

PRESS RELEASE

CENTRAL BANK OF NIGERIA

A COMMUNIQUE (NO. 25) OF THE MONETARY POLICY COMMITTEE FOR THE MONTH OF JUNE, 2003

1. In keeping with the policy of transparency in the conduct of monetary and financial policies, the Central Bank of Nigeria (CBN) hereby publishes the summary of the deliberations and decisions of its Monetary Policy Committee (MPC) in June, 2003. The Committee met twice and reviewed developments in the financial markets and the macroeconomy.
2. In June 2003, the broad money stock (M2) rose by 0.74 per cent, after the 5.5 per cent fall in the preceding month. However, the cumulative M2 growth in the first half of the year was 16.9 per cent, which exceeded the 15.0 per cent programme target for the entire year. The main expansionary factors of money supply were the increases in the banking system net foreign assets and net credit to the government.
3. The slowdown of the accelerated growth in money supply, experienced early in the year, was accompanied by further moderation in the inflationary pressure. Reports from the Federal Office of Statistics (FOS) indicated that the inflation rate, on 12-month moving average basis, declined further to 10.1 per cent in April from 10.5 per cent in March, 2003. The projected rates for May and June indicated a continued downward trend, reflecting largely the

moderating effect of improved food supply, with the commencement of early harvests of staples, particularly maize.

4. The demand pressure in the Dutch Auction System (DAS) segment of the foreign exchange market, however, persisted. Nonetheless, exchange rate movement remained stable, as the naira depreciated only marginally from ₦127.6700/US\$1.00 in May to ₦127.9000/US\$1.00 in June, 2003. In fact, the naira recorded a modest appreciation in the bureau de change and parallel market segments.

5. Influenced by a more competitive banking environment, interest rates on deposits and lending rates maintained a general downward trend. The weighted average maximum lending rate of deposit money banks declined by 0.6 percentage point to 22.6 per cent, while the rate on savings rose by 0.4 percentage point to 5.0 per cent. Consequently, the spread between the average savings deposit and maximum lending rates, narrowed to 17.6 per cent from 18.5 per cent in May, 2003. The weighted average inter-bank market call rate rose to 17.35 per cent from 16.99 per cent in the preceding month.

6. The Committee welcomed the sustenance of macroeconomic stability during the month, but it viewed with concern the continued pressure on the foreign exchange market. While a change in the stance of monetary policy was not considered as desirable, the need for greater fiscal prudence was emphasized. The Committee will continue to appraise developments in the

macroeconomy, with a view to taking appropriate monetary policy action as the need arises.



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

30th June, 2003