



**CENTRAL BANK OF NIGERIA MONETARY, CREDIT, FOREIGN TRADE AND
EXCHANGE POLICY GUIDELINES FOR FISCAL 2002/2003**

(AMENDMENT NO.3 TO MONETARY POLICY CIRCULAR NO. 36)

18th August, 2003

TO ALL DEPOSIT MONEY BANKS:

DOWNWARD REVIEW OF CBN'S MINIMUM REDISCOUNT RATE (MRR)

Relative macroeconomic stability was maintained during the first half of 2003, as evidenced by the continued deceleration in the inflation rate, further decline in the money market interest rates and the marginal depreciation of the naira exchange in the Dutch Auction market.

Specifically, the rate of inflation (twelve month moving average) declined from 12.9 per cent recorded in Dec. 2002 to 10.0 per cent as at end-May, 2003 and is expected to decline further during the third quarter. Similarly, the annualized month-on-month inflation rate dropped from 16.5 to 12.2 per cent and further to 8.7 per cent, over the same period. The downward trend in interest rates in the money market during the period reflected largely the impact of the 200 basis points reduction in the minimum rediscount rate (MRR), from 18.5 per cent to 16.5 per cent in December, 2002 and increased supply of liquidity to the market.

The sustained downward trend in the nominal interest rates implies that bank lending rates are high in real terms, with adverse implications for credit delivery to the real productive sectors of the economy. Available data on interest rates during the first half of 2003 showed that bank lending rates ranged between 19.0 - 28.0 per cent.

Against this background, the Central Bank of Nigeria has approved a further reduction in the MRR by 150 basis points, from 16.5 per cent to **15.0** per cent with immediate effect.

It is expected that other interest rates in the market will also decline in tandem with the cut in the MRR in order to encourage investment in the real sector of the economy.

For:


Dr. O.J. Nnanna,
Director of Research,
Central Bank of Nigeria

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