

DEVELOPMENTS IN THE FINANCIAL SYSTEM DURING THE FIRST QUARTER OF 1988

The persistent growth in money supply (M1) which was observed since the beginning of the third quarter of 1987 continued into the first quarter of 1988, as M1 rose by 7.1 per cent due largely, to the expansion in bank credit to the government. Quasi money continued to rise as the yield on time and savings deposit with commercial banks remained attractive to savers. This reinforced the rise in M1 and caused the broad money (M2) to expand by 9.0 per cent during the quarter. The tempo of activities increased in the capital market while in the money market new issues, mainly of treasury bills, were made only to replace matured ones.

Money Supply

In contrast to the seasonal decline which is usually observed during the first quarter of each year, M1 rose by ₦1.1 billion or 7.1 per cent to ₦16.0 billion during the first quarter of 1988. In the first quarter of 1987, however, M1 fell by ₦489.7 million or 3.8 per cent. The rise noticed during the quarter under review compared with the higher increase of ₦2.5 billion or 20.2 per cent in the preceding quarter. On a monthly average basis M1 stood at ₦15.5 billion, compared with ₦14.0 billion in the preceding quarter.

The growth in M1 during the quarter was influenced by the increases of ₦3.9 billion in net aggregate credit to the economy, and ₦409.4 million in net foreign assets of the banking system. These factors were, however, partly off-set by the contractionary effects of the decline of ₦1.6 billion in 'other' assets (net) of the banking system and the increase of the same magnitude in quasi money (see Table 1). Both currency and demand deposit components contributed to the increase in M1 with the latter contributing 78.6 per cent of the increase.

Following the increases in both M1 and quasi money, the broad measure of money stock (M2) rose ₦2.7 billion or 9.0 per cent during the quarter, compared with the much higher increase of ₦4.0 billion or 15.3 per cent in the fourth quarter of 1987. In the corresponding quarter of 1987, M2 declined by ₦193.6 million or 0.8 per cent. The monthly average level of M2 was ₦31.8 billion during the quarter, compared with ₦28.4 billion in the preceding quarter.

Banking System's Credit

Aggregate net bank credit outstanding to the economy rose by ₦3.9 billion or 9.3 per cent to ₦46.0 billion. This rise was lower than the increase of ₦4.6 billion or 12.2 per cent during the preceding quarter. Generally, the bulk (64.5 per cent) of this increase was absorbed by government, while the balance went to the private sector. Specifically credit to government rose by ₦2.5 billion or 11.3 per cent to ₦24.8 billion, compared with an increase of ₦3.3 billion or 17.5 per cent in the preceding quarter. The increase during the quarter came wholly from the Central Bank as commercial banks' claims on the sector fell by 1.2 per cent to ₦7.9 billion.

Bank claims on the private sector increased by ₦1.4 billion or 7.0 per cent to ₦21.2 billion, compared with the rise of ₦1.2 billion or 6.7 per cent in the preceding quarter.

Commercial banks' credit to the sector rose by ₦1.4 billion or 7.6 per cent to ₦19.3 billion and constituted 98.9 per cent of total claims on the sector.

Foreign Assets

At ₦7.2 billion (end-March 1988), foreign assets of the banking system showed an increase of ₦409.4 million or 6.0 per cent over the end-December, 1987 level. This rise compared with the increase of ₦793.8 million or 13.3 per cent (revised) in the fourth quarter of 1987 while it contrasted with a decline of ₦694.8 million or 13.8 per cent in the first quarter of 1987. The increase during the quarter was, however, wholly accounted for by the commercial banks as foreign assets holding of the Central Bank fell following its draw-down to meet FEM biddings and other commitments without sufficient inflows to replenish stock of foreign reserves.

Commercial Banking

Total assets/liabilities of the commercial banking system stood at ₦52.2 billion during the quarter, representing an increase of ₦2.3 billion or 4.7 per cent above its end December, 1987 (see Table 1). The major source of investible funds were the increases of ₦1.9 billion and ₦572.2 million in deposit and other liabilities respectively, plus the draw-down on cash balances with the CBN of ₦607.9 million. These funds were utilized largely to increase other assets, loans and investments.

As a result of increased demand for bank credit, particularly by the private sector of the economy, the commercial banks aggregate loans and advances outstanding (excluding money at call) increase by ₦745.8 million or 4.4 per cent to ₦17.6 billion during the first quarter of 1988. With this development the commercial banks have overshot their prescribed credit ceiling of 3.0 per cent for the first quarter by 1.4 percentage points. A sectoral break-down of these loans shows that commercial banks continued to deviate from policy targets although their performance improved relative to the preceding quarter. Out of the aggregate loans and advances outstanding, 44.2 per cent went to the high priority sector as against the prescribed target of 50.0 per cent. Allocation to agricultural and manufacturing sectors fell short of the prescribed targets of 15.0 and 35.0 per cent by 0.2 and 5.6 percentage points, respectively. On the other hand, the 'other' sectors overshot the maximum 50.0 per cent prescribed ceiling by 5.8 percentage points, compared with the deviation of 9.1 percentage points during the first quarter of 1987 (see Table 3).

Total deposit liabilities of the commercial banks by ₦1.9 billion or 8.3 per cent during the quarter to ₦25.0 billion. In the preceding quarter, a higher increase of ₦3.0 billion or 14.9 per cent was recorded. All the deposit types contributed to the increase, with the time deposit accounting for the bulk (59.4 per cent).

The aggregate investment rose by ₦835.8 million or 8.9 per cent to ₦10.2 billion, compared with the increase of ₦1.6 billion or 22.5 per cent in the preceding quarter. This development was traceable partly to increases in the banks'

holdings of treasury bills, treasury certificates and certificate of deposits.

Merchant Banking

Total assets/liabilities of the merchant banks rose by ₦297.4 million or 2.4 per cent to ₦12.6 billion, compared with the increase of ₦1.8 billion or 16.9 per cent in the fourth quarter of 1987. Investible funds accrued mainly from the increases in deposit liabilities, draw-down on cash balances with Central Bank and other banks, plus disinvestment in treasury bills. These funds were utilized mainly to expand loans and advances and other assets (see Table 4).

The banks' total loans and advances outstanding at the end of the quarter stood at ₦3.5 billion, showing an increase of ₦268.5 million or 8.3 per cent during the quarter. Increases of ₦702.7 million or 20.3 per cent and ₦377.5 million or 13.6 per cent were recorded in the preceding and corresponding quarters in 1987. As with the commercial banks, the rise in the merchant banks' loans and advances largely reflected increased demand for credit by the private sector. Aggregate loans and advances outstanding at the end of the quarter constituted 33.9 per cent of end 1987 level of eligible total assets, thus showing a shortfall of 13.1 percentage points below the prescribed target of 47.0 per cent for 1988. The sectoral analysis of the merchant banks' loans and advances outstanding, showed compliance with the stance of policy. Of the total, the high priority sectors of the economy absorbed 59.0 per cent or 9.0 percentage points higher than the prescribed minimum target of 50.0 per cent. The share of the agriculture was 10.6 per cent, compared with policy target of 10.0 per cent while the manufacturing sector attracted 48.4 per cent or 8.4 percentage points higher than the prescribed minimum target of 40.0 per cent. The 'other' sectors received 41.0 per cent as against the stipulated 50.0 per cent ceiling.

Total investment of the merchant banks amounted to ₦2.1 billion showing a decline of ₦157.8 million or 6.9 per cent. This contrasted with the increase of ₦304.3 million or 28.8 per cent in the preceding quarter. The banks disinvestment in treasury bills accounted largely for this contraction.

The value of equipment on lease rose by ₦56.0 million or 11.4 per cent to ₦545.0 million. As a per centage of total assets, the value of equipment on lease at the end of the review quarter was 4.3 per cent as against the 2.9 per cent recorded in the preceding quarter. The prescribed maximum target for fiscal 1988 is 15.0 per cent.

Deposit liabilities of the banks increased by ₦157.9 million or 4.7 per cent to ₦3.5 billion. This compared with a higher increase of ₦598.5 million or 21.5 per cent in the preceding quarter. Both the demand and time deposits contributed to the increase during the quarter, with the former accounting for 57.0 per cent of the total.

Financial Markets

Both the number and the value of transactions on the stock exchange increased significantly during the quarter. While the number of transactions rose by 1054 to 5048, their value increased by ₦71.1 million to ₦144.3 million. The rise in the value of transactions in government securities accounted for the bulk of this increase.

During the quarter the primary market was active. The market witnessed the official listing of the ₦180.0 million 15.75 per cent Federal Republic of Nigeria 25th Develop-

ment stock year 1994, Capital Hotels Limited, and Amicable Assurance Company Limited.

At ₦33.7 billion the total value of money market assets remained unchanged at its preceding quarter's level. Treasury bills worth ₦25.2 billion were issued during the quarter to replace matured ones of the same amount, while there was no issue of treasury certificates. The Central Bank continued to be the dominant holder of treasury bills and certificates with its share amounting to 56.0 per cent of the total outstanding during the quarter.

Money and Banking Office
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MONETARY AND CREDIT DEVELOPMENT IN THE FIRST QUARTER OF 1988
(₹ million)

Table 1

	March ⁴	December	September	March	Changes Between		Changes Between		Changes Between	
	1988	1987	1987	1987	(1) & (2)		(2) & (3)		(1) & (4)	
	(1)	(2)	(3)	(4)	Absolute	Per cent	Absolute	Per cent	Absolute	Per cent
CREDIT TO DOMESTIC ECONOMY (NET)	45,978.8	42,082.0	37,515.4	38,120.4	+3,896.8	+9.3	+4,566.6	+12.2	+7,858.4	+20.6
CREDIT TO PRIVATE SECTOR	21,198.6	19,817.0	18,570.7	17,519.9	+1,381.6	+7.0	+1,246.3	+6.7	+3,678.7	+21.0
(i) Central Bank	1,932.4	1,917.3	1,645.6	1,594.7	+15.1	+0.8	+271.7	+16.5	+337.7	+21.2
(ii) Commercial Banks	19,266.2	17,899.7	16,925.1	15,925.2	+1,366.5	+7.6	+974.6	+5.8	+3,341.0	+21.0
CREDIT TO GOVERNMENT SECTOR (NET)	24,780.2	22,265.0	18,944.7	20,600.5	+2,515.2	+11.3	+3,320.3	+17.5	+4,179.7	+20.3
(i) Central Bank ¹	16,900.9	14,293.5	12,406.1	15,140.1	+2,607.4	+18.2	+1,887.4	+15.2	+1,760.8	11.6
(ii) Commercial Banks ²	7,879.3	7,971.5	6,538.6	5,460.4	-92.2	-1.2	+1,432.9	+21.9	+2,418.9	+44.3
(iii) Federal Savings Bank	—	—	—	—	—	—	—	—	—	—
FOREIGN ASSETS (NET)	7,180.6	6,771.2 *	5,977.4	4,324.0	+409.4	+6.0	+793.8	+13.3	+2,856.6	+66.1
(i) Central Bank ³	4,419.4	4,660.1 *	4,159.0	2,785.2	-240.7	-5.2	+501.1	+12.0	+1,634.2	+58.7
(ii) Commercial Banks	2,761.2	2,111.1	1,818.4	1,538.8	+650.1	+30.8	+292.7	+16.1	+1,222.4	+79.4
OTHER ASSETS (NET)	-20,462.6	-18,858.6 *	-17,470.9	18,422.0	-1,604.0	-8.5	-1,387.7	-7.9	-2,040.6	-11.1 ⁴
TOTAL MONETARY ASSETS	32,696.8	29,994.6	26,021.9	24,022.4	+2,702.2	+9.0	+3,972.7	+15.3	+8,674.4	+36.1 ⁴
QUASI MONEY	16,728.9	15,088.7	13,618.0	11,738.8	+1,640.2	+10.9	+1,470.7	+10.8	+4,945.1	+42.0 ⁴
MONEY SUPPLY	15,967.9	14,905.9	12,403.9	12,238.6	+1,062.0	+7.1	+2,502.0	+20.2	+3,729.3	+30.5
(i) Currency Outside Banks	6,526.2	6,298.6 *	5,191.3	4,880.3	+227.6	3.6	+1,107.3	+21.3	+1,645.9	+33.7 ⁴
(ii) Private Sector Demand Deposit	9,441.7	8,607.3	7,212.0	7,358.3	+834.4	9.7	+1,394.7	+19.3	+2,083.4	+28.3
TOTAL MONETARY LIABILITIES	32,696.8	29,994.6	26,021.9	24,022.4	+2,702.2	9.0	+3,972.7	+15.3	+8,674.4	+36.1
FED. GOVT DEMAND DEPOSITS	8,751.2	5,193.6	4,002.7	3,412.6	+3,557.6	+68.5	+1,190.9	+29.8	+5,338.6	+156.4

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

² Less Federal Govt Demand Deposits with Commercial Banks

³ Includes Federal Government External Assets

⁴ Provisional

* Revised

COMMERCIAL BANKING SYSTEM
COMPARATIVE STATEMENTS OF ASSETS AND LIABILITIES
(N' Million)

Table 2

Accounts	March	December	March	Percentage	
	1988 ¹	1987	1987	change between	
	(1)	(2)	(3)	(1) & (2)	(1) & (3)
ASSETS					
1. Cash and cash items	1,585.1	2,193.2	1,223.3	-27.7	+29.6
(a) Vault cash	503.1	556.3	427.0	-9.6	+17.8
(b) Balance at Central Bank	1,082.0	1,636.9	796.3	-33.9	+35.9
2. Balance held with	4,943.3	4,664.0	2,879.3	+6.0	+71.7
(a) Banks in Nigeria	1,462.0	1,673.3	777.1	-12.6	+88.1
(b) Banks outside Nigeria	3,000.9	2,728.4	1,953.2	+10.0	+53.6
(c) Offices and branches outside Nigeria	480.4	262.3	149.0	+83.1	222.4
3. Loans and Advances ²	17,579.8	16,834.0	15,167.0	+4.4	+15.9
(a) Banks in Nigeria	107.8	82.8	82.0	+30.2	+31.5
(b) Other customers	17,297.0	16,525.7	14,952.4	+4.7	+15.7
(i) Banks' Subsidiaries	(—)	(—)	(—)	(—)	(—)
(ii) Federal Government	(72.4)	(142.8)	(40.2)	(-49.3)	(+80.1)
(iii) State Government	(565.0)	(473.6)	(465.8)	(+19.3)	(+21.3)
(iv) Local Governments	(25.0)	(27.1)	(22.3)	(-7.7)	(+12.1)
(v) Other	(16,634.6)	(15,882.2)	(14,424.1)	(+4.7)	(+15.3)
(c) Banks outside Nigeria	—	—	—	—	—
(d) Money at call outside Central Bank	—	—	—	—	—
(e) Bills discounted	175.0	225.5	132.5	-22.4	+32.1
(i) Payable in Nigeria	(174.1)	(224.9)	(123.8)	(-22.6)	(+40.6)
(ii) Payable outside Nigeria	(0.9)	(0.6)	(8.7)	(+50.0)	(-89.7)
4. Investment	10,248.4	9,412.6	6,548.0	+8.9	+56.5
(a) In Nigeria	10,246.3	9,410.5	6,548.0	+8.9	+56.5
(i) Treasury bills	(5,478.1)	(5,250.5)	(3,729.1)	(+4.3)	(+46.9)
(ii) Treasury certificates	(2,447.8)	(2,322.2)	1,357.7	(+5.4)	(+80.3)
(iii) Development stocks	(445.1)	(537.2)	(554.6)	(-17.1)	(-19.7)
(iv) Bankers' Unit Fund	(8.0)	(8.6)	(17.5)	(-7.0)	(-54.3)
(v) Certificates of Deposits	(480.0)	(445.0)	(181.6)	+7.9	(+164.3)
(vi) Money at call	(1,054.3)	(697.9)	(636.2)	(+51.1)	(+65.7)
(vii) Other	(333.0)	(149.1)	(710.4)	(+123.3)	(+366.4)
(b) Abroad	2.1	2.1	—	0.0	+100.0
5. Other Assets	17820.9	16724.6	14481.3	+6.6	+23.1
TOTAL	52177.5	49828.4	40298.9	+4.7	+29.5
LIABILITIES					
1. Capital: Issued, paid-up & reserve	1,702.2	1,545.0	1,363.4	+10.2	+24.8
2. Balance held for	1,233.8	1,418.6	1,245.8	-13.0	-1.0
(a) Banks in Nigeria	510.8	536.3	715.1	-4.8	-28.6
(b) Other banks outside Nigeria	543.3	646.7	302.1	-16.0	+79.8
(c) Offices & branches outside Nig.	179.7	235.6	228.6	-23.7	-21.4
3. Money at call from other banks	334.1	412.6	234.3	-19.0	+42.6
(a) In Nigeria	334.1	412.6	234.3	-19.0	+42.6
(b) Outside Nigeria	—	0.0	0.0	—	—
4. Loans and advances from	245.4	252.0	119.7	-2.6	105.0
(a) Central Bank of Nigeria	—	6.5	—	100.0	—
(b) Other Banks in Nigeria	12.0	12.0	15.6	0.0	-23.1
(c) Other banks outside Nigeria	—	0.0	41.5	—	100.0
(d) Other creditors	233.4	233.5	62.6	0.0	+272.8
5. Deposits	24,993.3	23,086.8	17,944.9	+8.3	+39.3
(a) Demand	8,264.3	7,998.1	6,761.2	+3.3	+22.2
(b) Savings	5,713.7	5,206.7	4,468.7	+9.7	+27.9
(c) Time	11,015.3	9,882.0	7,315.0	+11.5	+50.6
6. Certificates of Deposits	84.9	101.8	41.0	-16.6	+107.1
7. Other Liabilities	23,583.8	23,011.6	19,349.8	+2.5	-21.9
TOTAL	52,177.5	49,828.4	40,298.9	+4.7	+29.5

¹ Provisional

² Excluding Money at Call.

**COMMERCIAL BANKS LOANS AND ADVANCES¹ BY PURPOSE
(PERCENTAGE)**

Table 3

Sectors	Prescribed Percentage for		Quarterly Average in the		Deviations from Targets in	
	1987	1988	1st Quarter 1987	1st Quarter 1988 ²	1st Quarter 1987	1st Quarter 1988 ²
A High Priority Sectors	50.0	50.0	40.9	44.2	-9.1	-5.8
(i) Agricultural Production (Agric, Forestry and Fishery)	(15.0)	(15.0)	(11.9)	(14.8)	(-3.1)	(-0.2)
(ii) Manufacturing Enterprises (including agro-allied industries)	(35.0)	(35.0)	(29.0)	(29.4)	(-6.0)	(-5.6)
B. Others Sectors	50.0	50.0	59.1	55.8	+9.1	+5.8

¹ In 1987, Commercial banks loans and advances included money at call, while it was excluded in 1988.

² Provisional

MERCHANT BANKING SYSTEM
COMPARATIVE STATEMENTS OF ASSETS AND LIABILITIES
(N' Million)

Table 4

Accounts	March	Dec.	March	Percentage	
	1988	1987	1987	change between	
	(1)	(2)	(3)	(1) & (2)	(1) & (3)
ASSETS					
1. Cash and cash items	234.1	378.9	442.5	-38.2	47.1
(a) Vault cash	1.2	1.0	0.4	+20.0	+200.0
(b) Balance at Central Bank	232.9	377.9	442.1	-38.4	-47.3
2. Balance held with	1,643.1	1,736.2	1,262.5	-5.4	+30.1
(a) Banks in Nigeria	153.1	447.4	45.2	-65.8	+238.7
(b) Banks outside Nigeria	1,490.0	1,288.8	1,217.3	+15.6	+22.4
(c) Office and branches outside Nigeria	—	—	—	—	—
3. Loans and Advances	3498.7	3230.2	2442.9	+8.3	+43.2
(a) Banks in Nigeria	5.3	160.0	2.0	-96.7	+165.0
(b) Other customers	3,165.3	2,799.3	2,265.0	+13.1	+39.7
(i) Banks Subsidiaries	(—)	(—)	(—)	(—)	(—)
(ii) Federal Government	(0.3)	(—)	(—)	(0.0)	(+100.0)
(iii) State Government	(14.3)	(18.8)	(3.4)	(23.9)	(+320.6)
(iv) Local Governments	(—)	(—)	(—)	(—)	(—)
(v) Other	(3,150.7)	(2,780.5)	(2,261.6)	(+13.3)	(+39.3)
(c) Banks outside Nigeria	—	—	—	—	—
(d) Money at call outside Central Bank	—	—	—	—	—
(e) Bills discounted	328.1	270.9	175.9	+21.1	+86.5
(i) Payable in Nigeria	(328.1)	(270.9)	(175.9)	(21.1)	(+86.5)
(ii) Payable outside Nigeria	(—)	(—)	(—)	(—)	(—)
Factored Debts	—	—	0.2	—	-100.0
4. Investment	2,138.5	2,296.3	1,251.0	-6.9	+70.9
(a) In Nigeria	2,138.5	2,296.3	1,251.0	-6.9	+70.9
(i) Treasury bills	(89.6)	(260.6)	(159.7)	(-65.6)	(-43.9)
(ii) Treasury certificates	(24.8)	(24.8)	(35.2)	(0.0)	(-29.5)
(iii) development stocks	(28.0)	(5.2)	(1.2)	(+438.5)	(+2,200.0)
(iv) Bankers' Unit Fund	(—)	(—)	(—)	(—)	(—)
(v) Certificates of Deposit	(719.7)	(903.4)	(217.3)	(-20.3)	(+231.2)
(vi) Money at Call outside CBN	(1,276.4)	(935.6)	(706.0)	(+36.4)	(+80.8)
(vii) Other	(—)	(166.8)	(181.6)	(-100.0)	(-100.0)
(b) Abroad	—	—	—	—	—
5. Equipment on Lease	545.0	489.2	195.0	+11.4	(+179.5)
6. Other Assets	4,518.0	4,149.2	3,842.1	+8.9	+17.6
TOTAL	12,577.4	12,280.0	9,436.2	+ 2.4	+33.3
LIABILITIES					
1. Capital: Issued. Paid-up & reserve	310.8	252.6	212.7	+23.0	+46.1
2. Balance held for	173.1	163.5	109.5	+5.9	+58.1
(a) Banks in Nigeria	118.0	103.7	59.7	+13.8	+97.7
(b) Other banks outside Nigeria	55.1	59.8	49.8	-7.9	+10.6
(c) Offices & Branches outside Nig.	—	—	—	—	—
3. Money at call from other banks	1,126.4	1,140.2	617.7	-1.2	+82.4
(a) In Nigeria	1,099.3	1,112.4	589.3	-1.2	+86.5
(b) Outside Nigeria	27.1	27.8	28.4	-2.5	-4.6
4. Loans and advances from	25.2	26.4	48.6	-4.5	-48.1
(a) Central Bank of Nigeria	2.3	—	—	+100.0	+100.0
(b) Other banks in Nigeria	—	—	27.2	—	-100.0
(c) Other banks outside Nigeria	—	—	—	—	—
(d) Other creditors	22.9	26.4	21.4	-13.3	+7.0
5. Deposits	3,540.9	3,382.0	2,291.3	+4.7	+54.5
(a) Demand	650.3	560.2	671.7	+16.1	-3.2
(b) Savings	—	—	—	—	—
(c) Time	2,390.6	2,822.8	1,619.6	+2.4	+78.5
6. Certificates of Deposit	465.4	437.8	215.5	+6.3	+116.0
7. Other Liabilities	6,935.6	6,876.5	5,940.9	+0.9	+16.7
TOTAL	12,577.4	12,280.0	9,436.2	+2.4	+33.3

¹ Excluding money at call.

MERCHANT BANKS LOANS AND ADVANCES¹ BY PURPOSE
(PERCENTAGE)

Table 5

Sectors	Prescribed Percentage for		Quarterly Average in the		Deviations from Targets in	
	1987	1988	1st Quarter 1987	1st Quarter 1988	1st Quarter 1987	1st Quarter 1988
A. High priority Sectors	50.0	50.0	46.6	59.0	-3.4	+9.0
(i) Agricultural Production	(10.0)	(10.0)	(8.0)	(10.6)	(-2.0)	(+0.6)
(ii) Manufacturing Production	(40.0)	(40.0)	(38.6)	(48.4)	(-1.4)	(+8.4)
B. Other Sectors	50.0	50.0	53.4	41.0	+3.4	-9.0

¹In 1987, Merchant banks loans and advances included money at call, while it was excluded in 1988.