

ECONOMIC REPORT FOR THE MONTH OF OCTOBER 2001

1.0 SUMMARY

Available data indicated a decline in the growth of monetary aggregates in October 2001, contrary to developments in September, 2001. Broad money stock (M_2) and narrow money (M_1) declined by 1.6 and 1.3 per cent during the month, but rose by 26.1 per cent and 19.7 per cent, respectively, in the first ten months of the year, as against the 12.2 per cent and 4.3 per cent targets for the whole year. The decline in the review month was attributable to the sharp decline in foreign assets (net) of the banking system. Aggregate bank credit to the domestic economy, which rose by 10.7 per cent during the month, increased substantially in the first ten months of the year by 83.4 per cent as against the 15.8 per cent target growth stipulated for fiscal 2001.

Provisional data indicated a general upward movement in banks' interest rates in October 2001, except savings deposit rate which remained unchanged from the preceding month's level of 5.0 per cent. The spread between banks' weighted average deposit and maximum lending rates, however, fell to 11.6 percentage points from 12.2 percentage points in the preceding month. Similarly, the average inter-bank call rate declined from 23.7 per cent in September to 23.3 per cent, reflecting largely the impact of liquidity surfeit in the banking system.

The level of money market assets outstanding rose by 1.6 per cent, in contrast to the decline of 0.3 per cent in the preceding month. The rise reflected entirely the increases of 45.1 and 4.5 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. Activities on the Nigerian Stock Exchange (NSE) were bullish as evidenced by the increases in the value and volume of shares traded as well as market capitalization and price indices.

Agricultural activities during the month were dominated by the harvesting of staple and tree crops as well as land preparation for dry season farming, especially in the Northern states. Estimated crude oil output, including condensates and natural gas, was 2.20 million barrels per day (mbd) or 68.20 million barrels for the month. Crude oil exports represented 79.5 per cent of total output, while the balance (20.5 per cent) was refined for domestic consumption. The average price for Nigeria's reference crude, the Bonny Light (37°API), fell by 20.9 per cent from its level in September, 2001. However, the price index of Nigeria's major agricultural commodities at the London Commodities Market rose by 8.4 and 45.9 per cent, in naira terms, over their levels in the preceding month and corresponding period of 2000. The inflation rate stood at 18.6 per cent in October, up from 18.4 per cent in the preceding month.

Data on foreign exchange flows through the Central Bank of Nigeria (CBN) showed an inflow of US\$1,166.2 million and an outflow of US\$1,115.6 million, resulting in a net inflow of US\$50.6 million during the month. Foreign exchange sales at the Inter-bank Foreign Exchange Market (IFEM) rose to US\$803.1 million from US\$746.7 million in September 2001. The average exchange rate of the naira vis-à-vis the US dollar remained at its September, 2001 level of ₦111.60 per dollar, in the

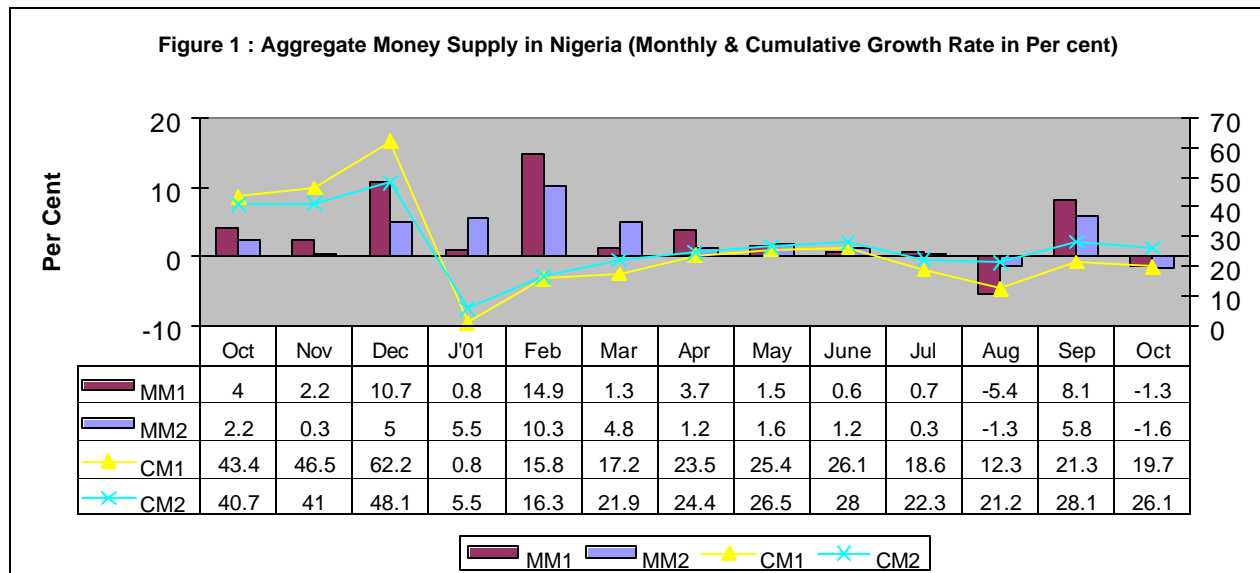
IFEM, but appreciated marginally by 0.1 and 0.06 per cent in both the parallel market and bureaux de change, respectively. Nigeria's gross external reserves rose by 2.0 per cent to US\$10,724.1 million as at end-October, 2001.

On the international scene, total world oil supply exceeded demand by 0.3 mbd, in contrast to an excess demand of 0.15 mbd recorded in the preceding month. Other major international economic developments that influenced the domestic economy during the month were the

by the Convergence Council at its next meeting.

2.0 FINANCIAL SECTOR DEVELOPMENTS

Monetary aggregates declined in October, as against the expansion observed in September, 2001. Bank interest rates exhibited a general upward trend while activities on the Nigerian Stock Exchange (NSE) showed improved performance. Developments in the money market were buoyed by bank liquidity, during the month.



inaugural meeting of the co-ordinators of the National Sensitisation Committee of the West African Monetary Zone (WAMZ) held in Conakry, Guinea, from 15th – 16th October, 2001, and the Ninth Meeting of the Technical Committee of the WAMZ held in Accra, Ghana, from October 29 – 30, 2001. The essence of the Sensitisation Programme is to complement the activities of the West African Monetary Institute (WAMI) towards the introduction of a common currency in WAMZ member states. The meeting of the Technical Committee of the WAMZ examined the various issues to be considered

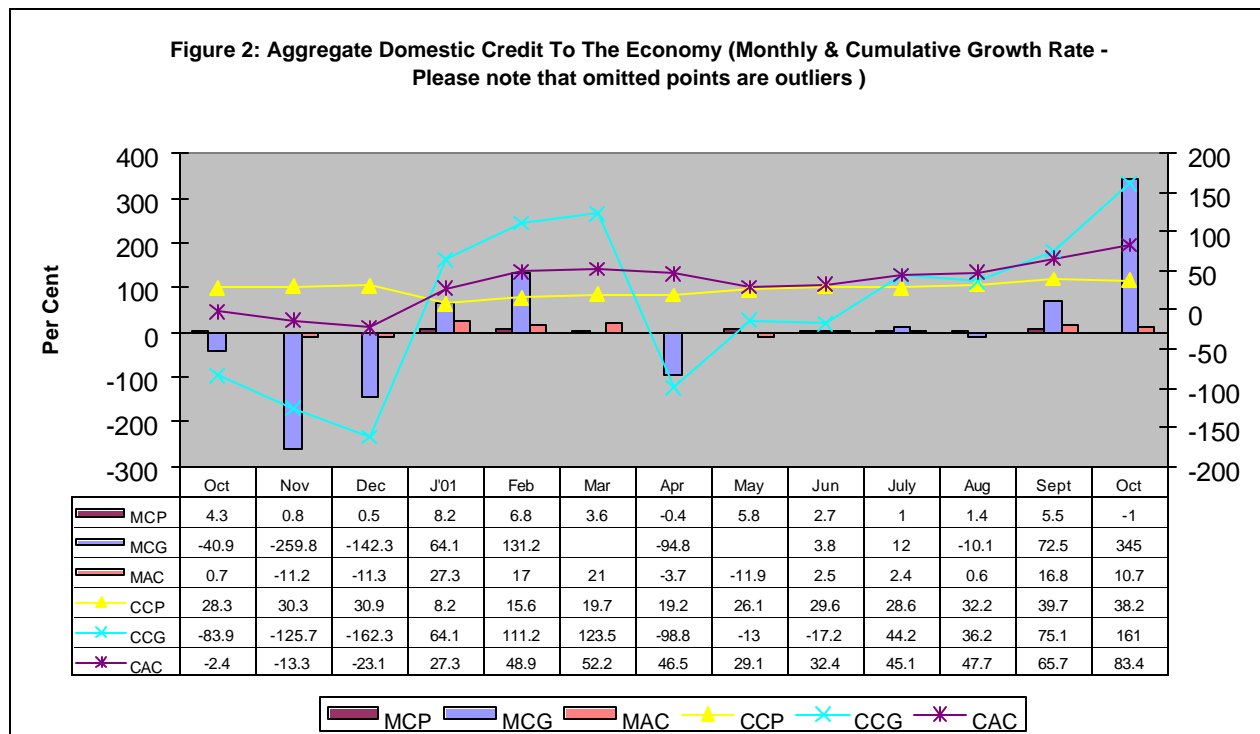
2.1 Monetary and Credit Developments

Available data indicated that broad money stock (M_2) fell in October 2001 by ₦21.1 billion or 1.6 per cent to ₦1,306.5 billion, in contrast to the ₦72.9 billion or 5.8 per cent increase in the preceding month. The fall reflected the declines in both narrow money (M_1) and quasi-money. M_1 fell by ₦10.2 billion or 1.3 per cent during the month, as against the increase of ₦58.0 billion or 8.1 per cent in the preceding month. The decline in M_1 during the review

month was attributed entirely to the sharp fall in foreign assets (net) of the banking system. During the first ten months of the year, however, M_2 and M_1 grew by 26.1 and 19.7 per cent, respectively, compared with the target expansion rates of 12.2 and 4.3 per cent for fiscal 2001.

Aggregate bank credit to the domestic economy increased sharply by ₦86.0 billion or 10.7 per cent to ₦891.1

billion or 345.0 per cent in October, 2001. Central Bank net claims on the Federal Government rose substantially by ₦76.8 billion or 41.6 per cent, reflecting the significant increase in its direct advances to the Government, as well as the substantial decline in Federal Government deposits with CBN. Similarly, deposit-money banks' claims on the sector rose by ₦17.8 billion or 11.3 per cent, following the increase in banks' treasury bill holdings. In the first ten



billion, compared with the increase of ₦115.8 billion or 16.8 per cent in the preceding month. The rise in the review month reflected the sharp increase in credit (net) to the Federal Government as credit to the private sector declined. During the first ten months of the year, the growth in aggregate bank credit to the domestic economy accelerated by ₦405.3 billion or 83.4 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 further by ₦94.6

months of the year, net credit to the Federal Government rose sharply by ₦177.4 billion or 161.0 per cent, as against the 2.6 per cent target growth stipulated for fiscal 2001, reflecting entirely the increase in Central Bank net claims.

Bank claims on the private sector fell by ₦8.6 billion or 1.0 per cent to ₦823.9 billion during the review month, in contrast to the increase of ₦43.6 billion or 5.5 per cent in the preceding month. The fall reflected largely the decline in deposit money banks' claims on the sector, which

accounted for 99.0 per cent of the total decline. In the first ten months of the year, however, credit to the private sector increased by ₦227.9 billion or 38.2 per cent, compared with the 22.8 per cent target maximum for the whole year (Fig. 2).

Banking system's credit to state and local governments fell by ₦214.6 million or 1.1 per cent to ₦19.3 billion, as against the ₦2.1 billion or 12.0 per cent increase in the preceding month. Over the end-December 2000 level, the system's credit to the sub-sector increased sharply by ₦11.8 billion or 155.4 per cent, compared with the ₦4.7 billion or 224.7 per cent increase in the corresponding period of 2000. The decline during the review month reflected entirely the ₦214.6 million or 1.1 per cent decline in deposit money banks' claims.

Banking system's claims on 'other' private sector, which constituted the bulk (97.4 per cent) of total credit to the private sector, fell by ₦8.2 billion or 1.0 per cent during the month, as against the increase of ₦40.8 billion or 5.3 per cent in the preceding month. The fall reflected the decline of ₦8.3 billion or 1.0 per cent in deposit money banks' claims. In the first ten months of the year, credit to the sub-sector rose by ₦214.7 billion or 36.5 per cent, compared with the increase of ₦128.0 billion or 28.3 per cent in the corresponding period of 2000.

At ₦1,287.6 billion, foreign assets (net) of the banking system fell by ₦153.0 billion or 10.6 per cent during the month, in contrast to the increase of ₦50.7 billion or 3.7 per cent in the preceding month. The fall reflected the ₦129.4 billion or 11.3 per cent and ₦23.6 billion or 8.1 per cent declines in Central Bank and banks' holdings, respectively. The CBN's share (₦1,018.9 billion) constituted 79.1 per cent

of total outstanding, compared with 79.7 per cent in the preceding month. In the first ten months of the year, the system's foreign assets (net), however, rose by ₦12.5 billion or 1.0 per cent, reflecting entirely the rise in the deposit money banks' holding.

Quasi-money fell by ₦10.9 billion or 2.0 per cent to ₦543.0 billion during the review month, in contrast to the increase of ₦14.9 or 2.8 per cent in the preceding month. The decline during the month reflected the declines in banks' time, savings, and foreign currency deposits. In the first ten months of the year, however, quasi-money rose by ₦144.7 billion or 36.3 per cent, compared with the increase of ₦113.8 billion or 37.1 per cent in the corresponding period of 2000.

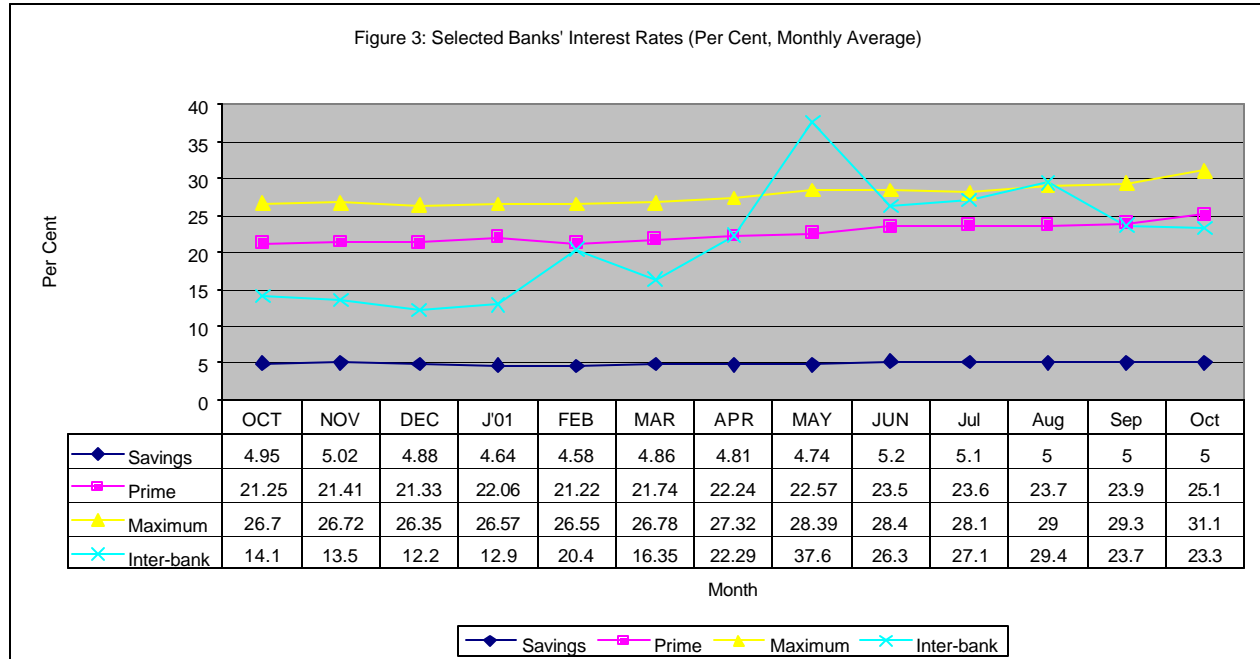
Other assets (net) of the banking system increased by ₦45.9 billion or 5.0 per cent, in contrast to the ₦93.7 billion or 11.4 per cent decline observed in the preceding month. The increase during the review month was traceable entirely to Central Bank. CBN's other assets (net) increased by ₦46.8 billion or 7.8 per cent, reflecting the increase in its other assets, mainly claims on deposit money banks and other miscellaneous items as well as the decline in its liabilities, particularly other unclassified liabilities. The other assets (net) of the deposit money banks, on the other hand, recorded a decline, reflecting largely the increase in their 'other' liabilities, mainly capital accounts, credit from CBN and miscellaneous liabilities.

2.2 Currency-in-circulation and Deposits at CBN

At ₦344.7 billion, currency in circulation increased marginally by ₦0.5 billion or 0.1 per cent and ₦99.9 billion or

40.8 per cent over the levels in the preceding month and corresponding month of 2000, respectively. The increase during the month was traceable to the rise in currency outside banks. The share of this

remained unchanged at the preceding month's level of 5.0 per cent, all other deposit rates of various maturities, which ranged 11.7 – 20.0 per cent in September, rose to 12.6 – 24.9 per cent in October,



component in total currency in circulation was 82.8 per cent, compared with 83.0 per cent a month earlier.

Total deposits at the CBN stood at ₦1,032.7 billion, indicating a sharp decline of ₦74.9 billion or 6.8 per cent from the level in the preceding month, but an increase of ₦127.7 billion or 14.1 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 83.0, 15.0 and 2.0 per cent, compared with 84.0, 13.6 and 2.4 per cent in the preceding month, respectively.

2.3 Interest Rate Developments

Interest rates showed a general upward trend during the month. With the exception of the average savings deposit rate which

remained unchanged at the preceding month's level of 5.0 per cent, all other deposit rates of various maturities, which ranged 11.7 – 20.0 per cent in September, rose to 12.6 – 24.9 per cent in October, 2001. Similarly, banks' average prime and maximum lending rates rose by 1.2 and 1.8 percentage points to 25.1 and 31.1 per cent, respectively. The spread between banks' average weighted deposit and maximum lending rates, however, fell to 11.6 percentage points from 12.2 percentage points in the preceding month, while that between the savings deposit and maximum lending rates widened to 26.1 percentage points from 24.3 percentage points in September, 2001.

The average inter-bank call rate fell from 23.7 per cent in September to 23.3 per cent, reflecting largely the impact of the liquidity surfeit in the banking system.

2.4 Money Market Developments

The value of total money market assets outstanding at end-October, 2001 rose by ₦8.3 billion or 1.6 per cent to ₦536.3 billion, in contrast to the decline of ₦1.7 billion or 0.3 per cent in the preceding month. The rise reflected the increases of 45.1 and 4.5 per cent in Commercial Papers (CPs) and Eligible Development Stocks (EDS), respectively. The level of Bankers' Acceptances (BAs), however, fell by ₦3.3 billion or 9.5 per cent, while Treasury Bills outstanding remained unchanged at the preceding month's level of ₦465.5 billion.

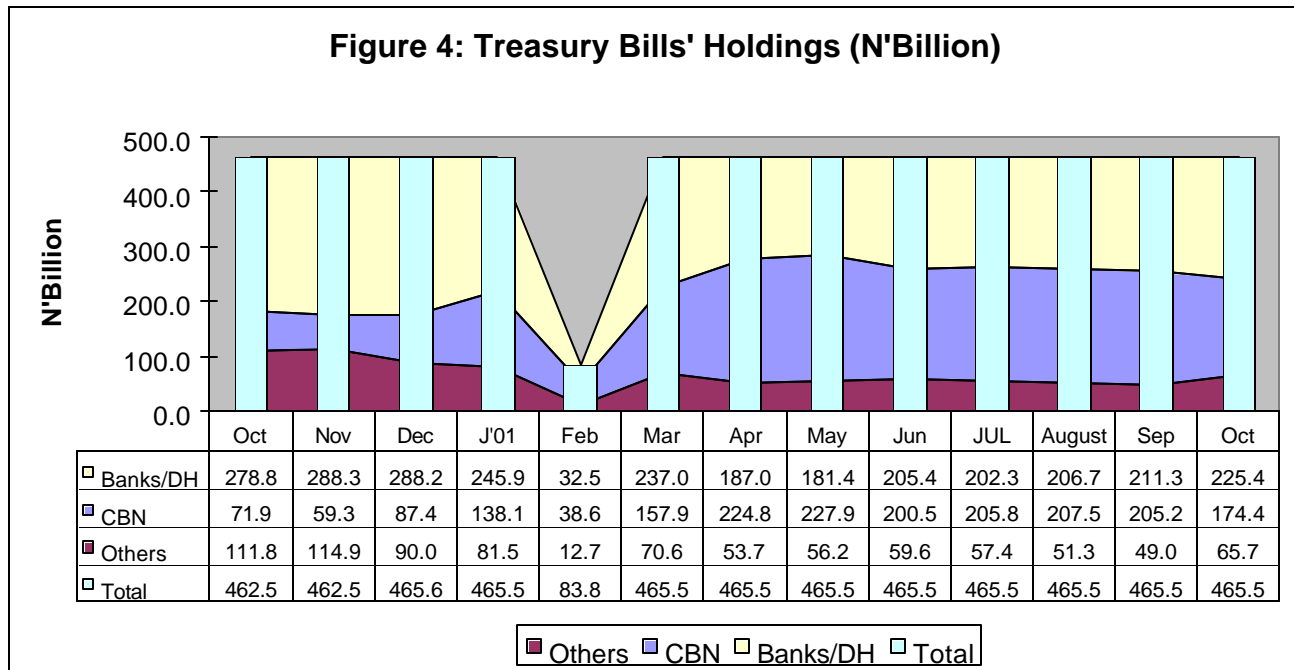
Treasury bills worth ₦278.0 billion were re-issued to replace matured bills of the same value, compared with ₦88.6 billion

cent was absorbed by the CBN. Following increased public patronage, Central Bank's total holding fell by ₦37.8 billion or 17.8 per cent to ₦174.4 billion.

2.5 Capital Market Developments

Activities on the Nigerian Stock Exchange (NSE) showed improved performance in October, 2001 as all the market indicators showed upward trends. The volume of transactions rose by 54.1 per cent to 480.6 million shares, compared with 311.8 million shares recorded in the preceding month, while the value of shares traded increased by 64.5 per cent. Similarly, market capitalization and value price indices increased from ₦607.4 billion and 10,274.1 in September to ₦655.7 billion and

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



re-issued in the preceding month. Of the total amount rolled over during the month, banks and discount houses together subscribed ₦71.6 billion or 25.8 per cent, compared with ₦45.4 billion or 45.9 per cent a month earlier, while "other" investors subscribed ₦16.8 billion or 6.0 per cent. The balance of ₦189.6 billion or 68.2 per

11,091.4, respectively. The improved performance during the month was attributable to enhanced public confidence and new issues.

2.6 Deposit Money Banks' Activities

Total assets/liabilities of deposit money banks in October, 2001 stood at ₦2,127.3 billion, representing increases of ₦4.5 billion or 0.2 per cent and ₦423.0 billion or 24.8 per cent over the preceding month's level and the level at end-December 2000, respectively. Funds were sourced mainly from the reduction in foreign assets, acquisition of unclassified liabilities, and depletion of unclassified assets, while the major uses of funds included increased claims on central government and the private sector and recall of time, savings and foreign currency deposits, among others.

Aggregate credit to the domestic economy by deposit money banks stood at ₦988.2 billion, representing an increase of ₦9.2 billion or 0.9 per cent over the level in the preceding month.

The bank's credit to the private sector and state/local governments declined by ₦8.5 billion or 1.0 per cent and ₦0.2 billion or 1.1 per cent, respectively. Banks' claims on the central government, however, increased by ₦17.8 billion or 11.3 per cent over the preceding month's level.

Central Bank's credit to deposit money banks stood at ₦10.1 billion, showing an increase of ₦4.9 billion or 94.2 per cent and ₦7.6 billion or 298.2 per cent over the preceding month's level, and corresponding month of 2000, respectively. The increase during the month was attributable mainly to the increase of ₦4.6 billion facilities granted to the banks during the period.

Total specified liquid assets of deposit money banks stood at ₦628.4 billion or 55.7 per cent of their total deposit liabilities. This was 2.5 and 15.7

percentage points above the preceding month's level and the stipulated minimum target of 40.0 per cent for fiscal 2001, respectively.

2.7 Discount Houses

Total assets/liabilities of the discount houses stood at ₦37.3 billion in October, 2001, indicating an increase of ₦9.1 billion or 32.3 per cent over the level in the preceding month. Investments in Federal Government Securities of less than 91 days maturity stood at ₦21.0 billion or 81.4 per cent of their total deposit liabilities. This represented 21.4 percentage points over the prescribed minimum of 60.0 per cent. Similarly, the discount houses complied with the prescribed gearing ratio, as total borrowings stood at ₦10.1 billion or 2.3:1 of total capital and reserves during the month, compared with the stipulated maximum target of 50:1

3.0 DOMESTIC ECONOMIC CONDITIONS

Activities during the month were dominated by the harvesting of staple and tree crops in the agricultural sector. Besides, land preparation for dry season farming also commenced in the Northern states. In the livestock sub-sector, poultry production was intensified for Christmas and New Year sales. Crude oil output declined by 1.3 per cent from the September level, while the domestic price level rose further from 18.4 per cent in the previous month to 18.6 per cent in October, 2001.

3.1 Agricultural Sector

The major agricultural activities during the month consisted of harvests of staple and tree crops such as cassava, yam, millet, rice, guinea corn, cowpea, cocoa and

oil palm. Land preparation for dry season farming also commenced in the Northern states of the country. In the livestock sub-sector, farmers intensified the breeding and production of livestock, for Christmas and New Year sales.

The sum of ₦75.767 million was guaranteed to a total of 1,982 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in October 2001, representing a decline of 18.3 per cent from the preceding month's level. A sub-sectoral analysis of the loans guaranteed showed that the food-crop sub-sector had ₦64.162 million for disbursement to 1,756 farmers. Of this amount, ₦47.936 million was allocated to 1,240 grain producers, while the balance of ₦16.226 million was granted to 516 root and tuber crop farmers. The livestock sub-sector received the sum of ₦8.750 million of the total loans for the benefit of 148 poultry farmers, while cash-crop sub-sector had ₦1.14 million for the benefit of 11 oil-palm farmers, while the balance of ₦1.715 million went to "others".

The prices of Nigeria's major agricultural commodities at the London Commodity Market rose during the month. The all-commodity price index, at 55.8 (1985=100), in dollar terms, increased by 5.5 and 21.0 per cent over their levels in the preceding month and corresponding month of 2000, respectively. In naira terms, the index also rose by 8.4 and 45.9 per cent over their respective levels in the preceding month and corresponding period of 2000. The increase in prices was attributable mainly to increased demand for these commodities at the international market.

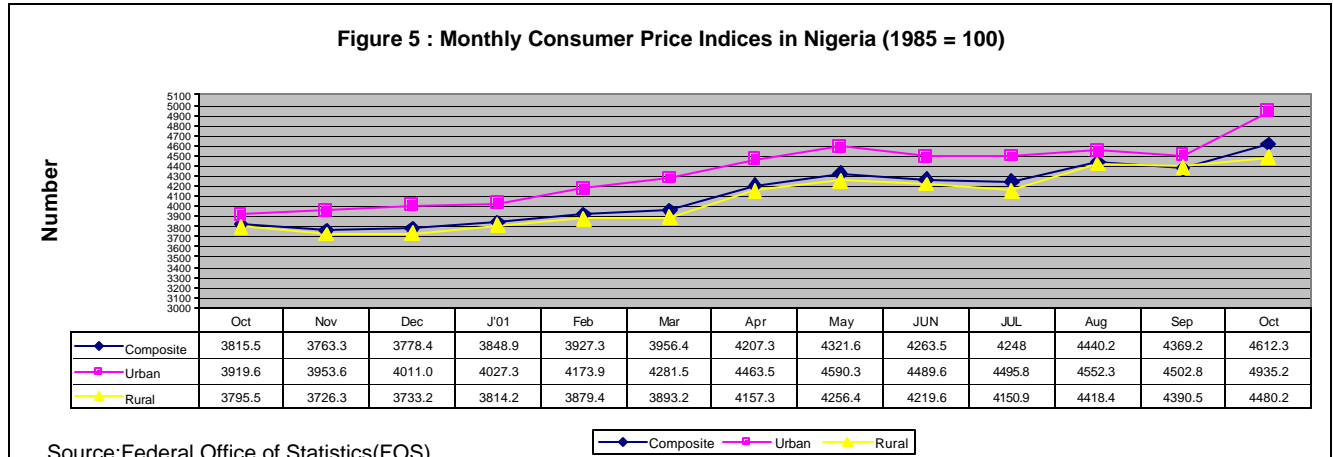
Of the six commodities monitored during the month, copra, palm-oil, cotton and soyabean recorded price declines of 98.9, 13.7, 10.0 and 4.0 per cent, respectively, while cocoa and coffee recorded price increases of 11.5 and 20.4 per cent, respectively.

In naira terms, palm-oil, copra, cotton, soyabean, and coffee recorded price declines of 12.1, 9.6, 7.6, 6.7 and 1.1 per cent, respectively, from their levels in the preceding month. When compared with their levels in the corresponding month of 2000, all commodities, except coffee, recorded varying degrees of price increases.

3.2 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.20 million barrels per day (mbd) or 68.20 million barrels for the month, representing a decline of 1.3 per cent below the level in the preceding month. The share of the country's production in total OPEC output was 7.4 per cent, compared with 7.5 per cent in the preceding month. Crude oil exports were estimated at 1.75 million barrels per day (mbd) or 54.25 million barrels for the month, showing a decrease of 0.05 mbd below the level in September, 2001.

Crude oil exports accounted for 79.5 per cent of total output, compared with 79.8 per cent in the preceding month, while the balance (20.5 per cent) was refined for domestic consumption.

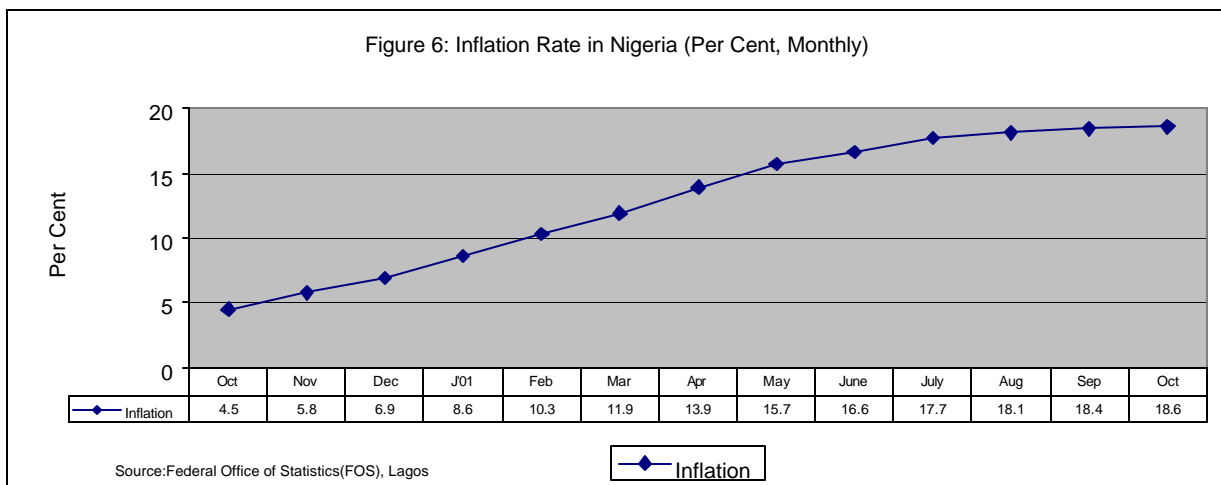


Crude oil prices recorded significant declines, compared with their levels in the preceding month. This development was attributable to the continued slow-down in economic activities in the major industrial countries of the world notably, the US. At \$20.51 a barrel, the average price of Nigeria's reference crude, the Bonny Light (37⁰ API), fell by 20.9 per cent below its level in September, 2001. Similarly, the prices of other competing brands of crude, namely the Forcados, U.K. Brent, Arab

declines of 17.0, 15.4, 19.9 and 14.9 per cent, from their respective levels in September, 2001.

3.3 Consumer Prices

Data from the Federal Office of Statistics (FOS) showed that the all-items composite Consumer Price Index (CPI) in October 2001 stood at 4,612.3 (1985 = 100). This represented increases of 2.1 per cent and 20.9 per cent, over the levels in the preceding month and the corresponding



Light and West Texas Intermediate (WTI), recorded declines of 20.6, 20.8 and 14.9 per cent, respectively. In the European netback market, the Bonny Light, UK Brent, Arab Light and WTI were sold at \$23.88, \$23.82, \$22.03 and \$24.55 a barrel, showing

month of 2000, respectively. The development during the month was traceable to all component items, except medical care and health expenses; household goods as well as accommodation, fuel and light, whose indices fell by 0.2, 0.9 and 1.1 per cent, respectively, from their levels in the preceding month. When compared with their levels in the corresponding month a year earlier, the indices of drinks, tobacco and kola; food; recreational, entertainment, educational and cultural services; and others also recorded increases of 42.6, 41.1, 21.4 and 19.2 per cent, respectively.

The inflation rate for the twelve-month period ended October 2001 was 18.6 per cent, compared with 18.4 and 4.5 per cent in the preceding month and corresponding month of 2000, respectively. The upward trend in inflationary pressure was attributed to monetary growth, reinforced by structural bottlenecks which increased costs.

4.0 EXTERNAL SECTOR DEVELOPMENTS

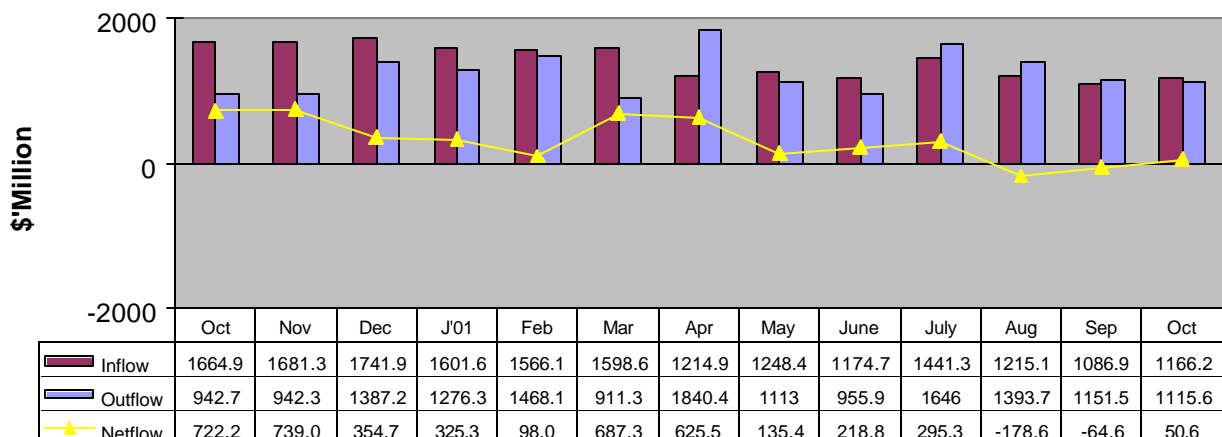
4.1 Foreign Exchange Flows

In October 2001, foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) stood at US\$1,166.2 million and US\$1,115.6 million,

respectively, representing a net inflow of US\$50.6 million. Compared with their levels of US\$1,086.9 million and US\$1,151.5 million in the preceding month, inflow rose by 7.3 per cent while outflow declined by 3.1 per cent. The rise in inflow in the review month was accounted for by the increase in oil export receipts, while the decline in outflow was attributable mainly to the sharp declines in disbursements for National Priority Projects and “Other Official Payments” from \$16.2 million and \$236.2 million in September 2001 to \$1.4 million and \$117.0 million, respectively.

Available data on foreign exchange flows through the economy showed that total inflow stood at \$1,510.0 million, up by 6.8 per cent from \$1,413.4 million in September, 2001. Receipts from the oil sector amounted to \$1,125.8 million or 74.6 per cent of total inflow, while non-oil receipts and inflow through other autonomous sources stood at \$384.2 million or 25.4 per cent of the total. At \$1,182.4 million, foreign exchange outflow from the economy represented a decline of 4.0 per cent from the level in September, 2001. The fall was accounted for largely by the 98.8 and 50.5 per cent drop in disbursements for National Priority Projects and ‘Other Official Payments’, respectively, during the month. The CBN funding of the IFEM during the month, however, rose by 7.6 per

Figure 7: Foreign Exchange Flows Through the CBN (\$'Million)



cent from \$746.7 million in September 2001 to \$803.1 million. External debt service payments also rose from \$10.6 million in September to \$111.9 million in October, 2001.

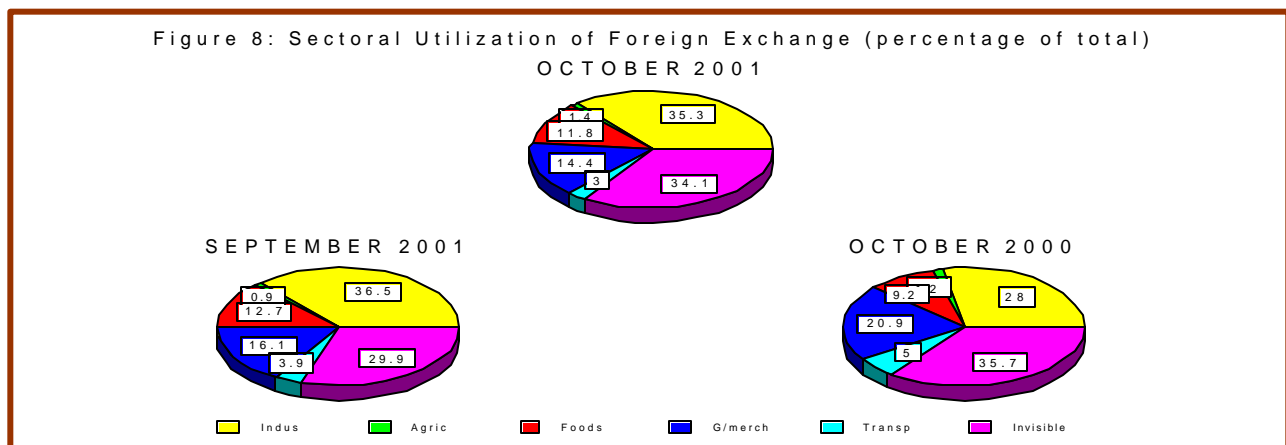
4.2 Sectoral Utilisation of Foreign Exchange

The industrial sector accounted for the bulk (35.3 per cent) of total foreign exchange disbursed in October, 2001 followed closely by invisibles which had 34.1 per cent. Other beneficiary sectors, in a descending order of importance, included: general merchandise, food, transportation and agricultural products (fig.8).

million. The average exchange rate of the naira vis-à-vis the U.S. dollar in the IFEM remained at its September, 2001 level of ₦111.60 per dollar. The rates in the parallel market and bureaux de change, however, appreciated from ₦134.20 and ₦134.54 per dollar in September, 2001, to ₦134.05 and ₦134.45 per dollar, respectively, in October. Consequently, the premium between the IFEM and the parallel market rates narrowed from 20.26 percentage points in September, 2001 to 20.12 per cent, in October, 2001.

4.4 External Reserves

Nigeria's gross external reserves at end-October, 2001 stood at \$10,724.1 million, indicating an increase of 2.0 per



4.3 Foreign Exchange Market Developments

The demand pressure in the Inter-bank Foreign Exchange Market (IFEM) intensified during the review month as \$803.1 million was sold to authorized dealers by CBN, compared with \$746.7 million in September, 2001. The development was attributable to the persistent liquidity surfeit in the economy as well as speculation. The CBN did not purchase any foreign exchange from the market during the month, in contrast to the previous month when it purchased \$0.9

cent from the preceding month's level of \$10,516.2 million. At current foreign exchange commitments, the reserves could finance about 8.4 months of imports.

5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

Revised data indicated that world crude oil output rose to 76.40 mbd in October, 2001 from 76.32 mbd in September. Similarly, world crude oil demand rose marginally by 0.3 mbd to 76.10 mbd, compared with the preceding month's level of 76.08 mbd. Total world oil

supply exceeded demand by 0.3 mbd, in contrast to an excess demand of 0.15 mbd in the preceding month.

In a separate development, the inaugural meeting of the co-ordinators of the National Sensitization Committee of the West African Monetary Zone (WAMZ) was held in Conakry, Guinea, from 15th – 16th October, 2001. The Sensitization Programme is expected to complement the activities of the West African Monetary Institute (WAMI) towards the introduction of a common currency in the WAMZ member states.

The following proposals were adopted at the meeting:

- The Sensitization Programme should be financed by all member countries. To this end, each country should make adequate provision in its national budget for 2002 – 2003 to fund the activities of the NSC.
- WAMI and the NSCs should work closely on the implementation of the Sensitization Programme. WAMI should design the publicity materials, while the NSCs would handle production, translation into local languages and dissemination.
- Progress report on the Sensitization Programme should be communicated to WAMI regularly and evaluation of the sensitization activities carried out on a regular basis in order to fine-tune the direction of the programme.

In a related development, the Ninth Meeting of the Technical Committee of the WAMZ was held in Accra, Ghana, from October 29-30, 2001 to examine the various issues to be considered by the

Convergence Council at its next meeting.

The Committee deliberated extensively on the following issues:-

- Macroeconomic developments and the Convergence Report for January – June 2001;
- Progress Report on the National Sensitization Programme.
- The Exchange Rate Mechanism for the WAMZ
- External Reserves Management for the WAMZ.
- The Development of Payments Systems of the WAMZ
- The Operationalization of the Stabilization and Co-operation Fund (SCF).
- Options for a Central Bank System for the WAMZ; and
- The Interim Administrative Arrangements required to be put in place in 2002 to expedite the take-off of the West African Central Bank (WACB).

In another development, a recent report released by the World Bank indicated that the September 11 terrorist attack on the USA could have devastating effects on the economies of developing countries. The Bank had estimated that the associated poverty could eliminate 40,000 children in poor countries, and that countries with developed tourist industries would be adversely

affected. It emphasized further that the fall in commodity prices, including the decline in oil prices, as well as reduced demand in large economies, could negatively affect poor countries. Based on those developments, the World Bank indicated that its lending to the poorest countries in 2002 could rise by \$800 million or 10 per cent over the \$8.0 billion lent in 2001.