CENTRAL BANK OF NIGERIA

ECONOMIC REPORT
JULY 2010

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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1.0 Summary

Growth in key monetary aggregate moderated in July 2010 relative to the level in the preceding month. Broad money (M_2) rose by 0.88 per cent, relative to the preceding month. The development in M_2 was due largely to the 1.5 per cent increase in foreign asset (net) of the banking system, reinforced by the 0.4 per cent rise in other asset (net). Relative to the level at end-December 2009, M_2 expanded by 1.6 per cent. Narrow money (M_1), also increased, by 0.8 per cent, over the level in the preceding month. Reserve money (RM), increased significantly by 8.1 per cent over the level at the end of June 2010.

Available data indicated mixed developments in banks' deposit and lending rates. The spread between the weighted average term deposit and maximum lending rates widened from 17.68 percentage points in June 2010 to 17.72 percentage points. The margin between the average savings deposit and maximum lending rates also, widened from 20.08 percentage points in the preceding month to 20.65 percentage points. The weighted average inter-bank call rate rose to 3.59 per cent from 2.73 per cent in the preceding month, reflecting the liquidity condition in the interbank funds market.

The value of money market assets outstanding at end–July 2010 declined by 11.4 per cent to ₦3,137.1 billion, in contrast to the increase of 1.6 per cent at end-June 2010. The development was attributed to the 12.3, 11.6 and 2.6 per cent decline in FGN Bonds, Nigerian Treasury Bills and Commercial Papers (CPs), respectively.

Total federally-collected revenue in July 2010 was estimated at ₦699.90 billion, representing an increase of 20.0 and 29.2 per cent relative to the proportionate monthly budget estimate and the receipts in the preceding month, respectively. At ₦536.21 billion, gross oil receipts, which constituted 76.6 per cent of the total, exceeded the proportionate monthly budget estimate and the

receipts in the preceding month by 31.3 and 29.7 per cent, respectively. The development was attributed largely to the improved production as well as the increase in crude oil prices at the international market during the month under review. Non-oil receipts, at ₦163.69 billion or 23.4 per cent of the total, was 6.3 per cent lower than the proportionate monthly budget estimate, but higher than the receipts in the preceding month by 27.7 per cent. The unimpressive performance relative to the proportionate monthly budget estimate, reflected largely the significant decline in independent revenue of the Federal Government and customs and excise duties. Federal Government estimated retained revenue in July 2010 was ₦185.06 billion, while total estimated expenditure was ₦328.58 billion. Thus, the fiscal operations of the Federal Government resulted in an estimated deficit of ₦143.52 billion, compared with the monthly budgeted deficit of ₦129.23 billion for the review month.

The dominant agricultural activities in July 2010 were weeding and harvesting of yams and vegetables. In the livestock sub-sector, most poultry farmers intensified clearing and disinfecting of broiler houses and their surroundings to minimize the incidence of diseases associated with wet season for the forthcoming festive seasons. Crude oil production, including condensates and natural gas liquids in July 2010 was estimated at 2.28 million barrels per day (mbd) or 70.68 million barrels. Crude oil export was estimated at 1.83 mbd or 56.73 million barrels for the month, while deliveries to the refineries for domestic consumption remained at 0.45 mbd or13.95 million barrels. The average price of Nigeria's reference crude, the Bonny Light (37^0 API), estimated at US$76.42 per barrel, increased marginally by 0.2 per cent over the level in the preceding month.

The end-period headline inflation rate (year-on-year), in July 2010, was 13.0 per cent, compared with 14.1 per cent recorded at the end of the preceding month. Inflation rate on a twelve-month moving average basis in July 2010 was 13.3 per cent, compared with 13.1 per cent recorded in the *preceding month.*

Foreign exchange inflow and outflow through the CBN in July 2010 were US$2.29 billion and US$4.03 billion, respectively, and resulted in a net outflow of US$1.74 billion. Foreign exchange sales by the CBN to the authorized dealers declined by 12.2 per cent from the level in the preceding month to US$2.58 billion, but increased by 41.8 per cent over the level in the corresponding period of 2009.

The average Naira exchange rate vis-à-vis the US dollar, appreciated by 0.1 per cent to ₦150.10 per dollar at the WDAS. In the bureaux-de-change segment of the market, the naira also appreciated, by 0.96 per cent, to ₦152.39 per dollar. It similarly, appreciated at the interbank segment, from ₦151.28 per US dollar in June 2010 to ₦150.27 per dollar.

Non-oil export earnings by Nigerian exporters increased by 8.0 per cent over the level in the preceding month to US$202.8 million. The development was attributed largely to the rise in the prices of all the commodities traded at the international commodities market during the period.

World crude oil output in July 2010 was estimated at 86.38 million barrels per day (mbd), while demand was estimated at 84.51 mbd, representing an excess supply of 1.87 mbd, compared with 85.97 and 85.53 mbd supplied and demanded, respectively, in the preceding month. The development was attributed to the rising concerns about the slow pace of world recovery growth in the month under review.

Other major international economic developments and meetings of relevance to the domestic economy during the review month included: an updated 2010 World Economic Outlook (WEO) released by the International Monetary Fund (IMF) on July 7, 2010 which showed that world output is expected to growth at 4.5 and 4.25 per cent in 2010 and 2011, respectively. The Report, however, expressed concern over the recent sovereign debt crisis in some European economies, although there *was little evidence of negative spillovers to real activity.*

In a related development, an update of the Global Financial Stability Report (GFSR) was released by the IMF on July 7, 2010. The Report revealed that despite the generally improved economic conditions, progress towards global financial stability experienced a setback as Sovereign risks in parts of the Euro area had materialized and spread to the financial sector, and had threatened to spill-over to other regions and re-establish an adverse feedback loop with the economy.

Furthermore, the 15th African Union (AU) Summit of Heads of State and Government was held in Kampala, Uganda from July 25-27, 2010. The Session was held on the theme, "Maternal, Infant and Child Health and Development in Africa." Other sideline events at the Summit were the 13th Summit of Heads of State and Government of the African Peer Review Mechanism; the 23rd Summit of the NEPAD Implementation Committee and the Joint Heads of State and Government meeting on climate change.

Also, the 2nd meeting of the Technical Sub-Committee on the Economic Community of West African States (ECOWAS) Single Currency Programme was held in Accra, Ghana from July 21-22, 2010. The meeting was convened by the ECOWAS Commission to assess progress on the implementation of the Abuja 2020 Roadmap activities on the ECOWAS Single Currency Programme. The meeting was attended by representatives from the ECOWAS Commission, UEMOA Commission, West African Monetary Institute (WAMI), West African Monetary Agency (WAMA), West African Bankers Association (WABA), Central Bank of West African States (BCEAO), Bank of Ghana, and Central Banks of the Gambia, Guinea, Liberia, Sierra Leone and Nigeria.

Furthermore, the Board of Directors of the African Development Bank (AfDB) Group approved a USD 150 million line of credit to Afreximbank in Tunis, on July 19, 2010. The facility would be used to finance *trade and trade-related projects across the participating states of Afreximbank in Africa, support the private sector, and enhance productive capacity, as well as the continent's economic growth. It is anticipated that 26.0 per cent of the sub-projects would be in the telecommunication sector, while 8.0 per cent and 7.0 per cent would be earmarked for energy and transportation, respectively.*

Finally, the 7th Summit of Heads of State and Government of the Group of Eight Developing Nations (D-8) was held in Abuja, Nigeria from July 4–10, 2010. The Central Bank of Nigeria (CBN) hosted the D-8 Central Bank Governors' Meeting as part of the 7th D-8 Summit.

2.0 Financial Sector Developments

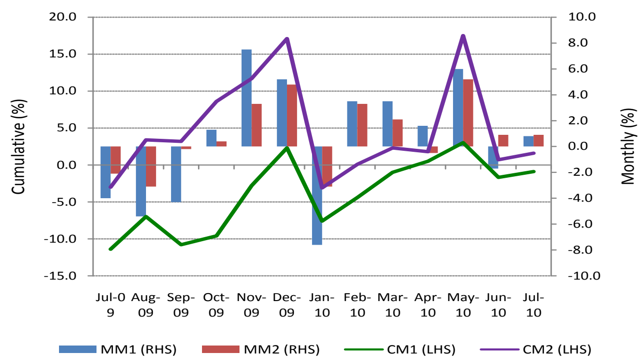
2.1 Monetary and Credit Developments

Growth in the major monetary aggregate was low, while banks' deposit and lending rates indicated mixed developments in July 2010. The value of money market assets outstanding increased, owing largely to the rise in FGN Bonds, Nigerian Treasury bills (NTBs) and Commercial Papers (CPs). Transactions on the Nigerian Stock Exchange (NSE) were mixed during the review month.

Growth in key monetary aggregates moderated in July 2010.

Provisional data indicated that growth in the major monetary aggregate was low at end July 2010. Broad money supply (M_2), at ₦10,941.4 billion, rose slightly by 0.88 per cent, compared with the increase of 0.73 per cent in June 2010. The development was accounted for, largely, by the 1.5 per cent increase in foreign assets (net) of the banking system, reinforced by 0.4 per cent rise in other asset (net). Similarly, narrow money supply (M_1), at ₦4,958.3 billion, rose by 0.8 per cent, as against the decline of 1.7 per cent at the end of the preceding month. Quasi-money also increased, by 0.9 per cent, compared with 3.2 per cent at end-June 2010. Relative to the level at end-December 2009, M_2 grew by 1.6 per cent, owing to the increase in net domestic assets of the banking system

Figure 1: Growth Rate of Narrow Money (M_1) and Broad Money(M_2)[1]



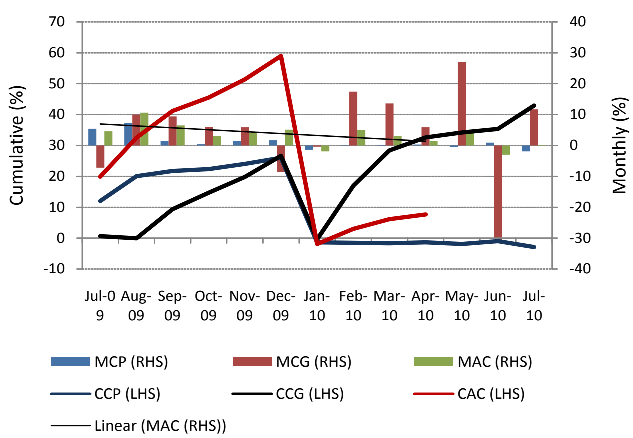
At ₦8,595.0 billion, aggregate banking system credit (net) to the domestic economy fell by 0.2 per cent on month-on-month basis, compared with the decline of 3.0 per cent in the preceding month. The development reflected largely the fall in claims on the private sector. Relative to the level at end-December 2009, banking system credit (Net) to the domestic economy , however, increased by 8.8 per cent.

Banking system's credit (net) to the Federal Government, on month-on-month basis, increased by 11.7 per cent to negative ₦1,315.7 billion, in contrast to the decline of 31.7 per cent in the preceding month. The development reflected the increase in banking system's holding of Federal Government securities, reinforced by the decline in Federal Government deposits with the CBN. Over the level at end-December 2009, credit to the Federal Government rose significantly by 42.9 per cent. The Federal Government, however, remained a net lender to the banking system.

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

Over the level at the end of the preceding month, banking system's credit to the private sector fell by 1.9 per cent to ₦9,910.7 billion, as against the increase of 0.9 per cent at end-June 2010. Similarly, banking system's claim on the core private sector declined by 1.6 per cent, as against the increase of 0.9 per cent in the preceding month. The development reflected the decline in the DMBs' claims on the sector (Fig. 2, Table 1). Relative to the level at end-December 2009, credit to the private sector fell by 2.9 per cent.

Figure 2: Growth Rate of Aggregate Domestic Credit to the Economy[2]



At ₦6,583.0 billion, foreign assets (net) of the banking system rose, above the level in the previous month by 1.5 per cent, in contrast to the decline of 1.8 per cent at the end of June 2010. The development was attributed to the 2.2 and 0.1 per cent rise in the CBN and DMBs' holdings of foreign assets. Over the level at end-December 2009, foreign assets (net) of the banking system, however, fell by 13.3 per cent.

Foreign assets (net) of the banking system rose, on month-on-month basis during the month under review.

[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).

Quasi-money rose marginally, by 0.9 per cent, to ₦5,983.1 billion, compared to the increase of 3.2 per cent at the end of June 2010. The development was attributed to the rise in all the components namely, time, savings and foreign currency deposits of the DMBs. Over the level at end-December 2009, quasi-money rose, by 3.8 per cent.

Similarly, other assets (net) of the banking system rose by 0.4 per cent to ₦4,236.6 billion, compared with the increase of 10.3 per cent in the preceding month, reflecting largely, the increase in unclassified assets of both the CBN and the DMBs. Relative to the level at end-December 2009, other assets (net) of the banking system rose by 10.4 per cent.

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

	May-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10
Domestic Credit (Net)	-2.7	5.4	-1.9	5.1	3	1.5	4.3	-3	-2
Claims on Federal Government (Net)	9.6	-7.7	0.5	-17.5	13.6	5.9	27.1	31.7	11.7
Claims on Private Sector	2.1	2.2	-1.3	-0.1	-0.2	0.3	-0.5	0.9	-1.9
Claims on Other Private Sector	1.3	2.2	-1.4	-0.1	-0.4	0.2	-0.4	0.9	-0.16
Foreign Assets (Net)	-5.2	1.6	-2.3	-1.6	-0.7	-3.3	-5.8	-1.8	1.5
Other Assets (Net)	9.4	-0.1	0.2	-1.5	0.8	1.4	-3.8	10.3	0.4
Broad Money Supply (M2)	-1.8	4.8	-3.1	3.3	2.1	-0.5	-2	0.9	0.9
Quasi-Money	0.5	4.5	0.7	3.2	1.1	-2.1	-3.2	3.2	0.9
Narrow Money Supply (M1)	-3.9	5.2	-7.6	3.5	3.5	1.6	-0.5	-1.7	0.8
Reserve Money (RM)	3	17.4	0.9	-17.2	-7.6	4.2	19.5	0	1.2

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

At ₦1,076.9 billion, currency in circulation rose by 1.3 per cent at end-July 2010 over the level in June 2010, traceable largely, to the 1.3 per cent rise in currency outside banks.

Total deposits at the CBN amounted to ₦4,507.0 billion, indicating an increase of 4.7 per cent over the level at the end of the preceding month. The development reflected largely, the 1.8, 23.4 and 7.1 per cent increase in Federal Government, banks and 'others' deposits. Of this total, the percentage shares of the Federal Government, banks and "others" were 76.5, 12.9 and10.6 per cent, respectively.

The CBN operating target, the reserve money (RM), increased to ₦1,658.9 billion from ₦1,535.1 billion at the end of the preceding month mirroring the trends in DMBs' deposits with the CBN.

Reserve money (RM) rose during the month under review

2.3 Money Market Developments

Activities in the financial markets were mixed in July 2010. Rates at the interbank market remained relatively stable, except for some spikes in the second week of the month when funds were called up in preparation for the Federation Account Allocation Committee (FLAAC) meetings. There were no direct auctions at the open market as activities remained suspended. Similarly, no deal was consummated at the two-way quote trading as rates were considered speculative. Deposit Money Banks (DMBs) and Discount Houses (DHs), however, participated actively at the primary auction of Nigerian Treasury Bills (NTBs) and the Federal Government of Nigeria (FGN) Bonds as they took advantage of higher returns. Public subscriptions consistently exceeded amount offered and thus, the issue rates were much higher than in June, 2010. In view of the improved liquidity condition in the banking system, the request for the Bank's Standing Deposit Facility (SDF) rose significantly in July, 2010. Despite the improved liquidity in the system, the request for the Bank's Standing Lending Deposit also rose slightly during the review month. There was, however, no request for repurchase transaction. As part of its

Improved liquidity condition led to relative stable rates at the interbank market in July 2010.

quantitative easing measures, the Bank released the sum of ₦130.19 billion being part of the ₦200.00 billion intervention funds, earmarked for the refinancing/restructuring of DMBs' existing loan portfolios to the manufacturing sector.

Provisional data indicated that the value of money market assets outstanding at end-July 2010 was ₦3,137.1 billion, representing a decline of 11.4 per cent, from the level in the preceding month, in contrast to the increase of 1.6 per cent at end-June 2010. The development was attributed to the 12.3, 11.6 and 2.6 per cent decline in FGN bonds, Nigerian Treasury Bills and Commercial Papers, respectively.

2.3.1 Interest Rate Developments

There was a mixed development in deposit and lending rates in July 2010.

Available data indicated mixed developments in banks' deposit and lending rates in July 2010. The average savings, 7-day, 1-month and 3-months deposit rates declined by 0.33, 1.37, 0.83 and 0.48 percentage points to 1.62, 1.27, 3.68 and 4.50 per cent, respectively. All rates on deposits of various maturities, however, increased from a range of 4.85 – 4.98 per cent in the preceding month to 4.50 – 5.74. Similarly, at 4.55 per cent, the average term deposit rate increased by 0.20 percentage point over the level in the preceding month. The average maximum lending rate also increased by 24 basis points to 22.27 per cent, while the average prime lending rate fell by 25 basis points to 17.40 per cent. Consequently, the spread between the weighted average term deposit and maximum lending rates widened from 17.68 percentage points in June 2010 to 17.72 percentage points. Similarly, the margin between the average savings deposit and maximum lending rates also widened marginally from 20.08 percentage points in the preceding month to 20.65 percentage points. With headline inflation rate at 13.0 per cent at

The spread between deposit and maximum lending rates widened, while in real terms all deposit rates were negative.

end-July, all deposit rates, were negative in real terms.

At the interbank call segment, the weighted average rate, which stood at 2.73 per cent in June 2010, rose to 3.59 per cent, reflecting the liquidity condition in the interbank funds market. Similarly, the weighted average rate at the Open Buy Back (OBB) rose from 2.19 per cent in June 2010 to 3.20 per cent at the end of July 2010. In tandem with activities at the interbank market, the Nigeria Interbank Offered Rate (NIBOR) for the 7- and 30-day tenors rose to 4.47 and 6.51 per cent from 3.63 and 5.95 per cent, respectively, in the preceding month (Fig. 3, Table 2).

All interbank money market rates moderated in July 2010.

Figure 3: Selected DMBs Interest Rates (Average)

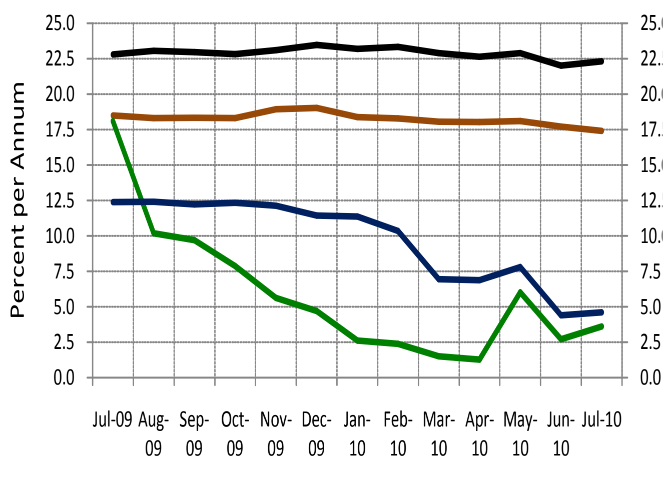


Table 2: Selected Interest Rates (Percent, Averages)

	Jul-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10
Average Term Deposits	11.7	11.4	11.4	10.3	6.9	6.9	7.8	4.4	4.6
Prime Lending	19.3	19.0	18.4	18.3	18.1	18.0	18.1	17.7	17.4
Interbank	12.5	4.7	2.6	2.4	1.5	1.3	6.0	2.7	3.6
Maximum Lending	23.2	23.5	23.2	23.3	22.9	22.8	22.9	22.0	22.3

2.3.2 Commercial Papers (CPs)

The value of Commercial Papers (CPs) held by DMBs fell by 2.6 per cent to ₦183.3 billion at

DMBs holdings of CPs fell during the month under review

end-July, compared with a decline of 2.3 per cent at the end of the preceding month. Thus, CPs constituted 5.8 per cent of the total value of money market assets outstanding as at end-July 2010, compared with 9.6 per cent at the end of the preceding month.

2.3.3 Bankers' Acceptances (BAs)

DMBs' holdings of BAs rose in July 2010.

The value of BAs holding by DMBs increased by 8.5 per cent to ₦44.8 billion at end-July 2010, compared with an increase of 15.1 per cent at the end of the preceding month. Consequently, BAs accounted for 1.4 per cent of the total value of money market assets outstanding at the end of July 2010, same as in the preceding month.

2.3.4 Open Market Operations

Activities at the open market operations (OMO) remained suspended as the Bank took cognizance of the prevailing market conditions. Consequently, there was no direct auction at this segment of the money market in the review month. Similarly, there was no deal at the two-way quote trading segment as rates quoted by market players were speculative. There was also no request for repurchase transaction as there was substantial liquidity in the banking system. OMO bills worth ₦20.00 billion were repaid on maturity in July, 2010.

2.3.5 Primary Market

At the primary market segment, Nigerian Treasury Bills of 91-, 182- and 364-day tenors amounting to ₦250.90 billion were offered and allotted in July 2010. Total public subscription was ₦554.10 billion which significantly exceeded the amount offered and allotted by 120.8 per cent. The bid rates ranged from 2.0000 to 4.1930 per cent for the 91-day, 2.8445 to 5.4169 per cent for the 182-day and 3.4900 to 8.0000 per cent for the 364-day tenor.

Allotment for the tenors were as follows; ₦ 65.16 billion for the 91-day at 2.8999-2.9750 per cent, ₦ 135.76 billion for the 182-day at 3.9950-4.0000 per cent and ₦ 50.00 billion at 4.6167 per cent. At these rates, the marginal rates for the tenors increased considerably. Patronage at the primary market remained impressive as market players continued their preference for risk-free government securities. Overall, matured NTBs worth ₦175.10 billion was repaid during the review month.

The marginal rates for the Nigerian Treasury Bills of 91-, 182- and 364-day tenors increased considerably in the review month.

2.3.6 Bonds Market

Federal Government of Nigeria (FGN) Bonds of 3- and 5- and 20-year tranches, amounting to ₦105.00 billion were re-opened and auctioned in line with the debt management programme. The amount on offer was reviewed up by the Debt Management Office (DMO) in order to finance Federal Government budget deficits. The bid rates ranged from 5.00 to 9.95 per cent, 4.50 to 10.99 per cent and 6.00 to 16.24 per cent for the 3-, 5- and 20-year tranches, respectively. Allotments were ₦35.0 billion at 7.48 per cent, ₦35.0 billion at 8.85 per cent and ₦35.0 billion at 10.0 per cent for the 3-, 5– and 20-year FGN Bonds, respectively. The marginal rate for each of the tenors was significantly higher than in the preceding month on the back of expectations of higher inflation. In the preceding month, FGN Bonds worth ₦80.00 billion was offered and allotted. FGN Bonds 2010 series 7 matured during the review period and was fully repaid with interest.

The marginal rates for various tenors of FGN Bonds were higher than in the preceding month, owing to the expectations of higher inflation.

2.3.7 CBN Standing Facilities

The total standing deposit facility requested by DMBs and discount houses was ₦29,754.0 billion, compared with ₦5,563.6 billion in the preceding month. The development was attributed to the improved liquidity in the banking system. However, the call-up of NNPC funds for the FAAC meetings in the later part of

July, resulted in tight liquidity condition in the money market. Consequently, request for the standing lending facility granted in the latter part of the month amounted to ₦55.8 billion.

2.4 Deposit Money Banks' Activities

Available data indicated that total assets/liabilities of the Deposit Money Banks (DMBs) amounted to ₦17,681.8 billion, indicating a decline of 1.1 per cent from the level at end-June 2010. Funds, sourced mainly from claims on private sector and disposal of unclassified assets, were used largely in the purchase of Federal Government securities and accumulation of unclassified liabilities.

DMBs' Credit to government rose significantly by 10.2 per cent, while credit to the core private sector declined by 2.9 per cent from the level in June 2010.

At ₦11,378.0 billion, DMBs' credit to the domestic economy fell by 0.9 per cent from the level in the preceding month. The breakdown showed that credit to government rose by 10.2 per cent, while credit to the core private sector declined by 2.9 per cent from the level in June 2010.

Central Bank's credit to the DMBs declined by 3.5 per cent to ₦433.7 billion at end-July 2010, reflecting largely the fall in CBN's overdrafts to banks during the review month.

Total specified liquid assets of the DMBs was ₦3,271.7 billion, representing 30.8 per cent of their total current liabilities. This level of liquid assets was 0.5 and 5.8 percentage points above the preceding month's ratio and the stipulated minimum ratio of 25.0 per cent for fiscal 2010, respectively. The loan-to-deposit ratio was 76.6 per cent which was below the stipulated maximum target of 80.0 per cent by 3.4 percentage points.

2.5 Discount Houses' Activities

Total assets/liabilities of the discount houses stood at ₦345.3 billion at end-July 2010, showing a decline of 6.3 per cent from the level at end-June 2010. The decline in assets was accounted for largely by the 67.7 per cent fall in cash and balances with banks. Correspondingly, the decline in total liabilities was attributed largely to the 10.5 and 5.8 per cent, fall in the levels of money-at-call and borrowings, respectively, during the period.

Discount houses' investment in Federal Government securities of less than 91-day maturity rose to ₦24.6 billion and accounted for 8.6 per cent of their total deposit liabilities. It was, however, 51.4 percentage points below the prescribed minimum level of 60.0 per cent for fiscal 2010. At that level, discount houses' investment rose by 39.0 per cent over the level at the end of the preceding month. Total borrowing by the discount houses was ₦39.6 billion, while their capital and reserves amounted to ₦43.3 billion. This resulted in a gearing ratio of 1.7:1, compared with the stipulated maximum target of 50:1 for fiscal 2010.

2.6 Capital Market Developments

2.6.1 Secondary Market

Provisional data indicated that activities on the Nigerian Stock Exchange (NSE) were mixed in July 2010. The volume of traded securities increased by 7.5 per cent to 7.64 billion shares, while the value declined by 3.2 per cent to ₦58.8 billion in 134,220 deals, compared with 7.11 billion shares valued at ₦60.73 billion in 172,861 deals in the preceding month. The Banking sub-sector remained the most active on the Exchange with a traded volume of 4.22 billion shares valued at ₦32.9 billion in 72,858 deals. This was followed by the Insurance sub-

Activities on the NSE in July 2010 were mixed.

sector with a traded volume of 1.0 billion shares valued at ₦1.05 billion in 6,165 deals.

Figure 4: Volume and Value of Traded Securities

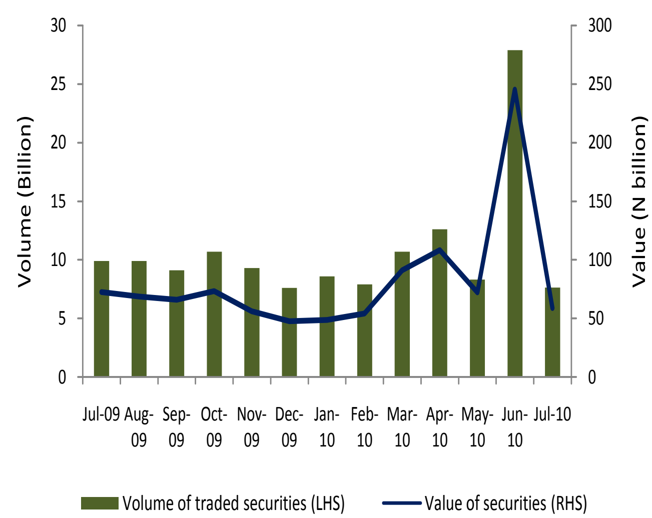


Table 3: Traded Securities on the Nigerian Stock Exchange (NSE)

	Jul-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul
Volume (Billion)	9.9	7.6	8.6	7.9	10.7	12.6	8.3	27.9	7.6
Value (₦ Billion)	72.4	47.6	47.6	54.1	91.0	108.3	72.2	245.2	58.8

2.6.2 *Over-the-Counter (OTC) Bonds ` Market*

Transactions on the OTC Bonds market slowed, while the most active bond in the market during the period under review was the 5th FGN Bond 2018 Series 2.

Transactions on the Over-the-Counter (OTC) Bonds market indicated a turnover of 1.32 billion units worth ₦1.45 trillion in 12,561 deals in the review month, compared with 1.22 million units valued at ₦1.34 trillion in 12,091 deals in June 2010. The most active bond, by turnover volume, was the 7th FGN Bond 2015 Series 2 with a traded volume of 223.3 million units valued at ₦199.8 billion in 2,017 deals, followed by the 6th FGN Bond 2029 Series 3 with a traded volume of 131.61 million units valued at ₦188.6 billion in 818 deals.

2.6.3 New Issues Market

In the new issues market, Union Homes Real Estate Investment Trust Plc's Initial Public Offering of 250,019,781 Units of ₦50.0 each at ₦51.50 per share was admitted on the daily official list. Also, the ₦35.0 billion 7th FGN Bond 2030 Series 3 was admitted on the daily official list. Supplementary listings of 6.66 billion shares were added to shares outstanding in favour of Ecobank Nigeria Plc, following a special placement by Eco Transnational Incorporated (ETI). Also,189.5 million shares were added to the shares outstanding in favour of Interlinked Technologies Plc, following the conclusion of its Rights Issue and Placement. In addition, 248.8 million shares were added to the shares outstanding in favour of Ashaka Cement Plc, following its bonus issue of one (1) for eight (8) shares. The ₦36.0 billion 4th FGN Bond 2010 Series 7 was delisted from the daily official list following its maturity and repayment.

2.6.4 Market Capitalization

The total market capitalization rose by 1.9 per cent to ₦8.4 trillion, compared with ₦8.2 trillion in the preceding month. The development was attributed largely to the price gains recorded by the highly capitalized companies on the exchange.

2.6.5 NSE All-Share Index

The All-Share Index rose by 1.8 per cent to close at 25,844.18 (1984=100), in the review month. Similarly, two of the four sectoral indices rose during the review month. The NSE Food/Beverage and NSE Insurance Indices rose by 0.2 and 1.2 per cent to close at 840.42 and 187.59, respectively. However, the NSE Banking and NSE Oil/Gas Indices declined by 0.03 and 9.1 per cent to close at 390.59 and 374.62, respectively. The development was attributed largely to the release of improved half year reports by most of the quoted companies, reinforced by the signing of the Asset Management Corporation of Nigeria (AMCON) Bill into law by the President.

Figure 5: Market Capitalization and All-Share Index

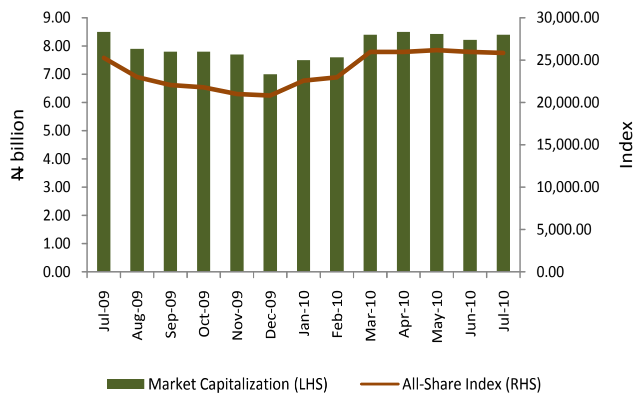


Table 4: Market Capitalization and All Share Index (NSE)

	Jul-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10
Market Capitalization (₦ trillio	8.5	7.0	7.5	7.6	8.4	8.5	8.4	8.2	8.4
All-Share Index	25286.6	20827.2	22594.9	22985.0	25966.3	26453.2	26183.2	25966.3	25844.2

3.0 Fiscal Operations

3.1 Federation Account Operations

Available data showed that total federally-collected revenue in July 2010 was estimated at ₦699.90 billion, showing an increase of 20.0 and 29.2 per cent relative to the proportionate monthly budget estimate and the receipts in the preceding month, respectively (Frig. 6, Table 5)

Total federally collected revenue was above 2010 proportionate monthly budget .estimate.

Figure 6: Components of Gross Federally-Collected Revenue

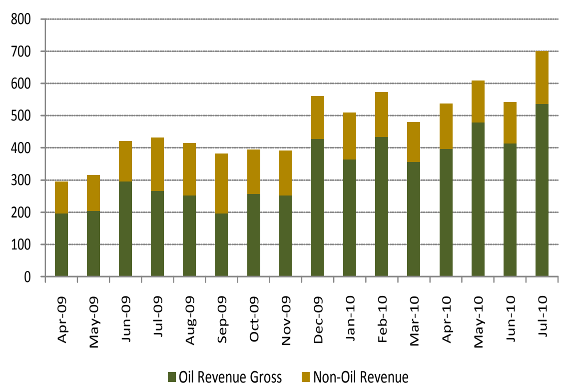


Table 5: Gross Federation Account Revenue (₦ billion)

	Jul-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10
Federally-collected revenue (Gross)	2063.8	572.9	509.1	573.5	479.0	537.7	605.2	641.8	699.9
Oil Revenue	1806.2	426.8	365.5	435.0	356.3	396.9	478.4	413.4	536.2
Non-Oil Revenue	857.6	146..09	143.6	138.6	122.7	165.5	126.9	202.9	163.7

At ₦536.21 billion, gross oil receipts, which constituted 76.6 per cent of the total revenue, exceeded the proportionate monthly budget revenue estimate and the receipts in the preceding month by 31.3 and 29.7 per cent, respectively. The increase in oil receipts relative to the proportionate monthly budget estimate

Relative to the preceding month's level, oil receipts increased.

was attributed largely to the improved production in Forcados terminal, the reopening of EA terminal and Nembe creek trunk line as well as the increase in oil prices at the international market during the month under review (Fig. 7, Table 6).

Figure 7: Gross Oil Revenue and Its Components

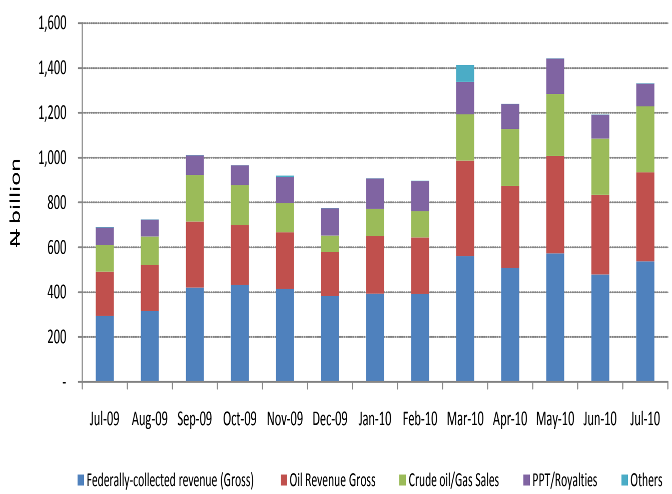


Table 6: Components of Gross Oil Revenue (₦ billion)

	Jul-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10
Oil Revenue	**197.5**	**426.8**	**365.5**	**35.0**	**356.3**	**396.9**	**478.4**	**413.4**	**536.2**
Crude oil/Gas Sales	*118.9*	*206.8*	*252.8*	*275.9*	*250.2*	*293.8*	*318.1*	*111.7*	*165.3*
PPT/Royalties	*78.2*	*144.9*	*112.3*	*158.2*	*106.0*	*102.8*	*160.0*	*174.0*	*180.4*
Others	*0.3*	*75.2*		*0.4*	*0.9*	*0.1*	*0.3*	*127.8*	*190.6*

The performance of non-oil receipts was impressive relative to the preceding month.

Non-oil receipts, at ₦163.69 billion or 23.4 per cent of the total was 6.3 and 3.8 per cent lower than the proportionate monthly budget estimate and the receipts in the corresponding month of 2009, respectively. It was, however, higher than the level in the preceding month by 27.7 per cent. The shortfall relative to the proportionate monthly budget estimate, reflected largely the significant decline in independent revenue of the Federal Government and customs and excise duties (Fig. 8, Table 7).

Figure 8: Gross Non-Oil Revenue and Its Components

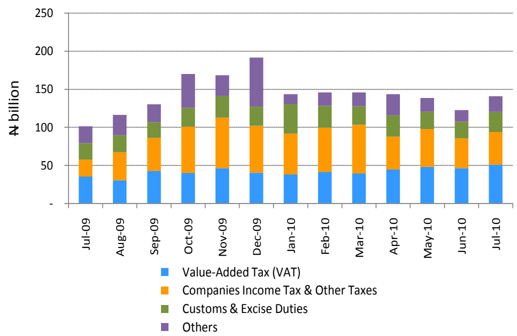


Table 7: Components of Gross Non-Oil Revenue (₦ billion)

	Jul-09	Dec-09	Jan-10	Feb-10	Mar=10	Apr-10	May-10	Jun-10	Jul-10
Non-Oil Revenue	**101.5**	**146.1**	**143.6**	**138.6**	**122.7**	**140.9**	**126.9**	*128.2*	*163.7*
Value-Added Tax (VAT)	*35.5*	*39.6*	*44.7*	*48.1*	*46.4*	*51.1*	*49.8*	*42.2*	*54.2*
Companies Income Tax & Other Taxes	*22.1*	*63.8*	*43.3*	*49.7*	*39.2*	*42.6*	*46.6*	*40.1*	*68.8*
Customs & Excise Duties	*21.7*	*24.4*	*27.7*	*22.5*	*21.8*	*26.6*	*21.9*	*20.2*	*30.0*
Others	*22.2*	*18.2*	*27.9*	*18.2*	*15.3*	*20.5*	*21.5*	*25.7*	*13.8*

Of the gross federally-collected revenue during the month, the sum of ₦361.25 billion (after accounting for all deductions and transfers) was transferred to the Federation Account for distribution among the three tiers of government and the 13.0 per cent Derivation Fund. The Federal Government received ₦171.68 billion, while the States and Local Governments received ₦87.08 billion and ₦67.13 billion, respectively. The balance of ₦35.36 billion went to the 13.0 per cent derivation fund for distribution by the oil-producing states. Also, the Federal Government received ₦7.80 billion, while the State and Local Governments received ₦26.01 and ₦18.21 billion, respectively, from the VAT Pool Account. Overall, the total allocation to the three tiers of government from the Federation and VAT Pool Accounts in July 2010 amounted to ₦413.27 billion.

3.2 The Fiscal Operations of the Three Tiers of Government

3.2.1 The Federal Government

Federal government estimated retained revenue was lower than both the proportionate monthly budget and the receipts in the preceding g month.

At ₦185.06 billion, the estimated Federal Government retained revenue for July 2010, was lower than the proportionate monthly budget estimate, the receipts in the preceding month and the receipts in the corresponding month of 2009 by 14.7, 10.7 and 8.6 per cent, respectively. Of this amount, the shares from the Federation Account and the VAT Pool account were ₦171.68 and ₦7.80 billion, respectively, while the balance (₦5.58 billion) came from FGN independent revenue and "others" (Fig. 9, Table 8).

Figure9:Federal.Government.Retained.Revenue

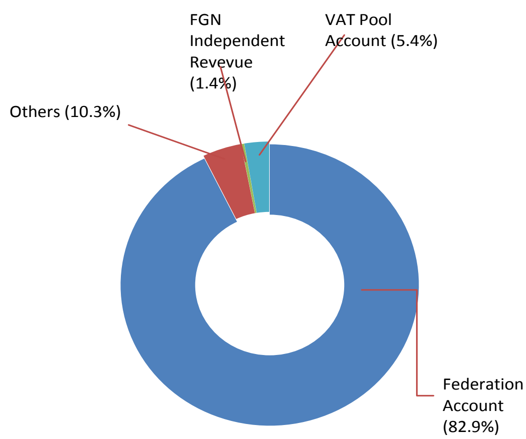


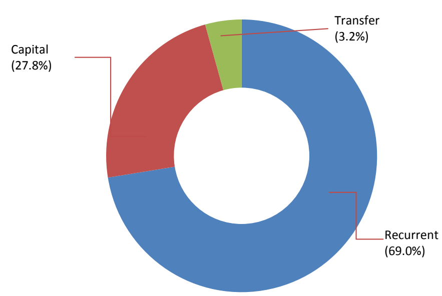
Table 8: Federal Government Fiscal Operations (₦ billion)

	Jul-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10
Retained Revenue	212.4	185.1	183.4	206.7	209.7	246.3	331.4	207.1	185.1
Expenditure	233.9	359.0	180.2	385.4	311.8	158.9	164.9	458.5	328.6
Overall Balance: Surplus(+)/Deficit(-	-21.6	-173.9	3.1	-178.7	-102.0	87.4	166.5	-251.7	-143.5

At ₦328.58 billion, total estimated expenditure for July 2010 fell short of both the proportionate monthly budget estimate and the level in the preceding month by 14.2 and 28.4 per cent, respectively. The lower total expenditure relative to the preceding month's level was attributed to the decline in both recurrent and capital components. A breakdown of total expenditure showed that the recurrent component accounted for 70.4 per cent, while the capital component accounted for the balance of 29.6 per cent (Fig. 10).

Total estimated expenditure for July 2010 fell short of both the proportionate monthly budget and the level in the preceding month.

Figure 10: Federal Government Expenditure in July 2010



Thus, the fiscal operations of the Federal Government in July 2010, resulted in a deficit of ₦143.52 billion, compared with the monthly budgeted deficit of ₦166.11 billion.

The fiscal operations of the FG resulted in an estimated deficit of ₦143.52 in July 2010.

3.2.2 *Statutory Allocations to State Governments*

During the review month, total receipts by state governments, including the 13.0 per cent Derivation Fund and share of VAT from the Federation Account stood at ₦148.45 billion. This represented an increase of 1.4 and 28.5 per cent over the levels in the preceding month and the corresponding month of 2009, respectively.

The breakdown showed that, at ₦26.01 billion, receipts from the VAT Pool Account rose by 28.3 and 35.2 per cent over the levels in the preceding month and the corresponding month of 2009, respectively, while receipts from the Federation Account stood, at ₦122.44 billion, declined by 2.9 per cent from the level in June 2010, but was 27.2 per cent higher than the level in the corresponding month of 2009.

3.2.3 *Statutory Allocations to Local Government Councils*

Total receipts by the Local Governments from the Federation and VAT Pool Accounts during July 2010, stood at ₦85.34 billion. This exceeded the levels in the preceding month and the corresponding period of 2009 by 5.7 and 27.2 per cent, respectively. Of this amount, receipts from the Federation Account was ₦67.13 billion (78.7 per cent of the total), while the VAT Pool Account accounted for ₦18.21 billion or 21.3 per cent of the total.

4.0 Domestic Economic Conditions

The dominant agricultural activities in July 2010 were weeding and harvesting of yam and vegetables. In the livestock sub-sector, most poultry farmers intensified clearing and disinfecting of broiler houses. Crude oil production was estimated at 2.28 million barrels per day (mbd) or 70.68 million barrels during the month. The end-period inflation rate for July 2010, on a year-on-year basis was 13.0 per cent, compared with the preceding month's level of 14.1 per cent. The inflation rate on a 12-month moving average basis was 13.3 per cent, compared with 13.1 per cent in June 2010.

4.1 Agricultural Sector

Agricultural activities in July 2010 in the southern states were dominated mainly by weeding and harvesting of yams and vegetables, while most of the northern states commenced cultivation of various crops due to late rainfall.

A total of ₦655.5 million was guaranteed to 5,327 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in July. This represented an increase of 244.2 and 18.0 per cent over the levels in the preceding month and the corresponding month of 2009, respectively. A sub-sectoral analysis of the loans guaranteed indicated that the food crops sub-sector had the largest share of ₦493.05 million (75.2 per cent) to 4,840 beneficiaries, while the livestock sub-sector received ₦83.7 million (12.8 per cent) for 180 beneficiaries. The fisheries sub-sector received ₦43.2 million (6.6 per cent) for 141 beneficiaries. The cash crops sub-sector had ₦14.9 million (2.3 per cent) for 50 beneficiaries. The mixed crops sub-sector received ₦8.85 million (1.4 per cent) for 15 beneficiaries, while "Others" received ₦11.8 million (1.8 per cent) for 101 beneficiaries.

Analysis by state showed that 24 states benefited from the scheme during the month with the highest and lowest sums of ₦82.6 (12.6 per cent) and ₦3.3 million (0.5 per cent) guaranteed to Katsina and Sokoto States, respectively.

At end-July 2010, the total amount released by the CBN under the Commercial Agriculture Credit Scheme (CACS) to the participating banks for disbursement stood at ₦59.98 billion (for fifty-nine projects).

At end-July 2010, the total amount released by the CBN under the Commercial Agriculture Credit Scheme (CACS) to the participating banks for disbursement stood at ₦59.98 billion (for fifty-nine projects). Six states governments have so far benefited from the programme. Analysis of disbursement by participating banks showed that United Bank for Africa (UBA) Plc got ₦38.4 billion (for thirty-four projects), First Bank of Nigeria Plc ₦4.7 billion (for eleven projects), Skye Bank Plc ₦5.6 billion (for three projects), Zenith Bank Plc ₦6.3 billion (for four projects), Union Bank Nigeria Plc N0.9 billion (for one project) and GT Bank Plc ₦0.3 billion (for one project).

4.2 Petroleum Sector

Crude oil and natural gas production was estimated to increase, by 11.2 per cent, to 2.28 mbd in July 2010.

In July 2010, crude oil export stood at 1.83 mbd, compared with 1.60 in the preceding month.

The average price of all the crude streams and the Bonny Light rose above the preceding month's level.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.28 million barrels per day (mbd) or 70.68 million barrels for the month, and was 11.2 per cent above the level in the preceding month.

Crude oil export was estimated at 1.83 mbd or 56.73 million barrels, while deliveries to the refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels. The improvement in the level of production was attributed to the sustained peace in the Niger Delta region.

At an estimated average of US$76.42 per barrel, the price of Nigeria's reference crude, the Bonny Light (37° API), increased marginally by 0.2 per cent over the level in June 2010. The average prices of other competing crudes namely, the West Texas Intermediate, U.K Brent and Forcados also rose, by 2.6, 1.8 and 1.30 per cent, to US$76.87, US$76.21 and US$77.30 per barrel, respectively.

The average price of OPEC's basket of eleven crude streams, however, fell marginally by 0.6 per cent to US$72.51 from the level in June 2010. The development was attributed to the strong economic growth in the Non-OECD countries and the increased possibility that a tropical storm would destroy key energy installations in the Gulf of Mexico (Fig. 11, Table 9).

Figure11: Trends in Crude Oil Prices

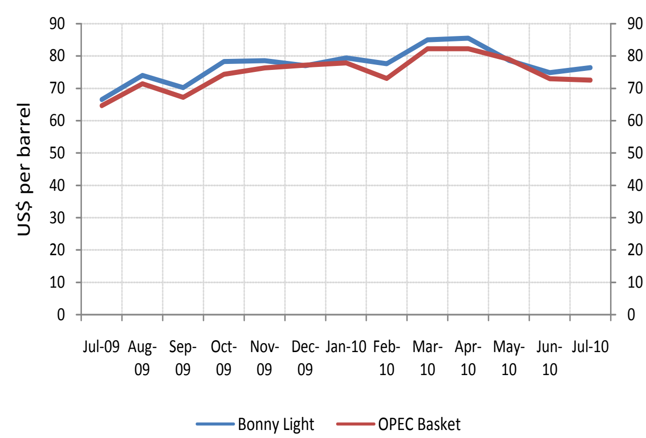


Table 9: Average Crude Oil Prices in the International Oil Market

	Jul-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10
Bonny Light	66.52	77.00	79.40	77.60	85.00	85.51	78.63	76.23	76.42
OPEC Basket	64.59	77.10	77.80	73.00	82.20	82.33	78.94	72.95	72.51

4.3 Consumer Prices

Available data showed that the all-items composite Consumer Price Index (CPI) in July 2010 was 236.0 (November 2009=100), The General Price level rose in July relative to June 2010, owing to increase in index of staple food and non-alcoholic beverages.

representing an increase of 4.5 per cent over the level in the preceding month. The development was attributed to the increase in the index of food and non-alcoholic beverages.

The inflation rate on a year-on-year basis fell by 1.1 percentage points, while the 12-month moving average basis rose by 0.2 percentage point, in July 2010.

The urban all-items CPI at end-July 2010 was 109.1 (November 2009=100), indicating a marginal increase of 1.3 per cent over the level in the preceding month. The rural all-items CPI for the month was 110.7 (November 2009=100), representing an increase of 1.0 per cent over the level in the preceding month.

The end-period inflation rate for July 2010, on a year-on-year basis, was 13.0 per cent, compared with 14.1 per cent in the preceding month. The inflation rate on a twelve-month moving average basis for July 2010, was 13.3 per cent, compared with 13.1 per cent in June 2010. (Fig. 12, Table 10).

The retail prices of most staples fell in July 2010.

Retail price survey of staples by the CBN showed that the prices of most of the major staples recorded declines in July 2010. Nine (9) of the fourteen (14) commodities monitored, recorded price decline, ranging from 0.4 per cent for brown beans to 7.6 per cent for local rice, from their levels in the preceding month, while the prices of palm oil, yellow garri, groundnut oil, white garri and vegetable oil rose by 12.2, 4.6, 4.5, 2.8 and 0.1 per cent, respectively. Relative to their levels in the corresponding month of 2009, ten (10) of the commodities recorded price decline, ranging from 4.6 per cent for yellow garri to 13.8 per cent for guinea corn, while the prices of yam flour, egg (medium), palm oil and vegetable oil rose by 7.4, 3.7, 1.6 and 1.5 per cent, respectively.

Figure 12: Consumer Price Index

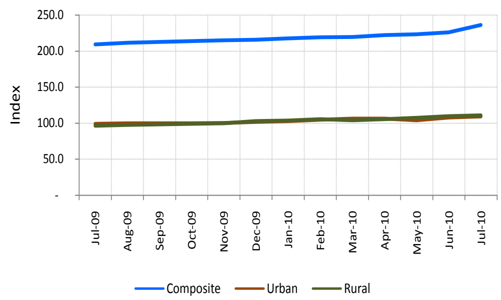


Table 10: Consumer Price Index (November 2009=100)

	Jul-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10
Composite	209.0	215.6	217.5	219.0	219.4	222.1	223.1	225.8	236.0
Urban	98.9	101.4	102.6	104.0	106.0	105.9	103.8	107.7	109.1
Rural	96.5	102.8	103.6	105.6	104.0	105.6	107.2	109.6	110.7

Figure 13: Inflation Rate

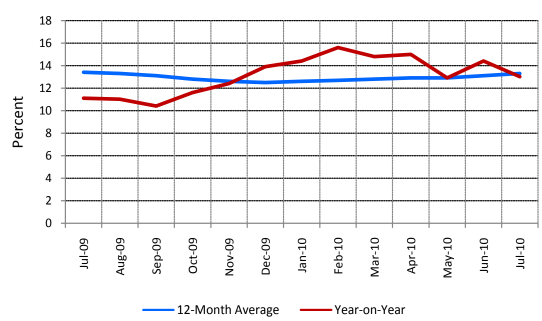


Table 11: Headline Inflation Rate (%)

	Jul-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10
12-Month Average	13.0	12.5	12.6	12.7	12.8	12.9	12.9	13.1	13.3
Year-on-Year	11.1	13.9	14.4	15.6	14.8	15.0	12.9	14.1	13.0

5.0 External Sector Developments

Provisional data indicated that foreign exchange inflow and outflow through the CBN in July 2010 rose by 11.1 and 3.8 per cent, respectively, over the levels in the preceding month. Total non-oil export receipts by banks rose, by 8.0 per cent, above the level in the preceding month. The average exchange rate of the Naira vis-à-vis the US dollar, appreciated by 0.1 per cent to N150.10 per dollar at the Wholesale Dutch Auction System (WDAS), while the adjusted external reserves declined by 0.8 per cent from the preceding month's level.

5.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in July 2010 were US$2.29 billion and US$4.03 billion, respectively, resulting in a net outflow of US$1.74 billion. Relative to the levels in the preceding month, inflow and outflow rose by 11.2 and 3.6 per cent, respectively. The rise in inflow reflected the increase in both crude oil and non-oil receipts, while the increase in outflow was due wholly to the 63.8 per cent rise in other official payments during July 2010 (Fig. 14, Table 12).

Foreign exchange inflow and outflow through the CBN rose in July 2010. Overall, there was a net outflow of US$1.74 billion during the period.

Figure14: Foreign Exchange Flows Through the CBN

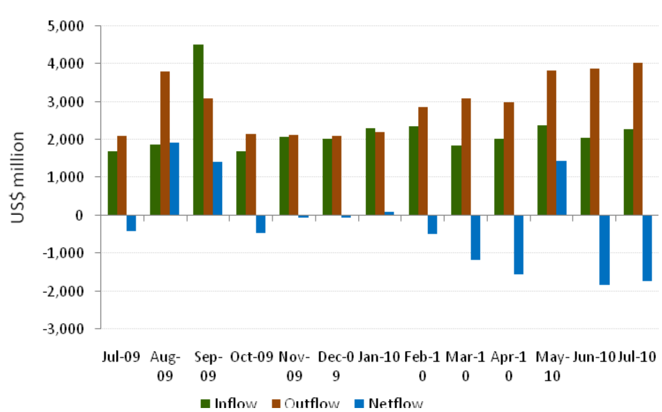


Table 12: Foreign Exchange Flows Through the CBN (US$ million)

	Jul-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10
Inflow	1690.4	2040.7	2302.5	2369.2	1849.4	2016.9	2381.6	2062.4	2291.0
Outflow	2111.3	2096.2	2197.1	2860.4	3096.4	2981.6	3840.4	3885.8	4032.6
Netflow	**420.9**	**-55.5**	**105.5**	**-491.1**	**-1160.0**	**-1549.1**	**1456.8**	**1673.6**	**1743.2**

Provisional data on aggregate foreign exchange flows through the economy indicated that total inflow was US$7.20 billion, representing an increase of 30.9 and 26.1 per cent over the levels in the preceding month and corresponding period of 2009, respectively. Oil sector receipts, which rose by 30.6 per cent and accounted for 30.0 per cent of the total, stood at US$2.16 billion, compared with US1.96 billion in the preceding month.

Non-oil inflows into the economy increased by 35.5 per cent and accounted for 1.9 per cent of the total, in July 2010.

Non-oil public sector inflow rose by 35.5 per cent and accounted for 1.9 per cent of the total, while autonomous inflow which increased by 42.4 per cent, accounted for 68.1 per cent.

At US$34.17 billion, aggregate foreign exchange outflow from the economy increased by 2.7 and 89.5 per cent over the levels in the preceding month and corresponding month of 2009, respectively. The rise in outflow relative to the preceding month, reflected for, largely, by the 63.8 per cent increase in other official payments during the review period.

5.2 Non-Oil Export Earnings by Exporters

Total non-oil export earnings by exporters rose in July on account of increase in the prices of most traded commodities.

Total non-oil export earnings received by banks increased by 8.0 per cent to US$202.8 million over the level in the preceding month. The development reflected largely the increase in commodities prices at the international market. A breakdown of the proceeds in July 2010 showed that proceeds of industrial, agricultural, manufactured products, minerals, food products and transport sub-sectors stood at US$78.7, US$73.3, US$29.1, US$14.0, US$7.7, and US$0.04 million, respectively.

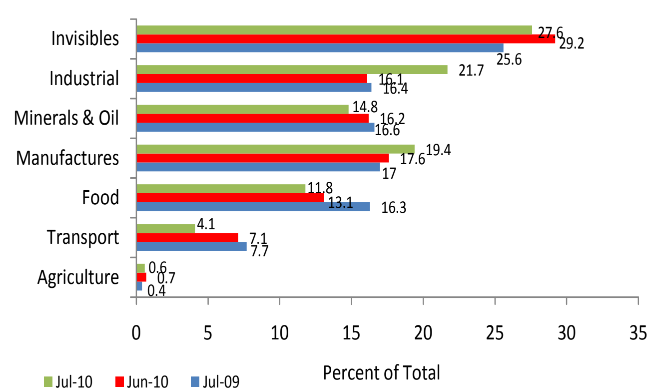
The shares of industrial, manufactured products, agricultural, minerals, food products and transport sub-sectors in non-oil export proceeds were 38.8, 36.2, 14.3, 6.9, 3.8 and 0.0 per cent, respectively, in the review month.

5.3 Sectoral Utilisation of Foreign Exchange

The invisibles sector accounted for the bulk (27.6 per cent) of total foreign exchange disbursed in July 2010, followed by industrial sector (21.7 per cent). Other beneficiary sectors, in a descending order included: the manufactured products (19.4 per cent), minerals & oil (14.8 per cent), food products (11.8 per cent), transport (4.1 per cent) and agricultural products (0.6 per cent) (Fig.15).

The invisibles sector accounted for the bulk of the total foreign exchange disbursed in July 2010.

Figure15: Sectoral Utilisation of Foreign Exchange



5.4 Foreign Exchange Market Developments

Demand for foreign exchange by authorized dealers was lower in July 2010 than the levels in June 2010, and the corresponding month of 2009.

Aggregate demand for foreign exchange by authorized dealers under the Wholesale Dutch Auction System (WDAS) was US$2.54 billion in July 2010, indicating a decline of 25.3 and 31.90 per cent from the levels in the preceding month and the corresponding month of 2009, respectively. A total of US$2.58 billion was sold by the CBN to authorized dealers during the period, indicating a decline of 12.2 per cent from the level in the preceding month, but an increase of 41.8 per cent over the level in the corresponding period of 2009 (Fig.16, Table 13).

Figure16: Demand for and Supply of Foreign Exchange

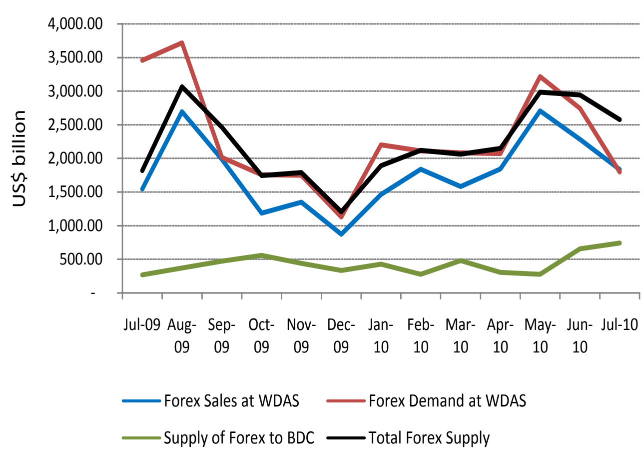


Table 13: Demand for and Supply of Foreign Exchange (US$ billion)

	Jul-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10
Forex Sales at WDAS	1545.4	872.0	1461.8	1838.9	1582.0	1841.1	2707.5	2284.0	1835.2
Forex Demand at WDAS	3457.5	1128.5	2199.2	2110.8	2081.2	2068.6	3492.2	2741.9	1795.8
Supply of Forex to BDC	270.4	334.3	429.2	279.0	482.2	306.1	277.3	657.5	741.2
Total Forex Supply	1815.4	1206.2	1890.9	2117.9	2064.2	2147.1	2984.8	2941.4	2576.4

The Naira exchange rate vis-à-vis the US dollar, on average, appreciated marginally at the WDAS, BDC and interbank segments of the foreign exchange market.

Under the WDAS, the average exchange rate of the Naira vis-à-vis the US dollar appreciated by 0.1 per cent to ₦150.10 per dollar. At the bureaux-de-change segment of the market, the average rate also appreciated by 0.96 per cent to ₦152.39 per dollar. It similarly, appreciated at the interbank segment, from ₦151.28 per US dollar in June 2010 to ₦150.27 per dollar.

Consequently, the premium between the official and bureau-de-change rates narrowed from 2.4 per cent in the preceding month to 1.5 per cent, while at the interbank market, it narrowed from 0.7 per cent in the preceding month to 0.1 per cent.

The premium between the WDAS rate and the rates in the other two segments were 1.5 per cent for the interbank and 0.1 per cent for the BDC segment.

Figure 17: Average Exchange Rate Movements

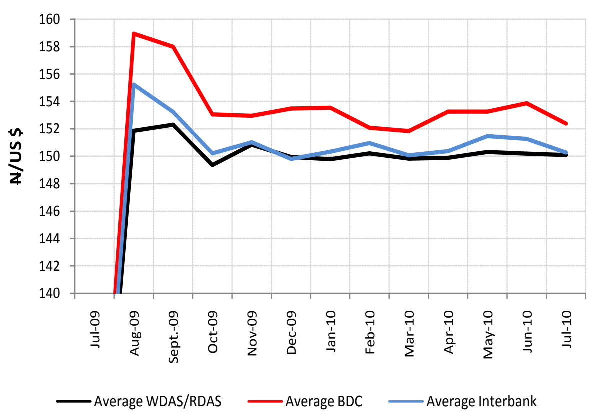
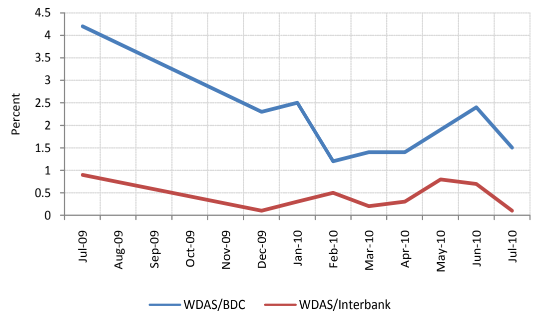


Table 14: Exchange Rate Movements and Exchange Rate Premium

	Jul-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10
Average Exchange Rate (₦/$)									
WDAS/RDAS	148.6	150.0	149.8	150.2	149.8	149.9	150.3	150.2	150.1
BDC	155.1	153.5	153.6	152.1	151.9	152.0	153.3	153.9	152.4
Interbank	149.9	149.8	150.3	151.0	150.1	150.4	151.5	151.3	150.3
Premium (%)									
WDAS/BDC	4.2	2.3	2.5	1.2	1.4	1.4	1.9	2.4	1.5
WDAS/Interbank	0.9	0.1	0.3	0.5	0.2	0.3	0.8	0.7	0.1

Figure18:Exchange.Rate.premium



5.5 Gross External Reserves

Gross external reserves continued its downward trend in July 2010, as accretion to reserves remained minimal.

The gross external reserves at the end of July 2010 stood at US$37.16 billion, indicating a decline of 0.8 per cent from the level at the end of the preceding month. A breakdown of the reserves showed that CBN holding stood at US$30.45 billion (81.9 per cent), Federal Government holding was US$3.13 billion (8.5 per cent) and the Federation Account portion (Excess Crude) was US$3.58 billion (9.6 per cent) (Fig. 19, Table 15).

Figure 19: Gross External Reserves

Table 15: Gross External Reserves (US$ million)

	Jul-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10
External Reserves	43351.39	42382.49	42075.67	41410.1	40667.03	40305.92	38815.79	37468.44	37155.19

6.0 Other International Economic Developments and Meetings

World crude oil output in July 2010 was estimated at 86.38 million barrels per day (mbd), while demand was estimated at 84.51 mbd, representing an excess supply of 1.87 mbd, compared with 85.974 and 85.53 mbd supplied and demanded, respectively, in the preceding month.

Other major international economic developments and meetings of relevance to the domestic economy during the review month included: an update on the World Economic Outlook (WEO) released by the International Monetary Fund (IMF) on July 7, 2010 which showed that World output is expected to grow at 4.5 and 4.25 per cent in 2010 and 2011, respectively. This represented an increase of 0.5 percentage point over the level projected in April 2010 WEO. The higher projection in July was based on the implementation of policies that would restore confidence and stability, particularly in the Euro area. The Report, however, expressed concern over the recent sovereign debt crisis in some European economies, although there was little evidence of negative spillovers to the real activity'. The IMF also noted that global recovery remained uneven, with the Asian region growing strongly, while recovery was still fragile in most major advanced economies, as downside risks persisted.

The Report further advised that policy efforts in advanced economies should focus more on credible fiscal consolidation, notably measures that would enhance medium-run growth prospects, such as reforms to entitlement and tax systems. This is to be supported by accommodative monetary conditions, complemented by financial sector and structural reforms to enhance growth and competitiveness. Policies in emerging economies were to help rebalance global demand, through structural reforms and, in some cases, greater exchange rate flexibility.

In a related development, an update of the Global Financial Stability Report (GFSR) was released by the International Monetary Fund on July 7, 2010. The Report revealed that despite the generally improved economic conditions, progress towards global financial stability experienced a setback. Sovereign risks in parts of the Euro area had materialized and spread to the financial sector, and had threatened to spill-over to other regions and re-establish an adverse feedback loop with the economy.

The GFSR market update also noted that downside risks to the recovery had risen sharply with the potential adverse impact on bank lending. It further stated that the potential downside economic risks and the strains in interbank and sovereign markets had complicated exits from the extraordinary fiscal, monetary, and financial policies initiated some months ago. The report concluded that further credible and swift actions were needed to the different national and supranational policy responses that have been implemented, in order to restore confidence in the financial system and ensure continuation of the economic recovery.

Furthermore, the 15th African Union (AU) Summit of Heads of State and Government was held in Kampala, Uganda from July 25-27, 2010. The Session was held on the theme, "Maternal, Infant and Child Health and Development in Africa." Other sideline events at the Summit were the 13th Summit of Heads of State and Government of the African Peer Review Mechanism; the 23rd Summit of the NEPAD Implementation Committee and the Joint Heads of State and Government meeting on climate change.

After due consideration of issues, participants at the AU Assembly agreed to, amongst others,

- Implement specific actions that would aid in the attainment of the millennium development goals (MDGs) 4, 5 and 6, including the launching of Campaign on Accelerated Reduction of Maternal Mortality in Africa (CARMMA),
- Mobilise up to 15.0 per cent of national budgets resources for the integrated health programmes
- Share among Member States best practices within regions, regular evaluation and reporting of progress achieved by Member States;
- Extend to 2025, the Abuja Call for Accelerated Action Towards Universal Access to HIV/AIDS, Tuberculosis and Malaria Services in Africa (the Abuja Call) so as to coincide with the MDGs;
- Welcomed the efforts of the Regional Economic Communities/Regional Mechanisms, the AU and International Community towards Conflict Prevention, Management and Resolution (RECs/RMs) as well as the full operationalization of the African Peace and Security Architecture, in particular the Continental Early Warning System (CEWS) and the African Standby Force (ASF).

In addition, the AfDB, NEPAD and the AU officially launched the Programme for Infrastructure Development in Africa (PIDA) on the fringes of the Summit. PIDA is expected to facilitate increased regional integration in Africa through improved regional and continental infrastructures. PIDA identifies energy, water, information and telecommunication technology (ICT) and transport as central to the implementation of economic and social development policies. The programme is in line with infrastructure development, one of the key pillars of the AfDB Group's 2008-2012 Medium-Term strategy.

Also, the 2nd meeting of the Technical Sub-Committee on the Economic Community of West African States (ECOWAS) Single Currency Programme was held in Accra, Ghana from July 21-22, 2010. The meeting was convened by the ECOWAS Commission to assess progress on the implementation of the Abuja 2020 Roadmap activities on the ECOWAS Single Currency Programme. The meeting was attended by representatives from the ECOWAS Commission, UEMOA Commission, West African Monetary Institute (WAMI), West African Monetary Agency (WAMA), West African Bankers Association (WABA), Central Bank of West African States (BCEAO), Bank of Ghana, and Central Banks of the Gambia, Guinea, Liberia, Sierra Leone and Nigeria.

Progress reports were presented by the four monitoring institutions namely, the ECOWAS Commission, WAMA, WAMI and WABA. Each institution's report focused on the level of progress achieved under each of the areas it is monitoring, in terms of what has been achieved and the outstanding challenges that needed to be addressed, in order to attain a Single Currency in the ECOWAS Region. After extensive discussions on each report, the

Committee made recommendations to the Technical Committee and the Committee of Governors.

Furthermore, the Board of Directors of the African Development Bank (AfDB) Group approved a USD 150 million line of credit to Afreximbank in Tunis, on July 19, 2010. The facility would be used to finance trade and trade-related projects across the participating states of Afreximbank in Africa, support the private sector, and enhance productive capacity, as well as the continent's economic growth. It is anticipated that 26.0 per cent of the sub-projects would be in the telecommunication sector, while 8.0 and 7.0 per cent would be earmarked for energy and transportation, respectively.

Finally, the 7th Summit of Heads of State and Government of the Group of Eight Developing Nations (D-8) was held in Abuja, Nigeria from July 4–10, 2010. The Central Bank of Nigeria (CBN) hosted the D-8 Central Bank Governors' Meeting as part of the 7th D-8 Summit.
Leaders of member nations rose from the Summit with the following declarations:

- To pursue and boost a viable South-South cooperation with a view to enhancing greater economic growth and globalization;
- Agreed that in an increasingly globalized world, the D-8 model of cooperation provides a viable form of South-South cooperation and therefore resolved to broaden and strengthen the cooperation in order to develop member countries' economies and also empower them to participate more actively in the process of globalization;
- Recognized the role of governments as catalysts and enablers of economies' growth

but noted that the D-8 cooperation must essentially be private-sector driven;

- Stressed the need for intra D-8 investments in order to deepen the economic relationship among the member states;
- Resolved to take immediate measures to encourage, facilitate and promote foreign direct investment (FDI) in the priority areas;
- Directed the D-8 commission to explore ways and means to establish a D-8 investment fund and identify investment opportunities in the member countries, including the proposal by Iran, to establish the D-8 Joint Investment Fund (JIF);
- Endorsed the reports of 12th and 13th sessions of D-8 Council of Ministers and welcomed the prioritization of activities of the D-8 roadmap in the areas of trade, agriculture and food security, industrial cooperation and small and medium scale enterprises (SMEs), transportation, and energy and minerals; and
- Agreed on boosting collaborative efforts on capacity building, transfer of technology, development of alternative fuels, renewable source of energy and peaceful uses of nuclear energy for power generation.

APPENDIX TABLES

Table A1: Money and Credit Aggregates

	Jul-09	Dec 09	Mar 10	Apr 10	May 10	Jun 10	Jul 10
Domestic Credit (Net)	5,938.12	7,903.79	8,387.95	8,513.78	8,882.62	8,612.94	8,595.04
Claims on Federal Government (Ne	(3,087.95)	(2,302.29)	(1,649.47)	(1,552.19)	(1,131.10)	(1,489.88)	(1,315.67)
Central Bank (Net)	(4,393.80)	(3,731.60)	(3,434.40)	(3,424.02)	(3,043.98)	(3,272.81)	(3,270.12)
Banks	1,305.85	1,429.31	1,784.92	1,871.82	1,912.88	1,782.93	1,954.45
Claims on Private Sector	9,026.07	10,206.09	10,037.42	10,065.98	10,013.72	10,102.82	9,910.71
Central Bank	423.81	538.21	425.43	375.83	362.23	396.55	488.18
Banks	8,602.26	9,667.88	9,611.99	9,690.15	9,651.48	9,706.27	9,422.52
Claims on Other Private Secto	8,751.74	9,895.76	9,715.61	9,734.63	9,697.96	9,783.65	9,624.01
Central Bank	423.81	538.21	425.43	375.83	362.23	396.55	488.18
Banks	8,327.93	9,357.55	9,290.18	9,358.80	9,335.72	9,387.11	9,135.83
Claims on State and Local Gov	274.34	310.32	321.81	331.35	678.00	319.17	286.70
Central Bank	-	-	-	331.35	362.23	-	-
Banks	274.34	310.32	321.81	331.35	315.76	319.17	286.70
Claims on Non-financial Publi	-	-	-	-	-	-	-
Central Bank	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-
Foreign Assets (Net)	7,553.99	7,593.32	7,249.63	7,008.86	6,601.41	6,484.76	6,583.04
Central Bank	6,592.84	6,522.24	6,110.19	5,941.83	5,574.47	5,401.02	5,518.26
Banks	961.15	1,071.08	1,139.44	1,067.03	1,026.94	1,083.74	1,064.78
Other Assets (Net)	(4,602.76)	(4,729.74)	(4,627.52)	(4,563.40)	(4,737.97)	(4,252.20)	(4,236.55)
Total Monetary Assets (M2)	8,889.36	10,767.38	11,010.06	10,959.24	10,746.07	10,845.50	10,941.44
Quasi-Money 1/	4,585.57	5,763.51	6,056.86	5,929.20	5,741.04	5,927.51	5,983.09
Money Supply (M1)	4,303.79	5,003.87	4,953.20	5,030.04	5,005.02	4,917.99	4,958.35
Currency Outside Banks	766.88	927.24	833.56	831.29	817.43	795.41	805.68
Demand Deposits 2/	3,536.91	4,076.63	4,119.65	4,198.75	4,187.59	4,122.58	4,152.67
Total Monetary Liabilities (M2)	8,889.36	10,767.38	11,010.06	10,959.24	10,746.07	10,845.50	10,941.44
Memorandum Items:	-	-	-	-	-	-	-
Reserve Money (RM)	1,210.81	1,653.86	1,810.89	1,516.55	1,534.79	15,335.11	1,658.88
Currency in Circulation (CIC)	1,008.28	1,181.54	1,086.46	1,072.61	1,056.75	1,063.63	1,076.92
DMBs Demand Deposit with CBN	202.52	472.32	724.43	443.94	478.04	471.48	581.96

1/ Quasi-money consist of Time, Savings and Foreign Currency Deposits 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 non-financial Public Enterprises at Deposit Money Banks

Table A2: Money and Credit Aggregates (Growth Rates)

	Jul-09	Dec 09	Mar 10	Apr 10	May-10	Jun-10	Jul-10
Domestic Credit (Net)	19.9	59.6	6.1	7.7	12.4	9.0	8.8
Claims on Federal Government (Net)	-0.6	25.9	28.4	32.6	50.9	35.3	42.9
Claims on Private Sector	12.0	26.6	-1.7	-1.4	-1.9	-1.0	-2.9
Claims on Other Private Sector	10.6	25.1	-1.8	-1.6	-2.0	-1.1	-2.7
Claims on State and Local Government	83.2	107.2	3.7	113.6	118.5	2.8	-7.6
Claims on Non-financial Public Enterprises							
Foreign Assets (Net)	-11.7	-11.2	-4.5	-7.7	-13.1	-14.6	-13.3
Other Assets (Net)	-6.2	9.1	2.2	3.5	-0.2	10.1	10.4
Total Monetary Assets (M2)	-3.0	17.5	2.3	1.8	-0.2	0.7	1.6
Quasi-Money 1/	6.4	33.7	5.1	2.9	-0.4	2.8	3.8
Money Supply (M1)	-11.4	3.0	-1.0	0.5	0.0	-1.7	-0.9
Currency Outside Banks	-14.1	3.9	-10.1	-10.3	-11.8	-14.2	-13.1
Demand Deposits 2/	-10.8	2.8	1.1	3.0	2.7	1.1	1.9
Total Monetary Liabilities (M2)	-3.0	17.5	2.3	1.8	-0.2	0.7	1.6
Memorandum Items:							
Reserve Money (RM)	-21.8	6.8	9.5	-8.3	-7.2	-7.2	0.3
Currency in Circulation (CIC)	-12.7	2.3	-8.0	-9.2	-10.6	-10.0	-8.9
DMBs Demand Deposit with CBN	-48.6	20.0	53.4	-6.0	1.2	-0.2	23.2
Domestic Credit (Net)	4.6	5.4	3.0	1.5	4.3	-3.0	-0.2
Claims on Federal Government (Net)	-7.2	7.7	13.6	5.9	27.1	-31.7	11.7
Claims on Private Sector	5.5	2.2	-0.2	0.3	-0.5	0.9	-1.9
Claims on Other Private Sector	5.4	2.2	-0.4	0.2	-0.4	0.9	-1.6
Claims on State and Local Government	9.0	2.5	5.6	-4.7	2.3	1.1	-10.2
Claims on Non-financial Public Enterprises							
Foreign Assets (Net)	-1.2	1.6	-0.7	-3.3	-5.8	-1.8	1.5
Central Bank	-0.7	0.1	0.8	1.4	-3.8	-3.1	2.2
Banks	-4.0	5.2	2.1	-0.5	-1.9	5.5	-1.7
Other Assets (Net)	8.5	4.5	1.1	-2.1	-3.2	10.3	0.4
Total Monetary Assets (M2)	-2.1	5.2	2.1	-0.5	-1.9	0.9	0.9
Quasi-Money 1/	-0.1	8.9	2.6	-0.3	-1.7	3.2	0.9
Money Supply (M1)	-4.0	5.3	3.6	1.9	-0.3	-1.7	0.8
Currency Outside Banks	2.7	5.2	2.1	-0.5	-1.9	-2.7	1.3
Demand Deposits 2/	-5.4	5.3	3.6	1.9	-0.3	-1.6	0.7
Total Monetary Liabilities (M2)	-2.1	5.2	2.1	-0.5	-1.9	0.9	0.9
Memorandum Items:							
Reserve Money (RM)	-6.2	19.5	4.1	-16.3	1.2	0.0	8.1
Currency in Circulation (CIC)	0.2	6.6	3.5	-1.3	-1.5	0.7	1.2
DMBs Demand Deposit with CBN	-28.9	71.8	5.1	-38.7	7.7	-1.4	23.4

Table A3: Federal Government Fiscal Operations (₦ billion)

	Jul-09	Dec-09	Mar-10	Apr-10	May-10	Jun-10	Jul-10
Retained Revenue	**202.5**	**185.1**	**209.7**	**135.7**	**331.4**	**207.1**	**185.1**
Federation Account	*124.4*	*136.8*	*108.8*	*112.4*	*167.7*	*159.8*	*171.7*
VAT Pool Account	*5.8*	*5.7*	*6.7*	*7.4*	*7.2*	*6.1*	*7.8*
FGN Independent Revenue	*9.4*	*4.7*	*3.4*	*1.9*	*0.9*	*0.4*	*0.6*
Excess Crude	*12.8*	*22.3*	*72.6*	*0.0*	*0.0*	*10.4*	*0.0*
Others	*50.2*	*15.6*	*18.4*	*14.0*	*155.7*	*34.1*	*29.0*
Expenditure	**505.8**	**359.0**	**311.8**	**290.0**	**164.9**	**458.8**	**328.6**
Recurrent	*268.2*	*246.9*	*258.6*	*199.5*	*159.1*	*260.8*	*231.6*
Capital	*225.8*	*112.0*	*53.2*	*80.3*	*5.8*	*194.9*	*74.2*
Transfers	*11.0*	*12.8*	*11.5*	*9.2*	*0.0*	*13.9*	*13.9*
Overall Balance: Surplus(+)/D	**-303.3**	**-173.9**	**-102.0**	**-154.3**	**166.5**	**-166.1**	**-143.5**