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Monetary developments during the first half of 1981

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MONETARY DEVELOPMENTS DURING THE FIRST HALF OF 1981

In the first half of 1981, money supply, defined to include demand deposits and currency outside banks fluctuated downwards around a monthly average of ₦8,694.6 million. From the level of ₦9,226.8 million in December 1980, money supply declined persistently to a trough of ₦8,237.8 million at the end of March 1981 and thereafter rose gradually to ₦8,604.5 million at the end of June. Thus, between end-December 1980 and end-June 1981 money supply declined by ₦622.3 million or 6.7 per cent. The decline was reflected wholly in the demand deposits component which recorded declines in all the six months while the currency component increased slightly every month of the review period. As a result, the ratio of demand deposits to money supply fell from 65.5 per cent at end-December 1980 to 60.6 per cent at end-June 1981. The movement in money supply in the review period contrasted with its movement in the same period of 1980. Between end-December 1979 and end-June 1980, money supply rose by ₦454.3 million or 7.4 per cent (See Chart I).

The main factors responsible for the decline in money supply in the first half of 1981 were, a marginal decline of ₦26.4 million or 0.2 per cent in bank credit to the economy, a fall of ₦422.5 million or 17.2 per cent in other assets (net) of the banking system (or equivalent increase in their other liabilities) and an increase of ₦291.2 million or 5.6 per cent in quasi-money. The combined impact of these contractionary factors was only slightly moderated by an increase of ₦117.8 million or 2.1 per cent in net foreign assets. The movement in money supply in the corresponding period of 1980 was determined by the combined effects of the following factors, viz: a substantial increase of

₦1,374.0 million in net foreign assets, increase in 'other' assets (net) and a decline in bank credit which was more than offset by the increases in the other determinants.

Aggregate banking system's credit outstanding to the domestic economy declined by ₦26.4 million or 0.2 per cent from ₦10,787.5 million in December 1980 to ₦10,761.1 million in June 1981. This compares with the substantial decline of ₦524.2 million or 5.9 per cent in bank credit to the domestic economy in the corresponding period of 1980. The decline in bank credit in the first half of 1981 occurred entirely in credit to government which declined by ₦1,297.4 million or 36.1 per cent, from ₦3,596.6 million in December 1980 to ₦2,299.2 million in June 1981, outweighing an increase of ₦1,271.0 million or 17.7 per cent in bank credit to the private sector. The bulk of loans reduction on the part of government during the review period was in credit from the Central Bank which declined by ₦1,017.3 million.

Bank credit to the private sector increased by ₦1,271.0 million or 17.7 per cent from ₦7,190.9 million at the end of December, 1980, to ₦8,461.9 million at end-June, 1981. Commercial bank credit to the sector accounted for ₦1,082.4 million or 85.2 per cent of the total increase in bank credit to the private sector in the review period.

Foreign assets (net) of the banking system increased slightly by ₦117.8 million or 2.1 per cent from ₦5,640.9 million in December 1980 to ₦5,758.7 million at end-June 1981. The increase in the same period of 1980 — ₦1,374.0 million or 42.5 per cent — was much higher than the increase recorded in the review period.

CHART I

MONETARY DEVELOPMENTS — JANUARY 1980

JUNE 1981

Monetary Aggregates

(₹ Million)

(₹ Million)

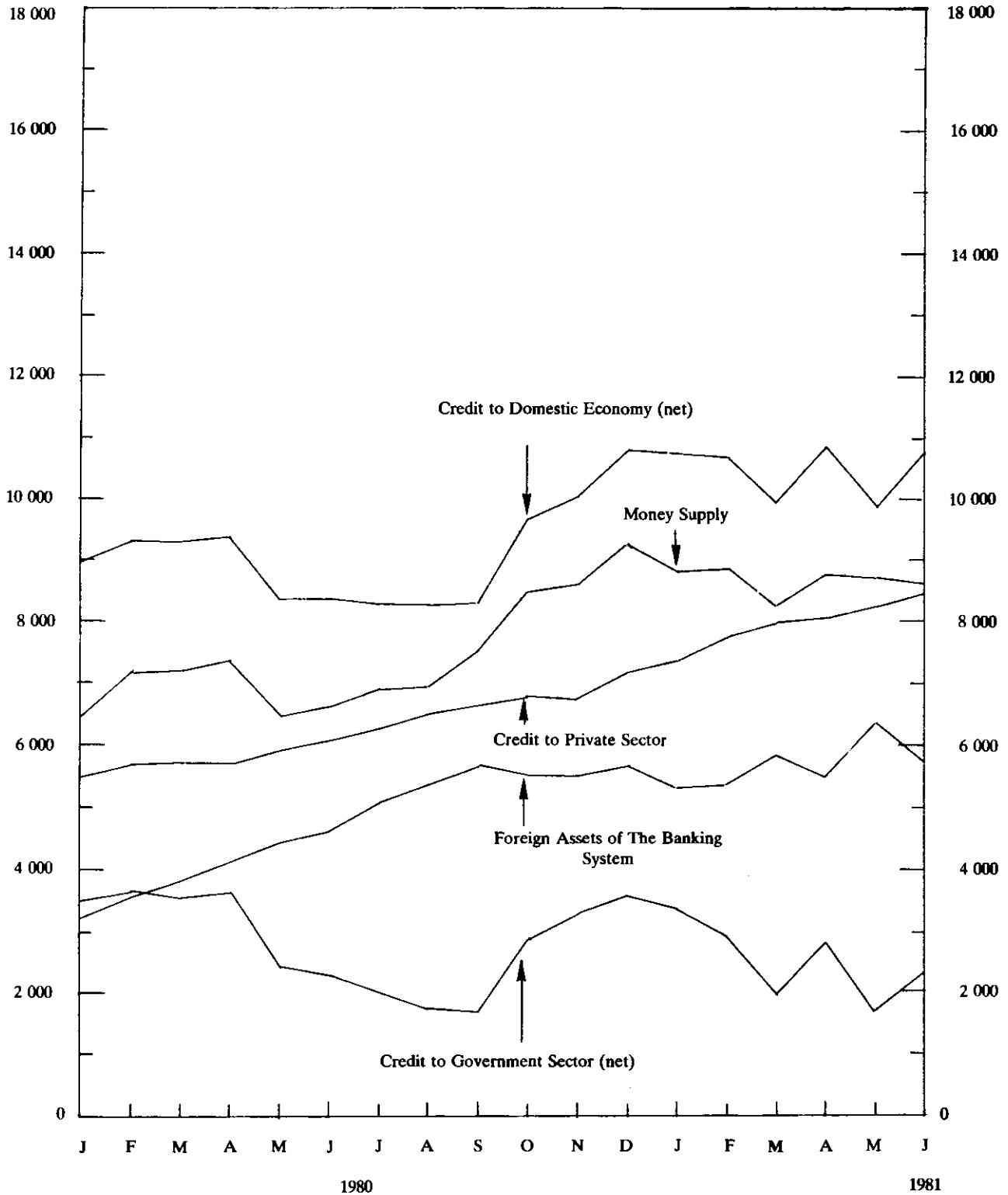
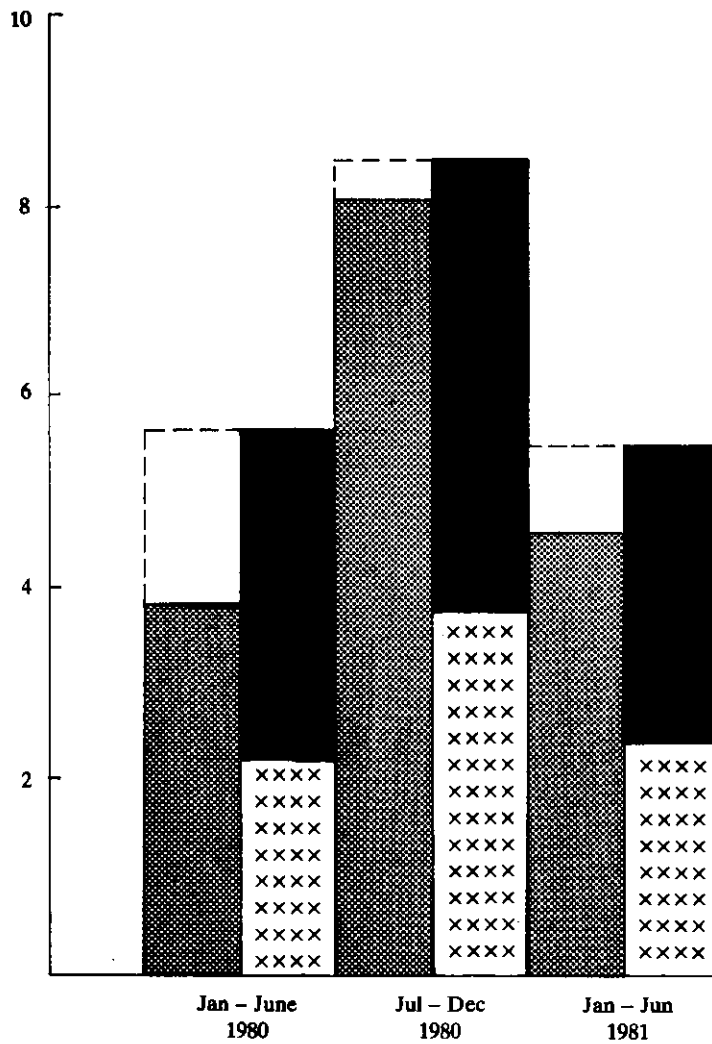


CHART II

FEDERAL GOVERNMENT REVENUE AND EXPENDITURE

(£ billion)



Retained
Revenue
Current
Expenditure
Capital
Expenditure
Overall
Deficit

Jan.—June
1980

July—Dec.
1980
(£ million)

Jan.—June
1981

3,878.6

8,256.2

4,607.9

2,294.3

3,734.7

2,432.4

3,357.0

4,734.8

3,062.0

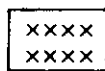
- 1,772.7

- 213.3

- 877.5



Retained
Revenue



Current
Expenditure



Capital
Expenditure



Overall
Deficit

Jan - June
1980

Jul - Dec
1980

Jan - Jun
1981

Federal Government Finance

Estimates of federally-collected revenue for the first half of 1981 amounted to ₦7,468.3 million compared with ₦6,291.5 million and ₦8,939.3 million recorded in the first and second halves of 1980 respectively. The review period revenue represents an increase of 18.7 per cent when compared to the receipts in the corresponding period of 1980 but a decline of 16.5 per cent over the level in the preceding half-year. The increase in revenue in the review period compared to the same period of 1980 is largely traceable to the significant increases in crude oil prices which were only partially offset by the decline in the volume of exports. The average realized price of Nigeria's crude increased progressively from US \$33.960 a barrel in March 1980 to US \$39.76 in March 1981 and remained steady at that level until June. Non-oil revenues showed a steady rise from

₦1,354.6 million in the first half of 1980 to ₦1,521.7 million in the second half and an estimated ₦1,745.1 million in the first half of 1981.

The estimate of retained revenue of the Federal Government in the period January — June 1981 amounted to N 4,607.9 million while estimated current and capital expenditures were ₦2,423.4 and ₦3,062.0 million, respectively. There was thus, a current surplus of ₦2,184.5 million and an overall deficit of ₦877.5 million. The bulk of the deficit was financed by the draw-down of special and trust funds etc. and a modest amount of drawing on foreign loans. In the corresponding period of 1980, the Government recorded a current surplus of ₦1,584.3 million and an overall deficit of -₦1,772.7 million, while the pattern of financing the budgetary gap was broadly similar to the current period.

FEDERAL GOVERNMENT FINANCES

(₦ Million)

| | Jan. — June 1980 (i) | Jul. — Dec. 1980 (ii) | Jan. — June 1981 ³ (iii) | Percentage Change Between | | |
|---|----------------------------|-----------------------------|---|---------------------------|--------------|-------------|
| | | | | (i) & (ii) | (ii) & (iii) | (i) & (iii) |
| Federally-collected revenue | 6,291.5 | 8,938.6 | 7,468.3 | 42.1 | - 16.4 | 18.8 |
| (i) Oil | 4,936.9 | 7,416.9 | 5,723.2 | 50.2 | - 22.8 | 15.9 |
| (ii) Non-oil | 1,354.6 | 1,521.7 | 1,745.1 | 12.3 | 14.7 | 28.8 |
| Statutory Transfer to States & Local Governments | 2,412.9 | 683.0 | 2,860.4 | - 71.7 | 318.8 | 18.5 |
| Federal retained revenue | 3,878.6 | 8,256.2 | 4,607.9 | 112.8 | - 44.2 | 18.8 |
| Current Expenditure ¹ | 2,294.3 | 3,734.7 | 2,423.4 | 62.8 | - 35.1 | 5.6 |
| Capital Expenditure ² | 3,357.0 | 4,734.8 | 3,062.0 | 41.0 | - 35.3 | - 8.8 |
| Current Surplus (+)/Deficit (-) | + 1,584.3 | + 4,521.5 | + 2,184.5 | | | |
| Overall Surplus (+)/Deficit (-) | - 1,772.7 | - 213.3 | - 877.5 | | | |
| Public Debt Outstanding (end of period) ⁴ | 7,125.3 | 7,463.8 | 6,794.1 | 4.8 | - 9.0 | - 4.6 |
| (i) Internal | 5,664.3 | 5,771.9 | 4,916.9 | 1.9 | - 14.8 | - 13.2 |
| (ii) External | 1,461.0 | 1,691.9 | 1,877.2 | 15.8 | 11.0 | 28.5 |

Source: Official Gazettes of the Federal Government of Nigeria & Central Bank Estimates.

¹ Excludes transfer to development Fund.

² Excludes loans on-lent to State Governments & allocations earmarked as reserved.

³ Expenditure figures are (pro rata) Approved Budget Estimates while revenue are CBN estimates based on oil company payments to Government & provisional figures of customs and excise duties compiled by the Department of Customs & Excise.

⁴ Excludes loans on-lent.