



CENTRAL BANK OF NIGERIA

***ECONOMIC REPORT FOR
THE MONTH OF NOVEMBER
2008***

RESEARCH DEPARTMENT

CENTRAL BANK OF NIGERIA

MONTHLY REPORT

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1.0 Summary

Available data indicated increase in monetary aggregates in November 2008. Broad money (M_2) and narrow money (M_1) rose by 0.6 and 0.8 per cent over the levels in the preceding month, in contrast to the decline of 6.9 and 6.3 per cent in October 2008. The rise was attributed largely to the increase in domestic credit (net) and other assets (net) of the banking system.

There was a general decline in banks' deposit and lending rates in November 2008. The spread between the weighted average deposit and maximum lending rates narrowed from 8.90 percentage points in the preceding month to 8.26. The margin between the average savings deposit and maximum lending rates, also narrowed from 16.25 percentage points in October 2008 to 14.74 percentage points. The weighted average inter-bank call rate rose to 15.77 per cent, from 14.09 per cent in October, 2008, reflecting the liquidity condition in the money market.

The value of money market assets outstanding in November 2008 increased by 2.1 per cent to ₦2,846.9 billion over the level in the preceding month. The rise was attributed largely to the 2.7 per cent increase in Federal Government Bonds outstanding. Activities on the Nigerian Stock Exchange were mixed, as some of the major market indicators trended downwards, while, others went up in the review month.

The major agricultural activities across the country in November 2008 were the intensification of efforts by farmers in the livestock sub-sector in preparation for the yuletide festivities; harvesting of late maturing grains; and pre-planting operations for dry season planting. The prices of most Nigeria's major agricultural commodities at the London Commodities Market remained relatively stable during the review period.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 1.93 million barrels per day (mbd) or 57.90 million barrels for the month, compared with 1.96 mbd or 58.8 million barrels in the preceding month. Crude oil export was estimated at 1.45 mbd or 43.50 million barrels in November, while deliveries to the refineries for domestic consumption remained at 0.445 mbd or 13.50 million barrels for the month. The average price of Nigeria's reference crude, the Bonny Light (37⁰ API), estimated at US\$55.51 per barrel, fell by 29.3 per cent from the level in the preceding month.

The headline inflation rate on a year-on-year rose to 14.8 per cent in November 2008, from 14.7 per cent in October. The inflation rate on a twelve-month moving average, was 10.9 per cent, up from 10.1 per cent in October 2008.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US\$3.76 billion and US\$4.77 billion, respectively, resulting in a net outflow of US\$1.01 billion during the review month. Relative to the respective levels of US\$4.51 billion and US\$7.01 billion in October 2008, inflow and outflow fell by 16.6 and 32.0 per cent. The decline in inflow was attributed largely to the fall in oil receipts, while the fall in outflow was due largely to the decline in drawing on L/C, WDAS utilization and other official payments, respectively.

Foreign exchange sales by the Central Bank of Nigeria (CBN) to end-users through the authorized dealers stood at US\$4.41 billion, compared with US\$4.40 billion in October 2008, while demand rose to US\$6.10 billion in November 2008.

The gross external reserves fell by 1.8 per cent to US\$57.48 billion in November 2008, compared with US\$58.53 billion at end-October 2008. The weighted average exchange rate of the Naira vis-à-vis the US dollar, depreciated marginally to ₦117.74 per dollar at the WDAS. Similarly, in the bureaux de change segment of the market, the rate depreciated to ₦119.10 per dollar from ₦119.00 per dollar in October. Total non-oil export earnings by Nigerian exporters declined by 63.8 per cent to US\$52.56 million.

Other major international economic developments of relevance to the Nigerian economy during the month included: an IMF Staff Mission to Nigeria from November 12 -15, 2008 to assess macroeconomic performance of the country as well as the financial sector and supporting structural reforms. Others included, the inaugural Meeting of the Leaders of the Group of Twenty (G20) held in Washington on November 15, 2008. The purpose of the meeting was to enhance cooperation between members in restoring global growth and to achieve the needed reforms in the world's financial system. Also, the 2008 West African Monetary Agency (WAMA) Statutory Meetings were held in Abuja, Nigeria from November 17 – 22, 2008. The 4th Ordinary Meeting of the Convergence Council of Ministers of Finance and Governors of Central Banks of ECOWAS Member States also met during the month. A Nigerian delegation, led by the Permanent Secretary, Federal Ministry of Finance, negotiated a draft Memorandum of Understanding (MoU) on the establishment of the African Union Steering Committee (AUSC) with an African Union (AU) delegation which was led by Commissioner for Economic Affairs, AU, at the Central Bank of Nigeria Abuja, from November 24 - 26, 2008. The purpose of the negotiation was to fast-track the establishment of the African Central Bank (ACB) towards the realization of AU's monetary integration programme.

2.0 FINANCIAL SECTOR DEVELOPMENTS

Monetary aggregates grew in November 2008, while banks' deposit and lending rates declined. The value of money market assets outstanding increased, following largely the rise in FGN Bonds. Transactions on the Nigerian Stock Exchange (NSE) were mixed during the review month as some of the major market indicators declined, while others increased.

2.1 Monetary and Credit Developments

Available data indicated that monetary aggregates increased in November 2008. Broad money supply (M_2) rose by 0.6 per cent from the level in the preceding month, in contrast to the decline of 6.9 per cent in October 2008. Similarly, narrow money supply (M_1) rose by 0.8 per cent, in contrast to the decline of 6.3 per cent in the preceding month. Over the level at end-December 2007, M_2 grew by 44.4 per cent. The rise in M_2 relative to the preceding month's level was attributed largely to the increase of 1.9 and 7.9 per cent in domestic credit (net) and other assets (net) of the banking system (fig.1 and table 1).

Aggregate banking system credit (net) to the domestic economy rose by 1.9 per cent over the level in November 2008 to =N=4,337.3 billion, compared with the increase of 0.2 per cent in the preceding month. Relative to the level at end-December 2007, it grew by 61.3 per cent. The development was attributed wholly to the increase of 3.6 per cent in claims on the private sector.

Banking system's credit (net) to the Federal Government fell by 5.7 per cent, compared with the decline of 6.5 per cent in the preceding month. The development was attributed to the decline of 8.1 and 1.1 per cent in deposit money banks (DMBs) and Central Bank claims on the Federal Government, respectively.

Banking system's credit to the private sector rose by 3.6 per cent to =N=7,973.3 billion, compared with the increase of 2.9 per cent in October. The development reflected the respective increase of 8.3 and 3.5 per cent in CBN and DMBs claims on the sector (fig. 2).

At =N=7,633.7 billion, foreign assets (net) of the banking system fell by 4.3 per cent from the level in the preceding month, compared with the decline of 6.4 per cent in October 2008. The development was attributed to the respective decline of 17.3 and 2.6 per cent in DMBs and CBN's holdings.

Quasi money rose by 0.4 per cent to =N=4,118.2 billion, in contrast to the decline of 7.6 per cent in October 2008. The development reflected the rise in time, savings and foreign currency deposits of the DMBs.

Other assets (net) of the banking system, rose by 7.9 per cent to a negative =N=3,583.8 billion, in contrast to the decline of 2.2 per cent in the preceding month. The development reflected largely the respective decline in unclassified liabilities of both the CBN and DMBs.

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

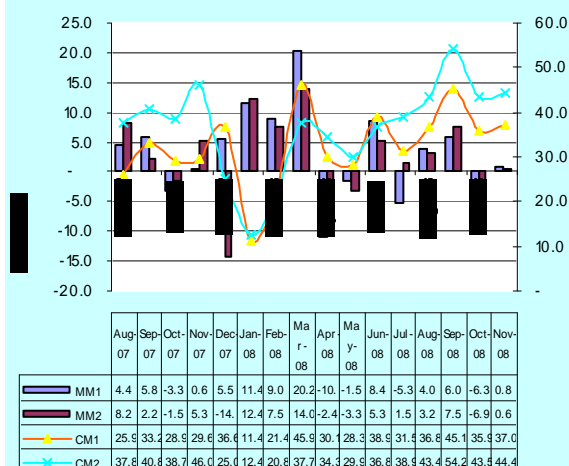
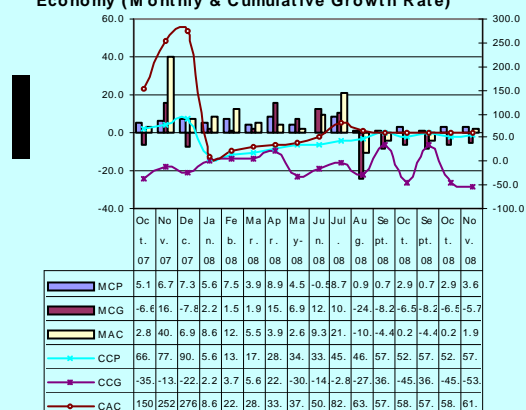


Figure 2: Aggregate Domestic Credit To The Economy (Monthly & Cumulative Growth Rate)



2.2 Currency-in-circulation and Deposits at the CBN

At ₦988.2 billion, currency in circulation rose by 2.3 per cent in November 2008 over the level in October 2008. The rise was traceable largely to the 9.3 per cent increase in vault cash during the review month.

Total deposits at the CBN amounted to ₦5,914.7 billion, up by 1.9 per cent over the level in the preceding month. The increase was largely as a result of the 17.9 and 1.1 per cent rise in private sector and Federal Government deposits, respectively. The shares of Federal Government, banks and “others” in total deposits at the CBN were 90.7, 5.0 and 4.3 per cent, respectively, compared with the shares of 91.4, 4.9 and 3.7 per cent, in October 2008.

2.3 Interest Rate Developments

Available data indicated a general decline in banks’ deposit and lending rates in November 2008. With the exception of the 7-day savings deposit rates, which rose by 0.18 percentage points to 6.57 per cent, the average savings rate declined by 0.02 percentage points to 2.96 per cent. Other rates on deposits of various maturities, fell from a range of 12.03 - 12.79 per cent in October to 11.91 - 12.67 per cent in November. The average prime and maximum lending rates rose respectively by 0.01 and 0.26 percentage points to 16.00 and 18.97 per cent. Consequently, the spread between the weighted average deposit and maximum lending rates narrowed from 8.90 percentage points in October 2008 to 8.71 percentage points. Similarly, the margin between the average savings deposit and maximum lending rates narrowed from 16.25 percentage points in the preceding month to 16.01 percentage points.

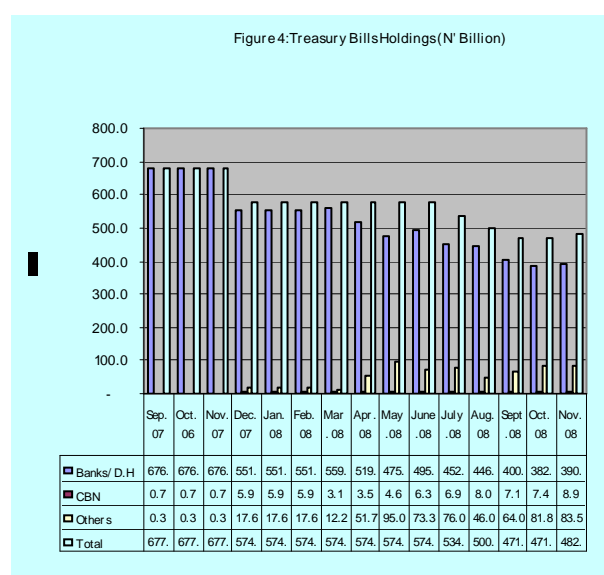
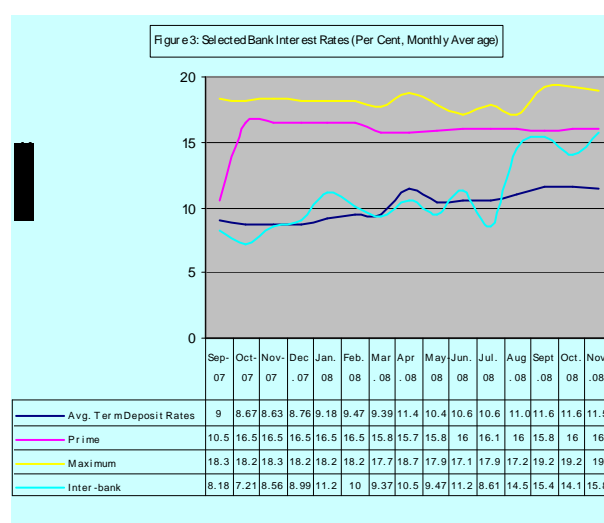
The weighted average inter-bank call rate was 15.77 per cent, up by 1.68 percentage points from 14.09 per cent in October, reflecting the tight liquidity condition in the money market. On the other hand, the weighted average rate for the Open Buy Back (OBB) declined from 9.64 per cent in the preceding month to 9.47 per cent. The Nigeria Inter-Bank Offered Rate (NIBOR) for the 7-day and 30-day tenored segments, however, rose to 16.68 and 17.98 per cent, respectively, from 14.67 and 15.63 per cent in the preceding month.

2.4 Money Market Developments

Provisional data indicated that the value of money market assets outstanding as at end-November 2008 was ₦2,846.9 billion, representing an increase of 2.1 per cent over the level at end-October 2008.

The development was attributed to the respective increase of 2.7 and 2.5 per cent in the value of outstanding FGN Bonds and commercial papers.

Analysis of activities in the market showed that the liquidity unease which had characterised the banking system for some months, continued during the period under review. Consequently, open market operations, aimed at injecting funds into the banking system, were used. There was no purchase of government securities through the two-way quote auction, compared with ₦5.0 billion purchased in the previous month. The development was due to the unattractiveness of the offer rates quoted at the trading sessions.



At the primary market segment, Nigerian Treasury Bills (NTBs) of 91-, 182- and 364-day tenors offered to complement liquidity management amounted to ₦85.1 billion, compared with ₦101.5 billion in the preceding month. Total subscription was ₦256.6 billion, while the sum of ₦85.1 billion was allotted to the public, compared with ₦97.1 billion allotted to the public in the preceding month. The range of issue rates for the 91- and 182-day NTBs were 5.75 - 7.40 per cent and 6.49 - 7.50 per cent, respectively, compared with 6.50 - 8.80 per cent and 7.74 - 9.30 per cent in October 2008. At the 364-day tenored segment, the issue rate was 9.30 per cent, compared with 9.44 per cent in the preceding month. Following the recent developments in the financial sector world-wide, the Bank during the period under review, introduced tenor repurchase transactions at the discount window up to 360 days.

A total of ₦40.00 billion, made up of ₦20.00 billion 3-year (re-opening), ₦10.00 billion, 5-year and ₦10.00 billion 20-year (re-opening) FGN bonds, was floated and allotted at coupon rates of 10.00, 10.50 and 11.99 per cent, respectively. The bonds were oversubscribed to the tune of ₦44.39 billion. The impressive subscription, especially for the 20-year tenor, reflected market players' preference for longer-tenured securities as they were perceived to be more stable coupled with the sustained confidence in the Nigerian economy.

2.5 *Deposit Money Banks' Activities*

Available data indicated that total assets/liabilities of the twenty four (24) DMBs amounted to ₦14,913.7 billion, representing a decline of 0.3 per cent from the level in the preceding month but an increase of 35.8 per cent over the level at end-December 2007. The decline in total assets was attributed largely to the respective fall of 13.4 and 7.1 per cent in foreign assets and claims on central government during the review period. The corresponding decline in liabilities, was attributed largely to the fall in unclassified liabilities such as, time, saving and foreign liabilities.

Funds, sourced mainly from reserves and claims on central government, were utilised largely in the extension of credit to the private sector and the settlement of unclassified liabilities.

At ₦9,338.4 billion, DMBs credit to the domestic economy rose by 1.3 per cent over the level in the preceding month. The breakdown showed that credit to the government declined by 8.1 per cent to ₦1,612.6 billion, while credit to private sector rose by 3.5 per cent over the preceding month's level to ₦7,725.8 billion.

Central Bank's credit to the DMBs declined by 8.6 per cent to ₦130.9 billion in the review month, reflecting the fall in overdrafts and loans and advances from the

Total specified liquid assets of the DMBs was ₦3,141.9 billion, representing 37.4 per cent of their total current liabilities. This level of assets was 3.0 percentage points above the preceding month's level, and 7.4 percentage points above the stipulated minimum ratio of 30.0 per cent effective from September, 2008. The loan-to-deposit ratio stood at 88.3 per cent, as against the 87.4 per cent recorded in the preceding month, and exceeded the prescribed maximum of 80.0 per cent for the industry by 8.3 per cent.

2.6 *Discount Houses*

Total assets/liabilities of the discount houses stood at ₦411.0 billion at end-November 2008, representing an increase of 38.6 per cent over the level in the preceding month. The rise in assets relative to October 2008, was attributed largely to the respective increase of 118.1 and 45.2 per cent in claims on banks and Federal Government. Similarly, the rise in total liabilities was mainly as a result of the respective increase of 79.7 and 37.9 per cent in "money-at-call" and "other amount owing". Discount houses' investments in Federal Government securities of less than 91 days maturity rose by 58.7 per cent to ₦140.5 billion. At this level, discount houses' investments in Federal Government securities represented 39.9 per cent of their total deposit liabilities, and was 20.1 percentage points below the prescribed minimum of 60.0 per cent for fiscal 2008. Total borrowing by the discount houses was ₦270.8 billion, while their capital and reserves amounted to ₦33.6 billion, resulting in a gearing ratio of 8.1:1, compared with the stipulated maximum ratio of 50:1 for fiscal 2008.

2.7 *Capital Market Developments*

Provisional data indicated that activities on the Nigerian Stock Exchange (NSE) in November showed mixed developments. The volume and value of traded securities rose by 35.6 and 19.4 per cent to 8.0 billion shares and ₦166.8 billion, respectively, compared with 5.9 billion shares and ₦139.7 billion in October 2008. The banking sub-sector, in both volume and value terms, was the most active on the Exchange, followed by the insurance sub-sector. Transactions on the Federal Government and industrial loans/preference stocks, however, remained dormant. Transactions on the Over-the-Counter (OTC) bond segment of the market indicated a turnover of 9.7 billion units worth ₦9.7 trillion in the review month, compared with 1.4 billion units valued at ₦1.4 trillion in October 2008. The most active bond was the 4th FGN Bond 2010 series 14 with a traded volume of 48.7 billion units valued at ₦48.9 billion.

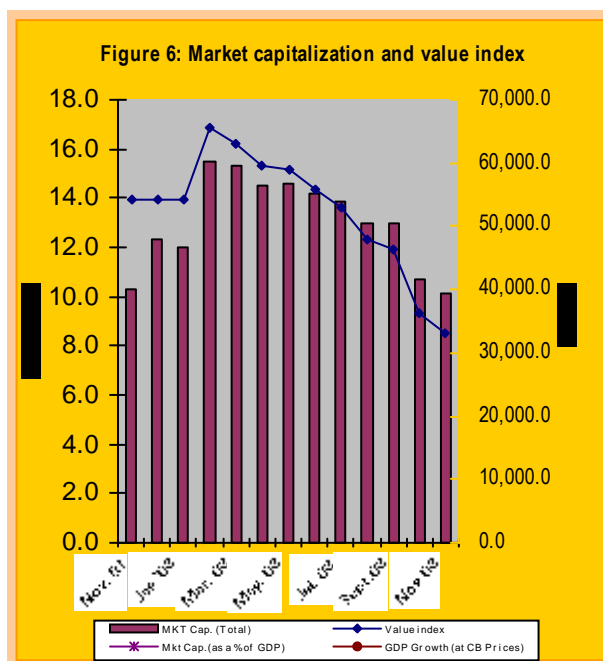
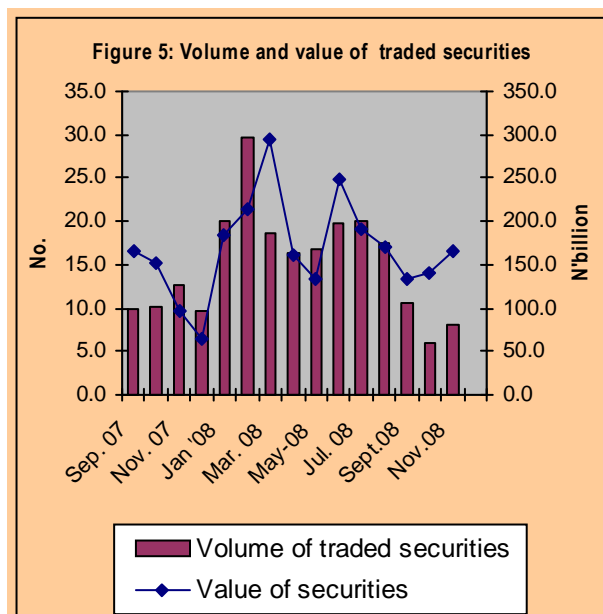
In the new issues market, FGN Bonds of 3-, 5- and 20 - year trenches were re-opened in line with the restructuring of the domestic debt profile to longer tenors. A total of ₦80.0 billion, was issued and allotted in the daily official list with coupon rates of 10.50 per cent each for the 3- and 5- year bonds and 10.70 per cent for the 20- year bonds, compared with a total of ₦100.0 billion, issued and allotted for 3- and 5-year bonds with coupon rates of 10.50 and 10.70 per cent, respectively, in the preceding month.

The All-Share Index and the market capitalization for the equities fell by 9.1 and 8.8 per cent to close at 33,025.75 (1984 = 100) and ₦7.3 trillion, respectively, in the review month. The development was attributable largely to the price losses recorded by the highly capitalized companies in the insurance and banking sub-sectors.

In another development, the Securities and Exchange Commission (SEC) appointed Greenwich Trust Limited, Chapel Hill Advisory Limited and Diamond Capital & Financial Market Limited, as market makers during the review month. Market makers are wholesale operators who ensure that there is liquidity in the stock market by either buying shares when there is a glut or selling shares when there is scarcity. The decision to introduce them into the Nigerian capital market was reached last August as part of the recovery measures to stem the persistent fall in the share prices.

According to the guidelines issued by SEC, a market maker shall be a company duly registered with Corporate Affairs Commission (CAC) and shall have a minimum paid-up capital of ₦2.0 billion. They are required to, at all times; maintain sufficient liquid assets that would cover their current indebtedness.

Other obligations of the market maker include: stabilization of the market by ensuring continuous liquidity, and synchronizing buy and sell transaction spread, (that is bid/offer spread), which shall be a maximum limit of 3.0 per cent and subject to review from time to time. Besides, the market maker will have the capacity for continuous two-way quotes in the relevant stocks through the trading session in a minimum quote size of 100,000 units of shares and must have the capacity to deliver and settle transactions within the prescribed settlement cycle of T+3. They must equally have the capacity to lend and borrow the designated securities at any time, with a view to ensuring stability in the market.



3.0 DOMESTIC ECONOMIC CONDITIONS

The livestock sub-sector was the most active amongst the major agricultural activities across the country in November 2008 as farmers intensified efforts in preparation for the yuletide festivities. In the crops sub-sector, the major activities included harvesting of late maturing grains and pre-planting operations for dry season planting. Crude oil production was estimated at 1.93 million barrels per day (mbd) or 57.9 million barrels during the month. The headline inflation rate for November 2008, on a year-on-year basis, was 14.8 per cent, up from 14.7 per cent recorded in the preceding month. The inflation rate on a 12-month moving average was 10.9 per cent, compared with 10.1 per cent recorded in October 2008.

3.1 Agricultural Sector

The major agricultural activity in the country in November 2008 centered on the livestock sub-sector as farmers intensified efforts in preparation for the yuletide festivities. The contingency measures put in place to prevent the re-emergence of the deadly avian influenza had been effective as there had been no reported cases of the disease in the country in recent months. In the crops sub-sector, the major activities included harvesting of late maturing grains and pre-planting operations for dry season planting.

A total of ₦723.7 million was guaranteed to 3,099 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in November 2008. This represented respective decline of 52.2 and 11.0 per cent from the levels in the preceding month and the corresponding period of 2007. A sub-sectoral analysis of the loans guaranteed indicated that 2,091 beneficiaries in the food crops sub-sector had the largest share of ₦404.6 million (55.9 per cent), and 470 beneficiaries in the livestock sub-sector received ₦182.9 million (25.3 per cent).

Also, 394 beneficiaries in the fisheries sub-sector were guaranteed the sum of ₦121.4 million (16.8 per cent), 13 beneficiaries in the cash crop sub-sector got ₦4.7 million (0.7 per cent), and 131 beneficiaries in the “others” sub-sector received ₦10.1 million (1.3 per cent). Analysis of lending by state showed that sixteen (16) states benefited from the scheme during the month. The highest sum of ₦146.2 million (20.2 per cent) was guaranteed to 735 farmers in Adamawa State, while the lowest sum of ₦0.9 million (0.1 per cent) was guaranteed to 1 farmer in Gombe state.

Retail price survey of all staples by the CBN indicated increase in prices in November 2008. Over their levels in the preceding month, nine of the fourteen commodities monitored recorded price increase ranging from 1.9 per cent for garri (yellow) to 34.1 per cent for yam flour. However, the prices of local rice, millet, maize (white), maize (yellow) and garri (white) fell by 8.3, 6.7, 0.5, 3.2 and 0.9 per cent from their levels in the preceding month. Relative to the levels in the corresponding period of 2007, all the commodities monitored recorded price increase ranging from 14.6 per cent for eggs to 96.7 per cent for beans (white).

The prices of most of Nigeria’s major agricultural commodities at the London Commodities Market remained relatively stable in November 2008. At 313.8 (1990=100), the All-Commodities Price Index, in dollar terms, fell marginally by 0.01 per cent from the level in the preceding month, but indicated an increase of 2.1 per cent over the level in the corresponding period of 2007. Further analysis indicated that the price of most of the commodities monitored also remained unchanged except for coffee, copra, cotton, palm oil and soya bean, which recorded marginal price decline of 0.02, 0.01, 0.01, 0.02 and 0.07 per cent, respectively, from their levels in October. Relative to the levels in the corresponding period of 2007, all the commodities, however, recorded price increase ranging from 0.25 per cent for cocoa to 8.5 per cent for soya bean.

Similarly, at 3,919.9 (1990=100), the All-Commodities price index, in naira terms, showed a similar trend with that of the dollar, owing largely to the stability achieved in the naira/dollar exchange rate. It, however, recorded price increases ranging from 0.10 per cent for cocoa to 5.9 per cent for soya bean over the level in the corresponding period of 2007.

3.2 Petroleum Sector

Nigeria’s crude oil production, including condensates and natural gas liquids was estimated at 1.93 million barrels per day (mbd) or 57.9 million barrels for the month, compared with 1.96 mbd or 58.8 million barrels in the preceding month. Crude oil export was estimated at 1.45 mbd or 43.5 million barrels in November 2008, down from 1.51 mbd or 45.30 million barrels in October. Deliveries to the refineries for domestic consumption remained at 0.445 mbd or 13.5 million barrels for the month.

At an estimated average of US\$55.51 per barrel, the price of Nigeria’s reference crude, the Bonny Light (37° API), declined by 29.3 per cent from the level in the preceding month. The average price of other competing crude namely, the West Texas Intermediate, the

U.K Brent and the Forcados also fell by 28.1, 29.3 and 28.8 per cent to US\$57.73, US\$53.35 and US\$56.02 per barrel, respectively. The fall in price was attributed mainly to the impact of the ongoing global recession, coupled with a further recovery of the US dollar against other major currencies.

The average price of OPEC's basket of thirteen selected crude streams also fell by 27.0 per cent to US\$51.06 per barrel, compared with US\$69.96 a barrel recorded in the preceding month. (Fig. 7).

3.3 Consumer Prices

The all-items composite Consumer Price Index (CPI) for November 2008 was 191.1 (May 2003=100), down by 0.1 per cent from the level in the preceding month. The development was attributed to the decline in the price of some staple food items, diesel and kerosene.

The urban all-items CPI for end-November 2008 was 211.3 (May 2003=100), indicating a decline of 0.2 per cent from the level in the preceding month. The rural all-items CPI was 182.4 (May 2003=100), same as in the preceding month. (Fig. 8).

The headline inflation rate for November 2008, on a year-on-year basis, was 14.8 per cent, up from 14.7 per cent recorded in the preceding month. The inflation rate on a twelve-month moving average basis for November 2008, was 10.9 per cent, compared with 10.1 per cent in October 2008. (Fig. 9). The development was attributed largely to sustained price increase of energy, which had translated to high cost of transportation and ultimately increase in production cost.

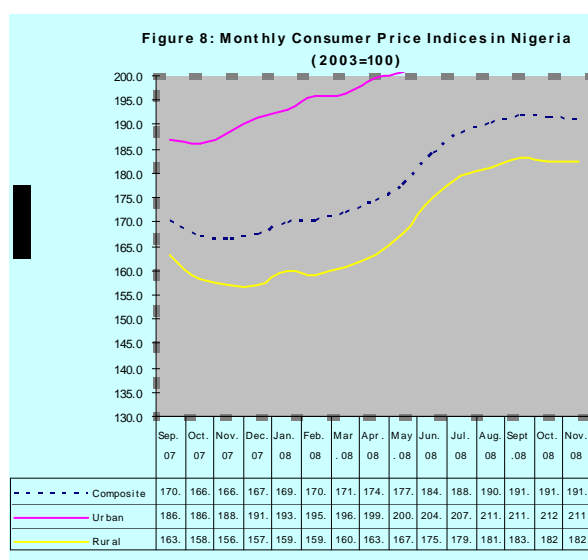
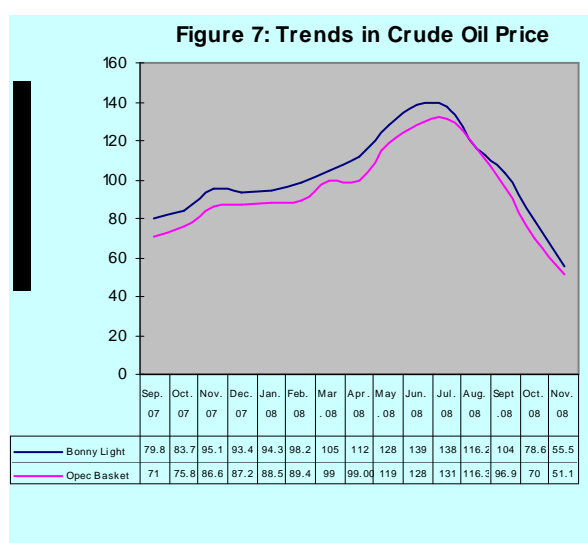
4.0 EXTERNAL SECTOR DEVELOPMENTS

Available data indicated that foreign exchange inflow and outflow through the CBN in November 2008 fell by 16.6 and 32.0 per cent from the levels in the preceding month. Similarly, total non-oil export earnings by Nigerian exporters fell by 63.8 per cent from the level in the preceding month. The gross external reserves, also fell by 1.8 per cent to US\$57.48 billion in November 2008, while the weighted average exchange rate of the Naira vis-à-vis the US dollar, depreciated marginally by 0.02 percentage point to =N=117.74 per dollar. at the Wholesale Dutch Auction System (WDAS).

4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in November 2008 were US\$3.76 billion and US\$4.77 billion, respectively, representing a net outflow of US\$ 1.01 billion. Relative to the respective levels of US\$4.51 billion and US\$7.01 billion in October 2008, inflow and outflow fell by 16.6 and 32.0 per cent, respectively.

The decline in inflow was attributed largely to the 21.7 per cent fall in oil receipts, while the decline in outflow was attributed largely to the 52.6, 32.4 and 30.3 per cent rise in drawing on L/C, WDAS utilization and other official payments, respectively.



Available data on aggregate foreign exchange flows through the economy indicated that total inflow and outflow was US\$7.82 billion and US\$4.82 billion, representing a decline of 25.0 and 31.8 per cent, respectively, from the levels in the preceding month. Relative to the corresponding period of 2007, however, inflow and outflow rose by 6.6 and 139.5 per cent, respectively. Oil sector receipts, at US\$3.33 billion, accounted for 42.6 per cent of the total inflow, compared with US\$4.25 billion in the preceding month. Non-oil public sector inflow rose by 64.3 per cent to US\$429.22 million, while autonomous inflows fell by 31.4 per cent and accounted for 51.9 per cent of the total (Fig. 10).

4.2 Non-Oil Export Proceeds by Exporters

Total non-oil export earnings by Nigerian exporters fell by 63.8 per cent from the level in the preceding month to US\$52.56 million. A sectoral breakdown of the proceeds in the review month showed that the manufacturing sub-sector and the industrial sector, which accounted for US\$17.24 million and US\$15.21 million of the total, declined by 61.8 and 78.6 per cent, respectively, from the levels recorded in the preceding month. Proceeds in respect of mineral, agricultural and food products sub-sectors stood at US\$15.00 million, US\$4.72 million and US\$0.39 million, indicating a respective decline of 1.9, 54.2 and 37.7 per cent, from the levels in the preceding month.

The shares of manufacturing and industrial, minerals, agricultural and food products sub-sectors in total non-oil export proceeds were 32.8, 29.0, 28.5, 9.0 and 0.7 per cent, respectively.

4.3 Sectoral Utilisation of Foreign Exchange

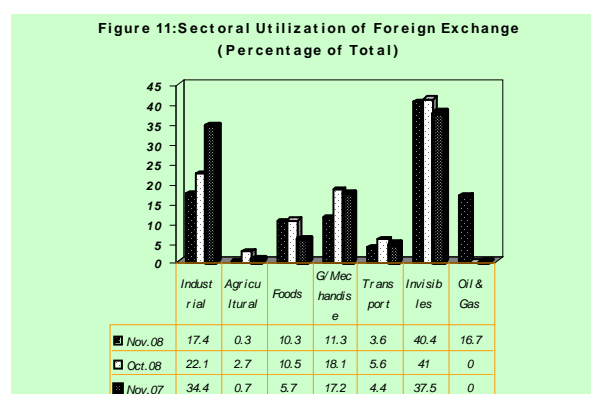
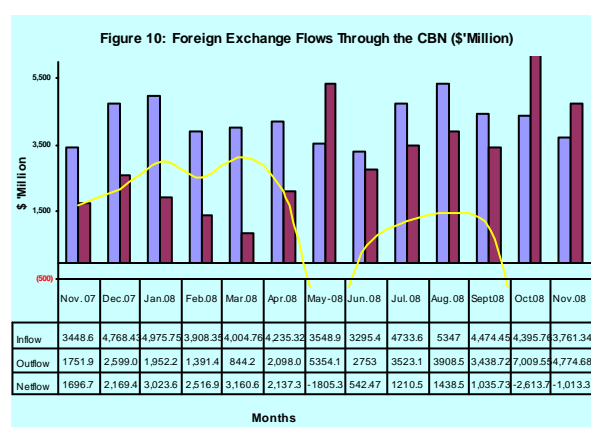
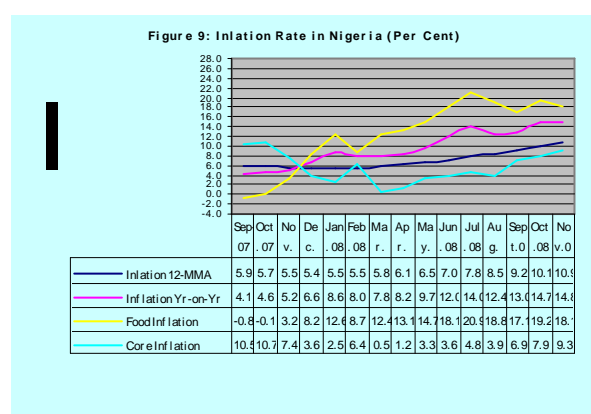
The invisibles sub-sector accounted for 40.4 per cent of total foreign exchange disbursed in November 2008, followed by industrial sector (17.4 per cent). Other beneficiary sectors, in a descending order included: oil & gas (16.7 per cent), general merchandise (11.3 per cent), food (10.3 per cent), transportation (3.6 per cent), and agricultural products (0.3 per cent) (Fig.11).

4.4 Foreign Exchange Market Developments

Aggregate demand for foreign exchange by authorized dealers and BDC operators under the WDAS was US\$6.10 billion in November 2008, indicating a respective increase of 10.1 and 609.3 per cent over the levels in the preceding month and the corresponding period of 2007. The development was attributed to the increased dividends remittances and purchases by some

importation of petroleum motor spirit (PMS). Consequently, a total of US\$4.41 billion foreign exchange was sold by the CBN to authorized dealers in the review month, compared with US\$4.40 billion and US\$1.18 billion in the preceding month and corresponding period of 2007, respectively.

Under the WDAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar depreciated marginally by 0.02 percentage point to =N=117.74 per dollar.



In the Bureaux de change segment of the market, the naira traded at an average exchange rate of ₦119.10 per dollar, compared with ₦119.0 per dollar in the preceding month. Consequently, the premium between the Official and Bureaux de Change rates widened marginally from 1.1 per cent in the preceding month to 1.2 per cent in November 2008 (Fig. 12).

4.5 External Reserves

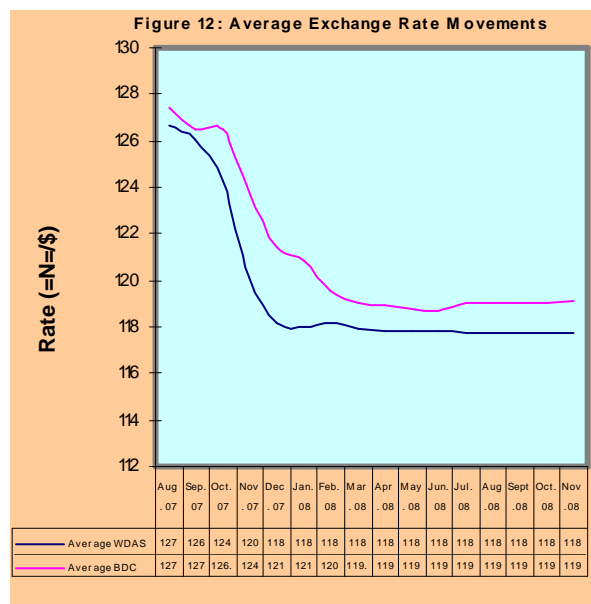
Available data showed that Nigeria's external reserves at end-November 2008 stood at US\$57.48 billion, representing a decline of 1.8 per cent from the level in the preceding month. It, however, indicated an increase of 15.1 per cent over the level in the corresponding period of 2007. The decline in reserves was attributed largely to the lower receipts from crude oil exports.

5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output in November 2008 was estimated at 88.00 million barrels per day (mbd), while demand was estimated at 86.60 mbd, representing an excess supply of 1.4 mbd, compared with 87.20 and 86.33 mbd supplied and demanded, respectively, in the preceding month.

Other major international economic developments of relevance to the Nigerian economy during the month included: an IMF Staff Mission to Nigeria from November 12 -15, 2008 to assess macroeconomic performance of the country as well as the financial sector and supporting structural reforms. The following were the major highlights of the Mission Report:

- On macroeconomic prospects, the Report noted the downside risks to growth which had increased markedly due to the envisaged strong spillover effects, should global demand and commodity prices weaken. Inflation, according to the report, had risen above the single digit level, reflecting the rise in food prices. Underlying inflation pressures also increased amid rapid credit growth. However, upside risks to inflation still remain, even as food prices have moderated.
- On macroeconomic policy challenges, the Report underscored the need to ensure macroeconomic stability and lay solid foundation for strong growth over the medium term. It called for vigilance on current developments in the Nigerian financial sector, particularly as regards to rapid credit ex-



In another development, the Leaders of the Group of Twenty (G20) held an inaugural meeting in Washington on November 15, 2008. The purpose of the meeting was to enhance cooperation between members in restoring global growth and to achieve the needed reforms in the world's financial system. The leaders noted that the root causes of the current crisis was underpinned by the yearning of market participants during the era of strong global growth for higher yields without adequate appreciation of the risks, and the failure to exercise due diligence. The Group also noted that, policy-makers, regulators and supervisors, in some advanced countries, did not adequately appreciate and address the risks building up in financial markets, keeping pace with financial innovation, and taking into account the systemic ramifications of domestic regulatory actions. The leaders of the G-20 therefore, agreed that a broader policy response, based on closer macroeconomic cooperation to restore growth, avoid negative spillovers and support emerging market economies and developing countries should be taken in consideration in order to address the effects of the deteriorating global economy.

Also, the 2008 West African Monetary Agency (WAMA), Statutory Meetings were held in Abuja, Nigeria from November 17 – 22, 2008. The 4th Ordinary Meeting of the Convergence Council of Ministers of Finance and Governors of Central Banks of ECOWAS Member States met during the meetings.

The following were the major highlights of the meetings:

- The Convergence Council underscored the importance of the mandate assigned to WAMA within the framework of achieving the overall objectives of regional integration and therefore emphasized the need for all ECOWAS Governing Bodies and Institutions to support WAMA to achieve this crucial task.
- The Council reiterated the need to show greater commitment to the achievement of the integration objectives in ECOWAS in view of the International Financial crisis. Similarly, the need to accelerate and strengthen the African integration programme under the auspices of the African Union was also emphasized.
- The report on Macroeconomic Convergence in 2007 and the First Half of 2008 showed that only four countries (Benin, Cote d'Ivoire, Mali and Togo) met all the four primary convergence criteria in 2007. Unfortunately, none of these countries could sustain this performance in the first half of 2008, due largely to the worsening trends in the international environment. The Council, therefore, acknowledged the efforts being made by member countries, in spite of the hostile international environment.

- The Convergence Council urged member countries to redouble their efforts in pursuit of macroeconomic stability by curtailing inflation and implementing appropriate measures to boost their foreign exchange earning capacity, fiscal revenue mobilisation and foreign exchange reserves through the implementation of appropriate policies.
- The Council endorsed the setting up of a Working Group comprising experts from the Community's Institutions (WAMA, WAMI and Central Banks) to determine the best method of interconnecting payment systems in the region and to map out a single, concrete and realistic strategy for establishing a single currency in ECOWAS.

Following the adoption of a proposal to establish and locate African Central Bank in Nigeria in November 2006, a Nigerian delegation, led by the Permanent Secretary, Federal Ministry of Finance, Mr. Stephen Oronsaye, negotiated a draft Memorandum of Understanding (MoU) on the establishment of the African Union Steering Committee (AUSC) with an African Union (AU) delegation which was led by Dr. Maxwell Mkwezalamba, Commissioner for Economic Affairs, AU, at the Central Bank of Nigeria Abuja, from November 24 - 26, 2008. The purpose of the negotiation was to fast-track the establishment of the ACB towards the realization of AU's monetary integration programme.

In view of the host country status, Nigeria is to provide the Secretariat for the Steering Committee of the ACB which would carry out preliminary work towards the actualization of the ACB. Nigeria is also to provide logistic support for the smooth operations of the AUSC.

TABLE 1

(=N=Million)

		NOVEMBER	OCTOBER	SEPTEMBER	DECEMBER	CHANGE BETWEEN		CHANGE BETWEEN		CHANGE BETWEEN	
		(1)	(2)	(3)	2007	(1&2)	PER CENT	(2&3)	PER CENT	(1&4)	PER CENT
1	Domestic Credit	4,337,279.20	4,254,703.70	4,244,627.20	2,688,236.60	82,575.50	1.94	10,076.50	0.24	1,649,042.60	61.34
(a)	Claims on Federal Government (Net)	(3,635,992.20)	(3,439,071.70)	(3,230,039.20)	(2,368,484.30)	(196,920.50)	(5.73)	(209,032.50)	(6.47)	(1,267,507.90)	(53.52)
	By Central Bank (Net)	(5,248,564.00)	(5,193,020.40)	(5,107,624.40)	(4,074,422.80)	(55,543.60)	(1.07)	(85,396.00)	(1.67)	(1,174,141.20)	(28.82)
	By Banks (Net)	1,612,571.80	1,753,948.70	1,877,585.20	1,705,938.50	(141,376.90)	(8.06)	(123,636.50)	(6.58)	(93,366.70)	(5.47)
(b)	Claims on Private Sector	7,973,271.40	7,693,775.40	7,474,666.40	5,056,720.90	279,496.00	3.63	219,109.00	2.93	2,916,550.50	57.68
	By Central Bank	247,452.50	228,463.40	171,846.40	236,025.20	18,989.10	8.31	56,617.00	32.95	11,427.30	4.84
	By Banks	7,725,818.90	7,465,312.00	7,302,820.00	4,820,695.70	260,506.90	3.49	162,492.00	2.23	2,905,123.20	60.26
(i)	Claims on State and Local Governments	149,033.20	115,024.80	96,140.30	87,753.60	34,008.40	29.57	18,884.50	19.64	61,279.60	69.83
	By Central Bank	0.0	0.0	0.0	0.0						
	By Banks	149,033.2	115,024.8	96,140.3	87,753.60	34,008.40	29.57	18,884.50	19.64	61,279.60	69.83
(ii)	Claims on Non-Financial Public Enterprises		-	-	-						
	By Central Bank										
	By Banks										
(iii)	Claims on Other Private Sector	7,824,238.30	7,578,750.70	7,378,526.10	4,968,967.30	245,487.60	3.24	200,224.60	2.71	2,855,271.00	57.46
	By Central Bank	247,452.50	228,463.40	171,846.40	236,025.20	18,989.10	8.31	56,617.00	32.95	11,427.30	4.84
	By Banks	7,576,785.80	7,350,287.30	7,206,679.70	4,732,942.10	226,498.50	3.08	143,607.60	1.99	2,843,843.70	60.09
2	Foreign Assets (Net)	7,633,712.00	7,975,734.90	8,523,481.00	7,266,512.10	(342,022.90)	(4.29)	(547,746.10)	(6.43)	367,199.90	5.05
	By Central Bank	6,875,891.20	7,059,654.40	7,589,846.60	6,570,263.70	(183,763.20)	(2.60)	(530,192.20)	(6.99)	305,627.50	4.65
	By Banks	757,820.80	916,080.50	933,634.40	696,248.40	(158,259.70)	(17.28)	(17,553.90)	(1.88)	61,572.40	8.84
3	Other Assets (Net)	(3,583,834.40)	(3,891,323.20)	(3,807,820.30)	(4,144,922.10)	307,488.80	7.90	(83,502.90)	(2.19)	561,087.70	13.54
	Total Monetary Assets (M₂)	8,387,156.70	8,339,115.50	8,960,287.70	5,809,826.50	48,041.20	0.58	(621,172.20)	(6.93)	2,577,330.20	44.36
	Quasi - Money 1/	4,118,172.80	4,103,304.50	4,438,497.40	2,693,554.30	14,868.30	0.36	(335,192.90)	(7.55)	1,424,618.50	52.89
	Money Supply (M ₁)	4,268,983.90	4,235,810.90	4,521,790.30	3,116,272.10	33,173.00	0.78	(285,979.40)	(6.32)	1,152,711.80	36.99
	Currency Outside Banks	744,343.60	743,153.10	756,786.00	737,867.20	1,190.50	0.16	(13,632.90)	(1.80)	6,476.40	0.88
	Demand Deposits 2/	3,524,640.30	3,492,657.80	3,765,004.30	2,378,404.90	31,982.50	0.92	(272,346.50)	(7.23)	1,146,235.40	48.19
	Total Monetary Liabilities	8,387,156.70	8,339,115.50	8,960,287.70	5,809,826.50	48,041.20	0.58	(621,172.20)	(6.93)	2,577,330.20	44.36

Notes:

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

2/ Demand Deposits consists of State, Local Government and Parastatals Deposits at the CBN; State, Local Government and Private Sector Deposits as well as Demand Deposits of Non-Financial Public Enterprises at Deposit Money Banks.

3/ Provisional.