CENTRAL BANK OF NIGERIA

ECONOMIC REPORT FOR THE MONTH OF FEBRUARY 2009

RESEARCH DEPARTMENT

CENTRAL BANK OF NIGERIA

MONTHLY REPORT

The Central Bank of Nigeria Monthly Report is designed for the dissemination of financial and economic information on the Nigerian economy on current basis. The Report analyses developments in the financial, real and external sectors of the economy, as well as international economic issues of interest. The Report is directed at a wide spectrum of readers including economists and financial analysts in government and the private sector, as well as general readers.

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1.0 Summary

Provisional data indicated decline in monetary aggregates during the review month. Broad money supply (M_2) and narrow money supply (M_1) fell by 2.5 and 1.9 per cent from their levels in the preceding month, respectively. The decline in M_2 was attributed to the fall in aggregate banking system credit to the domestic economy and other assets (net) of the banking system.

Available data indicated that banks' deposit and lending rates increased in February 2009. The spread between the weighted average deposit and maximum lending rates widened from 10.93 percentage points in the preceding month to 11.19 percentage points. The margin between the average savings deposit and maximum lending rates, also, widened from 18.35 percentage points in January, 2009 to 18.65. The weighted average inter-bank call rate, which stood at 7.91 per cent in the preceding month, rose to 17.30 per cent at end-February 2009, reflecting the liquidity squeeze in the banking system.

The value of money market assets outstanding increased in the review month by 1.0 per cent to =N=2,862.0 billion over the level in the preceding month. The rise was attributed largely to the 3.3 per cent increase in outstanding Federal Government of Nigeria (FGN) Bonds. Activities on the Nigerian Stock Exchange indicated improved performance as all the major market indicators trended upward.

The major agricultural activities in the review month included: harvesting of tree crops; preparation of irrigated land for cultivation; and clearing of land for the 2009 wet season farming. The prices of most Nigeria's major agricultural commodities at the London Commodities Market remained stable during the review month.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 1.90 million barrels per day (mbd) or 53.20 million barrels for the month, compared with 1.90 mbd or 58.90 million barrels in the preceding month. Crude oil export was estimated at 1.45 mbd or 40.60 million barrels for the month, while deliveries to the refineries for domestic consumption remained at 0.445 mbd or 12.46 million barrels. The average price of Nigeria's reference crude, the Bonny Light (37^0 API), estimated at US$46.52 per barrel, rose by 1.6 per cent over the level in the preceding month.

The inflation rate on a year-on-year, was 14.6 per cent in February 2009, compared with 14.0 per cent recorded in the preceding month. The inflation rate on a twelve-month moving average basis was 12.6 per cent, compared with 12.0 per cent in the preceding month.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US$1.50 billion and US$3.53 billion, respectively, resulting in a net outflow of S$2.03 billion during the month. Relative to the levels in the preceding month, inflow and outflow fell by 25.7 and 19.8 per cent, respectively. The decline in inflow was attributed largely to the fall in autonomous receipts, while the fall in outflow was mainly due to the decline in foreign exchange utilization.

Foreign exchange sales by the CBN to end-users through the authorized dealers stood at US$1.19 billion, indicating an increase of 160.5 per cent over the level in the preceding month, while demand rose by 96.7 per cent to US$4.1 billion. The increase in demand was attributed to the recent suspension of trading in the inter-bank foreign exchange market. The weighted average exchange rate of the Naira vis-à-vis the US dollar, depreciated by 0.9 per cent to =N=147.08 per dollar at the RDAS. In the bureaux de change segment of the market, the rate also, depreciated by 4.5 per cent to =N=156.93 per dollar. Receipts from non-oil exports by banks amounted to US$69.1 million, indicating a decline of 6.1 per cent from the level in the preceding month. The development was attributed to the fall in commodity prices at the international market.

Other major international economic developments of relevance to the domestic economy during the review month included: the meeting of the Heads of the Multilateral Development Banks (MDBs) and the International Monetary Fund (IMF) held in Tunis, Tunisia, on February 12, 2009 at the invitation of the African Development Bank. The purpose of the meeting was to discuss recent developments in the global financial and economic crisis and the response of each institution as well as the way forward. In another development, the Board of Directors of the African Development Bank Group (AfDB), on February 18, 2009 approved a US$100 million Line of Credit (LoC) to support Nigeria's Intercontinental Bank Plc in financing small and medium-scale enterprises (SMEs). The LoC would be used for medium- to long-term financing for SMEs in manufacturing, services, and natural-resource projects across Nigeria. Also during the review month, the 12th Assembly of the African Heads of State and Government met on February 3, 2009 in Addis Ababa, Ethiopia. The purpose of the meeting was to discuss the global financial crisis and to ensure that the Assembly speaks with one voice in the world economic arena. Lastly, the World Bank and the United States Congressional Caucus for Dialogue on the World Bank had urged rich countries to resist the temptation to slash foreign aid to third world countries in the face of the current global financial and economic crisis. The dialogue promoted by the Caucus was intended to foster greater understanding and build a global collaboration on the work the U.S. Congress does with other partners, such as the World Bank in tackling diseases, food insecurity and other crises.

2.0 FINANCIAL SECTOR DEVELOPMENTS

Monetary aggregates declined in February 2009, while banks' deposit and lending rates rose. 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 declined in February 2009. Broad money (M_2) fell by 2.5 per cent to =N=9,087.8 billion, in contrast to the increase of 1.4 per cent in January 2009. Similarly, narrow money (M_1) fell by 1.9 per cent to =N=4,658.9 billion, compared with the decline of 2.7 per cent in the preceding month. The decline in M_2 was attributed to the 7.1 per cent fall in aggregate banking system credit to the domestic economy, reinforced by the 0.6 per cent fall in other assets (net) of the banking system. Over the level at end-December 2008, M_2 declined by 1.1 per cent (fig.1 and table 1).

Aggregate banking system credit (net) to the domestic economy fell by 7.1 per cent to =N=4,825.8 billion in February 2009, compared with the decline of 3.5 per cent in the preceding month. The development was as a result of the 9.8 and 0.6 per cent fall in claims on both the public and private sectors, respectively.

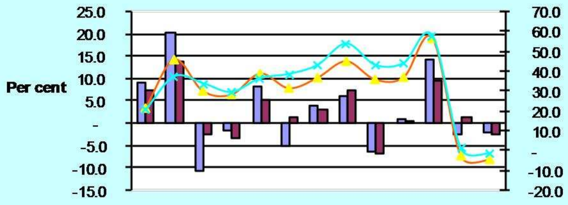
At negative =N=3,635.1 billion, banking system's credit (net) to the Federal Government declined by 9.8 per cent, compared with the fall of 23.9 per cent in the preceding month. The decline was attributed largely to the 22.1 per cent fall in claims by the deposit money banks (DMBs), during the period.

Banking system's credit to the private sector fell by 0.6 per cent to =N=8,460.9 billion, in contrast to the increase of 5.6 per cent in the preceding month. The development reflected wholly the 1.1 per cent decline in DMBs' claims on the sector (fig 2).

At =N=8,152.7 billion, foreign assets (net) of the banking system rose by 2.0 per cent, compared with the increase of 5.3 per cent in the preceding month. The observed increase reflected the rise in CBN's holdings.

Quasi money fell by 3.1 per cent to =N=4,429.0 billion, as against an increase of 6.0 per cent in the preceding month. The decline was on account of the fall in all the components namely, time, savings and foreign currency deposits of the DMBs during the period.

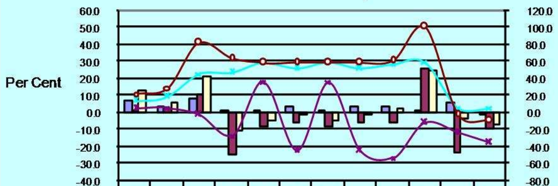
Figure 1: Aggregate Money Supply in Nigeria (Monthly & Cumulative Growth Rates in Per cent)



	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09
MM1	9.0	20.2	-10.8	-1.5	8.4	-5.3	4.0	6.0	-6.3	0.8	14.4	-2.7	-1.9
MM2	7.5	14.0	-2.4	-3.3	5.3	1.5	3.2	7.5	-6.9	0.6	9.6	1.4	-2.5
CM1	21.4	45.9	30.1	28.3	38.9	31.5	36.8	45.1	35.9	37.0	56.7	-2.7	-4.6
CM2	20.8	37.7	34.3	29.9	36.8	38.9	43.4	54.2	43.5	44.4	58.2	1.4	-1.1

Other assets (net) of the banking system, shrank further by 0.6 per cent to =N=3,890.7 billion, compared with the decline of 2.3 per cent in the preceding month. The development reflected largely the rise in unclassified liabilities of both the CBN and DMBs during the review month.

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



	Feb. 08	Mar. 08	Jul. 08	Aug. 08	Sept.08	Oct. 08	Sept.08	Oct. 08	Nov. 08	Dec. 08	Jan. 09	Feb. 09
MCP	7.5	3.9	8.7	0.9	0.7	2.9	0.7	2.9	3.6	1.1	5.6	-0.6
MCG	1.5	1.9	10.4	-24.3	-8.2	-6.5	-8.2	-6.5	-5.7	26.5	-23.9	-9.8
MAC	12.5	5.5	21.5	-10.7	-4.4	0.2	-4.4	0.2	1.9	24.2	-3.5	-7.1
CCP	13.5	17.9	45.2	46.5	57.9	52.2	57.9	52.2	57.7	59.5	5.6	5.0
CCG	3.7	5.6	-2.8	-27.8	36.4	-45.2	36.4	-45.2	-53.5	-12.9	-23.9	-36.0
CAC	22.1	28.8	82.5	63.0	57.9	58.3	57.9	58.3	61.3	100.6	-3.5	-10.4

2.2 Currency-in-circulation and Deposits at the CBN

At =N=1023.2 billion, currency in circulation fell by 3.8 per cent in February 2009 from the level in January, 2009. The fall was traceable largely to the decline of 7.1 and 2.9 per cent in vault cash and currency outside banks, respectively.

Total deposits at the CBN amounted to =N=5,559.6 billion, indicating a decline of 4.1 per cent from the level in the preceding month. The development was attributed largely to the 21.3 and 2.1 per cent fall in the DMBs' and Federal Government deposits, respectively. The shares of the Federal Government, banks and "others" in total deposits at the CBN were 88.5, 6.0 and 5.5 per cent, respectively, compared with the shares of 92.3, 5.5 and 2.2 per cent, in the preceding month.

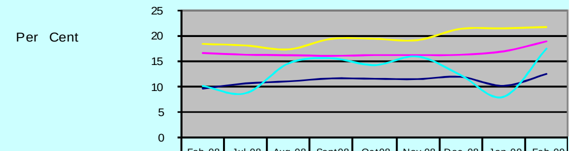
2.3 Interest Rate Developments

Available data indicated a general increase in banks' deposit and lending rates in February 2009. With the exception of the average savings rate which declined by 0.03 percentage point to 2.89 per cent, all other rates on deposits of various maturities rose from a range of 6.21 – 12.91 per cent in the preceding month to 7.48 – 13.89 per cent. Similarly, the average prime and maximum lending rates increased by 2.14 and 0.27 percentage points to 18.95 and 21.54 per cent, respectively. Consequently, the spread between the weighted average deposit and maximum lending rates widened from 10.93 percentage points in the preceding month to 11.19 percentage points. The margin between the average savings deposit and maximum lending rates, also widened from 18.35 percentage points in the preceding month to 18.65 percentage points. The spread between the average term deposit and maximum lending rates, however, narrowed from 9.70 percentage points in the preceding month to 8.97 percentage points.

The weighted average inter-bank call rate, which was 7.91 per cent in the preceding month, rose by 9.37 percentage points to 17.30 per cent at end-February 2009, indicative of the liquidity condition in the inter-bank fund market.

Similarly, the weighted average rate for the Open Buy Back (OBB) rose to 9.03 per cent, from 5.08 per cent in the preceding month, while the Nigeria Inter-bank Offered Rate (NIBOR) 7- and 30-day tenors rose respectively to 16.82 and 18.07 per cent, from 10.30 and 14.91 per cent, in the preceding month. With inflation rate of 14.6 per cent at end–February 2009, all deposit rates were negative in real terms. The lending rates were, however, positive in real terms.

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



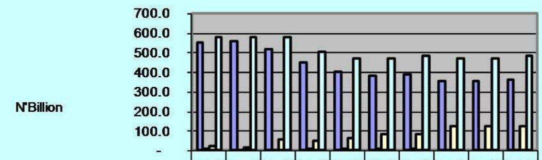
	Feb.08	Jul.08	Aug.08	Sept08	Oct08	Nov.08	Dec.08	Jan.09	Feb.09
Average Term Deposit Rates	9.47	10.56	11.00	11.62	11.56	11.48	11.96	10.06	12.57
Prime	16.46	16.09	15.99	15.84	16.01	16	16.08	16.81	18.95
Maximum	18.23	17.92	17.17	19.22	19.23	18.97	21.18	21.27	21.54
Inter-bank	10.04	8.61	14.45	15.42	14.09	15.77	12.17	7.91	17.3

2.4 Money Market Developments

Provisional data indicated that the value of money market assets outstanding as at end–February 2009 stood at =N=2, 862.0 billion, representing an increase of 1.0 per cent over the level at end-January 2009. The rise was attributed largely to the 3.3 per cent increase in FGN Bonds. Analysis of activities in the market further indicated that the banking system liquidity moderated in February as a result of reduced inflow of funds into the system.

The primary market for the NTBs and the FGN Bonds remained vibrant as public patronage was impressive, reflecting market players' renewed preference for government securities. There was neither auction at the open market nor purchase of government securities through the two-way quote platform as the rates offered were unattractive.

Figure 4:Treasury Bills Holdings (N' Billion)



	Feb. 08	Mar. 08	Apr. 08	Aug. 08	Sept.08	Oct.08	Nov.08	Dec. 08	Jan. 09	Feb. 09
Banks/D.H	551	559	519	446	400	382	390	352.	352.	358.
CBN	5.9	3.1	3.5	8.0	7.1	7.4	8.9	0.4	0.4	0.4
Others	17.	12.	51.	46.	64.	81.	83.	119.	119.	123.
Total	574	574	574	500	471	471	482	471.	471.	481.

At the primary market, Nigerian Treasury Bills of 91-, 182- and 364-day tenors totalling =N=80.1 billion were issued to complement liquidity management. All the auctions were over-subscribed as market players continue to show preference for government securities. Total subscriptions and sales amounted to =N=197.4 billion and =N=80.1 billion, respectively, compared with =N=382.0 billion and =N=115.5 billion in the preceding month.

The issue rates for the 91-, 182– and 364-day tenor for the NTBs ranged from 1.20 to 4.75 per cent in February 2009, compared with 2.08 to 6.00 per cent in the preceding month. Analysis of the issue rates showed that returns on investments were much lower for all the tenors as most sales were conducted at market-driven rates.

The FGN Bonds of 3-, 5- and 20-year were re-opened and offered to the public in February 2009. A total of =N=50.00 billion, made up of =N=20.00 billion 3-years, =N=20.00 billion, 5-year and =N=10.00 billion, 20-year FGN Bonds were offered and allotted at marginal rates of 10.25, 11.64 and 13.21 per cent, respectively. The total subscription for the period under review was =N=88.07 billion. In January 2009, total subscription for the new issue of 3-year and re-opened issues of 5- and 20-year was =N=105.20 billion, and the coupon rates were 9.92, 11.40 and 13.34 per cent, respectively. The preference for longer-tenored securities, whose yields were perceived to be stable and attractive, also buoyed subscription at the various auctions.

2.5 Deposit Money Banks' Activities

Available data indicated that total assets/liabilities of the twenty four (24) DMBs amounted to =N=15,952.7 billion, representing an increase of 0.2 and 26.8 per cent over the levels in the preceding month and the corresponding period of 2008, respectively. The increase in total assets was attributed largely to the 19.1 and 2.6 per cent rise in claims on other financial institutions and foreign assets, respectively. Funds, sourced mainly from claims on the Federal Government, were used largely in the accumulation of unclassified assets.

At =N=9,192.6 billion, credit to the domestic economy contracted by 4.1 per cent from the level in the preceding month. The breakdown showed that credit to government declined by 22.1 per cent, while credit to the private sector fell by 1.1 per cent from the level in the preceding month.

Central Bank's credit to the DMBs rose by 40.9 per cent to =N=181.8 billion in the review month, while total specified liquid assets of the DMBs was =N=3,014.3 billion, representing 34.1 per cent of their total current liabilities.. This level of assets was 0.9 percentage point over the preceding month's level, but 5.9 per cent below the stipulated minimum ratio of 40.0 per cent for fiscal 2009. The loan-to-deposit ratio fell by 0.2 percentage point to 89.6 per cent, and was 9.6 percentage points over the prescribed maximum target of 80.0 per cent.

2.6 Discount Houses

Total assets/liabilities of the discount houses stood at =N=558.2 billion at end-February 2009, indicating an increase of 51.1 per cent over the level in the preceding month. The rise in assets relative to the preceding month was attributed largely to the 60.0 and 33.5 per cent increase in claims on the Federal Government and banks, respectively, while the rise in total liabilities was attributed largely to the 251.4 and 36.7 per cent rise in "other amount owing" and "borrowings", respectively. Discount houses' investments in Federal Government securities of less than 91 days maturity amounted to =N=86.9 billion, representing 17.7 per cent of their total deposit liabilities. At this level, discount houses' investments in Federal Government securities rose by 9.9 per cent over the level in the preceding month, but was 42.3 percentage points below the prescribed minimum of 60.0 per cent for fiscal 2009.

Total borrowings by discount houses was =N=217.0 billion, while their capital and reserves amounted to =N=34.0 billion, resulting in a gearing ratio of 11.6:1, compared with the stipulated maximum target of 50:1 for fiscal 2009.

2.7 Capital Market Developments

Available data indicated that activities on the Nigerian Stock Exchange (NSE) in February were bullish. The volume and value of traded securities rose by 34.3 and 24.3 per cent to 6.4 billion shares and =N=37.3 billion in 150,689 deals, respectively, compared with 4.8 billion shares and =N=29.8 billion in 138,700 deals in January 2009. The banking sub-sector was the most active on the Exchange with a traded volume of 3.2 billion shares valued at =N=23.9 billion in 83,491 deals. There were no transactions on Federal Government and industrial loans/preference stocks.

Transactions on the over-the-counter (OTC) bond segment of the market indicated that a turnover of 1.7 billion units worth =N=1.67 trillion in 10,045 deals was recorded in February 2009, in contrast to a total of 1.53 billion units valued at =N=1.54 trillion exchanged during the preceding month in 10,801 deals. The most active bond measured by turnover volume was the 3rd FGN Bond 2011 Series 13 with traded volume of 167.83 million units valued at =N=193.8 billion in 1,579 deals. In the first two months of the year, total transactions on FGN Bonds through the OTC was 3.2 billion units valued at =N=3.2 trillion in 20,846 deals. Thirty (30) of the available thirty–nine (39) FGN Bonds were traded during the month, compared with thirty–four (34) in the preceding month.

In the new issues market, the =N=50.0 billion Lagos State Fixed Rate Bond, Series 1 was admitted to the Daily Official List during the review month. By this action, the number of listed State Government bonds and securities increased to six (6) and three hundred and one (301), respectively. There were two (2) supplementary listings during the month, compared with three (3) in the preceding month.

The All-Share Index rose by 7.2 per cent to close at 23,377.14 (1984 = 100), compared with 21,813.76 in January 2009. Similarly, the NSE-30 Index rose by 22.6 per cent to close at 690.98, while the NSE Food/ Beverage Index rose by 27.1 per cent to close at 452.37. Similarly, the NSE Banking Index rose by 24.6 per cent to 371.08. The NSE Insurance Index, however, fell by 6.2 per cent to 483.59, while the NSE Oil/Gas Index declined by 33.4 per cent to close at 416.18.

The market capitalization of the 301 listed securities stood at =N=7.9 trillion, representing an increase of 4.9 per cent over the =N=7.5 trillion recorded in January 2009. The development was attributed to the newly listed Lagos State Government (LASG) bond and the price gains recorded by the highly capitalized stocks. The 214 listed equities accounted for =N=5.2 trillion or 66.6 per cent of the total market capitalization, up from =N=4.9 trillion or 65.7 per cent in January.

Figure 5: Volume and value of traded securities

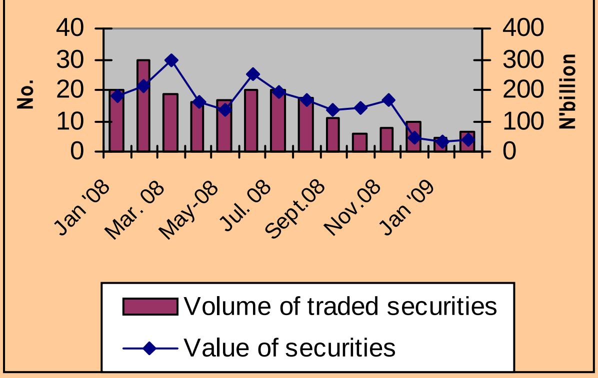
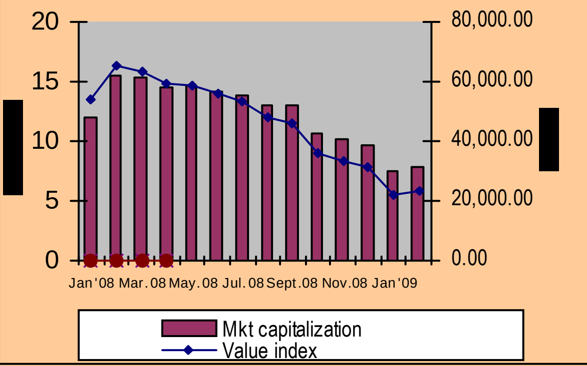


Figure 6: Market capitalization and value index



3.0 DOMESTIC ECONOMIC CONDITIONS

The major agricultural activities during the month of February 2009 were harvesting of tree crops; preparation of irrigated land for cultivation; and clearing of land for the 2009 wet season farming. Crude oil production was estimated at 1.90 million barrels per day (mbd) or 53.20 million barrels during the month. The end-period inflation rate for February 2009, on a year-on-year basis, was 14.6 per cent, compared with 14.0 per cent recorded in the preceding month. The inflation rate on a 12-month moving average basis was 12.6 per cent, compared with 12.0 per cent in the preceding month.

3.1 Agricultural Sector

Major agricultural activities during the month of February 2009 in the Southern States consisted of harvesting of tree crops and clearing of land for the 2009 cropping season, while in the Northern States, most farmers were engaged in preparation of irrigated land for cultivation. In the livestock sub-sector, farmers continued to re-stock broilers and layers to replenish stocks exhausted during the festive season.

A total of =N=1400.3 million was guaranteed to 2,356 farmers under the Agricultural Credit Guarantee Scheme (ACGS) during the month. This amount represented an increase of 195.7 and 340.6 per cent over the levels in the preceding month and the corresponding period of 2008, respectively. A sub-sectoral analysis of the loans guaranteed indicated that the food crops sub-sector had the largest share of =N=220.4 million or 55.1 per cent guaranteed to 1,954 beneficiaries, while the livestock sub-sector received =N=115.3 million or 28.8 per cent guaranteed to 202 beneficiaries. Also, the fisheries sub-sector received =N=57.0 million or 14.2 per cent guaranteed to 146 beneficiaries, while the cash crop sub-sector received =N=5.5 million or 1.4 per cent guaranteed to 7 beneficiaries. The balance of =N=2.0 million or 0.5 per cent went to 47 beneficiaries in the "others" sub-sector. Analysis by state showed that 17 states benefited from the scheme, with the highest and lowest sums of =N=74.5 million (18.6 per cent) and =N=1.3 million (0.3 per cent) guaranteed to Katsina and Akwa Ibom states, respectively.

Retail price survey of most staples by the CBN indicated increase in prices in February 2009. Over their levels in the preceding month, ten of the commodities monitored, recorded price increases ranging from 0.6 per cent for yellow garri to 4.7 per cent for yam flour, while price decrease of 0.3, 0.5, 0.8 and 1.5 per cent, were recorded for white garri, white maize, yellow maize and millet, respectively. Relative to the levels in the corresponding period of 2008, price increases ranged from 3.2 per cent for eggs to 51.6 per cent for white beans, while palm oil recorded a price decline of 21.6 per cent. The development was attributed to the subsisting food situation in the country.

Provisional data indicated that the prices of most Nigeria's major agricultural commodities at the London Commodities Market remained stable in February 2009. At 313.8 (1990=100), the All-Commodities price index, in dollar terms, remained unchanged when compared with the level in the preceding month, but rose by 0.5 per cent over the level in the corresponding period of 2008.

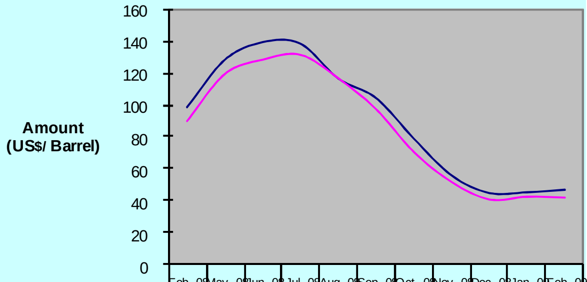
Further analysis indicated that the prices of all the six commodities monitored remained unchanged when compared with their levels in the preceding month. Relative to the levels in the corresponding period of 2008, all the commodities recorded price increase ranging from 0.09 per cent for cocoa to 2.8 per cent for soya bean.

Similarly, at 3,919.7 (1990=100), the All-Commodities price index in naira term showed same trend with the dollar. Relative to their levels in the corresponding month of 2008, all the commodities recorded price increases ranging from 0.05 per cent for cocoa to 2.0 per cent for soya bean.

3.2 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 53.20 million barrels for the month, down from 58.90 million barrels in the preceding month. Daily production estimated at 1.90 million barrels per day (mbd), however, remained unchanged as in January. Crude oil export was estimated at 1.45 mbd or 40.60 million barrels in the month, compared with 1.45 mbd or 44.90 million barrels in the preceding month. Deliveries to the refineries for domestic consumption remained at 0.445 mbd or 12.46 million barrels for the month.

Figure 7: Trends in Crude Oil Price

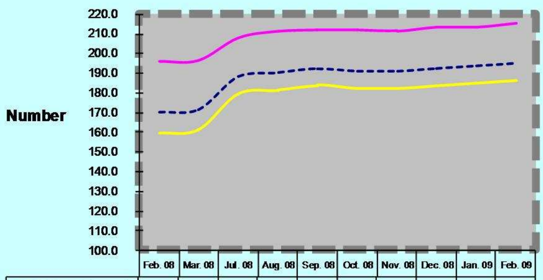


	Feb. 08	May. 08	Jun. 08	Jul. 08	Aug. 08	Sep. 08	Oct. 08	Nov. 08	Dec. 08	Jan. 09	Feb. 09
Bonny Light	98.2	128.	139.	138.	116.	104	78.6	55.5	44.4	44.9	46.5
Opec Basket	89.4	119.	128.	131.	116.	96.9	70	51.1	40.1	41.8	41.3

Period

At an estimated average of US$46.52 per barrel, the price of Nigeria's reference crude, the Bonny Light (37º API), increased by 1.6 per cent over the level in the preceding month. The average prices of other competing crudes namely, the Forcados and UK Brent rose by 3.7 and 1.6 per cent to US$47.42 and US$43.83 per barrel, respectively. The West Texas Intermediate, however, recorded a price decline of 6.3 per cent to US$38.2 per barrel in February 2009. The average price of OPEC's basket of eleven selected crude streams declined marginally by 0.4 per cent to US$41.34 per barrel. The rise in price was attributed to the decline in world supply, following the cut in OPEC's production.

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



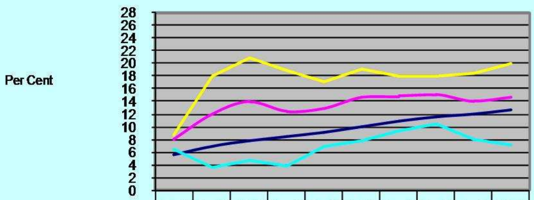
	Feb. 08	Mar. 08	Jul. 08	Aug. 08	Sep. 08	Oct. 08	Nov. 08	Dec. 08	Jan. 09	Feb. 09
Composite	170.3	171.6	188.1	190.3	192.4	191.2	191.1	192.6	193.6	195.1
Urban	195.9	196.3	207.8	211.2	212.1	211.7	211.3	213.2	213.3	215.0
Rural	159.2	160.9	179.6	181.3	183.8	182.4	182.4	183.7	185.1	186.5

3.3 Consumer Prices

Available data showed that the all-items composite Consumer Price Index (CPI) for the month of February, 2009 was 195.1 (May 2003=100), representing an increase of 0.8 per cent over the level in the preceding month. The development was attributed to the increase in the price of some staple food items, health and miscellaneous services.

The urban all-items CPI for the end of February, 2009 was 215.0 (May 2003=100), indicating an increase of 0.8 per cent over the level in the preceding month. The rural all-items CPI for the month at 186.5 (May 2003=100), represented a decline of 0.7 per cent from the level in the preceding month. The end-period inflation rate for February 2009, on a year-on-year basis, was 14.6 per cent, compared with 14.0 per cent recorded in the preceding month. The inflation rate on a twelve-month moving average basis for February 2009, was 12.6 per cent, compared with 12.0 per cent in the preceding month.

Figure 9: Inlation Rate in Nigeria (Per Cent)



	Feb. 08	Jun-08	Jul-08	Aug. 08	Sep-08	Oct. 08	Nov. 08	Dec. 08	Jan. 09	Feb. 09
Inlation 12-MMA	5.5	7.0	7.8	8.5	9.2	10.1	10.9	11.6	12.0	12.6
Inlation Yr-on-Yr	8.0	12.0	14.0	12.4	13.0	14.7	14.8	15.1	14.0	14.6
Food Inlation	8.7	18.1	20.9	18.8	17.1	19.2	18.1	18.0	18.4	20
Core Inlation	6.4	3.6	4.8	3.9	6.9	7.9	9.3	10.4	8.0	7.2

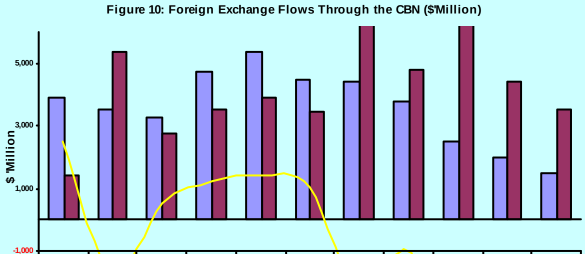
4.0 EXTERNAL SECTOR DEVELOPMENTS

Provisional data indicated that foreign exchange inflow and outflow through the CBN in February 2009 fell by 25.7 per cent and 19.8 per cent, respectively. Similarly, total non-oil export earnings receipts by banks fell by 6.1 per cent from the level in the preceding month. The weighted average exchange rate of the Naira vis-à-vis the US dollar, depreciated by 0.9 per cent to =N=147.08 per dollar at the Retail Dutch Auction System (RDAS).

4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in February 2009 were US$1.50 billion and US$3.53 billion, respectively, representing a net outflow of US$ 2.03 billion. Relative to the levels of US$2.02 billion and US$4.40 billion in the preceding month, inflow and outflow fell by 25.7 and 19.8 per cent, respectively. The decline in inflow was attributed largely to the fall in autonomous receipts during the period, while the fall in outflow was largely due to the decline in foreign exchange utilization .

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



	Feb.08	May-08	Jun. 08	Jul. 08	Aug. 08	Sept.08	Oct.08	Nov.08	Dec. 08	Jan. 09	Feb. 09
Inflow	3,908.35	3548.89	3295.44	4733.55	5346.95	4,474.45	4,395.76	3,761.34	2,506.37	2,015.49	1,503.19
Outflow	1,391.4	5354.14	2752.97	3523.06	3908.49	3,438.72	7,009.55	4,774.68	7,150.20	4,397.69	3,531.09
Netflow	2,516.9	-1805.25	542.47	1210.49	1438.46	1,035.73	-2,613.79	-1,013.34	-4,643.83	-2,382.20	-2,027.90

Months

Provisional data on aggregate foreign exchange flows through the economy indicated that total inflow was US$5.86 billion, representing a decline of 17.8 and 40.2 per cent from the levels in the preceding month and corresponding period of 2008, respectively. Oil sector receipts, which accounted for 21.8 per cent of the total, stood at US$1.28 billion, down from US$1.85 billion in the preceding month. Non-oil public sector inflows rose by 28.5 per cent and accounted for 3.9 per cent of the total, while autonomous inflows declined by 15.0 per cent and accounted for 74.3 per cent of the total.

4.2 Non-Oil Export Proceeds Receipts by Banks

Total non-oil export earnings received by banks declined by 6.1 per cent from the level in the preceding month to US$69.1 million. The development was attributed largely to the decline in the prices of goods traded at the international market. A breakdown of the proceeds in February 2009 showed that proceeds of industrial, food products, manufactured products, agricultural, and minerals stood at US$20.05 million, US$0.65 million, US$11.54 million, US$9.22 million and US$27.60 million, respectively.

The shares of industrial, food products, manufactured products, agricultural, and minerals sub-sectors in non-oil export proceeds were 29.0, 1.0, 16.7, 13.3 and 40.0 per cent, respectively, in the review month.

4.3 Sectoral Utilisation of Foreign Exchange

The invisibles accounted for 28.7 per cent of total foreign exchange disbursed in February 2009, followed by invisibles 21.0 per cent. Other beneficiary sectors, in a descending order of importance, included: manufactures (16.9 per cent), oil & minerals (15.0 per cent), food (10.8 per cent), transport (6.8 per cent) and agricultural sector (0.8 per cent) (Fig.10).

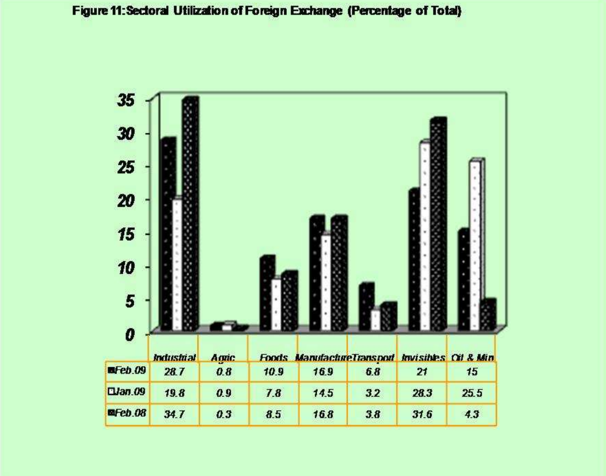


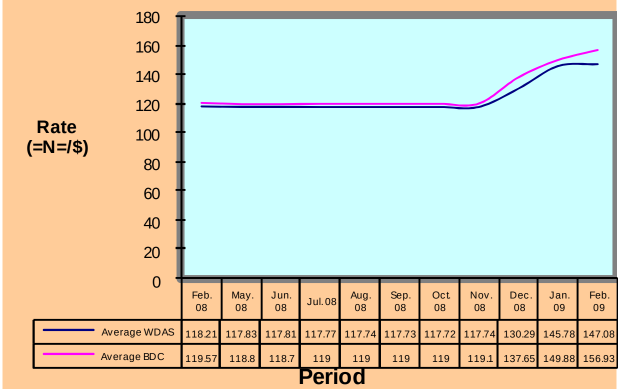
Figure 11: Sectoral Utilization of Foreign Exchange (Percentage of Total)

4.4 Foreign Exchange Market Developments

Aggregate demand for foreign exchange by authorized dealers under the Retail Dutch Auction System (RDAS) was US$4.1 billion in February 2009, indicating an increase of 96.7 and 410.9 per cent over the levels in the preceding month and corresponding period of 2008, respectively. The development was attributed to the suspension of foreign exchange trading at the inter-bank segment of the foreign exchange market.

Consequently, at US$3.19 billion, the amount of foreign exchange sold by the CBN to authorized dealers rose by 160.5 per cent from the level in the preceding month. Under the RDAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar depreciated by 0.9 per cent to =N=147.08 per dollar.

Figure 12: Average Exchange Rate Movements



In the bureau de change segment of the market, the average rate also, depreciated by 4.5 per cent to =N=156.93 per dollar. Consequently, the premium between the official and bureau de change rates widened from 2.8 per cent in the preceding month to 6.7 per cent.

5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output in the month of February 2009 was estimated at 85.20 million barrels per day (mbd), while demand was estimated at 85.70 mbd, representing an excess demand of 0.50 mbd, compared with 86.20 mbd and 84.70 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 meeting of the Heads of the Multilateral Development Banks (MDBs) and the International Monetary Fund (IMF) held in Tunis, Tunisia, on February 12, 2009 at the invitation of the African Development Bank. The purpose of the meeting was to discuss recent developments in the global financial and economic crisis and the response of each institution as well as the way forward. The major highlights of the meeting were as follows:

- The meeting observed that the financial crisis had spiraled into a global economic crisis with world growth projected to fall to 0.5 per cent in 2009, the lowest rate since World War II.

- They noted that in emerging and developing economies, the consequences would go well beyond economic contraction or reductions in growth as developing countries do not have resources to bailout their financial institutions, provide a package of stimulus measures, or social protection. Access to credit has been sharply reduced as banks deleverage to meet demands in home markets first. Emerging and developing countries face the prospect of a reversal of hard-won economic progress and stabilization; and indeed for some, a risk of a full blown development and humanitarian crisis.

- The meeting re-affirmed its commitment to play a counter-cyclical role in support of the client countries to mitigate the impact of the crisis. They noted that their institutions were already making unprecedented efforts towards that direction. These included: providing immediate balance of payments and budget support; establishing new emergency liquidity and trade finance facilities; mobilizing funds to maintain investments in critical public and private infrastructure; implementing measures to bolster the solvency and liquidity of banking systems; and addressing acute financing needs in the private sector, among others.

- The meeting welcomed the determination of the G20 to develop a concrete plan of action to address comprehensively the issues raised by the crisis, particularly, the importance of avoiding a protectionist response that would inflict damage on developed and developing countries alike and emphasised that a multilateral solution that takes into account the interests of all countries, including the poorest, is vital.

- They urged shareholders to support institutions that would need to raise additional resources, noting that other institutions may have to review constraints on the utilisation of their existing capital. They welcomed the commitments made by donors and urged them to deliver on their commitments to increase development assistance, and put into practice the actions agreed to improve development effectiveness. They also supported the proposal for a vulnerability fund to which developed countries could devote a modest amount of 0.7 per cent of their stimulus packages.

In another development, the Board of Directors of the African Development Bank Group (AfDB), on February 18, 2009 approved a US$100 million Line of Credit (LoC) to support Nigeria's Intercontinental Bank Plc in financing small and medium-sized enterprises (SMEs). The LoC will be used for medium- to long-term financing for SMEs in manufacturing, services, and natural-resource projects across Nigeria. The projects are intended to ultimately enhance the productive capacity and growth in the country.

Also, the 12th Assembly of the African Heads of State and Government met on February 3, 2009 in Addis Ababa, Ethiopia. The purpose of the meeting was to discuss the global financial crisis so as to speak with one voice in the world economic arena.

The Assembly observed that the current financial crisis would continue to slow-down global demand for basic commodities and reduce the volume of capital flows into Africa, and affect the competitiveness of African economies. This would in turn affect their economic growth, worsen balance of payments situation, aggravate budget deficits and turn round efforts to achieve the Millennium Development Goals (MDGs).

The leaders later called for an in-depth reform of the global financial system, based on an all-inclusive approach, which fully integrates, in all legitimacy, the voice of Africa.

Based on the final Communiqué issued by the Extraordinary Conference of Ministers of Economy and Finance and Governors of Central Banks held on November 12, 2008 in Tunis, Tunisia, as well as the report of the meeting of the Committee of Ten, held on January 16, 2008 in Cape Town, South Africa, the African leaders, stressed the need for Member States to promote the development and integration of African economies, notably through the establishment of the three financial institutions, namely the African Monetary Fund, the African Central Bank and the African Investment Bank.

The Heads of State recognised the need to strengthen all efforts aimed at mobilizing additional resources and underscored the necessity to pursue sound regulation of the African financial system and step up financial supervision; and also reaffirmed their commitment to the integration of African stock exchanges to boost efficiency in the mobilization of domestic resources. They called on the African Union Commission to fast-track and quickly finalise the preparatory works for the establishment of the African Investment Bank, the African Monetary Fund and the African Central Bank.

Lastly, the World Bank and the United States Congressional Caucus for Dialogue on the World Bank urged rich countries to resist the temptation to slash foreign aid in the face of current global financial and economic crisis, the worst since the Great Depression. The dialogue spearheaded by the Caucus was intended to help deepen understanding and build a global collaboration between the efforts of the U.S. Congress with other partners such as the World Bank in tackling diseases, food insecurity and other crises.

Vice President (Africa) of the World Bank, Mrs. Obiageli Ezekwesili, informed the leadership of the US government that the US remained vital if pledges to double aid to Africa by 2010 made at the G-8 Gleneagles summit in 2008 were to be honoured. The Bank also argued that efforts by developed nations to stimulate their failing economies should not focus exclusively or too narrowly on national challenges, if a truly sustainable and global recovery from the crisis is to be achieved. The Bank had recently set up the International Development Association (IDA) fast-track facility, providing an initial US$2 billion in financing needed by the hardest-hit developing countries to maintain economic stability, sustain growth, address volatility, and protect the poor.

MONETARY AND CREDIT DEVELOPMENTS

		FEBRUARY 3/ 2009	JANUARY 3/ 2009	DECEMBER 3/ 2008	CHANGE BETWEEN (1&2)		CHANGE BETWEEN (2&3)		CHANGE BETWEEN (1&3)	
		(1)	(2)	(3)	ABSOLUTE	PER CENT	ABSOLUTE	PER CENT	ABSOLUTE	PER CENT
1	Domestic Credit	4,825,833.20	5,196,818.50	5,385,609.00	-370,985.30	-7.14	-188,790.50	-3.51	-559,775.80	-10.39
(a)	Claims on Federal Government (Net)	-3,635,098.80	-3,311,161.70	-2,673,333.00	-323,937.10	-9.78	-637,828.70	-23.86	-961,765.80	-35.98
	By Central Bank (Net)	(4,700,568.20)	(4,679,445.90)	-4,097,758.00	-21,122.30	-0.45	-581,687.90	-14.20	-602,810.20	-14.71
	By Banks (Net)	1,065,469.40	1,368,284.20	1,424,425.00	-302,814.80	-22.13	-56,140.80	-3.94	-358,955.60	-25.20
(b)	Claims on Private Sector	8,460,932.00	8,507,980.20	8,058,942.00	-47,048.20	-0.55	449,038.20	5.57	401,990.00	4.99
	By Central Bank	333,878.10	294,618.20	259,541.90	39,259.90	13.33	35,076.30	13.51	74,336.20	28.64
	By Banks	8,127,053.90	8,213,362.00	7,799,400.10	-86,308.10	-1.05	413,961.90	5.31	327,653.80	4.20
(i)	Claims on State and Local Governme	260,251.60	264,287.90	149,765.10	-4,036.30	-1.53	114,522.80	76.47	110,486.50	73.77
	By Central Bank	-	-	-	0.0	0.00				
	By Banks	260,251.60	264,287.90	149,765.10	-4,036.30	-1.53	114,522.80	76.47	110,486.50	73.77
(ii)	Claims on Non-Financial Public Enter	-	-	-	0.00	0.00	0.00	0.00	0.00	0.00
	By Central Bank	-	-	-	0.00	0.00	0.00	0.00	0.00	0.00
	By Banks	-	-	-	0.0	0.00	0.00	0.00	0.00	0.00
(iii)	Claims on Other Private Sector	8,200,680.40	8,243,692.20	7,909,176.90	-43,011.80	-0.52	334,515.30	4.23	291,503.50	3.69
	By Central Bank	333,878.10	294,618.20	259,541.90	39,259.90	13.33	35,076.30	13.51	74,336.20	28.64
	By Banks	7,866,802.30	7,949,074.00	7,649,635.00	-82,271.70	-1.03	299,439.00	3.91	217,167.30	2.84
2	Foreign Assets (Net)	8,152,679.20	7,991,084.20	7,590,121.00	161,595.00	2.02	400,963.20	5.28	562,558.20	7.41
	By Central Bank	6,860,254.60	6,719,548.50	6,310,498.10	140,706.10	2.09	409,050.40	6.48	549,756.50	8.71
	By Banks	1,292,424.60	1,271,535.70	1,279,622.90	20,888.90	1.64	-8,087.20	-0.63	12,801.70	1.00
3	Other Assets (Net)	(3,890,668.30)	(3,869,285.80)	-3,783,342.70	-21,382.50	-0.55	-85,943.10	-2.27	-107,325.60	-2.84
	Total Monetary Assets (M_2)	9,087,844.10	9,318,616.90	9,192,387.40	-230,772.80	-2.48	126,229.50	1.37	-104,543.30	-1.14
	Quasi - Money 1/	4,428,959.20	4,569,149.50	4,309,523.10	-140,190.30	-3.07	259,626.40	6.02	119,436.10	2.77
	Money Supply (M_1)	4,658,884.90	4,749,467.40	4,882,864.40	-90,582.50	-1.91	-133,397.00	-2.73	-223,979.50	-4.59
	Currency Outside Banks	813,926.50	838,174.80	892,657.10	-24,248.30	-2.89	-54,482.30	-6.10	-78,730.60	-8.82
	Demand Deposits 2/	3,844,958.40	3,911,292.60	3,990,207.30	-66,334.2	-1.70	-78,914.70	-1.98	-145,248.90	-3.64
	Total Monetary Liabilities	9,087,844.10	9,318,616.90	9,192,387.40	-230,772.8	-2.48	126,229.50	1.37	-104,543.30	-1.14

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.