

PRESS RELEASE

CENTRAL BANK OF NIGERIA

A COMMUNIQUE OF THE MONETARY POLICY COMMITTEE (No. 11) ON THE COMMITTEE'S ACTIVITIES DURING THE MONTH OF APRIL, 2002

In keeping with its policy on transparency in the conduct of monetary and exchange rate policies, the Central Bank of Nigeria (CBN) hereby publishes the summary of the deliberations and policy decisions of the Monetary Policy Committee (MPC) during the month of April, 2002.

The Committee met twice, on April 9 and 23, respectively to review developments in the financial markets and the macroeconomy. Discussions focused mainly on liquidity management and policy measures aimed at achieving sustained macroeconomic stability.

The review of financial market developments revealed further growth in aggregate demand and renewed pressure on the foreign exchange market. Available data indicated an acceleration of broad money (M2) to 8.8 per cent in the first quarter of 2002 compared with the permissible expansion rate of 15.3 per cent for the whole year.

The exchange rate of the Naira vis-à-vis U.S. dollar remained relatively stable in the Inter-bank Foreign Exchange Market (IFEM) but depreciated in the parallel

market and bureaux de change from ₦134.00 and ₦134.50 per dollar on April 2 to ₦138.20 and ₦138.50 per dollar on April 19 as against the appreciations recorded in March. Generally the domestic price level remained stable as the inflation rate, in February 2002, remained unchanged at its December 2001 level of 18.9 per cent. Nevertheless, the Committee noted the need to subdue inflation with a view to influencing a downward movement in lending rates.

The Committee deliberated on the implications of the recently approved huge budget deficits – especially its negative implications for domestic prices and the exchange rate, and decided to retain existing monetary policy measures. In order to sustain financial market stability, the Committee decided not to roll-over the CBN Certificate of 360-day tenor that matured in April.

The Monetary Policy Committee (MPC) will continue to monitor developments in leading macroeconomic indicators and will take appropriate measures for the interest of the economy.

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