

CENTRAL BANK OF NIGERIA



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AUGUST 2006

RESEARCH AND STATISTICS DEPARTMENT

CENTRAL BANK OF NIGERIA

MONTHLY REPORT

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The Central Bank of Nigeria's Monthly 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, 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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ECONOMIC REPORT FOR THE MONTH OF AUGUST 2006

1.0 SUMMARY

Available data indicated further increase in monetary aggregates in August, 2006. Broad money stock (M_2) and narrow money supply (M_1) rose by 0.5 and 0.7 per cent, respectively, in August 2006, over the levels in the preceding month. The development was attributable entirely to the increase in other assets (net) of the banking system. Over the level at end-December 2005, M_2 grew by 38.6 per cent, representing an annualized growth rate of 57.9 per cent, compared with the revised target of 27.8 per cent for fiscal 2006.

Banks' deposit and lending rates indicated mixed developments in August, 2006. The margin between banks' weighted average deposit and maximum lending rates, narrowed from 11.72 percentage points in July, 2006 to 11.43 percentage points in August, 2006. Similarly, the spread between the average savings deposit and maximum lending rates narrowed from 15.76 to 15.48 percentage points. The weighted average inter-bank call rate, which stood at 3.37 per cent in July, 2006 rose sharply to 10.03 per cent reflecting the liquidity squeeze in the inter-bank funds market during the review period.

The value of assets outstanding fell by 4.1 per cent to ₦1,465.2 billion, in contrast to the increase of 8.2 per cent in the preceding month. Activities on the Nigerian Stock Exchange indicated improved performance as all the major market indicators trended upward during the review month.

The predominant agricultural activities in the review month included: harvesting of root and tuber crop, maize, cowpea and sorghum. The prices of Nigeria's major agricultural commodities at the London Commodities Market recorded a general decline. At 108.9 (1985=100), the all-commodities price index, in dollar terms, declined by 3.3 per cent from the level in the preceding month.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.28 million barrels per day (mbd) compared with 2.16 mbd in the preceding month. Crude oil export was estimated at 2.0 mbd 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^o API) estimated at US\$75.04 per barrel, rose by 0.2 per cent over the level in July 2006.

The inflation rate on a year-on-year basis rose to 3.7 per cent in August, 2006, from 3.0 per cent recorded in the preceding month. Inflation rate on a twelve-month moving average was 11.4 per cent, compared with 13.5 per cent in July, 2006. The rise was attributable largely to the increase in the prices of kerosene, diesel and spare parts which led to the increase in the prices of some food items. Another factor included the rise in the price of educational material during the period under review.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) in August, 2006, amounted to US\$2.99 billion and US\$1.61 billion, respectively, resulting in a net inflow of US\$1.38 billion. The fall in inflow was attributable to the decline in both oil and non-oil sector receipts, while the increase in outflow was traceable to the significant increase in DAS Utilisation. The demand pressure in the foreign exchange market intensified in August, 2006, as foreign exchange sales by the CBN to the authorized dealers increased by 106.98 per cent over the preceding month's level. The weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated marginally by 0.04 per cent to ₦127.06 per dollar in August, 2006. In the Bureaux de change segment of the market, however, the rate depreciated from ₦130.12 per dollar to ₦130.47 per dollar. Provisional data showed that Nigeria's gross external reserves increased by 2.9 per cent to US\$39.17 billion in August, 2006. Non-oil export earnings by Nigeria's top 100 exporters amounted to US\$76.34 million, indicating an increase of 47.4 per cent from the level in the preceding month. The development was attributable largely to the variation in the prices of some of the commodities traded at the international commodities market during the review month.

Other major international economic developments of relevance to the domestic economy during the month included: the 30th Ordinary Meeting of the Assembly of Governors of the Association of African Central Banks (AACB) held on August 18, 2006 in Windhoek, Namibia. The meeting which was preceded by a symposium on 'Domestic Capital Markets and Mobilization of Resources for Growth and Poverty Reduction', brought to fore the need for African countries to develop viable bond and equity markets to harness potentially cheap, medium and long-term financial resources. Also, a meeting of the African Ministers of Finance and

Economic Development under the aegis of the African Governors Caucus was held from August 1 – 3, 2006 in Maputo, Mozambique. The meeting was to articulate an African position following the ongoing

reforms in the Bretton Woods Institutions, ahead of the International Monetary Fund (IMF) and World Bank Annual Meetings taking place in Singapore in September.

2.0 FINANCIAL SECTOR DEVELOPMENTS

Money supply increased further in August, 2006, while banks' deposit and lending rates indicated mixed developments. Treasury bills outstanding fell, following the huge repayment of maturing bills by the CBN during the month. Transactions on the Nigerian Stock Exchange indicated improved performance as all the major market indicators trended upward during the review month.

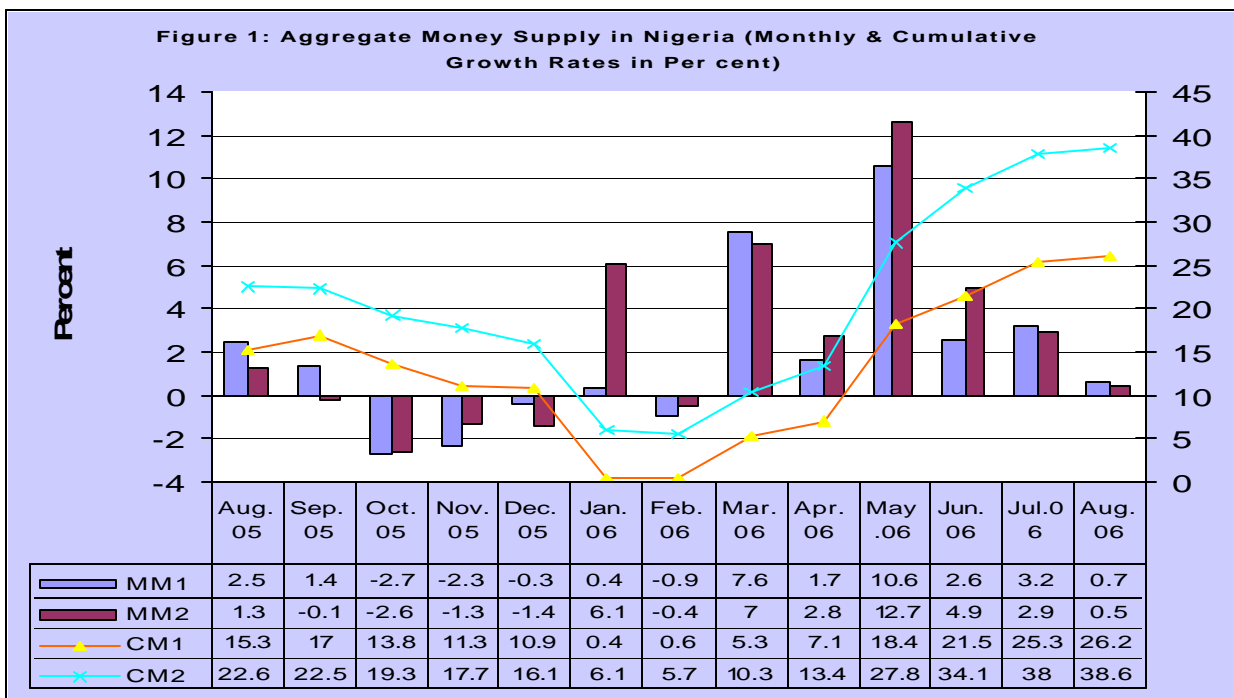
2.1 Monetary and Credit Developments

Provisional data indicated further increase in major monetary aggregates in

preceding month. The development was attributable entirely to the rise in other assets (net) of the banking system. Over the level at end-December 2005, M_2 rose by 38.6 per cent, indicating an annualized growth rate of 57.9 per cent, compared with the revised target of 27.8 per cent for fiscal 2006 (fig.1 and table 1).

Aggregate banking system credit (net) to the domestic economy fell by 0.1 per cent to ₦2,349.4 billion, compared with the decline of 12.9 per cent in July 2006. The fall was traceable entirely to the 20.1 per cent decline in bank credit to the Federal Government. In the first eight months of the year, however, aggregate banking system credit (net) to the economy grew by 1.6 per cent.

Banking system's credit (net) to the private sector rose by 0.2 per cent to



August 2006, compared with the level in July 2006. Broad money supply (M_2) and narrow money (M_1) rose by 0.5 and 0.7 per cent to ₦3,641.4 billion and ₦1,940.0 billion, respectively, compared with the increase of 2.9 and 3.2 per cent in the

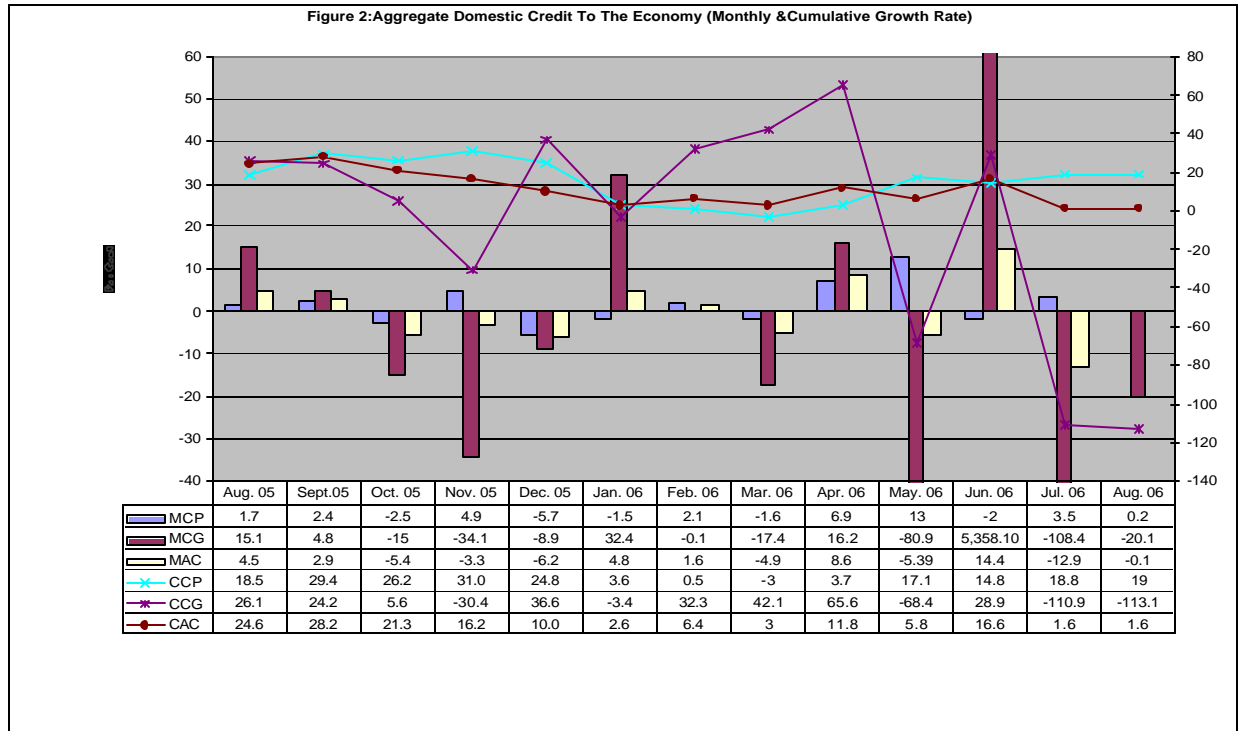
₦2,389.4 billion, compared with the increase of 3.5 per cent in the preceding month. Over the level at end-December 2005, aggregate bank credit to the private sector rose by 19.0 per cent, compared with

the 18.5 per cent growth recorded in the corresponding period of 2005 (Fig. 2).

Banking system's credit (net) to the Federal Government in August, 2006, declined by 20.1 per cent to ₦40.0 billion, compared with the 108.4 per cent fall recorded in the preceding month. The development reflected the decline in banking system's holdings of government

increase of 2.6 per cent in the preceding month. The development was attributable to the rise in all the components, namely; time, savings and foreign currency deposits of the DMBs during the month.

Similarly, other assets (net) of the banking system rose by 2.3 per cent, in August, 2006, in contrast to the decline of 6.3 per cent in the preceding month. The rise



securities, following repayments of maturing treasury bills by the Federal Government, reinforced by the decline in direct lending to the Federal Government by the DMBs during the period. Over the level at end-December 2005, aggregate bank credit to the Federal Government fell by 113.1 per cent.

At ₦5,638.5 billion, foreign assets (net) of the banking system fell by 1.4 per cent, in contrast to the increase of 2.7 per cent in July, 2006. The development was attributable entirely to the 1.7 per cent decline in the CBN's holding.

Quasi money rose by 0.2 per cent to ₦1,701.4 billion, compared with the

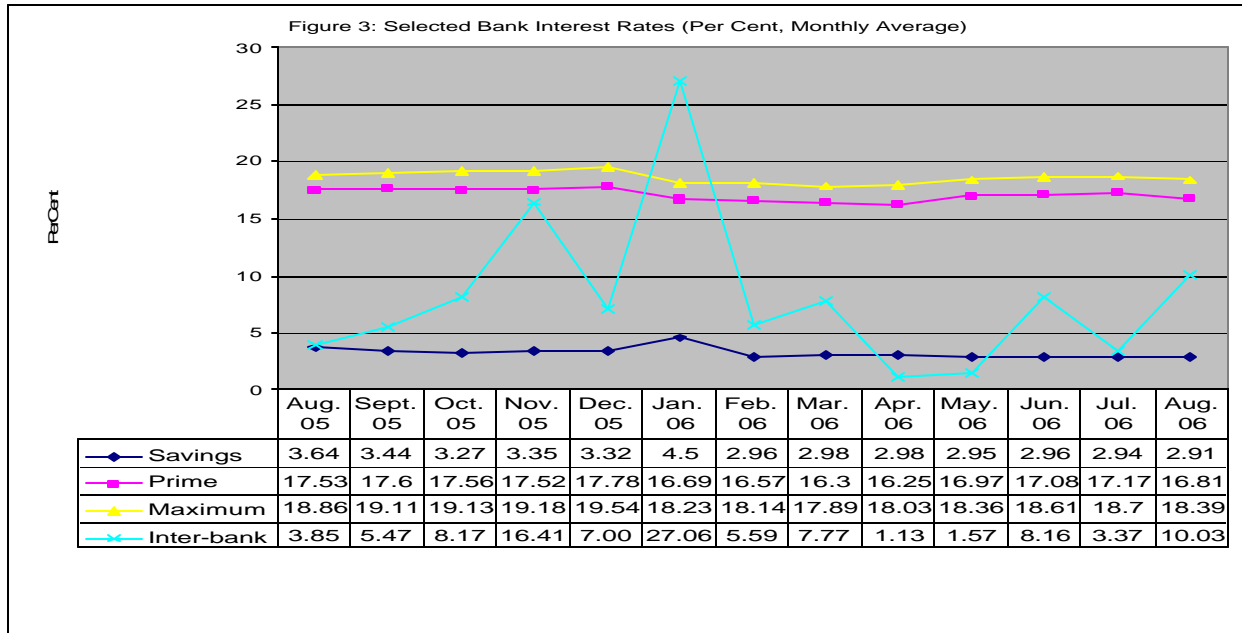
reflected the increase in unclassified assets of the DMBs.

2.2 Currency-in-circulation and Deposits at the CBN

At ₦611.6 billion, currency in circulation rose by 1.2 per cent in August, 2006, compared with the level in the preceding month. The rise was traceable entirely to the 1.7 per cent increase in currency outside banks. Total deposits at the CBN amounted to ₦1,461.5 billion, indicating an increase of 2.0 per cent over the level in the preceding month. The

development was attributable largely to the 16.4 per cent increase in DMB's deposits. The shares of the Federal Government,

deposit and maximum lending rates narrowed from 11.72 to 11.43 percentage points in August, 2006. Similarly, the



banks and “others” in total deposits at the CBN were 82.0, 15.3 and 2.7 per cent, respectively, compared with 84.2, 13.4, and 2.4 per cent, in the preceding month.

2.3 Interest Rate Developments

Available data indicated mixed developments in banks' deposit and lending rates in August, 2006. The average savings deposit rate declined by 0.03 percentage point to 2.91 per cent, while deposit rates on seven days, six-month and twelve-month maturity, rose by 0.08, 0.39 and 0.14 percentage points to 4.48, 9.57 and 8.21 per cent, respectively. All other rates on deposits of various maturities declined from a range of 8.46–9.84 per cent in the preceding month to 8.23–9.68 per cent in the review month. The weighted average prime and maximum lending rates, also declined by 0.36 and 0.31 percentage points to 16.81 and 18.39 per cent, respectively. Consequently, the spread between the weighted average

margin between the average savings deposit and maximum lending rates narrowed from 15.76 percentage points in the preceding month to 15.48 percentage points.

The weighted average inter-bank call rate, which stood at 3.37 per cent in July, 2006 rose sharply to 10.03 per cent, reflecting the liquidity squeeze in the inter-bank funds market during the review month (fig. 3).

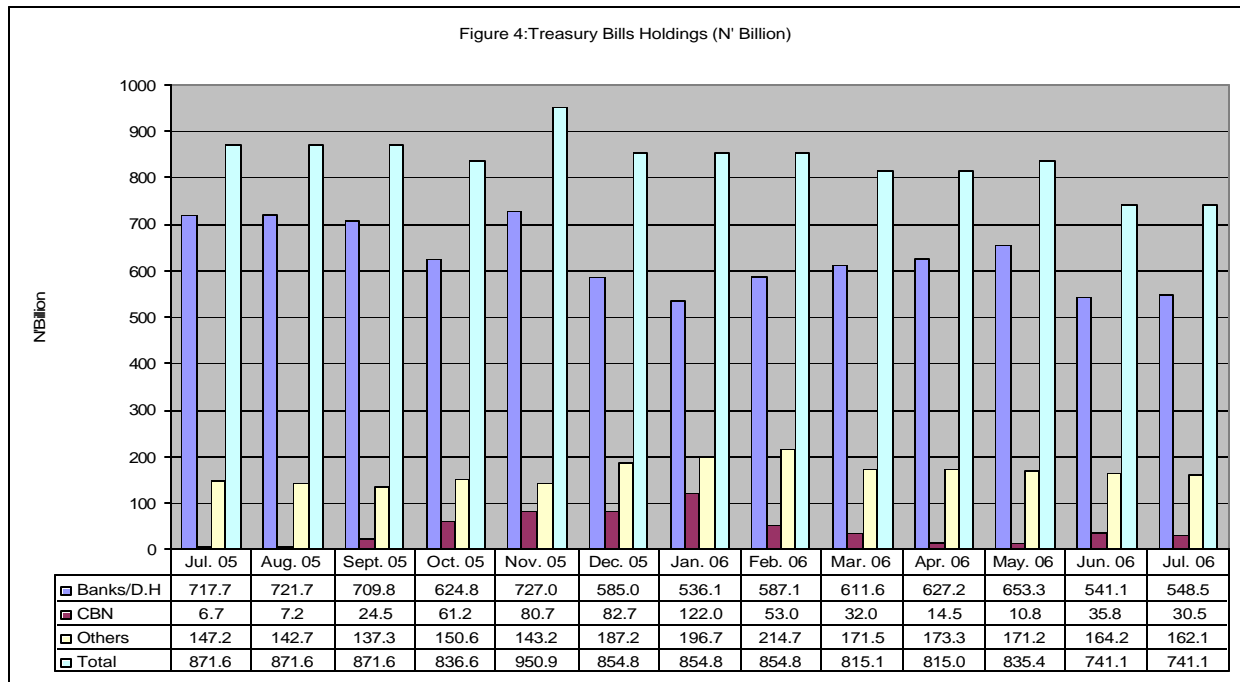
In real terms, prime and maximum lending rates remained positive at 4.8 and 6.2 per cent, respectively, when computed with the 12-month-moving average inflation rate of 11.4 per cent, while deposit rates remained generally negative in real terms. Conversely, both lending and deposit rates were positive in real terms using the year-on-year inflation rate of 3.7 per cent.

2.4 Money Market Developments

Available data indicated that the value of money market assets outstanding at end-August, 2006 fell by 4.1 per cent to ₦1,465.2 billion, in contrast to the increase of 8.2 per cent in the preceding month. The decline was traceable largely to the fall in treasury bills outstanding. Treasury bills outstanding fell by 14.4 per cent to ₦715.3 billion, in contrast to the increase of 12.7 per cent in the preceding month. The decline

houses jointly accounted for 61.6 per cent of the total amount issued during the month. The balance of 5.4 per cent was absorbed by the CBN.

Holdings of treasury bills outstanding showed that the DMBs and discount houses' share declined by 15.4 per cent to ₦552.5 billion. Holdings by the non-bank public, also, fell by 16.8 per cent to ₦142.37 billion. Consequently, the CBN's holding rose by 89.7 per cent to ₦20.5 billion.



reflected the repayments of maturing bills by the CBN during the month.

Treasury bills worth ₦125.0 billion were offered in August 2006, compared with ₦81.9 billion in the preceding month. Subscriptions and allotment stood at ₦229.2 billion and ₦118.6 billion, compared with ₦135.9 billion and ₦85.9 billion, respectively, in the preceding month. Analysis of allotment showed that investment by the non-bank public stood at ₦39.2 billion, representing 33.0 per cent of the total, while the DMBs and discount

2.5 Capital Market Developments

Available data indicated that activities on the Nigerian Stock Exchange (NSE) in August, 2006 were bullish. The volume and value of traded securities increased by 50.0 and 90.7 per cent to 5.1 billion shares and ₦75.9 billion, respectively. The banking sub-sector maintained its dominance on the Exchange as it accounted for 77.7 per cent of the month's total volume of transactions. There were no transactions in the Federal

Government and industrial loans/preference stocks.

In the new issues market, three Federal Government Bonds namely, the ₦20.0 billion 3rd FGN Bond 2009 Series 11, the ₦29.28 billion 3rd FGN Bond 2009 Series 12 and the ₦75.0 billion Special FGN Bond for Pension Arrears were admitted on the Exchange. Also, a total of seven supplementary listings, involving five bonuses, a rights issue and a merger arrangement were listed on the Exchange. Manny Bank Plc and FSB International Bank Plc were, however, delisted, following their merger with Fidelity Bank Plc.

Market capitalization and value index increased by 21.6 and 18.7 per cent to ₦4.5 trillion and 33,096.37 (1984=100), respectively, during the review month. The development was attributable largely to price gains recorded by highly capitalized stocks as well as the new listings, particularly the three Federal Government Bonds.

2.6 Deposit Money Banks' Activities

Available data indicated that total assets/liabilities of DMBs stood at ₦6,460.7 billion, in August 2006, and represented a rise of 1.7 per cent over the level in the preceding month. Funds, which were sourced mainly from time, savings and foreign currency deposits, were utilized largely for unclassified liabilities.

Aggregate credit to the domestic economy by the DMBs amounted to ₦3,964.0 billion, representing an increase of 2.9 per cent over the level in the preceding month. The rise was traceable to the increase in claims on both state and local government and other financial institutions during the period.

The Central Bank's credit to the DMBs amounted to ₦10.2 billion,

representing a decline of 21.1 per cent from the level in July 2006. The development reflected the further decline in banks overdrawn position with the CBN during the period.

Total specified liquid assets of the DMBs stood at ₦2,179.8 billion, or 57.9 per cent of their total current liabilities. This level of liquid assets was 17.9 percentage points above the stipulated minimum ratio of 40.0 per cent for fiscal 2006, while the loans-to-deposit ratio, at 62.6 per cent, was 17.4 percentage points below the maximum target of 80.0 per cent.

2.7 Discount Houses

Total assets/liabilities of the discount houses stood at ₦213.6 billion in August 2006, representing an increase of 9.6 per cent over the level in the preceding month. The rise in assets was attributable largely to the 59.9 per cent increase in "cash and balances with banks", while the rise in liabilities was attributable largely to the 11.3 and 8.8 per cent increase in "other amount owing" and "money-at-call", respectively, during the period. Discount houses' investments in Federal Government securities of less than 91 days maturity stood at ₦91.2 billion, representing 50.8 per cent of their total liabilities. This level of investment was 9.2 per cent over the level in the preceding month but was 9.2 percentage points below the prescribed minimum of 60.0 per cent for fiscal 2006.

Total borrowing by discount houses was ₦87.9 billion, while their capital and reserves amounted to ₦15.2 billion, resulting in a gearing ratio of 5.8:1, compared with the prescribed maximum target of 50:1 for the year.

3.0 DOMESTIC ECONOMIC CONDITIONS

The predominant agricultural activities in August, 2006 were weeding; cultivation of various crops; and harvesting of root crops and vegetables. Crude oil production was estimated at 2.28 million barrels per day (mbd) or 70.68 million barrels for the month. The inflation rate for August, 2006, on a year-on-year basis, stood at 3.7 per cent, compared with 3.0 per cent recorded in the preceding month.

3.1 Agricultural Sector

The predominant agricultural activities during the month of August, 2006 were harvesting of root and tuber crops, maize, cowpea and sorghum. In the Southern States, farmers were engaged in harvesting of root and tuber crops, and maize, while in the Northern States, farming activities consisted of the cultivation of cereals such as cowpea and sorghum. In the livestock sub-sector, most poultry farmers intensified clearing and disinfecting of broiler houses as well as their surroundings to minimize the incidence of diseases associated with wet season.

The sum of ₦547.7 million was granted to 6,048 farmers under the Agricultural Credit Guarantee Scheme (ACGS) during the review month, representing an increase of 208.8 and 52.4 per cent over the levels in the preceding month and the corresponding period of 2005, respectively. A sub-sectoral analysis of the loans guaranteed showed that the food crops sub-sector received the largest share of ₦450.2 million or 82.2 per cent granted to 5,565 farmers. The livestock sub-sector got ₦70.7 million or 12.9 per cent granted to 339 farmers, while the fisheries sub-sector

received ₦17.9 million or 3.3 per cent granted to 89 beneficiaries. The cash crops sub-sector received ₦8.7 million or 1.6 per cent granted to 53 beneficiaries, while the “others” sub-sector received the balance of ₦0.2 or 0.04 per cent granted to 2 beneficiaries. Further analysis by states showed that twenty-two states benefited from the scheme with the highest guaranteed sum of ₦102.0 million (18.6 per cent) to 510 farmers in Adamawa State, and the lowest sum of ₦1.6 million (0.3 per cent) to 11 farmers in Anambra State.

The prices of Nigeria’s major agricultural commodities at the London Commodities Market recorded a general decline during the review month. At 108.9 (1985=100), the all-commodities price index, in dollar terms, declined by 3.3 per cent from the level in the preceding month. Further analysis showed that all the six commodities monitored, namely; cotton, soya bean, cocoa, copra, coffee, and palm oil, recorded price declines of 0.5, 1.7, 3.1, 4.4, 4.7 and 5.1 per cent, respectively, in dollar terms, when compared with their levels in the preceding month.

In naira terms, at 9,512.35 (1985=100), the all commodities price index, declined by 3.4 per cent from the level in the preceding month. Further analysis showed that all the six commodities monitored, namely; cotton, soya bean, cocoa, copra, coffee and palm oil recorded price declines of 0.4, 1.7, 3.0, 4.4, 4.6 and 5.1 per cent, respectively, from their levels in the preceding month.

3.2 Petroleum Sector

Nigeria’s crude oil production, including condensates and natural gas liquids, was estimated at 2.28 million barrels per day (mbd) or 70.68 million barrels in August, 2006, compared with 2.16 mbd or

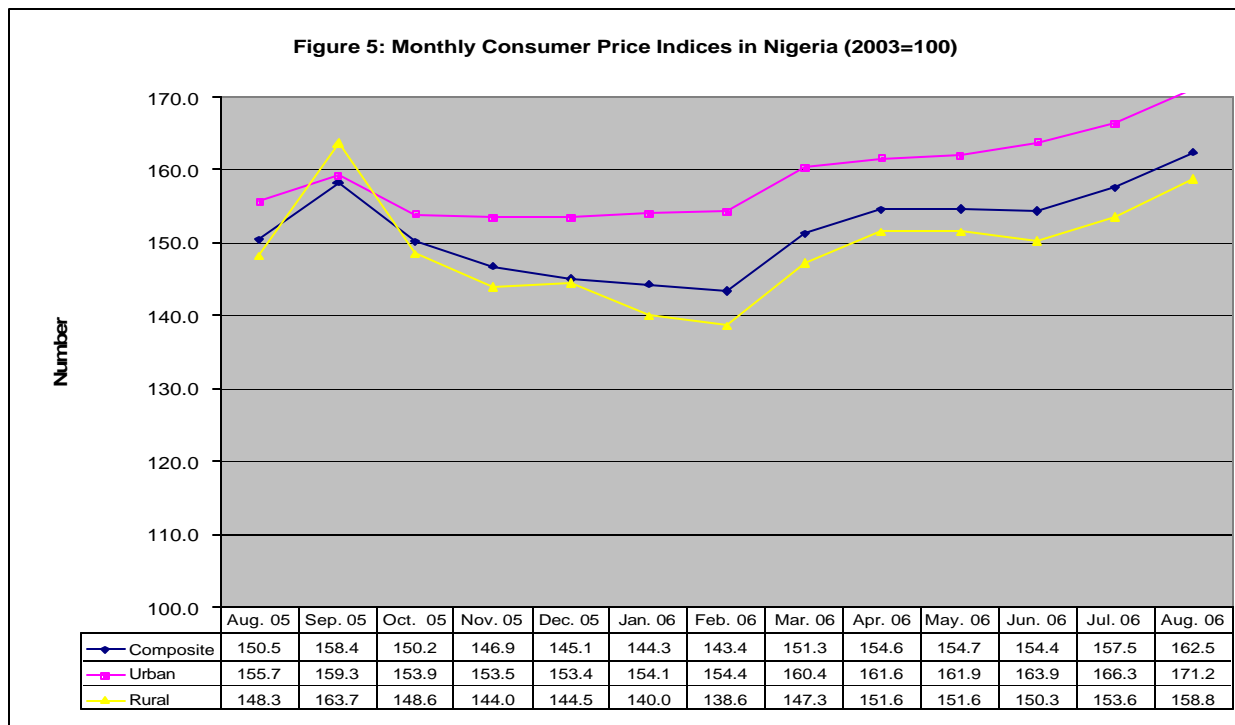
66.96 million barrels in the preceding month. Crude oil export was estimated at 2.0 mbd or 62.0 million barrels for the month, compared with 1.71 mbd or 53.01 million barrels in July, 2006. Deliveries to refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels for the month.

At an estimated average price of US\$75.04 per barrel, the price of Nigeria's reference crude, the Bonny Light (37° API), rose by 0.2 per cent over the level in the preceding month. On the other hand, the prices of other competing crudes namely;

supply outages from Iran and Nigeria contributed to the price increase in the review period.

3.3 Consumer Prices

Data from the National Bureau of Statistics (NBS) showed that the all-items composite Consumer Price Index (CPI) for August, 2006 stood at 162.5 (May 2003=100), representing an increase of 3.2 and 3.7 per cent over the 157.5 and 156.7 recorded in the preceding month and corresponding



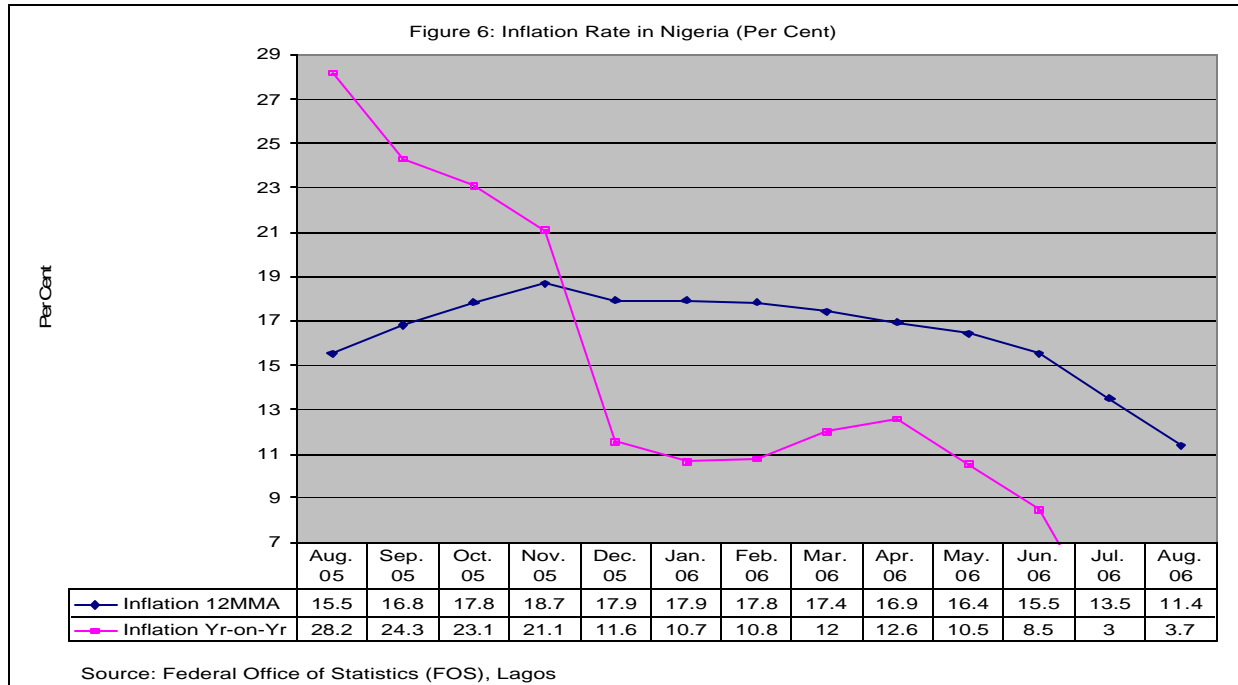
the West Texas Intermediate, Arab Light, and the Forcados, declined by 1.9, 1.5, and 0.4 per cent to US\$73.04, US\$67.27 and US\$74.03 per barrel, respectively. U.K Brent, however, rose by 1.0 per cent to US\$74.14 per barrel in the review month. The increase in price was attributable to the fear of hurricane recurrence at the onset of the season as well as the shut down of British Petroleum's Prudhoe Bay field in Alaska, North America. Also, persistent hostilities in the Middle East as well as

period of 2005, respectively. The development was attributable to the increase in the following components: health; education; miscellaneous goods & services; Food; Food and Non Alcoholic Beverages; Restaurant & Hotels; Alcoholic beverages, tobacco & kola; Recreation and culture; transport; furnishings, housing equipment & household maintenance; and housing, water, electricity, gas & other fuel whose indices increased by 15.5, 9.3, 8.1, 5.4, 5.4, 4.7, 2.9, 2.0, 1.7, 1.4 and 0.2 per cent, respectively.

This was, however, moderated by the components of clothing and foot wear; and Communication whose indices declined by 0.1 per cent each.

The urban all-items CPI for August,

twelve-month moving average basis for the month under review stood at 11.4 per cent, compared with 13.5 per cent recorded in July 2006.



2006 stood at 171.2 (May 2003=100), indicating an increase of 2.9 and 9.0 per cent over the levels in the preceding month and corresponding period of 2005, respectively. Also, the rural all-items CPI for August 2006, which stood at 158.8 (2003=100), indicated an increase of 3.3 and 1.5 per cent over the levels in the preceding month and the corresponding month of 2005, respectively.

The rate of inflation for August, 2006, on a year-on-year basis stood at 3.7 per cent, compared with 3.0 per cent in the preceding month. The rise was attributable largely to the increase in the prices of kerosene, diesel and spare parts which led to the increase in the prices of some food items. Another factor was the rise in the price of educational material during the period under review. The inflation rate on a

4.0 EXTERNAL SECTOR DEVELOPMENTS

4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN, amounted to US\$2.99 billion and US\$1.61 billion, in August 2006, compared with US\$3.25 billion and US\$1.16 billion, respectively, in July 2006. This resulted in a net inflow of US\$1.38 billion, compared with US\$2.08 billion in the preceding month. Inflow declined by 7.9 per cent, while outflow rose by 38.3 per cent, relative to the preceding month's levels. The fall in inflow was attributable to the decline in both oil and non-oil sector receipts, while the increase in outflow was traceable to the significant increase in DAS Utilisation.

Available data on aggregate foreign exchange flows through the economy in August 2006 showed that total inflow declined by 4.0 per cent to US\$5.56 billion. Oil sector receipts, which accounted for 50.6 per cent of the total, fell by 1.6 per cent to US\$2.81 billion from the level in the preceding month. Non-oil public sector inflows, also declined by 54.4 per cent to US\$0.18 billion and accounted for 3.2 per cent of the total inflows. Autonomous inflow, however, increased slightly by 1.0 per cent to US\$2.57 billion, representing 46.2 per cent of the total.

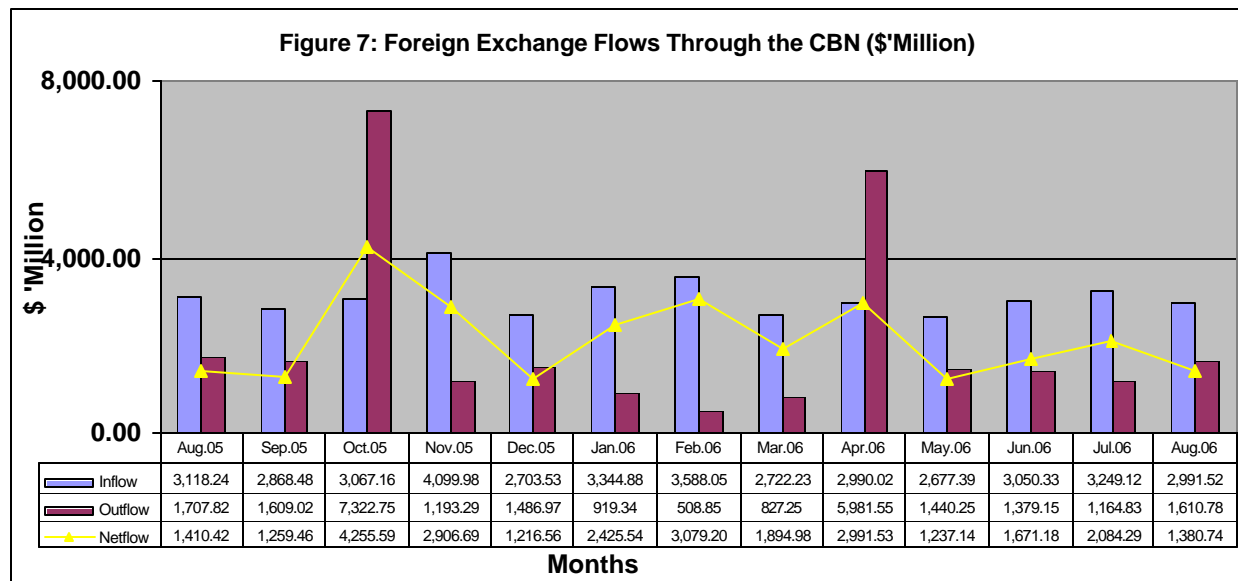
At US\$1.64 billion, aggregate foreign

cumulative net inflow increased to US\$26.40 billion, compared with US\$18.89 billion recorded in the corresponding period of 2005.

4.2 Non-Oil Export Proceeds by top 100 Exporters

Non-oil export earnings by Nigeria's top 100 exporters amounted to US\$76.34 million in August, 2006, indicating an increase of 47.2 per cent over the preceding month's level.

A breakdown of the proceeds during the month showed that proceeds in respect



exchange outflow from the economy rose by 37.6 per cent over the preceding month's level, reflecting the sharp increase in DAS Utilisation occasioned by the lull in activities in the inter-bank foreign exchange market. All other components of outflows, however, declined during the review month.

Cumulative inflows and outflows through the economy in the first eight months of the year stood at US\$40.54 billion and US\$14.14 billion, respectively, compared with US\$30.65 billion and US\$11.76 billion in the corresponding period of 2005. Consequently, the

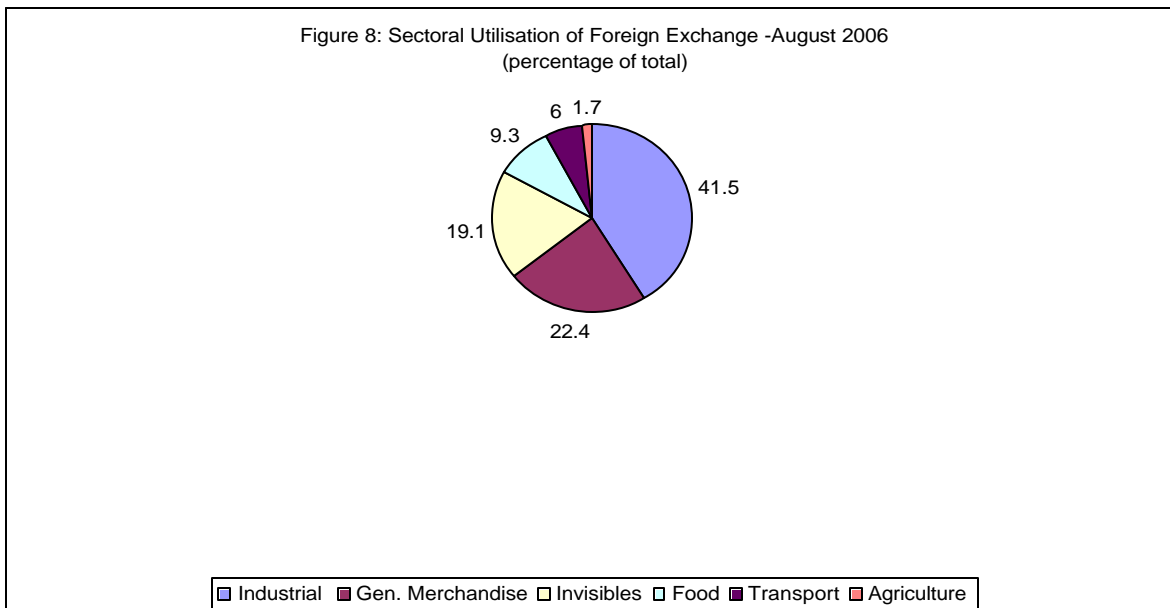
of agricultural, manufacturing and 'others' sub-sectors rose by 81.3, 22.5 and 101.7 per cent to US\$36.39 million, US\$37.39 million and US\$2.56 million, respectively. The rise in non-oil export proceeds was attributable largely to the variation in the prices of some of the commodities traded at the international commodities market. The shares of agricultural sector in total non-oil export proceeds was 47.5 per cent during the month, as against 38.6 per cent in the preceding month, while manufacturing sub-sector accounted for 48.8 per cent, compared with 58.7 percent in the preceding month.

The share of “others” sub-sector increased marginally from 2.4 per cent to 3.3 percent. The top 100 exporters accounted for 99.6 per cent of all the non-oil export proceeds in August, 2006.

4.3 Sectoral Utilisation of Foreign Exchange

The industrial sector accounted for the bulk (41.5 per cent) of total foreign

exchange over the preceding month’s level but a decline of 10.8 per cent from the level in the corresponding period of 2005. The development was attributable to the lull in activities recorded at the inter-bank foreign exchange market. Following the further liberalization of the market, the weighted average exchange rate of the Naira vis-à-vis the US dollar appreciated marginally by 0.04 per cent to ₦127.06 per dollar in August 2006. In the bureaux de change



exchange disbursed in August, 2006, followed by the general merchandise sector (22.4 per cent). Other beneficiary sectors, in descending order, included; invisibles (19.1 per cent), food (9.3 per cent), transport (6.0 per cent), and agricultural products (1.7 per cent) (Fig.8).

4.4.1 Foreign Exchange Market Developments

The sale of foreign exchange by the CBN to authorized dealers amounted to US\$1,142.09 million, during the month under review, representing a significant increase of US\$590.17 million or 106.9 per

cent of the market, however, the rate depreciated by 0.3 per cent to ₦130.47 per dollar from ₦130.12 per dollar in July, 2006.

Consequently, the premium between the official and bureaux de change rates widened from 2.4 per cent in July, 2006 to 2.7 per cent.

4.5 External Reserves

Available data showed that Nigeria’s gross external reserves at end-August, 2006 stood at US\$39.17 billion, representing an increase of 2.9 per cent over the level of US\$38.07 billion recorded in the preceding

month. When compared with the level at end-August, 2005, it rose by 45.3 per cent. At the current rate of foreign exchange commitments, the level of reserves could finance about 23.8 months of current foreign exchange disbursement, compared with 31.9 months in July, 2006.

5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output in August 2006 was estimated at 84.90 million barrels per day (mbd), while demand was estimated at 84.80 mbd, compared with 82.70 mbd in the preceding month, indicating an excess supply of 0.10 mbd. The increase in demand was attributable largely to the higher demand for crude in China.

Other major international economic developments of relevance to the domestic economy during the month included the 30th Ordinary Meeting of the Assembly of Governors of the Association of African Central Banks (AACB) held on August 18, 2006 in Windhoek, Namibia. The meeting was preceded by a symposium on 'Domestic Capital Markets and Mobilization of Resources for Growth and Poverty Reduction'. The symposium brought to fore the need for African countries to develop viable bond and equity markets to harness potentially cheap, medium and long-term financial resources. The major decisions and agreements reached at the meeting were as follows:

- ◆ The Governors noted with satisfaction, the progress made by all the sub-regions in the implementation of the African Monetary Cooperation Programme (AMCP). They commended member

states, particularly the oil importing countries for the prudent economic policies that have enabled their economies to exhibit resilience in the midst of high and volatile crude oil prices and urged member countries to sustain the implementation of sound policies towards the achievement of macroeconomic convergence.

- ◆ The report on the AMCP be put in the public domain for the people of Africa to appreciate the significant progress being made on the economic front by member countries in spite of the difficult external environment.
- ◆ The theme for the 2007 symposium would be 'Micro-Finance, Savings and Credit Unions in Poverty Alleviation'.
- ◆ The Assembly elected Mr. Tom K. Alweendo, Governor of the Bank of Namibia as the Chairperson of the AACB and seven other officials for the 2006/2007 year.

In another development, a meeting of the African Ministers of Finance and Economic Development under the aegis of the African Governors Caucus was held from August 1 – 3, 2006 in Maputo, Mozambique. The meeting was to articulate an African position following the ongoing reforms in the Bretton Woods Institutions, ahead of the International Monetary Fund (IMF) and World Bank Annual Meetings which would take place in Singapore in September, 2006. The following were the major highlights of the meeting:

- ◆ The Ministers called for an end to the erosion of African voice and participation in the Bretton Woods

- Institutions and resolved to lobby for increase in basic votes.
- ◆ The Ministers while welcoming the declaration by the IMF Managing Director to increase African IMF Staff members from 6 to 8 per cent, called for a continued increase in the percentage.
 - ◆ The Director of the IMF's African Department strongly reiterated the IMF's commitment to help low-income countries make progress toward achieving the Millennium Development Goals.
 - ◆ The Meeting also noted the challenge posed by escalating oil prices to both exporting and non-oil exporting countries.