

ECONOMIC REPORT FOR THE MONTH OF OCTOBER 2002

1.0 SUMMARY

Available data indicated further growth in monetary aggregates in October, 2002. Broad money stock (M_2) and narrow money (M_1) increased by 5.4 and 7.4 per cent during the month and grew by 28.6 and 22.8 per cent, respectively, during the first ten months of the year, compared with the targets of 15.3 and 12.4 per cent for the whole year. The rise in the review month was attributable to the increase in foreign assets (net) of the banking system. Aggregate banking system's credit to the domestic economy declined by 5.5 per cent during the month, but rose by 34.4 per cent in the first ten months of the year, compared with the 57.9 per cent target for fiscal 2002.

Banks' interest rates trended downward during the month. The spread between banks' weighted average deposit and maximum-lending rates was 17.1 percentage points, while the margin between the average savings deposit and maximum lending rates was 25.6 percentage points. The average inter-bank call rate which stood at 23.3 and 19.6 per cent in August and September 2002, respectively, declined to 17.1 per cent during the month, reflecting improved liquidity in the banking system.

The value of money market assets outstanding declined marginally by 0.05 per cent from its level in the preceding month. The fall was traceable to the declines in Bankers' Acceptances (BAs) and Eligible Development Stocks (EDS) by 6.0 and 38.5 per cent, respectively. No new issue of Nigerian Treasury Bills (NTBs) was made during the month, but matured ones worth ₦299.0 billion were rolled over. Developments in the capital market during the month indicated further declines in the major market indicators as the volume and

value of traded securities as well as market capitalization and value index declined.

The major agricultural activities during the month included planting of late crops; harvesting, processing, and storage of grains as well as the production of poultry products in preparation for the festive seasons. Estimated crude oil output, including condensates and natural gas, was 1.95 million barrels per day (mbd) or 60.45 million barrel for the month. Crude oil exports were estimated at 1.50 million barrels per day (mbd) or 46.50 million barrels for the month, while deliveries of crude oil to refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels per month. The average price for Nigeria's reference crude, Bonny Light (37°API), at US\$27.97 a barrel, declined by 1.4 per cent from its level in September 2002. The price index of Nigeria's major agricultural commodities at the London Commodity Market, however, rose by 4.9 and 94.4 per cent, in dollar terms, over their levels in the preceding and corresponding months of 2001, respectively. The inflation rate was estimated at 14.3 per cent in October, down from 14.8 per cent in September 2002.

Available data on foreign exchange flows through the Central Bank of Nigeria (CBN) showed an inflow of US\$1,053.7 million and an outflow of US\$1,067.4 million, resulting in a net outflow of US\$13.7 million in October 2002. A total of US\$672.92 million was sold to authorized dealers in the official segment of the foreign exchange market during the month, compared with US\$657.20 million in the preceding month. The weighted average exchange rate of the naira vis-à-vis the US dollar depreciated marginally by 0.1 per cent

from ₦126.70 per US\$1.00 in September to ₦126.80 per US\$1.00 in October, 2002, and exchanged at an average rate of ₦138.83 and ₦139.15 per dollar in the parallel market and the bureaux de change, respectively, compared with ₦138.75 and ₦139.03 per dollar in the preceding month. During the review month, Nigeria's external reserves rose by 4.3 per cent to US\$7,741.9 million, from \$7,424.0 million in the preceding month.

On the international scene, world crude oil output rose marginally by 0.4 per cent, while estimated demand exceeded supply by 0.62 million barrels per day (mbd), compared with an excess demand of 0.25 mbd recorded in the preceding month.

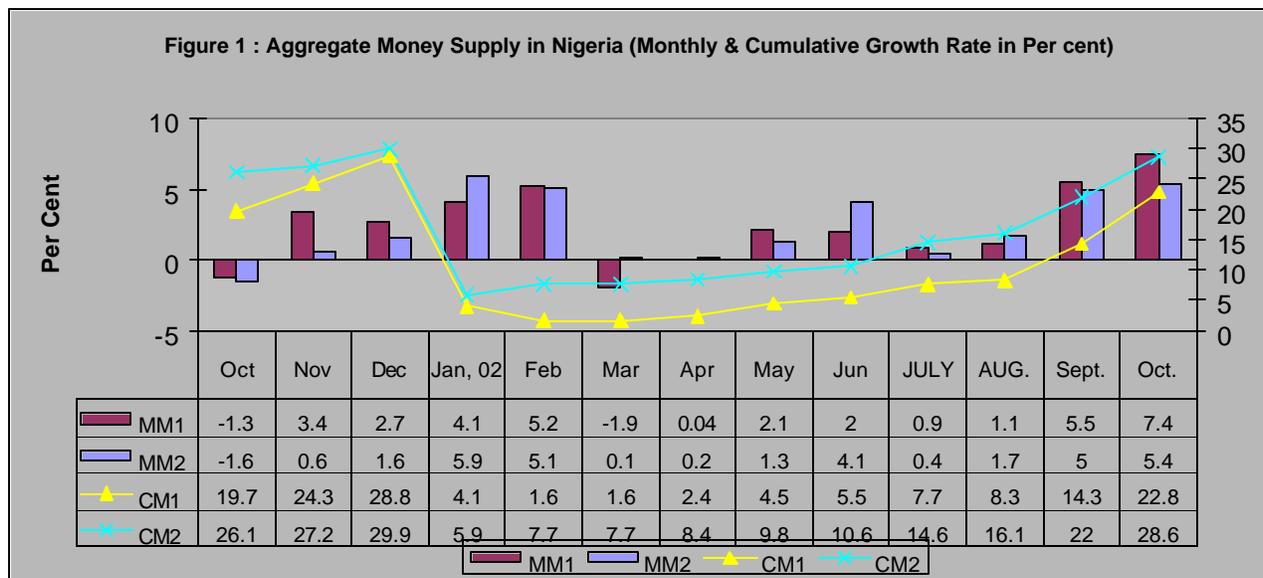
African Bankers' Association (WABA) on the transfer exercise.

2.0 FINANCIAL SECTOR DEVELOPMENTS

Monetary aggregates accelerated further in October 2002, while banks' interest rates trended downwards. Developments on the Nigerian Stock Exchange (NSE) showed declines in the major stock market indicators during the month.

2.1 Monetary and Credit Developments

Available data indicated that broad money supply (M_2) rose further in October



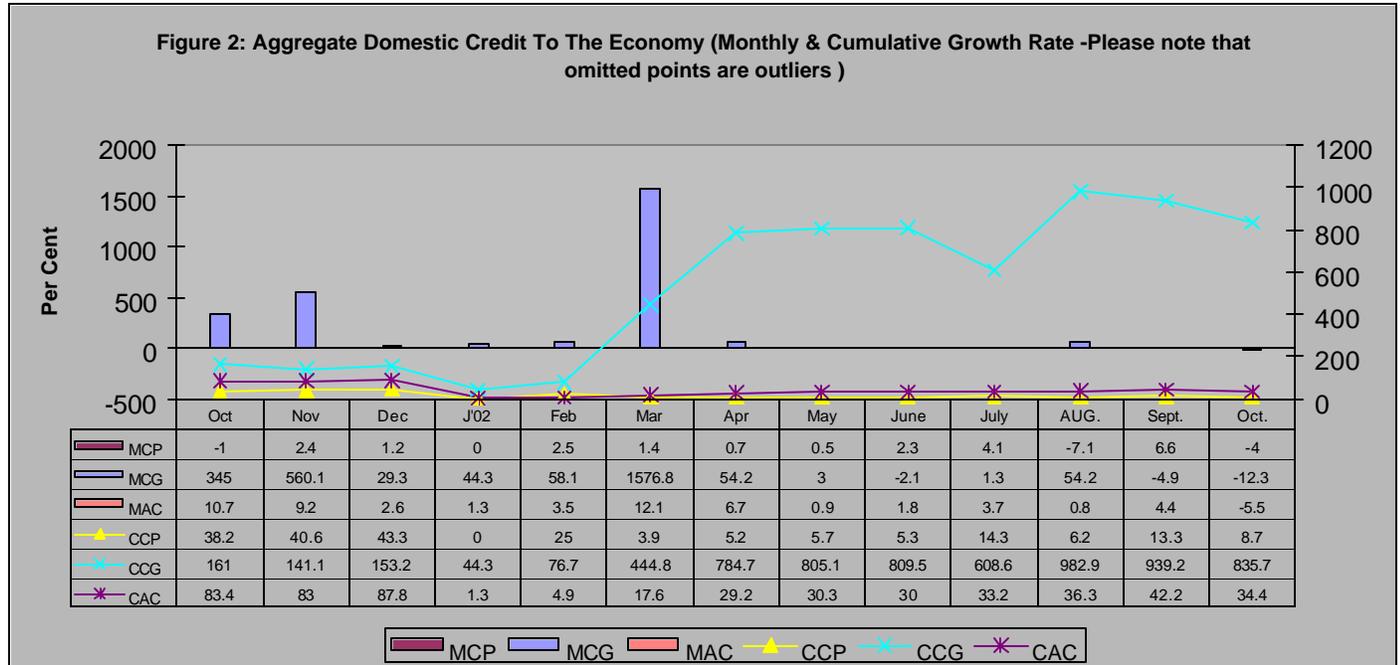
Other major international economic developments of relevance to the domestic economy during the month included: the meeting of the Working Group on the modalities for the transfer of the management of the ECOWAS Travellers' Cheque Scheme to a private sector operator held at Freetown, Sierra Leone from 14th to 15th October 2002. The Group deliberated on proposals presented by the West African Monetary Agency (WAMA) and the West

2002 by ₦86.2 billion or 5.4 per cent to ₦1,691.6 billion, compared with the increase of 5.0 per cent in the preceding month. Similarly, narrow money supply (M_1) rose by 7.4 per cent, to ₦1,002.6 billion, compared with the increase of 5.5 per cent in September, 2002. The rise in monetary aggregates in the review month reflected the increase in foreign assets (net) of the banking system. During the ten-month period, M_2 and M_1 grew by 28.6 and 22.8 per cent, respectively, compared with the

growth targets of 15.3 and 12.4 per cent for the whole year (fig.1).

Aggregate bank credit to the domestic economy declined by 5.5 per cent

decline in deposit money banks' claims on the sector. During the first ten months of the year, credit expansion to the private sector remained sluggish at 8.7 per cent, as against the growth target of 34.9 per cent for fiscal



to ₦1,114.9 billion in October 2002, in contrast to the increase of 4.4 per cent in the preceding month. The fall reflected the declines in credit to both the Federal Government and private sector, with the latter accounting for 60.0 per cent of the total decline. In the first ten months of the year, aggregate bank credit to the domestic economy, however, rose by 34.4 per cent, compared with the growth target of 57.9 per cent for fiscal 2002.

Banking system's net claims on the Federal Government fell by ₦26.1 billion or 12.3 per cent in October 2002. In the ten-month period, the Federal Government substantially drew down on its deposits with the CBN, resulting in further injection of liquidity into the banking system.

Bank credit to the private sector fell by ₦39.2 billion or 4.0 per cent to ₦929.5 billion in October, 2002, reflecting the

2002.

At ₦1,499.8 billion, foreign assets (net) of the banking system rose by ₦166.6 billion or 12.5 per cent, compared with the increase of ₦219.5 billion or 19.7 per cent in the preceding month. The rise was attributable to the increases in both Central Bank and Deposit Money Banks' holdings. In the first ten months of the year, the foreign assets (net) of the banking system rose by ₦66.8 billion or 4.7 per cent, compared with the 1.0 per cent increase recorded in the corresponding period of 2001.

Quasi-money rose by ₦17.1 billion or 2.5 per cent to ₦689.0 billion, compared with the increase of ₦28.2 billion or 4.4 per cent in the preceding month. The rise reflected the increases in time, savings and foreign currency deposits of the banks during the month. Quasi-money recorded a

significant increase of ₦189.8 billion or 38.0 per cent in the first ten months of the year.

Other assets (net) of the banking system fell by ₦15.1 billion or 1.7 per cent, compared with the decline of ₦191.8 billion or 26.8 per cent in the preceding month. The fall was traceable to the increase in DMBs' unclassified liabilities as well as the decline in its unclassified assets.

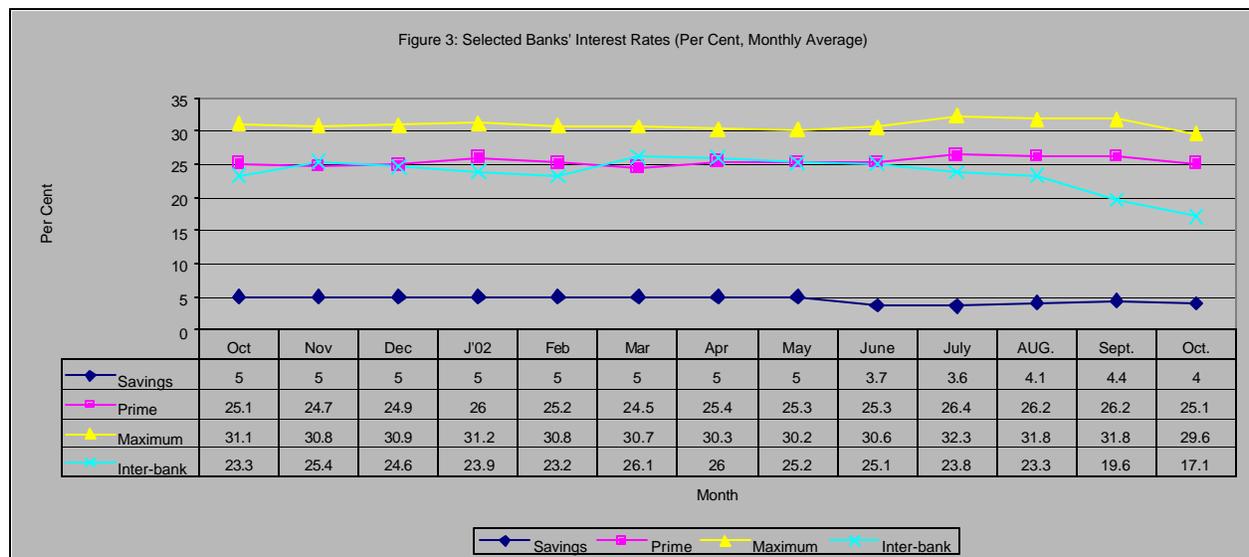
2.2 Currency-in-circulation and Deposits at CBN

At ₦385.1 billion, currency in circulation increased by ₦13.1 billion or 3.5 per cent and ₦40.4 billion or 4.7 per cent over the levels in the preceding month and

₦107.9 billion or 10.4 per cent from the level in the corresponding period of 2001. The development during the month was attributable to the increases of 14.2 and 13.2 percent recorded in deposits by "others" and Federal Government, respectively. The shares of the Federal Government, bankers and "others" in total deposits at the CBN were 65.7, 18.6 and 15.7 per cent, compared with 58.3, 27.9 and 13.8 per cent in September, 2002.

2.3 Interest Rate Developments

Available data indicated that banks' interest rate movements in October, 2002 trended downward. The average savings deposit rate fell by 0.4 percentage points to



corresponding period of 2001, respectively. The increase was traceable to the rise in currency outside the banking system from ₦306.7 billion in September, 2002 to ₦319.4 billion in October. The share of this component in total currency in circulation was 83.0 per cent, compared with 82.4 per cent a month earlier.

Total deposits at the CBN amounted to ₦924.8 billion, representing an increase of ₦4.1 billion or 0.5 per cent over the level in the preceding month, but a decline of

4.0 per cent, while the rates on all other deposits of various maturities which ranged from 9.7-15.1 per cent in September, declined to 8.8-14.1 per cent in October, 2002. Banks' average prime and maximum lending rates, also declined by 1.1 and 2.2 percentage points to 25.1 and 29.6 per cent, respectively. Thus, the spread between the banks' weighted average deposit and maximum lending rates was 17.1 percentage points, while the margin between the average savings deposit and maximum lending rates was 25.6 percentage points.

The average inter-bank call rate which stood at 23.3 and 19.6 per cent in August and September respectively, declined further to 17.1 per cent in October 2002, reflecting the relative liquidity ease in the banking system during the period.

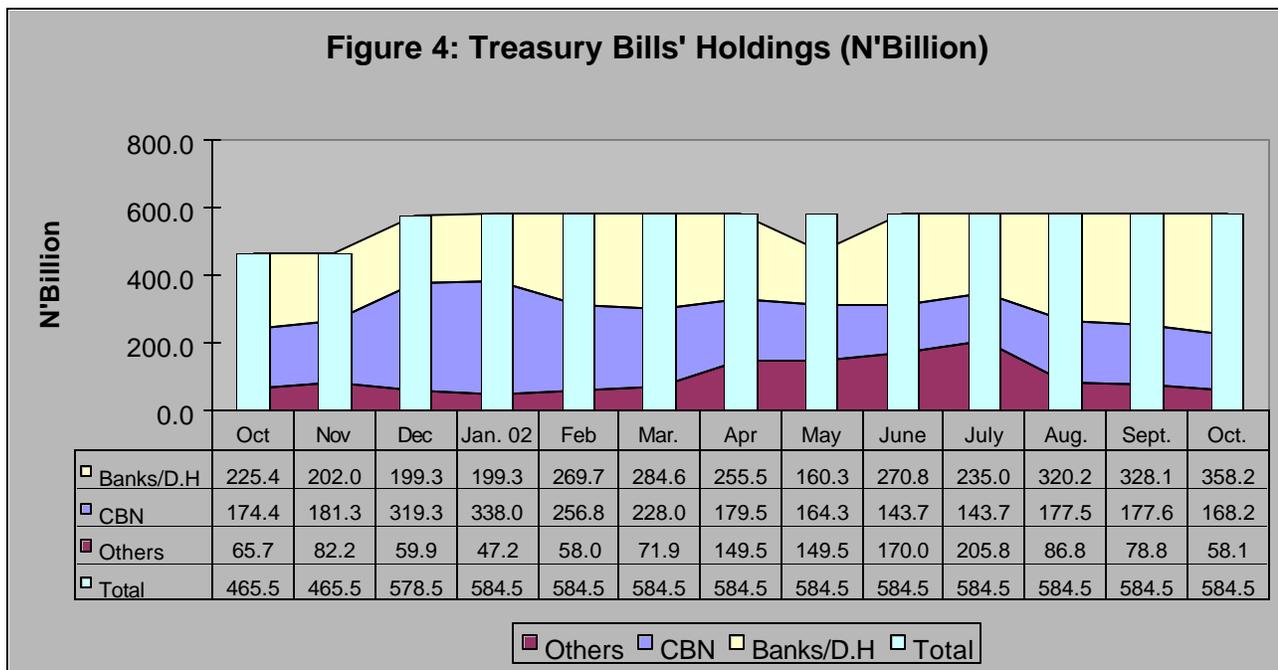
2.4 Money Market Developments

Available data indicated that the value of money market assets outstanding as at end-October, 2002 declined marginally by ₦0.3 billion or 0.05 per cent to ₦650.7 billion, in contrast to an increase of ₦0.2

with ₦207.6 billion re-issued in the preceding month. A breakdown of the total amount rolled over during the month indicated that deposit money banks (DMBs) and discount houses jointly subscribed ₦154.0 billion, constituting 51.5 per cent of the total, while “other” investors subscribed ₦60.0 billion, representing 20.1 per cent of the total. The balance of ₦85.0 billion or 28.4 per cent was absorbed by the CBN during the month.

Analysis of outstanding treasury bill holdings indicated that deposit money banks and discount houses together accounted for

Figure 4: Treasury Bills' Holdings (N'Billion)



billion in the preceding month. The fall reflected the declines of 6.0 and 38.5 per cent in Bankers' Acceptance (BAs) and Eligible Development Stocks (EDS), respectively, during the month. The level of Commercial Papers (CPs), however, rose by ₦3.3 billion or 12.0 per cent, while treasury bills outstanding remained unchanged at the preceding month's level of ₦584.5 billion.

Treasury bills worth ₦299.0 billion were re-issued in October 2002 to replace matured bills of the same value, compared

₦358.2 billion or 61.3 per cent of the total, while holdings by “other” investors amounted to ₦58.1 billion or 9.9 per cent, compared with ₦78.8 billion in September, 2002. Central Bank's holding declined from ₦177.6 billion in September to ₦168.2 billion in October, 2002.

2.5 Capital Market Developments

Transactions on the Nigerian Stock Exchange (NSE) remained bearish in

October, 2002 as the major market indicators trended downwards. At 364.9 million and ₦3.0 billion, the number and value of traded securities declined by 49.8 and 31.8 per cent, respectively, from their respective levels of 726.3 million and ₦4.4 billion in the preceding month.

The breakdown of the transactions during the month showed that all transactions were in equities, while dealings in government and industrial stocks remained dormant. Market capitalisation and value index declined by 2.3 and 3.0 per cent, from their respective levels of ₦722.2 billion and 11,811.5 in September, 2002 to close at ₦705.4 billion and 11,451.5, respectively, reflecting the continued fall in the prices of highly capitalised stocks on the exchange.

2.6 Deposit Money Banks' Activities

Total assets/liabilities of deposit money banks (DMBs) amounted to ₦2,574.9 billion in October, 2002, indicating increases of ₦50.8 billion or 2.0 per cent and ₦407.7 billion or 18.8 per cent over the preceding month's level and the level at end-December, 2001, respectively. Funds were sourced mainly from the increases in demand deposits; unclassified assets; time, savings and foreign currency deposits; as well as the draw-down on other liabilities, while major uses of funds included acquisition of government securities, among others.

Aggregate credit to the domestic economy by Deposit Money Banks (DMBs) at end-October, 2002 amounted to ₦1,234.9 billion, representing increases of ₦80.3 billion or 7.0 per cent and ₦290.3 billion or 30.7 per cent over the preceding months' level and the level at end-December, 2001, respectively. The breakdown showed that credit to the private sector increased by

₦20.3 billion or 2.3 per cent, while claims on the Central government rose by ₦63.4 billion or 25.3 per cent, reflecting largely the significant increase in banks' holdings of treasury bills during the review month.

Central Bank's credit to the Deposit Money Banks (DMBs) amounted to ₦8.1 billion, representing declines of ₦0.8 billion or 8.7 per cent and ₦6.5 billion or 44.5 per cent from the levels in the preceding month and end-December, 2001 respectively. The fall reflected largely the fall in CBN's overdraft facilities to the banks during the month.

Total specified liquid assets of deposit money banks amounted to ₦712.0 billion or 52.7 per cent of their total deposit liabilities. This level of assets was 5.6 percentage points below the preceding month's level, but 12.7 percentage points above the stipulated minimum ratio of 40.0 per cent for fiscal 2002.

2.7 Discount Houses

Total assets/liabilities of the discount houses amounted to ₦62.3 billion in October 2002, indicating increases of ₦5.2 billion or 9.1 per cent and ₦25.0 billion or 67.0 per cent over the levels in the preceding month and end-December 2001, respectively.

Discount houses' investments in the Federal Government securities of less than 91 days maturity was ₦39.8 billion or 83.5 per cent of their total deposit liabilities. This was 9.5 percentage points above the level in the preceding month and 23.5 per cent over the prescribed minimum of 60.0 per cent for fiscal 2002.

Total borrowings by discount houses stood at ₦24.3 billion, while their capital and reserves amounted to ₦6.5 billion,

resulting in a gearing ratio of 3.7:1, compared with the stipulated maximum target of 50:1 for fiscal 2002.

3.0 DOMESTIC ECONOMIC CONDITIONS

The main agricultural activities during the month included the planting of late crops; harvesting, processing and storage of grains as well as the production of poultry products in preparation for the festive seasons. Crude oil output declined by 7.6 per cent from the preceding month's level, while inflation rate was estimated at 14.3 per cent, down from 14.8 per cent in September.

3.1 Agricultural Sector

In October 2002, planting of late crops was boosted in most parts of the country, following the moderate rainfall witnessed during the month. In the northern states, planting of tomatoes, pepper, carrots, cabbage and other vegetables dominated the agricultural activities, while farmers in other parts of the country concentrated on the harvesting, processing and storage of grains.

In the livestock sub-sector, farmers also intensified the production of poultry products for sales during the festive seasons.

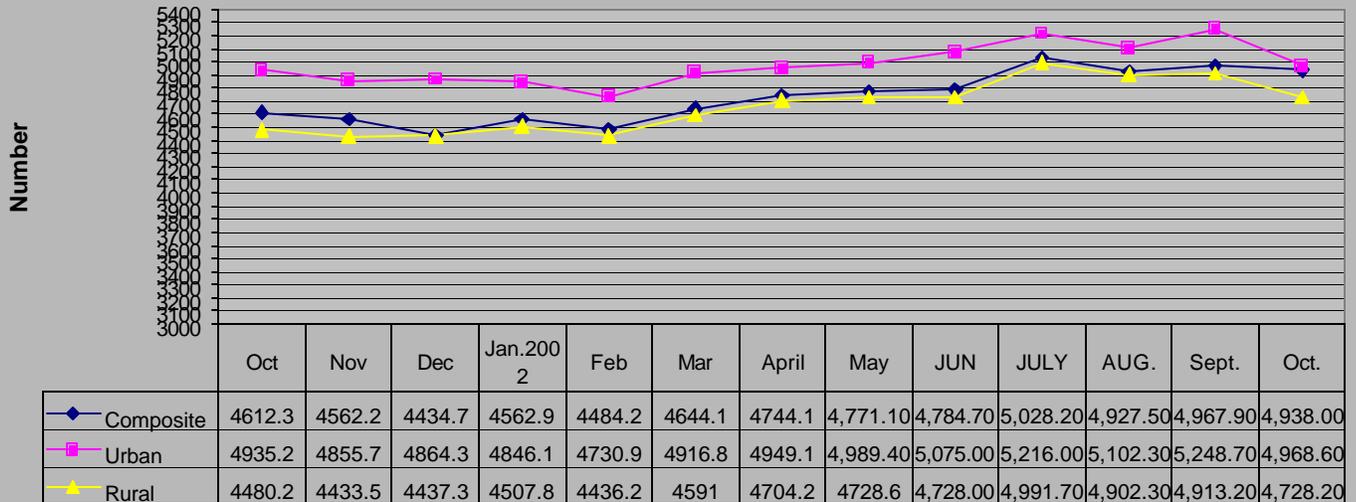
The prices of Nigeria's major agricultural commodities at the London Commodity Market rose during the month. At 108.5 (1985=100), the all-commodity price index, in dollar terms, showed increases of 4.9 and 94.4 per cent over their levels in the preceding month and corresponding period of 2001, respectively. In naira terms, the index, at 12,583 (1985=100), also rose by 9.0 and 123.7 per cent over their levels in September 2002 and corresponding period of 2001, respectively.

Of the six commodities monitored during the month, cocoa, coffee and soya bean recorded price increases of 6.4, 4.0 and 3.6 per cent, respectively, in dollar terms, over their levels in the preceding month, while copra, cotton and palm oil recorded price declines of 4.9, 0.2 and 4.0 per cent, respectively. When compared with their levels a year earlier, all the commodities recorded varying degrees of price increases except coffee.

In naira terms, cocoa, coffee, cotton and

barrels per day (mbd) or 46.50 million barrels for the month, indicating a decline of

Figure 5 : Monthly Consumer Price Indices in Nigeria (1985 = 100)



Source: Federal Office of Statistics (FOS), Lagos

Composite Urban Rural

soya bean recorded price increases of 11.3, 0.1, 0.8 and 1.7 per cent, respectively, over their levels in the preceding month, while copra and palm oil recorded price declines of 3.0 and 4.4 per cent, respectively. When compared with their levels in the corresponding period of 2001, all the commodities recorded varying degrees of price increases ranging from 33.4 per cent for coffee to 135.5 per cent for cocoa.

3.2 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas was estimated at 1.95 million barrels per day (mbd) or 60.45 million barrels for the month, indicating a decline of 7.6 per cent from the preceding month's level of 2.11 million barrels per day (mbd). The fall in output was attributable to the nation's compliance with OPEC's output cut. The share of the country's production in total OPEC's output was 6.8 per cent, compared with 7.4 per cent in September, 2002. Crude oil exports were estimated at 1.50 million

9.6 per cent from the level in September 2002, while deliveries of crude oil to refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels per month.

Crude oil prices recorded declines from the levels in the preceding month in the spot market, following the reactions of traders to report that OPEC produced over and above its ceilings in the month of September as well as the reduced tension in the Middle East over expected US attack on Iraq. The average price of Nigeria's reference crude, the Bonny Light (37⁰API), at US\$27.97 a barrel, indicated a fall of 1.4 per cent from its level in the preceding month. The average prices of other competing brands of crude, namely the UK Brent and West Texas Intermediate (WTI) declined from \$28.32 and \$29.60 a barrel in September, 2002, to \$27.73 and \$28.89 a barrel, respectively. In the net-back market, the Bonny Light was sold at \$34.66 a barrel, representing an increase of 1.2 per cent over its level in the preceding month, while the

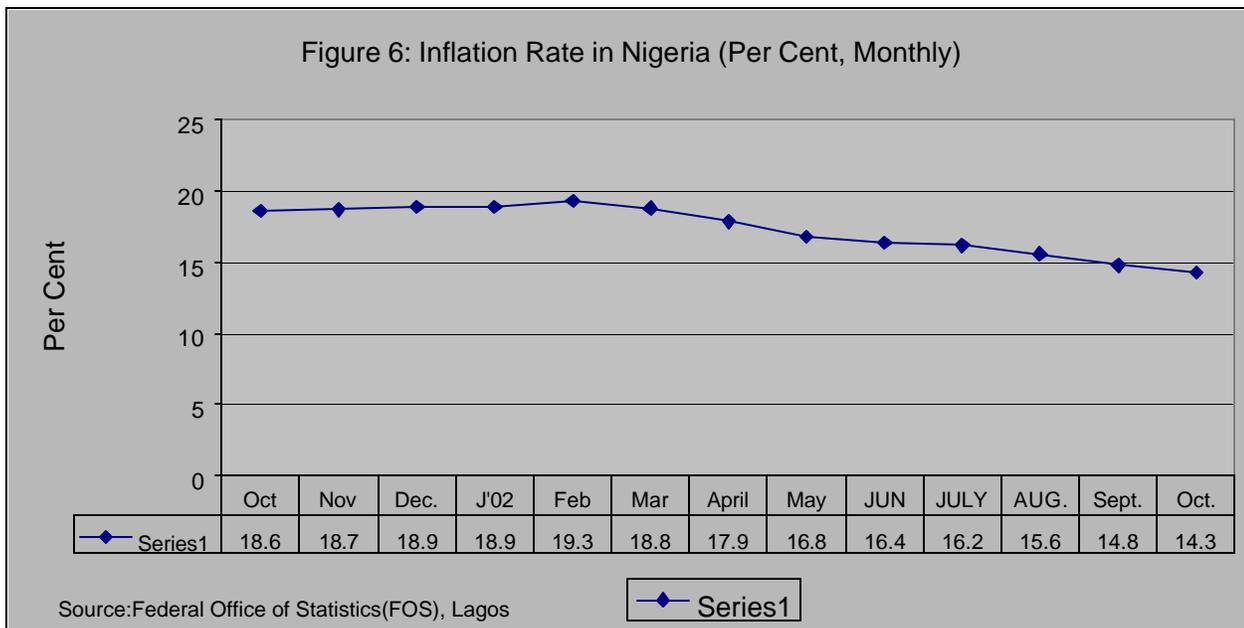
UK Brent and WTI were sold at \$33.86 and \$33.82 a barrel, respectively as against \$31.27 and \$31.33 a barrel in September, 2002.

3.3 Consumer Prices

Data from the Federal Office of Statistics (FOS) indicated that the all-items composite Consumer Price Index (CPI) in October, 2002 was estimated at 4,938.0 (1985 = 100), representing a decline of 0.6 per cent from the level in the preceding

October, 2002, indicating a decline of 5.3 per cent from the level in the preceding month, but an increase of 5.0 per cent over the level in the corresponding period of 2001. Similarly, the rural all-items CPI, which was estimated at 4,728.2 (1985=100), in October 2002, also showed a decline of 3.8 per cent from the level in the preceding month, but an increase of 4.6 per cent over the level in the corresponding period of 2001.

Available information based on the



month, but an increase of 8.5 per cent over the level in the corresponding period of 2001. The development during the month was traceable to the fall in the indices of food; clothing and footwear; and other services by 1.7, 4.6 and 0.7 per cent, respectively. The indices of drinks, tobacco and kola; accommodation, fuel and light; household goods; medical care and health expenses; transportation; and recreation, entertainment; education and cultural services, however, rose by 0.7, 1.9, 3.0, 0.2, 4.1 and 1.4 per cent, respectively.

The urban all-items CPI was estimated at 4,968.6 (1985=100), in

retail price surveys in some locations within Lagos area and the zonal offices of the Central Bank of Nigeria indicated further decline in the all-items average prices of consumer items in October 2002 by 0.19 per cent, compared with a decline of 1.6 per cent in September 2002. The decline during the month was traceable to the fall in the indices of staples; meat, fish and eggs; and fuel and light by 6.09, 2.05 and 3.18 per cent, respectively, while the indices of other components recorded increases ranging from 0.39 per cent for building materials to 4.47 per cent for medical. There were marginal price increases of 0.80 and 1.04 per cent in Ibadan zone and Lagos area over the

preceding months levels, while the all-items average prices in Bauchi, Enugu and Kano zones recorded declines of 1.24, 2.60 and 4.49 per cent, respectively.

The inflation rate for the twelve-month period ended October, 2002 was estimated at 14.3 per cent, compared with 14.8 and 18.6 per cent recorded in the preceding month and corresponding month of 2001, respectively. The observed downward trend in the general price level reflected largely the continued lag effects of CBN's monetary policy actions as well as the dampening effect of good harvests on food prices.

4.0 EXTERNAL SECTOR DEVELOPMENTS

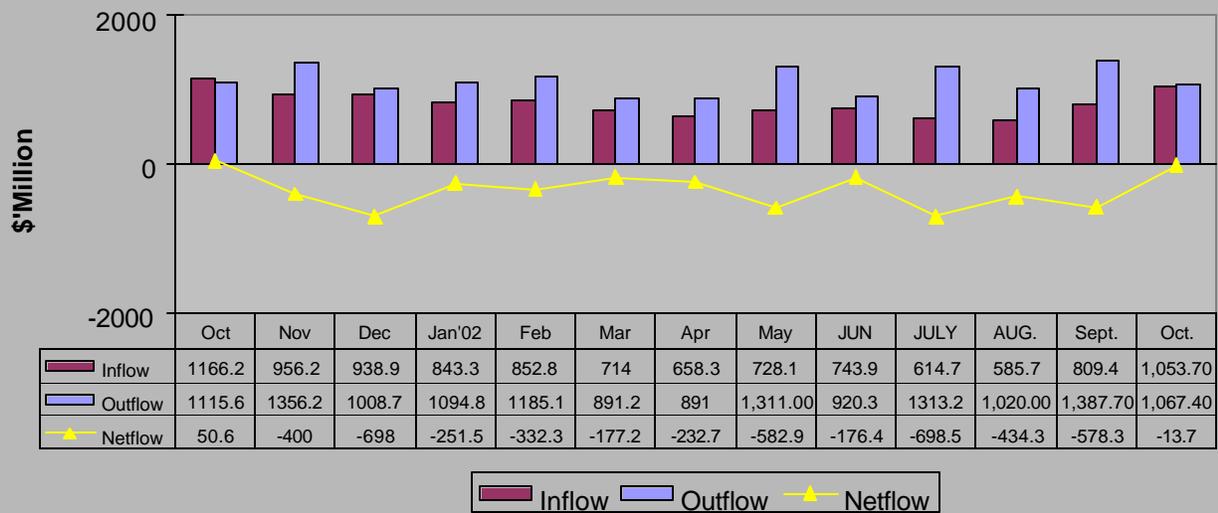
4.1 Foreign Exchange Flows

In October 2002, the inflow and outflow of foreign exchange through the Central Bank of Nigeria (CBN) amounted to US\$1,053.7 million and US\$1,067.4

million, inflow rose by 30.2 per cent, while outflow declined by 23.1 per cent. The increase in inflow was attributable to the rise in oil export receipts from US\$754.8 million in September 2002 to US\$993.0 million, while the drop in outflow was accounted for largely by the 64.2 per cent decline in disbursements in respect of "other official payments" especially NNPC/JVC cash calls which fell from US\$672.5 million in September to US\$166.4 million during the month. At US\$7,868.8 million and US\$10,936.8 million, cumulative inflow and outflow through the CBN from January to October, 2002 were 43.1 and 11.6 per cent lower than their respective levels in the corresponding period of 2001.

Available data on foreign exchange flows through the economy in the month of October, 2002 showed that total inflow stood at US\$1,573.0 million, indicating an increase of 28.7 per cent over the level in the preceding month. Of the total inflow, oil receipts amounted to US\$993.0 million or

Figure 7: Foreign Exchange Flows Through the CBN (\$'Million)



million, respectively, indicating a net outflow of US\$13.7 million. Compared with their levels of US\$809.4 and US\$1,387.70 million in the preceding

63.1 per cent, while non-oil public sector receipts amounted to US\$60.6 million.

Inflow through the autonomous sources was US\$519.3 million or 33.0 per cent of the total.

Outflow of foreign exchange from the economy fell by 21.5 per cent to US\$1,137.7 million in October 2002, following the sharp decline in the disbursements in respect of “other official payments”, especially NNPC/JVC cash calls which declined from US\$672.5 million in September 2002 to US\$166.4 million during the month. External debt service and funding of the foreign exchange market rose from US\$10.6 million and US\$582.0 million to US\$72.7 million and US\$670.3 million, respectively, during the month. Similarly, disbursements in respect of National Priority Projects rose from nil payments in September to US\$12.4 million in October 2002. During the ten-month period, the cumulative inflow and outflow through the economy amounted to US\$12,324.1 million and US\$11,464.0 million, respectively, compared with US\$16,748.6 million and US\$13,183.3 million in the corresponding period of 2001.

4.2 Sectoral Utilisation of Foreign Exchange

The industrial sector accounted for the bulk (40.1 per cent) of total foreign exchange disbursed in October, 2002. Other

beneficiary sectors, in a descending order of importance, included: general merchandise, invisibles, food, transportation and agricultural products (fig.8).

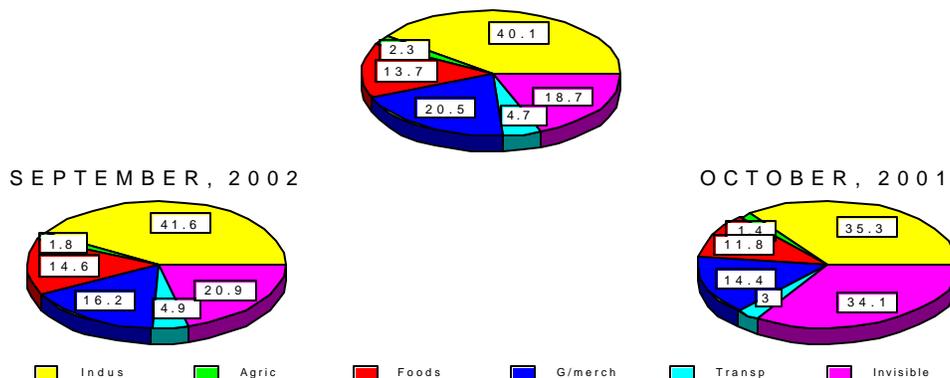
4.3 Foreign Exchange Market Developments

The demand pressure in the Foreign Exchange Market (FEM) intensified in October 2002, with foreign exchange sales to authorized dealers amounting to US\$672.92 million, compared with US\$657.20 million in the preceding month. The weighted average exchange rate of the naira vis-à-vis the U.S dollar depreciated marginally by 0.1 per cent from ₦126.7 per US\$1.00 in September to ₦126.8 per US\$1.00 in October, 2002. The parallel market and bureaux de change rates, also depreciated from ₦138.75 and ₦139.03 per dollar to ₦138.83 and ₦139.15 per dollar, respectively, during the month. Overall, the premium between the official and the parallel market rates was 10.0 percentage points, up from 9.73 per cent in September 2002.

4.4 External Reserves

Nigeria’s gross external reserves at end-October, 2002 amounted to US\$7,741.9 million, indicating an increase of 4.3 per cent from the preceding month’s level. At current foreign exchange commitments, the

Figure 8: Sectoral Utilization of Foreign Exchange (percentage of total)
OCTOBER, 2002



reserves could finance about 7.1 months of imports, compared with 6.4 months in the preceding month.

5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output, at 76.53 million barrels per day (mbd) rose marginally by 0.4 per cent in October 2002 over the level in the preceding month, while estimated demand exceeded supply by 0.62 mbd, compared with an excess demand of 0.25 mbd recorded in September.

Other major international economic developments of relevance to the domestic economy during the month included: the meeting of the Working Group on the modalities for the transfer of the management of the ECOWAS Travellers' Cheque Scheme to a private sector operator held at Freetown, Sierra Leone. The Group deliberated on proposals presented by the West African Monetary Agency (WAMA) and the West African Bankers' Association (WABA) on the transfer exercise.

The following proposals were subsequently adopted by the Working Group:

- The transfer of the management of the ECOWAS Travellers' Cheque be effected after all practical modalities relating to any privatization might have been completed;
- That the West African Unit of Account (WAUA) should continue to be the currency in which the ECOWAS Travellers' Cheques are denominated;
- The principle of limiting the use of the Travellers' Cheque to financing of travel expenses should be adhered to;
- A wholesale transfer of the management of the scheme to the

private sector is recommended and the roles of the various players be clearly defined within the framework of the terms of agreement;

- In the interim, WAMA, in collaboration with the Central Banks should continue to manage the ECOWAS Travellers' Cheque scheme in accordance with the existing operational procedures;
- All outstanding settlements with regard to the ECOWAS Travellers' Cheques transactions should be cleared as soon as possible; and
- All necessary arrangements and the transfer of the management of the travellers' cheque scheme to private sector operator should be completed by the end of June, 2003.