

## ECONOMIC REPORT FOR THE MONTH OF MAY 2002

### 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

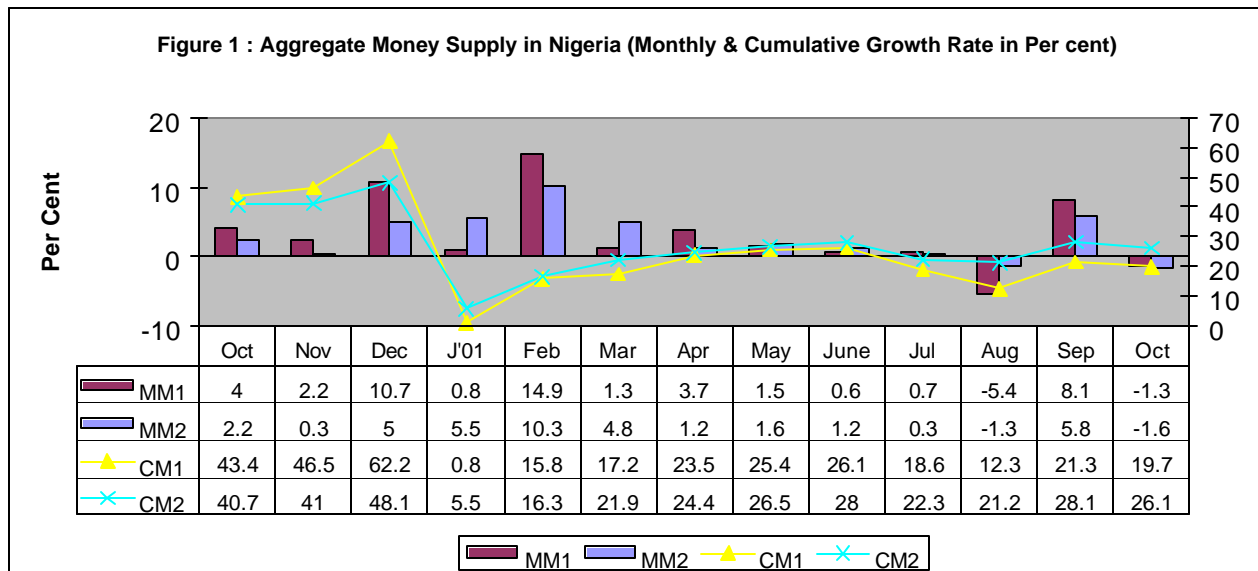
IFEM, but appreciated marginally by 0.1 and 0.06 per cent in both the parallel market and bureaux de change, respectively. Nigeria's gross external reserves rose by 2.0 per cent to US\$10,724.1 million as at end-October, 2001.

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 15<sup>th</sup> – 16<sup>th</sup> 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

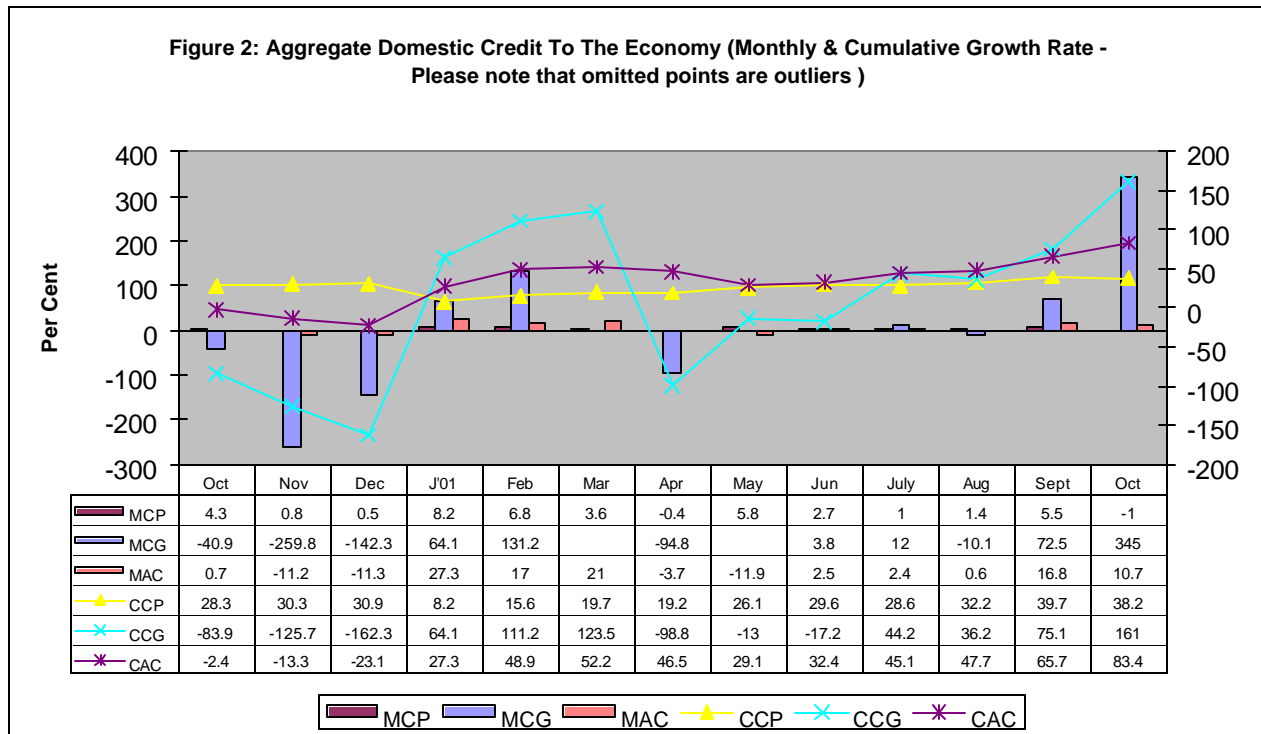
### 2.1 Monetary and Credit Developments

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.

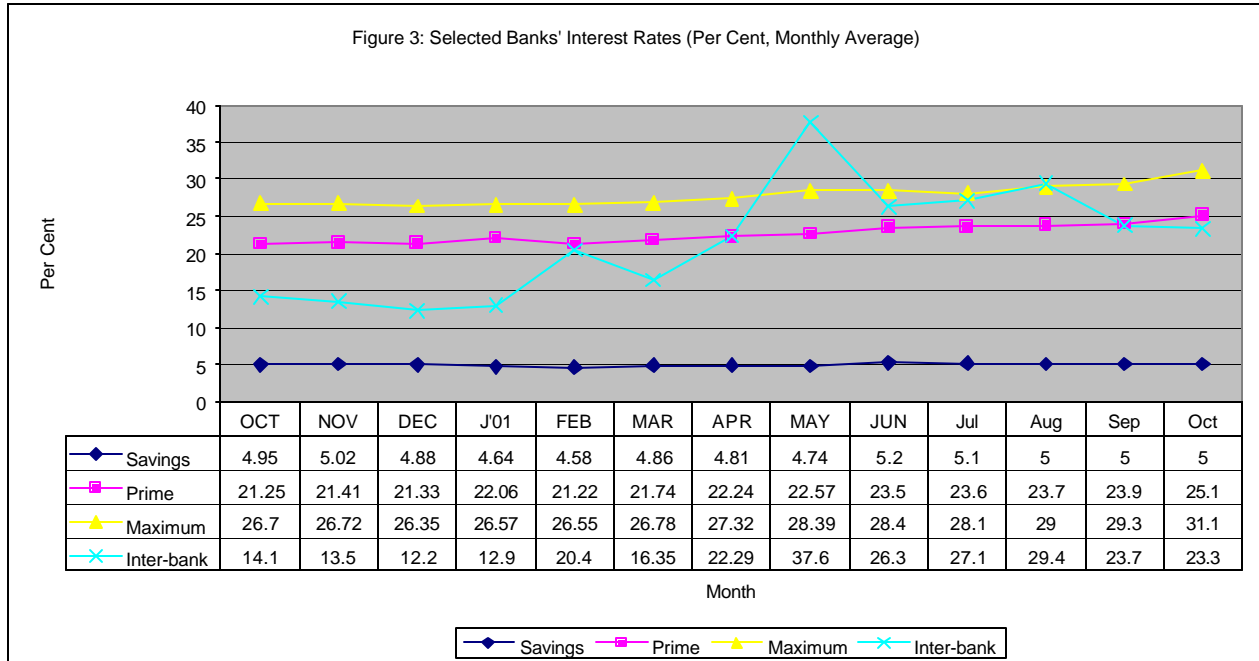
Other assets (net) of the banking system increased by ₦45.9 billion or 5.0 per cent, in contrast to the ₦93.7 billion or 11.4 per cent decline observed in the preceding month. The increase during the review month was traceable entirely to Central Bank. CBN's other assets (net) increased by ₦46.8 billion 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 ₦411.8 billion, currency in circulation in February 2002 declined by ₦12.3 billion or 2.9 per cent from the

preceding month's level but increased by 34.9 per cent over the level in the corresponding month of 2001. The decline during the month was traceable to currency held outside the banking system, which declined from N364.9 billion in January 2002 to N347.7 billion, reflecting 4.7 per cent fall below the preceding month's level.

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



Total deposits at the CBN amounted to ₦992.9 billion, indicating declines of ₦58.9 billion or 5.6 per cent and ₦91.6 billion or 8.4 per cent over the levels in the preceding month and corresponding period of 2001, respectively. The development during the month was traceable to the sharp decline in Federal Government deposits, which fell from N896.2 billion in January 2002 to N844.6 billion. The shares of the three components in total deposits at the CBN namely, Federal Government, bankers and 'other' were 85.1, 12.3 and 2.6 per cent, compared with 84.5, 13.5 and 2.0 per cent in the preceding month, respectively.

### 2.3 Interest Rate Developments

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-February, 2002 declined by ₦10.6 billion or 1.6 per cent to ₦645.4 billion, compared with a decline of ₦4.0 billion or 0.6 per cent in the preceding month. The fall in the review month reflected largely the declines of 3.0 and 24.0 per cent in Commercial Papers (CPs) and Bankers' Acceptances (Bas), respectively. The levels of Eligible Development Stocks (EDs) and treasury bills outstanding, however, remained unchanged at the preceding month's levels of ₦3.6 billion and ₦584.5 billion, respectively.

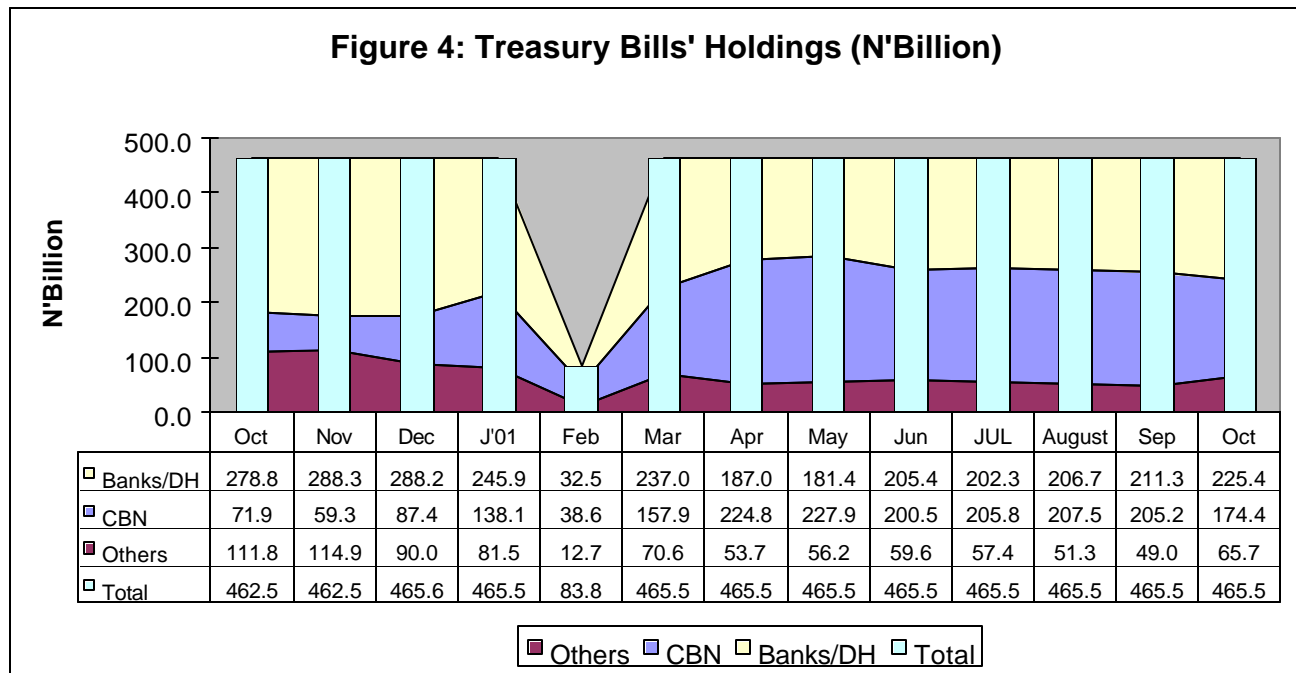
Treasury bills worth ₦278.0 billion were re-issued to replace matured bills of the same value, compared with ₦88.6 billion

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 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

Transactions on the Nigerian Stock Exchange (NSE) showed mixed developments in May, 2002. The volume and value of shares traded indicated downward trends, while market capitalization and value indices recorded increases. A total of 336.8 million shares valued at ₦3.7 billion were traded during the month, compared with 427.9 million shares valued at ₦4.1 billion in the preceding, showing decreases of 21.3 and 9.8 per cent, respectively. All the dealings

**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,

were in equities as transactions in the government and industrial stocks remained dormant Petroleum products Marketing Stocks had bullish run during the month

under review, in contrast to the previous month when the banking sub-sector took the lead. Market capitalization and value price indices rose ₦678.9 billion and 11,486.7 from ₦673.7 billion and 11,399.1, respectively, in the preceding month, reflecting sustained gains in equity prices which outweighed losses by traded securities

## **2.6 Deposit Money Banks' Activities**

Total assets/liabilities of deposit money banks in February, 2002 stood at ₦2,207.2 billion, representing increases of ₦18.1 billion or 0.8 per cent and ₦39.9 billion or 1.8 per cent over the preceding month's level and the level at end-February 2001, respectively. Funds were sourced mainly from the increases in demand, time, savings and foreign currency deposits, while the major uses of funds included settlement of unclassified liabilities, increased claims on central government and the private sector, among others.

Revised data indicated that aggregate credit to the domestic economy by deposit money at end-February, 2002 amounted to ₦998.5 billion, representing increases of ₦34.8 billion or 3.6 per cent and ₦53.8 billion or 5.7 per cent over the level in the preceding month and the level achieved at end-February 2001. The breakdown showed that credit to the central government increased by ₦22.6 billion or 13.7 per cent, while that of the private sector increased by ₦10.6 billion or 1.4 per cent, over the preceding month's levels. Credit to state and local governments also increased by ₦1.6 billion or 6.5 per cent during the period.

Central Bank's credit to deposit money banks amounted to ₦18.7 billion, representing increases of ₦10.8 billion and ₦4.2 billion or 298.2 per cent over the

preceding month's level, and corresponding month of 2001, respectively, reflecting largely the expansion of overdraft facilities to some banks during the period.

Total specified liquid assets of deposit money banks stood at ₦614.4 billion or 54.0 per cent of their total deposit liabilities. This level of assets was 1.6 percentage points below the preceding month's level but 14.0 percentage points above the stipulated minimum target of 40.0 per cent for fiscal 2002.

## **2.7 Discount Houses**

Total assets/liabilities of the discount houses amounted to ₦27.8 billion in February, 2002, indicating a decline of ₦10.4 billion or 27.2 per cent below the level in the preceding month and an increase of ₦13.3 billion or 92.2 per cent over the corresponding period of 2001. Their investments in Federal Government Securities of less than 91 days maturity stood at ₦10.3 billion, representing 37.0 per cent of their total deposit liabilities. This represented 23.0 percentage points below the prescribed minimum of 60.0 per cent for fiscal 2002. Total borrowings by ₦5.1 billion, constituting 108.7 per cent or 1.1:1 of total capital and reserves, compared with the stipulated maximum target of 50:1.

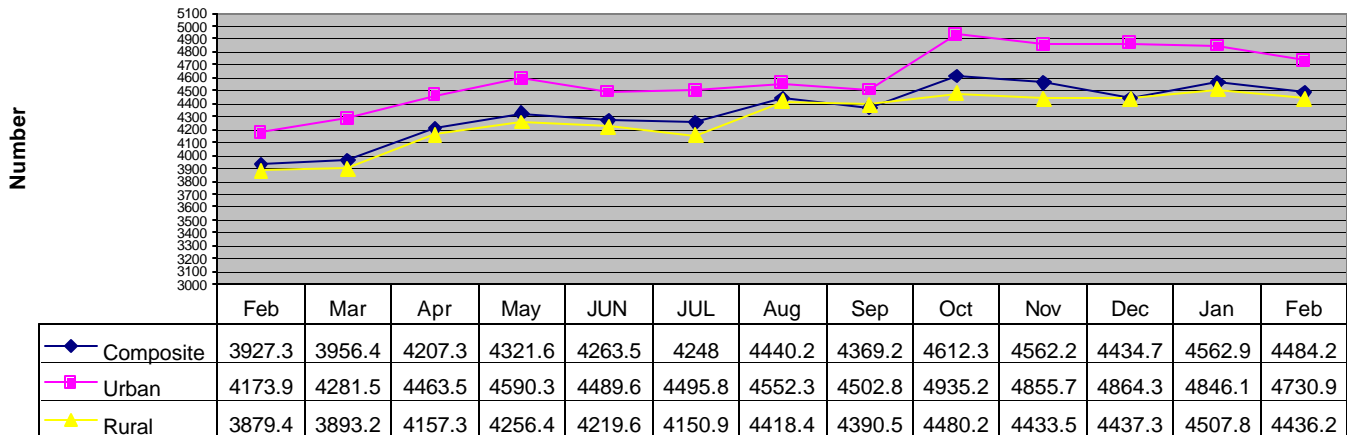
## **3.0 DOMESTIC ECONOMIC CONDITIONS**

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.

increase of 29.1 per cent. In naira terms, the index at 7269.1 (1985=100) also rose by 5.3 and 22.7 per cent over their respective levels in the preceding month and corresponding

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



Source: Federal Office of Statistics (FOS),

Composite Urban Rural

### 3.1 Agricultural Sector

The major agricultural activities during the month consisted of pre-planting operations in some coastal areas following early rains recorded in those areas, while harvesting of irrigated crops dominated activities in the northern part of the country. Also, fishing activities were carried out in the coastal areas due to low tides witnessed in those areas. However, in the livestock sub-sector, farmers intensified the rearing of table birds (broilers and pullet chicken) for sales during the Easter period.

The prices of Nigeria's major agricultural commodities at the London Commodity Market fell during the month. The all-commodity price index, at 74.1 (1985=100), in dollar terms, declined by 28.8 per cent below the level in the preceding month. Compared with the level in February 2001, the index represented an

period of 2001. The price fluctuations were attributable mainly to seasonal factors.

Of the six commodities monitored during the month, four (4), namely, copra, cocoa, cotton and palm-oil recorded price declines, in dollar terms, of 34.7, 32.4, 3.0 and 0.1 per cent, respectively, while coffee soyabean recorded price increases of 3.5 and 0.4 per cent, respectively. When compared with the corresponding month of 2001, four (4) of these commodities, namely, copra, cotton, coffee and soyabean, recorded price declines of 97.9, 31.2, 12.7 and 3.7 per cent, respectively.

In naira terms, cocoa, copra and coffee recorded price increases of 11.5, 5.2 and 3.5 per cent, respectively over their levels in the preceding month, palm-oil, cotton and soyabean exhibited price declines of 26.1, 1.8 and 0.6 per cent below their preceding month's levels. When compared with their levels in the corresponding month of 2001, all commodities, except cotton and coffee, recorded varying degrees of price increases.

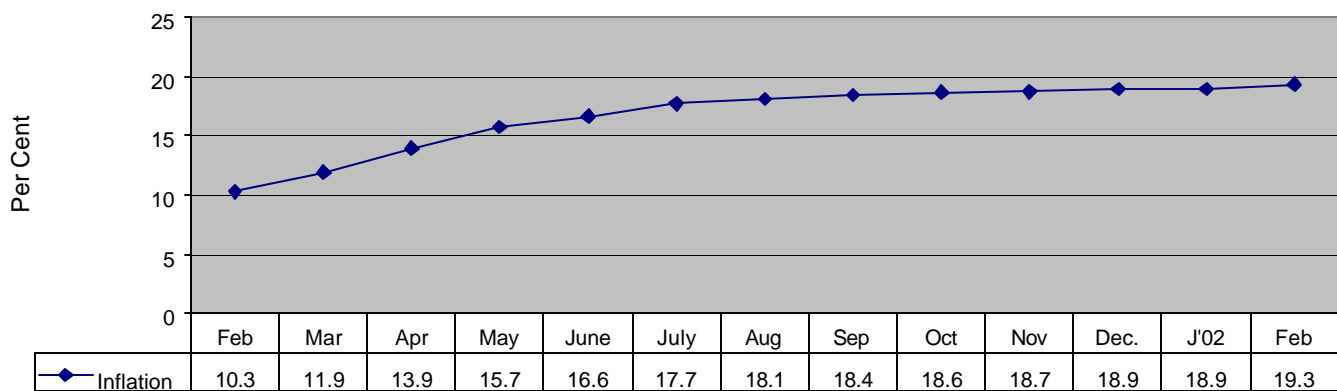


### 3.2 Petroleum Sector

In May 2002, Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 1.82 million barrels per day (mbd) or 56.42 million barrels for the month, showing an increase of 1.1 per cent over the level in April. The share of the country's production in total OPEC output was 6.5 per cent,

resumption of full production by Iraq after a month's suspension of production in sympathy with the Palestinian cause following Israeli hostilities. In the spot market, the average price of Nigeria's reference crude, Bonny Light (37° API), at \$25.26 a barrel, recorded a decline of 2.0 per cent from its level in April, while the prices of other competing brands of crude, namely the Focardos and U.K Brent, stood at \$25.07 and \$25.43 a barrel, respectively,

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



Source: Federal Office of Statistics (FOS), Lagos

—◆— Inflation

compared with 6.6 per cent in the preceding month. Crude oil exports were estimated at 1.37 million barrels per day (mbd) or 42.47 million barrels for the month, representing an increase of 1.5 per cent over the level in April 2002.

Crude oil exports accounted for 75.3 per cent of total output, compared with 75.0 per cent recorded in the preceding month. Deliveries of crude oil to refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels in the last three consecutive months of the year.

Crude oil prices recorded indicated mixed movements during the month under review at both the spot and the net-back markets, reflecting largely the impact of the

reflecting declines of 1.6 and 0.9 per cent, from their levels in the preceding month. The average prices the Arab Light and West Texas Intermediate (WTI), however, rose by 3.7, and 2.7 to \$24.14 and \$26.93 a barrel, respectively. Similarly, in the European netback market, the Bonny Light and UK Brent were sold at \$27.46 and \$27.21 a barrel, representing declines of 2.3 and 2.2 per cent, respectively, from the levels in April, while the Arab Light and WTI were sold at \$26.02, and \$26.88 a barrel, showing increases of 0.3 and 0.49 per cent, from their respective levels in April, 2002.

### 3.3 Consumer Prices

Data from the Federal Office of Statistics (FOS) showed that the all-items composite Consumer Price Index (CPI) February 2002 was projected at 4,484.2 (1985 = 100). This represented a decline of 3.6 per cent below the preceding month's level but an increase of 14.2 per cent over the level in the corresponding month of 2001. The development during the month was traceable to the indices of food; accommodation, fuel and light; household goods; medical care and health expenses; and education and cultural services whose indices declined by 0.8, 9.0, 0.2, 0.4 and 2.7 per cent, respectively, while the indices of other component items recorded price increases ranging from 1.7 per cent for transportation to 4.5 per cent for other services. When compared with their levels in the corresponding month a year earlier, all the components recorded price increases except clothing and footwear; accommodation, fuel and light; and medical care and health expenses whose indices recorded price decreases of 0.2, 10.1 and 11.9 per cent, respectively. The urban all-items CPI was projected at 4,730.9 (1985=100) in February 2002, indicating a decline of 2.4 and a rise of 13.3 per cent over the levels in the preceding month and the corresponding month of 2001, respectively. Similarly, the rural all-items CPI for February 2002 estimated at 4,436.2 (1985=100), exhibited the same trend as observed in the urban centers when compared with the levels in the preceding month and the corresponding month of 2001 though at a slightly lower rate.

The inflation rate for the twelve-month period ended February 2002 was projected at 19.3 per cent, compared with 18.9 and 10.3 per cent in the preceding

month and corresponding month of 2001, respectively. The upward trend in inflationary pressure was attributed to monetary growth leading to further depreciation in the exchange rate and rising interest rates as well as structural bottlenecks which increased costs.

## 4.0 EXTERNAL SECTOR DEVELOPMENTS

### 4.1 Foreign Exchange Flows

In May 2002, foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US\$728.1 million and US\$1,311.0 million, respectively, indicating a net outflow of US\$582.9 million. Compared with the respective levels of US\$658.3 million and US\$891.0 million in April, inflow and outflow rose by 10.6 and 47.1 per cent, respectively. The rise in inflow in the review month was accounted for by the increase in oil export receipts, while that of outflow was attributable mainly to the sharp increase in disbursements to "other official payments", in particular, NNPC/JV Cash Calls which rose from US\$0.0 million in April 2002 to US\$487.8 million in the review month. At \$3,796.4 million and \$5,373.1 million, cumulative inflow and outflow through the Central Bank from January to May 2002 were 50.9 and 18.7 per cent lower than their respective levels in the corresponding period of 2001.

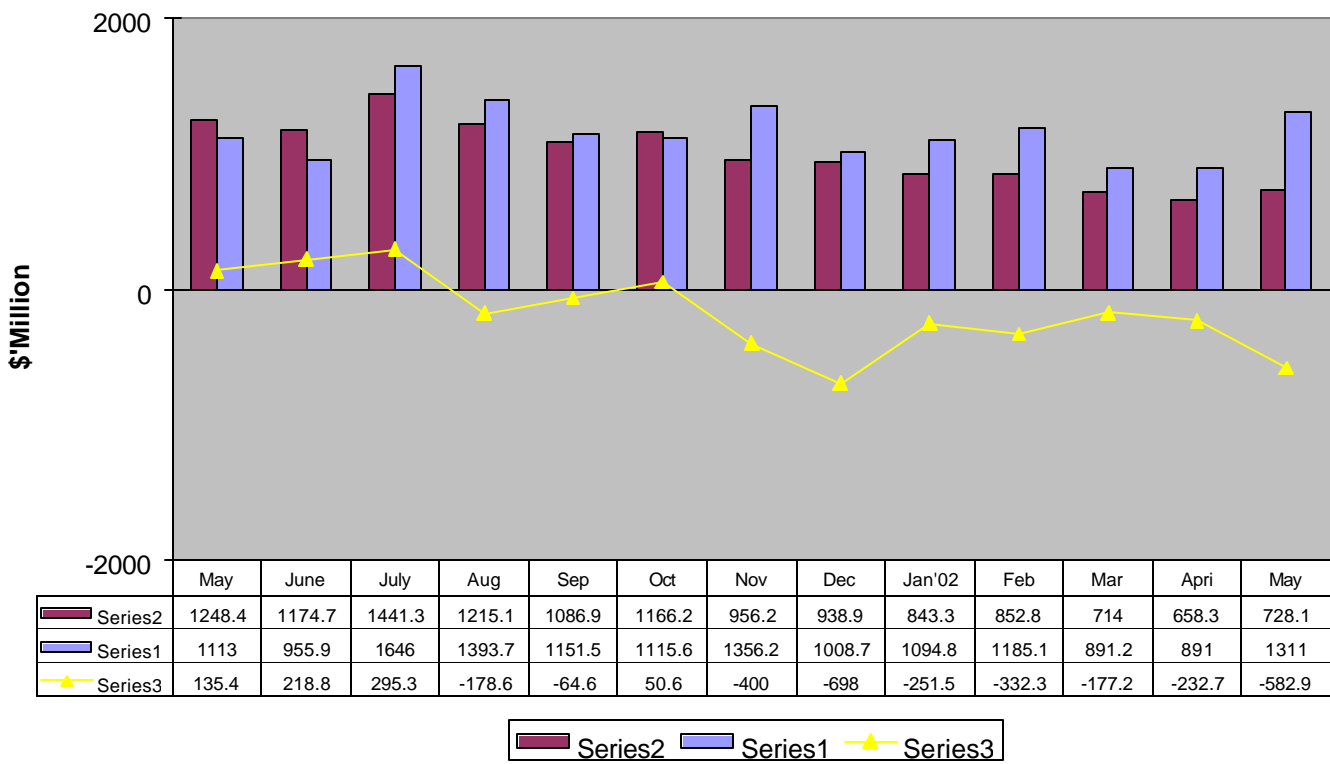
Data on foreign exchange flow through the economy in May 2002 indicated that total inflow was \$1,133.4 million, up by 5.3 per cent from \$1,076.2 million recorded in April, 2002. Receipts from the oil sector rose by 9.9 per cent to \$665.2 million, constituting 58.7 per cent of total inflow, during the month, while non-oil receipts and inflow through other autonomous sources

amounted to \$468.2 million or 41.3 per cent of the total. At \$1,365.5 million, foreign exchange outflow from the economy represented an increase of 47.6 per cent over the level in April, 2002. The rise was accounted for largely by the 676.5 per cent increase in disbursements for “other official payments” and external debt service payments, respectively, during the month.

### 4.2 Sectoral Utilisation of Foreign Exchange

The industrial sector accounted for the bulk (44.1 per cent) of total foreign exchange disbursed in May, 2002 followed by invisibles which had 20.0 per cent. Other beneficiary sectors, in a descending order of

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



The CBN funding of the IFEM and drawings on L/Cs during the month, however, declined by 10.9 and 36.0 per cent from \$695.1 million and \$43.0 million, in April to \$619.2 million and \$27.5 million, respectively. The cumulative inflow and outflow through the economy during the first five months of 2002 stood at \$5,633.0 million and \$7,629.0 million, respectively, in the corresponding period of 2001.

importance, included: general merchandise, 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 \$619.2 million was sold to authorized dealers by CBN, compared with \$695.1 million in April, 2002. The

development during the month was attributable to the CBN's current tight monetary policy stance as well as its sustained surveillance on authorized dealers to ensure transparency and ethical conduct in the market. The CBN purchase of foreign exchange from the market during the month also fell from \$16.60 million in April to \$6.50 million. The average exchange rate of the naira in the IFEM depreciated marginally from ₦116.13 per dollar in April 2002 to ₦116.54 per dollar. The rates in the parallel market and bureaux de change, however, appreciated from ₦136.52 and ₦136.98 per dollar in April, 2002, to ₦135.82 and ₦136.25 per dollar, respectively, in May. Overall, the premium between the IFEM and the parallel market rates further narrowed from 17.56 percentage points in April, 2002 to 16.54 per cent, in May, 2002.

#### 4.4 External Reserves

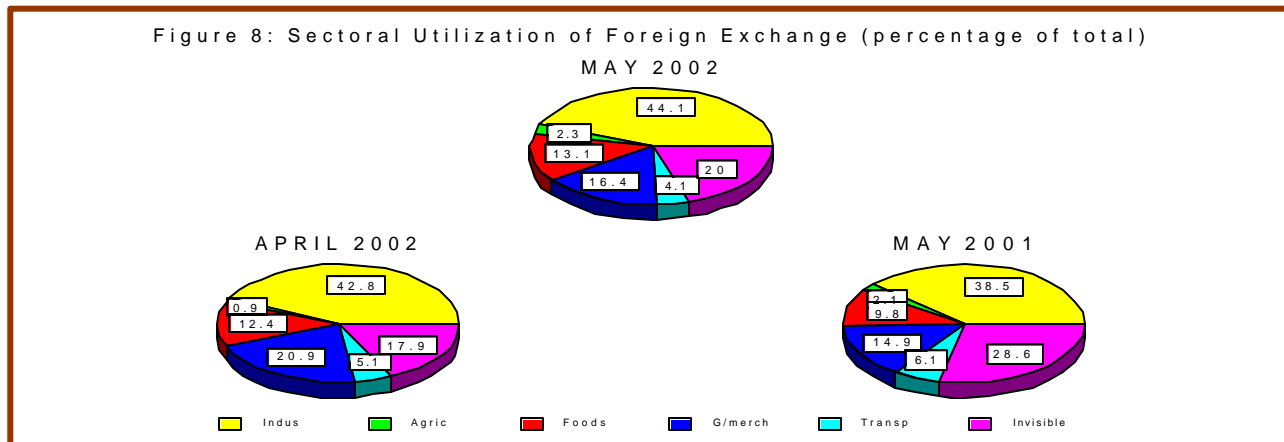
Nigeria's gross external reserves at end-May, 2002 amounted to \$9,226.3 million, representing a decline of 1.9 per cent from the preceding month's level of \$9,403.3 million. At current foreign exchange commitments, the reserves could finance about 8.6 months of imports, compared with 9.3 months in the preceding month.

## 5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output increased by 1.2 per cent to 75.40 mbd in May 2002, compared with 74.53 mbd in April, while world crude oil demand, estimated at 75.05 mbd for the month, fell by 0.3 per cent from the level of 75.30 mbd recorded in the preceding month. Overall, total world oil supply exceeded demand by 0.5 per cent, in contrast to an excess demand of 1.0 per cent in the preceding month.

The annual meeting of the African Development Bank Group (ADB), was held in Addis Ababa, Ethiopia, from 28 – 30 May 2002 to report on all aspects of its operations in 2001. The Group considered issues on the organisation of seminars on various topical subjects, including "Banking and Financial Standards and New Partnership for Africa's Development (NEPAD)". The meeting of the International Monetary Fund and the World Bank Africa Constituency 1 was also held to consider the performances of the Constituency's Executive Directors' Offices in both institutions.

In another development, a summit of Heads of State and Government was held in Yamoussokro, Cote D'Ivoire from 13—17 May, 2002 to discuss modalities for the implementation of the New Partnership for



Africa's Development (NEPAD) Initiative in the Sub-region. The ECOWAS Executive Secretariat was designated the Coordinating and Monitoring Agency for NEPAD's implementation in West Africa.

Furthermore, the World Bank through its International Development Agency (IDA), has approved \$100.0 million Credit Facility to the Federal Government of Nigeria for on lent to the National Electric Power Authority (NEPA) for its capital protects. The credit line will, however, not be disbursed until a draft Electricity Law has been approved by the Federal Executive Council. In a related development, the International Finance Corporation (IFC), signed an agreement with the United Bank for Africa (UBA) Plc on May 21, 2002 in Washington for \$30 million Credit Facility to strengthen the private sector and encourage long-term investment in Nigeria.

Finally, the World Trade Organisation (WTO) has agreed to investigate the controversial tariffs imposed on steel exports to the United States early this year, following the European Union (EU) , backed by South Korea, China and Japan contention that a three-year tariff of up to 30 per cent on steel exports to the United States protects inefficient US steel producers from foreign competition.