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MONETARY DEVELOPMENTS DURING THE FIRST QUARTER OF 1983

In the first quarter of 1983, money supply, defined to include demand deposits and currency outside banks fluctuated downward around a monthly average of ₦9,763.8 million. From the level of ₦10,048.5 million at end-December, 1982, money supply rose by 0.6 per cent to ₦10,107.1 million in January, 1983, and thereafter declined persistently to ₦9,330.6 million at the end of March. Thus, between end-December 1982 and end-March 1983, money supply declined by ₦717.9 million or 7.1 per cent. The decline was recorded in both the currency and demand deposits components. However, the demand deposits accounted for the bulk of the decline — ₦700 million or 97.5 per cent of the total. As a result, the ratio of demand deposits to money supply fell from 58.0 per cent at the end of December, 1982 to 54.9 per cent at end-March, 1983. The movement of money supply in the review period repeated the pattern of movement in the same period of 1982 and contrasted with that of the previous quarter (i.e. October to December, 1982). Between end-December 1981 and end-March 1982 money supply declined by ₦865.7 million or 8.9 per cent. In the last quarter of 1982, it increased by ₦950.0 million or 10.4 per cent.

The main factors responsible for the decline in money supply in the first quarter of 1983 were the decline of ₦1,799.0 million or 29.6 per cent in other assets (net) of the banking system (or an equivalent increase in their other liabilities), a fall of ₦212.8 million or 19.9 per cent in net foreign assets and an increase of ₦97.0 million or 1.4 per cent in quasi-money. The contractionary impacts of these three factors more than offset the expansionary effects of an increase of ₦1,391.0 million or 6.3 per cent in bank credit to the economy. In the corresponding period of 1982, monetary developments followed the same pattern. Declines of ₦1,374.3 million or 53.3 per cent and ₦248.3 million or 7.5 per cent in net foreign assets and other assets (net), respectively, and an increase of ₦622.0 million or 10.7 per cent in quasi-money were recorded. The combined contractionary impacts of the three were greater than the expansionary effects of an increase of ₦1,378.9 million or 8.5 per cent in bank credit to the economy.

Aggregate banking system's credit outstanding to the domestic economy increased by ₦1,391.0 million or 6.3 per cent from ₦21,906.8 million in December, 1982 to ₦23,297.8 million at end-March, 1983 in conformity with its behaviour in the first quarter of 1982. The bulk of the increase in bank credit in the first quarter of 1983 went to the Government which received ₦1,196.7 million or 86 per cent of the total increase. Bank credit to Government increased by ₦1,196.7 million or 11.4 per cent from ₦10,536.3 million in December, 1982 to ₦11,732.0 million at end-March 1983. Commercial bank accounted for ₦925.8 million or 77.4 per cent of the increase in bank credit to Government in the period.

Bank credit to the private sector increased by ₦194.3 million or 1.7 per cent from ₦11,371.5 million in December, 1982 to ₦11,565.8 million at end-March, 1983. Commercial bank credit was responsible for ₦123.2 million or 63.4 per cent of the total increase in bank credit to the private sector during the review period.

Foreign assets (net) of the banking system declined by ₦212.8 million or 19.9 per cent from ₦1,066.9 million in December, 1982 to ₦854.1 million at end-March, 1983. The decline of ₦1,374.3 million or 53.3 per cent in the same period of 1982 was much higher than that recorded during the review period.

Other liabilities of the banking system increased by ₦1,799.0 million or 29.6 per cent from ₦6,079.8 million in December 1982 to ₦7,878.8 million at end-March 1983. In the last quarter of 1982, the increase was ₦589.6 million or 10.7 per cent and in the first quarter of 1982 this item increased by ₦248.3 million or 7.5 per cent. Customers' deposits awaiting foreign exchange cover accounted mainly for the sharp increase in other liabilities of the banking system.