

CENTRAL BANK OF NIGERIA

PRESS RELEASE

A COMMUNIQUE OF THE MONETARY POLICY COMMITTEE (No. 10) ON THE COMMITTEE'S ACTIVITIES IN MARCH, 2002

This Communiqué of the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) reports on the deliberations and key policy decisions of the Committee during the month of March, 2002, in keeping with the Bank's policy in the conduct of monetary and financial policies.

2. A major decision of the Committee was its self restructuring. In this regard, the MPC was divided into a Committee on Financial Sector Surveillance (CFSS), which will henceforth deal with regulatory and supervisory matters, and a Committee on Monetary Policy, to deal strictly on policy issues.

3. The Monetary Policy Committee met twice, on March 12 and 26, while the Committee on Financial Sector Surveillance met four times, on March 5, 11, 14 and 19, respectively. The deliberations of the MPC focused on the management of domestic liquidity, including ways and means of ensuring sustained macroeconomic stability. It also appraised the various options for enhancing the efficiency of the foreign exchange market. The CFSS deliberated

on measures aimed at enhancing financial sector surveillance and ensuring regulatory compliance by market operators.

4. The Monetary Policy Committee appraised the direct sale of foreign exchange (in travellers' cheque) to end-users by the Travelex Group (formerly Thomas Cook) under the pilot project which commenced on February 11, 2002, and noted that the scheme was achieving the desired objective of enhanced accessibility to end-users of foreign exchange. Data available as at March 25, 2002, indicated that total foreign exchange sales under the scheme amounted to US\$14.4 million. Although, the exchange rate of the Naira vis-à-vis the U.S. dollar depreciated from ₦114.70 = US\$1.00 on February 8, to ₦116.10 = US\$1.00 on March 22, the parallel market rate showed some appreciation from ₦140.00 per dollar at some points to ₦138.00 per dollar by the end of the fourth week of March, thus narrowing the gap in the arbitrage premium.

5. The review of monetary developments revealed that broad money (M2) increased by 2.1 per cent in the first two months of 2002, compared with the 16.3 per cent growth rate in the corresponding period of 2001. In January 2002, the rate of inflation remained stable at its December 2001 level of 18.9 per cent. The Committee noted the relative stability in the interest rate and the need to sustain stability in the financial markets.

Consequently, it decided to extinguish three maturing tranches of CBN certificate in March.

The Monetary Policy Committee will continue to monitor closely developments in macroeconomic indicators and will take appropriate action as the need arises, in order to ensure price stability and non-inflationary growth.

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