

PRESS RELEASE

CENTRAL BANK OF NIGERIA

A COMMUNIQUE (NO. 23) OF THE MONETARY POLICY COMMITTEE

FOR THE MONTH OF APRIL 2003

In line with its policy of transparency in the conduct of monetary and financial policies, the Central Bank of Nigeria (CBN) hereby publishes a summary of the deliberations and decisions of the Monetary Policy Committee (MPC) in April 2003, as follows:

2. The Committee met twice in April, 2003 to review developments in the financial markets and the macroeconomy. It noted that demand pressure in the domestic economy intensified during the month, with the major macroeconomic indicators pointing to a likely reversal of the sustained moderation in the inflation rate observed throughout 2002, and the depreciation of the naira in all segments of the foreign exchange market. Specifically, the growth in monetary aggregates accelerated during the first four months of 2003, with the broad money stock (M_2) rising by an estimated 22.7 percent over the end December, 2002 levels, thus exceeding the programme target of 15.0 per cent for fiscal 2003, by substantial margins. The main expansionary factors of money supply were the substantial growth in bank credit to the domestic economy, as

well as increases in the foreign and other assets (net) of the banking system.

3. Induced largely by the surfeit of liquidity in the financial system, interest rates on bank deposits and lending moderated considerably. Also, the weighted average inter-bank call rate declined to 11.18 per cent from 11.48 per cent in the preceding month. In the Dutch Auction System (DAS) segment of the foreign exchange market, the naira depreciated marginally to ₦127.4814/US\$1.00 from ₦127.3789/US\$1.00 in March 2003. Similarly, exchange rates in the Bureaux de Change and the parallel market recorded modest depreciation.

4. The Committee viewed the accelerated growth in money supply as well as the renewed pressure on domestic prices and the naira exchange rate with serious concern. It, however, decided to monitor developments in the macroeconomy further, with a view to taking appropriate steps to tighten monetary policy, should the pressure in aggregate demand persist.



J K A Olekah
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May 6, 2003