CENTRAL BANK OF NIGERIA

ECONOMIC REPORT FOR THE MONTH OF OCTOBER 2009

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.

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1.0 Summary

Provisional data indicated increase in monetary aggregates in October 2009. Broad money (M_2) and narrow money (M_1) rose by 4.8 and 1.3 per cent over their levels in September 2009, respectively. The expansion in M_2 was attributed to the increase in foreign assets (net) and banking system's credit (net) to the domestic economy.

Available data indicated mixed developments in banks' deposit and lending rates. The margin between the average savings deposit and maximum lending rates narrowed from 20.10 percentage points in September to 20.0. The spread between the weighted average term deposit and maximum lending rates, also, narrowed from 10.75 percentage points in the preceding month to 10.49. Similarly, the weighted average inter-bank call rate, which stood at 9.70 per cent in the preceding month, declined to 7.86 per cent at end-October 2009, reflecting the liquidity condition in the banking system.

The value of money market assets outstanding grew by 1.5 per cent to =N=3,253.7 billion over the level in the preceding month. The development was attributed largely to the 3.1 per cent increase in FGN Bonds. Activities on the Nigerian Stock Exchange were mixed as some of the major market indicators trended upward, while others declined in the review month.

The major agricultural activities in October 2009, included the harvesting of various root and legume crops like yams, irish and sweet potatoes, ground nuts as well as preparation of land and nurseries for tomatoes, pepper, carrots and other vegetables. Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 1.94 million barrels per day (mbd) or 60.14 million barrels for the month, same as in the preceding month. Crude oil export was estimated at 1.49 mbd or 46.19 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$78.25 per barrel, increased by 11.4 per cent over the level in the preceding month.

The inflation rate for October 2009, on a year-on-year basis, was 11.6 per cent, compared with 10.4 per cent in the preceding month. The inflation rate on a twelve-month moving average basis was, however, 12.8 per cent, compared with 13.1 per cent in the preceding month.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US$1.70 billion and US$2.16 billion, respectively, resulting in a net outflow of US$0.46 billion in October 2009. Relative to the respective levels in the preceding month, inflow and outflow fell by 62.3 and 30.4 per cent, respectively. The fall in inflow was attributed largely to the decline in crude oil receipts, while the decline in outflow was due largely to the respective fall in Wholesale Dutch Auction System (WDAS) utilization and other official payments.

Foreign exchange sales by the Central Bank of Nigeria (CBN) to end-users through the authorized dealers stood at US$1.68 billion, indicating a decline of 45.3 per cent from the level in the preceding month, while demand fell by 43.5 per cent to US$2.31 billion. The weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated by 2.0 per cent to =N=149.36 per dollar at the WDAS. In the Bureau-de-change segment of the market, the rate also, depreciated by 3.2 per cent to =N=153.16 per dollar.

Other major international economic developments of relevance to the domestic economy during the review month 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) were held in Istanbul, Turkey from October 1 – 7, 2009.

In another development, the government of Canada has 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.

Also, 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).

2.0 FINANCIAL SECTOR DEVELOPMENTS

Monetary aggregates increased in October 2009, while banks' deposit and lending rates indicated mixed developments. The value of money market assets increased, largely on account of the rise in Commercial Papers (CPs) and Bankers Acceptances (BAs). Transactions on the Nigerian Stock Exchange (NSE) were bearish as all the major market indicators trended downward during the review

2.1 Monetary and Credit Developments

Provisional data indicated that monetary aggregates increased at end-October 2009. Broad money (M_2) rose by 4.8 per cent to =N=9,911.6 billion, in contrast to the decline of 0.2 per cent in September 2009. Similarly, narrow money (M_1) increased by 1.3 per cent to =N=4,390.6 billion, as against the decline of 4.0 per cent in the preceding month. The rise in M_2 reflected the 5.4 per cent increase in foreign assets (net), reinforced by the 3.0 per cent increase in banking system credit (net) to the domestic economy (fig.1 and table 1). In the first ten months of the year, M_2 grew by 8.1 per cent.

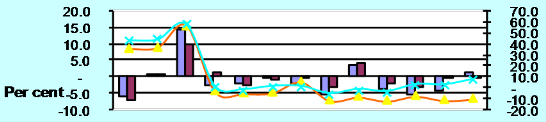
Aggregate banking system's credit (net) to the domestic economy rose by 3.0 per cent to =N=7,203.3 billion in October 2009, compared with the increase of 6.5 per cent in the preceding month. The development was attributed largely to the 6.0 per cent increase in claims on the Federal Government.

At =N=2,650.0 billion, banking system's credit (net) to the Federal Government increased by 6.0 per cent, compared with the rise of 9.4 per cent in September 2009. The development was attributed to the increase in both deposit money banks' (DMBs) holding of government securities and Federal Government deposits during the month.

Banking system's credit to the private sector rose by 0.4 per cent to =N=9,853.6 billion, compared with the increase of 1.4 per cent in September 2009. This reflected wholly the 1.3 per cent increase in DMBs' claims on the sector (fig 2).

At =N=7,256.1 billion, foreign assets (net) of the banking system rose by 5.4 per cent, in contrast to the fall of 8.4 per cent in the preceding month. The development was attributed largely to the increase of 6.1 per cent in the CBN's holding.

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



	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09
MM1	-6.3	0.8	14.4	-2.7	-1.9	0.2	-2.1	-5.4	3.8	-4.0	-5.4	-4.3	1.3
MM2	-6.9	0.6	9.6	1.4	-2.5	-1.0	0.04	-3.10	4.10	-2.10	-3.10	-0.20	0.40
CM1	35.9	37.0	56.7	-2.7	-4.6	-3.9	5.9	-11.0	-7.7	-11.4	-7.0	-10.8	-9.6
CM2	43.5	44.4	58.2	1.4	-1.1	1.8	1.8	-4.9	-1.0	-3.0	3.4	3.2	8.1

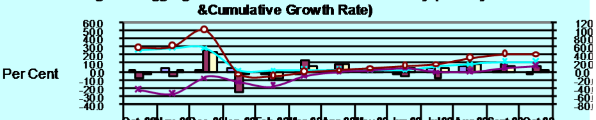
Quasi money rose by 7.7 per cent to =N=5,520.9 billion, compared with the increase of 3.3 per cent in September 2009. The development reflected the increase in all the components, namely, time, savings and foreign currency deposits of the DMBs.

Other assets (net) of the banking system fell by 2.9 per cent to =N=4,547.9 billion, in contrast to the increase of 4.0 per cent in the preceding month. The fall was attributed largely to the decline in unclassified assets of the CBN.

2.2 Currency-in-circulation and Deposits at the CBN

At =N=1,020.1 billion, currency in circulation increased by 1.1 per cent in October 2009 over the level in the preceding month. The rise was due to the 0.3 per cent increase in currency outside the banking system. Total deposits at the CBN amounted to =N=5,359.8 billion, indicating an increase of 8.3 per cent over the level in September 2009. The development was attributed wholly to the increase in DMBs' deposits. The shares of the Federal Government, banks and "others" in total deposits at the CBN were 78.3, 14.5 and 7.2 per cent, respectively, compared with the shares of 88.1, 4.2 and 7.7 per cent, in September 2009.

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



	Oct.08	Nov.08	Dec.08	Jan.09	Feb.09	Mar.09	Apr.09	May.09	Jun.09	Jul.09	Aug.09	Sept.09	Oct.09
MCP	2.9	3.6	1.1	5.6	-0.6	0.2	1.9	1.5	0.6	5.4	7.3	1.4	0.4
MCG	-6.5	-5.7	26.5	-23.9	-9.8	14.3	8.8	1.7	-4.9	-7.2	10.0	9.4	6.0
MAC	0.2	1.9	24.2	-3.5	-7.1	7.3	9.4	3.5	3.6	4.6	10.6	6.5	3.0
CCP	52.2	57.7	59.5	5.6	5.0	2.1	4.0	5.6	6.2	12.0	20.0	21.7	22.3
CCG	-45.2	-53.5	-12.9	-23.9	-36.0	-9.6	0.04	1.8	7.3	0.6	-0.1	9.3	14.7
CAC	58.3	61.3	100.6	-3.5	-10.4	-2.7	6.5	10.2	14.7	19.9	32.5	41.2	45.5

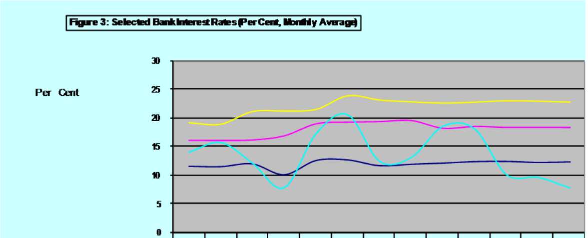
2.3 Interest Rate Developments

Available data indicated mixed developments in banks' deposit rates, while lending rates generally declined in October 2009. With the exception of the average savings, 3- and 6-months deposit rates, which declined by 5, 9 and 6 basis points to 2.81, 13.33 and 13.64 per cent, respectively, other rates on deposits of various maturities rose from a range of 6.62 - 13.50 per cent in September 2009 to 6.71–13.53 per cent. Similarly, the average term deposit rate rose by 10 basis points to 12.32 per cent. On the other hand, the average prime and maximum lending rates declined by 3 and 16 basis points to 18.30 and 22.81 per cent, respectively. Consequently, the spread between the weighted average term deposit and maximum lending rates, narrowed from 10.75 percentage points in the preceding month to 10.49 percentage points. The margin between the average savings deposit and maximum lending rates, also, narrowed from 20.10 percentage points in September to 20.0 percentage points.

The weighted average inter-bank call rate, which was 9.70 per cent in the preceding month, declined to 7.86 per cent at end-October 2009, reflecting the liquidity condition in the banking system. Similarly, the weighted average rate for the Open Buy Back (OBB) declined by 71 basis points to 5.82 per cent, from 6.53 per cent in the preceding month. In line with activities at the inter-bank market, the Nigeria Inter-bank Offered Rate (NIBOR), 7- and 30-day tenored segment fell by 195 and 133 basis points, respectively, to 9.30 and 13.15 per cent, from 11.25 and 14.48 per cent in the preceding month.

2.4 Money Market Developments

Activities in the money market was stable relative to the preceding month, as the effects of the recent measures taken by the CBN continued to impact on the banking system. DMBs patronage of the Standing Lending Facility window was at a record low. The improved liquidity situation and the guarantee on inter-bank transactions by the CBN continued to affect the inter-bank rate positively, as it declined further from the level in the preceding month. At the primary market for Nigerian Treasury Bills (NTBs) and FGN Bonds, public patronage remained impressive, as investors showed preference for government securities.



	Oct.08	Nov.08	Dec. 08	Jan. 09	Feb. 09	Mar. 09	Apr. 09	May. 09	Jun-09	Jul-09	Aug. 09	Sep-09	Oct-09
Average Term Deposit Rates	11.56	11.48	11.96	10.06	12.57	12.67	11.65	11.91	12.11	12.37	12.41	12.22	12.32
Prime	16.01	16	16.08	16.81	18.95	19.25	19.34	19.53	18.16	18.49	18.31	18.33	18.3
Maximum	19.23	18.97	21.18	21.27	21.54	23.91	23.17	22.86	22.64	22.8	23.05	22.97	22.81
Inter-bank	14.09	15.77	12.17	7.91	17.3	20.6	12.51	13.17	18.6	18.1	10.17	9.7	7.86

Provisional data indicated that the value of money market assets outstanding at end–October 2009, was =N=3,253.7 billion, representing an increase of 1.5 per cent over the level at end-September 2009. The increase was attributed largely to the 3.1 per cent rise in FGN Bond.

At the primary segment of the market, Nigerian Treasury Bills of 91-, 182- and 364-day tenors, totalling =N=170.26 billion were offered, with each issue amounting to =N=48.90 billion, =N=91.36 billion and =N=30.00 billion, respectively. Total public subscription for all the auctions amounted to =N=310.00 billion, while the sum of =N=170.26 billion was allotted. In the preceding month, total issue and allotment were =N=91.65 billion apiece, while public subscription was =N=135.13 billion. All the auctions were oversubscribed, reflecting market players' strong preference for government securities. The issue rates for the 91-, 182- and 364-day NTBs ranged from 4.90 per cent to 7.10 per cent, while in the preceding month, the issue rates ranged from 4.799 to 5.60 per cent for the 91-, 182- and 364-day NTBs.

FGN Bonds, of 3-, 5- and 20-year tenors (re-opened) were offered to the public in the review month. A total of =N=49.44 billion, made up of =N=20.00 billion 3-year, =N=10.00 billion, 5-year and =N=19.44 billion, 20-year FGN Bonds were offered and allotted at marginal rates of 8.25, 12.49 and 12.00 per cent, respectively, with total subscription of =N=121.26 billion. In September, total subscription for the 3-, 5- and 20-year (re-opened) FGN Bonds was =N=96.78 billion, while =N=60.00 billion was allotted at coupon rates of 7.87, 8.14 and 10.39 per cent, respectively.

In line with the Bank's loose monetary policy stance to ensure adequate liquidity in the banking system, 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 as the bid/offer rates quoted at the trading sessions were unattractive.

2.5 Deposit Money Banks' Activities

Available data indicated that total assets/liabilities of the DMBs amounted to =N=17,220.2 billion, representing an increase of 2.9 per cent over the level at end-September 2009. The development was accounted for largely by the 10.6 per cent increase in claims on central government, reinforced by the 1.5 per cent rise in claims on the private sector.

Funds, sourced largely from accumulation of time, savings and foreign currency deposits and capital accounts, were used mainly in the settlement of unclassified liabilities and the extension of credit to the central government.

At =N=10,818.3 billion, credit to the domestic economy rose by 2.9 per cent over the level in September 2009. The breakdown showed that credit to government increased by 15.3 per cent over the level in the preceding month, while credit to the private sector rose by 1.3 per cent.

Central Bank's credit to the DMBs rose by 26.6 per cent to =N=490.9 billion in October 2009, reflecting the increase in loans and advances from the CBN.

Total specified liquid assets of the DMBs was =N=2,651.1 billion, representing 27.6 per cent of their total current liabilities. This level of assets was 2.1 percent points above the preceding month's level, and exceeded the stipulated minimum ratio of 25.0 per cent for fiscal 2009 by 2.6 per cent. The loan-to-deposit ratio declined by 2.6 per cent to 85.9 per cent, which exceeded the stipulated maximum target of 80.0 per cent by 5.9 percentage points.

2.6 Discount Houses Activities

Total assets/liabilities of the discount houses stood at =N=308.8 billion at end-October 2009, representing a decline of 5.0 per cent from the level in the preceding month. The fall in assets was attributed largely to the 22.9 per cent decline in claims on the Federal Government, while the decline in total liabilities was attributed largely to the 17.3 and 2.8 per cent fall in "money-at-call" and "other amount owing", respectively.

Discount houses' investments in Federal Government securities of less than 91 days maturity amounted to =N=18.8 billion, representing 7.7 per cent of their total deposit liabilities. At this level, discount houses' investments in Federal Government securities declined by 10.3 per cent from the level in the preceding month, and was below the stipulated minimum of 60.0 per cent for fiscal 2009 by 52.6 percentage points.

Total borrowings by the discount houses was =N=77.3 billion, while their capital and reserves amounted to =N=41.5 billion, resulting in a gearing ratio of 2.7:1, compared with the stipulated maximum target of 50:1 for fiscal 2009.

2.7 Capital Market Developments

Available data indicated that activities on the Nigerian Stock Exchange (NSE) were mixed in October 2009. The volume and value of traded securities increased by 17.9 and 11.1 per cent to 10.7 billion shares and =N=73.3 billion in 134,394 deals, respectively, compared with 9.1 billion shares valued at =N=66.0 billion in 123,106 deals in September 2009. Total volume of shares traded between January and October 2009 was 85.9 billion valued at =N=582.0 billion, compared with 175.5 billion shares valued at =N=2.3 trillion in the corresponding period of 2008.

The banking sub-sector was the most active on the Exchange with a traded volume of 6.2 billion shares valued at =N=50.5 billion in 76,584 deals, followed by the insurance sub-sector with a traded volume of 1.98 billion shares valued at =N=1.75 billion in 10,159 deals. There were no transactions on Federal Government stocks, State Government Bonds and industrial loans/ preference stocks sectors on the stock market.

Transactions on the over-the-counter (OTC) bond segment of the market indicated that a turnover of 1.65 billion units worth =N= 1.93 trillion in 17,704 deals was recorded in the review month, as against a total of 1.70 billion shares valued at =N=1.90 trillion in 14,863 deals in the preceding month. The most active bond by turnover volume was the 6th FGN Bond 2029 Series 3 with traded volume of 284.22 million units valued at N363.5 billion in 2,401 deals. Twenty-six (26) of the available thirty-seven (37) FGN Bonds were traded in the review month, compared with thirty-nine (39) in the preceding month.

Cumulatively, total transactions on FGN Bonds through the OTC between January and October were 15.0 billion valued at =N=15.95 trillion in 109,588 deals, compared with 8.21 billion units worth =N=8.22 trillion in 66,650 deals recorded in the corresponding period of 2008.

In the new issues market, 3.7 billion shares of N0.50 each in favour of Beco Petroleum Products Plc were admitted at a price of N2.50 per share. The company was listed in the Petroleum marketing sub-sector. The 3.2 million units of Crusader (Nig) Plc Unsecured Convertible Debenture Stock 2013 was also admitted on the daily official list at N1,000 par value, bringing the number of industrial loans to 44. In addition, 7.9 billion shares of N0.50 each in favour of Honeywell Flour Mills Plc were admitted at a price of N8.50 per share after the conclusion of the offer for sale and initial public offering. By this action, the number of listed companies and securities increased to 213 and 297, respectively. There were no supplementary listings in the review month, compared with eight (8) in September.

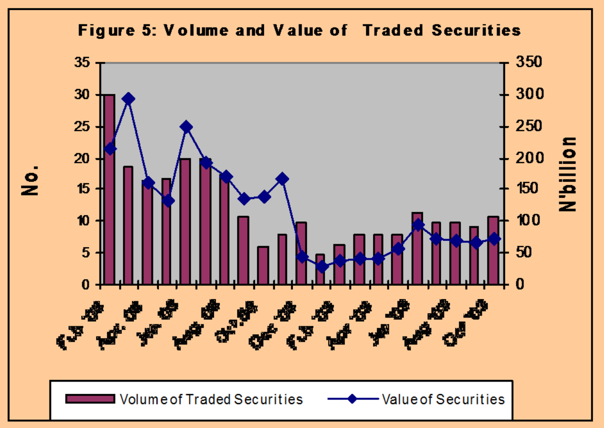


Figure 5: Volume and Value of Traded Securities

The Nigerian Stock Exchange All-Share Index (ASI), declined by 1.2 per cent to 21,804.69 (1984 = 100), compared with the fall of 4.1 per cent in September 2009. Relative to a closing value of 31,450.78 at end-December 2008, the year-to-date decline in the NSE ASI stood at 30.7 per cent. However, the NSE-30 Index rose by 0.2 per cent to 837.34. Similarly, the NSE Food/Beverage Index rose by 7.4 per cent to close at 484.99, while the NSE Oil/Gas Index rose by 5.1 per cent to 302.28. On the other hand, the NSE Banking Index dipped by 0.6 per cent to close at 356.19 in the review month, while the NSE Insurance Index declined by 4.8 per cent to close at 297.27.

The market capitalization of the 297 listed securities closed at N7.82 trillion, indicating an increase of 0.2 per cent from the level in September 2009. The slight rise in market capitalization was attributed to the listing of three new securities. The 213 listed equities accounted for =N=5.15 trillion or 65.9 per cent of total market capitalization, an increase of 0.2 per cent over the =N=5.14 trillion recorded in the preceding month.

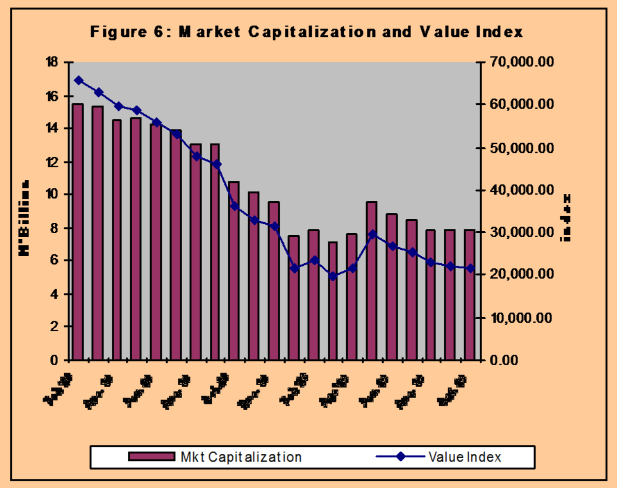


Figure 6: Market Capitalization and Value Index

3.0 DOMESTIC ECONOMIC CONDITIONS

The major agricultural activities in most parts of the country centred on harvesting of various root and legume crops like yams, irish and sweet potatoes, ground nuts as well as preparation of land and nurseries for tomatoes, pepper, carrots and other vegetables. The planting of late crops also continued in most areas following the favourable climatic conditions nationwide, while poultry farmers intensified their activities in preparation for the end-of-year festive season. Crude oil production was estimated at 1.94 million barrels per day (mbd) or 60.14 million barrels during the month. The end-period inflation rate for October 2009, on a year-on-year basis was 11.6 per cent, compared with 10.4 per cent recorded in the preceding month. The inflation rate on a 12-month moving average basis was 12.8 per cent, compared with 13.1 per cent in September 2009.

3.1 Agricultural Sector

Agricultural activities during the month of October centred on harvesting of various root and legume crops like yams, irish and sweet potatoes and ground nuts. Planting of late crops also continued in most areas following the favourable climatic conditions nationwide. In the Northern part of the country, most farmers were engaged in land and nurseries preparation for tomatoes, pepper, carrots and other vegetables. Poultry farmers intensified their activities in preparation for the end-of-year festive season.

A total of =N=1.06 billion was guaranteed to 5,312 farmers under the Agricultural Credit Guarantee Scheme (ACGS) during the month. The amount guaranteed represented a decline of 44.4 and 29.9 per cent from the levels in the preceding month and the corresponding month of 2008, respectively.

A sub-sectoral analysis of the loans guaranteed indicated that the food crops sub-sector had the largest share of =N=766.84 million or 72.2 per cent to 4,430 beneficiaries, while the livestock sub-sector received =N=197.89 million or 18.6 per cent to 443 beneficiaries. Also, three hundred and eighty (380) beneficiaries in the fisheries sub-sector received =N=78.89 million or 7.5 per cent and thirty–nine (39) beneficiaries in the cash crops sub-sector received =N=14.24 million or 1.4 per cent. The sum of =N=2.00 million or 0.3 per cent was guaranteed to seven (7) beneficiaries in the "others" sub-sector.

Analysis by state showed that 23 states benefited from the scheme, with the highest and lowest loans of =N=241.21 million (22.7 per cent) and =N=1.96 million (0.2 per cent) guaranteed to Adamawa and Oyo states, respectively.

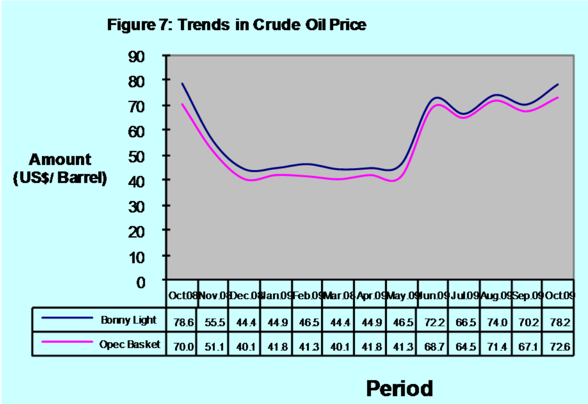
Retail price survey of most staples by the CBN showed mixed developments in October 2009. Eight of the commodities monitored recorded price decline, ranging from 0.6 per cent for palm oil to 11.0 per cent for groundnut oil, from their levels in the preceding month. Six of the commodities, however, recorded price increase ranging from 0.5 per cent for yellow garri to 12.4 per cent for guinea corn. Relative to their levels in the corresponding month of 2008, five of the commodities recorded price decline ranging from 1.2 per cent for groundnut to 10.2 per cent for yam flour, while nine commodities recorded price increase ranging from 0.3 per cent for vegetable oil to 27.5 per cent for white garri.

3.2 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 1.94 million barrels per day (mbd) or 60.14 million barrels for the month, same as in the preceding month. Similarly, crude oil export was estimated at 1.49 mbd or 46.19 million barrels in the review month, while deliveries to the refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels for the month.

At an estimated average of US$78.25 per barrel, the price of Nigeria's reference crude, the Bonny Light (37° API), rose by 11.4 per cent over the level in September 2009. The average prices of other competing crudes namely, the West Texas Intermediate, the U.K Brent and the Forcados also, rose by 12.2, 12.9 and 12.6 per cent to US$77.87, US$77.39 and US$78.12 per barrel, respectively.

Over the level in September 2009, the average price of OPEC's basket of eleven crude streams increased by 8.2 per cent to US$72.67 per barrel. The development was attributed to investors' renewed optimism of global economic growth and the positive impact on demand as well as the pledge by the Group of twenty (G-20) leaders to keep stimulus measures in place for a long time.

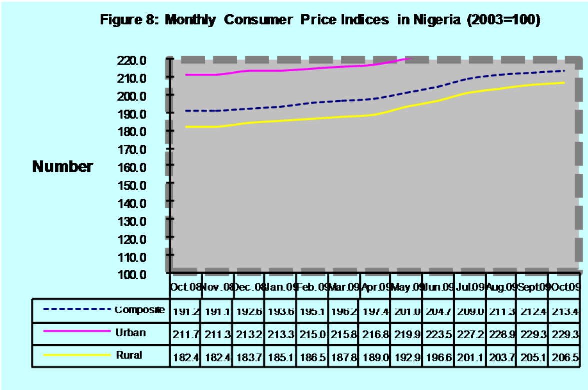


	Oct.08	Nov.08	Dec.08	Jan.09	Feb.09	Mar.08	Apr.09	May.09	Jun.09	Jul.09	Aug.09	Sep.09	Oct.09
Bonny Light	78.6	55.5	44.4	44.9	46.5	44.4	44.9	46.5	72.2	66.5	74.0	70.2	78.2
Opec Basket	70.0	51.1	40.1	41.8	41.3	40.1	41.8	41.3	68.7	64.5	71.4	67.1	72.6

3.3 Consumer Prices

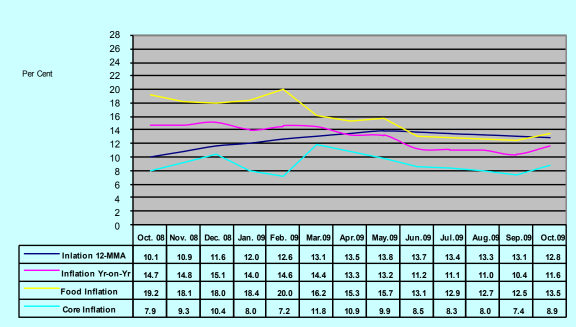
Available data showed that the all-items composite Consumer Price Index (CPI) in October 2009 was 213.4 (May 2003=100), representing an increase of 0.5 per cent over the level in the preceding month.

The urban all-items CPI at end-October 2009 was 229.3 (May 2003=100), same as in the preceding month. The rural all-items CPI for the month was 206.5 (May 2003=100), and represented an increase of 0.7 per cent over the level in the preceding month. The end-period inflation rate for October 2009, on a year-on-year basis, was 11.6 per cent, compared with 10.4 per cent in the preceding month. The inflation rate on a twelve-month moving average basis for October 2009, was 12.8 per cent, compared with 13.1 per cent in September 2009.



	Oct.08	Nov.08	Dec.08	Jan.09	Feb.09	Mar.09	Apr.09	May.09	Jun.09	Jul.09	Aug.09	Sept09	Oct.09
Composite	191.2	191.1	192.6	193.6	195.1	196.2	197.4	201.0	204.7	209.0	211.3	212.4	213.4
Urban	211.7	211.3	213.2	213.3	215.0	215.8	216.8	219.9	223.5	227.2	228.9	229.3	229.3
Rural	182.4	182.4	183.7	185.1	186.5	187.8	189.0	192.9	196.6	201.1	203.7	205.1	206.5

Figure 9: Inlation Rate in Nigeria (Per Cent)



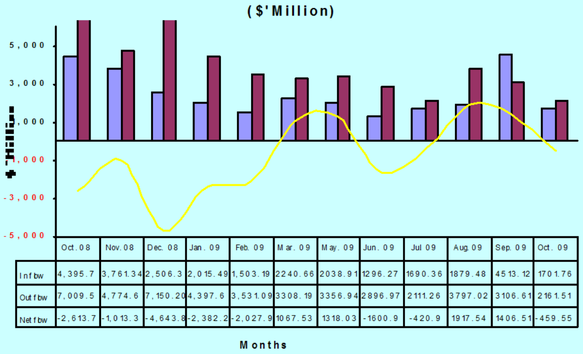
4.0 EXTERNAL SECTOR DEVELOPMENTS

Provisional data indicated that foreign exchange inflow and outflow through the CBN in October 2009 declined by 62.3 and 30.4 per cent, respectively, from the levels in the preceding month. The weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated by 2.0 per cent to =N=149.36 per dollar at the Wholesale Dutch Auction System (WDAS).

4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in October 2009 were US$1.70 billion and US$2.16 billion, respectively, representing a net outflow of US$0.46 billion. Relative to the respective levels of US$4.51 billion and US$3.11 billion in the preceding month, inflow and outflow fell by 62.3 and 30.4 per cent, respectively. The decline in inflow was attributed wholly to the fall in non-oil receipts, while the fall in outflow was due largely to the respective decline in Wholesale Dutch Auction System (WDAS) utilization and other official payments.

Figure 10: Foreign Exchange Flows Through the CBN ($'Million)



Provisional data on aggregate foreign exchange flows through the economy indicated that total inflow was US$4.64 billion, representing a decline of 35.7 and 55.5 per cent from the levels in the preceding month and the corresponding period of 2008, respectively. Oil sector receipts accounted for 34.7 per cent of the total and stood at US$1.61 billion, compared with US$1.42 billion in the preceding month. Non-oil public sector inflow fell by 97.0 per cent and accounted for 2.0 per cent of the total. Autonomous inflow, however, rose by 8.8 per cent and accounted for 63.3 per cent of the total. At US$2.22 billion, aggregate foreign exchange outflow from the economy fell by 30.4 per cent from the level in the preceding month.

4.2 Non-Oil Export Earnings by Exporters

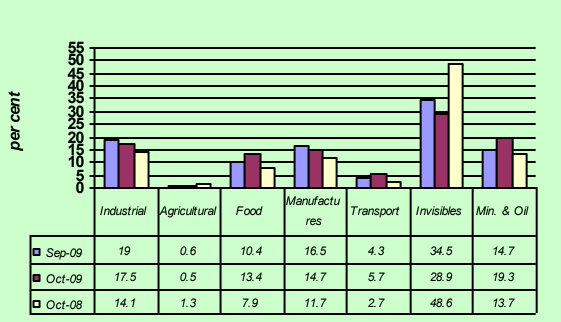
Total non-oil export earnings received by banks rose by 67.1 per cent over the level in the preceding month to US$245.38 million. The development was attributed largely to the increase in the prices of the goods traded at the international market. A breakdown of the proceeds in October 2009 showed that proceeds of industrial, manufactured products, food products, transport, agricultural, and minerals sub-sectors stood at US$53.74 million, US$17.35 million, US$1.52 million, US$0.15 million, US$161.03 million and US$11.59 million, respectively.

The shares of industrial, food products, manufactured products, transport, agricultural, and minerals sub-sectors in non-oil export proceeds were 21.9, 0.6, 7.1, 0.1, 65.6 and 4.7 per cent, respectively, in the review month.

4.3 Sectoral Utilisation of Foreign Exchange

Invisibles accounted for (28.9 per cent) of the total foreign exchange disbursed in October 2009, followed by mineral and oil (19.3 per cent). Other beneficiary sectors, in a descending order of importance included; industrial (17.5 per cent), manufactured products (14.7 per cent), food products (13.4 per cent), transport sector (5.7 per cent), and agricultural sector (0.5 per cent) (Fig.11).

Fig. 14: Sectoral Utilisation of Foreign Exchange (Percentage of Total)

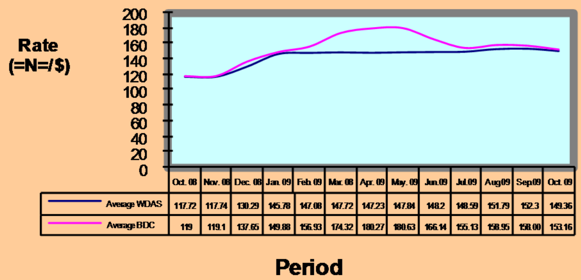


4.4 Foreign Exchange Market Developments

Aggregate demand for foreign exchange by authorized dealers under the Wholesale Dutch Auction System (WDAS) was US$2.31 billion in October 2009, indicating a decline of 43.5 and 58.3 per cent from the levels in the preceding month and the corresponding month of 2008, respectively. At US$1.68 billion, the amount of foreign exchange sold by the CBN to authorized dealers fell by 45.3 per cent from the level in the preceding month. Under the WDAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar appreciated by 2.0 per cent to =N=149.36 per dollar.

In the Bureau-de-change segment of the market, the average rate also depreciated by 3.2 per cent to =N=153.16 per dollar. Consequently, the premium between the official and bureau-de-change rates narrowed from 3.7 per cent in the preceding month to 2.6 per cent.

Figure 12: Average **Exchange Rate Movements**



	Oct. 08	Nov. 08	Dec. 08	Jan. 09	Feb. 09	Mar. 08	Apr. 09	May. 09	Jun.09	Jul.09	Aug09	Sep09	Oct. 09
Average WDAS	117.72	117.74	130.29	145.78	147.08	147.72	147.23	147.84	148.2	148.59	151.79	152.3	149.36
Average BDC	119	119.1	137.65	149.88	156.93	174.32	180.27	180.63	166.14	155.13	158.95	158.00	153.16

5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output in October 2009 was estimated at 84.95 million barrels per day (mbd), compared with 84.63 mbd recorded in the preceding month, while demand stood at 84.61 mbd, compared with 84.41 mbd in the preceding month.

Other major international economic developments of relevance to the domestic economy during the month 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.

G-24 Meeting

On the Global Financial and Economic Situation, the Ministers welcomed the positive developments in the global economy since their last meeting. They noted that the threat of a deep and prolonged global recession appeared to be receding owing to the unprecedented policy actions by both developed and developing countries, as well as the stepped-up support from the international financial institutions. Ministers called for concerted and prompt implementation of actions to address the deep-seated weaknesses in the regulation of global and some national financial markets.

On financing gaps for developing countries, the Group called for continued timely and adequate support from the international financial institutions for developing countries most affected by the crisis, as well as for actions to reduce the gap between developed and developing countries. Ministers called on developed countries to avoid protectionist measures and other restrictions in trade, finance, investment, and labour services.

On fund lending, Ministers welcomed the improvements in the IMF's lending policies including the introduction of the flexible credit line, high access precautionary arrangements, increase in access limits and further streamlining of conditionality. They called on the IMF to take further specific measures to enhance its instruments for broad-based precautionary financing.

On Voice and Representation, Ministers stressed that the IMF's legitimacy and continued relevance depends crucially on redressing the imbalance in voice and representation in its governance structure. Hence, correcting the unfair distribution of quotas and voting power is the most important governance issue confronting the IMF.

International Monetary and Financial Committee (IMFC Meeting)

- The Committee expressed its commitment to maintaining supportive fiscal, monetary and financial sector policies until a durable recovery is secured, and to act further to reviving credit, recovering lost jobs, and reversing setbacks in poverty reduction. They emphasized that agreed financial sector and regulatory reforms should be completed without delay.

- The Committee noted that quota reform was crucial for increasing the legitimacy and effectiveness of the Fund. They recognized that the distribution of quota shares should reflect the relative weights of the Fund's members in the world economy, which have changed substantially in view of the strong growth in dynamic emerging market and developing countries.

In this context, they supported a shift in quota share to dynamic emerging market and developing countries of at least five per cent from over-represented countries to under-represented countries using the current quota formula as the basis to work from.

- The Committee asked the Fund to begin implementing the new flexible framework for the Financial Sector Assessment Programme (FSAP), and to ensure that it can deliver sharper macro-financial surveillance and better integration into bilateral surveillance. Undertaking regular FSAP reviews and updates, would contribute to effective macro-financial surveillance.

In addition, the Joint Ministerial Committee of the Boards 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.

The Committee welcomed the vigorous response by the World Bank Group (WBG) to the crisis, noting that IBRD's commitments almost tripled to $33.0 billion in 2009, and International Development Association (IDA) reached a historic level of $14.0 billion. International Finance Corporation (IFC) combined strong innovation with effective resource mobilization, providing $10.5 billion in investments from its own account, and mobilizing an additional $4.0 billion through new initiatives in global trade, infrastructure, microfinance, and bank capitalization.

In another development, 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. Canada's decision will allow the Bank to meet urgent short term needs of its borrowing members while it continued to seek permanent capital resources. In particular, this increased lending room will benefit Nigeria as one of the regular borrowers of the Bank's ordinary capital resources (i.e. non-concessionary). The President of African Development Bank (AfDB) appreciated Canada's generous offers to triple its callable capital and strongly recommended acceptance by the shareholders. He said that Canada's action will enable the Bank to continue to support African countries affected by the financial and economic crisis. It will help to facilitate trade, private sector activities and promote growth.

In a related 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 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).

The MoU drew inspiration from two Basle Committee documents, namely the Basle Core Principles of Banking Supervision and Basle Working Group Report on Cross-Border Banking. The essential elements of the MoU are information sharing, on-site inspections, protection of information and ongoing coordination among member central banks.

The FRA, which is intended to serve as a model law for WAMZ member states was modeled after Nigeria's FRA. The drafting of the Act was based on the decision of the WAMZ convergence Council in Conakry in December 2007, which directed member states to adopt legislations on fiscal responsibility. The Draft Act provides an appropriate legislative framework to promote fiscal discipline in member states and it provides for the establishment of a Fiscal Responsibility Council (FRC) with oversight responsibilities over fiscal policies. The Act prohibits the government from borrowing from the central bank except in exceptional circumstances to meet temporary excesses of expenditure. The FRC has powers to monitor and enforce the provisions of the Act.