

# **CENTRAL BANK OF NIGERIA**



## **MONTHLY REPORT**

**MARCH 2005**

**RESEARCH AND STATISTICS DEPARTMENT**

# **CENTRAL BANK OF NIGERIA**

## **MONTHLY REPORT**

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## ECONOMIC REPORT FOR THE MONTH OF MARCH 2005

### 1.0 SUMMARY

Available data indicated a mixed development in monetary aggregates in March 2005. Broad money supply ( $M_2$ ) fell by 0.1 per cent from the level in the preceding month. Narrow money supply ( $M_1$ ), on the other hand, rose by 0.3 per cent over the level in February 2005. The fall in  $M_2$  during the month was attributable to the decline in aggregate bank credit to the domestic economy as well as other assets (net) of the banking system. In the first three months of the year,  $M_1$  and  $M_2$ , however, rose by 11.1 and 9.0 per cent, respectively, compared with the targets of 11.38 and 15.0 per cent for fiscal 2005.

Available data indicated a general decline in banks' deposit and lending rates during the month. The spread between the weighted average deposits and maximum lending rates narrowed from 11.07 percentage points in February 2005 to 10.47 percentage points in March 2005. The margin between the average savings deposit and maximum lending rates stood at 15.82 percentage points in the review month. The weighted average inter-bank call rate, which stood at 9.55 per cent in February, however, rose to 10.65 per cent in March, reflecting the liquidity squeeze in the inter-bank funds market.

The value of money market assets outstanding fell by 0.5 per cent to ₦1,022 billion, in contrast to the increase of 1.5 per cent in the preceding month. Activities on the Nigerian stock Exchange (NSE) in March 2005 were mixed, as some of the major market indicators trended upward, while others trended downward.

The major agricultural activities in March 2005 consisted of planting of early maturing crops and harvesting of irrigated crops as well as intensified production of

poultry products. Activities in the industrial sector during the first quarter of 2005 was slack as the index of industrial production fell by 1.0 per cent below its level in the fourth quarter of 2004. The prices of Nigeria's major agricultural commodities at the London Commodities Market, on the average, rose during the month. The all-commodities price index, at 98.0 (1985 =100), in dollar terms, rose by 9.8 per cent over the level in the preceding month. The inflation rate for March 2005, on year-on-year basis, was estimated at 14.9 per cent, compared with 10.9 per cent recorded in the preceding month. However, the inflation rate for the twelve-month period ended March 2005 was estimated at 12.5 per cent, compared with 12.9 per cent in the preceding month.

Nigeria's crude oil production was estimated at 2.32 million barrels per day (mbd) or 71.92 million barrels for the month, compared with 64.96 million barrels produced in the preceding month. Crude oil export was estimated at 1.87 mbd for the month, while deliveries of crude oil to refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels for the month. The average price of Nigeria's reference crude, the Bonny Light (37<sup>0</sup> API), increased by 7.04 per cent in the first quarter of 2005, compared with the level at end-December, 2004.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) in March, 2005, amounted to US\$2.21 billion and US\$1.27 billion, respectively, resulting in a net inflow of US\$0.94 billion during the month. At US\$817.72 million, total foreign exchange sales to authorized dealers during the month fell by 7.2 per cent from the preceding month's level. The weighted average

exchange rate of the naira vis-à-vis the US dollar, appreciated by 0.02 per cent to ₦132.86 per dollar during the review month. In the bureaux de change segment of the market, the rate also appreciated from ₦139.66 in February to ₦139.52 in March, 2005. Nigeria's gross external reserves rose by 6.1 per cent to \$21.81 billion at end-March 2005.

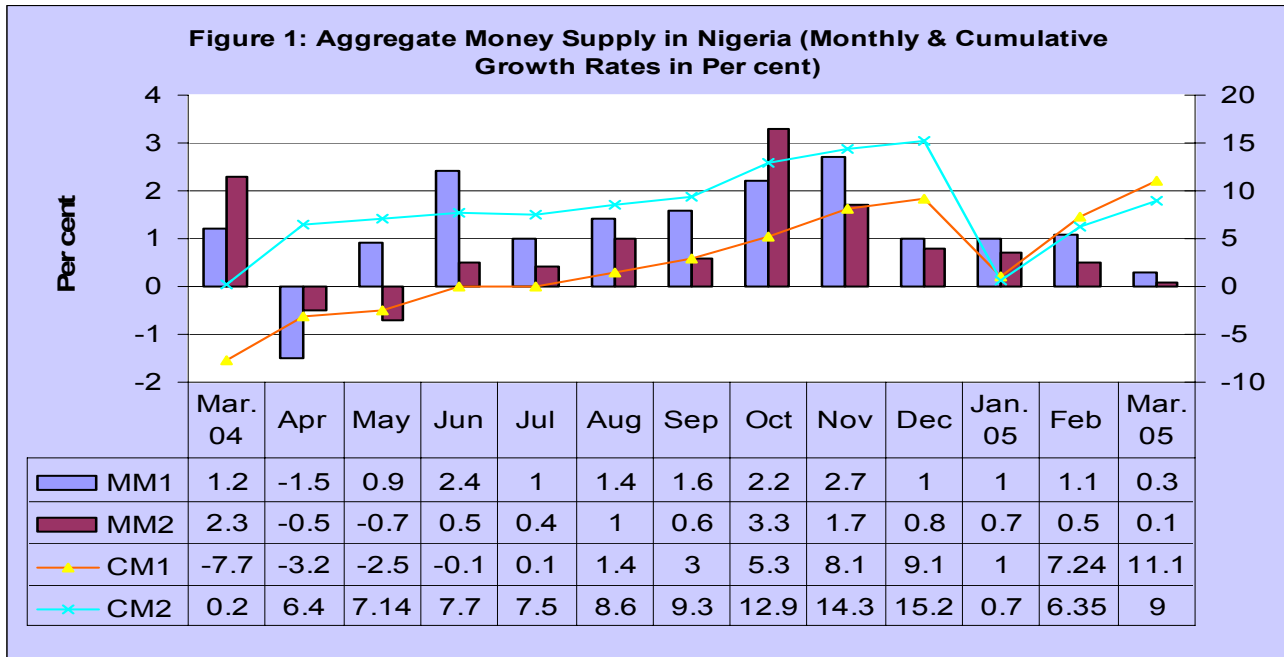
World crude oil output was estimated at 79.2 million barrels per day (mbd) for the first quarter of 2005, while demand was estimated at 84.6 mbd for the same period. Other major international economic developments of relevance to the domestic economy during the month included: the G-24 Technical Group Meeting held in Manila, Philippines, between 17-18 March, 2005 to articulate the Group's position on some global issues preparatory to the 2005 Spring Meeting of the International Monetary Fund (IMF) and the World Bank holding in Washington from 13<sup>th</sup> to 17<sup>th</sup> of April. In a related development, Nigeria and Finland held a meeting between 21 and 22 of March 2005, to negotiate reciprocal Investment Promotion and Protection Agreement, with the aim of promoting greater economic co-operation between both countries. Also, on 4<sup>th</sup> March 2005, the British Prime Minister, launched a report presented by the UK-sponsored Commission for Africa, calling for a "radical change in the way donors behave and deliver assistance" to African countries. The report which was endorsed by the World Bank, urged wealthy nations to double their aid to the continent by raising it by \$50 billion a year over a period of 10 years among others. Furthermore, the World Trade Organization (WTO) rejected the appeal by the United States, against its ruling, which compels the US to bring its subsidies on cotton in line with the WTO rules. Also, as part of its Micro Project Programme, the European Union (EU)

during the month provided 42 million euro for the development of the six oil producing states of the country for the next four years. In another development, a new president for the World Bank was elected on the 31<sup>st</sup> of March, 2005. Finally, the Regional Network of Market Information System and Traders' Organisations in West Africa (MISTOWA) was launched in Abuja on March 3, 2005 by the Ministry of Agriculture and Rural Development in conjunction with the International Centre for Soil Fertility and Agricultural Development (IFDC) and the United States Agency for International Development (USAID), to strengthen economic integration through agriculture, trade and food security.

## 2.0 FINANCIAL SECTOR DEVELOPMENTS

Money supply exhibited mixed development in March, 2005, while banks' deposit and lending rates declined during the same period. The value of money market assets fell following the decline in the value of Bankers Acceptances (BAs)

March 2005. Broad money supply (M<sub>2</sub>) fell by ₦1.2 billion or 0.1 per cent to ₦2,467.9 billion in the review month. Narrow money supply (M<sub>1</sub>), on the other hand, increased by ₦4.5 billion or 0.3 per cent to ₦1,478.8 billion. The fall in M<sub>2</sub> during the month was attributable to the decline in aggregate bank credit to the domestic economy as well as other assets (net) of the banking system.



during the month. Transactions on the Nigerian Stock Exchange (NSE) in March were mixed, as some of the major market indicators rose, while others trended downward.

### 2.1 Monetary and Credit Developments

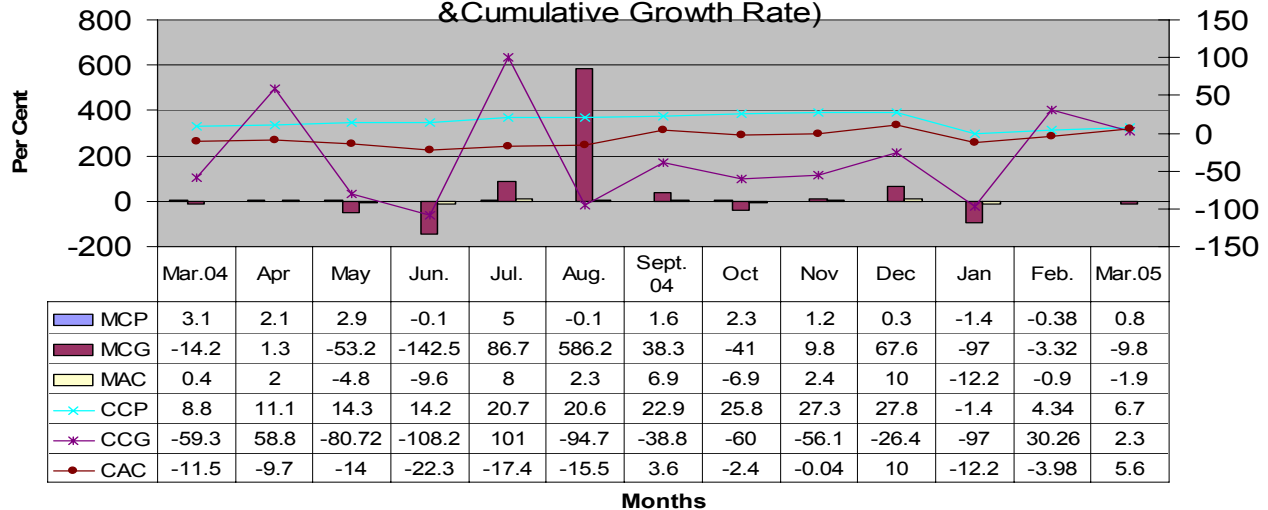
Available data indicated a mixed development in monetary aggregates in

Over the level at end-December, 2004, M<sub>1</sub> and M<sub>2</sub>, however, rose by 11.1 and 9.0 per cent, respectively, representing annualized growth rates of 44.4 and 36.0 per cent, compared with the targets of 11.38 and 15.00 per cent for fiscal 2005 (fig.1 and table 1).

Aggregate bank credit (net) to the domestic economy declined by ₦40.9 billion or 1.9 per cent to ₦2,133.7 billion in March 2005, in contrast to the increase of ₦106.8 billion or 5.2 per cent in the preceding month. The development during the month reflected largely the decline in credit to the

to ₦1,636.6 billion, compared with the increase of ₦15.8 billion or 1.0 per cent in the preceding month. The rise was accounted for entirely by the 0.8 per cent increase in deposit money banks' claims on the sector during the review month. Cumulatively, aggregate credit to the private

Figure 2: Aggregate Domestic Credit To The Economy (Monthly & Cumulative Growth Rate)



public sector. In the first three month of the year, aggregate bank credit (net) to the domestic economy, however, rose by 5.6 per cent, implying an annualized growth rate of 22.4 per cent, compared with the target growth of 23.38 per cent for 2004. The development was attributable to the increases in banking system's credit (net) to both the Federal Government and private sector during the period.

Banking system's credit (net) to the Federal Government fell by ₦54.3 billion or 9.8 per cent to ₦497.1 billion, in contrast to the increase of ₦91.0 billion or 19.8 per cent in the preceding month. The development reflected largely the significant decline in net claims on the government by the DMBs, occasioned by the substantial reduction in the latter's treasury securities holding during the month.

Banking system's credit to the private sector rose by ₦13.3 billion or 0.8 per cent

sector rose by 6.7 per cent between January and March, 2005.

At ₦3,291.7 billion, foreign assets (net) of the banking system rose by ₦100.1 billion or 3.1 per cent, compared with the increase of ₦262.7 billion or 9.0 per cent in the preceding month. The rise was attributable to the 3.5 and 1.1 per cent increases in both the CBN and DMBs' net holdings of foreign assets, respectively.

Quasi-money declined by ₦5.8 billion or 0.6 per cent to ₦989.2 billion, in contrast to the increase of ₦18.1 billion or 1.9 per cent in the preceding month. The decline was attributable to the fall in time deposits during the review month.

Other Assets (net) of the banking system fell by ₦60.4 billion or 2.1 per cent in the review month, compared with the decline of ₦326.1 billion or 12.7 per cent recorded in the preceding month. The decline reflected

the fall in unclassified assets of both the CBN and deposit money banks.

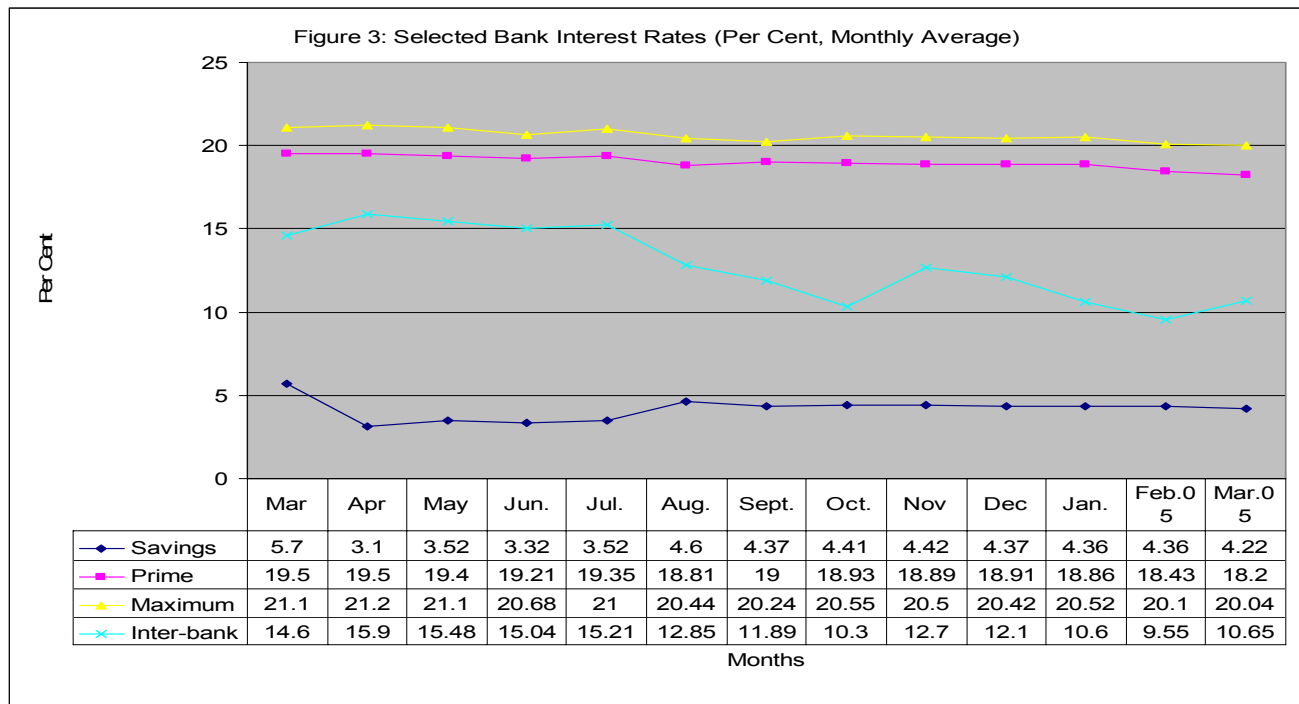
## 2.2 Currency-in-circulation and Deposits at the CBN

At ₦512.8 billion, currency in circulation in March, 2005 rose by ₦10.3 billion or 2.1 per cent over the level in the preceding month. The rise during the month was traceable to the increases in both currency outside the banking system and vault cash of ₦8.8 billion or 2.1 per cent and ₦1.5 billion or 1.9 per cent, respectively.

bankers and ‘others’ were 50.7, 27.0 and 22.3 per cent, respectively, compared with 50.8, 28.0 and 21.2 per cent, in February, 2005.

## 2.3 Interest Rate Developments

Available data indicated a general decline in banks’ deposit and lending rates in March, 2005. Average savings rate declined by 0.14 percentage point to 4.22 per cent, while all the rates on deposits of other maturities declined from a range of 6.43 – 13.57 per cent in February to 6.30 –



Total deposits at the CBN amounted to ₦826.4 billion, indicating an increase of ₦21.0 billion or 2.6 per cent over the level in the preceding month. The development during the month was attributable to the increase in private sector and Federal Government deposits by ₦9.5 billion or 2.3 per cent and ₦12.8 billion or 7.5 per cent, respectively. This was, however, moderated by ₦1.3 billion or 0.6 per cent decline in deposit money banks’ deposits. The shares of the three components in total deposits at the CBN, namely, Federal Government,

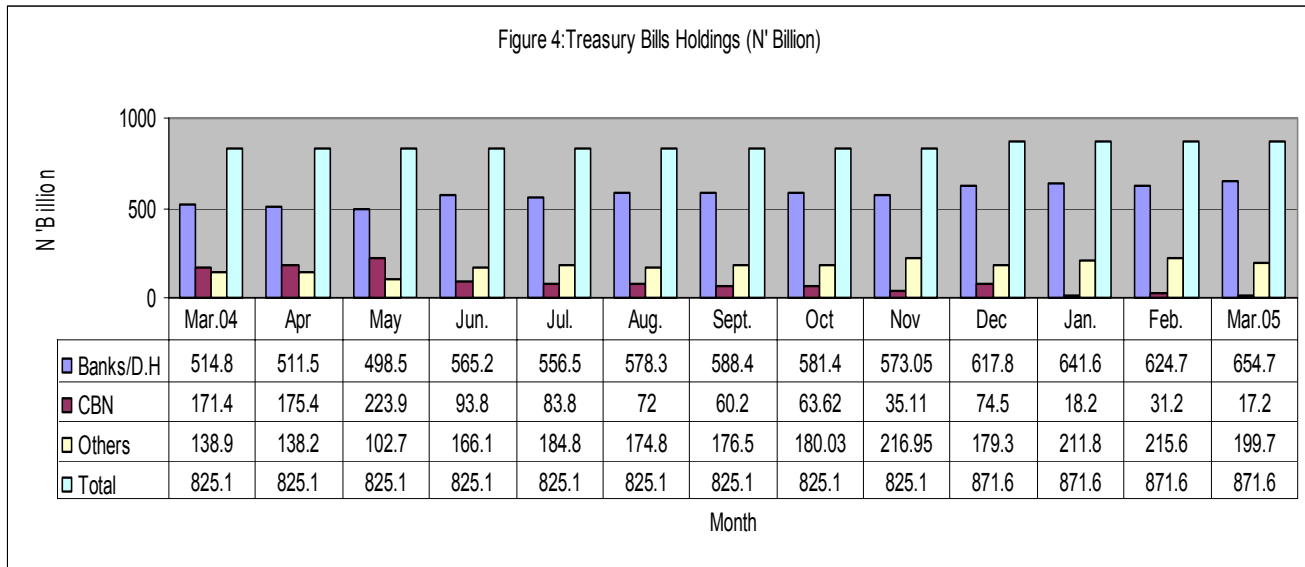
13.22 per cent in March, 2005. Similarly, the average prime and maximum lending rates declined by 0.23 and 0.06 percentage points to 18.20 and 20.04 per cent, respectively. Thus, the spread between the weighted average deposits and maximum lending rates narrowed from 11.07 percentage points in February to 10.47 percentage points in March, 2005. The margin between the average savings deposit and maximum lending rates, however, widened to 15.82 percentage points in

March from 15.74 percentage points in February, 2005.

The weighted average inter-bank call rate, which stood at 9.55 per cent in February, rose to 10.65 per cent in March, 2005, reflecting the liquidity squeeze in the

while the non-bank public recorded no investment during the month. Consequently, the balance of ₦21.0 billion, constituting 6.33 per cent of the total issue was absorbed by the CBN during the month.

Holdings of treasury bills



inter-bank funds market during the month.

## 2.4 Money Market Developments

Provisional data indicated that the value of money market instruments outstanding at end-March, 2005 declined by ₦5.0 billion or 0.5 per cent to ₦1,022.5 billion, in contrast to an increase of ₦15.1 billion or 1.5 per cent in the preceding month. The fall was attributable wholly to the 13.7 per cent decrease 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 ₦331.6 billion were issued during the month to replace maturing bills in March 2005, compared with ₦240.0 billion in the preceding month. Analysis of subscription in the review month showed that deposit money banks (DMBs) and discount houses jointly accounted for ₦310.6 billion or 93.67 per cent of the total,

outstanding by the DMBs and discount houses rose by 4.8 per cent to ₦654.7 billion and constituted 75.11 per cent of the total. Holdings by the non-bank public, however, declined by 7.37 per cent to ₦199.7 billion. Similarly, CBN's holding declined by 44.9 per cent to ₦17.2 billion and constituted 1.97 of the total during the review month.

## 2.5 Capital Market Developments

Available data indicated that activities on the Nigerian Stock Exchange (NSE) in the month of March, 2005 were mixed. The volume and value of traded securities rose by 25.5 and 16.1 per cent to 1.3 billion shares and ₦14.2 billion, respectively, in the month under review. There were no dealings in the Federal Government and industrial loans/preference stocks during the period. The banking sub-sector, as in the preceding month remained the most active on the Exchange.



Market capitalisation and value index, however, fell by 5.4 per cent each from ₦1.8 trillion and 25,307.84 (1984=100), recorded in the preceding month to ₦1.7 trillion and 23,938.29 (1984=100), respectively, in March 2005. The development was attributable to low activity in the secondary segment of the market owing to the preference for new issues. Investors generally switched stocks and focused on the flurry of initial public offers by banks in the primary segment of the market in the bid to meet the ₦25 billion minimum capital base requirement of the CBN. In particular, during the month, ACB International Bank Plc and NAL Bank joined the league of banks raising equity capital from the stock exchange as they offered ₦25 billion and ₦10 billion ordinary shares, respectively.

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

Total assets/liabilities of deposit money banks (DMBs) amounted to ₦4,158.2 billion in March 2005, indicating an increase of ₦121.7 billion or 3.0 per cent over the preceding month's level. The development was attributable to the increase in claims on the Federal Government, foreign assets (net) as well as claims on the private sector. Funds were sourced mainly from increases in demand, time, savings and foreign currency deposits as well as capital accounts. The funds were invested in Federal Government securities as well as claims on the private sector.

At ₦2,407.2 billion, aggregate credit to the domestic economy rose by ₦74.7 billion or 3.2 per cent from the preceding month's level. The development was due to the increase in net claims on Central Government and private sector during the review month.

Central Bank's credit to the DMBs rose by 0.6 per cent to ₦62.3 billion in

March 2005, reflecting the rise in banks' overdrawn position with the CBN.

Total specified liquid assets of the DMBs stood at ₦1,191.5 billion, representing 52.5 per cent of their aggregate current liabilities. At this level, the liquidity ratio was 2.7 percentage points below the preceding month's level, but 12.5 percentage points above the stipulated minimum of 40.0 per cent for fiscal 2005.

## **2.7 Discount Houses**

Total assets/liabilities of the discount houses stood at ₦103.0 billion in March 2005, indicating a decline of ₦13.1 billion or 11.2 per cent from the level in the preceding month. The decline was due mainly to the 23.3 per cent fall in claims on the Federal Government during the month. Their investments in Federal Government securities of less than 91 days maturity amounted to ₦56.8 billion, representing 69.3 per cent of their total deposit liabilities. This level of investment was 11.8 percentage points below the level in the preceding month, but 9.3 percentage points over the prescribed minimum of 60.0 per cent for fiscal 2005.

Total borrowings by discount houses was ₦32.4 billion, while their capital and reserves remained unchanged at the preceding month's level of ₦9.9 billion, resulting in a gearing ratio of 4.6:1, compared with the stipulated maximum target of 50:1 for the year.

## **3.0 DOMESTIC ECONOMIC CONDITIONS**

The major agricultural activities in March 2005 consisted of planting of early maturing crops and harvesting of irrigated crops as well as intensified production of poultry products. Crude oil production was estimated at 2.32 million barrels per day

(mbd) or 71.92 million barrels for the month, while industrial production trended downwards in the first quarter of 2005. The rate of inflation for the month, on year-on-year basis was estimated at 14.9 per cent, compared with 10.9 per cent recorded in the preceding month.

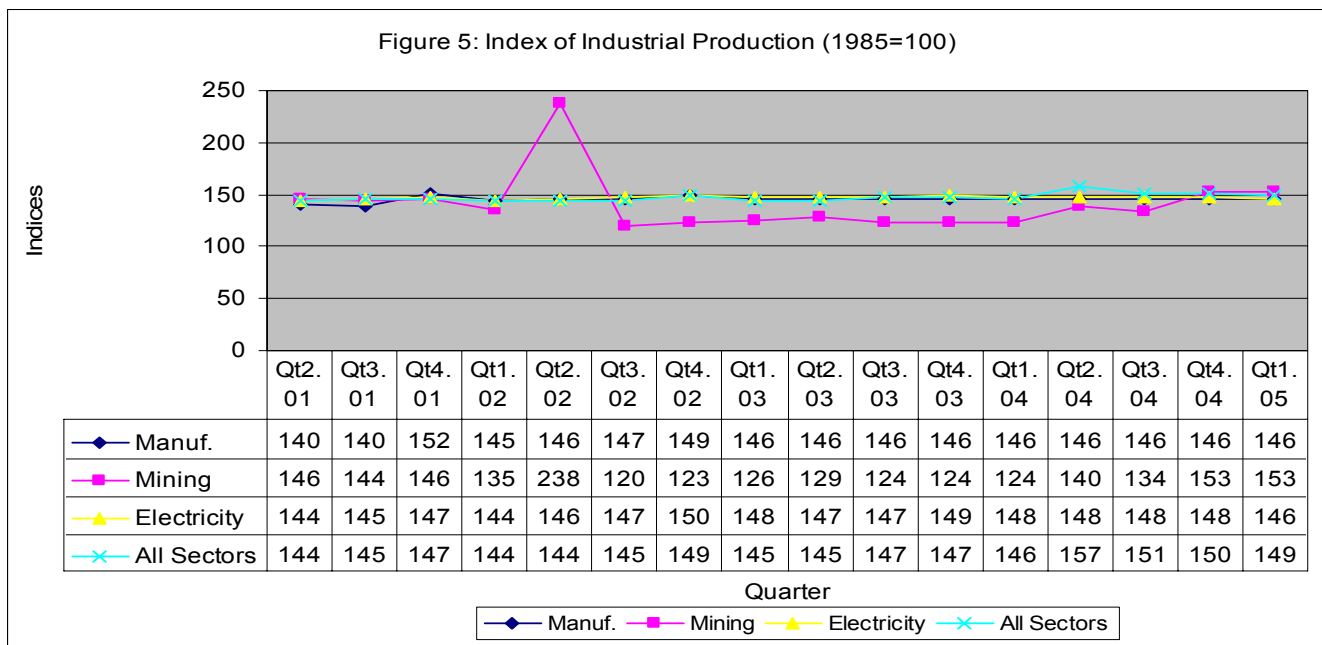
### 3.1 Agricultural Sector

The major agricultural activities in March 2005 consisted of planting of early

(1985=100), similarly rose by 9.8 and 2.9 per cent over the levels in the preceding month and a year earlier.

Of the six commodities monitored during the month, all recorded price increases over their levels in the preceding month, in dollar terms, ranging from 0.2 per cent for copra to 17.1 per cent for coffee.

In naira terms, cocoa, coffee, cotton, palm oil and soya bean recorded price increases of 10.0, 17.1, 7.9, 9.8 and 10.1 per cent, respectively, over the levels in the



maturing crops in the coastal areas, following early rains, as well as harvesting of irrigated crops such as onions, carrots and tomatoes in the northern part of the country. In the livestock sub-sector, farmers intensified the raising of broilers over the country during the review period.

The prices of Nigeria's major agricultural commodities at the London Commodities Market, on the average, rose during the month. The all-commodities price index, at 98.0 (1985 =100), in dollar terms, rose by 9.8 and 7.5 per cent over the level in the preceding month and the corresponding month in 2004. In naira terms, the all-commodities price index, at 8967.55

preceding month, while copra recorded a price decline of 10.1 per cent, in the same period.

### 3.2 Industrial Production

Industrial sector activities during the first quarter of 2005 indicated a decline, in contrast to the development in the preceding quarter. At 148.8 (1985=100), estimated index of industrial production fell by 0.9 per cent from the preceding quarter's level but rose by 1.6 per cent over the level in the corresponding period of 2004. The development during the review quarter reflected the 0.1, 0.1 and 16.4 per cent declines in the indices of manufacturing,

mining production and electricity consumption, respectively.

The estimated index of manufacturing production in the first quarter of 2005, at 145.5 (1985=100), declined by 0.1 percent from the preceding quarter's level. The development during the review quarter was accounted for by the weak performance in 6 subgroups namely: cotton textiles, synthetic fabrics, footwear, paints, roofing sheet and vehicle assembly. This was, however, moderated by the increases in sugar confectionary; soft drink, beer & stout; and soap & detergent during the same period.

At 152.5 (1985=100), the index of mining production fell by 0.1 per cent from the level in the preceding quarter. The fall was accounted for by the decline in the indices of Columbite and Cassiterite sub-sectors by 0.7 and 0.1 per cent, respectively. This was, however moderated by the index of petroleum which rose by 0.7 per cent. The index of coal remained unchanged at the preceding quarter's level.

At 3,455,456.1 M/Wh, the estimated aggregate electricity consumption declined by 16.4 per cent from the level in the preceding quarter. Of the total, residential consumption accounted for 51.3 per cent, while commercial/street light and industrial consumption accounted for 26.7 and 22.0 per cent, respectively. The development in the quarter under review was attributable to poor performance in generation, transmission and distribution in the sub-sector, occasioned by shortage in gas supply in the thermal stations coupled with low water level in the hydro-stations during the period.

### **3.3 Petroleum Sector**

Nigeria's crude oil production was estimated at 2.32 million barrels per day

(mbd) or 71.92 million barrels for the month, compared with 64.96 million barrels produced in the preceding month. Crude oil export was estimated at 1.87 mbd for the month, while deliveries of crude oil to refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels for the month..

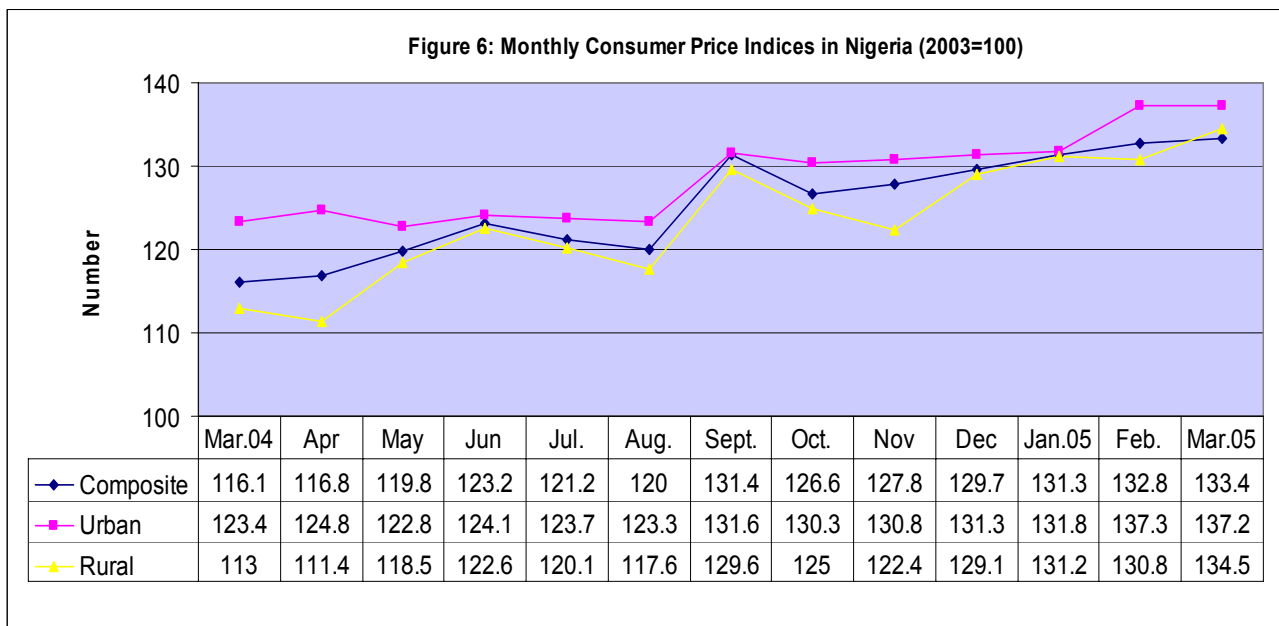
At an estimated average price of US \$47.60 per barrel, Nigeria's reference crude, the Bonny Light (37° API), increased by 7.04 per cent in the first quarter of 2005, from US \$44.47 per barrel recorded in the preceding quarter. Similarly, the average price of other competing crudes, namely, the U.K Brent and West Texas Intermediate (WTI) rose from \$45.49 and \$47.96 a barrel to \$52.86 and \$54.19 a barrel in March, respectively. The rise in price was attributable to increased demand for crude oil occasioned by improvements in world economic performance, especially in China, India and United States; high demand for heating oil during winter; and the replenishment of the depleting US crude oil stocks.

### 3.4 Consumer Prices

Data from the Federal Office of Statistics (FOS) showed that the all-items composite Consumer Price Index (CPI) for March 2005 was estimated at 133.4 (May 2003=100), compared with 132.8 in the preceding month. This represented an increase of 0.5 per cent over the level in the preceding month. The development was attributable to the components of food; food and non-alcoholic beverages; alcoholic beverages, tobacco and kola; clothing and

month. The rural all-items CPI for was also estimated at 134.5 (May 2003=100), representing an increase of 2.0 per cent over the level in the preceding month.

Retail price survey of selected consumer items by the CBN in Bauchi, Enugu, Ibadan, Kano, Lagos and Federal Capital Territory (FCT) Abuja zones showed an upward movement. The retail price index (RPI) indicated an increase of 0.9 per cent in the all-items average price of consumer items in March 2005, compared with the 1.51 per cent rise in the preceding



footwear; housing, water, electricity, gas and other fuel; furnishings, household equipment and maintenance; health; transport; recreation and culture; education; and restaurant and hotels whose indices rose by 0.6; 0.6; 1.6; 2.0; 1.0; 0.4; 3.4; 0.6; 0.3; 6.3 and 1.7 per cent, respectively. This was, however, moderated by the components of communication and miscellaneous goods and services whose indices declined by 1.7 and 1.0 per cent, respectively.

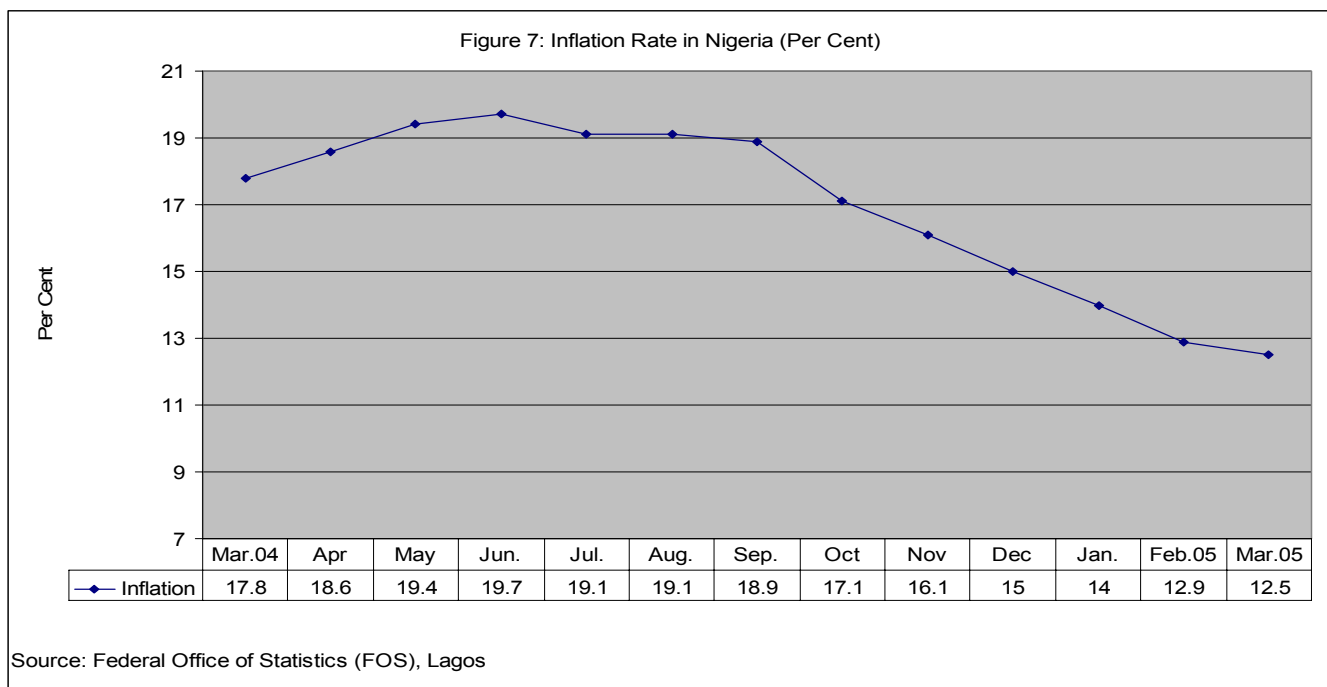
The urban all-items CPI for March 2005 was estimated at 137.2 (May 2003=100), indicating a marginal decline of 0.1 per cent from the level in the preceding

month. The development during the review month was accounted for by the components of staples; meat, fish and eggs; oil and fat; vegetables, fruits and nuts; clothing and fabrics; fuel and light and building materials whose indices increased by 0.6, 0.1, 0.1, 0.7, 2.5, 3.03 and 0.2 respectively. This was, however, moderated by the components of beverages and drinks; and medical services, whose indices declined by 0.18 and 1.06 per cent, respectively. The rise in the price indices of all the components in some of the regions was partly a result of high transportation cost.

The rate of inflation for March 2005, on year-on-year basis, was estimated at 14.9 per cent, compared with 10.9 per cent in the preceding month. However, the inflation rate for the twelve-month period ended March, 2005 was estimated at 12.5 per cent, compared with 12.9 per cent recorded in the preceding month. The upward trend on the year-on-year inflation rate was attributable to the ripple effects of the increase in the prices of crude oil in the international market.

non-oil sources, while rise in outflow was traceable to the increase in Debt Service Payments and Drawings on L/Cs. At US\$7.8 billion and US\$3.6 billion, cumulative inflow and outflow through the CBN in the first three months of 2005 were 52.6 and 2.2 per cent, respectively, higher than their levels in the corresponding period of 2004.

Provisional data on aggregate foreign exchange flows through the economy indicated that total inflow declined by 15.8 per cent to US\$3.31 billion in



## 4.0 EXTERNAL SECTOR DEVELOPMENTS

### 4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in March, 2005, amounted to US\$2.21 billion and US\$1.27 billion, respectively, representing a net inflow of US\$0.94 billion. Compared with the levels of US\$2.91 billion and US\$1.23 billion in the preceding month, inflow fell by 24.1 per cent, while outflow rose by 3.3 per cent. The fall in inflow during the month was due to the declines in earnings from both oil and

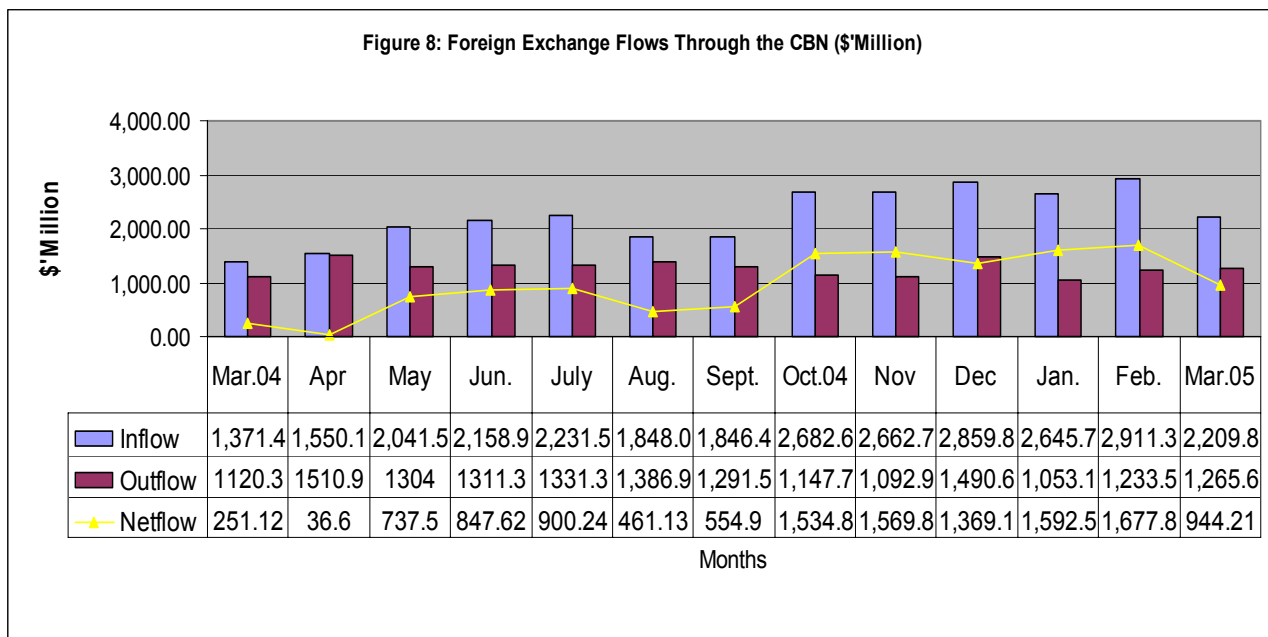
March, 2005. Receipts from the oil sector, which accounted for 62.7 per cent of the total inflow, fell by 24.5 per cent to US\$2.07 billion during the month. Non-oil public sector receipts also fell by 18.3 per cent to US\$0.14 billion in the review period. Receipts through autonomous sources, however, rose by 8.1 per cent to US\$1.10 billion during the review month.

At US\$1.30 billion, total foreign exchange outflow from the economy increased by 1.9 per cent over the preceding month's level. The development was attributable to the increases in out payments through the CBN, particularly, the debt

service payments, and drawings on L/Cs. On the other hand, the funding of the Dutch Auction System (DAS), “Other official payments” and outflow through autonomous sources declined from US\$881.3 million , US\$314.67 and US\$38.10 million in February 2005 to US\$817.72 million , US\$314.45 and US\$30.58 million, respectively, in March. Cumulative inflow and outflow through the economy at end-March 2005 stood at US\$11.06 billion and US\$3.64 billion, respectively, compared with US\$7.13 billion and US\$3.62 billion in the corresponding period of 2004.

### 4.3 Foreign Exchange Market Developments

The demand pressure in the foreign exchange market moderated in March, 2005 as the total foreign exchange sold to end-users by CBN through the authorized dealers fell by 7.2 per cent to US\$817.72. The decline was attributable to the slow pace of economic activities in the review period. Under the DAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar appreciated marginally by 0.02 per cent from ₦132.89 per dollar in the



### 4.2 Sectoral Utilisation of Foreign Exchange

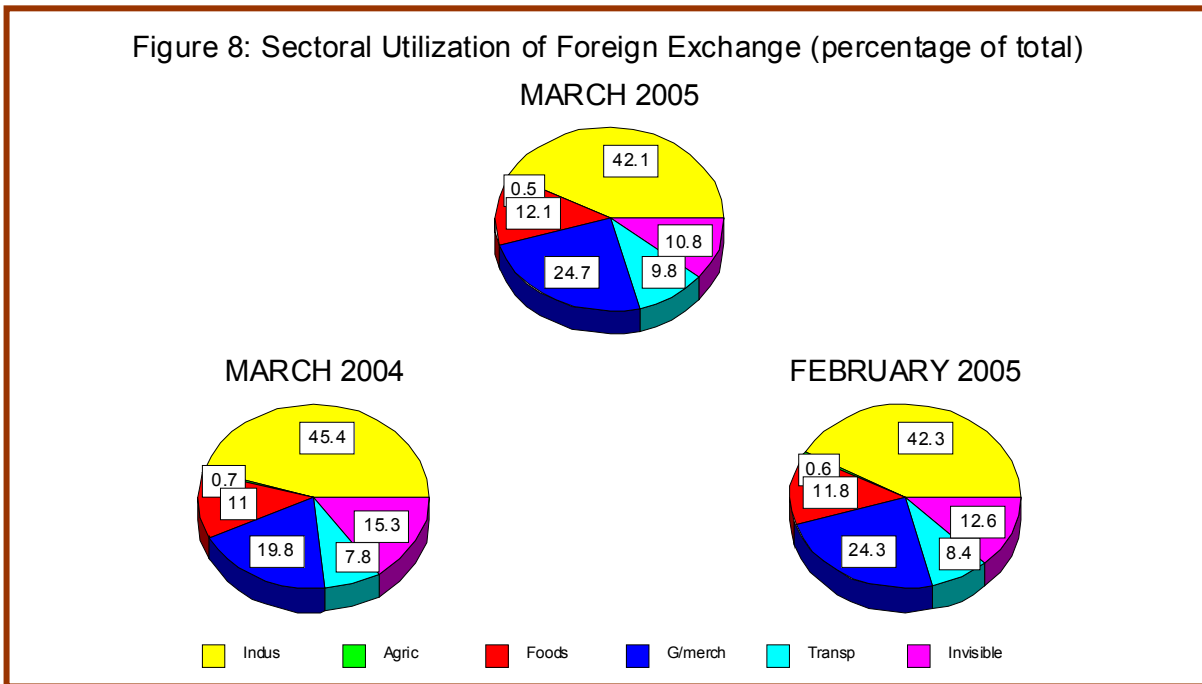
The industrial sector accounted for the bulk (42.1 per cent) of total foreign exchange disbursed in March 2005, followed by general merchandise (24.7 per cent). Other beneficiary sectors, in a descending order of importance, included: food (12.1 per cent), invisibles (10.8 per cent), transport (9.8 per cent) and agricultural products (0.5 per cent), (Fig.8).

preceding month to ₦132.86 in March 2005. Similarly, in the bureaux de change segment of the market, the rate appreciated from ₦139.66 per dollar in February to ₦139.52 per dollar in March, 2005. Consequently, the premium between the official and bureaux de change rates narrowed from 5.1 per cent in February to 5.0 per cent in the month under review.

#### 4.4 External Reserves

Provisional data showed that Nigeria's gross external reserves at end-March, 2005 amounted to US\$21.81 billion, indicating an increase of 6.1 per cent over the adjusted

International Monetary Fund (IMF) and the World Bank; a meeting between Nigeria and Finland on reciprocal Investment Promotion and Protection Agreement, for promoting greater economic co-operation between both countries; the launching of a report presented by the UK-sponsored Commission



gross external reserves of US\$20.55 billion in February, 2005. At the current level of foreign exchange commitments, the reserves could finance about 17.2 months of current foreign exchange disbursement.

#### 5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output was estimated at 79.2 million barrels per day (mbd) for March 2005, while demand was estimated at 84.6 mbd for the same period, indicating excess demand of 5.4 mbd.

Other major international economic developments of relevance to the domestic economy during the month included: the G-24 Technical Group Meeting held in Manila, Philippines, to articulate the Group's position on some global issues preparatory to the 2005 Spring Meeting of the

for Africa by the British Prime Minister, calling for a "radical change in the way donors behave and deliver assistance" to African countries. Others were the World Trade Organization (WTO) rejection of United States' appeal against its ruling on cotton subsidies; the provision of 42 million euro development funds for the six oil producing states of the country by the European Union (EU); the election of a new World Bank President; and the launching of the Regional Network of Market Information System and Traders' Organisations in West Africa (MISTOWA) for enhancing economic integration through trade and food security.

The G-24 Technical Group Meeting was held in Manila, Philippines, between 17-18 March, 2005 to articulate the Group's position on some global issues preparatory

to the 2005 Spring Meeting of the International Monetary Fund (IMF) and the World Bank holding in Washington from 13<sup>th</sup> to 17<sup>th</sup> of April. The Central Bank of Nigeria's (CBN) delegation was led by the Deputy Governor (Policy).

The following proposals were considered and adopted by the Group.

- The need for developing countries to have greater voice in the decision making processes of the Bretton Woods Institutions (BWIs)
- The need to revise the quota formula based on Gross Domestic Product (GDP) using the Purchasing Power Parity (PPP).
- The adoption of a voting and quota structure that would enhance governance and accountability in the IMF and World Bank as well as increase the overall shares/quota of the developing countries and improve their voting power in decision making processes of the Bretton Woods Institutions.

The Nigerian delegation urged the Group to impress on the IMF to accept as its own equivalent, individual country sponsored home-grown economic programmes, such as the National Economic Empowerment Development Strategy (NEEDS), which the IMF has supported and supervised.

Nigeria and Finland held a meeting on March 21 and 22, 2005 in Abuja, Nigeria, to negotiate reciprocal Investment Promotion and Protection Agreement, with the aim of promoting greater economic co-

operation between both countries. The draft agreement would encourage the flow of private capital for economic development in both countries. The formal signing of the draft agreement by the respective Ministers of both countries was scheduled for Helsinki, Finland by mid-June, 2005.

In another development, on 4<sup>th</sup> March 2005, the British Prime Minister, launched a report presented by the UK-sponsored Commission for Africa, calling for a "radical change in the way donors behave and deliver assistance" to African countries. The report which was endorsed by the World Bank, urged wealthy nations to double the level of their aid to the continent by raising it by \$50 billion a year over a period of 10 years. The report also called for removal of trade barriers, capacity building, promotion of private investment and good governance on the part of African countries.

Also, as part of its Micro Project Programme, the European Union (EU) during the month provided 42 million euro for the development of the six oil producing states of the federation over the next four years.

Furthermore, the World Trade Organization (WTO) rejected the appeal by the United States, against its ruling, which would make the US bring her subsidies on cotton in line with the WTO rules.

In another development, a new President for the World Bank was elected on the 31<sup>st</sup> of March, 2005. Mr. Paul Wolfowitz was unanimously endorsed as the new president by the Directors of the Bank, representing 184 countries. Prior to his appointment, the new president was the Deputy Secretary of Defence in the United States. He stated that his primary mission will be on poverty reduction with a focus on Africa.

Finally, the Regional Network of Market Information System and Traders' Organisations in West Africa (MISTOWA)



was launched in Abuja on March 3, 2005 by the Ministry of Agriculture and Rural Development in conjunction with the International Centre for Soil Fertility and Agricultural Development (IFDC) and the United States Agency for International Development (USAID). Nigeria was represented by the Central Bank of Nigeria and other Ministries and Parastatals. The major objective of MISTOWA was to contribute to regional economic integration through increased agricultural trade and food security. This would be accomplished by improving on and linking existing efforts within the ECOWAS sub-region to generate, store, process, disseminate and profitably utilize market information on quality and quantity of crop output, product availability and prices.