CENTRAL BANK OF NIGERIA

ECONOMIC REPORT FOR THE MONTH OF JANUARY 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 growth in monetary aggregate in January 2009. Broad money supply (M_2) increased by 1.4 per cent over the level in December 2008, while narrow money supply (M_1) declined by 2.7 per cent. The increase in M_2 was attributed wholly to the rise in foreign assets (net) of the banking system.

Available data indicated a general decline in banks' deposit rates. The spread between the weighted average deposit and maximum lending rates widened from 10.42 percentage points in December 2008 to 10.93. The margin between the average savings deposit and maximum lending rates, also, widened from 17.61 percentage points in December 2008 to 18.35. The weighted average inter-bank call rate, which stood at 12.17 per cent in the preceding month, fell to 7.91 per cent at end-January 2009, reflecting the liquidity ease in the banking system.

The value of money market assets outstanding increased by 1.8 per cent to =N=2,889.8 billion over the level in December 2008. The rise was attributed to the 3.4 per cent increase in outstanding FGN bonds. Activities on the Nigerian Stock Exchange were bearish as all the market indicators trended downward.

The major agricultural activities in the review month included: harvesting of tree crops, clearing of land for the 2009 cropping season, and preparation of irrigated lands for the cultivation of vegetables. In the livestock sub-sector, poultry farmers were engaged in the re-stocking of broilers and layers to replenish the stock sold off during the last festive season. The prices of most Nigerian major agricultural commodities at the London Commodities Market remained relatively 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 58.90 million barrels for the month, compared with 2.20 mbd or 68.20 million barrels in December 2008. Crude oil export was estimated at 1.45 mbd or 44.95 million barrels for the month, while deliveries to the refineries for domestic consumption remained at 0.445 mbd or 13.80 million barrels. The average price of Nigeria's reference crude, the Bonny Light (37^0 API), estimated at US$44.95 per barrel, rose by 1.1 per cent over the level in the preceding month.

The inflation rate for January 2009, on a year-on-year basis was 14.0 per cent, compared with 15.1 per cent in the preceding month. The inflation rate on a twelve-month moving average basis was, however, 12.0 per cent, compared with 11.6 per cent in the preceding month, reflecting largely the increase in the price of some staple food items, health and miscellaneous services.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US$1.98 billion and US$4.40 billion, respectively, resulting in a net outflow of US$2.42 billion in January 2009. Relative to the respective levels in the preceding month, inflow and outflow fell by 21.0 and 38.00 per cent, respectively. The fall in inflow was attributed to the decline in crude oil receipts, while the fall in outflow was due largely to the reduction in funding of the interbank segment of the foreign exchange market as well as decline in other official payments.

Foreign exchange sales by the Central Bank of Nigeria (CBN) to end-users through the authorized dealers stood at US$1.23 billion, indicating an increase of 28.0 per cent over the level in the preceding month, while demand declined by 36.0 per cent to US$2.08 billion. The gross external reserves declined by 6.0 per cent to US$50.05 billion in January 2009, compared with US$53.00 billion at end-December 2008. The weighted average exchange rate of the Naira vis-à-vis the US dollar, depreciated by 10.6 per cent to =N=145.78 per dollar at the WDAS/RDAS. In the bureaux de change segment of the market, the rate also, depreciated by 8.2 per cent to =N=149.88 per dollar.

Other major international economic developments of relevance to the domestic economy during the review month included: the 2009 Annual Meeting of the World Economic Forum was held in Davos-Klosters, Switzerland from January 28 – February 1, 2009. The purpose of the meeting was to give support to governments and governance institutions – particularly the G20, develop recommendations on how the structures and strategies of international cooperation should be strengthened to confront the contemporary global challenges; improve on the ethical value base for business as a constructive social actor. Also, an update of the World Economic Outlook (WEO) released by the International Monetary Fund (IMF) on January 29, 2009 showed that global growth in 2009 is expected to fall to 0.5 per cent when measured in terms of purchasing power parity and to turn negative when measured in terms of market exchange rates. This represents a downward revision of about 1.8 percentage points from the November 2008 WEO Update. Lastly, the Federal Government of Nigeria and the United Arab Emirates (UAE) held bilateral meeting in Abuja on January 15, 2009. The major highlight of the meeting was the signing of a $16.0 billion investment agreement, where the United Arab Emirates was to improve basic infrastructural facilities in the country.

2.0 FINANCIAL SECTOR DEVELOPMENTS

Monetary aggregate grew in January 2009, while banks' deposit rates declined. The value of money market assets increased, following largely the rise in outstanding FGN Bonds. Transactions on the Nigerian Stock Exchange (NSE) were bearish as all the major market indicators trended downward during the review period.

2.1 Monetary and Credit Developments

Provisional data indicated that monetary aggregate increased in January 2009. Broad money supply (M_2) rose by 1.4 per cent to =N=9,318.6 billion, compared with the increase of 9.6 per cent in December 2008. Narrow money supply (M_1) declined by 2.7 per cent to =N=4,749.5 billion, in contrast to the increase of 14.4 per cent in December 2008. The rise in M_2 was attributed wholly to the increase in foreign assets (net) of the banking system (fig.1 and table 1).

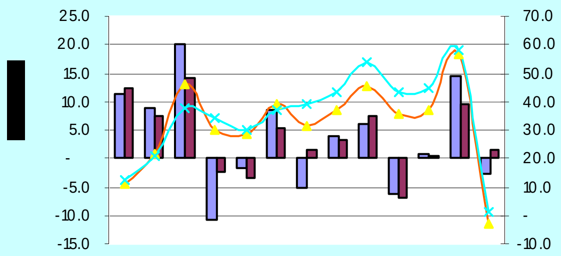
Aggregate banking system's credit (net) to the domestic economy declined by 3.5 per cent to =N=5,196.8 billion in January 2009, in contrast to the increase of 24.2 per cent in December 2008. The development was attributed wholly to the 23.9 per cent fall in claims on the Federal Government.

At =N=3,311.2 billion, banking system's credit (net) to the Federal Government fell by 23.9 per cent, in contrast to the increase of 26.5 per cent in December 2008. The fall was attributed largely to the 14.2 per cent decline in claims by the CBN, during the month.

Banking system's credit to the private sector rose by 5.6 per cent to =N=8,508.0 billion, compared with the increase of 1.1 per cent in December 2008. The rise in the review month reflected largely the 5.3 per cent increase in DMBs' claims on the sector (fig 2).

At =N=7,991.1 billion, foreign assets (net) of the banking system rose by 5.3 per cent, in contrast to the decline of 0.6 per cent in December 2008. The development was attributed entirely to the 6.5 per cent increase in CBN's holding.

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

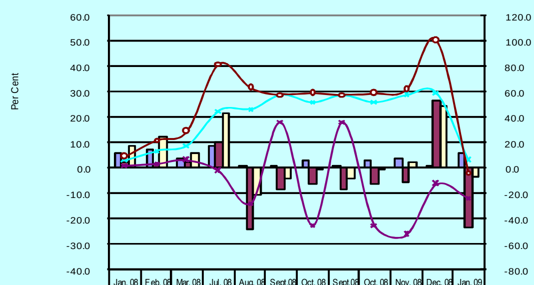


	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09
MM1	11.4	9.0	20.2	-10.8	-1.5	8.4	-5.3	4.0	6.0	-6.3	0.8	14.4	-2.7
MM2	12.4	7.5	14.0	-2.4	-3.3	5.3	1.5	3.2	7.5	-6.9	0.6	9.6	1.4
CM1	11.4	21.4	45.9	30.1	28.3	38.9	31.5	36.8	45.1	35.9	37.0	56.7	-2.7
CM2	12.4	20.8	37.7	34.3	29.9	36.8	38.9	43.4	54.2	43.5	44.4	58.2	1.4

Similarly, quasi money rose by 6.0 per cent to =N=4,569.1 billion, compared with the increase of 4.7 per cent in December 2008. The development was credited to the rise in all the components namely, time, savings and foreign currency deposits of the DMBs during the period.

Other assets (net) of the banking system, however, fell by 2.3 per cent, compared with the decline of 5.6 per cent in December 2008. The fall reflected largely the decline in unclassified assets of both the CBN and the DMBs during the review month.

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



	Jan. 08	Feb. 08	Mar. 08	Jul. 08	Aug. 08	Sept.08	Oct. 08	Sept.08	Oct. 08	Nov. 08	Dec. 08	Jan. 09
MCP	5.6	7.5	3.9	8.7	0.9	0.7	2.9	0.7	2.9	3.6	1.1	5.6
MCG	2.2	1.5	1.9	10.4	-24.3	-8.2	-6.5	-8.2	-6.5	-5.7	26.5	-23.9
MAC	8.6	12.5	5.5	21.5	-10.7	-4.4	0.2	-4.4	0.2	1.9	24.2	-3.5
CCP	5.6	13.5	17.9	45.2	46.5	57.9	52.2	57.9	52.2	57.7	59.5	5.6
CCG	2.2	3.7	5.6	-2.8	-27.8	36.4	-45.2	36.4	-45.2	-53.5	-12.9	-23.9
CAC	8.6	22.1	28.8	82.5	63.0	57.9	58.3	57.9	58.3	61.3	100.6	-3.5

2.2 Currency-in-circulation and Deposits at the CBN

At =N=1,063.6 billion, currency in circulation declined by 7.9 per cent in January 2009 from the level in December, 2008. The fall was traceable to the 6.0 and 14.0 per cent decline in currency outside banks and vault cash, respectively, during the month.

Total deposits at the CBN amounted to =N=5,796.6 billion, indicating an increase of 5.9 per cent over the level in December 2008. The development was attributed largely to the 6.4 and 7.8 per cent increase in both Federal Government and bank deposits, respectively. The shares of the Federal Government, banks and “others” in total deposits at the CBN were 87.1, 7.3 and 5.6 per cent, respectively, compared with the shares of 86.7, 7.1 and 6.2 per cent, in December 2008.

2.3 Interest Rate Developments

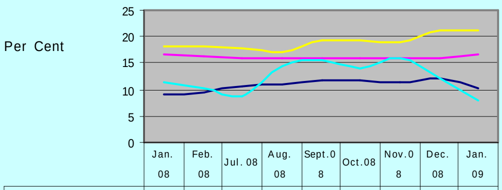
Available data indicated a general decline in banks’ deposit rates, while lending rates rose in January 2009. With the exception of the 3- and 6-months savings deposit rates, which remained at the preceding month’s level of 12.91 and 12.86 per cent, the average savings rate declined by 0.65 percentage points to 2.92 per cent. Other rates on deposits of various maturities declined from a range of 8.21–12.91 per cent in December 2008 to 6.21–12.91 per cent. The average prime and maximum lending rates, however, rose by 0.73 and 0.09 percentage points to 16.81 and 21.27 per cent, respectively. Consequently, the spread between the weighted average deposit and maximum lending rates widened from 10.42 percentage points in the preceding month to 10.93 percentage points. The margin between the average savings deposit and maximum lending rates, also, widened from 17.61 percentage points in the preceding month to 18.35 percentage points.

The weighted average inter-bank call rate, which was 12.17 per cent in the preceding month, fell to 7.91 per cent at end-January 2009, reflecting the liquidity ease in the banking system.

2.4 Money Market Developments

Provisional data indicated that the value of money market assets outstanding at end-January 2009 was =N=2,889.8 billion, representing an increase of 1.8 per cent over the level at end-December 2008. The development was attributed largely to the 3.4 per cent increase in FGN Bonds.

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

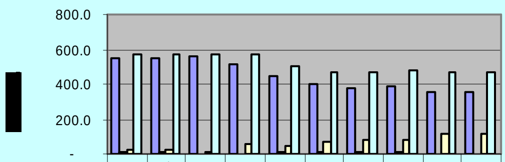


	Jan. 08	Feb. 08	Jul. 08	Aug. 08	Sept.08	Oct.08	Nov.08	Dec. 08	Jan. 09
Average Term Deposit Rates	9.18	9.47	10.56	11.00	11.62	11.56	11.48	11.96	10.06
Prime	16.48	16.46	16.09	15.99	15.84	16.01	16	16.08	16.81
Maximum	18.24	18.23	17.92	17.17	19.22	19.23	18.97	21.18	21.27
Inter-bank	11.22	10.04	8.61	14.45	15.42	14.09	15.77	12.17	7.91

Analysis of activities in the money market showed that the liquidity unease experienced in the banking system, for some months improved considerably as a result of the continued repayments of matured NTBs IN January 2009, coupled with the Bank’s easing of its liquidity mop–up operations. The exercise was aimed at boosting the availability of credit in the economy.

Auction of Nigerian Treasury Bills at the open market was impressive, while activities at the two–way quote trading platform were lacklustre as rates offered were unattractive. Activities at the primary market for NTBs and FGN Bonds remained vibrant as public subscription at all the auctions were overwhelming as investors diverted from the capital market to government securities which were perceived to be safe.

Figure 4: Treasury Bills Holdings (N' Billion)



	Jan. 08	Feb. 08	Mar. 08	Apr. 08	Aug. 08	Sept.08	Oct.08	Nov.08	Dec. 08	Jan. 09
Banks/ D.H	551.4	551.4	559.6	519.7	446.7	400.8	382.7	390.1	352.4	352.4
CBN	5.9	5.9	3.1	3.5	8.0	7.1	7.4	8.9	0.4	0.4
Others	17.6	17.6	12.2	51.7	46.0	64.0	81.8	83.5	119.1	119.1
Total	574.9	574.9	574.9	574.9	500.6	471.9	471.9	482.5	471.9	471.9

In accordance with the Bank’s decision to suspend liquidity mop-up, open market operations were aimed at injecting funds into the banking system, but there was no purchase of government securities through the two-way quote platform as the offer rates were unattractive.

At the primary market, Nigerian Treasury Bills of 91-, 182 - and 364 - day tenors were issued to complement liquidity management. All the auctions were over-subscribed as investors showed preference for government securities. The total amount of NTB's offered and allotted was =N=115.47 billion, while total subscription was =N=382.04 billion. In the preceding month, total amount issued and allotted was =N=70.00 billion, while public subscription was =N=251.77 billion.

The range of issue rates for the 91- and 182- day NTBs were from 2.34 to 6.00 per cent, compared with 4.5 to 7.64 per cent in December 2008. For the 364-day tenor, the issue rate was 5.5 per cent, down from 7.6 per cent in the preceding month. Analysis of the issue rates showed that returns on investments were much lower for all the tenors.

New issue of 3-year FGN Bonds were offered to the public, while 5-and 20-year FGN Bonds were re-opened in January 2009. A total of =N=50.00 billion, made up of =N=20.00 billion, 3-year, =N=20.00 billion, 5-year and =N=10.00 billion, 20-year FGN bonds were floated and allotted at marginal rates of 9.92, 11.4 and 13.24 per cent, respectively, while total subscription for the issues was =N=105.20 billion. The impressive subscription, especially for the 20-year tenor, reflected market players' preference for longer-tenored securities perceived to be more stable and attractive.

2.5 Deposit Money Banks' Activities

Available data indicated that total assets/liabilities of the twenty three (23) DMBs amounted to =N=15,922.5 billion, representing an increase of =N=2.9 billion or 0.02 per cent over the level at end-December 2008. Funds, sourced mainly from the accumulation of time, savings and foreign currency deposits as well as unclassified assets, were used largely in the extension of credit to the private sector.

At =N=9,581.6 billion, credit to the domestic economy rose by 4.0 per cent over the level in December 2008.

The breakdown showed that credit to government fell by 3.9 per cent from the level in the preceding month, while credit to the core private sector rose by 5.3 per cent over the level in December 2008.

Central Bank's credit to the DMBs fell by 2.4 per cent to =N=129.0 billion in in January 2009, reflecting the decline in loans and advances from the CBN.

Total specified liquid assets of the DMBs was =N=2,951.5 billion, representing 33.2 per cent of their total current liabilities. This level of assets was 4.5 percentage points below the preceding month's level, and 6.8 per cent below the stipulated minimum ratio of 40.0 per cent for fiscal 2009. The loan-to-deposit ratio rose by 2.9 per cent to 89.8 per cent, which was 9.8 percentage points over the stipulated maximum target of 80.0 per cent.

2.6 Discount Houses Activities

Total assets/liabilities of the discount houses stood at =N=369.5 billion at end-January 2009, indicating a decline of 11.4 per cent from the level in December 2008. The fall in assets was attributed largely to the 48.3 per cent decline in "claims on Federal Government", while the fall in total liabilities was attributed largely to the 51.2 per cent decline in "money at call". Discount houses' investments in Federal Government securities of less than 91 days maturity amounted to =N=23.6 billion, representing 7.8 per cent of their total deposit liabilities. At this level, discount houses' investments in Federal Government securities declined by 5.0 per cent from the level in the preceding month, but declined by 52.2 percentage points below the stipulated minimum of 60.0 per cent for fiscal 2009.

Total borrowings by the discount houses was =N=50.6 billion, while their capital and reserves amounted to =N=34.0 billion, resulting in a gearing ratio of 6.1:1, 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 January were bearish as all the major market indicators trended downward. The volume and value of traded securities fell by 50.5 and 32.7 per cent to 4.8 billion shares and =N=29.8 billion, respectively, compared with 9.7 billion shares and =N=44.3 billion in December 2008. The banking sub-sector was the most active on the Exchange with traded volume of 2.4 billion shares valued at =N=19.14 billion exchanged in 79,291 deals. There were no transactions on the Federal Government and industrial loans/ preference stocks.

Analysis of transactions on the over-the-counter (OTC) bond segment of the market indicated a turnover of 1.5 billion units worth =N=1.5 billion in the review month, compared with 964.2 million units valued at =N=968.1 billion in December 2008. The most active bond was the 4th FGN Bond 2010 series 4 with a traded volume of 115.2 million units valued at =N=114.8 billion.

In the new issues market, a total of 4.4 billion ordinary shares in favour of HIS (Nigeria) Plc was admitted into the daily official list by way of introduction. Also, three (3) supplementary issues, involving Longman Nig Plc 80.8 million shares (placement) and 514.3 million shares (bonus); and Standard Alliance Insurance Plc 475.0 million shares (public offering) were listed during the review month, compared with one (1) in the preceding month.

The All-Share Index and total market capitalization fell by 30.6 and 21.6 per cent to close at 21,813.76 (1984 = 100) and =N=7.5 trillion, respectively, in the review month. Listed equities accounted for =N=4.9 trillion or 65.7 per cent of the total market capitalization, representing a decline of 30.0 per cent from the level in December 2008. The development was attributed largely to the price losses recorded by the highly capitalized companies in the insurance and banking sub-sectors.

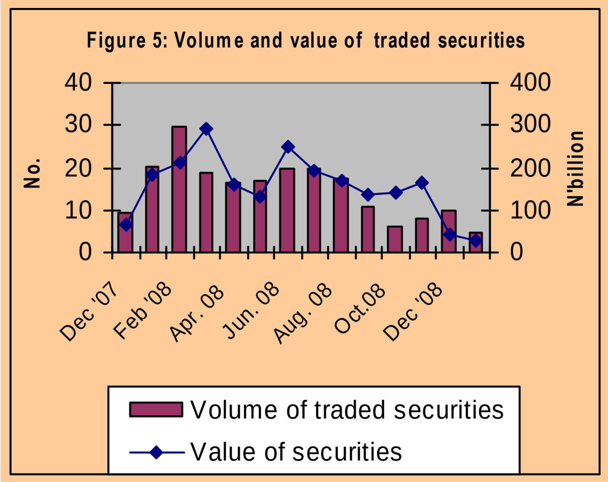


Figure 5: Volume and value of traded securities

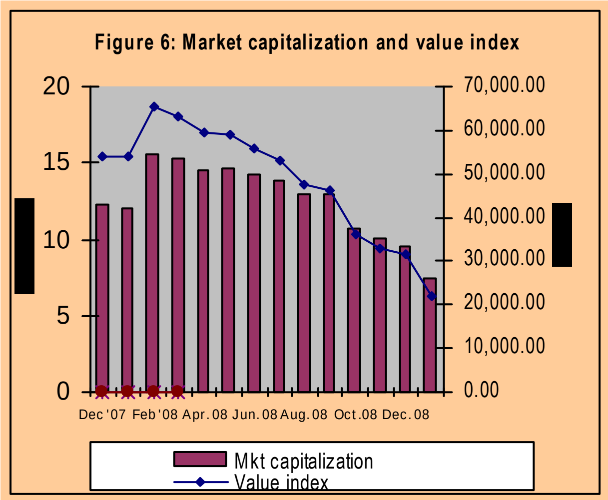


Figure 6: Market capitalization and value index

9.0 DOMESTIC ECONOMIC CONDITIONS

The major agricultural activities during the month of January 2009 were harvesting of tree crops, clearing of land for the 2009 cropping season, and preparation of irrigated lands for the cultivation of vegetables. In the livestock sub-sector, poultry farmers were engaged in re-stocking of broilers and layers to replenish the stock sold off during the last festive season. Crude oil production was estimated at 1.90 million barrels per day (mbd) or 58.90 million barrels during the month. The end-period inflation rate for January 2009, on a year-on-year basis was 14.0 per cent, compared with 15.1 per cent recorded in the preceding month. The inflation rate on a 12-month moving average basis was 12.0 per cent, compared with 11.6 per cent in December 2008.

3.1 Agricultural Sector

Agricultural activities during the month of January 2009 in the Southern States consisted of harvesting of tree crops and clearing of land for the cropping season, while in the Northern States, farmers were engaged in the preparation of irrigated lands for the cultivation of vegetables. In the livestock sub-sector, poultry farmers were engaged in the re-stocking of broilers and layers to replenish the stock sold off during the last festive season.

A total of =N=135.4 million was guaranteed to 899 farmers under the Agricultural Credit Guarantee Scheme (ACGS) during the month. This represented a decline of 79.6 and 38.2 per cent from the levels in the preceding month and the corresponding month of 2008, respectively. A sub-sectoral analysis of the loans guaranteed indicated that the food crops sub-sector had the largest share of =N=53.7 million or 39.7 per cent guaranteed to 553 beneficiaries, while the livestock sub-sector received =N=42.4 million or 31.3 per cent guaranteed to 153 beneficiaries.

Also, the fisheries sub-sector received =N=31.8 million or 23.5 per cent guaranteed to 159 beneficiaries. The cash crops sub-sector had =N=6.0 million or 4.0 per cent guaranteed to 21 beneficiaries, while “others” received =N=1.5 million or 1.5 per cent granted to 13 beneficiaries. Analysis by state showed that 7 states benefited from the scheme, with the highest and lowest sums of =N=39.7 million (29.3 per cent) and =N=3.7 million (2.7 per cent) guaranteed to Oyo and Borno states, respectively.

Retail price survey of most staples by the CBN showed that the prices of major staples recorded increases in January 2009. All the commodities monitored, recorded price increase ranging from 1.3 per cent for white beans to 11.0 per cent for millet, over their levels in the preceding month. Relative to their levels in the corresponding month of 2008, twelve of the commodities recorded price increase ranging from 3.2 per cent for yam flour to 83.7 per cent for white beans, while the prices of eggs and palm oil fell by 8.0 and 14.1 per cent, respectively.

Provisional data indicated that the prices of most of Nigeria’s major agricultural commodities at the London Commodities Market remained relatively stable during the review month. 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 declined by 1.0 per cent from the level in the corresponding month of 2008.

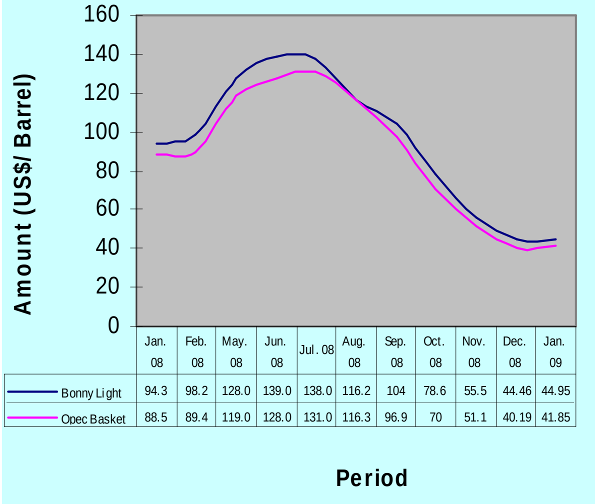
Further analysis showed that the prices of all the six commodities monitored remained unchanged at the preceding month’s levels. Relative to their levels in the corresponding month of 2008, all the commodities recorded price increases ranging from 0.3 per cent for cocoa to 7.7 per cent for soya bean.

Similarly, at 3,919.7 (1990=100), the All-Commodities price and indeed, the indices, in naira terms, showed same trend with the dollar. Relative to their levels in the corresponding month in 2008, all the commodities recorded price increases ranging from 0.3 per cent for cocoa to 6.9 per cent for soya bean.

3.2 Petroleum Sector

Nigeria’s crude oil production, including condensates and natural gas liquids, was estimated at 1.90 million barrels per day (mbd) or 58.90 million barrels for the month, the same as in the preceding month. Similarly, crude oil export was estimated at 1.45 mbd or 44.95 million barrels in the month, same as in the preceding month, while deliveries to the refineries for domestic consumption remained at 0.445 mbd or 13.80 million barrels for the month.

Figure 7: Trends in Crude Oil Price



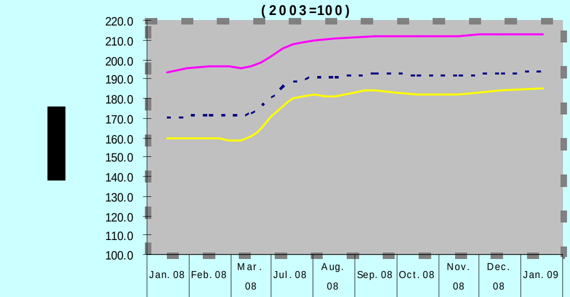
	Jan. 08	Feb. 08	May. 08	Jun. 08	Jul. 08	Aug. 08	Sep. 08	Oct. 08	Nov. 08	Dec. 08	Jan. 09
Bonny Light	94.3	98.2	128.0	139.0	138.0	116.2	104	78.6	55.5	44.46	44.95
Opec Basket	88.5	89.4	119.0	128.0	131.0	116.3	96.9	70	51.1	40.19	41.85

At an estimated average of US$44.95 per barrel, the price of Nigeria’s reference crude, the Bonny Light (37º API), rose by 1.1 per cent over the level in December 2008. The average prices of other competing crudes namely, U.K Brent and Forcados rose by 0.5 and 0.7 per cent to US$43.13 and US$45.71 per barrel, respectively, while the West Texas Intermediate declined by 8.1 per cent to US$40.78 per barrel. The average price of OPEC’s basket of eleven crude streams rose by 4.1 per cent to US$41.85 over the level in December 2008. The rise in price was attributed mainly to the unrest in the Niger Delta region where militants blew up a supply pipeline, the Israel’s offensive in the Gaza strip as well as the dispute between Ukraine and Russia over gas trade.

3.3 Consumer Prices

Available data showed that the all-items composite Consumer Price Index (CPI) in January 2009 was 193.6 (May 2003=100), representing an increase of 0.6 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.

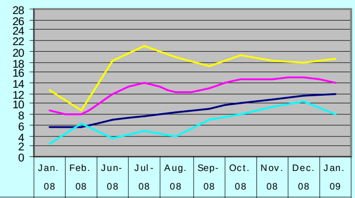
Figure 8: Monthly Consumer Price Indices in Nigeria (2003=100)



	Jan. 08	Feb. 08	Mar. 08	Jul. 08	Aug. 08	Sep. 08	Oct. 08	Nov. 08	Dec. 08	Jan. 09
Composite	169.8	170.3	171.6	188.1	190.3	192.4	191.2	191.1	192.6	193.6
Urban	193.1	195.9	196.3	207.8	211.2	212.1	211.7	211.3	213.2	213.3
Rural	159.7	159.2	160.9	179.6	181.3	183.8	182.4	182.4	183.7	185.1

The urban all-items CPI at end-January 2009 was 213.3 (May 2003=100), indicating an increase of 0.05 per cent over the level in the preceding month. The rural all-items CPI for the month was 185.1 (May 2003=100), and represented an increase of 0.8 per cent over the level in the preceding month. The end-period inflation rate for January 2009, on a year-on-year basis, was 14.0 per cent, compared with 15.1 per cent in the preceding month. The inflation rate on a twelve-month moving average basis for January 2009, was 12.0 per cent, compared with 11.6 per cent in December 2008.

Figure 9: Inlation Rate in Nigeria (Per Cent)



	Jan. 08	Feb. 08	Jun-08	Jul-08	Aug. 08	Sep-08	Oct. 08	Nov. 08	Dec. 08	Jan. 09
Inlation 12-MMA	5.5	5.5	7.0	7.8	8.5	9.2	10.1	10.9	11.6	12.0
Inflation Yr-on-Yr	8.6	8.0	12.0	14.0	12.4	13.0	14.7	14.8	15.1	14.0
Food Inflation	12.6	8.7	18.1	20.9	18.8	17.1	19.2	18.1	18.0	18.4
Core Inflation	2.5	6.4	3.6	4.8	3.9	6.9	7.9	9.3	10.4	8.0

4.0 EXTERNAL SECTOR DEVELOPMENTS

Provisional data indicated that foreign exchange inflow and outflow through the CBN in January 2009 fell by 21.1 and 38.5 per cent, respectively. The gross external reserves fell by 6.7 per cent to US$50.05 billion in January 2009, while the weighted average exchange rate of the Naira vis-à-vis the US dollar, depreciated by 10.6 per cent to =N=145.78 per dollar at the WDAS.

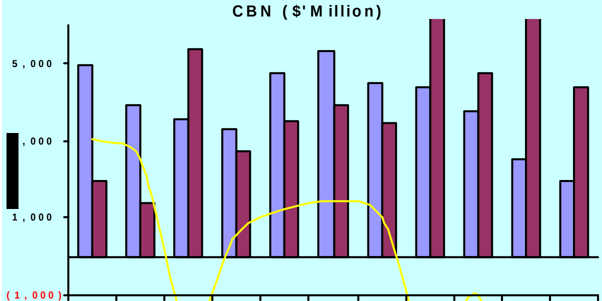
4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in January 2009 were US$1.98 billion and US$4.40 billion, respectively, representing a net outflow of US$2.42 billion. Relative to the respective levels of US$2.51 billion and US$7.15 billion in the preceding month, inflow and outflow fell by 21.1 and 38.5 per cent, respectively. The fall in inflow was attributed to the decline in crude oil receipts, while the fall in outflow was due largely to the reduction in funding of the inter-bank segment of the foreign exchange market, reinforced by the decline in other official payments.

Provisional data on aggregate foreign exchange flows through the economy indicated that total inflow was US$4.93 billion, representing a decline of 12.1 and 54.8 per cent from the levels in the preceding month and the corresponding month of 2008, respectively. Oil sector receipts, which accounted for 37.5 per cent of the total, stood at US$1.85 billion, compared with US$2.29 billion in the preceding month. Non-oil public sector and autonomous inflow fell by 36.4 and 5.1 per cent and accounted for 2.8 and 59.8 per cent of the total, respectively.

At US$4.45 billion, aggregate foreign exchange outflow from the economy fell by 38.2 per cent from the level in the preceding month. The decline in outflow was attributed to the 35.0 and 56.8 per cent decline in funding of the inter-bank foreign exchange market and other official payments, respectively.

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



	Jan.08	Feb.08	May-08	Jun. 08	Jul. 08	Aug. 08	Sept.08	Oct.08	Nov.08	Dec. 08	Jan. 09
Inflow	4,975.75	3,908.35	3548.89	3295.44	4733.55	5346.95	4,474.45	4,395.76	3,761.34	2,506.37	1,980.76
Outflow	1,952.2	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
Netflow	3,023.6	2,516.9	-1805.25	542.47	1210.49	1438.46	1,035.73	-2,613.79	-1,013.34	(4,643.83	(2,416.93

Months

4.2 Sectoral Utilisation of Foreign Exchange

The invisibles accounted for 28.3 per cent of total foreign exchange disbursed in January 2009, followed by minerals & oil (25.5 per cent). Other beneficiary sectors, in a descending order of importance included; industrial sector (19.8 per cent), general merchandise (14.5 per cent), food (7.8 per cent), transport sector (3.2 per cent) and agricultural sector (0.9 per cent) (Fig.11).

4.3 Foreign Exchange Market Developments

The Retail Dutch Auction System (RDAS) was reintroduced during the review month to facilitate the stability of the value of the naira. Aggregate demand for foreign exchange by authorized dealers under the Wholesale/ Retail Dutch Auction System (WDAS/RDAS) was US$2.08 billion in January 2009, indicating a decline of 36.0 per cent from the level in the preceding month, but an increase of 18.0 per cent over the level in the corresponding month of 2008. Consequently, at US$1.23 billion, the amount of foreign exchange sold by the CBN to authorized dealers rose by 28.0 per cent from the level in the preceding month. Under the WDAS/RDAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar depreciated by 10.6 per cent to =N=145.78 per dollar. In the bureaux-de-change segment of the market, the average rate also, depreciated by 8.2 per cent to =N=149.88 per dollar. Consequently, the premium between the official and bureaux de change rates narrowed from 5.6 per cent in the preceding month to 2.8 per cent.

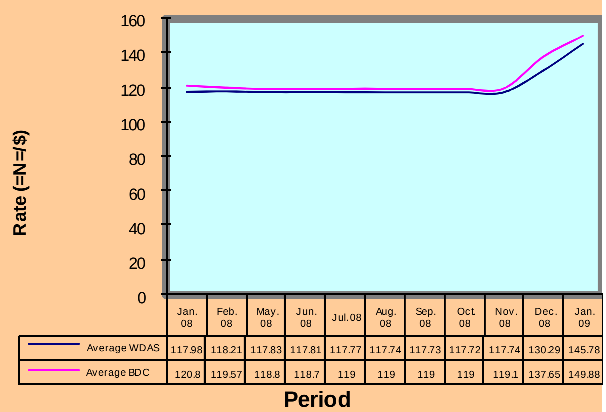
4.4 External Reserves

Available data showed that Nigeria's external reserves at end-January 2009 stood at US$50.05 billion, representing a decline of 6.0 and 7.0 per cent from the levels of US$53.00 billion and US$54.22 billion recorded in the preceding month and corresponding month of 2008, respectively.

5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output in January 2009 was estimated at 85.29 million barrels per day (mbd), while demand was estimated at 88.00 mbd, representing an excess demand of 2.71 mbd, compared with 86.48 and 88.20 mbd supplied and demanded, respectively, in the preceding month.

Figure 12: Average Exchange Rate Movements



	Jan. 08	Feb. 08	May. 08	Jun. 08	Jul.08	Aug. 08	Sep. 08	Oct. 08	Nov. 08	Dec. 08	Jan. 09
Average WDAS	117.98	118.21	117.83	117.81	117.77	117.74	117.73	117.72	117.74	130.29	145.78
Average BDC	120.8	119.57	118.8	118.7	119	119	119	119	119.1	137.65	149.88

Other major international economic developments of relevance to the domestic economy during the month included: the 2009 Annual Meeting of the World Economic Forum held in Davos-Klosters, Switzerland from January 28 – February 1, 2009. The purpose of the meeting was to give support to governments and governance institutions, particularly the G20; develop recommendations on how the structures and strategies of international cooperation should be strengthened to confront contemporary global challenges; and improve on the ethical value base for business as a constructive social actor.

The major decisions taken at the forum were as follows:

- A Committee headed by the Chairman of the G20, Prime Minister Gordon Brown of the United Kingdom, with heads of government of G20 members from Africa (President Motlanthe of South Africa), Asia (Prime Minister Han Seung-Soo of South Korea) and Latin America (President Felipe Calderón of Mexico) was set up to hold public discussion on "Addressing Systemic Risks in the Financial System and Stabilizing the Global Economy".

- The need to launch a new World Economic Forum task force of business leaders, economists and other experts to provide advice to the UN climate negotiations.
- Agreement on a process of public-private consultation during 2009 on the reform of the international financial architecture involving World Economic Forum Financial Services Industry Partners, academic experts and G20 finance ministries and central banks.
- Facilitating a private meeting of central bankers, finance ministers and other government leaders with the private sector to brainstorm on systemic financial issues in the run up to the April G20 summit.
- Launched a new initiative to improve global cooperation under the auspices of Qatar, Singapore and Switzerland – three small countries that have benefited historically from a stable and open international system.

The Global Cooperation System Initiative were expected to examine how the international system can be reoriented to increase collaboration and innovative solutions in light of the mismatch between 20th century institutions and 21st century challenges.

In another development, an update of the World Economic Outlook (WEO) released by the International Monetary Fund (IMF) on January 29, 2009 showed that global growth in 2009 is expected to fall to 0.5 per cent when measured in terms of purchasing power parity and to turn negative when measured in terms of market exchange rates. This represented a downward revision of about 1.8 percentage points from the November 2008 WEO Update.

Assisted by continued efforts to ease credit strains as well as expansionary fiscal and monetary policies, the global economy is projected to experience a gradual recovery in 2010, with growth picking up to 3.0 per cent. However, the outlook is highly uncertain, and the timing and pace of the recovery depend critically on strong policy actions.

Growth in emerging and developing economies is expected to slow down sharply from 6.3 per cent in 2008 to 3.3 per cent in 2009, as a result of falling export demand and financing, lower commodity prices, and much tighter external financing constraints, especially for economies with large external imbalances. Stronger economic frameworks in many emerging economies have provided more room for policy support to growth than in the past, helping to cushion the impact of this unprecedented external shock. Accordingly, although these economies would experience serious slowdowns, their growth is projected to remain at or above rates seen during previous global downturns. Developing countries in Africa and elsewhere are also better prepared this time to face policy challenges because of improved macroeconomic policy implementation, but the continent is in a weaker position than most other regions because of its poverty levels and reliance on commodity exports.

Lastly, the Federal Government of Nigeria and the United Arab Emirates (UAE) held bilateral meeting in Abuja on January 15, 2009. The major highlight of the meeting was the signing of a $16.0 billion investment agreement where the United Arab Emirates was to improve basic infrastructural facilities in the country. The agreement covers areas such as dams, electricity, agriculture, mineral resources and the development of the Federal Capital Territory (FCT), among others.

MONETARY AND CREDIT DEVELOPMENTS

		JANUARY 3/ 2009	DECEMBER 3/ 2008	NOVEMBER 3/ 2008	CHANGE BETWEEN (1&2)		CHANGE BETWEEN (2&3)	
		(1)	(2)	(3)	ABSOLUTE	PER CENT	ABSOLUTE	PER CENT
1	Domestic Credit	5,196,818.50	5,385,609.00	4,337,279.30	-188,790.50	-3.51	1,048,329.70	24.17
(a)	Claims on Federal Government (Net)	-3,311,161.70	-2,673,333.00	-3,635,992.20	-637,828.70	-23.86	962,659.20	26.48
	By Central Bank (Net)	(4,679,445.90)	-4,097,758.00	-5,248,564.00	-581,687.90	-14.20	1,150,806.00	21.9
	By Banks (Net)	1,368,284.20	1,424,425.00	1,612,571.80	-56,140.80	-3.94	-188,146.80	-11.67
(b)	Claims on Private Sector	8,507,980.20	8,058,942.00	7,973,271.50	449,038.20	5.57	85,670.50	1.1
	By Central Bank	294,618.20	259,541.90	247,452.50	35,076.30	13.51	12,089.40	4.9
	By Banks	8,213,362.00	7,799,400.10	7,725,819.00	413,961.90	5.31	73,581.10	0.95
(i)	Claims on State and Local Governmen	264,287.90	149,765.10	149,033.20	114,522.80	76.47	731.90	0.49
	By Central Bank	-	-	-	0.0	0.0		
	By Banks	264,287.90	149,765.10	149,033.20	114,522.80	76.47	731.90	0.49
(ii)	Claims on Non-Financial Public Enterp	-	-	-	0.00	0.00	0.00	0.00
	By Central Bank	-	-	-	0.00	0.00	0.00	0.00
	By Banks	-	-	-	0.0	0.0	0.00	0.00
(iii)	Claims on Other Private Sector	8,243,692.20	7,909,176.90	7,824,238.30	334,515.30	4.23	84,938.60	1.1
	By Central Bank	294,618.20	259,541.90	247,452.50	35,076.30	13.51	12,089.40	4.9
	By Banks	7,949,074.00	7,649,635.00	7,576,785.80	299,439.00	3.91	72,849.20	0.96
2	Foreign Assets (Net)	7,991,084.20	7,590,121.00	7,633,712.00	400,963.20	5.28	-43,591.00	-0.57
	By Central Bank	6,719,548.50	6,310,498.10	6,875,891.20	409,050.40	6.48	-565,393.10	-8.22
	By Banks	1,271,535.70	1,279,622.90	757,820.80	-8,087.20	-0.63	521,802.10	68.86
3	Other Assets (Net)	(3,869,285.80)	-3,783,342.70	-3,583,834.40	-85,943.10	-2.27	-199,508.30	-5.6
	Total Monetary Assets (M_2)	9,318,616.90	9,192,387.40	8,387,156.90	126,229.50	1.37	805,230.50	9.60
	Quasi - Money 1/	4,569,149.50	4,309,523.10	4,118,172.80	259,626.4	6.0	191,350.30	4.65
	Money Supply (M_1)	4,749,467.40	4,882,864.40	4,268,983.90	-133,397.00	-2.73	613,880.50	14.4
	Currency Outside Banks	838,174.80	892,657.10	744,343.60	-54,482.30	-6.10	148,313.50	19.9
	Demand Deposits 2/	3,911,292.60	3,990,207.30	3,524,640.30	-78,914.7	-2.0	465,567.00	13.21
	Total Monetary Liabilities	9,318,616.90	9,192,387.40	8,387,156.90	126,229.5	1.4	805,230.50	9.60

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.