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Olu Ojo

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DEVELOPMENTS IN THE FINANCIAL SYSTEM DURING THE THIRD QUARTER OF 1985

Monetary and Credit Developments

The modest but persistent monetary expansion which characterised the second quarter of 1985 continued into the third quarter though at a relatively faster rate. Besides, aggregate bank credit to the domestic economy increased consistently throughout the review period, thereby reversing the contraction in credit experienced during the second quarter of 1985.

Money Supply:

At ₦13,180.8 million by end-September 1985, the narrow measure of money stock (M_1) was ₦1,206.7 million or 10.1 per cent over the level at the end of June 1985, compared with the increases of ₦471.5 million or 4.1 per cent in the preceding quarter and ₦791.6 million or 7.4 per cent in the corresponding quarter of 1984. The monthly average level of money supply during the review quarter was ₦12,888.1 million – ₦987.4 million or 8.3 per cent higher than the level in the second quarter of 1985 and ₦1,501.0 million or 13.2 per cent above that for the third quarter of 1984.

The rise in bank credit to the economy was the only factor which explained the expansion in money stock as the declines in the "Other" and foreign assets of the banking system together with the increase in quasi-money exerted a moderating effect (see Table 1).

The bulk (91.4 per cent) of the increase in money supply during the review period occurred in the demand deposit component resulting in the rise of 2.5 percentage points to 66.1 per cent in the deposit ratio of money stock.

Influenced mainly by the expansion in M_1 , and the modest increase in time and savings deposits with commercial banks, the broader measure of Money Supply (M_2) also increased by ₦1,629.9 million or 7.4 per cent to ₦23,512.1 million during the quarter under review. In the preceding quarter and the comparable period of 1984, the level of M_2 rose by ₦756.1 million or 3.6 per cent and ₦804.7 million or 4.1 per cent, respectively. The expansion in M_1 alone accounted for 74.0 per cent of the observed increase in M_2 during the third quarter of 1985 while the balance was in quasi-money. The monthly average level of this monetary aggregate was ₦23,090.7 million in the review period, compared with ₦21,715.1 million in the second quarter of 1985 and ₦20,394.6 million in the third quarter of 1984.

Banking System's Credit:

At ₦32,654.2 million at the end of September 1985, aggregate bank credit outstanding to the domestic economy was ₦2,353.7 million or 7.8 per cent higher than its end-June 1985 level. This increase which was substantially higher than the ₦659.0 million or 2.3 per cent recorded in the comparable period of 1984 and was in sharp contrast to the decline of ₦292.7 million or 1.0 per cent observed in the second quarter of 1985. The government sector was the main beneficiary as its borrowing accounted for more than 91 per cent of total new credit while the share of the private sector remained relatively insignificant, signifying the continued lull in general economic activities in the country.

At the end of September 1985, bank credit (net) to the government sector stood at ₦19,538.8 million, representing an increase of ₦2,145.9 million or 12.3 per cent during the quarter

under review. This sharp increase in government's dependence on the banking system in financing its budgetary deficit, contrasts with the decline of ₦204.3 million or 1.2 per cent in such borrowing during the preceding quarter. More than three-quarters (75.8 per cent) of the increase in the banking system's claims on the sector came from the Central Bank. As against the heavy reliance on Ways and Means Advances from the Central Bank by the government during the second quarter of 1985 (₦957.1 million) and third quarter of 1984 (₦1,978.5 million) the principal instruments of government borrowing during the review period were the treasury bills and treasury certificates whose holdings by the banking system rose by ₦1,104.4 and ₦1,816.1 million, respectively. On the other hand, CBN Ways and Means Advances outstanding to the Federal Government had been completely wiped off by the end of September 1985. A related and significant development during the quarter was the unloading of treasury bills holdings by non-bank investors on the Central Bank. It would be recalled that corporate treasurers have in recent times held their idle funds in short-dated government securities, pending the time such funds would be required as economic activities picked up.

Bank credit to the private sector totalled ₦13,115.4 million at the end of September 1985; representing a modest increase of ₦207.8 million or 1.6 per cent over the third quarter level. In contrast, there was a decline of ₦88.4 million or 0.7 per cent during the preceding quarter. However, over the level a year earlier, the system's credit to the sector rose by ₦720.8 million or 5.8 per cent. Commercial banks accounted wholly for the increase observed during the review period as the level of Central Bank's credit to the private sector, mainly to the Commodity Boards, recorded a marginal decline (see Table 1). The growth in commercial banks' loans and advances to this sector continued to be sluggish as import restrictions continued to constrain manufacturing and commercial activities in the economy. And in any event, any modest increase in their capacity utilisation during the period could be financed from past savings held in financial assets without recourse to borrowing from the banks.

External Assets:

During the third quarter of 1985 foreign assets of the banking system fell sharply by ₦440.7 million or 31.8 per cent to ₦945.8 million – the lowest level attained since March 1984. The fall more than trippled the ₦129.9 million or 8.6 per cent decline recorded during the second quarter of the year. Accounting mainly for this development was the fast deceleration in the rate of foreign exchange inflow which was not matched by a corresponding reduction in outflow. This reflected the additional burden of a high debt service ratio apart from the need to maintain a certain level of imports, mainly raw materials. On monthly average basis, the external reserves of the banking system was ₦1,007.0 million during the review quarter, compared with ₦1,424.5 million in the second quarter of 1985 and ₦1,157.1 million in the third quarter of 1984.

Commercial Banking:

Total assets/liabilities of the commercial banks stood at ₦30,963.8 million at the end of the third quarter of 1985,

representing an increase of ₦457.6 million or 1.5 per cent over the level at the end of the second quarter of the year. This rate of expansion is much higher than the increases of 0.7 and 0.5 per cent recorded in the preceding quarter and the corresponding quarter of 1984, respectively.

Total deposit liabilities of the banks at the end of September 1985 amounted to ₦17,050.6 million, reflecting an increase of ₦467.1 million or 2.8 per cent over the end-June 1985 level. This compared with the increase of ₦485.1 million or 3.0 per cent in the preceding quarter but contrasted with the decline of ₦214.9 million or 1.4 per cent in the corresponding quarter of 1984. Over the twelve month period ended September 1985, deposit liabilities of the banks rose substantially by ₦1,698.7 million or 11.1 per cent. The monthly average level of total deposits at ₦16,890.1 million during the review quarter was 3.6 per cent higher than the ₦16,302.6 million observed during the preceding quarter. All categories of deposits contributed to the growth but with the time deposit component accounting for the bulk (70.9 per cent) of the increase during the quarter. This was a continuation of the development observed during the previous quarter and was traceable largely to big-time savers mainly, business concerns, non-financial institutions and 'other' depositors. This, was largely a reflection of the liquidity position of the corporate bodies in excess of their immediate needs which has been depressed drastically by the down-turn in economic activities.

Commercial banks' investments continued to be largely in favour of short-term government's debt instruments as the recession in the economy dampened effective demand for commercial bank credit by the private sector. Thus, investments by the commercial banks rose by ₦561.2 million or 5.6 per cent to ₦10,598.8 million during the quarter, compared with the increase of ₦213.4 million in the preceding quarter.

On the other hand, commercial banks' aggregate loans and advances rose by only ₦202.2 million or 1.8 per cent to ₦11,674.3 million during the review quarter. This represents a marginal improvement over the decline of ₦72.6 million or 0.6 per cent in the second quarter of the year. Over the level at the end of December 1984, commercial banks' total loans and advances had increased by only 1.5 per cent by end-September 1985, as against the permissible expansion rate of 7.0 per cent for fiscal 1985.

Following the substantial increase in commercial banks' total deposit liabilities not matched with corresponding increases in loans and investments during the review quarter, the loan deposit ratio declined from a monthly average of 70.7 per cent during the second quarter of 1985 to 68.7 per cent during the review quarter. In the same period, the system's liquidity ratio fell from 68.2 per cent to 67.3 per cent and cash ratio from 5.5 to 4.2 per cent.

Sectoral Distribution of Loans and Advances:

The sectoral distribution of the banks' loans and advances during the third quarter of 1985, showed an improvement over the banks' performance during the preceding quarter. The monthly average distribution of commercial banks' total loans and advances to the preferred sectors of the economy during the quarter under review was 68.3 per cent. While this was marginally higher than the 67.9 per cent achieved during the second quarter of the year, it was 6.7 per cent lower than the 75.0 per cent prescribed minimum target. The Agricultural, Industrial Enterprises, Export and Services sectors recorded short-falls of 2.0, 2.0, 1.0 and 2.8 percentage points respectively.

However, allocation to Residential Building Construction sector exceeded the 6.0 per cent prescribed minimum target by 1.1 percentage points (see Table 4).

On the other hand, allocation to the less preferred sectors exceeded the ceiling of 21.0 per cent by 6.7 percentage points. The margin of deviation was 7.1 percentage points in the preceding quarter. With the exception of the General Commerce sector where compliance was achieved, the remaining two sectors (Government and Others) received more than the limit prescribed for them (see Table 4).

Merchant Banking:

Merchant banks' total assets/liabilities at the end of September, 1985 stood at ₦4,681.8 million, showing an increase of ₦305.3 million or 7.0 per cent over the end-June 1985 level. This contrasted with the decline of ₦82.4 million or 1.8 per cent in the preceding quarter, but compared with the increase of ₦126.9 million or 3.3 per cent recorded in the corresponding quarter of 1984. Investible funds which accrued to the banks, mainly, from increases in their deposit and 'other' liabilities as well as call money from other financial institutions during the review quarter, were utilized largely, to expand loans, investments in government securities and "Other" assets.

At ₦1,722.7 million, at the end of September 1985 deposit liabilities of the banks rose by ₦75.5 million or 4.6 per cent during the third quarter of 1985. As expected, the increase was mainly in time deposits. In the preceding quarter a higher increase of ₦144.6 million or 9.6 per cent was recorded, while over the one year period from September 1984, the deposit liabilities of merchant banks rose by ₦429.0 million or 32.2 per cent. The level of other liabilities showed an increase of ₦149.4 million during the review quarter. Total investments during the review quarter stood at ₦1,219.8 million, reflecting an increase of ₦144.6 million or 13.5 per cent during the quarter, in contrast to the decline of ₦37.1 million or 3.3 per cent observed in the preceding quarter. Over the one year ended September 1985, the banks' aggregate investments outstanding rose substantially by ₦378.5 million or 45.0 per cent.

Loans and Advances outstanding increased by ₦54.0 million or 3.3 per cent to ₦1,709.0 million. During the preceding quarter, there was no change in the level of their loans and advances. Over the level at the end of December 1984, total loans and advances rose by only ₦37.2 million or 2.2 per cent as against the 7.0 per cent maximum expansion rate allowed in fiscal 1985. The low rate of expansion was attributable largely to slow-down in economic activities, particularly in the manufacturing sector.

Sectoral Distribution of Loans and Advances:

At 61.5 per cent the monthly average allocation of the merchant banks' total loans and advances fell short of the prescribed minimum of 79.0 per cent for the preferred sectors of the economy. Performance during the quarter under review, however, was a marginal improvement over what the banks achieved in the preceding quarter (see Table 5). All the sectors in the preferred category of the economy received below the minimum proportional share allocated to them with the industrial enterprises sector being the worst off. Of the total 17.5 percentage points shortfall, the sector accounted for 11.7 percentage points. The sector was followed by the Export, Services, Agricultural and Residential Building construction sectors with 2.8, 2.4, 0.5 and 0.1 percentage points respectively.

On the other hand, the less preferred sector which received

38.5 per cent (monthly average) of the total loans and advances during the period exceeded the prescribed limit by 17.5 percentage points which was accounted for wholly by the 'Other' sector. With respect to the General Commerce and Government sectors, compliance was achieved as proportional allocations to the sectors were below the set limits (see Table 5).

Equipment Leasing:

The value of equipment leasing amounted to ₦77.7 million at the end of September 1985. This showed an increase of ₦2.0 million or 2.6 per cent over the level at the end of June 1985. In the preceding quarter, an increase of ₦3.9 million or 5.4 per cent was achieved. At the end of the review quarter, the value of equipment leasing constituted 1.6 per cent of merchant banks' total assets compared with 1.7 per cent observed at the end of the second quarter and the policy prescribed maximum ratio of 15.0 per cent.

Financial Markets:

Although activities in the Nigerian Capital Market was dull generally, the secondary market witnessed some growth during the third quarter of 1985. While no new member was registered, official listing of securities in the market increased. The newly listed securities included four tranches of the Federal Republic of Nigeria 23rd Development Stocks floated in April 1985, and the Savannah Bank of Nigeria Ltd., Ordinary Shares. The first and only equity – the DCC Company – listed on the recently launched Second-tier Security Market (SSM) also appeared on the official list of the Nigeria Stock Exchange.

In the review period, the number of transactions on the Stock Exchange stood at 5,731 valued at ₦61.7 million, compared with 5,563 dealings valued ₦47.7 million in the second quarter of 1985. While transactions in government securities were only 48, representing 0.8 per cent of the total number, the value put at ₦58.6 million accounted for 95.0 per cent of the total.

In the new issues market, 20 companies raised ₦70.6 million through private placement of securities. Of this amount, ₦36.1 million or 51.1 per cent were in Ordinary Shares while Preference Shares took up the balance of ₦34.5 million representing 48.9 per cent of the total.

Money market assets outstanding at the end of September 1985 totalled ₦23.9 billion, showing an increase of ₦1.9 billion or 8.9 per cent during the quarter. The increase was accounted for wholly by the ₦1,967 million or 30.7 per cent additional issues of treasury certificates, as the levels of other market instruments remained virtually unchanged. Transactions in market instruments continued to be predominantly between the Central Bank on one hand and the commercial and merchant banks on the other. As in the preceding quarter, these three institutions constituted the principal investors in the market. Investments by non-bank public in treasury bills which had witnessed some growth in recent times fell sharply by 58.6 per cent from ₦3.1 billion at the end of June 1985 to ₦1.8 billion at the end of September. This might be due to divestment by corporate treasurers who had to raise funds from internal sources to finance expansion in their activities. Rediscounts of money market instruments totalled ₦1.2 billion during the quarter, compared with ₦1.7 billion in the preceding quarter.

MONEY AND BANKING OFFICE RESEARCH DEPARTMENT.

MONETARY AND CREDIT DEVELOPMENTS DURING THE 3rd QUARTER OF 1985
(₦ Million)

Table 1

	September 1985 (1)	June 1985 (2)	March 1985 (3)	September 1984 (4)	Changes Between (1) & (2)		Changes Between (2) & (3)		Changes Between (1) & (4)	
					Absolute	Per cent	Absolute	Per cent	Absolute	Per cent
<i>Credit to Domestic Economy (Net)</i> ⁴	32,654.2	30,300.5	30,593.2	30,134.6	+2,353.7	+7.8	-292.7	-1.0	+2,519.6	+8.4
<i>Credit to Private Sector</i>	13,115.4	12,907.6	12,996.0	12,394.6	+207.8	+1.6	-88.4	-0.7	+720.8	+5.8
(i) Central Bank	1,335.5	1,349.4	1,299.5	1,121.9	-13.9	-1.0	+49.9	+3.8	+213.6	+19.0
(ii) Commercial Banks	11,779.9	11,558.2	11,696.5	11,272.7	+221.7	+1.9	-138.3	-1.2	+507.2	+4.5
<i>Credit to Government Sector (Net)</i>	19,538.8	17,392.9	17,597.2	17,740.0	+2,145.9	+12.3	-204.3	-1.2	+1,798.0	+10.1
(i) Central Bank ⁴	9,475.8	7,849.0	8,360.4	9,531.5	+1,626.8	+20.7	-511.4	-6.1	-55.7	-0.6
(ii) Commercial Banks ²	10,063.0	9,543.9	9,236.8	8,208.5	+511.1	+5.4	+307.1	+3.3	+1,854.5	+22.6
(iii) Federal Savings Bank	—	—	—	—	—	—	—	—	—	—
<i>Foreign Assets (Net)</i>	945.8	1,385.5	1,516.4	1,176.4	-440.7	-31.8	-129.9	-8.6	-230.6	-19.6
(i) Central Bank ³	800.9	1,047.9	1,276.7	949.2	-247.0	-23.6	-228.8	-17.9	-148.3	-15.6
(ii) Commercial Banks	144.9	338.6	239.7	227.2	-193.7	-57.2	+98.9	+41.3	-82.3	-36.2
<i>Other Assets (Net)</i>	-10,087.9	-9,804.8	-10,983.5	-10,716.1	-283.1	-2.9	+1,178.7	+10.7	+628.2	+5.9
<i>Total Monetary Assets</i>	23,512.1	21,882.2	21,126.1	20,594.9	+1,629.9	+7.4	+756.1	+3.6	+2,912.1	+11.2
<i>Quasi Money</i>	10,331.3	9,908.1	9,623.5	9,059.9	+423.2	+4.3	+284.6	+3.0	+1,271.4	+14.0
<i>Money Supply</i>	13,180.8	11,974.1	11,502.6	11,540.1	+1,206.7	+10.1	+471.5	+4.1	+1,640.7	+14.2
(i) Currency Outside Banks	4,464.2	4,360.1	4,511.8	4,646.1	+104.1	+2.4	-151.7	-3.4	-181.9	-3.9
(ii) Private Sector Demand Deposits	8,716.6	7,614.0	6,990.8	6,894.0	+1,102.6	+14.5	+623.2	+8.9	+1,822.6	+26.4
<i>Total Monetary Liabilities</i>	23,512.1	21,882.2	21,126.1	20,594.9	+1,629.9	+7.4	+756.1	+3.6	+2,912.1	+11.2
<i>Fed. Gov't. Demand Deposits</i>	2,458.4	2,428.1	2,260.0	1,781.2	+30.3	+1.2	+168.1	+7.4	+677.2	+38.0

¹ Less Federal Govt. deposit with the Central Bank and Fed. Govt. external assets

² Less Federal Govt. demand deposits with commercial banks

³ Includes Federal Government External Assets

⁴ Excludes Federal Savings Bank Deposit.

Table 2

COMPARATIVE STATEMENTS OF ASSETS AND LIABILITIES OF THE COMMERCIAL BANKING SYSTEM
(₦ million)

Accounts	September 1985	June 1985	September 1984	Percentage change between	
	(1)	(2)	(3)	(1) & (2)	(1) & (3)
Assets					
1. <i>Cash and cash items</i>	1,196.9	1,263.9	1,281.1	-5.3	-6.6
(a) Vault cash	388.1	394.5	422.2	-1.6	-8.1
(b) Balance at Central Bank	808.8	869.4	858.9	-7.5	-5.8
2. <i>Balance held with</i>	724.6	946.8	680.0	-23.5	+6.6
(a) Banks in Nigeria	362.1	421.5	317.0	-14.1	+14.2
(b) Banks outside Nigeria	339.6	515.2	360.2	-34.1	-5.7
(c) Offices and branches outside Nigeria	22.9	10.1	2.8	+126.7	+717.9
3. <i>Loans and Advances</i>	11,674.3	11,472.1	11,096.8	+1.8	+5.2
(a) Banks in Nigeria	12.6	4.0	9.0	+215.0	+40.0
(b) Other customers	11,103.6	10,956.8	10,405.9	+1.3	+6.7
(i) Banks' Subsidiaries	(—)	(—)	(—)	(—)	(—)
(ii) Federal Government	(63.5)	(94.5)	(54.3)	(-32.8)	(+16.9)
(iii) State Government	(453.9)	(417.5)	(428.9)	(+8.7)	(+5.8)
(iv) Local Governments	(28.6)	(25.1)	(46.3)	(12.2)	(-38.2)
(v) Other	(10,557.5)	(10,419.7)	(9,876.4)	(+1.3)	(+6.9)
(c) Banks outside Nigeria	—	—	—	—	—
(d) Money at call outside Central Bank	514.1	463.2	630.9	+10.9	-18.5
(e) Bills discounted	44.0	48.1	51.0	-8.5	-13.7
(i) Payable in Nigeria	(32.6)	(31.3)	(46.4)	+4.2	(-29.7)
(ii) Payable outside Nigeria	(11.4)	(16.8)	(4.6)	(-32.1)	(+147.8)
4. <i>Investment</i>	10,598.8	10,037.6	8,681.3	+5.6	+22.1
(a) In Nigeria	10,598.8	10,037.6	8,681.3	(+5.6)	+22.1
(i) Treasury bills	(8,200.6)	(8,039.6)	(7,202.4)	(+2.0)	(+13.9)
(ii) Treasury certificates	1,801.3	(1,521.2)	(942.5)	(+18.4)	(+91.1)
(iii) Development stocks	(385.2)	(256.9)	(273.9)	(+33.3)	(+40.6)
(iv) Bankers' Unit Fund	(18.5)	(18.5)	(18.5)	(—)	(—)
(v) Certificates of Deposit	(141.1)	(139.1)	(195.7)	(+1.4)	(-27.9)
(vi) Stabilization Securities	(—)	(—)	(—)	(—)	(—)
(vii) Other	(52.1)	(62.3)	(48.3)	(-16.4)	(+7.9)
(b) Abroad	—	—	—	—	—
5. <i>Other Assets</i>	6,769.2	6,788.6	6,955.1	-0.3	-2.7
Total	30,963.8	30,509.0	28,694.3	+1.5	+7.9
Liabilities					
1. <i>Capital: Issued, paid-up and reserve</i>	1,074.9	1,024.2	889.0	+5.0	+20.9
2. <i>Balance held for</i>	518.1	333.4	385.2	+55.4	+34.5
(a) Banks in Nigeria	289.1	130.0	244.8	+122.4	+18.1
(b) Other banks outside Nigeria	160.1	171.8	122.6	-6.8	+30.6
(c) Offices and branches outside Nigeria	68.9	31.6	17.8	+118.0	+287.1
3. <i>Money at call from other banks</i>	99.6	83.6	80.9	+19.1	+23.1
(a) In Nigeria	99.6	83.6	80.9	+19.1	+23.1
(b) Outside Nigeria	—	—	—	—	—
4. <i>Loans and advances from</i>	77.0	59.3	252.1	+29.8	-69.5
(a) Central Bank of Nigeria	—	—	9.4	—	+100.0
(b) Other banks in Nigeria	5.0	5.0	173.0	0.0	-97.1
(c) Other banks outside Nigeria	6.9	—	—	—	—
(d) Other creditors	65.1	54.3	69.7	+19.9	-6.6
5. <i>Deposits</i>	17,050.6	16,583.5	15,351.9	+2.8	+11.1
(a) Demand	6,719.4	6,675.4	6,297.1	+0.7	+6.7
(b) Savings	3,582.5	3,490.6	3,319.7	+2.6	+7.9
(c) Time	6,748.7	6,417.5	5,735.2	+5.2	+17.7
6. <i>Certificates of Deposit</i>	25.0	24.9	55.8	+0.4	-15.2
7. <i>Other Liabilities</i>	12,118.6	12,400.1	11,679.4	-2.3	+3.8
Total	30,963.8	30,509.0	28,694.3	1.5	+7.9

Table 3

COMPARATIVE STATEMENTS OF ASSETS AND LIABILITIES OF THE MERCHANT BANKING SYSTEM

Accounts	(₦ million)				
	September 1985	June 1985	September 1984	Percentage change between	
	(1)	(2)	(3)	(1) & (2)	(1) & (3)
Assets					
1. <i>Cash and cash items</i>	28.1	95.0	109.3	-70.4	-74.3
(a) Vault cash	0.3	0.2	0.2	+0.5	+50.0
(b) Balance at Central Bank	27.8	94.8	109.1	-70.7	-74.5
2. <i>Balance held with</i>	188.1	185.9	150.1	+1.2	+25.3
(a) Banks in Nigeria	49.3	29.7	48.9	+66.0	0.8
(b) Banks outside Nigeria	138.7	156.2	101.2	-11.2	+37.1
(c) Offices and branches outside Nigeria	0.1	—	—	—	—
3. <i>Loans and Advances</i>	1,709.0	1,655.0	1,522.1	+3.3	+12.3
(a) Banks in Nigeria	1.6	0.6	2.5	+1.7	-36.0
(b) Other customers	1,229.5	1,217.9	1,082.2	+0.1	+13.6
(i) Banks' Subsidiaries	(—)	(—)	(—)	—	—
(ii) Federal Government	(0.3)	(0.3)	(0.3)	0.0	—
(iii) State Government	(20.0)	(17.8)	(2.1)	+12.3	+852.4
(iv) Local Governments	(—)	(—)	(—)	—	—
(v) Other	(1,209.2)	(1,199.8)	(1,079.7)	+0.1	+12.0
(c) Banks outside Nigeria	—	—	—	—	—
(d) Money at call outside Central Bank	402.0	343.5	362.2	+17.0	+11.0
(e) Bills discounted	75.9	93.0	75.1	-18.4	+1.1
(i) Payable in Nigeria	(75.9)	(93.0)	(75.1)	-18.4	+1.1
(ii) Payable outside Nigeria	(—)	(—)	(—)	—	—
FACTORED DEBT	—	—	—	—	—
4. <i>Investment</i>	1,219.4	1,074.8	840.9	+13.5	+45.0
(a) In Nigeria	1,219.4	1,074.8	840.9	+13.5	+45.0
(i) Treasury bills	(981.2)	(887.5)	(695.2)	+10.6	(+41.1)
(ii) Treasury certificates	(84.9)	(21.0)	(11.0)	+304.3	+671.8
(iii) Development stocks	(46.0)	(46.0)	(1.0)	0.0	+4,500
(iv) Bankers' Unit Fund	(1.8)	(1.8)	(—)	0.0	—
(v) Certificates of Deposit	(92.2)	(108.6)	(123.1)	-15.1	-25.1
(vi) Stabilization Securities	(—)	(—)	(—)	—	—
(vii) Other	(13.3)	(9.9)	(10.6)	+34.3	+25.5
(b) Abroad	—	—	—	—	—
EQUIPMENT ON LEASE	77.7	75.7	45.4	+2.6	+71.1
5. <i>Other Assets</i>	1,459.5	1,290.1	1,347.6	+13.1	+8.3
Total	4,681.8	4,376.5	3,970.0	+7.0	+17.9
Liabilities					
1. <i>Capital: Issued, paid-up and reserve</i>	148.3	138.4	114.7	+7.2	+29.3
2. <i>Balance held for</i>	29.3	34.7	75.9	-15.6	-61.4
(a) Banks in Nigeria	21.9	26.6	58.1	-17.7	-62.3
(b) Other banks outside Nigeria	7.4	8.0	17.8	-0.6	-58.4
(c) Offices and branches outside Nigeria	—	—	—	—	—
3. <i>Money at call from other banks</i>	382.4	319.6	271.1	+19.6	+41.1
(a) In Nigeria	382.4	319.1	270.5	+19.8	+41.4
(b) Outside Nigeria	—	0.5	0.6	-100.0	-100.0
4. <i>Loans and advances from</i>	—	—	—	—	—
(a) Central Bank of Nigeria	—	—	—	—	—
(b) Other banks in Nigeria	—	—	—	—	—
(c) Other banks outside Nigeria	—	—	—	—	—
(d) Other creditors	—	—	—	—	—
5. <i>Deposits</i>	1,722.7	1,647.2	1,293.7	+4.6	+32.2
(a) Demand	497.2	500.9	415.7	-0.7	+19.6
(b) Savings	—	—	—	—	—
(c) Time	1,225.5	1,146.3	878.0	+6.9	+39.6
6. <i>Certificates of Deposit</i>	100.9	87.8	131.3	+14.9	-23.2
7. <i>Other Liabilities</i>	2,298.2	2,148.8	2,083.3	+7.0	+10.9
Total	4,681.8	4,376.5	3,970.0	+7.0	+17.9

Table 4

SECTORAL DISTRIBUTION OF COMMERCIAL BANKS' LOANS AND ADVANCES (%)

		SECTORAL DISTRIBUTION OF COMMERCE AND INDUSTRIAL FINANCE (%)																							
		Prescribed Targets		Average Performances			1985										Average Performances			Deviations from Targets					
		1984	1985	Jan. March 1984	April. June 1984	July. Sept. 1984	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Jan. March 1985	April June 1985	July Sept. 1985	Jan. March 1984	April June 1984	July Sept 1984	Jan. March 1985	April June 1985	July Sept 1985	
A. Preferred Sectors.																									
(i)	Agriculture	10.0	12.0	8.6	8.7	9.0	9.4	9.5	9.1	9.4	9.5	9.7	9.7	10.1	10.1	9.3	9.5	10.0	-1.4	-1.3	-1.0	-2.7	-2.5	-2.0	
(ii)	Industrial Enterprises.....	45.0	44.0	43.8	43.7	42.9	42.6	42.3	42.2	41.2	41.9	42.4	42.1	42.0	42.0	42.4	41.8	42.0	-1.2	-1.3	-2.1	-1.6	-2.2	-2.0	
(iii)	Residential Buildings Construction....	6.0	6.0	6.7	6.9	7.1	7.2	6.7	7.1	8.5	7.3	7.1	7.1	7.2	7.0	7.0	7.6	7.1	+0.7	+0.9	+1.1	+1.8	+1.6	+1.1	
(iv)	Export	2.0	2.0	1.0	1.1	1.0	1.2	1.3	1.0	1.0	0.9	0.9	0.9	1.1	1.0	1.2	0.9	1.0	-1.0	-1.0	-1.0	-0.8	-1.1	-1.0	
(v)	Services	12.0	11.0	8.2	8.0	8.2	8.1	8.0	8.0	7.9	8.0	8.1	7.9	9.0	7.8	8.0	8.1	8.2	-3.8	-3.9	-3.8	-3.0	-2.9	-2.8	
Total 'A'		75.0	75.0	68.3	68.4	68.2	68.5	67.8	67.4	68.0	67.6	68.2	67.7	69.4	67.8	67.9	67.9	68.3	-6.7	-6.6	-6.8	-7.1	-7.1	-6.7	
B. Less Preferred Sectors.																									
(vi)	General Commerce	16.0	16.0	14.5	14.4	14.4	14.8	15.0	15.5	15.4	15.3	15.3	15.3	15.2	15.1	15.1	15.3	15.2	-1.5	-1.6	-1.6	-0.9	-0.7	-0.8	
(vii)	Government	3.0	3.0	5.2	4.8	4.7	4.5	5.0	4.8	4.9	4.7	4.7	4.8	4.9	4.6	4.8	4.8	4.8	+2.2	+1.8	+1.7	+1.8	+1.8	+1.8	
(viii)	Others.....	6.0	6.0	12.0	12.4	12.7	12.2	12.2	12.3	11.7	12.4	11.8	12.2	10.5	12.5	12.2	12.0	11.7	+6.0	+6.4	+6.7	+6.2	+6.0	+5.7	
Total 'B'		25.0	25.0	31.7	31.6	31.8	31.5	32.2	32.6	32.0	32.4	31.8	32.3	30.6	32.2	32.1	32.1	31.7	+6.7	+6.6	+6.8	+7.1	+7.1	+6.7	
Total 'A' + 'B'		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	—	—	—	—	—	—	

Table 5

SECTORAL DISTRIBUTION OF MERCHANT BANKS' LOANS AND ADVANCES (%)

Sectoral Distribution of Merchant Banks' Loans and Advances (%)																									
		Prescribed Targets		Average Performances			1985										Average Performances			Deviations from Targets					
		1984	1985	Jan. March 1984	April June 1984	July Sept. 1984	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Jan March 1985	April June 1985	July Sept 1985	Jan March 1984	April June 1984	July Sept 1984	Jan March 1985	April June 1985	July Sept 1985	
<i>A. Preferred Sectors.</i>																									
(i)	Agriculture	5.0	6.0	4.1	4.7	4.5	5.4	5.5	5.2	5.4	5.2	5.5	5.5	5.5	5.5	5.4	5.4	5.5	-0.9	-0.3	-0.5	-0.6	-0.6	-0.5	
(ii)	Industrial Enterprises.....	58.0	58.0	46.2	46.0	43.8	49.1	47.4	45.2	45.4	44.6	47.3	47.0	47.4	44.5	47.2	45.8	46.3	-11.8	-12.0	-14.2	-10.8	-12.2	-11.7	
(iii)	Residential Building Construction....	6.0	6.0	6.3	6.9	5.4	6.2	6.6	6.0	5.7	5.7	6.1	6.0	6.0	5.9	6.3	5.8	5.9	+0.3	+0.9	-0.6	+0.3	-0.2	-0.1	
(iv)	Export	3.0	3.0	0.1	0.1	0.1	0.2	0.0	0.2	0.0	0.0	0.0	0.7	0.0	0.0	0.1	0.0	0.2	-2.9	-2.9	-2.9	-2.9	-3.0	-2.8	
(v)	Services	7.0	6.0	2.8	4.0	3.6	3.5	3.3	3.4	3.5	3.3	3.6	3.7	3.6	3.3	3.4	3.5	3.6	-3.8	-3.0	-3.4	-2.6	-2.5	-2.4	
Total 'A'		79.0	79.0	57.7	61.6	57.4	64.4	62.8	60.0	60.0	58.8	62.5	62.9	62.5	59.2	62.4	60.5	61.5	-19.1	-17.4	-21.6	-16.6	-18.5	-17.5	
<i>B. Less Preferred Sectors.</i>																									
(vi)	General Commerce	14.0	14.0	11.0	12.7	13.3	12.9	12.7	14.8	14.5	13.5	13.0	12.5	12.4	13.9	13.5	13.7	12.9	-2.0	-1.3	-0.7	-0.5	-0.3	-1.1	
(vii)	Government	2.0	2.0	0.5	0.1	0.1	0.2	0.8	0.1	2.0	0.5	0.9	0.4	1.2	1.1	0.4	1.1	0.9	-1.9	-1.9	-1.9	-1.6	-1.5	-1.1	
(viii)	Others.....	5.0	5.0	31.0	25.6	29.2	22.5	23.8	25.1	23.4	27.2	23.6	24.2	23.9	25.8	23.8	24.7	24.7	+23.0	+20.6	+24.2	+18.8	+18.3	+19.7	
Total 'B'		21.0	21.0	42.4	38.4	42.6	35.6	37.2	40.0	40.0	41.2	37.5	37.1	37.5	40.8	37.6	39.5	38.5	+19.1	+17.4	+21.6	+16.6	+18.6	+17.5	
Total 'A' + 'B'		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	—	—	—	—	—	—	

FOREIGN EXCHANGE FLOWS THROUGH THE CENTRAL BANK DURING THE THIRD QUARTER OF 1985

Foreign exchange transactions during the third quarter of 1985 resulted in a higher level of net outflow of ₦247.1 million, compared with the net outflows of ₦165.1 million and ₦114.0 million recorded during the preceding quarter and the corresponding period of 1984 respectively. In consequence, official holdings of external reserves fell from the level of ₦1,096.8 million at the end of December 1984 to ₦1,031.6 million and ₦784.5 million at the end of the second and third quarters of 1985 respectively (see Table 3). At this level, the external reserves was not sufficient to finance one month's foreign exchange commitments at the prevailing rate of disbursement.

Inflow

At ₦2,171.5 million foreign exchange inflow during the third quarter of 1985, showed decreases of ₦688.6 million or 24.1 per cent and ₦53.4 million or 2.4 per cent from the respective levels attained in the preceding quarter and the corresponding period of 1984. The reduced level of inflow during the third quarter of 1985 was largely traceable to the lower levels of receipts in August and September. Foreign exchange proceeds from merchandise exports which stood at ₦910.4 million at the end of July 1985, fell by 47.4 per cent to ₦479.2 million in August but increased relatively slightly above the August inflow to ₦542.0 million in September 1985. Inflow on account of services which was ₦54.7 million in July fell sharply to ₦18.4 million in August before rising to ₦35.0 million in September. Also, capital inflow fell consistently from ₦96.4 million in July through ₦32.3 million in August to ₦3.1 million in September 1985 (see Table 1).

As quarterly aggregates, inflow from merchandise exports declined from ₦2,748.2 million in the second quarter of 1985 by ₦816.6 million or 29.7 per cent to ₦1,931.6 million in the third quarter of the year. On the other hand, receipts on capital

account and inflow on account of services increased from their respective levels of ₦20.0 million and ₦89.9 million, during the second quarter, to ₦131.8 million and ₦108.1 million in the third quarter of 1985 (see Table 2).

Outflow

Total foreign exchange disbursements during the third quarter of 1985 amounted to ₦2,418.6 million which was ₦606.6 million or 20.1 per cent lower than during the second quarter of 1985, but higher by ₦79.9 million or 3.4 per cent than the level attained during the corresponding period of 1984. Foreign exchange out-payments during the months of August and September were significantly lower than the level recorded during the month of July 1985. This was in consonance with the low level of inflow during those two months. Thus during the quarter, foreign exchange disbursements decreased consistently from ₦1,288.4 million in July to ₦576.6 million and ₦553.4 million at the end of August and September respectively. This explains the lower level of outflow in the third quarter when compared with the second quarter of 1985 (see Table 1).

Total foreign exchange expenditure on visible trade amounted to ₦1,047.1 million during the third quarter, ₦461.5 million or 30.6 per cent lower than the level of ₦1,508.6 million during the second quarter of 1985. Capital loan repayment and interest payments during the review quarter stood at ₦697.5 million and ₦279.7 million respectively. These were higher than their respective levels in the second quarter by ₦28.3 million and ₦49.0 million. Outpayments on account of services decreased by ₦222.4 million in the second quarter to ₦394.3 million during the third quarter of 1985 (see Table 2).

Overall, in spite of the reduced level of outflow during the third quarter of 1985, the budgetary provision of ₦2.0 billion for the quarter was exceeded by ₦418.6 million.

BALANCE OF PAYMENTS OFFICE RESEARCH DEPARTMENT.

Table 1
INFLOW AND OUTFLOW OF FOREIGN EXCHANGE THROUGH THE CENTRAL BANK DURING THE THIRD QUARTER OF 1985¹

Item	July	August	September	Total
<i>Inflow</i>				
1. Merchandise.....	910.4	479.2	542.0	1,931.6
(i) Oil	(874.4)	(462.7)	(503.4)	(1,840.5)
(ii) Non-Oil.....	(36.0)	(16.5)	(38.6)	(91.1)
2. Capital.....	96.4	32.3	3.1	131.8
3. Services.....	54.7	18.4	35.0	108.1
Total.....	1,061.5	529.9	580.1	2,171.5
<i>Outflow</i>				
1. Imports of Goods	629.2	240.8	177.1	1,047.1
2. Services.....	213.6	48.9	131.8	394.3
3. Capital.....	245.3	235.4	216.8	697.5
4. Interest	200.3	51.5	27.9	279.7
Total.....	1,288.4	576.6	553.6	2,418.6
Net Flow.....	-226.9	-46.7	+26.5	-247.1

¹Provisional

Table 2

QUARTERLY FOREIGN EXCHANGE FLOWS THROUGH THE CBN¹
(₦ million)

Item	July – Sept. 1984	April – June 1985	July – Sept 1985
<i>Inflow</i>			
1. Merchandise.....	2,090.6	2,748.2	1,931.6
(i) Oil	(2,056.7)	(2,698.2)	(1,840.5)
(ii) Non-Oil.....	(33.9)	(50.0)	(91.1)
2. Capital.....	25.7	22.0	131.8
3. Services.....	108.6	89.9	108.1
Total.....	2,224.9	2,860.1	2,171.5
<i>Outflow</i>			
1. Imports of Goods	1,358.5	1,508.6	1,047.1
2. Services.....	239.7	616.7	394.3
3. Capital.....	514.6	669.2	697.5
4. Interest	226.1	230.7	279.7
Total.....	2,338.9	3,025.2	2,418.6
Net Flow.....	-114.0	-165.1	-247.1

¹Provisional

Table 3

NIGERIA'S EXTERNAL ASSETS
(₦ million)

Holder	Sept. 1984	Dec. 1984	June 1985	Sept. 1985
<i>Official</i>	877.0	1,096.8	1,031.6	784.5
(i) Central Bank ¹	860.2	1,080.0	1,014.8	767.7
(ii) Federal Government	16.8	16.8	16.8	16.8
Semi-Official Institutions with State Governments	+5.9	5.8	5.7	5.5
Commercial Banks (Net)	+227.2	+319.5	+338.6	+126.6
Total.....	1,110.1	1,422.1	1,375.9	916.6

¹Excludes attached assets.