

# **CENTRAL BANK OF NIGERIA**



## **MONTHLY REPORT**

**APRIL 2005**

**RESEARCH AND STATISTICS DEPARTMENT**

# **CENTRAL BANK OF NIGERIA**

## **MONTHLY REPORT**

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## ECONOMIC REPORT FOR THE MONTH OF APRIL 2005

### 1.0 SUMMARY

Monetary aggregates grew further in April 2005. Broad money supply ( $M_2$ ) and narrow money supply ( $M_1$ ) increased by 0.7 and 1.1 per cent, respectively, over the levels in the preceding month. The development in the review month was attributable to the increase in both the foreign and other assets (net) of the banking system. In the first four months of the year,  $M_1$  and  $M_2$  expanded by 13.8 and 10.5 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, however, widened from 10.47 percentage points in March 2005 to 10.71 percentage points in April 2005. The margin between the average savings deposit and maximum lending rates stood at 15.56 percentage points in the review month. The weighted average inter-bank call rate, which stood at 10.65 per cent in March, fell to 7.95 per cent in April, reflecting the liquidity ease in the inter-bank funds market.

The value of money market assets outstanding fell by 0.6 per cent to ₦1,038.9 billion, in contrast to the increase of 1.7 per cent in the preceding month. Activities on the Nigerian Stock Exchange (NSE) in April 2005 were mixed, as some of the major market indicators trended upward, while others trended downward.

The dominant agricultural activities in April, 2005 included cultivation of irrigated land for vegetables and wheat as well as the raising of livestock in various parts of the country. The prices of Nigeria's

major agricultural commodities at the London Commodities Market, on the average, exhibited mixed development during the month. The all-commodities price index, at 89.1 (1985 =100), in dollar terms, fell by 8.9 per cent from the level in the preceding month. The inflation rate for April 2005, on year-on-year basis, was estimated at 16.9 per cent, compared with 16.3 per cent recorded in the preceding month. However, the inflation rate for the twelve-month period ended April 2005 was estimated at 12.5 per cent, same as the level achieved in the preceding month.

At 2.36 million barrels per day (mbd) in April, 2005, Nigeria's crude oil production level remained the same, compared with the level in the preceding month. Crude oil export was estimated at 1.91 mbd for the month, while deliveries of crude oil to refineries for domestic consumption remained at 0.45 mbd. The average price of Nigeria's reference crude, the Bonny Light (37<sup>0</sup> API), fell by 2.5 per cent to US\$51.90 in April 2005, below the level at end-March 2005.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) in April, 2005, amounted to US\$2.12 billion and US\$1.67 billion, respectively, resulting in a net inflow of US\$0.45 billion during the month. At US\$856.41 million, total foreign exchange sales to authorized dealers rose by 4.7 per cent over the preceding month's level. The weighted average exchange rate of the Naira vis-à-vis the US dollar depreciated marginally by 0.02 per cent from ₦132.86 per dollar in the preceding month to ₦132.89 in April 2005. In the bureaux de change segment of the

market, however, the rate appreciated from ₦139.52 per dollar in March to ₦139.43 per dollar in April, 2005. Nigeria's gross external reserves rose by 1.9 per cent to US\$22.22 billion at end-April 2005.

World crude oil output was estimated at 83.9 million barrels per day (mbd) for April 2005, while demand was estimated at 83.3 mbd for the same period. Other major international economic developments of relevance to the domestic economy during the month included: the preparatory meeting for the 4<sup>th</sup> ECOWAS Trade Fair held in Abuja on 6<sup>th</sup> April, 2005; and a workshop on the implementation of the Economic Community of West African States (ECOWAS) Community Levy was organized by the ECOWAS Secretariat from 4<sup>th</sup> to 5<sup>th</sup> April, 2005. The aim of the workshop was to enable the Secretariat resolve the difficulties encountered in the application of the Community levy. Also, the planned negotiations for a new trade partnership with the European Union (EU) was abandoned by fourteen African countries owing to the incentives enjoyed under the Highly Indebted Poor Countries (HIPC). In a related development, the Governments of the four cooperating countries in the trans-border gas transmission initiative known as the West African Gas Pipeline Project (WAGPP) comprising, Nigeria, Benin, Ghana and Togo, issued construction licences to the West African Pipeline Company (WAPCo), to build a transmission pipeline, estimated to cost \$590 million. In addition, the Spring meeting of the International Monetary Fund (IMF) and the World Bank was held in Washington D.C, from 13<sup>th</sup>-17<sup>th</sup> April 2005. The Nigerian delegation was led by the Honourable Minister of Finance. Finally, the Association of African Central Banks (AACB) Technical Committee met to discuss the implementation of the July 2004 decisions of AACB Governors, while the

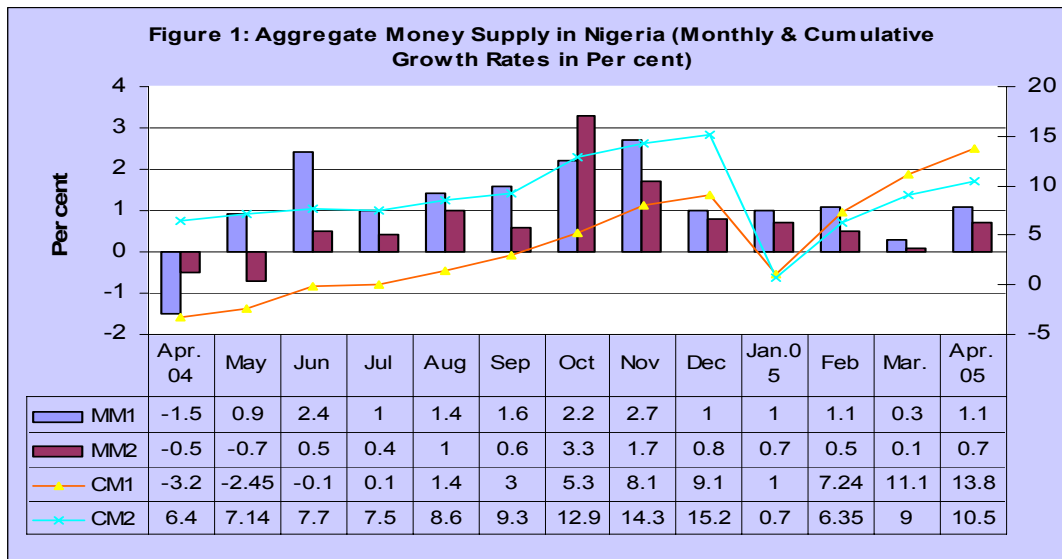
Bureau for the Association of African Central Banks considered cooperation with the African Union.

## 2.0 FINANCIAL SECTOR DEVELOPMENTS

Money supply trended upward in April 2005, while banks' deposit and lending rates declined. The value of money market assets fell following the decline in the value of Commercial papers (CPs) during the month. Transactions on the

## 2.1 Monetary and Credit Developments

Available data indicated an increase in monetary aggregates in April 2005. Broad money supply ( $M_2$ ) rose by ₦17.8 billion or 0.7 per cent to ₦2,501.1 billion. Narrow money supply ( $M_1$ ), on the other hand, increased by ₦16.0 billion or 1.1 per cent to ₦1,514.4 billion. The rise in money stock was attributable to the increase in the foreign assets (net) and other assets (net) of

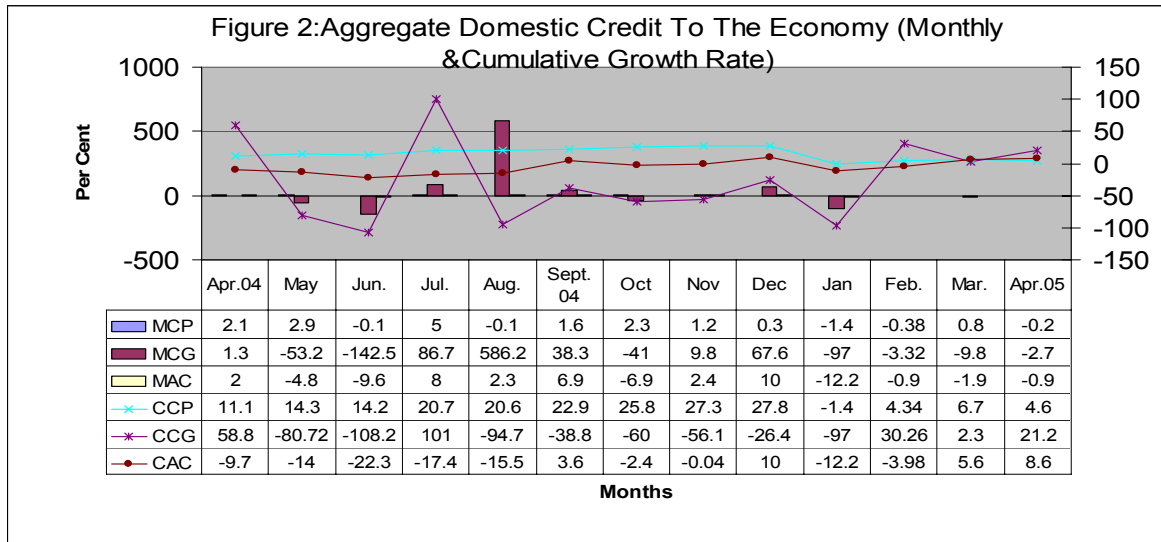


Nigerian Stock Exchange (NSE) in April 2005 were mixed, as some of the major market indicators rose, while others trended downward.

the banking system.  $M_1$  and  $M_2$ , however, rose by 13.8 and 10.5 per cent, over the level at end-December 2004, respectively, 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 ₦20.1 billion or 0.9 per cent to ₦2,193.8 billion in April 2005, in contrast to the increase of ₦39.4 billion or 1.8 per cent in the preceding month. The development during the month reflected the decline in credit to both the

2.7 per cent to ₦588.8 billion, in contrast to the increase of ₦53.6 billion or 9.7 per cent in the preceding month. The fall reflected mainly the significant decline in net claims on the government by the CBN, occasioned by the increase in its deposit with the apex bank.



public and private sectors. In the first four months of the year, aggregate bank credit (net) to the domestic economy, however, rose by 8.6 per cent, implying an annualized growth rate of 25.8 per cent, compared with the target growth of 23.38 per cent for fiscal 2005. 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 ₦16.1 billion or

Banking system's credit to the private sector also fell by ₦4.0 billion or 0.2 per cent to ₦1,605.0 billion, compared with the decline of ₦14.2 billion or 0.9 per cent in the preceding month. The development reflected entirely the 0.3 per cent decline in deposit money banks' claims on the sector.

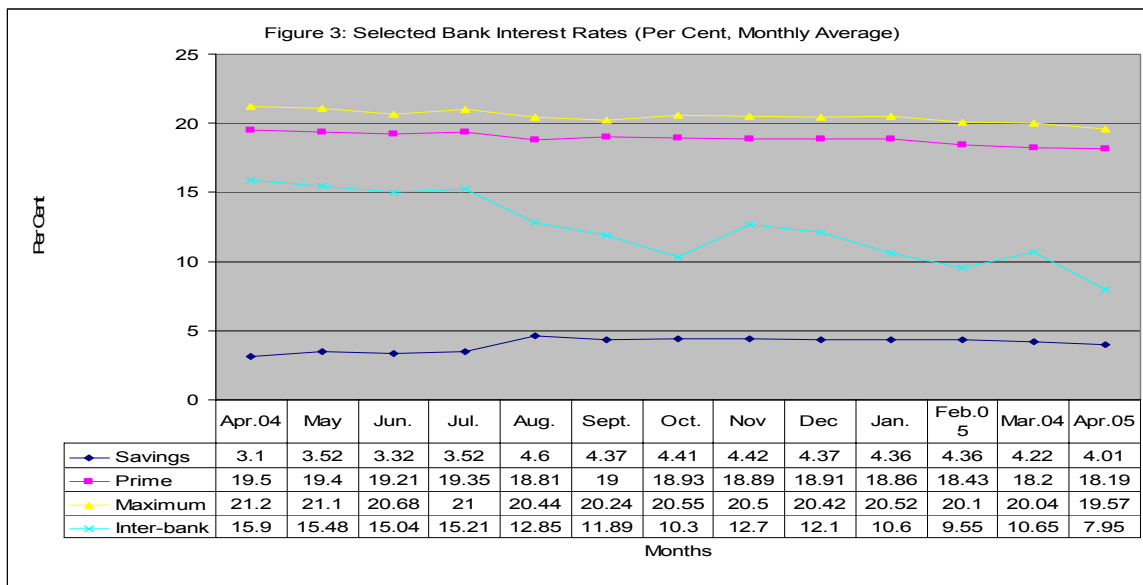
At ₦3,345.4 billion, foreign assets (net) of the banking system rose by ₦19.5 billion or 0.6 per cent, compared with the increase of ₦134.3 billion or 4.2 per cent in the preceding month. The rise was attributable to the 1.4 per cent increase in the CBN's net holdings of foreign assets.

Quasi-money increased by ₦1.8 billion or 0.2 per cent to ₦986.8 billion, in contrast to the decline of ₦10.0 billion or 1.0 per cent in the preceding month. The development was attributable to the increase in foreign currency deposits during the review month.

Other Assets (net) of the banking system increased by ₦18.4 billion or 0.6 per cent in the review month, in contrast to the decline of ₦159.4 billion or 5.5 per cent recorded in the preceding month. The rise reflected

outside the banking system by ₦7.3 billion or 1.7 per cent. This was, however, moderated by the ₦41.1 million or 0.05 per cent increase in vault cash during the same period.

Total deposits at the CBN amounted to ₦855.1 billion, indicating an increase of ₦35.7 billion or 4.3 per cent over the level in the preceding month. The development during the month was attributable to the increase in deposit money banks' deposits, private sector deposits and Federal Government deposits by ₦0.6 billion or 0.3 per cent, ₦19.3 billion or 10.4 per cent and ₦15.8 billion or 3.9 per cent, respectively. The shares of the three components in total deposits at the CBN, namely, Federal Government, bankers and 'others' were 49.4, 26.7 and 23.9 per cent, respectively,



largely the increase in unclassified assets of the CBN.

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

At ₦505.6 billion, currency in circulation in April, 2005 fell by ₦7.2 billion or 1.4 per cent from the level in the preceding month. The fall during the month was traceable to the decline in currency

compared with 50.7, 27.0 and 22.3 per cent, in March, 2005.

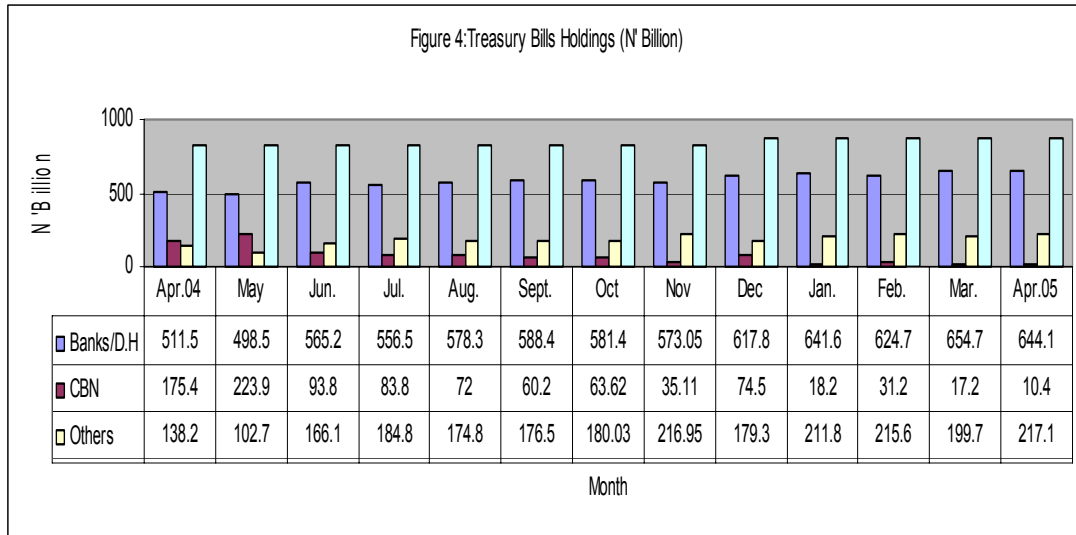
## 2.3 Interest Rate Developments

Available data indicated a general decline in banks' deposit and lending rates in April, 2005. Average savings rate declined by 0.21 percentage point to 4.01 per cent, while all the rates on deposits of other maturities declined from a range of

6.30 – 13.22 per cent in March to 6.26 – 12.88 per cent in April, 2005. Similarly, the average prime and maximum lending rates declined by 0.01 and 0.47 percentage points to 18.19 and 19.57 per cent, respectively.

## 2.4 Money Market Developments

Provisional data indicated that the value of money market assets outstanding at end-April, 2005 declined by ₦6.3 billion or



The spread between the weighted average deposits and maximum lending rates, however, widened from 10.47 percentage points in March to 10.71 percentage points in April, 2005. The margin between the average savings deposit and maximum lending rates, stood at 15.56 percentage points in the review month, compared with 15.82 percentage points in March, 2005.

The weighted average inter-bank call rate, which stood at 10.65 per cent in March, fell to 7.95 per cent in April, 2005, reflecting the liquidity in the inter-bank funds market.

The observed declining trend in deposits and lending rates as well as the sharp fall in the inter-bank call rate in April were indicative of the continued impact of the 200 basis points reduction in MRR on the market. Although, the policy was primarily targeted to achieve a significant reduction in the lending rates, however, the lending rates have been less responsive relative to the other rates.

0.6 per cent to ₦1,038.9 billion, in contrast to an increase of ₦17.8 billion or 1.7 per cent in the preceding month. The fall was attributable wholly to the 9.2 per cent decline in Commercial Papers (CPs) during the review month. Treasury Bills outstanding, however, remained unchanged at the preceding month's level of ₦871.6 billion.

Treasury bills worth ₦200.1 billion were issued during the month to replace bills that matured in April 2005, compared with ₦316.6 billion in the preceding month. Analysis of subscription showed that deposit money banks (DMBs) and discount houses jointly accounted for ₦93.4 billion or 46.7 per cent, while the non-bank public subscribed ₦105.6 billion or 52.8 per cent of the total during the review month. Consequently, the balance of ₦21.0 billion, constituting 0.5 per cent of the total issue was absorbed by the CBN during the month. Holdings of treasury bills outstanding in the review month showed that DMBs and discount houses continued their dominance of the market as they jointly accounted for



₦644.1 billion or 73.9 per cent of the total, while investment by the non-bank public amounted to ₦217.1 billion or 24.9 per cent of the total. Consequently, CBN's holding declined from 39.5 per cent in March 2005 to 1.2 per cent of the total during the review month.

## 2.5 Capital Market Developments

Available data indicated that activities on the Nigerian Stock Exchange (NSE) in April, 2005 were mixed. While the volume of traded securities fell by 17.5 per cent to 1.04 billion, its value rose by 9.5 per cent to ₦15.4 billion. There were no dealings in the Federal 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 rose by 7.1 and 6.2 per cent to ₦1.8 trillion and 21,961.70 (1984=100) from ₦1.7 trillion and 20,682.37, respectively at end-April, 2005. The performance at the secondary market segment reflected investors' confidence. At the primary market segment, four (4) new issues of 2.45 billion ordinary shares valued at ₦35.27 billion were approved in April. Of the new issues, two were offers for subscription, one was for rights, while the remaining one was private placement. Further analysis indicated that the two offers for subscription were made by banks (Guardian Express Bank Plc and Inland Bank Plc) to ensure compliance with the CBN's directives of ₦25.0 billion minimum capital base.

Meanwhile, the Nigerian Stock Exchange initiated arrangements during the month towards the operation of Asset-mortgage and infrastructure-backed securities in the country. These instruments when floated would finance specified long

term projects that require huge capital outlay such as infrastructure development.

## 2.6 Deposit Money Banks' Activities

Total assets/liabilities of deposit money banks (DMBs) amounted to ₦4,175.7 billion in April 2005, indicating an increase of ₦17.4 billion or 0.4 per cent over the preceding month's level. The development was attributable to the increase in claims on the three tiers of government, (Federal, State and Local) as well as claims on the private sector. Funds were sourced mainly from reductions in foreign assets as well as increases in capital accounts. The funds were invested in Federal Government securities as well as claims on the private sector.

At ₦2,221.7 billion, aggregate credit to the domestic economy fell by ₦4.3 billion or 0.2 per cent from the preceding month's level. The development was due to the decline in (net) claims on State as well as Central Governments.

Central Bank's credit to the DMBs rose by 2.3 per cent to ₦63.8 billion in April 2005, reflecting the rise in banks' overdrawn position with the CBN.

Total specified liquid assets of the DMBs stood at ₦1,190.9 billion, representing 52.7 per cent of their total current liabilities. At this level, the liquidity ratio was 0.2 and 12.7 percentage points over the preceding month's level and the stipulated minimum of 40.0 per cent for fiscal 2005, respectively.

## 2.7 Discount Houses

Total assets/liabilities of the discount houses stood at ₦102.3 billion in April 2005, indicating a marginal decline of ₦0.7 billion or 0.7 per cent from the level in the preceding month. The decline in assets was

due mainly to the 58.5 per cent and 22.3 per cent fall in cash and balances with banks; and claims on banks, respectively, while the decline in total liabilities was attributable to the 8.0 per cent drop in money-at-call, during the same period. Their investments in Federal Government securities of less than 91 days maturity amounted to ₦65.6 billion, representing 80.8 per cent of their total deposit liabilities. This level of investment was 11.6 percentage points below the level in the preceding month, but 20.8 percentage points over the prescribed minimum of 60.0 per cent for fiscal 2005.

Total borrowings by discount houses was ₦35.6 billion, while their capital and reserves remained unchanged at the preceding month's level of ₦9.9 billion, resulting in a gearing ratio of 3.6:1, compared with the stipulated maximum target of 50:1 for the year.

### **3.0 DOMESTIC ECONOMIC CONDITIONS**

The dominant agricultural activities in the month of April, 2005 included cultivation of irrigated land for vegetables and wheat as well as the raising of livestock in various parts of the country. Crude oil production was estimated at 2.36 million barrels per day (mbd) or 70.8 million barrels for the month. The rate of inflation for the month, on year-on-year basis was estimated at 16.9 per cent, compared with 16.3 per cent recorded in the preceding month.

#### **3.1 Agricultural Sector**

Agricultural activities in April 2005 centered around land preparation for transplanting of tree crops from nurseries, cereal planting and cultivation of irrigated land for vegetables and wheat. The month also witnessed the seasonal northward movement of cattle rearers as a result of

tsetse-flies buildup in the south following increased rainfall as well as the raising of other livestock species.

The prices of Nigeria's major agricultural commodities at the London Commodities Market, on the average, exhibited mixed trend during the month. The all-commodities price index, at 89.1 (1985=100), in dollar terms, fell by 8.9 per cent from the level in the preceding month. In naira terms, the index, at 8182.12 (1985=100), also declined by 11.0 per cent from the level in the preceding month.

Of the six commodities monitored during the month, three commodities recorded price declines ranging from 2.8 per cent for soya bean to 9.9 per cent for cocoa, compared with their levels in the preceding month. On the other hand, the remaining three commodities recorded modest price increases ranging from 0.8 per cent for cotton to 2.0 per cent for copra.

In naira terms, four of the commodities recorded price declines ranging from 2.8 per cent for soya bean to 23.5 per cent for copra. The remaining two commodities namely, cotton and coffee recorded price increases of 0.8 per cent and 1.2 per cent, respectively.

#### **3.2 Petroleum Sector**

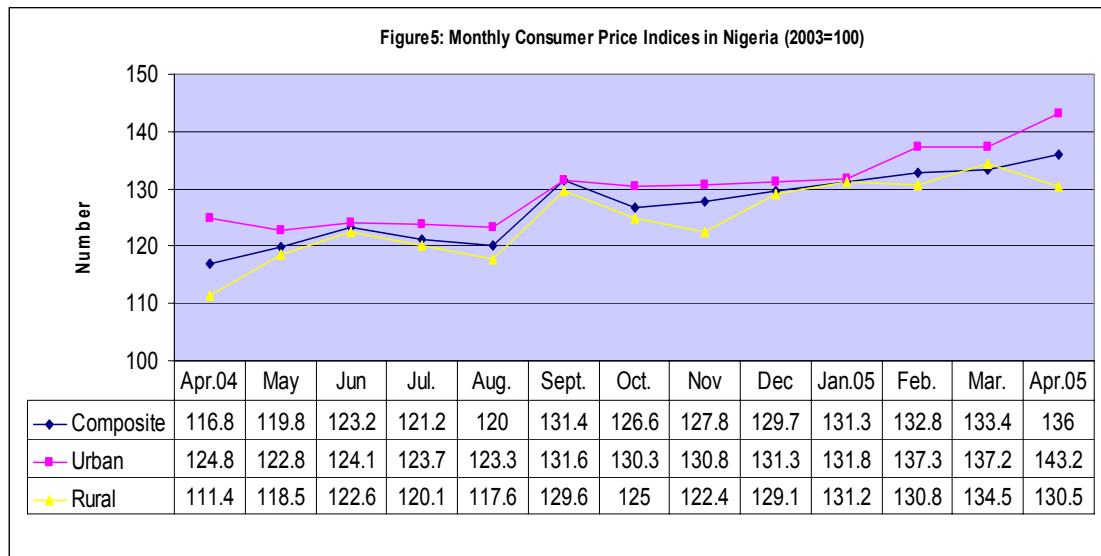
Nigeria's crude oil production, including condensates and natural gas liquids was estimated at 2.36 million barrels per day (mbd) or 70.8 million barrels for the month, the same as in the preceding month. Crude oil export was estimated at 1.91 mbd or 57.3 million barrels for the month, compared with 1.87 mbd in March 2005. Deliveries of crude oil to refineries for domestic consumption remained at 0.45 mbd, same as in the preceding month.

At an estimated average price of US \$51.90 per barrel, Nigeria's reference crude, the Bonny Light (37° API), fell by 2.5 per cent in April, 2005 from US\$53.23 per

barrel recorded in the preceding month. Similarly, the average price of other competing crudes, namely, the U.K Brent, West Texas Intermediate (WTI) and Forcados fell by 2.6, 2.5 and 2.8 per cent to US\$51.47, US\$52.81 and US\$51.80, respectively, during the month under review. The price decline was attributable to the rising US crude oil inventory during the period.

the indices of alcoholic beverages, tobacco and kola; housing, water, electric gas and other fuel; health; recreation and culture; and education; declined by 0.8, 2.9, 0.5, 1.5, and 1.5 per cent, respectively.

The urban all-items CPI for April 2005 was estimated at 143.2 (May 2003=100), indicating an increase of 2.5 per cent over the level in the preceding month. The rural all-items CPI for April was also estimated at 130.5 (May 2003=100),



### 3.4 Consumer Prices

Data from the Federal Office of Statistics (FOS) showed that the all-items composite Consumer Price Index (CPI) for April 2005 was estimated at 136.0 (May 2003=100), compared with 135.0 in the preceding month. This represented an increase of 0.8 per cent over the level in the preceding month. The development was attributable to the components of food; food and non-alcoholic beverage; clothing and footwear; furnishings, household equipment and household maintenance; transport; communications; restaurant and hotels; and miscellaneous goods and services, whose indices rose by 1.7, 1.7, 0.6, 1.5, 0.6, 2.7, 0.6 and 1.0 per cent, respectively. In contrast,

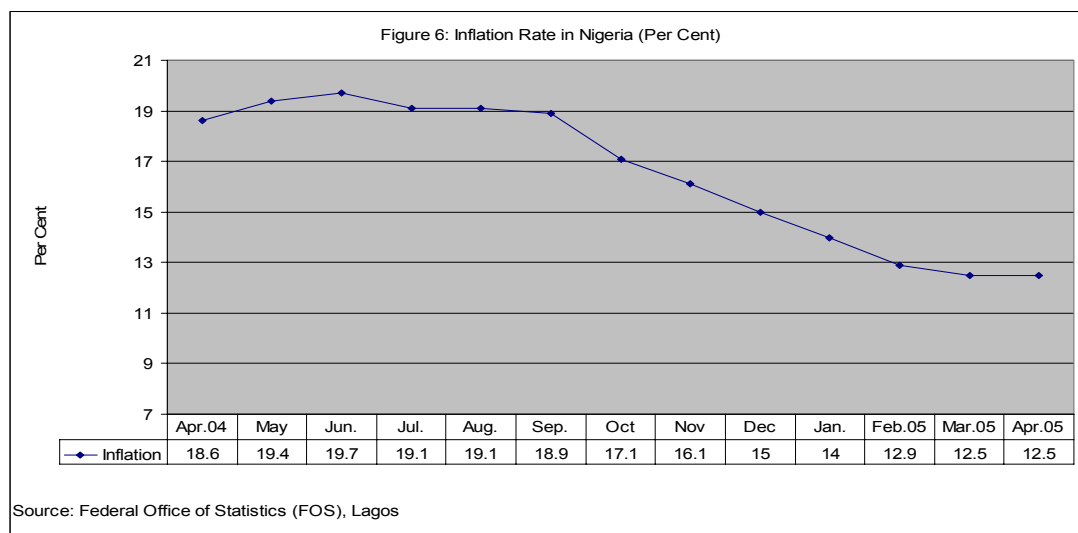
representing a decline of 1.8 per cent from the level in the preceding month.

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 0.8 per cent in the all-items average price of consumer items in April 2005, compared with the 0.7 per cent rise in the preceding month. The development during the review month was accounted for by the components of meat, fish and eggs; oil and fat; vegetables, fruits and nuts; clothing and fabrics; fuel and light; medical and building materials whose indices increased by 0.74, 1.56, 1.41, 2.27, 5.36, 0.84 and 1.57 per cent, respectively. This was, however,

moderated by the components of staples; and beverages and drinks whose indices declined by 0.22 and 0.57 per cent, respectively, during the review month. The rise in the price indices of all the components in some of the regions was partly due to high transportation cost.

The rate of inflation for April 2005, on year-on-year basis, was estimated at 16.9 per cent, compared with 16.3 per cent in the preceding month. However, the inflation rate for the twelve-month period ended

cent, while outflow rose by 31.5 per cent. The fall in inflow during the month was due to the decline in earnings from oil, while the rise in outflows during the month was due to the increases in Debt Service Payments, funding of the Dutch Auction System (DAS), Drawings on L/Cs and other official payments. Cumulative inflow and outflow through the CBN from January to April 2005 stood at US\$9.9 billion and US\$5.22 billion, respectively, compared with US\$6.6 billion and US\$5.0 billion in the



April 2005 was estimated at 12.5 per cent, same as in the preceding month.

## 4.0 EXTERNAL SECTOR DEVELOPMENTS

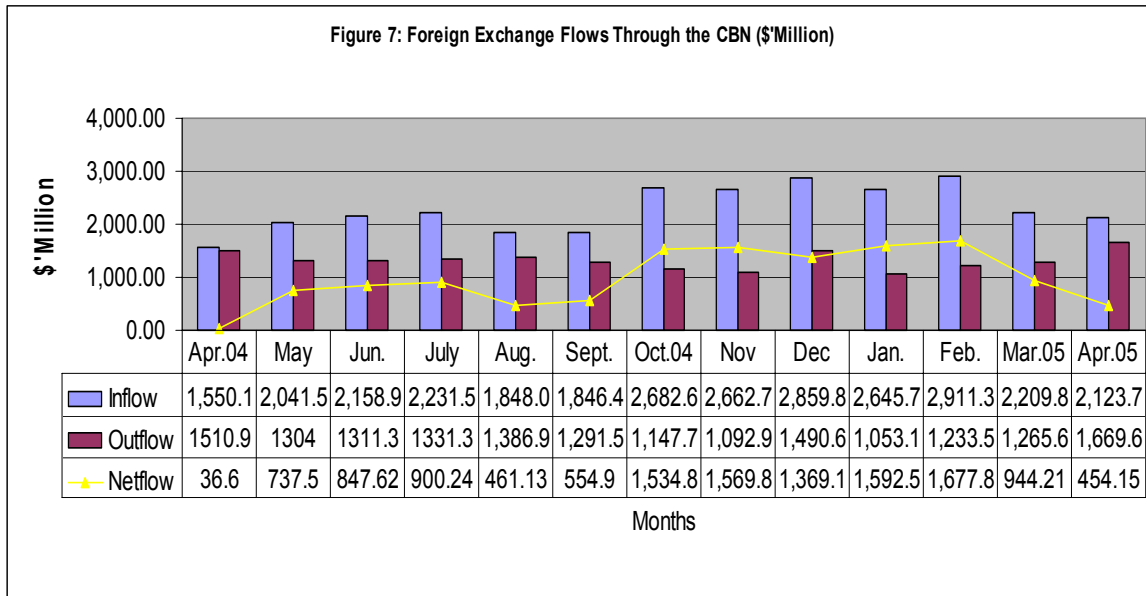
### 4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in April, 2005, amounted to US\$2.12 billion and US\$1.67 billion, respectively, representing a net inflow of US\$0.45 billion. Compared with the levels of US\$2.21 billion and US\$1.27 billion in the preceding month, inflow fell by 4.1 per

cent, while outflow rose by 31.5 per cent.

Provisional data on aggregate foreign exchange flows through the economy in April indicated that total inflow declined by 5.7 per cent to US\$3.25 billion. Receipts from the oil sector which accounted for 59.3 per cent of the total receipts fell by 6.9 per cent to US\$1.93 billion during the month. Similarly, receipts through autonomous sources declined by 9.0 per cent to US\$1.13 billion in April 2005. Non-oil public sector receipts, which accounted for 6.0 per cent of the total inflow, however, rose by 41.8 per cent to US\$0.19 billion during the review month.

At US\$1.72 billion aggregate foreign yam and sesame seeds from US\$9.1, US\$5.1



exchange outflow through the economy rose by 29.3 per cent. The rise was attributable to out payments through the Central Bank, particularly Debt Service Payments, funding of the Dutch Auction System (DAS), and other official payments which increased from US\$107.7, US\$817.7 and US\$314.5 million in March to US\$403.5, US\$856.4 and US\$382.8 million, respectively, in April, 2005. Outflow through autonomous sources, however, declined by 19.8 per cent to US\$50.6 million in the review period. Cumulative inflow and outflow through the economy in the first four months of 2005 stood at US\$14.46 billion and US\$5.40 billion, respectively, compared with US\$9.40 billion and US\$5.22 billion in the corresponding period of 2004.

#### 4.2 Non-Oil Export Proceeds by top 100 Exporters

Non-oil export earnings by Nigeria's top 100 exporters in April, 2005 amounted to US\$53.5 million, indicating a decline of 35.2 per cent from the level in the preceding month. The development was attributable to the significant fall in the export of rubber,

and US\$32.6 million in the preceding month to US\$2.7, US\$2.1 and US\$0.7 million, respectively. Receipts in respect of agricultural sector and others declined from US\$54.1 and US\$12.2 million to US\$17.0 and US\$10.5 million, respectively, while earnings from the manufacturing sector rose from US\$16.0 million in March, 2005 to US\$26.0 million in April. Of the total US\$53.6 million realized from autonomous non-oil export inflows (public and private sources) during the month, the share of the top 100 exporters stood at 99.8 per cent, compared with 94.1 in the preceding month.

#### 4.3 Sectoral Utilisation of Foreign Exchange

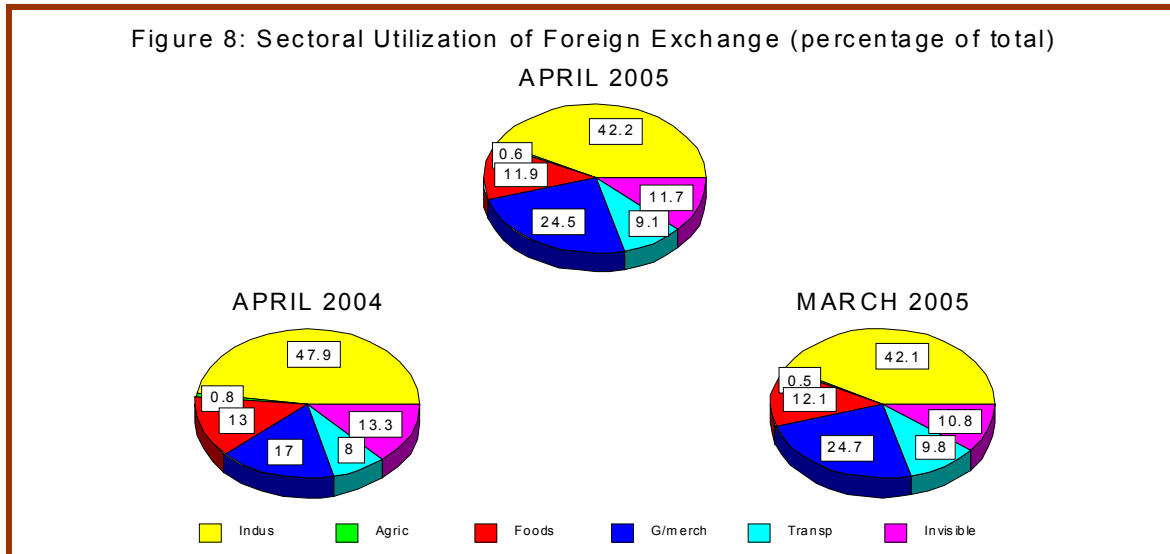
The industrial sector accounted for the bulk (42.2 per cent) of total foreign exchange disbursed in April 2005, followed by general merchandise (24.5 per cent). Other beneficiary sectors, in a descending order of importance, included: food (11.9 per cent), invisibles (11.7 per cent), transport (9.1 per cent) and agricultural products (0.6 per cent), (Fig.8).

#### 4.4 Foreign Exchange Market Developments

The demand pressure in the foreign exchange market increased in April, 2005 as the total foreign exchange sold to end-users by CBN through the authorized dealers rose by 4.7 per cent to US\$856.41 million. The

#### 4.5 External Reserves

Provisional data showed that Nigeria's gross external reserves at end-April, 2005 amounted to US\$22.22 billion, indicating an increase of 1.9 per cent over the gross external reserves of US\$21.81 billion in March, 2005. At the current level of foreign



development necessitated a higher supply of foreign exchange by the CBN to maintain market stability during the month under review. Under the DAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar depreciated marginally by 0.02 per cent from ₦132.86 per dollar in the preceding month to ₦132.89 in April 2005. In the bureaux de change segment of the market the rate, however, appreciated from ₦139.52 per dollar in March to ₦139.43 per dollar in April, 2005. Consequently, the premium between the official and bureaux de change rates narrowed from 5.0 per cent in March to 4.95 per cent in the month under review.

exchange commitments, the reserves could finance about 13.3 months of foreign exchange disbursement.

#### 5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output was estimated at 83.9 million barrels per day (mbd) for April 2005, while demand was estimated at 83.3 mbd for the same period, indicating excess supply of 0.6 mbd.

Other major international economic developments of relevance to the domestic economy during the month included: workshop on the implementation of the ECOWAS Community Levy and preparatory meeting for the 4<sup>th</sup> ECOWAS Trade Fair held from 4<sup>th</sup>-5<sup>th</sup> and 6<sup>th</sup> April, 2005, respectively, in Abuja, Nigeria ; the abandonment of trade negotiations with European Union by fourteen African

countries; the construction of \$590 million West African Gas Pipeline by the West African Gas Pipeline Company; the Spring meeting of the International Monetary Fund (IMF) and the World Bank, held in Washington D.C. between 13<sup>th</sup> and 17<sup>th</sup> April, 2005; and the meetings of the Association of African Central Banks (AACB) Technical Committee and Bureau for the Association of African Central Banks held at the headquarters of BCEAO in Dakar, Senegal, from 27<sup>th</sup>-28<sup>th</sup> April, 2005.

The preparatory meeting of the National Organizing Committee (NOC) for the 4<sup>th</sup> edition of the Economic Community of West African States (ECOWAS) Trade Fair was held in Abuja on 6<sup>th</sup> April, 2005. The meeting was convened to ensure the successful hosting of the ECOWAS Trade Fair scheduled for Nigeria later in the year. It was reported at the meeting that 18,000 square meters (sqm) in-door and 300,000 square meters (sqm) out-door exhibition spaces would be made available at the rate of ₦5000 per sqm per the 25-sqm indoor space and N3,000 per 35-sqm outdoor space. The meeting also heard that Nigeria's Ministry of Commerce approved the Committee's work programme for the 30<sup>th</sup> anniversary of ECOWAS.

In another development, a workshop on the implementation of the ECOWAS Community Levy was organized by the ECOWAS Secretariat from 4<sup>th</sup> to 5<sup>th</sup> April, 2005. The workshop was aimed at enabling the Secretariat present the difficulties encountered in the application of the Community levy as well as seek appropriate solutions that would ensure efficient implementation of the Levy. Funds from the levy were meant to be used for various projects including the compensation of member states for loss of revenue arising from the implementation of the ECOWAS Trade Liberalisation Scheme (ETLS).

Participants at the workshop were drawn from the 13 member countries of ECOWAS as well as representatives from the UEMOA commission. Highlights of the decisions at the meeting included:

- Retention of the levy rate of 0.5% and the list of goods exempted from Community levy as stated in Article 5 of the Protocol.
- An appeal to the UEMOA countries to adhere to the provisions of Article 10 of the Protocol which stipulates direct remittance of the proceeds of the levy into the designated account at the Central Bank of Nigeria with access for the ECOWAS Secretariat.
- The Secretariat was directed to send a formal request to the Office of the Accountant General, Federal Republic of Nigeria and the Ministry of Cooperation and Integration to facilitate access to the Community Levy Account at the Central Bank of Nigeria.
- The harmonized draft procedure for the assessment, collection and lodgment of ECOWAS Community levy, and that the levy be paid directly to ECOWAS account within 30 days were agreed upon at the meeting. Member countries that were yet to ratify the Community Levy Protocol were enjoined to do so.

The planned negotiations for a new trade partnership with the European Union

(EU) was abandoned by fourteen African countries. The move has effectively left Kenya and Zimbabwe to negotiate the controversy-ridden Economic Partnership Agreement (EPA) with the EU. The move was due to the fact that, all the countries regarded as heavily indebted poor countries (HIPC) have been unwilling to negotiate, because they enjoy preferential treatment under the current regime. Kenya and Zimbabwe, however, could not afford to backtrack on the process owing to the high content of EU trade in their agricultural exports. The EU wants a new trade pact to replace the existing Cotonou Agreement with the African, Caribbean and Pacific (ACP) nations and is expected to be concluded before January 2008.

The Governments of the four cooperating countries in the trans-border gas transmission initiative known as the West African Gas Pipeline Project (WAGPP) comprising, Nigeria, Benin, Ghana and Togo, issued construction licences to the West African Pipeline Company (WAPCo), to build a transmission pipeline, estimated to cost \$590 million. The WAGPP is to cover a distance of 678 kilometers on-shore and off-shore, and will be laid with high-pressure trans-national pipelines expected to transmit natural gas from Nigeria to customers in Benin, Ghana and Togo. The gas pipeline is expected to have a maximum capacity of 470 million cubic feet per day and would commence by June 1, 2005. It is also expected that the gas pipeline would be completed before December 2006, when the delivery of first natural gas supply to the West African Sub-region, would commence.

The spring meetings of the International Monetary Fund (IMF) and the World Bank were held in Washington D.C, from 13<sup>th</sup>-17<sup>th</sup> April 2005. The Nigerian delegation was led by the Honourable

Minister of Finance. Other meetings held during the period include:

- The G-24 meeting in which global economic prospects were discussed. Highlights of the discussion were the need for the IMF to be proactive by designing a precautionary facility with ample access to help prevent capital account crisis; the need for the Fund to design a facility for the investment of international reserves of emerging markets and oil exporting countries; and the need for the rich countries, World Bank and other donor agencies to fulfill their pledges of increasing assistance to African countries towards achieving the Millennium Development Goals, (MDG).
- At the International Monetary Fund Committee meeting, the Committee promised to refine the operational aspects of Poverty Reduction Strategy (PRS) approach as well as improve the design and financing of Poverty Reduction Growth Facility (PRGF). It further called for improved macroeconomic stability and strengthening of the investment environment to foster private sector-led growth. The Development Committee in reviewing global economic developments welcomed the IFC's Strategic Initiative for Africa, especially the recently approved Private Enterprise Partnership Facility. It also endorsed the emphasis on country-owned development strategy and urged that the MDGs be operationalized in poverty reduction strategy by linking them with medium term budgetary framework.
- The ECOWAS sub-regional meeting with the Bretton Woods, was convened by the Vice President Africa Region (World Bank), Executive Secretary of



ECOWAS, and Governors and Ministers of ECOWAS. The executive secretary of ECOWAS stated at the meeting that the challenges confronting the integration process are in the areas of Trade Liberalisation, Crisis Prevention, Monetary Integration and the adoption of NEPAD programme. In a related development, the Ghanaian Minister of Trade, while presenting a paper on Trade Perspectives to Economic Integration, made proposals for Bretton Woods Institutions' (BWIs) support to ECOWAS integration in the following areas: - ensuring greater synergy and coordination between ECOWAS and BWIs in programme and policy design and implementation; infrastructure development; support for budget and balance of payments as well as data harmonization and general support for the WAMZ projects.

- At the Bilateral meetings between the Nigerian delegation; and the President of the World Bank and the Managing Director of the IMF, the performance of the Nigerian economy was found to have shown improvement over the past years. The delegation expressed gratitude for the technical assistance received from the Fund in 2005, and sought the BWIs support, especially in addressing the country's external debt burden.

Finally, two separate meetings were held by the Association of African Central Banks (AACB) Technical Committee and the Bureau for the Association of African Central Banks at the headquarters of Central Bank of West African States (BCEAO), Dakar Senegal. The Technical Committee discussed the implementation of the decisions of AACB Governors' meeting held in Yaounde, Cameroon in July, 2004. The meeting observed the need for members to conform with convergence report format

agreed in Kampala as well as harmonize statistical methodologies.

The AACB meeting decided that the Chairperson of the African Union (AU) Commission could invite the Bureau of the Assembly of AACB Governors to discuss the Memorandum of Understanding (MOU) on the implementation of the African Monetary Cooperation Programme (AMCP). The meeting was informed that the Heads of State and Government of the AU, in Abuja, had approved and zoned the location of the African Central Bank to West Africa, the African Monetary Fund to Libya, and the Africa Investment Bank to East Africa. The proposed AACB Budgetary and Accounting Principles were adopted and a presentation on the need for the establishment of a Committee of African Central Bank Experts on Payments System was made. Member Central Banks that were in arrears of contributions to the Association were urged to pay up, while the eleven members of the Association that had not acceded to the Revised Statutes of the Association were urged to do so.