

## ECONOMIC REPORT FOR THE MONTH OF AUGUST 2003

### 1.0 SUMMARY

Available data indicated a decline in monetary aggregates in August 2003, in contrast to the developments in the preceding month. Broad money stock ( $M_2$ ) and narrow money ( $M_1$ ) fell by 0.5 and 0.6 per cent from the levels in the preceding month but grew by 23.6 and 22.3 per cent, respectively, in the eight-month period, compared with the growth targets of 15.0 and 13.8 per cent for the whole year. The fall in the review month was traceable to the decline in aggregate bank credit to the domestic economy and other assets (net) of the banking system. Aggregate banking system's credit to the domestic economy fell by 4.4 per cent during the month but increased significantly during the first eight months of the year by 33.0 per cent, compared with the target of 25.7 per cent for fiscal 2003.

Data on banks' interest rates indicated mixed developments during the month. Banks' deposit rates increased, while lending rates declined marginally. The spread between banks' weighted average deposit and maximum-lending rates was 8.7 percentage points, while the margin between the average savings deposit and maximum lending rates was 18.2 percentage points. The average inter-bank call rate rose to 16.4 per cent from 15.6 per cent in July 2003.

The value of money market assets outstanding at end-August 2003 declined by 0.1 per cent from its level in the preceding month. The fall was traceable to the decline in Commercial Papers (CPs) by 11.4 per cent. No new issue of Nigerian Treasury Bills (NTBs) was made during the month, but matured bills worth ₦144.1 billion were rolled over. Developments in the Nigerian Stock Exchange (NSE) were mixed during

the month as the volume and value of traded securities declined, while market capitalization and value index increased.

Agricultural activities during the month were mainly harvesting of tuber crops and the processing of dry grains in the southern and middle belt states, while the harvesting of early crops such as cowpea and millet dominated in the northern states. The price index of Nigeria's major agricultural commodities at the London Commodities' Market declined by 0.2 per cent, in dollar terms, but rose by 0.2 per cent, in naira terms, over the level recorded in the preceding month. The inflation rate in August was estimated at 9.9 per cent, down from 10.0 per cent estimated for July. Estimated crude oil output, including condensates and natural gas, was 2.18 million barrels per day (mbd) or 67.58 million barrel for the month, indicating a decline of 0.9 per cent from the preceding month's level. Crude oil exports represented 79.4 per cent of the total output, while deliveries of crude oil to refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels per month. The average price for Nigeria's reference crude, Bonny Light (37°API), at \$30.05 a barrel, rose by 5.4 per cent over its level in July, 2003.

Data on foreign exchange flows through the Central Bank of Nigeria (CBN) during the month indicated an inflow of US\$1,134.0 million and an outflow of US\$1,525.5 million, resulting in a net outflow of US\$391.5 million in August 2003. Sales of foreign exchange in the official segment of the foreign exchange market amounted to US\$919.4 million, compared with US\$802.5 million in the preceding month. The weighted average

exchange rate of the naira vis-à-vis the US dollar at the Dutch Action System (DAS) depreciated by 0.2 per cent from its level of ₦128.03 in July to ₦128.28 per dollar in August. Similarly, it depreciated by 2.3 per cent to ₦141.69 and ₦142.26 per dollar in the parallel market and the bureaux the change, respectively, during the month. Nigeria's gross external reserves fell further by 3.1 per cent from its level in the preceding month to US\$7,402.3 million as at end-August, 2003.

On the international scene, total world crude oil output increased by 1.02 mbd or 1.3 per cent to 78.65 million barrel per day (mbd), compared with 77.63 mbd in the preceding month, while the estimated demand exceeded supply by 0.35 mbd, compared with an excess demand of 0.17 mbd recorded in July 2003.

Other major international economic developments of relevance to the domestic economy during the month were: the 27th Ordinary meeting of the Assembly of Governors of the Association of African Central Banks (AACB) held on August 19, 2003 in Kampala, Uganda. The meeting was preceded by a Symposium on August 18, 2003 on the theme, "Sub-regional Monetary Integration: Challenges and Prospects". Also, The 5<sup>th</sup> Summit of the Authority of Heads of State and Government of the West African Monetary Zone (WAMZ) was held in Abuja on 29<sup>th</sup> August 2003 under the Chairmanship of President Olusegun Obasanjo. The Summit considered the Report of the 12<sup>th</sup> Meeting of the Convergence Council (Central Bank Governors and Ministers) which covered policy, legal, administrative and technical issues on the WAMZ programme and reaffirmed its commitment to the realization of the objectives of the WAMZ as a critical step towards the establishment of the

ECOWAS's single monetary zone. Furthermore, an Inter-Ministerial meeting on the 58<sup>th</sup> United Nations General Assembly (UNGA) was convened by the Ministry of Foreign Affairs (MFA) to articulate Nigeria's position on various international issues that would feature during the forthcoming session of the United Nations General Assembly (UNGA) scheduled to take place on 16<sup>th</sup> September, 2003. The meeting discussed issues relating to the payment of Nigeria's indebtedness to UN agencies, the NEPAD Initiative, external debt and co-sponsorship of resolutions on United Nations Commission on International Trade Law (UNCITRAL).

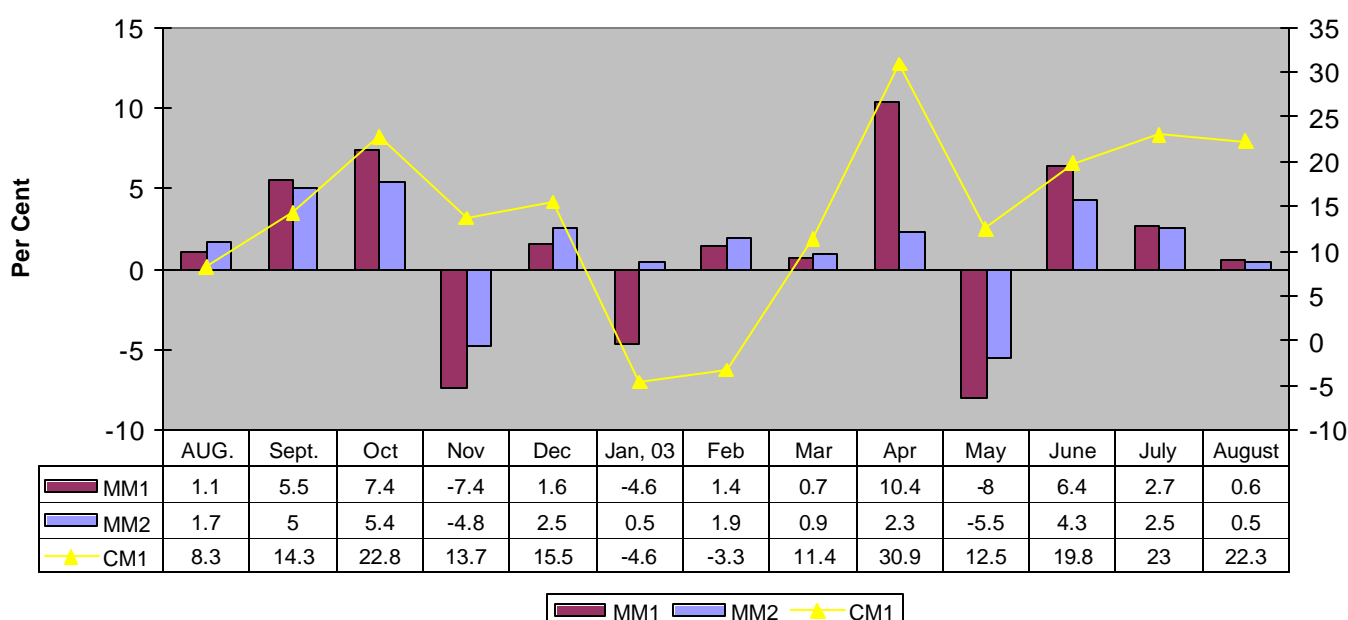
## 2.0 FINANCIAL SECTOR DEVELOPMENTS

Monetary aggregates declined in August 2003, while banks' interest rates indicated mixed developments. Activities on the Nigerian Stock Exchange (NSE) were mixed. The developments in the money market were influenced by the state of banks' liquidity during the month.

and  $M_1$  grew by 23.6 and 22.3 per cent, respectively, compared with the programmed targets of 15.0 and 13.8 per cent for fiscal 2003.

Aggregate bank credit (net) to the domestic economy fell by ₦81.2 billion or 4.4 per cent to ₦1,767.9 billion, in contrast to an increase of ₦371.5 billion or 25.1 per cent in the preceding month. The fall during

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



### 2.1 Monetary and Credit Developments

Available data indicated a decline in monetary aggregates in August 2003. Broad money supply ( $M_2$ ) fell by ₦9.3 billion or 0.5 per cent to ₦1,976.3 billion, in contrast to the increase of 2.5 and 1.7 per cent in the preceding month and the corresponding period of 2002, respectively. Similarly, narrow money ( $M_1$ ) fell by 0.6 per cent to ₦1,157.7 billion, reflecting the decline in aggregate bank credit to the domestic economy and other assets (net) of the banking system during the month. In the first eight months of the year, however,  $M_2$

the review month was attributable wholly to the decline in claims on the Federal Government by ₦81.5 billion or 11.0 per cent. Credit to the private sector, on the other hand, increased marginally by ₦0.3 billion or 0.03 per cent to ₦1,105.5 billion. In the first eight months of the year, aggregate bank credit to the economy grew by 33.0 per cent, compared with the growth target of 25.7 per cent for the whole year.

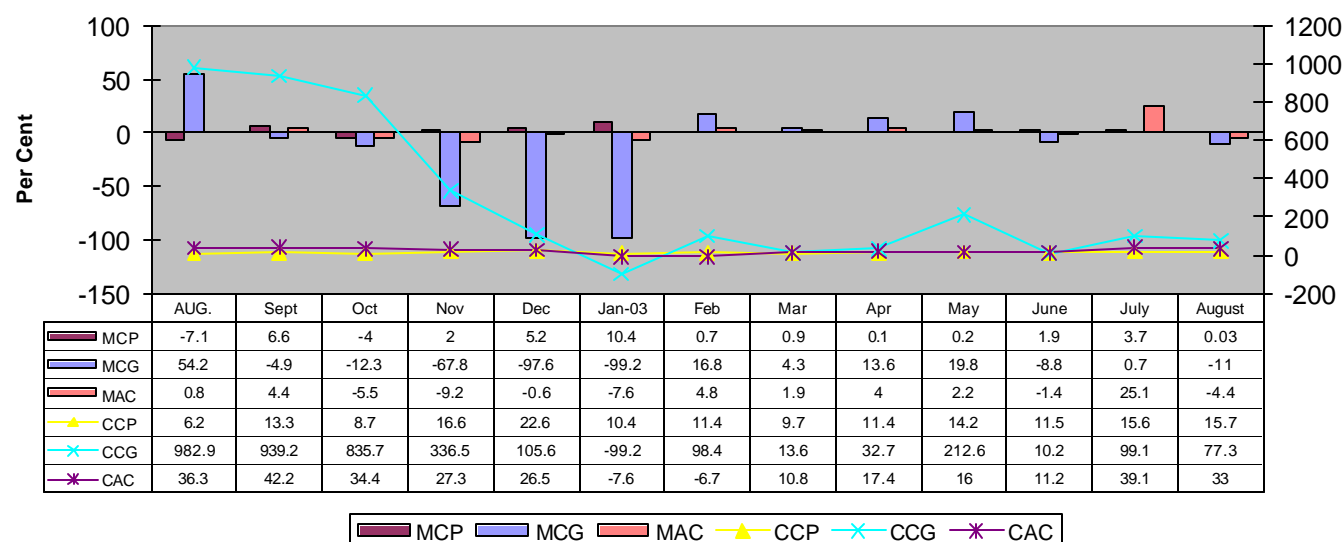
Banking system's net claims on the Federal Government fell by ₦81.5 billion or 11.0 per cent to ₦662.3 billion, in contrast to an increase of ₦332.3 billion or 80.7 per cent in the preceding month. The decline in

the review month reflected wholly the fall in net claims by the CBN. In the first eight months of the year, net claims on the government rose by 77.3 per cent.

Private sector credit rose marginally by ₦0.3 billion or 0.03 per cent to ₦1,105.5 billion, reflecting the moderate increase in

Quasi-money fell by ₦2.7 billion or 0.3 per cent to ₦818.6 billion, in contrast to the increase of ₦16.7 billion or 2.1 per cent in the preceding month and the ₦15.0 billion or 2.4 per cent rise in the corresponding period of 2002. In the first eight months of the year, quasi-money grew by ₦165.4 billion or 25.3 per cent.

**Figure 2: Aggregate Domestic Credit To The Economy (Monthly & Cumulative Growth Rate -Please note that omitted points are outliers )**



Central Bank's claims on the sector. In the first eight months of the year, private sector credit grew by 15.7 per cent, compared with the 32.3 per cent target for fiscal 2003.

At ₦1, 414.1 billion, foreign assets (net) of the banking system rose by ₦1,132.0 billion or 8.7 per cent, in contrast to a decline of ₦134.6 billion or 9.4 per cent in the preceding month. The rise was attributable to the increase in both the Central Bank and deposit money banks' holdings. In the first eight months of the year, foreign assets (net) of the banking system rose by ₦26.9 billion or 1.9 per cent, in contrast to the decline of ₦319.5 billion or 22.3 per cent in the corresponding period of 2002.

Other Assets (net) of the banking system declined by ₦41.0 billion or 3.5 per cent in the review month, compared with a decline of ₦189.3 billion or 19.4 per cent recorded in the preceding month. The decline was as a result of the increase in unclassified liabilities of both the Central Bank and the deposit money banks.

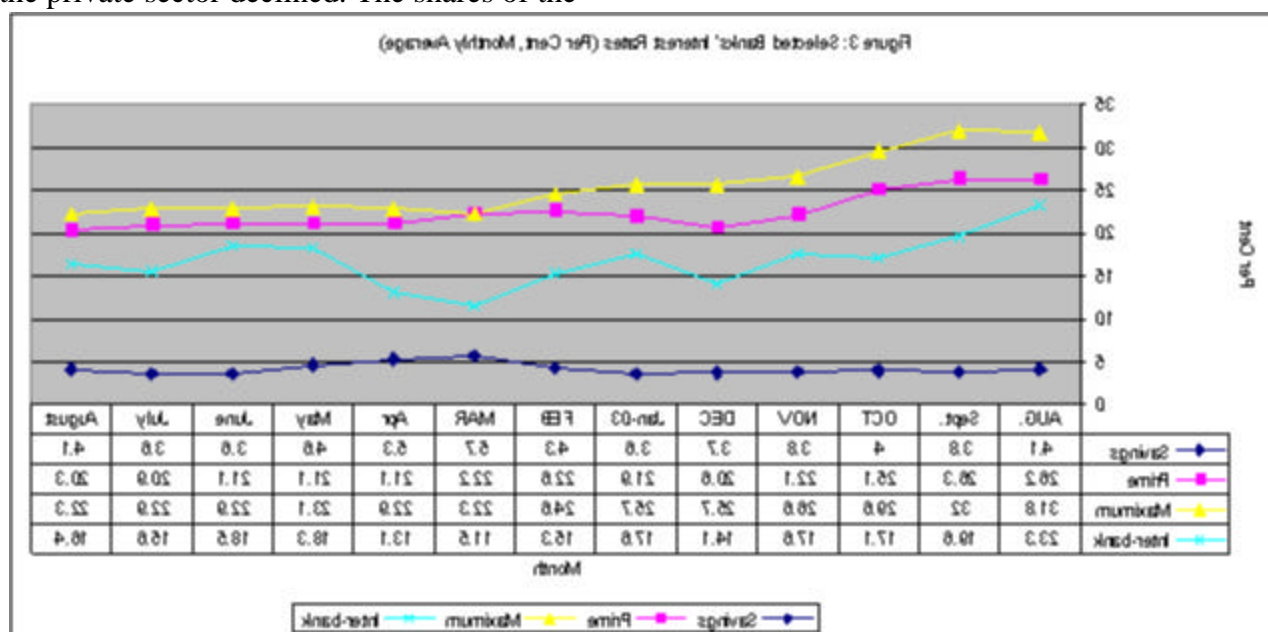
## 2.2 Currency-in-circulation and Deposits at CBN

At ₦438.4 billion, currency in circulation in August 2003 remained unchanged at the preceding month's level. Currency outside the banking system, however, rose by 7.8 per cent from ₦361.0

billion in July 2003 to ₦389.1 billion in August, while vault cash declined from ₦77.4 billion in July 2003 to ₦49.3 billion during the month under review.

Total deposits at the CBN amounted to ₦765.1 billion, indicating an increase of ₦273.6 billion or 55.7 per cent and ₦7.7 billion or 1.0 per cent over the preceding month's level and the level at end-December 2002, respectively. The development during the month reflected largely the increase in the deposit of the Federal Government, while the deposit by the private sector declined. The shares of the

deposits of various maturities increased from a range of 8.2 – 13.2 per cent in July 2003 to 9.4 – 15.9 per cent. The average prime and maximum lending rates, however, fell by 0.6 percentage points each to 20.3 and 22.3 per cent, respectively. Thus, the spread between the weighted average deposit and maximum lending rates narrowed from 11.8 per cent to 8.7 percentage points, while the margin between the average savings deposit and maximum lending rates stood at 18.2 percentage points.



Federal Government, bankers and “others” in total deposit at the CBN were 58.5, 26.1 and 15.4 per cent, respectively, compared with 27.7, 39.9 and 32.4 per cent in July, 2003.

### 2.3 Interest Rate Developments

Available data indicated a general increase in banks' deposit rates in August 2003. The average savings deposit rate rose from 3.6 per cent in July to 4.1 per cent in the review month, while rates on time

The average inter-bank call rate, which stood at 15.56 per cent in July, rose to 16.4 per cent in the review month (fig. 3).

### 2.4 Money Market Developments

Provisional data indicated that the value of money market assets outstanding as at end-August, 2003 declined by ₦1.0 billion or 0.1 per cent to ₦805.2 billion, in contrast to an increase of ₦2.0 billion, or 0.2 per cent in the preceding month. The fall reflected largely the decline in Commercial

Papers (CPs) by ₦4.2 billion or 11.4 per cent during the review period. The levels of Bankers Acceptances (BAs) and Eligible Development Stocks (EDS) outstanding, on the other hand, increased by ₦ 3.0 billion or 9.0 per cent and ₦0.2 billion or 8.3 per cent to ₦ 36.3 billion and ₦2.6 billion, respectively, while treasury bills outstanding remained unchanged at the preceding month's level of ₦733.8 billion.

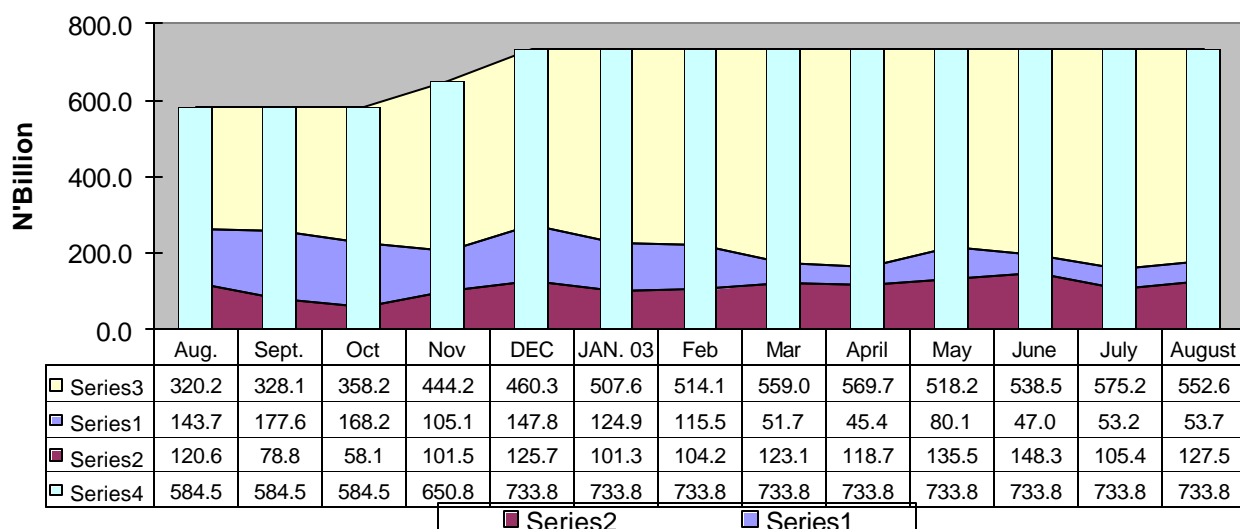
Treasury bills worth ₦144.1 billion were issued to replace matured bills of equivalent value, compared with ₦299.0 billion issued in July, 2003. A breakdown of

₦552.6 billion or 75.3 per cent of the total, while holdings by "other" investors stood at ₦127.5 billion or 17.46 per cent, compared with ₦105.4 billion in the preceding month. Central Bank's holding rose marginally from ₦53.2 billion in the preceding month to ₦53.7 billion in August, constituting 7.3 per cent of the total.

## 2.5 Capital Market Developments

Activities on the Nigerian Stock Exchange (NSE) in August 2003, recorded mixed developments, as both the volume and value of traded securities declined,

**Figure 4: Treasury Bills Holdings (N'Billion)**



the total amount rolled over during the month indicated that deposit money banks (DMBs) and discount houses together subscribed ₦68.9 billion, representing 47.8 per cent of the total subscription for the month, while "other" investors accounted for ₦32.5 billion or 22.6 per cent. The balance of ₦42.7 billion or 29.6 per cent was absorbed by the CBN.

Analysis of outstanding treasury bill holdings showed that deposit money banks and discount houses together accounted for

while market capitalization and value index rose. A total of 1.1 billion securities were traded during the period, representing a decline of 32.5 per cent from the level in the preceding month. At ₦8.6 billion, the value also represented a decline of 42.3 per cent from the preceding month's level of ₦14.9 billion. The banking sub-sector remained the most active in the market with 684.4 million shares worth ₦4.4 billion or 48.8 per cent of the total. In order to raise funds for capital development, the Federal Government in August launched ₦150.0

billion bonds, which would be floated in September 2003. Dealings in industrial stock, however, remained dormant during the period under review.

Market capitalization and value index, on the other hand, rose significantly by 10.5 per cent each to close at ₦949.9 billion and 15,426.02 (1984=100), respectively, reflecting largely the impressive operational results of some listed companies on the exchange.

## **2.6 Deposit Money Banks' Activities**

Total assets/liabilities of deposit money banks (DMBs) amounted to ₦2,974.4 billion in August, 2003, representing an increase of ₦19.5 billion or 0.7 per cent and ₦268.6 billion or 9.9 per cent over the preceding month's level and the level at end-December 2002, respectively. Funds were sourced mainly from credit from Central Bank and reduction in claims on the Central Government, while the major use of funds was acquisition of unclassified assets.

Aggregate credit to the domestic economy by Deposit Money Banks (DMBs) at end-August, 2003 amounted to ₦1,496.5 billion, representing a decline of ₦16.5 billion or 1.1 per cent from the preceding month's level but an increase of ₦194.2 billion or 14.9 per cent over the level at end-December, 2002. The breakdown showed that credit to the private sector declined by ₦2.8 billion or 0.3 per cent to ₦1,081.2 billion, while claims on the Central government declined by ₦21.8 billion or 5.3 per cent, reflecting largely the significant decline in banks' holdings of treasury bills during the period under review. Credit to state and local governments, however, rose by ₦8.1 billion or 52.0 per cent during the period.

Central Bank's credit to the deposit money banks (DMBs) amounted to ₦36.0 billion, representing an increase of ₦27.3 billion or 311.8 per cent and ₦13.9 billion or 62.6 per cent from the levels in preceding month and end-December 2002, respectively, reflecting largely the rise in bank's overdrawn position with the CBN during the review month.

Total specified liquid assets of deposit money banks stood at ₦790.6 billion or 49.9 per cent of their total deposit liabilities. This level of assets was 0.5 percentage points below the preceding month's level but 9.9 percentage points above the stipulated minimum ratio of 40.0 per cent for fiscal 2003.

## **2.7 Discount Houses**

Total assets/liabilities of the discount houses amounted to ₦50.9 billion in August 2003, indicating an increase of ₦4.7 billion or 10.1 per cent and ₦5.2 billion or 11.4 per cent over the levels in the preceding month and corresponding month of 2002, respectively.

Discount houses' investments in the Federal Government securities of less than 91 days maturity was ₦29.2 billion, representing 81.5 per cent of their total deposit liabilities. This was 2.3 and 21.5 percentage points above the level in the preceding month and the prescribed minimum level of 60.0 per cent for fiscal 2003, respectively.

Total borrowings by discount houses stood at ₦17.1 billion, while their capital and reserves amounted to ₦8.1 billion, resulting in a gearing ratio of 2:1, compared with the stipulated maximum target of 50:1.



### **3.0 DOMESTIC ECONOMIC CONDITIONS**

The main agricultural activities during the month were harvesting of tubers, processing of dry grains, land preparation for planting of various crops as well as development of nurseries for citrus, tomatoes and pepper in various parts of the country. Crude oil output declined by 0.9 per cent from the preceding month's level, while inflation rate was estimated at 9.9 per cent, down from 10.0 per cent estimated in July.

#### **3.1 Agricultural Sector**

In August 2003, agricultural production was further boosted nation wide, following the steady and even distribution of rainfall witnessed in all parts of the country. Harvesting of tuber crops such as yams, sweet potatoes, cocoyams and cassava; and processing of dry maize, rice and groundnuts were at their peak in the southern and middle belt states. Land preparation for planting of crops and development of nurseries for citrus, tomatoes and pepper also started in the southern states during the month, while harvesting of early crops such as cowpea and millet were carried out in the northern states. In the livestock sub-sector, farmers intensified breeding and production of livestock due to availability of abundant forage induced by the steady rains.

The prices of Nigeria's major agricultural commodities at the London Commodity Market declined during the month. At 89.5 (1985=100), the all-commodities price index, in dollar terms, fell by 0.2 and 7.1 per cent from their levels in the preceding month and corresponding month of 2002, respectively. In naira terms, the index, at 7855.70 (1985 = 100),

however, rose by 0.2 per cent over the level in July, but declined by 28.4 per cent from the level in the corresponding period of 2002. The observed variation in prices was attributable largely to seasonal factors.

Of the six commodities monitored during month, cocoa, and soya bean, in dollar terms, recorded price declines of 2.5 and 1.8 per cent, respectively, from their levels in the preceding month, while palm oil, coffee, copra and cotton recorded price increases of 14.1, 3.4, 0.7 and 0.2 per cent, respectively. When compared with their levels a year earlier, coffee, cocoa and palm oil recorded price declines of 23.7, 7.7 and 6.9 per cent, respectively, while cotton, copra and soya bean recorded price increases of 23.8, 4.5 and 3.7 per cent, respectively.

In naira terms, two of the commodities namely, cocoa and soya bean recorded a price decline of 2.2 and 1.5 per cent, respectively, from their levels in the preceding month, while palm oil, coffee, copra and cotton recorded a price increase of 14.4, 3.5, 0.7 and 0.5 per cent, respectively. When compared with their levels in the corresponding month of 2002, three of the commodities namely cocoa, coffee and palm oil recorded a price decline of 33.0, 21.8 and 5.0 per cent, respectively, while the remainder recorded a varying degree of price increase ranging from 6.3 per cent for copra and soya bean to 28.1 per cent for cotton.

#### **3.2 Petroleum Sector**

Nigeria's crude oil production, including condensate and natural gas liquids, was estimated at 2.18 million barrels per day (mbd) or 67.58 million barrels for the month, indicating a decline of 0.9 per cent from the level in the preceding month. The



fall in output was attributable mainly to the disturbances in the Niger Delta area, which led to the closure of some production facilities during the month. The share of the country's production in total OPEC's output was 7.2 per cent, compared with 7.5 per cent in the preceding month. Following the fall in output level, crude oil exports were estimated at 1.73 million barrels per day (mbd) or 53.63 million barrels for the month, representing a decline of 1.1 per cent from the level in July, 2003. Deliveries of crude oil to refineries for domestic consumption, however, remained at 0.45 mbd or 13.95 million barrels per month.

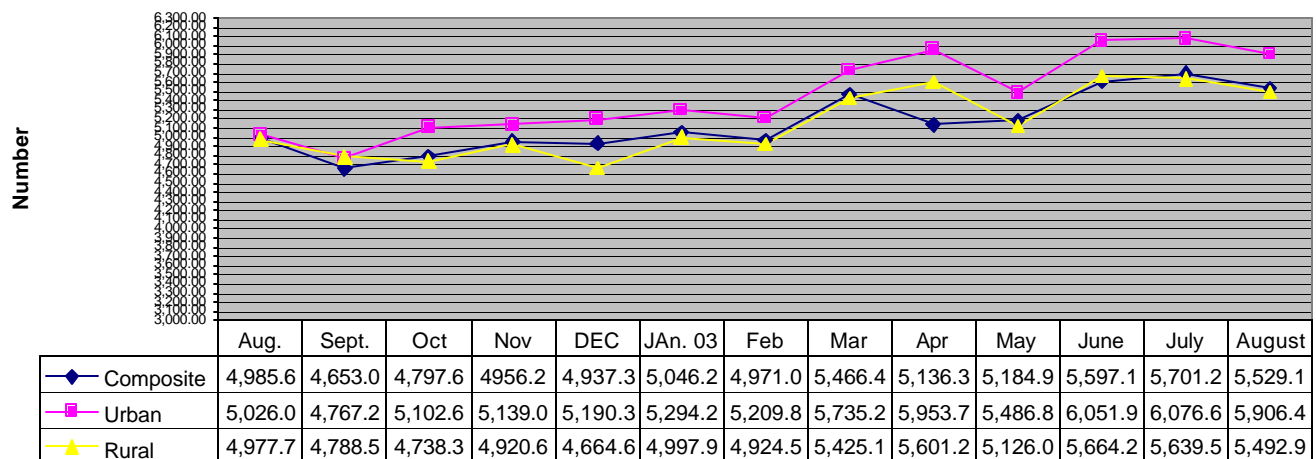
Crude oil prices increased over the levels in the preceding month, following increased demand for gasoline during the summer motoring season in the western countries, particularly in the United States of America. Consequently, the average price of Nigeria's reference crude, the Bonny Light (37<sup>0</sup>API), increased by 5.4 per cent in the spot market to \$30.05 a barrel in August 2003. Similarly, the average price of other competing brands of crude, namely the UK

\$27.51 a barrel, from their respective levels of \$28.41, \$230.81 and \$27.45 a barrel, recorded in the preceding month. In the net-back market, the Bonny Light was sold for \$37.58, representing an increase of 8.9 per cent over the level in the preceding month, while the UK Brent and the WTI were sold for \$36.54 and \$34.36 a barrel, representing an increase of 8.8 and 8.5 per cent during the review period.

### 3.3 Consumer Prices

Data from the Federal Office of Statistics (FOS) indicated that the all-items composite Consumer Price Index (CPI) in August, 2003 was estimated at 5,529.1 (1985 = 100), representing a decline of 3.0 per cent from the preceding month's level, but an increase of 10.9 per cent over the level in the corresponding period of 2002. The decline during the month was traceable to the indices of food; and drinks, tobacco and kola, which fell by 2.6 and 0.1 per cent, respectively. This was, however, moderated by the indices of clothing and footwear; accommodation, fuel and light; household

Figure 5 : Monthly Consumer Price Indices in Nigeria (1985 = 100)



Source: Federal Office of Statistics (FOS), Lagos

Brent, the West Texas Intermediate (WTI) and Arab Light rose to \$29.91, \$31.51 and

goods; medical care and health expenses; transportation; recreation, entertainment,

education and cultural services as well as other services whose indices rose by 0.1, 0.8, 0.1, 0.2, 0.2, 0.2 and 0.3 per cent, respectively. When compared with their levels in the corresponding month a year earlier, all the component items recorded price increases except food whose index recorded a price decline of 2.6 per cent during the period. The urban all-items CPI was estimated at 5,906.4 (1985=100), in August, 2003, representing a decline of 2.8 per cent from the level in the preceding month, but an increase of 17.5 per cent over the level in the corresponding period, a year earlier. Similarly, the rural all-items CPI, estimated at 5,492.9 (1985=100), showed the same trend as observed in the urban centres when compared with the preceding month and corresponding month of 2002, though at slightly lower rates.

Available information based on the retail price surveys in some locations within Lagos area as well as Bauchi, Enugu, Ibadan and Kano zones indicated an increase in the all-items average price of consumer items in August, 2003 by 1.74 per cent, compared with 2.98 per cent increase recorded in the preceding month. The rise during the month was traceable to the increase in the indices of meat, fish and eggs; clothing and fabrics;

medical as well as building materials by 2.7, 0.20, 32.7 and 1.4 per cent, respectively, while the indices of staples; oil and fat; vegetable, fruits and nuts; beverages and drinks; and fuel and light, recorded declines of 0.8, 0.2, 1.6, 0.1, and 3.7 per cent, respectively. A price increase of 0.1, 3.5, 4.9 and 9.6 per cent was reported in Bauchi zone, Enugu zone, Ibadan zone, and Lagos area, respectively, over the preceding month's level.

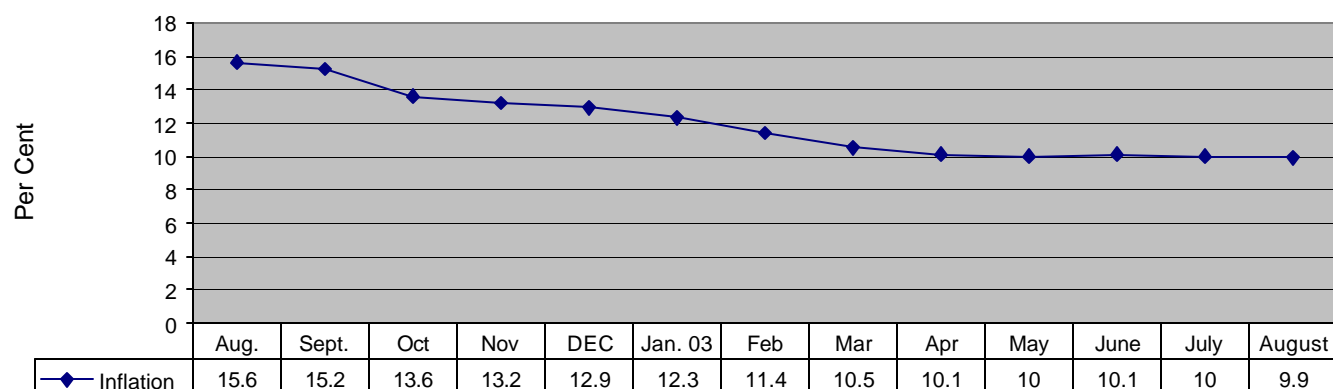
The inflation rate for the twelve-month period ended August, 2003 was estimated at 9.9 per cent, down from 10.0 per cent estimated for July and 15.6 per cent recorded in the corresponding period of 2002. The observed moderation in prices reflected the dampening effect of good harvests on food prices.

## 4.0 EXTERNAL SECTOR DEVELOPMENTS

### 4.1 Foreign Exchange Flows

In August 2003, foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US\$1,134.0 million and US\$1,525.5

Figure 6: Inflation Rate in Nigeria (Per Cent, Monthly)

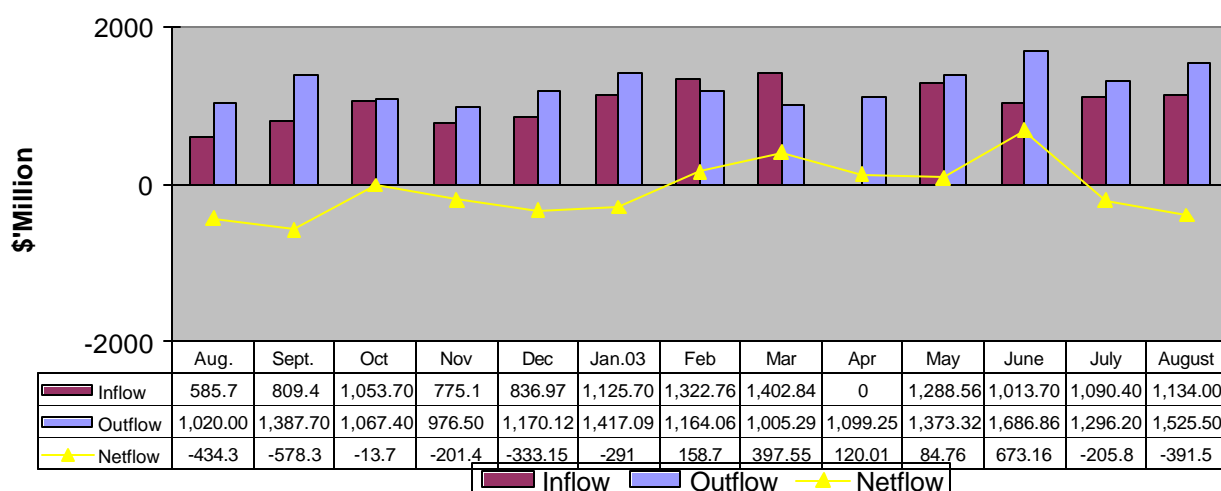


Source: Federal Office of Statistics (FOS), Lagos

million, respectively, resulting in a net outflow of US\$391.5 million. When compared with the levels of US\$1,090.4 million and US\$1,296.2 million recorded in July 2003, inflow and outflow indicated an increase of 4.0 and 17.7 per cent, respectively. The rise in inflow in the review month was attributable to the increase in both oil and non-oil receipts, while the rise in outflow was traceable to the sharp increase in the funding of the foreign exchange market, National Priority Projects and “other official payments” during the period. Cumulative inflow and outflow through the CBN for the eight-month period amounted to US\$9,597.2 million and US\$10,580.0 million, respectively, representing an increase of 59.8 and 24.4 per

receipts amounted to \$375.1 million or 21.3 per cent of the total. Inflow through autonomous sources was estimated at US\$629.6 million for the month. At US\$1,559.1 million, foreign exchange outflow from the economy represented an increase of 17.5 per cent over the level in July, 2003. The rise was traceable to the increase in the funding of the foreign exchange market, National Priority Projects and disbursements in respect of “Other Official Payments”, particularly NNPC/JVC cash calls. During the eight-month period, cumulative inflow and outflow through the economy were US\$14,683.7 million and US\$11,198.6 million, respectively, compared with US\$9,472.6 million and US\$8,939.2 million in the corresponding

**Figure: 7 Foreign Exchange Flows Through the CBN (\$'Million)**



cent, over their levels in the corresponding period, a year earlier.

period of 2002.

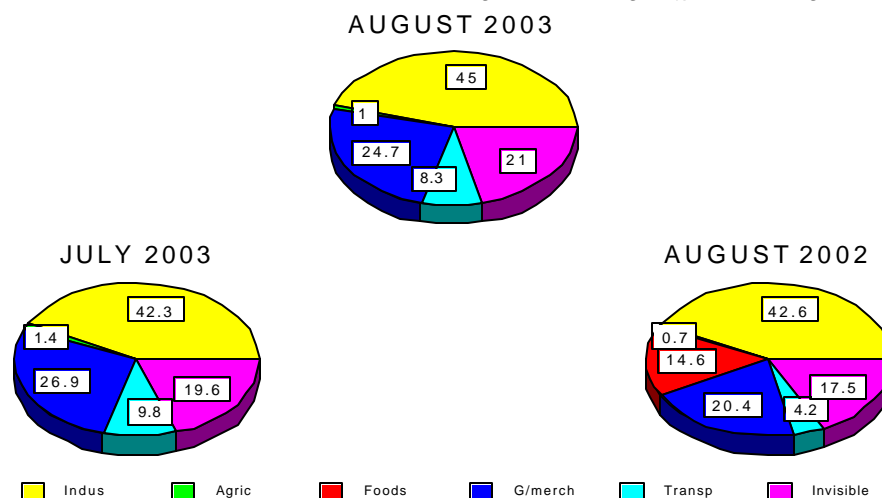
Provisional data on foreign exchange flows through the economy in August, 2003 indicated that total inflow amounted to US\$1,763.5 million, up from US\$1,713.9 million in July, 2003. A breakdown of the total inflow showed that receipts from the oil sector stood at US\$758.9 million and constituted 43.0 per cent of the total during the month, while non-oil public sector

## 4.2 Sectoral Utilisation of Foreign Exchange

he industrial sector accounted for the bulk (45.0 per cent) of the total foreign

respectively, in August 2003. Thus, the premium between the official and the parallel market rates widened to 10.60 per cent in August, from 8.40 per cent in July,

Figure 9: Sectoral Utilization of Foreign Exchange (percentage of total)



exchange disbursed in August 2003 . Other beneficiary sectors, in a descending order of importance, included: general merchandise, invisibles, transportation, agricultural products and food (fig.8).

## 4.3 Foreign Exchange Market Developments

The demand pressure in the Foreign Exchange Market (FEM) intensified in August, 2003, as the sale of foreign exchange by CBN to the authorized dealers increased by 14.6 per cent. A total of US\$919.4 million was sold to authorized dealers during the review period, compared with US\$802.5 million in the preceding month. The weighted average exchange rate of the naira vis-à-vis the U.S dollar depreciated by 0.2 per cent from ₦128.03 per dollar in July 2003 to ₦128.28 in August. Also, in the parallel market and the bureaux de change, the naira depreciated from ₦138.50 and ₦139.00 per dollar in July to ₦141.69 and ₦142.26 per dollar,

2003.

## 4.4 External Reserves

Nigeria's gross external reserves at end-August, 2003 amounted to US\$7,402.3 million, indicating a further decline of 3.1 per cent from the preceding month's level of US\$7,642.2 million. The reserves could finance about 5.6 months of imports, compared with 5.9 months in the preceding month.

## 5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output, at 78.65 mbd in August 2003, rose by 1.3 per cent over the preceding month's level of 77.63 mbd, while demand exceeded supply by 0.35 mbd, compared with an excess demand of 0.17 mbd recorded in July.

Other major international economic developments of relevance to the domestic

economy during the month included: The 27th Ordinary meeting of the Assembly of Governors of the Association of African Central Banks (AACB) held on August 19, 2003 in Kampala, Uganda. The meeting was preceded by a Symposium on August 18, 2003 on the theme, “Sub-regional Monetary Integration: Challenges and Prospects”. The lead paper was on “Economic and Monetary Integration in Europe: Lessons and Prospects for Africa”.

Also, The 5<sup>th</sup> Summit of the Authority of Heads of State and Government of WAMZ was held in Abuja on 29<sup>th</sup> August, 2003 under the Chairmanship of President Olusegun Obasanjo. The Summit considered the Report of the 12<sup>th</sup> Meeting of the Convergence Council which covered: legal, administrative and technical issues on the West African Monetary Zone (WAMZ) programmed. The summit reaffirmed its commitment to the realization of the objectives of the WAMZ as a critical step towards the establishment of the ECOWAS single monetary zone.

Finally, an Inter-Ministerial meeting on the 58<sup>th</sup> United Nations General Assembly (UNGA) was convened by the Ministry of Foreign Affairs (MFA) to articulate Nigeria’s position on various international issues that would feature during the forthcoming Session of the United Nations General Assembly scheduled to take place on 16<sup>th</sup> September 2003. The meeting discussed issues relating to the payment of Nigeria’s indebtedness to UN agencies, the NEPAD Initiative, external debt, and co-sponsorship of resolutions on United Nations Commission on International Trade Law (UNCITRAL).