

## DOCUMENT OF THE MONETARAY POLICY COMMITTEE, NO. 3

### A COMMUNIQUE

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) met twice during the month, on August 7 and 21, 2001. The meetings focused on liquidity management and review of policy measures aimed at the achievement of sustained macroeconomic stability. This communiqué reports on the Committee's deliberations and policy decisions during the month.

The Committee reviewed the prevailing macroeconomic and financial market conditions and noted the relative stability in both the money and foreign exchange markets in the first three weeks of August, 2001. Base money rose by 0.3 per cent to ₦467.3 billion during the period, compared with increases of 1.6 and 6.6 per cent in July and June, 2001, respectively. The weighted average inter-bank call rate fell from 21.7 per cent in July to 16.79 and 16.72 per cent in the first and second weeks of August, respectively. In the Inter-bank Foreign Exchange Market (IFEM), the naira exchange rate vis-à-vis the U.S. dollar appreciated from an average of ₦111.85 = US\$1.00 in July to ₦111.70 = US\$1.00 in the

first week of August, and stabilized at that level during the period. Similarly, the naira appreciated in both the parallel market and bureaux de change from ₦135.41 and ₦135.89 = US\$1.00 to ₦134.72 and ₦134.96 = US\$1.00 during the same period. The relative stability was attributable to the impact of the current tight monetary policy stance and sustained surveillance of the financial markets. These measures were reinforced by the on-going 100 per cent inspection of imports entering into the country.

In the light of these positive developments, the Monetary Policy Committee did not consider further tightening of monetary policy measures. However, to address the problem of liquidity over-hang, the Committee decided to re-issue the first tranche of CBN certificates of 180-day tenor maturing on August 24, 2001, at 19.5 per cent.

The Committee decided to maintain a close monitoring of macroeconomic conditions and take appropriate action as the need arises.

**August, 2001**

