# CENTRAL BANK OF NIGERIA

# ECONOMIC REPORT FOR THE MONTH OF OCTOBER 2007

RESEARCH AND STATISTICS DEPARTMENT

# CENTRAL BANK OF NIGERIA

## MONTHLY REPORT



**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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## 1.0 Summary

Provisional data indicated growth in monetary aggregates during the review month. Broad money supply ($M_2$) and narrow money supply ($M_1$) increased by 3.2 and 3.8 per cent over the levels in the preceding month, respectively. The increase was attributable to the rise in both foreign assets (net) and banking system credit to the domestic economy.

Available data indicated mixed developments in banks' deposit and lending rates in October 2007. The spread between the weighted average deposit and maximum lending rates widened from 10.66 percentage points in the preceding month to 10.75. The margin between the average savings deposit and maximum lending rates, however, narrowed from 15.22 percentage points in September, 2007 to 14.82. The weighted average inter-bank call rate, which stood at 8.18 per cent in the preceding month, rose to 8.25 per cent at end-October 2007, reflecting the liquidity squeeze in the inter-bank funds market.

The value of money market assets outstanding increased by 2.0 per cent to =N=2,170.0 billion over the level in the preceding month. The rise was attributable to the 4.1 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: harvesting of roots crops like yams, irish and sweet potatoes, groundnuts as well as planting of late crops. In the livestock sub-sector, most poultry farmers intensified activities in preparation for the-end-of-year festivities. 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 2.12 million barrels per day (mbd) or 65.72 million barrels, compared with 2.10 mbd in the preceding month. Crude oil export was estimated at 1.67 mbd or 51.77 million barrels for the month, while deliveries to the refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels. The average price of Nigeria's reference crude, the Bonny Light ($37^0$ API), estimated at US$83.73 per barrel, rose by 4.9 per cent over the level in the preceding month.

The inflation rate for October 2007, on a year-on-year basis, was 4.6 per cent, compared with 4.1 per cent recorded in the preceding month. The inflation rate on a twelve-month moving average basis was, however, 5.7 per cent, compared with 5.9 per cent in the preceding month. The development reflected largely the stability in the supply of petroleum products and the harvest of agricultural products.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US$2.62 billion and US$1.13 billion, respectively, resulting in a net inflow of US$1.49 billion during the month. Relative to the respective levels in the preceding month, inflow and outflow declined by 34.0 and 31.1 per cent, respectively. The fall in inflow was attributable to the decline in non oil inflows, while the fall in outflow was due to the decline in WDAS utilization and other official payments.

Foreign exchange sales by the Central Bank of Nigeria (CBN) to end-users through the authorized dealers stood at US$0.75 billion, indicating a decline of 36.6 per cent from the level in the preceding month, while demand declined by 34.6 per cent to US$0.92 billion. The fall in demand was attributable to the improved activities in the inter-bank foreign exchange market

The gross external reserves rose by 2.5 per cent to US$49.11 billion in October 2007, compared with US$47.93 billion at end-September 2007. This level of reserves could finance 23.6 months of foreign exchange commitments, compared with 22.2 months in the preceding month. The weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated by 1.4 per cent to =N=124.28 per dollar at the WDAS. In the bureaux de change segment of the market, the rate remained stable at the preceding month level of =N=126.50 per dollar. Non-oil export earnings by Nigeria's top 100 exporters amounted to US$44.36 million, indicating a decline of 42.8 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: the visit by His Excellency, Dr. Manmohan Singh, the Prime Minister of India from October 14-16, 2007; the 10th Meeting of the Legal and Institutional Issues Committee (LIIC) of the West African Monetary Zone (WAMZ) was held at the West African Monetary Institute (WAMI) in Accra, Ghana, from October 1-3, 2007 to consider and review the Statue of WAMI; an extraordinary meeting of the ECOWAS Convergence Council which was convened by the the ECOWAS Commission on October 9, 2007 in Quagadougou to deliberate on the report of a Technical Committee on the ECOWAS Single Currency Initiative; and an Annual Meetings of the Inter-governmental Group of Twenty-Four (G-24) on International Monetary Affairs and Development, the International Monetary Fund (IMF) and the World Bank was held in Washington D.C., USA from October17-22, 2007.

## 2.0 FINANCIAL SECTOR DEVELOPMENTS

*Monetary aggregates grew in October 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 bearish during the review period.*

### 2.1 Monetary and Credit Developments

Provisional data indicated that monetary aggregates increased in October 2007. Broad money supply ($M_2$) and narrow money supply ($M_1$) rose by 3.2 and 3.8 per cent to =N=4,601.2 billion and =N=2,375.8 billion, respectively, compared with the increase of 5.0 and 4.8 per cent in September 2007. The rise in $M_2$ was attributable to the increase in both foreign assets (net) and aggregate banking system credit to the domestic economy. Over the level at end-December 2006, $M_2$ grew by 25.2 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 by 6.8 per cent to =N=1,500.0 billion in October 2007, compared with the increase of 77.0 per cent in the preceding month. The development was attributable wholly to the 5.0 per cent increase in claims on the private sector during the period.

At negative =N=2,863.2 billion, banking system's credit (net) to the Federal Government fell by 4.0 per cent, in contrast to the increase of 13.4 per cent in the preceding month. The decline was attributable entirely to the 4.2 per cent fall in claims by the Central Bank of Nigeria (CBN) during the period.

Banking system's credit to the private sector rose by 5.0 per cent to =N=4,363.2 billion, compared with the increase of 4.7 per cent in the preceding month. The rise in the review month reflected the significant increase in CBN's claims on the sector (fig 2).

At =N=7,282.8 billion, foreign assets (net) of the banking system increased by 4.7 per cent, compared with the rise of 3.3 per cent in the preceding month. The development was attributable largely to the 15.4 per cent increase in the deposit money banks' holdings.

Similarly, quasi money rose by 2.6 per cent to =N=2,225.4 billion, compared with the increase of 5.3 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 period.

Other assets (net) of the banking system, however, fell by 7.1 per cent to =N=4,181.5 billion, compared with the decline of 19.0 per cent in the preceding month. The fall reflected largely the rise in unclassified liabilities of the CBN during the review month.

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

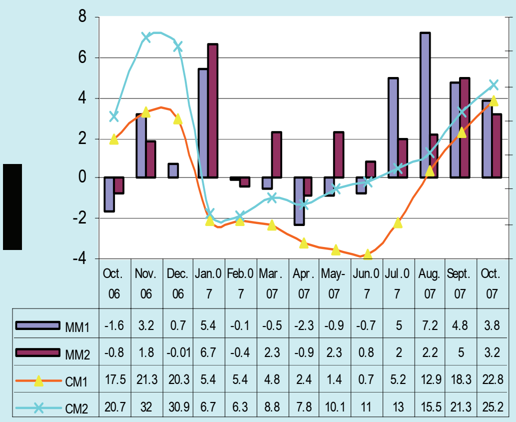
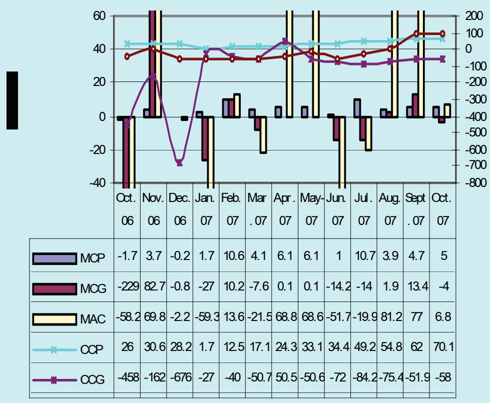



Figure 2: Aggregate Domestic Credit To The Economy (Monthly & Cumulative Growth Rate)



## 2.2 Currency-in-circulation and Deposits at the CBN

At =N=755.6 billion, currency in circulation rose by 4.6 per cent in October 2007 over the level in September, 2007. The rise was traceable largely to the increase of 6.0 per cent in currency outside the banking system during the period.

Total deposits at the CBN amounted to =N=5,254.8 billion, indicating an increase of 1.1 per cent over the level in the preceding month. The development was attributable to the 3.0 per cent increase in Federal Government deposits during the month. The shares of the Federal Government, banks and “others” in total deposits at the CBN were 97.3, 2.5 and 0.2 per cent, respectively, compared with the shares of 95.5, 4.3 and 0.2 per cent, in September 2007.

## 2.3 Interest Rate Developments

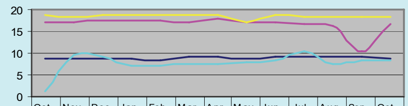
Available data indicated mixed developments in banks’ deposit and lending rates in October 2007. With the exception of the 6-month and over 12-month savings rates which rose by 0.02 and 0.36 percentage points to 9.51 and 9.81 per cent, respectively, all other rates on deposits of various maturities declined from a range of 6.12 – 10.43 per cent in the preceding month to 5.27 – 9.97 per cent. Similarly, the average prime lending rate rose by 0.04 per cent to 16.50 per cent, while the maximum lending rate declined by 0.06 percentage points to 18.21 per cent. Consequently, the spread between the weighted average deposit and maximum lending rates widened from 10.66 percentage points in the preceding month to 10.75 percentage points. The margin between the average savings deposit and maximum lending rates, however, narrowed from 15.22 percentage points in the preceding month to 14.82 percentage points.

The weighted average inter-bank call rate, which was 8.18 per cent in the preceding month, rose to 8.25 per cent at end-October 2007, reflecting the liquidity squeeze in the inter-bank funds market.

## 2.4 Money Market Developments

Activities in the money market remained vibrant as subscription and sales of securities improved significantly during the review month. With effect from October 3, 2007, the Monetary Policy Rate (MPR) was reviewed upwards by 100 basis points to 9.0 per cent, while interest payment on overnight deposits by deposit money banks with CBN was abolished.

Figure 3: Selected Bank Interest Rates (Per Cent, Monthly Average)



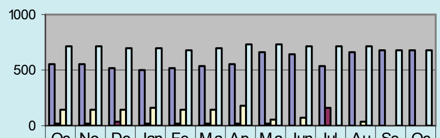

| | Oct. 06 | Nov. 06 | Dec. 06 | Jan. 07 | Feb. 07 | Mar. 07 | Apr. 07 | May-07 | Jun-07 | Jul-07 | Aug-07 | Sep-07 | Oct-07 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Average Term Deposit Rates | 8.7 | 8.75 | 8.56 | 8.95 | 8.52 | 9.02 | 9.14 | 8.94 | 9.05 | 9.04 | 9.1 | 9 | 8.67 |
| Prime | 17.2 | 17.1 | 17.3 | 17.6 | 17.6 | 17.2 | 18.1 | 16.9 | 16.9 | 16.6 | 16.4 | 10.5 | 16.5 |
| Maximum | 18.7 | 18.5 | 18.7 | 18.70 | 18.6 | 18.9 | 18.6 | 17.2 | 18.7 | 18.4 | 18.3 | 18.3 | 18.2 |

Provisional data indicated that the value of money market assets outstanding as at October 2007 was =N=2,170.00 billion, representing an increase of 2.0 per cent over the level at end-September 2007. The rise was attributable to the 4.1 per cent increase in outstanding FGN bonds.

At the inter-bank funds market, the value of transactions was =N=2,338.2 billion in 1,999 deals, representing an increase of 5.3 per cent over the level recorded in the preceding month. Analysis of the transactions showed that activities at the open-buy-back (OBB) segment of the market was dominant at =N=1,701.5 billion, representing 72.8 per cent of the total. At the inter-bank segment, placements stood at =N=636.7 billion, compared with =N=573.2 billion in the preceding month. There was no investment in the private sector securities segment during the review period.

Open market operations was conducted using the two-way quote trading, the normal Dutch Auctions and reverse repo. Total subscription and sales

Figure 4: Treasury Bills Holdings (N' Billion)




| | Oct. | Nov. | Dec. | Jan. | Feb. | Mar.0 | Apr. | May. | Jun. | Jul. 07 | Aug. | Sep. | Oct. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Banks/D.H | 562 | 561. | 520. | 502 | 515 | 538 | 547 | 662 | 648 | 541 | 663 | 677 | 677 |
| CBN | 15.2 | 15 | 33 | 22. | 20. | 16.4 | 13.9 | 14.0 | 0.6 | 166. | 0.7 | 0.7 | 0.7 |
| Others | 138 | 138 | 147 | 166 | 140 | 141 | 178 | 51 | 69 | 7.7 | 42 | 0.3 | 0.3 |
| Total | 715 | 715 | 701 | 690 | 676 | 696 | 739 | 728 | 717 | 715 | 706 | 678 | 678 |

amounted to =N=19.5 billion and =N=528.7 billion, respectively, compared with =N=97.0 and =N=461.0 billion in September. Rates ranged from 5.78 to 7.50 per cent, compared with 5.76 to 7.20 per cent in the preceding month.

The impressive patronage during the review month could be attributable to the attractive rates at the two-way quote auctions, the underwriting by deposit money banks of the unsubscribed bills at the auctions; and DMBs' investment in tenored reverse repo resulting from non-remunerations of overnight deposits at the CBN.

Nigerian Treasury Bills (NTBs) of 91-day,182-day and 364– day tenors were offered, with total issue and subscription amounting to =N=166.5 billion and =N=341.2 billion, respectively, while allotment was =N=164.6 billion, compared with the total issue and allotment of =N=97.00 billion a piece in September, 2007. The issue rates ranged from 6.55 - 6.90 per cent and 5.85-7.50 per cent for the 91–and 182–day maturity, respectively, while that of the 364–day maturity ranged from 6.90 to 7.00 per cent, compared with the range of 5.75-6.60, 6.10-6.95 and 7.10 -8.13 per cent for 91-, 182– and 364–day NTBs, respectively, in the preceding month.

At the bonds segment of the market, the 10th and 11th 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 =N=42.8 billion were issued and allotted at coupon rates of 7.00 and 9.95 per cent, respectively. Total public subscription for the two issues stood at =N=93.3 billion with bid rates ranging from 6.50 to 10.50 per cent, reflecting market players' preference for longer-tenored securities, with more stable and attractive yields as well as increased confidence in the Nigerian economy.

## 2.5 Deposit Money Banks' Activities

Available data indicated that total assets/liabilities of the twenty four (24) DMBs amounted to =N=9,678.1 billion, representing an increase of 0.8 and 51.2 per cent over the levels in the preceding month and at end-December 2006, respectively. Funds sourced mainly from the mobilization of demand deposits were used largely in extending credit to the core private sector.

At =N=5,381.8 billion, credit to the domestic economy rose by 3.7 and 34.8 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 3.3 per cent, over the level in the preceding month.

Central Bank's credit to the DMBs rose by 82.6 per cent to =N=17.6 billion in the review month, reflecting the increase in loans and advances from the CBN.

Total specified liquid assets of the DMBs was =N=2,840.9 billion, representing 52.5 per cent of their total current liabilities. This level of assets was 1.5 percentage points over the preceding month's level and 12.5 per cent over the stipulated minimum ratio of 40.0 per cent for fiscal 2007. The loan-to-deposit ratio rose by 2.4 per cent over the preceding month's level and 5.9 percentage points below the prescribed maximum target of 80.0 per cent.

## 2.6 Discount Houses

Total assets/liabilities of the discount houses stood at =N=242.3 billion as at end-October 2007, indicating a decline of 23.1 per cent from the level in the preceding month. The fall in assets relative to the preceding month was attributable largely to the 28.3 and 37.2 per cent decline in "claims on Federal Government" and "other miscellaneous claims", while the decline in total liabilities was attributable largely to the 49.4 per cent fall in "other amount owing". Discount houses' investments in Federal Government securities of less than 91 days maturity amounted to =N=93.6 billion, representing 45.1 per cent of their total deposit liabilities. At this level, discount houses' investments declined by 3.4 and 14.9 percentage points from the levels in the preceding month and the prescribed minimum of 60.0 per cent for fiscal 2007, respectively.

Total borrowings by discount houses was =N=103.2 billion, while their capital and reserves amounted to =N=20.2 billion, resulting in a gearing ratio of 5.1:1, compared with the stipulated maximum target of 50:1 for fiscal 2007.

## 2.7 Capital Market Developments

Provisional data indicated that activities on the Nigerian Stock Exchange (NSE) in October were mixed. The volume of traded securities remained at the preceding month level of 10.1 billion shares, while the value of traded securities rose by 130 per cent to =N=152.0 billion in 214,071 deals, compared with =N=166.1 billion in 221,343 deals in the preceding month. The banking sub-sector remained the most active on the exchange, with a trading volume of 5.3 billion shares in 121,603 deals. The rise in volume of the banking sub-sector was mainly due to the increased activities in the shares of First Inland Bank, Wema Bank, IBTC and Intercontinental Bank during the review month. This was followed by the Insurance sub-sector with 2.8 billion shares in 23,451 deals. Transactions in the Federal Government and industrial loans/preference stocks, however, remained dormant during the month.

Transactions in the Over-the-Counter (OTC) bond market, indicated a turnover of 1.2 billion units worth =N=1,242.3 billion in 8,369 deals was recorded in the review month, compared with 366.34 million units worth =N=373.4 billion in 2,265 deals in September 2007. The most active bond was the 4th FGN Bond 2010 series 4 with a traded volume of 115.9 million units valued at =N=122.2 billion in 949 deals.

In the new issues market, the issuance of the 4th FGN bonds progressed as two Federal Government Bonds namely, the ninth re-opening (10-year) 2017 and twelfth (3-year) 2010 series of bonds valued at =N=42.8 billion were admitted to the Daily Official List with a coupon rate of 9.95 and 7.00 per cent, and a subscription rate of 7.75-11.25 and 6.00-9.23 per cent, respectively. The issues were over-subscribed by =N=50.48 billion.

The All-Share Index fell by 0.1 per cent to close at 50,201.82 (1984 =100), while the market capitalization rose by 0.4 per cent to =N=8.1 trillion in the review month. The development was attributable largely to price loses recorded by the highly capitalized companies on the Exchange. The market downturn, was as a result of a last minute rush by investors that are off-loading their stocks, in the secondary market to take advantage of primary market offers that were due to close that month.

In another development, the shares of Costain Nigeria Plc was placed on technical suspension, following its application to seek funds from the public. Also, the price of Platinum Habib Bank Plc was placed on technical suspension having received the bank's application to undertake supplementary share offering.

## 3.0 DOMESTIC ECONOMIC CONDITIONS

*The major agricultural activities during the month of October 2007 were harvesting of roots crops such as yams, irish and sweet potatoes, groundnuts as well as planting of late crops. In the livestock sub-sector, most poultry farmers intensified their activities in preparation for the end-of-year festivities. Crude oil production was estimated at 2.1 million barrels per day (mbd) or 65.72 million barrels during the month. The end-period inflation rate for October 2007, on a year-on-year basis, was 4.6 per cent, compared with 4.1 per cent recorded in the preceding month. The inflation rate on a 12-month moving average basis was 5.7 per cent, compared with 5.9 per cent in September, 2007.*

Figure 5: Volume and value of traded securities

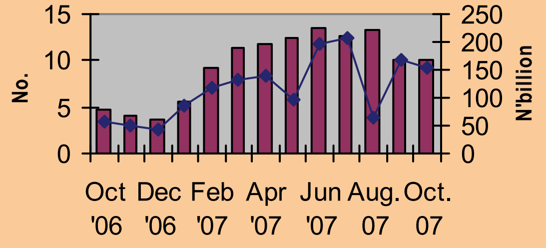
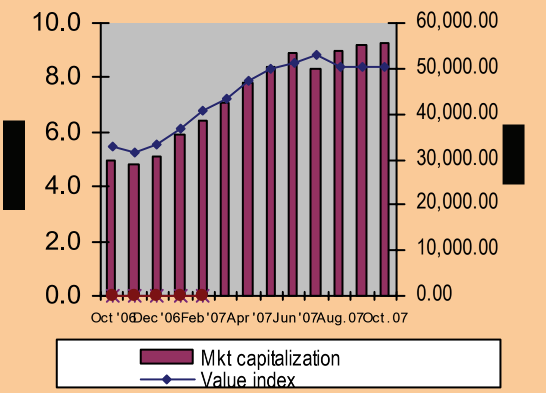



Figure 6: Market capitalization and value index




### 3.1 Agricultural Sector

Agricultural activities during the month of October 2007 consisted of harvesting of various root crops such as yams, irish and sweet potatoes, groundnuts as well as planting of late crops. In the Northern States, most farmers were engaged in land and nurseries preparation for tomatoes, pepper, carrots, cabbage and other vegetables, while in the Southern States, poultry farmers intensified their activities in preparation for the end-of-year festivities.

A total of =N=522.9 million was guaranteed to 3,699 farmers under the Agricultural Credit Guarantee Scheme (ACGS) during the month. This represented a decline of 44.1 and 47.1 per cent from 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 =N=428.0 million or 81.8 per cent guaranteed to 3,356 beneficiaries, while the livestock sub-sector received =N=42.4 million or 8.1 per cent guaranteed to 141 beneficiaries.

Also, the fisheries sub-sector obtained =N=47.1 million or 9.1 per cent guaranteed to 180 beneficiaries. The cash crops sub-sector was granted =N=5.4 million or 1.0 per cent guaranteed to 22 beneficiaries. Analysis by state showed that 15 states benefited from the scheme, with the highest and lowest sums of =N=95.5 million (18.3 per cent) and =N=0.3 million (0.1 per cent) guaranteed to Taraba and Ekiti states, respectively.

Retail price survey of most staples by the CBN showed that the prices of major staples recorded mixed developments in October 2007. Nine of the fourteen commodities monitored, recorded price decline ranging from 0.3 per cent for white garri, to 7.8 per cent for vegetable oil and groundnut from their levels in the preceding month. Yellow maize, yam flour, white maize and yellow garri however, recorded price increase of 0.5, 0.5, 0.7 and 0.8 per cent, respectively. This development was attributable to the favourable weather during the first half of the year that resulted in good harvest.

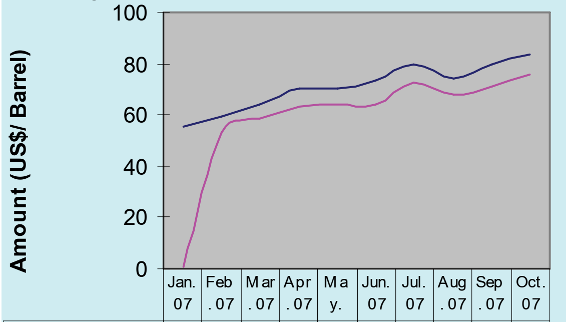
The prices of most Nigerian major agricultural commodities at the London Commodities Market recorded increase during the review month. At 297.4 (1990=100), the all-Commodities price index, in dollar terms, increased by 1.3 and 37.9 per cent over the levels in the preceding and the corresponding period of 2006, respectively. Further analysis showed that all the six commodities monitored recorded price increase ranging from 0.5 per cent for cocoa to 26.7 per cent for soya bean over the levels in the preceding month.

Similarly, at 3,689.9 (1990=100), the All-Commodities price index in naira terms, increased by 1.3 and 40.2 per cent over the levels in the preceding month and the corresponding period of 2006, respectively. Also, four of the six commodities monitored namely: soya bean, coffee, palm oil and cotton recorded price increase of 17.2, 12.6, 8.2 and 7.0 per cent, respectively, while copra recorded a price decline of 0.6 per cent from the level in the preceding month. The price of cocoa, however, remained unchanged during the period.

## 3.2 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.1 million barrels per day (mbd) or 65.72 million barrels for the month, representing an increase of 1.0 per cent over the level in the preceding month. Crude oil export was estimated at 1.67 mbd or 51.77 million barrels in the month, compared with 1.65 mbd or 49.70 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.

Figure 7: Trends in Crude Oil Price




| | Jan. 07 | Feb .07 | Mar .07 | Apr .07 | May. | Jun. 07 | Jul. 07 | Aug .07 | Sep .07 | Oct. 07 |
|---|---|---|---|---|---|---|---|---|---|---|
| Bonny Light | 56 | 59 | 64 | 70 | 70 | 73 | 80 | 74 | 80 | 84 |
| Opec Basket | 0.7 | 53 | 58 | 63 | 64 | 64 | 72 | 68 | 71 | 76 |

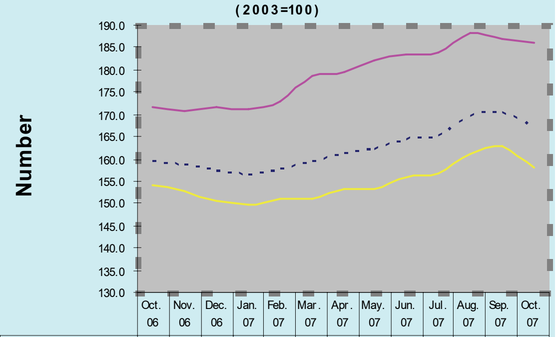
Period

At an estimated average of US$83.73 per barrel, the price of Nigeria's reference crude, the Bonny Light (37º API), increased by 4.9 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 to US$84.24, US$81.85, US$77.35 and US$83.74 per barrel, respectively. The average price of OPEC's basket of eleven crude streams rose by 5.9 per cent to US$75.83 over the level in the preceding month. The rise in price was attributable to the fear of supply disruption arising from militant attacks on some of Nigeria's oil rigs, the new sanctions imposed on Iran by the U.S as well as the disruption caused by fire at British Petroleum Plc oil field in Alaska, U.S.

## 3.3 Consumer Prices

Available data showed that the all-items composite Consumer Price Index (CPI) for the month of October, 2007 was 166.7 (May 2003=100), representing a decline of 2.1 per cent from the level in the preceding month. The development was attributable to the decline in the price of some food and non-food items.

Figure 8: Monthly Consumer Price Indices in Nigeria (2003=100)




| | Oct. 06 | Nov. 06 | Dec. 06 | Jan. 07 | Feb. 07 | Mar. 07 | Apr. 07 | May. 07 | Jun. 07 | Jul. 07 | Aug. 07 | Sep. 07 | Oct. 07 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Composite | 159.4 | 158.3 | 157.1 | 156.4 | 157.6 | 159.2 | 161.1 | 161.9 | 164.3 | 165.1 | 169.4 | 170.2 | 166.7 |
| Urban | 171.7 | 170.8 | 171.6 | 171.3 | 173.1 | 178.4 | 179.7 | 182.0 | 183.5 | 184.0 | 188.4 | 186.9 | 186.1 |
| Rural | 154.1 | 152.9 | 150.8 | 149.9 | 150.9 | 150.9 | 153.0 | 153.2 | 156.0 | 156.9 | 161.1 | 163.0 | 158.2 |

The urban all-items CPI for the end of October, 2007 was 186.1 (May 2003=100), indicating a decline of 0.4 per cent from the level in the preceding month. Similarly, the rural all-items CPI for the month was 158.2 (May 2003=100), and represented a decline of 2.9 per cent from the level in the preceding month. The end-period inflation rate for October 2007, on a year-on-year basis, was 4.6 per cent, compared with 4.1 per cent recorded in the preceding month. The inflation rate on a twelve-month moving average basis for October 2007, was 5.7 per cent, compared with 5.9 per cent in September 2007, reflecting largely the stability in the supply of petroleum products and the harvest of agricultural products.

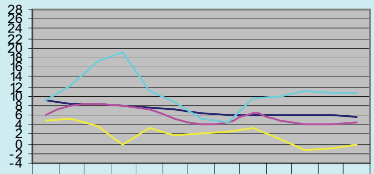
## 4.0 EXTERNAL SECTOR DEVELOPMENTS

*Provisional data indicated that foreign exchange inflow and outflow through the CBN in October 2007 fell by 34.0 and 31.1 per cent, respectively. Similarly, total non-oil export earnings by Nigeria's top 100 exporters declined by 42.8 per cent from the level in the preceding month. The gross external reserves rose by 2.5 per cent to US$49.11 billion in October 2007, while the weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated by 1.4 per cent to =N=124.28 per dollar at the WDAS.*

### 4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in October 2007 were US$2.62 billion and US$1.13 billion, respectively, representing a net inflow of US$1.49 billion. Relative to the respective levels of US$3.97 billion and US$1.68 billion in the preceding month, inflow and outflow declined by 34.0 and 31.1 per cent. The fall in inflow was attributable largely to the 44.1 per cent fall in non oil inflows. This was, however, moderated by the 35.5 per cent increase in autonomous inflows during the period. Similarly, the decline in outflow was due to the 36.4 and 53.3 per cent fall in WDAS utilization and other official payments, respectively.

Figure 9: Inlation Rate in Nigeria (Per Cent)

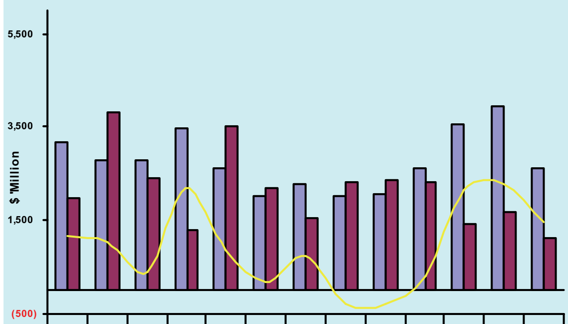



| | Oct. 06 | Nov. 06 | Dec. 06 | Jan. 07 | Feb. 07 | Mar. 07 | Apr. 07 | May-07 | Jun-07 | Jul-07 | Aug. 07 | Sep-07 | Oct. 07 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Inlation 12-MMA | 9 | 8.5 | 8.2 | 8 | 7.7 | 7.2 | 6.5 | 6 | 5.9 | 6 | 6.1 | 5.9 | 5.7 |
| Inflation Yr-on-Yr | 6.1 | 7.8 | 8.5 | 8 | 7.1 | 5.2 | 4.2 | 4.6 | 6.4 | 4.8 | 4.2 | 4.1 | 4.6 |
| Food Inflation | 4.7 | 5.4 | 3.9 | -0.1 | 3.3 | 1.7 | 2.1 | 2.4 | 3.2 | 1.1 | -1.2 | -0.8 | -0.1 |
| Core Inflation | 9 | 12.1 | 17.3 | 19.3 | 11 | 8.90 | 5.4 | 4.6 | 9.6 | 9.9 | 11.2 | 10.5 | 10.7 |

Provisional data on aggregate foreign exchange flows through the economy indicated that total inflow was US$5.98 billion, representing a decline of 7.3 per cent from the level in the preceding month, but an increase of 13.3 per cent over the level in the corresponding period of 2006. Oil sector receipts, which accounted for 34.3 per cent of the total, stood at US$2.05 billion, compared with US$2.94 billion in the preceding month. Non-oil public sector inflows fell by 44.1 per cent, while autonomous inflow rose by 35.5 per cent and both accounted for 9.5 and 56.2 per cent of the total, respectively.

At US$1.31 billion, aggregate foreign exchange outflow from the economy fell by 28.8 per cent from the level in the preceding month. The decline in outflow relative to the preceding month was attributable to the 36.4 and 53.3 per cent fall in DAS utilisation and other official payments, respectively. In the first ten months of the year, however, the total inflow and outflow were US$55.73 billion and US$20.81 billion, respectively, representing a net inflow of US$34.92 billion, compared with the net inflow of US$30.94 billion in the corresponding period of 2006.

Figure 10: Foreign Exchange Flows Through the CBN ($'Million)




| | Oct. 06 | Nov. 06 | Dec. 06 | Jan. 07 | Feb. 07 | Mar. 07 | Apr. 07 | May-07 | Jun-07 | Jul-07 | Aug. 07 | Sep. 07 | Oct. 07 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Inflow | 3,160.7 | 2,779.3 | 2,787.8 | 3,497.8 | 2,632.6 | 2,015.6 | 2,289.0 | 2,039.1 | 2078 | 2620.9 | 3582.7 | 3966.9 | 2615.6 |
| Outflow | 1,991.1 | 3,800.9 | 2,403.9 | 1,311.6 | 3,516.8 | 2,188.6 | 1,537.1 | 2,313.4 | 2376.3 | 2314.8 | 1443.6 | 1686.1 | 1132.6 |
| Netflow | 1,169.7 | 1,021.6 | 384.0 | 2,186.3 | 884.2 | 172.95 | 751.87 | -274.3 | -298.2 | 306.16 | 2139.3 | 2280.8 | 1483 |

Months

## *4.2 Non-Oil Export Proceeds by top 100 Exporters*

Total non-oil export earnings by Nigeria's top 100 exporters declined by 42.8 per cent from the level in the preceding month to US$44.36 million. 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, manufacturing and "others" sub-sectors declined from US$32.16 million, US$39.30 million and US$6.15 million in the preceding month to US$17.53 million, US$25.44 million and US$1.38 million, respectively.

The shares of agricultural, manufacturing and others" sub-sectors in total non-oil export proceeds were 39.5, 57.4, and 3.1 per cent, respectively, compared with 41.4, 50.6 and 7.9 per cent, in the preceding month. The top 100 exporters accounted for 100.0 per cent of all the non-oil export proceeds during the review month.

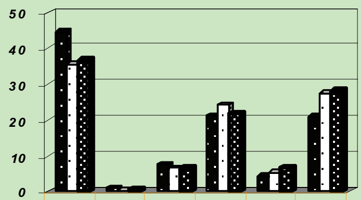
## *4.3 Sectoral Utilisation of Foreign Exchange*

The industrial sector accounted for the bulk (44.9 per cent) of total foreign exchange disbursed in October 2007, followed by general merchandise (23.6 per cent). Other beneficiary sectors, in a descending order of importance, included: invisibles (19.8 per cent), transport (5.8), food (5.4 per cent) and agricultural products (0.5 per cent) (Fig.11).

## *4.4 Foreign Exchange Market Developments*

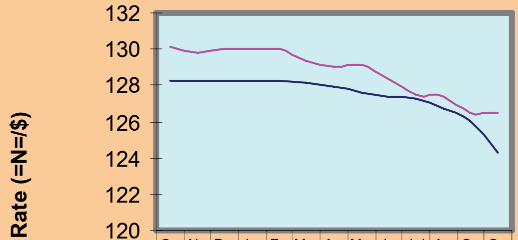
Aggregate demand for foreign exchange by authorized dealers under the Wholesale Dutch Auction System (WDAS) was US$0.92 billion in October 2007, indicating a decline of 34.6 per cent from the level in the preceding month. The development was attributable to the improved activities in the inter-bank foreign exchange market during the period. Consequently, the amount of foreign exchange sold by the CBN to authorized dealers declined by 36.6 per cent to US$0.75 billion from the level in the preceding month. Under the WDAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar appreciated by 1.4 per cent to =N=124.28 per dollar. In the bureaux de change segment of the market, the average rate, remained stable at the preceding month level of =N=126.50 per dollar. Consequently, the premium between the official and bureaux de change rates rose from 0.4 per cent in the preceding month to 1.8 per cent.

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




| | Industrial | Agricultura | Foods | G/Mechand | Transport | Invisibles |
|---|---|---|---|---|---|---|
| Oct. 06 | 44.6 | 1.1 | 7.5 | 21.3 | 4.4 | 21.1 |
| Sept. 07 | 35.7 | 0.4 | 6.7 | 24.3 | 5.4 | 27.5 |
| Oct. 07 | 36.6 | 0.6 | 6.4 | 21.8 | 6.7 | 27.9 |

**Figure 12: Average Exchange Rate Movements**




| | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Apr. | May. | Jun. | Jul.07 | Aug. | Sep. | Oct. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Average WDAS | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 127 | 127 | 127 | 126 | 124 |
| Average BDC | 130 | 130 | 130 | 130 | 130 | 129. | 129 | 129 | 128 | 128 | 127 | 127 | 126. |

## *4.5 External Reserves*

Available data showed that Nigeria's external reserves at end-October 2007 stood at US$49.21 billion, representing an increase of 2.7 per cent over the level of US$47.93 billion recorded in the preceding month. This level of reserves could finance 23.6 months of foreign exchange commitments, compared with 22.2 months in the preceding month.

## *5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS*

World crude oil output in the month of October 2007 was estimated at 85.57 million barrels per day (mbd), while demand was estimated at 86.00 mbd, representing an excess demand of 0.43 mbd, compared with 85.02 and 85.90 mbd supplied and demanded, respectively, in the preceding month.

Other major international economic developments of relevance to the domestic economy during the month included: the visit by His Excellency, Dr. Manmohan

Singh, the Prime Minister of India from October 14-16, 2007. The visit enabled the Prime Minister to hold extensive and fruitful discussions with His Excellency, President Umaru Musa Yar'Adua that would further boost the existing relationship as well as open new windows for economic and social relations between the countries.

Below are some of the major highlight of the meeting:

- Both countries signed Memorandum of Understanding on the Foreign Service Institute of India and its equivalent Nigerian Foreign Service Academy; the Indian Council for World Affairs and the Nigerian Institute of International Affairs; a protocol for foreign office consultation and an Agreement on Defense cooperation.
- The two countries agreed to significantly enhance mutually beneficial trade and investment exchanges in sectors such as infrastructure (including railways), agriculture, and food processing, small and medium enterprises, power generation, fertilizers, ICT, pharmaceuticals, automobiles, auto-components and other sectors.
- India and Nigeria reaffirmed their belief that no reform of the United Nations would be complete without reform of the UN Security Council.
- Both sides observed that the problem of climate change, which is essentially the outcome of the unsustainable production and consumption patterns in the developed world, is an impediment to poverty alleviation. They agreed to cooperate closely, along with other developing countries, at the UNFCCC and also within the framework of the Kyoto Protocol.

It was agreed that to encourage a broad base cooperation, the following agreements would be finalized and signed within the next six months: Double Taxation Avoidance Agreement, Bilateral Investment Promotion & Protection Agreement, Bilateral Inter Governmental Science & Technology Agreement, Bilateral Air Services Agreement (renewal of 1976 agreement), Mutual Legal Assistance Treaty, Extradition Treaty, Trade Agreement, Agreement on Cooperation against trafficking of Drugs and Cultural Exchange Programme for 2008 – 2010.

In another development, the Annual Meetings of the Inter-governmental Group of Twenty-Four (G-24) on International Monetary Affairs and Development, the International Monetary Fund (IMF) and the World Bank was held in Washington D.C., USA from October17-22, 2007. First, the inter-governmental group of G-24 on International Monetary Affairs and Development held its seventy-eighth meeting in Washington D.C. on 17th October, 2007 to harmonize their position on issues of concern and interest.

Also, the sixteenth meeting of the International Monetary and Financial Committee (IMFC) was held in Washington D.C. on October 20, 2007. The Committee welcomed the strong growth of the global economy in the first half of 2007. It also noted the continued growth in the global economy, brought about by the robust growth of emerging economies and developing countries, but cautioned that recent disturbances in the financial markets in advanced economies could have moderating effects on growth, as downside risks to future prospects of the global economy seemed to have increased. Similarly, the World Bank Group President, unveiled an all-inclusive and sustainable globalization strategy to cater for billions of people including, those in the developing countries. The programme was designed to overcome poverty, enhance growth, care for the environment, create individual opportunity and hope. The Deputy Governor (DG), Economic Policy of the Central Bank of Nigeria (CBN) met with the Head of Monetary and Capital Market Department (MCMD) of the IMF, Mr. Christopher Towe and his team.

Major issues discussed at the meeting are as follows:

- The review of the FSS 2020 Programme which the team assured the CBN delegation that the MCMD would be willing to provide assistance whenever it is required.
- Improving the quality of the maiden edition of CBN's Financial Stability Report and the Monetary Policy Review. The MCMD acceded to the DG's request for their comments on the two publications. The DG also informed the Head of the MCMD that the Bank would seek a renewal of tenure of Dr. Vaseduvan on the expiration of his tenure in December 2007. The request was based on his useful services to the Bank. The Head of MCMD promised to consider the request favourably.
- The DG sought the assistance of the MCMD in the setting up of the Bank's Statistics Department and capacity building in modeling and forecasting. Mr. Towe promised to convey these requests to the appropriate authority.
- She also stated that in its desire to enhance Regulatory framework, the Bank would need the assistance of the Department in the area of Risk Based Supervision.

In a related development, the Nigerian delegation led by the Honourable Minister of Finance, Dr. Shamsuddeen Usman held a meeting with Mr. J. Lipsky, the First Deputy Managing Director of the IMF. Below are some of the major highlights of the meeting:

- The Minister informed him that the fight against corruption in Nigeria was on-going, stressing that President Musa Yar'Adua has an anti-corruption stance, hence the public declaration of his assets. He was informed that the 2008 fiscal policy framework indicated Nigeria's' commitment to continued fiscal discipline.
- He pointed out that infrastructure, power and transportation (road and rail) and other reforms were on-going and sustaining them without compromising macroeconomic stability would pose a serious challenge. He thanked the Fund for the Technical Assistance granted Nigeria. The Honourable Minister formally invited Mr. J. Lipsky to visit Nigeria.
- The Governor of the Central Bank of Nigeria informed Mr. Lipsky that headline inflation had remained single digit since the last two years and the challenge is how to sustain it. He reaffirmed that the current mandate of the Bank as provided in the new CBN Act, demands that inflation should be kept low and stable.
- On exchange rate adjustment, he stated that Fitch rating indicated that the naira was undervalued. The Central Bank of Nigeria would pay special attention to ensure continued stability of the exchange rate. Foreign exchange sales for liquidity purposes had been low as the economy was awash with dollars, so the naira appreciation would likely to continue in the months ahead. The development has implications for the revenue of the government and therefore the Bank was being cautious.
- The Governor also thanked Mr. Lipsky for the Technical Assistance extended to the Bank. He informed him that from 2009 an Inflation Targeting framework would be in place so there would be need for more Technical Assistance.
- Mr. Lipsky commended the efforts of the Federal Government to tem the level of curruption. He informed the Nigerian side that there is a public/private partnership developed by the Fund in Power and Transportation. He suggested that someone could be invited to understudy it for Nigeria's adoption. He expressed his happiness with the plans of the country for a successor to the PSI and his willingness to discuss areas of assistance.

The 10th Meeting of the Legal and Institutional Issues Committee (LIIC) of the West African Monetary Zone (WAMZ) was held at the West African Monetary Institute (WAMI) in Accra, Ghana, from October 1-3, 2007. The objective of meeting was to consider and review the following draft legal documents: Payments System Statute; Amendment to the WAMI Statute; Single Economic Space and Prosperity Agreement; the Company Statute of the WAMZ and the Banking Statute of the WAMZ.

Below are the highlights of the meeting:

- The Draft Payments System Statute of WAMI**:** The West African Central Bank (WACB) should designate only banks as participants in the payment system. Furthermore, members agreed that the circumstances under which the WACB could designate a payment system participant should be crafted in broader terms to include an 'umbrella' clause.
- Amendment to the WAMI Statute: Members agreed to consider only the amendments recommended by the Convergence Council. They directed WAMI to ensure that only amendments recommended by the Council are changed.
- Draft of the Single Economic Space and Prosperity Agreement (SESPA): Members agreed that the Court should be specifically described as 'High Court or court of competent jurisdiction in a member state'. They added that any court action against the relevant government body should be for breach of any of the provisions relating to free movement of goods, persons or right of establishment. The provisions for the avoidance of double taxation were accepted as these were standard international rules

An extraordinary meeting of the ECOWAS Convergence Council was convened by the the ECOWAS Commission on October 9, 2007 in Quagadougou. The purpose of the meeting was to deliberate the report of a Technical Committee on the ECOWAS Single Currency Initiative.

Highlights of the Council's deliberations are as follows:

- On the need to carry out a feasibility study suggested by the Technical Committee, the Council directed the ECOWAS Commission to, in collaboration with the other Institutions, prepare the appropriate terms of reference and propose a list of consultants, from which one would be chosen to carry out the study;
- Council agreed that the currency must be established on the basis of sound macroeconomic fundamentals and the establishment of a growth and stability pact.

At the end of the deliberations, it was agreed that a progress report should be submitted to the next Summit of ECOWAS Heads of State and Government, scheduled to take place in December 2007.

## TABLE 1

### MONETARY AND CREDIT DEVELOPMENTS

(=N=Million)

| | | OCTOBER 2007 | SEPTEMBER 2007 | AUGUST 2007 | DECEMBER 2006 | CHANGE BETWEEN (1&2) | | CHANGE BETWEEN (2&3) | | CHANGE BETWEEN (1&4) | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | (1) | (2) | (3) | (4) | ABSOLUTE | PER CENT | ABSOLUTE | PER CENT | ABSOLUTE | PER CENT |
| 1 | Domestic Credit | 1,499,984.30 | 1,404,778.90 | 793,457.90 | 753,808.20 | 95,205.4 | 6.8 | 611,321.0 | 77.0 | 746,176.1 | 99.0 |
| (a) | Claims on Federal Government (Net) | (2,863,238.30) | (2,752,580.90) | (3,178,623.00) | (1,812,021.80) | (110,657.4) | (4.0) | 426,042.1 | 13.4 | (1,051,216.5) | (58.0) |
| | By Central Bank (Net) | (3,980,395.20) | (3,818,351.50) | (3,746,062.40) | (2,796,026.90) | (162,043.7) | (4.2) | (72,289.1) | (1.9) | (1,184,368.3) | (42.4) |
| | By Banks (Net) | 1,117,156.90 | 1,065,770.60 | 567,439.40 | 984,005.10 | 51,386.3 | 4.8 | 498,331.2 | 87.8 | 133,151.8 | 13.5 |
| (b) | Claims on Private Sector | 4,363,222.60 | 4,157,359.80 | 3,972,080.90 | 2,565,830.00 | 205,862.8 | 5.0 | 185,278.9 | 4.7 | 1,797,392.6 | 70.1 |
| | By Central Bank | 98,541.90 | 39,218.90 | 32,763.40 | 41,532.10 | 59,323.0 | 151.3 | 6,455.5 | 19.7 | 57,009.8 | 137.3 |
| | By Banks | 4,264,680.70 | 4,118,140.90 | 3,939,317.50 | 2,524,297.90 | 146,539.8 | 3.6 | 178,823.4 | 4.5 | 1,740,382.8 | 68.9 |
| (i) | Claims on State and Local Governments | 75,449.40 | 71,779.00 | 71,232.50 | 62,196.10 | 3,670.4 | 5.1 | 546.5 | 0.8 | 13,253.3 | 21.3 |
| | By Central Bank | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | By Banks | 75,449.40 | 71,779.00 | 71,232.50 | 62,196.10 | 3,670.4 | 5.1 | 546.5 | 0.8 | 13,253.3 | 21.3 |
| (ii) | Claims on Non-Financial Public Enterprises | - | - | - | 13,249.40 | 0.0 | #DIV/0! | 0.0 | #DIV/0! | (13,249.4) | (100.0) |
| | By Central Bank | - | - | - | 13,249.40 | 0.0 | #DIV/0! | 0.0 | #DIV/0! | (13,249.4) | (100.0) |
| | By Banks | - | - | - | - | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| (iii) | Claims on Other Private Sector | 4,287,773.20 | 4,085,580.80 | 3,900,848.40 | 2,490,384.50 | 202,192.4 | 4.9 | 184,732.4 | 4.7 | 1,797,388.7 | 72.2 |
| | By Central Bank | 98,541.90 | 39,218.90 | 32,763.40 | 28,282.70 | 59,323.0 | 151.3 | 6,455.5 | 19.7 | 70,259.2 | 248.4 |
| | By Banks | 4,189,231.30 | 4,046,361.90 | 3,868,085.00 | 2,462,101.80 | 142,869.4 | 3.5 | 178,276.9 | 4.6 | 1,727,129.5 | 70.1 |
| 2 | Foreign Assets (Net) | 7,282,754.20 | 6,956,794.60 | 6,732,634.10 | 6,219,007.70 | 325,959.6 | 4.7 | 224,160.5 | 3.3 | 1,063,746.5 | 17.1 |
| | By Central Bank | 6,466,900.10 | 6,249,910.00 | 5,996,205.90 | 5,617,317.60 | 216,990.1 | 3.5 | 253,704.1 | 4.2 | 849,582.5 | 15.1 |
| | By Banks | 815,854.10 | 706,884.60 | 736,428.20 | 601,690.10 | 108,969.5 | 15.4 | (29,543.6) | (4.0) | 214,164.0 | 35.6 |
| 3 | Other Assets (Net) | (4,181,549.10) | (3,903,053.50) | (3,280,398.80) | (3,298,174.00) | (278,495.60) | (7.14) | (622,654.7) | (19.0) | -883,375.1 | -26.8 |
| | Total Monetary Assets ($M_2$) | 4,601,189.30 | 4,458,520.00 | 4,245,693.20 | 3,674,641.90 | 142,669.3 | 3.2 | 212,826.8 | 5.0 | 926,547.4 | 25.2 |
| | Quasi - Money 1/ | 2,225,352.30 | 2,169,776.80 | 2,060,747.50 | 1,739,636.90 | 55,575.5 | 2.6 | 109,029.3 | 5.3 | 485,715.4 | 27.9 |
| | Money Supply ($M_1$) | 2,375,837.00 | 2,288,743.20 | 2,184,945.80 | 1,935,005.00 | 87,093.8 | 3.8 | 103,797.4 | 4.8 | 440,832.0 | 22.8 |
| | Currency Outside Banks | 571,711.60 | 539,502.50 | 523,741.80 | 690,841.50 | 32,209.1 | 6.0 | 15,760.7 | 3.0 | (119,129.9) | (17.2) |
| | Demand Deposits 2/ | 1,804,125.40 | 1,749,240.70 | 1,661,204.00 | 1,244,163.50 | 54,884.7 | 3.1 | 88,036.7 | 5.3 | 559,961.9 | 45.0 |
| | Total Monetary Liabilities | 4,601,189.30 | 4,458,520.00 | 4,245,693.30 | 3,674,641.90 | 142,669.3 | 3.2 | 212,826.7 | 5.0 | 926,547.4 | 25.2 |

**Notes:**

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

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

3/ Provisional.