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Open Market Operations in 1994

by

P. A. Akatu

and

S. N. Ibeabuchi*

In line with the objectives of the monetary policy in 1994, the CBN achieved a substantial reduction of its holding of treasury bills through open market operations that were aimed at slowing down the growth of base money and money supply. While the volume of open market sales suffered apparently from the initial market reactions to the budget for fiscal 1994 and later the political and industrial unrest, such sales reached record levels in the fourth quarter of the year. However, OMO largely responded to the short-term portfolio preferences of banks and did not translate into an overall pressure on their reserve position. The moderation that occurred in the growth of base money and money supply were both traceable to the slow-down in the growth of government borrowing from the Central Bank. In the year ahead, the role of OMO in controlling monetary and credit growth is therefore likely to be secondary to the government's fiscal out-turn and the impact of the new exchange rate policy on overall liquidity in the economy.

The Central Bank conducted 51 weekly sessions of Open Market Operations (OMO) during the year in line with its policy of making OMO the main instrument of monetary management. The other major instruments of policy had in fact not been in active use of over a year prior to the introduction of OMO at the end of June of the previous year. Both the cash ratio and the liquidity ratio had been left at levels set three years earlier, while new issues of stabilisation securities which had been made in substantial amounts in 1991 and 1992 to control liquidity were absent during the year. Rather, a portion of the outstanding issues was liquidated to ease the liquidity problem of some banks.

As in the previous year, activity at the formal OMO sessions consisted solely of open market sale of treasury bills by the CBN in a continued effort by the Bank to bring the growth of base money and hence money supply into line with the economy's need for non-inflationary growth and sustainable balance of payments. The overall stance of policy in the year embraced sharp reductions in the rates of growth of aggregate domestic credit from 75.9 per cent in the previous year to 15.0 per cent, government sector credit from 120.7 per cent to 10.7 per cent and M_1 and M_2 from 54.4 per cent and 52.8 per cent to 20.0 per cent and 14.8 per cent, respectively. However, in order to accommodate a higher growth of output, credit to the private sector was programmed to grow by 27.6 per cent compared with 16.6 per cent in the previous year.¹

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1. The 1993 money and credit growth figures have undergone substantial revision since the policy targets were determined.

In terms of the market's response to CBN offers of bills and sale of such bills, the year as a whole recorded a major advance in the development of a market-oriented system of monetary management. By year end, total bids at the weekly OMO sessions and CBN sales of such bills both had more than quadrupled their respective volumes in the first half year of open market operations. Reflecting this growth in activity, CBN holdings of treasury bills declined sharply as those of commercial and merchant banks and the non-bank public rose, thereby contributing to moderation in the growth of base money and money supply during the year. However, OMO was generally only partially successful in draining the excess reserves in the banking system, as CBN sales of treasury bills fell significantly short of total bids by authorised dealers' all through the year. In fact, both base money and money supply grew at rates that significantly exceeded their respective target rates.

This report reviews these and other developments in the year and briefly considers the outlook in 1995.

AGGREGATE OPEN MARKET TRANSACTIONS

Against the background of the large liquidity overhang carried over by the banking system from the previous year and the strong growth momentum in the market for treasury bills towards the end of the previous year, the CBN began its open market sale of bills in January on an unprecedented scale. At the first weekly OMO session on January 7, the Bank offered ₦6 million treasury bills to the market and sold ₦5.3 billion compared with the previous record offer and sales of ₦5 billion and ₦4.9 billion respectively on December, 1993. At the second session, however, the level of activity fell off sharply in an apparent reaction by the market to policies contained in the Federal Government's budget for fiscal 1994. Activity in the market remained depressed through most of the next thirteen weeks before rebounding strongly in mid-April. By end-May, the weekly levels of offers and bids had exceeded all previous levels. In the wake of the political disturbances and widespread strikes and lock-outs from June through August, the volume of OMO transactions were again generally lower. However, from September, total bids at OMO session climbed sharply, and remained above the ₦30 billion level for the rest of the year. CBN sales similarly rose sharply in September to ₦26,385 million from ₦9,230 million in August and further to over ₦30 billion in each month of the last quarter of the year. Overall, bids at OMO sessions averaged ₦16,622.5 million monthly in the first half of the year and ₦31,546.8 million in the second while CBN sales averaged ₦12,388.3 million and ₦24,388.1 million in the same periods, respectively. Monthly bids which aggregated ₦61,690 million during June through December, 1993 rose by 61.7 per cent in the first half of the year and by a further 206.8 per cent in the second. Similarly, CBN sales rose by 50.9 per cent to ₦74,330 million in the first half of the year and by a further 196.9 per cent in the second (See Table 1).

AGGREGATE BIDS AND CBN SALES

In principle, a period in which the growth of money supply is above the target rate, as was generally the case in 1994, the objective of OMO would be to create an overall shortage of reserves in the banking system. Such a course of action would consequently induce a contraction in banks' credit and hence money supply. The pressure on reserves would be maintained until the desired growth path for money supply was attained. However, the CBN's ability to exert such pressure was limited firstly, by the ceiling on interest rates and secondly,

by the fact that the banks continued to have the option to rediscount treasury bills at the Bank and therefore able to offset at least in part, any pressure on banks' reserve balances. In these circumstances, the least the CBN would aim to do would be to sell as much bills as banks voluntarily demanded. Aggregate bank bids in excess of CBN offers implied underestimation of the excess reserves in the banking system. In order to ensure a degree of effectiveness therefore, OMO had to be based on the excess reserves as indicated by the banks total bids for bills. Thus, to the extent that CBN total sales of treasury bills fell below banks' total bids, CBN action at best only contributed in maintaining money supply growth at the prevailing pace rather than dampen it as required. It was partly for this reason that the CBN abandoned at the end of September, the practice of limiting open market sale of securities at the OMO sessions to the Bank's own offer at each session.

As Chart 1 shows, CBN sales of bills fell below total bids for bills all through the year. Such sales averaged about 76.7 per cent of bids in the first half of the year and 72.9 per cent in the second. Following the change of procedure effective end of September, total sales rose significantly in relation to total bids, averaging 87 per cent between October and December. The gap between sales and bids earlier in the year had been influenced first by the practice of matching CBN sales to the banks' weekly offers and secondly by the desire on the part of the Bank to maintain the yield on bills in the secondary market (OMO) at a certain distance below the yield on primary issues. Towards the end of the year, indications are that the gap between sales and bids were due mainly to the limited availability of bills of the desired maturity. To alleviate the situation, the CBN undertook limited transactions in treasury certificates in September and October.

TREASURY BILL INVESTMENT BY BANKS AND NON-BANK INSTITUTIONS

With the re-alignment of deposit and lending rates by banks in accordance with the floor and ceiling prescribed by the CBN, the generally large spreads between bank deposit interest rates and yields on treasury bills in the previous year, narrowed to within one percentage point. In the case of commercial banks, the spread relative to average savings deposit rates as well as average 90-day time deposits rates had been generally positive while that relative to interest rates on 90-day deposits at merchant banks were negative. (See Chart 2.)

However, despite the virtual disappearance of the positive interest spread in the case of commercial banks and the persistence of albeit reduced negative spread in the case of merchant banks, both classes of banks substantially increased their portfolio of treasury bills during the year. Total holdings by commercial banks which reached a peak of ₦28,851.7 million in December of the previous year increased by ₦21,765.8 million or 75.4 per cent to ₦50,617.5 million at the end of November before falling to ₦38,286.8 million at the end of December. Holdings of merchant banks rose by ₦3,215.3 million or 34.2 per cent from ₦9,393.7 million in December of the previous year to ₦12,609.0 million at the end of November but declined by ₦756.3 million or 8.0 per cent to ₦8,637.4 million in December. Discount houses increased their portfolio by ₦3,096.3 million or 76.8 per cent to ₦7,125.9 million while holdings of the other non-bank public rose from ₦16,553.6 million to ₦19,092.2 million (See Table 4).

The growth in bank portfolios of treasury bills could not be attributed to efforts by banks to comply with the mandatory requirement of 10 per cent of deposit liabilities. In fact, banks' holdings above the mandatory requirement increased significantly during the year. Such non-required holdings stood at a low of 26.8 per cent of total holdings in March but rose

substantially thereafter, averaging 56.2 per cent in the period January to December (See Table 5).

While no specific interest rates appeared to have influenced banks' investment in treasury bills above the mandatory levels, indications were that the yields on treasury bills were reasonably attractive relative to the banks' average interest cost of funds. Bank time and saving deposit rates as indicated, were close to the yield on treasury bills. However, both commercial and merchant banks had substantial amounts of demand deposits on which interest rate paid was considerably below those on other deposits. Such demand deposits averaged 45.5 per cent and 47.3 per cent of total deposits of commercial and merchant banks respectively, during the year. Given this, the yield on treasury bills seem certain to have been reasonably attractive relative to the average interest cost of funds to commercial banks and, to a lesser extent merchant banks (See Table 5).

The yield on 91-day treasury bills came down from 29.5 per cent at the end of the previous year to 17.6 per cent in January and 12.9 per cent in February and remained at this level all through the year. Yields on bills of lower maturity sold in open market operation ranged from about 12.0 to 12.58 per cent while their maturities varied from 21 days to 55 days excluding the transactions prior to the announcement of the budget for fiscal 1994. Despite the higher yield on 91-day treasury bills, subscription by banks and other investors to these primary issues remained very low and the CBN as a result, added the bulk of such issues, ranging from 75.2 per cent of total in January to 87.2 per cent in December to its portfolio. Given the observations made above about the likely level of banks' average interest cost of funds, it seems evident that the relative inactivity of the primary issues market was due less to the yield on 91-day treasury bills and more to the fact that the shorter tenor bills allowed banks and discount houses, greater flexibility in the management of their short-term funds.

MOVEMENT IN BASE MONEY AND MONEY SUPPLY

Base Money

As indicated above, the CBN sold a substantial portion of its treasury bills' portfolio in efforts aimed at offsetting the underlying excessive growth of base money and thereby achieving substantial reduction in the growth of money supply. By year end, the bank had sold ₦14,313.7 million or 32.2 per cent of its total holding of ₦44,497.9 million at the end of the previous year. This reduction in the Bank's treasury bill portfolio, however did not bring the growth of base money down to the desired rate.

At ₦112,116.4 million at the end of December, base money expanded by ₦31,924.6 million or 39.8 per cent as against the target increase of ₦27,186.2 million or 33.9 per cent (See Table 6). The excessive growth in base money was largely driven by CBN credit to the Federal Government which increased by 29.3 per cent as against the target of zero per cent. Although base money, fluctuated widely during the year, its monthly levels were persistently above the monthly target levels expected in January. Deviations of base above target levels ranged from the low of 4.3 per cent in September to 35.5 per cent in March with the largest deviations occurring in February through April, August and November. Even the unprecedented high levels of open market sales of bills by the CBN in the last quarter of the year had little impact on the growth of monetary base in that period (See Chart 5 and Table 7).

Money Supply

The large fluctuations in the level of base money indicated above, was not mirrored in the movement of broad money supply (M_2). In fact, M_2 showed a relatively smooth and steady upward trend. Furthermore, base money and M_2 in general moved in opposing directions in four of the first six months of the year. Thereafter, both monetary aggregates generally moved in harmony in terms of direction as expected. The implied instability of the money multiplier was traceable to the change in the CBN's system of selling foreign exchange to banks. Under the system, banks were required to back their foreign exchange demand entirely by cash and no longer by a combination of cash and treasury bills as in the previous year. Furthermore, allocations of foreign exchange to banks by the CBN were in proportion to such deposits. Consequently, as banks sought to maximise their allocations of foreign exchange, this led to an unusually large level of aggregate banks reserve balances. Such excess reserve held by banks rose from 12.1 per cent of the banks aggregate deposits at the end of 1993 to an average of 22 per cent in the first half of the year and thereby depressed the multiplier. However, by the second half of the year, banks appeared to have adjusted fully to the system and the multiplier behaved more or less as expected. (See Chart 5 and Table 8.)

Largely as a result of the moderation in the growth of credit to the government and base money, especially in the second half of the year, there was a marked slow-down in the growth of M_2 . While the growth in such credit from the Central Bank was relatively high in the first half of the year, this was generally not sustained in the second half. As a result, the growth of base money declined. At ₦267,759.8 million, at the end of December, M_2 increased by 39.1 per cent, down from 49.8 per cent in the previous year. This rate of expansion was however, about twice the targeted rate.

OUTLOOK FOR OPEN MARKET OPERATIONS IN 1995

The experience in 1994 suggested that the CBN could count on a substantial volume of open market transactions so long as there were excess reserves in the banking system and banks, either on their own or through the activities of the discount houses were induced to engage in an active management of their liquid assets. Short-term shocks to the financial system such as the policy changes contained in the budget for fiscal 1994 could for a while induce a lull in activity. However, after the system had adjusted to such changes, activity could be expected to regain its momentum. If on the other hand, excess liquidity ceased to be a serious problem, large open market sales of securities to control money supply growth would become unnecessary and the posture of OMO could conceivably switch to open market purchases aimed at boosting the overall supply of the banks' reserves.

The experience also showed that OMO would tend to be limited in its effectiveness in influencing overall monetary conditions so long as CBN continued to underwrite the primary issues of government securities, finance the current borrowing requirement of government and act as the guarantor of liquidity of government securities through providing unlimited access to rediscounting of these securities. As long as these continued, CBN action to drain liquidity through open market sales of bills would always be offset in whole or in part. It also became clear that while a fixed ceiling on the treasury bill rate does not make OMO impotent in a regime of overall ceiling on interest rates, it does severely limit the capability of the instrument to constrain the growth of money and credit. As previous analysis showed, the reduction in the growth of money supply in 1994 largely reflected the sharp reduction in banking system credit

to the government. The relatively large open market sales of bills by the Bank in the last quarter of the year, as was noted earlier, proved too little in the face of the surge in the government credit, to slow down the growth of base money.

Given the above, the outlook for OMO in 1995 depends critically on the government's budgetary out-turn, CBN's holding of securities and the discount rate policy. It is necessary in considering these to underscore an important aspect of the unique environment in which OMO is employed in Nigeria. This has to do with the financing of the borrowing requirement of government. In the normal setting, such borrowing requirement is met through issues of securities to private sector investors via the money market. The Central Bank in this case is only active in the secondary market, buying or selling securities on its own initiative to influence the supply of aggregate reserves in the financial system. However in Nigeria, the CBN finances all the current borrowing requirement of government through advances and employs OMO, firstly, to offset the impact of such fresh injections of liquidity and secondly to attempt to drain the excess that were already in the system. Hence, given the endemic excess liquidity in the system, in recent years, the larger the amount of CBN lending to the government, the larger OMO sales had to be in order for the CBN to keep the growth of base money and money supply under control.

Thus, if as expected, the fiscal deficit of government could be sharply reduced and consequently, its borrowing at the Central Bank, OMO is unlikely to be over-burdened. On the other hand, it is likely that commercial and merchant banks would reduce their holdings in treasury bills in order to free up reserves for their operations in the event that they come under sustained reserve pressure. However, the resulting increase in CBN holdings and therefore base money need not give rise to undue anxiety because a substantial part of such increases would be re-absorbed by CBN sales of foreign exchange at the autonomous market exchange rate. Under the circumstances outlined above, the CBN is unlikely to be constrained in the conduct of open market operations by the size of its treasury bill portfolio. If the reduction in the growth of base money assumed in this analysis materialises, the pressure on bank reserves is likely to raise deposit interest rates significantly at least within the limits specified by policy. If this happens and the overall liquidity situation still called for restraint, an upward review of the discount rate on treasury bills might become necessary. On the other hand, the stance of policy could prove too tight and some easing might become necessary.

CONCLUSION

In line with the objectives of monetary policy in fiscal 1994, the CBN achieved a substantial reduction of its holding of treasury bills through Open Market Operations that were aimed at slowing down the growth of base money and money supply. While the volume of open market sales suffered apparently from the initial market reactions to the budget for fiscal 1994 and later the political and industrial unrest, such sales reached record levels in the fourth quarter of the year.

However, OMO largely responded to the short-term portfolio preferences of banks and did not translate into an overall pressure on their reserve position. The moderation that occurred in the growth of base money and money supply were both traceable to the slow-down in the growth of government borrowing from the Central Bank.

In the year ahead, the role of OMO in controlling monetary and credit growth is therefore likely to be secondary to the government's fiscal out-turn and the impact of the new exchange rate policy on overall liquidity in the economy.

TABLE 1
OPEN MARKET TRANSACTIONS AT WEEKLY OMO SESSIONS

| | | AMOUNT OFFERED (N'Million) | TOTAL BIDS (N'Million) | AMOUNT SOLD (N'Million) | AVERAGE TENOR (Days) |
|------|--------------------|----------------------------------|------------------------------|-------------------------------|----------------------------|
| 1993 | June 30th. | 250 | 452 | 250 | 57 |
| | July | 1,300 | 3,135 | 1,300 | 50 |
| | Aug. | 1,700 | 2,575 | 2,020 | 27 |
| | Sept. | 4,700 | 9,505 | 7,608 | 34 |
| | Oct. | 10,000 | 13,393 | 9,853 | 41 |
| | Nov. | 10,000 | 14,804 | 11,709 | 46 |
| | Dec. | 17,000 | 17,826 | 16,525 | 47 |
| | June – Dec. | 44,950 | 61,690 | 49,265 | ... |
| 1994 | Jan. | 14,000 | 14,594 | 12,108 | 46 |
| | Feb. | 13,000 | 10,777 | 9,200 | 56 |
| | Mar. | 10,000 | 14,684 | 12,224 | 31 |
| | Apr. | 11,000 | 21,525 | 11,000 | 29 |
| | May | 21,000 | 26,509 | 20,447 | 50 |
| | June | 13,000 | 11,646 | 9,351 | 39 |
| | Jan. – June | 82,500 | 99,735 | 74,330 | ... |
| | Average | 13,750.0 | 16,622.5 | 12,388.3 | ... |
| | July | 9,500 | 14,758 | 8,553 | 33 |
| | Aug. | 8,000 | 19,627 | 9,230 | 33 |
| | Spt. 1/ | 21,000 | 37,100 | 26,385 | 55 |
| | Oct. | ... | 35,391 | 30,106 | 43 |
| | Nov. | ... | 46,945 | 39,265 | 36 |
| | Dec. | ... | 35,460 | 32,790 | 32 |
| | July – Dec. | ... | 189,281 | 146,329 | ... |
| | Average | ... | 31,546.8 | 24,388.1 | ... |

1/ From September 30th, the CBN stopped announcing the total amount of bills banks offered in the market.

TABLE 2

OPEN MARKET TRANSACTIONS AT WEEKLY OMO SESSIONS

| | | AMOUNT OFFERED (N'Million) | TOTAL BIDS (N'Million) | AMOUNT SOLD (N'Million) | AVERAGE TENOR (days) | SALES/BIDS (%) |
|------|-------|-------------------------------|---------------------------|----------------------------|-------------------------|-------------------|
| 1993 | June | 250 | 452 | 250 | 57 | 55.3 |
| | July | 1,300 | 3,135 | 1,300 | 50 | 41.5 |
| | Aug. | 1,700 | 2,575 | 2,020 | 27 | 78.4 |
| | Sept. | 4,700 | 9,505 | 7,608 | 34 | 80.0 |
| | Oct. | 10,000 | 13,393 | 9,853 | 41 | 73.6 |
| | Nov. | 10,000 | 14,804 | 11,709 | 46 | 79.1 |
| | Dec. | 17,000 | 17,826 | 16,525 | 47 | 92.7 |
| 1994 | Jan. | 14,000 | 14,594 | 12,108 | 46 | 83.0 |
| | Feb. | 13,500 | 10,777 | 9,200 | 56 | 85.4 |
| | Mar. | 10,000 | 14,684 | 12,224 | 31 | 83.2 |
| | Apr. | 11,000 | 21,525 | 11,000 | 29 | 51.1 |
| | May | 21,000 | 26,509 | 20,447 | 50 | 77.1 |
| | June | 13,000 | 11,646 | 9,351 | 39 | 80.3 |
| | July | 9,500 | 14,758 | 8,553 | 33 | 58.0 |
| | Aug. | 8,000 | 19,627 | 9,230 | 33 | 47.0 |
| | Spt. | 21,000 | 37,100 | 26,385 | 55 | 71.1 |
| | Oct. | 0 | 35,391 | 30,106 | 43 | 85.1 |
| | Nov. | 0 | 46,945 | 39,265 | 36 | 83.6 |
| | Dec. | 0 | 35,460 | 32,790 | 32 | 92.5 |

CHART 1

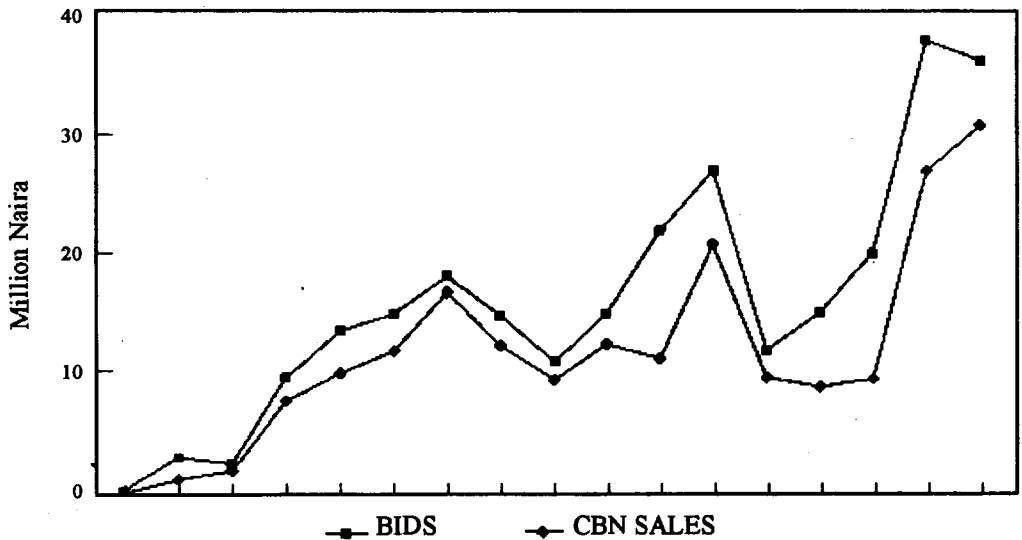


TABLE 3

SELECTED BANK DEPOSIT RATES & YIELDS ON TREASURY BILLS
(Per cent per annum)

| | | Average savings deposits rate | Average rate on commercial banks' 90-day time deposits | Average rate on merchant banks' 90-day time deposits | Yield on 91-day treasury bills | Average yield on the longest tenor treasury bills at OMO |
|------|-------|-------------------------------|--|--|--------------------------------|--|
| 1993 | June | 16.7 | 24.8 | 40.1 | 26.7 | 25.9 |
| | July | 18.1 | 26.0 | 39.6 | 26.7 | 25.0 |
| | Aug. | 16.6 | 24.8 | 39.1 | 26.7 | 24.3 |
| | Sept. | 19.2 | 27.0 | 37.6 | 27.8 | 25.2 |
| | Oct. | 15.7 | 19.2 | 40.1 | 28.6 | 26.1 |
| | Nov. | 16.4 | 21.4 | 37.4 | 28.6 | 27.8 |
| 1994 | Dec. | 16.8 | 23.3 | 39.5 | 29.5 | 28.3 |
| | Jan. | 12.2 | 12.9 | 13.6 | 17.6 | 12.6 |
| | Feb. | 12.1 | 12.9 | 13.6 | 12.9 | 12.7 |
| | Mar. | 12.2 | 13.0 | 13.6 | 12.9 | 12.4 |
| | Apr. | 12.2 | 13.0 | 13.7 | 12.9 | 12.4 |
| | May | 12.1 | 13.0 | 13.7 | 12.9 | 12.6 |
| | June | 12.2 | 13.0 | 13.7 | 12.9 | 12.6 |
| | July | 12.2 | 13.0 | 13.7 | 12.9 | 12.5 |
| | Aug. | 12.2 | 12.9 | 13.5 | 12.9 | 12.3 |
| | Spt. | 12.4 | 12.9 | 13.4 | 12.9 | 12.6 |
| | Oct. | 12.2 | 13.2 | 13.5 | 12.9 | 12.3 |
| | Nov. | 12.2 | 13.3 | 13.9 | 12.9 | 12.5 |
| Dec. | 12.3 | 13.4 | 13.8 | 12.9 | 12.5 | |

CHART 2

SELECTED BANK DEPOSIT

RATES & YIELDS ON T.BILLS, JUNE 1993 - DEC. 1994

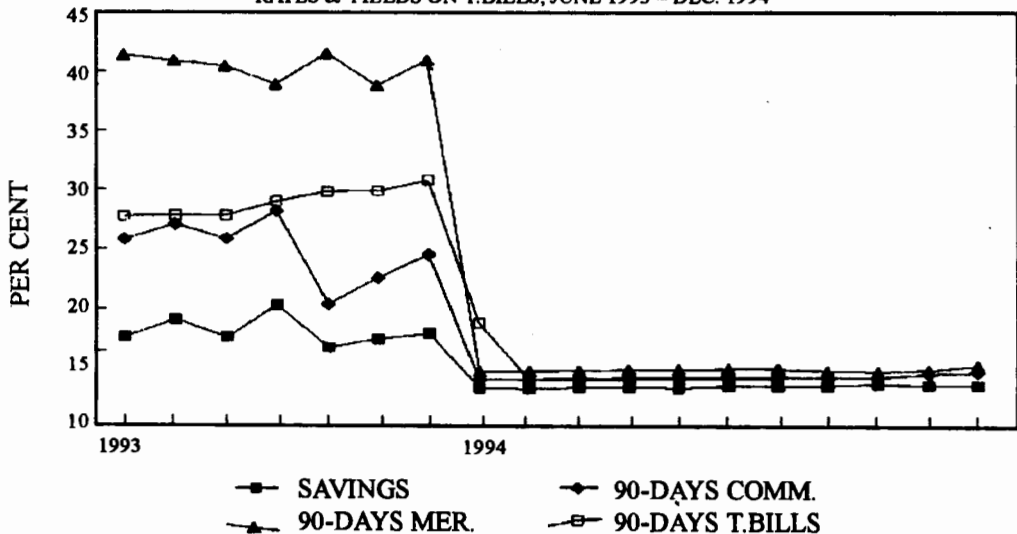


TABLE 4

TRANSACTIONS IN AND HOLDINGS OF TREASURY BILLS
(N'MILLION unless otherwise stated)

| | 1992 Dec. | 1993 June | 1993 Sept. | 1993 Dec. | 1994 Jan. | 1994 Feb. | 1994 Mar. | 1994 Apr. | 1994 May | 1994 June | 1994 July | 1994 Aug. | 1994 Sept. | 1994 Oct. | 1994 Nov. | 1994 Dec. |
|---|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|
| HOLDING OF TREASURY BILLS | | | | | | | | | | | | | | | | |
| (end of month) | | | | | | | | | | | | | | | | |
| Central Bank | 81,143.1 | 74,674.9 | 59,223.7 | 44,497.9 | 36,627.6 | 63,070.2 | 68,699.4 | 64,898.3 | 43,319.1 | 35,222.1 | 21,516.1 | 34,907.4 | 20,648.5 | 13,113.9 | 20,281.5 | 30,184.2 |
| Commercial Banks | 5,181.0 | 8,557.8 | 18,583.8 | 28,851.7 | 32,613.5 | 28,770.3 | 16,131.8 | 20,578.8 | 33,583.1 | 38,948.8 | 35,462.3 | 33,696.4 | 38,962.7 | 52,028.7 | 50,617.5 | 38,288.8 |
| Merchant Banks | 1,004.8 | 2,835.6 | 7,198.9 | 9,393.7 | 8,121.0 | 3,313.8 | 1,874.3 | 2,946.1 | 6,211.9 | 8,295.1 | 10,508.3 | 9,660.2 | 11,103.1 | 12,226.8 | 12,609.0 | 8,637.4 |
| Discount Houses | 0.0 | 369.7 | 2,665.9 | 4,029.6 | 7,009.8 | 2,334.0 | 3,364.8 | 4,599.5 | 10,620.4 | 16,818.3 | 17,305.2 | 13,839.0 | 3,891.4 | 7,083.2 | 5,414.5 | 7,125.9 |
| Other | 15,997.6 | 16,888.5 | 15,454.2 | 16,553.6 | 18,954.6 | 5,838.2 | 13,256.2 | 10,303.8 | 9,592.0 | 4,042.2 | 18,534.6 | 11,223.5 | 28,720.8 | 18,873.9 | 14,404.0 | 19,092.2 |
| Total Outstanding | 103,326.5 | 103,326.5 | 103,326.5 | 103,326.5 | 103,326.5 | 103,326.5 | 103,326.5 | 103,326.5 | 103,326.5 | 103,326.5 | 103,326.5 | 103,326.5 | 103,326.5 | 103,326.5 | 103,326.5 | 103,326.5 |
| ISSUES, SALES & REDISCOUNTS | | | | | | | | | | | | | | | | |
| Primary Issue | 92,117.5 | 92,126.5 | 92,126.5 | 55,326.5 | 24,000.0 | 38,000.0 | 47,326.5 | 32,000.00 | 32,000.0 | 39,326.5 | 32,000.0 | 40,000.0 | 31,326.5 | 32,000.0 | 40,000.0 | 31,326.5 |
| CBN Take-up | 83,658.4 | 87,840.5 | 87,199.9 | 48,186.4 | 18,055.6 | 31,837.2 | 39,885.1 | 28,457.3 | 29,969.0 | 33,803.0 | 26,039.3 | 35,904.3 | 22,846.9 | 27,540.8 | 37,696.9 | 27,374.6 |
| Sales (OMO) | 0.0 | 250.0 | 7,608.0 | 16,525.0 | 12,108.0 | 9,200.0 | 12,224.0 | 11,000.0 | 20,447.0 | 9,351.0 | 8,553.0 | 9,230.0 | 26,385.0 | 30,106.0 | 39,265.0 | 32,790.0 |
| Other Sales | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Rescounts | 1,793.5 | 5,666.3 | 638.9 | 178.6 | 2,618.7 | 27,889.0 | 20,876.3 | 16,202.1 | 3,022.4 | 3,920.9 | 3,755.7 | 3,832.4 | 1,073.7 | 7,659.9 | 14,941.7 | 2,547.5 |
| HOLDERS | | | | | | | | | | | | | | | | |
| (Percentage distribution of Treasury Bill holdings) | | | | | | | | | | | | | | | | |
| Central Bank | 78.5 | 72.3 | 57.3 | 43.1 | 35.4 | 61.0 | 66.5 | 62.8 | 41.9 | 34.1 | 20.8 | 33.8 | 20.0 | 12.7 | 19.6 | 29.2 |
| Commercial Banks | 5.0 | 8.3 | 18.0 | 27.9 | 31.6 | 27.8 | 15.6 | 19.9 | 32.5 | 37.7 | 34.3 | 32.6 | 37.7 | 50.4 | 49.0 | 37.1 |
| Merchant Banks | 1.0 | 2.7 | 7.0 | 9.1 | 7.9 | 3.2 | 1.8 | 2.9 | 6.0 | 8.0 | 10.2 | 9.3 | 10.7 | 11.8 | 12.2 | 8.4 |
| Discount Houses | 0.0 | 0.4 | 2.8 | 3.9 | 6.8 | 2.3 | 3.3 | 4.5 | 10.3 | 16.3 | 16.7 | 13.4 | 3.8 | 6.9 | 5.2 | 6.9 |
| Other | 15.5 | 16.3 | 15.0 | 16.0 | 18.3 | 5.7 | 12.8 | 10.0 | 9.3 | 3.9 | 17.9 | 10.9 | 27.8 | 18.3 | 13.9 | 18.5 |
| HOLDERS | | | | | | | | | | | | | | | | |
| (Percentage change in holding at end of period) | | | | | | | | | | | | | | | | |
| Central Bank | 104.0 | -8.0 | -20.7 | 12.2 | -17.7 | 72.2 | 8.9 | -5.5 | -33.3 | -18.7 | -38.9 | 62.2 | -40.8 | -36.5 | 54.7 | 48.5 |
| Commercial Banks | 55.0 | 65.2 | 117.2 | 23.8 | 13.0 | -11.8 | -43.9 | 27.6 | 63.2 | 16.0 | -9.0 | -5.0 | 15.6 | 33.5 | -2.7 | -24.4 |
| Merchant Banks | 39.4 | 182.2 | 153.9 | -12.1 | -13.5 | -59.2 | -43.4 | 57.2 | 110.9 | 33.5 | 26.7 | -8.1 | 14.9 | 10.1 | 3.1 | -31.5 |
| Discount Houses | 0.0 | 0.0 | 675.2 | -17.8 | 74.0 | -66.7 | 44.2 | 36.7 | 130.9 | 58.4 | 2.9 | -20.0 | -71.9 | 82.0 | -23.6 | 31.6 |
| Other | 24.1 | 5.6 | -8.5 | -27.8 | 14.5 | -69.2 | 127.1 | -22.3 | -6.9 | -57.9 | 358.5 | -39.4 | 155.9 | -34.3 | -23.7 | 32.5 |
| CBN Take-up of Primary Issues | | | | | | | | | | | | | | | | |
| (as % of Total) | | | | | | | | | | | | | | | | |
| | 90.8 | 95.3 | 94.7 | 87.1 | 75.2 | 83.8 | 84.3 | 88.9 | 93.7 | 86.0 | 81.4 | 89.8 | 72.9 | 86.1 | 94.2 | 87.2 |

CHART 3

MONTHLY ISSUES OF TREASURY BILLS DECEMBER 1992 – DECEMBER 1994

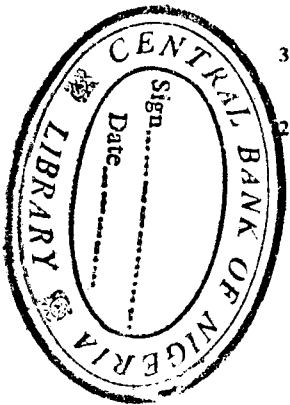
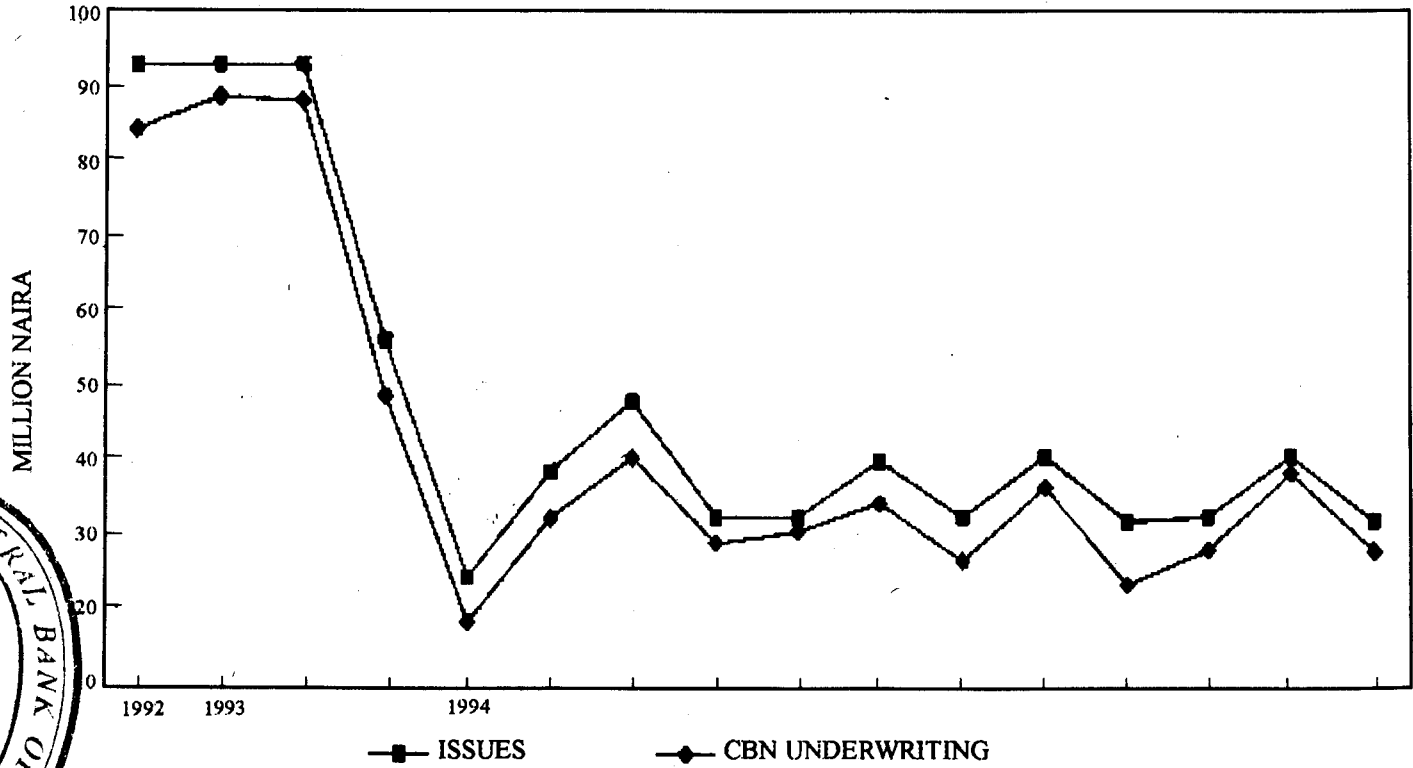


TABLE 5
REQUIRED AND EXCESS HOLDINGS OF TREASURY BILLS
BY COMMERCIAL AND MERCHANT BANKS 1/
(End Period)

| | N million | | | | | | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 1994 | | | | | | | | | | | |
| | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. |
| COMMERCIAL BANKS | | | | | | | | | | | | |
| Aggregate deposits | 129,910.9 | 130,044.5 | 123,242.1 | 126,371.0 | 130,490.7 | 135,647.8 | 135,924.4 | 141,279.4 | 146,472.5 | 152,532.3 | 152,673.5 | 147,006.6 |
| Required Holding | 12,991.1 | 13,004.5 | 12,324.2 | 12,637.1 | 13,049.1 | 13,564.8 | 13,592.4 | 14,127.9 | 14,647.3 | 15,253.2 | 15,267.4 | 14,700.7 |
| Actual holding | 32,613.5 | 28,770.3 | 16,131.8 | 20,578.8 | 33,583.1 | 38,948.8 | 35,462.3 | 33,696.4 | 38,962.7 | 52,028.7 | 50,617.5 | 38,286.8 |
| Excess holding | 19,622.4 | 15,765.9 | 3,807.6 | 7,941.7 | 20,534.0 | 25,384.0 | 21,869.9 | 19,568.5 | 24,315.5 | 36,775.5 | 35,530.2 | 23,586.1 |
| As per cent of total | 60.2 | 54.8 | 23.6 | 38.6 | 61.1 | 65.2 | 61.7 | 58.1 | 62.4 | 70.7 | 69.8 | 61.6 |
| MERCHANT BANKS | | | | | | | | | | | | |
| Aggregate deposits | 22,921.7 | 23,553.8 | 25,583.0 | 25,004.0 | 24,555.1 | 27,770.6 | 27,217.2 | 26,393.2 | 25,795.1 | 26,546.3 | 25,166.0 | 23,731.3 |
| Required Holding | 229.2 | 235.5 | 255.8 | 250.0 | 245.6 | 277.7 | 272.2 | 263.9 | 258.0 | 265.5 | 251.7 | 237.3 |
| Actual holding | 8,121.0 | 3,313.8 | 1,874.3 | 2,946.1 | 6,211.9 | 8,295.1 | 10,508.3 | 9,660.2 | 11,103.1 | 12,226.8 | 12,609.0 | 8,637.4 |
| Excess holding | 7,891.8 | 3,078.3 | 1,618.5 | 2,696.1 | 5,966.3 | 8,017.4 | 10,236.1 | 9,396.3 | 10,845.1 | 11,961.3 | 12,357.3 | 8,400.1 |
| As per cent of total | 97.2 | 92.9 | 86.4 | 91.5 | 96.0 | 96.7 | 97.4 | 97.3 | 97.7 | 97.8 | 98.0 | 97.3 |
| Memorandum items: | | | | | | | | | | | | |
| Aggregate demand deposits | | | | | | | | | | | | |
| Commercial Banks | 56,527.0 | 54,816.3 | 50,229.1 | 53,972.1 | 57,168.7 | 58,687.1 | 59,026.7 | 62,482.1 | 63,617.2 | 71,346.6 | 72,212.4 | 66,271.4 |
| Merchant Banks | 5,740.9 | 8,242.2 | 10,326.0 | 10,622.4 | 10,346.4 | 12,794.4 | 12,622.7 | 11,894.4 | 11,033.2 | 11,171.0 | 10,907.8 | 9,048.9 |
| Demand deposits as per cent of total (%) | | | | | | | | | | | | |
| Commercial Banks | 43.5 | 42.2 | 40.8 | 42.7 | 43.8 | 43.3 | 43.4 | 44.2 | 43.4 | 46.8 | 47.3 | 45.1 |
| Merchant Banks | 25.0 | 35.0 | 40.4 | 42.5 | 42.1 | 46.1 | 46.4 | 45.1 | 42.8 | 42.1 | 43.3 | 38.1 |

1/ CBN guideline on liquidity ratio requires banks to hold treasury bills equivalent in value to 10 per cent of aggregate deposits.

TABLE 6
TARGET AND ACTUAL LEVELS OF BASE MONEY 1994
 (N^omillion)

| | 1993 | 1994 TARGET | 1994 ACTUAL | % CHANGE B/W ACTUAL & TARGET |
|-----------|----------|----------------|----------------|---------------------------------|
| JANUARY | 52,496.0 | 84,630.5 | 74,312.0 | -12.2 |
| FEBRUARY | 51,725.1 | 84,442.7 | 100,128.8 | 18.6 |
| MARCH | 51,297.5 | 81,518.2 | 110,483.0 | 35.5 |
| APRIL | 55,995.7 | 81,790.9 | 101,801.9 | 24.5 |
| MAY | 57,807.7 | 81,979.3 | 87,913.9 | 7.2 |
| JUNE | 60,101.0 | 81,689.4 | 90,707.8 | 11.0 |
| JULY | 61,795.5 | 79,370.8 | 83,441.1 | 5.1 |
| AUGUST | 68,978.1 | 83,614.3 | 107,785.8 | 28.9 |
| SEPTEMBER | 71,458.6 | 95,095.4 | 99,217.0 | 4.3 |
| OCTOBER | 64,881.5 | 82,842.2 | 88,914.8 | 7.3 |
| NOVEMBER | 68,000.6 | 86,327.0 | 109,451.2 | 26.8 |
| DECEMBER | 80,191.8 | 107,378.0 | 112,116.4 | 4.4 |

CHART 4

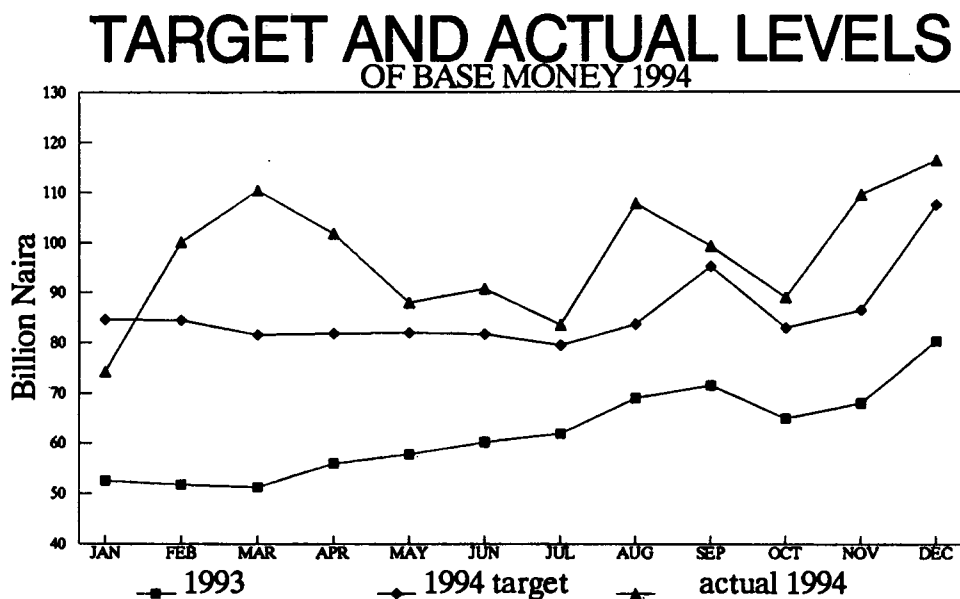


TABLE 7
SOURCES OF MONETARY BASE
(End period)

| | ₦ million | | | | | | | | | | | | | | | | | |
|--|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--|
| | 1992 Dec. | 1993 Mar. | 1993 June | 1993 Sept. | 1993 Dec. | 1994 Jan. | 1994 Feb. | 1994 Mar. | 1994 Apr. | 1994 May | 1994 June | 1994 July | 1994 Aug. | 1994 Sept. | 1994 Oct. | 1994 Nov. | 1994 Dec. | |
| CBN CREDIT TO FED. GOVT. (NET) | 78,556.1 | 87,304.6 | 92,769.8 | 99,245.2 | 146,893.7 | 132,643.5 | 159,656.0 | 168,861.4 | 169,653.3 | 157,169.3 | 152,571.1 | 138,838.0 | 171,761.4 | 153,900.5 | 142,585.4 | 158,662.6 | 182,192.7 | |
| CREDIT TO BANKS | 1,914.8 | 4,249.5 | 5,113.2 | 4,350.5 | 7,779.8 | 5,138.9 | 5,349.8 | 5,983.7 | 6,592.3 | 7,146.3 | 6,759.1 | 7,234.2 | 6,829.0 | 6,571.7 | 7,470.8 | 9,584.4 | 11,214.5 | |
| CBN FOREIGN ASSETS (NET) | 13,815.3 | 25,022.4 | 31,269.2 | 25,907.7 | 29,109.8 | 27,370.3 | 30,950.5 | 29,762.8 | 29,139.8 | 22,984.9 | 26,688.4 | 14,738.1 | 9,663.8 | 10,334.4 | 11,017.5 | 10,365.3 | 16,994.9 | |
| OTHER ASSETS (NET) | -41,224.8 | -65,278.9 | -69,051.2 | -58,044.9 | -87,837.3 | -90,840.7 | -95,827.5 | -94,124.9 | -103,583.5 | -99,386.6 | -95,310.8 | -77,369.2 | -80,468.4 | -71,589.6 | -72,158.9 | -69,161.1 | -117,395.7 | |
| MONETARY BASE | 53,061.4 | 51,297.5 | 60,101.0 | 71,458.6 | 86,191.5 | 74,312.0 | 100,128.8 | 110,483.0 | 101,801.9 | 87,913.9 | 90,707.8 | 83,441.1 | 107,785.8 | 99,217.0 | 88,914.8 | 109,451.2 | 112,116.4 | |
| Change over previous December | | | | | | | | | | | | | | | | | | |
| GROWTH OF BASE MONEY | 20,824.0 | (1,763.9) | 7,039.6 | 18,397.2 | 27,130.4 | (5,879.8) | 19,937.0 | 30,291.2 | 21,610.1 | 7,722.1 | 10,516.0 | 3,249.3 | 27,594.0 | 19,025.2 | 8,723.0 | 29,259.4 | 31,924.6 | |
| CONTRIBUTION to growth of Base Money: | | | | | | | | | | | | | | | | | | |
| Credit to Govt. (net) | 48,937.4 | 8,748.5 | 14,213.7 | 20,689.1 | 62,383.6 | (8,296.2) | 18,716.3 | 27,921.7 | 28,713.6 | 16,229.6 | 11,631.4 | (2,101.7) | 30,821.7 | 12,960.8 | 1,645.7 | 17,722.9 | 41,253.9 | |
| Credit to banks | 9,236.0 | 2,334.9 | 3,198.6 | 2,435.9 | 5,865.0 | (2,640.7) | (2,429.8) | (1,795.9) | (1,187.3) | (633.3) | (1,020.5) | (545.4) | -950.6 | (1,207.9) | (308.8) | 1,804.8 | 3,434.9 | |
| Foreign assets (net) | 30,458.1 | 11,207.1 | 17,453.9 | 12,092.4 | 13,294.5 | (1,739.5) | 1,840.7 | 653.0 | 30.0 | (6,124.9) | (2,421.4) | (14,371.7) | -19,446.0 | -18,775.4 | -18,092.3 | -18,744.5 | 7,185.1 | |
| Other assets (net) | 3,259.0 | (24,034.3) | (27,826.6) | (16,820.3) | (56,412.7) | 6,796.6 | 1,809.8 | 3,512.4 | (5,946.2) | (1,749.3) | 2,326.5 | 20,268.1 | 17,168.9 | 26,047.7 | 25,478.4 | 28,476.2 | (19,252.8) | |
| Memorandum Items: | | | | | | | | | | | | | | | | | | |
| Uses: | | | | | | | | | | | | | | | | | | |
| Bank Reserves | 16,285.5 | 14,417.5 | 15,484.6 | 19,782.2 | 23,937.3 | 19,436.1 | 46,451.4 | 55,727.5 | 47,680.6 | 33,172.6 | 34,941.2 | 24,738.9 | 42,887.8 | 31,023.7 | 17,606.3 | 30,121.4 | 21,824.4 | |
| Currency outside banks | 36,765.9 | 36,880.0 | 44,616.4 | 51,676.4 | 56,254.5 | 54,875.9 | 53,677.4 | 54,755.5 | 54,121.3 | 54,741.3 | 55,766.6 | 58,704.2 | 64,898.0 | 68,193.3 | 71,308.5 | 79,330.0 | 90,292.0 | |
| RESERVE MONEY 1/ | 61,823.9 | 52,875.1 | 65,637.3 | 80,294.5 | 96,587.1 | 80,474.3 | 117,563.0 | 127,529.4 | 122,752.2 | 110,243.0 | 110,148.8 | 90,893.2 | 113,010.7 | 93,642.0 | 80,079.2 | 100,908.7 | 128,280.5 | |

1/ Base money plus non-bank private sector deposits at the Central Bank.

TABLE 8

CHANGE IN BASE MONEY & MONEY SUPPLY, 1994

| | | BASE MONEY (N' million) | MONEY SUPPLY (M ₂) | BASE MONEY Indices | MONEY SUPPLY (M ₂) Indices |
|------|-------|-------------------------------|-----------------------------------|--------------------------|--|
| 1993 | DEC. | 52,496.0 | 192,458.6 | | |
| 1994 | JAN. | 74,312.0 | 202,888.4 | 141.6 | 105.4 |
| | FEB. | 100,128.8 | 213,584.6 | 190.7 | 111.0 |
| | MAR. | 110,483.0 | 210,190.4 | 210.5 | 109.2 |
| | APR. | 101,801.9 | 216,427.5 | 193.9 | 112.5 |
| | MAY | 87,913.9 | 222,642.2 | 167.5 | 115.7 |
| | JUNE | 90,707.8 | 229,036.2 | 172.8 | 119.0 |
| | JULY | 83,441.1 | 219,120.9 | 158.9 | 113.9 |
| | AUG. | 107,785.8 | 227,912.4 | 205.3 | 118.4 |
| | SEPT. | 99,217.0 | 225,117.1 | 189.0 | 117.0 |
| | OCT. | 88,914.8 | 230,990.9 | 169.4 | 120.0 |
| | NOV. | 109,451.2 | 239,528.6 | 208.5 | 124.5 |
| | DEC. | 112,116.4 | 267,759.8 | 213.6 | 139.1 |

CHART 5

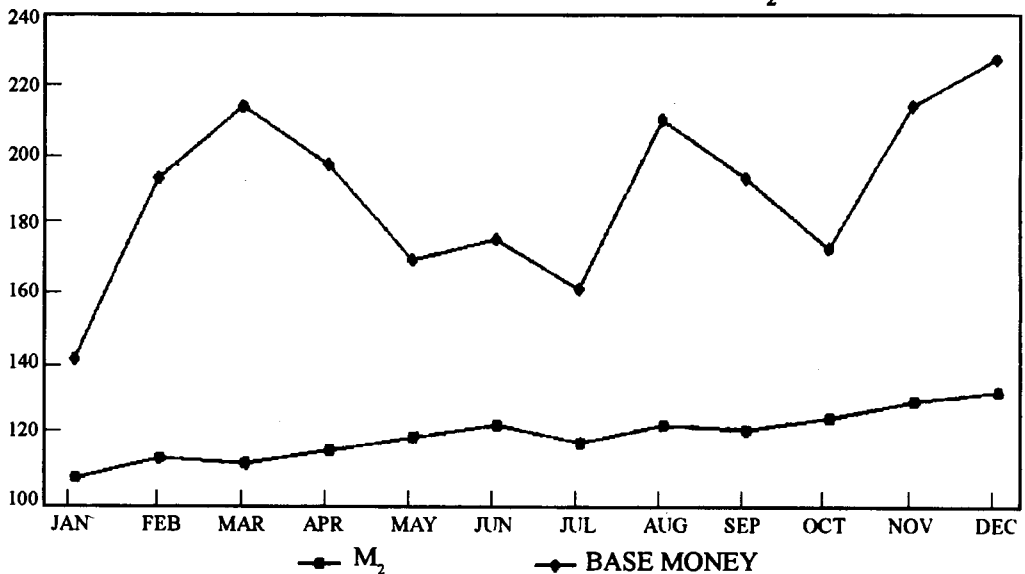
MOVEMENT OF BASE MONEY & M₂ 1994

TABLE 9
 MOVEMENTS IN RESERVE MONEY, CREDIT & MONEY SUPPLY
 (End period)

| | N. million | | | | | | | | | | | | | | | | | |
|--|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--|
| | 1992 Dec. | 1993 Mar. | 1993 June | 1993 Sept. | 1993 Dec. | 1994 Jan. | 1994 Feb. | 1994 Mar. | 1994 Apr. | 1994 May | 1994 June | 1994 July | 1994 Aug. | 1994 Sept. | 1994 Oct. | 1994 Nov. | 1994 Dec. | |
| MONETARY BASE | 53,061.4 | 51,297.5 | 60,101.0 | 71,458.6 | 80,151.8 | 74,312.0 | 100,128.8 | 110,483.0 | 101,801.9 | 87,913.9 | 90,707.8 | 83,441.1 | 107,785.8 | 99,217.0 | 88,914.8 | 109,451.2 | 112,116.4 | |
| Banks' total reserve | 16,285.5 | 14,417.5 | 15,484.6 | 19,782.2 | 23,937.3 | 19,436.1 | 46,451.4 | 55,727.5 | 47,680.6 | 33,172.6 | 34,941.2 | 24,736.9 | 42,887.8 | 31,023.7 | 17,606.3 | 30,121.4 | 21,634.4 | |
| Currency outside banks | 36,775.9 | 36,880.0 | 44,616.4 | 51,676.4 | 56,214.5 | 54,875.9 | 53,677.4 | 54,755.5 | 54,121.3 | 54,741.3 | 55,766.6 | 58,704.2 | 64,898.0 | 68,193.3 | 71,308.5 | 79,329.8 | 90,482.0 | |
| BANKS' EXCESS RESERVES | 11,233.0 | 9,153.2 | 8,613.6 | 13,375.0 | 16,113.4 | 11,517.3 | 38,472.7 | 46,663.8 | 46,293.5 | 23,207.9 | 24,930.9 | 14,892.5 | 33,304.6 | 21,340.4 | 7,406.5 | 19,608.2 | 11,308.6 | |
| MONEY & CREDIT | | | | | | | | | | | | | | | | | | |
| Money supply (M1) | 75,494.5 | 74,237.6 | 82,634.1 | 101,841.6 | 116,399.7 | 116,408.5 | 124,454.8 | 120,574.0 | 127,420.8 | 132,661.2 | 132,362.3 | 123,586.3 | 130,725.0 | 125,094.8 | 132,650.1 | 141,925.4 | 172,004.7 | |
| Broad money (M2) | 128,517.7 | 138,383.7 | 150,669.9 | 177,077.3 | 192,488.4 | 202,888.4 | 213,584.6 | 210,190.4 | 216,427.5 | 222,642.2 | 229,036.2 | 219,120.9 | 227,912.4 | 225,117.1 | 230,990.9 | 239,528.6 | 247,759.8 | |
| Banking system Credit | 143,735.7 | 157,990.8 | 176,950.4 | 201,123.5 | 221,269.3 | 262,411.2 | 292,089.5 | 295,062.9 | 306,595.5 | 311,833.4 | 312,782.0 | 301,336.6 | 331,631.3 | 318,920.1 | 319,961.8 | 343,968.4 | 358,823.7 | |
| To Government | 80,715.4 | 91,890.5 | 104,385.6 | 124,559.7 | 178,846.3 | 172,656.6 | 190,623.0 | 185,739.8 | 191,213.8 | 195,685.5 | 198,241.3 | 183,423.4 | 213,396.2 | 202,999.8 | 201,897.4 | 220,808.8 | 228,349.4 | |
| To Private Sector | 63,020.3 | 66,100.3 | 72,564.8 | 76,563.8 | 92,393.6 | 89,754.6 | 101,466.5 | 109,323.1 | 115,381.7 | 116,197.9 | 114,540.7 | 117,913.2 | 118,235.1 | 115,920.3 | 118,064.4 | 123,159.8 | 122,273.3 | |
| Central Bank credit to Govt | 78,306.1 | 87,304.6 | 92,769.8 | 99,245.2 | 148,333.7 | 132,660.3 | 159,656.0 | 168,861.4 | 169,653.3 | 157,169.3 | 152,571.1 | 138,854.8 | 171,761.4 | 153,900.5 | 139,144.3 | 158,662.6 | 183,192.7 | |
| Comm. & Merch. Banks' credit to Private Sec. | 87,894.1 | 62,637.5 | 69,217.2 | 73,188.6 | 87,841.9 | 85,734.7 | 97,395.8 | 105,073.5 | 111,194.1 | 111,943.2 | 110,333.6 | 112,663.8 | 113,985.9 | 111,661.9 | 113,777.0 | 118,909.2 | 118,875.6 | |
| (Percentage change over preceding December) | | | | | | | | | | | | | | | | | | |
| MONETARY BASE | 25.6 | -3.3 | 13.3 | 34.7 | 51.1 | -7.3 | 24.9 | 37.8 | 26.9 | 9.6 | 13.1 | 4.1 | 34.4 | 23.7 | 10.9 | 36.5 | 39.8 | |
| Banks' total reserves | 68.8 | -11.5 | -5.0 | 21.4 | 46.9 | -18.3 | 94.1 | 132.8 | 99.2 | 38.6 | 46.0 | 3.3 | 79.2 | 29.6 | -26.4 | 25.8 | -8.7 | |
| Currency outside banks | 28.1 | 0.3 | 21.4 | 40.6 | 53.8 | -2.5 | -4.6 | -2.7 | -3.8 | -2.7 | -0.9 | 4.4 | 15.4 | 21.2 | 26.8 | 41.0 | 60.9 | |
| BANKS' EXCESS RESERVES | 88.8 | -18.5 | -23.3 | 19.1 | 43.4 | -28.5 | 138.8 | 189.6 | 187.3 | 44.0 | 54.8 | -7.6 | 106.7 | 32.4 | -54.0 | 21.7 | -29.8 | |
| MONEY & CREDIT | | | | | | | | | | | | | | | | | | |
| Money supply (M1) | 83.7 | -1.6 | 9.6 | 35.1 | 54.4 | 0.0 | 6.9 | 3.6 | 9.5 | 14.0 | 13.7 | 6.2 | 12.3 | 7.5 | 14.0 | 21.9 | 47.8 | |
| Broad money (M2) | 49.3 | 7.7 | 17.2 | 37.8 | 49.8 | 5.4 | 11.0 | 9.2 | 12.5 | 15.7 | 19.0 | 13.9 | 18.4 | 17.0 | 20.0 | 24.5 | 39.1 | |
| Banking system Credit | 132.5 | 11.5 | 24.8 | 41.9 | 91.4 | -3.3 | 7.6 | 8.7 | 13.0 | 14.9 | 15.3 | 11.1 | 22.2 | 17.5 | 17.9 | 26.8 | 29.2 | |
| To Government | 189.7 | 13.8 | 29.3 | 54.3 | 121.4 | -3.5 | 6.6 | 3.9 | 6.9 | 9.4 | 10.8 | 2.6 | 19.3 | 13.5 | 12.9 | 23.5 | 27.7 | |
| To Private Sector | 34.4 | 8.3 | 18.9 | 25.5 | 81.6 | -3.0 | 9.7 | 18.2 | 24.7 | 25.6 | 23.8 | 27.5 | 27.8 | 25.3 | 27.6 | 33.1 | 32.2 | |
| Central Bank credit to Govt | 144.5 | 11.1 | 18.1 | 26.3 | 79.4 | -5.9 | 13.3 | 19.8 | 20.4 | 11.5 | 8.3 | -1.5 | 21.9 | 9.2 | -1.3 | 12.6 | 29.3 | |
| Comm. & Merch. Banks' credit to Private Sec. | 32.7 | 9.7 | 21.2 | 28.2 | 33.9 | -2.4 | 10.9 | 19.6 | 26.6 | 27.4 | 25.6 | 29.4 | 29.8 | 27.1 | 29.5 | 35.4 | 32.8 | |
| MULTIPLIER | | | | | | | | | | | | | | | | | | |
| (M1)/Base money | 1.4 | 2.0 | 1.9 | 2.0 | 2.1 | 2.1 | 2.3 | 2.2 | 2.4 | 2.4 | 2.4 | 2.1 | 2.0 | 1.8 | 1.9 | 1.8 | 1.9 | |
| (M2)/Base money | 2.4 | 2.7 | 2.5 | 2.5 | 2.4 | 2.7 | 2.1 | 1.9 | 2.1 | 2.5 | 2.5 | 2.6 | 2.1 | 2.3 | 2.6 | 2.2 | 2.4 | |
| Memorandum Items: | | | | | | | | | | | | | | | | | | |
| Excess Reserves as % of deposits | 12.8 | 9.0 | 8.0 | 11.3 | 12.1 | 8.0 | 26.7 | 33.3 | 32.1 | 15.7 | 15.9 | 9.6 | 21.5 | 13.0 | 4.3 | 11.5 | 6.6 | |
| Reserve money Multiplier | 61,813.9 | 52,675.1 | 65,637.3 | 80,294.5 | 90,687.1 | 80,474.3 | 117,563.0 | 127,529.4 | 122,752.2 | 110,243.0 | 110,148.8 | 90,893.2 | 113,010.7 | 93,642.0 | 80,079.2 | 100,908.7 | 128,280.5 | |
| (M1)/Reserve money | 1.32 | 1.41 | 1.26 | 1.27 | 1.28 | 1.45 | 1.06 | 0.95 | 1.04 | 1.20 | 1.20 | 1.36 | 1.26 | 1.34 | 1.66 | 1.41 | 1.34 | |
| (M2)/Reserve money | 2.88 | 2.63 | 2.30 | 2.21 | 2.32 | 2.52 | 1.82 | 1.65 | 1.76 | 2.02 | 2.08 | 2.41 | 2.42 | 2.40 | 2.88 | 2.37 | 2.69 | |

CHART 6
ACTUAL AND TARGET RATES
OF GROWTH OF M_2

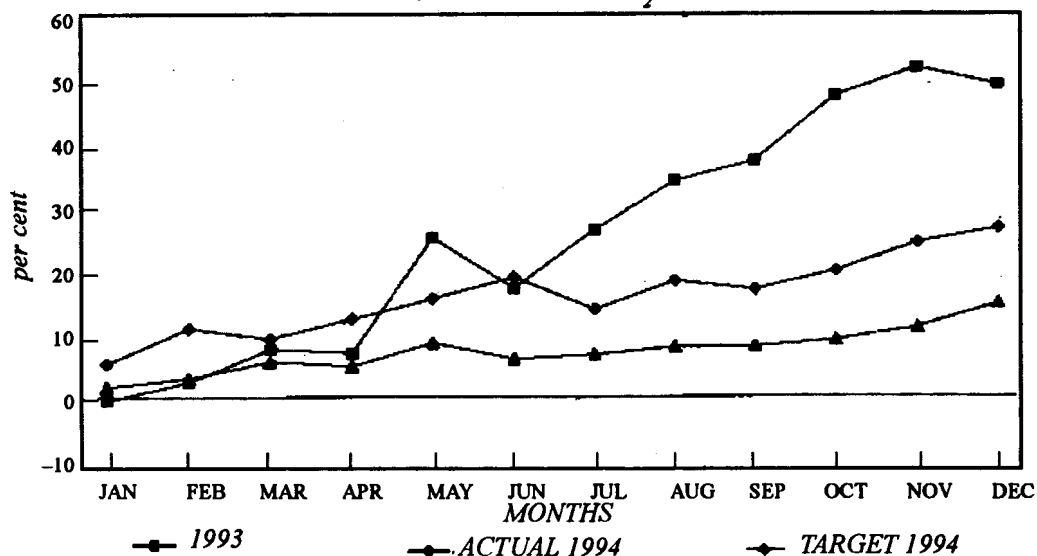


TABLE 10

TREND IN M IN 1994
(Per cent change over previous December)

| 1993 ACTUAL | 1994 ACTUAL | 1994 TARGET | |
|----------------|----------------|----------------|--------------|
| -0.5 | 5.4 | 1.7 | JAN. |
| 2.4 | 11.0 | 3.0 | FEB. |
| 7.7 | 9.2 | 5.6 | MAR. |
| 7.1 | 12.5 | 4.9 | APR. |
| 25.3 | 15.7 | 8.6 | MAY |
| 17.2 | 19.0 | 6.1 | JUNE |
| 26.6 | 13.9 | 6.7 | JULY |
| 34.4 | 18.4 | 7.8 | AUG. |
| 37.6 | 17.0 | 8.0 | SEPT. |
| 48.1 | 20.0 | 9.0 | OCT. |
| 52.7 | 24.5 | 11.0 | NOV. |
| 49.8 | 26.7 | 14.8 | DEC. |

Appendix 1

TABLE 1
CENTRAL BANK OF NIGERIA OPEN MARKET TRANSACTIONS

| DATE | AMOUNT OFFERED N'MILL. | TOTAL BIDS N'MILL. | AMOUNT SOLD N'MILL. | SUBSCRIPTION RATE % | TENOR (days) | RANGE OF DISCOUNT (%) | MARGINAL RATE (%) | WEIGHTED AVE. RATE (%) |
|---------|---------------------------|-----------------------|------------------------|------------------------|-----------------|--------------------------|----------------------|---------------------------|
| Jan. 7 | 4,000 | 3,873 | 3,873 | 96.8 | 55 | 26.00-28.00 | 27.500 | 27.270 |
| | 2,000 | 1,672 | 1,467 | 83.6 | 69 | 26.00-28.00 | 27.750 | 27.540 |
| Jan. 14 | 2,000 | 2,683 | 2,000 | 134.2 | 55 | 13.000-18.500 | 14.325 | 14.310 |
| Jan. 21 | 3,000 | 3,086 | 2,526 | 102.9 | 55 | 11.750-12.500 | 12.375 | 12.190 |
| Jan. 28 | 1,500 | 2,393 | 1,500 | 159.5 | 27 | 11.350-13.500 | 12.000 | 11.921 |
| | 1,500 | 887 | 742 | 59.1 | 62 | 12.000-14.000 | 12.375 | 12.324 |
| Feb. 4 | 3,500 | 6,339.8 | 5,929.8 | 181.1 | 55 | 12.000-13.000 | 12.375 | 12.230 |
| Feb. 11 | 5,000 | 2,505 | 2,450 | 50.1 | 62 | 12,250-12.500 | 12.475 | 12.394 |
| Feb. 18 | 3,000 | 1,202.5 | 440 | 40.1 | 48 | 12.125-13.375 | 12.375 | 12.300 |
| Feb. 25 | 2,000 | 730 | 380 | 36.5 | 62 | 12.350-12.500 | 12.450 | 12.420 |
| Mar. 4 | 2,000 | 2,870 | 2,155 | 143.5 | 34 | 12.000-12.450 | 12.300 | 12.247 |
| Mar. 11 | 2,000 | 2,795 | 2,740 | 139.8 | 34 | 12.000-12.400 | 12.300 | 12.243 |
| Mar. 18 | 2,000 | 2,418 | 2,018 | 120.9 | 34 | 12.125-12.400 | 12.350 | 12.289 |
| Mar. 25 | 2,000 | 3,516 | 3,311 | 175.8 | 27 | 12.000-12.350 | 12.300 | 12.272 |
| Mar. 31 | 2,000 | 3,085 | 2,000 | 154.3 | 28 | 12.125-12.500 | 12.300 | 12.290 |
| Apr. 8 | 2,500 | 4,655 | 2,500 | 186.2 | 27 | 12.250-12.375 | 12.300 | 12.300 |
| Apr. 15 | 2,000 | 3,585 | 2,000 | 179.3 | 27 | 12.200-12.350 | 12.295 | 12.281 |
| Apr. 22 | 3,000 | 6,825 | 3,000.0 | 227.5 | 27 | 12.000-12.295 | 12.275 | 12.254 |
| Apr. 29 | 3,500 | 6,460 | 3,500 | 184.6 | 34 | 12.120-12.450 | 12.255 | 12.236 |
| May 6 | 3,500 | 4,825 | 3,500 | 137.9 | 41 | 12.200-12.350 | 12.275 | 12.241 |
| | 2,500 | 3,250 | 2,500 | 130.0 | 55 | 12.274-12.380 | 12.350 | 12.321 |
| May 13 | 3,500 | 5,987 | 3,500 | 171.1 | 41 | 12.200-12.400 | 12.275 | 12.260 |
| May 19 | 6,500 | 7,585 | 6,085 | 116.7 | 56 | 12.285-12.475 | 12.350 | 12.305 |
| May 27 | 5,000 | 4,862 | 4,862 | 97.2 | 55 | 12.275-12.350 | 12.350 | 12.305 |
| June 3 | 5,000 | 5,000 | 4,850 | 100.0 | 55 | 12.250-12.395 | 12.375 | 12.323 |
| June 10 | 3,000 | 1,550 | 335 | 51.7 | 27 | 12.200-12.380 | 12.250 | 12.238 |
| June 17 | 2,000 | 3,344 | 2,914 | 167.2 | 34 | 12.180-12.375 | 12.250 | 12.217 |
| June 24 | 3,000 | 1,752 | 1,252 | 58.4 | 41 | 12.250-12.395 | 12.375 | 12.315 |

Appendix 1

TABLE 1 (Cont'd)
CENTRAL BANK OF NIGERIA OPEN MARKET TRANSACTIONS

| DATE | AMOUNT OFFERED N'MILL. | TOTAL BIDS N'MILL. | AMOUNT SOLD N'MILL. | SUBSCRIPTION RATE % | TENOR (days) | RANGE OF DISCOUNT (%) | MARGINAL RATE (%) | WEIGHTED AVE. RATE (%) |
|-------------|------------------------|--------------------|---------------------|---------------------|--------------|-----------------------|-------------------|------------------------|
| July 1 | 3,000 | 2,527 | 2,527 | 84.2 | 34 | 12.250-12.375 | 12.375 | 12.317 |
| July 8 | 2,000 | 930 | 630 | 46.5 | 34 | 12.275-12.395 | 12.375 | 12.320 |
| July 15 | 1,000 | 1,356 | 1,226 | 135.6 | 27 | 12.200-12.400 | 12.350 | 12.279 |
| July 22 | 1,500 | 4,210 | 2,170 | 280.7 | 34 | 12.285-12.377 | 12.300 | 12.319 |
| July 29 | 2,000 | 5,735 | 2,000 | 286.8 | 34 | 12.250-13.350 | 12.274 | 12.260 |
| Aug. 12 | 2,000 | 7,652 | 2,000 | 382.6 | 27 | 11.924-12.265 | 11.999 | 11.942 |
| | 2,000 | 4,885 | 2,500 | 244.3 | 41 | 12.124-12.320 | 12.198 | 12.158 |
| Aug. 18 | 2,000 | 3,450 | 2,300 | 172.5 | 35 | 12.000-12.340 | 12.200 | 12.130 |
| Aug. 26 | 2,000 | 3,640 | 2,430 | 182.0 | 27 | 11.999-12.275 | 11.999 | 11.866 |
| Sept. 2 | 5,000 | 12,885 | 5,070 | 257.7 | 41 | 11.740-21.125 | 11.895 | 11.840 |
| Sept. 9 | 6,000 | 12,410 | 10,910 | 206.8 | 48 | 11.850-12.375 | 12.250 | 12.062 |
| Sept. 16 | 5,000 | 4,920 | 4,070 | 98.4 | 62 | 12.200-12.400 | 12.375 | 12.264 |
| Sept. 23 | 5,000 | 2,930 | 2,380 | 58.6 | 62 | 12.300-12.500 | 12.395 | 12.380 |
| Sept. 30 1/ | — | 3,955 | 3,955 | — | 62 | 12.300-12.395 | 12.395 | 12.381 |
| Oct. 7 | — | 2,230 | 2,230 | — | 34 | 11.500-12.375 | 12.375 | 12.015 |
| | — | 3,705 | 3,705 | — | 62 | 11.850-12.425 | 12.425 | 12.364 |
| Oct. 14 | — | 5,610 | 5,610 | — | 27 | 11.650-12.370 | 12.370 | 12.014 |
| | — | 3,505 | 2,720 | — | 41 | 12.250-12.600 | 12.395 | 12.336 |
| | — | 1,000 | 1,000 | — | 69 | 12.455 | 12.455* | 12.014 |
| Oct. 21 | — | 7,520 | 7,520 | — | 27 | 12.243-12.350 | 12.350* | 12.294 |
| | — | 2,670 | 2,170 | — | 41 | 12.375-12.425 | 12.390* | 12.380 |
| Oct. 28 | — | 5,550.5 | 5,150.5 | — | 28 | 12.245-12.370 | 12.350* | 12.290 |
| | — | 3,600 | 3,100 | — | 56 | 12.275-12.425 | 12.400* | 12.312 |
| Nov. 4 | — | 8,700 | 7,600 | — | 28 | 12.150-12.455 | 12.250* | 12.239 |
| Nov. 11 | — | 1,680 | 980 | — | 35 | 12.250-12.400 | 12.250* | 12.380 |
| Nov. 18 | — | 5,655 | 2,655 | — | 35 | 12.000-12.350 | 12.330* | 12.265 |
| | — | 9,190 | 8,650 | — | 49 | 12.000-12.350 | 12.350* | 12.270 |
| Nov. 25 | — | 21,720 | 19,380 | — | 35 | 12.1250-12.350 | 12.300* | 12.222 |
| Dec. 2 | — | 3,150 | 2,740 | — | 42 | 12.250-12.500 | 12.325* | 12.302 |
| Dec. 9 | — | 7,140 | 6,780 | — | 21 | 11.950-12.300 | 12.200* | 12.101 |
| Dec. 16 | — | 7,565 | 7,515 | — | 35 | 12.000-12.350 | 12.300* | 12.204 |
| Dec. 23 | — | 11,097.6 | 9,247.6 | — | 35 | 12.000-12.375 | 12.300* | 12.245 |
| Dec. 30 | — | 6,507 | 6,507 | — | 28 | 12.000-12.300 | 12.300* | 12.276 |

1/ From September 30th, the CBN stopped announcing the total amount of bills offered in the market.

* Stop rate: The rate at which the Bank will stop the selling of available bills.

Appendix 1

TABLE 2
WEIGHTED AVERAGE DISCOUNT RATE & YIELD ON SECURITIES TRADED AT OMO SESSIONS

| | Average Discount Rate (%) | TENOR (days) | Price | Yield (%) |
|---------|------------------------------|-----------------|----------------|----------------|
| Jan. 7 | 27.3 27.5 | 55 69 | 95.88 94.78 | 28.44 29.06 |
| Jan. 14 | 14.3 | 55 | 97.84 | 14.63 |
| Jan. 21 | 12.2 | 55 | 98.16 | 12.42 |
| Jan. 28 | 11.9 12.3 | 27 62 | 99.12 97.90 | 12.03 12.58 |
| Feb. 4 | 12.23 | 55 | 98.15 | 12.46 |
| Feb. 11 | 12.4 | 62 | 97.89 | 12.66 |
| Feb. 18 | 12.3 | 48 | 98.38 | 12.50 |
| Feb. 25 | 12.4 | 62 | 97.88 | 12.69 |
| Mar. 4 | 12.3 | 34 | 98.86 | 12.39 |
| Mar. 11 | 12.2 | 34 | 98.86 | 12.38 |
| Mar. 18 | 12.29 | 34 | 98.85 | 12.43 |
| Mar. 25 | 12.27 | 27 | 99.09 | 12.38 |
| Mar. 31 | 12.29 | 28 | 99.05 | 12.41 |
| Apr. 8 | 12.30 | 27 | 99.09 | 12.41 |
| Apr. 15 | 12.28 | 27 | 99.09 | 12.39 |
| Apr. 22 | 12.25 | 27 | 99.09 | 12.36 |
| Apr. 29 | 12.24 | 34 | 98.86 | 12.38 |
| May 6 | 12.24 12.32 | 41 55 | 98.62 98.14 | 12.41 12.55 |
| May 13 | 12.26 | 41 | 98.62 | 12.43 |
| May 19 | 12.31 | 56 | 98.11 | 12.55 |
| May 27 | 12.31 | 55 | 98.14 | 12.54 |
| June 3 | 12.32 | 55 | 98.14 | 12.56 |
| June 10 | 12.24 | 27 | 99.09 | 12.35 |
| June 17 | 12.22 | 34 | 98.86 | 12.36 |
| June 24 | 12.32 | 41 | 98.61 | 12.49 |

Appendix 1

TABLE 2 (Cont'd)
WEIGHTED AVERAGE DISCOUNT RATE & YIELD ON SECURITIES TRADED AT OMO SESSIONS

| | Average Discount Rate (%) | TENOR (days) | Price | Yield (%) |
|----------|------------------------------|-----------------|-------------------------|-------------------------|
| July 1 | 12.32 | 34 | 98.85 | 12.46 |
| July 8 | 12.32 | 34 | 98.85 | 12.47 |
| July 15 | 12.28 | 27 | 99.09 | 12.39 |
| July 22 | 12.32 | 34 | 98.85 | 12.46 |
| July 29 | 12.26 | 34 | 98.85 | 12.40 |
| Aug. 12 | 11.94 12.16 | 27 41 | 99.11 98.63 | 12.05 12.33 |
| Aug. 18 | 12.13 | 35 | 98.83 | 12.27 |
| Aug. 26 | 11.87 | 27 | 99.12 | 11.98 |
| Sept. 2 | 11.84 | 41 | 98.67 | 12.00 |
| Sept. 9 | 12.06 | 48 | 98.41 | 12.25 |
| Sept. 16 | 12.26 | 62 | 97.91 | 12.52 |
| Sept. 23 | 12.38 | 62 | 97.89 | 12.65 |
| Sept. 30 | 12.38 | 62 | 97.89 | 12.65 |
| Oct. 7 | 12.02 12.36 | 34 62 | 98.88 97.89 | 12.16 12.63 |
| Oct. 14 | 12.01 12.34 12.01 | 27 41 69 | 99.11 98.61 97.72 | 12.12 12.51 12.29 |
| Oct. 21 | 12.29 12.38 | 27 41 | 99.09 98.61 | 12.40 12.56 |
| Oct. 28 | 12.29 12.31 | 28 56 | 99.05 98.11 | 12.41 12.55 |
| Nov. 4 | 12.24 | 28 | 99.06 | 12.36 |
| Nov. 11 | 12.38 | 35 | 98.81 | 12.53 |
| Nov. 18 | 12.26 12.27 | 35 49 | 98.82 98.35 | 12.41 12.48 |
| Nov. 25 | 12.22 | 35 | 98.83 | 12.37 |
| Dec. 2 | 12.30 | 42 | 98.58 | 12.48 |
| Dec. 9 | 12.10 | 21 | 99.30 | 12.19 |
| Dec. 16 | 12.20 | 35 | 98.83 | 12.34 |
| Dec. 23 | 12.24 | 35 | 98.82 | 12.39 |
| Dec. 30 | 12.28 | 28 | 99.06 | 12.40 |

Appendix II

INTEREST RATES, INFLATION RATE & EXCHANGE RATE DEVELOPMENTS

| | 1992 Dec. | 1993 June Sept. | 1993 Dec. | 1994 Jan. | 1994 Feb. | 1994 Mar. | 1994 Apr. | 1994 May | 1994 June | 1994 July | 1994 Aug. | 1994 Sept. | 1994 Oct. | 1994 Nov. | 1994 Dec. |
|--|--------------|-----------------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|
| AVERAGE INTEREST RATES (%) | | | | | | | | | | | | | | | |
| INTER-BANK call rate | 46.0 | 104.8 | 86.0 | 57.5 | 14.3 | 19.5 | 19.3 | 21.0 | 20.6 | 20.9 | 21.0 | 20.0 | 21.0 | 21.0 | 21.0 |
| SAVINGS deposits | 18.1 | 16.9 | 19.2 | 16.8 | 12.2 | 12.2 | 12.2 | 12.2 | 12.1 | 12.2 | 12.2 | 12.2 | 12.4 | 12.2 | 12.2 |
| TIME deposits (90 days) | | | | | | | | | | | | | | | |
| Commercial Banks | 26.9 | 24.8 | 27.0 | 23.3 | 12.9 | 12.9 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.2 | 12.9 | 13.2 | 13.3 |
| Merchant Banks | 35.1 | 46.7 | 37.6 | 39.5 | 13.6 | 13.6 | 13.6 | 13.6 | 13.6 | 13.7 | 13.6 | 13.5 | 13.4 | 13.5 | 13.9 |
| PRIME LENDING RATE | | | | | | | | | | | | | | | |
| Commercial Banks | 35.3 | 29.0 | 37.8 | 42.8 | 20.9 | 20.7 | 20.7 | 20.8 | 20.3 | 20.4 | 20.5 | 20.4 | 20.5 | 20.4 | 20.4 |
| Merchant Banks | 46.4 | 55.2 | 66.3 | 59.1 | 20.7 | 20.7 | 20.6 | 20.6 | 20.7 | 20.7 | 20.5 | 20.8 | 20.6 | 20.8 | 20.8 |
| HIGHEST lending rate | | | | | | | | | | | | | | | |
| Commercial Banks | 39.4 | 39.8 | 45.3 | 45.5 | 21.0 | 22.3 | 22.3 | 22.5 | 21.0 | 21.0 | 21.0 | 21.0 | 21.0 | 21.0 | 21.0 |
| Merchant Banks | 49.3 | 64.7 | 76.5 | 62.3 | 20.1 | 21.0 | 21.0 | 21.0 | 21.0 | 21.0 | 21.0 | 21.0 | 21.0 | 21.0 | 21.0 |
| TREASURY BILLS RATES | | | | | | | | | | | | | | | |
| Primary issues rate | 21.00 | 25.00 | 26.00 | 25.53 | 16.90 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 |
| Yield | 22.70 | 26.67 | 27.81 | 25.53 | 17.65 | 12.90 | 12.90 | 12.90 | 12.90 | 12.90 | 12.90 | 12.90 | 12.90 | 12.90 | 12.90 |
| INFLATION RATE (%) | 44.6 | 54.30 | 55.0 | 57.2 | 57.70 | 58.00 | 57.40 | 56.9 | 55.1 | 53.5 | 52.6 | 52.8 | 53.3 | 54.0 | 55.3 |
| NAIRA EXCHANGE RATES (End period) | | | | | | | | | | | | | | | |
| Official central rate | 19.7579 | 21.8860 | 21.8860 | 21.8861 | 21.8861 | 21.8861 | 21.8861 | 21.8861 | 21.8861 | 21.8861 | 21.8861 | 21.8861 | 21.8861 | 21.8861 | 21.8861 |
| Parallel market rate | 23.6000 | 35,8000 | 40.1800 | 46.4000 | 43.9600 | 48.1500 | 49.7300 | 48.9200 | 49.7600 | 50.4500 | 53.0060 | 54.4360 | 66.9100 | 82.0000 | 93.8900 |
| Exchange rate premium (%) | 19.4 | 63.8 | 83.6 | 112.0 | 100.9 | 120.0 | 127.2 | 123.5 | 127.4 | 130.5 | 142.2 | 148.7 | 205.7 | 274.7 | 329.0 |