

DEVELOPMENTS IN THE FINANCIAL SYSTEM DURING THE THIRD QUARTER OF 1986

Introduction

The narrow measure of money stock, (M1), declined during the third quarter due, on the one hand, to increases in quasi money and 'other' assets of the banking system and on the other, partially offsetting increases in foreign assets and in credit to the domestic economy. The broader measure, (M2), maintained an upward trend.

The money and capital market both recorded moderate increases in the level activities during the quarter.

Money Supply

During the quarter, money supply narrowly defined, (M1), maintained the downward trend that started in February, 1986. M1 dropped by ₦329.6 million or 2.7 per cent to ₦11.9 billion during the third quarter of 1986 following the sharp decline of ₦779.0 million or 6.0 per cent in the preceding quarter and the drop of ₦1.4 billion or 10.4 per cent between end-December, 1985 and end-September, 1986. In the one year period (September 1985 and September 1986) a decline of ₦1.3 billion was recorded. The monthly average level of money supply during the review period was ₦12.1 billion down ₦433.6 million or 3.5 per cent below the level in the preceding quarter.

The contraction of M1 during the quarter reflected the decline in 'other' assets (net) of the banking system and an increase in quasi money. The decline in 'other' assets (net) resulted from the increase in 'other' liabilities of the Central Bank, arising partly from banks' transfer to the CBN, of customers' deposits awaiting foreign exchange allocation. The increase in quasi money reflected the rise in time-deposit liabilities. The contractionary impact due to these factors was however, partly offset by the expansion in banks' credit to the domestic economy and an increase in foreign assets (net) during the review quarter.

The decline in M1 wholly reflected the fall in demand deposit component as the currency component rose. Thus, the demand deposit ratio of M1 declined by 2.2 percentage points to 59.0 per cent during the quarter under review.

Arising mainly from an increase in quasi-money, the broader measure of money supply (M2), moved upwards during the third quarter. At ₦24.3 billion at the end of September, 1986, M2 showed an increase of ₦771.4 million or 3.3 per cent above its level at the end of June, 1986. The increase follows a decline of ₦592.4 million or 2.5 per cent in the preceding quarter and the increase of ₦1.6 billion or 7.4 per cent in the corresponding period of 1985. M2 rose to ₦830.5 million or 3.5 per cent between end-September 1985 and end-September, 1986.

The monthly average level of M2 during the review quarter, was about the same, (₦23.8 million) as in the preceding quarter of 1986 and the corresponding quarter of 1985, (₦23.1 million).

Banking System Credit:

Aggregate banking system's credit (net) to the domestic economy increased by ₦2.2 billion or 6.6 per cent to ₦35.0 billion in the third quarter as against a decline of ₦332.2 million or 1.0 per cent in the preceding quarter. In the one year period (September 1985 and September 1986) aggregate credit increased by ₦2.0 billion or 7.1 per cent. The overall increase during the review quarter was due to increases in both private and government sector credit, with the former accounting for 54.6 per cent of the increase. Banking system's credit to the

private sector at the end of third quarter stood at ₦15.8 billion, showing an increase of ₦1.2 billion or 8.1 per cent. The increase was significantly higher than the increases of ₦362.7 million or 2.5 per cent in the preceding quarter, and ₦207.8 million or 1.6 per cent in the corresponding quarter of 1985. Compared to the level a year earlier, banks credit to the private sector at the end of the third quarter was ₦2.7 billion or 20.8 per cent higher. Commercial banks accounted for the bulk (97.9 per cent) of the increase during the review quarter while the Central Bank's claims on this sector increased only marginally. The increase in commercial banks' claims on this sector was largely attributable to renewed demand for bank facilities by customers seeking to process their foreign exchange applications through the first window in anticipation of Second-Tier Foreign Exchange Market (SFEM).

Credit to the government sector increased by ₦984.6 million or 5.4 per cent to ₦19.1 billion during the review quarter as against the decline of ₦684.0 million or 3.6 per cent in the preceding quarter and a fall of ₦409.2 million or 2.1 per cent between end-September 1985 and end-September 1986. The Central Bank solely accounted for the expansion in bank credit to the sector in the review quarter, mainly through rediscounting of eligible assets, particularly treasury bills, by the commercial banks seeking to meet the CBN's call for naira deposits in respect of foreign liabilities.

External Assets:

During the third quarter of 1986, foreign assets (net) of the banking system increased by ₦934.9 million or 57.2 per cent to ₦2.6 billion. In the preceding quarter a decline of ₦3.5 million or 0.2 per cent was recorded. The observed increase in the review quarter, however was largely nominal and resulted from the sharp depreciation in the value of the Naira.

Commercial Banking:

Total assets/liabilities of commercial banks at the end of the third quarter of 1986 stood at ₦35.3 billion, showing an increase of ₦2.2 billion or 6.7 per cent over the level at the end of the second quarter 1986. This increase was higher than the increase of ₦1.3 billion or 4.0 per cent recorded in the previous quarter and ₦454.8 million or 1.5 per cent observed in the corresponding quarter of 1985. The monthly average level of the commercial banks' assets/liabilities was ₦34.1 billion during the review quarter, and was about the same level as the ₦32.4 billion recorded in the preceding quarter.

Total deposit liabilities of the system declined by ₦137.3 million or 0.8 per cent to ₦18.0 billion during the review quarter compared with a marginal decline of ₦13.4 million or 0.1 per cent in the second quarter of 1986. In the one year period (September 1985 and September 1986), there was an increase of ₦998.6 million or 5.9 per cent. The monthly average level of the system's deposit liabilities was ₦17.9 billion during the review quarter, down marginally from ₦18.1 billion in the preceding quarter.

Total commercial banks' investment declined sharply during the review quarter, by ₦2.6 billion or 23.9 per cent to ₦8.3 billion. This decline as mentioned above, resulted mainly from the rediscounting by commercial banks, of short-term government debt instruments, especially treasury bills, following the

call on banks to transfer to the CBN, customers' naira deposit towards the purchase of foreign exchange. As a result of the rediscounting, the banks' treasury bills holdings dropped by ₦2.8 billion or 35.9 per cent to ₦5.0 billion (see Table 2).

On the other hand, commercial banks' aggregate loans and advances increased by ₦1.2 billion or 9.4 per cent to ₦14.2 billion, a significantly higher increase compared with the increase of ₦292.4 million or 2.3 per cent in the preceding quarter and a rise of ₦202.2 million or 1.8 per cent in the corresponding quarter of 1985. Compared with end-December 1985 level, commercial banks' loans and advances at the end of the third quarter increased by ₦2.0 billion or 16.3 per cent as against the permissible credit expansion of 10.0 per cent for the fiscal year. The system's loans/deposits ratio increased from a monthly average of 70.6 per cent during the second quarter of 1986, to 76.2 per cent in the review period while the system's monthly average liquidity and cash ratios were 63.3 and 3.5 per cent, respectively during the quarter under review.

The proportion of commercial banks' loans and advances to the preferred sectors continued to fall below the minimum stipulated for the sectors. The monthly average distribution of commercial banks' total loans and advances to the preferred sector in the third quarter was 69.3 per cent, showing a short-fall of 8.7 per cent. Agriculture, Industrial enterprises, and services recorded short-falls of 3.2, 1.1 and 4.4 percentage points, respectively (see Table 3).

On the other hand, allocation to the less-preferred sector exceeded the prescribed maximum target of 22.0 per cent, by 8.7 percentage points. The overall deviations were 8.6 percentage points in the second quarter and 6.7 percentage points in the third quarter of 1986.

Merchant Banking:

Merchant banks' total assets/liabilities at the end of September 1986, amounted to ₦6.1 billion, representing an increase of ₦830.5 million or 15.8 per cent over the level at end-June. The increase in assets/liabilities was significantly larger than the increase of ₦249.6 million or 4.7 per cent recorded in the second quarter. Between end-September 1985 and end-September 1986, there was an increase of ₦1.4 billion or 30.3 per cent (See Table 4).

Merchant banks' investment in government's short-term securities declined during the review period. At ₦852.7 million at the end of September, merchant banks' investment was ₦441.4 million or 34.1 per cent lower than the level at end-June. In the second quarter an increase of ₦96.5 million or 8.0 per cent was observed while between September 1985 and September 1986, a decline of ₦366.8 million or 30.1 per cent was recorded. The decline in investment in the review quarter is attributed to merchant banks' rediscounts of government debt instruments for the reason mentioned earlier.

The value of equipment leasing amounted to ₦128.8 million at the end of September 1986, showing an increase of ₦29.1 million or 29.3 per cent over the level at end-June 1986. In the preceding quarter, an increase of ₦4.1 million was observed while between September 1985 and September 1986 an increase of ₦50.8 million or 65.4 per cent was recorded. The value of equipment leasing at the end of the review quarter constituted 2.1 per cent of the merchant banks' total assets as against 1.9 per cent in the second quarter. This proportion was substantially below the 15.0 per cent prescribed minimum.

At 61.2 per cent, the monthly average allocation of loans and advances to the preferred sector fell short of the target of 79.0 per cent prescribed for these sectors. The shortfall was 17.8 percentage points, compared with short-falls of 17.1 and 17.0 percentage points recorded in the first and second quarters of 1986, respectively. All the sub-sectors of the preferred sector received allocation below the minimum share prescribed for

Table 1

MONETARY AND CREDIT DEVELOPMENTS IN THE THIRD QUARTER, 1986 (₦ Million)

	September 1986 (1)	June 1986 (2)	March 1986 (3)	September 1985 (4)	Changes Between (1) & (2)		Changes Between (2) & (3)		Changes Between (1) & (4)	
					Absolute	Per cent	Absolute	Per cent	Absolute	Per cent
<i>Credit to Domestic Economy (Net)¹</i>	34,976.4	32,807.4	33,129.6	32,654.2	+2,169.0	+6.6	-332.2	-1.0	+2,322.2	+7.1
<i>Credit to Private Sector</i>	15,846.9	14,662.4	14,299.7	13,115.4	+1,184.5	+8.1	+362.7	+2.5	+2,731.5	+20.8
(i) Central Bank	1,621.5	1,597.0	1,562.8	1,335.5	+24.5	+1.5	+34.2	+2.2	+286.0	+21.4
(ii) Commercial Banks	14,225.4	13,065.4	12,736.9	11,779.9	+1,160.0	+8.9	+330.5	+2.6	+2,445.5	+20.8
<i>Credit to Government Sector (Net)</i>	19,129.6	18,145.0	18,829.9	19,538.8	+984.6	+5.4	-586.0	-3.6	-409.2	-2.1
(i) Central Bank ¹	11,321.8	7,934.2	8,520.2	9,475.8	+3,387.6	+42.7	-586.0	-6.9	+1,846.0	-19.5
(ii) Commercial Banks ²	7,807.8	10,210.8	10,309.7	10,063.0	-2,403.0	-23.5	-98.9	-1.0	-2,255.2	-22.4
(iii) Federal Savings Bank	—	—	—	—	—	—	—	—	—	—
<i>Foreign Assets (Net)</i>	2,570.1	1,635.2	1,638.7	945.8	+934.9	+57.2	-3.5	-0.2	+1,624.3	+171.7
(i) Central Bank ³	2,054.3	1,584.6	1,609.0	800.9	+469.7	+0.3	-24.4	-1.5	+1,253.4	+156.5
(ii) Commercial Banks	515.8	50.6	29.7	144.9	+465.2	+91.9	+20.9	+70.4	+370.9	+256.0
<i>Other Assets (Net)</i>	-13,203.9	-10,871.4	-10,604.7	-10,087.9	-2,332.5	-21.5	-266.7	-2.5	-3,116.0	-30.9
Total Monetary Assets	24,342.6	23,571.2	24,163.6	23,512.1	+771.4	+3.3	-592.4	-2.5	+830.5	+3.5
<i>Quasi Money</i>	12,450.3	11,349.3	11,162.7	10,331.3	+1,101.0	+9.7	+186.6	+1.7	+2,119.0	+20.5
<i>Money Supply</i>	11,892.3	12,221.9	13,000.9	13,180.8	-329.6	-2.7	-779.0	-6.0	-1,288.5	-9.8
(i) Currency Outside Banks	4,880.1	4,737.3	4,927.3	4,464.2	+142.8	+3.0	-190.0	-3.9	+415.9	+9.3
(ii) Private Sector Demand Deposits	7,012.2	7,484.6	8,073.6	8,716.6	-472.4	-6.3	-589.0	-7.3	-1,704.4	-19.6
Total Monetary Liabilities	24,342.6	23,571.2	24,162.6	23,512.1	+771.4	+3.3	-591.4	-2.5	+830.5	+3.5
<i>Fed. Gov't. Demand Deposits</i>	2,894.6	2,723.3	3,226.4	2,458.4	+171.3	+6.3	-503.1	-18.5	+436.2	+17.7

¹ Less Federal Govt. deposit with the Central Bank and Fed. Govt. external assets

² Less Federal Govt. demand deposits with commercial banks

³ Includes Federal Government External Assets

⁴ Excludes Federal Savings Bank Deposit.

COMMERCIAL BANKING SYSTEM
COMPARATIVE STATEMENTS OF ASSETS AND LIABILITIES
(₦ million)

Accounts	September	June	September	Percentage	
	1986	1986	1985	change between	
	(1)	(2)	(3)	(1) & (2)	(1) & (3)
Assets					
1. <i>Cash and cash items</i>	1,090.7	1,087.2	1,196.9	+0.3	+8.9
(a) Vault cash	449.3	451.3	388.1	+0.4	+15.8
(b) Balance at Central Bank	641.4	635.9	808.8	+0.9	-20.7
2. <i>Balance held with</i>	704.0	699.8	724.6	+0.6	-2.8
(a) Banks in Nigeria	277.0	358.2	362.1	-22.7	-23.5
(b) Banks outside Nigeria	405.8	324.1	339.6	+25.2	+19.5
(c) Offices and branches outside Nigeria	21.2	17.5	22.9	+21.1	-7.4
3. <i>Loans and Advances</i>	14,152.0	12,934.6	11,674.3	+9.4	+21.2
(a) Banks in Nigeria	19.6	14.6	12.6	+34.3	+55.6
(b) Other customers	13,673.6	12,450.7	11,103.6	+9.8	+23.2
(i) Banks' Subsidiaries	(—)	(—)	(—)	(—)	(—)
(ii) Federal Government	(105.2)	(72.3)	(63.5)	(45.5)	(+65.7)
(iii) State Government	(394.2)	(413.9)	(453.9)	(-4.8)	(-13.2)
(iv) Local Governments	(23.1)	(24.7)	(28.6)	(-6.5)	(-19.2)
(v) Other	(13,151.1)	(11,939.8)	(10,557.5)	+10.1	+24.6
(c) Banks outside Nigeria	331.5	390.9	514.1	+15.2	-35.5
(d) Money at call outside Central Bank	127.4	78.4	44.0	+62.5	+189.6
(e) Bills discounted	73.8	65.1	32.6	13.4	+126.4
(i) Payable in Nigeria	(53.6)	(13.3)	(11.4)	(303.0)	(+370.2)
(ii) Payable outside Nigeria	(—)	(—)	(—)	—	—
4. FACTORED DEBTS	—	—	—	—	—
5. <i>Investment</i>	8,332.8	10,953.9	10,598.8	-23.9	-21.4
(a) In Nigeria.....					
(i) Treasury bills	(4,995.3)	(7,790.3)	(8,200.6)	(-35.9)	(-39.1)
(ii) Treasury certificates	(2,468.2)	(2,401.7)	(1,801.3)	(+2.8)	(37.0)
(iii) Development stocks	(599.0)	(512.3)	(385.2)	(+16.9)	(55.5)
(iv) Bankers' Unit Fund	(18.5)	(18.5)	(18.5)	(0.0)	(0.0)
(v) Certificates of Deposit	(160.9)	(163.7)	(141.1)	(-1.7)	(14.0)
(vi) Stabilization Securities	(—)	(—)	(—)	—	—
(vii) Other	(90.9)	(67.4)	(52.1)	(+34.9)	(74.5)
(b) Abroad.....	407.2	—	—	(0.0)	(0.0)
6. EQUIPMENT ON LEASE	—	—	—	—	—
7. <i>Other Assets</i>	10,634.9	7,438.1	6,769.2	43.0	+57.1
Total	35,321.5	33,113.7	30,963.8	+6.7	+14.1
Liabilities					
1. <i>Capital: Issued, paid-up and reserves</i>	1,208.8	1,199.2	1,074.9	+0.8	+12.5
2. <i>Balance held for</i>	574.5	423.6	518.1	+35.6	10.9
(a) Banks in Nigeria	225.2	130.8	289.1	+72.2	-22.1
(b) Other banks outside Nigeria	278.6	226.4	160.1	+23.1	+74.0
(c) Offices and branches outside Nigeria	70.7	66.4	68.9	+6.5	+2.6
3. <i>Money at call from other banks</i>	69.6	62.6	99.6	+11.2	-29.8
(a) In Nigeria.....	69.6	62.6	99.1	11.2	-29.8
(b) Outside Nigeria	—	—	—	—	—
4. <i>Loans and advances from</i>	100.6	88.7	77.0	13.4	+30.7
(a) Central Bank of Nigeria.....	—	—	—	—	—
(b) Other banks in Nigeria	15.0	15.0	5.0	0.0	+200.0
(c) Other banks outside Nigeria	22.8	11.5	6.9	+98.3	+230.4
(d) Other creditors.....	62.8	62.2	65.1	+1.0	-3.5
5. <i>Deposits</i>	18,049.2	18,186.5	17,050.6	-0.8	+5.9
(a) Demand	5,598.9	6,837.2	6,719.4	-18.1	-16.7
(b) Savings	3,998.7	4,026.9	3,582.5	-0.7	+11.6
(c) Time	8,451.6	7,322.4	6,748.7	+15.4	+25.2
6. <i>Certificates of Deposit</i>	24.5	18.9	25.0	+29.6	-2.0
7. <i>Other Liabilities</i>	15,294.4	13,134.2	12,118.6	+16.5	+26.2
Total	35,321.5	33,113.7	30,963.8	+6.7	+14.1

Table 3

SECTORAL DISTRIBUTION OF COMMERCIAL BANKS' LOANS AND ADVANCES (PER CENT)

	Prescribed Target		Average Performance			1986										Average Performance			Deviations from Targets				
	1985	1986	Jan- March 1985	April- June 1985	July- Sept. 1985	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Jan- March 1986	April- June 1986	July- Sept. 1986	Jan- March 1985	April- June 1985	July- Sept. 1985	Jan- March 1986	April- June 1986	July- Sept. 1986
			1985	1985	1985	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	1986	1986	1986	1985	1985	1985	1986	1986	1986
A. Preferred Sectors.																							
(i) Agric. (Agric Forestry and Fishing)	12.0	15.0	9.3	9.5	10.0	11.7	12.0	11.6	11.7	11.8	11.8	11.8	11.9	11.8	11.8	11.8	11.8	-2.7	-2.5	-2.0	-3.2	-3.2	-3.2
(a) Grains																							
Production and Distribution		(7.50)				(6.4)	(6.4)	(6.0)	(6.1)	(6.2)	(6.6)	(6.3)	(6.0)	(7.0)	(6.3)	(6.3)	6.4				(-1.2)	(-1.2)	(-1.1)
(b) Livestock, including Poultry		(2.25)				(3.4)	(2.5)	(4.1)	(5.2)	(2.7)	(2.6)	(3.5)	(2.9)	(1.9)	(3.3)	(3.5)	(2.8)				(1.0)	(1.2)	(0.5)
(c) Others		(5.25)				(1.9)	(3.1)	(1.5)	(0.4)	(2.9)	(2.6)	(2.0)	(3.0)	(2.9)	(2.2)	(2.0)	(2.6)				(-3.0)	(-3.2)	(-2.6)
(ii) Industrial Enterpr.	50.0	50.0	49.4	49.4	49.1	48.2	49.0	49.0	49.0	48.3	48.0	48.8	49.1	48.8	48.7	48.4	48.9	-0.6	-0.6	-0.9	-1.3	-1.6	-1.1
(a) Manufacturing (including agro Allied Industries).....	(44.0)	(44.0)	(42.4)	(41.8)	(42.0)	(41.1)	(41.8)	(41.8)	(41.6)	(40.5)	(40.9)	(44.3)	(44.6)	(44.3)	(41.6)	(41.0)	(44.4)	(-1.6)	(-2.2)	(-2.0)	(-2.4)	(-3.0)	(0.4)
Mining & Quarrying, Non-Residential Bld Public contr. and others		—																					
(b) Residential	(6.0)	(6.0)	(7.0)	(7.6)	(7.1)	(7.1)	(7.2)	(7.2)	(7.4)	(7.8)	(7.1)	(4.5)	(4.5)	(4.5)	(7.1)	(7.4)	(4.5)	(1.0)	(1.6)	(1.1)	(1.1)	(1.4)	(-1.5)
(iii) Services	13.0	13.0	9.2	9.0	9.2	8.9	8.7	9.1	8.8	9.0	9.8	8.9	8.7	8.1	8.9	9.2	8.6	-1.8	-2.0	-1.8	-4.1	-3.8	-4.4
Comprising Exports, Public Utilities, Transp. & Comm.																							
Total 'A'	75.0	78.0	67.9	69.9	68.3	68.8	69.7	69.7	69.5	69.1	69.7	69.5	69.7	68.7	69.4	69.4	69.3	-7.1	-7.1	-6.7	-8.6	-8.6	-8.7
B. Less Preferred Sectors.																							
Comprising Govt.....																							
Imports, Domestic Trade, Credit & Fin. Inst.																							
Personal & Professional & Money at Call.....																							
Total 'B'	25.0	22.0	32.1	32.1	31.7	31.2	30.3	30.3	30.5	30.9	30.3	30.5	30.3	31.3	30.6	30.6	30.7	7.1	7.1	6.7	8.6	8.6	8.7
Total (A) + (B)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	—	—	—	—	—	—

MERCHANT BANKING SYSTEM
COMPARATIVE STATEMENTS OF ASSETS AND LIABILITIES
(₦ million)

Accounts	September	June	September	Percentage	
	1986	1986	1985	change between	
	(1)	(2)	(3)	(1) & (2)	(1) & (3)
<i>Assets</i>					
1. Cash and cash items.....	204.9	95.2	28.1	+115.2	+629.2
(a) Vault cash.....	0.4	0.3	0.3	+33.3	+33.3
(b) Balance at Central Bank.....	204.5	95.0	27.8	+115.2	+635.6
2. Balance held with.....	236.2	174.2	188.1	+35.6	+25.6
(a) Banks in Nigeria.....	58.8	41.0	49.3	+43.4	+19.3
(b) Banks outside Nigeria.....	177.5	133.3	138.7	+33.2	+28.0
(c) Offices and branches outside Nigeria.....	—	—	0.1	—	-100.0
3. Loans and Advances.....	2,378.9	1,992.6	1,709.0	+19.4	+39.2
(a) Banks in Nigeria.....	—	1.0	1.6	-100.0	-100.0
(b) Other customers.....	1,738.3	1,473.8	1,229.5	+18.0	+41.4
(i) Banks' Subsidiaries.....	(—)	(—)	(—)	(—)	—
(ii) Federal Government.....	(0.2)	(0.3)	(0.3)	+33.3	0.0
(iii) State Governments.....	(21.0)	(24.7)	(20.0)	+15.0	+5.0
(iv) Local Governments.....	(—)	(—)	(—)	—	—
(v) Other.....	(1,717.1)	(1,448.8)	(1,209.2)	+18.5	+42.0
(c) Banks outside Nigeria.....	—	—	—	—	—
(d) Money at call outside Central Bank.....	476.2	381.7	402.0	+24.8	+18.5
(e) Bills discounted.....	164.4	136.1	75.9	+20.8	+116.6
(i) Payable in Nigeria.....	(163.9)	(135.1)	(75.9)	+21.3	+115.9
(ii) Payable outside Nigeria.....	(—)	(1.0)	(—)	+100.0	(0.0)
4. Factored Debts.....	—	—	—	—	—
5. Investment.....	852.6	1,293.9	1,219.4	-34.1	-30.1
(a) In Nigeria.....	852.6	1,293.9	1,219.4	+34.1	+30.1
(i) Treasury bills.....	(385.5)	(717.4)	(981.2)	-46.3	(-60.7)
(ii) Treasury certificates.....	(218.3)	(298.4)	(84.9)	-26.8	+157.1
(iii) Development stocks.....	(82.3)	(125.1)	(46.0)	-34.2	+78.9
(iv) Bankers' Unit Fund.....	(49.0)	(40.8)	(1.8)	+20.1	+2,622.2
(v) Certificates of Deposit.....	(102.0)	(101.5)	(92.2)	+0.5	+10.6
(vi) Stabilization Securities.....	(—)	(—)	(—)	(—)	—
(vii) Other.....	(15.5)	(10.7)	(13.3)	+44.9	+16.5
(b) Abroad.....	—	—	—	—	—
6. Equipment on Lease.....	128.5	99.4	77.7	29.3	+65.4
7. Other Assets.....	2,299.9	1,615.0	1,459.5	+42.4	+57.6
Total.....	6,101.0	5,270.5	4,681.8	+15.8	+30.3
<i>Liabilities</i>					
1. Capital: Issued, paid-up and reserves.....	183.7	164.2	148.3	+11.9	+23.9
2. Balance held for.....	41.0	72.6	29.3	-43.5	+39.9
(a) Banks in Nigeria.....	19.2	51.7	22.0	-62.9	-12.7
(b) Other banks outside Nigeria.....	21.9	20.9	7.4	+4.8	+196.0
(c) Offices and branches outside Nigeria.....	—	—	—	—	—
3. Money at call from other banks.....	347.6	391.1	382.4	+11.1	-9.1
(a) In Nigeria.....	347.6	391.1	382.4	-11.1	-9.1
(b) Outside Nigeria.....	—	—	—	—	—
4. Loans and advances from.....	14.7	7.3	—	+101.4	0.0
(a) Central Bank of Nigeria.....	7.5	—	—	0.0	0.0
(b) Other banks in Nigeria.....	—	—	—	—	—
(c) Other banks outside Nigeria.....	—	—	—	—	—
(d) Other creditors.....	7.2	7.3	—	-1.4	0.0
5. Deposits.....	2,374.6	1,954.2	1,722.7	+21.5	+37.8
(a) Demand.....	638.6	457.0	497.2	+39.7	+28.4
(b) Savings.....	—	—	—	—	—
(c) Time.....	1,735.9	1,497.1	1,225.5	+16.0	+41.7
6. Certificates of Deposit.....	142.1	130.7	100.9	+8.7	+40.8
7. Other Liabilities.....	2,997.2	2,550.4	2,298.2	+17.5	+30.4
Total.....	6,101.0	5,270.5	4,681.8	+15.8	+30.3

SECTORAL DISTRIBUTION OF MERCHANTBANKS' LOANS AND ADVANCES (PER CENT)

	Prescribed Targets		Average Performance			1986									Average Performance			Deviation from Targets					
	1985	1986	Jan- March 1985	April- June 1985	July- Sept. 1985	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Jan- March 1986	April- June 1986	July- Sept. 1986	Jan- March 1985	April- June 1985	July- Sept. 1985	Jan- March 1986	April- June 1986	July- Sept. 1986
	A. Preferred Sectors.																						
(i) Agric. (Agric Forestry and Fishing)	6.0	8.0	5.4	5.4	5.5	6.7	6.9	7.3	7.3	7.3	7.4	7.2	7.5	6.9	7.0	7.3	7.2	-0.6	-0.6	-0.5	-1.0	-0.7	-0.8
(a) Grains Production and Distribution ..		(4.0)	—	—	—	(2.0)	(2.3)	(1.8)	(1.6)	(1.5)	(1.6)	(1.5)	(1.8)	(1.8)	2.0	1.6	1.8	—	—	—	-2.0	-2.4	-2.2
(b) Livestock, including Poultry ..		(1.2)	—	—	—	(1.3)	(1.4)	(1.5)	(1.5)	(1.5)	(1.5)	(0.5)	(0.5)	(0.5)	1.4	1.5	1.1	—	—	—	+0.2	+0.3	-0.1
(c) Others		(2.8)	—	—	—	(3.4)	(3.2)	(4.0)	(4.2)	(4.3)	(4.3)	(5.2)	(5.2)	(4.6)	3.5	4.3	4.8	—	—	—	+0.7	+1.5	—
(ii) Industrial Enterpr.	64.0	62.0	47.2	45.8	46.3	50.6	50.6	52.1	50.3	51.4	49.5	49.0	48.6	49.2	51.1	50.4	50.1	-10.8	-12.2	-11.7	-10.9	-11.6	-11.9
(a) Manufacturing (including Agro Allied Industries) Mining & Quarrying Non-Residential Building Public contr. and others ..	(58.0)	(56.0)	(40.9)	(40.0)	(40.4)	(45.0)	(45.0)	(45.5)															
(b) Residential Building	(6.0)	(6.0)	(6.3)	(5.8)	(5.9)	(5.6)	(5.6)	(6.6)	(44.3)	(45.7)	(43.6)	(43.5)	(42.6)	(44.2)	(45.2)	(44.5)	(44.4)	(+10.5)	(-12.0)	(-11.6)	(-10.8)	(-11.5)	(-11.6)
(iii) Services	9.0	9.0	3.5	3.5	3.8	3.7	3.8	(3.9)	3.8	3.7	5.2	3.5	3.4	4.0	3.8	4.2	3.9	-5.5	-5.5	-5.2	-5.2	-4.8	-5.1
Comprising Exports, Public Utilities Transp. & Comm.																							
Total 'A'	79.0	79.0	62.4	60.5	61.5	61.0	61.3	63.3	61.4	62.4	62.1	59.8	59.5	60.1	61.9	62.0	61.2	-16.6	-18.5	-17.5	-17.1	-17.0	-17.8
B. Less Preferred Sectors.																							
Comprising Govt.																							
Imports. Domestic Trade, Credit & Fin. Inst.																							
Personal & Professional																							
Money at Call																							
Total 'B'	21.0	21.0	37.6	39.5	38.5	39.0	38.7	36.7	38.6	37.6	37.9	40.2	40.5	39.9	38.1	38.0	38.8	+16.6	+18.5	+17.5	+17.1	+17.0	+17.8
Total (A) + (B)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	—	—	—	—	—	—

them. As in the past, the deficit was highest for the Industrial Enterprises whose short-fall was 11.9 percentage points.

Financial Markets

During the third quarter of 1986, trading activities on the Nigerian Stock Exchange showed a modest increase in terms of the number of transactions. A total of 7,829 transactions worth ₦64.7 million were recorded in the quarter compared with 6,373 deals worth ₦101.4 million in the second quarter.

In the new issues market, Capital Hotels Limited offered 30,000,000 ordinary shares of 50K each at 50K per share worth ₦15.0 million while another company, John Holt Investment Limited offered ₦6.7 million 9¾ per cent Convertible Redeemable Unsecured Loan Stock 1993 (Rights Issues). Also in the review quarter, one Federal Government Loan Stock, the ₦80.0 million 6 per cent 18th Development loan stock, matured and was redeemed. The value of Federal Government Stocks outstanding at end-September 1986, was ₦4,809.0 million.

Money market assets outstanding at the end of the third quarter of 1986, was ₦24.3 billion, showing an increase of ₦45.8 million or 0.2 per cent over the level at the end of the second quarter of 1986. Of this total, treasury bills accounted for ₦17.0 billion or 69.9 per cent. Treasury certificates and 'others' accounted for the remaining 27.4 and 2.7 per cent of the total, respectively.

Treasury bills worth ₦5.3 billion were issued and redeemed during the third quarter of 1986. Thus, the level of treasury bills

outstanding remained at ₦17.0 billion at the end of the review quarter. Of the total treasury bills outstanding, commercial banks' holding amounted to ₦4,995.3 million or 29.4 per cent while merchant banks' holdings was ₦385.5 million or 2.3 per cent. State government accounted for ₦1.0 million or less than one per cent while investment by 'others' totalled ₦5,096.5 million or 30.0 per cent. The Central Bank took up the balance of ₦6,497.7 million or 38.2 per cent.

Treasury Certificates worth ₦460.0 million were issued while the same amount were redeemed during the review period, leaving the total treasury certificates outstanding unchanged at ₦6.7 billion at the end of the period.

Of the total treasury certificates outstanding, Central Bank's holding amounted to ₦3,194.4 million or 48.0 per cent while commercial banks' investments totalled ₦2,468.2 million or 37.1 per cent. Merchant banks and 'others' took up ₦218.3 million or 3.3 per cent and ₦773.8 million or 11.6 per cent of the total, respectively.

Rediscounts of money market instruments amounted to ₦767.0 million. Of this total, treasury bills constituted the bulk (₦671.8 million or 87.6 per cent).

MONEY AND BANKING OFFICE
RESEARCH DEPARTMENT
CENTRAL BANK OF NIGERIA
LAGOS