CENTRAL BANK OF NIGERIA

ECONOMIC REPORT FOR THE MONTH OF JULY 2009

RESEARCH DEPARTMENT
The Central Bank of Nigeria Monthly 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, real and external sectors of the economy, as well as international economic issues of interest. The Report is directed at a wide spectrum of readers, including economists and financial analysts in government and the private sector, as well as general readers.

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1.0 Summary

Provisional data indicated decline in monetary aggregates in July 2009. Broad money ($M_2$) and narrow money ($M_1$) fell by 2.1 and 4.0 per cent from their levels in June 2009, respectively. The contraction in $M_2$ was attributed to the fall in net foreign assets and other assets (net) of the banking system.

Available data indicated a general increase in banks’ deposit and lending rates. The spread between the weighted average term deposit and maximum lending rates widened marginally from 10.53 percentage points in the preceding month to 10.83. Similarly, the margin between the average savings deposit and maximum lending rates increased slightly from 19.83 percentage points in June to 19.89. The weighted average inter-bank call rate, which stood at 12.51 per cent in the preceding month, rose to 13.17 per cent at end-July 2009, reflecting the liquidity condition in the banking system.

The value of money market assets outstanding grew by 2.9 per cent to N3,185.8 billion over the level in the preceding month. The rise was attributed largely to the 22.3 per cent increase in Commercial Papers (CPs). Activities on the Nigerian Stock Exchange were bearish as all the major market indicators trended downward in the review month.

The major agricultural activities in the review period, including the harvesting of crops, particularly maize and yam, Nigeria’s crude oil production, including condensates and natural gas liquids, was estimated at 1.69 million barrels per day (mbd) or 52.39 million barrels for the month, compared with 1.70 mbd or 51.00 million barrels in June 2009. Crude oil export was estimated at 1.25 mbd or 38.44 million barrels for the month, compared with 1.70 mbd or 51.00 million barrels in June 2009. The average price of Nigeria’s reference crude, the Bonny Light (37°API), estimated at US$66.52 per barrel, fell by 7.9 per cent from the level in the preceding month.

The inflation rate for July 2009, on a year-on-year basis, was 11.1 per cent, compared with 11.2 per cent in the preceding month. The inflation rate on a twelve-month moving average basis was, however, 13.4 per cent, compared with 13.7 per cent in the preceding month.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) to end-users through the authorized dealers stood at US$1.82 billion, indicating a decline of 13.3 per cent from the level in the preceding month, while demand rose by 65.8 per cent to US$3.73 billion. The weighted average exchange rate of the Naira vis-à-vis the US dollar, depreciated by 0.3 per cent to N148.59 per dollar at the WDAS.

In the Bureau-de-change segment of the market, the rate however, appreciated by 7.1 per cent to N155.13 per dollar.

Other major international economic developments of relevance to the domestic economy during the review month included: the 9th meeting of the Special Implementation Committee (SIC) of the Nigeria-South Africa Bi-National Commission (BNC) held in Abuja from July 22-23, 2009. Among other issues discussed by members included, the problems associated with the deportation of Nigerians from South Africa and the imposition of Repatriation fee of N110,000.00 by the South African High Commission on Nigerian first time travelers to South Africa.

In another development, the Committee of Ten African Ministers of Finance and Governors of Central Bank (Committee of Ten) held its third session in Abuja on 14 July, 2009 under the auspices of the African Development Bank, the Economic Commission for Africa and the African Union Commission. The objective of the meeting was to review the latest information pertaining to the impact of the economic crisis on Africa, take stock of recent internal and international developments, and agree on African perspectives to be fed into the global discussions, in particular during the next G20 Leaders Summit in Pittsburgh on 26 September, 2009.

Also, the International Monetary Fund (IMF) concluded its Article IV Consultation Mission with the Nigerian authorities on July 29, 2009 and noted that Nigeria entered the global financial crisis from a position of strong macroeconomic stability. The meeting of the G8 Summit was held in L’Aquila, Italy from July 8 – 10, 2009. The G8 Leaders discussed the interlinked challenges of the economic crisis, poverty, climate change and international political issues and the extraordinary measures taken. During the meeting, the G8 leaders met with Algeria, Angola, Egypt, Ethiopia, Libya, Nigeria, Senegal, South Africa, the African Union Commission and other relevant International Organisations. The Leaders resolved to act swiftly to limit the impact of the current economic crisis on the achievement of the Millennium Development Goals in Africa.
FINANCIAL SECTOR DEVELOPMENTS

Monetary aggregates contracted further in July 2009, while banks’ deposit and lending rates indicated a general increase. The value of money market assets increased, largely on account of the rise in Commercial Papers (CPs). Transactions on the Nigerian Stock Exchange (NSE) were bearish as all the major market indicators trended downward during the review month.

### 2.1 Monetary and Credit Developments

Provisional data indicated further decline in monetary aggregates at end July 2009. Broad money \( (M_2) \) fell by 2.1 per cent to \( =N=8,889.4 \) billion, compared with the decline of 4.1 per cent in June 2009. Similarly, narrow money \( (\ M_1) \) declined by 4.0 per cent to \( =N=4,303.8 \) billion, as against the increase of 3.8 per cent in the preceding month. The contraction in \( M_2 \) reflected the respective decline of 1.2 and 8.5 per cent in net foreign assets and other assets (net) of the banking system (fig.1 and table 1). Over the level at end-December 2008, \( M_2 \) declined by 3.0 per cent.

Aggregate banking system’s credit (net) to the domestic economy rose by 4.6 per cent to \( =N=5,938.1 \) billion in July 2009, compared with the increase of 3.6 per cent in the preceding month. The development was attributed wholly to the 5.5 per cent increase in claims on the private sector.

At \( =N=3,088.0 \) billion, banking system’s credit (net) to the Federal Government declined by 7.2 per cent, compared with the fall of 4.9 per cent in June 2009. The fall was attributed wholly to the 11.1 per cent decline in deposit money banks’ (DMBs) holdings of government securities during the month.

Banking system’s credit to the private sector rose by 5.5 per cent to \( =N=9,026.1 \) billion, compared with the increase of 0.6 per cent in June 2009. This reflected largely the 4.6 per cent increase in DMBs’ claims on other private sector (fig 2).

At \( =N=7,554.0 \) billion, foreign assets (net) of the banking system declined by 1.2 per cent, as against the increase of 0.1 per cent in the preceding month. The development was attributed to the fall in both the CBN’s and DMBs’ holdings.

Similarly, quasi money fell by 0.2 per cent to \( =N=4,585.6 \) billion, in contrast to the increase of 4.4 per cent in June 2009. The development reflected the decline in all the components, namely, time, savings and foreign currency deposits of the DMBs.

Other assets (net) of the banking system, also, fell by 8.5 per cent to \( =N=4,602.8 \) billion, compared with the decline of 3.4 per cent in the preceding month. The fall was attributed to the decline in unclassified assets of both the CBN and the DMBs.

### 2.2 Currency-in-circulation and Deposits at the CBN

At \( =N=1,008.3 \) billion, currency in circulation increased by 0.2 per cent in July 2009 over the level in the preceding month. The rise was due to the 2.7 per cent increase in currency outside banks.
Total deposits at the CBN amounted to N5,433.6 billion, indicating a 0.8 per cent increase over the level in June 2009. The development was as a result of the rise in Federal Government and other deposits. The shares of the Federal Government, banks and “others” in total deposits at the CBN were 89.4, 3.7 and 6.9 per cent, respectively, compared with the shares of 89.3, 5.3 and 5.4 per cent, in June 2009.

2.3 Interest Rate Developments

Available data indicated a general increase in banks’ deposit and lending rates in July 2009. With the exception of the average savings and the seven-day deposit rates, which declined marginally by 0.05 and 0.11 percentage points to 2.76 and 7.11 per cent, respectively, other rates on deposits of various maturities rose from a range of 12.71–13.34 per cent in June 2009 to 12.80–13.84 per cent. Similarly, the average prime and maximum lending rates increased by 0.33 and 0.16 percentage points to 18.49 and 22.80 per cent, respectively. Consequently, the spread between the weighted average term deposit and maximum lending rates, widened marginally from 10.53 percentage points in the preceding month to 10.83 percentage points. The margin between the average savings deposit and maximum lending rates, also, widened from 19.83 percentage points to 19.89 percentage points.

The weighted average inter-bank call rate, which was 18.60 per cent in the preceding month, declined to 18.10 per cent at end-July 2009, reflecting the liquidity condition in the banking system. Similarly, the weighted average rate for the OBB fell by 21 basis points to 7.52 per cent, from 7.73 per cent in the preceding month. In tandem with activities at the inter-bank market, Nigeria Inter-bank Offered Rate (NIBOR), the 7- and 30-day tenored segment fell by 61 and 18 basis points, respectively, to 18.94 and 19.66 per cent, from 19.55 and 19.84 per cent in the preceding month.

2.4 Money Market Developments

Activities in the money market slowed in the early part of July 2009 as the liquidity unease that characterized the preceding month persisted. Consequently, no direct auction was conducted in order not to exacerbate the liquidity situation. The deposit money banks continued to access the standing lending and Expanded Discount Window (EDW) facilities to square up their positions before EDW was discontinued on July 7, 2009.

At the primary market for NTBs and FGN Bonds, public participation was impressive as market players showed preference for government securities. Activities at the two-way quote trading platform were, however, dismal as bid rates offered were unattractive.

In order to address the liquidity unease and the attendant high interest rate that characterised the market in the month of June and the early part of the review month, the CBN adopted various measures to inject liquidity in the system and encouraged inter-bank trading. In that regard, the Monetary Policy Committee (MPC) on July 7, 2009 reduced the Monetary Policy Rate (MPR) to 6.00 per cent, from 8.00 per cent and restored the corridor of interest rate at +/- 200 basis, with the rate of standing lending facility fixed at 8.00 per cent and the rate on the standing deposit facility at 4.00 per cent. Others were the guarantee on inter-bank transactions by the CBN and the suspension of EDW.

Provisional data indicated that the value of money market assets outstanding as at end–July 2009, was N3,185.8 billion, representing an increase of 2.9 per cent above the level at end-June 2009. The increase was attributed to the 22.3 per cent rise in Commercial papers.

At the primary segment of the market, Nigerian Treasury Bills of 91-, 182- and 364-day tenors, totalling N125.35 billion were offered, with each issue amounting to N35.00 billion, N60.35 billion and N30.00 billion, respectively. Total public subscription for all the auctions amounted to N208.92 billion, while the sum of N125.35 billion was allotted to the public. All the auctions were therefore oversubscribed as in the preceding month, as market players showed strong preference for government securities, due to the pessimism surrounding the performance of equities at the capital market. In the preceding month, total issue and allotment amounted to N120.00 billion a piece, while public subscription was N233.80 billion.
The need for market players to shore up their holdings of government securities also buoyed activities at that segment. The range of issue rates for the 91-, 182- and 364-day NTBs were from 2.80 per cent to 5.75 per cent. In the preceding month, the issue rates ranged from 3.135 to 6.75 per cent for the 91-, 182- and 364-day NTBs.

FGN Bonds, of 3-, 5 and 20-year tenors (re-opened) were offered to the public in the review month. A total of =N=60.00 billion, made up of =N=20.00 billion 3-year, =N=20.00 billion, 5-year and =N=20.00 billion, 20-year FGN Bonds were offered and allotted at marginal rates of 8.14, 9.39 and 11.00 per cent, respectively, with total subscription of =N=138.22 billion. In June, total subscription for the 3-, 5- and 20-year (re-opened) FGN Bonds was =N=119.68 billion, while =N=50.00 billion was allotted at coupon rates of 10.10, 10.70 and 12.33 per cent, respectively. The preference for longer-tenored securities, whose yields were perceived to be stable and attractive, also buoyed subscription at the auctions.

Investment in Commercial Papers (CPs) as a supplement to banks’ credit to the private sector fell in the review period. The value of CPs held by DMBs grew by =N=134.59 billion to =N=737.1 billion at end-July 2009, as against a decline of =N=75.8 billion at end-June 2009. Thus, CPs constituted 23.1 per cent of the total value of money market assets outstanding as at end-July 2009, compared with 19.5 per cent at the end of the preceding month. Holdings of Bankers Acceptances (Bas) by DMBs fell by 15.1 per cent to =N=63.0 billion as at end-July 2009, compared with the decline of 11.2 per cent in the preceding month. The fall reflected the decline in investments by deposit money banks and discount houses. Consequently, BAs accounted for 2.0 per cent of the total value of money market assets outstanding at end-July 2009, compared with 2.4 per cent in the preceding month.

In line with the Bank’s monetary policy stance, aggressive mop-up of excess liquidity remained suspended as activities were geared towards injecting funds into the banking system. There was no purchase of government securities through the two-way quote platform as the offer rates quoted at the trading sessions were unattractive. Similarly, in view of the liquidity unease, especially in the early part of the review month, there was no direct auction at the open market. However, the Bank’s policy of guaranteeing all inter-bank placements and the removal of restrictions on funds borrowed at its repo window, helped to increase market liquidity and engendered lower rates.

2.5 Deposit Money Banks’ Activities

Available data indicated that total assets/liabilities of the DMBs amounted to =N=15,851.0 billion, representing an increase of 2.1 per cent over the level at end-June 2009. Funds, sourced mainly from the accumulation of unclassified liabilities and claims on the government, were used largely in the settlement of unclassified liabilities and purchase of government securities.

At =N=9,633.8 billion, credit to the domestic economy rose by 2.1 per cent over the level in June 2009. The breakdown showed that credit to government declined by 11.1 per cent from the level in the preceding month, while credit to the core private sector rose by 4.5 per cent.

Central Bank’s credit to the DMBs fell by 16.3 per cent to =N=192.9 billion in July 2009, reflecting the increase in overdraft facilities to the DMBs.

Total specified liquid assets of the DMBs was =N=2,817.0 billion, representing 32.6 per cent of their total current liabilities. This level of assets was 2.1 percentage points below the preceding month’s level, but exceeded the stipulated minimum ratio of 25.0 per cent for fiscal 2009 by 7.6 per cent. The loan-to-deposit ratio rose by 5.1 per cent to 89.6 per cent, which exceeded the stipulated maximum target of 80.0 per cent by 9.6 percentage points.

2.6 Discount Houses Activities

Total assets/liabilities of the discount houses stood at =N=471.5 billion at end-July 2009, representing an increase of 1.2 per cent over the level in the preceding month. The rise in assets was attributed to the 26.2 per cent increase in “claims on others”, reinforced by the 9.5 per cent growth in claims on the Federal Government, while the increase in total liabilities was attributed largely to the 2.4 and 27.1 per cent rise in “money -at-call and other amount owing”, respectively.
Discount houses’ investments in Federal Government securities of less than 91 days maturity amounted to =N=51.4 billion, representing 12.7 per cent of their total deposit liabilities. At this level, discount houses’ investments in Federal Government securities increased by 69.9 per cent over the level in the preceding month, but was below the stipulated minimum of 60.0 per cent for fiscal 2009 by 47.3 percentage points.

Total borrowings by the discount houses was =N=29.1 billion, while their capital and reserves amounted to =N=44.2 billion, resulting in a gearing ratio of 4.6:1, compared with the stipulated maximum target of 50:1 for fiscal 2009.

2.7 Capital Market Developments

Available data indicated that activities on the Nigerian Stock Exchange (NSE) trended downward in July 2009 owing to the illiquidity prevailing in the financial system. The volume and value of traded securities declined by 12.0 and 23.1 per cent to 9.9 billion shares and =N=72.4 billion in 187,748 deals, respectively, compared with 11.3 billion shares valued at =N=94.13 billion in 217,949 deals in June 2009. Total volume between January and July 2009 was 56.3 billion shares valued at =N=373.93 billion, while 141.6 billion shares valued at =N=1.92 trillion were traded in the corresponding period of 2008. The banking sub-sector was the most active on the Exchange with a traded volume of 5.2 billion shares valued at =N=49.22 billion in 108,897 deals, followed by the insurance sub-sector with a traded volume of 2.16 billion shares valued at =N=1.8 billion in 21,378 deals. There were no transactions on the Federal Government and industrial loans/preference stocks.

Transactions on the over-the-counter (OTC) bond segment of the market indicated that a turnover of 2.0 billion units worth =N=2.2 trillion in 14,953 deals was recorded in July, as against a total of 1.6 billion shares valued at =N=1.61 trillion in 8,084 deals in the preceding month. The most active bond by turnover volume was the 4th FGN Bond 2014 Series 3 with traded volume of 243.55 million units valued at =N=269.5 billion in 2,211 deals. This was followed by the 5th FGN Bond 2028 Series 5, with a traded volume of 198.63 million units valued at =N=269.5 billion in 1,749 deals. Thirty-four (34) of the available forty (40) FGN Bonds were traded in the review month, compared with thirty-five (35) in the preceding month.

Cumulatively, total transactions on FGN Bonds through the OTC were 10.6 billion valued at =N=10.92 trillion in 68,419 deals, compared with 5.01 billion shares worth =N=5.03 trillion in 39,282 deals recorded in the corresponding period of 2008.

In the new issues market, 4.2 billion shares in favour of eTranzact International Plc were admitted on the Daily Official list by way of introduction at the price of =N=4.80 per share. The Company was listed in the Information Communication and Telecommunication sub-sector. Similarly, 400 million shares in favor of Portland Paints & Products Nigeria Plc were admitted at a price of =N=10.00 per share in the Chemical & Paints sub-sector. Also, there were five (5) supplementary listings during the month, compared with four (4) in the preceding month.

In a related development, two FGN bonds - the FGN Bond 2009 (Special Pension) and 3rd FGN Bond 2009 series 11 - were delisted from the Daily Official list on maturity.

The Nigerian Stock Exchange All-Share Index (ASI), declined by 5.9 per cent to 25,286.6 (1984 = 100), compared with the fall of 9.6 per cent in June 2009. However, the NSE-30 Index rose by 0.2 per cent to 905.37. Similarly, the NSE Food/Beverage Index also increased by 0.3 per cent to close at 505.51, while the NSE Banking Index fell by 10.2 per cent to close at 412.22 in the review month. The NSE Insurance Index and the NSE Oil/Gas Index declined by 5.1 and 14.3 per cent to close, respectively, at 348.65 and 359.37.

The market capitalization of the 295 listed securities closed at N8.5 trillion, indicating a decline of 3.7 per cent from the level in June 2009. The fall in market capitalization was attributed to the price losses in some equities. The 210 listed equities accounted for =N=5.8 trillion or 68.5 per cent of total market capitalization down from the =N=6.13 trillion recorded in the preceding month.
3.0 DOMESTIC ECONOMIC CONDITIONS

Agricultural activities in most parts of the country consisted of harvesting of maize, yam and tree crops. Crude oil production was estimated at 1.69 million barrels per day (mbd) or 52.39 million barrels during the month. The end-period inflation rate for July 2009, on a year-on-year basis was 11.1 per cent, compared with 11.2 per cent recorded in the preceding month. The inflation rate on a 12-month moving average basis was 13.4 per cent, compared with 13.7 per cent in June 2009.

3.1 Agricultural Sector
Agricultural activities during the month of July in the Northern part of the country, received a boost following the steady rainfall during the period, while activities in the Southern States centered on harvesting of crops, particularly maize and yam.

A total of =N=554.4 million was guaranteed to 2,889 farmers under the Agricultural Credit Guarantee Scheme (ACGS) during the month. This represented an increase of 135.4 and 18.4 per cent over the levels in June 2009 and the corresponding month of 2008, respectively. A sub-sectoral analysis of the loans guaranteed indicated that the food crops sub-sector had the largest share of =N=288.9 million or 52.1 per cent to 2,094 beneficiaries, while the livestock sub-sector received =N=180.8 million or 32.6 per cent to 378 beneficiaries. Also, one hundred and seventy (170) beneficiaries in the fisheries sub-sector received =N=140.9 million or 7.4 per cent and one hundred and forty (140) beneficiaries in the cash crops sub-sector received =N=31.0 million or 5.6 per cent. The sum of =N=13.7 million or 2.5 per cent was guaranteed to one hundred and seven (107) beneficiaries in the “others” sub-sector.

Analysis by state showed that 19 states benefited from the scheme, with the highest and lowest loans of =N=98.6 million (17.8 per cent) and =N=2.2 million (0.4 per cent) guaranteed to Gombe and Imo states, respectively.

Retail price survey of most staples by the CBN showed mixed development as at end-June 2009. Nine of the commodities monitored, recorded price increase ranging from 0.8 per cent for a yam flour to 53.9 per cent for millet, over their levels in the preceding month. Five of the commodities recorded price decline ranging from 3.2 per cent for yellow garri to 38.9 per cent for groundnut oil. Relative to their levels in the corresponding month of 2008, eight of the commodities recorded price increase ranging from 1.2 per cent for white beans to 73.2 per cent for millet, while six commodities recorded price decline ranging from 1.9 per cent for vegetable oil to 33.1 per cent for groundnut oil.

3.2 Petroleum Sector
Nigeria’s crude oil production, including condensates and natural gas liquids, was estimated at 1.69 million barrels per day (mbd) or 52.39 million barrels for the month, representing a decline of 2.3 per cent from the level in the preceding month. Similarly, crude oil export was estimated at 1.24 mbd or 38.44 million barrels in the review period, while deliveries to the refineries for domestic consumption remained at 0.45 mbd or 13.90 million barrels for the month.

At an estimated average of US$66.52 per barrel, the price of Nigeria’s reference crude, the Bonny Light (37º API), fell by 7.9 per cent from the level in June 2009, with the Brent and Forcados also, fell by 10.1, 7.7 and 6.2 per cent to US$63.68, US$65.45 and US$66.49 per barrel, respectively. Forcados also, fell by 10.1, 7.7 and 6.2 per cent to US$63.68, US$65.45 and US$66.49 per barrel, respectively. Forcados also, fell by 10.1, 7.7 and 6.2 per cent to US$63.68, US$65.45 and US$66.49 per barrel, respectively. Forcados also, fell by 10.1, 7.7 and 6.2 per cent to US$63.68, US$65.45 and US$66.49 per barrel, respectively. Forcados also, fell by 10.1, 7.7 and 6.2 per cent to US$63.68, US$65.45 and US$66.49 per barrel, respectively. Forcados also, fell by 10.1, 7.7 and 6.2 per cent to US$63.68, US$65.45 and US$66.49 per barrel, respectively. At an estimated average of US$66.52 per barrel, the price of Nigeria’s reference crude, the Bonny Light (37º API), fell by 7.9 per cent from the level in June 2009, with the Brent and Forcados also, fell by 10.1, 7.7 and 6.2 per cent to US$63.68, US$65.45 and US$66.49 per barrel, respectively. Forcados also, fell by 10.1, 7.7 and 6.2 per cent to US$63.68, US$65.45 and US$66.49 per barrel, respectively. Forcados also, fell by 10.1, 7.7 and 6.2 per cent to US$63.68, US$65.45 and US$66.49 per barrel, respectively. Forcados also, fell by 10.1, 7.7 and 6.2 per cent to US$63.68, US$65.45 and US$66.49 per barrel, respectively. Forcados also, fell by 10.1, 7.7 and 6.2 per cent to US$63.68, US$65.45 and US$66.49 per barrel, respectively. Forcados also, fell by 10.1, 7.7 and 6.2 per cent to US$63.68, US$65.45 and US$66.49 per barrel, respectively. Forcados also, fell by 10.1, 7.7 and 6.2 per cent to
3.3 Consumer Prices

Available data showed that the all-items composite Consumer Price Index (CPI) in July 2009 was 209.0 (May 2003=100), representing an increase of 2.1 per cent over the level in the preceding month. The urban all-items CPI at end-July 2009 was 227.2 (May 2003=100), indicating an increase of 1.7 per cent over the level in the preceding month. The rural all-items CPI for the month was 201.1 (May 2003=100), and represented an increase of 2.3 per cent over the level in the preceding month. The end-period inflation rate for July 2009, on a year-on-year basis, was 11.1 per cent, compared with 11.2 per cent in the preceding month. The inflation rate on a twelve-month moving average basis for July 2009, was 13.4 per cent, compared with 13.7 per cent in June 2009.

4.0 EXTERNAL SECTOR DEVELOPMENTS

4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in July 2009 were US$1.69 billion and US$2.11 billion, respectively, representing a net outflow of US$0.42 billion. Relative to the respective levels of US$1.30 billion and US$2.90 billion in the preceding month, inflow rose by 30.0 per cent, while outflow fell by 27.0 per cent. The rise in inflow was attributed largely to the increase in crude oil receipts, while the fall in outflow was due largely to the respective decline in Wholesale Dutch Auction System (WDAS) utilization and other official payments.

Provisional data on aggregate foreign exchange flows through the economy indicated that total inflow was US$4.33 billion, representing an increase of 4.3 per cent over the level in the preceding month but declined by 52.0 per cent from the level in the corresponding month of 2008. Oil sector receipts, which accounted for 34.6 per cent of the total, stood at US$1.50 billion, compared with US$1.34 billion in the preceding month. Non-oil public sector inflow rose by 296.3 per cent and accounted for 4.4 per cent of the total, while autonomous inflow fell 7.8 per cent and accounted for 61.0 per cent of the total. At US$2.18 billion, aggregate foreign exchange outflow from the economy fell by 27.3 per cent from the level in the preceding month.

**Figure 10: Foreign Exchange Flows Through the CBN (US$ million)**

<table>
<thead>
<tr>
<th>Month</th>
<th>Inflow</th>
<th>Outflow</th>
<th>Netflow</th>
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<td>May-08</td>
<td>3,548.89</td>
<td>5,354.14</td>
<td>-1,805.25</td>
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<tr>
<td>Jun-08</td>
<td>3,295.44</td>
<td>2,752.97</td>
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<td>Jul-08</td>
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<td>1,210.49</td>
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<td>Sept-08</td>
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<td>1,035.73</td>
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<td>4,397.69</td>
<td>-1,906.93</td>
</tr>
<tr>
<td>Feb-09</td>
<td>3,761.34</td>
<td>3,531.09</td>
<td>-2,027.90</td>
</tr>
<tr>
<td>Mar-09</td>
<td>2,240.66</td>
<td>3,308.19</td>
<td>1067.53</td>
</tr>
<tr>
<td>Apr-09</td>
<td>2,038.91</td>
<td>3,356.94</td>
<td>1318.03</td>
</tr>
<tr>
<td>May-09</td>
<td>1,296.27</td>
<td>2,896.97</td>
<td>-1600.91</td>
</tr>
<tr>
<td>Jun-09</td>
<td>1,690.36</td>
<td>2,111.26</td>
<td>-420.90</td>
</tr>
</tbody>
</table>

4.2 Non-Oil Export Earnings by Exporters

Provisional data indicated that foreign exchange inflow through the CBN in July 2009 rose by 30.0 per cent, while outflow declined by 20.0 per cent, from the levels in the preceding month. The weighted average exchange rate of the Naira vis-à-vis the US dollar, depreciated by 0.4 per cent to =N=147.84 per dollar at the Wholesale Dutch Auction System (WDAS).

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The shares of industrial, food products, manufactured products, transport, agricultural, and minerals sub-sectors in non-oil export proceeds were 41.9, 2.1, 19.5, 0.1, 18.8 and 17.6 per cent, respectively, in the review month.

4.3 Sectoral Utilisation of Foreign Exchange

Manufactured goods accounted for 25.3 per cent of the total foreign exchange disbursed in July 2009, followed by invisibles (25.2 per cent). Other beneficiary sectors, in a descending order of importance included; industrial (21.5 per cent), food products (11.8 per cent), Oil & mineral (10.6), transport sector (4.8 per cent), and agricultural sector (0.8 per cent) (Fig.11).

At US$1.82 billion, the amount of foreign exchange sold by the CBN to authorized dealers fell by 13.3 per cent from the level in the preceding month. Under the WDAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar depreciated by 0.3 per cent to =N=148.59 per dollar.

In the Bureau-de-change segment of the market, however, the average rate appreciated by 7.1 per cent to =N=155.13 per dollar. Consequently, the premium between the official and bureau-de-change rates narrowed from 12.1 per cent in the preceding month to 4.4 per cent.

5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output in July 2009 was estimated at 83.91 million barrels per day (mbd), the same as demand, compared with 83.11 and 84.08 mbd supplied and demanded, respectively, in the preceding month.

Other major international economic developments of relevance to the domestic economy during the month included: the 9th meeting of the Special Implementation Committee (SIC) of the Nigeria-South Africa Bi-National Commission (BNC) held in Abuja from July 22 - 23, 2009. The meeting had six working groups on Foreign Affairs and Cooperation; Agriculture, Water Resources and Environment; Social and Technical; Trade, Industry and Finance; Minerals and Energy; and Defence and Security.

The following were the major highlights of the meeting:

- Both sides recalled the recent AU Summit held in Libya and reaffirmed their earlier recommendations that the Union Government for Africa should emerge through a gradual process;
- The Nigerian side reported that the apex banks on both sides had commenced collaboration through exchange of information;
- Both sides commended the ratification of the Agreement on the Avoidance of Double Taxation and stressed that the issue be reflected in the progress report of the BNC; and
- The meeting agreed on the need for the MOU between the Financial Services Board of South Africa and the Securities and Exchange Commission of Nigeria to discuss issues relating to the development of markets infrastructure, capacity building and the processing of new products.
In another development, the Committee of Ten African Ministers of Finance and Governors of Central Bank (Committee of Ten) held their third session in Abuja on 14 July, 2009 under the auspices of the African Development Bank, the Economic Commission for Africa and the African Union Commission. The Committee was established to monitor the impact of the financial crisis on African economies and related developments. The objective of the meeting was to review the latest information pertaining to the impact of the crisis on Africa; take stock of recent internal and international developments; and agree on African perspectives to be fed into the global discussions, in particular during the next G20 Leaders Summit in Pittsburgh on 26 September, 2009.

The Committee noted that whilst the full effects of the global slowdown remained uncertain and vary from country to country, it was clear that the impact on African countries, although initially limited, had become, in some cases severe. They noted that even if global recovery began in 2010, the recovery of African economies may take longer time. The major challenge therefore, was on how to implement short term responses to the crisis while staying focused on long term sustainability. Furthermore, the Committee commended the resolution of the London G-20 meeting in addressing the key issues of restoring growth, financial stability and the needs of emerging countries.

Also, the International Monetary Fund (IMF) concluded its Article IV Consultation Mission with the Nigerian authorities on July 29, 2009 and noted that Nigeria entered the global financial crisis from a position of strong macro-economic stability. The reforms of recent years paid off, with oil savings, high international reserves, and a well-capitalized banking system preventing the type of economic crisis Nigeria witnessed during the oil price cycles of the early 1980s. The impact of the crisis has nonetheless been significant with economic growth suffering. Growth in 2009 and 2010 was expected to fall below the impressive rates of recent years. The Fund therefore projected that growth in the non-oil sector will slow from 9.0 per cent in 2008 to 4.5 per cent in 2009. While oil production is expected to remain broadly flat, security-related disruptions to gas supplies were likely to result in a contraction in the hydrocarbons sector in 2009. Overall GDP was thus expected to fall to 3.0 per cent in 2009, while a gradual recovery was expected to take hold as confidence in the banking system is restored and domestic credit conditions begin to ease, with growth picking up to 5.0 per cent in 2010. The IMF expected inflation to decelerate to single-digit levels later in 2009, reflecting the slowdown and tight credit conditions.

The G-8 Summit was held in L’Aquila, Italy from July 8 – 10, 2009. The G-8 Leaders discussed the interlinked challenges of the economic crisis, poverty and climate change among others. While noting some signs of stabilisation and improved confidence, they reaffirmed their commitment to implementing the decisions made at the Washington and London Summits. Policy actions to support the world economy and repair the financial system would continue in order to ensure sustainable and long-lasting growth. During the meeting, the G-8 leaders met with Algeria, Angola, Egypt, Ethiopia, Libya, Nigeria, Senegal, South Africa, the African Union Commission and other relevant International Organisations. The Leaders resolved to act swiftly to limit the impact of the crisis on the achievement of the Millennium Development Goals in Africa. They reaffirmed their respective commitments for sustainable development, including ODA, climate change and peace and security. For the first time, the Leaders issued a joint G-8-Africa statement, expressing their determination to build a stronger partnership to increase access to water and sanitation.
<table>
<thead>
<tr>
<th>TABLE 1A</th>
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<tbody>
<tr>
<td>(in Million)</td>
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<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Domestic Credit</td>
<td>2,688,236.51</td>
<td>3,938,836.37</td>
<td>4,779,570.12</td>
<td>4,951,860.33</td>
<td>5,677,163.30</td>
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<tr>
<td>(a) Claims on Federal Government (Net)</td>
<td>(2,368,484.39)</td>
<td>(2,716,465.31)</td>
<td>(2,433,933.04)</td>
<td>(3,107,688.59)</td>
<td>(2,879,781.40)</td>
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<tr>
<td>By Central Bank (Net)</td>
<td>(4,074,422.85)</td>
<td>(4,413,045.05)</td>
<td>(4,122,987.43)</td>
<td>(4,532,113.63)</td>
<td>(4,348,811.30)</td>
</tr>
<tr>
<td>By Banks (Net)</td>
<td>1,705,938.46</td>
<td>1,696,599.74</td>
<td>1,998,994.39</td>
<td>1,424,425.04</td>
<td>1,469,029.90</td>
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<tr>
<td>(b) Claims on Private Sector</td>
<td>5,056,720.90</td>
<td>6,754,681.59</td>
<td>7,341,118.31</td>
<td>8,059,548.92</td>
<td>8,556,944.70</td>
</tr>
<tr>
<td>By Central Bank</td>
<td>236,025.18</td>
<td>114,037.13</td>
<td>89,863.41</td>
<td>260,148.80</td>
<td>336,125.00</td>
</tr>
<tr>
<td>By Banks</td>
<td>4,820,695.72</td>
<td>6,640,444.46</td>
<td>7,251,254.90</td>
<td>7,799,400.11</td>
<td>8,220,837.70</td>
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<tr>
<td>(bii) Claims on other Private Sector</td>
<td>4,968,967.30</td>
<td>6,655,281.68</td>
<td>21,733,163.16</td>
<td>7,909,783.78</td>
<td>8,305,283.50</td>
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<tr>
<td>By Central Bank</td>
<td>236,025.18</td>
<td>114,037.13</td>
<td>89,863.41</td>
<td>260,148.80</td>
<td>336,125.00</td>
</tr>
<tr>
<td>By Banks</td>
<td>4,732,942.12</td>
<td>6,541,244.55</td>
<td>7,123,699.75</td>
<td>7,649,634.97</td>
<td>7,969,158.50</td>
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<tr>
<td>(biii) Claims on Non-Financial Public Enterprises</td>
<td>87,753.60</td>
<td>99,399.91</td>
<td>127,555.15</td>
<td>149,765.14</td>
<td>251,661.20</td>
</tr>
<tr>
<td>By Central Bank</td>
<td>87,753.60</td>
<td>99,399.91</td>
<td>127,555.15</td>
<td>149,765.14</td>
<td>251,661.20</td>
</tr>
<tr>
<td>By Banks</td>
<td>13,249.36</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

| Quasi-Money | 5,809,826.48 | 7,984,368.85 | 8,067,591.23 | 9,166,385.31 | 9,077,026.60 |
| Money Supply (M1) | 3,166,272.14 | 4,328,511.66 | 4,096,962.16 | 4,857,312.25 | 4,484,615.80 |
| Currency Outside Banks | 737,867.22 | 673,055.41 | 703,084.41 | 892,675.59 | 746,463.90 |
| Demand Deposits | 2,378,404.92 | 3,655,466.26 | 3,393,877.75 | 3,964,636.66 | 3,738,151.90 |

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.

* revised