



CENTRAL BANK OF NIGERIA

***ECONOMIC REPORT FOR
THE MONTH OF MAY 2008***

RESEARCH DEPARTMENT

CENTRAL BANK OF NIGERIA

MONTHLY REPORT

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1.0 Summary

Provisional data indicated declines in monetary aggregates during the review month. Broad money supply (M_2) and narrow money supply (M_1) fell by 3.3 and 1.5 per cent from the levels in the preceding month, respectively. The decline was attributed wholly to the fall in other assets (net) of the banking system.

Available data indicated mixed development in banks' deposit and lending rates in May 2008. The spread between the weighted average deposit and maximum lending rates widened from 8.51 percentage points in the preceding month to 8.63. The margin between the average savings deposit and maximum lending rates, however, narrowed from 15.82 percentage points in April 2008 to 15.05. The weighted average inter-bank call rate, which stood at 10.51 per cent in the preceding month, fell to 9.47 per cent at end-May 2008, reflecting the liquidity surfeit in the banking system.

The value of money market assets outstanding increased in the review month by 1.8 per cent to ₦2,700.4 billion over the level in the preceding month. The rise was attributed largely to the 3.6 per cent increase in outstanding FGN bonds. Activities on the Nigerian Stock Exchange were mixed as some of the major market indicators trended upward, while others trended downwards in the review month.

The major agricultural activities in the review month included: preparation of land for transplanting tree crops from nurseries, cultivation of maize and vegetables, application of fertilizers, harvesting of fruits and late maize, weeding, and staking of yams. The prices of most Nigeria's major agricultural commodities at the London Commodities Market declined in the review month.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 1.86 million barrels per day (mbd) or 57.66 million barrels for the month, compared with 1.81 mbd or 54.30 million barrels in the preceding month. Crude oil export was estimated at 1.41 mbd or 43.71 million barrels in May, while deliveries to the refineries for domestic consumption remained at 0.445 mbd or 13.80 million barrels for the month. The average price of Nigeria's reference crude, the Bonny Light (37⁰ API), estimated at US\$127.99 per barrel, rose by 14.1 per cent over the level in the preceding month.

The inflation rate for May 2008, on a year-on-year basis, was 9.7 per cent, compared with 8.2 per cent recorded in the preceding month. The inflation rate on a twelve-month moving average basis, was 6.5 per cent, compared with 6.1 per cent in April 2008. The development was attributed largely to the increase in the price of some food items, household goods, diesel and some building materials.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US\$3.55 billion and US\$5.35 billion, respectively, resulting in a net outflow of US\$1.81 billion during the review month. Relative to the respective levels in the preceding month, inflow fell by 16.3 per cent, while the outflow rose by 154.8 per cent. The decline in inflow was attributed largely to the fall in non-oil receipts, while the rise in outflow was due largely to the rise in Wholesale Dutch Auction System (WDAS) utilization.

Foreign exchange sales by the Central Bank of Nigeria (CBN) to end-users through the authorized dealers stood at US\$1.3 billion, while demand increased by 375.0 per cent to US\$0.8 billion.

The gross external reserves fell by 2.7 per cent to US\$59.18 billion in May 2008, compared with US\$60.82 billion at end-April 2008. The weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated marginally by 0.04 per cent to ₦117.83 per dollar at the WDAS. In the bureaux de change segment of the market, the rate also, appreciated by 0.1 per cent to ₦118.80 per dollar. Non-oil export earnings by Nigeria's top 100 exporters amounted to US\$133.08 million, indicating a decline of 22.7 per cent from the level in the preceding month. The development was attributed to the reduction in the volume of sesame seeds.

Other major international economic developments of relevance to the domestic economy in the review month included: the 2008 Annual Meetings of the African Development Bank (AfDB) Group held in Maputo, Mozambique, from May 14 – 15, 2008. The purpose of the Meeting was centered on the approval of the Group's annual report and operational programmes for 2008, the admission of Turkey as the 78th member of the institution, the extension of the duration of the Nigeria Trust Fund by 10 years, and the establishment of a Special Fund for Reconstruction and Development of the Great Lakes Region of Africa. Also, the fourth Agricultural Outlook Report prepared jointly by the Organisation for Economic Co-operation and Development (OECD) and the Food and Agriculture Organization (FAO) of the United Nations released in May 2008 showed that the world reference prices, in nominal terms, for almost all agricultural commodities covered in the report were above the levels in the preceding period. The first Session of the Committee of Twelve Heads of State and Government of the African Union (AU) Government was held in Arusha, Tanzania on May 22, 2008, under the chairmanship of Mr. Jakaya Mrisho Kikwete, President of Tanzania and Chairman, African Union. Lastly, the seventh Session of the Nigeria-South Africa Bi-National Commission (BNC) was held in Abuja, Nigeria, from May 21-23, 2008.

2.0 FINANCIAL SECTOR DEVELOPMENTS

Monetary aggregates declined in May 2008, 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 month.

2.1 Monetary and Credit Developments

Provisional data indicated that monetary aggregates declined in May 2008. Broad money supply (M_2) and narrow money supply (M_1) fell by 3.3 and 1.5 per cent to ₦7,546.0 billion and ₦3,996.7 billion, respectively, compared with the decline of 2.4 and 10.8 per cent in April 2008. The fall in M_2 was attributed wholly to the decline in other assets (net) of the banking system. Over the level at end-December 2007, M_2 grew by 29.9 per cent, compared with the indicative benchmark of 22.9 per cent for fiscal 2008 (fig.1 and table 1).

Aggregate banking system credit (net) to the domestic economy rose by 2.8 per cent to ₦3,701.3 billion in May 2008, compared with the increase of 4.0 per cent in the preceding month. The development was attributed entirely to the 4.2 per cent increase in claims on the private sector during the review period.

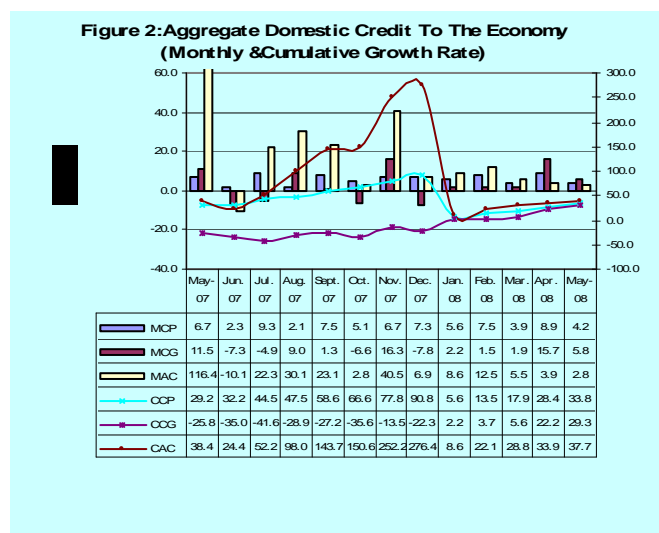
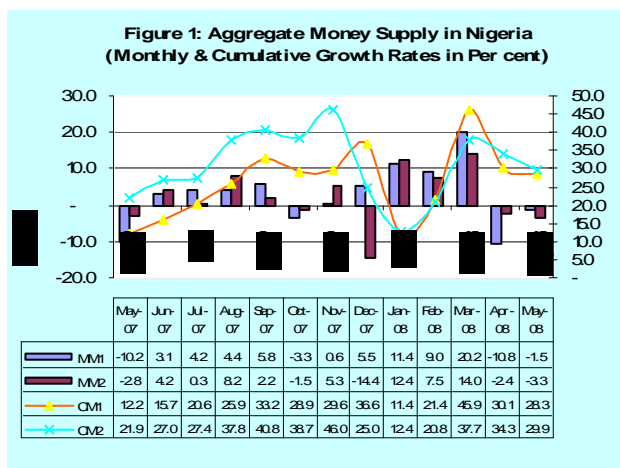
At negative ₦3,062.6 billion, banking system's credit (net) to the Federal Government fell by 5.8 per cent, compared with the decline of 15.7 per cent in the preceding month. The fall was attributed to the 12.0 and 1.3 per cent decline in claims by both the deposit money banks (DMBs) and the CBN, respectively, during the period.

Banking system's credit to the private sector rose by 4.2 per cent to ₦6,763.8 billion, compared with the increase of 8.9 per cent in the preceding month. The development reflected the 4.6 per cent increase in DMBs credit to the sector during the period (fig 2).

At ₦8,178.9 billion, foreign assets (net) of the banking system rose by 0.3 per cent, compared with the increase of 3.0 per cent in the preceding month. The development was attributed wholly to the 40.1 per cent increase in DMBs' holdings during the month.

Quasi money fell by 5.3 per cent to ₦3,549.3 billion, in contrast to the increase of 8.6 per cent in the preceding month. The development was attributed to the fall in time and savings deposits of the DMBs during the period.

Other assets (net) of the banking system, also fell by 9.7 per cent to ₦4,334.2 billion, compared with the increase of 14.3 per cent in the preceding month. The development reflected largely the rise in unclassified liabilities of the DMBs during the review month.



2.2 Currency-in-circulation and Deposits at the CBN

At =N=916.9 billion, currency in circulation rose by 2.0 per cent in May 2008 over the level in April, 2008. The increase was traceable largely to the 14.6 per cent rise in vault cash during the period.

Total deposits at the CBN amounted to =N=5,244.9 billion, indicating an increase of 1.9 per cent over the level in the preceding month. The development was attributed largely to the 157.7 and 23.6 per cent rise in both private sector deposits and DMBs deposits, respectively. The shares of the Federal Government, banks and “others” in total deposits at the CBN were 92.2, 5.6 and 2.2 per cent, respectively, compared with the shares of 94.5, 4.6 and 0.9 per cent, in April 2008.

2.3 Interest Rate Developments

Available data indicated mixed development in banks’ deposit and lending rates in May 2008. With the exception of the twelve-month savings rate which rose by 0.91 percentage points to 11.35 per cent, all other rates on deposits of various maturities declined from a range of 5.51 – 13.42 per cent in the preceding month to 5.45 – 11.68 per cent. Similarly, the average savings rate declined by 0.04 percentage point to 2.86 per cent during the month. The average maximum lending rate fell by 0.81 percentage point to 17.91 per cent, while the average prime lending rate rose by 0.11 percentage point to 15.83 per cent. Consequently, the spread between the weighted average deposit and maximum lending rates widened from 8.51 percentage points in the preceding month to 8.63 percentage points. The margin between the average savings deposit and maximum lending rates, however, narrowed from 15.82 percentage points in the preceding month to 15.05 percentage points.

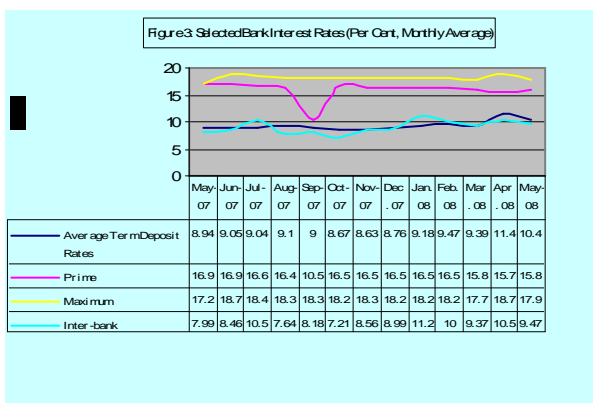
The weighted average inter-bank call rate, which was 10.51 per cent in the preceding month, fell to 9.47 per cent at end-May 2008, reflecting the liquidity surfeit in the banking system.

2.4 Money Market Developments

Provisional data indicated that the value of money market assets outstanding in May 2008 was =N=2,770.2 billion, representing an increase of 1.8 per cent over the level at end-April 2008. The rise in the review month was attributed to the 3.6 per cent increase in outstanding FGN bonds.

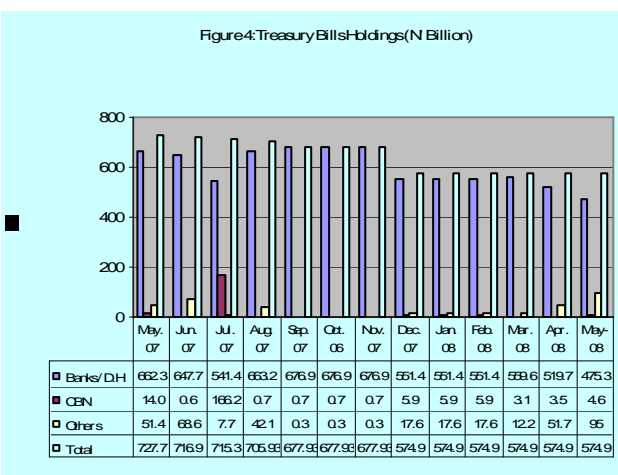
Total payment for matured bills amounted to =N=457.0 billion, indicating an increase of 89.1 per cent over the preceding month’s level. There was no direct OMO auction sales following the release of statutory revenue

allocation and the “budget augmentation” during the review month.



However, the two-way quote trading and reverse repo transactions were used for mopping up excess funds from the banking system. Sales in the two-way quote segment amounted to =N=50.0 billion, while =N=30.0 billion was sold at the reverse repo segment. A total of =N=125 billion was issued at the primary market segment for liquidity management. The issue rates at the two-way quote ranged from 8.0 to 9.31 per cent, compared with 5.96 to 9.31 per cent in the preceding month.

Analysis of the holdings of treasury bills in the review month showed that deposit money banks (DMBs) and discount houses dominated the market and jointly accounted for =N=475.3 billion or 82.7 per cent of the total, while the non-bank public accounted for =N=95.0 billion or 16.5 per cent of the total. CBN’s holding was =N=4.6 billion or 0.8 per cent of the total in the review month.



Nigerian Treasury Bills (NTBs) of 91-,182- and 364-day tenors were offered in May 2008, with total issue, subscription and allotment amounting to =N=215.1 billion, =N=328.1 billion and =N=215.8 billion,

respectively, compared with ₦174.5 billion, ₦342.3 billion and ₦141.4 billion in April 2008.

The issue rates for the 91-day and 182-day NTBs rose in May 2008, as it ranged from 8.00 to 8.55 per cent and 8.95 to 9.25 per cent, respectively, compared with 7.99 to 8.30 per cent and 8.50 to 9.25 per cent in April 2008. The issue rate for the 364-day tenor was 8.88 per cent, down from 9.08 per cent in the preceding month.

At the FGN Bonds segment, the 5-year (re-opening) and 10-year were issued in line with the restructuring of the domestic debt profile to longer tenors. A total of ₦50.00 billion was issued and allotted at a coupon rate of 9.45 per cent and 10.70 per cent for 5-year and 10-year, respectively. The impressive subscription, especially by foreign investors reflected the continued confidence in the Nigerian economy and the market players' preference for longer-tenored securities.

Despite the high level of liquidity witnessed in the banking system in May, following the payment of matured bills, the release of statutory allocation and the three month budget augmentation, the volume of lending to deposit money banks by the CBN remained high. Consequently, total lending facility granted to deposit money banks by the CBN in May 2008 rose to ₦1,515.1 billion from ₦1,289.4 billion in April 2008.

2.5 Deposit Money Banks' Activities

Available data indicated that total assets/liabilities of the twenty four (24) DMBs amounted to ₦13,870.4 billion, representing an increase of 0.5 and 37.2 per cent over the levels in the preceding month and end-December 2007, respectively. The increase in total assets was attributed largely to the 32.8 and 29.8 per cent rise in claims on state and local government and foreign assets (net), respectively. The increase in liabilities on the other hand, was attributed largely to the 4.6 per cent rise in unclassified liabilities. Funds, sourced mainly from expansion of capital accounts and unclassified liabilities, were used largely in the extension of credit to the private sector and acquisition of foreign assets (net).

At ₦8,303.1 billion, credit to the domestic economy rose by 0.7 per cent over the level in the preceding month. The breakdown showed that credit to government fell by 12.0 per cent from the preceding month's level, while credit to the private sector rose by 4.6 per cent over the level in the preceding month.

Central Bank's credit to the DMBs fell by 11.4 per cent to ₦48.1 billion in the review month, reflecting the fall in loans and advances from the CBN.

Total specified liquid assets of the DMBs was ₦3,241.0 billion, representing 43.3 per cent of their total current liabilities. This level of assets was 15.4 percentage points lower than the preceding month's level, and 3.3 per cent over the stipulated minimum ratio of 40.0 per cent for fiscal 2008. The loan-to-deposit ratio stood at 84.7 per cent, as against the 79.8 per cent recorded in the preceding month, and the prescribed maximum target of 80.0 per cent for the industry.

2.6 Discount Houses

Total assets/liabilities of the discount houses stood at ₦403.8 billion at end-May 2008, indicating a decline of 17.0 per cent from the level in the preceding month. The decline in assets relative to April 2008, was attributed largely to the 62.1 and 32.1 per cent decline in claims on banks and "others", respectively, while the decline in total liabilities was attributed largely to the 96.9 and 4.6 per cent decline in borrowings and "other amount owing", respectively. Discount houses' investments in Federal Government securities of less than 91 days maturity rose by 58.2 per cent to ₦192.7 billion. At this level, discount houses' investments in Federal Government securities represented 54.0 per cent of their total deposit liabilities and was 6.0 percentage point below the prescribed minimum of 60.0 per cent for fiscal 2008.

Total borrowings by discount houses was ₦166.0 billion, while their capital and reserves amounted to ₦24.0 billion, resulting in a gearing ratio of 6.9:1, compared with the stipulated maximum target of 50:1 for fiscal 2008.

2.7 Capital Market Developments

Available data indicated that activities on the Nigerian Stock Exchange (NSE) in May 2008 were mixed. The volume of activities rose by 1.8 percent to 16.81 billion shares from 16.5 billion shares, while the value fell by 17.2 percent to ₦133.0 billion from ₦160.6 billion in 356,909 deals, compared with 394,307 deals in the preceding month. The insurance sub-sector was the most active on the Exchange, with a trading volume of 8.9 billion shares in 66,484 deals. This was followed by the banking sub-sector with 5.2 billion shares in 171,079 deals. 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 a turnover of 470.2 million units worth ₦483.7 billion in 3,869 deals in the review month, compared with 785.2 million units valued at ₦807.7 billion in 6,806 deals in April 2008. The

most active bond was the 4th FGN Bond 2014 series 6 with a traded volume of 30.75 million units valued at =N=31.3 billion in 239 deals.

In the new issues market, a total of 32.85 billion ordinary shares of Regency Alliance Insurance Plc (4.9 billion ordinary shares) and Investment and Allied Assurance Plc (28.0 billion ordinary shares) were admitted to the daily official list. This development brought the number of listed companies and securities to 220 and 316, respectively.

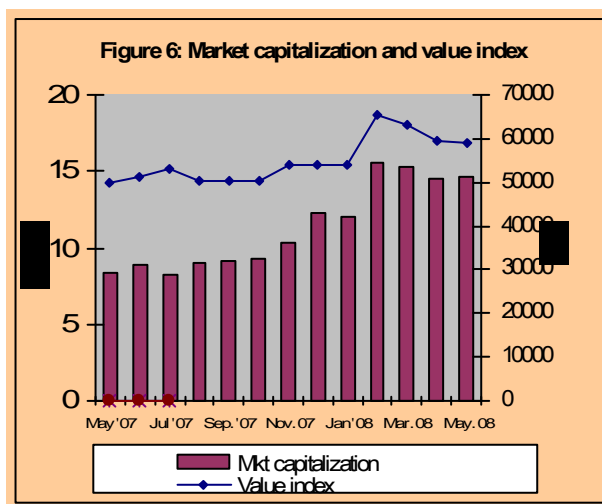
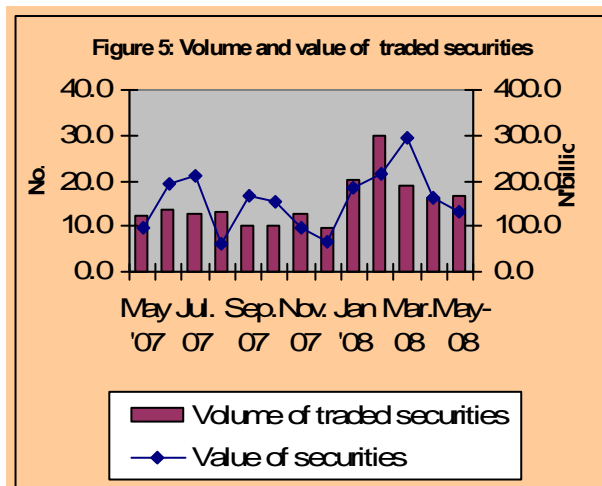
In a related development, 13.14 billion ordinary shares were registered as supplementary listings from seven (7) issues during the month, involving AG Leventis Nigeria Plc, UTC Nigeria Plc, Zenith Bank Plc, Oando Plc, Beta Glass Co. Plc, Platinum-Habib Bank Plc and Eterna Oil & Gas Plc.

In another development, the shares of Trans-Nationwide Express Plc were placed on technical suspension following the company's application to undertake Supplementary Share Offering. However, the technical suspension on the shares of Ecobank Nigeria Plc & Sterling Bank Plc were lifted on receipt of the stoppage of their merger discussions.

The All-Share Index fell by 0.9 per cent to close at 58,929.0 (1984 = 100), while the market capitalization of the listed equities rose marginally by 1.1 per cent to =N=11.6 trillion in the review month. The development was attributed largely to the price losses recorded by the highly capitalized companies in the insurance and banking sub-sectors.

3.0 DOMESTIC ECONOMIC INDICATORS

The major agricultural activities in May 2008 were preparation of land for transplanting tree crops from nurseries, cultivation of maize and vegetables, application of fertilizers, harvesting of fruits and late maize, weeding, and staking of yams. Crude oil production was estimated at 1.86 million barrels per day (mbd) or 57.66 million barrels during the month. The end-period inflation rate for May 2008, on a year-on-year basis, was 9.7 per cent, compared with 8.2 per cent recorded in the preceding month. The inflation rate on a 12-month moving average basis was 6.5 per cent, compared with 6.1 per cent recorded in April 2008.



3.1 Agricultural Sector

Major agricultural activities in May 2008 in the Northern States consisted of preparation of land for transplanting tree crops from nurseries, cultivation of maize and vegetables, application of fertilizers and harvesting of fruits. In the Southern States, weeding, staking of yams and harvesting of late maize dominated activities.

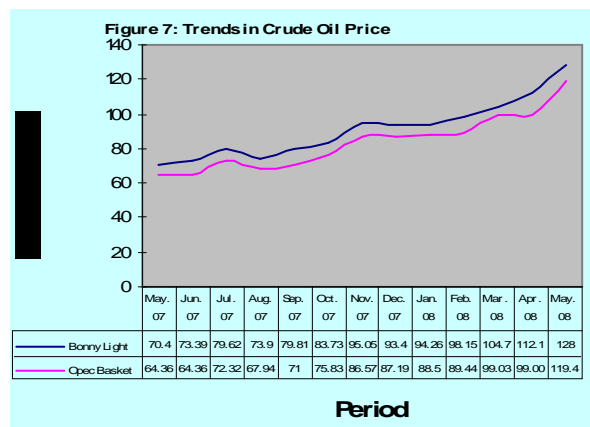
A total of =N=268.5 million was guaranteed to 1,301 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in May 2008. This represented an increase of 58.3 and 178.9 per cent over the levels in the preceding month and the corresponding period of 2007, respectively. A sub-sectoral analysis of the loans guaranteed indicated that the livestock sub-sector had the largest share of =N=121.2 million or 45.1 per cent guaranteed to 306 beneficiaries, while the food crops sub-sector received =N=96.2 million or 35.8 per cent guaranteed to 775 beneficiaries.

Also, the fisheries sub-sector received =N=25.4 million or 9.5 per cent guaranteed to 28 beneficiaries, while the cash crops sub-sector got =N=23.0 million or 8.6 per cent guaranteed to 184 beneficiaries and “others” sub-sector got =N=2.7 million or 1.0 per cent guaranteed to 8 beneficiaries. Analysis by state showed that twenty six (26) states benefited from the scheme, with the highest sum of =N=43.6 million (16.3 per cent) guaranteed to 99 farmers in Imo state, while the lowest sum of =N=0.2 million or (0.1 per cent) was guaranteed to 1 farmer in Ekiti states.

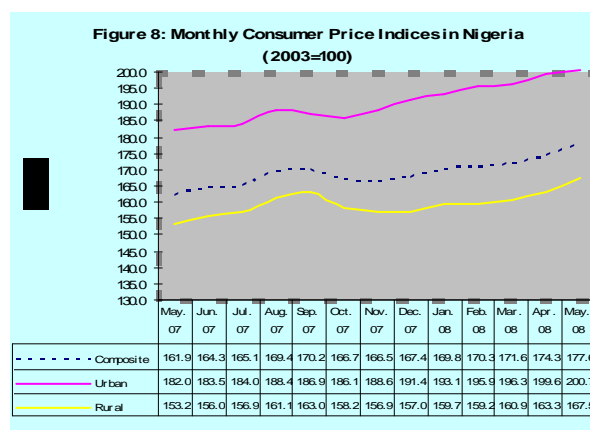
Retail price survey of most staples by the CBN indicated increase in prices in May 2008. Over their levels in the preceding month, nine out of the fourteen commodities monitored recorded price increases ranging from 1.8 per cent for local rice to 32.8 per cent for millet, while price decline ranging from 2.5 to 27.0 per cent was recorded for eggs and groundnut oil, respectively. Relative to the level in the corresponding period of 2007, price increase ranged from 5.2 per cent for vegetable oil to 73.5 per cent for yellow maize, while white groundnut oil and yam flour recorded price decline of 9.9 and 22.4 per cent, respectively. The development was attributed to the subsisting global food crisis, unfavourable weather conditions in 2007 in Nigeria, especially in the northern part of the country and the consequent reduction in output of some staples in the review month.

The prices of most Nigeria’s major agricultural commodities at the London Commodities Market recorded marginal decline in the review month. At 313.4 (1990=100), the All-Commodities Price Index, in dollar terms, declined marginally by 0.3 per cent from the level in the preceding month. However, when compared with the corresponding period of 2007, it recorded an increase of 10.9 per cent. Further analysis indicated that all the six commodities monitored recorded price decline from their levels in the preceding month, ranging from 0.1 per cent for cocoa to 2.2 per cent for soya bean. Relative to the levels in the corresponding period of 2007, all the commodities recorded price increase ranging from 4.2 per cent for cocoa to 292.2 per cent for soya bean.

Similarly, at 3,914.7 (1990=100), the All-Commodities price index, in naira terms, declined marginally by 0.3 cent from the level in the preceding month. However, when compared with the level in the corresponding period of 2007, it recorded an increase of 12.2 per cent. Also, all the commodities monitored recorded price decline from the level in the preceding month, ranging from 0.05 per cent for cocoa to 1.7 per cent for soya bean. Relative to the level in the corresponding period in 2007, all the commodities recorded price increases ranging from 2.6 per cent for cocoa to 185.8 per



cent for soya bean. The decline in prices was attributed to the increased production in the 2007/08 farming season for most of the commodities.



3.2 Petroleum Sector

Nigeria’s crude oil production, including condensates and natural gas liquids, was estimated at 1.86 million barrels per day (mbd) or 57.66 million barrels for the month, compared with 1.81 mbd or 54.30 million barrels in the preceding month. Crude oil export was estimated at 1.41 mbd or 43.71 million barrels in May 2008, compared with 1.36 mbd or 40.80 million barrels in the preceding month. Deliveries to the refineries for domestic consumption remained at 0.445 mbd or 13.80 million barrels for the month.

At an estimated average of US\$127.99 per barrel, the price of Nigeria’s reference crude, the Bonny Light (37° API), increased by 14.1 per cent over the level in the preceding month. The average price of other competing crude namely, the West Texas Intermediate, the U.K Brent, the Arab Light, and the Forcados also rose by 13.1, 14.2, 12.2 and 14.7 per cent to US\$126.13, US\$123.79, US\$119.55 and US\$128.22 per barrel, respectively.

The average price of OPEC's basket of eleven crude streams rose by 20.6 per cent to US\$119.39 per barrel. The rise in price was attributed to the continued decline in the value of the dollar as well as concerns about supply disruptions in Nigeria and tensions in the Middle East.

3.3 Consumer Prices

Available data showed that the all-items composite Consumer Price Index (CPI) for May 2008 was 177.6 (May 2003=100), representing an increase of 1.9 per cent over the level in the preceding month. The development was attributed to the increase in the price of some food items, household goods, diesel and some building materials.

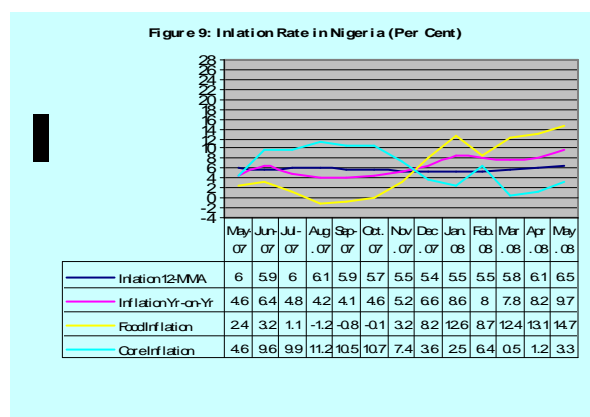
The urban all-items CPI for end-May 2008 was 200.7 (May 2003=100), indicating an increase of 0.6 per cent over the level in the preceding month. The rural all-items CPI for May 2008 at 167.5 (May 2003=100), represented an increase of 2.6 per cent over the level in the preceding month. The end-period inflation rate for May 2008, on a year-on-year basis, was 9.7 per cent, compared with 8.2 per cent recorded in the preceding month. The inflation rate on a twelve-month moving average basis for May 2008, was 6.5 per cent, compared with 6.1 per cent in April 2008.

4.0 EXTERNAL SECTOR DEVELOPMENTS

Available data indicated that foreign exchange inflow through the CBN in May 2008 fell by 16.2 per cent, while outflow rose significantly by 155.2 per cent over the level in the preceding month. Similarly, total non-oil export earnings by Nigeria's top 100 exporters fell by 22.7 per cent from the level in the preceding month. The gross external reserves also fell by 2.7 per cent to US\$59,180.14 billion in May 2008, while the weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated marginally by 0.04 per cent to =N=117.83 per dollar at the Wholesale Dutch Auction System (WDAS).

4.1 Foreign Exchange Flows

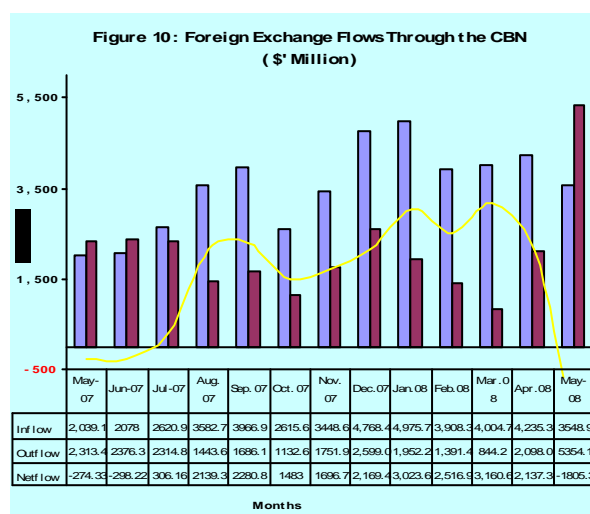
Foreign exchange inflow and outflow through the CBN in May 2008 were US\$3.55 billion and US\$5.35 billion, respectively, representing a net outflow of US\$ 1.81 billion. Relative to the respective levels of US\$4.24 billion and US\$2.10 billion in the preceding



month, inflow fell by 16.3 per cent, while outflow rose by 154.8 per cent.

The decline in inflow was attributed largely to the 46.0 per cent fall in non-oil receipts, while the increase in outflow was attributed largely to the 198.4 per cent rise in DAS utilisation.

Available data on aggregate foreign exchange flows through the economy indicated that total inflow was US\$8.54 billion, representing a decline of 4.6 per cent from the level in the preceding month, but an increase of 83.2 per cent over the level in the corresponding period of 2007. Oil sector receipts, which accounted for 39.0 per cent of the total, stood at US\$3.33 billion, compared with US\$3.82 billion in the preceding month. Non-oil public sector fell by 46.0, while autonomous inflows increased by 5.9 per cent and accounted for 58.4 per cent of the total. At US\$5.41 billion, aggregate foreign exchange outflow from the economy rose by 144.9 per cent over the level in the preceding month. The increase in outflow relative to the preceding month was



attributed largely to the 198.4 and 79.0 per cent rise in DAS utilization and external debt servicing, respectively.

4.2 Non-Oil Export Proceeds by top 100 Exporters

Total non-oil export earnings by Nigeria's top 100 exporters fell by 22.7 per cent to US\$133.08 million from the level in the preceding month. The development was attributed to the reduction in the volume of sesame seeds. A breakdown of the proceeds in the review month showed that agricultural, manufacturing and "others" sub-sectors fell from US\$103.60 million, US\$60.68 million and US\$7.95 million in the preceding month to US\$68.10 million, US\$58.40 million and US\$6.58 million, respectively.

The shares of agricultural, manufacturing and "others" sub-sectors in total non-oil export proceeds were 51.2, 43.9 and 4.9 per cent, respectively, compared with 60.2, 35.2 and 4.6 per cent, in the preceding month. The top 100 exporters accounted for 99.7 per cent of all the non-oil export proceeds in the review month.

4.3 Sectoral Utilisation of Foreign Exchange

Invisibles sector accounted for the bulk (41.5 per cent) of total foreign exchange disbursed in May 2008, followed by industrial (34.6 per cent). Other beneficiary sectors, in a descending order included: general merchandise (7.5 per cent), food (4.8 per cent), transport (1.9 per cent) and agricultural products (0.8 per cent) (Fig.11).

4.4 Foreign Exchange Market Developments

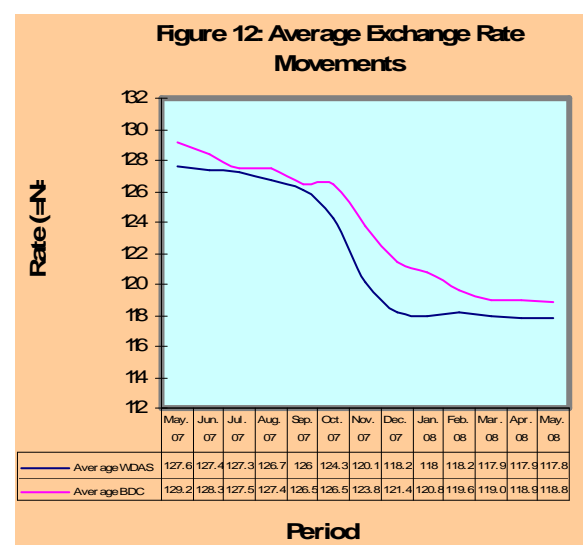
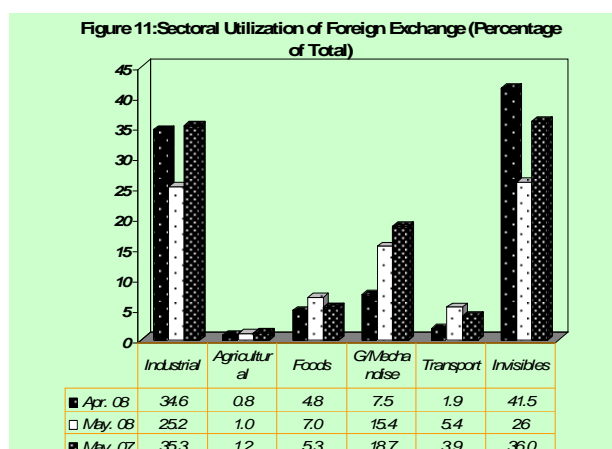
Aggregate demand for foreign exchange by authorized dealers under the WDAS was US\$1.9 billion in May 2008, indicating an increase of 375.0 and 3.8 per cent over the levels in the preceding month and corresponding period of 2007, respectively. Consequently, a total of US\$1.3 billion foreign exchange was sold by the CBN to authorized dealers in the review month. Under the WDAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar appreciated marginally by 0.04 per cent to =N=117.83 per dollar.

In the bureau de change segment of the market, the average rate also, appreciated by 0.1 per cent to =N=118.80 per dollar. Consequently, the premium

between the official and bureau de change rates narrowed from 0.9 per cent in the preceding month to 0.8 per cent during the review month.

4.5 External Reserves

Available data showed that Nigeria's external reserves at end-May 2008 stood at US\$59.18 billion, representing a decline of 2.7 per cent from the level of US\$60.82 billion recorded in the preceding month. It however, rose by 37.2 per cent over the level of US\$43.13 billion recorded in the corresponding period of 2007, respectively.



5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output in May 2008 was estimated at 87.25 million barrels per day (mbd), while demand was estimated at 87.75 mbd, representing an excess demand of 0.50 mbd, compared with 86.10 and 86.20 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 2008 Annual Meetings of the African Development Bank (AfDB) Group held in Maputo, Mozambique, from May 14 – 15, 2008. The purpose of the Meeting was centered on the approval of the Group's annual report and operational programmes for 2008, the admission of Turkey as the 78th member of the institution, the extension of the duration of the Nigeria Trust Fund by 10 years, and the establishment of a Special Fund for Reconstruction and Development of the Great Lakes Region of Africa. The following were the highlights of the Meeting:

- ◆ The Governors of the AfDB noted that the impact of the sudden rise in oil and food prices had created tensions in many African countries. They therefore, called for the swift mobilization of resources to provide the much-needed assistance to African countries affected by these crises.
- ◆ The Governors welcomed the conclusions of the independent high level panel set up to reflect on the future of the Bank and the replenishment of the African Development Fund XI (ADF-XI).
- ◆ Nigeria signed a loan agreement of US\$65 million for an African Development Fund-assisted Rural Water and Sanitation Programme to be implemented in Osun and Yobe states;
- ◆ The AfDB Group and the Eastern and Southern Africa Trade and Development Bank (PTA Bank) signed agreements for a line of credit of US\$50 million and a payable Equity Capital increase of US\$6.8 million as well as a callable US\$ 40.8 million investment in the regional development bank. The support to the PTA Bank also included, a US\$ 1 million grant for institutional capacity building provided by the AfDB-managed Fund for African Private Sector Assistance (FAPA), and a trust fund established by contribution from the Japanese government;
- ◆ Uganda signed a loan and grant agreements valued at US\$93 million for a road support project, while Ghana endorsed similar documents valued at US\$12.89 million to finance a Gender Responsive Skills and Community Development Project;
- ◆ Similarly, Seychelles signed an agreement for a grant of \$1.47 million from the African Water Facility Special Fund to improve water supply in the three main islands of Seychelles;
- ◆ Burkina Faso also signed an agreement for a grant of US\$989,000 to finance a sanitation feasibility study in the outskirts of Ouagadougou;
- ◆ Botswana signed a US\$763,000 technical assistance grant to finance the country's agricultural sector review programme; and
- ◆ Chad and the African Water Facility signed an agreement for a grant of US\$724,000 to finance the preparation of an inventory of the country's needs regarding water and sanitation programmes.

In another development, the fourth Agricultural Outlook Report prepared jointly by the Organisation for Economic Co-operation and Development (OECD) and the Food and Agriculture Organization (FAO) of the United Nations, released in May 2008 showed that the world reference prices, in nominal terms, for almost all agricultural commodities covered in the report were above the levels in the preceding period. The report which provided a longer-term assessment of future prospects in the major world agricultural commodity markets covered an assessment of agricultural markets over the period 2008-2017.

The report further stated that the dramatic increase in prices since 2005/06 were adjudged partly to the following:

- ◆ Adverse weather conditions in major grain-producing regions in the world, with spill-over effects on crops and livestock that compete for the same land. In a context of low global stocks, these developments alone had triggered strong price reactions.
- ◆ On the demand side, changing diets, urbanisation, economic growth and expanding populations were driving food and feed demand in developing countries. Globally, and in absolute terms, food and feed remained the largest sources of demand growth in agriculture.
- ◆ Another major factor was the increased industrial demand, especially for biofuel production.

Also, the first Session of the Committee of Twelve Heads of State and Government of the African Union (AU) Government was held in Arusha, Tanzania on May 22, 2008 under the chairmanship of Mr. Jakaya Mrisho Kikwete, President of Tanzania and Chairman, African Union. The Committee comprised Heads of State and Government and heads of delegates from Uganda, South Africa, Tanzania, Nigeria (President Musa Yar Adua was in attendance), Ethiopia, Cameroon, Gabon, Egypt, Libya, Botswana, Senegal and Ghana.

The term-of-reference of the Committee was to deliberate on the important issue of the Union Government as mandated by the last Assembly of the AU. Specifically, the Committee of Twelve examined the proposals made by the Ministerial Committee of Ten on the establishment of the Union Government. The recommendations which were subject to approval by the next Assembly of the AU to be held in Egypt, included: issues on the role of the AU Commission and other organs; the relationship between the AU and the Regional Economic Communities; the popularisation of the AU; the mobilisation of African people, and the identification of additional sources of funding for the organisation.

Lastly, the seventh session of the Nigeria–South Africa Bi-National Commission (BNC) was held in Abuja, Nigeria, from May 21-23, 2008. The Nigerian delegation was led by His Excellency, Dr. Goodluck Jonathan, Vice President, Federal Republic of Nigeria, while the South African delegation was led by Her Excellency, Mrs. Phumzile Mlambo Ngcuka, Deputy President, Republic of South Africa. The highlights of the meeting were:

Economic Cooperation:

- ◆ Both sides reviewed the status of the Memorandum of Understanding (MOU) on Economic Cooperation and agreed that the scope should be expanded to include consumer protection and cooperation on standardization of products. They also agreed on the need for the establishment of Nigeria/South Africa Presidential Advisory Committee on Investment to facilitate and fast track investment flows from both countries.
- ◆ Calls were made for closer cooperation between the Central Bank of Nigeria and the Reserve Bank of South Africa (RBSA).

- ◆ In view of developments with the Nigeria’s Financial System Strategy (FSS 2020), the South Africa Department for Trade and Investment (DTI) was desirous of hosting a workshop on FSS 2020 in South Africa to facilitate collaboration between the financial sector of both countries in view of the remarkable level of achievements of the Nigerian banking sector.
- ◆ Other areas of collaboration identified by both sides were Monetary Management and Price Stability, Surveillance over Financial Institutions and Foreign Exchange Management.

Bilateral Trade:

- ◆ In terms of trade relations between Nigeria and SA, it was noted that substantial growth had taken place over the period 1999-2007, having risen from R1.8 billion in 1999 (US\$195 million) to almost R11 billion (US\$1.43 billion) in 2007. In addition, the number of South African companies operating in Nigeria had increased substantially to over 100 compared to just 4 prior to 1999.
- ◆ South Africa’s Department for Trade and Investment (DTI) articulated its strategy for the promotion of the general economic interest of the country locally and internationally, including its current positioning for the forthcoming World Cup in 2010.

Investment Promotion and Protection Agreement:

- ◆ The two parties agreed to review the existing Investment Promotion and Protection Agreement (IPPA) which was signed in 1999 to reflect new policies of their respective governments. The two sides agreed to exchange ratification notes through diplomatic channels.

Consular and Immigration Matters:

- ◆ The meeting noted the efforts by the South African Government to resolve the unfortunate violent attacks against foreigners in South Africa. The South African side reaffirmed the view that this situation should not hinder the fraternal relations that had existed between both countries. It was noted that fifty three (53) Nigerians had died between 1997 and 2001 as a result of gang assault by various organized crime cells. Both sides discussed the issues of Repatriation fee and Visa Waiver for holders of Diplomatic and Official passports.

TABLE 1
MONETARY AND CREDIT DEVELOPMENTS
(=N=Million)

	MAY 2008	APRIL 2008	MARCH 2008	DECEMBER 2007	CHANGE BETWEEN (1&2)		CHANGE BETWEEN (2&3)		CHANGE BETWEEN (1&4)	
					ABSOLUTE	PER CENT	ABSOLUTE	PER CENT	ABSOLUTE	PER CENT
	(1)	(2)	(3)	(4)						
1 Domestic Credit	3,701,275.10	3,599,023.00	3,462,330.40	2,688,236.60	102,252.10	2.84	136,692.60	3.95	1,013,038.50	37.68
(a) Claims on Federal Government (Net)	(3,062,563.60)	(2,895,186.30)	(2,501,996.40)	(2,368,484.30)	(167,377.30)	(5.78)	(393,189.90)	(15.72)	(694,079.30)	(29.30)
By Central Bank (Net)	(4,751,320.00)	(4,813,325.60)	(4,474,048.80)	(4,074,422.80)	62,005.60	(1.29)	(339,276.80)	(7.58)	(676,897.20)	(16.61)
By Banks (Net)	1,688,756.40	1,918,139.30	1,972,052.40	1,705,938.50	(229,382.90)	(11.96)	(53,913.10)	(2.73)	(17,182.10)	(1.01)
(b) Claims on Private Sector	6,763,838.60	6,494,209.40	5,964,326.80	5,056,720.90	269,629.20	4.15	529,882.60	8.88	1,707,117.70	33.76
By Central Bank	149,452.40	167,383.80	145,417.90	236,025.20	(17,931.40)	(10.71)	21,965.90	15.11	(86,572.80)	(36.68)
By Banks	6,614,386.20	6,326,825.60	5,818,908.90	4,820,695.70	287,560.60	4.55	507,916.70	8.73	1,793,690.50	37.21
(i) Claims on State and Local Governments	109,584.50	82,508.70	101,999.70	87,753.60	27,075.80	32.82	(19,491.00)	(19.11)	21,830.90	24.88
By Central Bank	0.0	0.0	0.0	0.0	-	-	-	-	-	-
By Banks	109,584.50	82,508.70	101,999.70	87,753.60	27,075.80	32.82	(19,491.00)	(19.11)	21,830.90	24.88
(ii) Claims on Non-Financial Public Enterprises	-	-	-	-	-	-	-	-	-	-
By Central Bank	-	-	-	-	-	-	-	-	-	-
By Banks	-	-	-	-	-	-	-	-	-	-
(iii) Claims on Other Private Sector	6,654,254.10	6,411,700.80	5,852,834.70	4,968,967.30	242,553.30	3.78	558,866.10	9.55	1,685,286.80	33.92
By Central Bank	149,452.40	167,383.80	135,925.50	236,025.20	(17,931.40)	(10.71)	31,458.30	23.14	(86,572.80)	(36.68)
By Banks	6,504,801.70	6,244,317.00	5,716,909.20	4,732,942.10	260,484.70	4.17	527,407.80	9.23	1,771,859.60	37.44
2 Foreign Assets (Net)	8,178,887.00	8,157,104.80	7,991,622.80	7,266,512.10	21,782.20	0.27	165,482.00	2.07	912,374.90	12.56
By Central Bank	7,245,408.00	7,490,734.60	7,248,971.10	6,570,263.70	(245,326.60)	(3.28)	241,763.50	3.34	675,144.30	10.28
By Banks	933,479.00	666,370.20	742,651.70	696,248.40	267,108.80	40.08	(76,281.50)	(10.27)	237,230.60	34.07
3 Other Assets (Net)	(4,334,165.60)	(3,951,034.20)	(3,455,720.40)	(4,144,922.10)	(383,131.40)	(9.70)	(495,313.80)	(14.33)	(189,243.50)	(4.57)
Total Monetary Assets (M₂)	7,545,996.50	7,805,093.50	7,998,232.80	5,809,826.50	(259,097.00)	(3.32)	(193,139.30)	(2.41)	1,736,170.00	29.88
Quasi - Money ^{1/}	3,549,274.40	3,749,496.50	3,452,094.20	2,693,554.30	(200,222.10)	(5.34)	297,402.30	8.62	855,720.10	31.77
Money Supply (M ₁)	3,996,722.20	4,055,597.00	4,546,138.60	3,116,272.10	(58,874.80)	(1.45)	(490,541.60)	(10.79)	880,450.10	28.25
Currency Outside Banks	659,940.60	674,770.10	662,789.60	737,867.20	(14,829.50)	(2.20)	11,980.50	1.81	(77,926.60)	(10.56)
Demand Deposits ^{2/}	3,336,781.60	3,380,826.90	3,883,349.00	2,378,404.90	(44,045.30)	(1.30)	(502,522.10)	(12.94)	958,376.70	40.29
Total Monetary Liabilities	7,545,996.50	7,805,093.50	7,998,232.80	5,809,826.50	(259,097.00)	(3.32)	(193,139.30)	(2.41)	1,736,170.00	29.88

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.