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EXTERNAL SECTOR STATISTICS MONITOR

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QUARTER TWO 2010

HIGHLIGHTS:

- *Challenging performance of the external sector*
- *Contraction in trade balance*
- *Current account balance deteriorated*
- *Stock of external reserves declined*
- *External debt increased*
- *External Debt Sustainability Index remained stable*
- *FDI inflows and portfolio investment fell*
- *Exchange rate depreciated marginally*

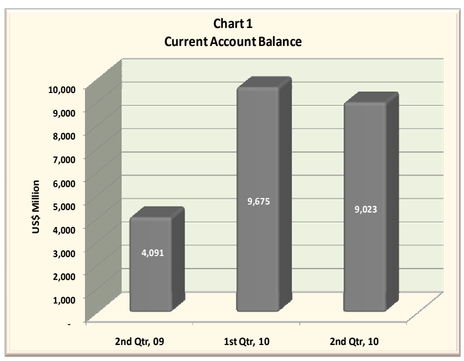
External Sector Records Challenging Performance

Introduction:

This report on the activities of the external sector of the Nigerian economy for quarter two (Q2), 2010 highlights some major developments in the sector in comparison with the revised levels recorded in the preceding and corresponding quarters; as compiled by the External Sector Statistics Division, Statistics Department. The objective is to monitor key external sector performance indicators in order to identify areas for further policy research and analysis.

Current Account

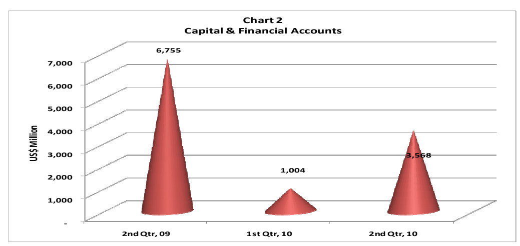
As shown in Chart 1, the country's estimated current account balance in Q2, 2010 declined, when compared with the revised level recorded in quarter one (Q1), 2010.



This could be attributed largely to the increased outflows in services and imports bills, more especially the non-oil imports as well as reduction in current transfers (net). The movement in current account position in Q2, 2010 further attests to the import-dependent nature of the Nigerian economy with its concomitant negative impact on external reserves. However, when compared with the level in the corresponding quarter of 2009, the current account balance improved (Table 1 and Chart 1).

Capital and Financial Accounts

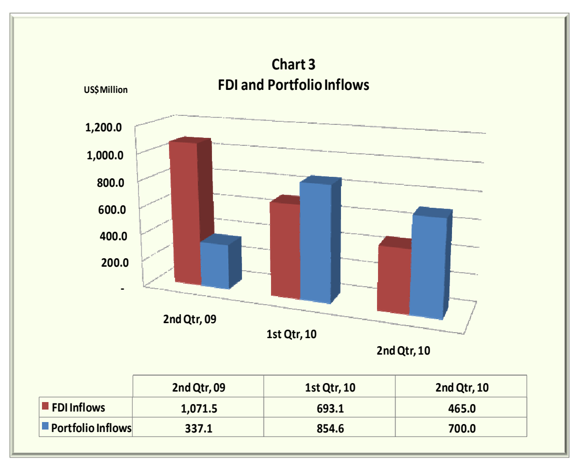
Estimates indicated that the balance in capital and financial accounts, stood at US$3,568.4 million in Q2, 2010 as against US$1,003.7 million in Q1, 2010 (Table 1, Chart 2). Further analysis revealed that the country's assets abroad increased to US$2,719.9 million in Q2, 2010 with its corresponding liabilities declining to US$848.5 million during the period under review. This development could be detrimental to the economy considering the urgent need for capital inflow to finance domestic economic growth.



FDI Inflows Fall

- **FDI and Portfolio Inflows:**

Both estimated foreign direct investment (FDI) and portfolio investment (PI) inflows recorded declines in Q2, 2010 when compared with corresponding levels in Q1, 2010 and Q2, 2009. As shown in Table 1, They declined from US$693.1 and US$854.6 million in Q1, 2010 to US$ 465.0 and US$700.0 million in Q2, 2010 (Chart 3). The observed moderation could be ascribed to the fact that the economies of the country's trading partners had not fully recovered from the global financial and economic crisis that bedeviled the world economy in recent years.

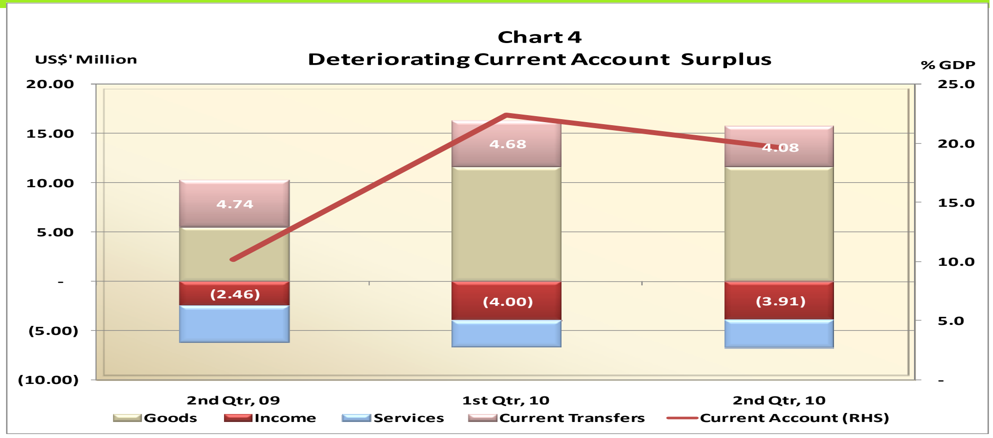


	2nd Qtr, 09	1st Qtr, 10	2nd Qtr, 10
FDI Inflows	1,071.5	693.1	465.0
Portfolio Inflows	337.1	854.6	700.0

Deteriorating Current Account Surplus

- **Current Account as Percentage of GDP**

In comparison with the revised levels recorded in Q1, 2010, current account as a percentage of GDP declined in Q2, 2010, from 22.4 per cent to 19.7 per cent (Chart 4). In spite of this development, however, the goods account position remains robust at US$11,639.8 million during the period under review.

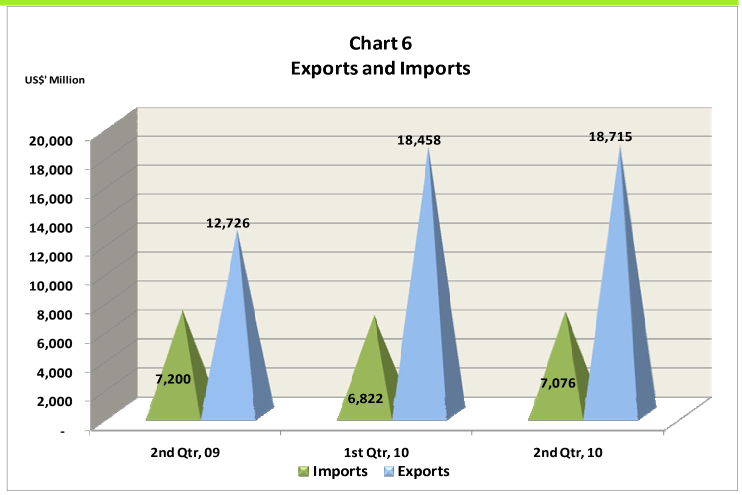


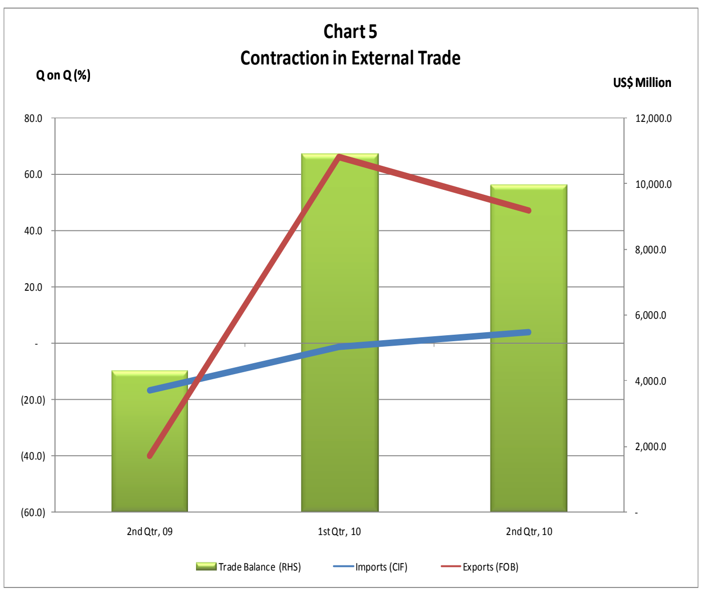
Contraction in External Trade

- **External Trade**

Available statistics in Table 1 revealed that Nigeria's trade balance deteriorated in Q2, 2010 following a slight expansion in merchandise imports (CIF) in comparison, with the developments observed in Q1, 2010 (Chart 5 and Table 2). Nigerian merchandise imports (CIF) rose from US$7,547.0 million in Q1, 2010 to US$8,750.0 million during the review period. This resulted in contraction in external trade balance from US$10,911.2 million to US$9,965.1 million, respectively. Similarly, considering quarter on quarter analysis, estimated exports reduced from 66.0 per cent in Q1, 2010 to 47.1 per cent in Q2, 2010. Quarter on quarter imports, however, increased during the period under review. It stood at -1.2 per cent in Q1, 2010 and 3.9 per cent in Q2, 2010.

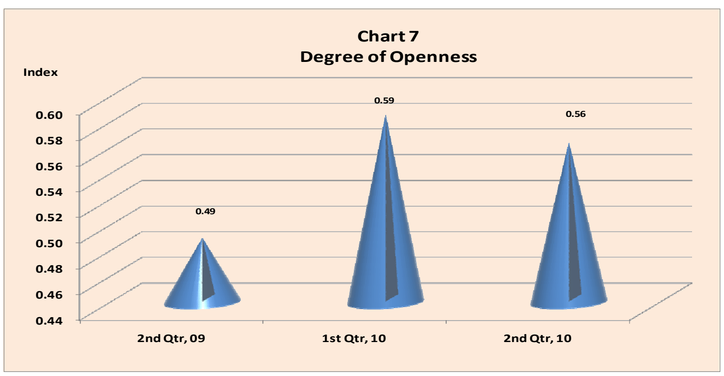
Further analysis revealed that aggregate exports (FOB) and imports (FOB) stood at US$18,715.4 and US$7,075.6 million, respectively in the Q2, 2010 compared with US$18,457.9 and US$6,821.8 million in Q1, 2010 (Chart 6).





- **Degree of Openness:**

The degree of openness depicting the share of Nigeria's total external trade to gross domestic products (GDP) declined from 0.59 recorded in the preceding quarter to 0.56 attained in the period under review. This development indicated a lower level of integration of the Nigerian economy into the global economy when compared with the preceding quarter (Chart 7 and Table 3).



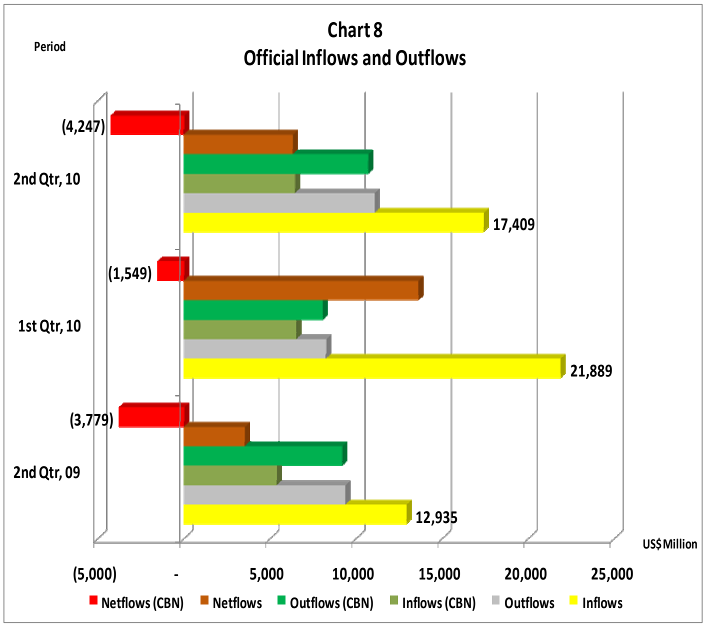
Foreign Exchange Outflow through the CBN Outweigh Inflow

- **Inflow and Outflow**

Available statistics in Table 4 indicated that foreign exchange inflow through the CBN to the economy in Q2, 2010, stood at US$17,409.3 million as against US$21,889.2 million recorded in Q1, 2010, representing a decrease of 20.5 per cent. This development could be ascribed to consistent decrease in the exports of non-oil products.

However, total outflow in the period under review amounted to US$11,081.2 million, showing an increase of 34.1 per cent above the levels in the preceding quarter.

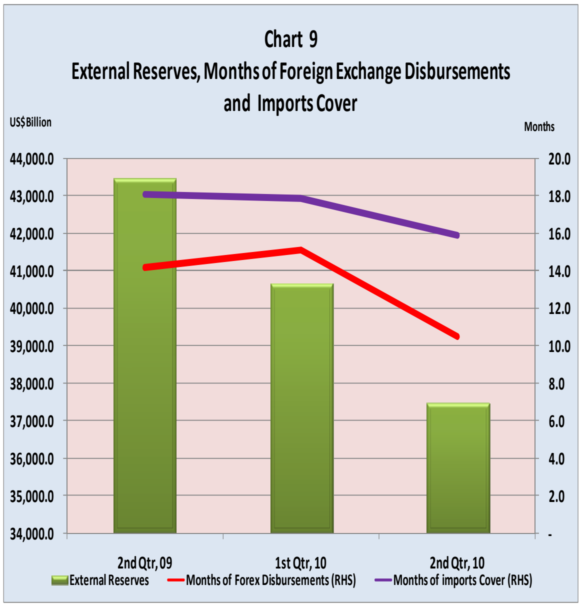
Consequently, a contracted net-flow of US$6,328.1 million was recorded in Q2, 2010 as against the US$13,625.7 million in Q1, 2010. This is graphically demonstrated in Chart 8.



External Reserves Fall

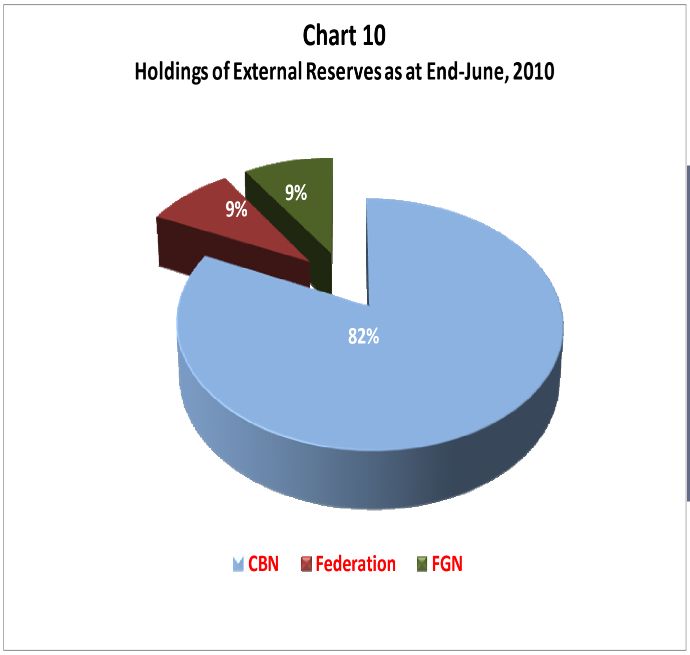
- **External Reserves:**

The level of official foreign reserves as at end June, 2010 stood at US$37, 468.4 million. This level of reserves could finance 10.5 months of foreign exchange disbursements and 15.9 months of imports cover. This is against the preceding period, where the level of reserves could finance 15.1 months of foreign exchange disbursements and 17.9 months of imports cover. The development is graphically illustrated in Chart 9.



- **Holdings of External Reserves**

Analysis of the statistics on the holdings of external reserves revealed that the share of the CBN was 82.0 per cent of total reserves. On the other hand, the share of the Federation and Federal Government were 9.0 per cent each (Chart 10).



External Reserves stood at US$37.5 billion in Q2, 2010

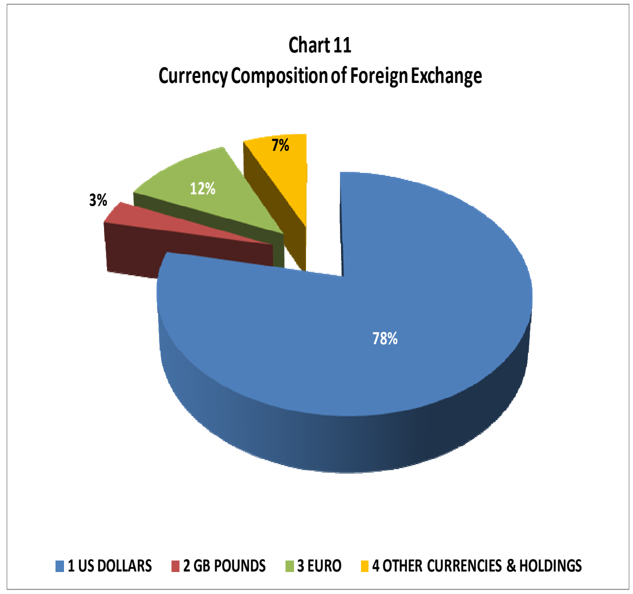
US Dollar Denominated Investments Dominate

US$ accounted for 78 per cent of the Nigeria's Currency Holdings

- **Currency Composition of Foreign Exchange Reserves**

Available records from the balances as per latest advice (BAPLA) revealed total reserves of US$37,468.4 million during the period under review, representing a decline of 7.9 and 13.8 per cent when compared with the levels recorded in the preceding and corresponding quarters, respectively. Though, holdings of foreign reserves in US dollar in the review period constituted 78.4 per cent of the total foreign reserves holdings, it declined from US32,523.0 million in Q1, 2010 to US$29,367.4 million in Q2, 2010.

The Swiss franc (CHF) on the other hand, registered the least holdings of US$2.07 million or 0.01 per cent of total holdings. The volume of Japanese Yen in total reserves during the period under review increased from US$21.3 million in Q1,2010 to US$22.9 million during the review period. It was also higher than US$15.4 million recorded in the corresponding quarter of 2009 (Table 5).



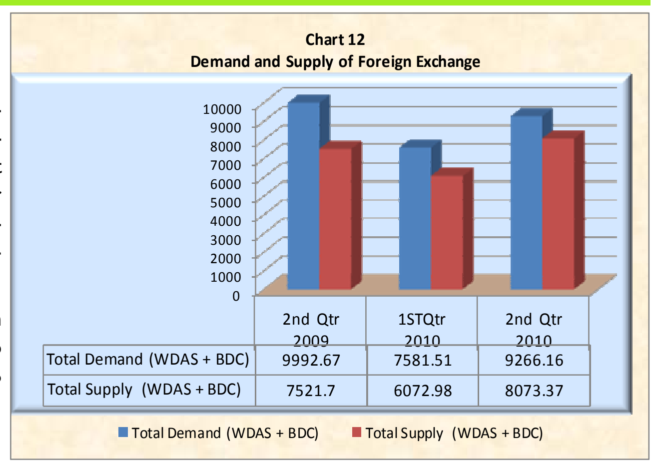
Demand and Supply of Foreign Exchange on the Increase

Supply of foreign exchange increased

- **Demand and Supply of Foreign Exchange**

The aggregate demand for foreign exchange by the authorized dealers consisting of WDAS and BDC operators during the period under review stood at US$9,266.2 million, representing an increase of 22.2 per cent in relation to Q1, 2010. Compared to the corresponding period of 2009, a decline of 7.3 per cent manifested.

A total amount of US$8,073.4 million was supplied in Q2, 2010, consisting of US$6,832.5 and US$1,240.9 to the WDAS and BDC operators, respectively (Table 6 and Chart 12).



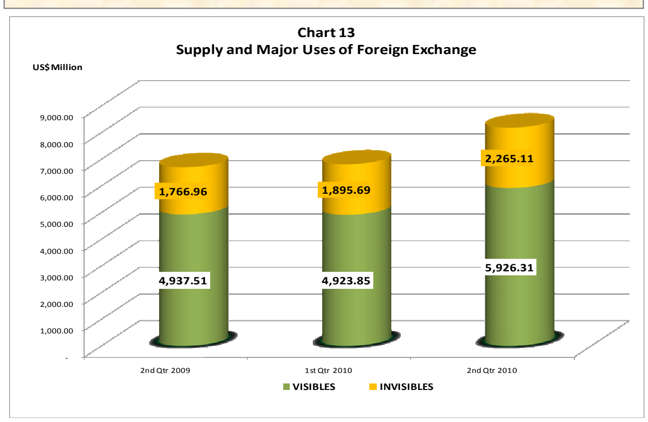
	2nd Qtr 2009	1STQtr 2010	2nd Qtr 2010
Total Demand (WDAS + BDC)	9992.67	7581.51	9266.16
Total Supply (WDAS + BDC)	7521.7	6072.98	8073.37

Sectoral Utilization of Foreign Exchange for Oil Sector Imports dominated

- **Major Uses of Foreign Exchange**

The aggregate supply of foreign exchange for both visible and invisible trade during the period under review stood at US$8,191.4 million. This represented increases of 20.1 and 22.2 per cent in comparison with the levels recorded in preceding and corresponding quarters, respectively (Table 7).

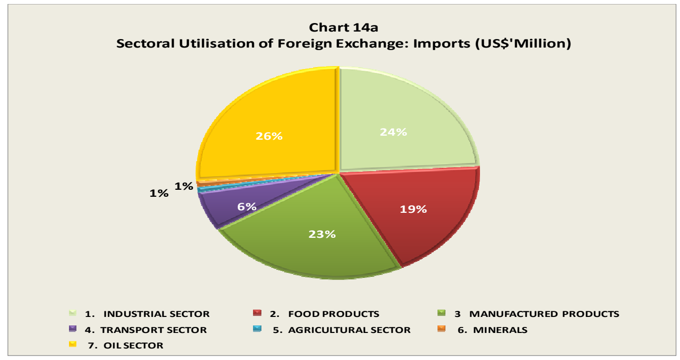
The amount supplied in Q2, 2010, consisted of US$5,926.3 million and US$2,265.1 million for visible and invisible trade, representing approximately 72 and 28 per cent , respectively. This pattern of domination by visible trade permeated during the three quarters analyzed (Table 7 and Chart 13).



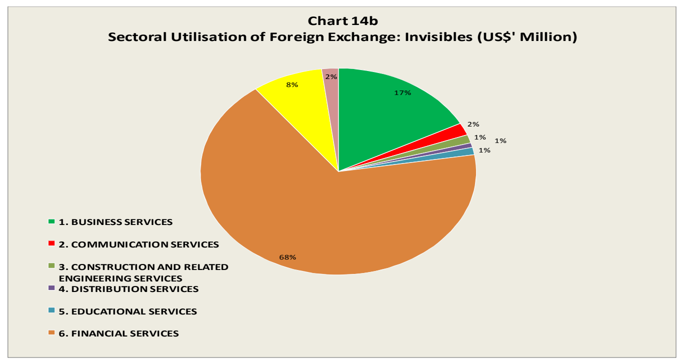
Sectoral Utilization of Foreign Exchange for Oil Sector Imports Lead

- **Sectoral Utilization of Foreign Exchange**

Analysis of foreign exchange utilization by sectors revealed that US$5,926.3 million was spent on the importation of various items into the country in Q2, 2010, representing 72.3 per cent of the total foreign exchange utilized during the period. This showed an increase of 20.4 and 20.0 per cent in comparison with the levels recorded in the preceding and corresponding quarters, respectively. As shown in Chart 14a, the importation of oil sector, industrial sector and manufactured products, recorded 26.2, 24.0 and 23.5 per cent, respectively of the total amount utilized for imports (Table 7).



On the other hand, US$2,265.1 million foreign exchange was spent on invisible items, representing 27.7 per cent of the total foreign exchange utilized in Q2, 2010. The major components that made up the foreign exchange spending on invisible items included financial, business and transport services consisting of approximately 67.4, 17.3 and 8.3 per cent, respectively (Chart 14b).



Official and BDC Exchange Rates Diverge

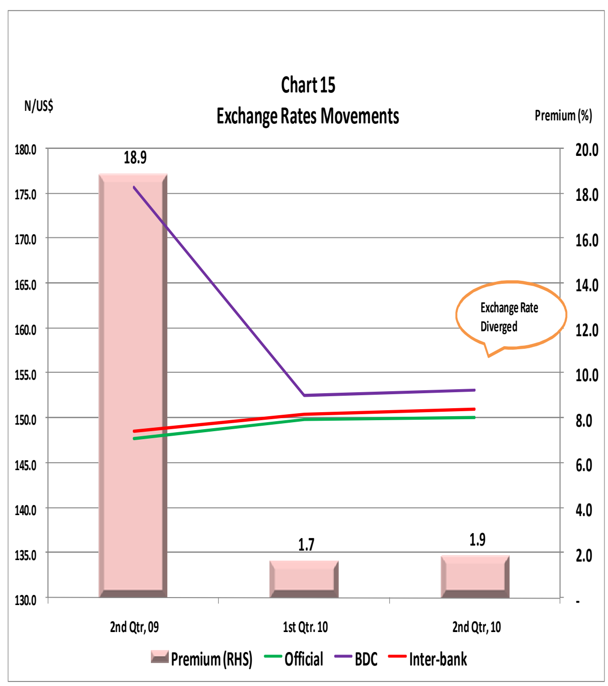
- **Official and BDC Rates**

In the second quarter of 2010, the average official exchange rate depreciated marginally as naira exchanged at N150.1 as against N149.9 to the US$ recorded in Q1, 2010. Similarly, at the bureau-de-change (BDC) segment of the market, the naira exchanged at N153.0 to the US dollar in Q2, 2010, as against N152.5 in Q1, 2010 (Table 8).

As illustrated in Chart 15, this development implies that the BDC premium widened as the official and BDC rates diverged.

- **Inter-bank Rate**

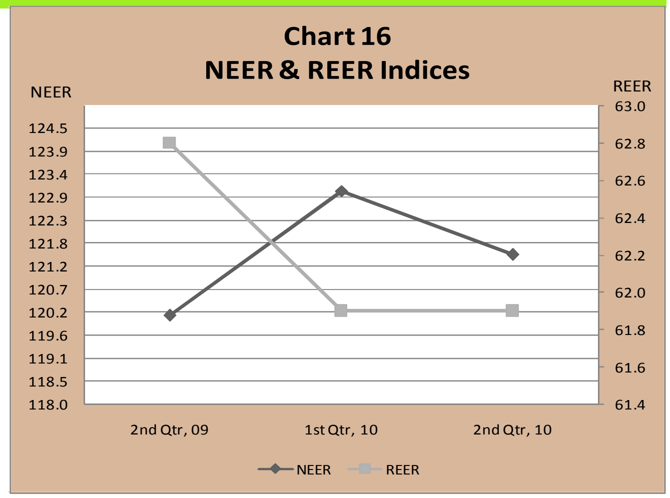
During the period under review, the inter-bank market average exchange rate stood at N151.1 as against N150.5 and N148.5 in Q1, 2010 and Q2, 2009, respectively. The movement in the inter-bank rate is in tandem with the behavior of the exchange rate movement in the official segment of the foreign exchange market.



Mixed Development

- **NEER and REER**

The nominal effective exchange rate (NEER) of the naira index declined from 123.0 in Q1, 2010 to 121.6 in Q2, 2010. In the case of the real effective exchange rate (REER), there was a marginal decline from 61.8 to 61.7 (Table 9 and Chart 16).



External Debt Sustainability Index Unchanged

- **Public Sector External Debt**

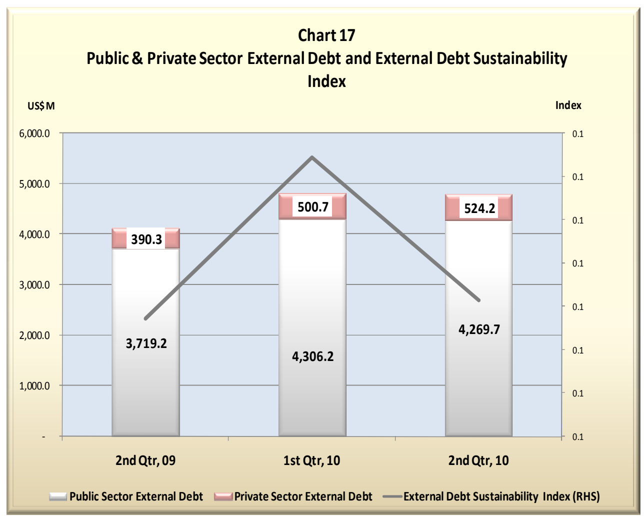
The external debt sustainability index, computed as the ratio of external debt to nominal GDP remained unchanged at 0.1 in the period under review just as in the preceding quarter. The public sector external debt increased from US$3.7 billion in Q2, 2009 to US$4.3 billion in Q2, 2010, signifying contraction of new debt. However, even with this development, public sector external debt was sustainable, attributable to the corresponding growth in nominal GDP (Chart 17).

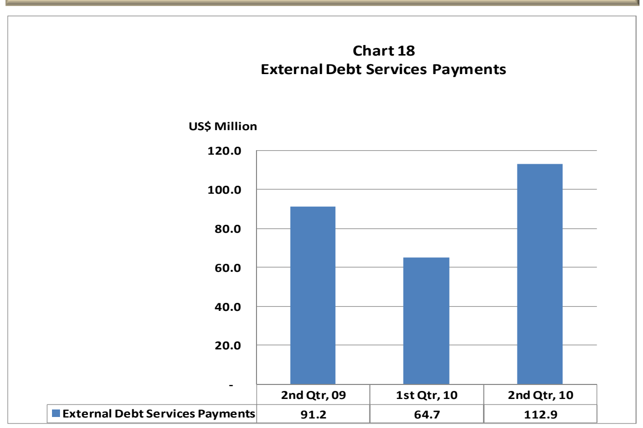
- **Private Sector External Debt**

The private sector external debt as at end June, 2010 stood at US$524.2 billion, when compared with US$.500.7 billion in Q1, 2010 and US$390.3 billion in Q2, 2009. This class of debt represent debt drawn within the review period only (Chart 17).

- **Debt Service Payments**

Available statistics showed that public sector debt service payments rose from US$64.7 million in Q1, 2010 to US$112.9 million in Q2, 2010 (Chart 18).



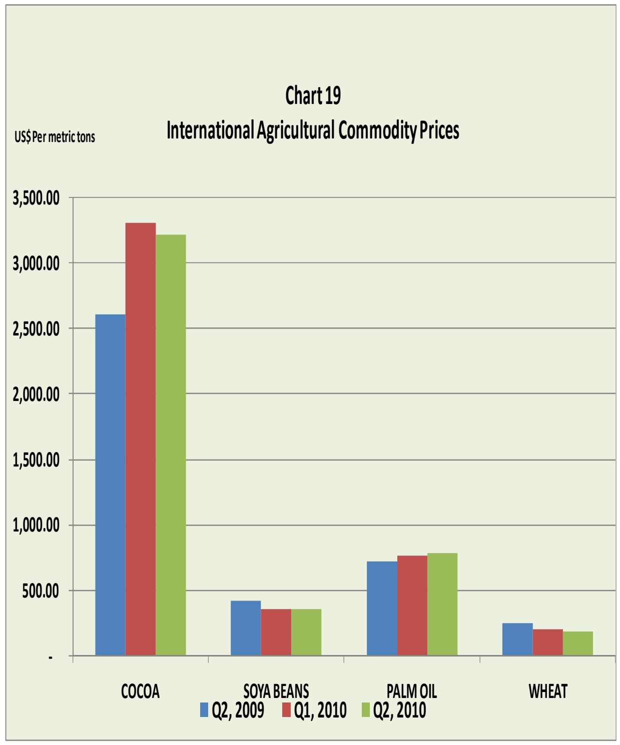


Mixed Developments in International Agricultural Commodity Prices

- **International Agricultural Commodity Prices**

The prices of the international agricultural commodities monitored during the period under review displayed mixed developments, when compared with the levels recorded in the preceding and corresponding quarters. For instance, while the price per metric ton of cocoa stood at US$3,297.1 in Q1, 2010, it fell to US$3,207.0 in Q2, 2010, representing a decline of 2.7 per cent. However, in comparison with the corresponding quarter of 2009, an increase of 23.4 per cent was observed (Table 10).

The price per metric ton of palm oil, which stood at US$779.8 in Q2, 2010, recorded increases of 2.1 and 8.5 per cent in relation to Q1 and Q2, 2009, respectively. In a contrasting development, wheat recorded price declines of 9.3 and 28.4 per cent in the period under review, when compared with the preceding and corresponding quarters, respectively (Chart 19).



International Agricultural commodity prices recorded mixed developments

Table 1: Summary of Balance of Payments Account (US$' Million)

	2nd Qtr, 2009/1	3rd Qtr, 2009 /1	4th Qtr, 2009/1	1st Qtr, 2010/1	2nd Qtr, 2010 /2
CURRENT ACCOUNT	4,091.24	5,664.38	9,805.08	9,675.49	9,022.50
Goods	5,525.92	7,934.12	12,497.28	11,636.07	11,639.80
Exports	12,726.02	16,070.53	20,057.77	18,457.89	18,715.44
Crude Oil & Gas	12,304.65	15,685.60	19,395.44	17,723.71	18,068.76
Non-Oil	421.37	384.94	662.33	734.18	646.68
Imports	-7,200.11	-8,136.41	-7,560.49	-6,821.83	-7,075.64
Crude Oil & Gas	-1,739.22	-1,981.04	-2,111.22	-2,762.54	-2,160.27
Non-Oil	-5,460.89	-6,155.38	-5,449.27	-4,059.29	-4,915.37
Services (net)	-3,711.96	-4,097.57	-4,191.15	-2,644.04	-2,793.84
Income (net)	-2,459.29	-2,742.35	-3,435.58	-3,999.96	-3,906.12
Current transfers (net)	4,736.57	4,570.18	4,934.53	4,683.42	4,082.66
CAPITAL & FINANCIAL ACCOUNT	6,755.44	3,099.00	1,425.16	1,003.70	3,568.38
Capital Account (net)	0	0	0	0	0
Financial Account (net)	6,755.44	3,099.00	1,425.16	1,003.70	3,568.38
Assets	4,740.87	-2,168.44	-525.82	-107.73	2,719.86
Direct Investment Abroad	-36.68	-4.98	-68.36	-54.00	-41.94
Portfolio Investment Abroad	-54.36	-178.13	-240.87	-326.47	-458.42
Other Investment	1,212.69	-2,104.73	-1,177.43	-1,442.72	-22.43
Reserves Assets	3,619.22	119.41	960.84	1,715.46	3,242.65
Liabilities	2,014.57	5,267.44	1,950.99	1,111.44	848.52
Direct Investment Inflows	1,071.53	1,180.11	1,569.65	693.06	464.95
Portfolio Investment Inflows	337.12	389.13	314.62	854.64	699.99
Other Investment Liabilities	-24.08	3,698.19	66.72	-436.26	-316.43
Net Errors & Omission	**-10,846.68**	**-8,763.38**	**-11,230.25**	**-10,679.19**	**-12,590.88**
Memorandum Items					
Trade Balance	4,301.0	6,739.0	11,348.1	10,911.2	9,965.1
Current Account Balance as % of GDP	10.21	12.55	21.40	22.43	19.74
Capital & Financial Accounts as % of GDP	16.85	6.86	3.11	2.33	7.81
Overall Balance as % of GDP	-9.03	-5.60	-2.10	-3.98	-7.09
Imports (CIF)	8,425.0	9,331.5	8,709.7	7,547.0	8,750.0
External Reserves– Stock (US$' Million)	43,462.74	43,343.33	42,382.49	40,667.03	37,468.44
Number of Months of Imports Cover	18.11	15.98	16.82	17.88	15.87
No. of Months of Foreign Exchange Disbursements	14.2	14.4	19.9	15.1	10.5
Public External Debt Stock (US$' Million)	3,719.24	3,863.93	3,947.30	4,306.18	4,269.71
Private External Debt (US$ Million)	390.34	900.83	593.93	500.74	524.19
Effective Central Exchange Rate (N/$)	146.69	147.99	147.27	148.70	148.90
End-Period Exchange Rate (N/$)	148.22	148.79	149.58	149.28	149.99

1/ Revised
2/ Provisional

Source: Balance of Payments Office (BOPSO), Statistics Dept. CBN

Table 2: External Trade Position

	Imports (CIF) % (Q on Q)	Export (FOB) % (Q on Q)	Trade Balance (US$ million)
2nd Qtr, 2009	-16.8	-39.9	4,301.0
1st Qtr, 2010	-1.2	66.0	10,911.2
2nd Qtr, 2010	3.9	47.1	9,965.1

Sources: BOPSO, Statistics Dept. CBN

Table 3: Degree of Openness and International Crude Oil Price

	2nd Qtr, 2009	1st Qtr, 2010	2nd Qtr, 2010
Degree of Openness	0.49	0.59	0.56
Crude Oil Price (US$ PB)	61.1	77.7	79.5

Source: International Investment Statistics Office (IISO), Statistics Dept. CBN

Table 4: Inflow and Outflow of Foreign Exchange through the Economy(US$ Million)

	2nd Qtr, 2009 (1)	1st Qtr, 2010 (2)	2nd Qtr, 2010 (3)	Percentage Change (1) & (3)	Percentage Change (2) & (3)
Inflows	12,935.29	21,889.17	17,409.29	34.6	(20.5)
Inflows through CBN	5,404.16	6,521.13	6,460.95	19.6	(0.9)
Inflows through Autonomous Sources	7,531.13	15,368.04	10,948.34	45.4	(28.8)
Outflows	9,391.20	8,263.44	11,081.23	18.0	34.1
Outflows through CBN	9,182.94	8,070.18	10,707.73	16.6	32.7
Outflows through Autonomous Sources	208.26	193.26	373.50	79.3	93.3
Net Flows through CBN	(3,778.78)	(1,549.05)	(4,246.78)	12.4	174.2
Net Flows	3,544.09	13,625.73	6,328.06	78.6	(53.6)

Sources: Trade and Exchange Dept. and Reserves Management Dept., CBN

Table 5: Currency Composition of Foreign Exchange Reserves (US$' Million)

Currencies	2nd Qtr, 2009	Ist Qtr, 2010	2nd Qtr, 2010	Share of Total	Percentage Change B/W	
	(1)	(2)	(3)		1 & 3	2 & 3
US Dollar	37,466.39	32,523.00	29,367.37	78.38	(21.62)	(9.70)
GB Pounds	1,341.31	1,284.85	1,266.75	3.38	-5.6	-1.4
Euro	4,592.14	4,523.47	4,324.22	11.54	(5.83)	(4.40)
Japanese Yen	15.41	21.26	22.86	0.06	48.35	7.53
Other Currency Holdings	47.49	2,314.46	2,487.24	6.64	5,137.40	7.47
Total	43,462.74	40,667.03	37,468.44	100.00	(13.79)	(7.87)

Sources: Trade and Exchange Dept. and Reserves Management Dept., CBN

Table 6: Demand and Supply of Foreign Exchange (US$' Million)

	2nd Qtr, 2009	Ist Qtr, 2010	2nd Qtr, 2010	(1) & (3)	(2) & (3)
WDAS Demand	9.058.97	6,391.15	8,025.28	-511.41	25.57
BDC Demand	933.70	1,190.36	1,240.88	-32.90	4.24
Total Demand	**9,992.67**	**7,581.51**	**9,266.16**	-7.27	22.22
Supply to WDAS	6,588.00	4882.62	6832.49	3.71	39.93
Supply to BDC	933.7	1190.36	1240.88	32.90	4.24
Total Supply	7521.70	6072.98	8073.37	7.33	32.94

Source: Trade and Exchange Dept. , CBN

Table 7: Sectoral Utilization of Foreign Exchange by DMBs for 'Valid' Transactions (US$)

	2nd Qtr 2009	1st Qtr 2010	2nd Qtr 2010/1	Share of	Percentage Change Between	
	2009	2010	2010/2	Total		
	(1)	(2)	(3)		(1) &(3)	2&3
A. IMPORTS	**4,937,509,390.68**	**4,923,847,404.95**	**5,926,305,511.43**	**100.00**	**20.03**	**20.36**
INDUSTRIAL SECTOR	1,614,494,430.94	1,205,963,267.97	1,423,811,069.87	**24.0**	**-11.81**	**18.06**
FOOD PRODUCTS	713,638,210.53	770,984,503.88	1,099,630,301.12	**18.6**	**54.09**	**42.63**
MANUFACTURED PRODUCTS	1,481,741,582.42	1,305,859,863.66	1,392,995,364.41	**23.5**	**-5.99**	**6.67**
TRANSPORT SECTOR	353,188,412.77	335,902,634.81	355,077,144.90	**6.0**	**0.53**	**5.71**
AGRICULTURAL SECTOR	60,524,969.86	30,257,643.90	47,654,357.35	**0.8**	**-21.26**	**57.50**
MINERALS	35,384,119.54	58,448,613.93	55,378,929.40	**0.9**	**56.51**	**- 5.25**
OIL SECTOR	678,537,664.62	1,216,430,876.80	1,551,758,344.38	**26.2**	**128.69**	**27.57**
B. INVISIBLES	**1,766,962,448.63**	**1,895,687,206.71**	**2,265,109,998.12**	**100.00**	**28.19**	**19.49**
1. BUSINESS SERVICES	258,818,006.52	326,394,629.25	391,293,703.24	17.3	**51.18**	**19.88**
2. COMMUNICATION SERVICES	80,919,342.93	71,014,656.45	43,785,787.16	1.9	**-45.89**	**- 38.34**
3. CONSTRUCTION AND RELATED ENGINEERING SERVICES	5,093,444.50	14,089,873.26	29,881,481.03	1.3	**486.67**	**112.08**
4. DISTRIBUTION SERVICES	19,248,574.99	10,565,352.67	15,527,038.70	0.7	**-19.33**	**46.96**
5. EDUCATIONAL SERVICES	41,476,715.12	26,685,108.24	26,137,792.47	1.2	**-36.98**	**- 2.05**
6. ENVIRONMENTAL SERVICES	0	81,409.89	0	0.0		
7. FINANCIAL SERVICES	1,198,761,781.35	1,257,903,081.21	1,527,090,496.02	67.4	**27.39**	**21.40**
8. HEALTH RELATED AND SOCIAL SERVICES	939,870.31	301,540.99	272,948.48	0.0	**-70.96**	**- 9.48**
9. TOURISM AND TRAVEL RELATED SERVICES	4,711,583.65	1,369,922.58	30,882,023.59	1.4	**555.45**	**2,154.29**
10. RECREATIONAL, CULTURAL AND SPORTING SERVICES	7,390.83	30,000.00	16,300.00	0.0	**120.54**	**- 45.67**
11. TRANSPORT SERVICES	144,599,316.40	175,628,032.21	187,485,210.65	8.3	**29.66**	**6.75**
12. OTHER SERVICES NOT INCLUDED ELSEWHERE	12,386,422.03	11,623,599.96	12,737,216.78	0.6	**2.83**	**9.58**
TOTAL (A+B)	**6,704,471,839.31**	**6,819,534,611.66**	**8,191,415,509.55**		22.18	20.12

Source: Trade and Exchange Department, CBN

Table 8: Average Exchange Rates

	2nd Qtr, 2009	1st Qtr, 2010	2nd Qtr, 2010	Apprecia-tion/depreciation
Official Exchange Rate (WDAS)	147.76	149.94	150.13	-0.13
Inter-Bank Rate	148.54	150.46	151.05	-0.39
Bureau de Change Rate (BDC)	175.68	152.49	153.04	-0.36
Premium (%)	18.90	1.70	1.94	

Source: Trade and Exchange Department, CBN

Table 9 NEER and REER Indices

	2nd Qtr, 2009	1st Qtr, 2010	2nd Qtr, 2010
NEER	120.08	123.00	121.63
REER	62.80	61.80	61.67

Source: External Sector Indicators Statistics Office, Statistics Department, CBN

Table 10: International Agricultural Commodity Prices (US$/Metric Tonne)

	2nd Qtr, 2009 (1)	1st Qtr, 2010 (2)	2nd Qtr, 2010 (3)	% Chg (1) & (3)	% Chg (2) & (3)
Cocoa	2, 598.64	3,297.11	3,206.98	23.4	-2.7
Palm Oil	718..81	763.41	779.78	8.5	2.1
Wheat	247.86	195.55	177.38	-28.4	-9.3
Soya Beans	413.97	350.86	351.73	-15.0	0.2

Sources: International Cocoa Organization/International Monetary Fund