CENTRAL BANK OF NIGERIA

ECONOMIC REPORT
OCTOBER 2010

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 moderated in October 2010 relative to the level in the preceding month. Broad money (M_2), fell slightly by 0.002 per cent, relative to the level at the end of the preceding month, due largely to the 3.2 per cent decline in foreign assets (net) of the banking system. Narrow money (M_1), increased, by 1.5 per cent, over the level at the end of the preceding month. Similarly, reserve money (RM), increased by 7.0 per cent over the level at the end of September 2010. Relative to the level at end-December 2009, M_2 grew by 4.3 per cent, the same as at the end of preceding month, owing to the increase in domestic credit (net) and other assets (net) of the banking system.

Available data indicated mixed developments in banks' deposit and lending rates. The spread between the weighted average term deposit and maximum lending rates narrowed from 18.63 percentage points in September 2010 to 17.92 percentage points. The margin between the average savings deposit and maximum lending rates also, narrowed from 20.76 percentage points in the preceding month to 20.37 percentage points. The weighted average interbank call rate rose to 8.45 per cent from 2.66 per cent in the preceding month, reflecting the tight liquidity condition in the interbank funds market.

The value of money market assets outstanding at end–October 2010 was ₦4,212.0 billion, representing an increase of 10.8 per cent, compared with an increase of 18.1 per cent at end-September 2010. The development was attributed to the 21.8, 3.4 and 2.3 per cent rise in the value of Banker's Acceptances, Commercial Papers (CPs) and FGN Bonds, respectively.

Total federally-collected revenue in October 2010 was estimated at ₦623.31 billion, representing an increase of 6.9 and 55.6 per cent relative to the proportionate monthly budget estimate and the receipts in the corresponding period of 2009, respectively. At ₦462.35 billion, gross oil receipts, which constituted 74.2 per cent of the total revenue, exceeded the proportionate monthly budget revenue estimate and the receipts in the corresponding period of 2009 by 13.2 and 79.9 per cent, respectively. The increase in oil receipts relative to the proportionate monthly budget estimate was attributed largely to the rise in crude oil *production and prices at the international market during the month under review. Non-oil receipts, at ₦160.96 billion or 25.8 per cent of the total, was 7.9 and 6.1 per cent lower than the proportionate monthly budget estimate and receipts in the preceding month, but exceeded the level in the corresponding month of 2009 by 12.1 per cent. The shortfall relative to the proportionate monthly budget estimate, reflected largely the significant decline in independent revenue of the Federal Government, Customs Special Levies and Value Added Tax (VAT). Federal Government estimated retained revenue in October 2010 was ₦190.43 billion, while total estimated expenditure was ₦2921.09 billion. Thus, the fiscal operations of the Federal Government resulted in an estimated deficit of ₦101.66 billion, compared with the monthly budgeted deficit of ₦129.23 billion for the review month.*

The dominant agricultural activities in October 2010 were the harvesting of various root crops, especially yams, irish and sweet potatoes, maize and groundnuts. In the livestock sub-sector, poultry farmers intensified the production of poultry products by restocking broilers and layers in preparation for the end-of-year sales. Crude oil production, including condensates and natural gas liquids in October 2010 was estimated at 2.19 million barrels per day (mbd) or 67.89 million barrels. Crude oil export was estimated at 1.74 mbd or 53.94 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$84.26 per barrel, increased by 6.5 per cent over the level in the preceding month.

The end-period headline inflation rate (year-on-year), in October 2010, was 13.4 per cent, compared with 13.6 per cent at the end of the preceding month. Inflation rate on a twelve-month moving average basis in October 2010 was 13.9 per cent, compared with 13.8 per cent recorded in the preceding month.

Foreign exchange inflow and outflow through the CBN in October 2010 were US$2.38 billion and US$3.46 billion, respectively, and resulted in a net outflow of US$1.08 billion. Foreign exchange sales by the CBN to the authorized dealers amounted to US$2.98 billion, showing a decline of 40.5 and 19.9 per cent from the levels in the preceding month, and *the corresponding period of 2009, respectively.*

The average Naira exchange rate vis-à-vis the US dollar, depreciated by 0.1 per cent to ₦151.25 per dollar at the WDAS. At the bureaux-de-change segment, the Naira depreciated from ₦153.80 per US dollar in September 2010 to ₦153.98 per US dollar. Also, in the interbank segment of the market, the Naira, depreciated by 0.1 per cent to ₦151.78 US dollar.

Non-oil export earnings by Nigerian exporters increased by 10.2 per cent over the level in the preceding month to US$144.4 million. The development was attributed largely to the rise in the prices of all the commodities traded at the international commodities market during the period.

World crude oil output in October 2010 was estimated at 86.76 million barrels per day (mbd), while demand was estimated at 86.25 million barrels per day (mbd), representing an excess supply of 0.51 mbd, compared with 86.20 and 86.16 mbd supplied and demanded, respectively, in the preceding month. The non-OECD countries remained the key contributors to the growth in demand of world crude oil, lead by China, India, the Middle East and Latin America. This was also reinforced by increased consumption in the Organisation for Economic Co-operation and Development (OECD) as a result of strong economic activities, supported by various stimulus plans.

Other major international economic developments and meetings of relevance to the domestic economy during the review month included: the 2010 Annual Meetings of the Inter-Governmental Group of Twenty-Four (G-24) on International Monetary Affairs and Developments, and the Board of Governors of the Bretton Woods Institutions – namely, the International Monetary Fund (IMF) and the World Bank Group held in Washington D.C., USA from October 5 – 10, 2010. The Honourable Minister of Finance, Mr. Olusegun Aganga chaired the 2010 Annual Meetings

In another development, the third ECOWAS Business Forum on the theme "Harnessing Energy Resources to Enhance the Competitiveness of the West African Economy" and first Award Ceremony for Entrepreneurial Innovation were held at the Conference Center of the Ministry of Foreign Affairs and African Integration in Abidjan, Cote d'Ivoire from September 28 – October 1, 2010. The objectives of the Forum were to *assess energy resources in West Africa and its implications for business operations and economic development as well as investment potential, challenges and opportunities in the energy sector. The ultimate objective was to propose solutions and, institutional mechanisms for the harmonization of regulations and policies that would ensure effective operations of the energy sector in West Africa.*

In a related development, the 5th African Economic Conference was held in Tunis, Tunisia from October 27 – 29, 2010 with the theme 'Setting the Agenda for Africa's Economic Recovery and Long-Term Growth'. The conference was co-organized by the African Development Bank (AfDB), the United Nations Economic Commission for Africa (UNECA), the United Nations Development Programme (UNDP), and the Development Bank of Southern Africa (DBSA). The meeting was attended by the World Trade Organization Director-General, Pascal Lamy, Tunisian Prime Minister, Mohammed Ghannouchi, as well as Finance Ministers and Central Bank Governors from various African countries. It addressed Africa's position in the post-economic world crisis

Furthermore, the Committee of 10 African Ministers of Finance and Governors of Central Banks met for the fifth time on October 6, 2010 in Washington, D.C. The meeting was organized jointly by the African Development Bank (AfDB), the Economic Commission for Africa, and the African Union Commission. The meeting discussed measures to support the ongoing Africa's recovery and turn it into high growth path, ways for strengthening the mobilization of domestic resources and the options for financing sustainable energy solutions.

Finally, the 2010 Annual Summit of the Africa Investor (AI) Investment Climate and Business Leaders Awards was held in Washington DC on October 8, 2010. The Summit was organized by the Africa Investor Investment Climate of South Africa in partnership with the World Bank Group. The objective of the summit was to facilitate action, highlight and address project-specific investment climate challenges as well as shed more light on Africa's investment success stories. It also served as a forum for bringing together ideas on how best to improve the investment climate in Africa and attract foreign private investments to the continent. The theme of the Summit was "Harnessing New Models for Growth".

2.0 Financial Sector Developments

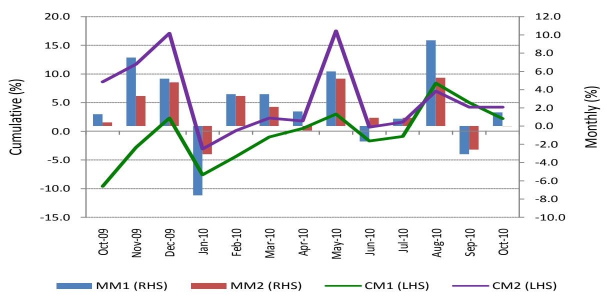
2.1 Monetary and Credit Developments

Growth in the major monetary aggregate slowed, while banks' deposit and lending rates indicated mixed developments in October 2010. The value of money market assets outstanding increased, owing largely to the rise in the value of FGN Bonds, Banker's Acceptances and Commercial Papers (CPs). Transactions on the Nigerian Stock Exchange (NSE) were bullish as all the major market indicators trended upward during the review month.

Growth in the key monetary aggregate moderated in October 2010.

Provisional data indicated relatively sluggish growth in the major monetary aggregate at end-October 2010. Relative to the level in the preceding month, broad money supply, (M_2), at ₦11,224.6 billion, fell slightly by 0.002 per cent, compared with the decline of 2.6 per cent in September 2010. The development was accounted for, largely, by the 3.2 per cent decline in foreign assets (net) of the banking system. Narrow money supply (M_1), at ₦5,332.7 billion, however, grew by 1.5 per cent, compared with the decline of 3.1 per cent at the end of the preceding month. Quasi-money also fell by 1.3 per cent, compared with 2.1 per cent at end-September 2010. Relative to the level at end-December 2009, M_2 grew by 4.3 per cent the same growth rate as the end of the preceding month, owing to the increase of 19.7 and 5.2 per cent in net domestic credit and other assets (net) of the banking system, respectively.

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



At ₦9,460.2 billion, aggregate banking system credit (net) to the domestic economy rose by 1.6 per cent on month-on-month basis, in contrast to the decline of 0.2 per cent in the preceding month. The development reflected largely the rise in claims on both the Federal Government and the private sector. Relative to the level at end-December 2009, domestic credit (net), also increased by 19.7 per cent.

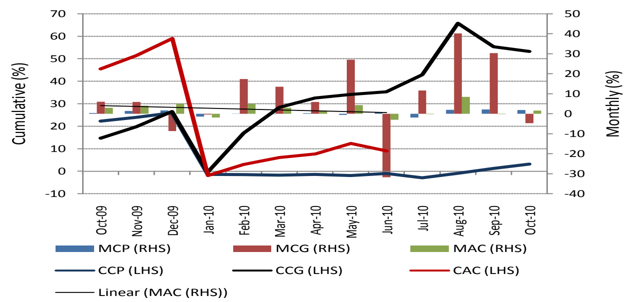
Banking system's credit (net) to the Federal Government, on month-on-month basis, declined by 4.7 per cent to negative ₦1,074.1 billion, in contrast to the increase of 30.4 per cent in the preceding month. The development reflected the increase in banking system's holding of Federal Government securities, reinforced by the decline in Federal Government deposits with the CBN. Over the level at end-December 2009, credit to the Federal Government rose significantly by 53.4 per cent, owing to the same reasons above. The Federal Government, however, remained a net lender to the banking system during the review month.

Over the preceding month's level, banking system's credit to the private sector rose by 1.9 per cent to ₦10,534.4 billion, compared with the increase of 2.2 per cent at end-September 2010. The development

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

reflected the increase in the DMBs' claims on the sector (Fig. 2, Table 1). Relative to the level at end-December 2009, credit to the private sector rose by 3.2 per cent. The development reflected the 2.1 per cent increase in credit to the core private sector.

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



At ₦6,247.8 billion, foreign assets (net) of the banking system declined below the level in the previous month by 3.2 per cent, compared with the decline of 1.1 per cent at the end of September 2010. The development was attributed largely to the 4.3 per cent fall in CBN's holding of foreign assets. Over the level at end-December 2009, foreign assets (net) of the banking system fell by 17.0 per cent.

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

Quasi-money fell, by 1.3 per cent, to ₦5,891.9 billion, compared with the decline of 2.1 per cent at the end of September 2010. The development was attributed to the fall in all the components namely, time, savings and foreign currency deposits of the DMBs. Over the level at end-December 2009, quasi-money however, rose by 2.2 per cent.

Other assets (net) of the banking system rose by 1.2 per cent to ₦4,483.4 billion, in contrast to the decline of 4.8 per cent in the preceding month, reflecting largely, 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).

rise in unclassified assets of both the CBN and the DMBs. Relative to the level at end-December 2009, other assets (net) of the banking system, rose by 5.2 per cent.

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

	Oct-09	Dec-09	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Aug-10	Sep-10	Oct-10
Domestic Credit (Net)	3	5.4	5.1	3	1.5	4.3	-3	8.5	-0.2	1.7
Claims on Federal Government (Net)	6	-7.7	-17.5	13.6	5.9	27.1	31.7	40.2	30.4	4.7
Claims on Private Sector	0	2.2	-0.1	-0.2	0.3	-0.5	0.9	2	2.2	1.9
Claims on Other Private Sector	0.6	2.2	-0.1	-0.4	0.2	-0.4	0.9	4.1	1.8	1.55
Foreign Assets (Net)	5.36	1.6	-1.6	-0.7	-3.3	-5.8	-1.8	-0.9	-1.12	-3.2
Other Assets (Net)	-2.9	-0.1	-1.5	0.8	1.4	-3.8	10.3	-2.355	-4.67	1.2
Broad Money Supply (M2)	4.79	4.8	3.3	2.1	-0.5	-2	0.9	-2.57	-2.57	0
Quasi-Money	7.73	2.2	3.2	1.1	-2.1	-3.2	3.2	1.92	-2.12	-1.29
Narrow Money Supply (M1)	1.32	5.2	3.5	3.5	1.6	-0.5	-1.7	9.4	-3.07	1.46
Reserve Money (RM)	2.4	17.4	-17.2	-7.6	4.2	19.5	0	5.7	-23.3	6.9

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

In line with seasonal increase in demand for currency during the fourth quarter, currency in circulation at ₦1,153.2 billion rose by 2.5 per cent at end-October 2010 over the level in September 2010, traceable largely, to the 13.8 per cent rise in vault cash.

Total deposits at the CBN amounted to ₦4,391.9 billion, indicating an increase of 1.7 per cent over the level at the end of the preceding month. The development reflected largely, the 30.3 and 11.4 per cent increase in banks' deposits and 'others', respectively. Of this total, the percentage shares of the Federal Government, banks and "others" were 76.9, 6.5 and 16.6 per cent, respectively.

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

The CBN operating target, the reserve money (RM), increased to ₦1,438.4 billion from ₦1,344.3 billion at the end of the preceding month, mirroring the trends in DMBs' deposits with the CBN.

2.3 Money Market Developments

The tight liquidity condition in the financial market led to increased rates at all the segments of the market in October 2010.

Activities in the money market were low in October 2010. The development was attributed to the technical difficulties experienced, as a result of system upgrade (T-24) at the CBN, which affected the Real Time Gross

Settlement system (RTGS) and thus, adversely affected easy movement of funds by the banks during the period under review. In addition, the postponement of the Federation Account Allocation Committee (FAAC) meeting by one (1) week led to tight liquidity condition in the market. The swift intervention of the CBN with OMO through the two-way quote platform and requests for Repurchase transactions (Repos) processed, however, stemmed the upward movement of rates in the market. Deposit Money Banks (DMBs) and Discount Houses (DHs) increased patronage at the primary auction of the Nigerian Treasury Bills (NTBs) and Federal Government of Nigeria (FGN) Bonds, taking advantage of the upward adjustment of the Monetary Policy Rate (MPR). Public subscription consistently exceeded the amount offered. Following the tight liquidity condition in the money market, the request for the Bank's Standing Lending Facility (SLF) was higher, than in the previous month, while the request for the Bank's Standing Deposit Facility (SDF) was lower, compared with the level in the preceding month.

Provisional data indicated that the value of money market assets outstanding at ₦4,212.0 billion, was 10.8 per cent, above the level at the end of the preceding month, compared with an increase of 18.1 per cent at end-September 2010. The development was attributed to an increase in value of FGN Bonds, Bankers Acceptances and Commercial Papers (CPs), by 2.3, 21.8 and 3.4 per cent, respectively.

2.3.1 Interest Rate Developments

There was a mixed development in deposit and lending rates in October 2010.

Available data indicated mixed developments in banks' deposit and lending rates in October 2010. The average savings rate, 7-day, 12-month and over twelve month deposit rates increased by 0.06, 0.02 0.40 and 3.21 percentage points to 1.48, 1.86, 3.97 and 5.85 per cent, respectively. All other rates on deposit of various maturities, however, declined from a range of 3.71 – 5.17 per cent in the preceding month to 3.60 – 4.32. At 3.93 per cent, the average term deposit rates rose by

0.38 percentage point above the rate in the preceding month. The average maximum lending rate, however, declined by 33 basis points to 21.85 per cent. Similarly, the average prime lending rate fell by 50 basis points to 16.16 per cent. Consequently, the spread between the weighted average term deposit and maximum lending rates narrowed from 18.63 percentage points in September 2010 to 17.92 percentage points. Similarly, the margin between the average savings deposit and maximum lending rates also narrowed from 20.76 percentage points in the preceding month to 20.37 percentage points. With the headline inflation rate (on year-on-year basis) at 13.4 per cent at end-October, all deposit rates, were negative in real terms.

All interbank money market rates rose in October 2010.

At the interbank call segment, the weighted average rate, which stood at 2.66 per cent in September 2010, rose significantly to 8.45 per cent, reflecting the liquidity condition in the interbank funds market. In tandem with activities at the interbank market, the Nigeria Interbank Offered Rate (NIBOR) for the 7- and 30-day tenors rose to 9.72 and 11.42 per cent from 2.99 and 4.60 per cent, respectively, in the preceding month (Fig. 3, Table 2).

Figure 3: Selected DMBs Interest Rates (Average)

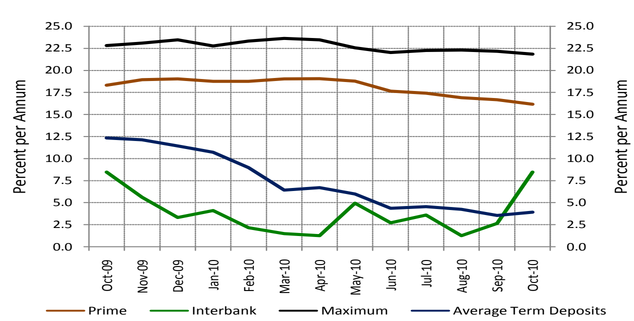


Table 2: Selected Interest Rates (Percent, Averages)

	Oct-09	Dec-09	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10
Average Term Deposits	11.6	11.4	6.9	6.9	7.8	4.4	4.6	4.3	3.6	3.9
Prime Lending	18.3	19.0	18.1	18.0	18.1	17.7	17.4	16.9	16.7	16.2
Interbank	8.5	3.3	1.5	1.3	6.0	2.7	3.6	1.3	2.7	8.5
Maximum Lending	22.8	23.5	22.9	22.8	22.9	22.0	22.3	22.3	22.2	21.9

2.3.2 Commercial Papers (CPs)

The value of Commercial Papers (CPs) held by DMBs rose by 3.4 per cent to ₦217.7 billion at end-October, compared with an increase of 4.2 per cent at the end of the preceding month. Thus, CPs constituted 5.2 per cent of the total value of money market assets outstanding as at end-October 2010, compared with 5.5 per cent at the end of the preceding month.

DMBs holdings of CPs rose during the month under review

2.3.3 Bankers' Acceptances (BAs)

The value of BAs holding by DMBs increased by 21.8 per cent to ₦74.4 billion at end-October 2010, compared with an increase of 40.0 per cent in the preceding month. Consequently, BAs accounted for 1.8 per cent of the total value of money market assets outstanding at the end of October 2010, compared with 1.6 per cent at the end of the preceding month.

DMBs' holdings of BAs rose in October 2010.

2.3.4 Open Market Operations

NTBs worth N44.00 billion of various maturities were traded at the two-way quote platform. The bid rates ranged from 3.75 to 9.00 per cent, while the offer rates ranged from 2.85 to 8.75 per cent. The rates at which deals were consummated ranged from 3.70 - 8.60 per cent. There were three requests for repurchase transactions totaling N88.90 billion of 7 - 90 day tenors. The Repo rates ranged from 9.25 - 10.75 per cent. OMO bills worth N20.00 billion matured in the month of October, 2010 and were repaid.

2.3.5 Primary Market

At the primary market segment, Nigerian Treasury Bills of 91-, 182- and 364-day tenors, amounting to ₦229.69 billion, were offered, while ₦167.01billion were allotted in October 2010. Total public subscription was ₦268.05 billion which significantly exceeded the amount offered and allotted by 16.7 and 60.5 per cent, respectively. The bid rates, ranged from 4.9000 to 9.250 per cent for the 91-day, 5.559 to 10.0000 per cent for the 182-day and 6.9990 to 10.9990 per cent for the 364-day tenors. Also, ₦10.59 billion of NTB's was sold to non-competitive bidders. Patronage at the primary market remained impressive as market players continued to take

The marginal rates for the Nigerian Treasury Bills of 91-, 182- and 364-day tenors increased considerably in the review month.

advantage of the relatively attractive returns on risk-free government securities. Overall, matured NTBs worth ₦124.84 billion was repaid during the review month.

2.3.6 Bonds Market

The marginal rates for various tenors of FGN Bonds were higher than in the preceding month, owing to the expectations of higher inflation.

Federal Government of Nigeria (FGN) Bonds of 3-, 7- and 20-year tranches, amounting to ₦142.81 billion were re-opened and auctioned in line with the debt management programme. Public subscriptions were ₦37.78, ₦54.10 and ₦68.17 billion for the 3- , 7- and 20-year FGN Bonds, respectively. The bid rates ranged from 5.50 to 15.00 per cent, 6.00 to 16.00 per cent and 7.00 to 17.94 per cent for the 3-, 7- and 20-year tranches, respectively. Allotments were ₦26.67 billion at 10.50 per cent, ₦37.50 billion at 11.00 per cent and ₦58.76 billion at 14.00 per cent for the 3-, 7– and 20-year FGN Bonds, respectively. FGN Bonds worth N22.81 billion was redeemed during the review month.

2.3.7 CBN Standing Facilities

The total standing deposit facility (SDF) requested by DMBs and discount houses declined significantly in October 2010, due to the tight liquidity conditions in the market during the period under review. The sum of ₦998.75 billion was deposited by the DMBs and discount houses under the Bank's SDF, compared with ₦4,210.15 billion in the preceding month. The sum of ₦985.64 billion was requested for under the standing lending facilities (SLF), compared with ₦73.10 in the preceding month. Consequently, the standing lending and deposit facilities trended upwards to 8.25 and 3.25 per cent, respectively, following the review of the MPR from 6.00 to 6.25 per cent.

2.4 Deposit Money Banks' Activities

Available data indicated that total assets/liabilities of the Deposit Money Banks (DMBs) amounted to ₦18,374.1 billion, indicating an increase of 1.9 per cent over the level at end-September 2010. Funds sourced, mainly from increased unclassified liabilities and deposit mobilisation, were used largely, in the acquisition of all classified assets.

At ₦11,691.0 billion, DMBs' credit to the domestic economy fell by 0.8 per cent below the level in the preceding month. The breakdown showed that credit to government fell by 9.5 per cent, while credit to the core private sector increased by 0.6 per cent over the level in September 2010.

DMBs' Credit to government fell by 9.5 per cent, while credit to the core private sector increased slightly by 0.6 per cent over the level in October 2010.

Central Bank's credit to the DMBs increased by 2.4 per cent to ₦479.2 billion at end-October 2010, reflecting largely the rise in loans and advances from CBN during the review month.

Total specified liquid assets of the DMBs stood by ₦2, 998.8 billion, representing 27.7 per cent of their total current liabilities. This level of liquid assets was 1.1 percentage points below the preceding month's ratio and 2.7 percentage points above the stipulated minimum ratio of 25.0 per cent for fiscal 2010. The loan-to-deposit ratio was 77.6 per cent and was 2.4 per cent below the stipulated maximum target of 80.0 per cent.

2.5 Discount Houses' Activities

Total assets/liabilities of the discount houses stood at ₦363.5 billion at end-October 2010, showing an increase of 23.2 per cent over the level at end-September 2010. The increase in assets was accounted for largely by the 38.9 and 10.4 per cent rise in claims on Federal Government and claims on "other assets", respectively. Correspondingly, the increase in total liabilities was attributed largely to the 43.7 and 38.6 per cent, rise in the levels of capital and reserves and money-at-call, respectively.

Discount houses' investment in Federal Government securities of less than 91-day maturity rose to ₦23.6 billion and accounted for 8.4 per cent of their total deposit liabilities. It was, however, 51.6 percentage points below the prescribed minimum level of 60.0 per cent for fiscal 2010. At that level, discount houses' investment declined by 4.9 per cent from the level at the end of the preceding month. Total borrowing by the discount houses was ₦25.4 billion, while their capital and reserves amounted to ₦43.3 billion. This resulted in a gearing ratio of 1.7:1, compared with the stipulated maximum target of 50:1 for fiscal 2010.

2.6 Capital Market Developments

2.6.1 Secondary Market

Available data indicated that activities on the Nigerian Stock Exchange (NSE) in October 2010 were bullish, as all the major indicators trended upwards. The volume and value of traded securities increased by 39.0 and 92.0 per cent to 6.7 billion shares and ₦90.6 billion, respectively, in 117,203 deals, compared with 4.84 billion shares valued at ₦47.25 billion in 117.366 deals in the preceding month. The Banking sub-sector remained the most active on the Exchange with a traded volume of 3.9 billion shares valued at ₦30.8 billion, in 64,761 deals. This was followed by the Insurance sub-sector with a traded volume of 893.14 million shares valued at ₦595.54 million in deals. A total of 165 equities were traded, compared with 174 in the preceding month. Banking stocks accounted for the top five (5) most active. First Bank of Nigeria Plc topped the list with a transaction volume of 443.82 million shares, followed by Access Bank Plc with 404.44 million shares and Zenith Bank Plc placed third with 368.34 million shares.

Figure 4: Volume and Value of Traded Securities

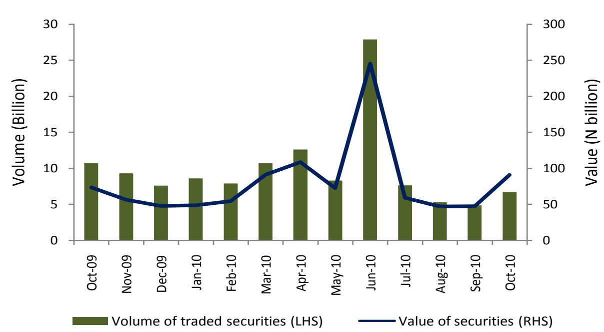


Table 3: Traded Securities on the Nigerian Stock Exchange (NSE)

	Oct-09	Dec-09	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10
Volume (Billion)	10.7	7.6	10.7	12.6	8.3	27.9	7.6	5.3	4.8	6.7
Value (₦ Billion)	73.3	47.6	91.0	108.3	72.2	245.2	58.8	46.9	47.3	90.6

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

Transactions on the Over-the-Counter (OTC) Bonds market indicated a turnover of 1.1 billion units worth ₦1.04 trillion in 8,004 deals, compared with 998 million units valued at ₦946.5 billion in 9,146 deals in September 2010. The most active bond by turnover volume, was the 10.0% FGN July 2030 Bond with a traded volume of 284.8 million units valued at ₦230.5 billion, in 2,243 deals. This was followed by the 9.45% FGN January 2013 Bond with a traded volume of 123.65 million units valued at ₦127.84 billion in 1,076 deals.

2.6.3 New Issues Market

In the new issues market, the 15,494,019,668 shares in favor of Dangote Cement Plc were admitted on the daily official list at a price of ₦135 each per share. Also, ₦8.5 billion 12.5% Fixed Rate Bond 2015 in favor of Kaduna State Government being the first tranche of the ₦15 billion Bond, was admitted on the daily official list. There was one (1) supplementary listing in October, compared with five (5) in the preceding month. A total of 17,355,082,544 shares were added to the shares outstanding in the name of Unity Bank Plc, following the conclusion of rights offering. Four (4) securities were delisted from the daily official. The shares of Incar Nigeria Plc were delisted having executed the special resolution at the court-ordered extra-ordinary general meeting, held on August 31, 2010. The Access Bank Plc's ₦13.5 billion 3 Year Redeemable Convertible Bond was delisted on full redemption. Also, the 3,915,527,344 shares in favor of Benue Cement Company Plc were delisted following the merger with Dangote Cement Plc. The 7.00% FGN Bond October 2010 (4th FGN Bond 2010 Series 12) was delisted on maturity.

2.6.4 *Market Capitalization*

Total market capitalization rose by 29.5 per cent to ₦10.1 trillion, compared with ₦7.8 trillion in the preceding month. The 214 listed equities accounted for 79.1 per cent of total market capitalization. The development was attributed largely to the listing of Dangote Cement Plc stock on the Exchange.

2.6.5 *NSE All-Share Index*

The All-Share Index increased by 8.5 per cent to close at 25,042.16 (1984=100), in the review month. Similarly, the four sectoral indices appreciated during the review month. The NSE Food/Beverage, NSE Insurance, NSE Banking and NSE Oil/Gas Indices rose by 11.8, 14.1, 10.4 and 1.4 per cent to close at 805.81, 162.40, 371.48 and 334.08, respectively. The development was attributed largely to the listing of Dangote Cement Plc stock on the Exchange.

Figure 5: Market Capitalization and All-Share Index

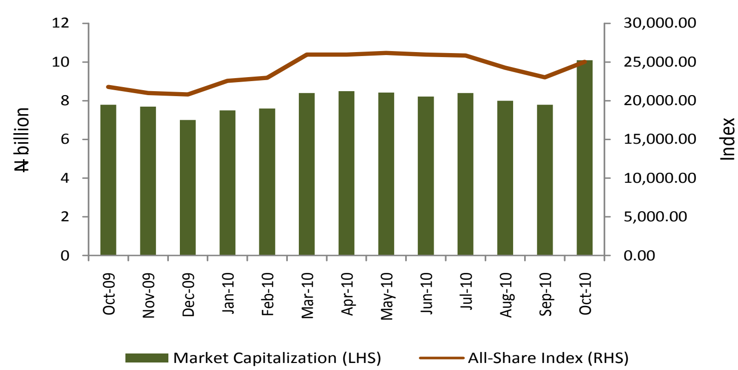


Table 4: Market Capitalization and All Share Index (NSE)

	Oct-09	Dec-09	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10
Market Capitalization (₦ trillio	5.1	5.0	8.4	8.5	8.4	8.2	8.4	8.0	7.8	10.1
All-Share Index	21804.7	20.827.2	25966.3	26453.2	26183.2	25966.3	25844.2	24268.2	23050.6	25042.2

3.0 Fiscal Operations

3.1 Federation Account Operations

Available data showed that total federally-collected revenue in October 2010 was estimated at ₦623.31 billion, showing an increase of 6.9 and 55.6 per cent above the proportionate monthly budget estimate and the receipts in the corresponding period of 2009, respectively. However, it was 3.3 per cent below the receipts in the preceding month (Fig. 6, Table 5).

Total federally-collected revenue was above 2010 proportionate monthly budget estimate for October 2010.

Figure 6: Components of Gross Federally-Collected Revenue

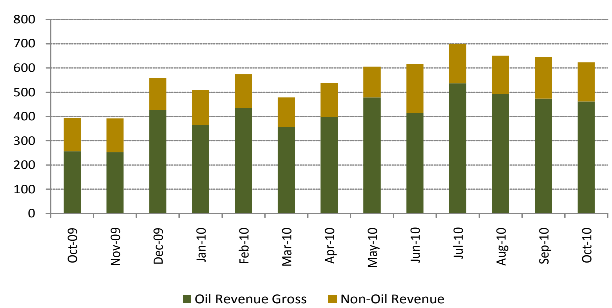


Table 5: Gross Federation Account Revenue (₦ billion)

	Oct-09	Dec-09	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10
Federally-collected revenue (Gross)	400.5	572.9	479.0	537.7	605.2	641.8	699.9	650.6	644.7	623.3
Oil Revenue	257.0	426.8	356.3	396.9	478.4	413.4	536.2	492.5	473.3	462.4
Non-Oil Revenue	147.3	143.6	122.7	165.5	126.9	202.9	163.7	158.1	171.4	161.0

At ₦462.35 billion, gross oil receipts, which constituted 74.2 per cent of the total revenue, exceeded the proportionate monthly budget revenue estimate and the receipts in the corresponding period of 2009 by 13.2 and 79.9 per cent, respectively. It was, however, lower than the receipts in the preceding month by 2.3 per cent. The increase in oil receipts relative to the proportionate monthly budget estimate was attributed, largely to the rise in oil production and prices at the international market during the month under review (Fig. 7, Table 6).

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

Figure 7: Gross Oil Revenue and Its Components

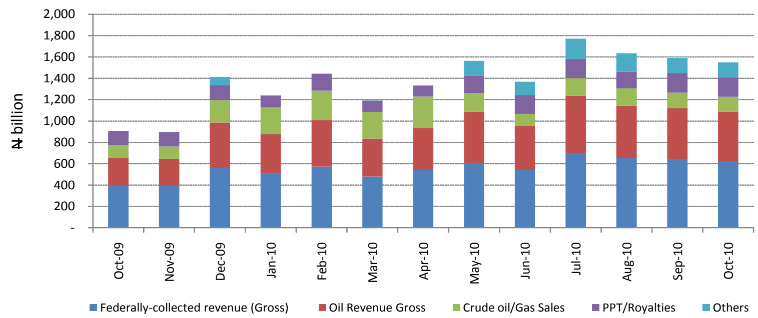


Table 6: Components of Gross Oil Revenue (₦ billion)

	Oct-09	Dec-09	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10
Oil Revenue	**257.0**	**426.8**	**356.3**	**396.9**	**478.4**	**413.4**	**536.2**	**492.5**	**473.3**	**462.4**
Crude oil/Gas Sales	*54.9*	*206.8*	*250.2*	*293.8*	*318.1*	*111.7*	*165.3*	*163.1*	*147.7*	*142.1*
PPT/Royalties	*134.7*	*144.9*	*106.0*	*102.8*	*160.0*	*174.0*	*180.4*	*154.8*	*184.9*	*180.0*
Others	*66.8*	*75.2*	*131.9*	*133.2*	*141.4*	*127.8*	*190.6*	*174.5*	*140.7*	*140.3*

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

Non-oil receipts, at ₦160.96 billion or 25.8 per cent of the total, was 7.9, and 6.1 per cent lower than the proportionate monthly budget estimate and receipts in the preceding month, but exceeded the level in the corresponding month of 2009 by 12.1 per cent. The shortfall relative to the proportionate monthly budget estimate reflected largely the significant decline in independent revenue of the Federal Government, Customs Special Levies and Value Added Tax (VAT) (Fig. 8, Table 7).

Figure 8: Gross Non-Oil Revenue and Its Components

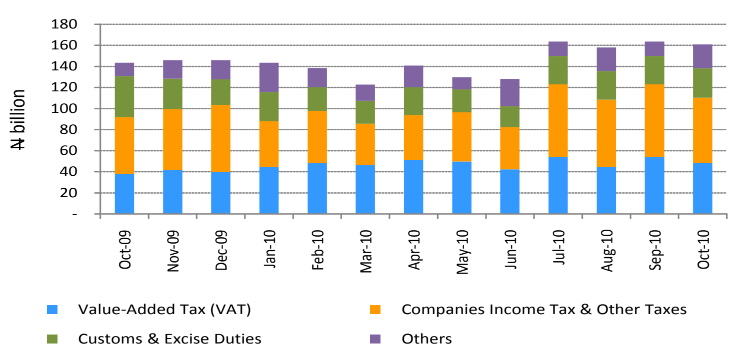


Table 7: Components of Gross Non-Oil Revenue (₦ billion)

	Oct-09	Dec-09	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10
Non-Oil Revenue	**143.5**	**146.1**	**122.7**	**140.9**	**126.9**	**128.2**	**163.7**	**158.1**	**171.4**	**161.0**
Value-Added Tax (VAT)	*38.1*	*39.6*	*46.4*	*51.1*	*49.8*	*42.2*	*54.2*	*44.6*	*48.5*	*48.5*
Companies Income Tax & Other Taxes	*53.8*	*63.8*	*39.2*	*42.6*	*46.6*	*40.1*	*68.8*	*63.9*	*80.5*	*61.7*
Customs & Excise Duties	*38.9*	*24.4*	*21.8*	*26.6*	*21.9*	*20.2*	*30.0*	*27.1*	*26.9*	*28.0*
Others	*12.7*	*18.2*	*15.3*	*20.5*	*21.5*	*25.7*	*13.8*	*22.5*	*13.8*	*22.5*

Of the gross federally-collected revenue during the month, the sum of ₦364.99 billion (after accounting for all deductions and transfers) was transferred to the Federation Account for distribution among the three tiers of government and the 13.0 per cent Derivation Fund. The Federal Government received ₦173.12 billion, while the States and Local Governments received ₦87.81 billion and ₦67.70 billion, respectively. The balance of ₦36.36 billion went to the 13.0 per cent derivation fund for distribution by the oil-producing states. Also, the Federal Government received ₦6.99 billion, while the State and Local Governments received ₦23.29 and ₦16.30 billion, respectively, from the VAT Pool Account. Overall, the total allocation to the three tiers of government from the Federation and VAT Pool Accounts in October 2010 amounted to ₦411.57 billion.

3.2 The Fiscal Operations of the Three Tiers of Government

3.2.1 The Federal Government

At ₦190.43 billion, the estimated Federal Government retained revenue for October 2010, was lower than the proportionate monthly budget estimate, the level in the preceding month and the receipts in the corresponding month of 2009 by 30.9, 0.5 and 31.8 per cent, respectively. Of this amount, the shares from the Federation Account and the VAT Pool account were ₦173.12 and ₦6.99 billion, respectively, while the balance (₦10.32 billion) came from FGN independent revenue and "others" (Fig. 9, Table 8).

Federal government estimated retained revenue was lower than the proportionate monthly budget, the level in the preceding month and the receipts in the corresponding month of 2009.

Figure9:Federal.Government.Retained.Revenue

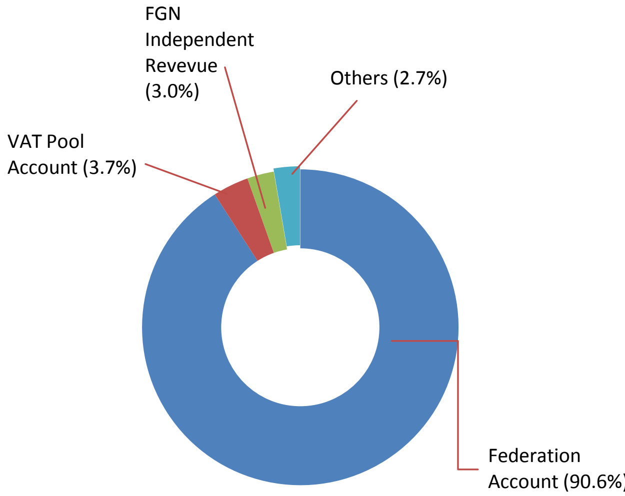


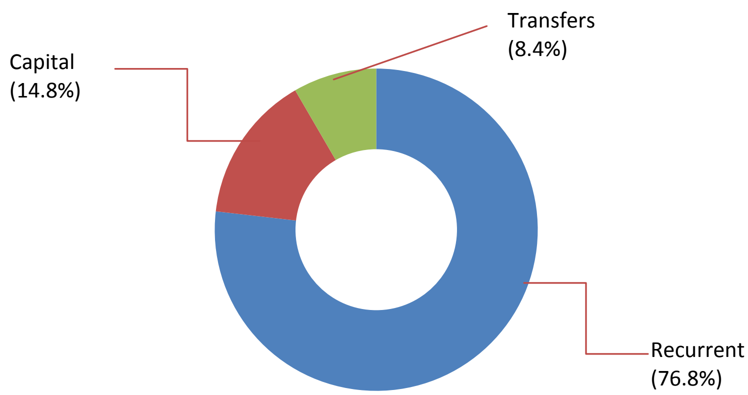
Table 8: Federal Government Fiscal Operations (₦ billion)

	Oct-09	Dec-09	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10
Retained Revenue	279.1	185.1	209.7	246.3	331.4	207.1	185.1	214.5	176.4	190.4
Expenditure	163.3	359.0	311.8	158.9	164.9	458.5	328.6	321.1	328.6	292.1
Overall Balance: Surplus(+)/Deficit(-	115.8	-178.7	-102.0	87.4	166.5	-251.7	-143.5	-106.6	14.9	-101.7

Total estimated expenditure for October 2010 fell short of the proportionate monthly budget by 27.9 per cent, but exceeded the level in the preceding month by 65.6 per cent.

At ₦292.09 billion, total estimated expenditure for October 2010 fell short of the proportionate monthly budget estimate by 27.9 per cent but exceeded the levels in the preceding month and the corresponding period of 2009 by 65.6 and 78.9 per cent, respectively. The higher total expenditure relative to the preceding month's level was attributed to the increase in capital component. A breakdown of total expenditure showed that the recurrent component accounted for 76.8 per cent, while the capital and transfer component accounted for the balance of 23.2 per cent (Fig. 10).

Figure 10: Federal Government Expenditure in October 2010



The fiscal operations of the FG resulted in an estimated deficit of ₦101.66 in October 2010.

Thus, the fiscal operations of the Federal Government in October 2010, resulted in an estimated deficit of ₦101.66 billion, compared with the monthly budgeted deficit of N129.23 billion.

3.2.2 *Statutory Allocations to State Governments*

During the review month, total receipts by state governments, including the 13.0 per cent Derivation Fund and share of VAT from the Federation Account stood at ₦147.46 billion. This represented a decline of 4.3 and 35.8 per cent from the levels in the preceding month and the corresponding month of 2009, respectively.

The breakdown showed that, at ₦23.29 billion, receipts from the VAT Pool Account was the same as in the preceding month, but fell by 28.9 per cent from the level in the corresponding month of 2009, while receipts from the Federation Account, at ₦124.17 billion, fell by 5.0 and 41.3 per cent below the levels in September 2010, and the corresponding month of 2009, respectively.

3.2.3 Statutory Allocations to Local Government Councils

Total receipts by the Local Governments from the Federation and VAT Pool Accounts during October 2010, stood at ₦84.0 billion. This was lower than the levels in the preceding month and the corresponding period of 2009 by 4.9 and 32.2 per cent, respectively. Of this amount, receipts from the Federation Account was ₦67.70 billion (80.6 per cent of the total), while the VAT Pool Account accounted for ₦16.30 billion (19.4 per cent of the total).

4.0 Domestic Economic Conditions

The dominant agricultural activities in October 2010 were; harvesting of various root crops, particularly yams, irish and sweet potatoes, maize and groundnut. In the livestock sub-sector, there was large scale stocking of broilers in anticipation of the end-of-year sales. Crude oil production was estimated at 2.19 million barrels per day (mbd) or 67.89 million barrels during the month. The end-period inflation rate for October 2010, on a year-on-year basis was at 13.4 per cent, compared with the preceding month's level of 13.6 per cent. The inflation rate on a 12-month moving average basis was at 13.9 per cent, compared with 13.8 per cent in September 2010.

4.1 Agricultural Sector

Agricultural activities in most parts of the country were boosted by the fairly distributed rainfall in October 2010. Consequently, activities in the sector were dominated by the harvesting of various root crops, especially yams, irish and sweet potatoes, maize and groundnuts. Also, planting of late crops continued in some areas, following the favourable rainfall during the period under review. In the livestock sub-sector, farmers intensified the production of poultry products by restocking broilers and layers in preparation for the end-of-year sales.

A total of ₦1,380.6 million was guaranteed to 10,543 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in October. This represented an increase of 14.7 and 29.9 per cent over the levels in the preceding month and the corresponding month of 2009, respectively. A sub-sectoral analysis of the loans guaranteed indicated that the food crops sub-sector had the largest share of ₦1,037.4 million (75.1 per cent) to 8,407 beneficiaries, while the livestock sub-sector received ₦146.1 million (10.6 per cent) for 434 beneficiaries. The fisheries sub-sector received ₦33.4 million (2.4 per cent) for 68 beneficiaries. The cash crops sub-sector had ₦10.1 million (0.7 per cent) for 85 beneficiaries, while "Others" received ₦140.2 million

(10.2 per cent) for 1,492 beneficiaries. Analysis by state showed that 31 states benefited from the scheme during the month, with the highest and lowest sums of ₦230.3 million (16.7 per cent) and ₦0.6 million (0.1 per cent) guaranteed to Sokoto and Niger States, respectively.

At end-October 2010, the total amount released by the CBN under the Commercial Agriculture Credit Scheme (CACS) to the participating banks for disbursement stood at ₦90.4 billion (for ninety-four projects).

At end-October 2010, the total amount released by the CBN under the Commercial Agriculture Credit Scheme (CACS) to the participating banks for disbursement stood at ₦90.4 billion (for ninety-four projects). Fourteen state governments have so far benefited from the programme (Table 9).

Table 9: Disbursement of Credit Under the Commercial Agriculture Credit Scheme (CACS)

S/N	Participating Banks	Amount Disbursed (₦ billion)	Number of Projects
1	United Bank for Africa (UBA) Plc	35.66	31
2	Zeinth Bank Plc	12.84	9
3	Union Bank of Nigeria Plc	9.55	10
4	First Bank of Nigeria Plc	6.44	22
5	Skye Bank Plc	6	3
6	Unity Bank Plc	5.5	3
7	GT Bank Plc	4.25	6
8	Access Bank Plc	4.18	4
9	Fidelity Bank Plc	3.5	4
10	Oceanic Bank Plc	2	1
11	Stanbic IBTC Bank Plc	0.45	1

4.2 Petroleum Sector

Crude oil and natural gas production was estimated to increase by 0.9 per cent, to 2.19 mbd in October 2010.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.19 million barrels per day (mbd) or 67.89 million barrels for the month. At this level, it was 0.9 per cent above the level in the preceding month.

In October 2010, crude oil export estimated at 1.74 mbd, was the same when compared with the preceding month.

Crude oil export was estimated at 1.74 mbd or 53.94 million barrels, while deliveries to the refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels. The increase in the level of production was attributed to the sustained calm in the Niger Delta region.

At an estimated average of US$84.26 per barrel, the price of Nigeria's reference crude, the Bonny Light (37° API), increased by 6.5 per cent above the level in September 2010. The average prices of other competing crudes namely, the West Texas Intermediate, U.K Brent and Forcados also rose, by 3.9, 6.4 and 7.2 per cent, to US$81.55, US$83.13 and US$84.81 per barrel, respectively.

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

The average price of OPEC's basket of eleven crude streams, rose by 8.5 per cent to US$81.0 over the level in September 2010. The development was attributed to the speculative activities in the oil market (Fig. 11, Table 10).

Figure11: Trends in Crude Oil Prices

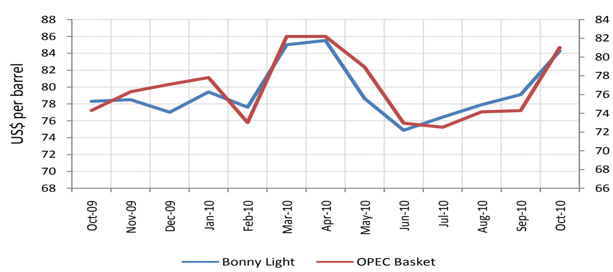


Table 10: Average Crude Oil Prices in the International Oil Market

	Oct-09	Dec-09	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10
Bonny Light	78.25	77.00	85.00	85.51	78.63	76.23	76.42	77.90	79.10	84.26
OPEC Basket	74.28	77.10	82.20	82.33	78.94	72.95	72.51	74.15	74.63	81.00

4.3 Consumer Prices

Available data showed that the all-items composite Consumer Price Index (CPI) in October 2010 was 112.7 (November 2009=100), representing an increase of 0.3 per cent over the level in the preceding month. The development was attributed to the increase in the index of food and non-alcoholic beverages.

The general Price level rose in October relative to September 2010, owing to the increase in the index of staple food and non-alcoholic

The urban all-items CPI at end-October 2010 was 111.2 (November 2009=100), indicating a marginal increase of 0.5 per cent over the level in the preceding month. The rural all-items CPI for the month was 114.0 (November 2009=100), representing an increase of 0.2 per cent over the level in the preceding month.

The inflation rate on a year-on-year basis fell by 0.2 percentage point to 13.4, while the 12-month moving average basis rose by 0.1 percentage point to 13.9, in October 2010.

The end-period inflation rate for October 2010, on a year-on-year basis, was 13.4 per cent, compared with 13.6 per cent in the preceding month. The inflation rate on a twelve-month moving average basis for October 2010, was 13.9 per cent, compared with 13.8 per cent in September 2010 (Fig. 12, Table 12).

The retail prices of most staples rose in October 2010.

Retail price survey of staples by the CBN showed that most of the major staples recorded declines in October 2010. Twelve (12) of the fourteen (14) commodities monitored, recorded price decline ranging from 0.5 per cent for both eggs and palm oil to 24.3 per cent for yam flour, below their levels in the preceding month, while the prices of white beans and vegetable oil rose by 0.1 and 0.8 per cent, respectively. Relative to their levels in the corresponding month of 2009, seven (7) of the commodities recorded price decline ranging from 5.3 per cent for white beans to 16.8 per cent for brown beans, while the prices of local rice, white garri, yellow garri, egg, palm oil, groundnut oil and vegetable oil however, rose by 8.1, 2.2, 7.1, 4.5, 18.6, 0.4 and 13.3 per cent, respectively.

Figure 12: Consumer Price Index

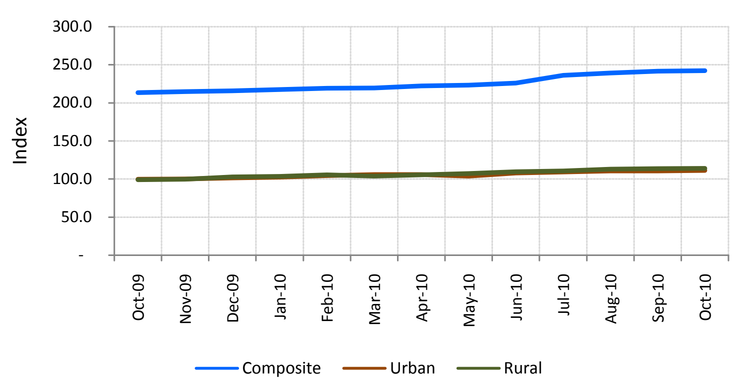


Table 11: Consumer Price Index (May 2003=100)

	Oct-09	Dec-09	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10
Composite	213.4	214.8	219.4	222.1	223.1	225.8	236.0	239.1	241.4	242.1
Urban	99.8	101.4	106.0	105.9	103.8	107.7	109.1	110.5	110.6	111.2
Rural	99.2	102.8	104.0	105.6	107.2	109.6	110.7	113.0	113.8	114.0

Figure 13: Inflation Rate

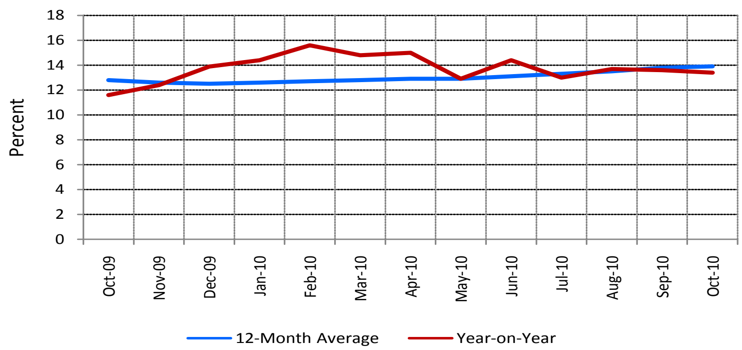


Table 12: Headline Inflation Rate (%)

	Oct-09	Dec-09	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10
12-Month Average	12.8	12.5	12.8	12.9	12.9	13.1	13.3	13.5	13.8	13.9
Year-on-Year	11.6	13.9	14.8	15.0	12.9	14.1	13.0	13.7	13.6	13.4

5.0 External Sector Developments

Provisional data indicated that foreign exchange inflow and outflow through the CBN fell by 11.9 and 31.9 per cent, below the levels in the preceding month, respectively. Total non-oil export receipts by banks rose, by 10.2 per cent, above the level in the preceding month. The external reserves declined by 2.9 per cent from the preceding month's level. while the average exchange rate of the Naira vis-à-vis the US dollar, depreciated by 0.1 per cent to N151.25 per dollar at the Wholesale Dutch Auction System (WDAS).

5.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in October 2010 were US$2.38 billion and US$3.46 billion, respectively, resulting in a net outflow of US$1.08 billion. Both inflow and outflow declined by 11.9 and 31.9 per cent, below the levels in the preceding month, respectively. The fall in inflow was attributed largely to the decline in receipts from crude oil and non-oil exports, while the decline in outflow was due, largely, to the 34.8 per cent fall in WDAS/RDAS funding (Fig. 14, Table 13).

Foreign exchange inflow and outflow through the CBN declined in October 2010. Overall there was a net outflow of US$1.08 billion during the period.

Figure14: Foreign Exchange Flows Through the CBN

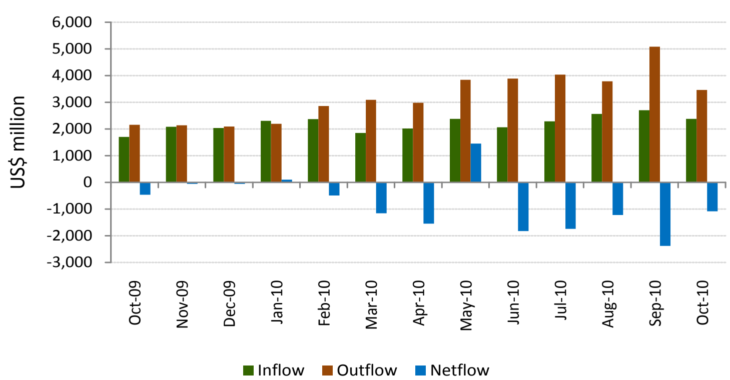


Table 13: Foreign Exchange Flows Through the CBN (US$ million)

	Oct-09	Dec-09	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10
Inflow	1717.2	2040.7	1849.4	2016.9	2381.6	2062.4	2291.0	2564.5	2701.5	2378.1
Outflow	2161.3	2096.2	3096.4	2981.6	3840.4	3885.8	4032.6	3787.3	5078.7	3463.5
Netflow	**-444.1**	**-55.5**	**-1160.0**	**-931.9**	**-1456.8**	**-1673.6**	**-1743.2**	**-1222.8**	**-2377.2**	**-1085.4**

Provisional data on aggregate foreign exchange flows through the economy indicated that total inflow was US$10.42 billion, representing an increase of 27.5 and 66.2 per cent over the levels in the preceding month and corresponding period of 2009, respectively. Oil sector receipts, which fell by 7.9 per cent and accounted for 21.3 per cent of the total, stood at US$2.22 billion, compared with US2.41 billion in the preceding month.

Non-oil inflows into the economy fell by 45.2 per cent and accounted for 1.5 per cent of the total, in October 2010.

Non-oil public sector inflow fell by 45.2 per cent and accounted for 1.5 per cent of the total, while autonomous inflow which rose by 47.0 per cent, accounted for 77.2 per cent.

At US$3.53 billion, aggregate foreign exchange outflow from the economy declined by 32.8 and per cent from the level in the preceding month, but rose by 57.6 per cent over the level in the corresponding month of 2009. The fall in outflow below the preceding month's level reflected, largely, the 33.0 and 29.5 per cent decline in WDAS/RDAS utilization and other official payments, respectively.

5.2 Non-Oil Export Earnings by Exporters

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

Over the preceding month's level, total non-oil export earnings received by banks increased by 10.2 per cent to US$144.4 million. The development reflected largely, the increase in the prices of goods traded at the international market. A breakdown of the proceeds in October 2010 showed that proceeds of industrial, manufactured products, minerals, agricultural, food products and transport sub-sectors stood at US$42.7, US$36.1, US$39.9, US$20.4, US$5.0 and US$0.7 million, respectively.

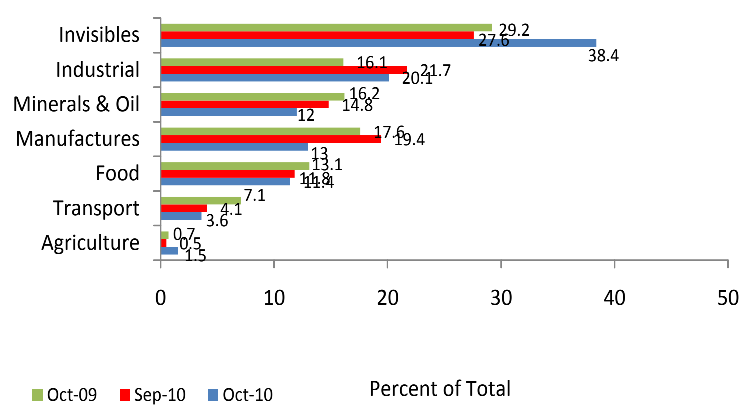
The shares of industrial, minerals, manufactured, agricultural, food products sub-sectors, and transport in non-oil export proceeds were 29.5, 27.5, 25.1, 14.0, 3.4 and 0.5 per cent, respectively, in the review month.

5.3 Sectoral Utilisation of Foreign Exchange

The invisibles sector accounted for the bulk (38.4 per cent) of total foreign exchange disbursed in October 2010. This was followed by the industrial sector (20.1 per cent). Other beneficiary sectors, in a descending order included: the manufactured products (13.0 per cent), minerals & oil (12.0 per cent), food products (11.4 per cent), transport (3.6 per cent) and agricultural products (1.5 per cent) (Fig.15).

The invisibles sector accounted for the bulk of the total foreign exchange disbursed in October 2010.

Figure15: Sectoral Utilisation of Foreign Exchange



5.4 Foreign Exchange Market Developments

Aggregate demand for foreign exchange by authorized dealers under the Wholesale Dutch Auction System (WDAS) was US$2.98 billion in October 2010, showing decline of 40.5 and 19.9 per cent below the levels in the preceding month and the corresponding month of 2009, respectively. A total of US$2.82 billion was sold by the CBN to authorized dealers during the

Demand for foreign exchange by authorized dealers declined in October 2010 relative to September 2010 and when compared with the corresponding month of 2009.

period, reflecting a decline of 32.9 per cent below the level in the preceding month but an increase of 55.8 per cent over the level in the corresponding period of 2009 (Fig.16, Table 14).

Figure16: Demand for and Supply of Foreign Exchange

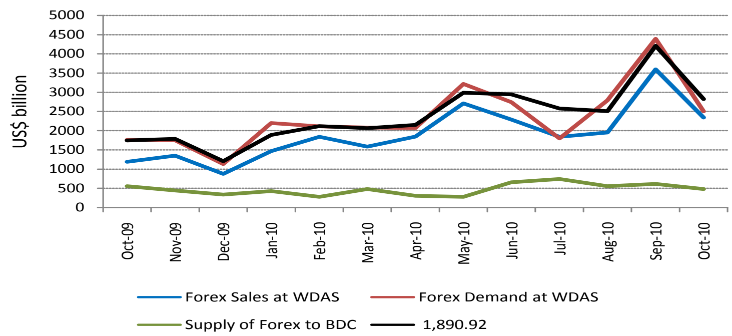


Table 14: Demand for and Supply of Foreign Exchange (US$ billion)

	Oct-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Sep-10	Oct-10
Forex Sales at WDAS	1186.5	872.0	1461.8	1838.9	1582.0	1841.1	2707.5	2284.0	3593.5	2342.1
Forex Demand at WDAS	1757.6	1128.5	2199.2	2110.8	2081.2	2068.6	3492.2	2741.9	4391.8	2503.7
Supply of Forex to BDC	556.5	334.3	429.2	279.0	482.2	306.1	277.3	657.5	613.8	478.7
Total Forex Supply	1743.1	1206.2	1890.9	2117.9	2064.2	2147.1	2984.8	2941.4	4207.3	2820.8

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

Under the WDAS, the average exchange rate of the Naira vis-à-vis the US dollar depreciated marginally by 0.1 per cent to ₦151.25 per dollar. Also, it however, depreciated at the bureaux-de-change segment, from ₦153.80 per US dollar in September 2010 to ₦153.98 per dollar. At the interbank segment of the market, the average rate, also, depreciated by 0.1 per cent to ₦151.78 per US dollar.

The premium between the WDAS rate and the rates in the other two segments were 1.8 per cent for the interbank and 0.3 per cent for the interbank segment.

Consequently, the premium between the official and bureau-de-change rates narrowed from 1.84 per cent in the preceding month to 1.80 per cent, while at the interbank market, it narrowed from 1.0 per cent in the preceding month to 0.3 per cent.

Figure 17: Average Exchange Rate Movements

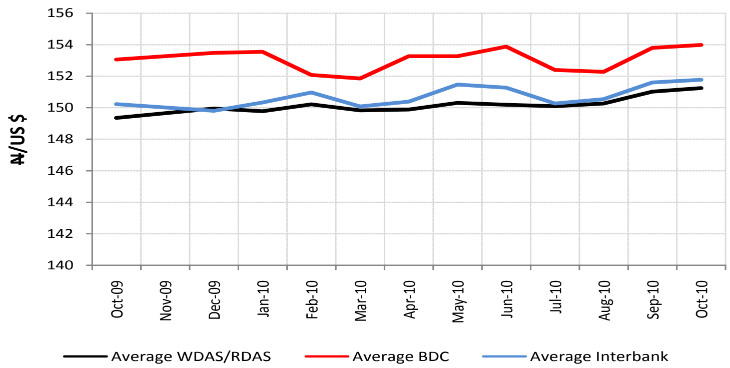
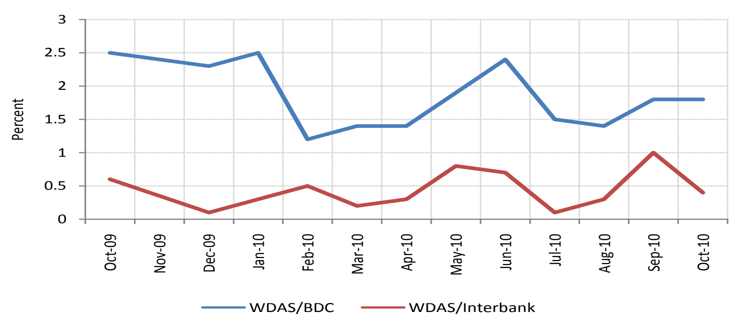


Table 15: Exchange Rate Movements and Exchange Rate Premium

	Oct-09	Dec-09	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Sep-10	Oct-10
Average Exchange Rate (₦/$)										
WDAS/RDAS	*149.4*	*150.0*	*150.2*	*149.8*	*149.9*	*150.3*	*150.2*	*150.1*	*151.0*	*151.3*
BDC	*153.1*	*153.5*	*152.1*	*151.9*	*152.0*	*153.3*	*153.9*	*152.4*	*153.8*	*154.0*
Interbank	*150.2*	*149.8*	*151.0*	*150.1*	*150.4*	*151.5*	*151.3*	*150.3*	*152.6*	*151.8*
Premium (%)										
WDAS/BDC	*2.5*	*2.3*	*1.2*	*1.4*	*1.4*	*1.9*	*2.4*	*1.5*	*1.8*	*1.8*
WDAS/Interbank	*0.6*	*0.1*	*0.5*	*1.3*	*0.2*	*0.8*	*0.7*	*0.1*	*1.0*	*0.4*

Figure 18: Exchange Rate Premium



5.5 Gross External Reserves

The gross external reserves at the end of October 2010 stood at US$33.60 billion, indicating a decline of 2.9 per cent from the level at the end of the preceding month. A breakdown of the reserves showed that CBN holding stood at US$28.17 billion (83.9 per cent), Federal Government holding was US$3.44 billion (10.2 per cent) and the Federation Account portion (Excess Crude) was US$1.99 billion (5.9 per cent) (Fig. 19, Table 16).

Gross external reserves continued its downward trend in October 2010, as accretion to reserves remained minimal.

Figure 19: Gross External Reserves

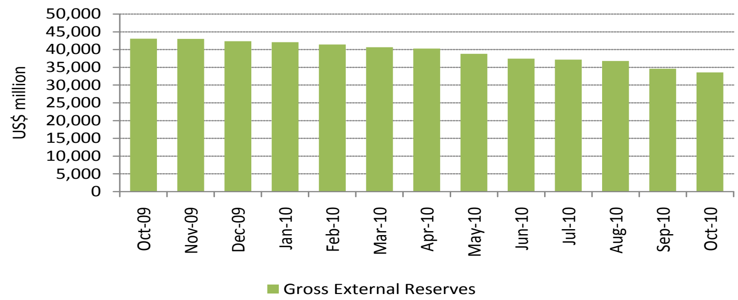


Table 16: Gross External Reserves (US$ million)

	Oct-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10
External Reserves	43054.8	42382.49	42075.67	41410.1	40667.03	40305.92	38815.79	37468.44	37155.19	36769.65	34589	33597

6.0 Other International Economic Developments and Meetings

World crude oil output in October 2010 was estimated at 86.76 million barrels per day (mbd), while demand was estimated at 86.25 million barrels per day (mbd), representing an excess supply of 0.51 mbd, compared with 86.20 and 86.16 mbd supplied and demanded, respectively, in the preceding month. The non-OECD countries remained the key contributors to world crude oil demand growth, led by China, India, the Middle East and Latin America. This was reinforced by increased consumption in the Organisation for Economic Co-operation and Development (OECD) as a result of strong economic activities, supported by various stimulus plans.

Other major international economic developments and meetings of relevance to the domestic economy during the review month included: the 2010 Annual Meetings of the Inter-Governmental Group of Twenty-Four (G-24) on International Monetary Affairs and Developments and the Board of Governors of the Bretton Woods Institutions – namely, the International Monetary Fund (IMF) and the World Bank Group held in Washington D.C., USA from October 5 – 10, 2010. The Honourable Minister of Finance, Mr. Olusegun Aganga chaired the 2010 Annual Meetings. The following were the highlights of the meetings:

- The G-24 Ministers noted that the pace of global recovery had weakened and become more uncertain since April, 2010. Most developing countries continued to maintain their growth momentum reflecting strong fundamentals and robust macroeconomic frameworks, while the recovery however, became more sluggish in advanced economies, with many facing a vicious cycle of weak sovereign balance sheets, high unemployment and lack of consumer confidence, and continued fragility in the financial sector,

- Ministers noted that the simultaneous and broad-based fiscal consolidation that was in pipeline in many advanced economies posed considerable risks of a downward spiral in global demand,
- In view of the risks posed by surges in capital flows, Ministers called on the IMF to strengthen the monitoring of such flows and to consider options for mitigating risks,
- G-24 Ministers agreed to complete the Fourteenth General Review of Quotas by January 2011, to help bring about a shift of at least 5 percentage points from advanced economies to Emerging Markets and Developing Countries (EMDCs),
- They called for strengthening of the Fund's bilateral and multilateral surveillance, noting that stronger and evenhanded surveillance to uncover vulnerabilities in large advanced economies is a priority,
- Ministers welcomed the steps taken to enhance the IMF's lending toolkit such as the removal of the implicit access cap and lengthening the duration of arrangements under this facility as part of the efforts to strengthen global financial safety nets,
- The Development Committee stressed the importance of the revival of world trade and investment in underpinning global economic recovery and growth,
- A third Constituency for Africa was constituted at the World Bank, comprising South Africa, Nigeria and Angola. South Africa would provide the Executive Director, while Nigeria would provide the Alternative Director.

The third ECOWAS Business Forum on the theme "Harnessing Energy Resources to Enhance the Competitiveness of the West African Economy" and first Award Ceremony for Entrepreneurial Innovation were held at the Conference Center of the Ministry of Foreign Affairs and African Integration in Abidjan, Cote d'Ivoire from September 28 – October 1, 2010. The objectives of the Forum were to assess energy resources in West Africa and its implications for business operations and economic development; and investment potential, challenges and opportunities in the energy sector in West Africa. At the end of the deliberations, the Forum made the following recommendations:

- Member states were urged to accelerate the sustainable exploitation of the vast energy resources of the sub region to promote sustainable development and enhance the economic competitiveness of the West Africa sub-region;
- Member states were urged to strengthen their cooperation by establishing a regular consultation mechanism and urgent harmonization of the regulations and policies in the energy sector;
- The Member States were enjoined to engage further with the private sector in decision making processes and the implementation of activities and programmes related to energy production, transmission and distribution, as the private sector could play an important role in energy capture and re-use;
- The Member States and development partners were called upon to continue to support efforts to enhance the institutional capacity of ECOWAS, UEMOA and other Intergovernmental Organizations (IGOs) and regional bodies and associations in the West Africa region in the implementation of energy related programmes

and activities;

- The United Nations Economic Commission for Africa, the International Trade Centre(ITC), the ECOWAS Bank for Investment and Development (EBID), Africa Development Bank and other Development Partners were urged to continue assisting ECOWAS member states and their financial institutions in fully exploiting energy resources;
- Member States were requested to effectively implement decisions agreed at national, regional and continental levels, including the protocols related to the energy sector;
- Member States, in collaboration with development partners, were urged to continue exploring various options and opportunities for financing infrastructure development and various Public Private Partnership mechanisms in the energy sector; and
- ECOWAS Commission was urged to create a mechanism for the resolution of disputes between member states arising from the implementation of the energy initiatives and deepen regional co-operation.

The fifth African Economic Conference was held in Tunis, Tunisia from October 27 – 29, 2010 with the theme 'Setting the Agenda for Africa's Economic Recovery and Long-Term Growth'. The Conference was jointly co-organized by the African Development Bank (AfDB), the United Nations Economic Commission for Africa (UNECA), the United Nations Development Programme (UNDP), and the Development Bank of Southern Africa (DBSA). It addressed Africa's position in the post economic world crisis.

In his remarks, the AfDB President, Donald Kaberuka emphasized that while demand for oil, gas and commodities had been important in Africa's economic growth, they had not been the deciding factor. He highlighted the urgent need to narrow Africa's massive infrastructure deficit, especially in the energy sector.

The distinguished speakers at the sessions also expressed some caution over the austerity programmes and spending cuts among western governments in the wake of the global economic crisis, noting that they could hurt Africa's generally bright economic outlook. The speakers underlined the need for African countries to diversify their economies through value-added products and services, such as banking, communications and tourism; a process that is already under way. It was agreed that Africa needed financial resources and a more mixed economy, including social and health services in order to underpin long-term development.

In a related development, the Committee of 10 African Ministers of Finance and Governors of Central Banks met for the fifth time on October 6, 2010 in Washington, D.C. The meeting discussed measures to support the ongoing Africa's recovery and turn it into high growth path; ways for strengthening the mobilization of domestic resources; and the options for financing sustainable energy solutions. The ministers rose from the meeting with the following:

- Noted that Africa is recovering and regaining its momentum, although it still faces considerable development challenges and resource gaps.
- Noted that while Africa weathered the crisis overall well, vast differences in outcomes have emerged across countries and sub-groups. Agreed that to reach strong, sustained and shared growth, macroeconomic frameworks would need to become more flexible, coherent, and credible. Equally important is that the objectives for macroeconomic policy refocus from overemphasizing stabilization to growth.

- Advocated the need to establish more public-private partnerships and develop new, innovative forms of financing in order to close the vast infrastructure deficit.
- Noted that Africa has a massive energy deficit, which limits private sector development, reduces growth, and adversely impacts the delivery of basic health and education services.
- Expressed concern that Africa was not adequately represented in key international fora, including the G20. African participation should not depend on ad hoc invitations from the G20 Summit host.

Finally, the 2010 Annual Summit of the Africa Investor (AI) Investment Climate and Business Leaders Awards was held in Washington DC on October 8, 2010. The theme of the Summit was "Harnessing New Models for Growth", while the objective of the summit was to facilitate action, highlight and address project-specific investment climate challenges as well as shed more light on Africa's investment success stories.

The Summit was declared open with opening remarks by the Vice President, Africa Region, World Bank, Obiageli Ezekwesili. In her speech, she noted among others, the positive growth trajectory in Africa and that Africa is the next destination for investors. In his opening remarks, Mr. Thierry Tanah, Vice President for sub-Saharan Africa, Latin America and the Caribbean and Western Hemisphere, International Finance Corporation observed that more job creation is needed in Africa today than at any time and that Africa is poised to do business with significant returns to investors, urging that Africa needs to sell itself as an investment haven

On the Drivers of Africa's Growth, which included an overview of a study, "Lions on the Move", speakers agreed that making markets more open, improvement in macroeconomic conditions, specific regulatory reforms and political stability as the main drivers for growth in Africa.

In terms of creating an ideal investment destination and the way forward, participants agreed that Africa is indeed the next destination for investors and efforts must be made to improve on infrastructure facilities through public private partnerships, explore our competencies in Agriculture and waterways, in order to make this a reality, adding that there was complete difference between the perception of risk by an investor coming to Africa and the reality of the risk on ground, once the investor invests in Africa. The one day Summit was rounded up with an Africa Investor Investment and Business Leaders Awards night.

APPENDIX TABLES

Table A1: Money and Credit Aggregates

	Oct 09	Dec 09	Jun 10	Jul 10	Aug 10	Sep 10	Oct 10
Domestic Credit (Net)	7,203.29	7,903.79	8,612.94	8,595.04	9,326.10	9,309.83	9,460.24
Claims on Federal Government (Ne	(2,650.32)	(2,302.29)	(1,489.88)	(1,315.67)	(787.10)	(1,026.27)	(1,074.12)
Central Bank (Net)	(3,977.38)	(3,731.60)	(3,272.81)	(3,270.12)	(2,748.07)	(3,037.35)	(2,894.77)
Banks	1,327.06	1,429.31	1,782.93	1,954.45	1,960.97	2,011.07	1,820.65
Claims on Private Sector	9,853.61	10,206.09	10,102.82	9,910.71	10,113.20	10,336.11	10,534.36
Central Bank	362.37	538.21	396.55	488.18	493.56	564.78	664.06
Banks	9,491.23	9,667.88	9,706.27	9,422.52	9,619.64	9,771.33	9,870.30
Claims on Other Private Secto	9,570.72	9,895.76	9,783.65	9,624.01	9,818.48	9,994.87	10,149.53
Central Bank	362.37	538.21	396.55	488.18	493.56	564.78	664.06
Banks	9,208.34	9,357.55	9,387.11	9,135.83	9,324.91	9,430.09	9,485.47
Claims on State and Local Gov	282.89	310.32	319.17	286.70	294.72	341.24	384.83
Central Bank		-			-	-	-
Banks	282.89	310.32	319.17	286.70	294.72	286.70	384.83
Claims on Non-financial Publi	-	-	-	-	-		-
Central Bank	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-
Foreign Assets (Net)	7,256.13	7,593.32	6,484.76	6,583.04	6,526.92	6,453.96	6,247.75
Central Bank	6,215.95	6,522.24	5,401.02	5,518.26	5,429.52	5,226.46	4,999.97
Banks	1,040.17	1,071.08	1,083.74	1,064.78	1,097.39	1,227.50	1,247.77
Other Assets (Net)	(4,547.87)	(4,729.74)	(4,252.20)	(4,236.55)	(4,332.38)	(4,539.01)	(4,483.39)
Total Monetary Assets (M2)	9,911.55	10,767.38	10,845.50	10,941.44	11,520.46	11,224.78	11,224.60
Quasi-Money 1/	5,520.90	5,763.51	5,927.51	5,983.09	6,098.14	5,968.89	5,891.85
Money Supply (M1)	4,390.64	5,003.87	4,917.99	4,958.35	5,422.50	5,255.89	5,332.74
Currency Outside Banks	781.32	927.24	795.41	805.68	822.23	880.86	874.89
Demand Deposits 2/	3,609.32	4,076.63	4,122.58	4,152.67	4,600.27	4,375.02	4,457.85
Total Monetary Liabilities (M2)	9,911.55	10,767.38	10,845.50	10,941.44	11,520.46	11,224.78	11,224.60
Memorandum Items:	-	-	-	-	-	-	-
Reserve Money (RM)	1,350.94	1,653.86	15,335.11	1,658.88	1,752.95	1,344.32	1,438.35
Currency in Circulation (CIC)	1,020.13	1,181.54	1,063.63	1,076.92	1,094.71	1,125.39	1,153.17
DMBs Demand Deposit with CBN	330.81	472.32	471.48	581.96	658.24	218.92	285.18

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

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

Table A2: Money and Credit Aggregates (Growth Rates)

	Oct 09	Dec 09	Apr 10	Jul-10	Aug-10	Sep 10	Oct 10
	Percentage Change Over Preceding December (%)						
Domestic Credit (Net)	45.5	59.6	7.7	8.8	18.0	17.8	19.7
Claims on Federal Government (Net)	14.7	25.9	32.6	42.9	65.8	55.4	53.4
Claims on Private Sector	22.3	26.6	-1.4	-2.9	-0.9	1.3	3.2
Claims on Other Private Sector	21.0	25.1	-1.6	-2.7	-0.8	1.0	2.6
Claims on State and Local Government	88.9	107.2	113.6	-7.6	-5.0	10.0	24.0
Claims on Non-financial Public Enterprises							
Foreign Assets (Net)	-15.1	-11.2	-7.7	-13.3	-14.0	-15.0	-17.7
Other Assets (Net)	-4.9	9.1	3.5	10.4	8.4	4.0	5.2
Total Monetary Assets (M2)	8.1	17.5	1.8	1.6	7.0	4.3	4.3
Quasi-Money 1/	28.1	33.7	2.9	3.8	5.8	3.6	2.2
Money Supply (M1)	-9.6	3.0	0.5	-0.9	8.4	5.0	6.6
Currency Outside Banks	-12.5	3.9	-10.3	-13.1	-11.3	-5.0	-5.6
Demand Deposits 2/	-9.0	2.8	3.0	1.9	12.8	7.3	9.4
Total Monetary Liabilities (M2)	8.1	17.5	1.8	1.6	7.0	4.3	4.3
Memorandum Items:							
Reserve Money (RM)	-6.8	6.8	-8.3	0.3	6.0	-9.2	-3.5
Currency in Circulation (CIC)	-13.7	2.3	-9.2	-8.9	-7.4	-4.8	-2.4
DMBs Demand Deposit with CBN	-30	20.0	-6.0	23.2	39.4	-53.6	-39.6
	Growth over Preceding Month (%)						
Domestic Credit (Net)	3.0	5.4	1.5	-0.2	8.5	-0.2	1.6
Claims on Federal Government (Net)	6.0	7.7	5.9	11.7	40.2	-30.4	-4.7
Claims on Private Sector	0.0	2.2	0.3	-1.9	2.0	2.2	1.9
Claims on Other Private Sector	0.6	2.2	0.2	-1.6	2.0	1.8	1.6
Claims on State and Local Government	-4.1	2.5	-4.7	-10.2	2.8	15.8	12.8
Claims on Non-financial Public Enterprises							
Foreign Assets (Net)	5.4	1.6	-3.3	1.5	-0.9	-1.1	-3.2
Central Bank	-1.2	0.1	1.4	2.2	-1.6	-3.7	-4.3
Banks	4.4	5.2	-0.5	-1.7	3.1	11.9	1.7
Other Assets (Net)	-2.9	4.5	-2.1	0.4	-2.3	-4.7	1.2
Total Monetary Assets (M2)	4.8	5.2	-0.5	0.9	5.3	-2.6	0.0
Quasi-Money 1/	7.7	8.9	-0.3	0.9	1.9	-2.1	-1.3
Money Supply (M1)	1.3	5.3	1.9	0.8	9.4	-3.1	1.5
Currency Outside Banks	0.3	5.2	-0.5	1.3	2.1	7.1	-0.7
Demand Deposits 2/	1.5	5.3	1.9	0.7	10.8	-4.9	1.9
Total Monetary Liabilities (M2)	4.8	5.2	-0.5	0.9	5.3	-2.6	0.0
Memorandum Items:							
Reserve Money (RM)	2.4	19.5	-16.3	8.1	5.7	-23.3	7.0
Currency in Circulation (CIC)	1.1	6.6	-1.3	1.2	1.7	2.8	2.5
DMBs Demand Deposit with CBN	8.7	71.8	-38.7	23.4	13.1	-66.7	30.3

Table A3: Federal Government Fiscal Operations (₦ billion)

	Oct-09	Dec-09	Jul-10	Aug-10	Sep-10	Oct-10
Retained Revenue	**279.1**	**185.1**	**196.9**	**292.5**	**191.3**	**190.4**
Federation Account	*113.8*	*136.8*	*171.7*	*171.6*	*173.0*	*173.1*
VAT Pool Account	*5.5*	*5.7*	*7.8*	*6.4*	*7.0*	*7.0*
FGN Independent Revenue	*0.5*	*4.7*	*3.2*	*12.0*	*0.4*	*5.2*
Excess Crude	*159.9*	*22.3*	*0.0*	*101.9*	*10.4*	*0.0*
Others	*-0.6*	*15.6*	*14.2*	*0.6*	*0.6*	*5.1*
Expenditure	**163.3**	**359.0**	**293.4**	**406.4**	**176.4**	**292.1**
Recurrent	*124.5*	*246.9*	*261.0*	*279.0*	*133.1*	*224.4*
Capital	*19.2*	*112.0*	*5.7*	*80.7*	*43.3*	*43.3*
Transfers	*19.5*	*12.8*	*26.7*	*46.7*	*0.0*	*24.5*
Overall Balance: Surplus(+)/D	**115.8**	**-173.9**	**-96.5**	**-113.9**	**14.9**	**-106.6**