



**CENTRAL BANK OF NIGERIA**

***ECONOMIC REPORT  
MAY 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 in the month of May 2011. On month-on-month basis, broad money ( $M_2$ ) grew marginally by 0.7 per cent, compared with the increase of 2.1 per cent, at the end of the preceding month, due largely to the 1.3 and 4.7 per cent increase in foreign assets (net) and other assets (net) of the banking system, which neutralized the 1.7 per cent fall in net domestic credit. Narrow money ( $M_1$ ) fell by 1.2 per cent below the level at the end of the preceding month. Relative to the level at end-December 2010,  $M_2$  grew by 4.0 per cent, owing largely, to the 9.6 per cent rise in other assets (net) of the banking system. Reserve money increased by 3.2 percent over its level in the preceding month.

Available data indicated mixed developments in banks' deposit and lending rates. The spread between the weighted average term deposit and maximum lending rates contracted from 17.6 percentage points in the preceding month to 17.4 percent in May 2011. Similarly, the margin between the average savings deposit and maximum lending rates narrowed marginally from 20.8 percent in the preceding month to 20.7 per cent. The weighted average interbank call rate fell from 10.8 per cent recorded in the preceding month to 9.6 per cent, reflecting the improved liquidity condition in the interbank funds market during the month.

The value of money market assets outstanding at end-May 2011 was ₦4,945.30 billion, representing an increase of 1.7 per cent, compared with an increase of 5.6 per cent at end-April 2011. The development was attributed to the 2.7 and 1.9 per cent increase in the value of Nigerian Treasury Bills and FGN Bonds respectively. Activities on the Nigerian Stock Exchange (NSE) in May 2011 were bearish, as most of the major indicators trended downward.

Gross federally-collected revenue in May 2011 was estimated at ₦748.75 billion, representing an increase of 25.1 per cent over the proportionate monthly budget estimate and a decrease of 9.8 per cent below the level in the preceding month. At ₦576.46 billion, gross oil receipts, which constituted 76.9 per cent of the total revenue, exceeded the proportionate monthly budget revenue estimate by 38.8 per cent but was below the receipts in the preceding month.

by 7.3 per cent. This was attributed largely, to the reduction in volume of crude oil production and lifting during the review month. Non-oil receipts, at ₦172.3 billion or 23.0 per cent of the total gross receipts was lower than the proportionate monthly budget estimate for 2011 and receipts in the preceding month by 6.0 and 17.4 percent, respectively. The shortfall relative to the preceding month was largely due to the decline in value-added tax (VAT) and FGN Independent Revenue collections. Federal Government estimated retained revenue in May 2011 was ₦229.91 billion, while total estimated expenditure was ₦304.11 billion. Thus, the fiscal operations of the Federal Government resulted in an estimated deficit of ₦74.2 billion, compared with the monthly budgeted deficit of ₦136.91 billion for the review month.

The dominant agricultural activities in May 2011 were; harvesting of tree crops, vegetables and early maturing crops. In the livestock sub-sector, farmers intensified the restocking of broilers and layers to replenish sales during Easter season of 2011. Crude oil production, including condensates and natural gas liquids in May was estimated at 2.22 million barrels per day (mbd) or 68.82 million barrels for the month. Crude oil export was estimated at 1.77 mbd or 54.87 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\$116.99 per barrel, dropped by 7.8 per cent from the level in the preceding month.

The end-period headline inflation rate (year-on-year), in May 2011, was 12.4 per cent, compared with 11.3 per cent at the end of the preceding month. Inflation rate on a twelve-month moving average basis, declined by 0.1 percentage point to 12.6 percent from the level in the preceding month.

Foreign exchange inflow and outflow through the CBN in May, 2011 were US\$2.90 billion and US\$3.66 billion, respectively, and resulted in a net outflow of US\$0.76 billion. Foreign exchange sales by the CBN to the authorized dealers amounted to US\$3.22 billion, showing an increase of 18.8 and 8.1 per cent above the levels in the preceding month and the corresponding period of 2010, respectively.

The average Naira exchange rate vis-à-vis the US dollar at the WDAS depreciated from the preceding month's level by



0.5 per cent. It also depreciated at both the bureaux-de-change and interbank segments by 0.6 and 1.0 per cent, respectively, from the levels in the preceding month.

Non-oil export earnings by Nigerian exporters increased by 3.0 per cent over the level in the preceding month to US\$159.0 million. The development was attributed, largely, to the rise in the prices of the commodities traded at the international market during the period.

World crude oil output in May 2011 was estimated at 88.6 million barrels per day (mbd), while demand was estimated at 87.5 million barrels per day (mbd), representing an excess supply of 1.1mbd, compared with 89.05 and 86.37mbd supplied and demanded, respectively, in the preceding month. The OECD countries led by Europe and parts of North America remained the key contributors to the increase in world crude oil demand, as well as China and other emerging economies.

Other major international economic developments and meetings of relevance to the domestic economy during the review month included: The 2011 G8 Summit held on May 26 and 27 in Deauville, France under the chairmanship of Mr. Sarkozy, President of France. The Summit issued declarations on solidarity with Japan, nuclear safety, the Internet, the MDGs and peace and security. Others were the Declaration of the G8 on the Arab Spring; and the G-8/Africa Joint Declaration.

The Board of Directors of the African Development Bank (AfDB) group on May 26<sup>th</sup> 2011 approved two sovereign guaranteed programmes, amounting to USD 200 million, to the Nigerian Export-Import Bank (NEXIM) for financing Export-oriented Small and Medium Enterprises (SMEs) and USD 500 million, to the Bank of Industry (BOI) by way of multi-Tranche Lines of Credit. A portion of the proceeds would be used to pay for a Technical Assistant for capacity building at NEXIM, BOI and the SMEs.

The 2011 Global Monitoring Report entitled "Improving the Odds of Achieving the MDGs - Heterogeneity, Gaps and Challenges", was released in May 2011, and reviewed the evolution of the Millennium Development Goals (MDGs) towards their achievement deadline of 2015 set by the World Leaders in 2000. The Global Monitoring Report was a product of a strategic collaboration of multilateral development

*finance institutions led by the World Bank and, which included the African Development Bank (AfDB). This year's Report analyzed the diverse efforts and achievements in improving human development across developing countries in general and Africa in particular.*

*Furthermore, the International Monetary Fund (IMF) Acting Managing Director John Lipsky on May 26, 2011 presented the IMF's bi-annual work programme. He stated that the IMF will focus its efforts for the period ahead on three priority areas: spurring growth while bolstering economic and financial stability; strengthening the international monetary system; and continuing to adapt efforts to support low-income members. The work programme, highlighted efforts in those areas, while underscoring that the complex global economic landscape, in which the strength and quality of recovery varies widely across regions, continued to make global policy cooperation as critical as it was at the peak of the crisis.*

*Finally, the West African Monetary Zone Experts Committee met in Accra Ghana, from May 25 – 27, 2011 to discuss various studies scheduled for consideration by the Committee of Governors and the Convergence Council of the West African Monetary Zone (WAMZ) at their next statutory meetings. Delegates were drawn from all member countries of the WAMZ.*

## 2.0 *Financial Sector Developments*

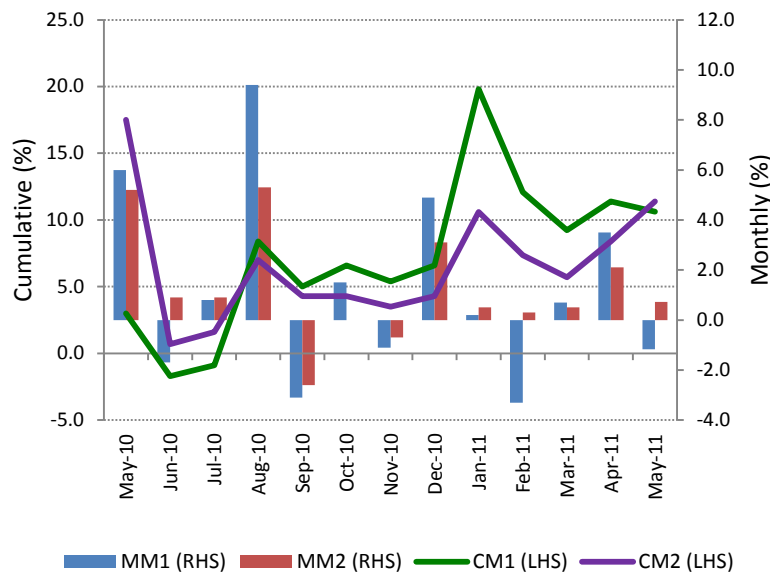
### 2.1 Monetary and Credit Developments

*Growth in the major monetary aggregate was moderate at the end of the review month. Money market interest rates in all segments of the market indicated mixed developments. The value of money market assets outstanding increased, owing, largely, to the rise in the value of FGN Bonds and NTBs. Transactions on the Nigerian Stock Exchange (NSE) were bearish as all the major market indicators trended downward during the review month.*

*Growth in the key monetary aggregate was moderate in May 2011.*

Provisional data indicated that growth in the major monetary aggregate was moderate at end-May 2011, relative to the level in the preceding month. On month-on-month basis, broad money supply ( $M_2$ ), at ₦11,986.23 billion, rose by 0.7 per cent, compared with the increase of 2.1 per cent, at the end of the preceding month. The development was accounted for, largely, by the 1.3 and 4.7 per cent increase in foreign assets (net) and other assets (net) of the banking system, respectively. Narrow money supply ( $M_1$ ), at ₦5,551.09 billion, however, declined by 1.2 per cent, as against the increase of 3.5 per cent at the end of the preceding month. Quasi-money rose by 2.4 per cent, compared with the increase of 0.9 per cent in the preceding month. Relative to the level at end-December 2010,  $M_2$  grew by 4.0 per cent, owing, largely, to the increase of 9.6 per cent in other assets (net) of the banking system.

Figure 1: Growth Rate of Narrow Money (M<sub>1</sub>) and Broad Money, (M<sub>2</sub>)<sup>1</sup>



At ₦8,963.2 billion, aggregate banking system credit (net) to the domestic economy fell by 1.7 per cent, on month-on-month basis, as against the increase of 11.2 per cent at the end of the preceding month. The development reflected, largely, the decline of 0.5 and 13.9 per cent in claims on the private Sector and net claims on the Federal Government, respectively. Relative to the level at end-December 2010, aggregate banking system credit (net) to the domestic economy, rose by 2.9 per cent, due to the increase in claims on the Federal Government.

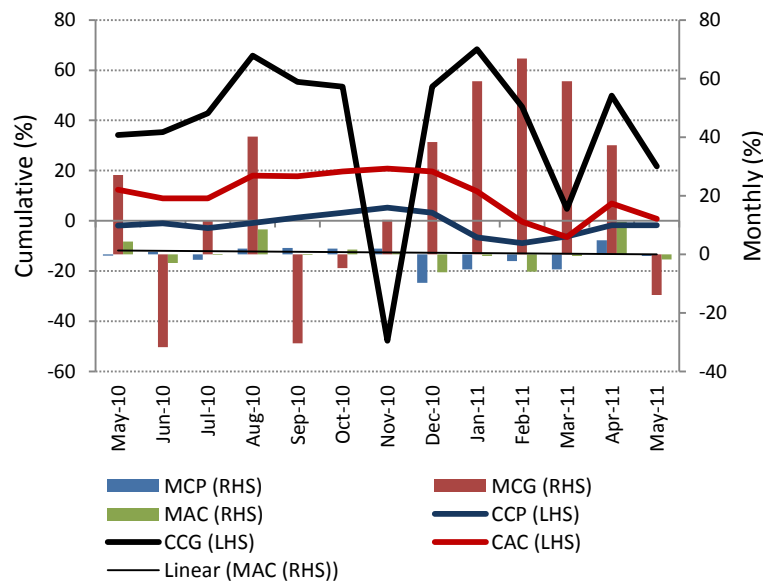
Banking system's credit (net) to the Federal Government, on month-on-month basis, fell by 13.9 per cent to negative ₦886.1 billion, as against the increase of 37.3 per cent at the end of the preceding month. The development was attributed to the decline in banking system's holding of Federal Government securities, reinforced by the increase in Federal Government deposit with the Central Bank. Over the level at end-December 2010, aggregate banking system's claims (net) on the Federal Government rose

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

by 21.0 per cent. The Federal Government, however, remained a net lender to the banking system at the end of the review month.

Banking system's credit to the private sector fell by 0.5 per cent billion below the preceding month's level, to ₦9,849.2, as against the rise of 4.8 per cent recorded at end-April 2011. Similarly, banking system's claims on the core private sector declined by 0.7 per cent to ₦9,469.9 billion, as against the increase of 5.1 per cent in the preceding month. The development reflected, wholly, the fall in the DMBs' claims on the sector. Relative to the level at end-December 2010, banking system's credit to the private sector, however, rose by 0.2 per cent, owing largely to the increase in DMBs claims on the sector (Fig. 2, Table 1).

**Figure 2: Growth Rate of Aggregate Domestic Credit to the Economy<sup>2</sup>**



Foreign assets (net) of the banking system increased on month-on-month basis at end May 2011.

At ₦6,357.1 billion, foreign assets (net) of the banking system rose above the level in the preceding month by 1.3 per cent, as against the decline of 10.2 per cent at

<sup>2</sup> 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 preceding month. The development was attributed, wholly, to the increase in DMB's holding. Relative to the level at end-December 2010, foreign assets (net) of the banking system fell by 2.3 per cent, reflecting, largely, the 11.2 per cent decline in the CBN's holding.

Quasi-money increased by 2.4 per cent to ₦6,435.1 billion, compared with the increase of 0.9 per cent at the end of the preceding month. The development reflected the rise in all the components namely: time savings deposits and foreign currency deposits of the DMBs. Over the level at end-December 2010, quasi-money rose by 8.1 per cent due to the same reasons above.

Similarly, other assets (net) of the banking system, on a month-on-month basis, rose by 5.0 per cent to ₦3,334.0 billion, compared with the increase of 1.2 per cent at the end of the preceding month, reflecting largely, the rise in unclassified assets of both the CBN and the DMBs. Relative to the level at end-December 2010, other assets (net) of the banking system also increased by 9.6 per cent.

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

	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
<b>Domestic Credit (Net)</b>	4.3	-3	8.75	8.5	-0.2	1.62	0.92	-8.78	-0.3	-1.98	-3.61	11.15	-1.74
<i>Claims on Federal Government (Net)</i>	27.1	31.7	42.9	40.2	30.4	4.66	11.8	6.6	34.8	9.14	-86.73	37.25	-13.9
<i>Claims on Private Sector</i>	-0.5	0.9	-2.89	2	2.2	1.92	2	8.54	-4.2	-2.53	2.93	4.8	-0.51
<i>Claims on Other Private Sector</i>	-0.4	0.9	-2.75	4.1	1.8	1.55	2.3	-8.88	-4.6	-2.25	2.8	-3.34	-0.69
<b>Foreign Assets (Net)</b>	-5.8	-1.8	-13.3	-0.9	-1.12	-3.2	1.3	2.84	-1.6	5.1	3.9	-10.2	1.32
<b>Other Assets (Net)</b>	-3.8	10.3	10.4	-2.36	-4.67	1.2	-5.4	22	4.5	-3.38	2.82	1.24	4.67
<b>Broad Money Supply (M2)</b>	-2	0.9	1.62	-2.57	-2.57	0	0.7	3.44	0.3	0.3	0.5	2.11	0.73
<b>Quasi-Money</b>	-3.2	3.3	3.81	1.92	-2.12	-1.3	-0.4	1.46	0.7	3.5	0.36	0.85	2.43
<b>Narrow Money Supply (M1)</b>	-0.5	-1.7	-0.91	9.4	-3.07	1.5	1.1	5.63	-0.32	-3.2	0.66	3.54	-1.17
<b>Reserve Money (RM)</b>	19.5	0.02	8.1	5.7	-23.3	7	0.9	27.2	-3.9	7.4	-6.31	-0.57	3.22

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

At ₦1,401.8 billion, currency in circulation at end-May 2011 fell by 6.1 per cent below the level at end-April 2011. The development reflected the 7.5 per cent decline in currency outside the banks. However, it increased by 1.7 per cent over the level at end-December 2011.

Total deposits at the CBN amounted to ₦4,151.3 billion, indicating an increase of 10.0 per cent above the level at the end of the preceding month. The development reflected largely, the 71.2 and 6.8 per cent increase in DMBs and Federal Government deposits, respectively. Of the total deposits, the percentage shares of the Federal Government, banks and "others" were 80.6, 8.4 and 11.0 per cent, respectively.

Reserve money (RM) rose by 3.2 per cent above the ₦1,696.2 billion recorded at the end of the preceding month to ₦1,750.9 billion, reflecting the trends in DMBs' deposits with the CBN.

Reserve money (RM) rose during the month under review.

## 2.3 Money Market Developments

During the review month, there was increased patronage at the CBN lending window by DMBs. This was occasioned by the use of Government guaranteed zero-coupon bonds issued by the Asset Management Corporation of Nigeria (AMCON) as eligible collateral for repurchase transactions (Repo) and the standing lending facility. In line with the reserve averaging policy, balances held by DMBs in excess of the Cash Reserve Requirement were remunerated and transferred to the DMBs accounts.

Nigerian Treasury Bills (NTBs) and FGN Bonds remained attractive during the month under review. The Bank intervened in the Open Market Operations (OMO) through the sale of securities with maturities ranging from 118-181 days. There was no activity at the two-way quote trading platform.

Provisional data indicated that the value of money market assets outstanding at end-May 2011 was ₦4,945.30 billion, representing an increase of 1.7 per cent, compared with the increase of 5.6 per cent at end-April 2011. The development was attributed to the 1.9 and 2.7 per cent increase in FGN Bonds and NTBs, respectively.

### *2.3.1 Interest Rate Developments*

Developments in interest rates were mixed in May 2011

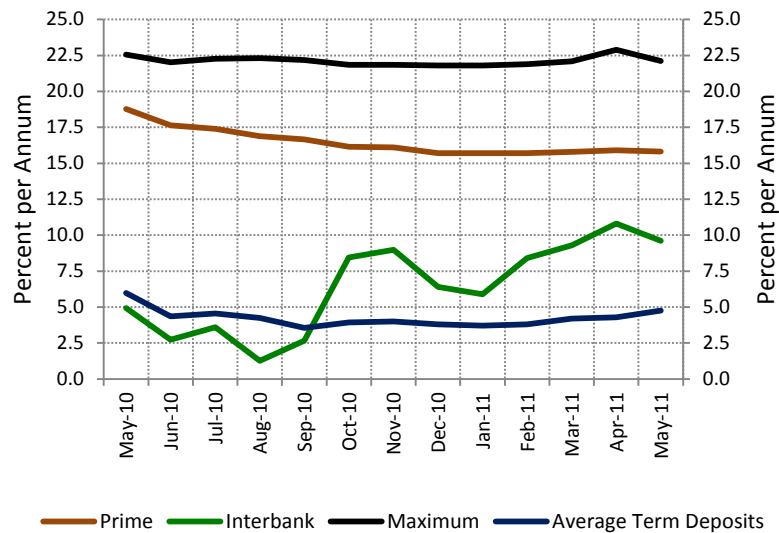
Available data indicated mixed developments in banks' rates in the month under review. All rates on deposits of various maturities, including the average savings deposit rates, rose from a range of 1.42 – 6.85 per cent in April 2011 to 1.41– 7.30 per cent in May. Similarly, at 4.75 per cent, the average term deposit rate rose by 0.18 percentage point above the level in the preceding month. The average prime lending rate also rose by 6 basis points to 15.81 per cent, while the average maximum lending rate declined by 8 basis points to 22.1 per cent at end-May 2011. Consequently, the spread between the weighted average term deposit and maximum lending rates contracted from 17.6 per cent in April 2011 to 17.4 per cent. Similarly, the margin between the average savings deposit and maximum lending rates narrowed marginally from 20.8 to 20.7 per cent.

At the interbank call segment, the weighted average rate, which stood at 10.8 per cent in April 2011, fell to 9.6 per cent, reflecting the improved liquidity condition which exerted downward pressure on rates in the interbank funds market. Similarly, the weighted average rate at the open buy back (OBB) segment declined from 9.5 per cent in April 2011 to 8.6 per cent at end-May 2011. In line with the liquidity condition at the interbank funds market, the Nigerian interbank offered rate (NIBOR) for 7- and 30-day tenors declined by 1.4 and 1.13 percentage points below the levels in the preceding month to 10.2 and 11.4 per cent, respectively, in the review month. With headline inflation rate of 12.4 per cent at end-May 2011, most



deposit rates, were negative in real terms (Fig. 3, Table 2).

**Figure 3: Selected DMBs Interest Rates (Average)**



**Table 2: Selected Interest Rates (Percent, Averages)**

	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
Average Term Deposits	6.0	4.4	4.6	4.3	3.6	3.9	4.0	3.8	3.7	3.8	4.2	4.3	4.8
Prime Lending	18.8	17.7	17.4	16.9	16.7	16.2	16.1	15.7	15.7	15.7	15.8	15.9	15.8
Interbank	4.9	2.7	3.6	1.3	2.7	8.5	8.9	6.4	5.8	8.3	9.3	10.8	9.6
Maximum Lending	22.5	22.0	22.3	22.3	22.2	21.9	21.8	21.8	21.8	21.8	22.0	22.9	22.1

### 2.3.2 Commercial Paper (CP)

The value of Commercial Paper (CP) held by DMBs declined by 4.7 per cent to ₦188.6 billion at end-May 2011, compared with the decline of 1.5 per cent at end-April 2011. Thus, CP constituted 0.04 per cent of the total value of money market assets outstanding at end-May 2011, compared with 4.1 per cent at the end of the preceding month.

### 2.3.3 Bankers' Acceptances (BAs)

Bankers' Acceptances (BAs) declined by 5.5 per cent to ₦60.0 billion, as against the increase of 5.3 per cent in the preceding month. The fall in BAs, reflected the decline in investments by deposit money banks and discount houses. As a proportion of total value of money market assets outstanding, BAs accounted

for 0.01 per cent, compared with 1.3 per cent at the end of the preceding month.

#### 2.3.4 *Open Market Operations*

The Bank intervened in the money market through the sale of securities of various tenors at the Open Market Operation (OMO), ranging from 118-181 days. The sum of ₦40.0 billion, ₦119.33 billion, and ₦48.61 billion was offered, subscribed to and sold, respectively, in the review month. Bid and issue rates ranged between 8.40-10.80 and 8.40-9.39 per cent, respectively. The amount sold was 59.3 per cent below subscription, indicating investors demand at high speculative yields, despite their appetite for government security. However, ₦62.84 billion matured NTBs were repaid during the month.

#### 2.3.5 *Primary Market*

At the primary market, NTBs auctions were conducted fortnightly on 91-, 182- and 364-day tenors. Total amount offered and subscribed was ₦204.6 billion and ₦666.0 billion, respectively. The bid rates ranged from 7.0 to 11.25 per cent for the 91-day tenor. The total amount of ₦204.6 billion on offer was allotted at issue rates ranging from 7.0 to 9.45 per cent for 91-182- and 364-day tenors. A total of ₦162.61 billion was repaid, resulting in a net outflow of ₦42.0 billion.

#### 2.3.6 *Bonds Market*

Federal Government of Nigeria (FGN) Bonds with tenors of 3- and 5-year tranches, amounting to ₦35.00 billion apiece, were re-opened at the primary market in May 2011. Total public subscription was ₦100.21 billion for the 3-year bond and ₦98.80 billion for the 5-year bond. Total allotment was ₦35.00 billion apiece at marginal rates of 11.04 and 12.23 per cent for the 3-year and 5-year tranches, respectively. This represented a decline of 111 and 97 basis points, respectively, below the yields in the previous month.

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

### 2.3.7 CBN Standing Facilities

Aggregate Standing Lending Facility (SLF) granted during the period under review was ₦3,545.27 billion, compared with ₦2,972.77 billion at end-May 2011. The increase of ₦572.57 billion in SLF demanded and granted by the DMBs was due to the enhanced access to the SLF window using their AMCON bonds as security for the facility rather than source for liquidity in the interbank money market, reinforced by the slight delay in the release of statutory Revenue Allocation for the month of April. The Standing Lending Facility (SLF) rate stood at 10.00 per cent which is 200 basis points above the Monetary Policy Rate (MPR).

## 2.4 Deposit Money Banks' Activities

Available data indicated that total assets and liabilities of the deposit money banks (DMBs) amounted to ₦17,950.8 billion, showing an increase of 0.5 per cent above the level at end-April 2011. Funds sourced mainly from an increase in claims on the private sector and unclassified assets, were used, largely, to acquire foreign assets and increase capital. At ₦11,047.8 billion, DMBs' credit to the domestic economy declined by 1.5 per cent below the level in the preceding month. The breakdown, on a month-on-month basis, showed that credit to states and local governments increased by 4.2 per cent, while credit to the core private sector fell by 2.8 per cent below the level in April 2011.

DMBs' Credit to state and local government rose by 4.2 per cent, while credit to the core private sector fell by 2.8 per cent below the level in April 2011.

Central Bank's credit to the DMBs, largely loans and advances, rose by 2.4 per cent to ₦432.7 billion at end-May 2011, while specified liquid assets of the DMBs stood at ₦2,447.2 billion, representing 17.9 per cent of their total current liabilities. This level of liquid assets was 1.8 percentage points below the preceding month's ratio and 12.1 percentage points below the stipulated minimum ratio of 30.0 per cent for fiscal 2011. The loan-to-deposit ratio was 46.4 per cent and was 33.6 percentage points below the stipulated maximum target of 80.0 per cent.

## 2.5 Discount Houses' Activities

Total assets and liabilities of the discount houses stood at ₦266.2 billion at end-May 2011, showing an increase of 1.5 per cent above the level at end-April 2011. The development was accounted for, largely, by the 37.5, 0.6 and 15.5 per cent rise in cash and balances with Banks, claims on banks and claims on others, respectively. Correspondingly, the increase in total liabilities was attributed, largely, to the 58.9 per cent increase in "other amounts owing".

Discount houses' investment in Federal Government securities of less than 91-day maturity fell to ₦14.9 billion and accounted for 8.2 per cent of their total deposit liabilities. There was no investment by Discount Houses in treasury bonds during the month. Thus, investment in Federal Government Securities was 51.8 percentage points below the prescribed minimum level of 60.0 per cent for fiscal 2011. At that level, discount houses' investment rose by 2.7 per cent above the level at the end of the preceding month. Total borrowing by the discount houses was ₦48.2 billion, while their capital and reserves amounted to ₦53.7 billion. This resulted in a gearing ratio of 0.9:1, compared with the stipulated maximum target of 50:1 for fiscal 2011.

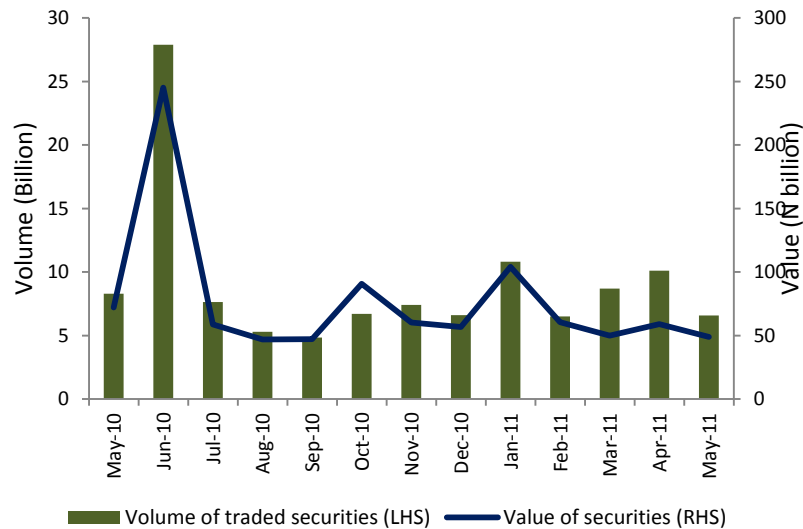
## 2.6 Capital Market Developments

### 2.6.1 *Secondary Market*

Available data indicated that activities on the Nigerian Stock Exchange (NSE) in May 2011 were bearish, as most of the major indicators trended downward. The volume and value of traded securities fell by 34.8 and 17.3 per cent to 6.55 billion shares and ₦48.8 billion, respectively, in 110,447 deals, compared with 10.1 billion shares, valued at ₦58.9 billion, in 102,566 deals in the preceding month. The banking sub-sector was the most active on the Exchange with a traded volume of 3.3 billion shares, valued at ₦27.7 billion, in 61,011 deals. This was followed by the Insurance sub-sector with a traded volume of 527.8 million shares, valued at ₦397.0

million, in 4,011 deals. Transactions in the equities sub-sector recorded a traded volume of 6.6 billion shares valued at ₦48.8 billion, in 110,419 deals.

**Figure 4: Volume and Value of Traded Securities**



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

	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
Volume (Billion)	8.3	27.9	7.6	5.3	4.8	6.7	7.4	6.6	10.8	6.5	8.7	10.1	6.6
Value (₦ Billion)	72.2	245.2	58.8	46.9	47.3	90.6	60.3	56.7	104.1	60.6	49.9	59.0	48.8

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

Transactions on the Over-the-Counter (OTC) bonds market indicated a turnover of 740.1 million units worth ₦647.4 billion in 6,846 deals. The most active bond, by turnover volume, was the 10.0% FGN July 2030 Bond with a traded volume of 209.4 million units, valued at ₦170.2 billion, in 1,895 deals. This was followed by the 5.50% FGN February 2013 Bond with a traded volume of 101.6 million units, valued at ₦94.7 billion, in 943 deals.

### 2.6.3 New Issues Market

There were two supplementary listings in May, as shown in table 4 below.

**Table 4: Supplementary Listings on the Nigerian Stock Exchange**

S/N	Company	Additional Shares (billion)	Reasons
1	Oando Plc	0.45	Bonus Issue
2	Great Nigeria Insurance Plc	23	Conclusion of Placement

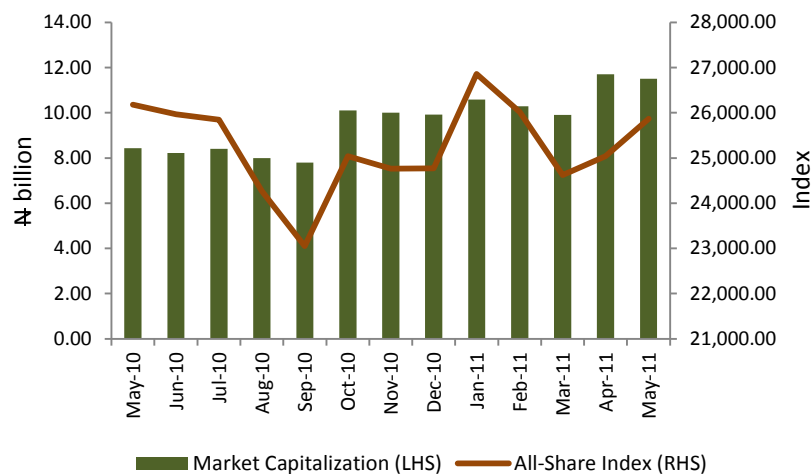
#### 2.6.4 Market Capitalization

The aggregate market capitalization of the listed securities declined by 1.5 per cent to close at ₦11.5 trillion, compared with 11.7 trillion recorded at the end of the preceding month. The equities sub-sector, accounted for 72.2 per cent (₦8.3 trillion) of the total market capitalization, while the debt component accounted for the balance.

#### 2.6.5 NSE All-Share Index

The All-Share Index, which opened at 25,041.68 at the beginning of the month, closed at 25,866.6, indicating an increase of 3.3 per cent over the level in the preceding month. The NSE Food/Beverage and the NSE Banking rose by 3.3 and 1.1 per cent, respectively, while the NSE Insurance and the NSE Oil/Gas fell by 3.1 and 0.63 per cent, respectively.

**Figure 5: Market Capitalization and All-Share Index**



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

	May-10	Jun-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
Market Capitalization (₦trillion)	8.4	8.2	8.0	7.8	10.1	10.0	9.9	10.5	10.3	9.9	11.7	11.5
All-Share Index	26183.2	25966.3	24268.2	23050.6	25042.2	24764.7	24770.5	26830.7	26016.8	25020.1	25041.7	25866.6

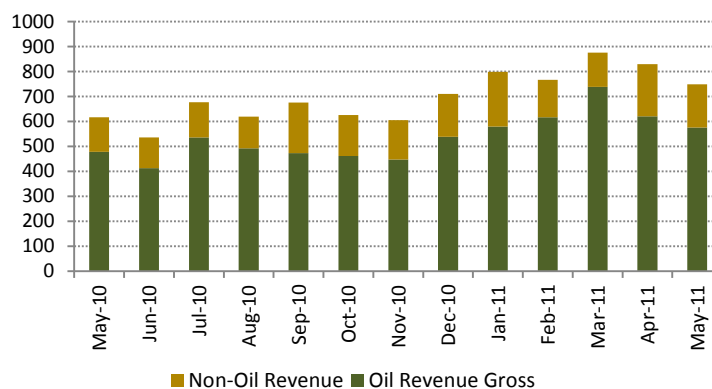
### 3.0 Fiscal Operations

#### 3.1 Federation Account Operations

Gross federally-collected revenue was ₦748.75 billion, indicating an increase of 25.1 per cent over the monthly budget estimate, but was below the receipts in the preceding month by 9.8 per cent (Fig. 6, Table 6).

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

**Figure 6: Components of Gross Federally-Collected Revenue**



**Table 6: Gross Federation Account Revenue (₦ billion)**

	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
Federally-collected revenue (Gross)	609.9	641.8	699.9	650.6	644.7	623.3	644.7	757.7	731.8	766.9	876.9	781.8	748.8
Oil Revenue	478.4	413.4	536.2	492.5	473.3	462.4	447.6	538.7	580.1	617.0	738.5	621.5	576.5
Non-Oil Revenue	131.5	202.9	163.7	158.1	171.4	161.0	158.1	171.4	151.7	149.3	138.2	160.3	172.3

At ₦576.46 billion, gross oil receipts, which constituted 76.9 per cent of the total revenue, exceeded the monthly budgeted revenue by 38.8 per cent, but was below the receipts in the preceding month by 7.3 per cent. The fall in oil receipts relative to the level in the preceding period was attributed, largely, to the reduction in volume of crude oil production and lifting due to maintenance work in some oil terminals and the complete shutdown of Bonga terminal (Fig. 7, Table 7).

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

Figure 7: Gross Oil Revenue and Its Components

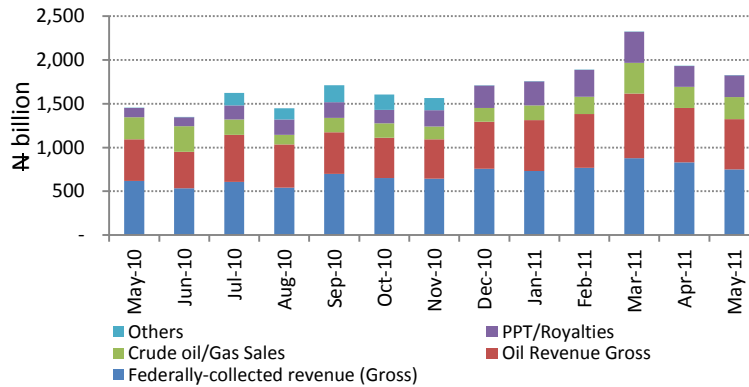


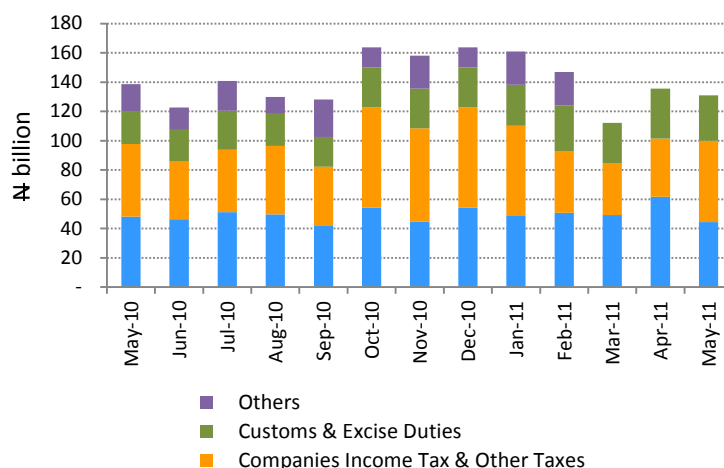
Table 7: Components of Gross Oil Revenue (₦ billion)

	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
Oil Revenue	478.4	413.4	536.2	492.5	473.3	462.4	447.6	538.7	580.1	617.0	738.5	621.5	576.5
Crude oil/Gas Sales	176.9	111.7	165.3	163.1	147.7	142.1	147.7	155.3	136.8	112.7	231.6	153.5	155.8
Domestic crude oil/G	141.2	125.7	189.7	172.4	140.1	140.0	155.2	126.6	168.1	195.6	154.0	227.9	170.5
PPT/Royalties	160.0	174.0	180.4	154.8	184.9	180.0	184.9	256.4	274.9	308.5	352.4	239.9	249.9
Others	0.3	127.8	190.6	174.5	140.7	140.3	140.7	0.4	0.3	0.2	0.5	0.3	0.3

The performance of non-oil receipts fell below the monthly budget estimate.

Non-oil receipts, at ₦172.3billion (23.0 per cent of the gross federally collected revenue), was lower than the monthly budget estimate and the level in the preceding month by 6.0 and 17.4 per cent, respectively. The shortfall relative to the proportionate monthly budget estimate reflected, largely, the significant decline in Value-Added Tax (VAT) and FGN Independent Revenue collections (Fig. 8, Table 8).



**Figure 8: Gross Non-Oil Revenue and its Components****Table 8: Components of Gross Non-Oil Revenue (₦ billion)**

	May-10	Jun-10	Jul-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
Non-Oil Revenue	131.5	128.2	163.7	171.4	161.0	158.4	171.4	151.4	149.3	138.2	208.7	172.3
Value-Added Tax (VAT)	49.8	42.2	54.2	48.5	48.5	63.9	68.8	47.5	50.8	49.2	61.6	44.3
Companies Income Tax & Other Taxes	46.6	40.1	68.8	80.5	61.7	27.1	27.0	32.3	42.1	35.3	39.8	55.5
Customs & Excise Duties	21.9	20.2	30.0	26.9	28.0	44.6	54.2	48.6	31.4	27.7	34.2	31.1
Others	13.3	25.7	13.8	13.8	22.5	22.8	21.5	23.0	25.0	26.0	73.1	41.4

Of the gross federally-collected revenue (after accounting for all deductions and transfers), the sum of ₦309.94 billion was transferred to the Federation Account for distribution among the three tiers of government and the 13.0% Derivation Fund. The Federal Government received ₦147.68 billion, while the States and Local Governments received ₦74.91 billion and ₦57.75 billion, respectively. The balance of ₦29.61 billion was credited to the 13.0% Derivation Fund for distribution by the oil-producing states. From the VAT Pool Account, the Federal Government received ₦6.38 billion, while the State and Local Governments received ₦21.28 billion and ₦14.90 billion, respectively. Furthermore, in order to bridge the gap between the budgeted and actual revenue for the month, the sum of ₦103.09 billion was drawn-down from the excess crude account as revenue augmentation and distributed as follows: Federal Government ₦47.25 billion, State and local governments ₦23.96 billion and

₦18.48 billion, respectively. The balance of ₦13.40 billion was transferred to the 13.0% Derivation Fund. Overall, the total allocation to the three tiers of government from the Federation and VAT Pool Accounts in May 2011 amounted to ₦455.60 billion.

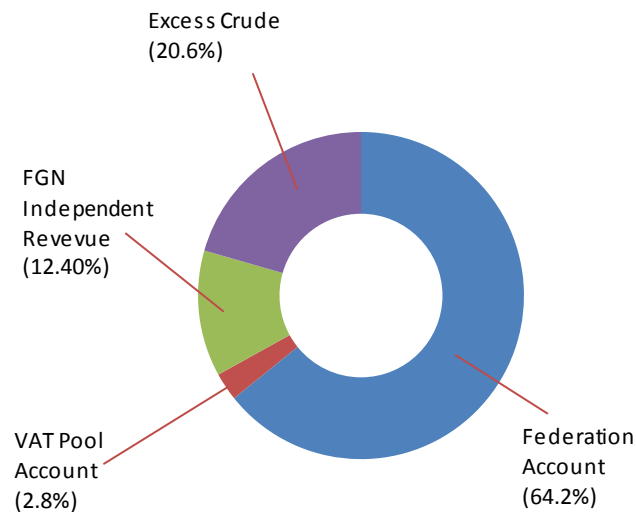
## 3.2 The Fiscal Operations of the Three Tiers of Government

### 3.2.1 The Federal Government

At ₦229.91 billion, the estimated Federal Government retained revenue for May 2011, was lower than the monthly budget estimate and the level in the preceding month by 17.6 and 8.2 per cent, respectively. Of this amount, the shares from the Federation Account and Excess Crude Account were 64.2 and 20.6 per cent, respectively, while FGN Independent Revenue and VAT Pool Accounts were 12.4 and 2.9 per cent, respectively. (Fig. 9).

Federal government estimated retained revenue was lower than the proportionate monthly budget and the level in the preceding month by 17.6 and 8.2 per cent, respectively.

**Figure 9: Federal Government Retained Revenue**

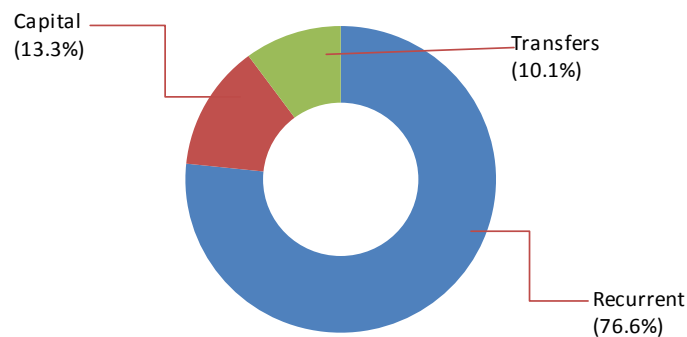


**Table 9: Federal Government Fiscal Operations (₦ billion)**

	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
Retained Revenue	287.0	207.1	185.1	214.5	176.4	190.4	198.0	185.1	190.4	193.4	190.6	250.4	229.9
Expenditure	360.9	458.5	328.6	321.1	328.6	292.1	318.0	319.6	224.4	286.5	327.5	298.4	304.1
Overall Balance: (+)/(-)	-73.9	-251.7	-143.5	-106.6	14.9	-101.7	-119.9	-134.6	-101.7	-93.1	-136.9	-117.6	-74.2

At ₦304.11 billion, total estimated expenditure for May 2011 fell below the monthly budget estimate by 31.5 per cent, but exceeded the level in the preceding month by 1.9 per cent. A breakdown of total expenditure showed that the recurrent component accounted for 76.6 per cent, while the capital and transfer components accounted for the balance of 13.3 and 10.1 per cent, respectively. Non-debt-obligations accounted for 90.8 per cent of the total recurrent expenditure, while debt service payments accounted for the balance of 9.2 per cent (Fig. 10).

Total estimated expenditure for May 2011 fell below the proportionate monthly budget by 31.5 percent but higher than the level in the preceding month by 1.9 per cent.

**Figure 10: Federal Government Expenditure in May 2011**

Thus, the fiscal operations of the Federal Government in May 2011, resulted in an estimated overall deficit of ₦73.20 billion, compared with the estimated monthly budget deficit of ₦164.98 billion.

The fiscal operations of the FG resulted in an estimated deficit of ₦73.20 billion in May 2011.

### 3.2.2 *Statutory Allocations to State Governments*

During the review month, total receipts by state governments, including the share of VAT and from the Federation Account stood at ₦159.19 billion. This represented an increase of 2.5 per cent over the level in the preceding month. It was, however, 3.0 per cent lower than the level in the corresponding month of 2010.

The breakdown showed that, at ₦21.28 billion, receipts from the VAT Pool Account were lower than the levels in the preceding month and corresponding period of 2010 by 28.0 and 10.1 per cent, respectively. At ₦137.91 billion, State Government receipts from the Federation Account were lower than the level in the corresponding month of 2010 by 1.7 per cent.

### 3.2.3 *Statutory Allocations to Local Government Councils*

Total receipts by the Local Governments from the Federation and VAT Pool Accounts, stood at ₦91.12 billion. This was higher than the level in the preceding month by 3.5 per cent, but was lower than the level in the corresponding period of 2010 by 36.4 per cent. Of this amount, receipts from the Federation Account was ₦76.22 billion (83.6 per cent of the total), while the VAT Pool Account accounted for ₦14.90 billion (16.4 per cent of the total).

## 4.0 Domestic Economic Conditions

*The dominant agricultural activities in May 2011, included; harvesting of tree crops and vegetables. In the livestock sub-sector, farmers intensified the re-stocking of broilers and layers to replenish those sold during the Easter season. Crude oil production was estimated at 2.22 million barrels per day (mbd) or 68.82 million barrels during the month. The end-period inflation rate for May 2011, on a year-on-year basis, was 12.4 per cent, compared with the preceding month's level of 11.3 per cent. The inflation rate on a 12-month moving average basis was 12.6 per cent, compared with the preceding month's level of 12.7 per cent.*

### 4.1 Agricultural Sector

Available data indicated that the predominant agricultural activities in the southern states were harvesting of tree crops for the 2011 cropping season, while farmers in the northern part of the country were engaged in planting operations and harvesting of vegetables. In the livestock sub-sector, farmers continued to re-stock broilers and layers to replenish those sold during the Easter festive season.

A total of ₦320.81 million was guaranteed to 1,332 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in May 2011. This represented a decline of 23.8 per cent below the level in the preceding month, but an increase of 77.8 per cent over the level in the corresponding period of 2010. A sub-sectoral analysis of the loans guaranteed indicated that the food crops sub-sector had the largest share of ₦173.4 million (54.0 per cent) to 969 beneficiaries, while the livestock sub-sector received ₦70.7 million (22.0 per cent) for 126 beneficiaries. The fisheries sub-sector received ₦22.6 million (7.1 per cent) guaranteed to 74 beneficiaries, the cash crops sub-sector had ₦10.6 million (3.3 per cent) for 41 beneficiaries, while "Others" received ₦43.4 million (13.5 per cent) for 122 beneficiaries. Analysis by state showed that 22 states benefited from the scheme during the month under review, with the highest and lowest sums of ₦94.3

million (29.4 per cent) and ₦0.2 million (0.06 per cent) guaranteed to Imo and Niger States, respectively.

At end-May 2011, the total amount released by the CBN under the Commercial Agriculture Credit Scheme (CACS) to the participating banks for disbursement stood at ₦122.01 billion (for 139

At end-May 2011, the total amount released by the CBN under the Commercial Agriculture Credit Scheme (CACS) to the participating banks for disbursement stood at ₦122.01 billion (for one hundred and thirty nine projects). Twenty four state governments have so far benefited from the programme (Table 10).

**Table 10: Disbursement of Credit under the Commercial Agriculture Credit Scheme (CACS) May 2011.**

S/N	Participating Banks	Amount Disbursed (₦ billion)	Number of Projects
1	United Bank for Africa (UBA) Plc	37.46	36
2	Union Bank of Nigeria Plc	16.15	18
3	Zenith Bank Plc	13.84	10
4	First Bank of Nigeria Plc	11.92	29
5	Skye Bank Plc	10.67	7
6	Stanbic IBTC Bank	6.54	15
7	Unity Bank Plc	6	4
8	GTB Plc	5.25	7
9	Access Bank Plc	5.18	6
10	Fidelity Bank Plc	4.5	4
11	Oceanic Bank Plc	2	1
12	Citibank	1.5	1
13	Diamond Bank Plc	1	1
<b>TOTAL</b>		<b>122.01</b>	<b>139</b>

## 4.2 Petroleum Sector

Crude oil and natural gas production was estimated to increase by 5.2 per cent to 68.82 million barrels for the month.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.22 million barrels per day (mbd) or 68.82 million barrels for the month, compared with 2.11 mbd or 63.3 million barrels in the preceding month. Thus, on a daily and monthly basis, crude oil production was 5.2 per cent, respectively, above the level in the preceding period.

Crude oil export was estimated at 1.77 mbd or 54.87 million barrels, compared with 1.66 mbd or 51.46 million barrels recorded in the previous month. Deliveries to the

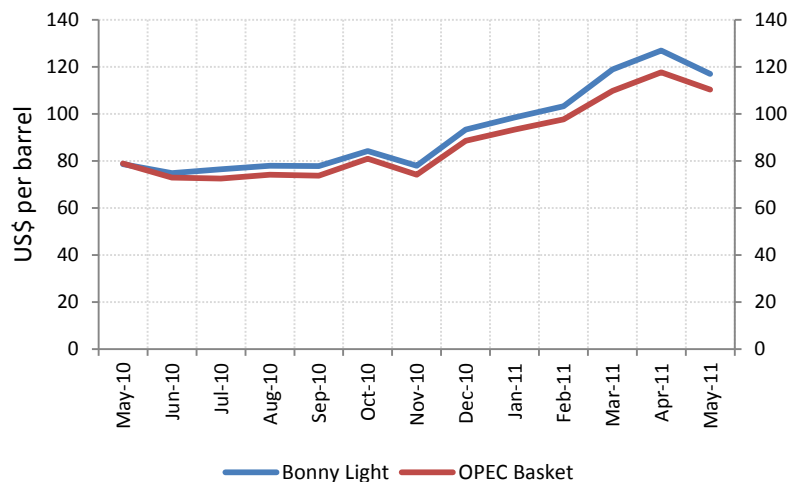
refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels.

At an estimated average of US\$116.99 per barrel, the price of Nigeria's reference crude, the Bonny Light (37° API), fell by 7.8 per cent below the level in April 2011. The average prices of other competing crudes namely; the West Texas Intermediate, U.K Brent and Forcados, also showed similar trend, falling to US\$101.77, US\$114.25 and US\$117.44 per barrel, respectively, in the review month.

The average price of OPEC's basket of eleven crude streams fell by 6.2 per cent to US\$110.39, compared with the level in April 2011. (Fig. 11, Table 11).

The average price of Nigeria's reference crude, the Bonny Light fell by 7.8 per cent below the level in the preceding month. Similarly, the prices of U.K Brent, Forcados, West Texas Intermediate also fell in May 2011.

**Figure 11: Trends in Crude Oil Prices**



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

	May-11	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
Bonny Light	78.63	76.23	76.42	77.90	79.10	84.26	77.90	93.40	98.50	103.23	118.99	126.91	116.99
OPEC Basket	78.94	72.95	72.51	74.15	74.65	81.00	74.20	88.60	93.30	97.69	109.84	117.70	110.39

### 4.3 Consumer Prices

The general price level rose in May relative to April 2011, owing to the increase in the index of staple food and non-alcoholic beverages.

Available data showed that the all-items composite Consumer Price Index (CPI) in May 2011 was 118.7 (November 2009=100), representing an increase of 0.9 per cent above the level in the preceding month. The development was attributed to the rise in the index of food and non-alcoholic beverages, clothing and footwear, health, miscellaneous goods and services.

The urban all-items CPI at end-May 2011 was 115.8 (November 2009=100), indicating an increase of 0.2 per cent over the level in the preceding month. The rural all-items CPI for the month was 121.2 (November 2009=100), representing an increase of 1.5 per cent over the level in the preceding month. (Fig. 12, Table 11).

The headline inflation rate on a year-on-year basis rose by 1.1 percentage points to 12.4 per cent, while the 12-month moving average rate fell by 0.1 percentage point.

The end-period inflation rate for May 2011, on a year-on-year basis, was 12.4 per cent, compared with 11.3 per cent in the preceding month. The inflation rate on a twelve-month moving average basis for May 2011 was 12.6 per cent, compared with 12.7 per cent in the preceding month. (Fig. 13, Table 12).

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

Retail price survey of staples by the CBN showed that price developments of most of the major staples were mixed in May 2011. Ten (10) of the fourteen (14) commodities monitored, recorded price increase (ranging from 0.5 per cent for white garri to 4.5 per cent for Local Rice), over their levels in the preceding month. The prices of beans (brown), eggs (Medium), groundnut oil, and yam flour, fell by 0.1, 1.6, 3.8, and 18.1 per cent, respectively. Relative to their levels in the corresponding month of 2010, the price movement showed a similar trend as most of the commodities recorded price increase, ranging from 1.3 per cent for eggs (medium) to 24.6 per cent for palm oil, while millet, white maize, yam flour and white garri recorded price decline of 0.3, 0.7, 2.6, and 3.5 per cents, respectively.



Figure 12: Consumer Price Index

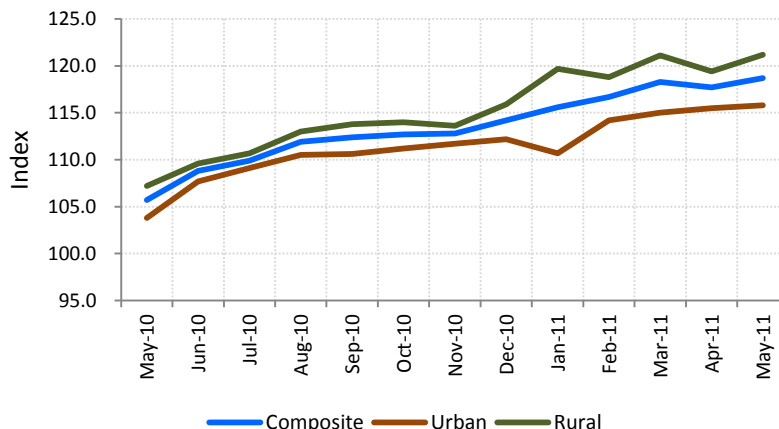


Table 12: Consumer Price Index (November 2009=100)

	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
Composite	105.7	108.8	109.9	111.9	112.4	112.7	112.8	114.2	112.8	114.2	118.3	117.7	118.7
Urban	103.8	107.7	109.1	110.5	110.6	111.2	111.7	112.2	111.7	112.2	115.0	115.5	115.8
Rural	107.2	109.6	110.7	113.0	113.8	114.0	113.6	115.9	113.6	115.9	121.1	119.4	121.2

Figure 13: Inflation Rate

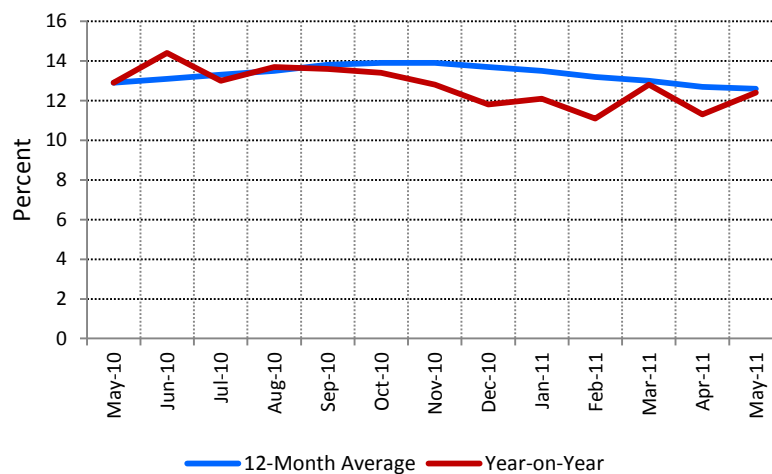


Table 13: Headline Inflation Rate (%)

	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
12-Month Average	12.9	13.1	13.3	13.5	13.8	13.9	13.9	13.9	13.9	13.7	13.0	12.7	12.6
Year-on-Year	12.9	14.1	13.0	13.7	13.6	13.4	13.6	12.8	12.8	11.8	12.8	11.3	12.4



## 5.0 External Sector Developments

*Provisional data indicated that foreign exchange inflow and outflow through the CBN increased by 16.1 and 6.3 per cent over their respective levels in the preceding month. Total non-oil export receipts by banks fell by 39.8 per cent below the level in the preceding month. The gross external reserves declined by 2.3 per cent below the preceding month's level, while the average exchange rate of the Naira vis-à-vis the US dollar, depreciated by 0.5 per cent to ₦154.79 per dollar at the Wholesale Dutch Auction System (WDAS).*

### 5.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in the month of May was US\$2.90 billion and US\$3.66 billion, respectively, resulting in a net outflow of US\$0.76 billion, compared with the US\$0.94 billion recorded in April 2011. Inflow increased by 16.1 and 21.6 per cent over the levels in the preceding month and corresponding period of 2010, respectively, reflecting the rise in receipts from crude oil sales. Outflow also increased by 6.3 and 1.9 per cent over the levels in the preceding and corresponding periods of 2010, respectively, as a result of the increased utilization of wholesale Dutch Auction System (WDAS) and drawings on Letters of Credits (L/Cs), which grew by 18.8 and 54.8 per cent, respectively. WDAS utilization accounted for 87.9 per cent of the total outflows through the CBN, while drawings on L/Cs, external debt service, national priority projects and other official payments accounted for the balance. (Fig. 14, Table 14).

*Foreign exchange inflow and outflow through the CBN rose by 16.1 and 6.3 per cent, respectively, in May 2011. Overall, there was a net outflow of US\$0.76 billion during the period.*

Figure 14: Foreign Exchange Flows through the CBN

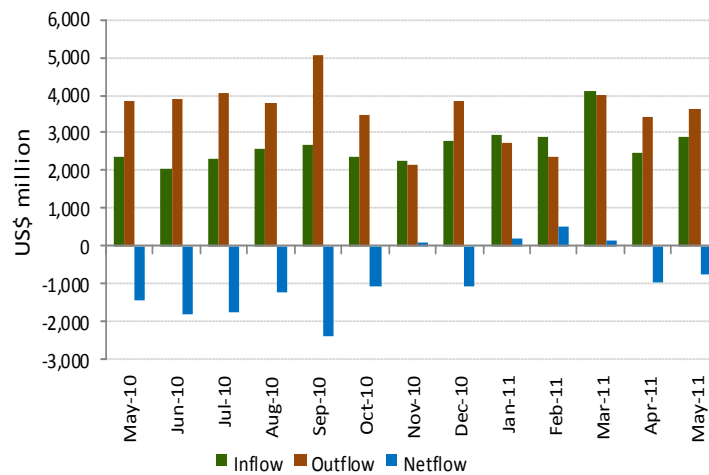


Table 14: Foreign Exchange Flows through the CBN (US\$ million)

	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
Inflow	2381.6	2062.4	2291.0	2564.5	2701.5	2378.1	22407.0	27614.0	3435.6	3164.7	4119.2	2495.6	2896.1
Outflow	3590.4	3885.8	4032.6	3787.3	5078.7	3463.5	21698.0	38356.0	2805.8	2768.7	3985.9	3439.7	3657.2
Netflow	-1208.8	-1673.6	-1743.2	-1222.8	-2377.2	-1085.4	708.0	-10742.0	629.8	396.0	629.8	-944.1	-761.1

Provisional data on aggregate foreign exchange flows through the economy indicated that total inflow was US\$6.98 billion, representing a decline of 8.5 per cent below the level in the preceding month but an increase of 11.5 per cent above the level in the corresponding period of 2010. The development was attributed to the fall in non-oil receipts and invisibles.

The oil sector receipt, at \$2.89 billion, accounted for 41.4 per cent of the total inflow, and was below the level in the preceding month by 16.1 per cent. Non-oil public sector inflow declined by 32.2 per cent below the level in the preceding month, and accounted for 1.4 per cent of the total.

At US\$3.82 billion, aggregate foreign exchange outflow from the economy rose by 7.3 per cent above the level in the preceding month. The outcome reflected, largely, the 18.8, 54.6 and 25.7 per cent increase in WDAS utilization, drawings on L/Cs, and outflows through autonomous sources, respectively.

Non-oil inflows into the economy fell by 32.2 per cent and accounted for 1.4 per cent of the total inflows in May 2011.

## 5.2 Non-Oil Export Earnings by Exporters

Total non-oil export earnings received by banks, declined by 39.8 per cent to US\$133.7 million, below the preceding month's level. The development was attributed largely to the decline in export proceeds from the industrial and manufactured products, minerals and agricultural sub-sectors. A breakdown of the export proceeds in May 2011 showed that proceeds of industrial, manufactured, minerals and agricultural products stood at US\$61.32, US\$30.71, US\$24.48, and US\$13.52 million, respectively. Export proceeds from the food and transport sub-sectors increased during the review month. The shares of industrial, manufactured, minerals, agricultural, food products and transport sub-sectors in non-oil export proceeds were 45.8, 22.8, 18.6, 10.1, 2.6, and 0.1 per cent, respectively, in the review month.

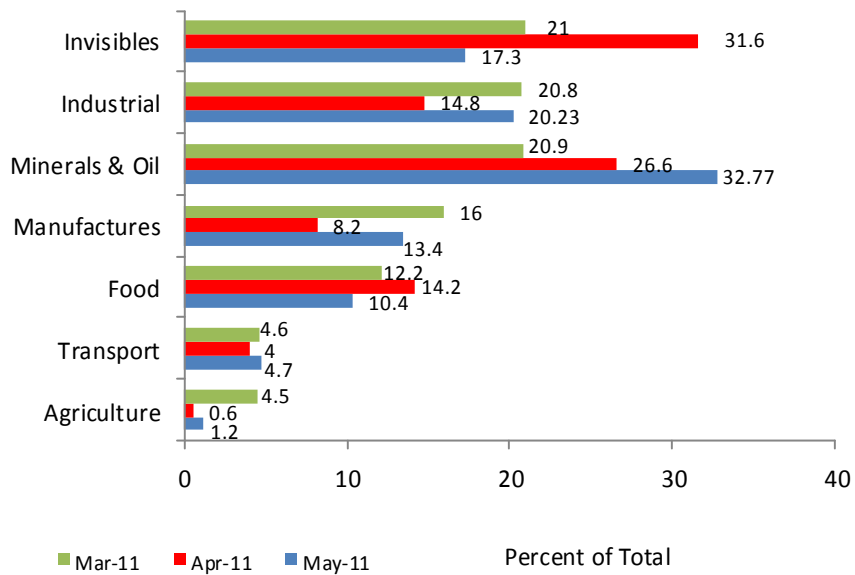
Total non-oil export earnings by exporters fell in May 2011, on account of decrease in the exports of industrial sector, agricultural sector, food and manufactured products.

## 5.3 Sectoral Utilisation of Foreign Exchange

Provisional data indicated that the minerals and oil sector accounted for the bulk (32.8 per cent) of total foreign exchange disbursed in May 2011, followed by the industrial sector (20.2 per cent). Other beneficiary sectors in a descending order included: the invisibles sector (17.3 per cent), manufactured products sector (13.4 per cent), food products sector (10.4 per cent), transport sector (4.7 per cent) and agricultural sector (1.2 per cent) (Fig.15).

The imports sector accounted for the bulk of the total foreign exchange disbursed in May 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\$3.55 billion in May 2011, showing an increase of 13.9 and 1.5 per cent above the levels in the preceding month and the corresponding month of 2010 respectively. A total of US\$3.22 billion was sold by the CBN to authorized dealers during the period, reflecting an increase of 18.8 and 8.1 per cent over the levels in the preceding month and corresponding period of 2010, respectively. (Fig.16, Table 14).

Demand for foreign exchange by authorized dealers increased by 13.9 per cent in May 2011, relative to April 2011. It also increased by 1.5 per cent, when compared with the corresponding month of 2010.

Figure 16: Demand for and Supply of Foreign Exchange

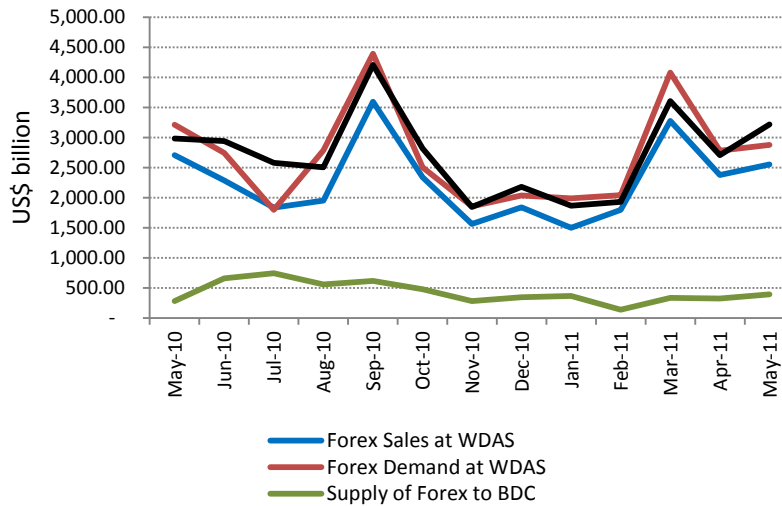


Table 15: Demand for and Supply of Foreign Exchange (US\$ billion)

	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
Forex Sales at WDAS	2707.5	2284.0	1835.2	1948.5	3593.5	2342.1	1561.7	1839.1	2000.0	1794.8	3274.4	2375.6	2549.9
Forex Demand at WDAS	3492.2	2741.9	1795.8	2789.1	4391.8	2503.7	1853.4	2035.1	2800.4	2041.0	4080.3	2780.4	2878.4
Supply of Forex to BDC	277.3	657.5	741.2	450.8	613.8	478.7	280.2	341.1	135.5	300.0	330.5	322.3	392.0
Total Forex Supply	2984.8	2941.4	2576.4	2399.4	4207.3	2820.8	1841.9	2180.2	2135.5	2094.8	3604.9	2707.8	3217.2

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

Under the WDAS, the average exchange rate of the Naira vis-à-vis the US dollar, depreciated by 0.5 per cent to ₦154.79 per US dollar. It depreciated at the bureaux-de-change segment from ₦157.05 per US dollar in April 2011 to ₦157.95 per US dollar, while at the interbank segment of the market, the average exchange rate depreciated by 1.0 per cent to ₦156.17 per US dollar.

The premium between the WDAS and BDC rates remained at 2.0 per cent, while the premium widened to 0.9 per cent in the interbank segment.

Following these developments, the premium between the official and bureaux-de-change rates remained at the preceding month's level of 2.0 per cent. However, the premium between the WDAS/Interbank rates widened from 0.4 per cent in the preceding month to 0.9 per cent during the month under review.

Figure 17: Average Exchange Rate Movements

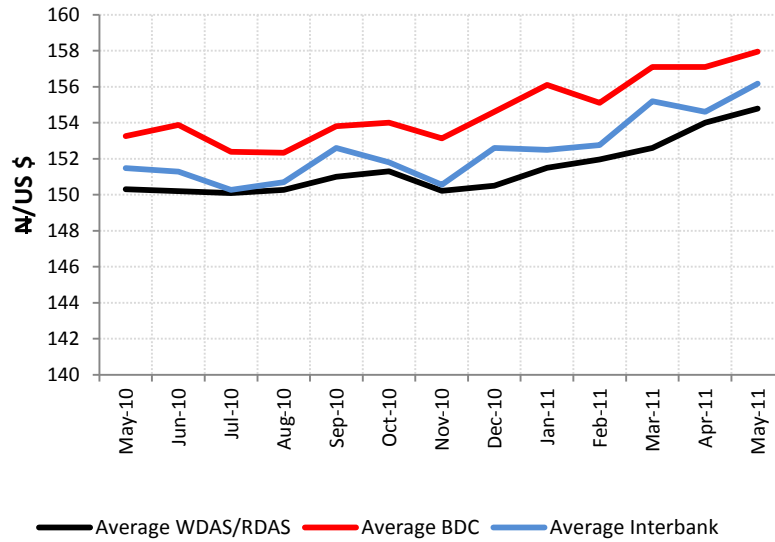
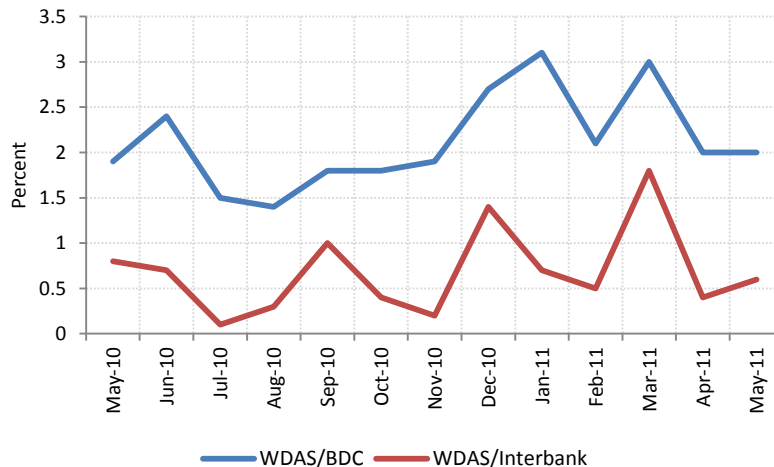


Table 16: Exchange Rate Movements and Exchange Rate Premium

	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
<b>Average Exchange Rate (N/\$)</b>													
WDAS/RDAS	150.3	150.2	150.1	150.3	151.0	151.3	150.2	150.5	151.6	151.9	152.6	154.0	154.8
BDC	153.3	153.9	152.4	152.3	153.8	154.0	153.1	154.6	156.1	155.1	157.1	157.1	158.0
Interbank	151.5	151.3	150.3	150.7	152.6	151.8	150.6	152.6	152.4	152.7	155.2	154.6	156.2
<b>Premium (%)</b>													
WDAS/BDC	1.9	2.4	1.5	1.4	1.8	1.8	1.9	2.7	3.0	2.0	3.0	2.0	2.0
WDAS/Interbank	0.8	0.7	0.1	0.3	1.0	0.4	0.2	1.4	0.7	0.5	1.8	0.4	0.9

Figure 18: Exchange Rate Premium





## 5.5 Gross External Reserves

Gross external reserves declined marginally in May 2011.

The gross external reserves at the end of May 2011 stood at US\$32.10 billion, indicating a decline of 2.3 and 17.3 per cent below the levels at the end of the preceding month and the corresponding period of 2010, respectively. A breakdown of the reserves showed that CBN holding stood at US\$21.17 billion (65.9 per cent), Federal Government holding was US\$3.13 billion (9.8 per cent) and the Federation Account portion (Excess Crude) was US\$7.8 billion (24.3 per cent) (Fig. 19, Table 16).

Figure 19: Gross External Reserves

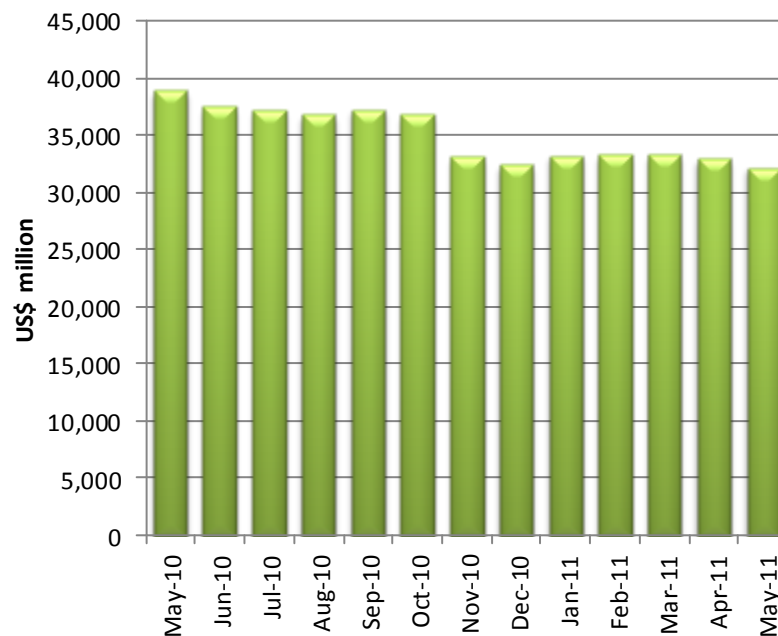


Table 17: Gross External Reserves (US\$ million)

	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
External Reserves	38815.79	37468.44	37155.19	36769.65	34589	33597	33059.3	32339.3	33131.83	33246.1	33221.8	32867	32100.81



## ***6.0 Other International Economic Developments and Meetings***

World crude oil output in May 2011 was estimated at 90.4 million barrels per day (mbd), while demand was estimated at 86.6 million barrels per day (mbd), compared with 88.1 and 87.5 mbd supplied and demanded, respectively, in the preceding month. The marginal decline in demand was attributed to the slow growth in China and Japan.

Other major international economic developments and meetings of relevance to the domestic economy during the review month included: The G-8 Summit held on May 26 and 27 2011 in Deauville, France. The summit issued declarations on nuclear safety, internet, development, peace and security. On Global Economy and Trade, the G-8 leaders pointed out that downside risks such as fiscal sustainability remained in some European countries, while commodity price (oil and food) volatility and the overheating of emerging countries remain elevated. On Nuclear safety, the Japanese Prime Minister proposed five ways to promote the highest levels of nuclear safety:

- Strengthening the safety standards of the International Atomic Energy Agency (IAEA) and promotion of their utilization;
- Expansion of the IAEA's Operational Safety Review Mission;
- Enhancement of an international support system in times of accidents;
- Strengthening of cooperation among national safety authorities; and
- Ratification of nuclear safety-related conventions.

On dialogue with Africa, the G-8 leaders underscored the importance of strengthening the partnership between the G-8 and Africa in the areas of aid, trade and private sector investment.

In another development, the 2011 Global Monitoring Report titled "Improving the Odds of Achieving the Millennium Development Goals (MDGs) Heterogeneity, Gaps and Challenges" was released in May 2011. The Report reviewed the evolution of the MDGs towards the achievement of the 2015 deadline set by World leaders in 2000. In particular, the Report focused on efforts and achievements in improving human development in developing countries and Africa. The African Development Bank (AfDB) contributions through its lending programme, and technical assistance to the African continent were also highlighted in the Report.

The MDGs Report further summarized the results of impact evaluations of health and education programmes and reviewed recent developments in global growth, trade, and donor policies.

The Report noted that:

- Global progress toward the various MDGs targets was mixed. Countries which miss the 2015 deadline, however, could achieve the targets soon after, with improved policies and an acceleration of growth to pre-crisis levels;
- Solid economic growth, good policies and institutions have been the key factors for countries that are on track;
- Without a stable expansion of the global economy, continuing access to advanced and developing country markets, and adequate assistance from donors, progress on the MDGs could still break down;
- Reaching the MDGs was only one milestone and that more work still had to be done in fostering inclusive growth, reducing inequality and poverty, and improving health and education outcomes, even in the most successful countries and
- Many countries far from the target were fragile states, reinforcing the need for the international

community, including the AfDB to step-up support to these countries.

Furthermore, the International Monetary Fund (IMF) Acting Managing Director John Lipsky on May 26, 2011 presented the IMF's bi-annual work programme. He stated that the IMF would focus its efforts on three priority areas: spurring growth while bolstering economic and financial stability; strengthening the international monetary system and adapting efforts to support low income members.

In a related development, the Board of Directors of the African Development Bank (AfDB) Group on May 26, 2011 approved two sovereign guarantee programmes, amounting to USD 200 million, to the Nigerian Export-Import Bank (NEXIM) for financing export-oriented Small and Medium-sized Enterprises (SMEs) and USD 500 million, to the Bank of Industry (BOI) for financing domestic-oriented SMEs in Nigeria. A portion of the proceeds of the programmes would be used to pay for technical assistance for capacity building at NEXIM, BOI, and the SMEs.

The Association of African Central Banks (AACB) held its 2011 Continental Seminar on the theme "Financing Development in Africa: What Role for the Central Banks?" It was hosted by the National Bank of Rwanda, Kigali, from May 30 to June 1, 2011. The Seminar sought to identify alternative sources of financing development in Africa and to further strengthen the AACB's goals of promoting the exchange of ideas and experiences on monetary, financial and banking matters. Three papers on: "The challenges of Development Financing in Africa"; "The African Financial System and Financing Development" and "The Institutional Experience on Central Bank Financing for Development: Lessons to be Learned by African Central Banks", were presented. At the end of the Seminar, participants agreed that central banks have key roles in financing development. The role could be through direct intervention to address a specific development issue, and largely indirect, since development is a long term phenomenon. A key recommendation was that AACB member central

banks should revisit their laws to include financing development dimension, where such provisions were not explicit in existing laws.

Also, the West African Monetary Zone (WAMZ) Experts Committee met in Accra, Ghana, from May 25-27, 2011 to discuss various studies scheduled for consideration by the Committee of Governors and the Convergence Council of the West African Monetary Zone at their next statutory meetings. The meeting deliberated on the following;

- Review of the Framework for harmonizing foreign exchange markets and pooling of reserves by the West African Central Banks(WACB);
- Financial sector assessment and development of an appropriate architecture for financial integration in the WAMZ;
- Review of the design of the “ECO” unit of account and the exchange rate mechanism (ERM) for the WAMZ;
- The impact of electoral cycles on macroeconomic convergence in the WAMZ; and
- The twin deficits hypothesis in the WAMZ: An empirical investigation.

Finally, the Fourth West African Monetary Zone (WAMZ) Trade Ministers Forum convened by the West African Monetary Institute (WAMI) and hosted by the Ministry of Trade and Industry of the Republic of Sierra Leone took place from May 18 – 19, 2011.

Key issues discussed were:

- Compliance by Member States with ECOWAS Free Trade Area and the Right to Establish.
- Implementing status of the Recommendation of previous WAMZ Trade Ministers forum.
- Presentation on Electronic Tracking System.

Major decisions of the Forum include:

- The Forum elected the Minister of Trade and Industry of the Republic of Sierra Leone, Dr. Richard Konteh as Chairman of the Forum for the next year.
- The Forum would henceforth hold twice in a year: the first to be hosted by a country in rotation, while the second one would be hosted at the headquarters of the WAMI. Ghana's Minister of Trade and Industry promised to cooperate with the WAMI to host the second meeting at a date to be agreed.
- That the adoption of a common standard for products and services applicable throughout the ECOWAS would eliminate the need for multiple cross-border certifications.
- To consider the adoption of an exchange rate mechanism among member States' currencies to facilitate intra-zone trade without recourse to the U.S dollar and other convertible currencies.
- To encourage the domestication of the WAMZ and ECOWAS Trade rules by incorporating them into national trade policies.
- To prepare educational material for schools to promote trade integration and community solidarity among the population.
- The need for the WAMI to collaborate with the ECOWAS Commission to do needs assessment of member countries' capacity to implement ECOWAS trade integration obligations.





## APPENDIX TABLES



Table A1: Money and Credit Aggregates

	May10	Oct 10	Nov10	Dec 10	Jan 11	Feb 11	Mar-11	Apr-11	May-11
<b>Domestic Credit (Net)</b>	8,882.62	9,460.25	9,547.26	8,708.55	8,685.74	8,136.02	7,854.70	9,121.78	8,963.19
<i>Claims on Federal Government</i>	1,131.10	(1,074.12)	(1,201.12)	(1,121.80)	(730.97)	(1,072.27)	(1,571.84)	(778.25)	(886.05)
Central Bank (Net)	3,043.98	(2,894.78)	(2,976.07)	(2,884.03)	(2,823.21)	(2,965.98)	(3,401.44)	(2,544.34)	(2,718.42)
Banks	1,912.88	1,820.66	1,774.95	1,762.21	2,092.24	1,923.72	1,829.61	1,766.03	1,832.37
<i>Claims on Private Sector</i>	10,013.72	10,534.37	10,748.38	9,830.34	9,416.71	9,178.29	9,426.54	9,900.03	9,849.25
Central Bank	362.23	664.06	683.58	632.17	532.56	424.37	437.51	447.45	633.82
Banks	9,651.48	9,870.30	10,064.78	9,198.17	8,884.15	8,753.92	8,989.03	9,452.58	9,215.43
<i>Claims on Other Private Se</i>	9,697.96	10,149.53	10,382.73	9,460.53	9,025.66	8,822.74	9,049.77	9,535.84	9,469.92
Central Bank	362.23	664.06	683.58	632.17	532.558424	424.37	437.51	447.45	633.82
Banks	9,335.72	9,485.47	9,699.15	8,828.36	8,493.10	8,398.37	8,612.26	9,088.39	8,836.10
<i>Claims on State and Local</i>	315.76	384.83	365.65	369.81	391.04	355.55	376.77	364.19	379.33
Central Bank	-	-	-	-	-	-	-	-	-
Banks	315.76	384.83	365.65	369.81	391.04	355.55	376.77	364.19	379.33
<i>Claims on Non-financial Pt</i>	-	-	-	-	-	-	-	-	-
Central Bank	-	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-	-
<b>Foreign Assets (Net)</b>	6,601.41	6,247.76	6,453.96	6,506.62	6,400.55	6,725.50	6,988.07	6,274.53	6,357.09
Central Bank	5,574.47	4,999.98	5,226.46	5,372.29	5,217.35	5,497.68	5,722.80	4,908.46	4,769.67
Banks	1,026.94	1,247.78	1,227.50	1,134.33	1,183.20	1,227.82	1,265.28136	1,366.08	1,587.41
<b>Other Assets (Net)</b>	(4,737.97)	(4,483.39)	(4,539.01)	(3,689.63)	(3,524.76)	(3,265.85)	(3,189.15)	(3,497.36)	(3,334.04)
<b>Total Monetary Assets (M2)</b>	<b>10,746.07</b>	<b>11,224.61</b>	<b>11,224.78</b>	<b>11,525.53</b>	<b>11,561.52</b>	<b>11,595.67</b>	<b>11,653.62</b>	<b>11,898.96</b>	<b>11,986.23</b>
<b>Quasi-Money 1/</b>	5,741.04	5,891.86	5,968.89	5,954.26	5,994.45	6,206.54	6,229.11	6,282.33	6,345.15
<b>Money Supply (M1)</b>	5,005.02	5,332.75	5,255.89	5,534.45	5,545.79	5,365.63	5,534.45	5,616.62	5,551.09
<i>Currency Outside Banks</i>	817.43	874.89	880.86	1,082.19	1,033.34	1,025.02	1,082.18	1,141.07	1,055.21
<i>Demand Deposits 2/</i>	4,187.59	4,457.86	4,375.02	4,452.27	4,512.46	4,340.61	4,452.27	4,475.56	4,495.87
<b>Total Monetary Liabilities (M2)</b>	<b>10,746.07</b>	<b>11,224.61</b>	<b>11,224.78</b>	<b>11,525.53</b>	<b>11,561.52</b>	<b>11,595.67</b>	<b>11,653.62</b>	<b>11,898.95</b>	<b>11,986.23</b>
<b>Memorandum Items:</b>									
Reserve Money (RM)	1,543.79	1,438.35	1,344.32	1,845.71	1,694.88	1,821.39	1,705.92	1,696.24	1,750.91
<i>Currency in Circulation (CIC)</i>	1,056.75	1,153.17	1,125.39	1,378.13	1,340.43	1,336.81	1,416.38	1,492.28	1,401.79
DMMs Demand Deposit with CB	478.04	285.12	218.92	467.58	354.45	484.58	289.54	203.96	349.12

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)

	May-10	Oct-10	Nov-11	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
<b>Domestic Credit (Net)</b>	7.7	19.7	27.4	10.2	-0.3	-6.6	-9.8	4.8	2.9
<i>Claims on Federal Government (Net)</i>	32.6	53.4	51.8	51.3	34.8	7.1	-40.1	30.6	21.0
<i>Claims on Private Sector</i>	-1.4	3.2	7.6	-3.8	-4.2	-6.6	-4.1	0.7	0.2
<i>Claims on Other Private Sector</i>	-1.6	2.6	7.2	-4.4	-4.6	-6.7	-4.3	0.8	0.1
<i>Claims on State and Local Government</i>	6.8	24.0	20.8	19.2	5.7	-3.9	1.9	-1.5	2.6
<i>Claims on Non-financial Public Enterprises</i>									
<b>Foreign Assets (Net)</b>	-7.7	-17.7	-15.4	-14.3	-1.6	3.4	7.4	-3.6	-2.3
<b>Other Assets (Net)</b>	3.5	5.2	-0.1	22.0	4.5	11.5	13.6	5.2	9.6
<b>Total Monetary Assets (M2)</b>	1.9	4.3	8.8	7.0	0.3	0.6	1.1	3.2	4.0
<b>Quasi-Money 1/</b>	2.9	2.2	6.4	3.3	0.7	4.2	4.6	5.5	8.1
<b>Money Supply (M1)</b>	0.5	6.6	11.7	11.1	-0.1	-3.3	-2.6	0.8	-0.4
<i>Currency Outside Banks</i>	-10.1	-5.6	4.8	-13.1	-4.5	-5.3	2.8	5.4	-2.5
<i>Demand Deposits 2/</i>	1.1	9.4	13.2	1.9	1.0	-2.8	-4.0	-0.3	0.2
<b>Total Monetary Liabilities (M2)</b>	1.8	4.3	8.8	6.9	0.3	0.6	1.1	3.2	4.0
<b>Memorandum Items:</b>									
Reserve Money (RM)	-8.3	-3.5	4.7	11.6	-8.1	-1.34	-7.6	-8.1	3.2
<i>Currency in Circulation (CIC)</i>	-9.2	-2.4	10.7	16.6	-2.7	-3	2.8	8.3	-5.6
DMBs Demand Deposit with CBN	-6.0	-39.6	-18.8	-1.0	-24.19	3.53	-38.1	-56.4	71.1
	<b>Growth over Preceding Month (%)</b>								
<b>Domestic Credit (Net)</b>	1.5	1.6	0.9	-8.8	-0.3	-6.3	-3.5	11.2	-1.7
<i>Claims on Federal Government (Net)</i>	5.9	-4.7	-11.8	6.6	34.8	-42.6	-50.8	37.3	-13.7
<i>Claims on Private Sector</i>	0.3	1.9	2.0	-8.5	-4.2	-2.5	2.7	4.8	-0.5
<i>Claims on Other Private Sector</i>	0.2	1.6	2.3	-8.9	-4.6	-2.3	2.6	5.1	-0.7
<i>Claims on State and Local Government</i>	3.0	12.8	-4.9	1.1	5.7	-9.1	6.0	-3.3	4.2
<i>Claims on Non-financial Public Enterprises</i>									
<b>Foreign Assets (Net)</b>	-3.3	-3.2	1.3	2.8	-1.6	5.1	3.9	-10.2	1.3
Central Bank	17.4	-4.3	3.6	2.2	-2.9	5.4	4.1	-14.2	10.4
Banks	28.0	1.7	-8.2	-1.7	4.3	3.8	3.1	8.0	16.1
<b>Other Assets (Net)</b>	1.4	1.2	5.5	22.0	4.5	7.4	2.4	5.2	9.6
<b>Total Monetary Assets (M2)</b>	-1.9	0.0	-0.7	0.9	0.3	0.3	0.5	2.1	0.7
<b>Quasi-Money 1/</b>	-2.1	-1.3	-0.4	1.5	0.7	3.5	0.4	0.9	2.4
<b>Money Supply (M1)</b>	1.6	1.5	-1.1	5.6	-0.1	-3.2	0.7	3.5	-1.2
<i>Currency Outside Banks</i>	-0.3	-0.7	1.9	1.3	-4.5	-0.8	8.6	2.6	-7.5
<i>Demand Deposits 2/</i>	1.9	1.9	-1.7	0.7	1.0	-3.7	-1.2	3.8	0.5
<b>Total Monetary Liabilities (M2)</b>	-0.5	0.0	-0.7	3.4	0.3	0.3	0.5	2.1	0.7
<b>Memorandum Items:</b>									
Reserve Money (RM)	-0.2	7.0	0.9	8.1	-8.1	7.43	-6.3	-0.6	-5.1
<i>Currency in Circulation (CIC)</i>	-1.3	2.5	6.5	1.2	-2.7	-0.27	6.0	8.3	1.7
DMBs Demand Deposit with CBN	38.7	30.3	-21.7	23.4	-24.19	36.57	-40.2	-29.6	-25.3

Table A3: Federal Government Fiscal Operations (₦ billion)

	Apr-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
<b>Retained Revenue</b>	<b>246.3</b>	<b>190.4</b>	<b>194.8</b>	<b>294.6</b>	<b>198.0</b>	<b>193.4</b>	<b>190.6</b>	<b>250.4</b>	<b>229.9</b>
<i>Federation Account</i>	112.4	173.1	172.7	172.8	165.2	167.1	171.9	168.8	147.7
<i>VAT Pool Account</i>	7.4	7.0	5.8	6.4	6.8	7.5	7.1	8.9	6.4
<i>FGN Independent Revenue</i>	39.6	5.2	5.9	52.8	10.6	13.5	11.6	60.7	28.6
<i>Excess Crude</i>	0.0	0.0	0.0	62.5	6.8	4.8	0.0	0.0	47.3
<i>Others</i>	86.9	5.1	10.5	0.0	8.5	0.5	0.1	12.0	0.0
<b>Expenditure</b>	<b>158.9</b>	<b>292.1</b>	<b>256.7</b>	<b>408.9</b>	<b>317.9</b>	<b>286.5</b>	<b>327.5</b>	<b>298.4</b>	<b>304.1</b>
<i>Recurrent</i>	154.8	224.4	212.6	327.7	239.2	230.4	184.8	284.0	233.1
<i>Capital</i>	4.0	43.3	44.1	43.3	77.1	33.3	85.6	2.0	40.3
<i>Transfers</i>	9.2	24.5	13.8	13.8	1.7	22.8	57.1	13.7	13.8
<b>Overall Balance: Surplus(+)/Deficit(-)</b>	<b>87.4</b>	<b>-106.6</b>	<b>-61.9</b>	<b>-114.2</b>	<b>-119.9</b>	<b>-93.1</b>	<b>-136.9</b>	<b>-48.0</b>	<b>-74.2</b>

