CENTRAL BANK OF NIGERIA

ECONOMIC REPORT
JULY 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 July 2011. On month-on-month basis, broad money (M_2) grew by 1.8 per cent, due largely to the increase in foreign assets (net) of the banking system. Narrow money (M_1) rose by 4.0 per cent over the level at the end of the preceding month. Relative to the level at end-December 2010, M_2 grew by 7.5 per cent, owing largely, to the 15.4 per cent rise in foreign assets (net) of the banking system. Reserve money increased by 5.1 per cent 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 widened to 17.71 per cent in July 2011. Similarly, the margin between the average savings deposit and maximum lending rates widened marginally to 21.00 per cent. The weighted average interbank call rate fell from 11.15 per cent recorded in the preceding month to 8.85 per cent, reflecting the improved liquidity condition in the interbank funds market during the month.

The value of money market assets outstanding at end–July 2011 was ₦5,089.81 billion, representing an increase of 1.7 per cent over the level at end-June 2011. The development was attributed to the increase in the value of Nigerian Treasury Bills and FGN Bonds, respectively. Activities on the Nigerian Stock Exchange (NSE) in July 2011 were bearish, as most of the major indicators trended downward.

Gross federally-collected revenue in July 2011 was estimated at ₦1,062.07 billion, representing an increase of 38.2 and 22.4 per cent over the proportionate monthly budget estimate and the level in the preceding month, respectively. At ₦865.33 billion, gross oil receipts, which constituted 81.5 per cent of the total revenue, exceeded the proportionate monthly budget revenue estimate and the level in the preceding month by 52.4 and 24.6 per cent, respectively. This was attributed, largely, to increase in the crude oil prices in the international market.

Non-oil receipts, at ₦196.74 billion or 18.5 per cent of the total gross receipts was lower than the proportionate monthly budget estimate for 2011 by 1.8 per cent, but higher than the level in the preceding month by 13.7 per cent. The shortfall *relative to the preceding month was largely due to the decline in value-added tax (VAT) and Customs Special Levies. Federal Government estimated retained revenue in July 2011 was ₦613.9 billion, while total estimated expenditure was N354.85 billion. Thus, the fiscal operations of the Federal Government resulted in an estimated surplus of N259.07 billion, compared with the monthly budgeted deficit of N77.88 billion for the review month.*

The dominant agricultural activities in July 2011 were; cultivation of rice and harvesting of maize and vegetables. Crude oil production, including condensates and natural gas liquids in July was estimated at 2.13 million barrels per day (mbd) or 66.03 million barrels for the month. Crude oil export was estimated at 1.68 mbd or 52.08 million barrels for the month, while deliveries to the refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels. The average price of Nigeria's reference crude, the Bonny Light (37^0 API), estimated at US$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 July 2011 was 9.4 per cent, compared with 10.2 per cent at the end of the preceding month. Inflation rate on a twelve-month moving average basis declined by 2.4 percentage point to 12.0 per cent from the level in the preceding month.

Foreign exchange inflow and outflow through the CBN in July, 2011 were US$4.33 billion and US$3.82 billion, respectively, and resulted in a net inflow of US$0.51 billion. Foreign exchange sales by the CBN to the authorized dealers amounted to US$3.29 billion, showing an increase of 1.6 and 27.8 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 appreciated at both the WDAS and the interbank segments from the preceding month's levels. It, however, depreciated at depreciated at the bureaux-de-change segment.

Non-oil export earnings by Nigerian exporters declined by 45.7 per cent to US$105.0 million from the level in the preceding month. The development was attributed, largely, to the decline in export proceeds from the industrial and agricultural sub-sectors.

World crude oil output in July 2011 was estimated at 88.20 *million barrels per day (mbd), while demand was estimated at 89.15 million barrels per day (mbd), representing an excess supply of 1.1 mbd, compared with 88.01 and 88.82 mbd supplied and demanded, respectively, in the preceding month. The increase in demand was attributed to the increased economic activities in China , US and parts of Europe.*

The worsening debt limit crisis of the US economy created concerns on the global economy. In July 2011, the US current national debt was estimated at over US$14.0 trillion, while the spending plan was projected at about US$7.0 trillion. In order to boost the fiscal position and create employment, President Obama proposed an increase in the current debt limit of the US, which stood at US$14.3 trillion and a tax hike on the wealthy while cutting-down the tax of workers. The United Nations Food Price Index rose above the earlier peak of 2008 with negative implications in several countries. The index averaged 214.7 points up from 206 points in November. The price of wheat has risen sharply due to the events last year in Russia, which accounts for 11.0 per cent of global exports

Other major international economic developments and meetings of relevance to the domestic economy during the review month included: the mid-year Joint Statutory Meetings of the West African Monetary Agency, West African Monetary. Institute and West African Institute for Financial and Economic Management held in Conakry, Guinea from July 8-15, 2011. A meeting of the College of Supervisors of the West African Monetary Zone was also held on the fringes of the Joint statutory meetings, which considered collaborative issues on cross-border and consolidated supervision. Surveillance reports indicated that ECOWAS economies grew strongly against the backdrop of moderate rise in commodity prices.

Furthermore, former French Finance Minister, Christine Largarde, assumed office as IMF Managing Director on July 6, 2011 and outlined three categories of issues facing the IMF and the global economy, and two set of issues to enhance the effectiveness and operations of the Fund. The three external issues included connectivity, credibility and comprehensive. She further stated that she wanted to enhance the legitimacy and diversity of the institution.

In another development, the Central Bank of Nigeria hosted a two-day Seminar on "Enhancing Global Financial Supervisory Standards and Practices" for the D8 member countries. The Seminar was organized to facilitate the exchange of ideas among member countries on current supervisory and regulatory developments in the financial sector. Participants also noted that a successful non-interest banking framework required capacity building and awareness campaign and called for the necessary amendments to existing laws, to enable non-interest banks exist and operate, side by side with traditional banks.

Also, the Experts meeting on Trade and Investment Promotion of the Nigeria-Niger Joint Commission for Cooperation was held in Maradi, Niger Republic from July 25-30, 2011. The Meeting discussed various issues relating to remittances of funds, establishment of warehouses, formalization of border markets between the two countries, development of cluster industries to enhance growth of the two countries.

In addition, the 5th Meeting for the Validation of the Statue and Annexes of the African Monetary Fund was held at Addis Ababa, Ethiopia from July 27- 28, 2011. The Meeting advocated the establishment of the African Monetary Fund (AMF) as part of the three financial institutions necessary to advance monetary integration in Africa. The main objective for the establishment of AMF is to provide financial assistance to member states of the African Union that are faced with balance of payments problems.

Finally, Nigeria and the European Union (EU) had their trade policies and practices reviewed in July 2011 by the World Trade Organization (WTO) Trade Policy Review Mechanism (TPRM). Nigeria's trade policies and practices were last reviewed in 2005, while that of the EU was in 2009.

2.0 Financial Sector Developments

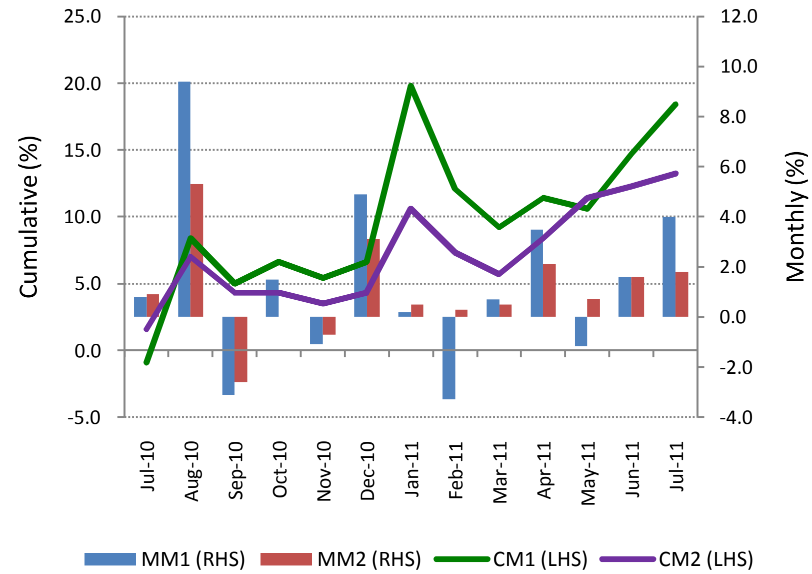
2.1 Monetary and Credit Developments

Growth in the major monetary aggregate was moderate at the end of the review month. Money market t rates indicated mixed developments in all segments of the market. 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 July 2011.

Provisional data indicated that growth in the major monetary aggregate was moderate at end -July 2011, relative to the level in the preceding month. Broad money supply (M_2), at ₦12, 391.5 billion, rose by 1.8 per cent, compared with the increase of 1.6 per cent, at the end of the preceding month. The development was accounted for, largely, by the 16.3 per cent increase in foreign assets (net) of the banking system. Similarly, narrow money supply (M_1), at ₦5,870.5 billion, rose by 4.0 per cent, compared to the increase of 1.7 per cent at the end of the preceding month. Quasi-money fell marginally by 0.2 per cent, in contrast with the increase of 1.6 per cent in the preceding month. Relative to the level at end-December 2010, M_2 grew by 7.5 per cent, owing, largely, to the increase of 15.4 per cent in foreign assets (net) of the banking system.

Figure 1: Growth Rate of Narrow Money (M_1) and Broad Money, (M_2)[1]



At ₦8,142.22 billion, aggregate banking system credit (net) to the domestic economy fell by 8.6 per cent, on month-on-month basis, compared with 0.6 per cent at the end of the preceding month. The development reflected, largely, the decline of 26.8 per cent in net claims on the Federal Government, by the monetary authorities. Relative to the level at end-December 2010, aggregate banking system credit (net) to the domestic economy, declined by 6.5 per cent.

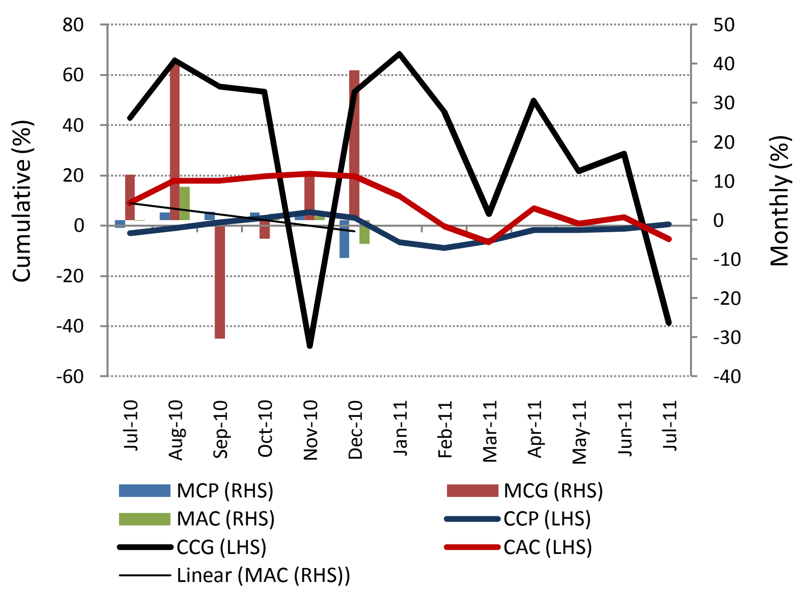
Banking system's credit (net) to the Federal Government, on month-on-month basis, fell by 71.4 per cent to negative ₦1,824.9 billion, compared with the decline of 20.2 per cent at the end of the preceding month. The development was attributed to the decline in banking system's holding of Federal Government 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 fell by 62.7 per cent. The Federal Government, however,

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

remained a net lender to the banking system at the end of the review month.

Similarly, banking system's credit to the private sector fell by 0.06 per cent below the preceding month's level, to ₦9,967.1, as against the rise of 1.3 per cent recorded at end-June 2011. Banking system's claims on the core private sector rose by 0.5 per cent to ₦9,597.2 billion, compared with the increase of 0.9 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 1.4 per cent, owing largely to the increase in CBN's claims on the sector (Fig. 2, Table 1).

Figure 2: Growth Rate of Aggregate Domestic Credit to the Economy[2]



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

At ₦7,506.1 billion, foreign assets (net) of the banking system rose over the level in the preceding month by 16.3 per cent, compared with the increase of 1.5 per cent at the end of the preceding month. The

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).

development was attributed, to the increase in the CBN and DMBs' holdings. Relative to the level at end-December 2010, foreign assets (net) of the banking system rose by 15.4 per cent, reflecting, largely, the 10.7 per cent growth in the CBN's holding.

Quasi-money declined by 0.2 per cent to ₦6,520.96 billion, in contrast to the increase of 1.6 per cent at the end of the preceding month. The development reflected the decline in all the components namely: time, savings and foreign currency deposits of the DMBs. Over the level at end-December 2010, quasi-money rose by 9.5 per cent.

Similarly, other assets (net) of the banking system, on a month-on-month basis, fell by 2.3 per cent to negative ₦3,256.8 billion, in contrast to the increase of 4.5 per cent at the end of the preceding month The development reflected largely, the rise in unclassified liabilities of both the CBN and the DMBs. Relative to the level at end-December 2010, other assets (net) of the banking system, however, increased by 11.7 per cent.

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

	Jul-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Apr-11	May-11	Jun-11	Jul-11
Domestic Credit (Net)	-0.2	-3	8.75	8.5	-0.2	1.62	0.92	-8.78	-0.3	11.15	-1.74	-0.6	-8.6
Claims on Federal Government (Net)	-11.7	31.7	42.9	40.2	30.4	4.66	11.8	6.6	34.8	37.25	-13.85	-20.2	-71.4
Claims on Private Sector	-1.9	0.9	-2.89	2	2.2	1.92	2	8.54	-4.2	4.8	-0.51	1.3	-0.1
Claims on Other Private Sector	-1.6	0.9	-2.75	4.1	1.8	1.55	2.3	-8.88	-4.6	-3.34	-0.69	0.9	0.5
Foreign Assets (Net)	1.5	-1.8	-13.3	-0.9	-1.12	-3.2	1.3	2.84	-1.6	-10.21	1.32	1.5	16.3
Other Assets (Net)	0.4	10.3	10.4	-2.36	-4.67	1.2	-5.4	22	4.5	1.24	4.67	4.5	-2.3
Broad Money Supply (M2)	0.9	0.9	1.62	-2.57	-2.57	0	0.7	3.44	0.3	2.11	0.73	1.6	1.8
Quasi-Money	0.9	3.3	3.81	1.92	-2.12	-1.3	-0.4	1.46	0.7	0.85	2.43	1.5	-0.2
Narrow Money Supply (M1)	0.8	-1.7	-0.91	9.4	-3.07	1.5	1.1	5.63	-0.32	3.54	-1.17	1.6	4
Reserve Money (RM)	8.1	0.02	8.1	5.7	-23.3	7	0.9	27.2	-3.9	-0.57	3.22	17.9	5.1

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

At ₦1,343.6 billion, currency in circulation at end-July 2011 fell by 0.8 per cent from the level at end-June 2011. The development reflected wholly the decline in vault cash, as currency outside the banks rose by 2.3

per cent. Similarly, it declined by 2.5 per cent over the level at end-December 2010.

Total deposits at the CBN amounted to ₦5,446.4 billion, indicating an increase of 14.9 per cent over the level at the end of the preceding month. The development reflected, largely, the 16.1 and 17.6 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 76.1, 15.2 and 8.7 per cent, respectively.

Reserve money (RM) rose by 5.1 per cent to ₦2,169.4 billion over the ₦2,065.1 billion recorded at the end of the preceding month, reflecting the trends in DMBs' deposits with the CBN.

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

2.3 Money Market Developments

Money markets rates trended downward in all segments of the market during the month under review, reflecting the increased fiscal spending that bolstered liquidity in the system. The Monetary Policy Committee at its meeting held on July 25 and 26, 2011 noted the continuing threat of inflation occasioned by the planned implementation of enhanced minimum wage, imminent removal of subsidy on petroleum products, rising prices of food and other commodities as well as the injection of funds through the purchase of non-performing assets of Deposit Money Banks (DMBs), Consequently, the Monetary Policy Rate (MPR) was increased by 75 basis points to 8.75 per cent from 8.00 per cent and maintained the symmetric corridor between the standing lending and deposit facilities at 200 basis points above and below the MPR. This translated to 10.75 per cent for the standing lending facility (SLF) and 6.75 per cent remuneration on any surplus in excess of the Cash Reserve Requirement (CRR). Repurchase (Repo) transaction rate was adjusted upward to align with the new increase in MPR.

Nevertheless, the repurchase transaction window was active as some of the CBN intervened banks that had difficult in accessing funds at the interbank funds market resorted in using their AMCON bonds as collateral to secure funds from the Bank. During the month, the demand for NTBs and FGN Bonds in the primary market outstripped supply. Thus, there was a significant reduction on yield. The Over the Counter (OTC) bond market was on the upbeat after the lull that characterized the market since the second half of 2010. OTC transactions in NTBs, however, slowed as the yield at the primary auction affected level of activity at the market.

2.3.1 Interest Rate Developments

Developments in interest rates were mixed in July 2011

Available data indicated mixed developments in banks' rates in July 2011. With the exception of the 7 days, 6 months, 12 months and over 12 months rates, which declined by 0.07,0.68,0.29 and 0.07 percentage points to 1.99, 4.59, 4.39 and 7.32 per cent, respectively, all other rates on deposits of various maturities, rose from a range of 1.40 – 5.14 per cent in June 2011 to 1.42 – 5.21 per cent in July. At 4.72 per cent, the average term deposit rate fell by 0.12 percentage point below the rate in the preceding month. The average prime and maximum lending rate rose by 0.08 and 0.4 basis points to 15.84 and 22.42 per cent, respectively. Consequently, the spread between the weighted average term deposit rate and maximum lending rate widened from 17.18 per cent to 17.7 per cent. Similarly, the margin between the average savings deposit and maximum lending rates widened from 20.62 per cent to 21.00 per cent.

At the interbank call segment, the weighted average rate, which stood at 11.15 per cent in June 2011, declined to 8.85 per cent, reflecting the improved liquidity condition, which exerted downward pressure on rates in the market. Similarly, the weighted average rate, at the open buy back (OBB) segment, declined from 9.19 per cent in June 2011 to 7.60 per cent at end-July 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 1.16

and 1.2 percentage points below the levels in the preceding month to 10.72 and 11.46 per cent, respectively, in the review month. With headline inflation rate at 9.4 per cent at end-July 2011, most deposit rates, were negative in real terms (Fig. 3, Table 2).

Figure 3: Selected DMBs Interest Rates (Average)

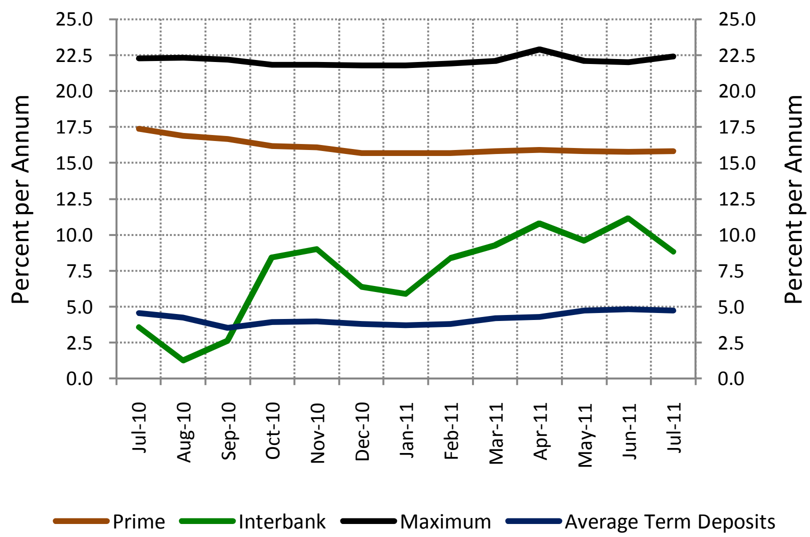


Table 2: Selected Interest Rates (Percent, Averages)

	Jul-11	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Apr-11	May-11	Jun-11	Jul-11
Average Term Deposits	4.6	4.4	4.6	4.3	3.6	3.9	4.0	3.8	3.7	4.3	4.8	4.8	4.7
Prime Lending	17.4	17.7	17.4	16.9	16.7	16.2	16.1	15.7	15.7	15.9	15.8	15.8	15.8
Interbank	3.6	2.7	3.6	1.3	2.7	8.5	8.9	6.4	5.8	10.8	9.6	11.2	8.9
Maximum Lending	22.3	22.0	22.3	22.3	22.2	21.9	21.8	21.8	21.8	22.9	22.1	22.0	22.4

2.3.2 Commercial Paper (CP)

The value of Commercial Paper (CP) held by the DMBs rose by 6.2 per cent to ₦211.9 billion, compared with the increase of 5.7 per cent at end-June 2011. Thus, CP constituted 4.2 per cent of the total value of money market assets outstanding at end-July 2011, compared with 4.0 per cent at the end of the preceding month.

2.3.3 Bankers' Acceptances (BAs)

Bankers' Acceptances (BAs) declined by 0.06 per cent to ₦62.2 billion, as against the increase of 3.84 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 1.22 per cent, compared with 1.24 per cent at the end of the preceding month.

2.3.4 Open Market Operations

Sale of Nigerian Treasury Bills (NTBs) of various maturities was used to mop-up excess liquidity from the banking system. Total amount offered was ₦110.00 billion, while public subscription stood at ₦227.4 billion. Allotment was ₦97.8 billion, while bid rate ranged between 6.90 - 10.6 per cent and issue rate ranged between 6.90 - 8.85 per cent. When compared with the sales in the preceding month, total amount offered, subscribed and allotted rose significantly by 116.7, 218.8 and 285.5 per cent, respectively.

2.3.5 Primary Market

Nigerian Treasury Bills of 91-, 182- and 364-day tenors were auctioned at the primary market. Total amount offered and subscribed to, stood at ₦209.74 billion and ₦489.34 billion, respectively, compared with ₦340.20billion and ₦754.90 billion in June 2011. Allotment was ₦209.74 billion, indicating a decline of 38.4 per cent from the preceding month's level. Similarly, ₦34.75 billion worth of Nigerian Treasury Bills were sold to non-competitive bidders, while ₦159.74 billion was repaid as matured bills.

2.3.6 Bonds Market

Federal Government of Nigeria (FGN) Bonds with tenors of 3- 5- and 10-year tranches, amounting to ₦70.00 billion apiece, were re-opened at the primary market in July 2011. Total public subscription was ₦157.88 billion, while the bid rates ranged from 6.00 to 12.99 per cent, 9.00 to 14.05 per cent and 9.94 to 13.50 per cent, respectively, for the three tenors. Total allotment was also ₦70.00 billion, at marginal rates of 10.24 per cent for the 3-year, 10.70 per cent for the 5-year and 11.49 per cent for the 10-year tranche.

The marginal rates for 3- and 5-year 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 ₦3,334.90 billion, compared with ₦5,385.15 billion at end-June 2011. The decline in SLF demanded and granted by the DMBs was due, mainly, to the ample liquidity in the banking system during the review period. Standing deposit facility (SDF) remained suspended and in its place, the surplus in excess of the Cash Reserve Requirement (CRR) was remunerated. The sum of ₦445.79 million was paid as interest to the DMBs and Discount houses as remuneration for the fourth maintenance period ended July 5, 2011.

2.4 Deposit Money Banks' Activities

Available data indicated that total assets and liabilities of the deposit money banks (DMBs) amounted to ₦18, 679.1 billion, showing an increase of 2.8 per cent above the level at end-June 2011. Funds sourced mainly from increase in demand deposit mobilization were used, largely, to acquire Federal Government securities and unclassified assets. At ₦10, 794.9 billion, DMBs' credit to the domestic economy declined by 0.9 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 and credits to the core private sector declined by 11.97 and 0.2 per cents, respectively, below the levels in June 2011.

DMBs' Credit to state and local government and credit to the core private sector fell by 11.97 and 0.2 per cent below the levels in June 2011.

Central Bank's credit to the DMBs, largely, loans and advances, rose by 10.0 per cent to ₦489.1 billion at end-July 2011, while specified liquid assets of the DMBs stood at ₦2,759.3 billion, representing 19.2 per cent of their total current liabilities. This level of liquid assets was 8.8 percentage points above the preceding month's ratio and 10.8 percentage points below the stipulated minimum ratio of 30.0 per cent for fiscal 2011. The loan-to-deposit ratio was 42.2 per cent and was 37.8 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 ₦295.6 million at end-July 2011, showing an increase of 7.0 per cent over the level at end-June 2011. The development was accounted for, largely, by the 18.5, 37.8, 0.9, 15.0 and 4.7 per cent rise in cash and balances with Banks, claims on Federal Government, claims on state government, other assets and fixed assets, respectively. Correspondingly, the increase in total liabilities was attributed, largely, to the 16.2 and 12.3 per cent increase in money at call and other liabilities.

Discount houses' investment in Federal Government securities of less than 91-day maturity rose to ₦26.98 billion and accounted for 13.0 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 47.0 percentage points below the prescribed minimum level of 60.0 per cent for fiscal 2011. At that level, discount houses' investment rose by 8.1 per cent above the level at the end of the preceding month. Total borrowing by the discount houses was ₦38.3 billion, while their capital and reserves amounted to ₦53.3 billion. This resulted in a gearing ratio of 0.7:1, 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 July 2011 were bearish, as most of the major indicators trended downward. The volume and value of traded securities fell by 27.6 and 21.6 per cent to 5.5 billion shares and ₦40.2 billion, respectively, in 106.993 deals, compared with 7.6 billion shares, valued at ₦51.3 billion, in 113,502 deals in the preceding month. The banking sub-sector was the most active on the Exchange with a traded volume of 3.2 billion shares, valued at ₦23.7 billion, in 60,974 deals. This was followed by the Insurance sub-sector with a traded volume of 900.4 million shares, valued at ₦887.1 million, in 4,307 deals. Transactions in the equities sub-sector dominated with a traded volume of 5.5 billion shares valued at ₦40.2 billion, in 106.981 deals.

Figure 4: Volume and Value of Traded Securities

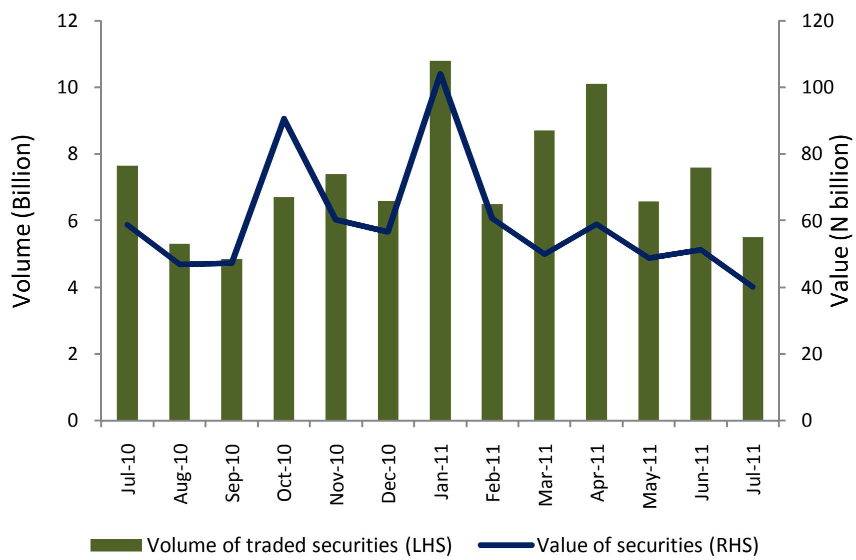


Table 3: Traded Securities on the Nigerian Stock Exchange (NSE)

	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Apr-11	May-11	May-11	Jul-11
Volume (Billion)	8.3	27.9	7.6	5.3	4.8	6.7	7.4	6.6	10.8	10.1	6.6	7.6	5.5
Value (₦ Billion)	72.2	245.2	58.8	46.9	47.3	90.6	60.3	56.7	104.1	59.0	48.8	51.3	40.2

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

Transactions on the Over-the-Counter (OTC) bonds market indicated a turnover of 1.2 billion units worth ₦1.1 trillion in 8,668 deals.

2.6.3 New Issues Market

There were three supplementary listings in July, as shown in table 4 below.

Table 4: Supplementary Listings on the Nigerian Stock Exchange

S/N	Company	Additional Shares (billion)	Reasons
1	Union Ventures and Petroleum	0.07	Conclusion of Placement
2	Trans-Nationwide express	66.3	The bonus of 1 and 2
3	Prestige Assurance Plc	0.3	the bonus of 1 for 6

2.6.4 *Market Capitalization*

The aggregate market capitalization of the listed securities declined by 4.5 per cent to close at ₦10.7 trillion, compared with 11.2 trillion recorded at the end of the preceding month. The equities sub-sector, accounted for 71.0 per cent (N7.6 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 24,980.20 at the beginning of the month, closed at 23,826.99, indicating a decline of 4.7 per cent from the level in the preceding month. The NSE Food/Beverage, NSE Banking, NSE Insurance and NSE Oil/Gas fell by 3.8, 7.8, 5.2 and 8.4 per cent, respectively.

Figure 5: Market Capitalization and All-Share Index

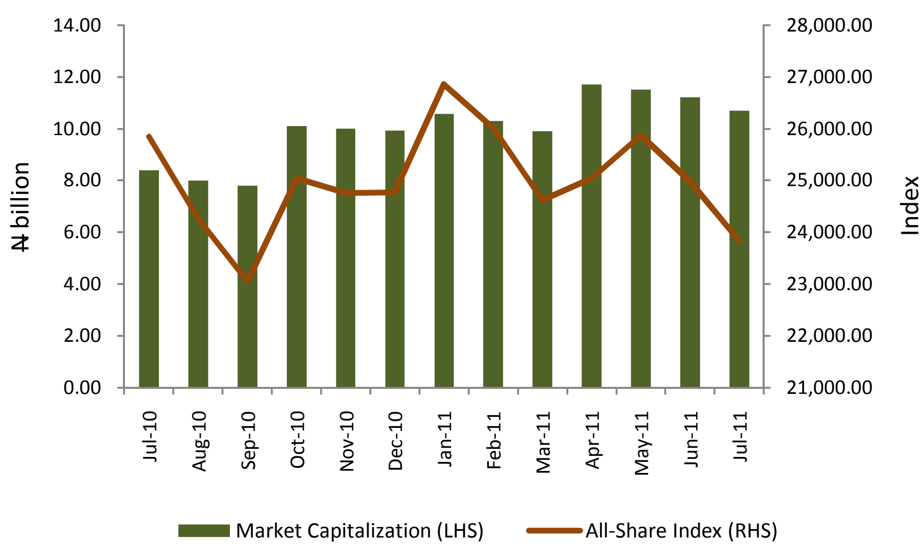


Table 5: Market Capitalization and All Share Index (NSE)

	May-10	Jun-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Apr-11	May-11	Jun-11	Jul-11
Market Capitalization (₦ trillion)	8.4	8.2	8.0	7.8	10.1	10.0	9.9	10.5	11.7	11.5	11.2	10.7
All-Share Index	26183.2	25966.3	24268.2	23050.6	25042.2	24764.7	24770.5	26830.7	25041.7	25866.6	24980.2	23827.0

3.0 Fiscal Operations

3.1 Federation Account Operations

Gross federally-collected revenue was ₦1,062.07 billion, indicating an increase of 38.2 and 22.4 per cent over the monthly budget estimate and receipts in the preceding month, respectively (Fig. 6, Table 6).

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

Figure 6: Components of Gross Federally-Collected Revenue

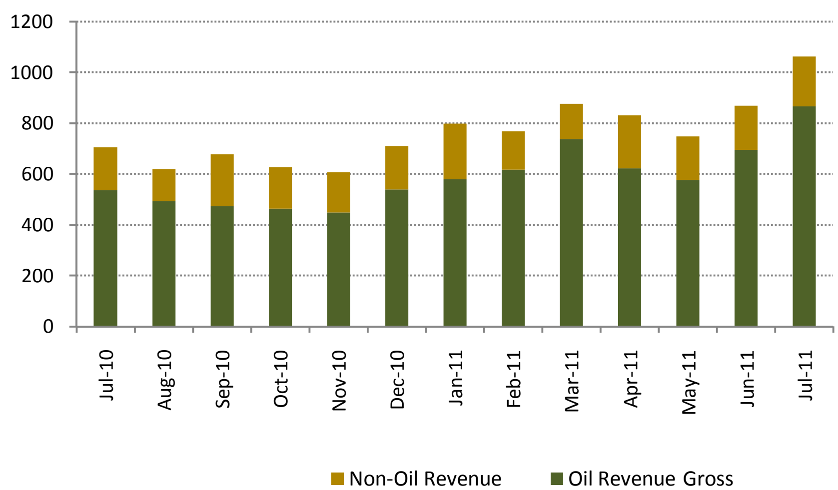


Table 6: Gross Federation Account Revenue (₦ billion)

	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	151.3	149.5	136.8	180.0	164.0	173.1	196.8

At ₦865.33 billion, gross oil receipts, which constituted 81.5 per cent of the total revenue, exceeded the monthly budgeted revenue and receipts in the preceding month by 52.4 and 24.6 per cent, respectively. The rise in oil receipts relative to the level in the preceding period was attributed, largely, to the increase in crude oil prices in the international market (Fig. 7, Table 7).

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

Figure 7: Gross Oil Revenue and Its Components

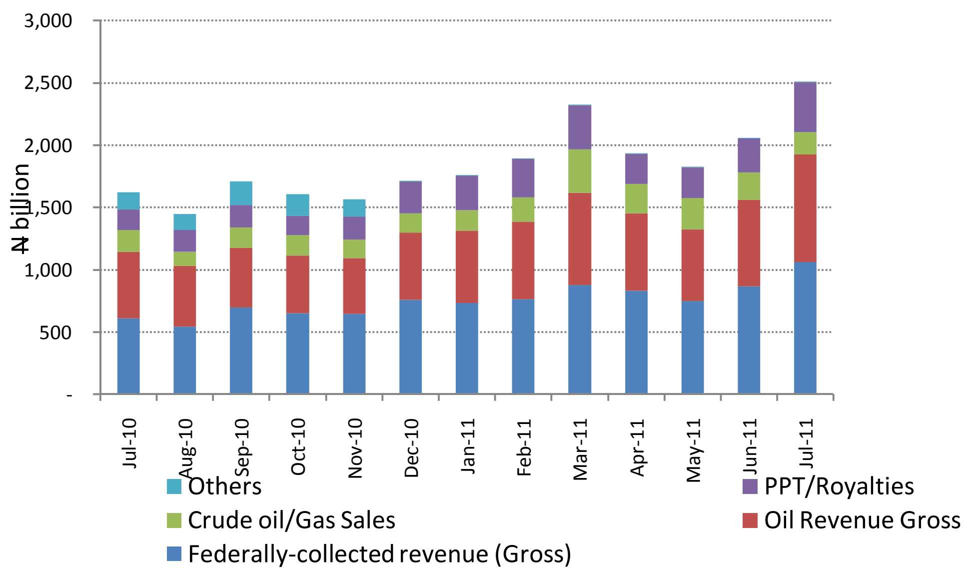


Table 7: Components of Gross Oil Revenue (₦ billion)

	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11
Oil Revenue	**536.2**	**492.5**	**473.3**	**462.4**	**447.6**	**538.7**	**580.1**	**617.0**	**738.5**	**621.5**	**576.5**	**694.5**	**865.3**
Crude oil/Gas Sales	*165.3*	*163.1*	*147.7*	*142.1*	*147.7*	*155.3*	*136.8*	*112.7*	*231.6*	*153.5*	*155.8*	*217.4*	*176.0*
Domstic crude oil/G	*189.7*	*172.4*	*140.1*	*140.0*	*155.2*	*126.6*	*168.1*	*195.6*	*154.0*	*227.9*	*170.5*	*203.4*	*287.4*
PPT/Royalties	*180.4*	*154.8*	*184.9*	*180.0*	*184.9*	*256.4*	*274.9*	*308.5*	*352.4*	*239.9*	*249.9*	*273.3*	*401.7*
Others	*190.6*	*174.5*	*140.7*	*140.3*	*140.7*	*0.4*	*0.3*	*0.2*	*0.5*	*0.3*	*0.3*	*0.3*	*0.3*

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

Non-oil receipts, at ₦196.74 billion (18.5 per cent of the gross federally collected revenue), was lower than the monthly budget estimate, but exceeded the level in the preceding month by 1.8 and 13.7 per cent, respectively. The shortfall relative to the monthly budget estimate reflected, largely, the significant decline in Value-Added Tax (VAT) and Customs Special Levies (Fig. 8, Table 8).

Figure 8: Gross Non-Oil Revenue and its Components

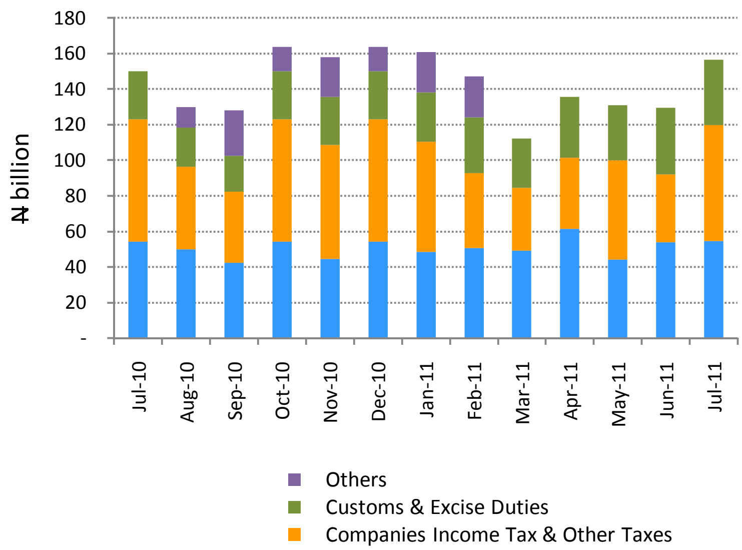


Table 8: Components of Gross Non-Oil Revenue (₦ billion)

	Jul-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11
Non-Oil Revenue	**163.7**	**171.4**	**161.0**	**158.4**	**171.4**	**151.4**	**149.3**	**138.2**	**208.7**	**172.3**	**173.1**	**196.7**
Value-Added Tax (VAT)	54.2	48.5	48.5	63.9	68.8	47.5	50.8	49.2	61.6	44.3	53.8	54.7
Companies Income Tax & Other Taxes	68.8	80.5	61.7	27.1	27.0	32.3	42.1	35.3	39.8	55.5	38.2	65.2
Customs & Excise Duties	30.0	26.9	28.0	44.6	54.2	48.6	31.4	27.7	34.2	31.1	37.6	36.5
Others	13.8	13.8	22.5	22.8	21.5	23.0	25.0	26.0	73.1	41.4	43.6	40.4

Of the gross federally-collected revenue (after accounting for all deductions and transfers), the sum of ₦470.98 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 ₦222.47 billion, while the states and local governments received ₦112.84 billion and ₦86.99 billion, respectively. The balance of ₦48.68 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 ₦7.88 billion, while the state and local governments received ₦26.25 billion and ₦18.38 billion, respectively, Furthermore, in order to bridge the gap between the budgeted and actual revenue for the month, the sum of ₦793.67 billion was drawn-down on the excess crude account as revenue augmentation and distributed as follows: Federal Government ₦363.75 billion, state and local governments ₦184.50 billion and ₦142.24 billion, respectively. The balance of ₦103.18 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 July 2011 amounted to ₦1,317.15 billion.

3.2 The Fiscal Operations of the Three Tiers of Government

3.2.1 The Federal Government

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

At ₦613.92 billion, the estimated Federal Government retained revenue for July 2011, was higher than the monthly budget estimate and the level in the preceding month by 104.4 and 122.8 per cent, respectively. Of this amount, the shares from the Federation Account and Excess Crude Account were 36.2 and 59.3 per cent, respectively, while FGN Independent Revenue and VAT Pool Accounts were 3.2 and 1.3 per cent, respectively. (Fig. 9).

Figure 9: Federal Government Retained Revenue

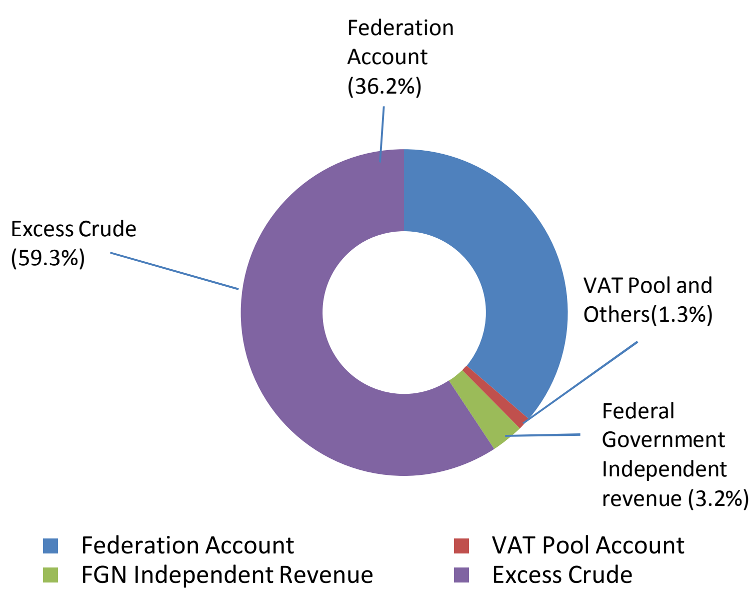


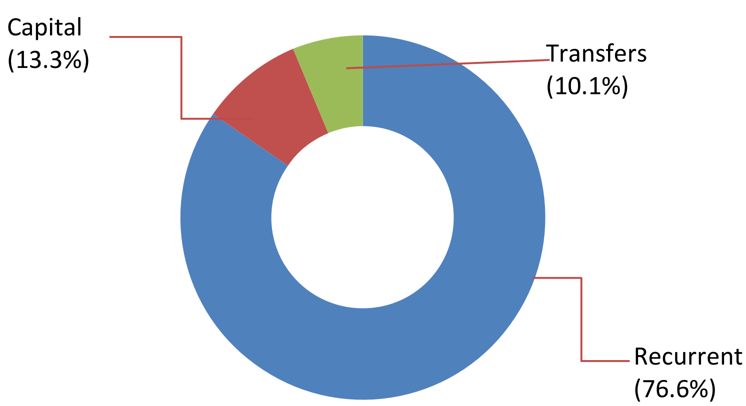
Table 9: Federal Government Fiscal Operations (₦ billion)

	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11
Retained Revenue	185.1	214.5	176.4	190.4	198.0	185.1	190.4	193.4	190.6	250.4	229.9	275.5	613.9
Expenditure	328.6	321.1	328.6	292.1	318.0	319.6	224.4	286.5	327.5	298.4	304.1	330.8	354.9
Overall Balance: (+)/(-)	-143.5	-106.6	14.9	-101.7	-119.9	-134.6	-101.7	-93.1	-136.9	-117.6	-74.2	-117.6	313.6

At ₦354.85 billion, total estimated expenditure for July 2011 fell below the monthly budget estimate by 6.2 per cent, but exceeded the level in the preceding month by 7.3 per cent. A breakdown of total expenditure showed that the recurrent component accounted for 84.6 per cent, while the capital and transfer components accounted for the balance of 9.1 and 6.3 per cent, respectively. Non-debt-obligations accounted for 82.6 per cent of the total recurrent expenditure, while debt service payments accounted for the balance of 17.4 per cent (Fig. 10).

Total estimated expenditure for July 2011 fell below the proportionate monthly budget by 6.2 per cent but exceeded the level in the preceding month by 7.3 per cent.

Figure 10: Federal Government Expenditure in May 2011



Thus, the fiscal operations of the Federal Government in July 2011, resulted in an estimated overall surplus of ₦259.07 billion, compared with the estimated monthly budget deficit of ₦77.88 billion.

The fiscal operations of the FG resulted in an estimated surplus of ₦259.07 billion in July 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 ₦217.84 billion. This represented an increase of 35.2 and 46.7 per cent, respectively, over the levels in the preceding month and the level in the corresponding month of 2010.

The breakdown showed that, at ₦26.25 billion, receipts from the VAT Pool Account was higher than the levels in the preceding month and corresponding period of 2010 by 1.8 and 0.9 per cent, respectively. At ₦191.59 billion, receipts from the Federation Account were higher than the level in the corresponding month of 2010 by 56.5 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 ₦105.37 billion. This was lower than the level in the preceding month by 11.8 per cent, but exceeded the level in the corresponding period of 2010 by 23.5 per cent. Of this amount, receipts from the Federation Account was ₦86.99 billion (82.6 per cent of the total), while the VAT Pool Account accounted for ₦18.38 billion (17.4 per cent of the total).

4.0 Domestic Economic Conditions

The dominant agricultural activities in July 2011, included; cultivation of rice and harvesting of maize and vegetables. In the livestock sub-sector, farmers intensified the re-stocking of broilers in anticipation of sales of the matured broilers during the forthcoming festivity. Crude oil production was estimated at 2.13 million barrels per day (mbd) or 66.03million barrels during the month. The end-period inflation rate for July 2011, on a year-on-year basis, was 9.4 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 12.0 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 cultivation of rice and harvesting of maize and vegetables. In the livestock sub-sector, farmers continued the re-stocking of broilers in anticipation of high volume sales of the matured broilers during the forthcoming festivity.

A total of ₦1,377.4 million was guaranteed to 7,318 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in July 2011. This represented an increase of 186.3 and 110.1 per cent over the levels in the preceding month and the corresponding month of 2010, respectively. A sub-sectoral analysis of the loans guaranteed indicated that the food crop sub-sector had the largest share of ₦1,114.8 million (80.9 per cent) to 6412 beneficiaries, while the livestock sub-sector received ₦193.5 million (14.1 per cent) for 404 beneficiaries. The fisheries sub-sector received ₦38.6 million (2.8 per cent) guaranteed to 143 beneficiaries, the cash crops sub-sector had ₦16.6 million (1.2 per cent) for 328 beneficiaries, mixed crops received ₦8.0 million (0.6 per cent), while "Others" received ₦5.9 million (0.4 per cent) for 15 beneficiaries. Analysis by state showed that 31 states benefited from the Scheme during the month under review, with the highest and lowest sums of ₦371.0 million (27.0 per cent) and ₦0.3

million (0.02 per cent) guaranteed to Katsina and Kebbi States, respectively.

At end-July 2011, the total amount released by the CBN under the Commercial Agriculture Credit Scheme (CACS) to the participating banks for disbursement stood at ₦133.65 billion (for159 projects).

At end-July 2011, the total amount released by the CBN under the Commercial Agriculture Credit Scheme (CACS) to the participating banks for disbursement stood at ₦133.65 billion (for one hundred and fifty 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) July 2011.

S/N	Participating Banks	Amount Disbursed (₦ billion)	Number of Projects
1	United Bank for Africa (UBA) Plc	37.91	35
2	Union Bank of Nigeria Plc	17.25	18
3	FBN Plc	14.15	38
4	Zenith Bank Plc	13.38	10
5	Skye Bank Plc	10.67	7
6	Stanbic IBTC Bank	8.41	18
7	Access Bank Plc	7.78	8
8	Fidelty Bank Plc	6.23	7
9	Unity Bank Plc	6	4
10	GTB Plc	5.55	8
11	Oceanic Bank Plc	2	1
12	Sterling Bank Plc	1.72	1
13	Citi Bank Plc	1.5	1
14	Diamond Bank Plc	0.65	3
	TOTAL	**133.65**	**159**

4.2 Petroleum Sector

Crude oil and natural gas production was estimated at 66.03 million barrels for the month.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.13 million barrels per day (mbd) or 66.03 million barrels for the month, compared with 2.20 mbd or 66.6 million barrels in the preceding month.

Crude oil export was estimated at 1.68 mbd or 52.08 million barrels, compared with 1.75 mbd or 52.5 million barrels recorded in the preceding month. Deliveries to the refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels.

At an estimated average of US$118.21 per barrel, the price of Nigeria's reference crude, the Bonny Light (37° API), rose by 1.3 per cent over the level in June 2011. The average prices of other competing crudes namely: the West Texas Intermediate, U.K Brent and Forcados, also showed similar trend, rising to US$96.93, US$116.93 and US$118.93 per barrel, respectively, in the review month.

The average price of Nigeria's reference crude, the Bonny Light rose by 1.3 per cent above the level in the preceding month. Similarly, the prices of U.K Brent, Forcados and West Texas Intermediate rose in July 2011.

The average price of OPEC's basket of eleven crude streams rose by 2.4 per cent to US$111.62, compared with the level in June 2011. (Fig. 11, Table 11).

Figure11: Trends in Crude Oil Prices

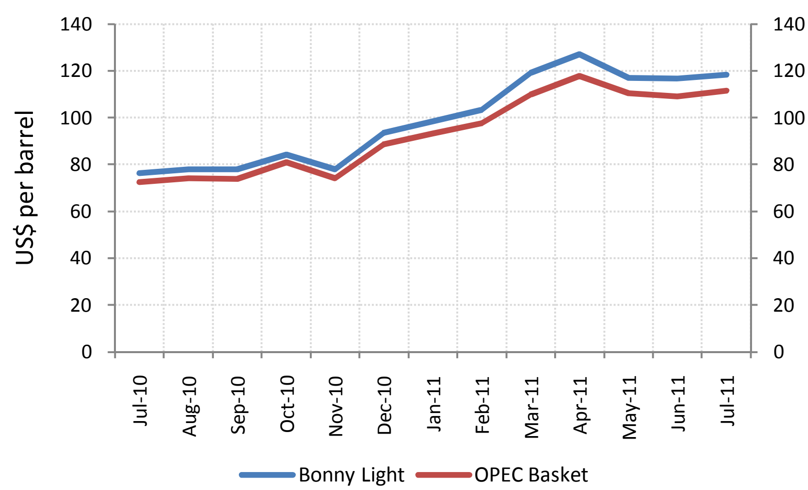


Table 11: Average Crude Oil Prices in the International Oil Market

	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11
Bonny Light	76.42	77.90	79.10	84.26	77.90	93.40	98.50	103.23	118.99	126.91	116.99	116.66	118.21
OPEC Basket	72.51	74.15	74.65	81.00	74.20	88.60	93.30	97.69	109.84	117.70	110.39	109.04	111.62

4.3 Consumer Prices

Available data showed that the all-items composite Consumer Price Index (CPI) in July 2011 was 120.3 (November 2009=100), representing an increase of 0.3 per cent over the level in the preceding month. The development was attributed to the rise in the index of food and non-alcoholic beverages, housing, water, The general price level rose in July relative to June 2011, owing to the increase in the index of staple food non-alcoholic beverages, housing , water, electricity, gas and other fuel etc.

electricity, gas and other fuel, transport, recreation and culture, education, restaurant and hotels.

The urban all-items CPI at end-July 2011 was 116.3 (November 2009=100), indicating a decline of 0.3 per cent below the level in the preceding month. The rural all-items CPI for the month was 123.6 (November 2009=100), representing an increase of 0.8 per cent over the level in the preceding month (Fig. 12, Table 11).

The headline inflation rate on a year-on-year basis fell by 0.8 percentage points to 9.4 per cent, while the 12-month moving average rate fell by 0.3 percentage point to 12.0 per cent.

The end-period inflation rate for July 2011, on a year-on-year basis, was 9.4 per cent, compared with 10.2 per cent in the preceding month. The inflation rate on a twelve-month moving average basis for July 2011 was 12.0 per cent, compared with 12.3 per cent in the preceding month. (Fig. 13, Table 12).

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

Retail price survey of staples by the CBN showed that price developments of most of the major staples were mixed in July 2011. Nine (9) of the fourteen (14) commodities monitored, recorded price increase (ranging from 0.5 per cent for palm oil to 5.8 per cent for ground-nut oil), over their levels in the preceding month. The prices of guinea corn, eggs (medium), yellow garri, white garri and millet, fell by 3.4, 0.4, 1.0, 1.2 and 0.3 per cent, respectively. Relative to their levels in the corresponding month of 2010, the price movement showed that twelve of the commodities recorded price increases, which ranged from 3.8 per cent for white beans and millet to 18.1 per cent for palm oil; while yellow garri and white garri recorded price decline of 9.9 and 12.3 per cent, respectively.

Figure 12: Consumer Price Index

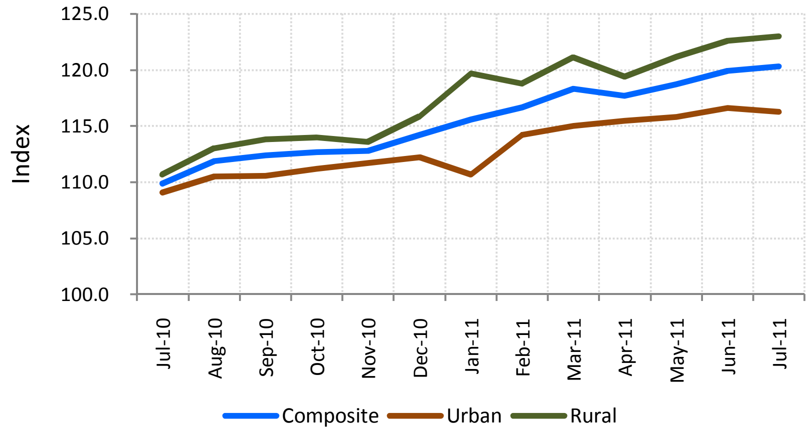


Table 12: Consumer Price Index (November 2009=100)

	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11
Composite	109.9	111.9	112.4	112.7	112.8	114.2	112.8	114.2	118.3	117.7	118.7	119.9	120.3
Urban	109.1	110.5	110.6	111.2	111.7	112.2	111.7	112.2	115.0	115.5	115.8	116.6	116.3
Rural	110.7	113.0	113.8	114.0	113.6	115.9	113.6	115.9	121.1	119.4	121.2	122.6	123.0

Figure 13: Inflation Rate

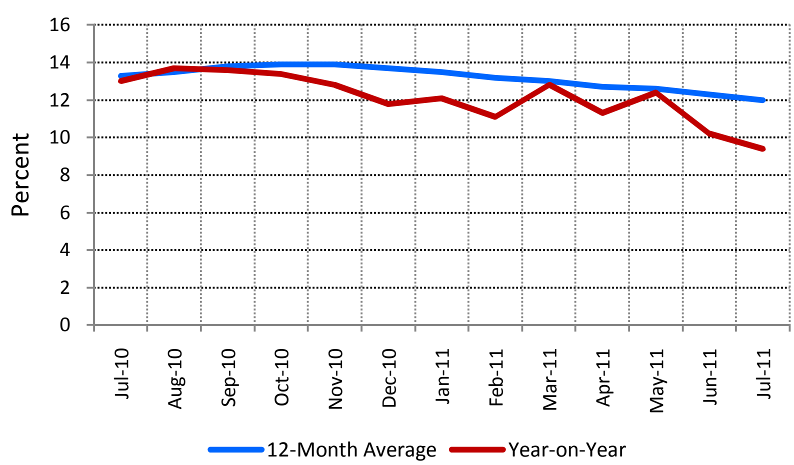


Table 13: Headline Inflation Rate (%)

	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11
12-Month Average	13.3	13.5	13.8	13.9	13.9	13.9	13.9	13.7	13.0	12.7	12.6	12.3	12.0
Year-on-Year	13.0	13.7	13.6	13.4	13.6	12.8	12.8	11.8	12.8	11.3	12.4	10.2	9.4

5.0 External Sector Developments

Provisional data indicated that foreign exchange inflow through the CBN rose by 25.1 per cent over the level in the preceding month while outflow declined by 2.7 per cent below the level in the preceding month. Total non-oil export receipts by banks fell by 45.7 per cent from the level in the preceding month. The gross external reserves rose by 0.02 per cent over the preceding month's level, while the average exchange rate of the Naira vis-à-vis the US dollar, appreciated by 1.8 per cent to ₦151.79 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 July was US$4.33 billion and US$3.82 billion, respectively, resulting in a net inflow of US$0.51 billion, compared with the US$0.41 billion recorded in June 2011. Inflow increased by 25.1 and 89.1 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 16.5 when compared with the level in the corresponding period of 2010. The WDAS utilization accounted for 86.1 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 rose by 25. 1 per cent while outflow through the CBN fell by 2.7 per cent, in July 2011. Overall, there was a net inflow of US$0.51 billion during the period.

Figure14: Foreign Exchange Flows through the CBN

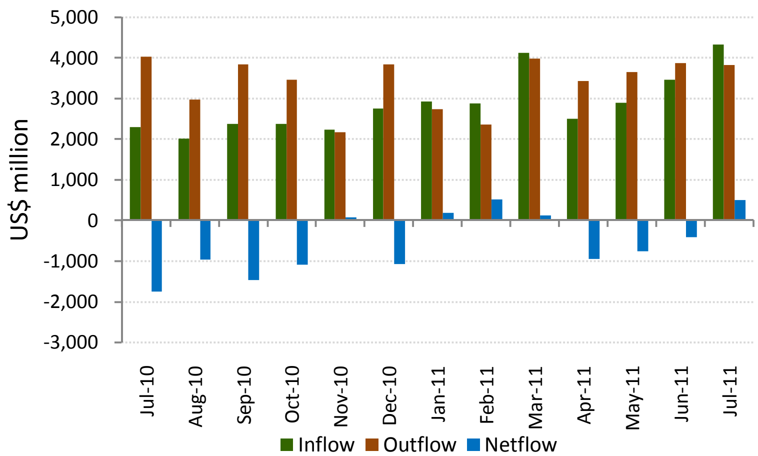


Table 14: Foreign Exchange Flows through the CBN (US$ million)

	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11
Inflow	2291.0	2564.5	2701.5	2378.1	22407.0	27614.0	3435.6	3164.7	4119.2	2495.6	2896.1	3463.2	4327.7
Outflow	4032.6	3787.3	5078.7	3463.5	21698.0	38356.0	2805.8	2768.7	3985.9	3439.7	3657.2	3873.7	3818.6
Netflow	**-1743.2**	**-1222.8**	**-2377.2**	**-1085.4**	**708.0**	**-10742.0**	**629.8**	**396.0**	**629.8**	**-944.1**	**-761.1**	**-410.5**	**509.1**

Provisional data on aggregate foreign exchange flows through the economy indicated that total inflow was US$9.27 billion, representing an increase of 30.6 and 28.9 per cent over the levels in the preceding month and the corresponding period of 2010, respectively. The development was attributed to the rise in oil receipts and invisibles. Inflows through the Central Bank of Nigeria (CBN) accounted for 46.7 per cent, of the total, while inflows from autonomous sources accounted for 53.3 per cent.

Non-oil inflows into the economy rose by 280.5 per cent and accounted for 5.4 per cent of the total inflows in July 2011.

Oil sector receipts, at US$3.82, accounted for 41.2 per cent of the total inflow, and exceeded the level in the preceding month by 14.7 per cent. Non-oil public sector inflow also rose by 280.5 per cent above the level in the preceding month and accounted for 5.4 per cent of the total inflow.

At US$3.89 billion, aggregate foreign exchange outflow from the economy fell by 2.7 per cent from the level in the preceding month. The outcome reflected, largely, the 19.0 per cent decline in other official payments during the month.

5.2 Non-Oil Export Earnings by Exporters

Total non-oil export earnings received by banks, declined by 45.7 per cent to US$105.0 million, below the preceding month's level. The development was attributed, largely to the decline in export proceeds from the industrial and agricultural sub-sectors. A breakdown of the export proceeds in July 2011 showed that proceeds of industrial, manufactured, minerals and agricultural products stood at US$40.6, US$29.4, US$11.77, and US$19.31 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 38.7, 27.6, 11.2, 18.4, 4.0, and 0.1 per cent, respectively, in the review month.

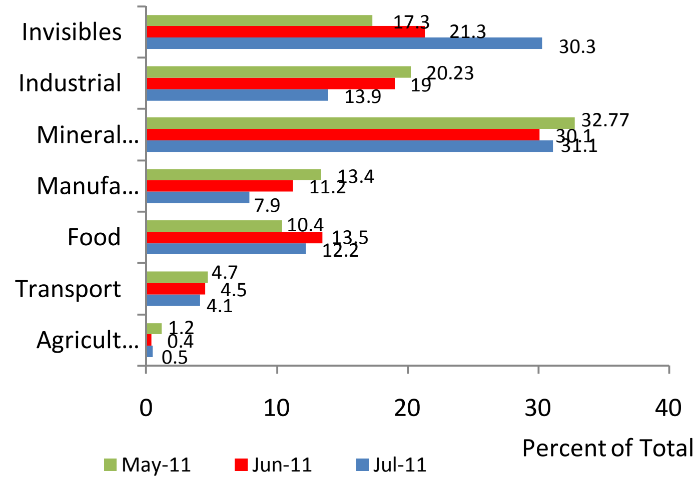
Total non-oil export earnings by exporters fell in July 2011, on account of decrease in the exports of industrial sector and agricultural sector

5.3 Sectoral Utilisation of Foreign Exchange

The minerals and oil sector accounted for the bulk (31.1 per cent) of total foreign exchange disbursed in July 2011, followed by invisible sector (30.3 per cent). Other beneficiary sectors, in a descending order included: industrial sector (13.9), food products (12.3 per cent), manufactured product (7.9 per cent) transport (4.0 per cent) and agricultural products (0.5 per cent) (Fig.15).

The minerals and oil sector accounted for the bulk of the total foreign exchange disbursed in July 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$3.31 billion in July 2011, showing a decline of 16.0 per cent below the levels in the preceding month, but was 30.3 per cent above the level in the corresponding month of 2010. A total of US$3.29 billion was sold by the CBN to authorized dealers during the period, reflecting an increase of 1.6 and 27.8 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 fell by 16.0 per cent in July 2011, relative to June 2011. It, however ,increased by 30.3 per cent, when compared with the corresponding month of 2010.

Figure16: Demand for and Supply of Foreign Exchange

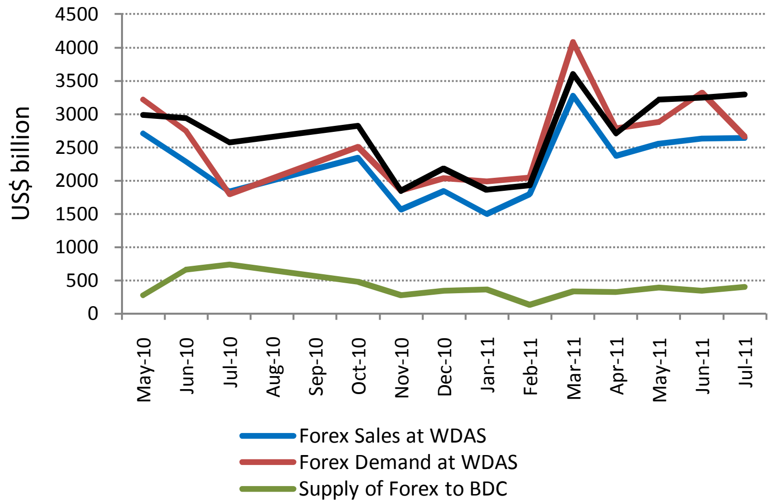


Table 15: Demand for and Supply of Foreign Exchange (US$ billion)

	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11
Forex Sales at WDAS	1835.2	1948.5	3593.5	2342.1	1561.7	1839.1	2000.0	1794.8	3274.4	2375.6	2549.9	2632.8	2643.3
Forex Demand at WDAS	1795.8	2789.1	4391.8	2503.7	1853.4	2035.1	2800.4	2041.0	4080.3	2780.4	2878.4	3325.5	2655.2
Supply of Forex to BDC	741.2	450.8	613.8	478.7	280.2	341.1	135.5	300.0	330.5	322.3	392.0	347.3	398.2
Total Forex Supply	2576.4	2399.4	4207.3	2820.8	1841.9	2180.2	2135.5	2094.8	3604.9	2707.8	3217.2	3242.3	3293.7

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

Under the WDAS, the average exchange rates of the Naira vis-à-vis the US dollar, appreciated by 1.7 per cent to ₦151.79 per US dollar. It, however, depreciated at the bureaux-de-change segment from ₦158.32 per US dollar in June 2011 to ₦163.71 per US dollar, and at the interbank segment of the market, the average exchange rate appreciated by 2.1 per cent to ₦152.41per 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 WDAS and bureaux-de-change rates widened from 2.5 per cent in the preceding month to 7.9 per cent as the rates moved in opposite directions. However, the premium between the WDAS/Interbank rates narrowed from 0.8 per cent in the preceding month to 0.4 per cent during the month under review.

Figure 17: Average Exchange Rate Movements

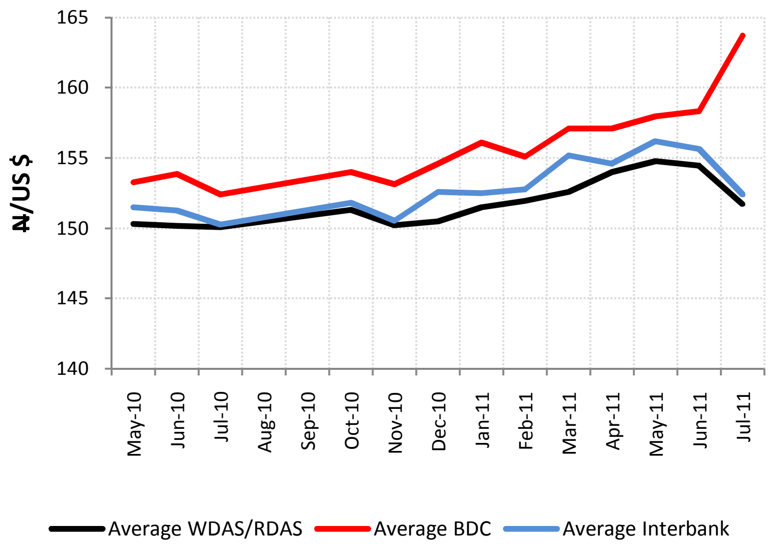
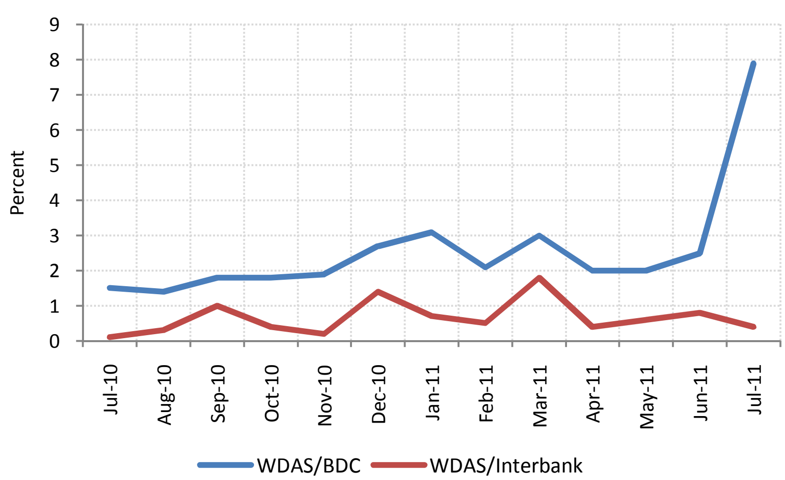


Table 16: Exchange Rate Movements and Exchange Rate Premium

	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11
Average Exchange Rate (₦/$)													
WDAS/RDAS	150.1	150.3	151.0	151.3	150.2	150.5	151.6	151.9	152.6	154.0	154.8	154.5	151.8
BDC	152.4	152.3	153.8	154.0	153.1	154.6	156.1	155.1	157.1	157.1	158.0	158.3	163.7
Interbank	150.3	150.7	152.6	151.8	150.6	152.6	152.4	152.7	155.2	154.6	156.2	155.7	152.4
Premium (%)													
WDAS/BDC	1.5	1.4	1.8	1.8	1.9	2.7	3.0	2.0	3.0	2.0	2.0	2.5	7.9
WDAS/Interbank	0.1	0.3	1.0	0.4	0.2	1.4	0.7	0.5	1.8	0.4	0.9	0.8	0.4

Figure 18: Exchange Rate Premium



5.5 Gross External Reserves

Gross external reserves rose marginally in July 2011.

The gross external reserves at the end of July 2011 stood at US$32.52 billion, indicating an increase of 2.0 per cent over the level at the end of the preceding month but a decline of 12.5 per cent from the level in the corresponding period of 2010. A breakdown of the reserves showed that CBN holding stood at US$21.17 billion (65.1 per cent), Federal Government holding was US$2.85 billion (8.7 per cent) and the Federation Account (Excess Crude) was US$8.51 billion (26.2 per cent) (Fig. 19, Table 16).

Figure 19: Gross External Reserves

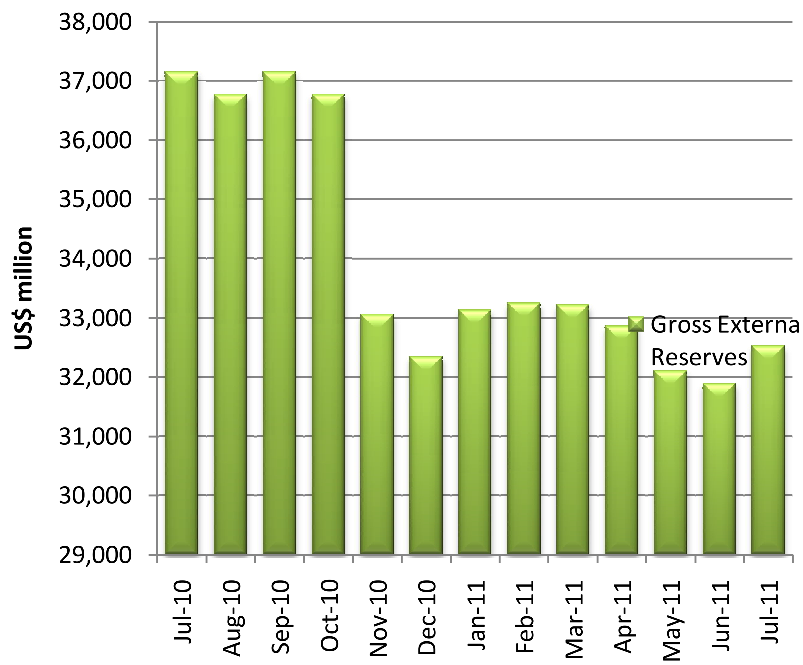


Table 17: Gross External Reserves (US$ million)

	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11
External Reserves	37155.19	36769.65	34589	33597	33059.3	32339.3	33131.83	33246.1	33221.8	32866.93	32100.81	######	32,521.71

6.0 Other International Economic Developments and Meetings

World crude oil output in July 2011 was estimated at 88.2 million barrels per day (mbd), while demand was estimated at 89.15 million barrels per day (mbd), compared with 88.01 and 88.82 mbd supplied and demanded, respectively, in the preceding month. The marginal rise in demand was attributed to the increased economic activities in China, U.S and parts of Europe during the review period.

The worsening debt limit crisis of the US economy created concerns on the global economy. In July 2011, the US current national debt was estimated at over US$14 trillion, while the spending plan was projected at about US$7.0 trillion. In order to boost the fiscal position and create employment, President Obama proposed an increase in the current debt limit of the US, which stood at US$14.3 and a tax hike on the wealthy while cutting-down the tax of workers. Failure to agree with congress on these issues resulted in general anxiety on the already fragile global imbalance, particularly in most countries in sub-Saharan Africa which export raw materials to the US. A decline in US demand in these exports could affect the balance of payment positions of these countries including Nigeria. Hence the IMF narrowed its estimates for global growth rate to 4.3 from 4.5 per cent for 2011, while the US growth rate was revised downwards by 0.3 percentage point to 2.5 per cent. Besides, oil futures hovered near US$117.70 a barrel, shedding around US$.01 after a breakdown in Congress talks over US deficit limits, as investors moved away from volatile and risky assets. The market was worried about possible downgrade of U.S credit rating or even debt default, which clouded optimism about economic growth. Brent crude rose above $118 a barrel, the price of US Light rose to a 27 month high, but has since fallen back to $88.98 a barrel with the Brent crude soaring to $93.15. OPEC members have shown a stress-free attitude on the recent oil price growth and have not made any decision to change export quotas while higher oil prices generate more revenue to oil exporting countries thereby affecting the cost of fuel and energy and an increment in prices of goods by raising cost of production and transportation in importing countries like Nigeria.

The United Nations Food Price Index rose above the earlier peak of 2008 negative implications in several countries. The index measures monthly price changes of sugar and cereals, averaged 214.7 points last month up from 206 points in November. The price of wheat has risen sharply due to the events last year in Russia, which accounts for 11.0 per cent of global exports. Also, the price of corn has risen because of greater support for bio fuels in the US and the increase in price of oil, which makes bio fuels more attractive. The production of sugar did not match demand from developing countries thereby causing an increase in price.

Other major international economic developments and meetings of relevance to the domestic economy during the review month included: the mid-year Joint Statutory Meetings of the West African Monetary Agency, West African Monetary Institute and West African Institute for Financial and Economic Management held in Conakry, Guinea from July 8-15, 2011. A meeting of the College of Supervisors of the West African Monetary Zone was also held on the fringes of the Joint statutory meetings, which considered collaborative issues on cross-border and consolidated supervision. Surveillance reports indicated that ECOWAS economies grew strongly against the backdrop of moderate rise in commodity prices. However, fiscal and external positions deteriorated on a convergence scale. Key issues included vacant positions in WAMI and WAMA to be filled by the Central Bank of Nigeria; outstanding financial obligations to the West African Central Bank

(WACB) Capital and Stabilization and Cooperation fund; and a need for greater involvement of the Central Banks in the next phase of the ECOWAS single currency.

Furthermore, Former French Finance Minister, Christine Largarde, assumed office as IMF Managing Director on July 6, 2011 and outlined three categories of issues facing the IMF and the global economy, and two set of issues to enhance the effectiveness and operations of the Fund. The three external issues included connectivity, credibility and comprehensiveness. She further stated that she wanted to enhance the legitimacy and diversity of the institution.

In another development, the Central Bank of Nigeria hosted a two-day Seminar on "Enhancing Global Financial Supervisory Standards and Practices" for the D8 member countries. The Seminar was organized to facilitate the exchange of ideas among member countries on current supervisory and regulatory developments in the financial sector. Seven papers were presented during the Seminar and after deliberation., It was agreed that: for good corporate governance to strive in member countries, board and senior management must lead in risk governance by setting the risk appetite of banking institutions: models should be aligned with local peculiarities and members should always formulate appropriate mechanism for undertaking surveillance, monitoring and conduct of regular stress tests of their financial systems. Participants also noted that a successful non-interest banking framework required capacity building and awareness campaign and called for the necessary amendments to existing laws, to enable non-interest banks exist and operate, side by side with traditional banks. They also stated that for the effective implementation of the International Financial Reporting Standards (IFRS) in member countries, it was important to understand which performance measures would be affected and how to translate those measures properly for investors and analyst.

Also, the Experts meeting on Trade and Investment Promotion of the Nigeria-Niger Joint Commission for Cooperation was held in Maradi, Niger Republic from July 25-30, 2011. The meeting discussed various issues relating to remittances of funds, establishment of warehouses, formalization of border markets between the two countries, development of cluster industries to enhance growth of the two countries and bilateral cooperation on standardization.

In addition, the 5th Meeting for the Validation of the Statue and Annexes of the African Monetary Fund was held at Addis Ababa, Ethiopia from July 27- 28, 2011. The African Monetary Fund (AMF) is one of the three financial institutions needed to advance monetary integration in Africa. The main objective for the establishment of AMF is to provide financial assistance to member states of the African Union that are faced with balance of payments problems.

Finally, Nigeria and the European Union (EU) had their trade policies and practices reviewed in July 2011 by the World Trade Organization (WTO) Trade Policy Review Mechanism (TPRM). Nigeria's trade policies and practices were last reviewed in 2005, while that of the EU was in 2009. The following were some of the suggestions offered at the review.

Nigeria

- Legislative change: Members mentioned the large number of draft bills at various stages of development, some of which had already been prepared at the time of the last review in 2005. Nigeria was urged to implement its planned reforms in areas such as competition policy, contingency measures, the petroleum industry, and public utilities.
- National treatment: Members noted that some other duties and charges levied on imports

appeared to be applied in a discriminatory fashion. They recommended that Nigeria should fully comply with the WTO principle of national treatment.

- Intellectual property rights: Members noted that the current law on intellectual property was outdated and encouraged Nigeria to implement the new National Bill as quickly as strengthen protection and enforcement aspects.
- Government procurement: Members took note of the new Public Procurement Act and urged Nigeria to consider the benefits of becoming an observer to the WTO Agreement on Public Procurement as a first step towards full membership.

The European Union

- Tariffs: It was recognized that import tariffs have remained low as it encouraged a significant proportion of imports into the EU duty free under zero level MFN tariff or preference programmes. The EU was further encouraged EU to eliminate remaining tariff peaks, including on motor vehicles, fish, and agriculture, and to simplify its overly complex tariff structure.
- Regulatory barriers to trade: members reiterated concerns expressed in previous EU trade policy Reviews about the burdensome impact of certain regulatory measures on market access in areas such as technical barriers to trade, sanitary and phytosanitary measures.
- Support to agriculture:, members expressed concern about the high level of support to EU agriculture, in both absolute and relative terms, and the large share of market price support in total transfers to EU farmers. Consequently, the EU was urged to reduce the role of CAP in the market. While

acknowledging recent progress in reforming the Common Agricultural Policy (CAP).The EU was also required to embark on significant reduction of most favoured national tariffs on agriculture.

- Crisis-related government support: The EU was urged to persevere with ongoing initiatives to phase out crisis support in order to minimize any distortions to international trade and investment.

APPENDIX TABLES

Table A1: Money and Credit Aggregates

	10-Jul	Oct 10	Nov 10	Dec 10	Jan 11	Feb 11	Mar-11	June-11	July-11
Domestic Credit (Net)	8,595.04	9,460.25	9,547.26	8,708.55	8,685.74	8,136.02	7,854.70	8,908.46	8,142.20
Claims on Federal Government	(1,315.67)	(1,074.12)	(1,201.12)	(1,121.80)	(730.97)	(1,072.27)	(1,571.84)	(1,064.75)	(1,824.90)
Central Bank (Net)	(3,270.12)	(2,894.78)	(2,976.07)	(2,884.03)	(2,823.21)	(2,965.98)	(3,401.44)	(2,730.02)	(3,460.50)
Banks	1,954.45	1,820.66	1,774.95	1,762.21	2,092.24	1,923.72	1,829.61	1,665.27	1,635.70
Claims on Private Sector	9,910.71	10,534.37	10,748.38	9,830.34	9,416.71	9,178.29	9,426.54	9,973.21	9,967.10
Central Bank	488.18	664.06	683.58	632.17	532.56	424.37	437.51	741.65	807.90
Banks	9,422.52	9,870.30	10,064.78	9,198.17	8,884.15	8,753.92	8,989.03	9,231.56	9,159.20
Claims on Other Private Se	9,624.01	10,149.53	10,382.73	9,460.53	9,025.66	8,822.74	9,049.77	9,552.97	9,597.20
Central Bank	488.18	664.06	683.58	632.17	532.558424.	424.37	437.51	741.65	807.90
Banks	9,135.83	9,485.47	9,699.15	8,828.36	8,493.10	8,398.37	8,612.26	8,811.32	8,789.30
Claims on State and Local	286.70	384.83	365.65	369.81	391.04	355.55	376.77	420.24	369.90
Central Bank	-		-	-	-	-	-	-	
Banks	286.70	384.83	365.65	369.81	391.04	355.55	376.77	420.24	369.90
Claims on Non-financial Pu	-			-	-	-	-	-	
Central Bank	-		-	-	-	-	-	-	
Banks	-		-	-	-	-	-	-	
Foreign Assets (Net)	6,583.04	6,247.76	6,453.96	6,506.62	6,400.55	6,725.50	6,988.07	6,453.69	7,506.10
Central Bank	5,518.26	4,999.98	5,226.46	5,372.29	5,217.35	5,497.68	5,722.80	4,922.63	5,950.20
Banks	1,064.78	1,247.78	1,227.50	1,134.33	1,183.20	1,227.82	1265.28136	1,531.06	1,555.90
Other Assets (Net)	(4,236.65)	(4,483.39)	(4,539.01)	(3,689.63)	(3,524.76)	(3,265.85)	(3,189.15)	(3,184.76)	(3,256.80)
Total Monetary Assets (M2)	10,941.44	11,224.61	11,224.78	11,525.53	11,561.52	11,595.67	11,653.62	12,177.39	12,391.45
Quasi-Money 1/	5,983.09	5,891.86	5,968.89	5,954.26	5,994.45	6,206.54	6,229.11	6,534.83	6,520.96
Money Supply (M1)	4,958.35	5,332.75	5,255.89	5,534.45	5,545.79	5,365.63	5,534.45	5,642.56	5,870.49
Currency Outside Banks	805.68	874.89	880.86	1,082.19	1,033.34	1,025.02	1,082.18	1,016.45	1,039.75
Demand Deposits 2/	4,152.67	4,457.86	4,375.02	4,452.27	4,512.46	4,340.61	4,452.27	4,626.11	4,830.74
Total Monetary Liabilities (M2)	10,941.44	11,224.61	11,224.78	11,525.53	11,561.52	11,595.67	11,653.62	12,177.39	12,391.45
Memorandum Items:			-	-	-				
Reserve Money (RM)	1,658.88	1,438.35	1,344.32	1,845.71	1,694.88	1,821.39	1,705.92	2,065.06	2,169.38
Currency in Circulation (CIC)	1,076.92	1,153.17	1,125.39	1,378.13	1,340.43	1,336.81	1,416.38	1,353.98	1,343.60
DMBs Demand Deposit with CE	581.96	285.12	218.92	467.58	354.45	484.58	289.54	711.07	825.78

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)

	Jul-10	Oct-10	Nov-11	Dec-10	Jan-11	Feb-11	Mar-11	Jun-11	Jul-11
Domestic Credit (Net)	8.6	19.7	27.4	10.2	-0.3	-6.6	-9.8	2.3	-6.5
Claims on Federal Government (Net)	42.9	53.4	51.8	51.3	34.8	7.1	-40.1	5.1	-62.7
Claims on Private Sector	-3.0	3.2	7.6	-3.8	-4.2	-6.6	-4.1	1.5	1.4
Claims on Other Private Sector	-2.9	2.6	7.2	-4.4	-4.6	-6.7	-4.3	1.0	1.4
Claims on State and Local Government	-7.9	24.0	20.8	19.2	5.7	-3.9	1.9	13.6	0.0
Claims on Non-financial Public Enterprises									
Foreign Assets (Net)	-13.3	-17.7	-15.4	-14.3	-1.6	3.4	7.4	-0.8	15.4
Other Assets (Net)	10.4	5.2	-0.1	22.0	4.5	11.5	13.6	13.7	11.7
Total Monetary Assets (M2)	1.5	4.3	8.8	7.0	0.3	0.6	1.1	5.7	7.5
Quasi-Money 1/	3.8	2.2	6.4	3.3	0.7	4.2	4.6	9.8	9.5
Money Supply (M1)	-1.2	6.6	11.7	11.1	-0.1	-3.3	-2.6	1.3	5.4
Currency Outside Banks	-13.1	-5.6	4.8	-13.1	-4.5	-5.3	2.8	-6.1	-3.9
Demand Deposits 2/	1.5	9.4	13.2	1.9	1.0	-2.8	-4.0	3.1	7.6
Total Monetary Liabilities (M2)	1.5	4.3	8.8	6.9	0.3	0.6	1.1	5.7	7.5
Memorandum Items:									
Reserve Money (RM)	0.3	-3.5	4.7	11.6	-8.1	-1.34	-7.6	11.9	17.5
Currency in Circulation (CIC)	-8.9	-2.4	10.7	16.6	-2.7	-3	2.8	-1.8	-2.5
DMBs Demand Deposit with CBN	23.2	-39.6	-18.8	-1.0	-24.19	3.53	-38.1	52.1	76.6
	Growth over Preceding Month (%)								
Domestic Credit (Net)	-0.2	1.6	0.9	-8.8	-0.3	-6.3	-3.5	-0.6	-8.6
Claims on Federal Government (Net)	-11.7	-4.7	-11.8	6.6	34.8	-42.6	-50.8	-20.2	-71.4
Claims on Private Sector	-1.9	1.9	2.0	-8.5	-4.2	-2.5	2.7	1.3	-0.5
Claims on Other Private Sector	-1.6	1.6	2.3	-8.9	-4.6	-2.3	2.6	0.9	0.5
Claims on State and Local Government	-10.2	12.8	-4.9	1.1	5.7	-9.1	6.0	10.8	-12.0
Claims on Non-financial Public Enterprises									
Foreign Assets (Net)	1.5	-3.2	1.3	2.8	-1.6	5.1	3.9	1.5	16.3
Central Bank	2.2	-4.3	3.6	2.2	-2.9	5.4	4.1	3.2	20.9
Banks	-1.7	1.7	-8.2	-1.7	4.3	3.8	3.1	-3.5	1.6
Other Assets (Net)	0.4	1.2	5.5	22.0	4.5	7.4	2.4	4.5	-2.3
Total Monetary Assets (M2)	0.9	0.0	-0.7	0.9	0.3	0.3	0.5	1.6	1.8
Quasi-Money 1/	0.9	-1.3	-0.4	1.5	0.7	3.5	0.4	1.5	-0.2
Money Supply (M1)	0.8	1.5	-1.1	5.6	-0.1	-3.2	0.7	1.6	4.0
Currency Outside Banks	1.3	-0.7	1.9	1.3	-4.5	-0.8	8.6	-3.7	2.3
Demand Deposits 2/	0.7	1.9	-1.7	0.7	1.0	-3.7	-1.2	2.9	0.5
Total Monetary Liabilities (M2)	0.9	0.0	-0.7	3.4	0.3	0.3	0.5	1.6	1.8
Memorandum Items:									
Reserve Money (RM)	8.1	7.0	0.9	8.1	-8.1	7.43	-6.3	17.9	5.1
Currency in Circulation (CIC)	1.2	2.5	6.5	1.2	-2.7	-0.27	6.0	-3.4	-0.8
DMBs Demand Deposit with CBN	23.4	30.3	-21.7	23.4	-24.19	36.57	-40.2	103.7	16.1

Table A3: Federal Government Fiscal Operations (₦ billion)

	Jul-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Jun-11	Jul-11
Retained Revenue	**196.9**	**190.4**	**194.8**	**294.6**	**198.0**	**193.4**	**190.6**	**275.5**	**613.9**
Federation Account	*171.7*	*173.1*	*172.7*	*172.8*	*165.2*	*167.1*	*171.9*	*184.6*	*222.5*
VAT Pool Account	*7.8*	*7.0*	*5.8*	*6.4*	*6.8*	*7.5*	*7.1*	*7.7*	*7.9*
FGN Independent Revenue	*3.2*	*5.2*	*5.9*	*52.8*	*10.6*	*13.5*	*11.6*	*8.5*	*19.8*
Excess Crude	*0.0*	*0.0*	*0.0*	*62.5*	*6.8*	*4.8*	*0.0*	*74.7*	*363.8*
Others	*14.2*	*5.1*	*10.5*	*0.0*	*8.5*	*0.5*	*0.1*	*0.0*	*0.0*
Expenditure	**293.4**	**292.1**	**256.7**	**408.9**	**317.9**	**286.5**	**327.5**	**330.8**	**354.9**
Recurrent	*261.0*	*224.4*	*212.6*	*327.7*	*239.2*	*230.4*	*184.8*	*285.8*	*300.4*
Capital	*5.7*	*43.3*	*44.1*	*43.3*	*77.1*	*33.3*	*85.6*	*5.4*	*32.4*
Transfers	*26.7*	*24.5*	*13.8*	*13.8*	*1.7*	*22.8*	*57.1*	*39.6*	*22.1*
Overall Balance: Surplus(+)/Deficit(-)	**-96.5**	**-106.6**	**-61.9**	**-114.2**	**-119.9**	**-93.1**	**-136.9**	**-55.3**	**259.1**