

ECONOMIC REPORT FOR THE MONTH OF JANUARY 2002

1.0 SUMMARY

Available data indicated contra-seasonal upward trends in monetary aggregates in January 2002. Broad money stock (M_2) and narrow money (M_1) recorded increases of 1.3 and 1.5 per cent, compared with the increases of 1.6 and 2.7 per cent in the preceding month and 5.5 and 0.8 per cent in the corresponding period of 2001, respectively. The observed increase in the review month was attributable to the increases in aggregate bank credit, particularly to the Federal Government, and other assets (net) of the banking system. Aggregate banking system's credit to the domestic economy rose by 6.5 per cent, compared with the increases of 2.6 and 23.6 per cent in the preceding month and corresponding period of 2001, respectively.

Banks' interest rates were relatively stable during the month under review. The spread between banks' weighted average deposit and maximum lending rates was 14.8 percentage points, while the margin between the weighted average savings deposit and maximum lending rates was 26.2 percentage points. The average inter-bank call rate declined to 23.7 per cent from 24.6 per cent in December 2001.

At end-January 2002, the value of money market assets outstanding declined by 0.6 per cent from its level in the preceding month, following the sharp fall in the value of Commercial Papers (CPs). Treasury bills worth N299.0 billion were re-issued during the month to replace matured bills of the same value, compared with N201.6 billion and N282.3 billion re-issued in the preceding month and corresponding

period of 2001, respectively. Activities on the Nigerian Stock Exchange (NSE) slowed during the month, as all the market indicators trended downward.

The major agricultural activities during the month were the harvesting of tree crops and fruits as well as land clearing in preparation for the cropping season in the Southern States, while dry season vegetable gardening and wheat cultivation dominated activities in the Northern States. Crude oil output declined by 11.2 per cent compared with the preceding month's level. Crude oil exports represented 77.4 per cent of total output, while the balance (22.6 per cent) was refined for domestic consumption. The average price of Nigeria's reference crude, the Bonny Light (37o API), rose by 5.3 per cent to \$19.64 during the month. Inflation rate remained unchanged at the preceding month's level of 18.9 per cent.

Foreign exchange inflow and outflow through the Central Bank amounted to US\$843.3 million and US\$1,094.8 million, respectively, indicating a net outflow of US\$251.5 million. Foreign exchange sales at the Inter-bank Foreign Exchange Market (IFEM) declined from US\$753.95 million in December 2001 to US\$710.90 million in January 2002. The average exchange rate of the naira vis-à-vis the U.S dollar depreciated marginally by 0.80 per cent from N113.01 per dollar in the preceding month to N113.96. Nigeria's gross external reserves declined from US\$10,267.1 million in December, 2001 to US\$10,116.8 million at end-January 2002.

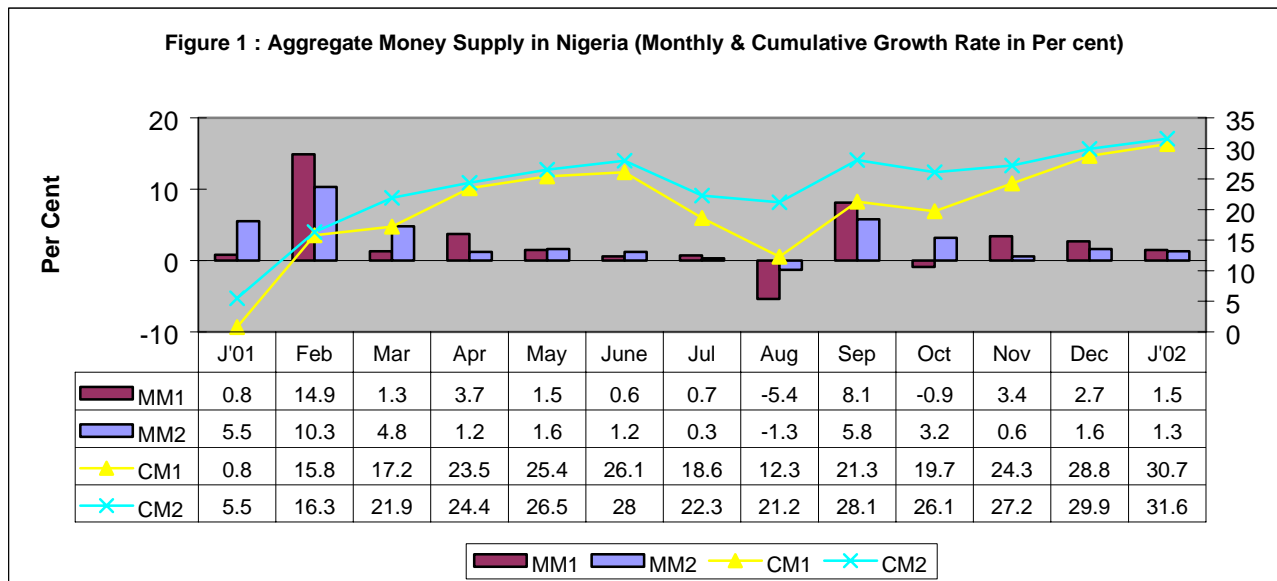
On the international scene, total world oil demand exceeded supply by 1.76 million barrel per day (mbd), in contrast to an excess supply of 0.29 mbd in December, 2001. Furthermore, the United Nations (UN) Preparatory Committee (PREPCON) “Consensus” on Financing for Development produced an initial “Consensus” document to facilitate discussion at the forthcoming Conference on Financing For Development by Heads of State and Government scheduled for Monterrey, Mexico in March, 2002.

In another development, the fourth session of the High Authority of the Nigeria/Niger Joint Commission for

growth to enhance overall growth prospects for the continent .

2.0 FINANCIAL SECTOR DEVELOPMENTS

Money supply rose contra-seasonally in January 2002. Banks’ interest rates were relatively stable. Developments in the money market continued to be influenced largely by the liquidity situation in the banking system, while the capital market was bearish.



Economic Co-operation was held in Niamey, Republic of Niger, from 23- 25 January,2002 to commemorate the 30th Anniversary of the Commission. Also, the Heads of state of the Federal Republic of Nigeria and the People’s Democratic Republic of Algeria held an inaugural session of the Bi-National commission of both countries in Abuja on January 14,2002.

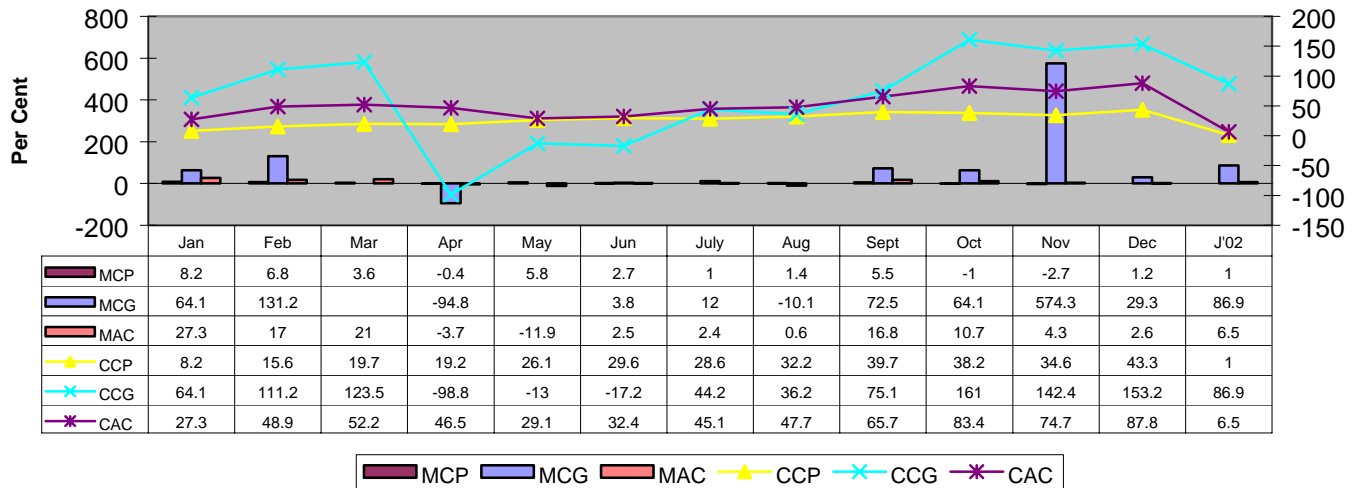
Finally, the International Monetary Fund (IMF), in its January, 2002 report on “Finance and Development” urged Nigeria and South Africa to strive to achieve robust

2.1 Monetary and Credit Developments

Available data indicated that broad money stock (M_2) rose by N17.7 billion or 1.3 per cent to N1,363.8 billion in January

claims on the Federal Government rose sharply by N50.9 billion or 86.9 per cent following the significant increase in Central Bank net claims. The Banks' credit (net) to the Federal Government increased by N50.3

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



2002, reflecting the increases in both quasi-money and narrow money (M_1). The increase compared with the 5.5 per cent rise observed in the corresponding period of 2001. M_1 rose by 1.5 per cent to N833.6 billion following the increases in aggregate bank credit, particularly to the Federal Government, and other assets (net) of the banking system.

Aggregate banking system's credit to the domestic economy rose significantly by N59.2 billion or 6.5 per cent, compared with the increases of 2.6 and 23.6 per cent in the preceding and corresponding months of 2001. The rise reflected the increase in credit to both the Federal Government and private sector, with the former accounting for 86.0 per cent of the total increase. Net

billion or 38.5 per cent, following the rise in the Bank's direct advances, reinforced by the decline in Federal Government deposits with the Bank.

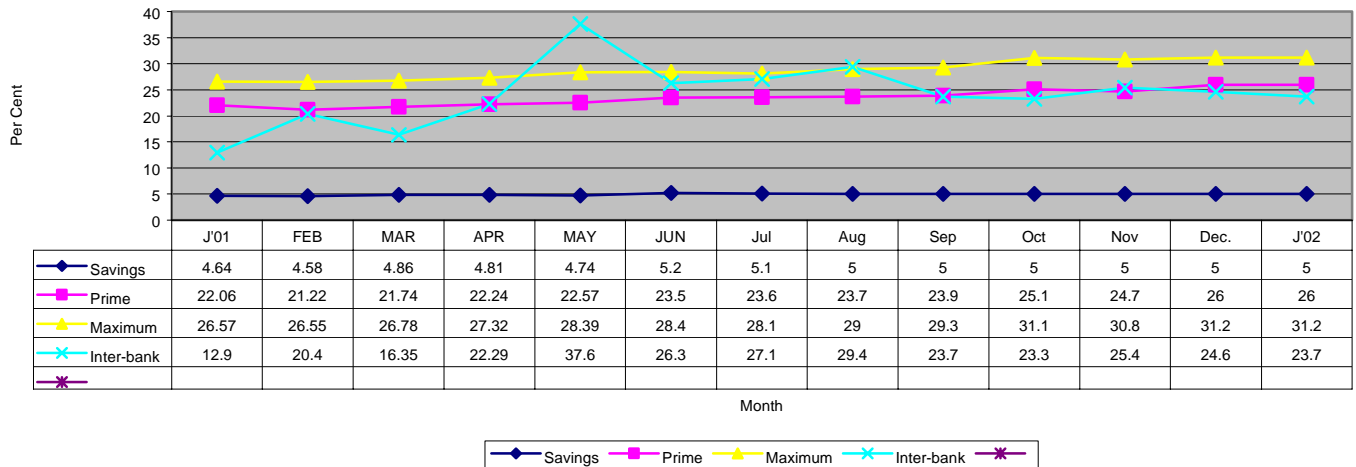
At N862.2 billion in January 2002, banking system's credit to the private sector rose by N8.3 billion or 1.0 per cent, compared with the increase of N10.2 billion or 1.2 per cent in the preceding month. The development reflected the increase in deposit money banks' claims on the sector.

Banking system claims on "other" private sector, which constituted 96.8 per cent of the total credit to the private sector, rose by 1.0 per cent with deposit money banks accounting for 98.9 per cent of the total increase (fig.2).

Foreign assets (net) of the banking system declined by N74.1 billion or 5.5per

per cent and N94.6 billion or 30.9 per cent over the levels in the preceding month and

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



cent to N1,280.9 billion, compared with a similar decline of N23.7 billion or 1.7 per cent in the preceding month, reflecting entirely the fall in Central Bank's holding. The Bank's share fell by N77.1 billion or 7.2 per cent to N990.0 billion, constituting 77.3 per cent of total outstanding, as against 78.8 per cent in December, 2001.

Quasi-money rose by N5.4 billion or 1.0 per cent during the month, in contrast to the decline of N525.4 billion or 0.1 per cent in the preceding month. The rise was traceable to the increases in deposit money banks' time and saving deposits.

Other assets (net) of the banking system rose further by N32.6 billion or 3.5 per cent, compared with the increase of N21.7 billion or 2.3 per cent in the preceding month. The increase was traceable to the account of the Central Bank, reflecting the increases in the Bank's other assets, mainly receivables, claims on the branches and miscellaneous items.

2.2 Currency-in-circulation and Deposits at CBN

At N400.5 billion, currency in circulation increased by N18.9 billion or 4.9

the corresponding period of 2001, respectively. The rise during the month was traceable to currency outside the banking system and currency held by deposit money banks which increased by 3.5 and 14.3 per cent, respectively.

Total deposits at CBN stood at N1,070.5 billion, representing increases of N61.6 billion or 6.1 per cent and N136.3 billion or 14.6 per cent over the levels in the preceding month and corresponding month of 2001, respectively. The shares of the Federal Government, bankers and "others" in total deposits at the CBN were 84.5, 13.5 and 2.0 per cent, respectively, compared with 82.2, 15.4 and 2.4 per cent in December, 2001.

2.3 Interest Rate Developments

Available data indicated that bank deposit and lending rates were relatively stable in January 2002. While the average deposit rates of short-term maturities (ranging from 7 days – 90 days) declined marginally by 0.1 percentage point each from the preceding month's levels, others, namely banks' average savings and time deposits of 6-month, 12-month and over 12-

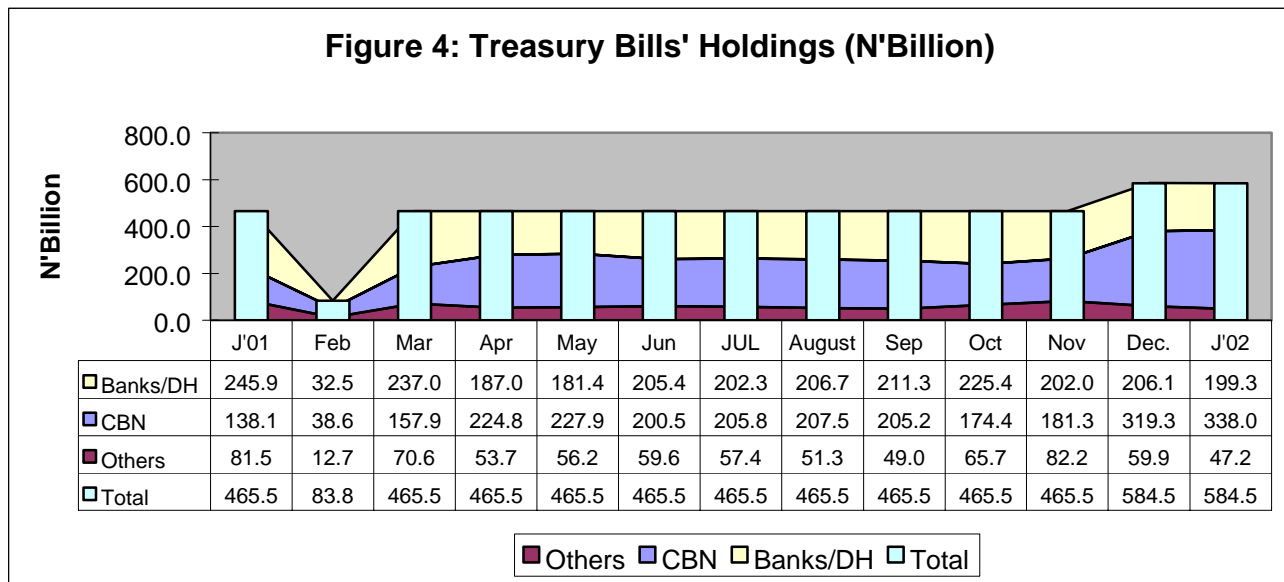
month maturities remained unchanged at their end-December 2001 levels of 5.0, 18.1 and 16.4 per cent, respectively. Similarly, banks' average prime and maximum lending rates remained unchanged at the preceding month's levels of 26.0 and 31.2 per cent, respectively. Thus, the spread between banks' weighted average deposit and maximum lending rates was 14.8 percentage points, while the margin between the average savings deposit and maximum lending rates was 26.2 percentage points. With the inflation rate at 18.9 per cent in January 2002, virtually all deposit rates were negative in real terms.

The average inter-bank call rate fell from 24.6 per cent in December, 2001 to 23.7 per cent (fig.3). The observed decline was attributable to the improved bank liquidity, reflecting the impact of the statutory allocations to the three tiers of government during the month.

2.4 Money Market Developments

At end-January 2002, the value of money market assets outstanding declined by N4.0 billion or 0.6 per cent to N656.0 billion, in contrast to the increase of N121.5 billion or 22.6 per cent a month earlier. The fall was attributable entirely to the decline of N8.4 billion or 23.7 per cent in Commercial Papers (CPs), which outweighed the increase of N4.4 billion or 12.1 per cent in Bankers Acceptances. Treasury Bills outstanding and Eligible Development Stocks (EDS), however, remained unchanged at the end-December 2001 levels of N584.5 billion and N3.6 billion, respectively.

Treasury bills worth N299.0 billion were re-issued during the month to replace matured bills of the same value, compared with N201.6 billion and N282.3 billion in the preceding month and corresponding period of 2001, respectively. Of the total



issued, deposit money banks subscribed N86.0 billion or 28.7 per cent, while "other" investors, including discount houses subscribed N28.9 billion or 9.7 per cent. The balance of N184.1 billion or 61.6 per cent was absorbed by the CBN. Public

patronage of the intervention securities declined in January, 2002 as holdings by deposit money banks and discount houses fell from N206.1 billion or 35.3 per cent of total in December 2001 to N199.3 billion or 34.1 per cent, while holdings by “other” investors declined by N11.9 billion or 25.2 per cent to N47.2 billion. Consequently, Central Bank’s total holding rose further by N18.7 billion or 5.9 per cent to N338.0 billion (fig 4).

2.5 Capital Market Developments

Activities on the Nigerian Stock Exchange (NSE) indicated poor performance in January 2002 as all the market indicators trended downward. The volume of transactions dropped from 511.3 million shares in December 2001 to 376.5 million shares, while the value of shares traded fell from N4,235.7 million to N3,171.9 million. Similarly, market capitalization and value indices recorded declines of 2.3 and 2.2 per cent to close at N629.9 billion and 10,654.70, respectively. The observed development was attributable largely to the delay in the passage of the 2002 Appropriation Bill, resulting in cautious investment decisions.

2.6 Deposit Money Banks’ Activities

Total assets/liabilities of deposit money banks in January, 2002 amounted to N2,189.1 billion, representing an increase of N2.2 billion or 1.0 per cent over the level in the preceding month. Funds were sourced mainly from the increases in time and savings deposits and capital accounts, while the major uses of funds included: settlement of unclassified liabilities, increase in claims on the private sector, among others.

Aggregate credit to the domestic economy by the deposit money banks at

end-January, 2002 stood at N1,042.6 billion, representing an increase of N9.0 billion or 0.9 per cent, compared with the increase of N11.7 billion or 1.5 per cent in the corresponding period of 2001. The breakdown showed that credit to the central government increased marginally by N0.6 billion or 0.3 per cent, while claims on the private sector rose by N8.4 billion or 1.0 per cent. Credit to state and local governments, however, remained at the previous month’s level of N26.8 billion.

Central Bank’s credit to deposit money banks amounted to N7.9 billion, representing a decline of N6.6 billion or 45.3 per cent from the preceding month’s level, but an increase of N3.0 billion or 62.6 per cent in the corresponding period of 2001.

Total specified liquid assets of deposit money banks amounted to N614.1 billion or 55.8 per cent of total deposit liabilities. This was 1.1 and 15.8 percentage points above the level recorded in December, 2001 and the stipulated minimum ratio of 40.0 per cent prescribed for fiscal 2002, respectively.

2.7 Discount Houses

Assets/liabilities of the discount houses totalled N38.2 billion in January 2002, showing an increase of N5.8 billion or 17.9 per cent over the level in the preceding month, in contrast to the decline of 25.4 per cent recorded in the corresponding month a year earlier. Their investments in Federal Government securities of less than 91 days maturity totalled N18.2 billion, constituting or 38.7 per cent of total deposit liabilities. This was 21.3 percentage points below the minimum level of 60.0 per cent prescribed for fiscal 2002. Discount houses’ total borrowings amounted to N5.4 billion or

1.1:1 of total capital and reserves, compared with the maximum prescribed ratio of 50:1.

3.0 DOMESTIC ECONOMIC CONDITIONS

Major agricultural activities during the month included the harvesting of tree crops and fruits and land clearing in preparation for the 2002 cropping season in the Southern States as well as dry season vegetable gardening and wheat cultivation in the Northern States. Crude oil output declined by 11.2 per cent from the preceding month's level, while inflation rate rose to an estimated 19.3 per cent, from 18.9 per cent in December, 2001.

3.1 Agricultural Sector

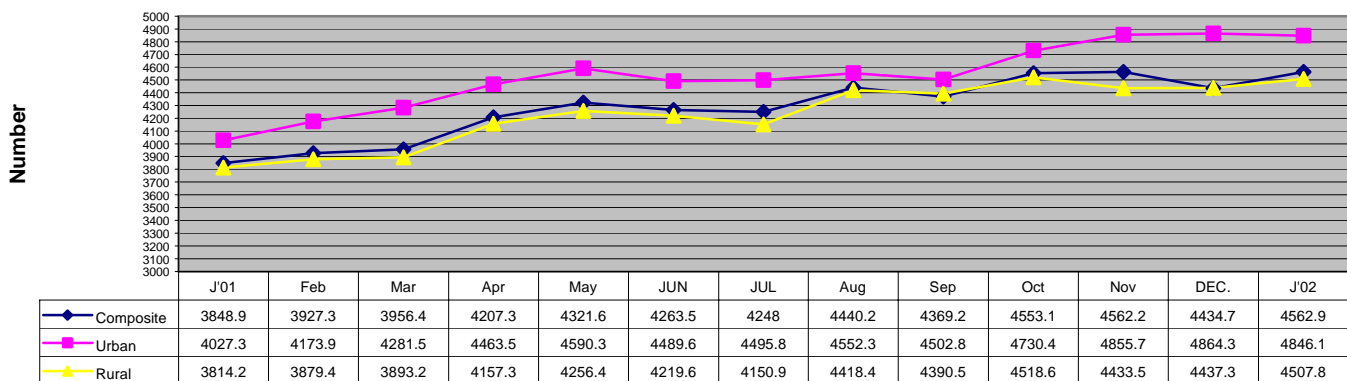
The harvesting of tree crops and fruits as well as land clearing in preparation for the 2002 cropping season constituted the major activities in the Southern States, while dry season vegetable gardening and wheat cultivation dominated activities in the Northern States. Arrangements for the distribution of fertilizers to farmers by government agencies were also completed during the month.

The sum of N16.088 million was guaranteed to 463 farmers under the Agricultural Credit Guarantee Scheme (ACGS), representing a decline of 87.6 and 54.8 per cent from the levels in December 2001 and corresponding month a year earlier. A sub-sectoral analysis of the loans guaranteed indicated that the food crop sub-sector had N8.474 million for disbursement to 266 farmers, while the livestock sub-sector received the sum of N1.425 million for 35 farmers. The fisheries and cash crop sub-sectors were granted N0.160 million and N0.020 million for disbursement to 4 and 1 farmer, respectively. Other unclassified group, comprising 157 farmers, received the balance of N6.009 million or 37.5 per cent of the total loans guaranteed during the month.

3.2 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 1.99 million barrels per day (mbd) or 61.69 million barrels for the month, representing a decline of 11.2 per cent from the level produced in the preceding month. The fall in output was due mainly to compliance with OPEC's output quota which was reduced by 0.124 mbd from 1.911 mbd in December to 1.787 mbd in January, 2002. The share of the

Figure 5 : Monthly Consumer Price Indices in Nigeria (1985 = 100)



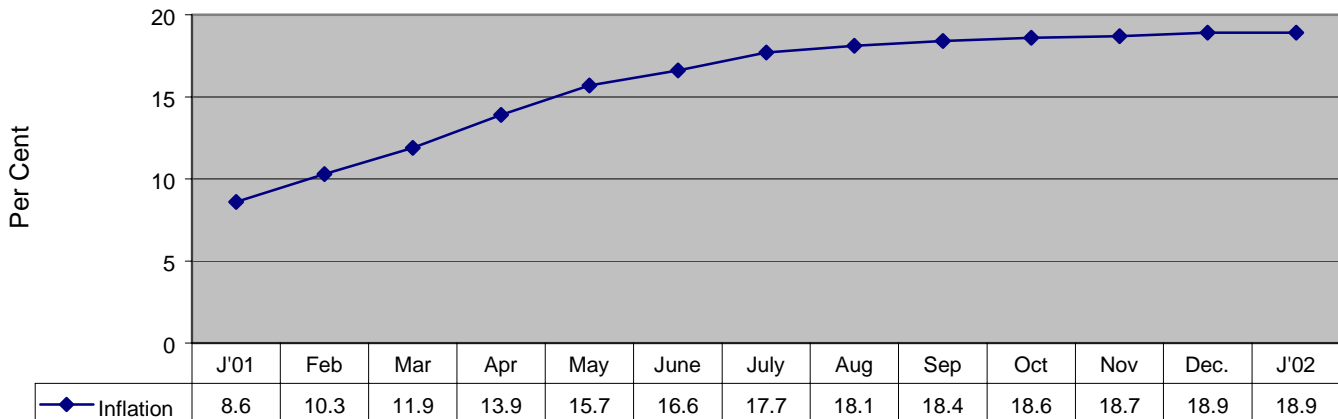
Source: Federal Office of Statistics (FOS), Lagos

Composite Urban Rural

country's production in the OPEC output was 7.3 per cent, compared with 7.7 per cent in the preceding month. Crude oil exports

was sold at \$22.26, a barrel, indicating an increase of 3.6 per cent above the price level in the preceding month. Equally, the Arab

Figure 6: Inflation Rate in Nigeria (Per Cent, Monthly)



Source: Federal Office of Statistics (FOS), Lagos

—◆— Inflation

were estimated at 1.54 million barrels per day (mbd) or 47.74 million barrels for the month, showing a decline of 14.0 mbd below the level in the preceding month.

Oil exports accounted for 77.4 per cent of total output, compared with 80.3 per cent in the preceding month, while the balance (22.6 per cent) was refined for domestic consumption. Crude oil prices recorded appreciable increases over the levels in the preceding month, following a cut in crude oil supply of about 1.96 mbd by OPEC. At \$19.64 a barrel, the average price of Nigeria's reference crude in the spot market, the Bonny Light (37o API), rose by 5.3 per cent over its level in December 2001. The average prices of other competing brands of crude, namely, the Forcados, U.K. Brent, West Texas Intermediate (WTI) and the Arab Light rose to \$19.54, \$19.41, \$19.66, and \$15.58 a barrel, respectively, from their respective levels of \$18.58, \$18.53, \$18.88 and \$13.32 a barrel in December, 2001. Similarly, in the European net back market, the Bonny Light

Light and WTI were sold for \$19.28 and \$21.27 a barrel as against \$18.65 and \$20.45 a barrel, respectively, in the preceding month.

3.3 Consumer Prices

Data from the Federal Office of Statistics (FOS) showed that the all-items composite Consumer Price Index (CPI) in January 2002 stood at 4,562.9 (1985=100), representing increases of 3.7 and 18.6 per cent over the levels in the preceding month and corresponding month of 2001, respectively. The development during the month was traceable to the indices of food; medical care & health expenses; education & cultural services; and accommodation, fuel & light whose indices rose by 3.1, 11.3, 3.5 and 17.5 per cent, respectively, while the indices of other component items recorded price declines ranging from 2.9 per cent for household goods to 11.9 per cent for clothing and footwear. When compared with their levels in the corresponding month, a year earlier, all the

component items recorded price increases except clothing & footwear and medical care & health expenses whose indices recorded price decreases of 5.6 and 9.9 per cent, respectively.

The urban all-items CPI at 4,846.1 (1985=100) in January 2002, showed a decrease of 0.4 per cent below the preceding month's level, but an increase of 20.3 per cent over the level in the corresponding month of 2001. The rural all-items CPI for January 2002 at 4,507.8 (1985=100) exhibited the same trend as observed in the all-items Composite CPI when compared with the levels in the preceding month and the corresponding month of 2001, though at a lower magnitude.

The inflation rate for the twelve-month period ended January 2002 remained unchanged at end-December 2001 level of 18.9 per cent, compared with 8.6 per cent in the corresponding month of 2001. The inflationary pressure was attributable to the continued liquidity overhang arising from the expansionary fiscal operations of the three tiers of governments, depreciation in the exchange rate, rising interest rates as well as infrastructure inadequacies, which

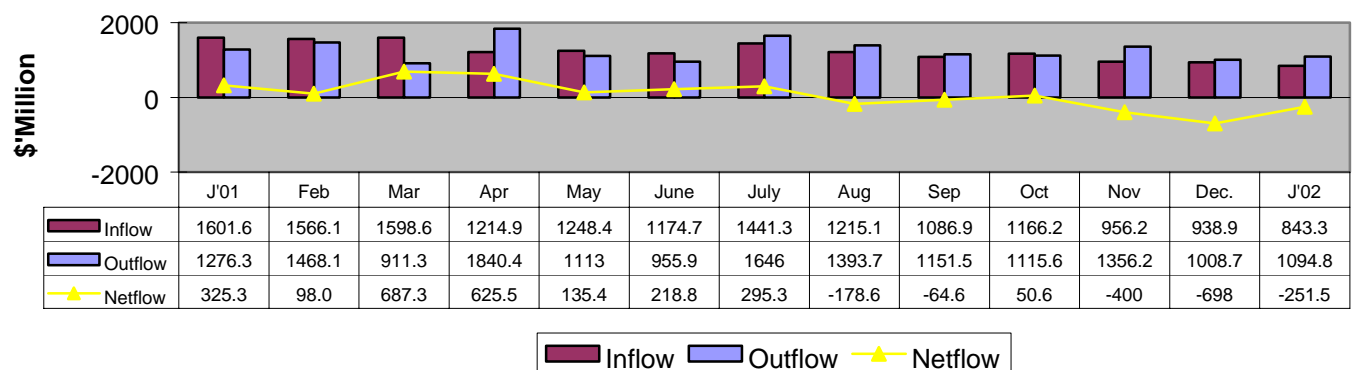
4.0 EXTERNAL SECTOR DEVELOPMENTS

4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) stood at US\$843.3 million and US\$1094.8 million, respectively, in January, 2002, indicating a net outflow of US\$251.5 million. Compared with the respective levels of US\$938.9 million and US\$1,008.7 million in December 2001, inflow declined by 10.2 per cent, while outflow rose by 8.5 per cent. The decline in inflow was accounted for largely by the decrease in oil export receipts, while the rise in outflow was attributable mainly to the increase in the funding of Parastatals & Estacode as well as disbursements for "Other Official Payments" which rose sharply from US\$26.5 million and \$183.1 million, in December 2001 to \$120.2 million and \$315.1 million, respectively.

Available data on foreign exchange flows through the economy showed that

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



resulted in high cost of domestic production (fig. 6).

total inflow amounted to \$1,214.2 million, down from \$1,265.5 million in December, 2001. Receipts from the oil sector fell by 7.8 per cent to \$811.9million or 66.9 per

cent of total inflow during the month, while non-oil sector receipts and inflow through other autonomous sources amounted to \$402.2 million, representing 33.1 per cent of the total. At \$1,173.1 million, foreign exchange outflow from the economy represented an increase of 9.7 per cent from the level in December. The rise was accounted for largely by the 353.7 and 72.0 per cent rise in the funding of Parastatals and disbursements in respect of 'Other Official Payments', respectively. Similarly, outflows through autonomous sources and external debt service payment rose by 28.2 and 6.2 per cent to \$78.3 million and \$54.8 million, respectively, during the period.

Sectoral Utilisation of Foreign Exchange

The industrial sector continued to account for the bulk (39.1 per cent) of total foreign exchange disbursed in January 2002, followed closely by invisibles and general merchandise, which had 22.1 and 20.0 per cent, respectively. Other beneficiary sectors, in a descending order of importance,

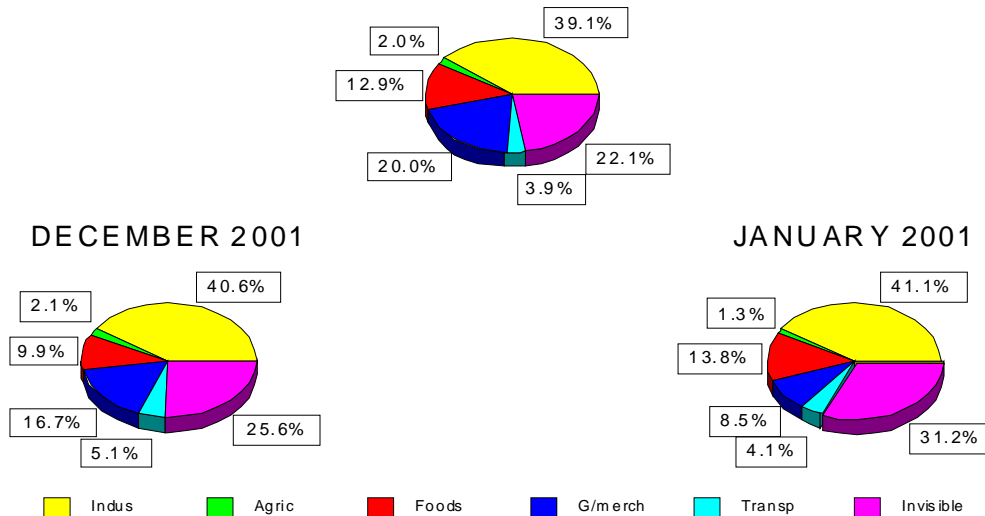
included: food, transportation and agricultural products (fig.8).

4.3 Foreign Exchange Market Developments

The demand pressure in the Inter-bank Foreign Exchange Market (IFEM) moderated during the review month, as a total of US\$710.90 million was sold to authorized dealers by CBN, compared with \$753.95 million recorded in December, 2001. The observed decline was attributable to the lull in activities in the public sector arising from the delay in the passage of the 2002 Appropriation Bill by the National Assembly. The CBN did not purchase any foreign exchange from the market during the month, as against \$16.68 million purchased in the preceding month.

The average exchange rate of the naira vis-à-vis the U.S. dollar in the IFEM depreciated marginally from N113.01 per dollar in December, 2001 to N113.96 per dollar. Similarly, the rates in the parallel market and bureaux de change depreciated

Figure 8: Sectoral Utilization of Foreign Exchange (percentage of total)
JANUARY 2002



from N134.41 and N134.59 per dollar to N135.52 and N135.87 per dollar, respectively, during the same period. Overall, the premium between the IFEM and parallel market rates was 18.92 percentage points compared with 18.93 per cent in the preceding month.

4.4 External Reserves

Nigeria's gross external reserves at end-January, 2002 amounted to \$10,116.8 million, representing a decline of 1.5 per cent from the preceding month's level of \$10,267.1 million. This level of reserves could finance 9.2 months of imports at the current foreign exchange commitments, as against 8.5 months in the preceding month. The higher months of imports was accounted for by the lower average outflow in January 2002, compared with December 2001.

OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output fell from 76.59 mbd in December 2001 to 74.84 mbd in January 2002, while world crude oil demand exceeded supply by 1.76 mbd as against an excess supply of 0.29 mbd recorded in the preceding month.

The United Nations (UN) Preparatory Committee (PREPCOM) "Consensus" on Financing for Development produced an initial "Consensus" document in New York in January 2002, based on negotiations on various issues between developed and developing countries for the forthcoming Conference on Financing for

Development by Heads of State and Government scheduled for Monterrey, Mexico in March 2002. The "Consensus" document contains three broad themes and specific sub-themes among others, as follows: Confronting the challenges of financing for development; Leading actions; and Staying Engaged.

In another development, the Fourth Session of the High Authority of the Nigeria/Niger Joint Commission for Economic Cooperation was held in Niamey, Republic of Niger from 23rd – 25th January, 2002 to commemorate the 30th Anniversary of the Commission. Fourteen agreements were signed between the two countries and thirteen Special Committees of Experts were set up to oversee the different aspects of the Cooperation Agreements.

Also, the Heads of State of the Federal Republic of Nigeria and the People's Democratic Republic of Algeria held an inaugural Session of the Bi-National Commission of both countries in Abuja on January 14, 2002. The Session was preceded by a meeting of Experts/Officials from both countries from January 9 – 11, 2002.

Finally, the International Monetary Fund (IMF), in its January 2002 report on "Finance and Development", urged Nigeria and South Africa, the largest economies in Africa, to strive to achieve appreciable economic growth so as to enhance the growth prospects for the continent. The report noted that faster economic growth and poverty reduction have become the fundamental challenges facing African countries.

