

CENTRAL BANK OF NIGERIA



MONTHLY REPORT

JANUARY 2005

RESEARCH DEPARTMENT

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 JANUARY 2005

1.0 SUMMARY

Available data indicated that monetary aggregates were expansionary in January 2005. Broad money stock (M_2) and narrow money supply (M_1) rose by 0.7 and 1.0 per cent, respectively, over the levels in the preceding month. The development was attributable to the 7.7 and 3.9 per cent increases in foreign and other assets (net) of the banking system during the review month. The expansion in M_2 and M_1 represented annualized growth rates of 12.0 and 8.4 per cent which were within the programme target of 16.5 and 13.4 per cent, respectively, for fiscal 2005.

Banks' deposit and lending rates exhibited mixed developments during the month. The spread between the weighted average deposit and maximum lending rates narrowed to 10.85 percentage points from 10.90 percentage points in the preceding month. The margin between the average savings deposit and maximum lending rates, however, remained constant at the preceding month's level of 16.07 percentage points. The weighted average inter-bank call rate fell from 12.1 per cent in December 2004, to 10.3 per cent in January 2005, reflecting the liquidity condition in the inter-bank funds market.

The value of money market assets outstanding rose by 0.4 per cent to ₦1,017.7 in January 2005, compared with an increase of 4.9 per cent in the preceding month. Treasury bills worth ₦240.0 billion were issued during the month to replace matured bills of equivalent value, compared with ₦361.6 billion in the preceding month. Transactions on the Nigerian Stock Exchange (NSE) in the month of January, 2005 trended downward as all the major

market indicators were lower than the preceding month's level

The predominant agricultural activities in January 2005 were harvesting of tree crops and fruits; land clearing for 2005 cropping season; irrigated land cultivation; and raising of broilers in the livestock sub-sector. The prices of Nigeria's major agricultural commodities at the London Commodity Market declined during the month. The all-commodities price index, at 83.6 (1985=100), in dollar terms, fell by 5.1 and 12.6 per cent below the levels in December and January 2004, respectively.

Nigeria's crude oil output increased by 0.4 per cent over the preceding month's level to 2.24 million barrels per day (mbd) or 69.44 million barrels for the month. Crude oil export was estimated at 1.79 mbd compared with 1.78 mbd in December 2004. In the spot market, the average price of Nigeria's reference crude, the Bonny Light (37° API), was US\$46.86 per barrel indicating an increase of 15.1 per cent over the level in the preceding month. The inflation rate for the twelve-month period ended January 2005 was estimated at 14.0 per cent, compared with 15.0 per cent recorded in December 2004.

Available data on foreign exchange flows through the Central Bank of Nigeria (CBN) showed an inflow of US\$2.65 billion and an outflow of US\$1.05 billion, resulting in a net inflow of US\$1.6 billion during the month. Foreign exchange sales to authorized dealers by the CBN amounted to US\$674.33 million, compared with US\$668.93 million in December, 2004. The weighted average exchange rate of the Naira

vis-à-vis the US dollar, depreciated marginally from the preceding month's level of ₦132.56 per dollar to ₦132.90. In the bureaux de change segment of the market, the rate also depreciated from ₦138.71 per dollar in December 2004 to ₦139.60 per dollar in January 2005. Nigeria's gross external reserves rose by 15.5 per cent to US\$19.59 billion at end-January, 2005.

On the international scene, world crude oil output, estimated at 84.75 million barrels per day (mbd), in January 2005, rose marginally by 0.60 mbd or 0.7 per cent over the preceding month's level of 84.15 mbd, while the estimated demand at 85.06 mbd for the month, rose by 1.66 mbd or 2.0 per cent over its preceding month's level. Consequently, world crude oil demand exceeded supply by 0.31 mbd, reflecting stockpiling amid speculations that OPEC might cut production and the increasing tensions in Iraq ahead of its general elections. Other major international economic developments of relevance to the domestic economy during the month included the 28th ECOWAS Summit of Heads of State and Government held in Accra Ghana from 9th – 19th January, 2005 that approved a common agricultural policy; and a master plan and common regulatory regime for electricity supply in the sub-region among others; the scheduling of the inauguration of the Joint Consultative

Forum for the first quarter of 2005 to monitor the implementation of trade agreement under the Nigeria/South Africa Bi-National Commission; the call for fast-tracking integration in Africa by the African Regional Economic Community; and the removal of quotas on textiles and clothing materials by the World Trade Organisation (WTO) effective from 1st January 2005.

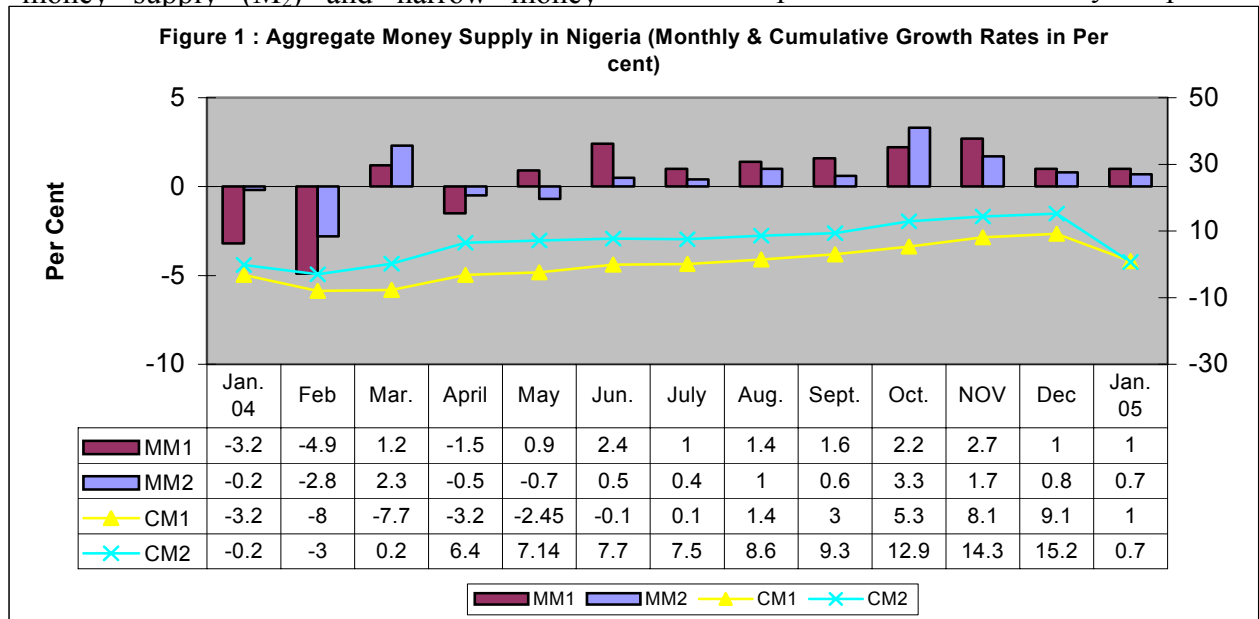
2.0 FINANCIAL SECTOR DEVELOPMENTS

Money supply increased in January 2005, while banks' deposit and lending rates indicated mixed developments during the month. The value of money market assets rose during the month following increases in the value of Bankers Acceptances (BAs). Transactions on the Nigerian Stock Exchange (NSE), however, trended downward during the review month reflecting investors' cautious optimism as well as portfolio restructuring associated with the commencement of a new fiscal year and the non-release of the Federal Government budget for fiscal 2005.

2.1 Monetary and Credit Developments

Available data indicated an increase in monetary aggregates in January 2005. Broad money supply (M_2) and narrow money

development during the month reflected largely the decrease in the CBN's net claims on the Federal Government occasioned by the rise in government deposits with the Bank during the period under review. Credit to the private sector also fell by 1.4 per cent



supply (M_1) increased by ₦15.3 billion or 0.7 per cent and ₦13.2 billion or 1.0 per cent, to ₦2,278.9 billion and ₦1,343.9 billion, respectively, in the review month. The development was attributable entirely to the increase in foreign and other assets (net) of the banking system. The expansion in M_2 and M_1 represented annualized growth rates of 12.0 and 8.4 per cent which were within the programme target of 16.5 and 13.4 per cent, respectively, for fiscal 2005 (Fig. 1 and table 1).

Aggregate banking system's credit to the domestic economy fell by ₦210.8 billion or 12.2 per cent to ₦1,518.4 billion, compared with the decline of ₦74.1 billion or 4.1 per cent in the preceding month. The

to ₦1,521.5 billion compared with the decrease of 0.6 per cent in the preceding month.

Banking system's credit (net) to the Federal Government declined by ₦188.8 billion or 97.0 per cent to ₦5.8 billion, compared with the decrease of ₦65.5 billion 9.8 per cent in the preceding month. The development was attributable to the significant decline in the CBN's net claims on the Federal Government which was reinforced by the deposit money banks' (DMBs) claims on government that fell by ₦60.1 billion or 12.2 per cent to ₦431.7 billion during the month.

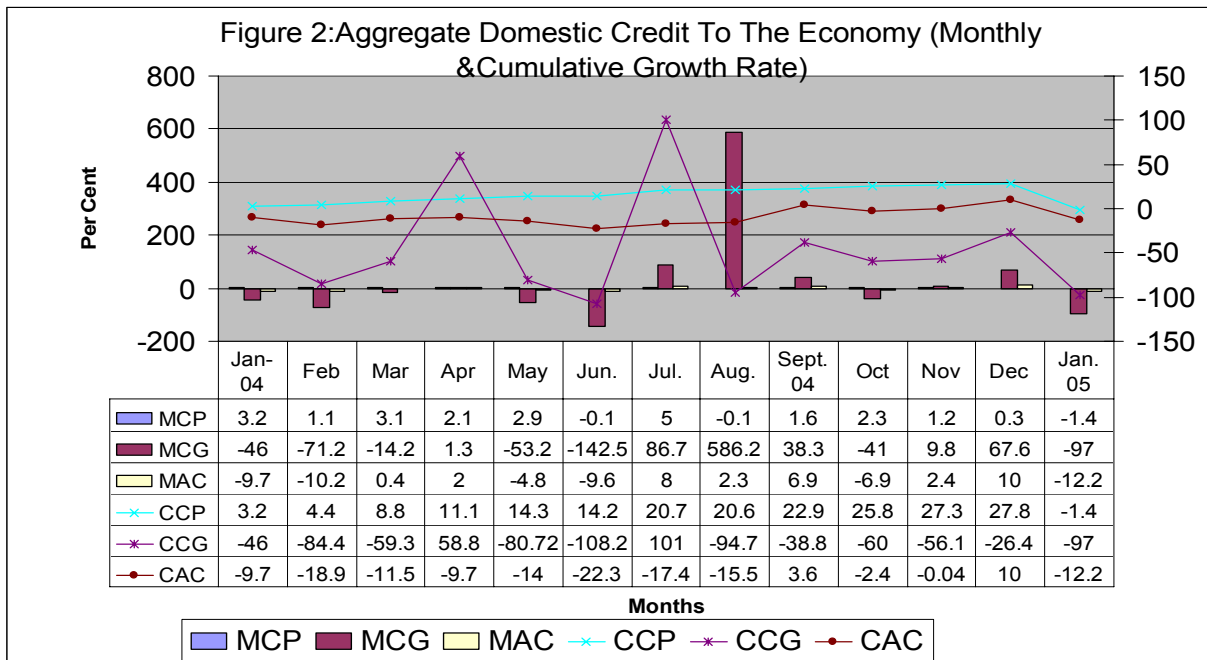
Banking system's credit to the private sector also declined by ₦21.9 billion or 1.4 per cent to ₦1,512.5 billion, compared with the decrease of ₦8.7 billion or 0.6 per cent in the preceding month. The fall reflected entirely the 1.4 per cent decline the DMBs' claims on the sector, (fig. 2).

At ₦2,280.9 billion, foreign assets (net) of the banking system rose by ₦163.8 billion or 7.7 per cent, in contrast to the decrease of ₦504.0 billion or 19.3 per cent in December, 2005. The trend was attributable to the 12.6 per cent increase in the CBN's holding during the month.

₦75.2 billion or 5.5 per cent in January 2004.

2.2 Currency-in-circulation and Deposits at the CBN

At ₦543.3 billion, currency in circulation in January, 2005 fell by ₦2.6 billion or 0.5 per cent below the level recorded in the preceding month but rose by ₦63.1 billion or 13.1 per cent over the level in January, 2004. The decline during the month was traceable to vault cash, which decreased by ₦6.5 billion or 7.5 per cent. This was, however, moderated by the ₦4.0 billion or 0.9 increase in currency outside



Quasi-money rose by ₦2.1 billion or 0.2 per cent to ₦935.08 billion, as against the decrease of ₦11.6 billion or 1.2 per cent in the preceding month but compared with the increase of ₦53.5 billion or 7.0 per cent in the corresponding month of 2004.

Other Assets (net) of the banking system rose by ₦62.2 billion or 3.9 per cent, compared with the increase of ₦573.5 billion or 26.6 per cent in the preceding month but in contrast to the decrease of

banks during the month.

Total deposits with the CBN amounted to ₦1,165.8 billion, indicating an increase of ₦162.3 billion or 16.2 per cent over the level in the preceding month. All categories of depositors contributed to the increase ranging from 1.4 per cent for private sector to 19.0 per cent each for DMBs and government. The shares of the three components in total deposits at the CBN, namely, Federal Government, bankers

and ‘others’ were 68.5, 19.0 and 12.5 per cent, respectively, compared with 67.1, 18.6 and 14.3 per cent, in December, 2004.

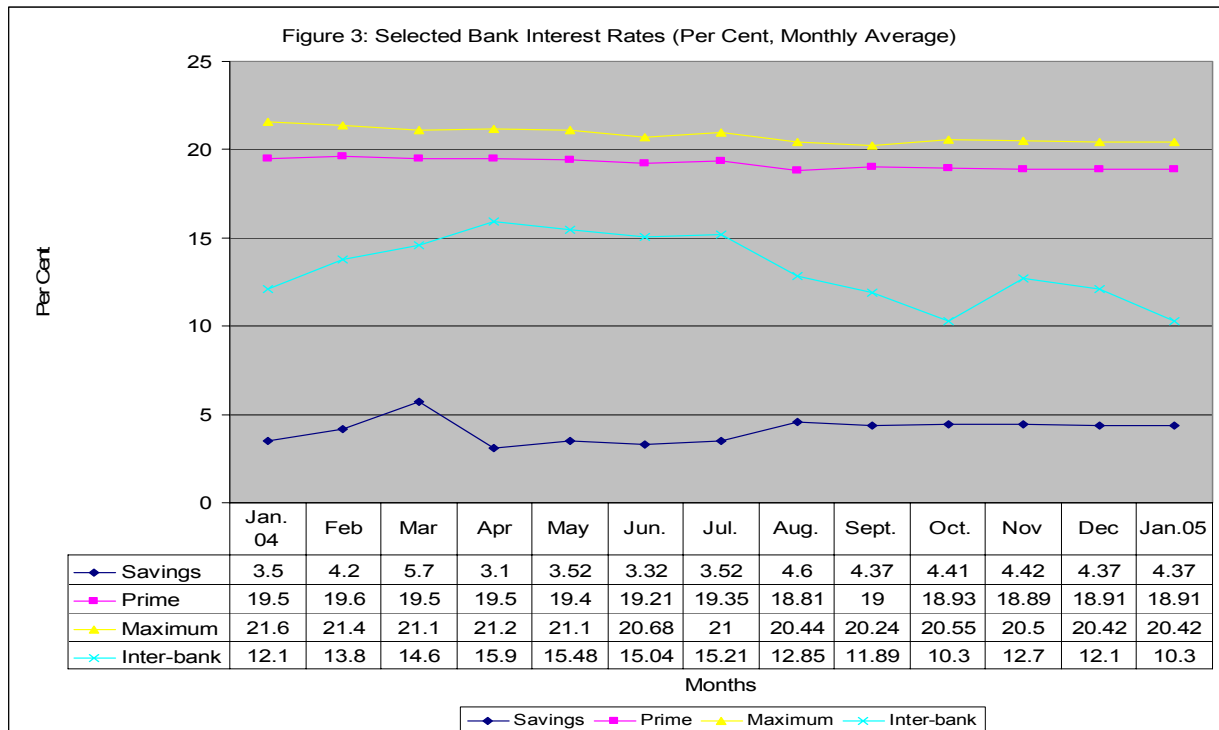
2.3 Interest Rate Developments

Provisional data indicated mixed developments in banks’ deposit and lending rates in January, 2005. The savings deposit rate remained unchanged at 4.37 per cent as in December 2004, while other rates on deposits of various maturities increased marginally from a range of 6.96 – 12.71 per cent to a range of 7.06 – 12.81 per cent in January 2005. The weighted average prime and maximum lending rates steadied at

The weighted average inter-bank call rate fell from 12.1 per cent in December 2004, to 10.3 per cent in January 2005, reflecting the liquidity condition 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-January 2005 rose by ₦3.7 billion or 0.4 per cent to ₦1,017.7 billion, compared with an increase of ₦47.47 billion or 4.9 per cent in the preceding month. The increase was



18.91 and 20.42 per cent, respectively, as in the preceding month. Consequently, the spread between the weighted average deposit and maximum lending rates narrowed to 10.85 percentage points from 10.90 percentage points in December, 2004. The margin between the average savings deposit and maximum lending rates however, remained constant at the preceding month’s level of 16.07 percentage points.

attributable to the 7.5 per cent rise in Bankers Acceptances (BAS), during the review month. Treasury Bills outstanding, however, remained unchanged at the preceding month’s level of ₦871.6 billion.

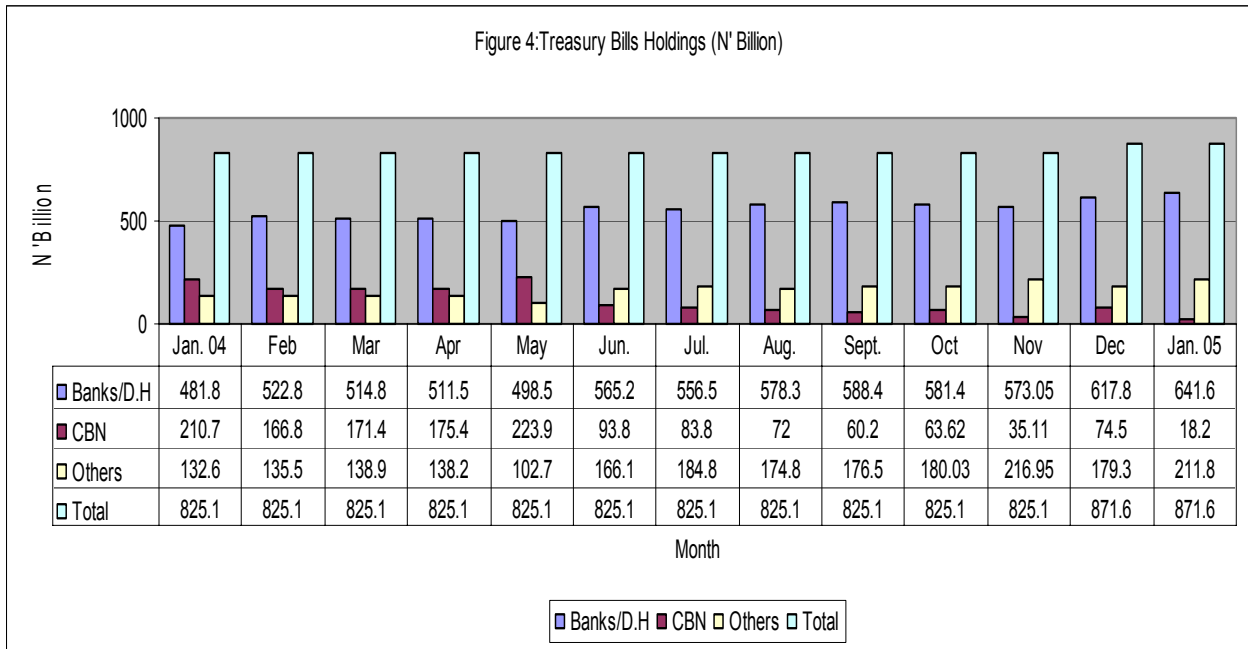
Treasury bills worth ₦240.0 billion were issued during the month to replace matured bills of equivalent value in January 2005. Of the total amount issued, deposit

money banks (DMBs), discount houses and the investing public jointly subscribed ₦233.0 billion or 97.0 per cent of the total, while the balance of ₦7.0 billion, constituting 3.0 per cent of the total issue during the review month was absorbed by the CBN.

Holdings of treasury bills outstanding by the DMBs' and discount houses rose by 3.9 per cent to ₦641.6 billion and constituted 73.61 per cent of total, while that of the non-bank public similarly increased by 18.1 per cent to ₦211.8 billion.

2.3 billion shares and ₦16.3 billion in the preceding month. Transactions in government stocks which had been dormant in recent months posted a volume of 1.5 million stocks valued at ₦1.5 billion in January 2005. The banking sub-sector, as in the preceding months, remained the most active as substantial price gains were recorded in its equities during the month under review.

Market capitalization and the value index also trended downward by 2.9 and 3.6 per cent to ₦2.05 trillion and 26,460.56



Consequently, CBN's holding declined by 75.6 per cent to ₦18.2 billion and constituted 2.09 per cent of total during the review month.

2.5 Capital Market Developments

Available data indicated that activities on the Nigerian Stock Exchange (NSE) were on a downward trend as all the major indicators declined in January 2005. The volume and value of traded securities fell by 31.3 and 9.8 per cent to 1.6 billion shares and ₦14.7 billion, respectively, from

(1984=100), respectively, from ₦2.11 trillion and 27,444.02 in the preceding month. The development was attributable to investors' cautious optimism as well as portfolio restructuring associated with the commencement of the new fiscal year and non-release of government budget for fiscal 2005.

2.6 Deposit Money Banks' Activities

Provisional data showed that total assets/liabilities of deposit money banks (DMBs) amounted to ₦3,445.2 billion in January 2005, indicating an increase of ₦308.1 billion or 8.2 per cent over the preceding month's level. Funds were sourced mainly from drawdown in asset portfolio as well as foreign liabilities and money market instruments. The funds were utilized largely in the settlement of maturing deposit obligations.

At ₦1,827.2 billion, aggregate credit to the domestic economy represented a decline of ₦183.9 billion or 9.1 per cent below the preceding month's level, but an increase of ₦209.6 billion or 13.0 per cent over the level in January 2004. The development was largely due to a general decline in credit to both private and public sectors by ₦123.8 billion or 8.3 per cent and ₦56.7 billion or 11.5 per cent, respectively, during the month under review owing to the lull in business activities associated with non-release of government budget.

Central Bank's credit to the DMBs fell by 5.7 per cent to ₦58.5 billion in January 2005, reflecting largely the decline in the CBN's loans and advances to the banks during the period.

Total specified liquid assets of the DMBs stood at ₦894.3 billion, representing 55.7 per cent of their aggregate deposit liabilities. This level of assets was 9.5 per cent below the preceding month's level, but 15.7 percentage points over the stipulated minimum target of 40.0 per cent for fiscal 2005.

2.7 Discount Houses

Total assets/liabilities of the discount houses stood at ₦119.5 billion in January 2005, indicating an increase of ₦52.1 billion or 77.4 per cent over the level in the

preceding month. Their investments in the Federal Government securities of less than 91 days maturity amounted to ₦91.8 billion, representing 93.1 per cent of their total deposit liabilities. This was 13.0 and 33.1 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 was ₦51.8 billion, while their capital and reserves amounted to ₦9.9 billion, resulting in a gearing ratio of 5.2:1, compared with the stipulated maximum target of 50:1 for the year.

3.0 DOMESTIC ECONOMIC CONDITIONS

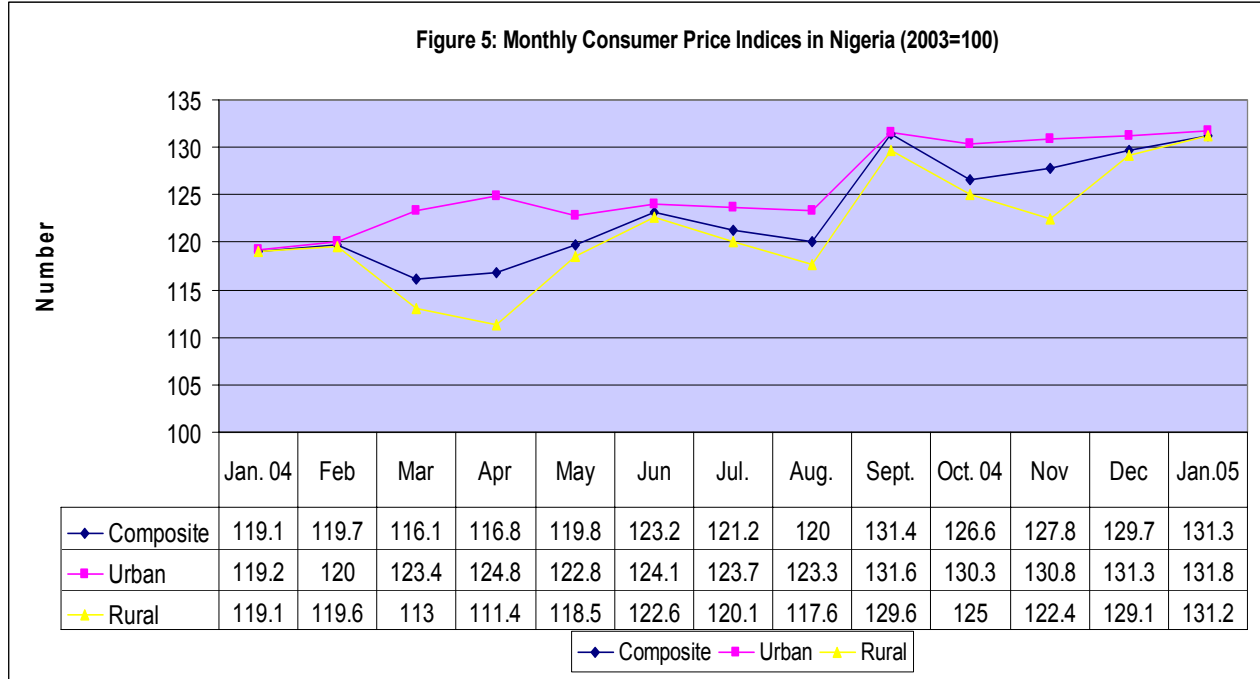
The major agricultural activities in January 2005 were harvesting of tree crops and fruits; land clearing for 2005 cropping season; cultivation of irrigated land; and raising of broilers in the livestock sub-sector. Crude oil output increased by 0.4 per cent over the preceding month's level, while inflation rate at an estimated rate of 14.0 per cent declined by 1.0 percentage point each below the levels in the preceding month and January, 2004.

3.1 Agricultural Sector

Agricultural activities, during the month, centered on harvesting of tree crops and fruits; and clearing of land for 2005 cropping season in the southern states, while cultivation of irrigated land for vegetables and wheat dominated farming activities in the northern states. In the livestock sub-sector, farmers intensified the raising of broilers to replenish stocks sold off during the 2004 end of year festive season.

The prices of Nigeria's major agricultural commodities at the London Commodity Market declined during the month. The all-commodities price index, at 83.6 (1985=100), in dollar terms, fell by 5.1

In naira terms, a similar trend was observed as each of the six commodities monitored posted the same margin of price increases in the same direction as in dollar terms when compared with the levels in the



and 12.6 per cent below the levels in December and January 2004, respectively. In naira terms, the all-commodities price index similarly showed decreases of 5.0 and 14.9 per cent from the levels in the preceding month and the corresponding month of 2004.

Of the six commodities monitored during the month, soya bean, coffee and cotton recorded price increases of 0.5, 2.3 and 3.7 per cent, respectively, while copra, palm oil and cocoa registered price declines of 3.5, 4.8 and 5.3 per cent, respectively. When compared with their levels a year earlier, coffee and copra recorded price increases of 4.0 and 13.2 per cent, respectively, while the prices of the remaining four fell ranging from 11.4 per cent for cocoa to 24.7 per cent for cotton

preceding month and the corresponding month of 2004.

3.2 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.24 million barrels per day (mbd) or 69.44 million barrels for the month, compared with 2.23 mbd produced in December, 2004. Crude oil export was estimated at 1.79 mbd or 55.49 million barrels for the month, compared with 1.78 mbd in December 2004. Allocation of crude oil to refineries for domestic consumption was estimated at 0.45 mbd or 13.95 million barrels in January, 2004.

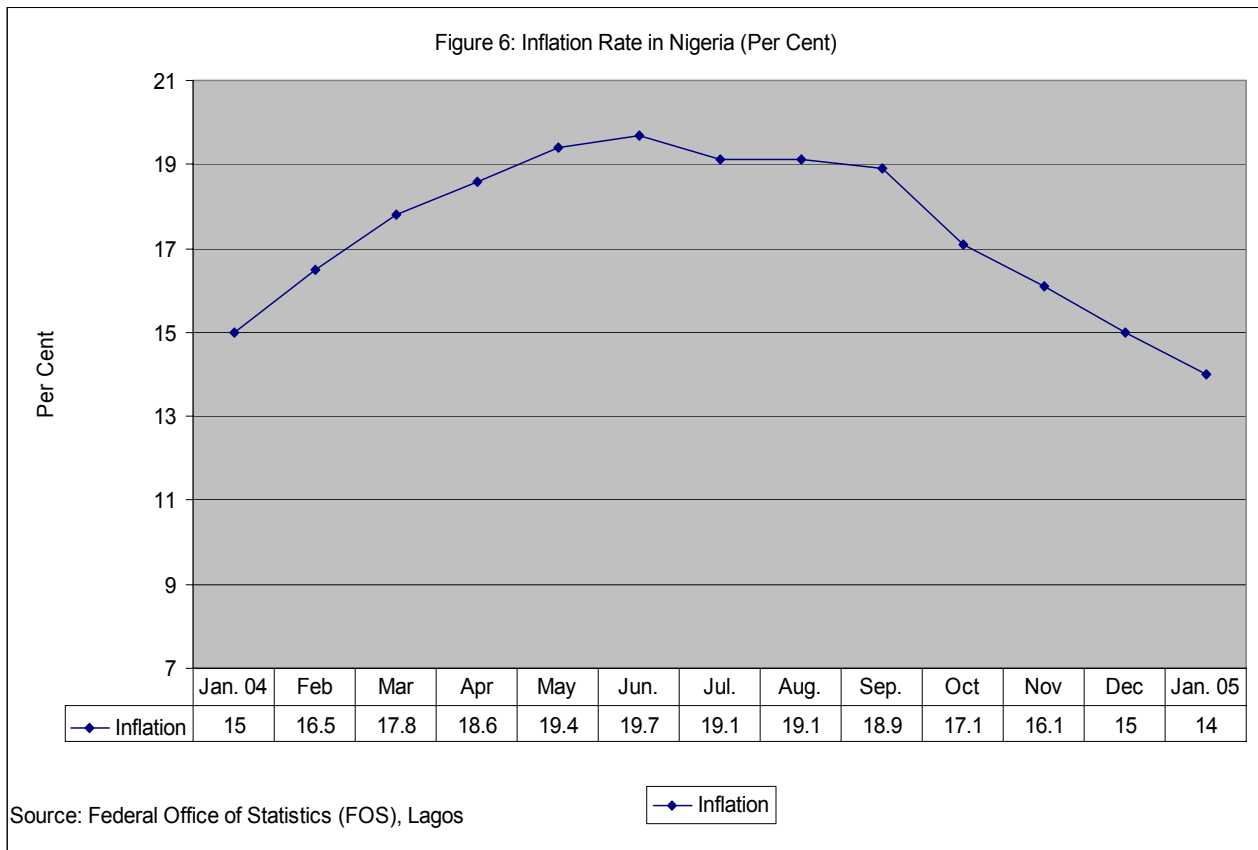
Crude oil prices showed general increase in January, 2005. In the spot market, the average price of Nigeria's

reference crude, the Bonny Light (37° API), was US\$46.86 per barrel, indicating an increase of US\$6.14 a barrel or 15.1 per cent over the level in December, 2004. The prices of other competing brands namely, the West Texas Intermediate (WTI), the UK Brent, the Arab Light and the Forcados similarly rose by 8.2, 12.2, 10.2 and 20.4 per cent to US\$46.83, US\$44.38, US\$38.40 and US\$46.65 per barrel, respectively, during the month. Similarly, in the netback market, the prices of all crude blends rose over the levels in the preceding month.

The major factors responsible for the increase in price included high demand for

3.3 Consumer Prices

Data from the Federal Office of Statistics (FOS) showed that the all-items composite Consumer Price Index (CPI) for January 2005 was estimated at 131.3 (May 2003 = 100). This represented increases of 1.2 and 10.2 per cent over the levels in the preceding month and the corresponding month of 2004. The development was attributable to the components of food; food and non-alcoholic beverages; housing, water electricity, gas and other fuel; communication; recreation and culture; restaurant and hotels; and miscellaneous goods and services, whose indices rose by



crude oil occasioned by severe winter in the northern hemisphere, speculation of output cut by OPEC and anxiety over likely disruption of Iraqi supplies ahead of elections scheduled for January 30, 2005.

1.1, 1.0, 1.5, 0.1, 1.2, 2.3 and 1.0 per cent, respectively. This was, however, moderated by the components of alcoholic beverage, tobacco & kola; clothing & footwear; furnishings, household equipment & household maintenance; health; transport

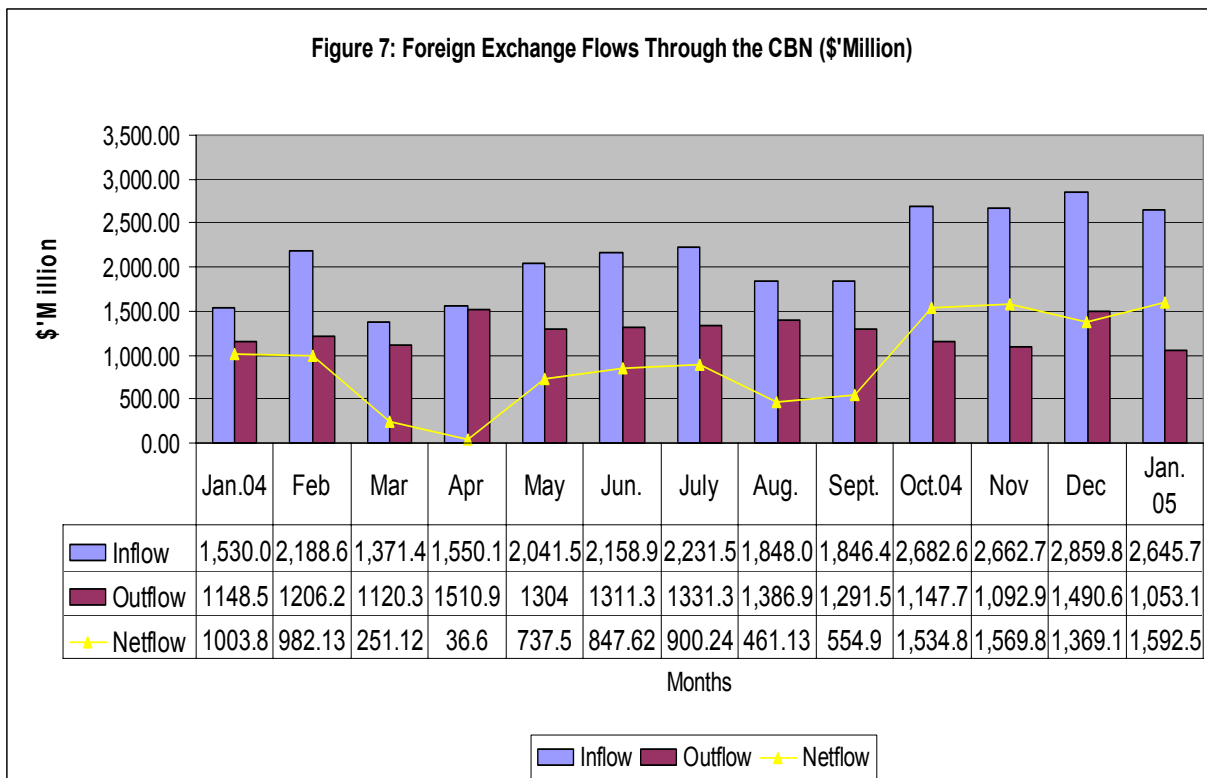
and education whose indices declined by 2.4, 1.4, 0.8, 2.5, 0.1 and 2.2 per cent, respectively, during the month. When compared with their levels in the corresponding month a year earlier the indices of seven components registered increases ranging from 3.4 per cent for alcoholic beverages, tobacco & kola to 131.0 per cent for communication, while those of the remaining six components recorded declines ranging from 2.8 per cent for miscellaneous goods & services to 21.0 per cent for education.

The urban all-items CPI for January 2005 was estimated at 131.8 (May 2003=100), indicating increases of 0.4 and 10.6 per cent over the levels in the preceding month and the corresponding month of 2004. The rural all-items CPI for January 2005 was also estimated at 131.2 (May 2003=100), representing increases of 1.6 and 10.2 per cent over the level recorded in the preceding month and the corresponding month of

2004.

Retail price survey of selected consumer items by the CBN in Bauchi, Enugu, Ibadan, Kano, Lagos and FCT Abuja showed an upward movement. The retail price index (RPI) indicated an increase of 0.8 per cent in the all-items average price of consumer items in January 2005, compared with the 4.02 per cent increase in the preceding month. The development during the review month was accounted for by the components of staples; oil and fat; vegetable, fruits and nuts; beverages and drinks; fuel and light; medical; and building materials whose indices rose by 0.24, 1.95, 0.23, 0.53, 1.97, 2.71 and 1.82 per cent, respectively. The upward movement in the RPI was, however, moderated by the declines of 0.44 and 0.02 per cent in the indices of meat, fat & egg; and clothing & fabrics.

The rate of inflation for the twelve-



month-period ended January, 2005 was estimated at 14.0 per cent, compared with 15.0 per cent recorded in the preceding month. The downward trend in inflationary pressure could be attributable to the lagged effect of tight monetary stance pursued in the preceding year and the relative stability in the prices of petroleum products in most parts of the country.

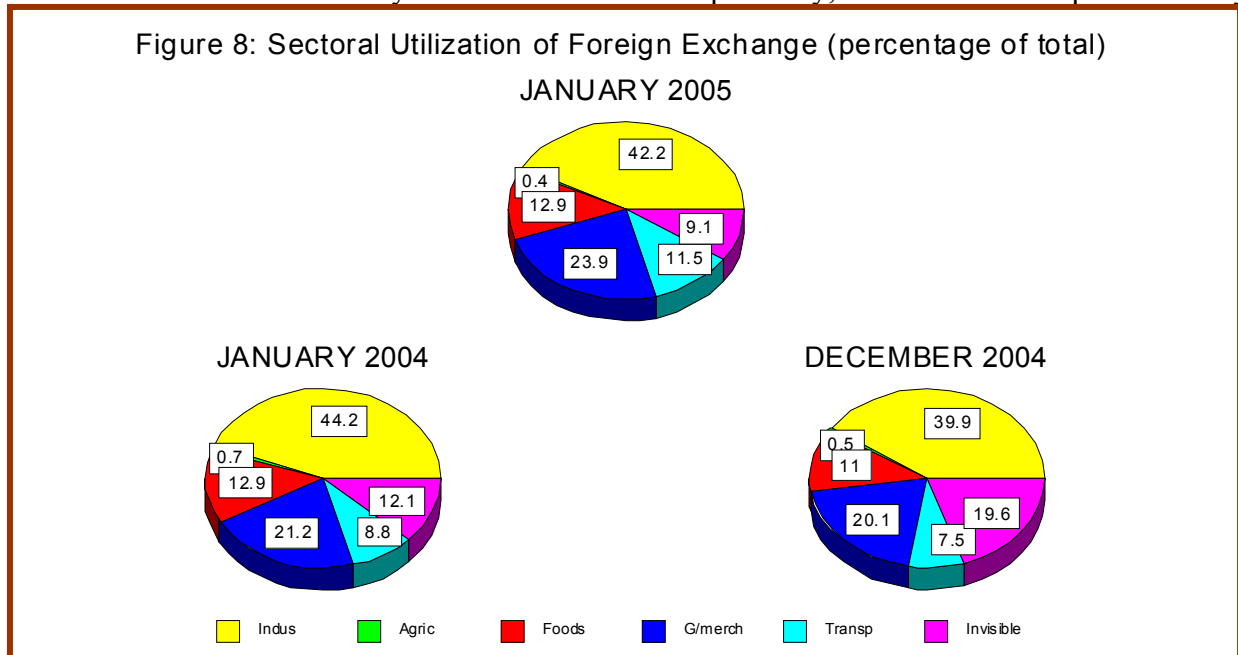
4.0 EXTERNAL SECTOR DEVELOPMENTS

4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) in January, 2005, amounted to US\$2.65 billion and US\$1.05 billion, respectively, indicating a net inflow of US\$1.6 billion. Compared with the levels of US\$2.86 billion and US\$1.49 billion in the preceding month, both inflow and outflow fell by 7.3 and 29.5

projects and other official payments, respectively. Inflow through the CBN in January 2005 indicated an increase of 72.9 per cent over the level in January 2004, while outflow registered a decline of 8.3 per cent below its level in the corresponding month of 2004.

Provisional data on aggregate foreign exchange flows through the economy indicated that total inflow decreased by 10.2 per cent from the preceding month's level to US\$3.50 billion in January, 2005. Receipts from the oil sector, which accounted for 71.5 per cent of the total inflow, fell by 8.5 per cent to US\$2.50 billion. In contrast, non-oil public sector receipts rose by 15.3 per cent to US\$0.14 billion from the level in December 2004. Receipts through autonomous sources namely, capital inflows and invisibles also declined by 33.8 and 18.1 per cent to US\$24.35 and US\$775.78 million, respectively, while non-oil exports rose by



per cent, respectively. The trend in inflow, during the month, was attributable largely to a decline 8.5 per cent in oil receipts, while that of outflow was traceable to decreases of 100.0 and 22.5 per cent in national priority

2.7 per cent to US\$57.26 million.

At US\$1.09 billion, total foreign exchange outflow from the economy decreased by 27.8 per cent from the

preceding month's level. The development was attributable largely to the declines in out payments through the CBN, particularly, Debt Service Payments, and "Other Official Payments" which fell from US\$347.34 and US\$434.54 million to US\$6.74 and US\$336.42 million, respectively, in January 2005. In addition, the funding of the National Priority Projects which consumed US\$11.15 million in the preceding month recorded zero disbursement during the month under review. Conversely, the funding of the Dutch Auction System (DAS), Drawings on L/Cs and outflows through autonomous sources increased from US\$668.93, US\$28.65 and US\$26.30 million in December 2004, to US\$674.33, US\$35.70 and US\$41.56 million, respectively, in January 2005.

4.2 Sectoral Utilisation of Foreign Exchange

The industrial sector accounted for the bulk (42.2 per cent) of total foreign exchange disbursed in January 2005, followed by general merchandise (23.9 per cent). Other beneficiary sectors, in a descending order of importance, included: food (12.9 per cent), transport (11.5 per cent), invisibles (9.1 per cent), and agricultural products (0.4 per cent), (Fig.8).

4.3 Foreign Exchange Market Developments

The demand pressure in the foreign exchange market increased in January, 2005 as the total foreign exchange sold to end-users by CBN through the authorized dealers rose by 0.8 per cent to US\$674.33 million over the level in the preceding month. Under the DAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar depreciated marginally from ₦132.86 per dollar in the preceding month to ₦132.87 in January 2005. Similarly, in the bureaux de

change segment of the market, the naira traded at an average rate of ₦139.60 to a dollar, compared with ₦138.71 to a dollar in the preceding month. Consequently, the premium between the official and bureaux de change rates widened from 4.40 per cent in December 2004 to 5.07 per cent in the month under review.

4.4 External Reserves

Provisional data showed that Nigeria's gross external reserves at end-January, 2005 amounted to US\$19.59 billion, indicating an increase of 15.5 per cent over the adjusted gross external reserves of US\$16.96 billion in December, 2004. At the current level of foreign exchange commitments, the reserves could finance about 18.7 months of current foreign exchange disbursement.

5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output, estimated at 84.75 million barrels per day (mbd), in January 2005, increased marginally by 0.60 mbd or 0.7 per cent over the preceding month's level of 84.15 mbd, while the estimated demand at 85.06 mbd for the month, rose by 1.66 mbd or 2.0 per cent over its preceding month's level. Thus, world crude oil demand exceeded supply by 0.31 mbd, owing to speculations that OPEC might cut production as well as expectation of increasing tensions in Iraq ahead of its general election.

Other major international economic developments of relevance to the domestic economy during the month included the 28th ECOWAS Summit of Heads of State and Government held from 9th - 19th January,

2005 in Accra, Ghana; Meeting of the Implementation Committee of the Nigeria/South Africa Bi-National Commission; a call for fast-tracking integration by the African Regional Economic Community and the World Trade Organization's (WTO) textiles and clothing agreement. The Summit which was preceded by those of the Committee of Governors of ECOWAS Central Banks, the ECOWAS Convergence Council and ECOWAS Council of Ministers approved a Common Agricultural Policy; a master plan for improving electricity supply coupled with a common regulatory regime; and measures for accelerating the liberalization of air transport in the sub-region; as well as recommended the establishment of a project development and implementation unit for the implementation of ECOWAS/NEPAD infrastructure. The meeting of the Implementation Committee of the Nigeria/South Africa Bi-National Commission held from 13th – 14th January, 2005 in Kaduna, Nigeria noted the progress made on the ratification of the Extradition and Mutual Legal Assistance Treaties on criminal matters and issue of double taxation, while a Joint Consultative Forum for the implementation of the trade agreement between both countries was slated for inauguration before the end of the first quarter of 2005. At the meeting of the Chief Executives of the African Regional Economic Communities (RECs) held in Abuja, Nigeria on January 26, 2005, it was agreed that there was need for greater involvement of regional private sector forum in the African Union (AU) in order to encourage private sector participation in the continent's economic integration; the AU-RECs mechanism on international negotiations should be made more effective in order to reflect Africa's concern in Economic Partnership Agreements, the WTO and other international negotiations.

The WTO members committed themselves to removal of quotas on textiles and clothing materials by 1st January, 2005 by integrating the sector fully into GATT rules. This is a welcome development particularly to African countries that had been urging the WTO to be firm on the developed countries, especially the USA and the EU, which provided heavy subsidies to their cotton farmers.