ECONOMIC REPORT FOR THE MONTH OF MARCH 2003

1.0 SUMMARY

Available data indicated increases in monetary aggregates in March 2003. Broad money stock (M_2) and narrow money (M_1) recorded increases of 0.9 and 0.7 per cent, compared with increases of 1.9 and 2.3 per cent in the preceding month, and 18.0 and 1.9 per cent in the corresponding period of 2002, respectively. The development during the review month was attributable to the increases in aggregate bank credit and foreign assets (net) of the banking system. Aggregate bank credit to the domestic economy rose by 1.9 per cent, during the month and by 10.8 per cent in the first three months of the year, implying an annualized growth rate of 43.2 per cent, compared with the 25.7 per cent growth target for fiscal 2003.

Banks interest rate developments were mixed during the month under review. The spread between banks' weighted average deposit and maximum lending rates was 8.6 percentage points, while the margin between the average savings deposit and maximum lending rates was 16.6 percentage points. The average inter-bank call rate which stood at 15.3 per cent in February, declined to 11.5 per cent reflecting the liquidity surfeit in the banking system during the review period.

At end-March 2003, the value of money market assets outstanding rose by 0.3 per cent, reflecting the respective increases of 3.3 and 4.3 per cent in Bankers' Acceptances (BAs) and Commercial Papers (CPs). Nigerian Treasury Bills (NTBs) worth ₦290.6 billion were issued to replace maturing bills of the same value. Activities on the Nigerian Stock Exchange (NSE) were mixed during the month as the volume and value increased, while market capitalization and value index declined.

The major agricultural activities during the month consisted of planting of early maturing crops in the coastal areas following early rains recorded in those areas, while harvesting of irrigated crops such as onions, carrots and tomatoes dominated the activities in the northern part of the country. The price index of Nigeria's major agricultural commodities at the London Commodity Market declined by 0.8 per cent from the level in the preceding month, but rose by 51.5 per cent over the level a year earlier. The inflation rate estimated at 11.5 per cent, rose marginally by 0.1 percentage point from the preceding month's level of 11.4 per cent. Crude oil output declined by 23.3 per cent, compared with the preceding month's level of 2.15 million barrels per day. Deliveries of crude oil to the refineries for domestic consumption, however, remained at 0.45 million barrels per day or 13.95 barrels for the month. The average price of Nigeria's reference crude, the Bonny Light (37^0 API) declined by 5.5 per cent from its level in February to $31.09 per barrel during the month.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to $1,402.84 million and $1,005.29 million, respectively, indicating a net inflow of $397.55 million. Foreign Exchange sales to authorized dealers by CBN amounted to $708.09 million,

compared with $747.73 million in the preceding month. The weighted average exchange rate of the naira vis-à-vis the U.S dollar appreciated by 0.08 per cent from ₦127.79 per dollar in February to ₦127.69 per dollar in March. Nigeria's gross external reserves rose by 7.1 per cent to $8,199.09 million at end-March, 2003.

On the international scene, total world oil output fell by 1.7 per cent from the preceding month's level, while demand exceeded supply by 1.40 million barrels per day. Other major international economic developments of relevance to the domestic economy during the month were: the meeting of a Special Africa Group I Constituency (in the Bretton Woods Institutions-BWIs) held in Dar es salam, Tanzania to consider a joint report by the Group's Executive Directors (EDs) on "enhancing the efficiency/effectiveness of the Constituency" and to deliberate on a joint submission by Nigeria and South Africa on "Reform of Constituency Representation". In another development, the first Finance Ministers' Forum of the West African Monetary Zone (WAMZ) was held in Abuja, Nigeria in March 2003 to examine how best to address the fiscal policy issues in the zone in a co-ordinated manner that would reduce fiscal dominance and facilitate the achievement of macroeconomic convergence of member states. Also, the African Business Round Table (ABR) in collaboration with the United Nations Industrial Development Organisation (UNIDO) and the Economic Community of West African States (ECOWAS) organized a forum in Abuja in March 2003 to mobilize and sensitize the private sector and civil society towards participating actively in the implementation of the NEPAD Plan of Action. In addition, the President of the Federal Republic of Nigeria led Nigeria's delegation to the 2nd session of Nigeria-Algeria Bi-National Commission in Algiers, in March 2003 to review all existing bilateral co-operation agreements between both countries. Finally, Nigeria signed a Bilateral Debt Rescheduling Agreement with the United Kingdom (U.K) in March 2003 to cover its indebtedness of ₦724.0 billion ($5.8 billion) to the U.K. The rescheduling agreement provided for a repayment period of 18 years, with a three-year moratorium period, at 4.6 per cent per annum for the first six years. Thereafter, the interest rate would be reviewed every six years.

2.0 FINANCIAL SECTOR DEVELOPMENTS

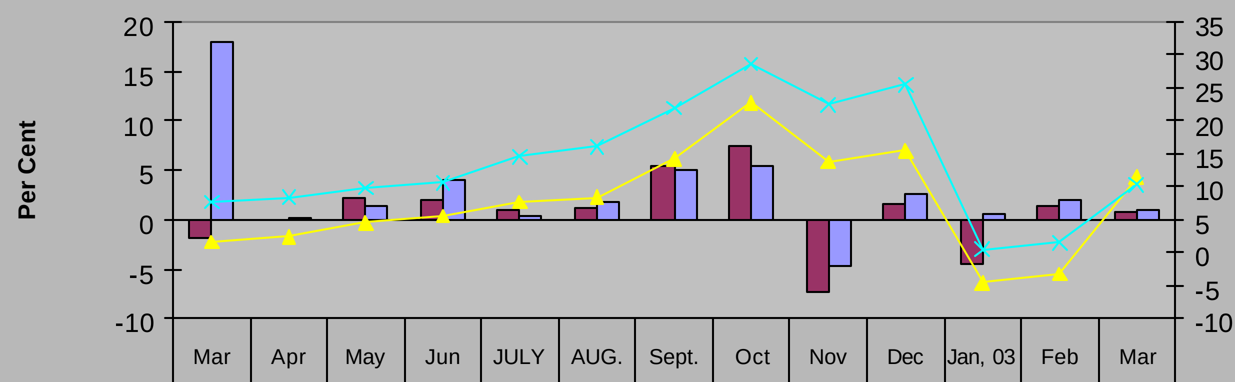
Money supply increased further in March 2003. Both interest rate movements and major stock market indicators showed mixed developments during the month. The liquidity situation in the banking system continued to influence developments in the money market.

2.1 Monetary and Credit Developments

Broad money supply (M_2) rose by ₦16.1 billion or 0.9 per cent to ₦1,764.9 billion, compared with the increases of 1.9 and 18.0 per cent recorded in the preceding month and corresponding period of 2002, respectively. The rise reflected the increase in both narrow money supply (M_1) and quasi-money which rose by 0.7 per cent and 1.2 per cent to ₦1,054.4 billion and ₦710.5

billion, respectively. The rise in M_1 was influenced by increases in aggregate domestic credit and foreign assets (net) of the banking system. In the first quarter of the year, M_2 grew by 10.3 per cent, implying an annualized growth rate of 41.2 per cent, compared with the 15.0 per cent growth target for fiscal 2003 (fig 1).

Figure 1 : Aggregate Money Supply in Nigeria (Monthly & Cumulative Growth Rate in Per cent)



	Mar	Apr	May	Jun	JULY	AUG.	Sept.	Oct	Nov	Dec	Jan, 03	Feb	Mar
MM1	-1.9	0.04	2.1	2	0.9	1.1	5.5	7.4	-7.4	1.6	-4.6	1.4	0.7
MM2	18	0.2	1.3	4.1	0.4	1.7	5	5.4	-4.8	2.5	0.5	1.9	0.9
CM1	1.6	2.4	4.5	5.5	7.7	8.3	14.3	22.8	13.7	15.5	-4.6	-3.3	11.4
CM2	7.7	8.4	9.8	10.6	14.6	16.1	22	28.6	22.4	25.5	0.5	1.5	10.3

Aggregate bank credit (net) to the domestic economy rose by 1.9 per cent to ₦1,473.0 billion in March 2003 and by 10.8 per cent in the first three months of the year, implying an annualized growth rate of 43.2 per cent, compared with the 25.7 per cent growth target for fiscal 2003. The rise reflected the increase in claims on both the private sector and Federal Government, with the latter accounting for 65.1 per cent of the total increase.

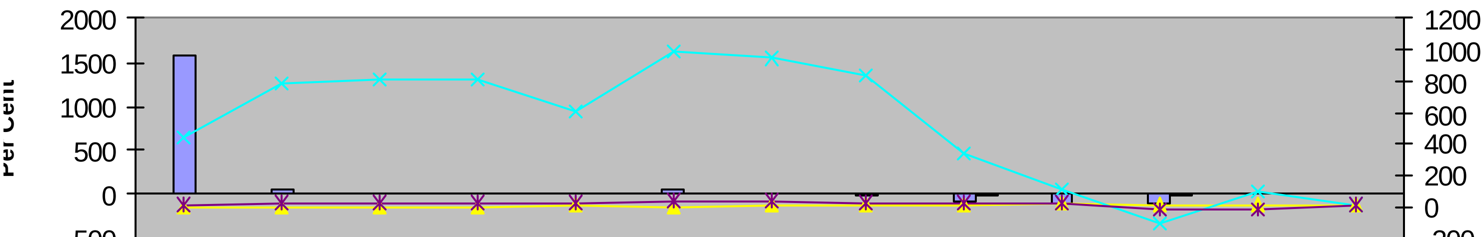
Banking system's net claims on the Federal Government rose by ₦17.6 billion or 4.3 per cent in March, compared with the increase of ₦58.5 billion or 16.8 in the preceding month. The increase in the review month was attributable to increase in both the CBN and deposit money banks' claims. In the first three months of the year, net claims on government rose by 13.6, following the reduction in its deposits with the CBN as well as the increase in its indebtedness to the deposit money banks.

Private sector credit rose by ₦9.5 billion or 0.9 per cent to ₦1,048.3 billion in March 2003, reflecting largely the increase in deposit money banks' claims on the sector. In the first three months of the year, private sector credit grew by 9.7 per cent, implying an annualized growth rate of 38.8 per cent, compared with the 32.3 per cent growth target for fiscal 2003.

At ₦1,488.3 billion, foreign assets (net) of the banking system rose by ₦138.4

billion or 10.3 per cent, compared with the increase of ₦173.1 billion or 14.7 per cent in the preceding month. The rise during the month was attributable to the increase in Central Bank foreign assets (net). In the first three months of the year, foreign assets (net) of the banking system rose by ₦101.1 billion or 7.3 per cent, in contrast to the decline of 1.5 per cent in the corresponding period of 2002.

Figure 2: Aggregate Domestic Credit To The Economy (Monthly & Cumulative Growth Rate -Please note that omitted points are outliers)



	Mar	Apr	May	June	July	AUG.	Sept	Oct	Nov	Dec	Jan-03	Feb	Mar
MCP	1.4	0.7	0.5	2.3	4.1	-7.1	6.6	-4	2	5.2	10.4	0.7	0.9
MCG	1576.8	54.2	3	-2.1	1.3	54.2	-4.9	-12.3	-67.8	-97.6	-99.2	16.8	4.3
MAC	12.1	6.7	0.9	1.8	3.7	0.8	4.4	-5.5	-9.2	-0.6	-7.6	4.8	1.9
CCP	3.9	5.2	5.7	5.3	14.3	6.2	13.3	8.7	16.6	22.6	10.4	11.4	9.7
CCG	444.8	784.7	805.1	809.5	608.6	982.9	939.2	835.7	336.5	105.6	-99.2	98.4	13.6
CAC	17.6	29.2	30.3	30	33.2	36.3	42.2	34.4	27.3	26.5	-7.6	-6.7	10.8

MCP MCG MAC CCP CCG CAC

Quasi-money rose by ₦8.4 billion or 1.2 per cent to ₦710.5 billion in March, 2003. The increase reflected the rise in time, savings and foreign currency deposits of the deposit money banks (DMBs) during the period. In the first three months of the year, quasi-money increased by ₦57.3 billion or 8.8 per cent, compared with 3.0 per cent in the corresponding period of 2002.

Other Assets (net) of the banking system declined by ₦149.4 billion or 14.3 per cent in the review month, compared with a decline of ₦207.3 billion or 24.7 per cent in the preceding month. The fall was traceable to the decline in unclassified assets of the deposit money banks and the rise in CBN's unclassified liabilities.

2.2 Currency-in-circulation and Deposits at CBN

At ₦435.1 billion in March 2003, currency in circulation rose marginally by ₦0.4 billion or 0.09 per cent over February 2003 level, but declined by ₦28.1 billion or 6.1 per cent from the end-December 2002 level. The rise during the review month was traceable to the increase in vault-cash as currency held outside the banking system declined by 2.5 per cent during the month.

Total deposits at CBN amounted to ₦802.4 billion, indicating a decline of ₦39.2

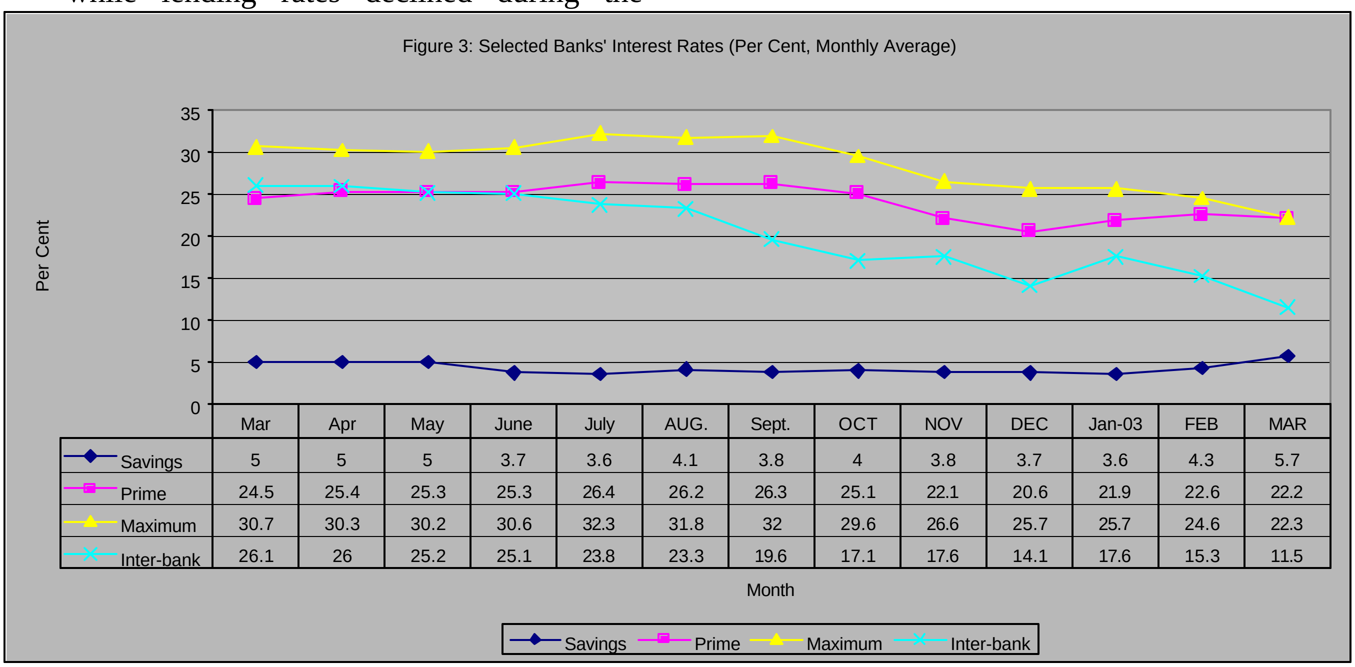
billion or 4.7 per cent from the level in the preceding month, but an increase of ₦45.0 billion or 5.9 per cent over the level at end-December 2002. The fall during the month was attributable to the declines in private sector and Federal Government deposits by 8.0 and 10.0 per cent, respectively. The shares of the Federal Government, banks and "others" in total deposits at the CBN were 61.6, 21.9 and 16.5 per cent, respectively, compared with 65.2, 17.7 and 17.1 per cent in February 2003.

2.3 Interest Rate Developments

Interest rate developments in March 2003 were mixed. Provisional data indicated relative increases in banks' deposit rates, while lending rates declined during the month. The average savings deposit rate rose by 1.4 percentage points to 5.7 per cent, while other rates on deposits of various maturities increased from a range of 8.0 – 13.9 per cent in February to a range of 8.5 – 15.2 per cent in the review month. The average prime and maximum lending rates, however, fell to 22.2 and 22.3 per cent, respectively, from 22.6 and 24.6 per cent in the preceding month. Thus, the spread between the weighted average deposit and maximum lending rates in the review month was 8.6 percentage points, while the margin between the average savings deposit and maximum lending rates stood at 16.6 percentage points.

The average inter-bank call rate which stood at 15.26 per cent in February, fell to 11.52 per cent in the review month, reflecting the liquidity surfeit in the banking system vis-à-vis the rise in deposit rates during the period (fig. 3).

Figure 3: Selected Banks' Interest Rates (Per Cent, Monthly Average)



	Mar	Apr	May	June	July	AUG.	Sept.	OCT	NOV	DEC	Jan-03	FEB	MAR
Savings	5	5	5	3.7	3.6	4.1	3.8	4	3.8	3.7	3.6	4.3	5.7
Prime	24.5	25.4	25.3	25.3	26.4	26.2	26.3	25.1	22.1	20.6	21.9	22.6	22.2
Maximum	30.7	30.3	30.2	30.6	32.3	31.8	32	29.6	26.6	25.7	25.7	24.6	22.3
Inter-bank	26.1	26	25.2	25.1	23.8	23.3	19.6	17.1	17.6	14.1	17.6	15.3	11.5

2.4 Money Market Developments

Provisional data indicated that the value of total money market assets outstanding as at end-March 2003 rose by ₦2.7 billion or 0.3 per cent to ₦811.5 billion, compared with the increase of 0.9 per cent in the preceding month. The rise was attributable to the increases of ₦1.4 billion or 4.3 per cent and ₦1.3 billion or 3.3 per cent in Commercial Papers (CPs) and Bankers' Acceptances (BAs), respectively. The levels of Treasury Bills and Eligible Development Stocks (EDS) outstanding, however, remained unchanged at the preceding month's levels of ₦733.8 billion and ₦2.4 billion, respectively.

Treasury bills worth ₦290.6 billion were issued in March 2003, to replace maturing bills of the same value, compared with ₦144.1 billion issued in the preceding month. Analysis of the total amount rolled over during the month showed that deposit money banks (DMBs) and discount houses jointly accounted for ₦158.4 billion or 54.5 per cent, while "other" investors subscribed ₦101.8 billion or 35.0 per cent of the total.

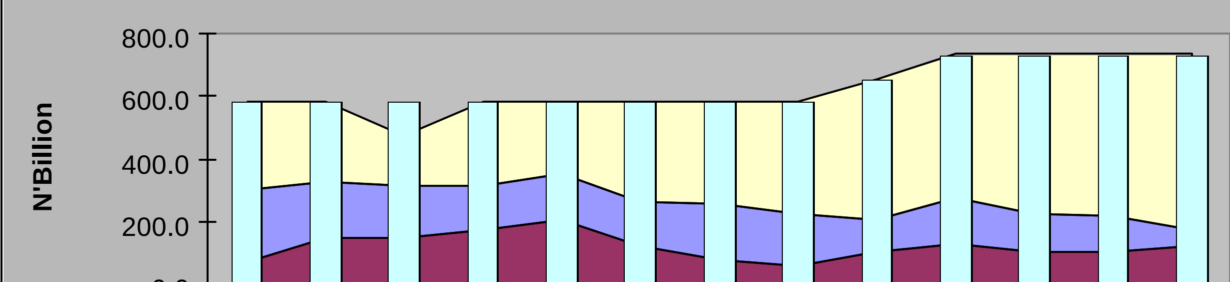
Consequently, the balance of ₦30.4 billion or 10.5 per cent was absorbed by the Central Bank during the month, compared with ₦51.6 billion or 35.8 per cent in the preceding month.

A breakdown of outstanding treasury bills holdings indicated that deposit money banks and discount houses together accounted for ₦559.0 billion or 76.2 per cent of the total, while holdings by "other" investors amounted to ₦123.1 billion, compared with ₦104.2 billion in the preceding month. Central Bank's holding declined sharply from ₦115.5 billion in February to ₦51.7 billion in March 2003, and accounted for 7.0 per cent of the total.

2.5 Capital Market Developments

Transactions on the Nigerian Stock Exchange (NSE) were mixed during the month. The volume and value of shares traded increased, while market capitalization

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



	Mar.	Apr	May	June	July	Aug.	Sept.	Oct	Nov	DEC	JAN. 03	Feb	Mar
Banks/D.H	284.6	255.5	160.3	270.8	235.0	320.2	328.1	358.2	444.2	460.3	507.6	514.1	559.0
CBN	228.0	179.5	164.3	143.7	143.7	143.7	177.6	168.2	105.1	147.8	124.9	115.5	51.7
Others	71.9	149.5	149.5	170.0	205.8	120.6	78.8	58.1	101.5	125.7	101.3	104.2	123.1
Total	584.5	584.5	584.5	584.5	584.5	584.5	584.5	584.5	650.8	733.8	733.8	733.8	733.8

and value index declined. Available data indicated that the volume of traded securities rose from 596.3 million shares in February to 1,124.1 million shares in March, while the value of traded securities rose by 28.4 per cent to ₦7.6 billion.

Analysis of the transactions showed that unlike in the preceding month when all the transactions were in equities, a total of 2,718.0 million industrial and preference stocks valued at ₦359.0 million were also traded during the review month. Dealings in government stocks, however, remained dormant, while the banking sub-sector maintained its dominance in the equities market during the month, followed by the conglomerates. Market capitalization and value index, however, declined by 1.4 per cent each from ₦853.3 billion and 13260.5, respectively, in February 2003 to close at ₦841.6 billion and 13,075.9 in the month under review, following price losses recorded by some of the highly capitalised companies listed on the exchange.

2.6 Deposit Money Banks' Activities

Total assets/liabilities of deposit money banks (DMBs) in March, 2003 amounted to N2,905.2 billion, representing increases of ₦111.7 billion or 40 per cent and ₦199.5 billion or 7.4 per cent over the levels in the preceding month and end-December 2002, respectively. The main source of funds was increase in deposits, while the major use of funds was the acquisition of unclassified assets.

Aggregate credit to the domestic economy by deposit money banks amounted to ₦1,455.6 billion, representing increases of ₦25.4 billion or 1.8 per cent and ₦92.2 billion or 6.8 per cent over the preceding month's level and the level achieved at end-March, 2002, respectively. The breakdown showed that credit to government increased by ₦16.0 billion or 4.0 per cent, while claims on the private sector increased by ₦9.4 billion or 0.9 per cent. Credit to state and local governments, however, declined by ₦0.1 billion or 0.9 per cent during the month under review. Central Bank's credit to deposit money banks amounted to ₦6.6 billion, representing an increase of ₦1.2 billion or 22.0 per cent over the preceding month's level, but a decline of ₦15.6 billion or 70.2 per cent from the level at end-December, 2002.

Total specified liquid assets of deposit money banks stood at ₦823.0 billion or 53.8 per cent of their total deposit liabilities. This level of assets was 1.5 percentage points below the preceding month's level, but 13.8 percentage points above the stipulated minimum of 40.0 per cent for fiscal 2003.

2.7 Discount Houses

Total assets/liabilities of discount houses amounted to ₦66.00 billion in March 2003, representing increases of ₦8.5 billion or 14.8 per cent and ₦13.4 billion or 25.5 per cent over the levels in the preceding month and corresponding period of 2002, respectively.

Investments of Discount Houses in Federal Government securities of less than 91 days maturity amounted to ₦39.6 billion, representing 76.6 per cent of their total deposit liabilities. This was 16.6 percentage points above the minimum level of 60.0 per cent prescribed for the fiscal year.

Total borrowings amounted to ₦15.5 billion, while capital and reserves was ₦ 6.5 billion, resulting in a gearing ratio of 2.4:1, compared with the prescribed ratio of 50:1.

3.0 DOMESTIC ECONOMIC CONDITIONS

The dominant agricultural activities during the month included pre-planting operations and harvesting of irrigated crops. Crude oil output fell by 23.3 per cent from the preceding month's level, while the estimated domestic price level rose marginally by 0.1-percentage point to 11.5 per cent in March 2003.

3.1 Agricultural Sector

The major agricultural activities during the month consisted of planting of early maturing crops in the coastal areas following early rains in those areas, while harvesting of irrigated crops such as onions, carrots and tomatoes dominated the activities in the northern part of the country. In the livestock sub-sector, farmers intensified efforts to boost the raising of table birds in preparation for the Easter celebration sales.

The prices of Nigeria's major agricultural commodities at the London Commodity Market indicated a downward trend in the month of March 2003. In dollar terms, the all-commodity price index, at 118.0 (1985=100), showed a decline of 0.8 per cent from the level in the preceding month but an increase of 51.5 per cent over the level a year earlier. In naira terms, the index, at 10192.7 (1985=100), showed a decline of 1.2 per cent from its level in the preceding month but an increase of 27.3 per cent over the level in the same period a year ago. Of the six commodities monitored during the month, palm oil, coffee, copra and soya bean recorded price declines of 10.8, 8.6, 2.6 and 71.0 per cent, respectively, from the preceding month's levels, while cotton and cocoa recorded price increases of 3.6 and 0.6 per cent, respectively. Compared with their levels a year earlier, five (5) of these commodities namely, cocoa, cotton, copra, soyabean and palm oil showed price increases of 56.2, 45.0, 34.9, 22.9 and 20.7 per cent, while coffee recorded a price decline of 19.0 per cent during the same period. The fall in the price of coffee was attributed largely to the increase in supply. In naira terms, copra, cotton and cocoa recorded price increases of 47.4, 4.7 and 0.5 per cent, respectively, over their levels in the month of February, while palm oil, coffee and soya bean recorded price declines of 11.2, 9.6 and 0.4 per cent, respectively. Compared with their levels a year earlier, cotton, copra, soyabean, palm oil and cocoa showed price increases of 59.3, 49.2, 35.0, 32.0 and 26.0 per cent, respectively, while the price of coffee fell by 23.1 per cent during the same period.

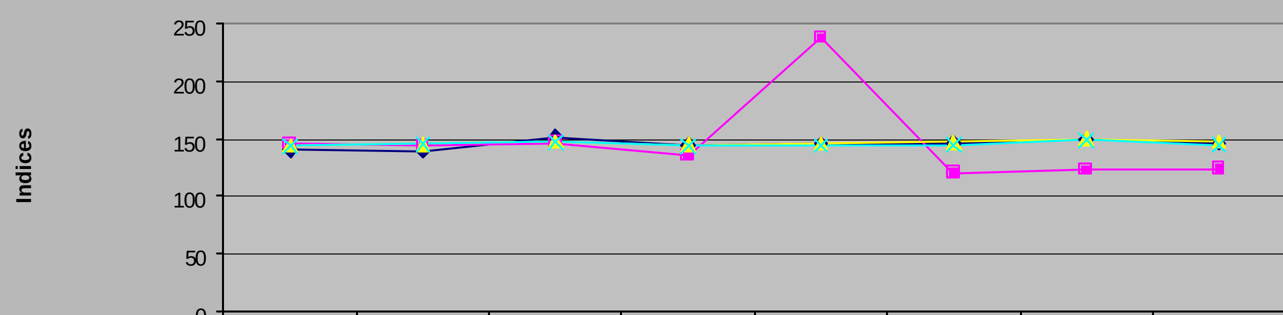
3.2 Industrial Production

Activities in the industrial sector during the first quarter of 2003 indicated a decline from the level in the preceding quarter. At 144.5 (1985 = 100), the estimated index of industrial production declined by 2.8 per cent from the level recorded in the preceding quarter, but rose by 0.5 per cent over the level in the corresponding quarter of 2002. The development during the quarter under review reflected declines of 2.2 and 1.3 per cent in manufacturing production and electricity consumption, respectively. Mining production, however, rose by 1.9 per cent, during the same period.

At 145.6 (1985=100), the estimated index of manufacturing production declined by 2.4 per cent from the level in the preceding quarter, but rose by 0.6 per cent over the level in the corresponding quarter of 2002. The rise in output relative to the corresponding quarter of 2002 was traceable mainly to enhanced infrastructural facilities as well as improved surveillance by the regulatory agencies including NAFDAC, Custom Services and the Standard Organisation of Nigeria during the period. In the review quarter, 8 out of 13 products in the sub-groups namely, beer & stout; soft drinks; footwear; sugar confectioneries; cement; roofing sheet; paints; and soap and detergent recorded increases over the corresponding quarter's levels, ranging from 1.4 per cent for detergent to 5.8 per cent for beer and stout. The remaining five sub-groups: cotton textiles; vehicle assembly; radio/tv; synthetic fabrics and refined petroleum products recorded declines of 5.9, 4.1, 3.2, 3.0 and 0.7 per cent, respectively.

Aggregate mining output increased marginally in the period under review. The index, at 123.5 (1985=100), declined by 3.5 per cent from the level in the corresponding quarter of 2002, but rose by 0.2 per cent over the level in the preceding quarter despite the civil disturbances in some parts of the Niger Delta, which led to the suspension of operations by the oil companies in the area. Production of

Figure 5: Index of Industrial Production (1985 =100)



	Qt2, 01	Qt3. 01	Qt4 01	Qt1,02	Qt2, 02	Qt3. 02	Qt4. 02	Qt1, 03
Manuf.	139.9	139.5	151.8	144.8	145.6	146.5	149.2	145.6
Mining	145.5	143.9	146.1	135	237.7	120.1	123.2	123.5
Electricity	144.2	145.4	147.4	144.4	145.8	147.1	149.5	147.5
All Sectors	143.7	145.3	146.7	143.8	144	144.6	148.6	144.5

Quarter

Manuf. Mining Electricity All Sectors

cassiterate, also, rose by 1.1 per cent relative to the preceding quarter but declined by 2.6 per cent compared to the level in the corresponding quarter of 2002. Similarly, coal production rose by 2.2 and 8.7 per cent, over the preceding quarter and corresponding quarter of 2002, respectively.

At 2,241,865.8 Kwh, estimated aggregate electricity consumption declined by 1.4 per cent from the level recorded in the preceding quarter, but rose by 1.2 per cent relative to the corresponding quarter of 2002. Of the total consumption in the review period, residential consumption accounted for 51.5, per cent, while commercial and street lightning as well as industrial consumption accounted for 26.8 and 21.8 percent, respectively. The decline in consumption during the quarter was attributable to the disruption of gas supply to Egbin and Delta IV power plants as well as the vandalisation of NEPA's equipment in several parts of the country during the period.

3.3 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 1.65 million barrels per day (mbd) or 51.15 million barrels during the month of March 2003, indicating a decline of 23.3 per cent from the preceding month's level of 2.15 mbd. The fall in output was attributable largely to the disruption in production following the communal crisis in the Niger Delta area, especially in Warri. The share of the country's production to total OPEC's output was 5.3 per cent, compared with 7.1 per cent in the preceding month. Following the fall in production, crude oil exports were estimated at 1.20 mbd or 37.20 million barrels for the month, representing a decline of 29.4 per cent from the level in February, 2003, while deliveries of crude oil to refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels per month.

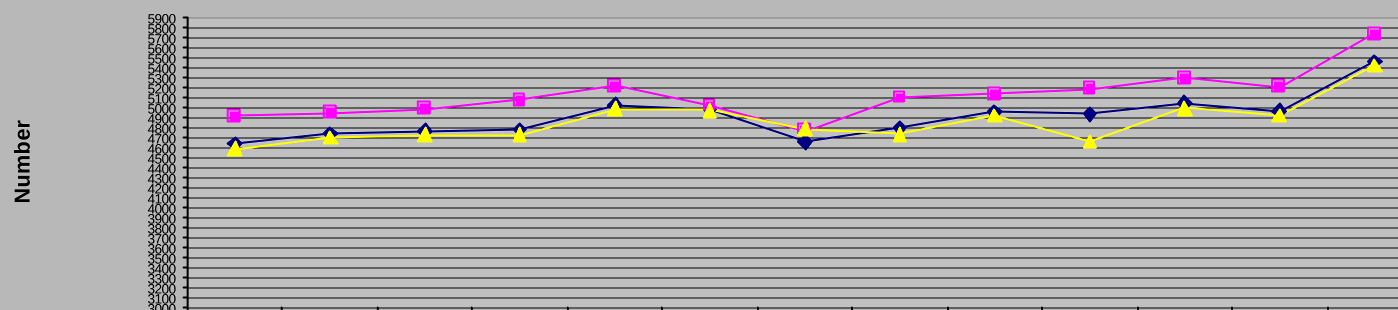
Crude oil prices recorded general declines from the levels in preceding month, in both the spot and net-back markets, reflecting largely the removal of production ceiling by OPEC as well as the release of stock-piled crude oil by major consuming nations following the commencement of the US-Iraqi war. The average price of Nigeria's reference crude, the Bonny Light (37^0 API), at $31.09 a barrel, indicated a decline of 5.5 per cent from its level in February 2003, in the spot market. Similarly, the average price of other competing brands of crude, namely, the U.K. Brent, and West Texas Intermediate (WTI) declined from $32.89 and $35.90 a barrel in February 2003 to $30.65 and $33.54 a barrel in March, respectively. In the European net-back market, the Bonny Light was sold for $40.76 a barrel, showing a decline of 5.9 per cent from the average price in February 2003, while the U.K Brent, and the WTI were sold for $38.03 and $41.92 a barrel, respectively, as against $42.48 and $44.10 a barrel in the preceding month.

3.4 Consumer Prices

Data from the Federal Office of Statistics (FOS) indicated that the all-items composite Consumer Price Index (CPI) in March 2003 was estimated at 5,466.4 (1985=100). This represented increases of 10.0 and 17.7 per cent over the levels in the preceding month and corresponding period of 2002, respectively. The development during the month was attributable to the rise in the indices of all the components namely, food; drinks, tobacco and kola; clothing and foot wear; accommodation, fuel and light; household goods; medical care and health expenses; transportation; recreation, entertainment, education and cultural services; and other services by 7.5, 0.2, 0.4, 9.7, 0.9, 0.8, 10.7, 0.2 and 0.4 per cent, respectively.

The urban all-items CPI, estimated at 5735.2 (1985=100) in March 2003, represented increases of 10.1 and 16.6 per cent, compared with the levels in the preceding month and corresponding period of 2002, respectively. Similarly, the rural all-items CPI for March 2003 was estimated at 5,425.1 (1985=100), representing increases of 10.2 and 18.2 per cent over the levels in the preceding month and corresponding month of 2002.

Figure 6 : Monthly Consumer Price Indices in Nigeria (1985 = 100)



	Mar.	Apr	May	June	July	Aug.	Sept.	Oct	Nov	DEC	JAn. 03	Feb	Mar
Composite	4644.1	4744.1	4,771.10	4,784.70	5,028.20	4,985.60	4,653.00	4,797.60	4956.2	4,937.30	5,046.20	4,971.00	5,466.40
Urban	4916.8	4949.1	4,989.40	5,075.80	5,216.00	5,026.00	4,767.20	5,102.60	5,139.00	5,190.30	5,294.20	5,209.80	5,735.20
Rural	4591	4704.2	4,728.60	4,728.00	4,991.70	4,977.70	4,788.50	4,738.30	4,920.60	4,664.60	4,997.90	4,924.50	5,425.10

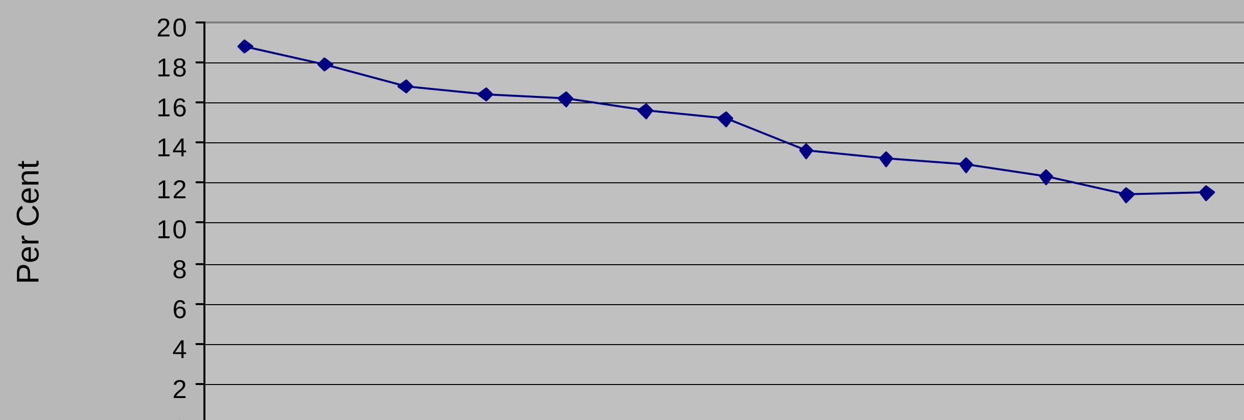
Source:Federal Office of Statistics(FOS), Lagos

Composite Urban Rural

Available information based on the retail price surveys in some locations within the Lagos area as well as Bauchi, Enugu, Ibadan and Kano zones indicated an increase in the all-items average price of consumer items in March, 2003 by 1.54 per cent, compared with 1.48 per cent recorded in the preceding month. The rise during the month was traceable to the increases in the indices of all the components namely, staples; meat, fish and eggs; oil and fat; vegetable, fruits and nuts; beverages and drinks; clothing and fabrics; fuel and light; medical; and building materials by 0.76, 1.99, 3.93, 3.01, 0.16, 2.06, 3.15, 1.93, and 1.32 per cent, respectively. There were price increases of 1.59, 1.56, 1.43, 1.62 and 1.69 per cent in Bauchi zone, Enugu zone, Ibadan zone, Kano zone and Lagos area, respectively, over the preceding month's level.

The inflation rate for the twelve-month period ended March 2003 was estimated at 11.5 per cent, compared with 11.4 and 18.9 per cent in the preceding month and corresponding period of 2002, respectively. The inflation figure in the period under review trended upwards over the level in the preceding month by 0.1 per centage point, reflecting largely the depletion of the stock of food stuff with the commencement of the planting season. Also, the scarcity of petroleum products, especially Premium Motor Spirit (PMS) impacted negatively on the prices of consumer items.

Figure 7: Inflation Rate in Nigeria (Per Cent, Monthly)



	Mar.	Apr	May	June	July	Aug.	Sept.	Oct	Nov	DEC	Jan. 03	Feb	Mar
Inflation	18.8	17.9	16.8	16.4	16.2	15.6	15.2	13.6	13.2	12.9	12.3	11.4	11.5

Source:Federal Office of Statistics(FOS), Lagos

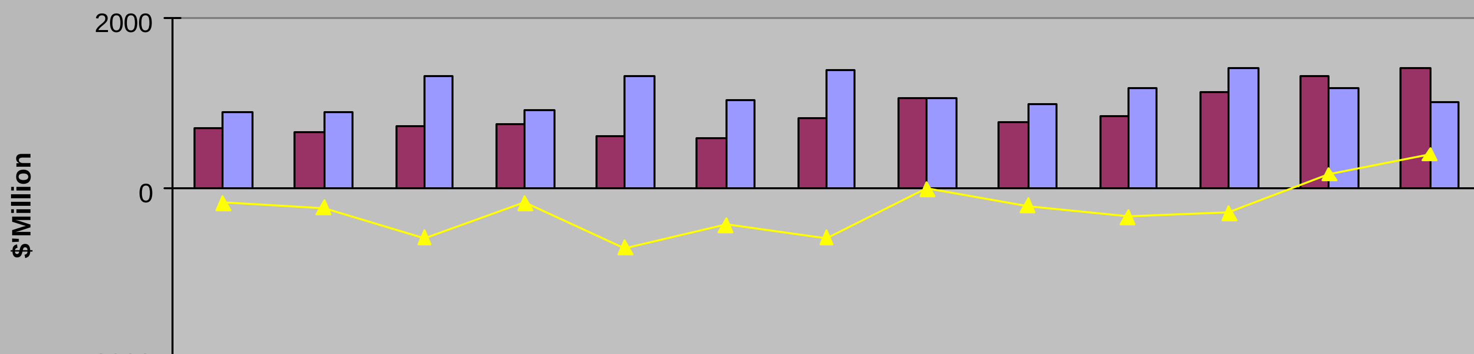
4.0 EXTERNAL SECTOR DEVELOPMENTS

4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) in March 2003, amounted to US$1,402.84 million and US$1,005.29 million, respectively, representing a net inflow of US $397.55 million. Compared with the levels of $1,322.76 million and $1,160.06 million in February 2003, inflows and outflows rose by 6.1 and 13.3 per cent, respectively. The rise in inflow was accounted for largely by the increases in both oil and non-oil receipts, which rose from US$998.71 million and US$324.05 million in February to US$1,060.13 million and US$342.71 million, respectively, in March. At US$3851.3 million and US$3582.44 million, cumulative inflows and outflows through the Central bank from January to March 2003 were 27.0 and 2.0 per cent lower than their levels in the corresponding period of 2002.

Data on foreign exchange flows through the economy in the month of March 2003, indicated that total inflow was US$1,759.31 million, up by 6.4 per cent, from the level in the preceding month. Receipts from the oil sector rose by 6.1 per

Figure 8: Foreign Exchange Flows Through the CBN ($'Million)



	Mar.	Apr	May	June	July	Aug.	Sept.	Oct	Nov	Dec	Jan.03	Feb	Mar
Inflow	714	658.3	728.1	743.9	614.7	585.7	809.4	1,053.70	775.1	836.97	1,125.70	1,322.76	1,402.84
Outflow	891.2	891	1,311.0	920.3	1313.2	1,020.00	1,387.70	1,067.40	976.50	1,170.12	1,417.09	1,164.06	1,005.29
Netflow	-177.2	-232.7	-582.9	-176.4	-698.5	-434.3	-578.3	-13.7	-201.4	-333.15	-291	158.7	397.55

Inflow Outflow Netflow

cent to US$1,060.13 million, representing 60.3 per cent of total inflow during the month, while non-oil public sector receipts amounted to US$342.71 million, representing 19.5 per cent of the total. Inflow through the autonomous sources stood at US$356.47 million or 20.2 per cent of the total. At US$1,077.19 million, aggregate foreign exchange outflow from the economy indicated a decline of 13.3 per cent from the preceding month's level. The fall was attributable to the decline in disbursements for external debt service payments and "other official payments" by 87.0 and 24.1 per cent, respectively, during the month. Similarly, funding of the Foreign Exchange Market (FEM) declined from US$747.73 million in February to US$708.09 million in March, compared with UIS$691.90 million in the corresponding period of 2002. The cumulative inflow and outflow through the economy during the three-month period amounted to $5001.89 million and $3803.73 million, respectively, compared with $6,020.60 and $3,948.70 in the corresponding period of 2002.

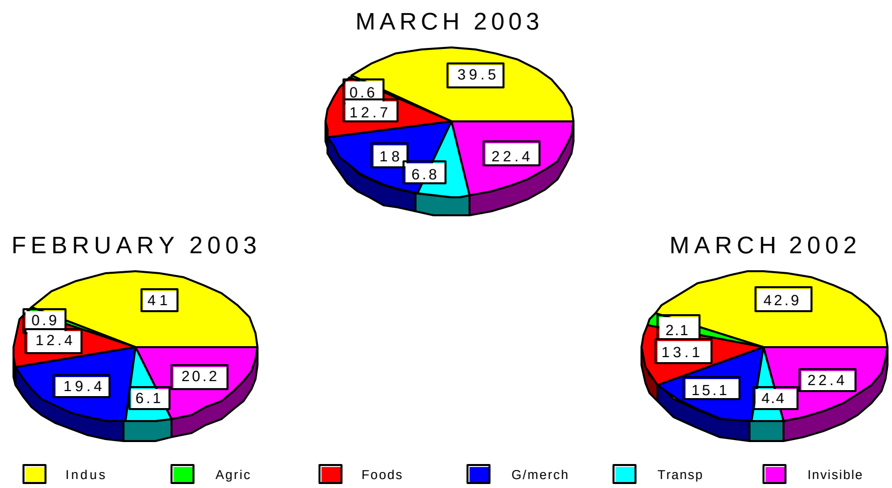
4.2 Sectoral Utilisation of Foreign Exchange

As in the past, the industrial sector accounted for the bulk (39.5 per cent) of total foreign exchange disbursed in March 2003, followed by invisibles which had 22.4 per cent of the total. Other beneficiary sectors, in a descending order of importance, included: general merchandise, food, transportation and agricultural products (Fig 9).

4.3 Foreign Exchange Market Developments

The demand pressure in the Foreign Exchange Market (FEM) moderated in March 2003. At US$708.09 million, sales of foreign exchange by the CBN to end-users through the authorized dealers declined by 5.3 per cent from the preceding month's level of US$747.73 million. The weighted average exchange rate of the naira vis-à-vis the US dollar appreciated by 0.08 per cent from ₦127.79 per dollar in February 2003 to ₦127.69 in March. Similarly, in the parallel and the bureaux de change segments of the market, the rates appreciated from ₦139.50 and ₦140.00 per dollar in the preceding month to ₦137.10 and ₦138.45 per dollar, respectively, in March 2003. Overall, the premium between the official and parallel market rates narrowed to 7.6 per cent, down from 9.4 per cent in February 2003

Figure 9: Sectoral Utilization of Foreign Exchange (percentage of total)



4.4 External Reserves

Nigeria's gross external reserves at end-March, 2003 amounted to $8,199.09 million, representing an increase of 7.1 per cent over the February level of US$7,657.50 million. At current foreign exchange commitments, the resources could finance about 7.6 months, of imports as against 6.2 months in February 2003.

5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output, at 76.45 million barrels per day (mbd), fell by 1.7 per cent in March 2003, from the preceding month's level of 77.76 mbd, while estimated demand exceeded supply by 1.40 mbd, compared with an excess demand of 0.04 mbd recorded in February, 2003.

Other major international economic developments of relevance to the domestic economy during the month were: a Special Africa Group I Constituency (in the Bretton Woods Institutions - BWIs) meeting held in Dar es salam, Tanzania in March 2003 to consider a joint report by the Group's Executive Directors (EDs) on "enhancing the efficiency/effectiveness of the Constituency" and to deliberate on a joint submission by Nigeria and South Africa on "Reform of Constituency representation".

The following proposals were considered and adopted by the group.

- The Constituency rotation system in the BWIs would continue, giving all members equal opportunity to serve;
- Current procedures for nominating EDs and Alternates would continue, with potential candidates having requisite educational background and experience, with at least a first degree; and
- The tenure of Constituency EDs should be extended to four years.

In another development, the first Finance Ministers' Forum of the West African Monetary Zone (WAMZ) was held in Abuja, Nigeria in March, 2003 to examine how best to address the fiscal policy issues in the Zone in a co-ordinated manner that would reduce fiscal dominance and facilitate the achievement of macroeconomic convergence of member states. All Finance Ministers of member states were in attendance.

After discussing member countries' experiences, the Ministers adopted the following proposals:

- Fiscal dominance was a major problem to attaining convergence targets of the WAMZ, and that a rein of fiscal operations consistent with the objective of price stability would be critical for achieving fiscal discipline, necessary for the realization of the WAMZ monetary union protocol.
- Unearned resources should not be relied upon as means of funding national budgets;
- The fiscal convergence criteria of the WAMZ should be observed through aggressive revenue mobilization, limiting expenditure to revenue/income, and refraining from borrowing from the central bank beyond the prescribed threshold. In this connection, national legislations on central bank financing of fiscal deficits should be aligned with the WAMZ criteria;
- National economic programmes and budgets should incorporate the WAMZ convergence criteria to ensure consolidation of the convergence process;
- Monetary and fiscal policies should be coordinated at the national level to ensure that areas of conflict are properly resolved;
- National budgets and economic programmes should be reviewed half-yearly to take account of current developments in the economy. Where projected revenues are not forthcoming, budgeted outlays should be adjusted accordingly. In this regard, revenue stabilization accounts should be established where feasible in each member country for wind-fall incomes. Such accounts should ensure that self-adjusting mechanisms are built into the budgetary process;
- The economic policy thrust of member countries should be well-coordinated, especially, with respect to the key elements necessary for attaining WAMZ convergence criteria. This procedure would ensure that all countries move on defined path towards macroeconomic stabilization and convergence; and
- ECOWAS Secretariat and WAMI should accelerate the programme for the harmonization of the process of computing the gross domestic product (GDP) and consumer price indices

(CPI) as well as the legal, accounting and statistical framework of public finance in the zone.

Also, the African Business Round Table (ABR) in collaboration with the United Nations Industrial Development Organization (UNIDO) and the Economic Community of West African States (ECOWAS) organized a forum in Abuja in March 2003 to mobilize and sensitize the private sector and civil society towards participating actively in the implementation of the NEPAD Plan of Action.

The following proposals were adopted during the Forum:

- For UNIDO, ECOWAS and ABR to start consultations with donor countries (United Kingdom, Canada, Japan and France) for financial and technical support;
- To develop a mechanism for national sensitization of the private sector operators for effective implementation of NEPAD programmes;
- For the various countries in the sub-region to invest more in infrastructural development in order to create the enabling environment for productive activities and position the sub-region to meet the challenges of globalization; and
- To adopt a transparent and uniform monetary policy in order to facilitate effective payments mechanism and adoption of single currency in the sub-region.

In addition, the President of the Federal Republic of Nigeria led Nigeria's delegation to the 2nd Session of Nigeria – Algeria Bi-National Commission in Algiers, in March, 2003 to review all existing bilateral cooperation agreements between the two countries. The two Heads of State after much deliberation adopted the following proposals:

- Expressed concern about the deplorable situation of African economies which are characterized by deep-rooted poverty, external debt overhang and low rate of economic growth and development even though the economies are endowed with abundant resources; and
- Emphasized the need for both countries to demonstrate high-level commitment to the implementation of the "African Millennium Goals" as entrenched in the NEPAD initiatives. To this end, both countries agreed to work expeditiously towards the actualization of the Trans-Sahara Highway, the Optic Fiber Network and the Gas Pipeline Link projects.

Finally, Nigeria signed a Bilateral Debt Rescheduling Agreement with the United Kingdom (U.K.) in March 2003 to cover its indebtedness of ₦724.0 billion ($5.8 billion) to the U.K. The rescheduling agreement provided for a repayment period of 18 years, with a three-year moratorium period, at 4.61 per cent interest per annum for the first six years. Thereafter, the interest rate would be reviewed every six years.