CENTRAL BANK OF NIGERIA

ECONOMIC REPORT FOR THE FOURTH QUARTER OF 2009

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RESEARCH DEPARTMENT

CENTRAL BANK OF NIGERIA

QUARTERLY ECONOMIC REPORT

The Central Bank of Nigeria Quarterly Economic Report is designed for the dissemination of financial and economic information on the Nigerian economy on current basis. The Report analyses developments in the financial, fiscal, real and external sectors of the economy, as well as international economic issues of interest. The Report is directed at a wide spectrum of readers including economists and financial analysts in government and the private sector, as well as general readers.

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1.0 Summary

Provisional data from the National Bureau of Statistics (NBS) estimated GDP growth in the fourth quarter of 2009 at 9.0 per cent, compared with 7.1 per cent in the preceding quarter. The projected growth was driven mainly by the non-oil sector which contributed 85.4 per cent of total GDP. Broad money (M_2) grew by 13.5 per cent, relative to the preceding quarter. The increase in M_2 was due largely to the rise in aggregate banking system credit to the domestic economy (net). Narrow money (M_1), also, declined by 14.6 per cent over the level in the preceding quarter.

Available data indicated a general decline in banks' deposit rates, while lending rates increased. The spread between the weighted average term deposit and maximum lending rates widened from 10.49 percentage points in the preceding quarter to 11.40 percentage points. The margin between the average savings deposit and maximum lending rates, however, narrowed from 20.02 to 19.74 percentage points during the period. The weighted average inter-bank call rate fell to 6.25 per cent from 12.68 per cent in the preceding quarter, reflecting the liquidity condition in the inter-bank funds market.

The value of money market assets outstanding fell by 4.6 per cent from the level in the preceding quarter to =N=3,322.3 billion. The decline was attributed largely to the fall in Commercial Papers (CPs). Activities on the Nigerian Stock Exchange were mixed during the review quarter.

Total federally-collected revenue in the fourth quarter, 2009 stood at =N=1,371.51 billion, representing an increase of 3.4 and 13.9 per cent over the proportionate budget estimate and the preceding quarter's level. At =N=936.27 billion, oil receipts constituted 68.3 per cent of the total revenue was higher than the proportionate budget estimate and the receipts in the preceding quarter. The rise in oil receipts relative to the proportionate budget estimate was attributed to the improvements in both the volume and price of crude oil in the international oil market. Non-oil receipts, at =N=439.24 billion or 31.7 per cent of the total, was lower than the proportionate budget estimate and the receipts in the preceding quarter. The decline in non-oil receipts relative to the budget estimate was attributed largely to the fall in customs and excise duties, Value-Added-Tax (VAT) and independent revenue of the Federal Government.

Federal Government retained revenue for the fourth quarter 2009 was =N=765.44 billion, while total expenditure was =N=1,041.28 billion. Thus, the fiscal operations of the Federal Government resulted in an estimated overall deficit of =N=275.83 billion, compared with the budgeted deficit of =N=209.15 billion.

Agricultural activities centered on harvesting of tubers, fruits, vegetables, late maturing grains as well as pre-planting operations in preparation for dry season planting.

In the livestock sub-sector, farmers were engaged in fattening and other management activities in anticipation of the end of year sales.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 1.96 million barrels per day (mbd) or 180.32 million barrels for the quarter. Crude oil export was estimated at 1.51 mbd or 138.92 million barrels for the quarter, while deliveries to the refineries for domestic consumption remained at 0.445 mbd or 40.94 million barrels. The average price of Nigeria's reference crude, the Bonny Light (37^0 API), estimated at US$78.25 per barrel, rose by 11.7 per cent over the level in the preceding quarter. The end-period inflation rate for the fourth quarter, 2009, on a year-on-year basis, was 12.0 per cent, compared with 10.4 and 15.1 per cent recorded at the end of the preceding quarter and the corresponding quarter of 2008, respectively. Inflation rate on a twelve-month moving average basis for the fourth quarter, was 12.4 per cent, compared with 13.1 and 11.6 per cent recorded in the preceding quarter and the corresponding quarter, 2008, respectively.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US$5.84 billion and US$6.40 billion, respectively, resulting in a net outflow of US$0.56 billion during the quarter. Foreign exchange sales by the CBN to the authorized dealers amounted to US$4.74 billion in the review quarter. The weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated by 0.6 per cent to =N=150.05 per dollar at the WDAS. In the bureaux de change segment of the market, the naira also appreciated from =N=157.36 per dollar to =N=153.16 per dollar. Non-oil export earnings by Nigerian exporters increased by 189.2 per cent over the level in the preceding quarter to US$971.17 million. The development was attributed largely to the increase in the prices of all the commodities traded at the international commodities market during the period.

Global output growth was projected to decline by 1.1 per cent in 2009, as against the rise in output growth of 3.0 per cent in 2008.This historic decline was due to the global financial and economic crisis. Nevertheless, the unprecedented monetary, financial and fiscal policy interventions such as, large interest rate cuts, injection of liquidity and fiscal stimulus programs helped to reduce uncertainty and increased confidence and improvement in the financial conditions of the global economy. With these interventions the global output growth in many countries showed sign of positive recovery in the fourth quarter of 2009. World crude oil output in the fourth quarter 2009, was estimated at 85.57 mbd, while demand was estimated at 85.46 mbd, compared with 84.46 and 84.67 mbd supplied and demanded in the preceding quarter, respectively. The increase in demand was due to optimism of a global economic recovery. Price developments would partly depend on how strongly supply responds to recovering demand.

Other major international economic developments of relevance to the domestic economy during the quarter included: the 2009 Annual Meetings of the Inter-Governmental Group of Twenty-Four (G-24) on International Monetary Affairs and Developments, the Board of Governors of the World Bank Group and the International Monetary Fund (IMF) held in Istanbul, Turkey from October 1 – 7, 2009. (see October 2009 Report).

Also, the Joint Ministerial Committee of the Board of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (Development Committee) met on October 5, 2009 in Istanbul. The Committee noted that the global economy was showing signs of recovery, but risks remained (see October 2009 Report). The government of Canada tripled its share at the African Development Bank with a callable capital of US$2.6 billion. The action of the Canadian government is to demonstrate its commitment to strengthen support for international financial institutions in line with the G-20 countries commitment. (see October 2009 Report).

In another development, the 12th Meeting of the Legal and Institutional Committee of the West African Monetary Zone (WAMZ) was held in Accra, Ghana from October 13 –16, 2009. The meeting discussed, among other issues, the draft Memorandum of Understanding (MoU) between the WAMZ national central banks in the areas of Licensing, Supervision and Regulation of Financial Institutions and the Draft Fiscal Responsibility Act (FRA) (see October 2009 Report). The meeting of the 26 current participants in the International Monetary Fund's New Arrangements to Borrow (NAB) with representatives of 13 potential new participants was held in Washington D.C. on November 24, 2009. At the meeting, participants agreed to expand the NAB and increase credit arrangements to US$600 billion. They also agreed to introduce more flexibility to the NAB (see November 2009 Report).

The International Monetary Fund's African Department selected Ghana as the site of its second Regional Technical Assistance Centre in West Africa (AFRITAC West 2) in November 2009.

Since inception in 1993, the IMF has established a total of seven regional technical assistance centres that are located in Africa (Tanzania, Mali, and Gabon), the Pacific (Fiji), the Caribbean (Barbados), the Middle East (Lebanon), and Central America (Guatemala). (see November 2009 Report).

Also, the Board of Directors of the African Development Bank (AfDB) approved an equity investment of US$ 30 million to the African Infrastructure Investment Fund 2 on November 25, 2009 (see November Report).

In a related development, the Board of Directors of the AfDB approved a Line of Credit of US$ 30 million to the African Banking Corporation Holdings Ltd (ABCH) under AfDB's Liquidity Facility window. The proposed Line of Credit would feature a 5 year tenor and a 2-year grace period and will benefit ABCH's banking subsidiaries in Botswana, Mozambique, Tanzania and Zimbabwe and contribute towards financing the ABCH's pipeline projects totaling US$ 96 million (see November 2009 Report).

In another development, the 37th Ordinary Meeting of the Committee of Governors of Central Banks of ECOWAS member States was held on December 16, 2009 in Accra, Ghana. The meeting was presided over by Mr. Sanusi Lamido Sanusi, Governor of the Central Bank of Nigeria and Chairman of the Committee of Governors.

Also, the 25th Meeting of the Convergence Council of Ministers and Governors of the West African Monetary Zone (WAMZ) was held in Accra, Ghana. All the member States, the ECOWAS Commission and the West African Monetary Institute (WAMI) were represented at the meeting. The Republic of Liberia participated as observer.

Lastly, the African Development Bank (AfDB) and the United Bank for Africa Plc (UBA) signed two loan agreements for a total of US$150 million on December 16, 2009. The loan agreements were signed under the AfDB Emergency Liquidity Facility (ELF) and Trade Finance Initiative (TFI) designed for the rapid injection of liquidity into African markets via strong private sector partner institutions.

2.0 FINANCIAL SECTOR DEVELOPMENTS

2.1 Monetary and Credit Developments

Major monetary aggregates rose, while banks' deposit and lending rates indicated mixed developments in the fourth quarter of 2009. The value of money market assets declined, following largely the fall in Commercial Papers (CPs). Transactions on the Nigerian Stock Exchange (NSE) recorded mixed developments during the review quarter.

Provisional data indicated that monetary aggregates grew in the fourth quarter, 2009. Broad money (M_2) rose by 13.5 per cent to =N=10,730.8 billion, compared with the increase of 4.2 per cent in the preceding quarter. Narrow money (M_1) also, rose by 14.6 per cent to =N=4,967.3 billion over the level in the preceding quarter. The rise in M_2 was due to the 12.7 per cent increase in aggregate banking system credit to the domestic economy (net), reinforced by the 9.6 per cent rise in foreign assets (net) (fig. 1 and table 1).

At =N=7,875.5 billion, aggregate banking system credit (net) to the domestic economy rose by 12.7 per cent in the fourth quarter of 2009, compared with the increase of 23.1 per cent in the preceding quarter. The development reflected the 19.2 per cent rise in claims on the Federal Government, reinforced by the 3.5 per cent increase in claims on the private sector.

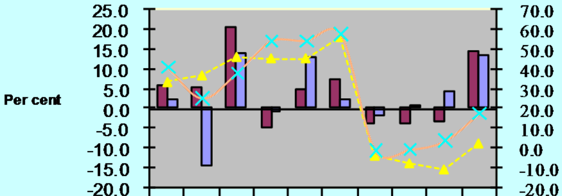
Banking system's credit (net) to the Federal Government increased by 19.2 per cent to negative =N=2,279.9 billion, compared with the increase of 2.1 per cent in the preceding quarter. The rise was accounted for largely by the increase in deposit money banks' (DMBs) holding of Federal Government securities.

Banking system's credit to the private sector increased by 3.5 per cent to =N=10,155.4 billion, compared with the increase of 14.7 per cent in the preceding quarter. The rise reflected largely the 3.2 per cent increase in DMBs claims on the sector (fig 2).

At =N=7,548.5 billion, foreign assets (net) of the banking system grew by 9.6 per cent, as against the decline of 9.9 per cent in the preceding quarter. The development was attributed largely to the 10.6 per cent increase in the CBN's holdings.

Quasi money increased by 12.5 per cent to =N=5,763.5 billion, compared with the increase of 11.6 per cent in the preceding quarter.

Figure 1: Aggreagate Money Supply in Nigeria (Quarterly and Cummulative Growth Rates in Per cent)

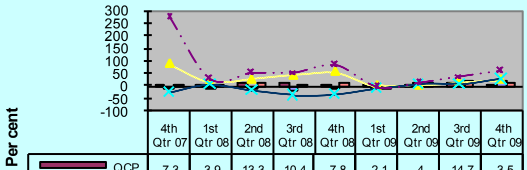


	3rd Qtr 07	4th Qtr 07	1st Qtr 08	2nd Qtr 08	3rd Qtr 08	4th Qtr 08	1st Qtr 09	2nd Qtr 09	3rd Qtr 09	4th Qtr 09
QM1	5.8	5.5	20.2	-4.8	4.6	7.4	-3.9	-3.9	-3.4	14.6
QM2	2.2	-14.4	14.0	-0.6	12.7	2.3	-1.8	0.9	4.2	13.5
CM1	33.2	36.6	45.9	45.2	45.2	55.9	-3.9	-7.7	-10.8	2.3
CM2	40.8	25.0	37.7	54.1	54.2	57.8	-1.8	-1.0	3.2	17.1

The development was attributed to the rise in all the components namely, time, savings and foreign currency deposits of the DMBs.

Other assets (net) of the banking system, however, declined by 6.2 per cent to =N=4,693.2 billion, compared with the decline of 4.1 per cent in the preceding quarter. The fall reflected largely the decline in unclassified assets of the CBN during the quarter.

Figure 2: Aggregate Domestic Credit to the Economy (Quarterly and Cummulative Growth Rate)



	4th Qtr 07	1st Qtr 08	2nd Qtr 08	3rd Qtr 08	4th Qtr 08	1st Qtr 09	2nd Qtr 09	3rd Qtr 09	4th Qtr 09
QCP	7.3	3.9	13.3	10.4	7.8	2.1	4	14.7	3.5
QCG	-7.8	1.9	-8.6	-19.4	-3.8	-9.6	15.4	2.1	19.2
QAC	6.9	5.5	16.6	4.4	16.7	-2.6	17.8	23.1	12.7
CCP	90.8	18	33.6	47.5	59.4	2.1	6.2	21.7	26.0
CCG	-22	5.6	-14.7	-36.9	-31.2	-9.6	7.3	9.3	26.6
CAC	276	28.8	50.2	56.8	84.2	-2.6	14.7	41.2	59.0

2.2 Currency-in-circulation and Deposits at the CBN

At =N=1,185.0 billion, currency in circulation rose by 14.8 per cent in December 2009 over the level in the preceding quarter. The increase was attributed wholly to the 19.5 per cent rise in currency outside the banking system during the period.

Total deposits at the CBN amounted to =N=5,105.3 billion, indicating an increase of 3.2 per cent over the level in the third quarter, 2009. The development was attributed largely to the increase in private sector deposits. The shares of the Federal Government, banks and "others" in total deposits at the CBN were 77.8, 9.5 and 12.7 per cent, respectively, compared with the shares of 86.2, 9.1 and 4.7 per cent, in the third quarter, 2009.

2.3 Money Market Developments

Money market activities remained relatively stable during the fourth quarter, reflecting the effects of the various policy measures taken to ensure the soundness of the banking system and boost the economy. Direct auctions at the open market remained suspended in line with the Bank's policy thrust, while deals were not consummated at the two-way quote trading platform as rates quoted were considered speculative and inconsistent with the prevailing market rates. The Bank's window remained open, providing the deposit money banks and discount houses an avenue to meet their short-term liquidity requirements. Public participation at the primary auction of Nigerian Treasury Bills (NTBs) and Federal Government of Nigeria (FGN) Bonds remained impressive, indicating market players' preference for government securities due to its safety. In continuation of the banking system reforms, the sum of =N=200.00 billion was injected to ease the operations of the five DMBs that had liquidity problems. In order to encourage trading amongst DMBs, the interest on the standing deposit facility was reduced to 2.0 per cent, from 4.0 per cent.

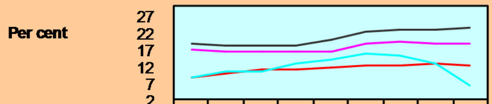
Provisional data indicated that the value of money market assets outstanding at end-December 2009 was =N=3,322.3 billion, representing a decline of 4.6 per cent from the level at end-September 2009. The fall during the period was attributed largely to the 29.5 per cent decline in Commercial Papers (CPs).

2.3.1 Interest Rate Developments

Available data indicated a general decline in banks' deposit rates in the fourth quarter, 2009, while lending rates increased. With the exception of the average savings deposit rate, which rose by 0.58 percentage points to 3.38 per cent, all other rates on deposits of various maturities declined from a range of 6.81 – 13.84 per cent in the preceding quarter to 6.40 – 13.10 per cent. Similarly, at 11.72 per cent, average term deposit rate declined by 61 basis points from the level in the preceding quarter. On the other hand, the average prime and maximum lending rates increased by 37 and 30 basis points to 18.75 and 23.12 per cent, respectively. Consequently, the spread between the weighted average term deposit and maximum lending rates widened from 10.49 percentage points in the preceding quarter to 11.40 percentage points. The margin between the average savings deposit and maximum lending rates, however, narrowed from 20.02 percentage points in the preceding quarter to 19.74 percentage points. With headline inflation rate at 12.0 per cent at end-December, all deposit rates, with the exception of average savings and 7-day rates, were positive in real terms.

At the inter-bank call segment, the weighted average rate, which stood at 12.68 per cent in the preceding quarter, fell to 6.25 per cent, reflecting the liquidity condition in the inter-bank funds market. Similarly, the weighted average rate at the Open Buy Back (OBB) fell from 6.92 per cent in September to 4.86 per cent at the end of the fourth quarter. In tandem with activities at the inter-bank market, Nigeria Inter-bank Offered Rate (NIBOR) for the 7- and the 30-day tenors declined to 8.74 and 13.52 per cent at the end of the fourth quarter from 14.18 and 15.91 per cent respectively, in the third quarter 2009 (fig. 3).

Figure 3: Selected Bank Interest Rates (Per cent Average)



	4th Qtr 07	1st Qtr 08	2nd Qtr 08	3rd Qtr 08	4th Qtr 08	1st Qtr 09	2nd Qtr 09	3rd Qtr 09	4th Qtr 09
Avg. Term Deposits	8.69	9.35	10.78	11.06	11.67	12.27	11.89	12.33	11.72
Prime	16.9	16.05	15.86	15.97	16.03	18.34	19.01	18.38	18.75
Inter-bank	8.25	10.21	10.4	12.83	14.01	15.79	14.76	12.68	6.25
Maximum	18.24	18.17	17.9	18.1	19.79	22.24	22.89	22.82	23.12

2.3.2 Commercial Papers (CPs)

Investment in Commercial Papers (CPs) as a supplement to bank credit to the private sector fell in the review period. The value of CPs held by DMBs fell by =N=213.44 billion to N509.1 billion at end-December 2009, as against the increase of =N=120.05 billion at end-September 2009. Thus, CPs constituted 15.3 per cent of the total value of money market assets outstanding at end-December 2009, compared with 20.7 per cent at the end of the preceding quarter.

2.3.3 Bankers' Acceptances (BAs)

Holdings of BAs by DMBs fell by 43.1 per cent to =N=62.2 billion as at end-December 2009, as against the increase of 47.4 per cent in the preceding quarter. The fall reflected the decline in investments by deposit money banks and discount houses. Consequently, BAs accounted for 1.9 per cent of the total value of money market assets outstanding at the end of the fourth quarter, compared with 3.1 per cent at the end of the preceding quarter.

2.3.4 Open Market Operations

Aggressive mop–up of excess liquidity remained suspended and there was no direct auction at the open market. In the same vein, there was no purchase or sale of government securities through the two-way quote platform due to the unattractiveness of the offer rates quoted at the trading sessions.

2.3.5 Primary Market

At the primary market, NTBs of 91, 182 and 364-day tenors were offered fortnightly during the review period in line with the issue program. Total NTBs issued and allotted was =N=453.05 billion, compared with the =N=322.22 billion apiece issued and allotted in the third quarter. Public subscriptions stood at =N=873.30 billion, compared with =N=513.13 billion in the third quarter. The range of issue rates for the 91-, 182- and 364-day NTBs was from 2.50-7.30 per cent, compared with the range of 2.80-6.75 per cent for the same tenors in the preceding quarter. All the auctions were oversubscribed as market players showed stronger preference for the risk-free government securities. The liquidity surfeit occasioned by the various injections also boosted activities at the primary market. In line with market realities, the marginal rates for the issues trended downward in the last two months of the review period.

2.3.6 Bonds Market

FGN Bonds of 3-, 5- and 20-year tenors were re-opened (in line with the restructuring of the domestic debt profile to longer tenors) and offered to the public in the period under review. Total issue and allotment during the fourth quarter, 2009 stood at =N=180.0 billion, compared with =N=170.0 billion, in the preceding quarter. Total subscriptions stood at =N=259.61 billion. A breakdown of the total issues and allotments showed that =N=35.00 billion, =N=30.00 billion and =N=66.00 billion, were issued for the 3-, 5- and 20-year tenors, while the total subscriptions were =N=76.29 billion, =N=66.32 billion and =N=117.00 billion, respectively. In the preceding quarter, issue and allotment for the respective tenors were =N=54.00 billion 3-year, =N=66.00 billion 5-year and =N=60.00 billion 20-year. The FGN Bonds were offered and allotted at marginal rates ranging between 6.75-8.25, 8.32– 12.49 and 8.50– 12.00 per cent, respectively, for the 3-, 5– and 20– year tenors, as against the issue rate range of 7.88-8.14, 8.14– 9.39 and 10.39– 11.00 per cent, in the preceding quarter. The impressive subscription, especially for the 20-year tenor, reflected market players' confidence in the Nigerian economy and perceived stable and attractive yields on the instruments.

2.3.7 CBN Standing Facilities

Analysis of activities indicated that there was improved liquidity in the banking system in the quarter under review. Consequently, cumulative lending facility granted to the DMBs at end-December 2009 stood at =N=2,360.80 billion, compared with =N=10,659.29 billion in the third quarter of 2009. Total deposits stood at =N=5,613.25 billion. The lending and deposit rates were fixed at 8.00 and 2.00 per cent, respectively, (plus 2 and minus 4 per cent above and below the Monetary Policy Rate).

2.4 Deposit Money Banks' Activities

Available data indicated that the total assets/liabilities of the DMBs amounted to =N=17,522.9 billion, representing an increase of 4.7 per cent over the level in the preceding quarter. The development was attributed largely to the 17.6 per cent increase in reserves, reinforced by the 14.5 per cent rise in claims on central government.

Funds, which were sourced mainly from the accumulation of capital accounts and time, savings and foreign currency deposits were used mainly for the settlement of unclassified liabilities.

At =N=11,097.2 billion, credit to the domestic economy rose by 5.5 per cent over the level in the preceding quarter. The development was attributed wholly to the 3.2 per cent increase in claims on the private sector.

Central Bank's credit to the DMBs rose by 37.5 per cent to =N=409.2 billion in the review quarter, reflecting largely the increase in CBN's loans & advances to the DMBs.

Total specified liquid assets of the DMBs stood at =N=2,646.0 billion, representing 26.4 per cent of their total current liabilities. At that level, the liquidity ratio rose by 0.9 and 1.4 percentage points over the preceding quarter's level and the stipulated minimum ratio of 25.0 per cent. The loans-to-deposit ratio fell by 4.2 percentage points from the level in the preceding quarter to 84.3 per cent, and exceeded the prescribed minimum target of 80.0 per cent by 4.3 percentage points.

2.5 Discount Houses' Activities

Total assets/liabilities of the discount houses stood at =N=346.0 billion in the fourth quarter of 2009, indicating an increase of 6.4 per cent over the level in the preceding quarter but a decline of 10.1 per cent from the corresponding period of 2008. The increase in assets was accounted for by the 71.1 per cent rise in claims on others, reinforced by the 9.4 per cent increase in claims on the Federal Government during the quarter. Correspondingly, the rise in total liabilities was attributed largely to the 29.7 per cent increase in "money at call" during the period.

Discount houses' investments in Federal Government securities of less than 91 days maturity rose to =N=52.4 billion, representing 19.0 per cent of their total deposit liabilities. At this level, discount houses' investments rose by 9.5 per cent over the level in the preceding quarter. This level of investment was 41.0 percentage points below the prescribed minimum level of 60.0 per cent for fiscal 2009.

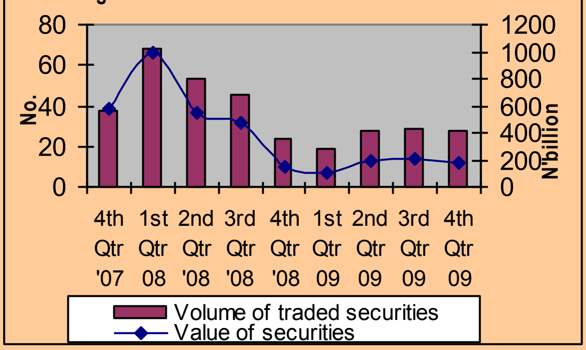
Total borrowing by the discount houses was =N=0.02 billion, while their capital and reserves amounted to =N=42.0 billion. Thus, resulting in a gearing ratio of 1.7:1, compared with the stipulated maximum target of 50:1 for fiscal 2009.

2.6 Capital Market Developments

2.6.1 Secondary Market

Available data indicated that the volume and value of traded securities declined by 4.5 and 14.5 per cent to 27.6 billion shares and =N=177.0 billion, respectively, compared with 28.9 billion shares and =N=207.1 billion in the third quarter. Total turnover volume and value between January and December 2009 was 102.9 billion shares and =N=685.7 billion, respectively. The banking sub-sector was the most active on the Exchange with traded volume of 15.5 billion shares valued at =N=115.7 billion exchanged in 201,284 deals.

Figure 4: Volume and value of traded securities



2.6.2 Over-the-Counter (OTC) Bonds Market

Transactions on the over-the-counter (OTC) bond segment of the market indicated that a turnover of 3.8 billion units worth =N=4.5 trillion in 42,241 deals was recorded in the review quarter, compared with a total of 4.7 billion units valued at =N=5.3 trillion in 38,418 deals during the preceding quarter. The most active bond measured by turnover volume was the 5th FGN Bond 2028 Series 5 with traded volume of 275.4 million units valued at =N=477.7 billion in 4,541 deals. Cumulatively, total transactions on FGN Bonds through the OTC were 17.1 billion valued at =N=18.5 trillion in 134,120 deals, compared with 10.35 billion shares worth =N=10.44 trillion in 78,248 deals in 2008.

2.6.3 New Issues Market

In the new issues market, 3.7 billion shares of =N=0.50 each in favor of Beco Petroleum Products Plc were admitted at a price of =N=2.50 per share. The company was listed in the Petroleum Marketing Sub-sector. Also, 7,930 shares of =N=0.50 each in favor of Honeywell Flour Mills Plc were admitted at a price of =N=8.50 per share after the conclusion of the offer for sale and initial public offering. The company was listed in the Food, Beverages & Tobacco Sub-sector. A total of 3.2 million units of Crusader (Nig) Plc Unsecured Convertible Debenture Stock 2013 was also admitted on the daily official list at =N=1,000 par value, bringing the number of industrial loans to 44. This represented 80.6 per cent subscription level of the =N=4.0 billion 12.0 per cent Unsecured Convertible Debenture Stock 2013. A total of 10.0 billion shares of =N=0.50 each in favor of Guaranty Trust Assurance Plc were admitted at a price of N3.00 per share. Also, the 12,350,000,000 shares of =N=0.50 each in favour of Unity Capital Assurance Plc were admitted at a price of =N=2.50 per share. The companies were listed in the Insurance Sub-sector. In addition, the 13.2 billion shares of =N=50 each in favor of Resort Savings and Loans Plc were admitted at a price of =N=1.25 per share by way of Introduction. The company was listed in the Mortgage Companies' Sub-sector. The 201,885,335 shares of =N=0.50 each in favour of McNichols Consolidated Plc were admitted at a price of =N=0.98 per share. During the review quarter, there was one (1) supplementary listing, compared with twenty-one (21) in the preceding quarter.

In another development, forty-nine securities were delisted from the Daily Official list on maturity during the review period. These included the Nigerian International Debt Fund delisted from the equity section to memorandum listing, four State Government Bonds, forty-one industrial loans and three preference stocks.

2.6.4 Market Capitalization

The total market capitalization of the 266 listed securities declined by 10.3 per cent to =N=7.0 trillion from the preceding quarter's level. The fall in market capitalization was attributed to the price losses recorded by the highly capitalized stocks and the delisting of forty-nine securities. The 216 listed equities accounted for =N=5.0 trillion or 71.0 per cent of the total market capitalization.

2.6.5 NSE All-Share Index

The NSE All-Share Index declined by 5.6 per cent to close at 20,827.17 (1984=100) at end-December 2009. Relative to the closing value of 31,450.78 on December 31, 2008, the year-to-date decline in the NSE All-Share-Index stood at 33.8 per cent. However, the NSE Food/Beverage Index rose by 16.7 per cent to close at 526.71, while the NSE Oil/Gas Index increased by 0.1 per cent to close at 288.06. The NSE Insurance Index fell by 20.2 per cent to close at 249.01, while the NSE Banking Index declined by 5.3 per cent to close at 339.32.

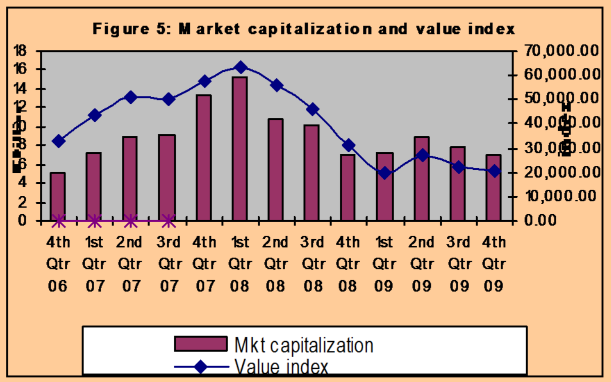


Figure 5: Market capitalization and value index

3.0 FISCAL OPERATIONS

3.1 Federation Account Operations

Available data showed that total federally-collected revenue during the fourth quarter of 2009 stood at =N=1,371.51 billion, representing an increase of 3.4 and 13.9 per cent over the proportionate budget estimate and the receipts in the preceding quarter, respectively. At =N=936.27 billion, oil receipts, which constituted 68.3 per cent of the total, exceeded the proportionate budget estimate and the receipts in the preceding quarter by 20.2 and 39.0 per cent, respectively. The increase in oil receipts relative to the preceding quarter was due to the improvements in both the volume and price of crude oil in the international oil market.

Non-oil receipts, at =N=435.24 billion or 31.7 per cent of the total, was lower than the budget estimate and the receipts in the preceding quarter by 20.5 and 17.9 per cent, respectively. The development reflected largely the fall in customs and excise duties, Value-Added Tax (VAT) and Independent Revenue of the Federal Government (fig 7).

As a percentage of GDP, oil revenue was 15.2 per cent, while non-oil revenue stood at 6.7 per cent in the fourth quarter of 2009.

Of the total federally-collected revenue during the review quarter, the sum of =N=687.67 billion 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 =N=332.09 billion, while the States and Local Governments received =N=168.44 billion and =N=129.86 billion, respectively. The balance of =N=57.28 billion went to the 13.0 per cent derivation fund for distribution by the oil producing states. To bridge the shortfall in revenue for the period, the sum of =N=1,078.60 billion was drawn from the excess crude account and shared as follows: Federal Government (=N=476.01 billion), State Governments (=N=289.90 billion), Local Governments (=N=219.45 billion) and oil producing states (=N=93.24 billion).

Also, the Federal Government received =N=17.15 billion, while the State and Local Governments received =N=57.16 and =N=40.01 billion, respectively, from the VAT Pool Account.

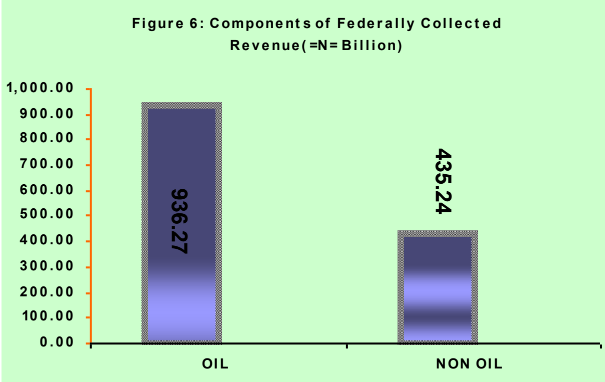


Figure 6: Components of Federally Collected Revenue(=N=Billion)

3.2 The Fiscal Operations of the Three Tiers of Government

3.2.1 The Federal Government

At =N=765.44 billion, Federal Government retained revenue for the fourth quarter 2009, was higher than the proportionate budget estimate and the receipts in the preceding quarter by 27.5 and 18.8 per cent, respectively.

At =N=1,041.28 billion, total estimated expenditure for the review quarter rose by 28.6 and 10.6 per cent over the proportionate budget estimate and the level in the preceding quarter, respectively. The rise in total expenditure relative to the budget estimate and the preceding quarter was attributed largely to the increase in pension payments, overhead costs and statutory transfers during the quarter. A breakdown of total expenditure showed that the recurrent component accounted for 53.8 per cent, capital component 31.1 per cent, while statutory transfers accounted for the balance of 15.1 per cent. As a percentage of GDP, recurrent expenditure was 8.6 per cent, while capital expenditure and transfers stood at 5.0 and 2.4 per cent, respectively.

The fiscal operations of the Federal Government in the fourth quarter, 2009, resulted in an estimated deficit of =N=275.83 billion, compared with the budgeted deficit of =N=209.15 billion and a surplus of =N=55.86 billion in the corresponding period.

As a percentage of GDP, the fiscal deficit was 4.2 per cent in the review quarter. The fiscal deficit was largely financed from domestic sources through the issuance of FGN Bonds and Treasury bills.

3.2.2 Statutory Allocations to State Governments

During the review quarter, total receipts, including the 13.0 per cent Derivation Fund and share of VAT by the State Governments from the Federation Account stood at =N=488.84 billion. This represented an increase of 32.8 and 7.2 per cent over the levels in the preceding quarter and the corresponding period of 2008, respectively.

Further breakdown showed that at =N=56.76 billion, receipts from the VAT Pool Account declined by 6.3 per cent from the level in the preceding quarter, while receipts from the Federation Account stood at =N=432.08 billion. On monthly basis, the sum of =N=229.68 billion, =N=125.83 billion and =N=133.33 billion were allocated to the 36 state governments in October, November and December 2009, respectively.

3.2.3 Statutory Allocations to Local Government Councils

Total receipts by the Local Governments from the Federation and VAT Pool Accounts during the fourth quarter of 2009, stood at =N=210.73 billion. This was lower than the level in the preceding quarter and the corresponding quarter of 2008 by 1.3 and 17.6 per cent, respectively. Of this amount, allocation from the Federation Account was =N=170.72 billion or 81.0 per cent of the total, while VAT Pool Account accounted for =N=40.01 billion or 19.0 per cent. On monthly basis, the sums of =N=71.45 billion, =N=72.50 billion and =N=66.78 billion were allocated to the 774 local governments in October, November and December 2009, respectively.

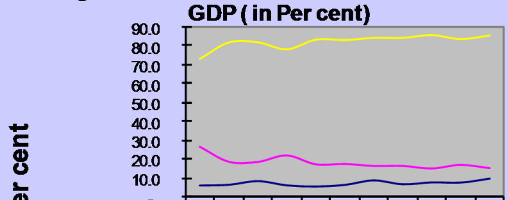
3.3 Consolidated Federal Government Debt

At =N=3,812.62 billion or 16.8 per cent of GDP, the total Federal Government debt as at end-December 2009, rose by 4.8 per cent over the level at end-September 2009. The breakdown comprised of domestic debt of =N=3,228.03 billion and external debt of =N=584.60 billion (US$3.95 billion).

3.3.1 Domestic Debt

The domestic debt stock of the Federal Government outstanding at the end of the fourth quarter, 2009 was =N=3,228.03 billion, representing an increase of 5.6 per cent over the level at the end of the preceding quarter. As a percentage of GDP, total domestic debt was 14.2 per cent. The rise in domestic debt was accounted for by the issuance of additional FGN Bonds and Treasury bills outstanding during the quarter.

Figure 7: Trends in Oil and Non-Oil Share of GDP (in Per cent)



	2nd Qtr 07	3rd Qtr 07	4th Qtr 07	1st Qtr 08	2nd Qtr 08	3rd Qtr 08	4th Qtr 08	1st Qtr 09	2nd Qtr 09	3rd Qtr 09	4th Qtr 09
GDP Growth	5.7	6.1	7.8	5.8	5.2	6.0	8.2	6.3	7.2	7.1	9.0
Oil Share of GDP	26.4	18.1	18.0	21.6	16.7	16.9	15.8	15.8	14.4	16.4	14.6
Non-Oil Share of GDP	73.6	81.9	82.0	78.4	83.3	83.1	84.2	84.2	85.6	83.6	85.4

4.0 DOMESTIC ECONOMIC CONDITIONS

Aggregate output growth in the economy measured by the gross domestic product (GDP) was estimated at 9.0 per cent in the fourth quarter of 2009, compared with 7.1 per cent in the preceding quarter. Agricultural activities centered on harvesting of tubers, fruits, vegetables, late maturing grains as well as pre-planting operations in preparation for dry season planting. In the livestock sub-sector, farmers were engaged in fattening and other activities in anticipation of the end of year sales. Crude oil production was estimated at 1.96 million barrels per day (mbd) or 180.32 million barrels for the quarter. The end-period inflation rate for the fourth quarter of 2009, on a year-on-year basis, was 12.0 per cent, compared with 10.4 per cent in the preceding quarter. The inflation rate on a 12-month moving average basis was 12.4 per cent, compared with the preceding quarter's level of 13.1 per cent.

4.1 Agricultural Sector

Agricultural activities during the review quarter centered on harvesting of tubers, fruit, vegetables and late maturing grains as well as pre-planting operations in preparation for dry season planting. In the livestock sub-sector, farmers were engaged in fattening and other activities in anticipation of the end of year sales.

During the review period, a total of =N=3.34 billion was guaranteed to 20,827 farmers under the Agricultural Credit Guarantee Scheme (ACGS). This amount represented a decline of 1.1 per cent from the preceding quarter but 15.2 per cent over the level in the corresponding period of 2008.

A sub-sectoral analysis of the loans guaranteed indicated that the food crops sub-sector had the largest share of =N=2.26 billion or 67.9 per cent to 16,047 beneficiaries, while the livestock sub-sector received =N=607.34 million or 18.2 per cent to 1,691 beneficiaries. Also, 2,314 beneficiaries in the fisheries sub-sector obtained =N=339.65 million or 10.2 per cent, while =N=9.59 or 0.2 per cent went to 38 beneficiaries in the mixed cropping sub-sector. In the cash crops sub-sector, 585 beneficiaries got =N=103.46 million or 3.1 per cent, while 152 beneficiaries in 'others' had =N=11.76 million or 0.4 per cent. Further analysis showed that 31 states benefited from the scheme during the quarter, the highest and lowest sums of =N=777.82 million (23.3 per cent) and =N=11.23 million (0.3 per cent) went to Delta and Ondo States, respectively.

The retail prices of most staples recorded decline in the fourth quarter of 2009. Twelve of the fourteen commodities monitored recorded price decline from their levels in the preceding quarter. These ranged from 1.5 per cent for vegetable oil to 15.1 per cent for white beans, while groundnut oil and yam flour recorded price increase of 1.8 and 12.3 per cent, respectively. The fall in the price of most commodities was attributed to the dampening effect of good harvest.

4.2 Industrial Production

Industrial activities during the fourth quarter of 2009, indicated improvement relative to the preceding quarter. At 118.56 (1990=100), the estimated index of industrial production rose by 2.6 and 1.1 per cent over the levels attained in the preceding quarter and the corresponding period of 2008, respectively. The development reflected the improvement in activities in all the sectors.

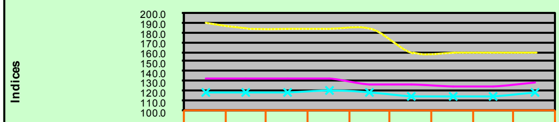
The estimated index of manufacturing production, at 88.56 (1990=100), increased by 0.2 per cent over the level in the preceding quarter but declined by 3.4 per cent from the level in the corresponding period of 2008. The estimated capacity utilization also rose marginally by 0.1 percentage points to 53.1 per cent during the review quarter. The increase was attributed to the rise in demand due to the festive period, coupled with the marginal improvement in electricity supply.

At 129.89 (1990=100), the index of mining production increased by 2.4 and 0.7 per cent over the levels attained in the preceding quarter and the corresponding period of 2008, respectively. The development was attributed to the rise in crude oil and gas production, resulting from the amnesty programme of the Federal Government, which reduced the activities of militants in the Niger Delta region.

At 2,230.0 MW/h, estimated average electricity generation increased by 6.5 per cent over the level attained in the preceding quarter. The rise reflected the increase in gas supply to the thermal stations.

At 2,090.0 MW/h, estimated average electricity consumption rose by 9.5 per cent over the level in the preceding quarter. The increase in electricity consumption was attributed to the improvement in power supply experienced during the review quarter (fig. 8).

Figure 8: Index of Industrial Production (1990=100)



	Qt4. 07	Qt1. 08	Qt2. 08	Qt3. 08	Qt4. 08	Qt1. 09	Qt2. 09	Qt3. 09	Qt4. 09
Manuf.	90.1	90.0	88.0	89.3	86.4	89.9	88.6	88.4	88.6
Mining	133.6	132.9	132.8	132.5	127.2	127.6	125.9	125.9	129.9
Electricity	191.3	185.6	185.6	185.6	185.6	160.4	160.4	160.4	160.4
All Sectors	118.84	118.75	119.2	120.9	119.8	115.9	114.6	115.6	118.6

4.3 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 1.96 million barrels per day (mbd) or 180.32 million barrels (mbd) during the fourth quarter of 2009, compared with 1.73 mbd or 159.16 mbd in the preceding quarter. This represented an increase of 13.3 per cent. The development was attributed to the relative peace being experienced in the Niger Delta region as a result of the Federal Government's amnesty programme.
Crude oil export was estimated at 1.51 mbd or 138.92 million barrels in the review period, compared with 1.28 mbd or 117.76 million barrels in the preceding quarter. Deliveries to the refineries for domestic consumption remained at 0.445 mbd or 40.94 million barrels in the review quarter.

At an estimated average of US$78.25 per barrel, the price of Nigeria's reference crude, the Bonny Light (37º API), rose by 11.7 per cent over the level in the preceding quarter. The average prices of other competing crudes namely, the West Texas Intermediate, the U.K Brent and the Forcados also rose by 13.7, 12.3 and 12.0 per cent to US$77.36, US$77.22 and US$78.11 per barrel, respectively. The average price of OPEC's basket of eleven crude streams also, rose by 12.0 per cent to US$75.89 over the level in the preceding quarter. The increase in price was attributed to the rising expectations from the emerging global economic recovery (fig. 9).

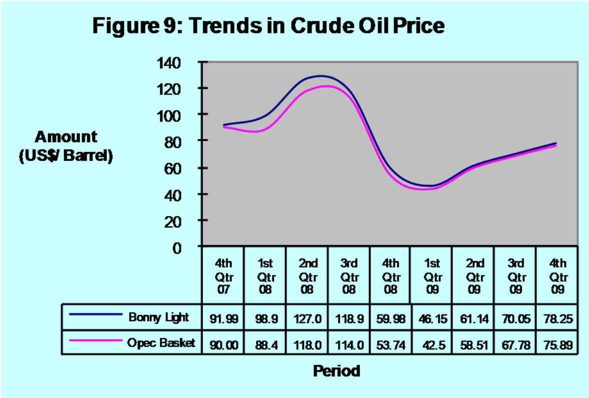


Figure 9: Trends in Crude Oil Price

	4th Qtr 07	1st Qtr 08	2nd Qtr 08	3rd Qtr 08	4th Qtr 08	1st Qtr 09	2nd Qtr 09	3rd Qtr 09	4th Qtr 09
Bonny Light	91.99	98.9	127.0	118.9	59.98	46.15	61.14	70.05	78.25
Opec Basket	90.00	88.4	118.0	114.0	53.74	42.5	58.51	67.78	75.89

4.4 Consumer Prices

Available data showed that the all-items composite Consumer Price Index (CPI) at the end of the fourth quarter of 2009, was 215.6 (May 2003=100), representing an increase of 1.5 and 11.9 per cent over the levels in the preceding quarter and the corresponding period of 2008, respectively. The development was attributed largely to the increase in the prices of food and non-alcoholic beverages.

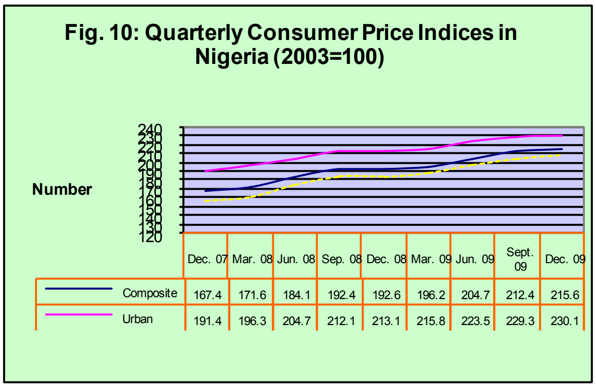


Fig. 10: Quarterly Consumer Price Indices in Nigeria (2003=100)

	Dec. 07	Mar. 08	Jun. 08	Sep. 08	Dec. 08	Mar. 09	Jun. 09	Sept. 09	Dec. 09
Composite	167.4	171.6	184.1	192.4	192.6	196.2	204.7	212.4	215.6
Urban	191.4	196.3	204.7	212.1	213.1	215.8	223.5	229.3	230.1

The urban all-items CPI at the end of the fourth quarter of 2009, was 230.1 (May 2003=100), indicating an increase of 0.3 and 7.9 per cent over the levels in the preceding quarter and the corresponding quarter of 2008, respectively. Similarly, the rural all-items CPI at the end of the quarter, at 209.4 (May 2003=100), represented an increase of 2.1 and 14.0 per cent over the levels in the preceding quarter and the corresponding period of 2008, respectively. The end-period inflation rate for the fourth quarter of 2009, on a year-on-year basis, was 12.0 per cent, compared with 10.4 and 15.1 per cent in the preceding quarter and the corresponding quarter of 2008, respectively (fig. 10).

The inflation rate on a twelve-month moving average basis for the fourth quarter of 2009, was 12.4 per cent, compared with 13.1 and 11.6 per cent recorded in the preceding quarter, 2009 and the corresponding period of 2008, respectively (fig. 11).

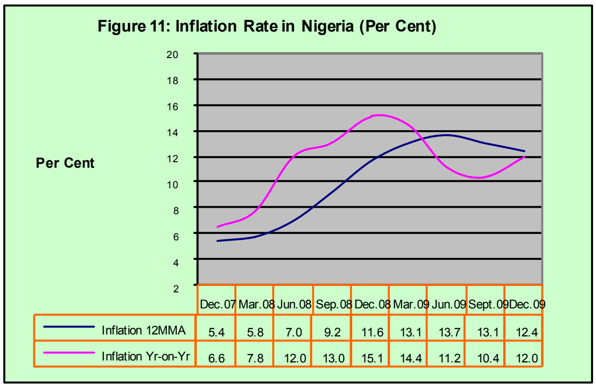


Figure 11: Inflation Rate in Nigeria (Per Cent)

	Dec.07	Mar.08	Jun.08	Sep.08	Dec.08	Mar.09	Jun.09	Sept.09	Dec.09
Inflation 12MMA	5.4	5.8	7.0	9.2	11.6	13.1	13.7	13.1	12.4
Inflation Yr-on-Yr	6.6	7.8	12.0	13.0	15.1	14.4	11.2	10.4	12.0

5.0 EXTERNAL SECTOR DEVELOPMENTS

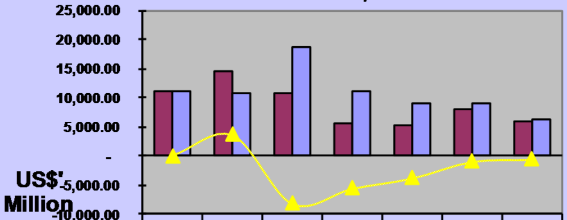
Provisional data indicated that foreign exchange inflow and outflow through the CBN in the fourth quarter of 2009 fell by 27.7 and 29.0 per cent, respectively. Similarly, total non-oil export earnings receipts by banks increased by 189.2 per cent from the level in the preceding quarter. The weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated by 0.6 per cent to =N=150.05 per dollar at the Wholesale Dutch Auction System (WDAS).

5.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in the fourth quarter of 2009 amounted to US$5.84 billion and US$6.40 billion, respectively, representing a net outflow of US$0.56 billion. Relative to the respective levels of US$8.08 billion and US$9.01 billion in the preceding quarter, inflow and outflow declined by 27.7 and 29.0 per cent, respectively. The fall in inflow was attributed to the 85.5 per cent decline in non-oil receipts, while the fall in outflow was due largely to the 35.4 per cent decline in Wholesale Dutch Auction System (WDAS) utilization during the review quarter (fig. 12).

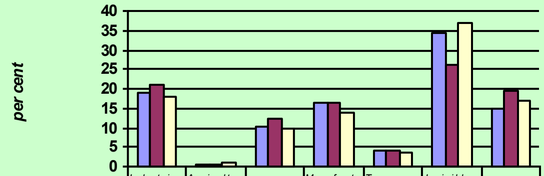
Available data on aggregate foreign exchange flows through the economy indicated that total inflow amounted to US$20.04 billion, representing an increase of 18.8 per cent over the level in the preceding quarter but a decline of 16.0 per cent from the level in the corresponding period of 2008. Oil sector receipts, which accounted for 26.6 per cent of the total, stood at US$5.33 billion, compared with the respective levels of US$4.57 billion and US$9.87 billion in the preceding quarter and corresponding period of 2008. Non-oil public sector inflows, which accounted for 2.5 per cent of the total, declined by 35.4 per cent, while autonomous inflow, which accounted for 70.9 per cent increased by 61.2 per cent.

Figure 12: Foreign Exchange Flows Through the CBN (US$' Million)



	2nd Qtr 08	3rd Qtr 08	4th Qtr 08	1st Qtr 09	2nd Qtr 09	3rd Qtr 09	4th Qtr 09
Inflow	11,082.	14,554.	10,782.	5,724.61	5,359.55	8,082.9	5,840.6
Outflow	11,176.	10,860.	18,934.	11,255.6	9,135.09	9,014.8	6,396.3
Netflow	-93.23	3,694.5	-8,152.0	-5,531.0	-3,775.5	-931.93	-555.61

Fig. 13: Sectoral Utilisation of Foreign Exchange (Percentage of Total)



	Industrial	Agricultural	Food	Manufactures	Transport	Invisibles	Min. &Oil
3rd Qtr 2009	19	0.6	10.4	16.5	4.3	34.5	14.7
4th Qtr 2009	20.8	0.5	12.4	16.5	4.3	26.2	19.3
4th Qtr 2008	18.0	0.8	10.0	13.7	3.4	37.1	17.0

At US$6.48 billion, aggregate foreign exchange outflow from the economy declined by 29.9 and 66.1 per cent from the levels in the preceding quarter and the corresponding period of 2008, respectively. The fall in outflow relative to the preceding quarter was accounted for largely by the decline in funding of the WDAS segment of the foreign exchange market during the quarter under review

5.2 Non-Oil Export Proceeds by Exporters

Total non-oil export earnings by Nigeria's exporters rose by 189.2 per cent to US$971.17 million over the level in the preceding quarter. The development was attributed largely to the increase in the prices of the goods traded at the international market. A breakdown of the proceeds in the review quarter showed that the proceeds of industrial, food products, manufactured products, transport, agricultural, and minerals stood at US$212.08 million, US$6.96 million, US$430.47 million, US$0.54 million, US$282.94 million and US$38.18 million, respectively.

The shares of industrial, food products, manufactured products, transport, agricultural, and minerals sub-sectors in non-oil export proceeds were 21.8, 0.7, 44.4, 0.1, 29.1 and 3.9 per cent, respectively, in the review quarter.

5.3 Sectoral Utilisation of Foreign Exchange

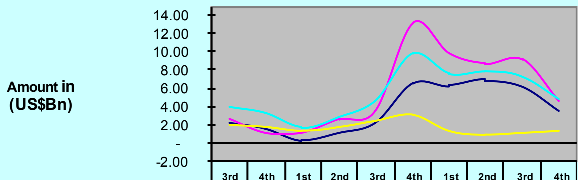
The invisibles sector accounted for the bulk (26.2 per cent) of total foreign exchange disbursed in the fourth quarter of 2009, followed by the industrial sector (20.8 per cent). Other beneficiary sectors, in a descending order of importance, included: minerals & oil (19.4 per cent), manufactured products (16.4 per cent), food (12.4 per cent), transport (4.3 per cent) and agricultural products (0.5 per cent) (Fig.13).

5.4 Foreign Exchange Market Developments

Foreign exchange demand by the authorized dealers stood at US$5.97 billion, indicating a decline of 42.0 per cent from the level in the preceding quarter. Relative to the level in the corresponding period of 2008, demand fell by 63.6 per cent. The total amount of US$4.74 billion was sold by the CBN during the period, indicating a decline of 35.7 per cent from the level in the preceding quarter (fig. 14).

Under the WDAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar appreciated by 0.6 per cent to =N=150.05 per dollar from =N=150.89 in the preceding quarter. It however depreciated by 18.7 per cent relative to the level in the corresponding period of 2008. In the bureaux-de-change segment of the market, the naira traded at an average of =N=153.16 per dollar, compared with =N=157.36 and =N=125.25 per dollar in the preceding quarter and the corresponding quarter of 2008, respectively (fig. 15). Consequently, the premium between the official and the bureaux-de-change rates narrowed from 4.3 per cent in the preceding quarter to 2.1 per cent (fig. 16).

Figure 14: Demand for and Supply of Foreign Exchange



	3rd Qtr 07	4th Qtr 07	1st Qtr 08	2nd Qtr 08	3rd Qtr 08	4th Qtr 08	1st Qtr 09	2nd Qtr 09	3rd Qtr 09	4th Qtr 09
Forex Sales at WDAS	2.11	1.60	0.24	1.08	2.19	6.58	6.26	6.90	6.23	3.41
Forex Demand at WDAS	2.72	1.05	1.06	2.57	3.47	13.25	9.83	8.74	9.19	4.64
Supply of Forex to BDC	1.93	1.77	1.40	1.67	2.44	3.14	1.32	0.93	1.12	1.33
Total Forex Supply	4.04	3.37	1.64	2.75	4.63	9.77	7.58	7.84	7.34	4.74

Figure 15: Average Exchange Rate Movements

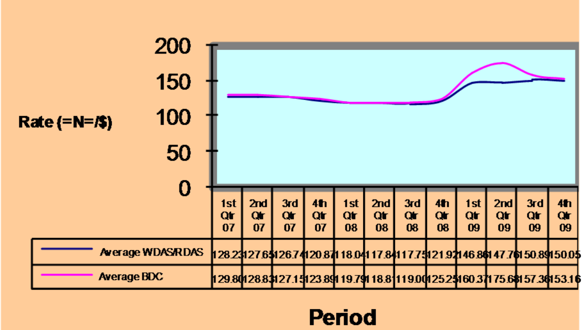
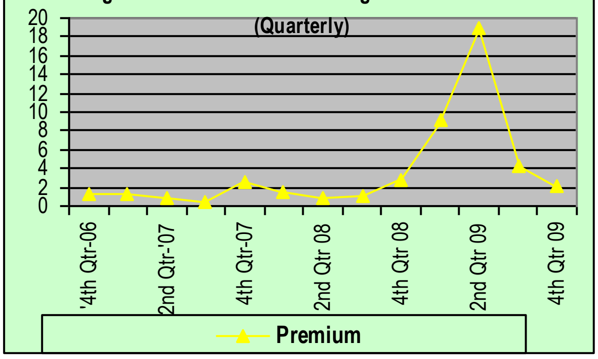


Figure 16: WDAS-BDC Exchange Rate Premium (Quarterly)



6.0 GLOBAL ECONOMIC CONDITIONS

The global output growth was projected to decline by 1.1 per cent in 2009, as against the increase in output growth of 3.0 per cent in 2008. This significant decline was due to the global financial and economic crisis. Nevertheless, the unprecedented monetary, financial and fiscal policy interventions such as, large interest rate cuts, injection of liquidity and fiscal stimulus programs helped to reduce uncertainty and increased confidence and improvement in the financial conditions of the global economy. With these interventions, the global output growth in many countries showed sign of positive recovery in the fourth quarter of 2009.

In the advanced economies, output was projected to rise by about 1.75 per cent in the fourth quarter of 2009. The United States economy grew at 2.2 per cent in the third quarter of 2009, compared with the increase of 2.5 per cent in 2008. This was as a result of restrained investment and slightly more aggressive liquidation of inventories. GDP was expected to rise by 4.8 per cent in the fourth quarter of 2009 because of a sharp moderation in inventory de-stocking and the result of the Supervisory Capital Assessment Program (SCAP) which boosted investors confidence in major financial institutions.

The Euro area economy grew by 0.4 per cent in the third quarter of 2009 and this was expected to continue in the fourth quarter. The United Kingdom edged out of recession in the fourth quarter of 2009. The 0.1 per cent increase in the economy between October and December ended six straight quarters of shrinking output. Germany's economy shrank by 5.0 per cent in 2009 as a result of the fall in the demand for its exports. The decline contrasted sharply with the growth of 1.3 and 2.5 per cent in 2008 and 2007, respectively. The fourth quarter GDP projection ranged between a decline of 0.2 and a rise of 0.2 per cent. The turnaround in 2009 was expected to be driven mainly by rising exports and a turn in the inventory cycle, with continued support from stimulus.

The Western Hemisphere region showed signs of stabilization and recovery in the fourth quarter of 2009. These economies were assisted by the improving conditions in the global financial and commodity markets and stronger policy frameworks that promoted resilience and allowed timely policy responses to support economic activity. The real GDP in the region was projected to decline by 2.5 per cent in 2009, as against the increase of 4.2 per cent in 2008. Consumption, investment, and exports fell sharply as a result of tighter external financing conditions, a deterioration in the region's external demand, and lower worker remittances.

Asia's export oriented economies were badly hit by the global downturn as a result of the drop in external demand. China, Indonesia, and India escaped a severe recession as a result of the massive policy stimulus and, in the case of India, less dependence on exports. China's GDP grew at 10.7 per cent in the fourth quarter of 2009 and there was the likelihood that the country would achieve its targeted growth of 8.0 per cent in 2009. China's growth in 2009 was largely as a result of the 4 trillion yuan stimulus package. India's GDP increased by 7.9 per cent in the fourth quarter of 2009. In Japan, GDP growth which delined to 0.7 per cent in 2008 was projected to grow at 0.3 per cent in the fourth quarter of 2009 due to the upward trend in exports and production, and with the release of the stimulus package of 7.2 trillion yen ($81 billion).

The rebound in Asia was linked to three factors: expansionary fiscal and monetary policy; a rebound in financial markets and capital flows, which eased financial constraints for smaller export enterprises and improved consumer and business confidence.

The Real GDP growth for the Middle East was projected to rise by 2 per cent in 2009, compared with the increase of 5.4 per cent in 2008. The drop in oil prices, the sharp reduction in workers' remittances and foreign direct investments had impact on the economies in the region. But, the recent improvement in global financial conditions and rise in commodity prices helped to restore the pace of economic activity. Real GDP growth of oil was projected at about 4.5 per cent in 2009, more than three times the growth rate of the oil exporters. The sharp slowdown in activity of oil exporters reflected cutbacks in oil production as a result of the efforts of OPEC to stabilize oil prices.

The global economic crisis badly affected the economy of the Commonwealth of Independent States (CIS). The CIS Real GDP growth declined by 6.7 per cent in 2009, as against the increase of 5.5 per cent in 2008. The sharp decline in Russia Real GDP growth projected at 7.5 per cent led to painful adjustments in lower-income net energy importers in the region. Since many of these economies depended on Russia for remittances and export earnings, the crisis depressed domestic demand, credit booms, and in some cases shut down access to foreign capital markets.

Real GDP growth in Africa was projected to decline from 5.2 per cent in 2008 to 1.7 per cent in 2009. This growth performance was encouraging given the severity of the external shocks. This outcome has been attributed to the governments in the region who have been able to use fiscal balances as shock absorbers, sustaining domestic demand and helping to contain employment losses.

Relative to their 2004-08 performance, oil exporters (Angola, Equatorial Guinea, Nigeria) were expected to experience the sharpest growth slowdowns in 2009, as oil revenues have fallen sharply. The GDP growth in oil importers was projected to decelerate as well, from about 5.0 per cent in 2004-08 to 1.5 per cent in 2009, as their exports declined. Real GDP in South Africa, the largest economy of the region and an oil importer, was projected to decline by 2.10 per cent in the fourth quarter of 2009. In Nigeria, provisional data from the National Bureau of Statistics showed that real GDP grew by 9.0 per cent in the fourth quarter of 2009, up from 4.50, 7.22 and 7.07 per cent in the first, second, and third quarters of 2009, respectively.

6.1 Global Inflation

In the advanced economies, inflation was projected to be close to zero in 2009. With inflation rates remaining low at 1.0 per cent, central banks in the advanced economies reduced interest rates aggressively. The U.S. Federal Reserve and the Bank of Canada are explicitly committed to maintaining low policy rates.

It is projected that in the advanced economies, the rise in economic activities should keep core inflation at 1.0 per cent in 2009, compared with 3.4 per cent in 2008. In the United States, consumer prices rose by 0.4 per cent in the third quarter of 2009. Japan's consumer prices fell to 1.7 percent in the fourth quarter of 2009 adding to signs of deflation in the economy. The outlook for inflation is also negative at 0.1 per cent for newly industrialised economies. As a result of the severe downturn in activities and sharp declines in commodity prices from their pre-crisis peaks, headline inflation was low throughout the region.

Inflation pressures in the Western Hemisphere economies eased, reflecting the continued weakness in economic activities and large output gaps. Inflation was projected to fall from about 8.0 per cent in 2008 to 6.1 per cent in 2009.

Following the significant slack in the economy of most Asian countries especially Japan, inflation was projected to remain in single digit and sometimes negative in the fourth quarter of 2009. In Emerging Asia, inflation was 7.0 per cent in 2008 and declined to 2.7 per cent in 2009. In the newly industrialized Asian economies inflation rate was 4.5 per cent in 2008 and 1.0 per cent in 2009. In China, consumer prices climbed to 1.9 per cent year-on-year in the fourth quarter of 2009.

For the entire Middle East region, inflation was projected to decline from 15.0 per cent in 2008 to 8.3 per cent in 2009.

It was projected that most countries in the CIS region would experience double digit inflation, especially Russia and Ukraine with 12.3 and 16.3 per cent inflation rates, respectively. This was as a result of significant fall in activity especially in construction sectors accompanied by currency devaluations.

Inflation in the Africa region was projected at a single digit of 9 per cent.

6.2 Global Commodity Prices

The rise in global demand and price of commodities continued in the fourth quarter. World crude oil output in the fourth quarter 2009, was estimated at 85.57 million barrels per day (mbd), while demand was estimated at 85.46 mbd, compared with 84.46 and 84.67 mbd supplied and demanded in the preceding quarter, respectively. The increase in demand was due to optimism of a global economic recovery. Price developments would partly depend on how strongly supply responds to recovering demand.

6.3 International Financial Markets

During the fourth quarter of 2009, a number of events caused price volatility in the major financial markets. These included, the request by Dubai World on November 25, 2009 for a debt repayment standstill and announcements by credit rating agencies in relation to the sovereign ratings of a number of European countries. These developments made the market to focus on sovereign creditworthiness and some sovereign Credit Default Swap (CDS). Equity prices rose by 1.0 per cent in the United Kingdom and the rest of Europe and by nearly 5.0 per cent in the United States in the fourth quarter of 2009. But the U.K equity prices remained over 20.0 per cent below pre-crisis peak.

The European Central Bank (ECB) left its main interest rate unchanged at 1.0 per cent, although this was still higher than the Federal Reserve's and the Bank of England's rates in the fourth quarter of 2009. The ECB also announced that it would begin to withdraw some of its programs that were supporting markets with liquidity.

6.4 Other International Economic Developments and Meetings

Other major international economic developments and meetings of relevance to the domestic economy during the review quarter included: the 2009 Annual Meetings of the Inter-Governmental Group of Twenty-Four (G-24) on International Monetary Affairs and Developments, the Board of Governors of the World Bank Group and the International Monetary Fund (IMF) held in Istanbul, Turkey from October 1 – 7, 2009. (see October 2009 Report).

Also, the Joint Ministerial Committee of the Board of Governors of the Bank and the Fund on the transfer of real resources to developing countries (Development Committee) met on October 5, 2009 in Istanbul. The Committee noted that the global economy was showing signs of recovery, but risks remained. They noted that in many developing countries, the impact of poverty on the most vulnerable people was rising, while hard-earned progress towards the Millennium Development Goals was in danger of being reversed. To protect the poor, they urged members to follow through on commitments to increase aid and its effectiveness. They welcomed continued progress by developing countries to improve their policy frameworks, and recognized that addressing financing constraints and investing in developing countries is critical for sustainable growth. They also acknowledged that the revival of world trade and investment will drive growth and urged members to avoid protectionist measures (see October 2009 Report).

Also, the government of Canada tripled its share at the African Development Bank with a callable capital of US$2.6 billion. The action of the Canadian government was to demonstrate its commitment to strengthen support for international financial institutions in line with the G-20 countries commitment. (see October 2009 Report).

The 12th Meeting of the Legal and Institutional Committee of the West African Monetary Zone (WAMZ) was held in Accra, Ghana from October 13 – 16, 2009. The meeting was attended by representatives of WAMZ member central banks, Ministries of Finance and that of Justice as well as staff of the West African Monetary Institute (WAMI). The meeting discussed, among other issues, the draft Memorandum of Understanding (MoU) between the WAMZ national central banks in the areas of Licensing, Supervision and Regulation of Financial Institutions and the Draft Fiscal Responsibility Act (FRA) (see October 2009 Report).

In another development, the meeting of the 26 current participants in the International Monetary Fund's New Arrangements to Borrow (NAB) with representatives of 13 potential new participants was held in Washington D.C. on November 24, 2009. At the meeting, participants agreed to expand the NAB and increase credit arrangements to US$600 billion. They also agreed to introduce more flexibility to the NAB (see November 2009 Report).

The International Monetary Fund's African Department selected Ghana as the site of its second Regional Technical Assistance Centre in West Africa (AFRITAC West 2) in November 2009. Since inception in 1993, the IMF has established a total of seven regional technical assistance centres that are located in Africa (Tanzania, Mali, and Gabon), the Pacific (Fiji), the Caribbean (Barbados), the Middle East (Lebanon), and Central America (Guatemala). (see November 2009 Report).

Also, the Board of Directors of the African Development Bank (AfDB) approved an equity investment of US$30 million to the African Infrastructure Investment Fund 2 on November 25, 2009. This is a successor Fund of the African Infrastructure Investment Fund 1 and it would be a closed-end fund with a term of 13 years. The Fund would be used to invest in infrastructure projects such as airport, road, power, telecommunications, rail, port, water and social infrastructure, primarily in Sub-Saharan Africa (see November 2009 Report).

In a related development, the Board of Directors of the AfDB approved a Line of Credit of US$30 million to the African Banking Corporation Holdings Ltd (ABCH) under AfDB's Liquidity Facility window. The proposed Line of Credit would feature a 5 year tenor and a 2-year grace period and will benefit ABCH's banking subsidiaries in Botswana, Mozambique, Tanzania and Zimbabwe and contribute towards financing the ABCH's pipeline projects totaling US$96 million (see November 2009 Report).

In another development, the 37th Ordinary Meeting of the Committee of Governors of Central Banks of ECOWAS member States was held on December 16, 2009 in Accra, Ghana. The meeting was presided over by Mr. Sanusi Lamido Sanusi, Governor of the Central Bank of Nigeria and Chairman of the Committee of Governors.
The major highlights of the meeting were:

- The Director of Research and Operations presented the Progress Report on behalf of the Director General. He indicated that the most important development was the approval of the roadmap by the ECOWAS Convergence Council for the creation of the ECOWAS single currency. The report highlighted activities during the year, including multilateral surveillance, special studies and a regional seminar on the theme "Payments Systems Development and Interconnectivity in ECOWAS". Finally, he indicated that the 2010 WAMA Work Programme focuses on the single currency roadmap.

- The Chairman of the Technical Committee presented the Convergence Report for 2008 and first half of 2009. The report indicated that in 2008 and the first half of 2009, economic performance of member States was adversely affected by external shocks, specifically food and oil price increases and the global financial crisis. Consequently, none of the member countries met all of the primary and secondary convergence criteria.

Also, the 25th Meeting of the Convergence Council of Ministers and Governors of the West African Monetary Zone (WAMZ) was held in Accra, Ghana. All the member States, the ECOWAS Commission and the West African Monetary Institute (WAMI) were represented at the meeting. The Republic of Liberia participated as observer. The meeting was presided over by Honourable Dr. Kwabena Duffuor, Minister of Finance and Economic Planning, Republic of Ghana, as Chairman of the Convergence Council. Council took the following decisions:

- Urged member States to sustain the progress made, notwithstanding the impact of the global financial crisis;
- Considered and approved that member States' medium-term frameworks be incorporated in the WAMI's assessment of member States' macroeconomic developments and prospects for meeting the convergence criteria;
- Directed WAMI to undertake a review of the convergence criteria and advise Council accordingly;
- Directed WAMI to organize a meeting of experts from ministries of finance, central banks, and regional institutions with a view to shedding light on the rationale for the choice and levels of convergence indicators;
- Considered and approved the proposal to explore the possibility of organizing the WAMZ Heads of State Summit on the sidelines of the ECOWAS Heads of State Summit;
- Urged the ministers of trade and integration as well as ministers of finance to participate in meetings and activities of the WAMZ;
- Approved and adopted the draft terms of reference for the proposed ECOWAS Standing Committee on Rules of Origin for onward transmission to ECOWAS;
- Approved and adopted the draft Fiscal Responsibility Act as a model Act for the incorporation into national laws by member States;
- Endorsed the application of the Republic of Liberia for membership into the WAMZ and authorised the Chairman of the Convergence Council to forward the request to the Chairman of the Authority of Heads of State for decision;
- Directed WAMI to collaborate with WAIFEM in developing training programmes for capacity building in the area of cross-border banking supervision;
- Urged all member States to expedite action on the ratification of the WAMZ legal instruments;
- Urged all member States to meet all outstanding financial obligations to the WAMZ programme;
- Noted the efforts of WAMI, under its strategic partnership plan to source external funding for the components of the WAMZ work programme;
- Directed that WAMI organize before the next convergence council meetings, a forum including ministers of trade, finance, integration and governors of central banks to deliberate on the trade integration imperatives sufficient for establishing the WAMZ monetary union;
- Noted the progress made in the implementation of the WAMZ payments system project; and
- Noted the Memorandum of Understanding executed between the national central banks in the areas of cross-border licensing, supervision and regulation of financial institutions.

Lastly, the African Development Bank (AfDB) and the United Bank for Africa Plc (UBA) signed two loan agreements for a total of US$150 million on December 16, 2009. The loan agreements were signed under the AfDB Emergency Liquidity Facility (ELF) and Trade Finance Initiative (TFI) designed for the rapid injection of liquidity into African markets via strong private sector partner institutions.

The TFI loan totaling US$100 million will be used by UBA to advance trade credits to corporate customers across its pan-African network, enabling it fill the gap left by the retreat of non-African institutions from the market.

This loan will also permit UBA to significantly increase its intra-African corporate banking operations and specifically promote regional trade. The ELF of US$50 million also approved by the AfDB will enable UBA to play a catalytic role in supporting corporate projects, infrastructure and SME financing across Africa.

These transactions are consistent with the AfDB’s initiatives formulated in response to the global financial crisis, its Country Strategy Paper for Nigeria as well as the Nigerian Government’s millennium development agenda. This financial assistance to UBA also fits with the AfDB's Private Sector strategy to support sound and capable financial institutions during the financial crisis.