

PRESS RELEASE
CENTRAL BANK OF NIGERIA, COMMUNIQUE NO. 39 OF THE
MONETARY POLICY COMMITTEE, IN OCTOBER, 2004

The 186th meeting of the Monetary Policy Committee was held on October 12th, 2004.

2. Available information since the last meeting of the MPC indicated that the year-on-year inflation rate had increased from 10.7 per cent in July 2004 to 13.0 per cent in August 2004. The 12-month moving average inflation rate remained unchanged at the July 2004 level of 19.10 per cent. The exchange rate of the naira was relatively stable, while the gross official reserves rose further from US \$12.48 billion to US \$13.27 at end-September 2004. Broad money stock (M₂) rose by 9.9 per cent in the first nine months of 2004, representing an annualized growth rate of 13.2 per cent. This growth rate is within the 16.0 per cent target set for 2004. Credit (net) to government contracted further, reflecting the prudent fiscal operations of the federal government.

3. The Committee was optimistic that the external reserves would rise further during the remaining months of 2004, following the high international oil price and the expected seasonal drop in the demand for foreign exchange in the last quarter. The Committee also expects that a continuation of prudent fiscal operations would help to dampen excess demand. Nevertheless, the rise in the domestic price level was considered worrisome by the Committee. The Committee agreed to monitor macroeconomic developments very closely during the rest of 2004, with a view to fine tuning existing policies if the need arises.



James K. A. Olekah,
Secretary, Monetary Policy Committee,
Central Bank of Nigeria,
Abuja.

18th October, 2004