

DEVELOPMENTS IN NIGERIA'S EXTERNAL SECTOR DURING THE FIRST QUARTER OF 1988

Foreign Exchange Flows

Available data on foreign exchange flows through the Central Bank of Nigeria indicated an overall balance of payments deficit of ₦235.3 million during the first quarter of this year. While this amount represents a marked improvement over the huge deficit of ₦819.0 million recorded in the corresponding period of last year, it however represented a sharp contrast with the modest surplus of ₦495.7 million achieved during the preceding quarter of 1987. Consequently, the level of reserves held by the Central Bank declined from ₦4,637.9 million in December 1987 to ₦4,402.6 million in March 1988. At this low level, the reserves could sustain only 2.0 months of foreign exchange commitments at the current rate of average monthly disbursement. Overall the very poor state of the foreign exchange cash flow was essentially responsible for Nigeria's inability to meet some of her external debt payments obligation valued at \$531.2 million at the end of March 1988.

Foreign Exchange Inflow

During the first quarter of this year, total foreign exchange inflow through the Central Bank and authorised dealers amounted to ₦7,613.8 million (\$1,792.6 million), representing a decline of 2.1 per cent below the level of ₦7,791.7 million (\$1,834.8 million) realised in the last quarter of 1987, but an increase of 34.1 per cent above the level of ₦5,676.5 million (\$1,511.1 million), realised during the same period of 1987.

The general decline in oil receipts and autonomous inflow of foreign exchange are responsible for the poor performance during the period. For example while oil receipts declined by 5.2 per cent from ₦6,035.0 million (\$1,420.6 million) in 1987 to ₦5,690.0 million (\$1,340.0 million) in 1988 as a result of the instability in the world oil market, autonomous inflow to banks declined by 9.8 per cent from ₦1,520.0 million (\$357.8 million) to ₦1,370.5 million (\$322.7 million) during the same period.

Nevertheless, oil receipts still accounted for the bulk (74.7 per cent) of total receipts.

Foreign Exchange Outflow

Total foreign exchange outflow through the Central Bank and authorised dealers amounted to ₦6,761.2 million (\$1,592.2 million) during the first quarter of this year. This represented increases of 17.1 and 29.5 per cent, above the levels of ₦5,776.2 million (\$1,360.0 million) in the preceding quarter and the corresponding quarter of 1987, respectively.

All items of disbursement exceeded their respective levels in the last quarter of 1987, except interest payment which declined by 20.6 per cent from ₦1,250.6 million (\$294.4 million) to ₦993.3 million (\$233.9 million). During the quarter the bulk of disbursement was in respect of visible imports. This item, at ₦4,057.9 million (\$955.9 million) exceeded the level of ₦3,941.6 million (\$927.8 million) in the last quarter of last year by 3.0 per cent and represented 60.0 per cent of total disbursement. The next major item of disbursement during the first quarter of this year was debt service payment. At ₦1,552.0 million (\$365.5 million) this

item represented 23.0 per cent of total disbursement and 24.9 per cent of total receipts through the Central Bank. Autonomous outflow was ₦655.6 million (\$154.4 million) — 9.7 per cent of total disbursement and 47.6 per cent of total autonomous receipts.

External Assets

Nigeria's external assets stood at ₦7,424.1 million (\$1,729.4 million) at the end of March, 1988. This represented increases of 0.4 and 15.4 per cent, compared with the levels in December 1987 and March 1987, respectively. Although the bulk of the assets at the end of March 1988 were in respect of Central Bank's holding which stood at 59.3 per cent of the total, it was the only item that showed a marginal decline below the level in December 1987. However, Federal and State governments and semi-official institutions' holdings remained constant at the December 1987 levels, while commercial and Merchant Banks' holdings were estimated to have increased by 4.7 and 25.7 per cent, respectively.

Refinancing of Trade Debt

Promissory notes worth ₦2,781.3 million (\$647.9 million) were issued to the uninsured creditors on 18th March 1988. These notes and those previously issued are rescheduled under the Wembley agreement over a 22 year period with a grace period of 2 years. With the successful rescheduling of these notes, the nation is intensifying her efforts to secure the rescheduling of medium and long-term debts falling due in 1988 and 1989. The success of these negotiations will surely depend on the ability of Nigeria to convince her creditors of her commitment to turn the economy around.

Exchange Rate

Overall, the naira exchange rate depreciated during the period under review. The rate of ₦4.2928 = \$1.00 which was attained at the end of March 1988 represented a depreciation of 3.5 and 6.3 per cent when compared with the rate in the preceding quarter and the corresponding quarter of 1987 respectively.

Balance of Payments Division
Research Department

FOREIGN EXCHANGE FLOWS THROUGH THE CENTRAL BANK¹
(N' Million)

Table 1

Category	First Quarter	Fourth Quarter ¹	First Quarter ²	Percentage change between	
	Jan-March 1987	Oct. - Dec 1987	Jan - March 1988	(1) & (3)	(2) & (3)
	(1)	(2)	(3)	(4)	(5)
Inflow	4,400.6	6,271.9	6,243.3	+41.9	-0.5
Outflow	5,219.6	5,776.2	6,478.6	+24.1	+12.2
Net	-819.0	+495.7	-235.3	+71.4	-147.5

¹ Provisional

² Estimated

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

Table 2

Category	First Qtr	Fourth Qtr ¹	January	February	March	First Qtr	Percentage Change	
	Jan-Mar	Oct-Dec	1988	1988	1988	1988	(1) & (6)	(2) & (6)
	1987	1987	1988	1988	1988	1988	(7)	(8)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
INFLOW	5,676.5	7,791.7	2,239.6	2,891.8	2482.4	7,613.8	+34.1	-2.1
Oil	3,443.8	6,035.0	1,523.5	2,076.5	2090.0	5,690.0	+65.2	- 5.2
Non-Oil	2,232.7	1,756.7	716.1	815.3	392.4	1,923.8	-13.8	+ 9.5
(i) CBN	(956.8)	(236.7)	(217.9)	(279.3)	(56.1)	(553.3)	-42.2	+133.8
(ii) Other Banks	(1,275.9)	(1,520.0)	(498.2)	(536.0)	(336.3) ²	(1,370.5) ²	+7.4	-9.8
OUTFLOW	5,219.6	5,776.2	1,760.3	2,597.4	2403.5	6,761.2	+29.5	+17.1
(1) Visible	4,072.7	3,941.6	1,546.4	1,291.6	1219.9	4,057.9	- 0.4	+3.0
(2) Invisible	1,146.9	1,834.6	80.5	1,091.0	876.2	2,047.7	+78.5	+11.6
(a) Debt Service	594.0	1,543.0	46.2	671.7	834.1	1,552.0	+161.3	+0.6
(i) Loan Repayment	(171.2)	(292.4)	(8.3)	(181.0)	(369.4)	(558.7)	+226.3	+91.1
(ii) Interest Payment	(422.8)	(1,250.6)	(37.9)	(490.7)	(464.7)	(993.3)	+134.9	-20.6
(b) Others	552.9	291.6	34.3	419.3	42.1	495.7	-10.3	+70.0
(3) Autonomous Outflow	n.a	n.a	133.4	214.2	307.4	655.6	—	—
NETFLOW	+456.9	+2,015.5	+479.3	+294.4	+78.9	+852.6	+86.6	+ 57.7

¹ Provisional

² Estimated

NIGERIA'S EXTERNAL ASSETS
(N' Million)

Table 3

Holder	March	Dec	March ²	Percentage change between	
	1987	1987	1988	(1) & (3)	(2) & (3)
	(1)	(2)	(3)	(4)	(5)
1. OFFICIAL	2,787.6	4,657.1	4,421.8	+58.6	-5.0
(i) Central Bank ¹	2,768.4	4,637.9	4,402.6	+59.0	-5.1
(ii) Federal Government	16.8	16.8	16.8	-	-
(iii) State Governments	2.4	2.4	2.4	-	-
2. Semi Official Institutions	3.3	2.3	2.3	-30.3	-
3. Commercial Banks (net)	2,501.9	2,101.4	2,200.0 ³	-12.1	+4.7
4. Merchant Banks (net)	1,139.1	636.4	800.0 ³	-29.7	+25.7
TOTAL	6,431.9	7,397.2	7,424.1	+15.4	+0.4

¹ Excludes attached assets

² Provisional

³ Estimated.