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 on Tables A.1.2 and A.1.3, is derived from different sub-accounts of the CBN operations. Prior to the re-engineering efforts of the CBN, 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 were 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 (BANKOS) obtained from the Information Technology Department.

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.

Since the re-engineering efforts of the Bank, Finance Department uses the corporate book of the CBN, otherwise known as Oracle ERP obtained from both the Oracle ERP financials and T24 banking application to prepare the Analytical Balance Sheet of the CBN. This is then forwarded to the Statistics Department for the monetary survey preparation. The 1992 monetary survey format was adopted for the presentation of the annual and quarterly monetary survey data from 1960 to date.

The consolidation of the end-December accounts of the monetary authorities and the deposit money banks (Tables A.2.1 and A.2.2) produces the annual monetary survey accounts, the summary of which is presented in Table A.1.1, while the quarterly monetary aggregates (consolidation of the end-March, end-June, end-September, end-December accounts) are shown in Table A.1.3.1. 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 (MBR250) 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 deposit 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 A3.3 A.3.9.

Clearing house statistics show the number and value of cheques cleared within the banking system. Such data as indicated in Table A.1.4 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 utilizing 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.

SECTION C: NATIONAL ACCOUNTS

The System of National Accounts (SNA) is a consistent, coherent and intergraded 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 are based on the same principles.

Table C.1.1

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.

Table C.1.2

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

ii. 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.1.3

i. GDP at current producer market prices equal GDP at constant prices plus indirect taxes net of subsidies. This is GDP valued at rates purchasers pay for goods and services they acquired.

Table C.1.4

i. Implicit Price Defaulter 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 service that make up the GDP as well as changes in the bundles itself.

Table C.1.5

GDP by Expenditure (at current purchasers' value) and by Income: 1981-2008.

i) GDP by expenditure based - is total final expenditure 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 based is compensation of employees, plus taxes less subsidies on production and imports, plus gross mixed income and operating surplus

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.

v) 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 NPISH, on Individual consumption goods or services provided households as social transfers in kind.

vi) Government Final Consumption Expenditure 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

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.

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

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

Table C.1,6 and C.1.7

i. Quarterly GDP at Current Basic Prices and constant various prices were arrived at by interpolation approach (which strongly utilizes the properties inherent in the actual quarterly series) was used to decompose annual quarterly series, while the quarterly series for 2004 and 2008 3rd quarter were actual values.

Table C.1.8

i. Quarterly implicit price deflators were arrived at by dividing the (interpolated) nominal quarterly GDP series by the corresponding (interpolated) quarterly real GDP.

Table C.2.1 and C.2.2

These tables show the annual and quarterly inflation rates given in three forms: - headline, core and food. The inflation rate is designed to measure the rate of increase of a price index. It is a percentage rate of change in price level over time.

The first CPIs were computed separately for the then Federal and Regional Capitals. The indices for Lagos, and Ibadan, Kaduna, Enugu had 1953 and 1957 as base years, respectively. The CBN in collaboration with Federal Office of Statistics (FOS) now National Bureau of Statistics (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 representatives set of households in selected centers 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 selecting every consumer item, the prices index for any given period was adjusted on the basis that the average price index for the same item in 1960 is 100. 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 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.

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 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 overtime, NBS 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 re-structured 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. However, all the indices in the tables from the period 1960 to 2008 were re-based to 2003 Base Year.

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

i. These tables are on the operation of Agricultural Credit Guarantee Scheme Fund (ACGSF), an initiative of the Central Bank of Nigeria. The Scheme started operation in 1978 with an initial capital base of N100 million shared in a ratio of 60:40 between Federal Government of Nigeria and Central Bank of Nigeria. Now the capital base has been raised to N3 billion managed by the Central Bank of Nigeria. The scheme is meant to share the risks of banks in the agricultural lending and hence encourage them to continue to extend credit to the agricultural sector.

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 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. Table D.2.1 presents the BOP table from 1960 up to 2008.

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 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 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; 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.

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 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 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 are under-estimated, 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. However, there had been some modifications in the group of selected trading partners. Thus, the current trading partners are: Brazil, China, France, Germany, India, Indonesia, Italy, Japan, Netherlands, Spain, United Kingdom and 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) Un-remitted 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 tables D.5.3 and D.5.4. represents the sum of un-remitted 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 has been defined above.