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Naira slides to N148 as inflation rises to 15 per cent

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Barely 24 hours after the Central Bank of Nigeria commenced the reintroduced Retail Dutch Auction System, the naira recorded a slight depreciation against the United States dollar on Tuesday at the inter-bank market where it exchanged for N148.10 to the dollar. The depreciation is coming just as the National Bureau of Statistics said that the nation's consumer price inflation had risen to 15.1 per cent year-on-year in December from 14.8 per cent in November.

The naira had appreciated to 138.20 to the dollar on Monday in response to new rules entailed in the RDAS aimed at tightening foreign exchange controls and to halt speculation.

On Monday, which was the first day of the RDAS, the CBN sold \$17.7m to banks at 144.01. It sold 143.57 a dollar at its last intervention on Friday.

At the RDAS session, the naira lost 53 kobo against the dollar as the CBN offered the dollar for N144.10, the pound sterling at N210. 90; and the euro at N190.69.

On Friday, the dollar was offered at N143.57, the pound sterling at N214.30 while the euro exchanged at N190.79.

On Thursday, the CBN's offer was as high as N146.54, the pound sterling at N214.18 while the euro was exchanged for N193.03.

Only seven banks participated in the bid where the CBN recorded surplus dollar supply.

A dealer who defended Tuesday's rate said that they were only selling slightly above the

CBN rate since everything amounted to N145 after commission and other charges.

Informed sources also said that two oil majors sold about \$17m to selected banks during the week, and it had so far helped to provide dollar liquidity in the inter-bank market.

Meanwhile, the nation's consumer price inflation rose to 15.1 per cent year-on-year in December from 14.8 per cent in November. The NBS said in a statement that growth in food prices, which formed much of the index basket, declined slightly to 18.0 per cent year-on-year from 18.1 per cent in November.

According to the report, "Inflation rose on a month-by-month basis, with the composite consumer price index up 0.8 per cent to 192.6 points in December. The rise in the index was caused mainly by an increase in the price of some staple food items, transportation and miscellaneous services."

Inflation has risen since the second quarter of 2008, standing at 9.7 per cent in May before rising to 12 per cent in June and 14 per cent in July owing to the effects of the global food crisis.

The rate fell to 12.4 per cent in August before rising again to 13 per cent in September and 14.7 per cent in October.

Nigeria had managed to slow inflation for most of 2006 and 2007 through belt-tightening measures to achieve a single-digit rate.

Currently, inflation in the country is surging, contrary to a CBN forecast of a declining rate after good rains earlier in 2008 improved food harvests. The CBN had left the benchmark interest rate unchanged at 9.75 per cent, which has been compounded by the global financial crisis that is gradually finding its way into the country.

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