CENTRAL BANK OF NIGERIA

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CENTRAL BANK OF NIGERIA

QUARTERLY ECONOMIC REPORT

The Central Bank of Nigeria Quarterly Economic 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, fiscal, 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

Aggregate output growth measured by the gross domestic product (GDP) was estimated at 5.73 per cent during the second quarter of 2007, compared with 5.65 per cent in the preceding quarter. The growth was driven by the non-oil sector which was estimated at 9.2 per cent. Available data indicated growth in monetary aggregate during the review quarter. Broad money supply (M_2) increased by 2.0 per cent relative to the preceding quarter, while, narrow money supply (M_1) declined by 4.0 per cent. The increase in M_2 was attributable to the rise in foreign and other assets (net) of the banking system.

Available data indicated a general decline in banks' deposit and lending rates in the second quarter of 2007. The spread between the weighted average deposit and maximum lending rates narrowed from 11.10 percentage points in the preceding quarter to 11.03 percentage points. However, the margin between the average savings deposit and maximum lending rates, widened from 14.62 to 14.96 percentage points during the quarter. The weighted average inter-bank call rate, rose from 7.28 per cent in the preceding quarter to 8.00 per cent at end-June 2007, reflecting the tight liquidity condition in the inter-bank funds market.

The value of money market assets outstanding increased by 14.4 per cent to =N=2,032.2 billion over the level in the preceding quarter. The rise was attributable to the 28.72, 21.4 and 21.2 per cent increases in Bankers Acceptances, outstanding FGN Bonds and Commercial Papers (CP), respectively. Activities on the Nigerian Stock Exchange indicated improved performance during the review quarter as all the market indicators rose. Total federally-collected revenue during the second quarter of 2007 stood at =N=1,094.25 billion, and represented a decline of 11.2 and 10.6 per cent from the proportionate budget estimate and the level in the preceding quarter, respectively. At =N=917.09 billion, oil receipts constituted 83.3 per cent of the total, representing a decline of 3.6 and 10.0 per cent from the budget estimate and the level in the preceding quarter, respectively. The fall in oil receipts relative to the level in the preceding quarter, was attributable to the restiveness in the Niger Delta area. Similarly, non-oil receipts, at =N=177.15 billion or 16.2 per cent of the total, was lower than the receipts in the preceding quarter and the budget estimates by 14.0 and 36.9 per cent, respectively. The fall in non-oil receipts relative to the preceding quarter was attributable to the decline in Customs & Excise Duties and Companies Income Tax (CIT) collections. Federal Government retained revenue for the second quarter of 2007 was =N=622.8 billion, while total expenditure was =N=451.2 billion. Thus, the fiscal operations of the Federal Government was estimated to have resulted in a surplus of =N=171.6 billion, in contrast to the proportionate budgeted deficit of =N=107.4 billion.

The major agricultural activities in the review quarter following the increased rainfall in most part of the country included: cultivation of crops such as maize, upland rice and vegetables. The prices of most Nigerian major agricultural commodities at the London Commodities Market were favourable during the review quarter. Activities in the industrial sector improved during the second quarter of 2007 as the estimated index of industrial production rose by 0.2 and 1.8 per cent from its level in the preceding quarter and the corresponding period of 2006.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.18 million barrels per day (mbd) or 198.38 million barrels for the quarter under review, compared with 2.15 mbd in the preceding quarter. Crude oil export was estimated at 1.73 mbd or 157.43 million barrels for the quarter, while deliveries to the refineries for domestic consumption remained at 0.45 mbd or 40.95 million barrels for the quarter. The average price of Nigeria's reference crude, the Bonny Light (37^0 API), estimated at US$71.18 per barrel, rose by 18.8 per cent over the level in the preceding quarter. The end-period inflation rate for the second quarter of 2007, on a year-on-year basis, was 6.4 per cent, compared with 5.2 and 8.5 per cent recorded at the end of the preceding quarter and the corresponding period of 2006, respectively. Inflation rate on a twelve-month moving average basis was 5.9 per cent, compared with 7.2 and 15.5 per cent in the preceding quarter and corresponding period of 2006, respectively, reflecting largely the increase in the prices of some food items.

The balance of payments account remained favourable in the second quarter of 2007 with an estimated overall surplus of =N=6.5 billion, compared with the surplus of =N=109.8 billion and =N=34.4 billion recorded in the preceding quarter and corresponding period of 2006, respectively. The development was attributable to the improved position of the current account, occasioned by the sustained increase in the international price of crude oil. The gross external reserves remained at the preceding quarter's level of US$42.63 billion, compared with US$36.48 in the corresponding period of 2006. This level of reserves could finance 18.9 months of current import commitments, compared with 17.9 and 19.4 months in the preceding quarter and corresponding period of 2006, respectively.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US$6.41 billion and US$6.23 billion, respectively, resulting in a net inflow of US$0.18 billion during the quarter. Foreign exchange sales by the CBN to the authorized dealers rose to US$4.68 billion from US$4.05 billion in the preceding quarter. The weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated by 0.5 per cent to =N=127.65 per dollar at the WDAS. In the bureaux de change segment of the market, the rate also appreciated by 0.7 per cent to =N=128.83 per dollar from =N=129.80 per dollar. Non-oil export earnings by Nigeria's top 100 exporters amounted to US$337.46 million, indicating an increase of 59.3 per cent over the level in the preceding quarter. The development was attributable largely to the rise in the prices of the commodities traded at the international commodities market during the period.

Other major international economic developments of relevance to the domestic economy during the quarter included: the release of the 2007/2008 World Economic Outlook (WEO) by the International Monetary Fund (IMF). The outlook showed that global growth would moderate to 4.9 per cent during the period. Also, the 40th Session of the United Nations Economic Commission for Africa (UNECA) Conference of Ministers of Finance, Planning and Economic Development was held in Addis Ababa, Ethiopia from April 2-3, 2007;

The Spring Meetings of the Inter-Governmental Group of Twenty-Four (G-24) on International Monetary Affairs & Developments, and the Board of Governors of the International Monetary Fund (IMF) and the World Bank (WB) took place in Washington D.C. from April 12-15, 2007, while the fifteenth meeting of the International Monetary and Financial Committee was held on April 14, 2007.

Others are the meetings of the West African Monetary Zone held in Abuja, Nigeria from May 7 -10, 2007; the 42nd Annual Meetings of the Board of Governors of the African Development Bank (AfDB) Group and the 33rd Annual Meetings of the Board of Governors of the African Development Fund (ADF) held from May 16 - 17, 2007 in Shanghai, China; the World Bank's Global Development Finance 2007 report launched in May 2007, which stated that 2006 was a good year for private capital flows to developing countries; the World Economic Forum on Africa with the theme 'Raising the Bar' held in Cape Town, South Africa from June 13 -15, 2007; and the 33rd G8 Summit which took place in Heiligendamm, Germany from June 6 -8, 2007.

2.0 FINANCIAL SECTOR DEVELOPMENTS

2.1 Monetary and Credit Developments

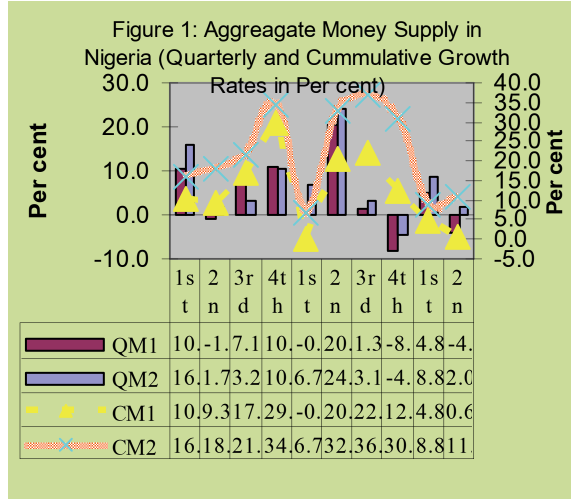
Monetary aggregate grew in the second quarter of 2007, while banks' deposit and lending rates also increased. The value of money market assets increased following largely the rise in Bankers Acceptances (BAs), outstanding FGN Bonds and Commercial Papers (CPs), respectively. Transactions on the Nigerian Stock Exchange (NSE) were bullish as all major market indicators trended upward during the review period.

Available data indicated growth in monetary aggregate in the second quarter of 2007. Broad money supply (M_2) rose by 2.0 per cent to =N=4,079.4 billion, compared with the increase of 8.8 per cent in the preceding quarter. The rise in M_2 was attributable to the increase in foreign and other assets (net) of the banking system. However, narrow money supply (M_1) declined by 4.0 per cent to =N=1,947.2 billion, in contrast to the increase of 4.8 per cent in the preceding quarter. Over the level at end-December 2006, M_2 grew by 11.0 per cent, compared with the target of 19.0 per cent for fiscal 2007 (fig.1 and table 1).

At =N=657.8 billion, aggregate banking system credit (net) to the domestic economy fell by 340.4 per cent in the second quarter of 2007, compared with the decline of 63.7 per cent in the preceding quarter. The development reflected entirely the decline in claims on Federal Government (net) during the period.

Banking system's credit (net) to the Federal Government declined by 50.4 per cent to =N=4,105.6 billion, compared with a decline of 50.7 per cent in the preceding quarter. The decline in the review quarter was attributable to the significant decline in CBN and DMBs loans to the Federal Government during the period.

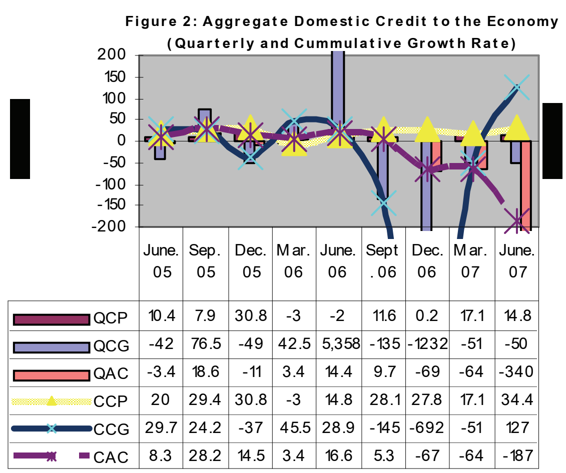
Banking system's credit to the private sector rose by 14.8 per cent to =N=3,447.8 billion, compared with the increase of 17.1 per cent in the preceding quarter and a decline of 2.0 per cent in the corresponding period of 2006. The rise in the review quarter reflected the 14.3 per cent increase in deposit money banks' (DMBs) claims on the core private sector, reinforced by the 49.5 per cent rise in CBN's claims on the sector (fig 2).



At =N=7,661.2 billion, foreign assets (net) of the banking system rose by 9.0 per cent, compared with the increase of 13.0 and 2.6 per cent in the preceding quarter and corresponding period of 2006, respectively. The development was attributable to the 6.3 and 36.8 per cent rise in the CBN and DMBs' holdings, respectively.

Quasi money rose by 8.2 per cent to =N=2,132.1 billion, compared with the increase of 13.2 per cent and an increase of 7.7 per cent in the preceding quarter and corresponding period of 2006, respectively. The development was attributable to the increase in all the components namely, time, savings and foreign currency deposits of the DMBs during the quarter.

Other assets (net) of the banking system, also, rose by 11.4 per cent to =N=2,924.0 billion, in contrast to the decline of 0.1 per cent in the preceding quarter. The increase reflected largely the rise in unclassified liabilities of the CBN during the quarter under review.



2.2 Currency-in-circulation and Deposits at the CBN

At =N=713.8 billion, currency in circulation fell by 1.9 per cent in June, 2007 from the level in March, 2007. The fall was traceable to the decline of 13.1 per cent in currency outside the banking system during the period.

Total deposits at the CBN amounted to =N=4,862.3 billion, indicating an increase of 12.0 per cent over the level in the preceding quarter. The development was attributable to the 12.5 per cent rise in Federal Government's deposits, reinforced by the 25.9 per cent increase in deposit money banks' deposits. The shares of the Federal Government, banks and "others" in total deposits at the CBN were 96.7, 0.4 and 2.9 per cent, respectively, compared with the shares of 96.3, 2.6 and 1.1 per cent, in the first quarter of 2007.

2.3 Interest Rate Developments

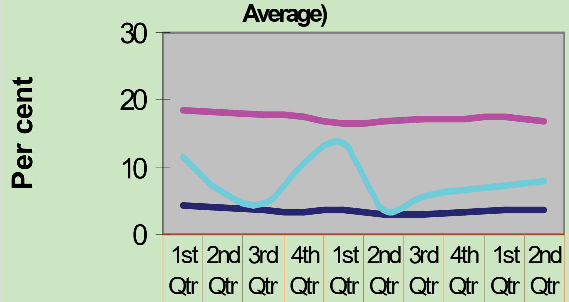
Available data indicated a general decline in banks' deposit and lending rates in the second quarter of 2007. With the exception of the seven-day and over 12-month savings rates which rose by 0.2 and 0.8 percentage points to 5.74 and 10.06 per cent, respectively, all other rates fell during the review quarter. The average savings rate declined by 0.5 percentage point to 3.78 per cent, while other rates on deposits of various maturities declined from a range of 4.19 – 10.48 per cent in the preceding quarter to 3.60 – 10.25 per cent. Similarly, the average maximum and prime lending rates declined by 0.2 and 0.3 percentage points to 18.74 and 16.92 per cent, respectively. Consequently, the spread between the weighted average deposit and maximum lending rates narrowed from 11.10 percentage points in the preceding quarter to 11.03 per cent. Similarly, the margin between the average savings deposit and maximum lending rates widened from 14.62 percentage points in the preceding quarter to 14.96 percentage points.

The weighted average inter-bank call rate, which stood at 7.28 per cent in the preceding quarter, rose to 8.00 per cent at end-June, 2007, reflecting the liquidity squeeze in the inter-bank funds market.

2.4 Money Market Developments

The Bank's monetary operations during the second quarter of 2007 were driven by the need to rein in on the persistent excess liquidity in the system, deepen the market and enhance the liquidity of government instruments.

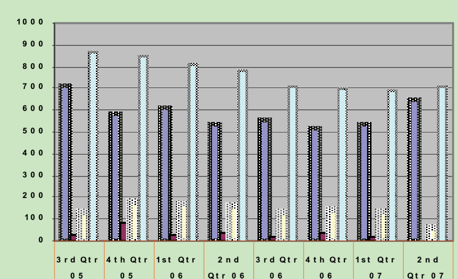
Figure 3: Selected Bank Interest Rates (Percent, Average)



	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr
Savings	4.3	4	3.6	3.3	3.5	3	2.9	3.1	3.6	3.8
Prime	19	18	18	18	17	17	17	17	17	17
Maximum	20	19	19	19	18	18	19	19	19	19
Inter-bank	12	6.2	4.7	10.5	13.4	3.6	5.7	6.7	7.3	8.00

The two-way quote trading between the Bank and the Money Market Dealers (MMDs) and the pilot run of trading amongst MMDs commenced in June 2007. Furthermore, given the relative stability and the performance of the domestic economy, the Monetary Policy Rate (MPR) was reviewed downwards by 200 basis points, i.e. from 10.0 per cent to 8.0 per cent. Similarly, the width of the interest rate corridor was reduced from +/- 300 to +/- 250 basis points. Cumulative overnight deposits made by the deposit money banks and discount houses amounted to =N=5,872.03 billion during the review quarter, compared with =N=6,946.68 billion in the preceding quarter.

Figure 4: Treasury Bills Holdings (N' Billion)



	3rd Qtr 05	4th Qtr 05	1st Qtr 06	2nd Qtr 06	3rd Qtr 06	4th Qtr 06	1st Qtr 07	2nd Qtr 07
Banks/ D.H	709.8	585.0	611.6	541.1	558.7	520.6	538.2	647.7
CBN	24.5	82.7	32.0	35.8	18.4	33.4	16.4	0.6
Others	137.3	187.2	171.5	164.2	138.2	147.4	141	68.6
Total	871.6	854.8	815.1	785.4	715.3	701.4	695.6	716.9

The value of money market assets outstanding at the end of the second quarter of 2007 increased by 14.4 per cent to =N=2,032.2 billion, compared with the increase of 8.5 per cent in the preceding quarter.

The rise was attributable largely to the 28.72 and 21.2 per cent increases in Bankers Acceptances (BAs) and outstanding FGN Bonds, reinforced by the 21.4 per cent rise in Commercial Papers (CP) during the quarter. Treasury Bills outstanding, also increased by 3.1 per cent to =N=716.9 billion.

Data on holdings of treasury bills outstanding indicated that holdings by the DMBs and discount houses rose by 20.4 per cent over the level in the preceding quarter to =N=647.7 billion. However, holdings by the non-bank public and CBN, declined by 51.3 and 96.3 per cent to =N=68.6 billion and =N=0.6 billion, respectively.

Treasury bills worth =N=359.90 billion were offered during the second quarter of 2007, compared with =N=343.10 billion in the preceding quarter. Subscriptions and sales stood at =N=891.7 billion and =N=359.90 billion, respectively, compared with =N=712.90 billion and =N=343.10 billion in the preceding quarter. The sustained patronage in the market was attributed largely to the safe attributes of the government securities. Analysis of the offer showed that the share of DMBs and discount houses declined by 5.0 per cent from the preceding quarter's level to =N=200.0 billion or 55.6 per cent of the total, while investment by the non-bank public stood at =N=159.9 billion, representing 44.4 per cent of the total amount issued. Open market operations remained the major tool for liquidity management during the review quarter. Subscription and sales of the intervention security stood at =N=126.6 billion and =N=743.6 billion, compared with =N=285.1 billion and =N=307.2 billion, respectively, in the preceding quarter. The higher sales reflected the attractive rates on the securities.

2.5 Deposit Money Banks' Activities

Available data indicated that total assets/liabilities of the DMBs amounted to =N=7,749.0 billion, representing an increase of 10.5 and 28.9 per cent over the levels in the preceding quarter and corresponding period of 2006, respectively. The development was attributed largely to the rise in balances held with banks outside Nigeria.

Funds, which were sourced mainly from demand deposits, time, savings and foreign currency deposits, were used mainly to extend credits to the core private sector and accumulation of foreign assets.

At =N=3,869.0 billion, credit to the domestic economy rose by 9.1 per cent over the level in the preceding quarter. The increase was attributed wholly to the 14.4 per cent rise in claims on the core private sector.

Central Bank's credit to the DMBs fell by 1.2 per cent to =N=9.8 billion in the review quarter, reflecting complete absence of CBN overdraft to DMBs.

Total specified liquid assets of the DMBs stood at =N=2,124.7 billion, representing 44.5 per cent of their total deposit liabilities. At that level, the liquidity ratio fell by 14.9 percentage points from the preceding quarter's level. This level of assets was 4.5 percentage points above the stipulated minimum ratio of 40.0 per cent for fiscal 2007.

2.6 Discount Houses

Total assets/liabilities of the discount houses stood at =N=223.6 billion in the second quarter of 2007, indicating an increase of 12.9 and 33.6 per cent over the levels in the preceding quarter and corresponding period of 2006, respectively. The rise in assets relative to the preceding quarter was attributable to the 49.7 per cent increase in claims on Federal Government. Similarly, the increase in total liabilities was attributable to the 60.2 and 16.9 per cent rise in other amount owing to DMBs and capital & reserves, respectively, during the period. Discount houses' investments in Federal Government securities of less than 91 days maturity amounted to =N=104.3 billion, representing 46.7 per cent of their total deposit liabilities. At this level, discount houses' investments declined by 18.0 per cent from the level in the preceding quarter, but increased by 11.0 per cent over the level in the corresponding period of 2006. This level of investment was 13.3 percentage points below the prescribed minimum level of 60.0 per cent for fiscal 2007.

Total borrowing by discount houses was =N=143.4 billion, while their capital and reserves amounted to =N=17.4 billion, representing an increase of 31.7 and 101.1 per cent from the levels in the preceding quarter and the corresponding period of 2006, respectively. Thus, resulting in a gearing ratio of 8.2:1, compared with the stipulated maximum target of 50:1 for fiscal 2007.

2.7 Capital Market Developments

Transactions on the Nigerian Stock Exchange in the second quarter of 2007 indicated improved performance. The aggregate volume and value of traded securities rose by 44.3 and 58.1 per cent to 37.8 billion shares and =N=530.6 billion, respectively, compared with 26.2 billion shares and =N=335.6 billion, in the preceding quarter.

It rose significantly by 447.8 and 438.7 per cent, respectively, when compared with the corresponding period of 2006. The banking sub-sector remained the most active on the Exchange. The Federal Government and industrial loans/preference stocks, however, recorded no dealings. The rise in the quarter under review was attributable to the higher transactions from the blue chip companies, coupled with portfolio review by investors. Transactions on the Over the Counter (OTC) bond market indicated a turnover of 494.68 million units worth =N=538.30 billion in the review quarter, compared with 232.31 million units worth =N=248.70 billion in the preceding quarter. The most active bond was the FGN Bond 2010 with a traded volume of 11.75 million units valued =N=12.6 billion. In the first six months of the year, total turnover in the capital market amounted to 64.1 billion shares valued =N=666.2 billion.

The new issues market remained active during the quarter under review with the approval of two (2) public offers, two (2) right issues, one (1) private placement, six (6) supplementary offers and one debt to equity conversion. The volume and value of the issues amounted to 15.3 billion and =N=196.78 billion, respectively. Activities in this segment of the market are expected to be enormous in the next couple of months, as more banks continued to besiege the market for additional capital. Also, the issuance of the 4th FGN bonds continued as three FGN Bonds namely, the 3-year series 4, 5-year series 5 and 7-year series 6 of bonds valued =N=160.0 billion were admitted on the floor of the Exchange. In addition, the 5-year =N=11.7 billion FGN Contractors' bond 2012 was admitted on the daily official list of the Exchange. The Contractors' bond was issued to settle debt owed to local contractors at a fixed coupon rate of 13.5 per cent.

The All-Share index rose by 18.1 per cent to close at 51,330.46 (1984 = 100), while the total market capitalization of the 302 listed securities rose by 25.4 per cent to =N=8.9 trillion in the review quarter. The development was attributable largely to the price gains recorded by the highly capitalized companies in the banking, insurance and food beverages and tobacco sub-sectors, quoted on the Exchange.

In another development, the Federal Government approved new minimum capital base for all capital market operators in the country. The new capital base would strengthen and reposition the operators to cope with the expected challenges and global competition in line with the objectives of the Federal Government's economic reform programme. It would also bring together fringe players, thus paving the way for well capitalized and properly structured organizations in the nation's capital market. Under the new capital base, the minimum paid-up capital for issuing houses has been increased from N150 million to N2 billion; brokers/dealers, from N70 million to N1 billion; Clearing and settlement Agency, from N500 million to N1 billion; Registrars, from N50 million to =N=500 million.

Figure 5: Volume and value of traded securities

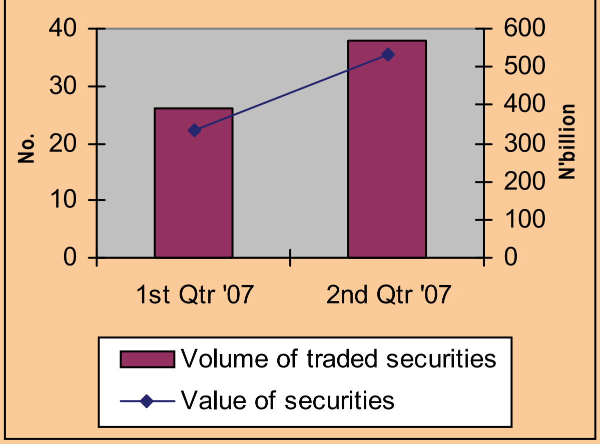
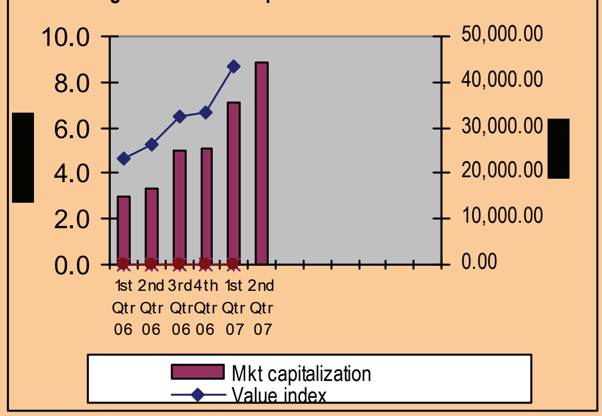


Figure 6: Market capitalization and value index



Underwriters who before now had a minimum capital base of =N=100 million are now required to have =N=2 billion; Fund/Portfolio Manager, from =N=20 million to =N=500 million, while Corporate Sub-brokers with a current capital base of =N=5 million are to raise it to =N=50 million.

Operators not affected by the upward review included stock/commodities exchanges, capital trade points, commodities brokers, venture capital managers and individual investment advisers. Others are consultants (individual and corporate), rating agencies, corporate investment advisers and trustees. This is aimed at encouraging a smooth take off of these relatively new areas of capital market operations in Nigeria.

Existing operators has been given up to December 31, 2008 by the Securities and Exchange Commission (SEC) to comply with the new capital requirements either through capital increases or mergers/acquisitions, adding that no extension will be granted.

In a related development, a 40 per cent reduction in all capital market fees for both primary and secondary market transactions was approved during the quarter under review. The reduction in cost is the culmination of industry-wide efforts at ensuring that the domestic capital market is made more competitive to attract both local and foreign investments into the country. Average equities transaction cost in the primary market has been reduced from 6.92 per cent to 4.32 per cent, while transaction cost on bonds has been reduced from 7.03 per cent to 4.79 per cent. For the secondary market, equities transaction costs on the buy side have been reduced from 4.07 per cent to 2.36 per cent, while the sell side is now 2.65 per cent down from 4.12 per cent. The new fee regime came into effect on April 24, 2007.

Other approvals during the quarter included 80 per cent mandatory underwriting for public offers; and a code of conduct for shareholders' associations in Nigeria. This is to reduce the incidence of under subscription and ensure that the issuing houses and stockbrokers have higher stakes in the issues they bring to the market.

3.0 FISCAL OPERATIONS

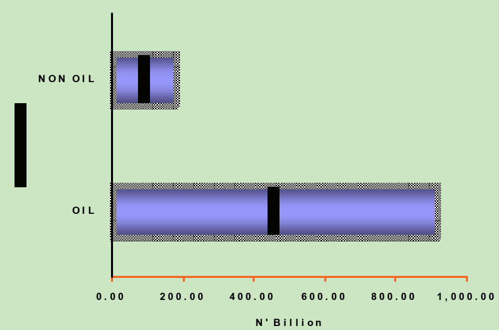
3.1 Federation Account Operations

Total federally-collected revenue during the second quarter of 2007 stood at =N=1,094.25 billion, representing a decline of 11.2 and 10.6 per cent from the proportionate budget estimate and the level in the preceding quarter, respectively. Total federally-collected revenue fell by 14.9 per cent, compared with the corresponding period of 2006. At =N=917.09 billion, oil receipts which constituted 83.8 per cent of the total, declined by 3.6 and 10.0 per cent from the budget estimate and the level in the preceding quarter, respectively.

The fall in oil receipts relative to the budget estimate was attributable to the restiveness in the Niger Delta region. Similarly, non-oil receipts, at =N=177.15 billion or 16.2 per cent of the total, was lower than the receipts in the preceding quarter and the budget estimate by 14.0 and 36.9 per cent, respectively. The fall in non-oil receipts during the period was attributable to the decline in Customs & Excise duties and Companies Income Tax (CIT) collections (fig 7).

Of the total federally-collected revenue during the review quarter, the sum of =N=705.23 billion was transferred to the Federation Account for distribution among the three tiers of government and the 13% derivation fund. The Federal Government received =N=330.24 billion, while the state and local governments received =N=167.50 billion and =N=129.14 billion, respectively. The balance of =N=78.34 billion went to the 13% derivation fund.

Figure 7: Components of Federally Collected Revenue(=N= Billion)



3.2 The Fiscal Operations of the Three Tiers of Government

3.2.1 The Federal Government

At =N=622.76 billion, the Federal Government retained revenue for the second quarter of 2007 were 30.5 and 31.6 per cent higher than the proportionate budget estimate and the receipts in the preceding quarter, respectively. The increase in retained revenue was attributable to the payment of =N=100.00 billion due to the Federal Government from the FGN Natural Resources Development Account during the month of May 2007.

At =N=451.17 billion, total expenditure for the period fell by 7.0 and 22.8 per cent from the levels in the preceding quarter and the proportionate budget estimate, respectively. The decline in total expenditure for the period relative to the preceding quarter and budget estimate was attributable largely to the reductions in personnel costs and the decline in interest payments on domestic debts. A breakdown of total expenditure showed that recurrent, capital and transfers accounted for 55.2, 39.2 and 5.6 per cent, respectively.

The fiscal operations of the Federal Government in the second quarter of 2007 resulted in a surplus of =N=171.59 billion, in contrast to the proportionate budgeted deficit of =N=107.37 billion. Relative to the preceding quarter and the corresponding period of 2006, the fiscal operations of the Federal Government resulted in a deficit of =N=12.03 billion and =N=19.73 billion, respectively.

3.2.2 Statutory Allocations to State Governments

Total receipts, including 13% Derivation and share of Value Added Tax (VAT) by the State Governments from the Federation Account during the second quarter of 2007 stood at =N=279.45 billion, representing a decline of 1.9 per cent from the level in the preceding quarter, but an increase of 7.1 per cent over the level in the corresponding period of 2006. At =N=34.21 billion, receipts from the VAT Pool Account rose by 6.8 and 57.2 per cent over the levels in the preceding quarter and the corresponding period of 2006, respectively. Similarly, at =N=245.24 billion, total receipts from the Federation Account, including the 13% derivation funds fell by 2.9 per cent from the level in the preceding quarter, but increased by 2.5 per cent over the level in the corresponding period of 2006. On monthly basis, the sums of =N=96.99 billion, =N=85.76 billion and =N=96.20 billion were allocated to the 36 state governments in April, May and June 2007, respectively.

3.2.3 Statutory Allocations to Local Government Councils

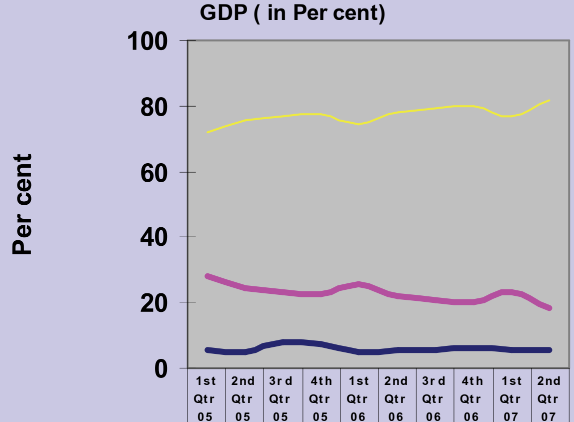
Total receipts by the local governments from the Federation and VAT Pool Accounts during the second quarter of 2007 stood at =N=164.29 billion. This was higher than the levels in the preceding quarter and the corresponding period of 2006 by 3.0 and 6.4 per cent, respectively. Of this amount, allocations from the Federation Account was =N=140.35 billion or 85.4 per cent of the total, compared with 90.1 per cent in the corresponding quarter of 2006.

VAT Pool Account accounted for =N=23.95 billion, which was lower than the level in the preceding quarter by 7.0 per cent, but higher than the corresponding quarter of 2006 by 57.2 per cent. On monthly basis, the sums of =N=63.52 billion, =N=47.67 billion and =N=53.10 billion were allocated to the 774 local governments in April, May and June 2007, respectively.

4.0 DOMESTIC ECONOMIC CONDITIONS

Aggregate output growth in the economy measured by the gross domestic product (GDP) was estimated at 573 per cent during the second quarter of 2007, compared with 5.65 per cent in the preceding quarter. The growth was driven by the non-oil sector which was estimated at 9.2 per cent. The major agricultural activities during the second quarter of 2007 were cultivation of crops such as maize, upland rice and vegetables. Crude oil production was estimated at 2.18 million barrels per day (mbd) or 198.38 million barrels for the quarter. The end-period inflation rate for the second quarter of 2007, on a year-on-year basis, was 6.4 per cent, compared with 5.2 per cent in the preceding quarter. The inflation rate on a 12-month moving average basis was, 5.9 per cent, compared with 8.5 per cent in March 2007.

Figure 8: Trends in Oil and Non-Oil Share of GDP (in Per cent)



	1st Qtr 05	2nd Qtr 05	3rd Qtr 05	4th Qtr 05	1st Qtr 06	2nd Qtr 06	3rd Qtr 06	4th Qtr 06	1st Qtr 07	2nd Qtr 07
GDP Growth	5.5	4.6	7.9	7.6	5	5.5	5.7	6.1	5.65	5.73
Oil Share of GDP	28.2	24.2	23.1	22.4	25.6	21.9	20.8	20.2	23.4	18.4
Non-Oil Share of GDP	71.8	75.8	76.9	77.6	74.4	78.1	79.2	79.6	76.6	81.6

4.1 Agricultural Sector

Agricultural activities during the second quarter of 2007 following the increased frequency of rainfall in most part of the country, consisted of the cultivation of crops such as maize, upland rice and vegetables.

During the quarter under review, a total of =N=542.7 million was guaranteed to 6,932 farmers under the Agricultural Credit Guarantee Scheme (ACGS). This amount represented a decline of 11.0 per cent from the level in the preceding quarter as against an increase of 39.2 per cent over the level in the corresponding quarter of 2006. A sub-sectoral analysis of the loans guaranteed indicated that the food crops sub-sector had the share of =N=481.9 million or 88.8 per cent guaranteed to 6,839 beneficiaries, while the livestock sub-sector received =N=31.9 million or 5.9 per cent guaranteed to 125 beneficiaries. Also, the fisheries sub-sector obtained =N=22.4 million or 4.1 per cent for disbursement to 93 beneficiaries, while the cash crops sub-sector got =N=4.7 million or 0.9 per cent guaranteed to 26 beneficiaries. The balance of =N=1.8 million or 0.3 per cent went to 9 beneficiaries in the 'others' sub-sector. Further analysis showed that 13 states benefited from the scheme during the quarter, the highest and lowest sums of =N=297.6 million (56.1 per cent) and =N=0.6 million (0.1 per cent) went to Zamfara and Anambra states, respectively.

Retail price survey of most staples by the CBN showed price declines in the second quarter of 2007. Ten of the fourteen commodities monitored, namely guinea corn, yam flour, white beans, white maize, yellow maize, groundnut oil, brown beans, vegetable oil, millet and palm oil recorded price decline of 8.9, 8.5, 6.7, 6.4, 6.4, 6.4, 5.0, 4.9, 4.7 and 4.1 per cent, respectively, from their levels in the preceding quarter. This was, however, moderated by the components of local rice, white garri, eggs and yellow garri whose prices increased by 4.0, 2.2, 2.0 and 0.6 per cent, respectively, during the review quarter.

The prices of most Nigerian major agricultural commodities at the London Commodities Market recorded increases during the review quarter. Of the six commodities, coffee, palm oil, cocoa, copra and soya bean, in dollar terms, recorded price increase of 3.7, 32.9, 15.1, 7.4 and 79.0 per cent, respectively, over the levels in the preceding quarter, while cotton recorded a price decline of 5.4 per cent below the level in the preceding quarter.

In naira terms, five of the six commodities traded, namely, coffee, palm oil, cocoa, copra and soya bean recorded price increase of 3.7,25.6, 15.3, 3.3 and 74.8 per cent, respectively, over the levels in the preceding quarter, while cotton recorded a price decline of 4.1 per cent below the level in the preceding quarter. The prices of palm oil, copra, cocoa, soya bean, coffee and cotton increased by 37.3, 1.5, 16.8, 19.1, 36.5 and 5.3 per cent, respectively, when compared with the levels in the corresponding period of 2006.

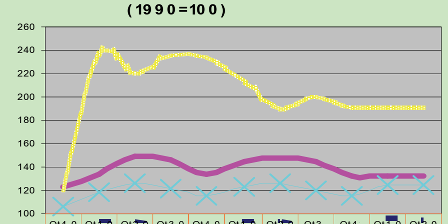
4.2 Industrial Production

Industrial activities during the second quarter of 2007 improved relative to the preceding quarter. At 125.2 (1990=100), estimated index of industrial production improved marginally by 0.6 per cent over the level attained in the preceding quarter but declined by 0.2 per cent relative to the corresponding period of 2006, respectively. The decline relative to the corresponding period of 2006, reflected the fall in manufacturing output and mining production.

The estimated index of manufacturing production, at 93.4 (1990=100), fell by 2.6 per cent from the level in the preceding quarter. The development was attributable to the poor power supply experienced during the period, as well as the increase in the pump price of petroleum products, which raised the cost of production.

At 132.4 (1990=100), the index of mining production rose by 0.2 over the level in the preceding quarter, but declined by 10.6 per cent below the level in the corresponding period of 2006. The decline relative to the corresponding period of 2006 was attributable largely to the shut-down of oil production by oil companies in the Niger Delta region, following attacks by irate militants in the area.

Figure 9: Index of Industrial Production (1990=100)



	Qt4.04	Qt1.05	Qt2.05	Qt3.05	Qt4.05	Qt1.06	Qt2.06	Qt3.06	Qt4.06	Qt1.07	Qt2.07
Manuf.	86.4	91.6	92.5	87.4	86.5	91.9	92.6	87.2	86.6	95.8	93.4
Mining	123.8	134.4	148.8	146.3	133.7	144.4	148.1	145.3	132.8	132.1	132.4
Electricity	119.3	237.5	219.8	234.7	234.5	212.5	189	200.0	190.9	190.5	190.6
All Sectors	106.2	118.2	125.9	121.9	115.3	123.7	125.4	120.6	114.8	124.4	125.2

At 2,794.10 MW/h, estimated average electricity generation fell by 5.3 per cent from the level attained in the preceding quarter. The decline was attributable to the vandalization of gas pipelines in the Niger Delta region, which supplies gas to the thermal stations in the country, as well as the rehabilitation being carried out at the hydro power stations.

At 1,617.0 MW/h, estimated average electricity consumption declined by 2.2 and 8.2 per cent from the levels in the preceding quarter and the corresponding period of 2006, respectively. Of the total, residential consumption accounted for 51.3 per cent, commercial & street lighting accounted for 26.7 per cent, while industrial consumption accounted for 22.0 per cent. The decline in electricity consumption relative to the preceding quarter was attributed to the low supply from the power generating stations, the various forced/ planned power outages, and the emergency load shedding during the period.

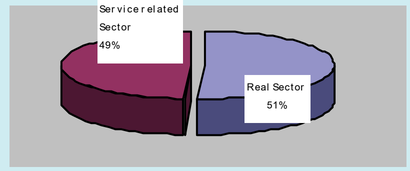
4.3 Small and Medium Enterprises Equity Investment Scheme

A cumulative sum of =N=37.4 billion has been realized under the SMEEIS as at the end of the second quarter of 2007. During the quarter under review, the sum of =N=18.1 billion or 48.5 per cent of the total was set aside for investment in 258 projects. Overall, the total amount invested by banks declined by 2.1 per cent, from the level in the preceding quarter. Sectoral analysis of the cumulative investment showed that the real sector (manufacturing-38.3%, construction-6.1%, agro-allied-6.0% and solid minerals-0.3%) recorded investments worth =N=9.2 billion, (accounting for 50.8 %) in 163 projects, while the service sub-sector (tourism & Leisure-21.6%, services-17.1%, IT & Telecom-9.8%, and Educational Establishment-0.7%) accounted for =N=8.9 billion (49.2%) in 95 projects.

4.4 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids was estimated at 2.18 million barrels per day (mbd) or 198.38 million barrels in the second quarter of 2007, representing a decline of 2.7 per cent from the level in the preceding quarter. Crude oil export was estimated at 1.73 mbd or 157.43 million barrels in the review quarter, compared with 1.70 mbd and 2.42 mbd in the preceding quarter and corresponding period of 2006, respectively. Deliveries to the refineries for domestic consumption remained at 0.45 mbd or 40.95 million barrels in the review quarter.

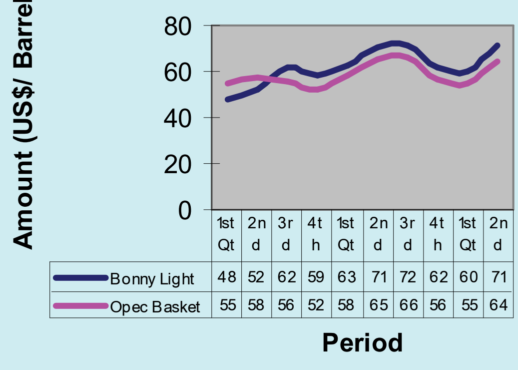
Figure 10: Distribution of Value of SMEEIS Investments As At June 2007



At an estimated average of US$71.18 per barrel, the price of Nigeria's reference crude, the Bonny Light (37º API), rose by 18.8 per cent over the level in the preceding quarter. The average prices of other competing crudes namely, the West Texas Intermediate, the U.K Brent, the Arab Light, and the Forcados also rose by 12.0, 20.3, 19.4 and 19.2 per cent to US$64.62, US$68.82, US$63.16 and US$71.02 per barrel, respectively. The average price of OPEC's basket of eleven crude streams rose by US$9.8 per barrel to US$64.36 over the level in the preceding quarter. The increase in price was attributable to the high demand due to emerging summer driving in the United States of America as well as the higher demand from Asia. The supply shortfalls from Nigeria and tight output from the North sea, as well as Cyclone Gonu which threatened petroleum production infrastructure and shipping in the Middle East contributed to the price increase.

4.5 Consumer Prices

Figure 11: Trends in Crude Oil Price



Available data showed that the all-items composite Consumer Price Index (CPI) for the end of second quarter, 2007 was 164.3 (May 2003=100), representing an increase of 3.2 and 6.4 per cent over the levels in the preceding quarter and corresponding period of 2006, respectively. The development was attributable to the increase in the prices of some food items and building materials, fuels, transportation and services.

The urban all-items CPI at the end of second quarter, 2007 was 183.50 (May 2003=100), indicating an increase of 2.9 and 12.0 per cent over the levels in the preceding quarter and corresponding quarter of 2006, respectively. Similarly, the rural all-items CPI for the quarter stood at 156.00 (May 2003=100), and represented an increase of 3.4 and 3.8 per cent over the levels in the preceding quarter and corresponding period of 2006, respectively. The end-period inflation rate for the second quarter of 2007, on a year-on-year basis, was 6.4 per cent, compared with 5.2 and 8.5 per cent recorded in the preceding quarter and corresponding quarter of 2006, respectively. The inflation rate on a twelve- month moving average basis for the second quarter in 2007 was 5.9 per cent, compared with 7.2 and 15.5 per cent recorded in March 2007 and the corresponding period of 2006, respectively. The development reflected largely the stability in the supply of petroleum products and the harvest of agricultural products such as maize, yam, vegetables and fruits.

5.0 EXTERNAL SECTOR DEVELOPMENTS

5.1 Balance of Payments

The balance of payments account remained favourable in the second quarter of 2007 with an estimated overall surplus of =N=6.5 billion, compared with the surplus of =N=109.8 billion and =N=34.4 billion recorded in the preceding quarter and the corresponding period of 2006, respectively. The development was attributable to the improved position recorded in the current account occasioned by the sustained increase in the international price of crude oil during the period. The current account surplus, increased by 43.0 per cent over the level in the preceding quarter. The capital and financial account, however, recorded a deficit of =N=1,231.2 billion, compared with a deficit of =N=762.7 billion in the preceding quarter (fig. 10).

The gross external reserves remained at the preceding quarter's level of US$42.63 billion, compared with US$36.48 in the corresponding period of 2006. This level of reserves could finance 18.9 months of current import commitments, compared with 17.9 and 19.4 months in the preceding quarter and corresponding period of 2006, respectively.

Figure12: Quarterly Consumer Price Indices in Nigeria (2003=100)

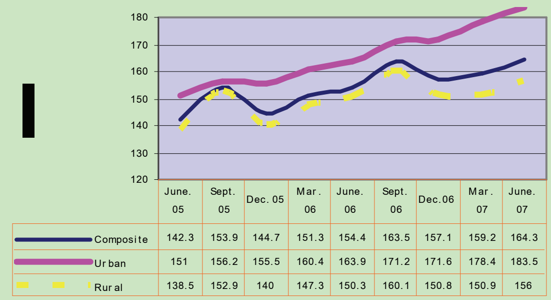
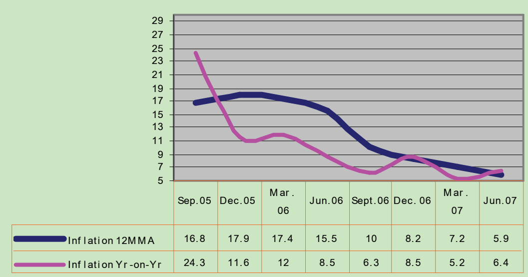
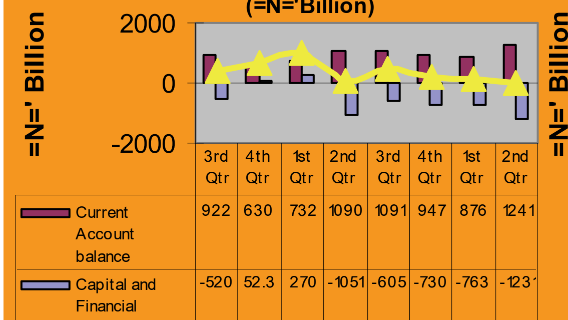


Figure 13: Inflation Rate in Nigeria (Per Cent)



Source: National Bureau of Statistics (NBS), Abuja

Figure 14: Balance of Payments Estimates (=N='Billion)



5.1.1 The Current Account

The current account surplus rose by 43.0 and 13.9 per cent, over the levels in the preceding quarter and the corresponding period of 2006, respectively, to =N=1,241.4 billion. The development was attributed to the huge inward transfers recorded in bank returns as well as increased export earnings from crude oil. The balance in the goods account rose from a surplus of =N=486.4 billion in the preceding quarter to =N=741.9 billion. The development was attributable to the increase in international price of crude oil during the period. The current transfers account (net) rose by 28.4 and 92.4 per cent to =N=499.2 billion over the levels in the preceding quarter and corresponding period of 2006, respectively. Furthermore, the inflows through the general government recorded a deficit of =N=5.0 billion, while "other sectors" recorded a higher inflows of =N=504.2 billion. The development was attributable to the high level of inflow through personal home remittances by Nigerians abroad during the review quarter.

5.1.2 The Capital and Financial Account

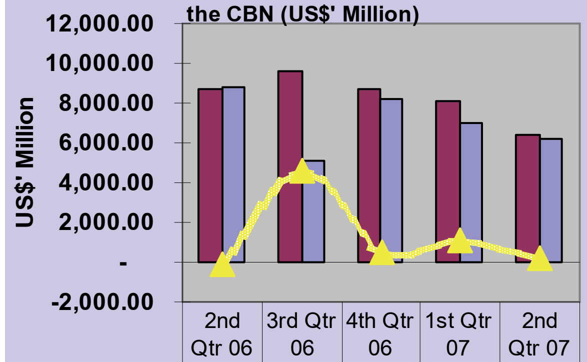
The capital and financial account recorded a deficit of =N=1,231.2 billion, compared with a deficit of =N=762.7 billion and =N=1,050.7 billion in the preceding quarter and corresponding period of 2006, respectively. The private component of other investment recorded a deficit of =N=1,480.6 billion, compared with a deficit of =N=1,001.6 billion and =N=1,245.5 billion in the preceding quarter and the corresponding period of 2006, respectively.

5.2 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in the second quarter of 2007 amounted to US$6.41 billion and US$6.23 billion, respectively, representing a net inflow of US$0.18 billion. Relative to the respective levels of US$8.15 billion and US$7.02 billion in the preceding quarter, inflow and outflow declined by 21.3 and 11.3 per cent, respectively. The fall in inflow was attributable to the decline in oil earnings occasioned by the reduction in the volume of oil production, resulting from the continued restiveness in the Niger Delta region, while the decline in outflow was largely attributable to the fall in other official payments during the period.

Provisional data on aggregate foreign exchange flows through the economy indicated that total inflow amounted to US$13.86 billion, representing a decline of 11.3 and 0.9 per cent from the levels in the preceding quarter and corresponding period of 2006, respectively. Oil sector receipts, which accounted for 41.3 per cent of the total, stood at US$5.72 billion, compared with US$6.81 billion or 43.6 per cent and US$7.97 billion or 50.1 per cent in the preceding quarter and corresponding period of 2006, respectively. Non-oil public sector inflows which accounted for 5.0 per cent of the total, fell by 48.1 per cent, while autonomous inflow which accounted for 53.8 per cent fell by 0.3 per cent.

Figure 15: Foreign Exchange Flow Through the CBN (US$' Million)



	2nd Qtr 06	3rd Qtr 06	4th Qtr 06	1st Qtr 07	2nd Qtr 07
Inflow	8,717.7	9,626.3	8,727.9	8,146.2	6,406.1
Outflow	8,800.9	5,069.3	8,195.8	7,017.0	6,226.8
Netflow	-83.21	4,557.0	532.05	1,129.2	179.32

At US$6.45 billion, aggregate foreign exchange outflow from the economy fell by 9.8 and 28.5 per cent from the levels in the preceding quarter and the corresponding period of 2006, respectively. The decline in outflow relative to the preceding quarter was attributable to the 42.4 and 83.9 per cent fall in 'other official payments' and external debt service payments, respectively. The decline was, however, moderated by the 72.0 and 15.5 per cent rise in autonomous inflows and foreign exchange sales at the Wholesale Dutch Auction System (WDAS), respectively. Consequently, a total inflow of US$13.86 billion was recorded during the review quarter, representing a net inflow of US$7.41 billion, compared with the net inflow of US$8.49 billion and US$5.31 billion in the preceding quarter and the corresponding period of 2006, respectively.

5.3 Non-Oil Export Proceeds by top 100 Exporters

Total non-oil export earnings by Nigeria's top 100 exporters increased by 59.3 per cent over the level in the preceding quarter to US$337.46 million in the review period.

A breakdown of the proceeds in the review quarter showed that proceeds in respect of the agricultural, manufacturing and “others” sub-sectors rose from US$109.07 million, US$94.82 million and US$7.98 million in the preceding quarter to US$128.51 million, US$164.85 million and US$44.10 million, respectively.

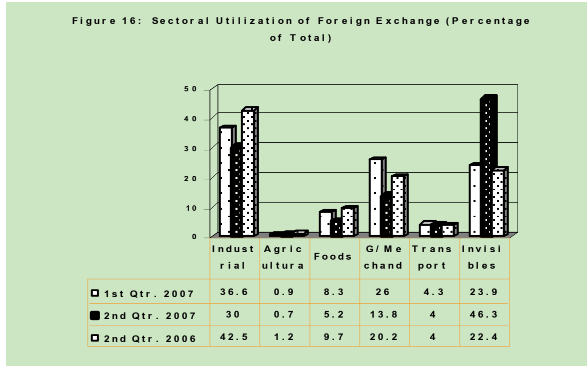
The shares of agricultural, manufacturing and “others” sub-sectors in total non-oil export proceeds were 38.1, 48.9 and 13.0 per cent, respectively, compared with 51.5, 44.7 and 3.8 per cent, in the preceding quarter. The rise in the shares of agricultural, manufacturing and “others” sub-sectors was attributable largely to the increase in the prices of the goods traded at the international market. The top 100 exporters accounted for 99.6 per cent of all the non-oil export proceeds in the second quarter of 2007.

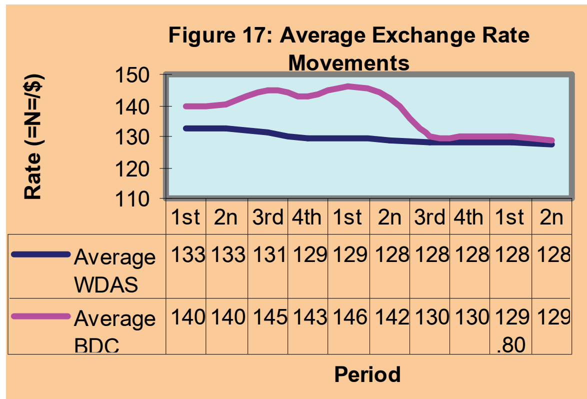
5.4 Sectoral Utilisation of Foreign Exchange

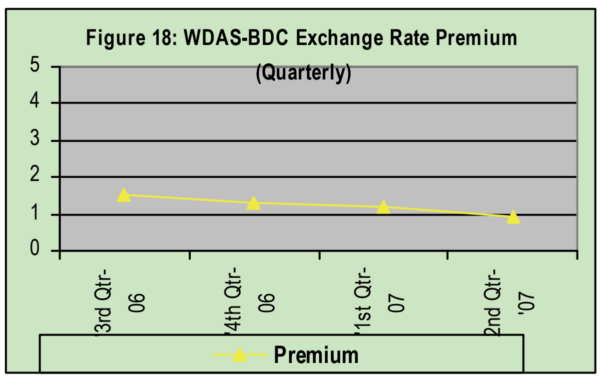
The invisibles accounted for the bulk (46.3 per cent) of total foreign exchange disbursed in the second quarter of 2007, followed by industrial sector (30.0 per cent). Other beneficiary sectors, in a descending order of importance, included: general merchandise (13.8 per cent), food (5.2 per cent), transport (4.0 per cent) and agricultural products (0.7 per cent) (Fig.12).

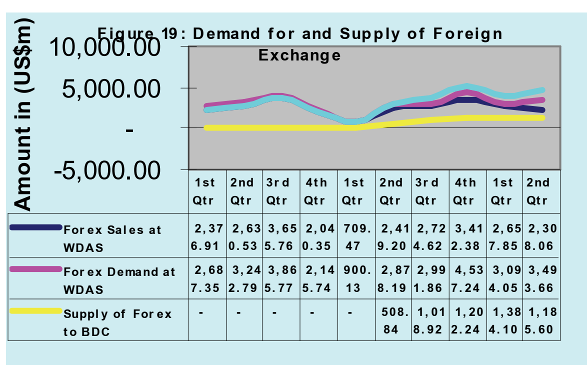
5.5 Foreign Exchange Market Developments

Foreign exchange sales by the CBN to end-users through the authorized dealers stood at US$4.68 billion, indicating an increase of 14.9 and 56.7 per cent over the levels in the preceding quarter and the corresponding period of 2006, respectively. Under the WDAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar appreciated by 0.5 per cent to =N=127.65 per dollar from =N=128.23 per dollar in the preceding quarter. It also showed an appreciation of 0.6 per cent over the level in the corresponding period of 2006. The development reflected the further efforts made at liberalizing the foreign exchange market under the Wholesale Dutch Auction System (WDAS) during the quarter under review. In the bureaux de change segment of the market, the average rate, also, appreciated by 0.7 per cent from =N=129.80 per dollar in the first quarter of 2007 to =N=128.83 per dollar. Consequently, the premium between the official and bureaux de change rates narrowed slightly from 1.2 per cent in the preceding quarter to 0.9 per cent. The development was attributable to the effective liquidity management by the monetary authority.









6.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output in the second quarter of 2007 was estimated at 85.48 million barrels per day (mbd), while demand was estimated at 84.50 mbd, representing a marginal increase of 0.1 and 0.2 per cent, respectively, compared with 85.40 and 83.33 mbd supplied and demanded in the preceding quarter. The increase in demand was attributable to high demand for summer driving and economic growth in Asia.

Other major international economic developments of relevance to the domestic economy during the quarter included: the release of the 2007/2008 World Economic Outlook (WEO) by the International Monetary Fund (IMF). The outlook showed that global growth would moderate to 4.9 per cent during the period.

The 40th Session of the United Nations Economic Commission for Africa (UNECA) Conference of Ministers of Finance, Planning and Economic Development was held in Addis Ababa, Ethiopia from April 2-3, 2007, with the theme "Accelerating Africa's Growth and Development to meet the Millennium Development Goals (MDGs): Emerging Challenges and the Way Forward" (See April Report).

The Spring Meetings of the Inter-Governmental Group of Twenty-Four (G-24) on International Monetary Affairs & Developments, and the Board of Governors of the International Monetary Fund (IMF) and the World Bank (WB) took place in Washington D.C. from April 12-15, 2007 (See April Report).

The fifteenth meeting of the International Monetary and Financial Committee was held on April 14, 2007 (See April Report).

The meetings of the West African Monetary Zone was held in Abuja, Nigeria from May 7 -10, 2007 (See May Report).

The G7/8 Finance Ministers met on May 19, 2007 to discuss global economic issues in preparation for the Summit of the G8 Heads of State and Government held on June 6-8, 2007 at Heiligendamm, Germany (See May Report).

The Inter-Ministerial Meeting on the Group of Eight Developing Countries' (D-8) was held on May 21, 2007 at the Federal Ministry of Science and Technology (FMST), Abuja (See May Report).

The 42nd Annual Meetings of the Board of Governors of the African Development Bank (AfDB) Group and the 33rd Annual Meetings of the Board of Governors of the African Development Fund (ADF) were held from May 16 -17, 2007 in Shanghai, China (See May Report).

The World Bank's Global Development Finance 2007 report which was launched in May 2007 stated that 2006 was a good year for private capital flows to developing countries. According to the report, flows reached a record of $647 billion in 2006 with Nigeria receiving US$7 billion.

In GDP terms, developing countries grew by 7.3 per cent, while worldwide growth was 4 per cent (See May Report).

The World Economic Forum on Africa with the theme 'Raising the Bar' was held in Cape Town, South Africa from June 13 -15, 2007. The forum attracted leaders in business, government and civil society. The objective of the forum was to draw lessons from best-performing states, assess new opportunities, address risks and identify priorities for action.

Highlights of the sub-themes of the forum were as follows:

- On building capacity for Success, the forum noted that building the capacity that will help Africans out of poverty must be the over-arching goal of every development agenda and initiative for the continent. Africa needs the capacity to maximize the benefits of the investment, trade and aid pouring into the region. Africa must also develop the capacity to implement regional approaches to problems that require such solutions. These include the lack of infrastructure, the threat of infectious diseases, climate change, hunger, the need to develop financial markets to ease access to capital.

- It was also noted that to enhance investment, money available for Africa's development was not in short supply. Infrastructure and investment funds are mushrooming and there is no shortage of interest from institutional and other investors. The focus now is on doing more with finance, in particular using funds to boost private sector participation. There no longer appears to be the broad view that the whole continent is a high-risk region.

- Africa as a Global Partner: Africa's global profile has been given a new impetus by the interest taken in the continent by emerging economic superpowers, China and India. The G8 countries have, at the same time, been accused of failing to give the continent the support they have promised. China and India have approached Africa differently from the West, seeking partnerships and cooperation rather than the neo-colonial and paternalistic relations many which Africans believe characterize the relations with western nations.

- That Africa's competitive performance as measured by the latest World Economic Forum 'Global Competitiveness Report' indicated that despite considerable progress, the continent must further raise the bar. To do so, will require focusing on enhancing human capital, deepening regional integration, fostering energy innovation and increasing the global demand for African products.

- Whilst most Africans are optimistic about their future, as the economic fabric of the continent changes – particularly through urbanization – governments, businesses and civil society must forge partnerships to ensure that reality matches aspiration.

In another development, the 33rd G8 Summit took place in Heiligendamm, Germany from June 6 -8, 2007. It was attended by several world leaders, including Canada, France, Germany, Italy, Japan, Russia, United Kingdom, United States, European Union, Brazil, India, Mexico, China, South Africa and Nigeria.

Highlights of the major decisions at the Summit were as follows:

- On global warming, it was announced that the G8 nations would 'aim to at least halve global CO2 emissions by 2050'. The details of how this was to be achieved would be negotiated by environment ministers within the United Nations Framework Convention on Climate Change in a process that would also include the major emerging economies. The G8 also announced their desire to use the proceeds from the auction of emission rights and other financial tools to support climate protection projects in developing countries.

- On the institutionalization of G8 + 5, Chancellor Merkel of Germany announced the establishment of the "Heiligendamm Process" through which the full institutionalization of the permanent dialogue between the G8 countries and the 5 greatest emerging economies will be implemented.

- On African Commitments, the G8 leaders promised to make available a total of US$60 billion to combat HIV/AIDS, malaria and tuberculosis in Africa. This is to be used to safeguard universal access to comprehensive HIV/AIDS prevention programmes, treatment and care, and to develop health systems at local level. At the same time, African partners were in agreement that they would have to fulfill their commitments as regards democracy and good governance.

Appendix 1: Selected Macroeconomic Indicators (GDP, Money & Credit, Money Market & Capital Market Indicators)

	2nd Qtr 05	3rd Qtr 05	4th Qtr 05	1st Qtr 06	2nd Qtr 06	3rd Qtr 06	4th Qtr 06	1st Qtr 07	2nd Qtr 07
GROSS DOMESTIC PRODUCT (at 1990 Constant Basic Prices)									
Growth Rate (%)	4.6	7.9	7.6	5.0	5.5	5.7	6.1	5.65	5.73
Oil share of GDP (%)	24.2	23.1	22.4	25.6	21.9	20.8	20.2	23.4	18.4
Non-Oil share of GDP (%)	75.8	76.9	77.6	74.4	78.1	79.2	79.6	76.6	81.6
GROSS DOMESTIC PRODUCT (at Current Basic Prices)									
Growth Rate (%)	27.7	28.6	26.8	22.7	23.3	25.3	24.3	35.1	20.1
Oil share of GDP (%)	39.0	35.6	36.1	46.1	39.0	35.0	35.8	39.5	33.5
Non-Oil share of GDP (%)	61.0	64.4	63.9	53.9	61.0	65.0	64.2	60.5	66.5
MONEY & CREDIT									
Narrow Money (M_1) (%)[1]	-1.0	7.1	10.8	-0.1	20.5	1.3	-8.1	4.8	-4.0
Broad Money (M_2) (%)[1]	1.7	3.2	10.6	6.7	24.3	3.1	-4.5	8.8	2.0
Narrow Money ((M_1) (%)[2]	9.3	17.0	29.7	-0.1	20.5	22.0	12.2	4.8	0.6
Broad Money (M_2) (%)[2]	18.0	21.7	34.6	6.7	32.6	36.7	30.6	8.8	11.0
Aggregate Credit (Net) (%)[1]	-3.4	18.6	-10.7	3.4	12.8	9.7	-69.1	-63.7	340.4
Aggregate Credit (Net) (=N= 'b)[1]	-77.5	406.8	-275.9	78.9	306.0	-262.7	-1681.8	-480.2	444.0
Credit to Government (Net) (%)[1]	-42.4	76.5	-49.3	45.5	-11.4	-134.5	-1231.8	-50.7	50.4
Credit to Government (Net) (=N= 'b)[1]	-251.5	261.3	-297.0	139.3	-50.8	-530.7	-1,676.0	-918.2	1375.5
By CBN	-239.7	282.1	-201.9	-8.2	-424.6	-467.6	-1,689.9	-516.6	1273.0
By DMB	-11.8	-20.7	-95.2	147.5	-373.8	-63.0	14.0	-401.6	102.5
Federal Government Deposits (=N= 'b)	659.4	415.0	394.1	385.9	770.6	1,136.3	3,448.5	4,182.1	4703.2
Credit to Private Sector (%)[1]	10.4	7.9	30.8	-3.01	18.3	11.6	0.2	17.1	14.8
Credit to Private Sector (=N= 'b)[1]	174.0	145.4	21.1	-60.4	356.7	268.0	-5.9	438.0	444.0
Private Sector Deposit (=N= 'b)	51.3	25.3	215.5	206.7	266.0	212.8	131.8	46.7	15.8
Aggregate Credit (%)[2]	8.0	28.2	14.5	3.41	16.6	5.3	-67.4	-63.7	340.4
Credit to Government (%)[2]	-29.7	24.2	-37.0	45.5	28.9	-144.5	-692.1	-50.7	50.4
Credit to Private Sector (%)[2]	20.0	29.4	30.8	-3.0	14.8	28.1	27.8	17.1	14.8
Base Money (=N= 'b)	747.9	808.6	762.8	728.9	797.6	805.7	974.9	841.3	857.2
(Growth Rate, %)[1]									
Currency in Circulation (=N='b)	494.9	513.4	642.4	563.7	602.8	615.1	779.3	727.4	713.8
Bank Reserves (=N='b)	253.0	295.2	120.4	165.2	194.8	190.6	195.7	113.8	143.3
Money Supply (=N='b)	2,467.4	2,545.3	2,814.8	3,003.1	3,733.7	3,848.9	3,674.6	3,998.1	4079.4
NTB SALES (=N='b)									
NTB Sales at Primary Market		581.60	425.3	461.4	339.6	309.3	332.2	338.1	359.9
NTB Sales at OMO		54.90	43.8	349.0	520.5	560.5	344.4	307.2	743.6

INTEREST RATES (%)									
Inter-bank Call Rate (Weighted Average)	6.23	4.67	10.53	13.47	3.62	5.72	6.69	7.28	8.00
Minimum Rediscount Rate/Monetary Policy Rate	13.0	13.0	13.0	13.0	14.0	14.0	10.0*	10.0	8.00
Treasury Bill Rate									
Savings Deposit Rate	4.04	3.61	3.33	3.48	2.96	2.94	3.14	3.62	3.78
Deposit Rates (Consolidated)	8.38	7.22	6.41	5.42	7.00	6.95	7.41	7.59	7.71
Average Term Deposit Rate	9.88	8.56	7.64	8.09	8.25	8.14	8.67	8.88	9.1
7 Days	5.63	4.58	4.46	4.41	4.88	4.36	5.11	5.40	5.74
1 Month	10.79	9.05	8.62	8.79	9.41	9.21	10.02	10.25	10.25
3 Months	11.38	9.44	8.88	9.23	9.77	9.79	10.25	10.28	10.24
6 Months	11.07	9.62	8.64	8.70	9.12	9.31	10.02	9.84	10.00
12 Months	11.40	10.10	8.65	8.72	8.74	8.01	7.89	8.42	8.02
Over 12 Months	9.04	8.55	6.60	5.47	7.58	8.14	8.73	8.78	10.06
Prime Lending Rate	18.03	17.64	17.63	16.52	16.77	17.15	17.26	17.48	16.92
Maximum Lending Rate	19.37	19.09	19.29	18.09	18.33	18.61	18.70	18.75	18.74
Average Lending Rate									
Real Interest Rate (Max. Lending Rate)	0.72	-5.21	7.69	6.09	9.83	12.31	10.2	13.55	12.34
Real Interest rate (Ave. Deposit Rate)	-8.72	15.74	-3.96	-3.91	-0.25	1.84	0.17	3.68	1.31
CAPITAL MARKET									
All Share Value Index	21,564.8	24,635.9	24,085.8	23,383.4	26,161.2	32,554.6	33,189.3	43,456.0	51,330.46
Market Capitalization (=N='t)	2.1	2.6	2.9	3.0	3.3	5.0	5.1	7.1	8.9
Value of Shares Traded (=N='b)	65.0	81.2	75.7	59.6	82.2	163.9	148.9	335.6	335.6
Volume of Shares Traded ('b)	6.0	8.4	8.3	5.3	7.1	11.9	12.5	26.2	37.8

1 Percentage change over preceding Quarter
2 Percentage change over preceding December
**** Commencement of MPR***

Appendix 2: Selected Macroeconomic Indicators (Fiscal, External & Real Sectors Indicators)

	2nd Qtr 05	3rd Qtr 05	4th Qtr 05	1st Qtr 06	2nd Qtr 06	3rd Qtr 06	4th Qtr 06	1st Qtr 07	2nd Qtr 07
FISCAL OPERATIONS OF THE FEDERAL GOVT									
Federally Collected Revenue (=N='b)	1,090.6	1,410.2	1,783.0	1,705.5	1,284.7	1,487.6	1483.1	1224.7	1094.3
Oil Revenue	950.3	1,219.3	1,468.0	1,551.1	1,144.2	1,311.8	1,280.5	1,018.6	917.1
Non-Oil Revenue	140.4	191.0	315.0	154.4	140.5	175.7	202.6	206.0	177.2
Retained Revenue (=N='b)	350.2	413.4	533.7	374.5	395.1	492.7	564.1	473.1	622.8
Total Expenditure (=N='b)	481.0	396.1	697.5	333.8	309.3	498.1	685.8	485.1	451.2
Recurrent	300.0	359.0	329.1	327.1	267.0	354.2	339.5	307.1	249.2
Capital Expenditure	147.6	37.1	356.7	2.6	42.3	128.1	309.2	152.5	176.7
Transfers	33.5	29.4	11.7	4.1	38.4	15.9	37.1	25.6	25.3
Surplus/Deficit (=N='b)	-130.8	17.3	-163.8	40.7	85.9	-5.5	-121.7	-12.1	171.6
Ways and Means Advances (=N= 'b)	-	-	-	-	-	-	-	-	-
Statutory Limit (% of Budgeted Revenue)	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5
FOREIGN EXCHANGE FLOWS Through the CBN (US$'m)									
Inflow	7,244.22	8,542.77	9,870.67	9,655.16	8,717.74	9,626.35	8,727.91	8,146.21	6,406.19
Outflow	4,478.67	4,946.17	10,003.00	2,255.44	8,800.95	5,069.32	8,195.86	7,017.01	6,226.87
(Debt Service)	589.82	222.69	6,606.50	161.65	4,733.48	209.16	1,727.72	676.71	109.17
Net Flow	2,765.55	3,596.6	-132.35	7,399.72	-83.21	4,557.03	532.05	1,129.2	179.32
FOREIGN EXCHANGE MARKET									
Forex Sales at WDAS (US$'m)	2,630.53	3,655.76	2,040.35	709.47	2,419.2	2,724.62	3,412.38	2,657.85	2306.06
Forex Demand at WDAS (US$'m)	3,242.79	3,865.77	2,145.74	900.13	2,878.19	2,991.86	4,537.24	3,094.05	3493.66
Supply of Forex to BDC (US$'m)	0.00	0.00	0.00	0.00	508.84	1,018.92	1,202.24	1,384.1	1185.60
Total Forex Supply (US$'m)	2,630.53	3,655.76	2,040.35	709.47	2,928.045	3,743.54	5,224.62	4,051.92	4679.26
Average WDAS Exchange Rate (=N=/$)	132.85	131.48	129.31	129.36	128.45	128.31	128.28	128.23	127.65
Average BDC Exchange Rate (=N=/$)	140.17	144.80	143.06	145.97	142.33	130.24	129.99	129.80	128.83
BDC Premium	5.51	10.13	10.63	12.84	10.80	1.50	1.33	1.22	0.9
Depreciation									
BALANCE OF PAYMENTS (=N='b)									
Current Account (=N='b)	609,24	922.03	632.41	731.36	1,089.50	1,090.58	929.71	876.06	1241.45
Goods	710.19	1,022.04	1,028.02	429.10	948.15	754.63	736.39	486.44	741.9
Export	1,328.62	1,580.00	1,504.96	1,068.219	1,560.51	1,531.80	1,460.38	1,320.18	1505.46
Import	-618.43	-557.96	-476.94	-639.12	-612.35	-777.17	-723.99	-833.75	-763.59
Services (net)	-76.48	-86.32	-96.56	-1.42	-65.03	-47.47	79.54	-6.27	-3.50
Income (net)	-119.24	-112.07	-406.49	-42.87	-52.97	-26.22	69.26	7.13	3.84
Current Transfers (net)	94.77	98.38	107.44	346.55	259.35	262.24	342.12	388.76	499.23
Capital and Financial Accounts	-288.35	-520.32	1,438.23	292.98	-1,050.67	-604.58	-668.18	-762.67	-1231.15

Capital Account (net)	1.22	1.98	1.94	1.10	2.23	2.60	1.92	1.60	2.00
Financial Accounts (net)	-289.57	-522.31	1,440.17	291.88	1,052.90	-607.19	-670.10	-764.27	-1233.11
Direct Investment	58.59	94.61	90.39	125.24	85.03	71.06	136.09	147.50	161.14
Net Errors and Omissions	-3.31	-3.70	-3.62	-3.23	-4.45	-2.54	-1.92	-3.58	-3.80
Overall Balance	315.57	398.00	-809.45	1,021.11	34.38	483.43	259.61	109.82	6.50
EXTERNAL RESERVES (US$'b)	24.37	28.64	28.28	36.20	36.48	40.46	42.30	42.60	42.63
CRUDE OIL PRODUCTION (MBD)									
Total World Supply	83.30	85.1	84.4	85.2	84.5	84.9	85.2	85.4	85.5
OPEC	32.80	34.5	34.3	34.5	33.6	34.2	34.0	33.7	34.6
Non-OPEC	50.50	50.6	50.1	50.7	50.8	50.6	51.3	50.6	50.8
CRUDE OIL PRICES (US$/Barrel)									
Bonny Light	52.02	62.0	58.6	62.5	70.5	71.5	61.6	59.9	71.2
OPEC Basket	57.82	55.5	52.3	58.0	64.9	66.2	56.1	54.6	64.4
DOMESTIC PRICES									
12 MMA Inflation Rate (%)	12.9	16.8	17.9	17.4	15.5	10	8.2	7.2	5.9
Y/Y Inflation Rate (%)	18.6	24.3	11.6	12.0	8.5	6.3	8.5	5.2	6.4
Core Inflation:12 MMA (%) [2]	6.7	8.3	8.8	11.1	11.0	11.2	12.8	13.4	11.1
Core Inflation: Y/Y (%) [2]	16.2	14.6	2.4	16.3	13.6	10.6	17.3	8.9	9.6
Food Inflation:12 MMA (%) [3]	16.6	21.8	23.1	20.7	18.0	9.0	5.6	3.3	2.0
Food Inflation: Y/Y (%) [3]	18.0	29.5	15.5	9.3	6.2	4.3	3.9	1.7	3.2
INDUSTRIAL PRODUCTION									
Index of Industrial Production	158.7	158.8	158.9	158.6	158.1	157.2	158.2	123.4	123.2
Index of Manufacturing Production	145.6	145.8	145.9	146.0	145.8	145.6	146.0	89.8	89.5
Index of Mining Production	164.7	164.9	164.8	164.0	164.0	163.8	163.8	164.0	163.8
Average Electricity Generation (MW/h)	2,541.5	2,912.7	3,074.6	3,016.2	2,744.7	2,520.1	2,271.5	2,950.0	2794.1
Average Electricity Consumption (MW/h)	1,890.9	1,845.4	1,832.0	1,796.6	1,760.9	1,725.1	1,689.1	1,796.6	1617.0

1 Provisional
2 Core Inflation based on consumer price index (CPI) of All Items less Farm Produce
3 Inflation based on consumer price index (CPI) of food