



CENTRAL BANK OF NIGERIA

***ECONOMIC REPORT
AUGUST 2016***

The Central Bank of Nigeria 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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Contents

1.0	Summary.....	1
2.0	Financial Sector Developments	3
2.1	Monetary and Credit Developments	3
2.2	Currency-in-circulation (CIC) and Deposits at the CBN.....	7
2.3	Money Market Developments	8
2.3.1	<i>Interest Rate Developments</i>	8
2.3.2	<i>Commercial Paper (CP)</i>	9
2.3.3	<i>Bankers' Acceptances (BAs)</i>	9
2.3.4	<i>Open Market Operations</i>	10
2.3.5	<i>Primary Market</i>	10
2.3.6	<i>Bonds Market</i>	10
2.3.7	<i>CBN Standing Facilities</i>	11
2.4	Deposit Money Banks' Activities.....	11
2.5	Capital Market Developments	12
2.5.1	<i>Secondary Market</i>	12
2.5.2	<i>Over-the-Counter (OTC) Bonds Market</i>	13
2.5.3	<i>New Issues Market</i>	13
2.5.4	<i>Market Capitalization</i>	13
2.5.5	<i>NSE All-Share Index</i>	13
3.0	Fiscal Operations	15
3.1	Federation Account Operations.....	15
3.2	The Fiscal Operations of the Three Tiers of Government.....	18
3.2.1	<i>The Federal Government</i>	18
3.2.2	<i>Statutory Allocations to State Governments</i>	20
3.2.3	<i>Statutory Allocations to Local Government Councils</i>	21
4.0	Domestic Economic Condition	23
4.1	Agricultural Sector	23
4.2	Petroleum Sector	25
4.3	Consumer Prices	26
5.0	External Sector Developments	29

5.1	Foreign Exchange Flows	29
5.2	Non-Oil Export Earnings by Banks.....	31
5.3	Sectoral Utilisation of Foreign Exchange	31
5.4	Foreign Exchange Market Developments	32
5.5	Gross External Reserves.....	34
6.0	Other International Economic Developments and Meetings	37

Text Tables

Table 1: Growth in Monetary and Credit Aggregates.....	6
Table 2: Selected Interest Rates	9
Table 3: Traded Securities on the Nigerian Stock Exchange.....	13
Table 4: Aggregate Market Capitalization and All Share Index	14
Table 5: Gross Federation Account Revenue	15
Table 6: Components of Gross Oil Revenue	16
Table 7: Components of Gross Non-Oil Revenue.....	17
Table 8: Federal Government Fiscal Operations.....	19
Table 9: Statutory Allocation to State Governments and Local Government Councils	21
Table 10: Disbursement of Credit Under the Commercial Agriculture Credit Scheme (CACs)	24
Table 11: Average Crude Oil Prices in the International Oil Market.....	26
Table 12: Consumer Price Index.....	27
Table 13: Headline Inflation Rate	28
Table 14: Foreign Exchange Flows Through the CBN	30
Table 15: Supply of Foreign Exchange	33
Table 16: Exchange Rate Movements and Exchange Rate Premium	34
Table 17: Gross Official External Reserves.....	35

Appendix Tables

Table A1: Money and Credit Aggregates.....	43
Table A2: Money and Credit Aggregates Growth Rates.....	44
Table A3: Federal Government Fiscal Operations	45

Figures

Figure 1: Growth Rate of Narrow Money (M_1) and Broad Money (M_2)	4
Figure 2: Growth Rate of Aggregate Domestic Credit to the Economy	6
Figure 3: Selected DMBs Interest Rates (Average)	9
Figure 4: Volume and Value of Traded Securities	13
Figure 5: Market Capitalization and All-Share Index	14
Figure 6: Components of Gross Federally-Collected Revenue	15
Figure 7: Gross Oil Revenue and Its Components	16
Figure 8: Gross Non-Oil Revenue and Its Components	17
Figure 9: Federal Government Retained Revenue	19
Figure 10: Federal Government Expenditure	20
Figure 11: Trends in Crude Oil Prices	26
Figure 12: Consumer Price Index	27
Figure 13: Inflation Rate	28
Figure 14: Foreign Exchange Flows Through the CBN	30
Figure 15: Sectoral Utilisation of Foreign Exchange	32
Figure 16: Supply of Foreign Exchange	33
Figure 17: Average Exchange Rate Movements	34
Figure 18: Gross External Reserves	35

1.0 Summary

The persistent low oil prices at the international oil market, continued to impact negatively on the economy in August 2016. The major monetary aggregate declined in August 2016. The decline in broad money supply (M_2) below July 2016 level was due to the significant fall in other assets (net) of the banking system. The decline in narrow money supply (M_1), reflected the fall in its demand deposit component. Reserve money (RM) also fell below its level in the preceding month.

Tight liquidity condition subsisted in the money market. There were mixed developments in banks' deposit and lending rates during the review month. Consequently, the spread between the weighted average term deposit and maximum lending rates narrowed by 0.12 percentage point in August, 2016. Similarly, the spread between the average savings deposit and average maximum lending rates, contracted by 0.16 percentage point.

Provisional data indicated that the total value of money market assets outstanding declined due, largely, to the fall in Bankers' Acceptances and FGN Bonds. Activities on the Nigerian Stock Exchange were mixed in August 2016.

Federally-collected revenue in August 2016, according to provisional data, fell below the level in July 2016 due to decline in both Oil and non-oil receipts (gross). Federal Government retained revenue and estimated expenditure for August 2016 were ₦294.24 billion and ₦484.97 billion, respectively, and resulted in an estimated deficit of ₦190.73 billion.

Major farming activities in the country during the review period were weeding and harvesting of maize, yam and vegetables. Farmers also re-stocked broilers and layers to replenish sales made during the Eid-fitir festivity. Domestic crude oil production stood at 1.47 million barrels per day (mbd) or 45.57 million barrels, while crude oil export stood at 1.02 mbd or 30.60 mb per month. The spot price of Nigeria's reference crude, the Bonny Light (37° API), rose by 2.5 per cent, above the level in the preceding month.

Headline inflation rate, on a year-on-year basis, was 17.6 per cent in August 2016 and 12.7 per cent on a 12-month moving average basis.

Persistent low crude oil prices and shortfall in domestic oil output due to the vandalisation of pipelines, continued to impact negatively on the external sector. Hence, foreign exchange inflow and outflow through the CBN fell below

the levels in July, 2016. The shift to a more flexible exchange rate regime on June 20th 2016, coupled with foreign exchange scarcity and reduced intervention by the CBN at the inter-bank market led to the depreciation of the naira. Gross external reserves also fell by 2.1 per cent.

Other major international economic developments and meetings of importance to the domestic economy during the review period include: the 2016 meeting of the African Governors of the IMF and World Bank held at Palais des Congres, Cotonou, Benin Republic from August 4 - 5, 2016; The Annual Meetings of the Association of African Central Banks (AACB) held in Abuja, Nigeria from August 15 - 19, 2016; The 33rd Meeting of the Committee of Governors of the West African Monetary Zone (WAMZ) held on August 4, 2016; and The 48th Ordinary Meeting of the Committee of Governors of Central Banks of ECOWAS Member States held at the Riviera Royale Hotel in Conakry, Guinea on August 4, 2016. Furthermore, the 31st meeting of the Board of Governors of WAIFEM was held at the Riviera Royale Hotel Conakry, Guinea on August 4, 2016. There was also the 36th meeting of the Convergence Council of Ministers and Governors of Central Banks of the West African Monetary Zone (WAMZ) held in Conakry, Guinea on August 5, 2016.

2.0 Financial Sector Developments

2.1 Monetary and Credit Developments

Based on the provisional data, growth in broad money supply (M₂) decelerated at end-August 2016. Banks' deposit and lending rates generally trended downward. The value of money market assets outstanding declined owing, largely, to the fall in Banker's Acceptances and FGN Bonds outstanding at the end of the review period. Activities on the Nigerian Stock Exchange (NSE) were mixed in the review month.

Money supply (M₂) decelerated on month-on-month basis at end-August 2016.

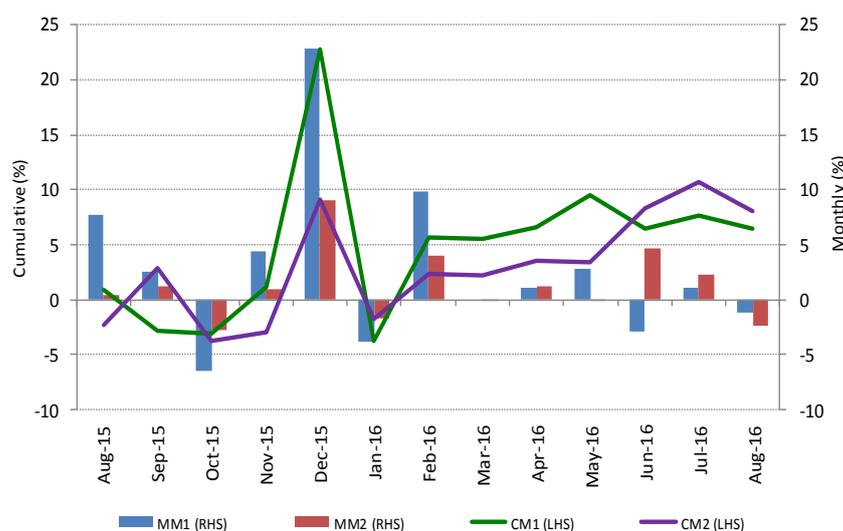
The low oil price at the international oil market persisted and continued to impact negatively on the economy in August 2016, even as domestic inflation remained at double digit. In spite of this, aggregate credit (net) to the domestic economy increased by 3.2 per cent with 18.2 per cent and 1.3 per cent growth in net claims on the Federal Government and the claims on Private Sector respectively. Net foreign assets of the banking system also grew marginally by 0.8 per cent. However, a significant decline of 13.2 per cent was recorded for other assets (net) of the banking system. Consequently, broad money supply, on monthly basis, contracted by 2.4 per cent to ₦21, 647.3 billion. Similarly, narrow money supply (M₁), at ₦9, 125.9 billion, fell by 1.1 per cent, reflecting the decline of 1.3 per cent in its demand deposit component.

Monetary developments relative to the levels at end-December 2015 showed significant growth in aggregate credit (net) and foreign assets (net) of the banking system by 20.1 and 34.8 per cent, respectively. Consequently, broad measure of money supply, M₂, grew by 8.1 per cent to ₦21, 647.3 billion, compared with the 10.8 per cent growth at the end of July, 2016. Other assets (net) of the banking system, however, declined by 64.9 per cent. Narrow money supply (M₁) rose by 6.5 per cent, reflecting the increase of 9.0 per cent in its demand deposit component (Fig. 1, Table 1).

Relative to the level at end-July 2016, quasi-money fell by 3.3 per cent to ₦11, 930.8 billion at end-August 2016, in contrast to the increase of 3.1 per cent at end-July 2016. The fall in quasi-money was attributed

to the decline in its savings and time deposit component, reflecting economic agents preference for transaction demand for money in the face of rising inflation. Over end-December 2015, quasi money increased by 9.3 per cent, compared with the 13.0 per cent growth at the end of the preceding month.

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



The Federal Government sustained its borrowing from the banking system in the review month through the issuance of treasury bills. On-month-on-month basis, net claims on the Federal Government grew by 18.2 per cent, in contrast to a decline of 3.8 per cent in the preceding month. Similarly, the Bank's intervention policy on key sectors of the economy delivered a 1.3 per cent growth in claims on the private sector, compared with the growth of 4.4 per cent in July, 2016. Consequently, at ₦25, 955.1 billion, aggregate credit to the domestic economy, on month-on-month basis grew by 3.2 per cent, compared with the growth of 3.5 per cent at the end of July, 2016. But contrasted with the decline of 0.7 per cent at end of the corresponding period of 2015.

Over the level at end-December 2015, net domestic credit grew by 20.1 per cent at the end of the review period, compared with the growth of 16.4 and 11.0 per cent at end-July 2016 and the corresponding

¹ MM1 and MM2 represent month-on-month changes, while CM1 and CM2 represent cumulative changes (year-to-date).

period 2015, respectively. This was driven by the significant growth in net claims on both the Federal Government and the private sector.

The Federal Government issued treasury bills and borrowed directly from the banking system in August 2016. Outstanding bills stood at ₦3,076.43 billion, representing a growth of 16.2 per cent above the level at end-July 2016. Direct loans, (mainly, from the CBN's Ways and Means Advances) which stood at ₦1,817.56 billion, represented a growth of 3.5 per cent. Consequently, on month-on-month basis, net claims on the Federal Government grew by 18.2 per cent to ₦3,290.9 billion at end-August 2016, in contrast to the 3.8 and 4.0 per cent decline at the end of the preceding month and the corresponding period of 2015, respectively.

Relative to the level at end-December 2015, net claims on the Federal Government grew by 13.7 per cent at the end of the review period, in contrast to the 3.8 per cent decrease at end-July 2016.

The CBN's private sector intervention initiatives have continued to impact positively on the real economy. Credit to the private sector, on a month-on-month basis, grew by 1.3 per cent to ₦22,664.2 billion, compared with the 4.4 per cent growth at the end of the preceding month. The development was due to the 3.5 and 0.7 per cent growth in claims on both state and local governments, and core private sector, respectively.

Over the level at end-December 2015, banking system's credit to the private sector grew by 21.1 per cent, compared with the growth of 19.5 per cent at the end of the preceding month (Fig. 2, Table 1).

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

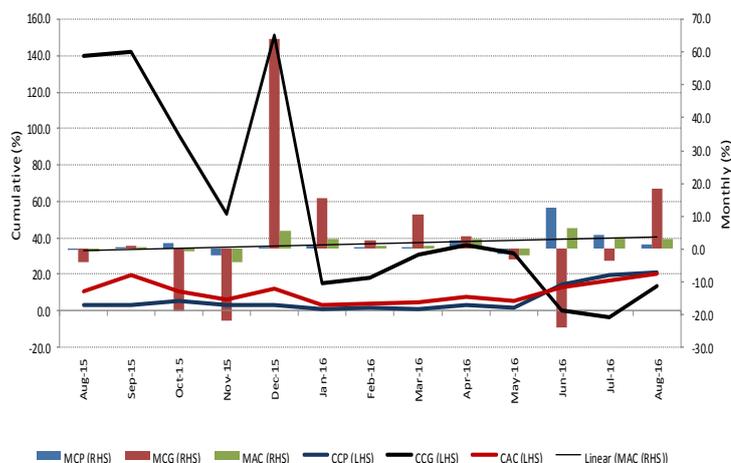


Table 1: Growth in Monetary and Credit Aggregates (over preceding month - Percent)

	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Domestic Credit (Net)	-0.7	0.6	-0.8	-4.1	5.6	2.8	0.9	1.1	2.9	-2.0	6.4	3.5	3.2
Claims on Federal Government (Net)	-4.0	0.9	-18.9	-22.0	64.0	15.4	2.6	10.5	4.0	-3.3	-23.9	-3.8	18.2
Claims on Private Sector	-0.2	0.5	1.9	2.0	0.1	0.9	0.6	-0.6	2.6	-1.7	12.5	4.4	1.3
Claims on Other Private Sector	0.3	-0.3	0.2	0.0	-0.4	-0.1	-	0.1	0.3	0.2	12.5	4.6	0.7
Foreign Assets (Net)	-3.3	-7.6	-9.1	14.4	6.9	-4.6	0.4	1.5	-9.1	3.2	36.5	6.5	0.8
Other Assets (Net)	4.6	6.1	1.5	4.8	9.1	-9.6	6.7	-4.7	1.5	3.9	-32.7	-8.2	-13.2
Broad Money Supply (M2)	0.4	1.2	-2.7	0.9	9.1	-1.7	4.1	-0.1	1.3	0.0	4.7	2.3	-2.4
Quasi-Money	-3.6	0.4	-0.5	-1.1	0.6	-0.2	-0.1	0.0	1.4	-2.3	10.9	3.1	-3.3
Narrow Money Supply (M1)	7.7	2.6	-6.4	4.4	22.8	-3.8	9.9	-0.2	1.1	2.8	-2.8	1.2	-1.1
Reserve Money (RM)	-0.2	-0.6	-1.8	-4.2	1.7	3.1	-1.1	-11.4	13.0	-3.0	-3.0	-2.3	-1.9

Foreign assets (net) of the banking system rose, on a month-on-month basis, at end-August 2016.

The liberalisation of the foreign exchange market in June, 2016 and the attendant depreciation of the naira which resulted in the revaluation of foreign assets led to an increase in the Net Foreign Assets of the banking system. Net foreign assets holdings of the CBN increased by 3.8 per cent to ₦7,375.9 billion at end-August 2016, while net foreign assets of banks stood at ₦247.08 billion. Consequently, at ₦7,622.9 billion, foreign assets (net) of the banking system grew by 0.7 per cent at end-August 2016, compared with the growth of 6.5 per cent at the end of the

² MCP, MCG and MAC represent month-on-month 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).

preceding month.

Over the level at end-December 2015, foreign assets (net) increased by 34.8 per cent at end-August 2016, compared with the growth of 33.8 per cent at the end of the preceding month. The growth was attributed to the increase of 33.0 and 128.8 per cent in the foreign assets holdings of CBN and commercial banks, respectively, for the same reason as previously stated.

Relative to the level at end-July 2016, other assets (net) of the banking system fell by 13.2 per cent to negative ₦11,930.8 billion, compared with the decline of 8.2 per cent at the end of the preceding month.

Over the level at end-December 2015, other assets (net) of the banking system fell by 64.9 per cent, compared with the 45.7 per cent decline at the end of the preceding month.

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

At ₦1,679.48 billion, currency-in-circulation rose by 0.9 per cent in August 2016, in contrast to the 1.2 per cent decline at the end of July 2016. This development was due, largely, to the increase in commercial banks' reserves.

Total deposits at the CBN amounted to ₦10,552.81 billion, indicating a decline of 3.6 per cent below the level at the end of July, 2016. The development reflected the fall in deposit money banks, private sector and Federal Government deposits, respectively, with the CBN. Of the total deposits at CBN, the shares of the Federal Government, banks and the private sector were 49.7 per cent, 33.6 per cent and 16.7 per cent, respectively.

Relative to the level at the end-July 2016, reserve money (RM) fell by 0.9 per cent to ₦5,221.86 billion at the end of the review month, reflecting a decline in the deposit money banks' demand deposit component.

Reserve money (RM) fell during the review month.

2.3 Money Market Developments

Liquidity condition was tight in August 2016, reflecting the tight monetary policy stance of the Bank. Consequently, money market rates and yields on Government securities all trended upward. Open Market Operations (OMO) remained the main instrument of liquidity management. CBN bills worth ₦746.73 billion was mopped-up during the period.

Provisional data indicated that the total value of money market assets outstanding stood at ₦10, 410.98 billion, showing a decline of 3.38 per cent, in contrast to the 3.31 per cent increase at the end of July, 2016. The development was, largely, attributed to the decline in Bankers' Acceptances and FGN Bonds outstanding.

2.3.1 Interest Rate Developments

Available data indicated mixed developments in bank's deposits and lending rates during the review month.

The tight monetary policy stance of the bank triggered liquidity squeeze in the system in the review month. Money market rates moved in tandem with the level of liquidity in the system. Apart from demand deposit and over 12- months deposit rates, which fell by 0.04 and 0.26 percentage points to 1.41 per cent and 5.25 per cent, respectively, all other deposit rates of various maturities rose from a range of 3.05 per cent – 7.80 per cent in July, 2016 to 3.36 per cent -8.36 per cent at the end of August 2016. The average term deposit rate rose to 6.30 per cent above the 6.03 per cent recorded in the preceding month.

The weighted average prime and maximum lending rates rose by 0.04 and 0.15 percentage points to 17.18 and 27.21 per cent, respectively, in the review month. As a result of this, the spread between the weighted average term deposit and maximum lending rates narrowed by 0.12 percentage point to 20.91 percentage points in August 2016. Similarly, the spread between the average savings deposit and average maximum lending rates, contracted by 0.16 percentage point to 23.85 per cent.

At the inter-bank call segment, the weighted average rate, which stood at 31.51 per cent in the preceding month, fell by 7.26 percentage points to 24.25 per cent. Similarly, the Nigeria inter-bank offered rate

(NIBOR) for the 30-day tenor, rose to 17.08 per cent above 15.54 per cent in the preceding month. The development reflected tight liquidity in the market. The weighted average rate at the open-buy-back (OBB) segment also fell to 14.25 per cent from 14.40 per cent in the review month. With the headline inflation rate at 17.6 per cent at end-August 2016, the lending rates (prime and maximum) were positive in real terms, while all the deposit rates were negative in real terms (Fig. 3, Table 2).

Figure 3: Selected DMBs Interest Rates (Average)

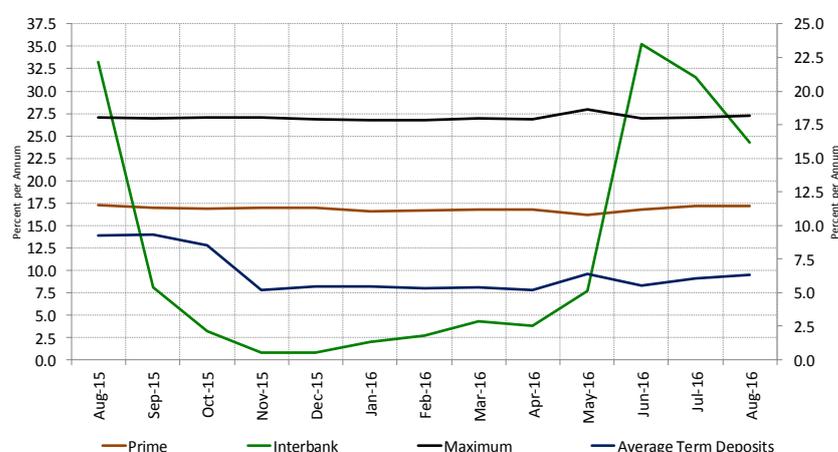


Table 2: Selected Interest Rates (Percent, Averages)

	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Average Term Deposits	9.24	9.32	8.52	5.2	5.43	5.43	5.36	5.38	5.19	6.38	5.53	6.03	6.3
Prime Lending	17.29	17.02	16.84	16.98	16.96	16.54	16.72	16.82	16.77	17.82	16.78	17.14	17.18
Interbank Call	33.26	8.12	3.22	0.84	0.77	2.04	2.67	4.32	3.75	7.67	35.26	31.51	24.25
Maximum Lending	27.01	26.99	27.01	27.02	26.84	26.77	26.73	26.93	26.88	27.93	26.93	27.06	27.21

2.3.2 Commercial Paper (CP)

Commercial paper held by merchant banks increased by 1.5 per cent to ₦3.10 billion in August 2016 above the level in July 2016. As in the preceding month, no CP was held by commercial banks during the review period.

2.3.3 Bankers' Acceptances (BAs)

At the end of the review period, BAs decreased by 7.1 per cent to ₦30.26 billion, compared with ₦32.57 billion at the end of July 2016. The development was attributed to the decrease in investment in BAs by the commercial banks during the month. Consequently,

BAs accounted for 0.3 per cent of the total value of money market assets outstanding at end-August 2016, the same as at the end of the preceding month.

2.3.4 Open Market Operations (OMO)

The Bank intervened eight (8) times in the money market through direct OMO auctions. The tenor of the instrument ranged between 185- to 363-day as at August 31, 2016. The amount offered, subscribed to and allotted were ₦1,196.24 billion, ₦2,248.65 billion and ₦1,728.15 billion, respectively, compared with ₦413.27 billion subscribed to, and ₦228.23 billion allotted in July 2016. The bid rates ranged from 12.5000 to 20.0000 per cent, while the stop rate was at 12.5000 and 18.5000 per cent. CBN bills amounting to ₦232.08 billion matured and was repaid. Consequently, there was a net withdrawal of ₦635.84 billion from the system.

2.3.5 Primary Market

Nigerian Treasury Bills of 91-, 182- and 364-day tenors were auctioned at the primary market during the review month. Total amount offered, subscribed to, and allotted were ₦307.61 billion, ₦765.85 billion and ₦307.61 billion, respectively, compared with ₦221.96 billion, ₦616.65 billion and ₦394.96 billion in July 2016.

At the 91-day auction, total subscription and allotment were ₦145.58 billion and ₦77.61 billion, respectively, with bid rates ranging from 9.00 per cent to 20.00 per cent, while the stop rates ranged from 14.99 per cent to 15.44 per cent. For the 182-day tenor, total subscription and allotment were ₦326.84 billion and ₦110.00 billion, respectively. The bid rates ranged from 11.00 per cent to 20.49 per cent, while the stop rates ranged from 17.48 per cent to 18.06 per cent. At the 364-day segment, total subscription and allotment were ₦293.43 billion and ₦120.00 billion, respectively, with the bid rates ranging between 15.50 per cent and 25.35 per cent, while stop rates ranged from 14.99 per cent to 18.50 per cent.

2.3.6 Bonds Market

In the review month, existing tranches of the 5-, 10- and 20-year FGN Bonds were reopened. The term to

maturity of the bonds ranged from 4 years, 11 months to 19 years, 7 months. Total amount offered, subscribed to and allotted were ₦110.00 billion, ₦210.29 billion and ₦110.00 billion, respectively. The bid rate on all the bonds ranged from 10.00 per cent to 18.50 per cent. The marginal rates for the 5-year, 10-year and 20-year bonds were 15.08, 15.28 and 15.53 per cent, respectively. There was maturity of ₦581.39 billion with ₦132.80 billion for non-competitive customers.

2.3.7 CBN Standing Facilities

Developments at the CBN standing facilities window showed that request for Standing Lending Facility (SLF) significantly exceeded the Standing Deposit Facility (SDF). Applicable rates for the SLF and SDF remained at 16.00 and 9.00 per cent, respectively.

Total request for SLF was ₦5,028.39 billion, and comprised ₦2,874.13 billion direct SLF and ₦2,154.25 billion Intra-day Lending Facility (ILF) converted to overnight repos. Average daily request was ₦218.63 billion in 23 transaction days, from August 1 to 31, 2016, while total interest earned during the period was ₦3.37 billion. In the preceding month, the sum of ₦2,442.31 billion was granted with a total daily average request of ₦174.45 billion in 14 transaction days and interest earned was ₦2.11 billion.

Standing Deposit Facility (SDF) totaling ₦844.37 billion was granted during the review month. This represented a daily average of ₦36.71 billion, for the 23 transaction days in the review period. Cost incurred on SDF in the month was ₦0.27 billion.

2.4 Deposit Money Banks' Activities

Available data showed that total assets and liabilities of banks amounted to ₦32,147.20 billion, indicating a decline of 0.9 per cent relative to the level at the end of July 2016. Funds were sourced, mainly, from disposal of unclassified assets, foreign assets and drawdown on reserves. The funds were used, largely, to increase claims on Other Financial Institutions and the Central Government as well as reduction in unclassified liabilities.

Banks' credit to the domestic economy rose by 0.2 per cent.

At ₦21,405.8 billion, banks' credit to the domestic economy rose by 0.2 per cent, compared with the level at the end of the preceding month. The development reflected, largely, the increase in claims on the private sector.

Total specified liquid assets of banks stood at ₦6,844.79 billion, representing 36.3 per cent of their total current liabilities. At that level, the liquidity ratio was 1.04 and 6.3 percentage points above the levels at the end of July 2016 and the stipulated minimum ratio of 30.0 per cent, respectively. The loans-to-deposit ratio, at 79.5 per cent, was 2.1 percentage points above the July 2016 level, but 0.5 percentage point below the stipulated maximum ratio of 80.0 per cent.

2.5 Capital Market Developments

2.5.1 Secondary Market

The challenging economic conditions continued to weaken the capital market fundamentals leading to adverse developments in the market. As a result, the volume and value of traded securities rose by 36.2 per cent and 37.1 per cent to 5.6 billion shares and ₦58.8 billion, respectively, traded in 75,675 deals, compared with 4.7 billion shares valued at ₦42.9 billion in 69,597 deals, recorded in the preceding month. The Financial Services Sector (measured by volume) led the activity chart with 4.2 billion shares valued at ₦30.8 billion, traded in 39,717 deals and accounted for 75.4 and 52.4 per cent of the total equity turnover volume and value, respectively, compared with 3.9 billion shares worth ₦22.8 billion, traded in 42,784 deals, in the preceding month. The Banking sub-sector (measured by turnover volume) was the most active during the month with 2.0 billion shares valued at ₦16.6 billion in 13,251 deals (Fig.4, Table 3).

Figure 4: Volume and Value of Traded Securities

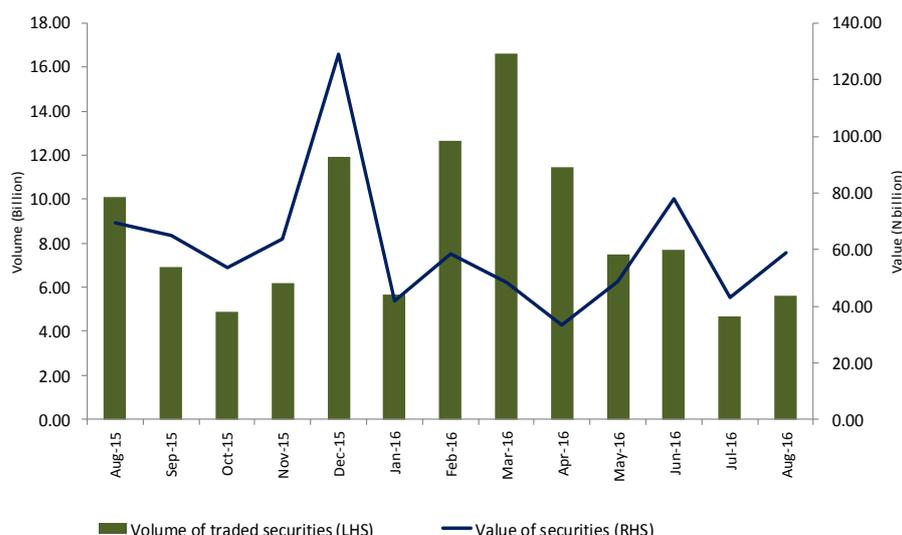


Table 3: Traded Securities on the Nigerian Stock Exchange (NSE)

	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Volume (Billion)	10.1	6.9	4.9	6.2	11.9	5.7	12.6	16.6	11.5	7.5	7.7	4.7	5.6
Value (N Billion)	69.4	64.9	53.5	63.9	129.0	42.1	58.6	48.2	33.5	48.8	77.9	42.9	58.8

2.5.2 Over-the-Counter (OTC) Bonds Market

There were no transactions in the OTC Bond market in the review month.

2.5.3 New/Supplementary Issues Market

There were no new or supplementary listings in the review month.

2.5.4 Market Capitalisation

Following the declining trend in macroeconomic conditions, aggregate market capitalisation of quoted equities fell by 3.0 per cent to ₦16.13 trillion at end-August 2016 from ₦16.63 trillion at end-July 2016. Market capitalisation for the equity segment also fell by 1.6 per cent to ₦9.48 trillion and constituted 58.8 per cent of the total, compared with ₦9.63 trillion and 57.9 per cent at the end of the preceding month (Fig.5, Table 4).

2.5.5 NSE All-Share Index

In tandem with the development in the domestic economy, the All-Share Index which is the benchmark index that indicates price movements of quoted

equities, opened at 28,009.93 at the beginning of the month and closed at 27,599.03, representing a decline of 1.5 per cent below the level in the preceding month.

Available data indicated mixed developments in sectoral indices during the review period. The NSE-Oil & Gas and NSE-Lotus Islamic indices rose by 2.3 and 1.0 per cent above the level in the preceding month to 305.99 and 1,860.57, while the NSE-AseM index remained unchanged at 1,213.68 at end-August, 2016. All the other sectoral indices fell below the levels in the preceding month except NSE-Lotus Islamic and NSE-Oil & Gas. The NSE industrial Goods, NSE-Pension, NSE-Insurance, NSE-Premium, NSE-Banking and NSE-Consumer Goods indices fell by 0.7 per cent, 2.4 per cent, 2.6 per cent, 3.7 per cent, 2.8 per cent, and 0.2 per cent to 1840.78, 814.32, 129.28, 1708.08, 282.79, and 718.28, respectively, (Fig.5, Table 4).

Figure 5: Market Capitalization and All-Share Index

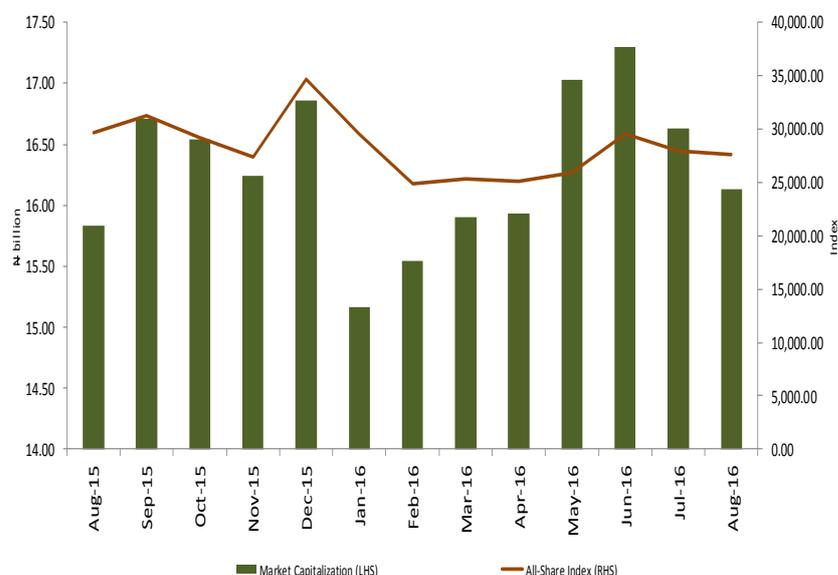


Table 4: Aggregate Market Capitalization and All Share Index (NSE)

	Mar-16	Apr-16	May-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Aggregate Market Capitalization (₦ trillion)	15.88	15.93	17.03	15.93	17.03	17.3	16.63	16.13
All-Share Index	25,306.22	25,062.41	25,902.25	25,062.41	25,902.25	29,597.79	28,009.93	27,599.03

3.0 Fiscal Operations

Provisional data showed that federally-collected revenue in August 2016, at ₦602.82 billion, was below the receipt in the preceding month by 23.9 per cent. Federal Government retained revenue for August 2016 was ₦294.24 billion, while total provisional expenditure was ₦484.97 billion. Consequently, the fiscal operations of the Federal Government resulted in an estimated deficit of ₦190.73 billion.

3.1 Federation Account Operations

At ₦602.82 billion, estimated federally-collected revenue (gross) in August 2016 fell short of both the monthly budget estimate of ₦792.71 billion by 24.0 per cent, and the preceding month's receipts of ₦792.48 billion by 23.9 per cent. The development, relative to the monthly budget estimate, was attributed to the decline in both oil and non-oil receipts (Fig. 6, Table 5).

At ₦602.82 billion, estimated federally-collected revenue (gross) in August 2016, fell short of the monthly budget estimate of ₦792.71 billion

Figure 6: Components of Gross Federally-Collected Revenue

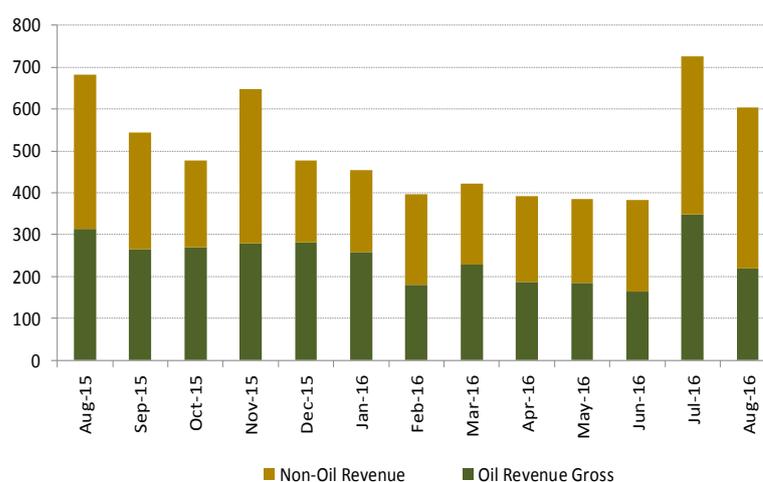


Table 5: Gross Federation Account Revenue (N billion)

	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Federally-collected revenue (Gross)	682.6	543.9	478.2	646.6	476.2	453.3	397.3	421.1	391.3	384.9	382.8	792.5	602.8
Oil Revenue	314.9	265.2	271.1	278.3	281.4	258.4	180.0	227.7	186.7	185.8	164.8	348.1	220.5
Non-Oil Revenue	367.7	278.7	207.1	368.3	194.8	194.9	217.3	193.4	204.7	199.1	218.1	376.7	382.3

At ₦220.48 billion or 36.6 per cent of total revenue, oil receipts fell short of the monthly budget estimate of ₦294.57 billion and the preceding month's receipts of

At ₦220.48 billion, oil receipts (gross) was below the monthly budget estimate by 25.2 per cent, and constituted 36.6 per cent of total revenue.

₦348.05 billion by 25.2 per cent and 36.7 per cent, respectively. The decrease in oil revenue was attributed to shut-downs and shut-ins in production arising from repairs at some NNPC terminals and pipeline vandalism (Fig. 7, Table 6).

Figure 7: Gross Oil Revenue and Its Components

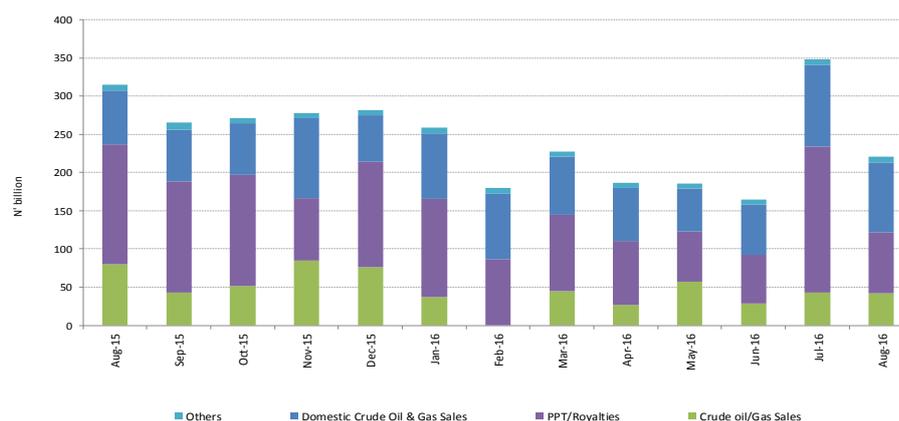


Table 6: Components of Gross Oil Revenue (₦ billion)

	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Oil Revenue	314.9	265.2	271.1	278.3	281.4	258.5	180.0	227.7	186.7	185.8	164.8	348.1	220.5
Crude oil/Gas Sales	79.7	42.9	51.7	84.7	76.4	37.5	0.0	45.0	27.0	57.1	28.5	43.2	41.8
PPT/Royalties	157.0	146.0	145.8	82.1	138.2	128.0	86.6	99.4	83.6	65.7	66.0	105.7	79.9
Domestic crude oil/Gas sales	71.1	67.5	66.9	104.7	60.2	86.1	86.0	76.6	69.5	56.2	63.5	191.4	91.8
Others	7.1	8.8	6.7	6.7	6.6	6.9	7.5	6.7	6.6	6.8	6.8	7.7	6.9

At ₦382.34 billion, non-oil receipts (gross) was lower than the monthly budget estimate by 23.2 per cent and constituted 63.4 per cent of total revenue.

Non-oil revenue, at ₦382.34 billion or 63.4 per cent of total revenue, fell below the monthly budget estimate of ₦498.14 billion and the preceding month's receipt of ₦444.43 by 23.2 and 14.0 per cent, respectively. The poor performance in August 2016, was attributed to the decline in receipts from Companies Income Tax (CIT), Independent Revenue of the Federal Government and Customs and Special Levies (Fig. 8, Table 7).

Figure 8: Gross Non-Oil Revenue and its Components

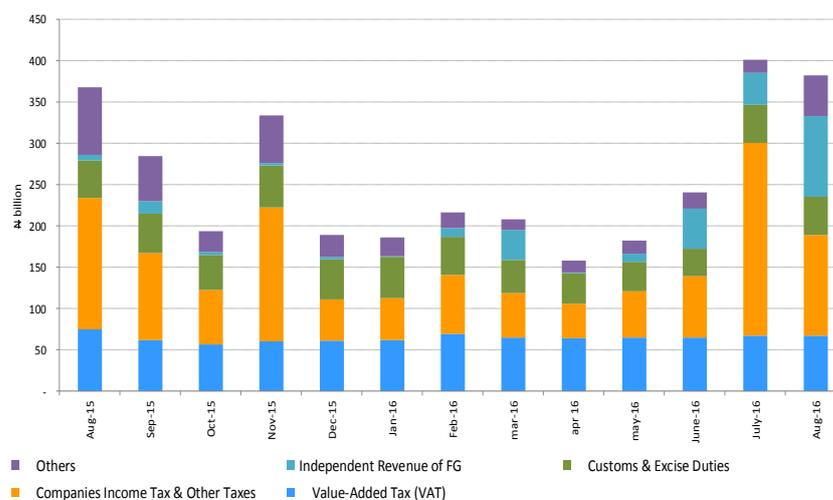


Table 7: Components of Gross Non-Oil Revenue (₦ billion)

	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Non-Oil Revenue	367.7	284.6	193.8	334.0	189.3	186.6	216.3	208.4	158.0	182.3	240.5	401.4	382.4
Corporate Tax	158.8	105.0	66.5	162.6	50.0	50.8	71.2	54.2	41.8	55.9	73.9	232.9	122.2
Customs & Excise Duties	45.9	48.2	42.4	50.5	48.8	49.5	46.1	39.9	37.4	35.6	33.6	46.3	46.3
Value-Added Tax (VAT)	74.9	62.2	56.4	60.2	61.2	62.1	69.7	64.8	64.2	65.3	65.1	67.4	67.0
Independent Revenue of Fed. Govt.	6.5	14.7	3.3	3.3	2.4	0.9	10.6	36.1	0.6	10.0	48.5	38.8	97.4
Others	81.6	54.6	25.3	57.4	26.9	23.3	18.8	13.4	13.9	15.6	19.3	16.0	49.6

Of the gross federally-collected revenue, the sums of ₦19.05 billion, ₦94.74 billion, ₦6.33 billion and ₦1.33 billion were deducted from the gross oil revenue in respect of Excess PPT/Royalty, JV Cash Calls, NNPC Refunds and DPR cost of collections, respectively, leaving a net balance of ₦99.03 billion. Similarly, the sum of ₦11.97 billion was deducted as cost of collections by the FIRS and NCS from the gross non-oil receipt, leaving a net balance of ₦370.37 billion. Overall, the total Federally Collected Revenue (net) amounted to ₦469.40 billion.

Of the total federally-collected revenue (net), the sum of ₦258.15 billion was transferred to the Federation Account, ₦64.31 billion to VAT Pool Account, ₦97.38 billion to the Federal Government Independent revenue and ₦49.57 billion to "Others," including

Tertiary Education Trust Fund, National Information Technology Development Fund and Customs Special Levies.

Of the ₦258.15 billion transferred to the Federation Account for distribution, the Federal Government received ₦129.21 billion, while the State and Local Governments received ₦65.54 billion and ₦50.53 billion, respectively. The balance of ₦12.87 billion was shared among the oil producing States as 13% Derivation Fund.

After the deduction of the cost of collection, the net balance of ₦64.31 billion from the VAT Pool Account was shared among the three tiers of government in the order: Federal Government, ₦9.65 billion; State Governments, ₦32.15 billion and Local Governments, ₦22.51 billion.

The sum of ₦105.69 billion was shared as Exchange Gain among the beneficiaries: Federal Government, ₦50.95 billion; State Governments, ₦25.84 billion; Local Governments, ₦19.92 billion and 13% Derivation Fund, ₦8.98 billion.

Furthermore, the Federal Government received the sum of ₦6.33 billion in respect of NNPC's 23rd equal installment refund of indebtedness.

In sum, total allocation to the three tiers of government from the Federation and VAT Pool Accounts in August 2016 amounted to ₦435.86 billion. Relative to the monthly budget estimate of ₦495.23 billion and the preceding month's level of ₦546.62 billion, the allocation for August 2016 declined by 12.0 per cent and 20.3 per cent, respectively.

3.2 The Fiscal Operations of the Three Tiers of Government

3.2.1 The Federal Government

At ₦294.24 billion, the estimated Federal Government retained revenue for the month of August 2016 was below the monthly budget estimate of ₦337.48 billion and the preceding month's receipt of ₦294.41 billion, by 12.8 per cent and 0.1 per cent, respectively. Of the total receipt in August 2016, Federation Account accounted for 43.9 per cent, while FGN Independent

At ₦294.24 billion, the estimated Federal Government retained revenue was below the monthly budget estimate by 12.8 per cent.

Revenue, VAT, NNPC refund, Exchange Gain and Non-oil Excess Revenue and solid minerals accounted for 33.1 per cent, 3.3 per cent, 2.2 per cent, 17.3 per cent and 1.2 per cent, respectively (Fig. 9, Table 8).

Figure 9: Federal Government Retained Revenue

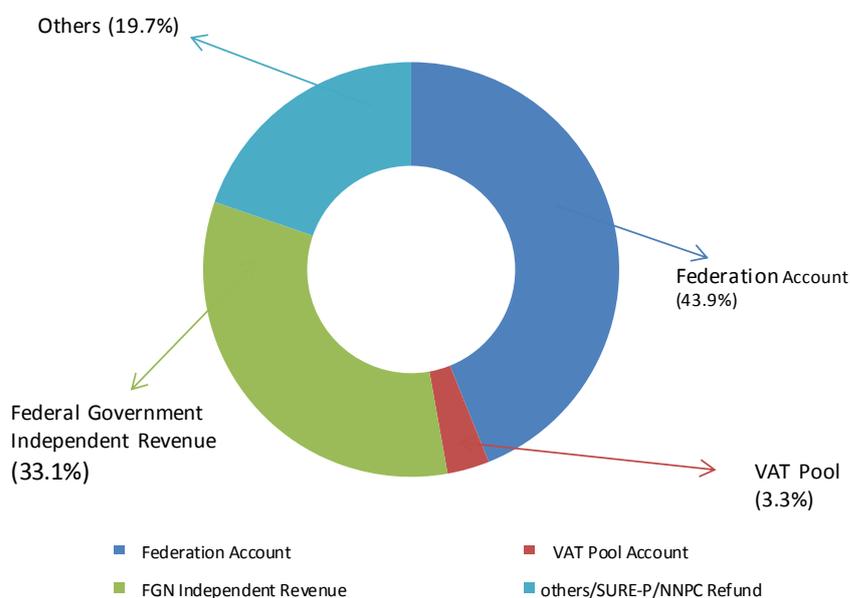


Table 8: Federal Government Fiscal Operations (₦ billion)

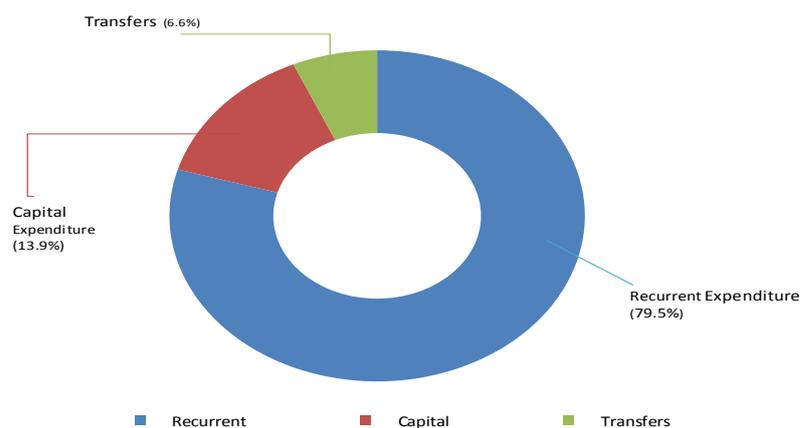
	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Retained Revenue	228.8	408.9	353.7	299.9	164.8	207.1	181.7	199.1	334.8	138.6	249.0	294.4	294.2
Expenditure	376.9	390.3	318.5	419.6	369.4	137.6	587.9	408.9	703.9	318.3	359.3	465.8	485.0
Overall Balance: (+)/(-)	-148.1	18.5	35.3	-119.8	-204.6	69.5	-406.2	-209.8	-369.1	-179.6	-110.4	-171.4	-190.7

At ₦484.97 billion, the estimated total expenditure of the Federal Government fell below the monthly budget estimate of ₦522.64 billion by ₦37.68 billion or 7.2 per cent. It, however, rose relative to the preceding month's expenditure of ₦465.83 billion, by ₦19.14 billion or 4.1 per cent. Recurrent expenditure, capital expenditure, and transfers, accounted for 79.5 per cent, 13.9 per cent, and 6.6 per cent, of the total expenditure, respectively.

Total estimated expenditure at ₦484.97 billion was below the monthly budget estimate by 7.2 per cent.

A breakdown of the recurrent expenditure showed that non-debt obligation was 78.9 per cent of the total, while debt service payments accounted for the balance of 21.1 per cent (Fig. 10).

Figure 10: Federal Government Expenditure



The fiscal operations of the FG resulted in an estimated deficit of ₦190.73 billion.

Overall, the fiscal operations of the Federal Government resulted in an estimated deficit of ₦190.73 billion, compared with the monthly budget deficit estimate of ₦185.16 billion

3.2.2 Statutory Allocations to State Governments

Total estimated statutory allocations to the State Governments was ₦145.76 billion. This fell short of the monthly budget estimate of ₦173.43 billion by 16.0 per cent. It was also below the preceding month's receipts of ₦174.71 billion by 16.6 per cent.

Receipt from the Federation Account amounted to ₦113.6 billion or 77.9 per cent of the total statutory allocations. This was below the budget estimate of ₦114.43 billion and the preceding month's receipt of ₦142.36 billion, by 0.7 per cent and 20.2 per cent, respectively.

A further decomposition of the receipts revealed that the VAT Pool Account, at ₦32.15 billion or 22.1 per cent of the total, fell below both the monthly budget estimate of ₦59.00 billion and the July 2016 receipt of ₦32.35 billion, by 45.5 per cent and 0.6 per cent, respectively (Table 9).

3.2.3 Statutory Allocations to Local Government Councils

Provisional data showed that allocations to Local Governments from the Federation and VAT Pool Accounts in the month of August 2016 stood at ₦93.24 billion. This was below the monthly budget estimate of ₦115.18 billion by 19.0 per cent. It also declined relative to the preceding month's receipts of ₦116.32 billion by 19.8 per cent.

Allocation from the Federation Account was ₦70.73 billion (75.9 per cent of the total statutory allocation), while its share from the VAT Pool Account was ₦22.51 billion (24.1 per cent of the total statutory allocation) (Table 9).

Table 9: Statutory Allocation to State Governments and Local Government Councils (₦ Billion)

	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	2016 Monthly Budget
SG Federation Account	132.9	115.2	106.1	123.7	98.1	104.1	93.3	88.5	76.1	67.9	74.8	142.4	113.6	114.4
SG VAT	36.0	29.8	27.1	28.9	29.4	29.8	33.5	31.1	30.8	31.3	31.3	32.4	32.2	59.0
SG Total	168.9	145.0	133.2	152.6	127.5	133.9	126.7	119.6	107.0	99.3	106.1	174.7	145.8	173.4
LG Federation Account	80.2	66.8	60.1	76.4	55.4	58.5	54.4	50.4	43.2	40.0	44.6	93.7	70.7	73.9
LG VAT	25.2	20.9	19.0	20.2	20.6	20.9	23.4	21.8	21.6	21.9	21.9	22.6	22.5	41.3
LG Total	105.4	87.7	79.1	96.7	76.0	79.3	77.8	72.1	64.8	62.0	66.5	116.3	93.2	115.2
Total Statutory Revenue and	274.3	232.7	212.3	249.3	203.5	213.2	204.6	191.8	171.7	161.2	172.6	291.0	239.0	288.6

4.0 *Domestic Economic Conditions*

In the review month, agricultural activities in most parts of the country received a boost as a result of well distributed rainfall. Early harvest of yams and maize dominated agricultural activities in the South, while harvest of potatoes and groundnuts dominated in the Central and Northern regions, reducing food shortages in most areas of the country. In the livestock sub-sector, migration of cattle continued from the North to neighboring countries. Domestic crude oil production stood at 1.47 million barrels per day (mbd) or 45.57 million barrels during the month. Headline inflation rate, on a year-on-year basis, was 17.6 and 12.7 per cent, on a 12-month moving average basis, in August 2016.

4.1 **Agricultural Sector**

Agricultural activities in most parts of the country received a boost as a result of well distributed rainfall during the review period. Early harvest of yams and maize dominated agricultural activities in the South, while farmers in the Central and Northern regions concentrated on harvest of potatoes, early maturing maize and groundnuts. The on-set of harvest reduced food shortages in most areas of the country. However, households in newly liberated areas in northern and central Borno, south-eastern Yobe and other areas with active military operations, faced severe shortages of food. In the livestock sub-sector, there was continued migration of cattle from the North to neighboring countries. There was also widespread flooding during the period along the confluence of rivers Benue and Niger at Lokoja and in the Niger Delta area.

A total of ₦699.2 million was guaranteed to 5,834 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in August 2016. This amount represented an increase of 25.3 per cent above the level in the preceding month, but a decline of 57.4 per cent below the level in the corresponding period of 2015. Sub-sectoral analysis showed that food crops obtained the largest share of ₦469.8 million (67.2 per cent) guaranteed to 4,637 beneficiaries, livestock got ₦85.3 million (12.2 per cent) guaranteed to 327 beneficiaries, cash crops had ₦60.8 million (8.7 per cent) guaranteed to 370 beneficiaries, while mixed

crops received ₦41.9 million (6.0 per cent) guaranteed to 322 beneficiaries. The fisheries sub-sector received ₦37.1 million (5.3 per cent) guaranteed to 159 beneficiaries, while 'Others' received a total of ₦4.1 million (0.6 per cent) guaranteed to 19 beneficiaries.

Analysis by state showed that 28 states and the Federal Capital Territory benefited from the Scheme in the review period, with the highest and lowest sums of ₦81.7 million (11.7 per cent) and ₦0.7 million (0.1 per cent) guaranteed to Edo and Bayelsa States, respectively.

As at August 22, 2016, the total amount released by the CBN under CACS to the participating banks for disbursement stood at ₦380.09 billion for 470 projects.

As at August 22, 2016, a cumulative sum of ₦380.09 billion had been released to the economy under the Commercial Agriculture Credit Scheme (CACS), in respect of 470 projects from inception in 2009. This comprised releases from the DMBs' Receivable Account (₦199.831 in respect of 273 projects) and the Repayment Account (₦180.253 billion, in respect of 197 new projects) (Table 10).

Table 10: Disbursement of Credit under the Commercial Agriculture Credit Scheme (CACS) as at August 22, 2016.

Participating Banks	Amount Disbursed (₦ billion)	Number of Projects/State Governments
UBA Plc	57.76	41
Zenith Bank	76.84	57
First Bank of Nigeria Plc	41.89	97
Unity Bank Plc	24.33	26
Union Bank Plc	22.56	30
Stanbic IBTC Plc	21.98	41
Sterling Bank	24.17	30
Access Bank	18.63	20
Fidelity Bank Plc	15.91	13
Skye Bank Plc	11.77	9
FCMB Plc.	11.38	22
Ecobank	6.38	10
GTBank	25.70	21
Diamond Bank Plc	4.72	20
Heritage Bank	6.81	14
Citibank Plc	3.00	2
Keystone Bank	3.45	6
WEMA Bank Plc	1.82	10
Jaiz Bank Plc	1.00	1
TOTAL	380.1	470

4.2 Petroleum Sector

Oil production was affected by the severe attacks on oil installations by militant groups during the review period. Consequently, crude oil production, including condensates and natural gas liquids declined from an average of 1.61 mbd or 49.91 mb in July 2016 to 1.47 mbd or 45.57 million barrels (mb) in August 2016, representing a decrease of 0.14 mbd or 8.7 per cent. Crude oil export was 1.02 mbd or 30.60 mb, representing a decrease of 12.07 per cent, compared with 1.16 mbd or 35.96 mb recorded in the preceding month.

Allocation of crude oil for domestic consumption remained at 0.45 mbd or 13.50 mb during the review period.

A weaker US dollar and drawdown on crude and gasoline stocks in the US, triggered a rise in oil prices during the review period. Similarly, signs of potential action by producers to curb excess supply and bullish speculative activities supported a price rally. Consequently, the average spot price of Nigeria's reference crude, the Bonny Light, for the period, exhibited an upward trend similar to other world traded crude varieties with the exception of the WTI, which fell by 2.9 per cent to US\$43.10. At an estimated average of US\$47.46 per barrel, the average spot price of Nigeria's reference crude, the Bonny Light (37° API), increased by 2.5 per cent above the level in July, 2016. The UK Brent, at US\$45.34/b and the Forcados, at US\$46.22/b, exhibited similar trends as the Bonny Light.

The average price of OPEC basket of eleven selected crude streams stood at US\$44.60/b in August 2016, compared with US\$42.70/b in July 2016, representing an increase of 4.5 per cent, but a decline 1.9 per cent relative to the corresponding period of 2015 (Fig. 11, Table 11).

Crude oil and natural gas production was estimated at an average of 1.47 million barrels per day.

The average prices of Nigeria's reference crude, the Bonny Light, and the UK Brent, the Forcados and other competing crudes rose, compared with the levels in the preceding month. The WTI decline.

Figure 11: Trends in Crude Oil Prices

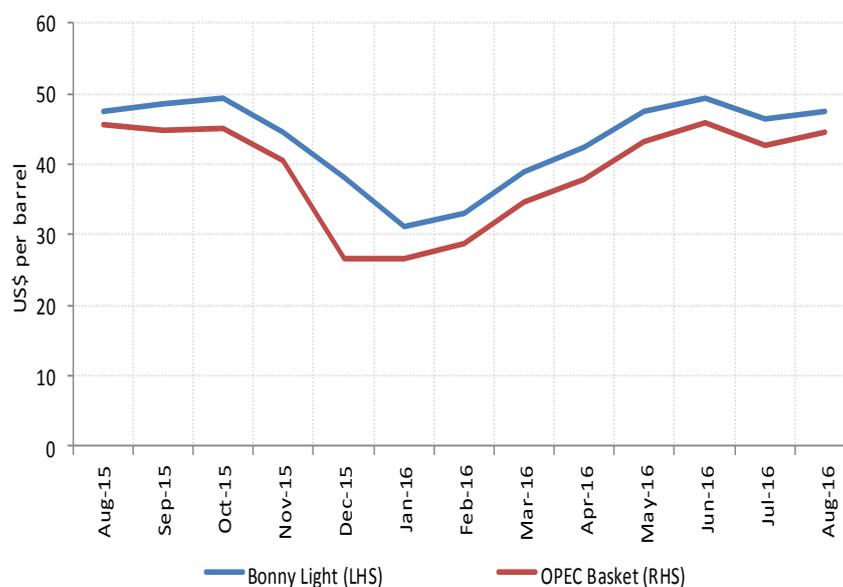


Table 11: Average Crude Oil Prices in the International Oil Market

	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Bonny Light	47.5	48.6	49.2	44.5	38.2	31.2	32.9	38.9	42.3	47.6	49.3	46.3	47.5
OPEC Basket	45.5	44.8	45.1	40.5	26.5	26.5	28.7	34.7	37.9	43.2	45.8	42.7	44.6

4.3 Consumer Prices

Persistent shortage of foreign exchange and epileptic power supply during August 2016 constituted further drag on economic activities thereby increasing cost of doing business. The development, coupled with the constrained government revenue, due to the decline in crude-oil price and production levels as a result of the persistent insurgency in the Niger Delta region, continued to impair economic activities.

As a result the all-items composite Consumer Price Index (CPI) in August 2016, stood at 206.3 (November 2009=100), and represented 1.0 per cent and 17.6 per cent increase relative to the levels in July 2016 and the corresponding period of 2015, respectively. The rise in the composite index was due mostly to increase in the prices of food and non-alcoholic beverages; housing, water, electricity, gas and other fuel; clothing and footwear; transport; education; furnishing, household equipment and maintenance; and health.

The general price level rose in August 2016, compared with the level in the preceding month.

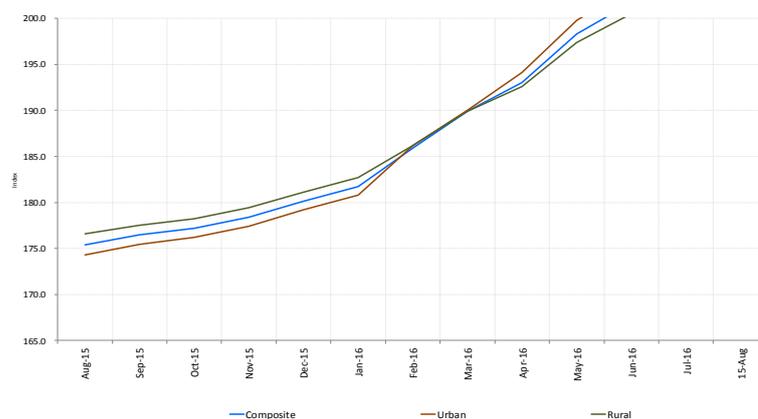
The urban all-items CPI at end-August 2016, was 208.0 (November 2009=100), representing increase of 0.9 per cent and 19.3 per cent relative to the levels at end-July 2016 and end-August 2015, respectively. The rural all-items CPI for the month was 205.0 (November 2009=100), indicating a rise of 1.1 per cent and 16.1 per cent relative to the levels at end-July 2016 and end-August 2015, respectively (Fig. 12, Table 12).

The composite food index was 210.3, showing increase of 1.2 per cent and 3.98 per cent relative to the levels in the preceding month and the corresponding period of 2015, respectively. The development was accounted for, largely, by the increase in the indices of farm produce (vegetables; yam, potatoes & other tubers; rice; fruits; and millet); and processed food.

Table 12: Consumer Price Index (November 2009=100)

	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Composite	175.4	176.46	177.2	178.4	180.2	181.7	185.9	189.9	193.0	198.3	201.7	204.2	206.3
Urban	174.3	175.45	176.2	177.4	179.2	180.8	186.2	190.0	194.1	199.8	203.4	206.1	208.0
Rural	176.6	177.5	178.2	179.4	181.1	182.7	186.0	189.9	192.6	197.4	200.5	202.8	205.0
CPI - Food	180.6	181.78	182.6	184.1	186.2	187.9	190.5	194.9	197.4	202.5	205.4	207.9	210.3
CPI - Non Food	172.7	173.66	174.4	175.4	176.7	178.2	183.0	186.4	189.6	194.7	198.3	200.7	202.4

Figure.12: Consumer Price Index



The year-on-year headline inflation rate was 17.6 per cent in August 2016.

The end-period inflation rate for the review month, on a year-on-year basis, was 17.6 per cent, indicating a 0.5 percentage point increase over the level in the preceding month. On a twelve-month moving

average basis, the inflation rate was 12.7 per cent, indicating a 0.7 percentage point increase over the level in July 2016 (Fig. 13, Table 13).

Figure 13: Inflation Rate

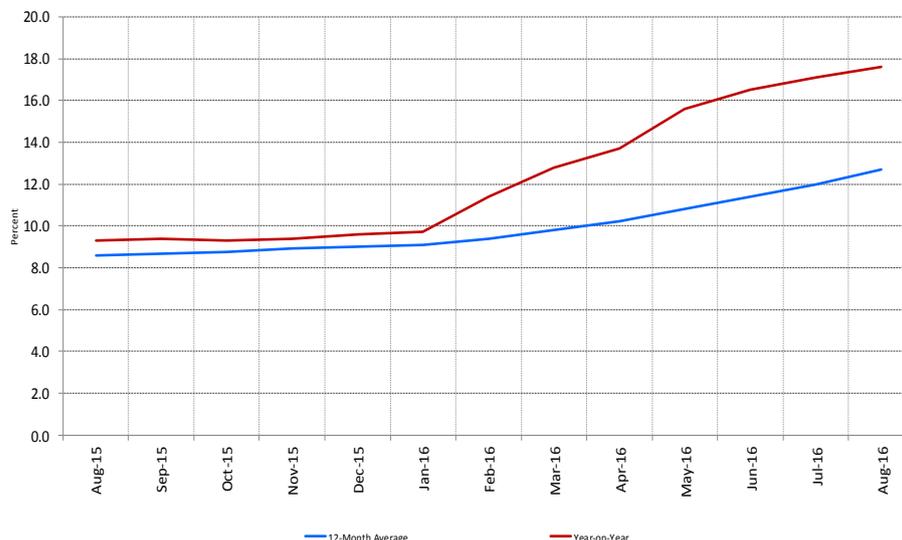


Table 13: Headline Inflation Rate (%)

	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
12-Month Average	8.6	8.7	8.8	8.9	9.0	9.1	9.4	9.8	10.2	10.8	11.4	12.0	12.7
Year-on-Year	9.3	9.4	9.3	9.4	9.3	9.6	11.4	12.8	13.7	15.6	16.5	17.1	17.6

5.0 External Sector Developments

The external sector remained weak in the review period on account of persistent low global crude oil price, low domestic oil output and foreign exchange supply shortage according to provisional data. On month-on-month basis, foreign exchange inflow and outflow through the CBN fell by 3.1 per cent and 2.5 per cent, respectively. Total non-oil export receipts by banks rose by 113.4 per cent, relative to the level in July 2016. The average exchange rate of the naira at the inter-bank segment depreciated to ₦309.73 per US dollar in the review month. The gross external reserves fell by 2.1 per cent below the level in July 2016.

5.1 Foreign Exchange Flows

The persistent low crude oil prices and shortfall in domestic oil output due to pipeline vandalism continued to impact negatively on the performance of the external sector. Consequently, foreign exchange inflow through the CBN, at US\$2.06 billion, fell by 3.1 per cent and 20.7 per cent below the levels a month ago and August of 2015, respectively.

Outflow through the CBN, at US\$2.60 billion, fell by 2.5 per cent and 17.5 per cent below the levels in July 2016 and end-August of 2015, respectively (Fig. 14, Table 14). The fall in foreign exchange outflow reflected mainly in the respective decline of 80.7 per cent, 56.1 per cent, 17.8 per cent and 49.0 per cent in sales at the interbank segment of the foreign exchange market, external debt service, swaps and other official payments in the review period.

Overall, net outflow remained at US\$0.54 billion as in the preceding month, compared with the net outflow of US\$0.56 billion recorded in the corresponding period of 2015.

Foreign exchange inflow and outflow through the CBN fell by 3.1 and 2.5 per cent, in August 2016.

Figure 14: Foreign Exchange Flows through the CBN

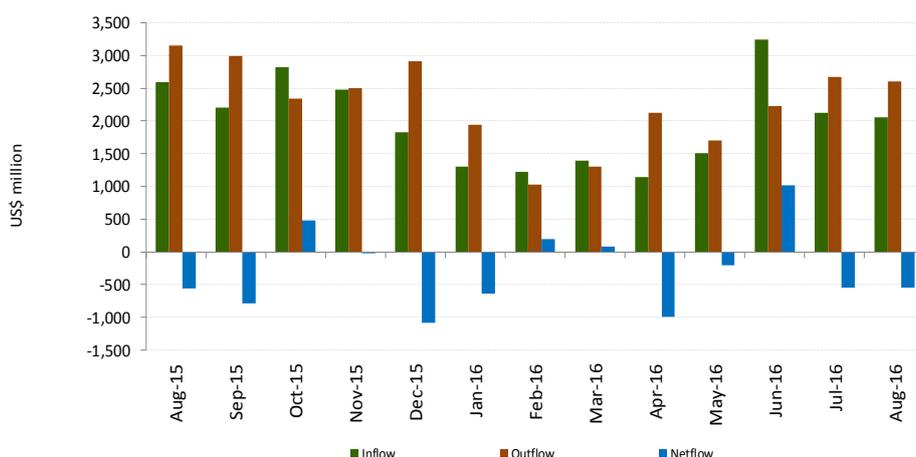


Table 14: Foreign Exchange Flows through the CBN (US\$ million)

	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Inflow	2,598.1	2,200.8	2,821.2	2,481.2	1,833.0	1,301.8	1,228.3	1,392.0	1,142.5	1,505.5	3,239.9	1,092.2	2,061.2
Outflow	3,154.0	2,987.1	2,341.1	2,499.8	2,916.7	1,942.0	1,030.7	1,780.7	2,129.8	1,707.4	2,227.0	2,728.0	2,603.3
Netflow	(555.9)	(786.3)	480.1	(18.6)	(1,083.7)	(640.2)	197.6	(388.8)	(987.3)	(201.8)	1,012.9	(1,635.8)	(542.0)

Aggregate inflow into the economy in August 2016 improved on account of increased non-oil receipts attributed largely to swap operations and autonomous sources. However, oil receipts fell in the review month due to persistent low global prices and shortfall in domestic production. Consequently, aggregate foreign exchange inflow into the economy in, August 2016, stood at US\$6.50 billion, showing an increase of 28.8 per cent over the level in the preceding month, but was a decline of 0.7 per cent below the level in the corresponding period of 2015. Of the aggregate, foreign exchange inflow through the CBN and autonomous sources were US\$2.06 (31.7 per cent) billion and US\$4.44 billion (68.3 per cent), respectively.

Autonomous inflow through the economy rose above the level in the preceding month.

Non-oil sector inflow, at US\$1.26 billion (19.4 per cent of the total), rose by 270.6 per cent above the level in the preceding month. Autonomous inflow, at US\$4.44 billion, rose by 52.1 per cent and 12.4 per cent, relative to the levels in the preceding month and the corresponding period of 2015, respectively, and accounted for 68.3 per cent of the total.

During the review month, contraction in foreign exchange sales at the interbank segment of the foreign exchange market, external debt service, matured swap contracts and other official payments, resulted in a 4.5 per cent decline in aggregate foreign exchange outflow through the economy to US\$2.72 billion, relative to the levels in July 2016.

Foreign exchange flows through the economy, resulted in a net inflow of US\$3.78 billion in the review month, compared with US\$2.20 billion and US\$3.28 billion in the preceding month and the corresponding period of 2015, respectively.

5.2 Non-Oil Export Receipts by Banks

Due to the increase in the volume of exports of industrial, transport, agricultural and minerals products, non-oil export receipts in the month of August 2016 rose by 113.4 per cent to US\$126.32 million, relative to the level in July 2016. A sectoral analysis showed that, on a month-on-month basis, proceeds from the industrial, food, manufactured, transport, agricultural and minerals exports, rose by 126.9 per cent, 0.4 per cent, 37.3 per cent, 145.0 per cent, 248.2 per cent and 242.8 per cent to US\$29.62 million, US\$14.14 million, US\$18.65 million, US\$0.04 million, US\$37.42 million and US\$26.45 million, respectively.

The shares of the various components in the non-oil export proceeds were: 29.6 per cent, 23.5 per cent, 20.9 per cent, 14.8 per cent, 11.2 per cent and 0.0 per cent for agricultural, industrial, minerals, manufactured, food and transport sector respectively.

5.3 Sectoral Utilisation of Foreign Exchange

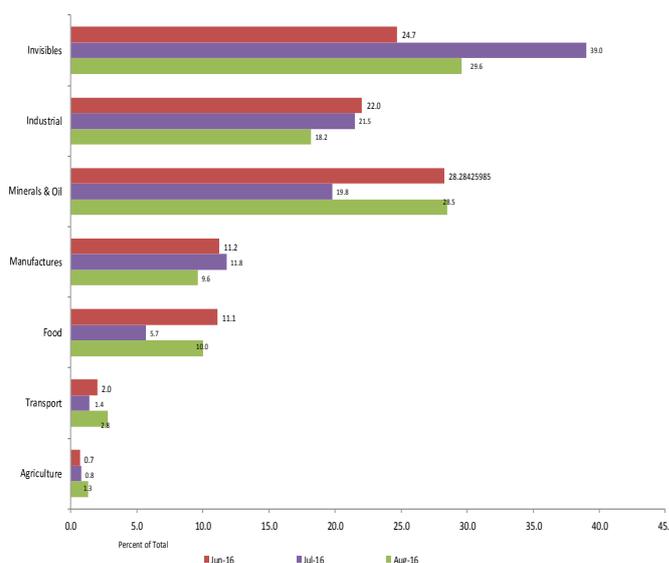
Scarcity of foreign exchange and conditions in the foreign exchange market significantly impacted sectoral utilisation of foreign exchange in the review period. The aggregate sectoral utilisation of foreign exchange in August 2016 declined by 18.9 per cent to US\$2.25 billion relative to the level in July 2016. This affected mainly the visible sectors as declines in utilization of 38.2 per cent, 43.1 per cent and 100 per cent were recorded in industrial sub-sector, manufactured products and minerals, respectively.

Total non-oil export earnings by exporters rose in August 2016.

The invisible sector accounted for the bulk of the total foreign exchange disbursed in August 2016.

A disaggregation of the total foreign exchange utilisation indicated that the invisible sector accounted for the bulk (29.6 per cent) of total foreign exchange disbursed in August 2016, followed by the minerals and oil (28.5 per cent). The shares of other sectors in a descending order were: industrial (18.2 per cent); food product (10.0 per cent); manufactured (9.6 per cent); transport (2.8 per cent); and agricultural products (1.3 per cent) (Fig.15).

Figure 15: Sectoral Utilisation of Foreign Exchange



5.4 Foreign Exchange Market Developments

The foreign exchange market continued to witness high demand pressure, and depreciation of the naira exchange rate. The cumulative sales of foreign exchange by the Bank rose by 6.3 per cent to US\$1.68 billion in the review month, but fell by 40.2 per cent, compared with the corresponding period of 2015. Of the total, inter- bank sales amounted to US\$0.1 billion or 5.8 per cent, while swap contracts disbursed at maturity were valued at US\$0.31 billion or 18.3 per cent of the total. The remainder was accounted for by matured forwards contract, valued at US\$1.28 billion or 75.8 per cent of the total supply of foreign exchange in the review period (Fig.16, Table 15).

Figure 16: Supply of Foreign Exchange

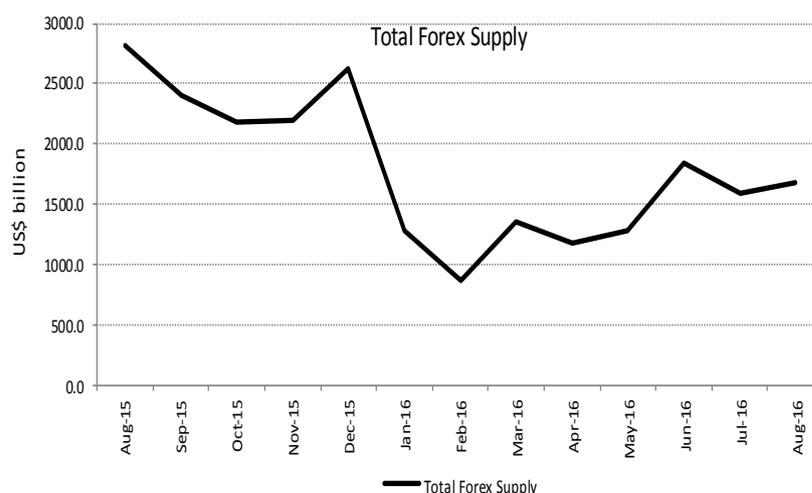


Table 15: Supply of Foreign Exchange (US\$ billion)

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Total Forex Supply	1,288.2	866.0	1,354.1	1,180.4	1,282.8	1,842.5	1,583.9	1,683.2

Following the switch to a more flexible exchange rate regime on June 20, 2016, the average exchange rate of the naira to the US dollar at the inter-bank segment of the market in August 2016 depreciated by 4.9 and 36.4 per cent to N309.73/US\$, against the respective levels in the preceding month and the corresponding period of 2015. The depreciation was attributed to the shortage of foreign exchange supply to the market. At the BDC segment, the exchange rate depreciated by 8.0 per cent and 45.3 per cent to an average of N396.15/US\$, compared with the levels in the preceding month and the corresponding period of 2015, respectively. The end-period exchange rates at the inter-bank and BDC segments at end-August 2016 were N309.73/US\$ and N420.00/US\$, respectively (Figure 17, Table 16).

The naira exchange rate vis-à-vis the US dollar depreciated at the Inter-bank segment.

Figure 17: Average Exchange Rate Movement

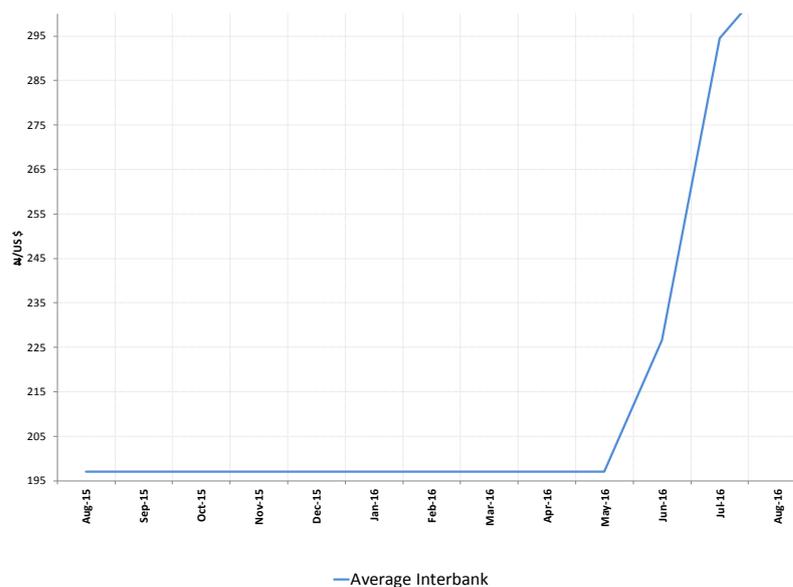


Table 16: Exchange Rate Movements

	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Average Exchange Rate (N/\$)													
Interbank	197.00	197.00	196.99	196.99	196.99	197.00	196.99	197.00	197.00	197.00	226.65	294.57	309.73

5.5 Gross External Reserves

The continued intervention in the foreign exchange market by the Bank, to moderate naira exchange rate volatility, resulted in 2.1 per cent decline in foreign exchange reserves in the review month. The gross external reserves at end-August 2016 stood at US\$25.02 billion, compared with US\$25.57 billion and US\$30.64 billion at end-July 2016 and end-August 2015, respectively. A breakdown of the external reserves by ownership showed that Federation reserves was US\$3.19 billion (12.8%); Federal Government reserves, US\$6.01 billion (24.0%), and the CBN reserves, US\$15.82 billion (63.2%) (Fig. 18, Table 17).

Figure 18: Gross Official External Reserves

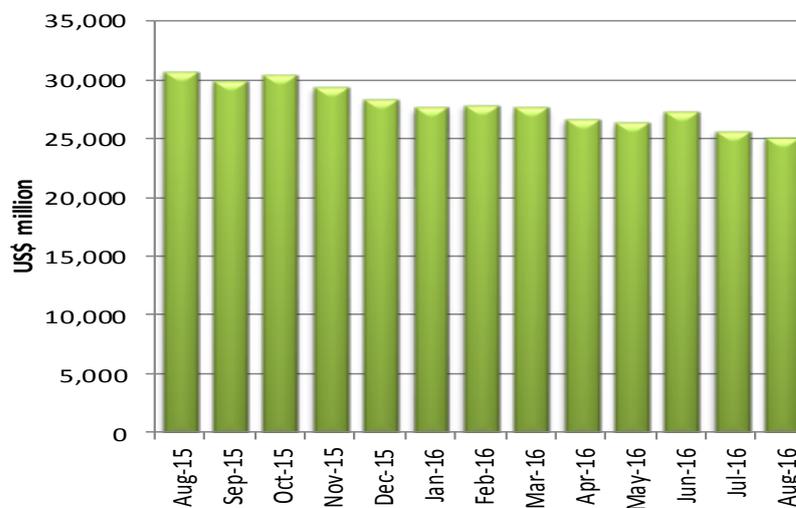


Table 17: Gross Official External Reserves (US\$ million)

Period	Oct-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
External Reserves	30,309.37	27,590.19	27,783.11	27,564.02	26,598.85	26,297.97	27,222.17	25,566.41	25,021.65

6.0 Other International Economic Developments and Meetings

World crude oil output and demand in August 2016 were estimated at an average of 95.65 and 94.27 million barrels per day (mbd), compared with 95.14 and 94.26 mbd supplied and demanded, respectively, in July 2016. The development was attributed to increased demand for transportation fuels, especially, gasoline and jet/kerosene as a result of the summer driving season.

Other major international economic developments and meetings of importance to the domestic economy during the review month included the 2016 meeting of the African Governors of the IMF and World Bank on "Scaling Up Bretton Woods Institutions Support to Address Shocks, Robust Growth and Enhance Transformation in Africa" held at Palais des Congres, Cotonou, Benin Republic from August 4 - 5, 2016. The African Governors agreed:

- That development policies on the continent has proved more challenging due to low commodity prices, tighter financial and capital market conditions as well as multiplicity of shocks;
- To promote diversity, inclusive growth, and strengthening our regional economies;
- To further work for more transparent governance and implementing public policies to preserve and strengthen the progress made by African economies over the past decade; and
- To sought for customized technical assistance to reinforce capacity building from the Bretton Woods institutions to make African economies more resilient to external shocks.

Similarly, the Association of African Central Banks held its 2016 Annual meetings from August 15 to 19, 2016 in Abuja, Nigeria while, the Assembly of Governors of the AACB held its 39th Ordinary Meeting, on August 19, 2016 at the Central Bank of Nigeria (CBN). The meeting was preceded by a Symposium which was held on August

18th, 2016 on the theme: “Unwinding Unconventional Monetary Policies: Implications for Monetary Policy and Financial Stability in Africa”. Outcomes of the meeting included:

- The information provided by the African Union Commission on the submission to the African Union (AU) decision making bodies of the Study Report and the Joint AUC-AACB Strategy for the creation of the African Central Bank (ACB) adopted during the 38th Ordinary Meeting in Malabo, subject to preconditions mentioned by the Southern African Sub-region was noted.
- The status progress report on the implementation of the African Monetary Cooperation Programme (AMCP) in 2015 and the difficulties of member countries in general to fulfill the AMCP's primary criteria because of the negative impact of the international situation and the escalation of capital expenditures to address infrastructure gaps were noted.
- Report presented by the AACB Secretariat on the survey of AACB member central bank's monetary policy frameworks and suggested that the survey be institutionalized and conducted every three to five years were noted.
- The issue of a third chair for Africa at the International Monetary Fund (IMF) Board should be raised and supported by AACB Chairpersons, and efforts should be made to continuously bring the issue to the agenda of bilateral and multilateral meetings.
- Elected Mr. Godwin I. Emefiele, Governor of the Central Bank of Nigeria (CBN), as Chairman of AACB for fiscal year 2016-2017 among others.

Furthermore, the 33rd Meeting of the Committee of Governors of the West African Monetary Zone (WAMZ) was held on 4th August, 2016. The Report of the 39th Meeting of the Technical Committee of the WAMZ formed the basis of the deliberations. The Committee of

Governors adopted the report of the Technical Committee and made the following recommendations for the approval of the Convergence Council:

- Adopt the Report on macroeconomic developments and convergence in the WAMZ as at end-December 2015.
- Direct WAMI to carry out further analysis to bring to bear country experiences, with a view to articulating a common framework for adoption in the use of pension funds for infrastructural development;
- Direct WAMI to undertake a study to construct a regional integration index, as an additional tool for assessing convergence and integration in the WAMZ;
- Direct WAMI to finalized and publish the paper on “External Debt and Economic Growth in the WAMZ”, subject to incorporation of comments made by the Technical Committee.
- Encourage WAMI to seek funding to facilitate the interlinkage of the Payments System among the Member States among others.
- The 48th Ordinary Meeting of the Committee of Governors of Central Banks of ECOWAS Member States was held at the Riviera Royale Hotel in Conakry, Guinea on August 4th, 2016. After deliberations, it was recommend that Member Countries should take all necessary measures to contain the budget deficit within the prescribed convergence limit, especially by:
 - Increasing tax revenue by expanding the tax base, strengthening control procedures and limiting exemptions;
 - Enhance the effectiveness and efficiency of public investment in order to increase their impact on growth; and

- Step up efforts to improve energy supply, and develop infrastructure aimed at extending the value chain (deepening capacity for raw material processing whilst scaling down the current dependence on raw material exports)etc.

The 31st meeting of the Board of Governors of WAIFEM was also held at the Riviera Royale Hotel Conakry, Guinea on August 4, 2016. The report of the 34th Meeting of the Technical Committee formed the basis of deliberations. The Board approval noted the following documents of the Technical Committee:

- The Draft Minutes of the 30th meeting of the Board of Governors;
- The progress report of the Director General.
- The draft Training Programme for the Year 2017;

- The Draft Audit Report for the Year Ended December 31, 2015;
- The study on the Structure and Composition of the Labour Market in The Gambia;
- The Draft Annual Report and Statement of Accounts for the Year ended December 31, 2015;
- The Updated Financial Regulations and Manual of Accounting Procedures.

Finally, the 36th Meeting of the Convergence Council of Ministers and Governors of Central Banks of the West African Monetary Zone (WAMZ) took place in Conakry, Guinea on the 5th August, 2016, to deliberate on the status of implementation of the WAMZ Work Programme. The Report of the 33rd Meeting of the Committee of Governors of the WAMZ formed the basis of the deliberations.

APPENDIX TABLES

Table A1: Money and Credit Aggregates (N billion)

	Dec-15	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Domestic Credit (Net)	21,612.5	22,414.3	22,664.8	23,312.3	22,852.1	24,318.1	25,159.4	25,955.1
<i>Claims on Federal Government (Net)</i>	2,893.2	3,424.0	3,782.6	3,933.7	3,803.2	2,893.2	2,784.1	3,290.9
Central Bank (Net)	(1,653.1)	(1,342.3)	(850.7)	(621.2)	(585.9)	(1,465.2)	(1,686.8)	(1,313.2)
Commercial Banks	4,546.3	4,695.2	4,633.3	4,554.9	4,231.9	4,179.9	4,262.6	4,410.5
Merchant Bank	74,746.8	70.0	159.2	165.7	155.9	177.3	207.5	192.5
Non Interest Banks	1.2	1.2	1.2	1.2	1.2	1.2	1.1	1.1
<i>Claims on Private Sector</i>	18,719.3	18,990.3	18,882.2	19,378.6	19,049.0	21,425.0	22,375.3	22,664.2
Central Bank	5,061.6	5,302.0	5,166.7	5,610.2	5,262.8	5,376.9	5,485.9	5,862.6
Commercial Banks	13,568.5	13,599.7	13,715.6	13,768.4	13,645.8	15,903.6	16,736.6	16,640.4
Merchant Bank	62.8	59.4	106.0	92.7	109.0	111.8	118.6	125.4
Non Interest Banks	26.3	29.2	29.1	29.8	31.4	32.7	34.1	38.8
<i>Claims on Other Private Sector</i>	18,109.9	18,026.8	18,044.3	18,093.7	18,130.2	20,397.9	21,331.1	21,483.6
Central Bank	5,063.0	5,015.8	4,996.7	4,999.6	5,057.7	5,050.3	5,159.2	5,424.7
Commercial Banks	12,984.7	12,922.4	13,047.6	13,094.1	12,937.3	15,204.8	16,024.1	15,899.2
Merchant Bank	62.8	59.3	97.1	87.5	103.8	110.2	111.6	123.8
Non Interest Banks	26.3	29.2	29.1	29.8	31.4	32.7	34.1	35.8
<i>Claims on State and Local Governm</i>	583.8	677.3	667.9	688.9	728.3	700.5	717.5	742.8
Central Bank	-	-	-	14.6	14.6	-	-	-
Commercial Banks	583.8	677.3	659.0	674.3	713.8	698.8	712.5	741.1
Merchant Bank	-	-	-	-	-	1,650.1	4,962.1	1,634.8
Non Interest Banks								
<i>Claims on Non-financial Public Ente</i>	25.6	286.2	170.0	596.0	190.5	326.6	326.7	437.9
Foreign Assets (Net)	5,653.3	5,471.4	5,551.7	5,045.9	5,206.7	7,105.7	7,564.0	7,623.0
Central Bank	5,545.3	5,283.5	5,178.2	4,683.9	5,033.3	6,840.4	7,103.5	7,375.9
Commercial Banks	125.4	189.5	373.2	362.1	182.8	254.5	442.7	224.9
Merchant Bank	(18.8)	(3.2)	(1.4)	(2.9)	(11.4)	8.5	16.0	21.1
Non Interest Banks	1.4	1.6	1.4	1.6	2.0	2.3	1.7	1.1
Other Assets (Net)	(7,235.9)	(7,396.5)	(7,746.1)	(7,630.4)	(7,337.0)	(9,738.8)	(10,541.1)	(11,930.8)
Total Monetary Assets (M2)	18,204.4	20,489.2	20,470.4	20,727.9	20,721.9	21,685.0	22,182.2	21,647.3
Quasi-Money 1/	11,458.1	11,429.6	11,429.6	11,591.8	11,330.0	12,559.0	12,951.3	12,521.4
Money Supply (M1)	8,571.7	9,059.6	9,040.8	9,136.1	9,391.9	9,125.9	9,230.9	9,125.9
<i>Currency Outside Banks</i>	1,456.1	1,377.5	1,441.4	1,444.4	1,393.7	1,379.2	1,373.9	1,369.5
<i>Demand Deposits 2/</i>	7,115.6	7,682.1	7,599.5	7,691.6	7,998.2	7,746.7	7,857.0	7,756.4
Total Monetary Liabilities (M2)	18,204.4	20,489.2	20,470.4	20,727.9	20,721.9	21,685.0	22,182.2	21,647.3
<i>Memorandum Items:</i>								
Reserve Money (RM)	5,812.7	5,097.2	5,760.4	5,587.7	5,496.7	5,372.0	5,270.5	5,221.9
<i>Currency in Circulation (CIC)</i>	1,857.9	1,711.6	1,811.1	1,763.5	1,746.7	1,684.7	1,664.5	1,679.5
<i>DMBs Demand Deposit with CBN</i>	3,954.8	3,385.6	3,949.4	3,824.1	3,750.0	3,687.3	3,606.0	3,442.4

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

2/ Demand Deposits 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)

	Dec-15	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
	Growth Over Preceding December (%)							
Domestic Credit (Net)	12.1	3.7	4.9	7.8	5.7	12.5	16.5	20.1
<i>Claims on Federal Government (Net)</i>	151.7	18.4	30.7	36.0	31.5	0.0	-3.8	13.7
<i>Claims on Private Sector</i>	3.3	1.5	0.9	3.4	1.8	14.2	19.5	21.1
<i>Claims on Other Private Sector</i>	3.1	-0.5	-0.4	-0.1	0.1	12.6	17.8	18.6
<i>Claims on State and Local Government</i>	8.9	16.0	14.4	15.5	24.8	20.0	22.9	27.2
<i>Claims on Non-financial Public Enterprises</i>								
Foreign Assets (Net)	-18.7	-3.2	-1.8	-10.7	-7.9	25.7	33.8	34.8
Other Assets (Net)	1.1	-2.2	-7.1	-5.3	-1.4	-34.6	-45.7	-64.9
Total Monetary Assets (M2)	5.9	2.3	2.2	3.5	3.5	8.3	10.8	8.1
Quasi-Money 1/	-4.6	-0.3	-0.3	1.2	-1.1	9.6	13.0	9.3
Money Supply (M1)	24.1	5.7	5.5	6.6	9.6	6.5	7.7	6.5
<i>Currency Outside Banks</i>	1.3	-5.4	-1.0	-0.8	-4.3	-5.3	-5.6	-6.0
<i>Demand Deposits 2/</i>	30.2	8.0	6.8	8.1	12.4	8.9	10.4	9.0
Total Monetary Liabilities (M2)	5.9	2.3	2.2	3.5	3.5	8.3	10.8	8.1
<i>Memorandum Items:</i>								
Reserve Money (RM)	-2.0	-12.3	-0.9	-3.9	-5.4	-7.6	-9.3	-10.2
<i>Currency in Circulation (CIC)</i>	3.3	-7.9	-2.5	-5.1	-6.0	-9.3	-10.4	-9.6
<i>DMBs Demand Deposit with CBN</i>	-4.3	-14.4	-0.1	-3.3	-5.2	-6.8	-8.8	-10.4
	Growth Over Preceding Month (%)							
Domestic Credit (Net)	5.6	0.6	1.1	2.8	-2.0	6.4	3.5	3.2
<i>Claims on Federal Government (Net)</i>	64.0	2.6	10.5	4.0	-3.3	-23.9	-3.8	18.2
<i>Claims on Private Sector</i>	0.1	0.6	-0.6	2.6	-1.7	12.5	4.4	1.3
<i>Claims on Other Private Sector</i>	-0.4	-0.4	0.1	0.3	0.2	12.5	4.6	0.7
<i>Claims on State and Local Government</i>	16.3	12.0	-1.4	1.0	5.7	-3.8	2.4	3.5
<i>Claims on Non-financial Public Enterprises</i>								
Foreign Assets (Net)	6.9	1.5	1.5	-9.1	3.2	36.5	6.5	0.8
Central Bank	5.8	0.8	-2.0	-9.6	7.5	35.9	3.9	3.8
Banks	128.8	23.7	98.9	-3.1	-52.1	52.9	73.6	-46.3
Other Assets (Net)	2.1	6.7	-4.7	1.7	3.9	-32.7	-8.2	-13.2
Total Monetary Assets (M2)	9.1	4.1	-0.1	1.3	0.0	4.7	2.3	-2.4
Quasi-Money 1/	0.6	-0.1	0.0	1.4	-2.3	10.9	3.1	-3.3
Money Supply (M1)	22.8	9.9	-0.2	1.1	2.8	-2.8	1.2	-1.1
<i>Currency Outside Banks</i>	15.5	0.0	4.6	0.2	-3.5	-1.0	-0.4	-0.3
<i>Demand Deposits 2/</i>	22.4	11.8	-1.1	1.2	4.0	-3.1	1.4	-1.3
Total Monetary Liabilities (M2)	9.1	4.1	-0.1	1.3	0.0	4.7	2.3	-2.4
<i>Memorandum Items:</i>								
Reserve Money (RM)	3.1	-11.4	13.0	-3.0	-1.6	-2.3	-1.9	-0.9
<i>Currency in Circulation (CIC)</i>	4.7	-7.2	-0.8	5.8	-1.0	-3.6	-1.2	0.9
<i>DMBs Demand Deposit with CBN</i>	0.5	1.8	-15.9	16.7		-1.7	-2.2	-1.8

Table A3: Federal Government Fiscal Operations (N billion)

	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Retained Revenue	228.8	189.9	172.4	248.1	164.8	207.1	181.7	199.1	334.8	138.6	249.0	294.4	294.2
<i>Federation Account</i>	202.1	168.6	151.3	192.0	139.5	147.6	137.5	127.2	109.1	101.2	112.8	195.2	129.2
VAT Pool Account	10.8	9.0	8.1	8.7	8.8	8.9	10.0	9.3	9.2	9.4	9.4	9.7	9.6
<i>FGN Independent Revenue</i>	6.5	3.7	4.1	37.6	7.8	0.9	10.6	36.1	0.6	10.0	48.5	38.8	97.4
<i>Excess Crude</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Others /SURE-P/NNPC Refund</i>	9.4	8.6	8.8	9.8	8.6	49.7	23.6	26.5	215.9	18.0	78.2	50.7	58.0
Expenditure	376.9	430.0	247.0	325.9	369.4	137.6	587.9	408.9	703.9	318.3	359.3	465.8	485.0
<i>Recurrent</i>	342.1	345.5	162.6	250.8	233.7	82.8	507.3	357.9	411.7	263.4	263.9	318.3	385.7
<i>Capital</i>	5.8	56.0	56.1	46.5	103.2	54.8	54.9	18.5	237.7	25.6	66.3	109.8	67.2
<i>Transfers</i>	29.0	28.5	28.3	28.6	32.4	0.0	25.7	32.5	54.5	29.3	29.2	37.7	32.0
Overall Balance:													
Surplus(+)/Deficit(-)	-148.1	-240.1	-74.7	-77.9	-204.6	69.5	-406.2	-209.8	-369.1	-179.6	-110.4	-171.4	-190.7
1/ Revised													
2/ Provisional													

