

ECONOMIC REPORT FOR THE MONTH OF DECEMBER 2002

1.0 SUMMARY

Provisional data indicated increases in monetary aggregates in December 2002. Broad money stock (M_2) and narrow money (M_1) rose by 2.5 and 1.6 per cent, respectively, during the month and expanded by 25.5 per cent and 15.5 per cent in the twelve months of the year, compared with the targets of 15.3 and 12.4 per cent for the year. Monetary expansion in the review month was attributable largely to the increase in other assets (net) of the banking system. Aggregate bank credit to the domestic economy fell by 0.6 per cent during the month, but rose by 26.5 per cent in the twelve months of the year, compared with 57.9 per cent target for fiscal 2002.

Provisional data indicated mixed movements in banks' interest rates during the review month. The spread between banks' weighted average deposit and maximum lending rates, was 12.9 percentage points, while the margin between the average savings deposit and maximum lending rates was 22.0 percentage points, down from 24.8 per cent in November 2002. The average inter-bank call rate declined further to 14.1 per cent in December from 17.6 per cent in November 2002.

The value of money market assets outstanding rose further by 12.2 per cent in December 2002, compared with an increase of 11.7 per cent in the preceding month. The rise reflected the new issues of Nigerian Treasury Bills (NTBs) worth ₦83.00 billion during the month as well as the increases of 4.2 and 11.8 per cent, in Commercial Papers (CPs) and Bankers Acceptances (BAs), respectively.

Matured bills worth ₦207.7 billion were rolled over during the month. Performance indicators of the capital market trended upwards, as the volume and value of traded securities as well as market capitalization and value index rose during the month.

Activities in the agricultural sector during the month included grain processing and dry season vegetable farming in the northern states; and the routine maintenance of storage facilities for tubers in the southern states. At 148.6 (1985=100), the estimated index of industrial production rose by 2.7 and 2.8 per cent over the levels recorded in the preceding quarter and the corresponding period of 2001. The rise in the review quarter reflected the increases of 1.8, 2.6, and 1.6 per cent in manufacturing, mining and electricity consumption, respectively. Estimated crude oil output, including condensates and natural gas, was 2.03 million barrels per day (mbd) or 62.93 million barrels for the month, indicating an increase of 0.5 per cent over the preceding month's level. Crude oil exports were estimated at 1.58 mbd or 48.58 mbd for the month, while deliveries to refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels for the month. The average price of Nigeria's reference crude, Bonny Light, (37°API), at \$28.38 per barrel, rose by 15.8 per cent over its level in November 2002. The price index of Nigeria's major agricultural commodities at the London commodity market declined by 8.2 per cent, in dollar terms, from its level in the preceding month, but rose by 78.4 per cent over the level in the corresponding period of 2001. The inflation rate in December 2002 was 12.9 per cent, down from 13.2 per cent in November, 2002.

Available data on foreign exchange flows through the Central Bank of Nigeria (CBN) indicated an inflow of \$836.97 million and an outflow of \$1,170.12 million, resulting in a net outflow of \$333.15 million during the month. Foreign exchange sales to the authorized dealers by CBN amounted to \$620.42 million, compared with \$558.8 million in the preceding month. The weighted average exchange rate of the naira vis-à-vis the US dollar depreciated marginally by 0.04 per cent from ₦127.03 per dollar in November to ₦127.08 per dollar in December, 2002. In the parallel market and the bureaux de change, the naira depreciated by 0.6 and 0.5 per cent to ₦138.78 and ₦139.22 per dollar, respectively. Nigeria's gross external reserves declined by 0.2 per cent to \$7,725.24 million from \$7,737.0 million in November 2002.

On the international scene, world crude oil output declined by 2.7 per cent, while estimated demand exceeded supply by

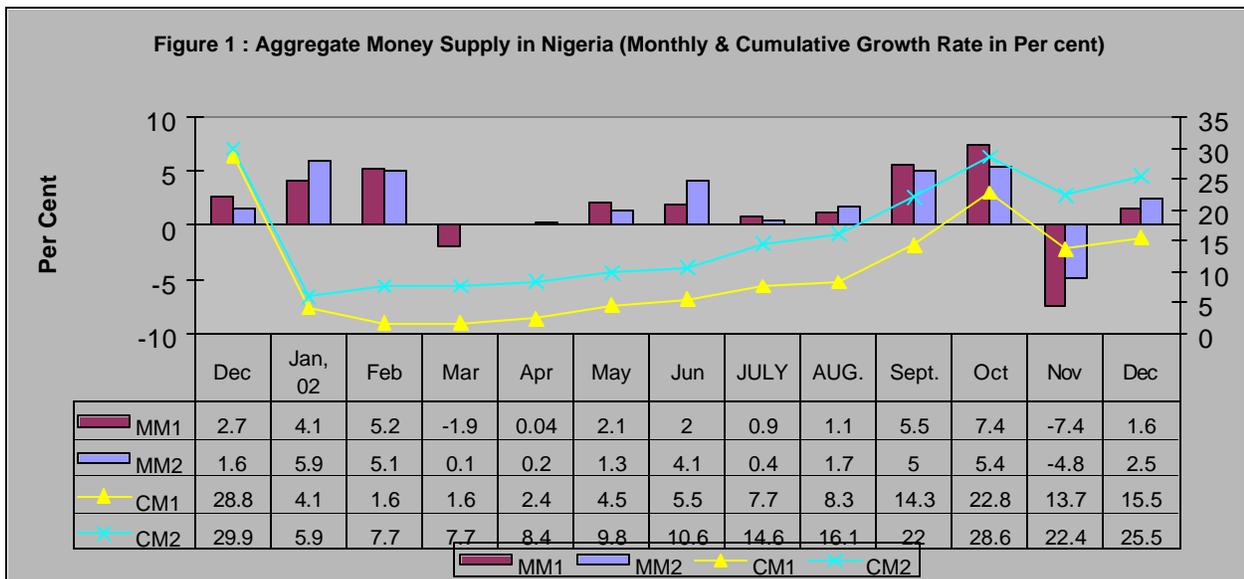
1.8 million barrels per day (mbd). Other major international economic development of relevance to the domestic economy during the month included: the 29th meeting of the committee of governors of ECOWAS' Central Banks held in Dakar, Senegal on 12th December 2002 to consider the report of its Technical Committee; the work programme of the West African Monetary Agency (WAMA) as well as the budget for its operations in 2003. In a related development, the 11th meeting of the Board of Governors of WAIFEM was held in Dakar, Senegal on 12th December 2002 to consider the Report of the 14th meeting of its Technical committee; the training and capacity building programme; and its budget for 2003. Finally, the meeting of the committee of Governors of WAMZ member Central Banks was held in Dakar, Senegal on 12th December 2002 to consider and approve the work programme and the budget of the West African Monetary Institute (WAMI) for 2003.

2.0 FINANCIAL SECTOR DEVELOPMENTS

Money supply increased in December 2002. Interest rate movements indicated mixed trends, while the liquidity situation in the banking system continued to influence developments in the money market. Major stock market indicators rose during the month.

year was influenced largely by the expansionary fiscal operations of the three tiers of Government.

Aggregate bank credit (net) to the domestic economy declined by ₦6.8 billion or 0.6 per cent to ₦1,049.3 billion in December 2002, compared with the decline of ₦106.7 billion or 9.2 per cent in the preceding month. The decline in the review



2.1 Monetary and Credit Developments

Broad money stock (M_2) rose in December 2002 by ₦40.2 billion or 2.5 per cent to ₦1, 651.1 billion, in contrast to the decline of ₦80.7 billion or 4.8 per cent in the preceding month. Narrow money supply (M_1) also rose by ₦15.2 billion or 1.6 per cent, in contrast to the decline of ₦74.3 billion or 7.4 per cent the previous month. The rise during the review month reflected wholly the increase in other assets (net) of the banking system. In the twelve-month period, M_2 and M_1 rose by 25.5 and 15.5 per cent, respectively, compared with the growth targets of 15.3 and 12.4 per cent for the whole year. Monetary growth during the

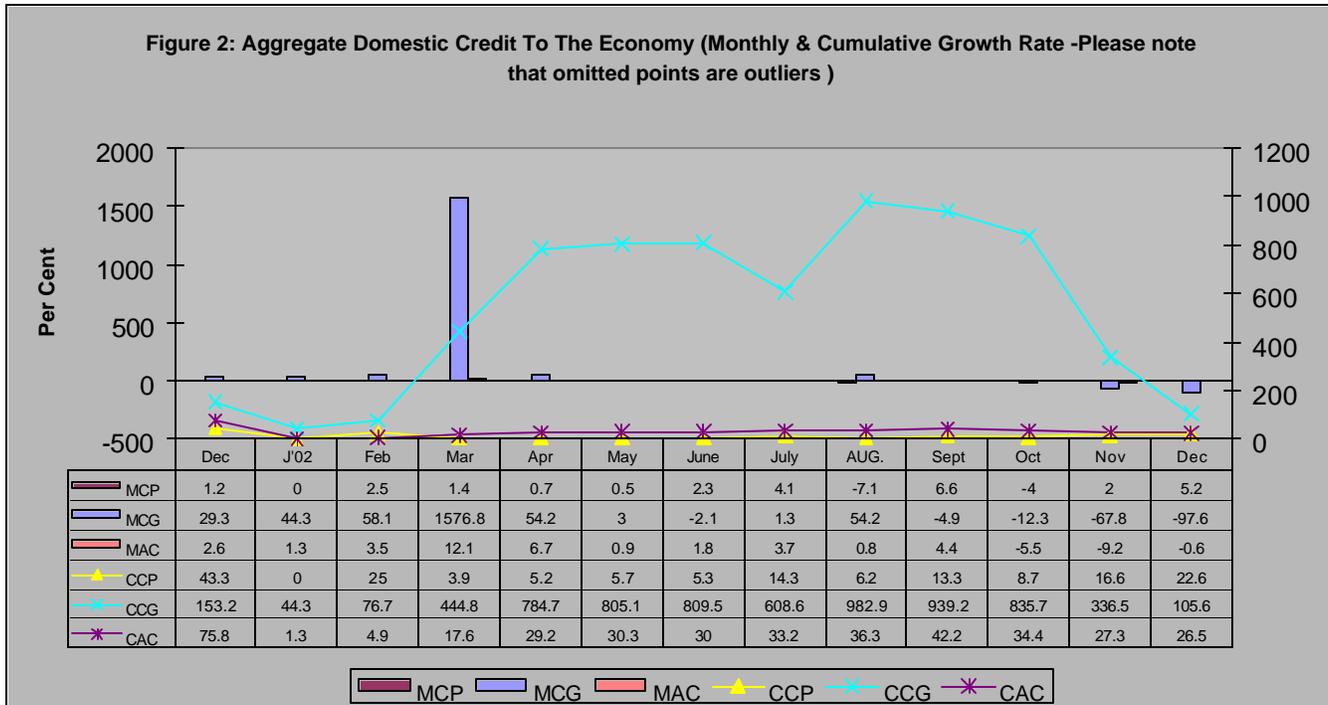
month was attributable to the fall in net credit to the Federal Government. During the year, however, aggregate bank claims on the domestic economy rose by ₦219.5 billion or 26.5 per cent, compared with the 57.9 per cent growth target for fiscal 2002 and the 75.8 per cent increase recorded in 2001.

Banking system's claims on the Federal Government (net) fell by ₦58.2 billion or 97.6 per cent during the month, but increased significantly by 105.6 per cent in the twelve-month period. During the year, the Federal Government substantially drew down on its deposits with the CBN, implying further injection of liquidity into the banking system.

Bank credit to the private sector increased by ₦51.4 billion or 5.2 per cent during the month, and expanded sluggishly by 22.6 per cent during the year, compared with the stipulated target of 34.9 per cent for fiscal 2002 and the 43.5 per cent increase recorded in the corresponding period of 2001.

savings and foreign deposits of the banks during the period. During the year, quasi-money recorded a significant increase of ₦208.5 billion or 41.8 per cent.

Other assets (net) of the banking system rose sharply by ₦55.7 billion or 5.6 per cent over the preceding month's level. The increase was traceable to the increase in



At ₦1, 535.5 billion, foreign assets, (net) of the banking system declined by ₦8.7 billion or 0.6 per cent during the review month, in contrast to the increase of ₦44.4 billion or 3.0 per cent in the preceding month. The decline was attributable entirely to the fall in Central bank holding. During the twelve months period, however, the foreign assets (net) of the banking system rose by 7.2 per cent.

Quasi-money rose by ₦25.0 billion or 3.7 per cent to ₦707.6 billion in December 2002, in contrast to a decline of ₦6.4 billion or 0.9 per cent in November. The rise reflected the increases in time,

Central Bank's unclassified assets and decrease in DMB's unclassified liabilities. In the twelve months period, other assets rose by ₦13.3 billion or 1.4 per cent.

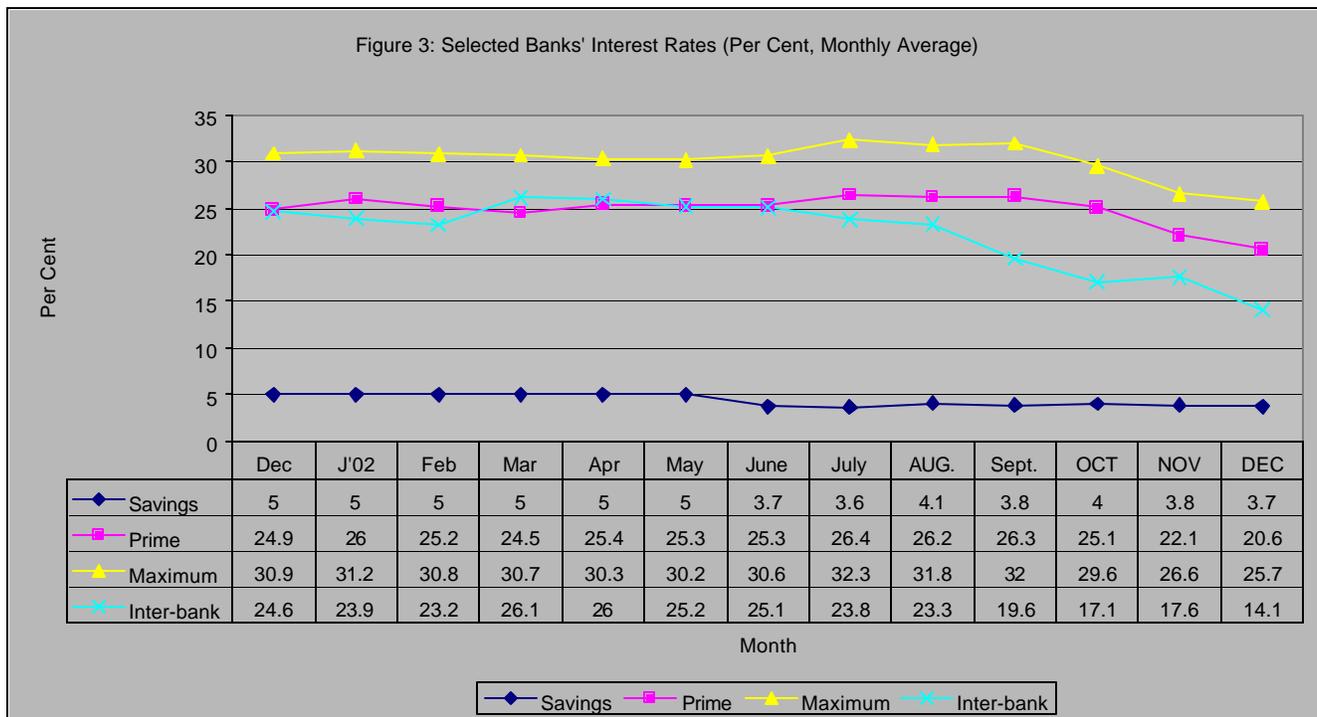
2.2 Currency-in-circulation and Deposits at CBN

At ₦415.9 billion, currency in circulation in December, 2002 increased by ₦6.6 billion or 1.6 per cent and ₦36.1 billion or 9.5 per cent over the levels in the preceding month and corresponding period of 2001, respectively. The increase in the review month was traceable largely to the rise in currency outside the banking system which rose by 1.9 per cent from its level of

N342.4 billion in November 2002 to N349.1 billion in December.

Total deposits at the CBN amounted to ₦969.1 billion, indicating an increase of ₦92.7 billion or 10.6 per cent over its preceding month's level, but a decline of ₦39.8 billion or 3.9 per cent from the level

deposit rate, fell by 0.1 percentage point to 3.7 per cent in the review month, while other rates on deposits of various maturities which ranged 8.9-16.6 per cent in November, declined to a range of 8.8-14.4 per cent in December. The average prime and maximum lending rates, also declined by 1.5 and 0.9 percentage points to 20.6 and 25.7



in the corresponding period a year earlier. The development during the month was attributable to the increases of 17.9 and 14.5 per cent in deposits by private sector and Federal Government, respectively. This was, however, moderated by a decline of 10.2 per cent in deposits by banks during the month. The shares of the Federal Government, bankers and "others" in total deposits at the CBN were 65.9, 19.3 and 14.8 per cent, respectively, compared with 63.6, 18.1 and 18.3 per cent in November 2002.

2.3 Interest Rate Developments

Available data indicated that banks' interest rate movements in December 2002 trended downward. The average savings

per cent, respectively during the period. Consequently, the spread between banks' average weighted deposit and maximum lending rates was 12.9 percentage points, while the margin between the average savings deposit and maximum lending rates stood at 22.0 percentage points, down from 22.8 per cent in November 2002.

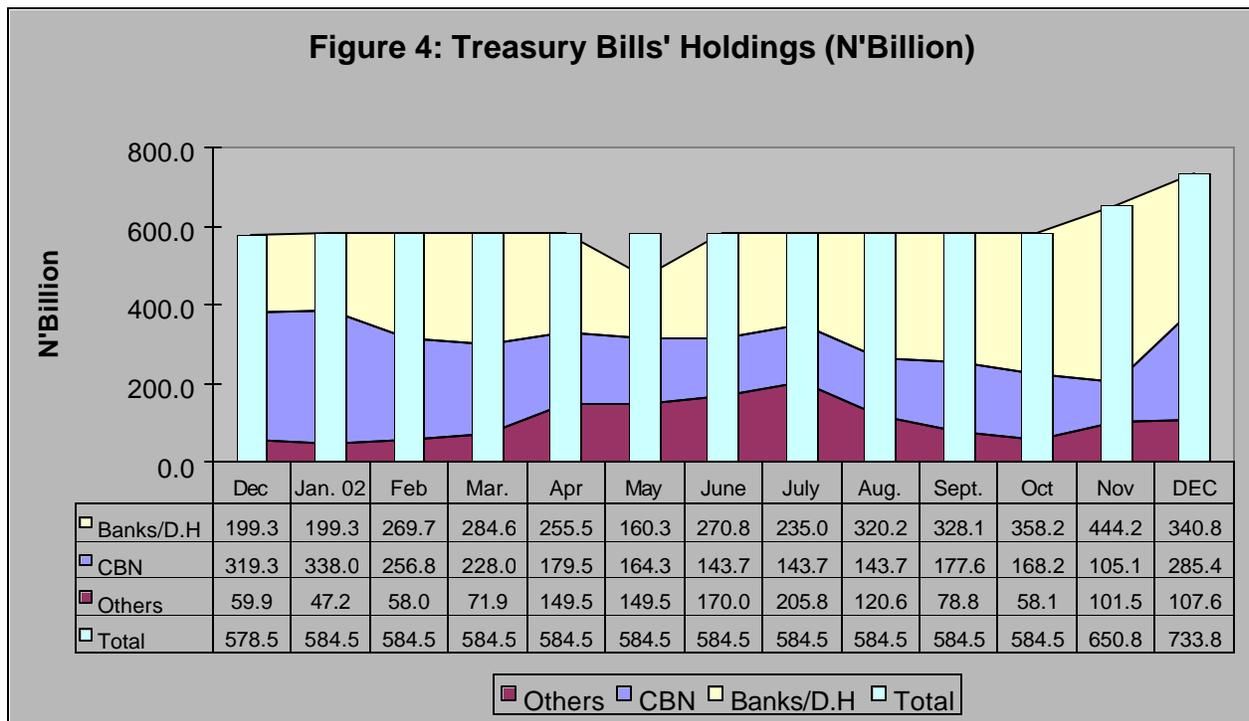
The average inter-bank call rate which stood at 17.6 per cent in November 2002, fell to 14.1 per cent in the review month. The observed decline was attributable to liquidity surfeit in the banking system, induced mainly by the payment of JVC cash calls to multinational oil companies during the period under review.

2.4 Money Market Developments

Available data indicated that money market instruments outstanding as at end-December 2002 rose by ₦89.0 billion or 12.2 per cent to ₦815.9 billion, compared with an increase of ₦76.2 billion in the preceding month. The rise reflected the new issues of new treasury bills worth ₦83.0 billion during the review month as well as the increases of ₦4.5 billion or 11.8 per cent and ₦1.5 billion or 4.2 per cent in the levels

month. Of the total amount issued during the month, including the roll over, deposit money banks (DMBs) and discount houses subscribed ₦160.6 billion or 55.3 per cent, while “other” investors, accounted for ₦62.5 billion or 21.5 per cent. The balance of 67.5 billion or 23.2 per cent was absorbed by the CBN.

Analysis of outstanding treasury bills holding showed that deposit money banks and discount houses together accounted for



of Bankers' Acceptances (BAs) and Commercial Papers (CPs), respectively. The level of Eligible Development Stocks (EDS) outstanding remained unchanged at the preceding month's level of ₦2.4 billion, while Treasury bills outstanding rose to ₦733.8 billion.

Treasury bills worth ₦207.7 billion were re-issued in December in December 2002 to replace matured bills of the same value, compared with ₦77.9 billion issued in the preceding month, while a total of ₦83.0 billion of new issues was made during the

₦340.8 billion or 46.4 per cent of the total, while holding by “other” investors amounted to ₦107.6 or 14.7 per cent, compared with ₦101.5 billion in the preceding month. Central Bank's holding rose from ₦105.1 billion in November 2002 to ₦285.4 billion in December, constituting 38.9 per cent of the total.

2.5 Capital Market Developments

Transactions on the Nigerian Stock Exchange (NSE) in December 2002, recorded improved performance, as all

market indicators showed upward trends. A total of 622.1 million securities were traded during the period, representing increases of 86.1 and 24.0 per cent over the levels in the preceding month and corresponding period of 2001, respectively. At ₦5.7 billion, the value also indicated an increase of 111.1 and 46.2 per cent over the levels in the preceding month, and corresponding period of 2001. As in the preceding month, trading in equities dominated the market with the banking sub-sector remaining the most active.

The new-issues market recorded transactions worth ₦68.8 billion, raised from the market during the twelve-month period. Market capitalisation of listed securities rose from ₦648.1 billion to ₦747.6 billion, representing an increase of 15.4 per cent. The observed increase reflected largely the significant rise in the prices of highly capitalized stocks on the exchange. The value index, which stood at 10,897.4 at end-December 2001, closed at 12,137.7 at the end of 2002, indicating an increase of 11.4 per cent.

2.6 Deposit Money Banks' Activities

Total assets/liabilities of Deposit Money Banks (DMBs) amounted to ₦2,705.7 billion in December, 2002, representing increases of ₦73.5 billion or 2.8 per cent and ₦538.5 billion or 24.8 per cent over the levels in the preceding month and end-December 2001, respectively. Funds were sourced mainly from the increases in unclassified liabilities, while the major uses of funds included the settlement of deposit liabilities.

Aggregate credit to the domestic economy by DMBs at the end-December 2002 amounted to ₦1,302.2 billion, indicating increases of ₦125.1 billion or

10.6 per cent and ₦357.6 billion or 37.9 per cent over the levels in the preceding month and end-December, 2001, respectively.

The breakdown showed that credit to the private sector rose by ₦3.1 billion or 0.3 per cent to ₦931.1 billion, while credit to state and local governments rose by ₦1.9 billion or 12.4 per cent. Net credit to the Federal Government increased by ₦120.2 billion or 51.4 per cent, following the significant decline in federal government's deposits with the banks.

Central bank's credit to the banks amounted to ₦22.2 billion, representing increases of ₦11.0 billion or 98.4 per cent and ₦3.4 billion or 23.2 per cent, over the levels in the preceding month and end-December, 2001, respectively. The rise reflected largely the increase in overdraft facilities granted to the banks during the review period.

Total specified liquid assets of the deposit money banks stood at ₦739.5 billion or 58.2 per cent of their total deposit liabilities. This level of assets was 4.6 and 18.2 percentage points above the preceding month's level and the stipulated minimum ratio of 40.0 per cent for fiscal 2002, respectively.

2.7 Discount Houses

Total assets/liabilities of discount houses amounted to ₦57.3 billion in December 2002, representing increases of ₦7.2 billion or 14.7 per cent and ₦24.9 billion or 77.1 per cent over the levels in the preceding month and end-December 2001.

Discount houses' investments in Federal Government securities of less than 91 days maturity stood at ₦32.8 billion, representing 75.0 per cent of their total deposit liabilities. This was 12.8 percentage

points below the level in the preceding month, but 15.0 percentage points above the prescribed minimum of 60.0 per cent for fiscal 2002.

Total borrowings amounted to ₦18.5 billion, while capital and reserves was ₦6.5 billion, resulting in a gearing ratio of 3:1, compared with the prescribed ratio of 50:1 for fiscal 2002.

3.0 DOMESTIC ECONOMIC CONDITIONS

The dominant agricultural activities during the month included grain processing, dry season vegetable farming as well as routine maintenance of storage facilities for tubers in various parts of the country. Crude oil output rose by 0.5 per cent over the preceding month's level, while inflationary rate was 12.9 per cent.

3.1 Agricultural Sector

Major agricultural activities in December 2002 consisted of grain processing and dry season vegetable farming in the northern states, while farmers concentrated on routine maintenance of storage facilities for tubers in the southern states. In the livestock and fishing sub-sectors, farmers intensified the production of poultry products and fish all over the country.

The prices of Nigeria's major agricultural commodities at the London commodity market indicated a downward trend during the month. At 100.1 (1985 = 100), the all-commodities price index, in dollar terms, declined by 8.2 per cent from the level in the preceding month, but rose by 78.4 per cent over the level in the corresponding period a year earlier. In naira terms, the index at 10,798.6 (1985=100),

also fell by 15.0 per cent from the preceding month's level, but rose by 89.0 per cent over the level in the corresponding month of 2001. The development was attributable to the increase in supply relative to demand.

Of the six commodities monitored during the month, cocoa and coffee recorded price increases of 10.4 and 3.2 per cent, respectively, in dollar terms, over their levels in the preceding month, while soya beans, cotton, palm oil and copra recorded price declines of 14.6, 6.6, 4.7 and 3.2 per cent, respectively. When compared with their levels a year earlier, all the commodities recorded varying degrees of price increases ranging from 6.1 per cent for coffee to 87.6 per cent for cocoa.

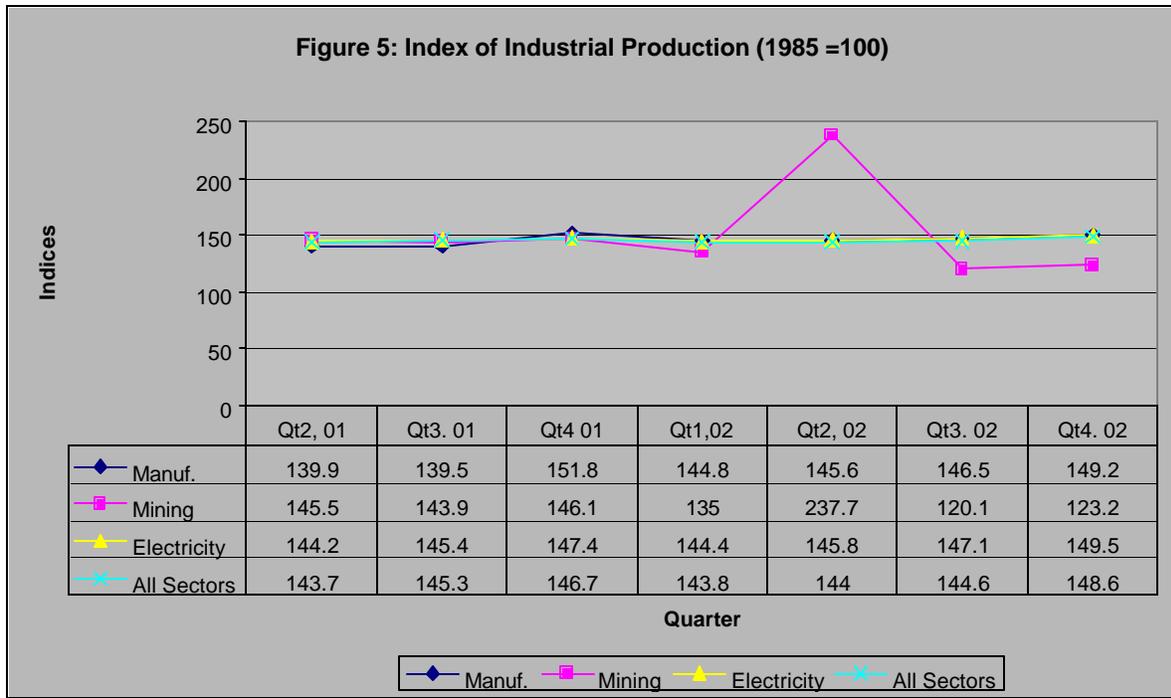
In naira terms, only cocoa recorded a price decline of 18.2 per cent from the preceding month's level, while soyabean, cotton, coffee, palm oil and copra recorded price increases of 18.1, 6.6, 4.9, 4.4 and 4.2 per cent, respectively. However, when compared with their levels in the corresponding month of 2001, all the commodities recorded varying degrees of price increases, ranging from 44.5 per cent for cotton to 98.4 per cent for cocoa.

3.2 Industrial Production

Activities in the industrial sector during the fourth quarter of 2002 indicated an improvement over the levels in the preceding quarter and corresponding quarter of 2001. At 148.6 (1985=100), the estimated index of industrial production rose by 2.7 and 2.8 per cent over the levels recorded in the preceding quarter and corresponding quarter of 2001, respectively. The development reflected increases of 1.8, 2.6 and 1.6 per cent in manufacturing, mining production and electricity consumption, respectively.

The estimated index of manufacturing production, at 148.9 (1985=100), rose by 1.6 and 2.9 per cent

increase in the review quarter was attributable mainly to the cassiterite, columbite, coal and limestone components,



over the levels in the preceding quarter and corresponding quarter of 2001. The rise was accounted for by the relative improvement in infrastructural facilities as well as the disposable incomes of workers. Ten out of the 13 sub-groups in the sub-sector namely: beer and stout; roofing sheets; sugar confectionary; cement; footwear; refined petroleum; radio & television; paints; vehicle assembly; and soap and detergent recorded increases over the preceding quarter's levels, ranging from 1.5 per cent for soap and detergent to 10.1 per cent for beer and stout. The remaining three sub-groups: cotton textiles; soft drinks; and synthetic fabrics recorded declines of 40.1, 3.9 and 1.1 percent, respectively.

The index of mining production at 123.2 (1985=100), rose by 2.6 per cent over the level in the preceding quarter, but declined by 14.4 per cent from the level in the corresponding quarter of 2001. The

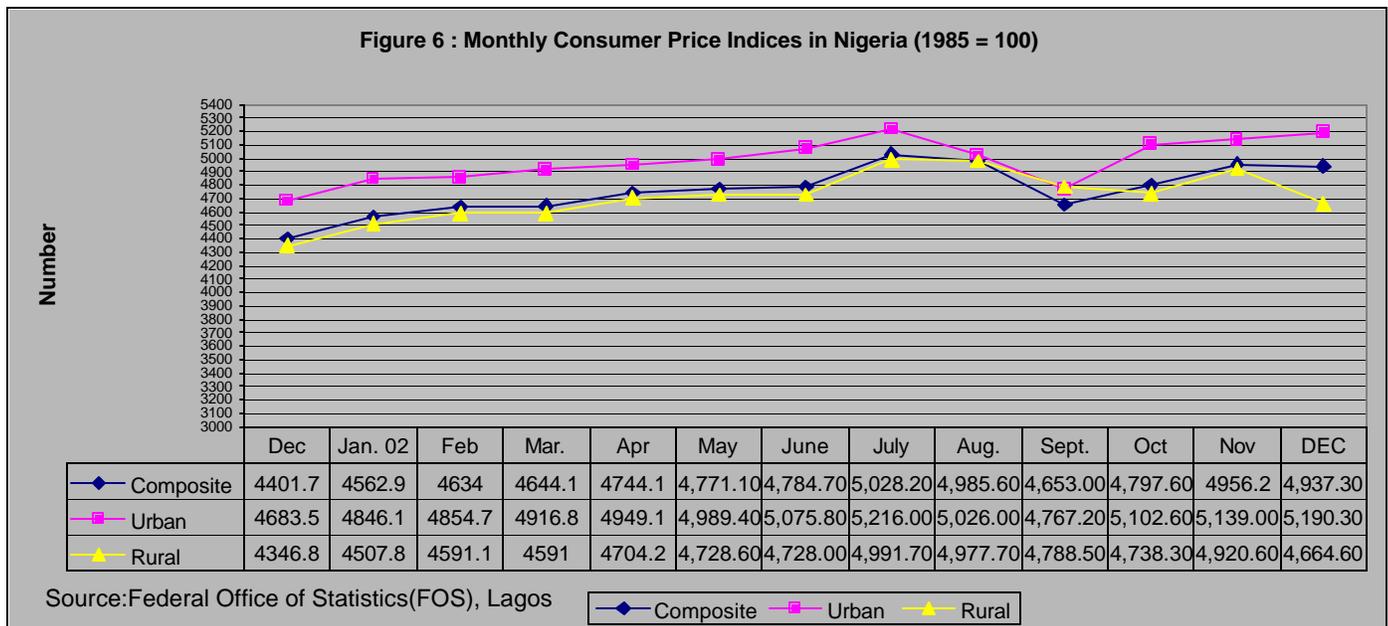
which rose by 2.6, 2.3, 7.1 and 20.0 percent, respectively.

At 2,273,386Kwh, estimated aggregate electricity consumption increased by 1.6 and 0.3 per cent over the levels in the preceding quarter and corresponding quarter of 2001. Of the total consumption, residential consumption accounted for 51.4 per cent, while commercial and streetlight as well as industrial consumption accounted for 26.7 and 21.9 per cent, respectively. The rise was attributable to the current rehabilitation of the generation, transmission and distribution facilities in the sub-sector.

3.3 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 2.03 million barrels per day (mbd) or 62.93 million barrels for the month of December 2002, indicating an increase of 0.5 per cent over the preceding month's level of 2.02 million barrels per day (mbd). The rise in output was attributable largely to production from shell's new oil fields. The share of the country's production in total OPEC's output was 7.3 per cent, compared with 6.7 per cent in the preceding month. Following the rise in production, Crude oil exports were estimated at 1.58 million barrels per day (mbd) or 48.98 million barrels for the month, showing an increase of 0.6 per cent over the level in

for heating oil due to severe winter in the Northern Hemisphere. The average price of Nigeria's reference crude, the Bonny Light (37°API) at \$28.38 a barrel, indicated a rise of 15.8 per cent over its level in November, 2002, in the spot market. Similarly, the average prices of other competing brands of crude, namely the UK Brent, and West Texas Intermediate (WTI) rose from \$24.37 and \$26.42 a barrel, in November 2002, to \$27.89 and \$29.05 a barrel, respectively. In the European net-back market, the Bonny Light was sold for \$31.76 a barrel, indicating an increase of 11.9 per cent over the average price in November, 2002, while the U.K. Brent, and the WTI were sold for \$31.21, and \$32.68 a barrel, respectively, as against \$27.57, and \$31.20 a barrel in the preceding month.



November, 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 significant increase over the levels in the preceding month, in both the spot and net-back markets, reflecting largely the high demand

3.4 Consumer Prices

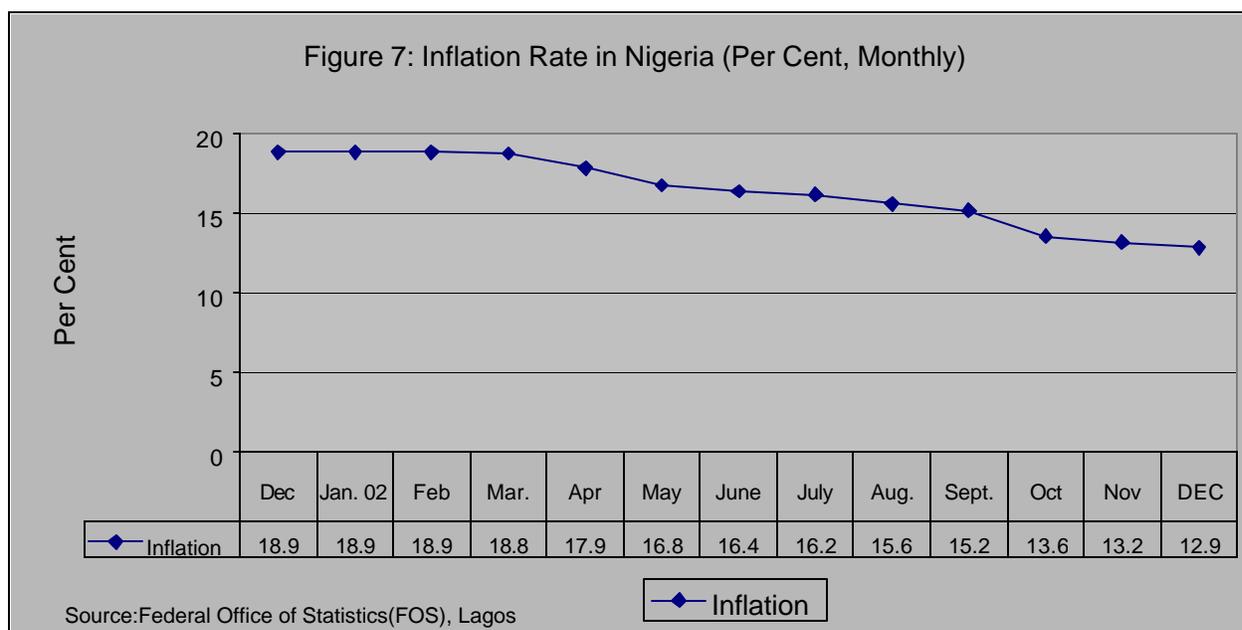
Data from the Federal Office of Statistics (FOS) indicated that the all-items Composite Consumer Price Index (CPI) in December 2002 was 4,937.3 (1985=100), representing a decline of 0.4 per cent from the level in the preceding month but an increase of 12.2 per cent over the level in the

corresponding period of 2001. The development during the month was traceable to the fall in the indices of accommodation, fuel and light; and other services by 4.9 and 0.4 per cent, respectively. The indices of food; clothing and foot wear; household goods; medical care and health expenses; transportation; as well as recreation, entertainment, education and cultural services, however, rose by 0.9, 5.9, 3.1, 3.0, 4.5, and 0.4 percent, while the index of drinks, tobacco and kola remained unchanged at the preceding month's level.

The Urban all-items CPI was 5,190.3 (1985=100), in December, 2002, indicating increases of 1.0 and 10.8 per cent, over the levels in the preceding month and corresponding period of 2001, respectively. Similarly, the rural all-items CPI, at 4,664.6 (1985=100) in December 2002 showed a decline of 5.2 per cent from the level in the preceding month but an increase of 7.3 per cent over the level in the corresponding month of 2001.

the Lagos area and the zonal offices of the Central Bank of Nigeria indicated an increase in the all-items average prices of consumer items in December, 2002 by 0.51 per cent, in contrast to a decline of 0.08 per cent recorded in the preceding month. The rise during the month was traceable to the increases in the indices of staples; meat, fish and eggs; oil and fat; vegetables, fruits and nuts; beverages and drinks; clothing and fabrics; medical; and building materials by 0.14, 0.54, 0.77, 1.14, 0.53, 0.21, 0.44 and 0.82 per cent respectively, while the index of fuel and light recorded a decline of 0.7 per cent for the same period. There were marginal price increases of 0.6, 0.5, 1.2, 0.12 and 0.8 per cent in Bauchi zone, Enugu zone, Kano zone and Lagos area respectively, over the preceding month's level, while the all-items average price in Ibadan zone recorded a marginal decline of 0.03 per cent.

The inflation rate for the twelve-month period ended December 2002 was 12.9 per cent, compared with 13.2 and 18.9



Available information based on the retail price surveys in some locations within

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 dampening effect of good harvests on food prices as well as the improvement in some infrastructural facilities such as energy and telecommunications in the economy during the year.

4.0 EXTERNAL SECTOR DEVELOPMENTS

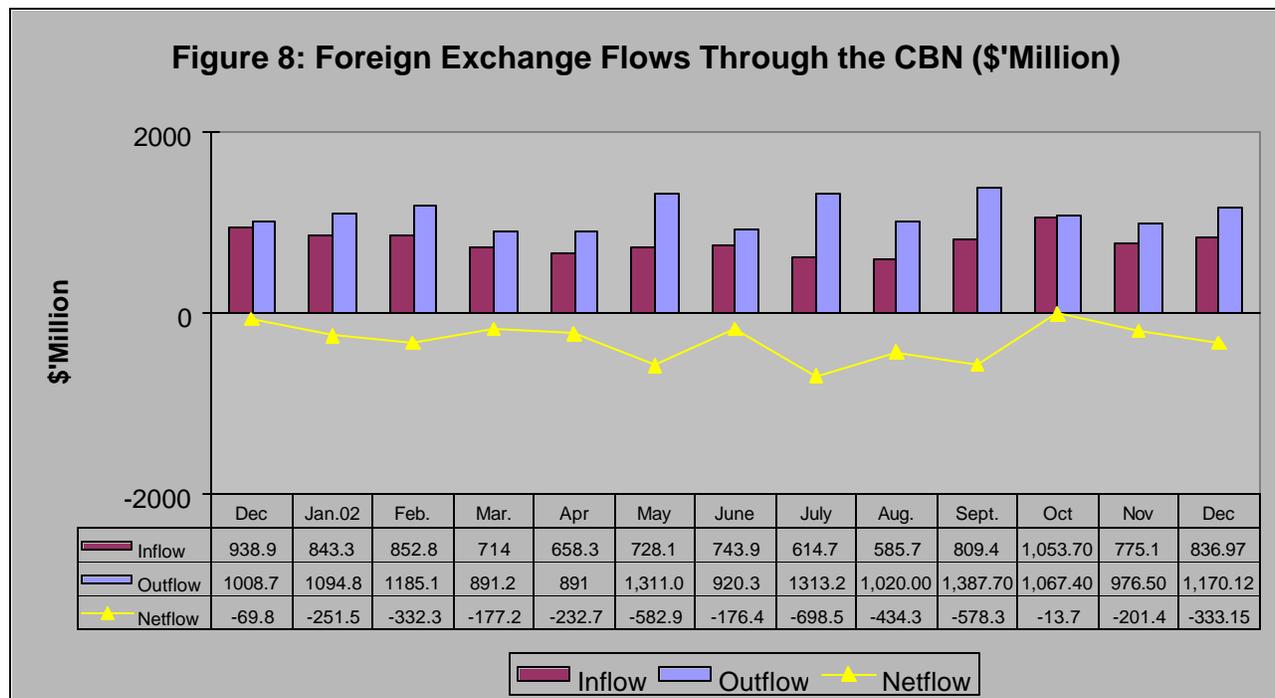
4.1 Foreign Exchange Flows

In December 2002, foreign exchange inflows and outflow through the Central Bank of Nigeria (CBN) amounted to US\$836.97 million and US\$1,170.12 million, respectively, showing a net outflow of US\$333.15 million. Inflow and outflow rose by 8.0 and 20.0 per cent, respectively, compared with their levels of US\$775.10 million and US\$976.47 million in November, 2002. The rise in inflow was

per cent, respectively. At US\$9,480.87 million and US\$13,050.59 million, cumulative inflow and outflow through the CBN from January to December 2002 were 39.7 and 11.1 per cent lower than their respective levels in the corresponding period of 2001.

Available data on foreign exchange flows through the economy indicated that total inflow rose by 5.8 per cent over the level in the preceding month to US\$1,297.72 million in December, 2002. Of the total inflow, oil receipts amounted to US\$769.18 million or 59.3 per cent, while receipts through autonomous sources stood at US\$460.75 million or 35.5 per cent of the total.

At US\$1,216.36 million, aggregate foreign exchange outflow from the economy indicated an increase of 19.7 per cent following the significant increases in the funding of the foreign exchange market and



traceable to increases in oil export earnings and other official receipts by 4.7 and 28.0

“other official payments”, especially NNPC/JVC cash calls which rose from

US\$558.76 million and US\$116.00 million in November, 2002 to US\$620.42 million and US\$257.01 million, respectively, during the review month. Drawings on L/Cs also rose from US\$8.50 million to US\$23.71 million. Disbursements in respect of international organizations and embassies, however, fell sharply from US\$41.30 million to US\$0.60 million in December 2002. The cumulative inflow and outflow through the economy during the twelve-month period amounted to US\$14,790.67 million and US\$13,666.32 million, respectively, compared with US\$19,344.60 million and US\$15,673.60 million in the corresponding period of 2001.

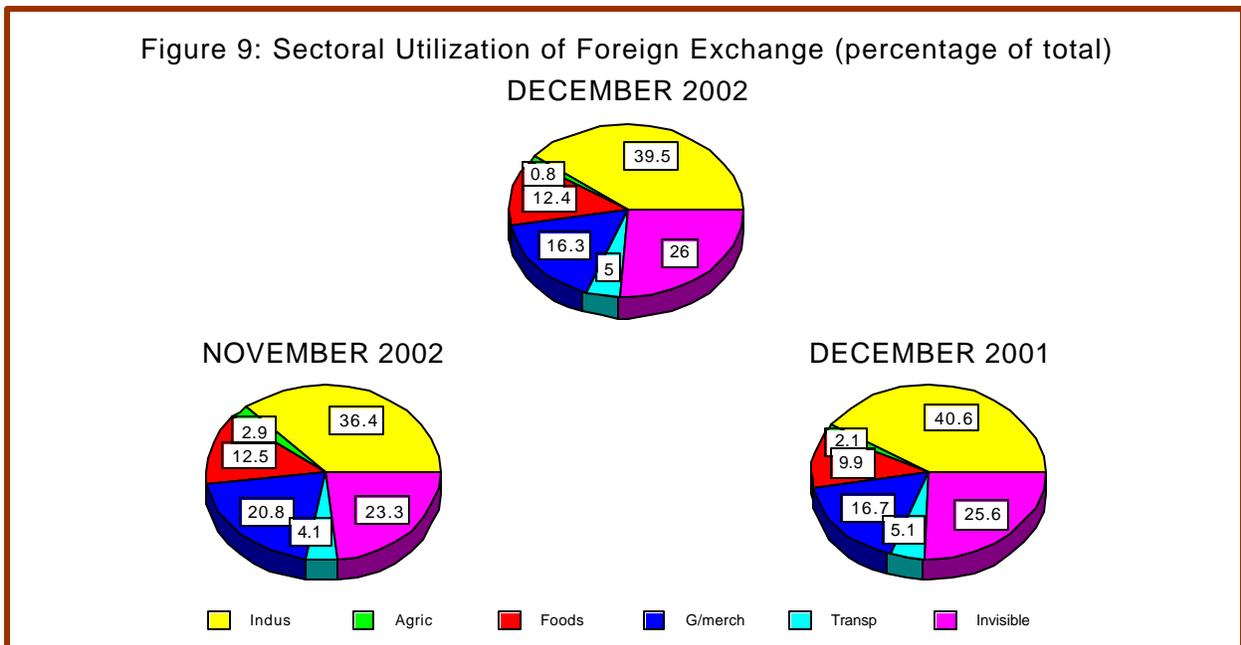
4.2 Sectoral Utilisation of Foreign Exchange

As in the past, the industrial sector accounted for the bulk (39.5 per cent) of total foreign exchange disbursed in December 2002, followed by invisibles

food, transportation, and agricultural products (Fig 9).

4.3 Foreign Exchange Market Developments

The demand pressure in the foreign exchange market (FEM) intensified in December 2002, in contrast to the developments in the preceding month. A total of US\$620.42 million was sold to end-users through the authorized dealers, compared with US\$558.8 million in the preceding month. The weighted average exchange rate of the naira vis-à-vis the US dollar depreciated by 0.04 percent from ₦127.03 per US\$1.0 in November 2002 to ₦127.08 per dollar in December. Similarly, the rates in the parallel market and the bureaux de change depreciated from ₦138.00 and ₦138.50 per dollar to ₦138.78 and ₦139.22 per dollar, respectively, during the same period. Overall, the premium between the official and parallel market



which had 26.0 per cent of the total. Other beneficiary sectors, in a descending order of importance, included: general merchandise,

rates narrowed to 8.76 per cent in December from 9.42 per cent recorded in November 2002.

4.4 External Reserves

Nigeria's gross external reserves, at end-December, 2002 amounted to \$7,725.24 million, representing a decline of 0.2 per cent from the preceding month's level of US\$7,737.0 million. At current foreign exchange commitments, the reserves could finance about 6.4 months of imports, compared with 7.5 months in the preceding month.

5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output, at 75.75 millions barrels per day (mbd) fell by 2.7 per cent in December, 2002, from the preceding month's level of 77.83 mbd, while estimated demand exceeded supply by 1.8 mbd, compared with an excess demand of 0.48 mbd recorded in November, 2002.

Other major international economic developments of relevance to the domestic economy during the month included: the 29th meeting of the committee of Governors of ECOWAS Central Banks held in Dakar, Senegal on 12th December, 2002. The Committee considered the report of its Technical Committee, the work programme of the West African Monetary Agency (WAMA) as well as the budget for its operations in 2003. After extensive deliberations, the following proposals were adopted by the committee.

- The need for cooperation between the ECOWAS secretariat and WAMA in order to strengthen the operation of the multilateral surveillance mechanism. Both institutions were directed to meet before end-march 2003 to define the modalities for such cooperation.
- WAMA to collaborate with ECOWAS, AFRISTAT, WAMI and UEMOA with a view to harmonizing and

improving the quality of macro-economic data in the sub-region in order to enhance their comparability;

- WAMA's proposal for an extension of the date for the introduction of ECOWAS single currency, but advised that the decision was to be made by ECOWAS political Authorities;
- WAMA's work programme for 2003 and associated budget of WAUA 1,129,950 (US\$1,491,534), which showed an increase of 18.73 per cent over the 2002 approved budget.
- The recommendation of the Working Group on the modalities for the transfer of the management of ECOWAS Travellers' Cheques to a private sector operator, and directed WAMA to take all necessary measures to ensure effective transfer by end-June 2003.
- The recommendations of the External Auditors and the Financial Statement of Accounts of WAMA as at 31st December, 2001 and mandated the governor, Bank of Sierra Leone to closely examine any problems raised by the Auditors and inform other member Governors about them within three months.
- Appointment of Mr. Yacouba Nabassoua, a senior staff of the BCEAO, as Director General of WAMA for a term of four years; and
- Re-election of Mr. J. S. Koroma, Governor, Bank of Sierra Leone, as the Chairman of the Committee of Governors for a second term instead of the usual one year term.

In a related development, the 11th meeting of the Board of Governors of WAIFEM was held in Dakar, Senegal on 12th December 2002. The Board of Governors considered the Report of the 14th meeting of its Technical Committee, and approved the Training and Capacity

Building Programme and its budget for 2003.

The following proposals were also adopted by the committee:

- The report of its 10th meeting, held in London on September 22nd, 2002
- The memorandum of understanding (MOU) being negotiated with the U.K. Department for international Development (DFID) for funding Nigeria's participation in HIPC capacity building programmes;
- On-going consultations with the Guinean Authorities for the membership of Guinea in WAIFEM;
- WAIFEM to ensure that certificates were issued for its investment in U.S. Treasury Bills and interest payments credited to its account;
- The programme, Executive Forum for Ministers of Finance and Governors of Central Banks should be suspended to avoid duplication with the Forum of Finance Ministers of the West African Monetary Zone; and that money earmarked for Executive Forum Programme should be transferred to the fund of the institute;
- Approval of year 2003 work programme of the institute, comprising 23 training and 11 capacity building programmes in order to meet specific needs of user Institutions;
- Approval of year 2003 budget of the Institute amounting to US\$2,431,253.40, with an increase of 4.14 per cent over the approved budget of US\$2,330,464.00 in 2002.

Finally, the 7th meeting of the Committee of Governors of WAMZ member Central Banks was held in Dakar, Senegal on 12th December 2002 to consider and approve the Work Programme and the budget of the West

African Monetary Institute (WAMI) for 2003.

The committee considered and adopted the following proposals;

- A budget of \$3,434,177.0, representing an increase of 23.0 per cent over the budget of the previous year was approved for the activities of WAMI in 2003.
- The contributions to the budget of WAMI for 2003 by member central banks would be shared in accordance with the ECOWAS budgetary allocation formula. This would translate to US\$2,074,234 or 60.4 per cent of budgetary contribution by Nigeria;
- Three experienced economists with strong background in statistics and a secretary would be recruited by WAMI to support its work programme for 2003;
- The framework for the forum of Finance Ministers was endorsed. The Forum is intended to focus on addressing the problem of fiscal dominance and ensuring that the WAMZ convergence criteria are taken into account when drawing up and implementing national budgets. The maiden forum would be held in Abuja in March 2003.