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entral Bank of Nigeria Annual Report and Statement of Accounts for the Year ended 31st December 1989

Central Bank of Nigeria

CENTRAL BANK OF NIGERIA

ANNUAL REPORT
AND
STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED
31ST DECEMBER, 1989

REPORT OF THE BOARD OF DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER, 1989

CENTRAL BANK OF NIGERIA

BOARD OF DIRECTORS AS AT 31ST DECEMBER, 1989

1.	Alhaji A. Ahmed	Governor
2.	Mr. J. O. Sanusi............	Deputy Governor
3.	Alhaji A. S. Maiyaki	Deputy Governor
4.	Mr. V. A. Odozi............	Deputy Governor
5.	Mallam Ismaila Usman	Deputy Governor
6.	Dr. E. N. Onunkwo	Deputy Governor
7.	Prof. Musa Gella Yakubu....	Director
8.	Alhaji Madu Umar Biu	Director
9.	Mr. Bayo Onanuga..........	Director
10.	Mr. Pascal Dozie	Director
11.	Maj. Gen. Olufemi Olutoye (Rtd)	Director
	A. Omoruyi, Esq	Secretary

MEMBERS OF THE COMMITTEE OF GOVERNORS OF THE BOARD

Alhaji A. Ahmed...........	Governor
Mr. J. O. Sanusi	Deputy Governor, Domestic Monetary & Banking Policy
Alhaji A. S. Maiyaki	Deputy Governor, General Administration
Mr. V. A. Odozi	Deputy Governor, Domestic Operations
Mallam Ismaila Usman......	Deputy Governor, International Operations
Dr. E. N. Onunkwo	Deputy Governor, Management Services

PRINCIPAL OFFICERS OF THE BANK

A. HEADS OF DEPARTMENTS

1.	Chief C. E. Enuenwosu	Departmental Director
2.	S. Chuk's Ezeugoh	Director of Agricultural Finance
3.	Mr. A. B. Egbe	Director of Administration
4.	Mr. N. E. Ogbe	Director of Research
5.	Mr. J. O. Sonoiki	Director of Foreign Operations
6.	Mr. J. O. Odubanjo	Director of Currency Operations
7.	Mr. G. Shoroye	Director of Banking Supervision
8.	Mr. J. O. A. Agboola	Director of Finance & Accounts
9.	Mr. O. S. Oduyemi	Director of Banking Operations
10.	Mr. A. Hammayo	Director of Security Services
11.	Mr. M. M. O. Nwaogbo	Director of Internal Audit
12.	Alhaji S. Mohammed	Director of Personnel
13.	Dr. M. A. Uduebo	Director of International Economic Relations
14.	Mr. T. J. Ntekop	Director of Trade & Exchange
15.	Alhaji B. M. Sani	Director of Building & Engineering Services
16.	Mr. A. Koyejo	Director of Computer Services
17.	Mr. A. N. Echezona	Director of Branch Operations

B. DEPARTMENTAL CHIEFS

18.	Mr. A. Windapo	Chief Bank Examiner
19.	Mr. J. O. Osakwe	Chief Research Officer
20.	Dr. M. O. Ojo	Chief Research Officer
21.	Mr. B. N. Iloabachie	Chief Research Officer
22.	Mr. S. A. Animashaun	Chief of Foreign Operations
23.	Dr. R. B. Rufai	Chief Medical Superintendent
24.	Mr. S. E. Omoruyi	Chief Research Officer
25.	Mr. B. A. Oke	Chief Research Officer
26.	Alhaji M. A. Adetoro	Chief Agric. Credit Officer
27.	Chief R. I. Obariase	Chief Personnel Officer
28.	Mr. J. A. Ajala	Chief Bank Examiner
29.	Dr. E. O. Akinnifesi	Chief Research Officer

C. HEADS OF AUTONOMOUS UNITS

30.	Alhaji M. Aliu	Deputy Director, O & M
31.	Mr. V. A. Moore	Deputy Director, Legal

D. ZONAL CONTROLLERS

32.	Chief A. Oladeinde	Zonal Controller, Ibadan
33.	Mr. A. S. O. Akinyosade....	Zonal Controller, Kano
34.	Mr. A. P. Cockeye	Zonal Controller, Enugu
35.	Mr. R. O. Ojemoron	Zonal Controller, Bauchi

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PART ONE

GENERAL SURVEY

CHAPTER 1

I. GENERAL SURVEY

The performance of the Nigerian economy improved in 1989. Much of the adverse effects of policies adopted in 1988 were substantially mitigated. The improvement was largely as a result of the strenuous efforts made to put the adjustment process back on course. The growth in domestic output was sustained although the increase in the domestic price level was slightly higher than in the previous year. The pressure on the external sector eased substantially, with the overall balance of payments position moving from a deficit to a surplus reflecting the significant improvement in the current account position. On the international scene, the decline in the growth rates of world output and trade, coupled with higher inflation rates, resulted in a slackening in world economic activity. However, efforts continued to be focussed on strengthening the international financial system, and in particular, alleviating the deplorable economic situation of the developing countries.

The Central Bank of Nigeria made steady progress in its key areas of operations such as exchange rate, foreign exchange and external debt management, as well as in its services to public sector agencies, although at the cost of increased pressures on its human and material resources.

1.1 DOMESTIC ECONOMIC DEVELOPMENTS

Domestic economic policy in 1989 was directed at achieving sustained economic growth and development under the on-going structural reform efforts. Specifically, policy measures were aimed at stemming the severe pressures on domestic prices and the external sector, stimulating private sector investment and generating more employment. On the whole, developments in the economy in 1989 indicated that economic policy largely achieved its objectives as reflected in the performance of the four sectors of the economy.

1.1.1 Financial Sector

The financial sector recorded rapid institutional growth in terms of the increase in the number of banks and non-bank financial intermediaries. The introduction of the auction-based system for the issue of Federal Government treasury bills and certificates, as well as the establishment of the Nigerian Deposit Insurance Corporation (NDIC) were notable elements of the structural changes in the financial sector. Both the money and capital markets witnessed increased activity albeit with strains arising largely from the operations of the various policy measures adopted during the year to reduce banking system liquidity and stabilise the economy. Monetary management succeeded to a large extent in restraining the growth of liquidity in the economy.

(a) *Monetary and Credit Developments*

The rates of expansion of monetary and credit aggregates decelerated. The narrow measure of the money stock (M1) increased by 21.5 per cent to ₦25,697.6 million. Although the growth rate was much higher than the projected growth target of 14.65 per cent, it represented a large deceleration compared with the growth in money stock of 43.6 per cent recorded in 1988. Unlike in 1988 when the main factor contributing to monetary expansion was the growth in bank credit, the increase in 1989 was due mainly to the rapid growth of the net foreign assets. The expansionary effect of M1 of the decline in quasi-money was largely offset by the contractionary impact of the decline in other assets (net). Aggregate bank credit to the domestic economy declined by 14.1 per cent to ₦49,259.1 million in contrast to the projected target growth of 9.5 per cent and the increase of 22.2 per cent in 1988. The decline in banking system credit was accounted for wholly by the fall in credit to government following substantial increases in government revenue and draw-down on project-tied foreign loans.

Net claims on the government sector declined by 33.5 per cent to ₦18,316.3 million, as against the stipulated maximum increase of 8.3 per cent for fiscal 1989, and the increases of 28.4 and 13.4 per cent in 1988 and 1987, respectively. The decline in banking system credit to government was traceable to both the Central Bank and the commercial banks. The decline in Central Bank's credit (net) to the sector was reflected in the substantial increase in Federal Government deposits arising partly from increased revenue and partly from transfer to it of public sector deposits. The decline in commercial banks' credit to government on the other hand, was reflected in the banks' rediscounts of treasury securities following the pressure of their liquidity caused by the withdrawal of public sector deposits. By contrast, bank credit to the private sector increased by 3.9 per cent which was, however, considerably lower than the 10.7 per cent target for the year and the 16.9 per cent recorded in 1988. Aggregate commercial banks' loans and advances increased by 10.8 per cent to ₦22,221.3 million compared with the 19.1 per cent recorded in 1988 and the 10.0 per cent growth target for the year.

(b) *Interest Rates*

During the first half of 1989, market interest rates rose only marginally from their end-December 1988 levels. However, as a result of the impact of the policy measures adopted to reduce the overall liquidity in the economy and contain inflationary pressures, interest rates shot up to unprecedented high levels in the second half of the year. But because lending rates tended to rise faster than deposit rates, the margin between the two sets of rates widened. Similarly, the gap between prime rates and the highest lending rates widened, while inter-bank rates were generally higher than prime lending rates. In order to remove the distortions in the interest rate structure without impairing competition, and at the same time stimulate savings and investments, the Central Bank on November 10, 1989 enjoined banks to narrow the interest rate spread between their deposit and lending rates. The introduction of the treasury bill auction system on November 23, 1989 resulted in an average increase of about 5 percentage points in the issue rates of treasury securities and the Central Bank Minimum Rediscount Rate. By the end of the year, the anticipated rationalisation of interest rates had just started to set in.

(c) *Capital Market*

In terms of both the volume and value of securities issued and traded, the level of activity in the capital market indicated a significant improvement over that of 1988. The development was due partly to the implementation of government privatisation programme and partly to the rise in bank lending rates which induced a significant resort to equity financing by private firms. Thus, the number of transactions on the Nigerian Stock Exchange increased by 55.1 per cent to 33,444, while the value increased by 118.4 per cent to ₦553.2 million. In 1988, the number of transactions increased by 4.4 per cent while the value dropped by 34.4 per cent. As a result of the substantial increase in equity demand, there was a general increase in share prices. The average all-sector price index rose by 9.7 per cent compared with 4.4 per cent in 1988. All sectors, except the financial sector, contributed to the overall share price increase. The highest price increases were recorded by the automobile and tyre sub-sector (43.9 per cent), breweries (38.9 per cent) and textiles (16.8 per cent).

A total of 138 new securities valued at ₦1,627.7 million were issued, compared with only 12 new issues worth ₦211 million in the preceding year. The new issues comprised 73 on offer for subscription (₦615.2 million), 40 rights issues (₦401.7 million), 12 debenture stocks (₦427.9 million), 12 preference shares (₦152.8 million) and one state government bond (₦30.0 million). Two of the new issues were listed on the Second-Tier Securities Market (SSM), thus, bringing the number of listed companies in that market to ten.

1.1.2 Government Sector

The fiscal operations of the Federal Government resulted in a higher deficit than in 1988. The provisional deficit of ₦15,266.1 million represented an increase of 25.5 per cent over that recorded in 1988. But the overall deficit, as a proportion of nominal gross domestic product (GDP), declined from 8.0 per cent in 1988 to 6.2 per cent. The retained revenue of the Federal Government increased by 65.3 per cent to ₦25,762.2 million, while total expenditure rose by 47.8 per cent to ₦41,028.3 million. The substantial increase in revenue was due mainly to the higher price of crude oil as well as the depreciation of the naira exchange rate. Reflecting these developments, revenue from the oil sector accounted for 82.2 per cent of total federal revenue compared with 76.7 per cent in 1988. Although non-oil revenue increased by about 40 per cent, its share of total revenue dropped from 23.3 to 17.8 per cent. Federal Government budgetary outlay, on the other hand, was dominated by transfer payments, including debt service, which, at ₦19,308.1 million, was 68.7 per cent higher than the level in 1988 and accounted for 47.1 per cent of total expenditure as against 41.3 per cent in 1988. Capital expenditure increased at a faster rate than recurrent expenditure, with the former increasing by 80.3 per cent to ₦15,043.1 million and the latter by 33.9 per cent to ₦25,994.2 million.

1.1.3 Real Sector

The upward trend in domestic output observed since 1987 was sustained, largely as a result of the continued improvement of agricultural and industrial production. There were increased employment opportunities generated during the year, resulting in lower unemployment rates. Although inflationary pressures intensified, they subsided in the second half of the year.

(a) *Domestic Production*

Provisional data indicated that the Gross Domestic Product (GDP) at 1984 constant factor cost increased by 4.0 per cent compared with 4.1 and 1.2 per cent in 1988 and 1987, respectively. All the major production sectors contributed to the growth in aggregate output. Induced by favourable weather conditions and continued favourable agricultural prices, the index of agricultural production increased by 6.1 per cent, compared with 3.5 per cent in 1988. Also, industrial production increased during the year. The increase was largely the result of the much improved performance of the petroleum sub-sector under the influence of higher petroleum prices in the international oil market and exports of crude oil. Total crude oil production increased by 18.3 per cent to 626.45 million barrels. But manufacturing production recorded a growth rate of only 2.2 per cent as against the 16.9 per cent growth achieved in 1988. The weak performance of the manufacturing sub-sector was due to high production costs and weak demand for locally manufactured goods. Owing to these developments, the average level of manufacturing capacity utilisation increased only marginally from 42.0 per cent in 1988 to 42.4 per cent.

(b) *Unemployment*

The Federal Office of Statistics labour force sample survey conducted in December, 1989 indicated a marginal decline in the overall unemployment rate from 5.3 per cent in 1988 to 4.0 per cent. The urban and rural unemployment rates also declined from 7.8 and 4.8 per cent, respectively, in 1988 to 7.5 and 3.2

per cent. Similarly, registered unemployment declined in 1989. Indeed, concerted efforts were made to reduce the unemployment problem and the results were encouraging. For instance, it was estimated that a total of 242,160 new jobs were generated under the various employment programmes of the National Directorate of Employment compared with 94,365 new jobs in 1988.

(c) *Domestic Prices*

The pressures on the domestic price level intensified. The all-items composite consumer price index rose by 40.9 per cent compared with 38.3 per cent in 1988. But in contrast to the pattern of price developments in 1988, the urban centres experienced higher price increases than the rural areas of the country. The all-urban price index increased by 47.3 per cent compared with 27.1 per cent in 1988, while the rural price index rose by 40.1 per cent compared with 39.9 per cent in 1988. A number of factors continued to fuel inflationary pressures in the economy. These included increased costs due largely to the depreciation of the naira exchange rate and high interest rates which, among others, induced high input costs, as well as the reduction/removal of subsidies on some agricultural and industrial inputs.

1.1.4 External Sector

The external sector of the economy experienced some respite from pressures that had afflicted it. The overall balance of payments position moved from a deficit of ₦2,294.1 million in 1988 to a surplus of ₦8,727.8 million. The surplus reflected largely the substantial improvement in the current account position which showed a surplus of ₦13,968.4 million as against a deficit of ₦1,437.7 million in the previous year. The current account was boosted largely by increased crude oil exports. The narrowing of the capital account deficit by ₦1,572.4 million, which also contributed to the buoyant balance of payments position, resulted from the decline in long-term capital outflow, the deferment of some debt service payments which fell due, increased inflow on foreign direct investment and draw-down of external loans and grants.

Total export earnings increased remarkably by 85.8 per cent to ₦57,971.2 million mainly as a result of the 93.5 per cent increase in crude oil exports. Increases in both the volume and prices of crude oil accounted for the appreciable growth in crude oil exports. Crude oil export volume increased from 1.1170 million barrels per day in 1988 to 1.1628 million barrels per day, while crude oil prices rose from an average of US $14.60 per barrel to US $17.60. These developments raised the share of oil in total exports from 91.2 per cent in 1988 to 94.9 per cent. Although non-oil exports also increased by 7.1 per cent to ₦2,954.4 million, their share in total exports fell from 8.8 to 5.0 per cent. The unimpressive performance of non-oil exports was largely attributable to depressed world commodity prices, particularly in respect of cocoa beans, the exports of which declined by 29.3 per cent. The exports of palm kernels, rubber and manufactures, however, exceeded their 1988 levels considerably. Total imports (C & F) amounted to ₦30,860.2 million, representing an increase of 43.9 per cent over the import level for 1988. Both the oil and non-oil sectors accounted for the large increase in imports, but the non-oil sector imports grew at a faster rate than oil sector imports. The capital goods and raw material imports, accounting for 72.6 per cent of total imports, were the dominant import groups. The corresponding proporation of this category of imports in 1988 was 71.3 per cent.

Nigeria's total external assets increased by 116.3 per cent to ₦23,294.7 million. The pattern of holdings of external assets was reversed from that observed in 1988 when the commercial and merchant banks held the bulk of external assets; the Central Bank's share of total external assets increased from 30.4 to 57.7 per cent. The development could be explained by the deliberate policy to build up official external reserves. In absolute terms, external assets held by the Central Bank increased from ₦3,272.7 million at the end of 1988 to ₦13,453.5 million. The combined net asset holdings of commercial and merchant banks increased by 31.6 per cent to ₦9,838.9 million. The external assets holdings of the Federal and State Governments, as well as the semi-official institutions remained unchanged at ₦21.5 million.

1.1.5 External Debt Management

Some progress was made in the refinancing of short-term trade arrears during the year with the negotiation and signing of two important agreements, one each with the Paris Club and the London Club of creditors. While the agreement with the Paris Club made it possible for the country to negotiate and/or sign other bilateral agreements with about thirteen other member countries, the agreement with the London Club provided the country with opportunities for payable debt of US $500 million, refinanced letters of credit of US $2,400 million as well as medium- and long-term debt of US $2,800 million to be negotiated for repayment between 1989-1991, 1992-2003 and 1992-2008, respectively. The debt rescheduling arrangement in 1989 provided for payable debt to be subject to a 5 per cent down payment while the balance would be repaid in equal monthly instalment between the date of signing of agreement and December, 1991. The principal amount will be paid in 144 equal monthly instalments between January 1991 and December, 2003.

1.1.6 Debt Conversion Programme

The Debt Conversion Programme (DCP) was actively implemented in 1989. A revised and simplified manual which was aimed at widening the scope of the Programme was introduced in April. The number of applications received was 52, amounting to US $333.3 million, bringing the cumulative number of applications to 133 with a value of US $2,048.5 million. A sectoral break-down showed that 31 out of the 52 applications with a value of US $156.9 million were in respect of manufacturing enterprises while 8 with a value of US $48.3 million were intended for agricultural projects. As at the end of 1989, the total value of debt converted amounted to US $306.7 million. Thus, the country's external debt outstanding had been reduced by US $306.7 million of which US $150.4 million was gained by the economy through the discounts offered by the redemptors. In addition, the economy benefitted from the inflows of US $188.5 million foreign direct investment and US $4.5 million in transaction commission. Out of the total proceeds of conversion which stood at ₦1,088.7 million at the end of December 1989, a total of ₦807.4 million had been released to finance projects mainly in manufacturing and agriculture while ₦78.6 million was invested in government securities.

1.2 INTERNATIONAL ECONOMIC DEVELOPMENTS

World economic activity slackened generally, as reflected in the decline of growth rates of output and trade as well as increased price levels. The development worsened the economic situation of the developing countries and made the process of their structural adjustment more painful. However, efforts to strengthen the international monetary and financial system were intensified.

The growth rate of world output declined from 4.0 per cent in 1988 to 3.1 per cent, following the decline in real domestic demand, depressed commodity prices and the heavy debt service burden of the developing countries. The output in the industrialised countries rose by 3.5 per cent compared with 4.4 per cent in 1988, while that of the developing countries as a group recorded a growth rate of 3.2 per cent which was one percentage point lower than the growth rate in 1988. Available information showed that the growth rate of output of the Soviet Union and other East European countries increased by 1.7 per cent as against 2.2 per cent in 1988. On a regional basis, while the growth rates of output in Africa and the developing countries in Europe were higher than in 1988, those of the developing countries in Asia and Western Hemisphere were lower.

There was a general rise in inflation rates with the average inflation rate in the industrialised countries rising from 3.3 per cent in 1988 to 4.5 per cent, and the rate for the developing countries increasing from 70.8 per cent in 1988 to 85.5 per cent. The average inflation rate of the non-oil exporting developing countries increased from 88.6 to 119.1 per cent while the rate for the oil exporting countries declined from 33.8 to 17.6 per cent.

The value of total world trade increased, but at a lower rate than in 1988. At US $5,707.3 billion, total world trade increased by 4.6 per cent compared with 9.0 per cent in 1988. Similarly all the major trading groups with the exception of the oil exporting countries, recorded lower trade expansion. The trade of the industrialised countries increased by 3.9 per cent to US $4,213.5 billion, while the trade of the developing countries increased by 6.6 per cent to US $1,493.8 billion. On the other hand, the trade of the oil exporting group increased by 9.5 per cent in contrast to the decline of 1.4 per cent in 1988. Instability in the foreign exchange markets was a major factor responsible for lower trade expansion during the year. For example, the US dollar appreciated against the yen, pound sterling and Swiss franc by 14.6, 13.1 and 6.0 per cent, respectively, while it depreciated against the Deutsche mark, French franc and Dutch gilder by 2.2, 2.6 and 2.3 per cent, respectively.

The international commodity markets continued to be generally depressed due to the perennial problem of excess supplies and difficulties in implementing some commodity agreements aimed at firming up prices. World cocoa prices persistently declined due to excess supply of cocoa beans estimated at 0.2 million tonnes at the end of the 1989/90 season as well as the problems in designing a new Cocoa Agreement to come into force in October 1990. Also, there was prolonged disagreement over the renewal of the 1983 International Coffee Agreement which officially expired on September 30, 1989. The areas of disagreement between producing and consuming members were in respect of the introduction of universal quotas, selectivity and stock retention in producing member countries. The lack of agreement resulted in the suspension of coffee quotas in July 1989, while the ensuing avalanche of coffee sales by exporting members depressed coffee prices further. To create a more favourable environment for further negotiations, the life of the expiring agreement was extended by two years. As in the previous year, the natural rubber market was firm. The second International Natural Rubber Agreement which came into force in December 1988 was in operation throughout the year. In spite of buffer stock sales, natural rubber prices were firmer and these enabled the Council of International Natural Rubber Organisation (INRO) to adjust its price band upwards by 8.0 per cent.

The Organisation of Petroleum Exporting Countries (OPEC) held three ministerial meetings in 1989, mainly, to consider production ceilings and prices. In the June meeting, the production ceiling was increased from 18.50 to 19.50 mbd while the reference price of US $18.00 a barrel was retained. In the two subsequent meetings in September and November 1989, the production ceiling was raised to 20.50 and 22.0 mbd, respectively, while the reference price of US $18.00 per barrel was retained. In November however, the reference price was converted into a "minimum", implying that members could not sell below that price level. The non-OPEC independent oil producers had a useful co-operation with their OPEC counterparts and this contributed to the improved market situation during the period. The African Petroleum Producers Association (APPA) continued to mobilise resources for its operation. It held two ministerial meetings and organised some seminars.

Lending by the International Monetary Fund (IMF) to the developing countries increased, thus, reducing further the net flow of resources from these countries to the IMF from SDR 2.6 billion in 1988 to SDR 1.7 billion. The global lending commitments by the World Bank Group (IBRD, IDA and IFC) amounted to US $23.0 billion which was 11.7 per cent higher than the level of commitments in 1988. IBRD loan commitments to Africa increased from US $1.7 billion to US $5.3 billion, with Nigeria taking up 20.8 per cent of the total as against 17.6 per cent in 1988. Total loan commitments by the ADB Group increased by 31.3 per cent to US $2,856.3 million out of which Nigeria was earmarked to receive US $278.0 million or 9.7 per cent to finance some rural infrastructural projects and fund an on-lending programme to certain industrial enterprises.

For the fifth consecutive year, aggregate transactions channelled through the West African Clearing House (WACH) declined. Total transactions fell by 15.6 per cent from the level in 1987/88 to WAUA 28.2 million in 1988/89. Some of the factors responsible for this adverse trend included the persistent problem of settlement of arrears, failure of some members to route transactions through the clearing system and the thriving border trade. Nigeria's payments channelled through the Clearing House dropped from WAUA 18.1 million in 1987/88 to WAUA 16.5 million in 1988/89, although her share of total transactions rose from 54.2 to 58.5 per cent. As part of the measures designed to arrest the declining trend in the operations of the system, the Exchange and Clearing Committee decided at its meeting in May 1989 to reduce the interest rates applicable to WACH transactions.

1.3 OPERATIONS OF THE CENTRAL BANK

The operations of the Central Bank of Nigeria recorded further expansion in 1989. Generally, the Bank, as in the previous two years, continued to implement measures aimed at consolidating the gains of SAP. Specifically, it focussed on reducing domestic inflationary pressures and restoring a favourable balance of payments position. To achieve these objectives, the Bank adopted a moderately restrictive monetary policy while it undertook further rescheduling of external debt. The operations of the Agricultural Credit Guarantee Scheme increased significantly, while the supervisory role of the Bank was intensified to enhance the efficiency of a rapidly expanding banking system. The computerisation programme of the Bank recorded further growth with the commencement of a study on an Information System Strategy aimed at determining the information needs of the Bank.

1.3.1 Consolidation of Public Sector Accounts

In May 1989, the Federal Government directed that all government accounts be kept with the Central Bank of Nigeria. Consequently, all the accounts of government ministries, departments, government-owned companies and parastatals at both Federal and State levels were transferred from the banks to the CBN Head Office, branches and currency centres. As at the end of July 1989, a total of ₦8,270.2 million had been lodged with the CBN. The new function had the effect of stretching the Bank's resources to the fullest. The Bank coped satisfactorily with the expanded volume of work through strengthening the staff position and providing enhanced facilities for the relevant units of the Bank. A subsequent modification to the Federal Government directive later in the year, however, slightly reduced the pressure on the Bank in performing this new role.

1.3.2 Domestic Debt Management

The stock of domestic debt outstanding remained almost the same at ₦47,051.1 million compared with ₦47,031.1 million in 1988. As a result of the conversion of treasury bills into bonds, there was a significant change in the maturity structure of domestic debt. The value of short-term debt instruments of not more than two years' maturity declined by 25.6 per cent to ₦31,760.1 million and accounted for 67.5 per cent of total domestic debt outstanding compared with 90.7 per cent in 1988. However, the value of long-term debt instruments maturing 10 years and above increased from ₦2,731.5 million to ₦13,770.0 million and accounted for 29.3 per cent of the aggregate compared with only 5.8 per cent in 1988. Reflecting the tight liquidity situation in the economy especially since the second half of 1989, there was a large dis-investment in domestic debt instruments by commercial and merchant banks, which resulted in a significant rise in Central Bank holdings of these instruments. At ₦28,483.5 million, the Bank's holdings of domestic debt instruments accounted for 60.3 per cent of total holdings compared with 58.9 per cent in 1988.

The management of domestic public debt was enhanced late in 1989 with the introduction of the auction-based system of issue of Federal Government treasury bills and certificates. Under the system, the issue rates on these government securities are based on competitive bids of the authorised dealers, a market strategy that is expected to raise public interest in the securities, improve the efficiency in government debt management, promote the development of an active secondary market and enhance the effectiveness of monetary policy.

1.3.3 Agricultural Credit Operations

The operations of the Agricultural Credit Guarantee Scheme (ACGS) recorded further expansion. A total of 34,518 loans valued at ₦129.3 million were guaranteed and represented increases of 21.0 and 9.0 per cent, respectively, over the number and value of loans guaranteed in 1988. As in 1988, farmers borrowing ₦5,000 and below dominated lending under the scheme. This category of borrowers accounted for 96.0 and 68.1 per cent of the number and value of loans guaranteed, respectively. A break-down of the scheme's operations by sector showed that the food crops sub-sector maintained its dominance. The sub-sector accounted for 29,688 loans valued at ₦100.2 million or 86.1 and 77.6 per cent of the respective totals. But lending to livestock as a proportion of the total declined from 4.6 to 2.9 per cent in terms of number and from 19.4 to 9.5 per cent in terms of the value of loans guaranteed. Largely reflecting the continued credit-worthiness of small-scale farmers, the number of fully repaid loans rose from 3,861 worth ₦21.0 million in 1988 to 10,890 valued at ₦52.8 million.

1.3.4 Foreign Exchange Management

In January 1989, the official and autonomous segments of the FEM were merged, resulting in a single ruling exchange rate through daily auctions in the market. During the year, there were 243 auctions during which the aggregate amount offered for sale by the Bank was US $2,398.0 million or a monthly average of US $199.1 million compared with a total of US $2,910.0 million or a monthly average of US $242.5 million in 1988. Although efforts were made to stem the intense demand pressures in the market, the naira exchange rate depreciated further due largely to the persistent gap between the supply and demand for foreign exchange. However, the naira exchange rate achieved greater stability during the year than in 1988. In a continuing bid to ensure the efficiency of exchange rate policy in macroeconomic management, bureaux de change were introduced in August 1989 to accord legal recognition to small dealers in foreign exchange and provide free access to foreign exchange by small buyers. On the whole, the naira exchange rate was ₦7.6221 per US dollar at the end of December 1989 as against ₦5.3530 to the dollar at the end of 1988, reflecting a depreciation of 29.8 per cent. The parallel market rates were ₦8.3500 and ₦9.4600 to the dollar at the end of 1988 and 1989, respectively, while the rate on bureaux de change was about ₦9.5000 to the dollar at the end of 1989. The gap between the official and parallel market rates, thus, narrowed to 24.0 per cent at the end of 1989 compared with 56.9 per cent at the end of 1988.

The magnitude of Nigeria's foreign exchange receipts was largely influenced by the variability in earnings from her major export commodites. Official foreign exchange receipts were boosted by proceeds from higher oil liftings and selling prices of crude oil while private sector receipts were depressed by continued decline in the prices of primary export commodities, particularly cocoa beans. At US $7,646.2 million, aggregate foreign exchange receipts exceeded the 1988 level by 18.1 per cent. Official receipts, amounting to US $6,487.0 or 84.8 per cent of the aggregate, recorded an increase of 24.1 per cent over the previous year's level while private sector receipts which amounted to US $1,159.2 million or 15.2 per cent of the aggregate fell short of the 1988 level by 6.9 per cent. A sectoral break-down showed that 68.6 per cent of the official foreign exchange allocated to the private sector was taken up by the industrial sector compared with 64.7 per cent in 1988.

1.3.5 Accounts

The Central Bank recorded a net operating surplus of ₦1,787.1 million in 1989 compared with ₦978.1 million in 1988. Out of this amount, the sum of ₦112.0 million was transferred to the General Reserve, while the balance of ₦1,675.1 million was payable to the Federal Government in accordance with Section 7(3) of the Central Bank of Nigeria Act 1958 (as amended).

PART TWO

ECONOMIC REPORT

CHAPTER II

II. REVIEW AND APPRAISAL OF ECONOMIC POLICY MEASURES

Economic policy in 1989 was aimed at moderating inflation, reducing pressures on the external sector, as well as stimulating private sector output and minimising the unemployment problem. Accordingly, the stance of monetary policy was moderately restrictive while fiscal policy was designed to support higher domestic output and mobilise enhanced revenue. Available data and information showed that domestic output increased and there was a favourable out-turn in the balance of payments. Although inflation was gradually on the decline late in the year, it was still high.

II.1 REVIEW OF ECONOMIC POLICY MEASURES

II.1.1 Background to 1989 Policy Measures

The need to stem the adverse social consequences of the Structural Adjustment Programme (SAP) while consolidating its gains dominated economic policy measures in 1988. In furtherance of the objective, expansionary monetary and fiscal policy measures were adopted. Although the economy grew by 4.1 per cent in real terms, the inflation rate accelerated while unemployment situation deteriorated. The thrust of economic policy in 1989 was therefore to sustain economic growth, curb inflationary pressures and generally put the adjustment process back on course. Specifically, the basic economic policy objectives for 1989 were:

- (i) moderation of inflation;
- (ii) reduction of pressures on the external sector with a view to achieving a viable balance of payments position, stabilising the naira exchange rate and building up adequate external reserves;
- (iii) stimulation of private sector productive capacity and output; and
- (iv) generation of employment.

II.1.2 Monetary and Credit Policy Measures

The monetary policy measures in 1989 were designed to facilitate the achievement of the basic economic policy objectives. Accordingly, the policy stance for 1989 was moderately restrictive. The monetary and credit targets as well as actual performance for 1989 compared with those for 1988 were as follows:

		1988 TARGETS (%)	1989 TARGETS (%)
(i)	Growth in Money Supply (M1)	15.0	14.6
(ii)	Growth in Aggregate Domestic Credit	8.1	9.5
(iii)	Growth in Credit to Government	2.5	8.3
(iv)	Growth in Credit to the Private Sector	13.3	10.7
(v)	Growth in Commercial and Merchant banks' Loans and Advances	12.5	10.0

Other Monetary Policy measures adopted in 1989 included:

- (a) the directive that the base for calculation of the 10.0 per cent increase in commercial and merchant banks' loans and advances should be the levels of loans and advances (excluding money at call with other banks) outstanding at the end of December 1988 which reflected compliance with the 12.5 per cent permissible rate of expansion;
- (b) the distribution of the permissible rate of credit expansion of 10.0 per cent on quarterly basis as follows:

QUARTER (1989)	PERMISSIBLE RATE OF INCREASE (%)
First	2.3
Second	1.7
Third	2.2
Fourth	3.8

- (c) the provision of adequate credit to the priority sectors of the economy to enhance output growth, preference being accorded the agricultural and manufacturing sectors in the allocation of available credit. In this regard, prescribed sectoral percentage distribution of commercial and merchant banks' total loans and advances outstanding was retained at their 1988 targets as follows:

Sectoral Allocation of Credit (Per cent)

Sector	Commercial Banks	Merchant Banks
A. High Priority Sectors[1]	50.0	50.0
(i) Agricultural Production	(15.0)	(10.0)
(ii) Manufacturing Enterprises	(35.0)	(40.0)
B. Other Sectors	50.0	50.0
Total "A" + "B"	100.0	100.0

(d) the permission granted to new and small banks with total loans and advances not exceeding ₦50 million as at end-December 1988 to attain a credit base of ₦50 million before the ceiling on credit growth would apply to them; those with loans and advances of more than ₦50 million but not exceeding ₦100 million could expand credit by not more than 12.5 per cent above their base or 20 per cent of total deposit liabilities at the end of period, whichever was higher;

(e) the requirement that commercial banks in 1989 as in 1988, lend to rural borrowers a minimum of 45 per cent of the total deposits mobilised by their rural branches;

(f) retention of the provision that a minimum of 16 per cent of commercial banks' total loans and advances be allocated to small-scale wholly owned Nigerian enterprises excluding commercial and trading activities;

(g) continuation of the policy of interest rate deregulation under which banks were free to pay negotiated interest on current account deposits while ensuring that the existing wide spread between their deposit and maximum lending rates was narrowed. Banks were to continue to make interest rate flexible and responsive to changes in CBN's minimum rediscount rate and the forces of supply and demand for funds in the financial markets;

(h) retention of the 1988 provision on banks' equity participation in non-bank enterprises; grace periods on loans to agriculture; the amortisation of residential mortgage loans; the maturity structure for merchant banks' loans and advances and capital funds adequacy; and

(i) an upward revision of the cash reserve requirement by one percentage point. With effect from January 1989, the four classes of banks and the required reserve ratios were as follows:

Class	Total Liabilities 1988	Total Liabilities 1989	Ratio of Cash Deposit to Demand Deposits 1988 (as amended)	Ratio of Cash Deposit to Demand Deposits 1989
A	₦300 million or more	₦100 billion or more	7.0	8.0
B	₦100 million or more but less than ₦300 million	₦500 million or more but less than ₦1 billion	6.0	7.0
C	₦30 million or more but less than ₦100 million	₦100 million or more but less than ₦500 million	5.0	6.0
D	Less than ₦30 million	Less than ₦100 million	4.0	5.0

II.1.3 Amendment to the Monetary Policy Circular No. 23 of 1989

During the review period, developments in the economy, particularly the mounting demand pressures, worsening inflation and rapid depreciation of the naira exchange rate necessitated the introduction of further policy measures. These are presented here in their chronological order:

(a) In the first amendment to Monetary Policy Circular No. 23 in January 1989, commercial and merchant banks were directed to grant credit facilities to Nigerians to enable them purchase shares of privatized companies. Credit extended for this purpose was exempted from the credit ceiling of the banks;

(b) Under amendment No. 2, effective January 31, 1989, the Bank's Minimum Rediscount Rate was raised by 0.5 percentage point to 13.25 per cent from the existing 12.75 per cent. Issue rates of all Government Securities were adjusted correspondingly;

(c) In April, a third amendment was issued. Under this amendment the cash reserve ratios of commercial and merchant banks were raised by one percentage point across the board. Also, the statutory minimum liquidity ratio was raised from 27.5 to 30.0 per cent for commercial banks and 20.0 to 22.5 per cent for merchant banks. Capital Funds adequacy ratio was also reviewed. Banks were required to maintain a ratio of not less than one to ten (1:10) as against the previous ratio of (1:12) between their adjusted capital funds and total loans and advances. Foreign guarantees/currency deposits as collateral for naira loans were abolished; that is, commercial and merchant banks were no longer to grant domestic loans denominated in Naira on the securities of foreign guarantees/or foreign deposits held abroad and in domiciliary accounts with Nigerian banks;

(d) In May 1989, the third amendment to the Circular was extended to cover all financial institutions providing credit in Nigeria. Consequently, all financial institutions operating in Nigeria were thenceforth disallowed to grant Naira loans on the security of foreign guarantees, foreign currency deposits or any other assets held abroad or take over any loans granted on this basis;

[1]Percentage shares of "A" (i) and (ii) should be regarded as minimum.

(e) Also, in May 1989, the Federal Military Government directed that with effect from June 1989, all Federal and State Government Ministries, Departments and Parastatals (including Insurance and Reinsurance Companies, the NNPC and its wholly-owned subsidiaries) shall maintain all their accounts, including deposits, with the Central Bank of Nigeria's Head Office or branches. Such accounts with commercial and merchant banks were therefore to be discontinued;

(f) In June 1989, the Central Bank of Nigeria directed that with effect from June 19, 1989 the FEM Special Account shall cease to operate. Accordingly, with effect from that date only banks whose main accounts (i.e. current accounts) were adequately funded on daily basis would be allowed to buy foreign exchange;

(g) On September 26, 1989 banks were directed to adopt a uniform definition in the reporting of some transactions which hitherto had been treated differently by most banks. These transactions included all inter-bank flows (namely, money at call, term deposits/placement and demand deposits), bankers acceptances; commercial papers and Loans/ Advances;

(h) In consideration of the problems arising from the implementation of Treasury Circular No. A2/1989 of May 26, 1989, the Federal Military Government, with effect from November 8, 1989, issued a modifying circular authorising Federal and State governments, Ministries, Parastatals and government-owned companies to maintain for their operations revenue and expenditure accounts with commercial banks in towns and villages where there are no branches of the CBN. While the Revenue Accounts are to be used for the collection of revenue, the Expenditure Accounts are meant for disbursements of recurrent expenses. Regarding the Revenue Accounts, standing orders are to be left with the banks to transfer weekly the balances on these accounts to accounts of the respective State Governments, Ministries, Parastatals or companies at the Central Bank. Similarly, balances on the Expenditure Accounts are expected not to exceed ₦5 million at any time;

(i) Effective November 10, 1989, with a view to removing the distortion in the interest rate structure, commercial and merchant banks reached an accord with the CBN to observe the following margins in their deposit and lending rates:-
   (i) the interest rate spread between commercial banks' savings deposit rate and prime lending rate for each commercial bank should be kept at a maximum of 7½ percentage points;
   (ii) the margin between the prime and highest lending rates for each bank should be a maximum of 4 percentage points; and
   (iii) the inter-bank rates should be at least 1 percentage point below the prime rate for each bank;

(j) Finally, an auction-based system for issuing treasury bills and certificates was introduced on November 23, 1989. The principal objectives were to:
   (i) improve the efficiency of public debt management and the conduct of monetary policy;
   (ii) enhance investor interest and participation in the holding of Government Debt securities;
   (iii) plug the 'liquidity leak' in the system through enhanced public subscription;
   (iv) promote greater reliance on market forces in the determination of yields on Government debt instruments through market determined interest rates; and
   (v) encourage the development of the secondary market for Government short-term debt instruments.

II.1.4 Fiscal Policy Measures

In line with policy objectives, the fiscal measures adopted in 1989 could be classified into four groups: those aimed at increasing revenue; measures designed to guarantee effective protection to domestic industries; those expected to reduce the escalating transportation cost and those directed towards the promotion of Research and Development (R & D).

(a) *Revenue Raising Measures*
   (i) A number of products were removed from the imports prohibition list and high taxes were imposed on them. These included cigarettes, articles of jewellery and precious metals and gaming machines, each attracting 200 per cent duty; and particle boards with a 50 per cent duty.
   (ii) Excise duty on beer and stout, spirits and wines and cigarettes were also raised from 30 to 40 per cent.
   (iii) The sales tax rates on beer and soft drinks hitherto fixed at 3 kobo and 1 kobo per bottle, respectively, were replaced by a single rate of 5 per cent of manufacturers selling prices to distributors.
   (iv) The subsidies on fertilizers were reduced, and consequently the prices of the various categories of fertilizers were increased as follows:
      (a) NPK Fertilizer from ₦10 to ₦15 per bag;
      (b) Urea Fertilizer from ₦10 to ₦15 per bag; and
      (c) SSP Fertilizer from ₦8.50 to ₦12 per bag.
   (v) A withholding tax of 15 per cent on interest paid on a savings deposit of ₦50,000 or more shall be deducted by banks with immediate effect.
   (vi) The withholding tax on rental income of 15 per cent was extended to fees paid or payable for the use of any chartered vessels, ship, or aircraft. These shall include payments for the use of movable and immovable property.
   (vii) The withholding tax on Directors' fees was fixed at 15 per cent.

(b) *Measures to Protect Domestic Industries*

(i) Import duties on a number of intermediate products used in local industries were reduced. The products included battery parts (45 to 25 per cent), cold rolled and hot rolled sheets (20 to 10 per cent), and tin plates (45 to 20 per cent). Duties on some final locally produced goods such as syringes and needles were raised from 25 to 40 per cent; and thereafter declining annually to 25 per cent in the sixth year; those on enamelwares were raised from 40 to 55 per cent, also to decline annually to 40 per cent in the sixth year. Other commodities which attracted higher duties included mosquito repellant coils (30 to 200 per cent); and motor cycles and bicycles (35 to 45 per cent).

(ii) Smuggling, transportation, storage, display, or sale of prohibited items[2] was to attract life imprisonment and the seizure of the properties of the smugglers.

(c) *Measures Designed to Reduce Cost of Transportation*

Import duty on component parts of commercial vehicles and tractors was reduced from 25 to 5 per cent while import duty on other categories of vehicles remained at 25 per cent.

(d) *Promotion of Research and Development (R & D)*

In order to promote Research and Development (R & D) companies were allowed a maximum tax free deduction amounting to 10 per cent of their annual gross profit.

II.1.5 External Sector Policies

(A) Foreign Exchange and Balance of Payments

The major aim of policy in 1989 was, as in the previous year, to reduce pressures on the external sector. Thus, all the liberalisation/deregulation measures adopted in 1988 to accomplish this objective were retained in fiscal 1989. A balanced foreign exchange budget was adopted. Total public sector foreign exchange receipts in 1989 were estimated at $5,361 million. The allocation was as follows:

(i) Foreign exchange for domestic use (public and private uses) to meet current and pre-SFEM transactions and payments to international organisations $3,157 million;

(ii) External debt service $2,004 million

(iii) Accretion to external reserves $200 million.

Foreign exchange receipts by the private sector in respect of non-oil exports, services and direct investment were projected at $1,318 million. These receipts would continue to be retained by the private sector for financing their transactions.

[2] These include food and drinks such as wines, rice, maize, wheat, fruits and vegetables, poultry; retreaded and used tyres, etc.

(B) Exchange Rate

Early in 1989, both the CBN-based auction and autonomous market rates were merged into a single Inter-bank Foreign Exchange Market with a single naira exchange rate. The merger was designed to stabilise the naira exchange rate and bring about more rational behaviour in the operations of the market and generally enhance its efficiency. Banks are expected to sell foreign exchange to their customers at not more than one per cent above the official rate.

(C) Establishment of Bureaux de Change

In order to enlarge the scope of the official market for foreign exchange transactions, the government approved the establishment of bureaux de change in 1989 to be operated by private entrepreneurs. The specific objectives of the bureaux were to:

(i) accord legal recognition to small dealers in foreign exchange;

(ii) provide free access to foreign exchange by small buyers in a convenient and informal manner;

(iii) enhance efficiency in macro-economic management through more adequate statistical coverage of foreign exchange flows; and

(iv) improve fiscal efficiency.

(D) External Debt Management

Government continued its efforts to reduce the country's huge debt burden. First, it embarked on further negotiations to reschedule debts maturing in 1989 and beyond and secure more favourable terms in such negotiations. Second, government continued to use the Debt Conversion Programme as a strategy for reducing the external debt stock and debt service payments. Third, it maintained its external borrowing policy which restricted borrowing mainly to viable and growth-oriented projects which could pay their way and service their loans. Preference was to be given to sources providing loans on concessionary terms such as European Investment Bank, the World Bank and the African Development Bank. To ensure strict compliance with this directive, all proposals for external borrowing must first be cleared with the Federal Ministry of Finance and Economic Development.

II.1.6 Other Policy Measures

A. Agriculture and Rural Development Policy

In place of direct government participation in agricultural production and distribution, government embarked on the provision of required physical and institutional infrastructures to facilitate the responses of private farmers to market incentives designed to meet the increasing food demand. The main strategy in this area was the development of rural feeder roads, market incentives to raise competitiveness in rural markets and farmgate producer prices. Following the sharp increase in the prices of staples such as rice, beans and guinea-corn early in the year, the Federal government placed a ban on their exportation in April, 1989. It also directed state governments to release part of their strategic grain reserves for sale to the public. Government also undertook to encourage private commodity traders to assume the responsibility for buffer stock through national on-farm storage scheme. Towards this end, ₦2 million was allocated to the Nigerian Stored Products Research Institute for the design and fabrication of prototypes of small-scale facilities and the development of a cadre of extension workers. Furthermore, the Federal Government allocated ₦50 million to the Universities of Agriculture to enhance their contributions. It also took appropriate administrative steps to restrain state governments from hampering the free flow of food and fibres across state boundaries.

B. Industries

Early in the year, government adopted a national industrial policy designed to achieve accelerated industrial growth. The major elements of the policy include increasing local content of industrial output, improvement of the nation's technological capacity and increased export of manufactured goods. Priorities of policy focus on small, medium enterprises (SMEs) as engine of industrial growth and medium of employment generation. Under this strategy, government directed licensed banks to create small scale industrial departments in their establishments to ensure easier access to credit and management advice. The Tariff Review Board was directed to keep the level of tariff protection in constant focus and offer local manufacturers protection against dumping and unfair competition. Incentives for export promotion were also provided. Finally, to encourage inflow of foreign investment, particularly in the manufacturing sector, the procedure for investing in Nigeria was streamlined; the Nigerian Enterprises Promotion Decree of 1977 was reviewed and a good incentive package provided. Government also accelerated the development of liquified natural gas (LNG), aluminium smelting and petro-chemicals in the mainstream of government core industrial projects.

C. Pricing of Petroleum Products

To enhance the efficient use of petrol by private vehicle owners and at the same time, protect the interests of the low income group which relies much on commercial vehicles and motor-cycles as means of transport, government introduced in 1989 a petroleum price differential between private car owners on the one hand and commercial vehicle operators and motor-cyclists on the other. While one litre of petrol for use by commercial vehicles and motor-cycles attracted a price of 42 kobo, one litre of petrol for use by private vehicles was priced at 60 kobo.

D. Privatisation and Commercialisation

Fiscal 1989 marked the first year of implementation of the privatisation and commercialisation programme of the Federal Government. The programme, an integral element of SAP, was first announced in 1986 as part of the broad efforts to reduce budgetary allocation to public sector enterprises, improve public sector efficiency and support the aim of fiscal balance. To enable all interested citizens own shares in the privatised enterprises, commercial banks were directed to grant special credit facilities for the purchase of shares under the programme.

E. Education

The Federal Government made a provision of ₦800 million in support of primary education, which was paid into an account designated as "Primary School Education Fund". Both state and local governments were contributors to the fund. Essentially, the Fund was utilized for the payment of primary school teachers' salaries in the country. It was intended to free resources at the local government levels for use to meet other pressing needs as well as ensure the success of both the universal primary education and the government's secondary education programme.

F. Special SAP Relief Package

Early in June, 1989, the Federal Government announced a package of measures to ameliorate the social cost of structural adjustment. The extra budgetary relief package amounting to ₦494.9 million was put in place to provide employment opportunities, improved health care delivery as well as reduce transport difficulties. The major elements of the programme included the following allocation of financial resources:

(i) ₦65.0 million to the National Directorate of Employment (NDE) for the employment of 62,000 graduates and non-graduates nationwide;

(ii) ₦22.0 million to the Ministry of Works and Housing for employment of 10,120 workers and 612 graduates;

(iii) ₦4.4 million to the Ministry of Education for recruitment of science, mathematics and technical teachers;

(iv) ₦5.0 million for the establishment of farms in the Federal Universities, Polytechnics, Colleges of Education, etc;

(v) ₦75 million (US $10 million) to pharmaceutical companies for the direct importation of drugs; and

(vi) ₦225 million (US $30 million) for importation of motor spare parts. Moreover, commercial vehicles were to be imported duty-free during the second half of 1989.

II.2 APPRAISAL OF POLICY MEASURES

The effects of the policy measures on the economy indicated positive results. The pressures on the external sector eased considerably as indicated in the turn-around in the balance of payments. Although inflation rate accelerated during the first half of the year, there was a downward trend observed from July to the end of the year which was attributable largely to the dampening effects of the restrictive monetary and credit policy and improved supply situation. However, the high rate of inflation remained a major source of concern.

II.2.1 Monetary Policy

At ₦25,697.6 million, at end-December 1989, the narrow measure of the money stock (M1) increased by 21.5 per cent over the level in the preceding year. The increase was excessive compared with the target of 14.65 per cent for fiscal 1989, but much lower than the increase of 43.6 per cent, in 1988 when the prescribed ceiling was 15.0 per cent. However, unlike in 1988 when bank credit exerted the main expansionary influence on money supply, its growth in 1989 was due to the increase of ₦13,023.0 million in foreign assets of the banking system as well as the decline of ₦1,106.4 million in quasi-money. The expansionary effect of these factors was partially offset by the contractionary impact of the decline of ₦8,067.2 million and ₦1,513.2 million in bank credit to the domestic economy and other assets (net) of the banking system, respectively.

At ₦49,259.1 million at the end of December 1989 aggregate bank credit to the economy (net) fell by 14.1 per cent in contrast to the rise of 22.2 per cent recorded in 1988. The decline in banking system credit during the review period was accounted for by the fall in credit to government. Bank claims on government fell by 33.5 per cent, as against the stipulated maximum increase of 8.3 per cent for fiscal 1989. The contraction in net credit to government substantially reflected the declines in Central Bank's and commercial banks' claims which fell by ₦6,577.4 million or 30.2 per cent and ₦2,693.1 million or 47.0 per cent, respectively.

However, banking system's credit to the private sector maintained an upward trend during the year although the increase recorded was within the target maximum rate of 10.7 per cent for fiscal 1989. Thus, at ₦30,942.8 million at end-December, credit to the sector rose by 3.9 per cent. The increase was traceable to claims by commercial and merchant banks as Central Bank credit to the sector declined. Commercial and merchant banks' credit to the sector rose by ₦2,085.5 million or 7.6 per cent. With this growth, the banks' loans and advances to the private sector increased by 14.9 per cent as against the stipulated 10 per cent maximum. Both commercial and merchant banks exceeded the set ceiling for loans and advances. While the commercial banks exceeded it by 0.8 percentage point, the merchant banks did so by 23.2 percentage points.

The analysis of commercial banks' loans and advances on sectoral basis showed that the banks deviated from policy targets. Allocation to the high priority sectors averaged 46.0 per cent, indicating a shortfall of 4.0 percentage points from the prescribed minimum target of 50.0 per cent. The performance, however, represented a marginal improvement on the shortfall of 4.6 per cent in the preceding year (see Table 4.19). Allocation to the manufacturing sub-sector fell below the prescribed minimum target of 35.0 per cent by 4.3 percentage points while that to agricultural sector exceeded the minimum target of 15.0 per cent by 0.3 percentage point. Allocation to "other" sectors therefore exceeded its 50.0 per cent maximum target, by 4.0 percentage points.

Total loans and advances granted to borrowers in the rural areas by branches of commercial banks in those areas stood at ₦3,706.2 million at end-December 1989. The loans represented 64.9 per cent of total deposits (₦5,723.0 million) generated in the rural areas and were 19.9 percentage points above the minimum prescribed target of 45.0 per cent. In 1988, loans extended to borrowers in rural areas as a percentage of deposits generated in the areas was 47.9 per cent, compared with the policy target of 45.0 per cent. Loans and advances outstanding to small-scale enterprises at end-December 1989 amounted to ₦4,538.5 million, or 20.4 per cent of total loans and advances outstanding. The proportion, though higher than the prescribed minimum ratio of 16 per cent, was slightly lower than the 21.0 per cent achieved in 1988.

As in the preceding year, merchant banks in general complied fully with the sectoral distribution of loans and advances. The monthly average ratio of loans and advances to the high priority sector stood at 54.8 per cent as against the prescribed minimum of 50.0 per cent. The achievement was, however, less than the 57.8 per cent recorded in 1988. Of the 54.8 per cent of total loans and advances allocated to high priority sectors, 14.3 per cent was absorbed by agriculture, representing 4.3 percentage points above target. The manufacturing sector received the remaining 40.5 per cent which was 0.5 percentage point above the 40.0 per cent minimum target. The "other" sectors collectively accounted for 45.2 per cent of the total loans/advances, compared with 42.2 per cent observed in the preceding year. The maximum target for other sectors in both years was 50.0 per cent of total loans and advances.

Merchant banks' loans and advances to small-scale borrowers totalled ₦1.3 million or 21.2 per cent of total loans and advances compared with the 16.0 per cent minimum stipulation. The ratio of the value of equipment on lease to total assets rose from 4.6 per cent in 1988 to 6.0 per cent as against the prescribed maximum of 15 per cent in both years. However, short-term credit continued to dominate the structure of merchant bank credit, thus deviating widely from stipulated target. The short-term loans represented 52.1 per cent of total loans as against the maximum ceiling of 20.0 per cent.

II.2.2 Interest Rates

Interest rates rose markedly especially during the second half of 1989, as a result of the impact of various policy measures designed to reduce liquidity in the economy and contain inflationary pressures.

The average savings deposit rate rose from 12.4 per cent at end-December 1988 to 13.1 per cent by September 1989. The corresponding figures for lending rates were a range of 16.3-18.4 per cent and 25.5-25.7 per cent, for commercial and merchant banks, respectively. However, savings deposit rates lagged behind lending rates. The average margins between the savings deposit rates and lending rates rose from 3.9 percentage points at end-December 1988 to 12.4 percentage points at end-September 1989. On the average, the margin between the savings deposit and prime lending rates settled at 9.0 percentage points as at end-December 1989.

Following the introduction of an auction system for treasury bills and certificates, the treasury bill issue rate rose from 12.75 to 17.5 per cent. Treasury certificates issue rate also rose from 12.75 and 13.25 per cent to 17.5 and 18.5 per cent for the one- and two-year tranches, respectively. The CBN minimum rediscount rate rose from 13.25 to 18.50 per cent.

However, in the deposit market, some commercial banks failed to adhere to the accord on interest rate spread as 20 out of the 35 commercial banks that made returns on their interest rate charges exceeded the margin of 7.5 percentage points.

II.2.3 Fiscal Policy

The fiscal out-turn of the Federal Government resulted in a higher deficit than in 1988. However, as a ratio of GDP, the overall deficit was only 6.2 per cent as against 8.0 per cent in 1988 and the 8.1 per cent target under SAP. The performance resulted largely from the higher increase in the retained revenue than from a reduction in total expenditure. The retained revenue rose by 65.2 per cent over the level in 1988 and by 49.6 per cent over the budget estimate for the year.

Much of the growth in the revenue derived from the higher prices and exports of crude oil and the depreciation of the naira exchange rate. The recurrent and capital expenditure increased by 47.8 per cent over the level in 1988 and by 36.3 per cent over the budget estimate. Outlay on debt service accounted for 47.1 per cent of the total expenditure compared with 41.3 per cent in 1988 and absorbed 74.9 per cent of retained revenue. The share of non-debt expenditure declined from 58.7 per cent in 1988 to 52.9 per cent.

In financing the overall deficit, ₦9,546.7 million was raised from domestic sources while ₦5,719.0 million was realised from the draw-down on project-tied external loans. The latter compared with ₦8,500 million projected external borrowing in the budget.

II.2.4 External Sector Developments

A. Balance of Payments

The pressures on the external sector eased during the year. The balance of payments recorded a surplus of ₦8,727.8 million compared with a deficit of ₦2,294.1 million in 1988. Factors underlying the significant improvement in the balance of payments included the improvement in the current account which moved from a deficit of ₦1,437.7 million in 1988 to a surplus of ₦13,968.4 million. Substantial increase on merchandise account occasioned by huge expansion in crude petroleum export was largely responsible for the improvement in the current account. Non-oil exports, however, slowed down during the year. The capital account deficit narrowed from ₦18,056.3 million to ₦15,207.9 million. The decline in long-term capital outflow particularly loan repayment, deferment of debt service obligations falling due, and enhanced inflow of foreign direct investment, contributed to the reduction in the capital account deficit.

B. Holdings of External Assets

At ₦23,294.7 million, the stock of Nigeria's total external assets was more than double its level at the end of 1988. The increase in total external assets came largely from enhanced crude oil prices, exchange rate depreciation, the draw-down of external borrowings and grants. These favourable developments facilitated the success of the policy stance to build up the level of official reserves in 1989. Unlike in 1988 when holdings of external assets by commercial and merchant banks exceeded CBN holdings, the pattern of holdings was reversed in favour of CBN. The reversal followed the more than tripling of external assets held by CBN from ₦3,272.7 million at end-December 1988 to ₦13,453.5 million. Other official and semi-official holdings stagnated at the preceding year's levels. The combined net holdings of commercial and merchant banks increased by 31.6 per cent to ₦9.838.9 million.

C. Exchange Rate Developments

The pressure on the foreign exchange market in 1988 continued into the first half of 1989 largely reflecting the shortfall in foreign exchange supply and excess liquidity in the system. However, the measures put in place in the second half of 1989 reduced bank excess liquidity, raised interest rates and narrowed the gap between the official and parallel market rates. The bureaux de change established later in the year also helped to stabilise the exchange rate as they absorbed some of the demand pressures for foreign exchange. At end-December 1989 the average naira exchange rate was ₦7.6221 per US dollar, as against ₦5.3530 to the US dollar in December 1988, reflecting a depreciation of 29.8 per cent. The parallel market rates were ₦8.3500 = US $1 in December 1988 and ₦9.4600 = US $1 in December 1989. The gap between the official and parallel market rates narrowed from 56.9 per cent in 1988 to 24 per cent in December 1989, a significant achievement as it indicated the success of exchange rate policy.

D. Debt Conversion Programme

Reflecting the impact of the debt conversion scheme, the external debt stock, as at end-December, 1989, was reduced by US $306.7 million, comprising the $138.3 million and $168.4 million converted in 1988 and 1989, respectively. From the conversion exercise, the sum of $150.4 and $4.5 million accrued to the country through discounts offered on redemptions and commission on transactions, respectively. Also the level of foreign direct investment increased by $188.5 million. A total of ₦807.4 million was disbursed on projects in various activities including agriculture (₦177.4 million), manufacturing (₦303.4 million), gifts and grants (₦237.7 million), building and construction (₦10.3 million), and government securities (₦78.6 million). Beneficiary companies of the DCP performed well in terms of increased labour employment, and improved production capacity.

E. Refinancing of Short-Term Trade Arrears

Progress was made in the reconciliation of insured short-term trade arrears as two agreements were negotiated and signed. The first agreement with the Paris Club of creditors was negotiated and signed in March, 1989. The success of this agreement made it possible for other bilateral agreements to be signed with eight member countries and negotiations to be concluded with five others. The second agreement known as the Refinancing and Restructuring Agreement was signed with the London Club of creditors also in March, 1989. This agreement provided for repayment between 1989 and 1991 of payable debt of US $500 million, repayment between 1992 and 2003 of refinanced letters of credit of US $2,440 million and repayment between 1992 and 2008 of medium and long-term debts of US $2,800 million. The agreement also contained options designed to provide further debt relief such as the conversion of payable debt into interest bearing naira denominated securities.

F. Debt Rescheduling

The Refinancing and Rescheduling Agreement was amended in March, 1989 to provide for payable debt to be subject to a 5 per cent down payment while the balance would be paid in equal monthly instalments from the day on which the agreement was signed to December, 1991 and the principal amount to be paid in 144 equal monthly instalments between January, 1991 and December, 2003. Under the scheme, US $438.5 million was paid to the London Club out of which US $147.9 million and US$5.8 million were for payable debt and decapitalisation, respectively. The CBN refunded ₦42.0 million to local banks as its share of the interest burden during the years.

II.2.5 Other Policy Measures

A. Privatisation and Commercialisation Programme

The implementation of the Privatisation and Commercialisation Programme of the Federal Government involved the offer for sale of 18 government owned companies having 94.4 million shares with a market capitalisation of about ₦138 million by the Technical Committee on Privatisation and Commercialisation (TCPC). The 18 companies comprised 16 Federal and 2 state government owned companies. The 16 Federal Government companies privatised comprised two oil companies, thirteen insurance companies (including a group of twelve small and medium size insurance companies with about 36 million shares and a total market capitalisation of ₦49 million) and one flour mill. The results of some of the public issues indicated substantial over-subscription of all the offers. Small shareholders, defined as those applying for less than 1,000 shares, dominated the subscription.

The Federal Government sold 20.0 out of its 80.0 per cent interest in the NNPC/Shell Joint Venture. Of the 20.0 per cent interest sold, 10.0, 5.0 and 5.0 per cent were to Shell Petroleum Development Company Nigeria Limited, Nigeria Agip Oil Company and Elf Nigeria Limited, respectively. The benefits expected from the sale include increase in foreign exchange resources for the development of the LNG project and other vital sectors of the economy; reduction in the liability of government for the contribution of cash calls for operating the concessions; and assurance of greater commitment of Shell, Agip and Elf to the LNG project. Following the sale, the NNPC interest in each of the oil producing Joint Ventures stood at 60.0 per cent.

B. Petroleum Pricing

Available information indicated that the implementation of the dual pricing system for gasoline was not successful. The system was frustrated by malpractices and abuses since it was not easy to effectively separate the market to prevent non-commercial motorist from purchasing from the lower price market. However, towards the end of the year, Government abolished the dual pricing system and unified the pump price of gasoline at 60 kobo per litre for both commercial and private vehicle owners.

II.3 OVERALL ECONOMIC PERFORMANCE

The policy measures introduced in 1989 to tackle the economic problems confronting the economy achieved positive results. The upward trend in domestic output which began in 1987 continued through 1989. Output, however, grew at a constant rate of about 4 per cent. The output situation mirrored the increase in most of the sectoral components of the GDP.

Available data on agricultural production showed that at 120.1 (1975 = 100) agricultural output rose by 6.1 per cent compared with 3.5 per cent in the preceding year. The increase in the output largely reflected the 7.4 per cent increase in the crops sub-sector as well as the modest recovery in forestry and fish production. Livestock sub-sector on the other hand, stagnated due to the continued deterioration in the supply of feeds. As measured by the index of industrial production, output of the sector rose by 6.6 per cent. The rise reflected an increase of 19.3 per cent in the output of the mining sub-sector. The manufacturing output increased by 2.2 per cent only as against 16.9 per cent recorded in the preceding year. Capacity utilisation rose marginally from 42.0 per cent in 1988 to 42.4 per cent. Increased efforts were made to source raw materials locally by manufacturers, especially those engaged in agro-allied enterprises such as textile, beer and stout and leather footwear. Output and exports in the petroleum industry increased significantly.

Inflationary pressures increased during the year. At 1,093.9 (1975 = 100) at end-December 1989, the Federal Office of Statistics (FOS) all-item composite consumer price index rose by 40.9 per cent compared with 38.3 per cent in 1988. All the components of the index recorded substantial increases.

The unemployment rate declined marginally. The FOS labour force sample survey conducted in December 1989 under the programme of National Integrated Survey of Households (NISH) showed that the composite unemployment rate declined to 4.0 per cent from 5.3 per cent recorded during the corresponding period of 1988. Both urban and rural unemployment rates declined from 7.8 and 4.8 per cent, respectively in December 1988 to 7.5 and 3.2 per cent in December 1989.

The pressures on the balance of payments eased considerably. Thus, the overall balance of payments position as evaluated by external reserve changes, moved from a deficit of ₦2,294.1 million in 1988 to a surplus of ₦8,727.8 million in 1989. The surplus reflected largely the significant turn-around in the current account position from a deficit of ₦1,437.7 million in 1988 to a surplus of ₦13,968.4 million as well as the narrowing of the deficit on the capital account from ₦18,447.3 million to ₦16,874.9 million. The improvement in the current account resulted from the substantial increase in the merchandise trade occasioned by the large expansion in crude petroleum exports. The narrowing of the deficit on capital account reflected the decline in long-term capital outflow especially loan repayments, deferment of some debt service payments falling due, and increased foreign direct investment inflow.

CHAPTER III

III. DOMESTIC PRODUCTION AND PRICES

The rising trend in domestic output observed since 1987 continued into 1989. The Gross Domestic Product (GDP) at 1984 constant factor cost stood at ₦85.82 billion, showing an increase of 4.0 per cent compared with increases of 4.1 and 1.2 per cent in 1988 and 1987, respectively. All the components of the GDP contributed to the increase, except communications where output stagnated. The increases ranged from 1.2 per cent for government services to 8.9 per cent for mining and quarrying (see Table 3.1). Agricultural production rose by 4.6 per cent compared with 5.5 per cent in 1988; while manufacturing production increased by 5.0 per cent compared with 5.5 per cent in the preceding year. Crude oil output attained a lower growth rate of 2.4 per cent compared with 8.6 per cent in 1988. The continued improvement in agricultural production is attributable to favourable weather conditions and reduction in disease and pest infestations as well as in post harvest losses.

The rate of unemployment in both urban and rural areas was estimated to have declined from 7.8 and 4.8 per cent, respectively in 1988 to 7.5 and 3.2 per cent in 1989. Although there was an increase in man-days lost, industrial relations were less turbulent than in the previous year.

The all-items composite consumer price index accelerated further by 40.9 per cent compared with 38.3 per cent in 1988.

TABLE 3.1

GROSS DOMESTIC PRODUCT AT 1984 FACTOR COST

	(₦ Billion)			*Share in Total (Percent)*			*Percentage change between*	
Activity Sector	1987 (1)	1988 + (2)	1989* (3)	1987 (4)	1988 (5)	1989 (6)	(1) *and* (2) (7)	(2) *and* (3) (8)
1. Agriculture (Crops)	23.92	25.24	26.40	30.18	30.58	30.76	5.52	4.60
2. Livestock	4.71	4.83	5.09	5.94	5.85	5.93	2.55	5.38
3. Forestry	1.44	1.47	1.51	1.82	1.78	1.76	2.08	2.72
4. Fishing	1.79	1.33	1.36	2.26	1.61	1.58	−25.70	2.26
5. Crude Petroleum	10.19	11.07	11.33	12.85	13.41	13.20	8.64	2.35
6. Mining & Quarrying	0.41	0.45	0.49	0.52	0.55	0.57	9.76	8.89
7. Manufacturing	7.66	8.08	8.48	9.66	9.79	9.88	5.48	4.95
8. Utilities	0.34	0.34	0.35	0.43	0.41	0.41	0.00	2.94
9. Building & Construction	1.09	1.14	1.20	1.38	1.38	1.40	4.59	5.26
10. Transport	2.73	2.74	2.88	3.44	3.32	3.36	0.37	5.11
11. Communication	0.24	0.25	0.25	0.30	0.30	0.29	4.17	0.00
12. Wholesale & Retail Trade	13.60	14.06	14.59	17.16	17.04	17.00	3.38	3.77
13. Hotels & Restaurants	0.71	0.72	0.74	0.90	0.87	0.86	1.41	2.78
14. Finance & Insurance	2.63	2.88	3.08	3.32	3.49	3.59	9.51	6.94
15. Real Estate & Business Services	0.25	0.25	0.26	0.32	0.30	0.30	0.00	4.00
16. Housing	1.94	2.00	2.06	2.45	2.42	2.40	3.09	3.00
17. Producers of Government Services	4.98	5.03	5.09	6.28	6.09	5.93	1.00	1.19
18. Comm., Soc. & Pers. Services	0.64	0.65	0.66	0.81	0.79	0.77	1.56	1.54
TOTAL	79.27	82.53	85.82	100.00	100.00	100.00	4.11	3.99

+ Estimate by the Office of Planning
* Forecast by the Office of Planning

Source: Federal Office of Statistics (F.O.S.), Lagos.

A major factor in the rising cost of living was the increase in the prices of staple foods arising from inadequate supply and competitive demand by industrial users. Other factors included the persistent depreciation of the naira exchange rate, sharp increases in interest rates and the generally high and rising cost of production, transportation and accommodation.

III.1 AGRICULTURE

III.1.1 Agricultural Production

As in 1988, the agricultural sector recorded significant improvement in 1989. All the sub-sectors except livestock, contributed to the improved performance of agriculture in the review period. At 120.1 (1975 = 100), the aggregate index of agricultural production increased by 6.1 per cent in 1989 compared with 3.5 per cent in 1988 (see Table 3.2). Crop production rose sharply by 7.4 per cent compared with an increase of 5.6 per cent in 1988. Staple food crops recorded a more significant increase of 8.9 per cent, while the rate of growth in cash crops output declined from 6.2 to 3.2 per cent. Output of major staples such as wheat, rice, millet, sorghum, beans and cassava recorded significant increases (see Table 3.3).

A country-wide survey of agricultural sector conducted by the Central Bank of Nigeria showed that the appreciable increase in agricultural production was attributable mainly to favourable weather situation during the year. Although average annual rainfall declined, the state by state distribution was fair and timely for improved agricultural activities (see Table 3.4). The heavy floods which characterised 1988 were virtually absent. Furthermore, except for isolated instances of dry spells in Sokoto, Borno and Kano States, and some floods in Anambra, Akwa Ibom, Benue, Bendel and Cross River States, the rainfall pattern in 1989 was generally very favourable to good crop yield.

Other factors which helped to boost agricultural output in the year included increased hectarage cultivated, and the concerted efforts by the various governments to minimise post harvest losses through the construction of modern storage facilities and improvement on traditional ones. The survey, however, showed that basic farm inputs such as fertilizers, chemicals, tools, tractors and equipments were in short supply in 1989. Total fertilizer distributed to farmers during the year was about 912,006 metric tonnes, representing a decline of 7.6 per cent from the level distributed in the previous year. Moreover, distribution was particularly inefficient in 1989, with widespread reports of diversion and black market operations which led to unprecedented hikes in the retail prices of fertilizer, in spite of continued substantial official subsidy estimated at about 55 per cent. This situation resulted in the reorganisation of the Federal Fertilizer Procurement and Distribution Department (FPDD), and concerted efforts to improve the distribution network during the second half of the year through reduction in freight charges and a more rational sharing of the subsidy between the State and the Federal Government.

With regard to other farm inputs, most farmers, especially owners of large commercial farms faced acute shortage of equipment and spare parts due to high cost of borrowing and continued depreciation of the naira exchange rate which made importation very expensive. There was however significant increase in the supply of improved seeds. During the year a total of 13, 340 tonnes of assorted foundation seeds of maize, cowpeas, rice and sorghum were produced and distributed to farmers by the National Seeds Service. This represented an increase of 33.1 per cent over the level of supply in 1988. About 25,000 litres of chemicals (pesticides) were also distributed for combating pests in parts of Sokoto, Borno, Gongola, Kano and Katsina States, where invasion of quelea-birds occurred. Quality control activities were also stepped up during the year as about 15,004 tonnes of assorted grains, 28,456 tonnes of yam and 6,056 tonnes of seed cotton were inspected and graded at produce inspection centres located throughout the country.

The index of livestock production dropped by 2.1 per cent to 101.9 in 1989 compared with the decline of 2.6 per cent in 1988. The continued poor performance of the livestock sub-sector was traced largely to the poultry component which continued to be depressed due to inadequate supply and high cost of poultry feed. Output of lamb/mutton, beef and pork on the other hand recorded impressive increases of 4.9, 5.8 and 25.0 per cent, respectively. Although initial scarcity of poultry feeds was triggered off by the ban on maize grain import, the situation has not improved despite the substantial increase in domestic production because of increased domestic demand

TABLE 3.2

INDEX OF AGRICULTURAL PRODUCTION BY TYPE OF ACTIVITY (1987-89)

(1975 = 100)

	1987 (1)	1988[1] (2)	1989[2] (3)	*Percentage change between* (1) *and* (2) (4)	(2) *and* (3) (5)
Crops	115.9	122.4	131.4	5.6	7.4
(a) Staples	(113.3)	(119.1)	(129.7)	5.1	8.9
(b) Other Crops	(124.5)	(132.7)	(136.9)	6.6	3.2
Livestock	106.9	104.1	101.9	−2.6	−2.1
Fish	63.1	59.9	67.6	−5.1	12.9
Forestry	113.5	115.8	119.6	2.0	3.3
Aggregate	109.4	113.2	120.1	3.5	6.1

[1] Revised [2] Provisional

Source: Derived from data compiled from Federal Office of Statistics (FOS), Food and Agricultural Organisation (FAO) Production year-book; Central Bank Annual Agricultural Survey, Annual Reports of Federal Ministries of Agriculture, Water Resources and Rural Development and Returns from State Ministries of Agriculture and Natural Resources.

for the grains by local industries, especially the breweries and pharmaceutical companies. This situation has compelled most large-scale poultry farmers to diversify into piggery production where feed requirements depend largely on food waste and leftovers. Increased output of cattle, goat and sheep products was due largely to the improved availability of fodder and pastures following good rains during the year. There were also fewer reported outbreaks of pests in livestock during the year.

TABLE 3.3

ESTIMATED OUTPUT OF MAJOR AGRICULTURAL COMMODITIES

('000 Tonnes, Except Otherwise Stated)

	1987 (1)	1988[1] (2)	1989[2] (3)	*Percentage change between* (1) *and* (2) (4)	(2) *and* (3) (5)
1. *CROPS*					
i. Staples	24,908	26,203	28,533	5.2	8.9
Maize	1,311	1,277	1,338	−2.6	4.8
Millet	3,070	3,720	4,170	21.2	12.1
Sorghum	3,468	3,298	3,587	−4.9	8.8
Rice	514	529	555	2.9	4.9
Wheat	139	159	257	14.4	61.6
Acha	26	30	35	15.4	16.7
Beans	1,000	1,263	1,430	26.3	13.2
Cassava	3,151	3,155	3,918	0.1	24.2
Potato	45	44	50	−2.2	13.6
Yam	9,266	9,132	9,378	−1.4	2.7
Cocoyam	606	693	635	14.4	−8.4
Plantain	1,071	1,549	1,700	44.6	9.7
Vegetable	1,241	1,354	1,480	9.1	9.3
ii. Other Crops	8,485	9.043	9,325	6.6	3.1
Melon	280	275	182	−1.8	−33.8
Groundnut	696	686	815	−1.4	18.8
Benniseed	34	36	40	5.9	11.1
Coconut	105	108	110	2.9	1.9
Sheanut	104	109	110	4.8	0.9
Soyabeans	102	121	134	18.6	10.7
Cottonseed	80	194	185	142.5	−4.6
Palm Kernel	353	545	600	54.4	10.1
Palm Oil	680	700	700	2.9	0.0
Groundnut Oil	50	60	60	20.0	0.0
Cocoa	105	230	256	119.0	11.3
Coffee	6	10	12	66.7	20.0
Rubber	56	68	80	21.4	17.6
Sugar Cane	852	888	900	4.2	1.4
Palm Wine	4,951	4,986	5,111	0.7	2.5
Tobacco	26	27	30	3.8	11.1
2. *LIVESTOCK PRODUCTS*	1,117	1,088	1,065	−2.6	−2.1
Poultry	56	54	50	−3.6	−7.4
Goat Meat	206	209	215	1.5	2.9
Lamb/Mutton	75	81	85	8.0	4.9
Beef	232	260	275	12.1	5.8
Pork	34	36	45	5.9	25.0
Milk	182	188	185	3.3	−1.6
Eggs	332	260	210	−21.7	−19.2
3. *FISHERY*	254	279	315	9.8	12.9
Artisanal Coastal and Brackish Water Catches	146	172	193	17.8	12.2
Artisanal Inland Rivers and Lakes Catches	103.0	51	70	−50.5	37.3
Fish Farming	21	27	25	28.6	−7.4
Industrial (Trawling) coastal Fish and Shrimps	24	29	27	20.8	−6.9
4. *FORESTRY (000 cm³)*	95,961	97,980	101,184	2.1	3.3
Roundwood	94,876	96,868	100,043	2.1	3.3
Sawn Wood	950	972	996	2.3	2.5
Wood Based Panel	120	125	129	4.2	3.2
Paper and Paper Boards	15	15	16	0.0	6.7

[1] Revised [2] Provisional

Source: Derived from data compiled from Federal Office of Statistics (FOS), Food and Agric. Organisation (FAO) Production Year Book; Central Bank Annual Agricultural Surveys, Annual Reports of Federal Ministries of Agriculture, Water Resources and Rural Development and Returns from State Ministries of Agriculture and Natural Resources.

TABLE 3.4

AVERAGE ANNUAL RAINFALL AND RAINDAYS BY STATES

States	1987 Rainfall (mm) (1)	1987 Raindays (Number) (2)	1988[1] Rainfall (mm) (3)	1988[1] Raindays (Number) (4)	1989[2] Rainfall (mm) (5)	1989[2] Raindays (Number) (6)	Percentage change between (1) *and* (3) (7)	(2) *and* (4) (8)	(3) *and* (5) (9)	(4) *and* (6) (10)
Akwa-Ibom	—	—	2,239	158	1,630	106	—	—	−27.2	−32.9
Anambra	1,091	109	1,731	130	1,759	125	58.7	19.3	1.6	−3.8
Bauchi	698	59	921	76	909	65	31.9	28.8	−1.3	−14.5
Bendel	1,409	142	2,328	162	2,220	145	65.2	14.1	−4.6	−10.5
Benue	930	78	841	77	1,244	74	−9.6	−1.3	47.9	−3.9
Borno	302	30	661	42	562	43	118.9	40.0	−15.0	2.4
Cross-River	1,626	144	2,027	160	2,166	150	24.7	11.1	6.9	−6.3
Gongola	581	62	1,077	75	886	68	85.4	21.0	−17.7	−9.3
Imo	1,941	119	2,037	114	1,724	108	4.9	−4.2	−15.4	−5.3
Kaduna	891	83	1,188	81	832	76	33.3	−2.4	−30.0	−6.2
Kano	426	35	1,046	58	700	44	145.5	65.7	−33.1	−24.1
Katsina	—	—	664	52	n.a.	n.a.	—	—	—	—
Kwara	921	87	1,279	69	1,293	89	38.9	−20.7	1.1	29.0
Lagos	1,439	105	2,061	110	1,522	96	43.2	4.8	−26.2	−12.7
Niger	772	83	1,116	93	1,170	98	44.6	12.0	4.8	5.4
Ogun	811	130	1,619	127	1,405	121	99.6	−2.3	−13.2	−4.7
Ondo	1,057	116	1,623	118	1,530	105	53.5	1.7	−5.7	−11.0
Oyo	1,055	99	1,265	102	1,242	101	19.9	3.0	−1.8	−1.0
Plateau	256	28	1,239	113	1,211	110	384.0	303.6	−2.3	−2.7
Rivers	1,711	142	2,336	161	1,969	144	36.5	13.4	−15.7	−10.6
Sokoto	535	50	846	34	719	59	58.1	−32.0	−15.0	73.5
Abuja	867	95	1,217	108	1,227	91	40.4	13.7	0.8	−15.7
TOTAL	19,319	1,796	31,361	2,220	27,920	2,018	63.2	22.9	−11.0	−9.1
Average	966	98	1,426	101	1,330	96	47.6	3.0	−6.7	−4.9

[1] Revised
[2] Provisional

Source: **Federal Ministry of Civil Aviation (Meteorological Department), Lagos.**

Rinderpest, for instance, appeared to have been totally eradicated by the combined efforts of the Nigerian Government and the Pan African Rinderpest Control (PARC) at large scale vaccination of cattle over the years. There were, however, 85 outbreaks of contagious bovine pleurophneumonia (CBPP) in 1989, involving 6,081 cattle, compared with 64 outbreaks involving 5,584 cattle in 1988. The increased incidence of CBPP outbreaks was attributed largely to shortage of requisite vaccines.

Fish production recovered substantially during the year with increase of 12.9 per cent in contrast to the decline of 5.1 per cent recorded in 1988 (see Table 3.3). Efforts of both the Federal and State Governments to increase the supply of fishing inputs in the past three years appeared to have started to yield positive results. The boost to fish production was however moderated by further sharp increase in the prices of automative gas oil and lubricants used in outboard engines by artisanal fishermen and the now perennial menace of water hyacinth, particularly in inland waters.

Output of forest products rose by 2.3 per cent. This achievement was traceable largely to the lifting of the ban on the export of round and sawn wood early in the year.

III.1.2 Agricultural Prices

There was continued lull in the world commodity markets during the year, particularly with regard to Nigeria's major agricultural export commodities. The all-commodities *world price* index computed in US dollars declined sharply by 22.6 per cent to 98.9 (1975 = 100). In naira terms, however, the index increased by 26.4 per cent as a result of the continued depreciation of the naira exchange rate (see Tables 3.5, 3.6 and Chart 1). The price of cocoa reached its 14-year low on the London market as at end of December 1989 – a level where even the low-cost producers were losing money. The price of coffee also dropped to its 20-year low during the year. The persistent state of over-supply in most commodity markets and the continued ineffectiveness of many international commodity agreements were largely responsible for the depressed world commodity markets. Groudnut oil and soyabeans, however, recorded dollar price increases of 31.5 and 2.2 per cent, respectively. In naira terms, all commodities except cocoa showed substantial price gains ranging from 24.3 per cent for soyabeans to 114.2 per cent for groudnut oil.

Domestic *produce prices* of most of the agricultural export commodities showed appreciable gains during the year due to the continued decline in the exchange rate of the naira. For instance, prices of benniseed, groundnut, palm kernel, soyabeans and rubber recorded increases of 156.0, 185.4, 150.0, 64.0 and 33.3 per cent, respectively over their levels in the preceding year. However, the producer prices of cocoa and palm oil fell largely as a result of sharp decline in world market. The price of cocoa, for example, dropped by about 31.8 per cent, from an average of ₦11,000 per tonne in 1988 to ₦7,500 per tonne in 1989, while that of palm oil declined from ₦1,500 to ₦1,310 per tonne (see Table 3.7).

TABLE 3.5

INDICES OF AVERAGE PRICES (C.I.F.) IN DOLLARS OF NIGERIA'S MAJOR AGRICULTURAL COMMODITIES

(1975 = 100)

Commodity	1987 (1)	1988 (2)	1989 (3)	Percentage change between (1) *and* (2) (4)	(2) *and* (3) (5)
All Commodities	127.4	127.8	98.9	0.3	−22.6
Benniseed	—	—	—	—	—
Cocoa	144.9	116.7	71.2	−19.5	−39.0
Coffee	183.7	195.8	156.7	6.6	−20.0
Copra	124.5	160.6	139.4	29.0	−13.2
Cotton	128.8	137.4	121.1	6.7	−11.8
Groundnut Oil	53.4	62.1	81.7	16.3	31.5
Ginger	83.9	70.5	57.2	−16.0	−18.9
Groundnut	—	151.8	—	—	—
Palm Kernel	85.6	120.3	117.8	40.5	−2.1
Palm Oil	73.9	99.8	80.0	35.1	−19.8
Soyabeans	112.5	156.8	160.2	39.4	2.2
Rubber	121.4	162.0	122.7	33.4	−24.2

Sources: Computed from data published in Public Ledger and Financial Times, London.

TABLE 3.6

INDICES OF AVERAGE PRICES (C.I.F.) IN NAIRA IN LONDON OF NIGERIA'S MAJOR AGRICULTURAL COMMODITIES

(1975 = 100)

Commodity	1987 (1)	1988 (2)	1989 (3)	Percentage change between (1) *and* (2) (4)	(2) *and* (3) (5)
All Commodities	833.1	935.4	1,182.1	12.3	26.4
Benniseed	—	—	—	—	—
Cocoa	949.6	854.5	854.4	−10.0	0.0
Coffee	1,198.8	1,442.5	1,869.1	20.3	29.6
Copra	823.3	1,178.5	1,667.9	43.1	41.5
Cotton	846.1	988.0	1,467.8	16.8	48.6
Groundnut Oil	349.4	458.3	981.9	31.2	114.2
Ginger	548.7	496.4	685.3	−9.5	38.1
Groundnut	—	—	—	—	—
Palm Kernel	562.8	855.4	1,417.0	52.0	65.7
Palm Oil	683.5	1,125.1	1,865.8	64.6	65.8
Soyabeans	485.3	773.2	960.7	59.3	24.2
Rubber	796.1	1,109.0	1,486.2	39.3	34.0

Sources: Computed from Public Ledger and Financial Times.

In the domestic *rural markets*, the persistent rise in food prices continued unabated in 1989, in spite of the relatively good harvest recorded during the year. For example, the average prices of staples such as rice, maize, yams, millet and garri rose by a range of 52 to 209 per cent in 1988 and recorded additional increases of between 15 and 49.8 per cent in 1989 (see Table 3.8).

The *urban market retail prices* of selected food crops also recorded increases during the year. For example, the average prices of rice, garri, maize and guinea corn rose by 70, 51, 39 and 23 per cent, respectively over their respective levels in the preceding year. The prices of beans, yam and millet also rose by 23, 13 and 1.5 per cent, respectively (see Table 3.9).

III.1.3 Activities of Selected Agricultural Institutions/Agencies

(a) *Agricultural Development Projects (ADPs)*

The implementation of the World Bank-assisted Agricultural Development Projects (ADPs) continued in all the 21 states, as well as Abuja during the year. Akwa Ibom ADP has however not been officially separated from the Cross River ADP due to delayed appraisal of the project for World Bank approval. Katsina ADP on the other hand had been separated from Kaduna ADP since 1988 and was reported to have performed creditably well. The two ADPs (Katsina and Kaduna) however continued to maintain joint services in respect of input distribution programme.

CHART I

INDICES OF AVERAGE WEEKLY PRICES (C.I.F.) IN LONDON OF MAJOR AGRICULTURAL EXPORT COMMODITIES

(Base Year: 1975 = 100)

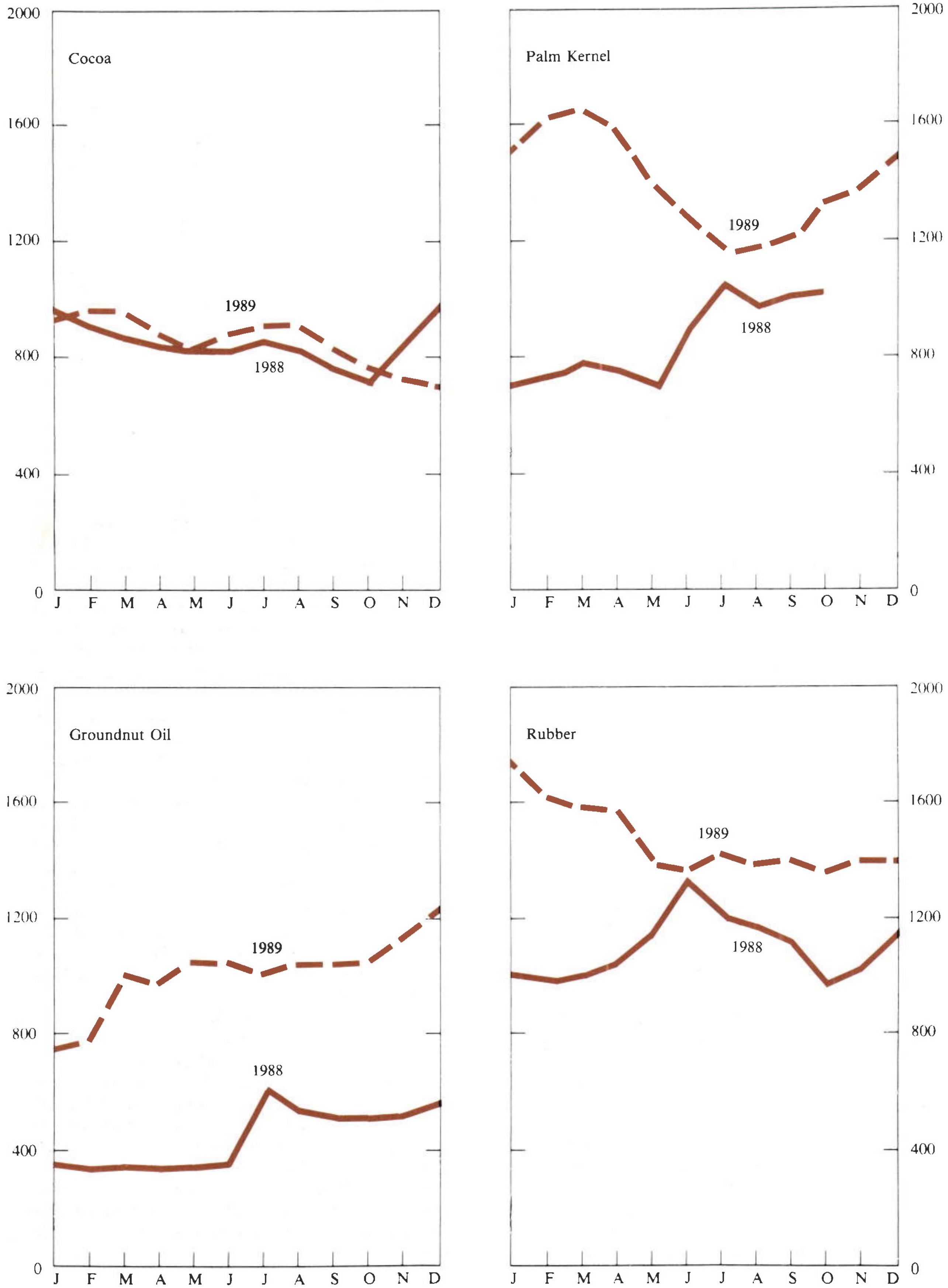


TABLE 3.7

PRICES OF SELECTED CASH CROPS

(Naira per tonne)

Commodity	1987/88 (1)	1988/89[1] (2)	1989/90[2] (3)	*Percentage change between* (1) *and* (2) (4)	(2) *and* (3) (5)
Benniseed	2,295	2,000	5,120	12.9	156.0
Cocoa	7,500	11,000	7,500	46.7	31.8
Coffee (Arabica)	5,500	6,000	7,464	9.1	24.4
Copra	n.a.	n.a.	n.a.	—	—
Cotton	4,000	4,500	5,600	12.5	24.4
Groundnut	2,075	2,250	6,421	8.4	185.4
Ginger (peeled)	1,200	1,500	2,873	25.0	91.5
Palm Kernel	850	1,000	2,500	17.6	150.0
Palm Oil (special)	1,200	1,500	1,310	25.0	−12.7
Soyabeans	1,500	2,000	3,279	33.3	64.0
Rubber (100% dry lump-top quality)	1,000	1,500	2,000	50.0	33.3
Kolanut	7,500	8,500	15,000	13.3	76.5
Chilli Pepper	3,500	4,000	5,755	14.3	43.9

[1] Revised
[2] Provisional

Source: Central Bank of Nigeria National Agricultural Survey.

Provisional data showed that a total of ₦293.9 million was disbursed to the ADPs during the year, representing a decline of 25.0 per cent from the level attained in the preceding year (see Table 3.10). The funding was made up of ₦120.4 million from World Bank (IBRD/IFAD), ₦36.2 million from Federal Government, ₦97.3 million from State Governments and the balance of ₦40.0 million from other sources such as returns on investment. There was a lull in the activities of the ADPs during the year as a result of inadequate funding. In particular road construction, fertilizer distribution and extension services recorded a slump.

(b) *Directorate of Food, Roads and Rural Infrastructure (DFRRI)*

In fiscal 1989, the Federal Government allocated ₦300 million as capital expenditure to the Directorate of Food, Roads and Rural Infrastructures (DFRRI) in the continued support of the Directorate's programmes. The decline in DFRRI's allocation to ₦300 million, compared with the allocation of ₦500 million in 1988, reflected largely the merger of the Directorate's recurrent expenditure with that of the Ministry of Agriculture and Rural Development, in the bid to further consolidate and rationalise rural development activities and prevent wasteful duplication of efforts. Overall, the Directorate made some progress in its main programme of organisation and mobilisation; provision of rural infrastructure; and the promotion of productive activities.

Under the organisation and mobilisation programme, the Directorate completed the community listing exercise in 14 states, codified on local government areas (LGAs) basis.

Work is in progress in respect of rural roads, water and electrification. The second phase of the rural roads programme, under which additional 30,000 kilometres is planned to be constructed, took off in all the states of the Federation, except Abuja, the Federal Capital Territory. Furthermore, work is in progress in a number of states, to complete and upgrade to the Directorate's minimum specification, some 8,000 kilometres out of the 30,000 kilometres rural roads billed for completion in 1987 under the first phase of the programme. This was sequel to the Final Comprehensive Inspections (FCIs) carried out by the Presidential Task Force on Inspection which was commenced in 1988 and completed in all the states of the Federation during the review period. The Directorate's activities in respect of uncompleted or sub-standard rural roads were largely concentrated in Benue, Gongola and Niger States as well as at Abuja, the Federal Capital Territory, where the execution of the programme initially encountered great difficulties. However, some states, including Akwa Ibom, Bauchi, Cross River, Imo and Ondo, exceeded their targets by a combined total of 1,853.6 kilometres.

In order to guard against the recurrence of the initial wide-spread complaints about the poor quality of DFRRI road projects, a special Presidential Task Force was set up for Final Comprehensive Inspection (FCI). The monitoring and evaluation activities of the Task Force were intensified in 1989. Also, a comprehensive Rural Feeder Roads Maintenance Programme was established to arrest damages to, and prevent eventual collapse of DFRRI roads. A major highlight of the maintenance package is the active roles assigned to local goverments and benefitting communities.

Further progress was also made in the execution of the ₦100 million rural water programme targeted to provide water to 250 communities in each state, totalling approximately 5,000 communities all over the country. As at the end of the review period, about 4,000 water points designated to provide 5,101 communities with potable water were already completed. The final comprehensive inspection had also been carried out in all the States of the Federation, except Benue State and the Federal Capital Territory, Abuja. In all, about 419 water points in Niger, Kwara, Benue, Imo and Ondo States did not conform with specification in all respects and were rejected by the FCI teams.

TABLE 3.8

AVERAGE RURAL MARKET PRICES OF SOME DOMESTIC STAPLE FOOD CROPS IN SELECTED STATES

(Naira per tonne)

States/Crop	Cassava (Tuber)	Garri	Yam (White)	Maize (Shelled)	Sorghum	Millet	Rice (Husked)	Cowpea (White)	G/Nut (Shelled)	Palm Oil
Akwa-Ibom										
1987	150	800	500	750	—	—	2,350	2,500	3,000	—
1988	808	2,426	1,705	2,975	—	—	5,540	5,275	5,090	3,500
1989	1,500	4,201	2,123	5,260	—	—	7,206	5,223	n.a.	2,650
Anambra										
1987	600	800	—	700	—	—	1,450	2,400	2,000	—
1988	780	2,490	1,620	1.930	—	—	3,830	4,390	4,170	4,320
1989	600	1,293	1,500	2,064	—	—	3,464	3,742	4,500	3,620
Bendel										
1987	250	870	680	950	—	—	2,670	2,660	2,650	1,910
1988	510	1,950	1,240	2,000	—	—	4,160	4,390	3,790	3,840
1989	700	2,160	650	1,910	—	—	4,000	4,250	4,000	3,500
Benue										
1987	450	750	1,200	800	700	700	2,200	2,200	—	—
1988	—	2,480	1,430	1,630	1,780	1,720	4,070	4,410	3,180	3,380
1989	2,860	3,920	2,240	2,570	2,170	2,610	7,450	6,830	4,410	3,000
Cross River										
1987	150	800	500	750	—	—	2,350	2,500	3,000	—
1988	630	3,060	2,490	1,460	—	—	4,970	5,470	4,460	
1989	1,200	4,200	2,500	5,500	—	—	7,250	5,503	—	—
Gongola										
1987	600	940	1,080	590	570	640	2,320	2,110	1,760	—
1988	970	1,830	1,990	2,190	1,610	1,430	3,570	3,690	2,640	4,686
1989	750	2,000	2,500	2,500	2,050	2,007	7,300	5,400	3,500	—
Lagos										
1987	550	1,400	—	550	—	—	2,500	2,200	2,500	—
1988	720	2,420	2,480	2,180	—	—	5,560	5,410	3,410	4,052
1989	1,250	1,659	3,000	2,500	—	—	5,450	6,600	5,250	3,500
Niger										
1987	—	1,100	1,050	550	—	—	2,250	2,250	2,500	—
1988	998	2,110	1,970	1,450	1,700	1,580	3,080	3,640	2,170	5,740
1989	1,005	2,000	2,500	1,250	n.a.	n.a.	n.a.	n.a.	n.a	3,200
Ogun										
1987	—	1,000	1,350	850	—	—	2,820	2,780	2,350	2,550
1988	1,320	2,090	1,530	2,020	1,450	1,220	4,110	3,990	2,640	4,530
1989	1,200	2,500	2,000	2,500	1,500	1,500	5,000	6,000	5,000	4,000
Ondo										
1987	500	850	1,200	800	—	—	2,500	2,600	2,250	2,550
1988	520	1,580	1,170	1,560	—	—	3,880	4,200	6,000	5,660
1989	890	2,200	4,500	2,000	—	—	8,000	5,000	5,200	3,600
Plateau										
1987	—	800	630	420	350	450	2,030	2,130	1,310	—
1988	620	2,420	1,310	1,410	1,610	1,410	3,640	3,790	2,380	4,170
1989	—	3,418	3,220	2,031	2,349	2,265	8,099	5,655	5,972	3,950
National Average										
1987 (1)	406	919	910	611	830	597	2,313	2,394	2,332	2,337
1988 (2)	788	2,260	1,721	1,891	1,630	1,472	4,219	4,423	3,630	4,388
1989 (3)	1,196	2,686	2,430	2,735	2,017	2,096	6,322	5,420	4,729	3,447
Percentage between										
(1) *and* (2)	94.1	146.0	89.0	209.0	96.4	146.0	82.0	84.8	55.7	87.8
(2) *and* (3)	51.8	15.9	41.2	44.6	23.7	42.4	49.8	22.5	30.3	21.4

Sources: Federal Department of Rural Development; APMEU Bulletin on Agricultural commodities Market Prices; Returns from States Ministries of Agriculture; and the Federal Office of Statistics — Rural Survey.

The first phase of the rural electrification programme which comprises 195 projects designed to cover 227 villages/communities at the cost of ₦70.8 million was launched early last year. Some 142 projects or 73 per cent of the total have been completed and inspected in most states of the Federation.

With respect to rural housing programme, the Directorate trained additional two staff from each state during the year, as Technical Extension Workers, in the use of machinery and equipment for making bricks, roofing and floor tiles, wooden louvre windows, etc., for the construction of and improvement to rural housing. The trained Technical Extension Workers were in turn expected to disseminate the technology to all constituent communities where raw materials are available.

In the Directorate's efforts at promoting productive activities in the reporting period, particular attention was directed at minimising post-harvest losses on the farm and the establishment of income generating activities. To this end, the Directorate funded some collaborating Research Institutes

TABLE 3.9

AVERAGE URBAN MARKET RETAIL PRICES OF SOME DOMESTIC STAPLE FOOD CROPS IN SOME STATES OF NIGERIA

(Naira per tonne)

States/Crop	*Maize (Yellow)*	*Garri*	*Beans (Brown)*	*Millet*	*Guinea Corn*	*Rice (Milled)*	*Yam (White)*	*Cassava (Tubers)*	*G/Nut (Shelled)*	*Rice (Paddy)*
Akwa-Ibom										
1987	2,350	970	2,510	—	—	2,700	790	—	—	—
1988	2,022	1,533	4,016	1,700	2,500	3,887	1,020	—	—	—
1989	2,000	2,910	5,023	—	—	5,820	2,094	—	—	—
Anambra										
1987	736	831	2,498	—	700	1,488	—	—	—	1,300
1988	1,227	1,618	2,090	207	222	1,751	1,446	—	3,430	1,730
1989	2,473	2,314	4,806	2,100	2,450	5,510	—	—	—	—
Bauchi										
1987	579	773	2,400	460	513	2,297	—	—	2,500	1,250
1988	1,474	2,895	3,778	1,129	1,374	4,076	—	—	—	—
1989	1,618	2,610	4,247	1,542	1,748	7,020	—	—	—	—
Benue										
1987	812	763	2,305	705	760	2,388	1,500	480	—	1,950
1988	1,684	1,453	3,425	1,725	1,800	3,790	—	—	—	—
1989	2,133	2,303	4,264	1,963	1,500	5,384	1,950	—	—	—
Borno										
1987	537	578	2,538	609	559	2,486	—	—	1,922	1,859
1988	1,593	1,895	3,978	1,458	1,477	3,991	—	—	—	—
1989	1,868	3,200	4,338	1,425	1,672	6,150	—	—	—	—
Cross River										
1987	767	975	2,436	—	—	2,093	540	198	3,520	1,178
1988	1,898	3,766	3,983	1,700	—	3,600	—	—	—	—
1989	3,250	3,430	5,271	1,200	—	5,680	—	—	—	—
Gongola										
1987	570	673	2,250	537	580	2,443	1,750	—	1,925	1,250
1988	1,393	1,875	4,022	1,511	1,594	4,182	—	—	—	—
1989	1,750	1,800	4,387	1,688	1,800	6,740	—	—	—	—
Kaduna										
1987	590	645	2,700	635	494	2,738	1,200	—	2,647	1,286
1988	1,610	900	3,812	1,518	1,525	4,333	—	—	—	2,323
1989	1,683	2,810	4,794	1,690	1,655	6,430	—	—	—	—
Kano										
1987	550	560	2,733	559	587	2,547	—	—	2,153	1,141
1988	770	962	3,254	926	918	2,910	—	—	2,447	2,336
1989	1,728	2,704	4,545	1,509	1,594	6,490	—	—	—	3,146
Kwara										
1987	686	705	2,088	606	640	2,258	630	—	1,200	1,200
1988	1,520	1,652	4,024	1,705	1,631	3,531	—	—	—	—
1989	2,063	1,800	4,859	1,800	2,644	6,427	—	—	—	—
Lagos										
1987	593	1,485	2,324	—	—	2,751	—	—	2,611	—
1988	1,123	2,421	3,569	—	—	6,608	4,400	—	—	—
1989	2,990	—	—	—	—	—	—	—	—	—
Ondo										
1987	654	753	2,213	700	733	2,067	—	—	—	—
1988	1,593	1,502	3,759	2,000	2,477	2,903	—	—	—	—
1989	2,290	2,131	4,300	—	2,779	5,960	—	—	—	—
Oyo										
1987	651	663	2,169	—	725	2,206	—	—	—	—
1988	1,522	1,643	3,812	2,500	2,204	3,302	—	—	—	—
1989	2,140	2,036	4,950	—	2,440	6,110	—	—	—	—
Plateau										
1987	527	464	2,335	531	523	2,403	700	—	2,260	—
1988	1,483	1,825	4,083	1,370	1,404	3,528	—	—	—	—
1989	1,984	2,957	4,169	1,692	1,765	6,509	3,220	—	—	—
Rivers										
1987	817	964	2,317	—	—	2,250	600	250	—	—
1988	1,763	1,325	4,000	1,700	1,650	3,774	—	—	—	—
1989	2,090	2,850	4,650	1,430	—	6,205	2,445	—	—	—
Sokoto										
1987	964	799	2,300	612	588	2,612	—	—	1,500	1,200
1988	1,654	1,367	4,200	2,975	1,779	4,426	—	—	—	—
1989	1,790	2,500	4,125	1,704	1,704	6,367	—	—	—	—
Average for all states										
1987 (1)	838	800	2,382	595	615	2,358	856	309	2,222	1,311
1988 (2)	1,520	1,798	3,737	1,621	1,611	3,787	2,288	—	2,938	2,129
1989 (3)	2,115	2,718	4,581	1,645	1,979	6,439	2,586	—	—	—
Percentage change between										
(1) and (2)	81	125	57	172	162	60	167	—	32	62
(2) and (3)	39	51	23	1.5	23	70	13	—	—	—

Sources: Compiled from Central Bank of Nigeria Zonal Offices Returns and Returns from State Ministries of Agriculture.

TABLE 3.10

OPERATIONAL DATA ON AGRICULTURAL DEVELOPMENT PROJECTS (ADPs)

Items	1987 (1)	1988[1] (2)	1989[2] (3)	Percentage change between (1) and (2) (4)	Percentage change between (2) and (3) (5)
Sources of Fund (₦ Million)	442.397	391.368	293.878	– 11.4	– 25.0
(a) IBRD/IFAD	(275.444)	(190.828)	(120.361)	– 30.7	– 36.9
(b) Federal	(49.740)	(42.850)	(36.177)	– 13.9	– 15.6
(c) State	(90.889)	(82.606)	(97.316)	– 9.1	17.8
(d) Others	(26.324)	(75.585)	(40.024)	187.1	– 47.0
Infrastructure					
(a) Roads (Km)					
(i) Constructed	1,354	1,367	613	1.0	– 55.1
(ii) Maintained	2,937.5	2,358.8	2,413.0	– 19.7	2.3
(iii) Rehabilitated	982	2,156.85	n.a.	119.6	n.a.
(b) Bridges and Culverts (No.) ...	427.0	36.0	n.a.	– 91.6	n.a.
(c) Dams, Wells and Boreholes (No.)	1,554	3,699	3,807	138.0	2.9
(d) Farm Service Centre/Store (No.)	6	92	295	93.5	220.6
Farm Inputs supplied					
(a) Fertilizer ('000 tonnes)	514	729	289	41.8	– 60.4
(b) Seed Multiplication ('000 Ha)	3.50	4.26	7.10	21.7	66.7
Other Services					
(a) Land Clearing ('000 Ha)	6.55	1.93	10.00	– 70.5	418.1
(b) Tractor Hire ('000 Ha)	2.72	0.06	n.a.	– 97.8	n.a.
(c) Irrigation ('000 Ha)	0.10	0.42	n.a.	320.0	n.a.
Agrochemicals/Other Equipment Sales					
(a) Herbicides ('000 litres)	85.9	73.1	32.1	– 14.9	– 56.1
(b) Pesticides/Fungicides/ Insecticides ('000 litres)	30.877	35.439	11.300	14.8	– 68.1
(c) Sprayers, Ploughs and Pumps (No.)	7,345	127	860	– 98.2	577.2
Extension and Training					
(a) Farm Families (No.) '000	2,517	3,455	3,917	37.3	13.4
(b) No. of Visits ('000)	312.84	604.31	360.00	93.2	– 40.4
(c) Group Meetings ('000)	61.90	n.a.	n.a.	—	—
(d) Farm Trials/Demonstration Plots ('000)	154.08	n.a.	328.62	n.a.	n.a.
(e) No. Trained ('000)	9.93	8.18	4.91	– 11.4	– 40.1
Production (within Project Area) Output ('000 tonnes)					
Maize	23,469.2	32,176.3	33,386.3	37.1	3.8
Rice	493.6	518.7	773.4	5.1	49.1
Millet	2,121.3	2,333.4	2,905	9.9	24.5
Sorghum	2,731.4	3,026.4	2,919	10.8	– 3.5
Cowpea	312.7	258.6	657.0	17.3	154.1
Cassava	8,364.5	3,772.4	4,074	– 54.9	7.9
Yam	8,354.5	8,454.8	8,946	1.2	5.8
Cotton	26.8	29.4	29	9.7	– 1.4
Groundnut	974.8	1,073.3	1,991.8	10.1	85.6
Plantain	42.0	n.a.	n.a.	n.a.	n.a.
Cocoyam	270.0	n.a.	n.a.	n.a.	n.a.
Irish Potato	591.5	n.a.	n.a.	n.a.	n.a.
Melon	4.6	n.a.	24.3	n.a.	n.a.
Soyabean	16.0	n.a.	139.5	n.a.	n.a.
Wheat	250.0	400.0	—	60.0	n.a.

[1]Revised [2]Provisional; only 20 ADP questionnaires were available for processing.
Source: Returns from State ADPs.

such as Rural Agro-Industrial Development Scheme (RAIDS), the International Institute for Tropical Agriculture (IITA) and the National Stored Products Research Institute (NSPRI) for the development and production of prototype machinery and equipment for the processing of, and storage facilities for, farm products.

(c) *River Basin Development Authorities (RBDAs)*

There was improvement in the funding of River Basin Development Authorities (RBDAs) in the review period. Budgetary allocations to the Authorities was ₦211.5 million, compared with ₦183 million in the preceding year, while actual disbursement also rose by 20.3 per cent from ₦123.0 million to ₦148.0 million. Developments regarding the activities of the Authority, were however mixed. For instance, total area irrigated declined from 51,200 hectares in 1988 to 18,000 hectares; the number of dams constructed dropped by 60.7 per cent; and the length of road constructed declined by 27.8 million. On the other hand, total area of land developed and the quantity of fertilizer distributed through the RBDAs rose by 27.8 and 8.1 per cent, respectively (see Table 3.11).

(d) *Agricultural Research Institutions*

The response of Agricultural Research Institutes to a survey conducted by the CBN indicated that there was increased tempo of activities in the various research institutes amidst widespread complaints of inadequate funding. The research activities reported included break-throughs in improved genetics in fish and plants; adaptation and fabrication of machinery and equipment; improved agricultural practices and storage techniques; and the development of new products including food and animal feed preparations from local resources.

The National Institute for Fresh Water Fisheries Research at New Bussa, Kwara State, reported achievements in fish transplantation, propagation and the production of hybrid fish and improved feed for fingerlings. For example, about 10,000 clupeids (fresh water sardines) were transplanted from Lake Kainji into Tiga Lake, Kano State. The Lake Chad Research Institute in Maiduguri reported the development of improved varieties of wheat, millet and barley which are available to farmers for cultivation.

The Federal Institute of Industrial Research, Oshodi (FIIRO) reported the development of a new technique and equipment for processing benniseed oil, while improvements were reportedly made on the techniques for processing protein enriched garri, using soyabean. The National Centre for Agricultural Mechanisation reported the development of rice parboiler, solar cooker, weeding hoes, cassava lifter and groundnut decorticator as well as new techniques of integrated weed management and improved cassava and groundnut harvesting.

The Institute of Tropical Agriculture reported the development of new techniques in the areas of alley farming, no-tillage farming, as well as post-harvesting and biogas technologies. Improvements were recorded in the techniques of seed-yam multiplication, soyabean utilisation and cassava processing. The National Horticultural Research Institute reported improvements in research into the utilisation of citrus and other fruits, while the development of new products such

TABLE 3.11

OPERATIONS OF THE RIVER BASIN DEVELOPMENT AUTHORITIES

	1987[1] (1)	1988[1] (2)	1989[2] (3)	*Percentage change between* (1) *and* (2) (4)	(2) *and* (3) (5)
Revenue/Expenditure Profile (₦' Million)					
Total Allocation	124.0	183.0	211.5	47.6	15.6
Actual Disbursement	87.7	123.0	148.0	40.3	20.3
Land Development ('000 ha)					
(a) Land Preparation	66.1	70.4	90.0	6.5	27.8
(b) Land Under Irrigation	35.8	51.2	31.3	43.0	−38.8
Infrastructural Facilities Provided:					
(a) Dams	16	28	11	75.0	−60.7
(b) Boreholes (No.)	349	480	211	37.5	−56.0
(c) Roads (Km)	3,017	3,604	2,600	19.5	−27.9
Number of Farm Families Catered for:					
Farm Inputs Supplied/Used					
(a) Fertilizer ('000 Tonnes)	32.9	43.2	46.7	31.3	8.1
(b) Tractors (No.)	235	183	351	−22.1	−91.8
(c) Forestry Seedlings (Million)	1.3	2.1	1.6	61.5	−23.8
(d) Vaccines ('000 doses)	28.9	36.0	n.a.	24.6	n.a.
(e) Storage Facilities (No.)	135	135	n.a.	0.0	n.a.
Fishing Input Supplied					
(a) Outboard Engines (No.)	24	23	2	−4.2	−91.3
(b) Fishing Nets (No.)	10	12	n.a.	20.0	n.a.
(c) Indicator Buoys (No.)	6	12	12	100.0	0.0
(d) Twines and Ropes (Bundles)	51	50	n.a.	−2.0	n.a.
(e) Lead Sheets (Rolls)	130	130	n.a.	0.0	n.a.
(f) Fibre Glass Boats (No.)	9	12	4	33.3	−66.7

[1] Revised
[2] Provisional
Source: Compiled from the returns of Central Bank's Annual Agricultural Survey.

as "soyamusa" – a soyabean baby food – was in progress. Other break-throughs reported by the Institute in 1989 were the production of "Grain Amaranth" which is used as base for baby food and improvement to the shelf-life of bottled single-strength orange juice. The Nigerian Institute for Oil Palm Research (NIFOR) completed prospection for genetically different date fruits in parts of Bauchi, Borno, Gongola and Kano States. It also completed the development of new techniques of enriching palm oil mill effluent for animal feed and the activation of local clays for bleaching. The NIFOR small-scale processing equipment (SSPE) for palm oil and palm kernel processing which has been on demand was modified to make it more efficient. At the Rubber Research Institute, new products such as hair shampoo, liquid soap and alkyd resin were developed using rubber seed oil. The Cocoa Research Institute on the other hand developed new techniques for the production of potash and high quality soap from cocoa pod husk. Faster method for raising kola seedling and improvement on the heat stability of chocolate, the production of jam from cashew apple and cocoa wine from cocoa beans, were reported in 1989.

Major problems highlighted by most of the research institutes included inadequate funding, late disbursement of funds and inadequate provision of infrastructural facilities for research work. Efforts were made during the year to generate funds internally through the commercialisation of a number of research findings through the various programmes of NDE, DFRRI, and Better Life for Rural Women.

III.2 INDUSTRY

Aggregate industrial production improved further in 1989. The improvement was attributable mainly to increases in manufacturing and mining productions, as well as electricity consumption. At 239.1 (1972 = 100) industrial production index rose by 6.6 per cent compared with 14.5 per cent in 1988. All the components of the index contributed to the increase. The mining index increased by 19.3 per cent, electricity consumption by 12.5 per cent, while the manufacturing index increased only by 2.2 per cent (see Table 3.12). The sharp increase in mining production was due largely to the boost in the sales of crude and refined petroleum products, as well as natural gas. The rise in electricity consumption was due to improved supply from NEPA's Egbin Thermal Station and improved distribution system. Manufacturing output on the other hand, was severely constrained mainly by shortages of industrial raw materials and rising cost of production.

III.2.1 Manufacturing

The growth in manufacturing production continued during the year but at a much reduced rate than in the two previous years. At 516.4 (1972 = 100) the index of manufacturing production rose only by 2.2 per cent compared with the increases of 16.9 and 33.7 per cent in 1988 and 1987, respectively. The index which stood at 502.7 in the first quarter of the year, declined to 492.8 in the second quarter, and thereafter rose sharply to 506.9 and 563.0 in the third and fourth quarters, respectively (see Table 3.12). The moderate rise in overall manufacturing output reflected increases in output of six (6) out of the thirteen (13) product groups covered by the index. The product groups which recorded increases were soft drinks, cotton textile, synthetic fabrics, cement, roofing sheets, as well as soaps and detergents. On the other hand, the output of sugar confectionery, refined petroleum, beer and stout, foot wear, paints, vehicle assembly, and radio and television declined from their levels in 1988 (see Table 3.13).

TABLE 3.12
INDEX OF INDUSTRIAL PRODUCTION
(1972 = 100)

Year	*Manufacturing*	*Mining*	*Electricity*	*Total for Sectors*
1984	280.8	75.9	316.5	147.0
1985	336.5	81.6	363.3	169.4
1986	323.4	79.8	438.3	166.0
1987	432.2	72.1	431.5	195.8
1988[1]	505.3	78.9	456.9	224.2
1989[2]	516.4	94.1	514.0	239.1
1987				
1st Quarter	405.8	66.3	473.9	184.6
2nd Quarter	419.8	68.9	427.6	189.6
3rd Quarter	426.3	74.3	413.4	194.9
4th Quarter	477.2	78.8	411.2	214.8
1988[1]				
1st Quarter	495.2	74.6	471.8	218.5
2nd Quarter	474.2	73.9	533.0	212.9
3rd Quarter	503.3	80.9	358.6	222.5
4th Quarter	548.3	86.3	464.2	242.9
1989[2]				
1st Quarter	502.7	80.6	522.0	226.1
2nd Quarter	492.8	94.1	517.0	231.7
3rd Quarter	506.9	99.9	498.0	239.5
4th Quarter	563.0	101.9	519.0	259.2

[1] Revised
[2] Provisional

Sources: Derived from data obtained from Federal Office of Statistics (FOS), CBN Surveys, Nigerian National Petroleum Corporation (NNPC), National Electric Power Authority (NEPA) and Federal Ministry of Mines and Power.

TABLE 3.13

INDEX OF MANUFACTURING PRODUCTION

(Base Quarterly Average 1972 = 100)

Year/Quarter	*Sugar Confec-tionery*	*Soft Drinks*	*Beer & Stout*	*Cotton Textiles*	*Synthetic Fabrics*	*Foot-wear*	*Paints*	*Refined Petro-leum*	*Cement*	*Roofing Sheets*	*Vehicle Assembly*	*Soap & Deter-gents*	*Radio & T.V.*	*Total*
1984	47.2	921.6	419.4	103.9	639.4	51.3	243.1	251.7	60.9	113.2	689.3	171.0	334.1	280.8
1985	42.2	785.4	489.3	110.0	340.2	41.8	177.2	358.8	303.8	285.1	1,344.1	178.3	367.6	336.6
1986	30.5	559.4	617.4	44.0	666.8	32.7	140.1	201.1	328.5	525.9	629.0	181.4	181.4	323.5
1987	57.7	1,005.6	406.9	140.1	3,828.9	23.2	157.9	296.1	279.6	155.8	362.6	498.7	81.6	432.3
1988[1]	38.1	1,045.1	544.4	141.9	4,386.5	24.5	165.3	364.5	336.1	180.6	243.1	483.1	25.9	505.3
1989[2]	35.5	1,091.2	525.8	148.4	4,862.5	21.6	163.7	362.9	368.8	231.1	239.6	493.1	24.2	516.4
1987														
1st Quarter	46.8	1,054.3	366.7	128.1	3,718.6	22.7	160.0	241.0	272.3	181.0	350.4	513.3	112.5	405.8
2nd Quarter	56.6	1,055.5	372.1	152.9	3,839.3	24.3	157.4	248.1	286.4	148.8	332.9	540.4	69.7	419.8
3rd Quarter	64.6	927.3	383.6	131.5	3,755.5	22.5	155.5	353.1	281.7	145.2	405.8	446.8	71.0	426.3
4th Quarter	62.9	985.4	505.0	147.7	4,002.1	23.2	158.7	382.0	278.1	148.2	361.1	494.5	73.3	477.2
1988[1]														
1st Quarter	37.3	1,008.7	418.7	140.4	4,587.5	38.1	214.5	411.1	373.1	224.4	182.0	478.1	26.8	495.2
2nd Quarter	50.5	986.7	435.7	139.9	4,288.0	31.5	136.5	362.3	367.3	214.5	276.5	487.7	22.2	474.2
3rd Quarter	19.7	940.4	627.2	146.1	4,056.8	34.4	183.6	371.1	361.5	144.3	238.5	508.7	26.1	503.3
4th Quarter	21.5	917.7	704.6	146.9	5,008.4	19.7	160.8	304.4	354.6	139.3	251.9	483.2	22.8	548.3
1989[2]														
1st Quarter	39.4	1,204.7	453.4	128.1	5,055.8	25.6	152.6	339.9	353.2	178.8	236.9	494.2	22.4	502.7
2nd Quarter	36.3	1,143.5	463.2	136.9	4,569.9	24.7	159.2	362.1	335.4	199.0	207.8	491.4	21.2	492.8
3rd Quarter	37.8	1,174.1	458.3	176.9	4,815.8	25.1	139.0	365.9	344.1	388.9	223.9	493.8	23.0	506.9
4th Quarter	28.4	842.4	728.3	151.8	5,008.5	10.8	204.1	383.6	442.3	157.8	289.7	492.9	20.0	563.0

[1] Revised
[2] Provisional

Sources: Data derived from CBN Surveys and Federal Office of Statistics (FOS), Lagos.

The marginal increase in the level of manufacturing production was largely confirmed by the result of CBN's nation-wide survey of 642 business enterprises in which a response rate of 56.8 per cent was achieved. Respondents attributed low manufacturing activities to shortage of raw materials, the prohibitive cost of replacing obsolete equipment, and sharp increases in costs, especially the cost of raw materials and high interest rates. High costs in turn led to high prices of finished goods, reduced demand and high level of inventories. Consequently, the average level of capacity utilisation rose only marginally by 0.9 to 42.4 per cent.

As was the case in the past couple of years, the survey showed that industrial groups which depended largely on local raw materials operated above the average rate. They included those engaged in the production of tyres and tubes (64.4 per cent), leather products (63.3 per cent), beer and stout (59.2 per cent), textiles (53.6 per cent), sugar confectionery (51.7 per cent), basic industrial chemicals (48.9 per cent), plastic products (47.3 per cent), paper and paper products (47.3 per cent), and miscellaneous food preparations (42.9 per cent). Some individual enterprises within the groups, operated at 80 to 100 per cent of installed capacities. By contrast, enterprises with high ratio of imported inputs operated at less than one-third of their installed capacities. These include radio, television and communication equipment assemblies (29.9 per cent), structural metal products fabrication (28.8 per cent), paints (14.1 per cent), flour milling (25.0 per cent), and vehicle assembly (18.9 per cent).

Based on their experience in 1989, the bulk of the respondents (about 70 per cent) regarded short-to-medium-term business outlook as uncertain. Their complaints included the dearth of spare parts, frequent breakdown of ageing machinery and equipment, shortage of raw materials, rising operational and administrative costs, high interest rates, continued depreciation of the naira exchange rate, sharp increases in the prices of utilities including fuel and energy, and low demand for finished goods.

In spite of the numerous problems experienced by manufacturing enterprises, they reported increases of 17.4 and 15.7 per cent in profit before and after tax, respectively. Some enterprises also responded positively to some of the problems. Such reactions included increased efforts at local sourcing of raw materials through backward integration; the recycling of scraps; intensification of activities in the fabrication and reconditioning of industrial spare parts either in-house or off-site; and the increased use of internally generated funds as opposed to bank credit.

III.2.2 Mining

The performance of the mining sub-sector improved during the year arising from the substantial increases in output of crude petroleum and liquefied natural gas (LNG). At 94.1 (1972 = 100) the index of mining production rose by 19.3 per cent compared with 9.4 per cent in the preceding year. The output of crude petroleum, gas and cassiterite increased by 18.0, 24.6 and 40.7 per cent respectively. Output of solid minerals declined further by 5.3 per cent compared with 36.1 per cent last year. The decline was reflected in most of solid minerals, including marble, columbite, coal and limestone (see Tables 3.14 & 3.15).

(a) *Petroleum*

There was significant increase in Nigerian crude oil production and prices in 1989 following increased world demand and the return of a measure of stability to the international oil market, which by contrast was characterised by uncertainties in 1988. The improvement in the international oil market was largely attributable to the greater adherence by OPEC member countries to the November 1988 Agreement and co-operation from non-OPEC producers. These developments coupled with the disruption to the North Sea production and the Alaskan oil spillage, led to the steady increase in OPEC crude oil output and prices. Consequently, OPEC production ceiling was revised upwards three times during the year, from 18.50 million barrels per day (mbd) in the first half of 1989, to 19.50 mbd for the third quarter and 20.50 mbd for the last quarter of 1989. At the November OPEC ministerial meeting, the production ceiling was further raised to 22.00 mbd for the first half of 1990. On the average, OPEC member countries produced 21.77 mbd, representing a rise of 10.7 per cent over the average production of 19.50 mbd in 1988. Non-OPEC production, excluding the Centrally Planned Economies (CPES), averaged 22.30 mbd, indicating a marginal decline of 1.7 per cent from the level in the preceding year.

TABLE 3.14

INDEX OF PRINCIPAL MINERAL PRODUCTION

(1972 = 100)

Mineral	*Weights*	1987 (1)	1988 (2)	1989[1] (3)	*Percentage change between* (1) *and* (2) (4)	(2) *and* (3) (5)
Petroleum	449.3	72.7	79.6	93.9	9.5	18.0
Gas	0.2	62.6	73.3	91.3	17.1	24.6
Cassiterite	3.4	2.3	2.7	3.8	17.4	40.7
Columbite	0.4	3.5	3.8	3.3	8.6	– 13.2
Coal	0.6	33.6	24.2	23.7	– 28.0	– 2.1
Limestone	0.4	183.4	121.8	99.5	– 33.6	– 18.3
All Minerals	454.3	72.2	78.9	93.1	9.3	18.0

[1] Provisional

Sources: Derived from data obtained from the Federal Ministry of Mines, Power and Steel and Nigerian National Petroleum Corporation, Lagos.

TABLE 3.15

PRODUCTION OF PRINCIPAL SOLID MINERALS

(Tonnes)

Minerals	1987 (1)	1988[1] (2)	1989[2] (3)	Percentage change between (1) and (2) (4)	(2) and (3) (5)
Cassiterite	213.0	238.0	350.3	+11.7	+47.2
Columbite	48.5	51.0	46.8	+5.2	-8.3
Coal	114,597.0	82,489.0	80,973.0	-28.0	-1.8
Limestone	2,627,409.0	1,712,072.0	1,621,850.0	-34.8	-5.3
Marble	68,968.0	5,445.0	1,400.1	-92.1	-74.3
TOTAL	2,811,236.0	1,800,295.0	1,704,620.2	-36.1	-5.3

[1] Revised

[2] Provisional

Sources: Federal Ministry of Mines, Power and Steel and Nigerian Coal Corporation, Enugu.

Following the upward revisions in OPEC production ceilings, Nigeria's quota was increased from 1.355 mbd for the first half of 1989 to 1.424 mbd for the third quarter and to 1.501 for the fourth quarter of 1989. Total crude oil production including condensate, was estimated at 626.456 million barrels, showing a rise of 96.854 million barrels of 18.3 per cent over the level in 1988. Average daily production of both crude and condensates was 1.716 million barrels compared with 1.446 million barrels in 1988. Crude oil exports totalled 525.869 million barrels (1.441 mbd), representing an increase of 20.7 per cent compared with 11.5 per cent in 1988.

Total crude oil deliveries for domestic consumption increased by 14.377 million barrels or 16.8 per cent to 99.942 million barrels, in contrast to the marginal decline of 0.1 per cent to 85.57 million barrels in 1988. Deliveries to local refineries rose by 18.1 per cent to 72.615 million barrels and accounted for 72.7 per cent of total deliveries compared with a share of 71.9 per cent in 1988. Deliveries to offshore refineries rose by 13.46 per cent to 27.328 million barrels and accounted for the balance of 27.3 per cent of total deliveries for domestic consumption. Crude oil deliveries for domestic consumpiton however, constituted 16.0 per cent of total crude oil production, compared with 16.2 per cent in 1988.

Geophysical activities of oil companies in terms of seismic lines shot, using the 2 Dimensional[1] technique fell by 12.4 per cent to 15,233.2 kilometres, compared with a fall of 41.7 per cent in 1988. However, seismic lines shot, using the 3 Dimensional[1] technique increased by 160.7 per cent to 2,964.4 kilometres compared with an increase of 64.0 per cent in 1988. The substantial increase in the use of 3 Dimensional technique by the oil producing companies was traceable to the fact that the technique facilitates more discovery of oil. The number of party months[2] undertaken by the oil companies declined by 16.0 per cent to 105 compared with a fall of 6.7 per cent in 1988.

The number of wells (exploratory and appraisal/development) drilled, totalled 92, compared with 87 and 85 wells in 1988 and in 1987, respectively. Of the 92 wells, 30 or 32.6 per cent were exploratory while 62 or 67.4 per cent were appraisal/development wells compared with 22 exploratory wells and 65 appraisal/development wells in 1988. Oil was discovered in 75 wells, of which 19 were exploratory and 56 were appraisal/development wells, compared with 13[3] exploratory and 61[3] appraisal/development wells in 1988. During the year 17 wells were abandoned; 11 of which were exploratory and 6 appraisal/development wells. In 1988 a total of 13 wells were abandoned consisting of 9 exploratory and 4 appraisal/development. Overall exploration and appraisal/development success ratio[4] in 1989 was 81.5 per cent compared with 85.1 per cent in 1988.

(b) *Crude Petroleum Prices*

There was marked increase in the prices of crude oil in 1989. The realised price of Nigeria's crudes averaged \$17.87 a barrel, indicating an increase of 20.9 per cent over the average for the preceding year; but a decline of 0.7 per cent from OPEC fixed reference price of \$18.00 a barrel in 1989. The average spot price of Nigerias reference crude – the Bonny Light 37^0 API was \$18.42 a barrel compared with \$14.98 a barrel in 1988; while the average spot prices of the U.K. Brent and the West Texas Intermediate (WTI) increased by 21.7 per cent and 22.2 per cent to \$18.05 and \$19.43 a barrel, respectively. In the netback market, the Bonny Light sold for an average of \$19.42 a barrel while the U.K. Brent and West Texas Intermediate traded at \$18.99 and \$20.39 a barrel, respectively, compared with the netback values of \$15.95, \$15.57 and \$16.70 a barrel, respectively in 1988.

(c) *Gas*

The production of gas at 25,052.6 million cubic metres (mm^3) in 1989, rose by 4,796.6 mm^3 or 23.7 per cent compared with an increase of 3,171.0 mm^3 or 18.6 per cent in 1988. Of this, 6,322.9 mm^3 or 25.2 per cent were utilised for various

[1] 2 Dimensional seismic technique is that in which the paths taken by the waves created by the explosions in the sediments are reflected between the explosion and the geophones while the 3 Dimensional seismic technique is that in which the paths taken by the waves created by the explosion in the sediments are refracted between the explosion and the geophones.

[2] The proportion of days in a month spent by a seismic party of an oil company in exploratory activities. For instance, if a seismic party spends 15 days in a month, this represents $^{15}/_{30}$ = 0.5 party month.

[3] Revised.

[4] Ratio of wells that struck oil to total wells sunk.

purposes. The utilisation rate represented a decline from the 27.2 and 28.1 per cent utilised in 1988 and 1987, respectively. At 18,729.7 mm^3, the share of gas flared rose from 71.9 and 72.8 in 1987 and 1988, respectively, to 74.8 per cent in 1989. Gas utilised as fuel, re-injection and sold to industries increased by 3.5, 16.4 and 18.7 per cent to 735.8, 2,031.3 and 3,508.7 mm^3, respectively, while gas used for conversion to natural gas liquids declined by 54.6 per cent to 47.1 mm^3. In 1988, gas utilised as fuel, re-injecting, sold, and converted to natural gas liquids rose by 22.0, 31.1, 3.6, and 288.9 per cent, respectively. The substantial rise in gas sold to industries was attributable to the increased purchase by the National Electric Power Authority (NEPA) for power generation at the Egbin Thermal Power Station.

(d) *Solid Minerals*

At 1.7 million tonnes in 1989, the volume of production of principal solid minerals declined by 5.3 per cent, compared with the drop of 36.1 per cent in the previous year. The persistent decline is attributable to the perennial and deteriorating problems of obsolete and malfunctioning equipments, inadequate infrastructural facilities, inaccessibility of mines due to flooding and high and rising transportation costs. Illegal mining and smuggling activities also suggest that there may be a wide gap between actual production and the falling official production figures. The production of all the minerals declined, except cassiterite whose production increased by 47.2 per cent over its comparable 1988 level. Output of marble, columbite, limestone and coal dropped by 74.3, 8.3, 5.3 and 1.8 per cent, respectively.

The Nigerian Coal Corporation entered into an agreement with an overseas consultant during the year to reactivate the Onyeama coal mine at Enugu.

III.2.3 Electricity

The installed capacity of the National Electric Power Authority (NEPA) increased by 1.2 per cent over the level in 1988 to 4,633 megawatts. Estimated electricity generation rose by 9.0 per cent in 1989 to 12,344.8 million kwh compared with the marginal increase of 0.5 per cent in the previous year (see Table 3.16). The increase was to a large extent attributable to the markedly enhanced thermal electricity generation, and to a lesser extent, improvement in hydro generation.

The contribution of Hydro-electricity generation from Kainji and Jebba stations to the national grid totalled 3.4 million kwh and represented 27.8 per cent of total generated power in 1989. thermal (steam) and thermal (gas) contributed 6.03 million kwh and 2.9 million kwh, respectively, representing increases of 48.9 and 22.5 per cent over their respective contributions in 1988. Thermal purchases amounted to 0.1 million kwh, representing 0.7 per cent of total power generated. The increase in thermal generation was attributable mainly to the rehabilitation of Sapele, Delta and Egbin power stations, and to increased supply of liquefied natural gas from Escravos, Warri, and Utorogu gas projects linked to Egbin power stations. The rise in the level of water at Kainji and Jebba, consequent upon heavy rainfall in the year accounted for the increase in Hydro-electricity generations.

III.2.4 Energy

Total primary energy consumed in 1989 totalled 22.4 million tonnes of coal equivalent (tce) and represented an increase of 18.9 per cent over the level in 1988 (see Tables 3.17 and Charts II & III). This was in contrast to the decline of 8.7 per cent in consumption in the previous year. The rise in consumption was traceable mainly to natural gas and hydro-power which accounted for 51.2 and 7.7 per cent of total energy consumed, respectively. Both recorded increases of 141.3 and 14.2 per cent in their levels of utilization. The phenomenal rise in natural gas utilisation was due mainly to improvements in the operations of major users of gas such as NEPA and the National Fertilizer Company of Nigeria (NAFCON). There were also some newcomers into the gas utilisation scene, namely Nigeria Breweries Limited, PZ Industries Limited, International Glass and International Equitable Companies Limited, all located at Aba. The major explanation for the change to the use of gas is the sharp increase in the price of petroleum products. Other factors include the fact that gas is about 70 per cent cheaper; it is relatively cleaner; supply is more reliable as it is virtually uninterrupted; it is a more efficient source of energy; and it carries no storage cost.

The consumption of petroleum products and coal however declined from the previous year's levels by 26.8 and 14.5 per cent, respectively. The increase in the prices of petroleum products in 1989 was largely responsible for the drop in their consumption. The share of petroleum in energy consumption declined from 66.3 per cent in 1988 to 40.8 per cent in 1989.

TABLE 3.16

ELECTRICITY GENERATION

(thousand kWh)

				Percentage change between	
Type	1987 (1)	1988[1] (2)	1989[2] (3)	(1) *and* (2) (4)	(2) *and* (3) (5)
NEPA:					
Hydro	3,201,188	3,159,322	3,436,780	− 1.3	+ 8.8
Thermal	7,780,524	8,078,573	8,822,855	+ 1.2	+ 9.2
Purchased:					
Thermal	83,630	85,239	85,182	+ 1.9	− 0.1
TOTAL	11,265,342	11,323,134	12,344,817	+ 0.5	+ 9.0

[1] Revised
[2] CBN Estimates
Source: National Electric Power Authority (NEPA)

TABLE 3.17

ENERGY CONSUMPTION

(Tonnes of coal equivalent)

Type	1987 (1)	1988[1] (2)	1989[2] (3)	Percentage change between (1) and (2) (4)	(2) and (3) (5)
Coal	95,845	79,314.4	67,837.4	−17.25	−14.47
% Share	0.5	0.4	0.3		
Hydro-Power	1,600,594	1,504,235	1,718,390	−6.02	+14.24
% Share	7.7	8.0	7.7		
Natural Gas	4,672,740	4,763,994	11,494,130	+1.95	+141.27
% Share	22.6	25.3	51.2		
Petroleum Products	14,283,979	12,514,973	9,156,000	−12.40	−26.84
% Share	69.2	66.3	40.8		
TOTAL	20,653,161	18,862,516	22,436,357	−8.70	+18.94
% Share	100.0	100.0	100.0		
Index of Energy Consumption (1972 = 100)	469.7	412.1	444.2	12.30	+7.79

[1] Revised

[2] Provisional

Sources: Federal Ministry of Mines, Power & Steel, NNPC and NEPA

(a) *Petroleum Products*

The quantity of petroleum products consumed in the country in 1989 was estimated at 7.7 million tonnes, representing a decline of 4.4 per cent compared with the decline of 11.2 per cent in 1988. The consumption of all brands of petroleum products declined, except premium motor spirit (gasoline), dual purpose kerosine and 'others' where consumption increases of 4.9, 1.9 and 19.5 per cent, respectively, were recorded (see Table 3.18). The substantial decline in the consumption of high pour fuel oil was caused by the switch over to gas by NEPA for power generation at Egbin thermal station, while that of cooking gas was due to inadequate supply. The decline in the consumption of automotive gas (diesel), low pour fuel oil, lubricating oil and bitumen asphalt on the other hand, was attributable to the low tempo of activities in transportation, manufacturing the road construction

CHART II

FUEL AND ENERGY

(Index of Primary Commercial Energy Consumed)
1972 = 100

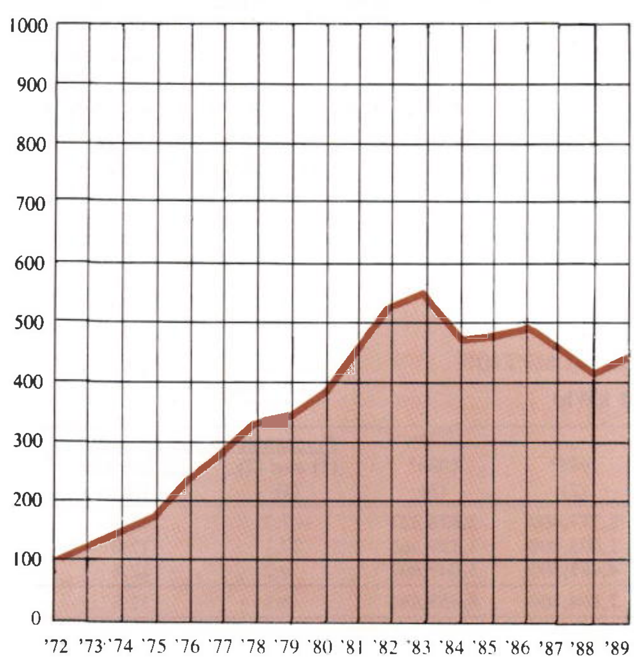
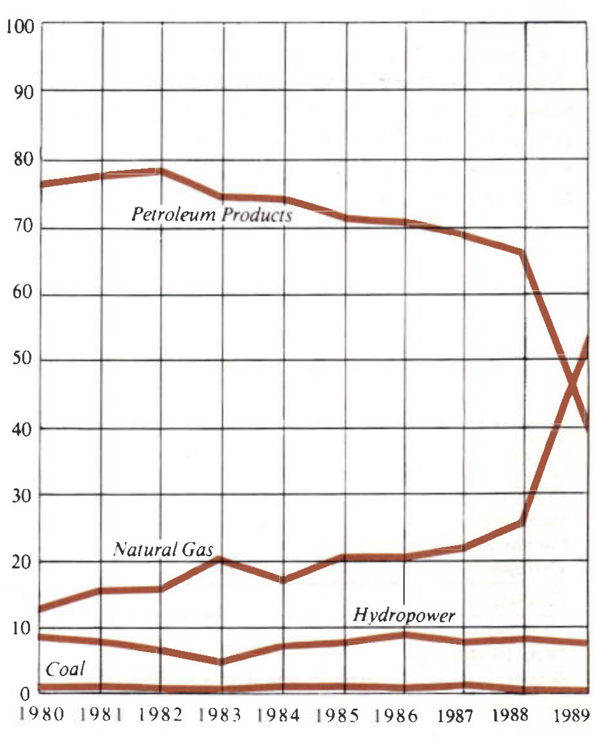


CHART III

ENERGY CONSUMPTION

(Percentage Share of Energy Consumed)



sectors of the economy. The decline in the consumption of aviation fuel since 1987 continued. Domestic and foreign airlines' consumption of aviation fuel, at 134,900 tonnes, represented a further decline of 21.9 per cent, following a fall of 33.6 per cent in 1988 and 7.4 per cent in 1987. Of the total, domestic airlines consumed 69,400 tonnes or 51.5 per cent compared with 89,800 tonnes or 52.0 per cent in 1988. Consumption of aviation fuel by the foreign airlines fell by 21.1 per cent to 65,500 tonnes, although its share in total consumption of aviation fuel rose from 48.0 to 48.5 per cent. The decline in the consumption of aviation fuel was due largely to the 483.0 per cent increase in the price of the product before January 1986 and the drop in the total landings of domestic and foreign airlines.

(b) *Electricity Consumption*

Electricity consumption increased by 12.6 per cent to 8,853.6 million kwh in 1989, compared with an increase of 5.2 per cent in the previous year. The volume of consumption by the residential sub-sector accounted for 57 per cent of total consumption, while industrial sector consumption totalled 2,676.3 million kwh and accounted for 30.2 per cent. The commercial sector accounted for the balance of 12.8 per cent. The level of industrial sector consumption was a marked improvement over its comparable level in the previous year when consumption actually declined by 7.7 per cent. The increased industrial consumption was encouraged by improved efficiency in distribution network of electricity by NEPA during the year (see Table 3.20 & Chart IV).

TABLE 3.18

CONSUMPTION OF PETROLEUM PRODUCTS

(Tonnes)

Product	1987[1] (1)	1988[1] (2)	1989[2] (3)	Percentage change between (1) *and* (2) (4)	Percentage change between (2) *and* (3) (5)
Liquefied Petroleum Gas (LNG) or Cooking Gas	104,114	74,482	64,457	−28.5	−13.5
Premium Motor Spirit (PMS) (Gasoline)	3,625,220	3,103,079	3,256,442	−14.4	4.9
Dual Purpose Kerosene (DPK)	2,017,336	1,554,391	1,583,488	−22.9	1.9
Automotive Gas Oil (AGO) and (Diesel)	1,755,580	1,573,996	1,496,644	−10.3	−4.9
High Pour Fuel Oil (HPFO)	473,057	495,350	154,773	4.7	−68.8
Low Pour Fuel Oil (LPFO)	704,506	867,235	798,608	23.1	−7.9
Lubricating Oil	144,910	179,449	172,198	23.9	−4.1
Bitumen/Asphalt	123,942	144,164	95,417	16.3	−33.8
'Others' (Grease, Wax, Base Oil etc.)	121,680	66,049	78,940	−45.7	19.5
TOTAL	9,070,345	8,058,245	7,700,967	−11.2	−4.4

[1] Revised
[2] Estimate
Source: Federal Ministry of Petroleum Resources, Lagos.

TABLE 3.20

ELECTRICITY CONSUMPTION

(thousand kWh)

Sector	1987 (1)	1988[1] (2)	1989[2] (3)	Percentage change between (1) *and* (2) (4)	Percentage change between (2) *and* (3) (5)
Industrial	2,576,369	2,377,400	2,676,327	−7.7	12.6
Commercial & Street Light	789,191	1,003,400	1,129,565	27.1	12.6
Residential	4,105,081	4,483,500	5,047,692	9.2	12.6
TOTAL	7,470,641	7,864,700	8,853,584	5.2	12.6

[1] Revised
[2] Provisional
Source: National Electric Power Authority (NEPA)

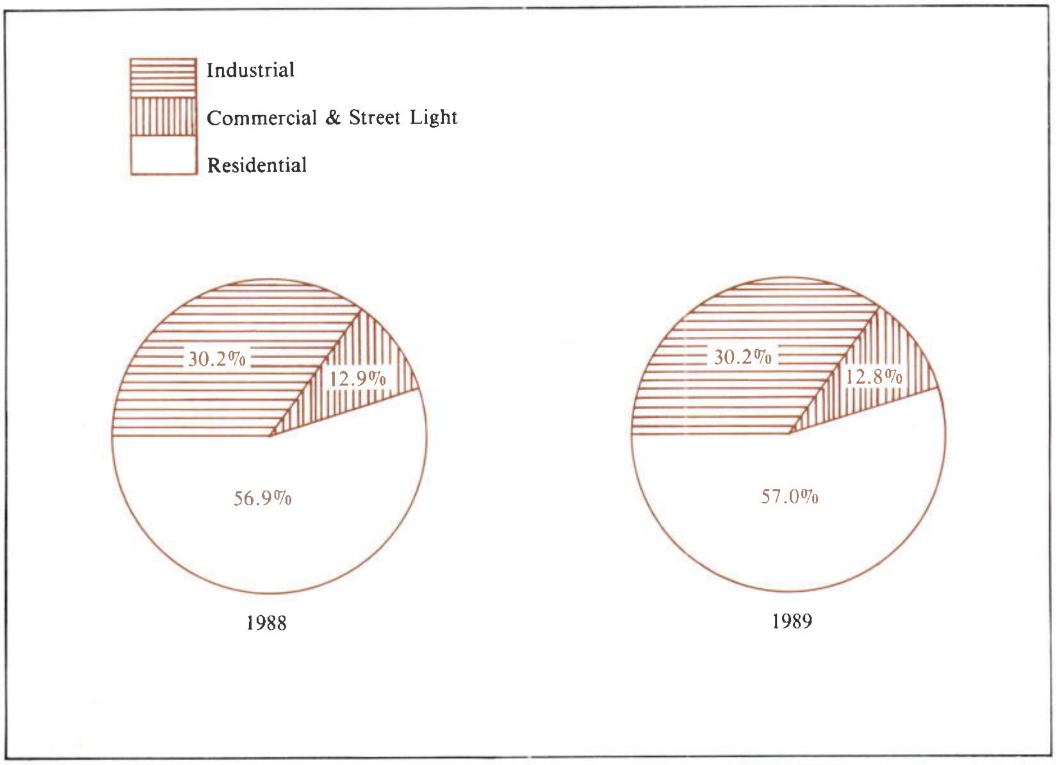
TABLE 3.19
PRICES OF PETROLEUM PRODUCTS
(kobo/Litre)

Product	1987/88 *Old Price*[1]	1988 *New Price*[2]	1989 *New Price*[3]	Change between (1) *and* (2)		Change between (2) *and* (3)	
	(1)	(2)	(3)	*Absolute*	*Percentage*	*Absolute*	*Percentage*
Gasoline (Petrol)	39.5	42.0	42.60	2.5	6.3	18.0	42.9
Household Kerosene	10.5	15.0	—	4.5	42.9	—	—
Aviation Turbine Kerosene (ATK)	30.0	113.6	—	83.6	278.7	—	—
Gas Oil	29.5	35.0	—	5.5	18.6	—	—
Fuel Oil	19.0	30.0	—	11.0	57.9	—	—
Petroleum Waxes[4]	950.00	4,900.00	—	3,950.00	415.8	—	—
Base Oil[4]	441.50	1,255.75	—	814.25	184.4	—	—
Bitumen & Asphalt[4]	134.00	160.00	—	26.00	19.4	—	—

[1] The price existing prior to April 10, 1988.
[2] The new prices became effective from April 10, 1988
[3] A two-tier pricing system of which private vehicle owners paid 60k per litre and commercial vehicle owners paid 42k was adopted for gasoline at the beginning of 1989. The two-tier prices became unified at 60k per litre towards the end of the year due to abuses in its implementation.
[4] The price of ATK is given as 32 cents per litre and became effective from April 1, 1988. It thus varied according to the ₦/$ exchange rate. The price quoted here was applicable to the equivalence of 32 cents as at April, 1988.
[4]The figures are in ₦ per tonne and the new prices became effective April 1, 1988.

Source: Nigerian National Petroleum Corporation (NNPC).

CHART IV
ELECTRICITY CONSUMPTION



III.3 MAJOR INDUSTRIAL PROJECTS

With a few exceptions, the performance of government core industrial projects showed no marked improvements in 1989. The rate of capacity utilisation was very low and operational losses continued to mount, except in some petrochemical and petroleum refining plants.

The inability of most of the projects to put their installed capacities to optimal use to meet the ever-expanding demand for their products was attributable largely to the perennial problems of inadequate working capital and their inability to raise funds from the money market, largely as a result of low capitalisation, high-level of debts outstanding and poor management. Installations at abandoned projects continued to decay, while the cost of completing such projects continued to escalate as a result of inflation and exchange rate depreciation.

III.3.1 The Steel Plants

Construction work remained suspended on the first phase of the Ajaokuta Steel Complex at the over 80 per cent completion state it had reached a couple of years ago as a result of lack of funding by the Federal Government. Similarly, the completed sections of the project which includes the Light Section and Bar Mill (LSBM), the Wire Rod Mill and the Billet Mill remained largely unoperative due to shortage of working capital to import basic inputs such as billets and blooms. For the same reason, the 7,000 tonne Foundry which had also been completed remained uncommissioned.

Construction work had been suspended since June 1988 on the Itakpe iron ore project from which the Ajaokuta Steel Complex is expected to source its iron ore requirements due to non-settlement of debts owed to civil contractors. However, a few other auxiliary facilities of the complex remained in production, albeit at very low levels. For instance, the 4,200 tonne capacity Forge and Fabrication shop produced a total of 40.8 tonnes of foundry item, while the 9,500 tonne capacity machine shop produced only 5,007 pieces of assorted tools of different weights.

III.3.2 The Rolling Mills

The perennial problem of inadequate supply and high cost of billets, their major input, from Delta Steel Company (DSC), Aladja, was further compounded by two other factors in 1989. The one was the sharp rise in gas and electricity tariffs, and the other was what the rolling mills described as the liberal import policy on steel products such that the imported product was cheaper per tonne than the rate at which the mills obtained a tonne of billet from Delta Steel Company. In order to stay in production, albeit at a low level, the rolling mills mobilised funds to enable the Delta Steel Company, Aladja, increase its imported inputs to produce billets for them.

Arising largely from improved billets supply from Aladja in the second half of the year, the volume of production at the Jos Steel Rolling Company (JSRC) rose by 8.5 per cent from 17,717.7 metric tonnes in 1988 to 19,220.3 metric tonnes in 1989. Capacity utilisation also rose marginally from 11.1 to 12.0 per cent. Similarly, production at the Oshogbo Steel Rolling Company (OSRC) rose from 16,532 metric tonnes in 1988 to 20,182 metric tonnes. Capacity utilisation which had dropped from 16.5 per cent in 1987 to only 7.9 per cent in 1988 edged up to 9.6 per cent in 1989. At the Katsina Steel Rolling Company (KSRC), however, production fell by 28.7 per cent, from 34,744 metric tonnes in 1988 to 24,764 metric tonnes in the review period. Correspondingly, capacity utilisation fell from 15.0 to 11.8 per cent. As a result of high and rising cost of operation and low rate of capacity utilisation, the rolling mills continued to suffer heavy losses.

III.3.3 The Paper Plants

About 80 per cent of the inputs[1] of the paper mills are sourced locally, nevertheless, their operations continued to be severely constrained by the inadequate supply of the balance of 20 per cent imported inputs, made up largely of long fibre pulp, some processing chemicals and spare parts. The inability of the mills to obtain these essential imported inputs is largely attributable to inadequate working capital and inability to raise funds as a result of poor capitalisation and heavy indebtedness. Consequently, production levels and capacity utilisation remained constrained to low levels while operational losses mount.

The Nigerian Newsprint Manufacturing Company (NNMC) at Oku-Iboku, Akwa Ibom State, produced 28,901 metric tonnes in 1989, representing an increase of 17.15 per cent over the 24,670 metric tonnes produced in 1988. Capacity utilisation rose to 28.9 per cent from 25.0 and 21.2 per cent in 1988 and 1987, respectively. Total sales turnover during the year was ₦179.8 million, compared with ₦91.1 million in 1988, representing a sharp increase of 97.2 per cent. Total quantity of newsprints and printers' papers sold directly to both the end-users and export markets rose by 21.5 per cent to 31,614.4 metric tonnes in 1989. The volume of exports which fell by 99.5 per cent from 2,061.5 metric tonnes in 1987 to 9.9 metric tonnes in 1988 following persistent operational problems rose to 501 metric tonnes in 1989. Correspondingly, export earnings shot up from ₦26,200 in 1988 to ₦1,744,300 in 1989.

The volume of production at the Nigerian Paper Mill (NPM), Jebba contracted in 1989 by 39.3 per cent to 16,476 metric tonnes. Thus, average capacity utilisation fell from 47.0 to 25.3 per cent. In spite of the good demand for NPM's products sold directly as raw materials to about 70 industries, production constraints inhibited the company from meeting the demand of its clients. Total value of sales at ₦124.5 million fell by 10.6 per cent below its level in 1988, while total quantity of paper products sold declined by 46.1 per cent to 15,329 metric tonnes.

The Iwopin Paper Mill was planned to complement the two other paper mills at Jebba and Oku-Iboku. About 85 per cent of the construction had been completed at a cost of ₦350 million before it was abandoned in 1983, due largely to lack of funds. Consequently, a substantial part of the installed equipment were reportedly decaying. As at 1989, the cost of completion is estimated to have risen to ₦1.4 billion as a result of inflation and the devaluation of the exchange rate.

[1] They include short fibre wood, bamboo, starch, aluminium sulphate, sulphuric acid, kaolin, limestone, sodium silicate, low pour fuel and diesel oil.

III.3.4 The Fertilizer Plants

The National Fertilizer Company of Nigeria (NAFCON) at Onne, near Port Harcourt, continued to maintain a high level of performance through 1989. Aggregate production volume for the three plants located at the integrated nitrogenous fertilizer complex increased by 6.4 per cent above its level in the previous year to 1,097,305 metric tonnes. The value of production more than doubled from ₦339.9 million in 1988 to ₦686.6 million in 1989. Production at the Ammonia plant which increased by 139.2 per cent to 377,718 metric tonnes in 1988 declined by 3.7 per cent to 363,823 metric tonnes in 1989. Production at the Urea plant increased marginally by 1.2 per cent to 521,711 metric tonnes, while production at the NPK plant increased by 74.3 per cent to 215,925 metric tonnes. Aggregate capacity utilisation was 95 per cent for NAFCON's three plants put together. Capacity utilisation in the three different plants varied from a low of 65 per cent in the NPK plant to 105 and 109 per cent in the Urea and Ammonia plants, respectively.

The companies domestic sales increased substantially from ₦399 million in 1988 to ₦817.3 million in 1989. Export of Ammonia and Urea declined by 46.7 and 33.0 per cent to 59,074 and 246,639 metric tonnes, respectively. Consequently, the value of exports also declined from ₦389.0 million in 1988 to ₦228.7 million in 1989.

Total cost of operation was ₦724.4 million compared with ₦354.7 million in 1988. The cost of raw materials used in the review period increased astronomically by 161.2 per cent over its level in 1988 to ₦422.0 million following increases in the price of Natural Gas and other petroleum products, as well as depreciation in the naira exchange rate. The level of employment at 1,454 fell by 2.5 per cent below its level in the previous year. The demand for NAFCON's products remained high and construction was in progress for the plant to manufacture UF-85 chemical while implementation of its third phase is expected to reduce some of its imported inputs.

Production at the Federal Superphosphates Fertilizer Company (FSFS) declined from the level attained last year. The output of single superphosphate (SSP) declined from 14,579.86 tonnes in 1988 to 5,902.5 tonnes in 1989. Single shift operation was maintained during the year as was the case last year although the company's staff strength declined from 367 in 1988 to 341 in 1989. Following this performance, installed capacity utilisation rate fell further from a low of 3.0 per cent achieved in respect of SSP in 1988 to 0.84 per cent while that of alum declined from 57.0 per cent in 1988 to 52.8 per cent. Production of SSP was low during the first half of 1989 but ceased entirely during the fourth quarter. This was due to frequent breakdown of the old equipment which could neither be serviced satisfactorily nor replaced because of foreign exchange shortage. The other dimension to foreign exchange shortage was that essential imports like phosphate rock (from Togo) and alumina (from Europe/America) were usually in short supply. Although total production in the review period was about half of its level in 1988, the value of production at ₦11.0 million was higher than its corresponding value of ₦10.2 million in 1988 due to the substantially higher costs of inputs.

FSFS has not yet succeeded in sourcing alumina from local kaolin for its alum production nor phosphoric rock from local sources for the production of SSP fertilizer. Although phosphoric rocks had been found in Sokoto and Ilaro (Ogun State), efforts to ascertain the commercial quantity of these deposits remained unco-ordinated. For this reason, the value of raw materials imported during the year rose to ₦7.6million from ₦5.9 million in 1988 while the value of local raw materials utilised declined from ₦0.406 million in 1988 to ₦0.399 million in 1989.

III.3.5 Petrochemical Plants

The volume of production of petrochemicals at the Kaduna Refinery and Petrochemical Company (KRPC) declined by 33.2 per cent from its comparable level in 1988. Output of asphalt at 130,253 tonnes accounted for 93.1 per cent of the total output in 1989. The quantity of LAB and Kero solvent increased by 80.8 per cent to 5,748 metric tonnes, as a result of high demand by the expanding soap and detergent, and paint industries. On the other hand, the output of refined waxes, Benzene and Heavy alkylate decreased by 82.2, 82.8 and 26.7 per cent, respectively.

At the Warri Refinery and petrochemical Company plant at Ekpan, output of polypropylene was 642 tonnes in 1989 – a decline of 86.7 per cent from the 4,816 tonnes produced in 1988. In consequence, capacity utilisation rate was 1.8 per cent compared with 13.8 per cent in the previous year.

Performance at the Carbon Black plant of the Warri complex also deteriorated. Production fell by about 24 per cent from 2,084 metric tonnes in 1988 to 1,728 tonnes in 1989. Consequently, capacity utilisation fell from 11.6 to 9.0 per cent in the same period. The fall in production reflected the weak demand for carbon black which led to accumulation of inventory of finished goods.

III.3.6 The Refineries

In March, 1989, NNPC fourth refinery located at Alesa-Eleme near Port Harcourt, with a production capacity of 150,000 barrels per day was commissioned, thus bringing total production capacities of all local refineries to 445,000 barrels per day. These local refineries supplied 9.7 million tonnes of petroleum products, representing an increase of 1.4 million tonnes or 16.5 per cent over the level in the preceding year. The increase was largely due to the output of the fourth refinery which more than offset the decline in the output of Warri and Kaduna refineries. Output of Warri refinery declined by 14.4 per cent as a result of technical faults while that of Kaduna declined by 30.0 per cent as a result of the 50-day shut down for the biennial turn around maintenance (TRM). The old Port Harcourt refinery was gutted by fire in January, 1989 which put it out of operation throughout the year. Thus, of the total output, the Warri and Kaduna refineries contributed 33.0 and 23.0 per cent respectively, while the fourth refinery accounted for the balance of 44.0 per cent. In 1988 the Warri and Kaduna refineries contributed 41.6 and 34.6 per cent, respectively.

The Warri refinery which has the capacity to process 125,000 barrels per stream day or 5.1 million metric tonnes of crude oil per annum produced 2,982,131 metric tonnes of petroleum products, representing 58.3 per cent of its installed capacity. Production was 14.7 per cent below its level of 3,491,968 metric tonnes in 1988. Specifically, the refinery produced 23, 853 metric tonnes of liquefied petroleum gas; 890,122 metric tonnes of premium motor spirit; 491,099 metric tonnes of dual purpose kerosene; 646,294 metric tonnes of automotive gas oil; 484,282 metric tonnes of low pour fuel oil and 444,919 metric tonnes of high pour fuel oil.

The fourth refinery was designed to process 150,000 barrels of crude oil per stream day. The refined products totalled 4,233,370 metric tonnes of petroleum products or 80 per cent of installed plant capacity. The refinery's production profile comprised 5,167.1 metric tonnes propane; 15,152.2 metric tonnes butane; 35,311.1 metric tonnes liquefied petroleum gas; 1,191,331.4 metric tonnes premium motor spirit; 683,672.8 metric tonnes dual purpose kerosene; 1,892,907.4 automotive gas oil; 561,602.4 metric tonnes low pour fuel oil; 450,076.4 metric tonnes high pour fuel; and 198,146.5 metric tonnes of intermediate products.

The Kaduna refinery operated at 54.6 per cent of its installed capacity in 1989, indicating a decline from the 73.9 per cent attained in 1988. The total quantity of refined petroleum products therefore declined by 44.8 per cent to 2,069,766 tonnes from 2,996,720 tonnes in 1988. The decline was reflected in all the products of the refinery. Consequently, the share of output of Kaduna refinery in total output of petroleum products dropped from 33.6 per cent in 1988 to 22.2 per cent in 1989.

III.3.7 Nigerian Marble Mining Company

The Nigerian Marble Mining Company (NNMC), continued to operate at a very low level in spite of the high demand for its products and its ability to source a substantial proportion of its basic raw materials requirement locally. Inadequate funds needed to refurbish the ageing and worn out equipment, as well as for working capital continued to hinder expansion of the scope of operation of the company. Only 20.4 per cent of its installed capacity of 57,600 metric tonnes per annum was utilized. Production of marble, chips, dust and powder rose marginally by 0.5 per cent to 11,727 metric tonnes, compared with the level in 1988. However, the value of production rose by 53.0 per cent to ₦2.2 million during the comparable period due mainly to high cost of inputs, especially the explosives. High production cost was also reflected in the value of products sold which increased by 51.2 per cent to ₦2.1million even though the quantity sold declined by 2.5 per cent to 11,401 metric tonnes.

III.3.8 Liquefied Natural Gas Project

The Liquefied Natural Gas (LNG) project as conceived, is a 2-train liquefaction plant, capable of producing 54.6 million tonnes of LNG per annum. The capital cost was estimated at US $2.4 billion. The project is located in Bonny, Rivers State. The partners in the projects are NNPC (60 per cent), Shell (20 per cent), Agip (10 per cent), and Elf (10 per cent). During the year, the Nigerian LNG Limited was incorporated and the shareholders' agreement was signed. The Board of the Nigerian LNG Limited was inaugurated in June, 1989. The market for the LNG had already been secured in both Europe and the United States of America. Sales contracts were concluded during the conference held in Lagos in December, 1989. The shipping arrangements also progressed satisfactorily. Also, the project specification contract was awarded to Technip/ Kellog Joint Venture. It was envisaged that the first delivery of cargo would take place in January, 1995. As regards the plant site, progress was made in the new Finnima Village in which the inhabitants of the old Finnima village would be relocated. In the new Finnima village, the building of infrastructures, residential houses, civic centres, etc., was in progress.

III.4 CONSTRUCTION[1]

Public sector construction activities progressed further in 1989. Some on-going projects were completed while others were at various stages of completion. A number of new projects were also started during the year while contract for some were awarded. Rehabilitation and maintenance work of some existing projects also continued during the year.

III.4.1 Road Development

Road construction activities recorded significant progress during the year. Twenty-two Federal Government roads with a total length of 937 kilometres were either rehabilitated, reconstructed or constructed newly at a cost of ₦230 million. The Tuga Bridge and Kaoje road in Sokoto State and the Garba Chede – Bali road in Mambila, Gongola State were completed. the Ikoyi, Victoria Island, Eko Bridge and the Western Avenue, all in Lagos metropolis were rehabilitated while the Gbongan – Oshogbo road was re-constructed. Work also progressed on some on-going road projects. For instance, work on the Kaduna-Kano dualization, Otukpa-Ayangba road in Benue State and Oron-Jamestown in Akwa Ibom State were at the point of completion. Other road works at various stages of completion included the Zungeru combined rail/road bridge. Also, rehabilition and maintenance work continued on some of the existing roads through a mixture of contract and direct labour. This included the rehabilitation of street lights within the Lagos metropolis through direct labour. As indicated earlier in this report, DFRRI also continued to excute its rural feeder-road programme.

III.4.2 Seaport Development

There were no major seaport development projects in 1989. However, the Nigerian Ports Authority (NPA) embarked on some minor projects as well as rehabilitation and maintenance works. Completed projects included the water supply at Kirikiri lighter terminal phase 1; 2 blocks of flats at the Port Harcourt complex; the re-diversion of water pipes from drainage gutters to the Ground-Kirikiri lighter terminal, phase 1; and 80 metres of the Calvernply factory slip-way in Calabar. Rehabilitation and maintenance work undertaken included the repairs to the petroleum wharf at Apapa, renovation works on some staff quarters and the sports ground in Lagos.

III.4.3 Airport Development

The Nigerian Airports Authority (N.A.A.) executed some projects during the year. These included the terminal building, water dam and clinic at Kaduna, Abuja and Akure airports, respectively. The Authority also carried out installation of pulse light approach slope indicator at the Benin airport, while progress was made in the construction of Minna airport terminal and ancillary buildings. Rehabilitation and maintenance works carried out at some airports during the year included airfield lighting system, standby plants, street light and general re-lamping of the taxi-ways at Jos, Kano, Ilorin, Murtala Muhammed airports and the Hajj camp and former HIDROAD offices at the Sokoto airport.

III.4.4 Railway Development

Following improvement in finance, and reorganisation, the Nigerian Railway Corporation (NRC) embarked on some development projects while substantial rehabilitation and maintenance works also progressed during the year. The new projects included the construction of two "Made in Nigeria Locomotives" one of which had already been tested; the installation of re-signalling equipment rooms in 43 stations; solar powered signalling structures in 13 stations; overhead copper-weild wire stringing in Zaria-Kano (140 km) and Kaduna – Iri (80 km) sections; and installation of public address systems in all stations connected with the Mass Transit Programme.

A total of 116 coaches and 14 locomotives were refurbished and put into use for both passenger and goods traffic. In addition, substantial rehabilitation work progressed in two stream locomotive engines while the already written-off Drewry rail-car was refurbished. Under a special arrangement between the Nigerian and Romanian governments concluded in 1987, NRC received 50 brake vans and some multi-purpose wagons while some locomotives spare parts were delivered under the World Bank Locomotive Rehabilitation Programme.

III.4.5 Housing Programme

Federal Government housing projects progressed during the year. The Federal Secretariat buildings in Anambra, Bauchi and Niger states reached advanced stages of completion while those in Ondo and Kaduna states were about 60 per cent completed. Various projects in all the 41 Federal Government Unity Schools, Federal Advanced Teachers' Colleges and the Federal Schools of Arts and Science have reached advanced stages of completion. The additional classrooms in each of the Unity Schools have been completed while contracts for the construction of workshops for Introductory Technology in 22 of the schools were awarded during the year. The building of the University of Sokoto Teaching Hospital was completed, while construction work at the National Eye Centre, Kaduna also reached an advanced stage. Work was in progress at the University of Nigeria Teaching Hospital, Enugu and the Ahmadu Bello University Teaching Hospital, Zaria.

The construction of Political Party Offices reached advanced stages of completion. These include two Local Offices in each of the 449 Local Government Areas of the country, 44 State offices (i.e. two offices in each of the 21 state capitals and 2 National Offices at Abuja). The construction of a number of projects for the Federal Ministry of Justice and all uncompleted offices of the defunct Federal Electoral Commission (FEDECO) nationwide were in progress, while work on the Nigeria House in New York (USA) and the Chancery in Lusaka (Zambia) reached advanced stages of completion. The residential buildings in Brazil and chancery projects in India,

[1] Relates only to public works, mostly at the Federal level.

Pakistan and Saudi Arabia were still at design stage while the hitherto abandoned chancery project in Niger was resuscitated. Contract was also awarded for the construction of the Nigerian Embassy in Equatorial Guinea during the year while tenders for the construction of chancery building in the Republic of Guinea and the Presidential Lodge at Addis Ababa have been received.

III.5 TRANSPORTATION AND COMMUNICATIONS

Developments in the transportation and communication sector were mixed in 1989. The continued lull in merchandise trade depressed shipping activities during the year, while airline services decreased as a result of further increase in tariffs and inadequate fleet of aircraft. However, the activities of the Nigerian Railways increased during the year following improvement in both its management and funding. Communication facilities were used more intensively in 1989 than in 1988.

III.5.1 Shipping Services

The lull in the tempo of economic activity in the country continued to depress shipping activities in 1989. A total of 1,263 ships with net registered tonnage (n.r.t) of 5.9 million, berthed at Nigerian ports, representing an increase of 2.6 per cent over the level in 1988. On the other hand, 1,257 ships of 6.0 million (n.r.t.) departed Nigerian ports during year, showing a decline of 1.0 per cent from the level a year earlier. Total non-oil shipments declined further by 12.5 per cent to 5.2 million tonnes. Non-oil imports and exports fell by 11.0 and 14.1 per cent to 4.3 and 0.9 million tonnes, respectively (see Table 3.21).

The volume of goods delivered to the Nigerian ports delined by 21.5 per cent to 869.6 thousand tonnes during the year. The various modes of haulage, namely road, water, rail and 'others', accounted for 56.1, 14.6, 2.6 and 26.7 per cent of the total haulage, respectively compared with 54.1, 5.6, 3.6 and 36.7 per cent in 1988 (see Table 3.22).

All activities of the Nigerian National Shipping Line (NNSL) slowed down during the year, as a result of poor maintenance of its fleet of ships and the loss of a ship in Portugal in February, 1989. The number of its ships that berthed at the Nigerian Ports dropped by 7.3 per cent to 51 with n.r.t of 487.1 thousand tonnes and accounted for 4.0 per cent of the total number of ships that berthed. Those that departed the ports during the year dropped by 22.6 per cent to 48, representing 3.8 per cent of the total, with n.r.t of 449.4 thousand tonnes (see Table 3.23). The NNSL accounted for 7.1 per cent of the total non-oil cargo compared with 7.9 per cent in 1988. Its total non-oil shipments fell by 21.0 per cent to 371.1 thousand tonnes. Both (non-oil) imports and exports fell by 20.6 and 23.2 per cent to 309.2 and 61.8 thousand tonnes, respectively.

III.5.2 The National Maritime Authority (NMA)

The National Maritime Authority (NMA) continued to

TABLE 3.21

OCEAN SHIPPING STATISTICS

Category	1987 (1)	1988 (2)	1989 (3)	Percentage change between (1) *and* (2) (4)	Percentage change between (2) *and* (3) (5)
Ships entered (from abroad)	1,534.0	1,231.0	1,263.0	−19.8	2.6
Net registered tonnage (million)	8.4	5.5	5.9	−34.5	7.3
Ships cleared (to abroad)	1,521.0	1,270.0	1,257.0	−16.5	−1.0
Net Registered tonnage (million)	8.6	5.7	6.0	−33.7	5.3
Non-oil Total Shipment ('000 tonnes)	8,501.0	5,950.3	5,213.0	−30.0	−12.4
Imports ('000 tonnes)	7,842.0	4,862.5	4,325.2	−38.0	−11.0
Exports ('000 tonnes)	659.0	1,007.0	864.8	52.8	−14.1

Source: Nigerian Ports Authority, Lagos

TABLE 3.22

EVACUATION OF GOODS TO NIGERIAN SEAPORTS

(Tonnes)

Mode	1987	Percentage of Total	1988	Percentage of Total	1989[1]	Percentage of Total
Rail	19,997	3.1	40,212	3.6	22,634	2.6
Road	387,435	60.5	599,411	54.1	487,608	56.1
Water	129,447	20.2	61,255	5.6	127,202	14.6
Other	103,965	16.2	406,606	36.7	232,118	26.7
TOTAL	640,844	100.0	1,107,484	100.0	869,562	100.0

[1] Provisional

Source: Nigerian Ports Authority, Lagos.

TABLE 3.23

NIGERIAN NATIONAL SHIPPING LINES STATISTICS

Category	1987 (1)	1988 (2)	1989 (3)	Percentage change between (1) and (2) (4)	(2) and (3) (5)
Ships entered (from abroad) (Number)	49.0	55.0	51.0	12.2	−7.3
Net Registered Tonnage (million)	429.8	473.6	487.1	10.2	2.9
Ships cleared (to abroad) (Number)	47.0	62.0	48.0	31.9	−22.6
Net Registered Tonnage (million)	424.1	521.2	449.4	22.9	−13.8
Non-oil Total Shipment ('000 tonnes)	439.1	469.7	371.1	7.0	−21.0
Imports ('000 tonnes)	389.7	389.2	309.2	−0.1	−20.6
Exports ('000 tonnes)	49.4	80.5	61.8	63.0	−23.2

Source: Nigerian Ports Authority, Lagos.

implement its cargo control measures, especially the allocation of freight quotas to indigenous lines, subject to 40-50 per cent allowed such lines, under the UNCTAD Code of Conduct for Conference Lines. During the year, cargo form 'M' (for imports) and 'NCD3A' (for commercial exports), were made to carry the clause 'Subject to NMA's Shipping Instructions' as a control device. Two additional indigenous lines, viz: Brawal Shipping (Nigeria) Limited and Bulkship (Nigeria) Limited, were conferred with National Carrier Status, while another line Interglobal Shipping was accorded recognition to operate as an indigenous shipping line.

III.5.3 Railway Services

The level of activities of the Nigerian Railway Corporation (NRC) increased during the year following improvement in its finances. Available statistics for the first three-quarters of the year revealed that the number of passengers carried increased by 11.8 per cent to 4.1 million, in contrast to the decline of 36.3 per cent in the corresponding period of 1988. Passenger revenue declined slightly by 1.1 per cent to ₦15.0 million as against the substantial fall of 45.4 per cent in the preceding year. However, freight revenue rose by 10.8 per cent to ₦11.9 million in contrast to a drop of 10.9 per cent in the same period a year earlier. The freight tonnage (measured by freight tonnes per kilometre) fell by 17.7 per cent to 190 thousand, compared with a deline of 22.0 per cent in 1988 (see Table 3.24). The distance covered (measured by passenger kilometres) however, increased substantially by more than twelve-fold to 295 million as at June 1989. The improvement in the services of the NRC was due largely to the rehabilitation of some of its locomotive rolling stocks and the increase in passenger coaches in some metropolitan cities under the Mass Transit Programme.

III.5.4 Airline Services (Nigeria Airways)

The services of the Nigeria Airways continued to decline in both domestic and international routes in 1989 due mainly to sharp increases in fares and inadequate fleet of aircraft.

(a) *Domestic Air Transportation*

The level of operations of the Nigeria Airways on the domestic route fell in 1989 following increases in fares and reduction in the airline's fleet of aircrafts as a result of inadequate maintenance. The number of passengers carried and passengers/kilometres flown fell by 16.4 and 16.1 per cent to 486.0 thousand and 312.0 thousand respectively, in the first three quarters of the year. This compared with declines of 44.3 and 41.2 per cent in the corresponding period of 1988. Similarly the cargo tonnes/kilometres, freight tonnes and aircraft kilometres declined by 37.1, 12.6 and 4.2 per cent, respectively compared with declines of 21.9, 19.4 and 54.1 per cent attained in the same period of the previous year. The mail tonnes/kilometres flown declined by 12.6 per cent, compared with 19.4 per cent in the corresponding period of 1988 (see Table 3.25).

TABLE 3.24

RAILWAY SERVICES[1]

Category	1987 (1)	1988 (2)	1989 (3)	Percentage change between (1) and (2) (4)	(2) and (3) (5)
Passengers carried ('000)	5,696	3,629	4,056	−36.3	11.8
Passengers revenue (₦'000)	27,764	15,157	14,990	−45.4	−1.1
Passengers/Km ('000)	3,808,277	22,171	295,464[2]	−99.4	1,232.7
Freight Tonnes/Km ('000)	296	231	190	−22.0	−17.7
Freight Revenue (₦'000)	12,044	10,735	11,896	−10.9	10.8

[1] January-September [2] Provisional

Source: Nigerian Railway Corporation (NRC) Lagos.

TABLE 3.25

DOMESTIC AIR TRANSPORTATION STATISTICS[1]

Category	1987 (1)	1988 (2)	1989 (3)	Percentage change between (1) and (2) (4)	Percentage change between (2) and (3) (5)
Passengers carried ('000)	1,064	593	486	– 44.3	– 18.0
Passengers/Km (million)	633	372	312	– 41.2	– 16.1
Cargo Tonnes/Km ('000)	2,308	1,802	1,134[2]	– 21.9	– 37.1
Mail Tonnes/Km ('000)	253	302	264	19.4	– 12.6
Aircraft/Km ('000)	11,987	5,507	5,273	– 54.1	– 4.2
Freight Tonnes	3,935	2,712	1,693	– 31.1	– 37.6

[1] January-September [2] Provisional

Source: Nigeria Airways Limited, Lagos.

The number of passengers carried by all the private domestic airlines declined by 16.7 per cent from 1.8 million in the first three-quarters of 1988 to 1.5 million in the corresponding period of 1989. Their share in total passenger traffic also declined marginally by 0.5 percentage point to 75.7 per cent during the period. The disproportionate share of passenger traffic by private airlines on domestic routes was due largely to improvements in their services.

(b) *International Air Transportation (Other Routes)*

The tempo of activities of the Nigeria Airways on the international routes declined further in all respects during the first three-quarters of 1989 following the sharp increase in fares and inadequate fleet of aircraft. The number of passengers carried fell by 24.7 per cent to 70,000 and passengers/kilometres flown fell by 13.0 per cent to 387 million compared with declines of 2.1 and 10.5 per cent respectively in the corresponding period of 1988. Similarly, the mail tonnes/kilometers, aircraft/kilometres and freight tonnes flown declined by 33.5, 23.9 and 57.4 per cent, respectively compared with decreases of 17.6, 11.7 and 20.7 in the same period a year earlier. The cargo tonnes/kilometrers fell substantially by 53.8 per cent in contrast to an increase of 7.0 per cent in the comparable period of 1988, (see Table 3.26).

(c) *International Air Transportation (African Routes)*

The level of activities of the Nigerian Airways on the African routes during the first nine months of 1989 sufferred similar reverses as on the other international routes (though on a lesser scale). The passengers/kilometers, cargo tonnes/kilometres, mail tonnes/kilometres and freight tonnage airlifted declined by 2.7, 40.7, 32.0 and 24.4 per cent, respectively compared with respective rates of declines of 46.4, 68.7, 84.4 and 68.7 per cent in the corresponding period of 1988. Passengers carried and aircraft kilometers flown however recorded increases of 14.7 and 22.5 per cent respectively, in contrast to declines of 46.4 and 49.3 per cent in the corresponding period of 1988. As on the other routes, the low level of activity was due mainly to inadequate aircrafts in the national carrier's fleet coupled with sharp increases in fares in all international routes in the second half of 1989 (see Table 3.27).

III.5.5 Road Services

The problems of the road transport sub-sector such as high cost of motor vehicles, spare parts, petroleum products – resulting from removal of fuel subsidy – and the deterioration of most rural roads continued through 1989. The price of Peugeot 504 SR which was ₦47,910 in 1987 rose to ₦110,000 in December, 1988 and ₦186.000 at the end of 1989. Also motor accessories like spark plug, brake fluid and motor oil rose by 25.0, 80.0 and 94.4 per cent, respectively; while the price of tyre declined slightly by 6.7 per cent over its level in the corresponding period of 1988. Arising from the high cost

TABLE 3.26

INTERNATIONAL AIR TRANSPORTATION STATISTICS — OTHER ROUTES[1]

Category	1987 (1)	1988 (2)	1989 (3)	Percentage change between (1) and (2) (4)	Percentage change between (2) and (3) (5)
Passengers carried ('000)	95	93	70	– 2.1	– 24.7
Passengers/Km (million)	497	445	387	– 10.5	– 13.0
Cargo Tonnes/Km ('000)	20,094	21,505	9,944	7.0	– 53.8
Mail Tonnes/Km ('000)	4,110	3,387	2,251	– 17.6	– 33.5
Aircraft/Km ('000)	5,875	5,188	3,959	– 11.7	– 23.7
Freight Tonnes	4,695	3,722	1,585	– 20.7	– 57.4

[1] January-September

Source: Nigeria Airways Limited, Lagos.

TABLE 3.27

INTERNATIONAL AIR TRANSPORTATION STATISTICS — AFRICAN ROUTES[1]

Category	1987 (1)	1988 (2)	1989 (3)	Percentage change between (1) and (2) (4)	(2) and (3) (5)
Passengers carried ('000)	140	75	86	−46.4	14.7
Passengers/Km (million)	140	75	73	−46.4	−2.7
Cargo Tonnes/Km ('000)	3,170	992	588	−68.7	−40.7
Mail Tonnes/Km ('000)	1,122	175	119	−84.4	−32.0
Aircraft/Km ('000)	2,292	1,162	1,423	−49.3	22.5
Freight Tonnes	3,379	1,058	800	−68.7	−24.4

[1] January-September

Source: Nigeria Airways Limited, Lagos.

of motor vehicles and associated accessories, the number of new vehicles bought declined. Also, most old vehicles were off the road because of high and rising cost of maintenance following increases in the price of motor spare parts and petroleum products. Consequently, commuters had to pay higher transport fares as can be seen from the index of transport which rose by 15.7 per cent in 1988 and by 36.0 per cent in 1989 (see Section on Consumer Prices).

III.5.6 Mass Transit Programme

Significant achievements which cut across the various modes of transportation were observed in the Mass Transit Programme during the first nine months of 1989.

(a) *Road*

Under the Federal Urban Transit Programme (FUMTP), a total of 243 vehicles were acquired and allocated to the 21 states and Abuja. These included the 100 vehicles allocated to specialised Federal Government Agencies and the Universities.The FUMTP also placed orders for additional 216 buses and spare parts in order to increase the fleet of vehicles under the programme. State governments on their own, purchased a total of 810 vehicles of different types. To further complement the efforts of FUMTP, State Governments adopted a comprehensive programme for the construction of selected bus lay-byes, but-stop shelters, median barriers; bus terminals at the out-skirts of the cities; and the installation of trafffic lights as selected traffic bottle-neck junctions along major bus routes.

Work on these complementary project types started only in Lagos State where 18 contracts were awarded including two traffic lights already installed along Herbert Macaulay Road and the Ketu and Ojota bus terminals which are at advanced stages of completion.

(b) *Water*

Of the 19 non-functional ferries, inherited from the Central Water Transport Company from seven states, 2, belonging to Lagos State were repaired and put into use while the remaining 17 were still under repairs in the review period. Associated facilities such as terminal buildings and jetties which had deteriorated were being rehabilitated, while the idle ferries were also being repaired and new ones were being constructed. Among others, contract for the construction of the new Ijora-Marina jetties and terminal facilities was awarded during the period under review.

(c) *Rail*

Contruction work commenced on the second track between Ebute-Metta junction and Apapa, as well as the extension of the existing double track from Ikeja to Iju junction. The construction of a new terminal station with platforms also commenced at Iddo to enable Lagos Island bound rail commuters continue their journeys by ferry. As at September 1989, 11 locomotives and 90 coaches were rehabilitated and refurbished for the mass transit programme. Also the mass transit train services between Alagbado in Ogun State and Iddo (26 km) were extended to Apapa (30 km). To complement this, the Lagos state government provides connecting buses at Iddo, boats and ferries at Otto (Oyingbo) and Apapa. An average of 22 trains were provided daily on the week days and 10 on weekends and public holidays. These train services were also extended to other cities, such as Enugu-Port Harcourt-Enugu, Kaduna-Zaria-Kaduna and Kaduna-Minna-Kaduna zones.

The Federal Government offered incentives to both the public and private commercial transport operators in the form of discriminatory fuel price and reduction in excise and import duties. Under the SAP Relief Package, government abolished import duty on commercial vehicles while it allocated $30 million to spare parts dealers for importation of motor spare parts.

III.5.7 Communication Services

The use of communication services increased in 1989 in spite of the higher tariffs charged on the various modes of communication. The phenomenal increase in the use of international telephone and telex services was due to the substantial increase in air fares and improvement in facilites. The number of paid minutes in international telephone calls rose by 41.6 per cent in contrast to the decline of 42.5 per cent in 1988, while the number of calls increased by 61.6 per cent. On the domestic scene, direct subscriber-dial-calls increased by 69.2 per cent while the operator-assisted-calls declined by 77.8 per cent. The increased use of direct subscriber-dialling was attributed largely to improved maintenance of existing equipment especially at subscriber level.

TABLE 3.28

COMMUNICATION STATISTICS

Services	1987 (1)	1988 (2)	1989 (3)	Percentage change between (1) & (2) (4)	(2) & (3) (5)
1. Telegraph					
No. of Messages					
(a) International	n.a.	15,094	765,663	n.a.	4,972.6
(b) Domestic	n.a.	377,115	280,526	n.a.	−25.6
No. of Words					
(a) International	1,921,000	558,785	591,264,870	−70.9	105,712.6
(b) Domestic	7,527,000	4,537,519	355,375	−39.7	−92.2
2. Telephone					
(a) International —					
(i) No. of paid minutes	24,486,600	14,076,987	19,936,060	−42.5	41.6
(ii) No. of calls in units	n.a.	1,865,681	3,014,493	n.a.	61.6
(b) Domestic					
(i) Trunk subscriber-dial-calls-in-units	880,307,000	942,744,362	1,595,291,638	7.1	69.2
(ii) Trunk operator-assisted-calls-in-units	9,001,000	12,238,005	2,718,174	36.0	−77.8
3. Telex					
(a) International —					
(i) No. of calls in units	n.a.	360,057	1,015,974	n.a.	182.2
(ii) No. of words in paid minutes	4,830,000	1,487,176	4,430,505	−69.2	197.9
(b) Domestic					
No. of calls in units	73,045,000	45,494,352	4,929,515	−37.7	−89.2
4. Postal Facilities	2,857	2,736	2,744	4.2	0.3
Postal Agencies	155	156	169	0.6	8.3
Sub-Post Offices	538	552	555	2.6	0.5
Mobile Post Offices	34	34	34	0.0	0.0
Total	3,584	3,478	3,502	3.0	0.7
5. Telecommunication Facilities					
Telephone sets ('000)	325,030	317,916	483,496	−2.2	52.1
Telex Sets	12,729	5,898	8,560	−53.7	45.1
Private Wires					
Telephone	n.a.	n.a.	148	n.a.	n.a.
Telegraph	n.a.	n.a.	n.a.	n.a.	n.a.
Music	n.a.	n.a.	n.a.	n.a.	n.a.
Leased Circuits	n.a.	52	98	n.a.	88.5

n.a. = Not available

Sources: (1) Nigerian Telecommunications, (NITEL), Ikoyi, Lagos.
(2) Nigerian Postal Services (NIPOST), Moloney, Lagos.

There was also a substantial increase of 18.2 per cent in international telex communication while domestic telex messages rose by 1.2 per cent. The improvement in the telephone and telex services was due largely to expansion of telecommunication facilities during the year. For instance, the number of telephone and telex sets rose by 512.1 and 45.1 per cent respectively, in contrast to the declines of 2.2 and 53.7 per cent in 1988 (See Table 3.28.)

Postal facilities increased marginally by 0.7 per cent during the year in contrast to a decrease of 3.0 per cent in 1988. The number of postal agencies rose by 8 or 0.3 per cent to 2,744 while sub-post offices rose by 13 or 8.3 per cent to 169. Post offices increased by 3 or 0.5 per cent to 555 while the number of mobile post offices stagnated.

III.6 UNEMPLOYMENT AND INDUSTRIAL RELATIONS

III.6.1 Unemployment

The report of the labour force sample survey conducted in December, 1989 by the Federal Office of Statistics (FOS) under the programme of National Integrated Survey of Households (NISH) showed that the national unemployment rate fell further to 4.0 per cent from its level of 5.3 per cent in the comparable period of 1988. Both the urban and rural rates also declined from 7.8 and 4.8 per cent respectively in December, 1988 to 7.5 and 3.2 per cent.

Data from the various Employment Exchange offices showed a decline in registered unemployment in 1989. At 96,055, the total number of registered unemployed lower grade workers fell by 17.3 per cent compared with the decline of 19.9 per cent in 1988. In the professional and executive cadre, the number of registered unemployed fell by 12.5 per cent from 16,759 in 1988 to 14,666 in 1989. This contrasted with an increase of 11.0 per cent in 1988. Of the 96,055 registered unemployed lower grade workers, 26,128 were fresh registrations while re-registrations stood at 17,190 showing declines of 14.8 and 11.9 per cent, respectively. The same pattern was observed in the case of professionals and executives where fresh registrations and re-registrations fell by 31.4 and 56.5 per cent, respectively. However, the fall in new registrations during the period did not adequately reflect the realities of the labour market as many unemployed aid not bother to register because of their disenchantment with the Employment Exchange Offices in terms of its ability to offer employment. Vacancies declared for the lower grade workers fell by 7.2 per cent to 14,052, while those for professional and executive cadre rose about four-fold.

The ratio of placements to total registered job-seekers for the lower grade and professional and executive cadres were 3.6 and 4.9 per cent, respectively, compared with 2.2 and 1.7 per cent in 1988 (see Tables 3.29 & 3.30).

III.6.2 National Directorate of Employment (NDE)[1]

The National Directorate of Employment (NDE) continued to monitor and offer logistic support to participants under its core programmes, i.e., Youth Employment and Vocational Skills Development, Special Public Works, Agriculture and Small-scale Industries. According to reports from the Directorate, 242,160 new jobs were generated under the various programmes in 1989 compared with 94, 365 in 1988.

According to the report, the agricultural scheme employed 159,355 new hands including 147,515 seasonal jobs. A total of 122 agricultural development projects were also executed; while 11,840 people were enlisted under the agricultural programme to cultivate 19,800 hectares of land during the year. No new loans were granted to graduate farmers in 1989 as the Directorate concentrated on the supervision of the existing participants under the scheme.

The small-scale industries programme enlisted 1,906 participants but was unable to create jobs nor make placements due to lack of funds. This contrasted with the previous year when 1,557 graduate entrepreneurs were given soft loans amounting to ₦44.5 million. The special public works programme had engaged 35,300 participants by 1989. During the year, 243 rural development projects were executed while 115 projects were maintained. The United Nations Development Programme (UNDP) in association with the International Labour Organisation (ILO) funded pilot projects in rural infrastructure through direct labour. In the review period, 85 Federal and State government functionaries were trained using demonstration work in irrigation and road construction maintenance.

The youth employment and vocational skills programme produced 58,799 graduates in 23 different vocations during the year, out of which about 10,000 job placements were made compared with 26,948 placements made in 1988. The National Open Apprenticeship Scheme encouraged the participation of the disabled, 564 of whom were trained in various vocations during the year. Self-employment was promoted through the purchase and distribution of tools, kits and equipments for use in the Waste-to-Wealth scheme. The NDE acquired and distributed 44 Mobile Technical Workshops to all States

[1]This section relies entirely on information provided by the NDE.

TABLE 3.29

REGISTERED UNEMPLOYMENT AND VACANCIES DECLARED

(Lower Grade Workers)

Category	1987 (1)	1988 (2)	1989 (3)	Percentage change between (1) *and* (2) (4)	(2) *and* (3) (5)
1. Total Registration	145,084	116,162	96,055	– 19.9	– 17.3
(i) Old Registration	33,967	66,625	52,737	96.1	– 20.8
(ii) Fresh Registration	79,718	30,003	26,128	– 62.4	– 12.9
(iii) Re-registration	31,399	19,534	17,190	– 37.8	– 12.0
2. Vacancies Declared	16,502	14,154	14,052	– 14.2	– 0.7
3. Placements	4,988	2,506	3,474	– 49.8	38.6

Source: Federal Ministry of Employment, Labour and Productivity, Lagos.

TABLE 3.30

REGISTERED UNEMPLOYMENT AND VACANCIES DECLARED

(Professionals and Executives)

Category	1987 (1)	1988 (2)	1989 (3)	Percentage change between (1) *and* (2) (4)	(2) *and* (3) (5)
1. Total Registration	15,100	16,759	14,666	11.0	– 12.5
(i) Old Registration	2,116	9,031	10,287	326.8	13.9
(ii) Fresh Registration	10,917	4,046	2,776	– 62.9	– 31.4
(iii) Re-registration	2,067	3,682	1,603	78.1	– 56.5
2. Vacancies Declared	444	591	3,154	33.1	433.7
3. Placements	175	282	722	61.1	156.0

Source: Federal Ministry of Employment, Labour and Productivity, Lagos.

including Abuja, to assist rural youths acquire and improve their skills in areas like building, mechanical, domestic and electrical/electronic appliance maintenance.

Under the SAP relief package, 62,000 persons were employed by the NDE, while 10,120 non-graduates were employed by the Federal Ministry of Works and Housing. In addition, professional engineers and physicians were employed by both Federal and State Ministries while incentives and facilities were provided for the unemployed who wished to go

III.6.3 Industrial Relations

Industrial relations in the country were less turbulent in 1989, compared with 1988. A total of 144 trade disputes were declared during the year as against 156 in 1988, showing a decline of 7.7 per cent. In all, 80 or 55.6 per cent of these disputes resulted in strikes. This was about 35.5 per cent lower than that of the preceding year. The number of workers involved in the strikes rose phenomenally by 182.9 per cent to 157,342, in contrast to a decline of 2.6 per cent in the number of strikers in 1988. As a result, the man-days lost rose from 230,613 in 1988 to 579,968, showing an increase of 151.5 per cent (see Table 3.31). The disputes were due, among other things, to the agitation for the upward review of fringe benefits and better conditions of service. Other reasons included non-implementation of the SAP-relief package announed by the Federal Government in June 1989, and the fear of job displacements arising from the implementation of privatisation and commercialisation of some public enterprises.

III.7 CONSUMER PRICES

The rate of increase in consumer prices accelerated further in the review period. Data from the Fereral Office of Statistics (FOS), showed that the average all-items composite consumer price index stood at 1,093.9 (1975 = 100) at end-December 1989, showing an increase of 40.9 per cent, compared with 38.3 per cent a year earlier. All components of the index rose, and for most of them at generally higher rates than in the previous year. The index of food however rose by 39.1 per cent, compared with 52.2 per cent in 1988. As usual, substantial increase in the price of food, albeit lower than the previous year, dominated the increase in the aggregate index. Other major components of consumer outlay which recorded substantially high rates of price increases included transportation (36.0 per cent), accommodation (40.4 per cent), clothing (46.1 per cent) and house-hold goods and other purchases (69.5 per cent) (see Table 3.32 and Chart V).

The increase in the price of food was attributable to inadequate supply of staples and the accentuation of the shortage by competition from industrial users and exporters. The recorded increases in the other componets was attributable mainly to the persistent depreciation of the naira exchange rate, sharp increase in interest rates and high costs of production and transportation.

The trends in price movements were the same in both the urban and rural centres in 1989. However, unlike in the previous two years, the price level was higher in the urban centres than in the rural areas. The average all-urban price index rose substantially by 47.3 per cent to 1,089.2 (1975 =

TABLE 3.31

INDUSTRIAL RELATIONS

Description	1987 (1)	1988 (2)	1989 (3)	*Percentage change between* (1) *and* (2) (4)	(2) *and* (3) (5)
Trade Disputes	65	156	144	140.0	−7.7
Work Stoppages	38	124	80	226.3	−35.5
Workers Involved	57,097	55,620	157,342	−2.6	182.9
Man-days lost	142,506	230,613	579,968	61.8	151.5

Source: Federal Ministry of Employment, Labour and Productivity, Lagos.

TABLE 3.32

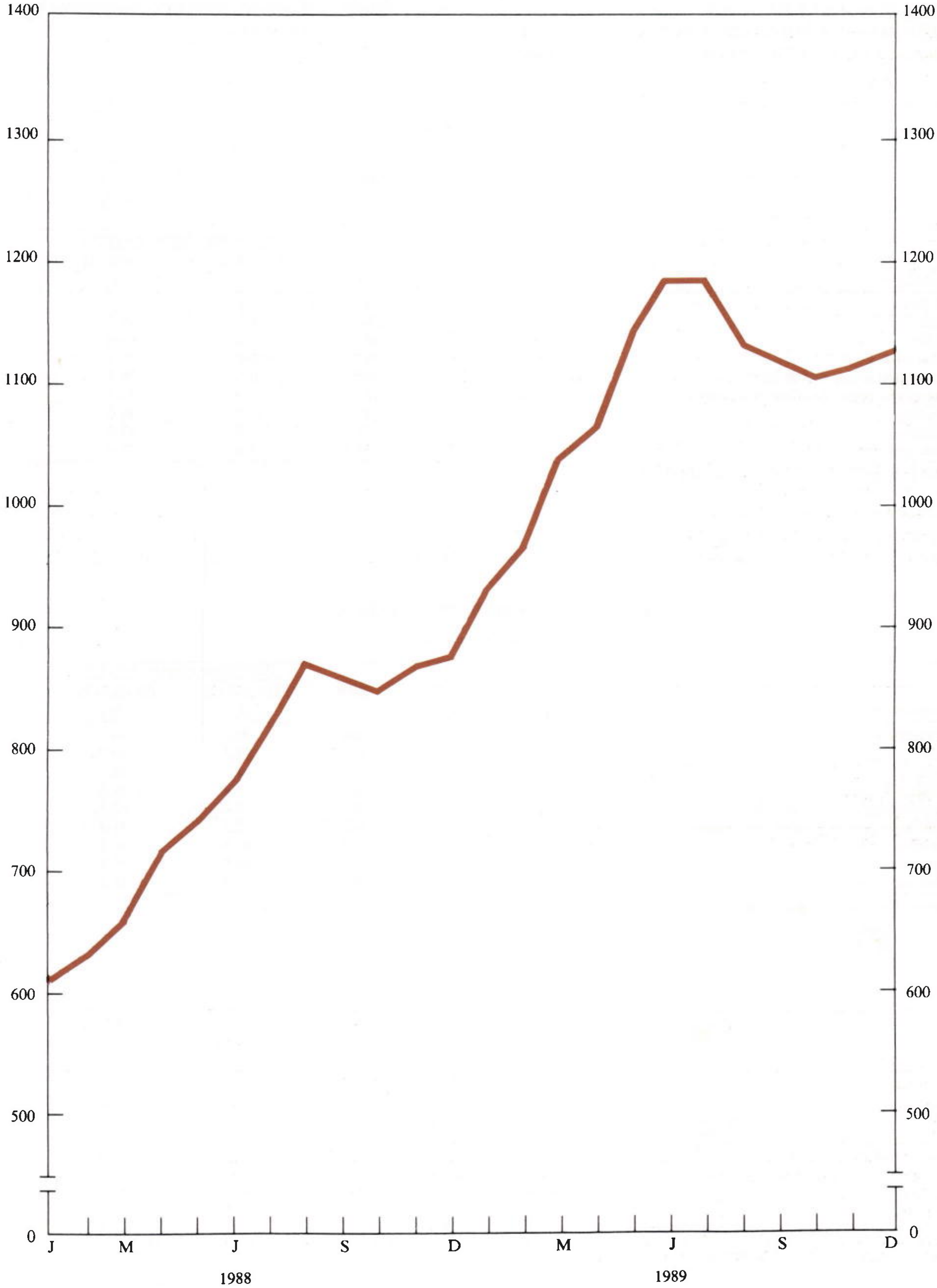
COMPOSITE CONSUMER PRICE INDICES

(Base: 1975 = 100)

Components	1987 (1)	1988 (2)	1989 (3)	*Percentage change between* (1) *and* (2) (4)	(2) *and* (3) (5)
All Items	561.6	776.5	1,093.9	38.3	40.9
Food	541.9	824.7	1,146.8	52.2	39.1
Drinks	457.5	479.8	703.9	4.9	46.7
Tobacco & kola	767.5	829.5	1,078.5	8.1	30.0
Accommodation, fuel & light	378.1	357.3	501.5	5.5	40.4
Household goods & other purchases	839.1	863.9	1,464.2	3.0	69.5
Clothing	787.8	871.4	1,273.4	10.6	46.1
Transport	478.0	552.9	751.8	15.7	36.0
Other services	1,015.9	1,091.5	1,219.5	7.4	11.7

Source: Federal Office of Statistics (FOS), Lagos.

CHART V
COMPOSITE CONSUMER PRICE INDEX
COMBINED RURAL AND URBAN CENTRES AND INCOME GROUPS
(Base Year: 1975 = 100)



100) compared with 27.1 per cent in 1988. Components such as food, drinks, tobacco and kola and other services with respective increases of 40.2, 63.6,48.1 and 28.9 per cent recorded higher prices than in the rural areas. At 1,094.6, the average all-rural price index rose by 40.1 per cent compared with an increase of 39.9 per cent in the preceding year, (see Tables 3.33 and 3.34). The items that contributed most were household goods and other purchases (71.4 per cent), clothing (46.8 per cent), drinks (44.7 per cent) and food (39.7 per cent). The higher prices in the urban centres were due largely to increase in the costs of transporting staples from the rural areas following high prices of vehicles, spare-parts and increases in the prices of petroleum products.

TABLE 3.33

URBAN CONSUMER PRICE INDEX

(Base: 1975 = 100)

Components	1987 (1)	1988 (2)	1989 (3)	*Percentage change between* (1) *and* (2) (4)	(2) *and* (3) (5)
All Items	581.6	739.5	1,089.2	27.1	47.3
Food	652.5	902.5	1,265.1	38.3	40.2
Drinks	360.4	405.8	663.8	12.6	63.6
Tobacco & kola	515.6	570.6	845.2	10.7	48.1
Accommodation, fuel & light	414.4	441.5	565.4	6.5	28.1
Household goods & other purchases	723.9	775.7	1,183.3	7.2	52.5
Clothing	623.8	709.3	993.1	13.7	40.0
Transport	363.8	385.4	554.7	5.9	43.9
Other services	527.0	568.5	732.9	7.9	28.9

Source: Federal Office of Statistics (FOS), Lagos.

TABLE 3.34

RURAL CONSUMER PRICE INDEX

(Base: 1975 = 100)

Components	1987 (1)	1988 (2)	1989 (3)	*Percentage change between* (1) *and* (2) (4)	(2) *and* (3) (5)
All Items	558.8	781.6	1,094.6	39.9	40.1
Food	526.4	808.9	1,130.3	53.7	39.7
Drinks	471.1	490.2	709.5	4.1	44.7
Tobacco & kola	802.8	865.8	1,111.2	7.8	28.3
Accommodation, fuel & light	373.0	345.5	492.6	−7.4	42.6
Household goods & other purchases	855.2	876.3	1,502.0	2.5	71.4
Clothing	810.9	894.1	1,312.7	10.3	46.8
Transport	494.0	575.4	779.6	16.5	35.5
Other services	1,084.5	1,164.8	1,287.7	7.4	10.6

Source: Federal Office of Statistics (FOS), Lagos.

CHAPTER IV

IV. THE FINANCIAL SYSTEM

The sharp growth in monetary aggregate in 1988 decelerated considerably in 1989. The growth rate of aggregate liquidity as measured by the stock of broad money (M2) as well as the growth rate of narrow money (M1) declined substantially. Aggregate bank credit to the domestic economy which rose by 22.2 per cent in 1988 fell by 10.8 per cent. The contraction in the growth rates of monetary aggregates in 1989 was largely attributable to the various liquidity squeeze measures introduced during the year.

However, the financial system maintained the rapid pace of institutional growth observed since 1988. Sixteen newly-licensed banks commenced business while 18 more firms were registered as stock-brokers. A total of 52 firms licensed during the year to operate bureaux de change commenced operation and, thus contributed to a significant broadening of the foreign exchange market. The year also witnessed the launching of the pilot phase of the People's Bank, the introduction of the auction-based system for the issue of Federal Government treasury bills and treasury certificates, and the take-off of the Nigerian Deposit Insurance Corporation (NDIC).

The money and capital markets witnessed intense activity due partly to the various policy measures taken to reduce banking system liquidity and the associated pressure on the domestic price level. The rate of growth of aggregate liquidity slowed to 8.0 per cent from 33.3 per cent in 1988 while M1 growth also slowed to 21.5 per cent compared to 43.6 per cent in the previous year. The volume and value of transactions on the stock exchange rose sharply by 55.1 and 108.4 per cent, respectively, during the year while the market capitalisation increased by 9.09 per cent to ₦12.0 billion. The share price index moved up 9.7 per cent following the increase of 4.4 per cent in 1988.

IV.1 INSTITUTIONAL DEVELOPMENTS

The financial system continued to record rapid growth in the number of banks as well as non-bank financial intermediaries. The system also witnessed some increase in the range of institutions and a significant improvement in the structure of the money market. The number of commercial banks in operation increased by 6 to 47 while that of merchant banks rose by 10 to 34 (see Schedule I). The number of branches of commercial and merchant banks increased from 1,665 and 46 in 1988 to 1,856 and 56, respectively.

The number of trading floors for the Nigerian Stock Exchange increased from 3 to 4 while the number of stock-brokerage firms rose sharply by 18 to 61 in expectation of a substantial growth in business arising from the privatisation programme of the government (see Schedule II).

Three financial institutions whose roles differ significantly from those of the other intermediaries in the financial system emerged in 1989. These new institutions were bureaux de change, the Nigerian Deposit Insurance Corporation (NDIC) and the People's Bank. The bureaux de change, which is similar in concept to institutions of the same name in other countries, are licensed spot dealers in foreign exchange. They serve to widen the breadth of, and improve accessibility to, the foreign exchange market. A total of 52 bureaux de change were licensed and commenced business during the year (see Schedule III).

The NDIC provides deposit insurance and related servicesfor banks. It was established by Decree No. 22 of 1988 and commenced operation in February, 1989. The People's Bank of Nigeria took off as a pilot project in October, 1989. The bank is designed to extend credit facilities to segments of the economy, such as the rural and urban low income traders, craftsmen and micro-enterprises that cannot ordinarily meet the lending requirements of the orthodox banks.

Another major institutional development during the year was the introduction of the auction-based system for the issue of Federal Government treasury bills and treasury certificates. Under the system, the issue rate on these government securities is based on competitive bids submitted by authorised dealers which at this initial stage are the commercial and merchant banks. The new system is expected to raise public interest in these securities, improve the efficiency in government debt management, promote the development of an active secondary market in the securities and raise the effectiveness of monetary policy.

SCHEDULE 1

NEW BANKS WHICH COMMENCED OPERATIONS IN 1989

A. COMMERCIAL BANKS

1. Access Bank Limited
2. Commerce Bank Limited
3. Ecobank Nigeria Limited
4. Meridien Equity Bank Limited
5. Republic Bank Limited
6. Trans International Bank Limited

B. MERCHANT BANKS

1. Capital Merchant Bank Limited
2. Citi Trust Merchant Bank Limited
3. Devcon Merchant Bank Limited
4. Investment Banking & Trust Company Ltd. (Merchant Bankers)
5. Ivory Merchant Bank Limited
6. Lead Merchant Bank Limited
7. Metropolitan Merchant Bank Limited
8. Nationwide Merchant Bank Limited
9. New Africa Merchant Bank Limited
10. Nigerian Intercontinental Merchant Bank Limited

SCHEDULE II

STOCK-BROKERAGE COMPANIES ESTABLISHED IN 1989

1. ABC Securities Limited
2. Alpha Securities Limited
3. Capital Bancorp Limited
4. Cardinal Securities Limited
5. Crown Merchant Securities Limited
6. Emanco Securities Limited
7. FIS Securities Limited
8. General Securities & Finance Company Limited
9. Kundila Finance Services Limited
10. Lead Investment Limited
11. Nigbel Securities Limited
12. Prime Securities Limited
13. Signet Investment & Securities Limited
14. Silver Financial Services Limited
15. Sterling Securities Limited
16. Summit Finance Company Limited
17. TRW Stockbrokers Limited
18. Viva Securities Limited

SCHEDULE III

BUREAUX DE CHANGE LICENCED IN 1989

1. Abulet Finance & Exchange Bureau Ltd.
2. Barewa Enterprises Ltd.
3. Basic Commerce & Finance.
4. Best Way Hotel Limited
5. BTS Securities Limited
6. Capital Equipment Limited
7. Chiik Finance & Securities
8. Continental Finance Limited
9. Cool Comfort (WA) Limited
10. Corporate Trust Limited
11. Criss Cross Limited
12. D. Tophers (Nigeria) Enterprise Ltd.
13. El Bayidu Bureau de Change
14. Farida Nominees (Bureau de Change)
15. Fezel (Nigeria) Limited
16. Foward Marketing Company
17. General Securities & Finance Co. Ltd.
18. GLE Finance Limited
19. Hakasurs (Nigeria) Limited
20. Hamadu Ali Agencies
21. Hensmor Nigeria Limited
22. I.B.W. Bureau de Change Limited
23. International Currencies Limited
24. Isoken Investment & Property Dev. Co. Ltd.
25. Itu Investments
26. Kano Co-operatives Limited
27. Land Gold Bureau de Change
28. Larriz International Limited
29. Mabata Investments
30. Malay Investments Limited
31. Mamade Sweet Investment Limited
32. Mcroyal International Holdings
33. Nasarali Enterprises
34. Peter King & Sons Limited
35. Petro Vouchers Limited
36. Pilot Finance Limited
37. Pioneer Bureau Limited
38. Public Finance Securities Limited
39. RMC Bureau de Change
40. Safe Investments Company Limited
41. Safe Link Finance Limited
42. Standard Bureau de Change Limited
43. Star Tourism Bureau de Change
44. Sunshine Bureau Nigeria Limited
45. Swift Travels Limited
46. Travelways Limited
47. Trust Bureau de Change Limited
48. Trust Transactions Limited
49. Westron Finance Limited
50. Woodland Bureau de Change
51. Yelema Finance
52. Zikki Investments Limited

IV.2 MONEY SUPPLY

The stock of narrow money M1[1] grew more slowly in 1989 than in the previous year although the growth rate significantly exceeded the policy target growth rate of 14.65 per cent for the year. At ₦25,697.6 million at the end of December 1989, M1 showed an increase of ₦4,549.0 million or 21.5 per cent over the level at the end of 1988. The higher-than-expected rise in M1 nonetheless represented a substantial deceleration from the 43.6 per cent recorded in 1988. The major source of expansion in M1 during the year was the substantial accretion to foreign assets (net) augmented by decline in quasi-money. Foreign assets (net) of the banking system rose by ₦13,023.0 million while quasi-money declined by ₦1,106.4 million. The combined expansionary effect of these factors was substantially offset by the ₦8,067.2 million decline in aggregate banking system credit to the economy and the fall of ₦1,513.2 million in "other" assets (net) of the system. This development contrasts with the situation in the previous year when the large increase in aggregate bank credit was the major factor expansionary of money supply.

The impact of the slow down in M1 growth on broad money stock (M2)[2] was reinforced by the significant contraction in quasi-money during the year. At ₦46,222.9 million at the end of the year M2 rose by ₦3,442.6 million or 8.0 per cent compared with the rise of ₦10,687.5 million or 33.3 per cent recorded in the previous year. The decline in quasi-money was in sharp contrast to the increase of ₦4,265.1 million or 24.6 per cent in 1988 and was traceable to the transfer of public sector deposits, comprising mainly savings and time deposits, from commercial and merchant banks to current accounts at the Central Bank.

The withdrawal of deposits, together with a number of other policy measures taken in the second quarter of the year to tighten liquidity, had an observable impact on the monthly pattern of fluctuations in the money supply. Narrow money (M1), after showing a seasonal decline in January rose steadily from February until July. In August, it recorded the second monthly decline during the year. It rose marginally in September but fluctuated downwards thereafter until December when it rose again due to seasonal factors (see Charts VI/VIII).

Foreign assets (net) of the banking system increased substantially by ₦13,023.0 million or 126.8 per cent to ₦23,290.0 million at the end of 1989 (see Chart IX). This compared with an increase of ₦2,202.3 million[3] or 27.3 per cent in the previous year. Central Bank holdings increased by ₦10,161.6 million or 308.9 per cent to ₦13,451.1 million in contrast to the fall of ₦1,370.6 million or 29.4 per cent in 1988. Commercial and merchant banks' holdings similarly increased by 47.9 and 28.7 per cent to ₦6,610.9 and ₦3,227.8 million, respectively. Central Bank's share in the total rose from 30.4 per cent in 1988 to 57.7 per cent at the end of 1989.

IV.3 BANKING SYSTEM'S CREDIT

Aggregate banking system's credit to the domestic economy fluctuated generally downwards throughout 1989. Between

[1] M1 is defined as currency in circulation outside banks, plus private sector demand deposit held with the banking system.
[2] M2 is composed of M1 plus quasi-money which consists of time and savings deposits with commercial banks as well as demand and time deposits with merchant banks.
[3]Revised

TABLE 4.1
MONEY SUPPLY AND ITS DETERMINANTS
(₦ million)

	*December 1987** (1)	*December 1988** (2)	*December 1989* (3)	*Change between (1) and (2)*		*Change between (2) and (3)*	
				Absolute	*Percentage*	*Absolute*	*Percentage*
Credit to Domestic Economy (Net)	46,926.4	57,326.3	49,259.1	+10,399.9	22.2	−8,067.2	−14.1
Credit to Private Sector	25,476.1	29,773.6	30,942.8	+4,297.5	16.9	+1,169.2	3.9
(1) Central Bank	1,917.3	2,418.5	1,502.2	+501.2	26.1	−916.3	−37.9
(2) Commercial Banks	17,899.7	20,828.9	22,325.8	+2,929.2	16.4	+1,496.9	7.2
(3) Merchant Banks	5,659.1	6,526.2	7,114.8	+867.1	15.3	+588.6	9.0
Credit to Government (Net)	21,450.3	27,552.7	18,316.3	+6,102.4	28.4	−9,236.4	−33.5
(1) Central Bank	14,293.5	21,767.2	15,189.8	+7,473.7	52.3	−6,577.4	−30.2
(2) Commercial Banks	6,866.3	5,728.9	3,035.8	−1,137.4	−16.6	−2,693.1	−47.0
(3) Merchant Banks	290.5	56.6	90.7	−233.9	−80.5	+34.1	60.2
Foreign Assets	8,064.7	10,267.0	23,290.0	+2,202.3	27.3	+13,023.0	126.8
(1) Central Bank[1]	4,660.1	3,289.5	13,451.1	−1,370.6	−29.4	+10,161.6	308.9
(2) Commercial Banks	2,111.1	4,469.1	6,610.9	+2,358.0	111.7	+2,141.8	47.9
(3) Merchant Banks	1,293.5	2,508.4	3,228.0	+1,214.9	93.9	+719.6	28.7
Other Assets (Net)	−22,898.3	−24,813.0	−26,326.2	−1,914.7	−8.4	−1,513.2	−6.1
Total Monetary Assets	32,092.8	42,780.3	46,222.9	+10,687.5	33.3	+3,442.6	8.0
Quasi Money[2]	17,366.6	21,631.7	20,525.3	+4,265.1	24.6	−1,106.4	−5.1
Money Supply	14,726.2	21,148.6	25,697.6	+6,422.4	43.6	+4,549.0	21.5
(1) Currency Outside Banks	6,298.6	9,412.3	11,688.4	+3,113.7	49.4	+2,276.1	24.2
(2) Private Sector Demand Deposits	8,427.6	11,736.3	14,009.2	+3,308.7	39.3	+2,272.9	19.4
Total Monetary Liabilities	32,092.8	42,780.3	46,222.9	+10,687.5	33.3	+3,442.6	8.0

[1]Includes Federal Government External Assets.
[2]Consists of Savings and Time Deposits with Commercial Banks as well as Time and Demand Deposits with Merchant Banks.
*Revised with Merchant Banks statistics included.

CHART VI
MONEY SUPPLY (ACTUAL AND DESEASONALISED)
(End of Month)

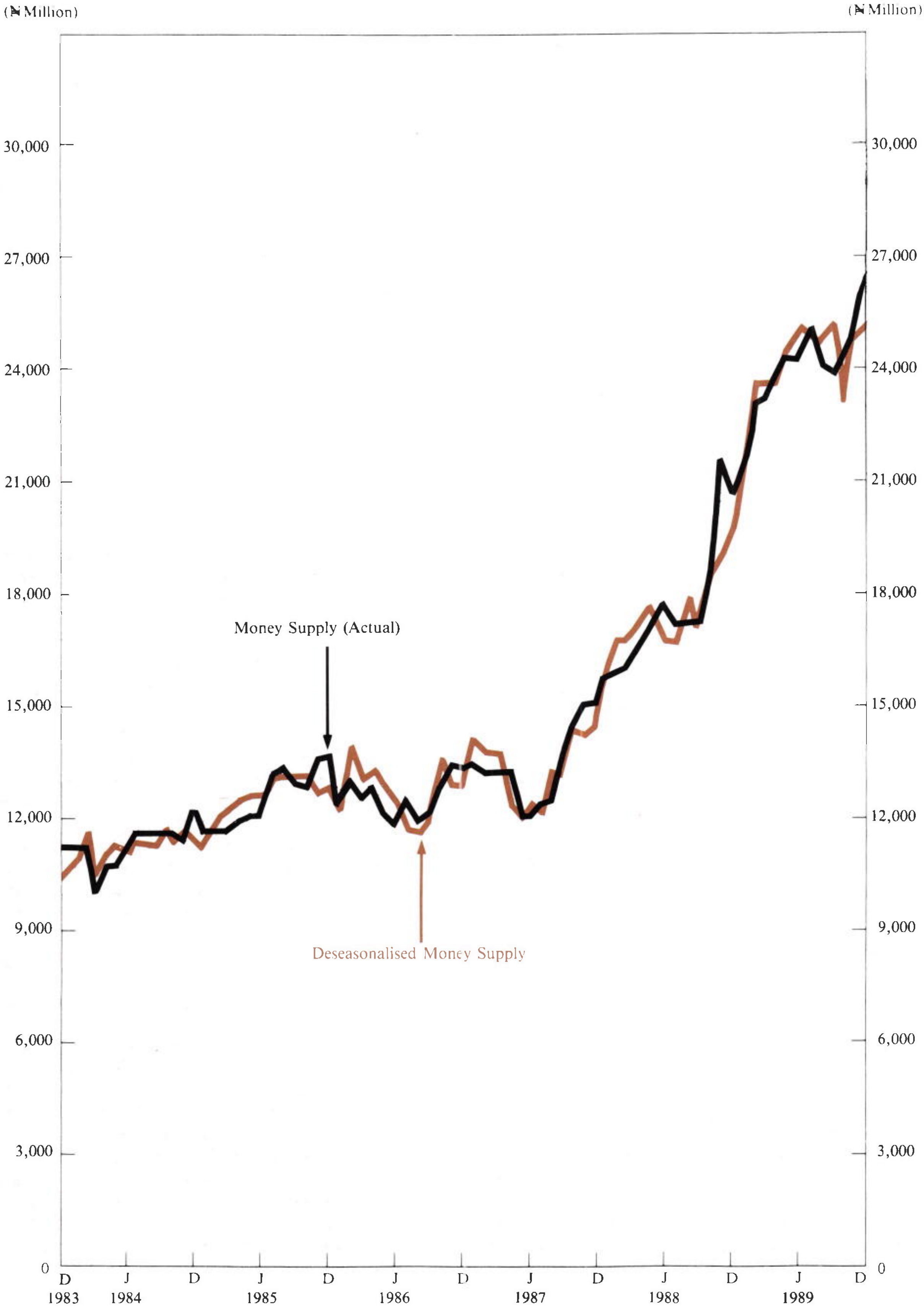
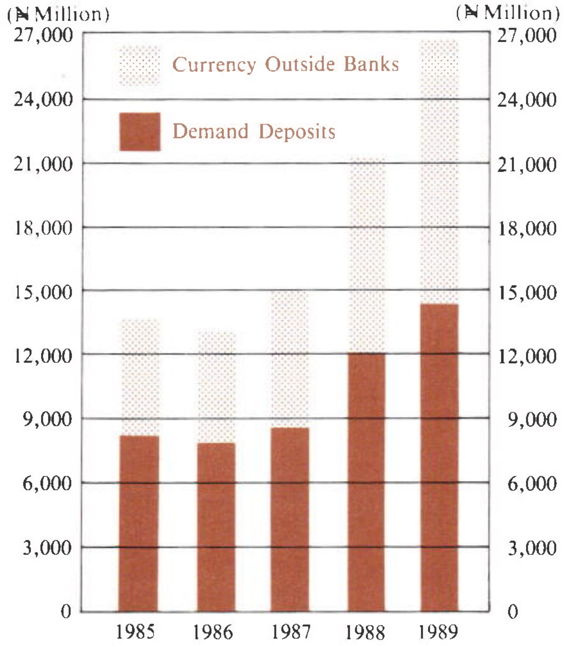


CHART VII
COMPONENTS OF MONEY SUPPLY
(End of Month)



end-December 1988 and end-December 1989, aggregate credit declined by ₦8,067.2 million or 14.1 per cent to ₦49,259.1 million compared with the 9.5 per cent target ceiling for the period. This was in sharp contrast to the sharp increase of ₦10,399.9 million or 22.2 per cent in the previous year. The decline reflected the contraction in banking system claims on the government sector, following substantial improvement in government finances. Private sector credit in contrast increased although moderately. The monthly average level of total credit was ₦54,488.8 million compared with ₦52,771.4 million in 1988 and ₦41,262.1 million in 1987 (see Table 4.2 and Chart X).

Substantial increase in government revenue coupled with draw-down of project-tied external loans enabled government to reduce its reliance on the banking system. Consequently, net claims on the government sector declined during the year by ₦9,236.4 million or 33.5 per cent to ₦18,316.3 million in contrast to the increases of ₦6,102.4 million or 28.4 per cent in 1988 and ₦2,543.0 million or 13.4 per cent in 1987. The decline was partly traceable to the Central Bank and partly to commercial banks whose net claims on the sector fell by ₦6,577.4 million or 30.2 per cent and ₦2,693.1 million or 47.0 per cent, respectively. The contraction in CBN net credit was largely the reflection of the sharp rise in Federal Government deposits following the substantial increase in revenue and the transfer of public sector deposits to the Central Bank. These deposits rose by ₦6,973.1 million or 110.6 per cent to ₦13,275.7 million at the end of the year and more than offset the increase in gross credit to the government sector. The decline in commercial banks' net credit to the sector was largely reflected in the banks' rediscount of treasury securities in their bid to maintain adequate liquidity in the face of the outflow of public sector deposits to the CBN.

Bank credit to the private sector grew at a considerably lower rate than the 10.7 per cent target for the year. At ₦30,942.8 million at the end of December 1989, credit to the private sector rose by ₦1,169.2 million or 3.9 per cent over the level at the end of 1988, compared with the increase of ₦4,297.5 million or 16.9 per cent in the previous year. Commercial banks' claims on the sector increased by ₦1,496.9 million or 7.2 per cent in 1989, compared with the increase of ₦2,929.2 million or 16.4 per cent in 1988 while merchant banks' credit to the sector rose by ₦588.6 million or 9.0 per cent to ₦7,114.8 million, compared with ₦867.1 million or 15.3 per cent in 1988. Central Bank's credit to the sector fell by ₦916.3 million or 37.9 per cent to ₦1,502.2 million mainly as a result of the reimbursement by Government of part of the outstanding advances to the defunct commodity boards. Central Bank credit under the export rediscounting and refinancing scheme, on the other hand, increased by 29.1 per cent to ₦713.5 million.

IV.4 INSTITUTIONALISED SAVINGS

Institutionalised savings which grew steadily from January through May 1989 declined sharply thereafter, following the withdrawal of public sector deposits from the banks to the Central Bank. At ₦20.2 billion at the end-December 1989, institutionalised savings declined by ₦3.0 billion or 12.9 per cent from its end December 1988 level (see Table 4.3 and Chart XI). Total institutionalised savings rose steadily from ₦23.6 billion in January to ₦27.3 billion in May but fluctuated downwards for the rest of the year. Reflecting the sharp increases in the first five months of the year, however, the monthly average level of total institutionalised savings during the year showed an increase of ₦1.2 billion or 5.6 per cent over its average level in 1988.

CHART VIII

TOTAL CURRENCY IN CIRCULATION

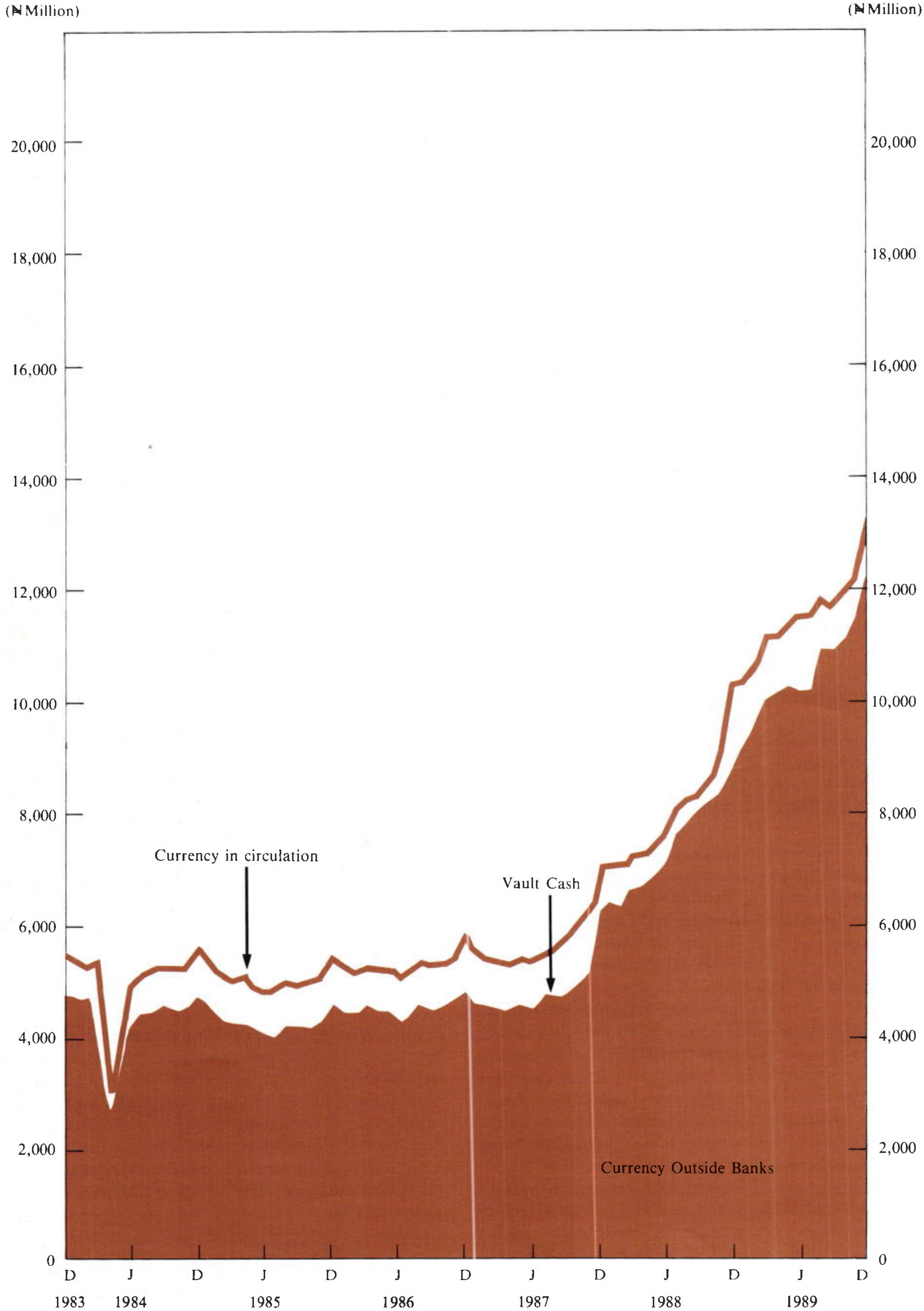


TABLE 4.2

BANKING SYSTEM CREDIT TO THE ECONOMY

(₦ million)

End of Month	Aggregate Credit to the Economy	Credit to Private Sector	Credit to Government Sector	Central Bank Credit to		Commercial Banks' Credit to		Merchant Banks' Credit to	
				Government Sector	Private Sector	Government Sector	Private Sector	Government Sector	Private Sector
1988									
January	48,097.6	25,333.5	22,764.1	13,925.0	1,932.4	8,606.2	18,300.6	232.9	5,100.5
February	49,778.4	26,276.4	23,502.0	14,795.0	1,932.3	8,564.5	18,666.5	142.5	5,677.6
March.................	52,314.8	27,530.2	24,784.6	16,900.9	1,932.4	7,741.1	19,429.1	142.6	6,168.7
April..................	51,714.7	27,704.1	24,010.6	15,894.4	1,911.8	7,954.9	19,592.2	161.3	6,200.1
May	50,890.8	26,740.6	24,150.2	16,094.3	1,899.8	7,864.7	18,575.0	191.2	6,265.8
June	51,322.9	26,032.9	25,290.0	16,254.7	1,882.9	8,842.4	18,803.6	192.9	5,346.4
July....................	52,239.1	26,599.8	25,639.3	17,415.5	1,862.7	8,069.8	19,291.2	154.0	5,445.9
August	53,838.1	27,328.0	26,510.1	18,811.6	1,947.8	7,559.2	19,744.4	139.3	5,635.8
September	54,728.9	27,252.8	27,476.1	19,924.2	2,047.1	7,384.0	19,614.5	167.9	5,591.2
October	55,373.1	28,222.7	27,150.4	19,866.9	2,157.1	7,157.1	20,226.4	126.4	5,839.2
November	55,632.0	29,122.4	26,509.6	19,830.8	2,287.4	6,511.2	20,814.1	167.6	6,020.9
December.............	57,326.3	29,773.6	27,552.7	21,767.2	2,418.5	5,728.9	20,828.9	56.6	6,526.2
Monthly Average	52,771.4	27,326.4	25,445.0	17,623.4	2,017.7	7,665.3	19,490.5	156.3	5,818.2
1989									
January	56,370.6	29,447.8	26,922.8	20,252.0	2,444.8	6,660.5	21,129.6	10.3	5,873.4
February	56,960.2	30,139.0	26,821.2	19,743.8	2,316.6	7,055.3	21,629.5	22.1	6,192.9
March.................	56,512.8	30,300.3	26,212.5	19,484.7	2,312.4	6,592.5	21,564.1	135.3	6,423.8
April..................	55,924.3	29,999.9	25,924.4	18,964.1	1,505.6	6,766.2	21,920.8	194.1	6,573.5
May	58,541.7	30,440.9	28,100.8	21,207.3	1,379.3	6,503.4	22,465.5	390.1	6,596.1
June	56,328.2	30,681.0	25,647.2	20,599.0	1,251.2	4,883.8	22,269.7	164.4	7,160.1
July....................	53,620.4	31,007.7	22,612.7	19,347.7	1,089.7	3,190.9	22,606.4	74.1	7,311.6
August	53,733.2	30,530.6	23,202.6	19,628.7	1,128.4	3,454.0	22,394.6	119.9	7,007.6
September	50,785.3	29,996.7	20,788.6	17,798.9	1,160.6	2,870.1	22,108.9	119.6	6,727.2
October	52,876.1	30,541.4	22,334.7	19,376.4	1,076.3	2,847.0	22,442.1	111.3	7,023.0
November	52,953.8	30,810.5	22,143.3	19,265.0	1,103.8	2,832.6	22,580.2	45.7	7,126.5
December.............	49,259.1	30,942.8	18,316.3	15,189.8	1,502.2	3,035.8	22,325.8	90.7	7,114.8
Monthly Average	54,488.8	30,403.2	24,085.6	19,238.1	1,522.6	4,724.3	22,119.8	123.1	6,760.9

Savings and time deposits with commercial banks continued to account for the bulk (about 78 per cent) of institutionalised savings. At ₦17.0 billion at end-December 1989, these deposits declined by 7.6 per cent from their end-December 1988 level. The monthly average level of commercial banks' savings and time deposits at ₦17.7 billion, however declined by only 0.7 per cent from the monthly average level in 1988 (see Table 4.3). Time deposits with merchant banks decreased by ₦1.5 billion or 37.1 per cent to ₦2.5 billion during the year in contrast to the increase of ₦1.2 billion or 41.1 per cent recorded in the preceding year. At ₦679.1 million at the end of December 1989, contributions to the National Provident Fund showed an increase of ₦28.1 million or 4.3 per cent and accounted for 3.4 per cent of total institutionalised savings. Savings with the Federal Mortgage Bank during the year averaged ₦213.2 million, representing an increase of ₦53.1 million or 33.2 per cent over the preceding year. The Federal Savings Bank recorded an increase of 67.4 per cent in its savings deposits during the year. However, at the ₦37.5 million end-December 1989 level, the bank's saving accounted for only 0.2 per cent of total institutionalised savings.

IV.5 MONEY MARKET DEVELOPMENTS

The money market was very active in 1989 following the various policy measures adopted during the year. Measures taken to mop up excess liquidity in the economy, particuarly the transfer of public sector deposits from banks to the CBN, made loanable funds scarce, influenced an upward movement in interest rates and led to increased use of the CBN rediscount window. The instruments discounted to cushion the effects of liquidity squeeze included treasury bills and certificates, promissory notes, negotiable certificates of depsoits and NDIC-guaranteed accommodation bills. Consequently, commercial and merchant banks' holdings of these instruments fell considerably while bankers' unit fund was completely liquidated. The introduction of the auction system for treasury bills and certificates in November and December, respectively, enhanced their yields and made them more attractive to the non-bank public.

Due largely to the conversion of a portion of treasury bills outstanding into bonds, total money market assets outstanding fell by ₦11,715.8 million or 26.1 per cent to ₦33,129.2 million in 1989. However, treasury bills and treasury certificates, together, still accounted for the bulk – 93.8 per cent – of total money market assets outstanding, compared with 94.3 per cent in 1988 (see Table 4.4).

IV.5.1 TREASURY BILLS

The total value of treasury bills issues in 1989 was ₦130,554.0 million compared with ₦111,153.6 million in the previous year. However, there were no new issues during the year. Issues were raised only to fund maturing bills.

CHART IX
FOREIGN ASSETS OF THE BANKING SYSTEM
(End of Month)

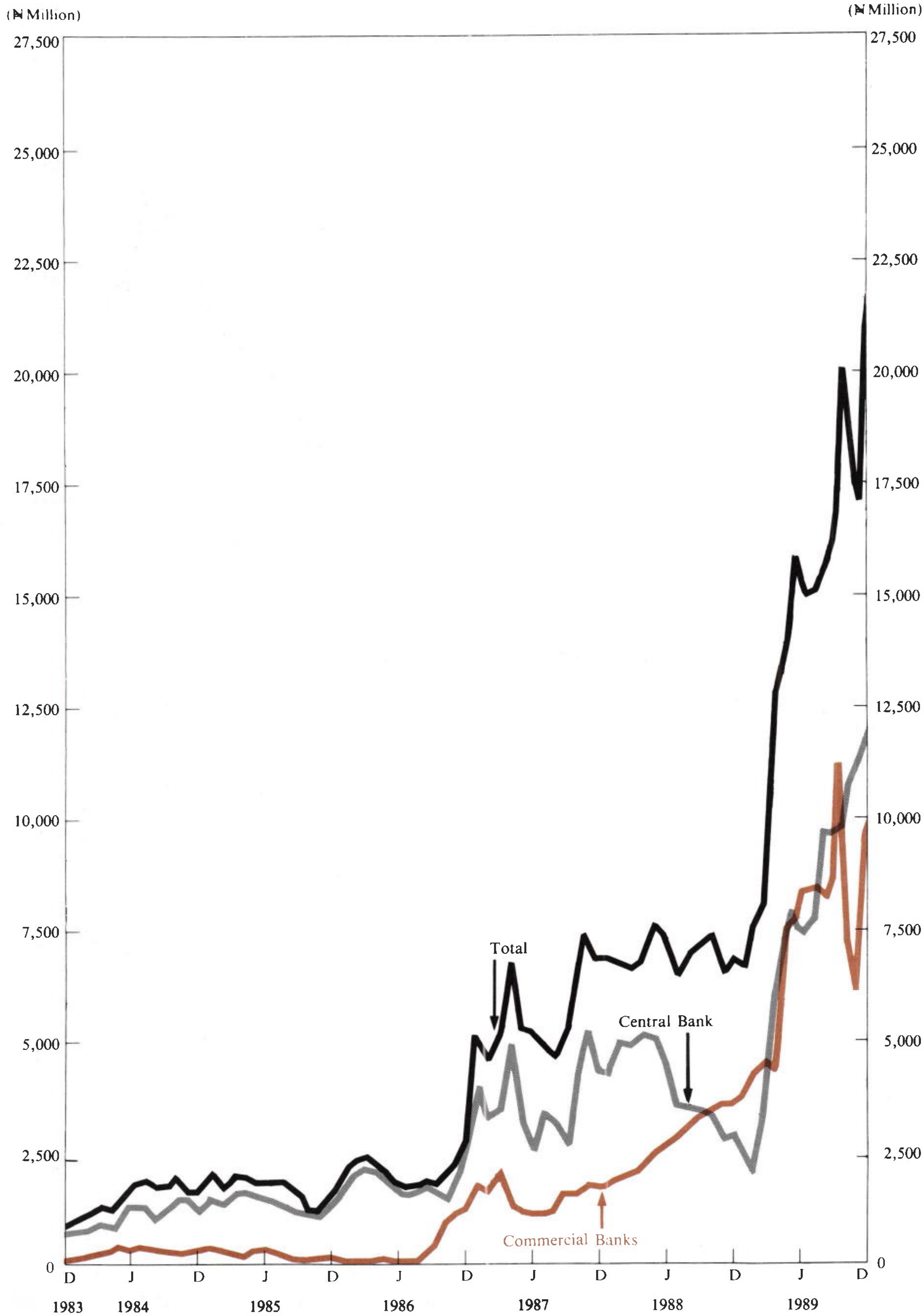


CHART X
BANKING SYSTEM'S CREDIT
(End of Month)

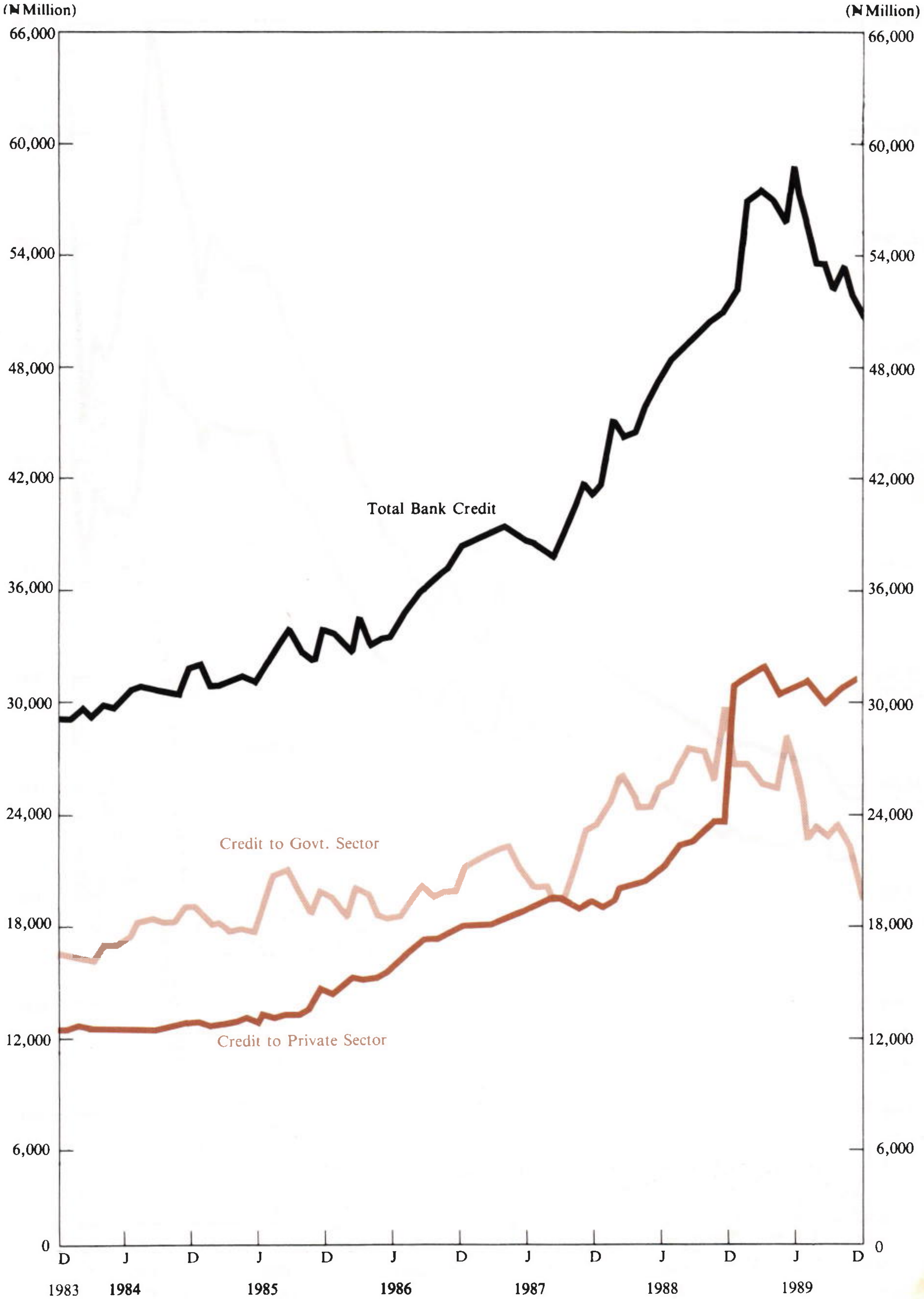


CHART XI

INSTITUTIONALISED SAVINGS

(End of Month)

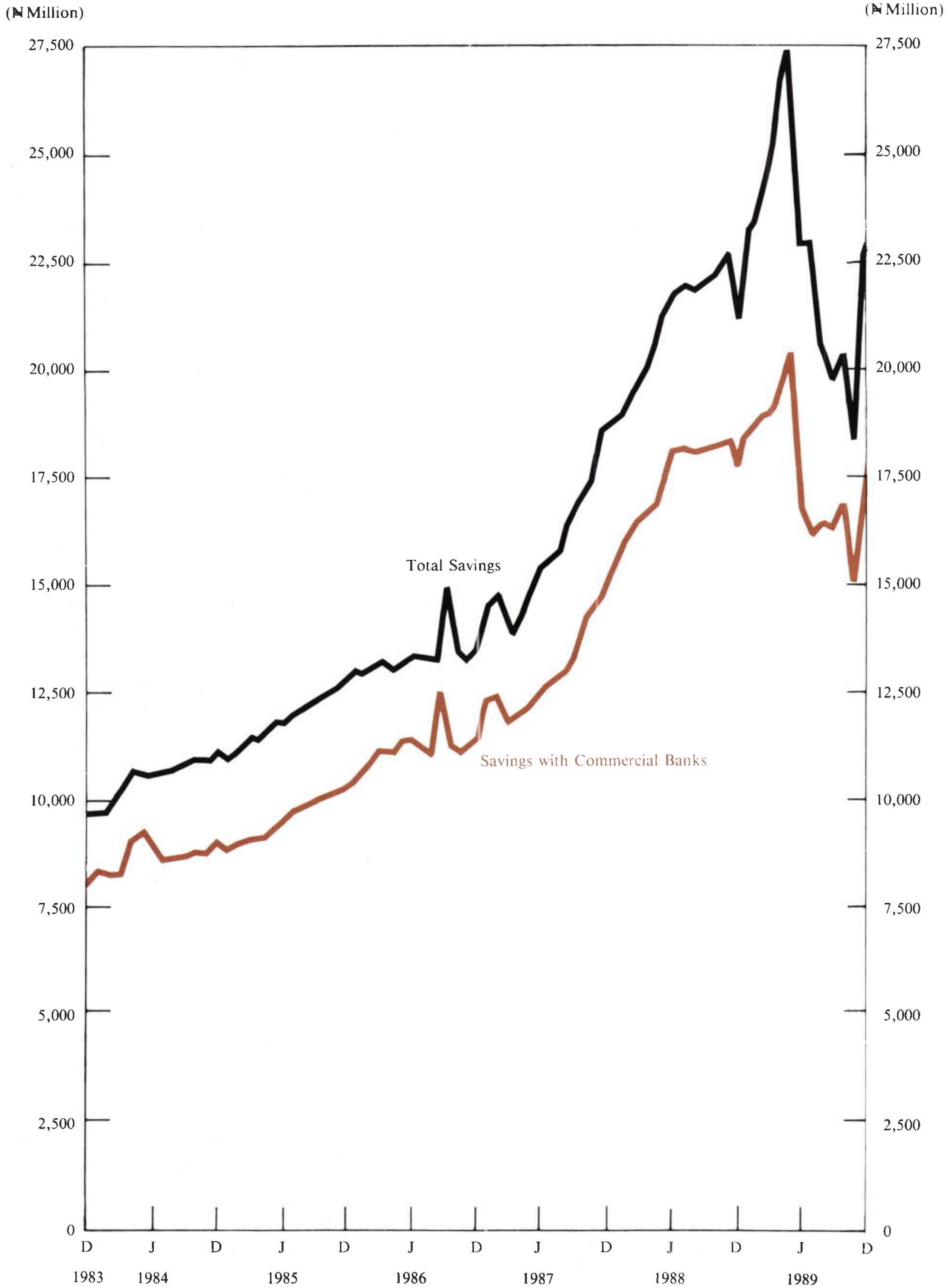


TABLE 4.3
INSTITUTIONALISED SAVINGS (CUMULATIVE)

(₦ million)

Year and Month	*Savings & Time Deposits with Commercial Banks*	*National Provident Fund*[1]	*Federal Savings Bank*	*Federal Mortgage Bank*	*Time Deposits with Merchant Banks*	*Premium Bonds, Savings Certificates & Savings Stamps*[1]	*Total*
December 1986 ...	11,488	580.8	17.0	121.1	1,739.7	0.1	13,946.4
December 1987 ...	15,089	614.0	20.2	133.7	2,822.8	0.1	18,679.5
1988							
January	15,731.4	619.3	20.2[1]	149.3	2,330.5	0.1	18,850.8
February	16,376.1	622.4	20.6[1]	151.0	2,395.9	0.1	19,566.1
March	16,746.8	625.5	20.8[1]	151.3	2,890.6	0.1	20,435.1
April	16,917.3	628.2	21.4[1]	152.0	2,877.5	0.1	20,596.5
May	17,443.6	630.6	21.6[1]	153.7	3,011.9	0.1	21,261.5
June...........	18,005.7	634.0	21.9[1]	157.0	3,197.3	0.1	22,016.0
July	18,088.0	636.0	22.2[1]	158.8	3,271.8	0.1	22,176.9
August	18,008.6	639.6	22.4	160.2	3,351.7	0.1	22,182.6
September......	18,221.7	643.1	22.4	162.5	3,275.3	0.1	22,325.1
October........	18,321.4	645.7	22.4	163.4	3,332.7	0.1	22,485.7
November......	18,419.7	648.6	22.5	166.1	3,653.6	0.1	22,910.6
December	18,397.2	651.0	22.4	195.5[1]	3,982.8	0.1	23,249.0
Average......	17,556.5	635.3	21.7[1]	160.1[1]	3,131.0	0.1	21,504.7
1989							
January	18,767.1	654.3	27.3	197.2	3,973.2	0.1	23,619.2
February	19,081.7	656.8	29.0	200.6	4,428.9	0.1	24,397.1
March	19,152.8	660.3	24.8	202.0	5,074.3	0.1	25,114.3
April	19,911.4	663.0	24.9	206.3	5,678.9	0.1	26,484.6
May	20,428.0	665.9	29.1	210.6	5,940.5	0.1	27,274.2
June...........	16,931.3	668.8	32.1	215.2	5,197.8	0.1	23,045.3
July	16,244.1	671.4	38.4	219.5	3,815.9	0.1	20,989.4
August	16,387.4	674.2	38.4	221.7	3,468.5	0.1	20,790.3
September......	16,316.3	676.7	35.1	223.5	2,697.6	0.1	19,949.3
October........	16,917.0	678.9	38.5	224.9	2,461.5	0.1	20,320.9
November......	15,108.6[2]	680.9	36.6[2]	223.6[2]	2,406.3	0.1	18,456.1
December	16,976.9[2]	679.1	37.5[2]	n.a.	2,505.2	0.1	20,198.8
Average......	17,685.2[2]	669.2	32.6[2]	213.2[2]	3,970.7	0.1	22,553.3

[1] Revised
[2] Provisional

Sources: (1) National Provident Fund.
(2) Federal Savings Bank.
(3) Federal Mortgage Bank of Nigeria.
(4) Central Bank of Nigeria.

TABLE 4.4
MONEY MARKET INSTRUMENTS

(₦ million)

Instruments	*Outstanding Dec. 1988* (1)	*Outstanding Dec. 1989* (2)	*Change between (1) and (2)* *Absolute* (3)	*Per cent* (4)	*Percentage share of Total* *Dec. 1988* (5)	*Dec. 1989* (6)
Treasury Bills	35,476.0	24,126.0	−11,350.0	−32.0	79.1	72.8
Treasury Certificates	6,794.6	6,944.6	150.0	2.2	15.2	21.0
Bankers Unit Fund	5.9	—	−5.9	−100.0	0.0	—
Eligible Development Stocks	38.4	11.6	−26.8	−69.8	0.1	—
Certificates of Deposits	1,861.3	1,309.8	−551.5	−29.6	4.1	4.0
Commercial Papers	668.9	737.2	68.3	−10.2	1.5	2.2
Total	44,845.1	33,129.2	−11,715.9	−26.1	100.0	100.0

The Central Bank, as in the previous year, was the dominant subscriber to the issues although Central Bank investment on behalf of various public account holders increased substantially during the year. The Bank's subscriptions for its own account averaged ₦10,185.5 million or 88.3 per cent monthly in the period prior to the introduction of the treasury bill auction. With the commencement of the auction and the conversion of portions of maturing bills into bonds, Central Bank subscriptions shrank considerably, averaging ₦2,357.4 million or 31.0 per cent in the last two months of the year (see Table 4.5).

Total treasury bills, outstanding, at the end of the year, stood at ₦24,126.0 million, showing a fall of ₦11,350.0 million or 32.0 per cent from end-1988 level. As has been noted earlier, the fall reflected the conversion of a portion of the instrument into treasury bonds. Treasury bills worth ₦1,300.0 million were converted to bonds in November while the value of the conversion in December amounted to ₦10,050.0 million. On monthly average basis, total treasury bills outstanding amounted to ₦34,421.8 million, compared with ₦26,080.2 million in 1988 (see Table 4.6). Although Central Bank's holding shrank from ₦22,560.3 million in December 1988 to ₦11,164.0 million in December 1989, the monthly average holding during the year was higher than in the preceding year. Commercial bank's average monthly holding fell from ₦5,680.4 million in the first half of the year to ₦1,742.4 million in the second half as the banks switched to more liquid assets following the squeeze on their liquidity. For the same reason, merchant banks' average monthly holding fell from ₦183.4 million to ₦83.6 million during the comparable periods. On the other hand, the monthly average holding of the unclassified category of investors, made up largely of public accounts with the Central Bank, increased substantially from ₦8,529.9 million in the first half of 1989 to ₦17,013.0 million in the second half. Their increased participation was due partly to the tradition of investing selected special funds in treasury bills and partly to the enhanced yield on the instrument.

IV.5.2 Treasury Certificates

Treasury certificates worth ₦6,481.0 million were issued during the year while a total of ₦6,331.0 million of the instrument was redeemed at maturity. The net increase of ₦150.0 million reflected the special issue made in January 1989. The monthly average level of new issues was ₦540.1 million, compared with ₦542.9 million in 1988. The Central Bank remained the dominant subscriber to the new issues. The Bank's initial take-up averaged ₦458.7 million monthly or 85.0 per cent of total compared with ₦395.1 million or 72.8 per cent in 1988. Commercial banks subscribed ₦71.2 million or 13.4 per cent compared with ₦134.9 million or 24.8 per cent in 1988. Similarly, merchant banks' monthly average subscription fell from ₦1.0 million in 1988 to ₦0.4 million in 1989 and take-up by the non-bank public also declined from ₦11.9 million to ₦9.8 million (see Table 4.7).

TABLE 4.5
TREASURY BILLS: ISSUES AND SUBSCRIPTIONS

(₦ million)

Year/Month	*Issues*	*Subscribers*			
		Central Bank	*Commercial Banks*	*Merchant Banks*	*Non-Bank Public*
1988					
January	8,950.0	6,455.7	2,419.4	48.8	26.1
February	5,200.0	3,951.2	1,182.0	46.3	20.5
March	11,076.0	8,989.2	2,020.3	38.5	28.0
April	8,950.0	6,907.2	1,976.6	39.5	26.7
May	5,200.0	3,748.4	1,344.4	56.9	50.3
June	11,076.0	8,392.0	2,393.6	68.5	221.9
July	8,950.0	7,138.6	1,747.2	39.0	25.2
August	5,200.0	3,966.0	1,128.0	60.5	45.5
September	11,076.0	8,547.6	2,329.3	15.2	183.9
October	8,950.0	7,660.6	1,235.3	27.5	26.6
November	5,200.0	3,891.2	1,227.0	53.6	28.2
December	21,326.0	19,367.5	1,870.5	53.1	34.9
Average	9,262.8	7,417.9	1,739.5	45.6	59.8
1989					
January	8,950.0	6,757.7	2,096.1	35.2	61.0
February	5,200.0	3,521.1	1,627.5	16.9	34.5
March	21,326.0	19,410.6	1,737.1	55.8	122.5
April	8,950.0	6,607.7	2,231.1	27.6	83.6
May	5,200.0	3,695.2	1,393.3	80.1	31.4
June	21,326.0	20,016.6	1,229.5	49.6	30.3
July	8,950.0	8,201.6	502.0	9.0	237.4
August	6,500.0	5,870.1	484.5	—	145.4
September	20,026.0	19,404.1	405.4	8.0	208.5
October	8,950.0	8,370.1	468.4	—	111.5
November	5,200.0	3,573.1	734.1	39.1	853.7
December	9,976.0	1,141.7	1,415.2	128.1	7,291.0
Average	10,879.5	8,880.8	1,193.7	37.5	767.6

TABLE 4.6
HOLDINGS OF TREASURY BILLS OUTSTANDING
(₦ million)

Year/Month	*Total Outstanding*	*Central Bank Including Rediscount*	*Commercial Banks*	*Merchant Banks*	*Fed. & State Governments*	*Others*
1988						
January	25,226.0	12,680.3	6,156.8	202.9	10.7	6,175.3
February	25,226.0	13,362.5	6,127.9	98.1	11.0	5,626.5
March	25,226.0	17,847.0	5,333.1	89.5	11.0	1,945.4
April	25,226.0	13,341.3	5,518.4	111.2	11.0	6,244.1
May	25,226.0	12,931.9	5,584.4	141.0	11.3	6,557.4
June	25,226.0	12,484.7	6,417.0	145.1	11.2	6,168.0
July	25,226.0	13,025.4	5,566.8	107.0	11.3	6,515.5
August	25,226.0	13,233.0	5,607.2	106.1	1.0	6,278.7
September	25,226.0	12,928.3	5,228.1	103.1	1.0	6,965.5
October	25,226.0	13,167.4	4,927.9	99.0	1.0	7,030.7
November	25,226.0	12,937.3	4,732.8	139.2	1.0	7,415.7
December	35,476.0	22,560.3	5,273.9	159.1	1.0	7,481.7
Average	26,080.2	14,208.3	5,539.5	125.1	6.9	6,200.4
1989						
January	35,476.0	21,891.4	5,943.4	96.0	1.0	7,544.2
February	35,476.0	21,138.1	6,606.2	142.7	1.0	7,588.0
March	35,476.0	20,932.6	6,380.1	126.3	1.0	8,036.0
April	35,476.0	20,728.3	6,043.9	191.5	1.0	8,511.3
May	35,476.0	19,730.7	5,681.4	383.3	1.0	9,679.6
June*	35,476.0	22,067.0	3,427.4	160.3	1.0	9,820.3
July	35,476.0	19,684.8	1,665.8	51.6	1.0	14,072.8
August	35,476.0	16,353.3	1,598.2	92.6	31.9	17,400.0
September	35,476.0	16,285.8	1,406.1	105.8	18.3	17,660.0
October	35,476.0	13,146.3	1,583.9	125.2	13.3	20,607.3
November	34,176.0	10,459.1	1,664.9	42.0	7.8	22,002.2
December	24,126.0	11,164.0	2,535.2	84.6	6.7	10,335.5
Average	34,421.8	17,798.4	3,711.4	133.5	7.1	12,771.4

*Revised

TABLE 4.7
TREASURY CERTIFICATES: ISSUES AND SUBSCRIPTIONS
(₦ million)

Year/Month	*Issues*	*Subscribers*			
		Central Bank	*Commercial Banks*	*Merchant Banks*	*Non-Bank Public*
1988					
January	—	—	—	—	—
February	—	—	—	—	—
March	—	—	—	—	—
April	200.0	159.5	39.5	—	1.0
May	—	—	—	—	—
June	—	—	—	—	—
July	—	—	—	—	—
August	1,967.6	1,716.3	241.0	10.0	0.3
September	435.0	254.9	180.0	—	0.1
October	2,168.6	1,892.4	264.0	—	12.2
November	589.9	70.4	393.5	—	126.0
December	1,153.5	647.9	501.2	1.5	2.9
Average	542.9	395.1	134.9	1.0	11.9
1989					
January	150.0	74.8	75.0	—	0.2
February	—	—	—	—	—
March	—	—	—	—	—
April	200.0	66.8	133.2	—	—
May	—	—	—	—	—
June	—	—	—	—	—
July	—	—	—	—	—
August	1,967.6	1,863.0	104.3	—	0.3
September	545.0	347.0	198.0	—	—
October	1,868.6	1,753.1	115.1	—	0.4
November	627.9	627.9	—	—	—
December	1,121.9	772.0	228.1	5.0	116.8
Average	540.1	458.7	71.1	0.4	9.8

At ₦6,944.6 million at the end of December 1989, treasury certificates outstanding accounted for 21.0 per cent of total money market assets outstanding compared with ₦6,794.6 million or 15.2 per cent in the preceding year (see Table 4.4). Central Bank's holding amounted to ₦4,483.5 million, reflecting an increase of ₦813.1 million or 22.2 per cent over the level at the end of 1988. The Bank's monthly average holding also increased by ₦655.8 million or 19.9 per cent to ₦3,957.3 million, representating 57.0 per cent of the total. Both commercial and merchant banks' holdings declined: the former by ₦337.0 million or 14.5 per cent to ₦1,992.3 million and the latter by ₦13.3 million or 66.2 per cent to ₦6.8 million. The banks had divested their holdings during the year in the face of tight liquidity situation. Although holdings by the unclassfied category of investors rose by the end of the year, their monthly average holdings declined from ₦1,009.4 million in 1988 to ₦975.7 million in 1989 (see Table 4.8).

IV.5.3 Bankers' Unit Fund

Bankers' Unit Fund (BUF) which was introduced in 1975 to channel banks' surplus funds into Federal Government development stocks was completely divested in September 1989 as the investing commercial banks sought to cope with the squeeze on their liquidity (see Table 4.9).

IV.5.4 Certificates of Deposit

The level of Certificates of Deposit (CDs) increased substantially during the first half of 1989 but fell persistently in the second half. At ₦1,309.8 million at the end of December 1989, CDs outstanding fell by ₦551.4 million or 29.6 per cent from its level at the end of 1988, and its share in total money market instruments fell from 4.1 to 4.0 per cent (see Table 4.4). The monthly average level of CDs was ₦2,079.2 million, compared with ₦1,292.6 million a year earlier. Merchant banks continued to hold the bulk of the instruments. Their holdings amounted to ₦1,145.3 million, representing 55.1 per cent of the total, while the balance of ₦933.9 million or 44.9 per cent was held by commercial banks (see Table 4.10).

IV.5.5 Commercial Papers

At ₦737.2 million at the end of December 1989, the value of commercial papers outstanding was ₦68.3 million or 10.2 per cent higher than the level at the end of 1988. This short-term instrument constituted 2.2 per cent of total money market assets outstanding compared with 1.5 per cent in the preceding year (see Table 4.4). The monthly average level of commercial papers rose by ₦381.3 million or 77.8 per cent to ₦871.3 million in 1989 as compared with the increase of ₦61.8 million or 14.4 per cent in 1988. The rise during the period under review reflected increased commercial and industrial activities in the country. The merchant banks accounted for ₦453.0 million or 52.0 per cent of the monthly average level of commercial papers outstanding (see Table 4.11).

IV.5.6 Eligible Development Stocks

Investment in Eligible Development Stokcs (EDS) fell and

TABLE 4.8

HOLDINGS OF TREASURY CERTIFICATES OUTSTANDING

(₦ million)

Year/Month	*Total Outstanding*	*Central Bank Including Rediscount*	*Commercial Banks*	*Merchant Banks*	*Fed. & State Governments*	*Others*
1988						
January	6,664.1	3,338.7	2,446.5	24.8	—	854.1
February	6,664.1	3,169.9	2,447.5	24.8	—	1,021.9
March	6,664.1	3,169.9	2,447.8	24.8	—	1,021.6
April	6,664.1	3,169.4	2,457.7	24.9	—	1,012.1
May	6,579.1	3,055.4	2,454.8	24.9	—	1,044.0
June	6,579.1	3,075.4	2,457.7	24.9	—	1,021.1
July	6,579.1	3,083.6	2,449.2	25.0	—	1,021.3
August	6,579.7	3,293.6	2,250.8	14.8	—	1,020.5
September	6,554.7	3,295.2	2,217.3	7.8	—	1,034.4
October	6,806.6	3,580.5	2,241.8	17.8	—	966.5
November	6,794.6	3,716.1	2,045.0	17.7	—	1,015.8
December	6,794.6	3,670.4	2,035.7	8.8	—	1,079.7
Average	6,660.3	3,301.5	2,329.3	20.1	—	1,009.4
1989						
January	6,794.6	3,764.1	2,322.4	24.9	—	683.2
February	6,944.6	3,761.6	2,226.8	7.8	—	948.4
March	6,944.6	3,761.0	2,230.7	7.8	—	945.1
April	6,944.6	3,684.1	2,303.0	7.8	—	949.7
May	6,944.6	3,682.7	2,307.8	7.8	—	946.3
June	6,944.6	3,710.0	2,281.6	7.8	—	945.2
July	6,944.6	3,925.6	2,075.7	7.8	—	936.1
August	6,944.6	3,721.9	2,059.6	6.0	—	1,157.1
September	6,944.6	4,806.1	1,847.8	4.0	—	286.7
October	6,944.6	3,825.0	1,693.4	—	—	1,426.2
November	6,944.6	4,362.7	1,462.3	—	—	1,119.6
December	6,944.6	4,483.5	1,095.9	—	—	1,365.2
Average	6,932.1	3,957.3	1,992.3	6.8	—	975.7

TABLE 4.9
HOLDINGS OF BANKERS UNIT FUND OUTSTANDING
(₦ million)

Year/Month	Commercial Banks	Merchant Banks	Total
1988			
January	8.6	—	8.6
February	8.6	—	8.6
March	8.0	—	8.0
April	6.0	—	6.0
May	6.0	—	6.0
June	6.0	—	6.0
July	6.0	—	6.0
August	5.9	—	5.9
September	5.9	—	5.9
October	5.9	—	5.9
November	5.9	—	5.9
December	5.9	—	5.9
Average	6.6	—	6.6
1989			
January	5.9	—	5.9
February	5.9	—	5.9
March	5.9	—	5.9
April	5.9	—	5.9
May	5.9	—	5.9
June*	5.9	—	5.9
July	5.9	—	5.9
August	5.9	—	5.9
September	—	—	—
October	—	—	—
November	—	—	—
December	—	—	—
Average	3.9	—	3.9

*Revised

TABLE 4.10
CERTIFICATES OF DEPOSIT OUTSTANDING
(₦ million)

Year/Month	Commercial Banks	Merchant Banks	Total
1988			
January	370.6	580.0	950.6
February	370.6	620.4	991.0
March	480.0	719.7	1,199.7
April	473.9	714.5	1,188.4
May	500.2	709.7	1,209.9
June	516.0	720.2	1,236.2
July	612.1	661.0	1,273.1
August	669.9	668.2	1,338.1
September	754.9	575.5	1,330.4
October	722.4	698.7	1,421.1
November	806.6	703.3	1,509.9
December	759.1	1,102.1	1,861.2
Average	586.4	706.1	1,292.5
1989			
January	802.9	1,048.2	1,851.1
February	826.6	1,203.5	2,030.1
March	992.8	1,438.5	2,431.3
April	829.6	1,198.7	2,028.3
May	1,073.3	2,011.4	3,084.7
June*	1,195.8	1,590.2	2,786.0
July	1,273.6	1,337.0	2,610.6
August	1,115.4	942.7	2,058.1
September	941.0	805.6	1,746.6
October	857.2	776.2	1,633.4
November	694.8	685.9	1,380.7
December	604.1	705.7	1,309.8
Average	933.9	1,145.3	2,079.2

*Revised

TABLE 4.11
HOLDINGS OF COMMERCIAL PAPERS OUTSTANDING

(₦ million)

Year/Month	Commercial Banks	Merchant Banks	Total
1988			
January	186.7	318.6	505.3
February	176.1	289.9	466.0
March	190.6	328.1	518.7
April	188.8	278.0	466.8
May	163.9	285.6	449.5
June	188.3	198.4	386.7
July	192.2	224.2	416.4
August	226.6	195.6	422.2
September	231.6	236.6	468.2
October	314.3	227.2	541.5
November	315.1	254.7	569.8
December	391.1	277.8	668.9
Average	230.4	259.6	490.0
1989			
January	345.2	427.9	773.1
February	419.9	509.4	929.3
March	469.0	442.5	911.5
April	401.1	320.7	721.8
May	498.0	525.0	1,023.0
June*	488.2	558.3	1,046.5
July	412.3	522.7	935.0
August	468.3	517.7	986.0
September	342.2	413.6	755.8
October	404.2	332.3	736.5
November	371.8	497.6	869.4
December	369.0	368.2	737.2
Average	415.8	453.0	868.8

*Revised

accounted for an insignificant proportion of total money market assets outstanding at the end of 1989 (see Table 4.4). It fell by ₦26.8 million or 69.8 per cent to ₦11.6 million. This contrasted with the rise of ₦10.1 million or 35.7 per cent a year earlier. The decline as in the case of other money market instruments reflected the squeeze on bank liquidity (see Table 4.12).

IV.5.7 Central Bank Rediscounts

The Central Bank's assistance to the financial institutions by way of rediscounts rose substantially in 1989. The instruments rediscounted included not only treasury bills and certificates, but also Negotiable Certificates of Deposit (NCDs), promissory notes issued by state governments to banks, and NDIC-guaranteed accommodation bills which were designed to provide assistance to financial institutions with serious liquidity problems. Gross rediscounts of treasury bills and treasury certificates alone, in 1989, amounted to ₦30,202.7 million, compared with ₦12,854.9 million in 1988 while rediscounts of negotiable certificates of deposit, promissory notes and NDIC-guaranteed accommodation bills totalled ₦2,920.2 million during the year.

IV.6 INTEREST RATES

Market interest rates rose to historically high levels especially during the second half of 1989, following the adoption of various policy measures aimed at reducing the overall liquidity in the banking system and containing inflationary pressures.

Effective January 31, 1989, the Central Bank's Minimum Rediscount Rate (MRR) was raised by 0.5 percentage point to 13.25 per cent in order to further mobilise domestic savings for productive investment and reduce demand pressures in the economy. Correspondingly, the treasury bill issue rate was raised to 12.25 per cent and treasury certificates of one-and two-year maturities were also increased to 12.75 and 13.25 per cent, respectively. Other money market rates, notably deposit and lending rates, showed only modest increases until June 1989 when the withdrawal of public sector deposits from the commercial and merchant banks began to exert further pressure on banks' liquidity and interest rates. In the subsequent months, deposit and lending rates rose sharply. However, lending rates rose more rapidly, leading to the widening of the margin between banks' deposit and lending rates. Furthermore, the gap between individual bank's prime rate and highest lending rate was also growing wider while inter-bank rates were generally higher than prime lending rates. At the end of 1988, for example, commercial banks' savings deposit rate, averaged 12.4 per cent while the prime and highest lending rates averaged 16.3 and 18.4 per cent, respectively. The margin between the banks' savings deposit and prime lending rates was therefore 3.9 per cent while that between prime and highest lending rates was 2.1 percentage points. By September 1989, however, the average savings deposit rate had risen moderately to 13.1 per cent while the prime and highest

TABLE 4.12
ELIGIBLE DEVELOPMENT STOCK OUTSTANDING

(₦ million)

Year/Month	Commercial Banks	Merchant Banks	Total
1988			
January	17.1	—	17.1
February	20.3	—	20.3
March	28.3	22.8	51.1
April	28.3	19.8	48.1
May	17.1	19.8	36.9
June	31.1	—	31.1
July	8.5	15.9	24.4
August	27.8	3.0	30.8
September	28.3	3.6	31.9
October	28.3	3.6	31.9
November	20.3	3.6	23.9
December	29.8	8.6	38.4
Average	23.8	8.4	32.2
1989			
January	29.3	8.6	37.9
February	1.5	8.6	10.1
March	18.8	8.6	27.4
April	18.8	11.2	30.0
May	16.6	11.2	27.8
June	52.6	11.2	63.8
July	8.0	2.6	10.6
August	—	8.6	8.6
September	18.0	7.1	25.1
October	8.0	3.6	11.6
November	8.0	3.6	11.6
December	8.0	3.6	11.6
Average	15.6	7.4	23.0

lending rates had risen to 22.6 and 22.8 per cent respectively, indicating that the margin between savings deposit and prime lending rates had risen to 9.5 percentage points.

In order to rectify this anomaly without discouraging competition and flexibility within the context of interest rate deregulation, and at the same time stimulate savings and investments, the banks reached an accord to observe certain margins between their deposit and lending rates, effective November 1989. The major elements of the accord were that the spread between individual bank's savings deposit rate and prime lending rate would not exceed a maximum of 7.5 percentage points while the margin between the prime and the highest lending rates would not exceed 4 percentage points. Also, inter-bank rate would be at least 1 percentage point below the prime rate for each lending bank.

With the introduction of treasury bill auction on November 23, 1989, treasury bill issue rate rose sharply to 17.5 per cent from the existing 12.25 per cent while treasury certificates issue rates rose from 12.75 and 13.25 per cent to 17.5 and 18.5 per cent for the one- and two-year maturities, respectively. In order to bring its rate into line with market realities, the Central Bank fixed the Minimum Rediscount Rate (MRR) at 18.5 per cent – 1 percentage point above the treasury bill issue rate.

By December, the movement in commercial and merchant bank interest rates indicated a narrowing in the gap between lending and deposit rate. Commercial banks' savings deposit rates averaged 16.5 per cent while lending rates ranged between 25.5 and 25.7 per cent, representing a margin of about 9 percentage points. Merchant banks' deposit rates rose to a range of 22.5 and 27.2 per cent while lending rates ranged between 29.1 and 29.8 per cent (see Table 4.13 and Chart XII).

IV.7 CAPITAL MARKET DEVELOPMENTS

The level of activity in the capital market rose sharply in 1989 over the preceding year, in terms of both the volume and value of securities issued and traded. The increase in the volume and value of issues in particular was due partly to the privatisation programme of the Government and partly to the sharp rise in lending rates. The rise in interest rates induced the shift to equity financing by firms while the sale of equity in government-owned companies under the privatisation programme swelled the volume and value of new issues during the year.

IV.7.1. Stock Exchange Transactions

Activity on the Nigerian Stock Exchange was buoyant in contrast to the mixed developments in the preceding year. The number of transactions increased by 11,884 or 55.1 per cent to 33,444 while the value increased by ₦299.9 million or 118.4 per cent to ₦553.2 million. In 1988 by contrast, there was only a modest increase of 4.4 per cent in the number of transactions while the value dropped by ₦131 million or 34.4 per cent. On a monthly average basis the volume and value of transactions rose from 1,797 and ₦21.1 million in 1988 to 2,787 and ₦46.1 million, respectively (see Table 4.14).

The observed increase in the number of securities traded

TABLE 4.13

SELECTED INTEREST RATES

(Percent)

	1988	1989			
	December	March	June	September	December
Government Securities					
(i) Treasury Bills Issue Rate	11.75	12.25	12.25	12.25	16.38
(ii) Treasury Certificates (1yr.)	12.25	12.75	12.75	12.75	16.38
(iii) Treasury Certificates (2yrs.)	12.75	13.75	13.75	13.75	17.25
(iv) Federal Government Stock	13.25-14.50	13.70-15.20	13.70-15.20	13.70-15.20	19.30-22.00
(a) 4-8 Years Maturity	13.25	13.7	13.7	13.7	19.3
(b) 9-14 Years Maturity	13.5	14.1	14.1	14.1	20.1
(c) 15-20 Years Maturity	14.0	14.6	14.6	14.6	21.0
(d) 21-25 Years Maturity	14.5	15.2	15.2	15.2	22.0
Minimum Rediscount Rate	12.75	13.25	13.25	13.25	18.5
Commercial and Merchant Banks					
Deposit Rates[1]					
Commercial Banks					
(i) Savings	12.4	12.0	12.2	13.1	16.5
(ii) Time Deposits Maturing in:					
(a) 7 days	12.3	12.2	12.9	14.7	17.4
(b) 1 month	12.7	12.6	13.5	15.5	18.4
(c) 3 months	13.1	13.1	13.6	16.2	19.5
(d) 6 months	13.7	13.9	14.4	17.0	20.3
(e) 12 months	14.1	14.2	14.8	17.8	20.8
(f) Over 12 months	—	—	—	—	—
Merchant Banks					
Time Deposits Maturing in:					
(a) 7 days	13.3	13.9	15.8	21.4	22.5
(b) 1 month	14.0	14.5	17.0	22.9	24.2
(c) 3 months	14.5	15.1	17.5	23.6	25.2
(d) 6 months	15.0	15.6	18.1	23.8	26.6
(e) 12 months	15.4	16.0	18.8	24.8	27.2
(f) Over 12 months	16.1	—	—	—	—
Commercial and Merchant Banks					
Lending Rates					
Commercial Banks					
(a) Prime	16.3	17.3	17.7	22.6	25.5
(b) Maximum	18.4	18.4	19.5	22.8	25.7
Merchant Banks					
(a) Prime	16.5	17.6	18.5	28.2	29.8
(b) Maximum	17.6	19.6	20.2	28.2	29.8

[1] Weighted Averages

mainly reflected dealings in industrial securities which increased by 55.0 per cent to 33,273 and accounted for 99.5 per cent of total transactions. In value terms, industrial securities increased by ₦28.7 million or 84.4 per cent to ₦62.7 million and accounted for 11.3 per cent of total value of the securities traded.

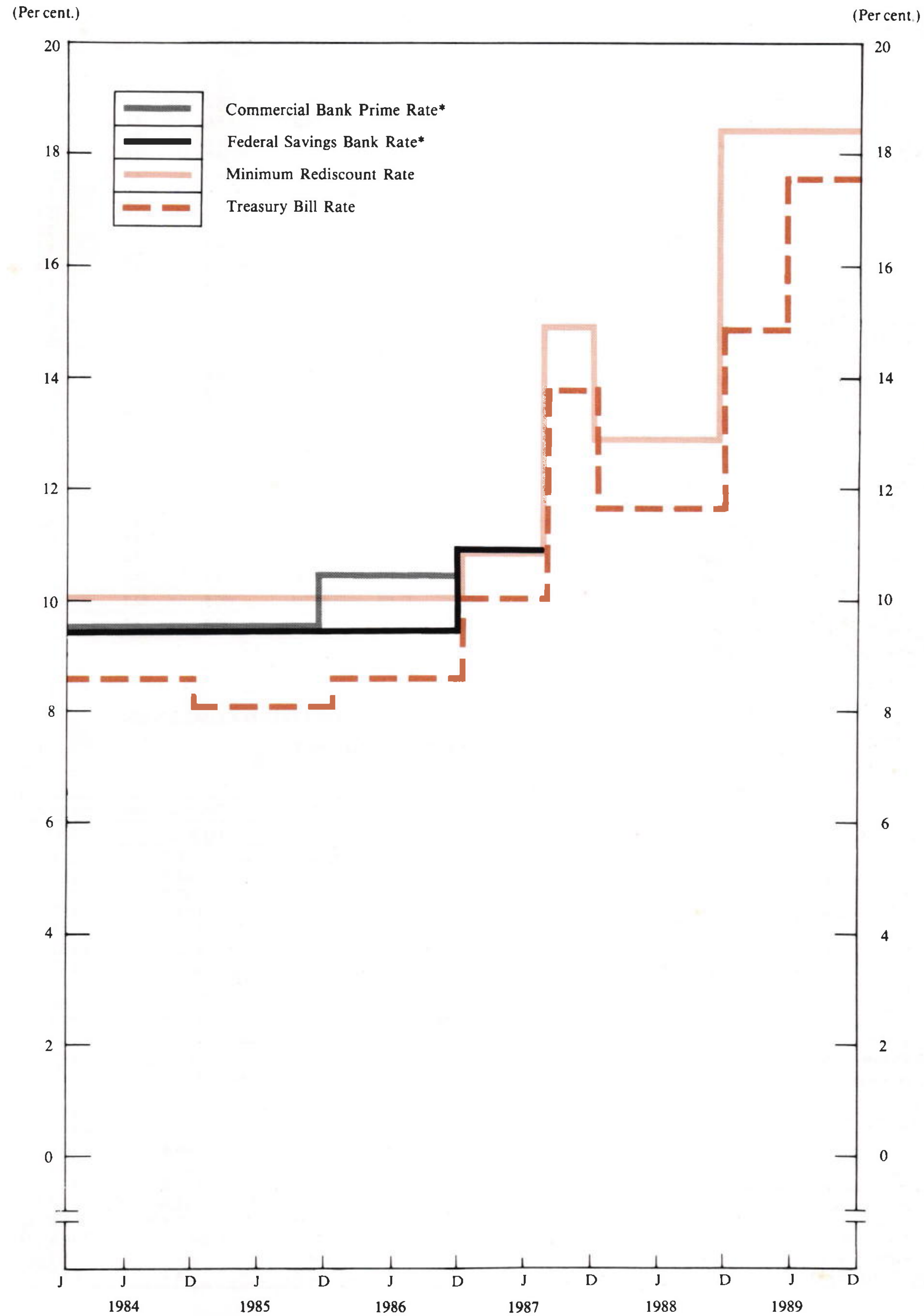
Total number of deals in government securities were fewer in 1989 even though the volume and value increased. Government securities however continued to dominate the market in terms of the value of transactions. The value of such securities traded increased by 123.7 per cent to ₦490.5 million and accounted for 88.7 per cent of total value of securities traded. The number of these gilt-edged securities traded increased by 71 per cent to 171 and accounted for only 0.51 per cent of the volume traded in the market.

IV.7.2. Prices of Equity Shares

Reflecting the buoyant trading activitity on the exchange during the year, as well as the improved profit performance of a substantial number of the companies quoted on the Nigerian Stock Exchange, share prices rose generally in 1989. At 152.2 (December 1984 = 100), the all-share price index rose by 9.7 per cent over the level in 1988 (see Table 4.15). The share price increases occurred in all the sectors except the financial sector whose index fell by 10.0 per cent. These equities appeared to have been depressed by uncertain outlook about the performance of the banking sector following the withdrawal of government deposits from the banks to the Central Bank, and the resulting tautness of the money market.

The share price indices of the manufacturing and commercial sectors increased by 11.2 and 13.4 per cent, respectively, compared with increases of 4.3 and 1.3 per cent in the preceding year. In the commercial sector, the highest increase of 43.9 per cent was recorded by the automobile and tyre sub-sector. This was followed by the conglomerates and foot-wear sub-sectors whose share prices increased by 18.5 and 16.8 per cent, respectively. In the manufacturing sector, the breweries recorded the highest price increase of 38.9 per cent followed by the textiles (25.4 per cent) and industrial/domestic products (21.0 per cent). Food, beverages and tobacco which recorded a decline of 8.4 per cent in 1988, recovered in 1989 with an increase of 14.2 per cent. There was also a marked improvement

CHART XII
SELECTED INTEREST RATES
(End of Month)



* In December 1986 and August 1987 Federal Savings Bank rate and Commercial Bank Prime rate became negotiable, respectively.

TABLE 4.14

THE NIGERIAN STOCK EXCHANGE TRANSACTIONS

	Number of Stock Shares			Number of Deals			Value (₦ million)		
Year/Month	*Government*	*Industrials*	*Total*	*Government*	*Industrials*	*Total*	*Government*	*Industrials*	*Total*
1988									
January	22,851,900	4,047,021	26,898,921	4	1,527	1,531	21.5	4.0	25.5
February	109,615,600	1,997,776	111,613,376	11	1,678	1,689	106.2	2.1	108.3
March	8,712,500	2,110,188	10,822,688	10	1,818	1,828	7.6	2.1	9.7
April	12,828,000	2,148,404	14,976,404	8	1,534	1,542	13.3	2.7	16.0
May	34,993,000	5,010,496	40,003,496	10	1,374	1,384	30.7	4.9	35.6
June	14,883,500	4,026,935	18,910,435	14	1,598	1,612	15.6	4.5	20.1
July	1,057,000	2,019,799	3,076,799	10	1,395	1,405	1.0	1.8	2.8
August	11,752,680	3,674,919	15,427,599	12	1,956	1,968	12.6	3.0	15.6
September	1,130,000	1,527,727	2,657,727	2	2,074	2,076	1.1	2.1	3.2
October	2,034,000	2,327,863	4,361,863	3	1,930	1,933	2.2	2.5	4.7
November	5,242,500	2,096,925	7,339,425	8	2,588	2,596	5.7	2.7	8.4
December	1,897,140	2,683,881	4,581,021	8	1,988	1,996	1.8	1.6	3.4
TOTAL	226,997,820	33,671,934	260,669,754	100	21,460	21,560	219.3	34.0	253.3
Average	18,916,485.0	2,805,994.5	21,722,479.5	8.3	1,788.3	1,796.7	18.3	2.8	21.1
1989									
January	797,000	1,182,071	1,979,071	4	2,125	2,129	0.9	1.3	2.2
February	74,373,600	1,318,359	75,691,959	14	2,918	2,932	71.5	1.5	73.0
March	28,167,000	1,214,672	29,381,672	16	2,442	2,458	27.0	1.4	28.4
April	2,838,000	2,029,921	4,867,921	2	2,648	2,650	2.9	3.4	6.3
May	72,819,271	66,426,093	139,245,364	9	2,631	2,640	71.6	1.3	72.9
June	181,410,100	1,711,864	183,121,964	16	3,338	3,354	174.0	2.0	176.0
July	43,420,550	3,162,579	46,583,129	13	2,273	2,286	44.5	3.0	47.5
August	43,088,920	2,608,054	45,696,974	34	3,348	3,382	41.3	2.9	44.2
September	11,165,100	21,214,223	32,379,323	18	3,216	3,234	11.1	14.8	25.9
October	15,209,000	18,343,593	33,552,593	14	2,785	2,799	14.2	14.5	28.7
November	15,742,000	7,545,326	23,287,326	14	3,433	3,447	14.9	8.4	23.3
December	20,777,100	7,374,563	28,151,663	17	2,116	2,133	16.6	8.2	24.8
TOTAL	509,807,641	134,131,318	643,938,959	171	33,273	33,444	490.5	62.7	553.2
Average	42,483,970.1	11,177,609.8	53,661,579.9	14.3	2,772.8	2,787.0	40.9	5.2	46.1

Source: Nigerian Stock Exchange.

TABLE 4.15

SUMMARY OF AVERAGE ANNUAL PRICE INDICES OF LISTED COMPANIES ON THE NIGERIAN STOCK EXCHANGE

(December 1984 = 100)

	1987	*1988*	*1989*	*Percentage change between*	
Sectors/Subsectors	(1)	(2)	(3)	(1) & (2)	(2) & (3)
1. Financial	127.4	138.5	124.7	+8.7	−10.0
2. Manufacturing	138.0	143.9	160.0	+4.3	+11.2
Breweries	89.7	74.3	103.2	−17.2	+38.9
Building Materials	114.2	130.6	146.1	+14.4	+11.9
Chemical & Paints	111.9	130.4	135.6	+16.5	+4.0
Cosmetic and Toiletries	182.0	202.6	227.2	+11.3	+12.1
Food, Beverages and Tobacco	135.8	124.4	142.1	−8.4	+14.2
Industrial/Domestic Products	166.8	151.7	183.6	−9.1	+21.0
Packaging	106.8	119.3	129.5	+11.7	+8.6
Pharmaceutical/Animal Feeds	155.7	205.3	183.2	+31.7	−10.8
Textiles	222.9	252.6	316.8	+13.3	+25.4
3. Commercial	149.2	151.2	171.4	+1.3	+13.4
Automobile and Tyre	159.2	175.3	252.3	+10.1	+43.9
Commercial	165.2	167.2	183.9	+1.2	+10.0
Computer and Office Equipment	256.2	286.5	233.1	+11.8	−18.6
Conglomerates	147.8	136.5	161.8	−7.7	+18.5
Footwear	135.5	144.5	168.7	+6.6	+16.8
Machinery	76.6	87.2	91.8	+13.8	+5.3
Petroleum	136.2	165.4	194.5	+21.4	+17.6
Pharmaceutical (Marketing)	113.8	101.3	87.8	−11.0	−13.3
4. Services	83.7	88.2	94.2	+5.4	+6.8
Construction	77.7	83.1	91.5	+7.0	+10.1
Publishing	115.8	112.2	106.2	−3.1	−5.4
5. All Sectors	133.1	139.0	152.5	+4.4	+9.7

in the performance of the industrial/domestic products sub-sector which showed a price decline of 9.1 per cent in 1988 but recorded an increase of 21.0 per cent in 1989.

The performance of share prices in the services sector was modest. At 94.2 in 1989, the average share price index of the services sector rose by 6.8 per cent, compared with 5.4 per cent recorded in the preceding year. While the share price index for the construction sub-sector rose by 10.1 per cent, that of the publishing sub-sector declined by 5.4 per cent. This sub-sector continued to suffer from the shortage in newsprint and other basic raw material inputs.

IV.7.3 New Issues Market

The primary market witnessed an upsurge in both the volume and value of new issues during the year in contrast to the relatively low level of activity in the preceding year. This development was influenced by the sharp rise in interest rates as well as the issue to the public of the shares of privatised enterprises. Unlike in other years, rights issues featured prominently on the capital market due to its attractiveness in the mobilisation of long-term funds in view of the scarcity of funds and the consequent high rates of interest in the money market.

The value of new issues in 1989 was more than seven and a half times larger than in 1988. Specifically, a total of 138 issues involving 1,560,520,647 shares valued at ₦1,627.7 million were raised in the primary market during the year compared with only 12 valued at ₦211 million in the preceding year (see Table 4.16).

Securities raised on the Nigerian Stock Exchange comprised about 36 and 42 per cent of total volume and value of new issues, respectively. New issues raised without stock exchange quotation accounted for the bulk, both in terms of volume (64 per cent) and value (58 per cent). A total of 565,593,844 shares worth ₦682.7 million were raised through the stock exchange, while 994,926,803 shares valued at ₦944.9 million were raised outside the exchange.

Two of the new issues were listed on the Second-Tier Securities Market (SSM), thus bringing to 10, the number of securities quoted on the four-year old SSM. The two securities issued on the SSM during the year were:

1. Tropical Petroleum which offered 9.6 million ordinary shares of 50 kobo at 54 kobo per share; and
2. Afroil, with 12 million ordinary shares of 20 kobo at 22 kobo per share.

Tropical Petroleum and Afroil were subscribed to the tune of 100 and 105 per cent, respectively.

Analysis of the 138 new issues showed that there were 73 on offer for subscription, 40 as rights issues, 12 as debenture stocks, 12 as preference shares and one state (Kaduna) government bond. Rights issues in particular, gained prominence during the year as 40 were made, compared with 17 in 1988.

The 73 securities offered for subscription involved 879,365,503 shares worth ₦615.2 million. Out of this, a total of 558,064,543 shares worth ₦403.9 million were raised outside the Nigerian Stock Exchange while 321,300,960 shares valued ₦311.3 million were raised through the facilities of the exchange. The 40 rights issues made during the year comprised 528,385,895 shares valued at ₦401.7 million. Out of this, 33 issues involving 284,093,011 shares valued at ₦200.3 million were made outside the stock exchange while 7 issues involving 244,297,884 shares worth ₦201.4 million passed through the exchange. The listed rights issues comprised:

1. Grommac Industries Limited, 3,333,334 ordinary shares of 50k each at ₦1.60 per share;
2. Afprint, 38,298,000 ordinary shares of 50k at 95k per share;
3. SCOA, 67, 200,000 ordinary shares of 50k at 60k per share;
4. CFAO Nigeria Limited, 78.0 million ordinary shares of 50k each at 86k per share;
5. Glaxo Nigeria Limited, 42.3 million ordinary shares of 50k each at 70k per share;
6. Mobil Oil Nig. Limited, 15.13 million ordinary shares of 50k at ₦1.50 per share; and
7. Lennards Nigeria Ltd., 10.1 million ordinary shares of 20k at 22k per share.

The total value of debenture stocks was ₦427.9 million of which ₦240 million or 56 per cent was issued on the Nigerian Stock Exchange. The balance issued outside the Exchange was ₦187.9 million. The total issues comprised:

1. IKEJA HOTELS LTD. – ₦10 million Secured Redeemable Debenture Stock, 1997 with a Floating Rate at 3.75 per cent above MRR, subject to minimum of 15 per cent and maximum of 21 per cent.
2. P. Z. INDUSTRIES – ₦60 million Debenture Stock, 1977/2004 with a Floating Rate at 3½ per cent above MRR, subject to minimum of 12½ and maximum of 19 per cent.
3. INLAK NIGERIA LTD. – ₦30 million Floating Rate Redeemable Debenture Stock, 1994/98, with a floating rate at 3.75 per cent above MRR, subject to minimum of 14.5 per cent and maximum of 21 per cent.
4. S.C.O.A. – ₦30 million Convertible Redeemable Debenture Stock, 1995/1999 with a floating rate at 3.625 per cent above MRR, subject to minimum of 14 per cent and maximum of 19.5 per cent.
5. JOHN HOLT LIMITED – ₦100 million Floating Rate Redeemable Debenture Stock maturing in 2003, with a floating rate at 3.875 per cent above MRR, subject to minimum of 14.75 per cent and maximum of 20 per cent.
6. ASWANI TEXTILE LIMITED – ₦40 million Floating Rate Mortgage Redeemable Debenture Stock 1994/1997, at floating rate of 3.87 per cent above CBN, MRR, subject to 15 per cent minimum and 20 per cent maximum.
7. INTER-STATE FLOUR MILLS LTD. – ₦17.5 million Floating Rate Redeemable Debenture Stock 1991/1999, at a floating rate of 4 per cent above MRR subject to 15 per cent minimum and 21 per cent maximum.
8. C.F.A.O. – ₦50 million Floating Rate Debenture Stock at 3.5 per cent above MRR, subject to minimum of 14 per cent and maximum of 20 per cent.
9. NIGERIAN-ARAB BANK – ₦30 million Floating Rate Debenture Stock at 4 per cent above MRR, subject to 15 per cent minimum and 21 per cent maximum.

TABLE 4.16

NEW ISSUES IN THE CAPITAL MARKET (JANUARY-DECEMBER, 1989)

Mode of Offer	Number of Issues	Raised off the Nigerian Stock Exchange (1) Volume	Raised off the Nigerian Stock Exchange (1) Value (₦ million)	Raised on the Nigerian Stock Exchange (2) Volume	Raised on the Nigerian Stock Exchange (2) Value (₦ million)	Aggregate New Issue (1) + (2) Volume	Aggregate New Issue (1) + (2) Value (₦ million)
1. Offer for Subscription	73	558,064,543	403.9	321,300,960	211.3	879,365,503	615.2
2. Rights Issue	40	284,093,011	200.3	244,292,884	201.4	528,385,895	401.7
3. Preference Shares	12	152,769,249	152.8	—	—	152,769,249	152.8
4. Debenture Stocks	12	—	187.9	—	240.0	—	427.9
5. State Government Bond	1	—	—	—	30.0	—	30.0
Total	138	994,926,803	944.9	565,593,844	682.7	1,560,520,647	1,627.6

Sources: Derived from data obtained from the Nigerian Stock Exchange, and Securities and Exchange Commission.

10. ALKEM NIGERIA LIMITED – ₦10 million Guarantee Loan Stock, 1995/96 at floating rate at 5.25 per cent, subject to minimum of 15 per cent and maximum of 22 per cent.
11. HAGEMEYER NIGERIA LIMITED – ₦15 million Redeemable Floating Rate Debenture Stock with floating rate at 2.5 per cent above MRR, subject to a guaranteed benchmark of 15 per cent, no maximum rate.
12. KABELMETAL – ₦30 million Floating Rate Redeemable Debenture Stock with a floating rate at 2.5 per cent above MRR, subject to a minimum of 16 per cent.

The Kaduna State Government issued the only state bond during the year – the First Kaduna State ₦3.0 million Floating Rate Revenue Bond 1996, which was issued at 3.5 per cent above the MRR, subject to a minimum of 14½ and a maximum of 20 per cent. The bond was floated to finance the development of a ginger processing factory of the Kachia Food Company.

A total of twelve preference shares involving 152,769,249 shares valued at ₦152.8 million was raised outside the Nigerian Stock Exchange.

IV.7.4 Privatisation

Under the Government's Privatisation and Commercialisation programme, the shares of the Federal Government and one State Government in 18 enterprises were offered for sale to the general public. The details of Federal government divestment are as follows:

1. Flour Mills of Nigeria Ltd.,
   7,800,000 ordinary shares of 50k each at 80k per share.
2. African Petroleum Company Ltd.,
   17,280,000 of 50k each at ₦1.90 per share.
3. National Oil and Chemical Marketing Company,
   16,800,000 ordinary shares of 50k each at ₦2.00 per share.
4. British American Insurance Company Ltd.,
   3,960,000 ordinary shares of 50k each at ₦1.30 per share.
5. Crusader Insurance Company Ltd.,
   1,960,000 ordinary shares of 50k each at ₦1.30 per share.
6. Guinea Insurance Company Ltd.,
   1,879,743 ordinary shares of 50k each at 80k per share.
7. Law Union and Rock Insurance,
   3,910,000 ordinary shares of 50k each at 95k per share.
8. The United Nigeria Life Insurance,
   679,328 ordinary shares of 50k each at 90k per share.
9. Niger Insurance Company Ltd.,
   6,800,000 ordinary shares of 50k each at ₦1.30 per share.
10. NEM Insurance Company Limited,
    7,840,000 ordinary shares of 50k each at ₦1.15 per share.
11. West African Provincial Insurance,
    668,000 ordinary shares of 50k each at ₦1.10 per share
12. American International Insurance Company,
    3,920,000 ordinary shares of 50k each at ₦1.65 per share.
13. Prestige Assurance Company Limited,
    2,940,000 ordinary shares of 50k each at ₦1.15 per share.
14. Royal Exchange Assurance Company Ltd.,
    10,152,072 ordinary shares of 50k each at ₦1.75 per share.
15. Sun Insurance Company (Nigeria) Ltd.,
    1,176,000 ordinary shares of 50k each at ₦1.25 per share.
16. Unic Insurance Company Limited,
    4,640,000 ordinary shares of 50k each at ₦1.20 per share.

The two companies privatised by Ondo State Government were:

1. Okitipupa Oil Palm Company Limited,
   35,000,000 ordinary shares of 50k each at 55k per share.
2. Owena Bank Limited,
   12,000,000 ordinary shares of 50k each at 95k per share.

By the sales, the Federal Government reduced its 60 per cent shareholdings in both African Petroleum Company Ltd. and National Oil and Chemical Marketing Company Ltd. to 40 per cent. On the other hand, the sales in respect of the Flour Mills of Nigeria and the 13 insurance companies represented government's total holdings in those companies.

The privatisation exercise in 1989 increased the number of companies listed on capital market since only two of the companies privatised in 1989 were already quoted on the stock exchange. The listing of the other companies therefore added ₦300 million to the market capitalisation of the exchange in 1989.

IV.7.5 Federal Government Development Stocks

(a) *Redemptions*

No Federal Government Development Stock was issued in 1989. However, four Federal Government Stocks worth ₦130.0 million matured and were redeemed. As a result, the total amount of Government Stocks outstanding as at the end of December 1989, was ₦4,629.0 million. The Development Stocks that were redeemed comprised the following:

1. ₦20.0 million 6 per cent Federal Republic of Nigeria Second Development Stocks (FRN2DS);
2. ₦10.0 million 5.75 per cent Federal Republic of Nigeria Fifth Development Stock (FRN5DS);
3. ₦20.0 million 5½ per cent Federal Republic of Nigeria Eleventh Development Stock (FRN11DS); and
4. ₦80.0 million 10 per cent Federal Republic of Nigeria Twenty-First Development Stock (FRN21DS).

(b) *Ownership Structure*

The structure of ownership of outstanding development stocks showed that savings-type institutions continued to be the dominant holders. These institutions held 51.6 per cent. Central bank holding accounted for 32.1 per cent while commercial and merchant banks held only 4.3 and 0.2 per cent, respectively.

From the end-December 1988 level, savings type institutions increased their holdings by ₦52.8 million or 3.2 per cent to ₦2,390.3 million. Central Bank holding increased during the same period by ₦34.0 million or 2.3 per cent to ₦1,484.5 million. Commercial banks' investment in these stocks in contrast declined sharply by ₦208.0 million or 51.4 per cent from its end-December 1988 level to ₦196.9 million, while merchant banks' holdings also dropped by ₦4.2 million or 30.9 per cent to ₦9.4 million during the period. Holdings by insurance companies rose by ₦11.3 million of 5.2 per cent to ₦228.1 million, representing 4.9 per cent of the total outstanding in 1989. Investment on account of Agricultural Credit Guarantee Scheme Fund amounted to ₦167.6 million and represented 3.6 per cent of the total. The private corporations and companies showed their continued preference for financial assets by increasing their holdings during the year by 19.5 per cent to ₦192.3 million or 4.2 per cent of total stocks outstanding. Holdings by other categories of investors such as individuals, state and local governments, statutory boards and corporations continued to account for an insignificant proportion of total investment in government stocks (see Table 4.17).

IV.7.6 The Securities and Exchange Commission

In its capacity as the apex regulatory body for the Nigerian capital market, the Securities and Exchange Commission (SEC) continued to maintain surveillance over capital market activities to ensure orderly, equitable and fair dealing in securities. Partly due to the rise in interest rates and the resulting preference for capital market funds and partly as a result of the privatisation of some government-owned companies, the tempo of SEC's valuation activity increased substantially during the year. A total of 253 securities involving 1,734.4 million shares valued at ₦2,033.8 million were assessed by the SEC in 1989 compared with 129 securities worth ₦593.4 million in the preceding year.

Analysis of the valued enterprises showed that they were in six categories. There were securities on offer for subscription, those on offer for sale, preference shares, rights issued, loan stock/debenture stocks and state government bonds. Specifically, there were 76 securities issues involving 799,741,503 shares valued at ₦561.6 million on offer for subscription. These accounted for 27.6 per cent of total valuations. A total of 17 debenture stocks valued at ₦552.6 million accounted for 27.2 per cent of total valuations. The SEC also valued 44 rights issues worth ₦434.0 million, or 21.3 per cent of the total valuation. Offer for sale with 102 securities worth ₦292.9 million accounted for 14.4 per cent, while 13 preference shares valued at ₦162.8 million accounted for 8.0 per cent. The only State government bond worth ₦30.0 million issued by Kaduna State Government, accounted for the balance of the securities valued by the SEC in 1989.

IV.8 CENTRAL BANKING

At the end of December 1989, total assets/liabilities of the Central Bank of Nigeria (CBN) amounted to ₦87,650.0 million, representing a rise of ₦26,127.6 million or 42.5 per cent over the level at end-December 1988. This compared with the increases of ₦20,196.9 million or 48.9 per cent in 1988 and ₦14,672.0 million or 55.0 per cent in 1987.

IV.8.1 Assets

The Bank's investment in domestic assets, mainly in government securities, fell by ₦3,523.2 million or 12.5 per cent to ₦24,723.0 million during the year, in contrast to the increases of ₦9,544.7 million or 51.0 per cent in 1988 and ₦3,867.4 million or 26.1 per cent in 1987. The fall observed in 1989 reflected the sharp decline in the Bank's treasury bill holding by ₦15,589.9 million or 69.8 per cent to ₦6,761.0 million, as against the increase of ₦9,014.2 million or 67.6 per cent in 1988. The decline was partly traceable to the conversion of ₦11,350.0 million treasury bills into bonds, as well as the lower level of net outstanding claims against the government.

Central Bank's rediscounts increased significantly as banks, seeking additional liquidity, divested their holdings of eligible assets, mainly treasury bills, in order to cushion the adverse impact of the withdrawal of public sector deposits from the banking system. Besides, promissory notes held by the Nigerian Deposit Insurance Corporation, (NDIC), following credit accommodation granted to some banks, as well as those issued by some State Governments and held by financial institutions,

TABLE 4.17
HOLDINGS OF DEVELOPMENT STOCKS
(₦ million)

Holders	31-3-88	31-12-88	31-3-89	30-6-89	30-9-89	31-12-89
Central Bank	1,581.0	1,450.5	1,438.9	1,595.6	1,528.6	1,484.5*
Commercial Banks	445.1	404.9	345.7	120.4	39.5	196.9*
Merchant Banks	28.0	13.6	13.6	11.2	9.7	9.4*
Individuals	11.2	8.3	8.8	8.8	8.3	8.0
Insurance Companies	210.1	216.8	220.7	221.8	222.4	228.1
Saving-Type Institutions	2,018.5	2,337.5	2,355.3	2,379.7	2,328.4	2,390.3
State and Local Governments	5.4	13.7	13.7	13.6	9.4	8.0
Statutory Boards and Corps.	14.4	14.5	14.5	9.4	38.8	38.8
Other Corps. and Companies	367.4	160.9	175.1	176.4	195.3	192.3
Agric. Credit Guarantee Scheme	145.8	154.5	158.8	158.8	165.1	167.6
Federal Government	—	—	—	—	—	—
Special Fund with CBN*	34.2	37.4	38.2	38.4	41.3	36.0
CBN Sales/Purchases not yet classified	7.9	(53.6)	(34.3)	(5.1)	37.4	(141.9)
Bureaux-de-Change	—	—	—	—	4.8	11.0
Total	4,869.0	4,759.0	4,749.0	4,729.0	4,629.0	4,629.0

* Provisional

were also rediscounted at the Central Bank. Consequently, rediscounts and advances by the bank increased by ₦4,718.9 million or 208.9 per cent to ₦6,977.7 million. This contrasted with the declines of ₦154.2 million or 6.4 per cent in 1988 and ₦2,101.0 million or 46.5 per cent in 1987. Rediscounts of treasury bills amounted to ₦4,403.0 million, representing a sharp rise of ₦3,928.6 million or 828.1 per cent during the year, as against the fall of ₦403.9 million or 46.0 per cent in 1988. Rediscounted NDIC-held promissory notes amounted to ₦1,716.0 million while rediscounts of State Government's promissory notes held by some financial institutions were valued at ₦199.8 million. On the other hand, the Bank's secured advances outstanding to the defunct commodity boards declined further by ₦984.7 million or 86.9 per cent to ₦148.8 million.

The external assets (net) of the Bank rose substantially during the year by ₦10,161.6 million or 310.5 per cent to ₦13,434.3 million. This contrasted with the decline of ₦1,327.4 million or 28.9 per cent in 1988, and was higher than the increase of ₦1,010.8 million or 28.2 per cent in 1987. The accretion to the Bank's foreign assets during the review period was an act of deliberate policy which was greatly aided by improved oil prices and further depreciation of the naira exchange rate. As a proportion of total assets, the Bank's holding of foreign assets was 13.9 per cent in 1989, compared with 5.3 per cent in 1988 and 11.1 per cent in 1987.

Other assets of the Bank amounted to ₦42,515.0 million, representing an increase of ₦14,770.3 million or 53.2 per cent. The rise largely reflected the exchange difference on promissory Notes Accounts.

IV.8.2 Liabilities

The currency liability of the Central Bank rose by ₦2,443.9 million or 23.9 per cent to ₦12,654.4 million, compared with the increases of 48.9 and 20.3 per cent in 1988 and 1987, respectively. The ratio of currency to total liabilities, at the end of 1989, was 14.4 per cent as against 16.6 per cent in 1988.

At ₦19,517.7 million at the end of 1989, the Bank's deposit liabilities showed a substantial increase of ₦8,780.2 million or 81.8 per cent over the end-December, 1988 level. This contrasted with the fall of ₦936.9 million or 8.0 per cent in 1988 and was higher than the increase of ₦5,783.4 million or 98.2 per cent in 1987. The increase in 1989 was accounted for largely by the Federal Government deposits with the Bank which rose by ₦6,973.1 million or 110.6 per cent to ₦13,275.7 million. Consequently, the ratio of Federal Government deposits to total deposits with the Bank rose to 68.0 per cent at the end of the year from 58.7 per cent in 1988. Similarly, State Government's deposits increased more than nine-fold to ₦784.7 million while those of government agencies increased almost two-fold to ₦3,517.0 million due largely to the transfer of their deposits from banks to the Central Bank. On the other hand, financial institutions' balances with the Bank fell as a result of the squeeze on bank liquidity arising from the withdrawal of deposits. These deposits fell by ₦637.6 million or 34.9 per cent compared with ₦17.0 million or 0.9 per cent in 1988. On the whole, the ratio of total deposits to total liabilities of the Bank increased to 22.3 per cent in 1989 from 17.4 per cent in 1988.

Capital plus reserves of the Bank rose by ₦112.0 million or 42.4 per cent to ₦443.0 million during the year, compared with increases of ₦61.0 million or 22.3 per cent in 1988 and ₦38.0 million or 16.2 per cent in 1987. Other liabilities of the Bank totalled ₦55,034.9 million at the end of the year, representing an increase of ₦14,791.5 million or 36.8 per cent over the level at the end of the preceding year. This compared with increases of ₦17,717.2 million or 78.6 per cent in 1988 and ₦7,692.0 million or 51.8 per cent in 1987. The increase in 'other' liabilities during the year under review was accounted for largely by the revaluation of the liabilities of the Bank to foreign creditors.

IV.9 COMMERCIAL BANKING

Commercial bank activities slackened somewhat in 1989 as a result of the squeeze on liquidity. At ₦64,874.2 million at the end of the year, total assets/liabilities of the banks expanded by ₦5,648.0 million or 9.5 per cent compared to the increase of ₦9,397.8 million or 18.9 per cent in 1988 and ₦10,249.6 million or 25.9 per cent in 1987. The banks' total credit to the economy fell during the year by ₦1,196.2 million or 4.5 per cent in contrast to the increase of ₦1,377.8 million or 5.5 per cent in the preceding year.

Following the withdrawal of public sector deposits from the banks in the second half of the year, accretion to deposit liabilities ceased to be their major source of funds. Thenceforth, the major source of funds was reductions in investment, especially through the rediscounting of short-term government debt instruments. The banks on the aggregate raised ₦4,150.9 million through the re-discounting of such investment. Other sources of funds during the year included other liabilities (₦5,443.8 million), paid-up capital and reserves (₦759.9 million), money at call (₦456.4 million) and inter-bank facilities, including NDIC accommodation which yielded a total of ₦765.7 million. The banks most affected by the liquidity squeeze sought for and obtained short to medium-term Central Bank facilities through a special arrangement with the NDIC. The funds raised were utilised to raise the level of "other assets" (₦6,716.3 million), expand loans and advances (₦2,169.8 million), meet the draw-down of deposits (₦1,900.2 million) and also raise inter-bank balances (₦1,159.9 million) (see Table 4.18 and Chart XIII).

The overall decline in commercial bank credit mentioned above, entirely reflected the bank's claims on the government sector. The level of such claims fell by ₦2,693.1 million or 47.0 per cent during the year. By contrast, the banks' credit to the private sector increased by ₦1,496.9 million or 7.2 per cent (see chart XIV).

The liquidity ratio of the banks which averaged 59.8 per cent monthly during the year was considerably higher than the prescribed minimum of 30 per cent. The ratio stood at above 60 per cent during most of the first half of the year, but declined in the second half, reaching a trough of 52.0 per cent in September. It rose thereafter and was 52.7 per cent in December (see Chart XV). However, contrary to the excessive bank liquidity indicated by the aggregate ratio, a number of banks had ratios well below the prescribed minimum. The cash ratio averaged 4.9 per cent for all banks and showed little change from its average in 1988. Nevertheless, a number of banks were cash strapped, especially in the second half of the year.

The net external assets of the banks rose sharply by 47.9 per

CHART XIII
COMMERCIAL BANKS' INVESTMENTS
(End of Month)

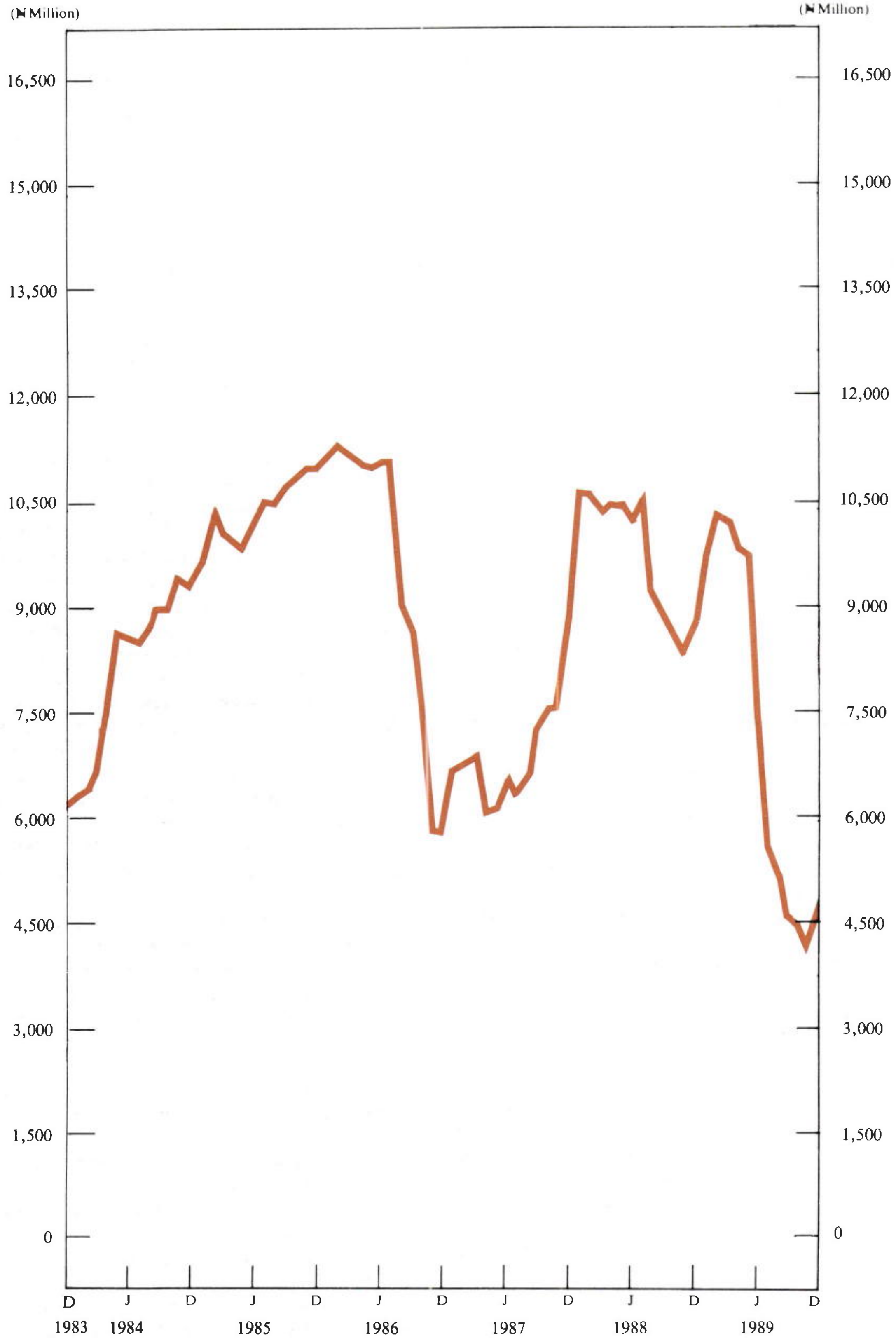


TABLE 4.18

COMMERCIAL BANKS' SOURCES AND APPLICATION OF FUNDS IN DECEMBER 1988 AND 1989

(₦ million)

	1988		*1989**	
	Source	*Application*	*Source*	*Application*
Assets				
Cash and cash items	−41.2	—	−247.1	—
Balances held with other banks	—	+2,609.7	—	+1,159.9
Loans and advances	—	+3,210.8	—	+2,169.8
Investments	—	+44.4	−4,150.9	—
Other Assets	—	+3,574.1	—	+6,716.3
Liabilities				
Capital issues, paid-up and reserves	+387.3	—	+759.9	—
Balances held for other banks	—	−523.1	+316.1	—
Money on call from other banks	+100.5	—	+456.4	—
Loans and advances from other banks	—	−46.1	+449.8	—
Deposits	+5,978.3	—	—	−1,900.2
Certificates of Deposit	—	−29.7	+122.2	—
Other Liabilities	+3,530.6	—	+5,443.8	—
Total	10,037.9	10,037.9	11,946.2	11,946.2

*Provisional

cent from ₦4,469.1 million in December 1988 to ₦6,610.9 million at the end of year, due partly to accretion to customers' balances and partly to the depreciation in the Naira exchange rate. The banks' share in total external assets of the banking system declined from 60.6 to 30.7 per cent due to the sharp rise in Central Bank holdings.

IV.9.1 Commercial Banks' Loans and Advances

At ₦22,221.3 million at the end of December, commercial banks loans and advances increased by 10.8 per cent above December 1988 level, compared with the prescribed 10 per cent ceiling for fiscal 1989. In the previous year, loans and advances grew by 19.1 per cent, compared with the target ceiling of 10.0 per cent (see Chart XVI). An adjustment of the total loans and advances for the large number of new and small banks outside the 1989 ceiling would bring the achieved credit growth well within the ceiling.

A sectoral analysis of the banks loans and advances indicated a shortfall of 4.0 percentage points in allocations to the priority sectors. The proportion of the banks' loans allocated to these sectors was 46.0 per cent as against the stipulated 50 per cent. Their performance was marginally better than the 45.5 per cent attained in the previous year. The shortfall in allocation to priority sectors entirely reflected the banks under-performance in respect of manufacturing. Allocation to agriculture averaged 15.3 per cent compared to the target of 15 per cent (see Table 4.19).

The banks complied with Central Bank guidelines as regards loans to small-scale Nigerian-owned businesses and rural areas. Loans and advances to small-scale enterprises amounted to ₦4,538.5 million and represented 20.4 per cent of total loans and advances compared to the stipulated 16 per cent. Loans to rural borrowers stood at ₦3,706.2 million or 64.9 per cent of total rural deposits compared to the prescribed proportion of 45 per cent.

IV.10 MERCHANT BANKING

Merchant banks' total assets/liabilities increased by ₦4,914.1 million or 28.6 per cent to ₦22,177.7 million, compared with the rise of ₦4,923.6 million or 40.1 per cent in 1988. On the average, however, the banks' observed liquidity ratio declined from 33.0 per cent in 1988 to 27.1 per cent in 1989, compared with the 22.5 per cent minimum stipulated for the review year.

Following the outflow in deposits (₦1,008.3 million), arising from the transfer of public sector funds from the banks to the CBN, merchant banks like the commercial banks resorted to reduction in investments (₦708.6 million), mainly government securities. Other major sources of funds included loans and advances (₦2,197.4 million) mainly in the form of Central Bank accommodation obtained through the Nigerian Deposit Insurance Corporation (NDIC), call loans from other banks (₦808.9 million) and the increase in "other" liabilities (₦2,434.5 million). These funds were utilized largely to raise the levels of loans and advances to customers (₦1,468.5 million), balances held with other banks, mainly outside Nigeria (₦1,017.6 million), and "other" assets (₦2,682.4 million) (see Table 4.20).

At ₦7,205.4 million at the end of December 1989, merchant banks' aggregate credit to the domestic economy increased by ₦622.6 million or 9.5 per cent over the level at the end of 1988, compared with the rise of ₦633.2 million or 10.6 per cent in the preceding year. The bulk of the increase recorded in the review year (₦588.6 million or 94.5 per cent) went to the private sector.

Aggregate loans and advances (excluding inter-bank loans) mainly to the private sector increased by ₦1,468.5 million or 33.2 per cent to ₦5,887.5 million compared with the increase of ₦1,144.7 million or 79.8 per cent in 1988. When the credit of ₦514.0 million granted by small banks exempted from credit ceiling was excluded, the increase in the review year narrowed to ₦954.5 million or 21.6 per cent. This, however, was significantly higher than the 10.0 per cent permissible expansion rate for the year. The rise in 1989 was attributable mainly to the high interest charges on loans due but unpaid which were added to principal loans outstanding.

As in the preceding year, the merchant banks achieved full

CHART XIV
COMMERCIAL BANKS CREDIT TO THE PRIVATE SECTOR

(End of Month)

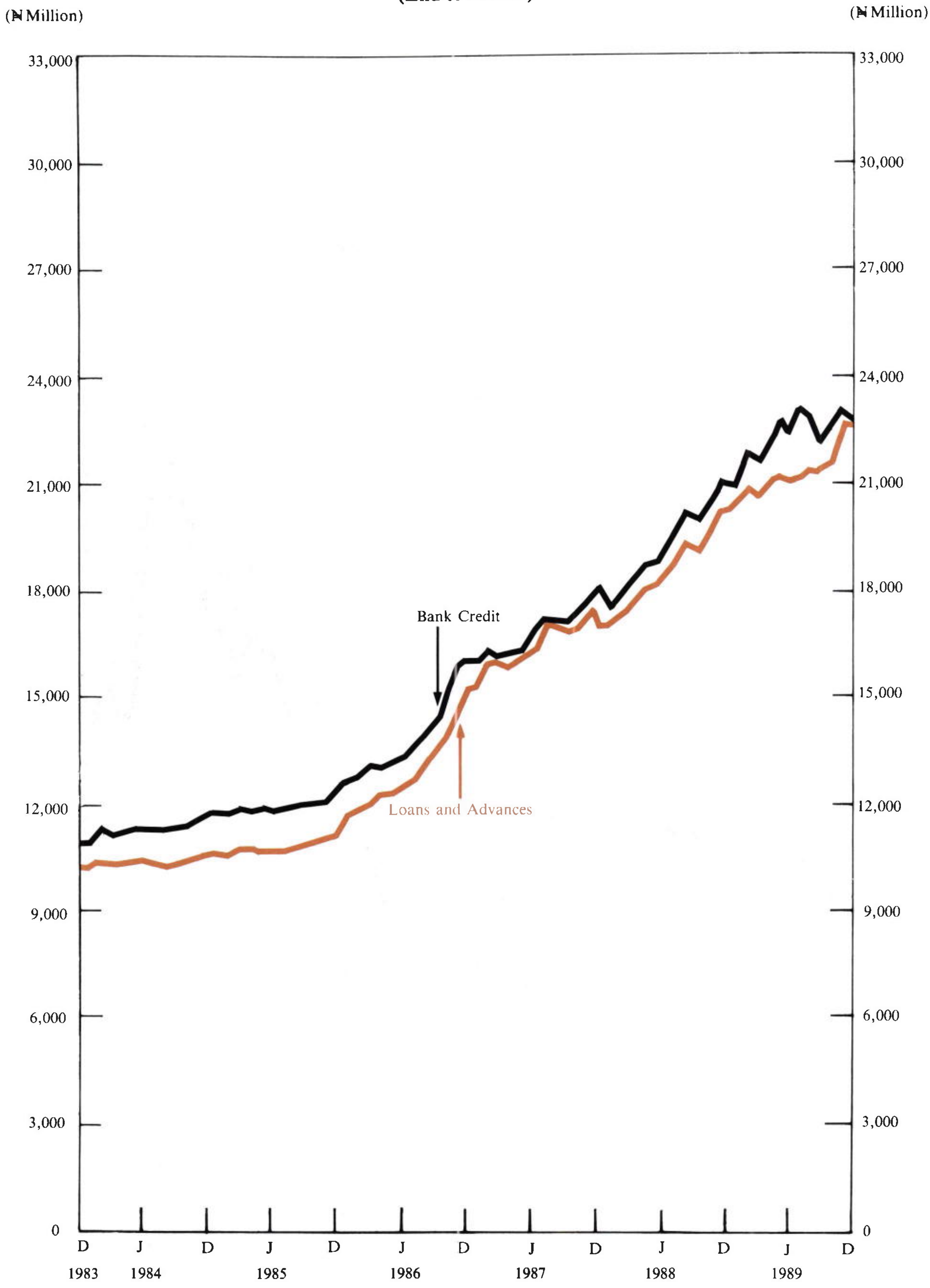


CHART XV
COMMERCIAL BANKS' LIQUIDITY

(End of Month)

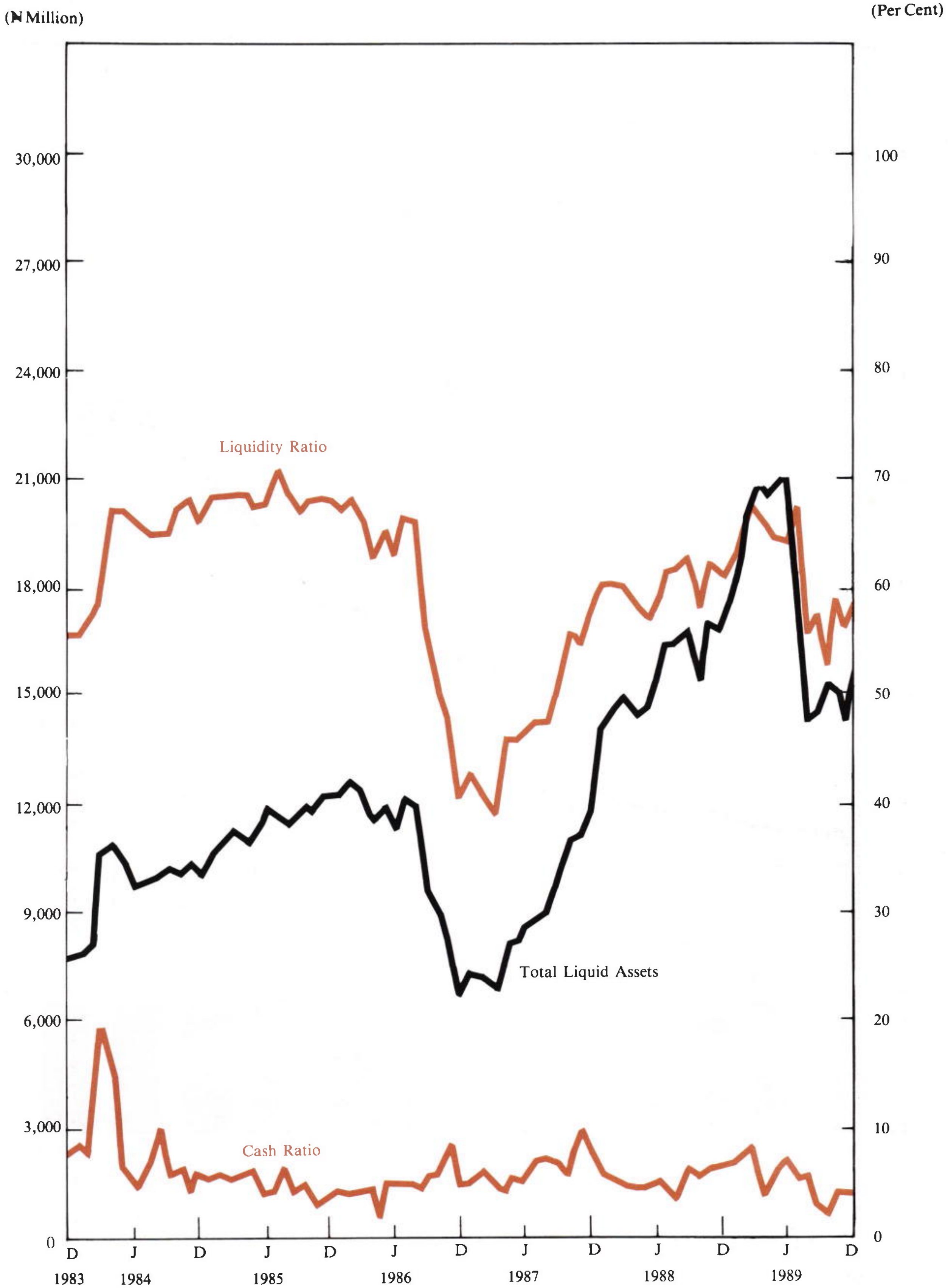


CHART XVI

COMMERCIAL BANKS' LOANS AND ADVANCES CLASSIFIED BY PURPOSE

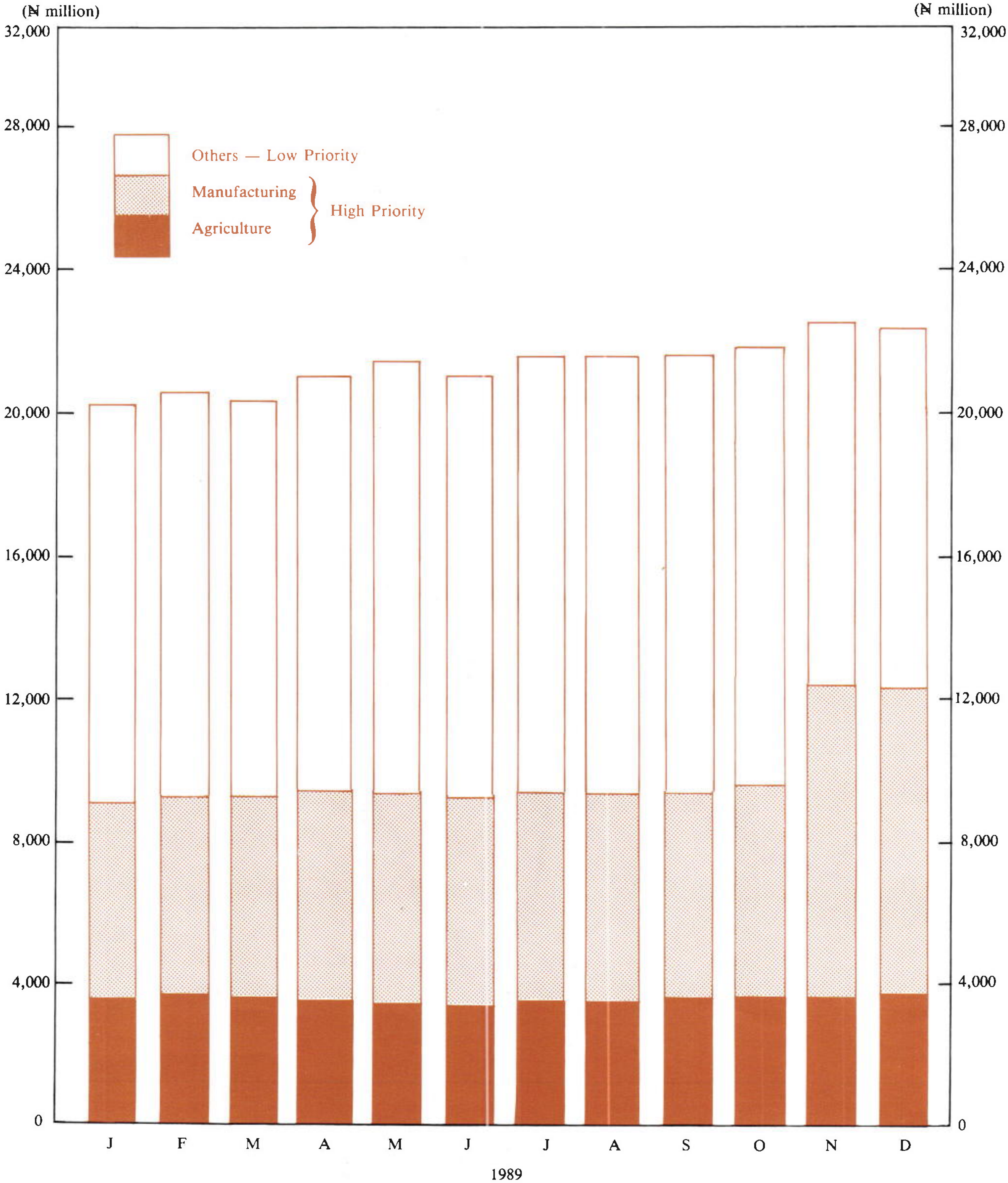


TABLE 4.19

COMMERCIAL BANKS' LOANS AND ADVANCES CLASSIFIED BY PURPOSE

(Percent)

Category of borrowers	Prescribed percentage 1988	Monthly average performance 1988	Deviation from target 1988	1989 Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Monthly average performance 1989*	Prescribed percentage 1989*	Deviation from target 1989*
A. High Priority Sectors																		
1. Agricultural Production ..	15.0	15.3	+0.3	15.8	15.8	16.0	15.0	15.0	15.0	15.0	14.6	15.3	15.2	15.2	15.6	15.3	15.0	+0.3
2. Manufacturing Enterprises	35.0	30.1	−4.9	30.2	30.4	31.0	31.0	31.0	31.0	31.0	31.1	30.4	31.0	30.0	30.0	30.7	35.0	−4.3
Total (A)	50.0	45.4	−4.6	46.0	46.2	47.0	46.0	46.0	46.0	46.0	45.7	45.7	46.2	45.2	45.6	46.0	50.0	−4.0
B. Other Sectors	50.0	54.6	+4.6	54.0	53.8	53.0	54.0	54.0	54.0	54.0	54.3	54.3	53.8	54.8	54.4	54.0	50.0	+4.0
Total (A) & (B)..........	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	100.0	—

*Provisional

TABLE 4.20

MERCHANT BANKS' SOURCES AND APPLICATION OF FUNDS

(₦ million)

	1988		*1989*	
	Source	*Application*	*Source*	*Application*
Assets				
Cash and cash items	−87.1	—	−30.9	—
Balances held with other banks	—	+1,526.2	—	+1,017.6
Loans and advances	—	+1,144.7	—	+1,468.5
Investments	—	+256.2	−708.6	—
Factored Debts	—	—	—	—
Equipment on Lease	—	+300.9	—	+539.1
Other Assets	—	+1,782.7	—	+2,628.4
Liabilities				
Capital and reserves	+218.7	—	+417.5	—
Balances held for other banks	+535.2	—	—	−32.1
Money on call	+356.2	—	+808.9	—
Loans and advances from other banks	—	−6.9	+2,197.4	—
Deposits	+1,434.6	—	—	−1,008.3
Certificates of Deposit	+363.0	—	+96.2	—
Other Liabilities	+2,022.8	—	+2,434.5	—
Total	5,017.6	5,017.6	6,694.0	6,694.0

compliance with CBN guidelines on the allocation of credit to the various sectors of the economy. On the average, for example, the merchant banks allocated 58.4 per cent of total loans to the high priority sectors (agriculture and manufacturing), compared with 58.0 per cent in 1988 and the prescribed minimum target of 50.0 per cent. Out of the allocation to the high priority sectors, the share to agriculture averaged 14.3 per cent monthly compared with the 10.0 per cent minimum prescribed while manufacturing enterprises obtained 40.5 per cent, compared with the 40.0 per cent minimum target prescribed (see Table 4.21). Allocation to manufacturing enterprises was, however, lower than the 46.3 per cent achieved in 1988. The "other" sectors, on the other hand, received the balance of 45.2 per cent compared with the target maximum of 50 per cent and 42.2 per cent achieved in 1988.

The allocation of loans and advances to small-scale enterprises stood at ₦1,251.0 million, representing 21.2 per cent of merchant banks' total loans and advances outstanding at the end of December, 1989. This was substantially higher than the prescribed minimum target of 16.0 but slightly lower than the 22.2 per cent achieved in 1988.

The maturity pattern of merchant banks' credit continued to deviate widely from CBN stipulated guidelines. Short term loans (those maturing within 12 months) totalled ₦2.6 billion and represented 52.1 per cent of total loans and advances as against the maximum of 20.0 per cent stipulated. Medium and long-term loans (those maturing in not less than three years) on the other hand, accounted for only 30.4 per cent as against the prescribed minimum of 50 per cent.

In coping with the liquidity constraints arising from the transfer of government deposits with the banks to the Central Bank during the year, the banks divested their holdings of government securities namely treasury bills, treasury certificates and development stocks. This resulted in a sharp decline in total investments by ₦708.6 million or 43.8 per cent to ₦908.4 million in 1989, in contrast to the observed increase of ₦256.2 million or 18.8 per cent achieved in 1988. Mainly as a result of the high cost of machinery and equipment the demand for equipment leasing grew steadily during the year and the banks took up more equipment on lease. Thus, at ₦1,329.2 million at the end of December 1989, the value of equipment on lease increased by ₦539.1 million or 68.2 per cent compared with the increase of 61.5 per cent recorded in the preceding year. Equipment on lease represented 6.0 per cent of the banks' total assets in 1989 compared with 4.6 per cent in 1988 and the maximum of 15.0 per cent allowed.

IV.11 OTHER FINANCIAL INSTITUTIONS

Inadequate data for the fiscal year 1989 posed a major constraint in the analysis of the operations of the development financial institutions and the insurance companies. The fragmentary data available indicated a mixed and varied trend in the operation of these institutions.

IV.11.1 Nigerian Industrial Development Bank (NIDB)

The NIDB's total assets/liabilities stood at ₦905.9 million, representing an increase of ₦111.3 million or 14.0 per cent over the level at the end of December 1988. The bank's main sources of funds in the period were borrowed funds and accretion to deposits which together contributed ₦147.1 million. The funds generated were employed to expand the bank's loan portfolio (₦53.2 million), increase cash holdings (43.3 million) and reduce outstanding liabilities by ₦35.8 million. Loan sanctions by the bank in the same period amounted to ₦123.6 million, representing a fall of ₦47.9 million in the period. The bulk of the sanctions (₦120.1 million or 97.2 per cent) were loans, while the balance of ₦3.4 million was for equity participation. The sanctions were distributed widely among the various industrial classes including hotel and tourism. However, the largest single sanction amounting to ₦72.6

TABLE 4.21

MERCHANT BANKS' LOANS AND ADVANCES CLASSIFIED BY PURPOSE

Category of borrowers	*Prescribed percentage* 1988	*Monthly average performance* 1988	*Deviation from target* 1988	*1989* *Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*Jun.*	*Jul.*	*Aug.*	*Sep.*	*Oct.*	*Nov.*	*Dec.*	*Monthly average performance* 1989	*Prescribed percentage* 1989	*Deviation from target* 1989
A. High Priority Sectors																		
1. Agricultural Production . . .	10.0	11.5	+1.5	13.0	13.3	13.8	13.4	15.3	15.9	14.6	14.5	15.0	15.0	14.0	13.8	14.3	10.0	+4.3
2. Manufacturing Enterprises	40.0	46.3	+6.3	41.0	39.6	40.0	41.0	38.9	39.6	38.2	40.3	41.4	42.0	41.1	42.8	40.5	40.0	+0.5
Total (A)	50.0	57.8	+7.8	54.0	52.9	53.8	54.4	54.2	55.5	52.8	54.8	56.4	57.0	55.1	56.6	54.8	50.0	+4.8
B. Other Sectors	50.0	42.2	−7.8	46.0	47.1	46.2	45.6	45.8	44.5	47.2	45.2	43.6	43.0	44.9	43.4	45.2	50.0	−4.8
Total (A) & (B)	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	100.0	—

TABLE 4.22

SECTORAL DISTRIBUTION OF NIDB SANCTIONS, JANUARY—DECEMBER 1989

(Amount in ₦'000)

No. Sub-sectors	No. of Sanctions (Projects)	Total Cost of Projects	NIDB Equity	Participation Loan	Participation Total	% of Project Cost	% of Total Sanctions
1. Foods	3	20,983.2	—	13,742.9	13,742.9	65.5	11.1
2. Beverages	1	14,960.0	2,268.0	1,498.0	3,766.0	25.2	3.0
3. Textiles	1	6,751.0	—	4,500.0	4,500.0	66.7	3.6
4. Footwear and Leather Products	—	—	—	—	—	—	—
5. Wood Products and Furniture	—	—	—	—	—	—	—
6. Paper products	1	9,171.0	—	6,017.0	6,017.0	65.6	4.9
7. Chemical and Petrochemical Products	4	15,462.1	—	9,069.5	9,069.5	58.7	7.5
8. Rubber Products	—	—	—	—	—	—	—
9. Cement	—	—	—	—	—	—	—
10. Glass, Clay and Stone Products	—	—	—	—	—	—	—
11. Iron & Steel	—	—	—	—	—	—	—
12. Metal Fabrication	3	238,686.7	—	72,598.0	72,598.0	30.4	58.7
13. Electronics and Electrical Appliances	—	—	—	—	—	—	—
14. Transport Equipment	—	—	—	—	—	—	—
15. Mining and Quarrying	1	8,558.0	—	5,735.0	5,735.0	67.0	4.6
16. Hotel and Tourism	1	21,425.0	1,177.0	3,929.0	5,106.0	23.8	4.1
17. Miscellaneous	1	4,710.0	—	3,036.0	3,036.0	64.5	2.5
TOTAL	16	340,707.0	3,445.0	120,125.4	123,570.4	36.3	100.0

Source: Nigerian Industrial Development Bank.

million or 58.7 per cent was given to the metal fabricating category (see Table 4.22).

IV.11.2 Nigerian Bank for Commerce and Industry (NBCI)

The total assets/liabilities of the Nigerian bank for Commerce and Industry stood at ₦527.5 million at the end of September 1989, reflecting a decrease of ₦44.9 million of 7.8 per cent over the December 1988 level. The main sources of fund to the NBCI were the reduction of ₦123.7 million in investments and the increase of ₦48.0 million in borrowed funds. Other sources included declines in the levels of call money and cash balances and an increase in deposits. These funds were utilized mainly to increase loans and advances as well as reduce other liabilities.

As at end-December 1989, total investment approvals by the bank amounted to ₦878.6 million for 760 projects as against ₦697.0 million for 686 projects at the end of 1988. A sectoral breakdown of the bank's total sanctions showed that the largest allocation was to the food and beverages sub-sector which was granted ₦313.4 million or 35.7 per cent of the total. Approvals for other manufactured products amounted to ₦157.4 million or 17.9 per cent while the non-metallic mineral

TABLE 4.23

NIGERIAN BANK FOR COMMERCE AND INDUSTRY SUMMARY OF INVESTMENT APPROVALS ON SECTORAL BASES

(₦'000)

Sector	As at end Dec. 1988		As at end Dec. 1989		Change between (2) and (4)		Percentage share of Total	
	No. of Projects (1)	Total Approvals (2)	No. of Projects (3)	Total Approvals (4)	Absolute (5)	Per cent (6)	Dec. 1988 (5)	Dec. 1989 (6)
1. Food and Beverages	236	246,128.6	267	313,447.6	+67,319.0	+27.4	35.3	35.7
2. Tourism, Hotels & Entertainment	27	33,694.0	27	33,694.0	0.0	0.0	4.8	3.8
3. Iron & Steel Basic Indurtries	17	26,862.0	24	46,639.0	+19,777.0	+73.6	3.9	5.3
4. Non-metallic Mineral Products	60	119,392.0	64	130,797.4	+11,405.2	+9.6	17.1	14.9
5. Electronic & Electrical Appliances	4	1,225.0	4	1,225.0	0.0	0.0	0.2	0.1
6. Transport	21	12,143.5	21	12,143.5	0.0	0.0	1.7	1.4
7. Wood & Wooden Products	36	34,758.7	35	34,758.7	0.0	0.0	5.0	4.0
8. Textiles	21	20,188.0	24	23,536.0	+3,348.0	+16.6	2.9	2.7
9. Machinery & Basic Metals	35	43,026.8	38	54,188.8	+11,162.0	+25.9	6.2	6.2
10. Pulp & Pulp Products	20	19,760.5	24	31,873.5	+12,113.0	+61.3	2.8	3.6
11. Other Manufactured Products	113	103,535.0	131	157,376.6	+53,841.6	+52.0	14.9	17.9
12. Other Services	96	36,321.9	101	38,946.9	+2,625.0	+7.2	5.2	4.4
TOTAL	686	697,036.2	760	878,627.0	+181,590.8	+26.1	100.0	100.0

Source: Nigerian Bank for Commerce and Industry.

TABLE 4.24

NIGERIAN AGRICULTURAL AND CO-OPERATIVE BANK SECTORAL ALLOCATION OF LOANS AND INVESTMENTS OUTSTANDING

Sectors	December 1988 (1) No. of Projects	December 1988 (1) Amount (₦ million)	December 1988 (1) % of total	June 1989 (2) No. of Projects	June 1989 (2) Amount (₦ million)	June 1989 (2) % of total	Changes between (1) and (2) Absolute	Changes between (1) and (2) Per cent
(A) Loans and Advances	31,106	430.1	100.0	31,348	476.0	100.0	+45.9	+10.7
Animal Husbandry	230	24.3	5.7	244	25.3	5.3	+1.0	+4.1
Food Crops	28,672	201.5	46.9	28,729	206.5	43.4	+5.0	+2.5
Other Crops	406	82.2	19.1	414	836.0	17.5	+1.4	+1.7
Fishery	43	18.6	4.3	63	21.4	4.5	+2.8	+15.1
Poultry	438	40.2	9.3	438	40.2	8.5	—	—
Others	1,317	63.3	14.7	1,462	99.3	20.9	+36.0	+56.9
(B) Investments	3	1.0	100.0					
Other Crops	2	0.6	60.0					
Fishery	1	0.4	40.0					
TOTAL (A and B)	31,109	431.1	—	31				

products sub-sector was granted ₦130.8 million or 14.9 per cent of total sanctions. The balance of ₦277.0 million was shared by the other sub-sectors (see Table 4.23).

IV.11.3 Nigerian Agricultural and Co-operative Bank (NACB)

The total assets/liabilities of the NACB at the end of September 1989 stood at ₦698.9 million, representing a marginal decline of ₦4.6 million or 0.7 per cent relative to the end-December 1988 level. The bank's outstanding loans and advances at the end of June 1989 amounted to ₦476.0 million, an increase of ₦45.9 million or 10.7 per cent over the December 1988 level. Loans to producers of food crops accounted for ₦206.5 million or 43.3 per cent while ₦83.6 million or 17.5 per cent of the outstanding facilities represented claims against other crop producers. Poultry and animal husbandry accounted for ₦40.2 and ₦25.3 million, respectively, while the fishery producers accounted for ₦21.4 million or 4.5 per cent of the total outstanding loans (see Table 4.24).

The distribution of loans by category of borrowers showed that individual borrowers, numbering 29,514 accounted for the largest single share of 35.7 per cent (₦147.1 million). Other borrowers included state governments (₦60.6 million or 14.7 per cent), companies (₦25.3 million or 6.1 per cent), statutory corporations (₦57.1 million or 13.8 per cent), co-operatives (₦22.2 million or 5.4 per cent) and "others" (₦100.2 million or 24.3 per cent) (see Table 4.25).

IV.11.4 Federal Mortgage Bank (FMB)

Total assets/liabilities of the Federal Mortgate Bank at the end of June 1989 stood at ₦845.2 million, having risen by ₦36.0 million or 4.4 per cent above the end-December 1988 level. The main sources of funds in the period were deposits and additions to capital and reserves. These contributed ₦26.3 million and ₦12.5 million, respectively in the period. The funds raised were employed in new mortgage loans amounting to ₦30.5 million and other investments of ₦7.9 million.

Total mortgage loans approved for the first nine months of 1989 amounted to ₦30.1 million while the disbursements totalled ₦24.4 million. In the corresponding period of 1988, approvals and disbursements amounted to ₦24.8 and ₦19.6 million, respectively. Loans and advances oustanding at the end of June 1989 totalled ₦637.1 million, representing an increase of ₦30.5 million or 5.0 per cent over the level at the end of December 1988.

Savings outstanding with the Federal Morgate Bank at the end of June 1989 totalled ₦215.2 million, representing an increase of ₦28.0 million or 15.0 per cent over the level at the end of 1988. Of the amount outstanding in 1989, popular savings accounted for ₦154.0 million or 71.6 per cent of total while the balance was accounted for by the other types of deposit.

IV.11.5 Insurance Companies

The data analysed below are based on returns from 78 of the

TABLE 4.25

NIGERIAN AGRICULTURAL AND CO-OPERATIVE BANK LOANS AND INVESTMENT OUTSTANDING BY CATEGORY OF BORROWERS

Category of Borrowers	December 1988 No. of borrowers	December 1988 Amount (₦ million)	December 1988 % of total	June 1989 No. of Borrowers	June 1989 Amount (₦ million)	June 1989 % of total
Individuals	29,280	123.2	28.7	29,514	147.1	35.7
Co-operatives	82	22.1	5.1	83	22.2	5.4
Companies	362	85.7	19.9	87	25.3	6.1
Statutory Corporations	55	54.1	12.6	56	57.1	13.8
State Governments	22	44.8	10.4	23	60.6	14.7
Others	1,305	100.2	23.3	1,305	100.2	24.3
Total	31,106	430.1	100.0	31,068	412.5	100.0

TABLE 4.26

SECTORAL DISTRIBUTION OF INSURANCE COMPANIES' LOANS AND ADVANCES AND INVESTMENT OUTSTANDING

Sectors	September 1988		December 1988		September 1989	
	Amount (₦ million)[1]	Percentage share of total	Amount (₦ million)	Percentage share of total	Amount (₦ million)	Percentage share of total
(A) Loans and Advances	182.0	100.0	168.1	100.0	179.0	100.0
(i) Agricultural Production	0.1	0.1	0.1	0.1	0.1	0.1
(ii) Agro-Allied Industries	0.1	0.1	0.1	0.1	0.1	0.1
(iii) Building Construction/Mortgage Loans	100.8	55.4	96.3	57.3	95.9	53.6
(a) Staff	(14.0)	(7.7)	(13.7)	(8.2)	(15.8)	(8.8)
(b) Policy Holders	(15.8)	(8.7)	(17.7)	(10.5)	(17.6)	(9.8)
(iv) Manufacturing	4.9	2.7	4.1	2.4	4.5	2.5
(v) General Commerce	25.3	13.9	5.5	3.3	9.6	5.4
(vi) Services	2.4	1.3	7.9	4.7	1.6	0.8
(vii) Others including Consumption loans for Policy Holders and Staff	48.2	26.5	54.0	32.1	67.2	37.5
(B) Investment	1,229.1	100.0	521.4	100.0	1,581.1	100.0
(i) Public Sector	861.9	70.1	232.0	44.5	1,156.5	73.1
(a) Federal Government Securities	(237.6)	(19.3)	(200.0)	(38.3)	(306.1)	(19.3)
(b) State Government Securities	(15.2)	(1.2)	(16.0)	(3.1)	(21.9)	(1.4)
(c) Others	(609.1)	(49.6)	(16.0)	(3.1)	(828.5)	(52.4)
(ii) Private Sector	367.2	(29.9)	289.4	55.5	424.6	26.9
(a) Debentures	(150.6)	(12.3)	(137.3)	(26.3)	(170.0)	(10.8)
(b) Equity	(135.8)	(11.0)	(71.1)	(13.7)	(139.9)	(8.8)
(c) Others	(80.8)	(6.6)	(81.0)	(15.5)	(114.7)	(7.3)
Number of Registered Insurance Companies	87	100.0	87	100.0	87	100.0
Number of Insurance Companies that reported	78	89.7	73	84.0	78	90.0
Number of Insurance Companies that failed to report	9	10.3	14	16.0	9	10.0

[1] Revised

Source: Returns from various Insurance Companies.

87 insurance companies in operation and cover the period up to September 1989. The data indicated a marked increase in the rate of financial intermediation by the insurance industry. During the review period, insurance funds accruing to the reporting companies totalled ₦1,364.8 million out of which life insurance funds accounted for ₦940.7 million or 68.9 per cent. Non-life insurance policies accounted for ₦424.1 million or 31.1 per cent. The total gross premium income during the same period stood at ₦1,310.8 million or 28.4 per cent of the total liabilities of ₦4,611.8 million. The funds were used mainly for loans and investments.

At ₦1,581.1 million, the industry's aggregate investment increased by ₦1,059.7 million or 203.2 per cent over the level in December 1988, compared with the increase of ₦65.7 million or 14.4 per cent in the corresponding period of the previous year. Investment in government securities accounted for ₦1,156.5 million or 73.1 per cent of the industry's total, while private sector investment accounted for the balance of ₦424.6 million or 26.9 per cent.

The industry's aggregate loans and advances however declined to ₦179.0 million from ₦182.0 million in the corresponding period of the previous year. The sectoral distribution of loans indicated that mortgage loans accounted for ₦95.9 million or 53.6 per cent while the category "others", which includes consumption loans to policy holders and insurance company employees accounted for ₦67.2 million or 37.2 per cent. Loans to manufacturing, commerce, services and agriculture accounted for ₦4.5, ₦9.6, ₦1.6 and ₦0.1 million, respecitvely (see Table 4.26).

IV.11.6 The People's Bank of Nigeria

The People's Bank commenced operation on a pilot basis in October, 1989 with an initial allocation of ₦30.0 million from the Federal Government. By year end, the bank had established 20 branches, each with six satellite centres in nine States – Benue, Cross River, Rivers, Niger, Kano, Sokoto, Lagos, Anambra and Oyo. The bank had also disbursed ₦5.69 million as short-term loans to 8,007 beneficiaries. The bank reported successes with repayment as loans were being repaid ahead of schedule. Total repayment in the two month period amounted to ₦251,331.3 or 113.2 per cent of the amounts due.

CHAPTER V

V. PUBLIC FINANCE

Government revenue was relatively buoyant in 1989, boosted largely by higher crude oil prices and the depreciation of the naira exchange rate. Federally-collected revenue increased substantially. For the first time, a stabilisation fund was created to sterilise oil revenue in excess of $16 per barrel of crude oil. Following improved revenue out-turn, all the three-tiers of government received higher statutory allocations from the Federation Account.

However, the fiscal operations of the Federal Government resulted in a slightly higher overall deficit compared with the preceding year largely as a result of higher expansion in expenditure. The factors responsible for the growth in total expenditure included debt service payments on both internal and external debt obligations and extra-budgetary outlays such as the SAP relief measures which were introduced in June 1989. The combined fiscal operations of the State Governments resulted in a higher overall deficit compared with the preceding year. The deficits were financed by borrowing from internal and external sources.

V.1 FEDERAL GOVERNMENT FINANCES

Provisional figures indicate that the fiscal operations of the Federal Government resulted in a higher overall deficit of ₦15,266.1 million compared with ₦12,160.9 and ₦5,889.1 million in 1988 and 1987, respectively. Although the absolute size of overall deficit was higher than the level in the preceding year, the overall deficit/GDP ratio declined from 8.0 per cent in 1988 to 6.2 per cent – much below the SAP target of 8.1 per cent.

The retained revenue of the Federal Government totalled ₦25,762.2 million and was ₦10,173.6 million or 65.3 per cent and ₦9,633.2 million or 59.7 per cent higher than their levels in 1988 and 1987, respectively. The retained revenue comprised ₦18,752.1 million statutory allocations from the Federation Account, ₦6,000.0 million drawing from the stabilisation fund and ₦1,010.1 million from independent sources. The recurrent and capital expenditure of the Federal Government totalled ₦41,028.3 million. This represented increases of ₦13,278.8 million or 47.8 per cent and ₦19,009.6 million or 86.3 per cent over their levels in 1988 and 1987, respectively (see Table 5.1).

Both internal and external financial resources were mobilised in financing the budgetary gap. A sum of ₦9,547.1 million was raised from domestic sources, mainly the draw-down on "other funds" while ₦5,719.0 million was realised from draw-down on project-tied external loans. The domestic debt outstanding stood at ₦47,051.1 million compared with ₦47,031.1 and ₦36,790.6 million in 1988 and 1987, respectively, while the external debt outstanding amounted to ₦179,698.1 million compared with ₦111,706.4 million in 1988. The increase in external debt outstanding resulted largely from draw-down on external loans, depreciation of the value of the naira and capitalised unpaid interest charges on rescheduled external debt obligations.

V.1.1 Current Revenue

Favourable developments in the international oil market reinforced the dominance of the petroleum sector as the main source of foreign exchange earnings and government revenue. At ₦50,272.1 million, total federally-collected revenue increased by ₦22,961.3 million or 84.1 per cent and ₦25,172.3 million or 100.3 per cent over the gross receipts in 1988 and 1987, respectively. This buoyant revenue out-turn was accounted for by the upward movement in the world price of crude oil and the depreciation in the value of the naira. Revenue from the oil sector almost doubled from ₦20,933.8 million in 1988 to ₦41,334.4 million and accounted for 82.2 per cent of the total receipts compared with 76.7 per cent in the preceding fiscal year. Receipts from non-oil sources also increased in absolute terms from ₦6,377.0 million in 1988 to ₦8,937.7 million although its relative contribution declined from 23.3 to 17.8 per cent of gross receipts (see Table 5.2 and Chart XVII).

An analysis of the major revenue sources showed that receipts from petroleum profit tax increased by ₦11,665.2 million or 93.3 per cent to ₦24,161.7 million and accounted for 58.6 per cent of revenue from oil sector and 48.1 per cent of the gross receipts. Rents, royalties and NNPC earnings

TABLE 5.1
SUMMARY OF FEDERAL GOVERNMENT'S FINANCES
(₦ million)

	1987[1]	1988[2]	1989[2]
Revenue			
Total Federally-Collected Revenue	25,099.8	27,310.8	50,272.1
Less: Independent Revenue	407.6	540.5	1,010.1
Federation Account	**24,692.2**	**26,770.3**	**49,262.0**
(a) Gross Stabilization Fund	—	—	14,586.2
(b) Total Statutory Allocations	24,692.2	26,770.3	34,675.8
Federal Retained Revenue	**16,129.0**	**15,588.6**	**25,762.2**
(a) Share of Federation Account	14,551.4	15,046.4	18,752.1
(b) Independent Revenue	407.6	540.5	1,010.1
(c) Share of Stabilization Fund	—	—	6,000.0
(d) N.E.R.F.	1,170.0	1.7	—
Total Expenditure	**22,018.7**	**27,749.5**	**41,028.3**
Recurrent Expenditure	15,646.2	19,409.4	25,994.2
Capital Expenditure[3]	6,372.5	8,340.1	15,034.1
Balance of Revenue and Expenditure			
Current Surplus(+)/Deficit(−)	483.4	−3,820.8	−232.0
Overall Deficit	−5,889.1	−12,160.9	−15,266.1
Financing			
External Loans	832.7[4]	1,918.7[4]	5,719.0[4]
Internal Loans of which:	8,339.4[5]	10,240.5	20.0
(i) Banking System	4,747.8	7,773.9	−3,172.2
(a) Central Bank	(1,475.6)	(9,156.7)	(+800.8)
(b) Commercial Banks	(3,141.6)	(−1,335.3)	(−3,886.5)
(c) Merchant Banks	(130.6)	(−47.5)	(−87.5)
(ii) Non-Bank Public	3,591.6	2,466.6	(3,193.2)
Other Funds[6]	−3,283.0	1.7	9,527.1

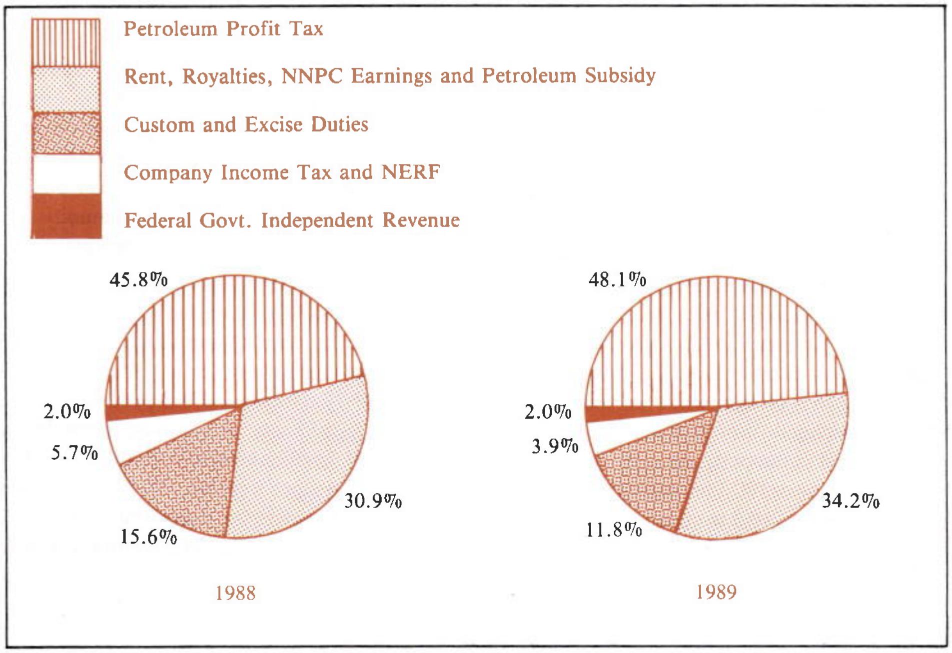
[1] Actual. [2] Provisional.
[3] Less Loans On-Lent to States.
[4] Drawdown of External Loans.
[5] Includes ₦3,750.0 million treasury bills special issue as Provision for liquidation of Ways and Means Advances outstanding at the end of 1986.
[6] Include Special and Trust Funds; used here as a balancing item. Minus (−) denotes increase, plus (+) denotes decrease.
Sources: Federal Ministry of Finance and Economic Development and Central Bank of Nigeria.

TABLE 5.2
CURRENT REVENUE OF THE FEDERAL GOVERNMENT
(₦ million)

	1987[1] (1)	1988[1] (2)	1989[2] (3)	*Percentage change between* (1) & (2) (4)	(2) & (3) (5)	*As percentage of total* 1987 (6)	1988 (7)	1989 (8)
Oil Revenue	**19,027.0**	**20,933.8**	**41,334.4**	**10.2**	**97.5**	**75.8**	**76.7**	**82.2**
Petroleum Profit Tax	12,504.0	12,496.5	24,161.7	0.0	93.3	49.8	45.8	48.1
Rent, Royalties and NNPC Earnings	6,242.2	8,435.6	17,172.7	35.1	103.6	24.9	30.9	34.1
National Economic Recovery Fund (NERF)	280.8	1.7	—	99.4	—	1.1	—	—
Non-Oil Revenue	**6,072.8**	**6,377.0**	**8,937.7**	**5.0**	**40.2**	**24.2**	**23.3**	**17.8**
Company Income Tax	1,235.2	1,572.4	1,977.4	27.3	25.8	5.0	5.8	4.0
Customs and Excise Duties	3,540.8	4,264.1	5,950.2	20.4	39.5	14.1	15.6	11.8
NERF (Non-Oil)	889.2	—	—	—	—	3.5	—	—
Federal Govt. Independent Revenue[3]	407.6	540.5	1,010.1	32.6	86.9	1.6	1.9	2.0
Total Federally-Collected Revenue	**25,099.8**	**27,310.8**	**50,272.1**	**8.8**	**84.0**	**100.0**	**100.0**	**100.0**
Less:								
Statutory Allocations to States, Local Governments & Others[4]	8,970.2	11,722.2	14,258.0	30.7	25.4	—	—	—
Transfers to Stabilisation Fund	—	—	14,586.2	—	—	—	—	—
Federal Government Retained Revenue	16,129.6	15,588.6	25,762.2	3.4	65.3	—	—	—

[1] Actual [2] Provisional
[3] Comprises sources of revenue within jurisdiction of the Federal Board of Inland Revenue and deductions due to loans from the States and Local Governments.
[4] Net Statutory Allocations.
Sources: (1) Official Gazettes of the Federal Republic of Nigeria,
(2) Central Bank of Nigeria, and
(3) Federal Inland Revenue Department.

CHART XVII
DISTRIBUTION OF CURRENT REVENUE
(Percentage)



totalled ₦17,172.7 million compared with ₦8,435.6 million in 1988 and accounted for 41.1 per cent of revenue from the oil sector and 34.1 per cent of the gross receipts.

In the non-oil sector, revenue from customers and excise duties increased from ₦4,264.1 million in 1988 to ₦5,950.2 million and accounted for 11.8 per cent of the gross receipts compared with 15.6 per cent in 1988. Company income tax stood at ₦1,977.4 million, showing an increase of ₦405.0 million or 25.6 per cent over the receipt in 1988. Revenue from the independent sources of the Federal Government amounted to ₦1,010.1 million compared with ₦540.5 million in 1988.

Of the total federally-collected revenue, ₦49,262.0 million was paid into the Federation Account while the balance of ₦1,010.1 million accrued to the Federal Government as revenue from independent sources. The Federal Government decided that not all revenue in the Federation Account would be distributed among the three tiers of government and that oil receipts in excess of $16 per barrel of crude oil would be sterilised in a stabilisation fund. At the end of December 1989, ₦14,586.2 million, representing 29.6 per cent of the Federation Account, was credited into the stabilisation fund while ₦34,675.8 million was distributed among the three tiers of government. In accordance with the existing statutory revenue allocation formula, the Federal Government received ₦18,752.1 million, compared with ₦15,046.4 and ₦14,551.4 million in 1988 and 1987, respectively. The States and local governments were allocated gross revenue of ₦11,080.6 and ₦3,409.4 million compared with ₦8,332.7 and ₦2,727.1 milion in 1988 and 1987, respectively. A sum of ₦1,433.7 million was provided for the amelioration of ecological problems and the development of mineral producing areas compared with ₦579.2 million in 1988. With the addition of ₦6,000.0 million, representing drawings from the stabilisation fund, to its statutory allocation and independent revenue, the Federal Government retained revenue amounted to ₦25,762.2 million compared with ₦15,588.6 million in 1988.

V.1.2 Total Expenditure[1]

At ₦41,028.3 million, provisional data on Federal Government's total expenditure showed increases of ₦13,278.8 million or 47.8 per cent and ₦19,009.6 million or 86.3 per cent over the levels in 1988 and 1987, respectively. However, the expenditure was lower by ₦2,221.7 million or 5.1 per cent than the revised budget estimate of ₦43,250.0 million for the year. Although total expenditure increased in absolute terms over the level in 1988, its size as a proportion of gross domestic product declined to 16.7 per cent from 18.3 and 20.0 per cent in 1988 and 1987, respectively.

A break-down of the expenditure into debt service charges and non-debt expenditure showed that the former increased from ₦11,445.5 million in 1988 to ₦19,308.1 million and accounted for 47.1 per cent of the total expenditure as against 41.3 per cent in 1988. Debt service/retained revenue ratio increased from 73.4 to 74.9 per cent. Non-debt expenditure increased in absolute terms from ₦16,304.0 to ₦21,720.2 million while its share of total expenditure fell from 58.7 per cent in 1988 to 52.9 per cent.

[1] Actual data on the recurrent and capital expenditure were not available at the time of preparing this Report. However, provisional figures of recurrent and capital expenditure were derived largely from warrant releases, draw-down on external loans and public sector credit accommodation.

(a) Recurrent Expenditure

At ₦25,994.2 million, the recurrent expenditure of the Federal Government was ₦6,584.8 million or 33.9 per cent and ₦10,348.0 million or 66.1 per cent higher than the levels in 1988 and 1987, respectively. Of the expenditure, outlay on transfer payments, (i.e. debt service charges on domestic and external debt obligations, pensions and gratuities, etc.), accounted for 54.1 per cent while administration, social and community services and economic services absorbed 24.1, 16.3 and 5.5 per cent, respectively.

Outlay on transfer payments at ₦14,074.6 million, increased by ₦3,778.4 million or 36.7 per cent and ₦6,036.6 million or 28.1 per cent over the levels in 1988 and 1987, respectively. Interest payments on domestic and external debt obligations amounted to ₦13,273.7 million and accounted for 94.3 and 51.1 per cent of the transfer payments and recurrent expenditure, respectively. Outlay on administration increased from ₦5,777.8 million in 1988 to ₦6,270.5 million while its share of the recurrent expenditure declined from 29.8 to 24.1 per cent. Expenditure on social and community services at ₦4,230.1 million, was ₦2,115.9 million or 100.1 per cent higher than the level in 1988 while it absorbed 16.3 per cent of the recurrent expenditure as against 10.9 per cent in 1988. Outlay on economic services amounted to ₦1,419.0 million, representing increases of ₦197.8 million or 16.2 per cent and ₦326.1 million or 29.8 per cent over the levels in 1988 and 1987, respectively. The share of economic services in recurrent expenditure declined from 6.3 to 5.5 per cent (see Table 5.3 and Chart XVIII).

(b) Capital Expenditure

The capital expenditure of the Federal Government, at ₦15,034.1 million rose by ₦6,694.0 million or 80.3 per cent and ₦8,661.6 million or 135.9 per cent over the levels in 1988 and 1987, respectively. Outlay on transfer payments accounted for 47.4 per cent while expenditure on economic services, administration and social and community services absorbed 22.9, 17.4 and 12.3 per cent, respectively.

Transfer payments almost tripled from ₦2,586.8 million in 1988 to ₦7,133.5 million due largely to the increase in capital repayment on external loan which rose from ₦1,972.3 million in 1988 to ₦5,904.4 million and accounted for 82.8 per cent of the transfer payments and 39.2 per cent of capital expenditure. Capital repayments on domestic debts declined marginally from ₦134.5 million to ₦130.0 million. Expenditure on economic services increased from ₦2,128.7 million to ₦3,438.3 million while its share in capital expenditure fell from 25.5 to 22.9 per cent. Outlay on administration stood at ₦2,617.5 million compared with ₦1,898.6 million in 1988 and accounted for 17.4 and 22.8 per cent of capital expenditure in 1989 and 1988, respectively (see Table 5.4).

TABLE 5.3
RECURRENT EXPENDITURE OF THE FEDERAL GOVERNMENT
(₦ million)

	1987[1] (1)	1988[2] (2)	1989[2] (3)	Percentage change between (1) & (2) (4)	Percentage change between (2) & (3) (5)	Percentage Share of total 1987 (6)	Percentage Share of total 1988 (7)	Percentage Share of total 1989 (8)
Administration	**6,046.3**	**5,777.8**	**6,270.5**	**−4.4**	**8.5**	**38.6**	**29.8**	**24.1**
General Administration	2,972.5	3,559.2	3,718.4	19.7	4.5	19.0	18.3	14.3
Defence	1,973.1	1,340.4	1,680.5	−32.1	25.4	12.6	6.9	6.5
Internal Security	1,100.7	878.2	871.6	20.2	−0.8	7.0	4.5	3.3
Economic Services	**1,092.9**	**1,221.2**	**1,419.0**	**11.7**	**16.2**	**7.0**	**6.3**	**5.5**
Agriculture	72.6	83.0	151.8	14.3	82.9	0.5	0.4	0.6
Construction	643.6	693.6	491.0	7.8	−29.2	4.1	3.6	1.9
Transport & Communications	284.1	227.2	295.2	−20.0	29.9	1.8	1.2	1.1
Others	92.6	217.4	481.0	134.8	121.3	0.6	1.1	1.9
Social & Community Services	**469.0**	**2,114.2**	**4,230.1**	**350.8**	**100.1**	**3.0**	**10.9**	**16.3**
Education	354.1	1,458.8	3,011.8	312.1	106.5	2.3	7.5	11.6
Health	65.0	422.8	575.3	550.5	36.1	0.4	2.2	2.2
Others	49.9	232.6	643.0	373.7	176.4	0.3	1.2	2.5
Transfers	**8,038.0**	**10,296.2**	**14,074.6**	**28.1**	**36.7**	**51.4**	**53.0**	**54.1**
Public Debt Charges	6,181.4	9,238.7	13,273.7	49.5	43.7	39.5	47.6	51.0
(i) Internal	(3,815.6)	(4,204.4)	(6,015.0)	10.2	43.1	(24.4)	(21.7)	(23.1)
(ii) External	(2,365.8)	(5,034.3)	(7,258.7)	112.8	44.2	(15.1)	(25.9)	(27.9)
Pension & Gratuities	147.9	961.4	700.6	550.0	−27.1	1.0	4.9	2.7
Non-Statutory Appropriation	—	—	—	—	—	—	—	—
Grants and Subventions	1,628.7	—	—	—	—	10.4	—	—
Contingencies	—	—	—	—	—	—	—	—
Consolidated Revenue Fund Charges	—	—	—	—	—	—	—	—
Others	80.0	96.1	100.3	20.1	4.4	0.5	0.5	0.4
Total Recurrent Expenditure	15,646.2	19,409.4	25,994.2	24.1	33.9	100.0	100.0	100.0

[1] Actual
[2] Provisional

Sources: (1) Official Gazettes of the Federal Republic of Nigeria.
(2) Compiled from General Warrant Releases obtained from Federal Ministry of Finance and Economic Development.

CHART XVIII
DISTRIBUTION OF RECURRENT AND CAPITAL EXPENDITURE
(Percentage)

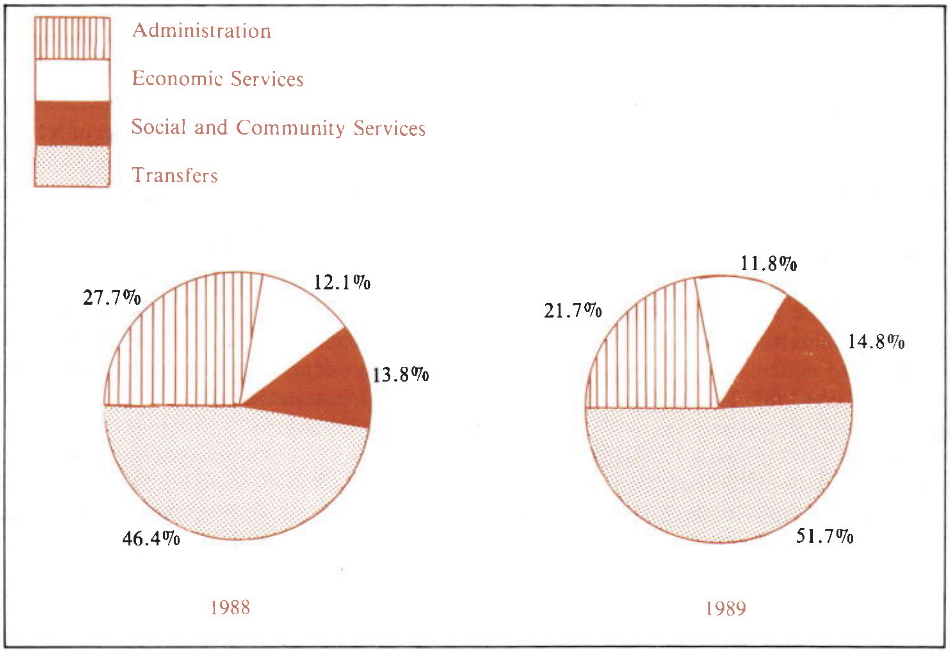


TABLE 5.4
CAPITAL EXPENDITURE OF THE FEDERAL GOVERNMENT
(₦ million)

	1987[1] (1)	1988[2] (2)	1989[2] (3)	*Percentage change between* (1) & (2) (4)	(2) & (3) (5)	*Percentage Share of total* 1987 (6)	1988 (7)	1989 (8)
Administration	**1,816.2**	**1,898.6**	**2,617.5**	**4.5**	**37.9**	**28.5**	**22.8**	**17.4**
General Administration	1,544.2	1,196.2	1,867.9	−22.5	56.2	24.2	14.3	12.4
Defence	181.9	379.7	538.8	108.7	41.9	2.9	4.6	3.6
Internal Security	90.1	322.7	210.8	258.1	−53.1	1.4	3.9	1.4
Economic Services	**2,159.7**	**2,128.7**	**3,438.3**	**−1.4**	**61.5**	**33.9**	**25.5**	**22.9**
Agriculture and Water Resources	442.7	659.9	1,733.2	49.1	162.6	6.9	7.9	11.5
Manufacturing, Mining and Quarrying	1,008.2	766.3	834.7	−24.0	8.9	15.8	9.2	5.6
Transport and Communications	543.6	468.3	553.1	−13.9	18.1	8.5	5.6	3.7
Others	165.1	234.3	317.3	41.9	35.4	2.6	2.8	2.1
Social & Community Services	**619.1**	**1,726.0**	**1,844.8**	**178.8**	**6.9**	**9.7**	**20.7**	**12.3**
Education	94.6	327.9	387.2	246.6	18.1	1.5	3.9	2.6
Health	59.2	155.4	221.5	162.5	42.5	0.9	1.9	1.5
Housing	—	776.7	1,205.7	—	55.2	—	9.3	8.0
Others	465.3	466.0	30.4	0.2	−93.5	7.3	5.6	0.2
Transfers	**1,777.5**	**2,586.8**	**7,133.5**	**45.5**	**175.8**	**27.9**	**31.0**	**47.4**
External Financial Obligations	86.0	n.a.	20.0	—	—	1.3	—	0.1
Capital Repayment	1,327.8	2,106.8	6,034.4	58.7	186.4	20.9	25.3	40.1
Internal Loan	(119.0)	(134.5)	(130.0)	(13.1)	(3.3)	(1.9)	(1.6)	(0.9)
External Loan	(1,208.8)	(1,972.3)	(5,904.4)	(63.2)	(199.4)	(19.0)	(23.7)	(39.2)
Outstanding Liabilities (Domestic)	363.7	480.0	100.0	32.0	−79.2	5.7	5.7	0.7
Public Debt Charges	—	—	—	—	—	—	—	—
Phased Commitment due in 1989	—	—	430.0	—	—	—	—	2.9
Minor Adjustment	—	—	61.1	—	—	—	—	0.4
Special Projects	—	—	488.0	—	—	—	—	3.2
Total	6,372.5	8,340.1	15,034.1	30.9	80.3	100.0	100.0	100.0

[1] Actual
[2] Provisional

Sources: (1) Official Gazettes of the Federal Republic of Nigeria.
(2) Compiled from General Warrant Releases obtained from Federal Ministry of Finance and Economic Development.

V.2 STATE GOVERNMENT FINANCES

The budgetary operations of all the State Governments resulted in a higher overall deficit of ₦1,472.6 million, compared with ₦418.7 and ₦111.9 million in 1988 and 1987, respectively. All the State Governments, except one, recorded current surpluses in their budgetary operations while four states only recorded overall surpluses. The overall surpluses of those four states ranged from ₦41.2 million for Katsina State to ₦71.6 million for Imo State. Seventeen States recorded overall deficits, ranging from ₦27.7 million for Rivers State to ₦164.0 million for Anambra State. The overall deficits were financed largely by borrowing from the banking system and grants from the Federal Government.

The current revenue of the State Governments totalled ₦11,502.1 million, representing increases of ₦1,420.0 million or 11 per cent and ₦3,350.5 million or 41.4 per cent over the respective levels in 1988 and 1987. The revenue comprised ₦9,899.8 million net statutory allocations from the Federation Account compared with ₦8,181.3 million in 1988 and ₦1,602.3 million from the internal sources of the State Governments as against ₦2,178.8 million in 1988. Revenue from internal sources declined by ₦576.6 million or 26.5 per cent from ₦2,178.8 million realised in 1988 and accounted for 13.9 and 21.0 per cent of total in 1989 and 1988, respectively. The average of the ratios of internally generated funds and total revenue of the states was 11.2 per cent compared with 18.0 in 1988. The number of States that were above the average in 1989 was 6 compared with 8 in 1988.

The total expenditure of the state governments amounted to ₦12,974.4 million, showing increases of ₦2,196.2 million or 20.4 per cent and ₦4,711.2 million or 57.0 per cent over the levels in 1988 and 1987, respectively. Total expenditure/GDP ratio declined to 5.3 per cent from 7.1 and 7.5 per cent in 1988 and 1987, respectively. The share of capital expenditure in the total increased from 33.3 per cent in 1988 to 37.3 per cent while that of recurrent expenditure declined correspondingly from 66.7 to 62.7 per cent. At ₦8,140.6 million, total recurrent expenditure of the State Governments rose by ₦947.2 million or 13.2 per cent and ₦2,419.4 million or 42.3 per cent over the levels in 1988 and 1987, respectively. Total capital expenditure stood at ₦4,834.1 million, representing increases of ₦1,249.0 million or 34.8 per cent and ₦3,291.8 million or 90.1 per cent over the levels recorded in 1988 and 1987, respectively (see Tables 5.5 — 5.10).

TABLE 5.5
SUMMARY OF STATE GOVERNMENTS' FINANCES
(₦ million)

	1987	1988	1989[3]	Percentage change between	
				(1) & (2)	(2) & (3)
	(1)	(2)	(3)	(4)	(5)
Current Revenue	**8,151.6**	**10,360.1**	**11,502.1**	**+27.1**	**+11.0**
(i) Statutory Allocation[1]	6,197.1	8,181.3	9,899.8	+32.0	+21.0
(ii) Internal Revenue[2]	1,954.5	2,178.8	1,602.3	+11.5	−26.5
Recurrent Expenditure	**5,721.2**	**7,193.4**	**8,140.6**	**+25.7**	**+13.2**
Current Surplus(+)/Deficit(−)	**+2,430.4**	**+3,166.7**	**+3,361.5**	**+30.3**	**+6.2**
Capital Expenditure	**2,542.3**	**3,585.1**	**4,834.1**	**+41.0**	**+34.8**
Total Expenditure	**8,263.5**	**10,778.5**	**12,974.7**	**+30.4**	**+20.4**
Overall Surplus(+)/Deficit(−)	**−111.9**	**−418.7**	**−1,472.6**	**+274.2**	**+251.7**
Financing:—					
Capital Receipt	**3,739.4**	**973.7**	**2,064.5**	**−74.0**	**+112.0**
(i) Internal Loans	—	—	—	—	—
(ii) External Loans	—	—	—	—	—
(iii) Federal Grants	—	—	—	—	—
(iv) Miscellaneous	—	—	—	—	—
(v) Other Funds	−3,627.5	−555.0	−591.9	−84.7	+6.6

[1] Statutory Allocations (Net).
[2] Includes Direct and Indirect Taxes, Interest and Repayments and Miscellaneous Revenue.
[3] Provisional.
Sources: (1) Federal Ministry of Finance and Economic Development
(2) General Headquarters, The Presidency.

TABLE 5.6
SUMMARY OF STATE GOVERNMENTS' FINANCES 1987

(₦ million)

	Revenue			Expenditure			Surplus(+)/ Deficit(−)		Financing	
States	Statutory Allocations[1] (1)	Others (2)	Total (3)	Recurrent (4)	Capital (5)	Total (6)	Current (7)	Overall (8)	Loans/ Grants (9)	Other Funds[2] (10)
Anambra	342.6	130.4	473.0	411.1	153.0	564.1	+61.9	−91.1	158.3	−67.2
Bauchi	280.7	41.0	321.7	436.8	131.5	568.3	−115.1	−246.6	10.0	+236.6
Bendel	415.8	118.4	534.2	406.2	93.7	499.9	+128.0	+34.3	43.6	−77.9
Benue	274.6	35.0	309.6	195.3	196.4	391.7	+114.3	−82.1	123.4	−41.3
Borno	330.1	30.0	360.1	243.8	94.0	337.8	+116.3	−22.3	n.a.	−22.3
Cross River	375.4	43.0	418.4	253.3	88.5	341.8	+165.1	+76.6	34.5	−111.1
Gongola	287.3	50.1	337.4	211.6	96.7	308.3[3]	+125.8	+29.1	n.a.	−29.1
Imo	358.2	139.2	497.4	455.6	118.6	574.2	+41.8	−76.8	58.0	+18.8
Kaduna	440.6	132.7	573.3	219.0	124.0	343.0	+354.3	+230.3	n.a.	−230.3
Kano	501.8	104.0	605.8	382.6	189.7	572.3	+223.2	+33.5	24.0	−57.5
Kwara	202.8	44.0	246.8	235.8	45.4	281.2	+11.0	−34.4	5.0	−29.4
Lagos	270.6	466.6	737.2	410.4	551.2	961.6	+326.8	−224.4	427.0	−202.6
Niger	186.3	15.1	201.4[3]	140.3	33.9	174.2[3]	+61.1	+27.2	41.2	−68.4
Ogun	231.9	77.0	308.9	181.0	84.5	265.5	+127.9	+43.4	n.a.	−43.4
Ondo	266.0	145.7	411.7	216.2	103.2	319.4	+195.5	+92.3	25.7	−118.0
Oyo	437.2	234.2	671.4	440.8	234.3	675.1	+230.6	−3.7	37.9	−34.2
Plateau	202.4	27.8	230.2	302.7	8.5	311.2	−72.5	−81.0	n.a.	+81.0
Rivers	384.0	67.3	451.3	308.7	37.0	345.7	+142.6	+105.6	n.a.	−105.6
Sokoto	408.8	53.0	461.8	270.0	158.2	428.2	+191.8	+33.6	76.3	−109.9
TOTAL	6,197.1	1,954.5	8,151.6	5,721.2	2,542.3	8,263.5	+2,430.4	−111.9	1,064.9	−953.0

[1] Statutory Allocations (Net).
[2] Positive sign (+) connotes decrease while negative sign (−) connotes increase in "Other Funds".
[3] Provisional

Sources: (1) Federal Ministry of Finance and Economic Development.
(2) General Headquarters, The Presidency.

TABLE 5.7
SUMMARY OF STATE GOVERNMENTS' FINANCES 1988

(₦ million)

	Revenue			Expenditure			Surplus(+)/ Deficit(−)		Financing	
States	Statutory Allocations[1] (1)	Internal (2)	Total (3)	Recurrent (4)	Capital (5)	Total (6)	Current (7)	Overall (8)	Loans/ Grants (9)	Other Funds[2] (10)
Akwa Ibom	338.7	40.3	379.0	298.4	106.7	405.1	80.6	−26.1	13.8	+12.3
Anambra	462.9	130.0	592.9	431.6	212.0	643.6	161.3	−50.7	66.3	−15.6
Bauchi	351.2	45.9	397.1	316.4	142.8	459.2	80.7	−62.1	120.7	−58.6
Bendel	520.4	190.4	710.8	489.4	155.9	645.3	221.4	65.5	8.0	−73.5
Benue	361.8	36.0	397.8	221.0	135.7	356.7	176.8	41.1	25.8	−66.9
Borno	418.5	36.2	454.7	299.4	136.4	435.8	155.3	18.9	n.a.	−18.9
Cross River	232.3	21.0	253.3	137.4	90.5	227.9	115.9	25.4	1.1	−26.5
Gongola	368.5	59.5	428.0	291.5	148.5	440.0	136.5	−12.0	3.4	+8.6
Imo	469.6	155.1	624.7	534.7	168.2	702.9	90.0	−78.2	45.6	+32.6
Kaduna	291.2	72.8	364.0	79.3	142.6	221.9	284.7	142.1	n.a.	−142.1
Kano	639.4	96.1	735.5	530.7	227.0	757.7	204.8	−22.2	11.0	+11.2
Katsina	362.9	14.4	377.3	241.8	148.3	390.1	135.5	−12.8	n.a.	+12.8
Kwara	270.9	47.6	318.5	267.8	85.1	352.9	50.7	−34.4	n.a.	+34.4
Lagos	338.4	464.7	803.1	447.3	412.6	859.9	355.8	−56.8	270.5	−213.7
Niger	230.0	20.4	250.4	257.7	154.6	412.3	−7.3	−161.9	136.8	+25.4
Ogun	285.4	79.1	364.5	223.4	127.3	350.7	141.1	13.8	12.8	−26.6
Ondo	355.9	244.7	600.6	293.6	122.7	416.3	307.0	184.3	n.a.	−184.3
Oyo	572.5	280.5	853.0	595.5	361.3	956.8	257.5	−103.8	83.5	+20.3
Plateau	300.7	35.3	336.0	341.6	55.1	396.7	−5.6	−60.7	1.3	+59.4
Rivers	490.2	94.3	584.5	397.8	249.4	647.2	186.7	−62.7	23.0	+39.7
Sokoto	519.9	14.5	534.4	497.1	202.4	699.5	37.3	−165.1	150.1	+15.0
TOTAL	8,181.3	2,178.8	10,360.1	7,193.4	3,585.1	10,778.5	3,166.7	−418.4	973.7	−555.0

[1] Statutory Allocations (Net).
[2] Positive sign (+) connotes decrease while negative sign (−) connotes increase in "Other Funds".

Sources: (1) Federal Ministry of Finance and Economic Development.
(2) General Headquarters, The Presidency.

TABLE 5.8
SUMMARY OF STATE GOVERNMENTS' FINANCES 1989 (PROVISIONAL)
(₦ million)

	Revenue			*Expenditure*			*Surplus(+)/ Deficit(−)*		*Financing*	
States	*Statutory[1] Allocations* (1)	*Internally generated* (2)	*Total* (3)	*Recurrent* (4)	*Capital* (5)	*Total* (6)	*Current* (7)	*Overall* (8)	*Loans/ Grants* (9)	*Other Funds[4]* (10)
Akwa Ibom	437.0	47.7	484.7	326.0	257.7	583.7	158.7	−99.0	327.1	−228.1
Anambra	573.0	41.3	614.3	567.0	211.3	778.3	47.3	−164.0	179.2	−15.2
Bauchi	414.2	17.7	431.9	299.6	179.3	478.9	132.3	−47.0	63.9	−16.9
Bendel	676.3	93.1	769.4	521.0	342.4	863.4	248.4	−94.0	129.7	−35.7
Benue	364.0	6.7	370.7	307.3	147.1	454.4	63.4	−83.7	78.0	+5.7
Borno	508.5	25.6	534.1	365.2	111.4	476.6	168.9	+57.5	n.a.	−57.5
Cross River	304.8	32.0	336.8	134.0	133.2	267.2	202.8	+69.6	46.8	−116.4
Gongola[2]	421.5	15.2	436.7	371.2	110.9	482.1	65.5	−45.4	29.3	+16.1
Imo	574.4	192.0	766.4	446.1	248.7	694.8	320.3	+71.6	142.7	−214.3
Kaduna[3]	301.2	129.6	430.8	302.5	258.4	560.9	128.3	−130.1	n.a.	+130.1
Kano	786.1	48.8	834.9	538.7	378.7	917.4	296.2	−82.5	56.3	+26.2
Katsina	416.0	11.0	427.0	200.3	185.5	385.8	226.7	+41.2	n.a.	−41.2
Kwara	334.2	35.1	369.3	240.7	274.5	515.2	128.6	−145.9	36.4	+109.5
Lagos	419.2	593.1	1,012.3	457.6	615.2	1,072.8	554.7	−60.5	478.0	−417.5
Niger	289.0	6.0	295.0	283.1	147.0	430.1	11.9	−135.1	14.4	+120.7
Ogun	336.8	28.1	364.9	286.1	235.5	521.6	78.8	−156.7	25.7	+131.0
Ondo	433.6	32.5	466.1	440.5	149.3	589.8	25.6	−123.7	96.0	+27.7
Oyo	701.6	125.3	826.9	714.0	240.3	954.3	112.9	−127.4	142.5	−15.1
Plateau	378.8	11.6	390.4	405.7	52.4	458.1	−15.3	−67.7	14.4	+53.3
Rivers	618.5	26.3	644.8	476.8	195.7	672.5	168.0	−27.7	59.3	−31.6
Sokoto[2]	611.1	83.6	694.7	457.2	359.6	816.8	237.5	−122.1	144.8	−22.7
TOTAL	9,899.8	1,602.3	11,502.1	8,140.6	4,834.1	12,974.7	3,361.5	−1,472.6	2,064.5	−591.9

[1] Statutory Allocations (NET) (i.e. less deductions for loans on-lent to States and allocation to the Federal Capital Territory of Abuja).
[2] First and Second Quarters only.
[3] First and Third Quarters only.
[4] Positive sign (+) connotes decrease, while negative sign (−) connotes increase in "Other Funds".
Sources: (1) Federal Ministry of Finance and Economic Development.
(2) General Headquarters, The Presidency.

TABLE 5.9
STATUTORY ALLOCATIONS OF REVENUE TO STATE AND LOCAL GOVERNMENTS (NET)[1]
(₦ million)

States	1987 (1)	1988 (2)	1989 (3)	*Percentage change between* (2) & (1)	(3) & (2)	*As percentage of total* 1987	1988	1989
Akwa Ibom	134.3[2]	455.7	578.7	239.3	27.0	1.6	4.1	4.3
Anambra	465.7	618.2	766.6	32.7	24.0	5.5	5.6	5.7
Bauchi	376.8	471.9	564.6	25.2	19.6	4.5	4.3	4.2
Bendel	517.8	648.8	836.5	25.3	28.9	6.1	5.9	6.2
Benue	373.6	486.1	519.3	30.1	6.8	4.4	4.4	3.8
Borno	439.5	556.2	680.3	26.6	22.3	5.2	5.0	5.0
Cross River	371.9	312.2	405.9	−16.1	30.0	4.4	2.8	3.0
Gongola	387.2	493.9	578.2	27.6	17.1	4.6	4.5	4.3
Imo	481.5	625.2	768.9	29.8	23.0	5.7	5.6	5.8
Kaduna	448.3	387.9	424.8	−13.5	9.5	5.3	3.5	3.1
Kano	667.8	849.9	1,048.8	27.3	23.4	7.9	7.6	7.8
Katsina	138.5[2]	483.4	563.7	249.0	16.6	1.6	4.4	4.2
Kwara	283.0	370.8	459.0	31.0	23.8	3.4	3.4	3.4
Lagos	359.6	449.8	558.3	25.1	24.1	4.3	4.1	4.1
Niger	255.5	315.6	396.1	23.5	25.5	3.0	2.9	2.9
Ogun	308.4	380.8	455.5	23.5	19.6	3.7	3.4	3.4
Ondo	370.4	487.4	597.1	31.6	22.5	4.4	4.4	4.4
Oyo	589.4	765.0	941.8	29.8	23.1	7.0	6.9	7.0
Plateau	288.9	408.7	513.1	41.5	25.5	3.4	3.7	3.8
Rivers	465.9	592.7	746.2	27.2	25.9	5.5	5.4	5.5
Sokoto	550.0	698.7	833.8	27.0	19.3	6.5	6.3	6.2
Federal Capital Territory	167.4	200.9	253.2	20.0	26.0	2.0	1.8	1.9
TOTAL	8,441.4	11,059.8	13,490.4	31.0	22.0	100.0	100.0	100.0

[1] Less deductions due to loans on-lent to States and Local Governments.
[2] Revenue Allocations to newly created states commenced in October 1987.
Source: Federal Ministry of Finance and Economic Development.

TABLE 5.10

STATUTORY ALLOCATIONS OF REVENUE TO STATE GOVERNMENTS (NET)[1]

(₦ million)

States	1987 (1)	1988 (2)	1989 (3)	Percentage change between (2) & (1)	Percentage change between (3) & (2)	As percentage of total 1987	As percentage of total 1988	As percentage of total 1989
Akwa Ibom	100.7[1]	338.7	437.0	236.3	29.0	1.6	4.0	4.3
Anambra	342.6	462.9	573.0	35.1	23.8	5.4	5.6	5.7
Bauchi	280.7	351.2	414.2	25.1	17.9	4.4	4.2	4.1
Bendel	415.8	520.4	676.3	25.2	30.0	6.6	6.2	6.7
Benue	274.6	361.8	364.0	31.8	0.6	4.3	4.3	3.6
Borno	330.1	418.5	508.5	26.8	21.5	5.2	5.0	5.0
Cross River	274.7	232.3	304.8	– 15.4	31.2	4.3	2.8	3.0
Gongola	287.3	368.5	421.5	28.3	14.4	4.5	4.4	4.2
Imo	358.2	469.6	574.4	31.1	22.3	5.7	5.6	5.7
Kaduna	336.2	291.2	301.2	– 13.4	3.4	5.3	3.5	3.0
Kano	501.8	639.4	786.1	27.4	22.9	7.9	7.7	7.8
Katsina	104.4[1]	362.9	416.0	247.6	14.6	1.7	4.4	4.1
Kwara	202.8	270.9	334.2	33.6	23.4	3.2	3.3	3.3
Lagos	270.6	338.4	419.2	25.1	23.9	4.3	4.1	4.2
Niger	186.3	230.0	289.0	23.5	25.7	3.0	2.8	2.9
Ogun	231.9	285.4	336.8	23.1	18.0	3.7	3.4	3.3
Ondo	266.0	355.9	433.6	33.8	21.8	4.2	4.3	4.3
Oyo	437.2	572.5	701.6	30.9	22.6	6.9	6.9	6.9
Plateau	202.4	300.7	378.8	48.6	26.0	3.2	3.6	3.8
Rivers	384.0	490.2	618.5	27.7	26.2	6.1	5.9	6.1
Sokoto	408.8	519.9	611.1	27.2	17.5	6.5	6.2	6.1
Federal Capital Territory	126.5	151.4	191.3	19.7	26.4	2.0	1.8	1.9
TOTAL	6,323.6	8,332.7	10,091.1	31.8	21.1	100.0	100.0	100.0

[1] Net Statutory Allocations, less deductions due to loans on-lent to State Governments.
[2] Revenue Allocations to newly created states commenced in October 1987.
Source: Federal Ministry of Finance and Economic Development.

V.3 STATUTORY ALLOCATIONS TO LOCAL GOVERNMENTS

Statutory allocations to Local Governments from the Federation Account in 1989 amounted to ₦3,399.3 million. This represented increases of ₦672.2 million or 24.6 per cent of ₦1,281.5 million or 60.5 per cent over the amounts received from the Federation Account in 1988 and 1987, respectively (see Table 5.11).

V.4 DOMESTIC DEBT OF THE FEDERAL GOVERNMENT

Two major developments influenced the management of domestic debt during the year. First, in line with the policy of deregulation, the system of issue of treasury bills and certificates by auction was adopted late 1989. The system is aimed at enhancing the attractiveness of the debt instruments to private investors and reducing the need for Central Bank to hold major portions of new issues. Under it, the rates on the instruments are determined by conditions prevailing in the financial market. Second, treasury bills worth ₦11,350.0 million were converted into 5 per cent denominated treasury bonds.

As at end-December, 1989 the stock of domestic debt outstanding remained almost the same at ₦47,051.1 million compared with ₦47,031.1 million in 1988. The lower growth in the level of outstanding domestic debt reflected issuance of treasury certificates of ₦150.0 million and redemption of maturing development stocks amounting to ₦130.0 million during the year. Federal Government's share of outstanding domestic debt rose from ₦43,535.7 million to ₦43,555.7 million while portion of loans on-lent to State Governments remained the same at ₦3,495.4 million due largely to the moratorium on domestic debt service granted by the Federal Government since 1987 and the non-issue of new debt instruments for on-lending to State Governments.

At the end of December, treasury bills outstanding amounted to ₦24,126.0 million, compared with ₦35,476.0 million at the end of 1988. The decline reflected the conversion of ₦11,350.0 million treasury bills to treasury bonds. Treasury certificates outstanding increased by ₦150.0 million as a result of new issues to ₦6,944.6 million compared with ₦6,794.6 million at the end of 1988. Development stocks outstanding stood at ₦4,629.0 million as a result of the redemption of ₦130.0 million worth of matured stocks.

Reflecting the tight liquidity in the economy, there was much dis-investment in domestic debt instruments by commercial and merchant banks and non-bank public. Consequently, Central Bank holdings of domestic debt instruments outstanding rose from ₦27,682.7 in 1988 to ₦28,483.5 million and accounted for 60.5 per cent of total public sector domestic debt compared with 58.9 per cent in 1988. Commercial banks' holdings declined from ₦7,714.5 million to ₦3,828.0 million while the relative share fell from 16.4 to 8.1 per cent. Merchant banks' holdings of debt instruments declined from ₦181.5 million in 1988 to ₦94.0 million. Holdings by non-bank public increased from ₦11,452.4 to ₦14,645.6 million while its relative share rose from 24.3 to 31.1 per cent.

TABLE 5.11

STATUTORY ALLOCATIONS OF REVENUE TO LOCAL GOVERNMENTS (NET)[1]

(₦ million)

States	1987 (1)	1988 (2)	1989 (3)	*Percentage change between* (2) & (1)	(3) & (2)	*As percentage of total* 1987	1988	1989
Akwa Ibom	33.6	117.0	141.7	248.2	21.1	1.6	4.3	4.2
Anambra	123.1	155.3	193.6	26.2	24.7	5.8	5.7	5.7
Bauchi	96.1	120.7	150.4	25.6	24.6	4.5	4.4	4.4
Bendel	102.0	128.4	160.2	25.9	24.8	4.8	4.7	4.7
Benue	99.0	124.3	155.3	25.6	24.9	4.7	4.6	4.6
Borno	109.4	137.7	171.8	25.9	24.8	5.2	5.0	5.1
Cross River	97.2	79.9	101.1	– 17.8	26.5	4.6	2.9	3.0
Gongola	99.9	125.4	156.7	25.5	25.0	4.7	4.6	4.6
Imo	123.3	155.6	194.5	26.2	25.0	5.8	5.7	5.7
Kaduna	112.1	96.7	123.6	– 13.7	27.8	5.2	3.5	3.6
Kano	166.0	210.5	262.7	26.8	24.8	7.8	7.7	7.7
Katsina	34.1	120.5	147.7	253.4	22.6	1.6	4.4	4.3
Kwara	80.2	99.9	124.8	24.6	24.9	3.8	3.7	3.7
Lagos	89.0	111.4	139.1	25.2	24.9	4.2	4.1	4.1
Niger	69.2	85.6	107.1	23.7	25.1	3.3	3.1	3.1
Ogun	76.5	95.4	118.7	24.7	24.4	3.6	3.5	3.5
Ondo	104.4	131.5	163.5	26.0	24.3	4.9	4.8	4.8
Oyo	152.2	192.5	240.2	26.5	24.8	7.2	7.1	7.1
Plateau	86.5	108.0	134.3	24.9	24.4	4.1	4.0	4.0
Rivers	81.9	102.5	127.7	25.2	24.6	3.9	3.8	3.8
Sokoto	141.2	178.8	222.7	26.6	24.6	6.7	6.6	6.5
Federal Capital Territory	40.9	49.5	61.9	21.0	25.1	2.0	1.8	1.8
TOTAL	2,117.8	2,727.1	3,399.3	28.8	24.6	100.0	100.0	100.0

[1] Less deductions due on loans on-lent to Local Governments.

Source: Federal Ministry of Finance and Economic Development.

TABLE 5.12

DOMESTIC PUBLIC DEBT OF THE FEDERAL GOVERNMENT

(₦ million)

	Actual		*Provisional*	*Absolute change between (₦ million)*		*Percentage change between*	
	1987[1] (1)	1988[1] (2)	1989[2] (3)	(1) & (2) (4)	(2) & (3) (5)	(1) & (2) (6)	(2) & (3) (7)
1. Composition of Debt							
(i) Ways and Means Advances	—	—	—	—	—	—	—
(ii) Treasury Bills	25,226.0	35,476.0	24,126.0	10,250.0	– 11,350.0	40.6	32.0
(iii) Treasury Bonds	—	—	11,350.0	—	+ 11,350.0	—	—
(iv) Treasury Certificates	6,654.1	6,794.6	6,944.6	140.5	150.0	2.1	2.2
(v) Development Stocks	4,909.0	4,759.0	4,629.0	– 150.0	– 130.0	– 3.0	– 2.7
(vi) Others	1.5	1.5	1.5	0.0	0.0	0.0	—
2. Holders							
(i) Banking System	27,597.6	35,578.7	32,405.5	7,773.9	– 3,173.2	28.2	– 8.9
(a) Central Bank	19,197.2	27,682.7	28,483.5	9,156.7	+ 800.8	47.7	+ 2.9
(b) Commercial Banks	8,109.9	7,714.5	3,828.0	– 1,335.3	– 3,886.5	– 16.5	– 50.4
(c) Merchant Banks	290.5	181.5	94.0	– 47.5	– 87.5	– 16.3	– 48.3
(ii) Non-Bank Public	9,193.0	11,452.4	14,645.6	2,466.6	+ 3,193.2	26.8	+ 27.9
3. Total Debt Outstanding	36,790.6	47,031.1	47,051.1	10,240.5	20.0	27.8	0.0
Less Loans on-lent to State Governments & Public Agencies	3,495.4	3,495.4	3,495.4	0.0	0.0	0.0	0.0
Federal Government Domestic Debt	33,295.2	43,535.7	43,555.7	10,240.5	20.0	30.7	0.0

[1] Actual

[2] Provisional.

Sources: (1) Federal Ministry of Finance and Economic Development
(2) Central Bank of Nigeria.

As a result of the conversion of treasury bills into bonds, there was a significant change in the maturity structure of domestic debt instruments. Short-term debt instruments of not more than 2 years' maturity declined from ₦42,678.6 million in 1988 to ₦31,760.1 million and accounted for 67.5 per cent of the out-standing domestic debt compared with 90.7 per cent in 1988. At ₦791.0 million debt instruments maturing between 2 and 5 years increased by ₦171.0 million and accounted for 1.7 per cent compared with 1.3 per cent in 1988. The share of government debt instruments maturing between 5 to 10 years declined from 2.2 per cent in 1988 to 1.5 per cent. Long-term debt instruments maturing 10 years and above increased from ₦2,731.5 million to ₦13,770.0 million and accounted for 29.3 per cent of the domestic debt compared with 5.8 per cent in 1988 (see Table 5.13).

V.5 EXTERNAL DEBT MANAGEMENT

V.5.1 External Debt of the Federal and State Governments

At ₦212,750.7 million, the external debt obligations outstanding at the end of September 1989 was ₦78,794.4 million or 58.8 per cent higher than the level outstanding in the corresponding period of 1988. The growth in the nation's external indebtedness continued to be influenced by draw-down of loans, capitalised unpaid interest charges on rescheduled debt obligations, depreciation of the US dollars against other currencies and the depreciation of the naira exchange rate.

Of the total external debt outstanding, Federal Government's obligations constituted ₦179,698.0 million or 84.4 per cent compared with ₦111,706.4 million or 83.4 per cent in 1988. The external debt obligations of the State Governments and the private sector rose from ₦22,249.9 million in September 1988 to ₦33,052.7 million while its share of the total external debt declined from 16.6 per cent to 15.5 per cent (see Table 5.14).

The breakdown of the total external debt outstanding by type showed that trade debt, comprising un-insured and insured claims and pre-1986 Letters of Credit, constituted 36.3 per cent compared with 41.4 per cent in 1988. International Capital Market (I.C.M.) loans accounted for 34.1 per cent compared with 35.6 per cent in 1988. Loans from multilateral and bilateral sources accounted for 11.0 per cent compared with 9.9 per cent in 1988 (see Table 5.15 and Chart XIX).

The debt service payments on external debt amounted to ₦15,577.7 million, showing an increase of ₦7,437.0 million or 91.4 per cent over the amount paid in 1988. This total comprised capital repayment of ₦6,987.3 million or 44.8 per cent and interest payments of ₦8,590.2 million or 55.2 per cent. Of the capital repayment, Federal Government accounted for ₦5,904.4 million or 84.5 per cent while State Governments

TABLE 5.13

MATURITY STRUCTURE OF FEDERAL GOVERNMENT INTERNAL DEBT OBLIGATIONS

(₦ million)

				Percentage of Total		
Period of Maturity	1987	1988	1989	1987	1988	1989
Up to 2 years	32,160.1	42,678.6	31,760.1	87.4	90.7	67.5
2-5 Years	668.0	620.0	791.0	1.8	1.3	1.7
5-10 Years	1,061.0	1,001.0	730.0	2.9	2.2	1.5
Over 10 Years	2,901.5	2,731.5	13,770.0	2.9	5.8	29.3
Total	36,790.6	47,031.1	47,051.1	100.0	100.0	100.0

Source: Central Bank of Nigeria.

TABLE 5.14

EXTERNAL PUBLIC DEBT OUTSTANDING (BY CATEGORY OF HOLDERS) AS AT END OF PERIOD

(₦ million)

	October 1987[2]	September 1988[2]	September 1989[2]
1. Total Drawings	**123,522.2**	**164,582.4**	**265,866.9**
(a) Conventional Loans	(75,929.1)	(109,058.6)	(188,692.0)
(b) Trade Debt	(47,593.1)	(55,523.8)	(77,174.9)
2. Less: Total Repayments	**22,734.6**	**30,626.1**	**53,116.2**
3. Total Outstanding; of which	**100,787.6**	**133,956.3**	**212,750.7**
(a) Federal Government[1]	(85,042.2)	(111,706.4)	(179,698.0)
(b) State Governments	(14,781.1)	(19,601.1)	(29,886.1)
(c) Private Sector (Unguaranteed)	(964.3)	(2,648.8)	(3,166.6)
4. Total Commitments	**142,302.6**	**182,857.8**	**306,143.9**

[1] Includes Parastatals

[2] Exchange rates of US$1 to ₦4.2989 at end-October 1987; US$1 to ₦4.7167 at end-September 1988 and US$1 to ₦7.3725 at end-September 1989 were used.

Sources: (1) Federal Ministry of Finance and Economic Development.
(2) Central Bank of Nigeria.

TABLE 5.14a

EXTERNAL PUBLIC DEBT OUTSTANDING AS AT END OF PERIOD

(US $ million)

	October 1987	September 1988	September 1989
1. Total Drawings	**28,733.8**	**33,534.2**	**36,061.9**
(a) Conventional Loans	(17,662.8)	(23,121.8)	(25,594.0)
(b) Trade Debt	(11,071.0)	(10,412.4)	(10,467.9)
2. Less: Total Repayments	**5,288.5**	**6,643.5**	**7,204.6**
3. Total Outstanding; of which	**23,445.3**	**26,890.7**	**28,857.3**
(a) Federal Government	(19,782.5)	(22,173.1)	(24,374.1)
(b) State Governments	(3,438.5)	(4,155.7)	(4,114.4)
(c) Private Sector	(224.3)	(561.6)	(368.8)
4. Total Commitments	**33,102.1**	**n.a.**	**41,525.1**

Sources: (1) Federal Ministry of Finance and Economic Development.
(2) Central Bank of Nigeria.

and others accounted for ₦873.4 million or 12.5 per cent and ₦209.6 million or 3.0 per cent, respectively. With regard to interest payments, the Federal Government accounted for ₦7,258.7 million or 84.5 per cent while State Governments and others absorbed ₦1,073.8 million or 12.5 per cent and ₦257.7 million or 3.0 per cent, respectively (see Table 5.16).

V.5.2 Refinancing of Short-Term Trade Arrears and Debt Rescheduling

The reconciliation of insured short-term arrears continued in 1989. Two agreements were negotiated and signed. The agreement with the Paris Club, negotiated and signed on March 3, 1989, made it possible for other bilateral agreements to be signed with other member countries. As at the end of the year, bilateral agreements had been signed with eight member countries while negotiations for signing agreements were concluded with five others. Paris Club agreement provides for the rescheduling of some of the debts that fall due up to April 1990 over the period of ten years including five years grace, with a final maturity in August, 1999, while those falling due after April 30, 1990 will be subject to further negotiation.

The second agreement, signed with the London Club on March 22, 1989, was known as the Refinancing and

CHART XIX

FEDERAL GOVERNMENT PUBLIC DEBT OUTSTANDING

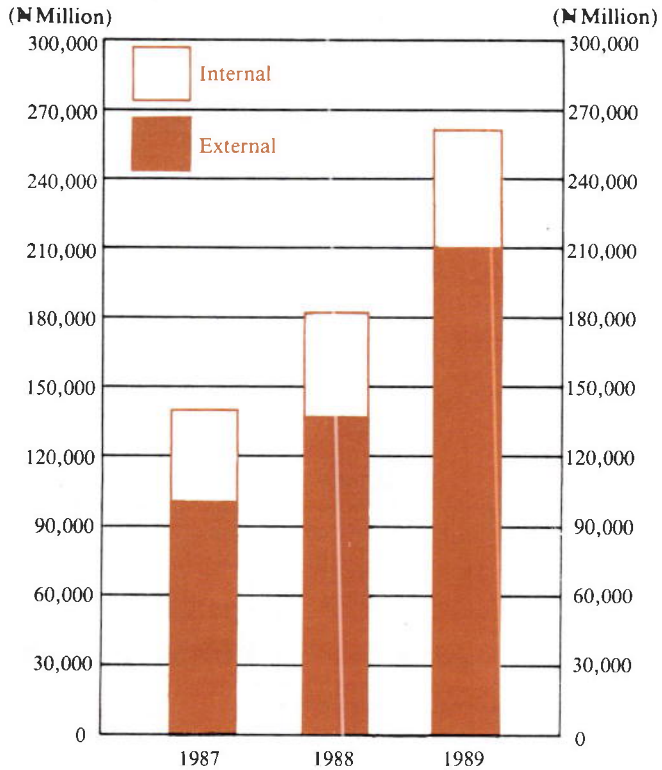


TABLE 5.15

EXTERNAL PUBLIC DEBT OUTSTANDING (BY TYPE OF DEBT) AS AT END OF PERIOD

	Federal Government[1]			*State Governments*			*Private Sector*			*Total*		
	Oct. 1987	*Sept. 1988*	*Sept. 1989*	*Oct. 1987*	*Sept. 1988*	*Sept. 1989*	*Oct. 1987*	*Sept. 1988*	*Sept. 1989*	*Oct. 1987*	*Sept. 1988*	*Sept. 1989*
1. I.C.M.	27,877.5	34,637.7	53,065.4	10,519.1	13,072.6	19,556.9	—	—	—	38,396.6	47,710.3	72,622.3
2. Multilateral	5,951.8	6,712.8	12,489.3	2,829.7	3,279.0	5,591.1	—	—	—	8,781.5	9,991.8	18,080.4
3. Bilateral	1,968.9	3,308.7	5,307.1	—	—	—	—	—	—	1,968.9	3,308.7	5,307.1
4. Capitalised Interest	2,149.5	5,853.0	19,769.5	—	—	—	—	—	—	2,149.5	5,853.0	19,769.5
5. Unguaranteed Loans	—	—	—	933.6	3,249.5	4,738.1	964.3	2,648.8	3,166.6	1,897.9	5,898.3	7,904.7
6. Uninsured Suppliers' Credit	—	5,670.4	11,892.0	—	—	—	—	—	—	—	5,670.4	11,892.0
7. Insured and Uninsured Claims	20,634.7	25,742.1	56,316.3	—	—	—	—	—	—	20,634.7	25,742.1	56,316.3
8. Letters of Credit	24,809.0	27,735.0	17,684.9	—	—	—	—	—	—	24,809.0	27,735.0	17,684.9
9. Accrued Interest on Letters of Credit	2,149.5	2,046.7	3,173.6	—	—	—	—	—	—	2,149.5	2,046.7	3,173.6
Total	85,540.9	111,706.4	179,698.1	14,282.4	19,601.1	29,886.1	964.3	2,648.8	3,166.6	100,787.6	133,956.3	212,750.8

[1] Includes Parastatals

Sources: (1) Federal Ministry of Finance and Economic Development.
(2) Central Bank of Nigeria.

TABLE 5.16

DEBT SERVICE PAYMENTS ON NIGERIA'S EXTERNAL DEBT

(₦ million)

	1987 (1)	1988 (2)	1989 (3)	Percentage change between (1) *and* (2) (4)	(2) *and* (3) (5)
Capital Repayment	**1,208.8**	**2,663.5**	**6,987.5**	120.3	161.3
Federal Government Loans	(765.0)	(1,972.3)	(5,904.4)	157.8	199.4
State Government Loans	(185.5)	(395.1)	(873.4)	113.0	121.0
Others[1]	(258.3)	(296.1)	(209.6)	14.6	−29.3
Interest Payments	**2,365.8**	**5,477.2**	**8,590.2**	**131.5**	**56.8**
Federal Government Loans	(1,736.0)	(5,034.3)	(7,258.7)	190.0	44.2
State Government Loans	(510.7)	(317.0)	(1,073.8)	−37.9	238.7
Others[1]	(119.1)	(125.9)	(257.7)	5.7	104.7
Total	3,574.6	8,140.7	15,577.7	127.7	91.4

[1] Include government parastatals and private sector.
Source: Central Bank of Nigeria, Lagos.

Restructuring Amendment Agreement. The agreement contained options designed to provide further debt relief. These options include the conversion of payable debt into interest bearing naira denominated securities. The sum of US $190.3 million was paid to the Paris Club while US $809.6 million was paid to London Club in 1989. Holders of promissory notes received US $237.1 million.

The Refinancing and Restructuring Agreement signed in 1987 was amended in March 1989. The highlight of the amendment was the provision that Payable Debt be subject to a 5 per cent down payment while the balance would be paid in equal monthly instalments from the day on which the agreement was signed to December, 1991. Furthermore, the principal amount would be repaid in 144 equal monthly instalments beginning from January, 1992 and ending in December, 2003. A total sum of US $438.5 million was paid to the London Club of Creditors under the scheme out of which the sum of US $147.9 million and US $5.8 million were paid for due debt and decapitalisation, respectively. The CBN refunded the sum of ₦42.0 million to the local banks as its share of the interest burden in 1989.

V.5.3 Debt Conversion Programme

The Debt Conversion Programme (DCP) which came into operation in February 1988 was very active as creditors' response remained positive and encouraging throughout 1989. The Debt Conversion Committee amended some of the clauses of the original guidelines released in July, 1988 in order to further simplify the approval process and widen the scope of the Programme. The revised guidelines came into operation in April 1989.

The number of applications received in 1989 was 52 valued at US $333.3 million. A sectoral breakdown of the applications indicated that 8 of them valued at $48.3 million were for investment in the agricultural sector. The manufacturing sector had 32 applications valued at $156.9 million while one application worth $8.0 million was received in respect of investment in mining and exploration. Also, 3 applications with a value of $10.4 million were received for investment under the building/construction sector while cash gifts/grants had 4 applications amounting to ₦47.2 million. There was also an application for investment in the hotel/tourism sector valued at $50.0 million while the remaining 4 applications were for acquisition of government securities. The cumulative applications received from the inception of the programme up to the end of 1989 was 133 in number with a total value worth $2,048.5 million. The decline noticed in the number and value of applications received during the review period could be attributed to the problem of acquiring the debt instruments in the secondary market as creditors were unwilling to part with them as Nigeria made payments obligations on the covered debts promptly, a factor that contributed to persistent increase in the price of the instrument (see Table 5.17).

The DCC granted approval in principle to 49 applications with a total value of $390.9 million in 1989. Thus, as at the end of December 1989, the total number of applications approved since the inception of the programme stood at 98 involving $1,003.1 million (see Table 5.18). From the 10 auctions (2 in 1988 and 8 in 1989) held since the inception of the programme in August 1988, a total of US $222.4 million of debts have been redeemed. Also, in 1989, 5 applicants who were given special approval to convert outside the auction system utilized part of their approvals and redeemed $84.3 million at an average discount of 51.32 per cent. Therefore, the total value of debt converted under the programme as at the end of December, 1989 stood at $306.7 million.

From the debt conversion done so far, the country's external debt has been reduced by $306.7 million of which the sum of $150.4 million has been appropriated to the economy through discounts offered by redemptors. Also, there has been an inflow of new money to the tune of $4.5 million being foreign denominated transaction commission paid. Furthermore, the level of foreign direct investment increased by $188.5 million. Out of the ₦1,088.7 million proceeds of conversion done to date, the Committee approved and released a total sum of ₦807.4 million into circulation to finance various projects in the economy (see Tables 5.19 & 5.20).

In 1989, vigorous attempts were made to monitor all the projects financed with conversion proceeds to ensure compliance with the guidelines and minimise the adverse effects associated with such a programme. Available reports indicated that all the beneficiary companies of the programme have performed well in terms of increased labour employment, improved production capacities and more revenue generation through exportation of their products.

TABLE 5.17
SECTORAL BREAKDOWN OF APPLICATIONS RECEIVED FOR DEBT CONVERSION AS AT END OF DECEMBER, 1989

	Number and value of applications received in				*Cumulative figure as at 31 December 1989*	
	1988 (Aug.-Dec.)		*1989 (Jan.-Dec.)*			
Sector	*No. of Applications*	*Value in US $ million*	*No. of Applications*	*Value in US $ million*	*No. of Applications*	*Value in US $ million*
Agriculture	31	1,164.7	8	48.3	39	1,213.1
Manufacturing	35	224.5	32	156.9	67	381.3
Mining & Exploration	2	10.6	1	8.0	3	18.6
Building & Construction	—	—	3	10.4	3	10.4
Hotel & Tourism	4	181.7	1	50.0	5	231.7
Gifts & Grants	8	40.0	4	47.2	12	87.2
Others	1	93.7	3	12.5	4	106.2
Total	81	1,715.2	52	333.3	133	2,048.5

TABLE 5.18
SECTORAL BREAKDOWN OF APPLICATIONS RECEIVED FOR DEBT CONVERSION WITH APPROVAL IN PRINCIPLE AS AT END OF DECEMBER, 1989

	Number and value of applications received in				*Cumulative applications with approval in principle*	
	1988 (Aug.-Dec.)		*1989 (Jan.-Dec.)*			
Sector	*No. of Applications*	*Value in US $ million*	*No. of Applications*	*Value in US $ million*	*No. of Applications*	*Value in US $ million*
Agriculture	20	218.6	9	55.6	29	274.2
Manufacturing	21	84.2	33	260.5	54	344.7
Mining & Exploration	1	8.0	1	2.6	2	10.6
Building & Construction	—	—	2	9.7	2	9.7
Hotel & Tourism	3	181.5	1	0.2	4	181.7
Gifts & Grants	3	26.2	3	62.3	6	88.5
Others	1	93.7	—	—	1	93.7
Total	49	612.3	49	390.9	98	1,003.1

TABLE 5.19

SUMMARY OF TOTAL CONVERSION DONE AS AT END OF DECEMBER, 1989

	Total Amount Redeemed		*Discount offered in*		*Discount redeemed*		*Conversion paid*	
	U.S. ($ million)	*%*	*U.S. ($ million)*	*₦ million*	*U.S. ($ million)*	*₦ million*	*U.S. ($ million)*	*₦ million*
From Auctions	222.4	47.8	106.5	743.2	116.0	791.1	2.8	2.0
Out of Auctions	34.3	51.3	43.9	324.5	40.9	297.6	1.7	0.9
Total	306.7	—	150.4	1,067.7	156.9	1,088.7	4.5	2.9

TABLE 5.20

SECTORAL DISTRIBUTION OF DISBURSEMENT AS AT END OF DECEMBER, 1989

Sectors	*Number Applications*	*Amount (₦ million)*
Agriculture	5	177.4
Manufacturing	21	303.4
Building & Construction	1	10.3
Gifts & Grants	5	237.7
Others	3	78.6*
Total	35	807.4

*No movement of fund outside the Central Bank of Nigeria was involved.

CHAPTER VI

VI. BALANCE OF PAYMENTS

Nigeria's balance of payments recorded a substantial improvement in 1989. The overall balance of payments position, as measured by the movement in external reserves, swung from a deficit of ₦2,294.1 million ($509.8 million) in 1988 to a surplus of ₦8,727.8 million[1] ($1,185.0 million) in 1989 (see Tables 6.1 and 6.2). This was due to the turn-around in the current account position from a deficit of ₦1,437.7 million in 1988 to a surplus of ₦13,968.4 million in 1989, as well as the decline in the capital account deficit from ₦18,447.3 million to ₦16,874.9 million. The improvement in the current account resulted from the substantial increase in the merchandise trade account surplus occasioned by the bulge in crude petroleum exports. The narrowing of the capital account largely reflected the decline in long-term capital outflow, especially loan repayments, the deferement of some debt service payments falling due during the year and increased direct foreign investment inflow. The capital account also benefitted from the drawings on World Bank Trade and Investment Policy Loan (TIPL), Japan's Organisation for Economic Co-operation Fund (OECF), as well as drawings from Britain's Import Stimulation Grant (ISG).

VI.1 CURRENT ACCOUNT

The current account showed a surplus of ₦13,968.4 million at the end of 1989. This contrasted with the deficit of ₦1,437.7 million recorded during the preceding year (see Table 6.2). The marked improvement was attributed to the increase in the surplus on the merchandise account from ₦11,435.0 million to ₦29,729.9 million, arising from the sharp rise in oil exports.

VI.1.1 Merchandise Trade

Merchandise trade unadjusted for balance of payments rose by 68.7 per cent from ₦52,638.5 million in 1988 to ₦88,831.4 million in 1989 (see Table 6.4). This was due to increases of 85.1 and 42.8 per cent in oil sector and non-oil sector trade, respectively. The relatively sharp increase in oil sector trade pushed its share of total trade to 67.2 per cent in 1989, from 61.2 per cent in the preceding year. There was a corresponding decline in the share of non-oil trade. Reflecting the substantial growth in exports (85.8 per cent) compared with that of imports (2.7 per cent), the trade balance widened from ₦9,747.1 million in 1988 to ₦27,111.0 million in 1989. A break-down showed that, while the positive trade balance of the oil sector improved further to ₦50,345.2 million in 1989 from ₦24,632.3 million in the preceding year, the deficit of the non-oil sector by contrast, widened from ₦14,885.2 million to ₦23,234.2 million.

[1] The external reserve figures were adjusted for unrealised valuation changes.

TABLE 6.1
BALANCE OF PAYMENTS
(₦ million)

	1987[1]							
	Oil[3]		Non-oil[4]		Total		Oil	
Items	*Credit*	*Debit*	*Credit*	*Debit*	*Credit*	*Debit*	*Credit*	*Debit*
A. GOODS, SERVICES AND INCOME	**28,208.6**	**7,652.8**	**3,234.9**	**23,989.8**	**31,443.5**	**31,642.6**	**28,435.4**	**5,799.8**
1. Merchandise (fob)[5]	28,208.6	3,170.1	2,152.0	13,222.4	30,360.6	16,392.5	28,435.4	3,803.1
Balance on Merchandise	25,038.5	—	—	11,070.4	13,968.1	—	24,632.3	—
2. Shipment	—	—	48.1	1,175.4	48.1	1,175.4	—	—
3. Other Transportation	—	—	107.8	380.5	107.8	380.5	—	—
4. Travel	—	67.6	310.0	153.4	310.0	221.0	—	70.3
5. Investment Income	—	3,031.1	184.1	8,719.0	184.1	11,750.1	—	1,300.1
5.(1) Direct	(—)	(2,860.0)	(—)	(122.1)	(—)	(2,982.1)	(—)	(1,248.1)
5.(2) Others	(—)	(171.1)	(184.1)	(8,596.9)	(184.1)	(8,768.0)	(—)	(52.0)
6. Other Goods, Services and Income	—	1,384.0	432.9	339.1	432.9	1,723.1	—	626.3
Balance on Services and Income (2 through 6)	—	4,482.7	—	9,684.5	—	14,167.2	—	1,996.7
Balance on Goods, Services and Income (1 through 6)	20,555.8	—	—	20,754.9	—	199.1	22,635.6	—
B. UNREQUITED TRANSFERS	—	**6.1**	**17.9**	**108.0**	**17.9**	**114.1**	—	**8.0**
7. (1) Official	(—)	(—)	(10.7)	(8.0)	(10.7)	(8.0)	(—)	(—)
(2) Private	(—)	(6.1)	(7.2)	(100.0)	(7.2)	(106.1)	(—)	(8.0)
Balance on unrequited transfers	—	6.1	—	90.1	—	96.2	—	8.0
Balance on Items 1 through 7	20,549.7	—	—	20,845.0	—	295.3	22,627.6	—
C. CAPITAL EXCLUDING RESERVES	**2,447.1**	**6,852.3**	**32,879.1**	**26,769.3**	**35,326.2**	**33,645.5**	**1,773.7**	**3,554.0**
8. Direct Investment	2,308.7	2.5	153.7	7.1	2,462.4	9.6	1,648.1	50.0
(1) Abroad	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
(2) In reporting economy	(2,308.7)	(2.5)	(153.7)	(7.1)	(2,462.4)	(9.6)	(1,648.1)	(50.0)
9. Portfolio Investment	—	—	7,380.8	3,027.7	7,380.8	3,027.7	—	—
10. Other Capital (Long-Term)	**96.3**	**184.6**	**1,149.4**	**15,340.6**	**1,245.7**	**15,525.2**	**68.6**	**156.0**
10. (1) Resident Official Sector	—	—	1,035.2	15,124.0	1,035.2	15,124.0	—	—
10.1.1 Drawings and Repayments on Loans extended	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
10.1.2 Other Assets	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
10.1.3 Drawings and Repayments on Loans received	(—)	(—)	(1,035.2)	(15,124.0)	(1,035.2)	(15,124.0)	(—)	(—)
10.1.4 Other Liabilities	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
10. (2) Others (Private)	96.3	184.6	114.2	216.6	210.5	401.2	68.6	156.0
10.2.1 Drawings and Repayments on Loans extended	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
10.2.2 Other Assets	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
10.2.3 Drawings and repayments on Loans Received	(96.3)	(184.6)	(114.2)	(216.6)	(210.5)	(401.2)	(68.6)	(156.0)
10.2.4 Other Liabilities	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
11. Other Capital (Short-term)	**42.1**	**6,665.2**	**24,195.2**	**8,417.8**	**24,237.3**	**15,083.0**	**57.0**	**3,348.0**
11. (1) Resident Official Sector	—	1,348.4	17,624.0	7,380.8	17,624.0	8,729.2	—	791.0
11.1.1 Assets	(—)	(1,348.4)	(—)	(—)	(—)	(1,348.4)	(—)	(791.0)
11.1.2 Liabilities	(—)	(—)	(17,624.0)	(7,380.8)	(17,624.0)	(7,380.8)	(—)	(—)
11. (2) Deposit Money Banks (Net)	—	—	—	**327.9**	—	**327.9**	—	—
11.2.1 Assets	(—)	(—)	(—)	(190.9)	(—)	(190.9)	(—)	(—)
11.2.2 Liabilities	(—)	(—)	(—)	(137.0)	(—)	(137.0)	(—)	(—)
11. (3) Other Sectors	**42.1**	**5,316.8**	**6,571.2**	**709.1**	**6,613.3**	**6,025.9**	**57.0**	**2,557.0**
11.3.1 Assets	(—)	(5,295.3)	(—)	(600.2)	(—)	(5,895.5)	(—)	(2,525.0)
11.3.2 Liabilities	(41.1)	(21.5)	(6,571.2)	(108.9)	(6,613.3)	(130.4)	(57.0)	(32.0)
Balance on Items (8 through 11)	—	4,405.2	6,085.9	—	1,680.7	—	—	1,780.3
Balance on Current and Capital Accounts (Items 1 through 11)	16,144.5	—	—	14,759.1	1,385.4	—	20,847.3	—
D. RESERVES MOVEMENT (NET)[6]	—	—	—	—	—	159.2	—	—
12. Monetary Gold	—	—	—	—	—	—	—	—
13. Special Drawing Rights	—	—	—	—	—	—	—	—
14. Reserves Position in the Fund	—	—	—	—	—	0.2	—	—
15. Foreign Exchange Assets	—	—	—	—	—	1,055.9	—	—
15b Counterpart to valuation change	—	—	—	—	896.9	—	—	—
16. Other Claims	—	—	—	—	—	—	—	—
17. Use of Fund Credit	—	—	—	—	—	—	—	—
Errors and Omissions	—	—	—	—	—	1,226.2	—	—

[1] Revised [2] Provisional [3] Crude Oil Mining and Prospecting Companies [4] Other Sectors of the Economy
[5] Adjusted for coverage and valuation [6] Minus (—) sign indicates increase. Plus (+) sign indicates decrease.

1988[1]				1989[2]					
Non-Oil		*Total*		*Oil*		*Non-oil*		*Total*	
Credit	*Debit*	*Credit*	*Debit*	*Credit*	*Debit*	*Credit*	*Debit*	*Credit*	*Debit*
4,445.9	**28,465.1**	**32,881.3**	**34,264.9**	**55,016.8**	**8,724.0**	**5,306.1**	**45,262.2**	**60,322.9**	**53,986.2**
2,757.4	15,954.7	31,192.8	19,757.8	55,016.8	4,671.6	2,954.4	23,569.7	57,971.2	28,241.3
—	13,197.3	11,435.0	—	50,345.2	—	—	20,615.3	29,729.9	—
422.0	1,687.9	422.0	1,687.9	—	—	134.8	2,618.9	134.8	2,618.9
125.0	421.8	125.0	421.8	—	—	73.6	50.0	73.6	50.0
246.1	118.4	246.1	188.7	—	50.0	154.7	324.1	154.7	374.1
185.4	**9,612.3**	**185.4**	**10,912.4**	—	**1,436.0**	**1,120.2**	**10,876.3**	**1,120.2**	**12,312.3**
(—)	(385.2)	(—)	(1,633.3)	(—)	(1,381.0)	(461.8)	(250.4)	(461.8)	(1,631.4)
(185.4)	(9,227.1)	(185.4)	(9,279.1)	(—)	(55.0)	(658.4)	(10,625.9)	(658.4)	(10,680.9)
710.0	670.0	710.0	1,296.3	—	2,566.4	868.4	870.1	868.4	3,436.5
—	10,821.9	—	12,818.6	—	4,052.4	—	12,387.7	—	16,440.1
—	24,019.2	—	1,383.6	46,292.8	—	—	33,003.0	13,289.8	—
126.0	**172.1**	**126.0**	**180.1**	—	**27.0**	**905.6**	**200.0**	**905.6**	**227.0**
(115.0)	(12.0)	(115.0)	(12.0)	(—)	(—)	(830.6)	(15.0)	(830.6)	(15.0)
(11.0)	(160.1)	(11.0)	(168.1)	(—)	(27.0)	(75.0)	(185.0)	(75.0)	(212.0)
—	46.1	—	54.1	—	27.0	705.6	—	678.6	—
—	24,065.3	—	1,437.7	46,265.8	—	—	32,297.4	13,968.4	—
23,184.0	**21,350.1**	**24,957.7**	**24,904.1**	**13,381.7**	**13,832.2**	**12,246.3**	**17,864.4**	**25,628.0**	**31,696.6**
215.0	94.9	1,863.1	144.9	13,304.2	100.0	788.2	115.0	14,092.4	215.0
(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
(215.0)	(94.9)	(1,863.1)	(144.9)	(13,304.2)	(100.0)	(788.2)	(115.0)	(14,092.4)	(215.0)
2,926.8	315.0	2,926.8	315.0	—	—	—	1,618.8	—	1,618.8
1,871.6	**17,541.9**	**1,940.2**	**17,697.9**	**32.5**	**11,159.8**	**3,481.5**	**6,990.7**	**3,514.0**	**18,150.5**
1,790.2	17,433.0	1,790.2	17,433.0	—	—	3,411.5	6,869.7	3,411.5	17,917.5
(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
(—)	(—)	(—)	(—)	(—)	11,047.8	(—)	(—)	(—)	11,047.8
(1,790.2)	(17,433.0)	(1,790.2)	(17,433.0)	(—)	(—)	(3,411.5)	(6,869.7)	(3,411.5)	(6,869.7)
(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
81.4	108.9	150.0	264.9	32.5	112.0	70.0	121.0	102.5	233.0
(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
(81.4)	(108.9)	(150.0)	(264.9)	(32.5)	(112.0)	(70.0)	(121.0)	(102.5)	(233.0)
(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
18,170.6	**3,398.3**	**18,227.6**	**6,746.3**	**45.0**	**2,572.4**	**7,976.6**	**9,139.9**	**8,021.6**	**11,712.3**
18,049.1	514.5	18,049.1	1,305.5	—	501.0	7,458.1	8,017.2	7,458.1	8,518.2
(—)	(—)	(—)	(791.0)	(—)	(501.0)	(—)	(—)	(—)	(501.0)
(18,049.1)	(514.5)	(18,049.1)	(514.5)	(—)	(—)	(7,458.1)	(8,017.2)	(7,458.1)	(8,017.2)
—	**1,517.8**	—	**1,517.8**	—	—	**261.5**	**905.2**	**261.5**	**905.2**
(—)	(846.9)	(—)	(846.9)	(—)	(—)	(—)	(905.2)	(—)	(905.2)
(—)	(670.9)	(—)	(670.9)	(—)	(—)	(261.5)	(—)	(261.5)	(—)
121.5	**1,366.0**	**178.5**	**3,923.0**	**45.0**	**2,071.4**	**257.0**	**217.5**	**302.0**	**2,288.9**
(—)	(923.9)	(—)	(3,448.9)	(—)	(2,056.4)	(—)	(107.5)	(—)	(2,163.9)
(121.5)	(442.1)	(178.5)	(474.1)	(45.0)	(15.0)	(257.0)	(110.0)	(302.0)	(125.0)
1,833.9	—	53.6	—	—	450.0	—	5,618.1	—	6,068.6
—	22,231.4	—	1,384.1	45,815.3	—	—	37,915.5	7,899.8	—
—	—	2,294.1	—	—	—	—	—	—	8,727.8
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	1,370.6	—	—	—	—	—	—	10,469.8
—	—	923.5	—	—	—	—	—	1,742.0	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	910.0

TABLE 6.2

BALANCE OF PAYMENTS — SUMMARY STATEMENT

(₦ million)

Category	1987	1988	1989
A CURRENT ACCOUNT	−295.3	−1,437.7	13,968.4
Merchandise	13,968.1	11,435.0	29,729.9
Export (F.O.B.)	30,360.6	31,192.8	57,971.2
Oil	28,208.6	28,435.4	55,016.8
Non-oil	2,152.0	2,757.4	2,954.4
Imports (F.O.B.)	−16,392.5	−19,757.8	−28,241.3
Oil	−3,170.1	−3,803.1	−4,671.6
Non-oil	−13,222.4	−15,954.7	−23,569.7
Services and Income	−14,167.2	−12,818.6	−16,440.1
Investment income (credit)	184.4	185.4	658.4
Interest on reserves	184.4	185.4	658.4
Others	—	—	—
Investment income (debit)	−11,750.2	−10,912.4	−12,312.3
Interest on Loans	−8,768.0	−9,279.1	−10,680.9
Others	−2,982.1	−1,633.3	−1,631.4
Non-factor services (Net)	−2,610.5	−2,091.6	−4,786.2
Unrequited transfers (Net)	−96.2	−54.1	678.1
B CAPITAL (EXCLUDING D and E)	−16,743.3	−18,447.3	−16,874.9
Direct Investment	2,452.8	1,718.2	13,983.3
Portfolio Investment	4,353.1	2,611.8	−1,618.8
Other capital long-term	−15,079.5	−16,209.5	−17,984.7
Official (of which)	−14,888.8	−16,094.6	−17,854.2
Amortisation	−15,124.0	−17,433.0	−6,869.7
Disbursement	235.2	1,338.4	63.3
Other official	—	—	−11,047.8
Private (Net)	−190.7	−114.9	−130.5
Other Capital short-term (Net)	−8,469.7	−6,567.8	−11,254.7
Total (A and B)	−17,038.6	−19,885.0	−2,906.5
C NET ERRORS AND OMISSIONS	−1,226.2	−910.0	828.0
Total (A and B and C)	−18,264.8	−20,295.0	−2,078.5
D EXCEPTIONAL FINANCING	−18,424.4	18,500.9	10,806.3
(i) Promissory notes (arrears)	(+5,804.0)	(—)	(—)
(ii) Deferred/Resch. Debt Service	(+11,820.0)	(+18,049.1)	(+7,458.1)
(iii) Others	(+800.0)	(+451.8)	(+3,348.2)
Total (A through D)	+159.2	−2,294.1	+8,727.8
E CHANGE IN RESERVES[1]	−159.2	+2,294.1	−8,727.8

[1] Minus (—) sign indicates increase in reserves.
Plus (+) sign indicates decrease in reserves.

(a) *Imports (c & f)*

Total imports (C & F) were valued at ₦30,860.2 million in 1989, up by 43.9 per cent from the level of ₦21,445.7 million in 1988. Although both the oil and non-oil sectors contributed to this development, the non-oil sector was very crucial in determining the performance of imports in 1989. Whereas imports of both oil and non-oil sectors grew at almost the same rate in 1988, the non-oil sector imports advanced by 48.4 per cent in 1989 compared with only 22.8 per cent for the oil sector. The substantial increase in the value of imports in 1989 was, however, due to the marked depreciation of the naira exchange rate.

A sectoral break-down of imports by major groups revealed that the most important import group was capital goods with a share of 44.7 per cent of the total in 1989 compared with 32.0 per cent in 1988. Imports of capital goods increased by 101.0 per cent to ₦13,794.5 million in 1989 from ₦6,862.6 million in 1988. The next major group was raw materials whose share of 27.9 per cent of total imports in 1989 was below the 39.2 per cent achieved in 1988. The combined share of capital goods and raw materials represented 72.6 per cent of the total as against 71.3 per cent in 1988 and at ₦22,404.5 million, showed an increase of 46.5 per cent compared with the level of ₦15,290.8 million attained a year ago. There was a corresponding decline in the share of consumer goods imports in the total from 28.7 per cent in 1988 to 27.3 per cent in 1989. However, this class of imports increased in absolute terms from ₦6,154.9 million to ₦8,424.8 million during the same period. The share of durable consumer goods increased by 3.0 percentage points while that of non-durable consumer goods went down by 4.4 percentage points.

A further examination of imports data by Standard International Trade Classification (SITC) indicated that all items increased from their respective levels in the preceding year, except imports in favour of unclassified miscellaneous transactions which recorded a huge decline of 56.5 per cent from ₦21.4 million in 1988 to ₦9.3 million (see Table 6.6). The importation of machinery and transport equipment remained the major item under this classification with a share of 42.8 per cent of total imports in 1989 vis-a-vis 40.2 per cent in 1988. also, the import value of these items, rose by 53.2 per cent from ₦8,621.2 million to ₦13,208.2 million. The class of

TABLE 6.3

BALANCE OF PAYMENTS — SUMMARY STATEMENT

($ million)

Category	1987	1988	1989
A CURRENT ACCOUNT	-73.8	-319.5	1,896.5
Merchandise	3,492.0	2,541.1	4,036.5
Export (F.O.B.)	7,590.2	6,931.7	7,870.9
Oil	7,052.2	6,319.0	7,469.8
Non-oil	538.0	612.7	401.1
Imports	-4,098.1	-4,390.6	-3,834.4
Oil	-792.5	-845.1	-634.3
Non-oil	-3,305.6	-3,545.5	-3,200.1
Services and Income	-3,541.8	-2,848.6	-2,232.1
Investment income (credit)	46.1	41.2	89.4
Interest on reserves	46.1	41.2	89.4
Others	—	—	—
Investment income (debit)	-2,937.5	-2,425.0	-1,671.7
Interest on Loans	-2,192.0	-2,062.0	-1,450.2
Others	-745.5	-363.0	-221.5
Non-factor services	-650.4	-464.8	-649.8
Unrequited transfers (Net)	-24.0	-12.0	92.1
B CAPITAL (EXCLUDING D and E)	-4,185.8	-4,099.4	-2,291.2
Direct Investment	613.2	381.8	1,898.6
Portfolio Investment	1,088.3	580.4	-219.8
Other capital long-term	-3,769.9	-3,602.1	-2,441.8
Official (of which)	-3,722.2	-3,576.6	-2,424.1
Amortisation	-3,781.0	-3,874.0	-932.7
Disbursement	58.8	297.4	8.6
Other official	—	—	-1,500.0
Private (Net)	-47.7	-25.5	-17.7
Other Capital short-term (Net)	-2,117.4	-1,459.5	-1,528.1
Total (A and B)	-4,259.6	-4,418.9	-394.6
C NET ERRORS AND OMISSIONS	-306.6	-202.2	112.4
Total (A and B and C)	-4,566.2	-4,621.1	-282.2
D EXCEPTIONAL FINANCING	+4,606.0	+4,111.3	+1,467.2
(i) Promissory notes (arrears)	(+1,451.0)	(—)	(—)
(ii) Deferred/Resch. Debt Service	(+2,955.0)	(+4,010.9)	(+1,012.6)
(iii) Others	(+200.0)	(+100.4)	(+454.6)
Total (A through D)	39.8	-509.8	1,185.0
E CHANGE IN RESERVES[1]	-39.8	509.8	-1,185.0

[1] Minus (—) sign indicates increase in reserves.
Plus (+) sign indicates decrease in reserves.

TABLE 6.4

VISIBLE TRADE 1987-1989

(₦ million)

Item	1987 (1)	1988[1] (2)	1989[2] (3)	*Percentage change between* (1) *and* (2)	(2) *and* (3)
Imports	**17,861.7**	**21,445.7**	**30,860.2**	**20.1**	**43.9**
Oil sector	3,170.1	3,803.1	4,671.6	20.0	22.8
Non-oil sector	14,691.6	17,642.6	26,188.6	20.1	48.4
Exports	**30,360.6**	**31,192.8**	**57,971.2**	**2.7**	**85.8**
Oil sector	28,208.6	28,435.4	55,016.8	0.8	93.5
Non-oil sector	2,152.0	2,757.4	2,954.4	28.1	7.1
Total Trade	**48,222.3**	**52,638.5**	**88,831.4**	**9.2**	**68.7**
Oil sector	31,378.7	32,238.5	59,688.4	2.7	85.1
Non-oil sector	16,843.6	20,400.0	29,143.0	21.1	42.8
				Actual change (₦ Million)	
Balance of Trade[3]	**+12,498.9**	**+9,747.1**	**+27,111.0**	**-2,751.8**	**+17,363.9**
Oil sector	-25,038.5	+24,632.3	+50,345.2	-406.2	+25,712.9
Non-oil sector	-12,539.6	-14,885.2	-23,234.2	-2,345.6	-8,349.0

[1] Revised
[2] Provisional
[3] Plus (+) = Surplus; Minus (-) = Deficit
Source: Compiled from data supplied by Federal Office of Statistics and Trade and Exchange Department of the Central Bank of Nigeria.

imports designated as chemicals, with a share of 21.6 per cent, increased by 57.0 per cent from ₦4,246.2 million to ₦6,665.8 million. Imports of manufactured goods at ₦6,357.2 million in 1989, exceeded by 28.3 per cent the level of ₦4,954.0 million recorded in the preceding year. Beverages and tobacco with a relatively small share of total imports increased substantially by 79.8 per cent over the level of ₦85.8 million in 1988. Also, the import of food and live animals showed an increase of 18.4 per cent in 1989 in sharp contrast to the decline of 9.6 per cent in 1988.

(b) *Pre-Shipment Inspection*

Pre-shipment inspection continued to form an important part of the country's import trade procedures. The value of Forms 'M' passed for pre-shipment inspection during the year was \$5,429.7 million, made up of \$4,451.1 million for goods valid for foriegn exchange and \$978.6 million for goods not valid for foreign exchange. A break-down of transactions valid for foreign exchange shows that the share of imports for industrial use amounted to \$2,781.7 million or 62.5 per cent while finished goods imports accounted for \$1,452.4 million or 32.6 per cent. The share of imports of agricultural inputs was \$95.8 million or 2.2 per cent of the total. In respect of goods not valid for foreign exchange, imports of raw materials, machinery and spare parts accounted for \$845.8 million or 86.4 per cent. Imports of agricultural inputs and finished goods amounted to \$16.0 million and \$113.7 million, respectively.

A further analysis shows that the value of goods inspected for which Clean Report of Findings (CRF) were issued totalled \$3,349.1 million. Of this, \$2,296.6 million or 68.6 per cent represented the share of raw materials, machinery and spare parts while those of imports of finished goods and agricultural inputs amounted to \$846.2 million and \$172.3 million or 25.3 and 5.1 per cent of the total, respectively (see Table 6.7).

(c) *Exports (fob)*

Nigeria's total exports were valued at ₦57,971.2 million in 1989, representing a significant increase of 85.8 per cent as against the level of ₦31,192.8 million in 1988 (see Table 6.4).

TABLE 6.5
IMPORTS BY MAJOR GROUPS
(₦ million)

Import Group	1987	1988[1]	1989[2]	Percentage of total 1987	1988[1]	1989[2]
Consumer Goods	**4,304.7**	**6,154.9**	**8,424.8**	**24.1**	**28.7**	**27.3**
Durable	839.5	214.5	1,234.4	4.7	1.0	4.0
Non-durable	3,465.2	5,940.4	7,190.4	19.4	27.7	23.3
Capital Goods and Raw Materials	**13,551.7**	**15,290.8**	**22,404.5**	**75.9**	**71.3**	**72.6**
Capital Goods	7,568.0	6,862.6	13,794.5	42.4	32.0	44.7
Raw Materials	5,983.7	8,406.8	8,600.7	33.5	39.2	27.9
Miscellaneous	**5.3**	**21.4**	**9.3**	**0.0**	[3]	**0.1**
Total	17,861.7	21,445.7	30,860.2	100.0	100.0	100.0

[1] Revised.
[2] CBN Estimates.
[3] Negligible.

TABLE 6.6
IMPORTS BY S.I.T.C. SECTIONS
(₦ million)

Sections	1987 (1)	1988[1] (2)	1989[2] (3)	Percentage change between (1) *and* (2) (4)	(2) *and* (3) (5)
0. Food and Live Animals	1,873.9	1,694.2	2,005.9	−9.6	18.4
1. Beverages and Tobacco	30.8	85.8	154.3	178.6	79.8
2. Crude Materials	799.7	579.0	894.9	−27.6	54.6
3. Mineral Fuels	76.5	214.5	216.0	180.4	0.7
4. Animals and Vegetable Oils and Fats	65.8	64.3	92.6	−2.3	44.0
5. Chemicals	3,016.6	4,246.2	6,665.8	40.8	57.0
6. Manufactured Goods	4,484.8	4,954.0	6,357.2	10.5	28.3
7. Machinery and Transport Equipment	6,828.1	8,621.2	13,208.2	26.3	53.2
8. Miscellaneous Manufactured Articles	680.2	965.1	1,256.0	41.9	30.1
9. Miscellaneous Transactions Unclassified	5.3	21.4	9.3	303.8	−56.5
Total	17,861.7	21,445.7	30,860.2	20.1	43.9

[1] Revised
[2] CBN Estimates.
Source: Compiled from data supplied by Federal Office of Statistics.

TABLE 6.7

SUMMARY OF TRANSACTIONS UNDER FEM: JANUARY-DECEMBER, 1989

	Allocation for Imports		*Forms 'M' passed for inspection for goods valid for foreign exchange*		*Forms 'M' passed for inspection for goods not valid for foreign exchange*		*Goods inspected and for which CRFS were issued*	
	US ($'m)	*%*	*US ($'m)*	*%*	*US ($'m)*	*%*	*US ($'m)*	*%*
1. Industrial Sector........	1,793.1	75.1	2,781.7	62.5	845.8	86.4	2,296.6	68.6
(i) Raw Materials......	1,103.7	46.2	1,708.5	38.4	173.2	17.7	1,391.1	41.5
(ii) Machinery, Spare parts & CKD.......	689.4	28.9	1,073.2	24.1	672.6	68.7	905.5	27.0
2. Agricultural Sector......	6.0	0.2	95.8	2.2	16.0	1.6	172.3	5.1
3. Finished Goods.........	587.0	24.6	1,452.4	32.6	113.7	11.6	846.2	25.3
(i) Food	120.8	5.1	639.6	14.4	12.8	1.3	233.6	7.0
(ii) General Merchandise	428.2	17.9	75.0	1.7	9.7	1.0	94.0	2.8
(a) Drugs & Pharmaceuticals ..	67.6	2.3	737.7	16.6	91.3	9.3	518.6	15.5
(b) Books & Educational Materials	34.2	1.4	98.9	2.2	2.8	0.3	47.9	1.4
(c) Other General Merchandise......	326.4	13.7	12.8	0.3	1.7	0.2	13.3	0.4
(iii) Motor Vehicles	38.0	1.6	126.0	14.1	86.1	8.9	457.4	13.7
4. Capital Goods — Aircraft & Shipping...	2.3	0.1	121.3	2.7	3.2	0.3	34.0	1.0
TOTAL (1+2+3+4)......	2,388.4	100.0	4,451.1	100.0	978.6	100.0	3,349.1	100.0

As in previous years, the bulk of the exports was in respect of crude petroleum which went up by 93.5 per cent from ₦28,435.4 million in 1988 to ₦55,016.8 million. This was attributed to the increase in oil export volume from 1.1170 million barrels per day in 1988 to 1.1628 million barrels per day in 1989, as well as the increase in crude oil prices from an average of $14.6 per barrel to $17.6 per barrel during the same period.

Non-oil exports showed a moderate increase of 7.1 per cent from ₦2,757.4 million in 1988 to ₦2,954.4 million. This was in contrast to the development in the previous year when a substantial increase of 28.1 per cent was recorded. The share of non-oil exports as a percentage of total exports declined from 8.8 per cent to 5.0 per cent during the period under review as a result of the decline in cocoa beans exports. The slow growth in non-oil exports, especially cocoa, reflected the sluggish world demand which led to a softening of the prices of Nigeria's primary commodities. This development indicated that the gains by the non-oil sector since the inception of the SAP were threatened largely as a result of the reliance on cocoa as the major non-oil export. The value of cocoa exports went down by 29.3 per cent from ₦1,475.9 million to ₦1,043.5 million. Consequently, the share of cocoa in total exports declined from 4.7 per cent in 1988 to 1.8 per cent in 1989. However, the export values of palm kernels and rubber increased by 70.7 per cent and 150.1 per cent to ₦115.9 million and ₦508.3 million, respectively.

The export value of manufactured and semi-manufactured agricultural products increased by 27.9 per cent from ₦90.6 million to ₦115.9 million. The export of processed cocoa products – butter, cake and powder – went up from ₦80.9 million to ₦115.9 million. Also, there were sharp increases in the exports of textiles, plastics and wood products from ₦33.8 million, ₦0.5 million and ₦2.3 million in 1988 to ₦128.2 million, ₦2.2 million and ₦12.5 million in 1989, respectively.

The exports of tin and precious metals declined by 42.5 per cent and 91.7 per cent, respectively, from their 1988 levels of ₦8.7 million and ₦13.2 million.

VI.1.2 Direction of Oil Exports

The Americas took the largest share of Nigeria's crude oil exports in 1989. As a group, their share rose marginally by 0.3 percentage point from 55.8 per cent in 1988 to 56.1 per cent in 1989. Western Europe's share in total crude oil exports, however, declined by 1.0 percentage point to 37.3 per cent (see Table 6.9 and Chart XX). The United States of America (USA) retained its position as the country's largest single oil trade partner, absorbing 53.8 per cent of Nigeria's oil exports in 1989 compared with 50.1 per cent in 1988. The share of African countries also increased from 5.8 per cent to 6.4 per cent.

The export volume of crude oil to the Americas, valued at ₦30,864.4 million, increased from 234.6 million barrels to 284.6 million barrels. This was due to the increased purchase by the United States of America whose import from Nigeria increased by 62.7 million barrels to 272.9 million barrels with a value of ₦29,599.0 million compared with 210.2 million barrels worth ₦14,246.1 million in 1988. This development reflected the intensification of the marketing strategy of the NNPC regarding off-shore refining of crude oil. Purchases by Canada and Brazil declined from their respective levels of 7.3 and 7.4 million barrels in the preceding year to 2.0 and 4.6 million barrels. Similarly, crude oil exports to the two countries dropped in value to ₦220.1 million and ₦495.1 million from ₦455.0 million and ₦511.9 million, respectively. Exports to other countries in the Americas declined by 4.6 million barrels to 5.1 million barrels. Consequently, the value of exports to these countries declined from ₦654.0 million in 1988 to ₦550.2 million.

TABLE 6.8
EXPORT OF MAJOR COMMODITIES BY ECONOMIC SECTORS

Commodity	*Quantity (Thousand Tonnes unless otherwise stated)*			*Value (₦' million)*			*Percentage of Total Export Value*		
	1987	1988[1]	1989[2]	1987	1988[1]	1989[2]	1987	1988[1]	1989[2]
Major Agricultural	332.5	497.4	365.9	1,588.5	1,794.2	1,739.1	5.2	5.7	3.0
(including Forest Products)	201.5	303.9	131.3	1,497.8	1,475.9	1,043.5	4.9	4.7	1.8
Cocoa	92.4	110.4	115.1	30.2	67.9	115.9	0.1	0.2	0.2
Palm Kernels	38.6	67.4	103.0	60.5	203.2	508.3	0.2	0.7	0.9
Rubber	—	0.2	0.1	—	1.4	1.6	—	[4]	[4]
Groundnut	—	0.4	—	—	1.4	—	—	[4]	[4]
Yam	—	0.7	—	—	1.8	0.2	—	[4]	[4]
Kolanuts	—	2.4	4.0	—	2.0	2.8	—	[4]	[4]
Pineapples	—	0.3	0.3	—	0.5	0.9	—	[4]	[4]
Coffee	—	0.8	0.4	—	4.3	4.0	—	[4]	[4]
Cashew nuts	—	9.8	11.2	—	31.1	58.0	—	0.1	0.1
Spices (Ginger, Vanila etc)	—	1.1	0.5	—	4.7	3.9	—	[4]	[4]
Mineral Products	389.5	429.2	507.3	28,208.6	28,435.4	55,016.8	92.9	91.2	94.9
Columbite	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Petroleum[3]	389.5	429.2	507.3	28,208.6	28,435.4	55,016.8	92.9	91.2	94.9
Others	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Manufactures and Semi-Manufactures of Agricultural Products	13.4	28.3	22.1	61.5	90.6	115.9	0.2	0.3	0.2
Cocoa Butter	8.4	5.3	4.7	53.7	74.4	108.1	0.2	0.3	0.2
Cocoa Powder	—	0.2	—	5.4	1.4	7.8	[4]	[4]	[4]
Cocoa Cake	—	2.9	—	2.4	5.1	—	[4]	[4]	[4]
Cocoa Paste	—	0.2	—	—	1.1	—	—	[4]	[4]
Groundnut Cake	—	—	—	—	—	—	—	—	—
Refined Sugars	—	19.7	—	—	8.6	—	—	[4]	[4]
Tin Metal	1.6	0.4	0.2	30.2	8.7	5.0	0.1	—	[4]
Precious Metal	—	1.9	0.1	—	13.2	1.1	—	[4]	[4]
Other Exports	—	—	—	471.8	850.7	1,093.3	1.6	2.8	1.9
Total Domestic Export	—	—	—	30,360.6	31,192.8	57,971.2	100.0	100.0	100.0
Re-export	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total Exports	—	—	—	30,360.6	31,192.8	57,971.2	100.0	100.0	100.0

[1] Revised n.a. = not available.
[2] Estimated [4] Negligible
[3] Quantity in million barrels.
Source: Compiled from data supplied by Export Office of the Foreign Operations Department and N.N.P.C. (data on oil exports) and Federal Office of Statistics.

Exports to Western Europe increased by 20.0 million barrels from 169.2 million barrels in 1988 to 189.2 million barrels in 1989. In value terms, their purchases also increased from ₦10,890.7 million to ₦20,521.5 million. This resulted from the significant increase in sales to Italy, Spain and Portugal. Italy, Spain and Portugal increased their purchases in 1989 from their respective levels in 1988 to 24.4 million barrels, 48.7 million barrels and 23.8 million barrels valued at ₦2,640.8 million, ₦5,281.6 million and ₦2,585.8 million. Exports to the United Kingdom also increased by 20.9 per cent to 1.5 million barrels valued at ₦165.1 million. The value of exports to the Netherlands increased from ₦3,298.5 million to ₦5,501.7 million. In volume terms, however, crude oil exports to the Netherlands declined by 5.1 million barrels from 55.8 million barrels in 1988 to 50.7 million barrels. However, the Netherlands maintained its position as the largest buyer of Nigeria's crude among the Western European countries. Exports to West Germany and France declined from their respective levels in 1988 by 41.2 per cent and 24.7 per cent to 14.7 million barrels and 25.4 million barrels valued at ₦1,595.5 million and ₦2,750.8 million, respectively.

Exports of crude oil to African countries increased by 31.4 per cent from the level of 24.7 million barrels valued at ₦1,649.2 million in 1988 to 32.5 million barrels worth ₦3,521.1 million in 1989. Purchases by ECOWAS countries went up by 34.7 per cent to 29.9 million barrels valued at ₦3,246.0 million. Exports to Ghana and Cote d'Ivoire showed remarkable increases from their respective levels of 6.9 and 11.1 million barrels to 12.2 and 17.8 million barrels worth ₦1,320.4 million and ₦1.925.6 million in 1989. However, Cote d'Ivoire was the single largest buyer in this group.

VI.1.3 Services and Income Account

The deficit on the services and income account widened from ₦12,818.6 million in 1988 to ₦16,440.1 million as a result of the increased outpayments for shipment, interest on loans and other goods, services and income. The upward movement of disbursement in favour of these items pushed up total out-payments to a level that surpassed the increase in aggregate inflow on the account. Aggregate inflow on services and income totalled ₦2,351.7 million, up by 39.3 per cent from the level of ₦1,688.5 million recorded in 1988. On the

TABLE 6.9

DIRECTION OF OIL EXPORTS

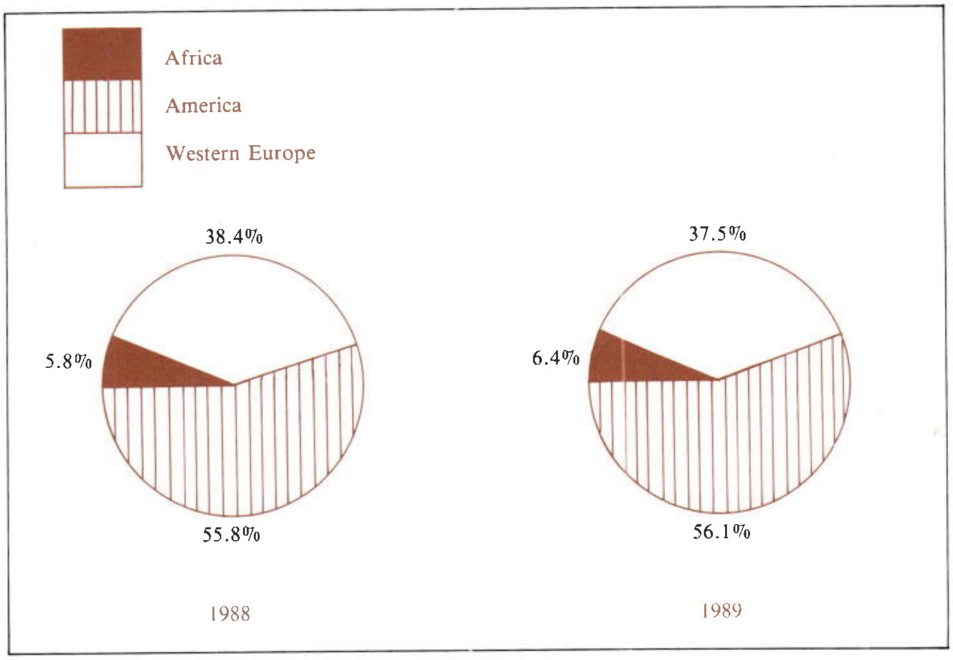
Region/Country	Quantity (thousand barrels) 1987	1988[1]	1989[2]	Value (₦' million) 1987	1988[1]	1989[2]	Percentage of total value 1987	1988[1]	1989[2]
Africa	17,681	24,716	32,469	1,269.4	1,649.2	3,521.1	4.5	5.8	6.4
West Africa	17,136	22,225	29,933	1,241.2	1,478.6	3,246.0	4.4	5.2	5.9
ECOWAS	17,136	22,225	29,933	1,241.2	1,478.6	3,246.0	4.4	5.2	5.9
Ghana	5,530	6,916	12,176	394.9	455.0	1,320.4	1.4	1.6	2.4
Cote d'Ivoire	8,611	11,134	17,757	620.6	739.3	1,925.6	2.2	2.6	3.5
Senegal	2,337	2,656	—	169.3	170.6	—	0.6	0.6	—
Sierra-Leone	658	1,072	—	56.4	85.3	—	0.2	0.3	—
Niger	—	—	—	—	—	—	—	—	—
Other ECOWAS	—	447	—	—	28.4	—	—	0.1	—
Other West Africa	—	—	—	—	—	—	—	—	—
North Africa	—	—	—	—	—	—	—	—	—
Other Africa	545	2,491	2,536	28.2	170.6	275.1	0.1	0.6	0.5
Asia	—	—	—	—	—	—	—	—	—
China (Mainland)	—	—	—	—	—	—	—	—	—
Hong Kong	—	—	—	—	—	—	—	—	—
India	—	—	—	—	—	—	—	—	—
Japan	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
Americas	209,137	234,649	284,613	15,148.0	15,867.0	30,864.4	53.7	55.8	56.1
Canada	5,452	7,361	2,029	394.9	455.0	220.1	1.4	1.6	0.4
U.S.A.	196,285	210,714	272,945	14,217.1	14,246.1	29,599.0	50.4	50.1	53.8
Brazil	2,337	7,410	4,566	169.3	511.9	495.1	0.6	1.8	0.9
Others	5,063	9,704	5,073	366.7	654.0	550.2	1.3	2.3	1.0
Eastern Europe	—	—	—	—	—	—	—	—	—
Hungary	—	—	—	—	—	—	—	—	—
Yugoslavia	—	—	—	—	—	—	—	—	—
Czechoslovakia	—	—	—	—	—	—	—	—	—
Poland	—	—	—	—	—	—	—	—	—
U.S.S.R.	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
Western Europe	162,638	169,184	189,235	11,791.2	10,890.7	20,521.3	41.8	38.4	37.5
Belgium/Luxembourg	624	—	—	56.4	—	—	0.2	—	—
Netherlands	51,798	55,864	50,733	3,751.7	3,298.5	5,501.7	13.3	11.6	10.0
Germany (West)	20,641	25,021	14,713	1,495.1	1,791.4	1,595.5	5.3	6.3	2.9
France	22,978	33,696	25,366	1,664.3	2.161.1	2,750.8	5.9	7.6	5.0
Italy	28,430	3,931	24,352	2,059.2	255.9	2,640.8	7.3	0.9	4.8
Norway	—	—	—	—	—	—	—	—	—
Sweden	1,558	—	—	112.8	—	—	0.4	—	—
Denmark	—	—	—	—	—	—	—	—	—
Austria	—	—	—	—	—	—	—	—	—
Switzerland	—	—	—	—	—	—	—	—	—
Ireland	—	—	—	—	—	—	—	—	—
Spain	29,988	43,394	48,704	2,172.1	2,872.0	5,281.6	7.7	10.1	9.6
United Kingdom	3,116	1,259	1,522	225.7	85.3	165.1	0.8	0.3	0.3
Portugal	3,505	6,019	23,845	253.9	426.5	2,585.8	0.9	1.5	4.7
Greece	0	—	—	0.0	—	—	0.0	—	—
Others	—	—	—	—	—	—	—	—	—
Oceania	—	—	—	—	—	—	—	—	—
Others	—	623	1,015	—	28.5	110.0	—	0.1	0.2
Total	389,456	429,172	507,332	28,208.6	28,435.4	55,016.8	100.0	100.0	100.0

[1] Revised

[2] Estimated — Based on monthly reports of all oil companies and NNPC returns.

Source: Compiled from monthly Petroleum Information (An NNPC Publication) and data from crude oil and prospecting Companies.

CHART XX
DIRECTION OF OIL EXPORTS



other hand, total disbursements rose by 29.5 per cent from ₦14,507.3 million to ₦18,791.8 million.

Inflow in respect of shipment declined from ₦421.0 million in 1988 to ₦134.8 million as a result of the decline in the value of non-oil exports. However, the increase in the value of outpayments for this item by 55.1 per cent during the same period reflected the increase in non-oil imports which were transported mainly by foreign vessels, whose services were paid for by Nigerian importers. Investment income inflow went up sharply from ₦185.4 million in 1988 to ₦1,120.2 million due to increases in Central Bank's earnings on reserves by ₦473.0 million, interest on FEM and dedicated accounts by ₦461.8 million. However, outpayments on this account increased by 12.8 per cent from ₦10,912.4 million in 1988 to ₦12,312.3 million as a result of increased interest payments on loans which rose by 15.1 per cent from ₦9,279.1 million in

TABLE 6.10
SERVICES ACCOUNT (NET)
(₦ million)

	1987			1988[1]			1989[2]		
	Oil	*Non-Oil*	*Total*	*Oil*	*Non-Oil*	*Total*	*Oil*	*Non-Oil*	*Total*
Shipment	**—**	**-1,127.3**	**-1,127.3**	**—**	**-1,265.9**	**-1,265.9**	**—**	**-2,484.1**	**-2,484.1**
Other Transportation	**—**	**-272.3**	**-272.7**	**—**	**-296.8**	**-296.8**	**—**	**23.6**	**23.6**
Passenger Services	(—)	(-310.1)	(-310.1)	(—)	(-351.8)	(-351.8)	(—)	(-11.0)	(11.0)
Port Services	(—)	(37.4)	(37.4)	(—)	(55.0)	(55.0)	(—)	(34.6)	(34.6)
Travel	**-67.6**	**156.6**	**89.0**	**-70.3**	**127.7**	**57.4**	**-50.0**	**-169.4**	**-219.4**
Education	(-42.8)	(-71.6)	(-114.4)	(-44.5)	(-84.0)	(-128.5)	(-31.6)	(-115.9)	(-147.5)
Other Travels	(-24.8)	(228.2)	(203.4)	(-25.8)	(211.7)	(185.9)	(-18.4)	(-53.5)	(-71.9)
Investment Income	**-3,031.1**	**-8,534.9**	**-11,566.0**	**-1,300.1**	**-9,426.9**	**-10,727.0**	**-1,436.0**	**-9,756.1**	**-11,192.1**
Direct	(-2,860.0)	(-122.1)	(-2,982.1)	(-1,248.1)	(-385.2)	(1,633.3)	(-1,381.0)	(211.4)	(-1,169.6)
Other	(-171.1)	(-8,412.8)	(-8,583.9)	(-52.0)	(-9,041.7)	(-9,093.7)	(-55.0)	(-9,967.5)	(10,022.5)
Other Goods, Services and Income	**(-1,384.0)**	**93.8**	**-1,290.2**	**-626.3**	**40.0**	**-586.3**	**-2,566.4**	**-1.7**	**-2,568.1**
Non-Merchandise Insurance	(-12.3)	(-18.1)	(-30.4)	(-12.8)	(-7.7)	(-20.5)	(-52.4)	(-0.2)	(-52.6)
Management, Technical and Consulting Fees	(-888.5)	(-29.6)	(-918.1)	(-404.0)	(-12.6)	(-416.6)	(-1,655.5)	(-0.4)	(-1,655.9)
Others	(-483.2)	(+141.5)	(-342.7)	(-209.5)	(60.3)	(-149.2)	(-858.5)	(-1.1)	(-859.6)
Total	-4,482.7	-9,684.5	-14,167.2	-1,996.7	-10,821.9	-12,818.6	-4,052.4	-12,387.7	-16,440.1

[1] Revised
[2] Provisional

1988 to ₦10,680.9 million. Inflow in respect of other goods, services and income was up by ₦158.4 million with disbursements increasing by ₦2,140.2 million from ₦1,296.3 million in 1988. The increase in the level of disbursement on this account was accounted for by the increased outpayments for maintaining Nigeria's peace keeping forces abroad, expenditure of diplomatic missions abroad and personal expenses of technical aid corps volunteers.

VI.1.4 Unrequited Transfers

The unrequited transfers account swung from a deficit of ₦54.1 million in 1988 to a huge surplus of ₦678.6 million. This development reflected mainly credit entries arising from the discounts and debts converted and cash gifts offered to charitable organisations under the debt conversion programme. The outflow of ₦277.0 million on the account was largely in respect of disbursements under the technical aid corps scheme and gifts to other African countries.

VI.2 CAPITAL ACCOUNT

The capital account position strengthened in 1989. The deficit on the account declined from ₦18,447.3 million in 1988 to ₦16,874.9 million (see Table 6.2). This resulted from the increase in direct investment net inflow and rescheduling of some debt service obligations falling due during the year. Aggregate capital inflow including drawings on balance of payments support loans amounted to ₦25,628.0 million in 1989 indicating an increase of 2.6 per cent or ₦670.3 million over the level in the previous year. Similarly, capital outflow rose by 27.3 per cent or ₦6,792.5 million to ₦31,696.6 million from the previous year's level (see Table 6.1).

Inflow in respect of direct investment rose sharply from ₦1,863.1 million in 1988 to ₦14,092.4 million. This was accounted for mainly by the purchase of Federal Government shares in Shell Petroleum Development Company Nigeria Ltd. by three oil companies namely, Shell, ELF and Agip. Other sources of foreign investment inflow were re-invested earnings of oil companies (₦1,381.0 million) and proceeds from debt conversion (₦788.2 million). Also, foreign investment outflow increased from ₦144.9 million to ₦215.0 million largely reflecting reduction in claims by non-resident investors.

The portfolio investment account recorded a deficit of ₦1,618.8 million in 1989 in contrast to a surplus of ₦2,611.8 million in the previous year. This was due to reduction in liabilities arising from the debt redeemed under the Debt Conversion Programme (DCP) which amounted to ₦1,618.8 million compared with only ₦315.0 million in 1988. The deterioration of the portfolio account also stemmed from the reduction in inflow reflecting the fact that no promissory notes were issued in 1989 in contrast to the previous year when ₦2,926.8 million worth of such notes were issued.

The deficit on other capital "long-term" increased by 10.9 per cent from ₦16,209.5 million in 1988 to ₦17,984.7 million (see Table 6.2). This reflected the increase in public sector net claims on foreigners arising from the sale of Federal Government equities in Shell Petroleum Development Company of Nigeria. Long-term capital inflow consisted largely of drawings on balance of payments support loans from multilateral and bilateral sources which amounted to ₦8,727.8 million compared with ₦451.8 million in 1988.

VI.3 EXTERNAL ASSETS

Nigeria's aggregate external assets grew by 116.3 per cent from their level at the end of 1988, to ₦23,294.7 million (see Table 6.11). The pattern of holdings of the country's external assets was reversed from that of 1988, with the Central Bank regaining the predominant position it lost to the commercial and merchant banks in the preceding year. Thus, Central Bank's proportional share of total assets rose to 57.7 per cent, from 30.4 per cent in 1988. This development arose primarily out of the deliberate policy of the monetary authorities to build up official external reserves so as to further consolidate and

TABLE 6.11 — TOTAL EXTERNAL ASSETS

(₦ million)

Holder	*December*[1] 1987 (1)	*December*[2] 1988 (2)	*December*[2] 1989 (3)	*Percentage change between* (1) *and* (2)	(2) *and* (3)
1. OFFICIAL	4,662.5	3,291.9	13,453.5	–29.4	308.7
A. Federal Government	16.8	16.8	16.8	—	—
B. Central Bank	4,643.3	3,272.7	13,434.3	–29.5	310.5
(i) Gold	19.0	19.0	19.0	—	—
(ii) Foreign Exchange	4,623.7	3,252.9	13,413.3	–29.6	412.3
(iii) Reserve Tranche	[3]	0.5	0.5	—	—
(iv) Special Drawing Rights	0.6	0.3	1.5	–50.0	400.0
C. State Governments	2.4	2.4	2.4	—	—
2. SEMI-OFFICIAL INSTITUTIONS	2.3	2.3	2.3	—	—
(i) Commodity Board	—	—	—	—	—
(ii) Nigerian Ind. Dev. Bank	0.1	0.1	0.1	—	—
(iii) Others[4]	2.2	2.2	2.2	—	—
3. COMMERCIAL BANKS (NET)	2,111.1	4,969.1	6,610.9	135.4	33.0
4. MERCHANT BANKS (NET)	1,293.5	2,508.4	3,228,0	93.9	28.7
Total (1 + 2 + 3 + 4)	8,069.4	10,771.7	23,294.7	33.4	116.3

[1] Revised
[2] Provisional
[3] Negligible
[4] Include Teaching Hospital, Investment Corporation, Parastatals of the Federal and State Governments.

promote the country's creditworthiness. That policy was facilitated by the increased inflow of new money from the World Bank, the United Kingdom and Japan which had the effect of reducing the disbursement of export receipts to a tolerable level.

From the end-1988 level of ₦3,272.7 million, external assets held by the Central Bank increased by more than three-fold to ₦13,453.5 million at the end of 1989. As in the previous year, the bulk of the Bank's assets was held in bank balances abroad. These balances rose by 321.8 per cent from the end-December 1988 level of ₦3,252.9 million to ₦13,413.3 million. External assets holdings of the Federal and State Governments remained at their respective levels of ₦16.8 million and ₦2.4 million. Also, holdings of semi-official institutions remained unchanged at the 1988 level of ₦2.3 million.

The combined net holdings of commercial and merchant banks showed an increase of 31.6 per cent, from ₦7,477.5 million at the end of 1988, to ₦9,838.9 million at the end of 1989. Commercial banks' holdings rose by 33.0 per cent to ₦6,610.9 million compared with the level in 1988, while merchant banks' holdings rose by 28.7 per cent to ₦3,228.0 million during the period.

CHAPTER VII

VII. INTERNATIONAL ECONOMIC, MONETARY AND FINANCIAL DEVELOPMENTS

In 1989, there was a general slackening in world economic activity which was reflected in significant declines in the growth rates of output and trade. Although the foreign exchange markets were relatively stable, inflationary pressures persisted and several countries continued to face high unemployment. The multilateral trade negotiations of the Uruguay Round successfully concluded a mid-term review during the year. The Lome IV Convention of the ACP/EEC also reached a ten-year accord.

The international monetary and financial system continued to be under pressure during the year reflecting large current account imbalances of the major industrial countries and the debt problems of developing countries. The debt problems were aggravated by high real interest rates, inadequate financial flows to the developing countries, increased protectionism in the industrial countries and slump in the prices of the main export commodities of the developing countries. These problems severely limited the amount of resources available to them to effectively implement their structural adjustment programmes. In the light of these economic and financial problems, discussions at the various international and regional meetings during the year focussed on ways to strengthen the international financial system. New strategies, including the Brady Debt Plan were adopted to tackle the debt problem and to increase direct investment flows to the developing countries.

VII.1 WORLD OUTPUT AND PRICES

The growth rate of world output declined from 4.0 per cent in 1988 to 3.1 per cent in 1989 (see Table 7.1). The slow down in output was traceable to the decline in the growth of output of both industrial and developing countries. The output of all industrial countries rose by 3.5 per cent in 1989 which was a decline from the 4.4 per cent recorded in the preceding year. Of all the major countries in this group, only West Germany attained a higher output growth rate of 4.0 per cent, compared with the achievements of 3.6 per cent in 1988. But, Canada, the United States, Japan and France recorded lower growth rates of 2.6, 2.9, 4.9 and 3.4 per cent in 1989, respectively, compared with the growth rates of 5.0, 4.4, 5.7 and 3.5 per cent in 1988. The "Other Industrial Countries" also recorded a lower growth rate of 3.1 per cent, compared with 3.3 per cent in the preceding year.

Available information showed that the growth rate of output of the U.S.S.R. and other East European countries increased by 1.7 per cent as against the 2.2 per cent recorded in 1988.

During the year, the developing countries as a group recorded a growth rate of 3.2 per cent, compared with the 4.2 per cent recorded in 1988. The main contributory factors to the lower rate of growth were the weak non-oil commodity prices and heavy debt service. Their major non-oil export commodities such as cocoa and coffee suffered substantial price declines in 1989. The non-oil exporting members of this group were more seriously affected, recording a growth rate of 3.3 per cent, compared with 4.9 per cent in 1988. The ouput of the oil exporting group of countries increased marginally by 0.1 percentage point to 2.6 per cent in 1989.

On a regional basis, the growth rate of output in Africa and the developing countries in Europe increased from 2.2 and 1.2 per cent in 1988 to 2.8 and 1.9 per cent in 1989, respectively. The output of the developing countries in Asia and the Western Hemisphere increased at lower rates of 6.1 and 0.6 per cent in 1989, respectively, compared with 9.2 and 0.7 per cent in 1988. The growth rate in the Middle Eastern countries remained at the level of 3.5 per cent attained in 1988.

Many countries experienced higher rates of inflation during the year. The inflation rate of all industrial countries rose from 3.3 per cent in 1988 to 4.5 per cent in 1989. In Japan, West Germany, the United States, and Canada, inflation rate reached 1.8, 2.5, 4.5 and 5.2 per cent, compared with 0.4, 1.5, 3.3 and 4.1 per cent, respectively in 1988. The rate of inflation in the United Kingdom moved significantly from 6.7 to 7.5 per cent, while those of France and Italy remained constant at 3.2 and 6.5 per cent. The average inflation rate of 'other industrial countries' increased from 5.0 per cent in 1988 to 5.1 per cent in 1989.

The inflation in the developing countries, however, assumed greater dimensions, reaching double and triple digits in several cases. The inflation rate of the developing countries as a group

TABLE 7.1
CHANGES IN WORLD OUTPUT AND PRICES[1]

	Output		Prices	
	1988[3]	1989	1988[3]	1989
All Industrial Countries	4.4	3.5	3.2	4.1
Canada	5.0	2.6	4.1	5.2
United States	4.4	2.9	3.3	4.5
Japan	5.7	4.9	0.4	1.8
Western Germany	3.6	4.0	1.5	2.5
France	3.5	3.4	3.1	3.2
Italy[2]	3.9	3.2	6.0	6.6
United Kingdom[2]	4.2	3.0	6.7	7.5
Other Industrial Countries	3.3	3.1	4.9	5.2
Eastern Europe[4]	2.2	1.7	n.a.	n.a.
Developing Countries	4.2	3.2	70.8	85.5
Non-Oil Exporting Developing Countries	4.9	3.3	88.6	119.1
Oil Exporting Countries	2.5	2.6	33.8	17.6
(By Area)				
(i) Africa	1.2	2.8	19.7	16.8
(ii) Asia	9.2	6.1	14.6	13.0
(iii) Europe	1.2	1.9	62.5	92.2
(iv) Middle East	3.5	3.5	17.8	13.9
(v) Western Hemisphere	0.7	0.6	286.4	404.6

[1] Composite for the country group is derived from averages for individual countries weighted by the average US dollar value of the respective GNP over the preceding three years.
[2] GDP at market prices.
[3] Revised.
[4] Soviet Union and Other European Socialist Countries.
n.a. = Not Available.
Source: IMF World Economic Outlook, October 1989.

increased from 70.8 per cent in 1988 to 85.5 per cent in 1989. The situation was more serious in the non-oil exporting countries where the average rate of inflation moved from 88.6 per cent to 119.1 per cent. On the other hand, the oil exporting developing countries recorded a substantial reduction in their rate of inflation from 33.8 per cent in 1988 to 17.6 per cent. Nigeria's inflation rate, however, rose from 38.3 per cent in 1988 to 40.9 per cent in 1989.

Among the major developing countries' regions, Asia and the Middle East recorded a reduction in their rates of inflation, from 14.6 and 17.8 per cent of the preceding year to 13.0 and 13.9 per cent, respectively, in 1989. The rates of inflation in the Western Hemisphere increased to 404.6 per cent in 1989, from the 236.4 per cent recorded in the preceding year. Africa's rate of inflation declined to 16.8 in 1989 from the 19.7 per cent recorded in the preceding year.

VII.2 WORLD TRADE

The value of total world trade was estimated at $5,707.3 billion at the end of 1989, indicating an increase of 4.6 per cent above the level in the preceding year (see Table 7.2). The rate of growth in world trade was, however, substantially lower than the 9.0 per cent recorded in 1988. All the major trading groups, except the oil exporting countries, experienced lower trade expansion. The trade of the industrial countries which amounted to $4,213.5 billion (73.8 per cent of the total), increased by $158.1 billion or 3.9 per cent, compared with the rate of 9.0 per cent in the preceding year. At $1,493.8 billion (26.2 per cent of the total), the trade of the developing countries rose by $93.0 billion or 6.6 per cent. The trade of the oil exporting group expanded by $21.5 billion or 9.5 per cent to $246.7 billion, in contrast with the decline of 1.4 per cent recorded in 1988. The trade of the non-oil exporting developing countries increased by $71.5 billion or 6.1 per cent to $1,247.1 billion.

Analysis of trade by export and import components showed that the exports of all countries increased by $124.4 billion or 4.6 per cent to $2,812.9 billion. Of this, the exports of the industrial countries increased by $77.5 billion, or 3.9 per cent, while those of the developing countries rose by $46.9 billion or 6.6 per cent. Total world imports rose to $2,894.4 billion, reflecting a rise of $126.8 billion or 4.6 per cent over the level in the preceding year. At $2,148.1 billion, the imports of the industrial countries increased by $80.6 billion or 3.9 per cent. The developing countries increased their imports by $46.2 billion or 6.5 per cent over the level in 1988.

VII.3 EXCHANGE RATE DEVELOPMENTS

In 1989, exchange rate movements in the international foreign exchange markets were largely influenced by the economic and political developments in the major industrial countries and Eastern Europe. The United States dollar remained relatively firm despite persistent susbstantial trade deficits and a slow-down in the US economy. The tight monetary policy pursued by the Federal Reserve System also contributed positively to the behaviour of the dollar. On the other hand, the stability of the Japanese yen was seriously shaken by political factors, regardless of her persistent favourable trade position. The Deutsche Mark was bolstered by the political developments in the German Democratic Republic, which complemented West Germany's robust trade balances. On the other hand, the pound sterling was adversely

TABLE 7.2
TOTAL WORLD TRADE
(US $ billion)

	1988	1989[1]	*Absolute change*	*Percentage change*
1 World	5,456.1	5,707.3	251.2	4.6
2 Industrial Countries	4,055.4	4,213.5	158.1	3.9
3 Developing Countries	1,400.8	1,493.8	93.0	6.6
i. Oil-Exporting	(225.2)	(246.7)	21.5	9.5
ii. Non-Oil Exporting	(1,175.6)	(1,247.1)	71.5	6.1
4 Nigeria	(11.7)	(12.1)	0.4	3.4

[1] Estimates.
Sources: IMF International Financial Statistics, December 1989 and World Economic Outlook, October 1989.

affected by high inflation, while the other currencies were weakened by factors such as low real interest rates, high inflation rates, trade deficits and labour disputes. A minor shock on the stock market in October 1989 also caused a stir in some major exchanges.

Compared with its value at the end of 1988, the dollar appreciated against the yen, the pound sterling and the Swiss franc by 14.6, 13.1 and 6.0 per cent, respectively. It, however, depreciated against the Deutsche mark, the French franc and the Dutch guilder by 2.2, 2.6 and 2.3 per cent, respectively.

As a result of the excessive demand for foreign exchange in the face of excess liquidity in the economy, the naira was under pressures in the first half of 1989. However, the adoption of appropriate macro-economic policy measures eased the pressure on the naira exchange rate. At the end of December 1989, the naira exchange rate was ₦7.6221 to the US dollar, implying a depreciation of 29.8 per cent from the rate at the end of 1988.

VII.4 DEVELOPMENTS IN THE SOCIALIST COUNTRIES[1]

During 1989, the countries of Eastern Europe and the Soviet Union, which hitherto operated under the centrally-planned economic system, embarked at varying stages, on far-reaching political, social and economic reforms. While the Soviet Union and Bulgaria adopted a relatively gradual and systematic approach, the process in Poland, Hungary as well as Czechoslovakia was more swift. The change in East Germany and Romania, after initial stages, became more radical and revolutionary. The economic reforms were aimed primarily at making the countries' economies market-oriented and reversing the declining trend in economic activity. In many of the countries some actions were taken along the basic objectives of adopting rational principles for managing the economy by increasing society's involvement in the implementation of reforms. Through this, it was envisaged that a qualitative turn-around in the development of productive forces and new quality production would be achieved. In this process, economic enterprises were to be independent and prices would adjust to reflect real costs at national and international levels. Foreign economic relations were also liberalised. The Soviet Union privatised small-scale agriculture by enacting a law permitting private ownership of up to 50.0 acres of land by an individual farmer. Small-scale enterprises could also be privately owned under the law. Poland, Hungary and the Soviet Union invited foreign investors for joint ownership of enterprises.

[1] These include the Soviet Union, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland and Romania

VII.5 INTERNATIONAL COMMODITY ORGANISATIONS AND AGREEMENTS

VII.5.1 International Cocoa Organisation (ICCO)

The instability of the world cocoa market was worsened in 1989 by the inability of the International Cocoa Organisation to break the deadlock in the implementation of major clauses of the 1986 Cocoa Agreement which would expire on October 1, 1990. The protracted disagreement and the persistent surplus in cocoa output in 1989 directly depressed cocoa prices. The forecast of excess supply by the ICCO Secretariat for 1989/90 was put at 0.2 million tonnes and represented the 6th world consecutive surplus in the market. Consequently, cocoa prices which averaged £900.0 per tonne in January fell to an average of £630.0 in December 1989.

In an effort to break the deadlock and initiate discussions leading to a new agreement, the Council of the ICCO held three sessions aimed primarily at resolving a number of issues including, the price range which ICCO should defend, payment of levy arrears totalling $120 million, the implementation of the with-holding scheme, the rotation of the cocoa buffer stock and the annual review of buffer stock levy.

The session, however, came close to finding a solution to the issues. It agreed to (i) lower the price range to be defended from SDRs 2,185 – 1,485 to SDRs 1,925 – 1,255 per tonne; (ii) cut the buffer stock levy from $30.0 to $5.0; (iii) allow the rotation of buffer stock cocoa; and (iv) payment by producing member countries of $30.0 million levy arrears. The only point of disagreement was on the mode of financing the with-holding scheme which the producers were expected to pay and later to be reimbursed by the ICCO in accordance with Article 40 (2) of the 1986 Cocoa Agreement. The consumers argued that rather than reimburse the producers, the $30.0 million should be deducted from their arrears.

Nigeria was appointed the Vice-Chairman of the Executive Committee of the ICCO in the 1989/90 cocoa year.

VII.5.2 International Coffee Organisation (ICO)

The 1983 International Coffee agreement expired on 30th September, 1989. The last three months of the pact was the climax of the protracted disagreements between producing and consuming members over the introduction of universal quota, selectivity and stock retention in the producing member countries. This deadlock led to the suspension of coffee quotas in July 1989 and none of the subsequent Council meetings could resolve the impasse.

Under a proposed universal quota scheme, coffee consuming countries wanted an arrangement through which quotas would be fixed for export to both members and non-members of the Agreement instead of the existing practice of specifying export quotas for only the imports of consuming member countries. On selectivity, consumers asked for the specification of quota by coffee type rather than the prevailing practice of block specification of coffee quantity. Coffee retention in producing member countries was expected to be the supplementary price stabilisation mechanism under the 1983 Agreement. Consequently, the suspension of coffee quotas in July triggered aggressive product sales by exporting members at a time of relatively low consumer demand. This action resulted in depressed market prices. The daily market indicator price which was 97.12 cents per pound on 30th July fell to 62.84 cents by 29th December, 1989.

Following the serious disagreement, it became apparent that unless special arrangements were made, it might be difficult to reach a new Agreement. Accordingly, the life of the expiring Agreement was extended by two years. A total of 46 exporting countries, including Nigeria, accounting for 984 votes and 19 importing countries having 929 votes notified the Secretary General of the United Nations in order to effect the extension in accordance with the rule requiring a minimum support of 20 exporting members of 500 votes and at least 10 importing members of the same number of votes. This development created an improved atmosphere for discussion and made it possible to hold the 55th Council Meeting in October between the producing and the consuming members of the ICO under the Chairmanship of Uganda. The transitory period was to provide an opportunity to have a new Agreement with quota clauses.

VII.5.3 International Natural Rubber Organisation (INRO)

The second International Natural Rubber Agreement (INRA II) which came into force provisionally in December 1988 continued in active operation throughout the year. The Council of INRO met in April and November and decided to extend the deadline for ratifying the new pact to the end of December 1990. There were 32 exporting and importing members in INRA I in contrast to 24 in INRA II as at April 1989.

INRA II started with practically no rubber in the buffer stock. This was because of intense natural rubber sales by the Buffer Stock Manager which started in September 1987, involving a total stock of 370,000 tonnes. Sales were completed early in 1989 and total cash proceeds amounted to 1.03 billion Malaysian/Singapore ringit (about £230 million). During its April meeting, the Council of INRO distributed 835 million ringit as the initial contribution to INRA II.

In spite of the buffer stock sales, natural rubber prices were firm in 1989. The firm position enabled the Council of INRO to adjust its price band upwards by 8.0 per cent in April. Thus, the reference price increased from 201.7 Malaysian/Singapore cents per kilogramme to 218.1 cents per kilogramme. The "may sell/buy" band changed from 232/171 cents per kilogramme to 251/185 cents, and the "must sell/buy" band was also changed from 242/161 cents per kilogramme to 262/174 cents per kilogramme.

VII.5.4 Organisation of Petroleum Exporting Countries (OPEC)

The Organisation of Petroleum Exporting Countries (OPEC) held three Ministerial meetings during the year mainly to consider production ceilings. In the June meeting, the production ceiling of 18.50 million barrels a day (mbd) fixed at the meeting of November 1988 for the first half of 1989 was increased by 5.4 per cent to 19.50 mbd for the second half of 1989 while the prevailing reference price of $18.00 a barrel was retained for the remaining half of 1989. An eight-member Ministerial Committee (including Nigeria) was set up and mandated to review the market with a view to increasing the ceiling. It was decided that if it was found that demand situation warranted such an increase, the ceiling would be raised to 20 million barrels a day or any other level agreed upon, starting from October 1, 1989. The Committee was also asked to examine permanent production quotas and to continue dialogue with non-OPEC producers with a view to soliciting their support in stabilising the oil market.

As a result of the recommendations made by the Ministerial Committee, the production ceiling of the organisation was further increased to 20.50 mbd during the September meeting for the fourth quarter of the year, while the $18.00 a barrel reference price was retained. In the November meeting, the Organisation raised its production ceiling to 22.0 mbd and fixed a 'minimum' reference price of $18.00 a barrel for its crude for the first half of 1990, effective January 1990. By fixing the 'minimum' reference price, OPEC member countries were not to sell their crudes below the prescribed level of $18.00 a barrel.

VII.5.5 Independent Oil Producers (Non-PEC)

Much of the improvement in the international oil market during the year was due to the co-operation of the independent oil producers.[1] Technical experts from this group met with their counterpats in the Ministerial Group of OPEC on January 26, 1989 to develop and strengthen co-operation towards the achievement of oil market stability. At the meeting, the independent oil producers supported the OPEC objective of reaching a price of US $18.00 a barrel for the reference basket as soon as possible. Both sides also agreed, among others, on the joint responsibility to ensure market stability and the need to take further steps to enhance the improvement already achieved, as well as to further strengthen the oil market, especially in the second half of 1989. They also agreed that the initial effort should be continued in the second half of the year

[1] Official representatives came from Angola, Brunei, China, Malaysia and Oman. Norway, USSR, North Yemen, and independent oil producers of the Canadian province of Alberta, the oil producing companies in the States of Texas and Alaska in the United States, sent observers.

and consolidated thereafter to establish a more permanent long-term co-operation for achieving durable oil market stability to the benefit of both producers and consumers. The independent oil producers agreed to recommend to their appropriate authorities the necessary co-operative measures to contibute to market stability in the following months. One of the co-operative measures taken was the decision to cut exports totalling about 300,000 barrels a day between April and June 1989.

VII.5.6 African Petroleum Producers' Association (APPA)

The African Petroleum Producers' Association (APPA) held two ministerial meetings and organised some seminars during 1989. The first meeting held in Yaounde in January discussed, among others, the year's budget, the location of the headquarters, appointment of the Executive Secretary and admission of new members. The other meeting was held in July at Brazzaville, Congo. At the latter meeting, Brazzaville was chosen as the Association's headquarters while Egypt, Cote d'Ivoire and Zaire were admitted as full members of the Association, bringing the membership to eleven. Mr. Mohammed Souidi, an Algerian, was appointed the Executive Secretary of the Assoiation.

VII.6 THE MID-TERM REVIEW OF THE URUGUAY MULTILATERAL TRADE NEGOTIATIONS

The Trade Negotiating Committee (TNC) of the General Agreement on Tariffs and Trade (GATT) met in Geneva from 3rd to 8th April, 1989 to reach an agreement on the four outstanding issues in the mid-term review of the Uruguay Round of trade negotiations. The meeting was at Ministerial level. The first part of the review took place in Montreal, Canada from 5th to 9th December, 1988. There, agreement had been reached on eleven out of the fifteen issues under the current Uruguay Round. The four outstanding issues were Agriculture, Safeguards, Textiles and Clothing, and Trade Related Aspects of Intellectual Property Rights including Trade in counterfeit goods. It would have been impossible to proceed to the next stage of negotiations in the Uruguay Round if broad agreements were not reached on these issues in Geneva.

Highlights of the conclusions on each of the issues in Geneva included:

(i) *Agriculture*

The TNC agreed that the long-term objective on this issue should be to establish a fair and market-oriented agricultural trading system, free of distortions through subsidies or other protectionist actions. It was further agreed that in the short-run, the current levels of protection should not be exceeded;

(ii) *Safeguards*

It was recognised that an agreement on this item was vital to the strengthening of the GATT system and to progress in the multilateral trade negotiations. But it was also realised that many inter-related elements were involved and as a result substantive agreement could not be reached on individual elements in isolation. In the light of this, the Chairman on this subject was authorised to draw up the draft text of a comprehensive agreement for negotiation, without prejudice to the right of participants to put forward their own proposals;

(iii) *Textiles and Clothing*

The objective of negotiation on this issue was to bring the item under GATT rules and discipline and to determine a period of phasing out existing restrictions under the Multi-fibre Arrangement as well as other restrcitons; and

(iv) *Trade in Related Aspects of Intellectual Property Rights*

Negotiations were also to continue on this matter which should encompass the applicability of the basic principles of GATT and of relevant international property agreements or conventions; the provision of adequate standards and principles; provision of apropriate means of enforcement bearing in mind the differences in members' legal systems; provision of effective and expeditious means of dispute settlement and transitional arrangements.

VII.7 THE UNCTAD COMMON FUND FOR COMMODITIES

The establishment of the UNCTAD Common Fund for Commodities (the Common Fund) which was agreed upon in 1980 after four years of intensive negotiations in UNCTAD came into effect on June 19, 1989. The Common Fund is the cornerstone of the UNCTAD Integrated Programme on Commodities (IPC) with its main focus on stabilisation of prices and improving the conditions of trade in commodities of particular export interest to developing countries.

Under the Agreement, the Common Fund will maintain two accounts. The first account which will be subscribed to by all member countries with initial total resources of US $400 million, is intended to finance buffer stock price stabilisation measures through International Commodity Agreements. The resources are expected to increase as individual commodity organisations associate with the Fund. The second account is to have total resources of US $350 million, of which US $280 million will be by voluntary contribution. The resources in this account will be utilised to finance commodity projects in the form of grants and loans for projects covering research and development, quality improvements and efforts to find new uses for, and applications of commodities. It is expected that rubber, cocoa, coffee and ground-nuts will be eligible for financial assistance from the Common Fund's second account now formally established by the United Nations.

VII.8 THE LOME IV CONVENTION

The Fourth Lome Convention between the European Community and the 66 African, Caribbean and Pacific (ACP) countries was signed on 15th December, 1989. Three new States – Haiti, the Dominican Republic and Namibia on attainment of their independence – are expected to accede to the Convention, bringing the number to 69 States. The Convention has distinctive features from the three earlier ones in several respects, including: its double life-span of ten years, compared with the previous three conventions each of which had a five-year span; the increased financial provision of ECU 12.0 billion for the first five years, compared with that of

Lome III of ECU 8.5 billion; new measures introduced in the new scheme aimed at making assistance more effective, such as the revision of Stabex and Sysmin; Structural Adjustment Programme support; external debt; environmental protection and the role of women.

The main programmes in the Convention fall under three broad categories namely: finance, trade and others.

VII.8.1 Finance

(i) *Total Provision:* The ECU 12.0 billion financial aid package consists of ECU 10.8 billion for grants through the European Development Fund (EDF) and the remaining ECU 1.2 billion as loans to be granted by the European Investment Bank (EIB). The new Convention placed emphasis on grants. The special loans under the earlier Conventions and Stabex replenishment have been abolished while the primary financing of Sysmin operations will be through grants. Interest rate subsidy on EIB loans was raised to 4.0 per cent and the interest rate to be borne by borrower would range between 3.0 and 6.0 per cent. In addition, the loans will have a 40-year repayment period, including a 10-year grace period.

(ii) *Structural Adjustment Programme Support:* The support for structural adjustment programmes being undertaken by ACP member states was one of the new issues in Lome IV. The Community considered the economic situations of most ACP countries currently undertaking structural adjustment and agreed to contribute a portion of their resources to support such structural adjustment efforts. In addition, a special grant of ECU 1,150.0 million will be provided in aid of structural adjustment which may be supplemented by resources available under the indicative programme of the particiular ACP country concerned. This support is, however, contingent on a joint assessment by the Community and each ACP country.

(iii) *Debt:* This was another new area of assistance. Provision for aid in this regard consits of: specific technical assistance to all ACP countries, community readiness to exchange views with ACP countries on the debt issue in the context of international negotiations without prejudice to specific negotiations within relevant fora; and special loans from the converted Stabex transfers and Sysmin financing.

(iv) *Investment:* Provisions were made for investment promotion, financing and support. The role of private investment in stimulating growth and economic diversification of ACP countries was emphasized. Special stress was laid on facilitating small- and medium-scale enterprises (SME) in the promotion of processed and manufactured exports of ACP commodities.

(v) *Development Financing Co-operation:* Included in this were technical co-operation, implementation procedures, monitoring and evaluation, and training of the personnel responsible for management and execution. Also, provisions were made for the general rules and conditions governing contracts and dispute settlement.

VII.8.2 Trade and Commodities

Under this, provisions were made for free access without reciprocity for additional number of ACP products, simpler rules of origin, trade in services and trade development, including trade promotion operations. Goods regarded as commodities included minerals and metals. Stabex was revamped by extended risk coverage through lowering the dependency thresholds, creation of a new reference period and increase in the financial allocation.

VII.8.3 Others

Items covered in this category included:

(i) *Protection of the Environment:* This was a new item. The aim was to ensure that economic and social development would be based on a sustainable balance between economic objectives, management of natural resources and enhancement of human resources. The Convention also provided for a ban on movement of hazardous and radio-active waste between the Community and the ACP countries;

(ii) *Agricultural Co-operation and Food Security:* Under this, the key role of women in rural development was underlined;

(iii) *Development of Services:* Expanded provisions were made on tourism, communications and information technology as areas of co-operation;

(iv) *Industrial Development:* Specific provisions were made for enterprise development;

(v) *Cultural and Social Co-operation:* The provisions in this section covered nutrition, population and demography, health and the role of women; and

(vi) *Regional Co-operation:* The objective was to promote and step up regional economic integration. The procedures for implementing regional co-operation were clarified and strengthened, as regards programming and monitoring, and the role of regional organisations.

VII.9 INTERNATIONAL MONETARY RELATIONS

VII.9.1 International Monetary System

As in the previous year, the international monetary and financial system remained under pressure in 1989. Although the growth of economic activity in the industrial countries moderated to a more sustainable pace large current account imbalances among the largest industrial countries persisted. Continued industrial and agricultural protectionism in the developed countries adversely affected the effective implementation of structural adjustment programmes in many developing countries. This situation was exacerbated by inadequate external financial flows to the developing countries, high real interest rates, slump in commodity prices and weak demand for their export commodities. As a result, growth in many developing countries remained sluggish particularly in most debt-distressed middle-income developing countries, and in many low-income countries in Africa. The difficult global economic situation and especially the serious economic and financial problems facing the developing countries were examined at the various international meetings during the year. These included, the Spring Meetings of the Interim Committee, the Development Committe and the Group of Twenty-four (G-24); the Non Aligned Movement; the Group of Seventy-Seven (G-77); the Commonwealth Finance Ministers; and the Joint Annual Meetings of the Boards of Governors of the International Monetary Fund (IMF) and the World Bank.

To strengthen the process of external adjustment, deficit coun tries were urged to increase savings through fiscal policy, where appropriate, and to remove constraints on private saving, while surplus countries should continue to sustain adequate expansion of domestic demand without rekindling inflationary pressures. In order to alleviate the economic problems of the developing countries and enhance their efficiency, the industrial countries as well as the newly industrializing countries were urged to strengthen structural reforms, by facilitating access to their markets and removing subsidies. The need to restore satisfactory growth in the developing countries experiencing debt servicing difficulties was also recognized. The need for these countries to intensify efforts to mobilize domestic savings and raise investment, foster efficiency through structural reforms, minimize inflationary pressures, encourage the return of flight capital and stimulate the flow of private foreign investment, while giving due attention to protecting the poorest segment of the population from the adverse effects of structural adjustment was also emphasized. Furthermore, it was recognised that these efforts require the maintenance of a favourable international environment, as well as an adequate flow of financial resources and the need for adequate and timely financing to support adjustment, development and poverty reduction was stressed.

All countires were urged to act more forcefully to counter protectionist pressures, reverse the trend towards trade restrictions and reduce existing trade barriers. In this connection, the need to complete the current round of multilateral trade negotiations by the end of 1990 and to ensure that the emergence of regional trading arrangements did not adversely affect developing countries' market access and the multilateral trading system was emphasized. The Fund and the Bank were requested to study, in colloboration with the General Agreement on Tariffs and Trade (GATT), the possible implications of regional trading arrangments for developing countries' economic prospects.

With regard to the debt situation and strategy, the establishment by the Executive Boards of the IMF and the World Bank, of operational guidelines for Fund/Bank support for debt service reduction where these are part of financing packages in support of growth-oriented adjustment programmes was endorsed. The commercial banks were called upon to move more expeditiously in arranging financing packages in support of strong adjustment programmes. The initiatives that have been taken by donors and creditors to cancel or reduce the debt burdens of the poorest low-income countries and the review by creditor governments of tax, regulatory, and accounting practices to remove constraints to debt and debt service reduction operations were also welcomed. Furthermore, the recent World Bank Executive Board recommendation to its Governors to support commercial debt reduction in eligible IDA countries by setting aside $100 million from IBRD's net income for this purpose was endorsed and the Paris Club was urged to continue the extension of concessional rescheduling assistance to highly-indebted low income countries undertaking structural adjustment.

The need to strengthen the resources base of the Fund and the Bank was recognised. With respect to the increase in the capital base of the Fund, there was general support by the Governors of the Fund for a substantial increase in quotas under the Ninth General Review, although a few members from the industrial countries were of the view that the Fund had adequate resources to fulfil its responsibilities. On distribution of any quota increase, Governors underscored the need for all members to receive meaningful increases in their quotas on the basis of uniform computational procedures. As the Fund had not yet concluded its consideration of the quota increase, the Governors directed the Executive Board to complete its work on the outstanding issues before the end of 1989. They also took note of the status of the negotiations for the Ninth Replenishment of IDA and urged that it be completed by November 1989 with a view of achieving agreement on a substantial replenishment.

Having taken due note of the Fund's liquidity position and in view of the difficult financial conditions facing many developing member countries, it was agreed that the enlarged access policy and the present access limits under it should be continued in 1990, and be reviewed in the light of the outcome of the Ninth General Review of Quotas.

There was no agreement on SDR allocation during the current fifth basic period, 1988-91. Although most Governors from the developing countries and some Governors from the industrial countries argued strongly for the need to supplement existing reserve assets by a new allocation of SDRs, other Governors insisted that the necessary condition for an SDR allocation has not been met. As a result of the continued opposition by some major industrial countries for an allocation of SDRs, the Managing Director was requested to continue consultations on the issue.

On the issue of overdue financial obligations to the Fund, the Governors reaffirmed their unequivocal support for the three elements of the co-operative approach to resolving the problem which they had endorsed at their Berlin meeting in 1988, namely: preventive, collaborative and remedial. They noted with satisfaction the significant reduction in the number of members in arrears and the progress made by several members in adopting corrective policy reforms as a step toward clearing their arrears to the Fund and other multilateral financial institutions, as well as regularising their financial relations with the international community. However, they expressed regret that a few members had not sufficiently co-operated in dealing with the problem of payment of their arrears to the Fund and urged that remedial measures be adopted. All Fund members were implored to assist in the execution of the co-operative strategy, and the Executive Board to submit a progress report on the matter for consideration at their Spring Meeting in May 1990.

On the transfer of real resources to the developing countries, the need for additional efforts by all countries to support the objectives of growth and poverty reduction was recognised. Noting that net flows in real terms remained below the levels of the early 1980s, donor countries, particularly those with Official Development Assistance (ODA) levels below the 0.7 per cent ODA/GDP target were urged to intensify their efforts to increase financial flows to the developing countries in support of reform programmes underway particularly in sub-Saharan Africa.

The Governors commended the Bank's report on its effort to support the environment and the progress made in integrating environmental issues into Bank activities and stressed the need for continuing and intensifying the efforts. They also noted that the integration of environmental considerations into development projects could result in increased costs as well as benefits, and urged donor governments and multilateral development institutions to consider ways by which they could provide assistance to meet these costs. In this connection, the Bank was requested to prepare a study on the mechanism and financial requirements that might be required to tackle the environmental challenges of the developing countries. Furthermore, all countries were enjoined to take necessary measures to penalize polluters and to check the flow of exports and imports of environmentally damaging materials. In addition, the recognized that excessive population growth exacerbated the problems of poverty and environment, and called on governments to increase their efforts in population control and on the multilateral development institutions and bilateral agencies to step-up their assistance.

VII.9.2 International Monetary Fund Lending

During the year, the Fund continued to make financial resources available to member countries experiencing balance of payments problems. As in recent years, there was a net transfer of resources from developing member countries to the Fund as repurchases (repayments of past drawings) exceeded purchases, although the value of such flows declined as in the previous year. At the end of December 1989, total purchase by developing countries from the General Account of the Fund amounted to SDR 3.5 billion, representing an increase of SDR 0.4 billion or 12.9 per cent above the level of SDR 3.1 billion in the corresponding period of 1988. Total repurchases by the developing countries stood at SDR 5.9 billion. Thus, there was a net transfer of SDR 2.4 billion from the developing countries to the Fund during the year as against SDR 3.2 billion in 1988.

Stand-by arrangements approved by the Fund for eighteen developing countries in 1989 amounted to SDR 4.0 billion, of which SDR 1.3 billion was disbursed, as against SDR 2.7 billion approved and SDR 0.9 billion disbursed in 1988. A total of SDR 7.4 billion of Extended Fund Facility was approved for four developing countries, of which SDR 1.2 billion was disbursed.

Lending commitments under the Structural Adjustment Facility for eighteen low-income countries amounted to SDR 1.3 billion, of which SDR 0.9 billion was disbursed, compared with SDR 1.5 billion for twenty-four countries in 1988, of which SDR 0.6 billion was disbursed. Total commitments approved under the Enhanced Structural Adjustment Facility stood at SDR 1.4 billion, of which SDR 0.6 billion was disbursed. This compared with SDR 0.8 billion approved and SDR 0.2 billion disbursed in 1988. Total purchases under the new Compensatory and Contingency Financing Facility which came into effect in August 1988 amounted to SDR 0.8 billion, Nigeria negotiated a second stand-by arrangement totalling SDR 475.0 million with the Fund during the year. However, as in the previous arrangement, Nigeria did not draw from this faciltiy.

VII.9.3 World Bank Group Lending

The lending commitments of the World Bank Group (IBRD, IDA and IFC) in fiscal 1989 totalled $23.0 billion, which was $2.4 billion or 11.7 per cent above the level fo commitments in fiscal 1988. Of this total, IBRD loans amounted to $16.4 billion, representing an increase of $1.6 billion or 10.8 per cent. IDA commitments rose by $0.4 billion or 8.9 per cent to $4.9 billion while IFC commitments also increase by $0.4 billion or 30.8 per cent to $1.7 billion.

IBRD loan commitments to Africa rose from $1.7 billion to $5.3 billion, indicating an increase of $3.6 billion or 211.8 per cent. Nigeria's share of IBRD loan amounted to $1.1 billion or 20.8 per cent, compared with $0.3 billion or 17.6 per cent in 1988. The loans were granted to finance projects in agriculture and rural development, industry (including small and medium-scale enterprises), water supply and sewerage, as well as for the support of structural adjustment programmes. IDA commitments to Africa rose by $0.2 billion or 9.1 per cent to $2.4 billion, of which Nigeria accounted for $100.9 million to finance agricultural and rural development projects. IFC commitments to Africa amounted to $282 million, representing an increase of $147 million or 108.9 per cent above the level of $135 million in 1988. Nigeria's share was $14.4 million or 5.1per cent, as against $22.9 million or 17.0 per cent in the previous year, and were to finance projects in textiles, fisheries, and medium-scale enterprises.

As at the end of June 1989, about 88 per cent of the Special Facility for sub-Saharan Africa had been disbursed to twenty-five countries, and the balance was expected to be disbursed in fiscal 1990. During fiscal 1989, the second year of the three-year multi-donor Special Programme of Assistance (SPA) for the debt-distressed low-income sub-Saharan African countries, the sum of $2.6 billion was provided in cofinancing to the African region.

By June 30, 1989, the Multilateral Investment Guarantee Agency (MIGA), the newest affiliate of the World Bank Group, had registered 69 preliminary applications for guarantee covering investments in twenty-four developing member countries.

VII.9.4 Brady's Debt Plan

The United States Secretary of the Treasury, Nicholas F. Brady, proposed a number of policy measures aimed at strengthening the global debt strategy. While stressing that the fundamental principles of the 1985 Baker Plan remained valid, Brady's proposals called on debtor countries to adopt policies that would, among others, encourage new investment flows, strengthen domestic savings and promote the return of flight capital. Creditor government, commercial banks and international financial institutions were to provide more effective and new financial suport, including greater effort to achieve reduction in debt and debt service. Specifically, the commercial banks were requested to relax constraints on new lending by waiving the negative clauses included in existing loan agreements which were barriers to debt reduction. The

IMF and the World Bank were to provide financing as part of their policy-based lending programmes for debt or debt service reduction operations. Both institutions were also to provide additional financial support to collateralize a portion of interest payments for debt and debt service operations, and creditor governments were to continue to reschedule or restructure their own expose through the Paris Club and maintain export credit cover for countries with sound reform programmes.

VII.10 AFRICAN DEVELOPMENT BANK GROUP (ADBG)

The Twenty-fifth Annual Meeting of the Board of Governors of the African Development Bank (ADB) and the Sixteenth Annual Meeting of the African Development Fund (ADF) were held jointly in Abuja, Nigeria, from May 29 – 31, 1989. The meeting coincided with the Silver Jubilee Anniversary of the African Development Bank. Nigeria was elected Chairman of the Board of Governors for the period 1989 – 1990.

The Governors examined, among other matters, the global and African economic situation, the activities of the Bank Group, and took a number of decisions. They called on the Bank Group to sustain the recovery and growth of its regional member countries. In this connection, the Bank, in addition to its advisory role, was urged to play a more active role in the formulations of country programmes, promote specific policies on environment, food self-sufficiency and integration of women in development, contribute to the establishment of appropriate mechanism for debt relief, promote the private sector, and improve the quality of its loans. They also set up a Committee to carry out a mid-term review of the Fifth General Replenishment of the African Development Fund (ADF-V).

Total loans approved by the ADB group amounted to \$2,856.3 million in 1989, up by \$680.1 million or 31.3 per cent over the level in the preceding year. Nigeria accounted for the sum of \$278.0 million (9.7 per cent) to finance water supply and rural infrastructure projects, as well as a line of credit for on-lending to industrial enterprises. The total loan approved by the Nigeria Trust Fund (NTF) stood at UA25 million, as against UA6 million in 1988, which represented an increase of UA19 million or 316.7 per cent. The rise was due to the fact that only one project was approved in 1988, as against five projects approved in 1989. The cumulative loan approvals as at the end of 1989 totalled UA 174.4 million, compared with UA 149.4 million in 1988.

VII.11 ASSOCIATION OF AFRICAN CENTRAL BANKS (AACB)

The Eleventh Regular Meeting of the Assembly of Governors of the Association of African Central Banks was held in Freetown, Sierra Leone, from June 15 – 17, 1989. Governors examined, among others, the world economic situation and sub-regional and regional monetary and financial relations, the Work Programme and budget of the African Centre for Monetary Studies for 1990-91, and the election of a new Governing Council for the Centre. The outgoing Chairman of the Association reported on the accomplishments of the Association which included the completion of several research studies, training programmes and seminars by the Centre.

The Governors deplored the persistent pressures on African economies caused by low commodity prices, higher interest rates, fluctuations in exchange rates, growing protectionism, sharp decline in external resource flows, and increased external debt burden. While appreciating the recent efforts of the international institutions and some donor countries to ease the debt burden of low-income African countries, the Governors underscored the need for the international community to also assist middle-income African countries to reduce their debt service burden in order to promote sustained growth in the continent. In this connection, the Governors stressed the need for African countries to pursue economic reform policies with greater emphasis on measures aimed at enhancing mobilization of domestic savings and optimal allocation of resources, and giving priority to food security.

On the activities of the Centre, the Governors approved the budget and Work Programme for the 1990-91 period, and stressed that emphasis should be placed on research with particular relevance to the economic and financial problems of African countries. They also approved amendments to the Financial Rules and Regulations of the Centre and the Procedure for the Appointment of the Deputy Director-General of the Centre. Furthermore, they underscored the need for member central banks of the Association to meet their financial obligations to the Centre, and mandated the Central Bank of West African States (BCEAO) and the Central Bank of Nigeria to undertake a thorough auditing of the Centre and make recommendations on improving the accounting methods and systems.

Regarding the election of new members into the Governing Council of the Centre, Nigeria was re-elected as member of the Council for the period 1990-91. The Bank of Mozambique was admitted as the thirty-fourth member of the Association. Following the expiration of the term of office of the incumbent Deputy Director-General at the end of 1989, Dr. Mouhoubi Salah of Algeria was appointed the new Deputy Director-General for a five-year term.

VII.12 ECONOMIC COMMUNITY OF WEST AFRICAN STATES (ECOWAS)

The Authority of Heads of State and Government of the Economic Community of West African States ((ECOWAS) held its Twelfth Annual Ordinary Session in Ouagadougou, Burkina Faso, from June 29-30, 1989. The Authority discussed and took a number of decisions on a wide range of issues which included the review of the West African economy, implementation of ECOWAS Economic Recovery Programme, West Africa and "Europe 1992", West African indebtedness and Ninth Replenishment of IDA. Others were the financial contributions of member states, Community co-operation programmes, protocol on the free movement of persons, the enhancement of the resources of the ECOWAS Fund, and the appointment of a new Executive Secretary.

With respect to the economic situation in the sub-region, the Authority expressed great concern over the continued economic and financial difficulties of the countries in the sub-region in spite of the determined and sustained national efforts at economic recovery and structural adjustment programmes. The Authority observed that factors such as depressed commodity prices, excruciating debt service burden, persistent balance of payment deficits, inadequate external financial flows, and natural disasters constrained the implementation of the economic recovery and reform programmes of ECOWAS member states.

On the issue of the implementation of ECOWAS Economic Recovery Programme, the Authority endorsed the proposal made by the Ministers of Planning for a more regular consultation among national policy-makers for the achievement of better co-ordination and a more regionally oriented approach to national economic development. They accepted the recommendation that priority should be accorded the implementation of regional projects and national projects with a high regional impact.

Regarding the issue of West Africa and "Europe 1992", the Authority stressed that the developments in the creation of a single integrated European market be monitored and requested the Executive Secretary to undertake an indepth study of the implications of an integrated European market on the West African economies, and propose measures on how member states can best respond to the expected changes. In this connection, they emphasised the need to take all necessary measures to revitalize and reinforce their own integration efforts and urged all member states to expeditiously implement in their domestic jurisdictions all existing Community Protocols.

On the issue of West African indebtedness, the Authority observed that almost all the member states are "debt-distressed" and agreed that the Community should press for absolute debt reduction packages for African countries. In this connection, they welcomed the recent debt cancellation packages announced by some industrial countries, and adopted a resolution which called on all creditor governments and institutions to emulate these worthy gestures and put together a comprehensive debt relief package for ECOWAS member states.

The Authority also passed a resolution urging donors, especially the Group of Seven, to contribute generously to the Ninth Replenishment of the International Development Association (IDA-9) with a veiw to maintaining at least the level of IDA-8 in real terms and ensure that Africa's current share of 50 per cent of IDA resources was maintained under IDA-9.

With regard to the financial contributions of member states to the Community's budget, the Authority established a Committee of five countries, comprising Ghana, Guinea, Niger, Nigeria and Togo to negotiate a new assessment formula. The Committe was directed to complete its work before the end of 1989, and to submit its recommendations to the Authority at its Thirteenth Session in 1990.

On the implementation of Community Acts and Decisions by member states, the Heads of State and Government decided that member states that had not yet ratified all outstanding protocols and conventions should take urgent action to do so without further delay and, in any event, not later than December 31, 1989.

Regarding the issue of the Community Co-operation Programme, the Authority decided that high priority should be accorded the promotion and expansion of intra-community trade and related trade-development sub-sectors, such as the monetary co-operation programme, trade liberalisation scheme, the free movement of persons, as well as projects in agriculture and industry. The Authority decided that the trade liberalisation scheme for industrial products orginating from member states should commence by 1st January, 1990, and member states whose industrial enterprises and products had been approved were urged to make prompt payment into the Compensation Fund not later than December 31, 1989.

Following widespread complaints of violations of the Protocol on Free Movement of Persons, the Authority adopted a supplementary protocol which provided for the establishment of fact-finding missions to investigate complaints of systematic or gross violations of the protocol. Furthermore, the Authority requested all member states to print the ECOWAS Travel Certificates for use by their citizens and to establish and intensify programmes for educating and sensitizing their immigration officials to the provisions of the protocols as well as disseminating information among their citizens. In addition, members states were requested to set up public enlightenment campaigns and special commissions within their jurisdiction for the promotion and protection of the right of Community citizens under the Protocols.

On the issue of the enhancement of the resources of the ECOWAS Fund, the Authority decided to establish and Ad Hoc Ministerial Committee comprising Burkina Faso, Cote d'Ivoire, Ghana, Niger, Nigeria and Togo, to explore the possibilities of mobilising maximum resources in collaboration with non-regional partners.

The Authority ratified the appointment of Dr. Abass Bundu from Sierra Leone as the new Executive Secretary of ECOWAS.

VII.13 ECOWAS CENTRAL BANKS

The Eleventh Meeting of the Committee of Governors of ECOWAS Central Banks was held in Accra, Ghana, from May 17-19, 1989. The Governors considered the report of the Ninth Meeting of Directors of Research which was called to review the progress on the ECOWAS Monetary Co-operation Programme. The Governors reaffirmed their commitment to the realisation of the objectives of the ECOWAS single monetary programme and requested the Implementation and Co-ordination Committee to expedite the follow-up work on the determination of the level of exchange rate and other adjustment required by each country for harmonization, and that the study on the credit and guarantee mechanism should be carried out within the context of the implementation of the monetary programme.

VII.14 WEST AFRICAN CLEARING HOUSE (WACH)

The Fourteenth Ordinary Meeting of the Exchange and Clearing Committee of the West African Clearing House was held in Accra, Ghana, from 17th to 19th May, 1989. The Committee considered among other issues, the operations of the Clearing House, the problem of settlement of arrears and the construction of the permanent secretariat building for the Clearing House.

On the operations of the Clearing House, the Committe noted with concern the persistent decline in the value of transactions channelled through the clearing mechanism. For the fifth consecutive year, aggregate transactions channelled through the Clearing House declined. Total transactions fell from WAUA 33.4 million in 1987/88 to WAUA 28.2 million in 1988/89 fiscal year, down by 15.6 per cent. The continued decline in transactions was attributable to several factors: persistent problem in settlement of arrears, the inadequate publicity of the Clearing House in member states, the failure of some members to route transactions through the clearing system, the existence of large border trade, and the weak external sectors of the economies of the countries of the member banks characterised by balance of payments deficits and excruciating debt overhang. Nigeria's payments channelled through the Clearing House during the year amounted to WAUA 16.5 million or 58.5 per cent of total transactions, as against WAUA 18.1 million or 54.2 per cent in 1987/88. The decline was due largely to the liberalised foreign exchange remittance procedure which provided citizens of ECOWAS member states resident in Nigeria the option of sending their personal home remittances outside the clearing system. Nigeria's receipts throught the clearing system declined by WAUA 0.5 million or 20 per cent from WAUA 2.5 million in 1987/88 fiscal year.

In order to stem this declining trend and boost transactions channelled through the Clearing House, the Committee decided to reduce the interest rates applicable to WACH transactions. In this regard, effective September 1, 1989, the interest rate on the Special Drawing Right (SDR) would be the normal rate applicable to WACH transactions, while the penalty rate on late settlement would be 1½ times the normal rate of interest. It also decided that interest on the outstanding debit balances would be computed on monthly basis as from September 1, 1989.

With respect to the settlement of arrears, the Committee expressed concern about the persistence of the problem and appealed to all debtor banks that had not yet done so to finalise mutually acceptable repayment terms with the creditor bank before September 1, 1989, and mandated the Executive Secretariat to constantly monitor and report the progress on this issue.

Regarding the construction of the permanent Secretariat building, the Committee decided to take the necessary steps to build a four-storey structure with a reinforced foundation for possible future expansion, and set up a Committee comprising the Chairman and the host bank Governor in collaboration with the Executive Secretariat to up-date cost information and other preliminary data required for further action towards the execution of the project.

PART THREE

CENTRAL BANK OPERATIONS

CHAPTER VIII

VIII. OPERATIONS OF THE CENTRAL BANK OF NIGERIA

During the year, the Central Bank of Nigeria (CBN) implemented several measures aimed at achieving a number of objectives, including consolidating the gains of the Structural Adjustment Programme (SAP) and restoring price and exchange rate stability. Successful renegotiations and rescheduling of external debts were undertaken, while a new unified system of foreign exchange allocation in the market was introduced. The Debt Conversion Programme also recorded significant progress. A moderately restrictive monetary policy adopted to check the observed excess liquidity in the banking system achieved the desired results. The value and volume of currency issued by CBN rose further in 1989. In the area of bank expansion, some new banks were licensed, while the number of commercial banks' rural branches grew remarkably in the same period.

The Small and Medium-Scale Enterprises (SME) Apex Unit established in 1988 made its first draw-down on the World Bank assisted loan to enable it to boost the development of small and medium-scale enterprises. Similarly, the number of loans guaranteed under the Agricultural Credit Guarantee Scheme (ACGS) rose significantly. The small-scale farmers maintained their lead of those benefitting under the scheme. Reflecting large-scale recruitment conducted during the year, the CBN staff strength increased substantially. Construction activities were stepped up on branch office complexes, the Abuja Head Office Phase I project and the staff housing units in various locations in the country. The computerization programme of the Bank recorded further progress with the commencement of an Information System's Strategic Study, aimed at determining the information needs of the Bank.

VIII.1 DOMESTIC OPERATIONS

VIII.1.1 Currency Issue and Distribution

The value and volume of currency notes and coins issued by the CBN to the banking system rose further in 1989 reflecting largely increases in the issuance of the ₦20, ₦10 and 50k notes. At ₦12,654.4 million, the value of currency in circulation showed an increase of 23.9 per cent over its level of ₦10,210.5 million in 1988. While the currency component increased by 24.0 per cent from ₦10,091.0 million in 1988 to ₦12,516.5 million in 1989, the coins component increased by 15.4 per cent from ₦119.5 million to ₦137.9 million. A further breakdown of the value of currency in circulation by denomination showed significant increases of 51.7, 44.6, 10.2 and 65.5 per cent in the value of the ₦20, ₦10, ₦1 and 50k notes, respectively, while that of ₦5 decreased by 35.7 per cent. Marginal increases in the value of 25k, 10k and 5k coins were also observed.

VIII.1.2 Bankers' Clearing

Nine new commercial banks were admitted to the cheque clearing system during the year compared with four in 1988. The banks were Chartered Bank Limited, Commerce Bank Limited, Ecobank Nigeria Limited, Gamji Bank Nigeria Limited, Meridian Equity Bank (Nigeria) Ltd, North-South Bank Limited, Trans-International Bank (Nig.) Limited, Access Bank (Nig.) Limited, and Inland Bank (Nig.) Limited. The monthly averages of the number and value of cheques cleared increased by 8.4 and 41.7 per cent to 760,824 and ₦8,052.7 million, respectively, in 1989 (see Table 8.1).

VIII.1.3 Consolidation of Public Sector Accounts

The role of the Bank as a banker to the government increased in scope during the year. This arose from the Treasury Circular of May 26, 1989 which directed all government accounts to be kept with the Central Bank of Nigeria. The opening of a large number of new accounts as well as the operation of the existing ones at the CBN Head Office, branches, and currency centres, substantially increased the work load of the Bank, particularly in the Banking Operations Department. By 31st July, 1989, about ₦8,270.2 million had been lodged with the Central Bank of Nigeria. Out of this amount, ₦3,317.7 million was lodged in CBN branches and currency centres while the balance was lodged in the head office. However, after due consideration of the representations made to Government by the affected institutions the directive was relaxed on November 8, 1989 such that governmental institutions located far away from Central Bank offices could continue to maintain accounts with commercial and merchant banks. The Bank coped adequately with the additional responsibility through strenghtening the staff position in the Banking Operations Department, as well as providing more facilities to deal with the increasing volume of work.

TABLE 8.1

BANKERS' CLEARING

Month	1987 No. of Cheques Cleared	1987 Amount (₦' thousand)	1988 No. of Cheques Cleared	1988 Amount (₦' thousand)	1989[1] No. of Cheques Cleared	1989[1] Amount (₦' thousand)
January	1,499,169	3,097,935	603,246	3,870,613	745,530	6,463,145
February	645,402	2,878,147	282,691	4,186,190	743,677	6,974,376
March	664,456	3,599,854	715,962	5,021,904	777,489	7,154,499
April	609,939	2,862,199	541,427	3,833,164	706,313	8,431,323
May	587,856	3,146,835	713,923	5,980,573	767,933	8,078,214
June	751,575	3,724,318	832,592	5,889,173	782,410	13,167,210
July	758,081	3,670,371	642,255	6,356,808	772,418	8,221,138
August	616,615	3,277,072	1,438,679	8,171,439	888,452	7,528,439
September	305,470	2,366,264	406,993	5,608,898	845,423	7,240,019
October	337,616	4,389,923	695,556	5,575,542	892,208	7,894,892
November	383,848	5,308,923	756,857	6,074,454	1,039,565	7,528,590
December	428,542	9,025,439	793,719	7,645,806	868,473	7,950,512
Total	7,588,569	47,347,280	8,423,900	68,214,564	9,129,891	96,632,357
Monthly Average	632,381	3,945,606.7	701,992	5,684,547.0	760,824	8,052,696.4

[1] Figures are provisional

VIII.1.4 Domestic Debt Management

The monthly average of Ways and Means Advances to the Federal Government which stood at ₦5,278.0 million in 1988 increased by 9.8 per cent to ₦5,794.4 million in 1989 (see Table 8.2). Issues of treasury bills amounted to ₦130,554 million representing an increase of 17.5 per cent over the level in 1988. However, there were no new issues as issues were raised only to fund maturing bills. The initial take-up by CBN out of this amount was ₦106,569.6 million or 81.6 per cent. In the preceding year, CBN initial take-up was ₦89,015.2 million or 80.1 per cent. The total value of treasury bills discounted by the Bank during the year was ₦29,552 million while sales amounted to ₦62,472.8 million. Matured and repaid treasury bills rose from ₦106,654.0 million in 1988 to ₦141,904.0 million in 1989. The Bank's holdings outstanding during the review period totalled ₦11,625.2 million or 48.2 per cent of the total compared with 63.6 per cent in 1988.

New issues of treasury certificates in 1989 amounted to ₦6,481.0 million compared with the value of ₦6,514.6 million issued a year earlier. The amount taken up by the Bank was ₦5,504.6 million or 84.9 per cent. New issues exceeded repayments by ₦3,587.4 million in 1989. The amount of treasury certificates sold during the review period was ₦2,201.4 million while purchases or rediscounts amounted to ₦660.9 million, compared with the 1988 sales and purchases of treasury certificates which were ₦717.1 million and ₦132.5 million, respectively. As a result of these transactions, the Bank's holdings of treasury certificates increased from ₦3,070.4 million in 1988 to ₦4,390.0 million in 1989. Consequently, CBN holdings which were 45.2 per cent of total outstanding in 1988 increased to 63.2 per cent in 1989.

There were six issues of treasury bills and four of treasury certificates under the auction-based system which commenced in November and December, respectively. Issues of treasury bills under the new system amounted to ₦11,276.0 million while those of treasury certificates amounted to ₦1,121.9 million. The amount offered for subscription at each auction at this initial phase was the value of maturing bills exclusive

TABLE 8.2

WAYS AND MEANS ADVANCES OUTSTANDING

(₦' million)

Month	1987	1988	1989
January	—	3,115.6	546.3
February	—	3,930.1	214.4
March	418.7	2,482.1	—
April	778.7	5,074.9	2,946.4
May	1,017.0	5,389.4	4,415.1
June	1,294.6	5,562.7	6,161.1
July	951.6	7,374.3	7,841.6
August	897.5	7,623.3	9,734.9
September	88.8	7,451.4	9,757.0
October	1,305.6	7,025.7	13,316.6
November	2,126.6	8,306.7	14,598.9
December	—	—	—
Monthly Average	739.9	5,278.0	5,794.4

of Central Bank holdings which were earmarked for conversion to bonds. The Bank's take-up of unsubscribed issues amounted to ₦1,141.7 million or 10.1 per cent of total issues while subscriptions by participating banks amounted to ₦2,005.1 million or 17.8 per cent. The balance of ₦8,129.8 million or 72.1 per cent represented subscriptions on behalf of the Central Bank's internal funds and mandate customers. The issue rate at the initial auction was 17.5 per cent. It drifted downwards to 16.5, 15.0 and 15.5 in the next three auctions before rising again to 17.5 in the last two auctions of the year.

Central Bank's take-up which occurred in two of the four treasury certificates auction sessions amounted to ₦7,772.0 million or 68.8 per cent of the total amount issued. Subscriptions by participating banks amounted to ₦114.8 million or 10.3 per cent while the balance of ₦235.1 million or 21.0 per cent represented subscriptions on behalf of CBN internal funds accounts and mandate customers. The issue rate remained at 16.0 per cent in 3 of the four sessions, only rising briefly to 18.5 per cent at the second session.

There was no new issue of Federal Government Development Stock in 1989. However, the Bank's sales and purchases which fell in 1988 increased during the year. While sales increased from ₦388.5 million in 1988 to ₦435.0 million in 1989, purchases increased from ₦333.7 million to ₦520.7 million during the same period. CBN holdings of this security rose by 2.3 per cent from ₦1,450.5 million in 1988 to ₦1,484.5 million in 1989 (see Table 8.3).

The Bank paid a total of ₦6,015.0 million interest on government domestic debt during the year under review recording an increase of 31.7 per cent over the level in 1988. Interest payments on all treasury instruments increased significantly except payments on development stocks which fell from ₦415.4 million in 1988 to ₦407.9 million in 1989. Interest payments on Ways and Means Advances rose by 51.6 per cent from per cent ₦349.2 million in 1988 to ₦529.4 million in 1989, while payments on treasury bills and treasury certificates increased by 28.1 and 65.7 per cent to ₦4,159.4 million and ₦918.3 million, respectively, in 1989 (see Table 8.4).

VIII.1.5 Small And Medium-Scale Enterprises Apex Unit

The Small and Medium-Scale Enterprises (SME) Apex Unit which was set up in 1988 was able to meet the conditions for the effective draw-down of the World Bank Loan of US $270 million for the development of small and medium-scale enterprises. The loan became effective on 28th July and the first draw-down had been made while participating agreements were signed with 20 approved banks. The Unit held two meetings with participating banks to discuss project implementation which also covered areas such as sub-loan processing and the operation of the sub-account. A 6-week course on project appraisal and management was organised for staff of participating commercial and merchant banks. Two project proposals had been received from one of the banks by the end of the year.

VIII.1.6 Rural Banking Programme and Branch Expansion

The third phase of the Rural Banking Programme which commenced on 1st August, 1985 officially ended on 31st July, 1989. The number of branches opened under the third phase as at 31st December, 1989 was 293 with 7 outstanding. Out of 8 rural branches outstanding under the second phase, 5 were opened, bringing the total number opened to 756 leaving 10 outstanding (see Table 8.5). On the other hand, the number of urban branches increased from 1,057 to 1,093 thus raising the total number of bank branches in Nigeria and abroad from 1,711 in 1988 to 1,911 in 1989 (see Table 8.6).

VIII.1.7 Banking Supervision

In 1989, Banking Supervision activities included routine examinations of commercial and merchant banks' domestic and foreign operations.

TABLE 8.3

TRANSACTIONS IN DEVELOPMENT STOCKS

Year	*Initial Take-Up*	*New Issues*	*Sales (₦)*	*Rediscount Buy Back*	*CBN Holding Outstanding*
1987	—	180,000,000	417,833,220	468,998,300	1,550,285,000
1988	—	—	388,502,220	333,696,680	1,450,480,060
1989	—	—	435,047,300	520,659,000	1,484,500,000*

* Provisional

TABLE 8.4

INTEREST PAYMENTS ON DOMESTIC DEBT

(₦' million)

	1987			1988			1989		
	CBN	*Others*	*Total*	*CBN*	*Others*	*Total*	*CBN*	*Others*	*Total*
Ways and Means	75.5	—	75.5	349.2	—	349.2	529.4	—	529.4
Treasury Bills	875.4	1,431.3	2,306.7	2,600.5	646.8	3,247.3	2,379.3	1,780.1	4,159.4
Treasury Certificate	422.2	371.3	793.5	367.5	186.6	554.1	370.2	548.1	918.3
Development Stocks	140.1	252.4	392.5	114.9	300.5	415.4	110.1	297.8	407.9
Total	1,513.2	2,055.0	3,568.2	3,421.1	1,133.9	4,566.0	3,389.0	2,626.0	6,015.0

TABLE 8.5

RURAL BANKING PROGRAMME, 1ST, 2ND AND 3RD PHASES: ALLOCATION OF BRANCHES AND COMPLIANCE BY COMMERCIAL BANKS AS AT 31ST DECEMBER, 1989

		1st Phase			*2nd Phase*			*3rd Phase*			*Total*		
No.	*Banks*	*Allo-cation*	*Opened*	*Out-standing*	*Allo-cation*	*Opened*	*Out-standing*	*Allo-cation*	*Opened*	*Out-standing*	*Allo-cation*	*Opened*	*Out-standing*
1	African Continental Bank Ltd	16	16	—	19	19	—	14	14	—	49	49	—
2	Allied Bank of Nigeria Ltd..............	6	6	—	7	7	—	11	11	—	24	24	—
3	Bank of Credit & Com.Int.Ltd	—	—	—	6	6	—	16	16	—	22	22	—
4	Bank of the North Ltd	6	6	—	19	19	—	14	14	—	39	39	—
5	Commercial Bank (C.Lyonnais) Ltd	—	—	—	—	—	—	5	5	—	5	5	—
6	Co-operative Bank Limited..............	5	5	—	8	8	—	9	9	—	22	22	—
7	Co-op & Comm. Bank Nig. Ltd	7	7	—	8	8	—	9	9	—	24	24	—
8	First Bank of Nigeria Ltd	40	40	—	37	37	—	28	28	—	105	105	—
9	Gamji Bank of Nigeria Ltd[1]	—	—	—	—	—	—	5	5	—	5	5	—
10	Habib Bank Nigeria Ltd	—	—	—	—	—	—	6	6	—	6	6	—
11	Int.Bank for W/Africa Ltd	11	11	—	13	13	—	15	15	—	39	39	—
12	Lobi Bank Limited......................	—	—	—	—	—	—	6	6	—	6	6	—
13	Mercantile Bank of Nigeria Ltd..........	3	3	—	6	6	—	8	8	—	17	17	—
14	National Bank of Nigeria Ltd	15	15	—	19	19	—	10	9	1	44	43	1
15	New Nigeria Bank Limited	4	4	—	9	9	—	8	8	—	21	21	—
16	Nigeria-Arab Bank Limited..............	7	7	—	6	6	—	9	9	—	22	22	—
17	Nigeria Int. Bank Limited...............	—	—	—	—	—	—	5	5	—	5	5	—
18	Nigeria Universal Bank Ltd[2]	3	3	—	6	6	—	5	4	1	14	13	1
19	Owena Bank Nigeria Limited............	—	—	—	—	—	—	6	6	—	6	6	—
20	Pan African Bank Limited	5	5	—	6	3	3	5	—	5	16	8	8
21	Progress Bank of Nigeria Ltd	—	—	—	—	—	—	5	5	—	5	5	—
22	Savannah Bank of Nig. Ltd	7	7	—	11	11	—	14	14	—	32	32	—
23	Societe Generale Bank Nigeria Ltd	—	—	—	6	6	—	15	15	—	21	21	—
24	Tropical Commercial Bank Ltd[3]	6	6	—	6	6	—	5	5	—	17	17	—
25	Union Bank of Nigeria Ltd	27	27	—	36	36	—	28	28	—	91	91	—
26	United Bank for Africa Ltd	27	27	—	32	32	—	28	28	—	87	87	—
27	Universal Trust Bank of Nigeria Ltd	—	—	—	—	—	—	5	5	—	5	5	—
28	Wema Bank Limited	5	5	—	6	6	—	6	6	—	17	17	—
	Total	200	200	—	266	263	3	300	293	7	766	756	10

[1] Formerly Sokoto Co-operative Bank Ltd
[2] Formerly Kaduna Co-operative Bank Ltd
[3] Formerly Kano Co-operative Bank Ltd

TABLE 8.6

NUMBER OF BANK BRANCHES IN NIGERIA AND ABROAD AS AT 31ST DECEMBER, 1989

No.	Commercial Banks	Overseas	No. of Branches Urban	Rural	Total
1	Access Bank Nigeria Ltd	—	1	—	1
2	African Continental Bank Ltd	1	68	49	118
3	Allied Bank of Nigeria Ltd	—	38	24	62
4	All States Trust Bank Ltd	—	1	—	1
5	Bank of Credit & Commerce International Ltd	—	23	22	45
6	Bank of the North Ltd	—	50	39	89
7	Chartered Bank Ltd	—	1	—	1
8	Commerce Bank Ltd	—	1	—	1
9	Commercial Bank (Credit Lyonnais)	—	4	5	9
10	Commercial Trust Bank Ltd	—	2	—	2
11	Co-operative Bank Ltd	—	32	22	54
12	Co-operative & Commerce Bank	—	32	24	56
13	Co-operative & Development Bank Ltd	—	3	—	3
14	Eco Bank Nigeria Ltd	—	1	—	1
15	Eko International Bank Ltd	—	2	—	2
16	First Bank of Nigeria Ltd	1	164	105	270
17	Gamji Bank of Nigeria Ltd	—	4	5	9
18	Habib Bank Nigeria Ltd	—	14	6	20
19	Highland Bank of Nigeria Ltd	—	1	—	1
20	Inland Bank Nigeria Ltd	—	1	—	1
21	Intercity Bank Ltd	—	1	—	1
22	International Bank for West Africa Ltd	—	55	39	94
23	Lion Bank of Nigeria Ltd	—	4	—	4
24	Lobi Bank of Nigeria Ltd	—	9	6	15
25	Mercantile Bank of Nigeria Ltd	—	18	17	35
26	Meridien Equity Bank of Nigeria	—	1	—	1
27	National Bank of Nigeria Ltd	1	69	43	113
28	New Nigeria Bank Ltd	1	38	21	60
29	Nigeria-Arab Bank Ltd	—	16	22	38
30	Nigeria International Bank Ltd	—	5	5	10
31	Nigeria Universal Bank Ltd	—	11	13	24
32	North-South Bank Nigeria Ltd	—	1	—	1
33	Orient Bank Nigeria Ltd	—	5	—	5
34	Owena Bank Nigeria Ltd	—	16	6	22
35	Pan African Bank Ltd	—	22	8	30
36	Premier Commercial Bank Ltd	—	6	—	6
37	Progress Bank of Nigeria Ltd	—	33	5	38
38	Republic Bank Ltd	—	1	—	1
39	Savannah Bank of Nigeria Ltd	—	30	32	62
40	Societe Generale Bank Ltd	—	12	21	33
41	Trade Bank of Nigeria Ltd	—	4	—	4
42	Trans International Bank Ltd	—	2	—	2
43	Tropical Commercial Bank Ltd	—	4	17	21
44	Union Bank of Nigeria Ltd	1	146	91	238
45	United Bank for Africa Ltd	1	101	87	189
46	Universal Trust Bank of Nigeria	—	6	5	11
47	Wema Bank Ltd	—	34	17	51
	Sub-Total	6	1,093	756	1,855
	Merchant Banks				
1	Abacus Merchant Bank Ltd	—	1	—	1
2	ABC Merchant Bank Ltd	—	2	—	2
3	Alpha Merchant Bank Ltd	—	1	—	1
4	Century Merchant Bank Ltd	—	1	—	1
5	Centre-Point Merchant Bank Ltd	—	1	—	1
6	Citi Trust Merchant Bank Ltd	—	1	—	1
7	Continental Merchant Nigeria Bank Ltd	—	6	—	6
8	Crown Merchant Bank Ltd	—	1	—	1
9	Devcon Merchant Bank Ltd	—	1	—	1
10	Fidelity Union Merchant Bank Ltd	—	1	—	1
11	Financial Merchant Bank Ltd	—	1	—	1
12	First City Merchant Bank Ltd	—	1	—	1
13	First Interstate Merchant Bank Ltd	—	1	—	1
14	Grindlays Merchant Bank Ltd	—	2	—	2
15	ICON Ltd (Merchant Bankers)	—	3	—	3
16	Indo-Nigeria Merchant Bank Ltd	—	1	—	1
17	Industrial Bank Ltd (Merchant Bankers)	—	1	—	1
18	International Merchant Bank Nigeria Ltd	—	5	—	5
19	Investment Banking Trust Co. Ltd	—	1	—	1
20	Ivory Merchant Bank Ltd	—	1	—	1
21	Kapital Merchant Bank Ltd	—	1	—	1
22	Lead Merchant Bank Ltd	—	1	—	1
23	Merchant Bank of Africa Nigeria Ltd	—	1	—	1
24	Merchant Banking Corporation Ltd	—	1	—	1
25	Metropolitan Merchant Bank Ltd	—	1	—	1
26	NAL Merchant Bank Ltd	—	5	—	5
27	Nationwide Merchant Bank Ltd	—	1	—	1
28	New Africa Merchant Bank Ltd	—	1	—	1
29	Nigeria Intercontinental Merchant Bank Ltd	—	1	—	1
30	Nigbel Merchant Bank (Nigeria) Ltd	—	1	—	1
31	Nigeria Merchant Bank Ltd	—	4	—	4
32	Nigeria-American Merchant Bank Ltd	—	3	—	3
33	Prime Merchant Bank Ltd	—	1	—	1
34	Rims Merchant Bank Ltd	—	1	—	1
	Sub-Total	—	56	—	56
	Grand Total	6	1,149	756	1,911

(a) *Bank Examination*

Routine examination was conducted for 32 banks including 11 of them established during the year, while one development bank was specially examined. The examinations were to ensure strict compliance with the provisions of the banking laws, and, in the case of new banks, the fulfilment of the conditions for the issuance of banking licences. They also covered general appraisal of the lending policy, evaluation of the quality of assets with particular emphasis on loans, and determination of the adequacy of capital in relation to the volume and character of their businesses. Other aspects were the appraisal of income and expenditure, evaluation of the adequacy of provisions against losses, as well as the adequacy and effectiveness of recording, management information and internal control systems.

Some of the examined banks continued to experience problems of poor quality of management staff, inadequate capital structure, and violation of the conditions under which banking licenses were issued. As usual, special attention was paid to assisting the newly established banks to overcome their teething problems. On the whole, and in spite of the observed shortcomings, there was a general improvement in the overall performance of the examined banks.

(b) *Foreign Exchange Monitoring*

Routine examination was carried out on foreign exchange operations of 61 authorised dealers. Several ad-hoc examinations were also conducted based on public complaints and the initiative of CBN Management to ensure the proper conduct of all aspects of their foreign exchange operations. Lapses and improprieties discovered in the course of these examinations were brought to the notice of the banks concerned and appropriate sanctions were imposed.

(c) *Licensing of New Banks and Bureaux de Change*

A total of 11 new banks (9 merchant and 2 commercial) were licensed in 1989 compared with 17 in 1988. Out of those licensed in 1989, 3 were yet to commence business as at the end of the year. From a total of 257 applications received for the establishment of Bureaux de Change, 52 licences were granted.

VIII.1.8 Agricultural Credit Operations

(a) *Agricultural Credit Guarantee Scheme Fund (ACGSF)*

The capital of the Agricultural Credit Guarantee Scheme Fund remained at ₦85.5 million as at the end of December, 1989. However, investments of the Fund in Government Securities led to its appreciation from ₦160.6 million in 1988 to ₦174.9 million as at the end of 1989.

A total of 34,518 loans valued at ₦129.3 million were guaranteed under the Agricultural Credit Guarantee Scheme (ACGS) in 1989. This represented increases of 21 and 9 per cent, respectively, over the number and value of loans guaranteed in 1988. The increase was attributable to the continued increase in the participation of small-scale borrowers as a result of the liberalization of security requirements for loans of ₦5,000 and below. The cumulative number and amount of loans guaranteed from the inception of the Scheme in 1978 stood at 91,541 and ₦666.9 million, respectively. Farmers borrowing ₦5,000 and below continued to dominate lending under the scheme. At 33,133 and ₦88.1 million, this category accounted for 96.0 and 68.1 per cent of the number and value of the loans guaranteed, respectively (see Tables 8.7 and 8.8). A total of 10,057 small-scale borrowers had fully repaid their loans amounting to ₦21.3 million.

Food crops continued to dominate the number and value of loans guaranteed. The sub-sector accounted for 29,688 loans

TABLE 8.7
COMPARATIVE ANALYSIS OF LOANS GUARANTEED BY THE AGRICULTURAL CREDIT GUARANTEE SCHEME FUND IN 1988 AND 1989 BY STATE

State	*Number of Loans* 1988	1989	*Percentage change*	*Percentage of Total* 1989	*Value of Loans (₦' million)* 1988	1989	*Percentage change*	*Percentage of Total* 1989	*Cumulative 1978-1989* Number	Value (₦ million)
Anambra	1,898	2,580	35.93	7.47	9.3	10.9	17.20	8.43	6,521	45.3
Bauchi	2,137	2,456	14.93	7.11	7.8	9.4	20.50	7.27	7,861	34.2
Bendel	1,572	2,359	50.06	6.83	10.6	9.8	(7.50)	7.58	6,365	74.3
Benue	1,236	1,890	32.91	5.48	3.6	5.7	58.30	4.41	4,419	18.8
Borno	1,591	3,722	133.94	10.78	3.9	8.5	117.95	6.57	7,354	20.3
Cross River/ Akwa Ibom	504	993	97.02	2.88	1.9	3.7	94.74	2.86	2,280	19.8
Gongola	970	1,080	11.34	3.13	6.0	4.7	(21.90)	3.63	3,137	25.9
Imo	857	1,477	72.34	4.28	5.2	5.6	7.69	4.33	2,953	29.3
Kaduna/Katsina	2,039	1,691	(17.07)	4.90	11.5	8.3	(27.83)	6.42	8,608	54.7
Kano	778	2,510	222.62	7.27	6.6	8.4	27.27	6.50	4,479	36.3
Kwara	1,252	1,387	10.78	4.02	6.4	5.7	(10.94)	4.41	4,060	27.8
Lagos	460	497	8.04	1.44	4.0	1.9	(52.50)	1.47	1,595	50.3
Niger	2,362	3,627	53.56	10.51	7.8	9.6	23.08	7.42	7,853	28.0
Ogun	645	692	7.29	2.01	5.4	6.4	18.52	4.95	2,509	40.7
Ondo	765	1,415	45.94	4.10	5.5	6.2	12.73	4.80	3,023	30.4
Oyo	1,333	1,448	8.63	4.19	9.5	10.8	13.68	8.35	4,501	59.9
Plateau	1,504	822	(45.35)	2.38	4.6	3.0	(21.74)	2.32	3,513	23.4
Rivers	317	1,103	247.95	3.16	2.1	4.0	90.48	3.10	1,693	20.6
Sokoto	2,318	2,769	19.46	8.02	6.9	6.7	(2.90)	5.18	8,817	26.9
Total	24,538	34,518		100.00	118.6	129.3		100.00	91,541	666.9

TABLE 8.8

LOANS GUARANTEED BY AGRICULTURAL CREDIT GUARANTEE SCHEME FUND BY SIZE AND PURPOSE

JANUARY-DECEMBER, 1989

(₦000)

	₦5,000 and below		₦5,001 to ₦20,000		₦20,001 to ₦50,000		₦50,001 to ₦100,000		Above ₦100,000		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Livestock												
Poultry	143	532.6	24	263.5	6	270.0	1	138.6	5	3,471.0	179	4,675.7
Cattle	140	970.2	47	519.0	6	171.6	1	70.0	1	500.0	195	2,230.8
Sheep and Goats	23	60.5	2	18.7	—	—	—	—	—	—	25	79.2
Fisheries	441	1,447.0	9	66.1	4	172.5	5	459.1	6	2,394.0	465	4,538.7
Other Livestock	124	366.4	12	168.0	4	160.0	—	44.5	1	150.0	141	888.9
Total Livestock	871	3,376.7	94	1,035.3	20	774.1	7	712.2	13	6,515.0	1,065	12,413.3
Livestock as % of Total	2.6	3.8	8.6	9.7	11.1	11.5	9.6	12.3	34.2	36.2	2.9	9.6
Food Crops												
Grains	20,175	50,549.9	614	6,192.3	102	3,760.9	41	3,299.1	11	5,203.4	20,943	69,005.6
Tuber and Roots	8,446	24,908.8	240	2,099.0	21	802.3	11	802.0	8	2,395.4	8,726	31,007.5
Mixed Farming	13	50.7	3	22.0	1	30.0	2	125.0	—	—	19	227.7
Total Food Crops	28,634	75,509.4	857	8,313.3	124	4,593.2	54	4,226.1	19	7,598.8	29,688	100,240.8
Food Crops as % of Total	86.4	85.7	78.4	78.0	68.3	68.2	74.0	73.0	50.0	42.2	86.0	77.5
Other Crops	3,628	9,209.1	142	1,314.3	37	—	12	849.5	6	3,905.0	3,825	16,646.2
Other Crops as % of Total	10.9	10.5	13.0	12.3	20.6	20.3	16.4	14.8	15.8	21.6	11.1	12.9
Grand Total	33,133	88,095.2	1,093	10,662.9	181	6,735.6	73	5,787.8	38	18,018.8	34,518	129,300.3
Total %	100	100	100	100	100	100	100	100	100	100	100	100

valued at ₦100.2 million or 86.1 and 77.6 per cent, respectively. Cash crops accounted for 3,825 loans valued at ₦16.6 million, representing 11.0 and 12.8 per cent, respectively, of the total number and value of loans guaranteed during the year. The share of loans to livestock declined from 4.6 per cent in 1988 to 2.9 per cent in 1989 in terms of number and from 19.4 to 9.5 per cent of the value of loans guaranteed. The share to poultry declined further from 1.3 in 1988 to 0.5 per cent in 1989 (see Tables 8.8 and 8.9).

The number of fully repaid loans rose from 3,861 valued at ₦21.0 million in 1988 to 10,890 valued at ₦52.8 million in 1989 representing increases of 182 and 151 per cent in number and value, respectively. During the year, 160 default claims valued at ₦8.5 million were submitted by different lending banks and the Board of the ACGSF approved the settlement of 56 claims amounting to ₦223,054.50, while the remaining claims were being examined.

(b) *Conference on Agricultural Lending*

The 10th Annual Conference of Agricultural Credit Officers (ACOs) of the Central Bank was held in Port Harcourt from 30th October to 3rd November, 1989. The Conference, which had as its theme "Rural Finance in Nigeria", provided a forum to appraise the operation of the ACGS and the Agricultural Insurance Scheme. Representatives of the lending banks, Federal and State Ministries of Agriculture and Agricultural Development Projects (ADPs) participated in the conference. As in the two previous conferences, 21 farmers, one from each State, who had benefitted from loans under the ACGS and had achieved outstanding performance in output, loan repayment and adoption of good farming techniques and practices, were presented with Certificates of Merit.

(c) *Other Activities*

As in the previous years, meetings of the Faculty Committee on Agricultural Credit Training (FACACT) were organised by the Bank. Five institutions namely – the University of Nigeria, Nsukka; Obafemi Awolowo University, Ile-Ife; Ahmadu Bello University, Zaria; the Financial Institutions Training Centre, (FITC), Yaba; and the Agricultural and Rural Management Training Institute (ARMTI), Ilorin, organised courses on behalf of FACACT. Ten people were sponsored by the Central Bank of Nigeria for these courses.

The Bank also organised an Agricultural Credit Administration Orientation Course at the Bauchi Branch from 14th – 25th August, 1989 for 37 newly recruited Agricultural Credit Officers. Another course on finance and accounting was organised for Senior Agric. Credit Managers from 17th – 29th April, 1989 by the CBN in collaboration with ARMTI. Four members of staff participated in AFRACA/FAO Technical Co-operation among Developing Countries (TCDC) in four African countries for three weeks. They were each seconded to the Lesotho Agricultural Development Bank, the Zimbabwe Agricultural Finance Corporation, the Kenya Co-operative Bank, and the Tanzania National Bank of Commerce, to understudy their operations and agricultural credit administration. Two others participated in AFRACA West African sub-Regional Workshop on Financing Small-scale farms and rural artisans held in Banjul, The Gambia from 1st – 6th October, 1989 while another attended the FINAFRICA 6 week seminar on agricultural credit held in Milan, Italy.

VIII.1.9 Export Marketing and Financing

(a) *Export Marketing*

The winding up of the old export marketing arrangement (the Commodity Board System) initiated through the establishment of Assets Disposal Committees in 1987 continued in 1989. The liabilities of the Boards stood at ₦148.8 million at the end of 1989. No new loans were granted to State Governments during the period under review for commodity marketing. Therefore, their outstanding indebtedness arising from earlier loans granted to them in 1985/86 season for purchase of surplus grains remained at ₦84.2 million.

(b) *Export Financing*

The Refinancing and Rediscounting Facility (RRF), introduced in April, 1987 to enhance the banks' export financing operations, witnessed remarkable growth in 1989. Under the facility, the CBN provided the banks with some ₦713.5 million, which represented 29 per cent increase on the level of advances (₦552.4 million) provided to the banks in 1988. The increase could be attributed to the growing requirements of the banks and their increased awareness of the facility. Thus, while only 13 banks utilized the RRF in 1988, as many as 26 banks availed themselves of the facility in the year under review. Accordingly, the variety of non-oil exports increased in 1989 with cocoa and cocoa products remaining dominant (see Table 8.10). The outstanding principal RRF advances to the banks stood at ₦323.4 million as at 31st December, 1989. With the inclusion of the interest element of ₦19.5 million, the total outstanding liabilities of banks under the facility became ₦342.9 million.

Another noteworthy aspect of export financing in 1989 was the Foreign Input Facility (FIF) which was designed to give exporters access to foreign exchange required to produce for export. It took off on 30th May, 1989 with the signing of the African Development Bank Export Stimulation Loan (ADB/ESL) Agreement between the ADB (the lender) and the Federal Government of Nigeria (the borrower). The revolving loan of UA 180 million (equivalent to about US $245 million) was meant to stimulate non-oil exports. The first tranche of US $76.8 million was disbursed by ADB to Nigeria on 20th October, 1989 and by the end of the year the Bank had largely disbursed the funds.

The Advisory Committee on Export Risks (ACER), was established on 28th June, 1989. It was designed to take up the responsibility for identifying export credit risks and other risks which currently plague the Nigerian export scene and to suggest facilities which should be provided by the Nigeria Export Credit Guarantee & Insurance Corporation (NECGIC). The Committee, which consists of banks, exporters and NECGIC as members, started operations immediately, concentrating initially on the collection of information on the type of risk faced by banks and exporters.

(c) *Other Activities*

After the abolition of the Commodity Boards System, there was a felt need for the evolution of Commodity Exchange as a means of improving the commodity marketing. In the light

TABLE 8.9

LOANS GUARANTEED BY AGRICULTURAL CREDIT GUARANTEE SCHEME FUND BY PURPOSE

(₦'000)

Purpose	*Cumulative No. of Loans*	*No. of Loans*			*% of Total No. of Loans*			*Cumulative Value of Loans*	*Value of Loans*			*% of Total Value*		
	1978-1989	1987	1988	1989	1987	1988	1989	1978-1989	1987	1988	1989	1987	1988	1989
Livestock														
Poultry	3,214	578	331	179	3.6	1.3	0.5	185,642.2	21,078.7	10,848.5	4,675.7	20.6	9.1	3.6
Cattle	2,208	285	342	195	1.8	1.4	0.6	21,323.3	4,368.1	3,622.5	2,230.8	4.3	3.1	1.7
Fisheries	875	103	262	465	0.6	1.1	1.3	19,229.0	4,526.3	4,536.8	4,538.7	4.4	3.8	3.5
Others	681	142	193	166	0.9	0.8	0.5	17,053.7	3,941.1	4,009.4	968.1	3.9	3.4	0.7
Sub-Total	6,978	1,108	1,128	1,005	6.9	4.6	2.9	243,248.2	33,914.2	23,017.2	12,413.3	33.2	19.4	9.5
Food Crops														
Grains	56,279	10,377	16,623	20,943	64.0	67.7	60.7	249,015.1	43,412.5	62,252.5	69,005.6	42.5	52.5	53.4
Roots/Tubers	18,485	3,297	4,803	8,726	20.3	19.6	25.3	76,016.7	13,494.1	15,697.4	31,007.5	13.2	13.2	24.0
Mixed Farming	620	14	415	19	0.1	1.7	0.1	20,031.6	2,102.0	3,199.1	227.7	2.1	2.7	0.2
Sub-Total	75,384	13,688	21,841	29,688	84.4	89.0	86.1	345,063.4	59,008.6	81,149.0	100,240.8	57.8	68.4	77.6
Cash Crops														
Oil Palm	104	20	13	18	0.1	0.1	0.0	6,750.4	2,724.5	701.0	1,062.0	2.7	0.6	0.8
Rubber	18	1	1	10	0.0	0.0	0.0	1,958.8	64.0	8.1	30.0	0.1	0.0	0.0
Cocoa	1,340	182	359	762	1.1	1.5	2.2	5,609.1	1,206.6	1,282.7	2,676.5	1.2	1.1	2.1
Cotton	1,853	281	532	851	1.7	2.2	2.5	15,370.3	1,597.1	6,871.0	5,279.8	1.6	5.8	4.1
Groundnuts	2,146	543	401	832	3.3	1.6	2.4	8,520.3	1,569.8	3,287.4	1,724.5	1.5	2.8	1.3
Others	3,718	386	263	1,352	2.4	1.0	3.9	40,399.1	2,067.7	2,294.6	5,873.4	2.0	1.9	4.5
Sub-Total	9,178	1,413	1,569	3,825	8.6	6.4	11.0	78,608.0	9,229.7	14,444.8	16,646.2	9.0	12.2	12.8
Grand Total	91,541	16,209	24,538	34,518	100.0	100.0	100.0	666,919.6	102,152.5	118,611.0	129,300.3	100.0	100.0	100.0

of this, an inter-ministerial committee under the chairmanship of the CBN was set up in 1988 to develop a framework and modalities for establishing a commodity exchange in Nigeria. In furtherance of this objective, the committee organised a seminar during 1989 to enlighten the general public on the meaning and operations of a commodity exchange.

VIII.1.10 Foreign Exchange Management

The liberalisation and deregulation of the Foreign Exchange Market (FEM) continued in 1989 for the purpose of enlarging its supply base and fostering a more rational conduct by all participants. Consequently, no new regulatory measures were introduced, rather all the existing measures were retained and fine-tuned to optimise the use of available foreign exchange resources. Approval was also given for the establishment of Bureaux de Change to cater for the needs of small users of foreign exchange.

With respect to foreign exchange budget, aggregate receipts were estimated at $6,679.0 million representing a decrease of 9.8 per cent below the level in 1988. Of this amount, $5,361.0 million represented estimated official receipts while $1,318.0 million was the projected receipts from private sources. The estimates of disbursement from official funds were also projected at $5,361.0 million broken down into $3,157.0 million for domestic use, $2,004.0 million for debt service and $200.0 million for accretion to reserves. At US $7,646.2 million, aggregate foreign exchange receipts in 1989 exceeded the level of projected receipts by $967.2 million or 14.5 per cent. It was also higher than the level of receipts in 1988 by $1,172.1 million. A breakdown showed that official receipts totalled $6,487.0 million which was $1,126.0 million higher than the year's estimates. On the other hand, at $1,159.2 million, earnings of the private sector fell short of the 1989 budget estimates by $158.8 million. The overall performance reflected changing fortunes of Nigeria's export commodities. While the boost to official receipts was due to higher liftings and increase in the selling price of crude petroleum, the continued decline in the prices of primary commodities, particularly cocoa beans, depressed earnings of the private sector below budget estimates.

Total official disbursement stood at $5,318.2 million which was $42.8 million lower than the budget estimate. Details of official disbursement showed that FEM funding accounted for $2,172.7 million, debt servicing $2,036.3 million, settlement of pre-SFEM private sector transactions $344.1 million and other public sector use $765.1 million. Overall, official disbursement was lower than receipts by $1,168.8 million and resulted in accretion to the reserves.

Total foreign exchange inflow to the authorised dealers amounted to $3,338.1 million in 1989, indicating a decrease of $729.1 million from the level in 1988. The Central Bank provided $2,172.7 million of this amount which represented a decrease of $643.4 million when compared with the level of FEM funding in 1988. Inflow to the banks from private sources amounted to $1,159.2 million as against $1,244.9 million a year earlier (see Table 8.11).

A sectoral breakdown of the allocation shows that out of a total of $2,614.5 million disbursed by authorised dealers in 1989, allocation to merchandise imports was $2,388.4 million or 91.4 per cent of the total. Similarly, allocation for invisible trade stood at $226.1 million or 8.6 per cent. A further breakdown shows that allocation to the industrial sector stood at $1,793.1 million or 68.6 per cent while allocation to finished goods declined both in absolute and relative terms to $587.0 million or 22.5 per cent (see Table 8.12).

TABLE 8.10
ANALYSIS OF EXPORT CREDIT REDISCOUNTING AND REFINANCING TO BANKS

No. Commodity	1987 Amount (₦'m)	1987 %	1988 Amount (₦'m)	1988 %	1989 Amount (₦'m)	1989 %
1 Cocoa Beans	43.84	81.8	441.75	80.0	501.70	70.3
2 Cocoa Butter	—	—	10.44	1.9	14.90	2.1
3 Natural Rubber	0.75	1.4	41.38	7.5	58.47	8.2
4 Palm Kernel	0.69	1.3	15.21	2.8	62.12	8.7
5 Palm Kernel Cake	—	—	0.20	—	0.62	0.1
6 Hides & Skins	7.50	14.0	9.62	1.7	24.80	3.5
7 Cashew Nuts	—	—	5.69	1.0	—	—
8 Sheanuts	0.81	1.5	—	—	1.00	0.1
9 Groundnuts	—	—	12.47	2.3	—	—
10 Cotton	—	—	—	—	19.35	2.7
11 Shrimps	—	—	3.75	0.7	16.69	2.3
12 Soya Beans	—	—	—	—	4.00	0.6
13 Sesame Seed	—	—	—	—	3.64	0.5
14 Copra	—	—	—	—	1.97	0.3
15 Gum Arabic	—	—	0.64	0.1	1.89	0.3
16 Zinc Ores	—	—	—	—	1.15	0.2
17 Coffee Beans	—	—	0.61	0.1	0.50	—
18 Rattan Cane	—	—	0.02	—	0.34	—
19 Chillies	—	—	—	—	0.13	—
20 Cocoa Cake	—	—	—	—	0.22	—
21 Others	—	—	10.67	1.9	—	—
Total	53.59	100.0	552.45	100.0	713.49	100.0

TABLE 8.11

FOREIGN EXCHANGE BUDGET 1988-1989

(US $ million)

Sources	*Budget* 1988	1989	*Actual* 1988	1989	*Divergence (Actual — Budget)* 1988	1989
Private	1,200.0	1,318.0	1,244.9	1,159.2	44.9	−158.8
Official (Public)	6,204.0	5,361.0	5,229.2	6,487.0	−974.8	1,126.0
Total	7,404.0	6,679.0	6,474.1	7,646.2	−929.9	967.2
Application: Official						
FEM Auction	3,935.0	1,950.0	2,816.3	2,172.7	−1,118.7	222.7
Debt Service	1,711.0	2,004.0	1,953.1	2,036.3	242.1	32.3
Autonomous	—	—	—	—	—	—
Contingencies	258.00	—	—	—	−258.0	—
Accretion to Reserves	300.0	200.0	−389.9	1,168.8	−689.9	968.8
Pre-SFEM Private Sector Transaction	—	200.0	239.4	344.1	239.4	144.1
Public Sector Use	—	1,007.0	610.3	765.1	610.3	−241.9
Total	6,204.0	5,361.0	5,229.2	6,487.0	−974.8	1,126.0

TABLE 8.12

SECTORAL ALLOCATION OF FOREIGN EXCHANGE UNDER FEM

	January-December 1988 (US $ Million)	% Share	January-December 1989 (US $ Million)	% Share
A **Imports**	**3,090.2**	**89.3**	**2,388.4**	**91.4**
1. **Industrial Sector**	2,239.9	64.7	1,793.1	68.6
(i) Raw Materials	(1,288.7)	(37.2)	(1,103.7)	(42.2)
(ii) Machinery, Spare Parts & CKD	(951.2)	(27.5)	(689.4)	(26.4)
2. **Agricultural Sector**	21.1	0.6	6.0	0.2
3. **Finished Goods**	829.2	24.0	587.0	22.5
(i) Food	(180.3)	(5.1)	(120.8)	(4.6)
(ii) General Merchandise	(635.0)	(8.4)	(428.2)	(16.4)
(a) Drugs and Pharmaceuticals	75.6	2.2	67.6	2.6
(b) Books and Educational Materials	29.8	0.9	34.2	1.3
(c) Other General Merchandise	529.6	15.3	326.4	12.5
(iii) Motor Vehicles	—	—	(38.0)	(1.5)
4. **Capital Goods — Aircraft Shipping**	13.9	0.4	2.3	0.1
B **Invisibles**	**370.0**	**10.7**	**226.1**	**8.6**
(i) Education	14.6	0.4	10.7	0.4
(ii) Personal Home Remittance	20.6	0.6	10.4	0.4
(iii) Airline Remittance	58.1	1.7	73.0	2.8
(iv) Travel	67.9	2.0	36.8	1.4
(v) Re-Insurance	12.8	0.4	4.0	0.2
(vi) Contract	32.1	0.9	13.0	0.5
(vii) Aircraft Lease Maintenance Fees	26.3	0.7	5.2	0.2
(viii) Shipping Vessels Charter & Maintenance	9.6	0.3	2.4	0.1
(ix) Investment Income (Profit & Dividend)	23.6	0.7	31.7	1.2
(x) Repatriation & Capital	—	—	2.8	0.1
(xi) Others	105.1	3.0	36.2	1.3
Total (A+B)	3,460.9	100.0	2,614.5	100.0

VIII.2 FOREIGN OPERATIONS

VIII.2.1 Documentary Credit

The number and value of letters of credit established by the Central Bank of Nigeria in 1989 rose from their corresponding levels of 45 and ₦515.6 million in 1988 to 153 and ₦1,741.5 million in 1989. Likewise, the number and value of Forms 'M' registered during the year also increased from 77 and ₦3,793.0 million to 303 and ₦4,169.2 million, respectively. Out of this, 36 Forms 'M' valued at ₦2,262.5 million (US $305.5 million) were not valid for immediate foreign exchange disbursement because they were financed by either foreign loans or off-shore funds. Furthermore, 144 forms 'M' valued at ₦6,280.0 million (US $842.9 million) were revalidated, out of which 22 Forms 'M' valued at ₦1,954.6 million (US $262.9 million) were not valid for immediate foreign exchange disbursement. Total drawings under letters of credit amounted to ₦1,480.4 million (US $216.3 million) compared with ₦1,208.8 million (US $273.2 million) in 1988. A total of 92 letters of credit valued at ₦1,648.1 million (US $234.2 million) were revalidated in 1989.

VIII.2.2 Distribution Of Travellers Cheques

Thomas Cook Travellers Cheques Limited supplied travellers' cheques worth £1.5 million and US $25.3 million. For the Hajj operation, the Saudi Riyal Travellers Cheques company supplied SR16 million to replenish the existing stock of SR 65.7 million. The value of travellers cheques sold in 1989 totalled £3.1 million, US $19.9 million and SR 47.1 million while foreign notes sold were £0.1 million and US $1.0 million.

VIII.2.3 West African Clearing House

Nigeria's transactions through the West African Clearing House rose from ₦102.1 million in 1988 to ₦120.1 million in 1989. However, following the depreciation of the Naira, these transactions in terms of the West African Unit of Account (WAUA) declined from WAUA 19.3 million to WAUA 12.9 million. Outflow of funds through the West African Clearing House amounted to WAUA 12.0 million (₦112.9 million) while inflow amounted to only WAUA 0.8 million (₦7.3 million).

As a result of the decline in the volume of transations through the system as well as the depreciation of the Naira, the net outflow was WAUA 11.2 million (₦105.6 million) compared with WAUA 17.2 million (₦90.5 million) in 1988. This indicates an improvement in the deficit position in WAUA terms and a worsening in Naira terms. At WAUA 12.3 million (₦114.7 million) the value of commercial transactions constituted about 95.5 per cent of the total while financial transactions accounted for a paltry WAUA 0.6 million (₦5.4 million) in 1989 (see Tables 8.13 and 8.14).

VIII.2.4 Foreign Exchange Market (FEM)

The CBN introduced a new arrangement for injecting official funds into the Foreign Exchange Market on the 9th January, 1989, under which the official FEM and the autonomous market rates were merged to obtain a single ruling rate through daily sessions in the foreign exchange market. There were 243 bidding sessions in 1989 compared with 25 in 1988. The aggregate amount offered for sale by CBN was US $2,398.0 million compared with US $2,910.0 million offered in 1988 (see Table 8.15). This represented a monthly average of US $199.8 million compared with US $242.5 million in 1988. The naira exchange rate at the bidding sessions was relatively more stable in 1989 than in 1988. It depreciated 91 times and appreciated 80 times, while it remained unchanged 72 times. On the whole, the naira exchange rate depreciated by 29.8 per cent to US $1.00 = ₦7.6221 at the end of 1989 compared with the rate at the end of 1988.

VIII.3 ORGANISATIONAL AND ADMINISTRATIVE DEVELOPMENTS

VIII.3.1 Board of Directors

Membership of the Board of Directors of the Bank remained as re-constituted in February, 1988, that is, the Governor, five Deputy Governors and five non-executive members. The Board held six regular and two extra-ordinary meetings during the year to consider various administrative and policy issues.

The Committe of Governors, which is the executive arm of the Board of Directors, also held eight regular and seven extra-ordinary meetings during the year.

VIII.3.2 Staff

The Bank's total staff strength at the end of December, 1989, was 8,235 representing an increase of 686 (or 9.1 per cent) over the level in 1988. A total of 834 staff were recruited into the Bank's service compared with 201 in 1988. The Bank lost the services of 148 staff members through dismissal (34), termination (41), resignation/withdrawal of service (19), death

TABLE 8.13

TRANSACTIONS CHANNELLED THROUGH WEST AFRICAN CLEARING HOUSE

	Financial		*Commercial*		*Unclassified*		*Total*	
Year	₦ *million*	*WAUA million*	₦ *million*	*WAUA million*			₦ *million*	*WAUA million*
1. 1988	4.3	0.6	97.8	18.7	—	—	102.1	19.3
2. 1989	5.4	0.6	114.7	12.3	—	—	120.1	12.9
Variance (2) − (1) .	1.1	—	16.9	−6.4	—	—	18.0	−6.4

TABLE 8.14

SETTLEMENTS THROUGH WEST AFRICAN CLEARING HOUSE

	Receipts		*Payments*		*Net*	*Position*
Year	₦ *million*	*WAUA million*	₦ *million*	*WAUA million*	₦ *million*	*WAUA million*
1. 1988	5.8	1.0	96.3	18.2	−90.5	−17.2
2. 1989	7.3	0.8	112.9	12.0	−105.6	−11.2
Variance (2) − (1)	1.5	0.2	16.6	−6.2	−15.1	−6.0

TABLE 8.15
TRANSACTIONS ON THE FOREIGN EXCHANGE MARKET

Month	Amount Offered (US $'m)	Actual Demand by Banks (US $'m)	Actual Amount sold (US $'m)	Effective Central Rate (₦)	Selling Rate (₦)
January	104.3	105.0	91.0	7.2441	6.9800
February	136.0	434.8	134.7	7.3828	7.4187
March	145.8	1,253.7	144.4	7.5871	7.6251
April	150.6	1,249.3	148.2	7.5808	7.6192
May	154.7	1,299.2	152.6	7.5051	7.5426
June	179.5	1,377.9	157.4	7.3477	7.3844
July	214.6	1,402.6	168.8	7.1388	7.1745
August	287.5	2,337.6	246.8	7.2593	7.2956
September	262.5	2,142.4	255.4	7.3429	7.3797
October	250.0	1,981.3	245.6	7.3934	7.4304
November	275.0	2,031.6	271.3	7.5037	7.5412
December	237.5	1,721.9	232.5	7.6221	7.6598
Total	2,398.0	17,337.3	2,248.7	88.9078	89.0522
Average	199.8	1,444.8	187.4	7.4089	7.4210

(17) and retirement (37). A total of 36 Executive appointments were made in 1989 comprising 3 Directors, 9 Deputy Directors and 24 Assistant Directors. Long Service meritorious awards were also given to 217 members of staff. Of these, 43 comprising 7 executives, 17 senior and 19 junior staff received 25-year awards. The remaining 174 made up of 3 executives, 78 senior and 93 junior staff received 15-year awards.

VIII.3.3 Training

A total of 1,322 members of staff benefitted from the Bank's Training Scheme. Of this, 1,135 attended courses organised by the CBN Training Centre solely or in collaboration with other professional training bodies, while 103 benefitted from overseas courses. An analysis of the 103 members of staff who participated in various overseas courses, seminars, conferences etc., shows that 87 were from the senior and executive cadres while 16 were from the junior cadre.

A further breakdown shows that, of the 1,135 members of staff 450 senior, 565 junior and 120 NYSC members, attended courses such as Top Management Seminar, Secretary Improvement Course, Property Law Seminar, Bank examiners' Course, and Management course for Technical staff at the CBN Training Centre. Similarly, 84 members of staff, consisting of 50 senior and 34 junior attended courses, seminars, ans workshops organised by professional training bodies in Nigeria.

VIII.3.4 Welfare Schemes

(a) *Sporting Activities*

For the 11th time, the CBN continued the sponsorship of the Senior Lawn Tennis Open championship and the All Financial Institutions Foodball Competition. The Senior Lawn Tennis Open Championship which took place at the Lagos Lawn Tennis Club, Onikan, was concluded on Saturday 18th March, 1989.

The final match of the All Financial Institutions Football competition which took place at the Onikan Stadium, Lagos, on 23rd September, 1989, was won for the second consecutive time by the Central Bank of Nigeria Foodball Club, Lagos. The CBN Football Club, Enugu, won the CBN Governor's Cup for the first time since the inception of the competition in 1981.

(b) *CBN Primary School*

The number of pupils in the CBN Primary School increased from 1,240 in 1988 to 1,578 in 1989 as a result of the expansion in infrastructural facilities. The performance of the school continued to improve as evidenced by the fact that all the 105 pupils who sat for the First School Leaving Certificate Examination were successful. Also, all the 68 pupils presented for Common Entrance Examination for admission into Federal Government Secondary Schools passed.

(c) *Industrial Relations*

Both the Senior and Junior Staff Joint Consultative Councils met 5 times in 1989. At these meetings, far reaching decisions were taken and agreements reached on several issues affecting staff. As usual the Bank experienced another year of industrial peace.

(d) *Staff Housing Development*

Satisfactory progress was made on the completion of staff housing units in the Branches. In Kano, the 4 blocks of 32 three-bedroom flats for the intermediate staff were completed and are being prepared for occupation. Special effort was being exerted to ensure completion and occupation, before the end of 1990, of the 262 housing units at Trans-Ekulu, Enugu. Substantial progress was also made on the 84 housing units in the housing estate in Sokoto. Four intermediate blocks of 32 three-bedroom flats have been completed and handed over while it was expected that the remaining units would be completed in 1990. In Abuja, construction of 17 blocks of 204 junior staff flats, 11 blocks of 88 intermediate staff flats and 27 blocks of 162 flats for senior staff commenced during the year under review. Satisfactory progress has been reported on all the projects.

VIII.3.5 Office Buildings

Work on the Abuja Head Office, Phase I, has reached an advanced stage of completion and commissioning is expected to take place early in 1990. The contracts for the construction of Central Bank of Nigeria Branch Buildings at Akure, Yola and Minna were awarded during the year, and construction work has commenced. Arrangements were also initiated on the award of contracts for Enugu, Makurdi and Owerri Branch Buildings, while efforts were being made for the Bank to establish Currency Offices in Uyo and Katsina in Akwa Ibom and Katsina States, respectively.

During the year the Printing Press moved from the leased property at Iganmu to the Bank-owned office premises at Ikeja where more sophisticated new printing machines have been installed.

VIII.4 COMPUTERIZATION PROGRAMME

The Bank's computerisation programme continued its dynamic growth in 1989 with the six existing Systems, namely, Payroll System (PRS), Consolidated Accounting System (CAS), Government Securities System (GSS), Research Application System (RAS), Allocation Bidding Sub-system of Foreign Exchange Market System, and Debt Conversion System (DCS). The Magnetic Ink Character Recognition System (MICR) was developed for the use of the Bankers' Clearing House and its pilot project implementation would commence in 1990.

Preliminary work on an Information System Stragegy (ISS) for the Bank also commenced in 1989. The objectives of the study were to determine the information needs of the Bank, including software and hardware, intra-branch and branch-head office communication, security to ensure confidentiality and integrity of information, and increased staff productivity. The study which will be completed in 1990 will lay the cornerstone of the Bank's automation activities for the period 1990-1994.

The Import Duty Payment System (IDPS), a sub-system of the Foreign Exchange Market System (FEMS), was also developed during the year. The purpose of the IDPS was to monitor the payment of import duties by importers. A Treasury Bills/Certificates Auction System (personal computer-based) was also developed and made operational in 1989. This system which replaced the existing Floatation Sub-system of Government Securities System was aimed at improving public participation in public debt activities.

The Sight Ledger System which provides instant true balances of banks' accounts at about 5. 00 p.m. each day before vouchers are raised for CAS was developed in 1989. The Refinancing System, which was designed to provide management with analytical reports and enquiry facilities on Nigeria's Promissory Note holders, was also implemented. The development of this system started at the London Office of Chase Manhattan Bank in 1985 but was handed over to Central Bank of Nigeria for completion and implementation in 1989.

The computerisation of CBN branches and Small and Medium enterprises (SME) Apex Unit functions was initiated in 1989. Similarly, work was commenced on the Human Resources Management Information System (HRMIS) which would take care of Payroll and Personnel administration needs.

VIII.5 ACCOUNTS

The financial results of the activities of the the Bank in the year ended 31st December, 1989 are shown in the Balance Sheet and the Income and Expenditure Accounts below. Messrs. Akintola Williams & Company, the Bank's external auditors, audited the financial statements (see Table 8.10).

VIII.5.1 Income and Appropriation

The bank recorded a net operating surplus of ₦1,787.1 million in 1989, showing an increase of ₦809.0 million or 82.7 per cent over the operating surplus of ₦978.1 million achieved in 1988. Out of the net operating surplus in 1989, ₦112.0 million was transferred to General Reserve, while the balance of ₦1,675.1 million was payable to the Federal Government of Nigeria in accordance with Section 7(3) of the Central Bank of Nigeria Act 1958 (as amended).

VIII.5.2 Assets

At the end of December, 1989, the external reserves increased substantially by ₦10,184.4 million or 311.2 per cent to ₦13,457.1 million from ₦3,272.7 million at the end of 1988. There was a marginal increase of ₦34.4 million or 2.4 per cent in the value of Federal Government Development Stocks held in 1989 over the value of ₦1,450.6 million in 1988. Treasury Certificates held also increased by ₦681.1 million or 17.9 per cent from ₦3,801.1 million in 1988 to ₦4,482.2 million as at the end of 1989.

VIII.5.3 Liabilities

Currency in circulation at the end of December, 1989, amounted to ₦12,654.4 million, showing an increase of ₦2,443.9 million or 23.9 per cent over the 1988 level of ₦10,210.5 million. Government deposits grew from ₦6,338.6 million in 1988 to ₦10,849.5 million in 1989, representing an increase of ₦4,510.9 million or 71.1 per cent, while deposits of banks rose by₦74.1 million or 2.7 per cent to ₦2,791.3 million from ₦2,717.2 million in 1988.

CENTRAL BANK

BALANCE SHEET AT 31ST

	1989 ₦'000	1988 ₦'000
LIABILITIES		
CAPITAL		
Authorised and fully paid-up by the		
Federal Government of Nigeria	3,000	3,000
GENERAL RESERVE	443,000	331,000
TRADE DEBT PROMISSORY NOTES	32,617,483	24,147,124
OTHER FOREIGN CURRENCY LIABILITIES	2,069,242	1,330,601
CURRENCY IN CIRCULATION	12,654,389	10,210,537
DEPOSITS	19,514,689	15,163,551
OTHER LIABILITIES	20,348,175	10,336,577
	87,649,978	61,522,390

Alhaji A. Ahmed — Governor

Mr. P.G. Dozie — Director

Prof. M.G. Yakubu — Director

Mr. J.O.A. Agboola — Director of Finance and Accounts

INCOME AND EXPENDITURE APPROPRIATION ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1989

Transfer to General Reserve	112,000	61,000
Balance payable to the Federal Government of Nigeria (in accordance with Section 7(3) of the Central Bank of Nigeria Act)	1,675,143	917,133
	1,787,143	978,133

AUDITORS' REPORT

As auditors appointed under Section 44(1) of the Central Bank of Nigeria Act (Chapter 30), we have examined the Balance Sheet and Income and Expenditure Account and Notes 1 to 16 on the Accounts, and have obtained all the information and explanations which we considered necessary. Proper books of account have been kept and the financial statements are in agreement therewith.

In our opinion, the financial statements together with the Notes thereon show a true and fair view of the state of the Bank's affairs at 31st December, 1989, and of the operating surplus ascertained and apportioned in the manner so stated for the year ended on that date.

To the best of our knowledge and from our examination of the books and records, no contravention of the Productivity, Prices and Incomes Board policy guidelines has come to our notice in respect of the year ended 31st December, 1989.

Lagos, Nigeria
28th February, 1990

Akintola Williams & Co.
Chartered Accountants

OF NIGERIA

DECEMBER 1989

	1989 ₦'000	1988 ₦'000
ASSETS		
GOLD	19,009	19,009
IMF GOLD TRANCHE	492	492
SPECIAL DRAWING RIGHTS	3,215	284
CONVERTIBLE CURRENCIES		
Foreign Government Securities and Balances with Foreign Banks	13,434,344	3,252,927
TOTAL EXTERNAL RESERVES	13,457,060	3,272,712
FEDERAL GOVERNMENT SECURITIES	24,078,038	27,602,548
OTHER SECURITIES	637,424	401,387
REDISCOUNTS AND ADVANCES	6,978,307	2,490,446
OTHER ASSETS	10,615,424	5,821,110
EXCHANGE DIFFERENCE ON PROMISSORY NOTES	31,883,725	21,934,187
	87,649,978	61,522,390

Operating Surplus for the year (ascertained in accordance with Section 7(4) of the Central Bank of Nigeria Act)	1,787,143	978,133
	1,787,143	978,133