

3-1987

Developments in Nigeria's External Sector during the First Quarter of 1987

Central Bank of Nigeria CBN
Central Bank of Nigeria

Follow this and additional works at: <https://dc.cbn.gov.ng/efr>



Part of the [Business Commons](#), and the [Economics Commons](#)

Recommended Citation

Central Bank of Nigeria (1987). Developments in Nigeria's External Sector during the First Quarter of 1987. CBN Economic and Financial Review. 25(1), 17-19.

This Article is brought to you for free and open access by CBN Institutional Repository. It has been accepted for inclusion in Economic and Financial Review by an authorized editor of CBN Institutional Repository. For more information, please contact dc@cbn.gov.ng.

DEVELOPMENTS IN NIGERIA'S EXTERNAL SECTOR DURING THE FIRST QUARTER OF 1987

1. Foreign Exchange Flows:

Transactions in foreign exchange through the Central Bank of Nigeria resulted in a net outflow of ₦819.0 million in the first quarter of 1987, in contrast with a net inflow of ₦1,580.8 million in the preceding quarter and a net outflow of ₦76.4 million during the corresponding quarter of 1986. The deterioration in the foreign exchange position during the quarter under review was attributable to the combined effects of a decline of 4.2 per cent in the level of inflow and a rise of 77.6 per cent in the level of outflow.

As a result of this development, the nation's official reserves declined by ₦819.0 million, from ₦3 604.2 million at the end of December 1986 to ₦2,785.2 million at the end of March 1987 (see table 3). At this level, the reserves could finance only 1.6 months of the nation's foreign exchange commitments at the prevailing rate of average monthly foreign exchange disbursement. The precariousness of the foreign exchange position at the end of March 1987 was further underlined by the mounting payments arrears on post-December 1983 transactions. These arrears moved up by ₦1,798.0 million from ₦4,096.4 million in December 1986 to ₦5,894.4 million in March 1987. At the level in March, 1987, external reserves could finance only 47.2 per cent of the outstanding short term liabilities.

1.1 Foreign Exchange Inflow:

Total foreign exchange receipts through the Central Bank of Nigeria and authorised dealers amounted to ₦5,525.7 million in the first quarter of 1987. This showed increases of 5.6 and 122.8 per cent over the levels of ₦5,231.8 million in the preceding quarter and ₦2,479.9 million in the corresponding quarter of 1986. The increase in the level of receipts in the quarter under review was attributable to the higher level of oil receipts from ₦2,766.6 million in the last quarter of 1986 to ₦4,142.7 million. Although oil receipts maintained its dominance in total receipts during the review period, its share dropped to 75.0 per cent of the total from 92.8 per cent during the corresponding quarter of 1986. In contrast, the share of non-oil receipts went up from 7.2 per cent in the first quarter of 1986 to 25.0 per cent during the first quarter of 1987 as a result of increased inflow to banks from autonomous sources. Autonomous inflow to banks moved from a nil position in the quarter ended March 1986 to ₦1,275.9 million during the quarter under review. Also, autonomous inflow through the banks during the quarter under review was higher than the level recorded during the last quarter of 1986 by ₦478.6 million.

1.2 Foreign Exchange disbursement:

Disbursement of foreign exchange through the Central Bank of Nigeria and authorised dealers totalled ₦5,068.8 million during the first quarter of 1987. This showed increases of 77.6 and 98.3 per cent compared with the levels of ₦2,853.7 million and

₦2,556.3 million in the preceding quarter and the corresponding quarter of 1986, respectively.

A disaggregation of total disbursement into major categories showed that visible imports, at ₦3,921.9 million during the first quarter of 1987, represented 77.4 per cent of the total and increased by 94.0 per cent above the level in the preceding quarter. Other services, at ₦633.6 million, represented 12.5 per cent of the total and showed an increase of 73.0 per cent compared with the level in the last quarter of 1986. Debt service payments totalled ₦513.3 million, showing an increase of 10.0 per cent above the level of ₦466.5 million during the preceding quarter. However, compared with the level of ₦1,056.0 million during the corresponding quarter of 1986, debt service payments declined by 51.4 per cent. At the end of March 1987, debt servicing represented only 12.1 per cent of total receipts through official sources. The low level of debt service payment was attributable to the non-payment of some of the debt service obligations that fell due.

2. Refinancing of trade debt:

Negotiations for the refinancing of outstanding trade debts continued during the first quarter of 1987. No promissory notes were issued but notes worth \$9.1 million (₦25.5 million) were redeemed in local currency, on a debt-for-cash basis, during the period. This brought the value of total notes redeemed since March 1986 to \$22.34 million (₦75.55 million). As at March 1987, notes issued to uninsured creditors stood at ₦1,127.4 million while insured creditors had notes worth ₦350.1 million accepted for them.

The various re-scheduling negotiations embodied in the 1987 budget continued during the review period. The reconciliation and verification exercise on the outstanding claims by foreign exporters and the Nigerian importers also continued during the quarter under review.

3. Exchange Rate:

The Naira exchange rate in terms of the US dollar depreciated by 21.4 per cent in the first-tier market, having moved down from a monthly average of ₦2.5954 = \$1.00 in December 1986 to ₦3.3036 = \$1.00 in March 1987. Also, the naira exchange rate, at the end of March 1987 depreciated by 69.4 per cent compared with ₦1.0097 = \$1.00 in March 1986.

In the second-tier foreign exchange market (SFEM), the Naira exchange rate depreciated by 17.5 per cent, closing at ₦4.0203 = \$1.00 at the end of March 1987 compared with ₦3.3166 = \$1.00 at the end of December, 1986.

4. External Assets:

Nigeria's external assets holdings stood at ₦5,354.1 million at the end of March 1987, showing an increase of 6.6 per cent compared with the level of

₦5,022.6 million in December 1986. This was attributable to the increase in commercial banks' net assets holdings by 81.4 per cent from ₦1,412.7 million to ₦2,563.2 million during the review period. The increase was due to temporary build-up in their foreign exchange accounts arising from delays in disbursement to their overseas customers.

A disaggregation of the total external assets into major holders showed that the bulk was held by the Central Bank. At ₦2,768.4 million in March 1987, Central Bank's holdings constituted 51.7 per cent of

the total, compared with 71.4 per cent in December, 1986. Central Bank's holdings declined by 22.8 per cent from the level of ₦3,587.4 million in December 1986. Commercial banks' holdings, at ₦2,563.2 million at the end of March, 1987 represented 47.9 per cent of the total and showed an increase of ₦1,150.5 million above the level in December 1986. External asset holdings of the Federal Government and Semi-Official institutions (including state governments) remained unchanged at ₦16.8 million and ₦5.7 million, respectively.

TABLE 1

FOREIGN EXCHANGE FLOWS THROUGH THE CENTRAL BANK¹
(N'Million)

Category	1st Quarter (Jan-March) 1986 (1)	4th Quarter (Oct-Dec) 1986 (2)	1st Quarter (Jan-March) 1987 (3)	Percentage change Between	
				(1)&(3)	(2)&(3)
INFLOW	2,479.9	4,434.5	4,249.8	+71.4	-4.2
OUTFLOW	2,556.3	2,853.7	5,068.8	+98.3	+77.6
NET	-76.4	+1,580.8	-819.0	-972.0	-151.8

¹Provisional

TABLE 2

FOREIGN EXCHANGE FLOWS THROUGH THE CBN AND OTHER BANKS¹
(N'Million)

CATEGORY	1st Quarter (Jan-March) 1986 (1)	4th Quarter (Oct-Dec) 1986 (2)	1st Quarter (Jan-March) 1987 (3)	Percentage Change Between	
				(1)&(3)	(2)&(3)
INFLOW	2,479.9	5,231.8	5,525.7	+122.8	+5.6
Oil	2,300.3	2,766.6	4,142.7	+80.1	+49.7
Non-Oil	179.6	2,465.2	1,383.0	+670.0	-43.9
(i) CBN	(179.6)	(1,667.9)	(107.1)	-40.4	-93.6
(ii) Other Banks	(-)	(797.3)	(1,275.9)	-	+60.0
OUTFLOW	2,556.3	2,853.7	5,068.8	+98.3	+77.6
Visible	824.3	2,021.0	3,921.9	+375.8	+94.0
Invisible	1,732.0	832.7	1,146.9	-33.8	+37.7
(a) Debt Service	1,056.0	466.5	513.3	-51.4	+10.0
(i) Loan Repayment	(759.0)	(173.5)	(171.2)	-77.4	-1.3
(ii) Interest Payment	(297.0)	(293.0)	(342.1)	+15.2	+16.7
(b) Others	676.0	366.2	633.6	-6.3	+73.0
NETFLOW	-76.4	+2,378.1	+456.9	+698.0	-80.8

¹Provisional

TABLE 3

**FOREIGN EXCHANGE FLOWS THROUGH THE CBN
DURING THE FIRST QUARTER OF 1987¹**
(N'Million)

CATEGORY	JANUARY	FEBRUARY	MARCH	TOTAL
INFLOW	2,433.5	1,467.5	1,624.7	5,525.7
Oil	2,044.5	919.9	1,178.3	4,142.7
Non-Oil	389.0	547.6	446.4	1,383.0
(i) CBN	(15.4)	(64.1)	(27.6)	(107.1)
(ii) Other Banks	(373.6)	(483.5)	(418.8)	(1,275.9)
OUTFLOW	1,127.3	2,181.1	1,760.4	5,068.8
Visible	737.1	1,781.1	1,403.7	3,921.9
Invisible	390.2	400.0	356.7	1,146.9
(a) Debt Service	143.9	223.5	145.9	513.3
(i) Loan Repayment	(82.7)	(24.0)	(64.5)	(171.2)
(ii) Interest Payment	(61.2)	(199.5)	(81.4)	(342.1)
(b) Others	246.3	176.5	210.8	633.6
NETFLOW	+1,306.2	-713.6	-135.7	+456.9

¹ Provisional.

TABLE 4

NIGERIA'S EXTERNAL ASSETS
(N'MILLION)

HOLDER	March 1986	December 1986	March 1987 ¹	Percentage Change Between	
	(1)	(2)	(3)	(1)&(3)	(2)&(3)
1 OFFICIAL	1,581.5	3,604.2	2,785.2	+76.1	-22.7
(i) Central Bank ²	1,564.7	3,587.4	2,768.4	+76.9	-22.8
(ii) Federal Government	16.8	16.8	16.8	—	—
2. SEMI-OFFICIAL INSTITUTIONS & STATE GOVTS.	5.7	5.7	5.7	—	—
3. COMMERCIAL BANKS (NET)	+29.6	+1,412.2	+2,563.2	+8,559.4	+81.4
TOTAL	1,616.8	5,022.6	5,354.1	+231.1	+6.6
U.S. \$	1,601.3	1,514.4	1,331.8	-16.8	-12.1
of which Central Bank	1,549.7	1,081.6	688.6	-55.6	-36.3
End of month Exchange rate \$1.00=N	1.0097	3.3166	4.0203	-74.9	-17.5

¹ Provisional

² Excludes attached assets.