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Vision of the CBN

Be the model central bank delivering price and financial system stability and promoting sustainable economic development

Mission of the CBN

To be proactive in providing a stable framework for the economic development of Nigeria, through the effective, efficient and transparent implementation of monetary and exchange rate policy and management of the financial sector

Mandate of the Statistics Department

To collect, analyze and manage data on all sectors of the economy, in order to provide statistical support to the Bank, the government, international organizations and other stakeholders

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EXPLANATORY NOTES

SECTION A: FINANCIAL STATISTICS

Financial data are normally compiled from balance sheets and financial statements which are primarily designed to meet a variety of legal and administrative requirements, as well as the specific needs of economic analysis. Financial data compilation involves the aggregation of the financial system's accounts to the level at which general macroeconomic tendencies are discernible.

The consolidated accounts of the monetary authorities, which are shown in Tables A.2.1 and A.2.2, are derived from different sub-accounts of the CBN operations. Prior to the re-engineering efforts of the CBN, the end-month summary and detailed analytical balance sheets were generated from consolidation of the head office and branches general ledger balances. Since re-engineering in 2004, the Finance Department prepares the CBN Analytical Balance Sheet (ABS) using data obtained from the Oracle ERP application. This is forwarded to the Statistics Department as an input for monetary survey compilation. Table A.1.3 presents monetary policy targets and outcomes.

The consolidation of the end-December balance sheets of the monetary authorities and the deposit money banks (Tables A.3.1, A.3.2, A.3.4 and A.3.5) produces the annual monetary survey, the summary of which is presented in Table A.1.1. The quarterly monetary aggregates (end-March, end-June, end-September and end-December) are shown in Table A.1.2.

The monthly interest rate returns are used to compute the weighted average lending and deposit rates, using as weights, the loans and advances (net) and total depositors' funds, respectively. The deposit rates: savings and time/term deposits of various maturities ranging from 3 months to over 12 months are also computed (Tables A.4.3 and A.4.4). The credit allocation, financial ratios of commercial banks as well as deposits and loans statistics etc., are covered in Tables A.4.2, A.4.5 and A4.6, respectively. Commercial banks branches and subsidiaries are in Tables A.4.7 and A4.8.

Clearing house statistics show the number and value of cheques cleared within the banking system (Table A.4.10); electronic payment statistics follow on Table A.4.11. Assets and liabilities of Development and Specialised Financial Institutions are presented in Tables A.5.1 – A5.4.

The returns of Discount Houses (DHs) consist of "Statement of Assets and Liabilities", "Other Liabilities" and "Schedule of Other Assets" (Tables A5.1 – A5.2). The selected financial ratios are presented in Table A5.3.

In Table A.5.4, the end-December positions of all the finance houses' balance sheets are consolidated to produce a summarized financial position of their assets and liabilities.

Table A5.5 presents the numbers of Development & Specialized Banks/Institutions in Nigeria.

Capital market activities statistics is available from Tables A5.6 – A5.9. The statistics include transactions on the Nigerian Stock Exchange (NSE) i.e., number of deals and values); All Share Index on the NSE with base year of 1985; Total Annual Market Capitalization of (Government stocks/securities, Debt/Bonds, Exchange Trust Fund (ETF) and Equities; and NSE Market Capitalization for Equities only.

The consolidated Income and Expenditure of Insurance Companies are presented in Table A.5.10. The sources of income of insurance companies in Nigeria consist of; income (premium) sub-sourced from general (non-life) and life (Table A.5.11). Total expenditure of insurance companies in Nigeria depicts the claims as sub-sourced from general (non-life) and life (Table A.5.12). Total assets of all insurance companies in Nigeria (by general business and life categories) in Table A5.13. Insurance companies' business investments in Government securities, stocks & bonds, real estate & mortgage, cash at hand & deposit and bills of exchange are consolidated and presented in Table A.5.14.

SECTION B: GOVERNMENT FINANCE STATISTICS

The fiscal sector indicators are the revenue, expenditure, and public debts (domestic and external) of the Federal, State and Local Governments. Revenue is an inflow of resources or money into the government sector from other economic units/sectors. It comprises of tax and non-tax receipts within a given period, and receipts from non-financial assets. It also includes all non-repayable receipts and grants. Grants are non-compulsory, non-repayable unrequited receipts from other governments, international institutions and corporate bodies. In Nigeria, the Federation Account Allocation Committee (FAAC) is the medium for revenue distribution to the three tiers of government.

Expenditure is an outflow of resources from government to other sectors of the economy whether requited or unrequited. It is divided into recurrent and capital expenditures. Recurrent expenditures are payments for on-going items like salaries and overheads, they are paid in the current period usually on a monthly basis. While, capital expenditures are payments made to acquire, repair, upgrade or maintain fixed assets (the obligation continues over a period of time).

The difference between government expenditure and revenue could either be a surplus or a deficit. If revenue is greater than expenditure, there is a surplus, but when expenditure is greater than revenue, we have a deficit. Financing represents government's sources of meeting deficit or utilizing surplus. Sources of financing are divided into domestic and foreign. Government debt (domestic and external) is a stock of liabilities with different tenors accumulated by government operations in the past and scheduled to be fully repaid by government in the future. It covers only recognized direct financial obligations of government on which government pays interest on

redemption. External debt figures in the tables are converted to naira using end period exchange rate.

SECTION C: REAL SECTOR STATISTICS

SECTION C.1: NATIONAL ACCOUNTS

The System of National Accounts (SNA) is a consistent, coherent and integrated set of macroeconomic accounts; balance sheets and tables based on a set of internationally agreed concepts, definitions, conventions, classifications and accounting rules. It provides a comprehensive accounting framework within which economic data can be compiled and presented in a format that is designed for purposes of economic analysis, decision taking and policy making. The compilation of the National Accounts statistics presented in this bulletin is based on the same principles.

Table C.1.1

i. The Gross Domestic Product (GDP) is the monetary value of goods and services produced in an economy during a period of time irrespective of the nationality of the people who produced the goods and services. It is calculated without making deductions for depreciation.

ii. GDP at Current Basic Prices (i.e. Nominal GDP) equals GDP at Current Market Prices less indirect taxes net of subsidies.

iii. GDP at Current Market Prices equals GDP at Current Basic Prices plus indirect taxes net of subsidies. This is GDP valued at the market prices which purchasers pay for the goods and services they acquire or use

Table C.1.2

i. GDP at Constant Basic Prices (otherwise known as the real GDP) equals GDP at Constant Market Prices less indirect taxes net of subsidies.

ii. GDP at Constant Market Prices equals GDP at Constant Basic Prices plus indirect taxes net of subsidies. This is GDP valued at the base period market prices. Currently Nigeria's reference year is 2010.

Table C.1.3

Implicit Price Deflator is GDP at current basic prices divided by GDP at constant basic prices. The ratio is used to account for the effects of inflation by reflecting the changes in the prices of bundles of goods and services that make up the GDP as well as changes in the bundles themselves. Simply put, it is the basket of prices of all the goods and services measured in the GDP.

Tables C.1.7 – C1.10

GDP by Expenditure (at current purchasers' value and 2010 constant purchasers' prices) and by Income on annual and quarterly frequencies:

i) GDP by expenditure - is total final expenditure on goods and services at purchasers' prices (including the f.o.b value of exports of goods and services less the f.o.b value of imports of goods and services).

ii) GDP by income - is compensation of employees, plus operating surplus and mixed income, plus consumption of fixed capital (depreciation), plus taxes less subsidies on production and imports.

iii) Gross Fixed Capital Formation - is expenditure on fixed assets (such as building, machinery) either for replacing or adding to the stock of existing fixed assets.

iv) Gross Capital Formation (i.e. Gross Domestic Investment) - is the total change in the value of fixed assets plus change in stocks, i.e. Gross Fixed Capital Formation plus Change in Inventories.

v) Private Final Consumption Expenditure- measures the consumption of goods or services acquired by households by expenditures or through social transfers in kind, received from government units or Non-Profit Institutions Serving Households (NPISHs). The value of household actual final consumption is given by the sum of the two components:

    a) The value of household expenditures on consumption of goods or services including expenditures on non-market goods or services sold at prices that are not economically significant.

    b) The value of the expenditures incurred by the NPISH on Individual consumption of goods or services provided to households such as social transfers in kind.

vi) Government Final Consumption Expenditure consists of expenditure, including imputed expenditure incurred by general government of both individual consumption of goods and services and collective consumption of services. This expenditure may be divided into:

    a) Government expenditure on individual consumable goods and service

    b) Government expenditure on collective consumption

vii) Gross Consumption Expenditure is equal to Private Consumption Expenditure plus Government Consumption Expenditure

viii) Gross National Savings show the amount of domestic and foreign investment financed from domestic output, comprising public and private savings. It is gross domestic investment plus the net exports of goods and non-factor services.

Tables C.1.4 and C.1.5
Quarterly GDP at Current Basic Prices and 2010 Constant Basic Prices span across 2010:Q1 – 2016:Q4.

Tables C.1.6
Quarterly implicit price deflators were arrived at by dividing the nominal quarterly GDP series by the corresponding real quarterly GDP.

Tables C.1.11 and C.1.12
Activity sector breakdown on Crop Production and Trade are provided for the quarterly GDP at Current Basic Prices and 2010 Constant Basic Prices respectively, across 2010:Q1 – 2016:Q4.

SECTION C.2: PRICES

Table C.2.1
This table shows monthly consumer price indices and inflation rates given in three forms: - headline, core and food. The inflation rate is designed to measure changes in the price index. It is a percentage rate of change in price level over time. The basket of consumer items is restructured periodically to capture changes in consumption pattern. Following the adoption of Classification of Individual Consumption by Purpose (COICOP), the NBS developed a basket consisting of twelve major commodity groups and eighty-five subgroup indices. The consumption expenditure data were re-valued to a new base period of November 2009, using the Nigerian Living Standard Survey (NLSS) outcome of 2009/2010 to arrive at the CPI series. The monthly indices in the Table C.2.1 span 1995 to 2017.

SECTION C.3: AGRICULTURAL CREDIT GUARANTEE SCHEME FUND (ACGSF)

Tables C.3.1, C.3.2, C.3.3, C.3.4, C.3.5 and C.3.6

These Tables are on the operation of ACGSF, an initiative of the Central Bank of Nigeria. The Scheme started operation in 1978 with an initial capital base of ₦100 million shared in a ratio of 60:40 between Federal Government of Nigeria and Central Bank of Nigeria. The capital base of the scheme has been raised to ₦3 billion and managed by the Central Bank of Nigeria. The ACGSF is meant to share the risks of banks in agricultural lending and hence encourage them to extend credit to the agricultural sector.

SECTION D: EXTERNAL SECTOR STATISTICS

SECTION D.1: INTERNATIONAL TRADE

International trade takes place between residents in the reporting economy and the rest of the world (ROW). International Trade Statistics (ITS), therefore, measure the quantities and values of goods that move into or out of a country. In other words, ITS refer to imports and exports unadjusted for Balance of Payments (BOP). They are compiled from customs bills of entry, which are usually completed by importers and exporters, indicating the quantities and values of goods imported into or exported out of the compiler economy. ITS can also be derived from records of transactions in foreign exchange where customs data are not available.

For analytical purposes, Nigeria's ITS is presented using the format of the Standard International Trade Classification (SITC), which has 10 main groups, with codes 0 – 9. These are:

0. Food and Live Animals;
1. Beverages and Tobacco;
2. Crude Materials, Inedible;
3. Mineral Fuels;
4. Animal and Vegetable Oils;
5. Chemicals;
6. Manufactured Goods;
7. Machinery and Transport Equipment
8. Miscellaneous Manufactured Goods and
9. Miscellaneous Transaction

SECTION D.2.1: BALANCE OF PAYMENTS

The BOP is defined as a systematic record of economic and financial transactions for a given period between residents of an economy and non-residents. These transactions involve the provision and receipts of real resources and changes in claims on, and liabilities to, the ROW. Specifically, it records transactions in goods, services and income, as well as changes in ownership and other holdings of financial instruments, including monetary gold, Special Drawing Rights (SDRs) and claims on, and liabilities to, the ROW. The BOP also records current transfers - the provision or receipt of an economic value without the acceptance or relinquishing of something of equal value, or quid pro quo.

Generally, transactions involving payments to residents of an economy by non-residents are classified as "Credit" entries, while payments by the residents of an economy to non-residents are "Debit" entries. Tables D.2.1.1 – D.2.1.4B present the BOP tables from 1981 up to 2017.

The method of BOP compilation has been reviewed five times by the International Monetary Fund (IMF). The fifth edition of the BOP compilation Manual – Balance of Payments Manual 5 (BPM5) provides an expanded conceptual framework to encompass both BOP flows (transactions) and stock of external financial assets and liabilities otherwise called the International Investment Position (IIP). In this edition of Statistical Bulletin, compilation with the latest IMF manual – BPM6 is also included (D.2.1.4A, D.2.1.4B).

The editions of the Manual provide flexibility in the sense that although more details are provided for in the revised editions, the overall presentations do not change significantly. The BOP tables D.2.1.1 – D.2.1.4B, provide information on vital components of the account presenting the various changes in presentations as highlighted by the editions of the manual that have been in use.

Basically, following the BPM5, the BOP table is usually divided into two main sections, namely the Current Account, and the Capital and Financial Account; and the Net Errors and Omissions, which is a balancing item.

Current Account

The Current Account is divided into two major sections; visible and invisible. The visible account consists of Goods Account (exports and imports), which are tangible physical commodities, movement of which constitutes merchandise trade. Exports are "Credit" entries as non-residents acquiring goods have to pay the exporting country. Imports are "Debit" entries as the importer has to use up his stock of foreign currencies to pay for the imported goods.

In the balance of payments table, the value of exports and imports are recorded "free-on-board" (F.O.B.) to show the actual costs of the goods without insurance and freight, both of which are treated in the Services section of the current account. The services include transport, freight, travels, insurance and other business services. Entries are either credit or debit depending on whether the charges are received or paid by the reporting economy.

The Investment Income aspect of invisibles refers to accrued income on existing foreign financial assets. This income may be profits, interest, dividends and royalties received by or paid to direct and portfolio investors. It may also be interest and commitment charges on loans (Other Investment Income).

The "Current Transfers" is the fourth sub-account under the Current Account. It is a unilateral transfer by the reporting economy to the ROW or vice versa without an equivalent value in exchange. It is usually classified as private (other sector) or official (government). Private transfers include home remittances by migrant workers or private sector grants to educational institutions, etc. Official transfers are by way of

grants, subscriptions, technical assistance, etc. to governments and other official agencies. Transfers received are recorded as credit items, while outflows are debits to the reporting economy.

The sum total of the balances of these sub accounts namely: Goods, Services, Income and Current Transfers make up the Current Account.

Capital and Financial Account

The Capital and Financial Account captures changes in a country's foreign assets and liabilities, capital movements and changes in international investment position. Capital may be long or short-term, and private or public (government). Furthermore, investment, as a major component of financial account is “Direct” if it creates or establishes a permanent controlling interest in an enterprise; and the investor has equity ownership of at least 10 per cent. “Portfolio Investment” covers the acquisition and disposal of equity and debt securities (instruments), which cannot be classified under direct investment i.e. less than 10 per cent.

Capital inward movements may take place between a reporting economy and the ROW by injection of new loans and investments into the reporting economy by foreigners. This movement may take the form of increases in foreign owned deposits in the banks of the domestic (reporting) economy. The latter may decide to recover its loans and investments, as well as bank deposits abroad. These are examples of credit entries. Capital flows through new loans and increases in deposits in foreign banks by the reporting economy, constitute "debit entries". The capital transfers component of un-requited transfers is included in the capital account of the balance of payments.

In general, under the double-entry accounting system, all debit and credit entries should be equal. If this happens to all the items in both the current and capital accounts, it will be easy to ascertain the net change in assets and liabilities of the reporting economy by establishing the balance on both current and capital accounts. However, this equality does not always hold in reality as either the debit or credit is usually understated. Thus, provision is made in the “errors and omissions”.

Net Errors and Omissions

Differences between debits and credits in the current and the capital and financial accounts are balanced through the Errors and Omissions component of the BOP.
Data from both sides of a single transaction arise from independent sources leading to discrepancies. In addition, different values may be given to the same item at each valuation point and the item may be completely omitted at one of the valuations. A credit balance on the Net Errors and Omissions shows that the credit items are under-estimated, while a debit balance indicates an understatement of debit items.

The BPM6 presentation of the BOP is, however, divided into three sections – the current account, the capital account, the financial account; and the net errors and omission as the balancing item.

SECTION D.2.2: INTERNATIONAL INVESTMENT POSITION (IIP)

IIP is a statistical statement that shows at a point in time the value and composition of

financial assets of residents of an economy that are claims on non-residents and gold bullion held as reserve assets, and liabilities of residents of an economy to non-residents. The IIP in naira is available in Table D.2.2.1 while the IIP in US dollar is available in Table D. 2.2.2.

When external assets exceed liabilities, the net IIP is positive and when liabilities exceed assets it is negative. A positive net IIP shows that a country is a "creditor country" or a "net lender" to the rest of the rest of the world (ROW). A negative net IIP indicates that a country is a "debtor country" or "net borrower" to the ROW.

Data Sources by Institutional Sector:

- **Central bank:** Data on the Central Bank Nigeria's accounts
- **Other deposit taking corporations (ODTC):** Sectoral balance sheet reported through the standardized report by Banks in Nigeria
- **General government:** Such as the Debt Management Office, Ministry of Finance and Office of the Accountant General of Federation.
- **Other sectors:**
- Other Financial Corporations and Nonfinancial corporations, households and Non Profit Institutions Serving Households (NPISH). Data from the Bank for International Settlement. Data from surveys and financial statements are yet to be incorporated.

Macroeconomic Statistics datasets:

- External assets and liabilities of the central bank (Central Bank Balance sheet and Reserves Data)
- External assets and liabilities of ODTC (Monetary Survey)
- External assets and liabilities of OFC (Bank for International Settlement)
- External assets and liabilities of general government (Debt Management Office)
- Balance of payments financial account.

Basically, the Nigerian IIP is compiled by the accumulation of net flows from the financial account of the BOP with positons reported for Foreign Exchange Reserves, non-bank sectors from the bank for international settlement. Provision for exchange rate and price valuation changes and other volume changes are yet to be made. This would likely come in future bulletins.

SECTION D.3: EXTERNAL RESERVES & MONTHS OF IMPORT COVER

Table D.3.1 EXTERNAL RESERVES

According to BPM6, *a central bank is the financial institution (or institutions) that exercises control over key aspects of the financial system. It carries out such activities as issuing currency, managing international reserves, transacting with the IMF, and providing credit to deposit-taking corporations.*

Reserve assets are those external assets that are readily available to and controlled by monetary authorities for meeting balance of payments financing needs, for intervention in exchange markets to affect the currency exchange rate, and for other related purposes

(such as maintaining confidence in the currency and the economy, and serving as a basis for foreign borrowing).

This is shown on table D.3.1. The data is collected from the Reserve Management of the Central Bank of Nigeria.

Table D.3.2: EXTERNAL RESERVES ADEQUACY

Since reserves are also held to meet BOP transactions and ensure effective exchange rate policies, it is imperative to determine the adequacy of reserves that should be held by an economy. The two measures stated here are imports cover (Table D.3.2. and broad money to reserves ratio (Table D.3.3.).

- **Imports Cover:** This is computed using reserves divided by average monthly imports (FOB).
- **Broad Money to Reserves Ratio:** It is computed using M2 converted to US dollars using end period exchange rate and reserves. Simply put as reserves as a percentage of M2.

SECTION D.4, D.5 & D.6: EXCHANGE RATE STATISTICS

The foreign exchange and exchange rate management in Nigeria has undergone transformation over the years. It has moved from officially pegged exchange rate system between 1970 and 1985 to a market-determined system since 1986. The naira exchange rate is now determined through the foreign exchange market on the basis of demand and supply. The dollar is the intervention currency in the market; while the exchange rates of other currencies are based on cross reference to the naira - dollar exchange rate.

The Exchange Rates Statistics Tables D.4.1, D.4.2, D.4.7 and D.4.8 present the Naira monthly exchange rates to the US Dollar at various foreign exchange markets namely: official exchange rate, the Autonomous Foreign Exchange Market/Dutch Auction System (AFEM/DAS), the Bureau de change (BDC) and the interbank markets. Tables D.4.3 to D.4.6 are cross rates of naira to other currencies.

Bilateral Real Exchange rate

Bilateral exchange rate involves a currency pair of the domestic country and the trading partner. It is the nominal exchange rate adjusted for the deflators. The deflator here is the ratio of the foreign country's consumer price index (CPI).

Nominal Effective Exchange Rate (NEER) Indices for Nigeria

The trade-weighted Nominal Effective Exchange Rate (NEER) indices for Nigeria represent the value of the Naira in terms of a weighted basket of currencies and it measures increase or decrease in the value of the domestic currency relative to the currencies of trading partners. The weights so stated are the respective proportions of each of the trading partner's total trade to the total trade of all the trading partners with Nigeria. These represent the relative importance of each currency to the Nigerian

economy. However, the NEER index measures the strength of the Naira against the currencies of Nigeria's trading partners (Table D.4.11 and D.4.12).

In constructing the NEER index, the geometric approach was adopted and 19 major trading partners, which collectively constitute about 85.6 per cent of Nigeria's trade were selected. Moreover, each of these countries covers at least 1 per cent of the country's total trade. These include: China, India, United States of America, Netherlands, Brazil, Spain, France, South Africa, Germany, United Kingdom, Japan, Cote d'Ivoire, Korea Republic, Indonesia, Belgium, Italy, Ghana, Sweden, and United Arab Emirate (UAE).

Real Effective Exchange Rate (REER) Indices for Nigeria

The Real Effective Exchange Rate index is a nominal effective exchange rate index adjusted for relative movements in national price or cost indicators of the home country and trading partner countries (or currency unions as the case may be). In other words it is the weighted average of bilateral real exchange rates with trading partners of a country. In the Nigeria situation, the CPI is the national price used. The Movement in the REER indices represent changes in the country's external trade competitiveness relative to the selected trading partners (Table D.4.13).

Table D.5.1 & D.5.2

The Exchange Rate Statistics table section D.5.1 represents the sectoral utilization of forex for transactions valid for foreign exchange. This is the total forex disbursed by Authorized Dealers in a specific period for importing tangible goods into the economy and for the payment of services in various sectors. Section D.5.2 is the sectoral utilization of forex for transactions ***not valid*** for foreign exchange. Each of these tables has components in two categories: the visible and the invisibles. The industrial sector, food products, manufactured products, transport sector, agricultural sector, minerals and oil sector make up the imports. For the invisibles there are business services, communication services, construction and related engineering services, distribution services, educational services, environmental services, financial services, health related and social services, tourism and travel related services, recreational, cultural and sporting services, transport services and other services not included elsewhere.

Table D.5.3

This represents the supply of forex through the various segments of the forex market by the Bank namely the interbank and the BDC.

Table D.6.1 CASH FLOW

Table D.6.1 is the inflow and outflow of forex through the Central Bank and through the autonomous sources.

SECTION D.7: FOREIGN INVESTMENT STATISTICS

This section comprises of tables D.7.1.1 to D.7.1.3 and D.7.2. They respectively represent breakdown of capital importation by various categories into the economy.
These categories are:

i. Capital importation by type of investment: investments in this group include foreign direct investment (FDI) – equity, FDI –other capital, Portfolio investment (PI) – equity, PI – bonds, PI – money market instruments, other investments (OI) – trade credits, OI – loans, OI – currency & deposits and OI – other claims.
ii. Capital importation by country of origin: this presents a list of countries from which investments originated;
iii. Capital importation by nature of business: this table shows categorisation of investment the nature of business it was meant for, viz: shares, agriculture, financing, trading, production/manufacturing, IT services, banking, telecommunication, electrical, oil and gas and construction;
iv. Capital importation by location: this table shows the states in Nigeria (including the federal capital territory (FTC), Abuja, where the business which the capital was meant for is located).

Table D.7.2: Coordinated Direct Investment Survey (CDIS)
According to IMF's BPM6, *Direct investment (DI) is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy.* The DI reported here are liabilities of the host economy (Nigeria) being reported as stock or positions as at the end of the years stated. DI liabilities are most attracted because of its potential to help increase economic growth, create employment and encourage technology transfer.

CDIS is one of the components of the CBN Survey of Foreign Assets and Liabilities (SOFAL) conducted annually. The survey covers responses from over seven hundred enterprises within the Nigerian economy. The other component of the survey is Coordinated Portfolio Investment Survey (CPIS), which will come in subsequent bulletins.

The CDIS covers both DI equity and debt liabilities of an economy by country of origin of investment. The frame is being updated annually to capture divestments or more investments depending on the attractiveness of the economy at that time. It is reported in table D.7.2.

SECTION E: EXPECTATIONS SURVEYS

The main purpose of expectations surveys is to generate primary data that when processed and structured, provide information that would aid policy makers in their short-term operational and long-term strategic planning. The CBN in its role as a principal advisory organ to the Federal Government of Nigeria generates a lot of statistical data for the purpose of monitoring, appraising and evaluating developments in the various sectors of the economy.

The method adopted in the conduct of the various surveys by the Statistics Department is the use of well-structured questionnaires, complemented with oral interviews for

clarity and consistency. The questionnaires are distributed by staff of the Department to identified respondents in a frame, and a week or more is usually permitted for the exercise, depending on the nature of the survey. The field officers are required to go through the questionnaires on the spot as part of the editing process, to ensure completeness of the information supplied. Results of the five main surveys included in this bulletin are for Business Expectations (BES), Consumer Expectations (CES), Inflation Attitudes (IAS), Credit Conditions (CCS) and Purchasing Managers' Index (PMI).

BES is a monthly survey of leading firms drawn from Business Establishments of updated frames of CBN and the National Bureau of Statistics (NBS). The result of BES provides advance indication of change in the overall business activity in the economy and in the various measures of activity of the companies' operations as well as selected economic indicators.

The most common way of computing the BES data is through the *balance (or net balance)* method which represents the difference between the positive and negative percentages. The use of the balance is justified by the fact that actual or predicted changes of certain variables are found to be positively related to P (a positive reply) and negatively related to N (a negative reply) while those who answered "unchanged" (E) are left out, because their answers do not affect the business development.

The balance of a survey question with three reply options is calculated as follows:

$$\text{Balance (B)} = P - N$$

where,

P ("+") = the percentage of positive replies ('up' or "above normal")
N ("-") = the percentage of negative replies ("down" or "below normal").

The balances are also known as Diffusion Indices (DI). A positive index indicates a favourable view, except for the average inflation rate and the average borrowing rate, where a positive index indicates the opposite.

The overall business outlook diffusion index (DI) is computed as the percentage share of firms that have an "improving outlook" less percentage share of firms that have a "deteriorating outlook". The DI is also computed for the other business variables and it has been observed that the series from the BES are by their nature particularly suitable for business cycle monitoring and forecasting. It has been demonstrated that the survey series are good proxies for corresponding quantitative series. The results of the BES analysis are presented in Tables E1.1, E1.1.1 – E1.1.6.

CES is a household based quarterly survey. It is constructed to find out the consumers' tendencies and expectations for general economic conditions, job opportunities, personal financial standing and market developments. This helps to assess their expenditure behaviour as well as their expectations thus, deciding their monthly consumer tendencies in the short-run.

The design of CES is to further explore why changes in consumer expectations occur and how these changes influence their spending and savings decisions. The Consumer Expectations Index (CEI) is defined as the degree of optimism on the state of the economy that consumers express through their activities of savings and spending. The Consumer confidence index (CCI) or diffusion index is computed as the percentage share of respondents that answered in the positive less the percentage share of respondents that answered negative in a given indicator. A negative CCI indicates that the respondents with unfavourable view outnumber those with favourable view, except for unemployment, change in prices and interest rate for borrowing money, where a negative CCI indicates the opposite. All index figures are diffusion indices except for buying conditions and intentions.

The Index is computed with the following objectives:

- Near time assessment of consumer attitudes on the business climate, personal finance, and spending
- To create capability for understanding and forecasting changes in the national economy in the short run
- To provide means to directly incorporate empirical measures of consumer expectations into models of spending and saving behaviour
- To forecast the economic expectations and the future spending behaviour of the consumer
- To judge the level of optimism/pessimism in the consumer's mind

The first step is the conversion of the number of answers in each of the given options into percentages. The percentage of positive responses (much more better, a little bit better, increase sharply, increase slightly, very likely, fairly likely, it is right time now); unchanged responses (remain the same, neither the right time nor the wrong time); and negative responses (much more worse, a little worse, a little bit worse, fall sharply, fall slightly, not likely, not at all likely, it is not the right time now) indicate the direction of change of a variable (question).

The balance means the difference between the percentage of consumer responses indicating an increase and the percentage indicating a decrease. However, where there are five possible answers and for that reason the percentages of the extremes are increased by half of the percentages of possible answers on either side of the central value (situation unchanged). In other words: if PP stands for the percentage answering "much better" or total certainty, P stands for "better", MW stands for "much worse" and W for "worse", then the balance can be stated as follows:

$$\text{Balance} = (PP + 0.5P) - (0.5W + MW)$$

where there are three possible answers much better (PP), situation unchanged, and much worse (MW), the balance is thus:

$$\text{Balance} = PP - MW$$

That is, the net balance is calculated as the difference between the percentages of positive and negative responses. The results of the CES analysis are presented in Tables E2.1, E2.1.1 – E2.1.6.

In its bid to aid the Bank achieve its price stability objective, the Statistics Department, considered it germane to embark on the Inflation Attitudes Survey, as a way of getting a better feeling of the public's perception towards inflation, interest rates and the conduct of monetary policy.

IAS is also a household based quarterly survey. It involves face-to-face interviews of members of selected households, of a quota sample of individuals within randomly selected Enumeration Areas (EAs), drawn from the NBS master sample list of households nationwide.

Questions are also asked about how prices have moved in the past 12 months and expected to move in the next 12 months. There are 5 generic questions (Nos. 1-5) and 14 core inflation attitudes survey questions (Nos. 6-19) that are asked. These questions seek information on public knowledge, understanding and attitudes towards the MPC process, as well as expectations of interest rates and inflation. Others also seek to measure the level of satisfaction/dissatisfaction with the way the CBN does its job of setting interest rates to control inflation. The respondents' perceptions of the relationship between interest rates and inflation as well as knowledge of who sets rates are equally asked. The results of the IAS analysis are presented in Table E3.1.

In furtherance of the several statistical supportive measures aimed at ensuring monetary and financial stability, the CCS is done on a quarterly basis on the premise that the CBN needs to understand trends and developments in credit conditions. It is a survey of deposit money banks in which bank credit officers are asked about trends and developments in credit conditions in the current and next quarters. The survey covers secured and unsecured lending to households, and corporate lending. Along with various data sources and discussions between the major lenders and Bank staff, this survey serves as an input to the Monetary Policy document which presents the CBN assessment of the latest trends in lending to the Nigerian economy.

The results of the survey are based on lenders' own responses. They do not necessarily reflect the Bank's views on credit conditions. To calculate aggregate results, each lender is assigned a score based on his response. Lenders who report that credit conditions have changed 'a lot' are assigned twice the score of those who report that conditions have changed 'a little'. These scores are then weighted by lenders' market shares. The results are analysed by calculating 'net percentage balances' – the difference between the weighted balance of lenders reporting that, for example, demand was higher/lower or terms and conditions were tighter/looser. The net percentage balances are scaled to lie between ± 100. CCS tables are presented in Tables E4.1, E4.2 and E4.3.

The Statistics Department of the CBN conducts PMI survey on monthly basis. PMI statistics on businesses is based on data compiled from purchasing and supply executives of manufacturing and non-manufacturing organizations in selected states in Nigeria. Survey responses reflect the change, if any, in the current month compared with the previous month. For each of the indicators measured, the percentage reporting of each response, the net difference between the number of responses in the positive and negative economic direction and the diffusion index are shown. The diffusion index includes the percent of positive responses plus one-half of those responding the same (considered positive). The composite PMI is a weighted average of the following diffusion indices: production level, new orders, supplier deliveries, employment level and inventories. The weights assigned to these variables are 25%, 30%, 15%, 10% and 20%, respectively.

Diffusion indices have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change and the scope of change. A PMI reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally declining, with respect to the specific business activity. Manufacturing and Non-Manufacturing PMI tables are provided in Tables E5.1 and E5.2.