

PRESS RELEASE
CENTRAL BANK OF NIGERIA, COMMUNIQUE NO. 40 OF THE MONETARY POLICY
COMMITTEE, IN NOVEMBER, 2004

The Monetary Policy Committee of the CBN held its 187th meeting on November 22, 2004 and agreed not to take any new policy action.

2. Price developments since the last meeting of the MPC indicated that both the 12-month moving average and the year-on-year inflation rates had moderated. The 12-month moving average inflation rate decelerated from 19.1 per cent in August 2004 to 18.2 per cent in September 2004. The year-on-year inflation rate decelerated significantly to 9.1 per cent in September 2004 from 13.0 per cent in the preceding month reflecting the moderation in prices of all items less farm produce and energy. The exchange rate of the naira remained relatively stable in the Dutch Auction System of the foreign exchange market, while the gross official reserves increased further to US \$14.72 billion from US \$13.27 billion at end-September 2004. Broad money stock (M_2) increased by 12.9 per cent during the first ten months of 2004. This represented an annualised growth rate of 15.5 per cent, which compared with the 16.0 per cent target for 2004. In addition, credit (net) to government declined further in the first ten months of 2004, while credit to the private sector rose by 25.8 per cent as against the 22.0 per cent target for 2004.

3. The Committee remained positive about the outlook for the rest of the year. It expects the external reserves to rise further owing to a projected increase in demand for Nigeria's crude oil exports in the remaining months of

2004. The Committee also expects that with a continuation of current prudent fiscal operations, the money supply would stay within its programmed target and that the inflation rate would moderate further during the rest of the year. Against this background, the Committee decided not to take any new policy action, but agreed to monitor macroeconomic developments very closely, 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.

26th November, 2004