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CENTRAL BANK OF NIGERIA

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ANNUAL REPORT
AND
STATEMENT
OF ACCOUNTS

FOR THE YEAR ENDED
31st DECEMBER 1961

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NIG. Doc.

CENTRAL BANK OF NIGERIA



Annual Report
and
Statement of Accounts

For the Year Ended
31st December 1961



CENTRAL BANK OF NIGERIA

BOARD OF DIRECTORS

R. P. Fenton, C.M.G.	<i>Governor</i>
G. W. Keep	<i>Deputy Governor</i> (retired 27. 1. 62)
Alhaji Abdu Gusau, M.B.E.	<i>Director</i>
Chuba Ikpeazu, Q.C.	„
Chief J. A. Obahor	„
Mallam Yakubu Wanka	„
Chief F. O. Awosika	„ (until 20. 6. 61)

REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER, 1961

I

CENTRAL BANK PROGRESS

THE Central Bank of Nigeria made further progress during the year 1961 in extending its operations to cover additional functions normally performed by a central banking institution and in performing services to the Governments of the Federation, the commercial banking institutions and to the country at large. The more important features of developments during the year are presented in detail in the subsequent sections of this Report.

The Board of Directors of the Central Bank, in discharging their responsibilities, have met regularly during the year. In June, Chief F. O. Awosika, one of the original Directors, left the Board. The Board wish to express their gratitude for the invaluable services rendered by Chief Awosika during the formative period of the Central Bank. Mallam Yakubu Wanka and Chief J. A. Obahor have been reappointed as members of the Board for a further period of three years each, with effect from 1st July, 1961. The Board extend their congratulations to Mr. Chuba Ikpeazu on his appointment as Queen's Counsel.

During the year the Advisory Committee of the Central Bank have held two meetings at which the Federal Minister of Finance, Chief the Hon. Festus S. Okotie-Eboh, C.M.G., M.P., has presided. One of these meetings was held in Enugu and was the first occasion on which the Committee met outside Lagos. In due course, it is expected that

meetings will be held in other regions as a reflection of the Central Bank's national responsibilities and interests. These meetings provide a forum in which the Federal and Regional Ministers of Finance who are members of the Bank's Advisory Committee, and the Governor of the Central Bank can exchange ideas about developments and trends in the economy, the current and prospective policies of the Central Bank and other matters of mutual concern and interest.

The research function of the Bank, under the guidance of the Research Adviser, has expanded rapidly. During the year the nucleus of a staff has been assembled and the members are being trained to perform the type of investigation and research so essential to the proper functioning of a central bank. As a consequence, the staff is already rendering material service to the Governors and Directors. In recognition of the importance of the research function and the volume of research being performed, the Board of Directors in August set up the research function as a separate department of the Bank and created the post of Director of Research, an appointment which has been filled by a senior Nigerian executive. During the year the Bank obtained, through the assistance of the Ford Foundation, the services of a Library Adviser from the Federal Reserve Bank of New York, who set

up a Research Library as an adjunct to the Research Department and trained a staff to operate it.

In preparation for the rapidly expanding activities of the Central Bank, the recruiting and training of personnel has continued. At the end of the year, the staff of the Bank totalled 290, as compared with 170 at 31st December, 1960. Training of staff at all levels throughout the Bank is being pursued and Nigerian staff have continuously assumed increased responsibilities. In particular, the senior executive appointments of Director of Research, Secretary, Assistant General Manager, Assistant to the General Manager and almost all other managerial positions are now filled by Nigerian personnel.

During the year the Deputy Governor, Mr. G. W. Keep, and the General Manager, Mr. R. K. C. Giddings, M.C., of the Central Bank completed their respective terms of service and returned to their home institutions. The Board wish to record their appreciation to those overseas institutions which have been good enough to make available personnel to participate in the formation of the Bank and to assist in the training of staff in these most important early years of its organisation. Mr. W. A. Tibbles

has now assumed the appointment of General Manager.

The appointment of Mallam Aliyu Mai-Bornu as Deputy Governor of the Bank was announced in January 1962 and the Board extend their congratulations and their good wishes to him for his term of office.

During the year one senior member of the staff participated in the Central Banking Course arranged at the Bank of England and another attended a course at the Administrative Staff College at Henley. At present other senior bank staff are participating in overseas courses arranged by the Economic Development Institute of the International Bank for Reconstruction and Development and by the International Monetary Fund. Another member of the staff will shortly participate in the Central Banking Course in Tokyo being arranged by the Central Banks in South-East Asia, Australia and New Zealand. A number of junior staff members have also participated in Supervisory and Management Training Courses of short duration which have been arranged locally.

II

SOME DEVELOPMENTS IN ECONOMIC CONDITIONS

ECONOMIC activity, which had been at a relatively high level during the year of Independence, expanded further during 1961. The production of most of the agricultural export commodities attained high levels during the 1960-1961 season and while the estimates of output of some crops in the 1961-1962 season fall short of the levels in the previous season, they are still high in relation to those of previous seasons. Mineral production varied widely among individual products but on balance activity was considerably higher in 1961 than in the previous year. Industrial production continued to grow, reflecting both the rising output of existing plants and the bringing of new factories into production. The volume of new construction apparently reached a new peak and was widely distributed over the country, a reflection of accelerated activity in the construction of Government and commercial structures, schools, factories, residential buildings and engineering projects.

In the agricultural sector, weather and moisture conditions were generally favourable during most of the 1960 growing period, which contributed to large output. From the following tables it will be noted that Marketing Boards' purchases in the 1960-1961 season of such crops as cocoa, groundnuts, cotton, soya beans and benniseed exceeded those in the preceding season by a substantial margin, while purchases of palm produce declined only slightly. This fall, however, may have been due to the higher local consumption of these products. The early estimates of production for the

1961-1962 season indicate possibly smaller crops of cocoa and cotton but production of groundnuts may be nearly as large as the record crop in the 1957-1958 season and somewhat larger than the good crop of the 1960-1961 season. The output of palm produce is expected to hold generally steady, while some of the minor crops may show further increases in output. The early season weather was unfavourable to cocoa and cotton but as the season has advanced, improvement has occurred in prospective production and the total output is still uncertain. Reflecting the lateness of the crop, the purchases of cocoa early in the marketing season were small, but there were subsequent signs of increased offerings. The purchases of cotton in December, the first month of the new season, were relatively small. Groundnut purchases in November and December were very heavy, confirming the earlier forecast of increased output. Purchases of palm produce for the 1961 season are running about the same as in 1960.

The general trend of international prices for Nigeria's export crops during much of 1961 was toward lower levels, but prices of some commodities recovered late in the year. The decline was particularly large in the case of cocoa and the lower prices were in effect during the period when the 1960-1961 crop was marketed. However, the price turned upwards in October and at the year-end was above that prevailing a year earlier. Groundnut prices followed an irregular course, and fluctuated around those prevailing in the pre-

vious year. Prices of palm kernels ruled lower than a year earlier throughout 1961, but those of palm oil were at a higher level during most of the year. The level of seed cotton prices showed no material variation during the two years.

Despite the trend toward lower prices in world markets for agricultural commodities generally, prices paid by Marketing Boards in Nigeria were well sustained. The principal change occurred

in January 1961, when the producer price for cocoa was reduced sharply. However, more than half of the crop was purchased before the price reduction and, as a result of the large crop, producer income in the 1960-1961 season exceeded that of the previous season. Income of producers of palm products probably declined slightly in the 1960-1961 season, but that of producers of other export crops increased sharply.

PURCHASES OF PRINCIPAL AGRICULTURAL PRODUCTS BY MARKETING BOARDS IN NIGERIA DURING 1959/1960 AND 1960/1961 SEASONS

<i>Commodity</i>	<i>Cumulative Purchases in</i>		<i>Changes</i>	
	<i>1960/1961 Season (tons)</i>	<i>1959/1960 Season (tons)</i>	<i>1960/1961 Season over 1959/1960 Season Actual (tons)</i>	<i>Percentage</i>
Cocoa	195,158	154,595	+ 40,563	+ 26.2
Palm Kernels	428,620	433,646	- 5,026	- 1.2
Palm Oil	197,078	197,439	- 361	- .2
Groundnuts	619,051	445,520	+ 173,531	+ 39.0
Seed Cotton	150,578	88,612	+ 61,966	+ 69.9
Soya Beans	13,811	3,611	+ 10,200	+ 282.5
Benniseed	27,530	20,769	+ 6,761	+ 32.6

CUMULATIVE PURCHASES OF PRINCIPAL AGRICULTURAL PRODUCTS BY MARKETING BOARDS IN NIGERIA FROM COMMENCEMENT OF SEASON TO END DECEMBER IN THE YEARS 1960 AND 1961

<i>Commodity</i>	<i>Cumulative Purchases to the end of December</i>		<i>Changes</i>	
	<i>1961 (tons)</i>	<i>1960 (tons)</i>	<i>1961 over 1960 Actual (tons)</i>	<i>Percentage</i>
Cocoa	*	113,804	—	—
Palm Kernels	430,404	420,276	+ 10,128	+ 2.4
Palm Oil	173,408	187,453	- 14,045	- 7.5
Groundnuts	508,142	436,688	+ 71,454	+ 16.4
Seed Cotton	5,361	26,918	- 21,557	- 80.1
Soya Beans	13,052	10,576	+ 2,476	+ 23.4
Benniseed	20,072	26,960	- 6,888	- 25.5

* Not available

The production of minerals increased sharply during 1961. The leading gain was in the output of petroleum, which rose to 16.8 million barrels from 6.3 million barrels in 1960. As a reflection of the bringing into operation of new cement production capacity, the output of limestone in 1961 was more than double production in 1960. Coal production, which had declined substantially in the two preceding years, increased about 6 per cent in 1961. The

demand for columbite revived during the past year and production rose further to the highest level since 1956. The scarcity of tin in world markets and the sharp price increase led to pressure on tin producers for a greater output but the production of tin ore in 1961 was only slightly above that of the previous year's level. The production of the principal minerals for the two years is presented in the following table:—

PRODUCTION OF PRINCIPAL MINERALS

<u>Product</u>	<u>Production</u>		<u>Changes</u>	
	1961	1960	1961 over 1960	
			<u>Actual</u>	<u>Percentage</u>
Petroleum (barrels)	16,801,896	6,344,750	+ 10,457,146	+ 164.8
Coal (tons)	597,372	561,995	+ 35,377	+ 6.3
Limestone (tons)	589,559	240,101	+ 349,458	+ 145.5
Columbite (tons)	2,346	2,048	+ 298	+ 14.6
Cassiterite (tons)	10,513	10,374	+ 139	+ 1.3
Gold (ounces)	679	994	— 315	— 31.7

The value of Nigeria's external trade during the first nine months of 1961 showed an increase in both imports and exports. Aggregate imports during the nine months amounted to £162.8 million, which was £6.2 million higher than in the same period of 1960. The rise in exports, including re-exports, totalled £7.0 million, bringing the total for the first nine months of 1961 to £136.8 million. The excess of imports over exports during the period amounted to \$26.0 million in 1961, as compared with £26.8 million in 1960, but the pattern of developments was quite different during the two periods. In 1960, imports during the first half of the year were maintained at about the same level as in the last quarter of 1959, but they increased sharply in the last half. This high level of imports carried over to the early months of 1961 but diminished somewhat in the later months of the year with the third quarter total being at a lower rate than during the first half of the year and falling well under that in the

third quarter of 1960. The more moderate imports after mid-year apparently reflected both the effects of the higher import duties announced in December 1960, which dampened consumer buying and the reduction in merchandise stock accumulated earlier.

The principal increases in the broad categories of imports during the first nine months of 1961 occurred in mineral fuels and manufactured goods. It is significant that imports of all types of mineral fuels increased, indicating greater use of motor vehicles and motor transport and greater industrial activity. The imports classified as manufactured goods comprised about 40 per cent of total imports and the increase in this category accounted for more than the gain in total imports. However, the increase occurred mostly in the first six months of the year. Cotton piece goods, which dominate this category, increased sharply and smaller increases occurred in building materials and tyres and tubes.

In the third quarter there was a sharp decline in imports of machinery and transport equipment with the result that the total for the nine months was below that in the corresponding period of the previous year, in contrast with an increase in the first six months.

The value of exports for the full year of 1960 was similar to that for 1959 but there was a declining tendency throughout the year, with the fourth quarter total being the lowest of the year. However, in 1961, a reverse trend developed, with exports rising each quarter and the third quarter total being about one-third larger than in the corresponding quarter of 1960.

The principal changes in exports are reflected in three groups of commodities: foods; crude materials, except fuels; and mineral fuels, lubricants and related materials. In the food category a decline of £2.7 million was more than accounted for by the exclusion of exports of bananas and coffee from

the former Southern Cameroons from the current year's figure. In the case of cocoa, the effect of the sharp fall in prices about offset a marked increase in the volume of exports. On the other hand, exports of groundnuts, together with oil and cake, increased sharply in value due to the larger crop and higher prices. In other groups, cotton lint and seeds, timber, tin and petroleum were contributors to the higher value of exports, reflecting increased volume of exports, higher prices, or both. The value of palm kernel exports declined, reflecting a lower volume.

In 1960, nearly one-half of the £51 million excess of imports over exports was accounted for in the final quarter of the year, whereas for the first nine months of 1961, most of the excess occurred between January and June.

The following table presents the details of Nigerian external trade during the first nine months of 1961 and 1960.

NIGERIAN FOREIGN TRADE

£ millions

Commodity Classification	Imports		Exports, including Re-exports	
	January to September		January to September	
	1961	1960	1961	1960
Food	16.6	18.1	30.1	32.2
Beverages and Tobacco	4.6	4.5	—	—
Crude materials, mainly inedible, except Fuels	1.8	1.6	78.4	73.1
Mineral Fuels, Lubricants and Related Materials	10.2	8.4	9.2	4.7
Animal and Vegetable Oils and Fats1	.1	15.0	15.1
Chemicals	9.1	9.0	.2	.3
Manufactured Goods Classified chiefly by Materials	64.2	56.7	1.3	1.3
Machinery and Transport Equipment	36.7	38.7	.4	.9
Miscellaneous Manufactured Articles	17.3	17.2	.1	.1
Miscellaneous Transactions and Commodities	2.2	2.3	2.1	2.1
TOTAL	162.8	156.6	136.8	129.8

Source: Office of Statistics.

III

BANKING

THE commercial banking system in Nigeria continued to expand during 1961 both in the volume of business handled and through the provision of extended services. Moreover, through the opening of new offices, the commercial banks were able to make their facilities available to additional areas of the country and in turn to draw support from new customers. At the end of 1961 licensed banks maintained 197 offices throughout Nigeria, a net gain of five during the year, compared with less than fifty offices ten years earlier. The banking system, now well established, is capable, given suitable economic conditions, of further rapid expansion.

During the year, applications for licences from four additional banking institutions (the Arab Bank Limited, the United Bank for Africa Limited and the two Co-operative Banks of Eastern and Western Nigeria) were approved or agreed in principle by the Federal Minister of Finance. In addition, a representative office has been established by the Bank of Tokyo Ltd. The United Bank for Africa Limited, with capital provided by a consortium of international banks, took over in early October the affairs of the British and French Bank Limited. The Chase Manhattan Bank, which was granted a licence in 1960, opened for business in February 1961; the African Continental Bank Limited opened a branch in London; and the National Bank of Nigeria Limited moved its Head Office in Lagos to its new building in Broad Street.

At the end of 1961, the commercial banks licensed to operate in Nigeria were as follows:—

African Continental Bank Limited
Agbónmagbe Bank Limited
Bank of America, National Trust and Savings Association
Bank of Lagos Limited
Bank of the North Limited
Bank of West Africa Limited
Banque de l'Afrique Occidentale
Barclays Bank D.C.O.
Berini (Beirut Riyad (Nigeria)) Bank Limited
Chase Manhattan Bank
Muslim Bank (West Africa) Limited
National Bank of Nigeria Limited
United Bank for Africa Limited

The Bankers' Committee met regularly in 1961 and considered many matters of mutual interest as well as those of general importance to the financial community. The Central Bank, in co-operation with the licensed banks, has established a Clearing House in Lagos. The Rules and Regulations, drafted by a committee of bankers, who now form the Lagos Clearing House Committee, were adopted by the Bankers' Committee and the Lagos Clearing House began operation on 22nd May, 1961 in the premises of the Central Bank. This development has greatly accelerated the interbank settlement of cheques in the Lagos area and has enabled the banks to ascertain their over-all cash position early each day. It has also enabled the business community and the general public to obtain the use of their funds at a much earlier date.

The order of magnitude of the clearing operations of the Lagos Clearing House is shown by the following data:—

LAGOS BANKERS' CLEARING HOUSE ACTIVITIES
JUNE—DECEMBER 1961

<i>Month</i>	<i>Working Days</i>	<i>Total No. of Cheques</i>	<i>Amount Cleared (£'000s)</i>	<i>Daily Averages</i>	
				<i>No. of Cheques Cleared</i>	<i>Amount Cleared (£'000s)</i>
June	26	61,651	28,915	2,371	1,112
July... ..	26	59,828	22,917	2,301	881
August	26	60,719	26,105	2,335	1,004
September	26	61,042	22,982	2,348	884
October	25	60,267	25,436	2,411	1,017
November	26	64,724	22,543	2,489	867
December	24	64,174	23,535	2,674	981

During the seven months that the Clearing House was in operation in 1961 the month-to-month activity did not establish a definite pattern, although the daily average number of cheques cleared increased each month from August onwards. On the other hand, the daily average value of clearings tended to vary widely from month to month.

Developments in the commercial banking system during 1961 emphasised the progress that banking in Nigeria has made in the postwar period, particularly in the past decade. The Banking Ordinance of 1952 provided for the licensing of banks and for government supervision, and by the increased confidence it engendered, contributed to the growth of the banking habit.

During this decade there has also been a significant growth in the economy which has been reflected in higher levels of deposits and an even greater proportionate increase in the demand for bank credit. The tangible evidence of these developments is shown in the accompanying table which presents the principal changes in bank assets and liabilities over the past decade.

In the period from 1952 to 1958, the extension in banking facilities was mostly through the open-

ing of new branch offices throughout the country. In the subsequent three years, the existing institutions continued the practice of opening new offices and the number of licensed banks in operation was doubled. This latter period, which coincides roughly with the operation of the Central Bank of Nigeria, also witnessed far-reaching changes in the methods of operation, scope of service and volume of business. These changes reflect primarily the growth and development of the country and the policy of the Central Bank to create within Nigeria the institutional framework which is necessary to operate the money mechanism in an independent country. It is noteworthy that the seasonal flow of funds to and from Nigeria, a significant feature of the financial pattern in earlier days, has greatly diminished in the past two seasons. This reflects the greater availability of investment media within Nigeria. There has also been an increasing tendency for business and industrial enterprises to finance their needs so far as possible in the local markets and the growth in local enterprise, such as the construction industry, has greatly augmented the demand for funds. The net result has been a rapid increase in the proportion of deposits which has been utilised locally.

CONSOLIDATED ANALYSIS OF ASSETS AND LIABILITIES OF LICENSED BANKS

ASSETS

End of year and month	Balances held with			Loans and Advances*		Investments			Total
	Cash	Banks in	Banks	Short (up to 1 year)	Others (over 1 year)	In		Other Assets	
		Nigeria	Abroad			Nigeria	Abroad		
December 1952	3,856	683	15,961	9,150	—	322	30	6,037	36,039
December 1956	6,810	1,821	21,771	25,511	—	380	56	11,303	67,652
December 1959	9,121	6,101	23,668	39,039	1,785	738	579	19,498	100,529
1960									
January	8,590	5,074	27,564	35,471	1,945	753	329	20,778	100,504
February	6,798	4,116	30,244	35,819	1,947	933	309	21,340	101,506
March	7,210	5,656	29,274	34,041	1,904	933	273	21,784	101,075
April	7,103	3,844	31,577	32,602	1,673	3,068	272	22,219	102,358
May	5,616	3,241	29,116	31,773	2,125	4,034	252	22,665	98,822
June	5,404	2,994	28,438	35,970	1,743	5,413	727	20,488	101,177
July	5,971	4,510	28,702	35,226	1,775	5,101	232	24,286	105,803
August	5,584	7,348	29,851	35,518	1,813	5,675	179	24,733	110,701
September	6,652	8,002	25,850	38,156	1,976	5,334	179	23,751	109,900
October	6,574	8,058	24,043	42,967	2,056	5,528	179	23,933	113,338
November	7,208	3,782	24,867	50,610	2,002	4,114	179	24,510	117,272
December	7,967	4,648	21,254	54,635	2,365	2,676	179	24,194	117,918
1961									
January	7,052	3,929	22,794	54,673	2,038	3,222	29	24,207	117,944
February	5,977	5,193	25,638	51,927	1,985	3,566	29	26,429	120,744
March	4,923	5,224	28,529	48,158	2,292	5,372	29	27,133	121,660
April	5,218	4,931	26,820	47,636	2,417	6,070	29	28,198	121,319
May	5,599	3,503	23,382	47,677	2,483	6,636	29	29,743	119,052
June	5,763	4,634	24,349	45,678	2,636	7,877	29	25,706	116,672
July	5,768	3,831	24,449	45,917	2,699	11,625	29	27,342	121,660
August	5,410	3,346	26,821	46,201	2,673	12,014	29	28,623	125,117
September	5,185	3,822	27,890	44,856	2,940	13,649	29	31,344	129,715
October	6,288	4,026	26,029	47,355	2,723	13,424	29	32,146	132,020
November	6,499	4,022	30,577	53,713	3,021	7,290	29	33,714	138,865
December	7,617	4,654	36,450	57,085	2,905	4,300	29	34,287	147,327

* Includes call loans and bills discounted.

CONSOLIDATED ANALYSIS OF ASSETS AND LIABILITIES OF LICENSED BANKS

LIABILITIES

(£000's)

End of year and month	Capital Issued and Paid up (including Reserves)*	Deposits			Balances held for		Other Liabilities	Total
		Demand	Time	Savings	Banks in Nigeria	Banks Abroad		
December 1952	197	22,230	3,325	2,289	636	2,441	4,921	36,039
December 1956	2,181	35,352	4,131	6,525	3,394	7,243	8,826	67,652
December 1959	2,594	40,168	10,846	14,280	3,657	12,689	16,295	100,529
1960								
January	2,695	42,939	9,613	14,415	4,224	10,151	16,467	100,504
February	2,702	47,783	7,446	14,989	2,912	8,766	16,908	101,506
March	2,752	48,980	7,435	15,567	1,791	7,371	17,179	101,075
April	2,815	49,187	7,492	15,850	2,305	7,313	17,396	102,358
May	2,849	45,531	6,810	16,251	1,836	7,663	17,882	98,822
June	2,867	44,695	9,283	16,776	1,821	8,776	16,959	101,177
July	2,869	44,478	9,467	17,539	1,426	10,392	19,632	105,803
August	2,871	44,258	8,974	17,712	1,778	15,193	19,915	110,701
September	2,886	44,143	8,394	18,167	1,890	17,050	17,370	109,900
October	2,886	41,956	8,902	18,296	1,614	20,857	18,827	113,338
November	2,966	40,731	8,905	18,406	2,477	24,889	18,898	117,272
December	2,966	41,117	8,954	18,441	2,499	18,368	25,573	117,918
1961								
January	2,966	41,883	9,696	18,391	1,572	17,665	25,771	117,944
February	4,091	43,643	9,804	18,917	2,121	17,355	24,813	120,744
March	4,145	44,789	9,696	19,395	2,303	16,318	25,014	121,660
April	6,183	42,091	9,207	19,508	3,564	17,278	23,488	121,319
May	6,183	41,639	9,133	19,725	1,209	16,943	24,220	119,052
June	6,183	42,582	8,196	20,065	1,121	17,772	20,753	116,672
July	6,265	40,415	9,747	20,410	1,597	20,593	22,633	121,660
August	6,305	37,095	13,900	20,694	794	22,600	23,729	125,117
September	6,705	38,582	11,802	20,694	2,243	25,409	24,280	129,715
October	8,209	38,772	11,808	20,748	693	23,962	27,828	132,020
November	8,208	39,474	13,349	20,977	1,038	20,030	35,789	138,865
December	10,209	41,658	14,068	21,188	1,167	21,981	37,056	147,327

For Banks with Head Offices in Nigeria only.

The total assets of commercial banks rose to £147 million at the end of 1961 (four times that of 1952) but the distribution of the business of the banks has shown even more marked changes in this period. Loans and advances have increased steadily throughout the decade, bringing the total at 31st December 1961 to £60 million (six times that of 1952). The rising demand for loans and advances reflects largely the growth in production of export crops, although in more recent years, demands for credit from business and industrial concerns have been growing at a faster rate than the total. Also, during the decade, loans related to new building construction have been increasing at a rapid rate. Loans to commercial firms have likewise been increasing at a substantial pace, not only because of the growth in the economy, but also because the trading firms have been turning more and more to the banks in Nigeria.

Although loans and advances were maintained at a consistently higher level in 1961 than in the preceding year, the seasonal fluctuations were less pronounced and the pattern was different in that the low point was not reached until September. The net increase during the year amounted to £3.0 million, or 5 per cent, as compared with 39 per cent in 1960. The extended period of decline and the smaller seasonal rise in the later part of the year apparently reflect such factors as the lateness of crop harvesting, the smaller production of some crops and the lower purchase prices being paid for several of the export crops. The increases in loans and advances during 1961 in general were well distributed among the various categories. The principal exceptions to this general trend were in loans to Governments, credit and financial institutions, and to wholesale and retail merchants. The most pronounced gain in the volume of loans was to the construction industry and reflected the intense activity during the year. Nevertheless, the volume

of credit extended to agriculture and manufacturing reflected noticeable increases. The loans and advances by categories are presented in the accompanying table.

During the earlier part of the decade commercial bank investments in Nigeria were quite small, largely because of the lack of investment outlets, particularly those suitable for investment of short-term surplus funds. However, since their introduction in April 1960, Treasury Bills have proved an attractive medium for the investment of short-term funds of commercial banks and others. During 1961, investments in Nigeria rose steadily from £2.7 million at the end of 1960 to a peak of £13.6 million at the end of September, but by the end of the year they had dropped to £4.3 million. Balances held for banks abroad were maintained at a higher level and showed more stability than in 1960, apparently reflecting the tendency to retain surplus funds in Nigeria and to invest them in Nigerian securities rather than transfer them abroad. In each of the two years balances were built up after July but declined somewhat at the year-end. Balances held with banks abroad were maintained at a lower level in 1961 than in the preceding year until September, but thereafter rose rather sharply.

The deposit liabilities of the banks have shown a steady growth over the period and are now about two-and-a-half times those in 1952. Demand deposits have gained relatively slowly, having risen less than 100 per cent, but time and savings deposits, particularly the latter, have grown very rapidly, the rise over the decade being four times and ten times respectively. There was no significant difference in the level of total deposits during the last two years, until late in 1961 when a substantial increase occurred. Throughout the year demand deposits have been consistently at a lower level than in 1960. Savings deposits showed over this period an increase

CONSOLIDATED ANALYSIS OF LOANS AND ADVANCES BY LICENSED BANKS

(£'000s)

<i>Type of Borrower</i>	31st December 1959	31st December 1960	31st December 1961
<i>Governments:</i>	16	846	220
<i>Native Administrations, Township and other Local Authorities:</i>	290	215	632
<i>Electricity, water, harbour, dock and other public utility bodies:</i>	—	522	102
<i>Credit and Financial Institutions:</i>			
<i>Banks, etc.</i>	3,391	1,893	2,432
<i>Agriculture:</i>			
Cocoa	2,581	2,658	2,834
Groundnuts	3,376	5,210	5,922
Palm Products	824	759	1,144
Other export crops (including rubber and timber)	1,623	2,246	2,284
Other agriculture (including livestock)	956	408	430
<i>Mining:</i>			
Tin Ore	326	419	248
Other mining	83	124	227
<i>For manufacture of:</i>			
Textiles, leather and clothing	486	594	672
Wood products (including furniture)... ..	46	90	125
Soaps and oils	666	675	1,008
Stone, cement, bricks, glass, ceramics and pottery... ..	158	314	601
Other manufactured products... ..	293	756	889
<i>Construction:</i>			
Buildings in course of erection	3,068	3,595	5,541
<i>General Commerce:</i>			
Wholesale and retail merchants	13,554	21,017	19,435
<i>Miscellaneous:</i>	9,087*	14,659*	15,244*
TOTAL	40,824	57,000	59,990

* Includes Call Loans and Bills Discounted.

of about 15 per cent. and time deposits rose about 57 per cent. Since most of the increase in time deposits occurred after mid-year, the rise may reflect in considerable part the higher interest rates prevailing on time deposits after July.

EXTERNAL ASSETS/LIABILITIES OF LICENSED BANKS

(£'000s)

Month	Net External Assets (+)		Net External Liabilities (-)	
	1960		1961	
January	+	17,762	-	343
February	+	22,297	+	5,822
March	+	24,367	+	10,187
April	+	25,128	+	9,537
May	+	22,059	+	6,392
June	+	20,421	+	6,492
July	+	18,564	+	3,803
August	+	14,859	+	4,192
September	+	8,828	+	2,420
October	+	4,096	+	1,001
November	+	674	+	2,358
December	-	2,477	+	6,079

The capital and reserves of banks with head offices in Nigeria rose to £10.2 million at the end of 1961, from £3.0 million a year earlier, reflecting a noticeable strengthening of capital structure at some of the institutions whose expanding business required additional capital.

The Nigerian money supply, as represented by currency in circulation less cash held by licensed banks plus demand deposits, rose substantially in 1960, due primarily to a sharp increase in the loans and advances of commercial banks, which more than offset the effect of other factors. However, in 1961, the total money supply declined steadily until August to about the level of that of August 1960. During the remainder of 1961, the seasonal rise followed the pattern of that of the year earlier and at the year-end the money supply was much the same as in December 1960.

MONEY SUPPLY (£'000s)

Month	Total money supply		Percentage change 1961 over 1960
	1961	1960	
January ..	119,493	107,319	+ 11.3
February ..	117,966	109,713	+ 7.5
March ..	117,116	108,922	+ 7.5
April ..	113,025	107,842	+ 4.8
May ..	111,222	103,969	+ 6.9
June ..	111,818	103,530	+ 8.0
July ..	108,654	104,293	+ 4.1
August ..	104,485	104,406	+ 0.1
September ..	104,791	106,662	- 1.8
October ..	104,523	106,885	- 2.2
November ..	114,758	115,155	- 0.3
December ..	120,956	120,359	+ 0.5

As Nigeria's economy continues to expand and as it absorbs the effects of the substantial development programme, significant changes in the existing pattern of banking business must be expected. The already high level of demand for bank credit will almost certainly increase further and it is a matter of some concern that the expansion of deposits proceeds at a much slower rate. Emphasis has already been placed by the authorities on the need to extend further the banking and savings habits and continuing efforts in this direction are imperative. It is also to be expected that, as the banking system finds itself more and more extended in its primary role of providing finance to meet the short-term needs of Nigeria's growing industry and trade, the Central Bank will increasingly need to ensure that sufficient credit is available within the economy to finance essential needs while at the same time so guiding these developments that the stability of the economy is maintained. While it is important to keep open established channels of finance from overseas, it is also to be expected that the provision of domestic credit in Nigeria will increasingly be generated from internal sources.

CURRENCY

THE total currency in circulation in the country, which still included some W.A.C.B. coin, at the end of 1961 amounted to £86.9 million, roughly the same level as it was a year earlier, but there was a marked variation in the month-to-month movements of currency and in the composition of the circulation during the two years. In 1960, the seasonal low point in circulation was reached in May, at about £64 million, and the circulation then expanded by more than £23 million before the end of the year. The seasonal decline in 1961 was more pronounced and extended over a longer period than in the preceding year. The lowest month-end point was reached at £71.4 million at the end of September, which was about £7.3 million higher than the low point in 1960, but the subsequent expansion was smaller by approximately the same amount.

In explaining the variations in movements, it should be observed that in the season 1960-1961 production of export crops generally was at a very high level and prices paid to farmers during much of the season remained also at a relatively high level. It is now apparent that circulation in 1960 was also augmented by the preparations for and celebration of Independence, the momentum of which carried through the remainder of the year. The high cash income from crops also had a stimulating effect on Christmas spending. In 1961, currency circulation was affected by the higher import duties, which had a dampening effect on trade; the substantial reduction in prices paid to

farmers for some export crops; and the lateness of harvesting and marketing of certain major crops. Each of these factors has tended to reduce the demand for and use of currency during 1961.

The proportion of total circulation represented by coin was lower in 1961 than in the preceding year. The decline was particularly noticeable during the second and third quarters. The circulation of 5-shilling and 10-shilling notes remained relatively steady throughout the year, while £1 notes showed marked seasonal fluctuations during the year and accounted for most of the decline in currency in circulation during the third quarter. However, at the year-end the circulation of £1 notes was at about the same level as a year earlier. The demand for £5 notes has expanded continuously and by the end of the year £5 notes in circulation had increased by approximately 45 per cent.

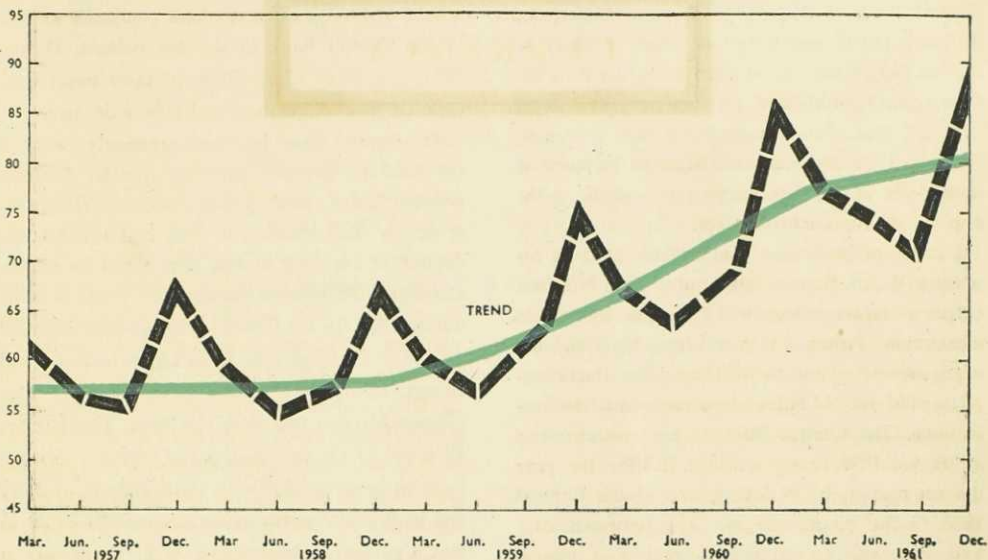
There are indications that the velocity of circulation is increasing, reflecting more and more the ebb and flow of the use of currency in making day-to-day settlements. During 1961, there were only three months in which the amounts issued were below those of the corresponding months of a year earlier and deposits exceeded those of a year earlier in every month of the year except December. Issues and deposits at the Central Bank have increased substantially; the experience varied considerably among sub-centres but increases in volume were particularly noticeable at Enugu, Ibadan and Kano.

By agreement between the Government of the

TOTAL CURRENCY IN CIRCULATION—1957-61

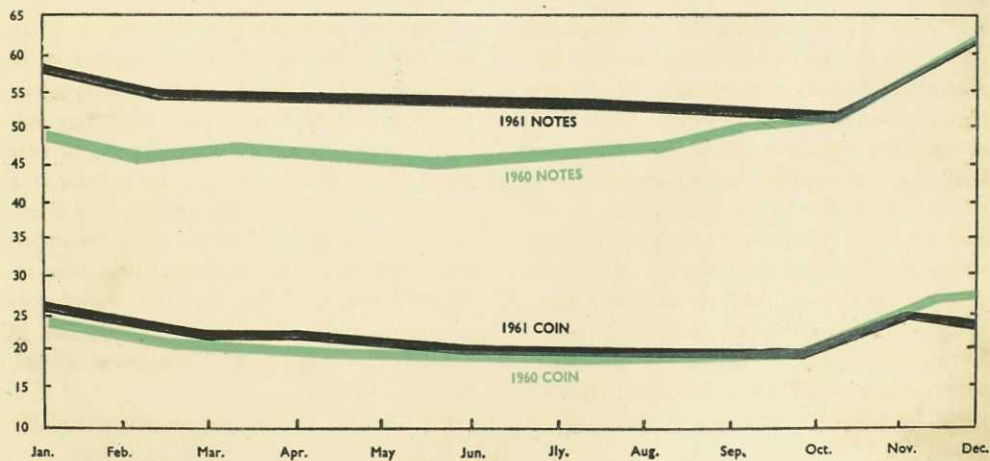
15

(£'S MILLIONS)



TOTAL NOTES AND COIN IN CIRCULATION—1960-61

(£'S MILLIONS)



Federation of Nigeria and the Government of the Cameroun Republic, Nigerian currency continued to circulate and be issued by the Agent of the Central Bank of Nigeria in Western Cameroun (formerly the United Kingdom Trust Territory of the Southern Cameroons) after federation with the Cameroun Republic on 1st October 1961. It is expected that these arrangements will terminate early in 1962 and that the Nigerian currency in circulation in Western Cameroun will be withdrawn and redeemed thereafter.

Further progress was made during 1961 in replacing W.A.C.B. coin and notes with Nigerian currency and the process was facilitated by putting into circulation during May and June, Nigerian half-penny, six-pence and two-shilling coins, thus completing the issue of Nigerian currency in all denominations. The Central Bank is now withdrawing all W.A.C.B. currency received. During the year the net receipts of W.A.C.B. coin at the Central Bank, including its sub-centres, aggregated £3.3 million, leaving an estimated total of £6.8 million of such coin in circulation in Nigeria at the end of 1961. This figure represents 27 per cent of the estimated coin in circulation in Nigeria, which

compares with 39 per cent at the end of 1960. Although the estimated amount of W.A.C.B. notes in circulation in Nigeria had been redeemed by the middle of 1960, these notes have continued to flow to the Central Bank in sizeable volume. During 1961, a total of £2.5 million of these notes were received from circulation and later redeemed.

The Central Bank has been constantly aware of the need to improve currency transfer facilities between Lagos and the sub-centres, since telegraphic delays often resulted in time lags between the deposit of currency at one centre and its release at another. To improve this situation, it was possible during 1961 for the Central Bank to have installed direct teleprinter circuits from Lagos to Kano and Enugu, from which centres further circuits relay messages to Jos and Port Harcourt. This enables all stages of the various types of currency transactions to be completed with the minimum of delay and is of great benefit to the commercial banks in that it permits them to make the maximum use of their cash resources. It is hoped that a further circuit between Lagos and Ibadan will be installed early in 1962.

CURRENCY IN CIRCULATION IN NIGERIA
JANUARY—DECEMBER, 1961
END-MONTH FIGURES

(£'000s)

<i>Currency Denomination</i>	<i>Jan.</i>	<i>Feb.</i>	<i>March</i>	<i>April</i>	<i>May</i>	<i>June</i>	<i>July</i>	<i>Aug.</i>	<i>Sept.</i>	<i>Oct.</i>	<i>Nov.</i>	<i>Dec.</i>
	<u>1961</u>	<u>1961</u>	<u>1961</u>	<u>1961</u>	<u>1961</u>	<u>1961</u>	<u>1961</u>	<u>1961</u>	<u>1961</u>	<u>1961</u>	<u>1961</u>	<u>1961</u>
Nigerian Notes — £5	1,202	1,349	1,372	1,639	1,614	1,627	1,641	1,615	1,685	1,621	1,651	1,693
£1	55,302	52,661	51,481	50,499	50,154	50,476	49,724	48,675	47,783	47,588	52,766	57,274
10s	1,516	1,483	1,474	1,458	1,471	1,481	1,509	1,489	1,515	1,518	1,594	1,587
5s	909	880	879	851	845	830	842	824	857	867	910	932
Total Nigerian Notes	<u>58,929</u>	<u>56,373</u>	<u>55,206</u>	<u>54,447</u>	<u>54,084</u>	<u>54,414</u>	<u>53,716</u>	<u>52,603</u>	<u>51,840</u>	<u>51,594</u>	<u>56,921</u>	<u>61,486</u>
Nigerian Coin												
2s	—	—	—	—	—	6	17	22	29	36	46	54
1s	15,604	14,149	12,833	12,409	12,121	11,868	11,772	11,876	11,423	12,360	16,789	17,613
6d	—	—	—	—	2	38	56	69	84	115	175	202
3d	232	241	250	258	266	276	286	294	303	328	396	442
1d	155	165	180	189	196	207	219	228	237	244	259	270
½d	—	—	—	—	—	4	5	6	7	8	9	10
Total Nigerian Coin	<u>15,991</u>	<u>14,555</u>	<u>13,263</u>	<u>12,856</u>	<u>12,585</u>	<u>12,399</u>	<u>12,355</u>	<u>12,495</u>	<u>12,083</u>	<u>13,091</u>	<u>17,674</u>	<u>18,591</u>
Currency Suspense	—	—	—	100	—	—	—	10	—	170	150	20
Total Nigerian Currency in Circulation	<u>74,920</u>	<u>70,928</u>	<u>68,469</u>	<u>67,403</u>	<u>66,669</u>	<u>66,813</u>	<u>66,071</u>	<u>65,108</u>	<u>63,923</u>	<u>64,855</u>	<u>74,745</u>	<u>80,097</u>
Estimated W.A.C.B. Currency Circulating in Nigeria—Coin	9,742	9,372	8,781	8,749	8,513	8,186	7,936	7,692	7,471	7,184	7,038	6,818
Total Notes and Coin Circulating in Nigeria	<u>84,662</u>	<u>80,300</u>	<u>77,250</u>	<u>76,152</u>	<u>75,182</u>	<u>74,999</u>	<u>74,007</u>	<u>72,800</u>	<u>71,394</u>	<u>72,039</u>	<u>81,783</u>	<u>86,915</u>
Percentage of Notes to total Notes and Coin in Circulation	70%	70%	71%	72%	72%	73%	73%	72%	73%	72%	70%	71%
Percentage of Coin to total Notes and Coin in Circulation	30%	30%	29%	28%	28%	27%	27%	28%	27%	28%	30%	29%

MONEY AND CAPITAL MARKETS

PUBLIC DEBT OPERATIONS OF THE CENTRAL BANK

In response to the needs of the Federal and Regional Governments for additional funds to finance the economic development of the country, the Minister of Finance authorised the Central Bank of Nigeria to float, in March 1961, a Second Development Loan for an amount of £10 million. The three stocks offered for subscription were:—

- £2,000,000 5% Federation of Nigeria Second Development Stock 1967
- £4,000,000 5½% Federation of Nigeria Second Development Stock 1977
- £4,000,000 6% Federation of Nigeria Second Development Stock 1985.

Prior to the opening of the subscription lists, an intensive publicity campaign was carried on through the press and radio, and this was continued until the closing date. The lists remained open from 22nd February to 22nd March at all banking offices throughout the country.

Considerable amounts were brought back into Nigeria from abroad for investment in the loan by the Marketing Boards, Pension and Provident Funds and other institutional investors. There was a reasonable and encouraging response from individuals, co-operative societies and other small investors. The Central Bank took up the balance not applied for, which represented a smaller portion of the loan than had been expected, thereby increasing that part of the backing for the Nigerian

currency held in stocks of the Government of the Federation of Nigeria.

Details of the amounts applied for and allotted are as follows:—

	<i>(£'000s)</i>
	<i>Amount applied for and allotted</i>
Banks (including Post Office)	1,225
Marketing Boards	3,505
Pension and Provident Funds	1,226
Insurance Companies	70
Corporations	86
Co-operative Societies	43
Others (including individuals, companies and Native Administrations)	158
Central Bank of Nigeria	3,687
	10,000

During the early months of 1961, the Central Bank continued to provide buying and selling facilities for Federal Government Stocks but since the opening of the Lagos Stock Exchange on the 5th June, all transactions in Federal Government Stocks have taken place through the Exchange. Prior to 5th June the Central Bank handled purchases and sales of about £250,000, while during the remainder of the year, the Stock Exchange effected deals aggregating about £710,000.

The Central Bank has followed the practice of disposing of its holding of Government Stock as the public demand for these securities develops. There was a steady demand for them throughout the year but buying was accelerated toward the end

of the year as various private pension funds sought Government Stock to qualify for tax exemption.

The £300,000 3½% Nigerian Government Registered Stock 1956/1961, managed by the Accountant-General of the Federation, matured last December and was redeemed for cash.

GROWTH OF THE MARKETS

Treasury Bills

A significant accomplishment during the year was a broadening of the money and capital markets and improvement of the mechanism through which they operate. Efforts in this field have been directed toward increasing the supply of short-term investment paper and bringing more surplus funds into the market to provide so far as possible a more frequent demand for market instruments. In pursuance of this objective, banks have been encouraged to trade in Treasury Bills among themselves and with their customers. Consideration is also being given to the possible introduction of arrangements which will provide facilities for the employment of very short-term monies.

The permitted limit of the Treasury Bill issue has been doubled by amending the Treasury Bill Ordinance to provide for Treasury Bills outstanding at any one time to amount to 20 per cent of the estimated Federal revenues for the current fiscal year. The use of the proceeds of issues has also been extended by a further amendment which authorised the Federal Government to on-lend to the Regional Governments proceeds of Treasury Bill issues. As a result of the use made by the Federal Government of these extensions, the supply of short-term investment instruments has been increased and the means made available for the retention in or repatriation to Nigeria of surplus funds. The Central Bank has given every encouragement to banks to make full use of their surplus funds by investment in Nigerian Treasury Bills.

The Central Bank, when opportunity offered and when circumstances appeared favourable, took up relatively small amounts of Treasury Bills with a view to providing short-term investment between dates of issue of Treasury Bills. The Central Bank has also stood ready to rediscount Bills freely and the banks from time to time have made use of this facility, particularly during the produce season in the closing months of the year when credit requirements increased and large demands for currency were experienced. The rediscount rate was moved several times during the year to influence the general rate pattern and to take account of movements in interest rates abroad.

The success which has attended the arrangements for the rediscounting of Treasury Bills and to a small extent of commercial bills is of major significance in the development of the financial framework. The market for these instruments will undoubtedly expand rapidly and will be enlarged as the Central Bank begins to extend refinance facilities in respect of commercial paper. When satisfactory facilities for the employment of very short-term monies have been devised and introduced, most of the basic elements required for the further development of a money market in Lagos will exist.

The accompanying table shows the amounts of Treasury Bills offered, applied for and outstanding between January and December 1961. It will be observed that the aggregate amount of Treasury Bills outstanding rose to £18 million in November and declined only moderately in December when the demand for bank loans and advances was quite strong and the commercial banks were rediscounting sizeable amounts of Treasury Bills with the Central Bank.

In present circumstances the price of issue of the Treasury Bills has continued to be of prime importance; the rate has naturally had to be adjusted to a level which is calculated to retain funds within

DETAILS OF TREASURY BILL ISSUES

(£000's)

Date	Total Amount Offered	Amount Allotted to		Total Amount issued	Total Amount Outstanding	Issue Rate p.a.	Minimum Rediscount Rate p.a.
		Banks, Corporations, Public, etc.	Central Bank				
5th January	4,000	2,636	1,364	4,000	9,000	4%	4½%
2nd February	2,000	1,687	313	2,000	9,000	4%	4½%
9th March	3,000	3,000	NIL	3,000	9,000	4⅜%	4⅝%
6th April	4,000	3,313	687	4,000	9,000	4⅞%	4⅞%
4th May	2,000	1,560	440	2,000	9,000	4⅞%	4⅞%
8th June	4,000	4,000	NIL	4,000	10,000	4⅞%	4⅞%
6th July	8,000	5,587	2,413	8,000	14,000	4⅞%	4⅞%
3rd August*	8,000	1,347	2,653	4,000	16,000	4⅞%	4⅞%
7th September*	8,000	4,705	295	5,000	17,000	5⅞%	6%
5th October*	8,000	8,000	NIL	8,000	17,000	5½%	6%
2nd November*	7,000	4,294	706	5,000	18,000	4⅞%	5½%
7th December*	4,000	3,624	376	4,000	17,000	4⅞%	5½%

*Offerings were made up to the amount indicated but the amount issued was governed by subscriptions received and the Central Bank's own requirements.

the country and which is in line with the general interest rate structure which Nigeria is now evolving. The expansion in the demand for Treasury Bills, the broadening of the market, the trading activity that is developing and the quantities of funds that have been repatriated, indicate the success of the general policies pursued so far with respect to Treasury Bills. The existence of these investment facilities has already had a marked effect on the seasonal flow of funds to and from Nigeria, which in past years has been a marked characteristic of the financial pattern.

Commercial Bills

Another development has been the encouragement given to the increased use of commercial bill finance. Initially, this business is being related primarily to the financing of the major crops handled by the Marketing Boards, and it is anticipated that as the use of bill finance becomes general, there will be a corresponding reduction in the amount of finance made available on an overdraft basis and in the need to hold assets for collateral purposes. As this type of finance is broadened in coverage and expanded in volume, it is apparent that additional facilities for discounting the bills must be developed. The Central Bank expects to play the major role in this process.

Lagos Stock Exchange

The Central Bank has constantly been giving encouragement to the issuing and marketing of securities of both Government and private enterprise companies. A major step was taken with the setting up of the Lagos Stock Exchange which opened for business in June 1961.

At the end of the year six maturities of Federation of Nigeria Development Stocks and fourteen issues of other securities were listed on the Exchange.

During the initial stages of the development of the Stock Exchange it was expected that the volume of dealings would be small, not only because of the limited number of issues listed but also because of unfamiliarity with the operation of the Exchange and of the relatively small volume of funds available for investment. It is encouraging to note that, while no definite month-to-month trend in trading was established in 1961, both the number and value of transactions appear to be increasing. For the seven months there were 92 transactions in Govern-

ment Stock with a value of £710,440 and 242 transactions in other securities having a value of £49,712. The monthly distribution of transactions is set out in the following table.

THE LAGOS STOCK EXCHANGE MONTHLY ACTIVITY

<i>Month</i>	<i>Transactions in Government Stocks</i>		<i>Transactions in Other Securities</i>	
	<i>No.</i>	<i>Value</i>	<i>No.</i>	<i>Value</i>
1961				
June ...	8	£ 48,500	27	£ 5,085
July ...	20	53,370	31	7,164
August ...	11	75,680	28	4,433
September	9	118,440	22	4,075
October ...	17	84,240	35	7,149
November	15	237,670	51	10,053
December	12	92,540	48	11,753
	—	—	—	—
Total	92	£710,440	242	£49,712
	—	—	—	—

VI

FOREIGN EXCHANGE AND EXTERNAL RESERVES

THE Central Bank, under its statute, is required to buy and sell sterling in amounts of £10,000 or more at rates within the limits of £100:15s:0d and £99:5s:0d per £N100, but until 1961 the rates had been quoted at £100:10s:0d and £99:10s:0d per £N100. In May 1961 the Central Bank narrowed the spread between the buying and selling rates which had been in operation since 1st July, 1959; this was a reflection of its policy of cheapening the cost of remittances and encouraging the conception of exchange rates rather than penalty or commission charges. The buying rate for sterling was reduced to £100:2s:6d at that time and in September and October the selling rate was progressively raised from £99:10s:0d to £99:12s:6d and £99:15s:0d. Thus, at the end of 1961, the spread between buying and selling rates for sterling was only 7s:6d, as compared with £1 early in the year. Firms and institutions have been encouraged to make necessary transfers through the banking

system rather than by compensation arrangements, the undesirability of which the Federal Minister of Finance has emphasised.

Daily rates for the United States dollar were first quoted by the Central Bank against the Nigerian pound during April 1961 and the Central Bank has since stood ready to buy and sell United States dollars against Nigerian pounds.

As a result of discussions with the Federal Government during the early part of 1961, it was felt desirable to introduce a diversification in the external reserves held by the Central Bank. The initial step, which was taken in October 1961, involved the purchase of gold amounting to approximately ten per cent of the Central Bank's external reserves and a similar amount in United States dollars. The Bank's holdings of gold and United States dollars have since remained in roughly the same proportions.

VII

ACCOUNTS

THE Balance Sheet and Profit and Loss Account of the Central Bank, which appear on the following pages, reflect for the first time the results of the Bank's activities over an operational period of a complete year. For comparative purposes, the Balance Sheet figures as at the 31st December, 1960 are also shown.

The Balance Sheet shows that total assets rose to £88.7 million on the 31st December, 1961, from £82.4 million on 31st December, 1960 and there was a substantial change in the composition of assets between the two dates. The items, 'Gold' and 'Other Securities' amounting to approximately £7.1 million and £7.3 million respectively, reflect the diversification of the external reserves. During the year the Central Bank also added substantially to its holdings of Nigerian securities. In March it

subscribed for a portion of the new issue of the Second Development Stock and late in the year it rediscounted a sizeable amount of Treasury Bills for commercial banks which were in need of funds to finance crop purchases and movements.

The principal changes in liability items were in Nigerian currency circulation and in deposits. The increase of approximately £3 million in Nigerian currency circulation reflected chiefly the replacement of W.A.C.B. coin with Nigerian currency. Substantial increases also occurred in the deposits of the Federal and Regional Governments and of banks.

The net profit of the Bank for the year ended 31st December, 1961 was disposed of, in accordance with Section 7 of the Central Bank of Nigeria Ordinance, 1958, as follows:—

Transfer to General Reserve	£219,624
Retirement of Federal Government obligations to the Central Bank	768,685
Balance payable to Federal Government	768,685
Net Profit for the year	<u>£1,756,994</u>

CENTRAL BANK

BALANCE SHEET AS

1960 £		£	£
	CAPITAL		
<u>1,500,000</u>	Authorised		<u>1,500,000</u>
<u>1,250,000</u>	Subscribed and Paid up by the Federal Government of Nigeria		<u>1,250,000</u>
	GENERAL RESERVE FUND (in accordance with Section 7(1) of the Central Bank of Nigeria Ordinance, 1958)		420,496
200,872	NIGERIAN CURRENCY IN CIRCULATION:		
60,818,062	Notes	61,505,268	
<u>16,258,509</u>	Coin	<u>18,591,882</u>	80,097,150
	DEPOSITS:		
1,083,054	Federal and Regional Government	1,556,985	
1,448,346	Bankers	3,381,538	
248,036	Other	<u>188,691</u>	5,127,214
<u>1,137,867</u>	OTHER LIABILITIES		<u>1,803,548</u>
<u>£82,444,746</u>			<u>£88,698,408</u>

R. P. FENTON
CHUBA IKPEAZU

Governor
Director

PROFIT AND LOSS ACCOUNT FOR THE PERIOD

	£
TRANSFER TO GENERAL RESERVE (in accordance with Section 7(1) of the Central Bank of Nigeria Ordinance, 1958)	219,624
RETIREMENT OF FEDERAL GOVERNMENT OBLIGATIONS TO THE CENTRAL BANK (in accordance with Section 7(2) of the Central Bank of Nigeria Ordinance, 1958)	768,685
BALANCE PAYABLE TO FEDERAL GOVERNMENT (in accordance with Section 7(3) of the Central Bank of Nigeria Ordinance, 1958)	<u>768,685</u>
	<u>£1,756,994</u>