

CENTRAL BANK OF NIGERIA



ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2008

DRAFT

Central Bank of Nigeria

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Vision

To be one of the most efficient and effective world's central banks in promoting and sustaining economic development.

Mission

To be proactive in providing a stable framework for the economic development of Nigeria, through the effective, efficient and transparent implementation of monetary and exchange rate policy and management of the financial sector.

THE CENTRAL BANK OF NIGERIA

Established by the Central Bank of Nigeria (CBN) Act of 1958, the principal objects of the Bank, as contained in the new CBN Act, 2007, are to:

- ensure monetary and price stability;*
- issue legal tender currency in Nigeria;*
- maintain external reserves to safeguard the international value of the legal tender currency;*
- promote a sound financial system in Nigeria;*
and
- act as banker and provide economic and financial advice to the Federal Government of Nigeria.*

**BOARD OF DIRECTORS
AS AT 31ST DECEMBER 2008**

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MEMBERS OF THE BOARD OF DIRECTORS OF THE BANK AS AT 31ST DECEMBER 2008

1.	Chukwuma C. Soludo CFR	-	Governor (Chairman)
2.	Ernest C. Ebi MFR	-	Deputy Governor (Corporate Services)
3.	Sarah O. Alade (Mrs)	-	Deputy Governor (Economic Policy)
4.	Tunde Lemo	-	Deputy Governor (Financial Sector Surveillance)
5.	Suleiman A. Barau	-	Deputy Governor (Operations)
6.	Ibrahim H. Dankwambo OON	-	Director (Accountant General of the Federation)
7.	Akpan H. Ekpo	-	Director
8.	Juliet A. Madubueze (Mrs)	-	Director
9.	Dahiru Muhammad	-	Director
10.	Samuel O. Olofin	-	Director
11.	Joshua O. Omuya	-	Director
12.	Stephen Oronsaye OON, CON	-	Director (Permanent Secretary, Federal Ministry of Finance)
	Umaru B. Girei	-	Secretary to the Board

MEMBERS OF THE COMMITTEE OF GOVERNORS OF THE BANK AS AT 31ST DECEMBER 2008

1.	Chukwuma C. Soludo (CFR)	-	Governor (Chairman)
2.	Ernest C. Ebi (MFR)	-	Deputy Governor (Corporate Services)
3.	Sarah O. Alade (Mrs)	-	Deputy Governor (Economic Policy)
4.	Tunde Lemo	-	Deputy Governor (Financial Sector Surveillance)
5.	Suleiman A. Barau	-	Deputy Governor (Operations)
	Umaru B. Girei	-	Secretary

PRINCIPAL OFFICERS OF THE BANK AS AT 31ST DECEMBER, 2008

A. Departmental Directors

1.	James K.A. Olekah	-	Banking Operations
2.	Dominic A.N. Eke*	-	Banking Supervision
3.	Umaru B. Girei	-	Corporate Secretariat
4.	Benjamin C. Onyido	-	Currency & Branch Operations
5.	Joe Alegieuno*	-	Development Finance
6.	Olufunmilade A. Omofade*	-	Finance
7.	Mohammed Nda	-	Foreign Operations
8.	Osaretin A. Demuren (Mrs)	-	Human Resources
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11.	Moses Ajayi	-	Monetary Policy
12.	Olufemi A. Fabamwo*	-	Other Financial Institutions
13.	Garba Ahmed	-	Procurement & Support Services

- | | | | |
|-----|--------------------|---|------------------------|
| 14. | Charles N.O. Mordi | - | Research |
| 15. | Sani I. Doguwa | - | Statistics |
| 16. | Walter W. Ahrey | - | Strategy & Performance |
| 17. | Batari Musa* | - | Trade & Exchange |

Anthony O. Olatujoye - Legal Adviser

* Overseeing

B. Special Advisers to the Governor

- | | | | |
|----|----------------------|---|---------------------|
| 1. | Patrick A. H. Ataman | - | Governor's Office |
| 2. | Asuri Vasudevan | - | Monetary Operations |
| 3. | Kim Norris | - | Banking Supervision |

C. Branch Controllers/Currency Officers

- | | | | |
|-----|-----------------------------------|---|---------------|
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| 2. | John N. Chukwudifu | - | Abuja |
| 3. | Rahmath A. O. Yusuf-Adeyemi (Mrs) | - | Akure |
| 4. | Elizabeth O. Agu (Mrs) | - | Asaba |
| 5. | Azubuike Okoro | - | Awka |
| 6. | Joseph A. Dada | - | Bauchi |
| 7. | Victor I. D. Oligbo | - | Benin |
| 8. | Ernest O. Alilonu | - | Calabar |
| 9. | Patrick O. Okonkwor | - | Enugu |
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| 11. | Bashiru G. Adebayo | - | Ibadan |
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| 28. | Ishaku K. Jatau | - | Yola |

*Overseeing

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List of Abbreviations and Acronyms

AACB	Association of African Central Banks
ABS	Analytical Balance Sheet
ACGSF	Agricultural Credit Guarantee Scheme Fund
ACSS	Agricultural Credit Support Scheme
ADF	African Development Fund
ADPs	Agricultural Development Programmes
AFC	Africa Finance Corporation
AfDB	African Development Bank
AIPs	Approval-In-Principle
AMCP	African Monetary Cooperation Programme
AML/CFT	Anti-Money Laundering/Combating Financing Terrorism
APRM	Africa Peer Review Mechanism
ATM	Automated Teller Machines
AU	African Union
AUC	Africa Union Commission
BAs	Bankers' Acceptances
BDC	Bureaux de Change
BOI	Bank of Industry
BWIs	Bretton Woods Institutions
CAC	Corporate Affairs Commission
CAMA	Companies and Allied Matters Act
CAMEL	Capital Adequacy, Asset Quality, Management, Earning and Liquidity
CAR	Capital Adequacy Ratio
CBN	Central Bank of Nigeria
CBP	Capacity Building Programme
CBs	Community Banks
CDMA	Code Division Multiple Access
CEPR	Centre for Economic Policy Research
CG	Credit to Government
CIC	Currency in Circulation
CIFTS	Central Bank Inter-bank Funds Transfer System
CIT	Companies Income Tax
COB	Currency Outside Bank
COBEC	Code of Business Ethics and Conduct
COPAL	Cocoa Producers' Alliance
CP	Credit to the Private Sector
CPI	Consumer Price Index
CPs	Commercial Papers
CRMS	Credit Risk Management System
CRR	Cash Reserve Requirement
CSAR	Country Self Assessment Report
CSCS	Central Securities Clearing System
CSOs	Civil Society Organisations
DFIs	Development Finance Institutions
DHs	Discount Houses

DLF	Direct Lending Facilities
DMBs	Deposit Money Banks
DMO	Debt Management Office
DS	Development Stock
EBP	Electronic Budgeting and Planning
ECA	Economic Commission for Africa
ECOWAS	Economic Community of West African States
EDC	Entrepreneurship Development Centres
EEG	Export Expansion Grant
e-FASS	Electronic Financial Analysis and Surveillance System
EFCC	Economic and Financial Crimes Commission
e-Money	Electronic Money
EMS	Enterprise Management and Security
ERP	Enterprise Resource Planning
ETF	Education Tax Fund
FAAC	Federation Account Allocation Committee
FCs	Finance Companies
FCT	Federal Capital Territory
FDI	Foreign Direct Investment
FGN	Federal Government of Nigeria
FHAN	Finance Houses Association of Nigeria
FIRS	Federal Inland Revenue Service
FITC	Financial Institutions Training Centre
fob	Free on Board
FRIN	Forestry Research Institute of Nigeria
FSS 2020	Financial System Strategy 2020
G-24	Group of Twenty four (24) Developing Countries
GDP	Gross Domestic Product
GSM	Global System of Mobile Communications
IAS	International Accounting Standard
IBRD	International Bank for Reconstruction and Development
ICCO	International Cocoa Organization
ICO	International Coffee Organization
IDA	International Development Assistance
IDMS	Integrated Document Management System
IEA	International Energy Agency
IFAD	International Fund for Agricultural Development
IFT	Inter-bank Funds Transfer
IGR	Internally Generated Revenue
IIP	International investment Position
ILN	Interactive Learning Network
IMF	International Monetary Fund
IPOs	Initial Public Offers
IPPs	Independent Power Plants
ISPs	Internet Service Providers
IT	Information Technology
ITU	International Telecommunication Union

JVC	Joint Venture Cash Calls
KYC	Know Your Customer
LOKAP	Lagos, Kano, Aba and Port-Harcourt
LPFO	Low Pour Fuel Oil
LR	Liquidity Ratio
LROs	Lead Research Organisations
LVIFT	Large Value Inter-bank Funds Transfer
M₁	Narrow Money Supply
M₂	Broad Money Supply
mbd	Million barrels per day
MDGs	Millennium Development Goals
MFBs	Microfinance Banks
MICR	Magnetic Ink Character Recognition
MMDs	Money Market Dealers
MOU	Memorandum of Understanding
MPC	Monetary Policy Committee
MPR	Monetary Policy Rate
MRR	Minimum Rediscount Rate
MTEF	Medium-Term Expenditure Framework
MYTO	Multi-Year Tariff Order
NACRDB	Nigerian Agricultural, Cooperative and Rural Development Bank
NACS	Nigerian Automated Clearing System
NAFDAC	National Agency for Food, Drug Administration and Control
NAICOM	National Insurance Commission
NAOC	Nigeria Agip Oil Company
NAPCON	National Petroleum Company of Nigeria
NAPRI	National Animal Production Research Institute
NBS	National Bureau of Statistics
NCS	Nigerian Custom Service
NDC	Net Domestic Credit
NDIC	Nigeria Deposit Insurance Corporation
NEEDS	National Economic Empowerment and Development Strategy
NEER	Nominal Effective Exchange Rate
NEPAD	New Partnership for Africa's Development
NERC	National Electricity Regulatory Commission
NEXIM	Nigerian Export-Import Bank
NFAs	Net Foreign Assets
NGC	Nigerian Gas Company
NGOs	Non-Governmental Organizations
NIBOR	Nigerian Inter-Bank Offer Rate
NICPAS	Nigerian Cheque Printers Accreditation Scheme
NNPC	Nigerian National Petroleum Corporation
NPC	National Population Commission
NPSC	National Payments System Committee
NSE	Nigerian Stock Exchange
NSPFS	National Special Programme for Food Security
NSPM	Nigerian Security Printing and Minting

NTBs	Nigerian Treasury Bills
NWG	National Working Group
OBB	Open Buy Back
ODA	Overseas Development Assistance
OFIs	Other Financial Institutions
OMO	Open Market Operations
OPEC	Organisation of Petroleum Exporting Countries
OTC	Over-the-Counter
P&A	Purchase and Assumption
PENCOM	National Pension Commission
PEP	Politically Exposed Person
PHCN	Power Holding Company of Nigeria
PIR	Process Improvement and Redesign
PMIs	Primary Mortgage Institutions
PMS	Portfolio Management System
POS	Point of Sale
PPT	Petroleum Profit Tax
PSI	Policy Support Instrument
RBDAs	River Basins Development Authorities
REC	Regional Economic Commission
REER	Real Effective Exchange Rate
RTEP	Root and Tuber Expansion Project
RTGS	Real Time Gross Settlement
SBU_s	Strategic Business Units
SEC	Securities and Exchange Commission
SFU	Special Fraud Unit
SITC	Standard International Trade Classification
SMEDAN	Small and Medium Enterprises Development Agency
SMEEIS	Small and Medium Enterprises Equity Investment Scheme
SON	Standard Organisation of Nigeria
SPDC	Shell Petroleum Development Company
SSA	Sub-Saharan Africa
SSC	South - South Cooperation
TCs	Travellers' Cheques
TFM	Trust Fund Model
TIB	Temenos Internet Banking
UAT	User Acceptance Test
UNECA	United Nations Economic Commission for Africa
UNIDO	United Nations Industrial Development Organisation
VAT	Value Added Tax
WACB	West African Central Bank
WAIFEM	West African Institute for Financial and Economic Management
WAMA	West African Monetary Agency
WAMZ	West African Monetary Zone
WB	The World Bank
WDAS	Wholesale Dutch Auction System

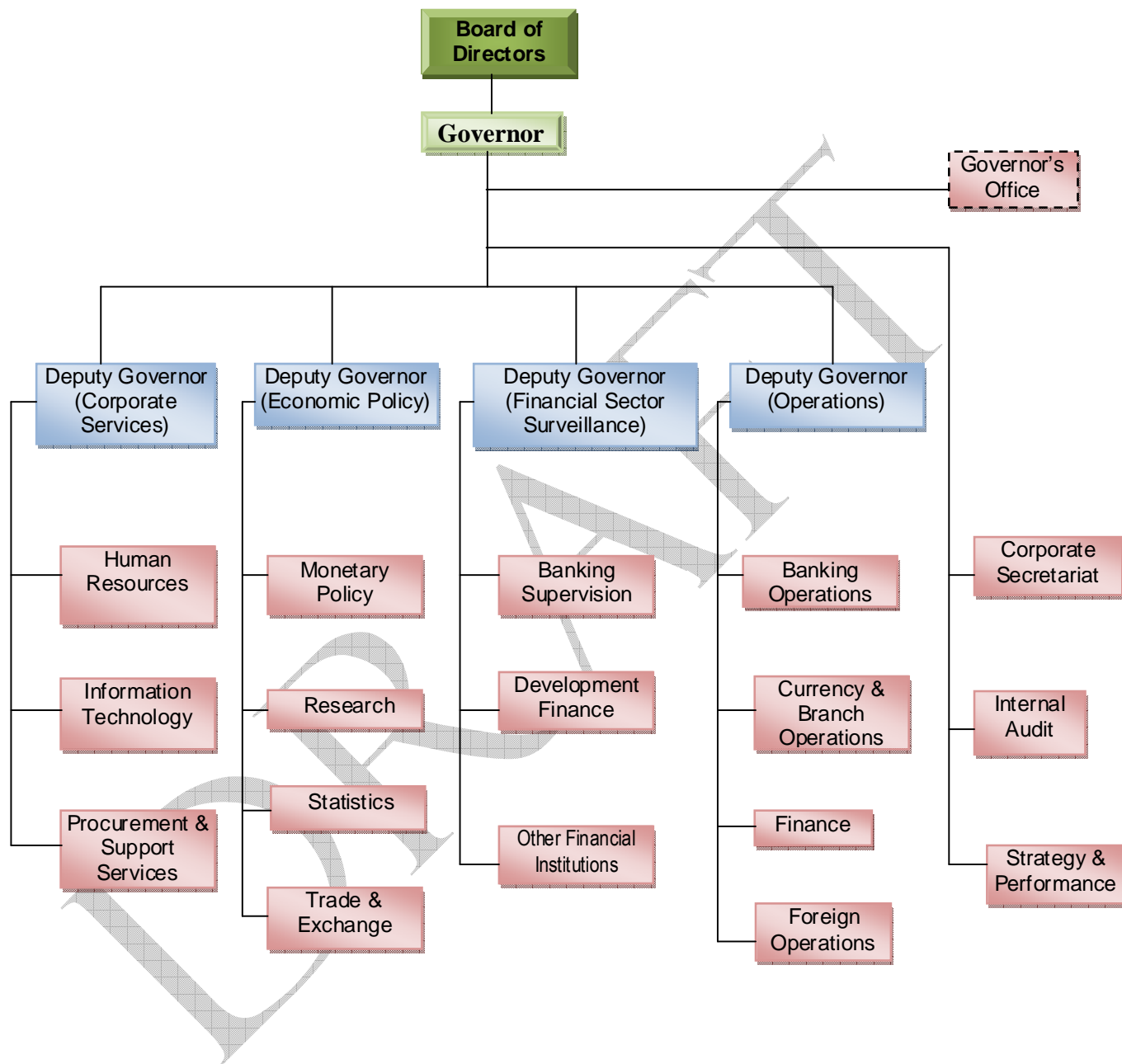
GOVERNOR'S PICTURE

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STATEMENT BY THE GOVERNOR

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Organisational Structure of the CBN as at 31st December 2008



CENTRAL BANK OF NIGERIA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2008

EXECUTIVE SUMMARY

1. This Report reviews the operations of the Central Bank of Nigeria (CBN) and appraises the macroeconomic policies and outcomes in 2008. It is structured into two parts. Part I reviews the corporate operations of the Bank, while Part II evaluates the performance of the economy against the background of domestic economic policy measures, as well as external economic and financial developments. Overall, the monetary policy stance and other banking and financial measures of the CBN were deployed towards ensuring price stability and financial sector soundness. Despite the global economic downturn and its impact on the domestic economy, the financial system remained relatively stable while overall macroeconomic performance was satisfactory.

CORPORATE ACTIVITIES

The CBN Board and Other Committees

2. The structure of the Board of Directors of the Central Bank of Nigeria (CBN) remained unchanged. The Board comprised the Governor, Chukwuma C. Soludo (Chairman); four Deputy Governors, namely Ernest C. Ebi (Corporate Services), Sarah O. Alade (Economic Policy), Tunde Lemo (Financial Sector Surveillance) and Suleiman A. Barau (Operations); and seven non-executive Directors of which five had their terms renewed in November 2008 for another term of four years. The non-executive Directors are Stephen Oronsaye (Permanent Secretary, Federal Ministry of Finance), who replaced Ama I. Pepple, following her appointment as the Head of the Civil Service of the Federation in July 2008, Ibrahim H. Dankwambo (Accountant-General of the Federation), Akpan H. Ekpo, Juliet A. Madubueze, Dahiru Muhammad, Samuel O. Olofin and Joshua O. Omuya.

The Board held six (6) regular meetings and one (1) emergency meeting. The Committee of Governors held twelve (12) meetings, while the Governors' Consultative Committee held eleven (11) regular meetings and one (1) emergency meeting. The Committee of Departmental Directors held twelve (12) regular meetings while the Audit Committee of the Board held three (3) meetings. The Investment Committee of the Board met twice (2) while the Financial Sector Surveillance Committee held six (6) meetings.

In the Bank's effort to achieve its mandate of price stability and support the economic policy of the Federal Government, the Monetary Policy Committee (MPC) held five (5) regular meetings and one (1) special meeting at which major domestic and international macroeconomic developments were reviewed, and appropriate monetary policy measures taken and communicated to the public.

MONETARY POLICY, SURVEILLANCE ACTIVITIES AND THE OPERATIONS OF THE CBN

3. Monetary management was challenging in 2008 as a result of the liquidity surfeit in the second quarter, and the tight liquidity condition occasioned by the impact of the global financial crisis on the domestic economy in the last two quarters of the year. The major sources of the excess liquidity included the monetization of part of the excess crude oil receipts and the enhanced statutory allocations to the three tiers of government, arising from enhanced revenue from the favourable price of crude oil in the international market as well as the retirement of matured treasury bills. Consequently, in the second quarter, monetary policy was fairly contractionary encompassing aggressive utilization of the Open Market Operations (OMO), an upward review of the monetary policy rate (MPR), and additional issue of treasury bills for liquidity management. Liquidity in the financial market, particularly in the interbank segment was tight from end-August 2008, owing to the outflow of portfolio investment engendered by the global credit crunch. By end-September, monetary policy was eased to pre-empt the imminent effect of the global credit crunch on the domestic financial market. The measures included reductions of the MPR, CRR and Liquidity Ratio (LR) while discount window operations were expanded to accommodate other instruments in addition to Federal Government securities. In addition, longer tenored repo transactions were allowed against eligible securities. Following the depreciation of the naira exchange rate in the last two months of 2008, deposit money banks' foreign exchange net open position was reduced from 20.0 to 10.0 per cent of shareholders' fund and the CBN actively participated in the daily inter-bank foreign exchange market under the two-way quote in December, to stem the depreciation of the naira.

4. The Bank intensified its monetary management activities to engender domestic stability and effectively rein-in inflation. However, the indicative base money target at end-December 2008 was missed following a substantial increase in domestic credit (net). Aggregate bank credit (net) to the domestic economy expanded significantly, reflecting the substantial increase in credit to the private sector. However,

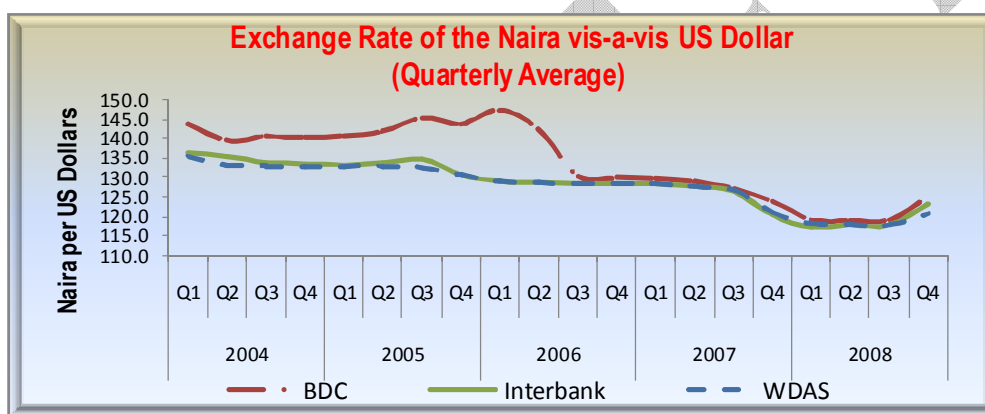
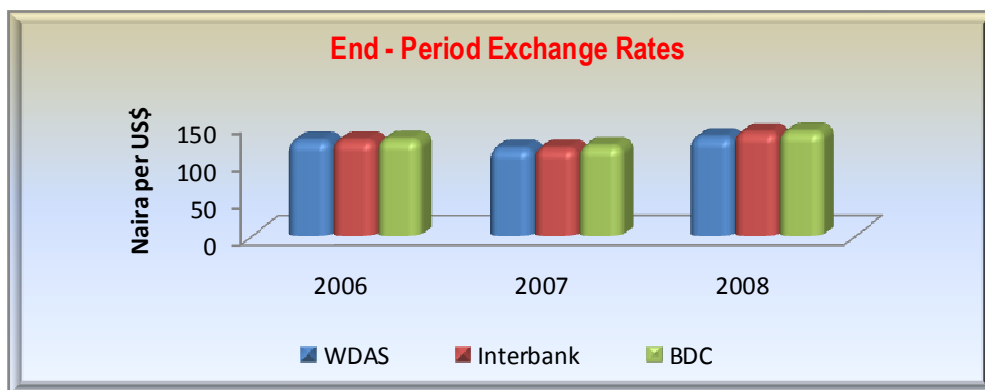
net credit to the Federal Government declined on account of a robust revenue and, hence, significant accumulation of deposits in the banking system, thus making government a net creditor to the system.

5. The formal financial system at end-December 2008 comprised the CBN, the Nigeria Deposit Insurance Corporation (NDIC), the Securities and Exchange Commission (SEC), the National Insurance Commission (NAICOM), the National Pension Commission (PENCOM), 24 deposit money banks, 5 discount houses, 840 microfinance banks, 113 finance companies, 1,264 Bureaux-de-Change, one (1) stock exchange, one (1) commodity exchange, 99 primary mortgage institutions, five (5) development finance institutions and 73 insurance companies.

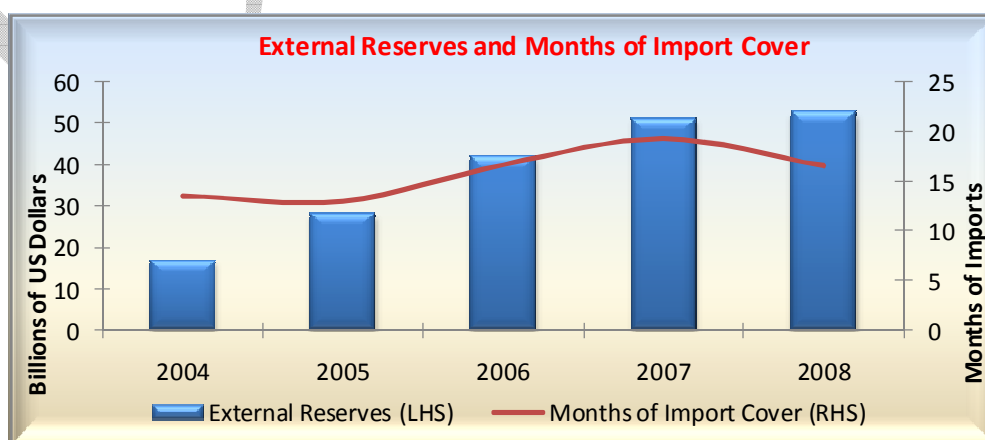
6. An assessment of the health of the banking sector showed that the system was sound as indicated by the bank's aggregate ratings. The average Capital Adequacy Ratio (CAR) of the banks consistently exceeded the stipulated minimum of 10.0 per cent, and assets quality improved further as the ratio of non-performing loans to industry total declined by 2 percentage points to 6.3 per cent at end-December 2008, compared with the international threshold of 20.0 per cent. Industry liquidity ratio was also above the 30.0 per cent minimum threshold. The Bank intensified its supervisory and surveillance activities through regular appraisal and review of banks' periodic returns, spot checks, monitoring/special investigation, risk-based supervision/compliance examination (hybrid), among others. Income audits, verification of capital and special investigations conducted to check the authenticity of reports/returns to the CBN revealed that two (2) banks failed to meet the statutory minimum required CAR of 10.0 per cent, while two (2) banks defaulted on the prescribed minimum liquidity ratio (LR) of 30.0 per cent at end-December 2008. The defaulting banks were sanctioned appropriately.

7. The Wholesale Dutch Auction System (WDAS) remained the main mechanism for the management of foreign exchange. The foreign exchange market was relatively stable with huge inflows into the inter-bank market up till the end of the third quarter 2008. However, there was significant demand pressure in the fourth quarter occasioned largely by the repatriation of the proceeds of dividends and portfolio divestments by foreign investors as the global financial and economic crisis deepened. The average exchange rate at the WDAS appreciated by 5.8 per cent over the level in the preceding year to ₦118.92/US\$ and other segments of the market recorded similar naira appreciation. However, the end-period exchange rate at the WDAS depreciated sharply by 11.0 per cent below the end-December 2007

level to ₦132.56/US\$ at end-December 2008 as a result of the deepening of the global economic crisis while it was ₦140.00 and ₦139.00/US\$, respectively, at the inter-bank and BDC segments of the market.



8. The stock of external reserves increased by 3.3 per cent above the level at end-December 2007 to US\$53.0 billion in 2008 and could support 16.6 months of imports, well above the 6 months requirement under the convergence criteria of the West African Monetary Zone (WAMZ).



9. Under the Agricultural Credit Guarantee Scheme Fund (ACGSF), a total of 52,787 loans valued at ₦6.7 billion was guaranteed in 2008, thus bringing the total loans guaranteed since the inception of the ACGSF in 1978 to 593,712 valued at ₦26.1 billion. The Bank also signed 38 Trust Fund Model (TFM) in 2008, and the programmes total pledges at end-December amounted to ₦4.9 billion. Also, the cumulative sum set aside by banks under the Small and Medium Enterprises Equity Investment Scheme (SMEEIS) at end-December 2008 rose by 12.3 per cent to ₦42.0 billion, while investments under the scheme increased by 33.0 per cent to ₦28.2 billion.

10. The audited financial statement of the CBN showed that at ₦307.0 billion, gross income was 0.7 per cent lower than the level in the preceding year. The development reflected the decline in interest income from external sources, a consequence of the effect of the global economic and financial crises and the attendant lowering of interest rates in developed economies. However, interest expenses increased significantly, owing to the higher cost of monetary operations. Overall, the operations of the CBN resulted in a net surplus of ₦8.3 billion, which was 74.3 per cent lower than the ₦32.3 billion in 2007. The net surplus was appropriated in line with the provisions of Section 5(2) of the CBN Act 2007 (as amended). The sum of ₦2.1 billion accrued to general reserve while ₦6.2 billion accrued to the Federal Government.

11. The total assets of the CBN stood at ₦8.8 trillion at end-December 2008, showing an increase of 14.7 per cent above the level at end-December 2007. The development reflected the increases in External Reserves (12.0 per cent), Nigerian Government Securities (222.4 per cent), Loans and Advances (41.8 per cent), Investments (172.6 per cent) and Fixed Assets (5.8 per cent).

12. The corresponding increase in liabilities was due to the rise in Deposit Accounts (31.8 per cent), Notes and Coins in Circulation (20.2 per cent), IMF SDR (9.6 per cent), Other Liabilities (5.5 per cent) and Capital and Reserves (261.2 per cent). The share capital of the Bank remained at ₦5.0 billion at end-December 2008 while the General reserve stood at ₦60.9 billion, compared with ₦58.8 billion at end-December 2007.

13. The CBN continued to fine-tune and enhance its enterprise applications through the various Information Technology (IT) initiatives, including Oracle ERP, Temenos T24, electronic Financial Analysis and Surveillance System (e-FASS) and Central Bank Inter-bank Fund Transfer System (CIFTS). The

integration of the enterprise applications was improved to facilitate the timely and more accurate generation of the daily Analytical Balance Sheet (ABS). Other initiatives included the provision of fibre optic connectivity between the Lagos Office and the Head Office to improve the operational efficiency of the Bank.

14. The Bank recruited one hundred and twenty nine (129) staff consisting of IT professionals and other categories. However, the Bank lost the services of twenty-six (26) staff through death. Furthermore, one (1) staff was reinstated, while thirteen (13) staff had their appointments terminated and eleven (11) dismissed. Consequently, the staff strength of the Bank declined from 5,111 to 5,027 at end-December 2008.

15. In order to boost staff morale and enhance their performance, the Bank promoted a total of 208 members of staff consisting of 10 executives, 149 senior and 49 junior staff. The Bank intensified efforts at capacity building, through staff development and skills enhancement. Consequently, it sponsored staff training programmes, including seminars, workshops, conferences and courses within and outside Nigeria. Thus, staff benefited from a total of five hundred and forty-two (542) training slots covering specialized and generic programmes.

ECONOMIC REPORT

The International Economy

16. Global output was estimated to have grown by 3.9 per cent in 2008 compared with 5.2 per cent in 2007. The deceleration in output growth was provoked by the decline in economic activities in the advanced countries as most of them went into economic recession, a consequence of the global financial crises. Output in the US and Japan declined as industrial production plummeted, while increased sluggishness in export demand coupled with the slowdown in the developing economies caused the decline in the euro area. Economic activities in emerging Asia also witnessed a downturn, triggered by the weakened demand by the advanced economies and a softened domestic demand as a result of rising food and energy prices. Growth prospects were also affected by the global financial crisis in the Commonwealth of Independent States (CIS). Africa showed some resilience to the global slowdown as many countries benefited from terms of trade improvements. The global inflation rates accentuated as a result of the surge

in food and energy prices. Consumer price increases were particularly strong in the emerging and developing countries. In Africa, inflation in the sub-Saharan countries rose from 7.1 per cent to 11.9 per cent owing to the region's strong dependence on imported food and fuel.

17. The Group of Twenty Four developing countries (G-24), at the 2008 Spring meetings, considered the global economic and financial situation, reforms in the Bretton Woods Institutions, quota and voice reforms, financing for development and climate change. The Group noted that the world economy was facing its most difficult situation in decades, against the background of a deepening financial crisis which had originated from the developed economies and had markedly caused economic slowdown in some and recession in others. The meeting, therefore, called for a comprehensive response to ameliorate the financial strains and restore confidence in the financial market. Also, the G-24 underscored the need for reform of the regulatory and supervisory framework, clearer accounting rules and transparency. In a bid to achieve the cardinal objectives of the Millennium Development Goals, the World Bank Group intensified activities to foster growth, eliminate poverty and ensure inclusive and sustainable development. In that regard, the Group increased its financial commitments in form of loans, grants, equity investments and guarantees to its members and to private businesses in member states.

18. Nigeria and China signed a strategic partnership cooperation agreement on cultural and educational exchanges. The Nigeria-Spain meeting agreed to expand Spanish investment in Nigeria and foster greater partnership in banking and finance and energy, especially export of natural gas to Spain, as well as establishing a Bi-National Commission. The Nigeria-South Africa Bi-National Commission expanded the scope of the Memorandum of Understanding (MoU) on economic cooperation to include consumer protection and cooperation on the standardization of products. The meeting also agreed on the need for the establishment of a Nigeria/South Africa Presidential Advisory Committee on Investment to facilitate investment flows between both countries. The Third Session of the Nigeria-Iran Joint Commission noted the readiness of Iran to participate in the Nigeria's banking industry and energy sector and render technical and engineering services to Nigeria. The Nigeria-Cuba Joint Commission expressed its willingness to implement a joint venture in agriculture and sugar industry in Nasarawa and Jigawa states, respectively.

19. The West African Monetary Zone (WAMZ) approved the statutes of the West African Financial and Supervisory Agency (WAFSA) payments system and the Single Economic Space and Prosperity

Agreement (SESPA). In addition, the proposed Africa Development Fund (ADF) grant of UA14million (US\$23 million) for the development of the payments systems in The Gambia, Guinea and Sierra Leone was approved. The WAMZ also proposed the holding of a summit of Heads of State and Government to address pertinent issues, including the signing of relevant legal documents. It also urged members to undertake medium-to-long-term strategies to tackle energy and food crises.

The Domestic Economy

Fiscal Operations of Government

20. Fiscal operations remained within the Medium-Term Expenditure Framework (MTEF) as overall deficit narrowed in 2008. At N7,866.6 billion or 32.7 per cent of GDP, the Federation Account revenue (gross) increased by 37.6 per cent above the level in 2007. This development was attributed largely to the increase in oil prices during the first half of 2008 which later crashed owing to the global economic crisis, resulting in low energy demand in the latter part of the year. Similarly, at N1,336.0 billion or 5.6 per cent of GDP, non-oil revenue increased by 6.7 per cent above the level in the preceding year.

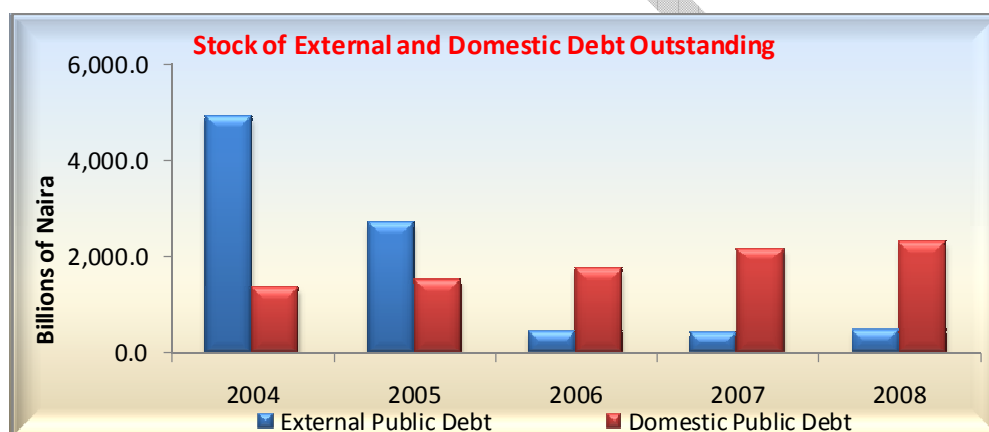
21. The sum of N4,552.8 billion was transferred to the Federation Account in 2008, indicating an increase of 17.4 per cent over the level in 2007. The amount distributed, after all statutory deductions, was as follows: Federal Government (N1,847.0 billion); State governments, including 13% Derivation Fund (N1,361.8 billion); and Local Governments (N722.3 billion). Similarly, the VAT distributable balance of N388.3 billion was shared among the three tiers of government in the ratios of 15, 50 and 35 per cent, to the federal, state and local governments, respectively.

22. Adherence to the fiscal rule resulted in an accumulated savings (Excess Crude) of US\$20,341.2 million by the three tiers of government in 2008. The savings comprised US\$12,400.6 million brought forward from 2007 and US\$7,940.6 million accumulated in 2008.

23. The Federal Government retained revenue and aggregate expenditure increased by 36.8 and 32.2 per cent, respectively, over their levels in 2007. The fiscal operations of the Federal Government resulted in a notional deficit of N47.4 billion, representing 0.2 per cent of GDP.

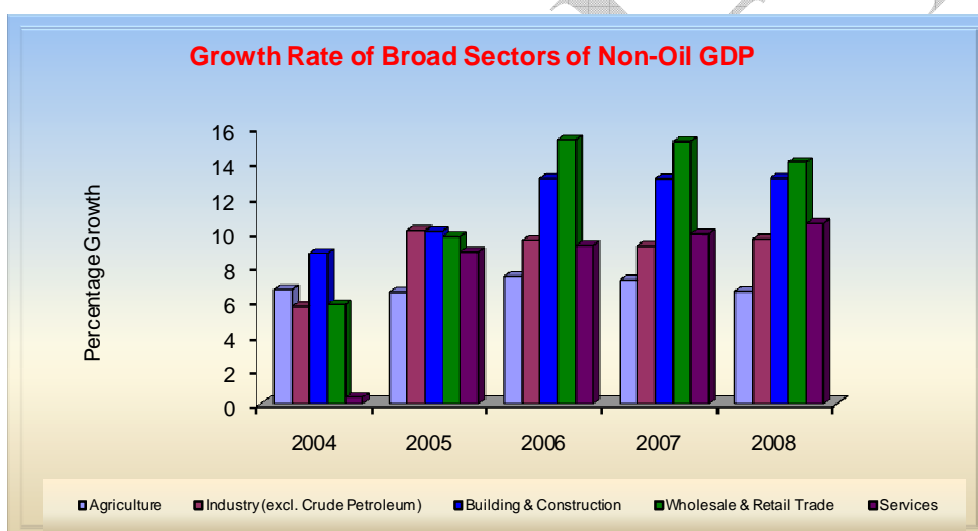
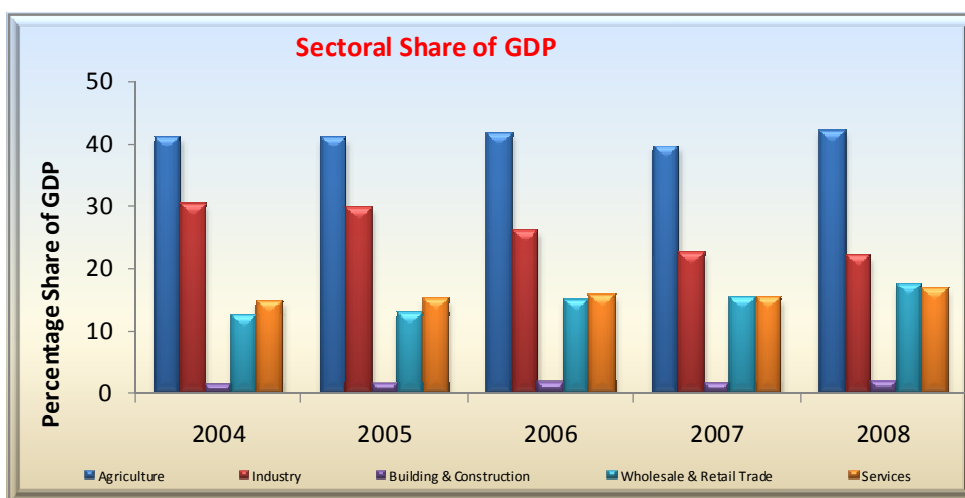
24. Provisional data on state governments' finances showed an overall deficit of ₦86.8 billion or 0.4 per cent of GDP, representing an increase of 71.0 per cent when compared with ₦50.7 billion or 0.2 per cent of GDP in 2007. This reflected largely an expansion in capital expenditure to implement developmental projects in the states. Estimates on local governments' finances showed that the fiscal operations resulted in a deficit of ₦3.0 billion, in contrast to a surplus of ₦4.9 billion in 2007.

25. The consolidated Federal Government debt stock as at 31st December 2008, was ₦2,811.3 billion or 11.7 per cent of GDP compared with ₦2,597.7 billion or 12.5 per cent of GDP in 2007. Nigeria's external debt rose marginally from US\$3.6 billion in 2007 to US\$3.7 billion, following the disbursement of concessional loans by the Multilateral Institutions. Domestic debt, at ₦2,320.3 billion, increased by 6.9 per cent owing to the issuance of a series of FGN Bonds for project financing and the settlement of contractual obligations.

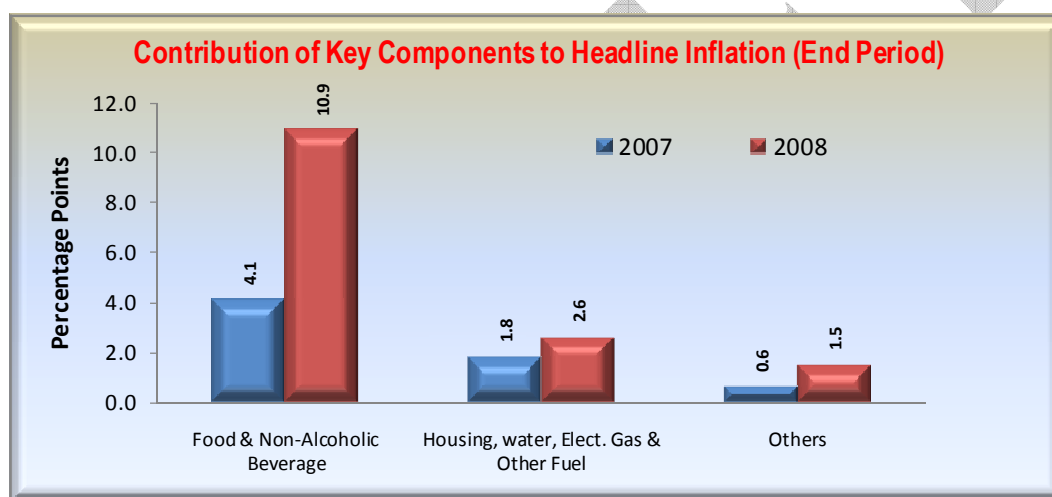
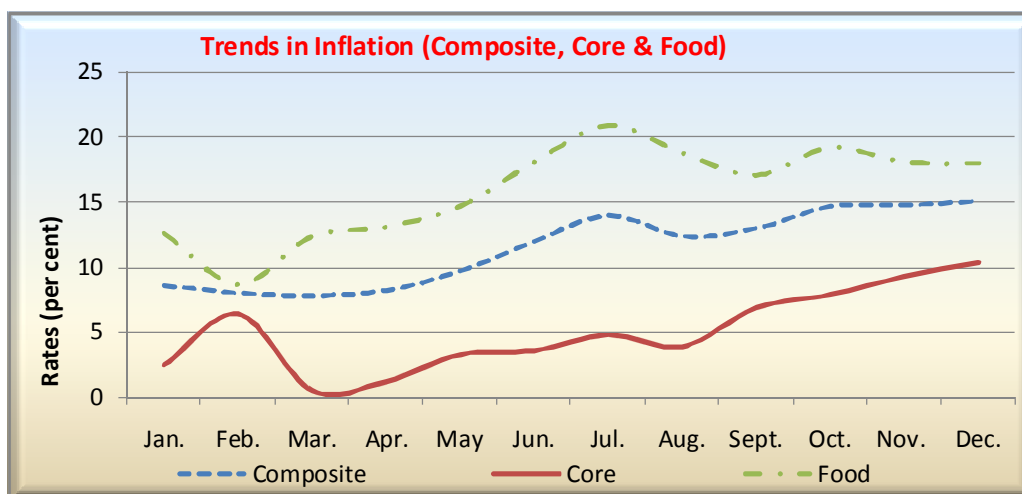


The Real Sector

26. The real Gross Domestic Product (GDP), at 1990 basic prices, grew by 6.4 per cent, compared with 6.5 per cent in 2007 and an average annual growth rate of 6.5 per cent for the period 2004 to 2008. The growth was attributed mainly to sound monetary and fiscal policies, complemented by the favourable weather which enhanced agricultural output. The growth was driven mainly by the non-oil sector, as reflected in the non-oil GDP growth rate of 9.1 per cent. Within the non-oil sector, the agricultural sub-sector grew by 6.5 per cent, while wholesale and retail trade, and the services sub-sectors recorded growth rates of 14.0 and 10.5 per cent, respectively. Industrial output, however, fell by 2.2 per cent due mainly to the poor performance of the oil sector.

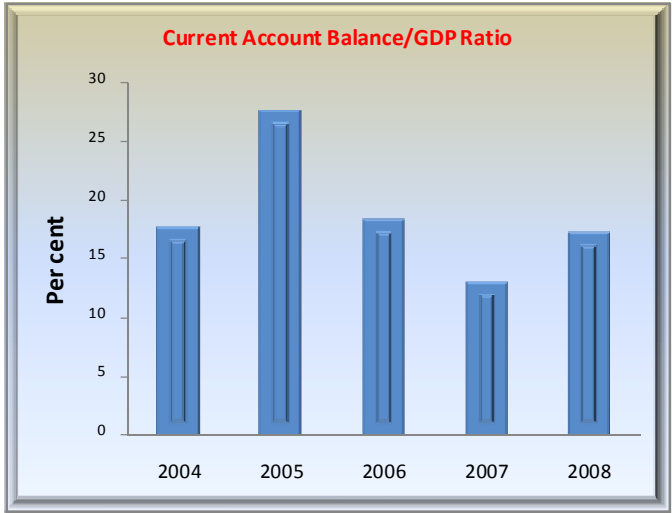
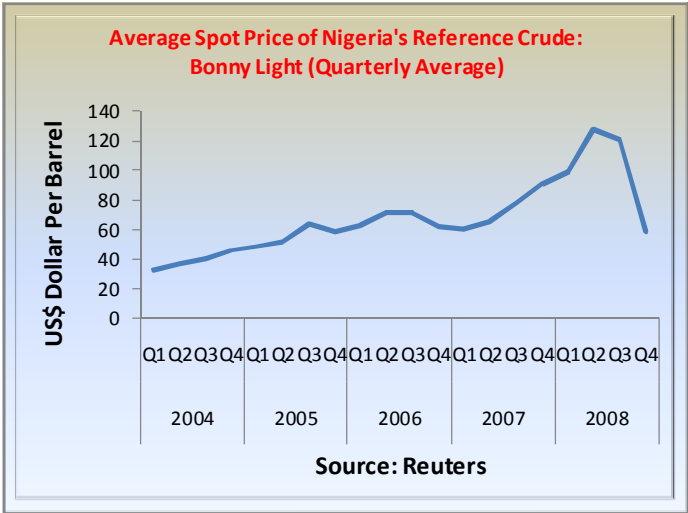


27. A single digit inflation rate was sustained within the range of 7.8 and 9.7 per cent from January through May. Thereafter, the inflation rate increased steadily during the rest of the year, peaking at 15.1 per cent end-period basis in December. Further improvements in economic performance were constrained by poor infrastructure, the persistent restiveness in the oil-rich Niger Delta, as well as inclement weather conditions experienced in some food-producing areas of the country.



The External Sector

28. The external sector position remained strong in 2008, attributable to the high international crude oil price which rose, on the average, from US\$74.96 to US\$101.15 per barrel. This was reinforced by increased receipts from home remittances by Nigerians in the diaspora. The current account surplus as a ratio of GDP was 17.3 per cent and overwhelmed the capital and financial accounts deficit of 2.8 per cent of GDP. External reserves increased by 3.3 per cent to US\$53.0 billion at end-December and could support 13.8 months of imports which is significantly higher than the six months of imports stipulated under the WAMZ convergence arrangement.



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Selected Macroeconomic and Social Indicators

Indicator	2004	2005	2006	2007 1/	2008 2/
Domestic Output and Prices					
GDP at Current Mkt Prices (N' billion) 3/	11,673.6	14,735.3	18,709.6	20,853.6	24,048.5
GDP at Current Mkt Prices (US\$' billion) 3/	76.17	88.37	144.49	148.69	175.36
GDP per Capita (N) 3/	87,845.3	109,155.1	132,604.3	142,957.1	159,906.8
GDP per Capita (US\$) 3/	658.02	826.31	1,030.34	1,136.11	1,349.08
Real GDP Growth (%) 3/	6.6	6.5	6.0	6.5	6.4
Oil Sector	3.3	0.5	-4.2	-4.5	-4.8
Non-oil Sector	7.8	8.6	9.4	9.5	9.1
Sectoral GDP Growth (%)					
Agriculture	6.5	7.1	7.4	7.2	6.5
Industry 4/	4.2	1.7	-2.5	-2.2	-2.2
Services 5/	8.8	8.0	9.2	9.9	10.5
Oil Production (mbd)	2.5	2.5	2.2	2.2	2.0
Manufacturing Capacity Utilisation (%)	55.7	54.8	53.3	53.5	53.9
GDP Deflator Growth (%) 6/	-0.2	22.0	18.1	3.3	12.5
Inflation Rate (%) (Dec-over-Dec)	10.0	11.6	8.5	6.6	15.1
Inflation Rate (%) (12-month moving average)	15.0	17.9	8.2	5.4	11.6
Core Inflation Rate (%) (Dec-over-Dec) 7/	5.9	2.4	17.3	3.6	10.4
Core Inflation Rate (%) (12-month moving average) 7/	15.5	8.8	12.8	9.2	5.1
Aggregate Demand and Savings (% of GDP) 8/					
Aggregate Demand	88.12	87.43	75.47	82.09	80.59
Private Final Consumption Expenditure	73.99	75.16	60.34	58.74	55.95
Government Final Consumption Expenditure	6.73	6.81	6.86	8.09	8.75
Gross Fixed Capital Formation	7.39	5.46	8.27	15.25	15.89
Increase in Stock	0.01	0.01	0.01	0.01	0.01
Net Export of Goods and Non-factor Services	11.87	12.57	24.53	17.90	19.41
Export of Goods and Non-factor Services	30.16	31.66	45.96	40.29	44.30
Import of Goods and Non-factor Services	18.29	19.09	21.44	22.38	24.89
Domestic Saving	15.38	15.09	36.97	22.66	23.13
Gross National Saving	19.27	18.03	32.80	33.16	35.31
Federal Government Finance (% of GDP)					
Retained Revenue	11.4	11.9	10.4	11.2	13.3
Total Expenditure	12.9	13.0	10.9	11.8	13.5
Recurrent Expenditure	9.5	9.0	7.4	7.6	8.8
Of which: Interest Payments	3.3	2.7	1.3	1.0	1.6
Foreign	1.7	1.3	0.6	0.5	0.3
Domestic	1.6	1.4	0.7	0.5	1.3
Capital Expenditure and Net Lending	3.0	3.5	3.0	3.6	4.0
Transfers	0.4	0.5	0.5	0.5	0.7
Current Balance (Deficit-)/Surplus(+))	1.9	3.0	2.9	3.6	4.5
Primary Balance (Deficit-)/Surplus(+))	1.80	1.6	0.8	0.5	1.4
Overall Fiscal Balance (Deficit-)/Surplus(+))	(1.5)	(1.1)	(0.5)	(0.6)	(0.2)
Financing	1.5	1.1	0.5	0.6	0.2
Foreign	-	-	-	-	0.3
Domestic	0.4	1.0	0.2	1.0	0.6
Banking System	-	-	-	0.8	0.1
Non-bank Public	0.4	1.0	0.2	0.2	0.5
Other Funds	1.1	0.1	0.3	(0.4)	(0.7)
Federal Government Debt Stock 12/	53.6	28.7	11.8	12.5	11.7
External	41.9	18.3	2.4	2.1	2.0
Domestic	11.7	10.4	9.4	10.4	9.7

Selected Macroeconomic and Social Indicators (Cont...)

Indicator	2004	2005	2006	2007 1/	2008 2/
Money and Credit (Growth Rate %)					
Reserve Money	6.3	4.2	27.8	26.0	29.6
Narrow Money (M1)	8.6	29.7	32.2	36.6	55.9
Broad Money (M2)	14.0	24.4	43.1	44.2	57.8
Net Foreign Assets	90.5	55.0	53.9	15.2	17.7
Net Domestic Assets	-163.8	236.8	77.6	-36.1	-142.3
Net Domestic Credit	12.0	14.5	-69.1	276.4	84.2
Net Credit to Government	-17.9	-37.0	-732.8	-22.3	-31.2
Credit to Private Sector	26.6	30.8	32.1	90.8	59.4
Money Multiplier for M2	3.1	3.7	4.1	4.9	5.9
Income Velocity of M2	5.2	5.3	4.5	3.6	2.6
Financial Development Indicators (%)					
M2/GDP	19.4	19.1	21.5	27.9	38.1
CIC/M2	24.1	22.8	19.3	16.5	12.6
COB/M2	20.3	20.0	16.2	12.7	9.7
QM/M2	41.2	38.7	43.4	46.4	47.0
CIC/GDP	4.8	4.4	4.2	4.6	4.8
Credit to Private Sector (CP)/GDP	13.1	13.6	14.2	24.2	33.5
Credit to Core Private Sector (CCP)/GDP	13.1	13.6	14.2	24.2	32.9
CP/Non-Oil GDP	21.1	21.9	22.1	37.9	54.4
DMBs Assets/GDP 13/	32.2	30.6	38.3	52.7	66.2
CBNs Assets/GDP 13/	29.1	29.9	38.3	41.7	42.4
Banking System's Assets/GDP	61.3	60.5	92.0	94.3	108.6
Interest Rates (% per annum)					
Minimum Rediscount Rate (MRR) 9/	15.0	13.0
Monetary Policy Rate (MPR) (end period) 9/	10.0	9.5	9.75
Repurchase Rate (Average %) 9/	15.6	13.0	23.0	9.5	13.34
Treasury Bill Rate					
91-day	14.4	10.8	8.3	6.54	8.20
182-day 10/	14.84	9.57	9.22	7.35	8.77
364-day 10/	-	10.51	10.71	8.12	9.00
Inter-bank Call Rate (end-period)	12.1	7.0	9.0	8.9	12.17
Deposit Rates					
Savings Rate	4.4	3.3	3.3	3.2	3.6
3-months Fixed	12.8	9.1	10.3	10.3	12.9
6-months Fixed	11.7	8.7	9.9	9.5	12.9
12-months Fixed	12.7	8.8	7.5	7.9	12.7
Prime Lending Rate (end period)	18.9	17.8	17.3	16.5	16.1
Maximum Lending Rate (end period)	20.4	19.5	18.7	18.2	21.2
Government Bond (Average coupon) 11/					
3-year	-	-	12.71	8.82	10.13
5-year	-	12.38	13.50	11.05	10.16
7-year	-	-	13.34	9.73	-
10-year	-	-	-	9.60	12.13
20-year	-	-	-	-	15.00

Selected Macroeconomic and Social Indicators (Cont...)

Indicator	2004	2005	2006	2007 1/	2008 2/
External Sector					
Current Account Balance (% of GDP)	17.7	27.2	18.5	11.8	21.0
Goods Account	22.5	25.7	19.0	18.0	21.0
Services Account (net)		-2.9	-3.3	-6.9	-6.5
Income account (net)		-2.0	-4.7	-9.1	-10.4
Current Transfers	3.1	6.3	7.5	9.8	17.0
Capital and Financial Account Balance (% of GDP)	-7.9	-17.3	-5.3	-1.4	-2.8
Overall Balance (% of GDP)	9.7	10.0	9.8	4.9	0.8
External Reserves (US \$ million)	16,955.0	28,279.1	42,298.0	51,333.2	53,000.4
Number of Months of Import Equivalent	13.6	13.1	16.7	19.3	16.6
Average Crude Oil Price (US\$/barrel)	38.7	55.4	66.4	74.96	101.15
Average DAS Rate (N/\$1.00)	133.50	132.15	128.65	125.83	118.92
End of Period DAS Rate (N/\$1.00)	132.90	130.29	128.27	117.97	132.56
Average Bureau de Change Exchange Rate (N/\$)	140.80	142.56	137.10	127.41	120.81
End of Period Bureau de Change Exchange Rate (N/\$)	138.5	141.5	129.5	121.00	139.00
Capital Market					
All Share Value Index (1984=100)	23,844.5	24,085.8	33,358.3	57,990.2	31,450.8
Value of Stocks Traded (Billion Naira)	225.8	262.9	470.3	1,076.0	2,400.0
Value of Stocks/GDP (%)	1.9	1.8	2.5	9.2	10.0
Market Capitalization (Billion Naira)	1,925.9	2,900.1	5,120.9	13,294.8	9,535.8
Of which: Banking Sector (Billion Naira)	662.7	1,212.1	2,142.7	6,432.2	3,715.5
Market Capitalization/GDP (%)	16.5	19.5	28.1	56.0	39.7
Of which: Banking Sector/GDP (%)	5.7	8.1	11.8	27.1	15.5
Insurance Sector/GDP (%)	0.2	0.2	0.3	2.0	1.3
Banking Sector Cap./Market Capitalization (%)	34.4	41.8	41.8	41.8	39.0
Insurance Sector Cap./Market Capitalization (%)	1.3	1.2	1.0	3.2	3.3
Social Indicators					
Population (million)	129.9	133.5	140.0	144.5	149.1
Population Growth Rate (%)	2.8	2.8	2.9	3.2	3.2
Unemployment Rate (%)	13.4	11.9	14.6	10.9	12.8
Life Expectancy at Birth (Years)	54.0	54.0	54.0	54.0	54.0
Adult Literacy Rate (%)	62.0	63.1	57.2	66.9	66.9
Incidence of Poverty	54.4	54.4	54.0	54.0	54.0

1/ Revised

2/ Provisional

3/ Revised based on national accounts of Nigeria 1981 to 2005 Harmonised series

4/ Includes Building and Construction.

5/ Includes Wholesale and Retail Services

6/ Based on GDP at purchasers' value (GDP at market prices)

7/ Core Inflation is measured as the rate of change of all-item Consumer Price Index (CPI) less farm produce.

8/ Based on GDP at Current Purchasers' Value (Current Market Price).

9/ MPR replaced MRR with effect from December 11, 2006

10/ The 182-day and the 364-day bills were introduced with effect from _____

11/ Financial Datahouse Limited.

12/ Includes States Government Debts

13/ From Analytical Balance Sheet

M₂ = Broad Money; GDP = Gross Domestic Product; CIC = Currency in Circulation

COB = Currency Outside Bank; QM = Quasi-Money; CP = Credit to Private Sector, CcP = Credit to core Private Sector

*** indicates not available.

Sources: Central Bank of Nigeria (CBN), Federal Ministry of Finance (FMF), National Bureau of Statistics (NBS),

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