

CENTRAL BANK OF NIGERIA COMMUNIQUE NO. 60 OF THE MONETARY POLICY COMMITTEE, JANUARY 14th, 2009

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) met today, January 14, 2009, and reviewed the developments in the foreign exchange market vis a vis Nigeria's external reserves position and macro economic developments.

It noted that the preliminary estimate of the GDP growth rate for the end of 2008 was an impressive 6.8% compared with 6.2% in 2007. It also noted that inflationary pressure remained high throughout the year and provisional figures indicate that the end December headline inflation was 14.6% while estimated core (non-food) Inflation rate was at 9.2%.

It also reviewed the developments in the oil market as well as capital flows into the economy in 2008 and the prospects for 2009. MPC also reviewed the recent developments in the foreign exchange market and the depreciation of the naira in the light of decreased supply of foreign exchange vis a vis increased demand. It noted the uncertainties and the speculative pressures in the foreign exchange market.

The MPC noted that while it is desirable to allow the exchange rate to adjust in response to market conditions, the CBN remains determined to restore stability to the market.

Consequently, the MPC decided as follows:

1. In the meantime, the CBN is reintroducing the Retail Dutch Auction System (RDAS), with effect from Monday, January 19, 2009, and will be conducted on Mondays and Wednesdays. We will revert to WDAS at the appropriate time.

- 2.** Bids for the purchase of foreign exchange under the RDAS must be cash-backed at the time of the bid.
- 3.** Funds purchased from CBN at the Auction shall be used for eligible transactions only, subject to stipulated documentation requirements. Such fund shall NOT be transferable in the inter-bank foreign exchange market.
- 4.** Authorised Dealers shall return to the CBN any unutilised funds within five (5) business days after delivery, at the rate of purchase.
- 5.** Purchases by banks on behalf of their customers will be published in the dailies fortnightly.
- 6.** Interest earned on Letters of Credit established and for which settlement has not been effected, shall be repatriated to the CBN for repurchase at the bid rate at the time the funds were purchased.
- 7.** The foreign exchange Net Open Position (NOP) of banks will be reduced from 10% to 5% with effect from Monday, January 19, 2009.
- 8.** CBN remains committed to Section 15 (4), of the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act of 1995, which guarantees unconditional transferability of funds in respect of loans, and portfolio and foreign direct investments into Nigeria.

**Prof. Chukwuma C. Soludo, CFR,
Governor, Central Bank of Nigeria,
Abuja,
January 14, 2009**