

ECONOMIC REPORT FOR THE MONTH OF MARCH 2004

1.0 SUMMARY

Provisional data indicated that broad money stock (M_2) and narrow money supply (M_1) recorded declines of 2.0 and 2.3 per cent in March 2004 from the levels in the preceding month, reflecting entirely the fall in aggregate credit to the domestic economy, particularly to the Federal Government. Aggregate banking system's credit to the domestic economy fell by 0.3 per cent during the month, compared with the decline of 1.8 per cent in the preceding month. During the first three months of the year, M_2 grew by 0.2 per cent, while M_1 recorded a decline of 7.7 per cent.

Banks' interest rates trended upward during the month. The spread between the banks' weighted average deposit and maximum lending rates was 9.0 percentage points, up from 8.7 per cent in February 2004, while the margin between the average savings deposit and maximum lending rates narrowed marginally to 17.2 percentage points from 17.3 per cent in the preceding month. The average inter-bank call rate rose from 13.8 per cent in February to 14.0 per cent in March 2004, reflecting the tight liquidity in the banking industry.

The value of money market assets outstanding rose marginally by 0.3 per cent to ₦928.0 billion in March 2004, in contrast to the decline of 0.4 per cent in the preceding month. Treasury bills worth ₦381.9 billion were issued in March 2004 to replace matured bills of the same value, compared with ₦144.1 billion in the preceding month. Activities on the Nigerian Stock Exchange (NSE) indicated mixed developments during the month.

The dominant agricultural activities during the review month included planting of early maturing crops and harvesting of irrigated crops, especially in the northern parts of the country. In the livestock sub-sector, farmers intensified efforts to boost production in preparation for the Easter celebration sales in April. The price index of Nigeria's major agricultural commodities at the London Commodity Market, in dollar terms, declined by 3.1 and 22.9 per cent from the levels in the preceding month and the corresponding period of 2003, respectively. The inflation rate in March 2004 was estimated at 17.1 per cent, up from 16.5 per cent recorded in the preceding month.

Estimated crude oil output, including condensates and natural gas, was 2.74 million barrels per day (mbd) or 84.94 million barrels for the month, indicating an increase of 12.7 per cent over the preceding month's level. Crude oil exports were estimated at 2.29 mbd or 70.99 million barrels for the month, compared with 2.15 mbd in the preceding month. Deliveries of crude oil to refineries for domestic consumption, however, remained at 0.45 million barrels per day or 13.95 barrels for the month. The average price of Nigeria's reference crude, the Bonny Light (37°API), was US\$34.13 a barrel, reflecting an increase of 7.4 per cent over the preceding month's level.

Provisional data on foreign exchange flows through the Central Bank of Nigeria (CBN) showed an inflow of US\$1,371.45 million and an outflow of US\$1,120.33 million, resulting in a net inflow of US\$251.12 million during the month. Foreign exchange sales to authorized dealers

by CBN amounted to US\$640.93 million, compared with US\$780.14 million in February 2004. The weighted average exchange rate of the Naira vis-à-vis the US dollar appreciated by 0.5 per cent from ₦135.41 per dollar in February 2004 to ₦134.7 per dollar in March. Similarly, in the bureaux de change segment of the market, the rate appreciated from ₦142.95 per dollar in February 2004 to ₦139.92 per dollar in March. Nigeria's gross external reserves increased by 3.6 per cent to US\$9,684.49 million as at end-March, 2004.

On the international scene, world crude oil output, estimated at 77.80 million barrels per day (mbd) fell below demand by 0.45 mbd, in contrast to an excess supply of 0.25 mbd in the preceding month. Other major international economic developments of relevance to the domestic economy during the month included: a Consultative Meeting of Ministers of Finance and Governors of Central Banks of 37 African countries held in Sandton, Johannesburg, South Africa in March 2004 to develop a strategic roadmap aimed at projecting and enhancing the interest and participation of developing countries in decision making processes in the Bretton Woods Institutions (BWIs). Also, the six- member panel of the African Peer Review (APR), recently created by African Heads of State visited some member countries during the month to collect information on individual country's socio-economic and political policies. This is expected to form the basis for a wide-ranging report to be submitted to African leaders on African governments' adherence to sound governance and respect for human rights. Furthermore, African Development Bank Group (ADBG) in March 2004 approved a loan of US\$25 million for Nigeria Technical Co-operation Fund (NTCF) within the framework of the Nigerian Trust Fund (NTF) resources.

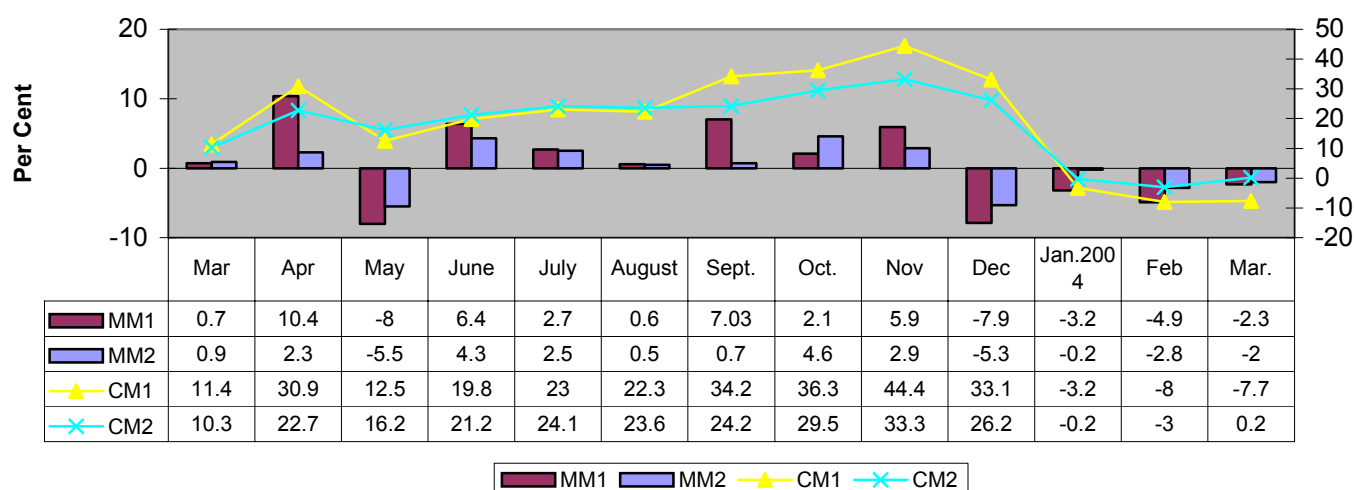
In a related development, the President of the World Bank during his visit to some West African countries in March 2004 informed the ECOWAS Heads of State Summit in Accra, Ghana that the Bank had set aside \$2.3 billion for the improvement of infrastructure in the West African Sub-region and another \$450 million for regional projects in developing countries in general. Also, the Chief Secretary to the United Kingdom Treasury disclosed in Abuja that the British Government would increase her aid to Nigeria from the current level of ₦8.65 billion to ₦17.30 billion in 2005

2.0 FINANCIAL SECTOR DEVELOPMENTS

Monetary aggregates declined in March 2004, while banks' deposit and lending rates indicated increases. Money market activities increased modestly following the decline in the tempo of activities in the foreign exchange market, while transactions on the Nigerian Stock Exchange (NSE) showed mixed

Aggregate banking system's credit to the domestic economy fell by ₦5.1 billion or 0.3 per cent to ₦1,479.5 billion in March 2004, compared with the decline of ₦27.5 billion or 1.8 per cent in the preceding month. The fall in the review month was accounted for wholly by the substantial decline in the CBN's claims on the Federal Government, reflecting the rise in the latter's deposits with the Bank during the month (fig.2).

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



developments during the month.

2.1 Monetary and Credit Developments

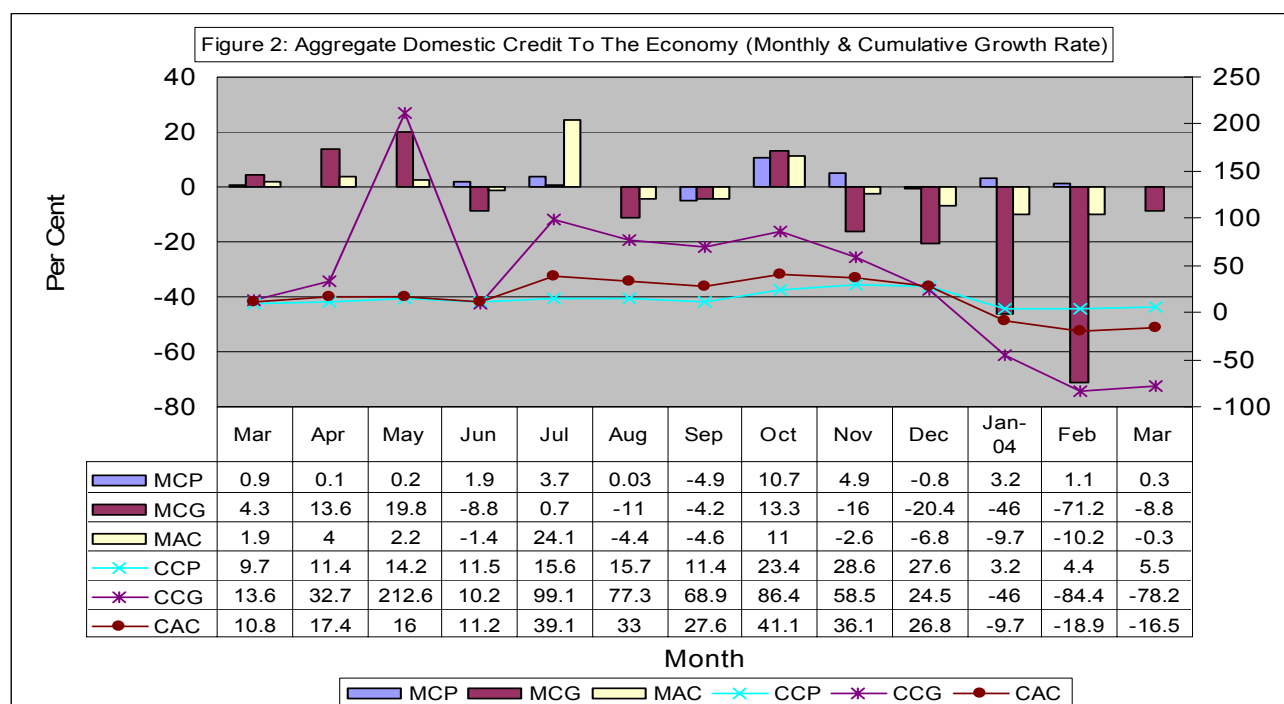
Broad money stock (M_2), fell in March 2004 by ₦40.6 billion or 2.0 per cent to ₦2,023.4 billion, in contrast to the increases of ₦48.4 billion or 2.4 per cent and ₦16.1 billion or 0.9 per cent in the preceding month and the corresponding period of 2003, respectively. Narrow measure of money (M_1) also fell by 2.3 per cent to ₦1,162.2 billion, compared with the 2.5 per cent decline in the preceding month. The development in the review month was attributable entirely to the decline in credit to the domestic economy.

Banking system's net claims on the Federal Government fell by ₦9.8 billion or 8.8 per cent to ₦101.4 billion, compared with the decline of ₦140.1 billion or 55.8 per cent in the preceding month. The fall reflected wholly the drop of ₦11.6 billion or 3.9 per cent in net claims on the Federal Government by the CBN during the month. Claims on the Federal government by the DMBs, however, rose by ₦1.8 billion or 0.5 per cent to ₦412.7 billion during the review month.

Banking system's credit to the private sector increased by ₦4.7 billion or 0.3 per cent to ₦1,378.1 billion during the month, compared with the increase of ₦112.6

billion or 8.9 per cent in the preceding month. The increase in the review month reflected largely the ₦4.6 billion or 0.3 per

period of 2003, respectively. The rise was traceable to the fall in unclassified liabilities of the Central Bank during the month.



cent rise in claims by deposit money banks on the sector.

At ₦1,711.8 billion, foreign assets (net) of the banking system rose by ₦79.0 billion or 4.8 per cent during the month, compared with the increase of ₦157.9 billion or 10.7 per cent in the preceding month. The rise in the month under review was attributable largely to the 6.4 per cent increase in CBN's holding.

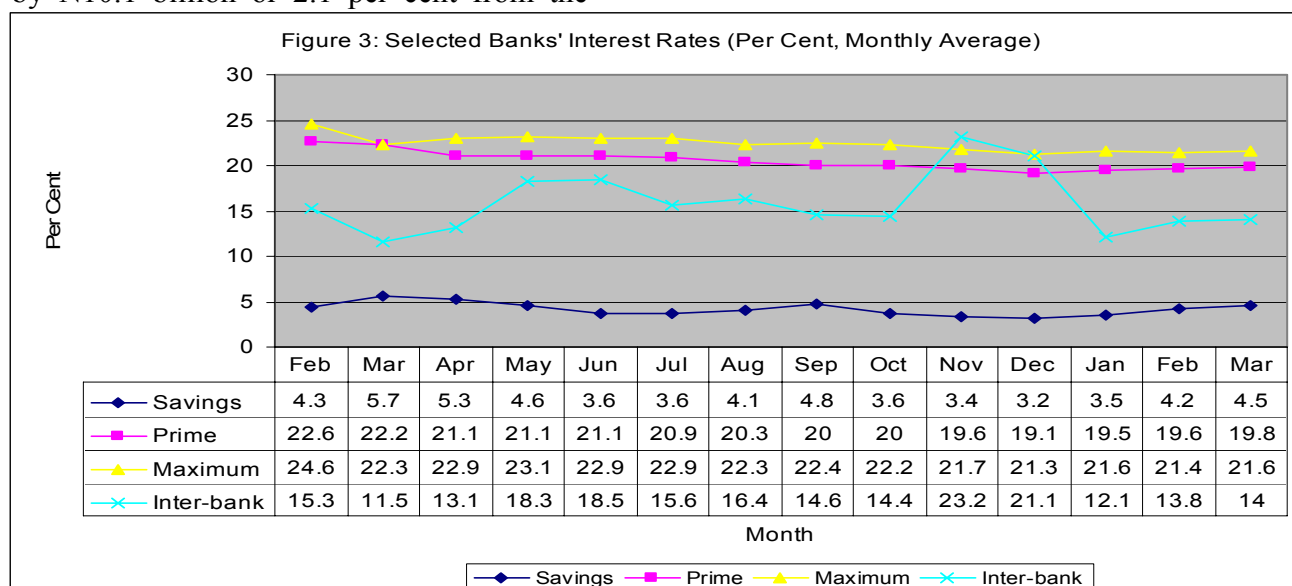
Quasi-money fell by ₦13.4 billion or 1.5 per cent to ₦861.2 billion in March 2004, as against an increase of ₦78.3 billion or 9.8 per cent and ₦95.3 billion or 13.6 per cent in the preceding month and the corresponding period of 2003, respectively.

Other Assets (net) of the banking system rose by ₦114.6 billion or 10.9 per cent in the review month, compared with an increase of ₦82.0 billion or 8.4 per cent and 172.4 billion or 14.2 per cent recorded in the preceding month and the corresponding

2.2 Currency-in-circulation and Deposits at the CBN

At ₦461.3 billion, currency in circulation in March 2004 declined further by ₦10.1 billion or 2.1 per cent from the

in total deposits at the CBN, namely, Federal Government, bankers and 'others' were 73.6, 18.1, and 8.3 per cent, respectively, compared with 69.7, 19.4 and 10.9 per cent, in February, 2004.



level in the preceding month but rose by ₦26.2 billion or 6.0 per cent over the level in the corresponding month of 2003. The fall during the review month was traceable wholly to currency held outside the banking system, which declined by 3.0 per cent. Vault cash on the other hand, increased by 1.9 per cent during the month.

Total deposits at the CBN amounted to ₦929.8 billion, indicating declines of ₦38.9 billion or 4.0 per cent and ₦127.4 billion or 15.9 per cent from the levels in the preceding month and the corresponding month of 2003, respectively. The development during the month was traceable to the drops of ₦20.0 billion or 10.6 per cent and ₦28.1 billion or 26.7 per cent in the deposits of the deposit money banks and others, respectively. Federal Government deposits, on the other hand, increased by ₦9.2 billion or 1.4 per cent during the month. The shares of the three components

2.3 Interest Rate Developments

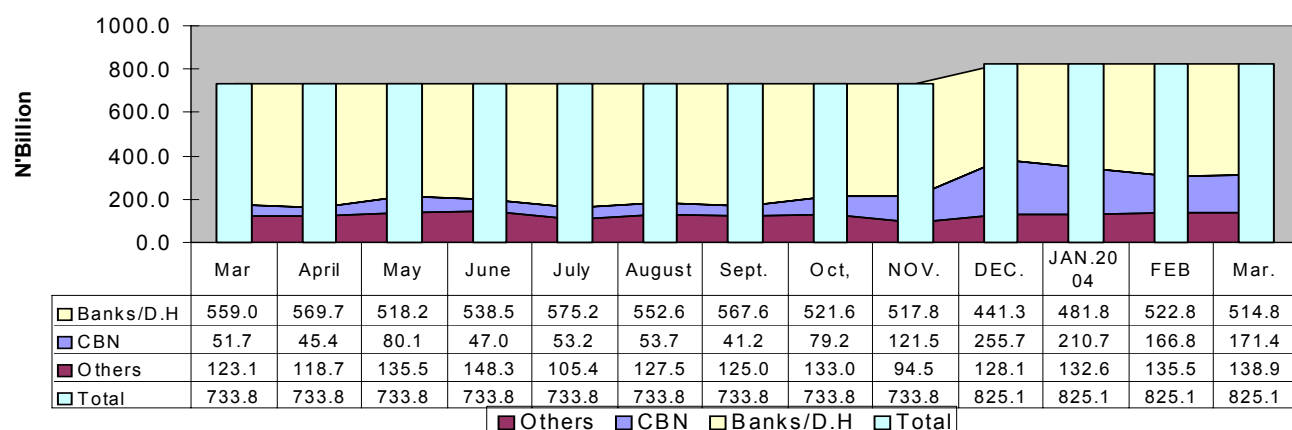
Available data indicated that banks' deposit and lending rates generally increased in March, 2004. The average savings deposit rate rose by 0.3 percentage point to 4.5 per cent. Except the average rate on 7-day deposits which fell from 9.5 per cent in February 2004 to 9.3 per cent in March, all other rates on deposits of various maturities rose from a range of 15.5-16.96 per cent in February to 15.82-17.26 per cent in March 2004. Similarly, banks' weighted average prime and maximum lending rates rose by 0.20 percentage points each to 19.8 and 21.6 per cent, respectively. Thus, the margin between the average savings deposit and maximum lending rates narrowed marginally to 17.2 percentage points from 17.3 per cent in the preceding month. The spread between the weighted average deposit and maximum lending rates,

however, widened marginally to 9.0 from 8.7 percentage points in February 2004.

The weighted average inter-bank call rate, which stood at 13.8 per cent in February 2004 rose to 14.0 per cent in

while “other” investors accounted for ₦104.3 billion or 27.3 per cent. The balance of ₦102.30 billion or 26.8 per cent was absorbed by the CBN.

Figure 4: Treasury Bills Holdings (N'Billion)



March, reflecting the tight liquidity condition in the banking system (fig.3).

2.4 Money Market Developments

The value of money market assets outstanding as at end-March 2004 rose by ₦2.4 billion or 0.3 per cent to ₦928.0 billion, as against the decline of ₦3.99 billion or 0.4 per cent in the preceding month. This development reflected the 4.3, 1.0 and 0.9 per cent increases recorded in Commercial Papers (CPs), Bankers Acceptances and Eligible Development Stocks (EDS), respectively, during the month. Treasury Bills outstanding, however, remained unchanged at the preceding month's level of ₦825.1 billion.

Treasury bills worth ₦381.9 billion were issued in March 2004 to replace matured bills of equivalent value, compared with ₦144.1 billion in the preceding month. Of the total amount issued, deposit money banks (DMBs) and discount houses jointly subscribed ₦175.3 billion or 45.9 per cent,

Analysis of outstanding treasury bills holdings showed that DMBs and discount houses together accounted for ₦514.8 billion or 62.4 per cent, while holdings by “other” investors amounted to ₦138.9 billion or 16.8 per cent, compared with their respective shares of ₦522.8 billion and ₦135.50 billion per cent in the preceding month. Consequently, Central Bank's holding rose from ₦166.80 billion in February 2004 to ₦171.40 billion in March, representing 20.8 per cent of the total (fig 4).

2.5 Capital Market Developments

Transactions on the Nigerian Stock Exchange as at end-March, 2004 indicated unimpressive performance, compared with the preceding month as most of the major indicators declined during the month. At 1.4 billion shares, the volume of traded securities rose by 7.7 per cent from 1.3 billion shares in February. However, the value fell by 4.4 per cent from ₦18.3 billion in February to ₦17.5 billion. All the transactions were in equities with the

banking sub-sector being the most active in the market as in the preceding month.

Though the Exchange received a boost of ₦25.2 billion through the new listing of six billion shares by Standard Trust Bank (STB) during the review month, market capitalisation and value index fell by 5.7 and 7.7 per cent to close at ₦1.64 trillion and 22,898.37 (1984=100), respectively, compared with ₦1.74 trillion and 24,797.43 (1984=100) recorded in the preceding month. The fall in market capitalization and value index during the review month was traced largely to the price losses recorded by most of the blue chip companies listed on the Exchange.

2.6 Deposit Money Banks' Activities

Total assets/liabilities of deposit money banks amounted to ₦3,297.7 billion in March 2004, representing a decline of ₦3.0 billion or 0.1 per cent from the level in the preceding month but an increase of ₦224.8 billion or 7.3 per cent over March 2003 level. Funds were sourced mainly from unclassified assets as well as foreign assets, while the major uses of funds included investment in treasury bills and increased credit facility to the private sector, among others.

Aggregate credit to the domestic economy by deposit money banks amounted to ₦1,777.6 billion, representing increases of ₦6.4 billion or 0.4 per cent and ₦186.4 billion or 11.7 per cent over the preceding month and end-December 2003 levels, respectively. A breakdown showed that credit to the private sector rose by ₦4.6 billion or 0.3 per cent, while credit (net) to the Central Government increased by ₦1.8 billion or 0.4 per cent over the preceding month's level.

Central Bank's credit to deposit money banks rose by 15.5 per cent to ₦52.9 billion, reflecting largely the increase in

overdrawn facilities granted to the banks during the month.

Total specified liquid assets of deposit money banks amounted to ₦869.3 billion representing 48.3 per cent of their total deposit liabilities. The level was 0.1 percentage point above the preceding month's level, and 8.3 percentage points over the minimum target of 40.0 per cent for fiscal 2004.

2.7 Discount Houses

Total assets/liabilities of the discount houses amounted to ₦61.4 billion in March 2004, indicating an increase of ₦7.9 billion or 14.9 per cent over the preceding month's level but a decline of ₦4.6 billion or 6.9 per cent below the level in the corresponding month of 2003. Their investments in Federal Government securities of less than 91 days maturity amounted to ₦27.6 billion, representing 60.7 per cent of their total deposit liabilities. This was 8.1 and 0.7 percentage points higher than the levels in the preceding month and the prescribed minimum of 60.0 per cent for fiscal 2004, respectively.

Total borrowings by discount houses stood at ₦22.8 billion, while their capital and reserves was ₦8.0 billion, resulting in a gearing ratio of 3:1, compared with the stipulated maximum target of 50:1 for the year.

3.0 DOMESTIC ECONOMIC CONDITIONS

Agricultural activities during the month included planting of early maturing crops and harvesting of irrigated crops, especially in the northern parts of the country. In the livestock sub-sector, farmers intensified efforts to boost production in preparation for the Easter celebration sales.

Crude oil output rose by 12.7 per cent over the preceding month's level, while inflationary pressures intensified as estimated rate of inflation was 17.1 per cent, indicating an increase of 0.6 percentage points over the preceding month's level.

3.1 Agricultural Sector

The dominant agricultural activities in the coastal areas of the country during the month consisted of planting of early maturing crops following early rains in those areas, while harvesting of irrigated crops such as onions, carrots and tomatoes dominated agricultural operations in the northern states. In the livestock sub-sector, farmers intensified efforts to boost production in preparation for the Easter celebration sales.

The prices of Nigeria's major agricultural commodities at the London Commodity Market further trended downward during the month. The all-commodities price index, at 91.0 (1985=100), in dollar terms, fell by 3.1 and 22.9 per cent below its levels in the preceding month and the corresponding month of 2003, respectively. In naira terms, the index, at 8600.25 (1985 = 100), also declined by 3.0 and 15.6 per cent below the levels in the preceding month and the corresponding period of 2003, respectively.

Of the six commodities monitored during the month, copra, palm-oil and soya bean recorded price increases of 3.6, 2.9 and 7.5 per cent, respectively, in dollar terms, over their levels in the preceding month, while cocoa, coffee and cotton recorded price declines of 4.6, 4.3, and 2.2 per cent, respectively. When compared with their levels a year earlier, copra, cotton, palm oil and soya bean recorded price increases of 43.3, 18.9, 36.8, and 51.4 per cent,

respectively, while cocoa and coffee recorded price declines of 31.5 and 4.2 per cent, respectively.

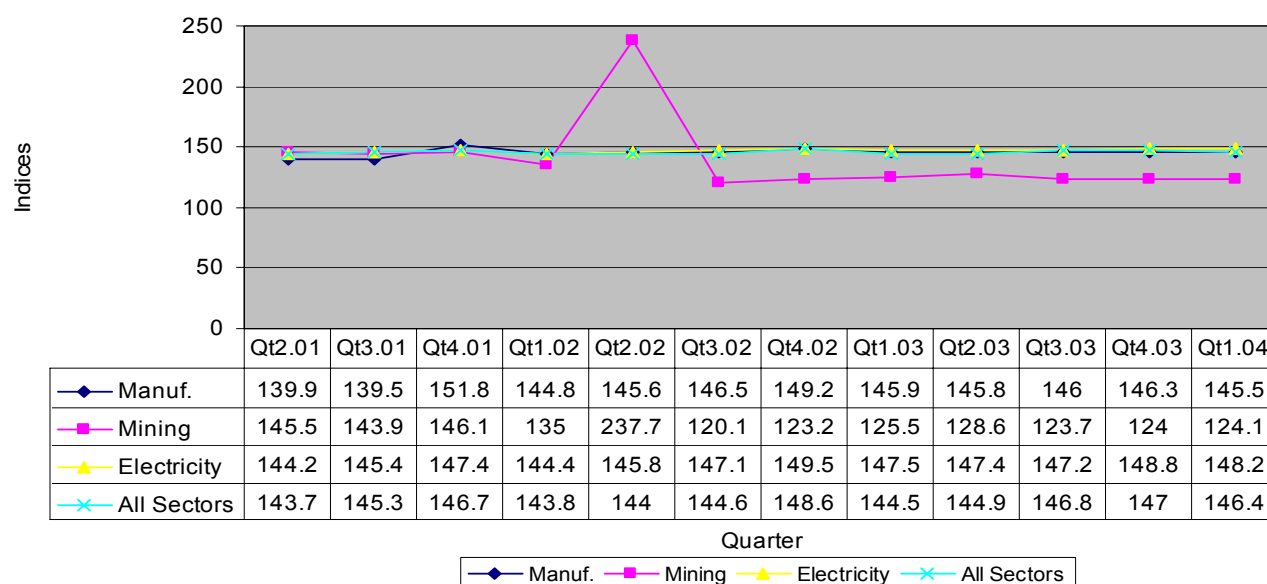
In naira terms, two of the commodities namely: palm-oil and soya bean recorded price increases of 2.5 and 7.1 per cent, respectively, over their levels in the preceding month, while cocoa, coffee, copra and cotton recorded price declines of 4.9, 4.6, 0.3 and 2.5 per cent, respectively. When compared with their levels in the corresponding month of 2003, five of the commodities namely: coffee, copra, cotton, palm oil and soya bean recorded price increases of 0.5, 21.7, 26.0, 45.0 and 60.4 per cent, respectively, while cocoa recorded a price decline of 27.4 per cent.

3.2 Industrial Production

Activities in the Industrial Sector during the first quarter of 2004 declined, in contrast to the development in the last quarter of 2003. At 146.4 (1985=100), estimated index of industrial production fell by 0.4 per cent from the level in the preceding quarter but rose by 1.3 per cent over the level in the corresponding quarter of 2003. The decline relative to the preceding quarter reflected the declines of 0.5 and 0.4 per cent in the indices of manufacturing production and electricity consumption, respectively, while mining production rose by 0.1 per cent during the review quarter.

The estimated index of manufacturing production, at 145.5 (1985=100), declined by 0.5 and 0.3 per cent from the levels in the preceding quarter and corresponding quarter of 2003, respectively. The fall relative to the preceding quarter was attributable to the declines in the indices of 9 sub-groups namely, radio and television, roofing sheet,

Figure 5: Index of Industrial Production (1985=100)



footwear, cement, paints, beer and stout, cotton textiles, sugar confectioneries and refined petroleum by 5.7, 1.1, 1.1, 0.8, 0.5, 0.5, 0.2, 0.2 and 0.1 per cent, respectively, while synthetic fabrics, vehicle assembly and soap/detergent remained unchanged at the preceding quarter's levels.

Aggregate mining output increased in the period under review as the index of mining production at 124.1 (1985=100) rose by 0.1 per cent over the level attained in the preceding quarter but declined by 1.1 per cent from level in the corresponding quarter of 2003. The rise in the review quarter was attributable to the improvements in the indices of coal production, petroleum, and gas by 1.4, 0.5 and 0.4 per cent, respectively. The indices of cassiterite, limestone and columbite, however, declined by 2.1, 1.9 and 1.2 per cent, respectively, during the review quarter.

The estimated index of electricity consumption at 2,257,350.4 Kwh declined by 0.4 per cent from the preceding quarter's level but rose by 0.7 per cent over the

corresponding quarter's level. Of the total consumption in the review quarter, residential consumption accounted for 51.4 per cent, while commercial and street light as well as industrial consumption accounted for 26.8 and 21.7 per cent, respectively. The decline in industrial electricity consumption during the review quarter was attributable to the increasing utilization of petroleum gas as an alternative source of energy by the industrial sub-sector of the economy.

3.3 Petroleum Sector

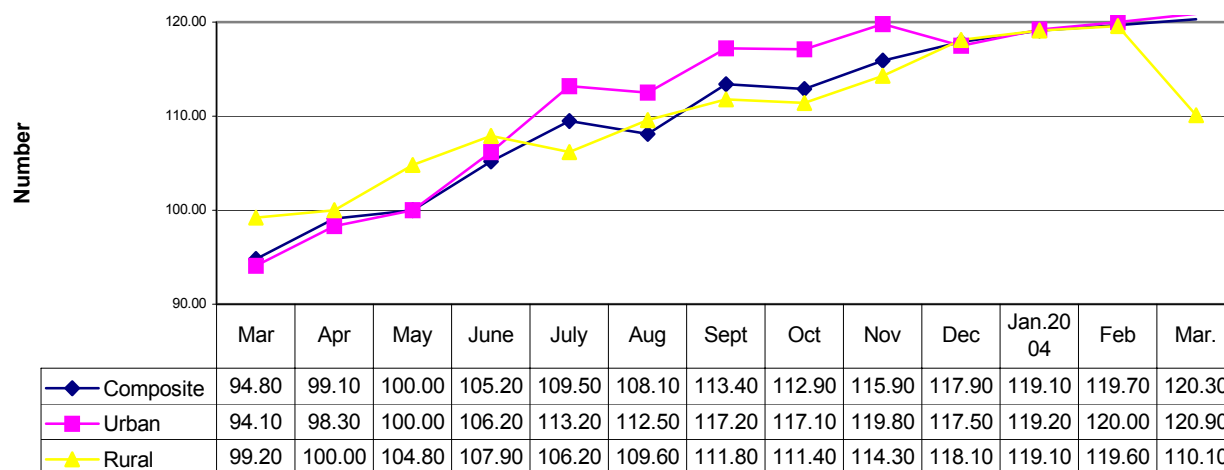
Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.74 million barrels per day (mbd) or 84.94 million barrels for the month, showing an increase of 9.54 mbd or 12.7 per cent over the level in February 2004. Crude oil export was estimated at 2.29 mbd or 70.99 million barrels for the month, compared with 2.15 mbd in February 2004. Deliveries of crude oil to refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels per month, same as in the preceding month.

Crude oil prices increased in March 2004 in both the spot and netback markets. In the spot market, the average price of Nigeria's reference crude, the Bonny Light (37° API), was US\$34.13 a barrel during the month, indicating an increase of US\$2.36 a barrel or 7.4 per cent over the level in the preceding month. The prices of some other competing brands namely, the U.K Brent, Arab Light, the West Texas Intermediate (WTI) and Forcados also rose by 6.4, 5.8, 8.6 and 6.7 per cent to US\$33.52, \$31.86, \$36.48 and US\$33.81 a barrel, respectively, during the review month over their respective levels in the preceding month. Similarly, in the net-back market, the Bonny Light was sold for \$42.86 a barrel, indicating an increase of 6.5 per cent over the level in February 2004. The UK Brent and the WTI were sold for US\$42.50 and \$445.35 a barrel, respectively, compared with US\$40.23 and US\$40.86 a barrel in the preceding month. The price increases recorded during the month was largely attributable to increased demand for the product.

3.4 Consumer Prices

Based on the Federal Office of Statistics (FOS) data for February, 2004, the all-items composite Consumer Price Index (CPI) in March 2004 was estimated at 120.3 (May 2003 = 100), representing increases of 0.5 and 26.9 per cent over the levels in the preceding month and the corresponding period of 2003, respectively. The development during the month was attributable to the rise in the indices of alcoholic beverages, tobacco and kola; clothing and footwear; housing, water, electricity, gas and other fuel; transport; communication; recreation and culture; education; and restaurant and hotels by 0.8, 1.0, 0.8, 4.4, 0.1, 0.3, 4.3 and 2.9 per cent, respectively. However, the indices of food; food and non-alcoholic beverages; furnishings, household equipment and maintenance; health; and miscellaneous goods and services recorded declines of 0.7, 0.7, 1.5, 1.0 and 1.3 per cent, respectively. When compared with their levels in the corresponding month a year earlier, all the components recorded price increases ranging from 7.4 per cent for furnishings, household equipment and maintenance to

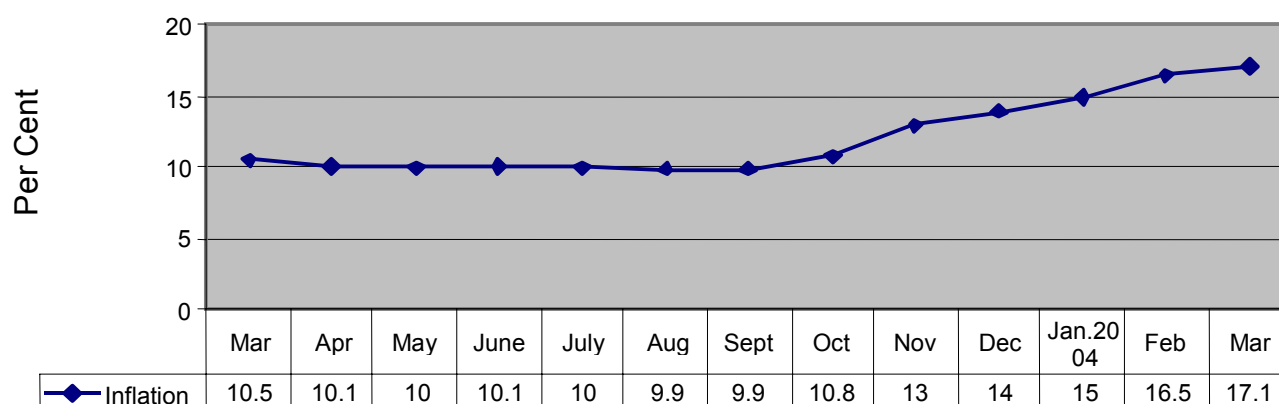
Figure 6 : Monthly Consumer Price Indices in Nigeria (1985 = 100)



Source: Federal Office of Statistics (FOS), Lagos

Composite Urban Rural

Figure 7: Inflation Rate in Nigeria (Per Cent,



Source: Federal Office of Statistics (FOS), Lagos

—◆— Inflation

63.3 per cent for education.

The urban all-items CPI was estimated at 120.9 (2003=100), indicating increases of 0.7 and 28.4 per cent over the levels in the preceding month and the corresponding month of 2003, respectively. However, the rural all-items CPI, estimated at 110.1 (2003=100), indicated a decline of 7.9 per cent from the preceding month's level of 119.6 (2003=100), but rose by 15.9 per cent over the level in the corresponding period of 2003.

Retail price surveys of selected consumer items by the CBN, in some locations within Lagos area, F C T Abuja as well as Bauchi, Enugu, Ibadan and Kano zones also indicated an upward trend. The retail price index (RPI) showed an increase of 1.9 per cent in the all-items average price of consumer items in March 2004, compared with 1.8 per cent increase in the preceding month. The development during the month was traceable to the increase in the indices of staples; meat, fish and eggs; beverages

and drinks; clothing and fabrics; fuel and light; as well as medical by 1.1, 1.6, 4.0, 0.4, 0.9 and 2.6 per cent, respectively, while the indices of vegetable, fruits and nuts; oil and fat; and building materials recorded declines of 1.2, 0.4 and 3.4 per cent, respectively, during the review month.

Price increase of 7.2, 0.8, 3.1, and 2.2 per cent was reported in Ibadan and Kano zones, F.C.T Abuja and Lagos area, respectively, over the preceding month's level, while Bauchi and Enugu zones recorded price declines of 1.3 and 0.6 per cent, respectively, during the period.

The rate of inflation for the twelve-month period ended March 2004 was estimated at 17.1 per cent, compared with 16.5 and 10.5 per cent in the preceding month and corresponding month of 2003, respectively. The observed inflationary pressure reflected mainly the persistent increase in the cost of transportation with the attendant increase in prices of other items.

4.0 EXTERNAL SECTOR DEVELOPMENTS

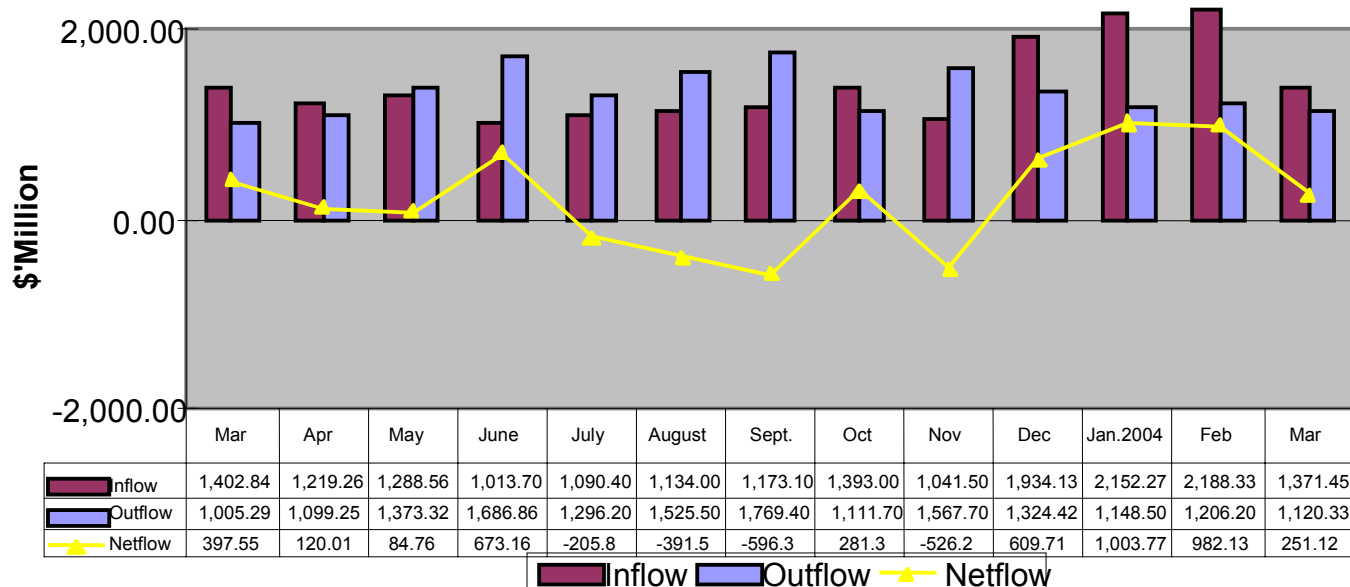
4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) in March 2004, amounted to US\$1,371.45 and US\$1,120.33 million, respectively,

indicated a decline of 3.4 per cent from the level in the same period of 2003.

Foreign exchange flows through the economy indicated that total inflow fell by 28.8 per cent from the level in the preceding month to US\$1,977.56 million in March 2004. Receipts from oil sector fell by 38.7 per cent to US\$1,265.06 million, representing 64.0 per cent of the total, while

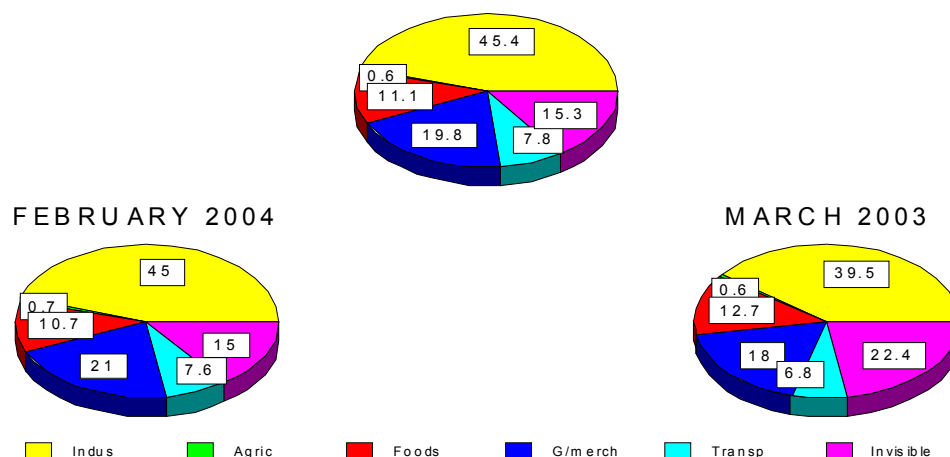
Figure: 8 Foreign Exchange Flows Through the CBN (\$'Million)



indicating a net inflow of US\$251.12 million. Compared with their levels of US\$2,188.33 and US\$1,206.20 million in the preceding month, inflow and outflow declined by 37.3 and 0.8 per cent, respectively. The fall in inflow was attributable to the 38.7 and 13.9 per cent declines in oil and non-oil receipts, respectively, while the fall in outflow was traceable to the 17.8 and 11.3 per cent declines in the funding of the foreign exchange market and other official payments, respectively. At US\$5,712.05 million, cumulative inflow through the CBN in the first three months of 2004 was 48.3 per cent higher than the level in the corresponding period a year earlier, while cumulative outflow, at US\$3,475.03,

non-oil public sector receipts amounted to US\$106.39 million, or 5.4 per cent of the total. Inflow through the autonomous sources stood at US\$606.11 million and accounted for 30.6 per cent of the total, compared with 22.1 per cent in the preceding month. At US\$1,176.03 million, aggregate foreign exchange outflow from the economy fell by 5.9 per cent from the preceding month's level, reflecting largely the declines in the major components of outflow, particularly the declines in the funding of the Dutch Auction System (DAS) and "other official payments" from US\$780.14 and US\$391.79 million in February to US\$640.93 and US\$347.52 million, respectively. Outflows through the

Figure 9: Sectoral Utilization of Foreign Exchange (percentage of total)
MARCH 2004



autonomous sources, external debt service payments and drawings on L/Cs, however, rose by 26.4, 267.7 and 451.4 per cent, respectively, during the month. The cumulative inflow and outflow through the economy from January to March 2004 amounted to US\$7,530.37 and US\$3,642.12 million, respectively, compared with US\$5,925.63 and US\$3,960.84 million in the corresponding period of 2003.

4.2 Sectoral Utilisation of Foreign Exchange

The industrial sector accounted for the bulk (45.4 per cent) of total foreign exchange disbursed in March 2004, followed by general merchandise (19.8 per cent). Other beneficiary sectors, in a descending order of importance, included: invisibles (15.3 per cent), food (11.1 per cent), transportation (7.8 per cent) and agricultural products (0.6 per cent) (Fig.9).

4.3 Foreign Exchange Market Developments

The demand for foreign exchange in the Foreign Exchange Market (FEM) moderated in March 2004, compared with

the level in the preceding month. A total of US \$640.93 million was sold to end-users through the authorized dealers, compared with US\$780.14 million in the preceding month. The weighted average exchange rate of the Naira vis-à-vis the US dollar, also appreciated by 0.5 per cent from ₦135.41 per dollar in February 2004 to ₦134.67 per dollar in March 2004. Similarly, in the bureaux de change segment of the market, the rate appreciated from ₦142.95 per dollar in February 2004 to ₦139.92 per dollar in March 2004. Overall, the premium between the bureaux de change and official market rates narrowed to 4.1 per cent from 5.8 per cent in February 2004.

4.4 External Reserves

Provisional data showed that Nigeria's gross external reserves at end-March, 2004 amounted to US\$9,684.49 million, indicating an increase of 3.6 per cent over the preceding month's level. At current foreign exchange commitments, the reserves could finance about 8.0 months of imports as against 7.9 months in the preceding month.

5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output, estimated at 77.80 million barrels per day (mbd) in March 2004 rose by 0.43 mbd or 0.6 per cent over the preceding month's level of 77.37 mbd, while the estimated demand at 78.25 mbd for the month, rose by 0.25 mbd or 0.3 per cent. Overall, total world oil demand exceeded supply by 0.45 mbd, in contrast to an excess supply of 0.25 mbd in the preceding month. The rise in demand was attributable largely to the recovery in the global economy, particularly the major consuming countries such as the United States of America and China as well as panic buying in anticipation of production cut by OPEC with effect from April 1, 2004.

Other major international economic developments of relevance to the domestic economy during the month included: a Consultative Meeting of Ministers of Finance and Governors of Central Banks of 37 African countries held in Sandton, Johannesburg, South Africa in March 2004. The objective was to develop a strategic roadmap aimed at projecting and enhancing the interest as well as participation of developing countries in decision making processes in the Bretton Woods Institutions (BWIs).

The following proposals were subsequently adopted at the meeting:

- the importance of developing a strategy at the highest political level (African Union) which would ensure Africa's greater participation in decision-making in the BWIs;
- An immediate review of quota formula in the BWIs, including the introduction of new elements

that might improve and safeguard Africa's voting power;

- The appointment of an African staff at the top management level, if possible, an African Deputy Managing Director; and
- The Chairman of the African Caucus to transmit Governors'/Ministers' recommendations to His Excellency, the President of the Republic of South Africa, with a view to consulting with his Peers in order to mobilize support for enhancing the interest and participation of developing countries in the BWIs.

In another development, the six-member panel of the African Peer Review (APR), recently created by African Heads of State visited some member countries during the month to collect information on individual country's socio-economic and political policies. This is expected to form the basis for a wide-ranging report to be submitted to African Leaders on African governments' adherence to sound governance and respect for human rights. The panel was expected to visit Ghana in April and thereafter move to Kenya, Mauritius and Rwanda in the subsequent months.

Furthermore, African Development Bank Group (ADBG) in March 2004 approved a loan of US\$25 million for Nigeria Technical Co-operation Fund (NTCF) within the framework of the Nigerian Trust Fund (NTF) resources. The loan, among others, would:

- Provide resources for the preparation and implementation of the ADB Group development projects as well as capacity building and institutional support initiatives for the benefit of

the Regional Member Countries (RMCs);

- Enable the Bank Group approve disbursements of up to US\$50,000.00 per activity but not exceeding US\$250,000.00 each year with neither procurement restrictions nor recourse to the Nigerian authorities; and
- Twenty (20) per cent of the NTCF resources would be used in engaging the services of the consultants and consulting firms from other RMCs for various activities in the areas of science and technology, health, business and finance, agriculture and education.

In a related development, the World Bank President during his visit to some West African countries in March 2004 informed the ECOWAS Heads of State Summit in Accra, Ghana that the Bank had set aside \$2.3 billion for the improvement of infrastructure in the West African Sub-region and another \$450 million for regional projects in developing countries in general.

Finally, the Chief Secretary to the United Kingdom Treasury disclosed in Abuja in March 2004 that the British Government would increase her aid to Nigeria from the current level of ~~£~~8.65 billion to ~~£~~17.30 billion in 2005 to enable the country finance programs in Health and education sectors; enhance the implementation of the National Economic Empowerment and Development Strategy (NEEDS) as well as capacity building for Government officials.