



CENTRAL BANK OF NIGERIA

***ECONOMIC REPORT
MAY 2012***

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

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1.0 Summary

Growth in the key monetary aggregate was moderate in the month of May 2012. On month-on-month basis, broad money (M₂) rose marginally by 2.2 per cent, due largely to the 3.8 and 2.1 per cent growth in foreign asset (net) and other assets (net) of the banking system. Relative to the level at end-December 2011, M₂ grew by 2.3 per cent due largely, to the 11.9 per cent increase in foreign asset (net) of the banking system. Narrow money (M₁) fell by 2.1 per cent below the level at the end of the preceding month. Reserve money (RM) declined by 3.2 per cent from its level in the preceding month.

Available data indicated mixed developments in banks' deposit and lending rates in May 2012. The spread between the weighted average term deposit and maximum lending rates stood at 16.48 per cent in May 2012. In contrast, the margin between the average savings deposit and maximum lending rates widened by 0.22 percentage point to 21.78 per cent at the end of the review month. The weighted average interbank call rate fell to 13.80 per cent from 14.30 per cent in the preceding month, reflecting the liquidity condition in the interbank funds market during the month.

The value of money market assets outstanding at end-May 2012 was ₦5,908.3 billion, showing a decline of 0.1 per cent, below the level at end-April 2012. The development was attributed largely to the decline of 20.3 per cent in the value of Banker's Acceptances. Available data indicated that activities on the Nigerian Stock Exchange (NSE) in May 2012 were bullish.

Gross federally-collected revenue in May 2012 was estimated at ₦855.14 billion, showing a decline of 12.3 per cent below the receipts in the preceding month, but exceeded the monthly budget estimate by 5.9 per cent. At ₦671.12 billion, gross oil receipts fell by 8.2 per cent below the level in the preceding month. This was attributed largely, to the decline in sales of domestic crude oil and gas during the month.

Non-oil receipts, at ₦184.02 billion (21.5 per cent of the gross federally collected revenue), was 24.5 and 27.7 per cent lower than the receipts in the preceding month and the monthly budget estimates, respectively. The decline, relative to the preceding month's level reflected, largely, the fall in

the independent revenue of the Federal Government. Estimated Federal Government retained revenue in May 2012 was ₦262.91 billion, while estimated total expenditure was ₦378.09 billion. Thus, the fiscal operations of the Federal Government resulted in an estimated deficit of ₦115.18 billion, compared with the estimated monthly budget deficit of ₦109.68 billion.

The dominant agricultural activity during the month was crop planting. In the livestock sub-sector, farmers were engaged in sanitization of poultry cages and cattle ranches, poultry breeding and re-stocking of livestock. Crude oil production, including condensates and natural gas liquids in May was estimated at 2.15 million barrels per day (mbd) or 66.65 million barrels for the month. Crude oil export was estimated at 1.70 million barrels per day (mbd) or 52.7 million barrels during the month. The average price of Nigeria's reference crude, the Bonny Light (37° API), was estimated at US\$111.56 per barrel, indicating a decline of 8.9 per cent below the level in the preceding month.

The end-period headline inflation rate (year-on-year), in May 2012 was 12.7 per cent, reflecting 0.2 percentage point below the level in the preceding month. Inflation rate on a twelve-month moving average basis stood at 11.1 per cent, same as in the preceding month.

Foreign exchange inflow and outflow through the CBN in May 2012 were US\$3.63 billion and US\$3.24 billion, respectively, and resulted in a net inflow of US\$0.39 billion. Foreign exchange sales by the CBN to the authorized dealers amounted to US\$2.89 billion, showing an increase of 98.9 per cent above the level in the preceding month.

Relative to the level in the previous month, the average Naira exchange rate vis-à-vis the US dollar appreciated in the WDAS segment, but depreciated at the interbank and bureaux-de-change segments of the foreign exchange market.

Non-oil export receipts decreased significantly by 67.0 per cent below the level in the preceding month. This was attributed, largely, to the fall in export earnings from the agricultural sub-sectors.

World crude oil output in May 2012 was estimated at 90.00 million barrels per day (mbd), while demand was estimated at 87.47 million barrels per day (mbd), representing an excess supply of 2.53 mbd, compared with 90.31 and 88.67 mbd supplied and demanded, respectively, in the preceding

month.

Other major international economic developments and meetings of relevance to the domestic economy during the review period included the 38th Summit of the G-8 held in Camp David, Maryland, United States from May 18 – 19, 2012. The Meeting was convened to discuss the European Sovereign Debt Crisis, the internal conflict in Syria, the nuclear programme of Iran, North Korea's nuclear ambitions, and a possible broad release of national oil reserves when sanctions against Iran take effect.

In addition, the Executive Board of the International Monetary Fund (IMF) considered the IMF's bi-annual work programme with the theme "Restoring stability, Growth and Jobs" on May 29, 2012. Some key priorities outlined in the work programme included: Implementing the 2010 quota and governance reform that would enhance the legitimacy and effectiveness of the Fund; Assessing the experience with Fund conditionality and drawing lessons for new programmes as well as promoting the long-term stability of the International monetary system, including improvements in the Fund's surveillance framework to help prevent future crises.

Also, the 2012 Association of African Central Bank (AACB) Continental Seminar was held in Douala, Cameroun, from May 7-9, 2012. The theme of the seminar was "Design and Implementation of Macro Prudential Policy Instruments in Africa". The objective of the Seminar was to prepare the ground for effective implementation of macro-prudential policy in Africa in order to reinforce financial stability in the continent.

Furthermore, the Annual Meetings of the Board of Governors of the African Development Bank Group (AfDB) held in Arusha, Tanzania from May 26 - June 1, 2012. The theme of the meeting was, "Africa and the Emerging Landscape: Challenges and Opportunities". The major outcomes of the meetings included: the approval of the Bank Group's Annual Report and audited financial statements for the financial year ended 31st December 2011; the formal adoption of South Sudan's application to join the Bank Group, the Bank Group and the International Finance Corporation, (IFC) signed an International Swaps and Derivatives Association (ISDA) Master Agreement to enter into cross-currency swap transactions and the formal launch of the African Guarantee Fund (AGF).

Finally, the Regional meeting of the National Coordinating Committee (NCC) on the Economic Community of West African States (ECOWAS) Multilateral Surveillance Mechanism was held in Dakar, Senegal, from May 17 - 18, 2012. The meeting was convened to deliberate on the amendments to the approved Guide to presenting the Macroeconomic Convergence Report, changes to the ECOWAS Multilateral Surveillance Macroeconomic Convergence (ECOMAC) database, forecasting macroeconomic aggregates in the medium to long-term and the newly approved Guideline for the elaboration of the ECOWAS Pluri-annual Convergence Programme.

2.0 Financial Sector Developments

Growth in the major monetary aggregate was moderate at the end of the review month. Available data indicated mixed developments in banks' deposit and lending rates in May 2012. The value of money market assets outstanding declined, owing, largely, to the fall in the holdings of Bankers' Acceptances. Transactions on the Nigerian Stock Exchange (NSE) were bullish during the review month.

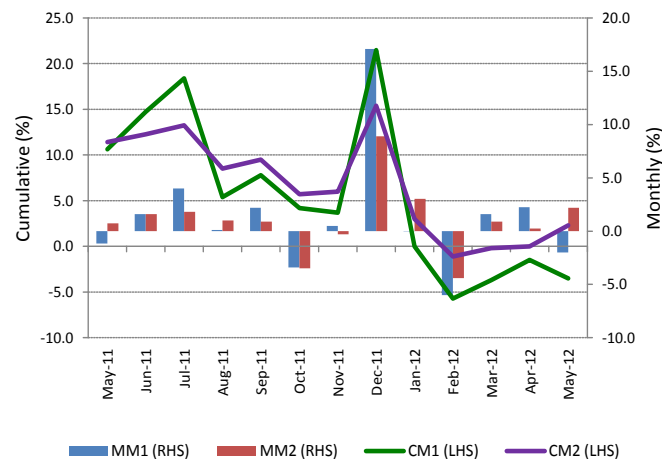
2.1 Monetary and Credit Developments

Provisional data indicated that growth in the major monetary aggregate was moderate at end-May 2012. On a month-on-month basis, Broad Money supply (M_2), at ₦13,603.1 billion, rose by 2.2 per cent, compared with the growth of 0.3 and 0.7 per cent at the end of the preceding month and the corresponding month of 2011, respectively. The development was accounted for, largely, by the 3.8 and 2.1 per cent increase in foreign asset (net) and other assets (net) of the banking system, respectively, which more than offset the 1.2 per cent decline in domestic credit (net) of the banking system. On year-on-year basis, M_2 grew by 13.5 per cent. Over the level at end-December 2011, M_2 grew by 2.3 per cent. The development was attributed, largely, to the 11.9 per cent increase in foreign asset (net) of the banking system.

Growth in the key monetary aggregate was moderate in May 2012.

Narrow Money supply (M_1), at ₦6,534.5 billion, fell by 2.1 per cent below the level at end-April 2012, in contrast to the growth of 2.2 per cent at the end of the preceding month. The development was accounted for, wholly, by the 2.7 per cent decline in its demand deposit component. Relative to the level at end-December 2011, (M_1) declined by 3.5 per cent, compared with the decline of 0.4 per cent at the end of the corresponding period of 2011 (Fig. 1, Table 1).

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

At ₦13,251.7 billion, aggregate banking system credit (net) to the domestic economy at end-May 2012 fell by 1.2 per cent, on month-on-month basis, compared with the decline of 2.0 per cent at the end of the preceding month. The development reflected, largely, the 55.5 per cent decline in claims (net) on the Federal Government. Over the level at end-December 2011, aggregate banking system credit (net) to the domestic economy fell by 3.2 per cent, reflecting largely the 145.7 per cent fall in claims (net) on the Federal Government.

Banking systems' claims (net) on the Federal Government, on month-on-month basis, fell by 55.5 per cent to negative ₦1,220.9 billion, compared with the decline of 78.1 per cent at the end of the preceding month. The development was attributed, largely, to the 14.4 per cent decline in CBN's holdings of FGN Bonds. Over the level at end-December 2011, aggregate banking systems' claims (net) on the Federal Government fell by 145.7 per cent, reflecting, largely, the decline in banking system holding of Federal

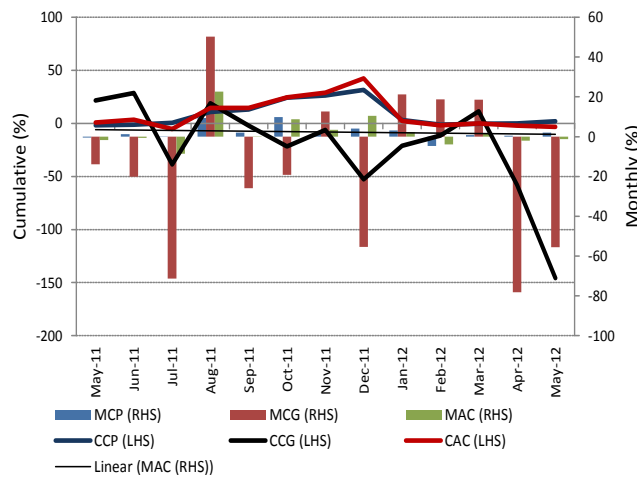
¹ MM1 and MM2 represent month-on-month changes, while CM1 and CM2 represent cumulative changes (year-to-date).

Government securities. The Federal Government, however, remained a net lender to the banking system at the end of the review month.

Banking systems' credit to the private sector rose by 2.0 per cent to ₦14,472.6 billion, compared with 0.5 per cent recorded at the end of the preceding month. Similarly, banking systems' claims on the core private sector rose by 1.9 per cent to ₦13,900.5 billion over the level in the preceding month, compared with the growth of 0.4 per cent at the end of the preceding month. The development reflected, largely, the rise in both the monetary authorities and DMBs' claims on the core private sector by 1.9 per cent apiece. Relative to the level at end-December 2011, banking system's credit to the private sector rose by 2.0 per cent (Fig. 2, Table 1).

Foreign assets (net) of the banking system rose at end May 2012.

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



At ₦7,984.8 billion, foreign assets (net) of the banking system, on a month-on-month basis, rose by 3.8 per cent at end-May 2012, compared with the increase of 5.3 and 1.3 per cent at the end of the preceding month and the corresponding month of 2011. The development was attributed to the 3.1 and 6.6 per cent increase in the CBN and DMBs' net holdings,

respectively. Relative to the level at end-December 2011, foreign assets (net) of the banking system, grew by 11.9 per cent.

At end-May 2012, quasi-money rose by 6.5 per cent, to ₦7,068.5 billion, as against the decline of 1.7 per cent in the preceding month. When compared with the corresponding period of 2011, it grew by 2.4 per cent. The development was attributed to the increase in its savings and time deposit components. Over the level at end-December 2011, quasi-money rose by 8.1 per cent.

At the end of the review month, other assets (net) of the banking system, on a month-on-month basis, rose by 2.0 per cent to negative ₦7,635.9 billion, in contrast to 1.0 per cent decline at the end of the preceding month. The development was attributed to the increase in the unclassified assets of the CBN and DMBs. Relative to the level at end-December 2011, other assets (net) of the banking system declined by 1.5 per cent.

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

	May-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
Domestic Credit (Net)	-1.7	-0.1	8.7	3.5	22.0	2.0	-3.5	1.6	-2.0	-1.2
<i>Claims on Federal Government (Net)</i>	-13.9	-25.9	-19.2	12.7	55.4	-35.8	20.3	18.6	-78.1	-55.5
<i>Claims on Private Sector</i>	-0.5	2.1	9.8	1.7	14.6	3.2	-4.3	0.8	0.5	2.0
<i>Claims on Other Private Sector</i>	-0.7	2.3	9.8	2.0	14.2	3.5	-4.5	0.6	0.4	1.9
Foreign Assets (Net)	1.3	-4.4	0.8	-1.5	7.8	3.9	-2.5	1.0	5.3	3.8
Other Assets (Net)	4.7	9.6	-33.9	-4.5	-33.7	-1.2	0.9	-2.2	-1.0	2.0
Broad Money Supply (M2)	0.7	0.9	-3.5	0.3	8.9	3.4	-4.4	0.9	0.3	2.2
Quasi-Money	2.4	-0.3	-3.7	1.0	1.5	6.1	-2.8	0.2	-1.7	6.5
Narrow Money Supply (M1)	-1.2	2.2	-3.4	-0.5	17.1	0.8	-6.0	1.6	2.2	-2.0
Reserve Money (RM)	3.2	3.6	24.0	-1.0	18.9	-3.4	2.6	-8.4	2.4	-3.2

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

At ₦1,399.0 billion, currency in circulation, on a month on month basis, fell by 1.7 per cent, compared with the decline of 0.7 per cent at the end of the preceding month. The development reflected largely the fall in its

vault cash component. Relative to end-December 2011, currency in circulation fell by 10.7 per cent.

Total deposits at the CBN amounted to ₦6,296.6 billion, indicating an increase of 5.2 per cent over the level at the end of the preceding month. The development reflected, largely, the increase of 7.8 and 6.7 per cent in the Federal Government and private sector deposits, respectively. Of the total deposits, the percentage shares of the Federal Government, banks and private sector deposits were 71.4, 17.6 and 11.0 per cent, compared with 69.7, 19.5 and 10.8 per cent, respectively, in the preceding month.

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

Consistent with the trends in DMBs' deposits with the CBN, the reserve money (RM) declined by 3.2 per cent to ₦2,506.7 billion from ₦2,589.5 billion at the end of the preceding month.

2.3 Money Market Developments

Money market rates moved in tandem with the level of liquidity in the system. The first three weeks of the month was characterized by low level of liquidity due largely to the contractionary monetary policy stance of the CBN. Consequently, DMBs and discount houses accessed the standing lending facility window to bridge the liquidity gap during the period. Following the release of statutory revenue allocation to the three tiers of government and the repayment of maturing debt securities in the last week of the months, rates, however, trended downward and stabilized the market.

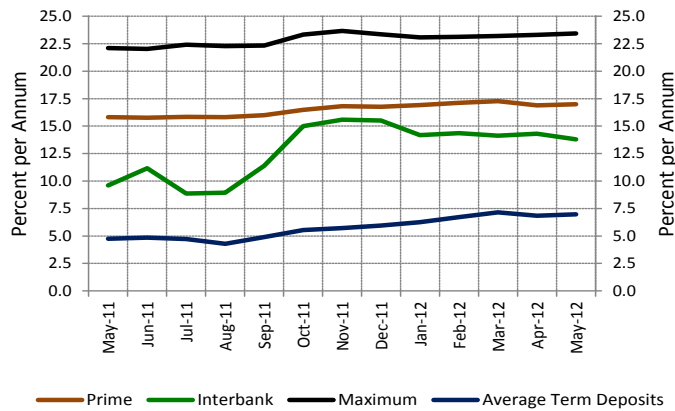
Provisional data indicated that the value of money market assets outstanding at end May 2012 was ₦5,908.3 billion, indicating a decline of 0.1 per cent, in contrast to an increase of 1.3 per cent at end of the preceding month. The development was attributed largely to the 20.3 per cent fall in the value of Bankers' Acceptances.

Interest rates developments were mixed in May 2012.

2.3.1 Interest Rate Developments

Available data indicated mixed developments in banks' deposit and lending rates in May 2012. With the exception of the 1-month, 3-month and over-12 month deposit rates, which rose by 0.25, 0.43 and 0.88 percentage point to 7.38, 8.58 and 7.56 per cent, respectively, all other rates on deposits of various maturities fell from a range of 1.75 – 8.15 per cent in April 2012 to 1.66 – 8.58 per cent. At 6.96 per cent, the average term deposit rate rose by 0.13 percentage point above the level in the preceding month. Similarly, the average prime and maximum lending rates increased by 0.08 and 0.13 percentage point to 16.98 and 23.44 per cent, respectively, in the review month. Consequently, the spread between the weighted average term deposit rates and average maximum lending rate stood at 16.48 per cent, same as in the preceding month, while the margin between the average savings deposit and maximum lending rates widened by 0.22 percentage point to 21.78 per cent in the review month.

At the interbank call segment, the weighted average rate, which stood at 14.30 per cent in April 2012, fell by 0.5 percentage point to 13.80 per cent. Similarly, the weighted average rate, at the open buy back (OBB) segment, fell by 0.34 percentage point to 13.46 per cent in the review month from 13.80 per cent in April 2012. The Nigeria Inter-bank Offered Rate (NIBOR) for 7- and 30-day tenors also declined to 14.45 and 14.79 per cent, respectively, from 14.88 and 15.44 per cent in the preceding month, reflecting the liquidity condition at the interbank funds market. With the headline inflation rate at 12.7 per cent at end-May 2012, deposit rates, with the exception of the lending rates and the average interbank call rate were negative in real terms (Fig. 3, Table 2).

Figure 3: Selected DMBs Interest Rates (Average)**Table 2: Selected Interest Rates (Percent, Averages)**

	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
Average Term Deposits	4.8	4.8	4.7	4.3	4.9	5.5	5.9	5.9	4.4	6.7	7.2	6.8	7.0
Prime Lending	15.8	15.8	15.8	15.8	16.0	16.5	16.4	26.8	16.9	17.1	17.3	16.9	17.0
Interbank	9.6	11.2	8.9	8.2	11.4	15.0	15.6	15.5	14.2	14.5	14.1	14.3	13.8
Maximum Lending	22.1	22.0	22.4	22.3	22.3	23.3	23.7	23.4	23.1	23.1	23.2	23.3	23.4

2.3.2 Commercial Paper (CP)

The value of Commercial Paper (CP) held by the DMBs at end-May 2012 fell by 3.3 per cent to ₦178.9 billion, compared with the decline of 5.6 per cent at end-April 2012. Thus, CP constituted 3.0 per cent of the total value of money market assets outstanding at end-May 2012, compared with 3.1 per cent at the end of the preceding month.

2.3.3 Bankers' Acceptances (BAs)

The value of BAs declined by 20.3 per cent to ₦16.1 billion, compared with the decline of 28.8 per cent in the preceding month. The development reflected the drop in investments in private sector securities by deposit money banks and discount houses. As a proportion of total value of money market assets outstanding, BAs

accounted for 0.27 per cent, compared with 0.34 per cent at the end of the preceding month.

2.3.4 Open Market Operations

Nigerian Treasury Bills (NTBs) with maturities ranging from 50 -139 days were traded during the month. Total amount offered was ₦940.0 billion, while total subscription stood at ₦956.24 billion. At ₦363.10 billion, allotment increased by 19.4 per cent relative to the level at end-April 2012. The bid rates ranged from 12.00 – 17.50 per cent, while the stop-rate ranged between 13.24 – 15.00 per cent. Bills valued at ₦ 312.80 billion matured for repayment in the review month, resulting in a net withdrawal of N50.30 billion.

2.3.5 Primary Market

At the primary market segment, NTBs of 91-, 182- and 364-day tenors, totalling ₦273.39 billion, ₦820.74 billion and ₦273.39 billion, respectively, were offered, subscribed to and allotted for the three tenors during the month. The bid rates ranged from 11.00 - 15.00, 12.50 - 16.49 and 12.50 - 16.39 per cent for the 91-, 182- and 364-day tenors, respectively, while the stop rates ranged from 13.19 - 13.50, 13.87 – 14.14 and 13.94 – 14.30 per cent. The bid-cover ratios of 2.6, 2.5 and 3.6 for the respective tenors were indicative of the growing demand for risk-free government securities with attractive yields in real terms. Maturing bills valued at ₦212.39 billion was made during the review month, resulting in a net outflow of ₦61.0 billion.

There were two FGN bond re-openings during the month.

2.3.6 Bonds Market

Federal Government of Nigeria (FGN) Bonds of 5-year and 10-year tranches were reopened and offered during the month. Total amount subscribed to and allotted were ₦62.80 billion and ₦35.00 billion for the 5-year tranche with a marginal rate of 15.25 per cent, while total amount subscribed to and allotted for the 10-year tranche was ₦68.90 billion and ₦35.00 billion with a marginal rate of 15.45 per cent. In comparison with the preceding month, ₦ 20.00 billion, ₦ 35.00 billion and ₦ 35.00 billion of the 3-year, 5-year and 10-year FGN Bond

tranches were offered to the market with marginal rates of 14.95, 15.10 and 15.47 per cent, respectively.

2.3.7 CBN Standing Facilities

Aggregate standing lending facility (SLF) granted during the month was ₦1,472.19 billion, compared with ₦2,173.03 billion in April 2012, showing a decline of 32.3 per cent. The decline in SLF granted, reflected the increased level of liquidity due to maturing FGN Bonds. The total standing deposit facility (SDF) stood at ₦1,242.5 billion, compared with ₦258.13 billion in the preceding month. The development reflected the liquidity conditions in the money market during the review period.

2.4 Deposit Money Banks' Activities

Available data indicated that total assets and liabilities of the deposit money banks (DMBs) amounted to ₦19,862.7 billion, showing a decline of 0.1 per cent below the level at end-April 2012. The funds sourced mainly from increased deposits, unclassified assets and reserves were used, largely, to acquire unclassified liabilities, and provide credit to the private sector.

At ₦12,519.7 billion, DMBs' credit to the domestic economy rose by 2.1 per cent over the level in the preceding month. The break down, on a month-on-month basis showed that credit to both the Federal Government and private sector rose by 2.5 and 19 per cent, respectively.

Total specified liquid assets of the DMBs stood at ₦5,872.8 billion, representing 45.8 per cent of their total current liabilities. This level of liquid assets was 1.6 percentage points below the level in the preceding month, but 15.8 percentage points above the stipulated minimum ratio of 30.0 per cent. The loans-to-deposit ratio was 50.9 per cent and was 29.1 percentage points below the stipulated maximum target of 80.0 per cent.

DMBs' Credit to the domestic economy fell by 0.2 per cent below the level in the preceding month.

2.5 Discount Houses' Activities

Provisional data indicated that total assets and liabilities of the discount houses stood at ₦381.8 billion at end-May 2012, showing an increase of 28.3 per cent above the level at end-April 2012. The development was accounted for, largely, by the 42.9 and 120.0 per cent increase in claims on Federal Government and banks, respectively. Correspondingly, the increase in total liabilities was attributed, largely, to the 107.4 and 36.6 per cent increase in borrowings and other amount owed to other financial institutions.

Discount houses' investment in Federal Government securities of less than 91-day maturity rose to ₦107.0 billion and accounted for 35.6 per cent of their total deposit liabilities. Thus, investment in Federal Government securities was 24.4 percentage points below the prescribed minimum level of 60.0 per cent. At that level, discount houses' investment on NTBs increased by 99.0 per cent above the level at the end of the preceding month. Total borrowing by the discount houses was ₦41.5 billion, while capital and reserves amounted to ₦36.8 billion. This resulted in a gearing ratio of 3.1:1, compared with the stipulated maximum target of 50:1 for fiscal 2012.

2.6 Capital Market Developments

2.6.1 Secondary Market

Available data indicated that activities on the Nigerian Stock Exchange (NSE) in May 2012 were bullish. The volume and value of traded securities rose by 15.5 and 28.3 per cent to 8.52 billion shares and ₦69.78 billion, respectively, in 86,985 deals, compared with 7.37 billion shares, valued at ₦54.4 billion, in 76,586 deals in the preceding month. The banking sub-sector was the most active (measured by turnover volume) on the Exchange with a traded volume of 5.7 billion shares, valued at ₦48.5 billion, in 40,932 deals. This was followed by the conglomerates sub-sector with a traded volume of 4.53 million shares, valued at ₦153.74 million, in 981 deals.

Figure 4: Volume and Value of Traded Securities

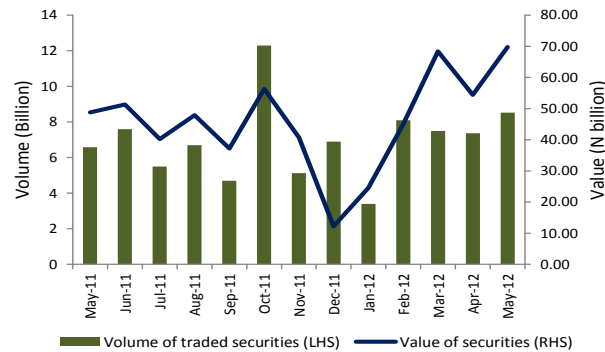


Table 3: Traded Securities on the Nigerian Stock Exchange (NSE)

	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
Volume (Billion)	6.58	7.60	5.50	6.70	4.70	12.30	5.12	6.90	4.10	8.10	7.49	7.37	8.52
Value (N Billion)	48.80	51.30	40.20	47.90	37.20	54.60	27.80	9.40	31.80	44.95	68.37	54.40	69.78

2.6.2 Over-the-Counter (OTC) Bonds Market

Transactions on the Over-the-Counter (OTC) bond market indicated a turnover of 509.79 million units worth ₦472.04 billion in 3,022 deals, compared with a turnover of 448.78 million units worth ₦383.66 billion in 3,253 deals recorded in the preceding month.

2.6.3 New Issues Market

The 15.1% FGN April 2017 Bond was admitted on the daily official list of the Exchange during the month. There was no supplementary listing in the review month.

2.6.4 Market Capitalization

Aggregate market capitalization of all the listed securities (equities and bonds) stood at ₦12.5 trillion, representing a marginal increase of 0.8 per cent over the level of ₦12.4 trillion at the end of the preceding month. Market capitalization of the listed equities stood at ₦7.07 trillion, representing a marginal increase of 0.3 per cent over the level of ₦7.05 trillion at the end of the preceding month. The listed equities accounted for 57.0 per cent of the aggregate market capitalization.

2.6.5 NSE All-Share Index

The All-Share Index, which opened at 22,045.66 at the beginning of the month, closed at 22,066.40, representing an increase of 0.1 per cent above the level in the preceding month. At end-May 2012, three of the four sectoral indices, the NSE Consumer goods-10, NSE Oil/Gas-5 and NSE Banking-10 indices declined by 6.8, 0.7 and 3.0 per cent respectively, while the NSE Insurance-10 index increased by 0.4 per cent to close at 127.67 points.

Figure 5: Market Capitalization and All-Share Index

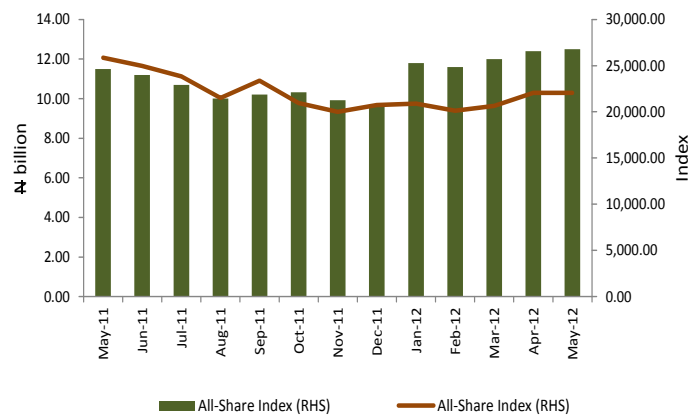


Table 5: Market Capitalization and All Share Index (NSE)

	May-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
Market Capitalization (₦ trillion)	11.5	10.7	10.0	10.2	10.3	9.9	10.2	11.8	11.6	12.0	12.4	12.5
All-Share Index	25866.6	23827.0	21497.6	23373.0	20935.0	20003.4	25271.6	23827.0	20123.5	20652.5	22045.7	22066.4

3.0 Fiscal Operations

3.1 Federation Account Operations

Available data showed that gross federally-collected revenue at ₦855.14 billion in May 2012 declined by 12.3 per cent below the receipts in the preceding month, but exceeded the monthly budget estimate by 5.9 per cent. The decline, relative to the level in the preceding month, was attributed to the fall in both oil and non-oil revenue during the review month (Fig. 6, Table 5).

Gross federally-collected revenue fell below the level in the preceding month.

Figure 6: Components of Gross Federally-Collected Revenue

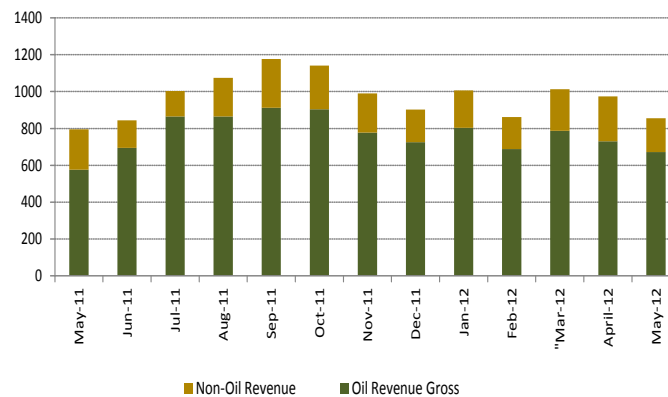


Table 5: Gross Federation Account Revenue (₦ billion)

	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
Federally-collected revenue (Gross)	748.8	848.3	1048.7	1109.5	1149.0	1143.3	949.7	902.6	1105.0	862.4	1013.6	974.8	855.1
Oil Revenue	576.5	694.4	865.3	865.6	911.9	904.2	778.0	726.0	901.1	688.5	786.4	730.9	671.1
Non-Oil Revenue	196.8	153.9	183.3	243.9	237.1	239.1	211.8	176.6	203.9	173.9	227.2	243.9	184.0

At ₦671.12 billion, gross oil receipts, which constituted 78.5 per cent of the total revenue, was lower than the receipts in the preceding month by 8.2 per cent, but exceeded the monthly budget estimate by 21.4 per cent. The decline in oil receipts, relative to the level in the preceding month, was attributed largely to the decline in sales of domestic crude oil and gas during the month (Fig. 7, Table 6).

Relative to the preceding month's level, oil receipts fell in May 2012.

Figure 7: Gross Oil Revenue and Its Components

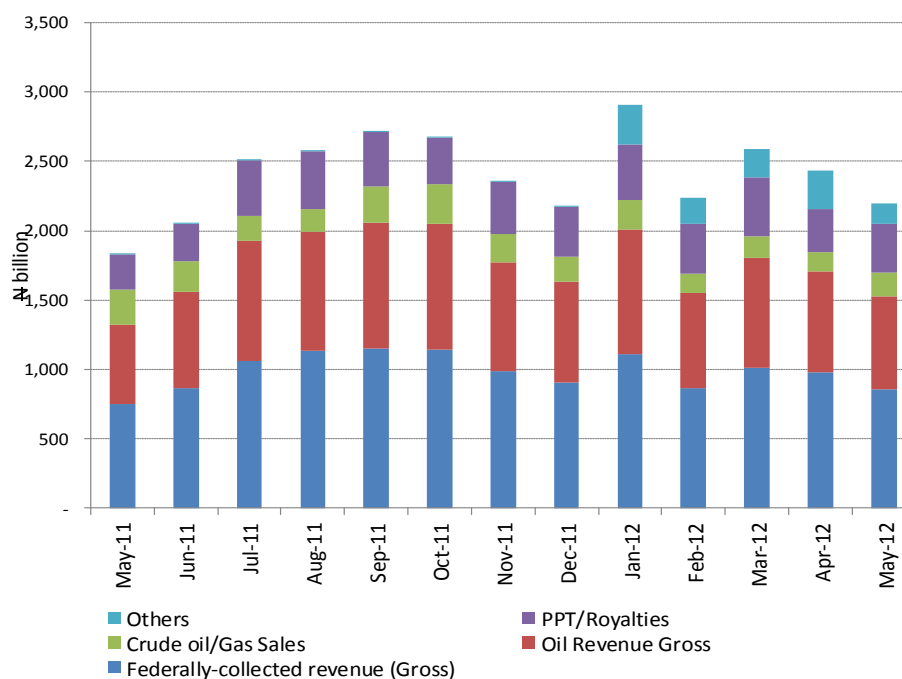


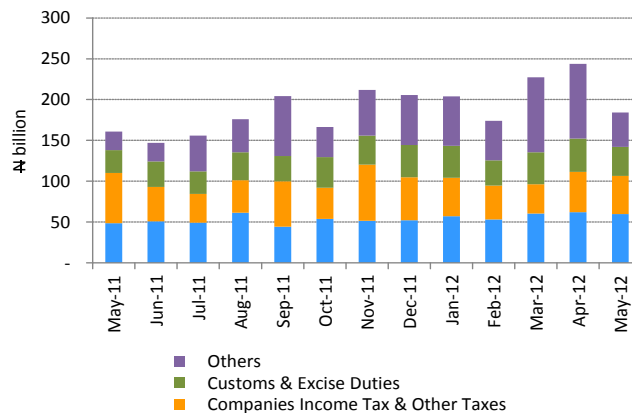
Table 6: Components of Gross Oil Revenue (₦ billion)

	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
Oil Revenue	576.5	694.5	865.3	865.6	911.9	904.2	778.0	726.0	901.1	688.5	786.4	730.9	671.1
Crude oil/Gas Sales	155.8	217.4	176.0	163.5	257.4	290.7	207.0	185.6	212.0	137.8	156.7	136.2	171.2
Domestic crude oil/Gas sales	170.5	203.4	287.4	285.3	264.3	278.8	190.3	183.2	275.3	182.6	193.9	271.4	137.4
PPT/Royalties	249.9	273.3	401.7	415.0	389.7	334.4	380.2	356.2	406.0	360.2	427.9	315.3	354.4
Others	0.3	0.3	0.3	0.3	1.8	0.5	0.2	0.4	7.9	7.8	8.0	8.0	8.2

Non-oil receipts declined relative to both the monthly budget estimate and the preceding month's levels.

Gross non-oil receipts, at ₦184.02 billion or 21.5 per cent of the total, was 24.5 and 27.7 per cent lower than the receipts in the preceding month and the monthly budget estimates, respectively. The decline relative to the receipts in the preceding month's level reflected, largely, the fall in independent revenue of the Federal Government.

On a cumulative basis, gross federally collected revenue for the period January to May 2012 was estimated at ₦4,810.94 billion, reflecting an increase of 19.1 and 23.0 per cent over the cumulative budget estimate and the receipts in the corresponding period of 2011, respectively. Of this amount, gross oil receipts represented 78.5 per cent, while gross non-oil receipts accounted for the balance of 21.5 per cent.

Figure 8: Gross Non-Oil Revenue and its Components**Table 7: Components of Gross Non-Oil Revenue (₦ billion)**

	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
Non-Oil Revenue	159.2	173.1	196.7	264.6	237.1	237.1	211.8	176.6	203.9	173.9	227.2	243.9	184.0
Value-Added Tax (VAT)	44.3	53.8	54.7	66.0	57.0	60.7	51.6	52.3	57.1	53.2	60.6	62.0	59.7
Companies Income Tax & Other Taxes	55.5	38.2	65.2	84.7	107.1	79.2	68.6	52.5	47.0	41.6	35.8	49.5	46.8
Customs & Excise Duties	31.1	37.6	36.5	40.3	36.1	39.9	35.6	39.5	39.4	30.9	39.0	40.6	35.7
Others	28.3	43.6	40.4	73.5	37.0	59.3	56.0	144.3	60.4	48.2	91.8	91.7	41.8

Of the federally-collected revenue (net), the sum of ₦441.17 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 ₦207.55 billion, while the States and local governments received ₦105.27 billion and ₦81.16 billion, respectively. The balance of ₦47.19 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 ₦8.59 billion, while the state and local governments received ₦28.65 billion and ₦20.05 billion, respectively. During the month, the sum of ₦21.47 billion was drawn from the excess crude account to bridge the short-fall in revenue for the period and was distributed as follows: Federal (₦9.84 billion), States (₦4.99 billion) and local governments (₦3.85 billion), while the oil producing state received ₦2.79 billion. In addition, the sum of ₦35.54 billion was

distributed under the Subsidy Re-investment and Empowerment Programme, (SURE-P) owing to the partial deregulation of the downstream sector. Consequently, the Federal government received ₦16.29 billion, while the states and local governments received ₦8.26 billion and ₦6.37 billion, respectively. The balance of ₦4.62 billion was distributed among the oil producing states. Overall, the total statutory allocation to the three tiers of government from the Federation and VAT Pool Accounts in May 2012 amounted to ₦563.09 billion. This was below the monthly budget estimate of ₦570.57 billion by 1.3 per cent.

3.2 The Fiscal Operations of the Three Tiers of Government

3.2.1 The Federal Government

At ₦262.91 billion, the estimated Federal Government retained revenue for May 2012, was lower than the monthly budget estimate and receipts in the preceding month by 17.0 and 17.3 per cent, respectively. Of this amount, the share from Federation Account, VAT pool account, SURE-P and budget augmentation accounted for 78.9, 3.3, 6.2, and 3.7 per cent, respectively. FGN Independent Revenue accounted for the balance of 7.9 per cent, (Fig. 9).

Estimated Federal government retained revenue was lower than the monthly budget estimate and the level in the preceding month.

Figure 9: Sources of Federal Government Retained Revenue

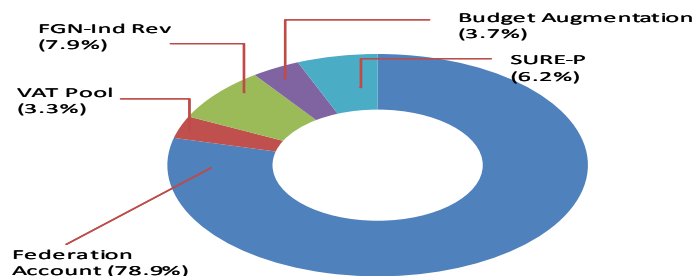
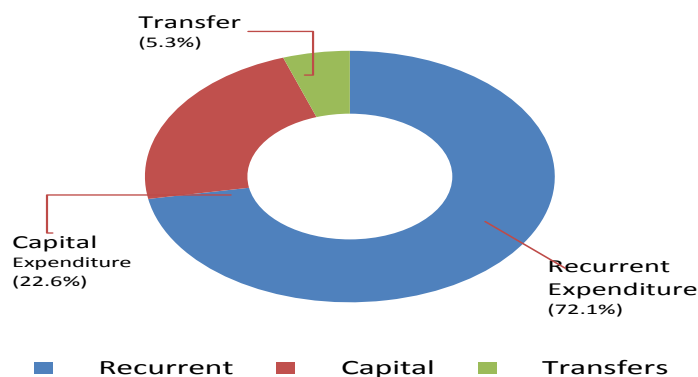


Table 8: Federal Government Fiscal Operations (₦ billion)

	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
Retained Revenue	229.9	275.5	613.9	280.9	279.1	282.6	285.1	233.6	287.0	251.2	429.1	317.8	262.9
Expenditure	304.1	330.8	354.9	405.3	450.7	326.0	458.2	350.0	179.2	355.8	419.7	304.7	378.1
Overall Balance: (+)/(-)	-74.2	-117.6	313.6	313.6	-171.6	-43.5	173.1	-116.4	107.8	-104.6	9.4	13.1	-115.2

Total estimated Federal Government expenditure for May 2012 stood at ₦378.09 billion, indicating a lower outlay relative to the monthly budget estimate by 11.3 per cent, but exceeded the preceding month's level by 24.1 per cent. A breakdown of the total expenditure showed that the recurrent component accounted for 72.1 per cent, while the capital expenditure and transfer components accounted for the balance of 22.6 and 5.3 per cent, respectively. Non-debt obligations accounted for 89.2 per cent of the total recurrent expenditure, while debt service payments accounted for the balance of 10.8 per cent (Fig. 10).

Total estimated expenditure for May 2012 fell below the monthly budget estimate by 11.3 per cent, but rose above the level in the preceding month by 24.1 per cent.

Figure 10: Federal Government Expenditure

The fiscal operations of the FG resulted in an estimated deficit of ₦115.18 billion in May 2012.

Thus, the fiscal operations of the Federal Government in May 2012, resulted in an estimated deficit of ₦115.18 billion, compared with the monthly budget deficit of ₦109.68 billion. The deficit was financed mainly from domestic sources.

3.2.2 *Statutory Allocations to State Governments*

Total allocation to state governments from the Federation and VAT Pool Accounts stood at ₦206.50 billion in the review month. This represented a decline of 8.0 per cent below the preceding month's level, but an increase of 30.0 per cent over the corresponding month of 2011. The breakdown showed that, at ₦28.65 billion, receipt from the VAT Pool Account was lower than the level in the preceding month by 3.7 per cent, but exceeded the level in the corresponding period of 2011 by 34.6 per cent. At ₦177.86 billion, state governments receipt from the Federation Account fell below the level in the preceding month by 8.7 per cent, but exceeded the level in the corresponding month of 2011 by 29.0 per cent. Of the total allocation, receipts from the Federation Account constituted 86.1 per cent, while VAT Pool Account accounted for balance of 13.9 per cent.

3.2.3 *Statutory Allocations to Local Government Councils*

Total receipts by the local governments from the Federation and VAT Pool Accounts during the month of May 2012, stood at ₦114.31 billion. This was lower than the level in the preceding month by 7.8 per cent, but exceeded the level in the corresponding period of 2011 by 25.5 per cent. Of the total allocation, receipts from the Federation Account was ₦94.26 billion (82.5 per cent of the total), while VAT Pool Account was ₦20.05 billion (17.5 per cent of the total).

4.0 Domestic Economic Conditions

The dominant agricultural activity in May 2012 was crop planting, especially yams, maize sorghum and groundnuts. In the livestock sub-sector, farmers were engaged in sanitization of poultry cages and cattle ranches, poultry breeding and restocking of livestock. Nigeria's Crude oil production was estimated at 2.15 million barrels per day (mbd) or 66.65 million barrels during the month. The end-period inflation rate for May 2012, on a year-on-year basis, was 12.7 per cent, compared with 12.9 per cent recorded in the preceding month. On a 12-month moving average basis, inflation rate was 11.1 per cent, same as the preceding month's rate.

4.1 Agricultural Sector

Available data indicated that, due to widespread rainfall, agricultural activities across the country were dominated by crop planting operations. In the livestock sub-sector, farmers were engaged in poultry breeding, sanitization of poultry cages and ranches, and restocking of livestock.

A total of 2,878 loans valued at ₦307.7 million were guaranteed under the Agricultural Credit Guarantee Scheme (ACGS) in May 2012. This represented a decline of 38.8 and 4.1 per cent below the value of loans guaranteed in the preceding month and the corresponding period of 2011, respectively.

A sub-sectoral analysis of the loans guaranteed by type of agricultural activity indicated that the food crops sub-sector received the largest share of ₦158.8 million (51.6 per cent) for 2,462 beneficiaries, while the livestock sub-sector received ₦104.6 million (34.0 per cent) for 306 beneficiaries. In addition, the cash crops sub-sector obtained ₦26.8 million (8.7 per cent) for 56 beneficiaries; ₦13.2 million (4.3 per cent) was disbursed to 17 beneficiaries in the fisheries sub-sector; "Others" sub-sector obtained ₦1.4 million (0.5 per cent) for 27 beneficiaries, while 10 beneficiaries in the mixed crops sub-sector received ₦2.9 million (0.9 per cent). Further analysis showed that 24 states, including the FCT, benefited from the Scheme during the month with the highest and lowest sums of ₦58.5 million (19.0 per cent)

At end-May 2012, the total amount released under the CACS to the participating banks for disbursement stood at ₦ 189.33 billion for 237 projects.

and ₦0.4 million (0.13 per cent) guaranteed to beneficiaries in Zamfara and Cross-River States, respectively.

At end-May 2012, the total amount released by the CBN under the Commercial Agriculture Credit Scheme (CACCS) to the participating banks for disbursement stood at ₦189.33 billion for two hundred and thirty seven (237) projects. The beneficiaries included thirty (30) state governments, including the Federal Capital Territory (Table 9).

Table 9: Disbursement of Credit under the Commercial Agriculture Credit Scheme (CACCS) May 2012.

Participating Banks	Amount Disbursed (₦ billion)	Number of Projects
United Bank for Africa (UBA) Plc	39.76	34
Zenith Bank Plc	25.76	17
First Bank	23.16	58
Union Bank of Nigeria Plc	18.54	20
Unity Bank Plc	19.38	20
Stanbic IBTC Bank	11.46	20
Access Bank Plc	10.33	11
Skye Bank	9.22	7
Fidelity Bank Plc	8.58	8
GTB Plc	5.55	8
Sterling Bank Plc	4.76	9
Eco Bank	2.67	5
Mainstreet Bank Plc	2.00	1
Diamond Bank Plc	2.18	8
Citibank	1.50	1
Wema Bank Plc	0.72	4
FCMB	3.49	5
Enterprise Bank	0.27	1
TOTAL	189.33	237

4.2 Petroleum Sector

Crude oil and natural gas production was estimated at an average of 2.15 million barrels per day.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at an average of 2.15 million barrels per day (mbd) or 66.65 million barrels during the month, compared with 2.08 mbd or (62.4 million barrels) in the preceding month. This represented an increase of 0.07mbd or 3.4 per cent in production

level. Consequently, crude oil export was estimated at 1.70 mbd or 52.7 million barrels in the review month, compared with 1.63 mbd or 48.9 million barrels in the preceding month, representing an increase of 4.3 per cent. The development was attributed to the commencement of crude oil production at the new "Usan" deep-water offshore field and the completion of repairs on the Shell's Bonga oil installation. Allocation of crude oil for domestic consumption stood at 0.45 mbd or 13.95 million barrels during the month under review.

At an estimated average of US\$111.56 per barrel the price of Nigeria's reference crude, the Bonny Light (37° API), fell by 8.9 per cent below the level in the preceding month. The decline in price was attributed to the weak demand for crude oil by the major consumer nations and the heightened concern over the stability of the Eurozone. The average prices of other competing crudes, namely the West Texas Intermediate, U.K Brent and Forcados also declined to US\$89.40, US\$110.43 and US\$112.77 per barrel, respectively, from US\$97.27, US\$121.00 and US\$124.54 per barrel in the preceding month. Similarly, the average price of OPEC's basket of eleven crude streams, at US\$108.07 per barrel, fell by 8.6 per cent below the level in the preceding month, but rose by 7.1 per cent over the level in the corresponding month of 2011 (Fig. 11, Table 10).

The average price of Nigeria's reference crude, the Bonny Light fell by 8.9 per cent. Prices of the U.K Brent, Forcados and West Texas Intermediate also exhibited similar trend as the Bonny Light.

Figure 11: Trends in Crude Oil Prices, (Averages)

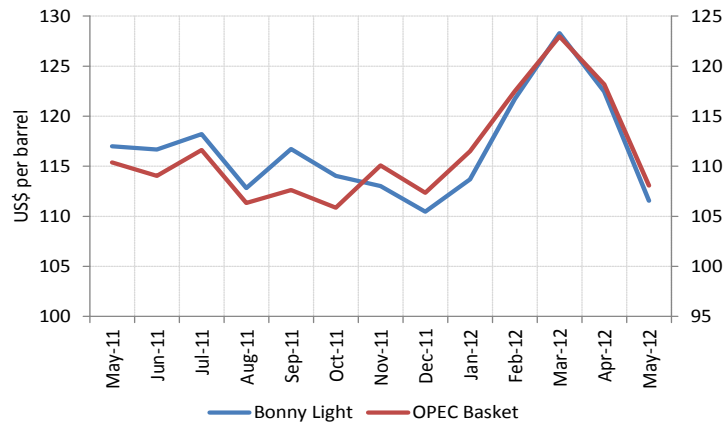


Table 10: Average Crude Oil Prices in the International Oil Market

	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
Bonny Light	116.99	116.66	118.21	112.81	116.71	114.05	114.05	110.45	113.69	121.71	128.29	122.45	111.56
OPEC Basket	110.39	109.04	111.62	106.32	107.61	105.87	105.87	107.34	111.49	117.48	122.97	118.18	108.07

4.3 Consumer Prices

The general price level rose in May 2012, owing to the increase in the indices of staple food and non-alcoholic beverages, electricity, gas and other fuel.

Available data showed that the all-items composite Consumer Price Index (CPI) in May 2012 was 133.8 (November 2009=100), representing an increase of 0.8 per cent over the level in the preceding month. The development was attributed to the rise in the price indices of food and non-alcoholic beverages, clothing and footwear; housing, water, electricity/gas, and other fuels; furnishing and household equipment maintenance; transport; communication, health services, miscellaneous goods and services.

The composite food index for May 2012 was 133.9, indicating an increase of 1.2 per cent over the level in the preceding month. This development was accounted for by the increase in the prices of vegetables, potatoes, bread, yam and other tubers as farmers used-up part of their stocks of farming produce in the peak of the farming season and to meet

demand.

The urban all-items CPI at end-May 2012 was 132.1 (November 2009=100), indicating an increase of 0.8 per cent above the level in the preceding month. The rural all-items CPI for the month was 135.4 (November 2009=100), indicating an increase of 0.7 per cent over the level in the preceding month's level (Fig. 12, Table 12).

The end-period inflation rate for May 2012, on a year-on-year basis, was 12.7 per cent, compared with 12.9 and 12.4 per cent in the preceding month and corresponding period of 2011, respectively. The inflation rate on a twelve-month moving average basis for May 2012 was 11.1 per cent, same as in the preceding month, but when compared with the level in the corresponding period of 2011, it rose by 12.6 per cent (Fig. 13, Table 12).

The year-on-year inflation rate for May was 12.7 per cent.

Figure.12: Consumer Price Index

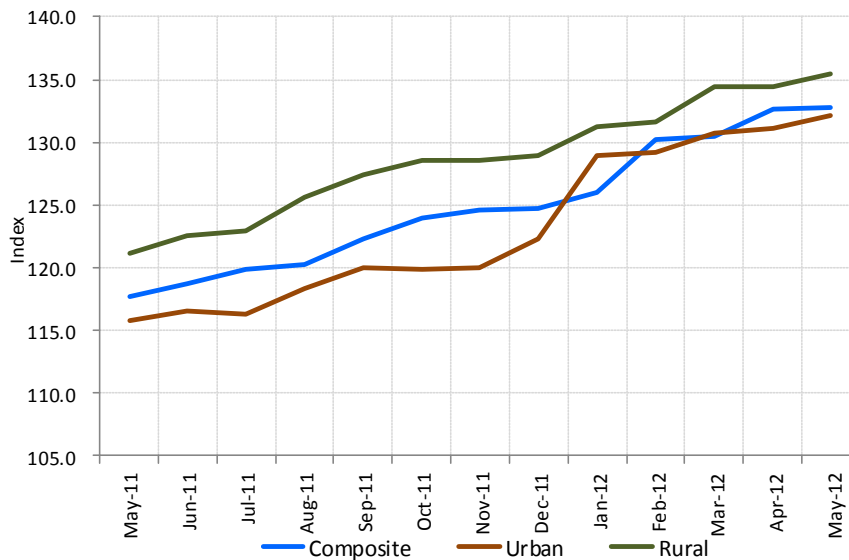


Table 11: Consumer Price Index (November 2009=100)

	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
Composite	118.7	119.9	120.3	122.3	124.0	124.6	124.7	126.0	130.2	130.5	132.6	132.8	133.8
Urban	115.8	116.6	116.3	118.3	120.0	119.9	120.0	122.3	128.9	129.2	130.7	131.1	132.1
Rural	121.2	122.6	123.0	125.6	127.4	128.6	128.6	129.0	131.3	131.6	134.4	134.4	135.4
CPI - Food	118.5	120.1	120.4	123.7	124.8	125.0	125.4	128.1	129.3	129.1	132.1	132.3	133.9
CPI - Non Food	118.9	119.8	120.1	121.2	123.5	124.8	124.6	124.8	129.1	129.3	135.1	135.2	136.7

Figure 13: Inflation Rate

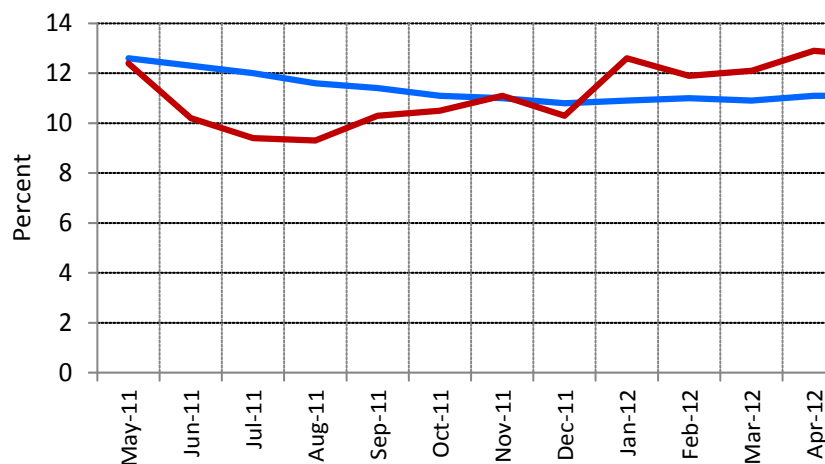


Table 12: Headline Inflation Rate (%)

	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
12-Month Average	12.6	12.3	12.0	11.6	11.4	11.1	11.0	10.8	10.9	11.0	10.9	11.1	11.1
Year-on-Year	12.4	10.2	9.4	9.3	10.3	10.5	11.1	10.3	12.6	11.9	12.1	12.9	12.7

5.0 External Sector Developments

Provisional data indicated that foreign exchange inflow and outflow through the CBN increased by 11.9 and 84.6 per cent, respectively, above their levels in the preceding month. Total non-oil export receipts by banks declined significantly by 67.0 per cent below the level in the preceding month. The gross external reserves rose by 0.5 per cent above the preceding month's level. The average exchange rate of the Naira vis-à-vis the US dollar, appreciated by 0.03 per cent to ₦157.28 per US dollar at the Wholesale Dutch Auction System (wDAS).

5.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in the month of May was US\$3.63 billion and US\$3.24 billion, respectively, resulting in a net inflow of US\$0.39 billion, compared with the net inflow of US\$1.49 billion recorded in April 2012. Inflow rose by 11.9 and 25.2 per cent, above the levels in the preceding month and the corresponding period of 2011, respectively. The increase in inflow during the month reflected a 14.4 per cent rise in the receipts from crude oil sales. Similarly, outflow rose by 84.6 per cent above the level in the preceding month, but showed a decline of 11.4 per cent below the corresponding period of 2011. Relative to the preceding month, the rise in outflow was due mainly to the increase in wDAS utilization. A breakdown of foreign exchange outflow through the Central Bank showed that wDAS sales accounted for the bulk (92.6 per cent) of the total, drawings on LCs (1.9 per cent) external debt service (1.0 per cent), and national priority projects (0.02 per cent). Other official payments, at US\$0.14 billion, fell by 46.0 per cent below the level in the preceding month, driven largely by the decline in payments to international organisations, parastatals and estacode. (Fig. 14, Table 13).

Foreign exchange inflow and outflow through the CBN increased by 11.9 and 84.6 per cent, respectively, in May 2012.

Figure 14: Foreign Exchange Flows through the CBN

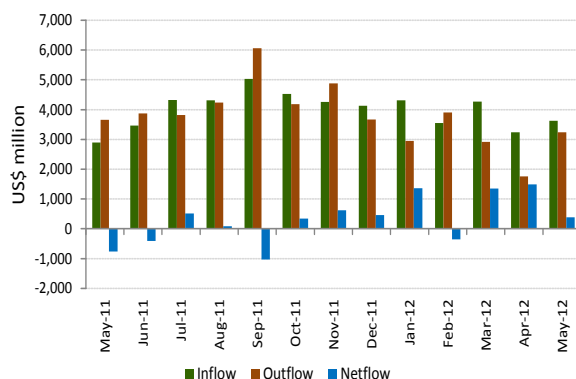


Table 13: Foreign Exchange Flows through the CBN (US\$ million)

	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
Inflow	2896.1	3463.2	4327.7	4315.0	5030.4	4523.1	4265.0	4132.3	4307.0	3546.2	4266.6	3242.9	3627.1
Outflow	3657.2	3873.7	3818.6	4234.1	6060.7	4184.3	4880.3	3667.1	2945.8	3902.3	2912.4	1754.9	3239.7
Netflow	-761.1	-410.5	509.1	81.7	-1030.3	338.8	624.3	465.2	1361.2	-356.1	1354.2	1488.0	387.4

Provisional data on aggregate foreign exchange flows through the economy indicated that total inflow was US\$9.51 billion, representing a decrease of 4.5 per cent below the level in the preceding month, but an increase of 20.5 per cent over the level at the end of the corresponding month of 2011. The decline in inflow below the level in the preceding month was due to the 41.2 and 67.0 per cent decrease in other official receipts and non-oil exports. Inflow through the Central Bank of Nigeria (CBN) accounted for 38.1 per cent of the total, while inflow from autonomous sources accounted for 61.9 per cent.

At US\$3.53 billion, oil sector receipts declined by 14.4 per cent below the level in the preceding month and accounted for 37.1 per cent of the total inflow. On a month-on-month basis, non-oil public sector inflow, at US\$96.6 million, fell by 38.5 per cent and accounted for 1.0 per cent of the total inflow, while autonomous inflow, at US\$5.88 billion, fell by 12.5 per cent, accounting for 61.9 per cent of the total.

Non-oil inflow into the economy fell by 38.5 per cent and accounted for 1.0 per cent of the total inflow in May 2012.

At US\$3.37 billion, aggregate foreign exchange outflow from the economy rose by 78.1 per cent above the level in the preceding month. Thus, foreign exchange flows through the economy resulted in a net inflow of US\$6.1 billion in the month under review, compared with US\$8.1 billion and US\$4.1 billion in the preceding month and the corresponding month of 2011, respectively.

5.2 Non-Oil Export Earnings by Exporters

Total non-oil exports earnings at US\$197.05 million, decreased by 67.0 per cent below the level in the preceding month. The development reflected, largely, the decrease in receipts from the agricultural sector. A breakdown of receipts showed that proceeds of agriculture, manufactured, industrial, minerals and food products sub-sectors stood at US\$23.05, US\$73.36, US\$64.4, US\$28.81, and US\$7.43 million, respectively.

The shares of agriculture, manufactured, industrial, minerals and food products sub-sectors in non-oil export proceeds were 11.7, 37.2, 32.7, 14.6, and 3.8 per cent, respectively.

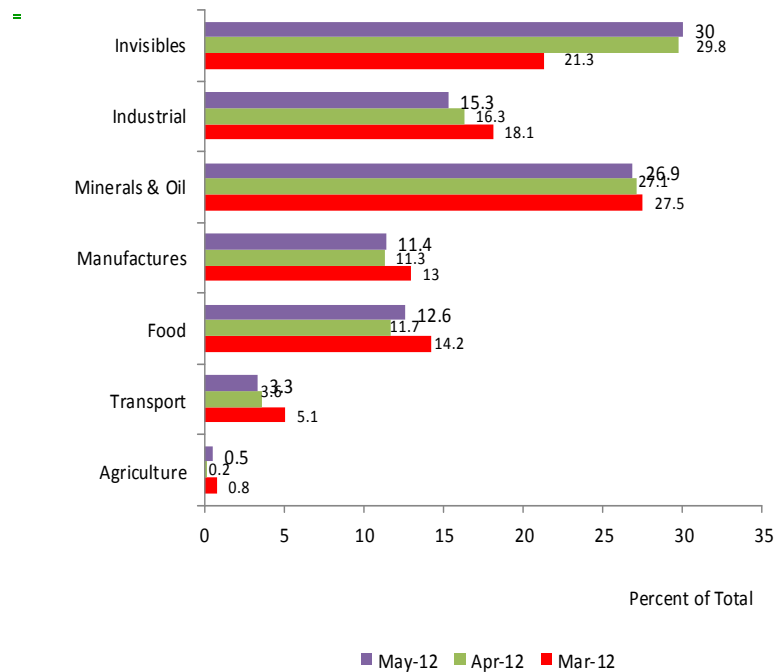
5.3 Sectoral Utilisation of Foreign Exchange

Provisional data indicated that the invisible sector accounted for the bulk (30.0 per cent) of total foreign exchange disbursed in May 2012, followed by minerals and oil sector (26.9 per cent). Other beneficiary sectors, in a descending order included: industrial sector (15.3), food products (12.6 per cent), manufactured product (11.4 per cent), transport (3.3 per cent) and agricultural products (0.5 per cent) (Fig.15).

Total non-oil export earnings by exporters decreased significantly in May 2012.

The invisible sector accounted for the bulk of the total foreign exchange disbursed in May 2012.

Figure 15: Sectoral Utilization of Foreign Exchange



5.4 Foreign Exchange Market Developments

Demand for foreign exchange by authorized dealers increased by 37.8 per cent above the level in the preceding month.

Aggregate demand for foreign exchange by authorized dealers under the Wholesale Dutch Auction System (wDAS), Bureau-de-change (BDC) and wDAS-Forward contract was US\$2.31 billion in May 2012, showing an increase of 37.8 per cent above the level in the preceding month, but a decline of 35.1 per cent below the level in the corresponding month of 2011. Relative to the level in the preceding month, the increase in aggregate demand was attributed to the repatriation of matured foreign investment at the official window occasioned by declining interest rates and reduced supply of foreign exchange through autonomous sources. A total of US\$2.89 billion was sold by the CBN to authorized dealers during the period, reflecting an increase of 98.9 per cent above the level in the preceding month, but a decline of 10.0 per cent below the level in the corresponding period of 2011, respectively (Fig.16, Table 14).

Figure 16: Demand for and Supply of Foreign Exchange

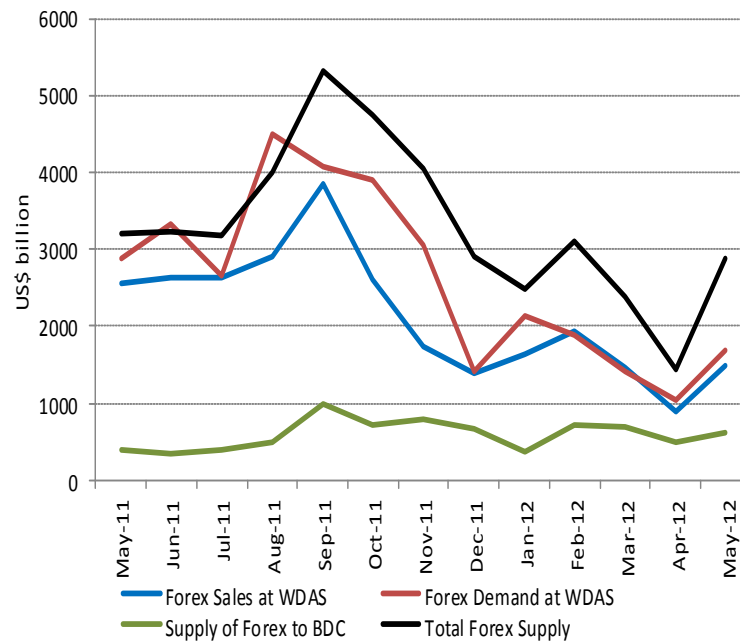


Table 14: Demand for and Supply of Foreign Exchange (US\$ billion)

	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
Forex Sales at WDAS	2549.9	2643.3	2643.3	2889.1	3850.0	2607.0	1749.6	1397.9	1640.7	1942.2	1452.8	891.5	1487.0
Forex Demand at WDAS	2878.4	3325.5	3065.4	4504.5	4081.2	3900.0	3054.4	1415.3	2133.0	1892.0	1426.5	1052.9	1681.3
Supply of Forex to BDC	392.0	347.3	398.2	504.3	995.7	716.8	795.4	675.7	365.7	720.6	698.2	492.8	625.5
Total Forex Supply	3217.2	3242.3	3293.7	3677.0	5157.6	3923.0	4056.3	3151.5	2492.6	3101.5	2387.9	1451.3	2887.0

Under the wDAS, the average exchange rates of the Naira vis-à-vis the US dollar, appreciated by 0.03 per cent, to ₦157.28 per US dollar, compared with the rate in the preceding month. It, however, depreciated at both the interbank and BDC segments of the foreign exchange market by 0.5 and 0.01 per cent to ₦158.23 and ₦159.39 per US dollar, respectively.

Consequently, the premium between the wDAS and bureau-de-change rates stood at 1.3 per cent, same as the level in the preceding month, while the premium between the wDAS and the interbank market widened to 0.6 per cent from 0.1 per cent in the preceding month.

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

Figure 17: Average Exchange Rate Movement

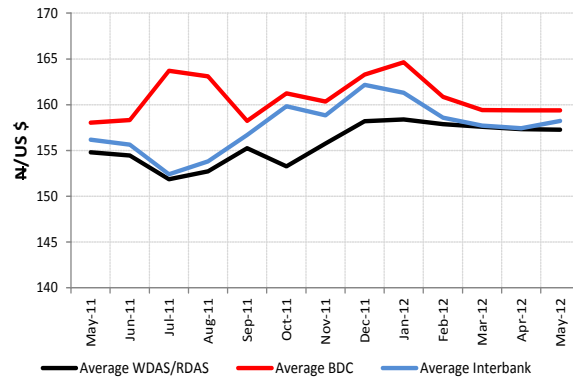
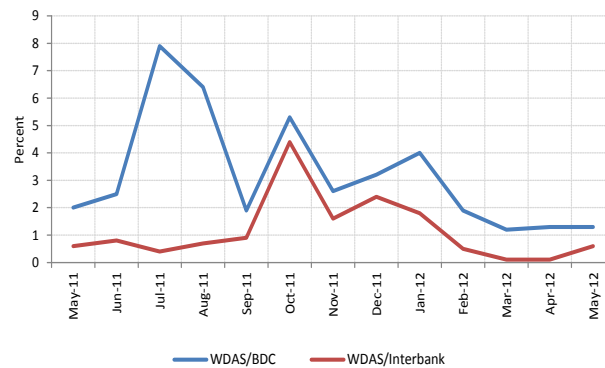


Table 15: Exchange Rate Movements and Exchange Rate Premium

	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
Average Exchange Rate (N/\$)													
WDAS/RDAS	154.8	154.5	151.9	152.7	155.3	153.3	155.8	158.2	158.4	157.9	157.6	157.3	157.3
BDC	158.1	158.3	163.7	163.1	158.2	161.2	160.4	163.4	164.7	160.9	159.4	159.4	159.4
Interbank	156.2	155.7	152.4	153.8	156.7	159.8	158.8	162.2	161.3	158.6	157.7	157.4	158.2
Premium (%)													
WDAS/BDC	2.0	2.0	2.5	7.9	6.4	1.9	2.6	3.2	4.0	1.9	1.2	1.3	1.3
WDAS/Interbank	0.5	1.8	0.4	0.9	0.8	0.4	0.7	0.9	1.6	2.6	0.4	0.1	0.6

Figure 18: Exchange Rate Premium



5.5 Gross External Reserves

The gross external reserves at the end of May 2012 stood at US\$36.84 billion, indicating an increase of 0.5 and 14.8 per cent above the levels in the preceding month and the corresponding period of 2011, respectively. A breakdown of the reserves showed that the Federation Account portion (Excess Crude) was US\$6.70 billion (18.2 per cent), Federal Government holding was US\$2.72 billion (7.4 per cent) and CBN reserves stood at US\$27.42 billion (74.4 per cent), (Fig. 19, Table 17).

Gross external reserves increased in May 2012.

Figure 19: Gross External Reserves

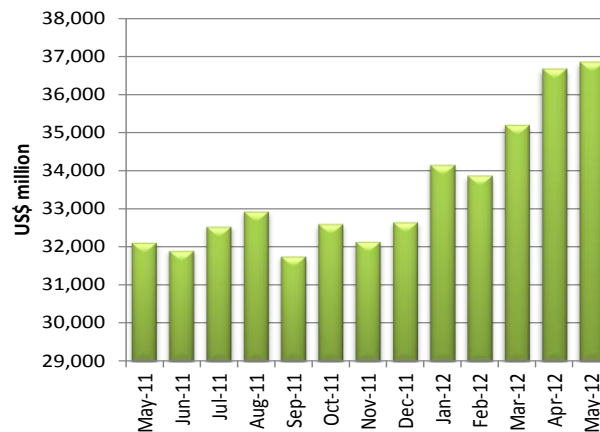


Table 16: Gross External Reserves (US\$ million)

	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
External Reserves	32100.8	31890.5	32521.7	32915.0	31740.2	32594.7	32125.2	32639.8	34136.6	33857.4	35190.8	36660.9	36830.8

6.0 Other International Economic Developments and Meetings

World crude oil output in May 2012 was estimated at an average of 90.00 million barrels per day (mbd), while demand was estimated at 87.47 million barrels per day (mbd), representing an excess supply of 2.53 mbd during the review month, compared with 90.31 and 88.67 mbd supplied and demanded, respectively, in the preceding month. The marginal decline in monthly demand was attributed to the on-going concerns in the Eurozone and slower growth prospects of the Chinese economy. In spite of the decline in demand, the Organization for Economic Cooperation and Development (OECD) countries remained the key drivers of world crude oil demand.

Other major international economic developments and meetings of relevance to the domestic economy during the review month included: the 38th Summit of the G-8 countries held in Camp David, Maryland, United States from May 18 – 19, 2012. The meeting was convened to discuss the European Sovereign Debt Crisis, the internal conflict in Syria, the nuclear programme of Iran, North Korea's nuclear ambition, and a possible broad release of national oil reserves when sanctions against Iran take effect.

The key considerations at the meeting included:

- Restated commitments to ensure that Greece remains within the Eurozone so as to strengthen global stability and recovery;
- The need to take actions to boost confidence and nurture recovery, including reforms to raise productivity, growth and demand within sustainable, credible and non-inflationary macroeconomic framework;
- Take necessary actions to strengthen and reinvigorate their economies and combat financial stresses, while recognizing that the right measures may not be similar across countries.

- Commitment to a “New Alliance for Food Security and Nutrition” with African leaders and the private sector. By this alliance, the G-8 hopes to accelerate the flow of private capital to African agriculture, scale-up new technologies and other innovations that could increase sustainable agricultural productivity, and reduce the risk borne by vulnerable economies and communities; and
- Embark on a possible release of national oil reserves to stabilize the energy markets when sanctions and an oil embargo against Iran starts in July, 2012.

In another development, the Executive Board of the International Monetary Fund (IMF) considered the IMF's bi-annual work programme with the theme “Restoring stability, Growth and Jobs” on May 29, 2012. While presenting the work programme to the Executive Board, the IMF Chief Executive stated that the commitment to increase the Fund's resources by over US\$430 billion on a temporary basis was evidence of the members' willingness to act collectively and decisively to get ahead of the crisis. In view of the continued fragility of the world economy, key priorities outlined in the work programme included: Implementing the 2010 quota and governance reform that would enhance the legitimacy and effectiveness of the Fund; assessing the experience with Fund conditionality and drawing lessons for new programmes as well as improving the Fund's surveillance framework to help prevent future crises.

Also, the Annual Meetings of the Board of Governors of the African Development Bank Group (AfDB) was held in Arusha, Tanzania, on the theme “Africa and the Emerging Landscape: Challenges and Opportunities” from May 26 - June 1, 2012.” The Meeting was preceded by several technical meetings, debates and high level seminars on topical issues that affect the African continent. The major outcomes of the meetings were as follows:

- The Board of Governors' approved the Bank Group's Annual Report and audited financial statements for the financial year ended 31st December 2011. The Report

indicated that total AfDB loans approved in 2011 was estimated at US\$9 billion, exceeding the US\$6.5 billion of the previous year. Infrastructure, at 27 per cent, accounted for the largest component of disbursements;

- The Board formally adopted South Sudan's application to join the Bank Group;
- The African Guarantee Fund (AGF) was formally launched during the meeting. The AGF is a financial guarantee scheme, funded by the AfDB in partnership with the governments of Denmark and Spain, designed to stimulate access to finance for African Small and Medium Enterprises (SMEs), ease youth unemployment as well deliver inclusive growth in the region;
- The Bank Group and the International Finance Corporation, (IFC) signed an International Swaps and Derivatives Association (ISDA) Master Agreement to enter into cross-currency swap transactions. The agreement would enable the IFC and the AfDB to enhance their local currency funding capacity for development projects, provide long-term local currency finance for projects, and accelerate local capital market development;
- The Bank's long-term strategy, 2013 – 2022 would take into cognizance the role and prospects of Africa in the changing global dispensation, with focus on youth employment, regional integration to boost job creation, climate change and Africa's participation in carbon trading and funding for SMEs; and
- In order to address infrastructure deficiency, poor information technology, low access to finance, inefficient institutions and an ineffective legal framework within the African continent, the meetings proffered solutions to include the use of Diaspora funds and skills, boosting regional integration and cross-border investments and leveraging on partnerships in Africa. New ways of financing projects such as pension funds and the use of Islamic bonds (sukuk) as well as Diaspora bonds issued in local markets were proposed.

Furthermore, the 2012 Association of African Central Bank (AACB) Continental Seminar was held in Douala, Cameroun, from May 7-9, 2012. The theme of the seminar was "Design and Implementation of Macro Prudential Policy Instruments in Africa". The objective of the Seminar was to prepare the ground for effective implementation of macro-prudential policy in Africa in order to reinforce financial stability in the continent. Presentations were made on the following sub-themes: Macro-prudential supervision: Justification, State of Play and Prospects; Pillars and Conditions for Macro-prudential Policy Efficiency; Central Banks and Macro-Prudential Policy; Harmonization of Monetary Policy and Macro-Prudential Policy; and the Role of Cooperation between Agencies in the Macro-Prudential Supervision. The presentations emphasized the need for the macro-prudential framework to take into account not only financial stability indicators, but also financial position of households, companies, and the macro-economic environment and financial outlook in order to effectively capture the non-bank aspects of the financial system. The following recommendations were made:

- Encourage the establishment of a Financial Stability Board in each country in the continent, strengthen the supervision of systemic institutions and define the concept of systemic financial institution depending on the peculiarities of the local financial system;
- Establish high-frequency data collection mechanisms to facilitate supervision and broaden the scope of data coverage beyond the financial sector to include businesses and households;
- Build staff capacity in analytical and supervisory fields as well as conduct resilience tests as an early warning tool; and
- Develop macro-prudential policy instruments according to the temporal or cross-cutting nature of systemic risk and strengthen interactions in the formulation of monetary policy decisions with macro-prudential policy and vice-versa to avoid conflicting objectives.

Finally, the Regional meeting of the National Coordinating Committee (NCC) on the Economic Community of West African States (ECOWAS) Multilateral Surveillance Mechanism was held in Dakar, Senegal, from May 17 - 18, 2012. The meeting was convened to deliberate on the amendments to the approved Guide to presenting the Macroeconomic Convergence Report, changes to the ECOWAS Multilateral Surveillance Macroeconomic Convergence (ECOMAC) database, forecasting macroeconomic aggregates in the medium to long term and the newly approved Guideline for the elaboration of the ECOWAS Pluri-annual Convergence Programme.

Key decisions include:

- Agreed to encourage Member States to ensure consistency of their macroeconomic accounts and statistics;
- Urged Member countries to inform the ECOWAS Commission of changes to data entered on the ECOMAC database and advised the ECOWAS Commission to set up an electronic warning system that will instantly inform database Administrators of changes to the ECOMAC database;
- Implored the West African Monetary Agency(WAMA) to continue its efforts in finding an appropriate methodology for calculating the real exchange rate;
- Urged Member States to query and validate the ECOMAC database on time in order to ensure its credibility; and
- Invited the ECOWAS Commission to organize a practical session on the analysis of the multi-year convergence programme by the NCCs.

APPENDIX TABLES

TableA1: Money and Credit Aggregates

	May 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12
Domestic Credit (Net)	8,963.19	13,694.98	13,962.26	13,477.98	13,679.08	13,407.42	13,251.67
<i>Claims on Federal Government (Net)</i>	(886.06)	(531.94)	(722.63)	(576.17)	(440.80)	(785.20)	(1,220.92)
Central Bank (Net)	(2,718.42)	(3,549.53)	(3,581.41)	(3,299.56)	(3,202.62)	(3,494.48)	(3,998.58)
Banks	1,832.37	3,017.58	2,858.76	2,723.40	2,761.81	2,709.28	2,772.75
<i>Claims on Private Sector</i>	9,849.25	14,226.92	14,684.90	14,054.14	14,119.88	14,192.62	14,472.59
Central Bank	633.82	4,612.48	4,628.29	4,622.48	4,599.33	4,642.38	4,730.61
Banks	9,215.43	9,614.45	10,056.61	9,431.66	9,520.55	9,550.23	9,741.97
<i>Claims on Other Private Sector</i>	9,469.92	13,713.70	14,190.75	13,546.01	13,581.77	13,640.50	13,900.46
Central Bank	633.82	4,612.48	4,628.29	4,622.48	4,599.33	4,642.38	4,730.61
Banks	8,836.10	9,101.23	9,562.46	8,923.53	8,982.43	8,998.22	9,169.84
<i>Claims on State and Local Government</i>	379.33	513.22	494.15	508.12	538.11	552.11	572.13
Central Bank	-	-	-	-	-	-	-
Banks	379.33	513.21	494.15	508.13	538.11	552.11	572.13
<i>Claims on Non-financial Public Enterprises</i>	-	-	-	-	-	-	-
Central Bank	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-
Foreign Assets (Net)	6,357.09	7,138.67	7,413.62	7,228.11	7,306.72	7,692.05	7,984.81
Central Bank	4,769.67	5,823.79	5,933.67	5,600.01	5,755.80	6,102.65	6,290.63
Banks	1,587.41	1,314.88	1,479.95	1,628.10	1,550.91	1,589.39	1,694.18
Other Assets (Net)	(3,334.04)	(7,536.15)	(7,626.57)	(7,557.97)	(7,714.82)	(7,794.69)	(7,633.34)
Total Monetary Assets (M2)	11,986.23	13,297.51	13,749.31	13,148.12	13,270.97	13,304.78	13,603.14
Quasi-Money 1/	6,435.15	6,531.91	6,928.39	6,733.18	6,748.03	6,635.95	7,068.64
Money Supply (M1)	551.09	6,765.59	6,820.92	6,414.94	6,522.94	6,668.82	6,534.50
<i>Currency Outside Banks</i>	1,055.21	1,245.14	1,093.73	1,081.68	1,141.35	1,111.09	1,121.58
<i>Demand Deposits 2/</i>	4,495.87	5,520.46	5,727.19	5,333.25	5,381.58	5,557.72	5,412.92
Total Monetary Liabilities (M2)	11,986.23	13,297.51	13,749.31	13,148.12	13,270.97	13,304.78	13,603.14
Memorandum Items:							
Reserve Money (RM)	1,750.91	2,784.07	2,689.36	2,759.96	2,527.60	2,589.53	2,506.69
<i>Currency in Circulation (CIC)</i>	1,401.79	1,566.05	1,476.07	1,438.62	1,432.83	1,422.43	1,398.96
<i>DMBs Demand Deposit with CBN</i>	349.12	1,218.02	1,213.29	1,321.34	1,094.76	1,167.09	1,107.74

1/ Quasi-money consist of Time, Savings and Foreign Currency Deposit 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 Deposits of non-financial Public Enterprises at Deposit Money Banks.

Table A2: Money and Credit Aggregates (Growth Rates)

	May -11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
	Growth over preceeding December (%)						
Domestic Credit (Net)	2.9	57.3	2.0	-1.6	-0.1	-2.0	-3.2
<i>Claims on Federal Government (Net)</i>	21.0	52.7	-35.9	-8.3	11.3	-58.0	-145.7
<i>Claims on Private Sector</i>	0.2	44.7	3.2	-1.2	-0.4	0.1	2.0
<i>Claims on Other Private Sector</i>	0.1	45.0	3.5	-1.2	-0.6	-0.2	1.7
<i>Claims on State and Local Government</i>	2.6	38.8	-3.2	-1.0	4.9	7.6	11.5
<i>Claims on Non-financial Public Enterprises</i>							
Foreign Assets (Net)	-2.3	9.7	-3.9	1.3	2.4	7.6	11.9
Other Assets (Net)	9.6	-104.3	-3.5	-0.3	-2.6	-3.6	-1.5
Total Monetary Assets (M2)	4.0	15.4	3.4	-1.1	-0.2	0.0	2.3
Quasi-Money 1/	8.1	9.7	6.1	3.1	3.3	1.6	8.2
Money Supply (M1)	-0.4	21.5	0.8	-5.2	-3.7	-1.5	-3.5
<i>Currency Outside Banks</i>	-2.5	15.1	-12.2	-13.1	-8.3	-10.8	-9.9
<i>Demand Deposits 2/</i>	0.2	23.0	3.7	-3.4	-2.6	0.6	-2.1
Total Monetary Liabilities (M2)		15.4	3.4	-1.1	-0.2	0.0	2.3
Memorandum Items:							
Reserve Money (RM)	-5.1	50.9	-3.4	-0.9	-9.2	-7.0	-10.0
<i>Currency in Circulation (CIC)</i>	1.7	13.6	-5.8	-8.1	-8.5	-9.2	-10.7
<i>DMBs Demand Deposit with CBN</i>	-25.3	160.5	11.0	8.5	-10.1	-4.2	-9.1
	Growth over Preceding Month (%)						
Domestic Credit (Net)	-1.7	22.0	2.0	-3.5	1.6	-2.0	-1.2
<i>Claims on Federal Government (Net)</i>	-13.9	55.4	-35.8	20.3	18.6	-78.1	-55.5
<i>Claims on Private Sector</i>	-0.5	14.6	3.2	-4.3	0.8	0.5	2.0
<i>Claims on Other Private Sector</i>	-0.7	14.2	3.5	-4.5	0.6	0.4	1.9
<i>Claims on State and Local Government</i>	4.2	26.6	-3.7	2.8	5.9	2.6	3.6
<i>Claims on Non-financial Public Enterprises</i>							
Foreign Assets (Net)	1.3	7.8	3.9	-2.5	1.0	5.3	3.8
Central Bank	-2.8	13.3	1.9	-5.6	2.7	6.0	3.1
Banks	16.2	-11.3	12.6	10.0	-4.7	2.5	6.6
Other Assets (Net)	4.7	-33.7	-1.2	0.9	-2.2	-1.0	2.1
Total Monetary Assets (M2)	0.7	8.9	3.4	-4.4	0.9	0.3	2.2
Quasi-Money 1/	2.4	1.5	6.1	-2.8	0.2	-1.7	6.5
Money Supply (M1)	-1.2	17.2	0.8	-6.0	1.6	2.2	-2.0
<i>Currency Outside Banks</i>	-7.5	16.5	-12.2	-1.1	5.5	-2.7	0.9
<i>Demand Deposits 2/</i>	0.5	17.3	3.7	-6.9	0.8	3.3	-2.6
Total Monetary Liabilities (M2)	0.7	8.9	3.4	-4.4	0.9	0.3	2.2
Memorandum Items:							
Reserve Money (RM)	3.2	18.9	-3.4	2.6	-8.4	2.5	-3.2
<i>Currency in Circulation (CIC)</i>	-6.1	12.6	-5.8	-2.5	-0.4	-0.7	-1.7
<i>DMBs Demand Deposit with CBN</i>	71.2	28.1	11.0	9.0	-17.2	6.6	-5.1

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

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

Table A3: Federal Government Fiscal Operations (₦ billion)

	May -11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
Retained Revenue	222.3	287.0	251.2	429.1	317.8	262.9
<i>Federation Account</i>	<i>147.7</i>	<i>213.6</i>	<i>173.5</i>	<i>189.2</i>	<i>234.0</i>	<i>207.6</i>
<i>VAT Pool Account</i>	<i>6.4</i>	<i>8.2</i>	<i>7.7</i>	<i>8.7</i>	<i>8.9</i>	<i>8.6</i>
<i>FGN Independent Revenue</i>	<i>17.2</i>	<i>14.9</i>	<i>33.4</i>	<i>77.2</i>	<i>74.9</i>	<i>20.6</i>
<i>Excess Crude</i>	<i>47.3</i>	<i>0.0</i>	<i>0.0</i>	<i>34.4</i>	<i>0.0</i>	<i>0.0</i>
<i>Others</i>	<i>3.8</i>	<i>50.3</i>	<i>36.7</i>	<i>119.6</i>	<i>0.0</i>	<i>26.1</i>
Expenditure	461.8	179.2	355.8	419.7	304.7	378.1
<i>Recurrent</i>	<i>357.7</i>	<i>141.5</i>	<i>308.4</i>	<i>264.3</i>	<i>240.4</i>	<i>272.8</i>
<i>Capital</i>	<i>89.7</i>	<i>0.0</i>	<i>0.0</i>	<i>155.4</i>	<i>51.8</i>	<i>85.4</i>
<i>Transfers</i>	<i>14.4</i>	<i>37.7</i>	<i>47.4</i>	<i>0.0</i>	<i>12.5</i>	<i>20.0</i>
Overall Balance: Surplus(+)/Deficit(-)	-239.5	107.8	-104.6	9.4	13.1	-115.2

