

ECONOMIC REPORT FOR THE MONTH OF APRIL 2002

1.0 SUMMARY

In April 2002, broad money stock (M_2) and narrow money (M_1) recorded marginal increases of 0.2 and 0.04 over the levels in the preceding month, reflecting the increase in aggregate bank credit to the domestic economy. During the first four months of the year, M_2 and M_1 grew by 8.4 and 2.4 per cent, respectively, as against the targets of 15.3 and 12.4 per cent for fiscal 2002.

Provisional data indicated mixed movements in banks' interest rates. The spread between banks' weighted average deposit and maximum lending rates was 14.4 percentage points, as against 11.2 percentage points in the preceding month, while the margin between the weighted average savings deposit and maximum lending rates was 25.3 percentage points. The average inter-bank call rate which was 26.2 per cent in March, declined marginally to 26.0 per cent in the review month.

At ₦649.6 billion, at end-April 2002, the value of total money market assets outstanding declined by 1.3 per cent, in contrast to the increase of 2.0 per cent in the preceding month. The fall reflected entirely the declines in Bankers' Acceptances (BAs) and Eligible Development Stocks (EDS). No new Nigerian Treasury Bills (NTBs) were issued during the month, while matured bills were rolled over. Developments in the capital market were mixed during the month. The volume and value of shares traded fell, while market capitalization and value index increased.

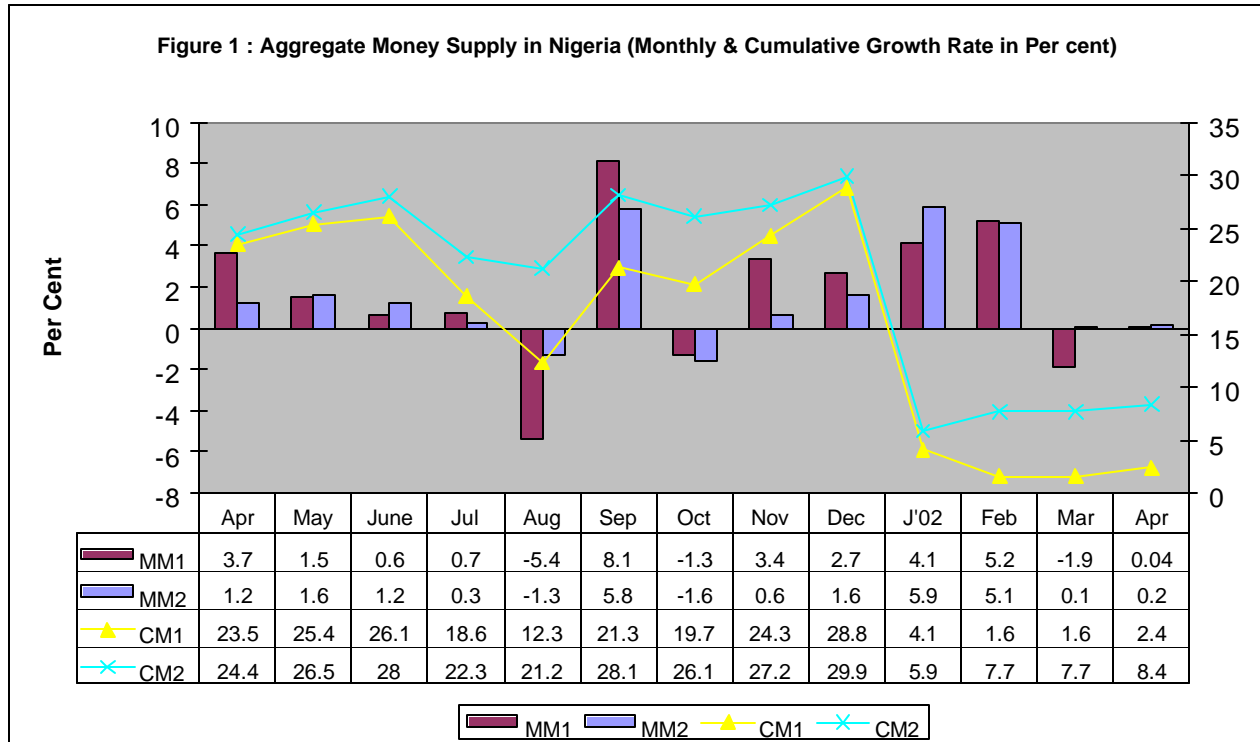
The major agricultural activities during the month included land preparations for transplanting oil-palm seedlings from

nurseries, planting of upland rice, maize and vegetables; and application of fertilizers as well as the harvesting of fruits. Estimated crude oil output, including condensates and natural gas, was 1.88 million barrels per day (mbd) or 56.40 million barrels for the month. Crude oil exports represented 76.1 per cent of total output, while the balance (23.9 per cent) was refined for domestic consumption. The average price of Nigeria's reference crude, the Bonny Light (37°API), at \$25.78, rose by 9.5 per cent over the level in March 2002. Similarly, the price index of Nigeria's major agricultural commodities at the London Commodities Market rose by 0.7 and 17.0 per cent, in naira terms, over their levels in the preceding month and corresponding period of 2001. The inflation rate was 17.9 per cent in April, down from 18.8 per cent in March, 2002.

Data on foreign exchange flows through the Central Bank of Nigeria (CBN) showed an inflow of US\$658.3 million and an outflow of US\$891.0 million, resulting in a net outflow of US\$232.7 million in April, 2002. Sales of foreign exchange in the Inter-bank Foreign Exchange Market (IFEM) amounted to US\$695.1 million, compared with US\$656.7 million in March, 2002. The average exchange rate of the naira vis-à-vis the US dollar depreciated marginally from an average of ₦116.03 per dollar in March to ₦116.13 per dollar in April. It, however, appreciated by 1.7 per cent in both the parallel market and bureaux de change. Nigeria's gross external reserves fell by 1.3 per cent from its level in the preceding month to US\$9,426.00 million as at end-April, 2002.

On the international scene, aggregate world crude oil demand exceeded supply by 2.1 per cent, compared with an excess demand of 1.1 per cent recorded in the preceding month. Other major international economic developments that influenced the domestic economy during the month were:

Federal Government of Nigeria, organized the first Commonwealth-African Investment Forum in Abuja from 22nd-24th April, 2002 in support of the New Partnership for Africa's Development (NEPAD) initiative and to enhance social and economic development of the continent.



the seventh meeting of the convergence Council of Ministers and Central Bank Governors of the West African Monetary Zone (WAMZ), held on 11th April, and the twelfth Extra-ordinary Meeting of the Committee of Governors of Central Banks of ECOWAS member states held on 12th April, 2002 in Freetown, Sierra Leone. The 2002 spring meetings of the International Monetary Fund (IMF) and the World Bank were held in Washington, D.C, United States of America from 19th to 21st April, 2002. Furthermore, the Federal Republic of Nigeria and the Peoples Republic of China signed a bilateral economic relations agreement in Abuja, on 15th April, 2002. Finally, the Commonwealth Business Committee (CBC), in collaboration with the

2.0 FINANCIAL SECTOR DEVELOPMENTS

Money supply increased further in April, 2002. Bank interest rates and activities on the Nigerian Stock Exchange (NSE) exhibited mixed developments during the month. Developments in the money market during the month were influenced by the state of liquidity in the banking system.

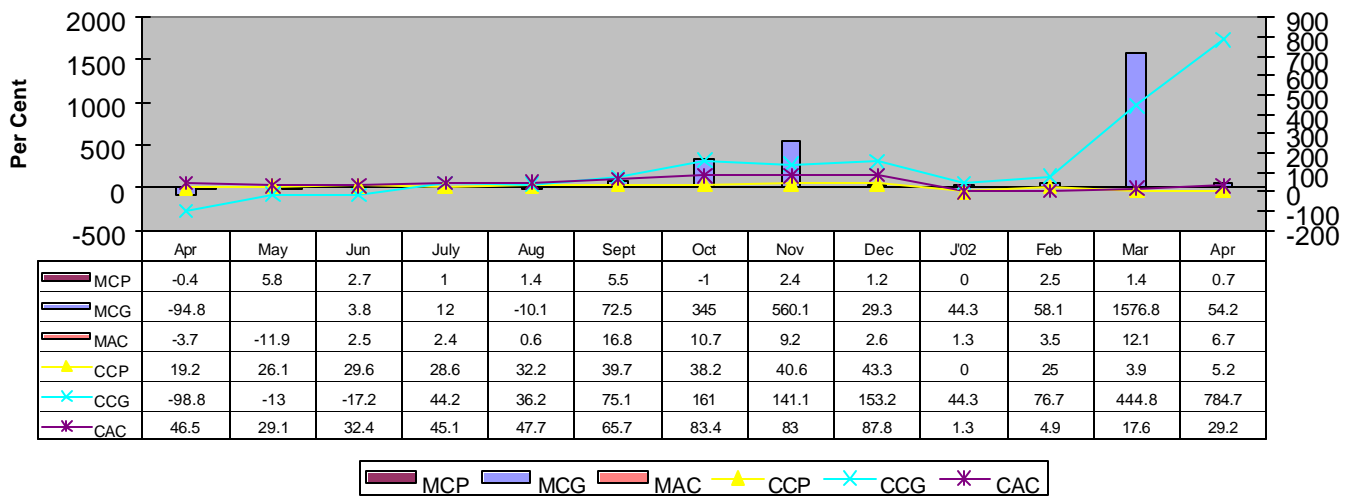
2.1 Monetary and Credit Developments

Provisional data indicated that broad money (M_2) rose further by ₦2.8 billion or 0.2 per cent to ₦1,425.9 billion in April 2002, compared with the increase of ₦41.3 billion or 3.0 per cent in the preceding month. The rise in the review month reflected the increases in both quasi-money and narrow money. Narrow money (M_1) rose by ₦300.1 million or 0.04 per cent, compared with the larger increase of ₦24.3 billion or 3.0 per cent in March 2002. The rise in M_1 reflected the significant increase in aggregate credit to the domestic economy. During the first four months of the year, M_2 and M_1 grew by 8.4 and 2.4 per

sector with the former accounting for 90.7 per cent of the increase. In the four-month period, aggregate bank credit to the domestic economy rose substantially by ₦241.9 billion or 29.2 per cent, compared with the growth target of 57.9 per cent for the whole year.

Banking system's credit to the Federal Government rose sharply by ₦60.6 billion or 54.2 per cent, compared with the increase of ₦40.9 billion or 57.4 per cent in the preceding month. The rise was accounted for by both the Central Bank and deposit money banks (DMBs). In the first four months of the year, net credit to the Federal Government expanded by ₦197.8 billion.

Figure 2: Aggregate Domestic Credit To The Economy (Monthly & Cumulative Growth Rate -Please note that omitted points are outliers)



cent, respectively, compared with the targets of 15.3 and 12.4 per cent for fiscal 2002.

Aggregate bank credit to the domestic economy rose sharply by ₦66.8 billion or 6.7 per cent to ₦1,071.7 billion, compared with the increase of ₦57.9 billion or 6.1 per cent in the preceding month. The rise reflected the increases in credit to both the Federal Government and the private

Banking systems' claims on the private sector rose by ₦6.2 billion or 0.7 per cent during the month and by 5.2 per cent in the first four months of the year, compared with the 34.9 per cent growth target for the whole year.

At ₦1,388.9 billion, foreign assets (net) of the banking system fell by ₦47.8 billion

or 3.3 per cent, in contrast to the increase of ₦123.1 billion or 9.4 per cent in March. The fall reflected entirely the sharp decline in Central Bank's holding. The Bank's foreign assets holding fell by ₦63.6 billion or 5.5 per cent to ₦1,099.9 billion, constituting 79.2 per cent of the total outstanding, compared with 81.0 per cent in the preceding month.

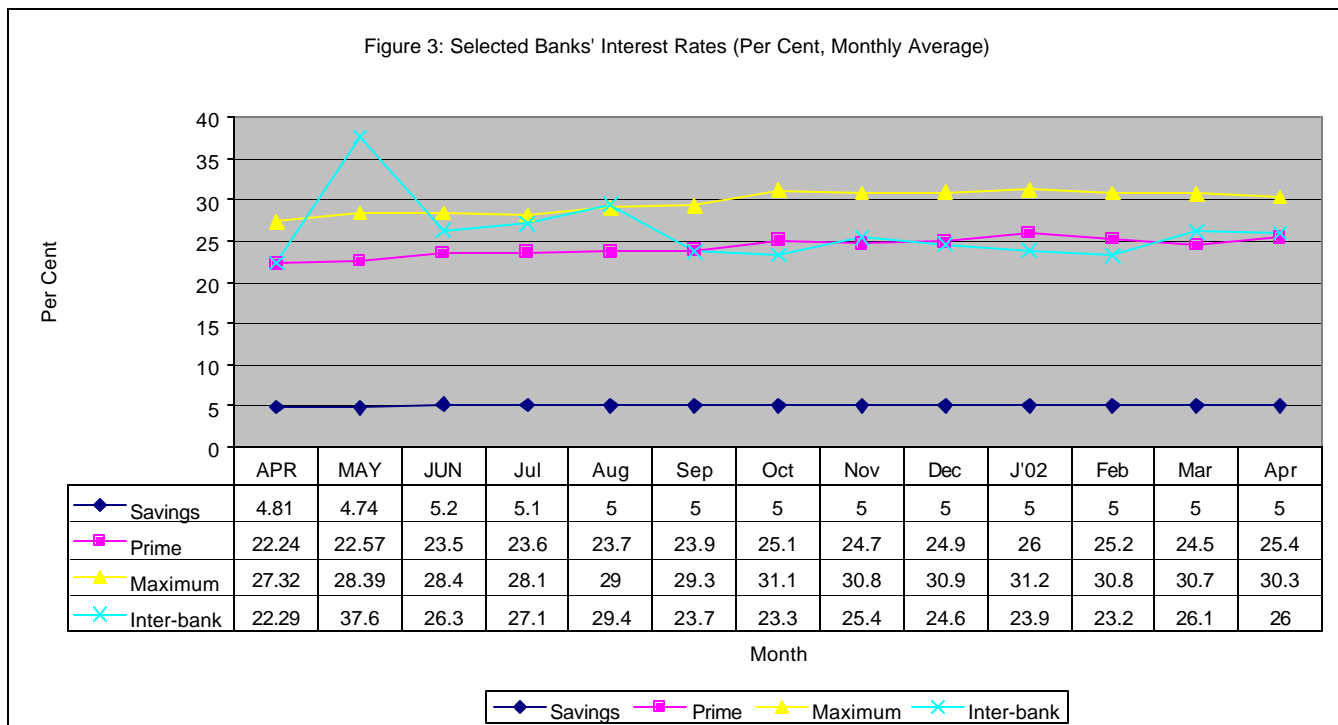
Quasi-money rose by ₦2.5 billion or 0.4 per cent in April, compared with the increase of ₦17.0 billion or 3.0 per cent in the preceding month. The rise in the review month reflected largely the increases in deposit money banks' time and savings deposits.

Other assets (net) of the banking system declined by ₦16.3 billion or 1.6 per

2.2 Currency-in-circulation and Deposits at CBN

At ₦376.3 billion in April 2002, currency in circulation increased by ₦5.2 billion or 1.4 per cent and ₦52.2 or 16.1 per cent over the levels in the preceding month and the corresponding month of 2001, respectively. The rise during the month was traceable entirely to the 17.1 per cent rise in vault-cash, while currency outside banks declined.

Total deposits at the CBN amounted to ₦854.3 billion, indicating declines of ₦69.1 billion or 7.5 per cent and ₦351.9 billion or 29.2 per cent from the levels in the preceding month and corresponding period of 2001, respectively. The development during the month was traceable to the



cent in the review month, compared with the decline of ₦139.8 billion or 15.9 per cent in the preceding month.

decline in Federal Government deposits which fell from ₦771.5 billion in March, 2002 to ₦697.0 billion. The shares of the three components in total deposits at the CBN, namely, Federal Government, bankers

and ‘others’ were 81.6, 16.3 and 2.1 per cent, respectively, compared with 82.6, 15.3 and 2.1 per cent in March, 2002.

2.3 Interest Rate Developments

Available data indicated mixed movements in banks’ interest rates during the month. With the exception of the average savings deposit rate, which remained unchanged at the preceding month’s level of 5.0 per cent, other deposit rates of various maturities declined from the range of 12.9 – 23.2 per cent in March to between 11.1 and 18.1 per cent in April. Similarly, banks’ average maximum lending rate declined by 0.4 percentage point to 30.3 per cent, during the period. The average prime lending rate, however, rose from 24.5 per cent to 25.4 per cent. The spread between banks’ average weighted deposit and maximum lending rate widened to 14.4 per centage points from 11.2 per centage points in the preceding month, while the margin between the savings deposit and maximum lending rates was 25.3 per centage points.

The average inter-bank call rate declined marginally from 26.1 per cent in March to 26.0 per cent. Movements in the call rate continued to be influenced largely by the liquidity situation in the banking system.

2.4 Money Market Developments

At ₦649.6 billion, the value of total money market assets outstanding at end-April, 2002 declined by ₦8.6 billion or 1.3 per cent, in contrast to the increase of ₦12.8 billion or 2.0 per cent in the preceding month. The fall was attributable to the declines in Bankers’ Acceptances (BAs) and Eligible Development Stocks (EDS). The level of Commercial Papers (CPs), on the

other hand, rose by N7.8 billion or 29.5 per cent, while treasury bills, outstanding, remained unchanged at the preceding month’s level of ₦584.5 billion.

Treasury bills worth ₦278.0 billion were re-issued in April 2002 to replace matured bills of the same value, compared with ₦207.6 billion re-issued in the preceding month. Of the total amount rolled over during the month, deposit money banks (DMBs) subscribed ₦96.4 billion or 34.7 per cent, while “other” investors, including discount houses, subscribed ₦40.5 billion or 14.6 per cent. The balance of ₦141.1 billion or 50.7 per cent was absorbed by the CBN, bringing the Bank’s total holding to ₦179.5 billion, compared with ₦229.5 billion a month earlier.

2.5 Capital Market Developments

Provisional data indicated that activities on the Nigerian Stock Exchange (NSE) showed mixed developments in April 2002. The volume and value of shares traded indicated downward trends, while the market capitalization and value index increased.

At 427.9 million and ₦4.1 billion, the number and value of shares traded declined by 33.4 and 21.2 per cent, respectively, from their respective levels of ₦642.3 million and ₦5.2 billion in the preceding month. Market capitalization and value indices, on the other hand, rose by 1.6 and 1.7 per cent to close at ₦673.7 billion and 11,399.1, respectively. The observed increases were attributable to price gains recorded in the market, which out-weighted losses by the listed companies. Transactions in industrial loans stocks/preference shares and the Federal Government Development Stocks remained dormant during the period under review.

2.6 Deposit Money Banks' Activities

Total assets/liabilities of deposit money banks (DMBs) in April, 2002 stood at ₦2, 249.0 billion, showing a decline of ₦10.0 billion or 0.4 per cent from the preceding month's level, and an increase of ₦81.7 billion or 4.2 per cent over the level at end-December 2001. Funds were sourced mainly from the draw down on unclassified assets, depletion of reserves and increase in Federal Government's deposits, while the funds were used largely for the repayment of demand deposits, acquisition of foreign assets and expansion in credit to the private sector, among others.

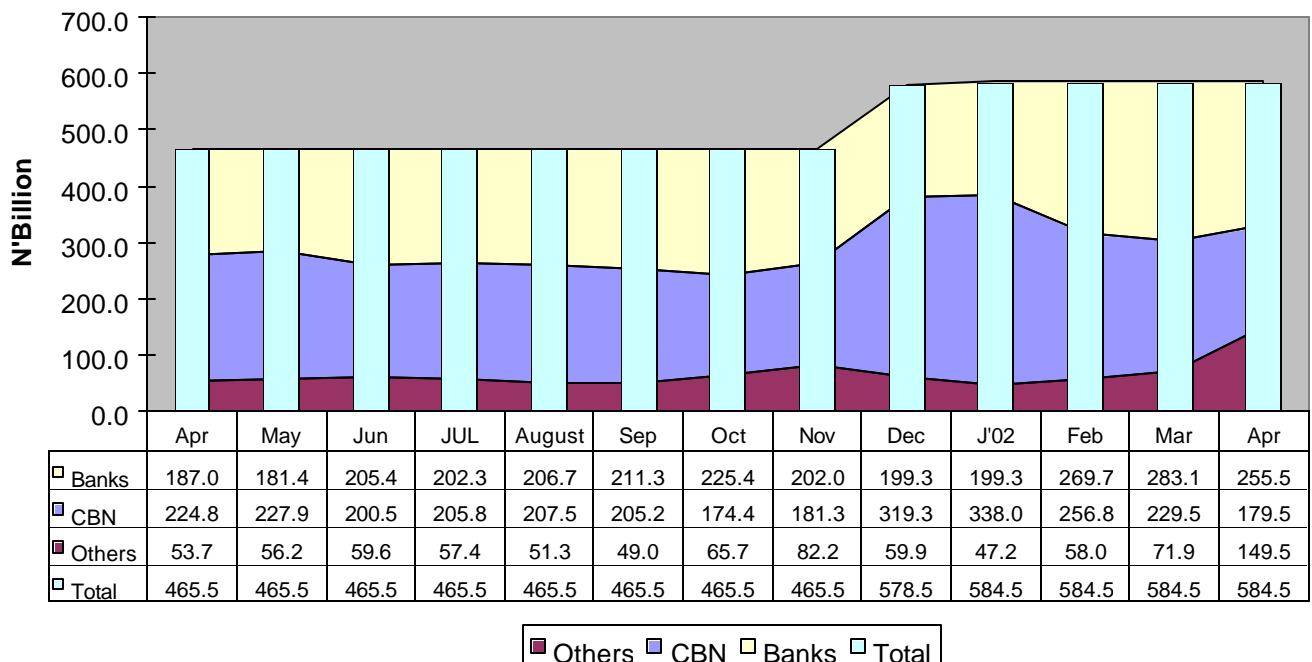
Aggregate credit to the domestic economy amounted to ₦1,149.8 billion, representing increases of ₦41.1 billion or 3.7 per cent and ₦318.4 billion or 38.3 per cent over the levels in the preceding month and corresponding month of 2001. Further analysis showed that credit to the government rose by ₦35.9 billion or 15.2

per cent, while credit to the private sector increased by ₦6.2 billion or 0.7 per cent. Similarly, credit to state and local governments increased by ₦3.9 billion or 24.0 per cent, during the period under review.

Central Bank's credit to the banks amounted to ₦4.1 billion, representing declines of ₦8.5 billion and ₦10.5 billion from the levels in the preceding month and corresponding period of 2001, reflecting largely the fall in overdraft facilities granted to the banks during the period.

Total specified liquid assets of deposit money banks amounted to ₦553.0 billion or 46.7 per cent of their total deposit liabilities. The liquidity ratio was 5.4 percentage points below the preceding month's level but 6.7 percentage points above the statutory minimum ratio of 40.0 per cent for fiscal 2002.

Figure 4: Treasury Bills' Holdings (N'Billion)



2.7 Discount Houses

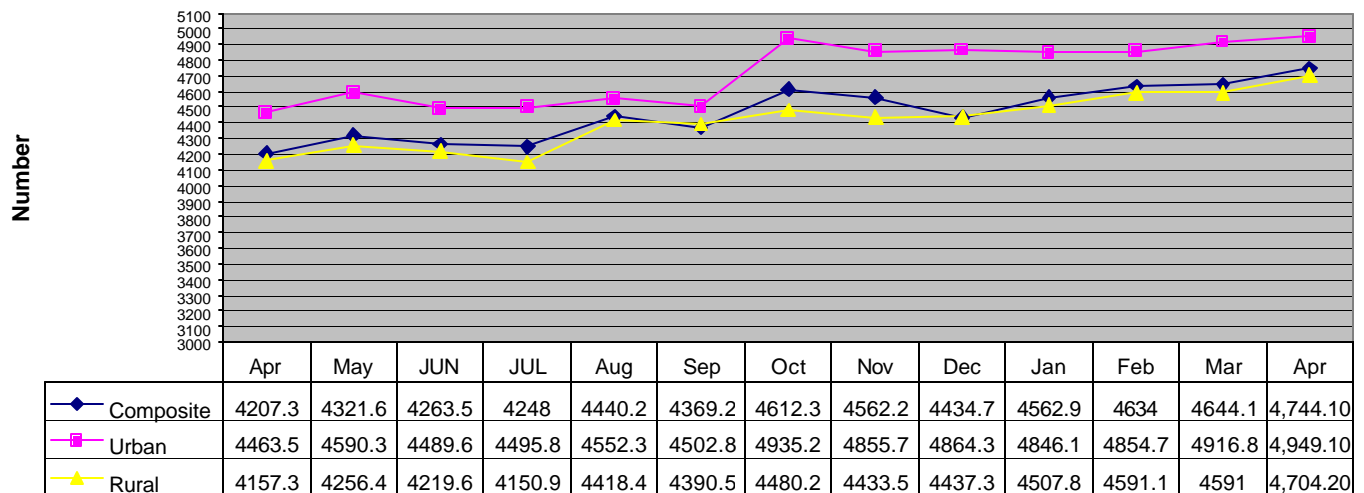
Total assets/liabilities of the discount houses amounted to ₦38.3 billion, indicating a decline of ₦14.3 billion or 27.3 per cent from the level in the preceding month and an increase of ₦22.9 billion or 149.7 per cent over the level in the corresponding period of 2001. Investments in Federal Government securities of less than 91 days maturity stood at ₦20.0 billion, constituting 79.7 per cent of discount houses' total deposit liabilities. This was 16.3 and 19.7 percentage points above the level achieved in the preceding month and the prescribed minimum of 60.0 per cent for

transplanting oil-palm seedlings from nurseries, the planting of staples and harvesting of fruits. Crude oil output increased by 0.5 per cent over the preceding month's level, while the inflation rate declined further from 18.8 per cent in March 2002 to 17.9 per cent in April.

3.1 Agricultural Sector

In April 2002, agricultural activities included land preparation for trans-planting oil-palm seedlings from nurseries; the planting of upland rice, maize and vegetables; the application of fertilizers and

Figure 5 : Monthly Consumer Price Indices in Nigeria (1985 = 100)



Source: Federal Office of Statistics (FOS),

Composite Urban Rural

fiscal 2002, respectively. Borrowings by discount houses totalled ₦11.0 billion, while capital and reserves amounted to ₦4.9 billion, as in the preceding month, resulting in a gearing ratio of 2:1, compared with the stipulated target of 50:1 for fiscal 2002.

3.0 DOMESTIC ECONOMIC CONDITIONS

The main agricultural activities during the month were land preparation for

the harvesting of fruits. In the livestock sub-sector, farmers sold off some broilers and over-grown layers during the Easter festivities.

The sum of ₦3.710 million was guaranteed to 75 farmers under the Agricultural Credit Guarantee Scheme (ACGS). This amount represented a decline of 22.7 and 37.3 per cent from the levels in the preceding month and corresponding month of 2001. A sub-sectoral analysis of

the loans guaranteed showed that the food-crop sub- sector had ₦2.460 million for disbursement to 69 farmers. Of this amount, ₦2.030 million was granted to 62 root and tuber producers, while the balance of ₦0.430 million was allocated to 7 grain producers. The livestock sub-sector received the sum of ₦0.800 million of the total loans for the benefit of 3 farmers. Of this amount, ₦0.500 million went to one cattle rearer, while the balance of ₦0.300 million was disbursed to 2 poultry farmers. Similarly, the fishery sub-sector had ₦0.250 million for the benefit of one fisher-folk, while 2 “ other ” farmers received the sum of ₦0.200 million.

The prices of Nigeria’s major agricultural commodities at the London Commodity Market increased during the month under review. At 8,058.1 (1985=100), the all-commodities price index, in naira terms, increased by 0.7 and 17.0 per cent over their levels in the preceding month and corresponding month of 2001. In dollar terms, the index, at 78.3 (1985=100), also rose by 0.5 and 7.9 per cent over the levels in the preceding month and April 2001.

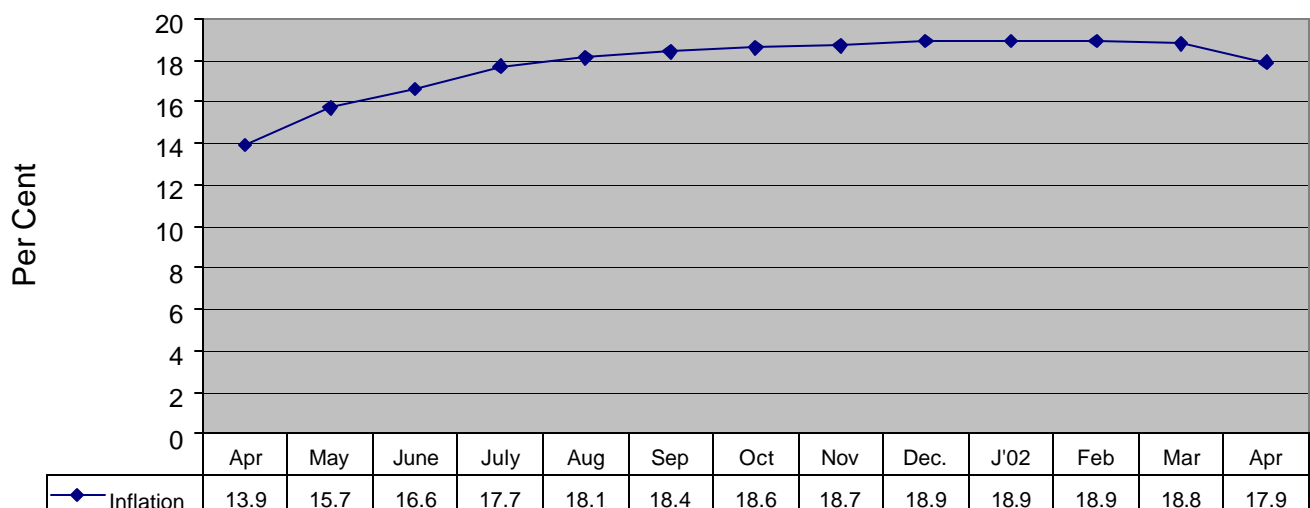
Of the six commodities monitored during the month, copra, palm-oil, coffee and soyabean recorded price increases of 11.2, 4.3, 3.7 and 0.1 per cent over their levels in the preceding month, while cotton and cocoa recorded marginal price declines of 0.9 and 0.6 per cent. When compared with their levels a year earlier, all the commodities recorded varying degrees of price increases, except cotton.

3.2 Petroleum Sector

Nigeria’s crude oil production, including condensates and natural gas liquids, was estimated at 1.88 million barrels per day (mbd) or 56.40 million barrels for the month, showing a marginal increase of 0.5 per cent over the level in the preceding month. The share of the country’s production in total OPEC output was 6.8 per cent, compared with 6.6 per cent in March. Crude oil exports were estimated at 1.43 mbd (42.90 million barrels for the month), showing an increase of 0.01 mbd over the level a month earlier.

Crude oil exports accounted for 76.1 per cent of total output, compared with 75.9 per cent in the preceding month. Deliveries

Figure 6: Inflation Rate in Nigeria (Per Cent, Monthly)



Source: Federal Office of Statistics (FOS), Lagos

—◆— Inflation

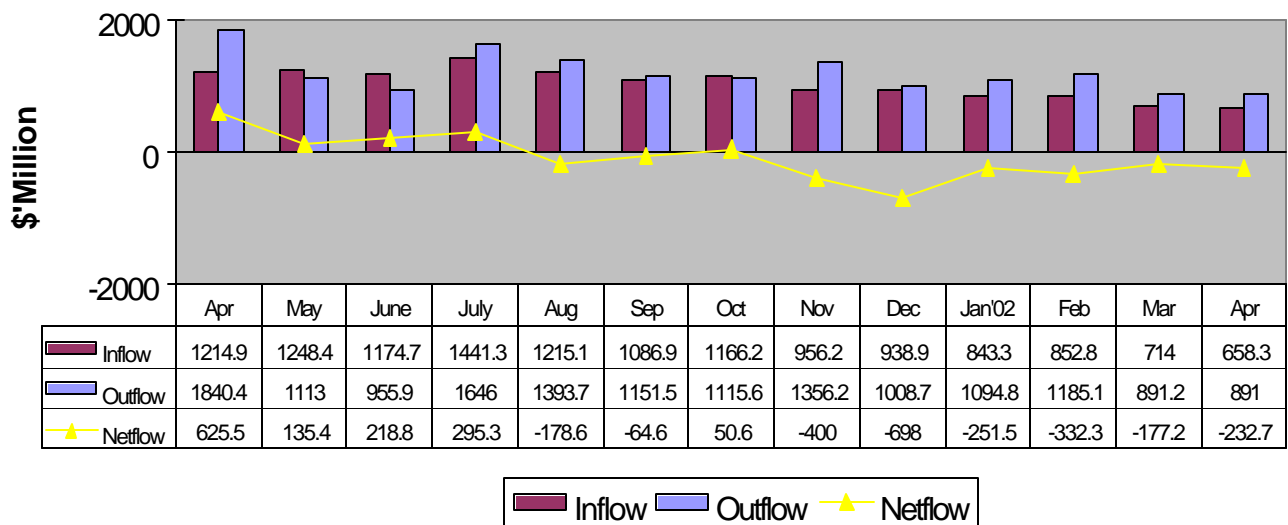
of crude oil to refineries for domestic consumption remained at 0.45 mbd or 13.50 million barrels.

Crude oil prices firmed up during the month at both the spot and the net-back markets, reflecting largely the OPEC output cut since January, 2002 and the unsettling situation in the Middle East. In the spot-market, the average price of Nigeria's reference crude, Bonny Light (37⁰ API), at \$25.78, rose by 9.5 per cent over its level in March. The prices of other competing brands of crude, such as the Forcados, U.K. Brent, West Texas Intermediate (WTI) and Arab Light were \$25.49, \$25.67, \$26.22 and \$23.28 a barrel, respectively, reflecting increases of 9.1, 8.2, 8.1 and 10.3 per cent, over their levels in the preceding month. Similarly, in the European netback market, the Bonny Light, UK Brent, Arab Light and WTI were sold at \$28.12, \$27.81, \$25.93 and \$28.77, a barrel, indicating increases of 11.3, 4.0, 3.7 and 6.1 per cent respectively, from the levels in March 2002.

3.3 Consumer Prices

Data from the Federal Office of Statistics (FOS) showed that the all-items composite Consumer Price Index (CPI) was 4,744.1 (1985 = 100) in April 2002. This represented increases of 2.2 and 12.8 per cent over the levels in the preceding month and the corresponding month of 2001, respectively. The development during the month was traceable to the indices of food; accommodation, fuel and light; and household goods whose indices rose by 1.9, 5.7 and 1.6 per cent, respectively. This was, however, moderated by the indices of drinks, tobacco and kola; clothing and footwear; medical care and health expenses; transportation; education and cultural services; and other services which recorded price declines of 0.2, 3.8, 10.5, 0.9, 2.8 and 0.7 per cent, respectively. When compared with their levels in the corresponding month a year earlier, all the components recorded price increases, except clothing and footwear; household goods; and medical

Figure 7: Foreign Exchange Flows Through the CBN (\$'Million)



care and health expenses; and transportation

whose indices declined by 5.0, 4.7, 9.3 and 3.2, per cent, respectively. The urban all-items CPI was 4,949.1 (1985=100) in April 2002, showing increases of 0.7 and 10.9 per cent over the levels in the preceding month and the corresponding month of 2001, respectively. Similarly, the rural all-items CPI, at 4,704.2 (1985=100), exhibited the same trend when compared with the levels in the preceding month and the corresponding month of 2001, though at a slightly lower rate.

The inflation rate for the twelve-month period ended April 2002 was 17.9 per cent, compared with 18.8 and 13.9 per cent in the preceding month and corresponding month of 2001, respectively. In spite of the deceleration in the price level, the rate at end-April 2002 remained high and was attributable to both demand-pull and cost-push factors.

4.0 EXTERNAL SECTOR DEVELOPMENTS

4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) in April, 2002 amounted to US\$658.3 million and US\$891.0 million, respectively, representing a net outflow of \$232.7 million. Compared with their levels of US\$714.0 million and US\$891.2 million in the preceding month, inflow declined by 7.8 per cent, while outflow remained virtually unchanged. The drop in inflow was accounted for largely by the 8.3 per cent decline in oil export earnings. At \$3,068.4 million and \$4,062.1 million, cumulative inflow and outflow through the CBN from January to April, 2002 were 52.7 and 26.1 per cent lower than their respective levels in the corresponding period of 2001.

Available data on foreign exchange flows through the economy showed that total inflow was \$1,036.4 million, down by 7.1 per cent from \$1,115.5 million in March, 2002. Of the total inflow, oil receipts amounted to \$605.4 million or 58.4 per cent, while non-oil public sector receipts as well as inflow from autonomous sources amounted to \$431.0 million or 41.6 per cent.

At \$944.9 million, foreign exchange outflow from the economy represented a decline of 2.2 per cent from the level in March 2002, following the fall in disbursements in respect of “other official payments”. Similarly, outflow in respect of autonomous sources declined from \$75.2 million to \$53.9 million. However, funding of the IFEM and drawing on Letters of Credit (L/Cs) rose by 5.8 and 24.3 per cent to \$695.1 million and \$43.0 million, respectively. The cumulative inflow and outflow through the economy during the first four months of 2002 amounted to \$4,499.7 million and \$4,316.3 million, compared with \$7,437.7 million and \$5,827.8 million, respectively, in the corresponding period of 2001.

4.2 Sectoral Utilisation of Foreign Exchange

The industrial sector accounted for the bulk (42.0 per cent) of total foreign exchange disbursed in April, 2002, followed by general merchandise with 20.8 per cent. Other beneficiary sectors, in a descending order of importance, included: invisibles, food, transportation and agricultural products (fig.8).

4.3 Foreign Exchange Market Developments

There was renewed demand pressure in the Inter-bank Foreign Exchange Market

(IFEM) in April 2002, as a total of \$695.1 million was sold to authorized dealers, compared with \$656.7 million in March. Purchases from the market by the CBN, however, rose from \$1.0 million in the preceding month to \$16.6 million in April.

The naira depreciated marginally in the IFEM from an average of ₦116.03 per dollar in March 2002 to ₦116.13 per dollar in April. However, the rates in the parallel market and the bureaux de change appreciated from ₦138.95 and ₦139.32 per dollar to ₦136.52 and ₦136.98 per dollar, respectively, during the same period. Consequently, the premium between the IFEM and the parallel market rates narrowed from 19.75 percentage points in the preceding month to 17.56 per centage points in April, 2002.

4.4 External Reserves

Nigeria's gross external reserves at end-April, 2002 amounted to \$9,426.00 million, representing a decline of 1.3 per cent from the level in the preceding month. At current foreign exchange commitments, the reserves could finance 9.3 months of imports, compared with 9.0 months in the preceding month.

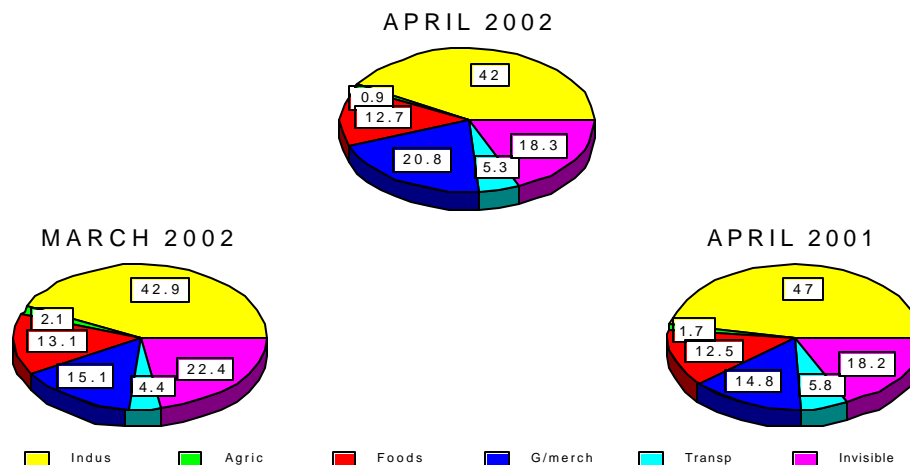
5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

Available data indicated that world crude oil output declined by 1.0 per cent from 75.63 million barrels per day (mbd) in March 2002 to 74.89 million barrels per day (mbd) in April, while demand rose marginally by 0.03 mbd to 76.45 from the previous month's level of 76.42 mbd. Total world oil demand thus exceeded supply by 2.1 per cent, compared with an excess demand of 1.1 per cent in the preceding month.

The seventh meeting of the convergence Council of Ministers and Central Bank Governors of the West African Monetary Zone (WAMZ) was held in Freetown, Sierra Leone on 11th April, 2002, at which policy, operational and administrative issues were considered.

Also, the twelfth Extra-ordinary meeting of the Committee of Governors of Central Banks of ECOWAS member states was held on 12th April, 2002 in Freetown, Sierra Leone. The Committee considered and approved: the West African Monetary Agency (WAMA) work programme for 2002 and the sum of WAUA 951,704.00 for WAMA's operations, as well as deliberated on the staff requirements of the Agency.

Figure 8: Sectoral Utilization of Foreign Exchange (percentage of total)



In another development, the 2002 spring meetings of the International Monetary Fund (IMF) and the World Bank were held in Washington, D.C., United States of America from 19th to 21st April 2002. The issues discussed included:

- Support for low income countries;
- Quotas and general SDR allocation;
- Conditionality; and
- Combating money laundering and the financing of terrorism.

Furthermore, the Federal Republic of Nigeria and the Peoples Republic of China signed a bilateral economic relations agreement in Abuja, on 15th April, 2002. The key issues in the Agreement included the promotion of economic and technical cooperation among the two countries.

Finally, the Commonwealth Business Council (CBC), in collaboration with the Federal Government of Nigeria, organized the first Commonwealth – Africa Investment Forum in Abuja from 22nd – 24th April, 2002. The main objective of the Forum was to support the goals of the New Partnership for Africa's Development (NEPAD), and to enhance social and economic development of the continent.