



CENTRAL BANK OF NIGERIA

***ECONOMIC REPORT FOR
THE MONTH OF NOVEMBER
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 ...	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 ...	6
3.1	Agricultural Sector	6
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 ...	8
4.3	Sectoral Utilisation of Foreign Exchange ...	8
4.4	Foreign Exchange Market Developments ...	8
4.5	External Reserves	9
5.0	OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS	9
	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 ...	8
11.	Sectoral Utilisation of Foreign Exchange ...	8
12.	Average Exchange Rate Movements	9
13.	Monetary and Credit Developments Table ...	12

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 4.9 and 0.03 per cent over the levels in the preceding month, respectively. The increase was attributable wholly to the rise in aggregate banking system credit to the domestic economy.

Available data indicated mixed developments in banks' deposit and lending rates in November 2007. The spread between the weighted average deposit and maximum lending rates narrowed from 10.75 percentage points in the preceding month to 10.65. The margin between the average savings deposit and maximum lending rates, however, widened from 14.82 percentage points in October, 2007 to 14.87. The weighted average inter-bank call rate, which stood at 7.21 per cent in the preceding month, rose to 8.56 per cent at end-November 2007, reflecting the liquidity squeeze in the inter-bank funds market.

The value of money market assets outstanding increased by 1.5 per cent to ₦2,188.8 billion over the level in the preceding month. The rise was attributable to the 3.0 per cent increase in outstanding FGN bonds. Activities on the Nigerian Stock Exchange indicated improved performance during the review month.

The major agricultural activities in the review month included: harvesting of tubers, fruits, vegetable, late maturing grains as well as pre-planting preparation for dry season planting. In the livestock sub-sector, most poultry farmers were engaged in fattening and other management activities in anticipation of the end-of-year sales. 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 2.17 million barrels per day (mbd) or 65.10 million barrels for the month, same as in the preceding month. Crude oil export was estimated at 1.67 mbd or 50.10 million barrels for the month, while deliveries to the refineries for domestic consumption remained at 0.45 mbd or 13.50 million barrels. The average price of Nigeria's reference crude, the Bonny Light (37⁰ API), estimated at US\$83.73 per barrel, rose by 13.5 per cent over the level in the preceding month.

The inflation rate for November 2007, on a year-on-year basis, was 5.2 per cent, compared with 4.6 per cent recorded in the preceding month. The inflation rate on a twelve-month moving average basis was, however, 5.5 per cent, compared with 5.7 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\$3.45 billion and US\$1.75 billion, respectively, resulting in a net inflow of US\$1.70 billion during the month. Relative to the respective levels in the preceding month, inflow and outflow rose by 31.9 and 54.7 per cent, respectively. The rise in inflow was attributable to the higher receipt from crude oil export, while the increase in outflow was due to the rise in WDAS utilization, external debt service and other official payments.

Foreign exchange sales by the Central Bank of Nigeria (CBN) to end-users through the authorized dealers stood at US\$1.18 billion, indicating an increase of 57.3 per cent over the level in the preceding month, while demand declined by 6.4 per cent to US\$0.86 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\$49.96 billion in November 2007, compared with US\$49.21 billion at end-October 2007. This level of reserves could finance 23.72 months of foreign exchange commitments, compared with 23.65 months in the preceding month. The weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated by 3.1 per cent to ₦120.51 per dollar at the WDAS. In the bureaux de change segment of the market, the rate also, appreciated by 2.2 per cent to ₦123.80 per dollar. Non-oil export earnings by Nigeria's top 100 exporters amounted to US\$144.46 million, indicating an increase of 158.0 per cent over 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 International Monetary Fund (IMF) Article IV Mission to Nigeria from November 7 – 20, 2007. The mission discussed recent developments in the Nigerian economy and the outlook for 2008 as well as the medium term; the World Bank brief, released the Remittance Trends 2007 on November 30, 2007. The brief revealed that remittances to developing countries would reach an estimated \$240 billion in 2007; the meeting of the National Working Group of the Nigeria/South Africa Bi-National Commission (BNC) was held at the Burgers Park Hotel, Pretoria, South Africa (SA) from November 26 - 28, 2007. The developing eight countries group (D-8) held the first meeting on "Financial Infrastructure development among the D-8 countries" and the 3rd seminar on the regulation of Takaful Insurance" held in Cairo, Egypt, from November 26-28, 2007.

2.0 FINANCIAL SECTOR DEVELOPMENTS

Monetary aggregates grew in November 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 bullish during the review period.

2.1 Monetary and Credit Developments

Provisional data indicated that monetary aggregates increased in November 2007. Broad money supply (M_2) and narrow money supply (M_1) rose by 4.9 and 0.03 per cent to ₦4,827.8 billion and ₦2,376.6 billion, respectively, compared with the increase of 3.2 and 3.8 per cent in October 2007. The rise in M_2 was attributable wholly to the increase in aggregate banking system credit to the domestic economy. Over the level at end-December 2006, M_2 grew by 31.4 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 33.5 per cent to ₦2,002.0 billion in November 2007, compared with the increase of 6.8 per cent in the preceding month. The development was attributable to the 7.9 and 6.3 per cent increase in claims on government and the private sector, respectively.

At negative ₦2,638.2 billion, banking system's credit (net) to the Federal Government rose by 7.9 per cent, in contrast to the decline of 4.0 per cent in the preceding month. The increase was attributable to the 3.8 and 6.8 per cent rise in claims by the Central Bank of Nigeria (CBN) and deposit money banks (DMBs), respectively, during the period.

Banking system's credit to the private sector rose by 6.3 per cent to ₦4,640.1 billion, compared with the increase of 5.0 per cent in the preceding month. The rise in the review month reflected the 6.6 per cent increase in DMBs' claims on the sector (fig 2).

At ₦7,268.8 billion, foreign assets (net) of the banking system fell by 0.2 per cent, in contrast to the rise of 4.7 per cent in the preceding month. The development was attributable largely to the 0.9 per cent decline in CBNs' holdings.

Similarly, quasi money rose by 2.6 per cent to ₦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 6.3 per cent to ₦4,443.0 billion, compared with the decline of 7.1 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)

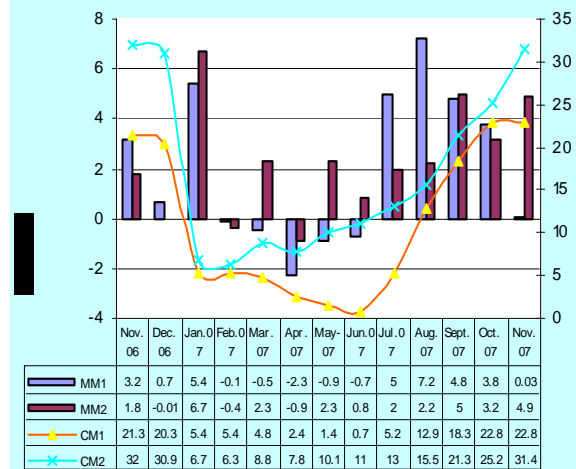
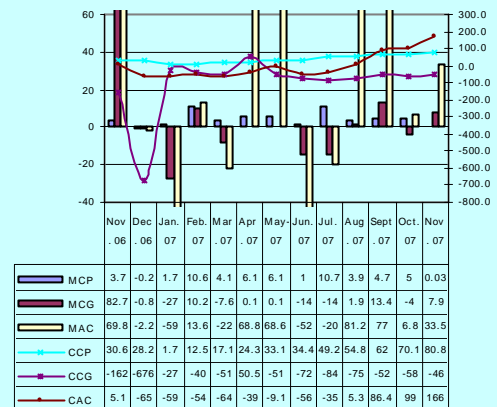


Figure 2: Aggregate Domestic Credit To The Economy (Monthly & Cumulative Growth Rate)



2.2 Currency-in-circulation and Deposits at the CBN

At =N=790.2 billion, currency in circulation rose by 4.6 per cent in November 2007 over the level in October, 2007. The rise was traceable largely to the increase of 6.8 per cent in currency outside the banking system during the period.

Total deposits at the CBN amounted to =N=5,331.1 billion, indicating an increase of 1.5 per cent over the level in the preceding month. The development was attributable to the 130.5 and 220.9 per cent increase in both bank and private sector deposits, respectively. The shares of the Federal Government, banks and “others” in total deposits at the CBN were 93.7, 5.6 and 0.7 per cent, respectively, compared with the shares of 97.3, 2.5 and 0.2 per cent, in October 2007.

2.3 Interest Rate Developments

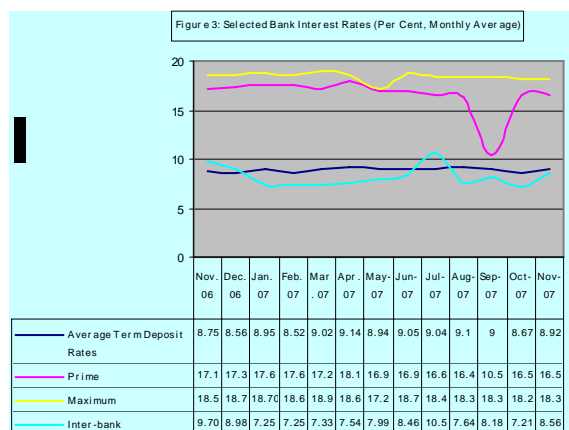
Available data indicated mixed developments in banks’ deposit and lending rates in November 2007. With the exception of the average savings deposits and over 12-month savings rates which declined by 0.01 and 0.13 percentage points to 3.38 and 9.68 per cent, respectively, all other rates on deposits of various maturities rose from a range of 3.39 – 9.81 per cent in the preceding month to 5.69 – 10.30 per cent. Similarly, the average prime lending rate fell by 0.04 per cent to 16.46 per cent, while the maximum lending rate rose by 0.04 percentage points to 18.25 per cent. Consequently, the spread between the weighted average deposit and maximum lending rates narrowed from 10.75 percentage points in the preceding month to 10.65 percentage points. The margin between the average savings deposit and maximum lending rates, however, widened from 14.82 percentage points in the preceding month to 14.87 percentage points.

The weighted average inter-bank call rate, which was 7.21 per cent in the preceding month, rose to 8.56 per cent at end-November 2007, reflecting the liquidity squeeze in the inter-bank funds market.

2.4 Money Market Developments

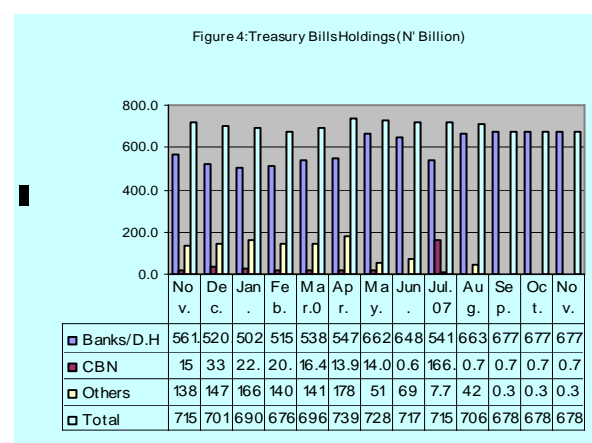
Provisional data indicated that the value of money market assets outstanding in November 2007 was =N=2,188.8 billion, representing an increase of 1.5 per cent over the level at end-October 2007. The rise was attributable to the 3.0 per cent increase in outstanding FGN bonds.

At the inter-bank funds market, the value of transactions was =N=2,675.2 billion in 2,219 deals, representing an increase of 10.6 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=1,850.6 billion, representing 69.2 per cent of the total. At the inter-bank segment, placements stood at =N=824.6 billion, compared with =N=636.4 billion in the preceding month. As 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 amounted to =N=24.0 billion and =N=446.9 billion, respectively, compared with =N=19.5 and =N=528.7 billion in October. Rates ranged from 5.76 to 7.65 per cent, compared with 5.76 to 7.50 per cent in the preceding month. The impressive patronage during the review month, could be attributable to the underwriting of the unsubscribed bills at the auctions as well as the DMBs’ investment in tenored reverse repo.



Nigerian Treasury Bills (NTBs) of 91-day, 182-day tenors were offered, with total issue and subscription amounting to =N=185.0 billion and =N=207.9 billion, respectively, while allotment was =N=185.0 billion,

compared with the total issue and allotment of ₦166.5 billion in October, 2007. The issue rates ranged from 5.90 - 7.44 per cent and 7.00-7.65 per cent for the 91-day and 182-day maturity, respectively, compared with the range of 5.90-6.55 and 5.85 -7.50 per cent for 91-day and 182-day NTBs, respectively, in the preceding month.

At the bonds segment of the market, the 9th (re-opening) 13th series of the 4th FGN bonds were issued for 10- and 3- year tenors in line with the restructuring of the domestic debt profile to longer tenors. A total of ₦50.0 billion were issued and allotted at coupon rates of 9.20 and 11.00 per cent, respectively. Total public subscription for the two issues stood at ₦65.6 billion with bid rates ranging from 6.50 to 13.00 per cent, reflecting market players' preference for longer-tenored securities, with more stable and attractive yields. The sustained patronage at the FGN Bonds market is an indication of the continuing 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 ₦9,864.3 billion, representing an increase of 1.9 and 54.1 per cent over the levels in the preceding month and at end-December 2006, respectively. Funds, sourced mainly from the accumulation of time, savings and foreign currency deposits and capital account, were used largely in the settlement of demand deposits.

At ₦5,739.5 billion, credit to the domestic economy rose by 6.6 and 63.6 per cent over the levels in the preceding month and at end-December 2006, respectively. The breakdown showed that credit to government and the core private sector rose by 6.6 and 6.8 per cent, respectively, over the level in the preceding month.

Central Bank's credit to the DMBs fell by 48.9 per cent to ₦9.0 billion in the review month, reflecting the decline in loans and advances from the CBN.

Total specified liquid assets of the DMBs was ₦2,546.5 billion, representing 45.9 per cent of their total current liabilities. This level of assets was 6.6 percentage points lower than the preceding month's level, and 5.9 per cent over the stipulated minimum ratio of 40.0 per cent for fiscal 2007. The loan-to-deposit ratio rose by 4.4 per cent over the preceding month's level, and was 1.5 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 ₦272.8 billion as at end-November 2007, indicating an increase of 12.6 per cent over the level in the preceding month. The rise in assets relative to the preceding month was attributable largely to the 31.9 and 12.9 per cent rise in "claims on banks" and "claims on Federal Government", respectively, while the increase in total liabilities was attributable largely to the 62.2 per cent rise in "other amount owing". Discount houses' investments in Federal Government securities of less than 91 days maturity amounted to ₦104.7 billion, representing 44.1 per cent of their total deposit liabilities. At this level, discount houses' investments in Federal Government securities rose by 11.9 per cent over the level in the preceding month and 15.9 percentage point below the prescribed minimum of 60.0 per cent for fiscal 2007, respectively.

Total borrowings by discount houses was ₦170.6 billion, while their capital and reserves amounted to ₦21.1 billion, resulting in a gearing ratio of 8.1:1, 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 the month of November were bullish as most of the market indicators trended upward. The volume and value of traded securities rose by 78.6 and 75.3 per cent, respectively, to 18.0 billion shares and ₦266.6 billion, respectively, in 256,892 deals compared with 10.1 billion shares and ₦152.0 billion in 214,071 deals recorded in the preceding month. The banking sub-sector remained the most active on the exchange, with a trading volume of 9.6 billion shares worth ₦213.1 billion in 140,848 deals, reflecting the increased activities in the shares of Wema Bank, Intercontinental Bank, FirstInland Bank and First city Monument Bank during the month. This was followed by the Insurance sub-sector with 6.1 billion shares worth ₦16.8 billion in 40,755 deals. The development in the insurance sub-sector was boosted by the shares of NEM Insurance and International Energy. 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 681.3 million units worth ₦706.9 billion in 5,613 deals was recorded in the review month, compared with 692.8 million units worth ₦723.8 billion in 5,085 deals in

October 2007. The most active bond was the 4th FGN Bond 2017 series 9 with a traded volume of 96.2 million units valued at =N=93.9 billion in 787 deals.

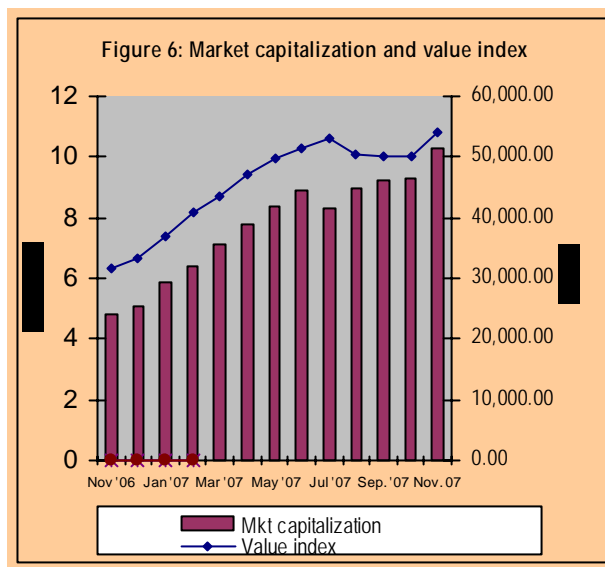
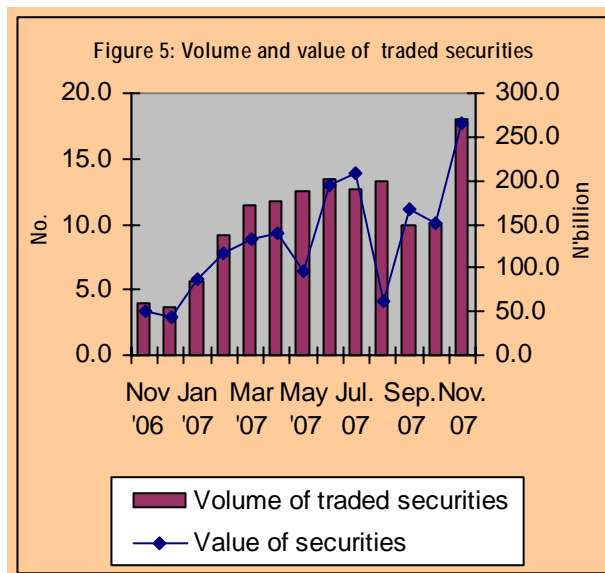
In the new issues market, issuance of the 4th FGN bonds progressed as two Federal Government Bonds namely, the ninth-reopening (10-year) 2017 and thirteen (3-year) 2010 series of bonds valued at =N=50.00 billion were admitted to the Daily Official List with a coupon rate of 9.35 and 9.20 per cent and a subscription rates of 7.00-13.00 and 6.00-10.86 per cent, respectively. The issues were over-subscribed in excess of =N=15.56 billion. A total of 589.5 million ordinary shares of 50 kobo each of Red Star Express Plc was admitted to the Daily Official List in the Commercial/ Services sub- sector by way of introduction, thereby increasing the number of listed companies to 209. Also, the National Sports Lottery Plc applied for listing by way of introduction following the recommendation by the Board of Directors.

In a related development, a total of 6.8 billion ordinary shares were registered as supplementary listings from seven (7) issues during the month, involving UBA Plc (public & right issue of 2.7 billion shares); Avon Crowncaps & Containers Plc (bonus of 0.1 billion shares); Sovereign Trust Insurance Plc (supplementary issue of 1.0 billion shares); Union Bank of Nigeria Plc (bonus of 1.9 billion shares); Evans Medical Plc (bonus of 0.04 billion shares); Livestock Feeds Plc (private placement of 0.6 billion shares) and Intercontinental Bank Plc (supplementary allotment of 0.5 billion shares). However, the shares of BHN Plc was delisted from the Daily Official List following the recommendation by the Board of Directors, thereby reducing the number of listed equities to 208.

In another development, the shares of Zenith Bank Plc, AIICO Insurance Plc and First Inland Bank Plc were placed on technical suspension having received their application to undertake supplementary share offerings. Similarly, the shares of WEMA Bank Plc were placed on technical suspension following the receipt of company's application for share reconstruction. In the same vein, the shares of Ecobank Nigeria Plc and Sterling Bank Plc were placed on technical suspension, following their application for merger plan. However, the technical suspensions placed on the shares of International Breweries Plc, Japaul Oil & Maritime Services Plc and Ecobank Transnational Incorporated were lifted.

Furthermore, the name of Wapic Insurance Plc was changed to Intercontinental Wapic Insurance Plc on the recommendation of the Board of Directors to reflect the current ownership structure of the company.

The All-Share Index rose by 7.9 per cent to close at 54,189.92 (1984 =100), while the market capitalization of the 312 listed securities rose by 10.8 per cent to =N=10.3 trillion in the review month. Intercontinental Bank Plc emerged as the most capitalized stock for the month, with market capitalisation of =N=583.9 billion- followed by United Bank for Africa with market capitalization of =N=566.2. The development was attributable largely to price gains recorded by the highly capitalized equities.



3.0 DOMESTIC ECONOMIC CONDITIONS

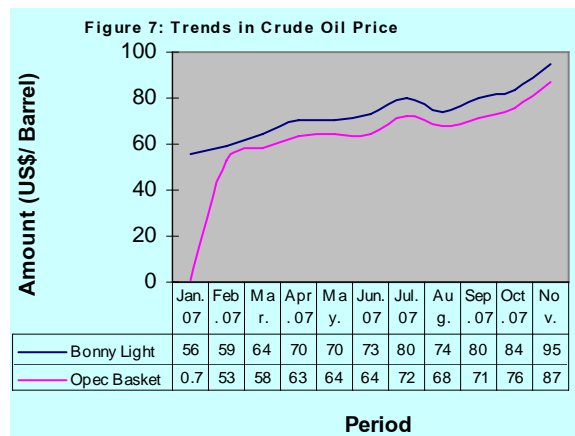
The major agricultural activities during the month of November 2007 were harvesting of tubers, fruits, vegetables, late maturing grains, as well as pre-planting operation in preparation for dry season planting. In the livestock sub-sector, most poultry farmers were engaged in fattening and other management activities in anticipation of the end of year sales. Crude oil production was estimated at 2.17 million barrels per day (mbd) or 65.10 million barrels during the month. The end-period inflation rate for November 2007, on a year-on-year basis, was 5.2 per cent, compared with 4.6 per cent recorded in the preceding month. The inflation rate on a 12-month moving average basis was 5.5 per cent, compared with 5.7 per cent

3.1 Agricultural Sector

Agricultural activities during the month of November 2007 in the Southern States consisted of harvesting of tubers, fruits and vegetables, while in the Northern States, most farmers were engaged in harvesting of late maturing grains, as well as pre-planting operation in preparation for dry season planting. However, in the Livestock sub-sector, farmers were engaged in fattening and other management activities in anticipation of the end of year sales.

A total of ₦813.2 million was guaranteed to 7,140 farmers under the Agricultural Credit Guarantee Scheme (ACGS) during the month. This represented an increase of 55.5 and 57.9 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 ₦682.3 million or 83.9 per cent guaranteed to 6,582 beneficiaries, while the livestock sub-sector received ₦92.8 million or 11.4 per cent guaranteed to 406 beneficiaries.

Also, the fisheries sub-sector obtained ₦16.2 million or 2.0 per cent guaranteed to 44 beneficiaries. The cash crops sub-sector was granted ₦8.2 million or 1.0 per cent guaranteed to 32 beneficiaries. Other sub-sector got a balance of ₦13.7 million or 1.7 per cent guaranteed to 76 beneficiaries. Analysis by state showed that 24 states benefited from the scheme, with the highest and lowest sums of ₦143.7 million (17.7 per cent) and ₦0.5 million (0.1 per cent) guaranteed to Kebbi and Benue states, respectively.

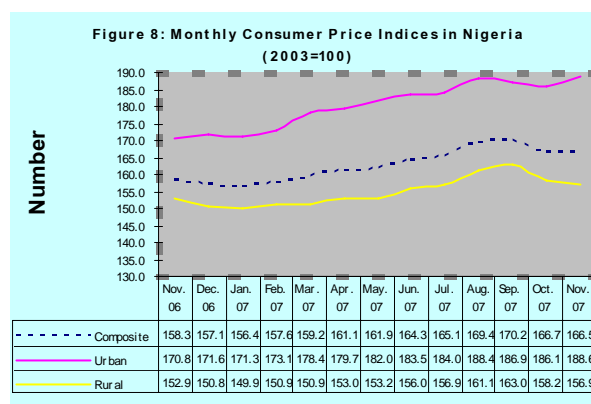


Retail price survey of most staples by the CBN showed that the prices of major staples recorded mixed developments in November 2007. Eleven of the fourteen commodities monitored, recorded price increases ranging from 3.4 per cent for yellow maize, to 19.8 per cent for vegetable oil, over their levels in the preceding month. The remaining three however, recorded price declines ranging from 0.9 per cent for white garri to 9.3 per cent for yam flour. This development was attributable to the early cessation of rains experienced in most northern states, as well as increase demand due to the end of year festivities.

Similarly, at 293.6 (1990=100), the All-Commodities price index in dollar terms, increased by 1.7 and 168.6 per cent over the levels in the preceding month and the corresponding period of 2006, respectively. Further analysis showed that the six commodities monitored, recorded price increases ranging from 0.8 per cent for cocoa to 32.2 per cent for soya bean over their levels in the preceding month.

3.2 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.17 million



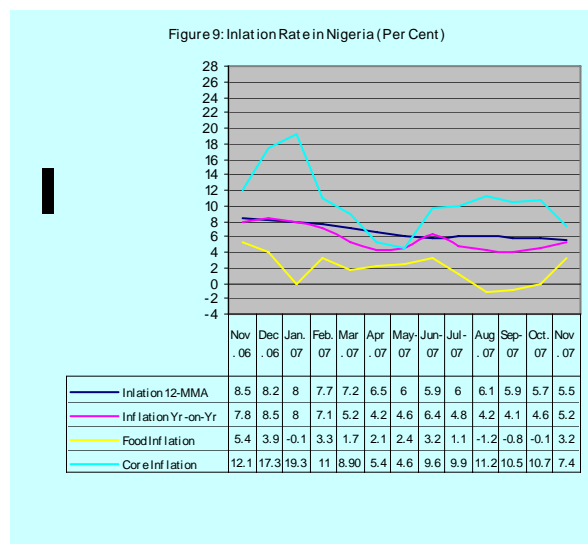
barrels per day (mbd) or 65.10 million barrels for the month, same as in the preceding month. Crude oil export was estimated at 1.67 mbd or 50.10 million barrels in the month, compared with 1.67 mbd or 51.77 million barrels in the preceding month. Deliveries to the refineries for domestic consumption remained at 0.45 mbd or 13.50 million barrels for the month.

At an estimated average of US\$83.73 per barrel, the price of Nigeria's reference crude, the Bonny Light (37° API), increased by 13.5 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 to US\$95.40, US\$93.15, US\$90.36 and US\$95.05 per barrel, respectively. The average price of OPEC's basket of eleven crude streams rose by 14.2 per cent to US\$86.57 over the level in the preceding month. The rise in price was attributable to the speculations surrounding the availability of crude supplies for the approaching winter season in addition to supply disruption in Nigeria and Iran.

3.3 Consumer Prices

Available data showed that the all-items composite Consumer Price Index (CPI) for the month of November, 2007 was 166.5 (May 2003=100), representing a decline of 0.1 per cent from the level in the preceding month. The development was attributable to the decline in the price of some food items.

The urban all-items CPI for the end of November, 2007 was 188.6 (May 2003=100), indicating an increase of 1.3 per cent over the level in the preceding month. The rural all-items CPI for the month was 156.9 (May 2003=100), and represented a decline of 0.8 per cent from the level in the preceding month. The end-period inflation rate for November 2007, on a year-on-year basis, was 5.2 per cent, compared with 4.6 per cent recorded in the preceding month. The inflation rate on a twelve-month moving average basis for November 2007, was 5.5 per cent, compared with 5.7 per cent in October 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 November 2007 rose by 31.9 and 54.7 per cent, respectively. Similarly, total non-oil export earnings by Nigeria's top 100 exporters rose by 158.0 per cent over the level in the preceding month. The gross external reserves rose by 1.5 per cent to US\$49.96 billion in November 2007, while the weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated by 3.1 per cent to ₦120.51 per dollar at the WDAS.

4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in November 2007 were US\$3.45 billion and US\$1.75 billion, respectively, representing a net inflow of US\$1.70 billion. Relative to the respective levels of US\$2.62 billion and US\$1.13 billion in the preceding month, inflow and outflow rose by 31.9 and 54.7 per cent. The rise in inflow was attributable largely to the higher receipts from crude oil export. Similarly, the increase in outflow was due to the 57.1, 115.2 and 105.2 per cent rise in WDAS utilization, external debt service and other official payments, respectively.

Provisional data on aggregate foreign exchange flows through the economy indicated that total inflow was US\$7.36 billion, representing an increase of 0.2 and 58.9 per cent over the level in the preceding month and corresponding period of 2006. Oil sector receipts, which accounted for 41.3 per cent of the total, stood at US\$3.04 billion, compared with US\$2.05 billion in the preceding month. Non-oil public sector and autonomous inflows fell by 27.5 and 17.34 per cent and accounted for 5.6 and 53.2 per cent of the total, respectively.

At US\$1.83 billion, aggregate foreign exchange outflow from the economy fell by 2.0 per cent from the level in the preceding month. The decline in outflow relative to the preceding month was attributable to the 52.0 and 89.4 per cent fall in drawings on L/C and autonomous sources, respectively. In the first eleven months of the year, however, the total inflow and outflow were US\$65.6 billion and US\$23.2 billion, respectively, representing a net inflow of US\$42.4 billion, compared with the net inflow of US\$31.8 billion in the corresponding period of 2006.

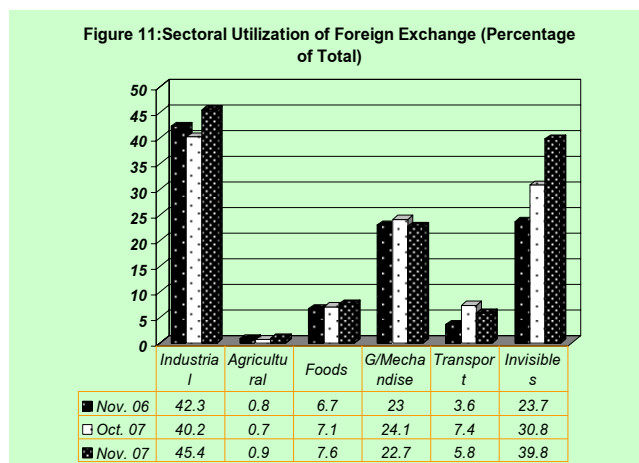
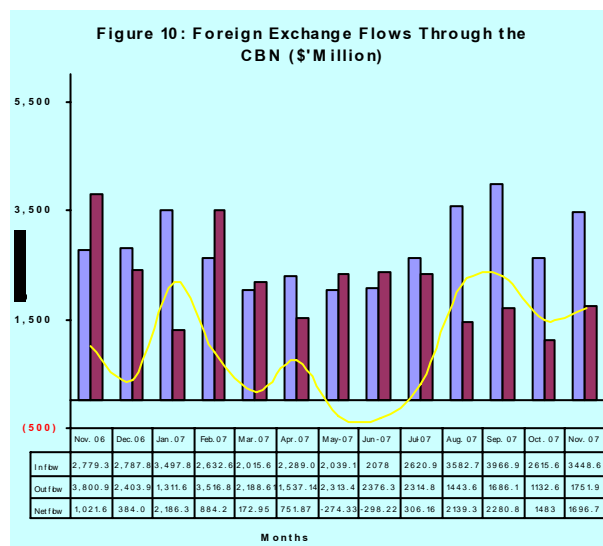
4.2 Non-Oil Export Proceeds by top 100 Exporters

Total non-oil export earnings by Nigeria's top 100 exporters rose by 158.0 per cent over the level in the preceding month to US\$144.46 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 rose from US\$17.63 million, US\$25.44 million and US\$1.38 million, in the preceding month to US\$53.48 million, US\$44.89 million and US\$16.09 million, respectively.

The shares of agricultural, manufacturing and others" sub-sectors in total non-oil export proceeds were 46.7, 39.2 and 14.1 per cent, respectively, compared with 39.8, 57.4 and 3.1 per cent, in the preceding month. The top 100 exporters accounted for 99.6 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 (45.4 per cent) of total foreign exchange disbursed in November 2007, followed by invisibles (39.8 per cent). Other beneficiary sectors, in a descending order of importance, included: general merchandise (22.7 per cent), food (7.6 per cent), transport (5.8) and agricultural products (0.9 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\$0.86 billion in November 2007, indicating a decline of 6.4 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, at US\$1.18 billion, the amount of foreign exchange sold by the CBN to authorized dealers rose by 57.3 per cent over 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 3.1 per cent to =N=120.51 per dollar. In the bureaux de change segment of the market, the average rate also, appreciated by 2.2 per cent to =N=123.80 per dollar. Consequently, the premium between the official and bureaux de change rates rose from 1.8 per cent in the preceding month to 2.7 per cent.

4.5 External Reserves

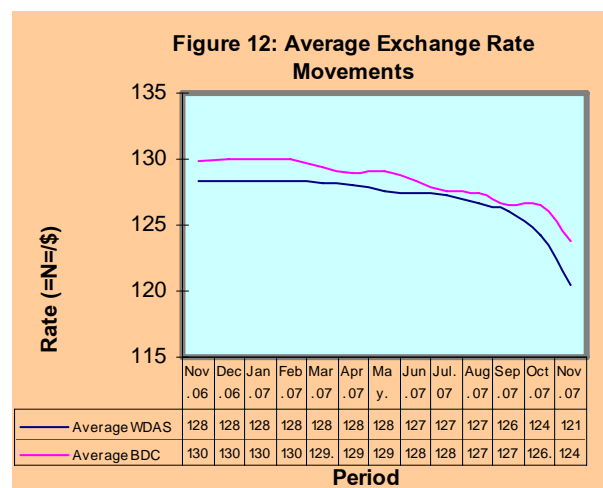
Available data showed that Nigeria's external reserves at end-November 2007 stood at US\$49.96 billion, representing an increase of 1.5 per cent over the level of US\$49.21 billion recorded in the preceding month. This level of reserves could finance 23.72 months of foreign exchange commitments, compared with 23.65 months in the preceding month.

5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output in the month of November 2007 was estimated at 85.83 million barrels per day (mbd), while demand was estimated at 85.70 mbd, representing an excess supply of 0.13 mbd, compared with 85.47 and 86.00 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 International Monetary Fund (IMF) Article IV Mission to Nigeria from November 7 – 20, 2007. The mission discussed recent developments in the Nigerian economy and the outlook for 2008 as well as the medium term. The following were the highlights of the mission:

- The mission noted Nigeria's strong macroeconomic performance which has been supported by prudent policies and the introduction of broad-based economic reform.
- It also noted the successful completion of Nigeria's two-year Policy Support Instrument with the IMF in mid-October 2007, and reminded Nigeria of the immediate challenge of managing its oil revenues and savings to preserve macroeconomic stability. The mission welcomed the road map to stability offered by the government's medium-term fiscal strategy, which covers all levels of government.
- There is scope to pursue Nigeria's ambitious goals for growth, infrastructure development, and the Millennium Development Goals within current spending plans.
- The pivotal role of the private sector in securing sustainable growth was noted. In the near term, the mission expected that growth would remain robust, with demand from both public and private sectors as contributors. That the implementation of the 2008 budget in line with the proposed medium-term fiscal strategy would help to ensure strong growth and single-digit inflation.
- The rapid evolution of the financial sector and the risk it posed was also noted.



In another development, the World Bank brief, released the Remittance Trends 2007 on November 30, 2007. The brief revealed that remittances to developing countries would reach an estimated \$240 billion in 2007.

The brief also, reported that worldwide flows of remittances were expected to reach \$318.0 billion in 2007. Of this amount, remittances sent home by migrants from developing countries are expected to exceed \$240.0 billion in 2007, up from \$221 billion in 2006 and more than double the level reached in 2002. This amount reflects only officially recorded transfers—the actual amount including unrecorded flows through formal and informal channels is believed to be significantly larger. Recorded remittances are more than twice as large as official aid and nearly two-third of foreign direct investment flows to developing countries.

The brief noted that remittances are the largest source of external financing in many poor countries. Also remittances have been less volatile than other sources of foreign exchange earnings in developing countries.

The meeting of the National Working Group of the Nigeria/South Africa Bi-National Commission (BNC) was held at the Burgers Park Hotel, Pretoria, South Africa (SA) from November 26 - 28, 2007. The meeting was declared opened by Dr. Ayanda Ntsaluba, Director General (DG), Department of Foreign Affairs, South Africa. The DG highlighted the role of the Special Implementation Committee (SIC) in promoting partnership between Nigeria and South Africa. He stressed the need for the Committee to undertake a frank assessment of its performance so far, and to explore ways of achieving higher levels of effectiveness. given to it by the Political Principals to further enhance bilateral relations and ensure that the two countries remain focused as key and

strategic players in their respective sub-regions, towards the consolidation of the African Agenda.

At the technical session, bilateral discussions were held in six Working Groups namely: Banking/ Finance-Trade and Industry, Public Enterprises and Infrastructure, Minerals and Energy, Agriculture- Water Resources and Environment, Social/ Technical and Foreign Affairs and Cooperation.

Under the Banking/Finance- Trade and Industry, the National Treasury of South Africa made a presentation on the South African economy after which other presentations were made on the services offered by the South African Micro-Finance Apex Fund (SAMAF), Export Credit Insurance Corporation of South Africa Limited (ECIC), Department of Trade and Investment (DTI), The Competition Commission, Trade & Investment South Africa which focused on show-casing opportunities for investment in the forthcoming 2010 World Cup.

Similarly, the Nigerian Investment Promotion Commission did a presentation on the Investment Opportunities in Nigeria. An the following were agreed:

- that the RBSA and the CBN would share information and exchange experiences on issues of Inflation Targeting, Exchange Rate management, Price Stability and Surveillance of Financial Institutions.
- that SA would explore the possibilities of investing in Nigeria's Industrial Clusters Program, by establishing fruit processing industries in the Middle Belt and a palm oil processing firm in the South East.
- the SA side expressed interest in the Oil and Gas Services Sector, especially in the Upstream Sector of the Nigerian economy. It appealed to Nigeria to review its Local Content Policy in the context of African investors.
- The SA side indicated interest in understudying Nigeria's One Stop Investment Centre (OSIC).

Avoidance of Double Taxation (ADT) had been signed and ratified by the SA side and was awaiting ratification by Nigeria, while agreement between SABS and Standards organization of Nigeria (SON) has been finalized and will be ready for signing at the next BNC in Abuja, scheduled for First Quarter, 2008.

Lastly, the developing eight countries group (D-8) held the first meeting on "Financial Infrastructure development among the D-8 countries" and the 3rd seminar on the regulation of Takaful Insurance" held in Cairo, Egypt, from November 26-28, 2007. The Nigerian delegation to both events was made up of representative from the Ministry of Foreign Affairs, Nigeria Deposit Insurance Corporation (NDIC) and the Central Bank of Nigeria (CBN).

The meeting which discussed the infrastructural development of takaful insurance (Islamic Insurance) was preceded by three paper presentations, namely: "Strengthening Infrastructure for Insurance and Re-insurance market of the D-8 countries". Facilitating Takaful Growth in D8 member countries" and the "Global Takaful Group (GTG)". Highlights of the paper presented were as follows:

- The objective of the D-8 which are to improve developing countries position in the world economy, create new opportunities in trade relations and to enhance participation in decision-making at the international level. In the light of this, the objective of the meeting was to discuss the most effective strategy and work plan for enhancing the infrastructure of takaful insurance and re-insurance.
- The papers carried out a SWOT analysis of the takaful insurance and noted the following: strengths as strong demand, competitive market and surplus/ profit sharing; the opportunities included offering alternative insurance resulting in high premiums, evolving banks talkaful and optimizing the role of "microtakaful" while the weakness included insufficient publicity for takaful, limited investment diversifications, low long term savings and lack of retakaful insurance. The threats included, strong competition from conventional insurance, insufficient effective strategies for distributing surplus and the need to develop more regulatory measures different from the conventional insurance.
- The papers thus suggested the following infrastructure for takaful development. These included the product development, risk management, internal control, market liquidity and capital requirements, application of international accounting standards and risk based supervision, strengthening the legal framework for the takaful industry, establishment of code of ethics for all stakeholders, training of skilled manpower and development of management teams to promote appropriate expertise for the industry.

- To facilitate the further growth of takaful, the papers suggested the need for clarity of rules for the industry, develop pragmatic policies, develop retakaful support, provide and strengthen Shariah advisory services on all matters relating to takaful and retakaful, develop operational manuals and information technology (IT) systems for takaful and re-takaful businesses.
 - Also, the objectives of the global takaful group (GTG) included the promotion of corporation among takaful operators in the world; provide a global forum for each area of information; promote retakaful insurance for takaful insurance; provide underwriting takaful operators; providing training support, global statistical database and database for all Shariah rulings.
 - Enhance cooperation among the D-8 member countries in the field of training for capacities building and exchange of experience in takaful business.
 - Populate the D-8 web page with papers and researches on takaful for the benefit of all users.
 - Maximize the use of institutes in D-8 countries and develop takaful products.
 - Provide special attachment programme for D-8 member countries.
 - Encourage members to participate in the GTG to enhance cooperation.
 - Encourage microtakaful sharing the Malaysian experience.
 - Prepare an action plan for facilitating the cooperation in the development of takaful and retakaful insurance.
 - The next takaful annual conference was fixed for April 2008 in Malaysia.
- At the end of the meeting, a communiqué was issued which among others requested member countries to:
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TABLE 1

(=N=Million)

		NOVEMBER	OCTOBER	SEPTEMBER	DECEMBER	CHANGE BETWEEN		CHANGE BETWEEN		CHANGE BETWEEN	
		2007	2007	2007	2006	(1&2)		(2&3)		(1&4)	
		(1)	(2)	(3)	(4)	ABSOLUTE	PER CENT	ABSOLUTE	PER CENT	ABSOLUTE	PER CENT
1	Domestic Credit	2,001,962.40	1,499,984.30	1,404,778.90	753,808.20	501,978.1	33.5	95,205.4	6.8	1,248,154.2	165.6
(a)	Claims on Federal Government (Net)	(2,638,159.50)	(2,863,238.30)	(2,752,580.90)	(1,812,021.80)	225,078.8	7.9	(110,657.4)	(4.0)	(826,137.7)	(45.6)
	By Central Bank (Net)	(3,831,026.50)	(3,980,395.20)	(3,818,351.50)	(2,796,026.90)	149,368.7	3.8	(162,043.7)	4.2	(1,034,999.6)	(37.0)
	By Banks (Net)	1,192,867.00	1,117,156.90	1,065,770.60	984,005.10	75,710.1	6.8	51,386.3	4.8	208,861.9	21.2
(b)	Claims on Private Sector	4,640,121.90	4,363,222.60	4,157,359.80	2,565,830.00	276,899.3	6.3	205,862.8	5.0	2,074,291.9	80.8
	By Central Bank	93,523.40	98,541.90	39,218.90	41,532.10	(5,018.5)	(5.1)	59,323.0	151.3	51,991.3	125.2
	By Banks	4,546,598.50	4,264,680.70	4,118,140.90	2,524,297.90	281,917.8	6.6	146,539.8	3.6	2,022,300.6	80.1
(i)	Claims on State and Local Governments	101,994.60	75,449.40	71,779.00	62,196.10	26,545.2	35.2	3,670.4	5.1	39,798.5	64.0
	By Central Bank	0.0	0.0	0.0	0.0	0.0		0.0		0.0	
	By Banks	101,994.60	75,449.40	71,779.00	62,196.10	26,545.2	35.2	3,670.4	5.1	39,798.5	64.0
(ii)	Claims on Non-Financial Public Enterprises	-	-	-	13,249.40	0.0		0.0		(13,249.4)	(100.0)
	By Central Bank	-	-	-	13,249.40	0.0		0.0		(13,249.4)	(100.0)
	By Banks	-	-	-	-	-		-		-	
(iii)	Claims on Other Private Sector	4,538,127.30	4,287,773.20	4,085,580.80	2,490,384.50	250,354.1	5.8	202,192.4	4.9	2,047,742.8	82.2
	By Central Bank	93,523.40	98,541.90	39,218.90	28,282.70	(5,018.5)	(5.1)	59,323.0	151.3	65,240.7	230.7
	By Banks	4,444,603.90	4,189,231.30	4,046,361.90	2,462,101.80	255,372.6	6.1	142,869.4	3.5	1,982,502.1	80.5
2	Foreign Assets (Net)	7,268,824.20	7,282,754.20	6,956,794.60	6,219,007.70	(13,930.0)	(0.2)	325,959.6	4.7	1,049,816.5	16.9
	By Central Bank	6,410,886.70	6,466,900.10	6,249,910.00	5,617,317.60	(56,013.4)	(0.9)	216,990.1	3.5	793,569.1	14.1
	By Banks	857,937.50	815,854.10	706,884.60	601,690.10	42,083.4	5.2	108,969.5	15.4	256,247.4	42.6
3	Other Assets (Net)	(4,443,011.60)	(4,181,549.10)	(3,903,053.50)	(3,298,174.00)	(261,462.5)	(6.3)	(278,495.6)	(7.1)	(1,144,837.6)	(34.7)
	Total Monetary Assets (M ₂)	4,827,775.00	4,601,189.30	4,458,520.00	3,674,641.90	226,585.7	4.9	142,669.3	3.2	1,153,133.1	31.4
	Quasi - Money 1/	2,451,129.60	2,225,352.30	2,169,776.80	1,739,636.90	225,777.3	10.1	55,575.5	2.6	711,492.7	40.9
	Money Supply (M ₁)	2,376,645.50	2,375,837.00	2,288,743.20	1,935,005.00	808.5	0.0	87,093.8	3.8	441,640.5	22.8
	Currency Outside Banks	618,803.60	571,711.60	539,502.50	690,841.50	47,092.0	8.2	32,209.1	6.0	(72,037.9)	(10.4)
	Demand Deposits 2/	1,757,841.90	1,804,125.40	1,749,240.70	1,244,163.50	(46,283.5)	(2.6)	54,884.7	3.1	513,678.4	41.3
	Total Monetary Liabilities	4,827,775.00	4,601,189.30	4,458,520.00	3,674,641.90	226,585.7	4.9	142,669.3	3.2	1,153,133.1	31.4

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.