



CENTRAL BANK OF NIGERIA

***ECONOMIC REPORT
THIRD QUARTER 2014***

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 indicated that growth in key monetary aggregate was moderate in the third quarter of 2014. Over the level at the end of the preceding quarter, broad money supply, (M_2), grew by 4.0 per cent, compared with 1.5 per cent at the end of the preceding quarter. The development relative to the preceding quarter reflected, largely, the growth of 7.2 per cent in domestic credit (net) which more than offset the effects of the 1.1 and 5.3 per cent decline in foreign assets net and other assets net of the banking system, respectively, during the review quarter.

Available data indicated that banks' deposit and lending rates trended downward in the third quarter. The spread between the weighted average term deposit and maximum lending rates widened by 0.26 percentage point to 17.44 per cent in the review quarter. The margin between the average savings deposit and the maximum lending rates, however, narrowed by 0.12 percentage point to 22.28 per cent. The weighted average inter-bank call rate rose by 0.53 percentage point to 11.12 per cent in the third quarter of 2014, reflecting the liquidity condition in the inter-bank funds market.

Provisional data indicated that the value of money market assets outstanding at the end of the third quarter of 2014 increased by 2.9 per cent to ₦7,406.32 billion, compared with the increase of 4.2 per cent at the end of the preceding quarter. The development was attributed, largely, to the 5.3 and 4.4 per cent increase in FGN Bonds and Banker's Acceptance outstanding, respectively. Available data indicated that developments in the Nigerian Stock Exchange (NSE) were mixed during the third quarter of 2014.

Total federally-collected revenue stood at ₦2,685.08 billion, representing an increase of 2.7 per cent above the receipts in the second quarter of 2014, but was a decline of 1.2 per cent below the proportionate quarterly budgeted estimate. At ₦1,723.11 billion, oil receipts, which constituted 64.2 per cent of the total, fell below the proportionate budget estimate and the level in the preceding quarter by 3.8 and 4.0 per cent, respectively. The fall in oil receipts was attributed, largely, to a decrease in crude oil and gas exports during the review quarter.

Non-oil receipts, at ₦961.98 billion, was higher than the budget estimate and the receipts in the preceding quarter by 3.7 and 17.6 per cent, respectively. Federal Government retained revenue was ₦924.67 billion, while total expenditure was ₦971.07 billion. Thus, the

fiscal operations of the Federal Government resulted in an estimated deficit of ₦46.40 billion in the third quarter of 2014, compared with the quarterly budget and the preceding quarter's deficit of ₦241.1 billion and ₦122.41 billion, respectively.

Activities in the agricultural sector were boosted by widespread rainfall in the third quarter. Nigeria's crude oil production, including condensates and natural gas liquids, averaged at 1.98 million barrels per day (mbd) or 182.16 million barrels for the quarter. Crude oil export stood at 1.53 mbd or 140.76 million barrels for the quarter, while deliveries to the refineries for domestic consumption remained at 0.45 mbd or 41.4 million barrels. The average price of Nigeria's reference crude, the Bonny Light (37^o API), declined by 8.2 per cent below the level in the preceding quarter.

The end-period headline inflation rate (year-on-year) was 8.3 per cent, compared with the 8.2 and 8.0 per cent recorded at the end of the preceding quarter and the corresponding quarter of 2013, respectively. Inflation rate on a twelve-month moving average basis was 8.0 per cent, the same level as the preceding quarter.

Provisional data indicated that foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US\$13.09 billion and US\$11.80 billion, respectively, resulting in a net inflow of US\$1.29 billion during the review quarter. Foreign exchange sales by the CBN to the authorized dealers amounted to US\$10.20 billion, compared with US\$10.79 billion in the preceding quarter. The average exchange rate of the naira vis-à-vis the US dollar at the rDAS window remained unchanged at ₦157.29 per US dollar same level as in the preceding quarter. Relative to their respective levels in the preceding quarter, the naira depreciated by 0.5 and 0.1 per cent at both the bureau-de-change and inter-bank segments of the market.

Available data from the latest World Economic Outlook (WEO) indicated that projection for global growth in 2014 was revised downward to 3.3 per cent, a 0.4 percentage point below the estimated growth in the second quarter. The development was attributed to increased downward risk, including worsening geopolitical tensions and reversal of recent risk spread, as well as volatility compression in financial markets.

World crude oil demand in the third quarter increased by 2.1 per cent above the level recorded in the second quarter. Similarly, world crude oil output also increased by 0.9 per cent over the level recorded in the preceding quarter. The OPEC reference basket price of eleven selected crude streams fell by 4.6 and 5.7 per cent

below its levels in the preceding quarter and the corresponding quarter of 2013, respectively. The prices of the UK Brent, the WTI and the Forcados exhibited similar trend.

Other major international economic developments and meetings of importance to the domestic economy during the review quarter included: the 2014 Mid-year statutory meetings of the West African Monetary Zone (WAMZ) held in Abuja, Nigeria from July 14 – 17, 2014; the 29th meeting of Board of Governors of the West African Institute for Financial and Economic Management (WAIFEM) held on July 16, 2014; and the First United States – Africa Leaders' Summit held in Washington D.C., USA from August 4 – 6, 2014.

2.0 Financial Sector Developments

2.1 Monetary and Credit Developments

Provisional data indicated that growth in the key monetary aggregate was moderate at the end of the third quarter of 2014. Developments in banks' deposit and lending rates were mixed during the review quarter. The value of money market assets outstanding increased, due largely, to the rise in FGN Bonds. Developments in the Nigerian Stock Exchange (NSE) were mixed.

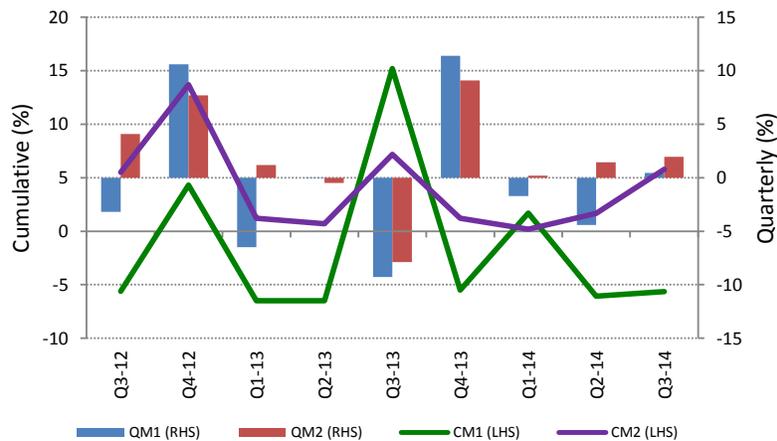
Growth in key monetary aggregate was moderate during Q3 2014.

Provisional data indicated that growth in the key monetary aggregate was moderate at the end of the third quarter of 2014. Relative to the level at the end of the second quarter of 2014, broad money supply, (M_2), grew by 4.0 per cent to ₦16,570.2 billion, compared with the growth of 1.5 per cent at the end of the preceding quarter, but contrasted with the 7.9 per cent decline at the end of the corresponding quarter of 2013. The development relative to the preceding quarter reflected, largely, the growth of 7.2 per cent in domestic credit (net), which more than offset the effects of the 1.1 and 5.3 per cent decline in foreign assets net and other assets net of the banking system, respectively.

Narrow money supply (M_1), at ₦6,616.4 billion, grew by 0.4 per cent, at the end of the review quarter, in contrast with the decline of 4.4 and 9.3 per cent at the end of the preceding quarter and corresponding quarter of 2013, respectively. The development, relative to the preceding quarter, was attributed to the growth of 6.9 per cent in currency outside banks components.

Quasi-money fell by 6.6 per cent to ₦9,953.8 billion at the end of the third quarter 2014, compared with the decline of 6.1 per cent at end of the preceding quarter. The development was attributed to the decline in time and savings deposits with banks (Fig. 1, Table 1).

Figure 1: Growth Rate of Narrow Money (M₁) and Broad Money (M₂)¹



At ₦16,265.2 billion, aggregate banking system's credit (net) to the domestic economy grew by 7.2 per cent at the end of the third quarter of 2014, in contrast to the decline of 1.1 and 0.5 per cent at the end of the preceding quarter and the corresponding period of 2013, respectively. The development relative to the level at the end of the second quarter of 2014 reflected the growth of 22.2 and 4.1 per cent in net claims on Federal Government and private sector, respectively.

Banking system credit to the Federal Government grew by 22.2 per cent at the end of the third quarter of 2014.

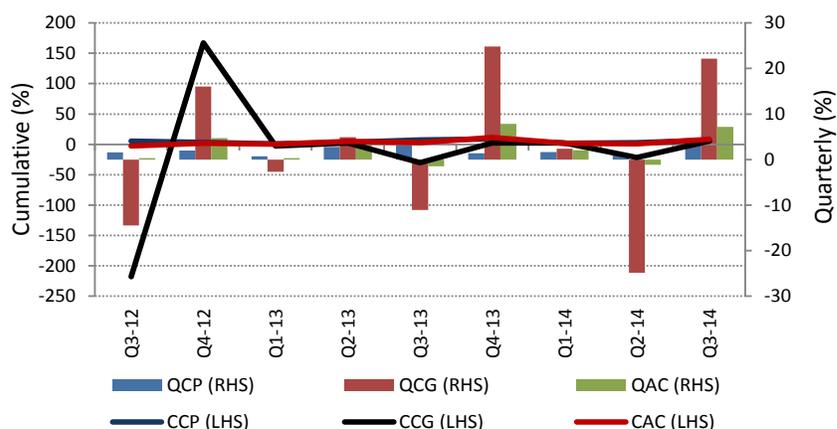
Banking system's credit (net) to the Federal Government, at the end of the review quarter, rose by 22.2 per cent to negative ₦1,393.5 billion, in contrast to the decline of 24.8 and 25.5 per cent at the end of the preceding quarter and the corresponding period of 2013, respectively. The development relative to the level at the end of the preceding quarter was attributed to the increase in banking system's holding of Federal Government treasury securities, particularly the treasury bills.

At the end of the third quarter of 2014, banking system's credit to the private sector rose by 4.1 per cent to ₦17,658.8 billion, compared with the 1.1 and 3.7 per cent increase in the

¹ QM1 and QM2 represent quarter-on-quarter changes, while CM1 and CM2 represent cumulative changes (year-to-date).

preceding quarter and the corresponding quarter of 2013, respectively. The development relative to the preceding quarter reflected the growth of 7.7 per cent in claims on the core private sector (Fig. 2, Table 1).

Figure 2: Growth Rate of Aggregate Domestic Credit to the Economy²



At ₦7,607.6 billion, foreign assets (net) of the banking system fell by 1.1 per cent at the end of the third quarter of 2014, in contrast to the growth of 1.1 per cent at the end of the preceding quarter. The development relative to the preceding quarter was attributed, largely, to the 11.9 per cent fall in CBN holdings of foreign assets.

Other assets (net) of the banking system fell by 5.3 per cent to negative ₦7,302.6 billion at the end of the review quarter, compared with the decline of 13.8 per cent at the end of the corresponding quarter of 2013. This, however, contrasted with the increase of 4.5 per cent at the end of the preceding quarter of 2014.

Foreign assets (net) of the banking system declined at the end of the review quarter.

² QCP, QCG and QAC represent quarter-on-quarter changes in credit to private sector, credit to government (net) and aggregate credit (net) to the domestic economy, respectively, while CCP, CCG and CAC, represent the cumulative changes (year-to-date).

Table 1: Growth in Monetary and Credit Aggregates (Per cent) Over Preceding Quarter

	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14
Domestic Credit (Net)	0.3	3.2	-0.5	14.9	2.1	-1.1	7.2
<i>Claims on Federal Government (Net)</i>	-2.7	0.9	-25.5	53.9	2.4	-24.8	22.2
<i>Claims on Private Sector</i>	0.7	2.8	3.7	1.4	1.7	1.1	4.1
<i>Claims on Other Private Sector</i>	0.8	3.0	3.6	0.9	1.9	1.3	4.3
Foreign Assets (Net)	-7.1	-5.4	-2.6	-4.6	-10.6	1.1	-1.1
Other Assets (Net)	8.0	0.6	-13.8	-3.1	7.9	4.5	-5.3
Broad Money Supply (M2)	1.2	0.5	-7.9	9.1	0.2	1.5	4.0
Quasi-Money	8.3	-0.9	-6.7	7.3	1.8	6.1	6.6
Narrow Money Supply (M1)	-6.5	0.0	-9.3	11.4	-1.7	-4.4	0.4
<i>Memorandum Items:</i>							
Reserve Money (RM)	5.6	-17.3	43.7	19.6	-9.4	6.2	3.4

2.2 Currency-in-circulation (CIC) and Deposits at the CBN

At ₦1,548.3 billion, currency-in-circulation rose by 3.4 per cent at the end of the third quarter, compared with the increase of 3.4 per cent at the end of the corresponding quarter of 2013. This, however, contrasted with the 4.9 per cent decline at the end of the preceding quarter of 2014. The development relative to the preceding quarter was attributed, largely, to the 6.9 per cent rise in currency outside banks.

Total deposits at the CBN declined by 2.9 per cent to ₦6,683.2 billion, in contrast to the increase of 1.0 per cent at the end of the second quarter of 2014. The development reflected, largely, the 9.6 per cent fall in Federal Government deposits, which more than offset the 3.4 and 4.4 per cent increase in the deposits of banks and "Others", respectively. Of the total deposits, the shares of the Federal Government, banks and "Others" were ₦3,047.3 billion (45.6 per cent), ₦3,334.4 billion (49.9 per cent) and ₦301.5 billion (4.5 per cent), respectively.

Reserve money (RM) fell at the end of the second quarter of 2014.

Reserve money (RM), at ₦4,882.7 billion, rose by 3.4 per cent, in contrast to the 6.2 per cent decline recorded at the end of the preceding quarter. The development, relative to the level at the end of the preceding quarter, was attributed to the increase of 3.4 apiece in its currency and demand deposit components.

2.3 Money Market Developments

Periodic injection of funds from Statutory Revenue Allocation (SRA), Value Added Tax (VAT), Non-oil Revenue and Subsidy Reinvestment & Empowerment Program (Sure-P), as well as payments of Joint Venture Cash (JVC) call to oil partners, net inflows through Cash Reserve Requirements (CRR) and repayment of matured federal government securities were the source of liquidity flows during the review quarter. Open Market Operations (OMO) was deployed to moderate the level of liquidity in the system. Patronage of the Federal Government securities was quite remarkable during the quarter. Money market rates reflected the liquidity condition in the system. Inter-bank call and Open Buy Back (OBB) rates were low and stable for most of the period except for slight changes in the movement of rates triggered by liquidity shortages in the period when NNPC withdrawals impacted the system.

Provisional data indicated that the total value of money market assets outstanding at the end of the third quarter of 2014 stood at ₦7,406.32 billion, showing an increase of 2.9 per cent, compared with the increase of 4.2 per cent at the end of the preceding quarter. The development was attributed largely, to the 5.3 and 4.4 per cent increase in the FGN Bonds and Bankers' Acceptance (BA), respectively.

2.3.1 Interest Rate Developments

Available data indicated that banks' deposit and lending rates trended downward during the third quarter of 2014. All rates on deposits of various maturities fell from a range of 3.42 – 10.06 per cent in the second quarter of 2014 to a range of 3.36 – 9.57 per cent in the third quarter. Similarly, at 8.20 per cent, the average term deposit rate declined by 0.44 percentage point below its level in the preceding quarter. The maximum and prime lending rates also fell by 0.18 and 0.08 percentage point below their levels in the preceding quarter to 25.64 and 16.49 per cent, respectively. Consequently, the spread between the weighted average term deposit and maximum lending rates widened by 0.26 percentage point to 17.44 per cent from 17.18 per cent in the preceding quarter. The margin between the average savings

Money market rates were relatively stable during the review period.

The spread between the weighted – average term deposit and maximum lending rates widened during the review period.

deposit and the maximum lending rates, however, narrowed by 0.12 percentage point to 22.28 per cent from 22.40 per cent in the preceeding quarter. With the headline inflation rate at 8.3 per cent at end-September 2014, most deposit and lending rates were positive in real terms.

Interbank call rate rose in Q3 2014.

At the interbank funds segment, the weighted average inter-bank call rate, which stood at 10.59 per cent at the end of the preceding quarter, rose by 0.53 percentage point to 11.12 per cent in the third quarter of 2014, reflecting the liquidity condition in the banking system. Similarly, the weighted average rate at the Open-Buy-Back (OBB) segment rose by 0.53 percentage point to 11.06 per cent in the review quarter, from 10.53 per cent in the preceding quarter. The Nigeria Inter-bank Offered Rate (NIBOR) for the 7-day tenor fell to 10.63 per cent from 10.91 per cent in the previous quarter. However, the 30-day tenor rose from 11.94 per cent in the previous quarter to 12.58 per cent in the third quarter of 2014 (Fig. 3, Table 2).

Figure 3: Selected DMBs Interest Rates (Average)

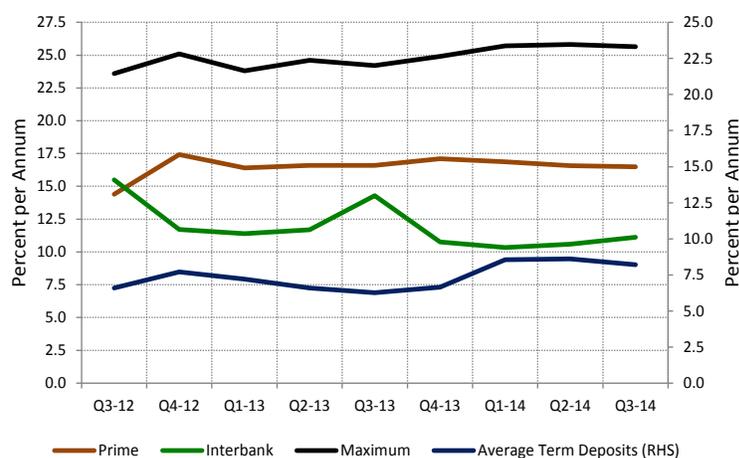


Table 2: Selected Interest Rates (Percent, Averages)

	Q3-12	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14
Average Term Deposits	7.3	7.7	7.2	6.6	6.3	6.6	8.6	8.6	8.2
Prime Lending	16.6	17.4	16.4	16.6	16.6	17.1	16.9	16.6	16.5
Interbank	15.5	11.7	11.4	11.7	14.3	10.5	10.3	10.6	11.1
Maximum Lending	23.6	25.1	23.8	24.6	24.2	24.9	25.7	25.8	25.6

2.3.2 Commercial Paper (CP)

Commercial Paper (CP) outstanding held by DMBs rose by 0.4 per cent to ₦10.67 billion at the end of the third quarter of 2014, compared with the value of ₦10.63 billion at the end of the preceding quarter. This development was due to the increase in investment in CP by the commercial banks during the quarter under review. Thus, CP constituted 0.14 per cent of the total value of money market assets outstanding, during the review period, compared with 0.15 per cent at the end of the preceding quarter.

Investment in CP by banks rose in the third quarter of 2014.

2.3.3 Bankers' Acceptances (BAs)

At the end of the review quarter, BAs increased by 4.4 per cent to ₦29.38 billion, compared with ₦28.15 billion at the end of the preceding quarter. The development was attributed to the increase in investment in BAs by the DMBs during the quarter. Consequently, BAs accounted for 0.4 per cent of the total value of money market assets outstanding, at the end of the third quarter of 2014, compared with 0.4 per cent at the end of the preceding quarter.

Banks' holdings of BAs increased during Q3 of 2014.

2.3.4 Open Market Operations

Open Market Operations (OMO) bills with maturities ranging from 125 -154 days were used for liquidity management in the third quarter of 2014. Total sales was ₦2,455.03 billion and subscription was ₦2,564.32 billion. The bid rates ranged from 10.55 – 11.25 per cent, while the stop rates were between 10.55- 10.80 per cent. Matured bills amounting to ₦2,042.92 billion were repaid, translating to a net withdrawal of ₦412.11 billion in the review period.

2.3.5 Primary Market

At the primary market segment, NTBs of 91-, 182- and 364-day tenors were offered in the third quarter with total amount offered and allotted at ₦852.08 billion apiece while subscription amounted to ₦1,375.52 billion. At the 91-day segment, total subscription and allotment were ₦292.14 billion and ₦223.53 billion, respectively, with bid rates ranging from 8.00 to 15.00 per cent while, the stop rates were from 9.58 – 10.00 per cent. For the 182-day, total subscription and allotment were ₦447.03 billion and ₦292.46 billion, respectively. The bid rates ranged from 9.00 –12.62 per cent

while the stop rates were 10.10 – 10.24 per cent. At the 364-day segment, total subscription and allotment were ₦636.34 billion and ₦336.08 billion, respectively, with bid rates ranging from 9.80 – 12.72 per cent, while stop rates ranged from 10.14 – 10.35 per cent. Allotment to non – competitive bidders in the third quarter of 2014 was ₦464.84 billion, while repayment stood at ₦852.08 billion.

2.3.6 Bonds Market

Subscription for FGN Bonds of various maturities increased during the third quarter of 2014.

FGN Bonds of 3-, 10- and 20-year tranches were reopened during the review period. The 20-year FGN Bond was issued in July 2014 and total amount offered, subscribed to and allotted were ₦300 billion, ₦613.91 billion and ₦300.00 billion, respectively. In addition, ₦16.18 billion of the 10- year bond was allotted on non-competitive basis. The marginal rates for the bonds ranged from 11.0000-12.9990 per cent, compared to 11.3599 -13.1490 per cent in the preceding quarter. The lower yield in the review period could be attributed to the liquidity surfeit in the system. Moreover, 9.25% FGN SEP 2014 valued ₦100.00 billion matured towards the end of the quarter and was repaid. Cumulatively, total allotment was ₦316.18 billion and repayment was ₦100.00 billion, translating to a net withdrawal of ₦216.18 billion.

2.3.7 CBN Standing Facilities

Total request for the standing lending facility (SLF) granted during the review period was ₦327.38 billion with total interest earned amounting to ₦175.31 million, compared with the total request of ₦198.19 billion and total interest of ₦93.89 million in the preceding quarter.

Total standing deposit facility (SDF) granted during the review period was ₦17, 960.61 billion, while the cost incurred stood at ₦7.35 billion compared with the request of ₦22,293.91 billion and total interest of ₦9.32 billion in the preceding quarter.

2.4 Deposit Money Banks' Activities

Available data indicated that the total assets and liabilities of the commercial banks stood at ₦25,946.9 billion at the end of the third quarter of 2014, representing an increase of 3.4 per cent over the level at the end of the preceding quarter. Funds were sourced largely from increased mobilization of time, savings and foreign currency deposits; foreign liabilities; and

demand deposits were used mainly, for the extension of credit to the private sector, central government and acquisition of foreign assets.

At ₦13,876.9 billion, banks' credit to the domestic economy, rose by 5.0 per cent compared with the level in the preceding quarter. The development was attributed to the 6.2 and 3.6 per cent increase in claims on the private sector and Federal Government, respectively, in the review period.

Central Bank's credit to the banks fell by 9.2 per cent to ₦243.4 billion at the end of the review quarter, reflecting the decrease in CBN loans and advances to banks. Total specified liquid assets of the banks stood at ₦6,542.6 billion, representing 37.8 per cent of their total current liabilities. At that level, the liquidity ratio rose by 4.5 percentage point above the level in the preceding quarter, and was 16.5 percentage points above the stipulated minimum ratio of 30.0 per cent. The loans-to-deposit ratio, at 59.9 per cent, was 3.1 percentage point above the level at the end of the preceding quarter, but was 20.1 percentage points below the prescribed maximum ratio of 80.0 per cent.

At 42.0 per cent, liquidity ratio in Q2 2014 was 12.0 percentage points above the stipulated minimum ratio, while the Loan-to-deposit ratio fell below the prescribed maximum of 80 per cent.

2.5 Discount Houses' Activities

Total assets/liabilities of the discount houses stood at ₦155.3 billion at the end of the third quarter of 2014, indicating a decline of 10.3 per cent below the level in the preceding quarter but showed an increase of 16.1 per cent above the level at the end of the corresponding quarter of 2013. The decline in assets relative to the preceding quarter was accounted for largely, by the fall in claims on others and cash and balances with banks, which more than offset the effect of the increase in claims on other assets and claims on state governments. Correspondingly, the decline in total liabilities was attributed to the fall in all the components of total liabilities, except money at call which increased by 19.3 per cent above the level in the preceding quarter.

Discount houses' investment in Federal Government securities of less than 91-day maturity fell by 17.6 per cent to ₦52.6 billion and represented 44.8 per cent of their total deposit liabilities. At this level, discount houses' investment was 15.2 percentage points below the prescribed minimum level of

60.0 per cent for fiscal year 2014. Total borrowing by the discount houses was ₦45.8 billion, while their capital and reserves stood at ₦29.9 billion. This resulted in a gearing ratio of 1.5:1, compared with the stipulated maximum of 50:1 for the fiscal year.

2.6 Capital Market Developments

2.6.1 Secondary Market

Available data indicated that developments in the Nigerian Stock Exchange (NSE) were mixed during the third quarter of 2014. Total volume of traded securities rose by 11.4 per cent to 26.8 billion shares, while the value of traded securities rose by 48.0 per cent to ₦441.25 billion in 312,482 deals in the review period, compared with 24.0 billion shares, valued at ₦298.19 billion in 298,869 deals in the preceding quarter. The Financial Services Industry (measured by volume) led the activity chart with 20.6 billion shares valued at ₦203.6 billion, traded in 149,030 deals. Thus, contributing 77.0 and 46.2 per cent to the total equity turnover volume and value, respectively, compared with 15.5 billion shares, valued at ₦149.6 billion in 148,745 deals recorded in the preceding quarter. The Banking subsector of the Financial Services sector was the most active subsector during the review quarter.

Figure 4: Volume and Value of Traded Securities

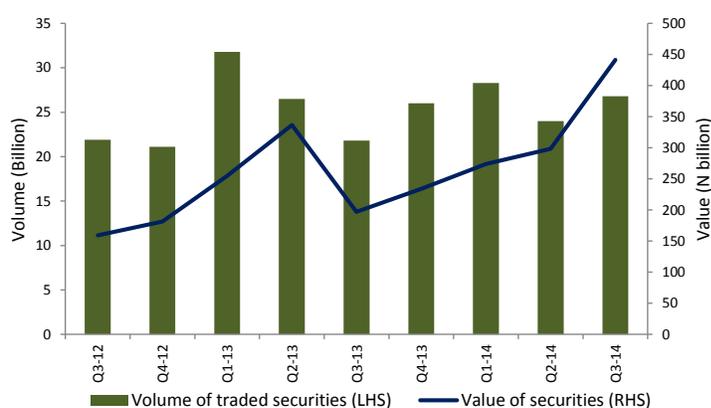


Table 3: Traded Securities on the Nigerian Stock Exchange (NSE)

	Q3-12	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14
Volume (Billion)	21.9	21.1	31.84	26.5	21.8	26.0	28.3	24.0	26.8
Value (₦ Billion)	159.2	181.4	254.98	336.59	196.8	234.0	273.9	298.2	441.3

2.6.3 New Issues Market

There were three (3) supplementary listings in the review quarter (see table 4 below).

Table 4: New and Supplementary Listings on the Nigeria Stock Exchange

S/N	Company	Additional Shares (Units)	Reasons	Listing
1	Associated Bus Transport Plc	150,700,000 ordinary shares	Bonus Issue	Supplementary
2	Flour Mills Nigeria Plc	238,567,017 ordinary shares	Bonus Issue	Supplementary
3	Roads Nigeria Plc	5,000,000 Ordinary share	Bonus Issue	Supplementary

2.6.4 Market Capitalization

Aggregate market capitalization for all listed securities (Equities and Bonds) stood at ₦18.9 trillion at the end of the quarter under review, indicating a decline of 0.7 per cent below the level in the preceding quarter. Similarly, market capitalization for the listed equities fell by 3.0 per cent below the level in the preceding quarter to close at ₦13.6 trillion at the end of the review quarter. Listed equities accounted for 71.8 per cent of the aggregate market capitalization.

Total market capitalization and All-Share Index declined during Q3 2014.

2.6.5 NSE All-Share Index

The All-Share Index, which opened at 42,482.48 at the beginning of the quarter, closed at 41,210.1, representing a decline of 3.0 per cent below the level at the end of the preceding quarter. At end-September 2014, the NSE AseM, NSE Insurance, and the NSE Industrial indices rose by 0.02, 1.6 and 3.3 cent respectively, above their levels in the preceding quarter to 951.09, 149.19 and 2,754.67 while the other four sectoral indices; NSE Oil & Gas, NSE Banking, NSE Consumer goods, and NSE Lotus Islamic indices dropped below their levels in the preceding quarter by 1.6, 1.8, 2.4 and 5.2 per cent, to close at 460.84, 425.15, 1032.43 and 2,725.87, respectively, at the end of the review period.

Figure 5: Market Capitalization and All-Share Index



Table 5: Market Capitalization and All Share Index (NSE)

	Q3-12	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14
Market Capitalization (trillion Naira)	13.80	14.80	16.40	15.80	17.73	19.10	16.10	19.10	18.90
All-Share Index (Equities)	26,022.60	28,078.80	33,536.25	36,164.31	36,585.08	41,329.19	38,748.01	42,482.48	41,210.10

3.0 Fiscal Operations

3.1 Federation Account Operations

Available data showed that total federally-collected revenue during the third quarter of 2014 stood at ₦2,685.08 billion or an increase of 2.7 per cent, when compared with the level in the preceding quarter. It, however, declined by 1.2 per cent when compared with the proportionate quarterly budget estimate. The development relative to the budget estimate was attributed to the decline in oil revenue (Fig. 1, Table 6).

Gross federally - collected revenue rose by 2.7 per cent above the level in the second quarter of 2014.

Figure 6: Components of Gross Federally Collected Revenue

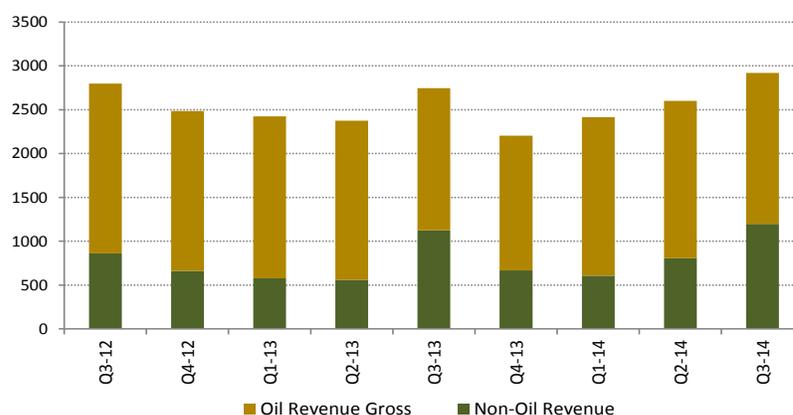


Table 6: Gross Federation Account Revenue (₦ billion)

	Q3-12	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14
Federally-collected revenue (Gross)	2760.12	2461.23	2440.76	2365.74	2748.74	2204.55	2495.74	2613.30	2685.08
Oil Revenue	1913.30	1800.75	1834.27	1813.77	1622.79	1538.40	1808.86	1795.53	1723.11
Non-Oil Revenue	846.82	660.48	606.48	551.98	1125.95	666.15	686.88	817.77	961.98

At ₦1,723.11 billion, gross oil receipts, which constituted 64.2 per cent of the total, fell by 4.0 per cent below the receipts in the preceding quarter. It also fell below the proportionate budget estimate by 3.8 per cent. The development relative to the budget estimate was attributed largely to the fall in crude oil and gas exports during the review quarter (Fig. 2, Table 7).

Figure 7: Gross Oil Revenue and Its Components

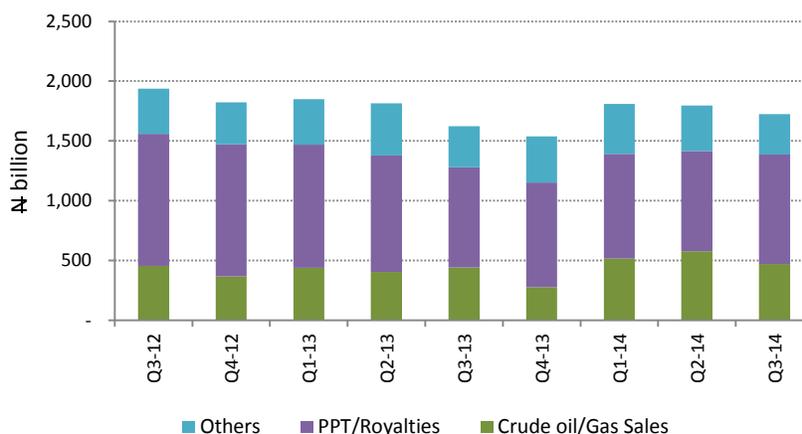


Table 7: Components of Gross Oil Revenue (₦ billion)

	Q3-12	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14
Oil Revenue	1913.30	1800.75	1834.27	1813.77	1622.79	1538.40	1808.86	1795.53	1723.11
Crude oil/Gas Sales	455.21	366.65	439.14	403.80	440.09	275.93	516.63	577.41	470.99
PPT/Royalties	1101.27	1103.96	1030.23	973.06	840.37	875.30	874.47	838.89	916.31
Others	377.41	330.14	380.10	436.91	342.33	387.18	417.76	379.23	335.81

Non-oil receipts (gross), at ₦961.98 billion (35.8 per cent of the total), rose above the proportionate budget estimate by 3.7 per cent. It also rose above the level in the second quarter of 2014 by 17.6 per cent. The increase in non-oil revenue relative to the proportionate budget estimate was due largely to the sharp increases in National Information Technology Development Fund (NITDF) and Education Tax³ (Fig. 3, Table8).

³ Education Tax and NITDF are components of other non-oil revenue

Figure 8: Gross Non-Oil Revenue and its Components

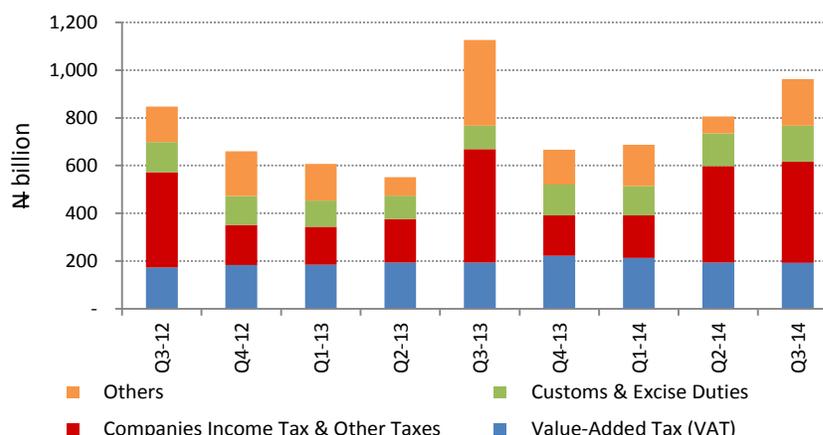


Table 8 Components of Gross Non-Oil Revenue (N billion)

	Q3-12	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14
Non-Oil Revenue	846.82	660.48	606.48	551.98	1125.95	666.15	686.27	817.77	961.98
Value-Added Tax (VAT)	173.57	183.83	185.53	193.64	194.41	222.02	213.80	194.15	193.39
Companies Income Tax & Other Taxes	398.65	168.09	158.33	183.04	475.08	169.07	178.12	404.20	422.60
Customs & Excise Duties	126.94	121.01	109.94	97.26	97.44	128.95	121.63	136.28	151.53
Others	147.66	187.55	152.68	78.04	359.02	146.11	172.72	83.14	194.46

1/ Include FGN Independent Revenue, Education Tax, NITDF & Customs Federation/Non-Federation Account Levies (Port, Sugar, ETLs, Steel, CISS & Cement Levies)

Of the gross federally-collected revenue during the review quarter, the sum of ₦1,608.84 billion (net deductions and transfers) was transferred to the Federation Account for distribution among the three tiers of government and the 13.0% Derivation Fund. The Federal Government received ₦765.56 billion, while the state and local governments received ₦388.30 billion and ₦299.36 billion, respectively. The balance of ₦155.62 billion went to the 13.0% Derivation Fund for distribution among the oil-producing states. Also, the Federal Government received ₦27.85 billion from the VAT Pool Account, while the state and local governments received ₦92.83 billion and ₦64.98 billion, respectively.

Furthermore, the sum of ₦71.05 billion being non-oil Excess Revenue paid in July 2014 was shared among the three tiers of governments as follows: Federal Government (₦37.43 billion), State Governments (₦18.98 billion), and local

The sum of ₦1,608.84 billion out of the federally collected revenue was distributed among the three tiers of government and 13.0% Derivation Fund for oil producing states.

government (₦14.64 billion).

The sum of ₦106.65 billion was also distributed as Subsidy Re-Investment and Empowerment Programme (SURE-P) among the three tiers of government and the 13% Derivation Fund as follows: Federal Government (₦48.88 billion), State Governments (₦24.79 billion), Local Governments (₦19.11 billion) and 13% Derivation Fund (₦13.86 billion).

Meanwhile, NNPC commenced refunds to the Federal Government with the first installment of ₦10.00 billion naira in September 2014. Thus, the total allocation to the three tiers of government in the third quarter of 2014 amounted to ₦1,982.20 billion, compared with ₦1,926.53 billion in the preceding quarter and the proportionate quarterly budget estimate of ₦2,095.20 billion.

3.2 The Fiscal Operations of the Three Tiers of Government

3.2.1 The Federal Government

Federal government estimated retained revenue was higher than the receipt in the preceding quarter.

At ₦924.68 billion, the Federal Government retained revenue for the third quarter of 2014 was lower than the provisional budget estimate by 13.3 per cent, but higher than the receipt in the preceding quarter by 7.6 per cent. Of this amount, the Federal Government's share from the Federation Account, Sure-P, VAT, FGN Independent Revenue and "Others" were ₦765.56 billion, ₦48.88 billion, ₦27.85 billion, ₦34.96 and ₦47.43 billion, respectively (Fig. 4, Table 9).

Figure 9: Federal Government Retained Revenue

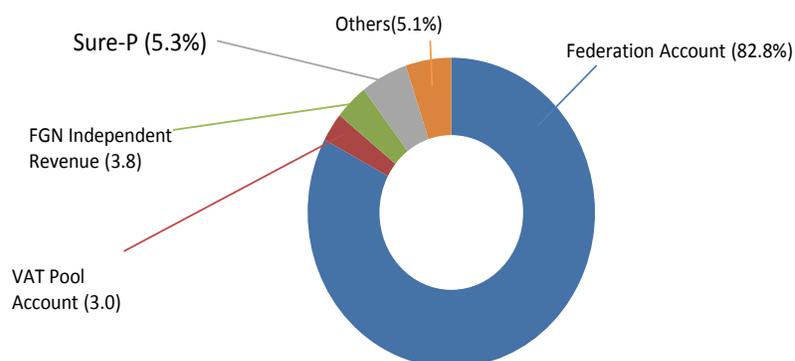


Table 9: Federal Government Fiscal Operations (₦ billion)

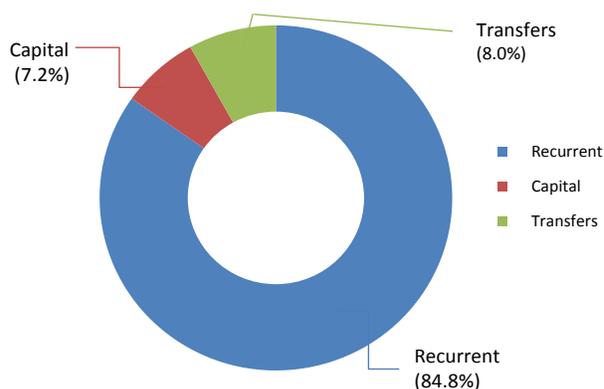
	Q3-12	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14
Retained Revenue	883.6	843.9	1018.8	941.4	1174.4	897.3	912.1	864.2	924.7
Expenditure	1422.1	1100.5	1108.9	1266.7	1276.7	1533.0	1114.8	1193.5	971.1
Overall Balance: Surplus(+)/Deficit(-)	-538.4	-256.5	-90.1	-325.3	-102.4	-635.7	-202.7	-329.4	-46.4

Total estimated expenditure for the third quarter of 2014 stood at ₦971.07 billion, indicating decline of 25.8 and 1.1 per cent, below the quarterly budget estimate and the level in the preceding quarter, respectively. The development relative to the proportionate quarterly budget estimate was attributed to the decline in the capital component during the period. A breakdown of the total expenditure showed that the recurrent component accounted for 84.8 per cent, while capital and statutory transfers segment accounted for 7.2 and 8.1 per cent, respectively (Fig. 10). A further breakdown of the recurrent expenditure showed that the non-debt component accounted for 77.0 per cent, while debt service payments accounted for the balance of 23.0 per cent.

Thus, the fiscal operations of the Federal Government resulted in an estimated deficit of ₦46.40 billion, or 0.2 per cent of the estimated GDP for the third quarter of 2014, compared with ₦122.41 billion in the preceding quarter and proportionate quarterly budget estimate of ₦241.05.

Fiscal operations of the FG resulted in an estimated deficit of ₦46.40 billion in Q3 2014.

Figure 10: Federal Government Expenditure



3.2.2 Statutory Allocations to State Governments

Total allocation to state governments (including the Federation Account, 13.0% Derivation Fund and VAT) stood at ₦694.39 billion during the review quarter. This was 0.3 per cent higher than the level in the preceding quarter, but 4.5 per cent, lower than the proportionate quarterly budget estimate.

Further breakdown showed that receipts from the Federation Account was ₦601.56 billion (86.6 per cent), while VAT contributed ₦92.83 billion (13.4 per cent). The share of Federation Account was 0.4 per cent above the level in the preceding quarter of 2014, but fell below the proportionate quarterly budget estimate by 3.9 per cent. Receipts from the VAT Pool Account fell below the level in the preceding quarter and the proportionate quarterly budget estimate by 0.4 and 8.5 per cent, 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 third quarter of 2014, stood at ₦398.09 billion. This was above the level in the preceding quarter of 2014 by 2.6 per cent, but fell below the proportionate quarterly budget estimate by 7.0 per cent. Of the total amount, allocation from the Federation Account was ₦333.10 billion (83.7 per cent), while VAT Pool Account accounted for the balance of ₦64.98 billion (16.3 per cent).

Domestic Economic Conditions

Agricultural activities witnessed improvement in the third quarter of 2014 as a result of widespread rainfall. Crude oil production was estimated at 1.98 million barrels per day (mbd) or 182.16 million barrels for the quarter. The end-period inflation rate for the third quarter of 2014, on year-on-year basis, was 8.3 per cent, compared with 8.2 and 8.0 per cent at the end of the preceding quarter and the corresponding quarter of 2013, respectively. The inflation rate on a 12-month moving average basis remained at 8.0 per cent, compared with the preceding quarter, but was 9.5 per cent at the end of the corresponding quarter of 2013.

4.1 Agricultural Sector

Available data indicated that agricultural activities were boosted by well distributed rainfall during the third quarter of 2014. However, prospects for increased agricultural activities in most Northern states remained low due to insecurity that displaced farmers. In the Northern part of the country, activities in the sector were dominated by harvesting of maize, yam and vegetables. The predominant agricultural activities in the Southern states included harvesting of maize and yam. In the livestock sub-sector, most poultry farmers cleared broiler houses and applied disinfectant to the surroundings to minimize the incidence of diseases associated with wet season. Also, the sale of fattened rams increased due to the Eid El-Kabir celebration.

A total of ₦3,410.0 million was guaranteed to 17,618 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in the third quarter of 2014. This amount represented an increase of 3.0 and 16.6 per cent above the levels in the preceding quarter and corresponding period of 2013, respectively.

A sub-sectoral analysis showed that food crops obtained the largest share of ₦2,369.8 million (77.2 per cent) guaranteed to 13,607 beneficiaries. This was followed by livestock, ₦429.8 million (8.9 per cent) guaranteed to 1,566 beneficiaries, mixed crops had ₦340.6 million (8.2 per cent) guaranteed to 1,450 beneficiaries, while 'Others' received ₦111.0 million (2.8 per cent) guaranteed to 478 beneficiaries. About ₦47.4 million (1.5 per cent) was guaranteed to 263 beneficiaries in the Cash Crop sub-sector, while Fisheries sub-sector received ₦111.4

million (1.4 per cent) guaranteed to 254 beneficiaries.

Analysis by state showed that 34 states including the Federal Capital Territory benefited from the scheme in the third quarter of 2014, with the highest and lowest sums of ₦584.5 million (17.1 per cent) and ₦4.7 million (0.1 per cent) guaranteed to Benue and Yobe states, respectively.

At end-September 2014, the total amount released by the CBN under the Commercial Agriculture Credit Scheme (CACs) to the participating banks for disbursement stood at ₦240.21 billion for 320 (three hundred and twenty) projects (Table 10). The beneficiaries included thirty state governments.

Table 10: Disbursement of Credit Under the Commercial Agriculture Credit Scheme (CACs)

S/N	Participating Banks	Amt Disbursed (₦ billion)	Number of Projects/State Governments
1	United Bank for Africa (UBA) Plc	41.8	35
2	Zenith Bank	39.2	26
3	First Bank of Nigeria Plc	27.2	72
4	Unity Bank Plc	22.4	24
5	Union Bank Nigeria PLC	18.2	21
6	Stanbic IBTC Bank	14.4	30
7	Sterling Bank Plc	13.2	19
8	Access Bank Plc	12.6	15
9	Fidelity Bank Plc	10.9	8
10	Skye Bank Plc	9.6	7
11	GTBank Plc	5.8	9
12	FCMB Plc.	5.4	12
13	ECOBANK	4.5	8
14	Heritage Bank Plc	3.2	3
15	Diamond Bank Plc	3.1	13
16	Citibank Plc	3.0	2
17	Keystone Bank	2.1	3
18	Mainstreet Bank	2	1
19	Wema Bank	1.1	6
20	Enterprise Bank	0.5	6
	TOTAL	240.2	320

4.2 Industrial Production

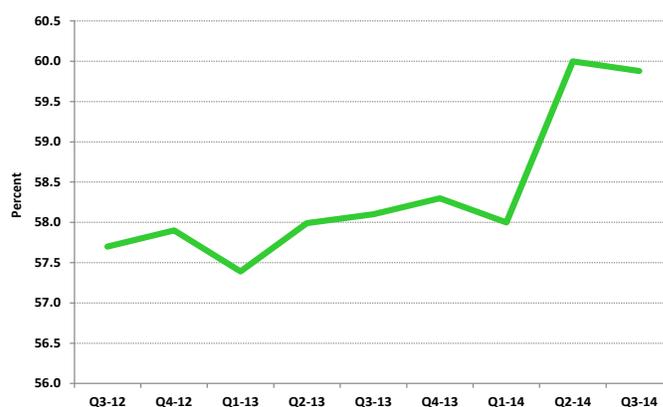
Industrial activities rose marginally during the third quarter of 2014 relative to the level in the preceding quarter. At 139.00 (1990=100), the estimated index of industrial production rose marginally by 0.01 per cent a piece, compared with the levels in the preceding quarter and the corresponding quarter of 2013, respectively. The development relative to the preceding quarter was attributed to a marginal rise in the mining sub sector.

Industrial activities rose in the review quarter due to marginal increase in the mining sub sector during Q23 2014.

The estimated index of manufacturing production, at 108.45 (1990=100), fell by 0.01 and 2.19 per cent compared with the levels in the preceding quarter and the corresponding period of 2013, respectively. Estimated capacity utilization also fell marginally by 0.12 percentage point to 59.88 per cent during the review period. The development was attributed to the significant decline in power supply which affected manufacturing activities (Fig.11).

Actual industrial capacity utilization fell marginally by 0.01 percentage point during the review quarter.

Figure 11: Manufacturing Capacity Utilization Rate



At 147.50 (1990=100), the index of mining production rose by 0.04 and 0.34 per cent relative to the levels attained in the preceding quarter and the corresponding period of 2013, respectively. The increase in mining production during the review quarter was accounted for by the increase in crude oil and gas.

At 2,900 MW/h, estimated average electricity generation fell by 10.8 per cent, compared with the level attained in the second quarter of 2014. The development was attributed to the shutdown of Utorogu and Ugheli East gas plants for maintenance.

Average electricity generation and consumption both fell during the review quarter.

At 2,867 MW/h, estimated average electricity consumption fell by 5.8 per cent, compared with the level attained in the second quarter of 2014. The decline in electricity consumption

was attributed to the fall in power generation, transmission and distribution (Fig. 12, Table 11).

Figure 12: Index of Industrial Production (1990=100)

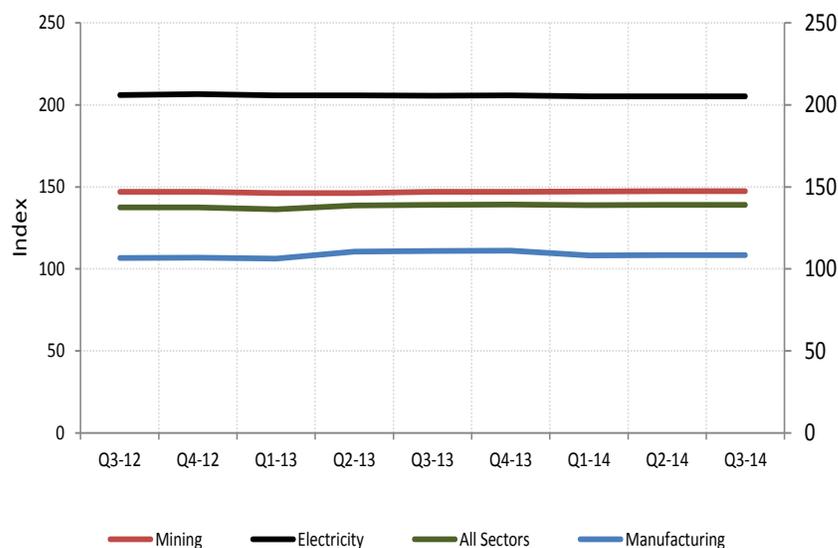


Table 11: Index of Industrial Production and Manufacturing Capacity Utilization Rate

	Q3-12	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14
All Sectors (1990=100)	137.5	137.6	136.4	138.7	139.0	139.2	138.98	139.00	139.00
Manufacturing	106.67	106.84	106.35	110.56	110.87	111.2	108.45	108.4	108.4
Mining	146.96	147.12	146.19	146.25	147	146.98	147.23	147.5	147.5
Capacity Utilization (%)	57.65	57.87	57.39	57.99	58.10	58.30	58.00	60.00	59.88

4.3 Petroleum Sector

Crude oil and natural gas production increased in the third quarter 2014.

Crude oil export rose in Q3 2014.

Nigeria's crude oil production, including condensates and natural gas liquids, averaged 1.98 mbd or 182.16 million barrels (mb) in the review quarter. This represented an increase of 0.07 mbd and 3.7 per cent, compared with the 1.91 mbd or 173.8 million barrels produced in the preceding quarter. Crude oil export was estimated at 1.53 mbd or (140.76 million barrels) representing an increase of 4.8 per cent compared with 1.46 mbd or 132.86 million barrels (mb) recorded in the preceding quarter. The development owed to improved surveillance around oil installations which had curtailed the incessant oil theft, illegal bunkering and production shut-ins experienced in recent months. Allocation of crude oil for domestic consumption was 0.45 mbd or 41.4 million barrels during the

period under review.

At an estimated average of US\$103.04 per barrel, the price of Nigeria's reference crude, the Bonny Light (37° API), fell by 8.2 per cent below the level in the second quarter of 2014. The average prices of other competing crudes, namely the U.K Brent, the West Texas Intermediate and the Forcados also fell to US\$101.77, US\$96.38 and US\$103.49 per barrel, compared with US\$110.08, US\$98.74 and US\$113.07 per barrel, respectively, in the preceding quarter. At US\$100.86 per barrel, the average price of OPEC's basket of eleven crude streams fell by 4.6 and 5.7 per cent, below the average of US\$105.74/b and US\$106.92/b recorded in the preceding quarter and the corresponding period of 2013, respectively. Saturated industrial stock levels and low refining activities in the European Union (EU) as well as strong supply growth in countries outside the OPEC countries (mainly from U.S. shale oil deposits) accounted for the fall in crude oil prices. Also, weak economic data from Europe and a strong US dollar further contributed to the downturn in crude oil prices (Fig. 13, Table 12).

Average crude oil prices, including Nigeria's Bonny Light (37° API) fell in the international crude oil market in Q3 2014.

Figure 13: Trends in Crude Oil Prices

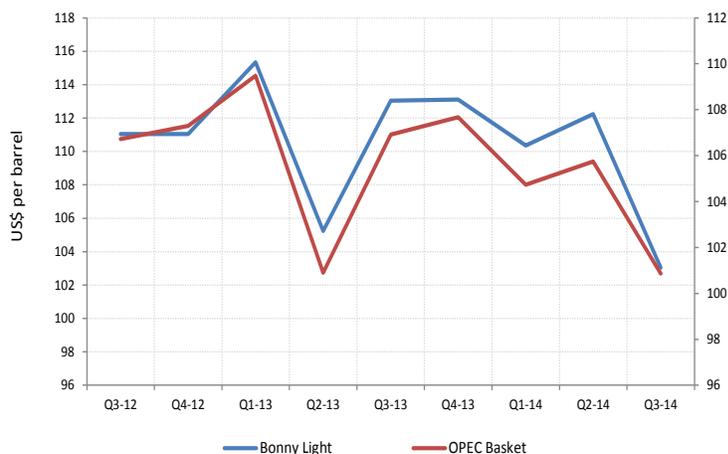


Table 12: Average Crude Oil Prices in the International Oil Market

		Q3-12	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q3-14
Bonny Light	109.32	111.04	111.04	115.34	105.24	114.73	113.11	110.36	103.04
OPEC Basket	106.08	106.72	107.29	106.79	100.9	108.73	107.67	104.73	100.86

The general price level rose in Q3 2014 on account of the increase in the prices of food items.

4.4 Consumer Prices⁴

Available data showed that the all-items composite Consumer Price Index (CPI) at the end of the third quarter of 2014 was 161.3 (November 2009=100), representing an increase of 1.7 and 8.3 per cent over the levels in the preceding and the corresponding quarters of 2013, respectively. The development relative to the previous quarter was driven largely by increased demand for food; non-alcoholic beverages, housing, water, electricity, gas and other fuel.

The urban all-items CPI at the end of the third quarter of 2014 was 160.3 (November 2009=100), indicating an increase of 1.7 and 8.4 per cent over the levels in the preceding quarter and the corresponding period of 2013, respectively. Similarly, the rural all-items CPI, at 162.4 (November 2009=100), representing an increase of 1.7 and 8.3 per cent over the levels in the preceding quarter and the corresponding period of 2013, respectively (Fig. 14, Table 13).

⁴ New CPI with November 2009 = 100 as base and new weight based on the 2003/2004 Nigeria Living Standard Survey (NLSS) was released by the National Bureau of Statistics (NBS) ON 18TH October 2010.

Figure 14: Consumer Price Index

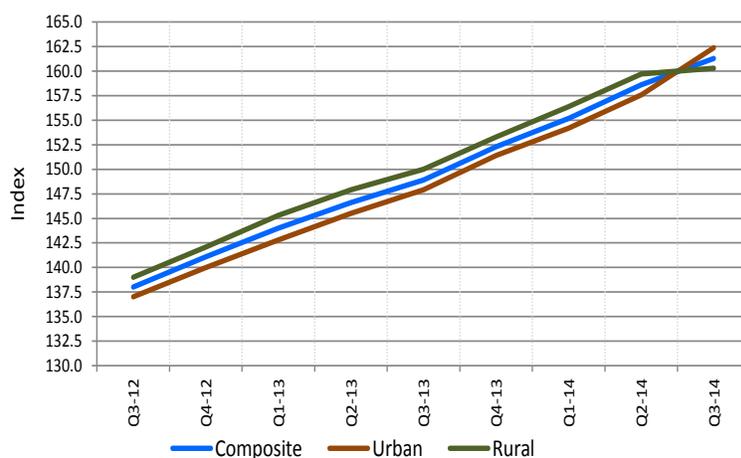


Table 13: Consumer Price Index (November 2009=100)

	Q3-12	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14
Composite	138	141.1	144	146.6	148.9	152.3	155.2	158.6	161.3
Urban	137	140	142.8	145.5	147.9	151.4	154.2	157.6	162.4
Rural	139	142.1	145.3	147.9	150	153.3	156.4	159.7	160.3

The inflation rate for the third quarter of 2014, on a year-on-year basis, stood at 8.3 per cent, compared with 8.2 per cent in the second quarter of 2013. This indicated 0.1 percentage point increase above the level in the preceding quarter. The inflation rate on a twelve-month moving average basis remained at 8.0 per cent, the same as in the second quarter (Fig. 15, Table 14).

The headline inflation (y-o-y) stood at 8.3 per cent in Q3 2014.

Figure 15: Inflation Rate

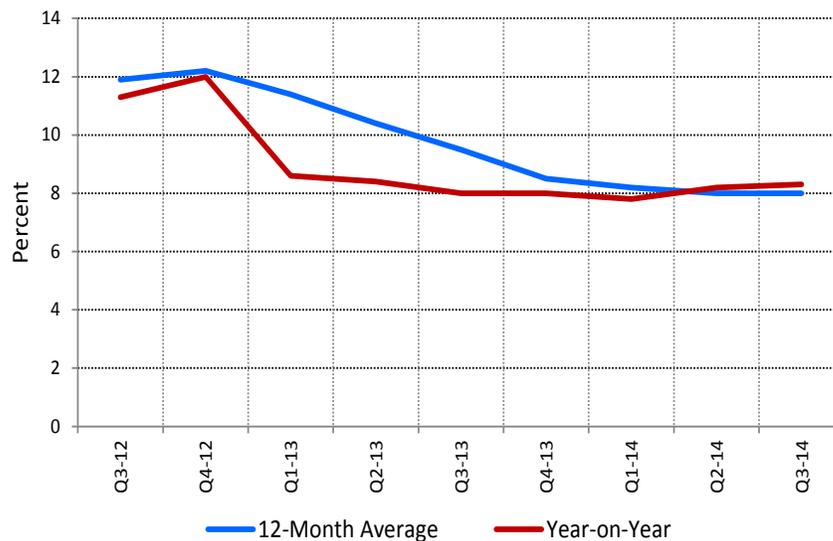


Table 14: Headline Inflation Rate (%)

	Q3-12	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14
12-Month Moving Average	11.0	12.2	11.4	10.4	9.5	8.5	8.2	8.0	8.0
Year-on-Year	11.3	12.0	8.6	8.4	8.0	8.0	7.8	8.2	8.3

5.0 External Sector Developments

Provisional data indicated that foreign exchange inflow through the CBN in the third quarter of 2014 rose by 3.4 and 10.4 per cent above the levels in the preceding quarter and the corresponding quarter of 2013, respectively. Outflow through the Bank, however, declined by 7.8 and 6.8 per cent below the levels in the preceding quarter and the corresponding quarter of 2013, respectively. Total non-oil export receipts by banks rose significantly by 69.0 and 62.5 per cent above the levels in the preceding quarter and the corresponding quarter of 2013, respectively. Relative to the preceding quarter, the average Naira exchange rate at the rDAS vis-à-vis the US dollar, appreciated marginally by 0.02 per cent to ₦157.29 per dollar. At the BDC segment of the market, the average naira exchange rate, at ₦168.90 vis-à-vis the dollar, however, depreciated by 0.5 per cent, relative to the level in the preceding quarter. Similarly, at the inter-bank segment, the average naira exchange rate, relative to the preceding quarter, depreciated to ₦162.39 per dollar. The gross external reserves rose by 2.5 per cent to US\$38.28 billion, compared with its level at the end of the preceding quarter.

5.1 Foreign Exchange Flows

Provisional data indicated that foreign exchange inflow through the CBN in the third quarter of 2014 amounted to US\$13.09 billion, representing an increase of 3.4 and 10.4 per cent above the levels in the preceding quarter and the corresponding quarter of 2013, respectively. The development was due to increase in the non-oil component driven mainly by increases in swaps transactions and inflows through other official receipts, respectively. Foreign Exchange Outflow amounted to US\$11.80 billion, showing a decline of 7.8 and 6.8 per cent below the levels in the preceding quarter and the corresponding quarter of 2013, respectively. The fall in outflow, relative to the preceding quarter, was attributed to the decline in rDAS utilization and other official payments. The development resulted in a net inflow of US\$1.29 billion, compared with US\$0.14 billion and \$0.81 billion recorded in the preceding quarter and the corresponding quarter of 2013, respectively (Fig.16, Table 15).

Foreign exchange inflow through the CBN rose by 3.4 per cent but outflow declined by 7.8 per cent, resulting in a net inflow of US\$1.29 billion in Q3 of 2014.

Figure 16: Foreign Exchange Flows Through the CBN

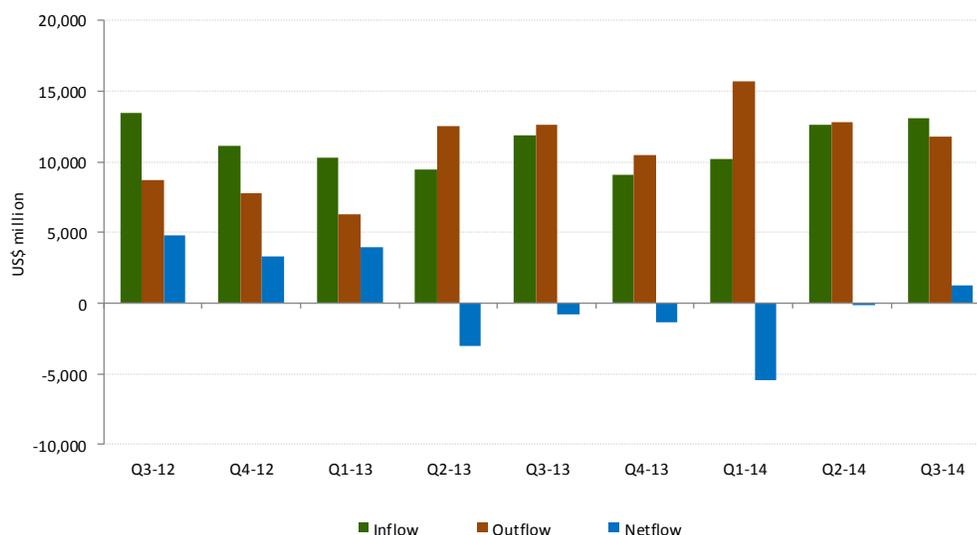


Table 15: Foreign Exchange Flows Through the CBN (US\$ million)

	Q3-12	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14
Inflow	13,444.07	11,168.38	10,304.46	9,442.91	11,857.35	9,465.52	10,221.43	12,667.31	13,125.89
Outflow	8,668.74	7,817.12	6,313.04	12,542.53	12,667.33	10,789.61	15,695.66	12,806.25	12,231.88
Netflow	4,775.33	3,351.26	3,991.42	(3,099.62)	(809.98)	(1,324.09)	(5,474.23)	(138.94)	894.01

Provisional data on aggregate foreign exchange flows through the economy indicated that total inflow amounted to US\$44.18 billion, representing an increase of 12.4 and 14.6 per cent above the levels in the preceding quarter and the corresponding quarter of 2013, respectively. The development was attributed, largely, to the increase in non-oil receipts through autonomous sources. Oil sector receipts, which accounted for 22.5 per cent of the total, stood at US\$9.95 billion, compared with the US\$11.21 billion and US\$9.52 billion recorded in the second quarter of 2014 and the corresponding quarter of 2013, respectively.

Autonomous inflows into the economy rose by 16.9 per cent in Q3 2014.

Non-oil public sector inflow, at US\$3.14 billion (7.1 per cent of the total) rose by 115.1 and 34.2 per cent above the levels in the preceding quarter and the corresponding quarter of 2013, respectively. Autonomous inflow, which accounted for

70.4 per cent of the total, rose by 16.9 per cent above the level in the second quarter of 2014.

At US\$12.33 billion, aggregate foreign exchange outflow from the economy, declined by 5.7 and 7.7 per cent below the levels in the preceding quarter and the corresponding quarter of 2013, respectively. The decline, relative to the preceding quarter, was accounted for, mainly, by reduction in BDC sales. Overall, a net inflow of US\$31.86 billion was recorded in the second quarter of 2014, compared with US\$26.24 billion and US\$25.21 billion in the preceding quarter and the corresponding quarter of 2013, respectively.

5.2 Non-Oil Export Earnings by Exporters

Total non-oil export earnings by Nigerian exporters during the third quarter of 2014 stood at US\$4.29 billion, indicating an increase of 69.0 and 62.5 per cent above the the levels in the preceding quarter and the corresponding quarter of 2013, respectively. The development, relative to the preceding quarter, was attributed the increase in agricultural sector receipts. A breakdown of the proceeds showed that manufactured products, agricultural products, industrial sector, minerals, and food products earned US\$0.50 billion, US\$3.37 billion, US\$0.35 billion, US\$0.04 billion, and US\$0.03 billion, respectively.

The shares of manufactured products, agricultural products, industrial sector, minerals and food products in non-oil export proceeds were 11.6, 78.6, 8.2, 1.0 and 0.6 per cent, respectively.

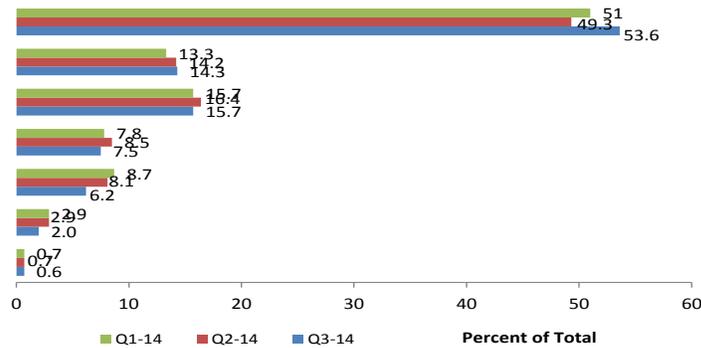
5.3 Sectoral Utilisation of Foreign Exchange

Available data indicated that the invisible sector accounted for the bulk (53.6 per cent) of total foreign exchange disbursed in the third quarter of 2014, followed by mineral and oil sector (15.7 per cent). Other beneficiary sectors, in a descending order included: industrial sector (14.3 per cent), manufactured products (7.5 per cent), food products (6.2 per cent), transport sector (2.0 per cent) and agricultural products (0.7 per cent) (Fig.17).

Total non-oil export earnings by exporters rose during the third quarter of 2014.

The invisible sector accounted for the bulk of the total foreign exchange disbursed during Q3 2014.

Figure 17: Sectoral Utilisation of Foreign Exchange



Demand and supply of foreign exchange by authorized dealers fell during Q3 2014.

5.4 Foreign Exchange Market Developments

Foreign exchange demand by the authorized dealers in the review quarter was estimated at US\$11.10 billion, indicating a decline of 0.8 per cent below the level in the preceding quarter, but showed an increase of 9.3 per cent above the level in the corresponding quarter of 2013. The development, relative to the preceding quarter was due to decline in BDC demand in the review quarter. The sum of US\$10.20 billion was sold by the CBN during the review quarter, indicating a decrease of 5.8 and 7.4 per cent below the levels in the preceding quarter and the corresponding quarter of 2013, respectively (Fig. 18, Table 16).

Figure 18: Demand for and Supply of Foreign Exchange

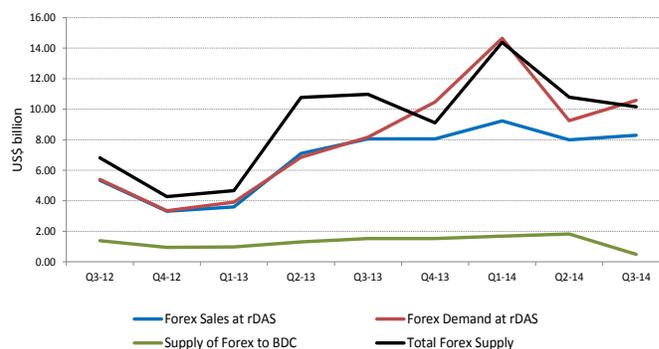


Table 16: Demand for and Supply of Foreign Exchange (US\$ billion)

	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14
Forex Sales at RDAS	3.60	7.10	8.06	7.07	9.24	7.99	8.29
Forex Demand at RDAS	3.90	6.80	8.06	10.47	14.65	9.25	10.58
Supply of Forex to BDC	0.90	1.30	1.51	1.53	1.68	1.83	0.50
Total Forex Supply(BDC and RDAS)	4.70	10.80	10.98	9.10	14.40	10.79	10.16

Under the rDAS, the average exchange rate of the naira vis-à-vis the US dollar remained unchanged at ₦157.29 per US dollar, but appreciated marginally by 0.02 per cent above the level in the corresponding quarter of 2013. At the bureau-de-change segment of the market, the naira traded at an average of ₦168.90 per US dollar, indicating a depreciation 0.5 and 3.7 per cent relative to the levels in the preceding quarter and the corresponding quarter of 2013, respectively. Similarly, at the inter-bank segment, the naira exchanged at an average of ₦162.39 to the US dollar, indicating a depreciation of 0.1 and 0.6 per cent against the levels in the preceding quarter and the corresponding quarter of 2013, respectively (Fig. 19, Table 17).

The premium between the rDAS and the bureau-de-change rates widened to 7.4 per cent from 6.9 per cent in the second quarter of 2014. Similarly, the premium between the rDAS and inter-bank remained unchanged at 3.2 per cent in the period under review (Fig. 20, Table 17).

The average naira exchange rate vis-à-vis the US dollar at the rDAS remained unchanged, while it depreciated at BDC and the interbank segments of the foreign exchange market in Q3 2014.

The premium between the rDAS and the BDC rates widened, while it remained unchanged at the rDAS and the interbank rates narrowed in the review quarter.

Figure 19: Average Exchange Rate Movements

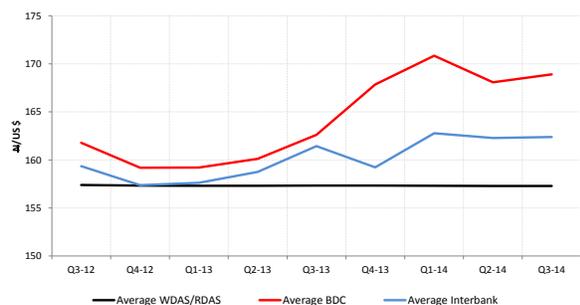
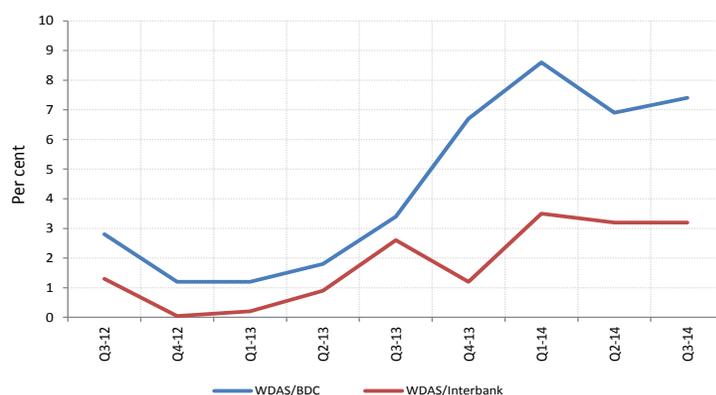


Table 17: Exchange Rate Movements and Exchange Rate Premium

Average Exchange Rate (N/US\$)	Q3-12	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14
<i>rDAS</i>	157.34	157.32	157.30	157.30	157.32	157.32	157.30	157.29	157.29
<i>BDC</i>	159.00	159.19	159.18	160.12	162.62	167.86	170.84	168.08	168.90
<i>Interbank</i>	157.24	157.38	157.57	158.75	161.43	159.22	162.78	162.29	162.39
Premium (%)									
<i>rDAS/BDC</i>	2.8	1.2	1.2	1.8	3.4	6.7	8.6	6.9	7.4
<i>RDAS/Interbank</i>	1.3	0.04	0.2	0.9	2.6	1.2	3.5	3.2	3.2

Figure 20: Exchange Rate Premium



5.5 Gross External Reserves

Gross external reserves at the end of the third quarter of 2014 stood at US\$38.29 billion, indicating an increase of 2.5 per cent, compared with the level recorded at the end of the second quarter of 2014. A breakdown of the reserves showed that CBN reserves stood at US\$29.65 billion (77.4 per cent), Federation reserves, US\$4.47 billion (11.7 per cent) and the Federal Government reserves, US\$4.16 billion (10.9 per cent) (Fig. 21, Table 18).

Gross external reserves rose during the second quarter 2014.

Figure 21: Gross External Reserves

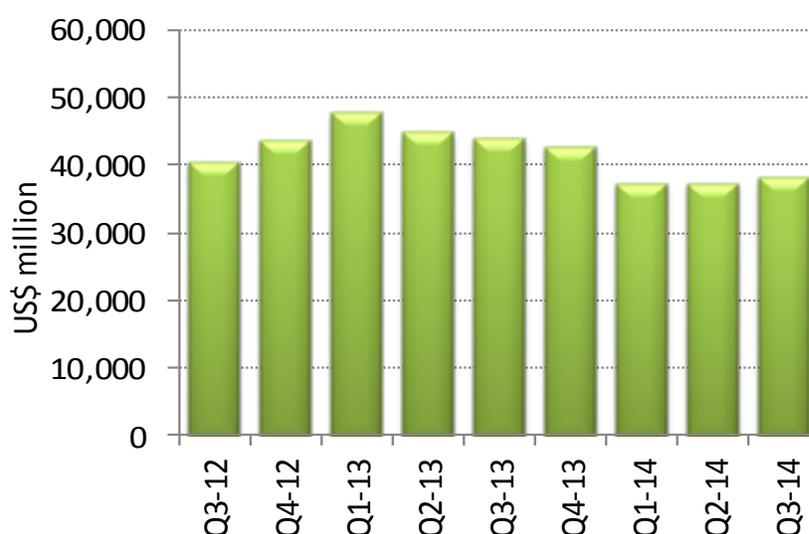


Table 18: Gross External Reserves (US\$ million)

	Q3-12	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14
External Reserves	40,636.8	43,830.4	47,884.1	44,957.0	44,108.5	42,847.3	37,376.4	37,330.0	38,288.5

6.0 *Global Economic Conditions*

6.1 **Global Output**

The World Economic Outlook (WEO) released by the International Monetary Fund (IMF) for the period under review, revised growth in global output forecast for 2014 to 3.3 per cent from 3.4 per cent and 3.8 per cent for 2015 from 4.0 per cent. The downward review was attributed to economic developments in the United States, the euro area, Japan, and emerging market economies. Growth in United States of America (US) was estimated at 2.3 per cent from 2.8 per cent in 2014 and 3.1 per cent for 2015. The upward revision of US estimates was attributed to second-quarter domestic product (GDP) growth of 4.0 per cent, which was above the consensus estimate of 2.9 per cent, largely propelled by relatively strong gains in key cyclical private sectors, such as goods (manufacturing) and construction. In the euro area, output growth was revised downward to 0.8 per cent in 2014 and 1.3 per cent in 2015. Weak economic recovery is expected in the euro area, supported by a reduction in fiscal drag, accommodative monetary policy and improving lending conditions.

In Japan, the growth estimate was also revised downwards to 0.9 per cent and 0.8 per cent in 2014 and 2015, respectively. The downward revision reflects larger-than-expected contraction of GDP in the second quarter, largely influenced by the April consumption tax hike. Despite the downward revision in the estimated growth of the euro area and Japan, growth in advanced economies is expected to be solid. The growth will be driven by both consumption and business investments as a result of improving credit and financial market conditions, and healthy corporate balance sheets.

Growth estimate for emerging markets and developing economies was also reviewed downwards to 4.4 per cent and 5.0 per cent (which represents -0.1 and -0.2 decline per cent) in 2014 and 2015, respectively. The downward revision reflects both a weaker first-half outturn for 2014 and some structural factors that persist. Growth for Latin America and the Caribbean is projected to fall to 1.3 per cent in 2014, with a rebound to 2.2 per cent in 2015. The projection were

influenced by external factors such as weaker-than expected export performance amid deteriorating terms of trade, and a variety of idiosyncratic domestic constraints.

Growth in emerging and developing Europe is projected to remain stable at 3.0 per cent in 2014 and 2015. The revision reflects strengthening private consumption and robust domestic demand. Growth in Sub-Saharan Africa was revised downwards to 5.1 per cent and 5.8 per cent for 2014 and 2015, respectively. This reflects industrial tensions and delays in fixing infrastructure gaps.

6.2 Global Inflation

Available data from the latest World Economic Outlook estimates global inflation at 3.4 per cent in the third quarter of 2014, down from the 3.5 per cent estimated in the preceding quarter. Inflation generally remained below central bank policy targets in advanced economies, an indication that many of these economies have substantial output gaps. In the euro area, inflation fell below expectation, while some countries with unemployment rate greater than the area-wide average, experienced mild deflation. However, the United States continues to move towards recovery as inflation rose modestly at the end of the third quarter. In Japan, though, both headline and core inflation rates were estimated to have remained stable they are largely, below the Bank of Japan's inflation target.

6.3 Global Commodity Demand and Prices

World crude oil demand was estimated at 91.96 mbd in the third quarter of 2014, representing an increase of 2.1 per cent above the 90.11 per cent recorded in the second quarter of 2014. World crude oil supply was estimated at an average of 92.11 mbd, representing an increase of 0.9 per cent above the level recorded in the preceding quarter. Of the total demand, the Organisation for Economic Co-operation and Development (OECD) countries accounted for 45.96 mbd, while non-OECD countries accounted for the balance of 46.00 mbd. Improved economic activities in China, Brazil and Saudi Arabia also contributed to crude oil demand growth.

The OPEC Reference Basket price of eleven selected crude streams stood at \$100.86 per barrel in the third quarter of 2014,

compared with \$105.74/b and US\$106.92/b recorded in the preceding quarter and the corresponding quarter of 2013, respectively. Saturated industrial stock levels, low refining activities and weak economic data in the European Union (EU) as well as strong dollar contributed to the downturn in crude oil prices.

The prices of the UK Brent, the West Texas Intermediate and the Forcados, also declined to close at US\$101.77, US\$96.38 and US\$103.49 per barrel, respectively.

6.4 International Financial Markets

Developments across global financial markets were mixed during the third quarter of 2014 as reflected in the major indices. In North America, the S&P 500 and Mexico Bolsa indices increased by 0.6 and 5.3 per cent, respectively, while the S&P/TSX Composite Index declined by 1.2 per cent. In South America, the Brazilian Bovespa and Argentine Merval indices increased by 1.8 and 63.4 per cent, respectively, while the Columbian COLCAP index data declined by 2.4 per cent.

The U.S. stocks modestly rose as a result of improvement in the strength of the dollar against most currencies.

European stocks declined in the midst of weak economic growth, increasing deflationary pressures and a fast depreciating euro. In Europe, the UK's FTSE 100, France's CAC 40, Germany's DAX, and Russia's MICEX indices declined by 1.8, 0.1, 3.7 and 4.4 per cent, respectively.

In Asia, India's BSE Sensex, Japan's Nikkei 225 and China's Shanghai Stock Exchange-A indices increased by 6.7, 15.4 and 4.8 per cent, respectively.

In Africa, the Kenyan Nairobi NSE 20 and Egyptian EGX CSE 30 indices increased by 7.6 and 20.2 per cent, respectively, while the Nigerian All-Share Index, South African JSE AS and Ghanaian GSE All-Share indices declined by 3.0, 3.2 and 5.6 per cent, respectively. In Nigeria, the decline in share prices could be attributed to investors' perception of the economy and financial markets in the run up to the 2015 elections.

6.5 Other International Economic Developments and Meetings

Other major international economic developments and meetings of importance to the domestic economy during the review quarter included: the 2014 Mid-year statutory meetings of the West African Monetary Zone (WAMZ) held in Abuja, Nigeria from July 14 – 17, 2014. The meetings were attended by Member Central Banks, Ministries, Departments and Agencies as well as ECOWAS Commission and other regional institutions. At the end of deliberations, the meeting decided as follows:

- That the level of macroeconomic convergence, legal and Institutional preparedness for the successful launch of the monetary union on January 1, 2015 was inadequate;
- Urged member states to work assiduously to meet the target date of 2020 for a full implementation of the region's monetary integration in line with the Decision of the Authority;
- Noted the Decision of the ECOWAS Heads of State and Government endorsing the single-track approach to monetary union by 2020,
- Directed the West Africa Monetary Institute to implement the revised ECOWAS set of 6 macroeconomic convergence criteria during subsequent surveillance missions; whilst taking steps to bring to the attention of the Authority concerns regarding the reclassification of the central bank financing of fiscal deficit criterion;
- Encouraged the ECOWAS Commission to fund the activities under the Roadmap of ECOWAS single currency programme;

Similarly, the 29th meeting of Board of Governors of the West African Institute for Financial and Economic Management (WAIFEM) held on July 16, 2014. The meeting was preceded by the 32nd Meeting of the Technical Committee which held on July 13, 2014. The meeting deliberated and approved several reports based on recommendations of the Technical Committee.

Furthermore, the First United States – Africa Leaders' Summit was held in Washington D.C., USA from August 4 – 6, 2014. The theme of the Summit was "Investing in the Next Generation". The summit which was an effort to strengthen US ties with Africa, primarily focused on trade, investment and security of the continent. The United States President Barack Obama announced on August 6, 2014 that US companies pledged \$14 billion of investment in Africa in areas such as energy, infrastructure, agriculture, construction, banking, and information technology.

APPENDIX TABLES

Table A1: Money and Credit Aggregates

	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14
	<i>₦ billion</i>					
Domestic Credit (Net)	13294.5	13087.8	15040.7	15349.3	15173.6	16265.3
<i>Claims on Federal Government (Net)</i>	-2397.5	-3191.6	-1468.8	-1434.1	-1790.2	-1393.5
Central Bank (Net)	3374.8	-2990.6	-2101.6	-2097.3	-2730.5	-2387.9
Banks	977.3	-200.8	632.8	663.2	940.3	994.4
<i>Claims on Private Sector</i>	15692.0	16279.2	16509.5	16783.4	16963.8	17658.8
Central Bank	4703.3	4820.2	4917.5	4905.3	4684.2	4676.0
Banks	10988.7	11459.0	11592.0	11878.1	12279.6	12982.8
<i>Claims on Other Private Sector</i>	15031.0	15574.3	15707.8	16003.1	16206.8	16909.0
Central Bank	4703.3	4820.2	4893.9	4881.7	4660.7	4652.4
Banks	10327.7	10754.1	10813.5	11121.4	11546.1	12256.7
<i>Claims on State and Local Government</i>	661.0	704.9	779.1	756.7	733.4	726.2
Central Bank	--	--	--	--	--	--
DMBs	661.0	704.9	779.1	756.7	733.4	726.2
<i>Claims on Non-financial Public Enterprises</i>	--	--	--	--	--	--
Central Bank	--	--	--	--	--	--
DMBs and Non Interest Banks	--	--	--	--	--	--
Foreign Assets (Net)	9016.9	8923.5	8513.3	7613.1	7693.3	7607.6
Central Bank	7413.7	7177.6	6898.6	5949.9	6200.0	6292.3
DMBs and Non Interest Banks	1603.2	1745.9	1614.7	1663.2	1493.3	1315.4
Other Assets (Net)	-6718.2	-7648.9	-7885.0	-7262.7	-6938.5	-7302.6
Total Monetary Assets (M2)	15593.3	14362.5	15688.9	15699.7	15928.4	16570.3
Quasi-Money 1/	8653.6	8068.6	8656.1	8807.9	9341.1	9953.8
Money Supply (M1)	6939.6	6293.9	7012.8	6891.8	6587.3	6616.4
<i>Currency Outside Banks</i>	1127.8	1168.2	1447.1	1226.6	1162.4	1243.2
<i>Demand Deposits 2/</i>	5811.8	5125.7	5565.5	5665.2	5424.9	5373.2
Total Monetary Liabilities (M2)	15593.3	14362.5	15688.9	15699.7	15928.4	16570.3
<i>Memorandum Items:</i>						
Reserve Money (RM)	3828.4	4649.9	5558.9	5036.8	4723.1	4882.7
<i>Currency in Circulation (CIC)</i>	1425.4	1474.1	1776.8	1574.4	1497.1	1548.3
Banks' Deposit with CBN	2403.0	1810.6	3782.1	3462.5	3225.9	3334.4

1/ Quasi money consist of Time, Savings and Foreign Currency Deposit at Deposit Money Banks excluding Taking from Discount Houses.

2/ Demand Deposit consist of State, Local and Parastatals Deposits at CBN, State, Local Government and Private Sector Deposits as well as Demand Deposits of non-financial Public Enterprises at Deposit Money Banks.

Table A2: Money and Credit Aggregates (Growth Rates)

	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14
	<i>Percentage Change Over Preceding Quarter</i>					
Domestic Credit (Net)	3.2	-0.47	14.92	2.05	-1.14	-7.19
<i>Claims on Federal Government (Net)</i>	0.9	-25.51	53.98	2.36	-24.83	22.16
<i>Claims on Private Sector</i>	2.8	3.74	1.41	1.66	1.07	4.1
<i>Claims on Other Private Sector</i>	3.0	3.61	0.86	1.89	1.27	4.33
<i>Claims on State and Local Government</i>	-0.2	6.64	10.53	-2.88	-3.08	-0.99
<i>Claims on Non-financial Public Enterprises</i>						
Foreign Assets (Net)	-5.4	-2.6	-4.6	-10.6	1.1	-1.1
Other Assets (Net)	0.6	-13.81	-3.09	7.89	4.46	-5.25
Total Monetary Assets (M2)	-0.5	-7.9	9.1	0.2	1.5	4.0
Quasi-Money 1/	-0.9	-6.76	7.28	1.75	6.05	6.56
Money Supply (M1)	0.02	-9.27	11.4	-1.73	-4.42	0.44
<i>Currency Outside Banks</i>	-9.2	3.58	23.87	-15.24	-5.23	6.95
<i>Demand Deposits 2/</i>	2.0	-11.8	8.58	1.79	-4.24	-0.95
Total Monetary Liabilities (M2)	-0.5	-7.9	9.1	0.2	1.5	4.0
<u>Memorandum Items:</u>						
Reserve Money (RM)	-17.3	43.69	19.55	-9.39	-6.23	3.38
Currency in Circulation (CIC)	-5.5	3.41	20.5	-11.39	-4.9	3.42
DMBs Demand Deposit with CBN	-24.7	75.4	19.09	-8.45	-6.83	3.36
	<i>Percentage Change Over Preceding December</i>					
Domestic Credit (Net)	4.7	3.07	18.45	2.05	0.88	8.14
<i>Claims on Federal Government (Net)</i>	2.3	-30.07	40.14	-2.36	-21.89	5.12
<i>Claims on Private Sector</i>	3.57	7.44	8.9	1.66	2.75	6.96
<i>Claims on Other Private Sector</i>	3.8	8.51	8.4	1.89	3.18	7.65
<i>Claims on State and Local Governments</i>	-0.7	5.86	17.01	-2.88	-5.86	-6.8
<i>Claims on Non-financial Public Enterprises</i>						
Foreign Asset (Net)	-0.3	-1.33	-5.86	-10.57	-9.63	-10.64
Other Asset (Net)	-7.4	-22.23	-26	-7.89	12	7.39
Total Monetary Assets (M2)	0.71	-7.18	1.20	0.20	1.66	5.75
Quasi-Money 1/	7.3	0.07	7.36	1.75	7.91	14.09
Money Supply (M1)	-6.5	-15.16	-5.5	-1.73	-6.07	5.65
<i>Currency Outside Banks</i>	-13.3	-10.22	11.21	-15.24	-19.67	-14.09
<i>Demand Deposits 2/</i>	-5.0	-16.24	-9.05	1.79	-2.53	-3.46
Total Monetary Liabilities (M2)	0.71	-7.18	1.20	0.20	1.66	5.75
<u>Memorandum Items:</u>						
Reserve Money (RM)	-12.64	25.52	50.06	-9.39	-15	-12.16
Currency in Circulation (CIC)	-12.64	-9.66	8.89	-11.39	-15.7	-12.86
DMBs Demand Deposit with CBN	-12.65	53.22	82.47	82.47	-14.7	-14.7

1/ Quasi money consist of Time, Savings and Foreign Currency Deposit at Deposit Money Banks excluding Taking from Discount Houses.

2/ Demand Deposit consist of State, Local and Parastatals Deposits at CBN, State, Local Government and Private Sector Deposits as well as Demand Deposits of non-financial Public Enterprises at Deposit Money Banks.

Table A3: Federal Government Fiscal Operations (₦ billion)

	Q3-12	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14
Retained Revenue	883.64	843.94	1018.80	941.37	1174.37	897.26	912.07	859.20	924.67
Federation Account	642.81	620.75	643.79	715.00	769.83	702.22	703.72	769.48	765.56
VAT Pool Account	24.99	26.47	26.72	27.88	27.99	31.97	30.79	27.96	27.85
FGN Independent Revenue	-5.33	83.54	65.03	17.18	150.47	41.68	121.13	12.88	34.96
Excess Crude	70.95	0.00	0.00	70.93	0.00	70.90	0.00	0.00	0.00
Others/SURE-P	150.23	113.17	283.26	110.39	226.08	50.49	56.44	48.88	96.30
Expenditure	1422.05	1100.47	1108.86	1266.70	1276.73	1533.00	1114.77	981.61	971.07
Recurrent	918.60	853.37	811.56	902.83	809.28	1165.37	758.07	816.06	823.07
Capital	235.18	347.74	218.09	281.59	391.55	217.15	272.52	80.64	69.66
Transfers	268.27	-100.65	79.21	82.28	75.91	150.47	84.19	84.91	78.34
Overall Balance: Surplus(+)/Deficit(-)	-538.41	-256.53	-90.07	-325.33	-102.36	-635.74	-202.70	-122.41	-46.40

