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OVERVIEW OF EXCHANGE RATE MANAGEMENT IN NIGERIA FROM 1986 TO DATE

BY

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INTRODUCTION

▪ The exchange rate is a key macroeconomic variable in the context of general economic policy making, and of economic reform programmes, in particular.

▪ It is a very important price which governments take very active interest in.

▪ However, two concepts of exchange rate are commonly distinguished: nominal exchange rate and real exchange rate.

- The nominal exchange rate (NER) is a monetary concept which measures the relative price of two moneys or currencies, e.g., naira in relation to the U. S dollar.

- But the real exchange rate (RER), as the name implies, is a real concept that measures the relative price of two goods-tradable goods (exports and imports) in relation to non-tradable goods (goods and services produced and consumed locally).

▪ Nevertheless, there is a link between the two concepts in that changes in the NER can cause short-run changes in the RER.

- For example, a NER devaluation/depreciation will have the effect of depreciating the RER.

▪ The focus of this paper is on nominal exchange rate management from 1986 when the structural adjustment programme (SAP) was introduced and a new exchange rate policy, markedly different from the previous system of adjustable peg, was introduced.

▪ Accordingly, the paper is organized to cover the following issues.

- Concept of nominal exchange rate
- Significance of exchange rate
- Rates of devaluation /depreciation.
- Exchange rate management in Nigeria before 1986
- Exchange rate management since 1986
 - Exchange rate policy objectives
 - Institutional framework and management strategies
 - Trends and outcomes of exchange rate management Strategies
 - Factors affecting the naira depreciation
- Conclusions.

2. CONCEPT AND SIGNIFICANCE OF THE NOMINAL EXCHANGE RATE

2.1 Concept of NER

♦ The NER, as was noted earlier, is a price. It is the price of one currency in terms of another.

♦ In the light of this, the NER may be defined in two ways:

- as the price of a foreign currency in terms of the units of a local currency, for example, units of naira and per U. S dollar (e.g., N128.00: US\$ 1.00); and

- in the inverse or reciprocal manner as the price of the local currency in terms of a foreign currency, e.g., units of U.S dollars per naira such as US\$ 0.008: N1.00).

♦ the second definition is simply a mirror-image of the first, and so no conceptual issues are involved.

- Thus, it does not really matter which one is chosen for analysis so long as the measure is well defined and consistent.

♦ However, the first definition, units of naira per dollar, tells us immediately by how much the price level of international goods has risen/fallen relative to domestic prices as a result of changes in the exchange rate.

♦ On the other hand, from the second definition, units of U.S dollars per naira, we can see by what proportion the naira has devalued/depreciated or revalued/appreciated in terms of the foreign currency (dollar). We shall explain these concepts shortly.

♦ Meanwhile, it is important to note that since the second Tier Foreign Exchange Market (SFEM) was introduced under SAP in Nigeria in 1986, the first definition of exchange rate has been used, namely, units of naira per U.S dollar.

2.2 Importance of the NER

- Because of the importance of exchange rates, governments take active interest in their determination.
- Specifically, they are important for the following reasons
 - The exchange rate plays a role in connecting the price systems in different countries, thus enabling traders to compare prices directly.
 - Changes in exchange rates have a powerful effect on imports and exports of the countries concerned through effects on relative prices of goods.
 - In this direction, exchange rates are important in promoting exports and discouraging imports.
 - Thus, for example, devaluation/depreciation is a measure to increase foreign exchange receipts by encouraging exports. Devaluation makes the price of exports cheaper in foreign currency and hence attractive to foreign buyers
 - Devaluation discourages imports by making the price of imports higher in local currency.
 - Also, devaluation is meant to allocate efficiently foreign exchange receipts among competing import- users by letting the price mechanism rather than government make the allocation.
 - ◆ As a price, the exchange rate performs the role of allocating real resources, particularly between tradable and non-tradable sectors.
 - This can be done in so far as the exchange rate is allowed to affect the decisions of those who produce, consume and invest.
 - Thus, in designing balance of payments programmes efforts are made to ensure that exchange rate changes are adequately reflected in the domestic price structure facing consumers and investors.

- This enables the exchange rate to perform its function of allocating resources between domestic and external sectors.

2.3 Rates of Devaluation / Depreciation

- Devaluation and depreciation are often used interchangeably in that both refer to a reduction in the foreign exchange value of a national currency.
 - The difference between the two arises from the method of arriving at the reductions in the foreign exchange values of the local currency.
 - In devaluation, the government / monetary authority deliberately reduces the foreign exchange value of the national currency whose rate of exchange was fixed.
 - Depreciation applies to currencies that are floating. This means that the market forces of demand and supply cause the reductions in the foreign exchange values of such currencies.
 - Thus, the domestic currency depreciates (appreciates) whenever less (more) units of the foreign currency are required to purchase a unit of the domestic currency (where exchange rate is \$ per ₦, for example).
 - Where the exchange rate is defined as ₦ per \$, the naira depreciates (appreciates) whenever more (less) units of it are required to buy a unit of foreign exchange.
 - Calculation of rates of devaluation / depreciation is often not clearly understood even among some economists.
- This leads to suggestions of rates of devaluation of more than 100 per cent, e.g. 800 per Cent
 - This cannot be true.
 - If a currency has lost 100 per

cent of its value, then it must be worthless. Therefore, 800 per cent devaluation, for example, does not make sense.

- Consider, for example, that the Nigerian official exchange rate (E) changed from N22.0: \$1.0 in July, 1994 to N128.0: \$1.0 in July, 2006.

- Then, let

$$E_0 = \frac{\text{₦}22.0}{\$1.0} \text{ or } \frac{\$0.0455}{\text{₦}1.0}$$

$$E_1 = \frac{\text{₦}128.0}{\$1.0} \text{ or } \frac{\$0.0078}{\text{₦}1.0}$$

- The rate of devaluation/depreciation (D) can be calculated in two ways:

(a) Where E is defined in terms of dollars, i.e. \$/₦:

$$D_1 = \frac{E_1 - E_0}{E_0} = \frac{0.078 - 0.0455}{0.0455} = -82.8\%$$

(b) Where E is defined in terms of naira, i.e., N/\$

$$D_1 = \frac{E_1 - E_0}{E_0} = \frac{128.0 - 22.0}{22.0} = 82.8\%$$

- So, the rates of devaluation are the same ($D_1 = D_2$).
- The mistake often made with the second approach is to use E_0 as the denominator such that

$$D_1 = \frac{E_1 - E_0}{E_0} = 481.8\%$$

But this is wrong as a currency cannot lose more than 100 per cent of its value.

3. EXCHANGE RATE MANAGEMENT BEFORE 1986

Exchange rate policy in Nigeria

has undergone substantial transformation since the immediate post-independence era when the country operated a fixed exchange rate system up to the early 1970s and then from 1986 when a market-based exchange rate system was introduced in the context of the structural adjustment programme.

- Before 1973, Nigeria's exchange rate policy was in consonance with the IMF par value or fixed exchange system. The Nigerian currency, not being a traded currency, had its exchange rate largely subjected to administrative management. The exchange rate was largely passive as it was dictated by the fortunes, or otherwise, of the British pound sterling or the U.S dollar

- Naira pegged to British pound sterling up to 1967 when the pound was devalued and thereafter to the dollar.

- Following the breakdown of the IMF par value system in December 1971, the naira was adjusted in relation to the dollar.

- In 1978, the naira was pegged to a basket of 12 currencies comprising Nigeria's major trading partners. This policy was jettisoned in 1985 in favour of quoting the naira against the dollar.

- Main objectives of exchange rate policy during this period were to:

- equilibrate the balance of payments;

- preserve the value of external reserves; and

- maintain a stable exchange rate. This has implications for external and internal macroeconomic adjustment and equilibrium.

- Although a number of ad-hoc measures were adopted to realize the policy objectives, it can be said that economic objectives played a

major role in determining the exchange rate.

- Thus, throughout the 1970s, except 1976 and 1977, the nominal exchange rate appreciated every year. This was, perhaps to source imports cheaply to implement development projects and service import-substituting industries.

- The policy encouraged heavy reliance on imports which ultimately led to balance of payments problems and depletion of external reserves.

- But, a policy of gradual depreciation of the naira against the dollar or pound sterling was resorted to from 1981 following the collapse of oil prices in the world market.

- Nevertheless, up to the time of SAP, exchange rate policy encouraged the overvaluation of the naira as reflected in real exchange rate appreciation, particularly in the 1970s (Obadan, 1993b, 1994 and 1995).

- A major factor in the real exchange rate appreciation was the sharp increase in oil prices and foreign exchange inflow. The exchange rate generally mirrored movements in oil prices.

- The real appreciation of the exchange rate encouraged imports and capital flight, discouraged non-oil exports and helped to sustain the manufacturing sectors over dependence on imported inputs. The agricultural sector was seriously undermined.

- The agricultural sector collapsed while initially import-substituting industries boomed due to large-scale imports

- Annual production of major cash crops (cocoa, rubber, cotton, and groundnut) fell by 42, 29, 65, and 64 per cent, respectively, between 1970 and 1985 (Osaka, Masha, Adamgbe, 2003: 329).

- Overall, the overriding objective of exchange rate management was apparently not medium and long-term BOP objective as exchange rate policy was not geared towards the attainment of a long term equilibrium rate that would equilibrate the BOP in the medium-long term and yet facilitate the achievement of certain structural adjustment objectives, e.g., export diversification and less imports dependence.

4. EXCHANGE RATE MANAGEMENT SINCE SAP

- This issue can be examined from the perspectives of exchange rate policy objectives, strategies and frameworks, exchange rate movements and their effects.

4.1 Exchange Rate Policy Objectives

- Under the structural adjustment programme which was implemented from July 1986, the exchange rate strategy was to float the naira and establish an institutional framework for its trading in a market-determined environment.

- Accordingly, a market-determined exchange rate was established and exchange rate policy objectives pursued within the institutional framework of the second-tier foreign exchange market S (FEM).

- S(FEM) was expected to evolve an effective mechanism for exchange rate determination and allocation of foreign exchange in order to guarantee short-term stability and long-term balance of payments equilibrium.

- S(FEM) began as a dual exchange rate system which produced the official first tier exchange rate and the S(FEM) or 'free' market exchange rate.

- The former was administratively

determined and gradually depreciated. It applied to a few official international transactions, such as debt servicing and obligations to international organisation.

- The 'free' market rate which applied to the rest transactions was determined by the market forces of demand and supply within the framework of a foreign exchange market auction system.

- Essence of the dual exchange rate system was to avoid a deliberate uniform and sizable depreciation of the naira but to allow it to depreciate in the SFEM while at the same time the monetary authorities would continue a downward adjustment of the first-tier rate until the two rates converged to produce a realistic exchange rate.

- This convergence was achieved on July 2, 1987 at the rate of N3.74: \$1.00. But some analysts described it as forced (Ojameruaye, 1991).

- The objectives of exchange rate management under SAP can, to some extent, be said to have reflected the needs of medium / long-term BOP equilibrium.

- Thus, SFEM was expected to achieve a realistic exchange rate of the naira, which would reduce excess demand for foreign exchange to import finished goods and services, as well as stimulate non-oil export earnings.

- Essentially, the objectives of SFEM include the following:

- achievement of a realistic exchange rate determined by the market forces of demand and supply;

- more efficient resource allocation through the substantial reduction of fraudulent and wasteful transactions;

- stimulation of non-oil exports;

- encouragement of foreign exchange inflow and discouragement of outflow;

- enhanced revenue for government;

- redressing of the gross imbalances in rural-urban incomes and welfare; and

- elimination of currency trafficking and wiping out of unofficial parallel foreign exchange market.

- Thus, the ultimate expectation was that the exchange rate policy and management actions would lead to an improvement in the BOP position and ensure large degree of convertibility of the naira.

4.2 Institutional Framework and Management Strategies

- In the bid to achieve the objectives of exchange rate policy, various modifications have been made to the institutional framework such that SFEM later metamorphosed into the foreign exchange market (FEM), autonomous foreign exchange market (AFEM), Dutch auction system and currently the wholesale Dutch auction system.

- FEM. This came into being when the first and second tier markets were merged in July 1987 and a unified exchange rate system emerged. The first tier rate was abolished. FEM had two components: official foreign exchange market auction sessions and autonomous foreign exchange market - the latter was expected to be competitive with the parallel foreign exchange market and thus be attractive to exporters. But the autonomous market later became destabilizing arising from:

- tendency towards high arbitrage premium; and

- accusations of round tripping by authorized dealers.

- IFEM. Resulted from the merger of the official and autonomous markets in January 1989 to produce IFEM. It was a daily bidding system under which the CBN injected official funds into the market as and when funds were available. It ended in December 1990, but reintroduced in 1999.

- Dutch auction system (DAS). First introduced in April, 1987, and reintroduced on December 14, 1990 and again in July 2002 as the retail DAS. Since 2006, the wholesale DAS has been in operation.

- DAS was introduced against the background of widening gaps between the parallel and official exchange rates and high demand for foreign exchange.

- DAS entails the payment by an authorized dealer of the exchange rate that bids for foreign currency unlike where all dealers paid a centrally determined rate by the CBN.

- The system was introduced to enhance professionalism in FEM and prevent outrageously high bid rates which invariably led to the depreciation of the naira.

- This goal was hardly achieved at that time as the naira showed faster depreciation in 1991 compared to 1990 (Obadan, 1992)

- AFEM. This was first introduced in 1987 as part of the FEM for trading in privately sourced foreign exchange. The exchange rate in this market was market-determined, while the CBN interventions were only to ensure stability in the exchange rate.

- Deregulated Exchange Rate System. This was introduced in 1992/93 in a bid to improve the efficiency of the forex market by reducing the parallel market premium. It entailed a discontinuation of the system of

pre-determined quotas for banks and allowed allocations to be determined by the rates which emerged in the market. Thus, the FEM was further deregulated by realigning the official exchange rate with that in the parallel market. The CBN bought and sold forex in the market and was expected to satisfy all requests made by authorized dealers.

- Fixed Exchange Rate System.

This was reintroduced in 1994 and the naira exchange rate was pegged at N22.00: \$1.00. Also, foreign exchange earnings were domiciled in the CBN. The system was jettisoned in 1995 in favour of guided deregulation of the forex market.

➤ Then, a dual exchange rate emerged with the reintroduction of AFEM in addition to the official exchange rate. AFEM was to operate on the basis of market principles to achieve a stable exchange rate. But the CBN could intervene at its discretion.

◆ Thus, Nigeria's exchange rate management after 1986 could be categorized as "managed float" in which the CBN embarked on a delicate balancing act of controlling volume and price (Nnana, 2002; Osaka, Masha and Adamgbe, 2003).

◆ The Dutch Auction System is essentially an exchange rate determination technique. Besides this, other specific methods were used singly or combined to determine the exchange rates. These include the average and marginal exchange rate determination methods. There have also been operational procedures like daily, weekly and fortnightly foreign exchange bidding systems. All these have been tried with a view to achieving a realistic exchange rate objective.

4.3 Trends and Outcomes of the Exchange Rate Management Strategies

◆ With the introduction of the market-based exchange rate system in 1986, the naira exchange rate has exhibited the features of continuous instability, for most of the period, reflecting unidirectional depreciation in the official, bureau de change and parallel markets for foreign exchange.

◆ Frequent, and often large, devaluation/depreciation of the naira became an issue of serious concern at times.

- for example, in 2001 the parallel foreign exchange market premium widened to 18.3 per cent while sharp depreciations in the exchange rates elicited spontaneous reactions from various stakeholders including President Olusegun who declared that "I will not sit down here and allow Nigeria to hemorrhage to the point of death on the alter of liberalization. There will be no runaway devaluation here".

◆ And as has also been argued (Osaka, Masha and Adamgbe, 2003: 333), "constant variations in the foreign exchange market framework which was ostensibly aimed at creating better market efficiency, only succeeded in creating instability in the market and, by the 1990s, the exchange rate was becoming more and more divergent from economic realities".

◆ Table 1, showing the movement of exchange rates, reveals that from its level of N0.89 : US\$1.00 in 1985, a year before the introduction of the market-based SFEM, the exchange rate moved to N2.02 : US\$1.00 in 1986 and N17.30 : US\$1.00 in 1992.

- As at 2002 and 2004, the exchange rate moved to N121.0: US\$1.00 and N133.5: US\$1.00, respectively.

- The corresponding Bureau de Change rates were N137.8: US\$1.00 and N140.8: US\$1.00, respectively.

◆ The exchange rate in the parallel market moved from N4.17: US\$1.00 in 1986 to N137.42: US\$1.00 in 2002. Table 1 shows wide gaps between the official exchange rate and the parallel market rate.

◆ Thus, between 1985 and 2004, the naira had depreciated by 99.3 per cent.

◆ However, for sometime now since 2005, the exchange rate has featured some notable appreciation and stability (for example, an appreciation by 1.8 per cent in 2005). This is probably not unconnected with the huge foreign exchange inflows and external reserves occasioned by the phenomenal oil price increases in the international oil market.

- The average crude oil price increased from \$25.0 per barrel in 2002 to 29.2 and 38.5 dollars in 2003 and 2004, respectively. Most of 2005 witnessed prices of over \$70.00 per barrel but the price averaged \$55.4. Crude oil production also increased from 2.1 mbd in 2002 to 2.5mbd in 2004 and 2005.

- External reserves increased from \$16.95 billion in 2004 to \$28.28 billion in 2005.

- However, the foreign exchange market reforms entailing the wholesale DAS might have also contributed to the strengthening of the naira in the foreign exchange market.

◆ The instability and incessant depreciation in the foreign exchange value of the naira have several implications which have continued to cause great concern. Among these are (Obadan, 1993, 2004):

- decline in people's standard of living, real value of output and assets;

- increased cost of imported inputs machinery, spare parts, equipment and raw-materials - and hence increased rate of inflation in the economy which moved from 5.4 per cent in December 1986 to 50.5 per cent in 1989 and reduced slightly to 44.6 per cent in 1992; it increased to 72.5 per cent in 1995. It, however, reduced significantly to an average of 8.4 per cent from 1997-99. In the year 2001, inflation at 18.9 per cent resumed a highly uncomfortable upward trend compared to 6.9 per cent in 2000. It stood at 15.0 per cent in 2004;

- Planning and projections have become impossible tasks at the micro levels while efficient industries find it difficult to fix appropriate price for their product;

- Uncertainties for long-term macroeconomic planning and growth; and

- There has been a tendency for the international competitiveness of non-oil exports to be undermined as a result of the inflationary effect of the naira depreciation.

◆ No doubt, the exchange rate policy objectives of SAP, by aiming at structural transformation, were in the right direction. But accomplishments have been less than satisfactory.

◆ Initially, following the introduction of the market-based exchange rate system, there were a few desired macroeconomic outcomes. For example:

- non-oil GDP which had recorded an average growth rate of - 5.4 per cent in the four years prior to 1986 grew at an average of 6.0 per cent in the 1986 - 90 period;

- However, non-oil exports, in dollars, have fallen far short of expectations, declining from \$612.7 million in 1988 to \$405.5 million in

1990 and \$244.4 million in 1992. It initially increased from \$363.3 million in 1985 to \$394.4 million in 1986 and \$530.0 million in 1987. Non-oil exports have, however, increased from \$244.2 million in 2000 to \$735.1 million in 2003.

- But the impact of the exchange rate on the naira revenue of the government has been phenomenal at both the federal, state and local government levels, thus easing the budgetary constraint. See Table 2 for the phenomenal growth in government revenue.

- And initially, capacity utilisation in industry also responded positively to the massive devaluation of the naira as a result of switching from imported to local inputs for manufacturing. Moser (1995) has showed that in those industries that substituted their imported inputs for domestically source inputs, average capacity utilisation had risen to 60 per cent, post 1986, compared to 44 per cent in sectors that relied more on imported inputs.

◆ But most of the positive macroeconomic outcomes were not sustained, except perhaps government revenue which continues to benefit from naira depreciation. Non-oil production and real income fell during most of the 1990s.

5. FACTORS THAT LED TO THE DEPRECIATION OF THE NAIRA

A number of factors have contributed to the dwindling fortunes of the naira in all the foreign exchange markets. Some of them are fundamental while others are secondary (Obadan, 2001). The fundamental factors emanate from structural imbalances relating to:

- Weak production base and undiversified nature of the economy;
- Import-dependent production structure;

- Fragile export base and weak non-oil export earnings;

- Fiscal imbalances and accommodating monetary policy or expansionary fiscal and monetary policies.

The other factors include:

- Sluggish foreign capital inflow;
 - Phenomenon of excess demand for foreign exchange in relation to supply;
 - Instability of earnings from crude oil, upon which the economy depends very heavily;
 - Unguided trade liberalisation policy;
 - Speculative activities and sharp practices of authorized foreign exchange dealers, for example, round tripping in the foreign exchange market;
 - Over-reliance on an imperfect market system in Nigeria to determine a crucial price as the exchange rate;
 - Heavy debt service burden;
 - Weak balance of payments (BOP) position. The capital account of the BOP has in the past experienced significant pressures with deficits rising from 8.6 per cent of GDP in 2000 to 11.6 per cent in 2002. The overall balance declined from a positive balance of 6.9 per cent of GDP to a negative balance of 10.5 per cent in the same period. Huge BOP deficits engender pressures on the naira exchange rate; and
 - Capital flight. This not only engenders a loss of productive resources to the country, but also has destabilizing effects on domestic macroeconomic variables including the exchange rate.
- Specifically, the huge depreciations in most of the years of the first half of the 2000s were attributed to additional factors such

as:

- Excess liquidity in the system induced by the transfer of government accounts from the Central Bank of Nigeria to commercial banks and the huge extra budgetary spending of 1999 on unproductive activities; excess liquidity in the economy has also not been helped by the need for the CBN to accommodate the fiscal operations of the government;
- The release in the first quarter of year 2001 of N198 billion excess crude oil revenue to various tiers of government, besides their various huge development budgets; and
- Speculative demand for foreign exchange emanating from uncertainties created by social and political unrests, expectations of future depreciation of the naira as the currency weakens, as well as the deterioration of the external sector position.

6. CONCLUSION

- The exchange rate management strategy introduced under SAP, and sustained with some modifications of procedures thereafter, was aimed at the achievement of certain structural transformation objectives, such as export diversification, less import dependence and medium/long-term BOP equilibrium.
- But accomplishments have

been less than satisfactory.

- Until the exchange rate began to appreciate in the last few months, the exchange rate could not be described as realistic. As was noted before, constant changes in the exchange rate framework, rather than foster a better market efficiency, only succeeded in creating instability in the markets and, by the 1990s, the exchange rate was becoming more and more divergent from economic realities.
- And apparently inappropriate exchange rate management in Nigeria has impacted negatively on overall macroeconomic management in several ways (Osaka, Masha and Adamgbe, 2003: 333).
- Non-oil exports have not been stimulated in any meaningful way. The country has still not been able to achieve the \$1.0 billion target for non-oil exports under SAP to be achieved by 1990.
- Foreign capital inflow has been below expectations except perhaps, the inflows recorded following the telecommunication sector (GSM) deregulation in the last few years. On the other hand, capital flight has heightened.
- And the parallel foreign exchange market has not been eliminated.
- The rather poor exchange rate performance may not be

unconnected with unfulfilled expectations concerning the role of the market mechanism in determining exchange rate in our type of environment, coupled with the absence of complementary policies, e.g. monetary, fiscal, wage and investment policies

- It is thus important for the monetary authorities to learn important lessons from the exchange rate management experience of the past in order to ensure continued exchange rate stability.
- The desirability of exchange rate stability is not in doubt in view of the implications of instability for micro and macroeconomic planning and projections, costs of production and inflation, foreign investment flows and standard of living.
- So, the present strategies which have ensured appreciation and stability of the exchange rate in the recent past need to be sustained.
- The CBN should continue to intervene in the foreign exchange market to maintain stability.
- Finally, the exchange rate is important as a major price that affects all sectors of the economy and all economic agents. And the nominal exchange rate affects the real exchange rate. It is thus desirable to monitor the movements in the rates so as to foster competitiveness and improve the supply of exportable.

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Table 1

Naira Exchange Rate Movements in the Official and Parallel Foreign Exchange Markets

Year	Official FEM		Parallel FEM		Premium (%)
	Rate(N:\$)	Depreciation/ Appreciation (%)	Rate(N:\$)	Depreciation/ Appreciation (%)	
1973	0.66	-	n.a	-	n.a
1974	0.55	-20.0	n.a	-	n.a
1980	0.55	0.0	0.90	-	63.6
1982	0.67	17.9	1.14	21.1	70.1
1984	0.76	11.8	3.25	64.9	327.6
1985	0.89	14.6	3.79	14.20	325.8
1986	2.02	55.9	4.17	9.1	106.4
1987	4.02	49.8	5.55	24.9	38.1
1988	4.54	11.5	6.05	8.30	33.3
1989	7.39	38.6	10.55	42.7	42.8
1990	8.04	9.3	9.61	-9.8	19.5
1991	9.91	18.9	13.04	26.3	31.6
1992	17.30	42.7	20.03	34.9	15.8
1993	22.05	21.5	36.23	44.7	64.3
1994	21.89	-0.7	59.79	39.4	173.1
1995	81.20	73.0	59.79	39.4	3.1
1996	81.20	0.0	83.09	-0.7	2.3
1997	82.00	1.0	85.00	2.2	3.7
1998	84.00	2.4	87.90	3.3	4.6
1999	93.95	10.6	99.20	11.4	5.6
2000	102.10	8.0	112.00	11.4	9.7
2001	111.93	8.8	132.36	15.4	18.3
2002	121.0	7.5	137.42	3.9	19.1
2003	129.3	6.4	n.a	n.a	n.a
2004	133.5	3.1	n.a	n.a	n.a
2005	131.1	-1.8	n.a	n.a	n.a

Notes: In columns 2 and 4, (-) indicates appreciation of the naira while the positive figures represent depreciation.

Source: Central Bank of Nigeria

Table 2: Some Macroeconomic Indicators

Year	GDP Growth Rate (%)	Manufacturing Capacity Utilisation (%)	Non-oil Export Earnings (US\$ Mn)	Federal Govt. Revenue (₦ Mn)	Net Foreign Private Capital inflow (₦ Mn)
1985	9.3	38.3	363.3	10,001.4	329.7
1986	3.7	38.8	394.4	7,969.4	2,499.6
1987	0.5	40.4	530.0	16,129.0	680.0
1988	9.2	42.4	612.7	15,588.6	1,345.6
1989	7.3	43.8	401.1	25,893.6	-439.4
1990	8.3	40.3	405.5	38,152.1	-464.3
1991	4.6	42.0	472.0	30,829.2	1,808
1992	3.0	38.1	244.4	53,264.9	8,269.2
1993	2.7	37.2	227.8	126,071.2	32,994.4
1994	1.3	30.4	244.4	90,622.6	3,907.2
1995	2.2	29.3	285.7	249,768.1	48,677.0
1996	3.4	32.5	287.2	325,144.0	2,731.0
1997	3.2	30.4	357.2	351,262.3	5,731.0
1998	2.4	32.4	406.5	124,573.0	24,078.9
1999	2.8	34.6	211.1	218,874.5	1,779.1
2000	3.9	36.1	244.2	502,294.4	3,347.0
2001	4.6	42.7	250.3	530,657.6	3,377.0
2002	3.5	44.3	785.7	859,014.9	8,206.8
2003	10.2	45.6	735.1	917,100.0	13,056.1
2004	6.6	45.0	852.0	1,147,900.0	19,908.7

Note: GDP growth rates for 2000-2005 are based on 1990 base year while those earlier have 1984 as base year.

Source: Central Bank of Nigeria. Statistical Bulletin, December 2002 and 2004; Annual Report