

CENTRAL BANK OF NIGERIA



MONTHLY REPORT

JANUARY 2007

RESEARCH AND STATISTICS DEPARTMENT

CENTRAL BANK OF NIGERIA

MONTHLY REPORT

EDITORIAL BOARD

Editor-In-Chief

C. N. O. Mordi

Managing Editor

B. S. Adebusuyi

Editor

M. Ajayi

Associate Editor

U. Kama

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.

Subscription to the Monthly Report is available without charge to institutions, corporations, embassies and development agencies. Individuals, on written request, can obtain any particular issue without a charge. Please direct all inquiries on the publication to the Director of Research and Statistics, Central Bank of Nigeria, P.M.B. 187, Garki, Abuja, Nigeria.

TABLE OF CONTENTS

EDITORIAL BOARD	...	...	i
TABLE OF CONTENTS	...	...	ii
1.0 SUMMARY	...	...	1
2.0 FINANCIAL SECTOR DEVELOPMENTS	...	...	3
2.1 Monetary and Credit Developments	...	...	3
2.2 Currency-in-Circulation and Deposits at the CBN	...	...	4
2.3 Interest Rate Developments	...	...	4
2.4 Money Market Developments...	...	...	5
2.5 Capital Market Developments...	...	...	5
2.6 Deposit Money Banks' Activities	...	...	6
2.7 Discount Houses' Activities	...	...	7
3.0 DOMESTIC ECONOMIC CONDITIONS	...	...	8
3.1 Agricultural Sector	...	...	8
3.2 Petroleum Sector	...	...	9
3.3 Consumer Prices	...	...	9
4.0 EXTERNAL SECTOR DEVELOPMENTS	...	...	10
4.1 Foreign Exchange Flows	...	...	10
4.2 Non-Oil Export Proceeds by top 100 Exporters	...	...	11
4.3 Sectoral Utilisation of Foreign Exchange	...	...	11
4.4 Foreign Exchange Market Developments	...	...	12
4.5 External Reserves	...	...	12
5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS	...	...	12
FIGURES			
1. Aggregate Money Supply in Nigeria	...	...	3
2. Aggregate Domestic Credit to the Economy	...	...	4
3. Banks' Interest Rates	...	...	5
4. Treasury Bills' Holdings	...	...	7
5. Monthly Consumer Price Indices in Nigeria	...	...	9
6. Inflation Rate in Nigeria	...	...	10
7. Foreign Exchange Flows through the CBN	...	...	11
8. Sectoral Utilisation of Foreign Exchange	...	...	12
9. Monetary and Credit Developments Table	...	...	15



ECONOMIC REPORT FOR THE MONTH OF JANUARY 2007

1.0 SUMMARY

Provisional data indicated increase in monetary aggregates in January, 2007. Broad money stock (M_2) rose by 6.7 per cent, compared with the increase of 15.1 per cent in December 2006, while, narrow money supply (M_1) rose by 5.4 per cent over the level in December 2006. The development was attributable wholly to the 16.3 per cent increase in foreign assets (net) of the banking system.

Available data indicated a general increase in banks' deposit and lending rates in January, 2007. The margin between banks' weighted average deposit and maximum lending rates, narrowed from 11.31 percentage points in December, 2006 to 11.03 percentage points in January. The spread between the average savings deposit and maximum lending rates, also, narrowed from 15.41 to 15.34 percentage points.

The value of money market assets outstanding increased by 1.4 per cent to ₦1,660.9 billion, in contrast to the decline of 0.6 per cent in the preceding month. The rise was traceable wholly to the 6.2 per cent increase in FGN bonds outstanding. Available data indicated that activities on the Nigerian Stock Exchange were bullish during the review month as all the major market indicators trended upward.

The major agricultural activities in the review month included: harvesting of tree crops, fruits, land clearing, and cultivation of irrigated lands with vegetables and wheat. The prices of most Nigerian major agricultural commodities at the London Commodities Market increased. At 118.2 (1985=100), the all-commodities price

index, in dollar terms, rose by 0.4 per cent over the level in the preceding month.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.20 million barrels per day (mbd) in January, 2007, compared with 2.39 mbd in the preceding month. Crude oil export was estimated at 1.75 mbd for the month, while deliveries to the refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels for the month. The average price of Nigeria's reference crude, the Bonny Light (37⁰ API) estimated at US\$55.57 per barrel, declined by 14.1 per cent from the level in December 2006.

The inflation rate on a year-on-year basis declined to 8.0 per cent in January, 2007, from 8.5 per cent in the preceding month. Inflation rate on a twelve-month moving average was 8.0 per cent, compared with 8.2 per cent in December, 2006. The fall was attributable largely to the decline in the prices of some food items during the period under review.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) in January, 2007, amounted to US\$2.89 billion and US\$1.71 billion, respectively, resulting in a net outflow of US\$1.18 billion. The increase in inflow was traceable to the rise in oil sector receipts, while the decline in outflow was attributable to the 81.8 and 39.5 per cent fall in external debt service and DAS utilisation, respectively. The demand pressure in the foreign exchange market moderated in January, 2007, as foreign exchange sales by the CBN to the authorized dealers fell by 46.5 per cent from the preceding month's level. The weighted average

exchange rate of the Naira vis-à-vis the US dollar, depreciated from ₦127.02 to ₦128.28 per dollar in January, 2007. In the bureaux de change segment of the market, the rate, also, depreciated marginally from ₦129.98 per dollar to ₦130.06 per dollar. Available data showed that Nigeria's gross external reserves increased by 3.9 per cent to US\$43.59 billion in January, 2007. Non-oil export earnings by Nigeria's top 100 exporters in January, 2007 amounted to US\$60.94 million, indicating a decline of 56.0 per cent from the level in the preceding month. The development was attributable largely to the variation in the prices of some of the commodities traded at the international commodities market during the review month.

Other major international economic developments of relevance to the domestic economy during the month included: the launching of African Development Bank's (AfDB) first Naira (NGN) denominated bond issued in January, 2007 with a maturity of one year, valued at ₦12,780 million (the NGN

equivalent of USD 100 million) and a fixed coupon of 9.25 per cent. It is the AfDB's largest issue denominated in a local currency to date and the first issue with an Africa-based lead manager—Standard Bank, Africa's largest bank by capital. The note which is listed on the Luxembourg Stock Exchange was the first cross-currency interest rate swap executed by a Nigerian bank, First Bank of Nigeria, Standard Bank's partial hedge counterparty. The 31st Summit of Heads of State and Government of the Economic Community of West African States (ECOWAS) took place in Ouagadougou, Burkina Faso on January 19, 2007. Also, the 4th Session of the Nigeria/Korea Joint Commission was held in Seoul, Republic of Korea from January 23 – 25, 2007. It was convened to discuss and agree on issues such as visa, zero customs tariff, and establishment of banking facilities in the two countries.

2.0 FINANCIAL SECTOR DEVELOPMENTS

Money supply grew in January, 2007, while banks' deposit and lending rates generally increased. The value of money market assets outstanding increased, following largely the 6.2 per cent rise in FGN bonds outstanding. Transactions on the Nigerian Stock Exchange were bullish during the review month as all the major market indicators trended upward.

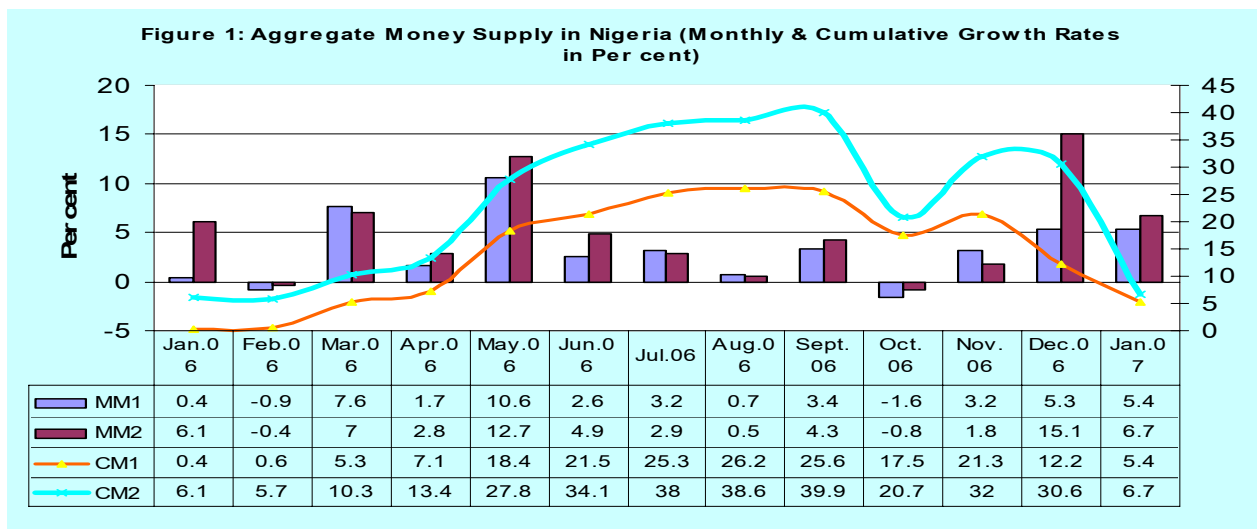
2.1 Monetary and Credit Developments

Provisional data indicated that broad money supply (M_2) rose by 6.7 per cent to

cent to ₦306.9 billion, compared with the decline of 8.9 per cent in December 2006. The development was traceable largely to the fall in banking system credit to the Federal Government.

Banking system's credit (net) to the Federal Government in January, 2007, fell by 27.0 per cent, compared with the decline of 3.6 per cent recorded in the preceding month. The development reflected the 59.6 per cent decline in treasury bills holding by the banking system as well as the 14.3 per cent rise in Federal Government's deposits with the CBN.

Banking system's credit (net) to the private sector, however, increased by 1.7 per cent to ₦2,608.9 billion, in contrast to the decline of 0.5 per cent in the preceding



₦3,920.5 billion, compared with the increase of 15.1 per cent in the preceding month. The rise in M_2 was attributable to the 16.3 per cent increase in foreign assets (net) of the banking system. Similarly, narrow money supply (M_1) rose by 5.4 per cent over the level in December, 2006 to ₦2,040.3 billion. This was, however, moderated by the significant decline in net credit to the domestic economy (fig.1 and table 1).

Aggregate banking system credit (net) to the domestic economy declined by 59.3 per

month. The rise reflected the 3.2 and 1.7 per cent increase in CBN and DMBs claims on the sector, respectively.

At ₦7,232.8 billion, foreign assets (net) of the banking system increased by 16.3 per cent, in contrast to the decline of 7.7 per cent in December, 2006. The development was attributable to the 17.8 and 2.1 per cent rise in both the CBN and DMBs' holdings, respectively.

Similarly, quasi money rose by 8.1 per cent to ₦1,880.2 billion, compared with the

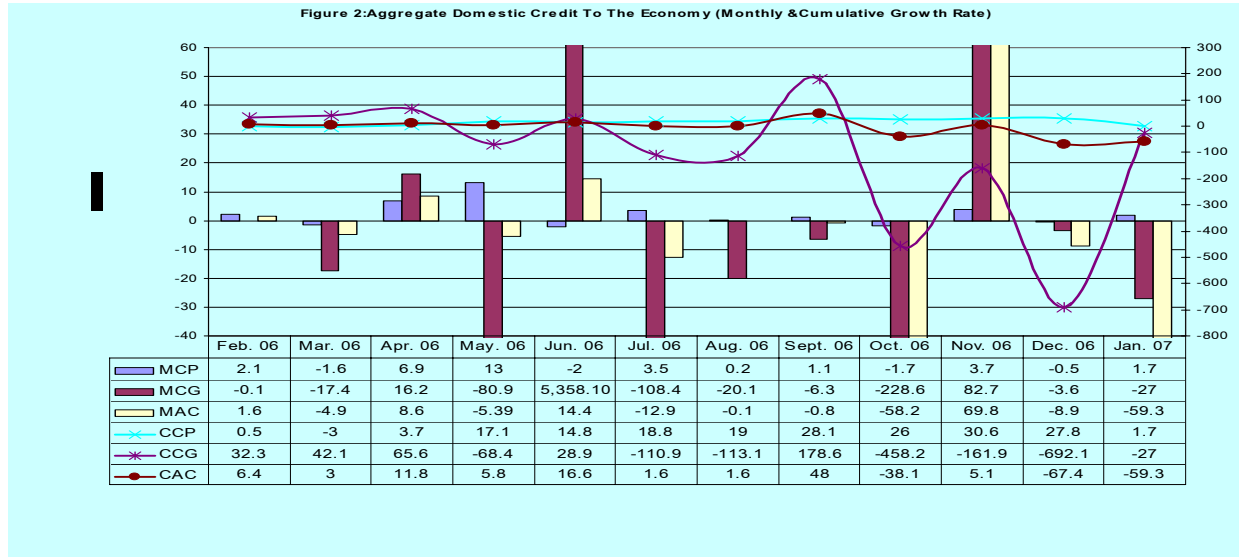
increase of 28.5 per cent in the preceding month. The development was attributable to the increase in time and savings deposits of the DMBs during the month.

Other assets (net) of the banking system, however, fell by 9.7 per cent, in January, 2007, in contrast to the increase of 24.6 per cent in the preceding month. The development reflected the increase in

CBN were, 93.5, 2.9 and 3.6 respectively, compared with 93.2, 5.0 and 1.8 per cent, in the preceding month.

2.3 Interest Rate Developments

Available data indicated a general increase in banks' deposit and lending rates in January, 2007. With the exception of six-



unclassified liabilities of the CBN.

2.2 Currency-in-circulation and Deposits at the CBN

At ₦705.2 billion, currency in circulation fell by 9.5 per cent in January, 2007, compared with the level in the preceding month. The fall was traceable entirely to the 16.8 per cent decline in currency outside banks.

Total deposits at the CBN amounted to ₦4,218.5 billion, indicating an increase of 11.7 per cent over the level in the preceding month. The development was attributable to the 14.3 per cent rise in Federal Government's deposits, reinforced by the 16.3 per cent rise in private sector deposits. The shares of the Federal Government, banks and "others" in total deposits at the

month deposit which fell by 0.03 percentage point to 9.90 per cent, other rates on deposits of various maturities increased to a range of 4.29–10.38 per cent from a range of 4.17–10.25 per cent in the preceding month. Similarly, the weighted average prime and maximum lending rates rose by 0.31 and 0.04 percentage points to 17.64 and 18.70 per cent, respectively.

Consequently, the spread between the weighted average deposit and maximum lending rates narrowed from 11.31 to 11.03 percentage points in January, 2007. The margin between the average savings deposit and maximum lending rates, also, narrowed from 15.41 percentage points in the preceding month to 15.34 percentage points.

The weighted average inter-bank call rate remained unchanged at the preceding month's level of 8.98 per cent, reflecting the

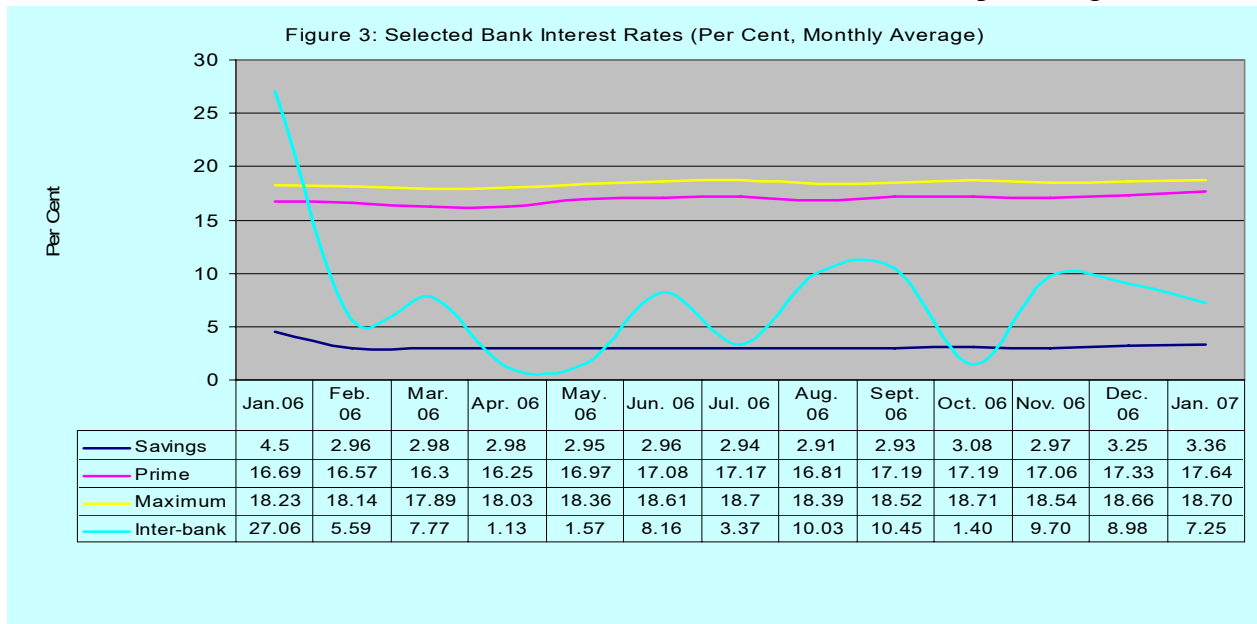
liquidity ease in the inter-bank funds market during the review month (fig. 3).

2.4 Money Market Developments

Available data indicated that money market activity intensified as the value of money market assets outstanding at end-January, 2007 increased by 1.4 per cent to ₦1,660.9 billion, in contrast to the decline of 0.6 per cent in the preceding month. The rise

per cent of the total, while the balance of ₦43.6 billion or 37.9 per cent went to the non-bank public during the month. The development during the month was due to the liquidity surfeit in the system.

Holdings of treasury bills outstanding showed that the DMBs and discount houses' share fell by 3.4 per cent to ₦501.9 billion. Holding by the non-bank public, however, rose by 12.3 per cent to ₦165.5 billion, compared with the ₦147.4 billion in the preceding month.



was traceable largely to the 6.2 per cent increase in FGN bonds outstanding. Treasury bills outstanding, however, declined by 1.6 per cent from the preceding month's level to ₦690.3 billion.

Treasury bills worth ₦115.0 billion were offered in January 2007, compared with ₦103.0 billion in the preceding month. Subscriptions and allotment stood at ₦226.2 billion and ₦115.0 billion, compared with ₦151.3 billion and ₦103.0 billion, respectively, in December, 2006. Analysis of allotment showed that investment by the deposit money banks (DMBs) and discount houses jointly accounted for ₦71.4 billion or 62.1

Consequently, the CBN's holding declined from ₦33.4 billion in December, 2006 to ₦22.9 billion in January, 2007.

2.5 Capital Market Developments

Available data indicated that activities on the Nigerian Stock Exchange (NSE) in January, 2007 were bullish as all the major market indicators trended upward. The volume and value of traded securities increased by 51.4 and 101.2 per cent to 5.6 billion and ₦86.1 billion, respectively, compared with the 3.7 billion shares valued at ₦42.8 billion in December 2006. The banking sub-sector remained the most active

stock on the Exchange. Specifically, UBA Plc emerged as the most active stock for the month, with a turnover volume of 879.5 million shares, which represented 15.6 per cent of the total turnover for the month. There were no dealings in the Federal Government and industrial loans/preference stocks during the period.

In the new issues market, the reconstructed 14,736,894,670 shares of unity Bank Plc were admitted into the Exchange. Also, the 1st series of the 4th FGN bond worth ₦40.0 billion was issued. In line with the restructuring of the domestic debt profile to longer tenors, the 5-year ₦4.1 billion FGN Contractors Bond 2011 was admitted into the daily official list. The bond was issued to settle debt owed to 12 local contractors at a fixed coupon rate of 13.5 per cent. The number of Federal Government bond listed on the Exchange consequently, stood at 35, while the number of securities increased to 289 from 288.

Transactions resumed on the Over The Counter (OTC) bond market for the year, with the turnover of 32.97 million units worth ₦35.21 billion in the review month, down from the 127.63 million units worth ₦138.697 billion recorded in the month of December, 2006.

The most active bond in terms of volume was the FGN Bond 2011 (Contractors Debt) with a traded volume of 10.15 million units valued at ₦11.20 billion.

Developments in the month of January, 2007 indicated that market capitalization trended upward. It rose by 14.8 per cent to ₦5.9 trillion from ₦5.1 trillion recorded in December 2006. Similarly, value index of listed securities rose by 10.3 per cent to 36,784.51 (1984=100) during the review month. The development was attributable largely to price gains by some of the highly capitalised stocks as well as the new listings on the Exchange.

2.6 Deposit Money Banks' Activities

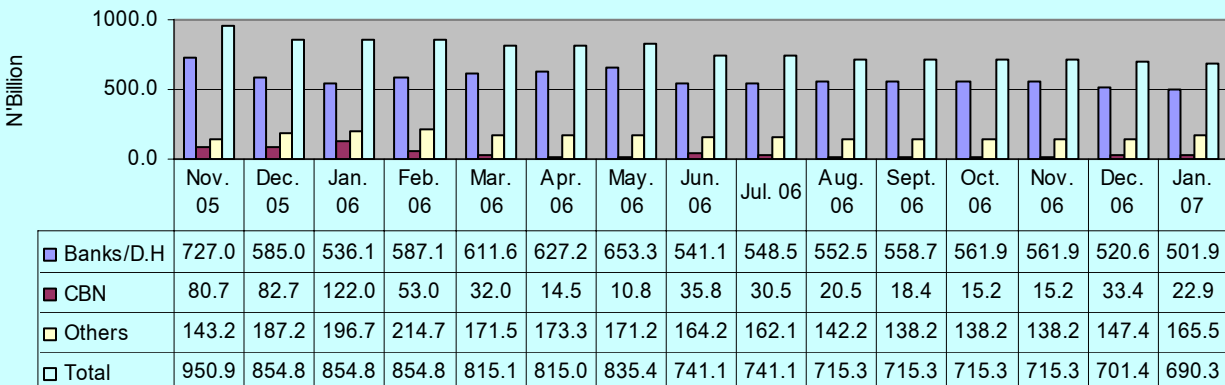
Available data indicated that total assets/liabilities of deposit money banks (DMBs) stood at ₦6,782.1 billion, in January 2007, and represented an increase of 6.0 per cent over the level in the preceding month. The rise was attributable to the increase in accumulation of reserves from ₦471.6 billion to ₦611.8 billion. Funds, which were sourced mainly from increased demand deposits, were utilized largely in the extension of credit to the private sector.

Aggregate credit to the domestic economy by the DMBs amounted to ₦3,467.9 billion, representing a decline of 1.2 per cent from the level in the preceding month. The fall was traceable entirely to the decline in claims on central government during the period.

The Central Bank's credit to the DMBs fell by 39.8 per cent to ₱10.0 billion, compared with the level in the preceding month. The development reflected the non extension of overdraft facilities from the CBN to banks during the review period, following the adoption of the new monetary policy rate (MPR) which discourages banks

liabilities was attributable entirely to the 8.1 per cent decline in "amount owing" during the period. In the review month, discount houses complied fully with the guidelines on the structure of assets. Their investments in Federal Government securities of less than 91 days maturity stood at ₱66.2 billion, representing 43.5 per cent of their total

Figure 4: Treasury Bills Holdings (N' Billion)



from resorting first to borrowing from the CBN.

Total specified liquid assets of the DMBs stood at ₱2,148.1 billion, or 55.2 per cent of their total current liabilities. This level of liquid assets was 15.2 percentage points above the stipulated minimum ratio of 40.0 per cent for fiscal 2007, while the loans-to-deposit ratio, at 66.7 per cent, was 13.3 percentage points below the maximum target of 80.0 per cent.

2.7 Discount Houses

Available data indicated that total assets/liabilities of the discount houses stood at ₱185.1 billion in January 2007, representing a decline of 0.8 per cent from the level in the preceding month. The fall in assets was attributable largely to the 179.5 and 2.5 per cent decline in "balances with other banks" and "claims on the Federal Government", respectively, while the fall in

deposit liabilities. This level of investment was 2.1 and 16.5 per cent below the level in the preceding month, and the prescribed minimum of 60.0 per cent for 2007 fiscal, respectively.

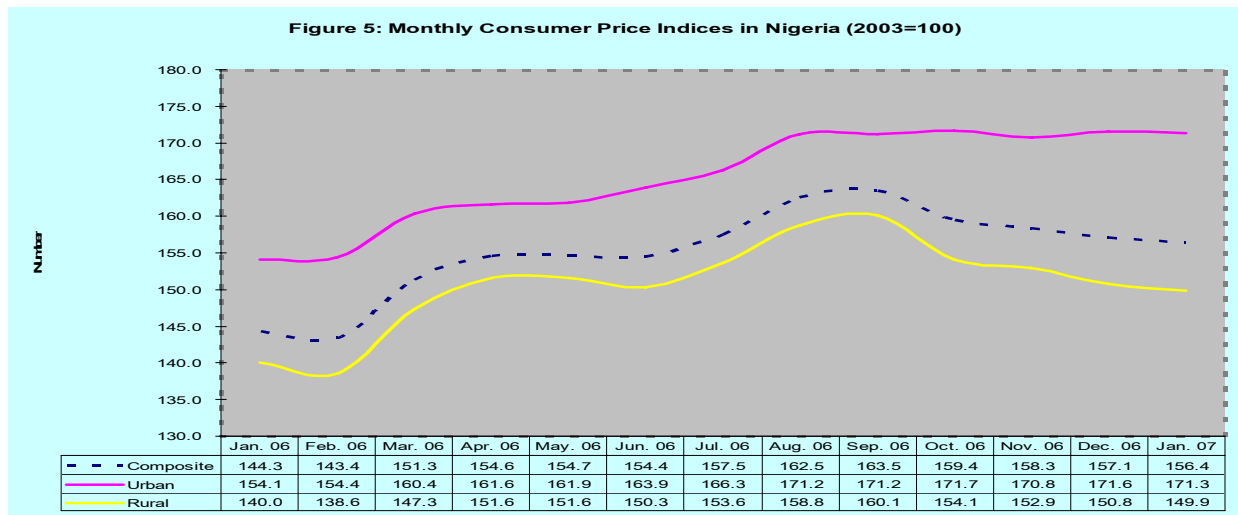
Total borrowing by discount houses was ₱75.3 billion, while their capital and reserves amounted to ₱16.3 billion, resulting in a gearing ratio of 4.6:1, compared with the prescribed maximum target of 50:1 for the year.

3.0 DOMESTIC ECONOMIC CONDITIONS

The predominant agricultural activities in January, 2007 were harvesting of tree crops, fruits, land clearing and cultivation of irrigated lands with

and layers to replenish the stock sold off during the last festive season.

The sum of ₦237.4 million was guaranteed to 5,451 farmers under the Agricultural Credit Guarantee Scheme (ACGS) during the review month, representing a decline of 58.6 per cent from



vegetables and wheat. In the livestock sub-sector, farmers intensified the raising of broilers and layers to replenish the stock sold off during the last festive season. Crude oil production was estimated at 2.20 million barrels per day (mbd) or 68.20 million barrels for the month. The inflation rate for January, 2007, on a year-on-year basis, was 8.0 per cent, compared with 8.5 per cent recorded in the preceding month.

3.1 Agricultural Sector

The predominant agricultural activities during the month of January, 2007 in the Southern States were harvesting of tree crops and fruits as well as land clearing for the 2007 cropping season. In the Northern States, major operations centred on cultivation of irrigated lands with vegetables and wheat. In the livestock sub-sector, farmers intensified the raising of broilers

the level in the preceding month but an increase of 205.7 per cent over the level in the corresponding period of 2006. Further analysis showed that farmers from fourteen states benefited from the scheme, with the highest guaranteed sum of ₦87.9 million (37.0 per cent) to 1,169 farmers in Jigawa State, and the lowest sum of ₦1.8 million (0.8 per cent) granted to 2 farmers in Kaduna State.

Retail price survey of most staples by the CBN showed mixed developments in January, 2007. Nine of the fourteen commodities monitored, namely white garri, brown beans, yellow garri, white maize, millet, yellow maize, white beans, guinea corn, and vegetable oil recorded price declines of 4.5, 3.2, 2.0, 1.7, 1.6, 1.5, 1.1, 0.8, and 0.5 per cent, respectively from their levels in the preceding month. This was, however, moderated by the components of yam flour, palm oil, eggs, ground nut oil and local rice whose prices increased by 7.8, 6.9,

6.6, 4.4 and 0.2 per cent, respectively, during the review month.

The prices of most Nigerian major agricultural commodities at the London Commodities Market recorded increases during the review month. At 118.2 (1985=100), the all-commodities price index, in dollar terms, rose by 0.4 and 31.8 per cent over their levels in the preceding month and the corresponding period of 2006, respectively. Further analysis showed that three of the six commodities monitored, namely coffee, palm oil and copra recorded price increase of 6.4, 5.4, and 1.5 per cent, respectively, while soya bean and cocoa recorded price decline of 0.7 and 0.6 per cent, respectively, when compared with their levels in the preceding month. The price of cotton, however, remained unchanged at the preceding month's level.

In naira terms, at 10,427.40 (1985=100), the all-commodities price index, also rose by 0.7 and 30.2 per cent over their levels in the preceding month and the corresponding period of 2006, respectively. Further analysis showed that three of the six commodities monitored, namely copra, coffee, and palm oil recorded price increases of 14.2, 6.4 and 5.4 per cent, respectively, over their levels in the preceding month. This was, however, moderated by soya bean, cocoa and cotton whose prices declined by 0.7, 0.6 and 0.1 per cent, respectively, during the period.

3.2 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.20 million barrels per day (mbd) or 68.20 million barrels in January, 2007, compared with 2.39 mbd or 70.99 million barrels in the preceding month. Crude oil export was estimated at 1.75 mbd or 54.25 million barrels for the

month, compared with 1.84 mbd or 57.04 million barrels in December, 2006. Deliveries to refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels for the month.

At an estimated average price of US\$55.57 per barrel, the price of Nigeria's reference crude, the Bonny Light (37° API), declined by 14.1 per cent from the level in the preceding month. Similarly, the prices of other competing crudes, namely the U.K Brent, the West Texas Intermediate, the Forcados and the Arab Light fell by 15.5, 13.5, 13.5 and 12.9 per cent to US\$53.12, US\$53.74, US\$55.28 and US\$49.10, respectively, in the review month. The fall in price was attributable to reduced demand owing to the prevailing warm weather in the United States of America.

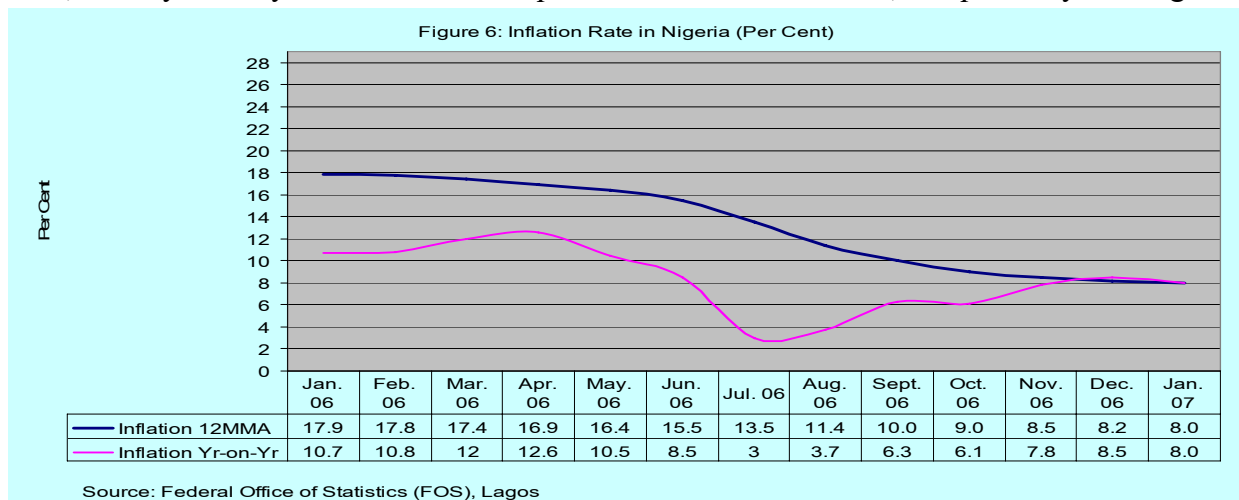
3.3 Consumer Prices

Data from the National Bureau of Statistics (NBS) showed that the all-items composite Consumer Price Index (CPI) for January, 2006 was 156.4 (May 2003=100), representing a decline of 0.4 per cent from the 157.1 recorded in the preceding month, but an increase of 8.0 per cent over the corresponding period of 2006. The development was attributable to the decline in the following components: clothing and foot wear; restaurant & hotels; Food; Food and Non Alcoholic Beverages; health; and furnishings, housing equipment & household maintenance whose indices declined by 4.2, 4.0, 3.4, 3.2, 2.3 and 0.6 per cent, respectively. This was, however, moderated by the components of education; transport; miscellaneous goods & services; housing, water, electricity, gas & other fuel; alcoholic beverages, tobacco & kola; communication; and recreation and culture; whose indices increased by 7.4, 4.7, 3.8, 2.7, 2.4, 1.0 and 0.8 per cent, respectively.

The urban all-items CPI for January, 2007 stood at 171.3 (May 2003=100), representing a decline of 0.2 per cent from the level in the preceding month, but 11.9 per cent over the level in the corresponding period of 2006. Similarly, the rural all-items CPI for January 2007, stood at 149.9 (2003=100), indicating a decline of 0.6 per cent from the level in the preceding month but an increase of 6.1 per cent in the corresponding month of 2006.

The rate of inflation for January, 2007, on a year-on-year basis was 8.0 per

US\$2.79 billion and US\$2.40 billion, respectively, in the preceding month. This resulted in a net inflow of US\$1.18 billion, compared with US\$0.38 billion in December, 2006. Inflow increased by 3.6 per cent relative to the preceding month's level, while outflow declined by 28.8 from the preceding month's level. The rise in inflow was attributable to the increase in the oil sector receipts, while the decline in outflow was traceable to the 81.8 and 39.5 per cent fall in external debt service and DAS utilisation, respectively during the



cent, compared with 8.5 per cent in the preceding month. The fall was attributable largely to the decline in the prices of some food items. The inflation rate on a twelve-month moving average basis for the month under review was 8.0 per cent, compared with 8.2 per cent recorded in December 2006.

4.0 EXTERNAL SECTOR DEVELOPMENTS

4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN, amounted to US\$2.89 billion and US\$1.71 billion, in January 2007, compared with

period.

Available data on aggregate foreign exchange flows through the economy in January 2007 showed that total inflow declined by 0.3 per cent to US\$4.70 billion. Oil sector receipts, which accounted for 53.8 per cent of the total, rose by 5.9 per cent to US\$2.53 billion from the level in the preceding month. However, non-oil public sector inflows declined by 10.0 per cent to US\$0.36 billion and accounted for 7.7 per cent of the total inflows. Autonomous inflow, also, declined by 5.7 per cent to US\$1.81 billion, representing 38.5 per cent of the total.

At US\$1.73 billion, aggregate foreign exchange outflow from the economy declined by 29.1 per cent from the preceding

month's level, reflecting the sharp decline in external debt service. In addition, DAS utilisation, drawings on letters of credit (L/Cs) and autonomous sources declined by 39.2, 20.0 and 33.3 per cent, respectively, from their levels in the preceding month. Other official payments, however, increased during the review month.

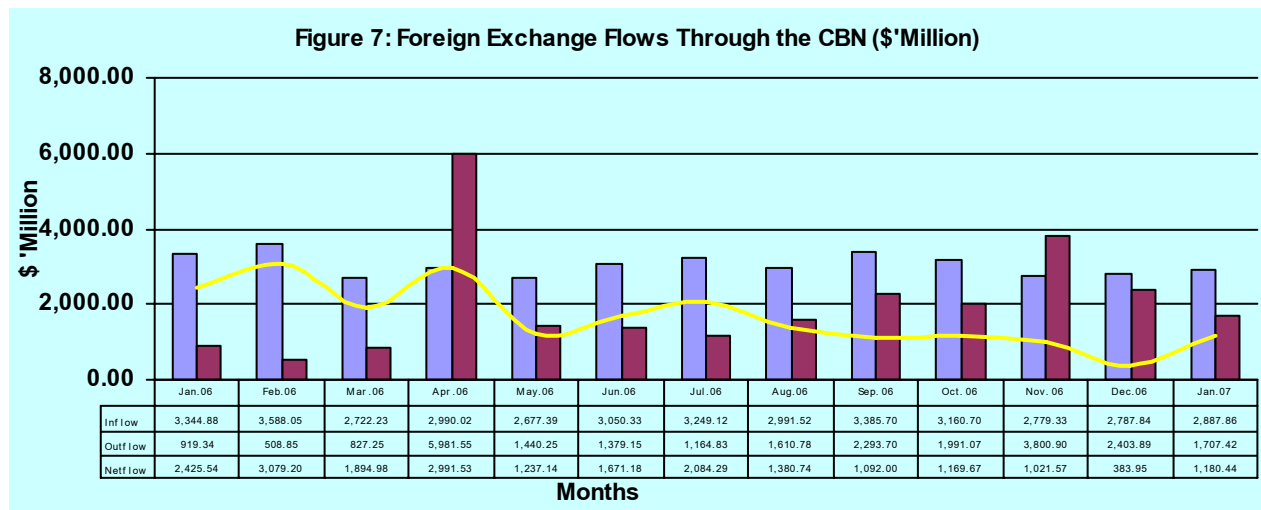
4.2 Non-Oil Export Proceeds by top 100 Exporters

Non-oil export earnings by Nigeria's top 100 exporters amounted to US\$60.94 million in January, 2007, indicating a decline of 56.0 per cent from

month, as against 36.4 per cent in the preceding month, while the manufacturing sub-sector accounted for 53.2 per cent, compared with 54.5 percent in the preceding month. The share of "others" sub-sector declined from 7.6 per cent to 3.8 percent. The top 100 exporters accounted for 100 per cent of all the non-oil export proceeds in January, 2007.

4.3 Sectoral Utilisation of Foreign Exchange

The general merchandise sector accounted for over a third (34.3 per cent) of total foreign exchange disbursed in January, 2007, followed by the industrial sector (28.7



the preceding month's level.

A breakdown of the proceeds during the month showed that proceeds in respect of the manufacturing, agricultural and 'others' sub-sectors fell by 57.6, 48.8 and 78.4 per cent to US\$32.45 million, US\$26.19 million and US\$2.30 million, respectively, in the review month.

The decline in non-oil export proceeds was attributable largely to the fall in world commodity prices at the international commodities market. The share of the agricultural sector in total non-oil export proceeds was 43.0 per cent during the

per cent). Other beneficiary sectors, in a descending order, included: invisibles (26.6 per cent), food (7.0 per cent), transport (1.9 per cent) and agricultural products (1.5 per cent) (Fig.8).

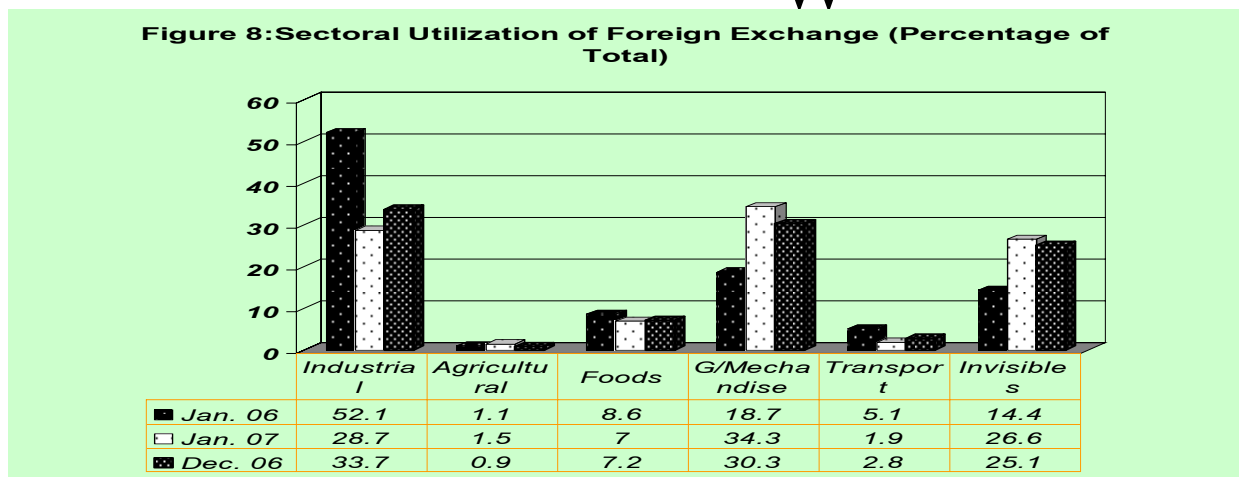
4.4 Foreign Exchange Market Developments

The demand pressure in the foreign exchange market moderated in January 2007, as foreign exchange sales by the CBN to authorized dealers amounted to US\$0.75 billion, representing a decline of 46.5 per cent from the level in preceding month. The development was attributable to the improved activities at the inter-bank foreign exchange market. The weighted average exchange rate of the Naira vis-à-vis the US

US\$41.96 billion recorded in the preceding month. When compared with the level at end-January, 2006, it rose by 39.2 per cent. At the current rate of foreign exchange commitments, the level of reserves could finance about 25.2 months of current foreign exchange disbursement, compared with 20.3 months in December, 2006.

5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output in



dollar depreciated from ₦127.02 per dollar in December to ₦128.28 per dollar in January 2007. In the bureaux de change segment of the market, the rate, also, depreciated marginally by 0.1 per cent to ₦130.06 per dollar from ₦129.98 per dollar in December, 2006.

Consequently, the premium between the official and bureaux de change rates widened slightly from 1.3 per cent in December, 2006 to 1.4 per cent.

4.5 External Reserves

Available data showed that Nigeria's gross external reserves at end-January, 2007 stood at US\$43.59 billion, representing an increase of 3.9 per cent over the level of

January 2007 was estimated at 86.00 million barrels per day (mbd), while demand was estimated at 84.50 mbd, compared with 85.40 mbd in the preceding month, indicating an excess supply of 1.5 mbd. The decline in demand was attributable to the prevailing warm weather in the United States.

Other major international economic developments of relevance to the domestic economy during the month included: the launching of African Development Bank's (AfDB) first Naira (NGN) denominated bond issue in January, 2007 with a maturity of one year, valued at ₦12,780 million (the NGN equivalent of USD 100 million) and a fixed coupon of 9.25 per cent. It is the

Bank's largest issue denominated in a local currency to date and the first issue with an Africa-based lead manager—Standard Bank, Africa's largest bank by capital. The note which is listed on the Luxembourg Stock Exchange was the first cross-currency interest rate swap executed by a Nigerian bank, First Bank of Nigeria, Standard Bank's partial hedge counterparty. The note is the first investment-grade money-market instrument that offers non-residents exposure to Nigeria which allows trading flexibility and settlement through international clearing houses.

In another development, the 31st Summit of Heads of State and Government of the Economic Community of West African States (ECOWAS) took place in Ouagadougou, Burkina Faso on January 19, 2007.

The major highlights of the summit were as follows:

- The Authority adopted reports focused on the ECOWAS regional integration and cooperation programmes, institutional issues, regional peace and security.
- For greater credibility to the second monetary zone and to the realization of the ECOWAS single currency, member states were urged to redouble efforts to comply with the macro-economic convergence criteria through strict budgetary discipline and structural reforms.
- The Summit urged member states to take all necessary measures to implement the protocol on free movement of persons, and the right of residence and establishment.
- The Authority expressed concern over the numerous obstacles still existing along West African highways and at the borders of

ECOWAS member states. It expressed satisfaction at the decision of the Council of Ministers to establish pilot units on the Lagos-Cotonou, Lomé-Accra, Abidjan-Ouagadougou, and Bamako-Conakry axes and to create a central coordination and monitoring bureau.

- The Summit called for policy harmonization in the infrastructural sector. Thus, on telecommunications, the Summit adopted a regional telecommunications policy and a regulatory framework covering specific areas, such as interconnection to ICT and services networks, licence regimes, management of the radio frequency spectrum.
- On energy, the progress made in the construction of the West African Gas Pipeline was acknowledged. The Heads of State further noted the positive evolution in the establishment of the Power Pool system, charged with linking electricity grids of the member states with a view to eliminating the energy deficits within the region.
- The Heads of State and Government lauded the transformation of the Executive Secretariat into a Commission, as well as the restructuring of the institutions of ECOWAS.
- President Blaise Compaoré of Burkina Faso was elected as the new Chairman of ECOWAS.

Also, the 4th Session of the Nigeria/Korea Joint Commission was held in Seoul, Republic of Korea from January 23 – 25, 2007. It was convened to discuss and agree on issues such as visa, zero customs tariff, and establishment of banking facilities in the two countries.

The major highlights of the meeting were as follows:

- The two countries exchanged information on the requirements for banking business in each country, with Nigeria receiving documents on Financial Supervisory System in Korea; and Regulation on Supervision of Banking Business from the Korean side.
- The Koreans requested the Nigerian side to allocate to the Korean National Oil Corporation, oil blocks that have been surveyed and assessed as productive as incentive for the financing of the railway and power generation projects. Their attention was drawn to the Due Process of obtaining oil blocs in Nigeria.
- On electricity power stations and associated gas pipelines, a Korean company POSCO E&C has agreed to construct two thermal power stations in Nigeria: one each in Abuja and Kaduna.