CENTRAL BANK OF NIGERIA

MONTHLY REPORT

SEPTEMBER 2004

RESEARCH DEPARTMENT

ECONOMIC REPORT FOR THE MONTH OF SEPTEMBER 2004

1.0 SUMMARY

Avalaible data indicated that both broad money stock (M_2) and narrow money supply (M_1) increased by 0.6 and 1.6 per cent, respectively, in September, 2004 over the levels in the preceding month. The development was attributable largely to the rise in aggregate bank credit to the domestic economy by 6.9 per cent during the review month. In the first nine months of the year, M_1 and M_2 rose by 3.0 and 9.3 per cent, respectively.

Banks' deposit and lending rates rose during the month. The spread between the average savings deposit and maximum lending rates widened to 16.8 percentage points from 15.8 percentage points in the preceding month, while the margin between banks' weighted average deposit and maximum lending rates also widened to 11.5 percentage points from the preceding month's level of 10.7 per cent. The weighted average inter-bank call rate fell from 12.9 per cent in August, to 12.6 per cent in September 2004, reflecting the liquidity ease in the inter-bank funds market.

The value of money market assets outstanding rose by 0.2 per cent to ₦960.6 in September, 2004, compared with the increase of 0.6 per cent in the preceding month. Treasury bills worth ₦305.1billion were issued during the month to replace matured bills of equivalent value, compared with ₦260.0 billion issued in August, 2004. Transactions on the Nigerian Stock Exchange (NSE) in the month of September, 2004 were bearish.

The predominant agricultural activities in September, 2004 included the harvesting of various root and tuber crops, planting of late crops in most areas and poultry production. In the industrial sector, activity was slack as the index of industrial production fell by 4.0 per cent below its level in the preceding quarter. The prices of Nigeria's major agricultural commodities at the London Commodity Market, on the average, fell during the month. The all-commodities price index, at 88.7 (1985=100), in dollar terms, declined by 0.8 and 8.1 per cent over its levels in the preceding month and the corresponding month of 2003, respectively. The inflation rate for the twelve-month period ended September, 2004 was estimated at 18.9 per cent, compared with 19.1 per cent in the preceding month.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.40 million barrels per day (mbd) or 72.00 million barrels for the month, compared with 2.25 mbd produced in August, 2004. Crude oil export was estimated at 1.95 mbd for the month, compared with 1.80 mbd in August 2004. Deliveries of crude oil to refineries for domestic consumption remained at the preceding month's level of 0.45 mbd or 13.5 million barrels in September, 2004. The bulk of this was, however, exported as the local refineries could not process all crude allocated. In the spot market, the average price of Nigeria's reference crude, the Bonny Light (37^{o} API), was US$43.71 a barrel during the month, indicating an increase of US$0.18 a barrel or 0.4 per cent over the level in the preceding month.

Available data on foreign exchange flows through the Central Bank of Nigeria (CBN) showed an inflow of US$1,846.42 million and an outflow of US$1,291.52

million, resulting in a net inflow of US$554.90 million during the month. Foreign exchange sales to authorized dealers by CBN amounted to US$807.87 million, compared with US$754.12 million in September, 2004. The weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated marginally by 0.08 from N132.89 per dollar in August to N132.78 per dollar in September, 2004. In the bureaux de change segment of the market, the rate depreciated from ₦140.33 per dollar in August 2004 to ₦141.08 per dollar in September 2004. Nigeria's gross external reserves increased by 6.4 per cent to US$13,277.8 million at end-September, 2004.

On the international scene, world crude oil output estimated at 82.45 million barrels per day (mbd) was higher than the estimated demand by 1.15 mbd. Other major international economic developments of relevance to the domestic economy during the month included: the annual meetings of the International Monetary Fund/World Bank Group and the G-24 countries, held in Washington, DC, USA, from September 27 to October 3, 2004.In a related development, the 6th Session of the Nigerian-South Africa Bi-National Commission (BNC) was held in Durban, South Africa from 6th to 10th September, 2004, to deliberate on political, economic and social issues of mutual benefit to the two countries.

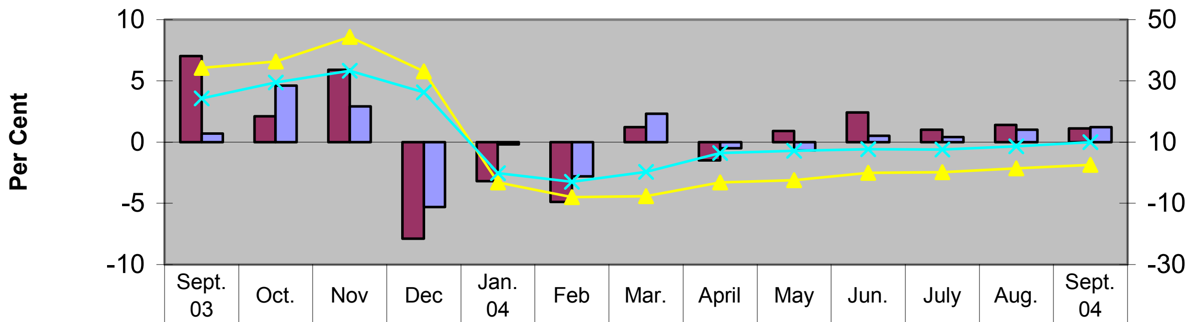
2.0 FINANCIAL SECTOR DEVELOPMENTS

Money supply increased in September 2004, as banks' deposit and lending rates generally increased during the month. Also, the value of money market assets rose following the increases in the value of commercial papers and Bankers Acceptances. Transactions on the Nigerian Stock Exchange (NSE) were, however, bearish as the major indicators trended downward during the month.

2.1 Monetary and Credit Developments

Available data indicated an increase in monetary aggregates in September 2004. Broad money supply (M_2) and narrow money supply (M_1) increased by ₦13.2 billion or 0.6 per cent and ₦19.9 billion or 1.6 per cent, to ₦2,169.2 billion and ₦1,262.9 billion, respectively, in the review month. The development was attributable entirely to the rise in aggregate bank credit to the domestic economy by 6.9 per cent during the review month. In the first nine months of the year, M_1 rose by 3.0 per cent, as against the target growth of 13.4 per cent. Similarly, M_2 rose by 9.3 per cent, representing an annualized growth rate of 12.4 per cent, which is within the programmed target of 16.0 per cent, for 2004 (Fig. 1 and table 1).

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



	Sept. 03	Oct.	Nov	Dec	Jan. 04	Feb	Mar.	April	May	Jun.	July	Aug.	Sept. 04
MM1	7.03	2.1	5.9	-7.9	-3.2	-4.9	1.2	-1.5	0.9	2.4	1	1.4	1.1
MM2	0.7	4.6	2.9	-5.3	-0.2	-2.8	2.3	-0.5	-0.7	0.5	0.4	1	1.2
CM1	34.2	36.3	44.4	33.1	-3.2	-8	-7.7	-3.2	-2.45	-0.1	0.1	1.4	2.5
CM2	24.2	29.5	33.3	26.2	-0.2	-3	0.2	6.4	7.14	7.7	7.5	8.6	9.9

Aggregate banking system's credit to the domestic economy increased by ₦117.4 billion or 6.9 per cent to ₦1,827.4 billion, as against the decline of 0.4 per cent in the preceding month. The development during the month reflected largely the increase in net claims on the Federal Government. In the first nine months of the year, aggregate bank credit (net) to the domestic economy rose by 3.6 per cent, as against the target growth of 22.4 per cent for 2004, reflecting the fall in net claims on the Federal Government during the period.

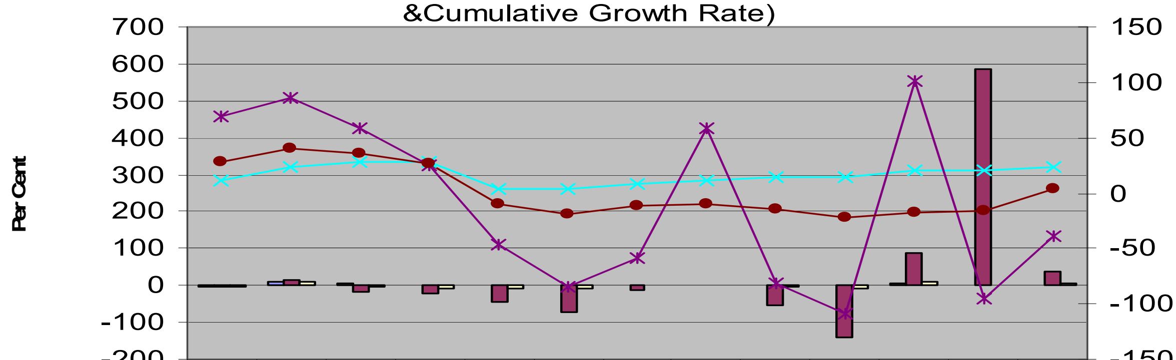
Banking system's credit (net) to the Federal Government increased by ₦93.4 billion or 38.3 per cent, as against a decline of 3.8 per cent in the preceding month. The development reflected largely the significant draw –down in Federal Government deposit with the apex bank during the review month. Over the level at end-December 2003, claims on the Federal Government fell by ₦214.5 billion or 38.8 per cent, as against the growth target of 23.3 per cent for fiscal 2004.

Banking System's credit to the private sector rose by ₦23.9 billion or 1.6 per cent to ₦1,489.3 billion, compared with the increase of ₦2.5 billion or 0.2 per cent in the preceding month. The increase reflected the rise in claims by deposit money banks (DMBs) during the month. Cumulatively, aggregate credit to the private sector rose by 22.9 per cent, between January and September 2004, representing an annualized growth rate of 30.5 per cent, in contrast to the programmed target of 22.0 per cent for the year (fig. 2).

At ₦2,119.6 billion, foreign assets (net) of the banking system declined by ₦61.8 billion or 2.8 per cent, in contrast to the increase of ₦95.5 billion or 4.6 per cent in August, 2004. The decline was attributable largely to the 3.3 per cent fall in the CBN's holding.

Similarly, quasi-money fell by ₦6.7 billion or 0.7 per cent to ₦906.3 billion, in contrast to the increases of ₦4.5 billion or 0.5 per cent and ₦1.2 billion or 0.2 per cent in the preceding month and corresponding period of 2003, respectively.

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



	Sep. 03	Oct	Nov	Dec	Jan-04	Feb	Mar	Apr	May	Jun.	Jul.	Aug.	Sept. 04
MCP	-4.9	10.7	4.9	-0.8	3.2	1.1	3.1	2.1	2.9	-0.1	5	-0.1	1.6
MCG	-4.2	13.3	-16	-20.4	-46	-71.2	-14.2	1.3	-53.2	-143	86.7	586.2	38.3
MAC	-4.6	11	-2.6	-6.8	-9.7	-10.2	0.4	2	-4.8	-9.6	8	2.3	6.9
CCP	11.4	23.4	28.6	27.6	3.2	4.4	8.8	11.1	14.3	14.2	20.7	20.6	22.9
CCG	68.9	86.4	58.5	24.5	-46	-84.4	-59.3	58.8	-80.7	-108	101	-94.7	-38.8
CAC	27.6	41.1	36.1	26.8	-9.7	-18.9	-11.5	-9.7	-14	-22.3	-17.4	-15.5	3.6

Month

MCP MCG MAC CCP CCG CAC

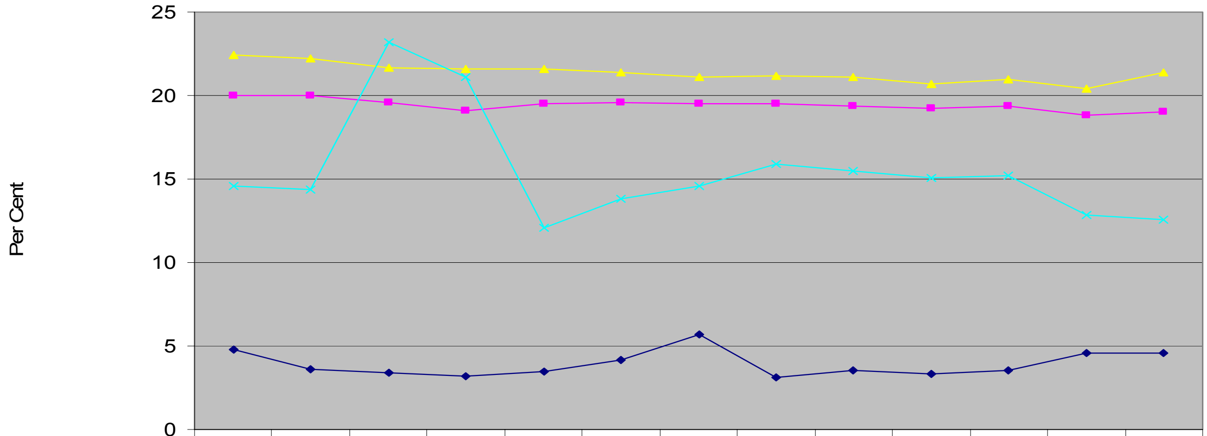
Other Assets (net) of the banking system fell by ₦42.4 billion or 2.4 per cent, compared with the decline of ₦67.2 billion or 4.0 per cent in the preceding month and an increase of ₦56.2 billion or 4.7 per cent in the corresponding period of 2003.

2.2 Currency-in-circulation and Deposits at the CBN

At ₦458.0 billion, currency in circulation in September, 2004 declined by ₦1.7 billion or 0.4 per cent, in contrast to the level recorded in the preceding month, but fell by ₦44.3 billion or 8.8 per cent, as against the level at end-December 2003. The rise during the month was traceable to vault cash of the banking system, which rose by ₦7.1 billion or 8.9 per cent during the month. Currency outside the banking system, however, rose by ₦5.3 billion or 1.4 per cent during the period.

Total deposits with the CBN amounted to ₦916.7 billion, indicating a decline of ₦74.6 billion or 7.5 per cent below the level in the preceding month but an increase of ₦195.9 billion or 27.2 per cent over the level at end-December 2003. The development during the month was attributable to the declines of ₦6.1 billion or 9.3 per cent, ₦8.7 billion or 6.4 per cent and ₦5 billion or 2.6 per cent in Federal Government deposits, private sector deposits and deposits of deposit money banks, respectively. The shares of the three components in total deposits at the CBN, namely, Federal Government, bankers and 'others' were 65.1, 21.0 and 13.9 per cent, respectively, compared with 66.4, 19.9 and 13.7 per cent, in August, 2004.

Figure 3: Selected Bank Interest Rates (Per Cent, Monthly Average)



	Sept. 03	Oct	Nov	Dec	Jan. 04	Feb	Mar	Apr	May	Jun.	Jul.	Aug.04	Sept .04
Savings	4.8	3.6	3.4	3.2	3.5	4.2	5.7	3.1	3.52	3.32	3.52	4.6	4.6
Prime	20	20	19.6	19.1	19.5	19.6	19.5	19.5	19.4	19.21	19.35	18.81	19
Maximum	22.4	22.2	21.7	21.6	21.6	21.4	21.1	21.2	21.1	20.68	21	20.44	21.4
Inter-bank	14.6	14.4	23.2	21.1	12.1	13.8	14.6	15.9	15.48	15.04	15.21	12.85	12.6

Month

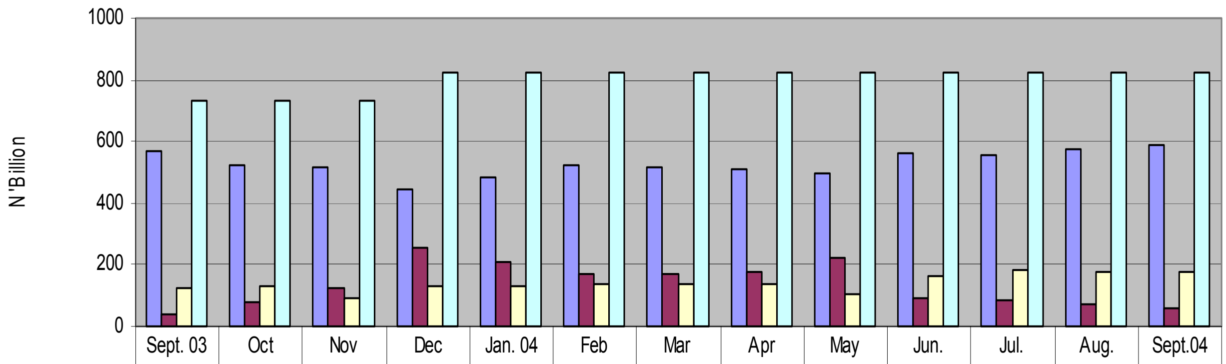
Savings — Prime — Maximum — Inter-bank

2.3 Interest Rate Developments

Provisional data indicated a general increase in banks' deposit and lending rates in September, 2004. With the exception of the average savings deposit rate which declined by 0.03 percentage points to 4.6 per cent, all other rates on deposits of various maturities, rose from a range of 7.3 - 12.9 per cent in August to 8.0 - 13.3 per cent in September, 2004. Also, the weighted average prime and maximum lending rates increased by 0.2 and 0.9 percentage points each to 19.0 and 21.4 per cent, respectively. The spread between the weighted average deposit and maximum lending rates widened to 11.5 percentage points from 10.7 percentage points in the preceding month. Similarly, the margin between the average savings deposit and maximum lending rates which stood at 15.8 percentage points in August, 2004 rose to 16.8 percentage points in the review month.

The weighted average inter-bank call rate fell from 12.9 per cent in August, to 12.6 per cent in September 2004, reflecting the liquidity ease in the inter-bank funds market. (fig. 3).

Figure 4:Treasury Bills Holdings (N' Billion)



	Sept. 03	Oct	Nov	Dec	Jan. 04	Feb	Mar	Apr	May	Jun.	Jul.	Aug.	Sept.04
Banks/D.H	567.6	521.6	517.8	441.3	481.8	522.8	514.8	511.5	498.5	565.2	556.5	578.3	588.4
CBN	41.2	79.2	121.5	255.7	210.7	166.8	171.4	175.4	223.9	93.8	83.8	72	60.2
Others	125	133	94.5	128.1	132.6	135.5	138.9	138.2	102.7	166.1	184.8	174.8	176.5
Total	733.8	733.8	733.8	825.1	825.1	825.1	825.1	825.1	825.1	825.1	825.1	825.1	825.1

Month

Banks/D.H CBN Others Total

2.4 Money Market Developments

Available data indicated that the level of money market instruments outstanding at end-September 2004 rose by ₦2.1 billion or 0.2 per cent to ₦960.6 billion, compared with the increase of N5.8 billion or 0.6 per cent in the preceding month. The rise was attributable to the 3.7 and 0.5 per cent increases in Bankers Acceptances (BAs) and Commercial Papers (CPs), respectively during the review month. Treasury Bills outstanding, however, remained unchanged at the preceding month's level of ₦825.1 billion.

Treasury bills worth ₦305.1 billion were issued during the month to replace matured bills of equivalent value in September 2004, compared with ₦260.0 billion issued in the preceding month. Of the total amount issued, deposit money banks (DMBs) and discount houses jointly accounted for ₦133.1 billion or 43.6 per cent of the total, while investment by the non-bank public amounted to ₦164.8 billion or 54.0 per cent of the total. Consequently, the CBN's holding (including rediscounts) at ₦7.20 billion constituted 2.4 per cent of the total issue during the review month.

Holdings of treasury bills outstanding by the DMBs' and discount houses increased by 1.8 per cent to ₦588.4 billion, while that of the non-bank public increased by 0.9 per cent to ₦176.5 billion. Consequently, CBN's holding declined by 16.4 per cent to ₦60.2 billion during the review month and constituted 7.3 per cent of the total.

2.5 Capital Market Developments

Provisional data indicated that activities on the Nigerian Stock Exchange (NSE) in September, 2004 remained bearish. The volume and value of securities traded fell by 17.2 and 49.4 per cent to 1.0 billion shares and ₦10.5 billion respectively in the month under review. Transactions in the industrial loans/preference stocks remained dormant during the period, while the banking sub-sector, as in the previous month, remained the most active on the Exchange.

The market capitalisation remained unchanged at the preceding month's level of ₦1.7 trillion, while the value index fell marginally by 0.1 per cent to close at 24,046.47 (1984=100), from 24,027.50 recorded in the preceding month. The development was attributable largely to the proposed withdrawal of public sector fund from the banking system aimed at curbing the rate of inflation in the economy. The intended action compelled banks to recall loans earlier granted to the investing public. This created a glut in the stock market as many investors in-turn off-loaded their investment in stocks in order to raise money to pay back the borrowed funds. The development precipitated the fall in stock prices.

2.6 Deposit Money Banks' Activities

Total assets/liabilities of deposit money banks (DMBs) amounted to ₦3,556.0 billion in September, 2004, representing increases of ₦62.7 billion or 1.8 per cent and ₦508.1 billion or 16.7 per cent over the preceding month's level and the level at end-December 2003 respectively. The development was attributable to the increase in claims on the Central Government as well as unclassified assets. Funds were sourced mainly from increases in unclassified liabilities (₦26.6 billion) and demand deposits (₦23.3 billion) ,while funds were used mainly to settle claims on both the Central Government (₦30.2 billion) and the private sector (₦23.4 billion).

Aggregate credit to the domestic economy amounted to ₦2,035.4 billion, representing an increase of ₦56.2 billion or 2.8 per cent over the level in the preceding month. It also represented an increase of ₦444.2 billion or 27.9 per cent over the level at end-December 2003. The development during the month was due to the increase in both the credit to the central government and the private sector.

Central Bank's credit to the DMBs rose by 2.2 per cent to ₦64.6 billion in September 2004. The increase was attributable to the banks' overdrawn position with the CBN.

Total specified liquid assets of the DMBs stood at ₦938.8 billion, representing 51.1 per cent of the total deposit liabilities. The level was 1.4 per cent above the preceding month's level, and 11.1 percentage points above the minimum target of 40.0 per cent for the year.

2.7 Discount Houses

Total assets/liabilities of the discount houses amounted to ₦66.2 billion in September 2004, indicating decline of ₦7.1 billion or 9.7 per cent from the level in the preceding month but an increase of ₦10.8 billion or 19.4 per cent over the level in the corresponding period of 2003. Their investments in the Federal Government securities of less than 91 days maturity amounted to ₦36.3 billion, representing 75.4

per cent of their total deposit liabilities. This was 3.9 percentage points below the level in the preceding month but 15.4 percentage points over the prescribed minimum of 60.0 per cent for fiscal 2004.

Total borrowings by discount houses stood at ₦22.5 billion, while their capital and reserves amounted to ₦9.4 billion, resulting in a gearing ratio of 2.4:1, compared with the stipulated maximum target of 50:1 for the year.

3.0 DOMESTIC ECONOMIC CONDITIONS

The predominant agricultural activities in September, 2004 included the harvesting of various root and tuber crops, planting of late crops as well as intensified production of poultry products. In the industrial sector, activity nose-dived as the index of industrial production declined by 4.0 per cent below the level in the preceding quarter. Crude oil output increased by 6.7 per cent over the preceding month's level, while inflationary pressure at an estimated rate of 18.9 per cent indicated a decline of 0.2 percentage points below the preceding month's level.

3.1 Agricultural Sector

Agricultural activities in September, 2004 centered on harvesting of root crops such as yam, sweet and Irish potatoes and groundnuts as well as planting of late crops in the Southern States, while in the Northern States, farmers were engaged in the preparation of land and nurseries for legumes and vegetables. In the livestock sub-sector, farmers intensified the production of poultry products to take advantage of the continued ban on the importation of frozen chicken and the fast approaching festive seasons.

The prices of Nigeria's major agricultural commodities at the London Commodity Market fell during the month. The all-commodities price index, at 88.7 (1985=100), in dollar terms, declined by 0.8 and 8.1 per cent below the levels in the preceding month and the corresponding month of 2003, respectively. In naira terms, the all-commodities price index similarly showed a decline of 0.2 and 3.3 per cent below the levels in the preceding month and corresponding period of 2003, respectively.

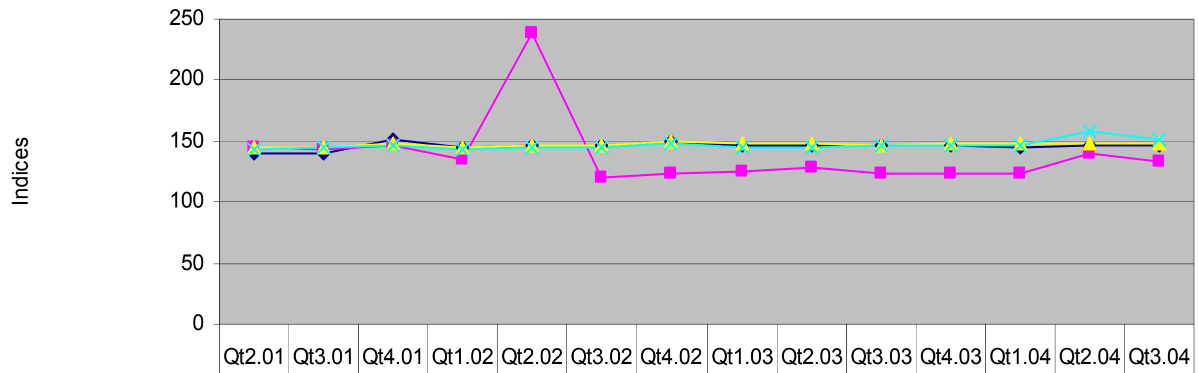
Of the six commodities monitored during the month, three recorded price increases ranging from 1.1 per cent for soya bean to 9.5 per cent for cotton over their levels in the preceding month. The remaining three commodities recorded price declines ranging from 1.6 per cent for cocoa to 3.6 per cent for coffee, during the same period. When compared with their levels in the corresponding month of 2003, copra, palm oil and soya bean recorded price increases of 25.5, 5.6 and 7.5 per cent, respectively, while cocoa, coffee and cotton recorded price declines of 10.7, 15.6 and 8.9 per cent, respectively.

In naira terms, cotton, palm oil and soya bean recorded price increases of 9.9, 2.6 and 1.5 per cent, respectively, above their levels in the preceding month. Three commodities, cocoa, coffee and copra recorded price declines of 1.2, 3.2 and 1.4 per cent, respectively. Compared with their levels in the corresponding month of 2003, four commodities recorded price increases ranging from 10.1 per cent for palm oil to 32.4 per cent for cotton, while cocoa and coffee recorded price declines of 7.4 and 12.4 per cent, respectively.

3.2 Industrial Production

Activities in the Industrial Sector during the third quarter of 2004 declined compared with the preceding quarter but improved when compared with the corresponding quarter of 2003. At 150.9 (1985=100), estimated index of industrial production declined below the level in the preceding quarter by 4.0 per cent but rose by 2.8 percent over the level in the corresponding quarter of 2003. The development during the third quarter reflected largely the 4.0 and 0.1 per cent declines in the indices of mining and electricity consumption.

Figure 5: Index of Industrial Production (1985=100)



	Qt2.01	Qt3.01	Qt4.01	Qt1.02	Qt2.02	Qt3.02	Qt4.02	Qt1.03	Qt2.03	Qt3.03	Qt4.03	Qt1.04	Qt2.04	Qt3.04
Manuf.	139.9	139.5	151.8	144.8	145.6	146.5	149.2	145.9	145.8	146	146.3	145.5	145.8	145.8
Mining	145.5	143.9	146.1	135	237.7	120.1	123.2	125.5	128.6	123.7	124	124.1	139.5	133.9
Electricity	144.2	145.4	147.4	144.4	145.8	147.1	149.5	147.5	147.4	147.2	148.8	148.2	147.9	147.8
All Sectors	143.7	145.3	146.7	143.8	144	144.6	148.6	144.5	144.9	146.8	147	146.4	157.2	150.9

The estimated index of manufacturing production at 145.8 (1985=100) remained unchanged at the preceding quarter's level but declined by 0.1 per cent below the corresponding quarter of 2003. The development during the review quarter was accounted for by the non-significant changes in 7 subgroups namely synthetic fabric, footwear, paints, refined petroleum, roofing sheet, soap and detergent and radio/TV.

The index of mining production at 133.9 (1985=100) declined by 4.0 per cent below the level in the preceding quarter but rose by 43.7 per cent over the corresponding quarter of 2003. The decline in the review quarter was attributable to the Petroleum sub sector which declined by 4.0 per cent. Cassiterite, Columbite, Coal and Limestone, however, remained unchanged at the preceding quarter's levels.

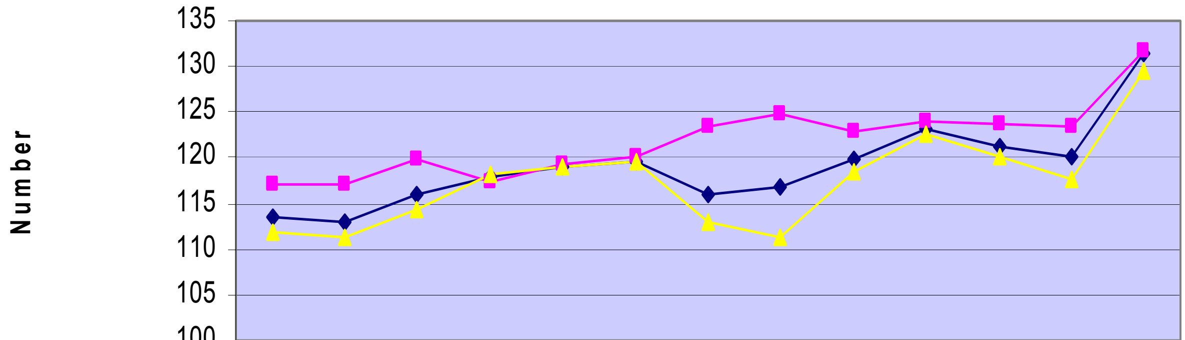
At 2,355,586.0 Kwh, estimated aggregate electricity consumption declined by 0.1 per cent from the level attained in the preceding quarter but increased by 5.1 per cent over the level in the corresponding quarter of 2003. Of the total, residential consumption accounted for 51.3 percent, while commercial/street light and industrial consumption accounted for 26.7 and 22.0 percent, respectively. The increase in electricity consumption relative to the corresponding quarter of 2003 was attributable to improvement in generation, transmission and distribution in the sub – sector during the year.

3.3 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.40 million barrels per day (mbd) or 72.00 million barrels for the month, compared with 2.25 mbd produced in August, 2004. Crude oil export was estimated at 1.95 mbd for the month, compared with 1.80 mbd in August 2004. Allocation of crude oil to refineries for domestic consumption remained at the preceding month's level of 0.45 mbd or 13.5 million barrels in September, 2004, but the bulk of this was, however, exported as the refineries could not process all crude allocated.

Crude oil prices rose in September, 2004. In the spot market, the average price of Nigeria's reference crude, the Bonny Light (37^{o} API), was US$43.71 a barrel, indicating an increase of US$0.18 a barrel or 0.4 per cent over the level in August, 2004. The prices of other competing brands namely, the West Texas Intermediate (WTI), the UK Brent, the Arab Light and the Forcados also rose by 0.9, 0.3, 0.4 and 0.3 per cent to US$45.58, US$43.02, US$40.27 and US$43.66 per barrel, respectively, during the month. In the netback market, with the exception of the Arab Light, the prices of all other crude blends rose over their levels in the preceding month. For instance, the UK Brent indicated an increase of 4.1 per cent over the level in the preceding month to settle at $49.14 during the month. The Bonny Light and West Texas Intermediate (WTI) were also sold for $50.72 and $48.83 a barrel, respectively, compared with their prices of $48.58 and $45.54 a barrel in the preceding month.

Figure 6: Monthly Consumer Price Indices in Nigeria (1985=100)

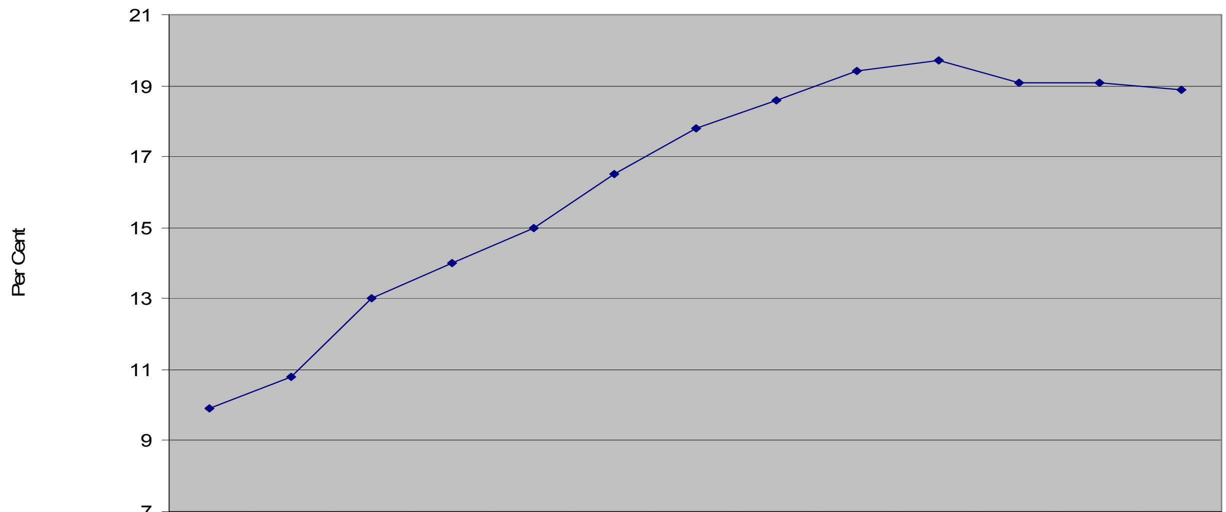


	Sep. 03	Oct	Nov	Dec	Jan.04	Feb	Mar	Apr	May	Jun	Jul.	Aug.	Sept. 04
Composite	113.4	112.9	115.9	117.9	119.1	119.7	116.1	116.8	119.8	123.2	121.2	120	131.4
Urban	117.2	117.1	119.8	117.5	119.2	120	123.4	124.8	122.8	124.1	123.7	123.3	131.6
Rural	111.8	111.4	114.3	118.1	119.1	119.6	113	111.4	118.5	122.6	120.1	117.6	129.6

Composite Urban Rural

The major factors responsible for the increase in prices were the attack on an Iraq export pipeline system, following the escalating violence in that country; continued build of crude oil inventories in United States (US); strong demand for crude in China; and the disruption of production and supply of crude along the Gulf of Mexico by Hurricane Ivan, among others.

Figure 7: Inflation Rate in Nigeria (Per Cent)



	Sep	Oct	Nov	Dec	Jan. 04	Feb	Mar	Apr	May	Jun.	Jul.	Aug.	Sep.04
Inflation	9.9	10.8	13	14	15	16.5	17.8	18.6	19.4	19.7	19.1	19.1	18.9

Source: Federal Office of Statistics (FOS), Lagos

3.3 Consumer Prices

Based on the Federal Office of Statistics (FOS) data for August 2004, the all-items composite Consumer Price Index (CPI) for September 2004 was estimated at 131.4 (May 2003 = 100), representing increases of 7.5 and 15.9 per cent over the levels in the preceding month and the corresponding month of 2003, respectively. The development was attributable to the components of clothing and footwear; housing, water, elect. gas and others; furnishing, household equipment and maintenance; health; communication; and miscellaneous goods and services whose indices rose by 1.4; 2.5; 3.1; 2.5; 2.1 and 3.5 per cent, respectively. This was, however, moderated by the components of food; food and non-alcoholic beverages; transport; recreation and culture; education; and restaurant and hotels whose indices declined by 0.9; 0.8; 0.5; 1.4; 2.5 and 0.4 per cent, respectively.

The urban all-items CPI for September 2004 was estimated at 131.6 (May 2003=100), indicating an increases of 4.0 and 12.3 per cent over the levels in the preceding month and the corresponding period of 2003, respectively. Similarly, the rural all-items CPI for September 2004 was estimated at 129.6 (May 2003=100), representing increases of 7.6 and 15.9 per cent over the levels in the preceding month and the corresponding month of 2003, respectively.

Retail price surveys of selected consumer items by the CBN in Kano showed an increase while it showed a decline in Lagos. However, the retail prices of the same selected items in Bauchi, Enugu, Ibadan and FCT, Abuja remained unchanged at the preceding month's level. Nationally, the retail price index (RPI) showed an increase of 0.6 per cent in the all-items average price of consumer items in September 2004, as against the 1.4 per cent increase in the preceding month. The development during the review month was accounted for by the components of meat, fish and eggs; oil and fat; clothing and fabrics; fuel and light; and building materials whose indices increased by 1.8, 0.7, 1.5, 0.8, 1.5 and 0.5 per cent, respectively.

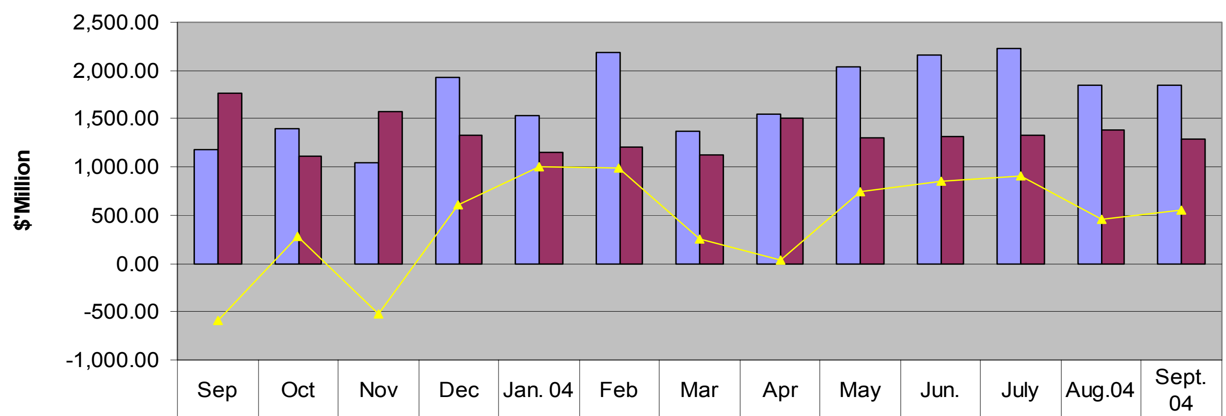
The rate of inflation for the twelve-month-period ended September 2004 was estimated at 18.9 per cent, compared with 19.1 and 10.7 per cent recorded in the preceding month and corresponding month of 2003, respectively. The downward trend in inflationary pressure could be attributable to the decline in prices of some food items due to the harvest period.

4.0 EXTERNAL SECTOR DEVELOPMENTS

4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) in September, 2004, amounted to US$1,846.42 million and US$1,291.52 million, respectively, indicating a net inflow of US$554.90 million. Compared with their levels of US$1,848.08 million and US$1,386.95 million in the preceding month, inflow and outflow fell by 0.1 and 6.9 per cent, respectively during the month. The decline in inflow was attributable to the 0.7 per cent fall in the oil sector receipts, while the decline in outflow was traceable to the 75.2 per cent fall in external debt service and 48.68 per cent decline in the National Priority Projects. At US$16,766.67 million, cumulative inflow through the CBN in the first nine months of 2004 was 53.3 per cent higher than its level in the corresponding period a year earlier. On the other hand, cumulative outflow through the Bank in the

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



	Sep	Oct	Nov	Dec	Jan. 04	Feb	Mar	Apr	May	Jun.	July	Aug.04	Sept. 04
Inflow	1,173.1	1,393.0	1,041.5	1,934.1	1,530.0	2,188.6	1,371.4	1,550.1	2,041.5	2,158.9	2,231.5	1,848.0	1,846.4
Outflow	1769.4	1111.7	1567.7	1324.4	1148.5	1206.2	1120.3	1510.9	1304	1311.3	1331.3	1,386.9	1,291.5
Netflow	-596.3	281.3	-526.2	609.71	1003.8	982.13	251.12	36.6	737.5	847.62	900.24	461.13	554.9

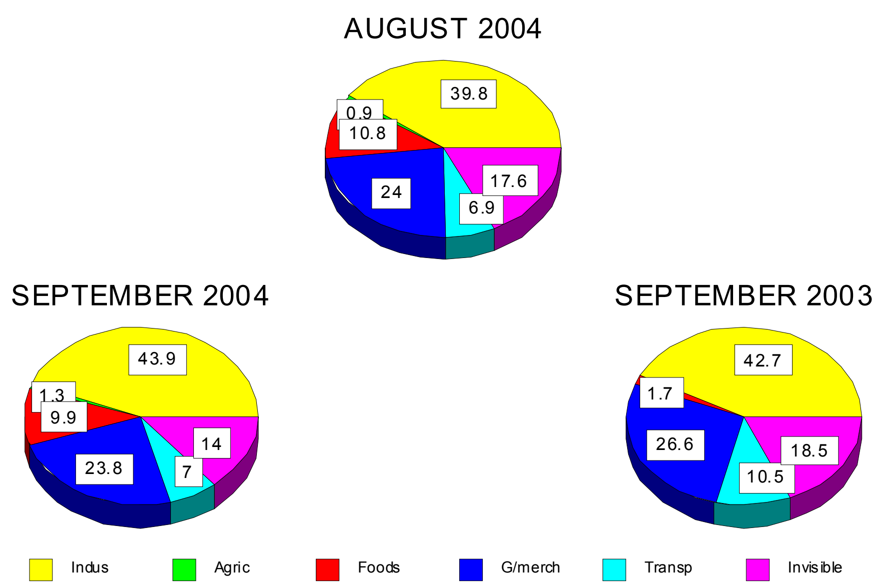
Months

Inflow Outflow Netflow

same period was US$11,610.96 million, representing a decline of 6.0 per cent from its level in the corresponding period a year earlier.

Aggregate foreign exchange flow through the economy indicated that total inflow rose by 2.6 per cent from the level in the preceding month to US$2,726.44 million in September, 2004. Receipts from oil sector, which constituted 63.7 per cent of the total fell by 0.7 per cent to US$1,735.92 million. However, receipts through autonomous sources rose by 8.8 per cent to US$880.02 million and accounted for 32.3 per cent of the total in the review month, while non-oil public sector receipts similarly rose by 11.3 per cent to US$110.50 million. At US$1,330.57 million, total foreign exchange outflow from the economy declined by 5.4 per cent in September, 2004. This reflected largely the declines in out payments through the CBN, particularly external debt service payments and National Priority Projects which fell from US$410.15 million and US$7.17 million to US$101.60 million and US$3..68 million, respectively. Outflow through funding of the Dutch Auction System, “Other Official Payments’’ and outflow through autonomous sources and drawings on L/Cs increased from US$754.12 million, US$205.60 million, US$20.06 million and US$9.91 million in August 2004 to US$807.87 million, US$365.49 million, US$39.05 million and US$12.88 million , respectively, during the month. Cumulative inflow and outflow through the economy as at end-September 2004 amounted to US$23,777.78 million and US$12,049.42 million, respectively, compared with US$16,710.67 million and US$13,357.79 million in the corresponding period of 2003.

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



4.2 Sectoral Utilisation of Foreign Exchange

The industrial sector accounted for the bulk (43.9 per cent) of total foreign exchange disbursed in September 2004, followed by general merchandise (23.8 per cent). Other beneficiary sectors, in a descending order of importance, included: invisibles (14.0 per cent), food (9.9 per cent), transport (7.0 per cent) and agricultural products (1.3 per cent) (Fig.8).

4.3 Foreign Exchange Market Developments

The demand pressure in the foreign exchange market intensified as the total foreign exchange sold to end-users by CBN through the authorized dealers rose by 7.1 per cent to US$807.87 million from US$754.12 million in the preceding month. Under the DAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar appreciated marginally by 0.08 per cent from ₦132.89 per dollar in August, 2004 to ₦132.78 per dollar in September 2004. However, in the bureaux de change segment of the market, the naira traded at an average rate of ₦141.08 to a dollar, compared with ₦140.33 to a dollar in the preceding month. Consequently, the premium between the official and bureaux de change rates widened from 5.7 per cent in August 2004 to 6.2 per cent in the period under review.

4.4 External Reserves

Provisional data showed that Nigeria's gross external reserves at end-September, 2004 amounted to US$13,277.8 million, indicating an increase of 6.4 per cent over the adjusted gross external reserves of US$12,482.4 million in the preceding month. At current level of foreign exchange commitments, the reserves could finance about 8.9 months of foreign exchange disbursement.

5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output, estimated at 82.30 million barrels per day (mbd) in September 2004 rose by 4.9 mbd or 0.5 per cent over the preceding month's level of 82.00 mbd, while the estimated demand at 81.30 mbd for the month, rose by 0.08 mbd or 0.1 per cent over its preceding month's level.

Other major international economic developments of relevance to the domestic economy during the month included: the annual meetings of the International Monetary Fund/World Bank Group and the G-24 countries, held in Washington, DC, USA, from September 27 to October 3, 2004. The meetings coincided with the approach of the 5th anniversary of the United Nations' (UNs') Millennium Declaration which aims at significant reduction in global poverty, halving illiteracy rate, improvement in health and water supply by 2015. The Nigerian delegation participated actively in and contributed to the articulation of major issues and recommendations in the meetings of the Africa Group 1 Constituency in the Bretton Woods Institutions (BWIs), the G-24 Deputies/Ministers, African Finance Ministers, the Multilateral Investment Guarantee Agency (MIGA), International Monetary and Finance Committee (IMFC) and the Development Committee of the World Bank during the Annual Meetings. Specifically, the CBN Governor held bilateral meetings with top management of Standard Chartered Bank and UBS, during which the on-going reforms in the banking industry, particularly banking consolidation was explained. The bank officials were informed about profitable opportunities available for investment in the Nigerian banking and extractive industries' sub-sectors.

In considering global economic outlook during the annual meeting, delegates observed that private sector driven growth has resulted in new jobs and higher tax revenues which could be used to finance poverty-reduction programmes. The decisions by oil-producing countries to continue to expand production was welcomed, while oil-consuming countries were called upon to take measures to promote energy sustainability and efficiency. Given that The Doha Development Agenda could complement global economic growth, the IMF and World Bank were urged to continue to support work in this direction and help developing countries assess the impact, and provide additional support to address potential adjustment costs. Delegates further agreed that structural reform remained crucial to strengthening the foundations for sustainable growth, therefore efforts should then be made to increase economic efficiency and flexibility to take advantage of the opportunities from rapid technological change and global integration.

Considering economic outlook for Africa and developing countries, the BWI's recommitted itself to supporting the efforts of developing countries to pursue sustainable growth and other macroeconomic goals in order to make progress on the Millennium Development Goals (MDGs).The Governors urged developing countries to take advantage of new opportunities arising from improved global economic setting to strengthen the foundations for economic growth. The importance of infrastructure as the foundation for growth was recognized while and endorsed further World Bank engagement to assist countries meet their infrastructural needs was endorsed. The Governors were of the view that provision of additional, predictable and timely financial assistance to countries committed to sound policies, remained a critical issue, particularly for sub-Saharan Africa. They welcomed the progress announced by some donor countries on meeting the target of 0.7 per cent of GNP as Official Development Assistance (ODA).

During the G-24 Ministers' session, Ministers called on the IMF to play a more proactive role in addressing global imbalances and enhance the effectiveness of its surveillance of major economies. Enhancing the representation of developing countries in the BWIs through a new quota formula to reflect the relative size of developing country economies was considered. The formula should be simplified to give greater weight to measures of gross domestic product in terms of purchasing power parity, and take into account the vulnerabilities of developing countries to movements in commodity prices and other exogenous shocks. The Ministers further emphasized that achieving the MDGs would require a significant increase in development assistance. The new U.K initiative of paying her share of the poorest countries' debt service owed to International Development Association (IDA) and the African Development Bank's concessional financing arm up to 2015 were commended. They further called on countries to redouble efforts in strengthening the rule of law, in order to fight corruption (which hinders efficient mobilization and allocation of resources), improve the investment climate and achieve higher and sustainable growth.

In a related development, the 6th Session of the Nigerian-South Africa Bi-National Commission (BNC) was held in Durban, South Africa from 6th to 10th September, 2004, and deliberated on political, economic and social issues of mutual benefit to the two countries. Some of the resolutions of the commission were:

- South Africa notified Nigeria about improved turn-around time of three days for the issuance of visa to government officials and frequent travelers

- The country also indicated that it would enter a Free Trade Area Arrangement with Nigeria after approval of South African Customs Union (SACU) has been secured.

- The country also indicated interest in importing staple food stuff such as cassava, yams and plantains from Nigeria, and in return export grapes and apples to Nigeria by end December, 2004.

- A South African company agreed to establish a coal fired plant in Nigeria to generate electricity.

- The two countries agreed to exchange information on HIV/AIDS education

- The 7th Session of the BNC would be held in Nigeria, during the second half of 2005.