

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

Transactions in foreign exchange through the Central Bank of Nigeria resulted in a net inflow of ₦189.3 million during the second quarter of 1987, in contrast with a net outflow of ₦819.0 million in the preceding quarter. As a result, the level of official reserves moved up from ₦2,785.2 million in March to ₦2,974.5 million at the end of June. The increase notwithstanding, the June-end level of reserves was ₦629.7 million lower than the December 1986 level and was adequate to finance only 1.8 months of the foreign exchange obligations at the prevailing rate of disbursements.

### FOREIGN EXCHANGE INFLOW

Total foreign exchange inflow through the Central Bank, including the receipts by authorised foreign exchange dealers, amounted to ₦5,995.3 million during the second quarter of the year. Inflow during the corresponding quarter of 1986 amounted to ₦1,558.0 million. Of the aggregate inflow during the quarter, oil sector receipts accounted for ₦3,621.4 million or 60.4 per cent compared with ₦1,384.0 million or 88.8 per cent in the second quarter of 1986. Non-oil receipts during the quarter amounted to ₦2,373.9 million, of which ₦844.3 million or 35.6 per cent comprised autonomous inflow through authorized dealers.

At ₦11,671.8 million, total inflow in the period January to June 1987 showed a sharp increase of ₦7,633.8 million or 189.0 per cent over the level in the corresponding period of 1986. The increase however, was substantially nominal and reflected the sharp depreciation of the naira against other currencies. A disaggregation of the total inflow in the period under review showed that oil receipts increased by 91.8 per cent to ₦7,065.2 million and accounted for 60.5 per cent of the total inflow in the period.

Non-oil receipts recorded an even larger increase, having risen from ₦354.0 million in the first half of 1986 to ₦4,606.6 million in the first six months of the current year. The share of non-oil in total inflow accordingly rose from 8.8 per cent in the first half of 1986 to 39.5 per cent in the corresponding period of 1987.

### 1.2 FOREIGN EXCHANGE DISBURSEMENT

Total foreign exchange disbursement by the Central Bank and authorised dealers amounted to ₦4,961.7 million during the second quarter of the year. This represented a decline of 4.9 per cent below the level recorded during the first quarter but an increase of over 200 per cent above the level during the corresponding quarter of 1986.

A breakdown of total disbursement into the two major categories showed that ₦4,035.5 million, representing 81.3 per cent of the total disbursements was in respect of merchandise imports. This total, while marginally below the level recorded in the first quarter, was nearly seven times as large as the level in the corresponding quarter of 1986. Payments for invisible trade transactions at ₦926.2 million, was 19.2 and 2.2 per cent lower than in the preceding quarter and the corresponding quarter of 1986 respectively. External debt service payments in the quarter amounted to ₦561.3 million and represented 9.4 per cent of total receipts during the period.

In the period January to June, aggregate foreign exchange disbursement amounted to ₦10,181.3 million, showing an increase of 146.0 per cent above the level during the same period of 1986. At ₦8,108.2 million in the six month

period, payment for visible imports, represented 79.6 per cent of total disbursement compared with ₦1,524.3 million or 36.8 per cent during the same period of 1986. In contrast, payment for invisible trade transactions declined in absolute terms and as a proportion of total out-payments to ₦2,073.1 million and 20.4 per cent in the first half of 1987, from ₦2,615.1 million and 63.2 per cent respectively in the same period of 1986.

A further breakdown of the aggregate disbursements showed that debt service payments at ₦1,155.3 million accounted for 11.3 per cent of total disbursements and represented only 9.9 per cent of total receipts during the first half of 1987. The low level of debt service payments, however, was achieved as a result of the on-going negotiations to reschedule maturities falling due from April 1986 to the end of 1987.

### 2. EXTERNAL ASSETS

Nigeria's external assets stood at ₦4,234.9 million at the end of June 1987, representing a decline of 20.0 per cent compared with the level at the end of March 1987. The decline reflected commercial bank's net assets holdings which dropped by 49.9 per cent from ₦2,501.9 million in March to ₦1,254.7 million in June 1987. In contrast, Central Bank's holdings increased by 6.8 per cent from the level at the end of March to ₦2,957.7 million. External assets holdings of the Federal Government and semi-official institutions (including State Governments) remained unchanged at ₦16.8 million and ₦5.7 million, respectively.

### 3. REFINANCING OF TRADE DEBT

Negotiation of the rescheduling of Nigeria's external debt outstanding continued during the second quarter, of 1987. Promissory notes valued at \$1,684.1 million were also issued to the uninsured creditors during the quarter while claims worth \$374.6 million were accepted for the insured creditors. With these changes, the cumulative value of notes issued to uninsured creditors up to the period ending June 1987 amounted to \$3,186.5 million while the insured creditors' claims accepted stood at \$747.1 million.

### 4. EXCHANGE RATE

The first and second-tier rates converged on 18th June 1987, at \$1 = ₦3.7375, although formal announcement of the merger was not made until after the end of the month. The rate of \$1.00 = ₦3.7375 at the end of June 1987 represented an appreciation of the naira by 7.6 per cent compared with the SFEM rate of \$1.00 = ₦4.0203 at the end of March 1987, but a depreciation of 11.3 per cent compared with end-December 1986 rate of \$1.00 = ₦3.3166. On a monthly average basis, the naira exchange rate depreciated during the review period by 4.1 and 22.1 per cent compared with the levels in the first quarter of 1987 and last quarter of 1986, respectively.

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Table 1

**FOREIGN EXCHANGE FLOWS THROUGH THE CENTRAL BANK<sup>1/</sup>**  
**(₦' MILLION)**

Category	First Quarter 1986 (1)	Second Quarter 1986 (2)	Jan-June 1986 (3)	First Quarter 1987 (4)	Second Quarter 1987 (5)	Jan-June 1987 (6)	Percentage Change Between (2) & (3) (7) (4) & (5) (8)	
INFLOW . . . . .	2,480.0	1,558.0	4,038.0	4,400.6	5,151.0	9,551.6	+230.6	+17.0
OUTFLOW . . . . .	2,556.4	1,583.0	4,139.4	5,219.6	4,961.7	10,181.3	+213.4	-4.9
NET . . . . .	-76.4	-25.0	-101.4	-819.0	+189.3	-629.7	+857.2	+123.1

1/ Provisional.

Table 2

**FOREIGN EXCHANGE FLOWS THROUGH THE CBN AND OTHER BANKS<sup>1/</sup>**  
**(₦' MILLION)**

Category	First Quarter 1986	Second Quarter 1986	Jan - June 1986	First Quarter 1987	April 1987	May 1987	June 1987	Second Quarter 1987	Jan-June 1987
INFLOW . . . . .	2,480.0	1,558.0	4,038.0	5,676.5	2,134.1	1,799.9	2,061.3	5,995.3	11,671.8
Oil . . . . .	2,300.0	1,384.0	3,684.0	3,443.8	1,178.1	923.2	1,520.1	3,621.4	7,065.2
Non-Oil . . . . .	180.0	174.0	354.0	2,232.7	956.0	876.7	541.2	2,373.9	4,606.6
(i) CBN . . . . .	(180.0)	(174.0)	(354.0)	(956.8)	(636.9)	(643.8)	(248.9)	(1,529.6)	(2,486.4)
(ii) Other Banks . . . . .	(-)	(-)	(-)	(1,275.9)	(319.1)	(232.9)	(292.3)	(844.3)	(2,120.2)
OUTFLOW . . . . .	2,556.4	1,583.0	4,139.4	5,219.6	1,165.1	1,764.7	2,031.9	4,961.7	10,181.3
Visible . . . . .	888.1	636.2	1,524.3	4,072.7	905.1	1,530.2	1,600.2	4,035.5	8,108.2
Invisible . . . . .	1,668.3	946.8	2,615.1	1,146.9	260.0	234.5	431.7	926.2	2,073.1
(a) Debt Service . . . . .	1,056.0	686.5	1,742.5	594.0	238.1	101.4	221.8	561.3	1,155.3
(ii) Loan Repayment . . . . .	(759.0)	(495.4)	(1,254.4)	(171.2)	123.9	(-)	(167.9)	(291.8)	(463.0)
(ii) Interest Payment . . . . .	(297.0)	(191.1)	(488.1)	(422.8)	(114.2)	(101.4)	(53.9)	(269.5)	(692.3)
(b) Others . . . . .	612.3	260.3	872.6	552.9	21.9	133.1	209.9	364.9	917.8
NETFLOW . . . . .	-76.4	-25.0	-101.4	+456.9	+969.0	+35.2	+29.4	+1,033.6	+1,490.5

1/ Provisional.

Table 3

**NIGERIA'S EXTERNAL ASSETS**  
**(₦' MILLION)**

Holder	March 1986	June 1986	December 1986	March 1987	June 1987 <sup>1/</sup>	Percentage Change Between (2) & (3) (3) & (5) (4) & (5)		
1. OFFICIAL . . . . .	1,581.5	1,556.5	3,604.2	2,785.2	2,974.5	+91.1	-17.5	+6.8
(i) Central Bank <sup>2/</sup> . . . . .	1,564.7	1,539.7	3,587.4	2,768.4	2,957.7	+92.1	-17.6	+6.8
(ii) Federal Government . . . . .	16.8	16.8	16.8	16.8	16.8	-	-	-
2. SEMI-OFFICIAL INSTITUTIONS AND STATE GOVERNMENTS . . . . .	5.7	5.7	5.7	5.7	5.7	-	-	-
3. COMMERCIAL BANKS (NET) . . . . .	29.6	50.7	1,412.7	2,501.9	1,254.7	+2,374.8	-11.2	-49.9
TOTAL . . . . .	1,616.8	1,612.9	5,022.6	5,292.8	4,234.9	+162.6	-15.7	-20.0
- U.S. . . . .	1601.3	1358.6	1,514.4	1,316.5	1,133.1	-16.6	-25.2	-13.9
of which Central Bank . . . . .	1549.7	1,296.9	1,081.6	688.6	791.4	-39.0	-26.8	+14.9
End of month Exchange rate								
- \$1.00 = ₦ . . . . .	1.0097	1.1872	3.3166	4.0203	3.7375	-68.2	-11.3	+7.6

1/ Provisional

2/ Excludes attached assets