

# **CENTRAL BANK OF NIGERIA**



## **MONTHLY REPORT**

***June 2004***

**RESEARCH DEPARTMENT**

## ECONOMIC REPORT FOR THE MONTH OF JUNE 2004

### 1.0 SUMMARY

Available data indicated that broad money stock ( $M_2$ ) and narrow money supply ( $M_1$ ) recorded increases of 0.5 and 2.4 per cent, respectively in June 2004. This development was attributable to the rise in foreign assets (net) of the banking system. Aggregate banking system's credit to the domestic economy fell by 9.6 per cent during the review month, compared with the decline of 4.8 per cent in the preceding month. During the first half of the year,  $M_2$  grew by 7.7 per cent, while  $M_1$  declined by 0.1 per cent.

Banks' deposit and lending rates generally declined during the month. The spread between the average savings deposit and maximum lending rates narrowed to 17.36 percentage points from 17.54 per cent in the preceding month. However, the margin between the banks' weighted average deposit and maximum lending rates widened to 11.59 percentage points from the preceding month's level of 10.77 percentage points. The weighted average inter-bank call rate, which stood at 15.48 per cent in May 2004, fell to 15.04 per cent in June, reflecting the liquidity ease in the inter-bank funds market.

The value of money market assets outstanding rose by 0.44 per cent to ₦971.2 billion in June 2004, indicating an increase of 1.6 per cent over the level in the preceding month. Treasury bills worth ₦240.1 billion were issued during the month to replace matured bills of equivalent value, compared with ₦160.0 billion issued in May 2004. Transactions on the Nigerian Stock Exchange (NSE) indicated improved performance, as the major indicators trended upward during the month.

The major agricultural activities during the month were the continued preparation of land for transplanting of tree crops, planting of upland rice, maize and vegetables, as well as the harvesting of late maize. The price index of Nigeria's major agricultural commodities at the London Commodity Market, in dollar terms, declined by 5.0 and 10.3 per cent compared with the levels in the preceding month and the corresponding month of 2003, respectively. The inflation rate for the twelve-month period ended June 2004 was estimated at 19.7 per cent, compared with 19.4 per cent recorded in May.

Crude oil output, including condensates and natural gas liquids, was estimated at 2.54 million barrels per day (mbd) or 76.2 million barrels for the month, indicating an increase of 3.3 per cent over the preceding month's level. Crude oil exports was estimated at 2.09 mbd or 62.7 million barrels for the month, compared with 2.01 mbd in the preceding month. Deliveries of crude oil to the refineries for domestic consumption remained at 0.45 million barrels per day or 13.95 million barrels for the month. The average price of Nigeria's reference crude, the Bonny Light (37°API), was US\$35.55 per barrel, reflecting a decrease of 7.2 per cent compared with the preceding month's level.

Available data on foreign exchange flows through the Central Bank of Nigeria (CBN) showed an inflow of US\$2,158.91 million and an outflow of US\$1,311.29 million, resulting in a net inflow of US\$847.62 million during the month. Foreign exchange sales to authorized dealers by CBN amounted to US\$969.76 million,

compared with US\$982.86 million in May 2004. The weighted average exchange rate of the Naira vis-à-vis the US dollar appreciated by 0.28 per cent from ₦133.18 per dollar in May 2004 to ₦132.81 per dollar in June. However, in the bureaux de change segment of the market, the rate depreciated from ₦139.64 per dollar in May 2004 to ₦140.0 per dollar in June. Nigeria's gross external reserves, increased by 13.2 per cent to US\$11,412.30 million as at end-June, 2004.

On the international scene, world crude oil estimated demand of 79.76 million barrels per day (mbd) fell short of the estimated output by 0.26 mbd. Other major international economic developments of relevance to the domestic economy during the month included: the 31<sup>st</sup> Ordinary Meeting of the Committee of the Governors of Central Banks of ECOWAS Members held in Dakar, Senegal on 16<sup>th</sup> June, 2004. The meeting was convened to discuss the reports presented by the Director General of the West African Monetary Agency (WAMA) and the submissions of the Technical Committee meeting held earlier on the 14<sup>th</sup> -15<sup>th</sup> June, 2004 on the following issues: Status of Macroeconomic Convergence by member countries; Harmonization of Statistics; Exchange Rate Policies and Banking Legislation; ECOWAS Trade Liberalization Scheme; and the Transfer of the Management of ECOWAS Travellers' Cheque to a private operator. Key recommendations from the meeting were the need to harmonize fiscal and monetary policies and have sub-regional convergence criteria entrenched into national budgets for implementation; acceleration of the implementation of ECOWAS statistical program-the ECOSTAT; the harmonization of public finance and balance of payments statistics; and the use of the US dollar as an external anchor.

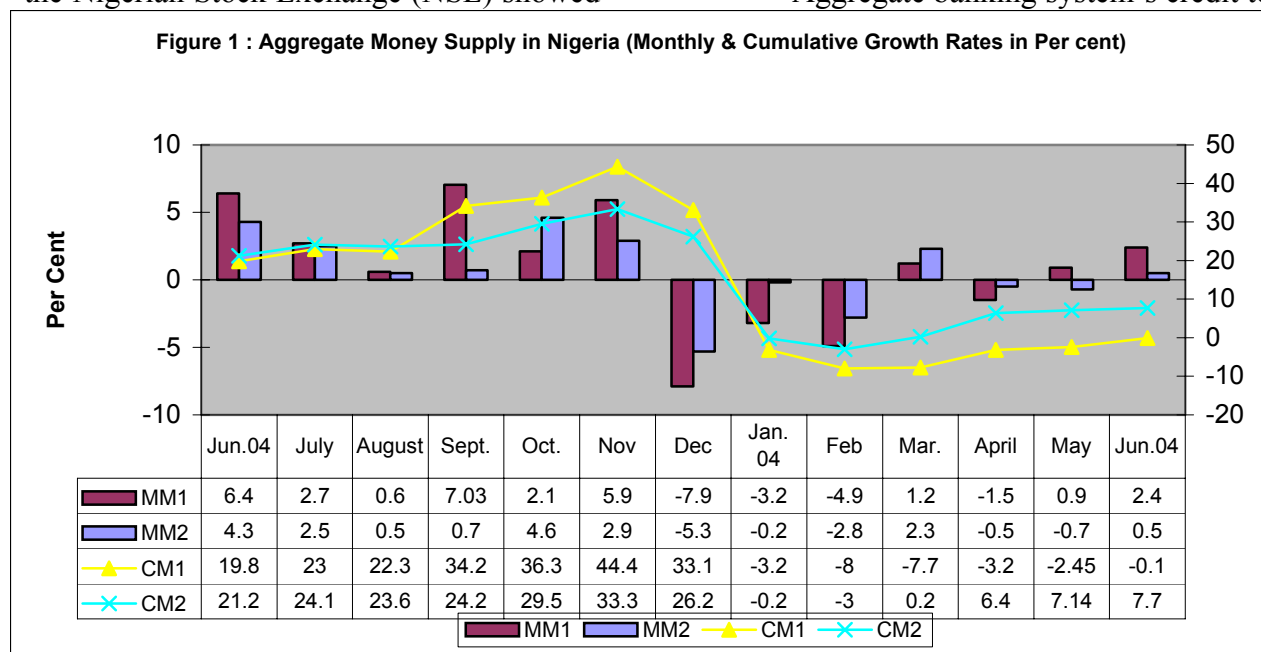
Also, the meeting of the 11<sup>th</sup> Session of the United Nations Conference on Trade and Development (UNCTAD XI) was held in Sao Paulo, Brazil, on June 13-18, 2004. The meeting focused on "Enhancing Coherence between National Development Strategies and Global Economic Process towards Economic Growth and Development, particularly in Developing Countries". The conference noted, among others, the need to evolve: appropriate policies to maximize the potentials of trade; impetus to the strengthening of country's scientific as well as technological base and the promotion of innovations.

## 2.0 FINANCIAL SECTOR DEVELOPMENTS

Money supply increased further in June 2004, while banks' deposit and lending rates generally declined during the month. Also, the value of money market assets rose during the month, following the increase in the value of commercial papers, Bankers Acceptances and Eligible Development Stocks (EDS). Transactions on the Nigerian Stock Exchange (NSE) showed

the preceding month. The development was attributable to the increase in foreign assets (net) of the banking system. In the first six months of the year,  $M_2$  rose by 7.7 per cent, implying an annualized growth rate of 15.4 per cent, compared with the programmed target of 16.0 per cent for fiscal 2004.  $M_1$ , however, declined by 0.1 per cent, compared with the level in December 2003, following the decline in the currency component (fig 1 and table 1).

Aggregate banking system's credit to



improved performance as the major indicators trended upward during the month.

## 2.1 Monetary and Credit Developments

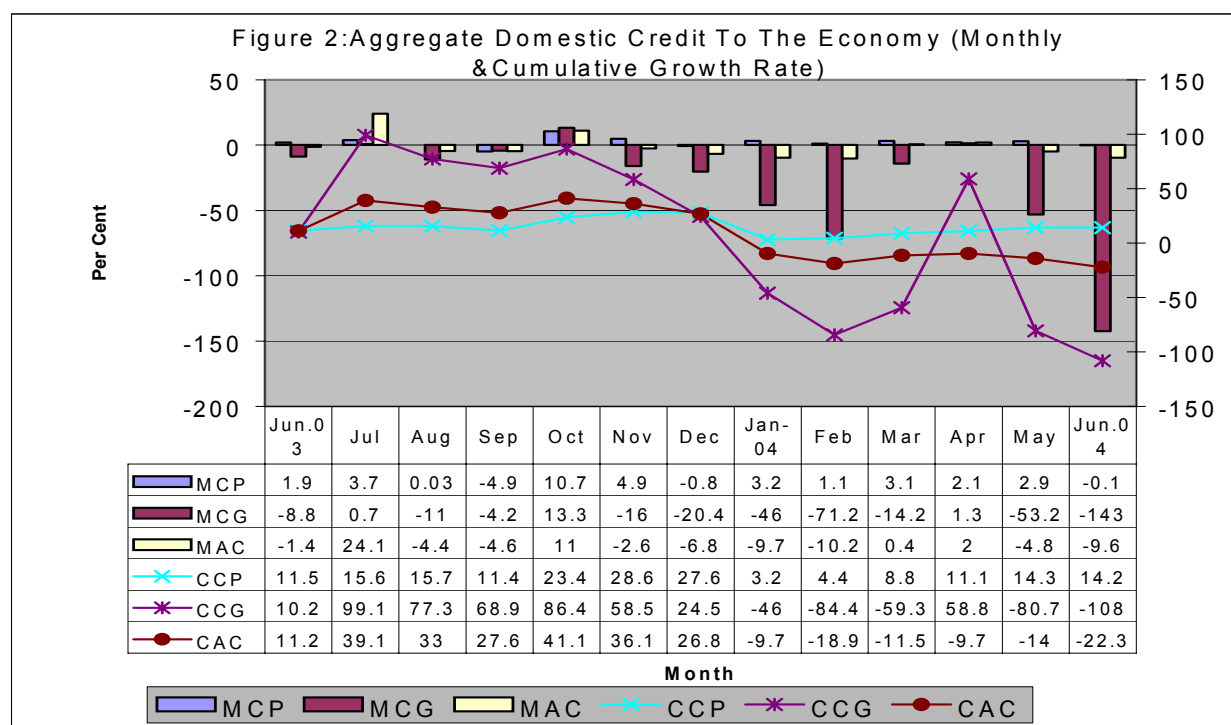
Available data indicated that broad money supply ( $M_2$ ) rose by ₦10.2 billion or 0.5 per cent to ₦2,137.2 billion, compared with the increase of ₦14.8 billion or 0.7 per cent in the preceding month. Similarly, narrow money supply ( $M_1$ ) rose by ₦29.3 billion or 2.4 per cent to ₦1,224.8 billion in the review month, compared with the increase of ₦10.2 billion or 0.9 per cent in

the domestic economy fell by ₦153.2 billion or 9.6 per cent to ₦1,441.2 billion in June 2004, compared with the decrease of ₦79.9 billion or 4.8 per cent in the preceding month and 1.4 per cent decline in the corresponding period of 2003. This development reflected, largely, the contraction in credit to the Federal Government during the review month.

Banking system's claims (net) on the Federal Government fell by ₦151.8 billion or 142.5 per cent, compared with the decrease of ₦121.3 billion or 53.2 per cent in the preceding month. The decline in the review month reflected the substantial

increase in Federal Government deposit with the CBN, which outweighed the rise in the Bank's Ways and Means Advances to

month under review was largely attributable to the 14.8 per cent increase in the CBN's foreign assets holdings.



government during the month. Over the level in December 2003, claims on the Federal Government fell by 108.2 per cent as against the growth target of 23.32 per cent for fiscal 2004.

Banking system's credit to the private sector also declined by ₦1.4 billion or 0.1 per cent to ₦1,486.5 billion, in contrast to the increase of ₦41.4 billion or 2.9 per cent in the preceding month. The development reflected the fall of ₦1.8 billion or 0.1 per cent in DMBs' claims on the sector during the month. In the first half of the year, credit to the private sector rose by 14.2 per cent, compared with the programme target of 22.0 per cent for fiscal 2004.

At ₦1, 936.6 billion, foreign assets (net) of the banking system rose by ₦205.4 billion or 11.9 per cent, compared with the increase of ₦73.5 billion or 4.4 per cent in the preceding month. The rise during the

Quasi-money fell by ₦19.0 billion or 2.0 per cent to ₦912.4 billion, as against increases of ₦4.6 billion or 0.5 per cent and ₦11.5 billion or 1.4 per cent in the preceding month and the corresponding period of 2003, respectively.

Other Assets (net) of the banking system fell by ₦42.0 billion or 3.5 per cent in the review month, as against increases of ₦21.2 billion or 1.7 per cent and ₦71.0 billion or 6.8 per cent in the preceding month and the corresponding period of 2003. The fall was traceable largely to the rise in the unclassified liabilities of the Central Bank during the month.

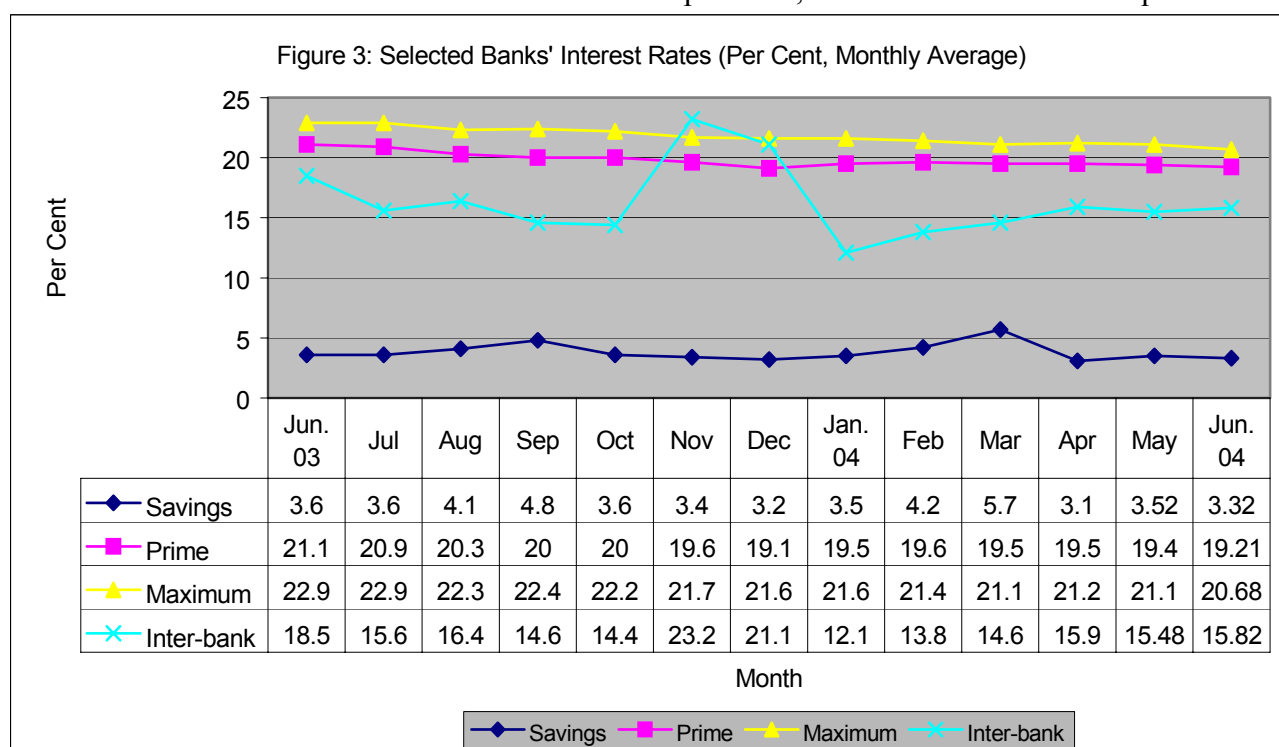
## 2.2 Currency-in-circulation and Deposits at the CBN

At ₦456.3 billion, currency in circulation in June 2004 increased by ₦1.9 billion or 0.4 per cent compared with the level in the preceding month, but fell by ₦45.9 billion or 9.1 per cent compared with the level at end-December 2003. The rise during the month was traceable to the vault cash of the banking system, which, rose by ₦3.6 billion or 4.6 per cent during the month. Currency outside banks, however, fell by ₦1.7 billion or 0.5 per cent during the period.

cent in deposits of the Federal government, deposit money banks and the private sector, respectively. The shares of the three components in total deposits at the CBN, namely, Federal Government, bankers and 'others' were 74.9, 15.5 and 9.6 per cent, respectively, compared with 66.0, 20.7 and 13.3 per cent, in May, 2004.

## 2.3 Interest Rate Developments

Available data indicated a general downward movement in bank deposit and lending rates in June 2004. Average savings deposit rate fell from 3.52 per cent to 3.32 per cent, while rates on time deposits of



Total deposits at the CBN amounted to ₦1,282.4 billion, indicating increases of ₦266.9 billion or 26.3 per cent and ₦294.6 billion or 40.9 per cent over the levels in the preceding month and end-December 2003, respectively. The development during the month was traceable to increases of ₦233.96 billion or 32.2 per cent, ₦19.3 billion or 10.8 per cent and ₦13.7 billion or 12.5 per

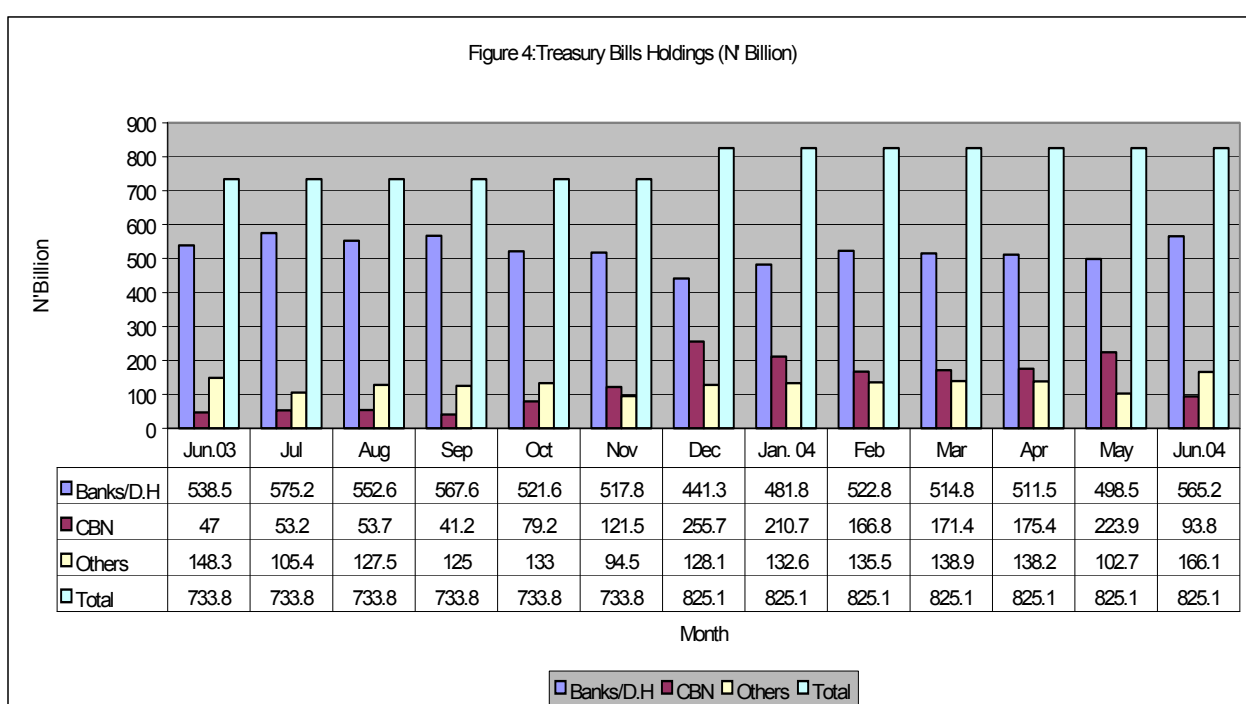
various maturities declined from a range of 8.25–13.60 per cent in May 2004 to 7.52–12.16 per cent in June 2004. Similarly, the average prime and maximum lending rates fell by 0.19 and 0.38 percentage points to 19.21 and 20.68 per cent, respectively. Consequently, the margin between the weighted average deposits and maximum lending rates widened to 11.59 percentage

points from 10.77 percentage points in the preceding month. The spread between the average savings deposit and maximum lending rate, however, narrowed to 17.36 percentage points from 17.54 percentage points in May 2004.

The weighted average inter-bank call rate fell to 15.04 per cent from 15.48 per cent in the preceding month, reflecting the liquidity ease in the inter-bank funds market during the review month (fig. 3).

respectively. Treasury Bills outstanding, however, remained unchanged at the preceding month's level of ₦825.1 billion.

Treasury bills worth ₦240.1 billion were issued during the month to replace matured bills of equivalent value compared with ₦160.0 billion issued in the preceding month. The public allotments for the securities totaled ₦226.35 billion compared with ₦134.3 billion in May 2004. Of the total amount issued, the non-bank dominated investment as it accounted for ₦139.9



## 2.4 Money Market Developments

The value of money market assets outstanding as at end-June 2004 rose by ₦4.3 billion or 0.44 per cent to ₦971.2 billion, compared with the increase of ₦15.2 billion or 1.6 per cent in the preceding month. The rise in the review month was attributable to the 0.3, 5.0 and 8.5 per cent increase in the value of commercial papers (CPs), bankers' acceptances (BAs) and eligible development stocks (EDS),

billion or 58.3 per cent of the total, while investment by the deposit money banks (DMBs) and discount houses amounted to ₦86.5 billion or 36.0 per cent. The balance of ₦13.7 billion was absorbed by the CBN, indicating a decrease of 46.69 per cent below the level it absorbed in the preceding month.

Analysis of outstanding treasury bills holdings showed that DMBs and discount houses together accounted for ₦565.2 billion or 68.5 per cent of the total, while holdings by 'other' investors amounted to

N66.1 billion or 20.1 per cent of the total. Consequently, the Central Bank's holding fell by 58.1 per cent to ₦93.80 billion in June 2004, constituting 11.4 per cent of the total during the review month.

## 2.5 Capital Market Developments

Transactions on the floor of the Nigerian Stock Exchange as at end-June, 2004 indicated improved performance as the major indicators trended upward during the month. The volume and value of securities traded rose by 54.8 and 26.5 per cent to 2.3 billion shares and ₦29.4 billion, respectively during the month. Most of the transactions were in equities, with the banking sub-sector being the most active as in the preceding month and was followed by the construction sub-sector. The bond segment of the market was however, dormant during the month.

The market capitalization and value index also rose by 4.5 per cent apiece to close at ₦2.06 trillion and 29,439 (1984=100) during the review month, compared with ₦1.97 trillion and 28,178.7 (1984=100) in the preceding month. The development was attributable to the price gains recorded by most of the companies, especially the blue chip equities, during the month.

## 2.6 Deposit Money Banks' Activities

Total assets/liabilities of deposit money banks (DMBs) amounted to ₦3,494.9 billion in June 2004, representing increases of ₦133.86 billion or 4.0 per cent and ₦447.1 billion or 14.7 per cent from the levels in the preceding month and end-December 2003, respectively. The development was attributed to increases in claims on states and local governments, foreign assets and accretion to reserves. Funds were sourced mainly from unclassified liabilities and Federal

Government deposits, while major uses of funds included acquisition of unclassified assets, settlement of claims on the central government as well as increase in reserves and foreign assets.

Aggregate credit to the domestic economy by deposit money banks amounted to ₦1,895.3 billion, representing a decline of ₦6.99 billion or 0.4 per cent below the level in the preceding month. It however, rose by ₦304.1 billion or 19.1 per cent over the level at end-December 2003. A breakdown showed that credit to the private sector and the Central Government fell by ₦4.3 billion or 0.3 per cent and ₦5.2 billion or 1.2 per cent to ₦1,452.4 billion and ₦422.3 billion respectively, during the review month.

Central Bank's credit to deposit money banks rose by 1.6 per cent to ₦64.0 billion in June 2004. The development was attributable to the increase of 8.1 per cent in overdraft facilities granted to the DMBs during the month.

Total specified liquid assets of deposit money banks amounted to ₦932.86 billion, representing 50.5 per cent of their total deposit liabilities. The level was 3.0 per cent and 10.5 percentage points over the preceding month's level and the minimum target of 40.0 per cent for fiscal 2004, respectively.

## 2.7 Discount Houses

Total assets/liabilities of the discount houses amounted to ₦65.9 billion in June 2004, indicating a decrease of ₦5.4 billion or 7.6 per cent below its level in the preceding month, but an increase of ₦16.9 billion or 34.6 per cent over the level in the corresponding month of 2003. Their investments in Federal Government securities of less than 91 days maturity



amounted to ₦42.6 billion, representing 86.2 per cent of their total deposit liabilities. This was 5.0 and 26.2 percentage points higher than the levels in the preceding month and the prescribed minimum of 60.0 per cent for fiscal 2004, respectively.

Total borrowings by discount houses stood at ₦22.5 billion, while their capital and reserves was ₦8.0 billion, resulting in a gearing ratio of 3:1, compared with the stipulated maximum target of 50:1 for the year.

### **3.0 DOMESTIC ECONOMIC CONDITIONS**

The major agricultural activities during the month were the continued preparation of land for transplanting of tree crops from nurseries, planting of upland rice, maize and vegetables as well as the intensified clearing and disinfecting of broiler houses.

Crude oil output increased by 3.3 per cent over the preceding month's level, while inflationary pressure persisted as the estimated rate of inflation was 19.7 per cent, indicating an increase of 0.3 percentage points over the preceding month's level.

#### **3.1 Agricultural Sector**

Agricultural activities continued during the month with the dominance of land preparation for transplanting of tree crops from nurseries, planting of upland rice, maize and vegetables. Also, farmers were involved in weeding, staking of yams and harvest of late maize. In the livestock sub-sector, most poultry farmer's intensified clearing and disinfecting of broiler houses as well as their surroundings to minimize the incidence of diseases associated with wet season. The agricultural activities were

boosted under the Agricultural Credit Guarantee Scheme (ACGS) as the sum of ₦18.85 million was granted to 152 farmers under the scheme, indicating an increase of 131.3 and 308.9 per cent over the levels of loans guaranteed in the preceding month and the corresponding period of 2003, respectively.

The prices of Nigeria's major agricultural commodities at the London Commodity Market recorded a downward trend during the month. The all-commodities price index, at 81.1 (1985=100), in dollar terms, fell by 5.0 and 10.3 per cent below its levels in the preceding month and the corresponding month of 2003, respectively. In naira terms, the all-commodities price index at 7516.85 showed declines of 6.1 and 5.3 per cent below the levels in the preceding month and the corresponding period of 2003, respectively.

Of the six commodities monitored during the month, coffee and copra recorded price increases of 12.4 and 9.4 per cent respectively in dollar terms. The other four commodities recorded price declines ranging from 0.4 per cent for cocoa to 21.6 per cent for palm oil. When compared with their levels in the corresponding month of 2003, coffee, copra, cotton, palm oil and soyabean recorded price increases of 14.8, 40.4, 12.9, 23.4 and 16.6 per cent, respectively, while cocoa recorded a price decline of 16.0 per cent.

In naira terms, two commodities namely, coffee and copra recorded price increases of 12.4 and 64.2 per cent respectively, while the remaining four commodities recorded price declines below their levels in the preceding month. Compared with their levels in the corresponding month of 2003, five commodities recorded price increases of 19.2, 47.5, 17.6, 28.5 and 21.1 per cent for coffee, copra, cotton, palm oil and soyabean

respectively, while cocoa recorded a price decline of 13.1 per cent.

### 3.2 Petroleum Sector

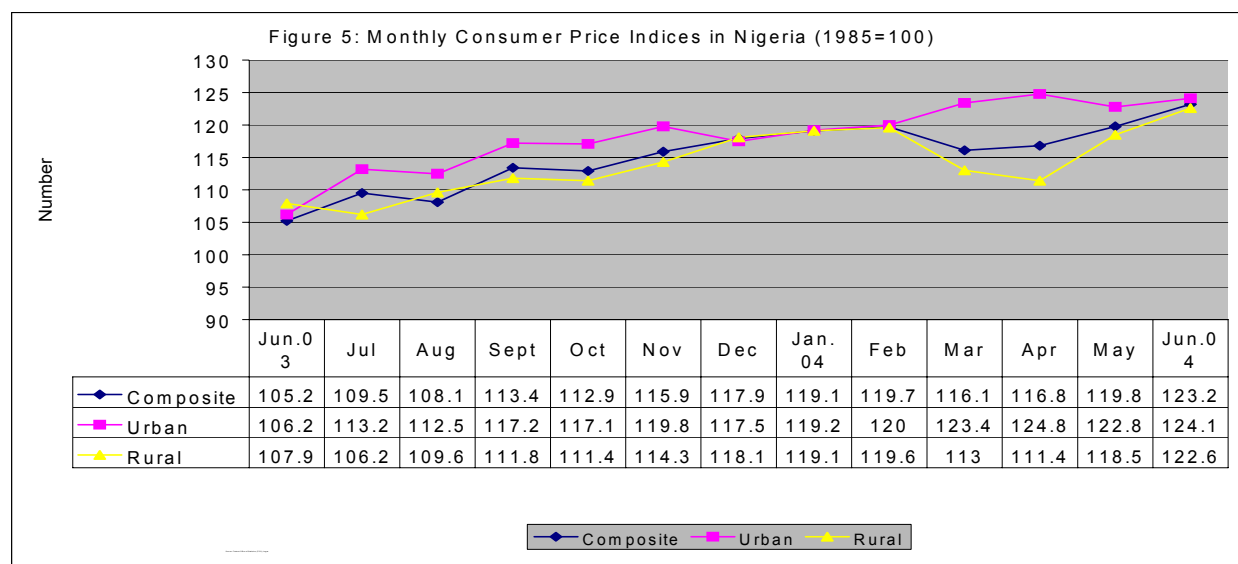
Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.54 million barrels per day (mbd) or 76.2 million barrels for the month, compared with 2.46 mbd produced in May 2004. Crude oil export was estimated at 2.09 mbd or 62.7 million barrels for the month, compared with 2.01 mbd in May 2004. Deliveries of crude oil to the refineries for domestic consumption remained at the preceding month's level of 0.45 mbd or 13.95 million barrels in June 2004.

Crude oil prices trended downward in June 2004. In the spot market, the average price of Nigeria's reference crude, the Bonny Light (37° API), was US\$35.55 a barrel during the month, indicating a

US\$38.08, US\$35.33, US\$32.96 and US\$35.31 per barrel, respectively, during the month. In the net-back market, the prices of all crude blends similarly fell below their levels in the preceding month. For instance, the Bonny Light and WTI were sold for \$45.86 and \$45.81 a barrel, respectively, compared with their prices of \$49.96 and \$49.76 a barrel in the preceding month. The price declines were driven largely by high crude oil inventory in the United States, the resumption of oil export by Iraq, OPEC's over-production and the calling off of the Norwegian oil workers strike.

### 3.3 Consumer Prices

Based on the Federal Office of Statistics (FOS) data for May, 2004, the all-items composite Consumer Price Index (CPI) for June 2004 was estimated at 123.2 (May 2003 = 100), representing increases of 2.8 and 17.1 per cent over the levels in the



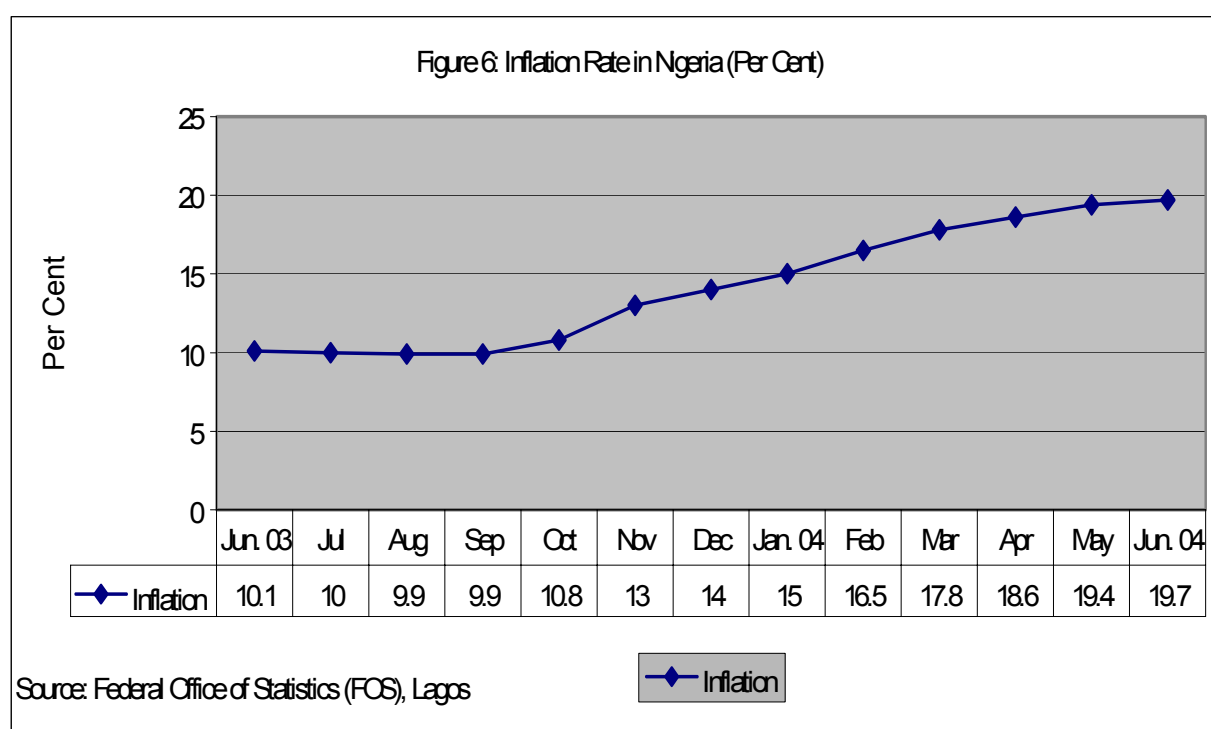
decrease of US\$2.77 a barrel or 7.2 per cent below the level in the preceding month. The prices of other competing brands namely, the West Texas Intermediate (WTI), the UK Brent, the Arab Light and the Forcados also fell by 5.2, 6.0, 4.7 and 6.6 per cent to

preceding month and the corresponding month of 2003, respectively. The development during the month was attributable to the rise in the indices of food; food and non-alcoholic beverages; clothing and footwear; housing, water, electricity, gas

and other fuel; furnishing, household equipment and household maintenance; health; transport; recreation and culture; education; restaurant and hotels; and miscellaneous goods and services by 0.7; 0.8; 4.2; 1.5; 2.3; 4.4; 3.4; 3.7; 2.2; 2.5 and 5.8 per cent respectively. This was however, slightly moderated by the marginal decline of 0.4 and 1.7 per cent in the indices of alcoholic beverage, tobacco and kola; and communication, respectively.

The urban all-items CPI for June 2004 was estimated at 124.1 (May

retail price index (RPI) showed an increase of 1.72 per cent in the all-items average price of consumer items in June 2004, compared with 1.3 per cent increase in the preceding month. The development during the review month was traceable to the increase in the indices of staples; meat, fish and eggs; oil and fat; clothing and fabrics; fuel and light; medical; as well as building materials by 0.93; 2.35; 0.64; 0.78; 1.91; 3.82; and 0.8 per cent, respectively, while the indices of vegetables, fruits and nuts; and beverages and drinks fell by 1.44 and



2003=100), indicating increases of 1.1 and 16.9 per cent over the levels in the preceding month and the corresponding month of 2003, respectively. Also, the rural all-items CPI, estimated at 122.6 (2003=100), indicated a rise of 3.5 and 17.0 per cent over the levels in the preceding month and the corresponding month of 2003, respectively.

Retail price surveys of selected consumer items by the CBN in Lagos, F C T Abuja as well as Bauchi, Enugu, Ibadan and Kano Zones showed marginal increases. The

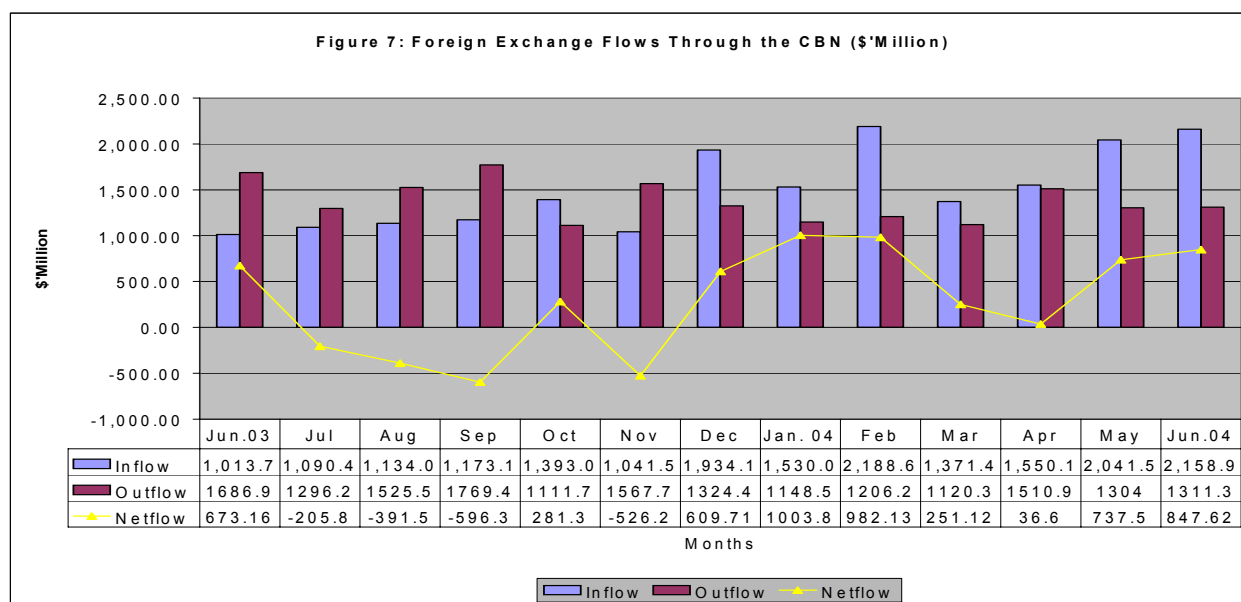
1.03 per cent, respectively.

Price increases of 1.57, 3.01, 1.40, 0.23, 1.67 and 2.14 per cent were recorded in Bauchi, Enugu, Ibadan, Kano, F.C.T Abuja and Lagos areas, respectively, during the review month.

The rate of inflation for the twelve-month period ended June 2004 was estimated at 19.7 per cent, compared with 19.4 per cent recorded in May. The estimate for June was 0.3 and 9.6 percentage points higher than the levels in the preceding

month and corresponding month of 2003, respectively. The upward inflationary pressure reflected the persistent effect of the

of the 81.12 and 1.33 per cent reductions in external debt service payments and DAS utilisation, respectively. At US\$10,840.63



increase in the prices of petroleum products on transportation and other costs.

## 4.0 EXTERNAL SECTOR DEVELOPMENTS

### 4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) in June 2004, amounted to US\$2,158.91 million and US\$1,311.29 million, respectively, indicating a net inflow of US\$847.62 million. Compared with their levels of US\$2,041.50 million and US\$1,303.97 million in the preceding month, inflow and outflow rose by 5.75 and 0.56 per cent respectively, during the month. The rise in inflow was attributable to the 7.34 per cent increase in oil sector receipts. Non-oil official receipts however, fell by 13.91 per cent. The marginal increase in outflow, on the other hand, was traceable to the 168.8 and 31.8 per cent increases in drawing on L/C and other official payments respectively, as well as the offsetting effects

million, cumulative inflow through the CBN in the first six months of 2004 was 47.04 per cent higher than its level in the corresponding period a year earlier. However, the cumulative outflow through the Bank in the first six months of 2004 was US\$7,601.16 representing a fall of 2.03 per cent below its level in the corresponding period a year earlier.

Aggregate foreign exchange flows through the economy indicated that total inflow rose by 5.1 per cent from the level in the preceding month to US\$2,918.31 million in June 2004. Receipts from oil sector, which constituted 69.5 per cent of the total rose by 7.3 per cent to US\$2,027.47 million, while non-oil public sector receipts fell by 13.91 per cent to US\$131.44 million, representing 4.5 per cent of the total. Inflow through the autonomous sources rose by 3.4 per cent to US\$759.40 million and accounted for 26.0 per cent of the total in the review month. At US\$1,368.25 million, total foreign exchange outflow from the economy increased by 1.3 per cent in June, 2004. This reflected largely increases in out

payments through the CBN, particularly drawings on L/Cs, “other official payments, and outflows through autonomous sources from US\$8.05 million, US\$230.95 million and US\$46.22 million to US\$21.64 million, US\$304.39 million and US\$56.96 million, respectively. Outflows through funding of the Dutch Auction System and external debt payments however, declined from US\$982.86 million and US\$82.11 million to US\$969.76 million and US\$15.5 million, respectively, during the month. The cumulative inflow and outflow through the economy as at end-June 2004 amounted to US\$15,090.45 million and US\$7,940.40 million, respectively, compared with US\$11,206.36 million and US\$8,309.71 million in the corresponding period of 2003.

#### 4.2 Sectoral Utilisation of Foreign Exchange

The industrial sector accounted for the bulk (45.3 per cent) of total foreign exchange disbursed in June 2004, followed by general merchandise (23.2 per cent). Other beneficiary sectors, in a descending order of importance, included: invisibles (12.4 per cent), food (10.1 per cent), transportation (7.8 per cent) and agricultural

products (1.3 per cent) (Fig.8).

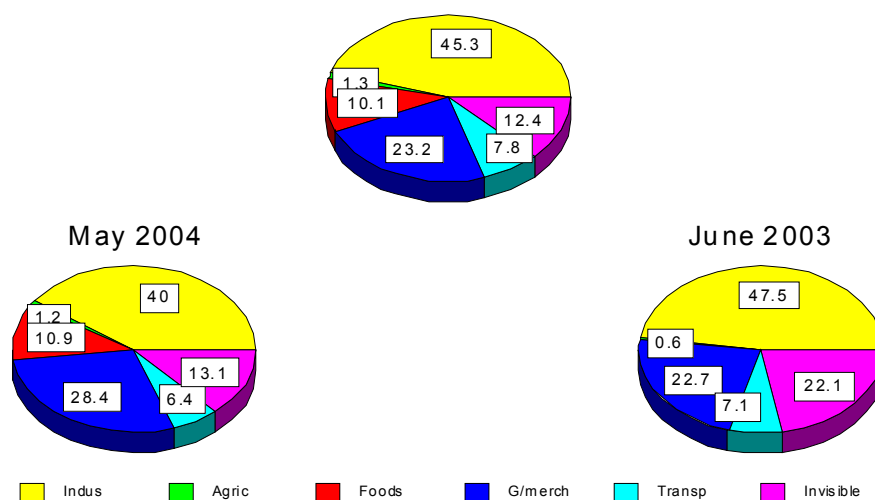
#### 4.3 Foreign Exchange Market Developments

There was a decline in demand for foreign exchange in June 2004. A total of US\$969.76 million was sold to end-users through the authorized dealers, compared with US\$982.86 million in the preceding month. The weighted average exchange rate of the Naira vis-à-vis the US dollar, however, appreciated by 0.28 per cent from ₦133.18 per dollar in May 2004 to ₦132.81 per dollar in June 2004. In the bureaux de change segment of the market, the rate depreciated from ₦139.64 per dollar in May 2004 to ₦140.00 per dollar in June 2004. Consequently, the premium between the bureaux de change and official market rates widened to 5.46 per cent from 4.98 per cent in May 2004.

#### 4.4 External Reserves

Provisional data showed that Nigeria’s gross external reserves at end-June, 2004 amounted to US\$11,412.30 million, indicating an increase of 13.2 per cent over the preceding month’s level. At current level of foreign exchange commitments, the

Figure 8: Sectoral Utilization of Foreign Exchange (percentage of total)  
June 2004



reserves could finance about 8.7 months of foreign exchange disbursement.

## 5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output, estimated at 80.02 million barrels per day (mbd) in June 2004 rose by 0.29 mbd or 0.4 per cent over the preceding month's level of 79.73 mbd, while the estimated demand at 79.76 mbd for the month, rose by 0.21 mbd or 0.3 per cent. Overall, total world oil supply exceeded demand by 0.26 mbd owing largely to the resumption of exports by Iraq and OPEC's over-production of 800,000 barrels per day.

Other major international economic developments of relevance to the domestic economy during the month included: the 31<sup>st</sup> Ordinary Meeting of the Committee of the Governors of Central Banks of ECOWAS Members held in Dakar, Senegal on 16<sup>th</sup> June, 2004 and the meeting of the 11<sup>th</sup> Session of the United Nations Conference on Trade and Development (UNCTAD XI), in Sao Paulo, Brazil, on June 13-18, 2004

The 31<sup>st</sup> Ordinary meeting of the Committee of Governors of Central Banks of ECOWAS Member States was convened to discuss the reports of the Director General of the West African Monetary Agency (WAMA) and the submissions of the Technical Committee meeting held earlier on the 14<sup>th</sup> -15<sup>th</sup> June, 2004 on the following issues: Status of Macroeconomic Convergence by member countries; Harmonization of Statistics, Exchange Rate Policies and Banking Legislation; ECOWAS Trade Liberalization Scheme and the Transfer of the Management of ECOWAS Travellers' Cheque to a private operator. On the state of convergence the meeting noted that:

- ♦ ECOWAS member countries were below expectation as none of them met all the stipulated convergence criteria;
- ♦ the fiscal deficits and its financing by the Central bank was the major hindrance to convergence;
- ♦ the problem of political instability in some member countries was constraining economic progress, while inappropriate analytical methodology made meaningful comparison of macroeconomic convergence difficult.

It was recommended, that finance ministers, Central Bank Governors and Heads of National Planning Commissions should harmonize fiscal and monetary policies and have sub-regional convergence criteria entrenched into national budgets for implementation. It was also suggested that political authorities should work with their colleagues in ECOWAS to overcome the problem of political instability in the sub-region for enhanced economic progress.

On the harmonization of Statistics, Exchange Rate Policy and Banking legislation, it was concluded that;

- ♦ the implementation of ECOWAS statistical program-the ECOSTAT should be accelerated, including the harmonization of public finance and balance of payments statistics;
- ♦ the National Offices of Statistics, as part of capacity building, should be made independent, properly funded, and well equipped;
- ♦ a synergy be established among various institutions (WAMA, ECOWAS, etc) involved in

statistical harmonization to hasten progress and consistency of data;

- ♦ the US dollar should serve as an external anchor in the light of different exchange rate regimes adopted in the sub-region.

It was recommended that all member states should accede to article 8 of the IMF Articles of Agreements on current account liberalization and work towards exchange rate stability in their zones.

On the ECOWAS trade Liberalization Scheme, it was noted that:

- ♦ the community levy (0.5% tax) was not effectively implemented by member countries, mainly because of lack of efficient institutional mechanism;
- ♦ That UEMOA countries had adopted ECOWAS Common External Tariff (CET), while WAMZ countries are at various stages of adoption.

It was recommended that ECOWAS Executive Secretariat should prepare a comprehensive report on Trade Liberalization Scheme, indicating strategies to get member countries to implement the scheme effectively for consideration in the next Convergence Council meeting.

On the transfer of management of the ECOWAS Travellers' Cheques (ETCs) to a private Operator (Ecobank, Nigeria), the Governors agreed with the recommendation of the Technical Committee and recommended that the draft "Transfer Agreement" be circulated to member Central Banks for their inputs.

Finally, the 11th Session of the United Nations Conference on Trade and Development (UNCTAD XI), which was held in Sao Paulo, Brazil, focused on "Enhancing Coherence between National

Development Strategies and Global Economic Process towards Economic Growth and Development, particularly in Developing Countries". At the end of the deliberations, the conference noted that:

- ♦ international trade is an important engine of growth in the world economy, and there was the need to evolve appropriate policies to maximize the potentials of trade.
- ♦ impetus should be given to strengthening of country's scientific and technological base and the promotion of innovations;
- ♦ improved trade performance would contribute to higher levels of domestic and foreign investment, strengthen and diversify the economic base and enhance efficiency in resource allocation through greater competition.