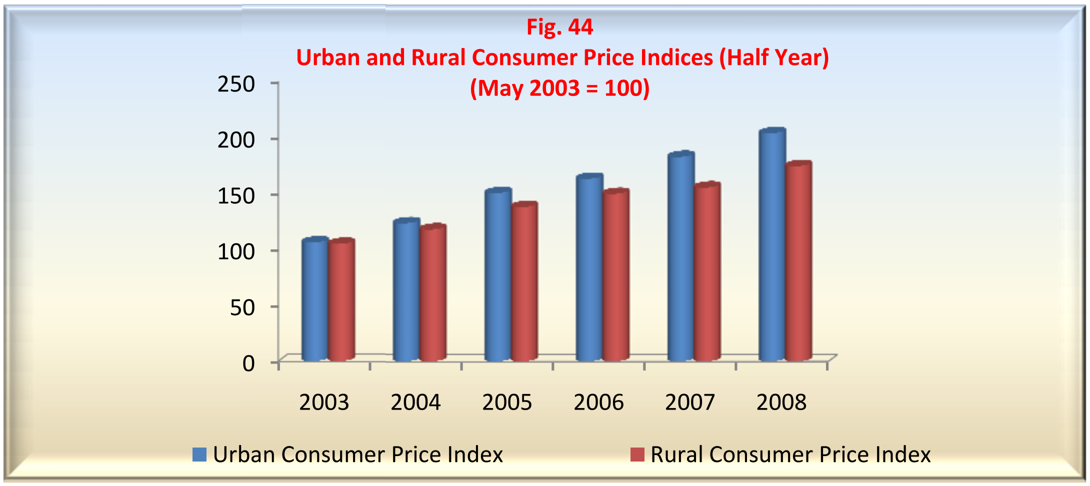


Fig. 44
Urban and Rural Consumer Price Indices (Half Year)
(May 2003 = 100)

3.3.11 Real Sector Outlook for the rest of 2008

The GDP growth rate is projected to improve in the second half of 2008 relative to the first half. This projection is based on the expected good agricultural harvest in line with the increasing volume and spread of rainfall in the country. In addition, the agricultural policies of the Federal Government especially fertilizer procurement and distribution would have their first full cycle in the second half of 2008. The contribution of the oil industry is also expected to improve given the upward trend in international crude prices, complemented by the improvement in domestic production as the efforts of the government towards a peaceful resolution of Niger Delta crisis yield positive results. The manufacturing sector however, is still constrained by poor infrastructure especially power and roads as well as massive importation of cheaper manufactured goods. Industrial policies enunciated in the first half of 2008 however are expected to bring about a new lease of life in the sector.

3.4. EXTERNAL SECTOR DEVELOPMENT

Nigeria's external sector had remained relatively viable in the past three years with an impressive balance of payments surplus of ₦999.0 billion in the first half of 2008 compared with ₦41.6 billion and ₦1,073.3 billion in the corresponding period and the second half of 2007, respectively. This development reflected the favourable trade balance occasioned by the high crude oil prices and huge capital inflows in the form of diaspora remittances as well as foreign direct and portfolio investments. The current account surplus represented 17.3 per cent of GDP, while the deficit in the capital and financial account narrowed from 2.4 and 4.6 per cent of GDP in the first and second halves of 2007 to 1.1 per cent. The level of external reserves rose by 16.5 per cent over end-December 2007 level to US$59.8 billion. This could finance 16.6 months of current import commitments as against 15.3 and 15.2 months in the first and second halves of 2007, respectively.

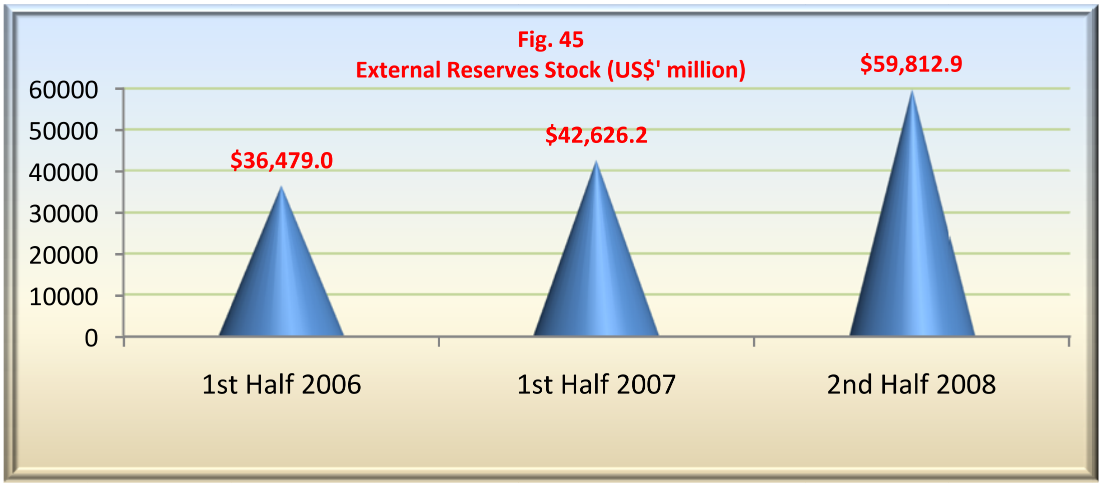


Fig. 45
External Reserves Stock (US$' million)

3.4.1 Balance of Payments

3.4.1.1 Current Account

The current account surplus was ₦2,355.9 billion compared with ₦1,269.5 billion and ₦2,371.4 billion in the corresponding and second halves of 2007, respectively. Although the surplus in the current account narrowed slightly by 0.7 per cent from the level in the second half of 2007, the huge net inward transfers overwhelmed the deficits in the services and income accounts, which reduced by 34.6 and 19.1 per cent, respectively, when compared with their levels in the corresponding period of 2007.

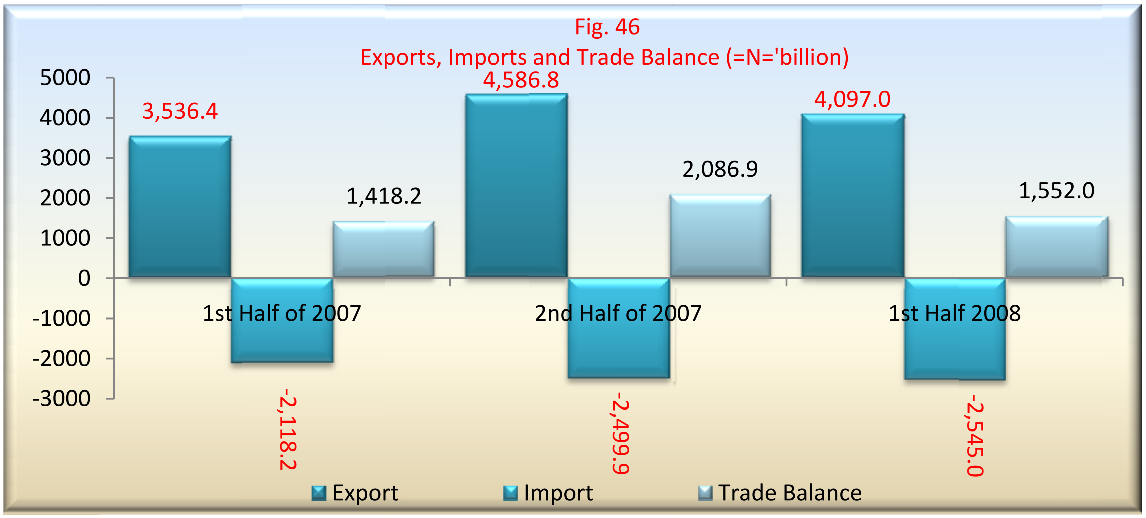


Fig. 46
Exports, Imports and Trade Balance (=N='billion)

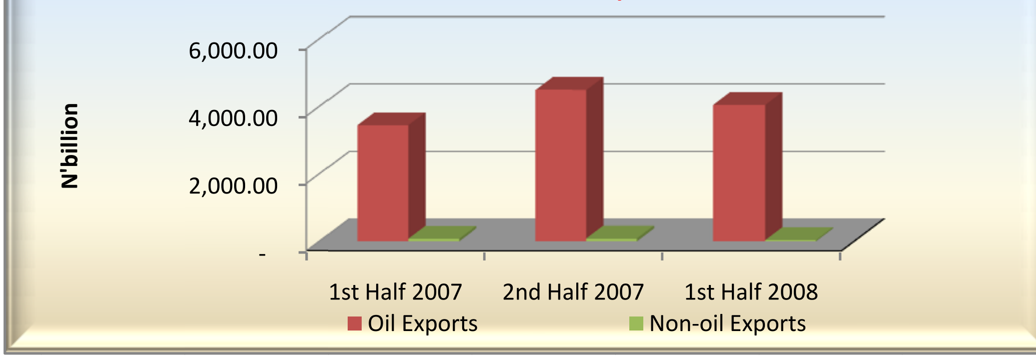
3.4.1.1.1 Goods Account

Goods account (fob) adjusted for balance of payments (trade balance) declined by 25.6 per cent to ₦1,552.0 billion when compared with the level in the second half of 2007. The reduced surplus in the goods account reflected mainly the surge in import bills to meet consumption amidst supply gaps in the domestic economy.

(a) Exports

Aggregate exports rose by 15.9 per cent when compared with the corresponding period but declined by 10.7 per cent when compared with the second half of 2007, owing to the disruptions in oil production in the Niger Delta. Oil sector exports accounted for 99.1 per cent, while non-oil exports accounted for a mere 0.9 per cent. The non-oil (including estimates for unrecorded trade) component of total exports increased by 52.8 per cent over the corresponding period, but declined by 57.2 per cent below the level in the second half of 2007 to ₦38.2 billion. This development reflected the high cost in the business environment characterised by poor infrastructural facilities that have continued to lower non-oil export production and undermine competitiveness of Nigeria's manufactures.

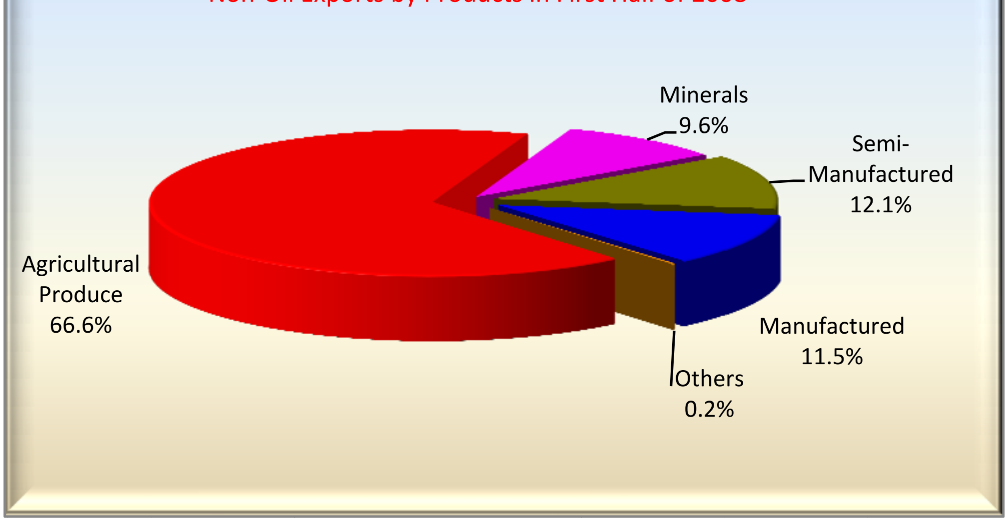
Fig 47
Value of Oil and Non-oil Exports



(b) Non-oil Exports

The value of non-oil exports stood at ₦38.2 billion in the reporting period as against ₦80.9 billion and ₦89.1 billion in the first and second halves of 2007, respectively. The analysis of the non-oil exports by product, showed that semi-manufactures, agricultural produce, manufactured goods and minerals accounted for 12.1, 66.6, 11.5 and 9.6 per cent of the total, respectively. Other exports, which accounted for 0.2 per cent, consist of petroleum products, charcoal, scrap metals, fertilizer, urea ammonia and cement/lime products. The share of agricultural produce, manufactured goods and minerals registered increase of 22.9, 1.9 and 3.5 percentage points, while the share of semi-manufactures and other exports declined by 23.9 and 4.4 percentage points, respectively, when compared with their levels in the corresponding period of 2007.

Fig 48:
Non-Oil Exports by Products in First Half of 2008



In the agricultural produce category, the shares of cocoa beans, and fish/shrimps increased by 16.4 and 1.8 percentage points, respectively, although that of rubber declined by 0.5 percentage point.

(c) Non-Oil Export Proceeds by the Top 100 Exporters

The non-oil export proceeds by the top 100 exporters during the first half of 2008 amounted to US$815.62 million (₦96,088.2 million), representing an increase of 48.5 per cent over the level in the corresponding period of 2007. Proceeds from the agricultural and manufacturing sub-sectors rose by 106.4 and 7.6 per cent to US$490.46 million (₦57,781.1 million) and US$279.47 million (₦32,924.4 million), respectively, over the levels in the corresponding period of 2007. Proceeds by ‘others’ however, declined by 12.3 per cent to US$45.68 million (₦5,381.6 million) from the level in the preceding period. The share of agricultural and manufacturing sub-sectors and “others” accounted for 60.1, 34.2 and 5.6 per cent, compared with 43.1, 47.1 and 9.8 per cent, respectively, in the corresponding period of 2007.

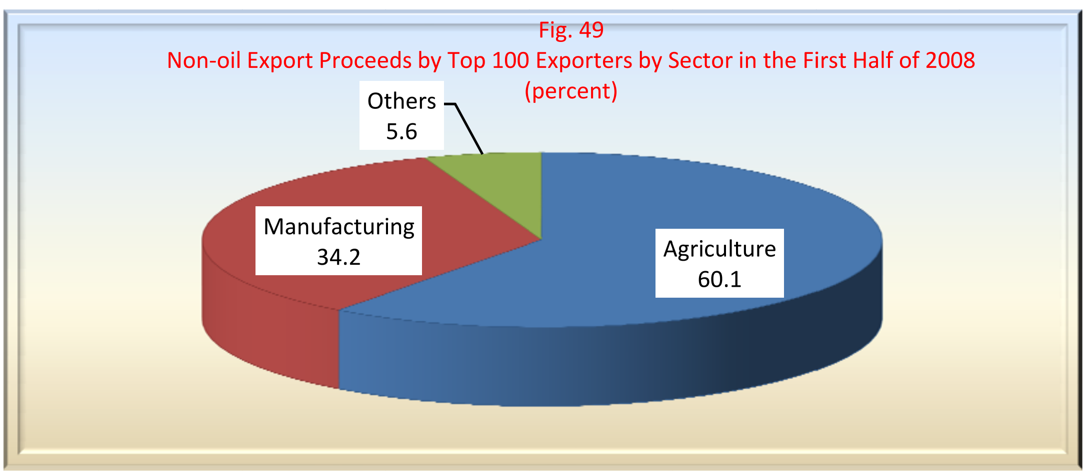


Fig. 49
Non-oil Export Proceeds by Top 100 Exporters by Sector in the First Half of 2008
(percent)

A breakdown of the proceeds from the agricultural sub-sector showed that sesame seeds product led the category with an export value of US$198.34 million (₦23,366.4 million), followed by cocoa beans and rubber valued at US$178.46 million (₦21,024.4 million) and US$43.26 million (₦5,096.5 million), respectively. Under the manufacturing sub-sector, leather led the group with an export value of US$130.68 million (₦15,395.4 million) followed by “other” manufacturing products and aluminium with export values of US$92.17 million (₦10,856.6 million) and US$19.26 million (₦2,269.0 million), respectively. The share of the top 100 exporters in total non-oil export proceeds stood at 99.9 per cent compared with 99.7 per cent in the corresponding period of 2007.

(d) Imports

Import bills rose by 20.2 and 1.8 per cent to ₦2,545.0 billion when compared with its levels in the corresponding period and the second half of 2007, respectively. The shares of non-oil and oil imports were 81.2 and 18.8 per cent, respectively. The sectoral breakdown of non-oil imports in the first half of 2008 revealed that, industrial sector accounted for 41.1 per cent of the total. Finished goods in the form of food and manufactured products accounted for 11.3 and 25.3 per cent, respectively. Other major import categories which included transport, agriculture, minerals and other sectors accounted for 6.1, 1.0, 0.9 and 14.3 per cent of the total, respectively. The surge in the value of imports during the reporting period was traced to the high demand for consumer goods occasioned by the appreciated naira and relatively low levels of domestic output, especially in the manufacturing sub-sector.

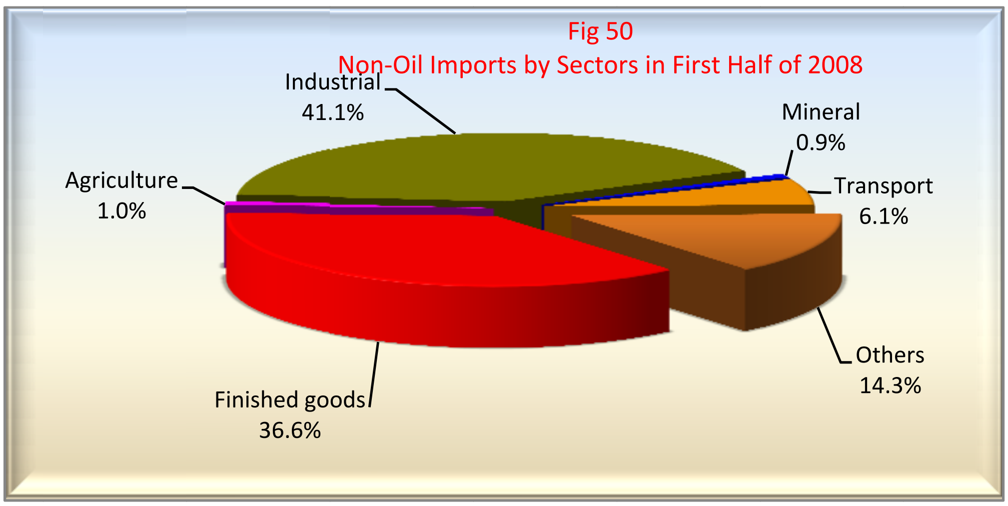


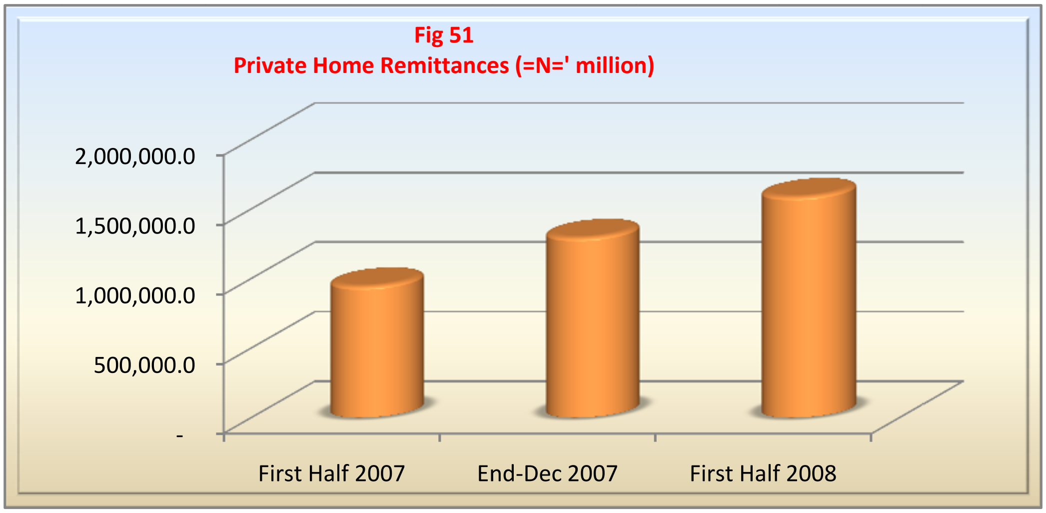
Fig 50
Non-Oil Imports by Sectors in First Half of 2008

3.4.1.1.2 Services and Income Account

Transactions in the services account (net) resulted in a much lower deficit of ₦432.3 billion, compared with ₦660.5 billion and ₦555.6 billion recorded in the first and second halves of 2007, respectively. The deficit reflected the out-payments in respect of travels, freight charges for imports and other business services comprised of operational leasing and miscellaneous business and professional services. In the income account (net), the deficit narrowed by 19.1 and 23.4 per cent, respectively to ₦353.5 billion in the first half of 2008. The lower deficit reflected, partly, the reduced interest payments on loans, relative to the corresponding period of 2007.

3.4.1.1.3 Current Transfers

The surplus in the current transfers (net) increased by 67.6 and 22.2 per cent to ₦1,589.7 billion when compared with the first and second halves of 2007, respectively, reflecting increased personal home remittances. The inward transfers at ₦1,605.5 billion surpassed the outward transfers of ₦15.8 billion, recorded in the general government accounts for the expenses on foreign embassies, payments to international organizations, and remittances by foreigners resident in the country.

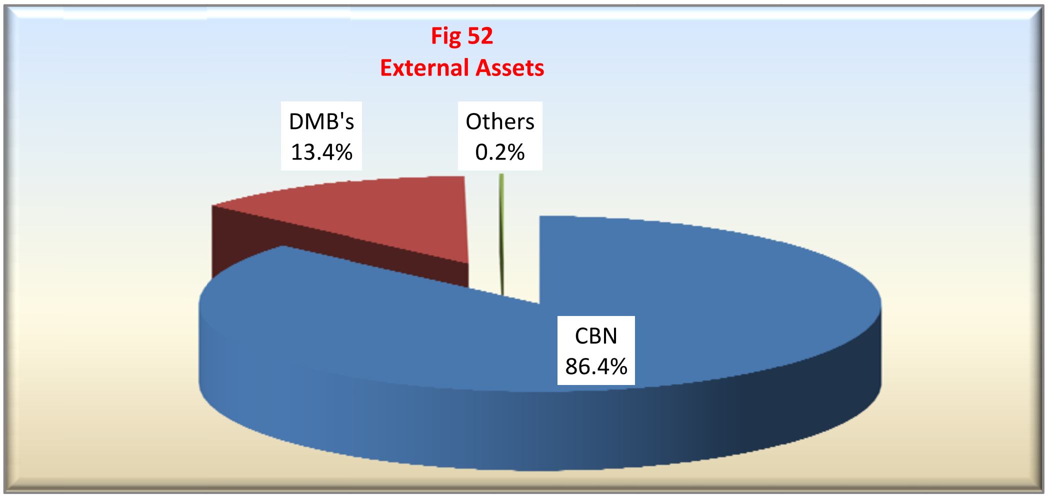


3.4.1.2 Capital and Financial Account

The pressure on the capital and financial account moderated, as the deficit narrowed by 38.3 and 70.1 per cent to N153.3 billion or 1.1 per cent of GDP when compared with the corresponding period and the second half of 2007, respectively. Foreign direct investment (FDI) rose by 78.6 and 34.9 per cent to N1,194.5 billion, compared with the levels in the corresponding period and the second half of 2007,respectively. Other investment liabilities dropped by 38.9 and 30.3 per cent to N132.3 billion. The accretion to reserve was US$8.5 billion as against US$0.3 billion at end-June 2007, but was down by 2.6 per cent from the level at end-December 2007.

3.4.2 External Assets

Total external assets at end-June, 2008 amounted to ₦8,625.2 billion (US$73.2 billion), representing an increase of 26.7 per cent over the level in the preceding period of 2007. This development was due to the increased oil sector inflow arising from the favourable price of crude oil in the international market. The CBN's holdings accounted for 86.4 per cent of the total, compared with 85.9 per cent in the corresponding period of 2007. The provisional figure of the net foreign assets of the DMBs amounted to ₦1,172.3 billion (US$9.95 billion) at end-June 2008, indicating an increase of 20.7 per cent over ₦791.14 billion (US$6.7 billion) at end-June 2007. The share of DMB's in total external assets stood at 13.4 per cent compared with 14.3 per cent in the corresponding period of 2007.



3.4.3 External Sector Outlook for the Rest of 2008

The external sector is expected to continue to be viable with sustained capital inflows and huge external reserves. Despite the downside effect of oil production cuts arising from the restiveness in the Niger Delta, the high international price of crude oil will have moderating effect on the outcome of the trade balance and sustain the surplus in the current account. Furthermore, the task of sustaining a stable exchange rate with huge capital releases during the remainder of the year remains a major challenge for the CBN. However, the seasonal surge in foreign exchange inflows associated with the late-year festivities and the anticipated foreign investment in FGN bonds are supply factors that could influence slight appreciation or at best stabilize the rate around current levels.

4.0 DEVELOPMENTS IN THE WORLD ECONOMY

The expansion in the global economy slowed significantly. The slowdown has been greatest in the advanced economies, particularly the United States, where the housing market correction continued to exacerbate financial stress. Among the other