

CENTRAL BANK OF NIGERIA



MONTHLY REPORT

FEBRUARY 2007

RESEARCH AND STATISTICS DEPARTMENT

CENTRAL BANK OF NIGERIA

MONTHLY REPORT

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The Central Bank of Nigeria 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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TABLE OF CONTENTS

	EDITORIAL BOARD	i
	TABLE OF CONTENTS	ii
1.0	SUMMARY	1
2.0	FINANCIAL SECTOR DEVELOPMENTS ...	3
2.1	Monetary and Credit Developments ...	3
2.2	Currency-in-Circulation and Deposits at the CBN ...	4
2.3	Interest Rate Developments	4
2.4	Money Market Developments... ..	5
2.5	Capital Market Developments... ..	6
2.6	Deposit Money Banks' Activities ...	7
2.7	Discount Houses' Activities	8
3.0	DOMESTIC ECONOMIC CONDITIONS ...	8
3.1	Agricultural Sector	8
3.2	Petroleum Sector	9
3.3	Consumer Prices	10
4.0	EXTERNAL SECTOR DEVELOPMENTS ...	11
4.1	Foreign Exchange Flows	11
4.2	Non-Oil Export Proceeds by top 100 Exporters ...	11
4.3	Sectoral Utilisation of Foreign Exchange ...	12
4.4	Foreign Exchange Market Developments ...	12
4.5	External Reserves	13
5.0	OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS	13
FIGURES		
1.	Aggregate Money Supply in Nigeria ...	3
2.	Aggregate Domestic Credit to the Economy ...	4
3.	Banks' Interest Rates	5
4.	Treasury Bills' Holdings	7
5.	Monthly Consumer Price Indices in Nigeria ...	9
6.	Inflation Rate in Nigeria	10
7.	Foreign Exchange Flows Through the CBN ...	11
8.	Sectoral Utilisation of Foreign Exchange ...	12
9.	Monetary and Credit Developments Table ...	15



ECONOMIC REPORT FOR THE MONTH OF FEBRUARY 2007

1.0 SUMMARY

Provisional data indicated decline in monetary aggregates in February, 2007. Broad money stock (M_2) and narrow money supply (M_1) fell by 0.4 and 0.1 per cent, in contrast to the 6.7 and 5.4 per cent increase in January, 2007. The development was attributable to the decline in foreign assets (net) of the banking system.

Available data indicated a general decline in banks' deposit and lending rates in February, 2007. The margin between banks' weighted average deposit and maximum lending rates, widened from 11.03 percentage points in January, 2007 to 11.35 per cent in February. The spread between the average savings deposit and maximum lending rates, also, widened from 15.34 per cent to 15.45 percentage points. The weighted average inter-bank call rate remained at 7.25 per cent same as in the preceding month.

The value of money market assets outstanding increased by 5.8 per cent to ₦1,756.8 billion, compared with the increase of 1.4 per cent in the preceding month. The rise was traceable largely to the 31.6 per cent increase in Commercial Papers (CPs), reinforced by the 5.1 per cent rise in FGN bonds outstanding. Available data indicated that activities on the Nigerian Stock Exchange were bullish during the review month as all the major market indicators trended upward.

The major agricultural activities in the review month included: harvesting of tree crops, fruits, land clearing for wet season farming and tending of irrigation-fed vegetables and cereal crops. The prices of most Nigerian major agricultural commodities at the London Commodities Market increased. At 247.5

(1990=100), the all-commodities price index, in dollar terms, rose by 5.0 per cent over the level in the preceding month.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.15 million barrels per day (mbd) in February, 2007, compared with 2.20 mbd in the preceding month. Crude oil export was estimated at 1.70 mbd for the month, while deliveries to the refineries for domestic consumption remained at 0.45 mbd or 12.60 million barrels for the month. The average price of Nigeria's reference crude, the Bonny Light (37^o API), estimated at US\$59.35 per barrel, increased by 6.8 per cent over the level in January 2007.

The inflation rate on a year-on-year basis declined to 7.1 per cent in February, 2007, from 8.0 per cent in the preceding month. Inflation rate on a twelve-month moving average was 7.7 per cent, compared with 8.0 per cent in January, 2007. The fall was attributable largely to the decline in the prices of some food items during the period under review.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) in February, 2007, amounted to US\$2.63 billion and US\$3.52 billion, respectively, resulting in a net outflow of US\$0.89 billion. The fall in inflow relative to the preceding month, was traceable to the decline in oil sector receipts, while the rise in outflow was attributable to the substantial increase in 'other official payments', external debt service and DAS utilisation. The demand pressure in the foreign exchange market intensified in February, 2007, as foreign exchange sales by the CBN to the authorized

dealers rose by 93.9 per cent over the preceding month's level. The weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated from ₦128.28 per dollar to ₦128.27 per dollar in February, 2007. In the bureaux de change segment of the market, the rate, also, appreciated marginally by 0.1 per cent to ₦130.00 per dollar from ₦130.06 per dollar. Available data showed that Nigeria's gross external reserves declined by 2.2 per cent to US\$42.55 billion in February, 2007. Non-oil export earnings by Nigeria's top 100 exporters in February, 2007 amounted to US\$54.95 million, indicating a decline of 9.8 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 ordinary meeting of the Bureau of the Association of African Central Banks (AACB) held in Dakar, Senegal on February 23, 2007. The purpose of the meeting was to consider the plan for the establishment of pan-African financial institutions as well as the report on the progress made by the AACB sub-regions on the implementation of the African Monetary Cooperation Programme (AMCP) in 2006.

2.0 FINANCIAL SECTOR DEVELOPMENTS

Money supply as well as banks' deposit and lending rates generally declined in February, 2007. The value of money market assets outstanding increased, following largely the 31.6 per cent rise in Commercial Papers (CP). Transactions on the Nigerian Stock Exchange were bullish during the review month as all the major market indicators trended upward.

2.1 Monetary and Credit Developments

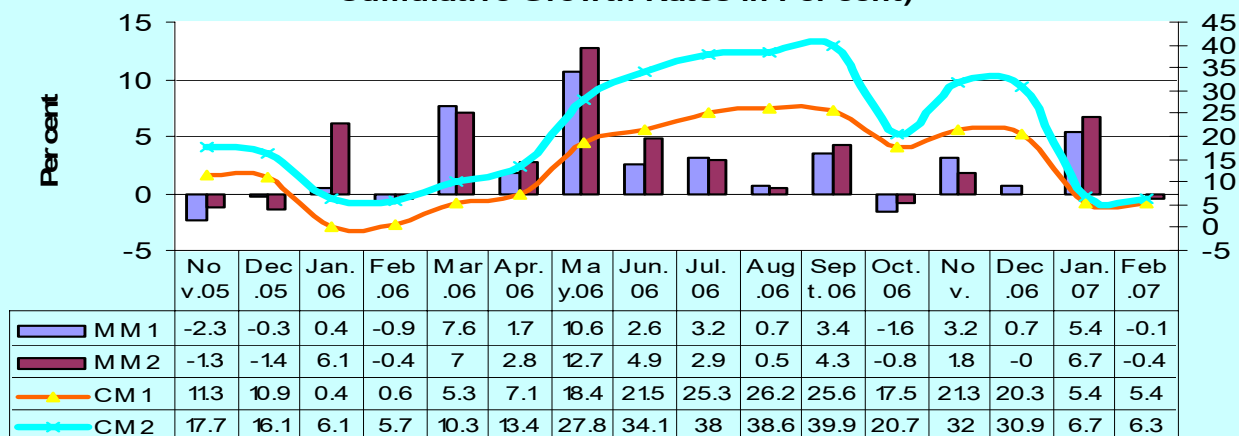
Provisional data indicated that broad money supply (M_2) and narrow money supply (M_1) fell by 0.4 and 0.1 per cent to

Aggregate banking system credit (net) to the domestic economy increased by 13.6 per cent to ₦348.7 billion, in contrast to the decline of 59.3 per cent in January 2007. The development was traceable entirely to the rise in banking system credit to the private sector during the review period.

Banking system's credit (net) to the Federal Government in February, 2007, declined by 10.2 per cent, compared with the decline of 27.0 per cent recorded in the preceding month. The development reflected wholly the decline in DMBs' claim on the Federal Government. Over the level at end-December, 2006, banking system credit (net) to the Federal Government fell by 40.0 per cent.

Banking system's credit (net) to the private sector rose by 10.6 per cent to ₦2,885.5 billion, compared with the

Figure 1: Aggregate Money Supply in Nigeria (Monthly & Cumulative Growth Rates in Per cent)



₦3,906.5 billion and ₦2,038.8 billion, respectively, in contrast to the increase of 6.7 and 5.4 per cent in the preceding month. The development was attributable to the decline in foreign assets (net) of the banking system. Over the level at end-December, 2006, M_1 and M_2 , however, grew by 6.3 and 5.4 per cent, respectively (fig.1 and table 1).

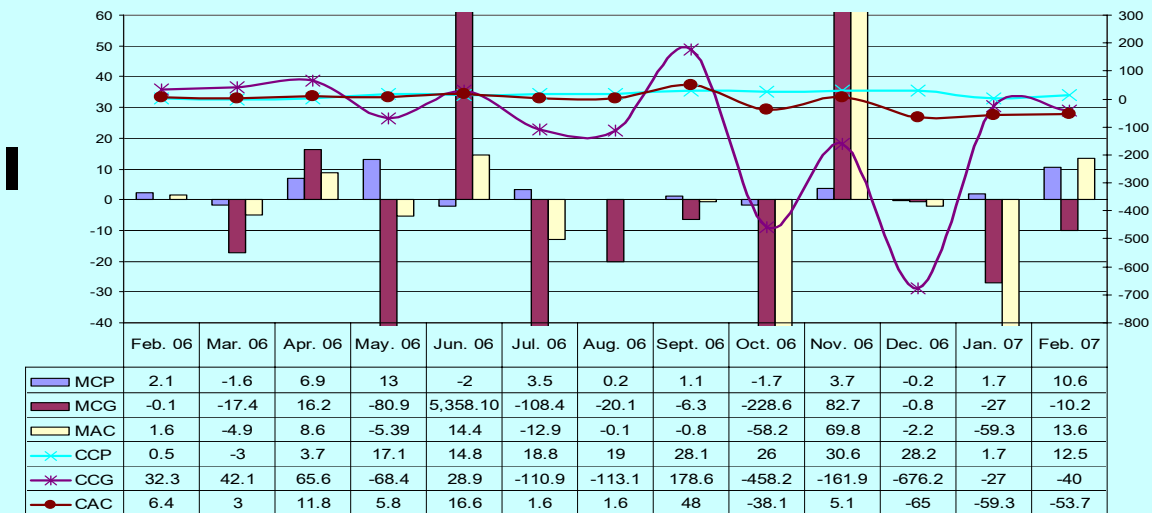
increase of 1.7 per cent in the preceding month. The rise reflected wholly the 11.2 per cent increase in DMBs' claims on the sector. Over the level at end-December 2006, credit to the private sector rose by 12.5 per cent.

At ₦6,880.0 billion, foreign assets (net) of the banking system declined by 4.9 per cent, in contrast to the increase of 16.3 per cent in January, 2007. The development was attributable entirely to the 5.7 per cent fall in the CBN's holdings. Over the level at end-December 2006, foreign assets (net) of the banking system, however, rose by 10.6 per cent, compared with the increase of 12.1 per

2.2 Currency-in-circulation and Deposits at the CBN

At ₦704.6 billion, currency in circulation fell by 0.1 per cent in February, 2007, compared with the level in the preceding month. The fall was traceable entirely to the 4.0 per cent decline in vault cash.

Figure 2: Aggregate Domestic Credit To The Economy (Monthly & Cumulative Growth Rate)



cent a year ago.

Quasi money fell by 0.7 per cent to ₦1,867.6 billion, in contrast to the increase of 8.1 per cent in the preceding month. The development was attributable to the decline in all the components namely, time and savings deposits of the DMBs during the month. Over the level at end-December 2006, quasi-money, however, rose by 7.4 per cent.

Other assets (net) of the banking system also rose by 8.2 per cent, in February, 2007, in contrast to the decline of 9.7 per cent in the preceding month. The development reflected the increase in unclassified assets of the DMBs.

Total deposits at the CBN amounted to ₦4,081.6 billion, indicating a decline of 3.2 per cent from the level in the preceding month. The development was attributable largely to the 1.4 per cent fall in Federal Government's deposits, reinforced by the 35.5 and 21.1 per cent decline in private sector and DMBs' deposits, respectively. The shares of the Federal Government, banks and "others" in total deposits at the CBN were 95.2, 2.4 and 2.4 per cent, respectively, compared with 93.5, 2.9 and 3.6 per cent, in the preceding month.

2.3 Interest Rate Developments

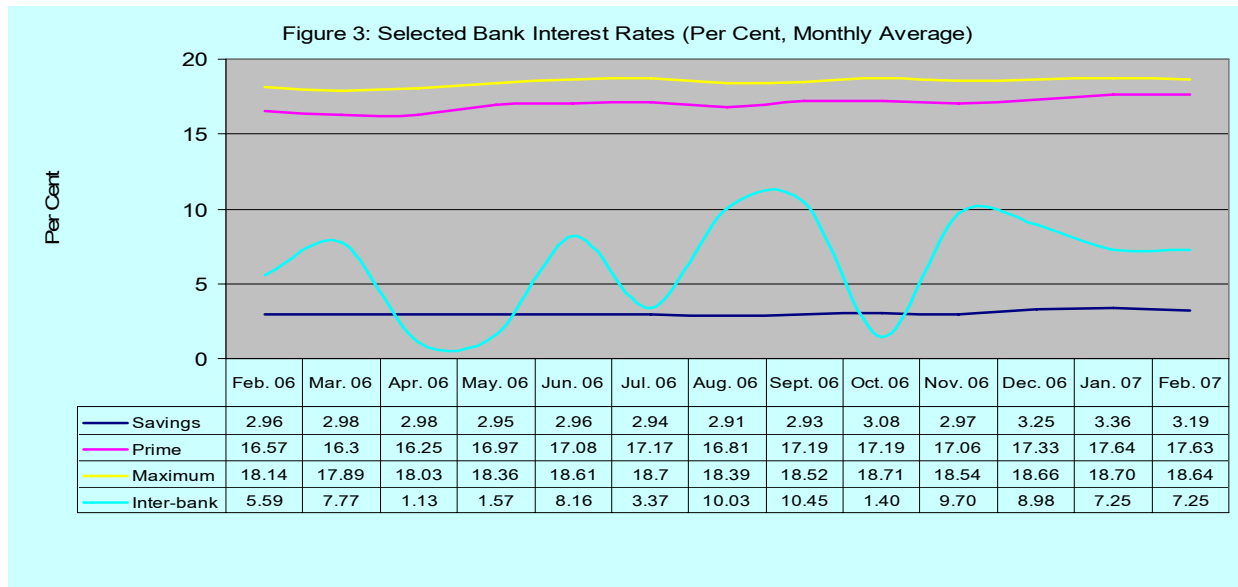
Available data indicated a general decline in banks' deposit and lending rates in February, 2007. The average savings

deposit rate declined by 0.17 percentage point to 3.19 per cent, while other rates on deposits of various maturities fell to a range of 4.01–10.01 per cent from a range of 4.29–10.38 per cent in the preceding month. Similarly, the weighted average prime and maximum lending rates declined by 0.01 and 0.06 percentage points to 17.63 and 18.64 per cent, respectively.

Consequently, the spread between the weighted average deposit and maximum lending rates widened from 11.03 to 11.35 percentage points in February, 2007. The margin between the average savings deposit

month. The increase was traceable largely to the 31.6 per cent rise in commercial papers (CPs), reinforced by the 5.1 per cent rise in outstanding FGN bonds. Treasury bills outstanding, however, declined by 2.1 per cent from the preceding month's level to ₦675.5 billion.

Treasury bills worth ₦92.1 billion were offered in February 2007, compared with ₦115.0 billion in the preceding month. Subscriptions and allotment stood at ₦233.8 billion and ₦92.1 billion, compared with ₦226.2 billion and ₦115.0 billion, respectively, in January, 2007. Analysis of



and maximum lending rates, also, widened from 15.34 percentage points in the preceding month to 15.45 percentage points.

The weighted average inter-bank call rate remained at 7.25 per cent same as in the preceding month (fig. 3).

2.4 Money Market Developments

Available data indicated that money market activity was on the upswing as the value of money market assets outstanding at end-February, 2007 increased by 5.8 per cent to ₦1,756.8 billion, compared with the increase of 1.4 per cent in the preceding

allotment showed that the deposit money banks (DMBs) and discount houses jointly accounted for ₦70.2 billion or 76.2 per cent of the total, while the balance of ₦21.9 billion or 23.8 per cent went to the non-bank public during the month.

Holdings of treasury bills outstanding showed that the DMBs and discount houses' holdings rose by 2.7 per cent to ₦515.2 billion. Holdings by the non-bank public, however, declined by 15.6 per cent to ₦139.7 billion. Consequently, the CBN's holding declined from ₦22.9 billion in January, 2007 to ₦20.6 billion in February, 2007.

Interventions in the open market resumed in the review month as two auctions were held on the 16th and 23rd of February 2007. The maturities of the securities were programmed to synchronize with the primary market issues in preparation for the secondary market trading in money market instruments, under the new monetary policy framework. The auctions were opened only to the twenty appointed money market dealers. The tenors issued were 90-day, 55-day and 27-day, and the total amount offered and sold was ₦50 billion, while public subscriptions stood at ₦68.25 billion.

Further analysis of the market showed that the 27-day tenor recorded the highest subscription at bid rates ranging from 6.5 to 8.0 per cent. The stop rates for the 90-day and 55-day bills were 7.48 and 7.21 per cent, respectively, while the 27-day bills were sold at rates of 7.20 and 7.22 per cent at the first and second auctions, respectively. The impressive subscriptions were attributable to the impact of statutory revenue allocations; Joint Venture Cash calls (JVC) and Cash Reserve Requirement (CRR) payments as well as the huge repayments of matured OMO bills.

The CBN standing facilities constituted the hub of the new monetary policy framework which was designed to stabilize inter-bank rates in the money market. The cumulative deposits of ₦2,766.3 billion was made in February, 2007, as against ₦794.1 billion in the preceding month. The high level of deposits was attributable to the persistent liquidity surfeit occasioned by the huge repayments of matured OMO bills and fiscal injections through statutory revenue allocation and JVC cash call payments to the joint venture partners in the review month.

The lending facility though available to market players, was not accessed as the need did not arise in view of the persistent liquidity overhang in the system.

2.5 Capital Market Developments

Available data indicated that activities on the Nigerian Stock Exchange (NSE) in February, 2007 were bullish as all the major market indicators trended upward. The volume and value of traded securities rose by 62.5 and 35.8 per cent to 9.1 billion shares and ₦116.9 billion, respectively, compared with the 5.6 billion shares valued at ₦86.1 billion in January 2007. The banking sub-sector maintained its lead as the most active stock, accounting for 65.3 per cent of the month's turnover on the Exchange. There were no dealings in the Federal Government and industrial loans/preference stocks during the period.

Transactions on the Over the Counter (OTC) bond market indicated that a turnover of 40.94 million units worth ₦44.0 billion was recorded, compared with the 32.97 million units worth ₦35.2 billion in January, 2007.

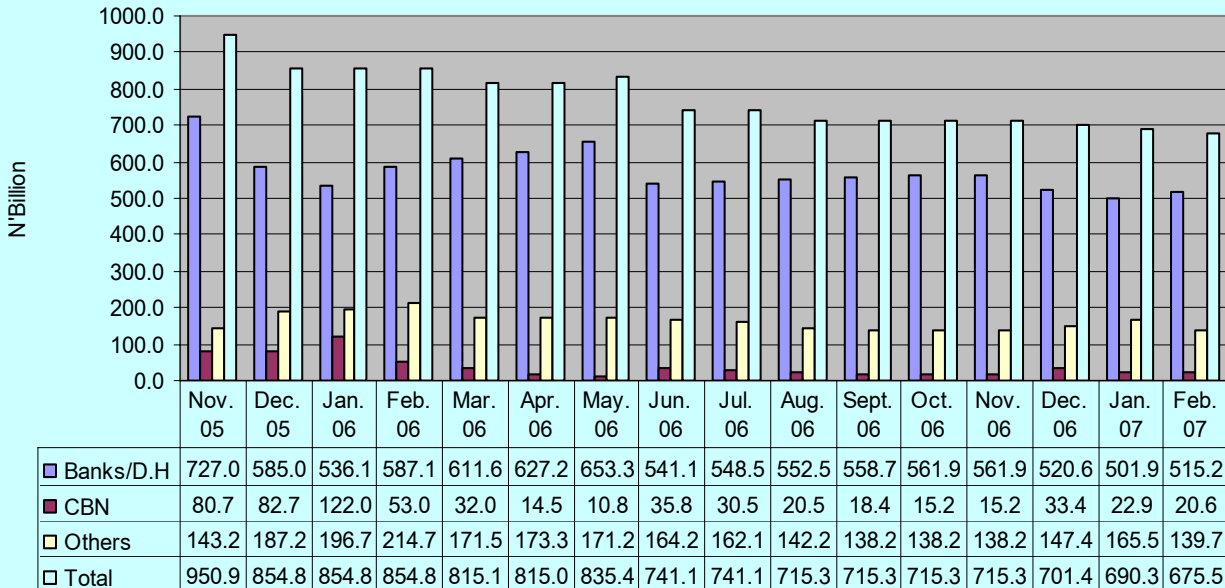
The most active bond in terms of volume was the 4th FGN Bond 2010 series one with a traded volume of 6.95 million units valued at ₦7.30 billion.

In another development, Access Bank Plc launched the Access Bank Nigeria Government Bond Index. The Index was introduced to provide credible data on the Nigerian sovereign bond markets that would help investors and other stakeholders in making informed investment decisions, as well as to provide a benchmark for measuring the performance of the rapidly developing local currency bonds market.

The market capitalization of listed securities trended upward in the month of

₦221.8 billion. The funds, which were sourced mainly from increased demand

Figure 4: Treasury Bills Holdings (N' Billion)



February, 2007. From ₦5.9 trillion recorded in the preceding month, market capitalization rose by 10.2 per cent to ₦6.5 trillion. Similarly, value index of listed securities rose by 10.7 per cent to 40,730.71 (1984=100), compared with 36,784.51 (1984=100) in the preceding month. The development was attributable largely to price gains recorded by some of the highly capitalised stocks on the Exchange, reinforced by the new listings on the Exchange.

2.6 Deposit Money Banks' Activities

Available data indicated that total assets/liabilities of deposit money banks (DMBs) stood at ₦7,177.7 billion, in February 2007, and represented an increase of 5.8 per cent over the level in the preceding month. The rise was attributable largely to the increase in claims on other financial institutions from ₦147.8 billion to

deposits, time, savings and foreign currency deposits, were utilized largely in extending credit to the private sector.

Aggregate credit to the domestic economy by the DMBs amounted to ₦3,385.5 billion, representing a decline of 2.4 per cent from the level in the preceding month. The decline was traceable entirely to the fall in claims on central government during the period.

The CBN's credit to the DMBs fell by 0.5 per cent to ₦10.0 billion, compared with the level in the preceding month. The development reflected the adoption of the new monetary policy rate (MPR) which discourages banks from borrowing from the CBN in the form of first resort.

Total specified liquid assets of the DMBs stood at ₦2,277.7 billion, or 54.4 per cent of their total current liabilities. This level of liquid assets was 0.8 percentage points lower than the preceding month's level, but 14.4 percentage points above the

stipulated minimum ratio of 40.0 per cent for fiscal 2007. The loans-to-deposit ratio, at 64.2 per cent, was 15.8 percentage points below the maximum target of 80.0 per cent.

2.7 Discount Houses

Available data indicated that total assets/liabilities of the discount houses stood at ₦164.9 billion in February 2007, representing a decline of 10.9 per cent from the level in the preceding month. The fall in assets was attributable largely to the 48.9 and 22.9 per cent decline in “claims on others” and “claims on banks”, respectively, while the fall in liabilities was attributable largely to the 19.5 and 6.2 per cent decline in “money at call” and “amount owing”, respectively, during the period. Discount houses’ investments in Federal Government securities of less than 91 days maturity stood at ₦67.2 billion, representing 51.2 per cent of their total deposit liabilities. This level of investment was 7.6 per cent over the level in the preceding month, but 8.8 percentage points below the prescribed minimum of 60.0 per cent for 2007 fiscal.

Total borrowing by discount houses was ₦70.6 billion, while their capital and reserves amounted to ₦16.7 billion, resulting in a gearing ratio of 4.2:1, compared with the prescribed maximum target of 50:1 for the year.

3.0 DOMESTIC ECONOMIC CONDITIONS

The predominant agricultural activities in February, 2007 were harvesting of tree crops, fruits, land clearing for 2007 wet season farming as well as tending of irrigation-fed vegetables and cereal crops. Crude oil production was estimated at 2.15 million barrels per day (mbd) or 60.20 million barrels for the

month. The inflation rate for February, 2007, on a year-on-year basis, was 7.1 per cent, compared with 8.0 per cent recorded in the preceding month.

3.1 Agricultural Sector

The predominant agricultural activities during the month of February, 2007 in the Southern States were harvesting of tree crops and fruits as well as land clearing for the 2007 wet season farming. In the Northern States, major operations centred on tending of irrigation-fed vegetables and cereal crops.

The sum of ₦65,820.0 million was guaranteed to 465 farmers under the Agricultural Credit Guarantee Scheme (ACGS) during the review month, representing a decline of 72.3 and 6.8 per cent from the level in the preceding month and the corresponding period of 2006, respectively. Further analysis showed that farmers from eleven states benefited from the scheme, with the highest guaranteed sum of ₦18.5 million (28.1 per cent) to 175 farmers in Cross River State, and the lowest sum of ₦0.2 million (0.23 per cent) granted to a farmer in Delta State.

Retail price survey of most staples by the CBN showed a general price decline in February, 2007. Eleven of the fourteen commodities monitored, namely yam flour, guinea corn, palm oil, millet, eggs, brown beans, groundnut oil, white beans, white maize, local rice and yellow maize, recorded price declines of 21.3, 15.8, 10.6, 8.0, 7.9, 7.7, 7.0, 6.6, 6.2, 6.0, and 5.5 per cent, respectively, from their levels in the preceding month. This was, however, moderated by the components of vegetable oil, white garri, and yellow garri whose prices increased by 7.4, 2.3 and 1.9 per cent, respectively, during the review month.

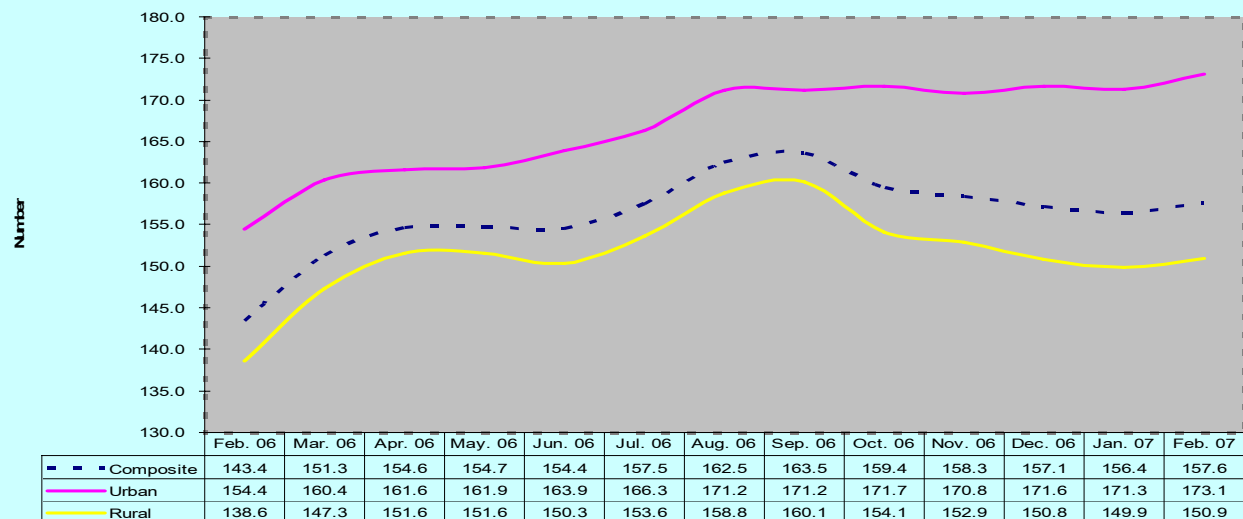
The prices of most Nigerian major agricultural commodities at the London Commodities Market recorded increases during the review month. At 247.5 (1990=100), the all-commodities price index, in dollar terms, rose by 5.0 and 41.0 per cent over their levels in the preceding month and the corresponding period of 2006, respectively. Further analysis showed that two of the six commodities monitored, namely cocoa and soya bean recorded price increase of 6.5 and 4.9 per cent, respectively, while copra, palm oil, cotton

moderated by cotton and coffee whose prices declined by 2.0 and 1.9 per cent, respectively, during the period.

3.2 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.15 million barrels per day (mbd) or 60.20 million barrels in February, 2007, compared with 2.20 mbd or 68.20 million barrels in the preceding month. Crude oil export was estimated at

Figure 5: Monthly Consumer Price Indices in Nigeria (2003=100)



and coffee recorded price decline of 9.1, 8.5, 2.0 and 1.9 per cent, respectively, when compared with their levels in the preceding month.

In naira terms, at 3,056.42 (1990=100), the all-commodities price index, also rose by 5.8 and 39.8 per cent over their levels in the preceding month and the corresponding period of 2006, respectively. Further analysis showed that four of the six commodities monitored, namely cocoa, soya bean, palm oil and copra recorded price increases of 6.5, 4.9, 1.6 and 1.0 per cent, respectively, over their levels in the preceding month. This was, however,

1.70 mbd or 47.60 million barrels for the month, compared with 1.75 mbd or 54.25 million barrels in January, 2007. Deliveries to refineries for domestic consumption remained at 0.45 mbd or 12.60 million barrels for the month.

At an estimated average price of US\$59.35 per barrel, the price of Nigeria's reference crude, the Bonny Light (37° API), increased by 6.8 per cent over the level in the preceding month. Similarly, the prices of other competing crudes, namely the West Texas Intermediate, the U.K Brent, the Arab Light and the Forcados rose by 8.4, 7.7, 7.7 and 7.0 per cent to US\$58.28, US\$57.23,

US\$52.90 and US\$59.17, respectively, in the review month. The development was attributable to several factors including the production cut by OPEC at the beginning of the month, cold weather in the United States of America and the tension between Iran and United States over the former's nuclear ambitions.

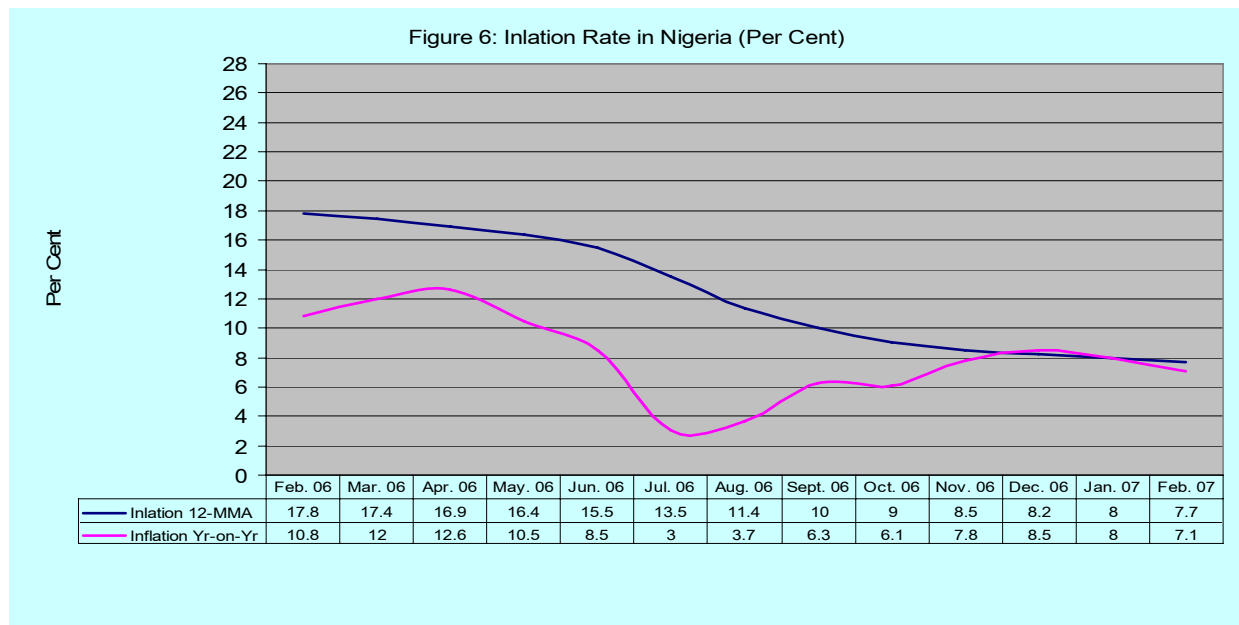
3.3 Consumer Prices

Data from the National Bureau of Statistics (NBS) showed that the all-items composite Consumer Price Index (CPI) for February, 2007 was 157.6 (May 2003=100), representing an increase of 0.8 and 7.1 per cent over the levels in the preceding month and the corresponding period of 2006, respectively. The development was

by the components of miscellaneous goods & services; furnishings, housing equipment & household maintenance; housing, water, electricity, gas & other fuel; recreation and culture; and health whose indices declined by 13.2, 3.1, 2.4, 1.6, and 1.3 per cent, respectively.

The urban all-items CPI for February, 2007 stood at 173.1 (May 2003=100), representing an increase of 1.1 and 9.1 per cent over the levels in the preceding month and the corresponding period of 2006, respectively. Similarly, the rural all-items CPI for February 2007, stood at 150.90 (2003=100), indicating an increase of 0.7 and 6.0 per cent over the levels in the preceding month and the corresponding period of 2006, respectively.

The rate of inflation for February,



attributable to the increase in the following components: restaurant and hotels; Food; Food and Non Alcoholic Beverages; transport; communication; clothing and foot wear; and alcoholic beverages, tobacco & kola whose indices increased by 5.2, 3.1, 3.1, 2.1, 1.2, 1.2, and 1.0 per cent, respectively. This was, however, moderated

2007, on a year-on-year basis, was 7.1 per cent, compared with 8.0 per cent in the preceding month. The fall was attributable largely to the decline in the prices of some food items. The inflation rate on a twelve-month moving average basis for the month under review was 7.7 per cent, compared with 8.0 per cent recorded in January 2007.

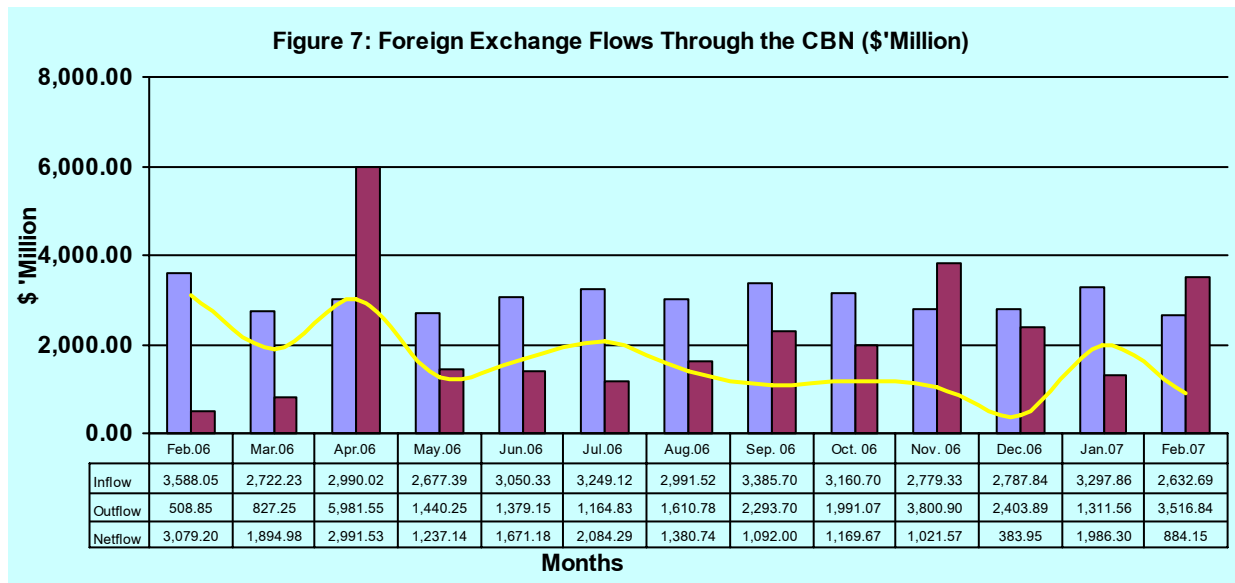
4.0 EXTERNAL SECTOR DEVELOPMENTS

4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN, amounted to US\$2.63 billion and US\$3.52 billion, in February 2007, compared with US\$3.30 billion and US\$1.31 billion, respectively, in the preceding month. This resulted in a net outflow of US\$0.89 billion,

to US\$2.48 billion from the level in the preceding month. Also, non-oil public sector inflows declined by 80.5 per cent to US\$0.15 billion and accounted for 3.4 per cent of the total inflows. Autonomous inflow, however, increased by 2.9 per cent to US\$1.79 billion, representing 40.5 per cent of the total.

At US\$3.54 billion, aggregate foreign exchange outflow from the economy increased by 166.2 per cent over the preceding month's level, reflecting the sharp



as against US\$1.99 billion in January, 2007. Inflow declined by 20.3 per cent relative to the preceding month's level, while outflow increased by 168.7 per cent from the preceding month's level. The fall in inflow was attributable to the decline in the oil sector receipts, while the rise in outflow was traceable to the substantial increase in 'other official payments', external debt service and DAS utilisation, during the period.

Available data on aggregate foreign exchange flows through the economy in February 2007 showed that total inflow declined by 12.3 per cent to US\$4.42 billion. Oil sector receipts, which accounted for 56.1 per cent of the total, declined by 2.0 per cent

increase in other official payments. In addition, external debt service, DAS utilisation, drawings on letters of credit (L/Cs) and autonomous sources increased by 2,350, 83.3, 50.0 and 50.0 per cent, respectively, over their levels in the preceding month.

4.2 Non-Oil Export Proceeds by top 100 Exporters

Non-oil export earnings by Nigeria's top 100 exporters amounted to US\$54.95 million in February, 2007, indicating a decline of 9.8 per cent from the preceding month's level.

A breakdown of the proceeds during the month showed that proceeds in respect of the manufacturing, agricultural and 'others' sub-sectors fell by 4.0, 17.4 and 5.7 per cent to US\$31.14 million, US\$21.63 million and US\$2.17 million, respectively, in the review month.

The decline in non-oil export proceeds was attributable largely to the fall in world commodity prices at the International Commodities Market. The share of the agricultural sector in total non-oil export proceeds was 39.4 per cent during the month, as against 43.0 per cent in the preceding month, while the manufacturing sub-sector accounted for 56.7 per cent, compared with 53.2 percent in the preceding

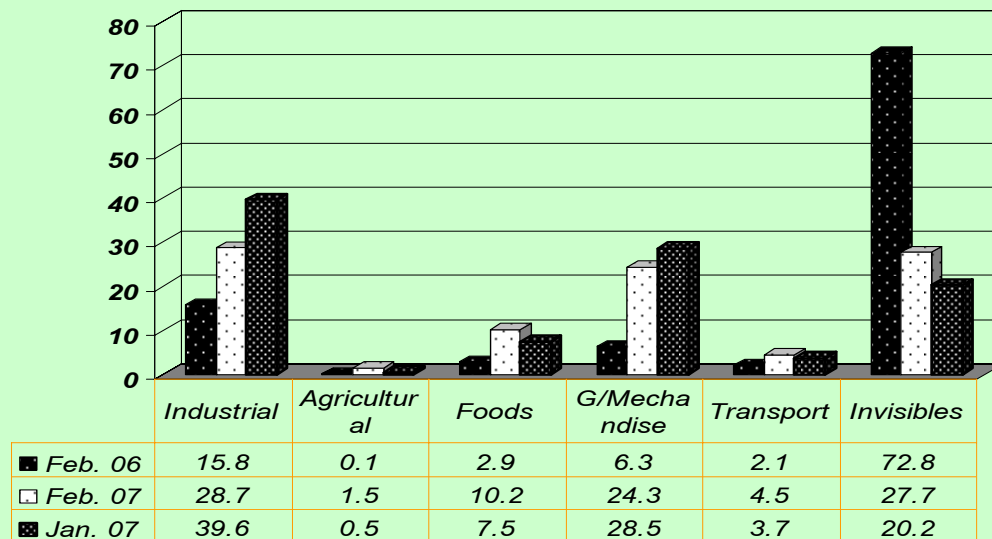
4.3 Sectoral Utilisation of Foreign Exchange

The industrial sector accounted for (31.8 per cent) of total foreign exchange disbursed in February, 2007, followed by the invisibles (27.7 per cent). Other beneficiary sectors, in a descending order, included: general merchandise sector (24.2 per cent), food (10.2 per cent), transport (4.5 per cent) and agricultural products (1.6 per cent) (Fig.8).

4.4 Foreign Exchange Market Developments

The demand pressure in the foreign exchange market intensified in February

Figure 8: Sectoral Utilization of Foreign Exchange (Percentage of Total)



month. The share of "others" sub-sector increased from 3.8 per cent to 4.0 percent. The top 100 exporters accounted for 100 per cent of all the non-oil export proceeds in February, 2007.

2007, as foreign exchange sales by the CBN to authorized dealers amounted to US\$1.54 billion, representing a significant increase of 93.9 per cent over the level in the preceding month. The development was attributable to the lull in activities recorded at the inter-bank foreign exchange market. The weighted average exchange rate of the Naira vis-à-vis the US dollar appreciated from

₦128.28 per dollar in January to ₦128.27 per dollar in February 2007. In the bureaux de change segment of the market, the rate, also, appreciated marginally by 0.1 per cent to ₦130.00 per dollar from ₦130.06 per dollar in January, 2007.

Consequently, the premium between the official and bureaux de change rates remained at 1.4 per cent same as in the preceding month.

4.5 External Reserves

Available data showed that Nigeria's gross external reserves at end-February, 2007 stood at US\$42.55 billion, representing a decline of 2.2 per cent from the level of US\$43.51 billion recorded in the preceding month. When compared with the level at end-February, 2006, it rose by 24.0 per cent. At the current rate of foreign exchange commitments, the level of reserves could finance about 17.5 months of current foreign exchange disbursement, compared with 32.7 months in January, 2007.

5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output in February 2007 was estimated at 85.30 million barrels per day (mbd), while demand was estimated at 86.20 mbd, compared with 84.50 mbd in the preceding month, indicating an excess demand of 0.9 mbd. The increase in demand was attributable to the spell of cold weather in the United States, among others.

Other major international economic developments of relevance to the domestic economy during the month included: the ordinary meeting of the Bureau of the Association of African Central Banks

(AACB) held in Dakar, Senegal on February 23, 2007.

The major highlights of the meeting were as follows:

- The Bureau noted the African Union (AU) plan for the establishment of pan-African financial institutions. The Governors stressed the need for the AACB to participate and consult accordingly in the implementation and establishment of the African Central bank. The AU was requested to outline the specific role of the Association.
- The Bureau also noted the progress made by the AACB sub-regions on the implementation of the African Monetary Cooperation Programme (AMCP) in 2006. In that regard, the Governors decided that in order to have more accurate and comprehensive economic data, future reports should be submitted for the Bureau's consideration, at its ordinary meeting, preceding that of the Assembly of Governors.
- For the promotion of African banking networks as well as regional and continental stock exchanges as required by Stage II of the AMCP, the Bureau requested the Executive Secretariat to submit at its next ordinary meeting, terms of reference on the feasibility of an official yearbook on African Banks and sub-regional and continental stock exchanges.
- On the proposed recommendations to include some indicators in the AMCP following the revision of conclusions and recommendations of the seminar on the harmonization of concepts, methodologies and

statistical frameworks, the Bureau decided as follows:

- Debt/GDP ratio should be observed by all the AACB sub-regions as one of the criterion for their regional monetary integration programmes.
- that headline inflation rate should be used to assess the level of inflation
- The Bureau further recommended that public finance statistics aggregates should reflect consolidated transactions of general government, before 2009. In that regard, public finance statistics aggregates should be compiled by national authorities according to the requirements of the 2001 GFS Manual of the IMF.
- Also, in the process of establishing an exchange rate mechanism as recommended by Stage IV (2013-2015) of the AMCP, member central banks should compile, in addition to RER, the REER for African national currencies in proportion to the international currencies the Association's Assembly of Governors would have selected.
- The Bureau agreed that additional research be conducted by concerned member central banks on how to assess accurately the maintenance of positive real interest rates in the context of the AMCP implementation.
- Finally, the Secretariat was instructed to send reminders to member central banks that had not paid their membership fees.