ECONOMIC REPORT FOR THE MONTH OF SEPTEMBER 2001

1.0 SUMMARY

Available data indicated an upward movement in monetary aggregates in September, 2001, in contrast to the contraction observed in August. Broad money stock (M_2) and narrow money (M_1) rose by 5.8 per cent and 8.1 per cent, respectively, during the month and expanded by 28.1 per cent and 21.3 per cent in the first nine months of the year, as against the 12.2 per cent and 4.3 per cent maximum targets for the whole year. Monetary growth was induced by the substantial increases in aggregate bank credit to the economy and foreign assets (net) of the banking system. Aggregate bank credit rose by 16.8 per cent during the month, and increased sharply during the first nine months of the year by 65.7 per cent as against the 15.8 per cent target growth stipulated for fiscal 2001.

Interest rate developments during the month were mixed. The average savings deposit rate remained unchanged at the preceding month's level of 5.0 per cent. The rates on deposits of various maturities fell to between 11.7 and 20.0 per cent from 12.2 – 21.6 per cent in August, while the average prime and maximum lending rate rose by 0.2 and 0.3 percentage point to 23.9 and 29.3 per cent, respectively.

The value of money market assets, outstanding, declined further by 0.3 per cent, compared with the 0.4 per cent fall in the preceding month. The fall reflected the declines of 5.9 and 4.3 per cent in Commercial Papers (CPs) and Eligible Development Stocks (EDS), respectively. No new issues of Nigerian Treasury Bills (NTBs) were made during the month, while matured bills were rolled over. Performance indicators of the capital market trended downward, as volume and value of traded shares as well as market capitalization and price indices declined.

Agricultural activities during the month comprised mainly the harvesting of food crops such as yam and maize; while the planting of late-crops, (maize and sweet potato) continued following favourable rainfall nationwide. Crude oil output, including condensates and natural gas, was estimated at 2.23 million barrels per day (mbd) or 66.90 million barrels for the month. Crude oil exports represented 79.8 per cent of total output, while the balance (20.2 per cent) was refined for domestic consumption. The average price of Nigeria's reference crude, the Bonny light, (37^{o}API), remained unchanged at the preceding month's price level of US$25.94 a barrel. The price index of Nigeria's major agricultural commodities at the London Commodities Market, rose by 16.2 per cent and 28.2 per cent, in naira terms, over the levels in the preceding month and corresponding month of 2000, respectively. The inflation rate was estimated at 18.5 per cent in September 2001, up from 18.1 per cent in the preceding month.

Available data on foreign exchange flows through the Central Bank of Nigeria (CBN) showed an inflow of US$1,086.9 million and an outflow of US$1,151.5 million, resulting in a net outflow of US$64.6 million during the month. Foreign Exchange sales in the Inter-bank Foreign Exchange Market (IFEM) declined from US$866.9 million in August to US$746.70 million in September,2001. The average exchange rate of the naira vis-à-vis the U.S. dollar appreciated marginally by 0.09 per cent to ₦111.60 from ₦111.70 per dollar in the IFEM, but depreciated by 0.05 per cent in the parallel market. The rate in the bureaux de change, however, remained unchanged at the preceding month's rate of ₦134.54 per dollar. Nigeria's gross external reserves declined further by 1.0 per cent to US$10,516.2 million as at end-September, 2001.

On the international scene, total world oil demand exceeded supply by 0.15 mbd, compared with 0.14 mbd excess demand in the preceding month. Other major international economic developments that influenced the domestic economy during the month included the agreement reached by the European Union on the rules governing cross-border sales of financial services over the internet, phone and mail, aimed at protecting consumers against likely financial malpractices. This has implications for the Nigerian economy in the context of the current efforts towards the sub-regional Monetary Zone and the common Central Bank.

Furthermore, the French Government pledged to invest about 30 million French Franc (about US$3.75 million) in Nigeria to promote the teaching of French language, given the country's dominant position in the sub-region as well as the desire to build a common market and facilitate the integration efforts in the sub-region.

Also, the Federal Government and the United Nations Food and Agricultural Organisation (FAO) signed a Memorandum Of Understanding (MOU) for the implementation of a Special Programme on Food Security (SPFS) in Nigeria. The project, which will cost about ₦45.24 million over a five-year implementation period, is being supported by the World Bank.

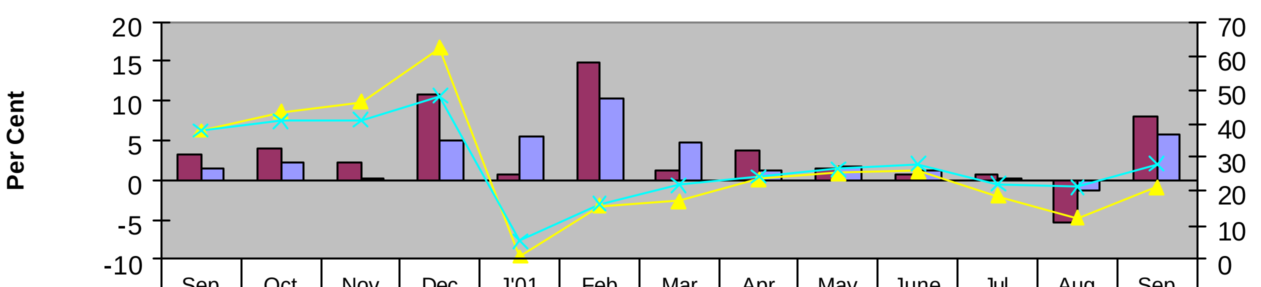
2.0 FINANCIAL SECTOR DEVELOPMENTS

Money supply resumed its upward trend in September 2001, after a decline in the preceding month. Bank deposit rates showed a downward trend. The tempo of activities on the Nigerian Stock Exchange (NSE) declined, while developments in the money market continued to be influenced largely by the state of bank liquidity.

2.1 Monetary and Credit Developments

Available data indicated that broad money stock (M_2) rose in September 2001by 5.8 per cent, in contrast to the 1.3 per cent decline in the preceding month. Similarly, narrow money (M_1) increased by 8.1 per cent to ₦773.7 billion , reflecting the sharp

Figure 1 : Aggregate Money Supply in Nigeria (Monthly & Cumulative Growth Rate in Per cent)



	Sep	Oct	Nov	Dec	J'01	Feb	Mar	Apr	May	June	Jul	Aug	Sep
MM1	3.3	4	2.2	10.7	0.8	14.9	1.3	3.7	1.5	0.6	0.7	-5.4	8.1
MM2	1.5	2.2	0.3	5	5.5	10.3	4.8	1.2	1.6	1.2	0.3	-1.3	5.8
CM1	38	43.4	46.5	62.2	0.8	15.8	17.2	23.5	25.4	26.1	18.6	12.3	21.3
CM2	37.9	40.7	41	48.1	5.5	16.3	21.9	24.4	26.5	28	22.3	21.2	28.1

MM1 MM2 CM1 CM2

increases in aggregate bank credit to the domestic economy and foreign assets (net) of the banking system (fig. 1). During the first nine months of the year, (M_2) and (M_1) grew by 28.1 per cent and 21.3 per cent, respectively, as against the maximum targets of 12.2 and 4.3 per cent for fiscal 2001.

Aggregate bank credit to the domestic economy increased substantially by ₦115.8 billion or 16.8 per cent to ₦805.1 billion, in contrast to the decline of 3.4 per cent in the preceding month. The rise reflected the increases in credit to both the Federal Government and the private sector, with the former accounting for 62.3 per cent of the total increase. Over the end-December 2000 level, bank credit to the domestic economy rose sharply by 65.7 per cent, as against the 15.8 per cent target growth stipulated for fiscal 2001.

Banking system's net claims on the Federal Government rose sharply by ₦72.2 billion or 72.5 per cent in September 2001, in sharp contrast to the ₦35.8 billion or 56.0 per cent decline in the preceding month.
Central Bank net claims on the Federal Government rose by ₦12.6 billion or 6.4 per cent, following the significant increase in its direct advances to the Federal Government. Claims by deposit money banks rose sharply by ₦59.6 billion or 60.8 per cent. The rise was attributable mainly to the decline in Federal Government deposits with them. In the first nine months of the year, net credit to the Federal Government rose significantly by 75.1 per cent, as against the 2.6 per cent target growth stipulated for fiscal 2001. The increase reflected the substantial increase in Central Bank net claims.

Bank credit to the private sector rose by ₦43.6 billion or 5.5 per cent to ₦832.6 billion, compared with the increase of 1.4 per cent in the preceding month. In the first nine months of the year, credit to the private sector rose by 39.7 per cent, as against the 22.8 per cent maximum target for the whole year (fig. 2).

Claims on state and local governments rose by ₦2.1 billion or 12.0 per cent, in contrast to the ₦3.5 billion or 16.6 per cent decline observed in the preceding month. Over the end-December 2000 level, the system's credit to the sub-sector increased sharply by ₦12.0 billion or 158.2 per cent, compared with the increase of ₦6.5 billion or 310.0 per cent in the corresponding period of 2000. The rise during the review month reflected entirely the increase in claims by deposit money banks.

Banking system's claims on 'other' private sector, which constituted 97.3 per cent of credit to the private sector, rose by 5.3 per cent, compared with an increase of 1.9 per cent in the preceding month. As in the previous month, the deposit money banks accounted for 99.0 per cent of the total increase. In the first nine months of the year, credit to the sub-sector rose sharply by 38.0 per cent, compared with the 22.0 per cent rise in the corresponding period of 2000.

Foreign assets (net) of the banking system rose by ₦50.7 billion or 3.7 per cent to ₦1,440.5 billion, in sharp contrast to the decline of ₦25.5 billion or 1.8 per cent in the preceding month. The rise reflected largely the increase in Central Bank's holding which constituted 79.7 per cent of the total, compared with 80.4 per cent in the preceding month. In the first nine months of the year, the system's foreign assets (net) rose by ₦165.5 billion or 13.0 per cent, with the deposit money banks accounting for 51.0 per cent of the total increase.

Quasi-money rose by ₦14.9 billion or 2.8 per cent to ₦553.9 billion, compared with the increase of ₦24.7 billion or 4.8 per cent in the preceding month. The increase in the review month reflected the rise in deposit money banks' time and foreign currency deposits. The cumulative increase during the year was ₦155.6 billion or 39.1 per cent, compared with the ₦113.8 billion or 37.1 per cent rise in the corresponding period of 2000.

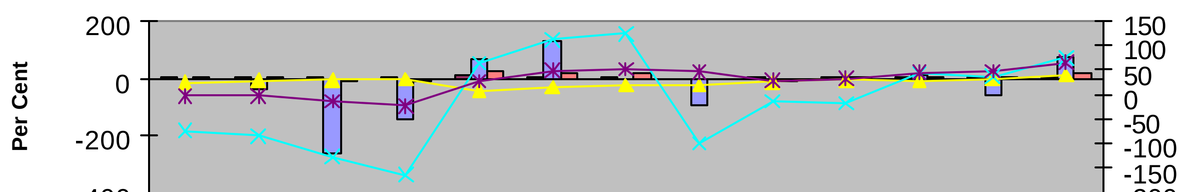
Other assets (net) of the banking system fell by ₦93.7 billion or 11.4 per cent, thus exerting a contractionary impact on the growth of M_1. The decline was traceable to the accounts of both the Central Bank and deposit money banks. The decline in the Central Bank account was induced by the significant increase in the Bank's other liabilities, especially the unclassified liabilities. The fall in deposit money banks' account reflected the decline in other assets, mainly CBN certificates, and the substantial increase in other liabilities, notably the capital accounts of the banks.

2.2 Currency-in-circulation and Deposits at CBN

At ₦344.2 billion, currency in circulation increased by ₦2.1 billion or 0.6 per cent and ₦110.0 billion or 47 per cent over the levels in the preceding month and corresponding month of 2000, respectively. The development during the month was traceable to the rise in currency outside banks. The share of this component in total currency in circulation was 83.0 per cent, compared with 81.2 per cent a month earlier.

Total deposits at the CBN stood at ₦1,107.6 billion, indicating a marginal decline of ₦0.7 billion or 0.06 per cent from the level in the preceding month but an increase of ₦275.3 billion or 33.1 per cent over the level in the corresponding period of 2000. The shares of the Federal Government, bankers and 'other' in total deposits at the CBN were 84.0, 13.6 and 2.4 per cent, compared with 83.4, 15.1 and 1.5 per cent in the preceding month, respectively.

Figure 2: Aggregate Domestic Credit To The Economy (Monthly & Cumulative Growth Rate - Please note that omitted points are outliers)



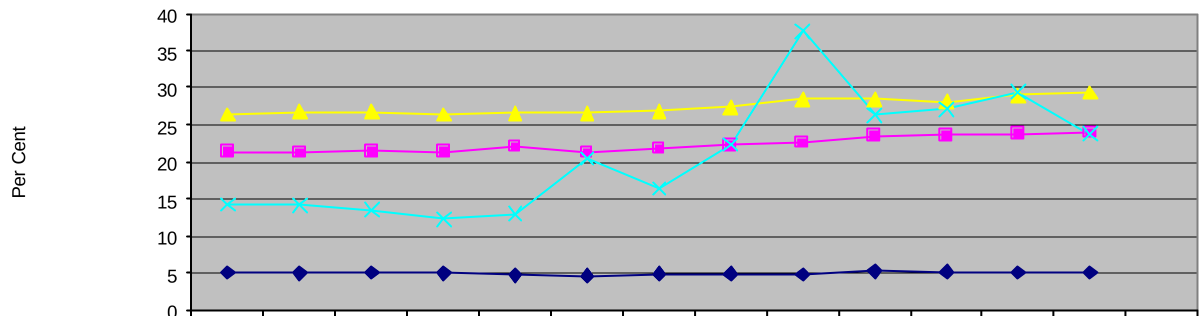
	Sep	Oct	Nov	Dec	J'01	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
MCP	0.4	4.3	0.8	0.5	8.2	6.8	3.6	-0.4	5.8	2.7	1	1.4	5.5
MCG	-2.6	-40.9	-259.8	-142.3	64.1	131.2		-94.8		3.8	12	-56	72.5
MAC	0.6	0.7	-11.2	-11.3	27.3	17	21	-3.7	-11.9	2.5	2.4	0.6	16.8
CCP	23.9	28.3	30.3	30.9	8.2	15.6	19.7	19.2	26.1	29.6	28.6	32.2	39.7
CCG	-72.7	-83.9	-125.7	-162.3	64.1	111.2	123.5	-98.8	-13	-17.2	44.2	36.2	75.1

MCP MCG MAC CCP CCG CAC

2.3 Interest Rate Developments

Interest rate developments in September were mixed. With the exception of savings deposit rates which remained at the previous month's level of 5.0 per cent, other deposit rates of various maturities which ranged between 12.2 and 21.6 per cent in August, fell to 11.7 – 20.0 per cent in September, 2001. Banks' average prime and maximum lending rates, however, rose by 0.2 and 0.3 percentage points to 23.9 and 29.3 per cent, respectively. Thus, the spread between banks' weighted deposit and maximum lending rates was 14.0 percentage points in September, 2001, while that between the savings deposit and maximum lending rates rose marginally by 0.3 per cent to 24.3 percentage points. The average inter-bank call rate, which was 29.4 per cent in August, fell to 23.7 per cent, reflecting largely the effect of the moderation in demand pressure in the IFEM during the month.

Figure 3: Selected Banks' Interest Rates (Per Cent, Monthly Average)



	SEP	OCT	NOV	DEC	J'01	FEB	MAR	APR	MAY	JUN	Jul	Aug	Sep
Savings	4.97	4.95	5.02	4.88	4.64	4.58	4.86	4.81	4.74	5.2	5.1	5	5
Prime	21.33	21.25	21.41	21.33	22.06	21.22	21.74	22.24	22.57	23.5	23.6	23.7	23.9
Maximum	26.34	26.7	26.72	26.35	26.57	26.55	26.78	27.32	28.39	28.4	28.1	29	29.3
Inter-bank	14.21	14.1	13.5	12.2	12.9	20.4	16.35	22.29	37.6	26.3	27.1	29.4	23.7

Month

Savings Prime Maximum Inter-bank

2.4 Money Market Developments

The value of total money market assets outstanding at end-September, 2001 declined further by ₦1.7 billion or 0.3 per cent to ₦528.0 billion, compared with the ₦2.3 billion or 0.4 per cent decline in the preceding month. The fall reflected the declines of 5.9 and 4.3 per cent, in Commercial Papers (CPs) and Eligible Development Stocks (EDS), respectively.

However, both Bankers' Acceptances (BAs) and Treasury Bills outstanding, remained unchanged at their previous month's levels of ₦34.8 billion and ₦465.5 billion, respectively.

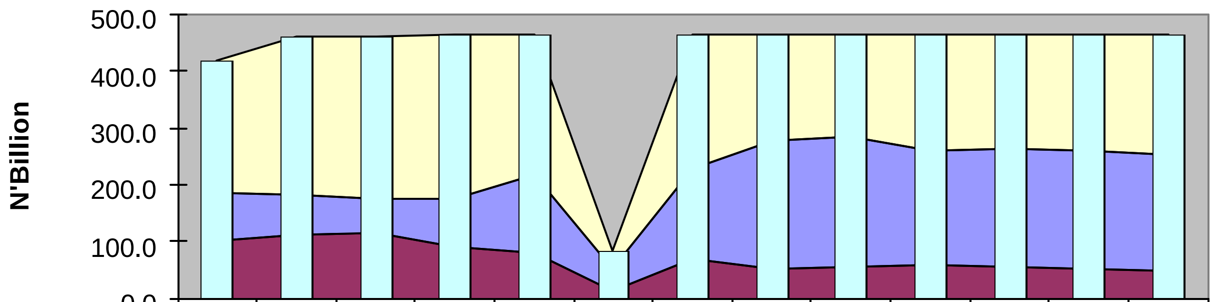
In September, 2001, treasury bills worth ₦88.6 billion were re-issued to replace matured bills of the same value, compared with ₦98.9 billion in the preceding month. Of the total amount rolled over during the month, banks and discount houses together subscribed ₦40.4 billion or 45.6 per cent, compared with ₦45.4 billion or 45.9 per cent a month earlier, while the 'other' investors subscribed ₦25.7 billion or 29.0 per cent. The balance of ₦22.5 billion or 25.4 per cent was absorbed by the Central Bank, bringing the Bank's total holding of treasury bills outstanding to ₦205.2 billion, compared with ₦207.5 billion in the preceding month (fig.4).

2.5 Capital Market Developments

The volume and value of shares traded on the Nigerian Stock Exchange (NSE) fell sharply from 812.7 million and ₦6.7 billion in 41,264 deals in August 2001 to 311.8 million and ₦3.1 billion in 31,877 deals, respectively. Similarly, market capitalization and value price indices declined from ₦610.7 billion and 10,328.9 to ₦607.4 billion and 10,274.1, respectively.

There were no dealings in Federal Government Stocks and Industrial Loan/ Preference Stocks during the month. The lull in activities in the capital market during the month largely reflected the effect of the upward review of the Minimum Rediscount

Figure 4: Treasury Bills' Holdings (N'Billion)



	Sep	Oct	Nov	Dec	J'01	Feb	Mar	Apr	May	Jun	JUL	August	Sep
Banks/DH	233.9	278.8	288.3	288.2	245.9	32.5	237.0	187.0	181.4	205.4	202.3	206.7	211.3
CBN	83.9	71.9	59.3	87.4	138.1	38.6	157.9	224.8	227.9	200.5	205.8	207.5	205.2
Others	101.9	111.8	114.9	90.0	81.5	12.7	70.6	53.7	56.2	59.6	57.4	51.3	49.0
Total	419.7	462.5	462.5	465.6	465.5	83.8	465.5	465.5	465.5	465.5	465.5	465.5	465.5

Others CBN Banks/DH Total

Rate (MRR) which made transactions in the money market relatively more attractive.

2.6 Deposit Money Banks' Activities

Total assets/liabilities of deposit money banks in September, 2001 stood at ₦2,122.8 billion, representing increases of ₦60.1 billion or 2.9 per cent and ₦418.4 billion or 24.6 per cent over the preceding month's level and the level at end-December 2000, respectively. Funds were sourced mainly from increases in deposit and 'other' liabilities, while the major uses of funds included the expansion of claims on central government and the private sector as well as accretion to foreign assets, among others.

Aggregate credit to the domestic economy by deposit money banks stood at ₦979.0 billion, representing an increase of ₦102.6 billion or 11.7 per cent over the level in the preceding month. The banks' credit to the private sector increased by ₦43.0 billion or 5.5 per cent, while their claims on the central and state/local governments rose by ₦59.6 billion or 60.8

per cent and ₦2.1 billion or 12.0 per cent, respectively.

Central Bank's credit to deposit money banks amounted to ₦5.2 billion, showing a decline of ₦1.4 billion or 21.0 per cent from the preceding month's level, but an increase of ₦2.6 billion or 102.0 per cent over the level at end-December, 2000. The decline was attributable mainly to the fall in overdraft facilities granted to banks.

Total specified liquid assets of deposit money banks stood at ₦615.7 billion or 53.6 per cent of their total deposit liabilities. This level of assets was 0.7 percentage points below the preceding month's level but 13.6 percentage points above the stipulated minimum target of 40.0 per cent.

2.7 Discount Houses

Total assets/liabilities of the discount houses stood at ₦28.2 billion in September 2001, indicating an increase of ₦9.1 billion or 47.4 per cent above the preceding month's level, but a decline of ₦2.2 billion or 7.3 per cent below the level in the corresponding month of 2000. Investments in Federal Government securities of less than 91 days maturity stood at ₦11.9 billion or 42.0 per cent of their total deposit liabilities, as against the prescribed minimum of 60.0 per cent .

The discount houses, however, complied with their prescribed gearing ratio, as total borrowings stood at ₦6.0 billion or 1.3: 1 of total capital and reserves during the month, compared with the stipulated maximum target of 50:1.

3.0 DOMESTIC ECONOMIC CONDITIONS

Agricultural activities in September, 2001 consisted mainly of harvesting of tuber crops and grains as well as the planting of crops such as maize and sweet potato, following favourable rainfall, nationwide. The oil sector recorded a decline of 2.0 per cent compared with the level in August, while the domestic price level rose further with the rate of inflation estimated at 18.5 per cent in September, compared with 18.1 per cent in the preceding month.

3.1 Agricultural Sector

Agricultural activities involved mainly the harvesting of crops such as yam and maize, while the planting of maize and sweet potato continued during the month due to favourable rainfall. However, the recent spate of flood recorded in some states such as Jigawa, Kano and Bauchi may reduce the anticipated bumper harvest in the year.

The sum of ₦92.7 million was guaranteed to a total of 2,688 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in September 2001, representing a decline of 23.2 per cent from the preceding month's level. A sub-sectoral analysis of the loans granted showed that the food crop sub-sector had ₦85.1 million or 91.8 per cent of the total loan for disbursement to 2,583 farmers. Of this amount, ₦51.2 million or 60 per cent went to 1,801 grain farmers, while the balance, ₦33.9 million or 40 per cent, was granted to 782 root and tuber crop farmers. The livestock sub-sector received the sum of ₦2.4 million or 2.6 per cent for the benefit of 44 farmers, out of which ₦1.98 million was granted to 36 poultry farmers, while the sum of ₦0.170 million was received by 3 sheep/goat farmers. The balance of ₦0.250 million went to 5 other unclassified livestock farmers. Similarly, the fishery sub-sector was granted ₦0.2 million of the total loans for the benefit of 3 fisher folks, while 46 cash crop farmers received the sum of ₦4.6 million. 'Other' unclassified farmers received ₦0.4 million of the total loan disbursements.

The prices of Nigeria's major agricultural commodities at the London Commodity Market increased during the month. At 5,253.33 (1985 = 100), the all-commodities price index, in naira terms, increased by 16.2 and 28.2 per cent over their levels in the preceding month and corresponding month of 2000. In dollar terms, the index, at 52.99 (1985 = 100), fell by 6.0 per cent from the preceding month's level but increased by 17.5 per cent over its level in the corresponding month of 2000.

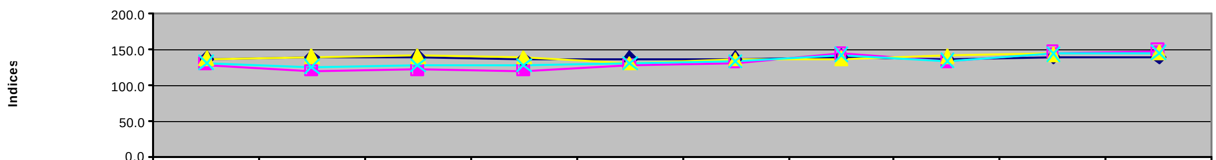
Of the six commodities monitored during the month, four commodities, namely palm oil, cotton, soyabean and copra recorded price declines of 13.8, 14.5, 16.7 and 23.6 per cent, respectively. The declines could be attributed to growing concerns about the U.S. economy in the wake of the terrorist attacks on New York and Washington DC. The other two commodities, cocoa and coffee, recorded price increases of 28.3 and 31.6 per cent, respectively, attributable to the continued uncertainty over Ivory Coast's cocoa and coffee exports and the new forecast of global deficit. In dollar terms, copra, palm oil, cocoa and coffee recorded price declines of 22.4, 14.9, 3.7 and 1.2 per cent, respectively, below their levels in the preceding month while cotton and soyabeans recorded marginal price increases of 2.7 and 0.1 per cent, respectively, when compared with their levels in the corresponding month a year earlier.

3.2 Industrial Production

Activities in the industrial sector during the third quarter of 2001 showed an improvement relative to the preceding quarter and the corresponding quarter of 2000. At 145.3 (1985 = 100), estimated index of industrial production rose by 1.1 per cent over the level in the preceding quarter. The rise reflected the increases of 1.8 and 0.8 per cent in mining and electricity consumption, respectively. The index of manufacturing production fell by 0.3 per cent below the preceding quarter's level, but rose by 0.6 per cent over the level in the corresponding quarter of 2000.

The index of mining production, at 148.1 (1985 = 100), increased by 1.8 per cent over the level in the second quarter but fell by 0.5 per cent below the level in the corresponding quarter of 2000. The increase in the review quarter was accounted for by all the components except gas and cassiterite, which fell by 12.0 and 1.6 per cent, respectively. Estimated at 208.2 million barrels, crude oil production (including condensates), which accounted

Figure 5: Index of Industrial Production (1985 =100)



	Qt2,	Qt3	Qt4	Qt1,	Qt2	Qt3	Qt4	Qt1,01	Qt2	Qt3
Manuf.	138.0	139.8	140.0	135.4	137.2	138.0	139.9	137.7	139.9	139.5
Mining	129.0	119.3	121.6	120.1	128.0	130.7	144.1	132.6	145.5	148.1
Electricity	138.0	140.1	141.5	139.5	131.2	136.3	136.9	141.2	144.2	145.4
All Sectors	132.1	126.4	128.0	128.3	131.0	133.2	142.6	134.4	143.7	145.3

Manuf. Mining Electricity All Sectors

for over 98 per cent of mining output, declined by 9.5 per cent from the level achieved in the preceding quarter but increased by 13.0 per cent above the level recorded in the corresponding quarter of 2000. The decline in crude oil production, relative to the preceding quarter, was attributable to production cuts imposed on member countries by OPEC, effective September, 2001.

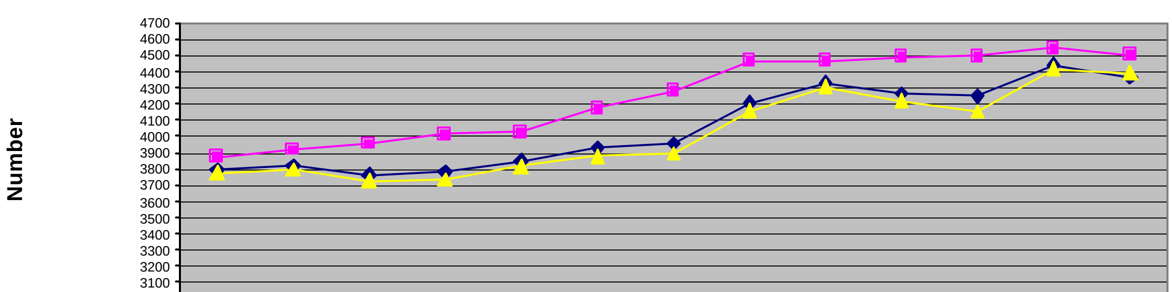
Electricity consumption increased in the third quarter of 2001 over the level in the preceding quarter and the corresponding quarter of 2000. The increase was accounted for by increases of 0.3 and 0.7 per cent in residential and industrial consumption, respectively.

3.3 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.23 million barrels per day (mbd) or 66.90 million barrels for the month, representing a decline of 2.0 per cent below the level in August. The share of the country's production in total OPEC output was 7.5 per cent ,compared with 7.6 per cent in the preceding month. Crude oil exports were estimated at 1.78 million barrels per day (mbd) or 53.40 million barrels for the month, showing a decline of 0.03 mbd below the level in August, 2001

Crude oil exports accounted for 79.8 per cent of total output, compared with 80.1 per cent in the preceding month, while the

Figure 6 : Monthly Consumer Price Indices in Nigeria (1985 = 100)



	Sep	Oct	Nov	Dec	J'01	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Composite	3792.4	3815.5	3763.3	3778.4	3848.9	3927.3	3956.4	4207.3	4330.2	4263.5	4248	4440.2	4369.2
Urban	3875.1	3919.6	3953.6	4011.0	4027.3	4173.9	4281.5	4463.5	4467.9	4489.6	4495.8	4542.3	4502.8
Rural	3776.3	3795.5	3726.3	3733.2	3814.2	3879.4	3893.2	4157.3	4303.5	4219.6	4150.9	4418.4	4390.5

Source:Federal Office of Statistics(FOS), Lagos

Composite Urban Rural

balance (20.2 per cent) was refined for domestic consumption.

Crude oil price movements were mixed following uncertainties in the wake of terrorist attacks on the United States of America as well as OPEC's compliance with output cuts. At $25.94 a barrel, the average price of Nigeria's reference crude, the Bonny light (37^0 API), remained at the preceding month's level. The prices of two other competing brands of crude, namely the Forcados and U.K. Brent, showed increases of 3.6 and 1.0 per cent, respectively, over their levels in the preceding month. The prices of the remaining competing brands, such as the Arab Light and West Texas Intermediate (WTI), recorded declines of 1.0 and 4.0 per cent, respectively, when compared with their levels in the preceding month.

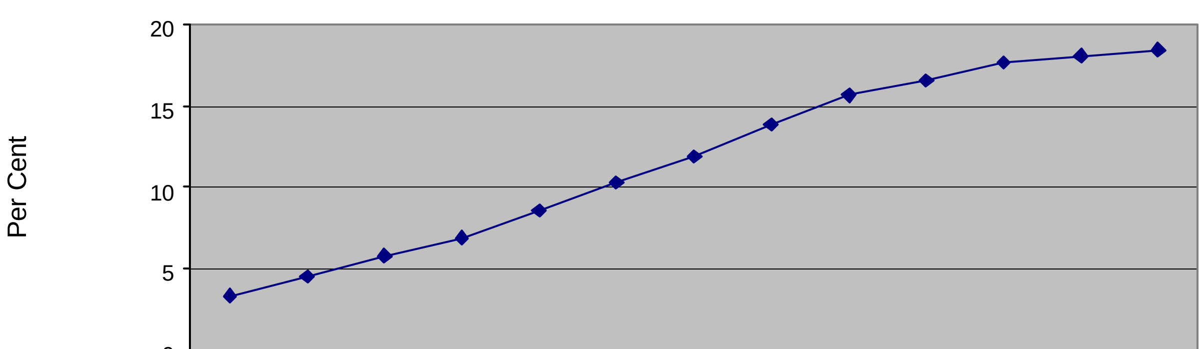
Similarly, in the European net-back market, the Bonny Light and the UK Brent were sold at $28.76 and $28.17 a barrel, respectively, indicating increases of 3.0 per cent and 1.0 per cent from their levels in August, 2001

3.4 Consumer Prices

Actual data from the Federal Office of Statistics (FOS) showed that the all-items composite Consumer Price Index (CPI) in September 2001 stood at 4,369.2 (1985 = 100). This represented a decline of 1.6 per cent from the level in the preceding month, but an increase of 15.2 per cent over the level in the corresponding month of 2000. The development during the month was traceable to all the component items except medical care and health expenses as well as other services, whose indices rose by 0.2 and 4.0 per cent, respectively, from their levels in the preceding month. When compared with their levels in the corresponding month a year earlier, all the component items recorded price increases except accommodation, fuel and light; medical care and health expenses; and transportation whose indices recorded price declines of 22.0, 4.9, and 6.0 per cent, respectively

The inflation rate for the twelve-month period ended September 2001 was estimated at 18.5 per cent, compared with 18.1 and 3.3 per cent in the preceding month and the corresponding month of 2000, respectively. The rise in the inflation rate was attributable to the acceleration in the rate of monetary expansion as well as cost push factors.

Figure 7: Inflation Rate in Nigeria (Per Cent, Monthly)



	Sep	Oct	Nov	Dec	J'01	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Inflation	3.3	4.5	5.8	6.9	8.6	10.3	11.9	13.9	15.7	16.6	17.7	18.1	18.5

Source:Federal Office of Statistics(FOS), Lagos

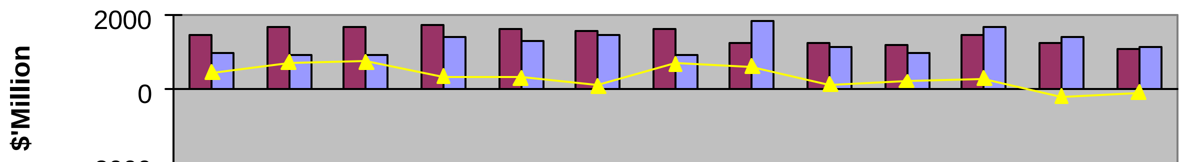
4.0 EXTERNAL SECTOR DEVELOPMENTS

4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) stood at $1,086.9 million and $1,151.5 million, respectively, in September 2001, down from their respective levels of $1,215.1 million and $1,393.7 million in August 2001. This resulted in a net outflow of $64.6 million, compared with a net outflow of $178.6 million in August. The drop in inflow in the review month was accounted for by the decline in oil and non-oil export receipts, while that of outflow was attributable mainly to the sharp decline in disbursements for external debt service from $414.8 million in August, 2001 to $10.6 million.

Available data on foreign exchange flows through the economy in the month of September, 2001 showed that total inflow stood at $1,413.4 million, down by 9.4 per cent from $1,560.7 million in August 2001. Receipts from the oil sector amounted to $1,046.0 million or 74.0 per cent of total inflow, while non-oil sector receipts and inflow through other autonomous sources stood at $367.4 million or 26.0 per cent of the total. At $1,231.8 million, foreign exchange outflow from the economy represented a decline of 14.9 per cent from the level in August 2001. The fall was accounted for largely by the 97.4 per cent drop in payments for external debt service during the month. The CBN funding of the IFEM also fell by 13.9 per cent from $866.9 million in August 2001 to $746.7 million. However, 'other official payments' rose from $104.9 million in August 2001 to $236.2 million, in September, 2001.

Figure 8: Foreign Exchange Flows Through the CBN ($'Million)



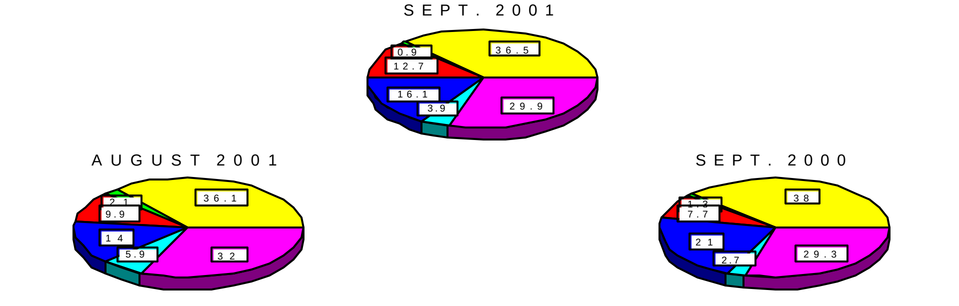
	Sep	Oct	Nov	Dec	J'01	Feb	Mar	Apr	May	June	July	August	Sept.
Inflow	1427.3	1664.9	1681.3	1741.9	1601.6	1566.1	1598.6	1214.9	1248.4	1174.7	1441.3	1215.1	1086.9
Outflow	970.7	942.7	942.3	1387.2	1276.3	1468.1	911.3	1840.4	1113	955.9	1646	1393.7	1151.5
Netflow	456.6	722.2	739.0	354.7	325.3	98.0	687.3	625.5	135.4	218.8	295.3	-178.6	-64.6

Inflow Outflow Netflow

4.2 Sectoral Utilisation of Foreign Exchange

The industrial sector continued to account for the bulk (36.5 per cent) of total foreign exchange disbursed in September,

Figure 9: Sectoral Utilization of Foreign Exchange (percentage of total)



2001. Other beneficiary sectors, in a descending order of importance, included: invisibles, general merchandise, food, transportation and agricultural products (Fig 9).

4.3 Foreign Exchange Market Developments

The demand pressure in the IFEM moderated in September as $746.70 million was sold to authorized dealers by the CBN, compared with $866.9 million a month earlier. The development was attributable to reduced demand by the public sector. On the other hand, the CBN purchased $0.9 million from the market during the month, unlike the previous month when it did not purchase any foreign exchange. The average exchange rate of the naira vis-à-vis the U.S. dollar appreciated marginally in the IFEM from ₦111.70 per dollar in August 2001 to ₦111.60 per dollar. However, the rate in the parallel market depreciated from ₦134.14 per dollar to ₦134.21 per dollar while the rate in the bureaux de change remained unchanged at the preceding month's rate of ₦134.54 per dollar. The premium between the IFEM and the parallel market rates was 20.26 percentage points, compared with 20.09 per cent in August 2001.

4.4 External Reserves

Nigeria's gross external reserves at end-September, 2001 stood at $10,516.2 million, representing a decline of 1.0 per cent from the preceding month's level of $10,626.9 million. At current foreign exchange commitments, the reserves could finance about 8.4 months of imports compared with 8.1 months in the preceding month.

5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output rose marginally from 76.05 mbd in August 2001 to 76.12 mbd in September, but demand remained at its previous month's level of 76.20 mbd. Total world oil demand exceeded supply by 0.15 mbd, compared with 0.14 mbd excess demand in the preceding month.

In another development, the European Union agreed on the rules governing cross-border sales of financial services over the internet, phone and mail. The rules, which aim at protecting consumers against likely financial malpractices will require financial services providers to furnish potential buyers with comprehensive information before any contract is signed, while confering on the consumers the right to cancel such contracts within 30 days after signing. In the agreement, sellers of financial services will have to abide by their domestic laws provided that their home country incorporated the rules into their national legislation. The EU members have been given two years from the date of the agreement to incorporate the rules into their national laws. The foregoing developments in the EU are considered relevant to Nigeria and are being monitored so that appropriate lessons could be drawn in the context of the current move towards the sub-regional Monetary Zone and the common Central Bank.

Also, the French Government pledged to invest about 30 million French Francs (about $3.75 million) in Nigeria to promote the teaching of French Language. This action was predicated on the decision of the Federal Government to make French Nigeria's second official language, given the country's dominant position in the sub-region, as well as the desire to build a common market and facilitate the integration arrangements in the sub-region.

Finally, the Federal Government and the United Nations Food and Agricultural Organization (FAO) signed a Memorandum of Understanding (MOU) for the implementation of a Special Programme on Food Security (SPFS) in Nigeria. The Project, which is being supported by the World Bank, will cost about ₦45.24 million over a five-year implementation period. The project is aimed at breeding improved seedlings, strengthening agricultural production system, and making it more responsive to the needs of farmers in order to improve food production and ensure food security.