CENTRAL BANK OF NIGERIA

ECONOMIC REPORT FOR THE MONTH OF JANUARY 2010

RESEARCH DEPARTMENT

CENTRAL BANK OF NIGERIA

MONTHLY REPORT

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

Subscription to the Monthly Report is available without charge to institutions, corporations, embassies and development agencies. Individuals, on written request, can obtain any particular issue without a charge. Please direct all inquiries on the publication to the Director of Research, Central Bank of Nigeria, P.M.B. 187, Garki, Abuja, Nigeria.

TABLE OF CONTENTS

F I G U R E S

1.0 Summary

Provisional data indicated decline in monetary aggregate in January 2010. Broad money (M_2) and narrow money (M_1) declined by 3.1 and 7.6 per cent from the levels in December 2009. The fall in M_2 was attributed to the respective decline of 1.9 and 3.3 per cent in domestic credit and foreign assets (net) of the banking system.

Available data indicated a general decline in banks' deposit and lending rates. The spread between the weighted average deposit and maximum lending rates narrowed from 12.04 percentage points in December 2009 to 11.82. The margin between the average savings deposit and maximum lending rates, also, narrowed from 20.10 percentage points in December 2009 to 19.85. The weighted average interbank call rate, which stood at 4.68 per cent in the preceding month, fell to 2.61 per cent at end-January 2010, reflecting the liquidity ease in the banking system.

The value of money market assets outstanding increased by 1.8 per cent to =N=3,402.6 billion over the level in December 2009. The rise was attributed to the 4.7 per cent increase in outstanding FGN Bonds. Activities on the Nigerian Stock Exchange were bullish as all the market indicators trended upward.

The major agricultural activities in the review month included: harvesting of tree crops and fruits; clearing of land for the 2009 cropping season; and preparation of irrigated lands for the cultivation of vegetables and wheat. In the livestock sub-sector, poultry farmers were engaged in the re-stocking of broilers and layers to replenish the stock sold off during the last festive season.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.02 million barrels per day (mbd) or 62.62 million barrels for the month, compared with 1.96 mbd or 60.76 million barrels in December 2009. Crude oil export was estimated at 1.57 mbd or 48.67 million barrels for the month, while deliveries to the refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels. The average price of Nigeria's reference crude, the Bonny Light (37^0 API), estimated at US\$79.43 per barrel, rose by 1.8 per cent over the level in the preceding month.

The inflation rate for January 2010, on a year-on-year basis, was 12.3 per cent, compared with 12.0 per cent in the preceding month. The inflation rate on a twelve-month moving average basis was, however, 12.2 per cent, compared with 12.4 per cent in the preceding month, reflecting largely the increase in the price of some staple food items, non-alcoholic beverages and miscellaneous services.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US\$2.30 billion and US\$2.20 billion, respectively, resulting in a net inflow of US\$0.10 billion in January 2010. Relative to the respective levels in the preceding month, inflow and outflow rose by 12.7 and 4.8 per cent. The increase in inflow was attributed to the rise in crude oil receipts, while the increase in outflow was due largely to the reduction in funding of the Wholesale Dutch Auction System (WDAS) segment of the foreign exchange market.

Foreign exchange sales by the Central Bank of Nigeria (CBN) to end-users through the authorized dealers stood at US\$1.89 billion, indicating an increase of 56.2 per cent over the level in the preceding month, while demand rose by 80.7 per cent to US\$2.64 billion. The weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated by 0.1 per cent to =N=149.78 per dollar at the WDAS. In the bureaux de change segment of the market, the rate, however, depreciated by 0.05 per cent to =N=153.55 per dollar.

Other major international economic developments of relevance to the domestic economy during the review month included: an update of the World Economic Outlook (WEO) released by the International Monetary Fund on January 26, 2010. The update showed that in 2010, world output is expected to rise by 4.0 per cent and represented an upward revision of 0.75 percentage point from the October 2009 World Economic Outlook update. Also, the African Development Bank (AfDB) signed a Memorandum of Understanding (MOU) for African Financing Partnership (AFP) on January 26, 2010. The AFP, which is a major pillar in the partnership strategy of AfDB is a collaborative and co-financing platform and comprising eight (8) major Development Finance Institutions (DFIs), which focused on private sector financing in Africa. The DFIs are collectively referred to as the AFP Promoting Partners. Lastly, the 2010 Annual meeting of the World Economic Forum was held in Davos-Klosters, Switzerland from January 27–31, 2010. The theme of the meeting was "Improve the State of the World: Rethink, Redesign, Rebuild". The meeting was attended by many business, government and civil society leaders.

2.0 FINANCIAL SECTOR DEVELOPMENTS

Monetary aggregates and banks' deposit and lending rates declined in January 2010. The value of money market assets increased, following largely the rise in outstanding FGN Bonds. Transactions on the Nigerian Stock Exchange (NSE) were bullish as all the major market indicators trended upward during the review period.

2.1 Monetary and Credit Developments

Provisional data indicated that monetary aggregates declined in January 2010. Broad money (M_2) and narrow money (M_1) declined by 3.1 and 7.6 per cent to =N=10,396.7 billion and =N=4,591.3 billion, respectively, in contrast to the increase of 4.8 and 5.2 per cent in December 2009. The fall in M_2 was attributed to the 1.9 and 3.3 per cent decline in net domestic credit and foreign assets (net) of the banking system (fig.1 and table 1).

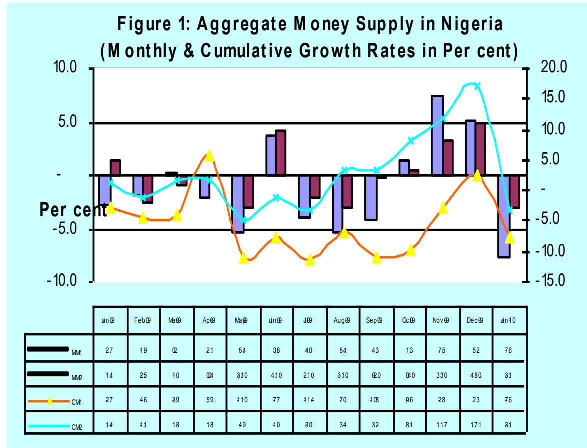
Aggregate banking system's credit (net) to the domestic economy declined by 1.9 per cent to =N=7,728.4 billion in January 2010, in contrast to the increase of 5.1 per cent in December 2009. The development was attributed largely to the 1.4 per cent fall in claims on the private sector.

At =N=2,289.6 billion, banking system's credit (net) to the Federal Government fell by 0.4 per cent, compared with the decline of 8.6 per cent in December 2009. The fall was attributed wholly to the 4.3 per cent decline in claims by the CBN, during the month.

Banking system's credit to the private sector declined by 1.4 per cent to =N=10,018.0 billion, in contrast to the increase of 1.7 per cent in December 2009. The fall in the review month, reflected largely the 10.1 per cent decline in CBN's claims on the sector (fig 2).

At =N=7,296.1 billion, foreign assets (net) of the banking system fell by 3.3 per cent, in contrast to the increase of 1.0 per cent in December 2009. The development was attributed largely to the 2.7 per cent fall in CBN's holding.

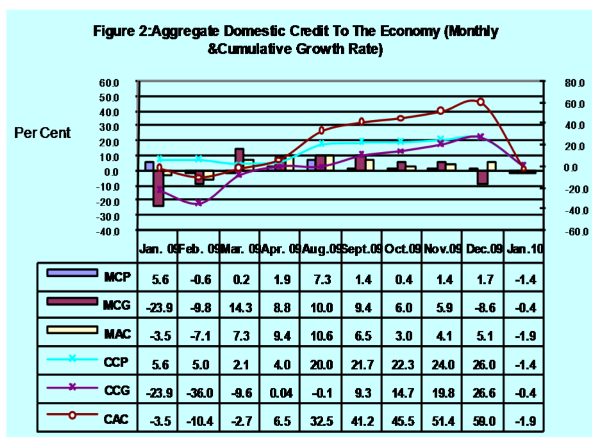
Quasi money rose by 0.7 per cent to =N=5,805.5 billion, compared with the increase of 4.5 per cent in December 2009. The development was attributed to the rise in all the components namely, time, savings and foreign currency deposits of the DMBs during the period.



Other assets (net) of the banking system, however, fell by 1.4 per cent, compared with the decline of 0.9 per cent in December 2009. The fall reflected largely the decline in unclassified assets of both the CBN and the DMBs during the review month.

2.2 Currency-in-circulation and Deposits at the CBN

At =N=1,072.1 billion, currency in circulation declined by 9.5 per cent in January 2010 from the level in December, 2009. The fall was traceable largely to the 11.4 per cent contraction in currency outside banks during the month.



	Jan. 09	Feb. 09	Mar. 09	Apr. 09	Aug.09	Sept.09	Oct.09	Nov.09	Dec.09	Jan.10
MCP	5.6	-0.6	0.2	1.9	7.3	1.4	0.4	1.4	1.7	-1.4
MCG	-23.9	-9.8	14.3	8.8	10.0	9.4	6.0	5.9	-8.6	-0.4
MAC	-3.5	-7.1	7.3	9.4	10.6	6.5	3.0	4.1	5.1	-1.9
CCP	5.6	5.0	2.1	4.0	20.0	21.7	22.3	24.0	26.0	-1.4
CCG	-23.9	-36.0	-9.6	0.04	-0.1	9.3	14.7	19.8	26.6	-0.4
CAC	-3.5	-10.4	-2.7	6.5	32.5	41.2	45.5	51.4	59.0	-1.9

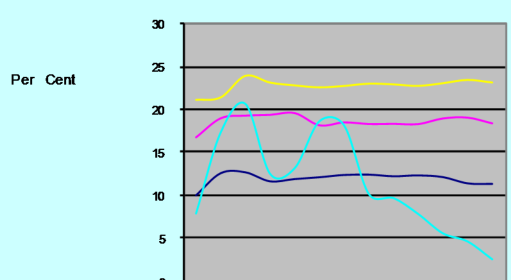
Total deposits at the CBN amounted to =N=5,020.0 billion, indicating a decline of 1.7 per cent from the level in December 2009. The development was attributed largely to the 32.0 per cent fall in private sector deposits. The shares of the Federal Government, banks and "others" in total deposits at the CBN were 79.6, 11.6 and 8.8 per cent, respectively, compared with the shares of 77.8, 9.5 and 12.7 per cent, in December 2009.

2.3 Interest Rate Developments

Available data indicated a general decline in banks' deposit and lending rates in January 2010. With the exception of the 7-day and 12-month savings deposit rates, which rose by 15 and 38 basis points to 6.03 and 13.10 per cent, the average savings rate declined by 3 basis points to 3.33 per cent. Other rates on deposits of various maturities also declined from a range of 11.76–12.75 per cent in December 2009 to 11.52–13.10 per cent. Also, the average prime and maximum lending rates declined by 65 and 28 basis points to 18.38 and 23.18 per cent, respectively. Consequently, the spread between the weighted average term deposit and maximum lending rates, narrowed from 12.04 percentage points in the preceding month to 11.82 percentage points. The margin between the average savings deposit and maximum lending rates, also, narrowed from 20.10 percentage points in December 2009 to 19.85 percentage points. With a headline inflation rate of 12.3 per cent at end-January 2010, all deposit rates, with the exception of 6-, 12- and over 12-months deposit rates, were negative in real terms.

The weighted average inter-bank call rate, which was 4.68 per cent in the preceding month, fell to 2.61 per cent at end-January 2010, reflecting the liquidity ease in the banking system. At the tenored segments (7- and 30 days), rates were lower at the upper and lower bands relative to the previous month. At the open –buy- back (OBB) segment, weighted average rate declined by 100 basis points to 2.59 per cent from 3.59 per cent in the preceding month. The weighted average rate at the 7-day segment of the Nigeria Inter-Bank Offered Rate (NIBOR) declined by 163 basis points to close at 6.35 per cent in the review month. Similarly, at the 30-day segment, the weighted average rate fell by 109 basis points to close at 12.36 per cent from 13.45 per cent in the preceding month.

Figure 3: Selected Bank Interest Rates (Per Cent, Monthly Average)



	Jan.09	Feb.09	Mar.09	Apr.09	May.09	Jun-09	Jul-09	Aug.09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10
Average Term Deposit Rates	10.06	12.57	12.67	11.65	11.91	12.1	12.37	12.41	12.22	12.32	12.13	11.42	11.36
Prime	16.81	18.95	19.25	19.34	19.53	18.16	18.49	18.31	18.33	18.3	18.93	19.03	18.38
Maximum	21.27	21.54	23.91	23.17	22.86	22.64	22.8	23.05	22.97	22.81	23.1	23.46	23.18
Inter-bank	7.91	17.3	20.6	12.51	13.17	18.6	18.1	10.17	9.7	7.86	5.62	4.68	2.61

2.4 Money Market Developments

Activities at the money market remained relatively stable, as the effects of the measures taken by the Bank continued to impact on the banking system. The liquidity surfeit in the banking system persisted due to the cautious stance of deposit money banks in their lending policies, among other factors. However, the Bank's policy of inflating the economy was sustained and direct OMO auction was not conducted during the month. Moreover, no deal was done at the two-way quote trading platform as rates quoted by counterparties were unattractive.

There was also no request for repurchase transaction. Deposit money banks patronised the CBN's window for the standing lending and deposit facilities in order to meet their overnight liquidity requirements. The Bank's unlimited guarantee of inter-bank obligations and Pension Funds Administrators' placements with banks engendered a more vibrant and robust inter-bank activity and helped to sustain rates at low levels. Market players' participation at the primary auction of Nigerian Treasury Bills and re-opening of FGN Bonds remained impressive, reflecting confidence in Federal Government securities.

Provisional data indicated that the value of money market assets outstanding as at end–January 2010 was =N=3, 402.6 billion, representing an increase of 1.8 per cent, over the level at end-December 2009. The increase during the review period was attributed to the 4.7 per cent increase in FGN Bonds.

At the primary market, Nigerian Treasury Bills of 91-, 182- and 364-day tenors worth =N=149.84 billion were offered and allotted in January 2010. Total public subscription was N384.30 billion. The bid rates ranged from 2.75 to 5.5499 per cent for the 91-day, 4.20 to 7.2175 per cent for the 182-day and 4.50 to 8.15 per cent for the 364-day tenor. Allotment was =N=28.59 billion at 2.75 to 3.9998 per cent for the 91-day, =N=75.40 billion at 4.20 to 5.2490 per cent for the 182-day and =N=45.85 billion at 4.50 to 5.35 per cent for the 364-day tenor. Patronage at the primary market remained impressive as market players sought to shore up their holdings of tradable government securities. Meanwhile, the sum of =N=100.00 billion was repaid on matured NTBs.

In another development, Federal Government of Nigeria (FGN) Bonds of 3-, 10 and 20- year tranches were reopened during the review month.

Amounts offered were =N=20.00 billion for the 3-year, =N=25.00 billion for the 10-year and =N=30.00 billion for the 20-year FGN Bonds. The bid rates ranged from 5.15 to 9.00 per cent, 6.35 to 10.50 per cent and 6.50 to 12.00 per cent for the 3-, 10- and 20-year tranches, respectively. Allotment was =N=38.50 billion at 9.00 per cent for the 3-year, =N=25.00 billion at 10.50 per cent for the 10-year and =N=30.00 billion at 12.00 per cent for the 20-year FGN Bonds. The extra =N=18.50 billion issued at the 3-year segment was for non-competitive bidders. There was no auction of the FGN Bonds in December 2009. FGN Bonds continued to enjoy higher patronage from market players due to their more attractive yield and hedge against interest rate risk, among other factors.

2.5 Deposit Money Banks' Activities

Available data indicated that total assets/liabilities of the DMBs amounted to =N=17,360.5 billion, representing a decline of 0.9 per cent from the level at end-December 2009. Funds, sourced mainly from the accumulation of unclassified liabilities and assets, were used largely to increase capital and purchase of Federal Government securities.

At =N=11,156.8 billion, credit to the domestic economy rose by 0.5 per cent over the level in December 2009. The breakdown showed that credit to government rose by 10.4 per cent over the level in the preceding month, while credit to the core private sector declined by 0.9 per cent from the level in December 2009.

Central Bank's credit to the DMBs rose by 3.9 per cent to =N=425.1 billion in January 2010, reflecting the increase in CBN overdrafts to banks.

Total specified liquid assets of the DMBs was =N=2,878.5 billion, representing 28.9 per cent of their total current liabilities. This level of assets was 2.5 percentage points above the preceding month's level, and 3.9 per cent above the stipulated minimum ratio of 25.0 per cent for fiscal 2010. The loan-to-deposit ratio rose by 0.4 per cent to 84.7 per cent, which exceeded the stipulated maximum target of 80.0 per cent by 4.7 percentage points.

2.6 Discount Houses Activities

Total assets/liabilities of the discount houses stood at =N=367.9 billion at end-January 2010, indicating an increase of 18.9 per cent over the level in December 2009. The rise in assets was attributed largely to the 772.5 and 488.4 per cent increase in "cash and balances with banks" and "claims on others", respectively, while the increase in total liabilities was attributed largely to the increase in "borrowings" and "other amount owing".

Discount houses' investments in Federal Government securities of less than 91 days maturity amounted to =N=49.8 billion, representing 16.7 per cent of their total deposit liabilities. At this level, discount houses' investments in Federal Government securities declined by 25.9 per cent from the level in the preceding month, and fell by 34.1 percentage points below the stipulated minimum of 60.0 per cent for fiscal 2010.

Total borrowings by the discount houses was =N=74.6 billion, while their capital and reserves amounted to =N=41.6 billion, resulting in a gearing ratio of 1.8:1, compared with the stipulated maximum target of 50:1 for fiscal 2010.

2.7 Capital Market Developments

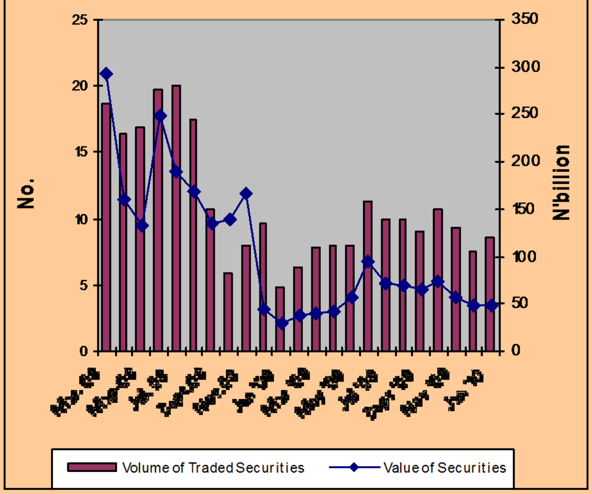
Available data indicated that activities on the Nigerian Stock Exchange (NSE) in January were bullish as all the major market indicators trended upward. The volume and value of traded securities rose by 14.0 and 2.0 per cent to 8.6 billion shares and =N=48.7 billion, respectively, in 302,901 deals, compared with 7.6 billion shares and =N=47.6 billion in December 2009. The banking sub-sector was the most active on the Exchange with a traded volume of 4.5 billion shares valued at =N=32.61 billion in 70,354 deals. There were no transactions on the Federal Government and industrial loans/preference stocks.

Analysis of transactions on the over-the-counter (OTC) bond segment of the market indicated a turnover of 1.2 billion units worth =N=1.3 billion in the review month, compared with 732.1 billion units valued at =N=830.8 billion in December 2009. The most active bond was the 6th FGN Bond 2009 series 3 with a traded volume of 128.2 million units valued at =N=168.7 billion.

In the new issues market, there were two (2) supplementary issues, involving 2,028,347,543 shares (Rights Issue) of Cadbury Nigeria Plc and 348,027,267 shares (Debt-Equity Conversion) of Custodian & Allied Insurance Plc during the review month.

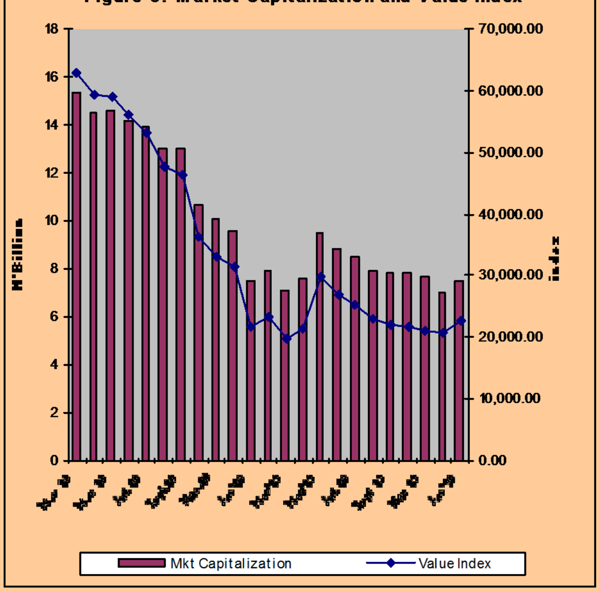
The Nigerian Stock Exchange All-Share Index (ASI), increased by 8.5 per cent to 22,827.17 (1984 = 100), in contrast to the fall of 0.9 per cent in December 2009. Also, the NSE-30 Index rose by 7.6 per cent to 891.25. Similarly, the NSE Banking Index increased by 10.3 per cent to close at 374.27 and the NSE Oil/Gas Index rose by 3.6 per cent to 298.31. Furthermore, the NSE Food/Beverage Index rose by 13.2 per cent to close at 596.22, while the NSE Insurance Index fell by 10.4 per cent to close at 223.19.

Figure 4: Volume and Value of Traded Securities



The market capitalization of the 266 listed securities closed at N7.5 trillion, indicating an increase of 6.5 per cent over the level in December 2009. The rise in market capitalization was attributed to the increase in the prices of equities. The 216 listed equities accounted for =N=5.4 trillion or 72.0 per cent of the total market capitalization, showing a rise of 8.0 per cent over the =N=5.0 trillion recorded in the preceding month.

Figure 5: Market Capitalization and Value Index



9.0 DOMESTIC ECONOMIC CONDITIONS

The major agricultural activities during the month of January 2010 were harvesting of tree crops, fruits and preparation of irrigated lands for the cultivation of vegetables and wheat as well as clearing of land for the 2010 cropping season. In the livestock sub-sector, poultry farmers were engaged in re-stocking of broilers and layers to replenish the stock sold off during the last festive season. Crude oil production was estimated at 2.02 million barrels per day (mbd) or 62.62 million barrels during the month. The end-period inflation rate for January 2010, on a year-on-year basis was 12.3 per cent, compared with 12.0 per cent recorded in the preceding month. The inflation rate on a 12-month moving average basis was 12.2 per cent, compared with 12.4 per cent in December 2009.

3.1 Agricultural Sector

Agricultural activities during the month of January 2010 in the Southern States consisted of harvesting of tree crops and fruits as well as the clearing of land for the cropping season, while in the Northern States, farmers were engaged in the preparation of irrigated lands for the cultivation of vegetables and wheat. In the livestock sub-sector, poultry farmers were engaged in the re-stocking of broilers and layers to replenish the stock sold off during the last festive season.

A total of =N=1,248.21 million was guaranteed to 990 farmers under the Agricultural Credit Guarantee Scheme (ACGS) during the month. This represented a decline of 77.2 per cent from the level in the preceding month but an increase of 73.6 per cent over the level in the corresponding month of 2009. A sub-sectoral analysis of the loans guaranteed indicated that the food crops sub-sector had the largest share of =N=814.34 million or 65.2 per cent guaranteed to 632 beneficiaries, while the livestock sub-sector received =N=234.76 million or 18.8 per cent guaranteed to 282 beneficiaries. Also, the fisheries sub-sector received =N=141.69 million or 11.4 per cent guaranteed to 71 beneficiaries. The cash crops sub-sector had =N=44.28 million or 3.5 per cent guaranteed to 4 beneficiaries, while “others” received =N=9.76 million or 0.8 per cent granted to 1 beneficiary. The mixed crop sub-sector got =N=3.37 million or 0.3 per cent during the review month.

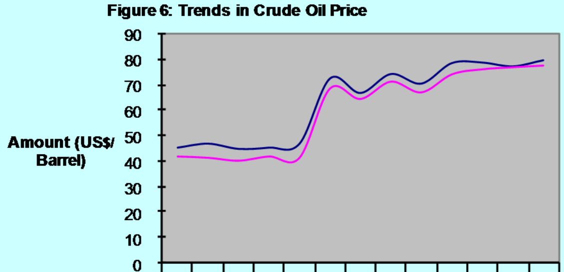
Analysis by state showed that 15 states benefited from the scheme, with the highest and lowest sums of =N=49.12 million (20.8 per cent) and =N=0.02 million (0.01 per cent) guaranteed to Imo and Ebonyi states, respectively.

Retail price survey of most staples by the CBN showed that the prices of major staples recorded increases in January 2010. Eleven of the fourteen commodities monitored, recorded price increase ranging from 1.3 per cent for palm oil to 21.8 per cent for millet, over their levels in the preceding month, while the prices of brown beans, local rice and groundnut oil fell by 7.0, 8.7 and 11.1 per cent, respectively. Relative to their levels in the corresponding month of 2009, eleven of the commodities recorded price increase ranging from 3.4 per cent for groundnut oil to 46.7 per cent for yam flour, while the prices of vegetable oil, local rice and white maize fell by 3.1, 2.5 and 88.0 per cent, respectively.

3.2 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.02 million barrels per day (mbd) or 62.62 million barrels for the month, compared with 1.96 million barrels per day (mbd) or 60.76 million barrels in the preceding month. Similarly, crude oil export was estimated at 1.57 mbd or 48.67 million barrels in the month, compared with 1.51 million barrels per day (mbd) or 46.81 million barrels in the preceding month, while deliveries to the refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels for the month.

Figure 6: Trends in Crude Oil Price



	Jan.09	Feb.09	Mar.08	Apr.09	May.09	Jun.09	Jul.09	Aug.09	Sep.09	Oct09	Nov.09	Dec.09	Jan.10
Bonny Light	44.95	46.52	44.46	44.95	46.52	72.24	66.52	74.00	70.22	78.3	78.50	77.03	79.43
Opec Basket	41.85	41.34	40.19	41.85	41.34	68.72	64.59	71.42	67.2	74.3	76.3	77.11	77.78

Period

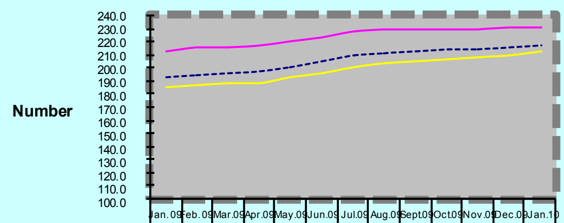
At an estimated average of US$79.43 per barrel, the price of Nigeria's reference crude, the Bonny Light (37º API), rose by 1.8 per cent over the level in December 2009. The average prices of other competing crudes namely, the West Texas Intermediate, U.K Brent and Forcados rose by 6.0, 1.4 and 1.1 per cent to US$79.95, US$78.10 and US$78.80 per barrel, respectively.

The average price of OPEC's basket of eleven crude streams rose by 0.9 per cent to US$77.78 over the level in December 2009. The rise in price was attributed to the positive global economic outlook and colder weather in the Northern Hemisphere which triggered a surge in speculative activity during the review month.

3.3 Consumer Prices

Available data showed that the all-items composite Consumer Price Index (CPI) in January 2010 was 217.5 (May 2003=100), representing an increase of 0.9 per cent over the level in the preceding month. The development was attributed to the increase in the price of some staple food items, non-alcoholic beverages and miscellaneous services.

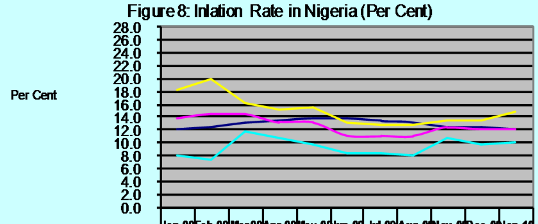
Figure 7: Monthly Consumer Price Indices in Nigeria (2003=100)



	Jan.09	Feb.09	Mar.09	Apr.09	May.09	Jun.09	Jul.09	Aug.09	Sept09	Oct09	Nov.09	Dec.09	Jan.10
Composite	193.6	195.1	196.2	197.4	201.0	204.7	209.0	211.3	212.4	213.4	214.8	215.6	217.5
Urban	213.3	215.0	215.8	216.8	219.9	223.5	227.2	228.9	229.3	229.3	229.8	230.1	230.3
Rural	185.1	186.5	187.8	189.0	192.9	196.6	201.1	203.7	205.1	206.5	208.3	209.4	211.9

The urban all-items CPI at end-January 2010 was 230.3 (May 2003=100), indicating a marginal increase of 0.1 per cent over the level in the preceding month. The rural all-items CPI for the month was 211.9 (May 2003=100), and representing an increase of 1.2 per cent over the level in the preceding month. The end-period inflation rate for January 2010, on a year-on-year basis, was 12.3 per cent, compared with 12.0 per cent in the preceding month. The inflation rate on a twelve-month moving average basis for January 2010, was 12.2 per cent, compared with 12.4 per cent in December 2009.

Figure 8: Inlation Rate in Nigeria (Per Cent)



	Jan.09	Feb.09	Mar.09	Apr.09	May.09	Jun.09	Jul.09	Aug.09	Nov.09	Dec.09	Jan.10
Inlation 12-MMA	12.0	12.6	13.1	13.5	13.8	13.7	13.4	13.3	12.6	12.4	12.2
Inflation Yr-on-Yr	14.0	14.6	14.4	13.3	13.2	11.2	11.1	11.0	12.4	12.0	12.3
Food Inflation	18.4	20.0	16.2	15.3	15.7	13.1	12.9	12.7	13.5	13.6	14.7
Core Inflation	8.0	7.2	11.8	10.9	9.9	8.5	8.3	8.0	10.7	9.7	10.1

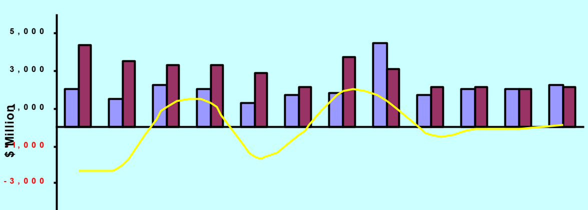
4.0 EXTERNAL SECTOR DEVELOPMENTS

Provisional data indicated that foreign exchange inflow and outflow through the CBN in January 2010 rose by 12.8 and 4.8 per cent, respectively. The weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated by 0.1 per cent to =N=149.78 per dollar at the Wholesale Dutch Auction System (WDAS).

4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in January 2010 were US$2.30 billion and US$2.20 billion, respectively, representing a net inflow of US$0.10 billion. Relative to the respective levels of US$2.04 billion and US$2.10 billion in the preceding month, inflow and outflow rose by 12.7 and 4.8 per cent. The rise in inflow was attributed to the increase in crude oil receipts, while the increase in outflow was due largely to the increased funding of the WDAS segment of the foreign exchange market.
Provisional data on aggregate foreign exchange flows

Figure 9: Foreign Exchange Flows Through the CBN ($'Million)



	Jan. 09	Feb. 09	Mar. 09	May. 09	Jun. 09	Jul 09	Aug. 09	Sep. 09	Oct. 09	Nov. 09	Dec. 09	Jan. 10
Inflow	2,015.49	1,503.19	2240.66	2038.91	1296.27	1690.36	1879.48	4513.12	1701.76	2078.77	2040.7	2302.51
Outflow	4,397.69	3,531.09	3308.19	3356.94	2896.97	2111.26	3797.02	3106.61	2161.51	2138.82	2096.17	2197.05
Netflow	-2,382.2	-2,027.9	1067.53	1318.03	-1600.9	-420.9	1917.54	1406.51	-459.55	-60.05	-55.47	105.46

Months

through the economy indicated that total inflow was US$6.28 billion, representing a decline of 2.1 and 11.5 per cent from the levels in the preceding month and the corresponding month of 2008, respectively. Oil sector receipts, which accounted for 31.8 per cent of the total, stood at US$2.00 billion, compared with US$1.77 billion in the preceding month. Non-oil public sector inflow rose by 15.0 per cent and accounted for 4.9 per cent of the total, while autonomous inflow fell by 9.0 per cent and accounted for 63.3 per cent of the total.

At US$2.23 billion, aggregate foreign exchange outflow from the economy rose by 5.9 per cent over the level in the preceding month.

The increase in outflow was attributed largely to the 56.8 per cent rise in funding of the WDAS utilization during the period.

4.2 Non-Oil Export Earnings by Exporters

Total non-oil export earnings received by banks declined by 68.3 per cent from the level in the preceding month to US$157.82 million. The development was attributed largely to the decline in the prices of the goods traded at the international market. A breakdown of the proceeds in the review month showed that proceeds of manufactured products, industrial, minerals, agricultural, food products and transport sub-sectors stood at US$64.27 million, US$63.52 million, US$14.47 million, US$12.57 million, US$2.83 million and US$0.16 million, respectively.

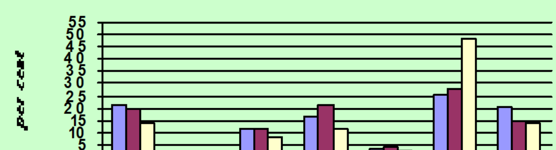
The shares of manufactured products, industrial, minerals, agricultural, food products and transport sub-sectors in non-oil export proceeds were 40.7, 40.2, 9.2, 8.0, 1.8 and 0.1 per cent, respectively, in the review month.

4.3 Sectoral Utilisation of Foreign Exchange

The invisibles accounted for 27.6 per cent of total foreign exchange disbursed in January 2010, followed by manufactured products (21.7 per cent). Other beneficiary sectors, in a descending order of importance included; industrial sector (19.5 per cent), Minerals and oil (14.8 per cent), food (11.8 per cent), transport sector (4.1 per cent) and agricultural sector (0.5 per cent) (Fig.10).

4.4 Foreign Exchange Market Developments

Fig. 10: Sectoral Utilisation of Foreign Exchange
(Percentage of Total)

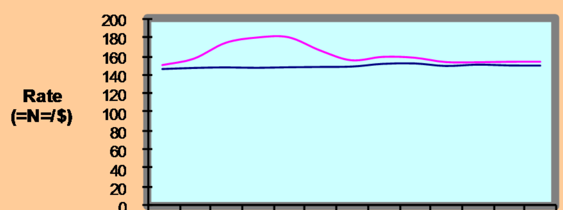


	Industrial	Agricultural	Food	Manufactures	Transport	Invisibles	Min. & Oil
Dec-09	21.2	0.9	11.5	16.8	3.6	25.7	20.3
Jan-10	19.4	0.5	11.8	21.7	4.1	27.6	14.8
Jan-09	14.1	1.3	7.9	11.7	2.7	48.6	13.7

Aggregate demand for foreign exchange by authorized dealers under the Wholesale Dutch Auction System (WDAS) was US$2.64 billion in January 2010, indicating an increase of 80.7 per cent over the level in the preceding month, but a decline of 62.4 per cent from the level in the corresponding month of 2008.

Consequently, at US$1.89 billion, the amount of foreign exchange sold by the CBN to authorized dealers rose by 56.2 per cent over the level in the preceding month. Under the WDAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar appreciated by 0.1 per cent to =N=149.78 per dollar. In the bureaux-de-change segment of the market, the average rate, however, depreciated by 0.05 per cent to =N=153.55 per dollar. Consequently, the premium between the official and bureaux de change rates widened from 2.4 per cent in the preceding month to 2.5 per cent.

Figure 11: Average **Exchange Rate Movements**



	Jan. 09	Feb 09	Mar 08	Apr. 09	May. 09	Jun.09	Jul.09	Aug09	Sep.09	Oct. 09	Nov. 09	Dec. 09	Jan. 10
Average WDAS	145.78	147.08	147.72	147.23	147.84	148.2	148.59	151.79	152.3	149.36	150.85	149.95	149.78
Average BDC	149.88	156.93	174.32	180.27	180.63	166.14	155.13	158.95	158.00	153.16	152.95	153.48	153.55

5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output in January 2010 was estimated at 86.54 million barrels per day (mbd), while demand was estimated at 86.00 mbd, representing an excess supply of 0.54 mbd, compared with 85.04 and 85.28 mbd supplied and demanded, respectively, in the preceding month.

Other major international economic developments of relevance to the domestic economy during the month included: an update of the World Economic Outlook released by the International Monetary Fund on January 26, 2010 which showed that in 2010, world output is expected to rise by 4.0 per cent. This represented an upward revision of 0.75 percentage points from the October 2009 World Economic Outlook update. In most advanced economies, the recovery is expected to remain sluggish, whereas in many emerging and developing economies, economic activity is expected to be strong, reflecting largely the buoyant internal demand. The global economic rebound was attributable to the extraordinary amount of policy stimulus. Monetary policy has been highly expansionary, with interest rates down to record lows in most advanced and many emerging economies. Fiscal policy also provided major stimulus in response to the deep downturn.

Output in the advanced economies is now expected to expand by 2.0 per cent in 2010, following the contraction of output in 2009. In 2011, growth is projected to edge up further to 2.5 per cent. In spite of the revision, the recovery in advanced economies was still expected to be weak, with real output remaining below its pre-crisis level until late 2011. Moreover, high unemployment rates and public debt, as well as not-fully-healed financial systems, and in some countries, weak household balance sheets are presenting further challenges to the recovery in these economies.

Growth in emerging and developing economies was expected to rise to 6.0 per cent in 2010, following a modest 2.0 per cent growth recorded in 2009. The new projection reflected an upward revision of almost 1.0 percentage point. In 2011, output is projected to accelerate further. Stronger economic frameworks and swift policy responses have helped many emerging economies to cushion the impact of the unprecedented external shocks.

Within both groups, growth performance was expected to vary considerably across countries and regions, reflecting different initial conditions, external shocks and policy responses. For instance, key emerging economies in Asia were leading the global recovery. A few advanced European economies, a number of economies in Central and Eastern Europe and the Commonwealth of Independent States (CIS) were lagging behind. The rebound of commodity prices helped to support growth of commodity producers in all regions. Many developing countries in sub-Saharan Africa that experienced only a mild slowdown in 2009 were well placed to recover in 2010. Growth paths were also diverse for advanced economies.

In another development, the African Development Bank (AfDB) signed a Memorandum of Understanding (MOU) for African Financing Partnership (AFP) on January 26, 2010. The AFP, which was a major pillar in the partnership strategy of AfDB was a collaborative and co-financing platform comprising eight (8) major Development Finance Institutions (DFIs), which focused on private sector financing in Africa. It included the AfDB, Development Bank of Southern Africa (DBSA), European Investment Bank (EIB), Development Bank of the Netherlands, Industrial Development of Southern Africa Ltd and International Finance Corporation (IFC).

In 2009, DFIs worked collaboration in Africa and jointly financed over US$1.0 billion in projects under a partnership model. In 2010, the target for collaborative co-financing was manifold, including financing projects in sectors such as infrastructure, power, renewable energy and agriculture.

The partnership targets financing of large-scale projects in infrastructure and industrial sectors which would lead to economic growth and job creation. In 2009, these DFIs collaboratively financed projects such as the Enfidha Airport in Tunisia, Main One Cable in Nigeria, Helios Towers in Nigeria and private equity funds. The AFP finances mainly commercially viable private sector projects with substantial development outcomes.

The AFP Secretariat is hosted by the AfDB and was supported by the Canadian International Development Agency (CIDA).

Lastly, the 2010 Annual meeting of the World Economic Forum was held in Davos-Klosters, Switzerland from January 27 – 31, 2010. The theme of the meeting was "Improve the State of the World: Rethink, Redesign, Rebuild". The meeting was attended by many business, government and civil society leaders.

The following were the major highlights of the meeting:

- Top financial regulators warned that they could take drastic action to take some of the risk out of the financial industry;
- Some of the world's top bankers indicated that they might be prepared to pay a global financial insurance levy, so that the next bank bail-out would be financed by the industry, not by taxpayers;
- There were fears among most Chief Executives - from developed and emerging economies that politicians could give in to populism and approve protectionist measures;
- There was agreement that job creation and free trade had to be key ingredients of any economic recovery;
- Microsoft co-founder Bill Gates and his wife Melinda made the most spectacular announcement, pledging $10bn over the next 10 years to help research, develop and deliver vaccines for the world's poorest countries.
- Many business leaders also made detailed promises on how they or their companies would help Haiti to cope in the aftermath of the earthquake.