

## **PRESS RELEASE**

### **CENTRAL BANK OF NIGERIA**

#### **A COMMUNIQUE (NO. 20) OF THE MONETARY POLICY COMMITTEE MEETINGS DURING THE MONTH OF JANUARY, 2003**

Consistent with the policy of transparency in the conduct of monetary and financial policies, the Central Bank of Nigeria (CBN), hereby, publishes the summary of the deliberations and policy decisions of its Monetary Policy Committee (MPC) in January, 2003.

The Committee met twice, on January 14 and 28, to appraise the current monetary and exchange rate policy measures, in the light of developments in the macroeconomy and financial markets.

A review of macroeconomic performance during the month, revealed the continued moderation of inflationary pressure and prevalence of relative stability in the financial market. Provisional data on domestic price changes showed that inflation rate, on a moving average basis, declined to 13.0 per cent in January, 2003, from 13.3 per cent in December, 2002, while the annualized month-on-month inflation rate fell to 14.3 per cent from 17.0 per cent, over the same period. With regard to financial market developments, the Committee noted the continued downward movement of money market interest rates. However, renewed demand pressure in the foreign exchange markets was observed, resulting in some

depreciation of the naira in all segments of the foreign exchange market.

Naira exchange rate, under the Dutch Auction System (DAS), depreciated marginally by 0.14 per cent to an average of ₦127.06/US\$1.00 in January, 2003. Similarly, the naira value declined marginally in both the bureaux de change and parallel market by 0.81 and 0.79 per cent, respectively, to close at ₦139.70/US\$1.00 and ₦139.11/US\$1.00. Consequently, the premium between the official and parallel market rates widened from 8.76 to 9.48 per cent.

Monetary aggregates recorded some increases during the month under review. At ₦605.54 billion, base money stock rose by 5.37 and 6.98 per cent above the level in the preceding month and programmed target for the review month, respectively. The increase was reflected in the banks' reserves holding with the CBN. At 1.4 per cent, the rate of increase in broad money stock (M2) moderated, relative to the 2.5 and 2.4 per cent growth rates recorded in the preceding and corresponding months of 2002, respectively.

The continued deceleration of the inflation rate in the month under review was considered by the Committee to be a positive development that should be sustained. While the Committee decided to maintain the current monetary policy stance, it emphasised the need for close monitoring of macroeconomic and financial market indicators, with a view to reviewing the current policy measures as may be necessary.



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Ag. Secretary  
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**January 29, 2003**