CENTRAL BANK OF NIGERIA

MONETARY POLICY COMMITTEE DECISIONS AT A GLANCE

Monetary Policy Department

Monetary Policy Committee Decisions at a Glance

Monetary Policy Committee Decisions at a glance assembles decisions of the Monetary Policy Committee from June 2001 to March 2017. The publication presents in a concise and chronological style, the thinking and decisions of the MPC members who are charged with the responsibility of influencing monetary conditions in the economy. Through this publication, market players and the general public would learn about the global and domestic developments that feed into the MPC decisions.

Accordingly, the publication will be highly beneficial to public policy makers, policy analysts, students and all who have a desire to understand the MPC Decision making process and the decisions of the committee from communique No 1 – 112. This document will also complement the efforts of the Bank at promoting economic and financial literacy as well as enhancing monetary policy communication.

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Acknowledgments

*The **"At a Glance"** series seeks to enhance the communication of monetary policy and enrich the Bank's financial literacy initiative. The Department is grateful for the wealth of contribution, time and efforts committed towards the preparation of this book. Foremost, our in-depth gratitude goes to the Management of the Central Bank of Nigeria, for the invaluable support and approval, from the concept stage of the book to the final print. We are grateful and acknowledge the DG, Economic Policy Directorate, Dr Mrs Sarah Alade whose effective leadership, mentorship and inspiration is instrumental in the production of this book.*

We acknowledge and appreciate the efforts of staff of the Monetary Policy Department, for their intellectual contribution and hard work towards ensuring the successful completion of this book. We thank in particular the Heads of Divisions of the Department: Dr C.C. Ezema (Monetary Policy Secretariat), Mr M.Y Dogo (Financial Policy Division), Dr. (Mrs) E.N Egbuna (Policy Support Division), Mr P.N Okafor (Liquidity Assessment Division), Ms L.R. Bala-Keffi (International Economic Relations Division) and Mr J.S Akuns (Administration) for coordinating the initial draft reports. We also wish to commend the efforts of staff that constituted the editorial team for their dedication and meticulous review of the book.

We regret and take responsibility for any errors of omission or commission in the book

Moses k. Tule
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March 2017

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LIST OF CONCEPTS

Communique No. 1 of the MPC: 26th June, 2001

Global Macroeconomic Developments

Weak economic conditions in advanced countries, notably: the marked slowdown in economic activity in the United States; stalling recovery in Japan; as well as slowing growth in Europe and a number of emerging market countries, have significantly reduced global output and weakened its prospects in the near-to-medium term. Given these challenges, global growth in 2001 was projected to slow to 3.2 per cent from 4.8 per cent in 2000. The slowdown was to come largely from advanced economies which were projected to grow by 1.9 per cent in 2001 down from 4.1 per cent in 2000.

Domestic Macroeconomic Developments

The emergence of inflationary pressures on account of the rapid acceleration in the rate of monetary expansion led to a review of the Bank's earlier expansionary policy. The expansionary fiscal operations of the three tiers of government in particular, the monetization of the proceeds of excess crude oil earnings exacerbated the problem of excess liquidity in the banking system further applying upward pressure on domestic prices and the Naira exchange rate. Broad money supply (M2) increased rapidly by 27.0 per cent during the first five months of 2001, significantly above the target benchmark of 12.2 per cent, while inflation increased sharply from 6.9 per cent at end-December, 2000 to 13.9 per cent by end-April, 2001. The sharp increase in the demand for foreign exchange in the inter-bank Foreign Exchange Market (IFEM) reflected the significant liquidity in the system.

Decisions

Based on the above developments and in anticipation of subsequent monetary injections via fiscal operations the Committee decided to tighten monetary policy to contain inflationary pressure and preclude exchange rate and macroeconomic instability.

i. The Committee decided as follows:
ii. Raise the MRR by 200 basis points to 18.5 per cent
iii. Retain Cash Reserve Requirement at 12.5 per cent
iv. Retain Liquidity Ratio at 40.0 per cent

Communique No. 2 of the MPC: 10th & 24th July 26, 2001

Global Macroeconomic Developments

Global growth continues to remain subdued driven by the substantial decline in growth in the United States; the weaker financial conditions and outlook in Europe; the serious deterioration in economic prospects for Japan; and the reduction in growth projections for most developing country regions. The slower GDP growth in almost all regions of the globe was further accompanied by a sharp decline in trade growth. Emerging markets also experienced deteriorated financing conditions on account of difficulties in the major supporting economies.

Domestic Macroeconomic Developments

As a result of the tight monetary policy measures taken by the Committee, macroeconomic indicators indicated relative stability in the money and foreign exchange markets. Base money rose by 0.9 per cent to N462.2 billion as at the fourth week of July, compared with the sharp increase of 6.6 per cent in June. The Naira exchange rate vis-a-vis the US dollar appreciated in all segments of the foreign exchange market, from N112.47, N135.69 and N136.19 to US$1.00 in June to N111.75, N135.30 and N135.60 to US$1.00, in IFEM, parallel market and bureaux de change respectively. Inflation rose to 15.7 per cent in May, 2001, from 13.9 per cent in April. The Committee anticipated that the combination of tight monetary policy and the on-set of the harvest of agricultural commodities, especially food, will have a moderating effect on the domestic price level during the rest of the year.

Decisions

The Committee considered developments in the month under review and given the anticipated developments in liquidity conditions, the Committee decided it prudent to maintain the existing tightening stance with continuous monitoring of macroeconomic and market conditions

i. Retain the MRR at 18.5 per cent
ii. Retain Cash Reserve Requirement at 12.5 per cent
iii. Retain Liquidity Ratio at 40.0 per cent


INFLATION
EARNINGS

Communique No. 3 of the MPC: 7th & 21st August, 2001

Global Macroeconomic Developments

Growth prospects remain benign due to the slow recovery in developed countries. Risks to output recovery include the earlier monetary policy tightening to contain demand pressures in the United States and in Europe, reassessment of corporate profitability and associated adjustment in equity prices as well as high food and energy prices. IT investment and output have also declined on account of the boom and bust in stock prices of information technology firms.

Domestic Macroeconomic Developments

A review of prevailing macroeconomic and financial market conditions revealed relative stability in both the money and foreign exchange markets in the first three weeks of August 2001. Base money rose by 0.3 per cent to N467.3 billion during the review period, compared to increases of 1.6 and 6.6 per cent in July and June, 2001, respectively. The weighted average inter-bank call rate declined to 16.79 and 16.72 per cent in the first and second weeks of August respectively from 21.7 per cent in July. In the IFEM, the Naira exchange rate vis-a-vis the U.S. dollar appreciated from an average of N=111.85/US$1.00 in July to N=111.70/US$1.00 in the first week of August and remained relatively stable throughout the review period. Similarly, during the same period, the Naira appreciated in both the parallel market and bureaux de change segments to N134.72 and N134.96/US$1.00 from N135.41 and N135.89/US$1.00.

Decisions

In light of the favorable economic indicators, the Committee decided to maintain existing monetary policies

i. Retain the MRR at 18.5 per cent
ii. Retain Cash Reserve Requirement at 12.5 per cent
iii. Retain Liquidity Ratio at 40.0 per cent
iv. Re-issue the first tranche of CBN Certificates of 180-day tenor maturing on August 24, 2001, at 19.5 per cent.


ECONOMY

Communique No.4 of the MPC: 4th & 18th September, 2001

Global Macroeconomic Developments

The slowdown in global output continued to remain subdued during the review period as deteriorating conditions in the U.S., Europe, Japan and most developed countries still remained. Developing and emerging economies continue to experience negative financial conditions as uncertainties in the global economy persist

Domestic Macroeconomic Developments

There was relative stability during the review period in both the money and foreign exchange markets. This was attributed to the Bank's prevailing tightening monetary policy since June 2001 as well as enhanced banking system surveillance. Base money growth moderated to 1.6 and 0.6 per cent in July and August, respectively from 6.6 per cent recorded in June. Between June and the first week of September, 2001, the average Naira exchange rate showed modest but consistent appreciations against the US dollar in all segments of the foreign exchange market, from N112.47 to N111.60 in the IFEM, N135.69 to N132.90 in the parallel market and N136.19 to N133.30 per US dollar in the bureaux de change. Inflation (moving average) accelerated to 17.7 per cent in July while money supply (M2) grew by 23.9 per cent by end-August compared to the 2001 12.2 per cent benchmark. In the light of anticipated adverse developments in monetary conditions, the Committee decided to maintain its monetary policy tightening position.

Decisions

The Committee decided to tighten monetary policy having considered current and anticipated adverse developments in monetary conditions and the need to maintain macroeconomic stability

i. Raise the Minimum Rediscount Rate (MRR) by 200 basis points to 20.5 per cent
ii. Retain Cash Reserve Requirement at 12.5 per cent
iii. Retain Liquidity Ratio at 40.0 per cent
iv. Re-issue the third tranche of CBN Certificate of 180-day tenor maturing on September 22, 2001, at 21.0 per cent, up from 19.0 per cent on the maturing one, as a complementary measure aimed at addressing the problem of liquidity overhang


INFLATION
CENTRAL
BANK

Communique No. 5 of the MPC: 2nd, 16th & 30th October 2001

Global Macroeconomic Developments

The global economy continues to experience depressed growth. In the U.S, substantial uncertainties remain, in particular, the strength of consumer spending and the negative outlook for productivity growth. Near-term recovery in Japan remains uncertain given the persistent low level of domestic confidence and external demand. Economic slowdown in the euro area has been driven by weaker growth of real incomes and export coupled with spill over effects from other climes. Emerging and developing countries in response have had to tighten polices to maintain external confidence and foreign capital.

Domestic Macroeconomic Developments

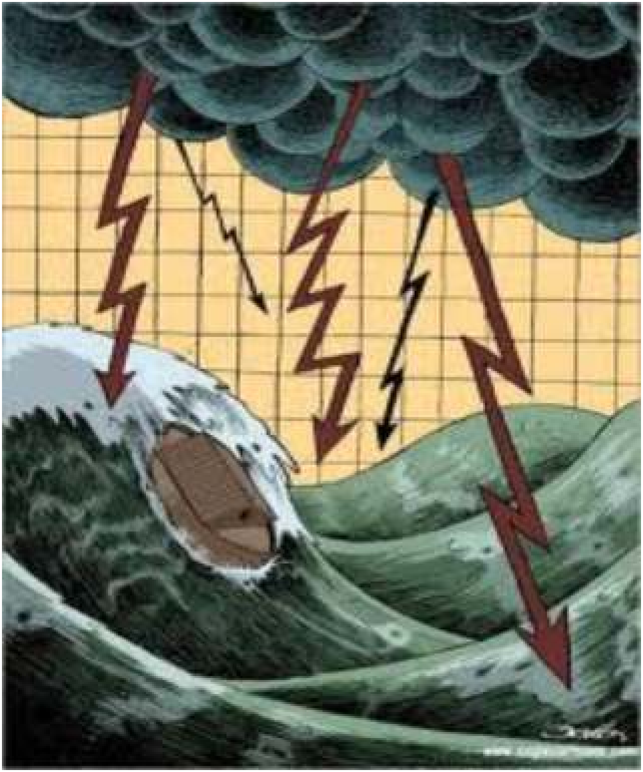
Broad money stock (M2) increased from 21.2 per cent in August 2001 to 22.7 per cent in September. In addition, the inflation rate (moving average) rose moderately to 18.5 per cent in September, 2001, up from 18.1 per cent in the preceding month. The review period witnessed relative exchange rate stability. In the Inter-bank Foreign Exchange Market (IFEM), the average Naira exchange rate remained stable at N111.60/US$1.00, while the rate appreciated in both the parallel market and bureaux de change from N135.00/US$1.00 and N135.20/US$1.00 to N134.00/US$1.00 and N134.30/US$1.00, respectively, between October 2 and 26, 2001. Similarly, the weighted average inter-bank call rate fell from 19.4 per cent in the fourth week of September to 17.6 per cent as at October 26, 2001.

Decisions

IDecisions

In the light of anticipated adverse developments in monetary conditions, the Committee decided to maintain its monetary policy tightening position.

I. Retain the Minimum Rediscount Rate (MRR) at 20.5 per cent
ii. Retain Cash Reserve Requirement at 12.5 per cent
iii. Retain Liquidity Ratio at 40.0 per cent
iv. Re-issue the fourth tranche of the CBN Certificates of 180-day tenor, maturing on November 23, 2001, at 20.5 per cent rate of interest



Communique No. 6 of the MPC: 13th, 16th & 27th November, 2001

Global Macroeconomic Developments

Global slowdown continues to persist, accentuated slightly following the effects to the global economy of the September 11 terrorist attacks, which impacted confidence, financial markets and output growth prospects. Economic conditions in the U.S. continue to decline with weaker activity by consumers and businesses. Economic prospects in the Euro Area and Japan also remain subdued on account of internal and external imbalances affecting demand and confidence.

Domestic Macroeconomic Developments

A review of developments indicated relative stability in the foreign exchange market attributable to the tightening monetary policy of the Bank reinforced by the on-going 100 per cent customs destination inspection of imports. The average exchange rate of the Naira in the Inter-bank Foreign Exchange Market (IFEM) vis-à-vis the U.S. dollar remained stable at N112.10/US$1.00. Rates in both the parallel market and bureaux de change appreciated from N134.00/US$1.00 and N134.70/US$1.00 at end-October, 2001 to N133.70/US$1.00 and N134.00/US$1.00 on November 23. There was still persistent excess liquidity in the financial system occasioned by the expansionary fiscal operations of the three tiers of government.

Decisions

The Committee noted the increased demand pressure on the foreign exchange market occasioned by the liquidity build-up arising from the expansionary fiscal operations of the three tiers of government. The Committee decided that excess liquidity would need to be 'mopped up' by use of the short tenured treasury securities.

i. Retain the Minimum Rediscount Rate (MRR) at 20.5 per cent
ii. Retain Cash Reserve Requirement at 12.5 per cent
iii. Retain Liquidity Ratio at 40.0 per cent
iv. The Committee approved the adoption of a medium-term perspective monetary targeting framework, with effect from 2002 fiscal year.

Communique No. 7 of the MPC: 11th December 2001

Global Macroeconomic Developments
Economic output in the global economy remains subdued, attributed primarily to the weak growth in the industrial economies. Emerging and developing economies continue to feel the impact of reduced capital inflows as well as tightened monetary policy in their domestic economies.

Domestic Macroeconomic Developments
The Committee noted the relative stability in macroeconomic conditions in recent months following maintenance of the Bank's tightening policy. Money supply which grew by 26.8 per cent in November 2001 relative to 26.1 per cent recorded in October and the 2001 benchmark of 12.2 per cent. In the Inter-bank Foreign Exchange Market (IFEM), the average Naira exchange rate against the US dollar stabilized at N111.60/US $1.00 in September and October but depreciated to N111.90/US$1.00 in November, while the rates appreciated in both the parallel market and bureaux de change from N134.21/US$1.00 and N134.54/US $1.00 to N133.70/US$1.00 and N134.05/US$1.00, respectively. The inflation rate (moving average), however, rose moderately from 18.4 per cent in September to 18.6 per cent in October 2001.

Decisions
The Committee expressed satisfaction at the level of relative stability during the review period but noted with concern, the continued build-up of system liquidity on account of rapid monetisation of excess crude oil proceeds and disbursement of earnings from GSM licensing. This excess liquidity the Committee noted manifested in rising demand pressure in the foreign exchange market

i. Retain the Minimum Rediscount Rate (MRR) at 20.5 per cent
ii. Retain Cash Reserve Requirement at 12.5 per cent
iii. Retain Liquidity Ratio at 40.0 per cent

Communique No.8 of the MPC: 8th & 22nd January, 2002

Recent data suggests that the economic downturn has reached its nadir, especially in the United States and to a lesser degree Europe, and some Asian countries. This has been evidenced by a pick-up in commodity prices and financial markets rebounding since the September 11 shock. In addition financing conditions to emerging market have also strengthened markedly with the contagion effects from Argentina having so far been limited.

Domestic Macroeconomic Developments

The Committee reviewed the Monetary, Credit, Foreign Trade and Exchange Policy Guidelines applicable to banks, other financial institutions and authorized dealers in fiscal 2002/2003, within the framework of a medium-term programme, as well as appraised the prevailing monetary and financial market conditions, and reaffirmed its confidence on the efficacy of the policy measures which the CBN has adopted for implementation in fiscal 2002/2003.

Decisions

The Committee was satisfied with the relative stability in the economy and decided to maintain its tightening stance.

1. Retain the Minimum Rediscount Rate (MRR) at 20.5 per cent
2. Retain Cash Reserve Requirement at 12.5 per cent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Communique No. 9 of the MPC: 5th & 19, February, 2002

Global Macroeconomic Developments

Global economic output continues to show signs of recovery, underpinned primarily by the substantial easing of macroeconomic policies in the U.S and also in a number of emerging economies, especially in Asia. Concerns however remain surrounding persisting economic problems of Japan and Argentina. Lower oil prices have continued to support the global economic recovery process.

Domestic Macroeconomic Developments

The Monetary Policy Committee's review of financial market developments revealed persistent demand pressure in the foreign exchange market. The average Naira exchange rate vis-a-vis the U. S. dollar depreciated in all segments of the market, from N112.99/US$1.00 to N114.70/US$1.00 in the Inter-bank Foreign Exchange Market (IFEM), N134.41/US$1.00 to N138.80/US$1.00 in the parallel market and N134.59/US$1.00 to N139.20/US$1.00 per dollar in the bureaux de change, between December 2001 and the second week of February 2002. The Committee also noted the persistence of liquidity overhang in the banking system and its potential adverse impact on macroeconomic variables, especially on inflation, interest and exchange rates.

Decisions

The Committee noted the persistent problem of excess liquidity in the system and its potential to translate into increased pressure at the foreign exchange market. Consequently the Committee approved the re-issuance of matured CBN Certificates on February 25, 2002 to mop-up some of the excess liquidity in the system.

i. Retain the Minimum Rediscount Rate (MRR) at 20.5 per cent
ii. Retain Cash Reserve Requirement at 12.5 per cent
iii. Retain Liquidity Ratio at 40.0 per cent

Communique No. 10 of the MPC: 12th and 26th March 2012

Global Macroeconomic Developments

Global recovery continues to be encouraging; confidence and equity markets have picked up in the United States, with household spending remaining strong and manufacturing output stabilizing. An uptick in industrial production and business confidence in Europe herald a positive but slower recovery while confidence and business activity in Japan remain very weak with the banking sector under severe stress.

Domestic Macroeconomic Developments

The Monetary Policy Committee appraised the direct sale of foreign exchange (in travelers' 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. The Naira exchange rate depreciated from N114.70/US$1.00 on February 8, to N116.10/US$1.00 recorded on March 22. The parallel market rate showed limited appreciation from N140.00/US$1.00 to N138.00/US$1.00 by the end of the fourth week of March, thus narrowing the gap in the arbitrage premium. 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.

Decisions

The Committee noted the relative stability in the interest rate and the need to sustain stability in the financial markets.

i. Retain the Minimum Rediscount Rate (MRR) at 20.5 per cent
ii. Retain Cash Reserve Requirement at 12.5 per cent
iii. Retain Liquidity Ratio at 40.0 per cent
iv. The Committee approved a self-restructuring policy in which 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
v. To extinguish three maturing tranches of CBN certificates in March

Communique No. 11of the MPC: 9th and 23rd April 2002

Global Macroeconomic Developments

In the global economy, recovery continues to be modest. Strengthening fundamentals in the U.S., Europe and other industrial countries continue to enhance global productivity which should play a supporting role in emerging markets. Consequently in Asia, clear signs of a pickup in activity have emerged which growth witnessed in the electronics sector.

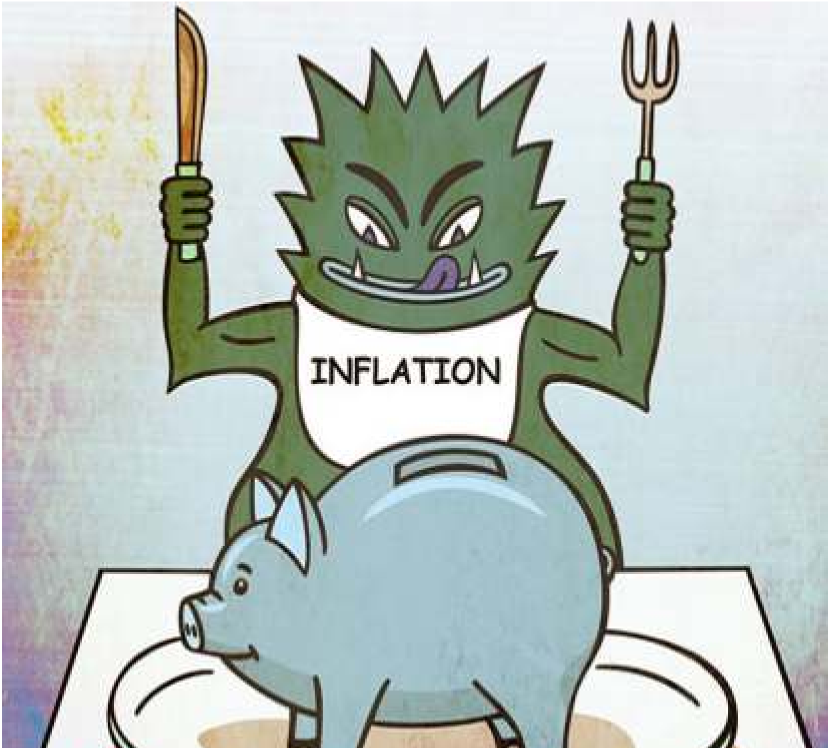
Domestic Macroeconomic Developments

Macroeconomic indicators revealed further growth in aggregate demand and renewed pressure in the foreign exchange market. Broad money (M2) grew to 8.8 per cent in the first quarter of 2002 compared with the benchmark expansion rate of 15.3 per cent for fiscal 2002. The Naira exchange rate remained relatively stable in the Inter-bank Foreign Exchange Market (IFEM) but depreciated in the parallel market and bureaux de change from N134.00/$US1.00 and N134.50/$US1.00 on April 2 to N138.20/$US1.00 and N138.50/$US1.00 on April 19 as against the appreciations recorded in March. Generally the domestic price level in February 2002 remained stable at its December 2001 level of 18.9 per cent. Nevertheless, the Committee noted the need to subdue inflation with a view to influencing a downward movement in lending rates.

Decisions

The Committee considered the implications of the recently approved budget deficit on domestic prices and the exchange rate. It further retained the existing tightening stance to sustain financial market stability. The Committee further decided that there was not sufficient reason to roll-over the CBN Certificate of 360-day tenor that matured in April.

1. Retain the Minimum Rediscount Rate (MRR) at 20.5 per cent
2. Retain Cash Reserve Requirement at 12.5 per cent
3. Retain Liquidity Ratio at 40.0 per cent


INFLATION

Communique No. 12 of the MPC: 8th and 21st May 2002

Global Macroeconomic Developments

Output growth remains positive, underscored by multiple factors, most especially, the substantial easing of macroeconomic policies in industrial countries, especially the U.S. and also in a number of emerging economies, most notably in Asia.

Domestic Macroeconomic Developments

observed in the first quarter of fiscal 2002, but expressed concern over the re-emergence of high demand pressure in the foreign exchange market. The inflation rate, which remained at 18.9 per cent in December 2001 through February 2002, declined marginally to 18.8 per cent in March. Broad money stock (M2), increased by 8.2 per cent during the quarter and further by 0.2 per cent in April 2002, bringing the cumulative growth rate of broad money to 8.4 per cent in the first four months of the year. In line with the relative price stability observed, the Inter-bank Foreign Exchange Market (IFEM) Naira exchange rate depreciated by 50 kobo, from N116.30 to N116.80 per U.S. dollar as at the end of the third week of May. Moreover, interest rate movement remained relatively stable, with the weighted average of inter-bank call rate falling marginally to 22.19 per cent from 22.65 per cent in April. The problem of excess liquidity remained in the banking system and continued to put the objective of reducing inflation rate to single digit at risk.

Decisions

The Committee in light of prevailing conditions decided to maintain the existing tight monetary stance. This position, coupled with the agricultural harvest would moderate inflationary pressures.

I. Retain the Minimum Rediscount Rate (MRR) at 20.5 per cent
ii. Retain Cash Reserve Requirement at 12.5 per cent
iii. Retain Liquidity Ratio at 40.0 per cent
iv. Downward review of the CBN stop-rate on Nigerian Treasury Bills (NTBs)

Communique No. 13 of the MPC: 4th and 18th June 2002

Global Macroeconomic Developments

The macroeconomic policies in most industrial countries provided support to the global recovery however a fall in equity prices have somewhat raised questions about the strength and sustainability of the recovery. Consequently with the uncertainty surrounding the recovery, accommodative monetary policy is expected to continue longer than expected in the United States and Europe. More decisive action is needed in Japan to reinvigorate the economy.

Domestic Macroeconomic Developments

Prices continued to moderate as the moving average rate of inflation, which had stabilised at 18.9 per cent in December, 2001 through February 2002, declined marginally to 18.8 per cent in March and further to 17.9 per cent in April 2002. The Committee, however, noted with concern the rapid growth of aggregate demand as broad money supply (M2) rose further by 1.3 per cent in May, 2002, bringing the cumulative growth rate of broad money to 9.8 per cent in the first five months of the year. When compared with the maximum annual growth target of 15.3 per cent, the growth was disproportionately too high and contra-seasonal. Base money also increased by 0.8 per cent in the first two weeks of June and exceeded the programme bench mark for the month by N5.3 billion or 1.0 per cent. Reflecting the effect of increased demand pressure, the average Naira exchange rate against the US dollar depreciated from N116.80/US$1.00 on 3rd June to N119.55/US$1.00 on 14th June, 2002.

Decisions

The Committee noted the importance of ensuring the sustained current downward trend in prices as well as the need to address the issue of high and persistent domestic demand pressure. The Committee therefore decided to retain the existing policy stance.

i. Retain the Minimum Rediscount Rate (MRR) at 20.5 per cent
ii. Retain Cash Reserve Requirement at 12.5 per cent
iii. Retain Liquidity Ratio at 40.0 per cent

Communique No. 14 of the MPC: 2nd, 16th, 19th & 30th July 2002

Global Macroeconomic Developments

Economic and financial market developments have been mixed since the second quarter of 2002. Against the backdrop of the strengthening of global economic indicators seen since end-2001, there has been a sharp decline in global equity markets as well as re-emerging deterioration in financing conditions facing most emerging market borrowers, especially countries in Latin America. Significant weaknesses in a number of current and forward-looking indicators for the United States, Europe, and several other regions has further emerged in recent times eroding some of the gains earlier realized.

Domestic Macroeconomic Developments

Macroeconomic indicators revealed relative stability during the review period. Broad money stock (M2) increased disproportionately by 9.8 per cent in the first half of 2002, compared with the 15.3 per cent benchmark set for fiscal 2002. The growth represented a significant contrast to the rapid expansion of 21.2 per cent in the corresponding period of 2001. Also, the rate of inflation (moving average) which stood at 17.9 per cent in April moderated further to 16.8 per cent in May, 2002. Furthermore, the inter-bank market interest rates remained generally stable between January and June, 2002. The Committee however noted with concern, the sluggish growth in credit to the private sector which in the first half of 2002, increased by only 6.8 per cent when juxtaposed with the 34.9 per cent programme target for the year and 24.2 per cent recorded in the corresponding period of 2001.

Decisions

The Committee noted the relative stability in leading indicators and the lack of growth in credit to the private sector. To this end, the Committee adopted a loosening policy stance to make the cost of capital cheaper for lenders and promote credit provision to the private sector. Also, to increase the efficiency in the foreign exchange market, the Committee decided to adopt a market based determination of the Naira exchange rate.

i. Adjust the Minimum Rediscount Rate (MRR) downward by 200 basis points to 18.5 per cent;
ii. Reduce the required cash reserve ratio (CRR) by 300 basis points to 9.5 per cent
iii. Retain Liquidity Ratio at 40.0 per cent
iv. Reintroduce the Dutch Auction System (DAS) with effect from July 22, 2002

Communiqué No 15 of the MPC: 13th and 27th August, 2002

Global Macroeconomic Developments

After a strong first quarter, there were significant rise in concerns about the pace and sustainability of the recovery. Financial markets have weakened markedly, with equity markets falling sharply since end-March accompanied by a depreciation of the U.S. dollar; financing conditions for emerging market shave deteriorated, particularly in South America and Turkey; and incoming data in both the U.S. and the euro area have fallen short of expectations. The recovery was expected to continue, but global growth in the second half of 2002 and in 2003 might be weaker than earlier expected, and the risks to the outlook were primarily on the downside.

Domestic Macroeconomic Developments

The appraisal of macroeconomic developments in the period revealed continued moderation in monetary conditions and inflationary pressure. There was considerable moderation of pressure in the money market, resulting in the general downward movement of short-term interest rate. The CBN certificate was introduced in February 2001, when the problem of excess liquidity in the banking system became intractable. There was relative stability of the naira exchange rate, following the erratic movement witnessed at the introduction of the Dutch Auction System (DAS) on July 22, 2002. The Committee observed that the DAS was achieving the desired objectives, including the gradual narrowing of the wide spread between the official market rates, and reaffirmed its confidence in the appropriateness of the existing measures. The Committee called on the fiscal authorities to pursue prudent fiscal policy, in order to ensure the continued success of DAS.

Decisions

The Committee decided to retain the MRR at 18.5% and continue to monitor developments in the economy closely and take appropriate monetary policy action as the need arises, in order to promote a stable macroeconomic environment, while ensuring the flow of adequate bank credit to the productive sector of the economy.

Communiqué No 16 of the MPC: 10th and 17th September, 2002

Global Macroeconomic Developments

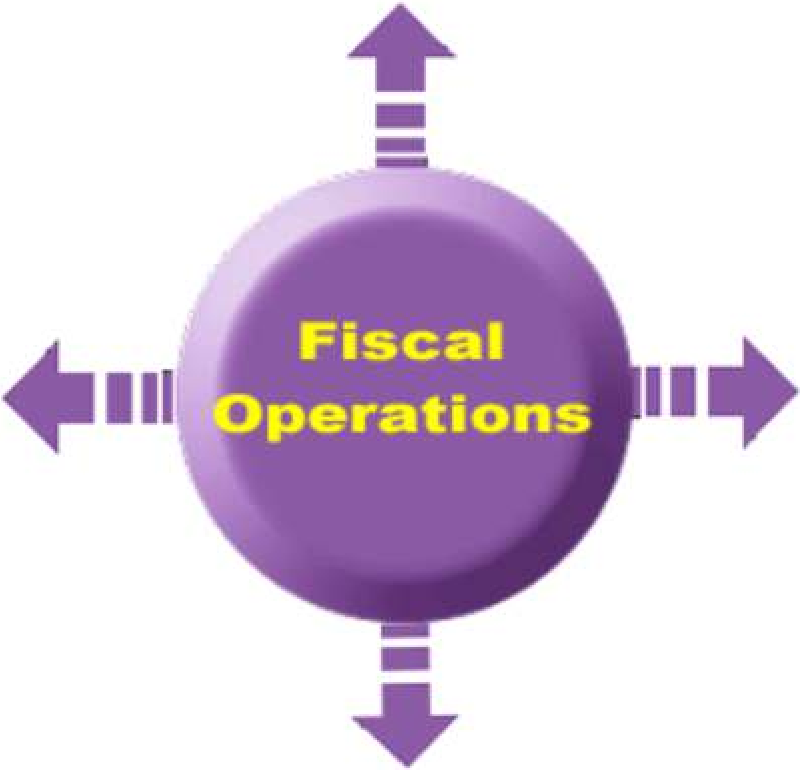
Since late 2001, the recovery in the global economy has been under way, with trade and industrial production picking up across the globe. However, financial markets have weakened markedly, with equity markets falling sharply since end-March accompanied by a depreciation of the U.S. dollar; financing conditions for emerging market shave deteriorated, particularly in South America and Turkey; and incoming data in both the U.S. and the euro area have fallen short of expectations. The recovery was expected to continue, but global growth in the second half of 2002 and in 2003 might be weaker than earlier expected, and the risks to the outlook were primarily on the downside.

Domestic Macroeconomic Developments

The review of developments revealed that major macroeconomic indicators were relatively stable. The inflation rate which was 16.2 per cent in July 2002, moderated further to 15.5 per cent in August 2002. This was engendered by the effect of harvest on food prices. The relative stability in the money market in the preceding month, continued in August 2002, resulting in the general downward movement of short-term interest rate. A major risk to the stability in domestic price level was the expansionary fiscal operation of the Federal Government. In the foreign exchange market, demand pressure moderated in August 2002 leading to a naira appreciation of 1.54 per cent, reflecting the salutary effects of the introduction of Dutch Auction System.

Decisions

The Committee decided to retain the MRR at 18.5% and continue to monitor macroeconomic developments and market conditions closely with a view to taking appropriate monetary policy actions as the need arises.


Fiscal
Operations

Communiqué No 17 of the MPC: 8th and 22nd October, 2002

Global Macroeconomic Developments

The recovery in the global economy has been under way, with trade and industrial production picking up across the globe. However, after a strong first quarter, there were significant rise in concerns about the pace and sustainability of the recovery. Equity markets have falling sharply; financing conditions for emerging market shave deteriorated, and incoming data in both the U.S. and the euro area have fallen short of expectations. The recovery was expected to continue, but global growth in the second half of 2002 and in 2003 might be weaker than earlier expected, and the risks to the outlook were primarily on the downside.

Domestic Macroeconomic Developments

There was a continued moderation of inflationary pressure. Specifically, inflation rate on the moving average basis declined further to 15.6 per cent in August from 16.2 per cent in July 2002. Further moderation was projected for September and October 2002 due to moderating effect of good agricultural harvests on food prices. Despite the relative calm in the money market, the Committee was concerned about the surge in monetary expansion. The main expansionary factor of money supply was the monetization of the external reserves drawdown by US$500 million, which was shared by the three tiers of government. In foreign exchange market, relative stability in the naira exchange rate was maintained. The Committee appraised the macroeconomic implications of the phased monetization of the US$1.5 billion drawdown on external reserves and underlined the need for fiscal prudence by the three tiers of government. The committee also noted with satisfaction the steady decline in CBN's holding of Nigerian Treasury Bill (NTB) and the corresponding increase in the holding by the public. While welcoming the development, it anticipated that need to create the CBN own security for conduct of Open Market Operation (OMO).

Decision

The Committee decided to retain the MRR at 18.5%. Consequently, the Committee approved, in principle the creation of “Special OMO Bills”, to be issued strictly for liquidity management, as and when necessary.

Treasury Bill
caps lock
A
S
Z
X
alt
option
control
⌘

Communiqué No 18 of the MPC: 5th and 19th November, 2002

Global Macroeconomic Developments

Global economic activity in the second and third quarters of 2002—except in Western Europe—proved stronger than expected; correspondingly, global GDP growth for the year as a whole was estimated at 3 per cent, 0.2 percentage point higher than earlier projected. Industrial production had stagnated in the major advanced countries, accompanied by a slowdown in global trade growth; labor market conditions remain soft; and forward-looking indicators—with a few exceptions—have generally weakened.

Domestic Macroeconomic Developments

The Committee reviewed the macroeconomic developments and noted with satisfaction the continued moderation of inflationary pressure. The inflation rate, on moving average basis, declined further to 14.8 per cent in September 2002 from 15.6 per cent in the preceding month, attributable largely to the dampening effect of good agricultural harvests on food prices. The Cumulative growth rate of broad money stock (M2) accelerated rapidly by 24.4 per cent in the first ten months of 2002, substantially out of line with the target expansion rate of 15.3 per cent for the whole fiscal year. The acceleration of monetary growth was attributable mainly to the monetization of additional external reserves, from September 2002, which was shared by the three tiers of government, thus underscoring the need for fiscal prudence. Developments in the foreign exchange market remained positive, ass the gap between the official and parallel market exchange rate narrowed to 9.38 per cent. The observed high demand pressure and the acceleration in the rate of monetary expansion has potential for reversing the downward trend the domestic price level and increasing the risk of macroeconomic instability.

Decisions

The Committee decided to retain the MRR at 18.5%. The MPC also appraised the decision of the deposit money banks to adjust their lending rate to not more than 4 percentage points above the prevailing Minimum Rediscount Rate (MRR), with effect from November 1, 2002 and noted the need to encourage the sustenance of that initiative in order to stimulate investment demand and productive activities in the private sector.

Communiqué No 19 of the MPC: 3rd and 17th December, 2002

Global Macroeconomic Developments

Global GDP growth for the year as a whole was estimated at 3 per cent, 0.2 percentage point higher than earlier projected. But since then the pace of the recovery slowed, particularly in industrial countries, amid rising uncertainties in the run-up to war in Iraq and the continued adverse effects of the fallout from the bursting of the equity market bubble. Industrial production had stagnated in the major advanced countries, accompanied by a slowdown in global trade growth; labor market conditions remain soft; and forward-looking indicators—with a few exceptions—have generally weakened.

Domestic Macroeconomic Developments

In its deliberations, the Committee welcomed the continued moderation in inflationary pressure during the reviewed period. The moving average rate of inflation declined further to 13.6 per cent in October 2002, from 18.9 per cent in December 2001. The observed deceleration was attributable largely to the moderating effect of good agricultural harvest on food prices and tight monetary policy stance. The committee also noted the calm in the money market, and the general downward movement in short-term rate. Moreover, the exchange rate of the naira against the U.S. dollar appreciated in all segments of the foreign exchange market. The Committee viewed the performance of the DAS introduced in July 2002 with satisfaction, particularly the enforcement of allocative efficiency in the market, the narrowing of the spread between the official and parallel market rates, and the build-up of external reserves. Consequently, it affirmed its confidence in the appropriateness of the existing mechanism for exchange rate determination.

Decisions

In view of these developments and given the need to encourage increased credit to the private sector to boost investment and output growth, the MPC approved a further reduction of the Central Bank's Minimum Rediscount Rate (MRR) by 200 basis points to 16.5 per cent, with immediate effect.

Communiqué No 21 of the MPC: 25th February, 2003

Global Macroeconomic Developments

Global economic activity in the second and third quarters of 2002—except in Western Europe—proved stronger than expected; correspondingly, global GDP growth for the year as a whole was estimated at 3 per cent, 0.2 percentage point higher than earlier projected. But since then the pace of the recovery slowed, particularly in industrial countries, amid rising uncertainties in the run-up to war in Iraq and the continued adverse effects of the fallout from the bursting of the equity market bubble. Industrial production had stagnated in the major advanced countries, accompanied by a slowdown in global trade growth; labor market conditions remain soft; and forward-looking indicators—with a few exceptions—have generally weakened.

Domestic Macroeconomic Developments

Relative price stability was observed in most of 2002 was sustained during the month. However, there was persistent excess liquidity in the system, with the broad money stock (M2) rising by 2.55 per cent. Helped by the surfeit of funds in the financial market, the weighted average call rate in the interbank money market declined to 10.88 per cent during the review month, down from the 11.97 per cent in January 2003. In the foreign exchange market, there was a significant rise in the demand for foreign exchange, resulting in the modest depreciation of the naira value in all segment of the market.

Decisions

The Committee noted that the relative price stability in most of 2002. It was, however, observed that the problem of excess liquidity in the system persisted. No additional policy action was introduced during the month. The Committee, however, pledged to continue to monitor macroeconomic development closely with a view to taking appropriate policy action to ensure the achievement of the programmed target for the year

Communiqué No 22 of the MPC: 11th and 25th March, 2003

Global Macroeconomic Developments

Global economic activity in the second and third quarters of 2002—except in western Europe—proved stronger than expected; correspondingly, global GDP growth for the year as a whole was estimated at 3 per cent, 0.2 percentage point higher than earlier projected. But since then the pace of the recovery slowed, particularly in industrial countries, amid rising uncertainties in the run-up to war in Iraq and the continued adverse effects of the fallout from the bursting of the equity market bubble. Industrial production had stagnated in the major advanced countries, accompanied by a slowdown in global trade growth; labor market conditions remain soft; and forward-looking indicators—with a few exceptions—have generally weakened.

Domestic Macroeconomic Developments

The Committee noted that the relative price stability observed since March 2002 was sustained during the month under review and cautioned that the downward trends in prices could be reversed if the current fuel scarcity continued. M2 rose by 3,25 per cent as at the end of March 2003, higher than the 2.55 per cent increase recorded at the end of the preceding month. This development was induced largely by the rise in aggregate credit to the domestic economy. Interest rates in the interbank money market fell relative to their levels in the preceding month. The review of developments in the DAS revealed that the demand for foreign exchange declined by 29.05 per cent resulting in the appreciation of the naira in that market by 0.11 per cent.

Decisions

The Committee, welcomed the approval of the National Savings Certificate (NSC) by the Federal executive Council during the review month, and expressed optimism that the NSC scheme will encourage savings culture and enhance the effectiveness of monetary policy.

No new monetary policy action was introduced during the month. The Committee, however, pledged to continue to monitor macroeconomic development closely with a view to taking appropriate policy action.

Communiqué No 24 of the MPC: May 2003

Global Macroeconomic Developments

There were expectations of global economic recovery, provided the war in Iraq was short and contained, in the second half of 2003, with global growth picking up to about 4 per cent in 2004. In the event, with major hostilities in Iraq indeed ending quickly, forward-looking indicators generally showed improvements, with equity markets strengthening markedly, accompanied by some pickup in business and consumer confidence, particularly in the United States. Concurrent data initially remained weak, with industrial production and trade growth slowing markedly in the second quarter, reflecting continued geopolitical uncertainties, the continued aftereffects of the bursting of the equity price bubble, and—particularly in Asia—the impact of Severe Acute Respiratory Syndrome (SARS).

Domestic Macroeconomic Developments

The Committee observed that the rapid growth in the monetary aggregates that characterized developments in the first four months of 2003, moderated in May, while the inflation rate showed further deceleration, declining to 10.1 per cent in April 2003 from 10.5 per cent in March. However, the pressure on the foreign exchange market intensified, resulting in the depreciation of the naira in all the segments of the market.

Decisions

Overall, the Committee welcomed the continued improvement in inflation performance and the substantial moderation in monetary expansion during the review month. Furthermore, it considered the downward movement in bank lending rates as a positive development that could encourage increased private sector borrowing for productive activities. However, the renewed pressure on the foreign exchange market was viewed with concern.

The Committee did not adopt any change to the stance of monetary policy.

Communiqué No 25 of the MPC: 30th June, 2003

Global Macroeconomic Developments

There were expectations of global economic recovery, provided the war in Iraq was short and contained, in the second half of 2003, with global growth picking up to about 4 per cent in 2004. In the event, with major hostilities in Iraq indeed ending quickly, forward-looking indicators generally showed improvements, with equity markets strengthening markedly, accompanied by some pickup in business and consumer confidence, particularly in the United States. Concurrent data initially remained weak, with industrial production and trade growth slowing markedly in the second quarter, reflecting continued geopolitical uncertainties, the continued aftereffects of the bursting of the equity price bubble, and—particularly in Asia—the impact of Severe Acute Respiratory Syndrome (SARS).

Domestic Macroeconomic Developments

The Committee noted the expansion in broad money stock (M2), which grew cumulatively in the first half of 2003 by 16.9 per cent, above the 15.0 per cent programme target for the entire year. The main expansionary factors of money supply were the increases in the banking system net foreign assets and net credit to the government. Inflation rate on 12-month moving average basis, declined further to 10.1 per cent in April from 10.5 per cent in March 2003 the projection for May and June indicated a continued downward trend. The demand pressure in the Dutch Action System (DAS) segment of the foreign exchange market, however, persisted. Nonetheless, exchange rate movement remained stable

Decisions

The Committee welcomed the sustenance of macroeconomic stability during the period, but viewed with concern the continued pressure on the foreign exchange market. The Committee decided to maintain the stance of monetary policy, while it would continue to appraise developments in the macroeconomy, with a view to taking appropriate monetary policy action as the need arises.


FOREX

Communiqué No 26 of the MPC: 31st July, 2003

Global Macroeconomic Developments

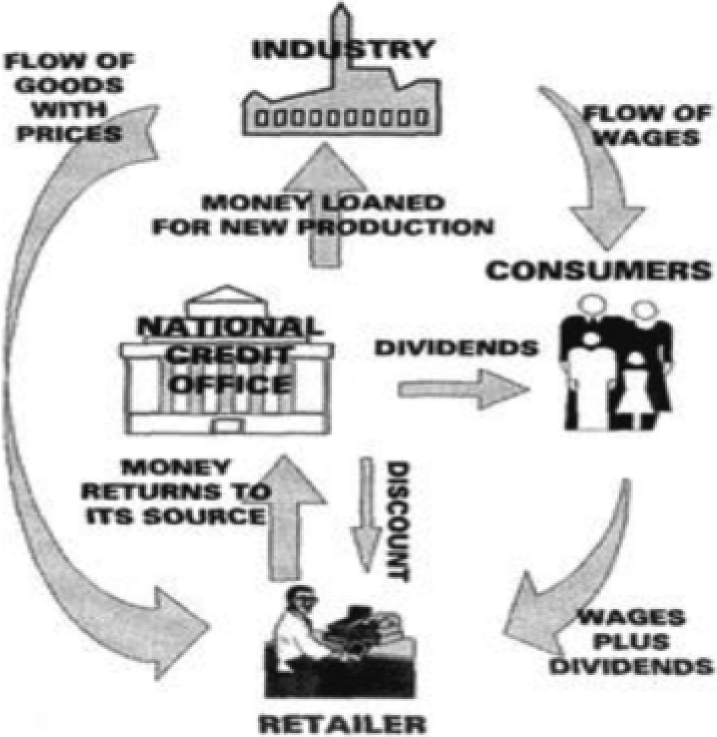
There were expectations of global economic recovery, provided the war in Iraq was short and contained, in the second half of 2003, with global growth picking up to about 4 per cent in 2004. In the event, with major hostilities in Iraq indeed ending quickly, forward-looking indicators generally showed improvements, with equity markets strengthening markedly, accompanied by some pickup in business and consumer confidence, particularly in the United States. Concurrent data initially remained weak, with industrial production and trade growth slowing markedly in the second quarter, reflecting continued geopolitical uncertainties, the continued aftereffects of the bursting of the equity price bubble, and—particularly in Asia—the impact of Severe Acute Respiratory Syndrome (SARS).

Domestic Macroeconomic Developments

An appraisal of monetary developments in July 2003 indicated that the growth in monetary aggregates moderated. The broad money stock (M2) rose by 1.34 per cent, compared with the 4.3 per cent recorded in the preceding month. The fall in foreign assets (net) of the banking system exerted a moderating effect. The inflation rate, on twelve month moving average basis, declined further to 10.0 per cent in May from 10,1 per cent in April. A modest rise in inflation rate is expected in June and July, 2003, driven by the effect of the crisis that followed the hike in the price of petroleum products on transportation cost. The main expansionary factor of money supply was the increase in aggregate bank credit to the domestic economy, largely to the government. The demand pressure in DAS segment of the foreign exchange market moderated, influencing a marginal appreciation of the naira. Arising from the surfeit of short-term funds in the money market, interest rates on deposits and bank lending maintained a general downward trend.

Decisions

In view of the continued deceleration in the inflation rate, the sluggish growth in bank credit to the private sector despite the moderation in bank lending rates, and the relative stability in the foreign exchange market, the Committee decided to maintain the current monetary policy stance.


INDUSTRY
FLOW OF GOODS WITH PRICES
FLOW OF WAGES
MONEY LOANED FOR NEW PRODUCTION
CONSUMERS
NATIONAL CREDIT OFFICE
DIVIDENDS
MONEY RETURNS TO ITS SOURCE
DISCOUNT
WAGES PLUS DIVIDENDS
RETAILER

Communiqué No 27 of the MPC: 28th August 2003

Global Macroeconomic Developments

The global recovery strengthened and broadened. Industrial production picked up sharply, accompanied by a strong rebound in global trade; business, and to a lesser extent consumer, confidence has strengthened; and investment growth—essential to sustain the recovery—has turned solidly positive in almost all regions. In the second half of 2003, global GDP growth averaged nearly 6 percent at an annualized rate, the highest since late 1999. While this was in part due to one-off factors—notably a surge in consumption in the United States due to the short-term impact of tax cuts and mortgage refinancing, and the rebound from the slowdown related to Severe Acute Respiratory Syndrome (SARS) in Asia.

Domestic Macroeconomic Developments

A review of developments in the macroeconomy and the financial markets indicated that relative stability continued to be maintained through the review month. However, it was noted that the risk of renewed demand pressure and a reversal of the persistent fall in inflation rate, observed since January 2003 had started to build up. Developments on monetary aggregates revealed a further moderation in the growth in money supply. The main expansionary factor of money supply during the review period was the rapid growth in bank credit to the government. Conversely, the growth in private sector claims on the banking system fell below the programmed target. The inflation rate recorded a marginal rise of 0.1 percentage point to 10.1 per cent in June 2003. The rise was attributable, mainly, to the modest increase in the food index where the prices of most staples increased. The demand pressure in the foreign exchange market, however, moderated somewhat, resulting in the marginal appreciation of the naira.

Decisions

In line with the general downward movement of money market rates and against the background of continued moderation of the inflationary pressure while real output growth remained weak. The Committee considers a move to soften the policy stance would be a needed boost for economic activities. The Committee decided that, effective August 17, 2003, the Minimum Rediscount Rate be reduced by 150 basis points to 15.0 per cent to stimulate real output growth. It is expected that other rates will moderate in tandem with the reduction in the MRR. Finally, the frequency of the Committee's meetings has been changed from fortnightly to monthly.


Interest Rates

Communiqué No 28 of the MPC: 29th September 2003

Global Macroeconomic Developments

The global recovery strengthened and broadened. Industrial production picked up sharply, accompanied by a strong rebound in global trade; business, and to a lesser extent consumer, confidence has strengthened; and investment growth—essential to sustain the recovery—has turned solidly positive in almost all regions. In the second half of 2003, global GDP growth averaged nearly 6 percent at an annualized rate, the highest since late 1999. While this was in part due to one-off factors—notably a surge in consumption in the United States due to the short-term impact of tax cuts and mortgage refinancing, and the rebound from the slowdown related to Severe Acute Respiratory Syndrome (SARS) in Asia.

Domestic Macroeconomic Developments

The twelve-month moving average inflation rate in July declined to 10.0 per cent, down from 10.1 per cent in the preceding month. The demand pressure in the foreign exchange market, however, intensified, resulting in the depreciation of the naira in all segment of the foreign exchange market. Reflecting the effect of surfeit of liquidity in the financial market and the downward review of the MRR to 15 per cent from 16.5 per cent in August 2003, interest rate on bank deposit and lending continued to moderate.

Decisions

The Committee noted with satisfaction, the continued moderation in inflationary pressures and the deceleration in the growth of money supply. The moderation in the growth of monetary aggregates during the month was influenced largely by the fall in net foreign assets of the banking system.

The downward review of the MRR in the preceding month was expected to influence further reductions in booth deposit and lending rates in the money market and promote investment spending that would strengthen output and employment growth. The Committee pledged to continue to monitor macroeconomic developments with a view to taking appropriate monetary policy action as the need arises.

Communique No. 29 of the MPC: 21st October, 2003

Global Macroeconomic Developments

Following a series of adverse shocks in the first half of 2003, there are now increasing signs of a renewed recovery, and the balance of risks—in April, tilted well to the downside—has improved significantly. But with the pace and robustness of the recovery still unclear, and inflationary pressures low, monetary policies should remain accommodative for the time being. The widening global imbalances, and continuing dependence of global growth on the United States, underscore the need for an acceleration of structural reforms in many countries.

Domestic Macroeconomic Developments

A review of developments showed that the broad measure of money stock (M2) declined marginally by 0.1 per cent in August, compared with the fall of 0.7 per cent in the preceding month. In the first nine months of the year, however, M2 grew by 23.2 per cent, compared with the target of 15.0 per cent for the whole year. The annualized month-on-month inflation rate fell to 12.4 per cent from 12.9 per cent in July 2003. The exchange rate of naira vis-à-vis the US dollar, however, depreciated in all the segments of the foreign exchange market

Committee's considerations and decisions

The Committee reaffirmed its confidence in the appropriateness of existing monetary and exchange policy measures, but called on the fiscal authorities to pursue prudent financial policies in order to minimize the risk of macroeconomic instability. The monetary policy committee will continue to monitor macroeconomic developments, with a view to taking appropriate monetary policy action as the need arises.


ECONOMY
Govt

Communique No. 32 of the MPC: 18th February, 2004

Global Macroeconomic Developments

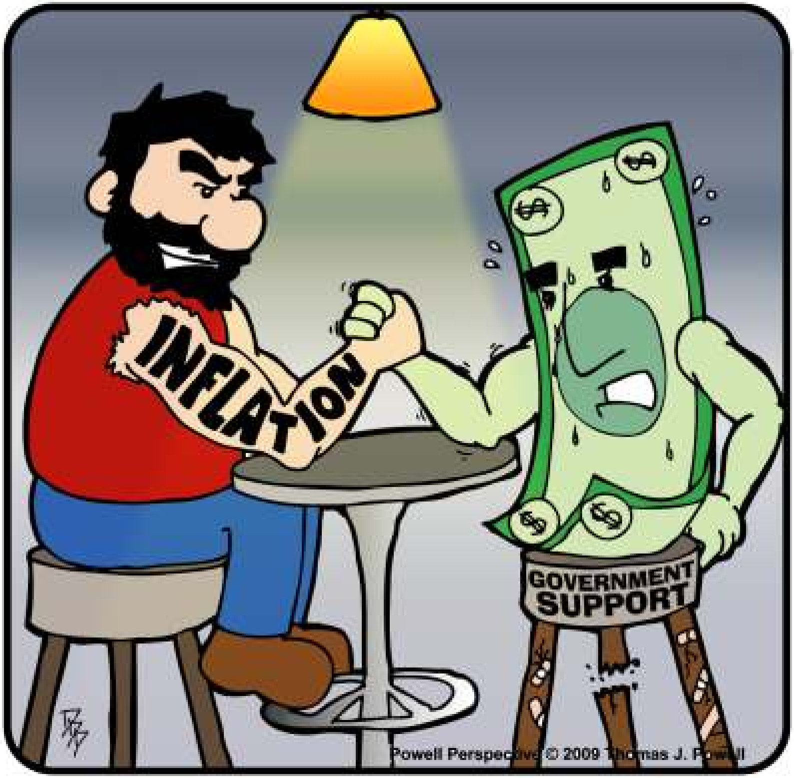
With the global recovery strengthening and broadening, the IMF baseline forecast has been revised upward significantly, with global GDP growth in 2004 and 2005 now projected at about 4!/2 percent. With global trade rising sharply, financial markets buoyant, and the U.S. economy rebounding, the balance of risks has significantly improved.

Domestic Macroeconomic Developments

The Committee was encouraged by the improvement, although modest, in the growth performance of the real sector, helped by the strong agricultural sector performance and enhanced capacity utilization in the manufacturing sector. Also, the moderation of demand pressure in the foreign exchange market seemed to have been sustained, resulting in the continued appreciation of the naira in all segments of the foreign exchange market. The resurgence of inflation in September, 2003 and its escalation in the subsequent months was, however, of great concern to the Committee.

Committee's considerations and decisions

Recognizing the urgent need to douse inflationary expectations and bring the rate down, the Committee at its February 2004 meeting decided to tighten the stance of Monetary Policy. Consequently, it approved a selective withdrawal of public sector funds from the banking system, targeting N40 billion, as a strategy for reducing excess liquidity in the system. The Committee emphasized the need to continued monitoring of macroeconomic and financial market developments, with a view to taking appropriate policy measures


INFLATION
GOVERNMENT SUPPORT
Powell Perspective © 2009 Thomas J. Powell

Communique No. 33 of the MPC: 10th March, 2004

Global Macroeconomic Developments

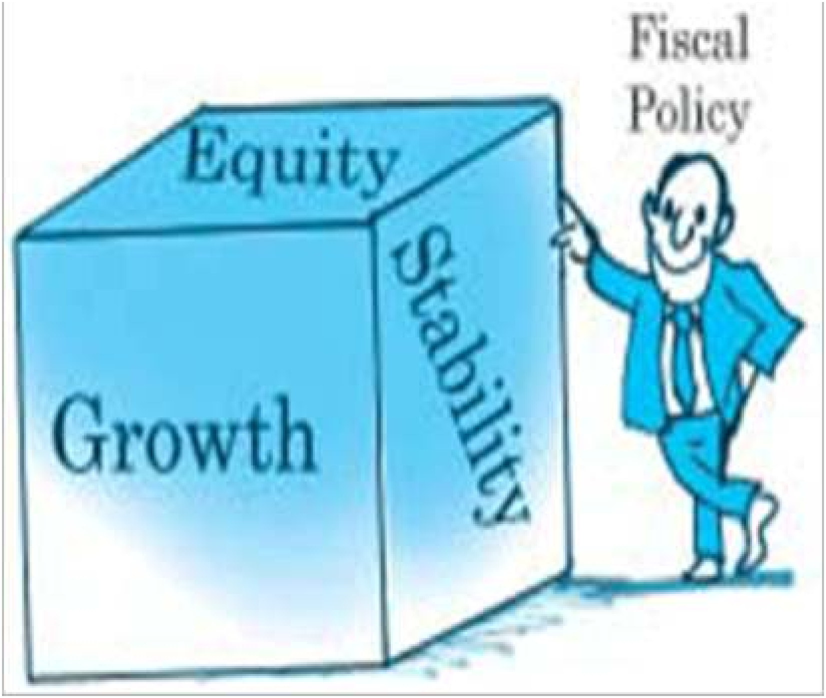
In the short run it is possible that global growth may be higher than projected, although geopolitical risks—including terrorist attacks—and oil prices have become increasing concerns. But significant challenges and risks remain, including achieving an orderly resolution of global imbalances, notably the large U.S. current account deficit and surpluses elsewhere; addressing difficult medium-term fiscal situations in many industrial and emerging market economies; and managing the eventual transition to higher interest rate.

Domestic Macroeconomic Developments

The overall macroeconomic environment showed some improvement, as the monetary aggregates showed further contraction; the foreign exchange market remained generally stable, with the naira recording a modest appreciation and, the official gross external reserves improved significantly. Moreover, the level of interest rates showed further moderations.

Committee's considerations and decisions

Although inflation data for January and February 2004 were not available, preliminary indicators showed that the risk of further increase in domestic price level was marginal. Encouraged by that, coupled with the contraction in the broad money supply since the beginning of 2004, the Committee observed that the prospects of bringing the rate of inflation down was high if fiscal prudence was sustained. Meanwhile, the Committee decided to continue monitoring developments in the economy with a view to fine-tuning the existing policies, if necessary.


Fiscal
Policy
Equity
Growth
Stability

Communique No. 34 of the MPC: 22nd April, 2004.

Global Macroeconomic Developments

While policymakers need to continue to ensure that the recovery is sustained, the focus increasingly needs to shift toward these issues, including through a credible and cooperative approach to addressing global imbalances, and to rebuilding room for policy maneuver to deal with unexpected shocks. In both advanced and developing countries it will be essential to take advantage of the recovery to press ahead with the structural reforms needed to improve growth potential, flexibility, and resilience, and to resist protectionist pressures.

Domestic Macroeconomic Developments

The overall economic picture showed that growth in monetary aggregates slowed as the banking system's credit to government contracted; the foreign exchange market remain stable, with the official gross external reserves showing further improvement and the naira exchange rate appreciating. The level of banks interest rates, however, increased and the average inflation rate rose further. The Committee observed that the prospects of containing inflation and stabilizing the interest rate were high, if the level of fiscal prudence was sustained.

Committee's considerations and decisions

Against these assumptions, the Committee decided not to introduce any monetary policy change. Meanwhile continued effort will be made to monitor the impact of the recent withdrawal of liquidity from the banks under the new settlement system with a view to fine-tuning the existing policies, if necessary.


Monetary Policy

Communique No. 35 of the MPC: 31st May, 2004.

Global Macroeconomic Developments

Over the past year, the global recovery has become increasingly well established, with global GDP growth now projected to average 5 percent in 2004, the highest for nearly three decades. That said, growth momentum has slowed from the second quarter of 2004, notably in the United States, Japan, and China, while oil prices have risen sharply.

Domestic Macroeconomic Developments

In April, 2004, the overall performance of the economy was mixed. Although the growth in money supply (M2) was broadly on target, the rate of inflation continued to accelerate. The pressure on the naira, however, moderated, as the level of gross official reserve rose. Moreover, the money market remained relatively calm, with both deposit and lending rates rising only moderately.

Committee's considerations and decisions

The Committee viewed with serious concern, the escalation in the rate of inflation and decided to embark on partial withdrawal of public sector funds with the deposit money banks, as a strategy for mopping up excess liquidity in the system. The Committee noted that developments in the macro economy will continue to be monitored, with a view to taking further policy action, if the need arise.


Inflation

Communique No. 36 of the MPC: 21st June, 2004.

Global Macroeconomic Developments

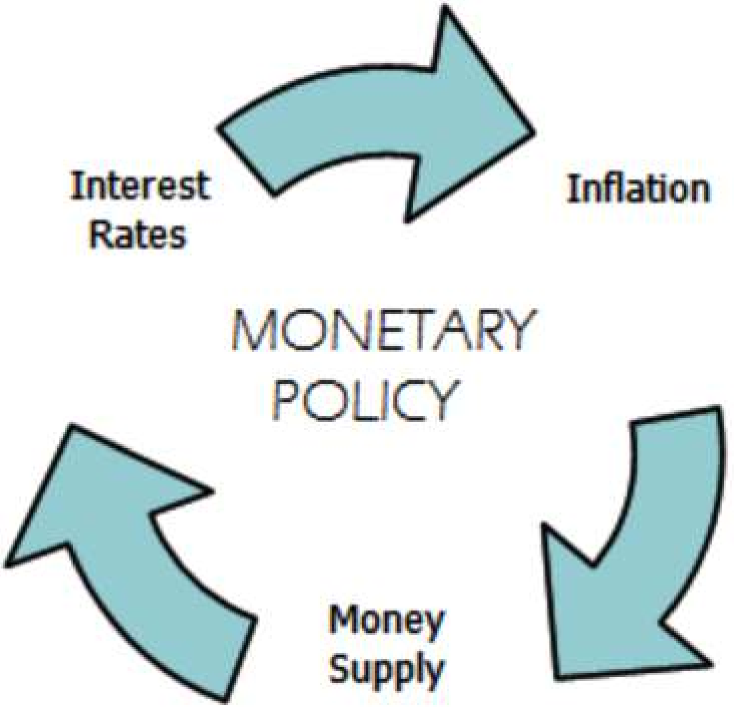
Looking forward, the global expansion—while still solid—will therefore likely be somewhat weaker than earlier expected; the balance of risks has shifted to the downside with further oil price volatility a particular concern. On the policy side, interest rates will need to rise further as the recovery proceeds, although the pace and timing vary considerably across countries, depending on their relative cyclical positions.

Domestic Macroeconomic Developments

On the recommendation of its Monetary Policy Committee, the Central Bank of Nigeria (CBN) has decided to recall N74.5 billion of public sector funds lodged with deposit money banks, with effect from July 21, 2004. The policy action, which represents a tightening of monetary policy stance, is designed to stem the continued high demand pressure in the foreign exchange market, and acceleration of the inflation rate.

Committee's considerations and decisions

The Committee emphasized the need for proactive monetary policy actions to ensure the sustenance of this positive development, recognizing the potential risk to macroeconomic stability posed by anticipated bunched government spending on capital projects during the second half of this year. In this regard, the phased recall of public sector funds with the deposit money banks will be sustained until the need for re-injection of liquidity arises. Meanwhile, the Committee will continue to closely monitor developments in the economy with a view to taking appropriate actions.


Interest
Rates
Inflation
MONETARY
POLICY
Money
Supply

Communique No. 37 of the MPC: 29th July, 2004.

Global Macroeconomic Developments

The key challenge—perhaps even more important in light of the somewhat less favorable short-term situation—is to take advantage of the upturn to make progress in addressing fundamental medium-term problems, including difficult fiscal positions, growth-restraining structural weaknesses, financial and corporate vulnerabilities, and last but not least—continuing global current account imbalances.

Domestic Macroeconomic Developments

Available information since the last meeting indicated that the pressure on prices has continued. The daily average demand for foreign exchange dropped, but remained unsustainably high. The gross official external reserve increased and the naira exchange rate appreciated in the Dutch Auction System (DAS) segment of the market, owing to the increased supply of foreign exchange by the CBN. The exchange rate depreciated in the Bureaux de Change (BDC) market, thereby widening the spread between the DAS and the BDC exchange rates.

Committee's considerations and decisions

The Committee also observed that the growth in monetary aggregates remained within the programme targets, as bank credit to the Federal Government continued to fall. Nevertheless, it recognized the threat to monetary stability posed by the anticipated bunched government spending on capital projects in the rest of the year. It also noted the risk of further pressure on prices if the monetary policy stance should be relaxed so soon. In this regard, the Committee agreed to sustain the phased recall of public sector funds with the deposit money banks until further notice.


FISCAL
CLIFF
AHEAD

Communique No. 38 of the MPC: 20th September, 2004.

Global Macroeconomic Developments

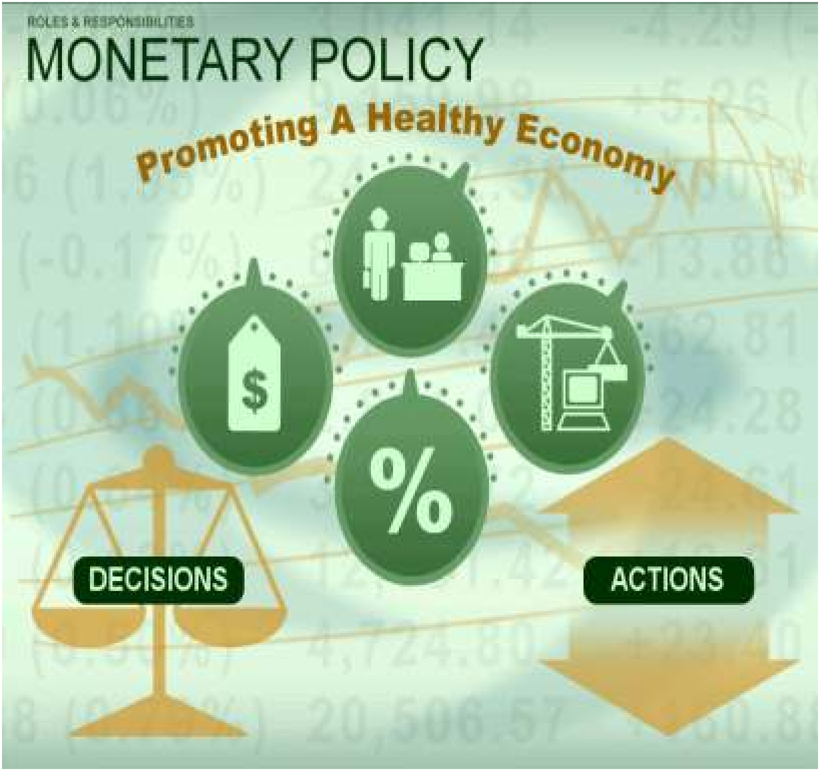
The IMF-projected acceleration in world GDP to 5% from 3.9% in 2003 made growth in 2004 the fastest in three decades. The expansion in trade and output was unexpected. It was led by the U.S. and Japan, with only lacklustre recovery in the euro zone. The U.S. demand was fueled by investment and consumption at the expense of growing fiscal and current-account deficits, which in turn led to an apparently relentless decline in the value of the dollar. This created concerns at home and abroad. In contrast, expansion in Japan and the euro zone was export driven.

Domestic Macroeconomic Developments

Since the last meeting of the MPC, the pressure on prices has moderated. Both the moving average and point on point inflation rates fell from 19.4 and 14.1 percent in June 2004 to 19.1 and 10.7 percent in July. The arbitrage premium between the DAS exchange rate and the bureaux de change has stabilized around 5.5 per cent. In addition, the growth in monetary aggregates remained within the program targets. The Committee expressed optimism about the substantial fiscal savings from the excess crude oil proceeds since the beginning of 2004.

Decisions

The Committee, therefore, agreed not to introduce any new policy action. However, macroeconomic developments shall continue to be monitored with a view to fine-tuning the existing policies, if necessary.


ROLES & RESPONSIBILITIES
MONETARY POLICY
Promoting A Healthy Economy
DECISIONS
ACTIONS

Communique No. 39 of the MPC: 12th October, 2004.

Global Macroeconomic Developments

Over the past year, the global recovery has become increasingly well established, with global GDP growth now projected to average 5 percent in 2004, the highest for nearly three decades. That said, growth momentum has slowed from the second quarter of 2004, notably in the United States, Japan, and China, while oil prices have risen sharply.

Domestic Macroeconomic Developments

Available information since the last meeting of the MPC indicated that the year on-year inflation rate had increased from 10.7 per cent in July 2004 to 13.0 per cent in August 2004. The 12-month moving average inflation rate remained unchanged at the July 2004 level of 19.10 per cent. The exchange rate of the naira was relatively stable, while the gross official reserves rose further from US $12.48 billion to US $13.27 at end-September 2004. Broad money stock (M2) rose by 9.9 per cent in the first nine months of 2004, representing an annualized growth rate of 13.2 per cent.

Decisions

The Committee agreed to monitor macroeconomic developments very closely during the rest of 2004, with a view to fine tuning existing policies if the need arises.


ECONOMIC
DEVELOPMENT

Communique No. 40 of the MPC: 22nd November, 2004.

Global Macroeconomic Developments

Looking forward, the global expansion—while still solid—will therefore likely be somewhat weaker than earlier expected; the balance of risks has shifted to the downside with further oil price volatility a particular concern. On the policy side, interest rates will need to rise further as the recovery proceeds, although the pace and timing vary considerably across countries, depending on their relative cyclical positions.

Domestic Macroeconomic Developments

Price developments since the last meeting of the MPC indicated that both the 12-month moving average and the year-on-year inflation rates had moderated. The exchange rate of the naira remained relatively stable in the Dutch Auction System of the foreign exchange market, while the gross official reserves increased further to US $14.72 billion from US $13.27 billion at end-September 2004. Broad money stock (M2) increased by 12.9 per cent during the first ten months of 2004. The Committee remained positive about the outlook for the rest of the year

Decisions

Against this background, the Committee decided not to take any new policy action, but agreed to monitor macroeconomic developments very closely, with a view to fine tuning existing policies if the need arises.


MONETARY
POLICY

Communique No. 41 of the MPC: 14th December, 2004.

Global Macroeconomic Developments

The key challenge—perhaps even more important in light of the somewhat less favorable short-term situation—is to take advantage of the upturn to make progress in addressing fundamental medium-term problems, including difficult fiscal positions, growth-restraining structural weaknesses, financial and corporate vulnerabilities, and—last but not least—continuing global current account imbalances. While progress is being made, it is generally limited; without further action there is a serious risk of shortfalls in many regions.

Domestic Macroeconomic Developments

The stock of external reserves at the end of November 2004 surpassed the US$15.30 billion target for end- 2004. Broad money stock (M2) increased by 13.1 per cent during the first eleven months of 2004. The Committee also expects that with a continuation of current fiscal operations, the money supply would stay within its programmed target and that the inflation rate would also moderate further.

Decisions

Against this background the Committee decided not to take any new policy action. The Committee, however, agreed to monitor macroeconomic developments very closely, including the financing of the fiscal deficits. The Committee also noted that one of the challenges of monetary management in 2005 would be the financing of the deficits and the sharing of the excess crude oil revenue. In order to sustain the gains of 2004; the monetary authority might adopt a tighter policy stance in 2005.

Communique No. 42 of the MPC: 24th & 25th January, 2005.

Global Macroeconomic Developments

Global output is still expected to grow in 2005 but at a slower pace. IMF projects a 4.3-percent growth while the WB projects a more conservative 3.2percent in 2005. Factors seen to shape this growth are the adjustments to correct global imbalances, global fiscal and monetary tightening, and efforts at slowing down the Chinese economy, increased oil and commodity prices, and the steady decline in output gaps.

Domestic Macroeconomic Developments

Provisional data showed that the real GDP grew by about 5.5 per cent. This was higher than the 5.0 per cent target set under the NEEDS programme for 2004. The year-on-year inflation rate was 9.5 per cent at end-December 2004, representing a significant deceleration from the 23.8 per cent recorded at end-December 2003. The 12 months moving average inflation, however, moved from 14.0 per cent at the end of 2003 to 15.0 per cent at end-2004.

The Decisions

The Committee agreed to adopt the following policy measures in addition to the open market operations:

- Withdrawal/re-injection of public sector deposits to address the problem of excess liquidity in the banking system.
- Reduction of the MRR by 200 basis points, in order to reduce the cost of private sector borrowing for productive investment.
- Adoption of two weeks maintenance period for the CRR; and
- Adoption of an exchange rate band of plus/minus 3.0 per cent, to sustain exchange rate stability, anchor expectations and minimize transaction costs.
- The Committee also agreed to review the effectiveness or otherwise of the above instruments on quarterly basis.

EXPANSIONARY
MONETARY
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MINISTRIES
FINANCIAL
DISCOUNT
REAL
BASE
POLICY
MINISTRY
EXPANSION
CASH
MONEY
MARKET
SMALL
SUPPLY
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EXERTS
IMPLEMENTS
FINANCE
LIQUIDITY
EFFECT
DIFFER
ECONOMY
MANDATE
LEND
INTEREST

Communique No. 43 of the MPC: 15th June 2005

Global Macroeconomic Developments

Global growth trended upward in the first quarter of 2005 following a mild slowdown in growth from mid-2014. However this uptick in growth was short lived as global output declined in the second quarter of 2005 with business confidence weakening in major economies. The effect of the Hurricane Katrina poses a strain to global growth in the face of rising crude oil prices and global inflation

Domestic Macroeconomic Developments

The domestic economy remained robust supported by the rise in the prices of crude oil in the international market. The MPC, however, observed with satisfaction, the steady build-up in external reserves which stood at $23.00 billion at end-May, 2005 as against the target of $20.75 billion for the year.

Decisions

The Committee, thus, agreed to tighten the stance of monetary policy by adopting a number of measures, which included:

a) Withdrawal of N60.00 billion public sector deposit from the banks within 2 months.

b) MRR unchanged at 13%. This action would help sustain the prevailing policy measure in encouraging credit to the growth sectors of the economy.

c) Increase cash reserve requirement (CRR) by 50 basis points from 9.5 to 10.0 per cent.

d) The revision of the definition of liquid assets to include 3-year bonds.

e) Investment of Pension Funds in NTBs to be kept on hold until the appointment of PFAs rather they should be invested in long-term securities or sterilized.

f) The sustenance of the exchange rate band of ± 3.0 per cent


$
OIL

Communique No. 44 of the MPC: 25th October, 2005

Global Macroeconomic Developments

Global output growth remains largely on track with world output growth projected at 4.3 per cent for both 2005 and 2006. Monetary policy across major countries remains divergent. The Federal Reserve and the Bank of Canada hiked their policy rates, the European Central Bank and the Bank of Japan left rates unchanged while the Bank of England and the Swedish Riksbank reduced interest rates within the same period. More generally, strong demand continues to play a key role in oil market developments as oil prices are expected to remain high.

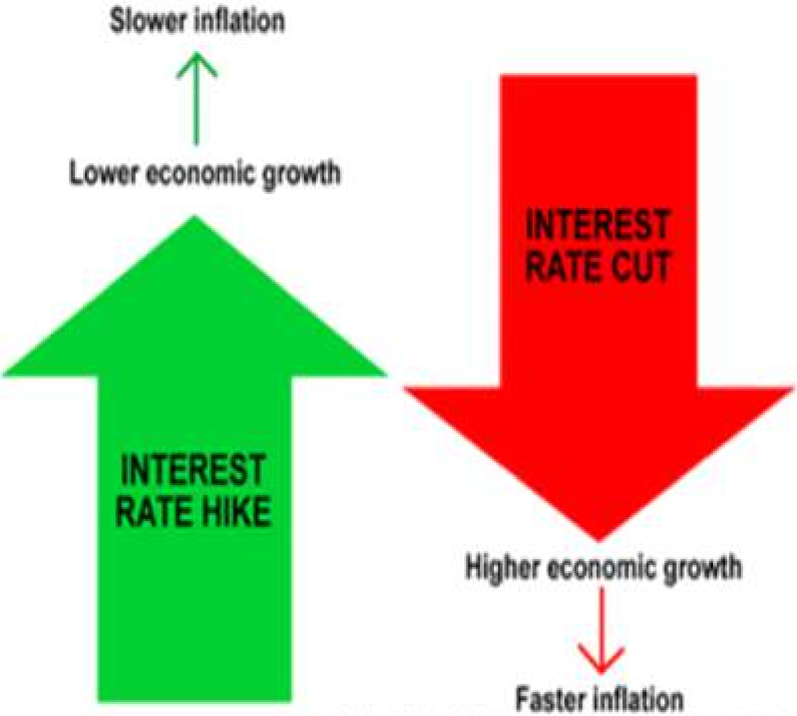
Domestic Macroeconomic Developments

The economic conditions of the domestic economy seem to produce mixed results. Interest rate are at low levels with credit to the private sector growing to unprecedented annualized levels, However, inflationary pressures are a cause for concern. The rise in inflation has been attributed to a number of factors including: the new initiative to export cassava which has reduced domestic supply; the draught in the Niger Republic that has increased the export of staple food products from Nigeria; Increases in pump price of petrol, gas and kerosene.

Decisions

After its deliberations, the MPC concluded and decided as follows:

- Complete the sale of N60.00 billion of CBN instrument, and sell more if need be.
- Sale of Treasury Bills which will be sterilized for liquidity management
- Sale of additional foreign exchange to mop up liquidity
- Move all NNPC deposits with commercial banks to the CBN and sterilize much of it with effect from October 31, 2005.
- Introduction of Monetary Policy Implementation Committee which shall meet every two days to review developments and take necessary actions.


Slower inflation
Lower economic growth
INTEREST RATE HIKE
INTEREST RATE CUT
Higher economic growth
Faster inflation

Communique No. 45 of the MPC: 16th February, 2006

Global Macroeconomic Developments

Global output growth remains robust led by the United States and China, where the growth momentum has remained strong whereas growth projections for other regions are not so boisterous. The renewed weakness in the euro area continues to perpetuate a downside risk. Global financial market conditions however are quite benign with long term interest rates at the lower end of the yield curve while global equity markets have remained resilient, supported by strong corporate profits and increasingly solid balance sheets.

Domestic Macroeconomic Developments

The MPC reviewed the developments in the global and domestic markets and despite the external shocks (drought in neighbouring countries, capital flows and rising prices of oil imports), and challenges arising from the banking sector consolidation, the overall macroeconomic performance was deemed satisfactory. Headline inflation declined largely from 28 per cent in August 2005 to 11.6 per cent in December 2005 while the exchange rate remained within the target band plus or minus 3%, closing the year 2005 at N129.3191/US$1 from N132.85/US$1 at the beginning of 2005 .

Decisions

The MPC set the broad policy thrusts as follows:

i. GDP growth rate of about 10.0 per cent

ii. Single digit 'core' inflation rate, and strong commitment to attaining a single digit 'headline' inflation rate.

iii. Broad money (M2) growth rate of 15.0 – 17.0 per cent;

iv. Bank credit to the private sector of about 30.0 per cent

v. Flexible exchange rate regime to ensure stable macroeconomic environment. wDAS will commence on 20th February, 2006 to foster exchange rate convergence between the DAS and the inter-bank market rates.

Communique No. 46 of the MPC: 8th June, 2006

Global Macroeconomic Developments

Global economy growth remains strong and has been for the past three years largely supported by the performance of emerging markets and developing economies. The growth recorded in China and India has been attributed to the development of manufacturing and services in China and India respectively. There are indications of Inflationary build up in advanced economies as sustained high rates of growth have absorbed spare capacity. Oil prices are expected to remain high in the near future due to buoyant global growth, geopolitical crises in the Middle East and risk to production in countries such as Nigeria

Domestic Macroeconomic Developments

The MPC noted the mixed economic performance in the first five months of the year. Inflation edged higher from 11.6 per cent as at end December 2005 to 12.6 per cent in April 2006. The MPC observed that inflation was being pushed by structural factors particularly the vandalism of oil pipelines, which was affecting the efficient supply of power-energy and cost of transportation. M2 grew by 14.1% as at end-May 2006 over the December 2005, which represented an annualized growth rate of 33.8 per cent compared with the target of 15.0 – 17.0 per cent for 2006. GDP growth was seasonally low in 2006, relative to the high growth in 2005. The overall end-March 2006 GDP grew by 2.7 per cent year-on-year, down from 6.9 per cent in the corresponding period of 2005 largely due to the unrest in the Niger Delta, which affected oil productions.

Decisions

The Committee thus:

a) Raised the MRR from 13.0% to 14.0%, to take effect from 12th June, 2006,

b) Maintained the CRR at 5.0%

c) Resolved to sustain the on-going liberalization of the forex market as well as effectively monitor the market to maintain stability of the naira.

Communique No. 47 of the MPC, 9th August, 2006

Global Macroeconomic Developments

The global economy continued on a strong growth path in the first half of 2006. Downside risk to the growth projection remains inflationary pressures, higher oil prices and tighter financial conditions. Global economy growth is also threatened by the resilience of emerging market countries in a more challenging global environment as large global imbalances continue to prompt concerns. Against this background, the IMF calls for the need for policymakers to respond flexibly to events, heading off potential strains, recognizing the importance of spillovers across countries and the benefits of taking a joint approach to managing global risks and promoting a robust world economy.

Domestic Macroeconomic Developments

The GDP growth was seasonally low in 2006, relative to the high growth in 2005. Following the US $4.6 billion exit payment to the Paris Club in April, the stock of external reserves stood at US $32 billion at end-April, and rose to US $38 billion at end-July 2006. Risk to monetary management remains increasing cost of liquidity management; rapid growth in M2; planned extra budgetary spending by the government and increasing autonomous (private) inflows.

Decisions

The Committee thus decided to:

a) Maintain the MRR at 14%

b) Approve a new framework for monetary policy implementation. Pilot implementation is expected to commence on or before November 1st, 2006

c) Sustain the CBN's zero tolerance to lending to government

d) Approve operational guidelines on the CBN Discount Window

e) Approve guidelines for discount window operations in FGN bonds and

f) Sustain the on-going liberalization of the forex market.

Communique No.48 of the MPC: 28th November, 2006

Global Macroeconomic Developments

The global economy expansion was broad based in the first half of 2006 with output expansion exceeding expectations across regions. In the United States, growth was particularly strong in the first quarter though it slowed in the second quarter in the face of declining housing market activity and increasing fuel cost. Growth in the euro Area built up gradually while it accelerated in China and other emerging economies. Rising prices continue to be a challenge for many central banks as oil prices continue to increase pushing up labour cost particularly in the United States. Emerging markets such as, Venezuela, Argentina, South Africa and Russia contend with inflationary pressures following rapid output growth or large exchange rate depreciation.

Domestic Macroeconomic Developments

In the domestic economy, the Monetary Policy Committee adopted a new monetary policy framework, which took effect from Monday December 11, 2006. The framework, introduced a new Monetary Policy Rate (MPR) to replace the Minimum Rediscount Rate (MRR) which had hitherto not sufficiently responded to CBN's policy initiatives, especially in addressing the problem of excess liquidity in the system. The MPC noted that price stability remains a key challenge to monetary policy implementation that the new Monetary Policy Rate will be confronted with

Decisions

The Committee thus decided to:

a) Begin the implementation of the new monetary policy framework with effect from Monday, December 11, 2006.

b) Adopt a Monetary Policy Rate (MPR) that will replace the current Minimum Rediscount Rate (MRR) and determine the lower and upper band of the CBN standing facility

c) Discontinue outright rediscounting of bills in the CBN to encourage trading among the market operators.

d) Ensure the full deployment of IT infrastructure (RTGS, T24 and eFASS)

e) Convene meeting of the MPC every other month to review developments in the economy.

Communique No.49 of the MPC: 7th February, 2007

Global Macroeconomic Developments

In spite of the recent incidence of financial volatility that rocked global financial markets, the global economy is forecast to grow robustly in 2007 and 2008. The global economy recorded a robust growth of 5.4 percent in 2006. Although the US economy has slowed in the face of headwinds from downturn in the housing market, growth around the rest of the world is sustained and inflation risk slightly moderated supported by declines in oil price since August 2006. In the euro area, growth accelerated to its fastest pace in six years as domestic demand strengthened. In Japan, output growth recovered toward year-end, after a slowing in mid-year 2006. In Emerging and developing economies, growth is led by China while momentum was sustained across other regions by increases in commodity prices and supportive financial conditions.

Domestic Macroeconomic Developments

The MPC noted with satisfaction the improvement in the overall macroeconomic indicators in 2006. GDP grew by 5.63 per cent compared with 6.51 per cent growth in 2005 driven by agriculture, manufacturing, telecommunications, whole sale and retail trade. The MPC observed that the volatility in the interbank market moderated following the adoption of a standing facility and the new policy rate Monetary Policy Rate (MPR). Headline and the food (year-on-year) inflation stayed within single digit for the greater period of the year, and ended 8.5 and 3.9 per cent at end December 2006, respectively. Core inflation; however was 17.0 per cent at end December 2006, reflecting the impact of fuel scarcity and the disturbances in the Niger Delta.

Decisions

Against this background, the committee decided to:

a) Leave the MPR unchanged at 10 per cent

b) Release the 8.0 per cent special CRR invested on behalf of the Banks by the CBN, to the DMBs on maturity.

c) Keep the CRR unchanged at 3.0 per cent

d) Maintain the liquidity ratio at 40.0 per cent

Communique No.50 of the MPC: 5th June, 2007

Global Macroeconomic Developments

Global growth is expected to moderate to 4.9 percent in 2007 and 2008, 0.5 percentage point slower than in 2006. In the United States, growth is expected to slow to 2.2 percent this year, from 3.3 percent in 2006, due to the drag in the housing sector. Growth is also expected to ease in the Euro area following the gradual withdrawal of monetary easing and further fiscal consolidation. Emerging market and developing countries (especially commodity-rich countries) are expected to grow but less robustly than they did in 2006 drawing support from favourable financial conditions and commodity prices. Central banks are confronted with varying challenges in managing monetary policy, reflecting differing cyclical positions and degrees of inflation pressure in their economies

Domestic Economy Development

The domestic economy continues to show signs of resilience. Inflation rate remained within single digit in the first four months of 2007, declining steadily from 8.5 per cent at end-December 2006 to 4.2 per cent in April 2007. The MPC noted with satisfaction the continued stability of the naira exchange rate in the first five months of 2007 as the naira remained stable at both the wDAS and the BDCs during the period. Further, the introduction of the CBN Standing Facility since December 2006 has continued to moderate the volatility in interbank rates.

Decisions

Against this background the Committee decided to:

a) Introduce tenured repo at MPR
b) Reduce the MPR by 200 basis points, i.e. from 10.0 per cent to 8.0 per cent
c) Reduce the width of the interest rate corridor from +/- 300 to +/- 250 basis points.
d) SLF and SDF are expected to be used as a last resort with frequent usage attracting penalties
e) Increase the issuance of primary market instruments to mop up about N100.00 billion;
f) That inter-bank placements shall henceforth form part of the deposits for calculating banks' liquidity ratio


BANK

Communique No.51 of the MPC: 1st August, 2007

Global Macroeconomic Developments

The global economy continues to grow strongly. The projections for global growth in both 2007 and 2008 have been revised up to 5.2 percent from 4.9 percent projected in WEO of April 2007. Although, the US slowed in the first quarter of 2007, it rebounded in the second quarter. Growth in Emerging and developing economies has also remained strong although faced with rising inflation pressures especially from energy and food prices. Oil prices have risen back toward record highs against the backdrop of limited spare production capacity, while food prices have been boosted by supply shortages. The overall balance of risks to the global growth outlook remains tilted modestly to the downside especially in financial markets. Financial market risks are increasing with rapid deterioration of credit quality in some sectors spurring further market volatility.

Domestic Macroeconomic Developments

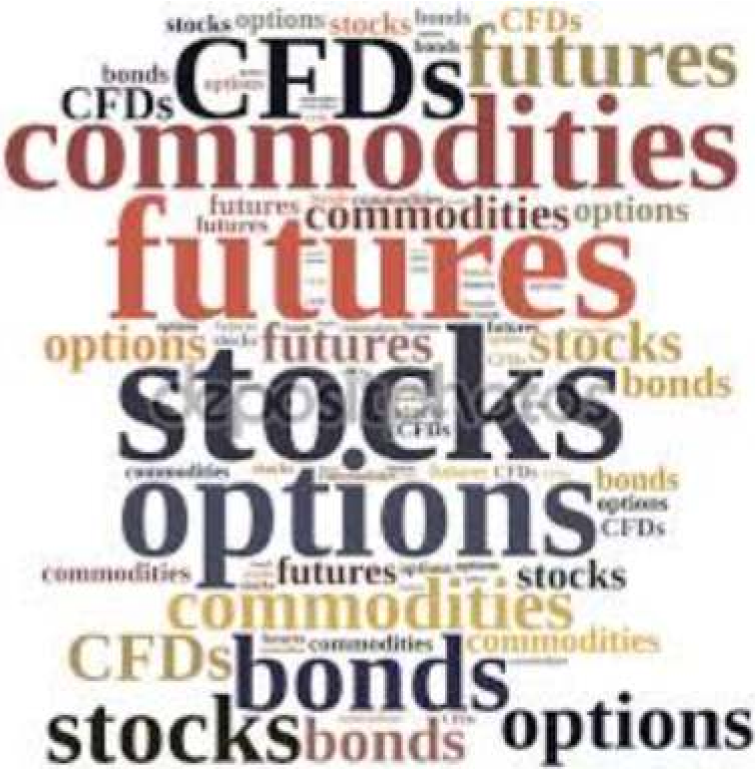
The Committee reviewed the major macroeconomic developments and the implementation of fiscal, monetary and exchange rate policies in the first half of 2007. Inflation stayed within single-digit at 6.4 per cent in June 2007 while the exchange rate of the naira also remained stable appreciating from N126.88/US$1 at end-March to N126.05/US$1 (rate +1.0%) at end-June, 2007 at the wDAS. The MPC noted that year-on-year headline inflation would continue to remain single digit in the third quarter of 2007. The Committee also noted the challenges arising from rising autonomous private inflows and the distribution of part of the excess crude oil account.

Decisions

In the light of the above, the Committee decided to:

a) Retain the MPR at 8.0 per cent

b) Approve increased sale of financial securities to pre-emptively and proactively mitigate the impact of increased fiscal injections on system liquidity.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Communique No.52 of the MPC: 3rd October, 2007

Global Macroeconomic Developments

The global economy is faced with large uncertainties and turbulence in financial markets threatening to disrupt several years of global economic expansion. The problems of credit in the United States housing market has become more intense and is likely to deteriorate further. Also, the disruptions in the market for interbank liquidity and the difficulties experienced by some European banks in recent months were largely unexpected. However, emerging and developing markets have thus far weathered the financial storm and are providing the basis for strong global growth in 2008.

Domestic Macroeconomic Developments

The Committee reviewed the major macroeconomic developments and the implementation of fiscal, monetary and exchange rate policies in the third quarter of 2007. Inflation stayed within the single-digit in the third quarter of 2007 declining from 6.4 per cent in June 2007 to 4.8 per cent in July, 2007 and further down to 4.2 per cent in August, 2007 while the naira exchange rate at the wDAS appreciated from N126.05/US$1 in June to N124.75/US$1 in September 2007, representing an appreciation of about 1.03 per cent. At the money market, average inter-bank call rate moved between 6.0 per cent and 8.57 per cent remaining within the MPR corridor. The MPC however, noted the prospects for further increase in liquidity and of inflation in view of the possible substantial fiscal injections in the fourth quarter of the year arising from the supplementary budget at the federal and state levels.

Decisions

The committee thus decided that the CBN:

a) Will continue to deploy increased forex sales for purposes of liquidity management
b) Embark upon active open market operations
c) Move the MPR to 9.0 per cent
d) The deposit money banks' deposits with the CBN will no longer earn interest.


HDFC BANK
ICICI Bank
VISA

Communique No.53 of the MPC: 4th December, 2007

Global Macroeconomic Developments

The global economy remains plagued with the crisis in financial markets. Growth in the US is subdued as problems in the housing market intensify while growth in the Euro area has been largely affected by disruptions in interbank liquidity. However, emerging markets and developing economies have proven strong and driving global growth backed by increases in commodity prices

Domestic Macroeconomic Developments

The MPC noted that the overall macroeconomic picture in 2007 has reflected improved stability. Headline inflation declined from 6.4 per cent in June 2007 to 4.1 per cent in September, 2007. In October, however, the year- on- year inflation rose slightly to 4.6 per cent reflecting increases in the prices of utilities, transport, hotel and tourism and education. The effective naira exchange rate at the wDAS appreciated from N127.43/US$1 in June to N124.28/US$1 in September and further to N120.63/US$1 in November 2007. Over the end-December, 2006 level, broad money (M2) grew by 21.3 and 25.31 per cent in September and October, 2007. When annualized the M2 grew by 28.44 and 30.25 per cent, respectively in the two months, compared with 33.3 and 39.6 per cent, respectively in the corresponding months of 2006. The MPC noted that there remains a strong upside risk to inflation in the near-term due to expected large capital inflows and significant fiscal injections.

Decisions

a. Issue new primary instruments to mop up a significant portion of the anticipated excess liquidity in the system.

b. Continue with the regular open market operations (OMO)

c. Raise the MPR from 9.0 per cent to 9.5 per cent to signal a tightening of monetary policy stance.


FORECLOSURE
HOME
FOR
SALE

Communique No 54 of the MPC: 5th February, 2008

Global Macroeconomic Developments

Financial turbulence clouds prospect for growth in the global economy. The global output expansion which was stronger than expected in the third quarter of 2007 slowed immensely in the fourth quarter due to the continuing financial turbulence. Financial strains which originated from the US sub-prime market have intensified with associated losses in banks' balance sheets and large sell-offs of equities indicating rising uncertainty is financial markets. Growth has dampened in major advanced economies with business confidence indicators significantly deteriorating. However, Emerging and developing economies have continued to expand, benefiting from strong momentum of domestic demand, and for commodity exporters – high energy and food prices.

Domestic Macroeconomic Developments

The MPC noted that the domestic macroeconomic environment was stable in 2007 despite tight conditions in the global financial markets engendered by major adverse financial developments like the US sub-prime market crisis. The Committee observed with satisfaction the sustained single–digit inflation rate throughout the year and the orderly functioning of the foreign exchange and domestic financial markets. Headline inflation declined from 8.5 per cent at end-December 2006, to close 2007 at 6.6 per cent, approximately 2 percentage points lower. The decline in inflation in 2007 was attributed to restrictive monetary policy stance of the monetary authorities in conjunction with fiscal restraint. The foreign exchange market has also been relatively stable, appreciating even further in January 2008, largely driven by rising private foreign exchange inflows.

Decisions

The Committee, therefore, decided:

a) To leave the MPR unchanged at 9.5 per cent
b) To continue the use of Open Market Operations (OMO) for liquidity management and appropriate exchange rate policies.


EMERGING MARKETS

Communiqué No 55 of the MPC: 1st April, 2008

Global Macroeconomic Developments

The global economy is confronted with difficult times. The U.S. economy continues to be embattled with the crises in the financial market which began with the subprime mortgage lending but now spread across the entire economy. The crisis which was once thought to only be associated with only the housing market is now causing considerable strains in other segments of the economy resulting in rising cases of defaults and tighter credit conditions, thus making the economy plunge further into the precarious territory. The impact on the rest of the world is expected to be significant hence the IMF downgrade of global economy growth forecast to 3.7 percent, down from 4.9 per cent in 2007.

Domestic Macroeconomic Developments

The MPC noted that while the domestic macroeconomic environment was generally stable in the first three months of 2008, there are many uncertainties. The Committee observed that the current rate of inflation is a matter of concern. Year-on-year (headline) inflation rose from 6.6 per cent at end-December 2007 to 8.6 per cent in January but fell to 8.0 per cent in February 2008. Notwithstanding, the MPC expressed satisfaction over the overall stability in the government securities, money and foreign exchange markets, the buoyancy of the equity market and the accretion to foreign exchange reserves. The Committee also noted that the expected huge fiscal injections in the months ahead and the sustained rise in asset prices would constitute potential downside risks that need to be addressed by strengthening the current restrictive monetary policy

Decisions

In the light of the uncertainties mentioned above, the Committee decided to:

a) raise the MPR by 50 basis points from 9.5 per cent to 10.0 per cent;
b) issue treasury bills for liquidity management; and
c) Increase the sale of foreign exchange as the need arises.


TURBULENT MARKETS
WHAT'S AHEAD FOR THE U.S.
AND GLOBAL ECONOMY?

Communique No 56 of the MPC: 2nd June, 2008

Global Macroeconomic Developments

The global economy remains in a precarious situation, trapped between sharply slowing demand in many advanced economies and rising inflation in emerging and developing economies. Global growth decelerated to 4½ percent in the first quarter of 2008, down from 5 percent in the third quarter of 2007, with activity slowing in both advanced and emerging economies. However, inflationary pressures remain a concern for many central banks particularly in emerging and developing economies where rising commodity prices have boosted inflation.

Domestic Macroeconomic Developments

The MPC noted that the domestic macroeconomic environment has been relatively stable. However, the path ahead is strewn with many uncertainties, among which the major ones are the upward oil and food price movements, the fiscal expansion, and the international financial market conditions. These uncertainties posed severe challenges to monetary policy formulation and implementation. Inflationary pressures intensified in April 2008 from a lower 7.8 per cent in March 2008 and 6.6 per cent in December 2007. The MPC thus noted that in view of the sharp growth of credit to the private sector and broad money in the face of fiscal expansion threats of resurgence of inflation hang in the horizon.

Decisions

In the light of the foregoing, the Committee decided to:

a) continue and even strengthen the use of instruments such as open market operations (OMO) and special sale of foreign exchange;

b) signal the tightening of the stance of monetary policy by:

- raising the MPR by 25 basis points from 10.0 per cent to 10.25 per cent,
- and increasing the CRR by 100 basis points from 3.0 per cent to 4.0 per cent with effect from June 09, 2008

c) Set up a technical committee to work out other intervention securities that the CBN would issue to further strengthen the effectiveness of liquidity management.


Inflation

Communiqué No. 57 of the MPC: 5th August, 2008

Global Macroeconomic Developments

The international financial markets deteriorated further while there was a marked slowdown in global economic activities and acceleration in inflation. The US dollar continued to fall against major currencies while the international crude oil prices remained high in the first seven months of 2008. In advanced economies, business and consumer sentiment have continued to retreat, while industrial production has weakened further. Financial risks remain elevated, as rising losses exacerbate the squeeze on credit availability.

Domestic Macroeconomic Developments

On the domestic scene, inflation pressures have mounted. Year-on-year inflation rate rose to 12.0 per cent in June compared with 7.8, 8.2 and 9.7 per cent recorded in March, April and May 2008, respectively. The naira exchange rate, however, remained fairly stable. There has been strong liquidity upsurge mainly due to rise in fiscal expenditures. The MPC noted with concern the huge liquidity injection from the fiscal arm which emanated from the sharing of part of the excess crude proceeds and the enhanced regular Federation account allocations.

Decisions

The Committee decided as follows:

a) The MPR will remain unchanged at 10.25 per cent

b) Review the common year requirement for banks - which have been linked to higher interest rate trends, leaving the decision to the discretion of the banks.

Banks are required to fully disclose to the public, publish in their websites and report their deposit rates and lending rates and other charges for all the sectors of the economy. their deposit rates and lending rates and other charges for all the sectors of the economy.


INTEREST
RATES

Communiqué No. 58 of the MPC: 18th September, 2008

Global Macroeconomic Developments

The global economy is set on turbulent times due to rising uncertainty in financial markets. The financial stress and weakness with emanated from the US has spread across major advanced economies, creating a renewed intensity for financial soundness of financial institutions globally. The capital market has also been badly hit by the crisis as stock prices take a plunge in response to the crunch in the financial market. In addition to the financial turbulence, central banks have to content with rising inflationary pressures as the increase in energy and food prices persist.

Domestic Macroeconomic Developments

The domestic economy has remained resilient in the face of credit shock in the global economy. While headline inflation and food prices have been on the increase, core inflation has remained in single digit. The MPC noted with satisfaction the high level of foreign reserves and inflow of foreign investments into the country. Foreign reserves stood at US $63.00 billion, representing about 16 months of import cover as at August 2008 while Inflow of foreign investment grew to US$ 8.50 billion in August, compared with US$ 5.80 billion for the corresponding period of 2007. Although there had been spikes in the interbank interest rate, it has mostly been as a result of paucity of liquidity in the financial markets

Decisions

In order to lubricate the system, the MPC has decided to ensure that the financial system remains liquid.

The MPC accordingly, took the following decisions:

I. reduce the MPR from 10.25 per cent to 9.75 per cent;

II. reduce CRR from 4 per cent to 2 per cent with immediate effect;

III. reduce the liquidity ratio from 40 per cent to 30 per cent;

IV. Allow repo transactions against eligible securities for 90 days, 180 days and 360 days; and the CBN will now buy and sell securities through the two way quotes.

Communiqué No. 59 of the MPC: 11th December, 2008

Global Macroeconomic Developments
The Committee noted the continued weakening of the global economy despite the coordinated response by the fiscal authorities and central banks to the global financial crisis and the ensuing economic downturn. Specifically, global unemployment has been on the rise, shortage of liquidity and acute scarcity of credit have remained visible in the financial institutions, while stock market developments have been marked by a high degree of fluctuation and corporations have continued to post financial losses.

Domestic Macroeconomic Developments
The Committee also evaluated the outcomes of the policy decisions taken at its Special Meeting on September 18, 2008 and noted that the desired macroeconomic outcomes were largely achieved. Inflation rose further in October contrary to the seasonal pattern, while the naira exchange rate depreciated in all segments of the foreign exchange market since November. In addition, key interest rates rose during the review period after some moderation in September through October following the implementation of the decisions taken at the Special Meeting of the Committee. The MPC also expressed concern on the potential negative impact of the rapidly declining oil prices on the fiscal operations of the three tiers of Government and the overall economy. Against this background, therefore, the overall macroeconomic outlook remains challenging.
The headline year-on-year inflation in October rose to 14.7 per cent from 13.0 per cent in September 2008, which is counter seasonal and

Decisions
I. Leave the MPR unchanged at 9.75 per cent;
II. Reduce banks' foreign exchange net open position from 20.0 to 10.0 per cent of shareholders' funds with effect from Monday December 15, 2008; and
III. CBN to participate actively in the daily inter-bank foreign exchange market by buying and selling through the two-way quotes.

Communiqué No 60 of the MPC: 14th January, 2009

Global Macroeconomic Developments
During this MPC meeting, the Committee only gave consideration to the domestic economic developments without focus on the global economic environment.

Domestic Macroeconomic Developments
The Committee reviewed the developments in the foreign exchange market vis-à-vis Nigeria's external reserves position and macroeconomic developments. Members noted that the preliminary estimate of the GDP growth rate for the end of 2008 was an impressive 6.8% compared with 6.2% in 2007. It also noted that inflationary pressure remained high throughout the year and provisional figures indicate that the end December headline inflation was 14.6% while estimated core (non-food) Inflation rate was at 9.2%. It also reviewed the developments in the oil market as well as capital flows into the economy in 2008 and the prospects for 2009. MPC also reviewed the recent developments in the foreign exchange market and the depreciation of the naira in the light of decreased supply of foreign exchange vis-à-vis increased demand. The Committee also noted that the uncertainties and the speculative pressures in the foreign exchange market remained.

Decisions
I. In the meantime, the CBN is reintroducing the Retail Dutch Auction System (RDAS), with effect from Monday, January 19, 2009, and will be conducted on Mondays and Wednesdays. We will revert to WDAS at the appropriate time.
II. Bids for the purchase of foreign exchange under the RDAS must be cash-backed at the time of the bid.
III. Funds purchased from CBN at the Auction shall be used for eligible transactions only, subject to stipulated documentation requirements. Such fund shall NOT be transferable in the interbank foreign exchange market.
IV. Authorized Dealers shall return to the CBN any unutilized funds within five (5) business days after delivery, at the rate of purchase.
V. Purchases by banks on behalf of their customers will be published in the dailies fortnightly.
VI. Interest earned on Letters of Credit established and for which settlement has not been effected, shall be repatriated to the CBN for repurchase at the bid rate at the time the funds were purchased.
VII. The foreign exchange Net Open Position (NOP) of banks will be reduced from 10% to 5% with effect from Monday, January 19, 2009.
VII. The foreign exchange Net Open Position (NOP) of banks will be reduced from 10% to 5% with effect from Monday, January 19, 2009.


CENTRAL BANK OF NIGERIA 1000
1000

Communiqué No 61 of the MPC: 9th February, 2009

Global Macroeconomic Developments

The Committee, at the outset, noted that the country's economic and financial situation and its near-term prospects are impacted largely by exogenous factors. The deepening recession in industrialized economies and the slowdown in economic activity of emerging countries, the fall in capital flows into Nigeria through remittances and foreign investments and the drying up of credit lines for Nigerian banks would, in the view of the Committee, impact negatively on Nigeria's external and fiscal positions. The latest estimates of economic outlook of industrialized and emerging economies show that their performance in 2009 would continue to be a major drag on the world economy. The sub-Saharan Africa too is projected to post a lower rate of output growth in the year ahead.

Domestic Macroeconomic Developments

On the domestic scene, the Committee noted that macroeconomic outcomes in 2008 weakened slightly relative to the previous year due largely to the global financial crisis and the attendant economic slowdown. Indeed, the Committee observed that output growth in 2008 was more or less unchanged from the 2007 level. High food prices throughout the year continued to drive head line inflation. Interest rates trended upwards from the third quarter and remained elevated through November, but moderated in December. The Naira exchange rate was stable through November, but depreciated sharply in December and January 2009 following increased demand pressures.

Decisions

I. Monetary Policy Rate (MPR) will be kept unchanged at 9.75 per cent;

II. Open market operations will be actively used for achieving effective liquidity management;

III. The CBN is seriously concerned about the rising lending rates. The CBN will be meeting with the bank chief executive officers to agree on modalities to check excesses, especially in the light of the global economic and financial crisis.

IV. To anchor expectations and stabilize the exchange rate, MPC remains committed to managing the exchange rate within a band of +/-3 per cent until further notice.

V. The difference between the CBN buying and selling rates shall not be more than 1 per cent; while that of banks and BDCs will not be more than 1 per cent and 2 per cent, respectively around the CBN rate.

CENTRAL BANK OF NIGERIA

Communiqué No 62 of the MPC: 8th April, 2009

Global Macroeconomic Developments

The Committee recognized that external forces have had a severe impact on the Nigerian economy through trade, finance and confidence channels. The Committee, however, noted that the severity of the impact could be alleviated by undertaking appropriate economic and financial policies, taking into account the evolving international economic situation. The Committee noted the roles played by the movements in crude oil prices in limiting the macroeconomic and external performance of the economy since October 2008. However, during the first quarter of 2009, members noted that the outcomes have been mixed.

Domestic Macroeconomic Developments

Provisional aggregate output growth in the first quarter of 2009 was estimated at 6.32 per cent by the National Bureau of Statistics (NBS) compared with 5.78 per cent in the corresponding quarter of 2008. For 2009 as a whole, the NBS estimate of real output growth is 5.75 per cent. Compared with the growth outlook of the rest of the world, the projected domestic output growth is robust. Inflation has been high and a matter of concern. The Committee noted the upward swing of the year-on-year headline inflation from 14.0 per cent in January to 14.6 per cent in February 2009. Core inflation, however, decelerated to 7.2 per cent in February from 8.0 per cent in January whereas food inflation rose from 18.4 per cent in January to 20.0 per cent in February. The outlook for inflation in the near term remains uncertain. Nonetheless, the staff estimates indicate that inflation could decelerate to single digit by mid-2009, in response to subdued aggregate demand, lower impact of imported inflation and the near-completion of the pass through effect of the depreciation of the Naira.

Decisions

In view of the above, the MPC decided to:

i) Reduce MPR from 9.75 per cent to 8.0 per cent;
ii) Reduce the liquidity ratio from 30.0 per cent to 25.0 per cent with effect from April 14, 2009; and
iii) Reduce the Cash Reserve Requirement (CRR) from 2.0 per cent to 1.0 per cent with effect from April 14, 2009.

Figure 1 **A Fiscal Trap Can Be Made Worse by the Lack of a Sovereign ("Fiat") Currency (e.g., Greece in 2009?)**

Communiqué No 63 of the MPC: 21st May, 2009

Global Macroeconomic Developments

During this MPC meeting, the Committee only gave consideration to the domestic economic developments without focus on the global economic environment.

Domestic Macroeconomic Developments

The Committee noted that there was a need to address the problem of excess liquidity in the system without necessarily putting pressure on interest rates. The MPC noted that the exchange rates have remained stable at both the official and the parallel market rates for some months now. However, there has remained a wide premium between the official and parallel market rates.

Decisions

I. To issue short-term instruments to be synchronized with the Debt Management Office's (DMO) issuance of the FGN Bonds to mop-up excess liquidity in the system.

II. As a first set of measures towards the return to Wholesale Dutch Auction System (wDAS), the Committee decided to increase the net foreign exchange open position (NOP) for banks from 1.0 to 2.5 per cent with immediate effect.

III. Banks are no longer mandatorily required to sell to the CBN, after 5 days, funds sourced from non-rDAS and non-oil export proceeds and may use such funds for interbank transactions.

IV. Removal of the requirement that banks transact foreign exchange at 1.0 per cent around the CBN rate. The CBN will now participate in the interbank foreign exchange market at the prevailing rate.

V. Effective June 1, 2009, rDAS will be twice weekly.

VI. Approval-in-Principle (AIP) has been granted to 50 non-bank Class 'A' BDCs. As from May 25, 2009, about US$60 million will be sold to the BDCs per week. The BDCs are expected to sell at retail rate of not more than 2.0 per cent above the CBN selling rate.

VII. Government Agencies and Oil Companies will have discretion to sell foreign exchange at the interbank foreign exchange market or to the CBN with effect from May 25, 2009.

MPC Communiqué No 64 of the MPC: 7th July, 2009

Global Macroeconomic Developments

The Committee noted the continued adverse effects of weak global demand and falling crude oil production on Nigeria's external and fiscal performance during the second quarter of the year. The MPC noted the reported prospects of economic recovery in some emerging market economies. However, this development is not likely to offset the continued weak economic performance in advanced economies. In view of the openness of the Nigerian economy, the Committee observed that the growth prospects may weaken in the remainder of 2009, more so that inflationary tendencies appear to be persisting.

Domestic Macroeconomic Developments

The Committee noted the marginal decline in headline year-on-year inflation rate to 13.2 per cent in May from 13.3 per cent in April 2009. Provisional data indicated that broad money (M2) decelerated sharply by 4.9 per cent in the first five months of 2009 in contrast with the growth of 29.9 per cent during the corresponding period of 2008. Key interest rates at the inter-bank market rose in May and June 2009. The weighted average inter-bank call rate on unsecured transactions stood at 12.5 per cent in April, 13.2 per cent in May and 18.6 per cent in June. The average prime lending rate rose from 19.34 per cent in April to 19.53 per cent in May 2009 while the average maximum lending rate declined from 23.17 per cent in April to 22.86 per cent in May. The Naira exchange rate also stabilized at the rDAS in recent weeks while in the other segments, the rates have appreciated, thereby narrowing the arbitrage opportunities. Foreign exchange reserves as at July 03, 2009 amounted to US$43.19 billion (provisional) compared with US$53 billion at end December 2008.

Decisions

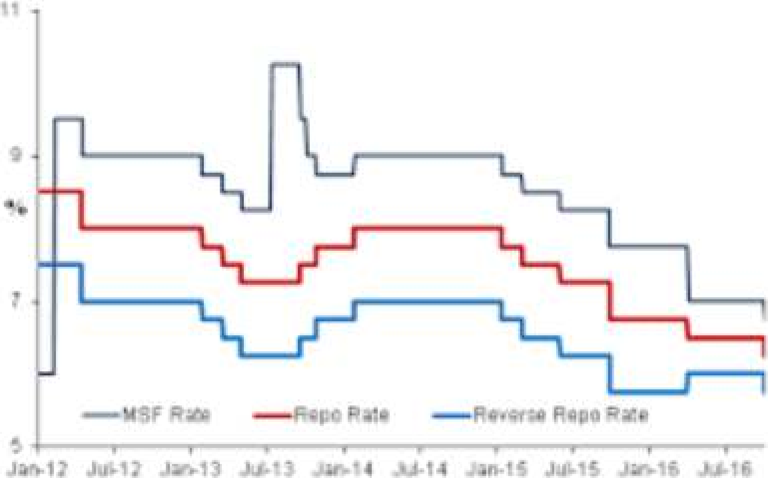
I. The MPR is reduced from 8.00 per cent to 6.00 per cent per annum. The corridor of interest rates would be +/- 200 basis points, with the rate on the standing lending facility at 8.00 per cent and the rate on the standing deposit facility at 4.00 per cent.

II. The CBN shall provide a guarantee on all interbank placements from July 2009 to March 31, 2010. Overnight placements shall not be priced higher than MPR + 2%.

III. The inter-bank foreign exchange will be liberalized with immediate effect and wDAS replaces rDAS.

IV. All other restrictions imposed recently are removed and the net open position limit for banks is increased to 5% of banks' capital base.

V. All Class 'B' Bureaux-de-Change may now participate directly in the CBN window. Only those with valid licenses are eligible. However, they will make a caution deposit of $20,000.00 each.



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MSF Rate
Repo Rate
Reverse Repo Rate
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Jul-13
Jan-14
Jul-14
Jan-15
Jul-15
Jan-16
Jul-16

Communiqué No 65 of the MPC: 1st September, 2009

Global Macroeconomic Developments

The Committee noted at the outset that recessionary conditions in many developed economies seem to be abating. However, there still exists considerable uncertainty as to when economic recovery would set in on a sustained basis. While this development augurs well for Nigeria's fiscal and external sector positions, its sustainability would, however, depend on how quickly the global economy would bottom out of the current recession. Inflation rates have so far been very low in developed countries, making it possible for central banks to maintain record low levels of interest rates.

Domestic Macroeconomic Developments

The revised growth rate for 2008 is put at 5.99 per cent as against an earlier estimate of 6.41 per cent. For 2009, the NBS has projected growth at 5.33 per cent compared with an earlier projection of 5.75 per cent. The headline (year-on-year) inflation has been stable at a little over 11 per cent as at July 2009. The average rates of headline inflation and food inflation in the first seven months of 2009 were respectively 13.11 per cent (11.53 per cent in 2008) and 15.94 per cent (15.98 per cent in 2008). Provisional data for broad money (M2) for July 2009 showed a growth of 10.2 per cent on a year-on-year basis, the lowest for any month since February 2006. This largely reflected the decline in net foreign assets (NFA) and sharp deceleration in the growth of credit to private sector. The foreign exchange market has in general been relatively stable with the re-introduction of the wholesale Dutch auction system and the measures taken to further liberalize the inter-bank market since the last meeting of the MPC, with subsequent reduction in exchange rate volatility. Foreign exchange reserves as at August 28, 2009 stood at US $41.597 billion.

Decisions

i. keep the MPR unchanged at 6 per cent per annum;
ii. maintain the interest rate corridor at +/- 2 per cent around the MPR; and
iii. Approve in principle the establishment of an "Asset Purchase Facility Fund".

The Central Bank of Nigeria and Federal Ministry of Finance to jointly consider the modalities for setting up the APF Fund for effective liquidity injection and credit easing targeted at specific areas of the economy.

Communiqué No 66 of the MPC: 3rd November, 2009

Global Macroeconomic Developments

The international economic scene, in the Committee's view, has turned out to be better than was projected about six months prior. Developed countries that were most adversely affected by the severe economic and financial crises have shown some signs of improvement in terms of output. There are also concerns over the high unemployment rates in these economies, although the stock and housing markets showed some evidence of picking up. The financial sector has been stabilized and measures are set to closely monitor and regulate it. The financial sector has been stabilized and measures are set to closely monitor and regulate it.

Domestic Macroeconomic Developments

The provisional estimate of the GDP growth for Q3 2009 by the National Bureau of Statistics (NBS) is 7.58 per cent. The NBS reported that in Quarters I and II, output grew by 4.50 per cent and 7.22 per cent, respectively. The inflation rate as measured by the year-on-year increase in 'all items' consumer price index was 10.4 per cent in September 2009. Broad money (M2) at the end of September 2009 showed an increase of 5.6 per cent on a year-on-year basis. The year-on year movement in narrow money (M1) was negative 4.2 per cent as at end-September 2009 mainly on account of the decline in demand deposits.
The inter-bank market rate averaged N150.1252/$US. Foreign exchange reserves stood at US$43.34 billion as at end September 2009, an improvement of about US$ 1.64 billion over August, mainly owing to the receipt of the SDR allocation.

Decisions

I. MPR remains unchanged at 6 per cent, but an asymmetric corridor of interest rates around the MPR is introduced. The rate on the standing lending facility will remain at 200 basis points above the MPR, while the rate on the standing deposit facility will be 400 basis points below the MPR.
II. There will be quantitative easing to bridge the gap currently estimated at about N500 billion between the levels of the current monetary aggregates and the benchmark levels for 2009.
Effective from November 16, 2009, the temporary ban placed by the CBN on the use of Bankers' Acceptances (BAs) and Commercial Papers (CPs) will be lifted.

Communiqué No 67 of the MPC: 4th & 5th January, 2010

Global Macroeconomic Developments

On the international economic scene, the Committee noted that developed countries that were most adversely affected by the severe economic and financial crises had started showing signs of recovery. The Committee also noted that commodity prices, including crude oil prices, have resumed an upward trend due largely to the fiscal and monetary stimuli, and the prospect of economic recovery in advanced economies. The rising commodity prices have, however, renewed concerns about the resurgence of inflation in the near-term.

Domestic Macroeconomic Developments

Provisional data from the National Bureau of Statistics (NBS) indicated that real Gross Domestic Product (GDP) grew by 8.23 per cent in the fourth quarter of 2009, up from 4.50, 7.22 and 7.07 per cent in the first, second, and third quarters, respectively. Overall GDP growth for 2009 was projected at 6.90 per cent which is significantly higher than the 5.98 per cent recorded in 2008. The headline inflation rate increase in the all item consumer price index was 12.4 per cent in November 2009, up from 11.6 and 10.4 per cent recorded in October and September, respectively. Over the preceding December level, broad money (M2) grew by 12.80 per cent annualized, in November 2009, which was significantly below the indicative benchmark of 20.8 per cent growth for 2009. As at December 30 2009, the interbank call and OBB rates were 2.91 and 2.51 per cent, respectively. In November, the WDAS average exchange rate stood at N150.85 per US dollar compared with N149.3578 per US dollar in October 2009, representing a depreciation of 1.0 per cent. External reserves stood at US$42.47 billion on 29th December 2009, down from the level of US$53.00 billion recorded at end-December 2008.

Decisions

I. The Monetary Policy Rate (MPR) will remain unchanged at 6 per cent with the asymmetric corridor of interest rates remaining at 200 basis points above the MPR and 400 basis points below the MPR.

II. The CBN will extend the guarantee on all interbank transactions up till December 31, 2010.

III. The MPC approved the Monetary Program for 2010/2011 and the Monetary, Credit, Foreign Trade and Exchange Guidelines for Fiscal years 2010/2011.

Inflation Affecting The Common Man

Fuel Hike

The foremost effect of inflation in the world economy is seen in prices of fuel . The rising prices of Crude Oil & LPG affects a common man from all sides.

Food Price Hike

In times of rising inflation, this means that increased cost of living for the population. Commodity prices increases significantly.

Communiqué No 68 of the MPC: 1st & 2nd March, 2010

Global Macroeconomic Developments

The Committee noted that the rebound in global economic activity which started in the second half of 2009 has continued. The rebound was driven largely by the unprecedented amount of fiscal stimuli undertaken in both the developed and emerging market economies in the wake of the global financial crises. The Committee also noted the continuing rebound in commodity prices, particularly crude oil prices, which is helping to support growth in commodity producing regions. The MPC also observed that financing conditions, especially for businesses and firms, are likely to remain difficult in the near-term as financial institutions continue to maintain a cautious approach to credit extension.

Domestic Macroeconomic Developments

Provisional data from the National Bureau of Statistics (NBS) indicates that real Gross Domestic Product (GDP) will grow by 6.68 percent in the first quarter of 2010, down from 8.23 per cent in the fourth quarter of 2009, but up from the 4.50 per cent recorded in the first quarter of 2009. The All-Share Index (ASI), which was 20,827.17 at end-December 2009, rose by 10.36 per cent to 22,985.00 on 25th February, 2010. Market Capitalization (MC) also rose by 11.4 per cent, from N4.98 trillion at end-December 2009 to N5.54 trillion on 25th February, 2010. The foreign exchange market remained relatively stable in the first two months of 2010. In January 2010, the WDAS average exchange rate stood at N149.78 per US dollar, the same rate recorded in December 2009. External reserves stood at US$41.54 billion on 24th February 2010, down by US$0.51 billion or 1.21 per cent from the level of US$42.05 billion recorded in the preceding month.

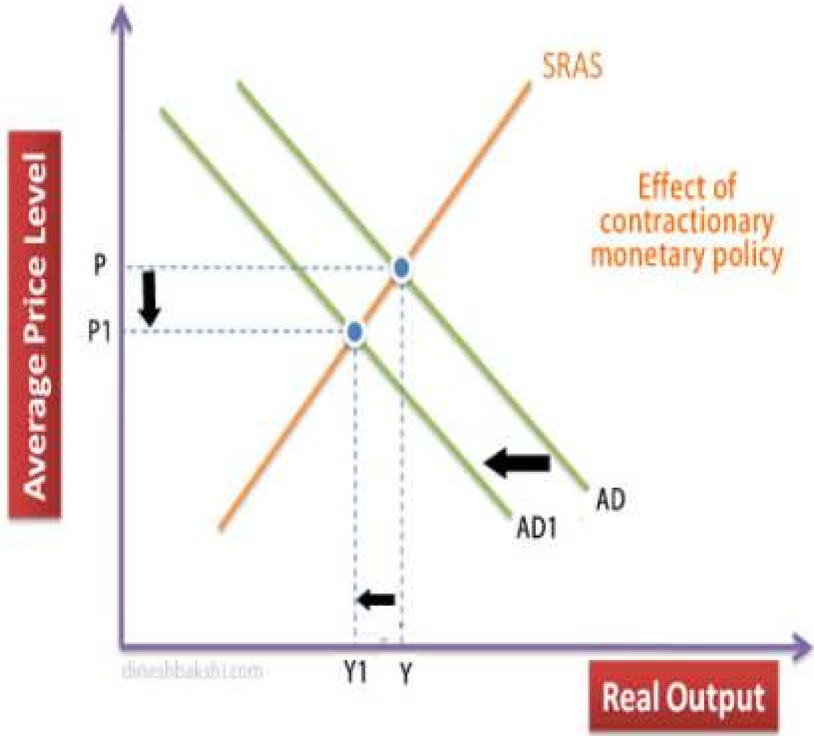
Decisions

I. MPR remains unchanged at 6.0 per cent;

II. Standing Lending Facility interest rate remains unchanged at 8.00 per cent, while the Standing Deposit Facility rate is lowered from 2.0 per cent to 1.0 per cent;

III. To continue with the quantitative easing policy by providing N500 billion facility for investment in debentures issued by the Bank of Industry (BOI) in accordance with Section 31 of the CBN Act 2007, for investment in emergency power projects dedicated to industrial clusters.

The Committee also approved in principle the extension of this facility to DMBs for the purpose of refinancing/ restructuring existing portfolios to manufacturers.



SRAS
Effect of contractionary monetary policy
Average Price Level
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AD1
Y1
Y
dineshbakshi.com
Real Output

Communiqué No 69 of the MPC: 15th April, 2010

The Monetary Policy Committee (MPC) held a special meeting on April 15, 2010 to, among other things, consider the modalities for the injection of N500 billion into the real economy in continuation of the current quantitative easing policy.

Global Macroeconomic Developments

On the global scene, the Committee noted that the rebound in global economic activity which started in the second half of 2009 has been sustained. The rebound was driven largely by the fiscal policy stimuli undertaken in both the developed and emerging market economies in response to the global financial crisis and the ensuing economic slowdown. The recovery in the advanced economies is still weak with real output projected to remain below its pre-crisis level until late 2011. However, growth in the emerging and developing economies is expected to recover faster given their stronger initial economic conditions and swift policy responses. The MPC also noted the continuing rebound in commodity prices, particularly crude oil prices, which is helping to support growth in commodity producing regions, including Nigeria.

Domestic Macroeconomic Developments

The robust output growth recorded in 2009 continued in 2010. Provisional data from the National Bureau of Statistics (NBS) indicates that real Gross Domestic Product (GDP) grew by 6.68 percent in the first quarter of 2010, down from 7.44 per cent in the fourth quarter of 2009, but up from the 4.50 per cent recorded in the first quarter of 2009. The growth was largely driven by the non-oil sector. The year-on-year headline inflation rose from 12.0 per cent in the last quarter of 2009 to stabilize at 12.3 per cent in January and February 2010. The weighted average interbank call rate, which was 2.89 per cent as at end-December 2009, declined to 2.48, 2.17, and 1.50 per cent in January, February, and March, 2010, respectively. Similarly, the securitized open-buy-back (OBB) rate, which was 2.64 per cent at end-December 2009, declined to 2.46, 2.20, and 1.31 per cent in January, February, and March 2010, respectively, compared with the monetary policy rate (MPR) of 6.00 per cent and Standing Deposit Facility rate of 1.0 per cent.

Decisions

I. Approved the technical committee's recommendations with respect to modalities for the Refinancing/Restructuring of DMBs facilities to manufacturers with N1Billion as the maximum loan size a bank may refinance for a single borrower. The guidelines will be released shortly.

II. Retained the MPR at 6 per cent and existing asymmetric corridor around the MPR at +2.0 per cent and -5.0 per cent.

"...I COULD'VE HUFFED AND PUFFED, BUT THE INTEREST RATES DROPPED SO MUCH I JUST DECIDED TO BUY IT..."

Communiqué No 70 of the MPC: 10th &11th May, 2010

Global Macroeconomic Developments

The Committee noted that the recovery in global economic activity, which started in the second half of 2009, has evolved better than expected although large fiscal deficits continue to pose a threat. The recovery, which was driven largely by the unprecedented fiscal and monetary policy stimuli undertaken in both the developed and emerging market economies in response to the global economic slowdown, was progressing at varying degrees across the different regions. The MPC observed that the domestic financial markets have recovered remarkably faster than expected, though still fragile, and urged greater efforts in accelerating the reforms in the different segments of the financial system to promote financial sector stability which is critical to economic growth.

Domestic Macroeconomic Developments

Provisional data from the National Bureau of Statistics (NBS) indicates that real Gross Domestic Product (GDP) grew by 6.68 per cent in the first quarter of 2010, down from 7.44 per cent in the fourth quarter of 2009, but up from the 4.50 per cent recorded in the first quarter of 2009. NBS also projected that the GDP is expected to grow by 7.24, 7.36 and 8.51 per cent in the second, third and fourth quarters of 2010, respectively. The year-on-year headline inflation rose from 12.0 per cent in the last quarter of 2009 to stabilize at 12.3 per cent in January and February 2010 and declined to 11.8 per cent in March 2010The weighted average interbank call rate, which was 2.89 per cent as at end-December 2009, declined to 2.48, 2.17, and 1.50 per cent in January, February and March 2010, respectively. The downward trend continued to 1.27 per cent on April 30, 2010.

Decisions

I. Leave the MPR unchanged at 6.0 per cent.

II. Retain the asymmetric corridor of interest rates at 200 basis points above the MPR and 500 basis points below the MPR for the Standing Lending Facility and Standing Deposit Facility, respectively;

III. Extend the CBN guarantee for all interbank transactions and foreign credit lines as well as pension funds' placements with banks from December 31, 2010 to June 30, 2011. This is to provide ample time for the conclusion of the banking sector resolution and the publication of audited accounts for the period up to December 2010. It is expected that by June 2011 all creditors and investors will have sufficient information to take an independent view of the risk of individual counterparties.

How does the rest of the world manage monetary policy?

External Government Dominance

Central Bank Dominance

Complete Central Bank Control

Country	Is there a special monetary policy committee?	Composition of monetary policy committee: Total	Central Bank	External	External appointments by: Central Bank	Government
Philippines*	YES	7	1	6	0	6
Australia*	NO	9	2	7	0	7
Korea	YES	7	2	5	0	5
Norway	YES	7	2	5	0	5
India (FSLRC V1.0)	YES	7	2	5	0	5
India (Draft Financial Code, FSLRC V2.0)	YES	7	3	4	0	4
USA	YES	12	5	7	0	7
Chile*,**	NO	6	5	1	0	1
Sweden	NO	6	0	6	0	6
India (Proposal 1)	YES	5/7	1	4/6	4/6	0
India (Proposal 2)	YES	6	3	3	0	3
Israel	YES	6	3	3	0	3
Thailand	YES	7	3	4	4	0
UK	YES	9	5	4	0	4
India (Urjit Patel Committee)	YES	5	3	2	2	0
Canada	NO	6	6			
Indonesia	NO	6-9	6-9			
New Zealand	NO	1	1			
South Africa	YES	8	8			
India (Present)	NO	1	1			

Source: Central bank websites

*Philippines, Australia and Chile have one member from the government as a part of the committee.

**Veto power exists for the finance minister, unless all the central bank board members unanimously agree on a decision

Graphics: Pradeep Yadav

Communiqué No 71 of the MPC: 5th July, 2010

Global Macroeconomic Developments

The Committee noted that market anxiety over the fiscal positions of several Euro Area countries was posing new challenges for the world economy even as global economic recovery remained fragile. In order to address the weak fiscal position, governments in these countries have started unwinding the fiscal stimuli by cutting government spending. However, recovery remained robust in most developing and developed countries, with the exception of high-income European countries. The Committee commended the recent commitment of the G-20 Summit in Toronto, Canada, which agreed to safeguard and strengthen the recovery process to lay the foundation for strong, sustainable and balanced growth, as well as strengthen the financial systems against risks.

Domestic Macroeconomic Developments

The Committee observed that the impressive output growth recorded in 2009 continued in 2010. Provisional data from the National Bureau of Statistics (NBS) indicates that real Gross Domestic Product (GDP) grew by 7.23 per cent in the first quarter of 2010 up from 4.50 per cent recorded in the first quarter of 2009. The year-on-year headline inflation declined to 11.0 per cent in May 2010 from 12.5 per cent in April and 11.8 per cent in March. Provisional data showed that relative to end-December 2009, broad money (M2) declined by 0.2 per cent in May 2010, which, when annualized represented a contraction of 0.48 per cent, compared with the indicative growth target of 29.26 per cent for 2010.

(OBB) rates rose significantly to 5.97 and 4.92 per cent, respectively, representing increases of 470 and 381 basis points above the 1.27 and 1.11 per cent recorded in the preceding month. The All-Share Index (ASI) increased from 20,827.17 at end-December 2009 to 25,554.35 as at 23rd June, 2010, or by 20.70 per cent. Market capitalization (MC) increased by 24.9 per cent from N4.98 trillion to N6.28 trillion over the same period.

Decisions

i. No changes are made to the current policy stance viz: the MPR should remain unchanged at 6.0 per cent; and

ii. The asymmetric corridor of 200 basis points above and 500 basis points below the MPR, respectively, are to be retained.


Monetary Policy
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Communique No 72 of the MPC: 21st September, 2010

Global Macroeconomic Developments

The recovery of the global was mostly tepid during this review period with the US economy deteriorating rapidly for the third consecutive quarter due to sustained weakness in the housing market. In the Euro area, the slowdown in growth was driven by stronger than expected vulnerabilities in the Greek economy. The Greek government had however given assurances that it will embark on a swift process of fiscal reform to enable it properly account for the bailout packages at its disposal from the ECB.

Domestic Macroeconomic Developments

The domestic economy in deference to the weak global economic conditions continued on a path of resilience as the rebound in commodity prices was sustained. While the MPC expressed concerns of likely price developments in the near future due to the rebound in commodity prices, this was doused by indications of weak domestic demand compared with the good harvests recorded. GDP growth rate at 7.69 per cent in the second quarter of 2016 compared with 7.39 per cent in the first quarter was a remarkable performance compared with the weakness in the global economy. M2 grew at 7.0 per cent while the reserve money balance stood at N1653.86 billion. The key concern of management in this period was the sub-optimal growth of money supply and negative growth of private sector credit as well as abnormally high lending rates and weak interbank rates. The capital markets also showed signs of recovery from an earlier downturn.

The foreign exchange market remained mostly stable, reflecting the recovery of the domestic economy relative to a weak global economy.

Decisions

Based on the above developments, the Committee reached the following decisions:

1. Resumption of Open Market Operations
2. A 25 basis point increase in MPR from 6.0 to 6.25
3. Adjustment of the asymmetric corridor to +200/-300.

Communique No 73 of the MPC: 22nd & 23rd November, 2010

Global Macroeconomic Developments

The slowdown of the global economy continued in the review period led mainly by the US which had a huge trade deficit. Overall, the recovery remained mostly tepid across major advanced economies due to the lingering effect of the 2007/2008 global financial and economic meltdown.

Domestic Macroeconomic Developments

In the third quarter of 2010, GDP grew to 7.86 per cent up from 7.69 per cent recorded in the second quarter. Inflation remained high in the domestic economy thus requiring structural reforms to reduce supply-side bottlenecks. The rebased year-on-year headline inflation stood at 13.4 per cent in October 2010 compared with 13.6 per cent in September. Relative to end-December 2009, broad money (M2) grew by 4.25 per cent in October 2010, an annualized value of 5.10 per cent. Reserve money (RM), which stood at N1,653.86 billion at end-December 2009, fluctuated downward and by November 15, 2010, stood at N1,4449.95 billion.

The domestic capital market continued to show some signs of recovery. In the capital markets, market capitalization (MC) increased by 43.1 per cent from N5.65 trillion to N8.08 trillion over the same period. The foreign exchange market remained relatively stable with a inflow in October of US$2.38 billion, representing a decrease of US$0.32 billion or 11.85 per cent below the US$2.70 billion recorded in the preceding month.

Decisions

The key concerns noted by the Committee were:

I. The elevated inflation levels

II. Rising government expenditure and borrowings with the possible crowding out effects on the private sector; and

III. Demand pressure in the foreign exchange market, leading to reduction in external reserves.

Communique No 74 of the MPC: 24th & 25th January, 2011

Global Macroeconomic Developments

The key development in the global economy was the divergence in performance amongst major advanced economies. As uncertainties lingered, most advanced economies that had been badly hit by the crisis failed to respond to stimulus packages leading to continued sluggish growth and weak price development in spite of rising oil and other commodity prices. In the emerging markets and developing economies (EMDEs), robust growth was recorded due to rising commodity prices. Overall, financial markets remained stable in the face of massive capital outflows to EMDEs.

Domestic Macroeconomic Developments

In the domestic economy, output growth remained robust with GDP growing to 8.29 per cent in the fourth quarter of 2010, up from 7.86 per cent recorded in the third quarter. In December 2010, inflation declined to 11.8 per cent from 13.6 per cent in September. Growth in broad measure of money supply (M2) remained considerably below the indicative benchmark of 29 per cent at end-December 2009. Credit to the private sector contracted by 4.92 per cent compared with an indicative growth benchmark of 31.54 per cent for 2010. The recovery of the domestic capital market in 2010 was significant following the decline associated with the global financial and economic crises in 2008/2009. Market Capitalization (MC) rose from N4.98 trillion as at end-December 2009 to N7.91 trillion as at end-December 2010, representing a growth of 58.83 per cent. The foreign exchange market remained relatively stable. Between end-2009 and end-2010, the Naira/Dollar exchange rate depreciated by N1.08 or 0.72 per cent, to N150.66/US$ from N149.58 /US$ at end-2009, as against 15.65 per cent depreciation recorded at the end of 2009.

Decisions

I. Raise the MPR by 25 basis points from 6.25 per cent to 6.50 per cent with immediate effect (a majority vote of 11:1).

II. Maintain the symmetric corridor of +/- 200 basis points by 7-5; 4 members voted for asymmetric corridor by 50 basis points increase in Standing Deposit Facility rate.

III. Raise the Cash Reserve Requirement (CRR) Ratio by 100 basis points from 1.00 per cent to 2.00 per cent with effect from February 1, 2011 with a majority vote of 11:1; and

With effect from March 1, 2011, raise the Liquidity Ratio (LR) by 500 basis points from 25.00 per cent to 30.00 per cent with a majority vote of 11:1.

Communique No 75 of the MPC: 21st & 22nd March, 2011

Global Macroeconomic Developments

In the global economy, commodity and energy prices remained on the rise, with the threat of rising interest rates in Europe becoming more apparent. As unemployment remained high in most advanced economies with the looming threat of rising inflation, the tepid recovery recently observed has come under threat. In emerging market and developing economies, growth has been robust due to rising commodity prices but concerns of strong inflationary pressures persisted. The political crises in the oil-producing Middle East and North Africa (MENA) region however had a negative impact on oil price development, causing some disruptions in the market. The tsunami in Japan further increased uncertainty in the global markets.

Domestic Macroeconomic Developments

The 2011 first quarter projection for GDP stood at 7.43 per cent compared with the 7.36 per cent recorded in the corresponding period of 2010. The non-oil sector led growth in 2010 supported by agriculture, wholesale and retail trade, and services. In February 2011, year-on-year headline inflation stood at 11.1 per cent compared with 12.1 and 12.8 per cent recorded in January 2011 and December 2010 respectively. Food inflation, supported by the rising cost of imported foods, was the main driver of headline inflation in the review period. Transportation and energy prices also had a contributory effect. Broad money (M2) growth in the first two months of 2011 was moderate. Credit to private sector continued to be sluggish partly because of the delay in the passage of the 2011 Federal budget and ongoing banking sector reforms. In the foreign exchange market, total supply to the wDAS segment by the CBN stood at US$5.145 billion between January and March 16, 2011.

Decisions

I. A majority of 9 to 3 Members voted for an increase in the MPR by 100 basis points from 6.50 per cent to 7.50 per cent.

a. The 3 Members voted for a 50 basis points increase;

II. 2. A unanimous decision to,

a. Retain the symmetric corridor of +/- 200 basis points;

b. Retain the current CRR of 2.0 per cent and the liquidity ratio of 30.0 per cent; and

c. Extend the CBN guarantee on interbank transactions and guarantee of foreign credit lines by three months from June 30, 2011 to September 30, 2011.

Communique No 76 of the MPC: 23rd & 24th May, 2011

Global Macroeconomic Developments

The committee observed signs of recovery amongst the major advanced economies even unemployment and price levels were on the rise following a recent upsurge in international oil prices. Debt levels also remained precariously high, ushering in fresh concerns of long term debt sustainability particularly in the Eurozone. Emerging market economies have assumed the lead position in driving the global economic recovery, with output levels well above the pre-crisis years. Sub-Saharan African countries are projected to record moderate growth and some inflationary pressures. The projected weak economic recovery in industrialized countries may also affect exports from the region.

Domestic Macroeconomic Developments

In the domestic economy, output for fiscal 2011 was estimated to be high due to observed improvements in stock market indicators, increased accretion to external reserves as a result of rising crude oil prices, stable naira exchange rate and rising rates in the interbank market in response to the tightening stance of monetary policy. The National Bureau of Statistics (NBS) projected that real gross domestic product (GDP) was to grow by 7.43 per cent in the first quarter of 2011, compared with the 7.36 per cent recorded in the corresponding period of 2010. Inflation however, remained high and in the double digit region, in spite of the tight stance of monetary policy causing policy makers to be of the view that other structural rather than monetary issues were responsible for the rising price levels. Provisional data showed that the growth in broad money (M2) during the first 4 months of 2011 was 3.24 per cent, or 9.72 per cent when annualized. At the wDAS segment, the naira/dollar exchange rate opened at N152.63/US$ (including 1% commission) on March 23, 2011 and closed at N154.74/US$ on May 18, 2011, representing a slight depreciation of 1.38 per cent (or N2.11k).

Decisions

1. The committee voted in the ratio of 9:1 in favor of further tightening of the stance monetary policy.

a. All nine in favor of tightening voted for an increase in CRR from 2 per cent to 4 per cent with effect from June 8, 2011 to align with the next reserve averaging maintenance period.

b. Six (6) members voted for a 50 basis point increase in MPR from 7.5 per cent to 8.0 per cent, while three (3) voted for an increase of 25 basis points and one (1) voted for no change.

2. Maintain the symmetric corridor of +/- 200 basis points around the MPR.


Recovery

Communique No 77 of the MPC: 25th & 26th July, 2011

Global Macroeconomic Developments

The increasing challenges confronting both the US and Eurozone was a major source of concern for the Committee. In the emerging market and developing economies, concerns were expressed of impending fiscal pressures in Brazil and possibility the build-up of a real estate bubble in China and seemingly intractable inflation in India, all of which the Committee perceived may impact adversely on the Nigerian economy through several transmission channels. The economic slowdown and the commodity price inflation in major advanced economies as well as the rapid increases in price of some asset classes in some emerging market economies continued to constitute significant threats to the global economic recovery. Across the globe, financial markets had mixed performances with most stock markets around the world showing weak recovery as many national currencies, particularly in Africa, depreciated against the US dollar. Currencies of emerging market economies on the other hand, appreciated against the US dollar during the first half of 2011.

Domestic Macroeconomic Developments

GDP grew by 6.64 per cent in the first quarter of 2011, down from the 7.36 per cent in the corresponding period of 2010. The non-oil sector remained the major driver of growth. Year-on-year headline inflation rate, declined from 12.8 per cent in March and 12.4 per cent in May 2011 and to 10.2 per cent in June 2011. Broad money (M2) grew by 5.66 per cent in June 2011 over the end-December 2010 level, annualized to a growth rate of 11.32 per cent. Aggregate domestic credit (net) grew by 2.30 per cent in June 2011 over the 2010 December level, annualized to a growth rate of 4.60 per cent. Aggregate credit continued its sluggish grow, due to the weak expansion in private sector credit which grew marginally by 1.45 per cent or 2.9 per cent annualized. In the stock market, performance remained bearish in the review period with the All-Share Index (ASI) decreasing by 3.4 per cent between March 31, 2011 and July 21, 2011 and Market Capitalization (MC) by 3.4 per cent during the same period. At the wDAS, the exchange rate closed at N151.61 on 22nd July, 2011, an appreciation of 2.14 per cent over the N154.91/US$ on 23rd May, 2011.

Decisions

1. The Committee voted to tighten monetary policy in the ratio 10:2.Eight member voted to raise the MPR by 75 basis points from 8.0 per cent to 8.75 per cent while, 1 member voted for a 50 basis point increase and 3 members voted to hold at 8.0 per cent.
2. To maintain the corridor at +/- 200 basis points around the MPR.


RISING LIKE MERCURY
IN DELHI'S SUMMER
LPG
PETROL
₹67.24
₹70.44
DIESEL
₹47.15
₹50.84
RESTAURANT BILLS
10-15 %
ONION
₹20-25
₹35-45
TOMATO
₹30-40
₹60-65
MILK
Milk
MEAT
CHICKEN

Communique No 78 of the MPC: 19th September, 2011

Global Macroeconomic Developments

The continued weakness and volatility of global financial markets, deepening debt crisis in the Eurozone, global limited fiscal flexibility, rising commodity and food prices, and costly natural disasters culminated in presenting downside risks to growth. The expectation therefore of a near term slowdown in almost all advanced economies was becoming very real.

Domestic Macroeconomic Developments

Output growth in the second quarter of 2011 remained robust with GDP growth of 7.72 per cent in the second quarter of 2011, above the 7.69 per cent recorded in the second quarter of 2010. The projection of total GDP growth for 2011 was pitched at 7.85 per cent, slightly lower than 7.87 recorded in 2010. Year-on-year headline inflation rate decreased to 9.3 per cent in August, from 9.4 per cent in July 2011. Broad money (M2) grew by 8.55 per cent in the eight months to August 2011, an annualized growth rate of 12.82 per cent. Aggregate domestic credit (net) grew by 14.72 per cent in August 2011 compared with the level in December, 2010. Aggregate credit to government grew close to the indicative benchmark of 29.29 per cent for 2011. Growth in credit to the private sector was 10.88 per cent, annualized to 16.32 per cent, compared with a benchmark of 23.34 per cent. The Inter-bank and Open Buy Back (OBB) rates both opened at 7.49 per cent on July 27, 2011 and rose to 11.0 per cent and 10.36 per cent on September 15, 2011, respectively. Market Capitalization (MC) also decreased by 15.7 per cent from N7.99 trillion to N6.73 trillion. The wDAS, the exchange rate, opened at N150.00/US$ and closed at N153.52/US$ during the period July 27 – September 15, 2011), a depreciation of N3.52 or 2.35 per cent.

Decisions

The Committee decided as follows:

1. A majority of 8 to 3 members voted for a tightening of the stance of monetary policy.
2. Seven (7) members voted for a 50 basis-point increase in MPR from 8.75 to 9.25 per cent. One (1) member voted for a 100- basis-point increase in MPR. The 3 remaining members voted to maintain the MPR at the current rate.
3. A Unanimous decision to:

a. Maintain the current symmetric corridor of +/-200 basis points around the MPR; and
b. Retain the current CRR of 4.0 per cent

Communique No 79 of the MPC: 10th October, 2011

Global Macroeconomic Developments

The uncertainty in the global macroeconomic environment persisted in the review period with further indications of a deepening of the crisis as policy makers search for option to reverse the impending recessions. The sovereign debt crisis in the Eurozone, huge US deficit, rising inflation in emerging markets and developing economies, gross undercapitalization of international banks and negative sentiment in the markets has continued to fuel the flight to safety fever, leading to massive deleveraging by investors. Central banks have generally responded through direct intervention in the foreign exchange market and adjustment of their policy rates to stabilize currencies.

Domestic Macroeconomic Developments

The naira occasionally traded outside the band of N150 +/- 3.0 per cent. Concerns also abound about the likelihood of a double dip recession in advanced economies impacting on oil prices and already declining foreign reserves. Other concerns about the delay in the implementation of fundamental economic decisions to shore up the reserves were also expressed. The Petroleum Industry Bill (PIB) and removal of subsidies on Premium Motor Spirit (PMS) is expected to add at least US$10 billion to the external reserves annually, starting with about US$6 billion in 2011. The committee also noted that structural bottlenecks in the Nigerian economy had to be addressed urgently to halt the huge dependence of imports in the face of dwindling exports.

Decisions

1. The Committee voted to raise the monetary policy rate (MPR) by 275 basis points from 9.25 per cent to 12.0 per cent (by a vote of 8 in favor and 1 in favor of status quo);
2. Maintain the current symmetric corridor of +/-200 basis points around the MPR (by unanimous vote);
3. The cash reserve ratio (CRR) was increased from 4.0 per cent to 8.0 per cent from the maintenance period beginning October 11, 2011 by a vote of 7 to 2 (2 members voted for a 6.0 per cent CRR);
4. The net open position (NOP) was reduced from 5.0 per cent to 1.0 per cent of share-holders funds with immediate effect and with full compliance by Friday, October 14, 2011 (by unanimous vote); and
5. It was further agreed that the reserve averaging method of computation be suspended until further notice in favor of daily maintenance

Communique No 80 of the MPC: 21sth November, 2011

Global Macroeconomic Developments

The ratio of government debt to GDP for the European Union remains exceptionally high due largely to the change of government in Greece and Italy. This has led to the adoption of tougher austerity measures including staff rationalization and privatization. Emerging market and developing economies are also projected to record lower growth rates in 2011 than in 2010 due to the likelihood of transmission of the crisis from advanced economies. Growth is however not expected to rebound in 2012 due to the persistence of high inflation.

Domestic Macroeconomic Developments

Output growth was estimated at 7.40 per cent in the third quarter of 2011 compared with 7.86 per cent in the corresponding quarter of 2010. Provisional data indicate that aggregate domestic credit (net) grew by 24.57 per cent in October 2011 compared with end-December 2010, annualized to 29.48 per cent which was below the indicative benchmark of 32.58 per cent for 2011. The growth in aggregate credit (net) was due to increases in credit to the private sector and State and Local governments. The All-Share Index (ASI) decreased from 24,770.52 at end-December 2010 or 18.0 per cent on a year-to-date basis to 20,311.51 on November 18, 2011. The average exchange rate appreciated at all three segments of the market in the period under review. At the wDAS market, the exchange rate opened at N158.48/US$ on October 11, 2011 and closed at N156.05/US$ on November 18, 2011, an appreciation of N2.43k or 1.53 per cent within the period.

Decisions

The Committee decided as follows:

1. By a unanimous vote to retain the MPR at 12.0 per cent and the symmetric band at +/-200 basis points. To retain the CRR at 8.0 per cent.
2. To adjust the mid-point of target official exchange rate from N150.00/US$1.00 to N155.00/US$1.00 and maintain the band of +/-3.0 per cent. This means that the naira should float roughly within a range of N150.00/US$1.00–N160.00/US$1.00, unless extraordinary shocks necessitate a change in stance.
3. To encourage the CBN to continue to seek convergence between wDAS and interbank rates to reduce arbitrage opportunities, avoid speculative attacks, and the emergence of a multiple-exchange rate environment.

Communique No 81 of the MPC: 30th & 31st January, 2012

Global Macroeconomic Developments

The Euro area is projected slid into negative growth of 0.5 per cent in 2012 due mainly to high public debt and continued fragility of the credit and financial markets. This has resulted in worsening credit ratings and implementation of austerity measures as the threat of recession looms. In the emerging and developing economies, output growth slowed considerably 2011 with China, India and Brazil posting lower growth rates in 2011 than in 2010. Sub-Saharan Africa has been a major exception to the global trend as growth was estimated at 4.9 per cent in 2011 and 5.5 per cent in 2012.

Domestic Macroeconomic Developments

GDP grew by 8.68 per cent in the fourth quarter of 2011 up from 6.64, 7.72, and 7.40 per cent in the 1st, 2nd and 3rd quarters, respectively. Headline inflation rate stood at 10.3 per cent in December 2011, the lowest on record, compared with the 12.75 average recorded between 2001 and 2011. Broad money supply (M2) growth was sluggish up to May, 2011, accelerated thereafter to 5.66, 9.50 and 15.40 per cent in June, September, and December 2011, respectively. The official wDAS rate moved up from N151.62 per US$1 in January 2011 to N154.45/US$1 in June and further to N158.21/US$1 in December 2011.

Decisions

In the light of the above, and considering the clear impact of previous tightening on the rate of inflation and exchange rates up to December 2011, the Committee unanimously decided as follows:

1. Retain MPR at 12.0 per cent with interest rate corridor of +/- 200 basis points;
2. Retain CRR at 8.0 per cent; Retain minimum liquidity Ratio of 30.0 per cent; and
3. Retain the Mid-point of exchange rate at N155/US$1 with a band of +/-3.0 per cent.

Toxic Personality: The Rainmaker

Communique No 82 of the MPC: 19th & 20th March, 2012

Global Macroeconomic Developments

The US economy started showing early signs of recovery in the first quarter of 2012 compared with its performance in 2011. The outlook for output in 2012 is expected to come in above 2 per cent compared with 1.7 per cent in 2011. In the Eurozone, the macroeconomic outlook remained uncertain, due mainly to the loss of momentum in growth towards the end of 2011. In the United Kingdom, prospects for recovery have improved. In the emerging market economies, there is clear evidence of a slowdown. After recording a growth rate of 8.9 per cent growth in Q4 2011, its lowest since Q2, 2009, China is expected to slow further in 2012 due to the weak industrial production gains in January and February and low retail sales. Consequently, it has revised its growth target for 2012 downward from 8.0 per cent to 7.5 per cent. In India, growth in the fourth quarter of 2011 was lower at 6.1 per cent compared with 6.9 per cent in the preceding quarter. Output growth in Brazil came in much lower at 2.47 per cent and is expected to slow down further in 2012.

Domestic Macroeconomic Developments

GDP grew by 7.68 per cent, in quarter four of 2011, higher than 7.30 per cent in the preceding quarter but lower than the 8.60 per cent of the corresponding quarter of 2010. The Committee noted the resurgence of inflationary pressures in the early part of 2012 with headline inflation at 11.9 per cent in February 2012. Broad money supply (M2) for February shows a growth of 13.4 per cent (year on year) compared with 15.4 per cent in 2011. Average call rates in January and February were 14.18 and 14.29 per cent, respectively. The exchange rate at the wDAS auctions moved from US$/N158.6205 at the end of January 2012 to US$/N157.6206 as at March 14, 2012.

Decisions

In the light of the above, and considering the clear impact of previous tightening on the rate of inflation and exchange rates up to February 2012, the Committee unanimously decided as follows:

1. Retain MPR at 12.0 per cent with interest rate corridor of +/- 200 basis points; 2.
2. Retain CRR at 8.0 per cent;
3. Retain minimum liquidity Ratio of 30.0 per cent; and


Recovery

Communique No 83 of the MPC: 21st & 22nd May, 2012

Global Macroeconomic Developments

The recovery of the global economy continued at a sluggish pace with elevated downside risks lingering in the euro zone due to the persistence of headwinds from the debt crisis, weak balance sheet positions of euro zone financial institutions and rising unemployment. As a result, real GDP has been projected to contract from 1.4 per cent in 2011 to -0.3 per cent in 2012 in the zone. In the advanced economies, growth is estimated to decelerate from 1.6 per cent in 2011 to 1.4 per cent in 2012. US output slowed from an annual rate of 3.0 per cent in Q4 2011 to 2.2 per cent in Q1 of 2012 due primarily to a drop in business spending from 5.2 per cent in Q4 of 2011 to 2.1 per cent in Q1 of 2012.

Domestic Macroeconomic Developments

GDP in Q1 grew by 6.17 per cent, down from 7.68 per cent in the fourth quarter of 2011 and 7.13 per cent in the corresponding period of 2011. Overall, real GDP growth for fiscal 2012 is projected at 6.50 per cent, down from 7.45 per cent in 2011. The year-on-year headline inflation moderated to 11.9 per cent in February from12.6 per cent in January 2012 but rose to 12.1 and 12.9 per cent in March and April 2012, respectively. Broad money supply (M2) grew by 0.01 per cent in April 2012 compared with the level at end-December 2011. The decline in aggregate credit during the period was mainly due to the slowdown in credit to the core private sector. Despite the decline in credit to core private sector, overall credit to the private sector rose marginally by 0.06 per cent or 0.18 per cent on annualized basis. This was due to increased lending to States and Local governments at the expense of the core private sector. The interbank opened in March at 15.42 and 14. 00 per cent, closed at 14.66 and 14.34 per cent, respectively, on May 17. The exchange rate at the wDAS-SPT opened at N157.62/US$ on March 20, 2012 and closed at N157.26/US$, on May 17, 2012 indicating an appreciation of N0.36k or 0.23 per cent.

Decisions

Maintain the current stance of monetary policy:

1. The Monetary Policy Rate (MPR) is retained at 12.0 per cent with the symmetric band at +/- 200 basis points.
2. The Cash Reserve Requirement (CRR) and Liquidity Ratio (LR) also remain unchanged.

Communique No 84 of the MPC: 23rd & 24th July, 2012

Global Macroeconomic Developments

According to the IMF WEO July update, the earlier observed fragility in the global economy persisted in 2012 thus necessitating a downward revision of output growth forecast. This is due mainly to the sovereign debt and financial sector problems in the euro area, the recession in the UK and slowing growth in the US continue which spilled over to weaker demand for exports from China, India and Brazil. Output performance in Sub-Saharan Africa is projected at 5.4 per cent in 2012. While exports to Europe have dropped, strong terms of trade and increased trade diversification towards emerging markets have helped support growth in the region.

Domestic Macroeconomic Developments

GDP growth for 2012 was projected at 6.38 per cent compared with 7.74 per cent in 2011. Year-on-year headline inflation rose to 12.9 per cent in June, 2012 against the 12.7 per cent in May 2012. Broad money supply (M2) grew by 1.35 per cent in June 2012 over the level at end-December, 2011. On an annualized basis, credit to core private sector grew by 3.2 per cent or 6.4 per cent. All segments of the money market trended upwards between May 21 and July 11, 2012. The exchange rate at the wDAS-SPT opened at N157.26/US$ on May 21and closed at N157.43/US$ on 12th July 2012, representing N0.17k or 0.11 per cent depreciation during the period.

Decisions

In view of the foregoing, the Committee, decided as follows:

1. Retain the Monetary Policy Rate (MPR) at 12.00 per cent with symmetric corridor of +/-200 basis points by a vote of 10 to 1. One member voted to reduce MPR by 25 basis points to 11.75 per cent.
2. Members voted by a decision of 10 to 1 to increase the Cash Reserve Requirement (CRR) from 8.0 per cent to 12.0 per cent with effect from July 25th. One person voted to retain the CRR at 8.0 per cent.
3. Unanimously agreed to reduce the Net foreign exchange Open Position (NOP) to 1.0 per cent from 3.0 per cent with immediate effect.


FRAGILE

Communique No 85 of the MPC: 17th & 18th September, 2012

Global Macroeconomic Developments

Further signs of weakness were observed in the global economy in the last three months running up to the third quarter of 2012. The Eurozone crisis as well as poor macroeconomic performance in other advanced economies, rising food and energy prices contributory factors. In July 2012 IMF World Economic Outlook (WEO) update projected a growth rate of 3.5 per cent in 2012, 0.1 percentage point lower than the forecast of April 2012. Growth in the advanced economies was projected to decline from 1.6 per cent in 2011 to 1.4 per cent in 2012The euro zone is on the brink of a double-dip recession following further contractions in output between April and June. In Asia, most economies recorded significant slowdown in economic activity up to Q2 of 2012, mainly on account of weakening exports and investment. Export growth has moderated, reflecting the sluggish demand from Europe while investment remained weak due to heightened volatility of capital flows and the lagged effects of tighter domestic monetary policies.

Domestic Macroeconomic Developments

Real GDP growth rate stood at 6.28 per cent in Q2 of 2012, up from 6.17 per cent in Q1 2012 but lower than the 7.61 per cent in the corresponding period of 2011. Broad money supply (M2) grew by 3.50 per cent in August 2012 over the level at end-December, 2011, which annualized to 5.25 per cent. Aggregate domestic credit (net) declined by 3.82 per cent in August 2012, an annualized decline of 5.73 per cent compared with the level at end-December 2011 level. The All-Share Index (ASI) increased by 9.96 per cent between June 29, 2012 and August 31, 2012, while Market Capitalization (MC) increased by 9.64 per cent during the same period. The WDAS exchange rate during the period, July 25 – August 31, 2012, opened at N157.40/US$ and closed at N157.36/US$, representing an appreciation of N0.04k.

Decisions

In view of the foregoing, the Committee by a unanimous vote decided as follows:

1. Retain the Monetary Policy Rate (MPR) at 12 per cent with +/-200 basis points corridor;
2. Retain the Cash Reserve Requirement (CRR) at 12.0 per cent.
3. Retain the Net Open Position at 1.0 per cent.

Communique No 86 of the MPC: 19th &20th November, 2012

Global Macroeconomic Developments

During the period under review, the global economic environment was characterized by deceleration in global output, resulting from a combination of austerity-driven euro-zone, weak recovery in some Asian economies, and slowdown in major emerging market economies. In addition, major risks to global economic recovery still remained: high and rising unemployment, fragile financial conditions, weak housing markets, and deterioration in both public and private sector balance sheets in some major industrial countries. Thus, global output growth in 2012, which was earlier projected at 3.5 per cent in July 2012 by the IMF, was revised downward to 3.3 per cent in the October 2012 World Economic Outlook; that of 2013 was also revised downward from 3.9 to 3.6 per cent.

Domestic Macroeconomic Developments

In the review period, the National Bureau of Statistics (NBS) revised the real Gross Domestic Product (GDP) growth for fiscal 2012 downwards to 6.61 per cent from the earlier projection of 6.85 per cent, indicating that the economy is encountering growth challenges not previously anticipated. Also during the period, year-on-year headline inflation inched up to 11.70 per cent in October 2012 from 11.3 per cent in September 2012. The major drivers include food and housing, water, electricity, gas and other fuels. Broad money supply (M2) grew by 8.23 per cent in October 2012 over the level at end-December, 2011, which annualizes to 9.87 per cent. Aggregate domestic credit (net) declined by 3.48 per cent in October 2012. Interest rates in all segments of the money market moderated between September 19 and October 30, 2012, reflecting increased liquidity in the banking system during the period under review. Also during the period, the Nigerian capital market continued to rally as equities market indicators trended upward. The Committee noted with satisfaction the stability in all the segments of the exchange rate markets.

Decisions

(i) The Committee decided to retain the MPR at 12 per cent with a corridor of +/- 200 basis points around the midpoint;

(ii) retain the CRR at 12.0 per cent; and

(iii) retain the Liquidity Ratio at 30 per cent.

Communique No 87 of the MPC: 19th & 20th January, 2013

Global Macroeconomic Developments

The Committee noted that global economic growth remained largely uneven and subdued in most economies in 2012. Data from the IMF indicate that global output was weaker than previously forecast due to continued contraction in the Euro zone and Japan as well as the less than anticipated growth in Brazil and India. The fragility in the global economy was further compounded by the uncertainties surrounding resolution of the "fiscal cliff" and debt ceiling challenges in the US and the difficulties associated with China's attempts to "rebalance" its growth. These developments, the Committee observed would adversely affect private sector confidence, worsened the unemployment situation and further tightened financing conditions in both the periphery and core economies.

Domestic Macroeconomic Developments

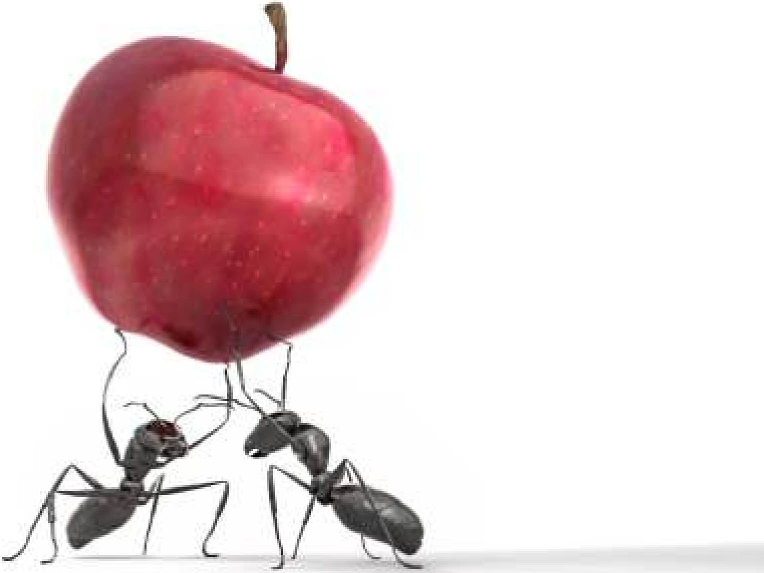
Real Gross Domestic Product (GDP) estimated by the National Bureau of Statistics (NBS) showed a growth rate at 6.61 per cent in 2012, which was lower than the level recorded in 2011 by 0.84 per cent. Also on the average, inflationary pressure was elevated in 2012 as year–on–year average headline inflation rate in 2012 stood at 12.24 per cent. The major drivers of headline inflation in December 2012 included food and non-alcoholic beverages, housing, water, electricity and transport. Broad money supply (M2) grew by 13.72 per cent in December 2012 over the level at end-December 2011. Aggregate domestic credit (net) grew by 1.98 per cent in December 2012, which was substantially below the benchmark of 52.17 per cent for the year. Interest rates in all segments of the money market moderated between 19th November 2012 and 3rd January, 2013. The Committee observed that the rally in the Nigerian capital market continued as equities market indicators trended upwards in the review period.

Decisions

(i) The Committee decided to retain the MPR at 12.0 per cent with a corridor of +/- 200 basis points around the midpoint;

(ii) Retain the CRR at 12.0 per cent; and

(iii) Retain the Liquidity Ratio at 30.0 per cent.



Communique No 88 of the MPC: 18th &19th March, 2013

Global Macroeconomic Developments

At the outset, the Committee observed that global growth remained subdued throughout 2012 due to the softer than expected level of activities in the euro area and the slipping of Japan into recession during the second half of the year. Weak and fragmented growth was also recorded across major economies and regions including the US. The emerging market economies, however, showed a fair degree of resilience. The IMF January 2013 WEO Update projected a global output growth of 3.5 per cent in 2013 compared with the 3.2 per cent achieved in 2012. In the Advanced Economies, output was estimated at 1.4 per cent for 2013 compared with the 1.3 per cent achieved in 2012.

Domestic Macroeconomic Developments

The National Bureau of Statistics (NBS) reported that the real GDP growth rate declined from 7.43 per cent in 2011 to 6.58 per cent in 2012. The decline was partly driven by the oil sector which contracted by 0.91 per cent. Headline inflation inched up to 9.5 per cent in February 2013 from 9.0 per cent in January 2013 and it was driven largely by the food component. Broad money supply (M2) also grew by 2.86 per cent in February 2013 over the level at end-December 2012, which annualizes to 17.16 per cent. Net domestic credit grew by 10.17 per cent over the same period (an annualized rate of 61.02 per cent). Interest rates in the interbank money market declined between January 21 and March 14, 2013 owing to liquidity surfeit in the banking system. The Committee noted the upswing in activities in the capital market, as equities market indicators all trended upwards in the review period. During the period, the Committee noted the slight depreciation in the exchange rate at the wDAS and interbank segments of the foreign exchange market.

Decisions

(i) The Committee retain the MPR at 12 per cent with a corridor of +/- 200 basis points around the midpoint;
(ii) retain the Cash Reserve Requirement at 12 per cent;
(iii) retain Liquidity Ratio at 30 per cent with the Net Open Position at 1 per cent.

Communique No 89 of the MPC: 20th & 21st May, 2013

Global Macroeconomic Developments

During the period under review, global economic recovery continued to be fragile due to suppressed growth and weakness in key financial markets, including the euro area and Japan. However, the emerging market economies and Sub-Sahara African (SSA) countries continued to show resilience. Global growth outlook remains subdued but promising. It is forecast to average 3.2 per cent in 2013. In the advanced economies, output is estimated to grow by 1.2 per cent in 2013 compared with 1.3 per cent in 2012. The emerging and developing economies as a group are forecast to grow by 5.3 per cent in 2013, with SSA growing at 5.6 per cent.

Domestic Macroeconomic Developments

Reports from the National Bureau of Statistics (NBS) showed a forecast of real GDP growth rate at 6.72 per cent for Q2, 2013, which was an improvement over the Q1 estimate of 6.58 per cent. The major driver of overall growth remains the non-oil sector led by services; agriculture; and wholesale and retail trade. Headline inflation increased from 8.6 per cent in March to 9.1 per cent in April and thus remained within the target range of 6-9 per cent for the fourth consecutive month. Broad money supply (M2) grew by 4.44 per cent in April 2013 over the level at end-December 2012. The growth in M2 was slightly below the growth benchmark of 15.2 per cent for 2013. Interest rates in the interbank money market moved in tandem with the level of liquidity in the banking system. The Committee noted the continued recovery in the Nigerian capital market as equities market indicators were positive in the review period. At the exchange rate markets, all three segments, the naira exchange rate appreciated in the review period. This development reflected the effects of improved supply of foreign exchange to the market.

Decisions

(i) the MPC voted to maintain the current policy stance i.e. retain the MPR at 12 per cent with a corridor of +/-200 basis points around the MPR;
(ii) retain the Cash Reserve Requirement at 12 per cent and
(iii) Liquidity Ratio at 30 per cent; with the Net Open Position at 1.0 per cent.

Communique No 90 of the MPC: 22nd & 23rd July, 2013

Global Macroeconomic Developments

The IMF in July 2013 reviewed downward its global growth forecast. It also reviewed downward its growth forecast for the US and China to 1.7 and 7.8 per cent, from 1.9 and 8.0 per cent in April 2013, respectively, but raised the forecast for the UK from 0.7 per cent to 0.9 per cent in the same period. This was against the backdrop of global economic recovery which remained weak, as new risks emerged including the possibility of a further slowdown in growth in the emerging market economies. The old risks of a recession in the Eurozone persisted alongside slowing growth in China and the possibility of tighter financial conditions when central banks gradually exit from their current monetary accommodation stance.

Domestic Macroeconomic Developments

Overall, GDP growth for fiscal 2013 was projected at 6.91 per cent up from 6.58 per cent in 2012 by the National Bureau of Statistics (NBS). The non-oil sector remained the major driver of growth during the review period. Inflationary pressures continued to moderate partly in response to the tight monetary policy as the year-on-year headline inflation decelerated to 8.4 per cent in June from 9.0 per cent in May. Broad money supply (M2) however, grew by 0.71 per cent as at end-June 2013 over the level at end-December 2012. When annualized, M2 grew by 1.42 per cent, compared with the growth of 2.70 per cent in the corresponding period of 2012. Interest rates in the interbank money market moved in tandem with the level of liquidity conditions in the banking system. At the Wholesale Dutch Auction System (wDAS), interbank and the BDC segments of the foreign exchange market were relatively stable.

Decisions

Having considered all the above factors, the Committee decided:

(i) To hold the MPR at 12 per cent;

(ii) To maintain the symmetric corridor around the MPR at +/-2 per cent;

(iii) 3. To retain the CRR at 12 per cent; and

(iv) To introduce a 50 per cent CRR on public sector deposits. This will be applied on Federal, State and Local Government deposits and all MDAs. For other deposits CRR will remain at 12 per cent

Communique No 91 of the MPC: 23rd & 24th September, 2013

Global Macroeconomic Developments

The global economy continued on the slow path to recovery with financial systems responding to new and expected risks. These include the possibility of the US FED tapering off its accommodative monetary policy stance (QE) and higher long-term interest rates as the economy enters the recovery mode. This move which has been temporarily postponed portends uncertainties in external conditions for emerging markets and developing economies, including Nigeria. In the interim, however, the IMF has declared that global growth is strengthening on the back of accommodative monetary policy. The Fund has further emphasized that though an end to unconventional monetary policy was certain, its impact would largely depend on country specific circumstances and the pace of recovery recorded by various economies.

Domestic Macroeconomic Developments

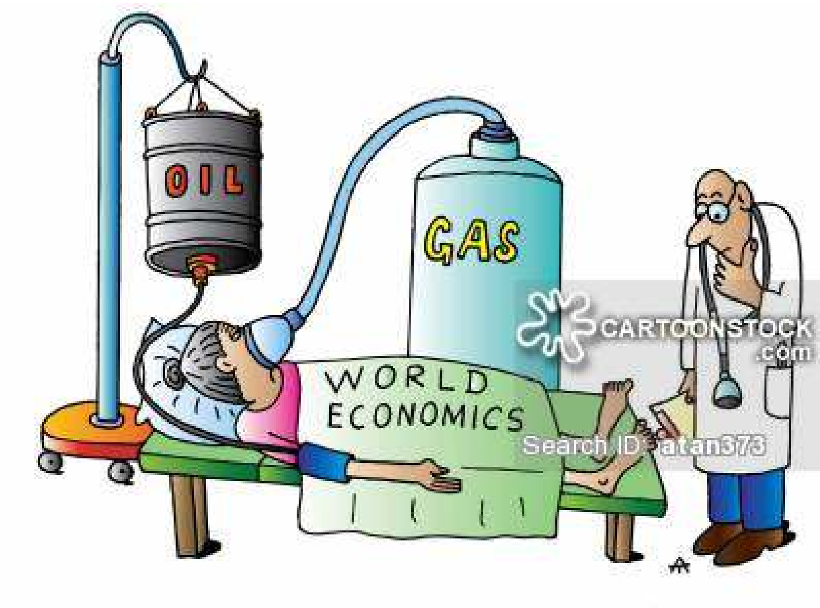
The National Bureau of Statistics (NBS) has reported a slowdown in the growth rate of real Gross Domestic Product (GDP) in Q1 and Q2 2013 relative to Q4 2012. Growth was estimated at 6.18 per cent in Q2, down from 6.56 per cent recorded in Q1, 2013. The non-oil sector remained the major driver of growth during the review period. Inflationary pressures continued to moderate owing to tight stance of monetary policy as headline inflation declined from 8.7 per cent in July to 8.2 per cent in August. Broad money supply (M2) contracted by 5.58 per cent in August 2013 over the level at end-December 2012. When annualized, M2 contracted by 8.37 per cent, compared with the growth of 3.51 per cent in the corresponding period of 2012. M2 growth rate was also below the benchmark of 15.20 per cent for 2013. Interest rates in all segments of the money market moved in tandem with the tight level of liquidity in the banking system.

Decisions

(i) Retain the MPR at 12.0 per cent and the symmetric corridor of 200 basis points around the MPR

(ii) Retain the 50.0 per cent Cash Reserve Requirement (CRR) on public sector funds, and 12.0 per cent CRR on private sector deposits.

(iii) Liquidity Ratio at 30 per cent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Communique No 92 of the MPC: 18th & 19th November, 2013

Global Macroeconomic Developments

The global economy is currently adjusting structurally to the evolving growth dynamics in the advanced and emerging market economies. While growth in the advanced economies has resumed, growth in the emerging economies has slowed down. Global growth averaged 2.5 per cent in the first half of 2013, same as in the second half of 2012. Given the changing global growth dynamics, the International Monetary Fund (IMF) revised its global economic growth forecast in October to 2.9 per cent in 2013 and 3.6 per cent in 2014.

Domestic Macroeconomic Developments

The real Gross Domestic Product (GDP) grew by 6.81 per cent in the third quarter of 2013, which was higher than the 6.18 per cent in Q2, and 6.48 per cent Q3 of 2012, respectively(NBS, 2013). According to National Bureau of Statistics (NBS) the overall, growth for 2013 was projected at 6.87 per cent, up from 6.58 per cent in 2012, indicating that the economy is remaining on its steady growth trajectory. The non-oil sector remained the major engine of growth during the review period. The consumer price inflation continued to moderate in the third quarter of 2013 as the year-on-year headline inflation moderated to 7.8 per cent in October 2013 from 8.0 per cent in September. Broad money supply (M2) contracted by 6.16 per cent in October 2013 over the level at end-December 2012. When annualized, M2 contracted by 7.39 per cent, in contrast to the growth of 8.24 per cent in the corresponding period of 2012. M2 was also below the growth benchmark of 15.20 per cent for 2013. Interest rates in all segments of the money market reflected the tight liquidity conditions in the banking system. The capital market continued its rally with the equities market providing the lead. The naira exchange rate remained stable at the w/rDAS and inter-bank segments of the foreign exchange market.

Decisions

The committee decided as follows:

1. To keep MPR at 12 per cent with a corridor of +/- 200 basis points;
2. private sector CRR at 12 per cent;
3. public sector CRR at 50 per cent; and
4. Liquidity Ratio at 30 per cent


ECONOMY

Communique No 93 of the MPC: 20th & 21st January, 2014

Global Macroeconomic Developments

The global economy was expected to continue recovering from the global financial crisis, as growth is projected to accelerate in 2014. The International Monetary Fund (IMF) projected global growth at 3.4 and 3.5 per cent in 2014 and 2015, respectively, up from 2.4 per cent in 2013. Some other sources, however, have produced less optimistic projections of global growth for 2014; for example, the United Nations Department for Economic and Social Affairs' (UNDESA) has projected 3 per cent growth. Global inflation is projected to rise to 2.71 per cent in 2014, up from about 2.30 per cent in 2013. Favorable developments in food and fuel supply would moderate upward pressure on prices of major commodities, despite the expected acceleration in global activity. The US recorded inflation of 1.5 per cent in December, up from 1.2 per cent in November, 2013.

Domestic Macroeconomic Developments

The National Bureau of Statistics (NBS) estimated real Gross Domestic Product (GDP) growth rate of 7.67 per cent for the fourth quarter of 2013, which was higher than the revised figure of 6.81 and 6.99 per cent recorded in the third quarter, and the corresponding period of 2012, respectively. The non-oil sector remained the major driver of growth during the review period. The year-on-year headline inflation fell consistently from 9.0 per cent in January to 8.6 and 8.4 per cent in March and June, respectively, before ending the year at 8.0 per cent.

Broad money supply (M2) contracted by 4.82 per cent in December 2013 over the level at end-December 2012, in contrast to the growth of 16.39 per cent in the corresponding period of 2012. M2 was also below the growth benchmark of 15.20 per cent for 2013. Interest rates in all segments of the money market reflected the liquidity conditions in the banking system.

Decisions

(I) MPR remains at 12 per cent +/- 200 basis points and liquidity ratio (LR) at 30 per cent

(ii) Public sector CRR increased from 50 per cent to 75 per cent

(iii) Private sector CRR retained at 12 per cent

(iv) The CBN to take immediate step to redress the supply-demand imbalance in the BDC segment while maintaining its focus on anti-money laundering (AML) activities.

Communique No 94 of the MPC: 24th & 25th March, 2014

Global Macroeconomic Developments

The Committee noted that the recovery of the global economy could accelerate further in 2014 relative to 2013 as a result of increased domestic demand in the advanced economies and the rebound of exports in emerging markets. The IMF has projected global growth to increase from 3.0 per cent in 2013 to 3.7 per cent in 2014 and then to 3.9 per cent in 2015. Tight financial conditions since mid-2013 as well as political uncertainty were a drag on growth in most of the emerging markets and developing economies. Notwithstanding, overall growth in this group of countries is expected to increase from 4.7 per cent in 2013 to 5.1 per cent in 2014.

Domestic Macroeconomic Developments

The real Gross Domestic Product (GDP) has been estimated by the National Bureau of Statistics (NBS) to growth at the rate of 7.72 per cent for the fourth quarter of 2013, which was higher than the 6.81 per cent, recorded in Q3, 2013 and 6.99 per cent in the corresponding period of 2012. The year-on-year headline inflation marginally rose to 8.0 per cent in December 2013 and January 2014. It, however, moderated to 7.7 per cent in February 2014. The deceleration was largely due to the moderation in food inflation, which moved from 9.3 per cent in January 2014 to 9.2 per cent in February 2014. Broad money supply (M2) contracted by 2.24 per cent in February 2014 over the level recorded at end-December 2013, which, on annualized basis, translated to a contraction of 13.42 per cent as against a growth target of 15.52 per cent for fiscal 2014. The sluggish growth in aggregate credit was traced mainly to the decline in Federal Government, borrowing which contracted by 2.02 per cent in February 2014 or 12.14 per cent on an annualized basis. Interest rates remained within the MPR corridor, oscillating in tandem with the level of liquidity in the banking system. The end-period exchange rate remained stable at the rDAS window but depreciated at the interbank appreciated at the BDC segment of the market.

Decisions

Consequently, the Committee voted as follows:

(1) Keep MPR at 12 per cent,

(2) Retain the MPR corridor at +/-200 basis points.

(3) Increase CRR on private sector deposits by 300 basis points to 15 per cent,

Communique No 95 of the MPC: 19th & 20th May, 2014

Global Macroeconomic Developments

The Committee noted the prospects of improved global growth in 2014 predicated on expectations of sustained favorable developments in the US and the euro area. Driven by the recovery in the advanced economies, global growth strengthened in the second half of 2013, averaging 3.6 per cent from the 2.6 per cent recorded during the first half. Growth in the emerging markets and developing economies is projected to rise from 4.7 per cent in 2013 to 4.9 per cent in 2014. The effects of tighter financial conditions in these economies are expected to be moderated by improved external demand from the advanced economies. Overall, global economic outlook remains benign with prospects of steady and gradual improvements in the major economies, as well as slowing but sustained healthy growth in the emerging markets and developing economies.

Domestic Macroeconomic Developments

The rebased GDP figures released by the National Bureau of Statistics (NBS) indicated that real GDP grew by 7.41 per cent in 2013, compared with the 5.09 and 6.66 per cent recorded in 2011 and 2012, respectively. On a year-on-year headline inflation inched up to 7.9 per cent in April from 7.8 per cent in March 2014. The Committee noted that headline inflation has remained within single digit in the last sixteen months and stressed its commitment to sustain price stability. Broad money supply (M2) increased by 1.94 per cent in April, over the level at end-December 2013. When annualized, M2 increased by 5.83 per cent. M2 was however, below the growth benchmark of 15.52 per cent for 2014. The increase in money supply reflected the growth in the net domestic credit (NDC) of 1.62 per cent in April. Annualized, NDC grew by 4.85 per cent over the end-December, 2013 level. It is, however, below the provisional benchmark of 28.5 per cent for 2014. The Committee noted the modest improvement in the equities segment of the capital market in the review period. The naira exchange rate remained stable at the rDAS window but appreciated at the interbank and the BDC segments of the market.

Decisions

In the light of the foregoing, the Committee voted to:

(i) Retain the MPR at 12 per cent;

(ii) Retain the CRR on public sector deposits at 75 per cent and CRR on private sector deposits at 15 per cent;

(iii) Retain the MPR corridor at +/-200 basis points

Communique No 96 of the MPC: 21st & 22nd July, 2014

Global Macroeconomic Developments

The rebound in global economic activity was strengthened in the first half of 2014; although at levels lower than previously projected. The tapered growth arose mainly from the emerging and developing economies owing to the rising real interest rates and geo-political crisis. On the whole, the effects of the global financial crisis have continued to wane even as the issues of rising income inequality, unemployment and poverty appear to be gaining prominence; engaging the attention of the monetary authorities. These latest projections indicate that the euro area is gradually coming out of recession, as growth projection for 2014 is positive for all member countries albeit with significant variation.

Domestic Macroeconomic Developments

As part of the GDP rebasing exercise, the National Bureau of Statistics (NBS) reported revised growth numbers from 2010 to 2013 and the first quarter of 2014. Accordingly, the revised estimate of 6.77 per cent for the fourth quarter of 2013 was an improvement over the 5.17 and 3.64 per cent in the previous quarter and the corresponding period of 2012, respectively. The year-on-year headline inflation steadily inched up marginally from 7.9 per cent in April to 8.0 per cent in May 2014 and further to 8.2 per cent in June. The up-tick in June was, however, largely attributed to the rise in food inflation. Broad money (M2) rose by 1.66 per cent in June 2014 over the level at end-December 2013, indicating an annualized growth rate of 3.31 per cent. The annualized growth rate was considerably lower than the growth benchmark of 15.52 per cent for fiscal 2014. Net Domestic Credit (NDC) also when annualized, rose by 1.77 per cent, compared with the growth benchmark of 28.5 per cent for fiscal 2014. Meanwhile, money market rates remained within the MPR corridor during the review period. All the segments of the foreign exchange market witnessed a considerable degree of stability during the period.

Decisions

In view of these developments, the MPC voted to:

(I) Retain the MPR at 12 per cent with a corridor of +/- 200 basis points around the midpoint:

(ii) Retain the Liquidity Ratio at 30 per cent;

(iii) Retain the public sector Cash Reserve Requirement at 75.0 per cent; and

(iv) Retain the private sector Cash Reserve Requirement at 15.0 per cent.

Communique No 97 of the MPC: 18th & 19th September, 2014

Global Macroeconomic Developments

The IMF, in July 2014, marked down its projection by 0.3 per cent to 3.4 per cent, reflecting weak economic recovery, particularly in the Euro Area, and a less than optimistic outlook for several emerging market economies. Global growth which moderated more than expected in the first quarter of 2014 regained momentum in the second quarter although recovery remained largely uneven during the period. The stance of monetary policy has remained unchanged across most advanced and emerging economies in view of the unclear outlook for monetary conditions and financial stability especially in the post-QE tapering era

Domestic Macroeconomic Developments

The Committee noted the continued resilience of the economy as real GDP grew by 6.54 per cent in Q2, 2014 compared with 5.40 per cent in the corresponding quarter of 2013. The non-oil sector remained the main driver of growth recording 6.71 per cent in Q2, 2014. Headline inflation rose to 8.5 per cent in August from 8.3 in July 2014. The mild but sustained underlying inflationary pressures were attributable mainly to food production and distribution challenges posed by the insurgency activities. Broad money supply (M2) grew by 2.94 per cent in August 2014 over the level at end-December 2013 compared with 4.83 per cent in July. The annualized growth of 4.41 per cent in August 2014 was below the growth benchmark of 14.52 per cent for the year. Money market interest rates remained within the MPR corridor. Activities in the capital market were bearish during the period under review. The average naira exchange rate remained considerably stable in all segments of the foreign exchange market.

Decisions

(i) Retain the MPR at 12 per cent with a corridor of +/- 200 basis points around the midpoint;
(ii) Retain the public sector Cash Reserve Requirement at 75.0 per cent; and
(iii) Retain the private sector Cash Reserve Requirement at 15.0 per cent.

Communique No 98 of the MPC: 24th & 25th November, 2014

Global Macroeconomic Developments

Global Macroeconomic Developments

The global economic space continued to be dominated by strong downside risks to growth, including the softening commodity prices, rising geo-political tensions, and heightening threats to financial markets in the emerging and frontier economies in the aftermath of the termination of Quantitative Easing by the US Federal Reserve at the end of October 2014. In view of the perceived vulnerabilities and associated risks, the International Monetary Fund (IMF) has recently downgraded its global growth forecast for 2015 to 3.3 per cent from an earlier projection of 3.7 per cent.

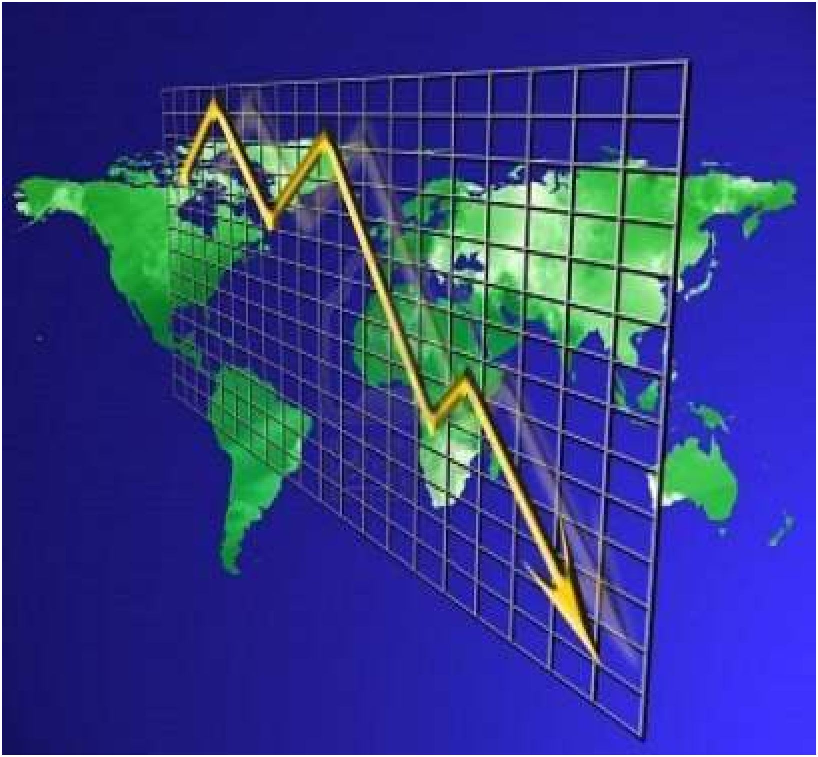
Domestic Macroeconomic Developments

Real Gross Domestic Product (GDP) during the period was estimated at 6.23 per cent for the third quarter of 2014. Although lower than the 6.54 per cent in the preceding quarter, it was higher than the 5.2 per cent achieved in the corresponding period of 2013. This growth is robust considering the key emerging vulnerabilities. The November 2014 national unemployment survey by the National Bureau of Statistics (NBS) revealed that a total of 349,343 new jobs were created in Q3 of 2014 compared with 259,353 jobs in the preceding quarter. Consequently, headline inflation (year-on-year) declined further to 8.5, 8.3 and 8.1 per cent in August, September and October, respectively. Broad money supply (M2) grew by 4.17 per cent in October 2014 over the level at end-December, 2013, which annualized to 5.01 per cent. This was lower than the growth benchmark of 15.02 per cent for 2014.

Interest rates in all segments of the money market showed further moderation between September and October 2014, reflecting persisting liquidity surfeit in the banking system.

Decisions

(i) Increase the MPR by 100 basis points from 12.00 to 13.00 percent;
(ii) Increase the CRR on private sector deposits by 500 basis points from 15.00 to 20.00 per cent with immediate effect;
(iii) Move the midpoint of the official window of the foreign exchange market from ₦155/US$ to ₦168/US$;
(iv) Widen the band around the midpoint by 200 basis points from +/-3 per cent to +/-5 per cent;
(v) Retain public sector CRR at its current level of 75.00 per cent;
(i) Maintain a symmetric corridor of +/- 200 basis points around the MPR; and
(ii) Retain the net open foreign exchange trading position at 1.00 per cent.



Communique No 99 of the MPC: 19th & 20th January, 2015

Global Macroeconomic Developments

Global economy recorded tepid recovery, rising by 3.3 per cent in 2014, with the impetus coming from the US and supported later in the year by the drop in oil prices. However, Europe continues to remain weak and expansion in the emerging market economies continues at a slower pace. The key constraints to global growth include a number of old and new adversities – high debt and rising unemployment, geopolitical tensions and conflicts, negative impact of commodity price shocks on commodity exporting countries, weak external demand, and the tapering and eventual exit of the US Fed from quantitative easing. The outlook for 2015 is that global output will increase by 3.5 per cent but the MPC noted some downside risks to the outlook. These include the low inflation and low growth conditions for Euro Area and Japan.

Domestic Macroeconomic Developments

The National Bureau of Statistics (NBS) estimated real Gross Domestic Product (GDP) growth rate at 6.23 per cent in the third quarter of 2014 compared with 6.54 per cent in the second quarter. Output growth continued dominated by the non-oil sector, particularly Services which contributed 2.53 percentage points, Agriculture (1.21 percentage point) and Trade (1.08 percentage point). Headline inflation at end-December 2014 was 8.0 per cent, which was within the range of 6.0-9.0 per cent benchmark for inflation set by the Central Bank of Nigeria. The inflation recorded in December 2014 reflects a reduction in core inflation, seasonal factors related to the Yuletide celebrations, as well as the stabilization in food prices. With respect to monetary aggregates, broad money supply (M2) grew by 7.29 per cent at end-December 2014 over the level in 2013. This represented a marked improvement over the 1.32 per cent increase in 2013, but lower than the benchmark of 15.02 per cent for 2014. In the money market, interbank call rate closed at 26.15 per cent on 16th January 2015 up from 8.98 per cent on 26th November 2014. Similarly, the OBB and 30-day NIBOR increased from 10.2 and 11.38 to 23.46 and 11.63 per cent, respectively, during the period.

Decisions

(i) Retain the MPR at 13.0 percent.
(ii) Retain the CRR on private sector deposits at 20.0 percent.
(iii) Retain the CRR on public sector deposits at its current level of 75.0 percent.
(iv) Retain the liquidity ratio at 30.0 percent; and maintain a symmetric corridor of ±200 basis points around the MPR.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Communique No. 100 of the MPC: 23rd & 24th March, 2015

Global Macroeconomic Developments

The pace of global economic recovery had remained moderate and uneven, with lower commodity prices weighing heavily on output growth, especially in the oil exporting countries. In addition, expectations of a rise in US short-term interest rates continue to fuel capital outflows and currency weaknesses in the emerging markets and developing countries (EMDEs). The downside risks to global outlook in 2015 include geopolitical tensions and conflicts; negative impact of commodity price declines; weak external demand and the possibility of Monetary Policy normalization in the US. Global inflation continues to be low due to declining oil prices and continuing slack in global output. Average inflation for the developed economies is projected to remain flat at 1.5 per cent in 2015 due to the increasing output gap, weak recovery, and strong regional currencies.

Domestic Macroeconomic Developments

The Gross Domestic Product (GDP) growth rate for Q4 of 2014 is estimated at 5.94 per cent lower than the 6.23 and 6.77 per cent recorded in Q3 of 2014 and the corresponding period of 2013, respectively. The slowdown in growth came mainly from the non-oil sector, which grew by 6.44 per cent in Q4, 2014 compared with 8.78 per cent in Q3 2014, reflecting the spillover effects of low oil prices which negatively impacted agricultural output, trade and services. Headline inflation recorded gradual increase from 8.0 per cent in December, 2014 to 8.2 per cent in January and further to 8.4 per cent in February 2015. The major risks to inflation remain elevated aggregate spending in the run-up to the 2015 general elections, the likely higher import prices on the strength of appreciating US dollar and food supply shocks linked to insurgency and insecurity in some agricultural zones of the country. The Committee also expressed concern about the outlook for growth, which had moderated partly due to the effects of low oil prices, naira exchange rate depreciation, and election related concerns. Concern was also expressed on the gradual rise in headline inflation, driven by exchange rate-induced high prices of imported (processed) food and output supply shocks. In the light of the foregoing, the MPC observed that its previous decisions needed more time for their effects to permeate the economy.

Decisions

(i) Retain the MPR at 13 per cent.
(ii) Retain the CRR on private sector deposits at 20 per cent;
(iii) Retain CRR on public sector deposits at 75 per cent; and
(iv) Retain the liquidity ratio at 30 per cent.

Communique No. 101 of the MPC: 18th & 19th May, 2015

Global Macroeconomic Developments

Global economic recovery continued to be modest though uneven partly because of persistent deadweights of 2014. The softening oil prices have continued to support an uptick in growth of oil importing countries but dampening growth prospects in major oil exporting economies. Global growth is expected to accelerate to 3.8 per cent in 2016 but with significant downside risks. Developing economies as a group continue to show relative resilience but risks to growth remain the possible tightness in the global financial markets and the diverging stance of monetary policy in the advanced economies which portend grave consequences for capital flows, exchange rate stability, and inflation expectations. Global inflation remains benign and is expected to be moderate in 2015-16 due to the tailwinds from the sharp drop in the prices of crude oil, excess capacity and appreciation of currencies in key advanced economies.

Domestic Macroeconomic Developments

The deceleration in growth, which commenced in the third quarter of 2014, intensified in the first quarter of 2015 in the aftermath of declining crude oil prices. Real GDP growth for Q1 2015 is estimated at 3.96 per cent, lower than the 5.94 and 6.21 per cent recorded in Q4 of 2014 and Q1of 2014, respectively. The non-oil sector remained the main driver of growth in the first quarter of 2015, recording 5.59 per cent, suggesting the need for acceleration of the various on-going initiatives to diversify the economy. Headline inflation year-on-year rose in April 2015 to 8.7 per cent from 8.2 per cent in January, reflecting increases in both the core and food components. Some key considerations include; the prospects of monetary policy normalization in the US with attendant increase in global interest rates and accentuating capital flow reversal which could further exacerbate tightness in global financial conditions and pressure on the naira; the continued glut in crude oil supplies amidst softening prices, anchored by sluggish global output expansion could further threaten foreign exchange earnings and accretion to external reserves over a much longer period. In the light of these developments, the Committee stressed the need for proactive measures to protect the reserve buffer to safeguard the value of the domestic currency and engender overall stability of the banking system.

Decisions

(i) Retain the MPR at 13.0 percent;
(ii) Maintain a symmetric corridor of ±200 basis points around the MPR:
(iii) Retain the liquidity ratio at 30.0 percent; and
(iv) Harmonize the public and private sector CRR at a single rate of 31 percent

Communique No. 102 of the MPC: 23rd & 24th July, 2015

Global Macroeconomic Developments

Global output recovery remained largely sluggish although with strong promise in the United States and the Euro area. The IMF maintained its growth forecast of 3.5 per cent for 2015 with improved outlook for the advanced economies but weak performance in the emerging and developing economies. Softening oil prices continued to present improved growth opportunities for the advanced economies and oil importing countries while dampening growth prospects in oil exporting economies. Growth in the developing economies is expected to remain uneven in the short to medium-term, largely reflecting their weak demand, lower commodity prices and tight financial conditions. Global inflation is expected to remain moderate at 3.5 per cent in 2015 but projected to accelerate to 3.7 per cent in 2016.

Domestic Macroeconomic Developments

Output growth in the first half of 2015 continued to decelerate compared with the end-December 2014 level, mainly as a result of softening oil prices. Real GDP growth projection remains at 5.54 per cent for fiscal 2015 down from 6.22 per cent in 2014. This is expected to be led by the non-oil sector which has continued to be the main driver of growth. The successful conduct of the 2015 general elections was a stabilizing factor for the economy but persistent energy supply challenges would be a drag on output growth in the near-term. Headline inflation recorded uptick with both the core and food components increasing. This was traceable to transient factors such as energy supply shortages, and increased demand for transportation and food, from the build-up to the general elections and the ensuing festivities. The MPC observed that monetary policy would remain tight because of the high liquidity in the system. In addition, the adverse effect of the protracted decline in global crude oil prices on government fiscal position is becoming increasingly obvious. The expected policy normalization in the US could accentuate capital flow reversals. Given the choice between controlling either quantity or price, the limitations on choosing quantity were evident necessitating the need to employ some flexibility around price while allowing current demand management measures to fully work their way through the economy. The Committee acknowledged that monetary policy alone is limited, and would require urgent complementary fiscal policies to define the path of growth and create the basis for stabilization.

Decisions

(i) Retain the MPR at 13.0 percent;
(ii) Maintain a symmetric corridor of ±200 basis points around the mid-point of the MPR; and
(iii) Retain the CRR at a single rate of 31 percent.
(iv) Retain the Liquidity Ratio at 30 per cent.

Communique No. 103 of the MPC: 21st & 22nd September, 2015

Global Macroeconomic Developments

Global Macroeconomic Developments

The global economic environment remains diverged, with a gradual but steady growth in the United States and the UK but a slowdown in emerging and developing economies. The underlying drivers of growth in the advanced economies included improving financial conditions and consumer sentiments, suppressed commodity prices and favorable labour market conditions. On the flip side, the slowdown in the emerging and developing economies is mainly attributable to tight external financial conditions coming from reduced revenues from weak commodity prices, fragile global demand and other geo-political factors. Global inflation is expected to remain tepid as the recent temporary rebound in oil prices and stronger consumer sentiments have mildly raised consumer prices in the advanced economies.

Domestic Macroeconomic Developments

Output growth in Q2 of 2015 slowed further to 2.35 per cent from 3.96 per cent in Q1 of 2015, mainly on account of softening oil prices. Real GDP growth is projected by NBS to stabilize at 2.63 per cent in 2015, compared with the 6.22 per cent recorded in 2014. The non-oil sector remained the main driver of growth in the second quarter of 2015, at 3.46 per cent. Headline inflation edged upwards to 9.3 per cent in August, from 9.2 per cent in June and July, 2015. The increase in inflation was mainly traceable to higher energy prices, delayed harvests and pass through from imports, but was optimistic that as harvests progress in the coming months, pressure on food prices would gradually recede. Given two consecutive quarters of slow growth, the Committee recognized that the economy could slip into recession in 2016 if proactive steps were not taken to revive growth in key sectors of the economy. Given the prevailing circumstances, the Committee acknowledged that synergy between monetary and fiscal policies remained the most potent option to sustainable growth. The Committee further observed that the impact of the persistent decline in global crude oil prices on the fiscal position of Government continues to reflect in rising credit to government.

Decisions

(i) Reduce the CRR from 31 to 25 per cent;
(ii) Retain the MPR at 13 per cent;
(iii) Retain the symmetric corridor of 200 basis points around the MPR; and
(iv) Retain the Liquidity Ratio at 30 per cent.


CHINA
RUSSIA
BRAZIL
INDIA
David Parkins

Communique No. 104 of the MPC: 23rd & 24th November, 2015

Global Macroeconomic Developments

Global output recovery remains moderate evidenced by the less-than-expected growth of 2.9 per cent in the first half of 2015, underpinned largely by deteriorating global trade, reversal in output growth in the advanced economies and a significant slowdown in growth in the emerging and developing economies. The key drag on growth in the advanced economies included suppressed foreign demand and weaker than anticipated domestic aggregate demand. In EMDEs, growth continued to sag mainly due to weak import growth in China, low commodity prices, capital flow reversals and other geopolitical factors. Overall, monetary policy appears oriented towards easing to revive output and strengthen employment. No substantial upswing is expected around the current tepid global inflation, projected to remain moderate through 2016.

Domestic Macroeconomic Developments

Output data indicated that real GDP grew by 2.84 per cent in the Q3 of 2015, compared with 2.35 per cent in the Q2 of 2015, but lower than the 3.96 and 6.23 per cent in the Q1 of 2015 and the Q3 of 2014, respectively. Both the oil and non-oil sectors contributed to growth in the third quarter of 2015. Headline inflation fell to 9.3 per cent in October, from 9.4 per cent in September, 2015, reflecting decreases in both the core and food components. The Committee acknowledged the continued fragile global economic environment, including the possibility of monetary policy normalization in the United States; poor outlook for commodity prices and further slowdown in the Emerging Markets and Developing Economies. The MPC also noted the fragility of the domestic macroeconomic environment; reflected partly in low output growth, soft oil prices, low credit to the high elasticity sectors of the economy and sustained inflationary pressure, which however, softened moderately in October. The MPC was, particularly, concerned for lack of improve credit delivery to key growth and employment sensitive sectors of the economy and evaluated various options for ensuring increased credit delivery. The MPC considered that although, headline inflation had remained at the borderline of single digit, the observed moderation, especially in the month-on-month inflation, provided some room for monetary easing to support output in the short to medium term, while keeping in focus the primacy of price stability.

Decisions

(i) Reduce the CRR from 25.0 per cent to 20.0 per cent;
(ii) Reduce the MPR from 13.0 per cent to 11.0 per cent;
(iii) Change the symmetric corridor of 200 basis points around the MPR to an asymmetric corridor of +200 basis points and - 700 basis points, around the MPR.

Communique 105 of the MPC: 25th & 26th January, 2016

Global Macroeconomic Developments

Global output recovery in 2015 remains diverged, as growth picked-up in the most advanced countries compared with slowdown in majority of emerging and developing economies. Growth in the emerging markets and developing economies (EMDEs) decelerated as both external and domestic challenges continued; owing to low commodity prices, financial market volatility, slowing productivity, eroding policy buffers and weak global trade. The slowdown in the majority of EMDEs was also attributed to spillovers from weaknesses in major emerging economies, diminishing capital inflows and rising borrowing costs. Following this, the IMF in its January 2016 World Economic Outlook, revised its global growth estimate from 3.4 to 3.1 per cent and 3.4 per cent for 2015 and 2016, respectively

Domestic Macroeconomic Developments

Domestic output growth in 2015 remained moderate. Real GDP grew by 2.84 per cent in the Q3 of 2015, almost half a percentage point higher than the 2.35 per cent recorded in the Q2 of 2015. The economy is expected to continue on its growth path in the Q1 of 2016, albeit less robust than in the corresponding period of 2015. This expectation is predicated on the current low global oil price trend which is projected to hold low over the medium-to long term, and with attendant implications for government revenue and foreign exchange earnings. Headline inflation increased to 9.6 per cent in December, 2015 from 9.4 per cent in November and 9.2 per cent in October, 2015, reflecting the increase in the food component by 10.32 while the core component remained unchanged at 8.70 per cent. In the Committee's considerations, the current episode of low oil price is projected to remain over a longer period, and therefore, the need to brace up for a longer period of low government revenue from oil sources. This calls for sound and properly coordinated monetary, fiscal, and external sector policies. Again, the continuous liquidity surfeit in the system is stemming partly from the recent growth-stimulating monetary policy measures, and banks preference to invest excess reserves in government securities, rather than extend credit to the real sectors of the economy.

Decisions

(i) To retain the Monetary Policy Rate (MPR) at 11.0 per cent;
(ii) To retain the Cash Reserve Requirement (CRR) at 20 per cent;
(iii) To retain the Liquidity Ratio (LR) at 30 per cent; and
(iv) To retain the asymmetric corridor of +2/-7 around the MPR.


Revenues
Expenditure

Communique No. 106 of the MPC: 21st & 22nd March, 2016

Global Macroeconomic Developments

Global output growth slowed to 2.3 per cent year-on-year in Q4 from 2.6 per cent in Q3 of 2015. This deceleration stemmed from the continuous slowdown of growth in the emerging market economies, worsened by deteriorating conditions in the Euro area and China as well as key emerging market economies. Other factors include sustained pressure in global financial markets arising from US monetary policy normalization, depressed global oil market and persistently weakened global aggregate demand. External and domestic challenges, stemming from low commodity prices, troubled financial markets, tepid global demand, policy uncertainty as well as continuously feeble growth in global trade remain headwinds to growth in EMDEs.

Domestic Macroeconomic Developments

Real GDP grew by 2.11 per cent in the Q4 of 2015, 0.73 percentage point lower than the 2.84 per cent recorded in the Q3 of 2015 and 3.83 percentage points in the Q4 of 2014. Overall, growth in 2015 was estimated at 2.79 per cent, compared with 6.22 per cent in 2014. The major impetus for growth continued to come from the non-oil sector which grew by 3.14 per cent in Q4, 2015 compared with 3.05 per cent in the preceding quarter. The sluggish growth in output was directly attributable to certain fiscal uncertainties, fuel scarcity, increased energy tariffs, foreign exchange scarcity as well as slow growth in credit to private sector, many of which were outside the control of monetary policy. Headline inflation (y-o-y) increased to 11.38 per cent in February 2016, from 9.62 per cent in January and 9.55 per cent in December, 2015. The rising inflationary pressure was traced to the lingering scarcity of refined petroleum products, exchange rate pass through from imported goods, seasonal factors and increase in electricity tariff. The conditions responsible for the growth slowdown have continued in the first quarter of 2016. In its assessment of the relevant internal and external indices, the MPC came to the conclusion that the balance of risks is tilted against price stability

Decisions

(i) Raise MPR by 100 basis points from 11.00 per cent to 12.00 per cent;
(ii) Raise CRR by 250 basis points from 20.00 to 22.50 per cent;
(iii) Retain Liquidity Ratio at 30.00 per cent; and
(iv) Narrow the asymmetric corridor from +200 and -700 basis points to +200 and -500 basis points


FOMC

Communique No. 107 of the MPC: 23rd & 24th May, 2016

Global Macroeconomic Developments

Global recovery continued but at an ever slowing and increasingly fragile pace owing to renewed episode of global asset market volatility, loss of growth momentum in the advanced economies and continued headwinds in EMDEs. Projected at 3.2 per cent, global output growth in 2016 was only 0.1 percentage point above the 3.1 per cent estimated for 2015. Weaknesses in major EMDEs, including low capital inflows, adverse commodity prices, rising costs of funds and continuing geopolitical factors, have been identified as key constraints to growth. The monetary policy stance in most advanced economies remained largely accommodative and most likely to be maintained throughout 2016. On the contrary, monetary policy in the EMDEs could continue to diverge substantially, reflecting the diversity of shocks confronting them.

Domestic Macroeconomic Developments

In the first quarter of 2016, the economy suffered from severe shocks related to energy shortages and price hikes, scarcity of foreign exchange and depressed consumer demand, among others. In addition, the energy crisis experienced in the first five months of the year, resulted in increased power outages and higher electricity tariffs, as well as fuel shortages; which led to factory closures in some cases. As a result, domestic output in Q1 of 2016 contracted by 0.36 per cent, the first negative growth in many years. Aggregate output contracted in almost all sectors of the economy, with the non-oil sector declining by about 0.18 per cent in Q1 2016 Headline inflation (y-o-y) increased to 12.77 per cent and 13.72 percent in March and April 2016, respectively, from 11.38 per cent in February 2016, reflecting increases in both food and core components of inflation. Given the severely weakened macroeconomic environment, as reflected in increased inflationary pressure, contraction in real output and rising unemployment, it is hoped that efficient implementation of the recently passed 2016 Federal Budget would help invigorate growth in the economy. The Committee reaffirmed commitment towards maintenance of price stability with call for improved coordination mechanism between monetary and fiscal policy.

Decisions

(i) Retain the MPR at 12.00 per cent;
(ii) Retain the CRR at 22.50 per cent;
(iii) Retain the Liquidity Ratio at 30.00 per cent; and
(iv) Retain the Asymmetric Window at +200 and -500 basis points around the MPR 13
(v) Introduce greater flexibility in the inter-bank foreign exchange market structure and to retain a small window for critical transactions.


UNEMPLOYMENT
$100
Help Wanted
- General

Communique No.108 of the MPC: 25th & 26th July, 2016

Global Macroeconomic Developments

Global output growth remains sluggish, underpinned by weak demand and slowing productivity. Rising debt levels in the EMDEs, volatile financial markets and the "BREXIT" have lessened the prospects for a more prosperous global economy in 2016. Consequently, the IMF, in July 2016, further downgraded its baseline forecast for global growth to 3.1 per cent from 3.2 in April. Major EMDEs continued to face declining capital inflows, rising financing costs and geo-political tensions, all of which pose constrain to growth. Depressed commodity prices continued to tilt the balance of risk towards the downside, Global inflation remained subdued despite widespread easing of monetary policy. In the advanced economies, recent developments such as BREXIT has increased the uncertainty surrounding the future of the Euro zone thus further weakening demand and suppressing inflation.

Domestic Macroeconomic Developments

The Nigerian economy remain saddled with the effects of the shocks of the first quarter of 2016; which led to a contraction in output arising from energy shortages, high electricity tariffs, price hikes, scarcity of foreign exchange and depressed consumer demand, among others. Again, notwithstanding the waning effects of some of these factors in the second quarter, it is unlikely that the economy will rebound strongly in the quarter as setbacks - vandalism of oil installations - in the energy sector continues. Headline inflation increased to 16.48 per cent in June 2016, from 15.58 per cent in May and 13.72 per cent in April, 2016. The increase in headline inflation in June reflected increases in both food and core components of inflation, due to structural factors, including high cost of electricity, high transport cost, high cost of inputs, low industrial activities as well as higher prices of both domestic and imported food products. Given the weak macroeconomic environment, the MPC again underscored the imperative of coordinated action, anchored by fiscal policy, to initiate recovery at the earliest time. The arguments in favour of growth were anchored on the premise that the current inflationary episode was largely structural. The MPC, in assessment of the relevant issues, observed that the balance of risks remains tilted against price stability.

Decisions

(i) Increase the MPR by 200 basis points from 12.00 to 14 per cent;
(ii) Retain the CRR at 22.50 per cent;
(iii) Retain the Liquidity Ratio at 30.00 per cent; and
(iv) Retain the Asymmetric Window at +200 and -500 basis points around the MPR

Communique No. 109 of the MPC: 19th - 20th September, 2016

Global Macroeconomic Developments

Global growth continued to be tepid, arising from legacy factors, the June 23rd Brexit vote and the contagion from emerging markets' weak demand and contracting productivity. The World Bank in its June 2016 Report on Global Economic Prospects showed even less optimism with a global output growth projection of 2.4 per cent for 2016 from the 2.9 per cent in January. The subdued global growth prospects is traced to persistently weak fundamentals, mainly in EMDEs, mostly due to soft commodity prices, diminished investment, contracting trade, weak demand and rising inflation.

Domestic Macroeconomic Developments

GDP figures indicated that the economy had slipped into recession following another 2.06 per cent contraction in Q2, 2016, a further decline of 1.70 percentage points in output from the -0.36 per cent recorded in Q1. The non-oil sector contracted by 0.38 per cent, compared with the 0.18 per cent contraction in Q1, 2016. Headline inflation (year-on-year) rose again in August to 17.6 per cent, from 17.1 per cent in July 2016, again reflecting increases in both food and core components of inflation which increased by 17.2 and 16.43 per cent, respectively, in August 2016. The pressure on consumer prices continues to be associated with reform-related legacy and structural factors including high costs of electricity, transport, production inputs, as well as higher prices of both domestic and imported food products. The Committee acknowledged the weak macroeconomic performance and the challenges confronting the economy, but noted that the MPC had consistently called attention to the implications of the absence of robust fiscal policy to complement monetary policy in the past. Recognizing that the conditions which precipitated the current economic downturn were not essentially sensitive to monetary policy interventions, the MPC again renewed its call for urgent complementary fiscal policies to resuscitate production and engineer aggregate consumption, as well as further underscoring the imperatives of diversification of the economy away from oil.

Decisions

(i) Retain the MPR at 14.00 per cent;
(ii) Retain the CRR at 22.5 per cent;
(iii) Retain the Liquidity Ratio at 30.00 per cent; and
(iv) Retain the Asymmetric Window at +200 and -500 basis points around the MPR


Ecomonic
Collapse

Communique No.110 of the MPC: 21st – 22nd November, 2016

Global Macroeconomic Developments

Global output growth remains tapered as recovery continues to be fragile in the advanced economies and the EMDEs continue to struggle against headwinds of low commodity process, slowing demand and instability of capital flows. The BREXIT shocks still expected to unravel have been followed by the unexpected outcome of the US presidential elections which has created its own uncertainties. However, the IMF maintained its outlook of global growth at 3.1 per cent in the October 2016 WEO Update. The headwinds to global growth were assessed to be emanating from weak global trade and financial conditions, low capital inflows and unstable macroeconomic environment in EMDEs. Global inflation rose moderately as prices in advanced countries rise due to the modest recovery in oil prices. The continues monetary stimuli by the ECB and the Banks of England and Japan are expected to generate a resurge in aggregate demand and higher prices.

Domestic Macroeconomic Developments

The latest GDP figures shows that real income actually worsened in Q3 of 2016 as output contracted further by 2.24 per cent relative to its level in the previous and corresponding quarter of 2015. The key undercurrents remain; shortage of foreign exchange, low fiscal activity, high energy prices and accumulation of salary arrears, especially at the sub-national government levels. The non-oil sector, however, grew by 0.03 per cent, driven by Agriculture which grew by 4.54 per cent. Headline inflation rose to 18.3 per cent in October 2016 from 17.9 per cent and 17.6 per cent in September and August 2016, respectively. The increase in headline inflation in October reflected increases in both the food and core components of inflation which rose to 18.1 and 17.1 per cent in October from 17.7 and 16.6 per cent in September, 2016, respectively. The pressure on consumer prices continues to come from structural factors including high cost of power and energy, transport, production factors, as well as rising prices of imports. Therefore, given the fragile macroeconomic conditions and the strong headwinds confronting the economy, in particular, the implications of the twin deficits of current account and budget deficits, and the yet to be unveiled long term uncertainties of Brexit and expectations of a significant shifts in US economic policy, the prioritization of the diversification of the economy given the emerging gloomy protectionist outlook of the global economy is a necessity. Government was urged to assess the extent of its indebtedness to domestic economic agents and develop a framework of securitizing them.

Decisions

(i) Retain the MPR at 14 per cent;
(ii) Retain the CRR at 22.5 per cent;
(iii) Retain the Liquidity Ratio at 30.00 per cent; and
(iv) Retain the Asymmetric Window at +200 and -500 basis points around the MPR


INFLATION

Communique No.111 of the MPC: 21st – 22nd November, 2016

Global Macroeconomic Developments

The uncertainty in the external environment persisted owing to a combination of recent political and economic developments. The key issues include: Brexit, the rising wave of populist and anti-globalization sentiments anchored by emerging bilateralism, divergent monetary policy stance of the advanced central banks and disorderly commodity price movements. The MPC welcomed the modest increase in oil prices following the last OPEC decision to cut output and noted the increase in the policy rate of the US Federal Reserve Bank in December 2016 and the potential implications of that decision for international interest rates and capital flows. Emerging markets and developing economies, in particular, have continued to confront strong headwinds such as low commodity prices, rising inflation, currency instability, intractable low aggregate demand and subdued capital flows. Global inflation commenced a moderate but steady rise on the backdrop of improvements in oil prices and currency depreciation in several emerging markets.

Domestic Macroeconomic Developments

Data released by the National Bureau of Statistics (NBS) in November 2016 showed that the economy contracted further by 2.24 per cent in Q3 2016, having slipped into recession following another contraction in output in Q2, 2016. Although the overall contraction in Q3 was greater than was observed in Q1 and Q2, the non-oil sector grew by 0.03 per cent in Q3, driven mainly by agriculture, which grew by 4.54 per cent. The Committee is of the view that the key undercurrents i.e. scarcity of foreign exchange, low fiscal activity, high energy prices and the accumulation of salary arrears - cannot be directly ameliorated by monetary policy actions. The Committee hopes that the recent increase in oil prices would be complemented by production gains to provide the needed tailwinds to sustainable economic activity. In that regard, the Committee commends the commitment of the fiscal authorities to step up efforts to fill the aggregate demand gap through a speedy resolution of the domestic indebtedness of the federal government to states and local contractors.

Decisions

(i) Retain the MPR at 14 per cent;
(ii) Retain the CRR at 22.5 per cent;
(iii) Retain the Liquidity Ratio at 30.00 per cent; and
(iv) Retain the Asymmetric corridor at +200 and -500 basis points around the MPR


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OIL
OIL
OIL
OIL

Communique No.112 of the MPC: 21st – 22nd November, 2016

Global Macroeconomic Developments

The global economy witnessed greater momentum in Q4 2016, facilitated by gains in both developed, emerging markets and developing economies which propelled global GDP growth to 2.7 per cent year-on-year in Q4, a 0.2 percentage point improvement over Q3 2016. In spite of this improvement, the external environment continued to be plagued by political, economic and financial market uncertainties, with the defining issues being: Brexit, growing protectionist and anti-globalization sentiments, divergent monetary policies of the advanced economies' central banks and volatile commodity price movements. The protectionist stance of the new U.S. administration could impact negatively on global trade and economic recovery.

Domestic Macroeconomic Developments

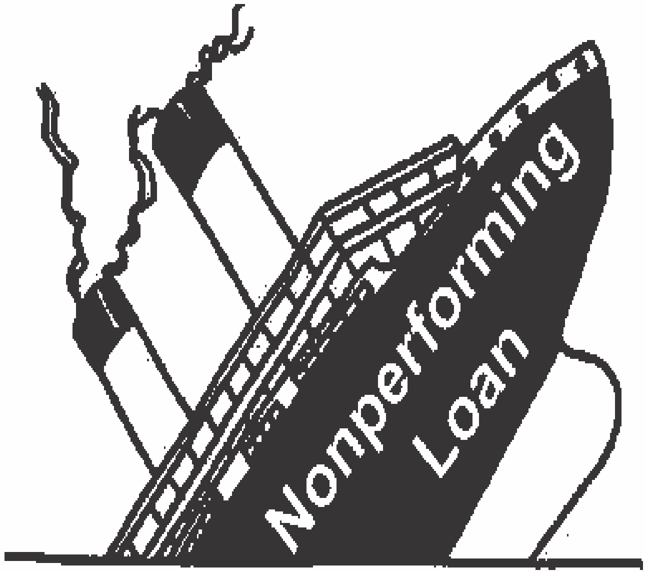
Data released by the National Bureau of Statistics (NBS) in February 2017 showed that the economy contracted marginally by 1.30 per cent in Q4 2016, effectively remaining in recession since Q2 2016. Overall, in 2016, the economy contracted by 1.51 per cent, with the contraction in Q4 being the least since Q2 2016. In spite of the recent moderate recovery in oil prices, the Committee approached developments in commodity prices cautiously. It noted that the era of high oil prices was over, thus making diversification away from oil more imperative today than ever. All the major monetary aggregates contracted by end-February and underperformed their programmed provisional benchmarks for fiscal 2017.

The Committee noted the persisting inflationary pressures; continuing output contraction; high unemployment rate; elevated demand pressure in the foreign exchange market; low credit to the real sector and weakening financial system indicators, amongst others.

Decisions

The Committee, in consideration of the headwinds in the domestic economy and the uncertainties in the global environment decided to

(i) Retain the MPR at 14 per cent;
(ii) Retain the CRR at 22.5 per cent;
(iii) Retain the Liquidity Ratio at 30.00 per cent; and
(iv) Retain the Asymmetric corridor at +200 and -500 basis points around the MPR


Nonperforming
Loan

About the Series

"At a Glance" is part of the Central Bank of Nigeria's literacy series, designed to enlighten users with brief descriptions of basic monetary policy concepts.

The publication presents in a simplified pictorial form, monetary policy concepts in a manner that can be easily understood by users. The pictorial animations make for a more reader friendly presentation. The content will be highly beneficial to all who have a desire to learn the basic concepts of monetary policy, fiscal policy, central banking, financial policy and other related concepts. The book is readily available in libraries across the nation and will be updated as often as required. Enjoy the experience of a well-researched and packaged literacy material.