



CENTRAL BANK OF NIGERIA

***ECONOMIC REPORT FOR
THE MONTH OF JULY 2007***

RESEARCH AND STATISTICS DEPARTMENT

CENTRAL BANK OF NIGERIA

MONTHLY REPORT

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TABLE OF CONTENTS

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

1.0 Summary

Available data indicated growth in monetary aggregates during the review month. Broad money supply (M_2) and narrow money supply (M_1) increased by 2.0 and 5.0 per cent over the levels in the preceding month, respectively. The increase was attributable wholly to the rise in banking system credit to the domestic economy.

Available data indicated a mixed development in banks' deposit and lending rates in July 2007. The spread between the weighted average deposit and maximum lending rates narrowed from 11.03 percentage points in the preceding month to 10.66. Similarly, the margin between the average savings deposit and maximum lending rates, narrowed from 14.96 percentage points in June, 2007 to 14.59. The weighted average inter-bank call rate, which stood at 8.46 per cent in the preceding month, rose to 10.52 per cent at end-July 2007, reflecting the tight liquidity condition in the inter-bank funds market.

The value of money market assets outstanding increased by 3.8 per cent to ₦2,125.7 billion over the level in the preceding month. The rise was attributable to the 6.1 per cent increase in outstanding FGN Bonds. Activities on the Nigerian Stock Exchange indicated mixed developments during the review month.

The major agricultural activities in the review month included: weeding, harvesting of yams, maize, and other root crops. 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 the wet season. The prices of most Nigerian major agricultural commodities at the London Commodities Market recorded increases during the review month.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.15 million barrels per day (mbd) or 66.65 million barrels, compared with 2.07 mbd in the preceding month. Crude oil export was estimated at 1.70 mbd or 52.70 million barrels for the month, while deliveries to the refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels. The average price of Nigeria's reference crude, the Bonny Light (37⁰ API), estimated at US\$79.62 per barrel, rose by 8.5 per cent over the level in the preceding month.

The inflation rate for July 2007, on a year-on-year basis, was 4.8 per cent, compared with 6.4 per cent recorded in the preceding month. The development reflected largely the stability in the supply of petroleum products and the harvest of agricultural products such as maize, yam, vegetables and fruits.

The inflation rate on a twelve-month moving average basis was, however, 6.0 per cent, compared with 5.9 per cent in the preceding month,

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US\$2.62 billion and US\$2.29 billion, respectively, resulting in a net inflow of US\$0.33 billion during the month. Relative to the respective levels of US\$2.08 billion and US\$2.38 billion in the preceding month, inflow rose by 26.0 per cent, while outflow declined by 3.8 per cent. The rise in inflow was attributable to the increase in oil receipts and autonomous sources, while the fall in outflow was attributable to the 12.3 and 100.0 per cent fall in DAS Utilisation and Drawing on L/C, respectively. Foreign exchange sales by the Central Bank of Nigeria (CBN) to end-users through the authorized dealers stood at US\$1.75 billion, indicating a decline of 12.3 per cent from the level in the preceding month, while demand declined from US\$1.55 billion to US\$1.26 billion. The fall in demand was attributable to the improved activities in the inter-bank foreign exchange market

The gross external reserves rose by 1.5 per cent to US\$43.26 billion in July 2007, compared with US\$42.63 billion at end-June 2007. This level of reserves could finance 19.0 months of current import commitments, the same as in the preceding month. The weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated by 0.1 per cent to ₦127.27 per dollar at the WDAS. In the bureaux de change segment of the market, the rate also appreciated by 0.6 per cent to ₦127.52 per dollar from ₦128.23 per dollar. Non-oil export earnings by Nigeria's top 100 exporters amounted to US\$106.46 million, indicating a decline of 9.9 per cent from the level in the preceding month. The development was attributable to the variations in the commodity prices at the international market.

Other major international economic developments of relevance to the domestic economy during the review month included: a two day meeting of the African Caucus of the African Governors of the Bretton Woods Institutions held in Maputo, Mozambique from July 30—31, 2007. Also, the World Bank Institute and the World Bank Development Economics Vice-Presidency launched its Governance Matters 2007: Worldwide Governance Indicators (WGI) 1996—2006 Report on July 10, 2007. The Report indicated that a number of countries, including some African countries are making progress in improving governance and fighting corruption. Finally, the International Monetary Fund released Nigeria's Third Review under the Policy Support Instrument (PSI) on July 31, 2007. The Review revealed that the ambitious structural reforms undertaken by the past administration have resulted in a stronger policy framework as well as a strengthened macroeconomic position.

2.0 FINANCIAL SECTOR DEVELOPMENTS

Monetary aggregates increased in July 2007, while banks' deposit and lending rates indicated mixed developments. The value of money market assets increased following largely the rise in outstanding FGN Bonds. Transactions on the Nigerian Stock Exchange (NSE) were mixed during the review period.

2.1 Monetary and Credit Developments

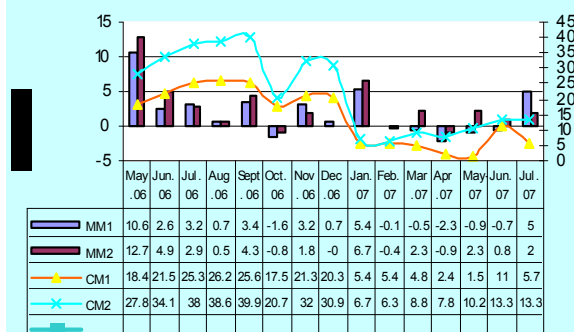
Available data indicated that broad money supply (M_2) rose by 2.0 per cent to ₦4,161.9 billion, compared with the increase of 0.8 per cent in the preceding month, while narrow money supply (M_1) rose by 5.0 per cent to ₦2,045.6 billion, in contrast to the decline of 0.7 per cent in June 2007. The rise in M_2 was attributable largely to the increase in banking system credit to the domestic economy. Over the level at end-December 2006, M_2 grew by 13.3 per cent, compared with the target of 19.0 per cent for fiscal 2007 (fig.1 and table 1).

Aggregate banking system credit (net) to the domestic economy rose significantly by 278.9 per cent to ₦1,253.6 billion in July 2007, in contrast to the decline of 51.7 per cent in the preceding month. The development reflected the significant increase in claims on both the Federal Government and the private sector during the period.

At negative ₦2,564.2 billion, banking system's credit (net) to the Federal Government rose by 17.7 per cent, in contrast to a decline of 14.2 per cent in the preceding month. The increase in the review period was attributed to the 13.5 and 13.7 per cent rise in claims by both the Central Bank (CBN) and deposit money banks (DMBs), respectively, during the period.

Banking system's credit to the private sector rose by 10.7 per cent to ₦3,817.7 billion, compared with the increase of 1.0 per cent in the preceding month. The rise in the review month reflected wholly the 12.1 per cent increase in DMBs claims on the core private sector (fig 2).

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

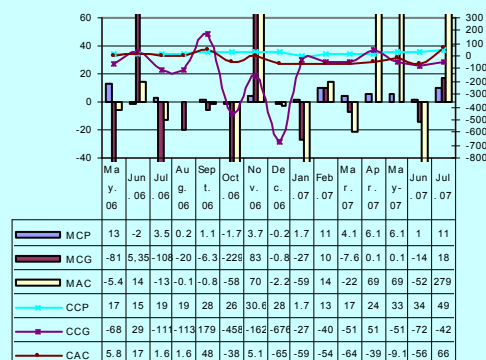


At ₦7,635.2 billion, foreign assets (net) of the banking system declined by 0.3 per cent, in contrast to the increase of 4.1 per cent in the preceding month. The development was attributable wholly to the 8.5 per cent fall in the deposit money banks' holdings.

Quasi money fell by 0.7 per cent to ₦2,116.3 billion, in contrast to the increase of 2.2 per cent in the preceding month. The development was attributable to the fall in all the components namely, time, savings and foreign currency deposits of the DMBs during the month.

Other assets (net) of the banking system, also, fell by 20.8 per cent to ₦4,726.9 billion, in contrast to the increase of 2.1 per cent in the preceding month. The decline reflected largely the fall in unclassified assets of the CBN during the review month.

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



2.2 Currency-in-circulation and Deposits at the CBN

At ₦714.3 billion, currency in circulation fell by 0.1 per cent in July 2007 from the level in June, 2007. The fall was traceable to the decline of 1.2 per cent in currency outside the banking system during the period.

Total deposits at the CBN amounted to ₦4,440.5 billion, indicating an increase of 8.9 per cent over the level in the preceding month. The development was attributable to the 10.5 per cent rise in Federal Government's deposits, reinforced by the 33.9 per cent increase in deposit money banks' deposits. The shares of the Federal Government, banks and "others" in total deposits at the CBN were 95.1, 4.3 and 0.6 per cent, respectively, compared with the shares of 96.8, 2.9 and 0.3 per cent, in June 2007.

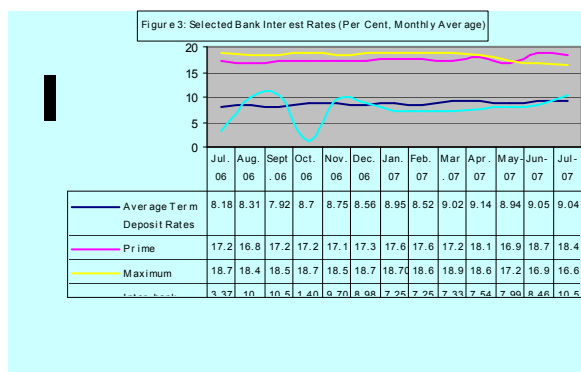
2.3 Interest Rate Developments

Available data indicated mixed developments in banks' deposit and lending rates in July 2007. With the exception of the 1-month, 3-month and 12-month savings rates which rose by 0.21, 0.16 and 0.04 percentage points to 10.46, 10.40 and 8.06 per cent, respectively, all other rates fell during the review month. The average savings rate declined marginally by 0.01 percentage point to 3.77 per cent, while other rates on deposits of various maturities declined from a range of 5.74 – 10.25 per cent in the preceding month to 5.69 – 10.46 per cent. Similarly, the average maximum and prime lending rates declined by 0.38 and 0.35 percentage points to 18.36 and 16.57 per cent, respectively. Consequently, the spread between the weighted average deposit and maximum lending rates narrowed from 11.03 percentage points in the preceding month to 10.66 percentage points. Similarly, the margin between the average savings deposit and maximum lending rates narrowed from 14.96 percentage points in the preceding month to 14.59 percentage points.

The weighted average inter-bank call rate, which was 8.46 per cent in the preceding month, rose to 10.52 per cent at end-July 2007 reflecting the liquidity squeeze in the inter-bank funds market.

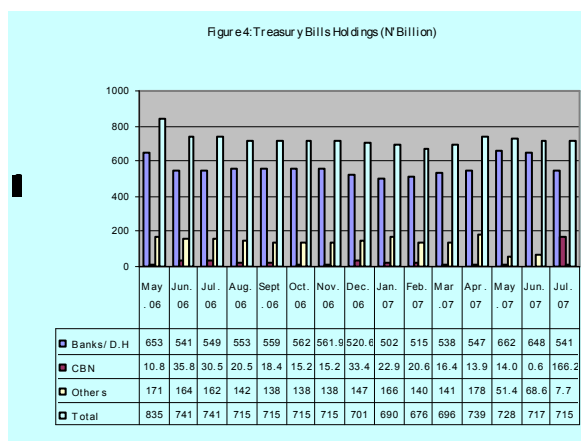
2.4 Money Market Developments

Activities in the money market slowed down during the month of July 2007 as market players initiated moves to reposition and adjust their portfolio after the huge patronage of government securities in the preceding month.



Consequently, deposit money banks accessed the CBN Standing Lending Facility in order to balance their books.

Provisional data indicated that the value of money market assets outstanding as at end-July 2007 increased by 3.8 per cent to ₦2,125.7 billion, compared with the increase of 14.4 per cent in the preceding month. The development was attributable to the 6.13 per cent increase in outstanding FGN bonds. FGN bonds worth ₦56.0 billion was issued during the review month, compared with ₦45.00 billion issued in the preceding month.



Treasury bills worth ₦105.0 billion were offered during the month, compared with ₦106.4 billion in the preceding month. Subscriptions and sales were ₦161.7 billion and ₦105.0 billion, respectively, during the month, compared with ₦327.8 billion and ₦106.4 billion in the preceding month. The sustained patronage in the market was attributable to the increased awareness of the safety in holding government securities. The liquidity surfeit experienced in the latter part of the month also prompted the patronage at the primary market.

The 7th and 8th series of the 4th FGN bonds were issued for 3- and 10-year tenors in line with the restructuring of the domestic debt profile to longer tenors. A total of ₦56.0 billion made up of ₦36.0 billion 3-year bonds and ₦20.0 billion 10-year bonds were issued and allotted at coupon rates of 7.95 and 9.85 per cent, respectively. Total public subscription for the two issues stood at ₦107.30 billion with bid rates ranging from 6.50 to 14.50 per cent, reflecting market players' preference for longer-tenured securities, whose yields were perceived to be stable and attractive. The sustained patronage at the FGN bonds auction signify the increased confidence in the Nigerian economy where long term investments are expected to and will ultimately boost growth and development.

In line with the new framework for monetary policy implementation, open market operations were conducted when the need arose, using the two-way quote trading and tenored reverse repo. This was aimed at mopping up specific amounts of excess funds in the banking system. Similarly, the 14-, 20-, 22-, 43-, 83- and 120-day tenors at the auctions were structured to synchronise its maturity with that of the primary market, in order to deepen liquidity and facilitate the tradability of instruments. During the review period, subscription and sales amounted to ₦0.17 billion and ₦82.17 billion, respectively, compared with ₦14.00 billion and ₦563.50 billion in the month of June 2007. Rates during the month ranged from 6.30 to 7.30 per cent, compared with 5.70 to 8.00 per cent in the preceding month. Also, in anticipation of the outcome of the Monetary Policy Committee (MPC) deliberations especially on the direction of rates, market players remained cautious about investment in government securities.

2.5 Deposit Money Banks' Activities

Available data indicated that total assets/liabilities of the DMBs amounted to ₦8,660.3 billion, representing an increase of 11.8 and 35.3 per cent over the levels in the preceding month and at end-December 2006, respectively. Funds, which were sourced mainly from capital accounts and the accumulation of demand deposits were used largely to build reserves.

At ₦4,346.21 billion, credit to the domestic economy rose by 12.4 and 23.9 per cent over the levels in the preceding month and at end-December 2006, respectively. The breakdown showed that credit to the core private sector rose by 11.8 per cent, over the level in the preceding month. Credit to the real sector in particular, rose by 12.1 per cent to ₦3,800.37 billion during the month.

Central Bank's credit to the DMBs rose by 0.3 per cent to ₦9.81 billion in the review month, reflecting the minimal increase in CBN's overdrafts to banks.

Total specified liquid assets of the DMBs was ₦2,315.85 billion, representing 53.0 per cent of their total deposit liabilities. This level of assets was 13.0 percentage points above the stipulated minimum ratio of 40.0 per cent for fiscal 2007.

2.6 Discount Houses

Total assets/liabilities of the discount houses stood at ₦187.4 billion as at end-July 2007, indicating a decline of 16.2 per cent from the level in the preceding month. The decline in assets relative to the preceding month was attributable to the 55.1 per cent fall in "cash and balances with banks". The development was, however, moderated by a 18.6 per cent increase in "claims on others". The main source of funds was the increase in "claims on Federal Government". The funds were used mainly in settling of "other amount owed to customers" (₦21.0 billion) and "money at call" (₦13.9 billion). Discount houses' investments in Federal Government securities of less than 91 days maturity amounted to ₦79.2 billion, representing 83.2 per cent of their total deposit liabilities. At this level, discount houses' investments declined by 24.1 per cent from the level in the preceding month. However, the level of their investments was 23.2 percentage points above the prescribed minimum level of 60.0 per cent for fiscal 2007.

Total borrowing by discount houses was ₦122.5 billion, while their capital and reserves amounted to ₦18.2 billion, resulting in a gearing ratio of 6.7:1, compared with the stipulated maximum target of 50:1 for fiscal 2007.

2.7 Capital Market Developments

Available data indicated that activities on the Nigerian Stock Exchange (NSE) in the month of July 2007 were mixed. The volume and value of traded securities fell by 6.7 and 7.2 per cent to 12.6 billion shares and ₦208.8 billion, respectively, compared with 13.5 billion shares and ₦194.7 billion in the preceding month. The banking sub-sector remained the most active on the exchange, with a trading volume of 8.0 billion shares worth ₦159.4 billion and accounted for 76.4 per cent of the total value of shares traded during the month. Transactions in the Federal Government and industrial loans/preference stocks, however, remained dormant during the month.

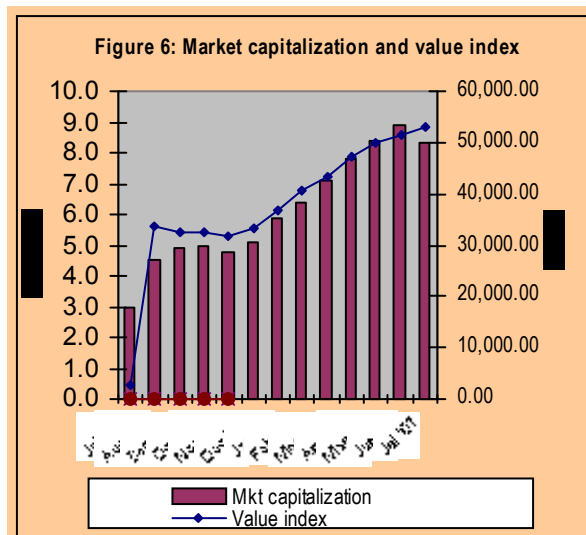
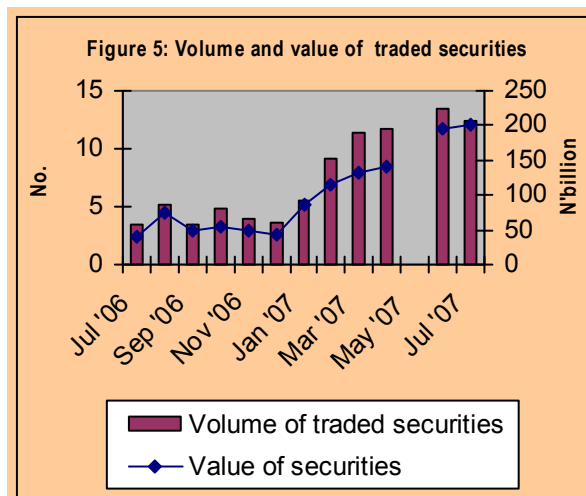
Transactions on the Over-the-Counter (OTC) bond market, indicated that a turnover of 263.9 million units worth N280.8 billion in 1,295 deals was recorded in the review month, compared with 167.6 million units valued at N179.7 billion in 1,165 deals recorded in June 2007. The most active bond was the FGN Bond 2010 series 1 with a traded volume of 16.6 million units valued at N18.1 billion.

In the new issues market, issuance of the 4th FGN bonds progressed as two Federal Government Bonds namely, the seventh (3-year) 2010 and eighth (10-year) 2017 series of bonds valued at N56.0 billion were admitted to the Daily Official List with a coupon rate of 9.85 per cent and a subscription rate of 7.95 per cent, respectively. The issues were over-subscribed in excess of N51.3 billion. A total of 9.9 billion ordinary shares valued at =N=168.00 billion were registered from four issues during the month, involving Access Bank Plc. (public offer of =N70.36 billion), GTBank Global Depository Receipt (GDR) of US\$750 million, Cement Company of Northern Nigeria (rights issue of 173.33 million shares valued =N=1.56 billion) and Oasis Insurance (private placement of 1.004 billion shares valued =N=702.46 million).

The All-Share Index rose by 3.3 per cent to close at 53,021.68 (1984 = 100), while the total market capitalization of the listed securities rose by 6.7 per cent to =N=9.5 trillion in the review month. The development was attributable largely to price gains recorded by the highly capitalized companies in the banking and insurance sub-sectors.

3.0 DOMESTIC ECONOMIC CONDITIONS

The major agricultural activities during the month of July 2007 were weeding, harvesting of yams, maize, and other root crops. 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 the wet season. 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 July 2007, on a year-on-year basis, was 4.8 per cent, compared with 6.4 per cent recorded in the preceding month. The inflation rate on a 12-month moving average basis was, 6.0 per cent, compared with 5.9 per cent in June, 2007.



3.1 Agricultural Sector

Agricultural activities during the month of July 2007 consisted of weeding, harvesting of yams, maize, and other root crops. 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.

A total of =N=354.2 million was guaranteed to 3,541 farmers under the Agricultural Credit Guarantee Scheme (ACGS) during the month. This represented an increase of 465.4 per cent and 99.7 per cent over the levels in the preceding month and the corresponding period of 2006, respectively.

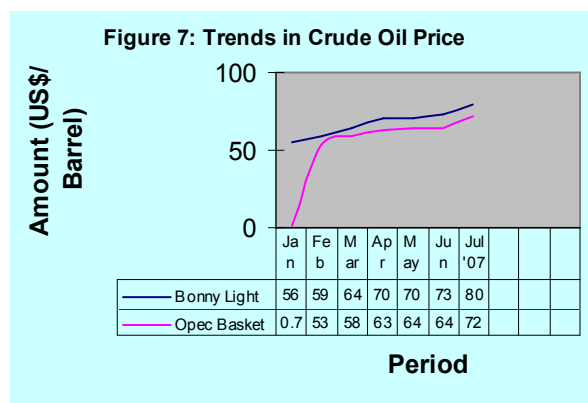
A sub-sectoral analysis of the loans guaranteed indicated that the food crops sub-sector had the largest share of ₦337.7 million or 95.4 per cent guaranteed to 3,457 beneficiaries, while the livestock sub-sector received ₦12.4 million or 3.5 per cent guaranteed to 63 beneficiaries. Also, the fisheries sub-sector obtained ₦2.7 million or 0.7 per cent guaranteed to 5 beneficiaries, while the cash crops sub-sector got ₦1.3 million or 0.6 per cent guaranteed to 14 beneficiaries. The balance of ₦0.1 million or 0.03 per cent went to 'others' sub-sector for 2 beneficiaries. Analysis by state showed that 20 states benefited from the scheme during the review month, with the highest and lowest sums of ₦125.4 million (35.4 per cent) and ₦0.1 million (0.03 per cent) guaranteed to Katsina and Benue states, respectively.

Retail price survey of most staples by the CBN showed that the prices of major staples recorded mixed developments in July 2007. Seven of the fourteen commodities monitored, namely white beans, brown beans, white maize, white garri, yellow garri, eggs and palm oil recorded price increases of 1.4, 2.7, 5.3, 0.9, 3.8, 48.0 and 2.9 per cent, respectively, over the levels in the preceding month. However, this development was moderated by the components of local rice, millet, guinea corn, yellow maize, yam flour, groundnut oil and vegetable oil whose prices declined by 0.1, 1.3, 4.6, 0.9, 15.9, 2.2 and 0.3 per cent, respectively, during the review month.

The prices of most Nigerian major agricultural commodities at the London Commodities Market recorded increase during the review month. All the six commodities monitored during the period, in dollar terms, recorded price increase ranging from 1.5 per cent for cocoa to 24.9 per cent for soya bean over the levels in the preceding month. Similarly, in naira terms, all the six commodities traded, recorded price increase ranging from 1.3 per cent for cocoa to 24.7 per cent for soya bean over the levels in the preceding month.

3.2 Petroleum Sector

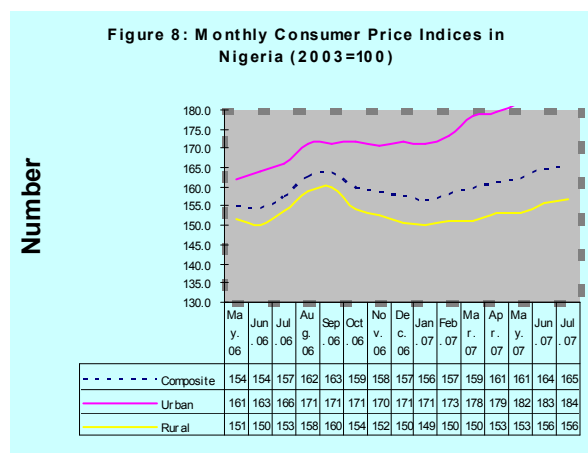
Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.15 million barrels per day (mbd) or 66.65 million barrels for the month, representing an increase of 3.9 per cent over the level in the preceding month. Crude oil export was estimated at 1.70 mbd or 52.70 million barrels in the month, compared with 1.62 mbd or 48.6 million barrels in the preceding month. Deliveries to the refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels for the month.



At an estimated average of US\$79.62 per barrel, the price of Nigeria's reference crude, the Bonny Light (37° API), rose by 8.5 per cent over the level in the preceding month. The average prices of other competing crudes namely, the West Texas Intermediate, the U.K Brent, the Arab Light, and the Forcados also rose by 9.0, 8.4, 8.9 and 8.2 per cent to US\$73.70, US\$77.93, US\$69.97 and US\$78.85 per barrel, respectively. The average price of OPEC's basket of eleven crude streams rose by 12.4 per cent to US\$72.32 over the level in the preceding month. The increase in price was attributed to the high demand for crude from China and Asia as well as supply disruptions in Nigeria. Also, the effect of the damaged gas pipeline to Britain contributed to the rise in price.

3.3 Consumer Prices

Available data showed that the all-items composite Consumer Price Index (CPI) for the month of July, 2007 was 165.1 (May 2003=100), representing an increase of 0.5 per cent over the level in the preceding month. The development was attributable to the increase in the price of some processed food items and services.



The urban all-items CPI for the end of July, 2007 was 184.0 (May 2003=100), indicating an increase of 0.3 per cent over the level in the preceding month. Similarly, the rural all-items CPI for the month was 156.9 (May 2003=100), and represented an increase of 0.5 per cent over the level in the preceding month. The end-period inflation rate for July 2007, on a year-on-year basis, was 4.8 per cent, compared with 6.4 per cent recorded in the preceding month. The inflation rate on a twelve-month moving average basis for July 2007, was 6.0 per cent, compared with 5.9 per cent in June 2007, reflecting largely the stability in the supply of petroleum products and the harvest of agricultural products.

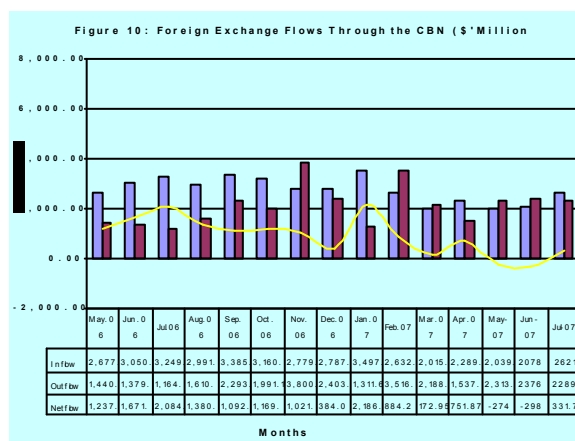
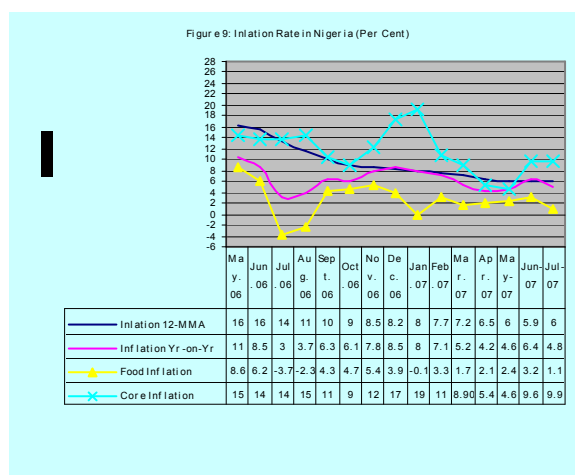
4.0 EXTERNAL SECTOR DEVELOPMENTS

4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN July 2007 was US\$2.62 billion and US\$2.29 billion, respectively, representing a net inflow of US\$0.33 billion. This compared with the respective levels of US\$2.08 billion and US\$2.38 billion in the preceding month, inflow rose by 26.0 per cent, while outflow declined by 3.8 per cent. The rise in inflow was attributable to the increase in oil receipts and autonomous sources.

Provisional data on aggregate foreign exchange flows through the economy indicated that total inflow was US\$5.10 billion, representing an increase of 15.4 and 0.6 per cent over the levels in the preceding month and corresponding period of 2006, respectively. Oil sector receipts, which accounted for 46.9 per cent of the total, stood at US\$2.39 billion, compared with US\$1.87 billion or 42.3 per cent in the preceding month. Non-oil public sector inflows rose by 10.9, while autonomous inflow rose by 602.4 per cent and both accounted for 4.5 and 48.6 per cent of the total, respectively.

At US\$2.36 billion, aggregate foreign exchange outflow from the economy fell by 3.7 per cent from the level in the preceding month. The decline in outflow relative to the preceding month was attributable to the 12.3 and 100.0 per cent fall in DAS Utilisation and Drawing on L/C, respectively. The decline was, however, moderated by the 43.4 per cent rise in “other official payments”. In the first seven months of the year, the total inflow and outflow were US\$34,591.17 billion and US\$15,949.67, respectively, representing a net inflow of US\$18,641.50 billion, compared with the net inflow of US\$21,761.45 billion in the corresponding period of 2006.



4.2 Non-Oil Export Proceeds by top 100 Exporters

Total non-oil export earnings by Nigeria’s top 100 exporters declined by 9.9 per cent from the level in the preceding month to US\$106.46 million in the review month. The development was attributable to the variations in world commodity prices at the international market. A breakdown of the proceeds in the review month showed that agricultural, and “others” sub-sectors rose from US\$38.3 million and US\$7.7 million in the preceding month to US\$46.6 million and US\$21.8 million, respectively, while manufacturing sub-sector declined from US\$72.2 million to US\$38.1 million.

The shares of agricultural, manufacturing and “others” sub-sectors in total non-oil export proceeds were 42.5, 34.8 and 19.9 per cent, respectively, compared with 32.0, 60.3 and 6.4 per cent, in the preceding month. The top 100 exporters accounted for 97.2 per cent of all the non-oil export proceeds during the review month.

4.3 Sectoral Utilisation of Foreign Exchange

The industrial sector accounted for the bulk (34.9 per cent) of total foreign exchange disbursed in July 2007, followed by invisibles (27.6 per cent). Other beneficiary sectors, in a descending order of importance, included: general merchandise (23.1 per cent), food (7.8 per cent), transport (5.4 per cent) and agricultural products (1.2 per cent) (Fig.11).

4.4 Foreign Exchange Market Developments

Foreign exchange sales by the CBN to end-users through the authorized dealers stood at US\$1.75 billion, indicating a decline of 12.3 per cent from the level in the preceding month, while demand declined from US\$1.55 billion to US\$1.26 billion. The fall in demand was attributable to the improved activities in the inter-bank foreign exchange market. Under the WDAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar appreciated by 0.1 per cent to ₦=N=127.27 per dollar. The development reflected the further efforts made at liberalizing the foreign exchange market under the Wholesale Dutch Auction System (WDAS). In the bureaux de change segment of the market, the average rate, also, appreciated by 0.6 per cent to ₦=N=127.52 per dollar. Consequently, the premium between the official and bureaux de change rates narrowed from 0.7 per cent in the preceding month to 0.2 per cent. Overall, the foreign exchange market remained stable, reflecting the economic fundamentals as well as the depth of the market.

4.5 External Reserves

Available data showed that Nigeria's external reserves at end-July 2007 stood at US\$43.26, billion representing an increase of 1.5 per cent over the level of US\$42.63 billion recorded in the preceding month. This level of reserves could finance 19.0 months of current import commitments, compared with 18.8 months in the preceding month.

5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output in the month of July 2007 was estimated at 84.97 million barrels per day (mbd), while demand was estimated at 85.20 mbd, representing an increase of 1.4 per cent, compared with 84.44 and 84.0 mbd supplied and demanded in the preceding month. The rise in demand was attributable largely to the increase in summer driving in the United States of America and strong economic activities in China and other Asian countries.

Figure 11: Sectoral Utilization of Foreign Exchange (Percentage of Total)

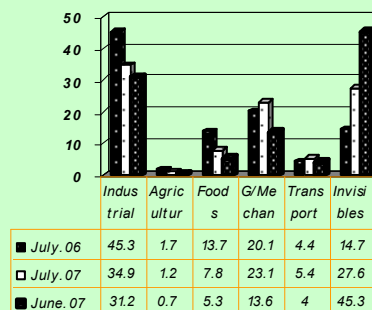
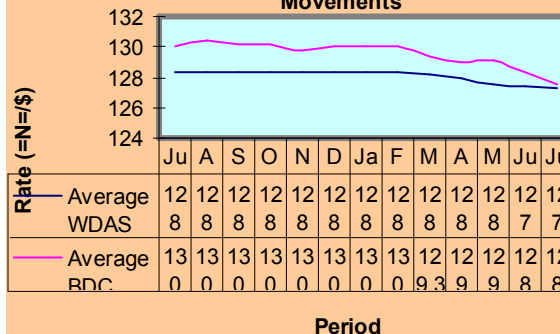


Figure 12: Average Exchange Rate Movements



Other major international economic developments of relevance to the domestic economy during the month included: a two-day meeting of the African Caucus of the African Governors of the Bretton Woods Institutions held in Maputo, Mozambique from July 30—31, 2007.

Highlights of the meeting were as follows:

- Governors expressed concern about the continued erosion of the voice of African countries in the decision making processes in the BWIs, the lack of diversity in staffing at all level and the inadequate staff resources in the offices of the Executive Directors representing Africa;
- Governors called for full implementation of the 2002 Monetary Consensus;
- Governors welcomed the efforts and contributions being made by the international community and the BWIs in supporting their development agenda. However, they called for further progress in transforming financial commitments into actual flows and urged the BWIs to play a catalytic role in this front;

- Governors underscored the huge infrastructure deficit that is constraining growth in Africa. Accordingly, they urged the BWIs to employ more flexibility in their policies, including allowing additional fiscal space and supporting private-sector-led growth in Africa; and
- The Governors finally urged the Heads of the Institutions to devise appropriate means for an enhanced and strengthened interaction between them and the African Governors, beyond the submission of the memorandum and the traditional short meeting during the Annual Meetings.

Also, the World Bank Institute and the World Bank Development Economics Vice-Presidency launched its Governance Matters 2007: Worldwide Governance Indicators (WGI) 1996—2006 Report on July 10, 2007. The WGI measured six components of good governance as follows: voice and accountability; political stability and absence of violence; government effectiveness; regulatory quality; rule of law and control of corruption.

The highlights of the Report are as follows:

- From 1998 to 2006, Kenya, Niger, Sierra Leone had shown marked improvements in voice and accountability, while Algeria and Liberia have strengthened their Rule of Law. Countries like Algeria, Angola, Libya, Rwanda and Siera Leone have made progress in ppolitical stability and Tanzania has recorded gains on control of corruption;
 - Improved standards of living are largely the result of improved governance. When governance is improved by one standard deviation, infant mortality declines by two-thirds and incomes rise about three-fold in the long-run.
 - Where there is commitment to reform, improvements in governance can take place relatively quicker; and
- Despite individual country improvements, there has been a similar number that have experienced deteriorations in a number of governance dimensions. These countries include Zimbabwe, Cote D'Ivoire, Belarus and Venezuala.

The Report also showed that other African countries still face enormous governance and development challenges.

Finally, the International Monetary Fund released Nigeria's Third Review under the Policy Support Instrument (PSI) on July 31, 2007. The Review revealed that:

- The ambitious structural reforms undertaken by the past administration have resulted in a stronger policy framework as well as a strengthened macroeconomic position. Robust growth, lower inflation, a dramatic decline in debt and accumulation of significant reserves were among the notable economic achievements.;
- The reforms boosted confidence and sustained strong performance but policy implementation was weak in 2006. Non-oil growth accelerated and its prospects are promising. Although inflation remained in single digit, growth in monetary aggregates picked up and a one-time increase in spending by the states in late 2006 meant that the fiscal stance and monetary policy were more expansionary than programmed; and
- The challenge over the recent past and the immediate future is managing the economy and the policy framework through the political transition. Fiscal and monetary policy need to remain consistent with macroeconomic stability. Preliminary indications are that policy implementation has improved in 2007, including the successful resistance of intense pressures to spend oil savings in the run up to April elections.