
Macroeconomic, Monetary and Financial Sector Developments

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II: Explaining 2006 Performance

HOW WE ENDED LAST YEAR

INDICATOR	2005	2006
GDP [at current prices, Naira Value (Million)]	14,572,239.11	18,067,833.96
GDP [at current prices, Dollar Value (Billions)]	114.74	142.27
GDP Growth Rate	6.51	5.63
OIL Growth Rate	0.50	- 4.67
Non-oil Growth Rate	8.59	8.93

Source: National Bureau of Statistics
Note: US Dollar GDP Value at N127: \$1

Explaining Macro Performance

GDP: What changed in 2006?				
INDICATOR	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
GDP Growth	6.38	4.79	5.35	6.01
GDP [Dollars (Millions)]	31,324.95	32,406.84	38,392.16	40,142.48
Oil	0.08	-7.80	-6.23	-4.82
Non-oil	8.80	8.74	8.86	9.25
Sectoral Growth				
Agriculture	6.88	7.10	7.20	7.36
Solid Minerals	9.58	9.55	9.56	9.59
Manufacturing	9.17	9.04	9.83	10.02
Telecommunications & Post	31.49	31.64	31.81	32.58
Finance & Insurance	3.12	3.13	3.14	3.15
Wholesale & Retail	12.52	13.93	14.21	14.33
Building & Construction	12.07	12.17	11.83	12.43
Others	7.67	7.70	7.72	7.69

Explaining Macro Performance ..cont'd.

- **2006: Growth Drivers**

- Overall economic performance recovering following initial setback in the oil sector
- Economic growth propelled for the most part by the non-oil sectors of the economy

- **Non-oil growth essentially driven by:**

	<u>2005</u>	<u>2006</u>
□ Agriculture	7.06	7.17
□ Manufacturing	9.61	9.71
□ Telecommunications	29.61	31.98
□ Banking & Finance	2.75	3.13
□ Wholesale & Retail Trade	13.51	13.73

- Non-Oil export grew by 24% in 2006
- Capital Market Capitalization as at end Dec. N4.2 trillion up from N2.5 trillion in 2005: Stock Market Index up from 24,085 to 33,189

Explaining Macro Performance ..cont'd.

Additional External Sources Of Funds For The Economy

- Diaspora remittances bring about US\$4 billion annually
 - FDI and portfolio inflows growing and bonds are oversubscribed due to high earnings in real dollar terms
 - Capital Inflows doubling every year--- About \$2.5billion in 2006----- portfolio and non-oil sectors
 - Banks are acting as on-lending entities to foreign financial institutions especially multilateral agencies
 - Guarantees and grants are growing
-

Monetary Policy's Set and PSI Targets Were Met....

- Growth in M2 = Target 28% vs actual of about 29%
- Reserve Money = Target N820 billion vs Actual of N776.9 billion
- Credit to the Private sector of approx. 30.9% growth.
 - Fiscal Policy was also largely on course

Explaining Macro Performance ..cont'd.

Confidence In The Economy Is Growing

- Sovereign rating expected to improve from BB-given performance indices
 - Market capitalisation of US\$35 billion projected to double in 2007 and about \$100 billion in 2008
 - Capital inflows more than doubling every two years
 - Low inflation, stable exchange rates and declining interest rates
 - Rate of return on investment in dollar terms remains high
 - Elimination of the external debt burden
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EMPLOYMENT AND POVERTY SITUATIONS IMPROVING BUT CHALLENGES REMAIN....

- **UNEMPLOYMENT (15- 64 years):** down from 18% in 1990s to 5.3% in 2006, BUT:
 - Youth Unemployment (15- 24 years):14%-- (20% urban) and South-South 23.8%
 - Under-employment (15- 64 years): 20.2% (20.5% rural) and South-South 26.2%

Poverty incidence down from 70% in 1999 to 54% in 2004, but Regions differ...

Trends in Poverty Level by Zones (1980- 2004)

ZONE	1980	1985	1992	1996	2004
South South	13.2	45.7	40.8	58.2	35.1
South East	12.9	30.4	41.0	53.5	26.7
South West	13.4	38.6	43.1	60.9	43.0
North Central	32.2	50.8	46.0	64.7	67.0
North East	35.6	54.9	54.0	70.1	72.2
North West	37.7	52.1	36.5	77.2	71.1

Poverty is strongly correlated with size of household and level of education

---But individual self-assessment of Poverty status is different...

ZONE	Self-Assessment of Poverty Status	Actual Incidence of Poverty
South-South	74.8	35.06
South-East	77.6	26.74
South- West	71.5	43.01
North-Central	80.0	66.97
North-East	81.8	72.16
North-West	71.9	71.17

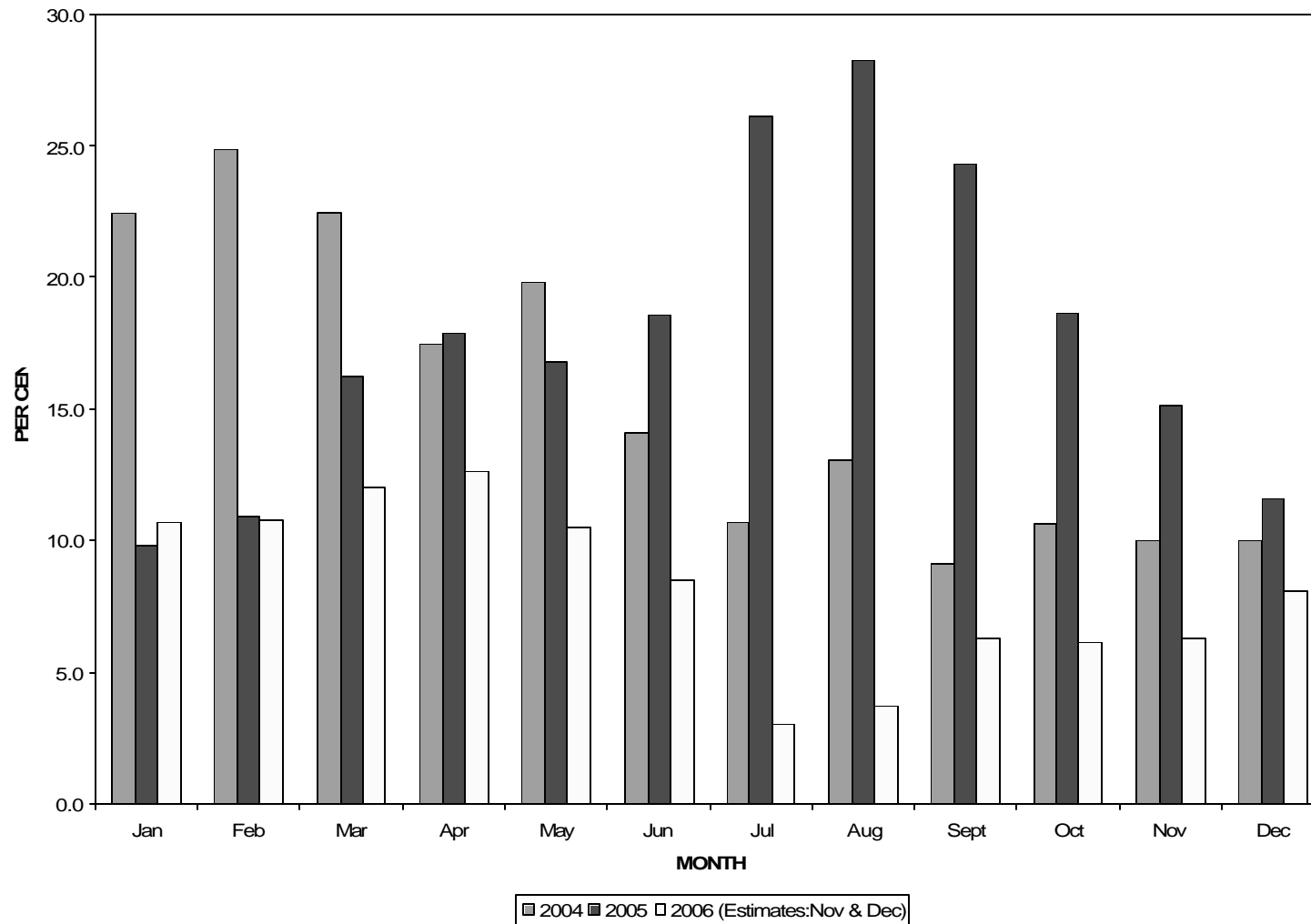
Very High Levels of Poverty is Essentially a Northern Phenomenon

10 STATES WITH HIGHEST INCIDENCE OF POVERTY	10 STATES WITH LOWEST INCIDENCE OF POVERTY
1. JIGAWA -----95.0	1. BAYELSA ---20.0
2. KEBBI -----89.7	2. ANAMBRA ---20.1
3. KOGI ----- 88.6	3. ABIA ----- 22.3
4. BAUCHI ---- 86.3	4. OYO ----- 24.1
5. KWARA -----85.2	5. IMO ----- 27.4
6. YOBE ----- 83.3	6. RIVERS -----29.1
7. ZAMFARA ---80.9	7. ENUGU ----- 31.1
8. GOMBE -----77.0	8. OGUN ----- 31.7
9. SOKOTO ----76.8	9. OSUN -----32.4
10. ADAMAWA— 71.7	10. EDO ----- 33.1

Where Is Nigeria's Money?

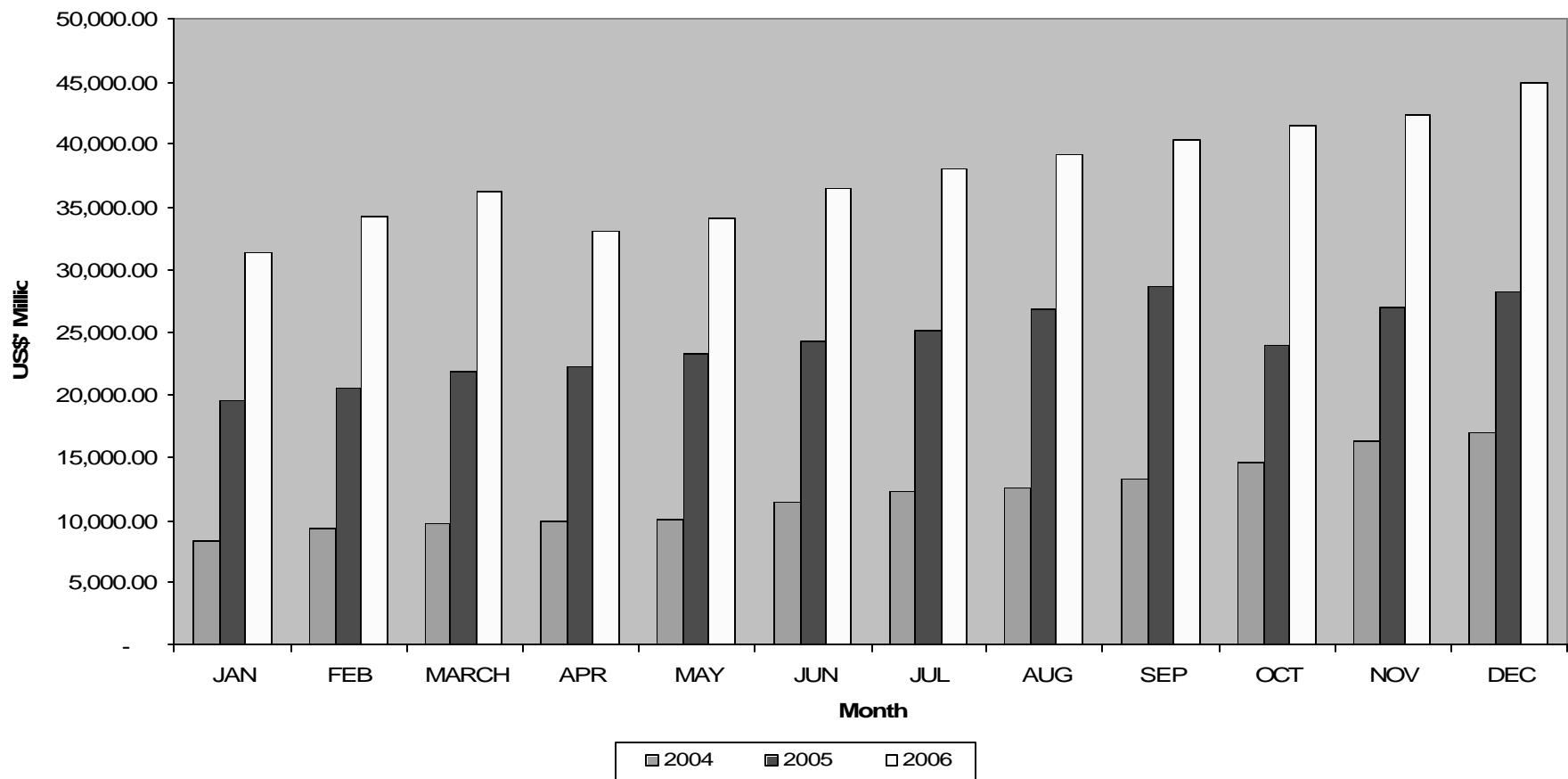
- Lagos State accounts for 48% of deposit, and 69.96% of total loans.
- FCT accounts for 16.86% of deposits and 4.6% of total loans
- 3 Zones in North (excluding FCT) have less bank deposit than South-South Zone
- Excluding FCT, 3 Zones in North account for approx. 10.75% of deposits, and 8.5% of bank loans. If we net out Govt deposits, the picture could be more gloomy.
- The above statistics corroborate the Poverty profile of the States/Regions
- The Poverty status in turn is highly correlated with Adult literacy rates; size of average household; orientation to private sector-led wealth creation as opposed to dependence on Government or few people; Active intervention of states/LG Government towards empowerment of the people; etc.

INFLATION RATES - ALL ITEMS (YEAR-ON-YEAR)

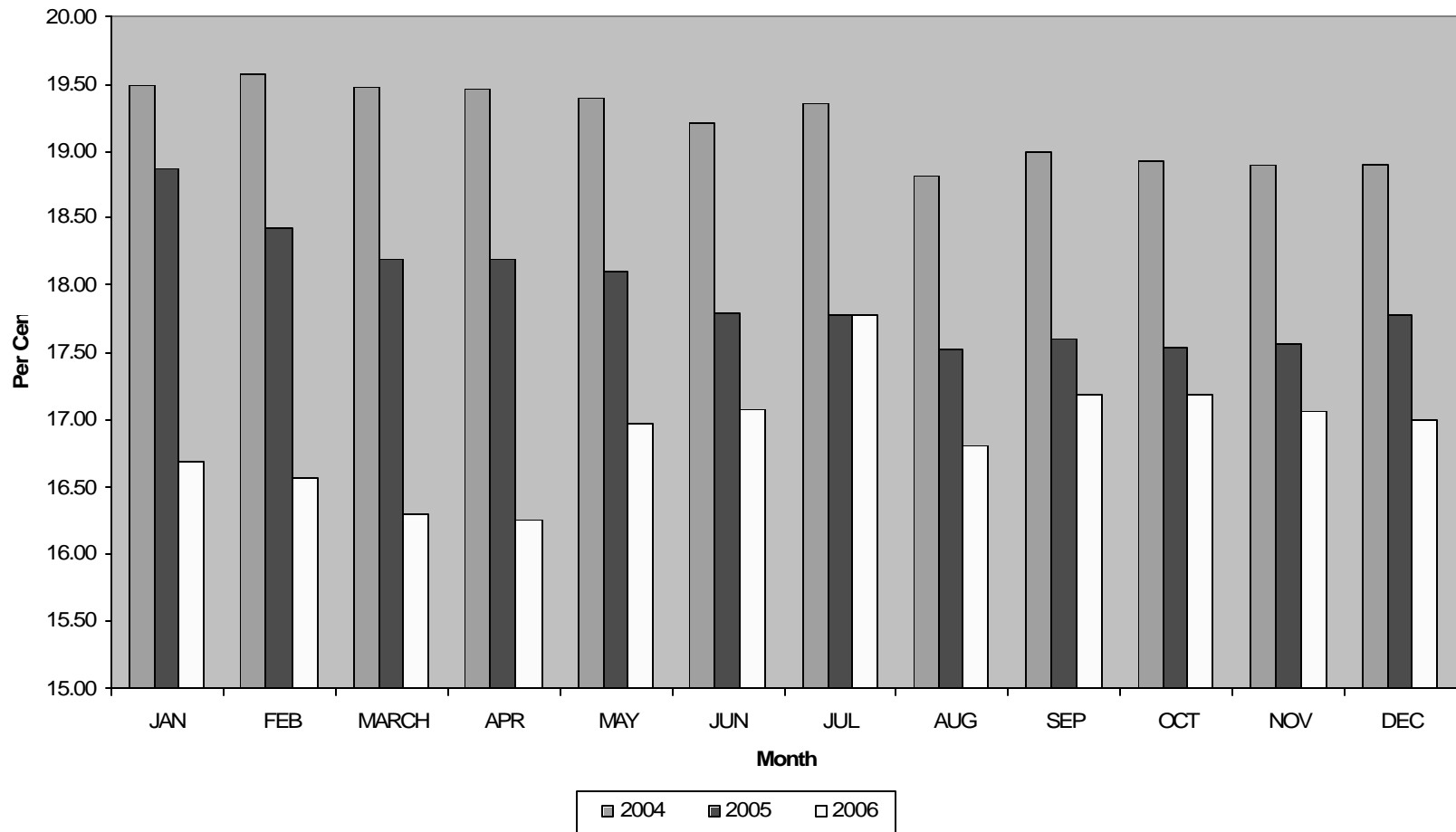


Sub-Saharan Africa's Largest External Reserves

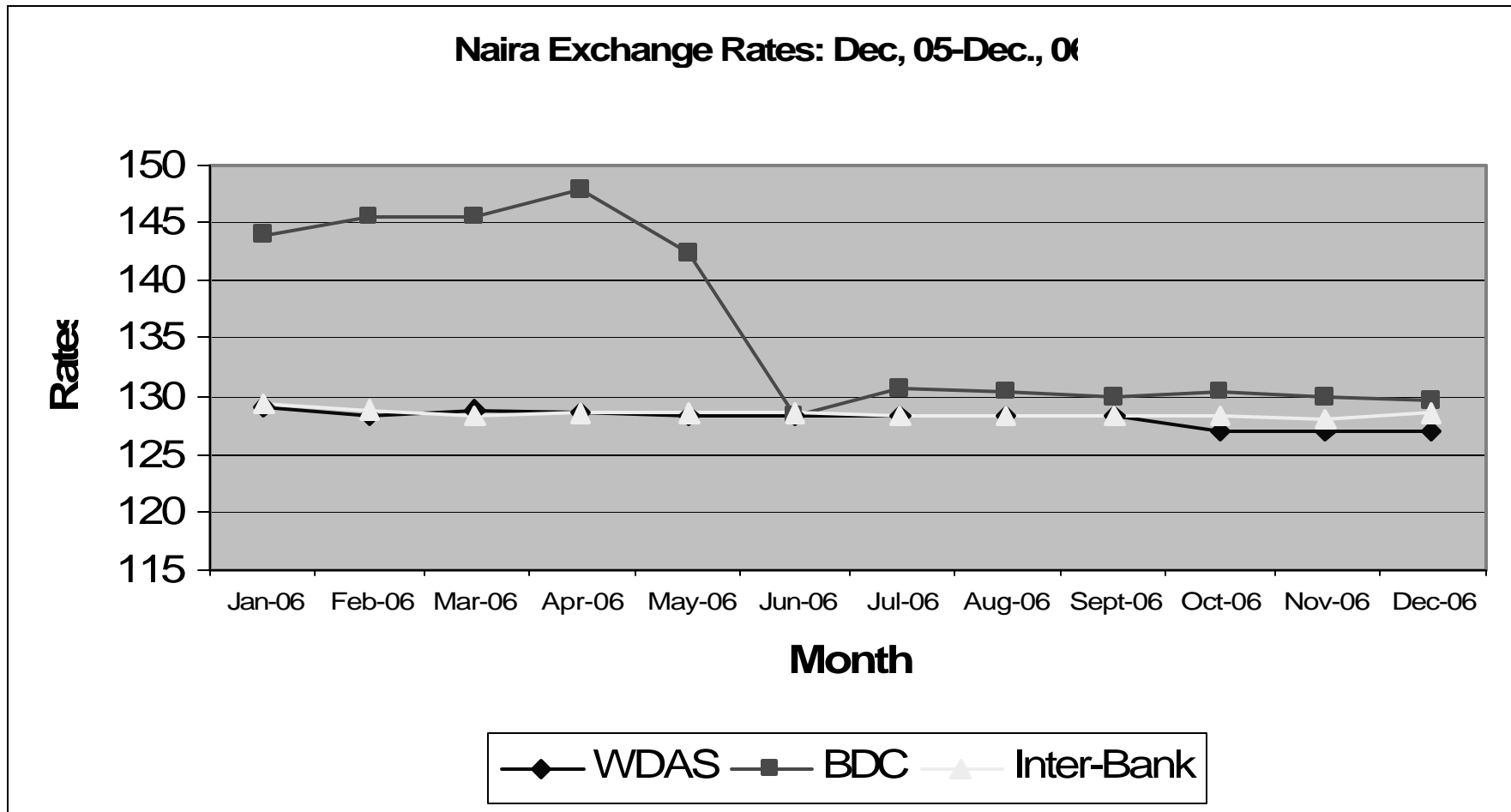
External Reserves (January 2004 to December 2006)



Prime Lending Rate (2004 to 2006)

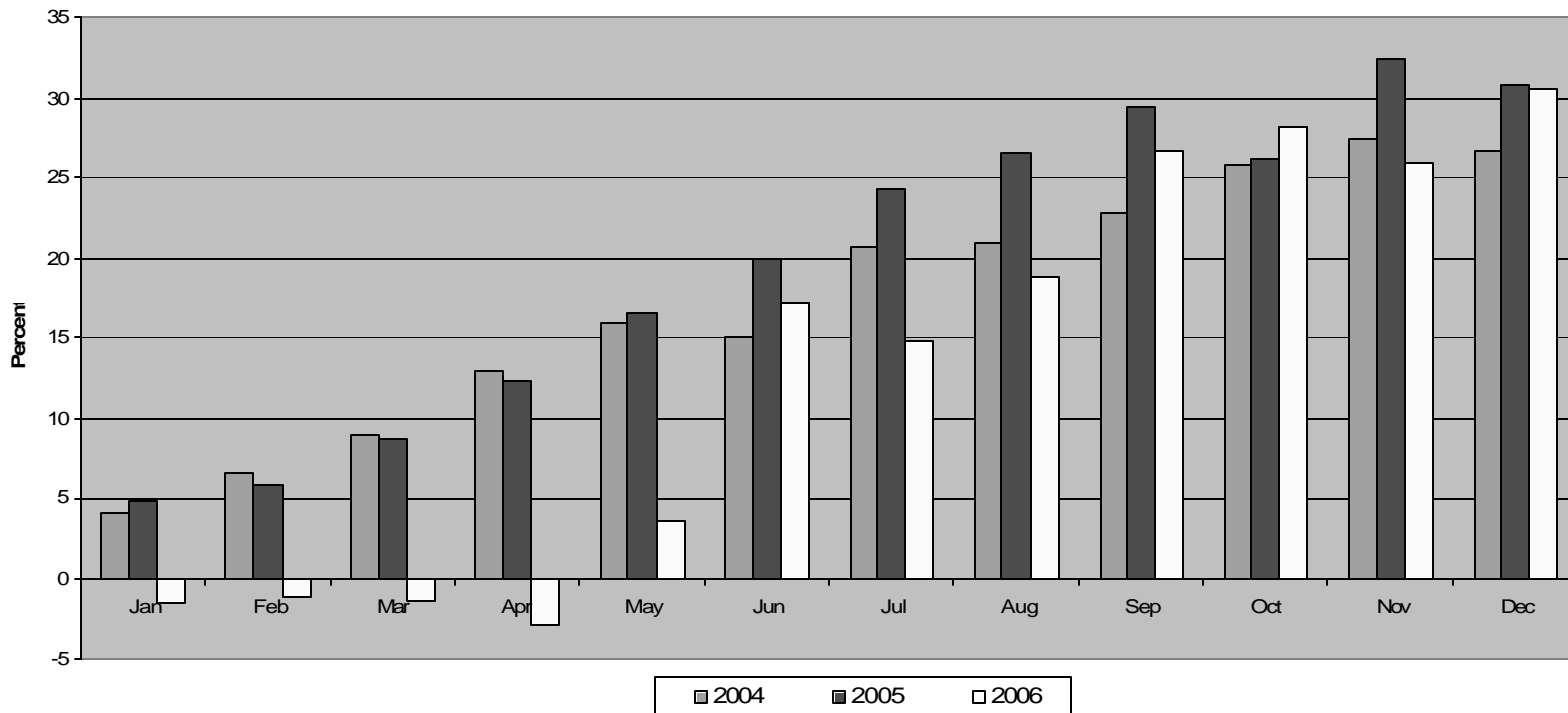


Nigeria Has Finally Achieved Convergence In Exchange Rates After 20 Years



Banking System Credit To The Private Sector

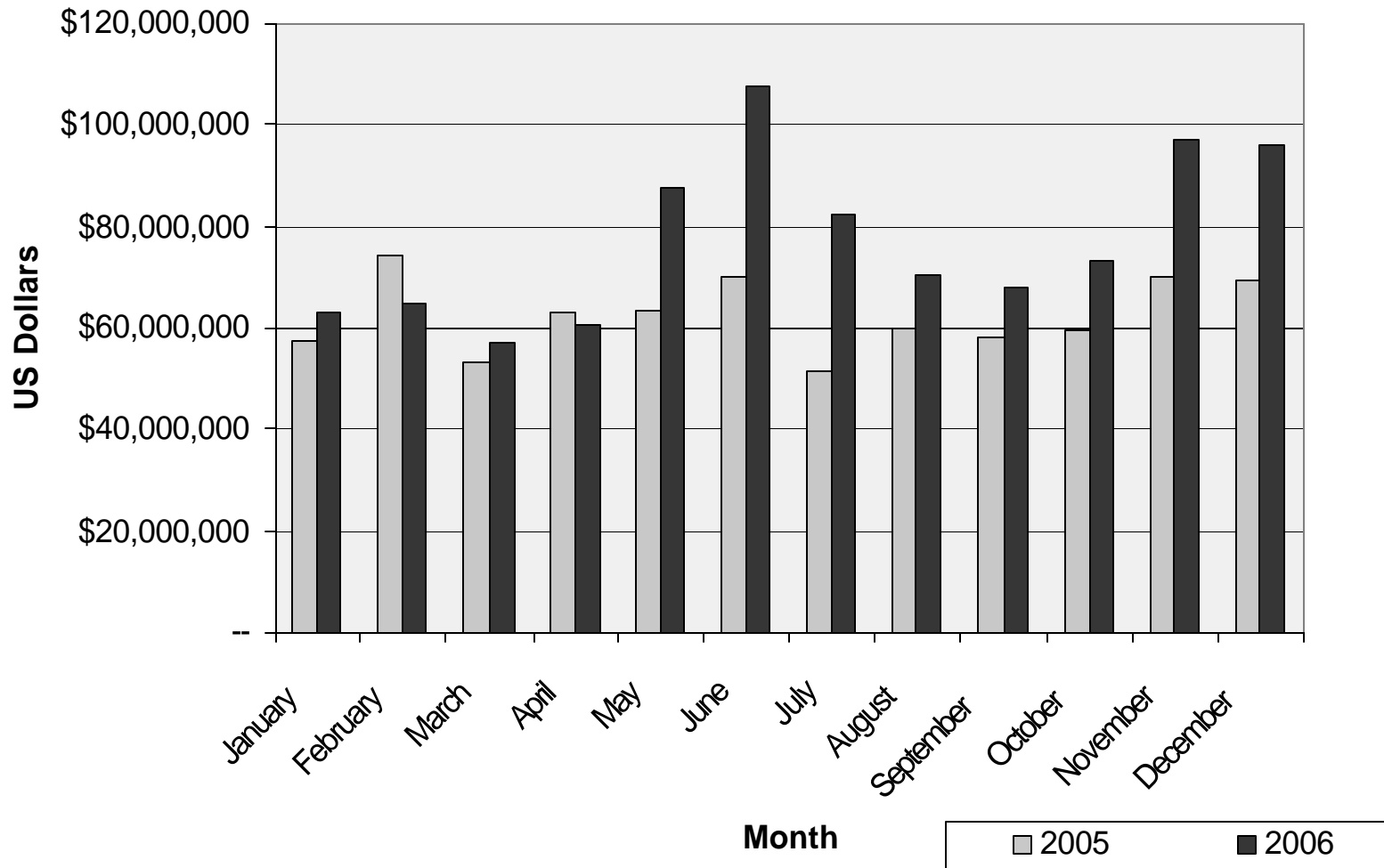
Banking System Credit to the Private Sector, 2004-2006



Non-Oil ExportGrowing

Non-oil Export [FOB Value US\$]			
<u>Month</u>	<u>2005</u> US \$	<u>2006</u> US \$	<u>Variation %</u>
January	57,657,613	62,933,104	+9%
February	74,340,350	65,106,600	-12%
March	52,967,250	57,174,820	+8%
April	63,164,253	60,351,165	-4%
May	63,291,380	87,826,134	+39%
June	69,675,816	107,705,245	+55%
July	51,501,855	82,539,018	+60%
August	60,186,405	70,513,253	+17%
September	58,079,476	68,072,709	+17%
October	59,293,716	73,484,904	+24%
November	69,725,599	97,022,496	+39%
December	69,586,506	96,120,357	+38%
Year Total	749,472,219.00	928,849,805	+24%

Non-oil Export [FOB Value US\$]



Volume Non oil Export to top 11 Destinations

[FOB Value in US\$]

Destination	2005	2006*	Rank 2005	Rank 2006*
Italy	133,016,717	142,057,126	1	1
Netherlands	118,927,419	86,497,187	2	2
Spain	52,423,046	35,087,391	3	3
India	37,688,143	34,656,004	5	4
China	26,949,217	29,992,987	8	5
United kingdom	28,240,921	28,033,671	6	6
France	38,672,027	27,972,947	4	7
Vietnam	-	24,636,766	-	8
Japan	27,919,418	23,942,642	7	9
Germany	19,101,363	20,064,687	9	10
Pakistan	15,001,071	-	10	-
ECOWAS	95,017,751	78,071,393	11	11
Others	156,515,127	131,209,247		
Total	749,472,219	662,222,048		

MAIN EXPORT PRODUCTS TO TOP NON-OIL EXPORT MARKETS

Country	Commodities
Italy	Leather, Rubber, Wood & Articles of Wood, Charcoal
Netherlands	Cocoa, Wood & Articles of Wood, Charcoal
Spain	Leather, Cocoa, Prawns & Fish
India	Cashew Nuts, Aluminum & Articles
China	Leather, Aluminum & Articles, Cotton & Yarns & Woven Fabrics
Vietnam	Cashew Nuts & Edible Fruits, Gum Arabic
Japan	Sesame Seeds & Oil, Aluminum & Articles
France	Cocoa, Gum Arabic
United Kingdom	Cocoa & Cocoa Products, Rubber
Germany	Cocoa, Gum Arabic

III. Latest Developments in the Financial & Payments System

■ Currency Reforms:

- Nigeria on course to stopping importation of currency
- New NSPM, Plc plant, with capacity to print 4 billion pieces of currency notes per annum, to be commissioned April, 2007
- Redesigned currency notes and coins will be launched by February 28, 2007.
- Lower denominations of currency will be printed on varnished paper substrate or polymer

Latest Developments in the Financial & Payments System Cont'd.

BANKING SECTOR GETTING STRONGER AND SOUNDER

- ❑ Total asset base of banks increased by 104% from N3,209 billion in June 2004 to N6,555 billion as at end-September, 2006
- ❑ Capital and Reserves of N957 billion as against N327 billion in June 2004 (192% increase)
- ❑ Industry Capital Adequacy Ratio of 21.64 per cent, which was above the statutory minimum ratio of 10% compared to 15.18 per cent in June 2004
- ❑ The CAMEL parameters rating of the banks as at September 30, 2006 showed there was no UNSOUND bank
- ❑ The industry ratio of non-performing credit to total credit was 9.5 per cent compared to 19.8 per cent in June 2004

Banking Sector Fastest Growing in Africa...

- **25 strong and reliable banks: soundest the sector has ever been, with no unsound bank**
- **25 banks now the size of first and second largest banks in South Africa combined (contrast to 89 banks in 2003 being the size of 4th largest bank in South Africa)**
- **Growth in Assets; Deposits; Credit; Profitability; etc since 2004 astounding; Performance on capital adequacy and liquidity ratios is good; size of non-performing loans as percentage of total loans declined significantly.....**
- **20 out of 25 Nigerian banks in top 100 banks in Africa, and indeed, 17 out of top 40; and 4 in top 10**
- **About 17 out of 25 Nigerian banks in top 1000 banks in the world by end of 2006 (there was none in 2003)**
- **Nigerian banking industry as fastest growing in Africa**
- **The Banking Sector is the dominant sector in the Nigerian Stock Exchange; and indeed the key driver of the recent phenomenal growth of the Exchange**
- **More commercial bank branches now than pre-consolidation**
- **Awaiting results of ongoing survey to know if employment in the sector has declined or increased since consolidation**

Latest Developments in the Financial & Payments System Cont'd.

■ Recent Initiatives

- A fast-track programme for registration of microfinance banks and Bureau de Change to be announced this month
- The Minimum Rediscount Rate (MRR) replaced with Monetary Policy Rate (MPR) for greater stability in interest rates and better functioning of the money market
- A comprehensive roadmap for the development of the entire financial system will be launched first half 2007 (FSS 2020)
- INTEREST RATE SUBSIDY ON AGRICULTURE BY CBN TO CONTINUE IN 2007: STATE GOVTS TO EXPLORE BORROWING ON BEHALF OF THEIR FARMERS!

IV. Short and Medium-Term Outlook

■ SHORT TERM OUTLOOK FOR 2007

■ GDP Projection

- **Aggregate – 7.87% (Oil – 2.46%; Non-Oil – 9.39%)**

■ Provided:

- Peaceful election and transition
- Broad momentum of reforms is sustained
- Weather remains clement
- CBN's interest rate subsidy on agriculture continues
- Power supply output improves
- Macroeconomic stability continues
- Oil output is not worse than 2006 and prices do not fall below \$40 per barrel
- Budgetary performance and value for money spending at all levels of government improves

Medium Term Outlook & Challenges

- Economy has capacity to sustain over 10% growth rate in the medium term and achieve Vision 20: 2020,
- Enough Growth Reserves
 - Fallow agricultural land (60%)
 - Abundant natural resources
 - Youthful population/educational reforms
 - Diaspora as a Resource (17 million)
 - Improving Business Environment--- huge potentials

NBS Survey on State of the Socio-Economic Environment: Nationally and States....

- RESULTS EXPECTED END OF MARCH

Thank You For Listening