CENTRAL BANK OF NIGERIA

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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 account of the monetary authorities, which is shown in Tables A.1.1.1 and A.1.1.2 is derived from different sub-accounts of the CBN operations. The Finance Department prepares the CBN accounting balance sheet which serves as the initial input for the compilation of the CBN analytical accounts by the Research Department. The major inputs are, the monthly returns of Assets and Liabilities, otherwise known as Oracle ERP which serves as a benchmark, and the summary trial balance which serves as a source for detailed information on various accounts. However, because of the problems of imprecise definitions, improper classification, inadequate sectorisation, inaccuracies in additions, irregular valuation procedures and errors in the compilation of data on foreign assets, major revisions were carried out in the form of classifications and presentation of formats for the balance sheets of the CBN and the deposit money banks in 1992. The summary and detailed analytical accounts, as well as the end-month general ledger balances from the 22 CBN outstations, processed Statement of Account Current from Branch Operations Department and the Main Accounts (net) from the Finance Department are used for the preparation of the monetary authorities' analytical balance sheet. The 22 CBN outstations data are reprocessed in gross form and used to adjust for the branches data in the summary analytical account Oracle ERP obtained from the ITD.

The consolidation of the accounts of the monetary authorities and the deposit money banks (Tables A.2.1, A.2.2, A.3.1 and A.3.2) produces the monetary survey accounts, the summary of which is presented in table A.1.3. The accommodation of the deposit money banks' liquidity needs by the monetary authorities normally occurs either by providing direct loans and advances to them or by discounting and rediscounting the financial claims that they hold (Tables A.5.1 - A.5.7).

The monthly interest rate returns (MBR 250) 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: current account, savings, call, and time deposits of various maturities ranging from 7 days to over 12 months are also computed (Tables A.2.4.1 and A.2.4.2). The liquidity, credit allocation, maturity structure of financial assets, etc. are covered in Tables A.2.5, - A.2.8 and A.3.3 - A.3.7.

Clearing house statistics show the number and value of cheques cleared within the banking system. Such data as indicated in tables A.1.4.1 - A.1.4.5 show the extent to which cheques are used as a payment instrument.

## SECTION B: GOVERNMENT FINANCE STATISTICS

The public 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 includes all non-repayable receipts and grants and is divided into current and capital. While current revenue comprises tax and non-tax receipts within a given period, capital revenue are receipts from non-financial assets used in production process for more than one year. Grants are non-compulsory, non-repayable unrequited receipts from other governments and international institutions. 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. While recurrent expenditures are payments for transactions within one year, capital expenditures are payments for non-financial assets used in production process for more than one year.

The difference between government payments for expenditure and total receipts from revenue, could either be surplus or 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 utilising surplus. Sources of financing are divided into domestic and foreign. Debt (domestic and external) is a stock of liabilities with different tenure 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 annual average exchange rate of the particular year.

## Debt Conversion:

### Table B .1.11

This table shows the total number and value of applications received from Nigerians and foreigners on a yearly basis since the inception of the programme in 1988.

### Table B .1.12

This table indicates the total number and value of approved and rejected applications on a yearly basis. However, the total number of applications received in a year may not tally with the total number of applications granted and rejected in the same year, because some applications are usually carried over into the subsequent year for processing.

### Table B .1.13

This table explains the total amount offered by the programme for redemption on a yearly basis. The average discount rates show: (i) the average for the year of the highest discount quoted at each auction; (ii) the average for the year of the lowest discount offered at each auction; and (iii) the average for the year of the discount (marginal) rate, the rate being defined as the rate at which the amount offered for redemption is exhausted at each auction.

### Table B .1.14

Debts cancelled out of auction are debts processed without auctions made through bidding. Such privileges are granted only in rare cases to meet the expedient financial needs of the benefiting organisations. Prices of such conversions are, however, determined by the weighted average of discounts quoted by successful bidders' at the most recent auction.

### Table B .1.15

Promissory notes - These are legal certificates of indebtedness issued by both the CBN and the Federal Ministry of Finance on behalf of the Federal Government of Nigeria to Nigeria's

Creditors indicating the amount of the indebtedness, as well as the conditions pertaining to the redemption of the debts. Restructured debts are matured debts whose obligations could not be fulfilled. To extend the period of liquidation of such loans, new arrangements are normally entered into with the creditors. Such arrangements may take the shape of new interest rates. On the other hand, refinanced debt means the liquidation of an existing loan, due for maturity, with a new loan obtained mostly from the same source of credit, a different source or a combination of these sources. The new facility so obtained comes with a different set of requirements and obligations. The Par Bonds carry the face value of the Security instrument irrespective of any premium or discount that the instrument may be accorded in the market. Interest as stipulated in the bond issue is thus paid on the Par value or face value of the debt instrument.

However, of the categories of debts cancelled, the most popular has been the promissory notes. The restructured and refinanced loan instruments ceased to be in operation after 1991, as the debts were converted to Par Bonds.

### Table B.1.16

Average price of the debt instruments as quoted in U.S. Dollar means the average market price of the various instruments at the secondary market.

## SECTION C: NATIONAL ACCOUNTS

The System of National Accounts (SNA) is a consistent, coherent and integrated set of macro-economic 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 are based on the same principles.

### Table C.1.1

This table is made up of the Gross Domestic Product, Gross Fixed Capital Formation, Private Consumption Expenditure, Government Consumption Expenditure, Gross Consumption Expenditure and Gross National Savings.

i The Gross Domestic Product (GDP) is the money 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 1990 Constant Basic Prices (otherwise known as the real GDP) equals GDP at 1990 Market Prices less indirect taxes net of subsidies.

iv. GDP at Current Market Prices equals GDP at Current Basic Prices 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.

v. GDP at 1990 Market Prices equals GDP at 1990 Basic Prices plus indirect taxes net of subsidies.

vi. 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.

vii. Gross Capital Formation (i.e. Gross Domestic Investment) is the total change in the value of fixed assets plus change in stocks.

viii. Private Consumption-Household Final Consumption
Household actual final consumption consists of the consumption of goods or services acquired by individual 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 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 NPISHs, on individual consumption goods or services provided to households as social transfers in kind.

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

a. Government expenditure on individual consumable goods and service

b. Government expenditure on collection consumption

x. (x) Gross Consumption Expenditure is equal to Private Consumption Expenditure plus Government Consumption Expenditure.

xi. 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.

xii. GDP at 1990 Basic Price is the GDP at 1990 Producers Price less taxes on expenditure plus subsidies.

xiii. GDP at Current Basic Prices is the GDP at Producers Price less taxes on expenditure plus subsidies.

**Table C.2.1**

This table comprises agricultural crops. According to the classification by the United Nations Food and Agricultural organization (FAO) Production Year-Book, agriculture includes cereals, starchy roots, sugar, pulses, edible oil crops, nuts, fruits, vegetables, wine, cocoa, tea, coffee, livestock and livestock products. Also included in the group are industrial oilseeds, tobacco, fibres, vegetable and rubber. However, for the purpose of the bulletin, agriculture is defined in terms of the two sub-sectors of staples and other (cash) crops. The staples comprise maize, millet, sorghum, rice, wheat, acha, beans, cassava, potato, yam, coco-yam, plantain, vegetables while other (cash) crops include melon, groundnut, benniseed, coconut, sheanuts, soyabeans, cotton seed, palm kernel, palm oil, groundnut oil, cocoa, coffee, rubber, sugar cane, palm wine and tobacco. This definition is in tune with what is available generally in the country.

It should be noted that, unlike the FAO definition, livestock and livestock products were removed from agriculture into a separate subgroup called livestock.

### Table C.2.1

This table is derived from data on agriculture, livestock, fishery and forestry from the National Bureau of Statistics (NBS) agricultural survey reports. The NBS seasonal data on crops are converted to annual data (i.e. Calendar Year) by assuming that 70 per cent of the production in one season took place between April and December, and the remaining 30 per cent from January to March. This way the seasonal data were broken pro-rata to quarters, from which the calendar year data were derived.

Livestock data from NBS and FAO annual livestock production recorded in livestock unit were converted to carcass weights by assuming, that the proportion of the livestock population kept, represents the production figures for the particular year.
Fish output data are provided by the Federal Department of Fisheries with no adjustments made.
Sources of Forestry data are FAO, Annual Year Book of Forest Products with no adjustments made.

### Table C.4.1, C.4.2, C.4.3

These tables show the composite, urban and rural Consumer Price Indices (CPIs) respectively. The CPIs are designed to measure average changes in the level of retail prices paid by consumers. The CPI computed for Nigeria by NBS measures average changes in the level of retail prices of goods and services consumed by households living in all parts (both urban and rural) of the country.

The first CPIs were computed separately for the then Federal and Regional Capitals. The indices for Lagos and Ibadan, Kaduna and Enugu had 1953 and 1957 as base years, respectively. The CBN in collaboration with FOS (now NBS) felt that the separate indices had some disadvantages. The Consumer Expenditure Survey (CES) conducted in 1957 was reviewed to reflect the felt need for a single national CPI based on the prices of a union market basket of commodities purchased and consumed by a representative set of households in selected centres from all over the country, especially since the indices from one centre to another made comparability difficult. A more serious limitation of the index then, was the absence of a composite consumer price index to measure average change in the price of goods and services purchased by the specified groups of consumers. Because of this limitation, a common base was derived for all-cities index by averaging prices in 1960. In doing this, in selecting every consumer item, the price index for any given period was adjusted on the basis that the average price index for the same item in 1960 is 100. Therefore, indices in the tables from 1970 to 1975 have 1960 as the Base Year.

Because consumption patterns change over time, a set of item weights obtained in a particular (CES) progressively become outdated. The changing consumption pattern of households is mirrored in the results of CES taken at regular intervals which give rise to new markets and constitute item weights. With the National Consumer Expenditure Survey (NCES) conducted by FOS (now NBS) in 1974/75 which provided expenditure data from which item weights were derived for urban and rural indices, the CPI adopted 1975 as the ruling base year. Therefore, indices from 1976 to 1988 have 1975 as base year.

However, CPI is continually updated and rebased and that informed the updating of the base period to 1985 with the CES of 1980/81. The CES was updated in view of the time lag between the period of the survey and the time the detailed analysis was completed (1986). The mean expenditures were consequently revalued to take account of the time lag. Relative price changes between 1980 and 1985 were employed to update the CES estimates to 1985 values. Such relative price changes were derived from the 1975 CPI for concordance items, i.e. items that are common to both the 1975 and 1985 CPI baskets when considered state by state. For entirely new items, as new items and classification were introduced, relative price changes were compiled and utilized for the updating.

Finally, the basket of the 1985-based CPI has been restructured to indicate commodity groups such as medical care and health expenses, recreation, entertainment, education and cultural services which were not classified when 1975 base was used. However, data provided from 1988 to June 2003 have 1985 as base period. Due to changes in consumption patterns over time, FOS conducted another CES between March 1996 and April 1997, and item weights derived from the survey data were updated to May, 2003, the price reference based period of the new CPI series. The basket for the survey was a restructured version of the former basket, because the classification of individual consumption by purpose (COICOP) was adopted. It consists of twelve major commodity groups and eighty-five subgroup indices.

### Tables C.8.1 and C.8.1.1

Table C.8.1 shows the salary range in the following sectors: Agriculture, Manufacturing, Building and Construction, Financial Institutions and Insurance, Ministries and Department, Transport and Communication, Trading and Business Services, Mining and Quarrying, and Others: while Table C.8.1.1 shows the salary range in the Public Sector (i.e. Ministries only) incorporating information collected from National Salaries, Incomes and Wages Commission on harmonised public service salary structure, 1974-1992. Table C.8.1 is compiled on the basis of annual surveys conducted primarily to gather information on national wage which is a vital input into the D-metric system of currency management model adopted by the Central Bank of Nigeria. The data collected from the responding organisations are analysed on sectoral basis in order to measure the variability of the remuneration in each sector. Considering the nature of the data, the range was the most appropriate statistic, compared with other statistical measures of spread or dispersion such as the mean deviation, inter-percentile range, the quartile deviation, etc.

## SECTION D: INTERNATIONAL TRADE STATISTICS

### Table D.1.1 and D.1.2

International trade takes place between residents in the reporting economy and the rest of the world. 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 Standard International Trade Classification (SITC) format which has 10 main groupings 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 Transactions

## BALANCE OF PAYMENTS

### Table D.2.1

The Balance of Payments (BOP) is defined as a systematic record of economic and financial transactions for a given period between residents of an economy and non-residents (the rest of the world). These transactions involve the provision and receipts of real resources and changes in claims on, and liabilities to, the rest of the world. Specifically, it records transactions in goods, services and income, as well as changes in ownership and other holdings of monetary gold, Special Drawing Rights (SDRs) and claims on, and liabilities to, the rest of the world. The BOP also records the unrequited or unilateral 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. Table D.2.1 presents the BOP table from 1970 up to 2007.

The method of BOP compilation has been reviewed four times by the International Monetary Fund (IMF). The fifth edition of the BOP compilation Manual (BPM 5) provides an expanded conceptual framework to encompass both balance of payments flows (transactions) and stock of external financial assets and liabilities otherwise called the International Investment Position,(IIP).

However, the editions of the Manual provide flexibility in the sense that although more details are provided for in revised editions, the overall presentations do not change significantly. The BOP table D.2.1, provides information on vital components of the account adopting the various changes in presentations as highlighted by the edition of the manual in use.

Basically, the BOP table is usually divided into two sections, namely; the Current Account, and the Capital and Financial Account.

## The Current Account

The Current Account is divided into two major sections; visible and invisible. The visible account consists of 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 is 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 invisible section of the current account. The invisibles include services income account and current transfer. The services include transport, freight, travels, insurance and other business services.

Entries would either be 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 paid to direct 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 rest of the world 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 records 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. However, investment in long term bonds and corporate equity constitutes "Portfolio Investment".

Capital movements may take place between a reporting economy and the rest of the world 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 unrequitted 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 as either the debit or credit is usually understated. Thus provision is made in the "errors and omissions"

## 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 account" shows that the credit items were underestimated while a debit balance indicates an understatement of debit items.

## Tables D.3.1 and D.3.2

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.

## Table D.3.5

This table carries trade-weighted Nominal Effective Exchange Rate (NEER) indices for Nigeria. The NEER for Nigeria represents the value of the Naira in terms of a weighted basket of currencies. The weights represent the relative importance of each currency to the Nigerian economy. In other words, it represents the share of each of the selected countries in Nigeria's total trade. Therefore, the NEER index measures the average change of the Naira's exchange rate against all other currencies.

In constructing the NEER index, the geometric approach was adopted, while 10 major trading partners which control about 76.0 per cent of Nigeria's trade with the rest of the world were selected. These are: Belgium, France, Italy, Japan, The Netherlands, Spain, Switzerland, Germany, United Kingdom and the United States of America.

## Section D.5

## Non-Oil Foreign Private Capital

The tables in this section present data on the inflow and outflow of non-oil foreign investment in Nigeria on current and cumulative basis. The data is compiled from responses obtained from the collaborative CBN/NBS/NCC annual survey of Nigerian companies with imported capital as well as staff estimates.

The tables are compiled on the basis of countries of origin of foreign capital and the type of business activity engaged in. The former is broken down into four regions, namely, United Kingdom, United States, Western Europe (excluding UK) and 'Other' unspecified countries, while the components of the latter are Mining and Quarrying; Manufacturing and Processing;

Trading and Business Services; Agriculture, Forestry and Fishing and Building and Construction.

The most important end-product of the analysis is the Net Capital flow. This gives a picture of the net inflow or outflow of foreign capital during a given period. It is composed of the following items.

(a) Unremitted Profits

This is the foreign investor's share of the undistributed profits ploughed back into the business as additional investment.

(b) Changes in Foreign Share Capital

This is the yearly difference in the equity holdings of the foreign shareholders in direct investment enterprises.

(c) Trade and Suppliers' Credit

This is a measure of credit facilities and deferred payments for goods and services purchased from abroad. However, suppliers' credit is more of a pre-arranged procedure through which importers can get shipment of goods financed by the suppliers with payment deferred to an agreed date in the future.

(d) Liabilities to Head Office

This is the amount of capital transferred between the parent company (Head Office) and its overseas affiliate during a period.

(e) Other Foreign Liabilities

This involves the financial commitments of a direct investment enterprise to foreign sources of capital other than parent/affiliate sources. This often takes the form of external borrowings (from foreign banks), mortgages payable, tax to home country in respect of capital exportation etc.

## Fixed Assets

Fixed assets are classified into five components, viz Real Estate (freehold and leasehold), Machinery and Equipment, Furniture and Fixtures, Motor Vehicles and Other assets. They are assets held for use in business rather than for re-sale.

## Fixed Assets at Cost

This is the value of fixed assets based on their acquisition price.

## Fixed Assets at Book Value

This is fixed assets at cost less cumulative depreciation.

## Paid-Up Capital plus Reserves

Paid-up capital plus reserves as used in table D.5.3 and D.5.4. represents the sum of unremitted profits (reserves) and the changes in foreign share capital (simply referred to as changes in paid up capital).

### Other Liabilities

This is the sum of the values of Trade and Suppliers' Credit, Liabilities to Head Office and Other Foreign Liabilities. Each of these have been defined above.