

# PRESS RELEASE

## CENTRAL BANK OF NIGERIA, COMMUNIQUE NO. 38 OF THE MONETARY POLICY COMMITTEE IN SEPTEMBER 2004

The Monetary Policy Committee (MPC) at the end of its 185<sup>th</sup> meeting agreed to sustain the suspension on the withdrawal of public sector deposits from the deposit money banks, in order to enhance the stability of the financial system.

2. Since the last meeting of the MPC, the pressure on prices has moderated. Both the moving average and point on point inflation rates fell from 19.4 and 14.1 per cent in June 2004 to 19.1 and 10.7 per cent in July. The gross official reserves have risen from US\$12.2 to US\$12.3 billion, while the arbitrage premium between the DAS exchange rate and the bureaux de change has stabilized around 5.5 per cent. In addition, the growth in monetary aggregates remained within the program targets as bank credits (net) to government continued to fall owing to prudent fiscal operations of the federal government. In the first eight months of the year, broad money stock (M2) increased by 9.0 per cent, compared with the permissible expansion rate of 16.0 per cent for fiscal 2004.

3. For the rest of 2004, the Committee noted that the combined effect of the high international oil price and a continuation of current prudent macroeconomic policies would help to lower the inflation rate close to single digit level by the end of the year. In particular, the

Committee expressed optimism that the substantial fiscal savings from the excess crude oil proceeds since the beginning of 2004 would continue to reduce demand pressures during the remaining months of the year. The Committee, therefore, agreed not to introduce any new policy action. However, macro economic developments shall continue to be monitored with a view to fine-tuning the existing policies, if necessary.



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Secretary, Monetary Policy Committee  
Central Bank of Nigeria  
Abuja

20<sup>th</sup> September, 2004