

## ECONOMIC REPORT FOR THE MONTH OF JUNE 2001

### 1.0 SUMMARY

The upward movement in monetary aggregates observed since the beginning of the year continued in June. Broad money supply ( $M_2$ ) and narrow money ( $M_1$ ) rose by 1.2 per cent and 0.6 per cent, respectively, during the month and expanded by 28.0 per cent and 26.1 per cent in the first six months of the year, as against the 12.2 per cent and 4.3 per cent maximum targets for the whole year. Monetary growth was driven by the substantial increases in aggregate credit to the economy and foreign assets (net) of the banking system. Aggregate bank credit to the domestic economy rose by 2.5 per cent during the month, and increased sharply during the first six months of the year by 32.4 per cent as against the 15.8 per cent target growth stipulated for fiscal 2001. Foreign assets (net) of the banking system also rose by 1.1 per cent in June and by 9.8 per cent in the first half of the year, reflecting the favourable developments in the international petroleum market.

Deposit and lending rates of deposit money banks showed relative stability during the month. The weighted average savings deposit rate rose by 0.1 percentage point to 4.8 per cent, while the average prime and maximum lending rates remained unchanged at the previous month's levels of 22.6 and 28.4 per cents, respectively. Thus, the spread between the savings deposit and maximum lending rates remained wide at 23.6 percentage points.

The level of money market assets outstanding rose by 1.1 per cent to ₦523.3 billion, in contrast to a decline of 1.3 per cent in the preceding month. The rise was attributable to the increases in the value of Bankers' Acceptances (BAs), Commercial

Papers (CPs) and Eligible Development Stocks (EDS), respectively. No new issues of Nigerian Treasury Bills (NTBs) were made during the month, while matured bills were re-issued. Activities on the Nigerian Stock Exchange showed a downward trend as traded shares declined from 402.9 million in 37,779 deals to 371.6 million in 35,462 deals during the month.

Agricultural activities were boosted by steady rainfall during the month. Farmers in the northern states commenced planting of rain-fed crops such as millets, sorghum, maize and groundnut while those in the southern states concentrated on weeding, pruning and application of fertilizer and insecticides. The estimated index of industrial production rose by 0.6 per cent in the second quarter of 2001. Estimated crude oil output, including condensates and natural gas, rose by 1.8 per cent over the preceding month's level. Crude oil exports represented 80.3 per cent of total production, while the balance (19.7 per cent) was refined for domestic consumption. The average price of Nigeria's reference crude, the Bonny light, (37°API) at US\$28.03 a barrel, fell by 1.5 per cent from the level in the preceding month. Similarly, the price index of Nigeria's major agricultural commodities at the London Commodities Market declined by 13.5 per cent. The inflation rate stood at 16.6 per cent in June 2001, up from 15.7 per cent in the preceding month.

Data on foreign exchange flows through the Central Bank of Nigeria (CBN) in June 2001, showed an inflow of US\$1,174.7 million and an outflow of US\$955.9 million resulting in a net inflow of US\$218.8 million. Foreign exchange sales in the Inter-bank Foreign Exchange

Market (IFEM) declined to US\$662.2 million from US\$674.4 million in May 2001. The average exchange rate of the naira appreciated by 1.0 per cent to ₦111.98 from ₦113.07 per dollar in the IFEM, and by 1.5 and 1.6 per cent in the parallel market and bureaux de change, respectively. Nigeria's external reserves rose by 2.0 per cent to US\$10,358.8 million.

On the international scene, total world oil supply exceeded demand by 0.75 mbd. Other international economic developments that influenced the domestic economy during the month included: the meeting of the Association of African Central Banks' (AACB) Technical Committee on African Monetary Co-operation Programme (AMCP) held in Abuja, from June 26 – 29, 2001, and the approval of \$90.3 million by the International Development Association (IDA) for the Federal Government of Nigeria's 3-year HIV/AIDS Emergency Action Plan.

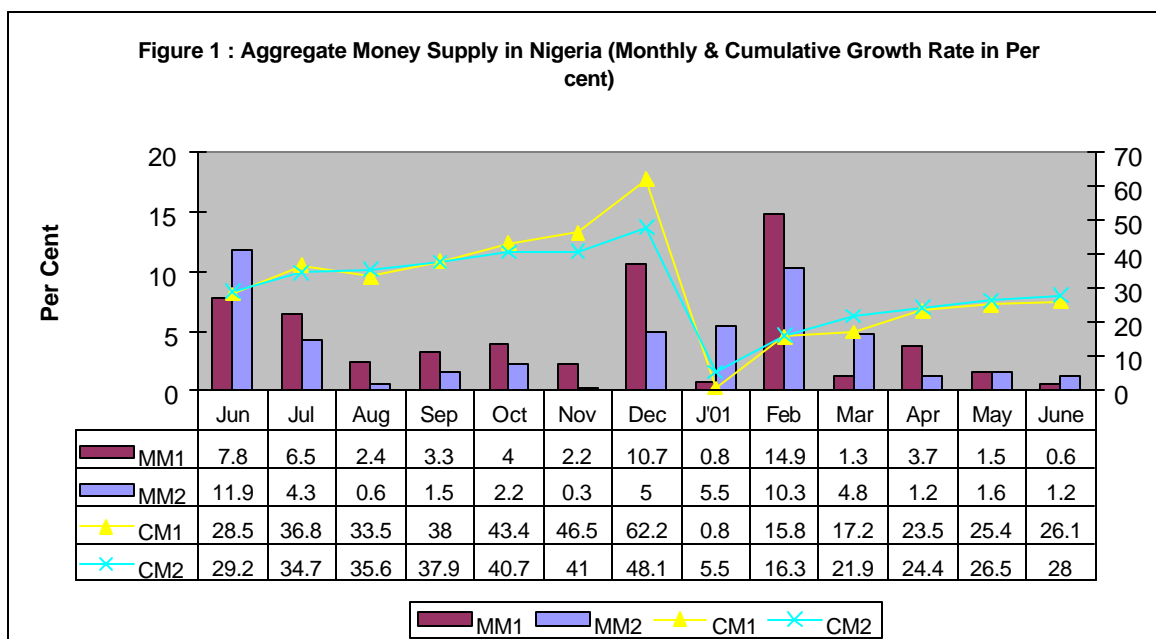
## 2.0 FINANCIAL SECTOR DEVELOPMENTS

The upward movement in monetary

aggregates, observed since the beginning of the year, continued in June. Developments in the money market were buoyed by bank liquidity, while activities on the Nigerian Stock Exchange were bearish. Bank interest rates showed relative stability during the month in review.

## 2.1 Monetary and Credit Developments

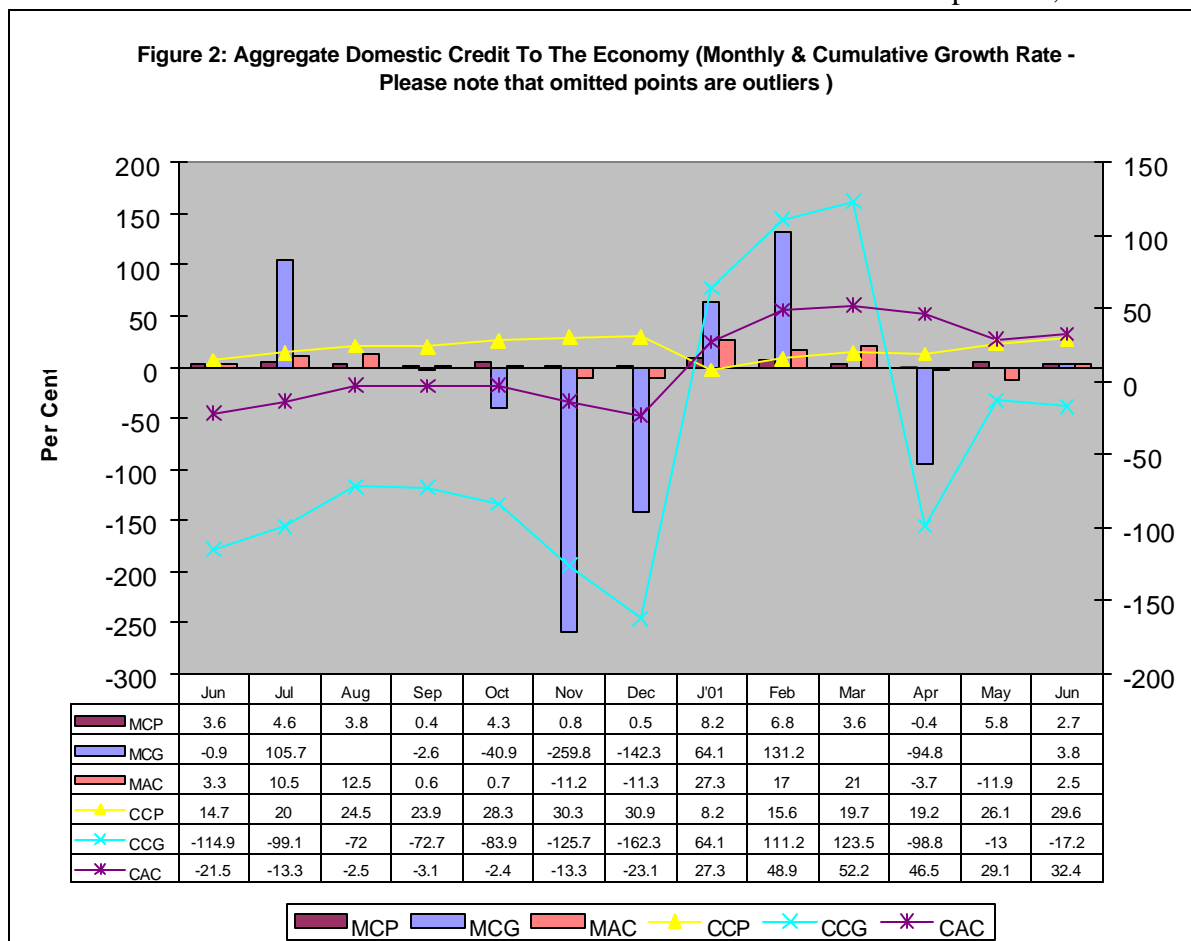
Provisional data indicated that broad money stock ( $M_2$ ) rose by ₦ 16.4 billion or 1.2 per cent compared with an increase of ₦21.0 billion or 1.6 per cent in the previous month. The increase in the review month reflected the rise in both narrow money and quasi-money. Narrow money ( $M_1$ ) increased by ₦4.6 billion or 0.6 per cent, compared with the ₦12.1 billion or 1.5 per cent increase in the preceding month. During the first six months of the year, ( $M_2$ ) and ( $M_1$ ) grew by 28.0 per cent and 26.1 per cent, respectively, as against the maximum target of 12.2 and 4.3 per cent for fiscal 2001. The increase in ( $M_1$ ) during the month was attributable to the increases in aggregate bank credit to the domestic economy and foreign assets (net) of the banking system. The rise in quasi-money



and the decline in other assets (net) of the banking system, however, exerted a moderating influence on (M<sub>1</sub>) growth (Fig. 1).

Aggregate bank credit to the domestic economy increased by ₦15.9 billion or 2.5 per cent to ₦643.2 billion, in contrast to a decline of 11.9 per cent in the previous month. Over the end-December 2000 level, bank credit to the economy

Banking system's net claims on the Federal Government fell by ₦4.7 billion or 3.8 per cent in June, 2001 and ₦19.0 billion or 17.2 per cent in the first half of the year, as against the 2.6 per cent growth target for fiscal 2001. Central Bank net claims on the Federal Government declined by ₦24.0 billion or 8.7 per cent, reflecting largely the substantial rise in Federal Government deposits with the Bank. Deposit money banks' claims, on the other hand, rose by ₦19.3 billion or 12.8 per cent, attributable to



rose by 32.4 per cent, as against the 15.8 per cent target growth stipulated for fiscal 2001. The rise in the review month reflected entirely the increase in credit to the private sector, as net claims on the Federal Government declined.

the increase in the banks' treasury bill holdings and the substantial decline in Federal Government deposits with them.

Bank credit to the private sector rose by ₦20.6 billion or 2.7 per cent, compared with the increase of 5.8 per cent in the previous month. The rise in the review

month reflected the increase in deposit money banks' claims. In the first six months of the year, credit to the sector increased by 29.6 per cent and exceeded the 22.8 per cent maximum target for the whole year ( Fig. 2).

Claims on state and local governments increased by ₦2.0 billion or 7.3 per cent compared with the ₦7.2 billion or 34.8. per cent rise in the previous month. Over end-December 2000, the system's credit to the sub-sector increased significantly by ₦22.4 billion or 296.0 per cent, compared with ₦4.0 billion or 192.6 per cent in the corresponding period of 2000. The rise in the review month reflected entirely the increase in deposit money banks' claims.

Banking system's claims on 'other' private sector, which constituted the bulk of the system's credit (96.0 per cent) to the private sector, rose by ₦18.6 billion or 2.6 per cent. In the first six months of the year, credit to the sub-sector increased by 26.2 per cent, compared with the 13.1 per cent rise in the corresponding period of 2000. Credit to the sub-sector continued to be influenced largely by developments in the foreign exchange market.

At ₦1,399.6 billion, foreign assets (net) of the banking system rose by ₦15.1 billion or 1.1 per cent compared with an increase of ₦13.9 billion or 1.3 per cent in the previous month. Central Bank's holding amounted to ₦1,109.6 billion, constituting 79.3 per cent of the total outstanding, compared with 79.1 per cent in the previous month. The share of deposit money banks was ₦290.0 billion or 20.7 per cent. In the first six months of the year, foreign assets (net) rose by ₦124.6 billion or 9.8 per cent. The sharp increase in Central Bank's holding was attributable to favourable

developments in the international petroleum market.

Quasi-money grew by ₦ 11.8 billion or 2.3 per cent to ₦522.4 billion compared with an increase of ₦8.9 billion or 1.8 per cent in the preceding month. The cumulative increase in the six-month period between December, 2000 and June, 2001 was ₦124.1 billion or 31.2 per cent compared with the ₦92.4 billion or 30.1 per cent rise in the corresponding period of 2000. The steady growth in quasi-money was induced by the enhanced yield on savings instruments and the relative stability in the financial markets.

Other assets (net) of the banking system fell by ₦14.7 billion or 2.1 per cent, as against the ₦68.2 billion or 8.9 per cent increase in the preceding month. The fall reflected largely the increase in CBN's other liabilities.

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

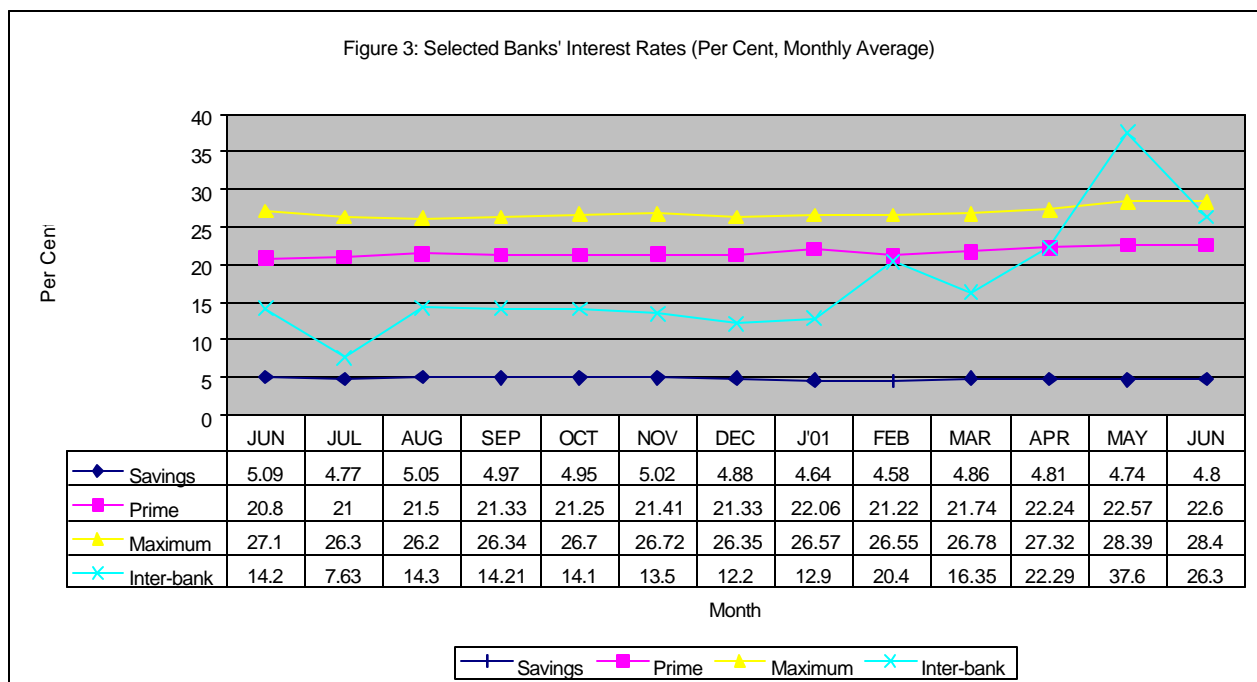
At ₦341.3 billion, currency in circulation rose by ₦5.0 billion or 1.5 per cent and ₦137.3 billion or 67.3 per cent over the levels in the preceding month and corresponding month of 2000, respectively. The development during the month was traceable to vault cash and currency outside banks. The shares of the two components in total currency in circulation were 15.0 and 85.0 per cent, respectively, compared with 14.7 and 85.3 per cent in the preceding month and 11.8 and 88.2 per cent in the corresponding month of 2000.

Total deposits at the CBN stood at ₦1,055.2 billion, indicating increases of ₦104.0 billion or 10.9 per cent and ₦265.3 billion or 33.6 per cent over the levels in the preceding month and June 2000. The shares

of government, bankers and ‘other’ in total deposits at the CBN were 84.5, 13.8 and 1.7 per cent, compared with 84.2, 12.8 and 3.0 per cent in the preceding month, respectively.

## 2.4 Money Market Developments

The value of total money market assets outstanding at end-June, 2001 rose by ₦5.6 billion or 1.1 per cent to ₦523.3 billion, in contrast to a decline of ₦6.8



## 2.3 Interest Rate Developments

The weighted average savings deposit rate of the deposit money banks rose from 4.7 per cent in May 2001 to 4.8 per cent, while the average rates on time deposits of various maturities increased from a range of 10.0 – 14.5 per cent to 10.1 – 14.6 per cent. The average prime and maximum lending rates, however, remained unchanged at the previous month's levels of 22.6 and 28.4 per cent, respectively. Thus, the spread between deposit money banks' savings deposit and maximum lending rates remained wide at 23.6 percentage points, compared with 23.7 per cent in the preceding month. With the inflation rate at 16.6 per cent in June 2001, all deposit rates had turned negative in real terms.

billion or 1.3 per cent in the preceding month. The rise in the review month reflected the increases of ₦4.5 billion or 18.5 per cent, ₦0.6 billion or 2.3 per cent and ₦0.5 billion or 21.7 per cent in Bankers' Acceptances (BAs), Commercial Papers (CPs) and Eligible Development Stocks (EDS), respectively. Treasury bills outstanding, however, remained unchanged at the previous month's level of ₦465.5 billion.

Treasury bills worth ₦88.64 billion were re-issued to replace matured bills of the same value, compared with ₦98.87 billion in the preceding month. Of the total re-issued in the month, banks subscribed ₦51.44 billion or 58.0 per cent while the non-bank public, including discount houses, subscribed ₦27.46 billion or 31.0 per cent.

The balance of ₦9.74 billion or 11.0 per cent was absorbed by the Central Bank.

Public patronage of treasury securities increased substantially in June, following improved bank liquidity, arising largely from the statutory allocations to the three tiers of government. Thus, banks' treasury bill holdings rose by ₦24.0 billion or 13.2 per cent to ₦205.4 billion, as against the decline of ₦5.6 billion or 3.0 per cent recorded in May 2001. Holdings by 'other' investors also increased by ₦1.4 billion or 2.5 per cent to ₦57.6 billion. Consequently, Central Bank holding fell by ₦25.4 billion or 11.1 per cent to ₦202.5 billion, in contrast to the ₦3.1 billion or 1.4 per cent increase in the previous month.

## 2.5 Capital Market Developments

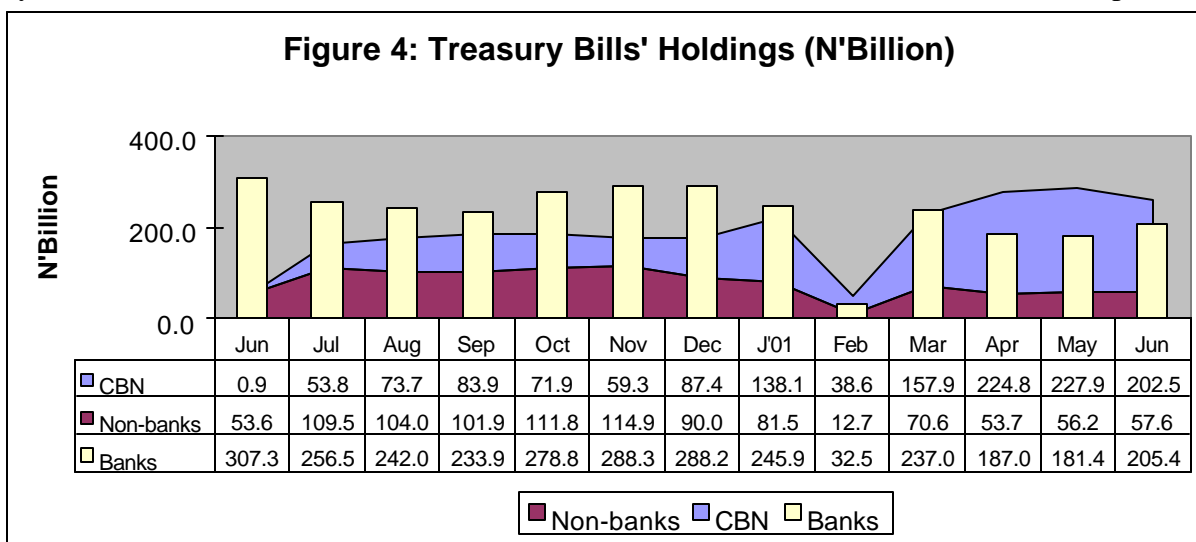
The total number of shares traded on the Nigerian Stock Exchange (NSE) declined from 402.9 million shares in 37,779 deals in May 2001 to 371.6 million shares in 35,462

month and ₦2.1 billion in the corresponding month of 2000.

## 2.6 Deposit Money Banks' Activities

Total assets/liabilities of deposit money banks in June, 2001 stood at ₦2,097.0 billion, representing increases of ₦78.2 billion or 3.7 per cent and ₦392.7 billion or 23.0 per cent over the levels in the preceding month and end-December 2000, respectively. Funds were sourced mainly from the increase in unclassified liabilities, expansion in central government deposits and draw down of foreign assets, while the major uses of funds included reduction in unclassified assets and expansion in reserves, among others.

The banks' aggregate credit to the domestic economy stood at ₦933.3 billion, representing increases of 4.4 per cent and 15.7 per cent over the levels in the preceding month and end-December, 2000. Of this amount, ₦763.0 billion or 81.7 per cent



deals during the month. All the transactions were in equities, as dealings in Federal Government Stocks and Industrial Loan/Preference Stocks remained dormant. The total value of shares traded was ₦ 4.0 billion compared with ₦4.4 billion in the preceding

went to the private sector, while the federal government absorbed ₦170.8 billion or 18.3 per cent.

Central Bank's credit to deposit money banks amounted to ₦5.4 billion,

representing a fall of ₦1.1 billion or 17.2 per cent from the preceding month's level. The decline reflected entirely the reduction in overdraft facilities to deposit money banks from ₦3.7 billion in the previous month to ₦2.1 billion.

Total specified liquid assets of deposit money banks stood at ₦612.0 billion or 55.4 per cent of their total deposit liabilities. This level of assets was 1.5 percentage points above the preceding month's level and 15.4 percentage points above the adjusted statutory minimum ratio of 40.0 per cent.

### **2.7 Discount Houses**

Total assets/liabilities of the discount houses stood at ₦25.0 billion, representing an increase of ₦6.4 billion or 34.5 per cent over the preceding month's level. On aggregate, the discount houses complied fully with the prescribed ratio on the structure of their assets. Investments in Federal Government securities of less than 91 days maturity stood at ₦9.8 billion or 67.0 per cent of their total deposit liabilities. The ratio was 32.2 and 7.0 percentage points above the level achieved in the preceding month and the prescribed minimum of 60.0 per cent, respectively. The discount houses also complied with the prescribed gearing ratio, as total borrowings stood at ₦17.0 million or 0.4 per cent of capital and reserves during the month, compared with the stipulated maximum target of 50:1 for 2001.

### **3.0 DOMESTIC ECONOMIC CONDITIONS**

The farmers in the northern states commenced the planting of rain-fed crops while those in the southern states concentrated on weeding and pruning. The oil sector

recorded a drop in output, while the domestic price level rose further with the rate of inflation at 16.6 per cent, compared with 15.7 per cent in May, 2001.

### **3.1 Agricultural Sector**

Agricultural activities were boosted nationwide by steady rainfall during the month. Farmers in the northern states commenced planting of rain-fed crops such as millet, sorghum, maize and groundnut in addition to harvesting of dry season crops. Those in the South concentrated on weeding, pruning and the application of fertilizer and insecticides. Other activities centred on the control of parasites in small ruminants in the livestock sector and maintenance of existing fish ponds.

The sum of ₦39.8 million was guaranteed to 1,089 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in June 2001. This amount represented an increase of 188.2 and 124.8 per cent over their levels in the preceding month and the corresponding period of 2000. A sub-sectoral analysis of the loans guaranteed showed that the food crop sub-sector had ₦35.6 million (89.6 per cent of the total loans) for disbursement to 1,038 farmers. Of this amount ₦29.0 million (81.5 per cent) was allocated to 849 grain farmers, while the balance of ₦6.6 million (18.5 per cent) was granted to 189 root and tuber crop producers. The livestock sub-sector received the sum of ₦2.7 million (6.8 per cent of total loans) for the benefit of 37 farmers. The sum of ₦2.2 million was granted to 6 cash crop farmers while 'others' received ₦0.2 million.

The prices of Nigeria's major agricultural commodities at the London Commodities Market fell during the month. At 46.8 (1985 = 100), the all-commodities

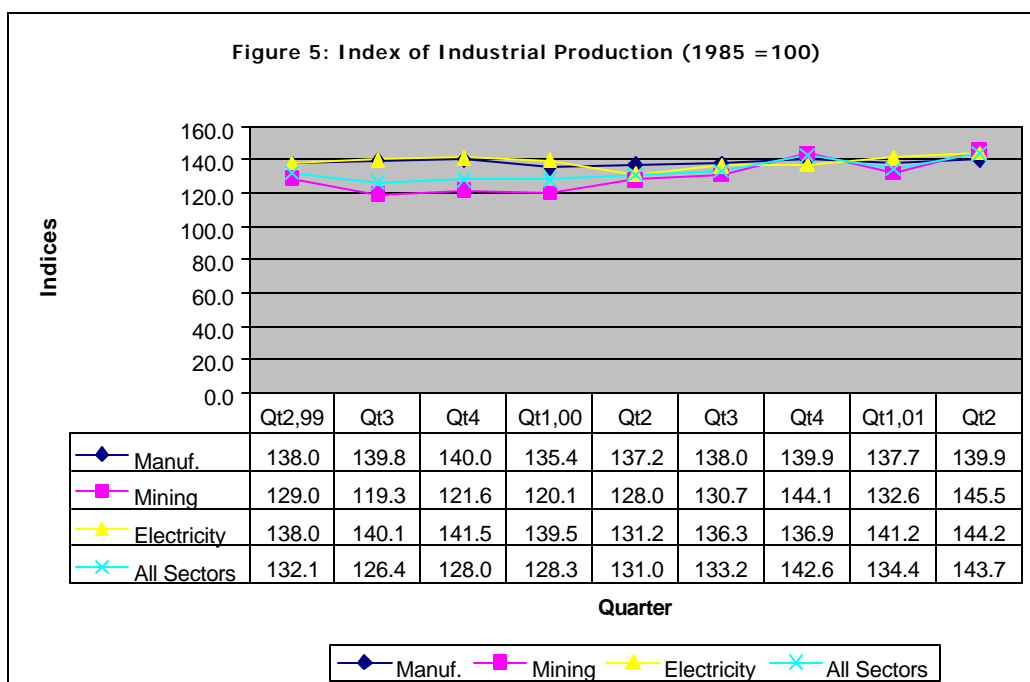
price index in dollar terms declined by 13.5 and 6.4 per cent from the levels recorded in the preceding and the corresponding months of 2000. Four of the six commodities monitored recorded price declines which ranged from 6.1 per cent for cotton to 26.9 per cent for palm-oil. When compared with the corresponding month of 2000, all the commodities, except soya-bean, recorded price decline. In naira terms, soya-bean, cotton, coffee and cocoa recorded price decreases of 0.1, 7.0, 8.1 and 14.1 per cent, respectively, while copra and palm-oil recorded price increases of 9.0 and 11.4 per cent, respectively.

### 3.2 Industrial Production

The performance of the industrial sector during the second quarter of 2001 showed an improvement relative to the preceding quarter and the corresponding quarter of 2000. At 143.0 (1985 = 100), estimated index of industrial production rose by 0.6 and 4.9 per cent over the levels in the preceding quarter and the corresponding quarter of 2000. The rise in the second

quarter of 2001 reflected the increases of 2.0, 6.7 and 3.2 per cent in manufacturing, mining and electricity consumption, respectively. The index of manufacturing production increased by 2.0 and 1.6 per cent over the levels in the corresponding quarter of 2000 and the preceding quarter, respectively.

The index of mining production, at 145.5 (1985 = 100), increased by 0.1 and 6.7 per cent over the levels in the preceding and the corresponding quarters of 2000. The increase in mining was accounted for by all the components except cassiterite and columbite which fell by 2.7 and 0.6 per cent, respectively. Estimated at 210.0 million barrels, crude oil production (including condensates), which accounted for over 98 per cent of mining output, increased by 0.5 and 4.2 per cent over the levels in the preceding and corresponding quarters of 2000. The improvement in the output of crude oil was attributable to the return of relative peace in the oil producing communities. Electricity consumption





increased in the second quarter of 2001 over the levels in the preceding and the corresponding quarter of 2000. The improvement in total consumption was attributable to the rehabilitation of the generation, transmission and distribution facilities in the power industry.

### 3.3 Petroleum

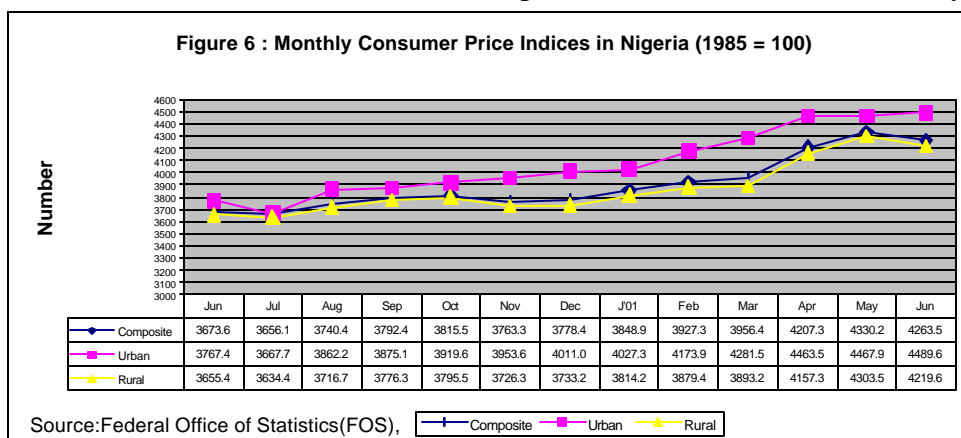
Estimated crude oil production by Nigeria, including condensates and natural gas liquids, totalled 2.29 million barrels per day (mbd) or 68.70 million barrels for the month,

indicating a rise of 1.8 per cent over the output of 2.25 mbd in the preceding month.

The country's share in total OPEC production

was 7.7 per cent compared with 7.4 per cent in the preceding month. Export of crude oil was estimated at 1.84 mbd for the month, indicating a fall of 3.2 per cent from the 1.90 mbd exported in the preceding month. Total crude oil exports represented 80.3 per cent of output, compared with 84.4 per cent in the preceding month. Deliveries of crude oil to refineries for domestic consumption rose from 0.35 mbd in the preceding month to 0.45 mbd or 13.5 million barrels for the month. The increase followed the approval of the Federal Government to increase crude oil supply for domestic consumption from 0.30 mbd to 0.445 mbd effective May, 2001.

Crude oil prices generally fell in the spot market. At \$28.03 a barrel, the average price of Nigeria's reference crude, the Bonny light (37<sup>0</sup> API), showed a fall of 1.5 per cent from the level in the preceding month. The prices of other competing brands of crude such as the Forcados, U.K. Brent, Arab light and West Texas Intermediate (WTI) were \$27.67, \$27.76, \$20.91 and \$27.23 a barrel respectively, showing declines of 1.0, 1.4, 4.1 and 3.7 per cent from their levels in the preceding month. Similarly, in the European net-back market, the Bonny light



and the UK Brent were sold at \$31.96 and \$31.56 a barrel, indicating declines of 3.0 and 3.2 per cent, respectively, from their levels in the preceding month. The fall in the prices was attributable to the high level of stocks in the consumer countries as well as the continuing weak demand by the major consumers as a result of the slow down in economic activities.

### 3.4 Consumer Prices

Actual data showed that the all-items composite Consumer Price Index (CPI) in June 2001 was 4,263.5 (1985 = 100). This represented a fall of 1.5 below the preceding month's level but an increase of 16.1 percent over the level in the corresponding month of 2000. The decline during the month was

## 4.0 EXTERNAL SECTOR DEVELOPMENTS

### 4.1 Foreign Exchange Flows

Foreign exchange inflows and outflows through the Central Bank of Nigeria (CBN) in June 2001 stood at \$1,174.7 million and \$955.9 million, respectively.

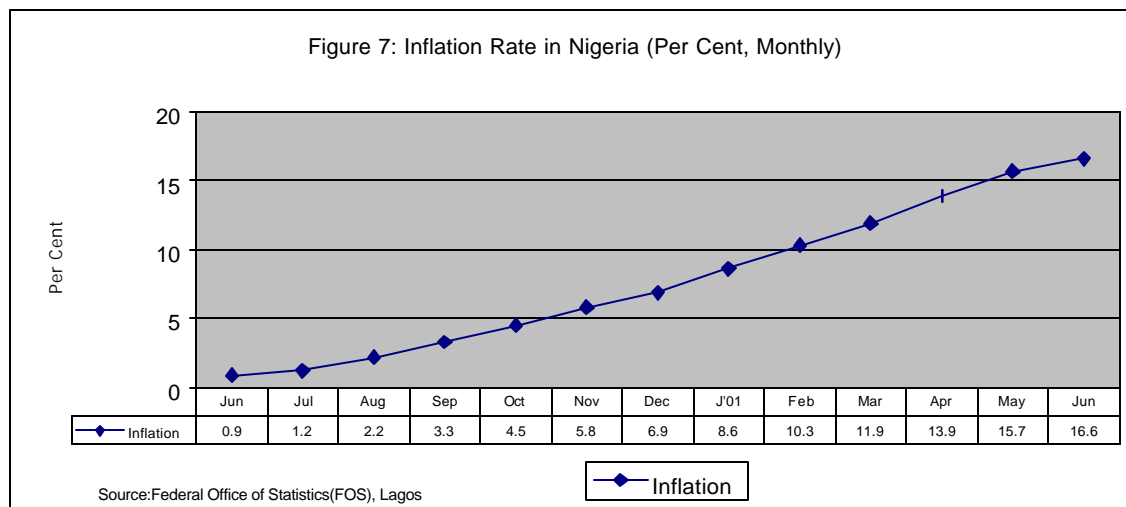
When compared with their levels in May 2001, inflows fell by 5.9 per cent, while outflows dropped by 14.1 per cent. The fall in inflows was attributable mainly to the decline in oil export receipts while outflows was due largely

to the sharp declines in disbursements for external debt service and 'other official payments'.

Available data on foreign exchange flows in June, 2001, showed that inflows amounted to \$1,418.2 million, down from \$1,493.6 million in May 2001. Receipts from the oil sector accounted for \$1,128.3 million or 79.6 per cent of total inflows, while non-oil public sector receipts and inflows through other autonomous sources accounted for the remaining 20.4 per cent.

Outflows totalled \$1,045.2 million, representing a decline of 11.4 per cent relative to the level in the preceding month. The fall was due largely to the substantial drop in payments for external debt service from \$104.9 million in May to \$53.9 million in June. There was also a marginal decline in CBN funding of the IFEM from \$674.4

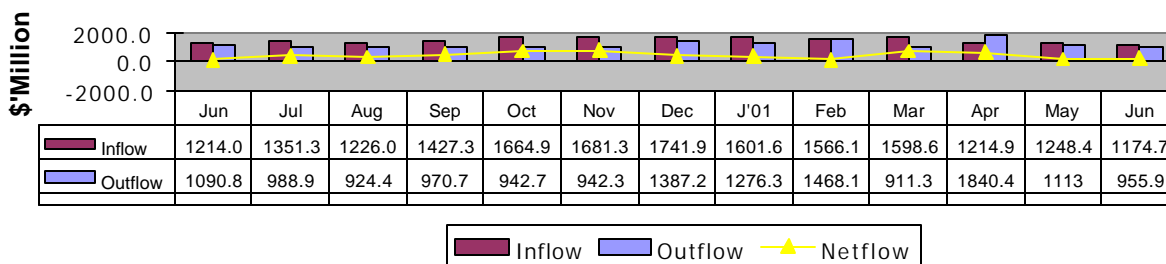
Figure 7: Inflation Rate in Nigeria (Per Cent, Monthly)



traceable largely to accommodation, fuel and light and transportation whose indices fell by 17.8 and 5.0 per cent, respectively. When compared with their levels in the corresponding month a year earlier, food component showed a substantial increase of 30.5 per cent while accommodation, fuel and light as well as transportation fell by 21.9 and 3.3 per cent, respectively.

The inflation rate for the twelve-month period ended June 2001 was 16.6 per cent, compared with 15.7 per cent for May 2001 and 0.9 per cent in the corresponding month of 2000. The upward trend in inflationary pressure was attributable to rapid monetary growth induced by the expansionary fiscal operations of the three tiers of government, reinforced by supply bottlenecks and high costs of domestic production.

**Figure 8: Foreign Exchange Flows Through the CBN (\$'Million)**

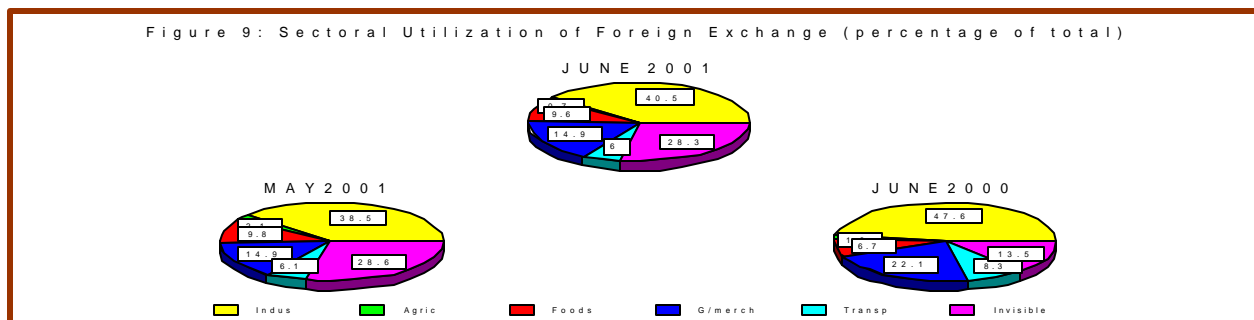


million to \$662.2 million during the period. Furthermore, disbursements for 'other official payments' fell sharply from \$328.8 million in May to \$165.2 million.

#### 4.2 Sectoral Utilisation of Foreign Exchange

of government policy on comprehensive import inspection at the ports. The CBN, however, purchased \$0.5 million from the IFEM during the month, compared with \$1.1 million in the previous month. Consequently, the average exchange rate of the naira appreciated marginally in the

**Figure 9: Sectoral Utilization of Foreign Exchange (percentage of total)**



The industrial sector continued to be dominant in foreign exchange utilisation as it accounted for 40.5 per cent of total foreign exchange disbursed in June 2001. Other sectors, in a descending order of importance, included: invisibles, general merchandise, food, transportation and agricultural products.

#### 4.3 Foreign Exchange Market Developments

The demand pressure in the Inter-bank Foreign Exchange Market (IFEM) moderated slightly during the month. Total foreign exchange sold to authorised dealers by the CBN amounted to \$662.2 million, compared with \$674.4 million in May 2001. The moderation reflected largely the impact

of government policy on comprehensive import inspection at the ports. The CBN, however, purchased \$0.5 million from the IFEM during the month, compared with \$1.1 million in the previous month. Consequently, the average exchange rate of the naira appreciated marginally in the

#### 4.4 External Reserves

Nigeria's gross external reserves at end-June, 2001 amounted to \$10,558.8 million, representing an increase of 2.0 per cent over the \$10,353.7 million recorded at end-May, 2001. This level of reserves could finance 8.4 months of current foreign exchange commitments, compared with 7.8 months in the previous month.

## 5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output fell from 76.56 mbd in May 2001 to 75.65 mbd in June, while demand at 74.90 mbd also fell by 1.0 mbd. Total world oil supply exceeded demand by 0.75 mbd, compared with 0.66 mbd in the preceding month, owing mainly to the slow down in economic activities in the United States of America and other industrial nations.

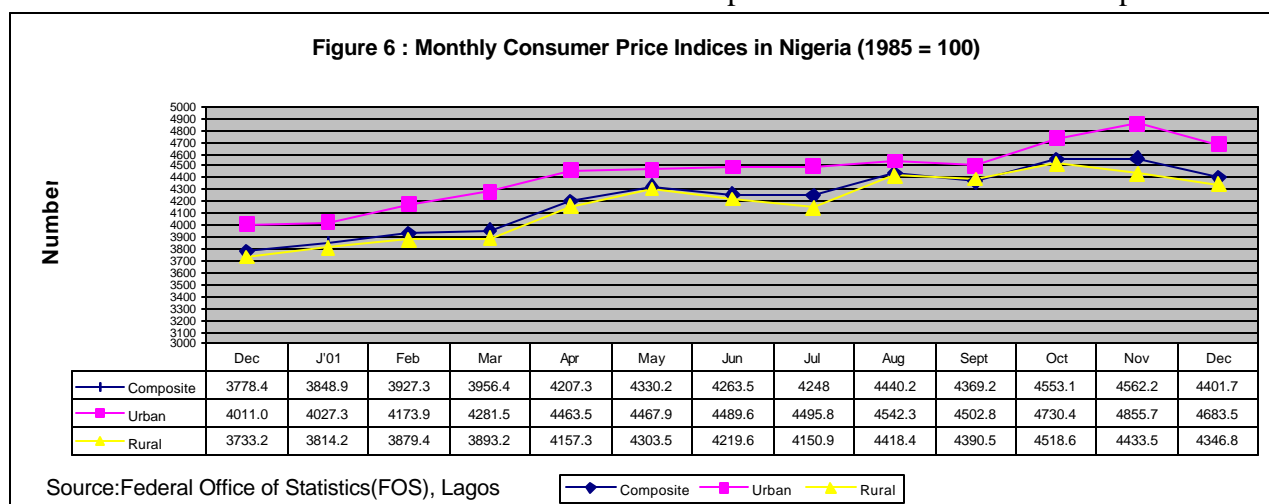
The Association of African Central Banks' (AACB) Technical Committee on African Monetary Cooperation Programme (AMCP) and Cost Implications of a Rotational AACB Secretariat met in Abuja, from June 26 – 29, 2001. On the African Monetary Cooperation Programme, the committee noted that the various economic groupings were at different levels of

economic and monetary integration and to avoid slowing down the progress made by the fast adjusting sub-regions, it was decided that the sub-regions should be allowed to adjust at varied speeds while putting all necessary measures in place. The implementation of the Action Plan was revised from 5 to 6 stages while the date for the establishment of the African Central Bank was reviewed from 2015 to 2021.

The International Development Association (IDA), approved \$90.3 million loan for the Federal Government of Nigeria's 3-year HIV/AIDS Emergency Action Plan. The loan is meant to reduce the spread of the disease and mitigate the impact of HIV infection.

At 147.4 in the fourth quarter of 2001, the index of electricity production rose by 1.4 per cent over the level recorded in the preceding quarter. It, however, fell by 0.7 quarter.

per cent when compared with the corresponding quarter of 2000. The improvement in the review period was



attributable to the on-going rehabilitation of

the generation, transmission and distribution facilities in the power industry.

### 3.3 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.28 million

barrels per day (mbd) or 70.68 million barrels for the month, representing an increase of 0.4 per cent over its level in November 2001. The share of the country's production in total OPEC output was 7.7 per cent, compared with 7.6 per cent in the preceding month. Crude oil exports were estimated at 1.83 million barrels per day (mbd) or 56.73 million barrels for the month, showing an increase of 0.01 mbd over the level recorded in the preceding month. Oil exports accounted for 80.3 per cent of total output while the balance (19.7 per cent) was refined for domestic consumption.

Crude oil prices fell during the month, following the down turn in global economy and the slack demand for heating oil as a result of mild winter in the Northern Hemisphere. At US\$18.65 a barrel, the average price of Nigeria's reference crude, the Bonny Light (37<sup>0</sup> API), fell by 3.0 per cent below its level in November 2001.

Similarly, the price of two other competing brands of crude, namely the U.K Brent and

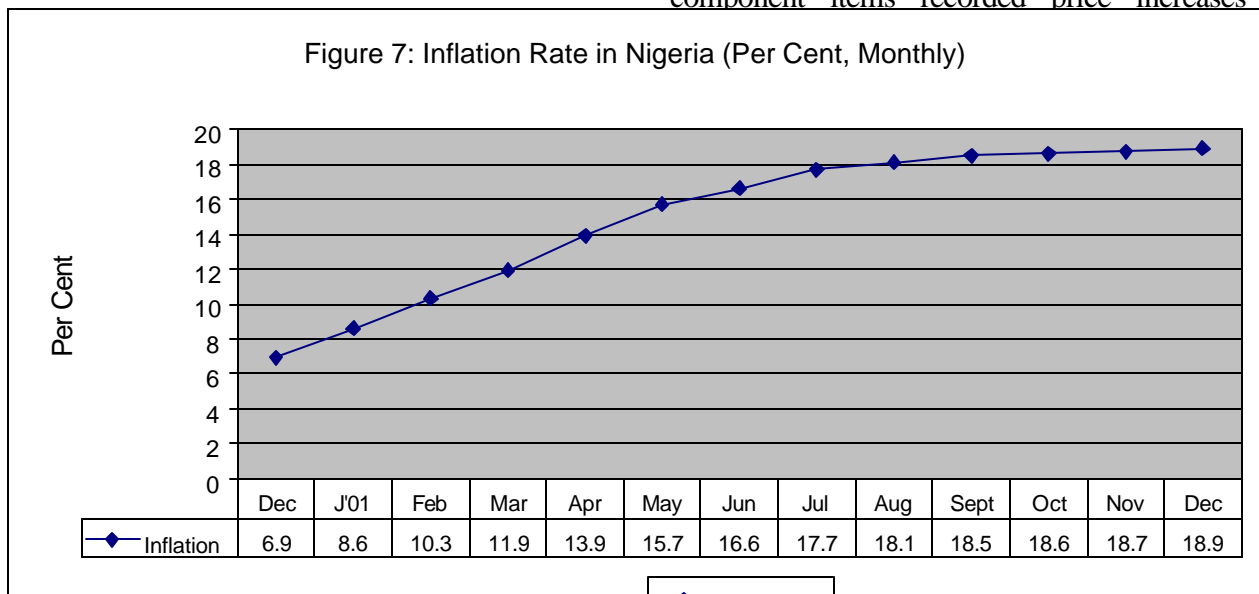
the West Texas Intermediate (WTI) fell from US\$19.15 and US\$20.91 a barrel to US\$18.53 and US\$18.88 a barrel, respectively, while the average price of Arab Light was US\$13.32 a barrel.

Similarly, in the European net-back market, the Bonny Light and the UK Brent were sold at \$20.40 and \$20.35 a barrel, respectively, indicating declines of 8.4 per cent and 4.6 per cent from their price levels in November 2001.

### 3.4 Consumer Prices

Data from the Federal Office of Statistics (FOS) showed that the all-items composite Consumer Price Index (CPI) in December 2001 stood at 4401.7 (1985 = 100), reflecting a decline of 3.5 per cent below the level in the preceding month but an increase of 16.5 per cent over the level in corresponding month of 2000. The development during the month was traceable to all the component items except clothing and footwear; household goods and transportation whose indices rose by 15.4,

6.8 and 3.4 per cent, respectively. When compared with their levels in the corresponding month a year earlier, all the component items recorded price increases



except accommodation, medical care and health expenses; whose indices recorded price decreases of 14.5 and 17.3 per cent, respectively.

The inflation rate for the twelve-month period ended December 2001 was 18.9 per cent, compared with 18.7 per cent in the preceding month and 6.9 per cent in the corresponding month of 2000 (Fig. 7). The upward trend in inflationary pressure was attributed to rapid monetary expansion coupled with cost - push factors, including structural bottlenecks.

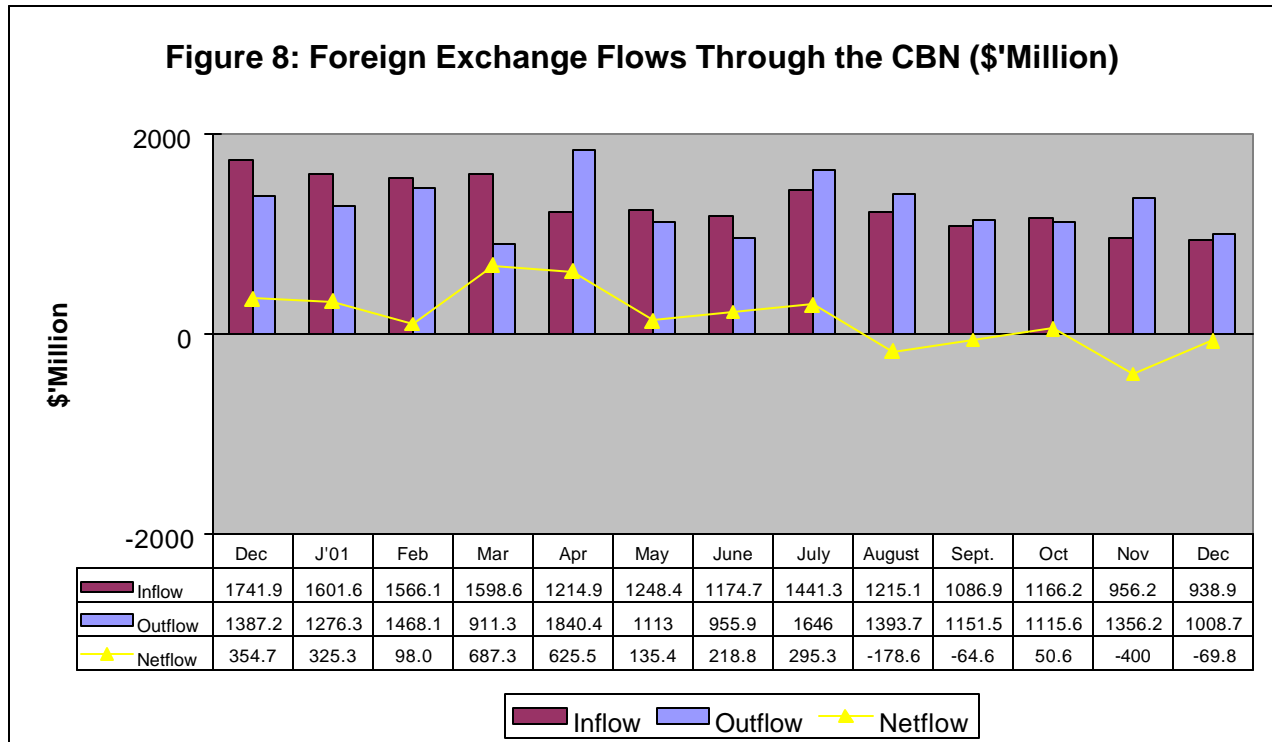
#### 4.0 EXTERNAL SECTOR DEVELOPMENTS

##### 4.1 Foreign Exchange Flows

In December 2001, foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to \$938.9

million. Compared with the respective levels of \$956.2 million and \$1,356.2 million in the preceding month, inflow and outflow declined by 1.8 and 25.6 per cent. The decline in inflow was accounted for by the fall in oil receipts, while that of outflow was attributable mainly to the decline in funding of IFEM and disbursements on “Other Official Payments” from \$964.3 million and \$268.4 in November 2001 to \$753.9 million and \$183.1 million, respectively. Cumulative inflow and outflow in 2001 amounted to US\$15,719.0 million and US\$14,736.8 million, compared with US\$15,740.0 million and US\$11,810.9 million, respectively, in the same period, a year earlier.

Available data on foreign exchange flows through the economy, showed that total inflow stood at \$1,289.9 million, down from \$1,306.0 million in November 2001. Receipts from the oil sector fell by 4.2 per



million and \$1,008.7 million, respectively, representing a net outflow of US \$69.8

cent to \$880.8 million and constituted 68.3 per cent of total inflow, during the month,

while non-oil public sector inflow and receipts through autonomous sources amounted to \$409.1 million or 31.7 per cent of the total. At \$1,083.0 million, foreign exchange outflow from the economy represented a decrease of 16.8 per cent from the level in November 2001. The fall was accounted for largely by the 21.8 and 31.8 per cent decline in the funding of the IFEM and disbursements in respect of ‘Other Official Payments’, respectively. External debt service also fell by 32.7 per cent from \$76.7 million in the preceding month to \$51.7 million. However, outflow through autonomous sources rose from \$70.5 million to \$74.3 million during the month.

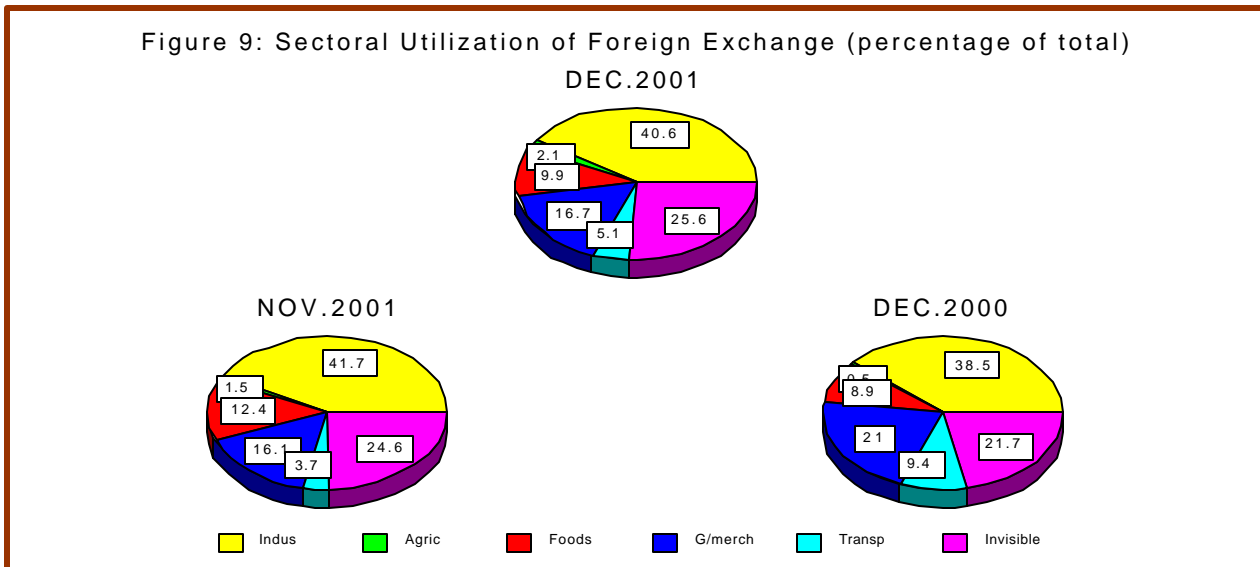
#### 4.5 Sectoral Utilisation of Foreign Exchange

As in the past, the industrial sector accounted for the bulk (40.6 per cent) of total foreign exchange disbursed in December, 2001, followed closely by invisibles which had 25.6 per cent of the

#### 4.6 Foreign Exchange Market Developments

The demand pressure in the Inter-bank Foreign Exchange Market (IFEM) moderated during the review month, as \$753.95 million was sold to authorized dealers by the CBN, compared with \$967.30 million in November 2001. The decline was attributable to seasonal factor arising from increased inflow during the review period. The CBN purchased US\$16.68 million from the market, in contrast to the preceding month when no purchases were made by the Bank.

The average exchange rate of the naira vis-à-vis the U.S. dollar depreciated from ₦111.99 per dollar in November to ₦113.01 per dollar. Similarly, the rates in the parallel market and the bureaux de change depreciated from ₦133.70 and ₦134.04 per dollar to ₦134.41 and ₦134.59 per dollar during the period. Overall, the premium between the IFEM and the parallel



total. Other beneficiary sectors, in a descending order of importance, included: general merchandise, food, transportation and agricultural products (Fig 9).

market rates narrowed from 19.39 percentage points in November 2001 to 18.93 per cent in December 2001.

#### 4.4 External Reserves

Nigeria's gross external reserves stood at \$10,438.8 million in December 2001, indicating an increase of 0.2 per cent during the month. This level could finance 8.5 months of imports at the current foreign exchange commitments, compared with 8.4 months in November 2001.

## **5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS**

World crude oil output rose from 76.80 mbd in November 2001 to 77.53 mbd in December 2001. Similarly, world crude oil supply exceeded demand by 0.23 mbd, compared with an excess supply of 0.67 mbd in the preceding month.

The Authority of Heads of State and Government of the Economic Community of West African States (ECOWAS) held its Twenty-Fifth Ordinary Session in Dakar, Republic of Senegal on 20<sup>th</sup> and 21<sup>st</sup> December, 2001. The major issues discussed included: African Union and New Partnership for Africa's Development (NEPAD); Monetary Cooperation Programme; ECOWAS Passport; Private Sector Promotion; Transformation of the ECOWAS Fund into a holding company known as the ECOWAS Bank for Investment and Development (EBID); Institutional Issues; and the ECOWAS Anthem and flag.

In a related development, the International Monetary Fund, (IMF), in its

World Economic Outlook for 2002 noted that the global recession will have serious implications for the economies of developing countries. On debt issues, it was reported that about \$34.0 billion has been deployed to assist 23 developing countries through the Highly Indebted Poor Countries (HIPC) initiative, to improve spending on health education and combat HIV and AIDS. The report, however, noted that economic prospects for most African countries with sound macroeconomic and structural policies would be brighter.

In another development, the United Nations Development Programmes (UNDP) has pledged ₦700 million to support Human Development Fund (HDF), a new initiative, to fight poverty in Nigeria.

Finally, four years of economic recession have resulted in political unrest in Argentina. The genesis of the crisis could be traced to the country's default on its external debt obligations amounting to US \$155.0 billion. Other factors included corruption, political instability, fiscal indiscipline and rising unemployment. Developing countries should draw from the Argentine experience in order to avert economic crisis which usually makes policy options difficult.



## **ECONOMIC REPORT FOR THE MONTH OF DECEMBER 2001**

### **2.0 SUMMARY**

Available data indicated further growth of monetary aggregates in December 2001. Broad money stock ( $M_2$ ) rose by 1.6 per cent, while narrow money ( $M_1$ ) increased by 2.7 per cent. Over the level in December 2000, ( $M_2$ ) and ( $M_1$ ) grew by 29.9 and 28.8 per cent, respectively, as against the maximum targets of 12.2 and 4.3 per cent for fiscal 2001. Monetary growth was induced by the increases in aggregate bank credit to the economy and other assets (net) of the banking system. Total bank credit rose by 2.6 per cent during the review month and increased sharply by 87.8 per cent during the year, as against the 15.8 per cent target growth stipulated for 2001.

Interest rate developments were mixed. The average savings deposit rate remained unchanged at the preceding month's level of 5.0 per cent. The rates on deposits of various maturities rose to between 12.5 – 21.2 per cent from 12.4 – 21.0 per cent in November 2001, while the

rate on 6-month deposits fell from 20.6 per cent to 20.0 percent. The banks' average prime and maximum lending rates rose by 0.2 and 0.1 per cent to 24.9 and 30.9 per cent in December, respectively. The spread between banks weighted average deposit and maximum lending rates was 12.1 per cent.

The value of money market assets outstanding, rose, reflecting the respective increases of 24.3 and 8.0 per cent in Treasury Bills and Bankers' Acceptances. The increase in Treasury Bills represented mainly new issues made to liquidate outstanding Ways and Means Advances. Performance indicators of the capital market trended downward, as the value of traded securities, market capitalization as well as price indices declined.

Agricultural activities during the month consisted of harvests of late crops, processing and storage of grains and dry

season vegetable gardening. Crude oil output, including condensates and natural gas, was estimated at 2.28 million barrels per day (mbd) or 70.68 million barrels for the month. Crude oil exports represented 80.3 per cent of total output, while the balance (19.7 per cent) was refined for domestic consumption. The average price of Nigeria's reference crude, the Bonny light, (37°API), fell by 3.0 per cent from its level in November 2001. The price index of Nigeria's major agricultural commodities at the London Commodities Market also fell by 4.1 per cent in dollar terms and 9.6 per cent, in naira terms, from the levels in the preceding month. The inflation rate rose further to 18.9 per cent, up from 18.7 per cent in the preceding month.

Available data on foreign exchange flows through the Central Bank of Nigeria (CBN) showed an inflow of US\$938.9 million and an outflow of US\$1,008.7 million, resulting in a net outflow of US\$69.8 million during the month. Foreign exchange sales in the Inter-bank Foreign Exchange Market (IFEM) declined from US\$967.3 million in November to US\$753.95 million in December 2001. The average exchange rate of the naira vis-à-vis the U.S. dollar depreciated from ₦111.99 to ₦113.01 per dollar in the IFEM, and from ₦133.70 and ₦134.04 to ₦134.41 and ₦134.59 per dollar in the parallel market and bureaux-de-change, respectively.

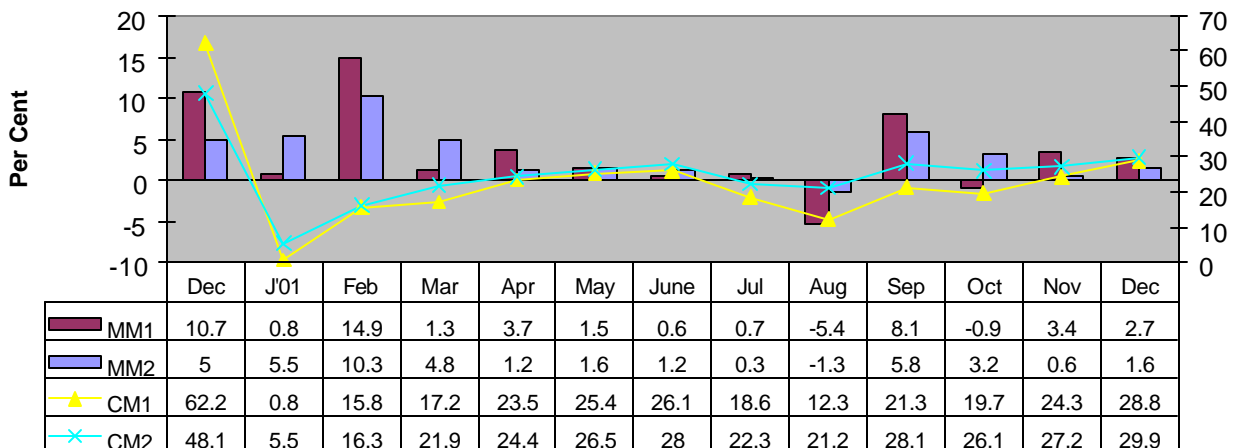
Nigeria's gross external reserves rose by 0.2 per cent to US\$10,438.8 million as at end-December, 2001.

On the international scene, total world oil supply exceeded demand by 0.23 mbd, compared with 0.67 mbd excess supply in the preceding month. The International Monetary Fund (IMF), in its World Economic Outlook for 2002, noted that the global recession will have implications for the economies of developing countries. On debt issues, the report noted that about \$34.0 billion has been deployed to assist 23 developing countries through the Highly Indebted Poor Countries (HIPC) initiative. The United Nations Development Programme (UNDP) has pledged ₦700 million to support Human Development Fund (HDF) to fight poverty in Nigeria.

## 2.0 FINANCIAL SECTOR DEVELOPMENTS

Money supply increased further in December 2001. Interest rate movements indicated mixed developments. The liquidity situation in the banking system continued to

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



influence developments in the money market, while major stock market indices declined.

## 2.1 Monetary and Credit Developments

Available data indicated that broad money supply ( $M_2$ ) rose in December 2001 by 1.6 per cent, reflecting wholly the increase in narrow money ( $M_1$ ) as quasi-money declined.  $M_1$  rose by 2.7 per cent to ₦821.3 billion, compared with the increase of 4.3 per cent in November 2001. During the year,  $M_2$  and  $M_1$  grew by 29.9 and 28.8 per cent, respectively, as against the maximum targets of 12.2 and 4.3 per cent for fiscal 2001.

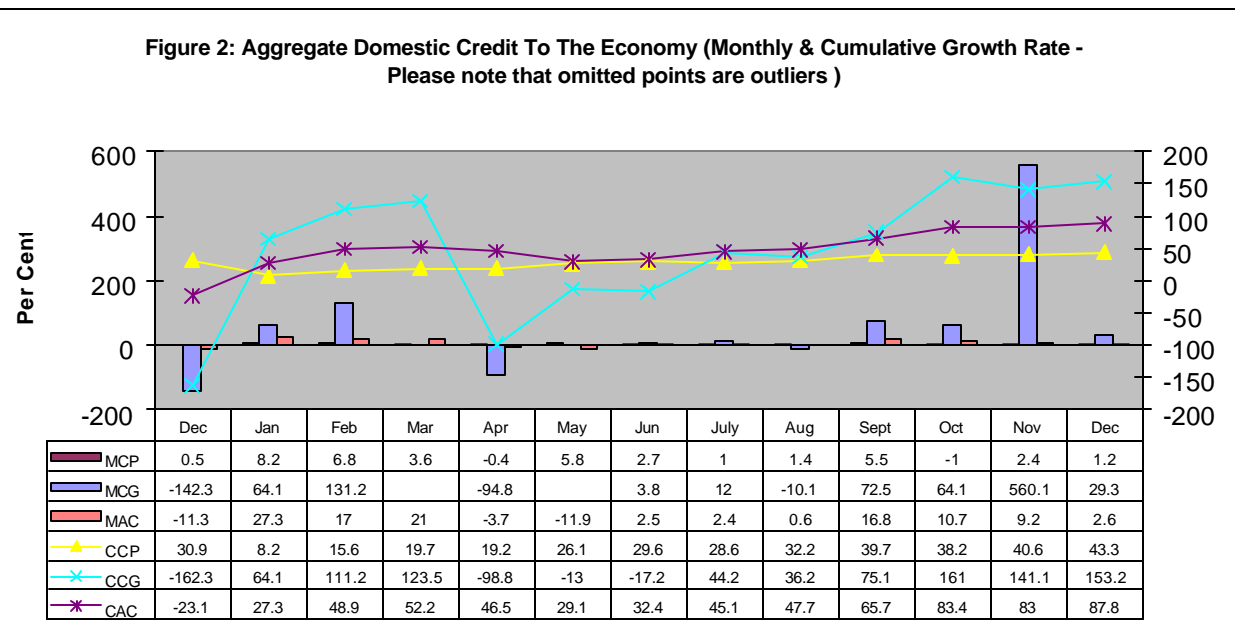
Aggregate bank credit to the domestic economy rose by ₦23.4 billion or 2.6 per cent to ₦912.5 billion, compared with the increase ₦74.9 billion or 9.2 per cent in the preceding month. The rise reflected the increase in credit to both the Federal Government and the private sector, with the former accounting for 56.7 per cent of the total increase. Over the end-December 2000 level, total bank credit to the domestic economy rose substantially by 87.8 per cent, as against the 15.8 per cent target growth stipulated for fiscal 2001.

Banking system's net claims on the

Federal Government rose by ₦13.3 billion or 29.3 per cent, reflecting the increases in net claims by the Central Bank and deposit money banks. Central Bank's net claims rose by ₦8.3 billion or 6.0 per cent, due mainly to the significant increase in its holding of government securities. Credit by deposit money banks increased by ₦5.0 billion or 2.7 per cent, following mainly the decline in Federal Government's deposits. In 2001, net credit to the Federal Government rose significantly by 153.2 per cent as against the 2.6 per cent target growth prescribed for the year. The increase reflected the substantial rise in Central Bank net claims.

Banking system's credit to the private sector rose by ₦10.2 billion or 1.2 per cent, compared with the increase of 2.4 per cent in the preceding month. At end-December 2001, credit to the private sector increased by 43.3 per cent, as against the 22.8 per cent maximum target for the whole year (fig.2).

Claims on state and local governments increased substantially by ₦9.8 billion or 57.3 per cent, in contrast to a decline of 11.8 per cent observed in the preceding month. The increase reflected entirely the rise in claims by deposit money banks. Over the end-December 2000 level,



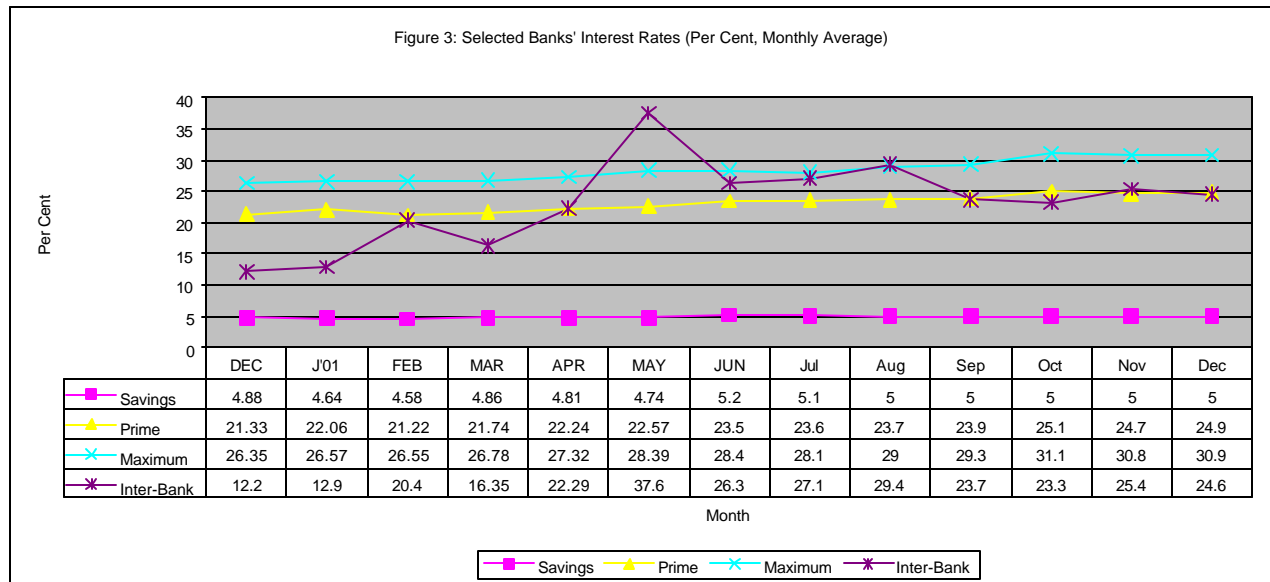
the system's credit to the sub-sector rose sharply by ₦19.2 billion or 254.2 per cent.

Banking system claims on 'other' private sector, which constituted 96.8 per cent of credit to the private sector, rose by 0.1 per cent, compared with an increase of 2.9 per cent in the preceding month. As in the previous month, the deposit money banks accounted for 99.0 per cent of the total increase. Over the level at end-December 2000, credit to the sub-sector rose sharply by 40.7 per cent.

Foreign assets (net) of the banking system fell by ₦23.7 billion or 1.7 per cent to ₦1,355.0 billion, in contrast to the increase of ₦91.2 billion or 7.1 per cent in the preceding month. The decline reflected largely the fall in Central Bank's holding

to ₦524.8 billion, compared with a similar fall of ₦17.6 billion or 3.2 per cent in the preceding month. The increase in the review month reflected further draw-down of deposits with the banks in anticipation of the end-of-year festivities. The cumulative increase during the year was ₦126.5 billion or 31.8 per cent, compared with the ₦113.8 billion or 37.1 per cent rise in 2000.

Other assets (net) of the banking system rose by ₦21.7 billion or 2.3 per cent, as against the decline of ₦151.2 billion or 19.1 per cent in the preceding month. The increase was traceable to the accounts of both the Central Bank and deposit money banks. The rise in Central Bank's account reflected the increase in its other assets mainly receivables, claims on the branches and miscellaneous items. The rise in deposit



which constituted 78.8 per cent of the total. In fiscal 2001, the system's foreign assets (net), however, rose by ₦80.0 billion or 6.3 per cent, following favourable developments in the international petroleum market in the first three quarters of the year.

Quasi-money declined further in December by ₦525.4 million or 0.1 per cent

money banks' account reflected the increases in the banks' fixed assets, suspense account and other miscellaneous asset items.

## 2.5 Currency-in-circulation and Deposits at CBN

At ₦379.8 billion in December 2001, currency in circulation increased by ₦17.9 billion or 4.9 per cent and ₦69.3 billion or 22.3 per cent over the levels in the preceding month and corresponding month of 2000, respectively. The development during the month reflected the increases in currency outside the banking system and vault-cash.

Total deposits at CBN stood at ₦1,008.9 billion, indicating a decline of ₦52.5 billion or 4.9 per cent from the level in the preceding month but an increase of ₦50.7 billion or 5.3 per cent over the level in the corresponding period of 2000. The shares of the Federal Government, bankers and 'other' in total deposits at the CBN were 82.2, 15.4 and 2.4 per cent, respectively, compared with 85.1, 12.9 and 2.0 per cent in November 2001.

## **2.6 Interest Rate Developments**

Available data on bank interest rate movements indicated mixed developments in December 2001. The average savings deposit rate remained unchanged at the preceding month's level of 5.0 per cent, the average rate on deposits of 6 - month maturity fell by 0.6 percentage point to 20.0 per cent, while other deposit rates, which ranged 12.4 – 21.0 per cent in November, rose to a range of 12.5 – 21.2 per cent. Banks' average prime and maximum lending rates rose by 0.2 and 0.1 percentage point to 24.9 and 30.9 per cent, respectively. Thus, the spread between banks' weighted average deposit and maximum lending rates stood at 12.1 percentage points, compared with 12.7 points in November 2001, while the margin between the savings deposit and maximum lending rates was 25.9 percentage points as against 25.8 points recorded in the preceding month.

The average inter-bank call rate declined from 25.4 per cent in November to 24.6 per cent. The observed decline was attributable to improved liquidity in the money market, induced by the release of statutory allocations and disbursement of the proceeds from GSM licensing fees to the three tiers of government during the month.

## **2.7 Money Market Developments**

The value of money market assets outstanding at end-December, 2001 rose by ₦115.5 billion or 21.4 per cent to ₦654.0 billion, compared with the increase of ₦2.2 billion or 0.4 per cent in the preceding month. The rise in the review month reflected the increases of ₦113.0 billion or 24.3 per cent in Treasury bills and ₦2.7 billion or 8.0 per cent in Bankers' Acceptances (BAs). The level of Commercial Papers (CPs) and Eligible Development Stocks (EDS), on the other hand, fell marginally by ₦0.1 billion or 0.3 per cent and ₦0.1 billion or 2.7 per cent, respectively.

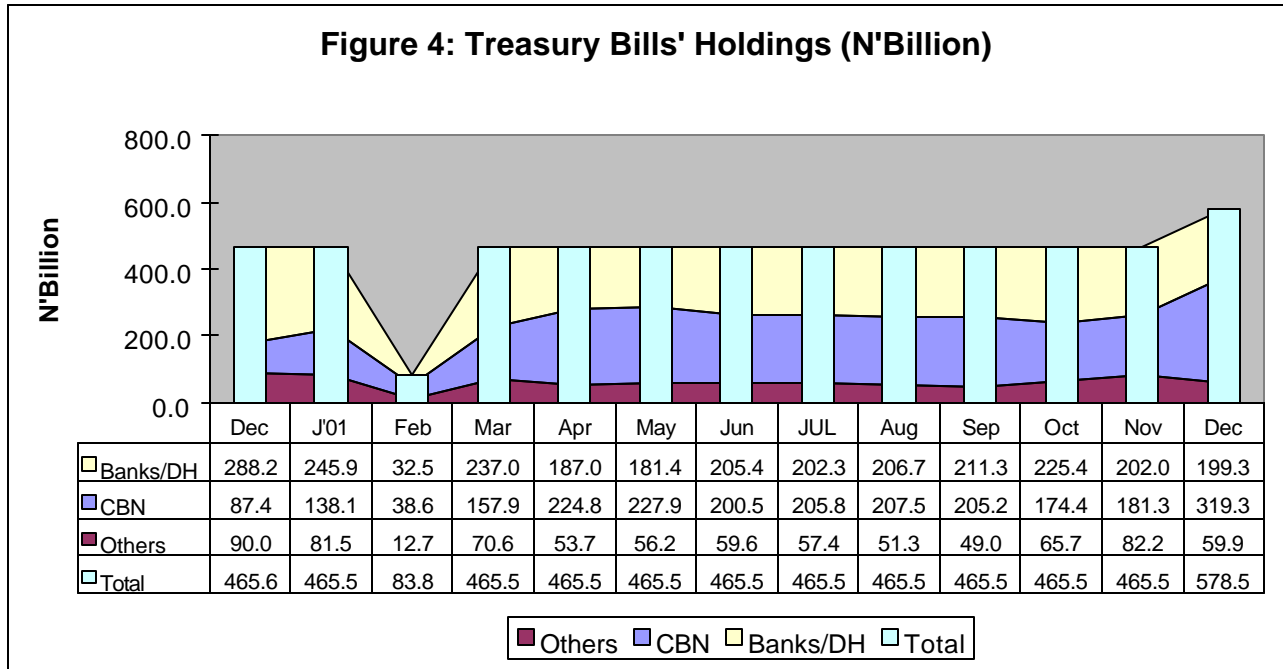
Treasury bills worth ₦88.6 billion were re-issued in the review month to replace matured bills of the same value, compared with ₦98.9 billion re-issued in the preceding month, while new issues worth ₦113.0 billion were made to refinance outstanding Ways and Means Advances to the Federal Government. Thus, total treasury bills outstanding rose to ₦578.5 billion from ₦465.5 billion in November 2001. Of the total issue during the month, deposit money banks and discount houses subscribed ₦44.4 billion or 22.0 per cent and ₦2.7 billion or 1.4 per cent, respectively, while "other" investors subscribed ₦24.2 billion or 12.0 per cent. The balance of ₦130.3 billion or 64.6 per cent was absorbed by the Central Bank. Following the decline in public patronage of treasury bills, Central Bank's

total holding rose sharply by ₦138.0 billion or 76.1 per cent to ₦319.3 billion compared with the increase of ₦6.9 billion or 4.0 per cent in the preceding month.

**2.8 Capital Market Developments**

Most market indicators trended downward

Total assets/liabilities of deposit money banks stood at ₦2,167.3 billion, representing increases of ₦2.0 billion or 0.1 per cent and ₦462.9 billion or 27.2 per cent above the preceding month’s level and the level at end-December 2000, respectively. Funds were sourced mainly from the increase in unclassified liabilities,



in December 2001. The total number of shares traded on the Nigerian Stock Exchange rose from 455.7 million in 37,426 deals to 501.6 million in 25,504 deals, while the value of traded securities fell from ₦5.1 billion to ₦3.9 billion. Market capitalization and value price indices also fell by 1.9 and 1.8 per cent, respectively, from the levels of ₦660.7 billion and 11,174.6 recorded in the preceding month. The observed developments were attributable to investors’ cautious spending and the need to meet their fund requirements for end-of-year festivities.

**2.6 Deposit Money Banks’ Activities**

divestment of holdings in government securities and recall of private sector loans and advances, while the funds were utilized for the repayment of demand, time, savings and foreign currency deposits, and acquisition of unclassified assets, among others.

Aggregate credit to the domestic economy by deposit money banks stood at ₦1033.6 billion, representing increases of ₦15.1 billion or 1.5 per cent and ₦226.6 or 28.1 per cent over the levels in the preceding month and end-December 2000. The breakdown showed that credit to the private sector increased by ₦10.1 billion or 1.2 per cent, while claims on the Federal Government rose by ₦5.1 billion or 2.7 per cent. Credit to state and local governments

also increased by ₦9.8 million or 57.3 per cent.

Central Bank's credit to deposit money banks totalled ₦14.5 billion, representing increases of ₦4.1 billion or 38.8 per cent and ₦12.0 billion or 114.2 per cent above the preceding month's level and the level at end-December 2000, respectively. The increase was mainly in loans and advances.

Total specified liquid assets of deposit money banks amounted to ₦571.8 billion or 55.1 per cent of their total deposit liabilities. This was 9.2 and 15.1 percentage points above the preceding month's level and the stipulated minimum target of 40.0 per cent for fiscal 2001, respectively.

### **2.7 Discount Houses**

Total assets/liabilities of the discount houses stood at ₦32.4 billion in December 2001, representing a fall of ₦7.0 million or 17.8 per cent from the preceding month's level. Discount houses' investments in Federal Government securities of less than 91 days maturity amounted to ₦13.1 billion, constituting 72.6 per cent of their total liabilities. This was 12.6 percentage points above the minimum level of 60 per cent prescribed for fiscal 2001.

Total borrowings by discount houses stood at ₦6.8 billion or 1.5:1 of total capital and reserves compared with the maximum gearing ratio of 50:1.

### **3.0 DOMESTIC ECONOMIC CONDITIONS**

The dominant agricultural activities during the month included harvests of late crops, processing and storage of grains and

dry season vegetable gardening. Crude oil output rose by 0.4 per cent over the preceding month's level, while the domestic price level rose further from 18.7 per cent in November 2001, to 18.9 per cent in December 2001.

### **3.1 Agricultural Sector**

Agricultural activities during the month consisted of harvests of late crops, processing and storage of grains and dry season vegetable gardening. In the livestock sub-sector, old layers were culled and sold along with the broilers for the end-of-year festivities.

The sum of ₦63.995 million was guaranteed to 1,730 farmers under the Agricultural Credit Guarantee Scheme (ACGS), indicating a decline of 15.5 per cent from the level a month earlier. A sub-sectoral analysis of the loans guaranteed showed that the food crop sub-sector was granted ₦40.772 million for disbursement to 1,032 farmers. Of this amount, ₦20.788 million was allocated to 674 grain producers, while the balance of ₦19.984 million was granted to 358 root and tuber crop producers. The livestock sub-sector got ₦7.225 million of the total loans for 107 farmers, while 4 cash crop farmers were granted ₦0.115 million. Other unclassified group, comprising 587 farmers received ₦15.883 million or 24.8 per cent of the total loans guaranteed during the month.

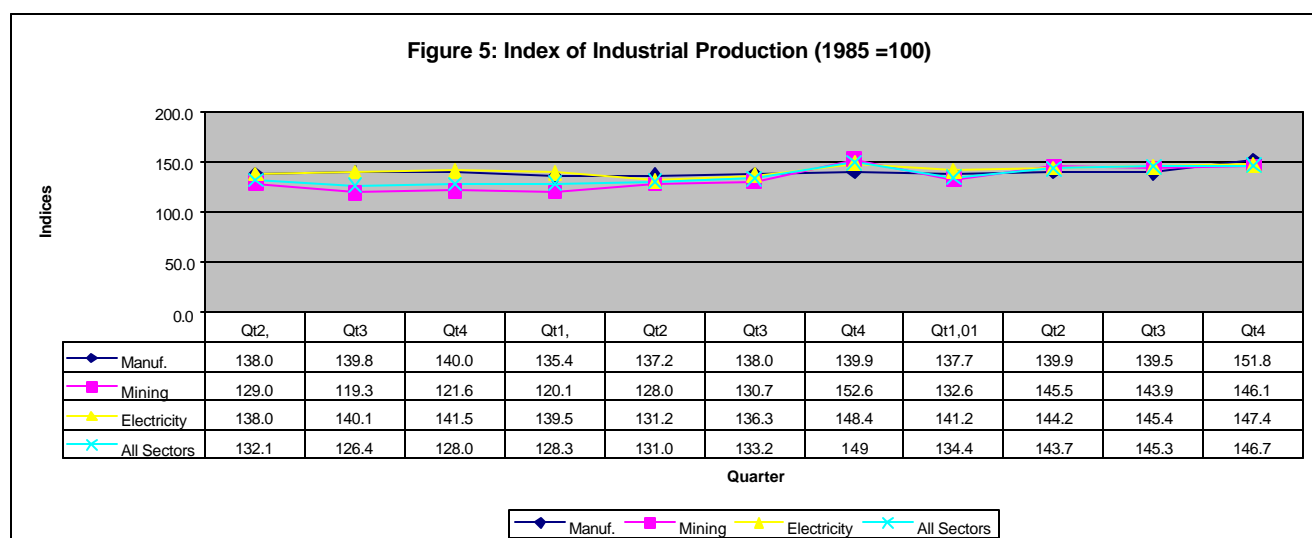
The prices of Nigeria's major agricultural commodities at the London Market fell during the month. At 56.1 (1985 = 100), the all-commodity price index, in dollar terms, fell by 4.1 per cent from the level recorded in the preceding month. When compared with the level in December 2000, the index represented an increase of 48.8 per cent. In naira terms, the index also

fell by 9.6 per cent from the level in the preceding month but rose by 208.7 per cent over the level in December 2000. The price decline was attributable to reduced demand relative to supply for the commodities in the international market.

Of the six commodities monitored during the month, four of them, including soyabean and copra, recorded price declines which ranged from 4.3 to 15.9 per cent,

Activities in the industrial sector during the fourth quarter of 2001 showed slight improvement relative to the preceding quarter, but declined when compared with the corresponding quarter of 2000. At 146.7 (1985 = 100), estimated index of industrial production rose by 0.9 per cent over the level in the preceding quarter but fell by 1.5 per cent below the level in the corresponding quarter of 2000.

At 151.8 (1985 =100), the estimated



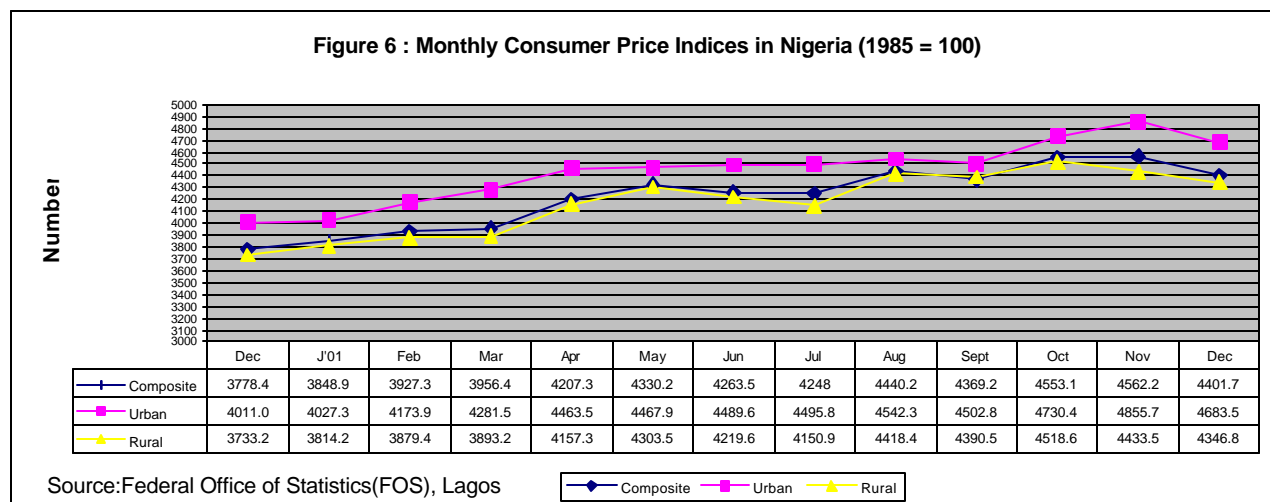
respectively, while the remaining two (palm oil and cotton) recorded price increases of 3.2 and 16.6 per cent. When compared with the end-December 2000 level, price movements were mixed. In naira terms, copra, soyabean, coffee and cocoa recorded price decreases of 2.6, 3.2, .4 and 12.4 per cent, respectively. Palm oil and cotton, however, recorded price increases of 2.7 and 10.2 per cent.

### 3.2 Industrial Production

index of manufacturing production rose by 8.8 and 8.5 per cent above the levels in the preceding quarter and corresponding quarter of 2000. The increase was traceable to improvements in the disposable income of workers at all levels as well as infrastructural facilities across the nation.

The index of mining production, which stood at 146.1 (1985=100), declined by 4.2 per cent from the level in the corresponding quarter of 2000, but showed an increase of 1.5 per cent over the level in the preceding quarter.





At 147.4 in the fourth quarter of 2001, the index of electricity production rose by 1.4 per cent over the level recorded in the preceding quarter. It, however, fell by 0.7 per cent when compared with the corresponding quarter of 2000. The improvement in the review period was attributable to the on-going rehabilitation of the generation, transmission and distribution facilities in the power industry.

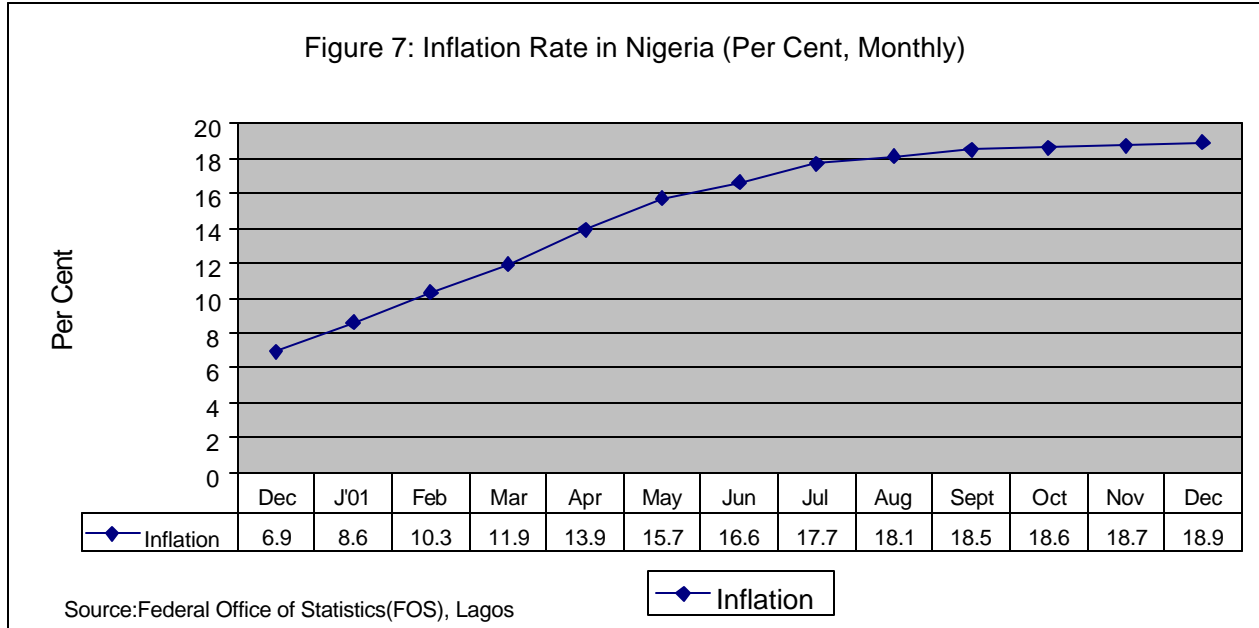
### 3.4 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.28 million

barrels per day (mbd) or 70.68 million barrels for the month, representing an increase of 0.4 per cent over its level in November 2001. The share of the country's production in total OPEC output was 7.7 per cent, compared with 7.6 per cent in the preceding month. Crude oil exports were estimated at 1.83 million barrels per day (mbd) or 56.73 million barrels for the month, showing an increase of 0.01 mbd over the level recorded in the preceding month. Oil exports accounted for 80.3 per cent of total output while the balance (19.7 per cent) was refined for domestic consumption.

Crude oil prices fell during the month, following the down turn in global economy and the slack demand for heating oil as a result of mild winter in the Northern Hemisphere. At US\$18.65 a barrel, the average price of Nigeria’s reference crude, the Bonny Light (37<sup>0</sup> API), fell by 3.0 per cent below its level in November 2001. Similarly, the price of two other competing brands of crude, namely the U.K Brent and

composite Consumer Price Index (CPI) in December 2001 stood at 4401.7 (1985 = 100), reflecting a decline of 3.5 per cent below the level in the preceding month but an increase of 16.5 per cent over the level in corresponding month of 2000. The development during the month was traceable to all the component items except clothing and footwear; household goods and transportation whose indices rose by 15.4,



the West Texas Intermediate (WTI) fell from US\$19.15 and US\$20.91 a barrel to US\$18.53 and US\$18.88 a barrel, respectively, while the average price of Arab Light was US\$13.32 a barrel.

Similarly, in the European net-back market, the Bonny Light and the UK Brent were sold at \$20.40 and \$20.35 a barrel, respectively, indicating declines of 8.4 per cent and 4.6 per cent from their price levels in November 2001.

**3.5 Consumer Prices**

Data from the Federal Office of Statistics (FOS) showed that the all-items

6.8 and 3.4 per cent, respectively. When compared with their levels in the corresponding month a year earlier, all the component items recorded price increases except accommodation, medical care and health expenses; whose indices recorded price decreases of 14.5 and 17.3 per cent, respectively.

The inflation rate for the twelve-month period ended December 2001 was 18.9 per cent, compared with 18.7 per cent in the preceding month and 6.9 per cent in the corresponding month of 2000 (Fig. 7). The upward trend in inflationary pressure was attributed to rapid monetary expansion

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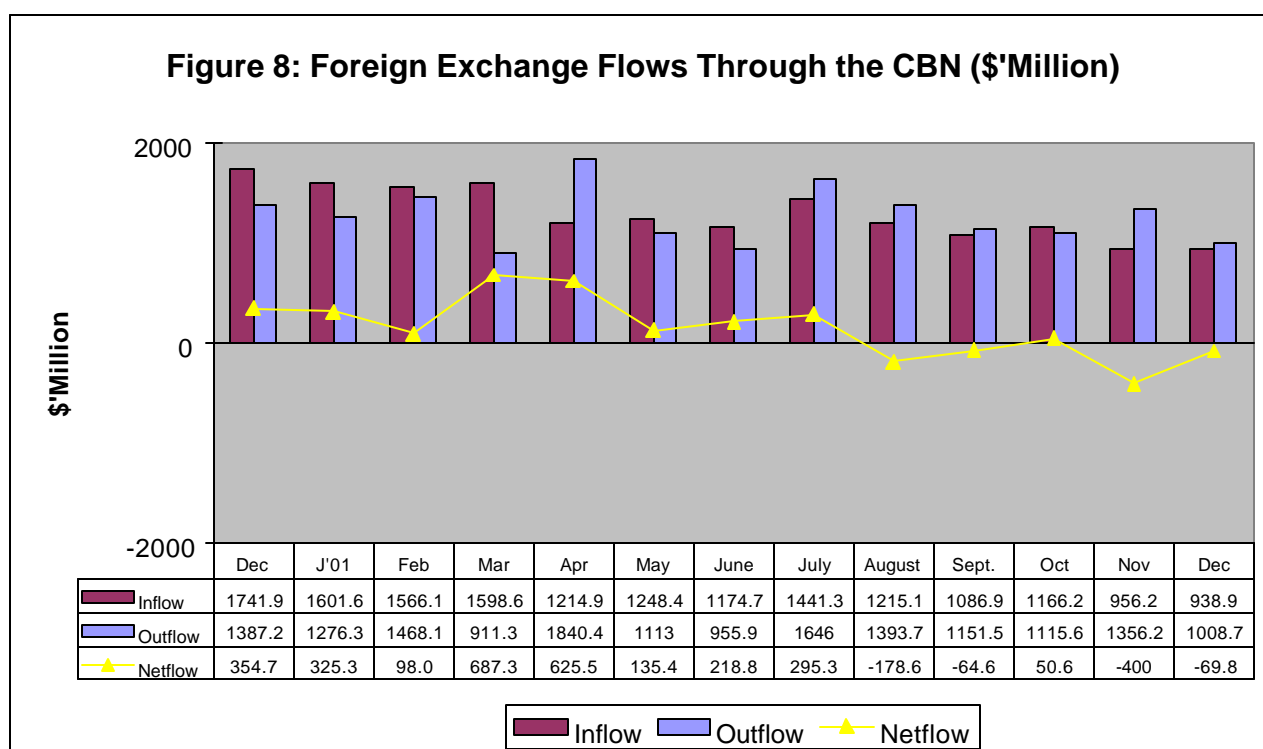
#### 4.0 EXTERNAL SECTOR DEVELOPMENTS

##### 4.1 Foreign Exchange Flows

In December 2001, foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to \$938.9

amounted to US\$15,719.0 million and US\$14,736.8 million, compared with US\$15,740.0 million and US\$11,810.9 million, respectively, in the same period, a year earlier.

Available data on foreign exchange flows through the economy, showed that total inflow stood at \$1,289.9 million, down from \$1,306.0 million in November 2001. Receipts from the oil sector fell by 4.2 per



million and \$1,008.7 million, respectively, representing a net outflow of US \$69.8 million. Compared with the respective levels of \$956.2 million and \$1,356.2 million in the preceding month, inflow and outflow declined by 1.8 and 25.6 per cent. The decline in inflow was accounted for by the fall in oil receipts, while that of outflow was attributable mainly to the decline in funding of IFEM and disbursements on "Other Official Payments" from \$964.3 million and \$268.4 in November 2001 to \$753.9 million and \$183.1 million, respectively. Cumulative inflow and outflow in 2001

cent to \$880.8 million and constituted 68.3 per cent of total inflow, during the month, while non-oil public sector inflow and receipts through autonomous sources amounted to \$409.1 million or 31.7 per cent of the total. At \$1,083.0 million, foreign exchange outflow from the economy represented a decrease of 16.8 per cent from the level in November 2001. The fall was accounted for largely by the 21.8 and 31.8 per cent decline in the funding of the IFEM and disbursements in respect of 'Other Official Payments', respectively. External debt service also fell by 32.7 per cent from

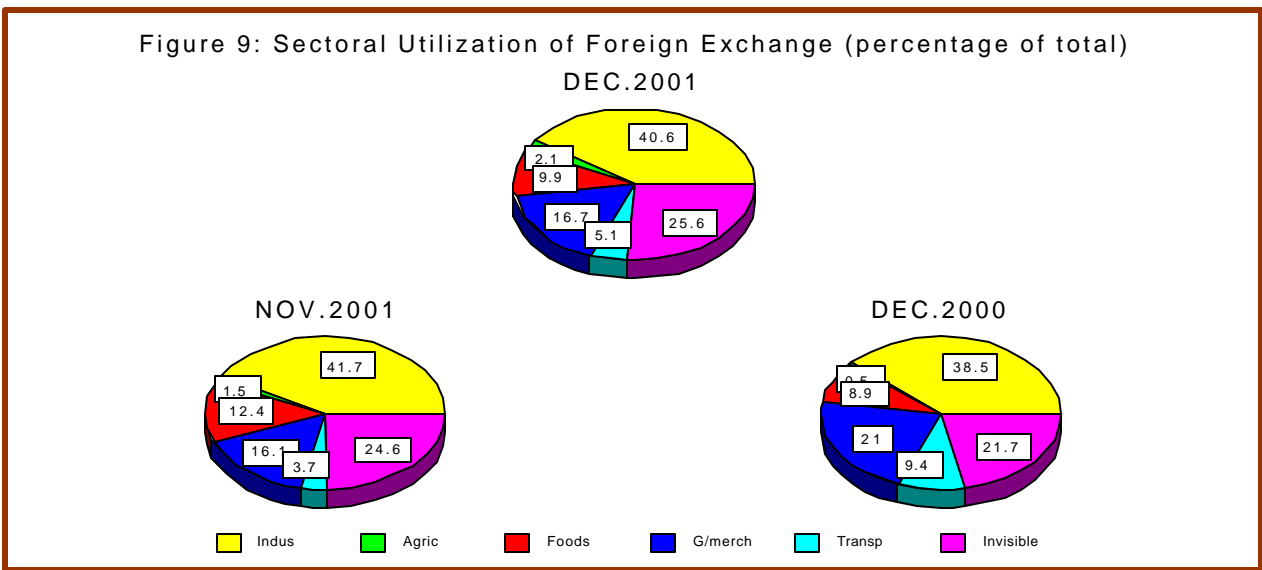
\$76.7 million in the preceding month to \$51.7 million. However, outflow through autonomous sources rose from \$70.5 million to \$74.3 million during the month.

**4.7 Sectoral Utilisation of Foreign Exchange**

As in the past, the industrial sector accounted for the bulk (40.6 per cent) of total foreign exchange disbursed in December, 2001, followed closely by invisibles which had 25.6 per cent of the

the market, in contrast to the preceding month when no purchases were made by the Bank.

The average exchange rate of the naira vis-à-vis the U.S. dollar depreciated from ₦111.99 per dollar in November to ₦113.01 per dollar. Similarly, the rates in the parallel market and the bureaux de change depreciated from ₦133.70 and ₦134.04 per dollar to ₦134.41 and ₦134.59 per dollar during the period. Overall, the premium between the IFEM and the parallel



total. Other beneficiary sectors, in a descending order of importance, included: general merchandise, food, transportation and agricultural products (Fig 9).

**4.8 Foreign Exchange Market Developments**

The demand pressure in the Inter-bank Foreign Exchange Market (IFEM) moderated during the review month, as \$753.95 million was sold to authorized dealers by the CBN, compared with \$967.30 million in November 2001. The decline was attributable to seasonal factor arising from increased inflow during the review period. The CBN purchased US\$16.68 million from

market rates narrowed from 19.39 percentage points in November 2001 to 18.93 per cent in December 2001.

**4.4 External Reserves**

Nigeria’s gross external reserves stood at \$10,438.8 million in December 2001, indicating an increase of 0.2 per cent during the month. This level could finance 8.5 months of imports at the current foreign exchange commitments, compared with 8.4 months in November 2001.

## **5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS**

World crude oil output rose from 76.80 mbd in November 2001 to 77.53 mbd in December 2001. Similarly, world crude oil supply exceeded demand by 0.23 mbd, compared with an excess supply of 0.67 mbd in the preceding month.

The Authority of Heads of State and Government of the Economic Community of West African States (ECOWAS) held its Twenty-Fifth Ordinary Session in Dakar, Republic of Senegal on 20<sup>th</sup> and 21<sup>st</sup> December, 2001. The major issues discussed included: African Union and New Partnership for Africa's Development (NEPAD); Monetary Cooperation Programme; ECOWAS Passport; Private Sector Promotion; Transformation of the ECOWAS Fund into a holding company known as the ECOWAS Bank for Investment and Development (EBID); Institutional Issues; and the ECOWAS Anthem and flag.

In a related development, the International Monetary Fund, (IMF), in its World Economic Outlook for 2002 noted that the global recession will have serious implications for the economies of developing countries. On debt issues, it was reported that about \$34.0 billion has been

deployed to assist 23 developing countries through the Highly Indebted Poor Countries (HIPC) initiative, to improve spending on health education and combat HIV and AIDS. The report, however, noted that economic prospects for most African countries with sound macroeconomic and structural policies would be brighter.

In another development, the United Nations Development Programmes (UNDP) has pledged ₦700 million to support Human Development Fund (HDF), a new initiative, to fight poverty in Nigeria.

Finally, four years of economic recession have resulted in political unrest in Argentina. The genesis of the crisis could be traced to the country's default on its external debt obligations amounting to US \$155.0 billion. Other factors included corruption, political instability, fiscal indiscipline and rising unemployment. Developing countries should draw from the Argentine experience in order to avert economic crisis which usually makes policy options difficult.