

DEVELOPMENTS IN THE EXTERNAL SECTOR DURING THE FOURTH QUARTER OF 1989

Foreign Exchange Flows

The pressure on the external sector eased considerably in the fourth quarter of 1989, as foreign exchange flows into and out of the economy resulted in a net inflow of \$411.3 million, compared with net inflows of \$229.2 million and \$141.3 million in the preceding quarter and the corresponding quarter of 1988, respectively. The improvement reflected increased earnings by the oil sector resulting from the increase in price and export volume of crude petroleum and in autonomous inflow into the economy.

Foreign exchange flows through the Central Bank alone showed a net inflow of \$498.9 million, compared with the net inflow of \$333.8 million and \$44.8 million in the preceding quarter and the corresponding quarter of 1988, respectively. There was thus a substantial increase in the level of external reserves held by the Central Bank from \$611.4 million in the corresponding quarter of 1988 to \$1,796.4 million in the quarter under review. At that level, the reserves could sustain only 3.4 months of foreign exchange commitments at the prevailing average rate of disbursement compared with 3.3 months at the end of the preceding quarter and 1.6 months at the end of the corresponding quarter of 1988.

Foreign Exchange Inflow

Total foreign exchange inflow into the economy during the fourth quarter of 1989 amounted to \$2,893.7 million, showing increases of 29.0 and 58.9 per cent over the respective levels in the preceding quarter and the corresponding quarter of 1988. Inflow through the Central Bank alone amounted to \$2,099.9 million, representing increases of 32.0 and 74.1 per cent over the levels in the preceding quarter and the corresponding quarter of 1988. The development reflected improved receipts from both oil and non-oil sources. Oil receipts represented the bulk of foreign exchange inflow and at \$1,822.6 million, it rose by 21.9 per cent from the level of \$1,495.4 million in the preceding quarter and represented 76.0 per cent of the total.

Non-oil receipts increased significantly from \$359.9 million in the preceding quarter to \$571.1 million in the quarter under review, mainly as a result of increases in drawings on loans and autonomous inflow. Drawings on loans increased by 521.6 per cent from the level of \$29.6 million recorded in the preceding quarter to \$184.0 million. Autonomous inflow of foreign exchange totalled \$293.8 million, representing an increase of 10.9 per cent compared with the preceding quarter but down by 2.2 per cent compared with the level in the corresponding period of 1988.

Foreign Exchange Outflow

Total foreign exchange outflow from the economy amounted to \$1,982.4 million, representing increases of 21.9

and 45.2 per cent over the levels in the preceding quarter and the corresponding quarter of 1988, respectively. Outflow through the Central Bank totalled \$1,601.0 million, showing increases of 26.4 and 37.8 per cent over the levels in the preceding quarter and the comparable quarter of 1988, respectively. This was due to the increase in debt service payments in the quarter under review.

Visible imports showed increases of 4.3 and 30.1 per cent in the preceding quarter and the corresponding quarter of 1988, respectively. Payments for invisibles rose from \$657.7 million in the preceding quarter to \$946.9 million mainly as a result of disbursements on debt service payments, which increased by 77.3 per cent from \$400.3 million in the preceding quarter to \$709.8 million. Autonomous outflow increased by 14.6 per cent from \$250 million in the preceding quarter to \$286.5 million.

Sectoral Allocation of Foreign Exchange

Total foreign exchange allocation in the fourth quarter of 1989 amounted to \$899.2 million, indicating increases of 12.1 and 14.9 per cent over the respective levels in the preceding quarter and the corresponding quarter of 1988. Total foreign exchange allocation from January to December 1989 amounted to \$2,897.9 million, showing a decline of 16.3 per cent from the level of \$3,461.9 million in 1988.

The bulk of the outpayments was for visible imports which accounted for \$801.2 million or 89.1 per cent of the total, compared with \$710.4 million or 90.8 per cent recorded in the last quarter of 1988. The industrial sector imports made up of raw materials, machinery, spare parts and CKD accounted for \$576.3 million or 64.1 per cent of the total and represented increases of 6.9 and 13.2 per cent over the respective levels in the preceding quarter and the corresponding quarter of 1988. Allocation to the agricultural sector showed an increase of 911.8 per cent over the corresponding quarter of 1988 but declined by 54.6 per cent compared with the third quarter of 1989. Finished goods imports comprising food, motor vehicles and general merchandise increased by 6.6 and 37.9 per cent over the levels in the preceding quarter and the corresponding quarter of 1988, respectively. Invisible payments, at \$98.0 million or 10.9 per cent of total disbursement increased by 32.8 and 35.9 per cent over their respective levels in the preceding quarter and the corresponding quarter of 1988. Except for personal home remittance, re-insurance, aircraft lease and maintenance fees, and shipping vessels and maintenance, which declined, all other items of invisibles showed increases over their respective levels in the preceding quarter.

External Assets

Nigeria's external assets amounted to \$2,973.6 million, showing increases of 11.6 and 70.8 per cent over the levels in the preceding quarter and the corresponding quarter

of 1988, respectively. Central Bank's share of total external assets accounted for \$1,796.4 million, representing an increase of 193.8 per cent over the level of \$611.4 million in December 1988. The combined holdings of commercial and merchant banks declined by 6.5 per cent from \$1,255.6 million in September 1989 to \$1,174.4 million in December, 1989. The development was attributable to the increase in official receipts mainly from crude oil export.

Exchange Rate

During the period under review, the naira exchange rate further depreciated against the US dollar by 30.0 per cent from \$1 = ₦5.3530 at the end of the fourth quarter of 1988 to \$1 = ₦7.6500 at the end of the fourth quarter of 1989, largely reflecting the unification of the official exchange rate with the substantially depreciated autonomous market exchange rate. The naira exchange rate fell by 3.6 per cent compared with the level in the preceding quarter of 1989. Although the allocation of foreign exchange to the inter-bank foreign exchange market (IFEM) increased by \$106.2 million over the level in the third quarter of 1989, the naira exchange rate was still

under pressure from the cumulative effect of the persistently increasing demand for foreign exchange since the beginning of the year.

External Debt Management

During the quarter under review, three auction sessions took place under the debt conversion scheme. Promissory notes worth \$91.12 million were redeemed. A total of \$9.6 million went into hotel and tourism development, \$2.69 million for cash gifts and \$78.83 million for manufacturing, agriculture and others. The total value of promissory notes redeemed since the inception of the scheme amounted to \$288.3 million.

A total of \$2,131.2 million was utilized for debt service payments in 1989 vis-a-vis the figure of \$2,004.0 million provided for debt servicing in the 1989 budget. A total of \$709.8 million was utilized to service debt compared with \$400.3 million and \$484.3 million in the preceding quarter and corresponding quarter of 1988, respectively.

Balance of Payments Division
Research Department.

Table 1

FOREIGN EXCHANGE FLOWS THROUGH THE CENTRAL BANK
(US \$ Million)

CATEGORY	Fourth Quarter Sept-Dec 1988 (1)	Jan-Dec 1988 (2)	Third Quarter July-Sept 1989 (3)	Fourth Quarter Oct-Dec 1989 (4)	Jan-Dec 1989 ¹ (5)	Percentage Change Between	
						1 & 4 (6)	3 & 4 (7)
INFLOW	1,206.1	5,229.2	1,590.4	2,099.9	6,748.8	74.1	32.0
OUTFLOW	1,161.3	5,561.9	1,266.6	1,601.0	5,563.8	37.8	26.4
NETFLOW	44.8	-332.7	+333.8	498.9	1,185.0	1,013.6	49.5

¹Provisional.

Table 2

FOREIGN EXCHANGE FLOWS THROUGH THE CENTRAL BANK AND OTHER BANKS
(US \$ Million)

CATEGORY	Fourth Quarter Oct-Dec 1988 (1)	Jan-Dec 1988 (2)	Third Quarter July-Sept 1989 (3)	Fourth Quarter Oct-Dec 1989 (4)	Jan-Dec 1989 ¹ (5)	Percentage Change Between	
						1 & 4 (6)	3 & 4 (7)
INFLOW	1,506.4	6,474.1	1,855.3	2,393.7	7,894.8	58.9	29.0
Oil	1,082.9	4,924.9	1,495.4	1,822.6	5,913.2	68.3	21.9
Non-oil	423.5	1,549.2	359.9	571.1	1,981.6	34.8	58.7
(i) C.B.N.	(123.2)	(304.3)	(95.0)	(277.3)	(835.6)	125.1	191.9
(ii) Other Banks	(300.3)	(1,244.9)	(204.9)	(293.8)	(1,146.0) ²	- 2.2	10.9
OUTFLOW	1,365.1	6,305.8	1,626.1	1,982.4	6,544.2	45.2	21.9
(1) Visible	575.6	3,247.5	718.4	749.0	2,463.7	30.1	4.3
(2) Invisible	642.9	237.6	657.7	946.9	3,195.0	47.3	43.9
(a) Debt Service	484.3	1,959.3	400.3	709.8	2,131.2	46.6	77.3
(i) Loan Repayment	(237.5)	(725.4)	(183.9)	(176.3)	(777.5)	- 25.8	- 4.1
(ii) Interest payment	(246.8)	(1,233.9)	(216.4)	(533.5)	(1,353.7)	116.2	146.5
(b) Others	158.6	412.3	257.4	237.1	1,063.8	49.5	- 7.9
(3) Autonomous Outflow	146.6	686.7	250.0	286.5 ²	885.5 ²	95.4	14.6
NETFLOW	141.3	168.3	229.2	411.3	1,350.6	191.1	79.5

¹ Provisional

² Estimated

Table 3

SECTORAL ALLOCATION OF FOREIGN EXCHANGE
(US \$ Million)

	Fourth Qtr 1988	Jan-Dec 1988	Third Qtr 1989	Fourth Qtr 1989	Jan-Dec 1989	Percentage Change Between		(1) as Percentage of Total (8)	(2) as Percentage of Total (9)	(4) as Percentage of Total (10)
						(1) & (4) (6)	(3) & (4) (7)			
A. IMPORTS	710.4	3,091.3	728.3	801.2	2,608.5	12.8	10.0	90.8	90.8	89.1
(1) Industrial Sector	509.3	2,241.5	538.7	576.3	1,922.3	13.2	6.9	65.1	67.2	64.1
(i) Raw Materials	276.8	1,289.8	327.2	342.5	1,163.5	23.7	4.8	35.4	40.8	38.1
(ii) Machinery Spare Parts and cld	232.5	951.7	211.5	233.8	758.8	0.5	10.5	29.7	26.4	26.0
(2) Agricultural Sector	1.7	21.0	37.9	12.2	86.6	911.8	-34.6	0.2	4.7	1.9
(3) Finished Goods	194.8	814.9	150.6	207.7	597.4	6.6	37.9	24.9	18.8	23.1
(i) Food	47.1	180.1	27.5	43.1	123.4	8.5	56.7	6.0	3.4	4.8
(ii) Motor Vehicles	—	—	13.4	16.7	38.4	—	24.6	—	1.7	1.9
(iii) General Merchandise	147.7	634.8	109.7	147.9	435.6	0.1	34.8	18.9	13.7	16.4
(4) Capital Goods	4.6	13.9	1.1	0.0	2.2	100.0	-100.0	0.6	0.1	0.0
B. INVISIBLES	72.1	370.4	73.8	98.0	289.4	35.9	32.8	9.2	9.2	10.9
(i) Education	3.5	14.6	2.1	2.4	10.6	-31.4	14.2	0.4	0.3	0.3
(ii) Personal Home Remittance	3.8	20.8	2.8	2.5	10.4	-34.2	-10.7	0.5	0.3	0.3
(iii) Airline Remittance	17.0	58.1	20.7	34.9	74.7	105.3	68.6	2.2	2.6	3.9
(iv) Travels (RTA and Business Travels)	7.9	67.9	11.2	14.7	37.7	86.1	31.2	1.0	1.4	1.6
(v) Re-Insurance	4.9	12.9	11.1	3.0	17.7	-38.8	-72.9	0.6	1.4	0.3
(vi) Contract	8.0	32.0	6.9	8.6	36.0	7.5	24.6	1.0	0.9	1.0
(vii) Aircraft lease and Maintenance Fee	2.9	26.2	1.7	0.9	5.2	-68.9	-47.1	0.4	0.2	0.1
(viii) Shipping Vessels and Charter & Main.	1.4	9.6	1.2	0.1	2.5	-92.9	-91.7	0.2	0.1	0.0
(ix) Investment Income Profit and dividends	4.5	23.5	8.3	13.1	32.0	191.1	57.8	0.6	1.0	1.4
(x) Repatriation of Capital	—	—	0.6	1.8	2.7	—	100.0	—	0.1	0.2
(xi) Others	18.2	104.8	7.2	16.0	59.9	-12.1	122.2	2.3	0.9	1.8
TOTAL	782.5	3,461.2	802.1	899.2	2,897.9	14.9	12.1	100.0	100.0	100.0

NIGERIA'S EXTERNAL ASSETS
(US \$ Million)

Table 4

HOLDER	Dec. 1988	Sept. 1989	Dec. 1989	Percentage Change Between	
	(1)	(2)	(3)	(1) & (3) (4)	(2) & (3) (5)
1. OFFICIAL	614.9	1,409.6	1,798.9	192.6	27.6
(i) Central Bank ¹	611.4	1,407.0	1,796.4	193.8	27.6
(ii) Federal Government	3.1	2.3	2.2	-29.0	- 4.3
(iii) State Government	0.4	0.3	0.3	-25.0	—
2. SEMI-OFFICIAL INSTITUTIONS	0.4	0.3	0.3	-25.0	—
3. COMMERCIAL BANKS (NET)	729.0	845.7	747.9 ²	2.6	-11.6
4. MERCHANT BANKS (NET)	596.5	409.9	426.5 ²	7.6	4.1
TOTAL	2,740.8	2,665.5	2,973.6	70.8	11.6
End of Quarter Exchange Rate N=5	5.3530	7.3725	7.6500	-30.0	- 3.6

¹ Excludes attached assets

² Provisional