

# **CENTRAL BANK OF NIGERIA**

## **MONTHLY REPORT**

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The Central Bank of Nigeria Monthly Report is designed for the dissemination of financial and economic information on the Nigerian economy on current basis. The Report analyses developments in the financial, real and external sectors of the economy, as well as international economic issues of interest. The Report is directed at a wide spectrum of readers including economists and financial analysts in government and the private sector, as well as general readers.

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## ECONOMIC REPORT FOR THE MONTH OF JULY 2004

### 1.0 SUMMARY

Available data indicated that both broad money stock ( $M_2$ ) and narrow money supply ( $M_1$ ) recorded increases of 0.4 and 1.0 per cent, respectively, in July 2004 over the levels in the preceding month. The development in the review month was attributable to the rise in credit to the domestic economy. Aggregate banking system's credit to the domestic economy rose by 8.0 per cent during the review month, compared with the decline of 10.8 per cent in the preceding month. During the first seven months of the year,  $M_2$  and  $M_1$  grew by 7.5 and 0.1 per cent, respectively.

Banks' deposit and lending rates generally rose during the month. The spread between the average savings deposit and maximum lending rates widened to 17.5 percentage points from 17.4 per cent in the preceding month. The margin between banks' weighted average deposit and maximum lending rates, however, narrowed to 11.4 percentage points from the preceding month's level of 11.6 per cent. The weighted average inter-bank call rate, which stood at 15.0 per cent in June 2004, rose to 15.2 per cent in July, reflecting the tight liquidity condition in the inter-bank funds market.

The value of money market assets outstanding rose by 0.4 per cent to ₦957.8 billion in July 2004, as against the decline of 1.4 per cent in the preceding month. Treasury bills worth ₦325.0 billion were issued during the month to replace matured bills of equivalent value, compared with ₦240.1 billion issued in June 2004. Transactions on the Nigerian Stock Exchange (NSE) were bearish following adjustments for dividends payment and scrip

issues by several of the companies listed on the Exchange during the month.

The major agricultural activities during the month were the weeding, staking of yams, harvesting of early maize and cultivation of various crops. The price index of Nigeria's major agricultural commodities at the London Commodity Market, in dollar terms, rose by 1.7 per cent over its level in the preceding month but fell by 8.1 per cent below the level in the corresponding month of 2003. The inflation rate for the twelve-month period ended July 2004 was estimated at 19.1 per cent, compared with 19.4 per cent in June.

Crude oil output, including condensates and natural gas liquids, was estimated at 2.55 million barrels per day (mbd) or 79.05 million barrels for the month, indicating an increase of 6.3 per cent over the preceding month's level. Crude oil exports were estimated at 2.10 mbd or 65.1 million barrels for the month, compared with 2.09 mbd in the preceding month. Deliveries of crude oil to 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\$38.42 per barrel, reflecting an increase of 8.1 per cent over the preceding month's level.

Available data on foreign exchange flows through the Central Bank of Nigeria (CBN) showed an inflow of US\$2,231.55 million and an outflow of US\$1,331.31 million, resulting in a net inflow of US\$900.24 million during the month. Foreign exchange sales to authorized dealers

by CBN amounted to US\$895.38 million, compared with US\$969.76 million in June 2004. The weighted average exchange rate of the Naira vis-à-vis the US dollar, however, depreciated marginally by 0.05 per cent from ₦132.81 per dollar in June 2004 to ₦132.88 per dollar in July. In the bureaux de change segment of the market, the rate appreciated from ₦140.00 per dollar in June 2004 to ₦139.84 per dollar in July. Nigeria's gross external reserves, increased by 7.2 per cent to US\$12,228.31 million as at end-July, 2004.

On the international scene, world crude oil demand estimated at 80.05 million barrels per day (mbd) exceeded the estimated supply by 0.93 mbd. Other major international economic developments of relevance to the domestic economy during the month included:

The provision of \$460 million grant by the United States of America to Nigeria for a five-year period in Support of the National Economic Empowerment and Development Strategy (NEEDS). The grant during the five year period (2004-2009) was to support various programmes, including education, democratic governance, electoral system, agriculture, social sector service delivery and HIV/AIDS mitigation.

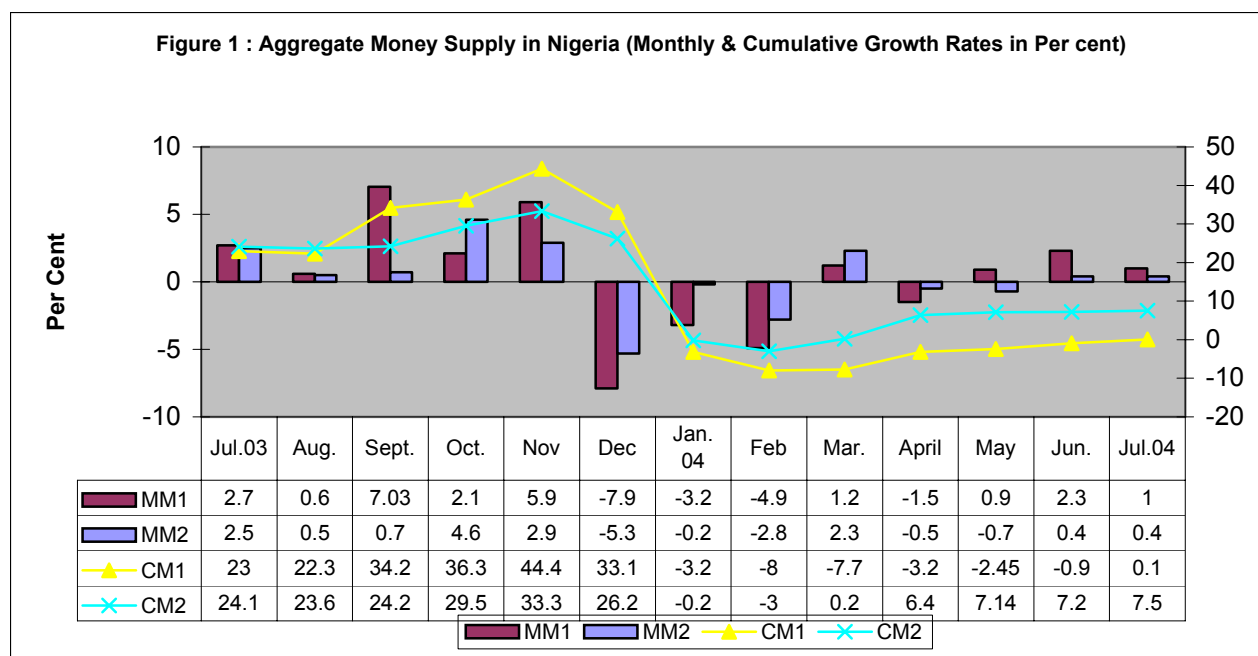
Finally, the United States of America Extended the Africa Growth and Opportunity Act (AGOA) to 2015 to enable the continent to take full advantage of the trade opportunities associated with AGOA.

## 2.0 FINANCIAL SECTOR DEVELOPMENTS

Money supply increased further in July 2004, as banks' deposit and lending rates generally increased during the month. Also, the value of money market assets rose following the increases in the value of commercial papers and Bankers Acceptances. Transactions on the Nigerian

largely to the 8.0 per cent rise in credit to the domestic economy during the review month. In the first seven months of the year,  $M_1$  rose by 0.1 per cent, as against the target growth of 13.4 per cent for the whole year. Similarly,  $M_2$  rose by 7.5 per cent, implying an annualized growth rate of 12.9 per cent, compared with the programmed target of 16.0 per cent for fiscal 2004. (fig. 1 and table 1).

Aggregate banking system's credit to



Stock Exchange (NSE) were bearish as the major indicators trended downward during the month.

### 2.1 Monetary and Credit Developments

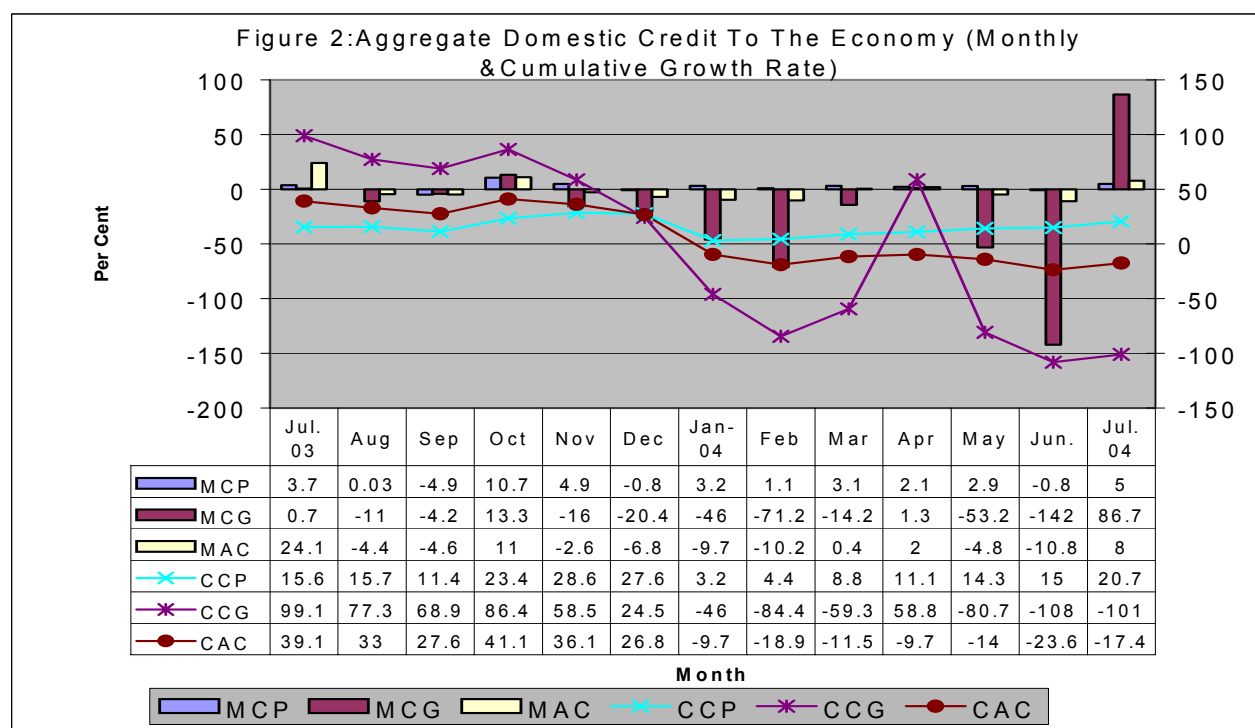
Available data indicated an increase in monetary aggregates in July 2004. Broad money supply ( $M_2$ ) and narrow money supply ( $M_1$ ) increased by ₦7.6 billion or 0.4 per cent and ₦11.6 billion or 1.0 per cent, to ₦2,134.8 billion and ₦1,226.4 billion, respectively, in the review month. The increase in money stock was attributable

the domestic economy increased by ₦108.1 billion or 8.0 per cent to ₦1,457.0 billion, in contrast to a decline of ₦163.0 billion or 10.8 per cent in the preceding month. The development reflected the increase in net claims on the Federal Government and the private sector during the review month. In the first seven months of the year, aggregate bank credit (net) to the domestic economy, however, fell by 17.4 per cent as against the target growth of 22.4 per cent for fiscal 2004, reflecting the fall in net claims on the Federal Government during the period.

Banking system's credit to the Federal Government increased by ₦38.9

billion or 86.7 per cent following largely the substantial increase in deposit money banks' (DMBs) holding of treasury bills which was

the preceding month. The rise in the month under review was attributable largely to the 9.8 per cent increase in the CBN's holding.



moderated by the increase in the Federal Government deposits with the CBN. Over the level at end-December 2003, however, claims on the Federal Government fell by 101.1 per cent, as against the growth target of 23.3 per cent for fiscal 2004.

Banking System's credit to the private sector rose by ₦69.2 billion or 5.0 per cent to ₦1,463.0 billion, compared with the decline of ₦11.2 billion or 0.8 per cent in the preceding month. The rise reflected the increase in claims by deposit money banks (DMBs) during the month. In the first seven months of the year, aggregate credit to the private sector rose by 20.7 per cent, compared with the programmed target of 22.0 per cent for fiscal 2004 (fig. 2).

At ₦2,085.9 billion, foreign assets (net) of the banking system rose by ₦149.7 billion or 7.7 per cent, in contrast to the increase of ₦205.4 billion or 11.9 per cent in

Quasi-money fell by ₦4.0 billion or 0.4 per cent to ₦908.4 billion, as against the decline of ₦19.0 billion or 2.0 per cent in the preceding month. It however, rose by ₦16.7 billion or 2.1 per cent when compared with the corresponding period of 2003.

Other Assets (net) of the banking system fell by ₦249.8 billion or 21.6 per cent, similar to the declines of ₦33.7 billion or 3.0 and ₦189.3 billion or 19.4 per cent in the preceding month and the corresponding period of 2003, respectively. The fall was traceable largely to the rise in the unclassified liabilities of the Central Bank during the month.

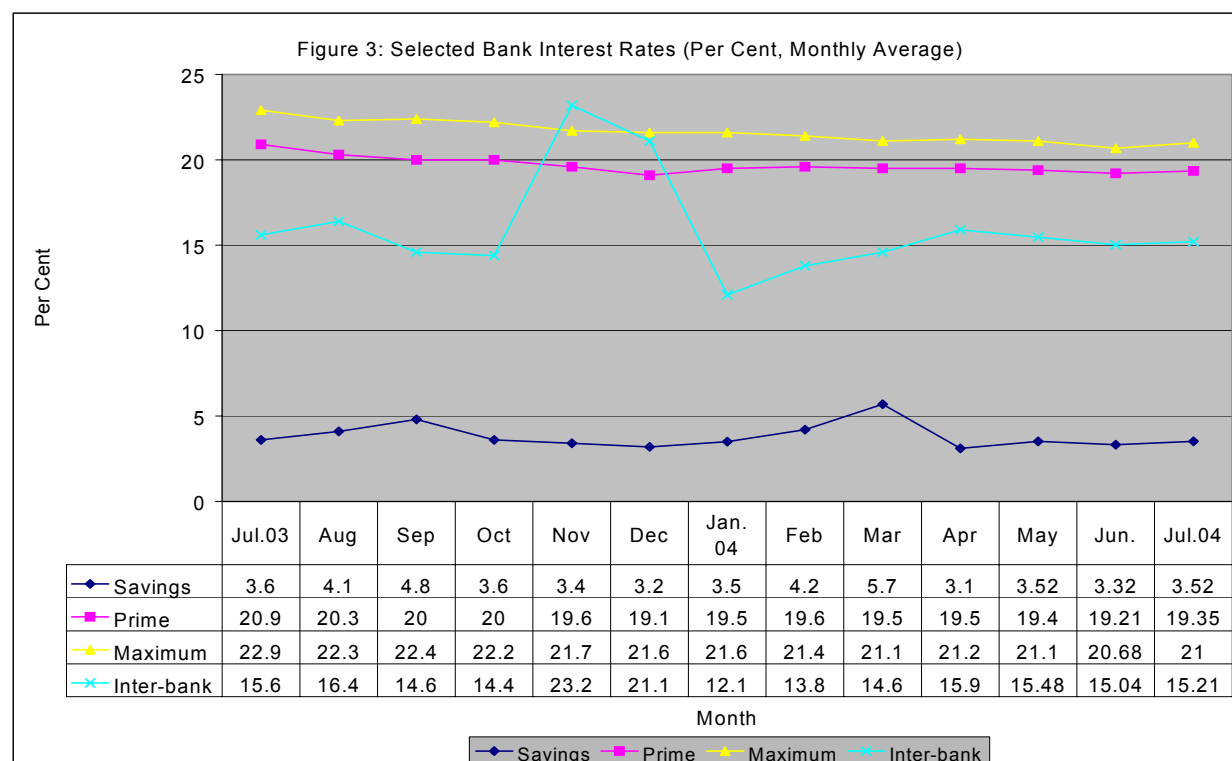
## 2.2 Currency-in-circulation and Deposits at the CBN

At ₦457.2 billion, currency in circulation in July 2004 increased by ₦0.9 billion or 0.2 per cent compared with the level in the preceding month, but fell by ₦45.1 billion or 9.0 per cent when 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 ₦2.3 billion or 2.8 per cent during the month. Currency outside banks, however, fell by ₦1.4 billion or 0.4 per cent during the period.

the Federal government, and the offsetting effect of the ₦3.2 billion or 1.6 per cent and ₦8.2 billion or 7.3 per cent in deposits of 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 76.6, 15.2 and 8.2 per cent, respectively, compared with 74.9, 15.5 and 9.6 per cent, in June, 2004.

## 2.3 Interest Rate Developments

Available data indicated a general increase in banks' deposit and lending rates in July 2004. The average savings deposit



Total deposits at the CBN amounted to ₦1,281.4 billion, indicating increases of ₦9.4 billion or 0.7 per cent and ₦560.6 billion or 77.8 per cent over the levels in the preceding month and end-December 2003, respectively. The development during the month was traceable to the increase of ₦20.7 billion or 2.2 per cent in deposits of

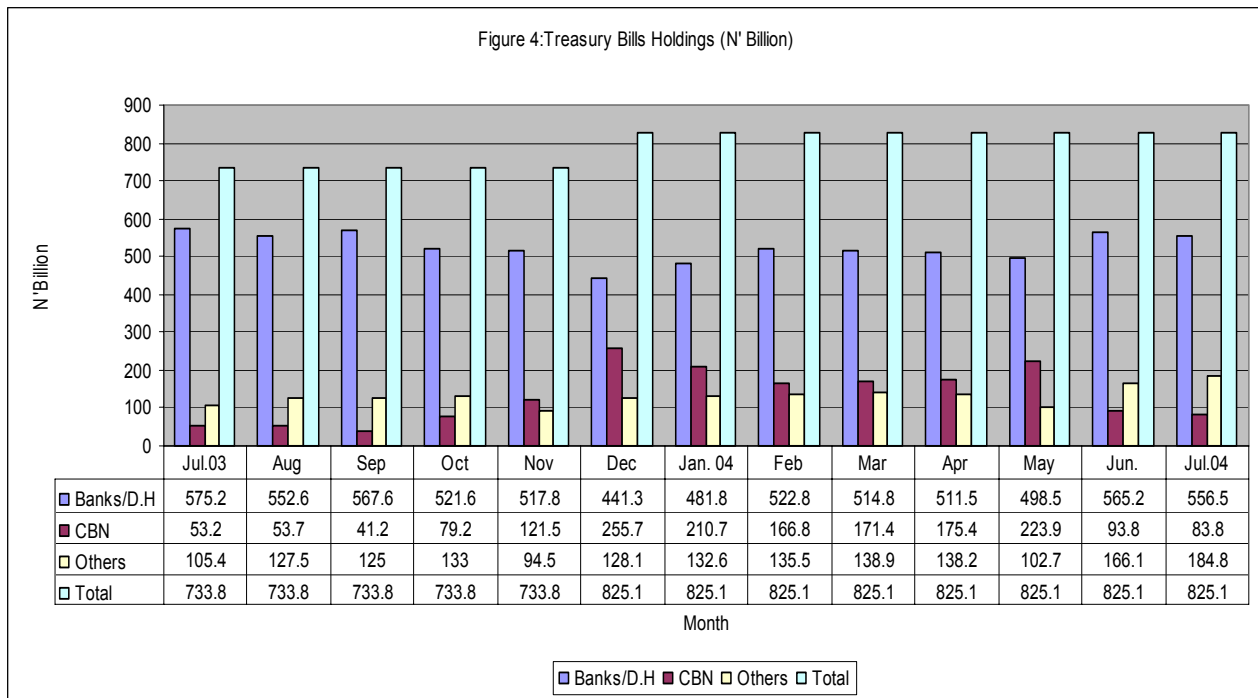
rate rose by 0.2 percentage point to 3.5 per cent, while all other rates on deposits of various maturities rose from a range of 7.5 – 12.2 per cent in June to 7.9 – 12.5 per cent in July 2004. Similarly, the weighted average prime and maximum lending rates rose by 0.1 and 0.3 percentage points to 19.4 and 21.0 per cent, respectively. The spread between the weighted average deposit and

maximum lending rates, however, narrowed to 11.4 percentage points from 11.6 percentage points in the preceding month. The margin between the average savings deposit and maximum lending rates widened marginally to 17.5 percentage points from 17.4 percentage points in the preceding month.

The weighted average inter-bank call rate, which was 15.0 per cent in June, rose to 15.2 per cent in July 2004, reflecting the tight liquidity condition in the inter-bank funds market during the review month (fig. 3).

during the review month was as a result of the increases of 1.8 and 5.8 per cent in commercial papers and Bankers Acceptance, respectively. Treasury Bills outstanding, however, remained unchanged at the preceding month's level of N825.1 billion.

Treasury bills worth ₦325.0 billion were issued during the month to replace matured bills of equivalent value, compared with ₦240.1 billion issued in the preceding month. Of the total amount issued, the non-bank public accounted for ₦107.8 billion or 33.17 per cent of the total, while investment by the deposit money banks (DMBs) and discount houses amounted to ₦109.7 billion



or 33.75 per cent. The balance of ₦107.5 billion was absorbed by the CBN.

## 2.4 Money Market Developments

Available data indicated that the level of money market instruments outstanding at end-July 2004 rose by ₦4.1 billion or 0.4 per cent to ₦957.8 billion, as against the decline of ₦13.1 billion or 1.4 per cent in the preceding month. The rise

Analysis of outstanding treasury bills holdings indicated that DMBs' and discount houses' together accounted for ₦556.5 billion or 67.45 per cent of the total, while that of the non-bank public rose by 11.3 per cent to ₦184.8 billion representing 22.39 per cent of total. Consequently, CBN's holding

(including rediscounts) declined by 10.7 per cent to ₦83.8 billion constituting 10.16 per cent of total during the review month.

## 2.5 Capital Market Developments

Available data indicated that activities on the Nigerian Stock Exchange (NSE) in July 2004 were bearish as all the major market indicators trended downward. The volume and value of securities traded fell by 25.0 and 23.1 per cent to 1.7 billion shares and ₦22.6 billion, respectively, during the month as against 2.3 billion shares and ₦29.4 billion recorded in June 2004. All transactions were in equities as the Federal and industrial loan stocks remained dormant during the period. The banking sub-sector, however, maintained its lead as the most active on the Exchange during the month. The market capitalisation and value index also fell by 6.7 per cent each to close at ₦1.9 trillion and 27,464.9 (1984=100), respectively, in the month under review, compared with ₦2.1 trillion and 29,439.00 in June, 2004. The development was attributable to the price adjustments for dividends payment and scrip issues declared by several of the blue chip companies during the period under review.

## 2.6 Deposit Money Banks' Activities

Total assets/liabilities of deposit money banks (DMBs) amounted to ₦3,531.8 billion in July 2004, representing increases of ₦36.9 billion or 1.1 per cent and ₦484.0 billion or 15.9 per cent over the level in the preceding month and end-December 2003 level, respectively. The development was attributed to increases in the sector's claims on both the private sector as well as the central government during the review month. Funds were sourced mainly from higher demand deposits and capital accounts, while funds were used to settle

claims on both private sector and the central government.

Aggregate credit to the domestic economy by the DMBs amounted to ₦1,902.1 billion, representing an increase of ₦99.6 billion or 5.5 per cent over the level in the preceding month. It also, rose by ₦400.5 billion or 26.7 per cent over the level at end-December 2003. A breakdown showed that credit to the private sector and the central government rose by ₦69.5 billion or 5.1 per cent and ₦30.1 billion or 7.1 per cent to ₦1,449.7 billion and ₦452.4 billion, respectively, during the review month.

Central Bank's credit to the DMBs rose by 11.4 per cent to ₦71.3 billion in July 2004. The development was attributable to the increase of 52.8 per cent over the preceding month's level in overdraft facilities granted to some DMBs during the month.

Total specified liquid assets of the DMBs amounted to ₦936.6 billion, representing 50.2 per cent of their total deposit liabilities. The level was 0.3 per cent below the preceding month's level and 10.2 percentage points above the minimum target of 40.0 per cent for fiscal 2004.

## 2.7 Discount Houses

Total assets/liabilities of the discount houses amounted to ₦59.5 billion in July 2004, indicating a decline of ₦6.4 billion or 9.7 per cent below its level in the preceding month, but an increase of ₦13.2 billion or 28.6 per cent over the level in the corresponding month of 2003. Their investments in the Federal Government securities of less than 91 days maturity amounted to ₦32.6 billion, representing 76.1 per cent of their total deposit liabilities. This was 10.1 percentage points below the level



in the preceding month, but 16.1 percentage points higher than the prescribed minimum of 60.0 per cent for fiscal 2004.

Total borrowings by discount houses stood at ₦17.5 billion, while their capital and reserves was ₦9.3 billion, resulting in a gearing ratio of 1.9:1, compared with the stipulated maximum target of 50:1 for the year.

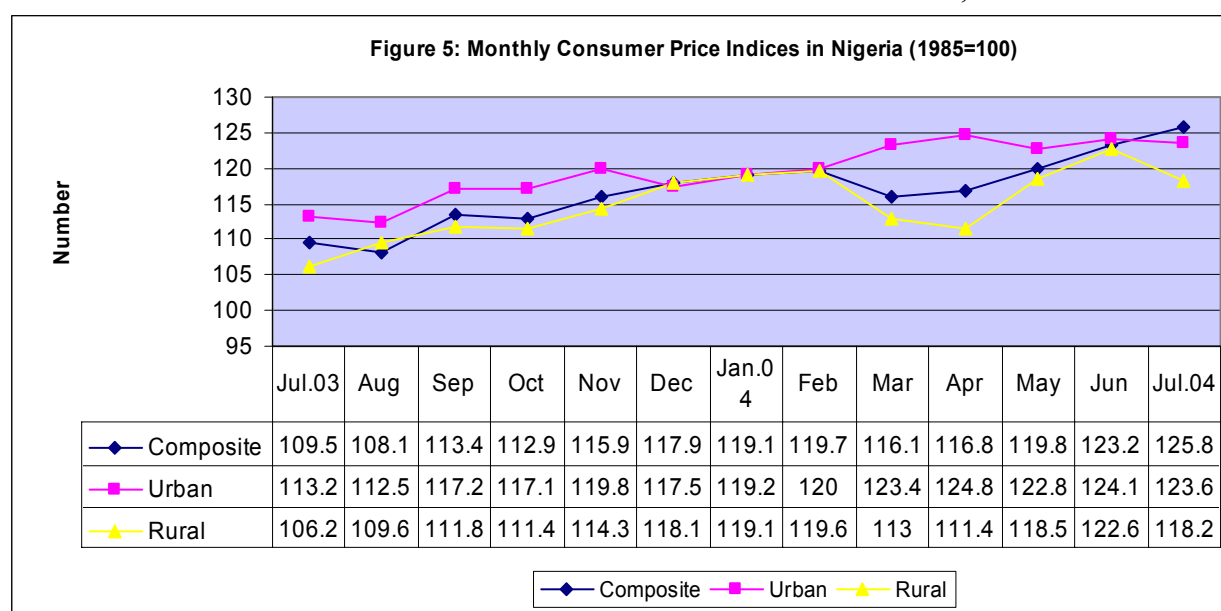
### 3.0 DOMESTIC ECONOMIC CONDITIONS

The major agricultural activities in July, 2004 were weeding, staking of yams, harvest of early maize and cultivation of various crops as well as the intensified clearing and disinfecting of broiler houses.

### 3.1 Agricultural Sector

Predominant agricultural activities consisted of weeding, staking of yams and the harvest of late maize. In the livestock sub-sector, most poultry farmer's intensified clearing and disinfecting of broiler houses and their surroundings to minimize the incidence of diseases associated with wet seasons.

The prices of Nigeria's major agricultural commodities at the London Commodity Market, on the average, rose during the month. The all-commodities price index, at 82.5 (1985=100), in dollar terms, rose by 1.7 per cent over its level in the preceding month but declined by 8.1 per cent from the level in the corresponding month of 2003. In naira terms, the all-commodities



Crude oil output increased by 6.3 per cent over the preceding month's level, while inflationary pressure persisted as the estimated rate of inflation of 19.7 per cent indicated an increase of 0.3 percentage points over the preceding month's level.

price index showed an increase of 1.5 per cent over the level in the preceding month and a decline of 2.9 per cent from the level in the corresponding period of 2003.

Of the six commodities monitored during the month only cocoa recorded price increase of 2.4 per cent in dollar terms. The other five commodities recorded price declines ranging from 0.6 per cent for palm-

oil to 9.2 per cent for cotton. When compared with their levels in the corresponding month of 2003, coffee, soya bean, palm oil, and copra recorded price increases of 2.7, 17.4, 22.8 and 40.3 per cent, respectively, while cotton and cocoa recorded price declines of 2.7 and 13.1 per cent, respectively.

In naira terms, only cocoa recorded price increase of 2.5 per cent over its level in the preceding month. Four commodities namely, cotton, coffee, soya bean and palm-oil recorded price declines of 9.2, 8.5, 2.6 and 0.6 per cent, respectively, while the price of copra stabilised at its level in the preceding month. Compared with their levels in the corresponding month of 2003, five commodities recorded price increases of 45.9, 27.6, 22.0, 6.8 and 1.2 per cent for copra, palm oil, soya bean, coffee and cotton respectively, while cocoa recorded a price decline of 9.6 per cent.

### **3.2 Petroleum Sector**

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.55 million barrels per day (mbd) or 79.05 million barrels for the month, compared with 2.48 mbd produced in June 2004. Crude oil export was estimated at 2.10 mbd for the month, compared with 2.09 mbd in June 2004. Deliveries of crude oil to refineries for domestic consumption remained at the preceding month's level of 0.45 mbd or 13.95 million barrels in July 2004.

Crude oil prices rose in July 2004. In the spot market, the average price of Nigeria's reference crude, the Bonny Light (37° API), was US\$38.42 a barrel during the month, indicating an increase of US\$2.87 a barrel or 8.1 per cent over 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 rose by 6.3, 7.7, 7.4 and 8.3 per cent to US\$40.47, US\$38.06, US\$35.40 and US\$38.23 per barrel, respectively, during the month. In the netback market, the prices of all crude blends, similarly rose over their levels in the preceding month. For instance, the UK Brent indicated an increase of 1.8 per cent over the level in the preceding month to settle at \$46.26 during the month. The Bonny Light and WTI were also sold for \$47.02 and \$46.24 a barrel, respectively, compared with their prices of \$45.86 and \$45.81 a barrel in the preceding month. The major factors responsible for the price increase included high demand for crude oil in the United States to replenish depleted inventories, destruction of the Iraq's oil pipelines, threat of strike by oil workers in Nigeria and Norway as well as the general uncertainties in the Middle East. The disruption of oil supply from Russia, owing to the news of oil giant Yukos' bankruptcy, also affected market prices positively.

### **3.3 Consumer Prices**

Based from the Federal Office of Statistics (FOS) indicated that the all-items composite Consumer Price Index (CPI) for July 2004 was 121.2 (May 2003 = 100), representing increases of 1.0 and 10.7 per cent over the levels in the preceding month and the corresponding month of 2003, respectively. The development during the month was attributable to the rise in the indices of clothing and footwear; housing, water, electricity, gas and other fuel; furnishing, household equipment and household maintenance; health; communication; and miscellaneous goods and services by 2.7; 5.0; 6.1; 4.9; 44.2 and 6.7 per cent, respectively. This was, however, moderated by the declines of 1.8; 1.7; 1.4; 1.1; 3.0; 5.4; and 0.8 per cent,

respectively, in the indices of food; food and non-alcoholic beverage; alcoholic beverage; transport; recreation and culture; education; and restaurant and hotels, respectively, while the index of education remained unchanged during the review month.

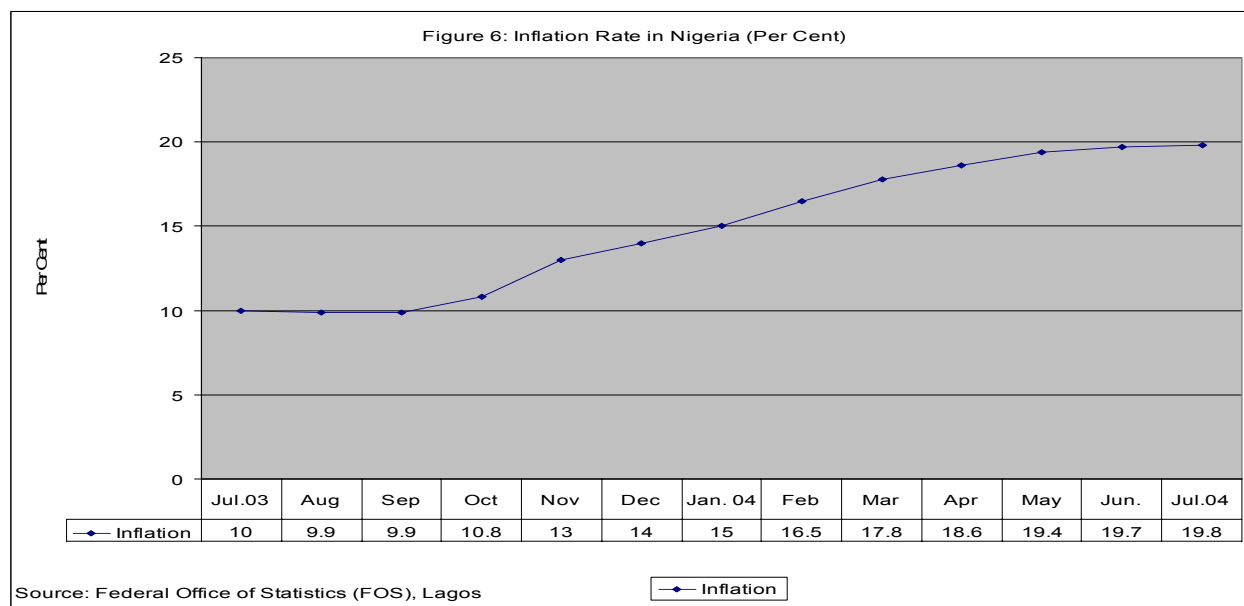
The urban all-items CPI for July 2004 was 123.8 (May 2003=100), indicating marginal decline of 0.1 below the level in the preceding month but an increase of 9.3 per cent over the level in the corresponding month of 2003. Also, the rural all-items CPI at 120.1 (2003=100), indicated increases of 1.5 and 11.3 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 the F C T Abuja as well as in Bauchi, Enugu, Ibadan and Kano areas showed increases, while price declines were recorded in the Lagos area. The retail price index (RPI) showed an increase of 0.82 per cent in the

traceable to the increase in the indices of staples; vegetables, fruits and nuts; fuel and light; medical; as well as building materials by 0.75; 0.04; 2.66; 1.71; and 1.15 per cent, respectively, while the indices of meat, fish and egg; oil and fat; beverages and drinks and clothing and fabrics fell by 1.72, 1.55, 0.58 and 0.33 per cent, respectively.

Price increases of 1.28, 3.17, 1.13, 0.07 and 0.42 per cent were recorded in Bauchi, Enugu, Ibadan, Kano, and F.C.T Abuja areas, respectively, while a price decline of 1.13 per cent was recorded in Lagos area during the review month.

The rate of inflation for the twelve-month-period ended July 2004 was 19.1 per cent, in contrast to 19.4 and 10.0 per cent recorded in the preceding month and corresponding month of 2003, respectively. The moderation in inflationary pressure reflected the dampening effect of new harvest on the prices of food items and the tight monetary policy.



all-items average price of consumer items in July 2004, compared with 1.72 per cent increase in the preceding month. The development during the review month was

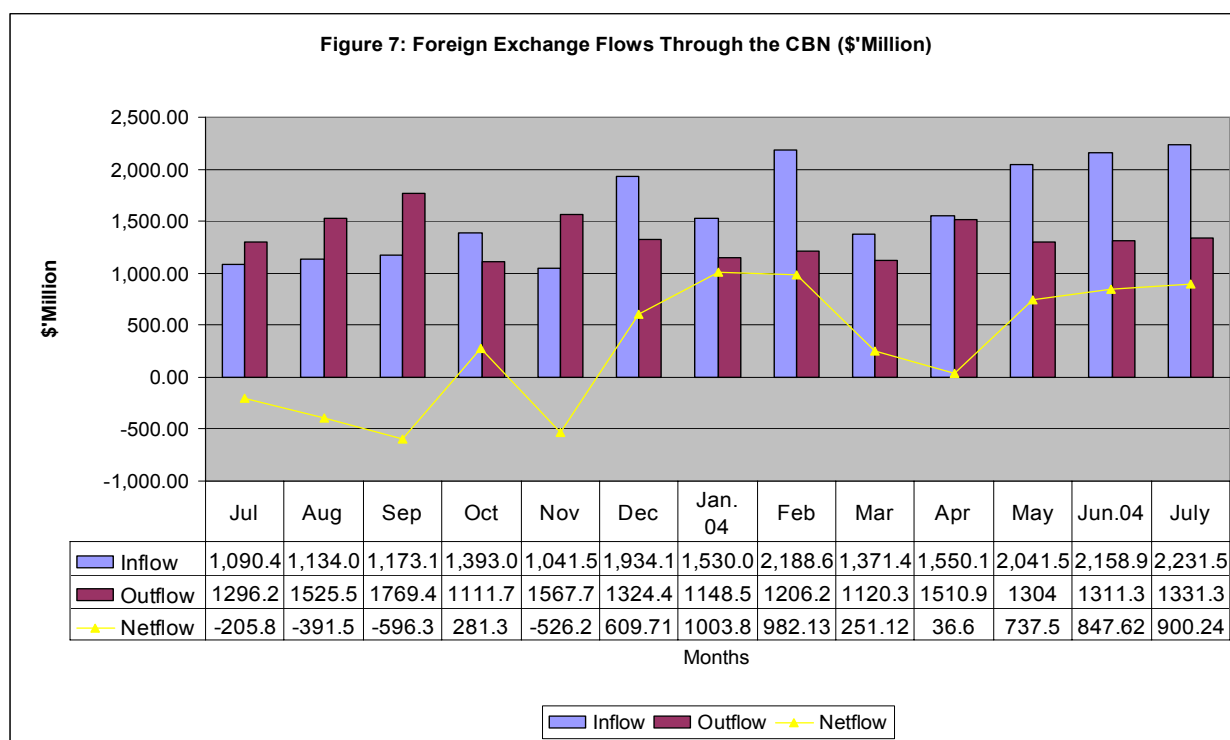
## 4.0 EXTERNAL SECTOR DEVELOPMENTS

### 4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) in July 2004, amounted to US\$2,231.55 million and US\$1,331.31 million, respectively, indicating a net inflow of US\$900.24 million. Compared with their levels of US\$2,158.91 million and US\$1,311.29 million in the preceding month, inflow and outflow rose by 3.4 and 1.5 per cent, respectively, during the month. The rise in inflow was attributable to the 3.8

67.7 and 7.7 per cent reductions in drawings on L/C and DAS utilisation, respectively, however, moderated the rise in outflow during the month under review. At US\$13,072.18 million, cumulative inflow through the CBN in the first seven months of 2004 was 54.5 per cent higher than its level in the corresponding period a year earlier. Conversely, cumulative outflow through the Bank in the same period was US\$8,932.47million, representing a fall of 1.4 per cent below its level in the corresponding period a year earlier.

Aggregate foreign exchange flows through the economy indicated that total inflow fell by 2.0 per cent from the level in the preceding month to US\$3,033.92 million in July 2004. Receipts from oil sector, which constituted 69.4 per cent of the total rose by



per cent increase in oil sector receipts. Non-oil official receipts, however, fell by 3.3 per cent. The increase in outflow, on the other hand, was traceable to the 354.8 and 17.8 per cent increases in external debt service payments and other official payments, respectively. The offsetting effects of the

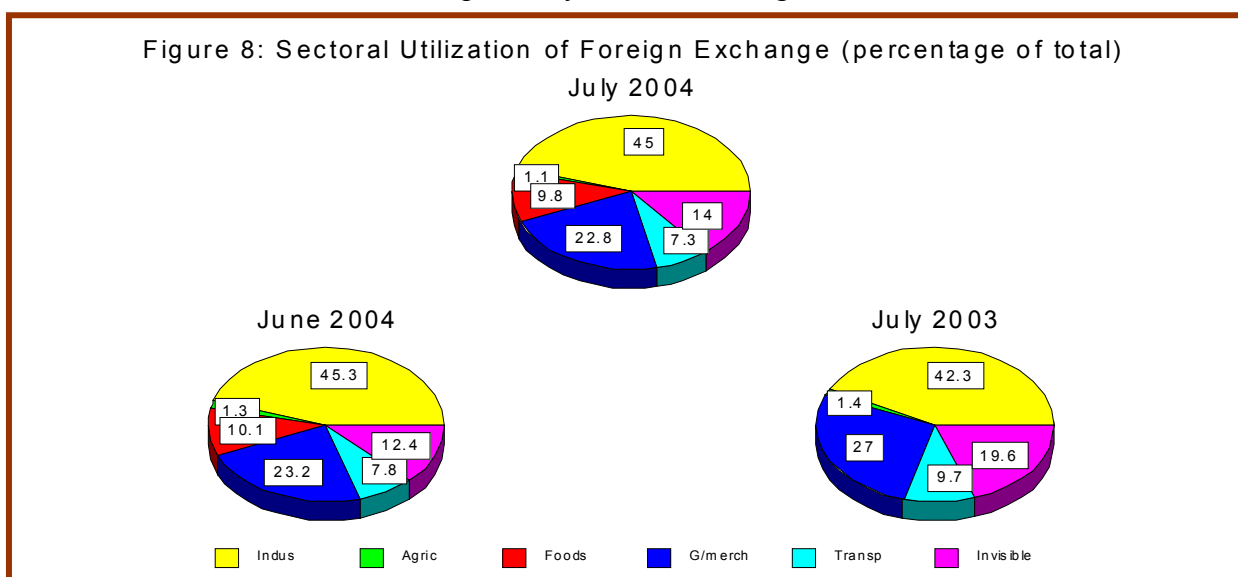
3.8 per cent to US\$2,104.46 million, while receipts through autonomous sources fell by 14.4 per cent to US\$802.37 million and accounted for 26.5 per cent of the total in the review month. Non-oil public sector receipts also, fell by 3.3 per cent to US\$127.09 million, representing 4.1 per cent of the

total. At US\$1,374.41 million, total foreign exchange outflow from the economy increased by 2.0 per cent in July 2004. This reflected largely increases in payments through the CBN, particularly external debt service payments, “other official payments”, and outflow through autonomous sources which rose from US\$15.5 million, US\$304.39 million and US\$36.84 million to US\$70.50 million, US\$358.45 million and US\$43.1 million, respectively.

Other beneficiary sectors, in a descending order of importance, included: invisibles (14.0 per cent), food (9.8 per cent), transportation (7.3 per cent) and agricultural products (1.1 per cent) (Fig.8).

### 4.3 Foreign Exchange Market Developments

The demand pressure in the foreign exchange market moderated as a total of



Outflow through funding of the Dutch Auction System and drawings on L/Cs, however, declined from US\$969.76 million and US\$21.64 million to US\$895.38 million and US\$6.98 million, respectively, during the month. Cumulative inflow and outflow through the economy as at end-July 2004 amounted to US\$18,303.02 million and US\$9,294.69 million, respectively, compared with US\$13,052.8 million and US\$9,668.44 million in the corresponding period of 2003.

### 4.2 Sectoral Utilisation of Foreign Exchange

The industrial sector accounted for the bulk (45.0 per cent) of total foreign exchange disbursed in July 2004, followed by general merchandise (22.8 per cent).

foreign exchange sold to end-users by CBN through the authorized dealers fell by 7.7 per cent to US\$895.38 million from US\$969.76 million in the preceding month. The weighted average exchange rate of the Naira vis-à-vis the US dollar, however, depreciated marginally by 0.05 per cent from ₦132.81 per dollar in June 2004 to ₦132.88 per dollar in July 2004. In the bureaux de change segment of the market, the rate, however, appreciated from ₦140.00 per dollar in June 2004 to ₦139.84 per dollar in July 2004. Consequently, the premium between the bureaux de change and official market rates narrowed to 5.3 from 5.5 per cent in June 2004.

### 4.4 External Reserves

Provisional data showed that Nigeria's gross external reserves at end-July, 2004

amounted to US\$12,228.31 million, indicating an increase of 6.9 per cent over the preceding month's level of US\$11,441.36 million. At current level of foreign exchange commitments, the reserves could finance about 9.2 months of foreign exchange disbursement.

## **5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS**

World crude oil output, estimated at 79.12 million barrels per day (mbd) in July 2004 rose by 0.29 mbd or 0.4 per cent over the preceding month's level of 78.83 mbd, while the estimated demand at 80.05 mbd for the month, rose by 0.30 mbd or 0.4 per cent. Overall, total world oil demand exceeded supply by 0.93 mbd owing largely to the build up of United States' strategic reserves and fear of supply disruption in the Middle East.

Other major international economic developments of relevance to the domestic economy during the month included: the provision of grant worth \$460 million to Nigeria by the United States Government for a five-year period (2004-2009) to support education, democratic governance, electoral system, agriculture, social sector service delivery and HIV/AIDS mitigation programmes. The grant represented a major commitment by the United States Agency for International Development (USAID) to Nigeria's National Economic Empowerment and Development Strategy (NEEDS)).

Finally, the United States Government extended the African Growth and Opportunity Act (AGOA) from 2008 to 2015. The Act enacted in May 2000, gives preferential trade access to some products (particularly agricultural) of African origin in the American market on the condition that

these countries design policies to reform and open their economies as well as operate free markets. Under the Act, Nigeria and other African countries, can export textiles and apparels duty free to the United States. The law extending the AGOA was signed on July 13, 2004 by the American President to enable more African countries including Nigeria to take advantage of the trade opportunities associated with AGOA.