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To: Members of the Executive Board

From: The Secretary

Subject: Nigeria - Recent Economic Developments

This paper provides background information to the staff report for the 1983 Article IV consultation with Nigeria (document to be circulated later).

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Acquah (ext. (5)8661) or Mr. J. R. Hill (ext. (5)8665).

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INTERNATIONAL MONETARY FUND

NIGERIA

Recent Economic Developments

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Approved by the African, Exchange and Trade Relations, and Fiscal Affairs Departments

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NIGERIA - Basic Data 1/

Area, population, and GDP per capita

Area	923,800 square kilometers
Population	
Total (1982 estimate)	89.2 million 2/
Growth rate	2.5 percent
GDP per capita (1982)	SDR 740

	1978/79	1979/80	1980 3/	1981 3/	1982 3/
Gross domestic product and expenditure		(In millions of naira)			
GDP at 1977/78 factor cost	30,234.8	32,033.6	32,173.8	30,470.6	29,531.8
Petroleum	6,449.4	7,512.5	6,914.6	4,719.6	4,171.8
Other sectors	23,785.4	24,521.1	25,259.2	25,751.0	25,360.0
Of which: agriculture, animal husbandry, fishing, and forestry	(7,465.4)	(7,285.6)	(7,149.1)	(6,971.4)	(6,856.3)
manufacturing	(1,778.4)	(1,908.6)	(2,244.8)	(2,508.4)	(2,458.2)
construction and housing	(3,950.3)	(3,856.0)	(4,247.5)	(4,310.0)	(4,255.6)
wholesale and retail trade	(6,203.5)	(6,911.5)	(6,928.8)	(6,919.9)	(6,782.0)
government services	(1,441.7)	(1,511.0)	(1,564.6)	(1,617.6)	(1,523.8)
GDP in current market prices	34,075.3	40,363.2	47,276.8	47,454.8	49,007.7
Gross domestic expenditure in current market prices	35,251.0	38,680.6	43,943.4	50,414.2	53,143.0
Consumption	25,364.7	29,100.4	33,377.6	37,462.5	40,803.0
Investment	9,886.3	9,580.2	11,565.8	12,951.7	12,340.0
External resource surplus or gap (-) in current market prices	-1,175.7	1,682.6	3,333.4	-2,959.4	-4,135.3
		(As a percent of nominal GDP)			
Consumption	74.4	72.1	68.5	78.9	83.3
Investment	29.0	23.7	24.5	27.3	25.2
External resource surplus or gap (-)	-3.4	4.2	7.0	-6.2	-8.5

1/ Unless otherwise stated, all data are on a fiscal-year (April-March) basis. From 1981 onward the fiscal year is January-December.
2/ Based on the 1963 census, which yielded a population count of 55.8 million, and an assumed population growth rate or 2.5 percent per annum since then.
3/ Provisional estimates.

NIGERIA - Basic Data (continued)

	1978/79	1979/80	1980 1/	1981 Est.	1982 Est.
Budgetary operations of the Federal Government		(In millions of naira)			
Total revenue	7,156	12,228	15,154	13,032	12,340
Of which: petroleum receipts 2/	(4,809)	(10,096)	(12,354)	(10,010)	(9,251)
Statutory transfers to the state and local governments	-1,407	-3,337	-3,095	-4,975	-4,999
Federally retained revenue	5,749	8,891	12,059	8,057	7,341
Current expenditure	2,798	3,584	5,229	4,907	4,866
Capital expenditure and net lending 2/	4,136	6,064	6,973	7,884	7,173
Overall deficit (-)	-1,185	-757	-143	-4,734	-4,698
Financing					
Foreign (net)	925	93	255	500	264
Domestic	260	664	-112	4,234	4,434
Banking system	(723)	(-97)	(125)	(3,526)	(3,803)
Other	(-463)	(761)	(-237)	(708)	(631)
Overall deficit in percent of GDP	-3.6	-1.9	-0.3	-10.1	-9.6

	1979	1980	1981	1982	1983 March
Monetary survey		(In millions of naira; end of period)			
Foreign assets (net)	3,228.2	5,606.8	2,549.8	1,057.5	712.8
Domestic credit	7,347.9	8,451.2	14,680.9	20,146.9	23,286.4
Claims on public sector (net)	(2,675.1)	(1,943.7)	(6,112.0)	(10,061.4)	(13,081.5)
Claims on private sector	(4,672.8)	(6,507.5)	(8,568.9)	(10,085.5)	(10,204.9)
Money	5,161.2	7,435.5	8,788.9	9,384.5	9,438.5
Quasi-money	3,248.1	4,697.5	5,358.3	6,024.0	6,783.8
Other deposits	186.6	95.8	83.0	2,020.8	3,274.3
Other items (net)	1,980.2	1,829.2	3,000.6	3,775.0	4,503.6
Money and quasi-money (annual percent change)	21.9	44.3	16.6	8.9	14.2

1/ The 1980 budget ran for the nine months April-December between the changeover from a March-April fiscal year to a January-December fiscal-year basis. The data figures are prorated on a 12-month basis.

2/ Includes an amount of ₦ 895 million of revenues from petroleum profit tax earmarked for capital funding of joint venture activities by the Nigerian National Petroleum Corporation in 1981 and an amount of ₦ 1,088 million for 1982.

NIGERIA - Basic Data (concluded)

	1978	1979	1980	1981	1982
Consumer price indices	(Annual percent change; period averages)				
Rural	15.5	11.9	9.7	20.8	7.7
Urban	24.4	11.1	11.4	20.9	7.5
Composite	16.6	11.8	10.0	20.8	7.7
Balance of payments 1/	(In millions of SDRs)				
Current account	-2,999	1,296	3,312	-5,126	-6,650
Petroleum exports	7,544	12,117	19,171	14,563	11,550
Other exports	790	861	779	463	162
Imports	-9,273	-9,167	-11,326	-15,596	-15,252
Services and income	-1,159	-993	-2,364	-2,806	-1,815
Other goods, services, and income	-694	-1,221	-2,505	-1,267	-957
Transfers	-215	-300	-443	-481	-338
Capital account	1,196	1,044	35	1,175	1,460
Direct investment	169	236	-568	140	324
Other capital (short) 2/	-81	8	103	347	449
Other capital (long)	1,108	800	500	688	687
Official	(1,113)	(756)	(464)	(663)	(664)
Other	(-5)	(44)	(36)	(25)	(23)
Net errors and omissions 3/	28	323	146	-1,307	-516
Total	-1,775	2,663	3,493	-5,258	-5,706
Reserve movements (increase in assets -)	1,775	-2,663	-3,493	5,258	-2,036
Accumulation of current payment arrears	--	--	--	--	3,670
Gross official foreign reserves	(In millions of SDRs; end of period)				
Foreign exchange and gold	1,117	3,803	7,579	3,126	1,713
SDR holdings	67	108	133	239	40
IMF reserve position 4/	366	295	371	446	--
Government	1	4	14	13	73
Total	1,551	4,210	8,097	3,824	1,776
Exchange rate movements	(December averages; December 1974 = 100)				
U.S. dollar/naira	95.1	108.0	113.6	96.9	91.6
Pound sterling/naira	114.7	118.1	114.7	120.1	132.8
Import-weighted naira	89.6	97.5	105.0	100.4	103.5
Real import-weighted index (N/basket)	150.5	164.1	180.9	185.7	195.3

1/ The data for 1981 are provisional; those for 1982 are estimates.
2/ Includes trade credit related to petroleum exports.
3/ Including valuation gains (losses -) of SDR 56 million in 1978, SDR 412 million in 1979, SDR 136 million in 1980, SDR -1,080 million in 1981, and SDR -180 million in 1982.
4/ Includes lending to the Fund's oil facility and SFF lending.

I. Income and Production

Nigeria has become heavily dependent upon its oil sector since the initial upsurge in oil prices in late 1973. As a result, developments in domestic production, government finances, and the balance of payments during the past decade have been determined to a large extent by changes in petroleum production, export, and prices. Between 1974 and 1978 a sharp rise in the country's petroleum receipts led to large public sector investments in infrastructure and industries as well as increased expenditure outlays for social development. During this period most sectors of the economy experienced boom conditions, and growth in real domestic production averaged 6.7 percent. However, the heavy dependence on the oil sector created special adjustment problems in 1978/79 and again since 1981, when the value of oil exports declined substantially. As a consequence of the decline in oil receipts, which accounted for about 80 percent of total government revenue and over 95 percent of total export earnings during 1979-82, there emerged large fiscal imbalances, and the balance of payments weakened considerably. Also consequent on this decline significant deceleration in the rate of growth of domestic output has been experienced in 1978/79 and since 1981.

1. Gross domestic product and expenditure

The latest available national accounts statistics cover the period from 1978/79 to 1982 and are based on an input-output transactions table that was constructed for the fiscal year 1973/74. 1/ The data for the years 1980, 1981, and 1982 are provisional estimates provided by the Federal Office of Statistics. Although these data suffer from a number of deficiencies, several broad indications can be derived from them.

During the period 1978/79-1982 real GDP declined at an annual average rate of 1.6 percent, with the result that in 1982 it was at the level attained in 1976/77 (Table 1). During this period crude oil production increased in only one year, 1979/80, contributing to an increase in real GDP of 5.9 percent in that year. Overall, the petroleum sector registered a negative average growth of 8.7 percent per annum during the period. By contrast, the non-oil sector was virtually stagnant, with an average growth rate of 0.3 percent per annum during 1978/79-1982. The shifts in external demand for oil have been the determining factor in the overall level of economic activity.

Expansionary budgetary policies as well as a policy of relaxation of imports pursued by the authorities in 1979/80 and 1980 contributed to real growth in the non-oil sectors of 3 percent per annum, but in 1981 the expansion of the sectors eased to 1.9 percent, and, as petroleum output

1/ The Nigerian fiscal year, which previously covered the period April to March, was changed beginning in 1981 to coincide with the calendar year. National accounts estimates for 1980 were also presented on a calendar-year basis to facilitate comparison with those of 1981 and 1982.

Table 1. Nigeria: Gross Domestic Product and Expenditure at Constant and Current Prices, 1974/75-1982 1/

	1974/75-1977/78	1978/79	1979/80	1980	1981	1982
			(Annual change in percent)			
GDP at 1977/78 factor cost	6.7	-5.7	5.9	0.4	-5.3	-3.1
Petroleum	5.6	-8.8	16.5	-8.0	-31.7	-11.6
Other sectors	7.4	-4.8	3.1	3.0	1.9	-1.5
Of which:						
agriculture, animal husbandry, forestry, and fishing	(1.5)	(-7.5)	(-2.4)	(-1.9)	(-2.5)	(-1.7)
manufacturing 2/	(12.5)	(14.4)	(7.3)	(17.6)	(11.7)	(-2.0)
construction	(12.5)	(-3.8)	(-3.4)	(10.0)	(4.8)	(-2.2)
housing	(6.1)	(-0.7)	(0.3)	(1.3)	(1.3)	(1.3)
transport and communications	(3.1)	(6.2)	(7.2)	(10.8)	(11.2)	(--)
wholesale and retail trade	(9.6)	(-8.4)	(11.4)	(0.3)	(-0.1)	(-2.0)
government services	(20.0)	(-14.0)	(4.8)	(3.5)	(3.4)	(-5.8)
GDP at current market prices	31.1	5.1	18.5	17.1	0.4	3.3
Domestic demand at current market prices	25.5	8.2	9.7	13.6	14.7	5.4
Consumption	(20.8)	(11.9)	(14.7)	(11.3)	(15.7)	(8.9)
Investment	(41.6)	(-0.4)	(-3.1)	(20.7)	(12.0)	(-4.7)
			(As percent of nominal GDP)			
Gross domestic investment	25.9	29.0	23.7	24.5	27.3	25.2
Gross domestic savings	30.3	25.6	27.9	31.5	21.1	16.7
External resource surplus or gap (-)	4.4	-3.4	4.2	7.0	-6.2	-8.5

Sources: Appendix Tables I-III.

1/ Fiscal year (April-March) basis. From 1981 onward the fiscal year coincides with the calendar year. Data for 1980 are also presented on a calendar-year basis to facilitate comparison with those of 1981 and 1982; figures for the period 1980-82 are provisional.

2/ National accounts estimates differ from estimates of the Central Bank of Nigeria, in part because of differences in methodology (Appendix Table VI).

declined by 32 percent due to a depressed world oil market, real GDP fell by 5.3 percent. In response to declining oil revenues, and the resulting balance of payments pressures, imports were sharply curtailed, largely through administrative measures in 1982, with adverse effects on the level of economic activity. Real output in the non-oil sectors declined by 1.5 percent, while value added in the oil sector dropped by 11.6 percent. As a result, real GDP registered a significant negative growth rate (3.1 percent) for the second consecutive year, bringing the cumulative decline of GDP to over 8 percent in the two-year period.

In light of the developments in the world oil market, the share of petroleum in real value added declined steadily, from 23.5 percent in 1979/80 to some 14 percent in 1982 (Appendix Table II). During the period 1978/79-1982 the manufacturing sector recorded the highest average annual growth rate, followed by transport and communications, wholesale and retail trade, construction, and housing. The manufacturing sector grew on average by some 10 percent per annum over the five-year period, 1/ stimulated largely by the high levels of public investment. However, it has been estimated that growth in the manufacturing sector declined by about 2 percent in 1982 in the face of a sharp reduction in the supplies of imported raw materials and a deceleration in the rate of growth of government expenditure. Value added in the transport and communications sectors registered a growth rate of slightly more than 7 percent over the five years, but in 1982 no growth occurred as international and domestic trade declined. After a sharp growth in 1979/80 the value added in the wholesale and retail trade sector remained almost unchanged in the following two years, and was estimated to have declined by as much as 2 percent in 1982. The construction sector grew at an annual average rate of 7.4 percent in 1980-81 but, due to reduced importation of raw materials, declined by 2.2 percent in 1982. In line with revenue developments, government services have also fluctuated widely and over the five-year period registered a negative average growth rate of 1.6 percent per annum. In sharp contrast to developments in other sectors, real value added in agriculture consistently declined over the past five years, averaging a negative growth rate of 3.2 percent per annum.

In three of the past five years the growth of domestic demand (in nominal terms) has outpaced the growth of domestic supply, thereby resulting in balance of payments and inflationary pressures (Table 1). This divergence between demand and supply has heightened the dependence of the Nigerian economy on petroleum exports. In periods of a buoyant world petroleum market and rising oil revenues, Nigeria has been able to satisfy the increase in domestic demand through imports, while building up foreign reserves. However, due to soft international demand for oil, the pressure of domestic demand has been rapidly transformed into an external current

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1/ According to Federal Office of Statistics data. See Appendix Table V and sub-section 4 below for discrepancies with central bank estimates.

account deficit. Thus, in spite of an increase in domestic demand in 1979/80 and 1980, a surplus of 4.2 percent of GDP and 7.0 percent of GDP, respectively, was registered on the external resource balance as the savings ratio increased significantly pari passu with the increase in nominal and real GDP. By contrast, with a continued expansion in domestic demand, a sharp reduction in oil production in 1981 was reflected in a fall in the savings ratio from 31.5 percent of GDP in 1980 to 21.1 percent of GDP in 1981, and caused the emergence of an external resource gap equivalent to 6.2 percent of GDP. In 1982, despite a decrease in investment of 4.7 percent, additional reductions in oil revenues caused savings to fall even further by 17.9 percent, causing the resource gap to widen to the equivalent of 8.5 percent of GDP.

2. Petroleum

Nigeria is a member of the Organization of Petroleum Exporting Countries (OPEC) and is the largest exporter of crude petroleum in Africa. As stated above Nigeria is heavily dependent upon its oil sector. Although the contribution of the oil sector to GDP has declined in recent years, from 24 percent in 1979/80 to 14 percent in 1982, this sector still accounts for over 80 percent of government revenue and more than 90 percent of export earnings. The accompanying table outlines the developments in Nigerian crude oil production, consumption, exports, and prices from 1977 through 1982 (Table 2). Toward the second half of 1977 and into 1978, petroleum production weakened as a consequence of excess supply of crude on the world market and a loss of competitiveness of Nigerian oil. To counteract these market pressures and to align its prices with those of competing countries, Nigeria reduced the price of its crude; the average official sales price fell from US$14.45 per barrel in 1977 to US$13.89 per barrel in 1978. The unit value of exports did not decline in 1978 because of a further extension of export credit. Oil production declined by 13 percent, averaging 1.83 million barrels a day (mbd) in 1978. As a result, export receipts frcm petroleum declined from US$11.6 billion to US$9.5 billion.

In 1979 there was a marked revival in the demand for Nigerian crude, stimulated by the sharp fall in Iranian output, steady growth in the industrialized countries, and stockpiling of oil in expectation of future price increases. Production of Nigerian crude peaked in 1979, averaging 2.35 mbd. Similarly, liftings of oil for exports reached a peak, averaging some 2.2 million barrels daily. Crude oil prices were raised several times during the year, following decisions reached by OPEC in light of international market developments. For the year as a whole, the average official sales price of the marker crude 1/ increased by

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1/ API 37 degrees.

Table 2. Nigeria: Selected Petroleum Statistics, 1977-82

	1977	1978	1979	1980	1981	1982
			(In millions of barrels)			
Production	766	668	860	753	526	471
Domestic consumption	48	67	69	76	79	100
Exports	741	604	803	700	448	366
			(In U.S. dollars per barrel)			
Average posted price	15.30	14.88	21.56	38.83	42.73	38.86
Average official sales price 1/	14.45	13.89	21.26	35.44	38.90	35.75
Unit value of exports	15.61	15.65	19.50	35.63	38.31	34.84
			(In millions of U.S. dollars)			
Export value 2/	11,564	9,455	15,655	24,943	17,162	12,750

Sources: Central Bank of Nigeria; NNPC; and staff calculations.

1/ 37 API degrees marker crude.
2/ Balance of payments value of exports.

more than 50 percent to US$21.26 a barrel. This, together with the strong increase in volume, caused export earnings to rise by more than 65 percent to US$15.7 billion.

In 1980 commenced what would be a sustained decline in world oil demand, stemming primarily from the response by energy end-users to higher oil prices and from the prolonged recession in oil-importing countries. In addition, the decline in Nigeria's export volume was reinforced by pressures arising from increases in production from non-OPEC countries. Thus, in 1980 the production of crude oil decreased by 12.4 percent to an average of 2.06 mbd. But, while this meant a decline in export volume of approximately 13 percent, oil export revenue increased by about 60 percent to US$24.9 billion, as the average official sales price moved from US$21.26 a barrel to US$35.44 a barrel, reflecting the OPEC price increases that were put into effect at the beginning of that year.

The continuing recession in the industrialized countries made its strongest impact on export volume in 1981. In addition, after June a substantial drawdown of world oil inventories occurred. As a result, production of crude petroleum declined to an average daily rate of 1.44 million barrels, representing a 30 percent drop in output compared to the level attained in 1980, and export volume fell by 36 percent to 1.23 mbd. However, on January 1, 1981 the average official sales price was raised by US$3 per barrel to US$40 per barrel and remained at that peak until the final quarter of the year. This price increase was not sufficient to offset the impact of the decline in quantity on export receipts, as total earnings decreased from their peak 1980 level of approximately US$25 billion to just over US$17 billion in 1981.

In 1982 the world oil market continued to remain soft, as consumption of energy products by the industrialized countries, taken as a whole, registered a negative growth rate and as production in non-OPEC countries continued to increase. Therefore, Nigeria's output dropped further to an average of 1.29 mbd in 1982, which was very close to the quota of 1.3 mbd allotted by OPEC in March of that year. The volume of exports declined by 18 percent to a low of 1 mbd, but prices remained fairly stable during the year. Reflecting these developments, export receipts decreased by about one fourth to US$12.8 billion, or about half the level attained in 1980.

During the first quarter of 1983 oil production fell to 0.8 million barrels a day, as the petroleum market became unsettled under growing supply pressures. In mid-March 1983 OPEC reduced the benchmark price of crude oil from US$34 a barrel to US$29 a barrel. Prior to the OPEC action Nigeria had unilaterally reduced the price of its marker crude by US$5.50 a barrel. In the second quarter oil production picked up, averaging 1.44 mbd, and remained firm during the third quarter. For the year as a whole, crude production is expected to average close to 1.3 mbd, of which 1.0 mbd would be exported.

Since July 1979 the Federal Government has held a 60 percent equity participation in companies producing oil in Nigeria, except Shell-Nigeria Oil Company, in which the Government holds an equity share of 80 percent. Nigeria deals with three categories of customers in marketing its crude oil exports: producing companies, governments, and third party customers on a long-term contract basis. The Nigerian National Petroleum Company (NNPC) normally extends trade credits of up to 30 days on its crude oil sales. However, sales to African governments are extended at 90-day credit terms. Although detailed information on the price discounts granted is not available, the price differential between the Nigerian marker crude "bonny light" and the OPEC marker crude "Arabian light" has varied from a low of US$1 to a high of US$6 per barrel during the last three years.

Nigeria has three refineries with a combined present capacity of 210,000 barrels per day. The refinery at Port Harcourt, which usually operates at full capacity, is capable of producing up to 60,000 barrels a day (b/d), the refinery at Warri, the largest, has a capacity of 100,000 b/d, and the refinery at Kaduna, which currently produces some 50,000 b/d. The Kaduna refinery is expected to refine up to 100,000 b/d by 1984, which would raise total refinery capacity to 260,000 b/d but still would be insufficient to meet domestic demand. In recent years domestic consumption of petroleum has been rising rapidly to an average of slightly more than 230,000 b/d during the period 1980-82, compared with 132,000 b/d in 1977; refined products accounted for about 160,000 b/d, while imports averaged 70,000 to 80,000 b/d. In 1982 domestic consumption of petroleum increased by approximately 27 percent to 270,000 b/d, of which 0.1 mbd was met through imports.

The sales price of crude for domestic refining and consumption is regulated by the Government. Until September 1978, when it was increased to US$13.80 per barrel, the domestic supply price for crude had been kept unchanged at US$1.93 a barrel since 1973. Despite the sharp increase in world oil prices, there were no further price adjustments until April 1982, when the sales price was increased to US$17.95 per barrel. As a result, domestic refineries were receiving an implicit subsidy of more than 60 percent in 1980 and 1981, as indicated in Table 3. At the same time as the most recent increase in the domestic crude price, the pump price of premium gasoline was raised from 15 kobo to 20 kobo per liter (or from the equivalent of 22 U.S. cents to 30 U.S. cents per liter at the April 1982 exchange rate).

Table 3. Nigeria: Comparison of Crude Delivery Price, 1978-82

(U.S. dollars per barrel; and in percent)

	1978	1979	1980	1981	1982
Domestic crude price	13.80 1/	13.80	13.80	13.80	17.95 2/
Export unit value	15.65	19.50	35.63	38.31	34.84
Ratio of domestic prices to export unit value	88.2	70.8	38.7	36.0	51.5

Sources: Central Bank of Nigeria; and NNPC.
1/ As of September.
2/ As of April.

Nigeria has large quantities of associated and nonassociated natural gas. The World Bank staff has estimated that about 8 percent of total associated gas production in 1981 was used for power generation as industrial fuel or in oil field operations; the rest was flared. Because gas is in abundant supply, the authorities have plans to increase usage for domestic projects and also to establish a liquefied natural gas plant in partnership with foreign oil companies. The implementation of this project is expected to commence in 1985, assuming the financing requirement, estimated at US$9.0 billion, and the export market arrangements are in place.

3. Agriculture and related activities

Agriculture, together with animal husbandry, fishing, and forestry, is the principal source of livelihood for most of the population in Nigeria. Estimates of agricultural production provided by various goverment and international agencies differ considerably. For example, according to the Federal Office of Statistics' National Accounts, real value added in agriculture has declined steadily for the past five years, averaging 3.2 percent per annum. By contrast, for the four-year period ended 1981 (1982 figure is not yet available) the Central Bank of Nigeria estimates that agricultural output increased by 4.4 percent. A recent World Bank study suggests that the production of staple crops grew by only 1 percent per annum during the period 1973-83, while the production of traditional export crops declined. In spite of these conflicting estimates, observers agree that during the last decade the agricultural sector has been particularly neglected, and the economy has grown heavily reliant on petroleum.

The unsatisfactory performance of the agricultural sector can be attributed to three interdependent factors: inadequate producer prices, rising production costs, and an overvalued exchange rate. In the five-year period ended 1982 the farm-gate prices of staples increased at only about half the rate of increase of the minimum wage in the construction sector. As there is evidence that rural wages have not lagged significantly behind minimum urban wages, it follows that the farm-gate price-cost ratio for staples has deteriorated. 1/ The World Bank estimates the decline to have been one third over the five-year period. Because of higher expected incomes in the urban centers, young laborers have been migrating to the cities, which has forced farmers both to increase wages and to rely more on hired labor, thus exacerbating the adverse cost/price effects on producer incentives. To help alleviate the effects of high costs, the Government subsidizes agricultural inputs, by as much as 75 percent of the cost of fertilizers and 50 percent of trucks, insecticides, herbicides, and fishing trawlers. With the recent downturn in the export prices of most primary commodities, producer prices for cocoa, groundnuts, and palm kernels (Table 4) have been higher than export prices, resulting in the payment of subsidies to producers. Nevertheless, given the above considerations and given that the effective exchange rate of the naira has appreciated strongly in real terms, the prices thus determined have not been sufficient to provide incentives to agricultural production in the face of cheaper food imports. Exports of agricultural commodities have suffered as well.

a. Food crops

According to the Federal Office of Statistics, the production of food crops displayed a downward trend from the mid-1970s to 1980/81, especially rice, yams, and cassava (Appendix Table V). The production of cassava declined by two thirds over the past five years, due to millibug disease. However, the crop year 1981/82 was a relatively good one, as the production of millet and sorghum increased by 12 percent and 4.3 percent, respectively. Greater input supplies, in particular fertilizers, improved seeds, and expanded extension services, were largely responsible for the encouraging performance. In addition, the reduction in the quantity of wheat imports, coupled with a price rise, led to a significant switch in consumer demand in favor of millet and sorghum. The output of maize and rice grew by 17 percent and 120 percent, respectively, in 1981/82. Nigeria continued to import significant amounts of food. However, food imports peaked at over ₦ 2 billion in 1981, but, as a result of a tightening of import controls, the food import bill is estimated to have fallen sharply to less than ₦ 1 billion in 1982.

1/ Moreover, many farmers do not even receive the guaranteed minimum prices, as the local licensed buyer, in return for extending credit, purchases the farm output at a discount of up to 30-40 percent.

Table 4. Nigeria: Commodity Boards Purchases and Price Indicators of Major Export Crops, 1/ 1978/79-1982/83

	1978/79	1979/80	1980/81	1981/82	1982/83
			(In thousands of metric tons)		
Marketing board purchases					
Cocoa	161	144	107	184	106
Groundnuts	--	18	--	1.7	--
Palm kernels	240	231	189	194	172
Cotton	117	117	81	78	36
Benniseed	-	1	--	--	--
Rubber	22	21	21	20	21
			(In naira per metric ton)		
Producer price					
Cocoa	1,030	1,200	1,300	1,300	1,300
Groundnuts	290	350	420	450	450
Palm kernels	150	180	200	230	230
Cotton	330	330	400	465	510
Benniseed	300	300	315	315	315
Rubber	365	420	485	600	700
			(In naira per metric ton)		
Average export price					
Cocoa	2,094.9	1,979.7	1,429.2	1,261.7	1,174.0
Groundnuts	358.1	322.2	249.7	365.7	267.7
Palm kernels	218.2	284.4	167.5	173.6	156.6
Cotton	1,049.2	1,091.4	1,307.7	1,157.9	1,050.3
Benniseed	541.5	516.3	469.1	470.9	576.8
Rubber	429.0	553.0	706.0	777.0	...
Ratio of producer price to average export price			(In percent)		
Cocoa	49.2	60.6	91.0	103.0	110.7
Groundnuts	81.0	108.6	168.2	123.1	168.1
Palm kernels	68.7	63.3	119.4	132.5	146.9
Cotton	31.5	30.2	30.6	40.2	48.6
Benniseed	55.4	58.1	67.1	66.9	54.6
Rubber	85.1	75.9	68.7	77.2	...

Source: Central Bank of Nigeria.

1/ Crop year May-April.

b. Export crops

Information on the output of export crops is limited to commodity board purchases and recorded exports, which may not accurately reflect underlying trends in production, owing in particular to increased sales outside the official marketing system and increased domestic consumption. Overall, like food crops, the figures indicate a downward trend in production. For cocoa and palm kernels, which constitute Nigeria's main non-petroleum exports, the marketing board purchases in 1982/83 were equivalent to only 66 percent and 72 percent, respectively, of 1978/79 purchases (Table 4). Considerable aging of the existing cocoa plantations, and diminishing profitability in relation to occupations in the urban sectors, accounts for part of the poor performance. In the case of palm oil, increased consumption, combined with relatively slow growth of domestic output, has turned Nigeria from a leading world exporter to a net importer of the product. The situation is similar for cotton. Nigeria has also become a net importer of cotton for the domestic textile industry. In part because of unfavorable producer prices, there has been a steady decline of marketing board purchases of cotton; total purchases in 1982/83 were equivalent to only 31 percent of those recorded in 1978/79.

c. Marketing and pricing

There are six commodity marketing boards: a grains board and one for each major cash crop (rubber, cocoa, palm, cotton, and groundnuts). The three principal objectives of the boards are: (1) to purchase all scheduled commodities offered to them; (2) to ensure farmers "remunerative" producer prices; and (3) to assist with the development and, where necessary, the rehabilitation of farms. Procurement prices are fixed by the Head of State based on recommendations of a Technical Committee for Producer Prices (TCPP). Each board is required to present annual analyses of farm costs and explicit price proposals to the TCPP, which secures agreement and the authority to announce the set of producer prices in advance of each planting season. The boards implement pricing policy through the intermediary of Licensed Buying Agents. Two major shortcomings exist with the present arrangement. First, there is little technical analysis and information on production costs. As a result, it is not certain that the official prices bear any meaningful relation to production costs and incentives, and the objective of pricing policy is not always clear as to whether it is to stimulate supply or to moderate cost-of-living increases. Second, the Licensed Buying Agents wield an inordinate amount of power and lack proper monitoring and control. The board's control over the farm-gate price is much weaker the higher the stage of processing before the boards take over the produce.

4. Manufacturing

Manufacturing activity in Nigeria is concentrated in the large urban centers of Lagos, Kano, and Kaduna and is geared essentially to the domestic market. Among the wide range of products produced for local consumption are beer and soft drinks, cotton textiles, cigarettes, refined and other petroleum products, soap and detergents, vegetable oil, and cement. Despite the significant size and diversity of the sector, the contribution of manufacturing to total value added in real terms remains relatively small at approximately 8 percent (Appendix Table II).

According to the national account statistics, over the five-year period ended 1982 value added in the manufacturing sector registered a higher rate of growth than all other sectors, averaging 10 percent per annum, but it showed very wide fluctuations from year to year (Table 1). Compared with 1978/79, the rate of growth of the manufacturing sector fell by one half to 7 percent in 1979/80, due principally to the reduced availability of supplies, especially of imported raw materials following the imposition of import restrictions in 1978 and 1979, and the re-emergence of irregular electricity and water supplies. By contrast, in 1980, with the easing of import restrictions and the increase in aggregate demand associated with higher government expenditure, growth in manufacturing value added increased by 18 percent in that year. The central bank index for manufacturing production rose by as much as 44 percent, compared with an average of 11 percent for 1978 and 1979 (Appendix Table VI). The production of beer, cotton textiles, and soap and detergents and the increased capacity in the oil refineries all made significant contributions. In 1981 manufacturing activity was once again slowed by the shortage of raw materials, disruption of electricity supply, and increased loss of competitiveness against imports. Among the industries most affected that year were those producing cotton and knitted textiles, cigarettes, batteries, radios, and footwear. Estimates on the decline in the rate of increase in manufacturing production range from 12 percent to 1 percent. In 1982, given the further sharp reduction in import volume and decline in aggregate demand, manufacturing production is estimated to have declined by about 2 percent.

Nigeria's industrial sector has a relatively high cost structure and relies on a complex system of regulations and controls for protection. The overall incentive structure represented by the tariff system, import licenses, excise taxes, and exchange rate policies has resulted in an accumulation of price distortions in the economy. A recent World Bank study concludes that the import substitution consumer goods sector has received substantially higher levels of protection than the intermediate goods or capital goods subsectors, and that export industries have been offered negative rates of protection.

5. Transportation and energy

The construction of Nigeria's basic infrastructure in transport was largely completed by 1979. The Murfala Mohammed airport at Lagos and the Port Harcourt international airport commenced operations in 1978, and several seaport development projects, as well as an estimated 1,300 kilometers of the federal road network were commissioned in 1979. More recently, however, new investment has been curtailed, and maintenance of the roads has been a problem, in view of the declining fiscal revenues. Largely on account of the decline in oil production and the general level of economic activity, the number of ships cleared at Nigerian ports and domestic air passenger traffic declined in 1982.

After increasing sharply in 1981, the growth in energy consumption decelerated in 1982, rising by 4 percent to 27.2 million tons of coal equivalent. The relative contributions of coal, hydro-electricity, gas, and petroleum products to Nigeria's energy consumption in 1982 were 0.2, 4.7, 11.3, and 83.8 percent, respectively. Only the consumption of coal declined in 1982, reflecting the current relative price structure of energy products. As in 1981, electricity generating capacity increased by approximately 9 percent in 1982 to 8.5 billion kilowatts. Electricity consumption is estimated to have risen by 8 percent to 6 billion kilowatts. The difference between consumption and generating capacity is due to supply and distribution bottlenecks. In view of the difficulties encountered by the National Electric Power Authority (NEPA), many factories and households have resorted to installing private generators to meet part of their energy requirements.

II. Prices, Wages, and Employment

1. Prices

The national composite consumer price index is based on a nation-wide consumer survey that was conducted in 1974/75. It consists of a rural and urban index and is heavily influenced by the rural consumption pattern, which has a weight of 88 percent. Since 1979 the two components of the composite index have moved in parallel. The Federal Office of Statistics publishes this index with a time lag of a range of three to six months.

The composite consumer price index indicates that the rate of inflation decelerated steadily from 16.6 percent in 1978 to 10 percent in 1980 (Table 5). In 1981 the inflation rate doubled to 21 percent. The price of food rose particularly sharply, increasing by 25 percent. For 1982 the official rate of inflation decelerated markedly, registering an increase of only 7.7 percent. In 1980, as a result of the significant easing of import restrictions, inflationary pressures were reduced. However, bottlenecks and distribution problems arose the following year,

Table 5. Nigeria: Consumer Price Indices, 1978-83

(1975 = 100)

	1978			1979			1980			1981			1982			April composite 1/	
	Rural	Urban	Composite	Rural	Urban	Composite	Rural	Urban	Composite	Rural	Urban	Composite	Rural	Urban	Composite	1982	1983
Food	168.5	196.3	171.9	182.3	210.2	185.7	195.2	233.5	199.9	242.9	303.0	250.2	264.6	327.7	272.4	267.1	309.0
Beverages	149.9	177.6	154.0	173.2	195.0	175.8	185.9	202.7	188.0	189.1	220.1	193.0	204.2	227.7	207.1	204.5	222.1
Tobacco and kolanuts	189.7	159.5	186.0	207.4	170.7	202.9	236.1	180.3	229.2	276.0	184.4	264.8	289.1	196.1	277.7	276.1	308.3
Accomodation, fuel, and light	130.3	139.3	131.4	166.1	172.7	166.9	174.2	199.7	177.3	166.7	219.7	173.2	172.7	232.2	180.0	177.7	226.0
Household goods and other purchases	148.2	138.8	147.1	155.8	157.8	156.0	181.7	179.9	181.5	194.6	194.5	194.6	214.3	206.9	213.4	208.9	278.8
Clothing	178.8	158.5	176.3	224.5	180.6	219.0	279.4	204.9	270.2	326.9	219.5	313.7	349.0	231.8	334.6	332.4	355.2
Transportation	161.7	134.9	158.4	197.4	182.2	195.5	197.9	193.2	197.3	202.9	194.9	201.9	226.6	206.8	223.5	218.2	360.3
Other services	155.8	155.1	155.7	177.2	181.6	177.7	238.2	214.4	235.2	288.8	239.5	282.7	301.9	255.1	296.1	291.8	330.7
Overall index	165.4	176.0	166.7	185.0	195.6	186.3	203.0	217.9	204.9	245.2	263.5	247.5	264.2	283.2	266.5	262.1	303.0
Annual change in percent	15.5	24.4	16.6	11.9	11.1	11.8	9.7	11.4	10.0	20.8	20.9	20.8	7.7	7.5	7.7	8.2	15.6

Source: Federal Office of Statistics.
1/ End of period.

which, coupled with expansionary monetary and fiscal policies, fueled the 21 percent increase in the inflation rate in 1981. Although the official index shows the inflation rate declining to 7.7 percent in 1982, it is possible that the underlying rate of inflation significantly exceeded the rate recorded by the CPI, in view of the sharp curtailment of imports and the concomitant shortages of raw materials and food among other commodities. This conclusion is supported by increased activity in the parallel market for both produce and foreign exchange. For the first four months of 1983 the official index registered a sharp acceleration in inflation of 9.9 percent, equivalent to 30 percent on an annual basis.

In April 1977 the Government established the Prices, Productivity, and Incomes Board (PPIB), whose main function is to advise Federal and State Governments on national incomes policies. The Price Intelligence Agency (PIA), located in the Federal Ministry of Commerce, is responsible for monitoring price developments and scrutinizing any requests for price increases. Since its inception, the PPIB has announced annually statutory price guidelines that have remained broadly unchanged. In particular, for 1983 the PPIB allows, if notified 40 days in advance, for a single increase in price of not more than 5 percent during the course of the year; subsequent increases, however low, can be effected only with the specific consent of the board. For subsequent increases of above 5 percent, the board must be notified at least 10 weeks in advance. Companies applying for price increases must submit a copy of their annual reports and accounts for the preceding three years. As part of the price guidelines, the authorities have limited markups on imported machinery to 25 percent of the c.i.f. value and by a factor of not more than 2 on imported motor spare parts. However, the monitoring of the price guidelines is thought to be largely ineffective, and therefore domestic price developments are mainly determined by market forces. The major reasons are that enforcement efforts are conducted on a haphazard basis, and, in practice, only the larger established producers are audited. Furthermore, significant areas, particularly agricultural commodity prices, fall outside the purview of the PPIB. The pricing of certain critical commodities by parastatals is handled outside the regular guideline procedures. Finally, the PIA does not have the resources to collect and monitor retail price developments on a current basis and to process the data it does collect in a timely fashion.

2. Wages

Since 1976/77 the Government has formulated wage guidelines at regular intervals. In April 1980 the Government issued a set of guidelines for wages and salaries for the three-year period 1980-82. For workers receiving less than ₦ 3,000 per annum, adjustments to wages and salaries were not to exceed 15 percent over the three-year period. For those earning more than ₦ 3,000 per annum, wages and salaries were not to increase by more than 10 percent. At the same time that these guidelines were released, the Government established a minimum wage of ₦ 125 per month, which Parliament approved in 1981. The minimum wage covers both public and private sectors but excludes firms that employ fewer than 50 people.

Difficulties arose in implementing the wage guidelines on account of problems in defining the new minimum wage. The central question was whether the minimum wage of ₦ 125 per month should include fringe benefits. In addition to their wages, government workers receive ₦ 15 per month for transportation and ₦ 10 per month for housing, thus raising the effective minimum wage to ₦ 150 per month, which was also adopted by the private sector. The substantial raising of the lower end of the wage scale introduced some anomalies into the salary structure. Workers in the first three grades of the public sector found themselves earning as much as those at higher grades, to whom subsequent wage adjustments were granted in order to maintain income differentials. As a result, employers were free to decide on the amount of wage increases to workers earning between ₦ 125 and ₦ 250 per month (or ₦ 1,500 and ₦ 3,000 per annum), but the 10 percent ceiling remained in effect for salaries above ₦ 3,000 per annum.

For 1983 the Government extended the 1980-82 wage policy guidelines. Hence, except for the normal annual increments and in cases where the maximum limits allowed under the 1980-82 guidelines had not been fully implemented, no increases in wages and salaries are permitted. The normal increments range from 1 to 3 percent a year in the public sector and from about 5 to 7 percent in the private sector.

As in the case of prices, effective monitoring and enforcement of the wage guidelines are difficult. Collective wage agreements have to be sent for ratification to the Wages and Productivity Unit in the Federal Ministry of Employment, Labour and Productivity. Reliance is placed on the auditor's certificate that the wage guidelines have been respected. All establishments employing 50 or more persons must submit to the Wages and Productivity Unit full information on wages and salaries and fringe benefits paid to all categories of their employees. In practice, the Wages and Productivity Unit does not monitor the wages of workers outside the organized sector, and, in cases where data are received, the unit does not make effective use of them.

As part of its incomes policy, the Government also limits dividend payments. However, to encourage private investment, the limits have been progressively eased. For 1983, dividend payments of up to 60 percent of profits after tax may be distributed. A withholding tax of 12.5 percent is payable on such dividends.

3. Employment

An analysis of employment trends in Nigeria is severely hampered by the lack of statistics on the deployment of the labor force. Only two national labor force surveys have been conducted so far: one in 1966-67 and the other in 1974 (the latter covered only the urban areas). A federal manpower survey in 1977 estimated total modern sector wage employment in urban areas to be about 2 million. According to these surveys, there was a sharp decline in the proportion of urban employment in agriculture (agricultural areas surrounding urban centers) from 26 percent in 1966-67 to only 4 percent in 1977. Nevertheless, agriculture continues to be the largest source of employment, followed by commerce and manufacturing.

Overall, it appears that urban unemployment and underemployment is a serious problem, particularly for the younger age groups and among school-leavers. This situation has been aggravated by rural-urban migration, particularly following the sharp relative increase in urban incomes associated with the oil boom.

III. Economic Development Planning

National development planning in Nigeria is formulated on a five-yearly basis. The Third National Development Plan, covering 1975/76-1979/80, was initiated just after the first surge in oil prices. Reflecting this buoyant financial outlook, the plan envisaged an ambitious annual average growth rate of 9.5 percent, with agriculture growing at 5 percent and manufacturing at 18 percent, over the period of the plan. Originally the plan called for total investment of ₦ 30 billion, two thirds of which was to be carried out by the public sector and one third by the private sector. Soon after it was launched, the plan was re-evaluated, and the public sector share of investment was raised from ₦ 20 billion to ₦ 43.3 billion, in order to add greater emphasis to the development of agricultural cooperatives, water supply, transportation, public health, and housing and to cover increased costs of projects that had not been fully appraised in the original investment program.

Less than a year after the plan was launched, Nigeria's financial situation started to deteriorate. Both the balance of payments and the government budget were strained as oil revenue fell substantially short of expectations and investment costs proved to be higher than planned. It is estimated that, in all, total capital formation in current prices realized during the plan period amounted to ₦ 42 billion, and that the investment of the public sector amounted to ₦ 29 billion, (Appendix Table VII). While the sectoral share of public investment was close to the plan allocations, actual capital expenditure amounted to only 68 percent of the revised investment program at current prices. The shortfall from the plan's targets in real terms was even larger because the rate of inflation throughout the plan period was higher than originally envisaged.

The composition of actual public investment was largely in line with the revised plan. The economic sector absorbed 58 percent of total outlays, which amounted to only a 3 percent shortfall from the targeted sum. Only the manufacturing sector received a much lower share than was planned; indeed, most of the large industrial projects suffered long delays and had to be carried over to the Fourth Plan.

Real GDP grew by an average of 4.5 percent per annum over the five-year period, compared with the planned rate of 9.5 percent. Besides, the growth and investment targets, the plan failed to achieve the objective of structural change.

The Fourth National Development Plan (1981-85) was officially launched in January 1981, although the final document, which includes detailed sectoral allocations and project lists, was not completed until the end of 1981. Under the Fourth Plan the long-term objectives and strategy for the economy remain unchanged from previous plans. In addition to the overriding aim of increasing per capita income, some of the specific objectives of the plan are: (a) an improved income distribution; (b) a diversification of the economy away from the overdependence on oil; (c) a balanced sectoral and regional development; and (c) greater self-reliance on and optimum utilization of the country's own human and material resources.

In order to promote the achievement of the above-mentioned objectives, the authorities have established a clear order of priorities for government capital spending under the plan. Agricultural production and processing has been accorded top priority, followed by education and manpower development, infrastructure (especially power, water supply, and telecommunications), health, and housing. The increased emphasis on agriculture, social services, and environmental development is evident from Appendix Table VII, which compares the sectoral investment targets for 1981-85 with the targets and actuals for the previous plan. The combined relative share of these three sectors is projected to increase from 31.5 percent of actual expenditure under the Third Plan to 46.3 percent targeted under the Fourth Plan, while the relative share of transportation, communication, and administration is planned to decline from 46.5 percent to 26.8 percent.

For the 1981-85 period an investment program of ₦ 82 billion at current prices is envisaged. The public sector investment program, which represents 86 percent of the total, amounts to ₦ 70.3 billion, including ₦ 42.5 billion for the Federal Government, ₦ 24 billion for the states, and ₦ 4 billion for the local governments. This planned expenditure represents an increase of 140 percent over actual expenditure under the Third Plan. The private sector is expected to invest ₦ 11.5 billion.

The implementation of the investment program depends largely on developments in the petroleum sector. Taking 1980 as the base year, 1/ the plan assumed that oil production would grow by 2 percent per annum over the five-year period. Oil exports were assumed to remain constant, while the increased production would be consumed domestically. The average export price of oil was assumed to increase by 6 percent per annum. In the event, developments in the oil market during the period 1981-83 have proved these assumptions to be unrealistic. Owing to a continued decline in oil demand, federally collected revenue in 1981 and 1982 fell short of the targeted amount by ₦ 11.6 billion. As a result, capital expenditure of the Federal Government as well as investment by the state and local governments were substantially cut back. In real terms the level of public investment has been substantially below that envisaged in the plan.

IV. Public Finance

1. Structure of the public sector

The public sector of Nigeria consists of the Federal Government, 19 state governments, more than 150 local authorities, and a number of non-financial public corporations. In addition, over the years the Federal Government has acquired equity interest in several industrial and commercial enterprises.

Revenue sharing and division of expenditure responsibilities among the three levels of government are defined by the Constitution and other laws. The formula for sharing federally collected revenue has frequently been changed with respect to both the shares of total revenue allocated to the state and local governments and the distribution among the states.

In February 1981 the National Assembly enacted the Allocation of Revenue Act 1981, which increased the revenue share of the state and local governments considerably and was made effective retroactive to January 1, 1981. 2/ The Allocation of Revenue Act prescribed that all revenue collected by the Federal Government should be paid into a Federation Account, except the proceeds from the personal income tax levied on the armed forces, the police, the employees of the Ministry of External Affairs,

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1/ 1980 oil production averaged 2.06 mbd; domestic consumption averaged 0.21 mbd and exports averaged 1.91 mbd. The average official sales price of oil in 1980 was US$35.44.

2/ Beginning on January 1, 1981 the fiscal year coincides with the calendar year. The fiscal years of the state and local governments follow that of the Federal Government. Before 1981 the fiscal year ran from April 1 to March 31. On April 1, 1980 the Federal Government introduced an interim budget for the nine-month period ending December 31, 1980.

and the residents of the Federal Capital Territory. Also excluded from the Federation Account were receipts from the repayment of loans, interest on loans raised by the Federal Government on behalf of third parties, reimbursement of costs of particular services provided for other agencies of governments on prior agreement of refund, and sale of capital assets. The amount of the Federation Account was to be distributed among the three levels of government as follows:

	(In percent)
Federal Government	58.5
State governments	31.5
Local governments	10.0

Of the amount allocated to the Federal Government, 2.5 percent was earmarked for the initial development of the Federal Capital Territory and 1 percent for the benefit of ecologically devastated areas. In October 1981 the Supreme Court annulled the 1981 Allocation of Revenue Act on procedural grounds. On the basis of the previous revenue formula, which again became the legally applicable formula, the states owed substantial refunds to the Federal Government. Subsequently, the President undertook to secure National Assembly approval of a writeoff of these overpayments, although this has not yet been obtained. In January 1982 a new revenue-sharing formula was negotiated and enacted in the Allocation of Revenue Act of 1982, which gives states a larger share of Federal Account revenues, although the gain has been partially offset by simultaneously shifting responsibility for ecological problems from the Federal Government to the states. From January 1982, Federation Account revenues are distributed as follows:

	(In percent)
Federal Government	55
State governments	35
Local governments	10

Of the amount allocated to the states, 3.5 percent is deducted for the benefit of the mineral-producing states, 1 percent is paid to the Federal Fund for Ecological Problems, while the remaining 30.5 percent is distributed among all states according to the following criteria and weights:

Minimum responsibility of government, that is, equality of states	0.4
Population	0.4
Social development factor	0.15
Internal revenue effort	0.05

These criteria and weights, which are slightly different from those adopted in 1981, also apply to the distribution among the states of the amount standing to the credit of local governments. Each state government then distributes the allocation received on behalf of its local governments, plus 10 percent of its own total revenue, among the local government councils within the state, according to criteria established at the state level.

Apart from the statutory revenue allocations, the states receive substantial amounts of funds from the Federal Government in the form of on-lending of domestic development loan stocks and external project loans. In addition, in recent years the practice has grown of providing the states with special loans, which are financed through the issue of Treasury certificates. These special loans are not recorded in the budget. Whereas statutory revenue allocations are based on a predetermined formula, the Federal Government decides each year the amount of development stock that will be issued, normally of the order of ₦ 300 million a year. The Federal Government can exercise control over the use of these funds only with respect to on-lending external loans. The states are free to spend funds received as statutory revenue allocations or through the issue of development stock.

Though the state governments are permitted to borrow directly in the domestic capital market through the issuance of their own development stock, they would be unable to raise significant amounts without a federal guarantee. But, instead of providing such a guarantee, the Federal Government issues development loan stocks and passes the proceeds on to the states. Half of each annual issue is allocated in equal shares to each of the states; the other half is shared according to the size of the states' populations. External borrowing is generally the prerogative of the Federal Government. Loans from international development agencies and foreign governments are made directly to the Federal Government, which on-lends them to the states. State borrowing from foreign private financial institutions and from suppliers of goods and services requires explicit federal approval. In exceptional cases, where the states can demonstrate that a project is of high priority and strategic importance, the Federal Government will provide a guarantee of loans from private financial institutions, provided that the debt service ratio of the state concerned is deemed reasonable and, in any case, not more than 10 percent of the state's revenue for that year, and that the total revenue of that state over a period of time is considered adequate to meet all its debt service obligations. Since early 1982, in view of the revenue squeeze and the inability of certain states to meet their financial commitments, the regulations governing borrowing by the states have been tightened by the imposition of a ceiling of ₦ 200 million on external loan guarantees obtainable from the Federal Government by each state, and a two-year freeze on such guarantees for states already above this amount.

2. A summary of the overall public sector financial situation

The finances of the federal and state governments deteriorated rapidly during the 1981-82 period, as a result of a 25 percent fall in oil revenues. The federal government deficit increased from 0.3 percent of GDP in 1980 to an estimated 10 percent in 1981 and was slightly reduced to 9.6 percent in 1982. The sharply higher deficits in the last two years were mainly financed through recourse to the banking system.

Although little is known about the state finances, there are several indications that these have also worsened considerably. First, the estimated deficit of the states increased substantially between 1980 and 1981, from 2.5 percent of GDP to 4.2 percent, and eased somewhat in 1982 to 3.7 percent. Second, the Federal Government had to provide the states with special loans to finance part of their current obligations. Third, the states have been building up arrears to the Federal Government in the amount of about ₦ 1.1 billion, particularly since April 1982, when the Federal Government deferred the automatic deduction of repayments from the monthly statutory allocation of revenue to the states.

The 1983 federal government budget 1/ indicates a continued worsening of the public finances, because of a further 16 percent decline in federal revenues and an 8 percent increase in expenditure. The federal government deficit is forecast to increase to almost 13 percent of GDP, assuming that 17.5 percent of the capital expenditure program and some 3.5 percent of the current expenditure program, the so-called reserved appropriations, are not carried out. If these reserved appropriations are authorized for expenditure, the deficit would increase to 16 percent of GDP.

3. The finances of the Federal Government

A summary of the budgetary operations of the Federal Government for the years 1979/80-82 and the budgetary estimates for 1983 is provided in Table 6. Available data do not permit consolidation of the several levels of government. Furthermore, the accounts of the Federal Government have not been completed for the last two years, and data on total expenditure for 1981 and 1982 had to be derived from revenue and financing data. Estimates of current and capital expenditure are to a large extent based on budgetary allocations, supplemented by partial information on actual outturns.

a. Overall developments in 1981 and 1982

The budget deficit of the Federal Government jumped in 1981 to ₦ 4.7 billion (10 percent of GDP) from ₦ 144 million (0.3 percent of GDP) in 1980, largely on account of a strong decline in federally retained revenues. As a result of the slack in the oil market, petroleum receipts

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1/ There is no information available on the 1983 budgets of the states.

Table 6. Nigeria: Summary of Budgetary Operations of the Federal Government, 1979/80-83

(In millions of naira)

	1979/80 1/	1980 1/	1981 2/	1982 2/	Approved budget 1983
Federally collected revenue	12,228	15,154	13,032	12,340	9,939
Of which:					
Petroleum receipts 3/	(10,096)	(12,354)	(10,010)	(9,251)	(6,550)
Less: share of state and local governments	3,337	3,095	(4,975)	4,999	3,746
Federally retained revenue	8,891	12,059	8,057	7,341	6,193
Total expenditure and net lending	9,648	12,203	12,791	12,039	12,311
Current expenditure	3,584	5,229	4,907	4,866	4,788
Capital expenditure and net lending	6,064	6,973	7,884	7,173	7,523 4/
Overall deficit (-)	-757	-143	-4,734	-4,698	-6,118
Financing					
Foreign borrowing (net)	93	255	500	264	--
Domestic borrowing (net)	664	-112	4,234	4,434	--
Nonbank	761	-237	708	631	--
Banking system	-97	125	3,526	3,803	--
Commercial banks	(1,052)	(513)	(-556)	(751)	--
Central Bank	(-1,149)	(-388)	(4,082)	(3,052)	--
Memorandum items:					
Federal government deficit as a percentage of GDP	1.9	0.3	10.1	9.6	12.8
Off-budget interest payments	--	--	281.3	693.9	762.5
Federal government deficit as a percentage of GDP (including off-budget interest)	--	--	10.6	11.0	14.4

Source: Federal Government Budgets.

1/ Actuals.

2/ Staff estimates.

3/ Includes an amount of ₦ 895 million of revenues from petroleum tax earmarked for capital funding of joint venture activities by the Nigerian National Petroleum Corporation in 1981, an amount of ₦ 1,088 million for 1982, and an amount of ₦ 1.0 billion for 1983.

4/ Excludes reserved capital appropriations of ₦ 1,500 million in 1983.

fell by ₦ 2.3 billion or 19 percent compared to 1980. Federally retained revenues were further reduced by the change in the revenue-sharing arrangement, to the effect that statutory transfers to the states and local governments increased by more than 60 percent. As the decline in oil revenues was much stronger than originally foreseen by the Government, expenditure plans, which were based on a more favorable revenue forecast, were not reduced.

The deficit exerted a strongly expansionary impact on domestic demand in 1981. Two thirds of the deficit was financed by the banking system, and the Federal Government absorbed 57 percent of domestic credit expansion compared to only 7 percent in fiscal year 1980. Foreign borrowing financed only 10.6 percent of the deficit.

The 1982 budget outturn was to a large extent determined by the same factors as in 1981, but, as a result of effective expenditure control measures, which were taken in early April in response to the deteriorating revenue outlook, the deficit was stabilized at its 1981 level of ₦ 4.7 billion or 9.6 percent of GDP.

The initial budget revenue forecast for 1982 estimated total federally collected revenue at ₦ 12.3 billion, or just 2 percent less than the expected outturn in 1981. This decline in total revenues and, more important, the change in the revenue-sharing formula in 1982, as described above, meant that federally retained revenues were projected to decline to ₦ 7.4 billion, compared to ₦ 8 billion for 1981. Federal government expenditure and net lending were limited to ₦ 11.7 billion. But, as in 1981, the budget also made provision for an additional ₦ 1.6 billion (₦ 2.7 billion in 1981) of appropriations reserved for capital outlays, to be released in the event that revenue performance turned out to be better than initially forecast. Excluding these reserved appropriations, the overall budgetary deficit of the Federal Government was expected to decline from ₦ 4.7 billion in 1981 to ₦ 4.3 billion in 1982, or from the equivalent of 9.4 percent of GDP in 1981 to an estimated 8.2 percent in 1982.

Developments in the oil market in the first quarter of 1982 led the authorities to revise their budgetary estimates considerably downward. The initial oil revenue forecasts had been predicated on the assumption that Nigerian crude oil prices would remain at the then prevailing official price of US$36.50 per barrel and that output would hold firm after having reached an average of 1.54 mbd in the fourth quarter of 1981. The revised oil outlook entailed a 20 percent reduction in the forecast of federally retained revenue. In the light of this substantial revenue shortfall, the authorities also adjusted the Federal Government's budgeted expenditures by freezing all reserved appropriations and ordering a further cutback in the remaining capital appropriations. The estimated budgetary outturn in 1982 indicates that the revenue shortfall was considerably less than projected, in particular because developments in oil revenues were more favorable than anticipated, and the deficit was maintained at its 1981 level of about 10 percent of GDP. As in 1981, the deficit was largely financed from domestic sources, particularly the domestic banking system, which accounted for ₦ 3.8 billion or about 81 percent of the deficit. Net external borrowing amounted to ₦ 264 million, almost half the amount available in 1981, and financed only 5.6 percent of the federal government deficit.

b. Revenue performance in 1981 and 1982

Nigeria's tax structure is characterized by a heavy dependence on oil revenues. Although the authorities have taken measures to widen the domestic tax base, only a small part of revenues is derived from internal sources, mostly in the form of taxes on domestic production and consumption and non-oil income taxes (Appendix Tables VIII and IX). Federal oil revenues come from three sources: the petroleum profit tax, royalties, and the profits of the National Nigerian Petroleum Company (NNPC). The petroleum profit tax rate of 85 percent is levied on the net profits derived from drilling, extracting, and transporting petroleum. 1/ The royalty rate of 20 percent is based on the volume of exports and the posted price. (See Appendix 1: Summary of the Tax System.)

After the considerable increase in 1980, oil revenues declined in the 1981-82 period by 25 percent, reflecting a decline in production from an average of 2.0 mbd in 1980, at an average posted price of US$38.83 per barrel, to 1.29 mbd in 1982 at an average posted price of US$38.86. The share of petroleum revenues in total federally collected revenues dropped accordingly from 82 percent in 1980 to 75 percent in 1982.

Of the three major components of nonpetroleum tax revenue, which are import duties, the company income tax, and taxes on domestic production and consumption, it was only the latter that experienced consistent significant growth, due to an expansion in coverage and increases in the rate of excise duties. Import duties have fluctuated sharply from year to year. In line with the strong increase of imports in 1981, import duties increased by about 17 percent but declined in 1982 by about 5 percent, owing to the import restraining measures adopted by the Government in April 1982, including the re-introduction of an advance import deposit scheme, a broadening of the coverage of items subject to import licensing or prohibition, upward adjustments of tariffs, and the tightening of administrative controls.

1/ For tax purposes, a posted price is used in determining a company's gross income.

Company income tax receipts declined marginally in 1981 but recovered strongly in 1982, despite stagnating industrial and commercial activities and the narrowing of the tax base as a result of the widespread investment incentives, the pioneer industry status of many firms, and the Approved User Scheme. 1/

The regressiveness of the revenue system as a whole is illustrated by the buoyancy of the major revenue categories with respect to GDP. The overall buoyancy of federally collected revenues was negative in the 1980-82 period, in particular as a result of the development of nonpetroleum income taxes (Table 7).

c. Expenditure developments in 1981 and 1982 2/

Between 1978/79 and 1981 total expenditure increased from 19 percent to 27 percent of GDP, on account of a rapid growth of both current expenditure, which accounts for about 40 percent of total expenditure, and capital expenditure. This strong expenditure growth slowed down somewhat in 1981 and declined in nominal terms in 1982, as the authorities were confronted with a further decline in oil revenues. In 1981 current expenditures are estimated to have fallen by more than 6 percent, from ₦ 5.2 billion to ₦ 4.9 billion, mainly because of a reduction in defense spending and the elimination of nonstatutory appropriations to the states in view of the introduction of a new revenue-sharing formula that entailed a substantially higher share of the states and local governments in the federally collected revenues. On the basis of an economic classification of the budget, a major reduction was recorded in the transfer payments of the Federal Government (in the form of grants, subsidies, and contributions to the private sector, to lower levels of government, and to international organizations) from ₦ 1.2 billion in 1980 to ₦ 0.5 billion in 1981 (Appendix Table X). Employment costs in 1981 increased by almost 18 percent, reflecting an estimated increase in public employment of 13 percent and an average increase in the wage bill of 5 percent.

Capital expenditures and net lending amounted to an estimated ₦ 7.9 billion in 1981, compared to ₦ 7.0 billion in 1980 and to budgetary appropriations of ₦ 10.5 billion, including reserved capital appropriations of ₦ 2.7 billion. The strongest expansion took place in the petroleum and steel sectors, which accounted for more than 28 percent of

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1/ For more than a year a proposal to introduce a minimum corporation tax of 2 percent of annual turnover has been pending before the National Assembly. The reason for this proposal was to obtain some revenue from the many small corporations, which for tax purposes never show profits but which, nevertheless, continue in operation year after year.

2/ The discussion is based on estimates for total current and capital expenditure for 1981 and 1982. However, for the functional and economic classification of outlays in these years, budget figures were used.

Table 7. Nigeria: Buoyancy of Selected Federal Government Revenues, 1979/80-82

	1979/80	1980 1/	1981	1982
Annual percentage change in				
GDP at current market prices	18.5	17.1	0.4	3.3
Petroleum sector	38.4	35.4	-18.8	-10.1
Other sectors	12.7	10.6	8.7	7.6
Annual percentage change in revenue				
Federally collected revenue	70.9	23.9	-14.0	-5.3
Taxes on net income and profits	78.6	44.0	-14.7	-8.6
Petroleum profits tax	91.6	48.0	-15.6	-10.8
Taxes on domestic production and consumption	33.7	8.8	41.8	19.3
Taxes on international trade	-35.7	63.4	16.6	-5.4
Nonpetroleum tax revenue	-16.5	33.9	16.2	4.6
Nontax revenue	134.2	-9.6	-28.1	-1.3
Federally retained revenue	54.7	35.6	-33.2	-8.9
Memorandum item:				
Petroleum receipts	109.9	23.7	-19.0	-7.6
Buoyancy				
Federally collected revenue 2/	2.6	1.4	-37.0	-1.6
Taxes on net income and profits 2/	2.9	2.6	-38.8	-2.6
Petroleum profits tax 3/	1.1	1.4	0.8	1.1
Taxes on domestic production and consumption 4/	5.6	0.8	4.8	2.5
Taxes on international trade 4/	-5.9	6.0	1.9	-0.7
Nonpetroleum tax revenue 4/	-2.8	3.2	1.8	0.6
Nontax revenue 2/	5.0	-0.6	-74.3	-0.4
Federally retained revenue 2/	2.0	2.1	-87.6	-2.7
Memorandum item:				
Petroleum receipts 3/	1.3	0.7	1.0	0.7

Sources: Appendix Tables III and VIII.

1/ Revised estimates of revenue on a 12-month basis.
2/ Computed with respect to the percentage change in total GDP.
3/ Computed with respect to the percentage change in petroleum GDP.
4/ Computed with respect to the percentage change in nonpetroleum GDP.

the capital budget, compared to 15 percent in 1980 (Appendix Table XII). The ₦ 1 billion increase in the capital budget of the petroleum sector reflected mainly the Government's decision to fund joint-venture activities of the Nigerian National Petroleum Corporation. The capital budget for the steel sector increased from ₦ 0.3 billion in 1980 to ₦ 1.1 billion in 1981 as a result of the implementation of a large steel development program.

In 1982 total current expenditures did not increase, but there were substantial changes in their distribution. Federal government transfers soared from ₦ 0.5 billion in 1981 to ₦ 1.5 billion in 1982, due to an increase in transfers to the educational system of N 0.7 billion and increased subsidies to broadcasting and press institutions. On the other hand, appropriations for goods and services were drastically reduced by more than 37 percent. Employment costs increased by only 4 percent, reflecting an increase in public employment of the same magnitude. Capital expenditures were reduced by ₦ 0.7 billion or 9 percent compared to 1981, with particular savings in community and social services (housing and education), of which the share in total capital expenditure and net lending decreased to 14.5 percent from 19.3 percent in 1981. Also, investment projects in the petroleum sector were substantially reduced after the strong increase during the previous year.

d. The 1983 budget

The draft 1983 budget was presented to Parliament in November 1982, and its final version was approved in June 1983. The main economic assumptions on which the budget estimates were originally based were a real GDP growth of 3 percent and an inflation rate of about 15 percent. With respect to the petroleum sector, it was assumed that production would be limited to 1 mbd at an average posted price of US$35 per barrel. In the approved 1983 budget the original revenue projections were retained.

Federally collected revenues were estimated at ₦ 9.9 billion, down by ₦ 2.4 billion from the estimated 1982 outturn as a result of a decline in projected oil revenues of a similar magnitude to ₦ 6.6 billion. Other revenues were estimated to remain basically stable, with a sharp decline in import duties expected to be compensated for by an increase in nontax revenues and excises. Federally retained revenues were estimated at ₦ 6.2 billion.

Total expenditure and net lending was projected at ₦ 12 billion, implying a 2 percent increase compared to the estimated 1982 budget outturn, and if realized would result in a deficit of ₦ 6.1 billion or about 13 percent of GDP. The current expenditure budget for 1983 amounts to ₦ 4.8 billion, which is about the same as the 1982 estimated outcome. The functional classification of current expenditures (Appendix Table XI) does not indicate major changes from past years, except for the growing burden of public debt service, which increases as a percentage of total expenditure from 8.4 percent in 1980 to 13 percent in 1983. 1/ Capital expenditure and net lending is projected to increase by 5 percent to ₦ 7.6 billion (excluding reserved appropriations of ₦ 1.5 billion). The pattern of capital allocations, however, changes drastically, with an increasing share devoted to general and social services and less to economic services.

4. Federal government debt

The total outstanding debt of the Federal Government rose from ₦ 13.8 billion at the end of 1981 to ₦ 17.6 billion at the end of 1982, with almost all of the increase attributed to internal borrowing (Table 8). At the end of 1982 the internal debt stood at ₦ 15.0 billion, which was held by the Central Bank (53 percent), commercial banks (21 percent), and the nonbank sector (26 percent). By type of instrument, the most rapid increase in domestic debt occurred in Treasury bills, of which the outstanding amount rose from ₦ 5.8 billion at the end of 1981 to ₦ 9.8 billion at the end of 1982.

Development stocks on-lent to the states, which are included in the federal government debt, rose from ₦ 3.0 billion at the end of 1981 to ₦ 3.3 billion at the end of 1982. The Federal Government is responsible for the servicing of this debt, but the states are required to make reimbursements. In addition, the Federal Government provided the states with special short-term loans in 1982, when the states were unable to adjust expenditures to the sudden and unexpected reduction in their revenues following the fall in oil revenues. These short-term loans amounted to approximately ₦ 0.7 billion. The Federal Government's external debt rose from ₦ 2.3 billion in 1981 to ₦ 2.6 billion in 1982.

5. State and local finances

Apart from the sizable statutory allocation from the Federal Government, the states have significant revenue sources of their own, including the personal income tax, various fees and licenses, earnings from sales, and in some states a general sales tax. Local authorities are assigned a share in the proceeds of some taxes levied at the state level and also receive grants from the state governments. In addition, they receive the proceeds of taxes and other charges levied at the local level. Data on the financial operations of the states are limited to budget figures and can, at best, be viewed only as broad indicators. No information is available on the operations of the local governments.

1/ This excludes off-budget interest payments of ₦ 763 million or 1.6 percent of GDP in 1983 (Appendix Table XIII).

Table 8. Nigeria: Federal Government Debt Outstanding, 1979-82

(In millions of naira, end of period)

	1979	1980	1981	1982
Internal	7,282.3	7,918.5	11,445.5	15,010.5
Of which: on-lent to states	(1,815.0)	(2,146.6)	(2,746.6)	(3,046.6)
External	1,611.5	1,866.8	2,331.2	2,594.7
Of which: on-lent to states	(120.6)	(174.9)	(246.6)	(239.1)
Total	8,893.8	9,785.3	13,776.7	17,605.2

Source: Data provided by the Nigerian authorities.

Over the three years 1980-82 about three fourths of the budgeted revenues of the states consisted of statutory revenue allocations. The budget figures suggest a sharp rise in the deficits in 1981 and 1982, but it is highly unlikely that these deficits were actually realized, because most of the financing needs of the states were covered by the Federal Government. It is probable that the actual development of the state deficits is more likely reflected in the identified financing through loans (Table 9).

6. Nonfinancial public corporations

The Federal Government owns a large number of public corporations and has controlling interest in a number of others. These corporations include a number of specialized financial intermediaries, some commercial and merchant banks in which the Government has a 60 percent equity participation, and all public utilities as well as some commercial enterprises.

These corporations are managed by semi-autonomous boards nominated by the Federal Government. However, major policies, including borrowing, investment, and tariff setting, are subject to government approval. In addition, the Federal Government establishes general operating principles, including the linking of the salary scale of public corporations to the federal government salaries and the principle that all public corporations should cover their recurrent expenditure and contribute to their investment outlays. The Federal Government has a direct impact on the financial situation of these public corporations by guaranteeing their foreign borrowing and by providing loans and grants. Total direct federal government loans to these public corporations amounted to ₦ 7.6 billion as of end-1982 (Appendix Table XX).

Detailed data on the operations of most public corporations are not available. However, indications are that a large number of these corporations have experienced financial difficulties and have continued to rely on government loans and transfers. In order to improve their performance, the Federal Government appointed the Onosode Commission on Parastatals to examine the operations of these entities and to recommend possible solutions.

The Onosode Commission, which reported its findings to the Government in October 1981, has noted the lack of proper enforcement of cost recovery, an inadequate financial base in some parastatals, excessive employment of labor in most corporations, and deficiencies in management and accounting practices. In addition, a number of these corporations have not been able to establish appropriate tariffs to generate adequate savings or to obtain adequate rates of return on investments. As indicated, tariff adjustments are subject to government approval, and substantial delays have been experienced by the public corporations in getting timely adjustments.

Table 9. Nigeria: Summary of the Budgets of State Governments, 1980-82

(In millions of naira)

	1980	1981	1982
Current revenues	4,423	6,024	6,315
Federal statutory allocations 1/	3,095	4,975	4,999
Other	1,328	1,049	1,316
Current expenditures	4,254	4,945	4,734
Capital expenditure	4,697	6,914	5,947
Overall deficit (-)	-4,528	-5,835	-4,366
Financing:			
Loans	1,221	2,090	1,878
Unspecified	3,307	3,745	2,488

Source: Data provided by the Nigerian authorities.

1/ Based on federal government figures.

The selected public corporations for which some data are available are the Nigerian Airports Authority (NAA), the Nigerian Airways, Ltd. (NA), the National Electric Power Authority (NEPA), the Nigerian External Telecommunications, Ltd. (NET), the Nigerian Ports Authority (NPA), and the Nigerian Railway Corporation (NRC). Despite the incompleteness of data (Appendix Tables XIV-XIX), it is evident that these corporations, except for NET, have experienced financial difficulties in recent years. The other five public corporations have relied on federal government transfers and loans for capital investments and, in the case of NRC, NPA, and NAA, government subsidies have been granted regularly to cover a significant portion of their operational expenditures. The Nigerian Railway Corporation has recorded the largest current account deficits, which amounted to ₦ 305 million during the five years ended 1982. The operating losses recorded by the Nigerian Airports Authority (₦ 43 million in 1980-82) and by the Nigerian Port Authority (₦ 70 million during the same period) have also been sizable.

The above-noted financial difficulties are attributed to general management problems and the lack of timely adjustments of tariffs. The Nigerian Ports Authority received tariff increases averaging about 22 percent in October 1977, after a five-year delay; the Nigerian Railway Corporation charges were increased by about 25 percent in 1978; and the Nigerian Electric Power Authority tariffs have not been adjusted since 1979, when a 60 percent increase took place.

In order to upgrade the management system and the overall performance of some public corporations, the Federal Government has contracted the services of some international management firms. More recently, the Government has set up a schedule of repayment of loans outstanding to the public corporations, with the provision that debt service obligations will be deducted from new government transfers to those corporations that are unable to meet these obligations. The Government is also considering a proposal to divest itself of unprofitable public corporations.

V. Money and Banking

1. Structure of financial system

The Nigerian banking system comprises the Central Bank of Nigeria and 22 commercial banks, 3 of which account for over one half of all banking transactions. Under the indigenization decree of 1976, 60 percent of the equity of the commercial banks is held by the Government or by private Nigerian interests. Commercial bank branches have expanded rapidly in recent years, in response to a plan prepared by the Central Bank to promote further branch banking, especially in the rural areas. Branches are allocated to each bank, giving those that have concentrated their operations in urban centers more branches in the rural areas.

Under the first phase of the plan, covering the period 1977-June 1980, the commercial banks were directed to open branches in 200 designated locations, of which 188 were actually opened. A further 266 branches were designated under the second phase of the plan, which covers the period July 1980 to end-1983. The number of commercial bank offices and branches rose from 672 in 1980 to 917 by the beginning of 1983.

There are eight merchant banks operating in Nigeria, and applications to establish three additional merchant banks have been approved. Several specialized financial institutions owned by the Federal Government also operate in the country. They are the Nigerian Agriculture Bank, the Nigerian Bank for Commerce and Industry, the Nigerian Industrial Development Bank, the New Nigerian Development Company, the Central Investment Corporation, the Federal Savings Bank, and the Federal Mortgage Bank. There are also various state-government-owned development corporations and several insurance companies. Data on the operations of most nonbank financial institutions are not generally available.

2. Monetary and credit policies

The Central Bank of Nigeria exercises extensively its broad statutory powers to control and regulate the activities of the commercial and merchant banks. The principal instruments used by the Central Bank to regulate the operations of the banks are direct controls and specific guidelines. In order to achieve desired price and balance of payments objectives, the Central Bank establishes annual ceilings on aggregate credit expansion by both commercial and merchant banks to the private sector. Such ceilings, however, exclude government borrowing and exempt loans for acquisition of shares in expatriate controlled firms, loans for purchase of motor cars by workers, and some loans to agriculture and residential building construction. In addition, the Central Bank requires commercial and merchant banks to comply with a sectoral credit allocation scheme, in which percentage shares are specified for 15 sectors of the economy. Minimum shares are established for the preferred sectors and maximum shares for the less-preferred sectors. Other credit guidelines are imposed in order to allocate larger shares of commercial and merchant bank credit to specific borrowers: 80 percent of total credit to firms with majority Nigerian ownership, 16 per cent of total credit to small enterprises exclusively owned by Nigerians, and a minimum of 30 percent of all deposits originating in rural areas to borrowers residing in those areas.

Besides the above direct controls, the Central Bank specifies minimum cash and liquidity reserve requirements. Since 1980 the cash requirement has ranged from 2 to 5 percent of total deposit liabilities, depending on the size of the bank. The minimum liquidity requirement, which excludes the cash ratio, has been maintained at 25 percent of deposit liabilities since 1979. The Central Bank also regulates all deposit and lending rates in the organized financial markets by fixing specific or maximum rates.

In addition to the above ceilings and guidelines, merchant banks are required to maintain a prescribed maturity structure of their loans and advances. For 1983 a minimum of 40 percent of total loans and advances has to be of a maturity of not less than 3 years, while loans of a maturity of 12 months or less cannot exceed 20 per cent of total loans.

Monetary and credit policies remained unchanged and largely accommodating during 1979 and 1980. During both years the global ceilings on the expansion of credit to the private sector were at 30 percent for large commercial and merchant banks. As of 1980 small banks with loans and advances of less than ₦ 100 million could increase credits to the private sector by up to 40 percent or up to an amount equal to 70 percent of their deposit liabilities, excluding government deposits with maturities of less than six months, whichever was larger. These ceilings were made less restrictive in 1980 by the exclusion of loans for purchase of shares in expatriate controlled firms, loans for purchase of motor cars by workers, and some loans for agriculture and construction. Also, in line with the easing of credit conditions, the cash reserve requirement for commercial banks was reduced in 1980 from the range of 2.5 to 6.25 percent to a range of 2 to 5 percent, and the compulsory advance deposits for imports, which had been in effect since April 1978, were abolished in April 1980. However, in order to limit "nonessential" credit expansion, the share of total credit allocated to the preferred economic sectors was increased from 70 percent to 75 percent in April 1980; within the preferred sectors the shares of agriculture, development finance institutions, and residential building were increased by 1-2 percentage points.

Monetary and credit policy measures adopted in 1981 were predicated on the expectation of a continued improvement in the performance of the economy. As a result, the principal policy instruments remained virtually unchanged at their 1980 levels. The cash and liquidity reserve requirements, the global credit ceilings on private sector credit, and the sectoral credit guidelines were kept at their 1980 levels. However, the penalties for exceeding the global credit ceiling or the ceiling on the share of credit to less-preferred economic sectors were reduced slightly to a range of 0.05 percent to 0.025 percent of the excess credit increase. Nevertheless, the penalty providing for the banks to deposit with the Central Bank, free of interest, any shortfall in the required minimum allocations of credit to the agricultural and residential construction subsectors was unchanged during the year.

Although a downturn in the performance of the economy was evident in early 1982, the monetary and credit policy directives issued at the beginning of the year contained only minor changes in the policy stance. The limits on the credit to the private sector were unchanged at 30 percent (40 percent for small banks), and the cash and liquidity reserve requirements were maintained at the 1981 level. However, at the beginning of the year, interest rates were raised by one percentage point, and minor changes were made in the guidelines for sectoral credit distribution. Also, the maximum penalty for exceeding the global ceiling and the ceiling on the share allowed for less-preferred sectors was doubled to a maximum of 0.05 percent of the excess credit. A new guideline for lending to the rural sector was introduced, with the provision that not less than 30 percent of the total deposits collected in rural branches should be lent to customers in rural areas. Moreover, each bank's minimum credit allocation to indigenous borrowers was increased from 75 percent to 80 percent.

Monetary and credit policies were, however, tightened as part of the economic stabilization measures introduced on April 21, 1982. A compulsory advance import deposit requirement, ranging from 25 percent for food and medicine to 250 percent for luxury imports, was introduced. In addition, all interest rates were increased by 2 percentage points; however, on November 1, 1982, these rates were reduced by 1 percentage point, leaving a net increase of only 1 percent over the period April-December 1982.

In response to the deterioration in the balance of payments and the excess demand pressures of the preceding two years, in early 1983 the monetary authorities tightened the global private sector ceiling for the first time in five years. The permissible increase in aggregate loans and advances of the commercial and merchant banks to the private sector was reduced to 25 percent. The ceiling on credit extended by small banks was reduced to 35 percent or to an amount equivalent to 60 percent of their total deposit liabilities, excluding government deposits maturing within six months. As in previous years, no targets were set for the total aggregate domestic credit expansion or for the public sector borrowing requirement. Moreover, most other policy instruments, including the cash and liquidity requirements, were left unchanged, except for the compulsory advance import deposit scheme, in which the deposit requirement on food, medicine, and other essential commodities was reduced from 25 percent to 10 percent.

3. Recent monetary and credit developments

Since 1979 monetary and credit developments in Nigeria have been through two distinct cycles that have coincided with the fluctuations in the inflow of foreign exchange earnings from the petroleum sector. During 1979 and 1980 a sharp rise in foreign exchange earnings resulting from increased petroleum exports led to a rapid expansion in the money supply, despite a modest growth in domestic credit. Money and quasi-money increased by 22 percent in 1979 and by 44 percent in 1980. Domestic credit expansion rose by 12 percent and 15 percent, respectively; the resurgence in oil revenue enabled the Federal Government to reduce its net indebtedness to the banking system over the two years (Table 10). Credit expansion to the private sector rose by 14 percent in 1979, in part due to a cutback in import growth during most of the year, but rose sharply by 39 percent in 1980. Measured as a proportion of the stock of broad money at the beginning of each period, the rate of growth of bank credit to the private sector amounted to 9 percent in 1979 and to 22 percent in 1980.

Table 10. Nigeria: Summary Monetary Survey, 1979-83

(End of period)

	December				June	
	1979	1980	1981	1982	1982	1983
	(In millions of naira)					
Net foreign assets	3,228.2	5,606.8	2,549.8	1,057.5	929.4	712.8
Foreign assets	3,344.8	5,871.6	3,094.3	1,560.4	1,298.8	1,075.8
Foreign liabilities	-116.6	-264.8	-544.5	-502.5	-369.4	-363.0
Net domestic assets	7,347.9	8,451.2	14,680.9	20,146.9	17,431.3	23,286.4
Claims on Federal Government (net)	3,229.8	3,019.8	6,546.0	10,349.3	7,696.8	12,665.1
Claims	5,084.6	5,867.3	8,258.3	11,361.9	9,701.2	14,265.9
Deposits	-1,854.8	-2,847.5	-1,712.3	-1,012.6	-2,004.4	-1,600.8
Claims on state governments (net)	-806.5	-1,104.3	-554.4	-232.1	-129.8	10.6
Claims on local governments (net)	-141.9	-90.8	-163.6	-57.8	13.1	76.3
Claims on marketing boards (net)	393.7	119.0	284.0	2.0	241.9	329.5
Claims on private sector	4,672.8	6,507.5	8,568.9	10,085.5	9,609.3	10,204.9
Money and quasi-money	8,409.3	12,133.0	14,147.2	15,408.5	14,207.1	16,222.3
Money	(5,161.2)	(7,435.5)	(8,788.9)	(9,384.5)	(8,293.7)	(9,438.5)
Quasi-money	(3,248.1)	(4,697.5)	(5,358.3)	(6,024.0)	(5,913.4)	(6,783.8)
Other deposits	186.6	95.8	83.0	2,020.8	62.5	3,274.3
Capital reserves	443.1	539.7	704.9	933.8	829.3	1,019.9
Other items (net)	1,537.1	1,289.5	2,295.7	2,841.2	3,273.2	3,483.7
	(Annual percentage change)					
Net domestic credit	12.4	15.0	73.7	37.2	...	33.6
Claims on Federal Government (net)	5.4	-6.5	116.8	58.1	...	64.6
Claims on private sector	14.3	39.3	31.7	17.7	...	6.2
Money and quasi-money	21.9	44.3	16.6	8.9	...	14.2

Source: Data provided by the Central Bank of Nigeria.

This conventional presentation of the monetary survey, which portrays fiscal policy in 1979 and 1980 as contractionary and the rise in net foreign assets of the banking system as the primary cause of the growth in liquidity, conceals the fact that the Government's financial operations constituted the primary determinant of changes in money and quasi-money. The higher oil revenue has a monetary impact only to the extent that it leads to increased domestic expenditures, since the rise in foreign assets would otherwise be directly offset by a rise in government deposits. An alternative analytical presentation, based on the domestic budget balance concept, shows that the increase in the domestic budget deficit from ₦ 2.4 billion in fiscal year 1978/79 to over ₦ 4.1 billion in 1979 and to ₦ 5.9 billion in 1980 was the major factor behind the acceleration in the growth of broad money supply in those two years (Table 11).

Monetary developments in 1981 and 1982 diverged sharply from those of the two preceding years. Owing to a sharp drop in oil revenues, the financial situation of the federal and state governments came under pressure. Although some restraint was imposed upon expenditures, the domestic banking system financing of the Federal Government increased sharply by ₦ 3.5 billion in 1981 and by ₦ 3.8 billion in 1982, while the state governments reduced their deposits with the banking system from ₦ 1.1 billion in 1980 to about ₦ 200 million by the end of 1982. Thus in 1981 net domestic credit rose by 74 percent due to a doubling of public sector borrowing and a 32 percent increase in credit to the private sector. Most of the increase in domestic credit was channeled into the external sector, with net international reserves declining by over ₦ 3 billion during the year. As a result, the expansion in broad money supply amounted to only 17 percent compared with 44 percent in the preceding year.

In 1982, as the decline in petroleum earnings worsened, federal and local government recourse to the banking system increased in absolute terms over the high rate of 1981. However, the rate of increase in domestic bank credit slowed to 37 percent, as the rate of credit expansion to the private sector declined from 32 percent in 1981 to 18 percent in 1982. As a proportion of the stock of broad money at the beginning of the period, net domestic credit increased by 39 percent, as claims against the Federal Government and the private sector rose by 27 percent and 11 percent, respectively (Table 12). Notwithstanding the stabilization measures adopted at the beginning of the second quarter of the year, the increase in credit continued to be channeled to the external sector, with the result that international reserves declined by ₦ 1.4 billion to ₦ 1.0 billion, the lowest level in four years. This deficit on external transactions and the impact of the advance import deposit scheme, which sterilized about 6 percent of broad money stock as of the end of the year, led to a sharp decline in the growth of broad money to 9 percent in 1982 from an annual average of 28 percent during the period 1979-81.

Table 11. Nigeria: Alternative Presentation of Factors Affecting Changes in Money Supply, 1979-82

(Annual changes in millions of naira)

	1979	1980	1981	1982
Net foreign assets (Private sector) 1/	-2,179	-3,990	-6,024	-2,910
Domestic budget deficit 2/	4,101	5,869	7,076	5,656
Net foreign surplus (government)	3,931	6,377	3,000	1,53[illegible]
Net bank claims on Government	170	-508	4,076	4,126
Bank claims on private sector	786	1,611	2,154	1,340
Other items (net)	-437	242	-1,159	-2,712
Money and quasi-money	2,327	3,723	2,014	1,261
Memorandum items:				
Total net foreign assets	1,752	2,387	-3,024	-1,380
Government net foreign surplus	3,931	6,377	3,000	1,530
Petroleum surplus	8,982	12,200	9,997	8,502
Government imports 3/	-5,144	-6,078	-7,497	-7,236
Official capital flows (net)	93	255	500	264
Net foreign assets (private sector)	-2,179	-3,990	-6,024	-2,910

Sources: Based on data provided by the Central Bank of Nigeria; and staff estimates.

1/ Balance of the external transactions of the nongovernment sector (private), which excludes federal and state governments.

2/ Domestic deficit of the Federal and state Governments, financed by net external receipts and domestic banking system net credits to the public sector.

3/ Estimated on the basis of 20 percent of Federal Government and state governments' recurrent expenditures and 50 percent of capital expenditures.

Table 12. Nigeria: Credit and Monetary Indicators, 1979-83

(In percent) 1/

	December 31				June 30
	1979	1980	1981	1982	1983
Ratio of change in domestic credit to stock of money and quasi-money at beginning of period	13.9	13.1	51.3	38.6	41.2
Ratio of change in credit to private sector to stock of money and quasi-money at beginning of period	9.3	21.8	17.0	10.7	4.2
Ratio of change in credit to Federal Government to stock of money and quasi-money at beginning of period	2.5	-2.5	29.1	26.9	35.0
Ratio of change in credit to private sector to change in total domestic credit	66.9	166.3	33.1	27.7	10.2
Ratio of change in credit to Federal Government to change in total domestic credit	17.8	-19.0	56.6	69.6	85.0
Cash ratio of commercial banks 2/ (end of period)	10.5	13.7	11.3	15.7	7.2
Liquidity ratio of commercial banks 3/ (end of period)	48.9	45.3	36.5	44.6	50.6
Ratio of money and quasi-money (annual average) to GDP	19.7	21.7	27.7	30.2	30.1
Ratio of money to stock of money and quasi-money (end of period)	61.3	61.3	62.1	60.9	58.2

Source: Data provided by the Central Bank of Nigeria.

1/ On a 12-month basis, unless otherwise indicated.
2/ Commercial bank cash holdings plus deposits at the Central Bank as a proportion of their total deposit liabilities.
3/ Total liquid asset holdings of the commercial banks as a proportion of their total deposit liabilities.

Through the first six months of 1983 the expansion in domestic credit moderated somewhat, although credit to the Federal Government increased more rapidly than in the comparable period in 1982. The deceleration occurred in credit to the private sector, which rose by about 1 percent during the six months on account of a sharp reduction in imports and a general decline in the level of economic activity. This low effective demand for credit is exhibited by the excess liquidity position of the commercial banks, which stood at 50.6 percent as of end-June, compared with a liquidity requirement of 25 percent and to an annual average of 44 percent in 1979-82 (Appendix Table XXVI).

For the year ended June 1983 the growth in domestic credit amounted to 34 percent, owing mainly to a 65 percent increase in government borrowing, while credit to the private sector rose by only 6 percent. Broad money increased by 14 percent during the year ended June 1983, reflecting the sterilization of the advance import deposit scheme and the continued drawdown of net international reserves.

4. Credit allocation

The private sector accounted for 67 percent of total domestic credit in 1979 and for the total bank credit expansion in 1980, as the public sector reduced its indebtedness to the banks. However, in 1981-82 the share of the private sector declined to an average of about 30 percent of total domestic credit expansion, as the share of the Federal Government amounted to 57 percent in 1981 and 70 percent in 1982. During the first half of 1983 the share of the public sector in total domestic credit expansion rose to 96 percent. In absolute terms, cumulative federal government borrowing rose from about 50 percent of credit outstanding to the private sector in 1980, to a parity at the end of 1982, and exceeded it by ₦ 2.5 billion at end-June 1983.

The sectoral distribution of commercial bank credit within the private sector continues to fall short of the Central Bank's guidelines (Appendix Table XXIV). The share of credit allocated to the preferred sectors rose from 67 percent by March 1979 to 73 percent at end-1980 and then declined steadily to 66 percent in June 1983, compared with minimum guidelines of 70, 75, and 76 percent, respectively. Within the preferred categories, the minimum credit targets were achieved only in the construction subsector. The proportion of credit granted to mining and industry has not changed significantly between 1979 and June 1983, and the share allocated to agriculture has changed only moderately over the period. At the same time, the share of credit to the less preferred categories has been consistently above the maximum allowed under the guidelines; credit to this category rose from 33 percent in March 1979 to 34 percent in June 1983, while the ceiling had been reduced from 30 percent to 24 percent over the same period.

The merchant banks, which are subject to similar credit allocation guidelines, also have not been able to achieve the targets established by the Central Bank. Actual credit granted to the preferred category has declined from 66 percent in 1980 to 59 percent in June 1983, compared with a guideline of 79 percent during the period. Furthermore, all the subcategories of the preferred group have consistently fallen short of the targeted shares, while the less preferred sectors have been allocated credit substantially above the maximum levels allowed. The share of the less preferred category in merchant bank loans and advances rose from 34 percent in 1980 to 41 percent in June 1983, while the allowable limits have remained at 21 percent over the same period (Appendix Table XXV).

Comprehensive data concerning the performance of the commercial and merchant banks with respect to allocation of credit according to ownership and size of enterprises are not available. Sample returns, however, show that the minimum guidelines mandated (80 percent for Nigerian-owned companies and 16 percent for small Nigerian-owned enterprises) have not been realized. Also, indications are that the distribution of bank credit is heavily biased toward larger enterprises. As of 1980, 94 percent of the total borrowers received 15.6 percent of all credit to the private sector, while 0.6 percent of the total customers accounted for 51 percent of all commercial bank credit to the private sector. Moreover, loans of minimum denomination of ₦ 100 thousand, which are not readily available to small enterprises, accounted for about 78 percent of total credit to the private sector (Table 13). These data indicate that the credit allocation guidelines established by the Central Bank are not achieving their desired results.

Table 13. Nigeria: Size Distribution of Commercial Bank Credit, 1980

Amount (₦)	Number of borrowers	Percent	Total amount (₦ million)	Percent	Average size (₦ 000)
Less than 1,000	148,319	58.1	77.5	1.2	0.5
1,001 - 10,000	75,997	29.8	301.1	4.9	3.9
10,001 - 50,000	15,691	6.2	588.6	9.5	37.3
50,001 - 100,000	6,882	2.7	412.6	6.7	60.0
100,001 - 500,000	5,230	2.1	975.8	15.8	186.6
500,001 - 1,000,000	1,217	0.5	678.0	11.0	557.1
Over 1,000,000	1,535	0.6	3,147.1	50.9	2,050.2
Total	254,871	100.0	6,180.7	100.0	24.3

Source: Central Bank of Nigeria.

5. Interest rate developments

The structure and levels of interest rates in the organized financial markets of Nigeria are controlled by the monetary authorities. As noted above, strict guidelines, which determine all deposit and lending rates, are issued annually. During the period 1977-80 the adjustments in interest rates were in the form of a 1 percentage point increase at the beginning of each fiscal year, except for 1979, when no change was made. Thus, the rediscount rate, Treasury bill rate, savings deposit rate, and minimum time deposit rate were increased by 2 percentage points during the three years ended April 1980. The maximum lending rates were increased by 1 1/2 percentage points to 11.5 percent to the less preferred economic sectors and to 9.5 percent to the preferred economic sectors during the same period. No additional adjustment was effected on interest rates during the period May 1980 to December 1981, when there was considerable volatility in interest rates on the international financial markets.

In 1982 interest rates were adjusted more frequently, even though the net changes were modest and were not related to interest rate developments on international financial markets. Effective January 1, 1982 deposit and lending rates were increased by 1 percentage point, and, on April 21, all rates were increased again by 2 percentage points, with the net effect that the minimum deposit rate rose to a high of 8.5 percent and the maximum lending rate to 14 percent. The rediscount rate and the commercial banks' prime lending rate also rose to five-year highs of 9 percent and 10.5 percent, respectively. However, effective November 1982, the level of interest rates was reduced by 1 percentage point, leaving the net increase during the year at 2 percentage points.

The frequent adjustments effected during 1982 notwithstanding, interest rates in Nigeria continued to be below rates prevailing on international capital markets and remained negative in real terms (Table 14). Measured against the domestic consumer price index, which recorded annual average increases ranging from 10-21 percent during 1978-81, real interest rates were negative in Nigeria during the 5 years ended 1981, with the exception of a brief period in 1980. In 1982 the level of real deposit rates was marginally positive, and real lending rates were significantly positive as adjusted for the official consumer price index, which may have underestimated the actual underlying rate of inflation.

VI. External Sector

1. Balance of payments developments

The structural imbalance of the Nigerian economy is mirrored in its balance of payments. During much of the past decade public policy has been geared to the expectation that oil revenues would continue to rise. Accordingly, fiscal and monetary policies have generally been

Table 14. Nigeria: Selected Interest Rates, 1979-83

(In percent; end of period)

	1979	1980	1981	1982 1/ Apr.-Oct.	1983 June
Treasury bill rates					
Nigeria	4.0	5.0	5.0	8.0	7.0
United Kingdom	13.0	15.1	13.0	11.5	9.5
United States	10.0	11.6	14.1	10.7	8.8
Savings deposit rate	5.0	6.0	6.0	8.5	7.5
Minimum lending rate	7.0	7.5	7.5	10.5	9.5
Maximum lending rate (less preferred sectors)	11.0	11.5	11.5	14.0	13.0
Maximum lending rate (preferred sectors)	9.0	9.5	9.5	12.5	11.5
Consumer price index	11.8	10.0	20.8	7.7	21.0 2/
Real savings deposit rate 3/	-6.1	-3.6	-12.3	0.7	-11.2
Real maximum lending rate (less preferred sectors) 3/	-0.7	1.4	-7.7	5.8	-6.6

Sources: Nigerian Central Bank; IFS; and staff estimates.

1/ Interest rates were increased by 1 percent on January 1, 1982 and by 2 percentage points on April 21, 1982.
2/ Estimated rate of inflation for the year.
3/ Adjusted for average change in consumer price index during the same year.

expansionary. Through the middle of 1981 the exchange rate was increasingly used to dampen the resultant inflationary pressures, and, consequently, the naira steadily appreciated in real terms. Concurrently, effective tariff protection favored the importation of food and intermediate and capital goods. These factors were instrumental in the erosion of the agricultural export base, in rendering largely unprofitable traditional industry based on domestic inputs, and in the emergence of import-intensive activity. Thus, as the focus of the economy has shifted toward international trade, petroleum has become the only major source of foreign exchange receipts. Consequently, developments in the world oil market have determined, to a large extent, Nigeria's balance of payments.

The vulnerability of Nigeria's external accounts to movements in the world oil market is evident from recent developments in its balance of payments, which moved from a large surplus in 1980 to successive substantial deficits in 1981 and 1982 (Tables 15 and 16 and Appendix Table XXVIII). The second surge in world oil prices gave rise to record Nigerian oil export receipts of almost US$25 billion in 1980. Although these earnings, in combination with a relaxation of exchange controls, caused import and, in particular, net service payments to increase sharply, the current account surplus improved to some US$4.3 billion, an amount equivalent to 5 percent of GDP. Despite gross official external borrowing of almost US$1 billion, the capital account was in virtual balance, due in the main to the repatriation of petroleum-sector investments and significantly larger external debt amortization payments. These factors, together with modest valuation gains on exchange holdings, resulted in an overall balance of payments surplus of US$4.6 billion in 1980. The net foreign assets of the monetary authorities rose sharply, to exceed US$10 billion, a level sufficient to cover the equivalent of 8.2 months of imports. Consequent upon a considerable weakening of demand, the first signs of which had become evident as early as late 1979, petroleum export receipts in 1981 fell to less than 70 percent of those recorded in 1980. The decline in oil revenues notwithstanding, financial policy remained expansionary, which, in conjunction with a further slight easing of the exchange restrictive system, contributed to an almost 25 percent increase in import payments. As a result, the balance on merchandise trade, which had registered a surplus of US$11.2 billion in 1980, showed a deficit of US$0.7 billion in 1981, an amount equivalent to 0.9 percent of GDP. Although net service outflows decreased by 25 percent, due largely to a decline in both investment dividends and management and consultants' fees, nevertheless, the current account deteriorated by US$10.3 billion to record a deficit of US$6.0 billion, equivalent to 7.8 percent of GDP. After taking into account net official borrowing of almost US$800 million and valuation losses of US$1.3 billion, the overall balance of payments recorded a deficit of US$6.2 billion. This was reflected in the reduction of net official foreign assets to US$3.8 billion, or to the equivalent of 2.5 months of 1981 imports.

Table 15. Nigeria: Summary Balance of Payments, 1978-82 1/

(In millions of U.S. dollars)

	1978	1979	1980 2/	1981 3/	1982 4/
Merchandise trade f.o.b.	-1,166	4,923	11,221	-672	-3,908
Exports	10,444	16,767	25,956	17,718	12,930
Of which: petroleum	(9,455)	(15,655)	(24,942)	(17,162)	(12,751)
Imports	-11,610	-11,844	-14,735	-18,390	-16,838
Services	-1,223	-835	-1,863	-2,656	-1,178
Investment income	-228	-448	-1,213	-653	-826
Petroleum sector	(-309)	(-310)	(-849)	(-360)	(-209)
Nonpetroleum sector	(81)	(-138)	(-364)	(-293)	(-617)
Other goods, services, and income	-869	-1,578	-3,259	-1,494	-1,056
Unrequited transfers	-269	-388	-576	-567	-373
Current account	-3,755	1,674	4,310	-6,042	-7,341
Capital account	1,497	1,349	46	1,385	1,612
Direct investment	211	305	-739	165	358
Petroleum sector	145	-8	-1,041	-318	100
Nonpetroleum sector	66	313	302	483	258
Other capital (long)	1,387	1,034	651	811	758
Official	1,393	977	604	782	733
Of which: amortization	(55)	(28)	(384)	(583)	(477)
Other	-6	57	47	29	25
Other capital (short)	-101	10	134	409	496
Petroleum sector 5/	-252	--	-82	264	361
Commercial banks	135	-93	16	54	168
Other	16	103	200	91	-33
Net errors and omissions 6/	36	417	189	-1,543	-570
Overall balance	-2,222	3,440	4,545	-6,200	-6,299
Financing	2,222	-3,440	-4,545	6,200	6,299
CBN: Reserve movements (net; increase -)	2,222	-3,440	-4,545	6,200	2,248
Arrears	--	--	--	--	4,051
Of which: documented	(--)	(--)	(--)	(--)	(2,957)
undocumented	(--)	(--)	(--)	(--)	(1,094)

Sources: Data provided by the Central Bank of Nigeria; staff estimates.

1/ Flow figures in the balance of payments have been converted from the original data in naira at the following annual average exchange rates: ₦ 1 = US$1.5745 for 1978; ₦ 1 = US$1.6591 for 1979; ₦ 1 = US$1.8297 for 1980; ₦ 1 = US$1.6292 for 1981; and ₦ 1 = US$1.4854 for 1982.

2/ Revised.

3/ Provisional.

4/ Estimated.

5/ Net trade credits related to petroleum exports.

6/ Including valuation gains (losses -) of US$70 million in 1978, US$532 million in 1979, US$177 million in 1980, -US$1,273 million in 1981, and -US$199 million in 1982.

Table 16. Nigeria: Summary Balance of Payments, 1978-82 1/

(In millions of naira)

	1978	1979	1980 2/	1981 3/	1982 4/
Merchandise trade f.o.b.	-741	2,967	6,133	-413	-2,631
Exports	6,633	10,106	14,186	10,875	8,705
Of which: petroleum	(6,005)	(9,436)	(13,632)	(10,534)	(8,584)
Imports	-7,374	-7,139	-8,053	-11,288	-11,336
Services	-777	-503	-1,018	-1,630	-793
Investment income	-145	-270	-663	-401	-556
Petroleum sector	(-196)	(-187)	(-464)	(-221)	(-141)
Nonpetroleum sector	(51)	(-83)	(-199)	(-180)	(-415)
Other goods, services, and income	-552	-951	-1,781	-917	-711
Unrequited transfers	-171	-234	-315	-348	-251
Current account	-2,386	1,009	2,356	-3,709	-4,942
Capital account	951	813	25	850	1,085
Direct investment	134	184	-404	101	241
Petroleum sector	92	-5	-569	-195	67
Nonpetroleum sector	42	189	165	296	174
Other capital (long)	881	623	356	498	510
Official	885	589	330	480	494
Of which: amortization	(-35)	(-17)	(-210)	(-358)	(-321)
Other	-4	34	26	18	17
Other capital (short)	-64	6	73	251	334
Petroleum sector 5/	-160	--	-45	162	243
Commercial banks	86	-56	9	33	113
Other	10	62	109	56	-22
Net errors and omissions	-21	-70	6	-165	-238
Overall balance	-1,456	1,752	2,387	-3,024	-4,095
Financing	1,456	-1,752	-2,387	3,024	4,095
CBN: Reserve movements (net; increase -)	1,456	-1,752	-2,387	3,024	1,380
Arrears	--	--	--	--	2,715
Of which: documented	(--)	(--)	(--)	(--)	(1,982)
undocumented	(--)	(--)	(--)	(--)	(733)

Sources: Data provided by the Central Bank of Nigeria; and staff estimates.

1/ For details, see Appendix Table XXVIII.
2/ Revised.
3/ Provisional.
4/ Estimated.
5/ Net trade credits related to petroleum exports.

The oil market continued to weaken in 1982, with the result that oil export revenues declined by a further 26 percent, to barely US$12.8 billion. In response to the resultant growing foreign exchange and financial crisis, exchange and trade restrictions were considerably tightened in late April 1982. The impact of the latter action was somewhat diluted by a continued real appreciation of the naira, stemming in part from a large overall budget deficit, which, for the most part, was financed by recourse to the Central Bank. Thus, although import and net service payments declined by 14 percent, the current account deficit widened to US$7.3 billion, an amount equivalent to 10.1 percent of GDP. Due to some net reinvestment by the petroleum sector and a larger than usual flow of trade credits, there was a modest improvement in the capital account, which nevertheless financed only 22 percent of the current account deficit. In conjunction with further, albeit considerably reduced, valuation losses, the overall balance of payments deficit amounted to US$6.3 billion, or only marginally higher than in 1981. For the first time the external deficit was financed in part by an accumulation of trade arrears in the amount of US$4.05 billion. Trade arrears checked and documented by the Central Bank totaled US$2.96 billion at the end of December 1982, at which time import-payment requests for a further US$1.09 billion were awaiting final verification. The balance of the deficit was financed by the use of reserves, with the result that Nigeria's net foreign official assets were drawn down to US$1.6 billion, sufficient to provide cover for 4.8 weeks of 1982 imports.

a. The nonpetroleum sector

Nigeria's current account on international transactions of the nonpetroleum sector in recent years has typically shown a very large deficit (Appendix Table XXIX). This situation reflects high levels of merchandise imports and payments for services and transfers while non-oil export receipts have been both low and declining. This deficit grew from US$12.7 billion in 1978 to a peak of US$22.4 billion in 1981 and narrowed to US$19.5 billion in 1982. In the latter year the net payments for services and transfers alone were 16.7 times the value of nonpetroleum exports, as compared with a multiple of 2.2 in 1978. Although the nonpetroleum sector capital account has been persistently in surplus, in the past five years it has financed, on average, only 8 percent of the nonpetroleum current account deficit. In consequence, the overall balance of payments deficit of the nonpetroleum sector in 1981 grew to US$20.9 billion, equivalent to 27 percent of GDP. In 1982, in response to the tightening of the exchange restrictive system, the deficit narrowed to US$18.4 billion, an amount equal to 25 percent of GDP.

b. The petroleum sector

In sharp contrast to the nonpetroleum sector, the current account of the petroleum sector has incurred large surpluses (Appendix Table XXIX), ranging from a five-year low of US$8.9 billion in 1978 to a peak of US$23.4 in 1980; in 1981 and 1982 these surpluses were US$16.3 billion (21 percent of GDP) and US$12.2 billion (16.7 percent of GDP), respectively. These fluctuations in the petroleum current account reflect the movements in the world oil market and the negatively correlated payments of dividends and royalties on petroleum investments. The petroleum sector's capital account on its international transactions recorded deficits in each of the years 1978 to 1981, largely due to the repatriation of foreign capital associated with direct investment and the extension of trade credits. The largest such deficit occurred in 1980, owing in the main to a net return flow of direct investment in excess of US$1 billion. Due in large measure to a reduction of an estimated US$0.4 billion of net trade credits extended by the petroleum sector, the capital account showed a modest surplus in 1982. Whether in deficit or surplus, the balance on the capital account has not been of sufficient import to materially affect the overall balance, which, as a result, has consistently tracked the large current account surplus. Thus, the overall balance rose from US$8.8 billion in 1978 to a peak of US$22.3 billion in 1980 before falling to US$16.3 billion (equivalent to 21 percent of GDP) in 1981 and US$12.6 billion (equivalent to 17 percent of GDP) in 1982.

2. Merchandise trade

a. Petroleum exports

Over the past five years an average of 95 percent of Nigeria's export earnings have been derived from petroleum. Moreover, the importance of petroleum has increased steadily, rising from 90 percent of total export receipts in 1978 to almost 99 percent in 1982. Consequently, export earnings are extremely vulnerable to developments in the world oil market. The oil glut of 1978 was followed by a sustained rise in world oil prices, which reached their peak in early 1981, when the average per barrel export price was 170 percent above the average price at the end of 1978. World oil consumption, however, reached its peak in 1979, and has since declined substantially in response both to the prolonged recession in the industrialized countries and to fuel substitution induced by the surge in the relative price of oil. As a result, from the first quarter of 1981 to the end of 1982 the price of oil declined by 8 percent. During this period the price and liftings of Nigerian crude oil have mirrored developments in the international oil market. The value of Nigerian petroleum exports rose by 66 percent in 1979, in response to a 25 percent increase in price and a 33 percent rise in volume (Appendix Table XXXIII). In 1980 petroleum export earnings rose by a further 59 percent to US$25 billion, due entirely to higher petroleum prices, which rose by 83 percent. Export volume fell by some 13 percent, as the demand for Nigeria's relatively high-priced product weakened with the emerging excess crude-oil supply conditions. The decline in consumption, and the drawdown of inventories that had been built in the previous two to three years, further weakened the world oil price after the first quarter of 1981. Nigeria initially absorbed the fall in demand by reducing production; in consequence, export volume decreased by 36 percent in 1981. Although, reflecting the price increases put into effect in late 1980 and early 1981, the volume decline was offset to some extent by a 7.5 percent rise in the export unit value of oil, the U.S. dollar value of petroleum exports nevertheless fell by more than 31 percent to US$17 billion. The oil market did not improve in 1982. After reaching a low point in March/April 1982, the market firmed slightly, only to weaken further towards the end of 1982. As a result, the volume of Nigerian oil exports declined by some 18 percent to average about 1 mbd, in comparison with a peak average of 2.2 mbd in 1979. Under pressure from both a strong downward trend of spot market prices and sharp reductions of term-contract prices for non-OPEC crude oils, the average export unit value of Nigerian oil was reduced by 9 percent during 1982. The value of Nigerian oil exports thus fell by 26 percent in 1982 to US$12.7 billion, equivalent to 17.5 percent of GDP.

b. <u>Nonpetroleum exports</u>

Nonpetroleum exports consist largely of agricultural and semi-processed products (Appendix Table XXX). Over the past five years the share of nonpetroleum exports in total Nigerian export earnings has averaged about 5 percent, ranging from a high of 9.5 percent in 1978 to a low of 1.4 percent in 1982. Over the years, efforts to boost non-oil exports have been largely unsuccessful, due in part to the fact that tariff policy, in conjunction with a steady real appreciation of the naira, has caused the non-oil exporting sector to become an inefficient and high-cost producer by international standards. Reflecting the impact of rising international prices in 1978 and 1979, export volumes had grown by 9 percent and 5 percent in 1979 and 1980, respectively, and then fell drastically in 1981 and 1982 as a turndown in the terms of trade further reduced the profitability of the sector. In 1982 non-oil export volume was 23 percent of that in 1980. This decline in volume, and a 22 percent fall in the average unit value of non-oil exports, has precipitated a reduction of 82 percent in Nigeria's nonpetroleum export earnings in the two-year period ended in December 1982 (Appendix Table XXX).

Over the years, cocoa has been Nigeria's most important nonpetroleum export, accounting for about 60 per cent of total nonpetroleum export receipts during the period 1978-80. This share declined sharply to 25 percent in 1981 but then rose to 43 percent in 1982. Since 1980 the volume of cocoa exports is estimated to have declined by almost 80 percent, in part due to the aging of most of the existing plantations.

Low producer prices, high production costs, and inclement weather have also contributed to the decline. During the same period the unit value of cocoa exports fell by an estimated 18 percent, with the result that in 1982 the U.S. dollar value of cocoa exports was only 11 percent of its five-year peak value in 1979. In addition to cocoa beans, Nigeria also exports cocoa butter, whose export value has also declined since 1979, due primarily to falling prices.

The values of other traditional nonpetroleum exports have behaved irregularly, with already low export volumes seemingly following, with a lag, movements in international prices. After reaching a peak of almost US$26 million in 1980, export earnings from rubber fell progressively to less than US$15 million in 1982 as export unit values declined by nearly 26 percent. Following a 10 percent rise in export prices in 1981, the volume of palm kernels rose sharply to a five-year high in 1982, with the result that export earnings rose to US$26 million, as compared with US$18 million in 1981. Export earnings from tin rose annually to US$27 million in 1981; however, no earnings from tin have yet been reported for 1982. The performance of other nonpetroleum exports, consisting of semi- and manufactured goods, was fairly even in the four-year period ended in 1981, averaging about US$320 million per year. Their value plunged, however, to US$41 million in 1982. As is also the case with other nonpetroleum exports, large-scale smuggling probably contributed to this sharp downturn in "other" export receipts, as did the impact of the international recession. A compounding element has been the fact that export industries receive negative effective rates of protection, thereby increasing the difficulty of industrial exporters in selling their products abroad at the official exchange rate.

c. Imports

The nominal U.S. dollar value of merchandise imports, after growing by 24.4 percent and 24.8 percent in 1980 and 1981, respectively, fell by 8.4 percent in 1982, reflecting the restrictive import measures adopted in April 1982 (Table 15). Unit values are not available for Nigeria's imports. However, on the basis of a weighted average export price index of Nigeria's major import suppliers, it is estimated that Nigerian import prices have risen by some 31 percent since the end of 1979, or at an annual average compound rate of 9.5 percent. Thus import volume grew by 11 percent in 1980 and by 14.1 percent in 1981, and then declined by 14.5 percent in 1982. The latter decline notwithstanding, the volume of imports has grown by about 8 percent since 1979.

Appendix Table XXXI presents changes in the structure of merchandise imports since 1978. The share of consumer goods in total imports rose sharply to 39.6 percent in 1980 and to 44.4 percent in 1981 after having averaged 28.6 percent in 1978 and 1979. This increase in the share of consumer imports reflects, in part, the release of pent-up demand subsequent to the relaxation in 1980 of the import restrictions that had been adopted in 1978 and 1979. It also illustrates, however, the growing lack of competitiveness of the domestic import-competing goods sector; this is particularly true in the case of nondurable consumer goods, for which the import bill grew at an annual average rate of 65.9 percent in 1980 and 1981. In 1982, both under the impact of the bias in the restrictive measures against consumer goods and because of the improved agricultural harvest, the share of consumer goods in total imports fell to 41.6 percent. Consumer durables accounted for most of the decline in the value of consumer goods imports, as the value of nondurables declined by about 8 percent to US$6.3 billion from a five-year high of US$6.8 billion in 1981. If account is taken of the fact that most imported raw materials are used by import substitution consumer goods industries, then the proportion of imports channeled into consumption rose to 66.4 percent and 68.8 percent in 1980 and 1981, respectively, from an average of 51.8 percent in 1978 and 1979. That proportion declined marginally to 66.8 percent in 1982. Correspondingly, the share of capital goods in the total import bill declined from a 1978-79 average of 48.1 percent to 33.5 percent in 1980 and 31.1 percent in 1981; it rose to 32.8 percent in 1982. It is estimated that in 1982 the volume of capital goods imported was some 30 percent lower than in 1978, indicating the increased importance of service-related activity in the Nigerian economy.

Appendix Table XXXII shows merchandise imports classified by Standard International Trade Classification (SITC) categories. The U.S. dollar value of food imports rose to US$3.4 billion in 1981, after recording a value of US$2.6 billion in 1980 and averaging US$1.4 billion in 1978 and 1979. Its share in total 1981 imports rose to 16.4 percent, reflecting both rising demand and a decline in domestic food production. It is estimated that in 1982 the value of food imports declined to US$1.4 billion, due, as noted above, to an improved local harvest as well as to some price-induced substitution away from, in particular, rice and wheat, and to the imposition of additional restrictions on the importation of food items. The rise in the demand for nonfood consumer goods is reflected in the growth of imports of manufactured goods, which have risen steadily from a value of US$2.5 billion in 1979 to a five-year high of US$4.8 billion in 1982. Since 1980, imports of machinery and transport equipment have accounted for about 43 percent of total imports, after averaging almost 48 percent in 1978 and 1979.

d. Direction of trade

The United States and the European Communities (EC) have been the most important markets for Nigeria's exports (Appendix Table XXXIV). During the period 1978-82, on average, they accounted for 81 percent of Nigeria's petroleum exports and for almost 88 percent of its non-petroleum exports. Over this period the relative importance of the EC as an export market for Nigerian petroleum fluctuated around a slight downward trend, moving from a share of 38 percent in 1978 to one of 34 percent in 1980. Within the EC, France, the Federal Republic of Germany, and the Netherlands have been the major importers of Nigerian petroleum, accounting together for 28 percent in 1982. The share of the United States in Nigeria's petroleum exports has fluctuated mildly around a five-year average of 45 percent to a record level of 47 percent in 1982. The EC has been the major market for Nigeria's nonpetroleum exports; its share of these exports averaged 76 percent in the four-year period ended in 1981 and rose to 80 percent in 1982. On the other hand, the share of the United States fell to 10 percent after having averaged 12 percent in the years 1978-81. The United States purchased 46 percent of Nigeria's total exports in 1982, thereby remaining Nigeria's single most important export client.

The EC has been the major supplier of Nigeria's nonpetroleum imports, accounting for an average of 59 percent of these imports during the period 1978-82 and for 60 percent in 1982. Within the EC, 22 percent of Nigeria's 1982 nonpetroleum imports came from the United Kingdom, 16 percent from the Federal Republic of Germany, 7 percent from France, and 7 percent from Italy. The relative importance of these EC countries as suppliers of nonpetroleum imports to Nigeria has not changed significantly since 1978, nor has that of Japan and the United States, each of which accounted for 11 percent of Nigeria's nonpetroleum imports in 1982.

3. Services and transfers

Although the magnitudes have varied considerably, the services account has been in deficit in each of the past five years (Table 15 and Appendix Table XXVIII). After deficits of US$2.3 billion and US$2.9 billion in 1978 and 1979, respectively, the services account deteriorated sharply in 1980 to register a net negative balance of US$6.34 billion. Thereafter the deficit declined to US$4.8 billion in 1980 and to US$3.1 billion in 1982. The fluctuations in the services account deficits reflect, in the main, both the initial surge and then the rapid decline of petroleum earnings, to which Nigerian service payments are very sensitive, and changes in exchange control measures, which with respect to the payments for invisibles were somewhat relaxed in 1980 only to be tightened again in late 1980 and in April 1982. The net payment on unrequited transfers (private and unofficial), after reaching a five-year peak of US$576 million in 1980, declined marginally to US$567 million in 1981 and to US$375 million in 1982.

In 1980 all components of the services account recorded substantially higher deficits than in the preceding year, with the result that, in terms of U.S. dollars, net service payments increased by 122 percent. The deficit on the travel account almost quadrupled, reflecting, in part, the increased foreign exchange allowances for travel. Net payments on investment income increased by some 171 percent, largely on account of both an increase of almost US$308 million in interest payments on the external debt and, in line with the rise in petroleum export receipts, a marked increase in profit remittances by the petroleum sector. The deficit on the "other" component of the services account rose by 107 percent, mainly because of a US$1.1 billion increase in management and consulting charges. The services deficit declined by 25 percent in 1981. While the deficit on the "freight and insurance" sub-account more than doubled, as a greater proportion of the increased import volume was transported by nonresident carriers, the U.S. dollar deficit on all the other sub-items declined. The most significant improvement came in the "other" category account, where management and consultancy fees were more than halved. The net outflows on "other transport" were also reduced substantially, as were those on the "investment account," mainly because of a reduced flow of petroleum export earnings.

The general improvement in the services account continued in 1982, with the result that net payments in U.S. dollar terms were reduced by a further 36 percent. Due mainly to a lower volume of imports, the deficit on "freight and insurance" declined by some 41 percent to US$973 million. The foreign exchange shortage and the legislated reductions in the foreign exchange travel allowances appear to have had a significant effect on the "travel" account, with the result that its net deficit was reduced to one tenth of its 1981 level. There was a further reduction of almost 42 percent in net profit remittances by the petroleum sector, and a similar decline took place with respect to the net payment for management and consultancy fees. The only deterioration occurred in the investment account of the nonpetroleum sector, where increased interest payments on the external debt and substantially lower earnings on the declining foreign exchange holdings of the Central Bank combined to more than double the deficit to US$616 million.

4. Capital movements

Net capital inflows have not been a major source of foreign exchange for the Nigerian economy in recent years. This reflects both the indigenization of ownership, coupled with the comparatively high cost structure of domestic enterprises, and the relatively conservative external borrowing policies of the authorities.

After surpluses of US$1.5 billion and US$1.4 billion in 1978 and 1979, respectively, the capital account deteriorated sharply in 1980 to record a modest surplus of just US$46 million. In the main, this was due to a surge in capital repatriation, particularly by the petroleum companies, resulting in part from an announcement by the authorities that the proceeds of sales of shares under the 1977 Indigenization Act had to be repatriated within two years from April 1, 1980. Other long-term capital (net) also declined, as amortization payments on the external debt rose from US$28 million in 1979 to US$384 million in 1980. The capital account surplus improved to US$1.4 billion in 1981, largely as a result of a decline in capital repatriation and an increase in retained earnings by the nonpetroleum sector. The decline, in line with decreased petroleum exports, of net trade credits extended by the petroleum sector also played a significant role in the improvement of the capital account, as did, to a lesser extent, the 29 percent increase in net external borrowing by the official sector.

In 1982 the capital account recorded a surplus of US$1.6 billion, an improvement of 16 percent relative to the surplus of 1981. Under the impact of net reinvestment by the petroleum sector, net direct capital flows increased by almost US$200 million to record a five-year high of US$358 million. Net external borrowing by the official sector decreased marginally, but this was more than offset by the increase in net short-term capital inflows stemming both from a further reduction in the stock of trade credit extended by the petroleum sector and from an increase in the net foreign liabilities of the commercial banking system. The latter outcome, which derived almost entirely from an increase in gross liabilities, reflects in the main a lengthening of delays in the preparation of the necessary documentation prior to the submission of matured letters of credit to the Central Bank for the release of foreign exchange.

5. International reserves

At end-1980, following two successive years of overall balance of payments surpluses, Nigeria's gross official reserves were at an all-time high of US$10.3 billion, equivalent to 8.4 months of 1982 imports (Table 17). However, with two subsequent years of substantially larger overall deficits, at the end of 1982 these reserves had declined to US$1.96 billion, an amount equivalent to an import cover of 1.4 months. In the period 1978-81 Nigeria maintained an average IMF reserve position equivalent to US$464.4 million and during that period had steadily built its SDR holdings to the equivalent of US$278.2 million at the end of 1981. As a result of its increasing balance of payments need, in April 1982 Nigeria encashed its Fund reserve position and used most of its SDRs; the latter were rebuilt to the equivalent of US$44.6 million at the end of 1982. Thus, at the end of 1982 foreign exchange and gold constituted 96 percent of Nigeria's gross official reserves, as compared with a year-end average of 84 percent during the period 1978-81. Official short-term liabilities, which consist largely of overdrafts with correspondent banks, grew from US$3.4 million at end-1978 to US$649.2 million at end-1981; at the end of 1982 they had been reduced to US$404.9 million, equivalent to roughly 1.5 weeks of export earnings. After rising to US$302.8 million at end-1979, the net foreign assets of the commercial banks have declined year by year to reach a five-year low of US$23.1 million at the end of 1982.

Table 17. Nigeria: Foreign Assets, 1978-82

(In millions of naira and U.S. dollars; end of period)

	1978		1979		1980		1981		1982	
	Naira	U.S. dollars	Naira	U.S. dollars	Naira	U.S. dollars	Naira	U.S. dollars	Naira	U.S. dollars
Central Bank (net)	1,306.1	2,017.1	3,058.5	5,456.7	5,445.7	10,002.1	2,421.6	3,802.2	1,042.0	1,554.7
Assets	1,308.3	2,020.5	3,108.5	5,545.9	5,622.2	10,326.3	2,835.1	4,451.4	1,313.4	1,959.6
Foreign exchange and gold	942.1	1,455.0	2,808.3	5,010.3	5,262.8	9,666.2	2,317.2	3,638.3	1,266.6	1,889.8
IMF reserve position 1/	308.6	476.6	218.0	388.9	257.4	472.8	330.7	519.2	--	--
SDR holdings	56.5	87.2	79.6	142.0	92.0	169.0	177.2	278.2	29.9	44.6
Government	1.1	1.7	2.6	4.7	10.0	18.3	10.0	15.7	16.8	25.2
Liabilities	-2.2	-3.4	-50.0	-89.2	-176.5	-324.2	-413.5	-649.2	-271.4	-404.9
Commercial banks (net	113.9	175.9	169.7	302.8	161.1	295.9	128.2	201.3	15.5	23.1
Assets	177.8	274.6	236.3	421.6	249.4	458.1	259.2	407.0	246.6	367.9
Liabilities	-63.9	-98.7	-66.6	118.8	-88.3	-162.2	-131.0	-205.7	-231.1	-344.8
Net foreign assets	1,420.0	2,193.0	3,228.2	5,759.5	5,606.8	10,298.0	2,549.8	4,003.5	1,057.5	1,577.8
Memorandum item:										
U.S. dollar/naira (end of period)	1.5444		1.7841		1.8367		1.5701		1.4920	

Sources: Central Bank of Nigeria; and staff estimates.

1/ Including lending to the Fund's oil facility and SFF lending.

6. External public debt and debt service

Nigeria's external borrowing policies have been conservative. With the exception of two "jumbo loans," totaling US$1.75 billion, undertaken in 1978 for balance of payments support purposes, and approximately US$2.10 billion drawn for the establishment of a domestic steel industry, medium- and long-term external debt contracted and/or guaranteed by the Federal Government of Nigeria has been in relatively small amounts and geared to an improvement of the infrastructure, notably roads, dams, communications, and agricultural development projects. In general, funds utilized for the latter purposes have been drawn to supplement domestically generated resources. Consequently, disbursed medium- and long-term external public debt has remained modest in relation to GDP; at the end of 1982 the outstanding debt amounted to some US$7.97 billion, equivalent to 10.9 percent of GDP (Appendix Table XXXV). 1/

At the end of 1982 outstanding syndicated Euromarket loans to Nigeria amounted to the equivalent of US$4.55 billion, equal to 57.1 percent of the disbursed public debt. These loans carried an average residual term to maturity of about 4.9 years and an average interest rate of LIBOR plus 0.8 percent per annum. An additional US$2.27 billion was owed to financial institutions in the form of export credits. These latter loans had an average remaining term to maturity of approximately 6.8 years and carried an average interest rate of 7.6 percent per annum. During the first eight months of 1983 a further US$340 million of Euromarket loans were contracted, with an average maturity of 8 years, including a 3-year grace period, and at an average interest rate of LIBOR plus 0.9 percent per annum. Federally guaranteed export credits committed to Nigeria totaled US$1.5 billion during the first three quarters of 1983. At signature, these loans had an average maturity to term of 9.75 years, including a grace period of 2.75 years, and bore an average interest rate of 9 percent per annum.

Outstanding loans to multilateral institutions at the end of 1982 amounted to US$740 million, equivalent to 9.3 percent of total disbursed debt. The World Bank Group is the principal source of multilateral financing to Nigeria, accounting for some 96 percent of Nigeria's total multilateral debt at the end of 1982. While IDA credits have remained constant at about US$37.5 million during the past five years, IBRD lending has grown steadily from an outstanding stock of US$447 million in 1978 to US$674 million at the end of 1982. Bilateral loans from

1/ The external public debt series presented in Appendix Table XXXV is discontinuous at 1981. A significant upward revision of disbursed debt owed to international financial institutions as of end-1982 was made by the Ministry of Finance, in cooperation with the staff. The data, however, remain provisional, particularly as the federally guaranteed disbursed capital market debt of the states has been estimated.

various governments have also contributed to Nigeria's external debt, accounting for 5.1 percent of total disbursed medium- and long-term debt at the end of 1982. During the past five years the Federal Republic of Germany has been the single biggest creditor, with an average year-end exposure of US$106 million. Other major creditors include Japan, the United Kingdom, and the United States. The terms and conditions of bilateral loans to Nigeria are usually competitive with those from the international capital markets; multilateral loans, on the other hand, carry an average grant element of 9 percent. It is estimated that the average residual term to maturity of Nigeria's total outstanding debt at the end of 1982 was 6.2 years and that it bore an average interest rate of about 9.5 percent per annum.

The single largest Nigerian borrower has been the Federal Government and its agencies. At the end of 1982 it accounted for approximately 75 percent of total disbursed debt outstanding. The 19 individual states are responsible for the remaining 25 percent, equivalent to some US$1.99 billion. The Federal Government guarantees the international capital market debt of the states up to a limit per state of ₦ 200 million (equivalent to US$298 million at 1982 year-end exchange rates). Beyond the ₦ 200 million limit, states require the approval of the Federal Ministry of Finance before commitments can be made.

In the latter part of 1982 and during the first eight months of 1983, Nigeria accumulated arrears on import payments. Some of these arrears have become subject to refinancing agreements. On July 13 1983 Nigeria signed an agreement with 26 foreign commercial banks to reschedule the arrears on the commercial banks' letter of credit exposure as at March 31, 1983. The amount rescheduled was equivalent to US$1.35 billion. The agreement's operational date was August 13, 1983. The terms of agreement provide for: (a) a repayment grace period until January 1, 1984 followed by 31 equal monthly payments; (b) the application of an interest rate of LIBOR plus 1.5 percent, or U.S. prime plus 1.375 percent, per annum on the outstanding amount; and (c) a commitment fee, paid upon signature, of 0.5 percent of the rescheduled amount. Under the terms of the agreement Nigeria was required to effect total cash payments of US$549 million to clear those payments arrears on letters of credit that had accumulated between April 1, 1983 and July 13, 1983 and were due to the 26 commercial banks party to the agreement. A second refinancing agreement with a further 33 commercial banks was signed on September 19, 1983; its operational date is November 14, 1983. This latter agreement will refinance at least an additional US$480 million of arrears accumulated on letters of credit prior to August 1, 1983; it also entails a cash payment of about US$41 million to clear letter of credit payment arrears that have accrued to the 33 banks since August 1, 1983. Repayment of the rescheduled amount is to commence on January 1, at terms identical to those under the first rescheduling agreement detailed above. The rescheduled amounts have become the liability of the Central Bank of Nigeria, with the Federal Government of Nigeria as guarantor.

Nigeria's total debt serice payments have risen rapidly over the past five years, from US$104 million in 1978 to US$1.13 billion in 1982, an amount equal to 8.7 percent of export receipts (Appendix Table XXXVI). This growth in total debt service obligations reflects, in the main, Nigeria's increased Euromarket borrowing, higher world interest rates, and the commencement of amortization payments on the syndicated loans contracted in 1978 and 1979. Based on existing contracts, the debt service burden is expected to increase further, to US$1.92 billion in 1983, to US$3.27 billion in 1984 and to peak at US$3.61 billion in 1985; this latter amount is equivalent to almost 27 percent of expected export earnings in that year. This continued surge in debt service requirements stems both from the relatively short residual term to maturity of the major portion of Nigeria's medium- and long-term external debt and the short amortization period of the rescheduled trade arrears. Debt service obligations will moderate to US$3.49 billion in 1986, decline to US$3.06 billion in 1987, and fall by almost US$700 million to US$2.37 billion in 1988. In this latter year some 12.8 percent of anticipated export receipts will be required to cover Nigeria's debt service obligations.

VII. Exchange and Trade System

A detailed survey of Nigeria's exchange and trade system can be found in the IMF's Annual Report on Exchange Arrangements and Exchange Restrictions, 1983. Certain aspects of the system and the main developments in recent years are described in this section.

1. Exchange rate system

Since April 1974 Nigeria has pursued an independent exchange rate policy. The official middle exchange rates for the naira in terms of the U.S. dollar, which is the intervention currency, and the pound sterling are quoted by the Central Bank of Nigeria (CBN) on a daily basis. Rates are also available for other currencies, e.g., Belgian francs, Canadian dollars, deutsche mark, French francs, Italian lire, Japanese yen, Netherlands guilders, Norwegian kroner, and Swiss francs. While the CBN both buys and sells U.S. dollars and pounds sterling, transactions in the other currencies are limited to purchases only. Official buying and selling rates are set at 0.25 percent on either side of the middle rate. There are no taxes or subsidies on purchases or sales of foreign exchange. However, nongovernmental transactions are subject to a commission of 0.25 percent.

In February 1978 the CBN introduced a basket of currencies that, in principle, is used to determine the official middle exchange rate for the naira against the U.S. dollar. The basket is composed of the currencies of Nigeria's seven principal trading partners; 1/ the

1/ These currencies are the U.S. dollar, pound sterling, deutsche mark, French franc, Japanese yen, Netherlands guilder, and Swiss franc.

currency weights are based approximately on the share of each country in Nigeria's 1976 imports. However, the basket-determined U.S. dollar/naira rate serves only as a guide in establishing the daily quotations, with other factors, such as (a) Nigeria's balance of payments and reserves, (b) the authorities' judgment as to the appropriate naira/pound sterling rate, and (c) domestic and foreign inflation rates, also being given an important consideration. The consequence is that, in practice, the exchange rate of the naira vis-à-vis the currencies of Nigeria's principal trading partners has been a managed one and directed, until recently, to the domestic economy and to dampen imported inflation. The exchange rate movements of the naira are presented in Appendix Table XXXVII.

During 1980 the monthly average exchange rate of the naira in terms of the U.S. dollar appreciated by 5.3 percent, but it depreciated by 14.7 percent in 1981, by a further 5.4 percent in 1982, and by another 10.2 percent during the first nine months of 1983. On an end-of-period basis, the naira depreciated by 25.1 percent over the period January 1, 1980-September 30, 1983. Between May 1980 and June 1981 the monthly average exchange rate of the naira vis-à-vis the pound sterling was kept unchanged at ₦ 1 = £0.7850; thereafter, the rate was allowed to appreciate steadily to reach a monthly average high of ₦ 1 = £0.9281 in March 1983. Since March 1983 through the end of September 1983 the monthly average exchange rate for the naira in terms of the pound sterling has depreciated by 7.3 percent. On a number of occasions since the last Article IV consultation the difference between the U.S. dollar/pound sterling rate implied by the quotations of the CBN and the U.S. dollar/pound sterling rate in the London foreign exchange market has exceeded 1 percent for a period longer than seven days. The authorities have now taken steps to ensure that broken cross rates do not reoccur.

Measured against an import-weighted basket of currencies, i.e., in terms of the effective exchange rate, the naira has fluctuated within a relatively narrow band in nominal terms during the period December 1979-August 1983. In 1980, a year when the balance of payments was in substantial surplus, it appreciated by 7.6 percent. Since the start of 1981 it has fluctuated modestly about a slight downward trend to record an overall depreciation of 5.6 percent in the period January 1981-August 1983. The relative steadiness of the nominal effective exchange rate, in conjunction with a persistently positive inflation rate differential between Nigeria and its major trading partners, has resulted in a steady appreciation of the naira in real effective terms. In the period January 1980-April 1983 the naira appreciated by 24.9 percent when adjusted for such relative price movements. Based on the Nigerian Consumer Price Index (CPI) the naira appreciated by about 11 percent in the 15-month period ended April 1982. Because of the import restrictions imposed during the period, it is probable that the underlying rate of inflation is in excess of that recorded by movements in the CPI; consequently, the reported real appreciation of the naira may be an underestimate.

2. Import and export regimes

Nigeria's import policies are formulated with the broad objectives of promoting industrialization (protection of local industries), diversifying the economy, and, increasingly, supporting the balance of payments. Imports are accordingly classified into three major categories: prohibited imports, imports subject to licensing requirements, and imports under open general license (OGL). 1/ The system of OGL provides for the unrestricted importation of items that are neither prohibited nor subject to individual licensing; it requires only that the importer be registered as such with the Ministry of Commerce. This latter requirement is applicable to all importers. Under normal circumstances, the procedures for the importation of items subject to import licensing call for (i) the authorities' judgment regarding domestic demand and supply conditions for the commodity, and (ii) the issuance of licenses on a first-come-first-served basis to import until the aggregate of the amount involved is equal to the estimated excess demand for the commodity. Since April 1982, however, the issuance of licenses has become subject to the additional constraint of the foreign exchange budget and to a formula that allots 60 percent of the aggregate value of all licenses issued to major industrial projects, 30 percent to distributors according to their geographical location, and 10 percent to emergencies. Moreover, licenses are granted according to a priority list that emphasizes raw materials, spare parts, machinery, public goods, and certain foods, such as rice. Licenses generally remain valid for the duration of the calendar year in which they are granted. Some licenses, generally for high value, bulky products, are granted with a validity period not beyond the middle of the calendar year; however, provided that the recipient of the license makes adequate use of it, the license is automatically renewed in an amount equivalent to that originally given, and for a period not to run beyond the calendar year. An import prohibition may be applied if, among other considerations, the authorities' arrive at a judgment that domestic requirements can be fully met by domestic production, and/or if the items concerned are considered nonessential.

Prior to April 20, 1982 the importation of 21 items was absolutely prohibited and that of another 65 was prohibited except as personal

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1/ Imports from South Africa and Namibia are prohibited.

effects; 78 items were prohibited except under import license. 1/ In response to the rapidly deteriorating balance of payments and overall financial situation, the authorities imposed additional restrictions on Nigeria's exchange and trade system, with effect from April 20, 1982. Among other measures (described below), 2 items were added to the prohibited (except as personal effects) list, and an additional 25 items were added to the list of goods importable only under license. 2/ In addition, all existing unutilized import licenses had to be returned and became subject to review by a special committee set up for that purpose. Most licenses, however, were renewed in full. Furthermore, new or higher rates of import duties were imposed on 42 groups of items, whereas they were lowered on 2 groups of items; 3/ tariffs were also extended to government imports, which had hitherto been exempt, and all tariff rates not otherwise changed were raised by 5 percentage points or 10 percentage points, depending, respectively, on whether the previous tariff rates were below or above 100 percent.

1/ Among the items that were (a) absolutely prohibited: air pistols, counterfeit coins of any country, second-hand clothing, certain types of spirits, meat declared to be unfit for consumption, and all passenger cars whose c.i.f. value exceeded ₦ 15,000; (b) prohibited except as a personal effects: cigarettes, live poultry (except day-old chicks), vegetables, pastries, fresh fruit, potatoes, textile fabrics, beer, fresh milk, carpets, rice in packets or in containers of less than 50 kilograms, outer and under garments of most kinds, and toothpaste; (c) prohibited except under license: unmanufactured tobacco, radio and television sets, motorcycles, computers, chilled or frozen meat of all kinds, passenger cars whose c.i.f. value did not exceed ₦ 15,000, toys, musical instruments, salted, dried or smoked fish, cosmetics, rye, barley, oats, rice in containers of 50 kg. and above, provided that import licenses on rice are awarded only to federal, state, and local government agencies, and butter and cheese.

2/ Concentrated malt extract was removed from the prohibited list, while gaming machines, frozen chicken, and R20 (U2) batteries were added to the list. Among the 25 items added to the list of goods subject to import licensing were concentrated malt extract, cotton yarn of all types, nails, bolts and nuts, cement, bulk tea, stockfish, fishing nets, and sugar; in addition, the coverage of another 4 items was widened.

3/ Items on which new or increased tariffs were placed included stockfish, bulk tea, rice, cereal flours, beet and sugar cane, cement, bolts and nuts, electronics, fabricated structural steel, passenger cars, components for passenger cars, trucks, road and agricultural tractors, motorcycles, batteries and tape decks; tariffs were reduced on lotion and cream for baby care and on baby feeding bottles.

Consequent upon the continued deterioration of the balance of payments, the import regime was further tightened on January 1, 1983. An additional 150 items were made subject to import licensing requirements, and new or increased import duties were enacted for 13 groups of items, while the rate of duty on 1 group of items was lowered. 1/ On January 23, 1983 the list of items subject to import licensing requirements was consolidated to remove some ambiguities and duplications, with the result that the number of items on the list was reduced from 253 to 231. Concurrently, tariffs were raised on 5 items, including soap, refrigerators, and bicycles, and the list of prohibited items (except as personal effects) was lengthened to 68 by the inclusion of all passenger cars whose value exceeds ₦ 15,000 or with an engine capacity in excess of 2,500 cc.

An M form, which is an application for foreign exchange, must be completed for all imports into Nigeria, irrespective of value. M forms are submitted to the CBN by authorized exchange dealers on behalf of the private sector and by the Ministry of Finance for the public sector. The CBN Office of Exchange Control numbers, processes, and registers all M forms. Prior to submitting an M form, an importer must be registered as such with the Ministry of Commerce; if required, he must have obtained an import license for the goods to be imported, and he must be able to present a tax clearance certificate (showing the settlement of all tax liabilities) covering the previous three years. In addition, if the goods to be imported exceed ₦ 100,000 in value and are not to be covered by a letter of credit, they must be registered with the Ministry of Commerce. Each completed M form (in sextuplicate) submitted to the CBN must be accompanied by a pro forma invoice for the imports, showing the price split into f.o.b. and freight, with all ancillary charges, such as commissions and interest charges, shown separately; moreover, each submitted M form must be supported by a statement showing the M forms already registered in favor of the importer during the past 12 months, together with details of the utilization of such forms, including quantities, values, and the dates of arrival and collection of goods involved. It is only after an M form has been processed and registered by the CBN that an importer can confirm his order to the seller. Further, in the absence of a registered M form, a letter of credit may not be opened, nor may any form of payment for imports be effected. Processed M forms generally remain valid for six months, during which period the items specified are to be landed in Nigeria; revalidation beyond the expiry

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1/ Items that became subject to import licensing requirements included spades and shovels, wheelbarrows, baby food, frozen fish, building materials other than glass, maize, tinned fish, stationery, electric fittings, shoe soles, metal fittings, sockets and plugs, milk powder, margarine, petroleum products and derivatives, groundnut oil, essential oils, articles of iron and steel, combs, calculators, lubricating oil, cotton wool, and nailbrushes. Items on which tariffs were raised included toilet soap, blankets, cotton yarns, stoves, and wheelbarrows; tariffs were reduced on some artificial resins.

period is granted only under exceptional circumstances. All imports valued at ₦ 5,000 or more are subject to preshipment inspection by the Société Générale de Surveillance, S.A. (SGS), to insure that all imports into Nigeria are of the correct quality and quantity according to the contracts and that only the normal price of that commodity in the country of supply is paid. Unless the SGS issues a Clean Report of Finding on the goods to be imported, payment for the imports may not be effected. With regard to price, the final invoice for the imports does not have to agree with the details declared on the M form, provided that (a) the price is supported in every respect by a Clean Report of Finding issued by the SGS, and (b) any increase over the declared M form price does not exceed 10 percent of the declared total c.i.f. amount. Rises in price in excess of 10 percent require a new M form. However, for goods exempted from preshipment inspection because of their value, approval for payment will not be granted for more than the value of the original application.

In cases where import payments are to be made against letters of credit, all documents relating to the imported goods must be lodged with the Office of Exchange Control at the CBN within 21 days of the arrival of the goods in Nigeria. All other means of payment require submission to the CBN of a similar set of documents, with the exception of the bill of entry, and then only in those cases where foreign exchange is sought prior to the entry of the goods into Nigeria. In this latter instance, the bill of entry must be submitted to the CBN within 90 days of the release of foreign exchange by the CBN. Under normal circumstances, the completed "package" of documents is processed within 2-7 days. If the CBN is satisfied with all the documents, Exchange Control will issue a foreign exchange release order (an approved M form) to the Foreign Operations Department (FOD) of the CBN. However, an ad hoc reinspection of the documents can be undertaken in consultation with the FOD before a foreign exchange release order is issued. With the exception of some payments made by the CBN for the Government, foreign exchange is released to authorized dealers, allowing them to effect payment for imports or to reimburse their correspondent banks for import payments already made. Other than against letters of credit, payment for imports may also be made against bills for collection, intercompany open accounts, usance bills, or most other credit terms arranged between the importer and the exporter. Import contracts requiring deferred payments, installments, or prepayments need approval from the CBN for private sector imports and from the Ministry of Finance for public sector imports.

On March 23, 1982 the authorities temporarily suspended the opening of letters of credit and the processing of M forms. The main purpose was to ascertain Nigeria's outstanding external commitments. On April 21, 1982 with immediate effect, the embargo on the processing of M forms and the opening of letters of credit was lifted. Concurrently, however, the validity period of registered M forms was reduced from

12 months to 6 months, the list of goods exempted by the CBN from preshipment inspection by the SGS was eliminated, and the total value of goods below which they are exempt from such inspection was reduced from ₦ 10,000 to ₦ 5,000. 1/ Moreover, an advance import deposit scheme was imposed for all categories of imports other than petroleum products; the advance deposit rates were set at 25 percent for raw materials and spare parts; 50 percent for books, food (excluding rice), medicaments, building materials, and capital goods; 200 percent for motor vehicles and trucks; and 250 percent for cars and all other goods. Subsequently, effective January 1, 1983, the advance import deposit rate for raw materials was reduced to 10 percent and that for spare parts to 15 percent. For imports under letters of credit, banks must obtain the required advance deposits before opening the letter of credit. For imports requiring payment within six months of the shipment of the goods to Nigeria, the importer is required to make the advance deposit with his commercial bank not later than ten days before the arrival of the goods in Nigeria. Advance import deposits are not required for imports for which credit facilities of more than six months have been obtained. The advance deposits, which do not earn interest, must be kept in a separate account and deposited with the CBN within three days after the end of each month. The latter requirement enforces the main purpose of the advance import deposit scheme, which is to absorb excess liquidity and to control private credit expansion.

Certain import payments have been delayed. Subject to the availability of funds, the CBN releases foreign exchange against approved M forms on a "first in, first out" basis and according to the following priority categories: (a) payments for the servicing of the external debt, medical bills, business travel allowances, seminars, personal home remittances, school fees, and certain Nigerian Airlines and Nigerian National Petroleum Corporation obligations; (b) payments for importation against letters of credit of raw materials, books, spare parts, medicine, and other essential goods; and (c) all other payments. As at the end of September 1983 the stock of outstanding trade arrears amounted to some US$5.16 billion; of these none are against letters of credit, and the majority are on intercompany open accounts. Interest at the applicable Euromarket rates is paid on the amounts in arrears; settlement of the interest charges is usually effected when the arrears are settled. Settlement of arrears is made at the prevailing exchange rate. As detailed in the external debt section, US$1.35 billion of payments arrears on goods imported against letters of credit was rescheduled into a three-year loan on July 13, 1983; an additional US$0.48 billion was rescheduled into a 2.75-year loan on September 19, 1983.

1/ The list included gold, precious stones, art works, weapons, scrap metal, household and personal effects, eggs, fresh fruit, vegetables, raw materials, and spare parts. The CBN retains the authority, on a case-by-case basis, to exempt goods from preshipment inspection.

Certain exports are prohibited, while others are subject to licensing requirements. 1/ Prior to the tightening of the exchange restriction system on April 20, 1982, the exportation of 11 items was absolutely prohibited and that of another 34 was subject to licensing. On April 20, 1982 2 more items (wheat offals and dry brewer's grain) were placed under export licensing restrictions. 2/ The export restrictions affect mainly agricultural products and are designed to assist local producers as well as to buttress the import restriction system.

3. Payments for invisibles

The following restrictions on invisible payments have been in effect since April 1, 1978: (i) the maximum amount of cash gifts Nigerians may remit abroad annually is ₦ 150 for individuals and ₦ 500 for charitable organizations; (ii) except with the express permission of the CBN, remittances by resident foreign nationals for family maintenance or other purposes are limited to 50 percent of net income; and (iii) residents of Nigeria wishing to travel abroad for medical attention shall, in the first instance, use their basic travel allowance for this purpose (see below). An additional allowance up to ₦ 2,000 is provided for surgery, and an allowance in excess of ₦ 2,000 may be provided upon presentation of supporting evidence. Profits and dividends remitted abroad and disbursed locally may not exceed 30 percent of a company's capital stock. New profits and dividends may be remitted as soon as they are declared, provided that, in the case of airline and shipping companies, a tax at the rate of 10 percent is paid. Foreign nationals taking overseas leave may convert up to three months' pay into foreign exchange.

Other elements of the regulations covering payments for invisibles have been subject to repeated change during the past five years, usually in response to changes in the overall balance of payments situation. Since April 1, 1979 the proportion of fees that foreign consultants performing professional services in Nigeria are allowed to remit to their associates abroad has been limited to 30 percent of the amount contracted, down from 50 percent previously. Since April 1, 1980 foreign exchange has been granted for all bona fide expenses for education beyond the primary level. However, the regulation introduced on April 1, 1979, limiting foreign exchange allowances for primary school education abroad to special cases, such as those of handicapped children for whom facilities are not locally available, has remained in effect. On January 1, 1981 the permissible profit remittances for foreign firms operating under technical assistance were fixed at a maximum of 2 percent of profit before tax. For new companies, a lump sum in lieu of the

1/ Exports to South Africa and Namibia are prohibited.

2/ Absolutely prohibited items include beans, maize, rice, milk, sugar, and flour. Those items subject to export licensing restrictions include cigarettes, tobacco, raw cocoa beans, raw cotton, raw coffee, copra, undressed hides and skins, lemons, soya beans, palm kernels, and cottonseed oil, meal, and cake.

2 percent of gross profits is applied for the first three years. Since the same date the exchange allowance for royalties has been based on the volume of sales instead of profits; it is subject to a maximum of 1 percent of sales value, except for books and musical records, which are treated on a case-by-case basis in relation to international practice.

Regulations concerning exchange allowances for tourist and business travel have been most subject to modification as the status of the external accounts altered. Concurrent with the deteriorating net reserve assets position, on November 1, 1981 these allowances were reduced from the equivalent of ₦ 1,000 to ₦ 800 per person per year for tourist travel and from ₦ 6,000 to ₦ 3,000 per person per year for business travel; foreign exchange allowances for tourist travel by children under 16 years of age was abolished. With effect from April 20, 1982, the allowances were further modified. The tourist travel allowance was reduced to ₦ 500 per person per year, and the absence of an allowance for those under 16 years of age was retained. Although the separate allowance for pilgrims approved by the Nigerian Pilgrims Board was left unchanged at ₦ 800 per year for each person 16 years and above, it was made mutually exclusive with the tourist allowance. In addition, the foreign exchange allowance for business travel was reduced to the equivalent of ₦ 2,500 per annum (₦ 100 per day for a maximum of 25 days per year). No individual trip is allowed to extend beyond 15 days.

4. Capital

No regulations pertaining to capital flows have been enacted since that of 1980, which stipulated that, in order to speed up the accumulated proceeds of sales of shares resulting from the 1977 Indigenization Act, all outstanding balances were to be repatriated within a period of two years, with effect from April 1, 1980.

Nigeria: Summary of the Tax System, 1983

(All amounts in naira)

Tax	Nature of tax	Exemptions and deductions	Rates
1. Taxes on net income and profits			
1.1 Company income tax (Companies Income Tax Act, 1979).	Annual tax on profits of companies except companies engaged in exploration, drilling, and extraction of petroleum and natural gas. Total profits are defined as assessable profits from all sources after adjusting for balancing charges, losses, investment, and capital allowances. Losses may be carried forward against future profits for four years.	Exempted are: -- nonprofit organizations, religious and educational institutions; -- companies with a so-called Pioneer Status have a tax holiday period of between three and five years; -- interest on public loans; -- interest from the Federal Savings Bank; -- dividends paid out by companies with Pioneer Status. Deductions include any current expenditure wholly and exclusively incurred in the earning of income. Apart from the usual expenses this includes: contributions to pension funds, Industrial Training Fund contributions, royalty payments up to a maximum of 1 percent of sales, donations out of profits to a maximum of 10 percent of total profits. Instead of a depreciation provision, there is a system of capital allowances for prescribed assets. These allowances consist of initial allowances based on costs and annual allowances computed on the written-down value of the assets. Companies engaged in agricultural production receive in addition an investment allowance of 10 percent.	45 percent of taxable income. For building and construction companies there is a minimum tax levy of 2 1/2 percent of turnover if this is higher than the tax yield under normal assessment. An additional 10 percent is levied on excess profit of banks. Excess profits are defined as the difference between total profits and the sum of 40 percent of paid up capital, 20 percent of long-term loans, 20 percent of the statutory reserve, and 20 percent of the general reserve.

	Initial allowance	Annual allowance
	(In percent)	
Industrial buildings	15	10
Other buildings	5	10
Machinery and equipment	20	12.5
Motor vehicles	20	12.5
Furniture	20	12.5
Agricultural plantations	25	15

Tax	Nature of tax	Exemptions and deductions	Rates
1.2 Petroleum profit tax (Petroleum Profit Tax Act of 1958 as amended in 1979).	Annual tax on profits of companies engaged in exploration, drilling, and extracting of petroleum and natural gas. Income generated by a petroleum company not related to its petroleum operations is subject to the company income tax. Tax payments are spread over 12 monthly installments. In determining profits, exports of crude oil are valued at a posted price, which is fixed by the Government, while domestic sales are valued at the actual price.	Deductions include any current expenditure wholly and exclusively incurred in the earning of income, including expenditure directly incurred in connection with mining and exploration, appraisal, royalties, and duties to the Federal Government or local authorities. All capital expenditure can be amortized in five equal annual installments; 1 percent of the initial cost of each asset has to be retained on the books. An investment tax credit in the year of such expenditure is provided in the following cases: -- operations on land, 5 percent; -- operations on offshore areas of water depth up to 100 meters, 10 percent; -- operations on offshore areas of water depth beyond 100 meters and up to 200 meters, 15 percent; -- operations on offshore areas of water depth beyond 200 meters, 20 percent.	65.75 percent for the first five accounting years, and 85 percent thereafter. The rate is never less than 15 percent of profits before capital allowances.

Nigeria: Summary of the Tax System, 1983 (continued)

(All amounts in naira)

Tax	Nature of tax	Exemptions and deductions	Rates
			The royalty rate, which is only levied on exports, is graduated as follows: -- operations on land, 20 percent; -- operations on offshore areas up to 100 meters water depth, 18 1/2 percent; -- operations on offshore areas beyond 100 meters water depth, 16 2/3 percent.
1.4 Personal income tax (Income Tax Management Act, 1961).	Progressive tax on chargeable income arrived at after deducting personal allowances, capital allowances, and exempted categories of income.	Exempted income: -- interest from the Federal Savings Bank; -- investment income of any pension fund; -- death gratuity and compensation for death or injuries; -- the value of transport and rent subsidy paid by an employer to an employee up to ₦ 600 and ₦ 720 per year, respectively.	Taxable income / Rate (percent) 1st ₦ 2,000 — 10 next ₦ 2,000 — 15 next ₦ 2,000 — 20 next ₦ 2,000 — 25 next ₦ 2,000 — 30 next ₦ 5,000 — 40 next ₦ 5,000 — 45 next ₦ 10,000 — 50 Thereafter — 70
		Deductions and allowances: -- personal allowance of ₦ 1,200 or 10 percent of earned income, whichever is higher; -- wife allowance or alimony paid subject to a maximum of ₦ 300; -- child allowance subject to a maximum of ₦ 250 per child and a maximum of 4 children under 16 years of age. Full-time students over 16 years remain eligible for allowance; -- dependent relative allowance of ₦ 400; -- life insurance allowance of 10 percent of assured capital sum or premium paid, whichever is less, subject to a maximum of 20 percent of total income; -- interest on loans for owner-occupied house, where the value of the house does not exceed ₦ 100,000; -- contributions to pension, provident, or other retirement benefits funds. -- losses incurred in trade or business, profession, or vocation.	If the liability under the normal assessment is less than 1 percent of total income, then a tax of 1 percent of total income is charged.
2. Taxes on property			
2.1 Capital gains tax (Capital Gains Tax Act of 1967).	A tax levied on capital gains by individuals or companies accruing and derived from the sale, lease, or transfer of property rights in chargeable assets in or outside Nigeria. Capital losses cannot be offset against capital gains. Chargeable assets consist of loans, buildings, stocks, and shares in Nigerian companies.	Exempted institutions include charitable, religious, and educational organizations, pension funds, and trade unions, provided that the gain is not derived in connection with trade or business carried on by the institution. Exempted items include the main private residence of an individual, motor cars for private use, life insurance policies, Nigerian Government securities, gifts, Nigerian currency.	20 percent.
2.2 Capital transfer tax (Capital Transfer Tax Act of 1979).	A progressive inheritance tax, and tax on gifts during lifetime.	Exemptions: -- the family house; -- the first ₦ 100,000 of the transfer; -- property outside Nigeria; -- works of art donated to specified institutions.	Net value of the taxable property / Rate (in percent) 1st ₦ 100,000 — -- Next ₦ 150,000 — 10 Next ₦ 150,000 — 20 Next ₦ 250,000 — 30 Next ₦ 500,000 — 40 Next ₦ 1,500,000 — 50 Thereafter — 60

Nigeria: Summary of the Tax System, 1983 (continued)

(All amounts in naira)

Tax	Nature of tax	Exemptions and deductions	Rates
3. Taxes on goods and services			
3.1 Sales tax (Sales Tax Law of 1982).	An ad valorem tax on services and certain commodities, levied at the retail level on hotels and catering services, beer, liquor, and soft drinks, cigarettes and tobacco, jewelry, perfumes, and cosmetics.		10 percent of the retail sales price.
3.2 Excise tax (Excise Tariff Consolidation Decree of 1973 as amended in 1983).	Excise duties are levied at specific or ad valorem rates on a wide selection of goods manufactured or produced in Nigeria.	Exempted from excise duties are: -- exported goods; -- any goods, other than alcoholic and nonalcoholic drinks, tobacco, and food supplies for the use of the Army; -- goods for the official or personal use of the President of the Federal Republic of Nigeria; -- goods for the official and personal use of persons and organizations under the Diplomatic Immunities and Privileges Act of 1962.	As of May 1983 excise duties are levied on approximately 55 commodities. While some of the rates are specific, including excises on alcoholic and nonalcoholic beverages and petroleum products, most products carry an ad valorem rate of 5 percent, and a limited class of luxury goods carries rates ranging from 10 to 70 percent. A 5 percent rate applies to textiles, radio and television sets, margarine, soap, paint, footwear, matches, tires, paper, watches, glassware, etc. A 10 percent rate applies to sugar and confectionery, chocolate and cocoa products, pastry, biscuits, cake and other fine bakers' ware, petroleum gas, travel goods, carpets and rugs, blankets, bed linen, and other furnishing articles, sewing machines, jewelry, refrigerators, air conditioners, ballpoints, etc. A 15 percent rate applies to cosmetics. A 20 percent rate applies to low-priced cigarettes. A 50 percent rate applies to gambling and amusement machines. A 70 percent rate applies to high-priced cigarettes.
4. Taxes on international transactions			

Nigeria: Summary of the Tax System, 1983 (concluded)

(All amounts in naira)

Tax	Nature of tax	Exemptions and deductions	Rates
4.1 Import duties (Customs Tariff Consolidation Act of 1973, as amended in 1983).	A tax on merchandise imports.	Exempt are aircraft equipment, machinery used in the generation and distribution of electric power, educational material, scientific equipment, mining materials, raw materials used in the manufacture of livestock feed, machinery used in the processing of food and agricultural products, goods imported by the Army other than beverages, foods, and tobacco.	The standard rate is 5 percent. Higher rates vary between 10 and 200 percent, while in some cases a specific instead of an ad valorem rate may be applied if this entails higher revenue. In general, lower rates apply to licensed manufacturers and completely knocked-down articles. The rate structure can be summarized as follows: Rates between 10 and 50 percent apply to some soap products, metal sheets and plates, tin products, electromechanical parts, kerosene cookers and stoves, sacks for packing goods, tin and metal products for local manufacturers. Higher rates ranging from 60 to 100 per cent apply to finished products, textiles, bicycles, trailers, and caravans. The highest rates, over 100 percent, apply to wooden articles, woven cotton fabrics, fans, and cars.
4.2 Export duties (Customs Tariff Consolidation Act of 1973, as amended in 1983).	A tax on merchandise exports.		Except for soap and tin, which carry ad valorem rates of 10 percent and 4 percent, respectively, the rates are specific on a small number of goods. Item — Range of duties animals: African gray parrots, cattle, horses, asses, mules, reptiles; — ₦ 6 to ₦ 20 each; hides and skins: cattle, goats, sheep; — ₦ 4.09 to ₦ 147.06 per ton; reptiles; — ₦ 0.22/kg. furs; — ₦ 2.20/kg. bananas: — ₦ 0.15/bunch; oils: petroleum and mineral; — ₦ 0.01 per liter; wood and timber — ₦ 0.77 to ₦ 4.24/cubic meter.
5. Other taxes			
5.1 Stamp duties	A tax imposed on most legal documents.		The rates vary with the type of document. The highest rates of duty relate to transfers of real estate (1 1/2 percent) and leases (3 to 6 percent). On share capital the rate is 0.75 percent.

Source: Federal Ministry of Finance.

Table I. Nigeria: Gross Domestic Product by Industrial Origin in Constant 1977/78 Prices, 1978/79-82 1/

(In millions of naira)

	1978/79	1979/80	1980 2/	1981 2/	1982 3/
Primary production	14,707.0	15,557.0	14,807.2	12,415.3	11,751.4
Agriculture, animal husbandry, forestry, and fishing	7,465.4	7,285.6	7,149.1	6,971.4	6,856.3
Mining and quarrying	7,241.6	8,271.4	7,658.1	5,443.9	4,895.1
Petroleum	(6,449.4)	(7,512.5)	(6,914.6)	(4,719.6)	(4,171.8)
Other	(792.2)	(758.9)	(743.5)	(724.3)	(723.3)
Secondary production	5,845.0	5,899.2	6,548.4	7,003.7	6,821.1
Manufacturing	1,778.4	1,908.6	2,244.8	2,508.4	2,458.2
Construction	2,875.9	2,778.8	3,056.0	3,204.1	3,134.8
Housing	1,074.4	1,077.2	1,191.5	1,105.9	1,120.8
Utilities	116.3	134.6	156.1	185.3	107.3
Services	9,682.8	10,577.4	10,818.2	11,051.6	10,959.3
Transportation and communications	1,103.8	1,183.8	1,311.4	1,458.0	1,458.0
Wholesale and retail trade	6,203.5	6,911.5	6,928.8	6,919.9	6,782.0
Government services	1,441.7	1,511.0	1,564.6	1,617.6	1,523.8
Other	933.8	971.1	1,013.4	1,056.1	1,195.5
GDP at factor cost	30,234.8	32,033.6	32,173.8	30,470.6	29,531.8
Non-oil GDP at factor cost	23,785.4	24,521.1	25,259.2	25,751.0	25,360.0

Source: Federal Office of Statistics.

1/ Fiscal year (April-March) basis for the years 1978/79 and 1979/80.
2/ Provisional.
3/ Provisional estimates with staff adjustments.

Table II. Nigeria: Composition of Gross Domestic Product at 1977/78 Factor Cost, 1973/74-82

(In percent)

	1973/74	1973/74-1977/78	1978/79	1979/80	1980	1981	1982
Primary production	56.9	53.6	48.7	48.5	46.0	40.8	39.8
Agriculture, animal husbandry, forestry, and fishing	31.0	28.0	24.7	22.7	2.2	22.9	23.2
Mining and quarrying	25.9	25.6	24.0	25.8	23.8	17.9	16.6
Petroleum	(24.5)	(23.7)	(21.3)	(23.5)	(21.5)	(15.5)	(14.1)
Other	(1.4)	(1.9)	(2.7)	(2.3)	(2.3)	(2.4)	(2.5)
Secondary production	15.5	16.1	19.4	18.4	20.7	22.9	23.1
Manufacturing	4.0	4.3	5.9	6.0	7.0	8.2	8.3
Construction	7.7	7.9	9.5	8.7	9.5	10.5	10.6
Housing	3.5	3.6	3.6	3.4	3.7	3.6	3.8
Utilities	0.3	0.3	0.4	0.4	0.5	0.6	0.4
Services	27.6	30.3	31.9	33.0	33.3	36.3	37.1
Transportation and communications	3.7	3.4	3.7	3.7	4.1	4.8	4.9
Wholesale and retail trade	18.9	19.9	20.5	21.6	21.5	22.7	23.0
Government services	3.6	4.7	4.8	4.7	4.9	5.3	5.2
Other	1.4	2.3	2.9	3.0	2.8	3.5	4.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Federal Office of Statistics; IMF, International Financial Statistics; and staff estimates.

Table III. Nigeria: Gross Domestic Product by Industrial Origin in Current Prices, 1978/79-82 1/

(In millions of naira)

	1978/79	1979/80	1980 2/	1981 2/	1982 3/
Primary production	16,754.5	20,320.4	24,692.0	22,545.9	22,030.5
Agriculture, animal husbandry, forestry, and fishing	8,339.0	8,980.9	9,619.6	10,137.7	10,797.4
Mining and quarrying	8,415.5	11,339.5	15,072.4	12,408.2	11,233.1
Petroleum	(7,568.3)	(10,479.2)	(14,192.7)	(11,512.7)	(10,321.0)
Other	(847.2)	(860.3)	(879.7)	(895.5)	(912.1)
Secondary production	6,125.6	6,607.1	7,539.5	8,308.9	8,857.2
Manufacturing	1,785.0	2,037.1	2,354.4	2,647.5	2,752.0
Construction	3,077.2	3,192.3	3,671.2	4,001.6	4,281.0
Housing	1,135.5	1,216.5	1,309.6	1,398.2	1,491.6
Utilities	127.9	161.2	204.3	261.6	332.6
Services	10,780.2	13,011.2	14,507.1	16,006.3	17,415.7
Transportation and communications	1,211.1	1,447.0	1,762.6	2,129.3	2,583.0
Wholesale and retail trade	7,020.5	8,725.8	9,617.2	10,449.7	11,513.0
Government services	1,558.4	1,747.5	1,938.2	2,132.0	1,849.6
Other	990.2	1,090.9	1,189.1	1,295.3	1,470.1
GDP at factor cost	33,660.3	39,938.7	46,738.6	46,861.1	48,303.4
Indirect taxes less subsidies	415.0	424.5	538.2	593.7	704.3
GDP at market prices	34,075.3	40,363.2	47,276.8	47,454.8	49,007.7

Sources: Federal Office of Statistics.

1/ Fiscal year (April-March) basis for the years 1978/79 and 1979/80.
2/ Provisional.
3/ Provisional estimates with staff adjustments.

Table IV. Nigeria: Gross Domestic Product by Expenditure in Current Prices, 1978/79-82

(In millions of naira)

	1978/79	1979/80	1980	1981	1982
Consumption	25,364.7	29,100.4	32,377.6	37,462.5	40,803.0
Private	22,130.0	24,488.1	26,588.7	30,809.8	34,625.3
Public	3,234.7	4,612.3	5,788.9	6,652.7	6,177.7
Gross investment	9,886.3	9,580.2	11,565.8	12,951.7	12,340.0
Exports of goods and NFS	8,074.3	11,423.1	14,806.0	11,449.1	9,268.2
Petroleum sector	(7,086.5)	(10,449.6)	(13,632.3)	(10,533.5)	(8,583.8)
Other	(987.8)	(973.5)	(1,173.7)	(915.6)	(684.4)
Imports of goods and NFS	9,250.0	9,740.5	11,472.6	14,408.5	13,403.5
GDP at market prices	34,075.3	40,363.2	47,276.8	47,454.8	49,007.7
Memorandum items:					
Gross investment by type					
Building and construction	6,191.7	6,383.7	7,342.3	8,003.2	8,003.0
Machinery and equipment	1,946.4	1,471.4	2,085.7	2,453.1	2,177.6
Transport equipment	1,135.0	1,106.5	1,412.2	1,679.7	1,336.0
Land improvement	97.0	102.1	117.4	122.1	129.2

Sources: Federal Office of Statistics; and Central Bank of Nigeria.

Table V. Nigeria: Production of Major Crops, 1/
1977/78-81/82

(In thousands of metric tons)

	1977/78	1978/79	1979/80	1980/81	1981/82
Millet	2,579	2,342	2,366	2,351	2,802
Sorghum	3,286	2,309	2,402	3,562	3,715
Maize	651	478	491	653	764
Rice (paddy)	411	169	156	96	211
Yams	6,376	5,600	5,142	5,284	5,207
Cassava	1,696	1,578	1,402	788	580
Groundnuts	567	701	507	436	436
Cotton (lint)	269	210	125	77	38

Source: Federal Office of Statistics.

1/ Crop year May-April.

Table VI. Nigeria: Index of Total Manufacturing Production and of Selected Products, 1978-81 1/

(1972 = 100)

	Total	Beer	Cotton textiles	Cigar- ettes	Soaps and detergents	Vegetable oils	Cement	Soft drinks	Refined petroleum products	Other petroleum products	Other
Weights 2/	100.0	19.5	16.9	14.0	8.7	4.3	4.1	3.9	3.3	11.7	13.6
1978	226.2	285.2	167.1	129.0	362.5	15.4	139.6	332.3	124.5	74.6	445.6
1979	242.4	310.8	184.2	117.3	325.5	16.3	161.9	433.5	150.6	93.1	484.6
1980 3/	349.6	604.8	257.3	123.0	449.2	12.5	146.9	514.0	460.8	175.4	512.5
1981 4/	354.2	605.3	235.2	121.3	596.0	...	170.2	533.3	483.4	193.4	446.3
					(Annual change in percent)						
1978	14.9	53.7	-3.4	5.7	10.4	220.8	19.2	9.5	0.7	-13.9	10.8
1979	7.2	9.0	10.2	-9.1	-10.2	5.8	16.0	30.5	21.0	24.8	8.8
1980	44.2	94.6	39.7	4.9	38.0	-23.3	-9.3	18.6	206.0	88.4	5.8
1981	1.3	0.1	0.4	-0.2	-3.5	...	17.6	8.9	13.8	8.6	-12.9

Source: Federal Office of Statistics.

1/ Central bank estimate differs from estimates of the Federal Office of Statistics, in part because of differences in methodology (Table 1).
2/ Derived from 1972 value added.
3/ Revised.
4/ Provisional.

Table VII. Nigeria: Planned and Actual Public Sector Investment Outlays Under the Third National Development Plan and Targeted Investment Outlays Under the Fourth National Development Plan by Sector, 1975/76-1979/80 and 1981-85

	1975/76 - 1979/80 Revised plan	1975/76 - 1979/80 Actual	1981-85 Target	1975/76 - 1979/80 Revised plan	1975/76 - 1979/80 Actual	1981-85 Target
	(In millions of naira)			(In percent of total)		
Economic sector	26,652	17,187	40,381	61.5	58.4	57.5
Agriculture	3,042	2,107	8,828	7.0	7.2	12.6
Mining and quarrying	2,646	1,470	5,409	6.1	5.0	7.7
Manufacturing	5,486	2,570	7,812	12.7	8.7	11.1
Power	1,285	1,721	3,106	3.0	5.8	4.4
Transportation	9,678	6,814	10,707	30.5	23.2	15.2
Communications	3,529	1,779	2,000		6.0	2.8
Other	986	726	2,519	2.2	2.5	3.6
Social sector	5,012	4,048	12,323	11.6	13.7	17.5
Education	3,222	2,994	7,703	7.4	10.2	11.0
Health	1,173	603	3,044	2.7	2.0	4.3
Other	617	451	1,576	1.5	1.5	2.2
Environmental development	6,034	3,114	11,370	13.9	10.6	16.2
Water supply	1,549	871	3,117	...	3.0	4.4
Housing	2,256	1,200	2,687	...	4.1	3.8
Town and country planning	1,589	766	4,912	...	2.6	7.0
Other	640	277	654	...	0.9	0.9
Administration	5,616	5,084	6,202	13.0	17.3	8.8
Total	43,314	29,433	70,276	100.0	100.0	100.0

Source: Federal Ministry of National Planning: Fourth National Development Plan, 1981-85.

Table VIII. Nigeria: Federal Government Budgetary Revenue 1979/80-83

(In millions of naira)

	1979/80 1/	1980 1/	1981 2/	1982 2/	Approved budget 1983
Federally collected revenue 3/	12,227.8	15,154.0	13,031.9	12,340.4	9,938.5
Taxes on income and profits	6,360.2	9,161.1	7,816.6	7,141.1	4,831.6
Company income tax	553.5	579.2	561.3	666.9	561.5
Petroleum profits tax	5,787.4	8,564.3	7,231.1	6,452.4	4,247.7
Personal income tax	--	4.0	5.0	4.2	4.5
Other 4/	19.3	13.6	19.2	17.6	17.9
Taxes on domestic production and consumption	373.3	406.2	576.1	687.1	864.4
Taxes on international trade	852.3	1,392.3	1,624.1	1,535.9	1,241.8
Import duties	850.4	1,392.2	1,624.0	1,535.7	1,241.8
Export duties	1.9	0.1	0.1	0.2	-
Nontax revenue	4,642.0	4,194.4	3,015.1	2,976.3	2,993.1
Of which: petroleum royalties and dividends	(4,203.4)	(3,789.5)	(2,778.9)	(2,798.6)	(2,302.6)
Less share of states and local governments	3,336.5	3,095.3	4,975.0	4,999.0	3,745.8
Federally retained revenue	8,891.3	12,058.7	8,056.9	7,341.4	6,372.7
Memorandum items:					
Petroleum receipts	10,096.0	12,353.8	10,010.0	9,251.0	7,735.0
Nonpetroleum receipts	2,132.0	2,800.2	3,021.9	3,089.4	3,040.1

Sources: Recurrent and Capital Estimates of the Government of the Federal Republic of Nigeria; data provided by the Nigerian authorities; and staff estimates.

1/ Actuals.
2/ Preliminary outcome.
3/ Gross receipts minus repayments.
4/ Includes capital gains tax, stamp duties, and penalties.

Table IX. Nigeria: Major Revenue Categories as a Percentage of Federally Collected Revenue and of Gross Domestic Product, 1979/80-83

	1979/80	1980	1981 1/	1982 1/	Approved budget 1983
	(As a percentage of federally collected revenue)				
Federally collected revenue	100.0	100.0	100.0	100.0	100.0
Taxes on net income and profits	52.0	60.5	60.0	57.9	48.6
Of which: company income tax	(4.5)	(3.8)	(4.3)	(5.4)	(5.6)
petroleum profit tax	(47.3)	(56.5)	(55.4)	(52.3)	(42.7)
Taxes on domestic production and consumption	3.1	2.7	4.4	5.6	8.7
Taxes on international trade	7.0	9.2	12.5	12.4	12.5
Nontax revenue	38.0	27.7	23.1	24.1	30.1
Of which: petroleum royalties and dividends	(34.4)	(25.0)	(21.3)	(22.7)	(23.2)
Share of state and local governments	27.3	20.4	38.2	40.5	37.7
Memorandum items:					
Petroleum revenue	81.7	81.5	76.8	75.0	65.9
Nonpetroleum revenue	18.3	18.5	23.2	25.0	34.1
	(As a percentage of GDP)				
Federally collected revenue	30.3	32.1	27.5	25.2	20.8
Taxes on income and profits	15.8	19.4	16.5	14.6	10.1
Of which: company income tax	(1.4)	(1.2)	1.2	(1.4)	1.2
petroleum profit tax	(14.3)	(18.1)	15.2	13.2	8.9
Taxes on domestic production and consumption	0.9	0.9	1.2	1.4	1.8
Taxes on international trade	2.1	2.9	3.4	3.1	2.6
Nontax revenue	11.5	8.9	6.4	6.1	6.3
Of which: petroleum royalties and dividends	(10.4)	(8.0)	(5.9)	(5.7)	(4.8)
Share of state and local governments	8.3	6.5	10.5	10.2	7.8
Memorandum items:					
Petroleum revenue	24.8	26.1	21.1	18.9	13.7
Nonpetroleum revenue	5.5	5.9	6.4	6.3	7.1

Source: Table VIII.
1/ Estimates.

Table X. Nigeria: Economic Classification of Federal Government Budgetary Current Expenditure, 1980-83

(In millions of naira)

	Budget 1980 1/	Budget 1981	Budget 1982	Budget 1983
Employment costs	913.7	1,075.9	1,120.9	1,036.8
Goods and services	2,298.7	2,136.6	1,342.3	1,818.0
Domestic interest payments 2/	202.3	217.9	220.0	243.2
External interest payments	387.6	346.1	346.1	380.7
Grants, subsidies, and contributions	1,188.8	470.5	1,518.9	999.4
Pensions and gratuities	221.7	190.1	245.3	309.4
	5,212.8	4,437.1	4,793.5	4,787.5

Sources: Federal Government Budgets; and staff estimates.

1/ On a twelve-month basis.
2/ Excludes interest payable on the government overdraft with the Central Bank of Nigeria and on Government Treasury bills and Treasury certificates outstanding, which are treated as off-budget items.

Table XI. Nigeria: Functional Classification of Federal Government Budgetary Current Expenditure, 1980-83

	(In millions of naira)				(As percent of total)			
	1980 1/	1981 2/	1982 2/	1983 2/	1980 1/	1981 2/	1982 2/	1983 2/
General services	2,219.1	2,161.4	2,156.5	2,498.7	42.4	48.7	50.1	52.2
General administration	895.6	928.9	1,088.3	1,545.8	17.1	20.9	24.3	32.3
Defense	1,035.4	725.1	660.8	535.4	19.7	16.3	15.4	11.2
Justice	13.1	16.4	19.2	24.6	0.3	0.4	0.4	0.5
Police	275.0	491.0	388.2	392.9	5.3	11.1	9.0	8.2
Community and social services	1,003.3	860.9	890.7	863.7	19.2	19.4	20.7	18.1
Housing	53.8	75.4	68.34	55.4	1.0	1.7	1.6	1.2
Water	4.6	5.0	4.6	5.8	0.1	1.7	1.6	0.1
Social development and recreation	98.3	117.0	115.3	84.5	1.9	2.6	2.7	1.8
Education	632.6	543.7	546.7	574.4	12.1	12.3	12.7	12.0
Health	214.0	119.8	155.8	143.6	4.1	2.7	3.6	3.0
Economic services	582.5	509.7	440.8	388.8	11.1	11.5	10.3	8.1
Agriculture	69.8	33.9	34.1	29.3	1.3	0.8	0.8	0.6
Fuel and power	8.8	9.7	8.9	12.1	0.2	0.2	0.2	0.2
Manufacturing and construction	294.8	290.0	229.2	194.0	5.6	6.5	5.3	4.1
Transportation and communications	54.4	59.3	53.8	49.7	1.0	1.4	1.3	1.0
Employment, technology, trade	154.7	116.8	114.8	103.7	3.0	2.6	2.7	2.2
Other	1,424.5	906.1	813.6	1,036.3	27.3	20.4	18.9	21.6
Interest on public debt	438.6	564.1	566.3	623.8	8.4	12.7	13.1	13.0
Pensions and gratuities	236.3	190.0	245.3	309.4	4.5	4.2	5.7	6.5
Nonstatutory appropriations to states	599.3	2.0	--	--	11.5	0.1	--	--
Unallocable (contingencies)	150.3	150.0	2.0	103.1	2.9	3.4	0.1	2.1
Total	5,229.4	4,438.1	4,301.6	4,787.5	100.0	100.0	100.0	100.0

Sources: Federal Government Budgets; data provided by the Nigerian authorities; and staff estimates.

1/ Actuals and staff estimates.
2/ Budgetary estimates.

Table XII. Nigeria: Functional Classification of Federal Government Capital Expenditure and Lending, 1980-83 1/

	1980 2/	1981 3/	1982 3/	1983 3/	1980 2/	1981 3/	1982 3/	1983 3/
	(In millions of naira)				(As percent of total)			
General services	1,061.1	1,269.7	1,292.1	1,770.9	15.2	12.0	13.4	18.9
General administration	489.2	538.5	735.0	876.4	7.0	5.1	7.6	9.3
Defense	495.7	594.0	451.7	643.5	7.1	5.6	4.7	6.9
Police	76.2	137.2	105.4	251.0	1.1	1.3	1.1	2.7
Community and social services	1,403.1	2,038.5	1,421.4	1,662.2	20.1	19.3	14.5	17.7
Housing	292.6	469.0	174.1	139.0	4.2	4.5	1.8	1.5
Water	389.0	715.5	566.9	898.9	5.6	6.7	5.8	9.6
Social development and recreation	10.4	40.7	24.6	21.0	0.1	0.4	0.2	0.2
Education	523.0	629.9	469.9	433.3	7.5	6.0	4.8	4.6
Health	188.1	183.4	185.9	170.0	2.7	1.7	1.9	1.8
Economic services	4,174.6	6,529.8	5,896.2	5,355.8	59.9	62.0	60.7	57.0
Agriculture	340.4	411.9	531.4	528.4	4.9	3.9	5.5	5.6
Petroleum 4/	758.9	1,891.1	1,560.7	1,540.0	10.9	17.9	16.1	16.4
Steel	327.3	1,113.1	1,422.5	1,041.0	4.7	10.6	14.6	11.1
Mining, electricity, and manufacturing	765.3	769.9	939.3	789.5	11.0	7.3	9.7	8.4
Transportation and communications	1,870.4	2,148.1	1,284.2	1,310.9	26.8	20.4	13.2	13.9
Employment, technology, and trade	112.3	195.7	158.1	146.0	1.6	1.9	1.6	1.6
Other	334.4	701.5	1,101.9	602.5	4.8	6.7	11.4	6.4
Lending to the states	303.7	383.0	430.0	421.5	4.4	3.6	4.4	4.5
External contribution and lending	30.7	318.5	671.9	181.0	0.4	3.1	7.0	1.9
Total	6,973.2	10,539.5	9,711.6	9,391.4	100.0	100.0	100.0	100.0

Sources: Recurrent and capital estimates of the Government of the Federal Republic of Nigeria; data provided by the Nigerian authorities; and staff estimates.

1/ Includes reserved appropriations of ₦ 2,743.5 million in 1981, ₦ 2,011.3 million in 1982, and ₦ 1,500.0 million in 1983.

2/ Actuals and staff estimates.

3/ Budgetary estimates.

4/ Includes an amount of ₦ 895 million in 1981, ₦ 1,088 million in 1982, and ₦ 1.0 billion in 1983 for capital funding of joint venture activities by the Nigerian National Petroleum Corporation.

Table XIII. Nigeria: Federal Government Debt Service, 1979/80-83

(In millions of naira)

	1979/80	1980	1981 1/	1982 1/	1983 1/
Interest	452.8	693.3	467.0	513.0	638.2
Internal	304.9	468.0	178.0	167.0	233.2
External	144.4	225.3	289.0	346.0	405.0
Amortization	152.7	137.6	398.5	415.3	491.3
Internal	61.7	107.9	121.5	125.2	129.9
External	91.0	29.7	277.0	290.3	361.4
Other 2/	3.5	5.1	8.7	10.0	10.0
Budgeted debt service	605.5	836.0	865.5	928.3	1,129.5
Memorandum item:					
Off-budget domestic interest payments	...	...	281.3	693.6	762.8

Sources: Data provided by the Nigerian authorities.

1/ Staff estimates.
2/ Reimbursement of loan management expenses.

Table XIV. Nigeria: Financial Operations of Nigerian Airports Authority (NAA), 1978/79-82

(In millions of naira)

	1978/79	1979/80	1980 9 months	1981	1982
Total receipts	61.6	155.1	164.0	107.5	28.4
Recurrent revenue	10.3	21.2	24.7	27.1	28.4
Federal government transfers 1/	51.3	143.9	139.3	80.4	...
Total expenditure	58.3	112.6	91.0	111.5	...
Recurrent expenditure	7.3	25.3	28.2	47.5	47.9
Capital expenditure 2/	51.0	87.3	63.8	64.0	...
Current account balance (deficit -)	3.0	-4.1	-3.5	-20.4	-19.5
Overall balance (deficit -)	3.3	31.2	72.0	-4.0	...
Net foreign financing	...	2.2	-5.8	0.5	...
Net domestic financing	...	-33.4	-66.2	3.5	...
Banking system	...	-35.0	-73.4	29.5	...
Other (including residual)	...	1.6	7.2	-26.0	...

Source: Nigerian Airports Authority, Annual Financial Statement, 1978-81.

1/ Includes recurrent subventions and federal government investments for airport development.
2/ Excludes provisions for depreciation of capital assets.

Table XV. Nigeria: Financial Operations of Nigeria Airways, Ltd. (NA), 1978/79-82

(In millions of naira)

	1978/79	1979/80	1980 9 months	1981	1982
Total receipts	115.4	130.6	142.5	229.1	219.4
Recurrent revenue	112.4	130.6	139.5	229.1	219.0
Other revenue 1/	3.0	--	3.0	--	--
Federal government transfers	--	--	--	--	--
Total expenditure	108.9	146.5	155.4	237.9	...
Recurrent expenditure 2/	103.4	127.2	149.1	226.8	221.0
Capital expenditure	5.5	19.3	6.3	11.1	...
Current account balance (deficit -)	9.0	3.4	-9.6	2.3	-2.0
Overall balance (deficit -)	6.5	-15.9	-12.9	-8.8	...
Net foreign financing	-1.9	12.1	-2.5	-1.1	...
Net domestic financing	8.4	3.8	15.4	9.9	...
Banking system	-5.5	5.4	4.6	-1.1	...
Federal government loans	2.4	--	10.3	7.0	...
Other (including residual)	11.5	-1.6	0.5	4.0	...

Source: Annual financial statement of Nigeria Airways, Ltd.

1/ Sale of fixed assets.
2/ Excludes depreciation allowances of:
₦ 14.6 million in FY 1978/79
₦ 16.2 million in FY 1979/80
₦ 13.7 million in FY 1980
₦ 19.4 million in 1981
₦ 20.0 million in 1982

Table XVI. Nigeria: Financial Operations of Nigeria External Telecommunications, Ltd. (NET), 1980-81

(In millions of naira)

	1980	1981
Total revenue	29.0	67.6
Recurrent revenue	29.0	66.0
Other revenue	--	1.6
Government transfers	--	--
Total expenditure	36.8	54.6
Recurrent expenditure	18.0	27.0
Capital expenditure	18.8	27.6
Current account balance (deficit -)	11.0	39.0
Overall balance (deficit -)	-7.8	13.0
Foreign financing (net)	--	--
Domestic financing (net)	7.8	-13.0
Banking system	...	5.8
Federal government loans	5.5	5.7
Other	2.3	-24.5

Source: NET annual financial statements.

Table XVII. Nigeria: Financial Operations of Nigerian Ports Authority (NPA), 1978/79-82

(In millions of naira)

	1978/79	1979/80	1980 9 months	1981	1982
Total revenue	335.0	300.0	287.0	516.0	387.0
Recurrent revenue	225.0	197.0	247.0	405.0	387.0
Federal government transfers	110.0	103.0	40.0	111.0	--
Total expenditure	...	...	...	...	...
Recurrent expenditure	166.0	159.0	265.0	413.0	431.0
Capital expenditure	...	...	...	...	...
Current account balance (deficit -)	59.0	38.0	-18.0	-8.0	-44.0
Overall balance (deficit -)	...	...	...	...	...
Foreign financing (net)	...	...	...	...	...
Domestic financing (net)	...	...	...	...	...

Source: NPA Annual Financial Statements.

Table XVIII. Nigeria: Financial Operations of the National Electric Power Authority (NEPA), 1978/79-82

(In millions of naira)

	1978/79	1979/80	1980 9 months	1981	1982 Est.
Total revenue	173.9	...	278.3	...	...
Current revenue	167.9	...	271.7	433.0	454.9
Government transfers	6.0	...	6.6	...	...
Total expenditure	474.5	...	509.3	...	...
Recurrent expenditure	118.2 1/	...	169.3	294.4	303.4
Capital expenditure	356.3	...	340.0	...	...
Current account balance (deficit -)	49.7	...	102.4	138.6	151.5
Overall balance (deficit -)	-300.6	...	-231.0	...	...
Net foreign financing	9.5	...	0.5	...	...
Net domestic financing	291.1	...	230.5	...	...
Banking system	-131.0	...	...	...	...
Federal government loans	355.8	...	370.0	...	...
Other (including residual)	66.3	...	-139.5 2/	...	...

Source: NEPA annual reports.

1/ Excludes depreciation allowances of ₦ 28.0 million.
2/ Includes banking system.

Table XIX. Nigeria: Financial Operations of the Nigeria Railways Corporation (NRC), 1978/79-82

(In millions of naira)

	1978/79	1979/80	1980 9 months	1981	1982
Total revenue	202.4	208.9	200.0	219.8	143.0
Recurrent revenue	33.4	45.9	45.0	73.8	87.0
Government transfers	169.0	163.0	155.0	146.0	56.0
Total expenditure	202.4	208.9	200.0	219.8	...
Recurrent expenditure	81.3	100.4	105.3	157.2	155.0
Capital expenditure 1/	121.1	108.5	94.7	62.6	...
Current account balance (deficit -)	-47.9	-54.5	-60.3	-83.4	-68.0
Overall balance (deficit -)	--	--	--	--	--
Net foreign financing	...	...	...	...	...
Net domestic financing	...	...	...	...	...

Source: IBRD, Nigeria Rail Sector Study.

1/ Assumes capital expenditure as equal to government transfers less deficit on current operations.

Table XX. Nigeria: Federal Government Loans to Public Corporations, 1979-82

(In millions of naira)

	FY 1979	FY 1980	FY 1981	FY 1982	Total loans outstanding December 31 1982
Nigerian Coal Corporation	15	7	10	4	110
Nigerian Mining Corporation	19	42	25	2	140
National Electric Power Authority	540	370	223	112	2,263
Nigerian Airways, Limited	--	10	7	--	148
Nigerian Ports Authority	103	40	111	--	757
Nigerian Railways Corporation	163	155	146	90	1,087
Nigerian Post and Telecommunications	50	89	--	--	182
Chad Basin Development Authority	62	48	--	--	279
Sokoto Basin Development Authority	45	15	--	--	249
Nigerian National Supply Company	8	--	--	3	76
Ashaka Cement	4	--	--	--	44
Benue Cement	6	--	5	--	48
Savannah Sugar Company	15	48	10	14	141
African Continental Bank	--	60	--	--	75
Federal Mortgage Bank	19	107	50	4	181
N. Agr. C. Bank	57	20	28	25	130
Nigerian Bank for Commerce & Industry	10	40	53	19	142
Nigerian Industrial Development Bank	15	59	40	29	230
Nigerian External Telecommunications	6	--	--	--	39
National Shipping Line	54	14	7	--	198
Delta Steel	--	41	178	--	219
National Paper Company	--	12	32	17	61
Other	106	173	83	66	628
Total	1,351	1,392	1,008	385	7,559
Grand total					

Source: Ministry of Finance Inc., (MOFI).
1/ Total repayment at the end of 1981 amounts to ₦ 53 million.

Table XXI. Nigeria: Monetary Survey, 1979-83

(In millions of naira; end of period)

	December				June	
	1979	1980	1981	1982	1982	1983
Net foreign assets	3,228.2	5,606.8	2,549.8	1,057.5	929.4	712.8
Central bank foreign assets	(3,108.5)	(5,622.2)	(2,835.1)	(1,313.4)	(1,043.2)	(864.0)
Central bank foreign liabilities	(-50.0)	(-176.5)	(-413.5)	(-271.4)	(-158.1)	(-82.4)
Commercial bank foreign assets	(236.3)	(249.4)	(259.2)	(246.6)	(255.6)	(211.8)
Commercial bank foreign liabilities	(-66.6)	(-88.3)	(-131.0)	(-231.1)	(-211.3)	(-280.6)
Net domestic assets	7,347.9	8,451.2	14,680.9	20,146.9	17,431.3	23,286.4
Claims on Federal Government (net)	3,229.8	3,019.8	6,546.0	10,349.3	7,696.8	12,665.1
Central bank claims (net)	(871.1)	(437.3)	(4,519.8)	(7,571.3)	(5,674.7)	(8,118.4)
Commercial bank claims (net)	(2,358.7)	(2,582.5)	(2,026.2)	(2,778.0)	(2,022.1)	(4,546.7)
Claims on state governments (net)	-806.5	-1,104.3	-554.4	-232.1	-129.8	10.6
Central bank claims (net)	(-225.1)	(-224.8)	(-143.1)	(-42.7)	(-105.5)	(-74.1)
Commercial bank claims (net)	(-581.4)	(-879.5)	(-411.3)	(-189.4)	(-24.3)	(84.7)
Claims on local governments (net)	-141.9	-90.8	-163.6	-57.8	13.1	76.3
Commercial bank claims (net)	(-141.9)	(-90.8)	(-163.6)	(-57.8)	(13.1)	(76.3)
Claims on marketing boards (net)	393.7	119.0	284.0	2.0	241.9	329.5
Central bank claims (net)	(520.1)	(238.8)	(496.1)	(494.0)	(468.6)	(579.5)
Commercial bank claims (net)	(-126.4)	(-119.8)	(-212.1)	(-492.0)	(-226.7)	(-250.0)
Claims on private sector	4,672.8	6,507.5	8,568.9	10,085.5	9,609.3	10,204.9
Of which: Central Bank	(202.2)	(245.6)	(290.2)	(303.5)	(294.7)	(317.4)
Liabilities to private sector	8,409.3	12,133.0	14,147.2	15,408.5	14,207.1	16,222.3
Currency in circulation	(2,350.8)	(3,185.9)	(3,861.9)	(4,222.5)	(3,743.9)	(4,225.3)
Demand deposits	(2,810.4)	(4,249.6)	(4,927.0)	(5,162.0)	(4,549.8)	(5,213.2)
Quasi-money	(3,248.1)	(4,697.5)	(5,358.3)	(6,024.0)	(5,913.4)	(6,783.8)
Other deposits	186.6	95.8	83.0	2,020.8	62.5	3,274.3
Advance import deposits	(186.6)	(95.8)	(83.0)	(974.9)	(62.5)	(1,302.4)
Deposits on external payments arrears	(--)	(--)	(--)	(1,045.9)	(...)	(1,971.9)
Capital reserves	443.1	539.7	704.9	933.8	829.3	1,019.9
Other items (net)	1,537.1	1,289.5	2,295.7	2,841.2	3,273.2	3,483.7

Source: Data provided by the Central Bank of Nigeria.

Table XXII. Nigeria: Summary Accounts of the Central Bank, 1979-83

(In millions of naira; end of period)

	December				June	
	1979	1980	1981	1982	1982	1983
Net foreign assets	3,058.5	5,445.7	2,421.6	1,042.0	885.1	781.6
Foreign assets	3,108.5	5,622.2	2,835.1	1,313.4	1,043.2	864.0
External reserves and securities	2,808.3	5,262.8	2,317.2	1,266.6	998.9	817.7
Reserve position in the Fund	218.0	257.4	330.7	--	--	--
SDR holdings	79.6	92.0	177.2	29.9	27.5	29.5
Government	2.6	10.0	10.0	16.8	16.8	16.8
Foreign liabilities 1/	-50.0	-176.5	-413.5	-271.4	-158.1	-82.4
Net domestic credit	1,368.3	696.9	5,163.0	8,326.1	6,332.5	8,941.2
Claims on Federal Government (net)	871.1	437.3	4,519.8	7,571.3	5,674.7	8,118.4
Claims	2,520.9	2,860.8	6,052.8	8,147.4	6,823.9	9,107.6
Advances	--	--	--	--	1,504.9	2,056.2
Treasury bills 2/	23.4	1.1	3,409.9	5,552.8	2,973.1	4,353.9
Treasury certificates 2/	1,086.7	1,591.3	1,113.8	936.0	895.9	1,123.8
Government stocks	1,410.8	1,268.4	1,529.1	1,658.6	1,450.0	1,573.7
Deposits 3/	-1,649.8	-2,423.5	-1,533.0	-576.1	-1,149.2	-989.2
Claims on state governments (net)	-225.1	-224.8	-143.1	-42.7	-105.5	-74.1
Deposits	(-225.1)	(-224.8)	(-143.1)	(-42.7)	(-105.5)	(-74.1)
Claims on marketing boards (net)	520.1	238.8	496.1	494.0	468.6	579.5
Bills and notes discounted	(79.2)	(79.2)	(79.2)	(79.2)	(79.2)	(79.2)
Direct advances	(452.9)	(431.5)	(540.9)	(535.3)	(492.2)	(620.3)
Deposits	(-12.0)	(-271.9)	(-124.0)	(-120.5)	(-102.8)	(-120.0)
Claims on private sector	202.2	245.6	290.2	303.5	294.7	317.4
Liabilities to commercial banks	762.2	1,690.1	1,235.2	1,691.4	1,255.3	1,143.5
Currency in commercial banks	352.6	403.6	485.8	506.4	426.1	415.4
Bankers' deposits	380.8	1,208.8	678.4	1,055.6	764.8	666.4
Loan shortfall deposits	28.8	77.7	71.0	129.4	64.4	61.7
Currency and deposit liabilities	2,640.4	3,769.8	4,695.4	4,947.7	4,317.0	4,910.9
Currency in circulation	2,350.8	3,185.9	3,861.9	4,222.5	3,743.9	4,225.3
Demand deposits	289.6	583.9	833.5	725.2	573.7	685.6
Import deposits	186.6	95.8	83.0	974.9	62.5	1,302.4
of which: advance import deposits	(...)	(...)	(...)	(858.4)	(...)	(1,204.1)
Capital accounts (including SDR allocation)	115.3	150.6	207.5	266.2	207.3	225.7
Other items (net)	723.2	437.9	1,362.9	1,487.9	1,374.9	2,140.3

Source: Central Bank of Nigeria.

1/ Negative foreign bank balances included.

2/ Includes bills rediscounted with the Central Bank by the commercial banks.

3/ Includes NNPC deposits to be transferred to the Federal Government.

Table XXIII. Nigeria: Summary Accounts of the Commercial Banks, 1979-83

(In millions of naira; end of period)

	December				June	
	1979	1980	1981	1982	1982	1983
Net foreign assets	169.7	161.1	128.2	15.5	34.3	-68.8
Assets	236.3	249.4	259.2	246.6	255.6	211.8
Liabilities	-66.6	-88.3	-131.0	-231.1	-211.3	-280.6
Reserves	797.3	1,532.1	1,376.1	2,002.0	1,336.8	1,081.8
Currency	352.6	403.6	485.8	506.4	426.1	415.4
Deposits at Central Bank	444.7	1,128.5	890.3	1,495.6	910.7	666.4
Net domestic credit	5,979.6	7,754.3	9,517.9	11,820.8	11,098.8	14,345.2
Claims on Federal Government (net)	2,358.7	2,582.5	2,026.2	2,778.0	2,022.1	4,546.7
Treasury bills	1,307.0	1,600.5	917.5	2,189.8	1,659.6	4,070.7
Treasury certificates	837.0	834.3	856.7	628.8	806.8	707.1
Government securities	272.4	524.8	361.9	328.8	359.9	327.5
Stabilization securities	--	0.1	--	--	--	--
Bankers' Unit Fund	125.2	19.3	19.4	21.1	21.1	18.6
Direct advances	22.1	27.5	50.3	46.0	29.9	34.4
Deposits	-205.0	-424.0	-179.3	-436.5	-855.2	-611.6
Net claims on state governments	-581.4	-879.5	-411.3	-189.4	-24.3	84.7
Claims	137.0	114.7	219.7	318.2	271.8	404.5
Deposits	-718.4	-994.2	-631.0	-507.6	-296.1	-319.4
Net claims on local governments	-141.9	-90.8	-163.6	-57.8	13.1	76.3
Claims	7.4	17.1	39.0	64.1	97.3	118.6
Deposits	-149.3	-107.9	-202.6	-121.9	-84.2	-42.3
Claims on marketing boards	-126.4	-119.8	-212.1	-492.0	-226.7	-250.0
Claims on private sector	4,470.6	6,261.9	8,278.7	9,782.0	9,314.6	9,887.5
Private sector deposit liabilities	5,768.9	8,363.2	9,451.8	10,460.8	9,879.5	11,311.4
Demand deposits	2,520.8	3,665.7	4,093.5	4,436.8	3,976.1	4,527.6
Other deposits	3,248.1	4,697.5	5,358.3	6,024.0	5,903.4	6,783.8
Savings	1,283.8	1,589.5	1,979.2	2,321.2	2,210.9	2,643.7
Time	1,964.3	3,108.0	3,379.1	3,702.8	3,692.5	4,140.1
Deposits on external payments arrears	--	--	--	1,045.9	...	1,971.9
Capital and reserves	327.8	389.1	497.4	667.6	622.0	794.2
Other items (net)	849.9	695.4	1,073.0	1,663.6	1,968.2	1,280.8

Source: Data provided by the Central Bank of Nigeria.

Table XXIV. Nigeria: Credit Guidelines, 1979/80-83, and Actual Sectoral Distribution of Commercial Bank Loans and Advances, March 1979-June 1983

(In percent of total)

	Credit guidelines 1/				Actual distribution				
	1979/80	1980-81	1982	1983	1979 March	1980 Dec.	1981 Dec.	1982 Dec.	1983 June
Preferred sectors	70.0	75.0	75.0	76.0	67.4	72.5	69.7	68.7	66.1
Production	53.0	56.0	59.0	61.0	57.9	62.2	59.3	58.4	56.4
Agriculture	6.0	8.0	8.0	10.0	6.3	7.0	6.9	7.7	7.9
Mining	2.0	2.0	2.0	2.0	1.0	1.1	1.0	0.9	1.1
Manufacturing	36.0 2/	36.0 2/	36.0 2/	36.0 2/	28.7	31.7	31.0	29.6	27.6
Construction	9.0	10.0	13.0	13.0	21.9	22.4	20.4	20.2	19.8
Of which: residential	(5.0)	(6.0)	(6.0)	(8.0)	(4.4)	(6.4)	(6.3)	(5.4)	(6.6)
Services	11.0	12.0	12.0	12.0	8.0	8.8	9.2	8.8	8.6
Public utilities	2.0	3.0	3.0	3.0	1.3	1.7	2.1	1.9	1.8
Transportation and communications	9.0	9.0	9.0	9.0	6.7	7.1	7.1	6.9	6.8
Exports	6.0	5.0	3.0	2.0	1.6	1.5	1.2	1.5	1.1
Development finance institutions	--	2.0	1.0	1.0	--	--	--	--	--
Less-preferred sectors	30.0	25.0	25.0	24.0	32.6	27.5	30.3	31.3	33.9
General commerce	18.0	17.0	17.0	16.0	18.4	17.2	15.9	16.3	14.6
Imports	5.0	6.0	6.0	6.0	7.7	6.4	6.3	5.7	4.9
Domestic trade	11.0	11.0	11.0	10.0	10.0	10.4	9.6	10.6	9.7
Bills discounted	2.0	--	--	--	0.7	0.4	--	--	--
Other	12.0	8.0	8.0	8.0	14.2	10.3	14.4	15.0	19.3
Financial institutions	3.0	1.0	1.0	1.0	3.0	2.0	4.2	3.9	6.7
State and local governments	2.0	2.0	3.0	3.0	4.0	2.0	3.6	3.6	4.8
Personal and professional loans	4.0	3.0	)		3.9	4.3	3.8)		
Miscellaneous	3.0	2.0	) 4.0	4.0	3.3	2.0	2.8)	7.5	7.9

Source: Data provided by the Central Bank of Nigeria.

1/ Fiscal years, i.e., April-March for 1979/80, April-Dec. for 1980, and calendar year thereafter. The percentage shares represent minima for the preferred sectors and maxima for the less-preferred sectors.
2/ Of which 3 percent must be allocated to agro-allied industries.

Table XXV. Nigeria: Credit Guidelines, 1979/80-83, and Actual Sectoral Distribution of Merchant Bank Loans and Advances, March 1979-June 1983

(In percent of total)

	Credit guidelines 1/				Actual distribution				
	1979/80	1980-81	1982	1983	1979 Mar.	1980 Dec.	1981 Dec.	1982 Dec.	1983 June
Preferred sectors	78.0	79.0	79.0	79.0	65.5	66.1	64.3	59.5	58.6
Production	67.0	69.0	69.0	69.0	61.6	63.3	61.6	56.9	55.6
Agriculture	5.0	5.0	5.0	5.0	3.1	4.7	4.0	3.4	3.6
Mining	3.0	3.0	3.0	3.0	2.6	1.3	1.3	1.1	0.9
Manufacturing	39.0	41.0 2/	41.0 2/	41.0 2/	40.1	40.8	42.7	35.9	34.8
Construction	20.0	20.0	20.0	20.0	15.7	16.5	13.6	16.5	16.3
Of which: residential	(5.0)	(6.0)	(6.0)	(6.0)	(5.4)	(7.7)	(6.7)	(8.1)	(8.0)
Services	7.0	7.0	7.0	7.0	3.9	2.8	2.7	2.5	2.9
Public utilities	3.0	3.0	3.0	3.0	0.3	1.5	1.1	1.0	0.6
Transport and communications	4.0	4.0	4.0	4.0	3.6	1.3	1.6	1.5	2.3
Exports	4.0	3.0	3.0	3.0	--	--	--	0.1	0.1
Less-preferred sectors	22.0	21.0	21.0	21.0	34.5	33.9	35.7	40.5	41.4
General commerce	15.0	14.0	14.0	14.0	16.0	15.5	15.4	12.8	11.1
Imports	8.0	8.0	8.0	8.0	6.1	9.5	10.8	7.5	6.5
Domestic trade	5.0	6.0	6.0	6.0	4.6	6.0	4.6	5.3	4.6
Bills discounted	2.0	--	--	--	5.3	--	--	--	--
Other	7.0	7.0	7.0	7.0	18.5	18.4	20.3	27.7	30.3
Financial institutions	3.0	3.0	3.0	3.0	15.2	13.9	18.8	26.0	27.7
State and local governments	2.0	2.0	2.0	2.0	--	--	0.2	0.2	0.7
Miscellaneous	2.0	2.0	2.0	2.0	3.3	4.5	1.3	1.5	1.9

Source: Data provided by the Central Bank of Nigeria.

1/ Fiscal years: April-March for 1979/80, April-Dec. for 1980, and calendar year thereafter. The percentage shares represent minima for the preferred sectors and maxima for the less-preferred sectors.
2/ Of which 5 percent must be allocated to agro-allied industries.

Table XXVI. Nigeria: Liquidity of Commercial Banks, 1979-83
(End of period)

	Dec. 1979	Dec. 1980	Dec. 1981	Dec. 1982	June 1983
	(In millions of naira)				
Statutory cash holdings	176.8	320.8	230.8	217.5	259.8
Liquid assets holdings	3,409.3	4,530.0	3,896.3	5,360.5	6,345.1
Cash holdings and balances with CBN 1/	558.3	1,053.9	971.3	1,668.9	642.5
Government securities	2,326.3	2,528.4	1,955.0	3,007.0	4,777.8
Other liquid assets	524.7	947.7	970.0	684.6	924.8
Total deposits	6,967.9	10,009.2	10,676.9	12,019.0	12,534.7
	(As percent of total deposits)				
Statutory cash holdings	2.5	3.2	2.2	1.8	2.1
Liquid asset holdings	48.9	45.3	36.5	44.6	50.6
Excess cash holding and balance with CBN	8.0	10.5	9.1	13.9	5.1
Government securities	33.4	25.3	18.3	25.0	38.1
Other liquid assets	7.5	9.5	9.1	5.7	7.4
Memorandum item:					
Liquidity requirements	25.0	25.0	25.0	25.0	25.0

Source: Central Bank of Nigeria.
1/ Net of deposits against letters of credit.

Table XXVII. Nigeria: Structure of Interest Rates, 1977-82

(In per cent)

	Apr. 1, 1977– Mar. 31, 1978	Apr. 1, 1978– Mar. 31, 1980	Apr. 1, 1980– Dec. 31, 1981	Jan. 1, 1982– Apr. 20, 1982	Apr. 21, 1982– Oct. 31, 1982	Effect. Nov. 1 1982
Minimum rediscount rate	4.0	5.0	6.0	7.0	9.0	8.0
Treasury bill rate	3.0	4.0	5.0	6.0	8.0	7.0
Treasury certificates of one-year maturity	3.5	4.5	5.5	6.5	8.5	7.5
Treasury certificates of two-year maturity	3.625	4.625	6.0	7.0	9.0	8.0
Produce bill rate	5.0	5.0	6.0	6.0	8.0	...
Lending rates						
Minimum	6.0	7.0	7.5	8.5	10.5	9.5
Maximum	10.0	11.0	11.5	12.0	14.0	13.0
a. Preferred sectors	8.0	9.0	9.5	9.5	12.5	11.5
b. Less-preferred sectors	10.0	11.0	11.5	12.0	14.0	13.0
Deposit rates						
Savings deposits	4.0	5.0	6.0	6.5	8.5	7.5
Time deposits (minimum)	3.0	4.0	5.0	5.5	7.5	6.5
Federal savings bank (deposit rate)	5.0	5.0	6.0	6.5	8.5	7.5

Source: Data provided by the Central Bank of Nigeria

Table XXVIII. Nigeria: Balance of Payments, 1978-82

(In millions of naira)

	1978			1979			1980			1981		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Merchandise trade, f.o.b.	6,633	7,734	-741	10,1^6	7,139	2,967	14,186	8,053	6,133	10,875	11,288	-413
Petroleum sector	6,005	110	5,895	9,436	230	9,206	13,632	210	13,422	10,534	71	10,463
Nonpetroleum sector	628	7,264	-6,636	670	6,909	-6,239	554	7,843	7,289	341	11,217	-10,876
Services and income	598	1,520	-922	680	1,453	-773	945	2,626	-1,681	918	2,949	-2,031
Freight and insurance	281	819	-538	439	761	-322	406	799	-393	277	1,285	-1,008
Other transport	82	180	-98	67	99	-32	131	253	-122	90	154	-64
Travel	51	192	-141	15	164	-149	37	540	-503	120	678	-558
Investment income	184	329	-145	159	429	-270	371	1,034	-663	431	832	-401
Of which: petroleum sector	(--)	(196)	(-196)	(--)	(187)	(-187)	(--)	(464)	(-464)	(--)	(221)	(-221)
nonpetroleum sector	(184)	(133)	(51)	(159)	(242)	(-83)	(371)	(570)	(-199)	(431)	(611)	(-180)
Other goods, services, and income	143	695	-552	99	1,050	-951	45	1,826	-1,781	87	1,004	-917
Unrequited transfers	7	178	-171	14	248	-234	17	332	-315	20	368	-348
Current account	7,381	9,767	-2,386	10,899	9,890	1,009	15,193	12,837	2,356	11,900	15,609	-3,709
Capital account	2,516	1,565	951	1,193	380	813	1,672	1,647	25	3,127	2,277	850
Direct investment	324	190	134	422	238	184	555	959	-404	630	529	101
Petroleum sector	92	--	92	100	105	-5	168	737	-569	191	386	-195
Nonpetroleum sector	232	190	42	322	133	189	387	222	165	439	143	296
Other capital (long)	920	39	881	655	32	623	622	266	356	869	371	498
Official sector	920	35	885	619	30	589	589	259	330	840	360	480
Other	--	4	-4	36	2	34	33	7	26	29	11	18
Other capital (short)	1,281	1,345	-64	129	123	6	495	422	73	1,628	1,377	251
Petroleum sector	1,006	1,166	-160	--	--	--	57	102	-45	201	39	162
Nonpetroleum sector	275	179	96	129	123	6	438	320	118	1,427	1,338	89
Net errors and omissions			-21			-70			6			-165
Overall balance			-1,456			1,752			2,387			-3,024
Reserve movements (increase -)			1,456			-1,752			-2,387			3,024
Arrears (reduction -)			--			--			--			--

Sources: Central Bank of Nigeria; and staff estimates.

Table XXIX(a). Nigeria: Contribution of the Nonpetroleum and Petroleum Sectors to the Balance of Payments, 1978-82

(In millions of naira)

	1978	1979	1980 1/	1981 2/	1982 3/
Nonpetroleum sector					
Exports, f.o.b.	628	670	554	341	121
Imports, f.o.b.	-7,264	-6,909	-7,843	-11,217	-11,233
Trade balance	-6,636	-6,239	-7,289	-10,876	-11,112
Services, income, and transfers	-1,400	-1,739	-3,169	-2,863	-2,022
Current account	-8,036	-7,978	-10,458	-13,739	-13,134
Direct investment	42	189	165	296	174
Other capital	977	629	474	587	601
Capital account	1,019	818	639	883	775
Total	-7,017	-7,160	-9,819	-12,856	-12,359
Petroleum sector					
Exports, f.o.b.	6,005	9,436	13,632	10,534	8,584
Imports, f.o.b.	-110	-230	-210	-71	-103
Trade balance	5,895	9,206	13,422	10,463	8,481
Services, income, and transfers	-245	-219	-608	-433	-289
Current account	5,650	8,987	12,814	10,030	8,192
Direct investment	92	-5	-569	-195	67
Other capital 4/	-160	--	-45	162	243
Capital account	-68	-5	-614	-33	310
Total	5,582	8,982	12,200	9,997	8,502
Errors and omissions	-21	-70	6	-165	-238
Overall balance	-1,456	1,752	2,387	-3,024	-4,095

Sources: Central Bank of Nigeria; and staff estimates.
1/ Revised.
2/ Provisional.
3/ Estimated.
4/ Net trade credits related to petroleum exports.

Table XXIX(b). Nigeria: Contribution of the Nonpetroleum and petroleum Sectors to the Balance of Payments, 1978-82

(In millions of U.S. dollars)

	1978	1979	1980 1/	1981 2/	1982 3/
Nonpetroleum sector					
Exports, f.o.b.	989	1,112	1,014	556	179
Imports, f.o.b.	-11,437	-11,462	-14,350	-18,275	-16,686
Trade balance	-10,448	-10,350	-13,336	-17,719	-16,507
Services, income, and transfers	-2,204	-2,886	-5,798	-4,665	-3,002
Current account	-12,652	-13,236	-19,134	-22,384	-19,509
Direct investment	66	313	301	483	258
Other capital	1,538	1,044	867	956	893
Capital account	1,604	1,357	1,168	1,439	1,151
Total	-11,048	-11,879	-17,966	-20,945	-18,358
Petroleum sector					
Exports, f.o.b.	9,455	15,655	24,942	17,162	12,751
Imports, f.o.b.	-173	-382	-385	-115	-152
Trade balance	9,282	15,273	24,557	17,047	12,599
Services, income, and transfers	-386	-363	-1,111	-706	-431
Current account	8,896	14,910	23,446	16,341	12,168
Direct investment	145	-8	-1,041	-318	100
Other capital 4/	-251	--	-83	265	361
Capital account	-106	-8	-1,124	-53	461
Total	8,790	14,902	22,322	16,288	12,629
Errors and omissions	36	417	189	-1,543	-570
Overall balance	-2,222	3,440	4,545	-6,200	-6,299

Sources: Central Bank of Nigeria; and staff estimates.

1/ Revised.
2/ Provisional.
3/ Estimated.
4/ Net trade credits related to petroleum exports.

Table XXX. Nigeria: Composition of Nonpetroleum Exports, 1978-82

(Value in millions of naira and U.S. dollars; volume and unit value indices, 1980=100)

	1978	1979	1980 1/	1981 1/	1982 2/
Cocoa					
Value (₦)	377.9	432.2	311.1	87.0	52.2
Value (US$)	595.0	717.1	569.2	141.7	77.5
Volume	79.9	99.6	100.0	31.2	20.4
Unit value	152.0	139.5	100.0	89.6	82.4
Cocoa butter					
Value (₦)	17.6	20.8	20.0	15.2	13.9
Value (US$)	27.7	34.5	36.6	24.8	20.7
Volume	62.7	81.9	100.0	93.9	93.4
Unit value	140.3	127.0	100.0	80.9	74.4
Rubber					
Value (₦)	12.6	13.0	14.1	10.9	9.6
Value (US$)	19.8	21.6	25.8	17.8	14.3
Volume	111.2	94.4	100.0	87.4	91.8
Unit value	80.4	97.7	100.0	88.5	74.2
Palm kernels					
Value (₦)	12.7	11.8	14.1	10.9	17.4
Value (US$)	20.0	19.5	25.8	17.8	25.8
Volume	75.2	67.7	100.0	70.3	131.2
Unit value	119.7	123.6	100.0	109.9	94.0
Tin metal					
Value (₦)	9.4	10.8	14.2	16.4	--
Value (US$)	14.8	17.9	26.0	26.7	--
Volume	74.3	74.9	100.0	121.7	--
Unit value	89.1	101.6	100.0	94.9	--
Other (₦)	220.0	165.2	180.9	202.4	27.8
Other (US$)	346.4	274.1	331.0	329.7	41.3
Total value (₦) (customs basis)	650.2	653.8	554.4	342.8	120.9
Total value (US$) (customs basis)	1,023.7	1,084.7	1,014.4	558.5	179.6
Balance of payments adjustment (₦) 3/	-22.5	16.2	-0.7	-1.6	-0.4
Balance of payments adjustment (US$) 3/	-35.2	26.9	-0.8	-2.6	-0.4
Total value (₦)	627.7	670.0	553.7	341.2	120.5
Total value (US$)	988.5	1,111.6	1,013.6	555.9	180.0

Sources: Central Bank of Nigeria; and staff estimates.
1/ Provisional.
2/ Estimated.
3/ Including adjustments for valuation and re-exports.

Table XXXI(a). Nigeria: Imports (c.i.f.) by End-Use, 1978-82

(In millions of U.S. dollars)

	1978	1979	1980 1/	1981 1/	1982 2/
Consumer goods	3,747.9	3,490.9	6,590.4	9,345.6	7,772.7
Durable	(1,097.4)	(1,029.3)	(1,481.1)	(2,568.0)	(1,492.3)
Nondurable	(2,650.5)	(2,461.6)	(5,109.3)	(6,777.6)	(6,280.4)
Capital goods	6,154.1	6,025.2	5,575.1	6,546.1	6,119.1
Raw materials	3,012.7	2,863.9	4,460.1	5,135.9	4,698.3
Miscellaneous	14.6	17.6	16.6	21.0	74.7
Total	12,929.3	12,397.6	16,642.2	21,048.6	18,664.8
Of which:					
petroleum sector	173.2	381.6	416.0	126.2	160.4
nonpetroleum sector	12,756.1	12,016.0	16,226.2	20,922.4	18,504.4
	(In percent of total imports)				
Memorandum items:					
Consumer goods	29.0	28.2	39.6	44.4	41.6
Consumer goods and raw materials	52.3	51.3	66.4	68.8	66.8
Capital goods	47.6	48.6	33.5	31.1	32.8

Sources: Central Bank of Nigeria; and staff estimates

1/ Provisional figures from the Federal Office of Statistics.
2/ Estimated.

Table XXXI(b). Nigeria: Imports (c.i.f.) by End-Use, 1978-82

(In millions of naira)

	1978	1979	1980 1/	1981 1/	1982 2/
Consumer goods	2,380.4	2,104.1	3,601.9	5,736.3	5,232.7
Durable	(697.0)	(620.4)	(809.5)	(1,576.2)	(1,004.6)
Nondurable	(1,683.4)	(1,483.7)	(2,792.4)	(4,160.1)	(4,228.1)
Capital goods	3,908.6	3,631.6	3,047.0	4,018.0	4,119.5
Raw materials	1,913.3	1,726.2	2,437.6	3,152.4	3,163.0
Miscellaneous	9.4	10.6	9.1	12.9	50.3
Total	8,211.7	7,472.5	9,095.6	12,919.6	12,565.5
Of which:					
Petroleum sector	110.0	230.0	227.4	77.5	108.0
Non-petroleum sector	8,101.7	7,242.5	8,868.2	12,842.1	12,457.5
	(In percent of total imports)				
Memorandum items:					
Consumer goods	29.0	28.2	39.6	44.4	41.6
Consumer goods and raw materials	52.3	51.3	66.4	68.8	66.8
Capital goods	47.6	48.6	33.5	31.1	32.8

Sources: Central Bank of Nigeria; and staff estimates

1/ Provisional figures from the Federal Office of Statistics.
2/ Estimated.

Table XXXII(a). Nigeria: Imports (c.i.f.) by SITC 1/ Categories, 1978-82

(In millions of U.S. dollars)

	1978	1979 2/	1980 2/	1981 2/	1982 3/
Food	1,607.1	1,271.7	2,630.2	3,445.9	1,412.0
Beverages and tobacco	111.3	82.6	22.1	28.8	23.8
Crude materials	170.7	186.0	286.7	328.9	593.7
Mineral fuels	274.9	343.1	283.2	287.4	238.4
Animal and vegetable oils and fats	115.4	86.8	210.4	200.6	169.8
Chemicals	1,020.1	896.4	1,671.4	2,045.8	1,510.2
Manufactured goods	2,913.3	2,528.6	3,625.5	4,301.9	4,755.5
Machinery and transport equipment	5,648.5	6,290.5	6,679.1	8,808.6	8,623.2
Miscellaneous manufactured goods	1,046.3	688.2	1,180.3	1,552.9	1,320.7
Other	21.7	23.7	53.3	47.8	17.5
Total	12,929.3	12,397.6	16,642.2	21,048.6	18,664.8

Sources: Central Bank of Nigeria; and Fund staff estimates.

1/ Standard International Trade Classification.
2/ Data derived from exchange control records and the Federal Office of Statistics.
3/ Estimated.

Table XXXII(b). Nigeria: Imports (c.i.f.) by SITC 1/ Categories, 1978-82

(In millions of naira)

	1978	1979 2/	1980 2/	1981 2/	1982 3/
Food	1,020.7	766.5	1,437.5	2,115.1	950.6
Beverages and tobacco	70.7	49.8	12.1	17.7	16.0
Crude materials	108.4	112.1	156.7	201.9	399.7
Mineral fuels	174.6	206.8	154.8	176.4	160.5
Animal and vegetable oils and fats	73.3	52.3	115.0	123.1	114.3
Chemicals	647.9	540.3	913.5	1,255.7	1,016.7
Manufactured goods	1,850.3	1,524.1	1,981.5	2,640.5	3,201.5
Machinery and transport equipment	3,587.5	3,791.5	3,650.4	5,406.7	5,805.3
Miscellaneous manufactured goods	664.5	414.8	645.1	953.2	889.1
Other	13.8	14.3	29.0	29.3	11.8
Total	8,211.7	7,472.5	9,095.6	12,919.6	12,565.5

Sources: Central Bank of Nigeria; and staff estimates.

1/ Standard International Trade Classification.
2/ Data derived from exchange control records and the Federal Office of Statistics.
3/ Estimated.

Table XXXIII. Nigeria: Foreign Trade Indices, 1978-82

(1980 = 100) 1/

	1978	1979	1980	1981	1982
Export prices	50.3	58.7	100.0	107.2	97.5
Oil	43.9	54.7	100.0	107.5	97.8
Non-oil	111.5	115.4	100.0	98.6	78.4
Import prices	81.3	89.2	100.0	109.4	117.1
Terms of trade	61.9	65.8	100.0	98.0	83.3
Exports (value)	40.2	64.6	100.0	68.3	49.8
Oil	37.9	62.8	100.0	68.8	51.1
Non-oil	97.5	109.7	100.0	54.8	17.7
Exports (volume)	79.9	110.1	100.0	63.7	51.1
Oil	86.3	114.8	100.0	64.0	52.2
Non-oil	87.4	95.1	100.0	55.6	22.6
Imports (value)	78.8	80.4	100.0	124.8	114.3
Imports (volume)	96.9	90.1	100.0	114.1	97.6

Sources: Central Bank of Nigeria; and staff estimates.

1/ Expressed in terms of U.S. dollars.

Table XXXIV. Nigeria: Direction of Trade, 1978-82

(In percent)

	Petroleum exports					Nonpetroleum exports					Nonpetroleum imports				
	1978	1979	1980	1981 1/	1982 2/	1978	1979	1980	1981 1/	1982 2/	1978	1979	1980	1981 1/	1982 2/
European Communities	38.5	35.6	34.6	35.9	34.0	75.6	74.2	76.3	76.1	80.4	58.9	58.8	58.3	59.1	59.9
Belgium-Luxembourg	0.3	0.2	0.3	0.3	0.3	1.2	1.1	1.3	1.1	1.1	2.1	2.2	2.2	2.2	2.2
Denmark	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.5	0.6	0.8	0.8	0.9	0.9	0.9
France	11.3	10.0	11.2	10.7	10.1	9.3	9.6	7.3	7.3	7.8	7.2	7.3	7.1	7.1	7.2
Germany, Fed. Rep.of	7.5	6.8	6.6	6.8	6.4	17.4	17.4	17.0	17.0	18.0	15.8	15.8	15.0	15.8	16.0
Ireland	--	--	--	--	--	0.4	0.3	0.2	0.2	0.2	0.3	0.2	0.3	0.3	0.3
Italy	3.4	3.6	2.8	3.3	3.1	4.0	4.0	3.6	3.6	3.8	6.6	6.4	6.7	6.7	6.8
Netherlands	13.2	12.7	12.1	12.6	12.0	15.0	13.7	17.6	17.6	18.6	4.1	4.0	4.1	4.1	4.2
United Kingdom	2.6	2.1	1.4	2.0	1.9	28.0	27.8	28.8	28.8	30.3	22.0	22.1	22.0	22.0	22.3
Eastern Europe	--	--	--	--	--	4.2	4.1	3.8	3.8	3.0	2.0	1.8	2.0	2.2	1.8
United States	44.1	46.8	44.3	45.1	46.7	11.9	12.2	11.7	11.7	9.8	10.9	10.9	11.0	11.0	11.0
Japan	--	--	--	--	--	0.6	0.6	--	--	--	10.9	11.0	10.8	10.8	11.0
Other	17.4	17.6	21.1	19.0	19.3	7.7	8.9	8.2	8.4	6.8	17.3	17.5	17.9	16.9	16.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Central Bank of Nigeria, Annual Reports and Statements of Account; and staff estimates.

1/ Provisional.
2/ Estimated.

Table XXXV. Nigeria: External Public Debt, 1/ 1978-82

(In millions of U.S. dollars; end of period)

	1978	1979	1980	1981	1982 2/
Debt outstanding, disbursed	2,347.6	3,220.6	4,087.3	4,946.1	7,971.0
Suppliers' credits	36.7	28.5	18.1	8.5	2.7
France	24.3	19.6	12.7	6.2	2.1
Italy	5.2	3.9	2.1	0.6	0.1
United Kingdom	4.6	3.0	2.1	1.1	0.5
Other	2.6	2.0	1.2	0.6	--
Financial institutions	1,402.0	2,255.7	3,086.6	3,946.7	6,824.4
France	--	10.5	9.3	4.8	21.6
Germany, Fed. Rep. of	--	23.5	15.7	16.8	98.0
United Kingdom	0.3	0.2	0.1	--	45.2
Multiple lenders	1,398.9	2,219.8	3,060.4	3,924.7	6,659.6
Euromarket loans	(994.2)	(1,710.9)	(2,051.8)	(2,310.9)	(4,552.3)
Other	2.8	1.7	1.1	0.4	--
Multilateral loans	490.4	523.7	570.6	619.8	739.3
African Development Bank	5.0	4.7	4.0	3.2	2.5
European Investment Bank	--	2.9	12.5	17.3	26.1
IBRD	447.1	478.2	516.6	562.2	674.0
IDA	38.3	37.9	37.5	37.1	36.7
Bilateral loans	418.5	412.7	412.0	371.1	404.7
Canada	42.1	42.3	41.0	41.2	39.0
Germany, Fed. Rep. of	111.5	109.5	92.4	86.4	131.3
Italy	11.3	9.7	7.5	5.1	3.9
Japan	81.3	64.9	85.1	73.6	64.6
Netherlands	23.2	23.4	20.2	16.4	14.9
United Kingdom	57.0	56.9	66.3	45.1	32.6
United States	85.9	82.2	78.7	85.8	80.5
Other 3/	6.2	23.8	20.8	17.5	37.9
Debt outstanding, undisbursed	978.6	4 ,23.9	4,899.7	8,218.3	5,225.1
Disbursed debt to GDP (percent)	4.4	5.0	4.7	6.4	10.9

Sources: Data provided by the Nigerian authorities; and the IBRD External Debt Division.

1/ Medium- and long-term debt contracted and/or guaranteed by the Federal Government of Nigeria.
2/ Provisional.
3/ Including loans from Denmark, Hungary, Norway, and the U.S.S.R.

Table XXXVI. Nigeria: Debt Service Payments, 1978-88

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
					(In millions of U.S. dollars)						
Interest	49.4	275.6	583.5	500.5	648.9	872.0	1,082.3	1,054.4	923.9	704.4	487.3
Medium- and long-term debt	49.4	275.6	583.5	500.5	648.9	795.4	927.3	973.8	913.0	704.4	487.3
Rescheduled arrears	--	--	--	--	--	76.6 4/	155.0	80.6	10.9	--	--
Principal	54.6	28.2	384.2	583.4	476.9	1,052.0	2,189.8	2,555.7	2,568.1	2,354.1	1,878.2
Medium- and long-term debt	54.6	28.2	384.2	583.4	476.9	1,052.0	1,481.4	1,847.3	2,154.9	2,354.1	1,878.2
Rescheduled arrears	--	--	--	--	--	--	708.4	708.4	413.2	--	--
Total	104.0	303.8	967.7	1,083.9	1,125.8	1,924.0	3,272.1	3,610.1	3,492.0	3,058.5	2,365.5
						(In percent)					
Debt service to:											
Petroleum export receipts	1.1	1.9	3.9	6.3	8.8	17.2	25.9	27.5	24.5	19.0	13.1
Export receipts	1.0	1.8	3.7	6.1	8.7	16.9	25.4	26.9	24.0	18.6	12.8
Export and services receipts	0.9	1.7	3.5	5.6	8.0	15.4	23.3	24.6	22.0	17.1	11.8
Export, services and private transfer receipts	0.9	1.7	3.5	5.6	8.0	15.3	23.2	24.6	21.9	17.1	11.7

Sources: Ministry of Finance; Central Bank of Nigeria; and staff estimates.

1/ Excludes payments on the balance, after rescheduling, of outstanding trade arrears of US$5.2 billion.

2/ Based on contracts signed as of end-September 1983.

3/ On July 13, 1983, US$1.35 billion of letter of credit trade arrears were rescheduled; on September 19, 1983, further US$0.48 billion of letter of credit trade arrears were rescheduled.

4/ Includes a commitment fee of 0.5 percent of the rescheduled amount.

Table XXXVII. Nigeria: Exchange Rate Movements, December 1974-Sept. 1983

(Monthly averages)

		U.S. dollar/ naira		Pound sterling/naira		Nominal effective rate 1/	Real effective rate 1/
		Rate	Index 2/	Rate	Index 2/	Index 2/	Index 2/
1974	Dec.	1.6229	88.0	0.6842	87.2	95.24	55.27
1975	Dec.	1.5980	86.6	0.7656	97.5	98.77	73.55
1976	Dec.	1.5845	85.9	0.8729	111.2	101.24	78.29
1977	Dec.	1.5352	83.2	0.8414	107.2	91.73	86.71
1978	Dec.	1.5430	83.6	0.7851	100.0	85.32	83.20
1979	Dec.	1.7525	95.0	0.8089	103.0	92.90	90.69
1980	March	1.7884	96.9	0.8009	102.0	97.16	94.17
	June	1.8372	99.6	0.7850	100.0	95.93	91.35
	Sept.	1.8718	101.4	0.7850	100.0	97.33	97.77
	Dec.	1.8452	100.0	0.7850	100.0	100.00	100.00
1981	March	1.7461	94.6	0.7850	100.0	98.62	102.67
	June	1.5629	84.7	0.7850	100.0	95.70	103.78
	Sept.	1.4989	81.2	0.8172	104.1	93.82	102.76
	Dec.	1.5731	85.3	0.8219	104.7	95.59	102.65
1982	March	1.5054	81.6	0.8333	106.2	95.27	101.56
	June	1.4802	80.2	0.8379	106.7	95.95	101.91
	Sept.	1.4614	79.2	0.8520	108.5	97.00	104.38
	Dec.	1.4881	80.6	0.9090	115.8	98.60	107.93
1983	Jan.	1.4845	80.5	0.9121	116.2	98.33	109.19
	Feb.	1.4458	78.4	0.9271	118.1	97.13	109.17
	March	1.4291	77.4	0.9281	118.2	96.82	113.57
	April	1.4108	76.5	0.9221	117.5	95.58	113.26
	May	1.4189	76.9	0.8959	114.1	95.99	--
	June	1.3758	74.6	0.8665	110.4	94.63	--
	July	1.3429	72.8	0.8605	109.6	93.22	--
	August	1.3359	72.4	0.8605	109.6	94.37	--
	Sept.	1.3359	72.4	0.8605	109.6	--	--

Sources: Data provided by the Central Bank of Nigeria; and staff estimates.

1/ Based on a currency basket provided by the Nigerian authorities. Upward movements denote appreciations.
2/ December 1980 = 100.

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