

# **CENTRAL BANK OF NIGERIA**



## **MONTHLY REPORT**

**AUGUST 2004**

**RESEARCH DEPARTMENT**

# **CENTRAL BANK OF NIGERIA**

## **MONTHLY REPORT**

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## ECONOMIC REPORT FOR THE MONTH OF AUGUST 2004

### 1.0 SUMMARY

Available data indicated that both broad money stock ( $M_2$ ) and narrow money supply ( $M_1$ ) increased by 1.3 and 1.8 per cent, respectively, in August 2004 over the levels in the preceding month. The development was attributable largely to the rise in both aggregate bank credit to the domestic economy and foreign assets (net) of the banking system. Aggregate banking system's credit to the domestic economy and foreign assets (net) rose by 2.3 and 1.8 per cent, respectively, during the review month, compared with the increase of 8.0 and 7.7 per cent in the preceding month. During the first eight months of the year,  $M_2$  and  $M_1$  grew by 9.0 and 1.9 per cent, respectively.

Banks' deposit rates rose during the month while the spread between the average savings deposit and maximum lending rates narrowed to 15.8 percentage points as against 16.0 percentage point in the preceding month. The margin between banks' weighted average deposit and maximum lending rates, also narrowed to 10.7 percentage points from the preceding month's level of 10.8 percent. The weighted average inter-bank call rate, which stood at 15.9 per cent in July 2004, fell to 12.9 per cent in August, reflecting the liquidity ease in the inter-bank funds market.

The value of money market assets outstanding rose by 0.6 per cent to ₦958.52 billion in August 2004, compared with the increase of 0.4 per cent in the preceding month. Treasury bills worth ₦260.0 billion were issued during the month to replace matured bills of equivalent value, compared with ₦325.0 billion issued in July, 2004. Transactions on the Nigerian Stock Exchange (NSE) in the month of August

were bearish following adjustments for dividends payment and scrip issues by several of the companies listed on the Exchange. Also, the intended withdrawal of ₦74.5 billion public sector fund from the banking system in order to curb rising inflation in the economy, contributed to the crash in stock prices as many investors off-loaded their investment in stocks in order to raise money to pay back borrowed funds.

The major agricultural activities during the month were weeding, staking of yams and harvesting of late maize. 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 89.4 (1985=100), in dollar terms, rose by 8.4 per cent over its level in the preceding month but declined by 0.1 per cent from the level in the corresponding month of 2003. The inflation rate for the twelve-month period ended August, 2004 was estimated at 18.9 per cent, compared with 19.1 per cent in July, 2004.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.45 million barrels per day (mbd) or 75.95 million barrels for the month, compared with 2.40 mbd produced in July, 2004. Crude oil export was estimated at 2.00 mbd for the month, compared with 1.95 mbd in July 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 August, 2004. The bulk of this, was however, exported as the refineries could not process all crude allocated. In the spot market, the average price of Nigeria's reference crude outstanding

e, the Bonny Light (37° API), was US\$43.53 a barrel during the month, indicating an increase of US\$5.11 a barrel or 13.3 per cent over the level in the preceding month.

Available data on foreign exchange flows through the Central Bank of Nigeria (CBN) showed an inflow of US\$1,848.08 million and an outflow of US\$1,386.95 million, resulting in a net inflow of US\$461.13 million during the month. Foreign exchange sales to authorized dealers by CBN amounted to US\$754.12 million, compared with US\$895.38 million in July, 2004. The weighted average exchange rate of the Naira vis-à-vis the US dollar, however, remained virtually unchanged at the preceding month's level of ₦132.88 per dollar. In the bureaux de change segment of the market, the rate depreciated from ₦139.84 per dollar in July 2004 to ₦140.33 per dollar in August 2004. Nigeria's gross external reserves increased by 1.4 per cent to US\$12,179.24 million at end-August, 2004.

On the international scene, world crude oil demand estimated at 81.22 million barrels per day (mbd) was lower than the estimated supply by 0.78 mbd. Other major international economic developments of relevance to the domestic economy during the month included:

The adoption of a framework for the negotiation of an Economic Partnership Agreement (EPA) with the European Union by ECOWAS Ministers of Trade at a meeting held in Accra, Ghana in August, 2004. The negotiation framework would form the guide for both ECOWAS and the EU, while the Economic Partnership Agreement scheduled to commence in January, 2008 is expected to facilitate the integration of the West African states into the global economy. In another development, the World Bank and the

Federal Government signed the agreement in August, 2004 in Abuja, for the administration of a grant of \$900,000 from the Japanese government for the preparation of Nigerian Urban Youth Empowerment Project (NUYEP). The project is aimed at helping to solve the problem of youth unemployment in the country.

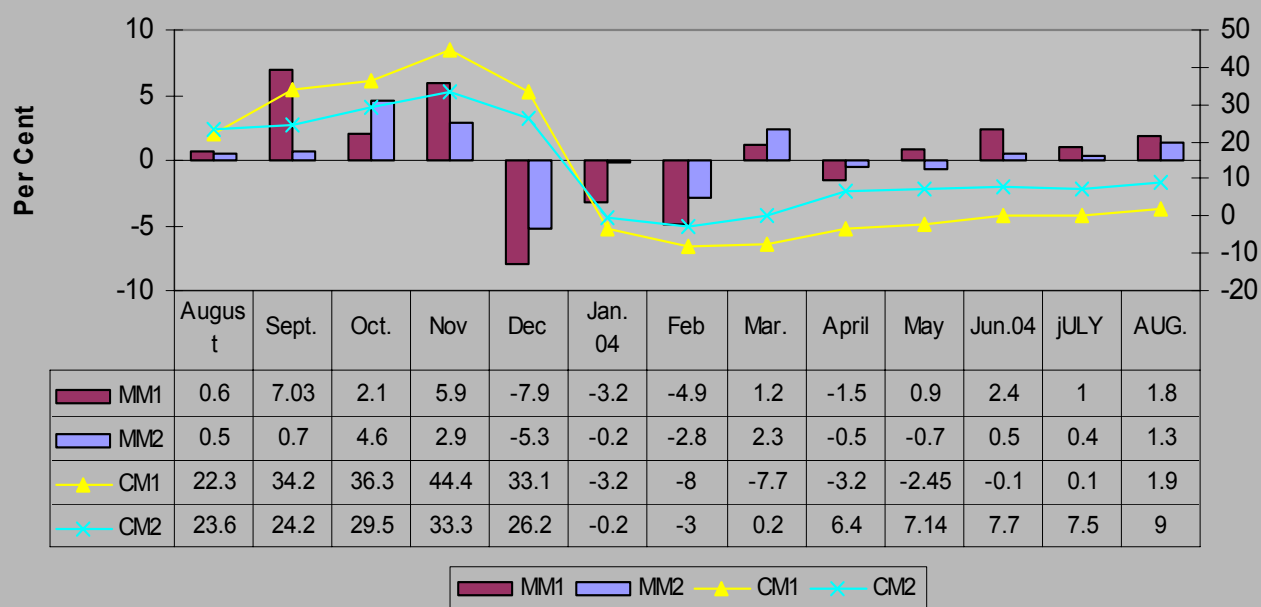
In a related development, the World Bank during the month under review approved a \$120 million loan for the implementation of the natural water supply scheme under the National Urban Water Sector Reform Project. The project is designed to enhance the completion and financial viability of selected urban water supply in some designated areas of the country.

## 2.0 FINANCIAL SECTOR DEVELOPMENTS

Money supply increased further in August 2004, as banks' deposit rates generally increased during the month. Also, the value of money market assets rose

month. The development was attributable largely to the rise in both aggregate bank credit to the domestic economy and foreign assets (net) of the banking system by 2.3 and 1.8 per cent, respectively. In the first eight months of the year, M<sub>1</sub> rose by 1.9 per cent, as against the target growth of 13.4 per cent

Figure 1 : Aggregate Money Supply in Nigeria (Monthly & Cumulative Growth Rates in Per cent)



following an increase in the value of commercial papers, but was moderated by a decline in Bankers Acceptance. Transactions on the Nigerian Stock Exchange (NSE) were, however, bearish as the major indicators trended downward during the month.

## 2.1 Monetary and Credit Developments

Provisional data indicated an increase in monetary aggregates in August 2004. Broad money supply (M<sub>2</sub>) and narrow money supply (M<sub>1</sub>) increased by ₦28.2 billion or 1.3 per cent and ₦22.2 billion or 1.8 per cent, to ₦2,163.0 billion and ₦1,249.0 billion, respectively, in the review

for the whole year. Similarly, M<sub>2</sub> rose by 9.0 per cent, representing an annualized growth rate of 13.5 per cent, which is within the programmed target of 16.0 per cent, for 2004. (fig. 1 and table 1).

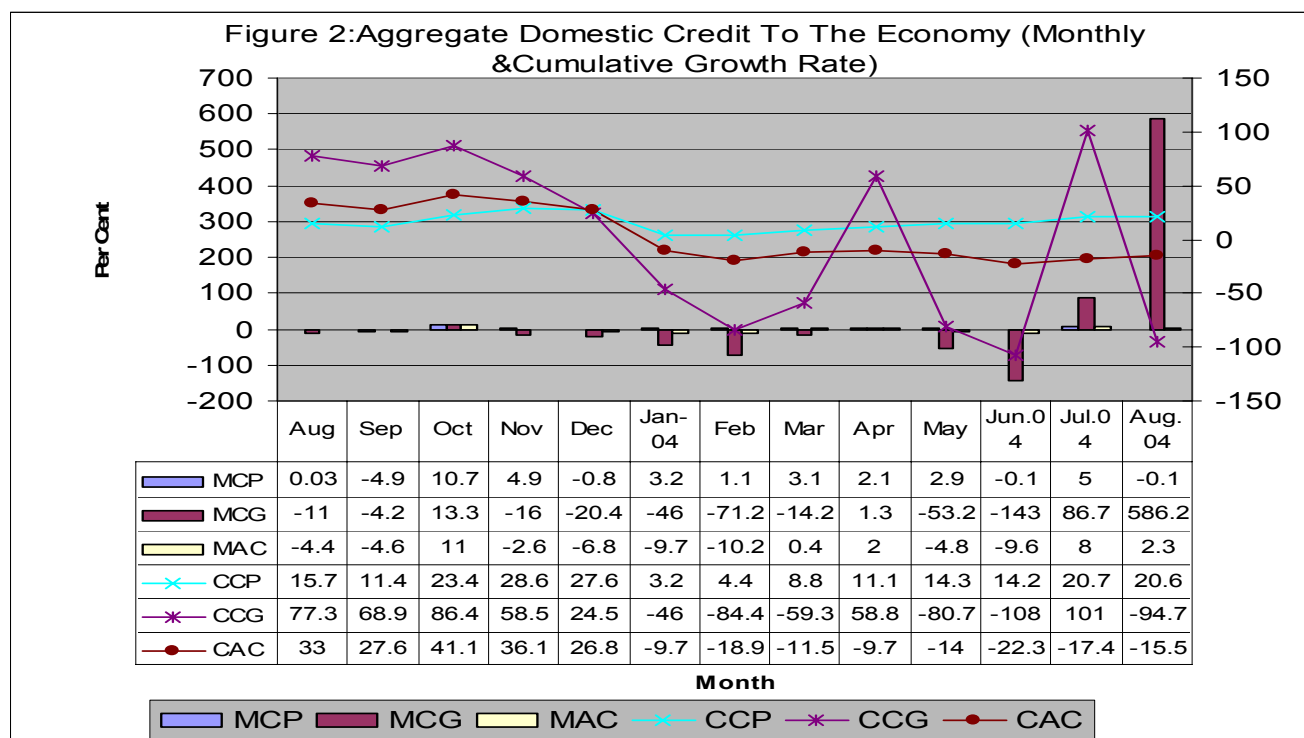
Aggregate banking system's credit to the domestic economy increased by ₦33.9 billion or 2.3 per cent to ₦1,490.8 billion, compared with an increase of ₦108.1 billion or 8.0 per cent in the preceding month. The development during the month, reflected entirely the increase in net claims on the Federal Government. In the first eight months of the year, aggregate bank credit (net) to the domestic economy, however, fell by 15.5 per cent as against the target growth of 22.4 per cent for 2004, reflecting the fall

in net claims on the Federal Government during the period.

Banking system's credit (net) to the Federal Government increased by ₦35.1 billion, reflecting largely the increase in CBN's net claims, following the substantial draw-down in Federal Government deposit with the apex bank during the review month.

rate of 30.9 per cent, compared with the programmed target of 22.0 per cent for the year (fig. 2).

At ₦2,123.3 billion, foreign assets (net) of the banking system increased by ₦37.4 billion or 1.8 per cent, compared with the increase of ₦149.3 billion or 7.7 per cent in July, 2004. The increase was attributable to



Over the level at end-December 2003, claims on the Federal Government fell by ₦523.4 billion or 94.7 per cent, as against the growth target of 23.3 per cent for fiscal 2004.

Banking System's credit to the private sector fell by ₦1.3 billion or 0.1 per cent to ₦1,461.7 billion, compared with the increase of ₦69.2 billion or 5.0 per cent in the preceding month. The decline reflected the fall in claims by deposit money banks (DMBs) during the month. Cumulatively, aggregate credit to the private sector rose by 20.6 per cent, between January and August 2004, representing an annualized growth

the 2.1 per cent rise in the CBN's holding.

Similarly, quasi-money rose by ₦6.0 billion or 0.7 per cent to ₦914.4 billion, in contrast to the decline of ₦4.0 billion or 0.4 per cent and ₦34.7 billion or 4.2 per cent in the preceding month and corresponding period of 2003, respectively.

Other Assets (net) of the banking system fell by ₦43.1 billion or 3.1 per cent, compared with the declines of ₦249.8 billion or 21.6 per cent and ₦40.4 billion or 3.5 per cent in the preceding month and corresponding period of 2003, respectively.

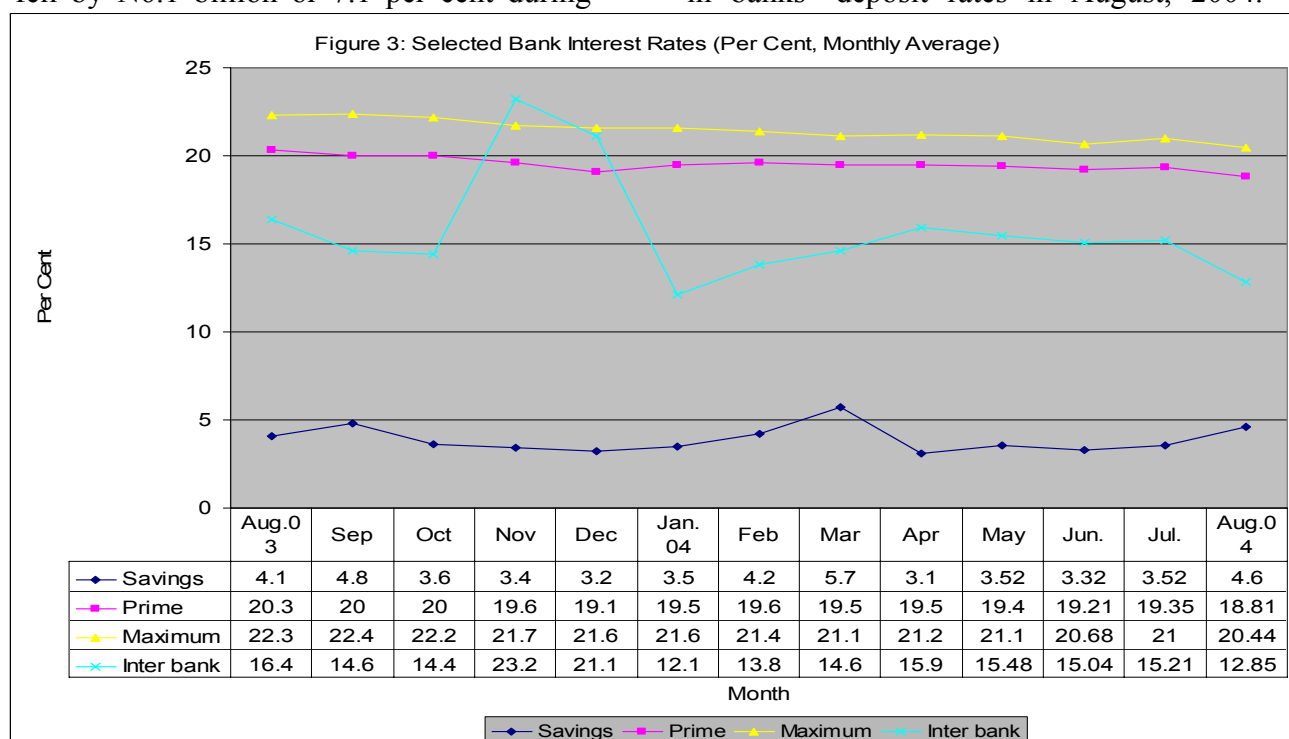
## 2.2 Currency-in-circulation and Deposits at the CBN

At ₦459.7 billion, currency in circulation in August, 2004 increased by ₦2.5 billion or 0.5 per cent, compared with the level in the preceding month, but fell by ₦42.6 billion or 8.4 per cent, as against the level at end-December 2003. The rise during the month was traceable to currency outside the banking system which, rose by ₦8.7 billion or 2.3 per cent during the month. Vault cash of the banking system, however, fell by ₦6.1 billion or 7.1 per cent during

the period. ₦2.5 billion or 1.3 per cent and ₦31.1 billion or 29.6 per cent in deposits of the 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 66.4, 19.9 and 13.7 per cent, respectively, compared with 70.9, 18.9 and 10.2 per cent, in July, 2004.

## 2.3 Interest Rate Developments

Provisional data indicated a general increase in banks' deposit rates in August, 2004.



the period.

Total deposits with the CBN amounted to ₦991.3 billion, indicating a decline of ₦12.3 billion or 1.2 per cent below the level in the preceding month but an increase of ₦270.5 billion or 37.5 per cent over the level at end-December 2003. The development during the month was attributable to the decline of ₦72.9 or 10 per cent in Federal Government deposit. This was, however, moderated by the increase of

With the exception of the average savings deposit rate which declined by 0.02 percentage point to 4.6 per cent, all other rates on deposits of various maturities, rose from a range of 7.31-12.67 per cent in July to 7.34 - 13.42 per cent in August, 2004. Also, the weighted average prime and maximum lending rates declined by 0.23 and 0.18 percentage points each to 18.81 and 20.44 per cent, respectively. The spread between the weighted average deposit and maximum lending rates narrowed to 10.69

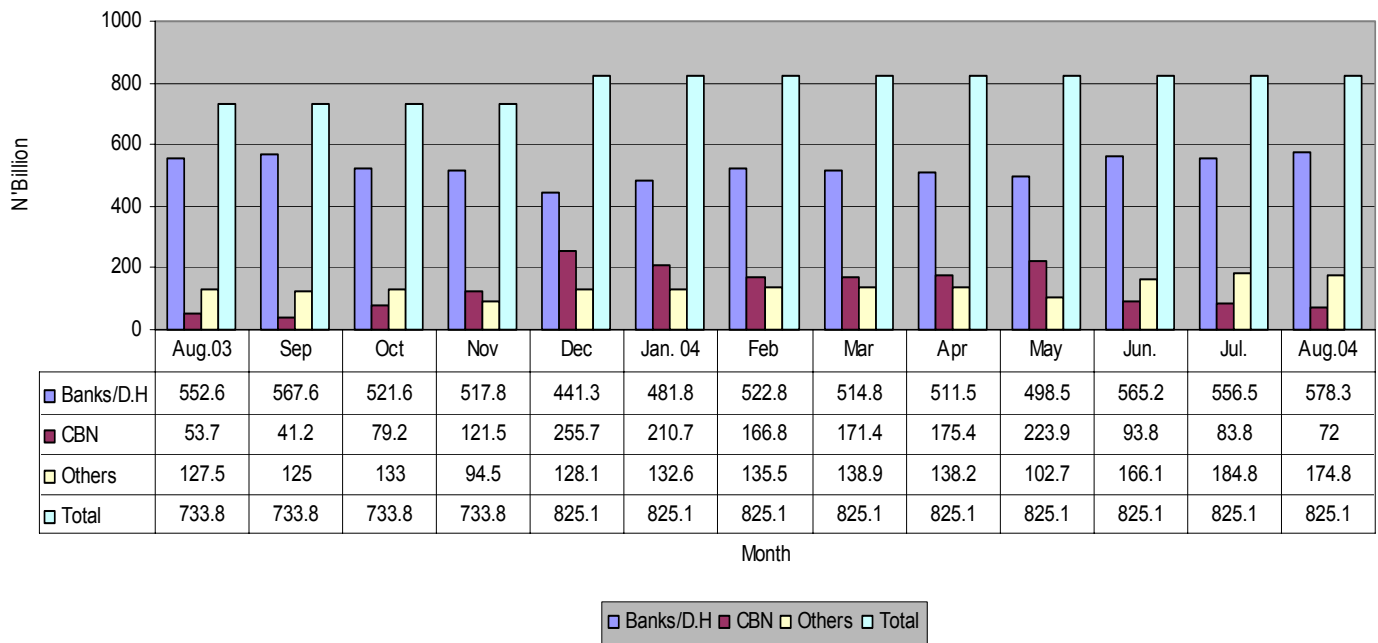


percentage points from 10.84 percentage points in the preceding month. Similarly, the margin between the average savings deposit and maximum lending rates which stood at 15.97 percentage points in July, 2004 declined to 15.81 percentage points in the review month.

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

Treasury bills worth ₦260.0 billion were issued during the month to replace matured bills of equivalent value, compared

Figure 4: Treasury Bills Holdings (N Billion)



The weighted average inter-bank call rate fell from 15.2 per cent in July, to 12.85 per cent in August 2004, reflecting the liquidity ease in the inter-bank funds market. (fig. 3).

## 2.4 Money Market Developments

Available data indicated that the level of money market instruments outstanding at end-August 2004 rose by ₦5.84 billion or 0.6 per cent to ₦958.52 billion, as against the decline of ₦1.00 billion or 0.1 per cent in the preceding month. The rise was traceable to the increase of 19.1 per cent in commercial papers but was moderated by the decline of 13.4 per

with ₦325.0 billion issued in the preceding month. Of the total amount issued, deposit money banks (DMBs) and discount houses jointly accounted for ₦95.1 billion or 36.6 per cent of the total, while investment by the non-bank public amounted to ₦57.5 billion or 22.1 per cent of the total. Consequently, the CBN's take-up during the month totaled ₦107.4 outstanding billion or 41.3 per cent of the total issue.

Analysis of treasury bills by holders indicated that DMBs' and discount houses together accounted for ₦578.3 billion or 70.1 of the total, while holdings by the non-bank public amounted to ₦174.8 billion or 21.2 per cent of the total. Consequently,

CBN's holding (including rediscounts) constituted ₦72.0 billion or 8.7 per cent of the total during the review month.

## 2.5 Capital Market Developments

Provisional data revealed that activities on the Nigerian Stock Exchange (NSE) in August, 2004 remained bearish as all the major market indicators trended downward. The volume and value of securities traded fell by 29.4 and 8.4 per cent to 1.2 billion shares valued at 20.7 billion, respectively, compared with 1.7 billion shares valued at ₦22.6 billion recorded in the preceding month. All transactions were in equities as the Federal and industrial loans/preference stocks remained dormant during the period. The banking sub-sector, however, as in the previous months, remained the most active on the Exchange. The new issues market was boosted by ₦6.0 billion Redeemable Development Bond issued by Akwa Ibom State Government during the month under review.

The market capitalisation and value index, however, fell by 5.3 and 12.1 per cent to close at ₦1.8 trillion and 23,774.27 (1984=100), respectively, in the month under review, compared with ₦1.9 trillion and 27,464.9 in July, 2004. The bearish trend on the stock market during the review month was largely attributable to the proposed withdrawal of ₦74.5 billion public sector fund from the banking system aimed at curbing the inflation in the economy. The intended action compelled banks to recall loans earlier granted to the investing public. This created a glut in the stock market as many investors in-turn off-loaded their investment in stocks in order to raise money to pay back the borrowed funds. The development precipitated the crash of stock prices, with the conglomerate, blue chip as well as petroleum companies suffering the

worst losses. Also, dividends payment and scrip issues by several of the companies listed on the Exchange during the month contributed to the crash of stock prices.

## 2.6 Deposit Money Banks' Activities

Total assets/liabilities of deposit money banks (DMBs) amounted to ₦3,493.3 billion in August, 2004, representing a decline of ₦38.6 billion or 1.1 per cent from the preceding month's level but an increase of ₦445.4 billion or 14.6 per cent over the level at end-December 2003. The development was attributable to the 7.7 and 3.0 per cent decline in foreign assets and claims on the Central Government, respectively. Funds were sourced mainly from reduction in foreign assets holdings and disposal of Government securities, while funds were used largely in settlement of deposit withdrawals and unclassified liabilities.

Aggregate credit to the domestic economy amounted to ₦1,901.6 billion, representing a decline of ₦0.5 billion or 0.03 per cent from the level in the preceding month, but an increase of ₦400.0 billion or 26.6 per cent over the level at end-December 2003. The decline during the month reflected largely, the fall in claims on the private sector.

Central Bank's credit to the DMBs fell by 12.8 per cent to ₦62.2 billion in August 2004. The decline was attributable largely to the fall in banks' overdrawn position with CBN from ₦21.4 billion in July to ₦12.4 billion in August, 2004.

Total specified liquid assets of the DMBs stood at ₦904.0 billion, representing 49.7 per cent of the total deposit liabilities. The level was 0.4 per cent below the preceding month's level, and 9.7 percentage

points above the minimum target of 40.0 per cent for the year.

## 2.7 Discount Houses

Total assets/liabilities of the discount houses amounted to ₦73.3 billion in August 2004, indicating increase of ₦13.8 billion or 23.2 per cent and ₦22.3 or 43.9 per cent over the levels in the preceding month and the corresponding period of 2003, respectively. Their investments in the Federal Government securities of less than 91 days maturity amounted to ₦43.9 billion, representing 79.3 per cent of their total deposit liabilities. This was 3.1 and 19.3 percentage points above the level in the preceding month and the prescribed minimum of 60.0 per cent for fiscal 2004, respectively.

Total borrowings by discount houses stood at ₦17.3 billion, while their capital and reserves was ₦9.4 billion, resulting in a gearing ratio of 1.8:1, compared with the stipulated maximum target of 50:1 for the year.

## 3.0 DOMESTIC ECONOMIC CONDITIONS

The main agricultural activities in August, 2004 were weeding and staking of roots and tubers, harvesting of maize and cultivation of various crops as well as clearing and disinfecting of broiler houses to curb the incidence of diseases.

Crude oil output increased by 2.1 per cent over the preceding month's level, while inflationary pressure moderated further as the estimated rate of inflation of 18.9 per cent indicated a decline of 0.2 percentage point from the preceding month's level.

## 3.1 Agricultural Sector

Agricultural production was further boosted nation-wide in August, 2004, following the steady rainfall witnessed in all parts of the country. Weeding, staking of yams and the harvest of late maize were the predominant agricultural activities in the southern states of the country, while in the northern states, cultivation of crops such as cowpea and sorghum were intensified. In the livestock sub-sector, most poultry farmers' 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 89.4 (1985=100), in dollar terms, rose by 8.4 per cent over its level in the preceding month but declined by 0.1 per cent from the level in the corresponding month of 2003. In naira terms, the all-commodities price index showed increases of 8.0 and 4.7 per cent over the levels in the preceding month and corresponding period of 2003, respectively.

Of the six commodities monitored during the month, cocoa and palm oil recorded price increases of 10.0 and 3.7 per cent, respectively, in dollar terms. The other four commodities recorded price declines ranging from 4.6 per cent for soya bean to 10.8 per cent for cotton. When compared with their levels in the corresponding month of 2003, copra, palm oil and soya bean recorded price increases of 28.2, 11.7 and 14.0 per cent, respectively, while cocoa, coffee and cotton recorded price declines of 2.0, 8.5 and 13.4 per cent, respectively.

In naira terms, cocoa and palm oil recorded price increases of 10.0 and 3.7 per cent, respectively, over their levels in the preceding month. Four commodities namely, cotton, coffee, soya bean and copra recorded price declines of 10.8, 7.9, 4.6 and 8.0 per cent, respectively below the level in the preceding month. Compared with their levels in the corresponding month of 2003, four commodities recorded price increases of 1.6, 33.2, 15.8 and 18.2 per cent for cocoa, copra, palm oil and soya bean respectively, while coffee and cotton recorded price declines of 5.1 and 10.2 per cent, respectively.

### **3.2 Petroleum Sector**

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.45 million barrels per day (mbd) or 75.95 million barrels for the month, compared with 2.40 mbd produced in July, 2004. Crude oil export was estimated at 2.00 mbd for the month, compared with 1.95 mbd in July 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 August, 2004. The bulk of this was, however, exported as the refineries could not process all crude allocated.

Crude oil prices rose further in outstanding August 2004. In the spot market, the average price of Nigeria's reference crude, the Bonny Light (37° API), was US\$43.53 a barrel during the month, indicating an increase of US\$5.11 a barrel or 13.3 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 10.5, 12.2, 12.7 and

13.5 per cent to US\$44.70, US\$42.70, US\$39.90 and US\$43.38 per barrel, respectively, during the month. In the netback market, except for West Texas Intermediate (WTI), the prices of all crude blends rose over their levels in the preceding month. For instance, the UK Brent indicated an increase of 2.0 per cent over the level in the preceding month to settle at \$47.19 during the month. The Bonny Light and Arab Light were also sold for \$48.58 and \$42.41 a barrel, respectively, compared with their prices of \$47.02 and \$41.31 a barrel in the preceding month. The price of WTI which was US\$45.54 a barrel during the month, however, indicated a decline of US\$0.70 or 1.5 per cent, from the preceding month's level. The month of August has seen the most rapid increase in international oil market, compared with other months of the year. The major factors responsible for the price increase included the continued resistance of the Iraqi people to the US military occupation and the growing sabotage of oil facilities, especially the destruction of oil pipelines in Iraq which has reduced exports and led to expectations of uncertain future supplies from that country. In addition, the threats of terrorist attacks on Saudi Arabia, the world's largest oil producer has created nervousness in the world markets which has not been neutralized by OPEC boosting production. Moreover, the instability in Venezuela and strikes by oil workers in Norway have produced substantial effects on prices causing sudden price spikes. Also, world demand for oil has been fuelled by growth in the US, even as the US has continued to add to its Strategic Petroleum Reserves and the stockpiling of oil reserves by the Chinese government whose crude imports have increased by over 40 per cent. The disruption of oil supply from Russia, owing to the travails of oil giant Yukos' also affected market prices positively.

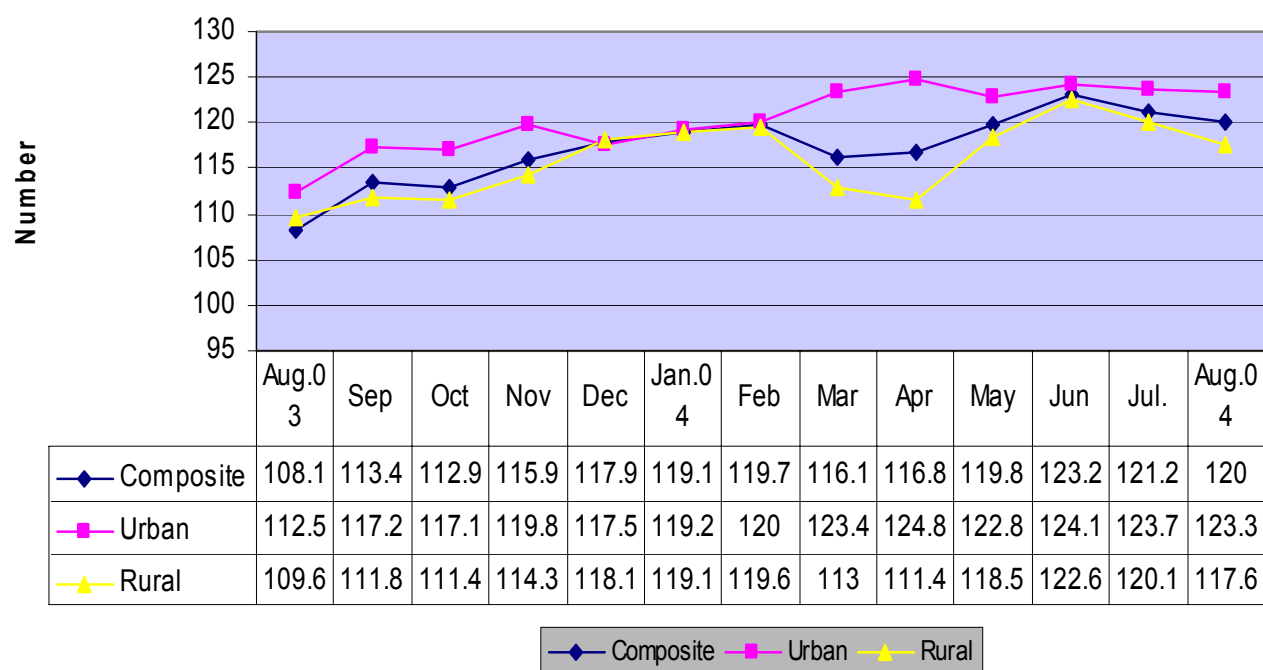
### 3.3 Consumer Prices

Based on the Federal Office of Statistics (FOS) data for July 2004, the all-items composite Consumer Price Index (CPI) for August 2004 was estimated at 120.0 (May 2003 = 100), representing a decline of 1.0 per cent from the level in the preceding month but an increase of 11.0 per cent over the level in the corresponding month of 2003. The development was attributable to the decline in the indices of clothing and footwear; housing, water, electricity, gas and other fuel; furnishing, household equipment and household

transport; recreation and culture; and education, respectively.

The urban all-items CPI for August 2004 was estimated at 123.3 (May 2003=100), indicating a decline of 0.3 per cent from the level in the preceding month but an increase of 9.6 per cent over the level in the corresponding month of 2003. Similarly, the rural all-items CPI at 117.6 (2003=100), indicated a decline of 2.1 per cent from the previous month's level but an increase of 10.8 per cent over the level in the corresponding month of 2003, respectively.

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



maintenance; health; communication; restaurant and hotels; and miscellaneous goods and services by 3.0; 5.3; 6.2; 1.9; 5.4; 0.2 and 5.2 per cent, respectively. This was, however, moderated by the increase of 0.6; 0.6; 1.2; 1.9; 2.9; and 6.7 per cent, respectively, in the indices of food; food and non-alcoholic beverage; alcoholic beverage;

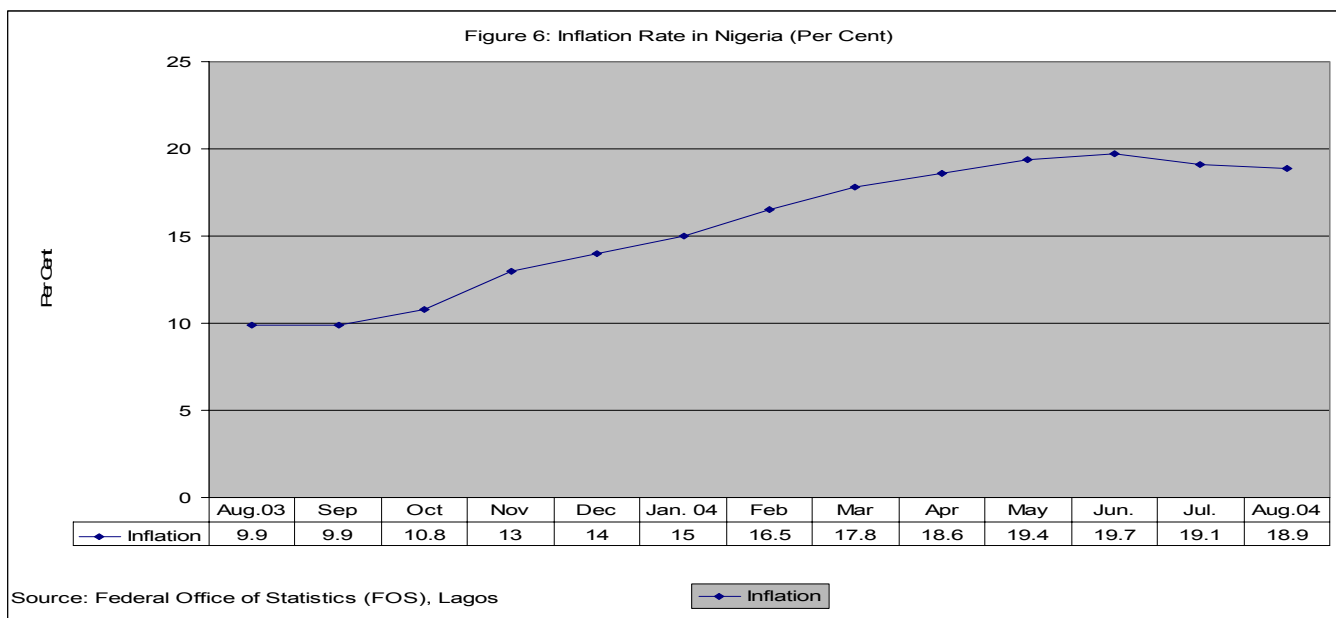
Retail price surveys of selected consumer items by the CBN in the F C T Abuja as well as in Bauchi, Enugu, Ibadan and Kano areas showed increases, while a price decline was recorded in the Lagos area. The retail price index (RPI) showed an increase of 0.20 per cent in the all-items average price of consumer items in August 2004, compared with 0.82 per cent in the

preceding month. The development during the review month was traceable to the increase in the indices of staples; fuel and light; medical; building materials as well as vegetables, fruits and nuts by 0.75; 2.66; 1.71; and 1.15 and 0.04 per cent, respectively, while the indices of meat, fish

## 4.0 EXTERNAL SECTOR DEVELOPMENTS

### 4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN)



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 0.11, 0.68, 0.05, 0.02 and 0.43 per cent were recorded in Bauchi, Enugu, Ibadan, Kano, and F.C.T Abuja areas, respectively, while a price decline of 0.46 per cent was recorded in Lagos area during the review month.

The rate of inflation for the twelve-month-period ended August 2004 was estimated at 18.9 per cent, compared with 19.1 and 10.0 per cent recorded in the preceding month and corresponding month of 2003, respectively. The downward trend in inflationary pressure reflected the relative stability in the prices of petroleum products as well as the dampening effect of the harvest period on prices.

in August, 2004, amounted to US\$1,848.08 million and US\$1,386.95 million, respectively, indicating a net inflow of US\$461.13 million. Compared with their levels of US\$2,231.55 million and US\$1,331.31 million in the preceding month, inflow fell by 17.2 per cent, while outflow rose by 4.2 per cent during the month. The decline in inflow was attributable to the 16.9 and 21.9 per cent declines in oil and non-oil sector receipts, respectively. The increase in outflow, on the other hand, was traceable to the US\$7.17 million rise in payments on national priority projects which had a nil balance in the preceding month as well as the 481.8 and 42.0 per cent increase in external debt service payments and drawing on L/C, respectively. The decline of 15.8 and 42.6 per cent in DAS utilization and other official payments, respectively, however, moderated the rise in outflow during the month under

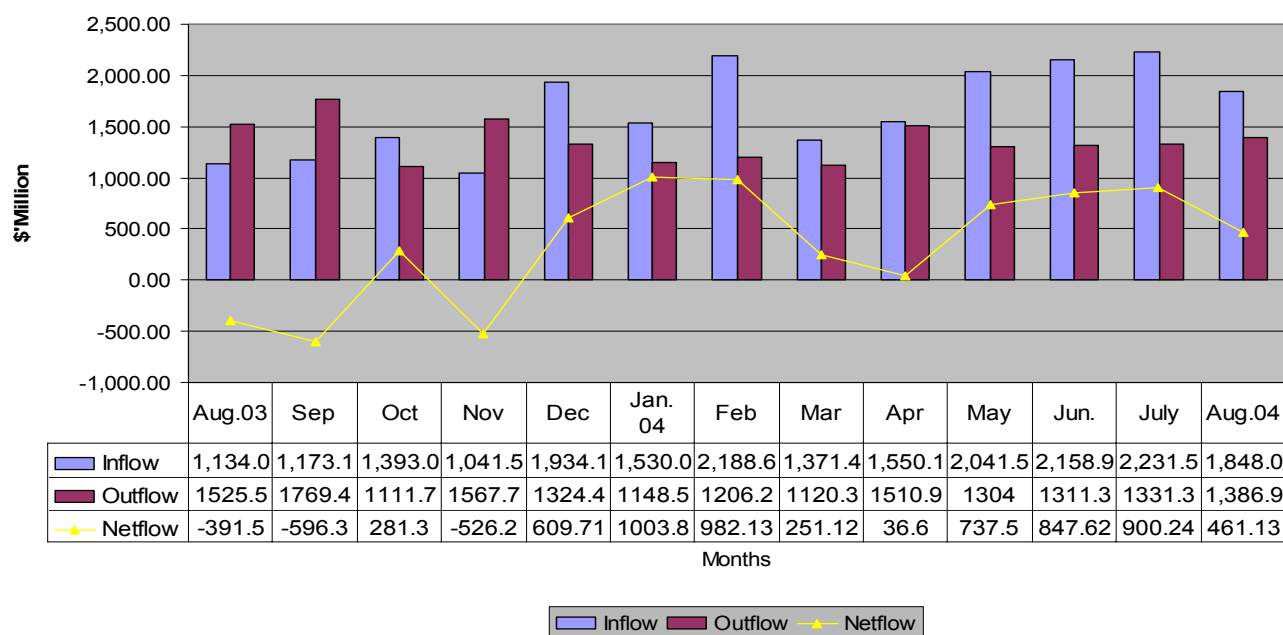


review. At US\$14,920.25 million, cumulative inflow through the CBN in the first eight months of 2004 was 52.8 per cent higher than its level in the corresponding period a year earlier. Conversely, cumulative outflow through the Bank in the same period was US\$10,319.42 million, representing a decline of 2.5 per cent from its level in the corresponding period a year earlier.

Aggregate foreign exchange flows through the economy indicated that total inflow fell by 13.9 per cent from the level in the preceding month to US\$2,703.32 million

the economy increased by 3.1 per cent in August, 2004. This reflected largely increases in payments through the CBN, particularly external debt service payments, drawings on L/Cs and National Priority Projects which rose from US\$70.50 million, US\$6.98 million and US\$0.00 million to US\$410.15 million, US\$9.91 million and US\$7.17 million, respectively. Outflows through funding of the Dutch Auction System, "Other Official Payments and outflows through autonomous sources, however, declined from US\$895.38 million, US\$358.45 million and US\$60.24 million to US\$754.12 million, US\$205.60 and

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



in August, 2004. Receipts from oil sector, which constituted 64.7 per cent of the total fell by 16.9 per cent to US\$1,748.8 million. Similarly, receipts through autonomous sources fell by 5.7 per cent to US\$855.24 million and accounted for 31.6 per cent of the total in the review month, while non-oil public sector receipts also, fell by 21.9 per cent to US\$99.28 million, representing 3.7 per cent of the total. At US\$1,434.72 million, total foreign exchange outflow from

US\$47.77 million, respectively, during the month. Cumulative inflow and outflow through the economy as at end-August 2004 amounted to US\$21,097.41 million and US\$10,746.56 million, respectively, compared with US\$14,950.01 million and US\$11,342.44 million in the corresponding period of 2003.

## 4.2 Sectoral Utilisation of Foreign Exchange

The industrial sector accounted for the bulk (44.3 per cent) of total foreign exchange disbursed in August 2004, followed by general merchandise (24.1 per cent). Other beneficiary sectors, in a descending order of importance, included: invisibles (12.9 per cent), food (10.2 per cent), transportation (7.1 per cent) and agricultural products (1.4 per cent) (Fig.8).

## 4.3 Foreign Exchange Market Developments

The demand pressure in the foreign exchange market moderated as the total foreign exchange sold to end-users by CBN through the authorized dealers fell by 15.8 per cent to US\$754.12 million from US\$895.38 million in the preceding month. Under the DAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar remained virtually unchanged at the preceding month's level of ₦132.88 per

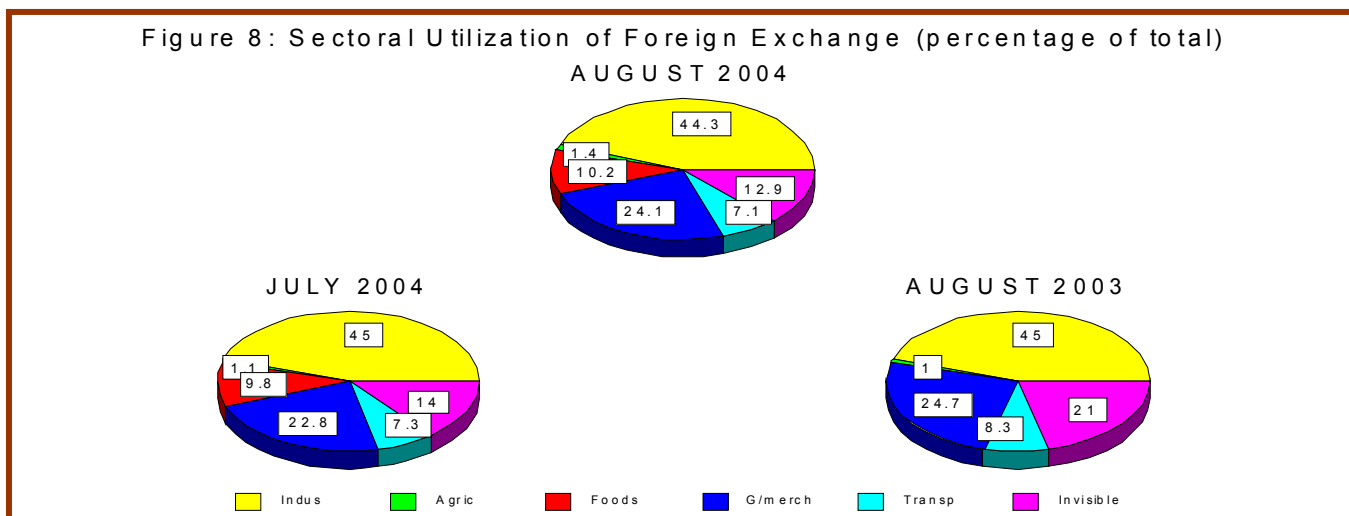
change and official market rates widened to 5.65 from 5.30 per cent in July, 2004.

## 4.4 External Reserves

Provisional data showed that Nigeria's gross external reserves at end-August, 2004 amounted to US\$12,346.2 million, indicating an increase of 1.4 per cent over the adjusted external reserves of US\$12,179.24 million recorded in the preceding month. At current level of foreign exchange commitments, the reserves could finance about 8.9 months of foreign exchange disbursement.

## 5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output, estimated at 82.0 million barrels per day (mbd) in August 2004 rose by 0.18 mbd or 0.2 per cent over the preceding month's level of 81.82 mbd, while the estimated demand at 81.22 mbd for the month, rose by 1.22 mbd or 1.5 per cent



dollar. In the bureaux de change segment of the market, the rate, however, depreciated from ₦139.84 per dollar in July to ₦140.33 per dollar in August, 2004. Consequently, the premium between the bureaux- de -

over its preceding month's level.

Other major international economic developments of relevance to the domestic economy during the month included:



The adoption of a framework for the negotiation of an Economic Partnership Agreement (EPA) with the European Union by ECOWAS ministers of trade at their meeting held in Accra, Ghana in August 2004. The framework includes: a set of activities to be undertaken preparatory to the EPA negotiations, a negotiating structure; operational modalities; and an indicative schedule for the negotiations, while the negotiation framework would form the guide for both ECOWAS and the EU.

The Economic Partnership Agreement scheduled to commence in January 2008 is expected to facilitate the integration of the West African states into the global economy, while in another development, the World Bank and the Federal Government signed an agreement in August, 2004 in Abuja, for an administration of a grant of \$900,000 from the Japanese government for the preparation of Nigerian Urban Youth Empowerment Project (NUYEP). The project is aimed at helping to solve the problem of youth unemployment in the country.

In a related development, the World Bank during the month under review approved a \$120m loan for the implementation of the country's water supply scheme under the National Urban Water Sector Reform Project. The project is designed to enhance the completion and financial viability of selected urban water supply in some designated areas of the country.