CENTRAL BANK OF NIGERIA

ECONOMIC REPORT FOR THE THIRD QUARTER OF 2008

Volume 3, Issue 3
September 2008

RESEARCH DEPARTMENT

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 7.4 per cent during the third quarter of 2008, compared with 6.65 per cent in the preceding quarter. The growth was driven by the non-oil sector. Provisional data indicated increase in monetary aggregate during the review quarter. Broad money (M_2) and narrow money (M_1) grew by 12.7 and 4.6 per cent relative to the preceding quarter. The rise in M_2 was attributed largely to the increase in other assets (net) of the banking system.

Available data indicated a general increase in banks' deposit and lending rates in the third quarter of 2008. The spread between the weighted average deposit and maximum lending rates narrowed from 7.12 percentage points in the preceding quarter to 7.04 percentage points. The margin between the average savings deposit and maximum lending rates, however, widened from 14.93 to 15.04 percentage points during the review quarter. The weighted average inter-bank call rate rose to 12.83 per cent from 10.40 per cent in the preceding quarter, reflecting the liquidity condition in the inter-bank funds market.

The value of money market assets outstanding rose by 4.4 per cent over the level in the preceding quarter to =N=2,829.4 billion in September 2008. The increase was attributed largely to the rise in Commercial Papers (CPs). Activities on the Nigerian Stock Exchange were bearish, as all the major market indicators trended downward.

Total federally-collected revenue in the third quarter of 2008 stood at =N=2,372.05 billion, representing an increase of 57.3 and 27.1 per cent over the proportionate budget estimate and the preceding quarter's level, respectively. At =N=2,004.92 billion, oil receipts constituted 84.5 per cent of the total revenues, representing an increase of 69.7, 28.6 and 61.4 per cent over the budget estimate, the preceding quarter and the corresponding period of 2007, respectively. The rise in oil receipts relative to the budget estimate was attributed to the increase in receipts from crude oil and gas sales as well as petroleum profit tax and royalties. Similarly, non-oil receipts, at =N=367.13 billion or 15.5 per cent of the total, was higher than the receipts in the preceding quarter and the budget estimate by 19.6 and 12.4 per cent, respectively. The rise in non-oil receipts relative to the preceding quarter was attributed to the increase in Companies Income Tax (CIT), customs and excise duties, education tax and Value-Added Tax (VAT). Federal Government retained revenue for the third quarter of 2008 was =N=943.85 billion, while total expenditure was =N=1,036.39 billion. Thus, the fiscal operations of the Federal Government resulted in an estimated deficit of =N=92.54 billion, compared with the proportionate budgeted deficit of =N=38.87 billion and the deficit of =N=154.63 in the preceding quarter.

The major agricultural activities in the review quarter included: increased tempo in harvesting and completion of land preparation for late crops planting by farmers. The prices of most Nigerian major agricultural commodities at the London Commodities Market remained stable during the quarter. Activities in the industrial sector increased marginally as the estimated index of industrial production rose marginally by 0.6 per cent.

Nigeria's crude oil production, including condensates and natural gas liquids was estimated at 1.92 million barrels per day (mbd) or 176.64 million barrels (mbd) during the third quarter of 2008, compared with 1.83 mbd or 166.53 mbd in the preceding quarter. This represents a rise of 5.1 per cent. Crude oil export was estimated at 1.47 mbd or 135.24 million barrels in the review quarter, compared with 1.38 mbd or 125.58 million barrels in the preceding quarter. Deliveries to the refineries for domestic consumption remained at 0.445 mbd or 40.94 million barrels for the quarter. The average price of Nigeria's reference crude, the Bonny Light (37^0 API), estimated at US\$118.93 per barrel, fell by 6.4 per cent from the level in the preceding quarter. The end-period inflation rate for the third quarter of 2008, on a year-on-year basis, was 13.0 per cent, compared with 12.0 and 4.1 per cent recorded at the end of the preceding quarter and the corresponding period of 2007, respectively. Inflation rate on a twelve-month moving average basis for the third quarter, was 9.2 per cent, compared with 7.0 per cent recorded in the preceding quarter, reflecting largely the increase in the price index for food and non-food items.

The gross external reserves rose by 2.1 per cent to US\$62.10 billion in the third quarter of 2008, compared with US\$60.85 and US\$47.93 billion in the preceding quarter and corresponding period of 2007, respectively.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US\$14.55 billion and US\$10.86 billion, respectively, resulting in a net inflow of US\$3.69 billion during the quarter. Foreign exchange sales by the CBN to the authorized dealers rose to US\$4.63 billion from US\$2.75 billion in the preceding quarter. The weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated by 0.1 per cent to =N=117.75 per dollar at the WDAS. In the bureaux de change segment of the market, the naira depreciated from =N=118.81 per dollar to =N=119.00 per dollar. Non-oil export earnings by Nigeria's top 100 exporters amounted to US\$373.68 million, indicating a decline of 12.9 per cent from the level in the preceding quarter. The development was attributed largely to the fall 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 trade talks meeting held in Geneva, Switzerland from July 21 – 30, 2008, meant to continue the Doha Round that commenced in November, 2001. The goal of the meeting was to agree on modalities for agriculture and Non-Agricultural Market Access (NAMA),

The 6th D-8 Summit was held in Kuala Lumpur, Malaysia from July 4 – 8, 2008. The theme of the Summit was "Meeting Challenges through Innovative Cooperation". The meeting was preceded by the 25th Session of the Commission of D-8 from July 4 - 5, 2008, followed by the 11th Session of the D-8 Council of Ministers on July 6, 2008. Furthermore, the World Bank on July 1, 2008 approved two credits totaling US$450 million to support the Federal and State Governments of Nigeria in the fight against rural poverty. In addition, an International Monetary Fund (IMF) report showed that the impact of surging food and fuel prices was being felt globally. The effect was more acute for import-dependent poor and middle-income countries confronted with balance of payments problems, higher inflation, and worsening poverty. Analyzing the macroeconomic policy challenges arising from the price surges, the report argued that many governments will have to adjust policies in response to the price shock, while the international community will need to act in a concerted manner to address this global problem.

The 32nd Ordinary Meeting of the Assembly of Governors of the Association of African Central Banks (AACB) was held in Kigali, Rwanda, on August 22, 2008. The main objective of the meeting was to iron out the necessary conditions for the proper functioning of the three African financial institutions, namely; the African Monetary Fund, the African Central Bank and the African Investment Bank. In another development, the Third Session of the Nigeria-Iran Joint Commission was held in Abuja, Nigeria from August 25 – 28, 2008. The Joint Commission reviewed different areas of economic cooperation and came up with proposals that would boost development and strengthen relations between the two countries. Also, the African Development Bank (AfDB) Group and the West African Monetary Institute (WAMI) on August 4, 2008 in Tunis, signed an agreement for a grant of 14 million Units of Account (UA), equivalent to US$23.0 million, to finance the West African Monetary Zone (WAMZ) Payments System Development project, which aims at standardizing the payment systems in The Gambia, Guinea and Sierra Leone.

A World Bank report released on August 26, 2008 indicated that there were more poor people around the world than previously thought. The report further revealed big successes in the fight to overcome extreme poverty. The new estimates, which reflect improvements in internationally comparable price data, provide a much more accurate picture of the cost of living in developing countries and set a new poverty line of US$1.25 a day. The data is based on the results of the 2005 International Comparison Program (ICP), released earlier this year.

The West African Monetary Institute's Multilateral Surveillance Mission to Nigeria was conducted from September 3-12, 2008, in accordance with Article XV of the West African Monetary Zone's (WAMZ) regulations. The aim of the Mission was to assess the state of Nigeria's performance under the quantitative and qualitative criteria as outlined in the Banjul Declaration of 2005. The Expert Committee Meeting on the Financial Implication of the Operationalization of the WAMZ Institutions convened by the West African Monetary Institute (WAMI) was held in Accra, Ghana from September 24 – 25, 2008. This was in pursuant of WAMI's 2008 programme as provided by the Banjul Declaration of 2005, and the directive of the meeting of Convergence Council held in Freetown in June 2008. In another development, fears of contagion of the global financial crisis on developmental efforts around the world rose as governments in developed and industrialized economies continued to bail out distressed financial institutions. Lastly, the African Union (AU) and the World Bank signed a Memorandum of Understanding (MoU) on September 26, 2008 to undertake and deepen their collaboration in the areas of regional integration, governance, post-conflict countries, relations with the Diaspora, HIV/AIDS and other communicable diseases.

2.0 FINANCIAL SECTOR DEVELOPMENTS

2.1 Monetary and Credit Developments

Major monetary aggregates increased in the third quarter of 2008, while banks' deposit and lending rates indicated a general increase. The value of money market assets increased, following largely the rise in Commercial Papers (CPs). Transactions on the Nigerian Stock Exchange (NSE) were bearish as all the major market indicators trended downward.

Provisional data indicated growth in monetary aggregates in the third quarter of 2008. Broad money supply (M_2) and narrow money (M_1) rose by 12.7 and 4.6 per cent to =N=8,954.4 billion and =N=4,526.0 billion, respectively, in contrast to the decline of 0.6 and 4.8 per cent in the preceding quarter. The increase in M_2 was attributed largely to the 14.1 per cent rise in other assets (net) of the banking system, reinforced by the 2.5 per cent increase in foreign assets (net). Over the level at end-December 2007, M_2 grew by 54.1 per cent, compared with growth of 36.8 per cent at the end of the second quarter (fig. 1 and table 1).

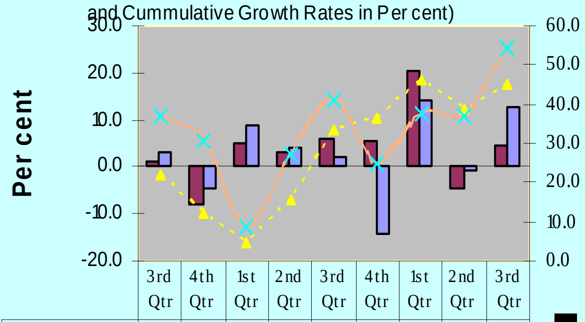
At =N=4,215.4 billion, aggregate banking system credit (net) to the domestic economy rose by 4.4 per cent in the third quarter of 2008, compared with the increase of 16.6 per cent in the preceding quarter. The development reflected wholly the 10.4 per cent increase in claims on the private sector.

Banking system's credit (net) to the Federal Government declined by 19.4 per cent to =N=3,242.8 billion, compared with the decline of 8.6 per cent in the preceding quarter. The fall was attributed to the decline in banks' holding of Federal Government securities.

Banking system's credit to the private sector rose by 10.4 per cent to =N=7,458.3 billion, compared with the increase of 13.3 per cent in the preceding quarter. The rise reflected largely the 50.7 per cent increase in Central Bank's claims on the sector. Over the end-December level, credit to the private sector increased by 47.5 per cent (fig 2).

At =N=8,522.7 billion, foreign assets (net) of the banking system rose by 2.5 per cent, compared with the increase of 4.1 per cent in the preceding quarter. The development was attributed to the respective increase of 17.1 and 2.7 per cent in the DMBs' and CBN's holdings. Over the level at end-December, it rose by 17.3 per cent, compared with the 14.5 per cent recorded in the corresponding period of 2007.

Figure 1: Aggregate Money Supply in Nigeria (Quarterly and Cummulative Growth Rates in Per cent)

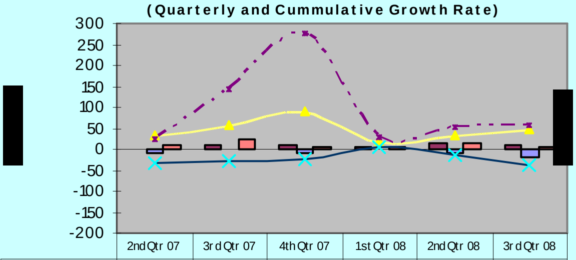


	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr
QM1	1.3	-8.1	4.8	3.1	5.8	5.5	20.2	-4.8	4.6
QM2	3.1	-4.5	8.8	4.2	2.2	-14.4	14.0	-0.6	12.7
CM1	22.0	12.2	4.8	15.7	33.2	36.6	45.9	38.9	45.2
CM2	36.7	30.6	8.8	27.0	40.8	25.0	37.7	36.8	54.1

Similarly, quasi money rose by 22.3 per cent to =N=4,428.4 billion, compared with the increase of 4.9 per cent in the preceding quarter. The development was attributed to the increase in all the components namely, time, savings and foreign currency deposits of the DMBs.

Other assets (net) of the banking system also increased by 14.1 per cent to =N=3,783.7 billion, in contrast to the decline of 27.5 per cent in the preceding quarter. Over the level at end-December, it rose by 8.7 per cent. The rise reflected largely the increase in unclassified assets of the DMBs during the quarter.

Figure 2: Aggregate Domestic Credit to the Economy (Quarterly and Cummulative Growth Rate)



	2nd Qtr 07	3rd Qtr 07	4th Qtr 07	1st Qtr 08	2nd Qtr 08	3rd Qtr 08
QCP	2.3	7.5	7.3	3.9	13.3	10.4
QCG	-7.3	1.3	-7.8	1.9	-8.6	-19.4
QAC	10	23.1	6.9	5.5	16.6	4.4
CCP	32.2	58.6	90.8	18	33.6	47.5
CCG	-35	-27	-22	5.6	-14.7	-36.9
CAC	24.4	144	276	28.8	50.2	56.8

2.2 Currency-in-circulation and Deposits at the CBN

At =N=979.4 billion, currency in circulation rose by 6.3 per cent in September, 2008 over the level in June, 2008. The rise was attributed largely to the increase of 11.7 per cent in currency outside the banking system during the period.

Total deposits at the CBN amounted to =N=5,644.5 billion, indicating an increase of 9.0 per cent over the level in the preceding quarter. The development was attributed to the 54.8 and 41.2 per cent rise in both the deposit money banks (DMBs) and private sector deposits, respectively. The shares of the Federal Government, banks and “others” in total deposits at the CBN were 92.3, 4.8 and 2.9 per cent, respectively, compared with the shares of 86.2, 11.6 and 2.2 per cent, in the second quarter of 2008.

2.3 Interest Rate Developments

Available data indicated a general increase in banks’ deposit and lending rates in the third quarter of 2008. With the exception of the one-month deposit rate, which fell by 0.19 percentage point to 11.52 per cent, all other rates rose during the review quarter. The average savings rate increased by 0.09 percentage point to 3.06 per cent, while other rates on deposits of various maturities rose from a range of 5.55 – 12.19 per cent in the preceding quarter to 5.64 – 12.38 per cent. Similarly, the average prime and maximum lending rates rose by 0.11 and 0.20 percentage points to 15.97 and 18.10 per cent, respectively. Consequently, the spread between the weighted average term deposit and maximum lending rates narrowed from 7.12 percentage points in the preceding quarter to 7.04 percentage points. The margin between the average savings deposit and maximum lending rates, however, widened from 14.93 percentage points in the preceding quarter to 15.04 percentage points.

At the inter-bank call segment, the weighted average rate, which was 10.40 per cent in the preceding quarter, rose to 12.83 per cent, reflecting the liquidity squeeze in the inter-bank funds market.

2.4 Money Market Developments

Provisional data indicated that the value of money market assets outstanding as at the end of the third quarter of 2008 was =N=2, 829.4 billion, representing an increase of 4.4 per cent over the level in the preceding quarter of 2008. The development was attributed to the 18.2 per cent increase in Commercial Papers (CPs). However, the Nigerian Treasury Bills fell by 16.1 per cent to =N=482.5 billion at the end of the review quarter.

The Central Bank intervened in the market on Thursday September 18, 2008, in order to address the persistent liquidity squeeze in the banking system, halt the upward rise in interest rates, prevent the contagion effect of the global credit crunch and ensure financial stability in the economy.

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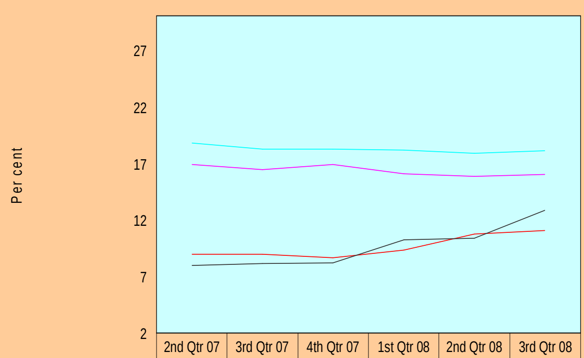
Some of the measures taken by the Bank were: reduction of the MPR by 50.00 basis points from 10.25 to 9.75 per cent; reduction of Liquidity Requirement from 40.00 to 30.00 per cent; and reduction of Cash Reserve Ratio from 4.00 to 2.00 per cent. Thus, the lending/repo rate was 9.75 per cent, down from 10.25 per cent, while interest payment on overnight deposits by DMBs remained abolished. In addition, long-term tenored repos of 90-, 182- and 365 days were also introduced.

Total NTBs that matured in the third quarter of 2008 was =N=906.03 billion, compared with =N=1,074.00 billion in the second quarter. The two-way quote trad-

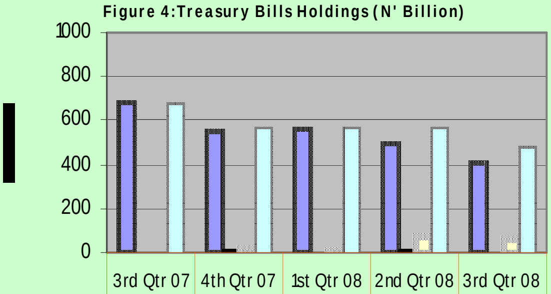
Figure 3: Selected Bank Interest Rates (Per cent Average)



	2nd Qtr 07	3rd Qtr 07	4th Qtr 07	1st Qtr 08	2nd Qtr 08	3rd Qtr 08
Avg. Term Deposits	8.97	8.99	8.69	9.35	10.78	11.06
Prime	16.92	16.46	16.9	16.05	15.86	15.97
Maximum	18.74	18.27	18.24	18.17	17.9	18.1
Inter-bank	8.00	8.13	8.25	10.21	10.4	12.83

ing, reverse repo transactions and direct OMO auctions were used principally to mop up excess funds in the banking system. Consequently, a total of =N=825.92 billion was mopped up in the third quarter, compared with =N=935.90 billion in the preceding quarter of 2008.

Figure 4:Treasury Bills Holdings (N' Billion)



	3rd Qtr 07	4th Qtr 07	1st Qtr 08	2nd Qtr 08	3rd Qtr 08
Banks/D.H	676.9	551.4	559.6	495.3	411.4
CBN	0.7	5.9	3.1	6.3	5.4
Others	0.3	17.6	12.2	73.3	65.7
Total	677.9	574.9	574.9	574.9	482.5

The breakdown of sales indicated that =N=299.45 billion was sold at the two-way trading; N5.00 billion at the direct OMO auction; =N=325.45 billion at the reverse repo segment, and the balance of =N=201.02 billion was issued at the primary market for liquidity management. The issue rates for the primary market securities during the review quarter were between 8.00 and 9.55 per cent.

At the primary market, Nigerian Treasury Bills of the 91- 182- and 364-day tenors were offered. The total amount offered and sold was =N=370.80 billion and N188.80 billion, respectively, while total subscription was =N=652.40 billion, compared with =N=566.14, N538.97 billion and =N=980.58 billion offered, allotted and subscribed, respectively, in the preceding quarter. The decline in the amount on offer was due to the restructuring of NTB issued, as fewer bills were offered at the 91-, 182- and 364-day tenors (=N=5.00 , =N=5.00 and =N=10.00 billion, respectively). The range of issue rates for the 91- and 182-day NTBs were from 8.00 to 9.25 per cent and from 8.95 to 9.55 per cent, respectively, compared with 8.10 to 9.25 per cent and 9.18 to 9.55 per cent, respectively, in the second quarter of 2008. At the 364-day tenored segment, the issue rates ranged from 9.20 to 9.55 per cent, compared with 8.88 - 9.20 per cent in the second quarter of 2008. Analysis of the issues showed investors' preference for longer tenored bills due mainly to the higher returns and the need to hedge against interest rate volatility.
A total of =N=125.60 billion, made up of =N=75.80 billion 3-year, and =N=49.80 billion 10-year FGN bonds were floated, while =N=125.60 billion was allotted at coupon rates ranging from 10.50 - 12.75 per cent, compared with =N=130.00 billion issued and allotted in the second quarter of 2008, with issue rates ranging from 9.65 – 12.75 per cent. The total lending facility granted to deposit money banks and discount houses was =N= 5,874.03 billion, representing an increase of 18.0 per cent over the preceding quarter's level.

2.5 Deposit Money Banks' Activities

Available data indicated that total assets/liabilities of the DMBs amounted to =N=15,913.1 billion, representing an increase of 7.3 per cent over the level in the preceding quarter. The development was attributed largely to the increase in claims on the private sector, reinforced by the 15.4 per cent rise in foreign assets.

Funds, which were sourced mainly from time, savings and foreign currency deposits as well as capital account were used mainly for the extension of credit to the private sector and the acquisition of unclassified assets.

At =N=9,151.2 billion, credit to the domestic economy rose by 9.8 per cent over the level in the preceding quarter. The increase in credit during the quarter was attributed largely to the 9.7 per cent rise in claims on the private sector.

Central Bank's credit to the DMBs rose by 66.2 per cent to =N=79.4 billion in the review quarter, reflecting a significant increase in CBN overdraft to the DMBs.

Total specified liquid assets of the DMBs stood at =N=3,781.0 billion, representing 42.4 per cent of their total current liabilities. At that level, the liquidity ratio fell by 5.6 percentage points from the preceding quarter's level, but was 2.4 percentage points above the stipulated minimum ratio of 40.0 per cent. The loans-to-deposit ratio declined by 2.5 percentage points to 79.7 per cent from the level in the preceding quarter, and was 0.3 percentage points below the prescribed minimum target of 80.0 per cent.

2.6 Discount Houses' Activities

Total assets/liabilities of the discount houses stood at =N=337.6 billion in the third quarter of 2008, indicating a decline of 41.1 per cent from the level in the preceding quarter. It however rose by 7.1 per cent over the level in the corresponding period of 2007. The decline in assets relative to the preceding quarter was attributed largely to the decline in cash and balances with banks and in claims on banks during the quarter.

Correspondingly, the decline in total liabilities was attributed largely to the 70.4 and 65.7 per cent fall in money-at-call and borrowings during the period, respectively. Discount houses' investments in Federal Government securities of less than 91 days maturity declined by 19.9 per cent to =N=106.5 billion, representing 37.1 per cent of their total deposit liabilities. At this level, discount houses' investments fell by 19.9 per cent from the level in the preceding quarter and was 22.9 percentage points below the prescribed minimum level of 60.0 per cent for fiscal 2008.

Total borrowing by the discount houses was =N=224.8 billion, while their capital and reserves amounted to =N=30.5 billion, representing an increase of 18.2 and 68.1 per cent over the levels in the preceding quarter and the corresponding period of 2007, respectively. Thus, resulting in a gearing ratio of 7.4:1, compared with the stipulated maximum target of 50:1 for fiscal 2008.

2.7 Capital Market Developments

Available data indicated that activities on the Nigerian Stock Exchange (NSE) in the third quarter of 2008 were bearish as all the major market indicators trended downward. The volume and value of traded securities fell by 7.5 and 31.0 per cent to 48.1 billion shares and =N=494.8 billion, respectively, compared with 52.0 billion shares and =N=717.3 billion in the preceding quarter. The banking sub-sector was the most active on the Exchange followed by the insurance sub-sector. Transactions in the Federal Government and industrial loans/preference stocks, however, remained dormant in the review quarter.

Transactions on the Over-the-Counter (OTC) bond market, indicated that a turnover of 2.9 billion units worth =N=2.9 trillion in 24,923 deals was recorded in the review quarter, compared with 1.6 billion units valued at =N=1.6 trillion recorded in the second quarter 2008. The most active bond (measured by turnover volume) was the 5th FGN Bond 2018 Series 2 with traded volume of 112.4 million units valued at =N=102.7 billion in 983 deals.

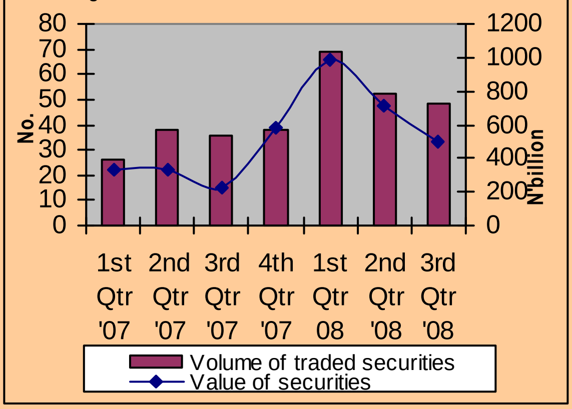
In the new issues market, FGN Bonds of 3- and 10-year trenches were reopened in line with the restructuring of the domestic debt profile to longer tenors. A total of =N=145 billion and =N=125.6 billion, were issued and allotted with coupon rates of 10.50 and 10.70 per cent for the 3- and 10- year bonds, respectively, compared with =N=130.0 billion and =N=128.5 billion issued and allotted in the second quarter of 2008. The issues were over-subscribed by 40.0 per cent.

In a related development, a total of 26.0 billion ordinary shares issued by the following companies: Starcomms Plc (6.9 billion), FTN Cocoa Processors Plc (2.0 billion), Capital Hotels Plc (1.5 billion); Union Diagnostics & Clinical Services Plc (3.0 billion); Chams Plc (4.6 billion); and DAAR Communications Plc (8.0 billion) were admitted to the daily official list. This brought the number of listed companies and securities to 219 and 310, respectively.

The All-Share Index fell by 17.4 per cent to close at 46,216.13 (1984 = 100) and the market capitalization for equities fell by 28.2 per cent to N10.2 trillion in the review quarter. The total market capitalization fell by 8.6 per cent to =N=13.0 trillion, compared with =N=14.2 trillion recorded in the preceding quarter. The development was attributed largely to price declines recorded by the highly capitalized companies in the banking and insurance sub-sectors.

Worried by the sustained recession in the market, the government on August 26, 2008 announced some immediate and long-term measures that would help bolster the market. These included: the CBN to take appropriate measures to ensure adequate liquidity in the market; banks to restructure existing facilities extended to licensed stockbrokers, institutional and individual investors to allow for longer repayment periods; reduction of transactions cost by the regulators in the market; quoted companies to be allowed to buy-back up to 20 per cent of their shares; Securities and Exchange Commission (SEC) to release guidelines for market makers on the Exchange; modalities for the establishment of a capital market stabilisation fund to be worked out; the authorities to take administrative measures to stem the rate of new issues until the market stabilized;

Figure 5: Volume and value of traded securities



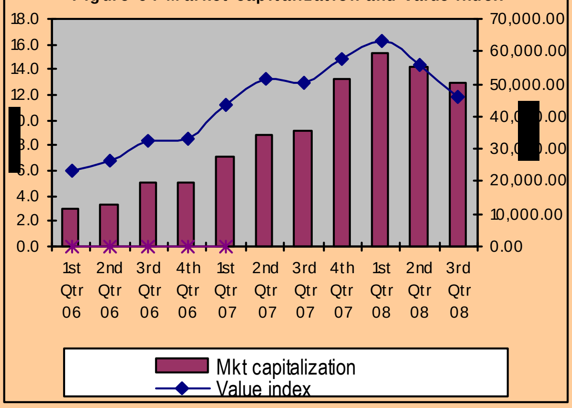
and the maximum downward limit on daily price movement was temporarily reduced to 1.0 per cent, while the current 5% limit on upward movement was retained.

On August 27, 2008, it was announced that the new temporary limits would contain negative price movements to a 1.0 per cent fall from the prior 5.0 per cent.

Following the announcements and the subsequent implementation of some of these measures, the market initially responded positively, as the NSE All-Share Index rose by 15.5 per cent to 49,897.86 as at September 02, 2008. However, the index continued to slide and was 1.3 per cent below its post-intervention level as at end-September.

The development in the capital market was attributed

Figure 6 : Market capitalization and value index



by some market watchers to "market correction" as many of the stocks were viewed to be highly overvalued, given the excess demand in the market at the conclusion of the bank consolidation exercise. The development is expected to be short-lived and lead to full recovery of the market as well as the restoration of investors' confidence.

3.0 FISCAL OPERATIONS

Total federally-collected revenue during the third quarter of 2008 stood at =N=2,372.05 billion, representing an increase of 57.3 and 27.1 per cent over the proportionate budget estimate and the preceding quarter's levels. The fiscal operations of the Federal Government in the third quarter of 2008, resulted in an estimated overall deficit of =N=92.54 billion, compared with the proportionate budgeted deficit of =N=38.87 billion and a deficit of =N=154.63 billion in the preceding quarter.

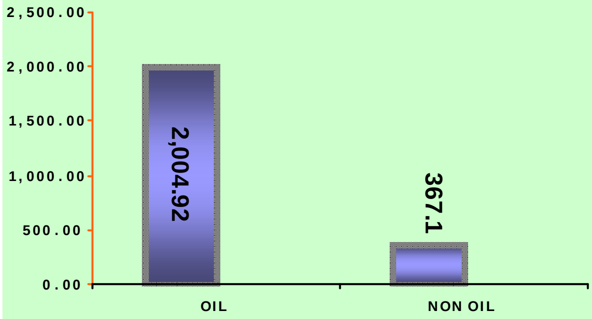
3.1 Federation Account Operations

Total federally-collected revenue during the third quarter of 2008 stood at =N=2,372.05 billion, representing an increase of 57.3 and 27.1 per cent over the proportionate budget estimate and the preceding quarter's levels. At =N=2,004.92 billion, oil receipts, which constituted 84.5 per cent of the total, was higher than the 2008 budget estimate, the receipts in the preceding quarter as well as the receipts in the corresponding quarter of 2007 by 69.7, 28.6 and 61.4 per cent, respectively.

The rise in oil receipts relative to the budget estimate was attributed to the increase in receipts from crude oil and gas sales as well as petroleum profit tax and royalties. The increase in revenue relative to the level in the preceding quarter was due to the rise in oil and non-oil receipts during the review quarter. Non-oil receipts, at =N=367.13 billion or 15.5 per cent of the total, was higher than the receipts in the preceding quarter and the budget estimate by 19.6 and 12.4 per cent, respectively. The increase in non-oil receipts in the review quarter was attributed largely to the rise in Companies Income Tax (CIT), customs and excise duties, education tax and Value-Added Tax (VAT) (fig 7). As a percentage of GDP, oil revenue was 25.5 per cent, while non-oil revenue stood at 4.7 per cent in the third quarter of 2008.

Of the total federally-collected revenue during the review quarter, the sum of =N=1,114.79 billion was transferred to the Federation Account for distribution among the three tiers of government and the 13.0 per cent derivation fund. The Federal Government received =N=524.55 billion, while the state and local governments received =N=266.06 billion and =N=205.12 billion, respectively. The balance of =N=119.05 billion went to the 13.0 per cent derivation fund for distribution by the oil producing states.

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=943.85 billion, the Federal Government retained revenue for the third quarter of 2008 was 45.6, 13.6 and 100.9 per cent higher than the proportionate budget estimate, the receipts in the preceding quarter of 2008, as well as the receipts in the corresponding quarter of 2007, respectively. The increase in retained revenue was attributed largely to the increased share from the Federation Account.

At =N=1,036.39 billion, total expenditure in the review quarter rose by 50.9 and 5.2 per cent over the proportionate budget estimate, and the level in the preceding quarter, respectively. The increase in total expenditure in the review quarter relative to the preceding quarter and budget estimate was attributed largely to the rise in estimated capital expenditure during the quarter. A breakdown of total expenditure showed that the recurrent component accounted for 57.8 per cent, the capital component accounted for 35.4 per cent, while statutory transfers to Federal Capital Territory (FCT) and other special agencies accounted for the balance of 6.9 per cent. As a percentage of GDP, recurrent expenditure was 7.6 per cent, while capital expenditure and transfers stood at 4.7 and 0.9 per cent, respectively.

The fiscal operations of the Federal Government in the third quarter of 2008, resulted in an estimated overall deficit of =N=92.54 billion, compared with the proportionate budgeted deficit of =N=38.87 billion and a deficit of =N=154.63 billion in the preceding quarter.

3.2.2 Statutory Allocations to State Governments

During the third quarter of 2008, total receipts, including the 13.0 per cent Derivation Fund and share of VAT by the state governments from the Federation Account stood at =N=476.95 billion, representing a decline of 18.6 per cent from the level in the preceding quarter but an increase of 15.5 per cent over the level in the corresponding period of 2007.

The breakdown showed that the sum of =N=266.06 billion came from the Federation Account, =N=51.91 billion from the VAT Pool Account, while =N= 119.06 billion and =N=39.92 billion came from the 13.0 per cent Derivation Account and Budget Augmentation, respectively.

3.2.3 Statutory Allocations to Local Government Councils

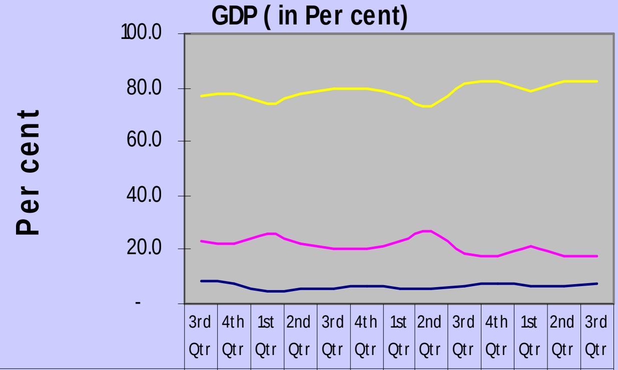
Total receipts by the local governments from the Federation and VAT Pool Accounts during the third quarter of 2008 stood at =N=261.20 billion. This was lower than the level in the preceding quarter by 15.8 per cent, but higher than the corresponding period of 2007 by 16.9 per cent. Of this amount, allocation from the Federation Account (including =N=19.74 Budget Augmentation) was =N=224.86 billion or 86.1 per cent of the total.

VAT Pool Account accounted for =N=36.34 billion or 13.9 per cent of the total, representing a decline of 3.4 per cent from the level in the preceding quarter. On monthly basis, the sums of =N=88.27 billion, =N=85.70 billion and =N=87.23 billion were allocated to the 774 local governments in July, August and September 2008, respectively.

3.3 Domestic Debt

The domestic debt stock of the Federal Government outstanding at the end of the third quarter, 2008 stood at =N=2,351.61 billion, representing an increase of 0.5 per cent over the level in the second quarter, 2008. As a percentage of GDP, total domestic debt was 7.9 per cent. The increase in total domestic debt was attributed largely to the issuance of additional special FGN Bonds during the quarter, in consonance with the government policy to access the capital market for its financial needs.

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



	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr
GDP Growth	7.9	7.6	5.0	5.5	5.7	6.1	5.7	5.7	6.1	7.8	6.5	6.7	7.4
Oil Share of GDP	23.1	22.4	25.6	21.9	20.8	20.2	23.4	26.4	18.1	18.0	21.5	17.3	17.2
Non-Oil Share of GDP	76.9	77.6	74.4	78.1	79.2	79.6	76.6	73.6	81.9	82.0	78.5	82.7	82.8

4.0 DOMESTIC ECONOMIC CONDITIONS

Aggregate output growth in the economy measured by the gross domestic product (GDP) was estimated at 7.4 per cent during the third quarter of 2008, compared with 6.65 per cent in the preceding quarter. The growth was driven by the non-oil sector. The major agricultural activities during the third quarter of 2008 were increased tempo of activities in harvesting and completion of land preparation for late crops planting by farmers. Crude oil production was estimated at 1.92 million barrels per day (mbd) or 176.64 million barrels for the quarter. The end-period inflation rate for the third quarter of 2008, on a year-on-year basis, was 13.0 per cent, compared with 12.0 per cent in the preceding quarter. The inflation rate on a 12-month moving average basis was 9.2 per cent, compared with the preceding quarter's level of 7.0 per cent.

4.1 Agricultural Sector

The weather situation was favorable for agricultural production during the third quarter of 2008, as rainfall was well distributed nationwide. Consequently, farmers increased the tempo of activities in harvesting and completion of land preparation for late crops planting.

During the review quarter, a total of =N=1,839.66 million was guaranteed to 15,367 farmers under the Agricultural Credit Guarantee Scheme (ACGS). This amount represented an increase of 28.7 and 20.0 per cent over the levels in the preceding quarter and the corresponding quarter of 2007, respectively. A sub-sectoral analysis of the loans guaranteed indicated that the food crops sub-sector with 14,298 beneficiaries had the largest share of =N=1,421.37 million or 77.3 per cent, while the livestock sub-sector with 532 beneficiaries received =N=281.40 million or 15.3 per cent. Also, the cash crops sub-sector with 184 beneficiaries got =N=57.25 million or 3.1 per cent, the fisheries sub-sector obtained =N=59.64 million or 3.2 per cent for disbursement to 78 beneficiaries, while 'others' had =N=20.0 million or 1.1 per cent guaranteed to 275 beneficiaries. Further analysis indicated that 32 states benefited from the scheme during the quarter, the highest and lowest sums of =N=258.3 million (14.0 per cent) and =N=0.2 million (0.01 per cent) went to Adamawa and Kano States, respectively.

The retail price survey of most staples by the CBN indicated price increase in the third quarter of 2008. Thirteen of the commodities monitored recorded price increases, which ranged from 7.5 per cent for eggs to 45.1 per cent for groundnut oil over their levels in the preceding quarter, while yam flour declined by 4.3 per cent from its level in the preceding quarter.

The prices of all Nigerian major agricultural commodities at the London Commodities Market remained stable during the third quarter of 2008. At 313.8 (1990=100), the all-commodities price index in dollar terms, remained unchanged, compared with the level in the preceding quarter but rose by 6.6 per cent over the level in the corresponding quarter of 2008. Further break down revealed that the price of most of the commodities also remained unchanged except for coffee, palm oil and soya bean, which fell marginally by 0.1, 0.1 and 0.2 per cent, respectively. Relative to their levels in the corresponding period of 2007, the prices of most of the commodities recorded increases, which ranged from 3.3 per cent for cocoa to 126.1 per cent for soya bean.

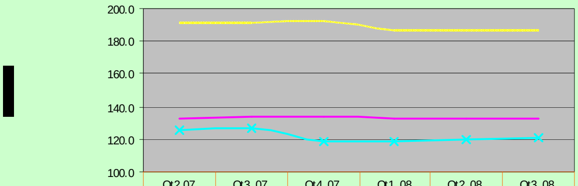
In naira terms, at 3,919.9 (1990=100), the all–commodities price index, in the third quarter of 2008 also, remained unchanged at the level in the preceding quarter because of the stable naira/dollar exchange rate. Relative to the levels in the corresponding quarter of 2007, all commodities recorded price increases ranging from 2.4 per cent for cocoa to 87.8 per cent for soya.

4.2 *Industrial Production*

Industrial activities during the third quarter of 2008 increased marginally relative to the preceding quarter. At 120.9 (1990=100), estimated index of industrial production rose marginally by 0.6 and 0.1 per cent over the levels attained in the preceding quarter and corresponding period of 2007, respectively. The rise reflected the increase in manufacturing output and electricity consumption.

The estimated index of manufacturing production, at 89.3 (1990=100), also rose by 1.5 and 0.1 per cent over the levels in the preceding quarter and corresponding period of 2007, respectively. The development was attributed to the increase in production by manufacturing firms as a result of the improvement in power supply.

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



	Qt2.07	Qt3. 07	Qt4. 07	Qt1. 08	Qt2. 08	Qt3. 08
Manuf .	93.4	90.2	90.1	90.0	88.0	89.3
Mining	132.4	133.5	133.6	132.9	132.8	132.3
Electricity	190.6	190.9	191.3	185.6	185.6	185.6
All Sectors	125.2	126.3	118.84	118.75	119.2	120.9

At 132.25 (1990=100), the index of mining production declined marginally by 0.2 and 0.8 per cent from the levels in the preceding quarter and the corresponding period of 2007. The decline was attributed to the fall in crude oil and gas production resulting from the crises in the Niger Delta region.

At 3,232.89 MW/h, estimated average electricity generation rose by 25.9 per cent over the level attained in the preceding quarter. The rise reflected higher output of the hydro power stations in the country and the improved supply of gas to Egbin, Delta and Geregu power stations.

At 2,876.4 MW/h, estimated average electricity consumption rose by 34.8 per cent over the level in the preceding quarter. Of the total, residential consumption accounted for 51.3 per cent, commercial & street lighting accounted for 26.2 per cent, while industrial consumption accounted for 22.5 per cent. The rise in electricity consumption relative to the preceding quarter was attributed to the improved supply from the power generating stations.

4.3 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids was estimated at 1.92 million barrels per day (mbd) or 176.64 million barrels (mbd) during the third quarter of 2008, compared with 1.83 mbd or 166.53 mbd in the preceding quarter. This represents a rise of 5.1 per cent. Crude oil export was estimated at 1.47 mbd or 135.24 million barrels in the review quarter, compared with 1.38 mbd or 125.58 million barrels in the preceding quarter. Deliveries to the refineries for domestic consumption remained at 0.445 mbd or 40.94 million barrels in the review quarter.

At an estimated average of US$118.93 per barrel, the price of Nigeria's reference crude, the Bonny Light (37º API), fell by 6.4 per cent from 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 fell by 5.2, 5.3, 2.8 and 6.1 per cent to US$118.89, US$116.42, US$115.63 and US$119.34 per barrel, respectively. The average price of OPEC's basket of eleven crude streams also, fell by US$3.91 per barrel to US$114.09 over the level in the preceding quarter. The decline in price was attributed to the global financial crisis and creeping economic recession that have dampened crude oil demand.

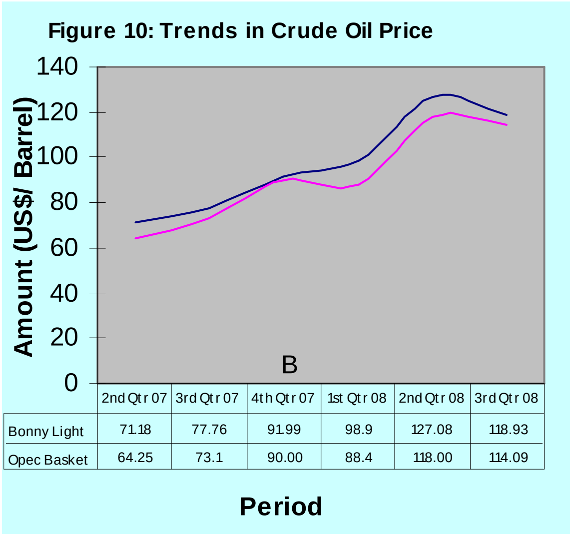


Figure 10: Trends in Crude Oil Price

4.4 Consumer Prices

Available data showed that the all-items composite Consumer Price Index (CPI) for the end of the third quarter, 2008 was 192.4 (May 2003=100), representing an increase of 4.5 and 13.0 per cent over the levels in the preceding quarter and the corresponding period of 2007, respectively. The development was attributed to the increase in the prices of some staple food items, household goods, diesel, gas and kerosene and some building materials.

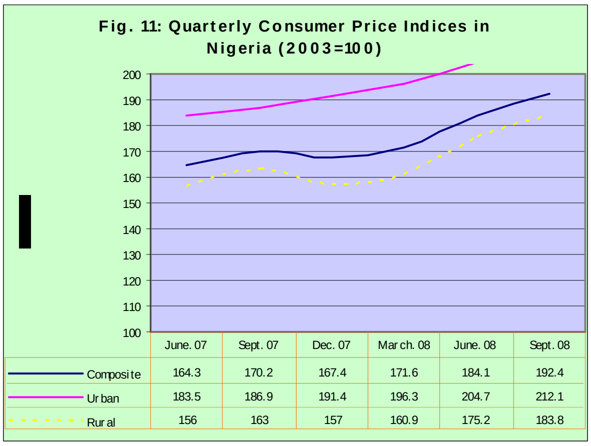


Fig. 11: Quarterly Consumer Price Indices in Nigeria (2003=100)

The urban all-items CPI at the end of the third quarter, 2008 was 212.1 (May 2003=100), indicating an increase of 3.6 and 13.5 per cent over the levels in the preceding quarter and corresponding quarter of 2007, respectively. Similarly, the rural all-items CPI for the quarter, at 183.8 (May 2003=100), represented an increase of 4.9 and 12.8 per cent over the levels in the preceding quarter and corresponding period of 2007, respectively.

The end-period inflation rate for the third quarter of 2008, on a year-on-year basis, was 13.0 per cent, compared with 12.0 and 4.1 per cent in the preceding quarter and corresponding quarter of 2007, respectively.

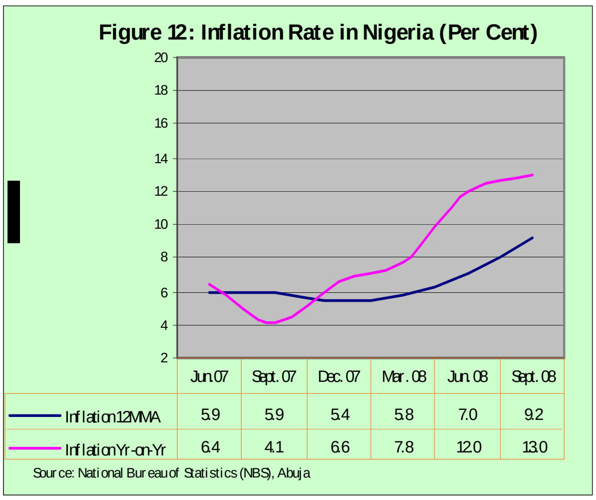


Figure 12: Inflation Rate in Nigeria (Per Cent)

The inflation rate on a twelve-month moving average basis for the third quarter, 2008 was 9.2 per cent, compared with 7.0 and 5.9 per cent recorded in June 2008 and the corresponding period of 2007, respectively.

5.0 EXTERNAL SECTOR DEVELOPMENTS

The gross external reserves rose by 2.1 per cent to US$62.10 billion, compared with US$60.85 billion and US$47.93 billion in the preceding quarter and corresponding period of 2007, respectively.

5.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in the third quarter of 2008 amounted to US$14.55 billion and US$10.86 billion, respectively, representing a net inflow of US$3.69 billion. Relative to the respective levels of US$11.08 billion and US$10.21 billion in the preceding quarter, foreign exchange inflow rose by 31.3 per cent, while the outflow increased by 6.4 per cent. The increase in inflow was attributed to the increase in oil receipts.

Available data on aggregate foreign exchange flows through the economy indicated that total inflow amounted to US$27.10 billion, representing an increase of 6.3 and 26.6 per cent over the levels in the preceding quarter and the corresponding period of 2007, respectively. Oil sector receipts, which accounted for 51.0 per cent of the total, stood at US$13.81 billion, compared with the respective levels of US$10.31 billion and US$8.16 billion in the preceding quarter and corresponding period of 2007, respectively. Non-oil public sector inflows, which accounted for 2.8 per cent of the total, fell by 2.6 per cent, while autonomous inflow, which accounted for 46.3 per cent fell by 12.8 per cent.

At US$11.34 billion, aggregate foreign exchange outflow from the economy rose by 8.3 and 92.5 per cent over the levels in the preceding quarter and corresponding period of 2007, respectively. The increase in outflow relative to the preceding quarter was attributed largely to the 6.2 and 80.7 per cent rise in WDAS utilisation and autonomous sources, respectively.

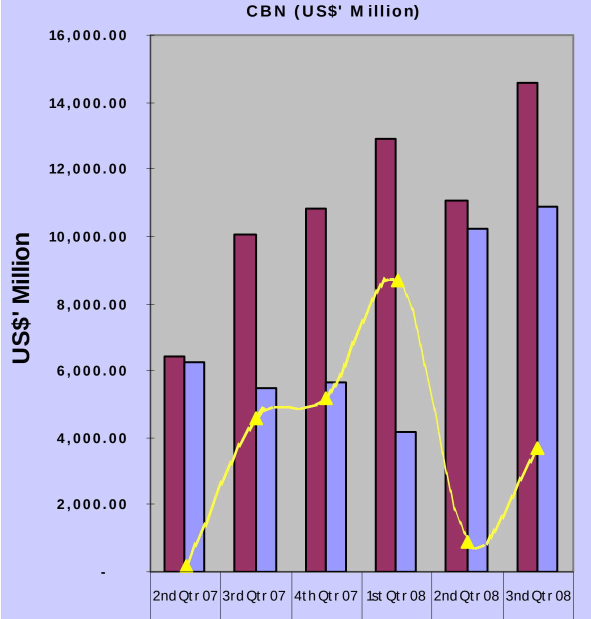
5.2 Non-Oil Export Proceeds by top 100 Exporters

Total non-oil export earnings by Nigeria's top 100 exporters declined by 12.9 per cent to US$373.68 million from the level in the preceding quarter, but an increase of 40.2 per cent over the level in the corresponding period of 2007.

A breakdown of the proceeds in the review quarter showed that proceeds of agricultural and "others" sub-sectors declined from US$253.90 million and US$22.34 million to US$178.67 million and US$20.14 million, respectively, while manufacturing sub-sector rose from million US$152.70 million in the preceding quarter to US$174.87 million.

The shares of agricultural, manufacturing and "others" sub-sectors in total non-oil export proceeds were 44.4, 43.4 and 5.0 per cent, respectively, compared with 59.2, 35.6 and 5.2 per cent, in the preceding quarter. The development was attributed largely to the decline in the prices of the goods traded at the international market. The top 100 exporters accounted for 92.8 per cent of all the non-oil export proceeds in the third quarter of 2008.

Figure 13: Foreign Exchange Flow Through the CBN (US$' Million)



	2nd Qtr 07	3rd Qtr 07	4th Qtr 07	1st Qtr 08	2nd Qtr 08	3nd Qtr 08
Inflow	6,406.19	10,050.73	10,832.60	12,888.86	11,082.89	14,554.95
Outflow	6,226.87	5,442.38	5,668.44	4,187.77	10,205.15	10,860.39
Netflow	179.32	4,608.35	5,164.16	8,701.09	877.75	3,694.57

5.3 Sectoral Utilisation of Foreign Exchange

The invisibles sector accounted for the bulk (31.5 per cent) of total foreign exchange disbursed in the third quarter of 2008, followed by the industrial sector (19.8 per cent). Other beneficiary sectors, in a descending order of importance, included: minerals & gas (19.7 per cent) , general merchandise (14.7 per cent),), food (9.5 per cent), transport (3.7 per cent) and agricultural products (1.1 per cent) (Fig.15).

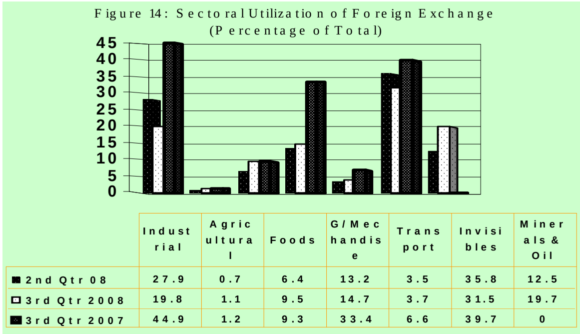


Figure 14: Sectoral Utilization of Foreign Exchange (Percentage of Total)

5.4 Foreign Exchange Market Developments

Foreign exchange demand by the authorized dealers stood at US$5.91 billion, indicating an increase of 40.4 and 27.1 per cent over the levels in the preceding quarter and the corresponding period of 2007, respectively.

Consequently, a total amount of US$4.63 billion was sold by the CBN during the period, indicating an increase of 68.4 and 14.6 per cent over the levels in the preceding quarter and the corresponding period of 2007, respectively.

Under the WDAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar appreciated by 0.1 per cent to =N=117.75 per dollar from =N=117.84 per dollar in the preceding quarter. It also showed an appreciation of 7.0 per cent over the level in the corresponding period of 2007. In the bureaux-de-change segment of the market, the naira traded at an average of =N=119.00 per dollar, compared with =N=118.81 and =N=127.14 per dollar in the preceding quarter and the corresponding quarter of 2007, respectively. Consequently, the premium between the official and the bureaux-de-change rates widened from 0.8 per cent in the preceding quarter to 1.1 per cent.

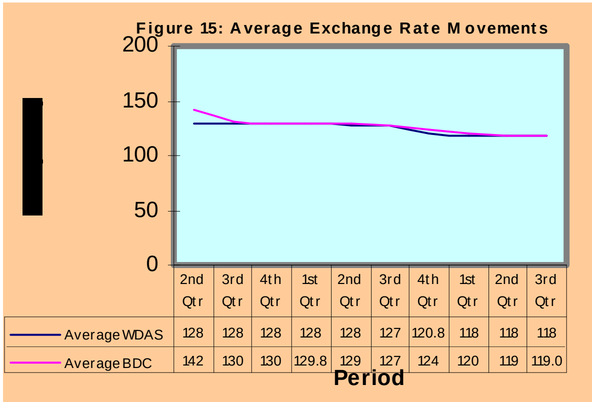


Figure 15: Average Exchange Rate Movements

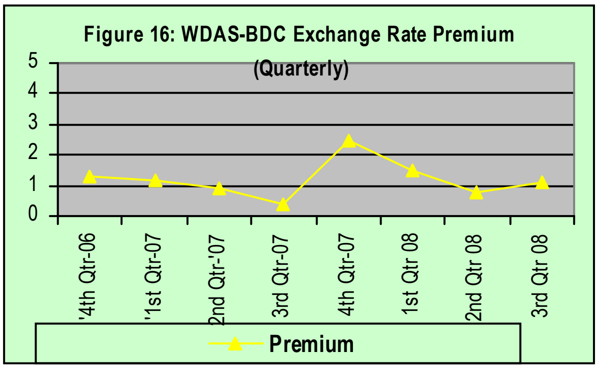


Figure 16: WDAS-BDC Exchange Rate Premium

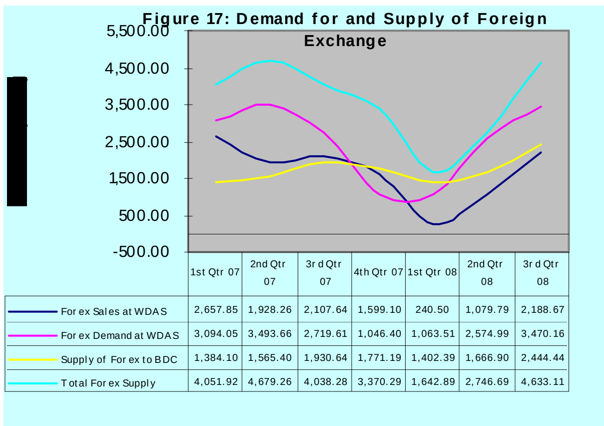


Figure 17: Demand for and Supply of Foreign

6.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output in the third quarter of 2008 was estimated at 87.08 million barrels per day (mbd), while demand was estimated at 86.44 mbd, compared with 86.81 and 86.95 mbd supplied and demanded in the preceding quarter, respectively. The decline in demand was attributed to the slow down in economic activity in the US, owing to the current world economic crisis.

Other major international economic developments of relevance to the domestic economy during the quarter included: the trade talks meeting held in Geneva, Switzerland from July 21 – 30, 2008 meant to continue the Doha Round that commenced in November, 2001. The goal of the meeting was to agree on modalities for agriculture and Non-Agricultural Market Access (NAMA) — the formula and other methods to be used to cut tariffs and agricultural subsidies, and a range of related provisions, including the next steps in concluding the Doha Round of negotiations. The modalities would determine the scale of reductions in tariffs on thousands of industrial and agricultural products and future levels of farm subsidies in the WTO's member countries (see July, 2008 report).

Also, the 6th D-8 Summit was held in Kuala Lumpur, Malaysia from July 4 – 8, 2008. The theme of the Summit was "Meeting Challenges through Innovative Cooperation". The meeting was preceded by the 25th Session of the Commission of D-8 on July 4 - 5, 2008, followed by the 11th Session of the D-8 Council of Ministers on July 6, 2008 (see July, 2008 report).

In another development, the World Bank on July 1, 2008 approved two credits totaling US$450 million to support the Federal and State Governments of Nigeria in the fight against rural poverty. The amount comprised the US$250 million for FADAMA III and US$200 million for the Community and Social Development project. Both projects were developed as a follow-up to the FADAMA II, Local Empowerment and Environment Management Project (LEEMP), and Community-based Poverty Reduction Project (CPRP) in the country (see July, 2008).

During the quarter, an International Monetary Fund (IMF) report showed that the impact of surging food and fuel prices was being felt globally. The effect was more acute for import-dependent poor and middle-income countries confronted with balance of payments problems, higher inflation, and worsening poverty. Analyzing the macroeconomic policy challenges arising from the price surges, the report argued that many governments will have to adjust policies in response to the price shock, while the international community will need to act in a concerted manner to address this global problem (see July, 2008).

Also, the 32nd Ordinary Meeting of the Assembly of Governors of the Association of African Central Banks (AACB) held in Kigali, Rwanda, on August 22, 2008. The main objective of the meeting was to iron out the necessary conditions for the proper functioning of the three African financial institutions, namely; the African Monetary Fund, the African Central Bank and the African Investment Bank (see August, 2008).
In another development, the Third Session of the Nigeria -Iran Joint Commission was held in Abuja, Nigeria from August 25 – 28, 2008. The Joint Commission reviewed different areas of economic cooperation and presented proposals that would boost development and strengthen relations between the two countries (see August, 2008).

Also, the African Development Bank (AfDB) Group and the West African Monetary Institute (WAMI) on August 4, 2008 in Tunis, signed an agreement for a grant of 14 million Units of Account (UA), equivalent to US$23.0 million, to finance the West African Monetary Zone (WAMZ) Payments System Development project, which aims at standardizing the payment systems in The Gambia, Guinea and Sierra Leone (see August, 2008).

A World Bank report released on August 26, 2008 indicated that there were more poor people around the world than previously thought. The report further revealed big successes in the fight to overcome extreme poverty. The new estimates, which reflect improvements in internationally comparable price data, provide a much more accurate picture of the cost of living in developing countries and set a new poverty line of US$1.25 a day. The data is based on the results of the 2005 *International Comparison Program* (ICP), released earlier this year (see August, 2008).
The West African Monetary Institute's Multilateral Surveillance Mission to Nigeria was conducted from September 3-12, 2008, in accordance with Article XV of the West African Monetary Zone's (WAMZ) regulations. The aim of the Mission was to assess the state of Nigeria's performance under the quantitative and qualitative criteria as outlined in the Banjul Declaration of 2005. The Mission commended the Nigerian authorities for sustaining the momentum of economic reforms and the initiative to develop a medium-term economic programme covering the period 2008-2011 in line with Mr. President's seven-point agenda. The Mission observed that public expenditure and debt management have also improved. They, however, emphasized that tax administration, which is an integral part of the tax reforms efforts, has not yet manifested in improved revenue collection.

The Expert Committee Meeting on the Financial Implication of the Operationalization of the WAMZ Institutions convened by the West African Monetary Institute (WAMI) was held in Accra, Ghana from September 24 – 25, 2008 in pursuant of its 2008 programme as provided by the Banjul Declaration of 2005, and the directive of the meeting of Convergence Council held in Freetown in June 2008.

A paper on "Financial Implications of the Operationalisation of the West African Monetary Zone (WAMZ) Institutions" was considered by members. The document contained the indicative cost of activating the WAMZ institutions, namely, West African Central Bank (WACB), West African Financial Stability Agency (WAFSA) and WAMZ Secretariat. It identified the functions of the institutions as well as the cost composition under federal and unitary structures. The valuation exercise was to determine the appropriate level of capital for WACB and give an indication of each member's contribution. Members would be expected to subscribe to the activation costs in accordance with the weighting formula defined in the Statute of the Zone. WAFSA and WAMZ Secretariat will be funded by the central banks and member countries, respectively.

In another development, fears of contagion of the global financial crisis on developmental efforts around the world has risen since governments in developed and industrialized economies have continued to bail out distressed financial institutions with billions of dollars. Some analysts have expressed the belief that the focus might shift considerably from fulfilling pledges made by developed countries to alleviate poverty in developing countries, to curb the level of financial distress, which may negatively impact further on their ailing economies in the industrialized nations even as the economies draw closer to recession.

Lastly, the African Union (AU) and the World Bank signed a Memorandum of Understanding (MoU) on September 26, 2008 to undertake and deepen their collaboration in the areas of regional integration, governance, post-conflict countries, relations with the Diaspora, HIV/AIDS and other communicable diseases. The MoU provides an overall framework for collaboration over an initial five-year period in each of these areas, which are priorities for both the World Bank and the Africa Union.

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

	3rd Qtr 06	4th Qtr 06	1st Qtr 07	2nd Qtr 07	3rd Qtr 07	4th Qtr 07	1st Qtr 08	2nd Qtr 08	3rd Qtr 08
FISCAL OPERATIONS OF THE FEDERAL GOVT									
Federally Collected Revenue (=N='b)	1,487.6	1483.1	1224.7	1,120.2	1,479.4	1,699.3	1,889.4	1,866.3	1866.3
Oil Revenue	1,311.8	1,280.5	1,018.6	926.8	1,165.6	1,279.1	1,574.3	1,559.3	2,004.9
Non-Oil Revenue	175.7	202.6	206.0	193.4	281.0	420.2	315.1	307.0	367.1
Retained Revenue (=N='b)	492.7	564.1	473.1	670.5	566.6	700.6	560.7	830.8	943.9
Total Expenditure (=N='b)	498.1	685.8	485.1	585.5	515.7	941.3	464.1	985.4	1,036.4
Recurrent	354.2	339.5	307.1	251.5	375.27	615.5	434.9	544.9	598.6
Capital Expenditure	128.1	309.2	152.5	308.5	6.93	291.5	-	366.3	366.3
Transfers	15.9	37.1	25.6	25.6	16.75	34.4	19.5	70.1	71.5
Surplus/Deficit (=N='b)	-5.5	-121.7	-12.1	85.1	153.47	-240.7	123.5	-154.6	-92.5
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$'m)									
Inflow	9,626.35	8,727.91	8,146.21	6,406.19	10,050.73	10,832.60	12,888.86	11,082.9	14,555.0
Outflow	5,069.32	8,195.86	7,017.01	6,226.87	5,442.38	5,668.44	4,187.77	10,205.1	10,860.4
(Debt Service)	209.16	1,727.72	676.71	109.17	129.43	111.15	110.40	118.44	102.22
Net Flow	4,557.03	532.05	1,129.2	179.32	4,608.35	5,164.16	8,701.09	877.75	3,694.57
FOREIGN EXCHANGE MARKET									
Forex Sales at WDAS (US$'m)	2,724.62	3,412.38	2,657.85	2306.06	2,107.64	1,599.10	240.50	1,079.79	2,188.67
Forex Demand at WDAS (US$'m)	2,991.86	4,537.24	3,094.05	3493.66	2,719.61	1,046.40	1,063.51	2,540.49	3,470.16
Supply of Forex to BDC (US$'m)	1,018.92	1,202.24	1,384.1	1,185.60	1,930.6	1,771.19	1,402.39	1,666.90	2,444.44
Total Forex Supply (US$'m)	3,743.54	5,224.62	4,051.92	4,679.26	4,038.28	3,370.29	1,642.89	2,746.69	4,633.11
Average WDAS Exchange Rate	128.31	128.28	128.23	127.65	126.63	120.87	118.04	117.84	117.75
Average BDC Exchange Rate (=N=/$)	130.24	129.99	129.80	128.83	127.15	123.89	119.79	118.81	119.00
BDC Premium	1.50	1.33	1.22	0.9	0.4	2.5	1.2	0.8	1.1
Depreciation									
BALANCE OF PAYMENTS (=N='b)									
Current Account (=N='b)	1,090.58	929.71	876.06	1,217.07	1,571.41	-	-	-	-
Goods	754.63	736.39	486.44	741.87	854.42	-	-	-	-
Export	1,531.80	1,460.38	1,320.18	1,505.46	1,646.70	-	-	-	-
Import	-777.17	-723.99	-833.75	-763.59	-792.29	-	-	-	-
Services (net)	-47.47	79.54	-6.27	-3.50	-43.06	-	-	-	-
Income (net)	-26.22	69.26	7.13	-20.53	-16.23	-	-	-	-

	3rd Qtr 06	4th Qtr 06	1st Qtr 07	2nd Qtr 07	3rd Qtr 07	4th Qtr 07	1st Qtr 08	2nd Qtr 08	3rd Qtr 08
Current Transfers (net)	262.24	342.12	388.76	499.23	657.70	-	-	-	-
Capital and Financial Accounts	-604.58	-668.18	-762.67	-1,231.15	-897.94	-	-	-	-
Capital Account (net)	2.60	1.92	1.60	1.96	2.58	-	-	-	-
Financial Accounts (net)	-607.19	-670.10	-764.27	-1,233.11	-900.52	-	-	-	-
Direct Investment	71.06	136.09	147.50	161.14	365.22	-	-	-	-
Net Errors and Omissions	-2.54	-1.92	-3.58	-3.80	-2.52	-	-	-	-
Overall Balance	483.43	259.61	109.82	6.50	670.95	-	-	-	-
EXTERNAL RESERVES (US$'b)	40.46	42.30	42.60	42.63	47.97	51.33	59.70	59.16	62.08
CRUDE OIL PRODUCTION (MBD)									
Total World Supply	84.9	85.2	85.4	85.5	86.0	85.9	87.3	86.8	87.1
OPEC	34.2	34.0	33.7	35.1	36.3	35.1	37.2	36.9	37.4
Non-OPEC	50.6	51.3	50.6	50.3	49.5	50.8	50.1	49.9	49.7
CRUDE OIL PRICES (US$/Barrel)									
Bonny Light	71.5	61.6	59.9	71.2	79.6	92.0	98.9	127.1	118.9
OPEC Basket	66.2	56.1	54.6	64.3	73.1	90.0	88.4	118.0	114.1
DOMESTIC PRICES									
12 MMA Inflation Rate (%)	10	8.2	7.2	5.9	5.9	5.4	5.8	7.0	9.2
Y/Y Inflation Rate (%)	6.3	8.5	5.2	6.4	4.1	6.6	7.8	12.0	13.0
Core Inflation:12 MMA (%) [2]	11.2	12.8	13.4	11.1	10.6	9.2	6.8	5.8	4.5
Core Inflation: Y/Y (%) [2]	10.6	17.3	8.9	9.6	10.5	3.6	0.5	3.6	6.9
Food Inflation:12 MMA (%) [3]	9.0	5.6	3.3	2.0	2.1	1.9	4.2	7.4	12.3
Food Inflation: Y/Y (%) [3]	4.3	3.9	1.7	3.2	-0.8	8.2	12.4	18.1	17.1
INDUSTRIAL PRODUCTION									
Index of Industrial Production	120.6	114.8	120.80	121.70	120.90	118.84	118.75	119.2	120.9
Index of Manufacturing Production	87.2	86.6	89.60	89.80	89.40	90.07	89.96	88.0	89.3
Index of Mining Production	145.3	132.8	132.10	132.40	133.50	133.64	132.90	132.8	132.5
Average Electricity Generation (MW/h)	2,744.7	2,520.1	2,271.5	2,950.0	2,794.1	3,850.0	3,850.0	2,500.0	3,232.9
Average Electricity Consumption (MW/h)	1,760.9	1,725.1	1,689.1	1,796.6	1,617.0	1,750.0	1,750.0	1,300.0	2,876.4

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

TABLE 1
MONETARY AND CREDIT DEVELOPMENTS
(=N=Million)

		SEPTEMBER 2008	JUNE 2008	MARCH 2008	SEPT 2007	JUNE 2007	DECEMBER 2007	CHANGE BETWEEN (1&2)		CHANGE BETWEEN (4&5)		CHANGE BETWEEN (2&3)		CHANGE BETWEEN (1&6)	
		(1)	(2)	(3)	(4)	(5)	(6)	ABSOLUTE	PER CENT	ABSOLUTE	PER CENT	ABSOLUTE	PER CENT	ABSOLUTE	PER CENT
1	Domestic Credit	4,215,446.00	4,038,236.30	3,462,330.40	1,740,308.5	888,710.9	2,688,236.6	177209.7	4.4	851597.6	95.8	575905.9	16.6	1527209.4	56.8
(a)	Claims on Federal Government (Net)	-3,242,819.20	-2,716,445.30	-2,501,996.40	-2,462,861.00	-2,615,012.00	-2,368,484.30	-526373.9	-19.4	152151.0	5.8	-214448.9	-8.6	-874334.9	-36.9
	By Central Bank (Net)	-5,107,624.40	-4,413,045.00	-4,474,048.80	-3,818,351.50	-3,596,910.40	-4,074,422.80	-694579.4	-15.7	-221441.1	-6.2	61003.8	1.4	-1033201.6	-25.4
	By Banks (Net)	1,864,805.20	1,696,599.70	1,972,052.40	1,355,490.5	981,898.4	1,705,938.5	168205.5	9.9	373592.1	38.0	-275452.7	-14.0	158866.7	9.3
(b)	Claims on Private Sector	7,458,265.20	6,754,681.60	5,964,326.80	4,203,169.5	3,503,722.9	5,056,720.9	703583.6	10.4	699446.6	20.0	790354.8	13.3	2401544.3	47.5
	By Central Bank	171,846.40	114,037.12	145,417.90	39,218.9	58,781.8	236,025.2	57809.3	50.7	-19562.9	-33.3	-31380.8	-21.6	-64178.8	-27.2
	By Banks	7,286,418.80	6,640,644.48	5,818,908.90	4,163,950.6	3,444,941.1	4,820,695.7	645774.3	9.7	719009.5	20.9	821735.6	14.1	2465723.1	51.1
(i)	Claims on State and Local Governments	97,536.40	99,399.94	101,999.70	58,996.8	40,279.2	87,753.6	-1863.5	-1.9	18717.6	46.5	-2599.8	-2.5	9782.8	11.1
	By Central Bank	-	0.0	0.0	-	0.0	0.0	0.0	0.0						
	By Banks	97,536.40	99,399.94	101,999.70	58,996.8	40,279.2	87,753.6	-1863.5	-1.9	18717.6	46.5	-2599.8	-2.5	9782.8	11.1
(ii)	Claims on Non-Financial Public Enterpris	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	By Central Bank	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	By Banks	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(iii)	Claims on Other Private Sector	7,360,728.80	6,655,281.66	5,862,327.10	4,144,172.7	3,463,443.7	4,968,967.3	705447.1	10.6	680729.0	19.7	792954.6	13.5	2391761.5	48.1
	By Central Bank	171,846.40	114,037.12	145,417.90	39,218.9	58,781.8	236,025.2	57809.3	50.7	-19562.9	-33.3	-31380.8	-21.6	-64178.8	-27.2
	By Banks	7,188,882.40	6,541,244.54	5,716,909.20	4,104,953.8	3,404,661.9	4,732,942.1	647637.9	9.9	700291.9	20.6	824335.3	14.4	2455940.3	51.9
2	Foreign Assets (Net)	8,522,661.70	8,316,237.20	7,991,622.80	6,977,270.9	7,633,412.7	7,266,512.1	206424.5	2.5	-656141.8	-8.6	324614.4	4.1	1256149.6	17.3
	By Central Bank	7,589,846.60	7,446,508.90	7,248,971.10	6,249,910.0	6,802,621.5	6,570,263.7	143337.7	1.9	-552711.5	-8.1	197537.8	2.7	1019582.9	15.5
	By Banks	932,815.10	869,728.30	742,651.70	727,360.9	830,791.2	696,248.4	63086.8	7.3	-103430.3	-12.4	127076.6	17.1	236566.7	34.0
3	Other Assets (Net)	-3,783,722.60	-4,406,104.70	-3,455,720.40	-3,044,956.90	-3,405,876.80	-4,144,922.10	622382.1	14.1	360919.9	10.6	-950384.3	-27.5	361199.5	8.7
	Total Monetary Assets (M_2)	8,954,385.10	7,948,368.80	7,998,232.80	5,672,622.4	5,116,246.8	5,809,826.6	1006016.3	12.7	556375.6	10.9	-49864.0	-0.6	3144558.5	54.1
	Quasi - Money 1/	4,428,426.90	3,619,857.20	3,452,094.20	2,634,014.5	2,477,185.7	2,693,554.3	808569.7	22.3	156828.8	6.3	167763.0	4.9	1734872.6	64.4
	Money Supply (M_1)	4,525,958.20	4,328,511.70	4,546,138.60	3,038,607.9	737,061.0	3,116,272.1	197446.5	4.6	2301546.9	312.3	-217626.9	-4.8	1409686.1	45.2
	Currency Outside Banks	751,954.00	673,055.40	662,789.60	543,386.4	525,742.5	737,867.2	78898.6	11.7	17643.9	3.4	10265.8	1.5	14086.8	1.9
	Demand Deposits 2/	3,774,004.20	3,655,456.30	3,883,349.00	2,495,221.5	211,318.5	2,378,404.9	118547.9	3.2	2283903.0	1080.8	-227892.7	-5.9	1395599.3	58.7
	Total Monetary Liabilities	8,954,385.10	7,948,368.80	7,998,232.80	5,672,622.4	3,214,246.7	5,809,826.4	1006016.3	12.7	2458375.7	76.5	-49864.0	-0.6	3144558.7	54.1

Notes:
1/ Quasi-Money consists of Time,Savings and Foreign Currency Deposits at Deposit Money Banks, excluding Takings from Discount Houses.
2/ Demand Deposits consists of State, Local Government and Parastatals Deposits at the CBN; State, Local Government and Private Sector Deposits as well as Demand Deposits of Non-Financial Public Enterprises at Deposit Money Banks.
3/ Provisional.