CENTRAL BANK OF NIGERIA

ECONOMIC REPORT FOR THE MONTH OF AUGUST 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 August 2009. Broad money (M_2) and narrow money (M_1) rose by 6.4 and 4.8 per cent over their levels in July 2009, respectively. The expansion in M_2 was attributed wholly to the rise in banking system's credit (net) to the domestic economy.

Available data indicated mixed development in banks' deposit and lending rates. The margin between the average savings deposit and maximum lending rates increased from 20.04 percentage points in July to 20.28. The spread between the weighted average term deposit and maximum lending rates, however, narrowed marginally from 10.83 percentage points in the preceding month to 10.64. Similarly, the weighted average inter-bank call rate, which stood at 18.10 per cent in the preceding month, declined to 10.00 per cent at end-August 2009, reflecting the liquidity condition in the banking system.

The value of money market assets outstanding grew by 2.8 per cent to =N=3,275.5 billion over the level in the preceding month. The development was attributed largely to the 4.3 and 52.6 per cent increase in Commercial Papers (CPs) and Bankers' Acceptances (BAs), respectively. Activities on the Nigerian Stock Exchange were bearish as all the major market indicators trended downward in the review month.

The major agricultural activities in August 2009, included the harvesting of crops, particularly maize and yam. Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 1.75 million barrels per day (mbd) or 54.25 million barrels for the month, compared with 1.69 mbd or 52.39 million barrels in July 2009. Crude oil export was estimated at 1.30 mbd or 40.3 million barrels for the month, while deliveries to the refineries for domestic consumption remained at 0.445 mbd or 13.80 million barrels. The average price of Nigeria's reference crude, the Bonny Light (37^0 API), estimated at US\$74.0 per barrel, increased by 11.2 per cent over the level in the preceding month.

The inflation rate for August 2009, on a year-on-year basis, was 11.0 per cent, compared with 11.1 per cent in the preceding month. The inflation rate on a twelve-month moving average basis was, however, 13.3 per cent, compared with 13.4 per cent in the preceding month.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US\$1.88 billion and US\$3.80 billion, respectively, resulting in a net outflow of US\$1.92 billion in August 2009. Relative to the respective levels in the preceding month, inflow and outflow rose by 11.2 and 80.1 per cent, respectively.

The rise in inflow was attributed largely to the increase in crude oil receipts, while the rise in outflow was due largely to the respective increase 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\$3.07 billion, indicating an increase of 68.7 per cent over the level in the preceding month, while demand rose by 9.7 per cent to US\$4.09 billion.

The weighted average exchange rate of the Naira vis-à-vis the US dollar, depreciated by 2.2 per cent to =N=151.86 per dollar at the WDAS. In the Bureau-de-change segment of the market, the rate also, depreciated by 2.5 per cent to =N=158.95 per dollar.

Other major international economic developments of relevance to the domestic economy during the review month included: the 33rd Ordinary Meetings of the Association of African Central Banks (AACB) held in Kinshasa, Democratic Republic of Congo (DRC) from August 17—21 2009. The theme for the 2009 AACB Annual Meetings was "The Formulation of Monetary Policy in Africa: The Relevance of Inflation Targeting".

In another development, the African Caucus, comprising African Governors of the International Monetary Fund and World Bank met in Freetown, Sierra Leone from August 12 – 13, 2009. The meeting considered the draft Memorandum to be submitted to the Heads of the Bretton Wood Institutions (BWIs) at the IMF/World Bank Annual Meetings in October, 2009. The Memorandum, among other things, expressed concern over the delay in IMF quota and voice reform.

Also, the United Kingdom Department for International Development (DFID) met with African Governors of the Bretton Woods Institutions (BWIs) on the role of International Financial Institutions (IFIs) in supporting growth in Africa. The discussions were intended to articulate the position of Africa on the IFIs, especially the BWIs as input into the presentation of the G-20 Chairman, Prime Minister Gordon Brown to the upcoming G-20 Summit in the USA.

In a related development, the International Monetary Fund (IMF) on August 28, 2009 bolstered its members' reserves through an allocation of Special Drawing Rights (SDRs) worth US\$250 billion. The allocation of SDRs by the IMF boosts member countries' reserves because SDRs can be turned into usable currencies. This could be a way for countries to augment their reserves in times of need, and also a means for countries to obtain other currencies that they may use in international transactions.

The 8th African Growth and Opportunity Act (AGOA) Forum was convened by the Government of the Republic of Kenya in conjunction with the United States (US) Government in Kenya from August 1 – 6, 2009 on the theme "Realizing the Full Potential of AGOA through Expansion of Trade and Investment". *The objective of the Forum was to create a platform on which both the US and the sub-Saharan African countries could articulate their views and concerns in order to foster closer economic ties for mutual benefit.*

2.0 FINANCIAL SECTOR DEVELOPMENTS

Monetary aggregates increased in August 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 increase in monetary aggregates at end-August 2009. Broad money (M_2) rose by 6.4 per cent to =N=9,455.0 billion, in contrast to the decline of 2.1 per cent in July 2009. Similarly, narrow money (M_1) increased by 4.8 per cent to =N=4,509.2 billion, as against the decline of 4.0 per cent in the preceding month. The rise in M_2 reflected wholly the increase of 10.6 per cent in banking system credit (net) to the domestic economy (fig.1 and table 1). Over the level at end-December 2008, M_2 rose by 3.1 per cent.

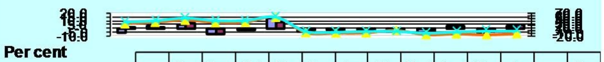
Aggregate banking system's credit (net) to the domestic economy rose by 10.6 per cent to =N=6,569.4 billion in August 2009, compared with the increase of 4.6 per cent in the preceding month. The development was attributed wholly to the 7.3 per cent increase in claims on the private sector.

At =N=3,088.0 billion, banking system's credit (net) to the Federal Government declined by 1.0 per cent, compared with the fall of 7.2 per cent in July 2009. The fall was attributed wholly to the decline 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 7.3 per cent to =N=9,688.6 billion, compared with the increase of 5.5 per cent in July 2009. This reflected largely the increase in DMBs' claims on other private-sector (fig 2).

At =N=7,498.4 billion, foreign assets (net) of the banking system declined by 0.7 per cent, compared with the fall of 1.2 per cent in the preceding month. The development was attributed wholly to the fall in the CBN's holding.

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



	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09
MM1	-5.3	4.0	6.0	-6.3	0.8	14.4	-2.7	-1.9	0.2	-2.1	-5.4	3.8	-4.0	4.8
MM2	1.5	3.2	7.5	-6.9	0.6	9.6	1.4	-2.5	-1.0	0.04	-3.10	4.10	-2.10	6.40
CM1	31.5	36.8	45.1	35.9	37.0	56.7	-2.7	-4.6	-3.9	5.9	-11.0	-7.7	-11.4	-7.2
CM2	38.9	43.4	54.2	43.5	44.4	58.2	1.4	-1.1	1.8	1.8	-4.9	-1.0	3.1	3.1

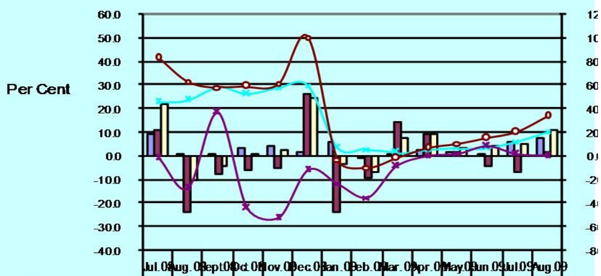
Quasi money rose by 7.9 per cent to =N=4,945.9 billion, in contrast to the decline of 0.2 per cent in July 2009. The development reflected the increase in all the components, namely, time, savings and foreign currency deposits of the DMBs.

Other assets (net) of the banking system fell by 0.2 per cent to =N=4,612.8 billion, compared with the decline of 8.5 per cent in the preceding month. The fall was attributed to the decline in unclassified assets of both the CBN and the DMBs.

2.2 Currency-in-circulation and Deposits at the CBN

At =N=1,019.4 billion, currency in circulation increased by 1.1 per cent in August 2009 over the level in the preceding month. The rise was due to the 7.1 per cent increase in currency vault cash.

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



	Jul.08	Aug.08	Sept.08	Oct.08	Nov.08	Dec.08	Jan.09	Feb.09	Mar.09	Apr.09	May.09	Jun.09	Jul.09	Aug.09
MCP	8.7	0.9	0.7	2.9	3.6	1.1	5.6	-0.6	0.2	1.9	1.5	0.6	5.5	7.3
MCG	10.4	-24.	-8.2	-6.5	-5.7	26.5	-23.	-9.8	14.3	8.8	1.7	-4.9	-7.2	1.0
MAC	21.5	-10.	-4.4	0.2	1.9	24.2	-3.5	-7.1	7.3	9.4	3.5	3.6	4.6	10.6
CCP	45.2	46.5	57.9	52.2	57.7	59.5	5.6	5.0	2.1	4.0	5.6	6.2	12.0	20.2
CCG	-2.8	-27.	36.4	-45.	-53.	-12.	-23.	-36.	-9.6	0.04	1.8	7.3	0.6	-0.4
CAC	82.5	63.0	57.9	58.3	61.3	100.	-3.5	-10.	-2.7	6.5	10.2	14.7	19.9	32.7

Total deposits at the CBN amounted to =N=5,318.3 billion, indicating a 2.1 per cent decline from the level in July 2009. The development was attributed wholly to the 3.5 per cent fall in Federal Government deposits. The shares of the Federal Government, banks and "others" in total deposits at the CBN were 88.1, 4.2 and 7.7 per cent, respectively, compared with the shares of 89.4, 3.7 and 6.9 per cent, in July 2009.

2.3 Interest Rate Developments

Available data indicated mixed developments in banks' deposit and lending rates in August 2009. With the exception of the average seven-day deposit rate, which declined marginally by 0.19 percentage point to 6.69 per cent, other rates on deposits of various maturities rose from a range of 12.57 - 13.22 per cent in July 2009 to 12.97–13.98 per cent. Similarly, the average maximum lending rate rose by 0.25 percentage point to 23.05 per cent. The average prime lending rate, however, fell by 0.59 percentage point to 18.31 per cent. Consequently, the spread between the weighted average term deposit and maximum lending rates, narrowed marginally from 10.83 percentage points in the preceding month to 10.64 percentage points. The margin between the average savings deposit and maximum lending rates, however, widened from 20.04 percentage points to 20.28 percentage points.

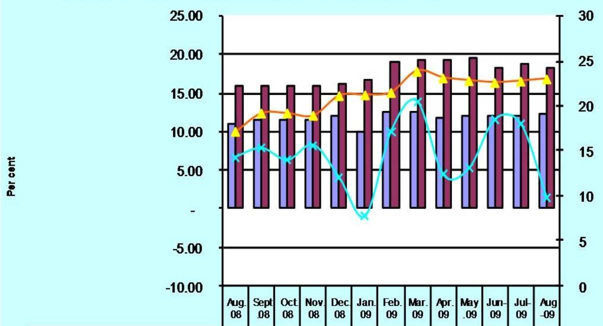
The weighted average inter-bank call rate, which was 18.10 per cent in the preceding month, declined to 10.0 per cent at end-August 2009, reflecting the liquidity condition in the banking system. Similarly, the weighted average rate for the Open Buy Back (OBB) fell by 89 basis points to 6.63 per cent, from 7.52 per cent in the preceding month. In tandem with activities at the inter-bank market, the Nigeria Inter-bank Offered Rate (NIBOR), 7- and 30 -day tenored segment fell by 667 and 537 basis points, respectively, to 12.27 and 14.29 per cent, from 18.94 and 19.66 per cent in the preceding month.

2.4 Money Market Developments

Activities in the money market showed improvement relative to the level in the preceding month, reflecting the effects of some of the policy actions announced by the Bank after the Monetary Policy Committee meeting in July 2009. There was no direct auction at the open market. However, deposit money banks continued to patronise the repurchase window and the standing lending facilities which helped to stabilise the market. At the primary market for NTBs and FGN Bonds, public participation remained impressive as market players showed preference for government securities. Activities at the two–way quote trading platform were, however, dismal as bid rates offered were unattractive. Following improved liquidity and the guarantee on inter-bank transactions by the CBN, inter-bank rates declined and were much lower than in the preceding month.

Provisional data indicated that the value of money market assets outstanding as at end–August 2009, was =N=3,275.5 billion, representing an increase of 2.8 per cent above the

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



	Aug. 08	Sept .08	Oct. 08	Nov. 08	Dec. 08	Jan. 09	Feb. 09	Mar. 09	Apr. 09	May .09	Jun-09	Jul-09	Aug -09
Average Term Deposit Rates	11.0	11.62	11.56	11.48	11.96	10.06	12.57	12.67	11.65	11.91	12.11	12	12.4
Prime	15.99	15.84	16.01	16	16.08	16.81	18.95	19.25	19.34	19.53	18.16	18.9	18.3
Maximum	17.17	19.22	19.23	18.97	21.18	21.27	21.54	23.91	23.17	22.86	22.64	22.8	23.1
Inter-bank	14.45	15.42	14.09	15.77	12.17	7.91	17.3	20.6	12.51	13.17	18.6	18.1	10.0

level at end-July 2009. The increase was attributed to the 4.3 and 52.6 per cent rise in both commercial papers and bankers' acceptances, respectively.

At the primary segment of the market, Nigerian Treasury Bills of 91-, 182- and 364-day tenors, totalling =N=105.22 billion were offered, with each issue amounting to =N=30.22 billion, =N=45.0 billion and =N=30.00 billion, respectively. Total public subscription for all the auctions amounted to =N=169.10 billion, while the sum of =N=105.22 billion was allotted to the public. In the preceding month, total issue and allotment were N125.35 billion apiece, while public subscription was N206.92 billion. All the auctions were therefore oversubscribed as in the preceding month, reflecting market players' strong preference for government securities. The range of issue rates for the 91-, 182- and 364-day NTBs were from 3.49 per cent to 5.60 per cent, while in the preceding month, the issue rates ranged from 2.80 to 5.75 per cent for the 91-, 182- and 364-day NTBs.

FGN Bonds, of 3-, 5 and 20- year tenors (re-opened) were offered to the public in the review month. A total of =N=60.00 billion, made up of =N=20.00 billion 3-year, =N=20.00 billion, 5-year and =N=20.00 billion, 20-year FGN Bonds were offered and allotted at marginal rates of 8.09, 8.99 and 10.74 per cent, respectively, with total subscription of =N=121.26 billion. In July, total subscription for the 3-, 5- and 20-year (re-opened) FGN Bonds was =N=138.22 billion, while =N=60.00 billion was allotted at coupon rates of 8.14, 9.39 and 11.00 per cent, respectively. The preference for longer-tenored securities, whose yields were perceived to be stable and attractive, also buoyed subscription at the auctions.

Investment in Commercial Papers (CPs) as a supplement to banks' credit to the private sector rose in the review period. The value of CPs held by DMBs grew by =N=31.6 billion to =N=7768.7 billion at end-August 2009, compared the increase of =N=134.59 billion at end-July 2009. Thus, CPs constituted 23.5 per cent of the total value of money market assets outstanding as at end-August 2009, compared with 23.1 per cent at the end of the preceding month. Holdings of Bankers Acceptances (BAs) by DMBs rose by 52.6 per cent to =N=96.1 billion as at end-August 2009, as against the decline of 15.1 per cent in the preceding month. The rise reflected the increase in investments by deposit money banks and discount houses. Consequently, BAs accounted for 2.93 per cent of the total value of money market assets outstanding at end-August 2009, compared with 1.98 per cent in the preceding month.

In line with the Bank's lax 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=16,509.0 billion, representing an increase of 4.2 per cent over the level at end-July 2009. Funds, sourced mainly from deposit mobilization and claims on the government, were used largely in the extension of credit to the private sector and settlement of unclassified liabilities.

At =N=10,410.8 billion, credit to the domestic economy rose by 8.1 per cent over the level in July 2009. The breakdown showed that credit to government declined by 8.8 per cent from the level in the preceding month, while credit to the core private sector rose by 7.2 per cent.

Central Bank's credit to the DMBs rose by 75.6 per cent to =N=338.7 billion in August 2009, reflecting the increase in overdraft facilities to the DMBs.

Total specified liquid assets of the DMBs was =N=2,515.3 billion, representing 27.6 per cent of their total current liabilities. This level of assets was 5.0 percentage points below the preceding month's level, but exceeded the stipulated minimum ratio of 25.0 per cent for fiscal 2009 by 2.6 per cent. The loan-to-deposit ratio rose by 5.7 per cent to 90.0 per cent, which exceeded the stipulated maximum target of 80.0 per cent by 10.0 percentage points.

2.6 Discount Houses Activities

Total assets/liabilities of the discount houses stood at =N=382.0 billion at end-August 2009, representing a decline of 19.0 per cent from the level in the preceding month. The fall in assets was attributed to the 27.5 per cent decline in "claims on others", reinforced by the 22.5 per cent fall in claims on the Federal Government, while the decline in total liabilities was attributed largely to the 40.2 and 13.6 per cent rise in "other amount owing" and "money-at-call", respectively.

Discount houses' investments in Federal Government securities of less than 91 days maturity amounted to =N=33.1 billion, representing 10.5 per cent of their total deposit liabilities. At this level, discount houses' investments in Federal Government securities declined by 35.6 per cent from the level in the preceding month, and was below the stipulated minimum of 60.0 per cent for fiscal 2009 by 49.5 percentage points.

Total borrowings by the discount houses was =N=36.2 billion, while their capital and reserves amounted to =N=41.8 billion, resulting in a gearing ratio of 3.4:1, 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) further trended downward in August 2009 due largely to the sustained illiquidity in the financial system. The volume and value of traded securities declined by 0.1 and 5.1 per cent to 9.91 billion shares and =N=68.7 billion in 15,726 deals, respectively, compared with 9.92 billion shares valued at =N=72.4 billion in 187,748 deals in July 2009. Total volume of shares traded between January and August 2009 was 66.22 billion valued at =N=442.7 billion, while 141.6 billion shares valued at =N=1.92 trillion were traded in the corresponding period of 2008.

The banking sub-sector was the most active on the Exchange with a traded volume of 4.5 billion shares valued at =N=39.1 billion in 72,026 deals, followed by the insurance sub-sector with a traded volume of 2.2 billion shares valued at =N=2.2 billion in 31,172 deals. There were no transactions on the Federal Government and industrial loans/preference stocks

Transactions on the over-the-counter (OTC) bond segment of the market indicated that a turnover of 1.01 billion units worth =N= 1.2 trillion in 8,602 deals was recorded in August, as against a total of 2.0 billion shares valued at =N=2.2 trillion in 14,953 deals in the preceding month. The most active bond by turnover volume was the 4th FGN Bond 2014 Series 3 with traded volume of 105.4 million units valued at N120.6 billion in 1,034 deals. This was followed by the 5th FGN Bond 2028 Series 5, with a traded volume of 103.0 million units valued at =N=141.8 billion in 965 deals. Twenty-three (23) of the available thirty-seven (37) FGN Bonds were traded in the review month, compared with thirty-four (34) in the preceding month.

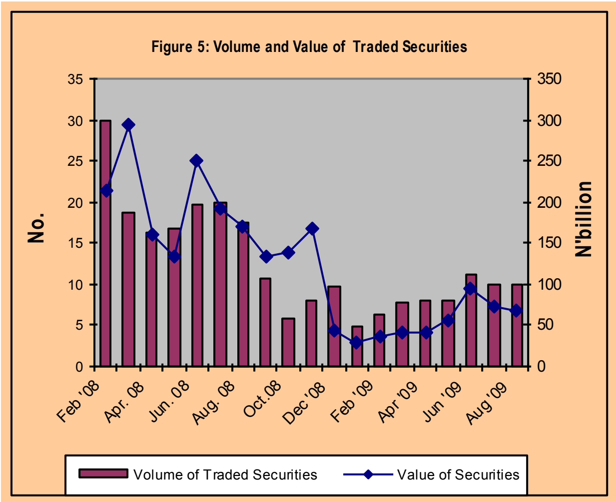
Cumulatively, total transactions on FGN Bonds through the OTC between January and August were 11.6 billion valued at =N=12.1 trillion in 77,021 deals, compared with 5.71 billion units worth =N=5.72 trillion in 45,465 deals recorded in the corresponding period of 2008.

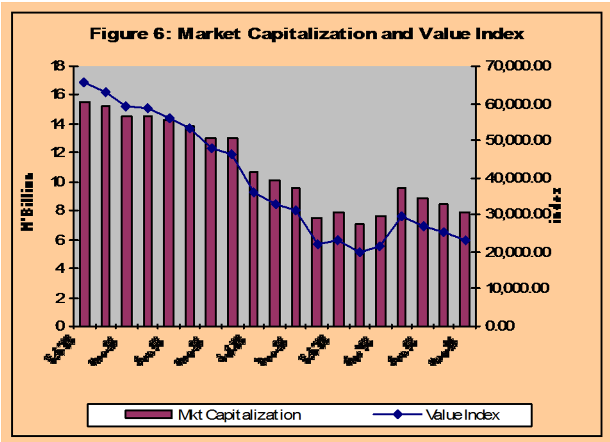
In the new issues market, there were five (5) supplementary listings during the month, same as in the preceding month.

In a another development, three (3) FGN bonds - the 3rd FGN Bond 2009 series 4, 6 and 12 - were delisted from the Daily Official list on maturity and confirmation of payment, thus bringing the number of listed FGN Bonds de-listed to twenty-nine (29).

The Nigerian Stock Exchange All-Share Index (ASI), declined by 9.0 per cent to 23,009.1 (1984 = 100), compared with the fall of 5.9 per cent in July 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 26.8 per cent. Similarly, the NSE Food/Beverage Index dipped by 4.3 per cent to close at 483.66, while the NSE Banking Index fell by 10.0 per cent to close at 370.8 in the review month. The NSE Insurance Index and the NSE Oil/Gas Index declined by 10.4 and 11.6 per cent to close, respectively, at 312.41 and 317..82.

The market capitalization of the 292 listed securities closed at N7.9 trillion, indicating a decline of 6.6 per cent from the level in July 2009. The fall in market capitalization was attributed to the price losses in some equities and the delisting of some FGN Bonds. The 210 listed equities accounted for =N=5.3 trillion or 66.5 per cent of total market capitalization down from the =N=5.8 trillion recorded in the preceding month.





3.0 DOMESTIC ECONOMIC CONDITIONS

The major agricultural activities in most parts of the country centred on harvesting of crops, particularly maize and yam. Crude oil production was estimated at 1.75 million barrels per day (mbd) or 54.25 million barrels during the month. The end-period inflation rate for August 2009, on a year-on-year basis was 11.0 per cent, compared with 11.1 per cent recorded in the preceding month. The inflation rate on a 12-month moving average basis was 13.3 per cent, compared with 13.4 per cent in July 2009.

3.1 Agricultural Sector

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

A total of =N=912.3 million was guaranteed to 6,064 farmers under the Agricultural Credit Guarantee Scheme (ACGS) during the month. The amount guaranteed represented an increase of 64.3 and 28.2 per cent over the levels in July 2009 and the corresponding month of 2008, respectively. A sub-sectoral analysis of the loans guaranteed indicated that the food crops sub-sector had the largest share of =N=678.3 million or 74.4 per cent to 5,513 beneficiaries, while the livestock sub-sector received =N=148.9 million or 16.3 per cent to 358 beneficiaries. Also, one hundred and eleven (111) beneficiaries in the fisheries sub-sector received =N=56.0 million or 6.1 per cent and sity– five (65) beneficiaries in the cash crops sub-sector received =N=26.3 million or 2.9 per cent. The sum of =N=2.8 million or 0.3 per cent was guaranteed to twenty-one (21) beneficiaries in the "others" sub-sector.

Analysis by state showed that 22 states benefited from the scheme, with the highest and lowest loans of =N=252.9 million (27.7 per cent) and =N=4.0 million (0.4 per cent) guaranteed to Katsina and Rivers states, respectively.

Retail price survey of most staples by the CBN showed mixed development as at end-August 2009. Eight of the commodities monitored, recorded price decline ranging from 0.7 per cent for palm oil to 16.2 per cent for local rice, from their levels in the preceding month. Six of the commodities, however, recorded price increase ranging from 1.59 per cent for yellow maize to 10.9 per cent for brown beans.

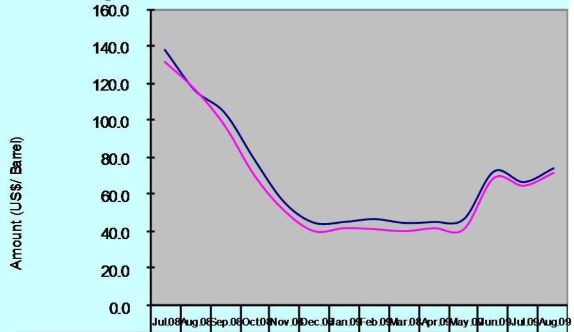
Relative to their levels in the corresponding month of 2008, eight of the commodities recorded price decline ranging from 3.9 per cent for yam flour to 16.5 per cent for groundnut oil, while six commodities recorded price increase ranging from 2.5 per cent for guinea corn to 34.3 per cent for white garri.

3.2 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 1.75 million barrels per day (mbd) or 54.25 million barrels for the month, representing an increase of 3.6 per cent over the level in the preceding month. Similarly, crude oil export was estimated at 1.30 mbd or 40.3 million barrels in the review period, while deliveries to the refineries for domestic consumption remained at 0.445 mbd or 13.80 million barrels for the month.

At an estimated average of US$74.00 per barrel, the price of Nigeria's reference crude, the Bonny Light (37º API), rose by 11.2 per cent over the level in July 2009. The average prices of other competing crudes namely, the West Texas Intermediate, U.K Brent and Forcados also, rose by 11.4, 10.9 and 10.4 per cent to US$70.94, US$72.59 and US$73.38 per barrel, respectively. Over the level in July 2009, the average price of OPEC's basket of eleven crude streams increased by 10.6 per cent to US$71.42 per barrel. The development was attributed to investors' renewed optimism of the

Figure 7: Trends in Crude Oil Price

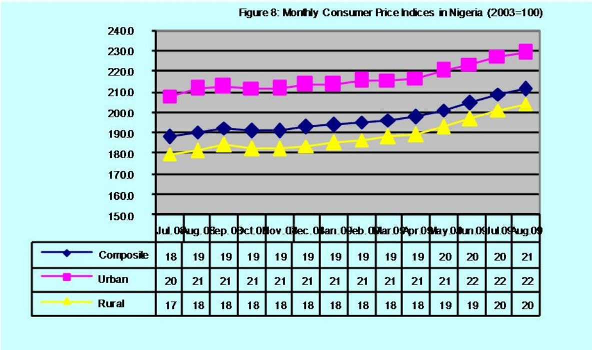


	Jul.08	Aug.08	Sep.08	Oct.08	Nov.08	Dec.08	Jan.09	Feb.09	Mar.08	Apr.09	May.09	Jun.09	Jul.09	Aug.09
Bonny Light	138.0	116.2	104.0	78.6	55.5	44.46	44.95	46.52	44.46	44.95	46.52	72.24	66.52	74
Opec Basket	131.0	116.3	96.9	70.0	51.1	40.19	41.85	41.34	40.19	41.85	41.34	68.72	64.59	71.42

global economic recovery due to improvements in Economic activities in some of the world's top energy consuming nations.

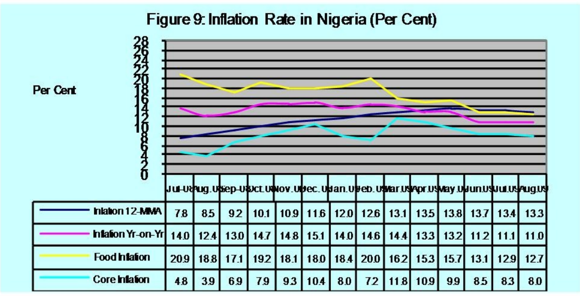
3.3 Consumer Prices

Available data showed that the all-items composite Consumer Price Index (CPI) in August 2009 was 211.3 (May 2003=100), representing an increase of 1.1 per cent over the level in the preceding month.



The urban all-items CPI at end-August 2009 was 228.9 (May 2003=100), indicating an increase of 0.7 per cent over the level in the preceding month. The rural all-items CPI for the month was 203.7 (May 2003=100), and represented an increase of 1.3 per cent over the level in the preceding month. The end-period inflation rate for August 2009, on a year-on-year basis, was 11.0 per cent, compared with 11.1 per cent in the preceding month. The inflation rate on a twelve-month moving average basis for August 2009, was 13.3 per cent, compared with 13.4 per cent in July 2009.

4.0 EXTERNAL SECTOR DEVELOPMENTS

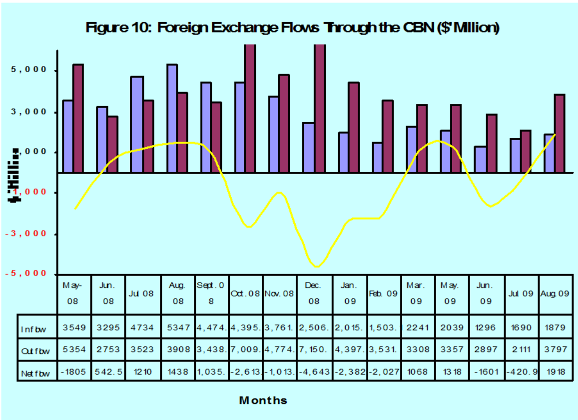


Provisional data indicated that foreign exchange inflow and outflow through the CBN in August 2009 rose by 11.2 and 80.1 per cent, respectively, over the levels in the preceding month. The weighted average exchange rate of the Naira vis-à-vis the US dollar, depreciated by 2.2 per cent to =N=151.86 per dollar at the Wholesale Dutch Auction System (WDAS).

4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in August 2009 were US$1.88 billion and US$3.80 billion, respectively, representing a net outflow of US$1.92 billion. Relative to the respective levels of US$1.69 billion and US$2.11 billion in the preceding month, inflow and outflow rose by 11.2 and 80.1 per cent, respectively. The rise in inflow was attributed largely to the increase in crude oil receipts, while the rise in outflow was due largely to the respective increase in Wholesale Dutch Auction System (WDAS) utilization and other official payments.

Provisional data on aggregate foreign exchange flows through the economy indicated that total inflow was US$4.57 billion, representing an increase of 6.6 per cent over the level in the preceding month but declined by 51.90 per cent from the level in the corresponding month of 2008. Oil sector receipts, which accounted for 36.1 per cent of the total, stood at US$1.88 billion, compared with US$1.50 billion in the preceding month. Non-oil public sector inflow rose by 23.0 per cent and accounted for 5.0 per cent of the total. Autonomous inflow rose by 3.6 per cent and accounted for 58.9 per cent of the total. At US$3.86 billion, aggregate foreign exchange outflow from the economy rose by 77.4 per cent over the level in the preceding month.



4.2 Non-Oil Export Earnings by Exporters

Total non-oil export earnings received by banks declined by 39.6 per cent from the level in the preceding month to US$81.8 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 August 2009 showed that proceeds of industrial, manufactured products, food products, transport, agricultural, and minerals sub-sectors stood at US$35.4 million, US$38.8 million, US$2.1 million, US$0.3 million, US$2.9 million and US$2.6 million, respectively.

The shares of industrial, food products, manufactured products, transport, agricultural, and minerals sub-sectors in non-oil export proceeds were 43.3, 2.6, 47.0, 0.4, 3.5 and 3.2 per cent, respectively, in the review month.

4.3 Sectoral Utilisation of Foreign Exchange

Invisibles accounted for (22.3 per cent) of the total foreign exchange disbursed in August 2009, followed by manufactured products (19.8 per cent). Other beneficiary sectors, in a descending order of importance included; food products (17.8 per cent), industrial (17.3 per cent), oil & mineral (11.6), transport sector (7.7 per cent), and agricultural sector (3.5 per cent) (Fig.11).

Figure 11:Sectoral Utilization of Foreign Exchange (Percentage of Total)

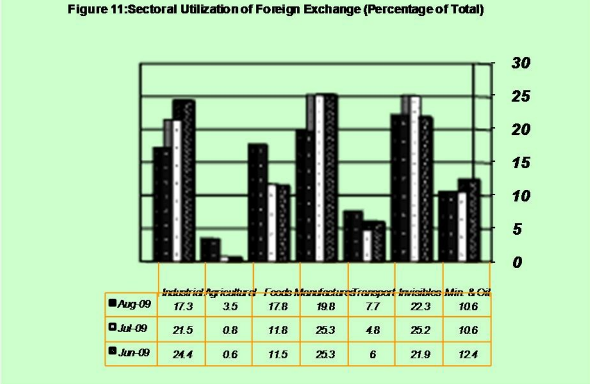
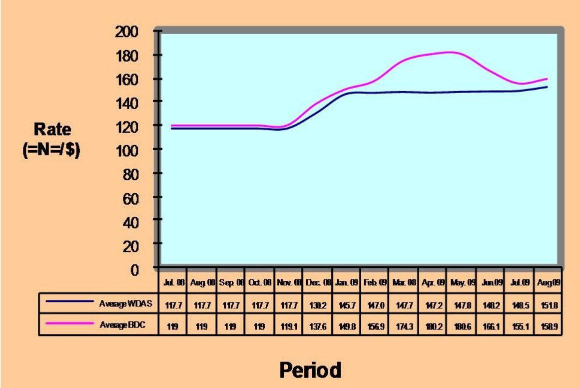


Figure 12: Average Exchange Rate Movements



4.4 Foreign Exchange Market Developments

Aggregate demand for foreign exchange by authorized dealers under the Wholesale Dutch Auction System (WDAS) was US$4.09 billion in August 2009, indicating an increase of 9.7 and 90.3 per cent over the levels in the preceding month and the corresponding month of 2008, respectively.

At US$3.07 billion, the amount of foreign exchange sold by the CBN to authorized dealers rose by 68.7 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 depreciated by 2.2 per cent to =N=151.86 per dollar.

In the Bureau-de-change segment of the market, the average rate also depreciated by 2.5 per cent to =N=158.95 per dollar. Consequently, the premium between the official and bureau-de-change rates widened from 4.4 per cent in the preceding month to 4.7 per cent.

5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output in August 2009 was estimated at 83.1 million barrels per day (mbd), compared with 83.9 mbd recorded in the preceding month, while demand stood at 84.2 mbd, indicating an increase of 0.4 per cent over the level in the preceding month.

Other major international economic developments of relevance to the domestic economy during the month included: the 33rd Ordinary Meetings of the Association of African Central Banks (AACB) held in Kinshasa, Democratic Republic of Congo (DRC) from August 17—21 2009. The theme for the 2009 AACB Annual Meetings was "The Formulation of Monetary Policy in Africa: The Relevance of Inflation Targeting".
The major highlights of the Meetings were:

- The recommendation for the selection of the European Central Bank (ECB) to conduct the study on the strategy to be adopted for the establishment of the African Central Bank (ACB).
- The BCEAO should invest the AACB funds on terms to be agreed upon with the Executive Secretariat and endorsed by the Governors.
- The need for macroeconomic convergence and sub-regional approach in the pursuit of monetary integration.
- The Governors adopted the work programme of the AACB for 2010 and appointed Mr. Jean-Claude Masangu Mulongo, Governor of the Central Bank of Congo as the new President of the AACB for 2009/2010.
- The Governors also selected the themes "Lessons Africa Should Learn from the International Financial and Economic Crisis: Mechanisms for Mitigation and Coordination of Responses" and "The Role of African Central Banks in the Regulation and Stability of the Financial System" for the 2010 Continental seminar and symposium, respectively.

In another development, the African Caucus, comprising African Governors of the International Monetary Fund and World Bank met in Freetown, Sierra Leone from August 12 – 13, 2009. The Meeting considered the draft Memorandum to be submitted to the Heads of the Bretton Woods Institutions (BWIs) at the IMF/World Bank Annual Meetings in October, 2009. The Memorandum, among other things, expressed concern on the delay in IMF quota and voice reform. The Memorandum also welcomed the reforms undertaken by the IMF to overhaul its low income countries (LICs) financing framework, notably by streamlining structural conditionality, providing short-term and emergency financing, increasing the access limits and norms of concessional instruments along with those for General Resource Agreement (GRA) resources.
The Memorandum expressed concern that Africa's infrastructure deficit continued to widen compared with other regions. The Governors therefore, called on the World Bank to scale up resources for investments in infrastructure, leverage financing from other donors, and help convert donors' commitments into real resource flows to the sector. The need for an Infrastructure Trust Fund to be set up was highlighted.

Also, the United Kingdom Department for International Development (DFID) met with the African Governors of the BWIs on the role of International Financial Institutions (IFIs) in supporting growth in Africa. The discussions were intended to articulate the position of Africa on the IFIs, especially the BWIs as input into the presentation of the G-20 Chairman, Prime Minister Gordon Brown to the upcoming G-20 Summit in the USA.
The Governors made the following observations, among others:

- There was need for the BWIs to understand the local dynamics of individual countries including the macro-political environment before setting benchmarks.
- Many countries noted that their major problem was limited resources and therefore requested that SDR resources could be turned into resources for development and not only for balance of payments purposes.

In a related development, the International Monetary Fund (IMF) on August 28, 2009 bolstered its members' reserves through an allocation of Special Drawing Rights (SDRs) worth US$250 billion, followed by an additional allocation of $33.0 billion on September 9, 2009. With the two allocations totaling $283.0 billion, the outstanding stock of SDRs would increase nearly ten-fold to about $316 billion. The allocation of SDRs by the IMF boosts member countries' reserves as SDRs could be turned into usable currencies which could assist countries to augment their reserves in times of need, and to obtain other currencies that they may use in international transactions. About $110 billion of the combined allocations would go to emerging markets and developing countries, including over $20 billion to low-income countries as most of them currently face difficult spending decisions following the global economic crisis. Under the voluntary trading arrangements, individual Fund members stand ready to buy and sell SDRs within certain limits, thereby effectively establishing an SDR market. The IMF acts as a broker and arranges transactions between prospective buyers and sellers of SDRs at no cost. These voluntary arrangements have ensured the liquidity of the SDR for more than two decades.

- The disbursement of funds by the BWIs often takes too long due to bureaucracy and therefore needed to be addressed.
- On G-20 consultation and reform, the Governors advised that there should be permanent representation of the low-income countries at the G-20 Summit. In addition, more low-income countries should be involved in the consultation and progress report on actions taken.

The 8th African Growth and Opportunity Act (AGOA) Forum was convened by the Government of the Republic of Kenya in conjunction with the United States (US) Government in Kenya from August 1 – 6, 2009 on the theme "Realizing the Full Potential of AGOA through Expansion of Trade and Investment". The objective of the forum was to create a platform on which both the US and the sub-Saharan African countries could articulate their views and concerns in order to foster closer economic ties for mutual benefit.

Table 1
MONETARY AND CREDIT DEVELOPMENTS*
(=N=Million)

		Dec 2007	Jul 2008	Aug 2008	Dec 2008	Jun 2009	Jul 2009	Aug 2009	Abs change Aug 08 &Dec 07	%	Abs change Aug 08 &Jul 08	%	Abs change Jul 09 &Jun 09	%	Abs change Aug 09 & Jul 09	%	Abs change Aug 09 & Dec 08	%
1	**Domestic Credit**	2,688,236.51	4,779,570.12	4,338,831.23	4,951,860.33	5,677,163.30	5,938,120.40	6,569,430.50	1,650,594.72	61.40	(440,738.89)	(9.22)	260,957.10	4.60	631,310.10	10.63	1,617,570.17	32.67
																	-	
(a)	**Claims on Federal Government (Net)**	(2,368,484.39)	(2,433,993.04)	(2,986,658.67)	(3,107,688.59)	(2,879,781.40)	(3,087,954.10)	(3,119,170.10)	(618,174.29)	26.10	(552,665.64)	22.71	(208,172.70)	7.23	(31,216.00)	1.01	(11,481.51)	(0.37)
	By Central Bank (Net)	(4,074,422.85)	(4,432,987.43)	(4,974,053.20)	(4,532,113.63)	(4,348,811.30)	(4,393,800.80)	(4,309,754.50)	(899,630.35)	22.08	(541,065.77)	12.21	(44,989.50)	1.03	84,046.30	(1.91)	222,359.13	4.91
	By Banks (Net)	1,705,938.46	1,998,994.39	1,987,394.52	1,424,425.04	1,469,029.90	1,305,846.70	1,190,584.40	281,456.06	16.50	(11,599.86)	(0.58)	(163,183.20)	(11.11)	(115,262.30)	(8.83)	(233,840.64)	(16.42)
																	-	
(b)	**Claims on Private Sector**	5,056,720.90	7,341,118.31	7,425,092.41	8,059,548.92	8,556,944.70	9,026,074.50	9,688,600.60	2,368,371.51	46.84	83,974.10	1.14	469,129.80	5.48	662,526.10	7.34	1,629,051.68	20.21
	By Central Bank	236,025.18	89,863.41	239,880.95	260,148.80	336,125.00	423,809.90	468,378.80	3,855.77	1.63	150,017.54	166.94	87,684.90	26.09	44,568.90	10.52	208,230.00	80.04
	By Banks	4,820,695.72	7,251,254.90	7,185,211.46	7,799,400.11	8,220,819.70	8,602,264.60	9,220,221.80	2,364,515.73	49.05	(66,043.44)	(0.91)	381,444.90	4.64	617,957.20	7.18	1,420,821.69	18.22
																	-	
(bi)	**Claims on other Private Sector**	4,968,967.30	7,213,563.16	7,325,489.90	7,909,783.78	8,305,283.50	8,751,735.70	9,412,042.70	2,356,522.60	47.42	111,926.74	1.55	446,452.20	5.38	660,307.00	7.54	1,502,258.92	18.99
	By Central Bank	236,025.18	89,863.41	239,880.95	260,148.80	336,125.00	423,809.90	468,378.80	3,855.77	1.63	150,017.54	166.94	87,684.90	26.09	44,568.90	10.52	208,230.00	80.04
	By Banks	4,732,942.12	7,123,699.75	7,085,608.95	7,649,634.97	7,969,158.50	8,327,925.80	8,943,663.90	2,352,666.83	49.71	(38,090.79)	(0.53)	358,767.30	4.50	615,738.10	7.39	1,294,028.93	16.92
(bii)	**Claims on State and Local Governments**	87,753.60	127,555.15	99,602.50	149,765.14	251,661.20	274,338.80	276,557.90	11,848.90	13.50	(27,952.65)	(21.91)	22,677.60	9.01	2,219.10	0.81	126,792.76	84.66
	By Central Bank	-	-	-	-												-	
	By Banks	87,753.60	127,555.15	99,602.50	149,765.14	251,661.20	274,338.80	276,557.90	11,848.90	13.50	(27,952.65)	(21.91)	22,677.60	9.01	2,219.10	0.81	126,792.76	84.66
																	-	
(biii)	**Claims on Non-Financial Public Enterprises**	13,249.36	-	-	-	-	-	-	(13,249.36)	(100.00)							-	
	By Central Bank	13,249.36	-	-	-	-	-	-	(13,249.36)	(100.00)							-	
	By Banks	-	-	-	-	-	-	-									-	
																	-	
2	**Foreign Assets (Net)**	7,266,512.09	8,032,523.48	8,461,171.69	8,550,430.31	7,643,607.10	7,553,994.10	7,498,432.70	1,194,659.60	16.44	428,648.21	5.34	(89,613.00)	(1.17)	(55,561.40)	(0.74)	(1,051,997.61)	(12.30)
	By Central Bank	6,570,263.73	7,327,446.00	7,642,479.40	7,270,807.42	6,642,639.00	6,592,840.50	6,514,250.40	1,072,215.68	16.32	315,033.40	4.30	(49,798.50)	(0.75)	(78,590.10)	(1.19)	(756,557.02)	(10.41)
	By Banks	696,248.36	705,077.48	818,692.29	1,279,622.89	1,000,968.10	961,153.60	984,182.30	122,443.92	17.59	113,614.81	16.11	(39,814.50)	(3.98)	23,028.70	2.40	(295,440.59)	(23.09)
3	**Other Assets (Net)**	(4,144,922.12)	(4,744,502.38)	(4,464,712.41)	(4,335,455.34)	(4,243,743.80)	(4,602,755.70)	(4,612,817.30)	(319,790.29)	7.72	279,789.97	(5.90)	(359,011.90)	8.46	(10,061.60)	0.22	(277,361.96)	(6.40)
																	-	
	Total Monetary Assets (M2)	**5,809,826.48**	**8,067,591.23**	**8,335,290.51**	**9,166,835.31**	**9,077,026.60**	**8,889,358.80**	**9,455,045.90**	**2,525,464.03**	**43.47**	**267,699.28**	**3.32**	**(187,667.80)**	**(2.07)**	**565,687.10**	**6.36**	**288,210.59**	**3.14**
																	-	
	Quasi - Money 1/	2,693,554.34	3,968,629.06	4,070,429.89	4,309,523.06	4,592,410.80	4,585,570.20	4,945,855.90	1,376,875.55	51.12	101,800.82	2.57	(6,840.60)	(0.15)	360,285.70	7.86	636,332.84	14.77
																	-	
	Money Supply (M1)	3,116,272.14	4,098,962.16	4,264,860.62	4,857,312.25	4,484,615.80	4,303,788.60	4,509,190.00	1,148,588.48	36.86	165,898.46	4.05	(180,827.20)	(4.03)	205,401.40	4.77	(348,122.25)	(7.17)
	Currency Outside Banks	737,867.22	705,084.41	727,003.65	892,675.59	746,463.90	766,880.00	760,941.40	(10,863.58)	(1.47)	21,919.24	3.11	20,416.10	2.74	(5,938.60)	(0.77)	(131,734.19)	(14.76)
	Demand Deposits 2/	2,378,404.92	3,393,877.75	3,537,856.98	3,964,636.66	3,738,151.90	3,536,908.60	3,748,248.60	1,159,452.06	48.75	143,979.22	4.24	(201,243.30)	(5.38)	211,340.00	5.98	(216,388.06)	(5.46)
																	-	
	Total Monetary Liabilities	**5,809,826.48**	**8,067,591.23**	**8,335,290.51**	**9,166,835.31**	**9,077,026.60**	**8,889,358.80**	**9,455,045.90**	**2,525,464.03**	**43.47**	**267,699.28**	**3.32**	**(187,667.80)**	**(2.07)**	**565,687.10**	**6.36**	**288,210.59**	**3.14**

Notes:

1/ Quasi-Money consists of Time,Savings and Foreign Currency Deposits at Deposit Money Banks, excluding Takings from Discount Houses.

2/ Demand Deposits consists of State, Local Government and Parastatals Deposits at the CBN; State, Local Government and Private Sector Deposits as well as Demand Deposits of Non-Financial Public Enterprises at Deposit Money Banks.

3/ Provisional.

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