

DEVELOPMENTS IN THE EXTERNAL SECTOR DURING THE FIRST QUARTER OF 1989

Foreign Exchange Flows

The pressure on the external sector eased further in the first quarter of 1989, as foreign exchange flows into and out of the economy resulted in a net inflow of ₦5,316.9 million, compared with a net inflow of ₦1,111.2 million in the last quarter of 1988. The improvement was due to increased earnings by the oil sector as shown by the rise in the average net-back price of crude petroleum in the international oil market, drawdown from the World Bank Trade and Investment Policy loan and the decline in foreign exchange disbursement.

Foreign exchange flows through the Central Bank alone indicated a net inflow of ₦4,633.1 million against the level of ₦282.0 million in the last quarter of 1988 and the net outflow of ₦235.3 million in the first quarter of 1988. External reserves held by the Central Bank, thus rose from ₦3,272.7 million at the end of the fourth quarter of 1988 to ₦7,905.8 million at the end of the quarter under review. When converted at the end of period exchange rates, the reserve levels stood at \$611.4 million and \$1,042.0 million respectively. At this level, the reserves could support 3.4 months of foreign exchange commitments at the current average rate of disbursement compared with 1.8 months at the end of the preceding quarter, and 2.0 months at the end of the first quarter of 1988.

Foreign Exchange Inflow

Aggregate foreign exchange receipts by the economy in the first quarter of 1989, amounted to ₦13,348.7 million (\$1,862.6 million) an increase of 74.8 per cent and 72.3 per cent over the respective levels in the preceding quarter and the corresponding quarter of 1988. Inflow through the Central Bank in the quarter under review amounted to ₦11,611.5 million (\$1,623.5 million), compared with the levels of ₦6,117.5 million (\$1,217.9 million) in the preceding quarter and ₦6,237.5 million (\$1,466.9 million) in the first quarter of 1988. This development was due to improved receipts from both oil and non-oil sources. Oil receipts rose from \$1,082.9 million at the end of the last quarter of 1988 to \$1,164.1 million, as a result of favourable price developments in the international oil market which pushed the average net-back price of the Nigerian crude oil up from \$14.91 per barrel in the last quarter of 1988, to \$17.79 in the quarter under review. On the other hand, non-oil receipts through the Central Bank increased from \$134.7 million in the preceding quarter to \$459.4 million in the first quarter of 1989, largely due to drawings to the tune of \$149.9 million from the World Bank Trade and Investment Policy Loan (TIPL).

Autonomous inflow of foreign exchange during the quarter totalled \$239.1 million, or 19.7 and 32.8 per cent below the levels of \$297.7 million and \$355.7 million in the preceding quarter and the first quarter of 1988, respectively.

Foreign Exchange Outflow

Foreign exchange outflow from the economy in the first quarter of 1989 totalled \$1,108.5 million in real terms. This represented decreases of 15.2 per cent and 34.3 per cent compared with the levels in the preceding quarter and the corresponding quarter of 1988 respectively.

Outflow through the Central Bank at \$963.5 million declined by 17.0 per cent and 36.6 per cent from the levels in the preceding quarter and the comparable quarter of 1988, respectively. This was due to the huge drop of 33.4 per cent in payments for imports between the last quarter of 1988 and the quarter under review notwithstanding the 12.7 per cent increase in debt service payments during the same period from \$484.3 million to \$545.8 million.

Autonomous outflow in the review quarter declined marginally by 1.1 per cent from \$146.6 million in the preceding quarter to \$145.0 million.

Sectoral Allocation of Foreign Exchange

In the first quarter of 1989, total foreign exchange allocation with both official and autonomous funds by the authorised dealers, amounted to \$462.4 million, compared with \$785.3 million in the preceding quarter, and \$816.0 million in the first quarter of 1988. This development was due to the decline in the amount sold to the authorised dealers by the Central Bank which declined from \$523.2 million in the preceding quarter, to \$386.0 million. The bulk of payments, 91.1 per cent, totalling \$421.4 million, was in respect of visible imports and declined by 40.7 per cent from the level in the preceding quarter. Industrial sector imports, comprising raw-materials and spare parts, attracted \$313.2 million or 67.7 per cent of the total, compared with \$508.7 million in the preceding quarter and \$531.9 million in the first quarter of 1988. Imports by the agricultural sector however increased four-fold, from \$1.7 million in the fourth quarter of 1988, to \$8.5 million. Other components of imports declined from their respective levels in the preceding quarter and the corresponding quarter of 1988. Invisible payments of \$41.0 million or 8.9 per cent of total disbursement, declined by 45.3 per cent and 53.2 per cent from their respective levels in the fourth quarter and the first quarter of 1988. Also, all components of invisible disbursement declined from their respective levels in the preceding quarter and the corresponding quarter of 1988.

External Assets

Nigeria's external assets during the quarter ended March 1989, totalled ₦15,217.6 million, representing a nominal increase of 48.2 per cent from the level at the end of December 1988. Also, it showed a 76.6 per cent increase over the level at the end of March 1988. Central Bank's share of total external assets increased from 31.9 per cent in December 1988 to 52.0 per cent in March 1989. Conversely, the combined share of commercial and merchant banks

declined from 67.9 per cent to 48.0 per cent during the same period. This development was attributable to the increase in official receipts mainly from crude oil exports and drawdown on external loans, the decline in official allocation of foreign exchange and the decline in autonomous inflow of foreign exchange to authorised dealers between the fourth quarter of 1988 and the review quarter. The decline in the share of authorised dealers in total external assets holding suggests that the private sector may not be able to cope with the financing of foreign exchange transactions in the short term. However, when the decline in autonomous receipts is arrested and these earnings are stabilised and enhanced, the role of the Central Bank as a major source of finance for the foreign exchange market will diminish.

Exchange Rates

During the first quarter of 1989, a new auction arrangement that involved daily bidding sessions replaced the fortnightly bidding system at the Foreign Exchange Market. This change also wiped out the multiple exchange

rate system by merging both the official and autonomous segments of the market. Based on this arrangement, the Naira depreciated on the average during the quarter by 30.3 per cent, from ₦5.0404 = \$1.00 in the last quarter of 1988, to ₦7.2292 = \$1.00. On an end of quarter basis the naira depreciated by 29.4 per cent from ₦5.3530 = \$1.00 at the end of December 1988, to ₦7.5875 = \$1.00 at the end of the review quarter.

External Debt Management

Two auction sessions took place under the debt conversion scheme during the quarter at which promisory notes worth \$27.99 million were redeemed. The total value of notes so redeemed since the inception of the scheme thus increased to \$97.99 million. Also, efforts to reschedule debts owed official creditors of the Paris Club continued during the quarter.

Balance of Payments Office,
Research Department.

FOREIGN EXCHANGE FLOWS THROUGH THE CENTRAL BANK
(Million)

Table 1

| CATEGORY | First Quarter Jan.—Mar. 1988 (1) | Fourth Quarter Oct.—Dec. 1988 (2) | First Quarter Jan.—Mar. 1989 (3) | Percentage Change Between | |
|-----------|---|--|---|------------------------------|------------------|
| | | | | (1) & (3) (4) | (2) & (3) (5) |
| | | | | INFLOW N | 6,237.5 |
| \$ | 1,466.9 | 1,217.6 | 1,623.5 | 10.7 | 33.3 |
| OUTFLOW N | 6,472.8 | 5,835.5 | 6,978.4 | 7.8 | 19.6 |
| \$ | 1,520.5 | 1,161.3 | 963.5 | -36.6 | -17.0 |
| NETFLOW N | - 235.3 | +282.0 | +4,633.1 | 2,069.0 | 1,542.5 |
| \$ | -53.6 | +56.3 | +660.0 | 1,331.3 | 1,072.3 |

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

Table 2 (a)

| CATEGORY | First Quarter Jan.—March 1988 (1) | Fourth Quarter Oct.—Dec. 1988 (2) | January 1989 ¹ (3) | February 1989 ¹ (4) | March 1989 ¹ (5) | First Quarter 1989 (6) | Percentage Change Between | |
|------------------------|--|--|-------------------------------------|--------------------------------------|-----------------------------------|------------------------------|---------------------------|------------------|
| | | | | | | | (1) & (6) (7) | (2) & (6) (8) |
| | | | | | | | INFLOW | 7,747.5 |
| Oil | 5,620.2 | 5,387.3 | 2,493.2 | 2,839.4 | 3,006.0 | 8,338.6 | 48.4 | 54.8 |
| Non-Oil | 2,127.3 | 2,249.2 | 2,648.7 | 1,418.3 | 943.1 | 5,010.1 | 135.5 | 122.8 |
| (i) CBN | (617.3) | (730.2) | (2,173.8) | (861.6) | (237.5) | (3,272.9) | (430.2) | (348.2) |
| (ii) Other Banks | (1,510.0) | (1,519.0) | (474.9) | (556.7) | (705.6) ² | (1,737.2) | (15.0) | (14.4) |
| OUTFLOW | 7,126.2 | 6,525.3 | 2,265.4 | 3,094.1 | 2,672.3 | 8,031.8 | 12.7 | 23.1 |
| (1) Visible | 3,550.1 | 3,063.6 | 651.2 | 1,242.8 | 1,081.5 | 2,975.5 | -16.2 | -2.9 |
| (2) Invisible | 2,922.7 | 2,771.9 | 1,341.5 | 1,437.1 | 1,224.3 | 4,002.9 | 37.0 | 44.4 |
| (a) Debt Service | 2,322.1 | 2,163.8 | 1,292.5 | 1,348.8 | 1,144.8 | 3,786.1 | 63.0 | 75.0 |
| (i) Repayment | (538.7) | (931.1) | (358.4) | (358.0) | (348.4) | (1,064.8) | (90.6) | (14.4) |
| (ii) Interest Payment | (1,763.4) | (1,232.7) | (934.1) | (990.8) | (796.4) | (2,721.3) | (54.3) | (120.8) |
| (b) Others | 600.6 | 608.1 | 49.0 | 88.3 | 79.5 | 216.8 | - 63.9 | -64.3 |
| (3) Autonomous Outflow | 653.4 | 689.8 | 272.7 | 414.2 | 366.5 | 1,053.4 ³ | 61.2 | 52.7 |
| NETFI | +621.3 | 1,111.2 | +2,876.5 | +1,163.6 | +1,276.8 | +5,316.9 | 755.8 | 378.5 |

¹ Prov:

² Est: au

³ Repr: use by domiciliary account holders

Table 2(b)

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

| CATEGORY | First Qtr Jan-March 1988 (1) | Fourth Qtr Oct-Dec 1988 (2) | January 1989 ¹ (3) | February 1989 ¹ (4) | March 1989 ¹ (5) | First Quarter 1989 (6) | Percentage Change Between | |
|------------------------|---------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-----------------------------------|------------------------------|---------------------------|------------------|
| | | | | | | | (1) & (6) (7) | (2) & (6) (8) |
| INFLOW | 1,822.6 | 1,515.3 | 765.4 | 576.7 | 520.5 | 1,862.6 | 2.2 | 22.9 |
| Oil | 1,347.4 | 1,082.9 | 383.3 | 384.6 | 396.2 | 1,164.1 | -13.6 | 7.5 |
| Non-oil | 474.7 | 432.4 | 382.1 | 192.1 | 124.3 | 698.5 | 47.1 | 61.5 |
| (i) CBN | (119.0) | (134.7) | (311.4) | (116.7) | (31.3) | (459.4) | (286.1) | (241.1) |
| (ii) Other banks | (355.7) | (297.7) | (70.7) | (75.4) | (93.0) | (239.1) | (-32.8) | (-19.7) |
| OUTFLOW | 1,686.3 | 1,307.9 | 337.2 | 419.1 | 352.2 | 1,108.5 | -34.3 | -15.2 |
| (1) Visible | 834.3 | 575.6 | 96.9 | 168.4 | 118.3 | 383.6 | -54.0 | -33.4 |
| (2) Invisible | 686.2 | 585.7 | 199.7 | 194.6 | 185.6 | 579.9 | -15.5 | -0.1 |
| (a) Debt Service | 533.3 | 484.3 | 186.1 | 182.7 | 177.0 | 545.8 | 2.3 | 12.7 |
| (i) Loan Repayments | (123.8) | (237.5) | (51.6) | (48.5) | (66.1) | (166.2) | (34.2) | (-30.1) |
| (ii) Interest Payments | (409.5) | (246.8) | (134.5) | (134.2) | (110.9) | (379.6) | (-7.3) | (-53.8) |
| (b) Others | 152.9 | 101.4 | 13.6 | 11.9 | 8.6 | 34.1 | -77.7 | -66.4 |
| (3) Autonomous Outflow | 165.8 | 146.6 | 40.6 | 56.1 | 48.3 | 145.0 ² | -12.5 | -1.1 |
| NETFLOW | +136.3 | +207.4 | +428.2 | +157.6 | +168.3 | +754.1 | +453.3 | 263.6 |

¹ Provisional² Estimated³ Represents use by domiciliary account holders

SECTORAL ALLOCATION OF FOREIGN EXCHANGE

(\$ Million)

Table 3

| | First Quarter Jan.-Mar. 1988 (1) | Fourth Quarter Oct.-Dec. 1988 (2) | First Quarter Jan.-March 1989 (3) | Percentage Change Between | |
|--|--|---|---|------------------------------|------------------|
| | | | | (1) & (3) (4) | (2) & (3) (5) |
| | | | | A. IMPORTS | 728.4 |
| (1) Industrial Sector | 531.9 | 508.7 | 313.2 | -41.1 | -38.4 |
| (i) Raw Materials | 305.5 | 276.2 | 191.6 | -37.3 | -30.6 |
| (ii) Machinery, spare parts CKD | 626.4 | 232.5 | 121.6 | -80.6 | -47.7 |
| (2) Agricultural Sector | 6.4 | 1.7 | 8.5 | 32.8 | 400.0 |
| (3) Finished Goods | 186.1 | 200.0 | 98.7 | -47.0 | -50.7 |
| (i) Food | 37.1 | 47.2 | 21.9 | -41.0 | -53.6 |
| (ii) General Merchandise | 149.0 | 148.3 | 76.8 | -48.5 | -48.2 |
| (iii) Capital Goods -- Aircraft/Shipping vessels | 4.0 | 4.5 | 1.0 | -75.0 | -77.8 |
| B. INVISIBLES | 87.6 | 74.9 | 41.0 | -53.2 | 45.3 |
| (i) Education | 2.5 | 3.4 | 1.8 | -28.0 | -47.1 |
| (ii) Personal Home Remittance | 6.2 | 3.7 | 2.8 | -54.8 | -24.3 |
| (iii) Airline Remittance | 18.9 | 16.9 | 5.2 | -72.5 | -69.2 |
| (iv) Travel | 7.3 | 7.9 | 4.9 | -32.9 | -38.0 |
| (v) Re-insurance | 2.1 | 4.8 | 1.4 | -33.3 | -70.8 |
| (vi) Contract Service fees | 4.0 | 8.1 | 7.1 | 77.5 | -12.3 |
| (vii) Aircraft lease and maintenance fees | 12.9 | 3.0 | 1.2 | -90.7 | -60.0 |
| (viii) Shipping vessels charter and Maintenance | 5.2 | 1.5 | 0.7 | -86.5 | -53.3 |
| (ix) Investment Income-Profit and Dividends | 7.0 | 7.0 | 5.3 | -24.3 | -24.3 |
| (x) Others | 21.5 | 18.6 | 10.6 | -30.7 | -43.0 |
| TOTAL | 816.0 | 785.3 | 462.4 | -43.3 | -41.1 |

NIGERIA'S EXTERNAL ASSETS
(N' Million)

Table 4

| HOLDER | March 1988 | December 1988 | March 1989 | Percentage Change Between | |
|-----------------------------------|---------------|------------------|----------------------|---------------------------|------------------|
| | (1) | (2) | (3) | (1) & (3) (4) | (2) & (3) (5) |
| 1. OFFICIAL | 4,421.8 | 3,291.9 | 7,925.0 | 79.2 | 140.7 |
| (i) Central Bank ¹ | 4,402.6 | 3,272.7 | 7,905.8 | 79.6 | 141.6 |
| (ii) Federal Government | 16.8 | 16.8 | 16.8 | — | — |
| (iii) State Government | 2.4 | 2.4 | 2.4 | — | — |
| 2. SEMI-OFFICIAL INSTITUTIONS | 2.3 | 2.3 | 2.3 | — | — |
| 3. COMMERCIAL BANKS (NET) | 2,782.9 | 4,469.0 | 4,564.4 ² | 64.0 | 2.1 |
| 4. MERCHANT BANKS (NET) | 1,407.8 | 2,508.5 | 2,725.9 ² | 93.6 | 8.7 |
| TOTAL | 8,614.8 | 10,271.7 | 15,217.6 | 76.6 | 48.2 |
| of which CBN U.S. \$ * | 1,025.6 | 611.4 | 1,042.0 | 1.6 | 70.4 |
| End of Quarter exchange Rate N/\$ | 4.2928 | 5.3530 | 7.5875 | -43.4 | -29.4 |

¹ Excludes attached Assets.

² Provisional

³ Estimated

* Converted at end of quarter exchange rates