

**PRESS RELEASE**  
**CENTRAL BANK OF NIGERIA**  
**A COMMUNIQUE (NO.27) OF THE MONETARY POLICY COMMITTEE**  
**FOR THE MONTH OF AUGUST, 2003**

1. 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 its Monetary Policy Committee (MPC) in August, 2003.
2. A review of developments in the macroeconomy and the financial markets indicated that relative stability continued to be maintained through the review month. However, it was noted that the risk of renewed demand pressure and a reversal of the persistent fall in the inflation rate, observed since January, 2003 had started to build up.
3. A review of monetary developments in July 2003 revealed a further moderation in the growth in monetary aggregates. Specifically, base-money fell from the June level by 4.0 per cent to ₦628.1 billion, which however, was higher than the ₦617.5 billion targeted. The broad money stock (M2) rose by 2.4 per cent, compared with 4.3 per cent increase observed in the preceding month. However, the cumulative growth rate of broad money as at end-July, 2003 was 24.1 per cent, indicating an overshooting of the 15.0 per cent programme target for the year by a substantial margin. The main expansionary factor of money supply during the review period was the rapid growth in bank credit to the government. Conversely, the growth in private sector claims on the banking system fell below the programmed target.
4. The inflation rate, as reported by the Federal Office of Statistics (FOS) recorded a marginal rise of 0.1 percentage point to 10.1 per cent in June, 2003. The rise was attributable, mainly, to the modest increase in the food index where the prices of most staples increased. The demand pressure in the foreign exchange market, however, moderated somewhat, resulting in the marginal appreciation of the naira in the Dutch Auction System of the market.
5. Reflecting the surfeit of funds in the system, there was a general

downward movement in money market interest rates. Notably, the weighted average inter-bank call money rate dropped from 15.48 per cent in June to 14.36 per cent in July, 2003.

6. In line with the general downward movement of the money market rates and against the background of continued moderation of the inflationary pressure, while real output growth remained weak, the Committee decided that, effective August 17, 2003, the Minimum Rediscount Rate (MRR) be reduced by 150 basis points to 15.0 per cent to stimulate real output growth. It is expected that other rates, including those on bank lending, will moderate in tandem with the reduction in the MRR. Finally, the frequency of the Committee's meetings has been changed from fortnightly to monthly.

7. The CBN, will continue to monitor macroeconomic developments in the country with a view to taking appropriate monetary policy action as the need arises.



Mr. J.K.A. Olekah,  
Secretary,  
Monetary Policy Committee,  
Central Bank of Nigeria,  
Abuja.

**28<sup>th</sup> August, 2003.**