



CENTRAL BANK OF NIGERIA

***ECONOMIC REPORT
JANUARY 2011***

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

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1.0 Summary

Growth in the key monetary aggregate was moderate, relative to the level in the preceding month. Broad money (M_2) grew marginally by 0.5 per cent, relative to the level at the end of the preceding month, due largely to the 9.6 per cent increase in other assets (net) of the banking system. Narrow money (M_1), also increased slightly by 0.2 per cent, over the level at the end of the preceding month. On month-on-month basis, M_2 rose by 0.5 per cent, compared with the increase of 3.1 per cent at end-December 2010. Reserve money decelerated by 8.1 per cent from its level in the preceding month.

Available data indicated a downward trend in banks' deposit and lending rates. The spread between the weighted average term deposit and maximum lending rates widened marginally from 18.10 per cent in the preceding month to 18.12 per cent in January 2011. The spread also widened by 6.07 percentage points relative to its corresponding period in 2010. The margin between the average savings deposit and maximum lending rates increased slightly from 20.35 percentage points in the preceding month to 20.37 percentage points. The weighted average interbank call rate declined to 5.85 per cent from 6.36 per cent in the preceding month, reflecting the liquidity condition in the interbank funds market.

The value of money market assets outstanding at end-January 2011 was ₦4,487.57 billion, representing an increase of 0.9 per cent, compared with an increase of 2.5 per cent at end-December 2010. The development was attributed to the 3.1 and 1.9 per cent rise in the value of Commercial Paper (CP) and FGN Bonds, respectively.

Total federally-collected revenue in January 2011 was estimated at ₦731.84 billion, representing an increase of 11.0 and 45.7 per cent over the proportionate monthly budget estimate for 2011 and the receipts in the corresponding period of 2010, respectively. At ₦580.11 billion, gross oil receipts, which constituted 79.3 per cent of the total revenue, exceeded the proportionate monthly budget estimate for 2011 and the receipts in the corresponding period of 2010 by 20.8 and 7.7 per cent, respectively. The increase in oil receipts above the proportionate monthly budget estimate was largely attributed to higher domestic

crude oil and gas sales in the review month. Non-oil receipts, at ₦151.72 billion or 20.7 per cent of the total, was lower than the proportionate monthly budget estimate for 2011 and receipts in the preceding month by 15.5 and 30.7 percent, respectively, but exceeded the level in the corresponding month of 2010 by 10.9 per cent. The shortfall relative to the proportionate monthly budget estimate reflected largely the significant decline in corporate tax and Value-Added Tax (VAT). Federal Government estimated retained revenue in January 2011 was ₦234.4 billion, while total estimated expenditure was ₦280.15 billion. Thus, the fiscal operations of the Federal Government resulted in an estimated deficit of ₦45.76 billion, compared with the monthly budgeted deficit of ₦115.81 billion for the review month.

The dominant agricultural activities in January 2011 were; harvesting of tree crops; cultivation of fruits, vegetables, and wheat; and clearing of land for 2011 cropping season. In the livestock sub-sector, farmers were engaged in re-stocking of broilers and layers to replenish those sold during the yuletide season. Crude oil production, including condensates and natural gas liquids in January 2011 was estimated at 2.15 million barrels per day (mbd) or 66.65 million barrels for the month. Crude oil export was estimated at 1.70 mbd or 52.7 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° API), estimated at US\$93.50 per barrel, increased by 5.49 per cent over the level in the preceding month.

The end-period headline inflation rate (year-on-year), in January 2011, was 12.1 per cent, compared with 11.8 per cent at the end of the preceding month. Inflation rate on a twelve-month moving average basis declined to 13.5 per cent by 0.2 percentage point from the level in the preceding month.

Foreign exchange inflow and outflow through the CBN in January 2011 were US\$3.44 billion and US\$2.81 billion, respectively, and resulted in a net inflow of US\$0.63 billion. Foreign exchange sales by the CBN to the authorized dealers amounted to US\$2.14 billion, showing a decline of 2.1 per cent from the level in the preceding month, but an increase of 12.9 per cent, when compared with the level in the corresponding period of 2010.

The average Naira exchange rate vis-à-vis the US dollar, depreciated at the WDAS and bureaux-de-change segments by 0.8 and 0.1 per cent, respectively. At the interbank segment, the Naira, however, appreciated by 0.1 per cent over the level in the preceding month to ₦152.47 per US dollar.

Non-oil export earnings by Nigerian exporters increased by 30.9 per cent over the level in the preceding month to US\$237.65 million. The development was attributed largely to the increase in exports of agricultural, industrial and finished products traded at the international commodities market during the period.

World crude oil output in January 2011 was estimated at 87.66 million barrels per day (mbd), while demand was estimated at 86.89 million barrels per day (mbd), representing an excess supply of 0.77 mbd, compared with 86.61 and 86.39 mbd supplied and demanded, respectively, in the preceding month. The OECD countries were the key growth drivers in demand for world crude oil, led by Europe and parts of North America. This was also reinforced by increased consumption in the non-Organization for Economic Co-operation and Development (OECD).

Other major international economic developments and meetings of relevance to the domestic economy during the review month included: the first regional experts meeting of the OECD/AfDB and the official launch of the Joint Initiative to support business integrity and anti-bribery efforts, held in Lilongwe, Malawi from January 13-14, 2011. The Meeting discussed, among others, the anti-corruption policies and practices in twenty African countries, as well as the official adoption of the anti-bribery and business integrity course of action for Africa. The World Economic Forum Annual meeting was also held at Davos-Klosters, Switzerland from January 26-30, 2011. The meeting discussed the importance of building frameworks for global governance and institutions with an inclusive approach to different cultures. It further stressed the need for pragmatic measures by businesses, governments and non-governmental organizations towards shared norms for processes and practices.

In a related development, the 16th African Union (AU) summit of Heads of State and Government was held on January 31 in Addis Ababa, Ethiopia with the theme, "Towards greater unity and integration through shared values". The major

declaration during the summit, included the need for the implementation of previous decisions of the Executive Council and the African Union solemn declaration on gender equality in Africa.

2.0 *Financial Sector Developments*

2.1 Monetary and Credit Developments

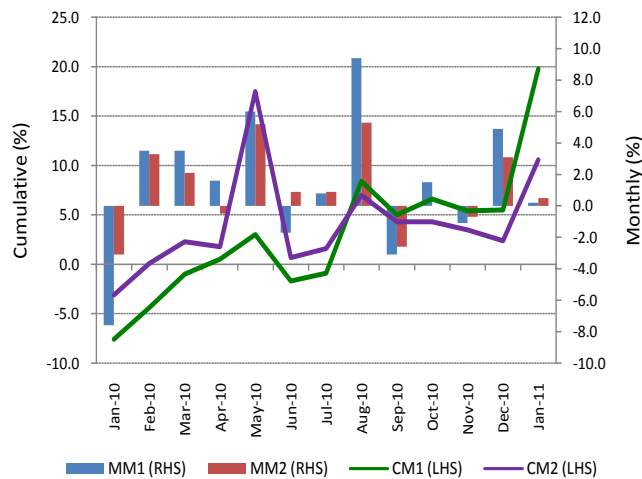
The major monetary aggregate grew moderately, while banks' deposit and lending rates fell in January 2011. The value of money market assets outstanding increased, owing largely to the rise in the value of commercial paper (CP) and FGN Bonds. Developments on the Nigerian Stock Exchange (NSE) were bullish during the review month.

The key monetary aggregate grew moderately in January 2011.

Provisional data indicated that growth in the major monetary aggregate was modest at end-January 2011. Broad money supply, (M₂), at ₦11,540.3 billion, grew marginally by 0.5 per cent, on month-on-month basis, compared with the increase of 3.1 per cent at end-December 2010. The development was accounted for, wholly, by the 9.7 per cent increase in other assets (net) of the banking system. Similarly, narrow money supply (M₁), at ₦5,545.8 billion, rose by 0.2 per cent, compared with the increase of 4.9 per cent at the end of the preceding month. Quasi-money rose by 0.7 per cent, compared with 1.5 per cent at end-December 2010.

Relative to the level at end-December 2010, M₂ grew by 0.5 per cent, owing wholly to the increase in other assets (net) of the banking system.

Figure 1: Growth Rate of Narrow Money (M₁) and Broad Money, (M₂)¹



At ₦8,910.4 billion, aggregate banking system credit (net) to the domestic economy fell by 0.6 per cent on month-on-month basis, compared with a decline of 6.1 per cent at the end of the preceding month. The development reflected largely, the decline in claims on the private sector.

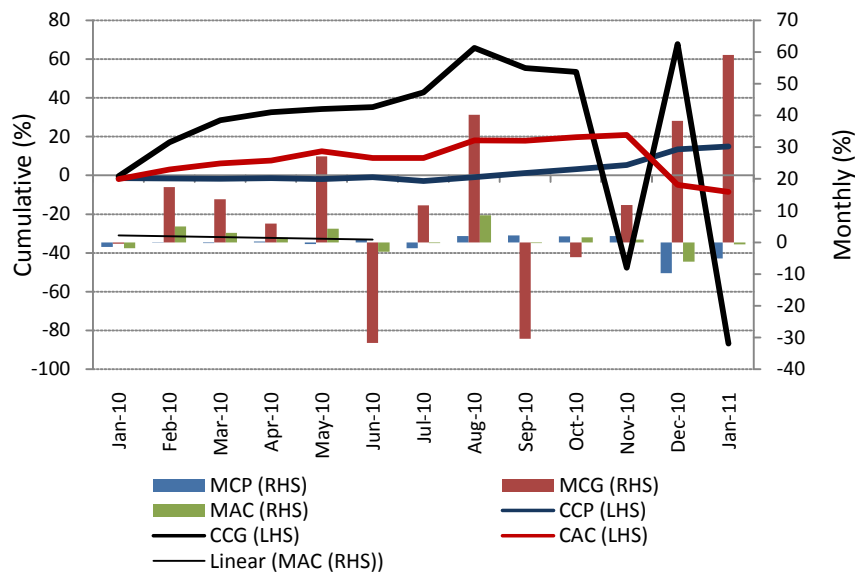
Banking system's credit (net) to the Federal Government, on month-on-month basis, increased by 59.1 per cent to negative ₦302.8 billion, compared with the increase of 38.3 per cent at the end of the preceding month. The development reflected largely, the increase in banking system's holding of Federal Government securities. On year-on-year basis, credit to the Federal Government rose significantly by 86.9 per cent. The Federal Government, however, remained a net lender to the banking system at the end of the review month.

The banking system's credit to the private sector fell by 5.1 per cent to ₦9,213.1 billion from the preceding

¹ MM1 and MM2 represent month-on-month changes, while CM1 and CM2 represent cumulative changes (year-to-date).

month's level, compared with a decline of 9.7 per cent at end-December 2010. Similarly, banking system's claims on the core private sector declined by 5.5 per cent to ₦ 8,822.1 billion, compared with the decline of 10.1 per cent in the preceding month. The development reflected the fall in the DMBs' claims on the sector (Fig. 2, Table 1). On year-on-year basis, credit to the private sector fell by 8.5 percent.

Figure 2: Growth Rate of Aggregate Domestic Credit to the Economy²



At ₦6,046.6 billion, foreign assets (net) of the banking system fell below the level in the preceding month by 4.1 per cent, compared with the decline of 0.4 per cent at the end of December 2010. The development was attributed wholly to the 5.9 per cent decline in CBN's holding of foreign assets. Over the level at end-January 2010, foreign assets (net) of the banking system fell by 18.5 per cent.

Foreign assets (net) of the banking system fell, on month-on-month basis at end January 2011.

Quasi-money rose by 0.7 per cent, to ₦5,994.5 billion at

² MCP, MCG and MAC represent month-on-month changes in credit to private sector, credit to government (net) and aggregate credit (net) to the domestic economy, respectively, while CCP, CCG and CAC, represent the cumulative changes (year-to-date).

the end of the review month, compared with the increase of 1.5 per cent at the end of December 2010. The development was attributed to the rise in all the components namely, time, savings and foreign currency deposits of the DMBs. Over the level at end-January 2010, quasi-money also rose by 3.3 per cent.

Other assets (net) of the banking system increased by 9.6 per cent to ₦3,416.7 billion over the level in the preceding month, compared with the increase of 20.2 per cent at end-December 2010, reflecting largely, the rise in unclassified assets of both the CBN and the DMBs. Relative to the level at end-January 2010, other assets (net) of the banking system rose significantly by 27.9 per cent.

Table 1: Growth in Monetary and Credit Aggregates over preceding month (Percent)

| | Jan-10 | Apr-10 | May-10 | Jun-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Domestic Credit (Net) | -1.9 | 1.5 | 4.3 | -3 | 8.5 | -0.2 | 1.6 | 0.9 | -6.1 | -0.6 |
| <i>Claims on Federal Government (Net)</i> | -0.6 | 5.9 | 27.1 | 31.7 | 40.2 | 30.4 | 4.7 | -11.8 | 38.3 | 59.1 |
| <i>Claims on Private Sector</i> | -1.4 | 0.3 | -0.5 | 0.9 | 2 | 2.2 | 1.9 | 2 | -9.7 | -5.1 |
| <i>Claims on Other Private Sector</i> | -1.4 | 0.2 | -0.4 | 0.9 | 4.1 | 1.8 | 1.55 | 2.3 | -10.1 | -5.5 |
| Foreign Assets (Net) | -2.3 | -3.3 | -5.8 | -1.8 | -0.9 | -1.12 | -3.2 | 1.3 | -0.4 | -4.1 |
| Other Assets (Net) | -0.2 | 1.4 | -3.8 | 10.3 | -2.355 | -4.67 | 1.2 | 5.5 | 20.2 | 9.6 |
| Broad Money Supply (M2) | -3.1 | -0.5 | -2 | 0.9 | -2.57 | -2.57 | 0 | -0.7 | 3.1 | 0.5 |
| Quasi-Money | 0.7 | -2.1 | -3.2 | 3.2 | 1.92 | -2.12 | -1.29 | -0.4 | 1.5 | 0.7 |
| Narrow Money Supply (M1) | -7.5 | 1.6 | -0.5 | -1.7 | 9.4 | -3.07 | 1.46 | -1.1 | 4.9 | 0.2 |
| Reserve Money (RM) | 0.6 | 4.2 | 19.5 | 0 | 5.7 | -23.3 | 6.9 | 0.9 | 24.3 | -8.1 |

2.2 Currency-in-circulation (CIC) and Deposits at the CBN

At ₦1,340.3 billion, currency in circulation fell by 2.7 per cent at end-January 2011 from the level at end-December 2010. Total deposits at the CBN amounted to ₦3,866.51 billion, indicating a decline of 8.8 per cent from the level at the end of the preceding month. The development reflected largely, the 32.9 and 21.7 per cent decline in banks' demand and private sector deposits, respectively. Of the total deposits, the percentage shares of the Federal Government, banks and "others" were 79.2, 8.2 and 12.6 per cent, respectively.

Reserve money (RM) fell at the end of the month under review.

The reserve money (RM), fell by 8.1 per cent to ₦1,657.8 billion from ₦1,803.9 billion at the end of the preceding

month, mirroring the trends in DMBs' deposits with the CBN.

2.3 Money Market Developments

There was a swing in the financial market activities during the month under review, reflecting the liquidity condition in the banking system. The injection of ₦81.52 billion from the excess crude oil account on December 31, 2010 provided ample liquidity in the system at the beginning of the month. Consequently, market players accessed the Bank's window for Standing Deposit Facility (SDF) and market rates remained relatively low and stable until middle of the month when withdrawals of the Nigerian National Petroleum Company (NNPC) funds exerted pressure on the market liquidity and resulted in the patronage of the Standing Lending Facility (SLF) by banks. However, the inflow of ₦332.60 billion statutory allocation, reinforced by the release of personnel and overhead cost towards the third week of the month boosted liquidity in the banking sector.

Nigerian Treasury Bills (NTBs) of varying maturities were auctioned at the secondary market, for liquidity management. Total allotment was ₦140.54 billion at rates ranging from 7.30 per cent to 9.33 per cent. There was no sale or purchase of bills at the two-way quote trading segment. However, repurchase transaction of 5-day tenor, valued at ₦10.35 billion, was approved for a deposit money bank (DMB). Patronage at the auction of government securities was consistently high during the review period, reflecting investors' preference for these securities. However, there was a drop in yield in the month due to reduction in the amount of securities that was on offer. The recent purchase of non performing loans (NPLs) valued at ₦1.148 trillion by the Asset Management Corporation of Nigeria (AMCON) from DMBs on December 31, 2010 in exchange for coupon bonds with a face value of ₦1.03 trillion, increased investors optimism. AMCON Consideration Bonds are eligible for repo transactions. The Monetary Policy Rate (MPR) was reviewed upwards

by 25 basis points to 6.5 per cent, in the month under review. The symmetric corridors were, however, maintained at +/-200 basis points. Moreover, the Cash Reserve Ratio (CRR) and Liquidity Ratio (LR) were increased by 100 and 500 basis points to 2.0 and 30.0 per cent, respectively, in continuation of the measures against expected inflationary pressures due to salary review and increased spending towards the 2011 general elections. Consequently, repurchase transaction rates were reviewed in line with the new MPR. Market demand consistently outstripped the amount on offer at the official Wholesale Dutch Auction System (WDAS) and this precipitated an increase in the marginal rate.

Provisional data indicated that the value of money market assets outstanding at end-January was ₦4,487.57 billion, indicating an increase of 0.9 per cent, compared with increase of 2.5 per cent at end-December 2010. The development was attributed to the 3.1 and 1.9 per cent increase in the value of Commercial Paper (CP) and FGN Bonds, respectively.

2.3.1 Interest Rate Developments

Available data indicated that both banks' deposit and lending rates generally declined in January 2011. The average savings, 7-day, 1-month, 3-month, 6-month, 12-month and over 12-month deposit rates declined by 0.03, 0.01, 0.01, 0.05, 0.01, 0.06 and 0.07 percentage points, respectively. Similarly, at 3.73 per cent, the average term deposit rate declined by 0.03 percentage point below the level in the preceding month. The average maximum and prime lending rates also declined by 3 basis points to 21.85 and 15.71 percent, respectively. Consequently, the spread between the weighted average term deposit rate and maximum lending rates widened from 18.10 percentage points in December 2010 to 18.12 percentage points. Similarly, the margin between the average savings deposit and maximum lending rates widened from 20.35 percentage points to 20.37 percentage points. At the interbank call segment, the

Both deposit and lending rates generally fell in January 2011.

weighted average rate, which stood at 6.36 per cent in December 2010, declined to 5.85 per cent, reflecting the liquidity condition in the interbank funds market. Similarly, the weighted average rate at the open buy back (OBB) declined from 6.85 per cent in December 2010 to 5.58 per cent at end-January 2011. In line with the activities at the interbank funds market, the Nigerian interbank offered rate (NIBOR) for 7- and 30-day tenors declined to 7.29 and 9.24 per cent, respectively, in the preceding month. With headline inflation rate of 12.1 per cent at end-January 2011, most rates, except the lending rates, were negative in real terms (Fig. 3, Table 2).

Figure 3: Selected DMBs Interest Rates (Average)

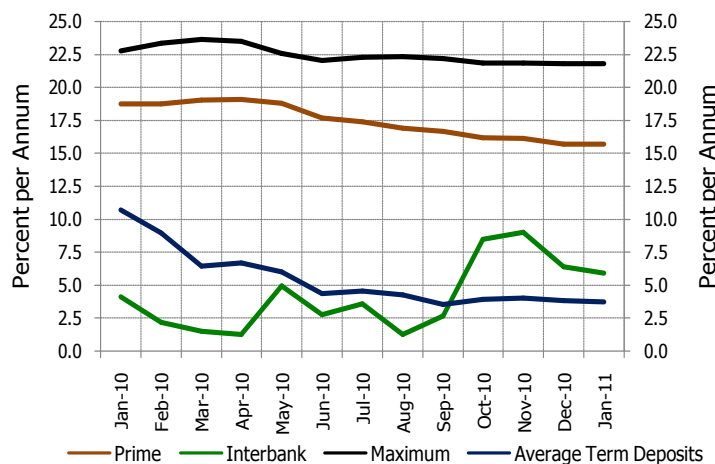


Table 2: Selected Interest Rates (Percent, Averages)

| | Jan-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Average Term Deposits | 10.7 | 7.8 | 4.4 | 4.6 | 4.3 | 3.6 | 3.9 | 4.0 | 3.8 | 3.7 |
| Prime Lending | 18.8 | 18.1 | 17.7 | 17.4 | 16.9 | 16.7 | 16.2 | 16.1 | 15.7 | 15.7 |
| Interbank | 4.1 | 6.0 | 2.7 | 3.6 | 1.3 | 2.7 | 8.5 | 9.0 | 6.4 | 5.8 |
| Maximum Lending | 22.8 | 22.9 | 22.0 | 22.3 | 22.3 | 22.2 | 21.9 | 21.8 | 21.8 | 21.8 |

2.3.2 Commercial Paper (CP)

The value of Commercial Paper (CP) held by DMBs rose by 3.1 per cent to ₦195.1 billion at end-January 2011, as against a decline of 13.45 per cent at end-December 2010. Thus, CP constituted 4.4 per cent of the total value of money market assets outstanding at

end-January 2011, compared with 4.3 per cent at the end of the preceding month.

2.3.3 *Bankers' Acceptances (BAs)*

DMBs' holdings of BAs declined in January 2011.

At end-January 2011, Bankers' Acceptances (BAs) declined by 26.1 per cent to ₦58.5 billion, compared with the decline of 4.8 per cent in the preceding month. The decline in BAs reflected the fall in investments by deposit money banks and discount houses. Consequently, BAs accounted for 1.3 per cent of the total value of money market assets outstanding at end-January 2011 compared with 1.8 per cent at the end of the preceding month.

2.3.4 *Open Market Operations*

Open market operation (OMO) auctions were conducted in the review period with maturities ranging from 77 to 244 days. Total subscriptions and sales amounted to ₦223.80 billion and ₦148.90 billion, respectively, compared with ₦138.40 billion and ₦80.00 billion in December 2010. The bid rates ranged from 6.87 to 10.25 per cent, while the stop rates ranged from 6.88 to 9.40 per cent. There was no purchase or sale of NTBs at the two-way quote platform. Similarly, no OMO bills matured for repayment during the review month.

2.3.5 *Primary Market*

At the primary market segment, auctions were conducted fortnightly in two tenors, namely 91- and 182-days, while one auction was held on the 364-day. In the three tenors, amount on offer were ₦74.34 billion, ₦85.40 billion and ₦45.85 billion, respectively, while total public subscription was ₦126.25 billion, ₦220.10 billion and ₦119.45 billion. The bid rates ranged from 6.50 to 9.10 per cent, 7.20 to 10.49 per cent and 9.80 to 10.59 per cent for the 91-, 182-, and 364-day tenors respectively. Allotment was ₦63.34 billion, ₦85.40 billion and ₦45.85 billion for the 91-day, 182-day and 364-day tranches, respectively. Overall, amount offered and subscribed for stood at ₦205.59 billion and ₦465.82 billion, respectively, compared with ₦297.90 billion and

₦581.60 billion in December 2010. Allotment was ₦205.59 billion, indicating a decline of 4.8 per cent from ₦216.00 billion in December 2010 with issue rates ranging from 6.50 to 10.19 per cent.

2.3.6 Bonds Market

Federal Government of Nigeria (FGN) Bonds with tenors of 3- and 5 year tranches, amounting to ₦30.00 billion each were re-opened at the primary market in January 2011. Total public subscription was ₦80.85 billion and ₦56.50 billion, while the bids ranged from 5.50 to 13.00 per cent and 9.00 to 14.00 per cent for the 3- and 5-year FGN Bonds, respectively. Total allotment was ₦60.00 billion at marginal rates of 10.40 per cent for the 3-year and 11.13 per cent for the 5-year tranche. This was, however, 14.0 per cent lower than the sum of ₦70.0 billion 3-, 5- and 20-year that were issued in December 2010 at the coupon rate of 12 -14.5 per cent.

The marginal rates for various tenors of FGN Bonds were lower than in the preceding month.

2.3.7 CBN Standing Facilities

Following the liquidity surfeit in the system, reinforced by the recent review of the monetary policy rate (MPR) to 6.50 per cent, which narrowed the standing facility, corridor request for standing deposit facility rose in the month under review. Consequently, the total standing deposit facility requested by DMBs and discount houses was ₦1,826.3 billion, compared with ₦56.72 billion in December 2010. The average daily volume of standing lending facility granted to deposit money banks and discount houses, however, amounted to ₦26.82 billion, compared with the ₦40.93 billion in December 2010 and represented a decline of 52.6 per cent.

2.4 Deposit Money Banks' Activities

Available data indicated that total assets/liabilities of the Deposit Money Banks (DMBs) amounted to ₦17,263.1 billion, indicating a decline of 0.4 per cent from the level at end-December 2010. Funds sourced, mainly from claims on private sector and disposal of unclassified assets were used, largely to increase

DMBs' Credit to government rose by 22.1 per cent, while credit to the core private sector fell slightly by 4.7 per cent below the level in December 2010.

capital and claims on central government (purchase of Federal Government securities).

At ₦10,976.4 billion, DMBs' credit to the domestic economy rose by 0.1 per cent over the level in the preceding month. The breakdown showed that credit to government increased by 22.1 per cent, while credit to the core private sector fell by 4.7 per cent below the level in December 2010.

Central Bank's credit to the DMBs rose by 1.0 per cent to ₦422.8 billion at end-January 2011, while total specified liquid assets of the DMBs stood at ₦3,133.7 billion, representing 24.3 per cent of their total current liabilities. This level of liquid assets was 3.1 percentage points below the preceding month's ratio and 0.7 percentage point below the stipulated minimum ratio of 25.0 per cent for fiscal 2011. The loan-to-deposit ratio was 48.4 per cent and was 31.6 percentage points below the stipulated maximum target of 80.0 per cent.

2.5 Discount Houses' Activities

Total assets/liabilities of the discount houses stood at ₦275.7 billion at end-January 2011, showing a decline of 23.6 per cent from the level at end-December 2010. The decline in assets was accounted for largely, by the 78.1 and 41.0 per cent fall in claims on cash and balances with banks, and claims on Federal Government, respectively. Correspondingly, the decline in total liabilities was attributed largely, to the 37.2 and 32.7 per cent fall in money-at-call and "others", respectively.

Discount houses' investment in Federal Government securities of less than 91-day maturity fell to ₦42.3 billion and accounted for 22.2 per cent of their total deposit liabilities. It was, however, 37.8 percentage points below the prescribed minimum level of 60.0 per cent for fiscal 2011. At that level, discount houses' investment declined by 23.2 per cent from the level at the end of the preceding month. Total borrowing by the discount houses was ₦34.9 billion, while their capital and reserves

amounted to ₦46.0 billion. This resulted in a gearing ratio of 0.8:1, compared with the stipulated maximum target of 50:1 for fiscal 2011.

2.6 Capital Market Developments

2.6.1 *Secondary Market*

Available data indicated that activities on the Nigerian Stock Exchange (NSE) in January 2011 were bullish. The volume and value of traded securities rose by 63.5 and 83.6 per cent to 10.8 billion shares and ₦104.1 billion, respectively, in 139,950 deals, compared with 6.6 billion shares, valued at ₦56.7 billion, in 111,114 deals in the preceding month. The Banking sub-sector remained the most active on the Exchange with a traded volume of 8.1 billion shares, valued at ₦76.8 billion in 83,447 deals. This was followed by the Insurance sub-sector with a traded volume of 816.0 million shares, valued at ₦694.2 million in 6,714 deals. The Food/Beverages & Tobacco sub-sector was third with a traded volume of 408.9 million shares, valued at ₦7.3 million in 10,643 deals. A total of 174 equities were traded, compared with 173 in the preceding month. Banking stocks accounted for the top five most active, in volume terms, and accounted for 51.0 per cent of the aggregate value of transactions during the month. Zenith Bank Plc topped the list with a transaction volume of 1.72 billion shares, followed by First Bank Nigeria Plc with 1.22 billion shares, while FinBank Plc placed third with 697.12 million shares. Oceanic Bank International Plc placed fourth with 461.6 million shares and Access Bank Plc placed fifth with 403.6 million shares.

Figure 4: Volume and Value of Traded Securities

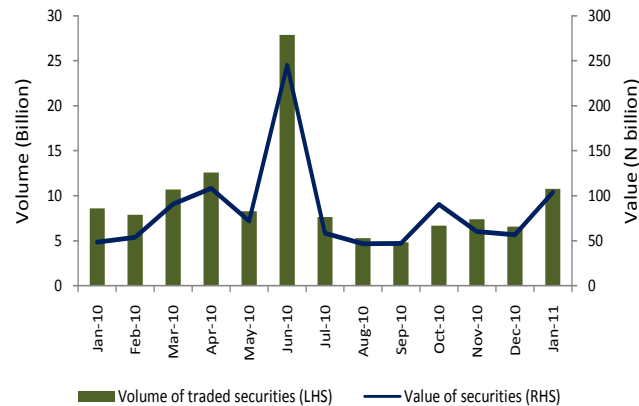


Table 3: Traded Securities on the Nigerian Stock Exchange (NSE)

| | Jan-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 |
|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Volume (Billion) | 8.6 | 8.3 | 27.9 | 7.6 | 5.3 | 4.8 | 6.7 | 7.4 | 6.6 | 10.8 |
| Value (N Billion) | 48.7 | 72.2 | 245.2 | 58.8 | 46.9 | 47.3 | 90.6 | 60.3 | 56.7 | 104.1 |

2.6.2 Over-the-Counter (OTC) Bonds ` Market

Transactions on the Over-the-Counter (OTC) bond market, indicated a turnover of 875.62 million units, worth ₦801.13 billion in 5,431 deals, compared with 465.9 million units, valued at ₦403.03 billion in 2,393 deals recorded in the preceding month. The most active bond was the 10.00% FGN July 2030 Bond with a traded volume of 218.6 million units, valued at ₦170.2 billion in 1,846 deals, followed by the 5.50% FGN February 2013 Bond with a traded volume of 206.9 million units, valued at ₦194.2 billion in 1,694 deals. The value of Federal Government Bonds remained at the preceding month's level of ₦1.72 trillion and represented 16.2 per cent of the aggregate market capitalization. Also, the value of sub-national bonds stood at ₦224.0 billion, same as in the preceding month and represented 2.1 per cent of the aggregate market capitalization. However, the share and value of corporate bonds in aggregate market capitalization stood at 0.54 and 1.4 per cent, respectively, compared with 0.5 and 3.9 per cent in the preceding month. The

combined share of FGN Bonds, sub-national bonds, preference shares and corporate bonds fell to ₦1.997 trillion from ₦1.998 trillion, representing 18.9 per cent of the total.

2.6.3 New Issues Market

There were two (2) supplementary listings in the review month, compared with one (1) in the preceding month (Table 4).

Table 4: Supplementary listing on the Nigeria Stock Exchange (NSE) in January 2011

| S/N | Company | Additional Shares (billion) | Reasons |
|-----|-------------------|-----------------------------|---|
| 1 | C & I Leasing Plc | 0.3 | Part conversion of Loan Stock into Equity |
| 2 | Wema Bank Plc | 2.2 | Conclusion of Placing |

2.6.4 Market Capitalization

The market capitalization of the 264 listed securities rose by 6.7 per cent to ₦10.6 trillion over the preceding month's level. The 217 listed equities accounted for 81.1 per cent of the total market capitalization. The development was attributed to the increase in the price of some equities and two supplementary listings.

2.6.5 NSE All-Share Index

The All-Share Index, which opened at 24,770.52 at the beginning of the month, closed at 26,830.67, representing an increase of 8.2 per cent over the level in the preceding month. The NSE Food/Beverage, Banking, Insurance and Oil/Gas indices rose by 10.0, 8.0, 11.1 and 4.3 per cent, respectively. The development was attributed to the same reasons adduced in section 2.6.4 above.

Figure 5: Market Capitalization and All-Share Index

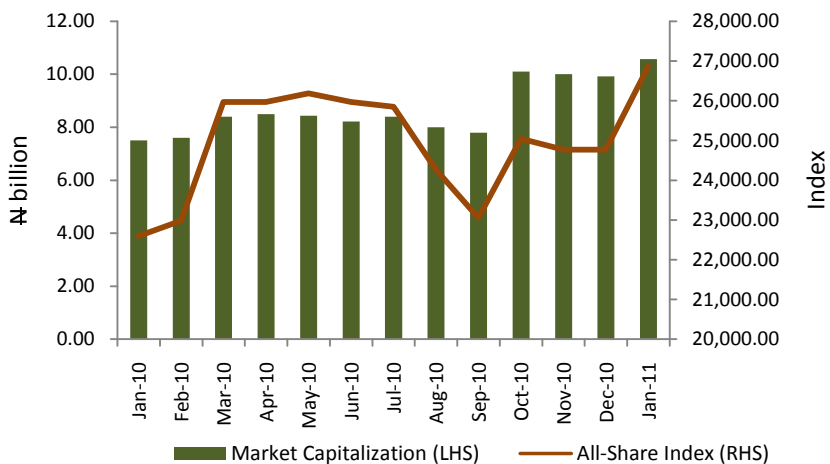


Table 5: Market Capitalization and All Share Index (NSE)

| | Jan-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 |
|-----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Market Capitalization (₦ trillio) | 7.5 | 8.4 | 8.2 | 8.4 | 8.0 | 7.8 | 10.1 | 10.0 | 9.9 | 10.5 |
| All-Share Index | 22594.9 | 26183.2 | 25966.3 | 25844.2 | 24268.2 | 23050.6 | 25042.2 | 24764.7 | 24770.5 | 26830.7 |

3.0 Fiscal Operations

3.1 Federation Account Operations

Available data showed that gross federally-collected revenue in January 2011 was ₦731.84 billion, indicating an increase of 10.9 and 45.7 per cent above the proportionate monthly budget estimate and the receipts in the corresponding period of 2010, respectively. However, it was 3.4 per cent below the receipts in the preceding month (Fig. 6, Table 5).

Gross federally-collected revenue was above the proportionate monthly budget estimate for January 2011.

Figure 6: Components of Gross Federally-Collected Revenue

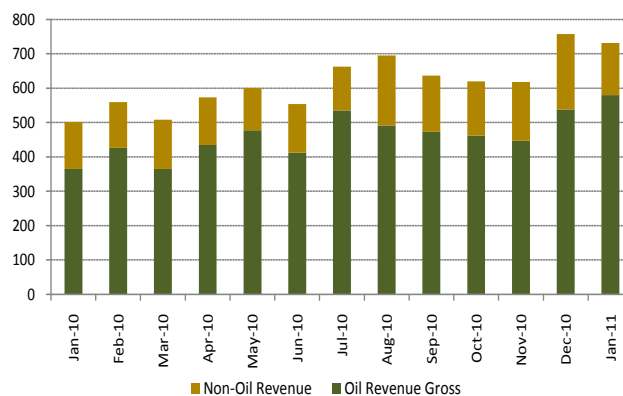


Table 6: Gross Federation Account Revenue (₦ billion)

| | Jan-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 |
|-------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Federally-collected revenue (Gross) | 537.7 | 605.2 | 641.8 | 699.9 | 650.6 | 644.7 | 623.3 | 599.0 | 757.7 | 731.8 |
| Oil Revenue | 396.9 | 478.4 | 413.4 | 536.2 | 492.5 | 473.3 | 462.4 | 447.6 | 538.7 | 580.1 |
| Non-Oil Revenue | 165.5 | 126.9 | 202.9 | 163.7 | 158.1 | 171.4 | 161.0 | 151.4 | 219.0 | 151.7 |

At ₦580.11 billion, gross oil receipts, which constituted 79.3 per cent of the total revenue, exceeded the proportionate monthly budgeted revenue, the receipts in the corresponding period of 2010 and the receipts in the preceding month by 20.8, 7.7 and 58.7 per cent, respectively. The increase in oil receipts relative to the proportionate monthly budget estimate was attributed, largely to the rise in domestic crude oil and gas sales,

Relative to the preceding month's level, oil receipts increased.

petroleum profit tax (PPT) and royalties during the month under review (Fig. 7, Table 7).

Figure 7: Gross Oil Revenue and Its Components

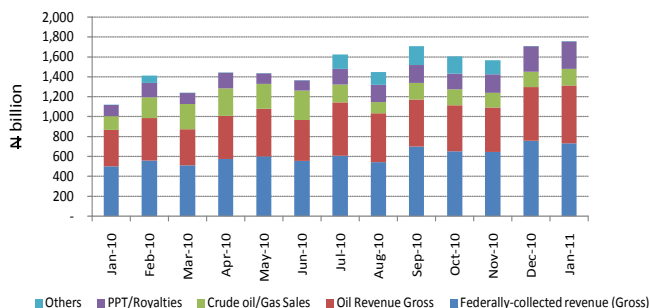


Table 7: Components of Gross Oil Revenue (₦ billion)

| | Jan-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 |
|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Oil Revenue | 365.5 | 478.4 | 413.4 | 536.2 | 492.5 | 473.3 | 462.4 | 447.6 | 538.7 | 580.1 |
| Crude oil/Gas Sales | 138.6 | 318.1 | 111.7 | 165.3 | 163.1 | 147.7 | 142.1 | 117.2 | 155.3 | 168.1 |
| PPT/Royalties | 112.3 | 160.0 | 174.0 | 180.4 | 154.8 | 184.9 | 180.0 | 175.0 | 256.4 | 274.9 |
| Others | 0.4 | 141.4 | 127.8 | 190.6 | 174.5 | 140.7 | 140.3 | 155.4 | 0.4 | 0.3 |

The performance of non-oil receipts was unimpressive relative to the preceding month.

Non-oil receipts, at ₦151.72 billion or 20.7 per cent of the total, was 15.5 and 30.7 per cent lower than the proportionate monthly budget estimate and receipts in the preceding month, respectively. It was, however, higher than the level in the corresponding month of 2010 by 10.9 per cent. The shortfall relative to the proportionate monthly budget estimate reflected largely the significant decline in corporate tax and Value Added Tax (VAT) (Fig. 8, Table 8).

Figure 8: Gross Non-Oil Revenue and Its Components

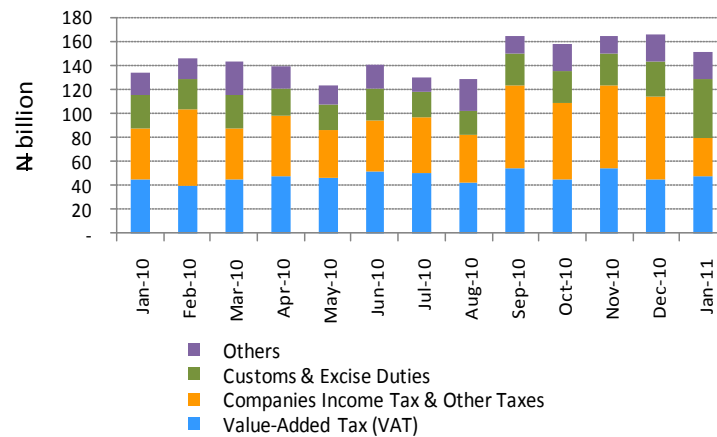


Table 8: Components of Gross Non-Oil Revenue (₦ billion)

| | Jan-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 |
|------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Non-Oil Revenue | 136.8 | 126.9 | 128.2 | 163.7 | 158.1 | 171.4 | 161.0 | 151.4 | 219.0 | 151.7 |
| Value-Added Tax (VAT) | 44.7 | 49.8 | 42.2 | 54.2 | 44.6 | 48.5 | 48.5 | 39.9 | 44.7 | 47.5 |
| Companies Income Tax & Other Taxes | 43.3 | 46.6 | 40.1 | 68.8 | 63.9 | 80.5 | 61.7 | 51.4 | 69.5 | 32.3 |
| Customs & Excise Duties | 27.7 | 21.9 | 20.2 | 30.0 | 27.1 | 26.9 | 28.0 | 30.9 | 28.6 | 48.6 |
| Others | 20.5 | 21.5 | 25.7 | 13.8 | 22.5 | 13.8 | 22.5 | 29.2 | 22.5 | 29.2 |

Of the gross federally-collected revenue during the month, the sum of ₦349.17 billion (after accounting for all deductions and transfers) was transferred to the Federation Account for distribution among the three tiers of government and the 13.0 per cent Derivation Fund. The Federal Government received ₦165.28 billion, while the States and Local Governments received ₦83.83 billion and ₦64.63 billion, respectively. The balance of ₦35.42 billion was credited to the 13.0 per cent derivation fund for distribution by the oil-producing states. Also, the Federal Government received ₦6.69 billion, while the State and Local Governments received ₦22.29 billion and ₦15.60 billion, respectively, from the VAT Pool Account. Furthermore, in order to bridge the gap between the budgeted revenue and the actual for the month, the sum of ₦16.05 billion was drawn down from the excess crude account as revenue augmentation and distributed as follows: Federal Government ₦7.36 billion, State and local government, ₦3.73 billion and ₦2.88 billion,

respectively. The balance of ₦2.09 billion went to the 13.0 percent derivation fund. Overall, the total allocation to the three tiers of government from the Federation and VAT Pool Accounts in January 2011 amounted to ₦409.80 billion.

3.2 The Fiscal Operations of the Three Tiers of Government

3.2.1 The Federal Government

At ₦234.40 billion, the estimated Federal Government retained revenue for January 2011, was lower than the proportionate monthly budget and the level in the preceding month by 7.8 and 20.5 per cent, respectively. It was, however, higher than the level in the corresponding period of 2010 by 30.2 per cent. Of this amount, the shares from the Federation Account and the VAT Pool account were ₦165.28 billion and ₦6.83 billion, respectively, while the balance (₦62.29 billion) came from FGN independent revenue and “others” (Fig. 9, Table 8).

Federal government estimated retained revenue was lower than the proportionate monthly budget and the level in the preceding month by 7.8 and 20.5 per cent, respectively. It was, however, higher than the receipts in the corresponding month of 2010 by 30.2 per cent.

Figure 9: Federal Government Retained Revenue

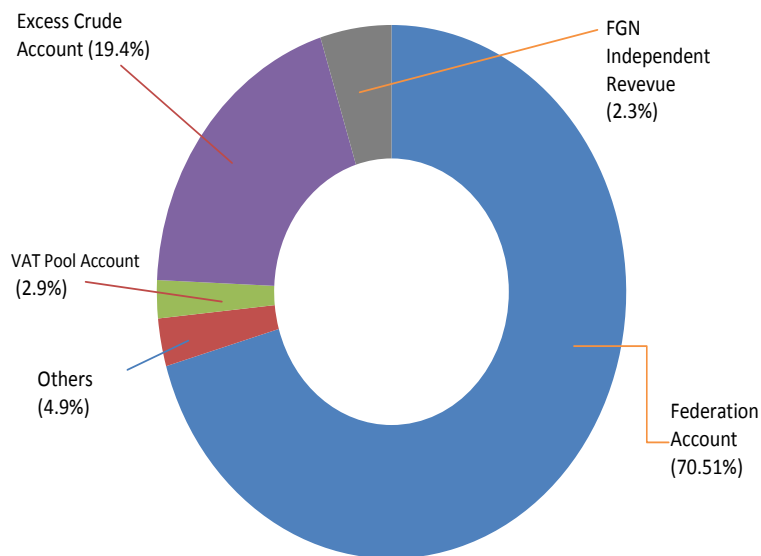
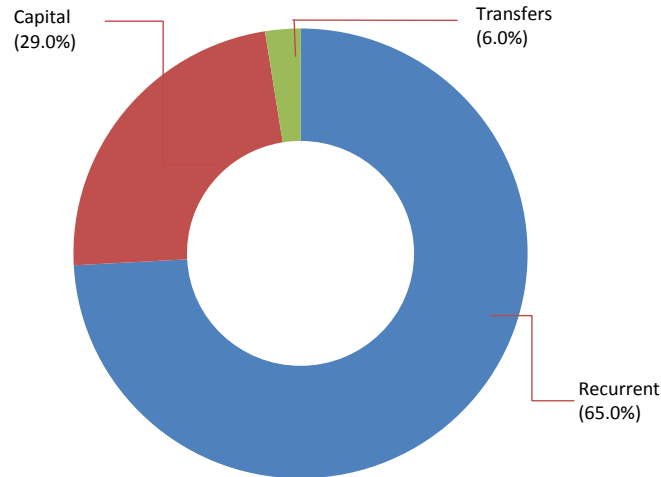


Table 9: Federal Government Fiscal Operations (₦ billion)

| | Jan-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Retained Revenue | 180.0 | 331.4 | 207.1 | 185.1 | 214.5 | 176.4 | 190.4 | 194.8 | 294.7 | 234.4 |
| Expenditure | 176.9 | 164.9 | 458.5 | 328.6 | 321.1 | 328.6 | 292.1 | 256.7 | 408.9 | 280.2 |
| Overall Balance: Surplus(+)/Deficit(-) | 3.1 | 166.5 | -251.7 | -143.5 | -106.6 | 14.9 | -101.7 | -61.9 | -114.2 | -45.8 |

At ₦280.15 billion, total estimated expenditure for January 2011 fell short of the proportionate monthly budget estimate and the level in the preceding month by 24.3 and 31.5 per cent, respectively, but exceeded the level in the corresponding period of 2010 by 58.4 per cent. The lower total expenditure relative to the preceding month's level was attributed to the decline in recurrent component. A breakdown of total expenditure showed that the recurrent component accounted for 65.0 per cent, while the capital and transfer component accounted for the balance of 35.0 per cent (Fig. 10).

Total estimated expenditure for January 2011 fell short of the proportionate monthly budget and the level in the preceding month by 24.3 and 31.5 per cent, respectively.

Figure 10: Federal Government Expenditure in January 2011

Thus, the fiscal operations of the Federal Government in January 2011, resulted in an estimated deficit of ₦45.75 billion, compared with the monthly budgeted deficit of ₦115.81 billion.

The fiscal operations of the FG resulted in an estimated deficit of ₦45.76 billion in January 2011.

3.2.2 *Statutory Allocations to State Governments*

During the review month, total receipts by state governments, including the share of VAT and the Federation Account stood at ₦147.86 billion. This represented a decline of 25.9 per cent from the level in the preceding month. It was, however, 10.6 per cent higher than the level in the corresponding month of 2010.

The breakdown showed that, at ₦22.78 billion, receipts from the VAT Pool Account was higher than the levels in the preceding month and corresponding period of 2010 by 6.2 per cent, a piece. Receipts from the Federation Account, at ₦125.08 billion, however, declined by 29.8 per cent from the level in the preceding month, but exceeded the level in corresponding month of 2010 by 11.4 per cent.

3.2.3 *Statutory Allocations to Local Government Councils*

Total receipts by the Local Governments from the Federation and VAT Pool Accounts in January 2011, stood at ₦83.46 billion. This was lower than the level in the preceding month by 24.3 per cent, but higher than the corresponding period of 2010 by 10.5 per cent. Of this amount, receipts from the Federation Account was ₦67.51 billion (80.9 per cent of the total), while the VAT Pool Account accounted for the balance of ₦13.41 billion (19.1 per cent).

4.0 Domestic Economic Conditions

The dominant agricultural activities in January 2011 were; harvesting of tree crops; cultivation of fruits, vegetables, and wheat; and clearing of land for 2011 cropping season. In the livestock sub-sector, farmers were engaged in re-stocking of broilers and layers to replenish those sold during the yuletide season. Crude oil production was estimated at 2.15 million barrels per day (mbd) or 66.7 million barrels during the month. The end-period inflation rate for January 2011, on a year-on-year basis, was 12.1 per cent, compared with the preceding month's level of 11.8 per cent. The inflation rate on a 12-month moving average basis was 13.5 per cent, compared with the preceding month's level of 13.7 per cent.

4.1 Agricultural Sector

Available data indicated that predominant agricultural activities in the southern states were harvesting of tree crops and fruits, and clearing of land for the 2011 cropping season, while farmers in the north were engaged in cultivation of vegetables and wheat. In the livestock sub-sector, farmers were engaged in re-stocking to replenish farm produce sold during the yuletide season.

A total of ₦266.3 million was guaranteed to 890 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in January 2011. This represented a decline of 66.9 per cent from the level in the preceding month. However, it was 13.3 per cent above the sum guaranteed in the corresponding month of 2010. A sub-sectoral analysis of the loans guaranteed indicated that the food crops sub-sector had the largest share of ₦152.2 million (57.2 per cent) for 644 beneficiaries, while the livestock sub-sector received ₦83.3 million (31.3 per cent) for 167 beneficiaries. The mixed crops and fisheries sub-sector received ₦20.3 million (7.6 per cent) and ₦6.0 million (2.3 per cent) for 47 and 21 beneficiaries, respectively. The cash crops sub-sector had ₦2.6 million (0.9 per cent) for 6 beneficiaries, while "Others" received ₦1.8 million (0.7 per cent) for 5 beneficiaries. Analysis by state showed that 15 states

benefited from the scheme during the month, with the highest and lowest sums of ₦90.6 million (34.0 per cent) and ₦0.01 million (0.04 per cent) guaranteed to Akwa Ibom and Niger States, respectively.

At end-January 2011, the total amount released by the CBN under the Commercial Agriculture Credit Scheme (CACS) to the participating banks for disbursement stood at ₦96.81 billion (for one hundred and four projects). Eighteen state governments have so far benefited from the programme (Table 10).

At end-January 2011, the total amount released by the CBN under the Commercial Agriculture Credit Scheme (CACS) to the participating banks for disbursement stood at ₦96.81 billion (for one hundred and four projects).

Table 10: Disbursement of Credit Under the Commercial Agriculture Credit Scheme (CACS)

| S/N | Participating Banks | Amount Disbursed (₦ billion) | Number of Projects |
|-----|----------------------------------|------------------------------|--------------------|
| 1 | United Bank for Africa (UBA) Plc | 35.2 | 32 |
| 2 | Zenith Bank Plc | 13.9 | 10 |
| 3 | Union Bank of Nigeria Plc | 10.9 | 12 |
| 4 | First Bank of Nigeria Plc | 9.1 | 25 |
| 5 | Skye Bank Plc | 6 | 3 |
| 6 | Unity Bank Plc | 5.5 | 3 |
| 7 | Access Bank Plc | 5 | 5 |
| 8 | GT Bank Plc | 4.3 | 6 |
| 9 | Fidelity Bank Plc | 3.5 | 4 |
| 10 | Oceanic Bank Plc | 2 | 1 |
| 11 | Stanbic IBTC Bank | 1.4 | 3 |
| | TOTAL | 96.8 | 104 |

4.2 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.15 million barrels per day (mbd) or 66.7 million barrels for the month, compared with 69.44 barrels for December 2010. At that level, it was 4.0 per cent below the level in the preceding month. The development was attributed to the renewed attacks on oil facilities in the Niger Delta region.

Crude oil export was estimated at 1.70 mbd or 52.7 million barrels, while deliveries to the refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels.

Crude oil and natural gas production was estimated to decline by 4.0 per cent, to 2.15 mbd in January 2011.

In January 2011, crude oil export was estimated at 1.70 mbd, representing a decline of 0.6 per cent below the level in the preceding month.

At an estimated average of US\$98.50 per barrel, the price of Nigeria's reference crude, the Bonny Light (37° API), increased by 5.5 per cent above the level in December 2010. The average prices of other competing crudes namely, the West Texas Intermediate, U.K Brent and Forcados also rose, by 1.4, 6.0 and 5.4 per cent, to US\$89.90, US\$97.64 and US\$99.13 per barrel, respectively.

The average price of OPEC's basket of eleven crude streams, rose by 5.4 per cent to US\$93.30, above the level in December 2010 (Fig. 11, Table 10).

The average price of all the crude streams and the Bonny Light rose above the preceding month's levels.

Figure 11: Trends in Crude Oil Prices

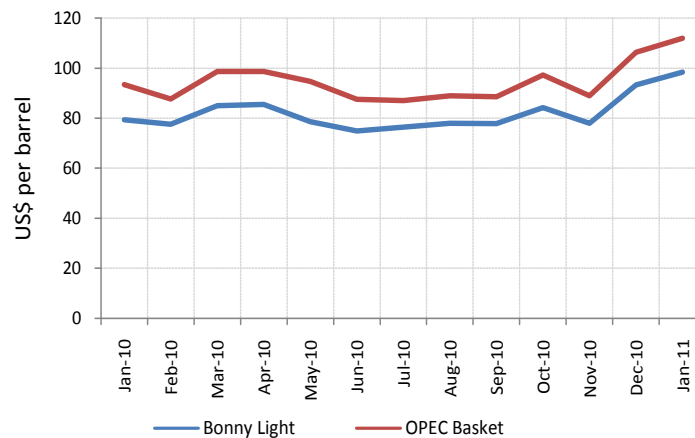


Table 11: Average Crude Oil Prices in the International Oil Market

| | Jan-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 |
|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Bonny Light | 79.43 | 78.63 | 76.23 | 76.42 | 77.90 | 79.10 | 84.26 | 87.08 | 93.37 | 98.50 |
| OPEC Basket | 77.78 | 78.94 | 72.95 | 72.51 | 74.15 | 74.63 | 81.00 | 82.03 | 88.56 | 93.30 |

4.3 Consumer Prices

Available data showed that the all-items composite Consumer Price Index (CPI) in January 2011 was 115.6 (November 2009=100), representing an increase of 1.2 per cent over the level in the preceding month. The

The general price level rose in January relative to December 2010, owing to the increase in the index of staple food and non-alcoholic beverages.

development was attributed to the increase in the index of food and non-alcoholic beverages.

The urban all-items CPI at end-January 2011 was 110.7 (November 2009=100), indicating a decline of 1.3 per cent below the level in the preceding month. The rural all-items CPI for the month was 119.7 (November 2009=100), representing an increase of 3.3 per cent over the level in the preceding month.

The headline inflation rate on a year-on-year basis rose by 2.5 percentage point to 12.1, while the 12-month moving average rate was 1.5 per cent.

The end-period inflation rate for January 2011, on a year-on-year basis, was 12.1 per cent, compared with 11.8 per cent in the preceding month. The inflation rate on a twelve-month moving average basis for January 2011, was 13.5 per cent, compared with 13.7 per cent in the preceding month (Fig. 12, Table 12).

Developments in the retail prices of most staples were mixed in January 2011.

Retail price survey of staples by the CBN showed that the prices of most of the major staples were mixed in January 2011. Seven (7) of the fourteen (14) commodities monitored, recorded price increase (ranging from 1.0 per cent for eggs to 3.5 per cent for yellow maize) over their levels in the preceding month, while the prices of millet, local rice, yam flour, guinea corn, garri (yellow), garri (white) and beans (brown) fell by 0.6, 0.7, 4.6, 0.3, 2.5, 1.2 and 1.3 per cent, respectively. Relative to their levels in the corresponding month of 2010, nine (9) of the commodities recorded price decline, ranging from 2.5 per cent for brown beans to 27.5 per cent for guinea corn, while the prices of local rice, eggs (medium), groundnut oil, vegetable oil and palm oil, however, rose by 1.6, 4.3, 6.3, 15.2 and 27.7 per cent, respectively.

Figure 12: Consumer Price Index

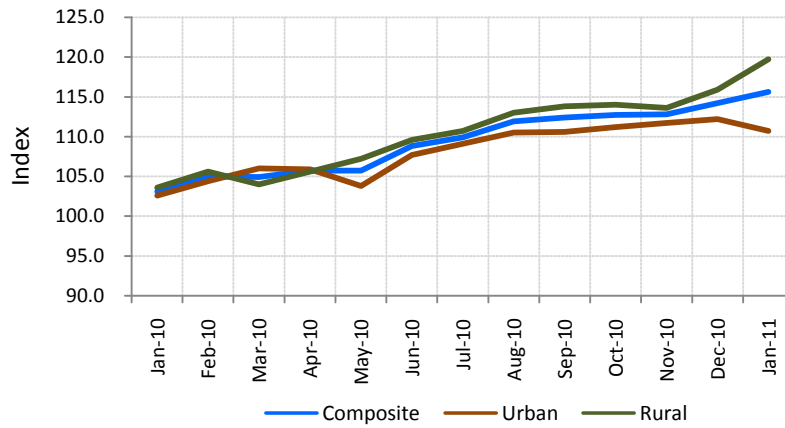


Table 12: Consumer Price Index (November 2009=100)

| | Jan-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 |
|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Composite | 103.1 | 105.7 | 108.8 | 109.9 | 111.9 | 112.4 | 112.7 | 112.8 | 114.2 | 115.6 |
| Urban | 102.6 | 103.8 | 107.7 | 109.1 | 110.5 | 110.6 | 111.2 | 111.7 | 112.2 | 110.7 |
| Rural | 103.6 | 107.2 | 109.6 | 110.7 | 113.0 | 113.8 | 114.0 | 113.6 | 115.9 | 119.7 |

Figure 13: Inflation Rate

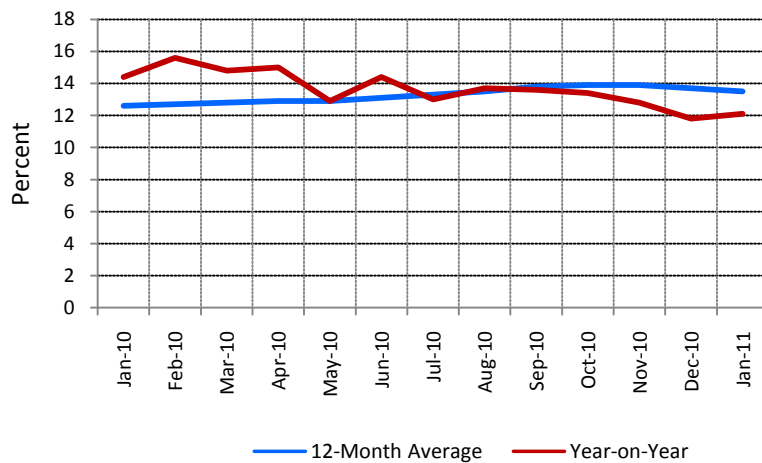


Table 13: Headline Inflation Rate (%)

| | Jan-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 |
|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 12-Month Average | 12.6 | 12.9 | 13.1 | 13.3 | 13.5 | 13.8 | 13.9 | 13.9 | 13.7 | 13.5 |
| Year-on-Year | 14.4 | 12.9 | 14.1 | 13.0 | 13.7 | 13.6 | 13.4 | 12.8 | 11.8 | 12.1 |

5.0 External Sector Developments

Provisional data indicated that foreign exchange inflow through the CBN rose by 24.4 per cent over the level in the preceding month, while outflow fell by 26.9 per cent. Total non-oil export proceeds receipts by banks rose, by 30.9 per cent, above the level in the preceding month. The external reserves rose by 2.4 per cent over the preceding month's level, while the average exchange rate of the Naira vis-à-vis the US dollar, depreciated by 0.8 per cent to ₦151.62 per dollar at the Wholesale Dutch Auction System (WDAS).

5.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in January 2011 were US\$3.44 billion and US\$2.81 billion, respectively, resulting in a net inflow of US\$0.63 billion. Inflow increased by 24.4 per cent, over the level in the preceding month, while outflow declined by 26.9 per cent. The rise in inflow was attributed largely, to the increase in both crude oil and non-oil receipts, while the decline in outflow was due, largely, to the 2.1 and 67.5 per cent fall in WDAS/RDAS funding and other official payments, respectively (Fig. 14, Table 13).

Foreign exchange inflow rose by 24.4 per cent, while outflow fell by 26.9 per cent, through the CBN in January 2011. Overall there was a net inflow of US\$0.63 billion during the period.

Figure 14: Foreign Exchange Flows Through the CBN

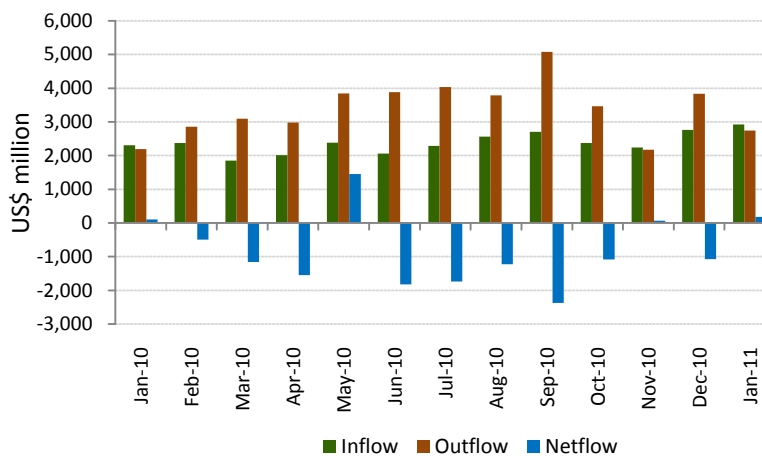


Table 14: Foreign Exchange Flows Through the CBN (US\$ million)

| | Jan-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 |
|---------|--------|---------|---------|---------|---------|---------|---------|--------|---------|--------|
| Inflow | 2302.5 | 2381.6 | 2062.4 | 2291.0 | 2564.5 | 2701.5 | 2378.1 | 2240.7 | 2761.4 | 3435.6 |
| Outflow | 2197.1 | 3840.4 | 3885.8 | 4032.6 | 3787.3 | 5078.7 | 3463.5 | 2169.8 | 3835.6 | 2805.8 |
| Netflow | 105.5 | -1456.8 | -1673.6 | -1743.2 | -1222.8 | -2377.2 | -1085.4 | 70.8 | -1074.2 | 629.8 |

Provisional data on aggregate foreign exchange flows through the economy indicated that total inflow was US\$11.20 billion, representing an increase of 10.1 and 46.8 per cent, over the levels in the preceding month and the corresponding period of 2010, respectively. Oil sector receipts, which rose by 3.1 per cent and accounted for 24.9 per cent of the total, stood at US\$2.79 billion, compared with US\$2.71 billion in the preceding month.

Non-oil inflows into the economy rose by 1,069.9 per cent and accounted for 5.8 per cent of the total, in January 2011.

Non-oil public sector inflow, at ₦0.64 billion, rose by 1,069.9 per cent and accounted for 5.8 per cent of the total, while autonomous inflow, at ₦7.77 billion, rose by 4.7 per cent, accounting for 69.4 per cent of the total.

At US\$2.90 billion, aggregate foreign exchange outflow from the economy declined by 25.9 per cent from the level in the preceding month, but rose by 28.2 per cent over the level in the corresponding month of 2010. The net inflow through the economy stood at US\$8.30 billion.

5.2 Non-Oil Export Earnings by Exporters

Total non-oil export earnings by exporters rose in January on account of increase in the export of most traded commodities.

Total non-oil export earnings received by banks increased by 30.9 per cent to US\$237.7 million over the preceding month's level. The development reflected largely, the increase in export of agricultural, industrial and finished products. A breakdown of the proceeds in January 2011 showed that proceeds of industrial, manufactured, agricultural, minerals, food products and transport sub-sectors stood at US\$131.3, US\$50.4, US\$25.4, US\$22.0, US\$8.5 and US\$0.05 million, respectively.

The shares of industrial, manufactured, agricultural, minerals, food products and transport sub-sectors in

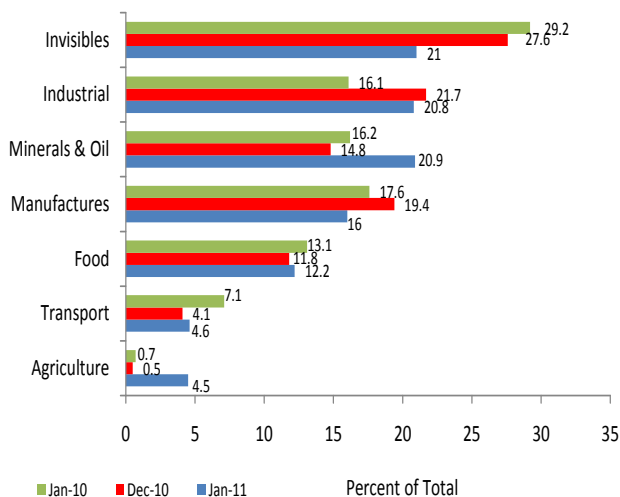
non-oil export proceeds were 55.2, 21.2, 10.7, 9.2 3.6 and 0.1 per cent, respectively.

5.3 Sectoral Utilisation of Foreign Exchange

The invisibles sector accounted for the bulk (21.0 per cent) of total foreign exchange disbursed in January 2011, followed by minerals and oil sector (20.9 per cent). Other beneficiary sectors, in a descending order included: industrial sector (20.8 per cent), manufactured products (16.0 per cent), food products (12.2 per cent), transport (4.6 per cent) and agricultural products (4.5 per cent) (Fig.15).

The invisibles sector accounted for the bulk of the total foreign exchange disbursed in January 2011.

Figure15: Sectoral Utilisation of Foreign Exchange



5.4 Foreign Exchange Market Developments

Aggregate demand for foreign exchange by authorized dealers under the Wholesale Dutch Auction System (WDAS) was US\$2.94 billion in January 2011, showing an increase of 23.6 and 11.7 per cent over the levels in the preceding month and the corresponding month of 2010, respectively. A total of US\$2.14 billion was sold by the CBN to authorized dealers during the period, reflecting a decline of 2.1 per cent from the

Demand for foreign exchange by authorized dealers increased in January 2011 relative to December 2010 and when compared with the corresponding month of 2010.

levels in the preceding month but an increase of 12.9 per cent compared with the corresponding period of 2010 (Fig.16, Table 14).

Figure16: Demand for and Supply of Foreign Exchange

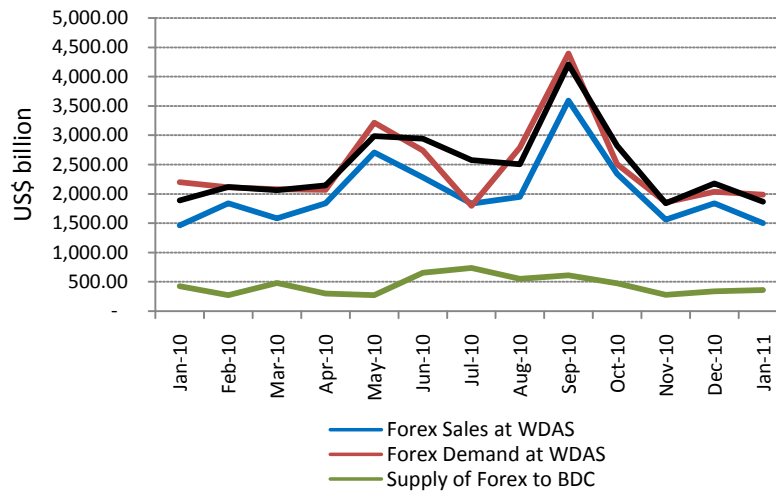


Table 15: Demand for and Supply of Foreign Exchange (US\$ billion)

| | Jan-10 | Mar-10 | Apr-10 | May-10 | Jun-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 |
|------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Forex Sales at WDAS | 1461.8 | 1582.0 | 1841.1 | 2707.5 | 2284.0 | 3593.5 | 2342.1 | 1561.7 | 1839.1 | 2000.0 |
| Forex Demand at WDAS | 2199.2 | 2081.2 | 2068.6 | 3492.2 | 2741.9 | 4391.8 | 2503.7 | 1853.4 | 2035.1 | 2800.4 |
| Supply of Forex to BDC | 429.2 | 482.2 | 306.1 | 277.3 | 657.5 | 613.8 | 478.7 | 280.2 | 341.1 | 135.5 |
| Total Forex Supply | 1890.9 | 2064.2 | 2147.1 | 2984.8 | 2941.4 | 4207.3 | 2820.8 | 1841.9 | 2180.2 | 2135.5 |

The Naira exchange rate vis-à-vis the US dollar, on average, depreciated at both the WDAS and BDC segments. It, however, appreciated at the interbank segment of the foreign exchange market.

The premium between the WDAS rate and the BDC rate was 3.0 per cent and 0.6 per cent for the interbank segment.

Under the WDAS, the average exchange rate of the Naira vis-à-vis the US dollar, depreciated by 0.8 per cent, to ₦151.62 per dollar. It also, depreciated at the bureaux-de-change segment, from ₦154.57 per US dollar in December 2010 to ₦156.13 per dollar. However, at the interbank segment of the market, the average rate, appreciated by 0.1 per cent to ₦152.47 per US dollar.

Consequently, the premium between the official and bureau-de-change rates widened from 2.7 per cent in the preceding month to 3.0 per cent, while at the interbank market, it narrowed from 1.4 per cent in the preceding month to 0.6 per cent.

Figure 17: Average Exchange Rate Movements

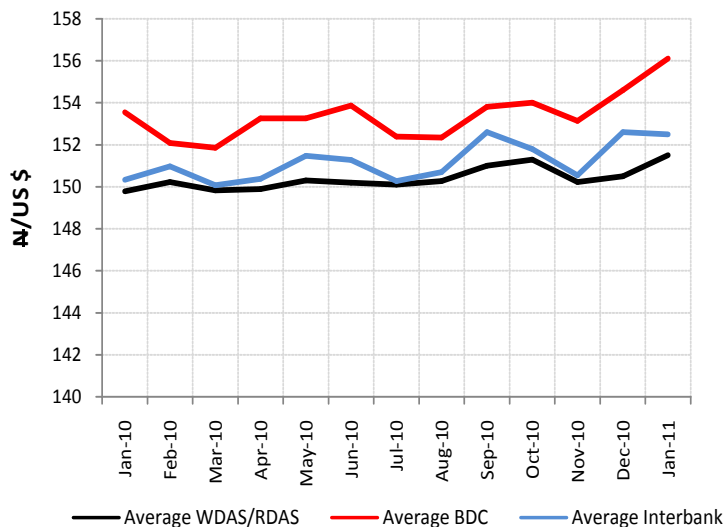
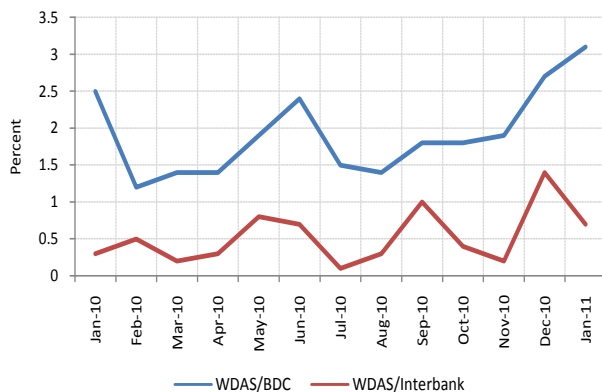


Table 16: Exchange Rate Movements and Exchange Rate Premium

| | Jan-10 | Apr-10 | May-10 | Jun-10 | Jul-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 |
|------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Average Exchange Rate (N/\$) | | | | | | | | | | |
| WDAS/RDAS | 149.8 | 149.9 | 150.3 | 150.2 | 150.1 | 151.0 | 151.3 | 150.2 | 150.5 | 151.6 |
| BDC | 153.6 | 152.0 | 153.3 | 153.9 | 152.4 | 153.8 | 154.0 | 153.1 | 154.6 | 156.1 |
| Interbank | 150.3 | 150.4 | 151.5 | 151.3 | 150.3 | 152.6 | 151.8 | 150.6 | 152.6 | 152.4 |
| Premium (%) | | | | | | | | | | |
| WDAS/BDC | 2.5 | 1.4 | 1.9 | 2.4 | 1.5 | 1.8 | 1.8 | 1.9 | 2.7 | 3.0 |
| WDAS/Interbank | 0.3 | 0.7 | 0.8 | 0.7 | 0.1 | 1.0 | 0.4 | 0.2 | 1.4 | 0.6 |

Figure 18: Exchange Rate Premium



5.5 Gross External Reserves

Gross external reserves increased marginally in January 2011.

The gross external reserves at end-January 2011 stood at US\$33.12 billion, indicating an increase of 2.4 per cent over the level at the end of the preceding month. A breakdown of the reserves showed that CBN holding stood at US\$28.02 billion (84.6 per cent), Federal Government holding was US\$2.68 billion (8.1 per cent) and the Federation Account portion (Excess Crude) was US\$2.42 billion (7.3 per cent) (Fig. 19, Table 16).

Figure 19: Gross External Reserves



Table 17: Gross External Reserves (US\$ million)

| | Jan-10 | Mar-10 | Apr-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 |
|-------------------|---------|----------|----------|----------|----------|----------|----------|--------|--------|---------|---------|---------|
| External Reserves | 42075.7 | 40667.03 | 40305.92 | 38815.79 | 37468.44 | 37155.19 | 36769.65 | 34589 | 33597 | 33059.3 | 32339.3 | 33124.8 |

6.0 *Other International Economic Developments and Meetings*

World crude oil output in January 2011 was estimated at 87.66 million barrels per day (mbd), while demand was estimated at 86.89 million barrels per day (mbd), representing an excess supply of 0.77 mbd, compared with 86.61 and 86.39 mbd supplied and demanded, respectively, in the preceding month. The Organisation for Economic Co-operation and Development (OECD) countries remained the major consumers driving the growth in world crude oil demand, led by Europe and parts of North America as well as China and other emerging economies. This was reinforced by increased consumption in the non-Organisation for Economic Co-operation and Development countries as a result of the strong economic activities, supported by various stimulus packages.

Other major international economic developments and meetings of relevance to the domestic economy during the review month included: the First Regional Experts' Meeting of the OECD/AfDB and the official launch of the Joint Initiative to support Business Integrity and Anti-Bribery Efforts in Africa, which took place between January 13-14, 2011 in Lilongwe, Malawi.

The meeting was attended by over 70 representatives of government and agencies responsible for anti-corruption matters, civil society organization, and business and industry associations from across the Sub-Saharan African region.

The main outcomes of the meeting included:

- The discussion and updating of the Stocktaking Report on Business Integrity and Anti-Bribery Legislation, Policies and Practices in Twenty African Countries; and
- The adoption of the Recommendations issued in the Stocktaking Report and the official adoption

of the Anti-Bribery and Business Integrity Course of Action for Africa.

The Stocktaking Report and its Recommendations were generally well-received with enthusiasm by the participants at the meeting. The Course of Action sets out a number of specific and concrete steps that the countries in the region would endeavor to undertake in their anti-bribery and business integrity efforts and would serve as the main basis for future work of the Joint Initiative.

In a related development, the World Economic Forum Annual Meeting was held at Davos-Klosters, Switzerland from January 26-30, 2011. The theme for the year was “Shared Norms for the New Reality”, reflecting the fact that we live in a world that is becoming increasingly complex and interconnected but also experiencing an erosion of common values and principles.

The meeting agreed as follows:

- That change was essential against the backdrop of the recent global financial crisis, social tensions and civil unrest ravaging the global economy;
- The need to move beyond the old paradigm of how problems were solved before;
- That leaders had been too caught up in short-term solutions to domestic politics and conditions and were too fearful of public opinion of upsetting the markets and regulations and of investing in jobs and social protection;
- The need for leaders to invest in people who need strong direction and conviction; and
- The need for leaders to rebuild the framework of global governance and institutions with an inclusive approach to different cultures.

Finally, the 16th African Union (AU) Heads of State and Government Summit was held in Addis Ababa, Ethiopia

from January 30-31, 2011, with the theme, "Towards Greater Unity and Integration through Shared Values". The Summit was preceded by the 21st Ordinary Session of the Permanent Representatives Committee from January 24-25, 2011 and the 18th Ordinary Session of the Executive Council from January 27-28, 2011.

The major outcomes of the Summit included:

- The need for implementation of the previous decisions of the Executive Council and the Assembly;
- Continental launch of the African Women's Decade;
- Implementation of the decisions on the International Criminal Court (ICC);
- Noted the abuse of the principle of Universal Jurisdiction; and
- Implementation of the African Union Solemn Declaration on Gender Equality in Africa and African Charter on the Values and Principles of Public Service and Administration.

APPENDIX TABLES

Table A1: Money and Credit Aggregates

| | Jan 10 | Jul 10 | Aug 10 | Sep 10 | Oct 10 | Nov 10 | Dec 10 | Jan 11 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Domestic Credit (Net) | 7,753.82 | 8,595.04 | 9,326.10 | 9,309.83 | 9,460.24 | 9,547.26 | 8,962.97 | 8,910.35 |
| <i>Claims on Federal Government (Net)</i> | (2,314.93) | (1,315.67) | (787.10) | (1,026.27) | (1,074.12) | (1,201.12) | (740.73) | (302.78) |
| Central Bank (Net) | (3,892.22) | (3,270.12) | (2,748.07) | (3,037.35) | (2,894.77) | (2,976.07) | (2,586.33) | (2,556.31) |
| Banks | 1,577.30 | 1,954.45 | 1,960.97 | 2,011.07 | 1,820.65 | 1,774.95 | 1,845.60 | 2,253.53 |
| <i>Claims on Private Sector</i> | 10,068.75 | 9,910.71 | 10,113.20 | 10,336.11 | 10,534.36 | 10,748.38 | 9,703.70 | 9,213.13 |
| Central Bank | 489.20 | 488.18 | 493.56 | 564.78 | 664.06 | 683.58 | 588.91 | 490.28 |
| Banks | 9,579.55 | 9,422.52 | 9,619.64 | 9,771.33 | 9,870.30 | 10,064.78 | 9,114.77 | 8,722.85 |
| <i>Claims on Other Private Sector</i> | 9,758.50 | 9,624.01 | 9,818.48 | 9,994.87 | 10,149.53 | 10,382.73 | 9,333.89 | 8,822.09 |
| Central Bank | 489.20 | 488.18 | 493.56 | 564.78 | 664.06 | 683.58 | 588.91 | 490.28 |
| Banks | 9,269.30 | 9,135.83 | 9,324.91 | 9,430.09 | 9,485.47 | 9,699.15 | 8,744.98 | 8,331.81 |
| <i>Claims on State and Local Governmen</i> | 310.25 | 286.70 | 294.72 | 341.24 | 384.83 | 365.65 | 369.81 | 391.04 |
| Central Bank | - | - | - | - | - | - | - | - |
| Banks | 310.25 | 286.70 | 294.72 | 286.70 | 384.83 | 365.65 | 369.81 | 391.04 |
| <i>Claims on Non-financial Public Enterpri</i> | - | - | - | - | - | - | - | - |
| Central Bank | - | - | - | - | - | - | - | - |
| Banks | - | - | - | - | - | - | - | - |
| Foreign Assets (Net) | 7,417.26 | 7,298.14 | 7,249.63 | 6,583.04 | 6,526.92 | 6,453.96 | 6,303.63 | 6,046.64 |
| Central Bank | 6,421.04 | 6,257.43 | 6,110.19 | 5,518.26 | 5,429.52 | 5,226.46 | 5,169.30 | 4,863.44 |
| Banks | 996.22 | 1,040.71 | 1,139.44 | 1,064.78 | 1,097.39 | 1,227.50 | 1,134.33 | 1,183.20 |
| Other Assets (Net) | (4,737.95) | (4,666.09) | (4,627.52) | (4,236.55) | (4,332.38) | (4,539.01) | (3,777.89) | (3,416.75) |
| Total Monetary Assets (M2) | 10,433.12 | 10,779.40 | 11,010.06 | 10,941.44 | 11,520.46 | 11,224.78 | 11,488.72 | 11,540.25 |
| Quasi-Money 1/ | 5,805.45 | 5,991.93 | 6,056.86 | 5,983.09 | 6,098.14 | 5,968.89 | 5,954.26 | 5,994.45 |
| Money Supply (M1) | 4,627.67 | 4,787.47 | 4,953.20 | 4,958.35 | 5,422.50 | 5,255.89 | 5,534.45 | 5,545.79 |
| <i>Currency Outside Banks</i> | 820.53 | 812.13 | 833.56 | 805.68 | 822.23 | 880.86 | 1,082.19 | 1,033.34 |
| <i>Demand Deposits 2/</i> | 3,807.14 | 3,975.33 | 4,119.65 | 4,152.67 | 4,600.27 | 4,375.02 | 4,452.27 | 4,512.46 |
| Total Monetary Liabilities (M2) | 10,433.12 | 10,779.40 | 11,010.06 | 10,941.44 | 11,520.46 | 11,224.78 | 11,488.72 | 11,540.25 |
| <i>Memorandum Items:</i> | - | - | - | - | - | - | - | - |
| Reserve Money (RM) | 1,647.81 | 1,738.74 | 1,810.89 | 1,658.88 | 1,752.95 | 1,344.32 | 1,803.91 | 1,657.84 |
| <i>Currency in Circulation (CIC)</i> | 1,068.21 | 1,049.41 | 1,086.46 | 1,076.92 | 1,094.71 | 1,125.39 | 1,378.02 | 1,340.33 |
| <i>DMBs Demand Deposit with CBN</i> | 579.60 | 689.33 | 724.43 | 581.96 | 658.24 | 218.92 | 425.89 | 317.52 |

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

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

Table A2: Money and Credit Aggregates (Growth Rates)

| | Jan 10 | Dec 09 | Jul-10 | Oct 10 | Nov 10 | Dec 10 | Jan 11 |
|---|--|--------|--------|--------|--------|--------|--------|
| | <i>Percentage Change Over Preceding December (%)</i> | | | | | | |
| Domestic Credit (Net) | -1.9 | 59.6 | 8.8 | 19.7 | 27.4 | 6.1 | -0.6 |
| <i>Claims on Federal Government (Net)</i> | -0.6 | 25.9 | 42.9 | 53.4 | 51.8 | 38.3 | 59.1 |
| <i>Claims on Private Sector</i> | -1.4 | 26.6 | -2.9 | 3.2 | 7.6 | -9.7 | -5.1 |
| <i>Claims on Other Private Sector</i> | -1.4 | 25.1 | -2.7 | 2.6 | 7.2 | -10.1 | -5.5 |
| <i>Claims on State and Local Government</i> | 0.0 | 107.2 | -7.6 | 24.0 | 20.8 | 1.1 | 5.7 |
| <i>Claims on Non-financial Public Enterprises</i> | | | | | | | |
| Foreign Assets (Net) | -2.3 | -11.2 | -13.3 | -17.7 | -15.4 | -0.4 | -4.1 |
| Other Assets (Net) | -0.2 | 9.1 | 10.4 | 5.2 | -0.1 | 20.2 | 9.7 |
| Total Monetary Assets (M2) | -3.1 | 17.5 | 1.6 | 4.3 | 8.8 | 3.1 | 0.5 |
| Quasi-Money 1/ | 0.7 | 33.7 | 3.8 | 2.2 | 6.4 | 1.5 | 0.7 |
| Money Supply (M1) | -7.5 | 3.0 | -0.9 | 6.6 | 11.7 | 4.9 | 0.2 |
| <i>Currency Outside Banks</i> | -11.5 | 3.9 | -13.1 | -5.6 | 4.8 | 21.3 | -4.5 |
| <i>Demand Deposits 2/</i> | -6.6 | 2.8 | 1.9 | 9.4 | 13.2 | 1.6 | 1.4 |
| Total Monetary Liabilities (M2) | -3.1 | 17.5 | 1.6 | 4.3 | 8.8 | 3.1 | 0.5 |
| Memorandum Items: | | | | | | | |
| Reserve Money (RM) | -0.4 | 6.8 | 0.3 | -3.5 | 4.7 | 9.1 | -8.1 |
| <i>Currency in Circulation (CIC)</i> | -9.6 | 2.3 | -8.9 | -2.4 | 10.7 | 16.6 | -2.7 |
| <i>DMBs Demand Deposit with CBN</i> | 22.7 | 20.0 | 23.2 | -39.6 | -18.8 | -9.8 | -25.5 |
| | <i>Growth over Preceding Month (%)</i> | | | | | | |
| Domestic Credit (Net) | -1.9 | 5.4 | -0.2 | 1.6 | 0.9 | 6.1 | -0.6 |
| <i>Claims on Federal Government (Net)</i> | -0.6 | 7.7 | 11.7 | -4.7 | -11.8 | 38.3 | 59.1 |
| <i>Claims on Private Sector</i> | -1.4 | 2.2 | -1.9 | 1.9 | 2.0 | -9.7 | -5.1 |
| <i>Claims on Other Private Sector</i> | -1.4 | 2.2 | -1.6 | 1.6 | 2.3 | -10.1 | -5.5 |
| <i>Claims on State and Local Government</i> | 0.0 | 2.5 | -10.2 | 12.8 | -4.9 | 1.1 | 5.7 |
| <i>Claims on Non-financial Public Enterprises</i> | | | | | | | |
| Foreign Assets (Net) | -2.3 | 1.6 | 1.5 | -3.2 | 1.3 | -3.2 | 1.3 |
| Central Bank | -1.6 | 0.1 | 2.2 | -4.3 | 3.6 | -4.3 | 3.6 |
| Banks | -6.7 | 5.2 | -1.7 | 1.7 | -8.2 | 1.7 | -8.2 |
| Other Assets (Net) | 0.2 | 4.5 | 0.4 | 1.2 | 5.5 | 1.2 | 5.5 |
| Total Monetary Assets (M2) | -3.1 | 5.2 | 0.9 | 0.0 | -0.7 | 0.0 | -0.7 |
| Quasi-Money 1/ | 0.7 | 8.9 | 0.9 | -1.3 | -0.4 | -1.3 | -0.4 |
| Money Supply (M1) | -7.5 | 5.3 | 0.8 | 1.5 | -1.1 | 1.5 | -1.1 |
| <i>Currency Outside Banks</i> | -11.5 | 5.2 | 1.3 | -0.7 | 1.9 | -0.7 | 1.9 |
| <i>Demand Deposits 2/</i> | -6.6 | 5.3 | 0.7 | 1.9 | -1.7 | 1.9 | -1.7 |
| Total Monetary Liabilities (M2) | -3.1 | 5.2 | 0.9 | 0.0 | -0.7 | 0.0 | -0.7 |
| Memorandum Items: | | | | | | | |
| Reserve Money (RM) | -0.4 | 19.5 | 8.1 | 7.0 | 0.9 | 9.1 | -8.1 |
| <i>Currency in Circulation (CIC)</i> | -9.6 | 6.6 | 1.2 | 2.5 | 6.5 | 16.6 | -2.7 |
| <i>DMBs Demand Deposit with CBN</i> | 22.7 | 71.8 | 23.4 | 30.3 | -21.7 | -9.8 | -25.5 |

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

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

Table A3: Federal Government Fiscal Operations (₦ billion)

| | Jan-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 |
|---|--------------|--------------|---------------|--------------|---------------|--------------|
| Retained Revenue | 180.0 | 191.3 | 190.4 | 194.8 | 294.6 | 234.4 |
| <i>Federation Account</i> | 112.6 | 173.0 | 173.1 | 172.7 | 172.8 | 165.2 |
| <i>VAT Pool Account</i> | 6.4 | 7.0 | 7.0 | 5.8 | 6.4 | 6.8 |
| <i>FGN Independent Revenue</i> | 2.6 | 0.4 | 5.2 | 5.9 | 52.8 | 5.3 |
| <i>Excess Crude</i> | 38.7 | 10.4 | 0.0 | 0.0 | 62.5 | 45.5 |
| <i>Others</i> | 19.6 | 0.6 | 5.1 | 10.5 | 0.0 | 11.5 |
| Expenditure | 176.9 | 176.4 | 292.1 | 256.7 | 408.9 | 280.1 |
| <i>Recurrent</i> | 176.3 | 133.1 | 224.4 | 212.6 | 327.7 | 182.1 |
| <i>Capital</i> | 192.5 | 43.3 | 43.3 | 44.1 | 43.3 | 44.1 |
| <i>Transfers</i> | 0.0 | 0.0 | 24.5 | 13.8 | 13.8 | 17.6 |
| Overall Balance: Surplus(+)/Deficit(-) | 3.1 | 14.9 | -106.6 | -61.9 | -114.2 | -45.7 |

