In 2003, the economy grew at its fastest rate in many years, thanks to sharply higher oil production. Growth in the non-oil economy slowed . . .

Improved fiscal discipline at the federal level contrasts with a deteriorating fiscal stance at the state and local government levels.

Partly associated with this rise and fall of monetary growth, inflation rose in 2003, but has recently stabilized. Fuel price liberalization boosted inflation temporarily last year.

Monetary expansion peaked in mid-2003, reflecting heavy government borrowing from the banking system. It has subsequently waned, as federal government borrowing has slowed and declined, helping to generate an upturn in net foreign assets.

Associated with the recent upturn in net foreign assets of the banking system, there has been a sharp increase in international reserves since late 2003.

Sources: Nigerian authorities; and IMF staff estimates and projections.