

PRESS RELEASE

CENTRAL BANK OF NIGERIA

A COMMUNIQUE (NO. 15) OF THE MONETARY POLICY COMMITTEE'S ACTIVITIES DURING THE MONTH OF AUGUST, 2002

In keeping with the policy of transparency in the conduct of monetary and financial policies, the Central Bank of Nigeria (CBN) hereby publishes the summary of the deliberations and policy decisions of the Monetary Policy Committee (MPC) during the month of August 2002.


The Committee met twice, on August 13 and 27, to review developments in the financial markets and the macroeconomy. The focus was the assessment of policy measures adopted recently to stimulate investment and output growth, on monetary and exchange rate developments.

The appraisal of macroeconomic developments during the month revealed continued moderation in monetary conditions and inflationary pressure. The rate of inflation, on moving average basis, in June 2002 (for which actual data were available) was 16.4 per cent, reflecting further decline from the 16.8 per cent recorded in May, 2002. The projections for July and August 2002 indicated further deceleration of the inflation rate. Base money, which rose to ₦510.3 billion in July, 2002 from ₦499.0 billion in the preceding month, fell to ₦502.9 billion by the second week of August. Also, there was considerable moderation of pressure in the money market, resulting in the general downward movement of short-term interest rates. In August, the last tranche of the

CBN Certificate matured and was retired. It would be recalled that the CBN Certificate was introduced in February 2001, when the problem of excess liquidity in the banking system became intractable. Following the improvement in liquidity conditions, however, maturing CBN Certificate has since March 2002, not been rolled over.

The Committee reviewed developments in the foreign exchange market and noted the relative stability of the naira exchange rate, after the initial erratic movement witnessed at the introduction of the Dutch Auction System (DAS) on July 22, 2002. The Committee observed that the DAS was achieving the desired objectives, including the gradual narrowing of the wide spread between the official and parallel market rates, and reaffirmed its confidence in the appropriateness of the existing measures. Accordingly, the Committee called on the fiscal authorities to pursue prudent fiscal policy, in order to ensure the continued success of DAS.

The Committee will continue to monitor developments in the economy closely and take appropriate monetary policy action as the need arises, in order to promote a stable macroeconomic environment, while ensuring the flow of adequate bank credit to the productive sector of the economy.



BEN C. ONYIDO

SECRETARY
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