Report No. 416a-UNI

Current Economic Position and Prospects of Nigeria

(In Three Volumes)

Volume II: Recent Economic Development and Prospects

August 5, 1974

Western Africa Regional Office

Not for Public Use

Document of the International Bank for Reconstruction and Development
International Development Association

CURRENCY EQUIVALENTS

Currency Unit: Naira (₦)

Prior to December 20, 1971:

US$1	=	₦ 0.714
₦ 1	=	US$1.40
₦ 1,000,000	=	US$1.400,000

Since December 20, 1971: 1/

US$1	=	₦ 0.658
₦ 1	=	US$1.52
₦ 1,000,000	=	US$1,520,000

FISCAL YEAR

April 1 - March 31

1/ Since April 1, 1974 the Naira has floated independent of the U.S. dollar. Twice weekly, the Central Bank sets buying and selling rates for the U.S. dollar and £ sterling. The Naira has appreciated steadily vis a vis the U.S. dollar, and by July 1, 1974 the average quotation was ₦ 1 = US$1.622 or 6.7 percent above the previous central rate of ₦ 1 = US$1.52. The latter has been used for currency conversions throughout this report.

CURRENT ECONOMIC POSITION AND PROSPECTS OF NIGERIA

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CHAPTER I

REVIEW OF RECENT ECONOMIC GROWTH

Macro-Economic Trends

1. Analysis of current economic trends in Nigeria continues to be hampered by the paucity of economic data. The latest available official estimate of national accounts, for example, relates to 1969/70 (fiscal year ending March 31) and excludes the three eastern states. Therefore, the mission had to estimate the major macro-economic indicators for subsequent years, using data provided by the Federal Office of Statistics and the Central Planning Office. The following sections are based primarily on these estimates and thus represent only a provisional assessment of current trends.

2. The end of the civil war early in 1970 was followed by a period of rapid economic growth. In the two years immediately following the war, GDP increased by some 50 percent in real terms. Even in 1969/70, continued investment activities and substantial revival of production outside the war-affected areas had already resulted in a level of GDP higher than the maximum pre-war level for the whole economy. The growth rate accelerated further after the conclusion of the war as the economy responded quickly to the pent-up demands of the war period, and investment and production which had been postponed during the hostilities were rapidly realized. The real growth in 1970/71, the first post-war year, was exaggerated by the inclusion of estimates for the three eastern states for the first time since 1966/67. However, the powerful resurgence of economic activity is underlined by experience in 1971/72 when investment expenditures increased by about one-third, exports by 20 percent, imports by 22 percent and consumption expenditures by 11 percent. (Table II. 1).

3. This rate of expansion in economic activities could not be sustained since it obviously included a large element of "catching up". In 1972/73, export growth was much lower and both imports and investment expenditures declined in absolute terms. Temporary factors reduced output growth in agriculture and manufacturing industry in 1972/73 and 1973/74 (see paras. 12 and 17). However, viewing the two years together, the increase in GDP (at factor cost) was roughly in line with longer term trends.

4. Recent trends indicate that the civil war did not permanently damage the economy, but simply postponed the full impact of developmental forces which were already emerging in the mid-1960s. The recovery from the inevitable disruptive effects of the war has been unusually rapid, partly because of the effective management of the economy and its external relationships during and immediately after the war, and of fortuitous developments in the international petroleum industry. The latter led to sharp increases in both the price of crude oil and the share of the national economy in export income. The mission estimates that GDP over the three years immediately

Table II.1: Macro-Economic Trends, 1965/66 - 1973/74

	1965/66 1/	1968/69 1/	Mission Estimates 1970/71	1971/72	1972/73	1973/74	Annual Growth (Percent) 1965/66-1971/72 2/	1971/72	1972/73	1973/74
	(Naira million, 1970/71 prices)									
GDP at Market Prices	4134	3719	5320	6110	6481	6923	6.3	14.8	6.2	6.8
Terms of Trade Adjustment	-48	-39	-	171	165	1338	.	.	.	.
Gross Domestic Income	4086	3680	5320	6281	6646	8261	6.9	18.1	5.8	24.3
Resource Gap	86	78	68	-74	-205	-1414	.	.	.	.
Total Domestic Resources	4172	3758	5388	6207	6441	6847	6.3	15.2	3.8	6.3
Consumption 3/	3410	3115	4435	4922	5233	5531	6.2	11.0	6.3	5.7
Investment	762	643	953	1285	1208	1316	7.2	32.0	-6.0	8.9
Domestic Savings	676	565	885	1359	1413	2730				
Net Factor Payments	-163	-154	-340	-465	-395	-203				
National Savings	513	411	545	894	1018	2527				

1/ Three-year averages.

2/ Trend value approximated from three-year averages.

3/ Include change in stocks.

Source: Appendix Table 2.2.

following the civil war was almost 45 percent higher than in the three years immediately preceding the war. This is equivalent to a growth rate of 6.3 percent per annum over the seven-year period compared to roughly 6 percent per annum from 1958/59 to 1966/67. 1/ However, whereas growth in the earlier period was widely based, and included substantial growth of agriculture in the early 1960s, the recent growth of the economy has been mainly founded on the petroleum and government sectors.

5. The strong post-war recovery of production, supplemented by significant gains in the external terms of trade, resulted in an increase of about 50 percent in gross domestic income between 1970/71 and 1973/74. None the less, Nigeria is still a relatively poor country with per capita income of only N110 in 1973/74.

6. The savings performance of the economy since the end of the war is noteworthy. A significant improvement in the terms of trade was in part responsible for an increase in the national savings rate from an estimated 11 percent of Gross National Income (GNY) in 1970/71 to about 17 percent in 1972/73. The substantial increase in oil revenues (see para. 37) enabled public sector savings to increase from less than 2 percent of GNY in 1970/71 to just under 5 percent in 1972/73.

7. Preliminary estimates show exceptionally high savings in 1973/74. The increase in oil prices in the latter half of the fiscal year, resulted in a substantial income gain from the terms of trade and in a considerable expansion of government revenues. Neither the public sector nor the economy as a whole could immediately utilize such large "windfall" income, so that the savings rate is estimated to have doubled to roughly one-third of GNY.

Income Distribution

8. The macro-economic trends in Nigeria over the last few years are certainly impressive. However, such trends are not necessarily indicative of changes in the general standard of living, particularly in the Nigerian situation where recent economic growth has resulted primarily from the phenomenal growth of the oil sector which has only marginal links with the rest of the economy. A more complete analysis of income growth over this period requires a closer examination of the distribution of the incremental income.

9. Public sector incomes have grown much faster than GNP. As a result, the share of public income in GNP valued at current prices increased from a trend level of 11 percent in 1965/66 to 20 percent in 1971/72. Clearly, the public sector has been the main beneficiary of economic growth in recent

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1/ Three year averages centered on 1959/60 and 1965/66.

years. It is more difficult to draw firm conclusions about trends in the distribution of private income between rural and urban sectors. Value-added in agriculture is probably a good proxy for rural private income, since there are few economic activities in rural areas other than those related to agriculture and government income from the rural sector is small. Agriculture value-added (at 1970/71 prices) increased at a meagre 2 percent per year from 1965/66 to 1971/72 or at about the same growth rate as the rural population. Urban private income 1/, meanwhile, increased at about 7 percent per year, well above the growth rate of urban population even after allowing for net migration. The urban sector also benefited from most of government expenditure on social and economic services. However, food prices increased sharply after the war so that the purchasing power of urban income was eroded. A definitive statement about trends in rural-urban income shares is not possible in the absence of reliable data about price movements affecting farmers and of trends in inter-sector income transfers.

Sectoral Developments

10. The rapid expansion of economic activities in Nigeria over the last five to ten years was accompanied by a substantial change in the economic structure. The relative importance of the agriculture sector declined sharply, its share in GDP falling from 60 percent prior to the civil war to 46 percent in recent years. During this period, the share of the mining sector rose from 4 percent of GDP to 14 percent, and the relative contribution of general government services doubled. Most other sectors maintained their relative shares in the expanding level of total economic activities (Table II.2).

1/ GNP at 1970/71 factor costs less agriculture valued-added (=rural income) less value-added in petroleum mining (which largely accrues to the government).

Table II.2: ECONOMIC STRUCTURE AND SECTORAL GROWTH RATES, 1965/66-1973/74

	Sectoral Distribution		Growth Rate			
			1965/66 /1		Mission Est.	
	1965/66 /1	1971/72 /1	1971/72 /1	1971/72	1972/73	1973/74
	(as percent of GDP)		(Percent)			
Agriculture	60	46	1.7	8.9	3.3	-
Mining	4	14	32.5	41.7	16.2	3.9
Manufacturing	6	7	8.9	3.6	13.8	9.6
Construction	5	5	7.4	34.8	1.8	10.4
Transport and Utilities	5	5	6.8	19.6	16.0	5.4
General government	3	6	22.0	17.0	13.4	18.3
Other services	17	17	5.5	10.6	7.8	8.1
GDP at factor cost (1970/71 prices)	100	100	6.3	14.7	7.9	4.6

/1 Three-year averages, all percentages rounded.

Source: Appendix Table 2.1

Agriculture

11. *Per capita* output of the agriculture sector in recent years has probably not exceeded the levels already achieved in the period immediately preceding the civil war. According to the Rural Economic Survey, the gross value of major crops (valued at 1970/71 prices) produced in 1971/72 was only some 11 percent higher than in 1965/66 (Table II.3) while population increase over the period was probably around 11 percent also. 1/ The growth rates of the various crops differ considerably. Cassava production increased substantially, apparently at the expense of yam, which is grown in the same southern areas of Nigeria. Output of millet, sorghum, maize and rice, grown mainly in the north, also increased substantially. Performance of the export crops was particularly disappointing. Output of cocoa and palm fruits has obviously not recovered to the pre-war level and there are no indications of growth in cotton production.

1/ In its population projections, the U.N. uses a growth rate of 1.8 percent per year for rural population in the period 1965-70.

Table II.3: OUTPUT OF MAJOR CROPS, SELECTED YEARS

('000 tons)

	1965/66	1970/71	1971/72
Yam	14,504	12,109	11,671
Cassava	2,929	5,142	5,807
Millet	2,686	3,057	3,563
Sorghum	4,168	3,989	4,860
Maize	1,142	1,420	1,171
Rice	228	276	399
Groundnut	1,363	1,556	1,604
Cocoa	306	196	272
Palm Fruits	5,750	4,900	5,000
Gross value of output at 1970/71 prices (₦ million)	1,577	1,643	1,748

Source: Rural Economic Survey, except for cocoa and palm fruits which are estimated from export data.

12. There are no survey data on agricultural production since 1971/72, but it is highly unlikely that the production of any major crops, except possibly yam and cassava, has increased. Declining consumer prices for yam and cassava may indicate increased output of these crops in 1972. On the other hand, severe drought was experienced over the last two years in the northern states and parts of the Western State. The adverse impact on food crop and livestock production has been reported to be very serious, particularly in the northern parts of North Eastern, Kano, North Central and North Western States. As a result, food prices have risen dramatically in these areas. The drought also affected the production of cocoa, cotton and groundnut.

Petroleum Mining

13. The major dynamic forces in the Nigerian economy today come from activities associated with the exploration and production of crude oil which, however, remains very much an enclave industry, with employment at less than 10,000 and only marginal linkages with the rest of the economy. Output of

crude oil increased rapidly after the first commercial discovery made in 1956, reaching a level of almost 600,000 bbls per day in mid-1967. Although onshore production was seriously disrupted by the civil war, resumption of production began even before the end of hostilities and output reached a level of about 630,000 bbls per day at the end of the war. Since then production of about 630,000 bls per day at the end of the war. Since then production increased very rapidly as proven fields were fully exploited and the construction of loading facilities was quickly completed. This period of phenomenal growth attributable mainly to the exploitation of fields which were not accessible during the war, ended in early 1972 when production reached a level of 1.8 million bbls/day. Since then output has continued to increase but at a substantially lower rate, reaching about 2.0 million bbls/day in mid-1973. 1/

Manufacturing Industries

14. The rapid and sustained growth of manufacturing industry has been one of the most impressive features of recent economic growth in Nigeria. From a small base, the modern manufacturing sector maintained a fairly uninterrupted growth of well over 10 percent per annum since 1960. By 1971, total employment by industrial establishments employing 10 or more persons amounted to about 145,000, with probably close to the same number employed by organized smaller-scale enterprises. Development of the sector in the early 1960s was primarily induced by the protectionist policies of the Government which enhanced the profitability of investment in import-substituting industries. Protection was further increased during the war when wide-ranging quantitative restrictions were introduced to contain the deterioration in the country's balance of payments.

15. The manufacturing sector has not achieved any significant diversification beyond the typical import-substituting industries. In 1971, the latest year for which survey data are available for the whole sector, food, beverage, tobacco and the textile industries accounted for 53 percent of gross output, and 57 percent of total value-added in the manufacturing sector. Among other sub-sectors, none of which contribute as much as 10 percent of value-added, the more important are vegetable oil processing, paper products and metal products. Value-added by craft-type industries (i.e., non-factory, small scale industries) is estimated at about ₦ 35 million or 10 percent of total manufacturing value-added. Manufacturing industries are highly concentrated in the Lagos area, which accounted for 57 percent of gross output in 1971. In fact, four states in which the four major cities are located (Lagos, Ibadan, Kano and Kaduna) accounted for some 80 percent of total manufacturing output in 1971.

1/ Production temporarily peaked around 2.3 million bbls/day in the last quarter of 1973 when world supplies became tight as a result of the production cuts of Arab producers.

16. The growth of manufacturing output since the end of the war has been rather uneven. According to the provisional index of manufacturing production, aggregate output of manufactures increased by only 3.8 percent in 1971 compared to 11.5 percent in the previous year. Even this small increase was attributable mainly to the resumption of production in some establishments in the eastern states. The estimated growth rate increased to 14 percent in 1972, but data for the first quarter of 1973 indicate an index of industrial output some 6 percent higher than the same quarter in the previous year.

Table II.4: INDEX OF MANUFACTURING PRODUCTION, 1969-1973

	1969	1970	1971	1972	1972	1973
		(1965 = 100)			Ist Quarter	
Beverages	150	189	222	326	283	283
Cement	58	60	65	116	90	118
Cigarettes	158	141	144	158	161	144
Cotton textiles	274	315	304	278	242	291
Footwear	291	423	398	385	395	352
Paints	164	265	270	322	315	300
Radio/TV assembly	246	341	258	213	215	205
Roofing sheets	142	185	285	365	363	333
Rubber	91	102	100	86	95	117
Soap and detergents	75	82	86	121	98	164
Vegetable oil	109	105	63	57	61	58
TOTAL	150	167	174	198	183	194

Source: Appendix Table 8.2

17. A closer examination of the production trends in the individual subsectors (Table II.4) is less discouraging. The slow growth of industrial production in 1971 was attributable largely to the decline in the output of the cotton textiles, footwear and electronic assembly industries. These industries faced increasingly severe competition from imported goods as a result of the Government's policies to liberalize imports in order to alleviate some of the inflationary pressures encountered immediately after the war. Especially in the case of cotton and other textiles, imports increased at a faster rate in 1971 than any plausible growth of domestic demand, thus

indicating a replacement of domestic by foreign supplies. Even disregarding the primary objective of abating the inflationary pressures, increased competition for these industries, which have been heavily protected in the past and for which protection today is still substantial, is not undesirable in itself. The recent decline in production may be viewed as a process of consolidation of these sectors since it followed a period of phenomenal growth, all the industries concerned having recorded average growth rates in excess of 25 percent per annum during the previous five years. Two other industries, rubber and vegetable oil processing, also showed a declining trend over the last three years but this was obviously the consequence of a stagnating agricultural sector. Industries such as cement, paints, roofing sheets, beverages, soap and detergents which were relatively unaffected by import liberalization have increased production in line with the rapidly expanding levels of investment and consumption in the economy. The rapid growth in these industries is responsible for the average growth rate of 9 percent per annum for the sector as a whole since 1970 despite the uneven performance of some of the major sub-sectors.

Service Sectors

18. Another major growth sector in recent years is general government services. During the war, value-added in the sector grew at over 20 percent per annum largely because of expanding military expenditures. Since the end of the war, a continued high level of military expenditures, expanding administrative requirements of the twelve-state federation and increasing economic and social services provided by the public sector all contributed to continued rapid growth in the sector. The other service sectors grew moderately before 1970/71 but accelerated considerably since then in response to the vastly increased pace of economic activities. It seems that capacity is strained at present levels of output in several of these sectors, notably transportation and construction. This is reflected in the deterioration of services as well as rising prices. In the near future, the limited capacity of these sectors could become major constraints on the economy's continued growth.

CHAPTER II

INVESTMENT - TRENDS AND POLICIES

19. Investment has been sustained at a fairly high level since the mid-1960s. From less than N400 million in 1963/64, total investment expenditures increased rapidly to over N600 million in both 1965/66 and 1966/67, representing about 18-19 percent of GNP. The public sector's program which was then being implemented within the framework of the First National Development Plan (1962-68) represented about one-third of the total but was somewhat below the Plan's targets of N226 million per annum. On the other hand, private investment consistently exceeded the Plan's estimates, largely because of the rapid emergence of the oil sector in which investment expenditures rose from negligible amounts in the early 1960s to N135 million by 1966/7.

20. The outbreak of the civil war in 1967 caused a sharp reversal of the upward trend in investment. Total investment during the war period appeared to have been about 15 percent of GNP, excluding the three eastern states. Although reliable data on the composition of investment are not available, the public sector program must have declined most sharply, particularly in the war-affected areas. The private sector's activities were less severely affected. Annual investment expenditures by the oil companies continued at over N100 million, except for 1968, when expenditures declined to less than N60 million.

21. Although no official estimates of investment expenditures are available beyond 1969/70, the evidence indicates a very sharp upturn in capital formation. Table II.5 presents the Mission's estimates based on absorption of building and construction materials, imports of machinery and transport equipment and payments to foreign contractors by the oil companies. These estimates indicate about a 50 percent increase in 1970/71 in real investment expenditures from a depressed level in the previous year and continued substantial increases since then, except in 1972/73 when there was a small decrease in total expenditures. While these estimates by their nature probably exaggerate the year-to-year fluctuations, it seems clear that investment expenditure is currently at a high level, probably at about 19 percent of GDP.

Table II.5: FIXED CAPITAL FORMATION BY TYPE OF ASSET, 1970/71-1973/74

(₦ Million, in constant 1970/71 prices)

	1970/71	1971/72	1972/73	1973/74
Construction	451	607	618	685
Machinery and equipment	227	334	272	283
Transport equipment	125	173	130	178
Land improvement	60	75	80	80
Foreign oil contractors	90	96	108	90
GROSS FIXED CAPITAL FORMATION	953	1,285	1,208	1,316
(As percent of GDP)	(17.9)	(21.0)	(18.6)	(18.9)

Source: Mission estimates

Public Investment

22. Although the public sector investment program continues to be implemented within the framework of the Second National Development Plan, the size and content of the investment program have been substantially revised. These changes are neither unexpected nor undesirable, considering the circumstances under which the Plan was prepared. As published in the 1973/74 Budget, the Federal Government direct investment program 1/ has increased from ₦ 423 million to ₦ 829 million, and the State's program from ₦ 931 million to ₦ 1,556 million, i.e., the total direct investment program has increased by about 76 percent. A large part of this increase is due to changes in cost estimates which are attributable to the inadequate costing of projects during the Plan preparation as well as to inflationary cost increases which had not been adequately taken into account. For example, the Federal highway program, which represents about half of the Federal Government's investment program, increased from an original estimate of ₦ 202 million to about ₦ 440 million even though project content is largely unchanged. There have also been the inevitable additions and deletions of projects, but it is not possible to estimate the extent to which these changes have affected the size of the program. Since the 1973/74 Budget was published, the Federal Government announced a massive new program to build 54,000 low cost housing units in all twelve states of the Federation. This program is expected to cost ₦500 million and, according to the Government, will be implemented over the next

1/ i.e., excluding essentially financial transactions such as grants to States and loans to industry.

three years. This and other similar programs indicate that the Federal Government is prepared to use its surplus to finance large programs which were not originally included in the Plan but which may contribute to alleviating some of the glaring inadequacies in Nigera's socio-economic infrastructure. The Government's flexible attitude to Plan execution is also evidenced by its decision to postpone the Third Plan by one year in order to complete on-going projects while gaining additional time for better preparation of the next Plan.

23. Executive capacity has increased substantially since the first year of the Plan (1970/71). Implementation of the public investment program was very low in 1970/71, since the Plan itself was not announced until September 1970 and the capital budget was not available until the end of the fiscal year. The Federal Government completed only ₦ 29 million of its program in 1970/71 while the state governments completed ₦ 103 million. Direct investments by the Federal Government rose to ₦ 85 million in 1971/72 and further to around ₦ 150 million in 1972/73. Data on state governments' investment expenditures are less reliable, but the total apparently reached about ₦ 190 million in 1971/72. Preliminary estimates show States' capital expenditures for 1972/73 as high as ₦ 290 million (see para. 51). Total direct investment expenditures of the Federal and State Governments over the first three years of the Plan period amounted to roughly 36 percent of the revised Plan's total. Of course, these "completion ratios" simply reflect financial outlays and do not provide firm clues about the rate of physical implementation of the Plan and of the present investment capacity of the public sector.

24. A full assessment of project implementation capacity must await the Second Progress Report covering the first three years of the Plan. This report is currently being prepared. However, preliminary views can be formed from the available Budget data. With regard to the Federal program, it is clear that, in spite of considerable improvements, executive capacity is still inadequate in most areas, with the possible exception of the highway sector. In industry, for example, it appears that none of the major projects will be completed within the Plan period. In fact, none of the proposed projects except for the passenger car assembly, superphosphate fertilizer and second petroleum refinery projects have progressed beyond the very early stages of preparation. Outside of the highway and general administration sectors, total direct investment expenditures of the Federal Government is barely about ₦ 100 million during the first three years of the Plan. Since financial resources were clearly not a binding constraint during the last two years, the slippages in the Federal program are attributable almost entirely to the lack of project preparation and implementation capacity.

25. There are little data on the sectoral distribution of the state government's investment expenditures. Available information indicates that expenditures on secondary roads and social services such as education and health have been relatively high. Performance differs considerably among the states, however, with some states over-fulfilling the Plan's targets in some sectors, while in other states implementation has barely begun. As with

the Federal Government, lack of project preparation and executive capacity represent the major constraints on the Plan's implementation. Some state governments also complain, however, that shortages of funds have effectively constrainted their investments.

Private Investment

26. The recent bouyancy of investment activities, compared to pre-war levels, is partly attributable to the private sector, particularly the oil sector. In 1970/71, total investment expenditures by the oil companies are estimated at ₦163 million, about twice the pre-war level after correcting for price inflation. Since then investment on pipelines and loading terminals continued to expand and total expenditures valued at 1970/71 prices reached ₦194 million in 1972/73 (Table II.6). About half of oil sector investment is done directly by foreign contractors and has only marginal impact on the rest of the economy. The other half is undertaken by the oil companies themselves or by a group of local contracting companies which has developed rapidly in recent years to service the oil companies.

27. There are little data on private investment outside the oil sector. It appears that such investments, derived as a residual from estimates of total investment, were some ₦640 million in 1970/71, about 37 percent higher than the pre-war level in real terms, and rose to about ₦860 million in 1971/72. These estimates, based on data for imports of capital goods, may exaggerate somewhat the sharp upturn in investment, but there is no doubt that private investment was unusually high in the two years immediately following the war. This was especially true in 1971/72 when substantial liberalization of imports coupled with the strengthening of the Government's domestic and international economic position led to a veritable explosion of investment activities. The exceptionally high level of expenditures in 1971/72 evidently could not be sustained and total expenditures appear to have declined by about 20 percent (in real terms) in the following year. Indications are that expenditures have again increased in 1973/74. Non-oil private investment averaged about 13 percent of GNP outside the oil sector, from 1970/71 through 1972/73.

Table II.6: INVESTMENT EXPENDITURES BY SECTOR, 1965/66 - 1973/74

	Average 1964/65-1966/67	1970/71	1971/72	1972/73	1973/74
		(₦ Million, 1970/71 prices)			
Public	212	148	245	340	410
Private - oil	80	163	182	194	181
non-oil	470	642	858	674	725
TOTAL	762	953	1,285	1,208	1,316

Source: Mission estimates

28. The available data on private investment in specific sectors confirms the general impression of a greatly expanded level of expenditures. For example, the Federal Office of Statistics' survey of manufacturing industries indicates a 67 percent increase in total expenditures in 1970 compared to the previous year, and a further 52 percent increase in 1971. Unlike the uneven performance of the sector in terms of output, the expansion of investment expenditures seems to have a broad base and includes many industries in which production has either stagnated or declined since 1970. The Annual Business Survey conducted by the Central Bank also confirms the rapid expansion of investment expenditures in industry, transportation, hotels and utilities, particularly in 1970 and 1971. No comparable data are available for 1972, but the substantial reduction in machinery imports indicates a decline in capital formation in the sector as a whole. The level of machinery imports during 1973, on the other hand, suggests a revival of investment in the manufacturing industries.

29. The high level of capital formation seems to strain the capacity of the construction industry. As a result, the cost of construction has been rising sharply. Costs of building construction, for example, are estimated to have increased by 15 percent in 1970, 25 percent in 1971 and 20 percent in 1972. Data from the Federal Ministry of Works and Housing indicate that the cost of road rehabilitation work, measured by average cost per mile, has more than doubled in the last few years. There also appears to be a general shortage of cement and other building materials. The capacity of the construction industry could become a major constraint to the continued rapid expansion of investment activities.

Government Policies

30. Government policies towards private investment had been limited largely to the protection of domestic industries from external competition. Since independence in 1960, Nigeria has moved from a relatively open economy towards a highly protected domestic market. This resulted in an industrial structure dominated by a small number of high-cost, import-substituting, industries. The development of consumer goods industries with low value-added progressed further than intermediate and capital goods industries, and export industries lacked incentives.

31. A clearly defined objective of government policies towards the private sector over the last three years is increased Nigerian equity participation in and management of the economy. This objective is being approached in two ways. The government itself is taking the initiative in acquiring equity in the strategic and larger-scale industries. At the same time, it has formulated a timetable for the compulsory transfer of equity share from foreigners to Nigerians in a number of economic sectors.

32. Considerable progress has been achieved in both areas, the most notable being the Government's participation in oil production. In addition to its roughly one-third share in the two minor producers, the Government

in 1973 acquired a minimum 35 percent participation in the largest oil producing company which accounts for two-thirds of current output. A minimum one-third participation in all oil producing and exploration companies is expected during 1974. 1/ It has been estimated that the initial investment by NNOC would be recovered in two-three years, but it may now be even faster because of the recent sharp rise in crude oil prices. The Government over the past year also acquired 40 percent share of the three major expatriate commercial banks as well as the majority share of several new large-scale industrial enterprises. In the future it intends to own the majority share of all strategic and large-scale industrial projects such as the proposed liquified natural gas project, fertilizer, steel and the second and third oil refineries.

33. Indigenisation of the private sector is presently being pursued under the Nigerian Enterprise Promotion Decree of 1972. Enterprises in retail trade, modern services and several categories of small-scale manufacturing industries (Schedule I) are reserved exclusively for Nigerian ownership by April 1, 1974. For another list of mainly medium-scale manufacturing industries (Schedule II) the Decree requires by the same date a minimum 40 percent Nigerian ownership if the paid-up capital of the enterprise exceeds ₦400,000 (or turnover exceeds ₦1,000,000) and 100 percent Nigerian ownership otherwise. The manufacturing enterprises included in Schedules I and II accounted for somewhat less than 50 percent of total value-added in the manufacturing sector in 1971, but there is no doubt that the Decree represents only the first step of a long-term policy to increase Nigerian participation in all sectors of the economy.

34. Special measures have been taken to facilitate orderly financing of the indigenisation program. Total paid-up capital of the enterprises under Schedules I and II is estimated to be about ₦100 million and by 1967 a substantial share (56 percent of Schedule I and 32.4 percent of Schedule II) was already Nigerian owned. Nonetheless, the financial cost of implementing the Decree will probably be about ₦100-150 million since valuation of the enterprises will take into account expected return from investment and significant working capital will also be required. Accordingly, the government established the Bank of Commerce and Industry (BCI) in 1973 for the purpose of providing funds to Nigerians for purchasing equity capital in commerce and industry and for financing working capital. BCI began operations in October 1973. Guidelines have also been issued for controlling repatriation of capital. In the case of Schedule I enterprises valued up to ₦150,000, ₦10,000 may be remitted on approval and the remainder in semi-annual installments of up to ₦30,000. At least 50 percent of the proceeds from the sale of Schedule II enterprises are expected to be re-invested in Nigeria, with the remainder subject to the same rules as for Schedule I enterprises. Special arrangements would be worked out on a case by case basis for the repatriation of capital by those investors wishing to leave Nigeria.

1/ The Government announced in May 1974, that its participation in virtually all foreign oil exploration and production companies has been increased to 55 percent, effective April 1, 1974.

35. Indigenisation is being implemented with considerable flexibility. Exemptions have been granted for individual cases with merit. Foreign capital will continue to be available so long as an expanding economy and government policies ensure a reasonable rate of return. The overall objective of current policies is to ensure that foreign investment is complementary to, rather than competitive with, indigenous capital. In fact, as expatriates, who by and large represent the more experienced entrepreneurial and managerial capability in the country, shift progressively to larger-scale, and possibly higher risk, ventures and indigenous entrepreneurs replace them in the more traditional sectors, there is no reason why the indigenisation policy should not lead to an increase in the level and scope of overall investment in the country.

36. Accelerated industrial development need not conflict with the policy of indigenisation. There is a wide range of industries in which the Government visualizes a continued and expanding role for foreign enterprise as a complement to domestic capital. Foreign capital and knowhow will continue to be available as long as an expanding economy and Government policies ensure a reasonable rate of return to investment. Clearly, sustained high rates of industrial growth along with successful indigenisation requires an effective and coordinated policy toward industrial incentives. In any case, the present system of incentives, which evolved in the context of a resource-scarce economy, needs to be adapted in the light of the strong balance of payments position. The Government now has considerable flexibility in choosing policy instruments to assure the competitiveness of domestic industries. Subsidy schemes for domestic industries based on the number of employees or the value of exports may have several advantages over the existing industrial incentive system based on tariffs and import restrictions. Promotion of new industries like agricultural tools, light engineering goods and construction materials would help diversification. In some of these industries, technology is relatively simple and small-scale operations are economically feasible. To the extent such industries are usually located near their markets, the coming decade will offer more opportunities for balanced development among the many regions of the country. An industrial development strategy aimed at the rural and lower-income urban markets rather than the urban and higher-income markets-towards which past developments have been oriented-would also be consistent with the Government's strategy for rural development and improving the standard of living of the urban poor.

CHAPTER III

FISCAL AND MONETARY TRENDS

Public Finances

37. The main feature of the country's public finance in recent years has been the increasingly strong position of the Federal Government. In the fiscal year 1971/72, which marked the transition to a strong financial position, the current budget surplus of ₦ 445 million was equivalent to 7.2 percent of GNP at current market prices, compared to a negligible surplus of ₦ 30 million in the previous year and a huge deficit in 1969/70. Notwithstanding a considerable salary increase and the simultaneous decline in non-petroleum revenues, the current surplus was still almost 6 percent of current GNP in 1972/73.

38. The major element in this transformation of the Federal budgetary picture was the increase in revenues from the petroleum sector. Whereas total expenditures increased by ₦530 million between 1970/71 and 1972/73, governmental revenues from the petroleum sector rose from ₦196 million to ₦732 million. This exceptional growth occurred mainly in 1971/72 and was the result of higher royalties and profits tax per barrel of oil produced as well as of the phenomenal growth in production between 1969 and 1972 (para. 13). Government revenue per barrel of oil produced was first increased substantially by the May 1971 agreement between Government and producing companies, which raised the base posting of Nigerian crudes, eliminated a number of deductions, added premia for low sulphur content and geographical location, and included automatic adjustment for inflation. These measures effectively raised Government revenue from ₦0.79 per barrel (of 34° API crude produced onshore) before March 20, 1971, to ₦1.23. During the following two years, re-negotiation of the tax-reference price to compensate for exchange rate changes and the application of price escalation clauses in the 1971 Agreement led to further increases in Government revenue which reached ₦1.28 per barrel in January 1973, and ₦ 1.45 six months later.

39. A major upward shift in oil revenues occurred in 1973/74. Following the unprecedented rise in prices on the international oil markets during 1973 (para. 58) and the unilateral increases in the tax-reference price by most of the major oil producing countries in October 1973, the Government and the oil companies agreed in November 1973 to immediately raise the tax-reference price of Nigerian crudes from ₦2.80 ($4.26) per barrel prevailing in October to ₦5.47 ($8.31). 1/ On January 1, 1974, the tax-reference price was again raised to ₦9.62 ($14.62) in accordance with similar decisions by the other OPEC countries. These series of increases effectively raised Government revenues per barrel of oil from the ₦1.52 prevailing in October

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1/ Effective from October 20.

973 to N5.62 in January 1974, an almost 300 percent increase in the course of three months. In addition, Government was reportedly able to increase its oil revenues in the last few months of FY 1973/74 by taking its royalties entitlement in kind rather than in cash because the world market prices then rose above the tax-reference price. Accurate information on these transactions are not available, but total revenues from petroleum profits tax, royalties and rents are estimated to be about N2250 million in 1973/74 compared to the Budget estimate of N860 million, and an actual revenue of N732 million in 1972/73.

40. Non-petroleum revenues increased substantially in 1971/72, then remained roughly the same in 1972/73. The main factors which influenced the level of non-petroleum revenues in this period were the fluctuations in import levels and changes of several tax rates. Import duties grew by about 30 percent in 1971/72 in line with a considerable growth of imports and fell in 1972/73 along with a decline in commodity imports. The fall in revenues was accentuated by the lowering of duties on raw materials and various consumer goods which reduced the average import duty from 27 percent in 1971/72 to 26.3 percent in 1972/73. The budget for 1972/73 also reduced excise duties by one-half on several items (e.g., textile piece goods, carpets, blankets, confectionery, soaps, paints, furniture and reinforcing rounds) which probably yielded as much as 50 percent of excise revenues in 1971/72. Production of some excisable goods also fell, thereby accentuating the fall in revenues. The war-time surcharge on company profits, which added N22 million to revenues in 1971/72, was abolished. In addition, revenues from export duties fell in recent years because of the stagnation of traditional agricultural exports.

41. Apart from some minor adjustment in tariffs, largely to increase protection for the garment, textile, footwear and motor tire industries, the major change proposed in the 1973/74 Budget is the abolition of export duties on Marketing Board produce. This is one element of a general reform of the pricing and taxation of export commodities. A main objective of the reform is to increase producer incentives through higher and fairly stable prices. The export tax has been abolished, produce sales taxes limited to a maximum rate of 10 percent, and basic producer prices have been raised closer to f.o.b. prices. 1/ The following data shows the changes in producer prices, gross of producer sales tax, in recent years:

1/ Recently, the produce sales tax was also abolished and producer prices were raised substantially, particularly for palm products, groundnuts and cotton.

	1970/71	1971/72	1972/73	1973/74
	(₦ per ton)			
Cocoa	310	310	310	400
Groundnuts	80.43	80.43	81.60	94.25
Seed Cotton (grade I)	115.26	115.26	134.40	134.40
Palm Kernels	60	62	62	62
Palm Oil (special grade)	84	90	90	100

The other objective of the reform is to improve the efficiency of export commodity marketing by squeezing the Marketing Board's cost margins which are generally considered to be unduly high. The Federal Government (through a technical committee and its sub-committees working within the Ministry of Finance) will set both the producer price and the price at which the Nigerian Produce Marketing Company (NPMC), the export agency, will acquire produce from Marketing Boards.

42. The Budget's revenue projections appear very conservative. Petroleum revenues will clearly be much above the Budget estimate (see para. 39), partly because they were originally under-estimated but mainly as a result of unexpected large increases in the posted price. Import duties were set at the 1971/72 level, but commodity imports were growing at an annual rate of around 30 percent in the first half of 1973. The budget also forecast little change in excise duties, an unlikely outcome in the light of the recovery of manufacturing production in many sectors. Consequently, Federal revenues from the non-petroleum sector may be around ₦685 million or 24 percent higher than estimated in the Budget.

43. Current expenditures of the Federal Government increased rapidly during the last two years, following a small decline in 1970/71 from the war-time level. Payment of salary increases recommended by the Adebo Commission accounted for about one-half of the total increase in the two years, assuming that the Adebo recommendations involved an average increase of 25 percent in the wage bill. 1/ Most of the growth of expenditures occurred in 1972/73 when salary increases, retroactive to September 1971, were paid to the military. Within the rapidly growing current expenditures, the share of non-defense expenditures rose from 32 percent in 1970/71 to 37 percent in 1972/73. Among non-defense expenditures, the main increases have been for general administration. 2/ The main increases seem to relate to payments to the National Universities Commission (from ₦17 million in 1970/71 to ₦31 million in 1972/73), various pensions charged to the Ministry of Establishments and Service Matters, subventions to the Nigeria Broadcasting Corporation and the prison service (Ministry of Internal Affairs). Some of these increases probably represent once-for-all changes in the level of operation so that the high rate of growth may be temporary.

1/ IBRD, Current Economic Position and Long-Term Prospects of Nigeria, Vol. IV, Annex 3, p. 11. It is not possible to identify specific provision for the Adebo payments owing to the format of the Budget.

2/ The "functional" classification is based on broad expenditure heads and is indended to give a general indication of trends. No attempt has been made to re-classify sub-heads of expenditures, e.g., funds for education budgeted under the Cabinet Office which is a "general administration" head.

Table II.7. FEDERAL GOVERNMENT FINANCES, 1969/70 - 1973/74

	Actual				Budget	Mission Estimate
	1969/70	1970/71	1971/72	1972/73	1973/74	
	(₦ Millions)					
Recurrent Revenues	435.8	755.6	1304.4	1389.9	1411.4	2935
(Oil revenues)	(68.0)	(196.5)	(640.0)	(732.0)	(857.9)	(2250)
(Import duties)	(161.4)	(231.0)	(299.8)	(273.5)	(257.2)	(340)
(Excise duties)	(78.0)	(131.8)	(171.7)	(182.7)	(167.0)	(200)
(Other)	(128.4)	(196.3)	(192.9)	(201.7)	(129.3)	(145)
Statutory Transfers to States	179.4	245.7	327.4	322.6	343.4	573
Retained Revenues	256.4	509.9	977.0	1067.3	1068.0	2362
Recurrent Expenditures	507.1	480.0	531.8	663.2	893.5	860
(Defense)	(381.3)	(324.4)	(328.8)	(419.7)	(502.9)	(465)
(General Services)	(43.0)	(53.4)	(79.0)	(89.9)	(155.2)	(...)
(Economic and social services)	(38.9)	(47.6)	(61.0)	(73.7)	(121.3)	(...)
(Other)	(42.9)	(54.6)	(63.0)	(79.9)	(114.1)	(...)
Current Surplus (+) or Deficit (-)	-250.7	29.9	445.2	404.1	174.5	1502

Source: Appendix Tables 5.2 and 5.3.

44. Defense expenditure declined in 1970/71 and was held well below the war-time levels in 1971/72 (see Table II.7). In 1972/73 there was a marked increase in the absolute amounts spent on defense due to the general salary increases, including a substantial retroactive element.

45. Recurrent expenditures of the Federal Government (including current and capital defense expenditures) are budgeted at ₦893 million for 1973/74. Compared to actuals for 1972/73, defense expenditures are budgeted to increase by 20 percent, expenditure for general services by 73 percent, and for economic and social services by 65 percent. Although public expenditure per capita in Nigeria is very low and there are many deficiencies in social and economic services, there are doubts whether such high rates of growth of public expenditure could be achieved. Nonetheless, even with current expenditures increasing roughly in line with budgeted amounts, the Federal Government's current budget surplus for 1973/74 is estimated at around ₦,500 million, equivalent to 16 percent of GNP (Table II.7). Sizeable amounts have been allocated for special expenditures since approval of the Budget, e.g., at least ₦ 24 million for drought relief and associated programs. There is, however, no question that an unprecedentedly large surplus will be generated by the Federal Government in 1973/74.

46. In contrast to the continued strengthening of the Federal fiscal position, state governments are barely able to finance current expenditures from their current revenues. The combined current surplus of the state governments was around 1.3 percent of GNP in 1971/72, roughly similar to the 1970/71 level. There may have been a small current account deficit in 1972/73, because of the slow growth of revenues from import and excise duties which constitute the bulk of state revenues (see para. 47) and an apparently large increase in current expenditures reflected in the official revised estimates (see para. 49).

47. In recent years statutory allocations from the Federal Government have accounted for almost three-quarters of the states' current revenues. Statutory allocations are drawn from revenues accruing on account of foreign trade duties, excise duties and mining royalties and rents. In recent years some 40 percent of the statutory transfers have been revenues returned to the states in which they were originally generated, with the proportion rising to as much as one half in 1972/73. The remainder is allocated among states on the basis of "equality", i.e., 50 percent in equal absolute amounts and the rest pro-rated by population. The State Governments do not share in the petroleum profits tax, by far the largest element of Government revenues from the oil sector, or in royalties received from offshore production, so that their share of total oil revenues is only about 12 percent. Mining royalties and rents doubled since 1970/71, but foreign trade and excise duties have grown relatively slowly on the average because of reduced tax rates, lower commodity imports in 1972/73 and slow growth of traditional agricultural exports. For 1973/74, the mission estimates statutory transfers from the Federal Government at ₦570 million compared to a budget estimate of ₦340 million. The main source of additional revenue is the states' share of oil royalties. As a result of the higher posted prices states' royalty revenue is estimated at ₦ 320 million, well above the budget estimate of around ₦150 million.

Table II.8. STATE GOVERNMENTS' FINANCES 1969/70 - 1973/74

	Actual 1969/70	Actual 1970/71	Actual 1971/72	Prel. Est. 1972/73	Budget 1973/74	Mission Estimate 1973/74
	(₦ Millions)					
Recurrent Revenues	251.6	339.7	436.2	445.2	540.0	713
(Statutory transfers from the Federal Government)	(179.4)	(245.7)	(327.4)	(322.6)	(343.4)1/	(573)1/
(Own Revenues)	(72.2)	(94.0)	(108.8)	(122.6)	(196.5)	(140)
Recurrent Expenditures	233.2	278.4	352.6	449.5	522.8	500
Current Surplus (+) or Deficit (-)	28.4	61.3	83.6	-4.3	17.2	213

1/ Includes ₦34 million compensation for loss of export duties.

Source: Appendix Tables 5.1 and 5.5.

48. The States' own revenues increased fairly rapidly since 1970/71. The annual increase of 14.4 percent is only slightly below the average GDP growth in current prices outside the oil sector for the three years immediately following the civil war. Except for Lagos State which derives a substantial proportion of its income from personal income tax, about 55 percent of States' own revenues are derived from non-tax elements such as licenses and fees and as much as a further 20 percent from minor sales taxes, poll taxes, etc.

49. Current expenditures of state governments grew by about 27 percent in 1971/72. The increase of ₦74 million in current outlays, probably included as much as ₦ 26 million (or 35 percent) for higher salaries under the Adebo Award (see para. 43). Other components of current expenditure also increased substantially because of the need for adequate administration in the newly created states and the demands of a rapidly growing population for basic social and community services, e.g., education and health, which are the concern of the states. The revised estimates for 1972/73 showed a further growth of around 27.5 percent and a further 18 percent is budgeted for 1973/74. While there are obviously enormous needs for the services provided by the state governments, implementation may be impeded by the lack of executive capacity and actual expenditure growth may be somewhat lower. For example, current expenditures of the old regional governments grew by 8.4 percent per year in 1961-66 and expenditure growth in 1971-72 was 17.6 percent, excluding the estimated Adebo payments.

50. The consolidated capital budget of Federal and State Governments (Table II.9) shows that in 1971/72 available financial resources were considerably above (₦ 270 million or 4.4 percent of GNP) the amount needed for financing capital expenditures. The main factor was the large current surplus of ₦ 529 million generated mainly by the Federal Government. A large increase of investment, together with extraordinary growth of current expenditures and lower non-oil revenues resulted in a small domestic financing gap in 1972/73. Preliminary estimates indicate sizeable overall surplus again in 1973/74, in spite of a substantial increase in expenditures.

51. The comfortable financial position of the general government hides wide differences between Federal and State Governments. In the period 1970/71 through 1972/73, the current savings of state governments declined while capital expenditures increased substantially. As a result, the states relied increasingly on various capital allocations from the Federal Government and in some instances apparently used credit mechanisms such as bank overdrafts and delayed payments. The Federal Government is concerned that "the financial position of state governments gives cause for anxiety" 1/, and has accordingly increased its capital payments to states (grants, internal development loans, treasury loans, and foreign loans on-lent to states) from ₦27 million in 1970/71 to ₦222 million in 1972/73. According to preliminary estimates, the financial position of the states improved considerably in 1973/74 owing to the increased oil royalties (see para. 47) and further increases in Federal capital allocations.

1/ Press statement by the Federal Commissioner for Finance, April 1973.

Table II. 9. FINANCING CAPITAL EXPENDITURES, 1969/70 - 1973/74

	Actual				Budget	Prel. Estimate
	1969/70	1970/71	1971/72	1972/73	1973/74	
	(₦ Millions)					
A. Federal Government						
Current surplus (+)/deficit (-)	-251	30	445	404	174	1502
Capital expenditures	63	77	235	434	906	681
(of which payments to States)1/	(18)3/	(27)	(96)	(222)	(346)	(308)
Overall surplus (+)/deficit (-)	-314	-47	210	-30	-732	821
External financing, net	2	-5	73	-1	61	2
Domestic financing, net2/	312	60	283	31	671	-823
B. State Governments						
Current surplus (+)/deficit (-)	28	61	84	-4	17	213
Capital expenditures	83	119	195	293	515	410
Overall surplus (+)/deficit (-)	-55	-58	-111	-297	-498	-197
Capital receipts from Federal Gov.	18	27	96	222	346	308
Other2/	37	31	15	75	152	-111
C. General Government (= A+B)						
Current surplus (+)/deficit (-)	-223	91	529	400	191	1715
Capital expenditures	128	169	334	505	1075	783
Overall surplus (+)/deficit (-)	-351	-78	195	-105	-884	932
External financing, net	2	-5	73	-1	49	-10
Disbursement	(20)	(15)	(86)	(15)	(77)	(18)
Repayment	(-18)	(-20)	(-13)	(-16)	(-28)	(-28)
Domestic financing, net2/	349	83	-268	106	835	-922

1/ Grants, internal development loans, treasury loans, and external loans.
2/ Residual.
3/ Does not include grants so that general government capital expenditures involves some double counting.

Source: Appendix Tables 5.1, 5.6, 5.7, and 5.8.

Prices and Monetary Developments

52. The inflationary pressures of the immediate post-war period abated considerably during 1972. The average price increase of only 2.8 percent was similar to the average annual increase during the first half of the sixties and contrasted strongly with experience in the previous three years when inflation ranged from 10-16 percent per year. 1/ Prices actually fell during the second half of 1972 and by the beginning of 1973 average prices were 3.5 percent lower than one year earlier. Since then, however, prices of both food and non-food items have been rising, and by June 1973, food prices were roughly the same as in June 1972. On the average, food prices increased by just under 2 percent in 1973 and the overall rate of price increase was moderate.

53. The changes in the overall index mainly reflect movements in food prices (see Table II.10) which are themselves the result of shifts in the food supply-demand balance. Staple food production apparently grew faster than population during the first half of the sixties, so that food prices were remarkably stable. During the civil war, food prices actually fell as the food-deficit eastern parts of the country withdrew from the national economy. Prices rose sharply from 1969 through 1972, however, as the full impact of demand was felt immediately with the reintegration of the eastern areas into the economy while, naturally, a much longer time was needed to restore production and normalize distribution. As far as commodities other than staple foods are concerned, the progressive liberalization of imports since 1970 probably contributed to stabilizing prices of domestically produced goods through the increased availability of competitive imports. However, during 1973 non-food prices, especially for clothing and accommodation, increased rapidly.

Table II.10: COMPOSITE CONSUMER PRICE INDEX, 1960-1972

	Index			Annual Change		
	All Items	Food	Non-Food	All Items	Food	Non-Food
	(1960 = 100)			(Percent)		
1960-62 (average)	106.1	109.3	103.5	-	-	-
1964-66 (average)	116.7	116.4	116.9	2.4	1.6	3.1
1968	120.3	112.6	126.7	-	-	-
1969	132.3	133.9	131.0	10.0	18.9	3.4
1970	150.6	164.4	138.8	13.8	22.8	5.9
1971	174.7	211.4	144.1	16.0	28.6	3.8
1972	179.6	216.6	149.2	2.8	2.5	3.5
1973	187.4	220.8	161.7	4.3	1.9	8.7

Source: Central Bank and Appendix Table 9.1

1/ The composite consumer price index is a weighted average of price indices based on household budgets of urban workers (in the nine largest cities) with basic earnings not exceeding ₦800 per year. In some cases the household budget surveys relate to 1953. Food, with a weight of 45.5 percent, is the main component, while accommodation, clothing and drinks account for a further 28.7 percent.

54. The rapid growth of money supply during the civil war was another source of inflation. During this period the money supply, including savings deposits, grew at 15 percent per year and the ratio of money supply to GNP rose from 13.2 percent to 16.2 percent. The main source of growth of the money supply was a substantial increase in net credit to the public sector to cover the considerable budget deficit resulting from financing the civil war. The increase in the internal public debt was mainly in the form of Treasury bills (90 days maturity) and certificates (1-2 years maturity) and contributed to a high degree of excesss liquidity among commercial banks, which were the chief purchasers.

Table II.11: EXPANSION IN MONEY AND CREDIT, 1960-1972

Net Changes /1	1960-63	1963-66	1966-70	1971	1972
	(₦ millions)				
Credit to public sector /2	30.2	86.0	548.4	-182.4	- 13.4
(Treasury bills and certificates)	(-)	(68.0)	(664.0)	(80.0)	(30.0)
(Development stock)	(-)	(94.6)	(138.8)	(76.0)	(54.0)
Credit to private sector /3	90.8	106.0	167.4	140.4	166.6
Foreign assets, net	-17.4	- 10.2	2.6	164.0	96.4
Unclassified assets, net	-25.0	- 26.0	-265.2	-105.4	-182.6
Less time deposits	20.0	38.0	125.4	- 10.8	44.6
Total = Money supply /4	58.6	117.8	327.8	5.8	111.6
(As percent of average GNP)	(10.9)	(12.9)	(13.8)	(12.6)	(12.9)

/1 Changes in outstanding assets and liabilities of the banking system as at end December.
/2 Net of deposits.
/3 Including marketing boards.
/4 Currency, demand deposits and savings deposits.

Source: Central Bank, Appendix Table 6.1

55. The commercial banks were well-placed to provide substantial additional credit to the private sector at the end of the war, given their large holdings of liquid government debt. The sharp improvement in Federal Government finances in 1971 (see para. 38), meant that credit expansion could be geared almost entirely to the needs of rehabilitation and expansion of private sector activities which had been hampered during the war. Therefore, credit to the private sector rose from ₦ 472 million at the end of 1970 to ₦ 778 million at the end of 1972, i.e., at an average annual rate of 28.5 percent, while total credit outstanding of ₦ 1,318 million at the end of 1972 was only 10 percent higher than in 1970.

56. The Central Bank attempted to regulate credit expansion in order to contain inflationary pressures as well as to ensure distribution among sectors and between Nigerians and non-Nigerians in accordance with Government's

priorities. The actual increase in credit to the private sector far exceeded the guidelines in 1970 and 1971, partly because traditional techniques of control could not be effective, given the excessive liquidity of the commercial banks. This type of guideline was dropped in 1972, but the Central Bank continued to issue directives about the desirable composition of credit. These guidelines aimed at increasing the share of credit for "production," public utilities and transport, and reducing the share of general commerce. The latter was facilitated by the mandatory foreign trade credit system during 1971. However, in general, the commercial banks have not satisfied the guidelines (see Table II.12).

Table II.12: SECTORAL DISTRIBUTION OF CREDIT, 1970-1973

	Guidelines for Period Ending			Actual at		
	Dec. 1970	Dec. 1971	March 1973	Dec. 1970	Dec. 1971	March 1973
	(percentages)					
Total	100.0	100.0	100.0	100.0	100.0	100.0
(Annual Growth)	(20.0)	(8.4)	(.)	(44.7)	(42.9)	(15.0)
Production	33.4	39.6	45.0	33.0	35.5	36.4
Agriculture	3.0	4.6	4.0	2.0	1.9	2.8
Mining	1.4	2.3	4.0	1.9	2.3	1.3
Manufacturing	21.3	25.1	30.0	21.7	23.8	23.8
Real Estate and construction	7.7	7.6	7.0	7.4	7.5	8.5
General Commerce	47.8	46.3	32.0	47.7	44.1	34.5
Exports	25.5	20.5	10.0	19.8	18.3	11.6
Imports	11.9	15.6	10.0	17.0	12.6	8.2
Domestic Trade, etc.	10.3	10.0	12.0	10.9	13.2	14.7
Services	5.8	5.7	11.0	5.6	7.0	8.3
Public Utilities	1.2	0.3	3.0	0.2	0.7	0.6
Transport	4.6	5.4	8.0	5.4	6.3	7.7
Other	13.0	8.4	12.0	13.7	13.4	20.9
Personal and Professional	4.0	3.0	6.0	6.6	6.6	9.4

Source: Appendix Table 6.2

CHAPTER IV

EXTERNAL TRADE AND BALANCE OF PAYMENTS

External Trade

57. Petroleum exports have dominated Nigeria's international trade in recent years. Unlike the immediate post-war period, however, increases in export volume have been moderate since early 1972 and the substantial rise in earnings is attributable primarily to recent price increases. Following a rise of 165 percent in the physical quantity of crude oil exports during the two years 1970-71, export volume increased only by a further 30 percent by the end of 1973.

58. Export earnings of crude oil, as reported by the oil companies, amounted to an average of $2.70 per barrel during 1972, the increase in price from $2.46 in 1971 being attributable mainly to the devaluation of the US dollar. From late 1972, however, crude oil prices began to rise sharply as a result of excess demand in the world market. Information on bulk transaction prices of crudes is not available, but spot prices (of relatively small quantities) are reported to have exceeded the tax-reference price of $3.80 by May 1973. By July, spot prices of $4.40 were reported and continued to rise rapidly. Although movements in spot prices exaggerate price changes compared to prices for larger transactions on long-term contracts, there is little doubt that realized price for crude oil in general rose dramatically over this period. These phenomenal price movements culminated in the price revisions of October 1973 and January 1974 (para. 39) which raised government's take from about $2.31 to $8.54 per barrel. As a result of this increase in tax cost, f.o.b. price for bulk sales of Nigerian crude was probably in the range of $5.70-$6.00 per barrel during the last few months of 1973, and probably rose to about $10.00 per barrel by early 1974. Export earnings of the oil sector are estimated at about ₦1,840 in 1973, representing about 83 percent of the country's total export earnings, and will probably double in 1974.

59. In contrast to the continued rise in export earnings from petroleum, the value of Nigeria's traditional exports stagnated from 1969 to 1971 and declined markedly in 1972 (Table II.13). Both the quantity and the price of traditional exports fell sharply in 1972, resulting in a 30 percent decline in total earnings. Mainly because of a sharp rise in international commodity prices, earnings from non-petroleum exports recovered to the 1969 level of about ₦370 million in 1973. However, this is still well below the levels of about ₦400 million achieved in 1965 and 1966.

60. The decline in the volume of traditional export is attributable mainly to the stagnation of agricultural production. Cocoa output, for example, is roughly the same as in the mid-sixties (average of 260,000 tons in 1969/70-1971/72 as against 250,000 tons in 1964/65-1966/67). Diminishing output coupled with rapidly rising domestic consumption resulted in even

sharper decline in the export volumes of groundnut and palm oil. The disruption to production during the civil war together with rising domestic demands have resulted in a virtual end of palm oil exports. Despite the substantial increase in world market prices, the volume of groundnut exports fell by some 80 percent from 1969 to 1972 due to rising domestic consumption of groundnut oil resulting, in part, from the shortages and rising price of palm oil. Substantial smuggling of groundnut and cocoa have also been reported.

Table II.13: TRENDS IN VOLUME AND PRICE OF TRADITIONAL EXPORTS, 1965-1973

	1965	1969	1970	1971	1972	1973
	(Index number 1970 = 100)					
Volume	141	104	100	104	84	88
(Groundnuts)	(176)	(180)	(100)	(47)	(37)	(67)
(Cocoa)	(130)	(89)	(100)	(138)	(116)	(109)
(Palm Kernels)	(225)	(97)	(100)	(131)	(115)	(67)
Average Price	79	91	100	87	72	98
(Groundnuts)	(99)	(91)	(100)	(119)	(120)	(153)
(Cocoa)	(49)	(89)	(100)	(78)	(65)	(77)
(Palm Kernels)	(108)	(93)	(100)	(91)	(62)	(127)

Source: Appendix Table 3.2 and Federal Office of Statistics

61. Merchandise imports also grew rapidly in the first three post-war years, the main factors being the liberalization of import restrictions and the revival of economic activities. During the civil war, a number of restrictions were placed on current payments, import licensing was widespread, certain imports were prohibited, and duties were increased. The 1970/71 budget considerably reduced the number of goods which were prohibited or subject to individual license and lowered the import surcharge. The restrictions were further liberalized in April 1971 when most specific license requirements were dropped and a system of compulsory deferred payments was introduced, whereby payments for goods were delayed for 90 to 180 days after arrival. These measures, coupled with the rapid expansion of economic activities, led to the almost doubling of imports in real terms between 1969 and 1971 (Table II.14). Considerable stock-piling of imported goods apparently also occurred in 1971 because of a general expectation of renewed foreign exchange shortages and re-imposition of tight restrictions. However, the 1972/73 budget carried import liberalization even further as several categories of imports were put on a sight payment basis, another 13 categories (e.g., agro-chemicals, cement, buses, sugar) were moved from the 180-day to the 90-day payments list, and payment terms for imports of plant and machinery were relaxed. This evidently led to a significant draw-down in the stocks of some types of imported goods in the second half of 1972 and a consequent decline in new imports. More important, economic activities-particularly investment-declined somewhat in 1972 compared to 1971. As a result of these two factors, the volume of imports fell by 7.9 percent in 1972. This decline

proved to be temporary as, with the revival of investment in 1973, imports - valued at current prices - during the first six months of 1973 were 16 percent higher than in the corresponding period of 1972. Preliminary estimates for 1973 as a whole, show imports of about N1,234 million or some 26 percent higher than in 1972.

Table II.14: MERCHANDISE IMPORTS, 1969-1972

	Value					Growth			
	1969	1970	1971	1972	1973	1970	1971	1972	1973
	(N million)					Percentage			
Consumer goods	148	218	349	379	464	47.3	60.0	8.6	22.4
Non-durable	(129)	(180)	(277)	(273)	(325)	(39.5)	(53.9)	(-1.4)	(19.0)
Durable	(19)	(38)	(72)	(106)	(139)	(100.0)	(89.5)	(47.2)	(31.1)
Producer goods	317	520	715	599	770	64.0	37.5	-16.2	28.5
Intermediate	(145)	(209)	(257)	(234)	(322)	(44.1)	(23.0)	(-9.0)	(37.6)
Capital	(172)	(311)	(458)	(365)	(448)	(80.8)	(47.3)	(-20.3)	(22.7)
Total imports	465	738	1,064	978	1,234	58.7	44.2	-7.9	26.2

	1965	1969	1970	1971	1972	1973
			(1970 = 100)			
Volume index	80	70	100	136	125	134
Price index	91	94	100	105	105	122
Value index	73	66	100	143	131	163

Source: Appendix Tables 3.4 and 3.6

62. Consistent with the expansion of consumption and investment activities, imports of both consumer and producer goods rose substantially during 1970 and 1971 (Table II.14), and consumer goods imports continued to rise in 1972 and 1973. Food imports, in particular, rose rapidly from N44 million in 1969 to N100 million in 1972 and an estimated N 133 million in 1973. Import of consumer durables such as passenger cars has also increased steadily since the end of the war. Producer goods imports, on the other hand, were more volatile and, following increases of 64 and 37 percent in 1970 and 1971, declined by 16 percent in 1972. The decline was particularly marked for imports of capital equipment which fell by 20 percent. Available data indicate, however, that imports of intermediate and capital goods in 1973 were about 28 percent higher than in 1972.

Balance of Payments

63. The balance of payments of Nigeria in recent years is characterized by its increasingly dual nature. The oil sector is generating substantial and rapidly expanding surpluses, while the rest of the economy is faced with persistent and deepening deficits. The oil sector surplus is so large, however, that the country's balance of payments position is unquestionably strong.

64. The oil sector's net foreign exchange contribution to the economy has risen more rapidly in recent years than the value of oil exports. Net foreign exchange earnings of the oil sector increased from N253 million in 1970 to N797 million in 1972, an increase of 215 percent, while gross export earnings rose by 129 percent over the same period. The main reason is the larger government "take" per barrel of oil through substantially increased taxes and royalties. Furthermore, imports of goods and non-factor services per barrel of oil produced have also been declining. As a result, the national income share of gross export earnings rose from about 50 percent in 1970 to around 67 percent in 1972. The November 1973 revisions of the tax agreement which resulted in additional government income per barrel of oil exported, and the NNOC's acquisition of 35 percent equity participation in the major oil company, further raised Nigeria's share in total export earnings to over 80 percent in 1973.

TABLE II.15: OIL SECTOR BALANCE OF PAYMENTS, 1970-73

	1970	1971	1972	Prel. 1973
		(N millions)		
Exports, f.o.b.	517	981	1,186	1,842
Imports, c.i.f.	52	51	45	40
Balance	465	930	1,141	1,802
Non-Factor payments, net	-81	-114	-148	-150
Factor income, net /1	-220	-320	-322	-150
Current balance	164	496	671	1,502
Direct investment, net	85	120	130	32 /2
Short-term capital, net	4	-12	-4	-
Overall balance	253	604	797	1,534

/1 Residual

/2 Reflects cost of participation in the oil industry

Source: Appendix Table 3.1

65. The overall deficit of the rest of the economy increased steadily from ₦192 million in 1970 to ₦831 million in 1972 (Table II.16). Over this period the trade deficit increased from ₦ 292 million to ₦663 million, while net service payments abroad which averaged about ₦185 million in 1970 and 1971 rose to ₦ 235 million in 1972 when restrictions on foreign income repatriations were eased. Private direct investment fell in 1972, when the overall rate of fixed investment apparently also fell (see para. 21). The net official foreign capital inflow rose from ₦11 million in 1970 to ₦56 million in 1972 as external aid activities expanded with the restoration of peace-time conditions, but remains a relatively small part of total capital inflow.

Table II.16: SUMMARY BALANCE OF PAYMENTS, 1970-73

	1970	1971	1972	Prel. 1973
			(₦ millions)	
Non-Oil Sector				
Exports, f.o.b.	374	364	251	365
Imports, c.i.f.	666	1,009	914	1,167
Balance	-292	-645	-663	-802
Non-Factor payments, net	-75	-66	-80	-103
Factor income, net	-112	-111	-155	-160
Transfers, net	45	1	-15	-35
Current balance	-434	-821	-913	-1,100
Direct investment, net	121	114	92	60
Other private capital, net /1	110	198	-66	-394
Official capital	11	32	56	53
Non oil sector, net	-192	-477	-831	-1,381
plus Oil Sector, net	253	604	797	1,534
OVERALL BALANCE	61	127	-34	153

/1 Including changes in arrears on commercial payments, errors and omissions.

Source: Appendix Table 3.1

66. In recent years Nigeria added substantially to its foreign exchange reserves. The surplus of the oil sector together with considerable build-up of arrears of commercial payments (included as "other private capital" in Table II.16) exceeded the deficit of the non-oil sector. In 1972 there was a small loss of reserves as a result of the policy of liquidating the payments arrears. Nonetheless, gross reserves at the end of 1972 were ₦285 million or equivalent to almost 4 months' imports compared to ₦120 million or 3 months' imports in 1969. It must be stressed that imports in 1969 were relatively low because of the war-time controls and had about doubled by 1972.

67. Nigeria may have earned an uncommonly large balance of payments surplus in 1973. Despite a sharp improvement in the trade balance from N480 million in 1972 to N1,000 million in 1973, recorded gross foreign exchange reserves only increased by N163 million. The effect of higher oil prices and earnings on foreign exchange is probably lagged by a few months, so that a part of the accrued increase in reserves is relflected in unusually large errors and omissions. 1/

68. Commitments and disbursements of official external aid remain relatively small, although they have increased noticeably over the last few years. Debt service payments amounted to only N 37 million in 1972, equivalent to only 2.4 percent of export earnings. The debt service ratio was even lower in 1973.

1/ By the end of April 1974, official gross reserves (as reported in IFS) had reached N1,000 million compared to N390 million four months earlier.

CHAPTER V

MEDIUM TERM ECONOMIC PROSPECTS

69. Nigeria now has the opportunity to achieve a significant improvement in the general standard of living within a relatively short time-span. At least over the next Plan period, the achievement of this potential will depend not so much on the ability of the economy to mobilize its resources, as on its ability to allocate and use the available resources efficiently. This is now clearly the Government's view regarding the development prospects of the economy over the next 5 to 7 years. Nigeria will embark on its Third National Development Plan in 1975 from an unprecedented high level of investment both in the private and public sectors, and with a substantially strengthened position of the indigenous population in the national economy (See Chapter II). The major tasks of the Government are to prepare and implement a substantially enlarged public sector investment program and to formulate and execute economic policies which would ensure a continued expansion of private investment. Closely related also is the objective of increasing indigenous participation in and share of the future income arising from these investment activities.

Third National Development Plan

70. During the past year, the Government was able to turn its attention increasingly from the Second Development Plan, which was concerned mainly with the problem of reconstruction and rehabilitation, to longer-term development prospects and in particular to the preparation of the Third National Development Plan. Recognizing the substantial slippages that are being experienced in the implementation of the current Plan, the Government decided to postpone the beginning of the next Plan by one year to allow for the execution of current projects. The Third National Development Plan will cover the five years from April 1, 1975 to March 31, 1980.

71. In contrast to the crisis atmosphere associated with the preparation of the Second Plan, Government has started to prepare the Third Plan in good time and with considerable organization. As with all previous examples of national planning in Nigeria, the public sector investment program will represent the core of the Third Plan. In the past, however, the Government did not provide a policy framework for the executing agencies, with the result that the investment program was often not addressed to any coherent set of well-defined goals. The Government issued "Guidelines for the Third National Development Plan, 1975-1980" in July 1973, in order to set the policy framework for the executing ministries or agencies in the public sector to articulate development projects and programs for inclusion in the Plan, as well as to give the private sector an opportunity to comment on the Plan's objectives. The present timetable calls for the submission of proposed projects and programs by the executing ministries and agencies in both the Federal and State

Governments to the Central Planning Office by early 1974 and the announcement of a draft Plan later in the year. This would allow for some general discussions of the draft before finalizing the Plan in March 1975.

72. The "Guidelines" generally reiterate the policy objectives presented in the Second Plan, but more than ever before, the importance of agricultural and rural development is emphasized. "While the non-agricultural sectors can be expected to be increasingly important in the future, agriculture will continue to be the mainstay of Nigeria's economy. In the first place, that sector will still have to furnish the bulk of employment and income for the nation's population. Secondly, agriculture will have to meet most of Nigeria's rising demand for food, feed and raw materials and industry. With population expanding at about 2.5 percent yearly, urbanization increasing, and incomes projected to rise sharply, the demand for more and better food and for raw products such as cotton and kenaf will grow rapidly. Finally, agriculture will have to continue as an important earner of foreign exchange. Thus, accelerating Nigeria's agricultural growth is essential for the country's further progress. Within agriculture, increased importance is given to food crops development since at the present rate of growth of supplies, Nigeria will not be able to feed its people in the next decade unless there is a radical departure from existing attitude to and investment in agriculture." A wide range of policies and programs would be strengthened or introduced for the first time to achieve these objectives. The Federal Government has reformed the Marketing Board system with a view to increasing producer prices and stimulating output; rehabilitation and new planting schemes for tree crops have already been started; the Nigerian Agricultural Bank has been established; construction and maintenance of feeder roads and produce evacuation roads will be emphasized; efforts will be made to streamline input distribution services; and the Government will establish food processing plants and foster the integration of timber production with forest industries.

73. The need to promote rural development in more general terms is also recognized. It is stated that "the next National Development Plan will contain an explicit rural development and transformation program going beyond the area of agriculture and encompassing all facets of rural life and conditions and aiming at providing more productive work opportunities and, therefore, an equitable distribution of the national income and a higher standard of living in the rural area". It will also be "the policy of state governments during the next Plan period to ensure that no community of 20,000 people or more shall be without these essential services (water supply, hospital and health center, schools and electricity) and the Federal Government will provide special grants to facilitate their supply".

74. A major goal of industrial development policies will be the attainment of greater inter-industry linkages and more intensive use of local raw materials. Import and excise duties and provision of funds for research are seen as major policy instruments. The Guidelines stress that "a new attitude

and approach to export industries is necessary" and that, in addition to developing traditional agro-based industries, Nigeria "should start now to think and make long-term plans for a major effort ... in non-traditional export industries like petrochemicals ... simple machinery and equipment, especially small scale agricultural machinery, tools ...". As a starting point, "a study and possibly a program of export incentives and promotion techniques will be undertaken". Many projects in which the Federal Government intends to participate, e.g., fertilizer, LNG, iron and steel, will slip from the Second Plan into the Third Plan industrial investment program and it is also hoped to include an indicative list of projects for private investments especially for small scale industry.

75. Executive capacity is repeatedly identified as a binding constraint on the growth of the economy. "The difficulties that are being encountered in the implementation of projects in the current Plan make it clear that a general shortage of qualified personnel has become a major constraint to agricultural development". In transport, "there is a serious lack of executive capacity even for implementing existing programs". Shortages of manpower and managerial skills are also identified as major obstacles to development in industry, communication and education.

76. The "Guidelines" project an annual growth rate of GDP over the Plan period of 9.8 percent in current prices, or 7.8 percent in constant prices. Over this period, government savings in the form of budgetary surpluses are expected to be sufficient to finance the public sector investment program that is likely to be implemented. "Finance is not likely to constitute an insurmountable obstacle to development efforts in the next Plan period". Similarly, "as far as the next Development Plan is concerned, foreign exchange is unlikely to feature as a major problem," because after financing all external transactions relating to both current and capital needs it may be possible to add to our external reserves about ₦1500 million during the Third Plan period alone."

77. In sum, the Guidelines provide a frank assessment of past performance in plan formulation and implementation. They also rightly emphasize that the central aim of future development should be to utilize oil resources for promoting rapid development in the rest of the economy generally and the rural sector in particular, and for ensuring a more balanced development among the regions. These considerations are reflected in the strategy and priorities proposed for the Third Plan. The planners are fully cognizant of the problems posed by the lack of well-prepared projects and of executive capacity. A large program of project preparation has already been started. Consultants, both Nigerian and from abroad, have been engaged to assist the Federal and State Ministries in preparing projects in agriculture, industry and transport.

78. International agencies are also assisting in the identification and preparation of projects in education and health. While these efforts are considerably more than ever attempted before, they are small relative to the magnitude of the program that is required and financially feasible. Sustained and even more extensive project preparation will be required not only before

1975, but during the Plan period itself. At least during the Plan period, the rate at which the public sector will be able to increase its capacity to prepare and implement development projects will depend, in part, on its ability to import the necessary skills and technology from abroad.

Economic and Financial Prospects

79. The Basic Economic Report examined Nigeria's economic prospects through the early 1980s, in some detail. GDP was projected to grow at about 8.2 percent per year in real terms over the twelve years following 1970/71. 1/ In terms of time-phasing, the oil sector would lead with high rates of growth in the early and middle 1970s, slowing subsequently to some 3-4 percent per year. The other sectors of the economy would then provide the momentum of growth. The projections assumed that agriculture, livestock and forestry output would increase at a rate only slightly above 3 percent per year. The modern sectors of the non-oil economy—manufacturing, construction, transport and utilities--would sustain the momentum of growth increasingly over time with rates ranging between 12 and 15 percent per year. With regard to the country's financial prospects, the Report projected that the combined Government recurrent surplus would probably exceed public investment until about 1983/84. The balance of payments was also expected to be in surplus throughout the 1970s, with accumulated resources amounting to the equivalent of nine-months imports by 1980. Substantial draw-down on accumulated reserves was projected immediately thereafter, however.

80. While economic developments over the last two years have confirmed to a large extent the above assessment, the sharp rise in oil prices during the last few months of 1973 will result in a level of government revenues much larger than projected in the Basic Report. As a result of the developments described in paras 39 and 58, total Government revenues from the oil sector are now expected to amount to about ₦4,500 million in FY 1974/75, if prices stabilize at the January 1974 level. Assuming that the OPEC countries continue to increase the price of their crudes in accordance with the inflation rate of the developed countries' exports, the purchasing power of Government revenues from the oil sector should continue to rise with increasing output. Unless a conservation policy is pursued by the Government, a further 25 percent increase in oil output from the average 1973/74 level of 2 million barrels per day should be easily feasible by the mid-1980s. Assuming an international inflation rate of 7.1 percent per annum over the period 1974/75 to 1985/86, Government revenues from oil should increase to about ₦11,000 million by the mid-1980s. The Government is understood to be considering a much bigger program of public development expenditures than indicated in the Guidelines, given the prospect of vastly larger oil revenues.

1/ The analytic framework is fully described in Chapter VIII, Annex, "A Long Term Projection Model of the Nigerian Economy."

81. In terms of needs, the possible expansion in public expenditures is very large indeed. Expenditures may be grouped into three distinct categories on the basis of their economic effects and the capacity to absorb resources in such uses. First, there is scope for investment in large-scale industry to produce such "strategic" commodities as steel, pulp and paper, fertilizers, petrochemicals and refined petroleum products. Based on cost data of similar projects in other countries, the financial requirements of the projects identified in the current plan and likely to be implemented during the next Plan period - liquified natural gas, petroleum refineries, fertilizers, pulp and paper, iron steel, etc. - are already of the order of ₦4,000 million in terms of 1970/71 prices. Total investments in these sectors could be substantially higher, with the addition of new projects over the next decade. Assuming a 70 percent equity share by the public sector, and including adjustments for expected inflation, annual expenditures by the public sector in these strategic sectors could exceed ₦1,000 million by 1980/81, and increase to more than ₦3,000 million by 1985/86. Executive capacity may not limit the Government's program for investment in larger-scale "strategic industries since implementation in these industries will probably be undertaken by technical partners with considerable experience.

82. Secondly, there is a vast scope for expenditures to upgrade the country's social and physical infrastructure. In these areas, needs undoubtedly exceed absorptive capacity. Substantial increases in education, health and social services provided by the Government will be necessary just to bring the standard up to the levels of many countries at a comparable level of development. There are barely 5 hospital beds per 10,000 population, with an excessive concentration in urban areas. In contrast, for example, Kenya whose per capita income is roughly comparable to that of Nigeria in 1973/74, has 13 beds per 10,000 people. In 1970, barely 28 percent of the officially estimated population in the age group 6-12 years was enrolled in schools; the proportion is much lower in many of the northern states. Government has announced its intention to achieve universal free primary education by 1980.

83. Moreover, the expansion of economic activity would call for substantial investments in improving existing all-weather roads and in construction of new roads. According to one estimate, nearly a third of the existing state and federal roads are classified as in bad condition. Also, most urban areas are not served by adequate protected water supply and sewerage; and only 2 million of the estimated urban population of 15 million had electricity supply in 1970. Shortage of housing and transport are already serious problems in major cities, especially in Lagos. With urban population increasing at an estimated rate of over 5 percent -- and the pace of urbanization may increase further -- there is clearly a need for major public investment in urban amenities. The Government plans to build 2.6 million houses during the next 5-6 years. In agriculture, with a rising proportion of the tree crops entering the phase of declining yields, a massive program for replanting and new planting is imperative if Nigeria is to maintain or increase production over the next 10-15 years. Acceleration of food production would call for expansion and improvement of extension services and increased investment in rural roads, land development, water resources and credit.

84. While the need for public expenditures in productive sectors and infrastructure is large, the rate at which they can be increased, consistent with requirements of efficiency, is constrained by the availability of well-prepared projects, the supply of trained personnel and the quality of organization -- in short by executive capacity. External technical assistance in project preparation, training of personnel and, in the initial stages, organization and management of projects could play a valuable role in increasing Nigeria's absorptive capacity.

85. The third type of expenditure covers defense, welfare and other non-productive activities. Here, in contrast to productive investments and social services, the level of spending is not constrained by executive capacity. With vastly increased oil revenues, the temptations, and the pressures, to raise defense spending, subsidy programs, Government salaries, and similar "unproductive" items, are likely to intensify. Some increases in defense outlays may be unavoidable. Given the low level of income and its unequal distribution, a case could no doubt be made for old age pensions, subsidies, and other welfare-type programs. While the budgetary resources of the Government would appear to permit substantial increases in such expenditures, they will only increase immediate consumption and contribute little, if any, by way of lasting increases in productivity. It is, therefore, essential to restrain the growth of non-productive public expenditure.

86. The financial requirements of these programs, after allowing for needs as well as executive capacity, are difficult to assess. We have, however, attempted to project the possible growth of public expenditures on the basis of the likely expansion of executive capacity as well as needs. With regard to the recurrent budget, it would seem that combined government expenditures, excluding transfers and defense, could, in real terms, grow at an annual rate of over 16 percent during the next decade, compared to around 5 percent in the first half of the sixties and about 11 percent from the mid-sixties to the early seventies. The projected growth appears to be in line with the need to improve public services and would be consistent with the projected large investment program. The projected recurrent expenditure in 1985/86 on public services would amount to about ₦35 (at today's prices) per capita. This is still below the current level in many countries where the per capita income today is roughly the same as projected for Nigeria in 1985/86 (roughly $500 in today's prices). Allowing for a modest growth of defense expenditures (around 6 percent per annum in real terms), a 14 percent annual growth (in current price terms) in Government expenditures on transfers and subsidies, and assuming that the cost of goods and services purchased by Government rises by 6.5 percent a year, combined Government recurrent expenditures could exceed ₦10,000 million in 1985/86.

87. Over the next ten years, executive capacity will be a major limit on public investment. In the traditional areas of infrastructure investment, a very rapid increase in public investment in transport--particularly highways, ports and airports--can be expected. If the capacity of the construction industry can be expanded quickly, the Government's housing program could also represent a sizable claim on investible resources. On the basis of known

program and past trends, public investment in these sectors could rise by 11 percent per annum over the next ten years. This would imply a level of expenditures in 1985/86 of close to ₦ 2,000 million in terms of 1970/71 prices or about ₦7,600 million in current prices. In addition public investments in the "strategic" sector is projected to reach ₦3,300 million, in current prices, by 1985/86.

88. The impact of these revised projections of public current and capital expenditures as well as the revised oil prices on Nigeria's economic growth and balance of payments have been examined in some detail using the same analytical model described in the Basic Economic Report. 1/ In addition to the revisions of projected public expenditures, inflation rate of the country's imports has also been increased from the 2 percent per annum assumed in the Basic Report to an annual average of 7.1 percent over the next decade. Similarly, prices of domestic manufactured goods, agricultural commodities and services have also been revised upwards, but assumed to grow at a somewhat lower rate than import prices.

89. The projected annual GDP (factor cost) growth rate is about 9.3 percent, compared to the 8.2 percent projected in the Basic Report. Nonetheless, even after such sustained and rapid growth, Nigeria would still be a relatively poor country with per capita income (in 1973/74 prices) of about ₦320 (US$500) by 1985/86 compared to an estimated ₦132 (US$220) in 1973/74. The pattern of growth remains roughly the same, with the momentum coming mainly from the modern sector of manufacturing, transport and construction in which an annual expansion of around 15 percent is projected. The projected structural change in the economy is broadly similar to that outlined in the Basic Report. The projections imply a fall in the share of agriculture in GDP from 43 percent in 1972/73 to about 20 percent by 1985/86, and an increase in the share of manufacturing from 8 percent to about 20 percent.

90. The above projections assume that crop production will rise by 3.5 percent a year from 1973 to 1980, and 3.9 percent a year thereafter. This would mean a modest acceleration over historical trends which is believed to have been around 3 percent a year. While much larger increases in production are technically feasible, the extent to which these possibilities can in fact be realized in the next decade seem severely constrained. Many of these constraints, the nature of which are discussed at greater length in Volume III, can be removed only gradually. On the basis of several promising agricultural projects launched recently and planned for the near future, some improvement on past trends seems likely. Much higher rates could be achieved in the eighties and beyond, provided a bold, coordinated program is initiated from now on. Output of livestock products is postulated to grow by 5 percent a year.

1/ For further details regarding other assumptions and the structure of the model, see IBRD, "The Current Economic Position and Long-Term Prospects of Nigeria," (AW-35a) Volume I, Chapter VIII, Annex.

91. The model suggests that industrial production (including crafts, but excluding the "strategic" sectors) could grow at an average annual rate of 14.7 percent. Between 1965/66 and 1972/73, despite the disruptions caused by the civil war, value added by manufacturing rose by nearly 9 percent a year. With the restoration of political stability and the projected higher expansion of public expenditures, the conditions are favorable for more rapid growth in the years ahead. Practically all the projected expansion will be in the private sector. The Government's role, besides providing finance, is basically to devise policies which will facilitate accelerated growth in an efficient manner and consistent with the objective of indigenisation.

92. The revised projections reinforce the Basic Report's assessment that resource availability is unlikely to be a constraint to economic development over the next decade. Fiscal prospects, in particular, have been strengthened considerably by the recent rise in oil prices. As summarized in Table II.17, the Federal and State governments taken together are expected to show an overall budget surplus through 1981/82. In the earlier years, direct revenues from the oil sector (i.e., profits tax and royalty), exceed total expenditure. However, by 1980/81, non-oil revenues--particularly import duties--become a crucial element in determining the balance between total revenues and expenditures. The projected revenues from the non-oil sectors take account of the reduction in foreign trade and excise taxes introduced in the 1974/75 budget. Further substantial reduction of non-oil taxation could result in budget deficits-or slower growth of expenditure - much earlier. Therefore, even during the next several years of "excess" oil revenues, the Government would have to take a long-term view towards diversifying and strengthening the rest of its tax base in order to sustain expenditures at a level similar to that assumed in these projections. A careful husbanding of the resources made available by the oil-related sectors along with continued efforts to mobilize resources from the rest of the economy remain necessary for long-term fiscal viability.

Table II.17: SUMMARY GOVERNMENT ACCOUNT, 1973/74-1985/86

	Estimate	Projection		
	1973/74	1974/75	1980/81	1985/86
		(₦ millions, current prices)		
Current Revenue	3,007	5,393	10,900	18,505
(Oil Revenue)	(2,250)	(4,500)	(7,685)	(10,880)
Current Expenditure	1,358	1,670	4,935	10,260
"Development"	450	570	2,280	5,940
Other	908	1,100	2,655	4,320
Current Surplus	1,649	3,723	5,965	8,245
Investment	772	1,070	4,830	10,950
Strategic Sectors	-	10	1,185	3,295
Other	772	1,060	3,645	7,655
Overall Surplus	877	2,635	1,135	-2,705

Source: Mission estimates.

93. Table II.18 summarizes the projected current account of Nigeria's balance of payments. Oil will continue to be the dominant element of Nigeria's export trade. Traditional exports (mostly agricultural products) are likely to show only modest increases because of the difficulties of raising production, the erosion of exportable surpluses resulting from rapid growth of internal demand, and the relatively less favorable price prospects. The most promising avenue for diversification of export trade during the coming decade is LNG, fertilizers, and other oil-related activities. By the mid-eighties total exports of these commodities, at current prices, could be of the order of N4,400 million, representing about a fourth of aggregate export earnings. Estimates of import requirements are derived from projection of feasible growth in domestic production which allow for import substitution and of the likely demand for different categories of consumer and intermediate goods. In the case of capital goods, import demand is based on the projected level of real investment and specific assumptions on import-content of investment in different sectors. Projections of non-factor services take into account the expected inflow of foreign technicians, contractors and other services related to the expanded level of investment. The projections of factor payments, on the other hand, include the effects of Government participation in the oil-related industries as well as its interest income from external reserves.

94. Aggregate imports of goods and services at constant prices are projected to rise at an average annual rate of about 16 percent. The implied import elasticity (1.8) is much higher than estimated in the Basic Report (1.1), as a result of the following factors: (i) Unlike in the Basic Report, which fixed food imports (other than food grains) to grow at an exogenously specified rate, the present model assumes that the level of food imports will be equal to the gap between demand and production; (ii) the present exercise postulates a somewhat slower import substitution in manufactured consumer and intermediate goods than assumed earlier; and (iii) under the revised model the rate of investment is sustained at a much higher level than in the Basic Report, thus resulting in much larger imports of capital goods.

Table II.18: SUMMARY BALANCE OF PAYMENTS ON CURRENT ACCOUNT, 1972/73-1985/86

	Actual	Estimate	Projection		
	1972/73	1973/74	1974/75	1980/81	1985/86
		(N million, current prices)			
Exports, f.o.b.	1,468	3,241	5,405	10,025	17,290
(Crude Oil)	(1,218)	(2,900)	(5,006)	(8,210)	(11,660)
(Petrochemicals, etc.)	(-)	(-)	(-)	(1,130)	(4,410)
Imports, c.i.f.	1,010	1,250	2,056	8,755	20,960
Non-factor services, net	-242	-259	-339	-1,025	-2,140
Factor payments, net	-487	-375	-321	185	-325
Transfers, net	-15	-	-	-	-
Current Account Balance	-286	1,357	2,689	430	-6,135

Source: Mission estimates.

95. The current account is likely to change from a marginal deficit in 1972/73 to large surpluses in 1973/74 and 1974/75, reaching a maximum of ₦ 2,690 million in the latter year. This reflects the sharp improvement in terms of trade, essentially due to the four-fold rise in oil prices. But, thereafter, as the rate of oil price rise comes closer to the increase in price of other goods, and the effects of the substantial growth of public expenditures are felt, the surplus declines rapidly. In fact, the overall balance of payments account is likely to show a deficit by 1981/82 and the deficit will grow rapidly thereafter. However, a substantial increase in the country's external reserves will be possible during the period of overall surplus. Accumulated reserves could reach a maximum of ₦16 billion at the end of 1981/82, about 1.3 times the value of imports in that year; but would fall to ₦4 billion, equivalent to about 2.3 months' imports, by the end of 1985/86.

96. The revised macro-economic projections are summarized in Table II.19 while the range of GDP growth and of balance of payments developments under various alternative assumptions are summarized in Table II.20. As indicated in Table II.20, even if oil prices decline in real terms and total public expenditures in real terms grow by only 10.5 percent a year, it seems inevitable that Nigeria's foreign exchange resources will be substantially in excess of the requirements during the seventies. Though the absolute magnitude of reserves will differ under different assumptions of future oil prices and public expenditures, the range is likely to be rather small if oil prices over the next two to three years--the period of maximum reserves accumulation --could be maintained at the January 1974 level in real terms. Accumulated reserves at the end of the Third Plan may lie in the vicinity of two years import value. But beyond 1980, the balance of payments prospects are highly sensitive to the level of oil prices and the growth of public expenditure. In general, the rate of reserve accumulation will decline progressively, and by the early eighties balance of payments deficits are likely to emerge, leading to a draw-down of reserves. The lower the oil price and the faster the growth of public expenditure, the sooner will be the time when loss of reserves begins and the larger its magnitude. The range of possible outcomes is very wide. With relatively low growth of public expenditure and constant real oil prices, total reserves in 1985/86 could be equivalent to about ten months' imports. But with a 13 percent average annual growth in Government expenditures, low oil prices and constant oil production, Nigeria could well exhaust all its reserves by the early eighties and have to borrow heavily abroad thereafter in order to maintain the projected overall growth rate. All this assumes that Nigeria will not cut back its current level of oil output. It has, of course, the option to adjust its level of output such that foreign exchange reserves are kept within what it considers to be desirable levels.

97. It is obvious that the financial prospects of the country are very sensitive to the assumption regarding the future behavior of oil prices and output, the rate at which public expenditures can be increased consistent with considerations of efficiency, and the trend in import prices. All these assumptions are inevitably subject to large margins of uncertainty. In particular, it is extremely difficult to predict oil prices even for the next six

Table II. 19. MACRO-ECONOMIC PROJECTION, 1972/73 - 1985/86 1/

	Estimates			Projection		Rate of Growth	
	1972/73	1973/74	1974/75	1980/81	1985/86	1973/74-1980/81	1980/81-1985/86
	(N Million, 1970/71 Prices)					(Percentages)	
GROSS DOMESTIC PRODUCT, market prices	6481	6923	7420	12950	20955	9.4	10.1
Terms of Trade Adjustment 2/	165	1338	2430	2310	2330	.	.
GROSS DOMESTIC INCOME	6646	8261	9850	15260	23285	9.2	8.8
Import of Goods and NFS	1255	1296	1775	4460	7830	19.3	11.9
Export of Goods and NFS	1460	2710	3930	4575	5875	7.8	5.2
RESOURCE AVAILABILITIES = USES	6441	6847	7695	15145	25240	12.0	10.8
Investment	1208	1316	1553	3690	6145	15.9	10.7
Public	(452)	(543)	(667)	(1710)	(2790)	(17.8)	(10.3)
Private	(756)	(773)	(886)	(1980)	(3355)	(14.4)	(11.1)
Consumption	5233	5531	6142	11455	19095	11.0	10.8
Public	(719)	(844)	(968)	(1815)	(2920)	(11.6)	(10.0)
Private 4/	(4514)	(4687)	(5174)	(9640)	(16175)	(10.9)	(10.9)
Gross Domestic Savings	1413	2730	3708	3805	4190		
Net Factor Payments	-395	-203	-97	352	-		
Gross National Savings	1018	2527	3611	4157	4190		
(as % of GNY)	(16.8)	(31.4)	(37.0)	(26.6)	(18.0)		

1/ Assuming the "high" alternative for public expenditure, oil output and oil prices.

2/ Difference between exports valued as capacity to import (i.e., deflated by the import price index) and exports valued at base year prices.

3/ Exports, capacity to import.

4/ Residual, including changes in stocks.

Table II.20. GROWTH OF GDP AND FOREIGN EXCHANGE RESERVES UNDER ALTERNATIVE ASSUMPTIONS ABOUT OIL PRICES, OUTPUT AND PUBLIC EXPENDITURE[1]

	Public Expenditure	Oil Price	Oil Output	Growth Rate of GDP[2] %	Year when Deficit Begins	Maximum Reserves			Reserves in 1985/86	
						Year	Quantum billion N	Proportion of Imports	Quantum billion N	Proportion of Imports
1.	H	H	H	9.3	1982	1981	16.1	1.35	4.1	.18
2.	H	L	H	9.1	1980	1979	12.2	1.51	-10.6	-
3.	H	L	L	9.0	1980	1979	11.0	1.39	-15.8	-
4.	L	L	L	8.3	1981	1980	13.2	1.50	-2.8	-
5.	L	L	H	8.4	1981	1980	14.6	1.64	1.7	.09
6.	L	H	H	8.6	1983	1982	20.2	1.57	16.3	.78

Source: Mission estimates.

1/

	Annual Growth (%) 1973-85	
	High (H)	Low (L)
Public expenditure (constant prices)	12.7	10.5
Oil price (constant $)	0.0	-2.0 (1974-85)
Oil output	1.6	0.0

2/ At factor cost.

months. The whole question of oil supplies and oil prices is intimately bound up with political issues in the Middle East, so that changes in oil prices may not follow any economic rationale and could be subject to wide fluctuation. Nigeria would have relatively little influence over price movements since its crude oil exports are a small part of total world trade. The magnitude of the country's reserve accumulation is particularly sensitive to the time profile of oil prices over the next few years. Thus, if prices were to weaken substantially in 1974 or 1975, reserve accumulation would be much smaller than estimated, even if prices were to recover subsequently and reach the projected level by 1980. Furthermore, with vastly increased oil revenues, the pressures to raise defense and other public expenditures unrelated to the development objectives inevitably intensify. The possibility of vast non-productive expenditures of these types, which have not been included in the above projections, could result in a quick erosion of the public sector's strong fiscal position.

Conclusion

98. In sum, the sharp rise in oil prices during the latter half of 1973 does not fundamentally alter the conclusions of the Basic Economic Report about Nigeria's long-term development prospects and problems. Of course, with larger resources now available, Nigeria is in a position to undertake a much bolder program of public developmental expenditure and can look forward to an even faster rate of overall development than was anticipated in early 1972. Higher oil prices also mean that Nigeria's balance of payments and fiscal position during the next decade will be more comfortable than anticipated earlier. However, the revenue surplus will remain a temporary phenomenon. With sustained rapid growth of national income and of public expenditure, Nigeria faces the prospect of substantial and growing balance of payments deficits from the early eighties.

99. Though Nigeria could achieve a sustained, high rate of overall development in the coming decade, the per capita GNP in the mid-eighties will still be rather modest at $500 in 1973/74 prices. More importantly, the danger of perpetuating, if not aggravating, economic dualism will persist. One aspect of this dualism is in the balance of payments. While the oil sector will continue to generate sizable surplus of foreign exchange, the deficits of the non-oil sector will grow rapidly, and by the early eighties, may well exceed the oil surpluses. In the fiscal sphere, the comfortable position of the Federal Government contrasts sharply with that of the states. Under the present system of revenue allocation, most of the oil revenues, by far the largest source of Government receipts, accrue to the Federal Government.

100. These problems are symptoms of more deep-rooted dualism in the Nigerian economy reflected in the wide disparity between rural and urban sectors. These disparities, already striking, seem likely to persist over the next decade and may be aggravated. While the projected growth of public expenditures can be confidently expected to stimulate a sustained high rate of expansion in manufacturing, construction, transport and other modern,

essentially urban-based, activities, the prospects of a comparable acceleration in the growth of agriculture are doubtful. With agricultural incomes growing at 3.5-4 percent a year, the increase in rural per capita incomes over the next decade, even allowing for larger migration to the towns, will be moderate and in any case may not significantly improve rural living standards relative to those of the rest of the economy. Within the urban areas, there are dangers that, without purposive remedial action, the pattern of growth may result in undue concentration of incremental incomes within a small segment of the population.

101. If economic growth is to benefit the largest portion of the population, a major effort to accelerate development of the rural areas is necessary. The potential clearly exists both for increasing productivity and income as well as for improving education, health, and other social services. Accelerated growth of agriculture, besides directly increasing farmers' income, would stimulate growth of agro-based industry and other non-agricultural activities in rural areas. A broad-based development strategy with widely dispersed benefits would also lead to the growth of mass-consumption type of industry. Over the long run, a broadly distributed growth of personal income will provide the State Governments a larger base for raising revenues, and for the Government as a whole, an alternative to the present reliance on only one sector for the bulk of revenues.

102. The policies and programs of the Government are increasingly being addressed to the effective use of resources generated by the oil sector for diversified and dispersed growth of the rest of the economy. The Government has intensified its efforts, with assistance from bilateral and multilateral aid agencies, to improve its capability for formulating and implementing larger investment programs. Despite these efforts, executive capacity remains a serious constraint on the rate at which public investment programs in more crucial areas as agriculture, rural development and infrastructure can be stepped-up. Continued external assistance has, therefore, a valuable role, not so much as a means of transferring financial resources, but as a vehicle for technical assistance to prepare and execute investment programs commensurate with the potential. To carry through larger investment programs in the near future and for building up the indigenous executive capacity to maintain the momentum over the longer term, external aid is more urgently needed, and on a large scale, as the country's resources become more abundant.

STATISTICAL APPENDIX

Table No.

2. NATIONAL ACCOUNTS

2.1 Gross Domestic Product at constant (1970/71) prices by Type of Activity, 1965/66 - 1973/74
2.2 Gross Domestic Product and Income by Type of Expenditure, 1965/66 1973/74

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2. NATIONAL ACCOUNTS.

2.1 Gross Domestic Product at constant (1970/71) prices by Type of Activity, 1965/66 - 1973/74

2.2 Gross Domestic Product and Income by Type of Expenditures, 1965/66 - 1973/74

Table 2.1: NIGERIA: GROSS DOMESTIC PRODUCT AT CONSTANT (1970/71) PRICES BY TYPE OF ACTIVITY

	Annual Average		Mission estimates			
	1964/5-66/67	1967/8-69/70	1970/71	1971/72	1972/73	1973/74
	(In constant 1970/71 prices) (N Millions)					
Agriculture	1792	1505	1904	2070	2113	)
Forestry	188	94	80	117	150	2648)
Livestocks & Fisheries	313	317	375	382	390	)
Petroleum Mining	104	128	534	767	882	1006
Other mining & Quarrying	40	33	36	41	57	61
Manufacturing & Crafts	233	244	363	376	428	469
Construction	198	173	244	329	335	370
Public Utilities	18	18	30	37	43	51
Transport & Communication	175	149	210	250	290	300
Distribution	458	409	610	662	696	743
General Government	101	164	284	332	377	446
Education & Health	141	134	145	174	198	220
Other Services	83	90	105	115	131	145
GDP at Factor Costs	3844	3458	4920	5642	6090	6459
plus: indirect taxes	290	261	400	468	391	462
GDP at Market Prices	4134	3719	5320	6110	6481	6921
less: net factor payments - oil	(163	154	230	359	250	76
non-oil	(		110	106	142	122
GNP at Market Price	3971	3565	4980	5645	6089	6723

1/ Excluding the three Eastern States.

Source: Federal Office of Statistics and mission estimates.

Table 2.2 GROSS DOMESTIC PRODUCT AND INCOME BY TYPE OF EXPENDITURE, 1965/66 - 1973/74

				Mission Estimates		
	1965/66 1/	1968/69 2/	1970/71	1971/72	1972/73	1973/74
	(Million Naira 1970/71 Prices)					
Gross Domestic Product, market prices	4134	3719	5320	6110	6481	6923
Terms of Trade Adjustment	-48	-39	-	171	165	1338
(Exports, capacity to import) 3/	(600)	(599)	(992)	(1364)	(1460)	(2710)
(Less Exports, constant prices)	(648)	(638)	(992)	(1193)	(1295)	(1372)
Gross Domestic Income	4086	3680	5320	6281	6646	8261
Imports of goods and non-factor services	686	677	1060	1290	1255	1296
Exports of goods and non-factor services 3/	600	599	992	1364	1460	2710
DOMESTIC RESOURCE SUPPLY = USES	4172	3758	5388	6207	6441	6847
Fixed Investment	762	643	953	1285	1208	1316
Public	(212)	(...)	(130)	(245)	(452)	(543)
Private	(550)	(...)	(823)	(1040)	(756)	(773)
Consumption 4/	3410	3115	4435	4922	5233	5531
Public	(260)	(382)	(559)	(624)	(719)	(844)
Private	(3150)	(2733)	(3876)	(4298)	(4514)	(4687)
Domestic Savings	676	565	885	1359	1413	2730
Net Factor Payments	-163	-154	-340	-465	-395	-203
National Savings	513	411	545	894	1018	2527
(as % Gross National Income)	(13.1)	(11.7)	(10.9)	(15.4)	(16.8)	(31.4)

1/ Three year averages.
2/ Excluding the eastern states.
3/ Exports at current prices deflated by the import price index.
4/ Includes changes in stocks.

Source: Federal Office of Statistics and mission estimates.

3. EXTERNAL TRADE AND BALANCE OF PAYMENTS

3.1 Balance of Payments, 1970 - 1973

3.2 Value, Quantity and Average Price of Major Exports, 1969 - 1973

3.3 Composition of Imports by S.I.T.C. Sections, 1969 - 1973

3.4 Imports Classified by Economic End-Use, 1969 - 1973

3.5 Indices of Merchandise Trade, 1965-1972

3.6 Foreign Exchange Reserves, 1968 - 1973

Table 3.1. NIGERIA: BALANCE OF PAYMENTS, 1970-1973

	1970			1971			1972			Prel. 1973		
	Oil	Non-Oil	Total	Oil	Non-Oil	Total	Oil	Non-Oil	Total	Oil	Non-Oil	Total
	(N Millions)											
Exports of goods and NFS	533	420	953	992	430	1422	1186	345	1531	1842	365	2207
Merchandise, f.o.b.	517	374	891	981	364	1345	1186	251	1437	1842	365	2207
Other	16	46	62	11	66	77	-	94	94	-	...2/	...2/
Imports of goods and NFS	149	787	936	176	1141	1317	193	1088	1281	190	1270	1460
Merchandise, c.i.f.	52	666	718	51	1009	1060	45	914	959	40	1167	1207
Other	97	121	218	125	132	257	148	174	322	150	103	253
RESOURCE BALANCE	384	-367	17	816	-711	105	993	-743	250	1652	-905	747
Factor incomes, net	-220	-112	-332	-320	-111	-431	-322	-155	-477	-150	-160	-310
Receipts	-	7	7	-	9	9	-	9	9	-	...	...
Payments	-220	-119	-339	-320	-120	-440	-322	-164	-486	-150	...	...
Transfers, net	-	45	45	-	1	1	-	-15	-15	-	-35	-35
Private, net	-	14	14	-	-18	-18	-	-31	-31	-	...	...
Public, net	-	31	31	-	19	19	-	16	16	-	...	...
CURRENT ACCOUNT BALANCE	164	-434	-270	496	-821	-325	671	-913	-242	1502	-1100	402
Direct investment, net	85	121	206	120	114	234	130	92	222	32	60	92
Public M&LT, net	-	11	11	-	32	32	-	56	56	-	53	53
Disbursement	-	36	36	-	55	55	-	77	77	-	81	81
Amortization	-	25	25	-	23	23	-	21	21	-	28	28
Allocation of SDRs	-	12	12	-	10	10	-	10	10	-	-	-
Commercial arrears, net		73	73	-	-36	-36	-	-136	-136	-	-	-
Other short-term, net1/	4	25	29	-12	224	212	-4	60	56	-	-394	-394
Reserves change, net (- = increase)	.	.	-61	.	.	-127	.	.	34	.	.	-153

1/ Residual, including errors and omissions; the unusually large figure for 1973 probably reflects the lag in receipt of payments, and therefore in recorded reserves, following drastic changes in petroleum prices in the last quarter.

2/ Shown on a net basis.

Source: IMF, Balance of Payments Yearbook; Tables 3.6 (Reserve changes), 4.2 (public debt) and 8.3 (oil sector accounts).

Table 3.2. NIGERIA: VALUE, QUANTITY AND AVERAGE PRICE OF MAJOR EXPORTS, 1969 - 1973

	VALUE[1/]					QUANTITY[2/]					AVERAGE PRICE				
	1969	1970	1971	1972	Prel. 1973	1969	1970	1971	1972	Prel. 1973	1969	1970	1971	1972	Prel. 1973
	(N Million)					('000 Tons)					(N Per Ton)				
Groundnuts	71.6	43.4	24.2	19.1	44.1	525	291	136	106	194	136.4	149.1	177.9	180.2	227.3
Groundnut oil	21.8	23.2	12.8	10.9	22.6	101	90	43	40	77	215.8	257.8	297.7	272.5	293.5
Groundnut cake	10.0	11.0	6.8	5.9	18.2	171	163	100	99	140	58.5	67.5	68.0	59.6	130.0
Cocoa beans	105.2	133.0	143.2	101.1	112.5	174	196	271	227	214	604.6	678.5	528.4	445.4	525.7
Cocoa butter	14.6	13.2	8.2	10.1	15.1	10	9	8	10	11	1460.0	1466.6	1025.0	1010.0	1372.7
Crude oil	261.8	509.8	953.0	1176.2	1841.7	26976	51697	71699	85860	93301	9.7	9.9	13.3	13.7	19.7
Palm kernels	19.6	21.8	26.0	15.7	18.4	179	185	242	212	134	109.5	117.8	107.4	74.1	137.3
Palm kernel oil	7.8	8.4	6.2	5.5	7.5	38	33	26	34	38	205.3	254.5	238.4	161.8	197.4
Rubber	19.2	17.6	12.4	7.4	19.9	57	59	51	41	50	336.8	298.3	243.1	180.5	398.0
Cotton	6.8	13.2	11.0	0.6	4.7	14	28	22	1	8	478.4	471.6	500.0	600.0	587.5
Palm oil	0.8	1.2	3.4	0.2	-	8	8	20	2	-	100.0	150.0	170.0	100.0	-
Hides and skins	8.4	5.8	4.8	6.8	12.3	7	5	4	4	5	1200.0	1160.0	1200.0	1700.0	2460.0
Timber and plywood[3/]	10.4	8.0	7.0	8.1	14.4	353	247	229	232	454	29.5	32.4	30.6	34.9	31.7
Tin	27.8	33.2	24.8	19.1	14.6	10	11	8	7	5	2754.0	3094.0	3100.0	2728.6	2920.0
Other	43.4	34.2	37.0	35.1	70.4										
DOMESTIC EXPORTS	629.2	877.0	1280.8	1421.8	2216.4										
RE-EXPORTS	7.0	8.4	12.4	12.4	10.2										
TOTAL MERCHANDISE EXPORTS, f.o.b.	636.2	885.4	1293.2	1434.2	2226.6										

1/ Trade data, unadjusted for balance of payments purposes.

2/ All data rounded.

3/ Quantity in '000 cu. meters and unit price per cu. meter.

Source: Federal Office of Statistics.

Table 3.3. NIGERIA: COMPOSITION OF IMPORTS BY S.I.T.C. SECTIONS, 1969-1973

S.I.T.C. Section	1969	1970	1971	1972	Prel. 1973
	(₦ Millions)				
0. Food and Live Animals	41.8	57.6	88.0	95.2	126.5
(Sugar)	(7.8)	(11.4)	(18.0)	(21.6)	(...)
(Milk)	(8.2)	(13.6)	(21.8)	(24.8)	(...)
(Wheat)	(12.6)	(16.0)	(23.8)	(23.2)	(...)
1. Beverages and Tobacco	1.6	4.0	4.4	4.4	5.2
2. Crude materials, inedible except fuel oils	11.4	16.6	20.6	20.7	27.4
3. Mineral fuels, lubricants	31.2	22.0	9.0	9.8	13.3
4. Animal and vegetable oils	0.4	1.0	0.8	1.1	1.2
5. Chemicals	60.8	88.4	121.8	102.6	133.3
(Chemical elements and compounds)	(11.6)	(17.6)	(24.6)	(19.8)	(26.1)
(Medicines and drugs)	(17.6)	(25.6)	(41.2)	(31.9)	(39.4)
(Plastic materials)	(6.6)	(11.4)	(12.4)	(11.3)	(15.3)
6. Manufactured goods	144.0	226.0	319.4	267.9	324.2
(Paper products)	(13.0)	(21.8)	(28.0)	(23.5)	(34.6)
(Textiles)	(43.6)	(60.0)	(87.2)	(78.3)	(79.2)
(Iron and steel products, except tools)	(38.4)	(72.2)	(81.0)	(63.9)	(82.9)
(Non-metallic mineral manufactures)	(9.8)	(18.2)	(35.2)	(22.5)	(37.8)
7. Machinery and Transport Equipment	146.4	282.6	428.8	398.5	495.9
(General machinery)	(41.0)	(84.6)	(137.0)	(124.8)	(135.8)
(Sewing machines and textile machinery)	(11.0)	(24.0)	(43.2)	(18.2)	(22.7)
(Electrical goods)	(25.8)	(48.8)	(63.2)	(58.0)	(82.6)
(Passenger cars)	(5.4)	(13.8)	(29.6)	(60.2)	(77.1)
(Commercial vehicles)	(26.0)	(50.8)	(56.2)	(47.0)	(57.6)
8. Miscellaneous manufactures	26.8	39.6	70.8	83.1	99.3
(Clothing)	(6.8)	(4.8)	(17.2)	(19.0)	(...)
9. Other	33.0	18.6	15.4	6.9	7.7
TOTAL IMPORTS, c.i.f.[1/]	497.4	756.4	1079.0	990.1	1234.0

1/ These are trade figures, unadjusted for balance of payments purposes. In some years, the data also differ from corresponding official data classified by economic end-use.

Table 3.4. NIGERIA: IMPORTS CLASSIFIED BY ECONOMIC END-USE, 1969-1973

	1969	1970	1971	1972	Prel. 1973
			(₦ Millions)		
Consumer Goods	147.6	217.8	349.4	379.2	464.3
Non-durable	128.8	179.6	277.0	273.4	325.3
(Food)	(43.6)	(62.2)	(93.2)	(100.0)	(133.0)
(Textiles)	(30.4)	(39.0)	(58.2)	(54.0)	(35.8)
(Other)	(54.8)	(78.4)	(125.6)	(119.4)	(156.5)
Durable	18.8	38.2	72.4	105.8	139.0
(Passenger cars)	(5.4)	(13.8)	(29.4)	(54.6)	(76.9)
(Other)	(13.4)	(24.4)	(43.0)	(51.2)	(62.1)
Producer Goods	317.0	520.0	714.2	598.6	769.9
Intermediate	145.2	208.8	256.6	234.0	322.2
(Raw materials)	(114.0)	(186.8)	(247.6)	(223.6)	(308.9)
(Fuels)	(31.2)	(22.0)	(9.0)	(10.4)	(13.3)
Capital	171.8	311.2	457.6	364.6	447.7
(Capital equipment)	(126.4)	(232.4)	(348.2)	(276.8)	(307.1)
(Transport equipment)	(45.4)	(78.8)	(109.4)	(87.8)	(140.6)
TOTAL IMPORTS, c.i.f.[1/]	464.6	737.8	1063.6	977.8	1234.2

1/ These are trade figures unadjusted for balance of payments purposes. In some years the data also differ from corresponding official data classified by SITC.

Source: Federal Office of Statistics

Table 3.5. NIGERIA: INDICES OF MERCHANIDSE TRADE, 1965-1973

	1965	1966	1967	1968	1969	1970	1971	1972	Prel. 1973
					(1970 = 100)				
Export Price Index 1/	85.2	84.0	83.6	82.4	94.4	100.0	120.3	123.8	178.3
Import Price Index 2/	90.8	92.9	93.4	90.9	93.9	100.0	105.2	105.2	122.5
Terms of Trade Index 3/	93.8	90.4	89.5	90.6	100.5	100.0	114.4	117.7	145.5
Export Volume Index 4/	67.1	70.7	61.4	51.7	71.1	100.0	126.4	137.0	146.4
Import Volume Index 5/	80.2	73.0	63.4	56.0	70.1	100.0	135.6	124.5	133.3

1/ Export price for 9 commodities (groundnuts, groundnut oil, cocoa, crude oil, palm kernels, rubber, cotton, palm oil and tin) accounting for around 91 percent of export value in 1970. The index is estimated by dividing a value index for these commodities by a base-weighted volume index.

2/ Based on IFS index of export prices -- expressed in U. S. dollars -- for 6 countries (U. K., U. S. A., Japan, West Germany, Italy and France) which supplied 73 percent of Nigeria's imports in 1970, weighted by the share of each country in 1970 imports. This index is deflated by the exchange rate index in order to derive an index reflecting changes in the Naira cost of imports.

3/ Export price index divided by the import price index.

4/ Valued at 1970 prices for the 9 commodities listed in 1/.

5/ Imports f.o.b. (from IFS) deflated by the import price index.

Source: Mission estimates.

Table 3.6. NIGERIA: FOREIGN EXCHANGE RESERVES, 1968 - 1973

At end of:	1968	1969	1970	1971	1972	1973
			(₦ Million)			
Central Bank, gross	82	93	156	281	243	378
Gold and foreign exchange	76	85	136	251	202	317
Net IMF position	6	8	8	8	9	25
Holdings of SDRs	.	.	12	22	32	36
Commercial Banks, gross	3	6	6	16	12	39
Federal and State Governments, gross	8	3	4	3	11	11
Semi-official, gross	15	18	20	18	19	20
Total Reserves, gross	108	120	186	318	285	448
Foreign Liabilities	7	7	12	17	18	28
Central Bank Liabilities	1	1	2	1	3	19
Commercial Bank Liabilities	6	6	10	16	15	9
Total Reserves, net	101	113	174	301	267	420

Source: Central Bank and International Financial Statistics.

4. EXTERNAL DEBT

4.1 External Public Debt Outstanding as of December 31, 1972 (Debt Repayable in Foreign Currency)

4.2 Estimated Future Service Payments on External Public Debt Outstanding as of December 31, 1972 (Debt Repayable in Foreign Currency)

Table 4.1 NIGERIA: EXTERNAL PUBLIC DEBT OUTSTANDING AS OF DECEMBER 31, 1972

(Debt Repayable in Foreign Currency)

In Thousands of US Dollars

CREDITOR COUNTRY TYPE OF CREDITOR	DEBT OUTSTANDING DECEMBER 31,1972 DISBURSED	UNDIS-BURSED	TOTAL
BELGIUM	493	440	933
FRANCE	1,102	-	1,102
GERMANY (FED.REP.OF)	5,575	-	5,575
ISRAEL	2,034	2,080	4,114
NETHERLANDS	5,160	-	5,160
SWEDEN	9,758	885	10,643
SWITZERLAND	722	-	722
UNITED KINGDOM	17,239	10,736	27,975
SUPPLIERS	43,133	14,097	57,230
GERMANY (FED.REP.OF)	14,989	-	14,989
NETHERLANDS	1,847	816	2,663
UNITED KINGDOM	297	2,465	2,762
USA	2,979	-	2,979
PRIVATE BANKS	20,112	3,281	23,393
UNITED KINGDOM	4,305	-	4,305
PUBLICLY ISSUED BONDS	4,305	-	4,305
AFRICAN DEV.BANK	679	4,750	5,429
IBRD	257,413	167,091	424,504
IDA	24,403	12,631	37,034
LOANS FROM INTL. ORGANIZATIONS	282,495	184,472	466,967
CANADA	25,149	29,847	54,996
DENMARK	-	2,866	2,866
GERMANY (FED.REP.OF)	30,340	45,110	75,450
ITALY	22,478	-	22,478
JAPAN	4,091	26,057	30,148
NETHERLANDS	9,968	13,579	23,547
UNITED KINGDOM	83,136	77,710	160,846
USA	83,741	29,223	112,964
LOANS FROM GOVERNMENTS	258,905	224,400	483,305
TOTAL EXTERNAL PUBLIC DEBT 1)	608,950	426,250	1,035,200

NOTE: DEBT WITH A MATURITY OF OVER ONE YEAR

Table 4.1 NIGERIA: EXTERNAL PUBLIC DEBT OUTSTANDING AS OF DECEMBER 31, 1972

(Debt Repayable in Foreign Currency)

In Thousands of US Dollars

CREDITOR COUNTRY TYPE OF CREDITOR	DEBT OUTSTANDING DECEMBER 31,1972 DISBURSED	UNDIS- BURSED	TOTAL
1) EXCLUDES THE FOLLOWING:	AMOUNT		
INTEREST IN ARREARS:			
FRANCE	0		
GERMANY (FED.REP.OF)	317		
ISRAEL	195		
SWEDEN	3,142		
SUPPLIERS	3,662		
UNITED KINGDOM	1,021		
LOANS FROM GOVERNMENTS	1,021		
TOTAL	4,683		
INCLUDES PRINCIPAL IN ARREARS:			
FRANCE	813		
GERMANY (FED.REP.OF)	3,765		
ISRAEL	1,375		
NETHERLANDS	3,272		
SWEDEN	7,434		
SUPPLIERS	16,682		
UNITED KINGDOM	1,061		
LOANS FROM GOVERNMENTS	1,061		
TOTAL	17,743		
NET OF ACCUMULATED SINKING FUNDS:			
UNITED KINGDOM	3,512		
PUBLICLY ISSUED BONDS	3,512		
TOTAL	3,512		

ECONOMIC AND SOCIAL DATA DIVISION
ECONOMIC ANALYSIS & PROJECTIONS DEPARTMENT
MARCH 19, 1974

Table 4.2 NIGERIA: ESTIMATED FUTURE SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT OUTSTANDING AS OF DECEMBER 31, 1972

(In Thousands of US Dollars)

YEAR	DEBT OUTSTANDING BEGINNING OF PERIOD: DISBURSED ONLY (1)	DEBT OUTSTANDING BEGINNING OF PERIOD: INCLUDING UNDISBURSED (2)	TRANSACTIONS DURING PERIOD: COMMITMENTS (3)	TRANSACTIONS DURING PERIOD: DISBURSEMENTS (4)	SERVICE PAYMENTS: PRINCIPAL (5)	SERVICE PAYMENTS: INTEREST (6)	SERVICE PAYMENTS: TOTAL (7)	CANCELLATIONS, ADJUSTMENTS (8)
1968	382,357	597,960	68,156	76,527	24,657	14,786	39,443	-3,366
1969	432,670	638,093	74,672	44,422	33,070	20,370	53,440	-3,218
1970	447,017	676,477	53,682	50,067	35,212	18,555	53,767	-4,239
1971	458,783	690,708	200,481	77,305	32,847	23,666	56,513	30,821
1972	523,090	889,163	177,001	116,643	32,502	24,074	56,576	-16,205
1973	591,207	1,017,457	-	123,399	43,162	29,410	72,572	-23,553
1974	670,294	950,743	-	99,128	35,779	31,467	67,246	-101
1975	733,542	914,863	-	64,081	36,912	33,594	70,506	-106
1976	760,606	877,645	-	50,011	36,466	34,460	70,926	-111
1977	774,039	841,268	-	34,665	43,917	34,589	78,506	-153
1978	764,634	797,197	-	19,616	44,953	33,719	78,672	-
1979	739,297	752,244	-	7,745	46,359	32,187	78,546	
1980	700,684	705,867	-	2,987	43,795	30,256	74,051	-
1981	659,375	662,091	-	1,456	44,916	28,337	73,253	-
1982	616,415	617,175	-	579	46,877	26,204	73,080	-
1983	570,117	570,299	-	141	44,019	23,893	67,912	-
1984	526,229	526,280	-	37	38,458	21,736	60,194	-
1985	487,818	487,822	-	2	35,616	19,908	55,524	-
1986	452,204	452,206	-	-	36,579	18,186	54,765	-
1987	415,625	415,627	-	-	37,747	16,387	54,134	-
1988	377,878	377,880	-	-	35,298	14,588	49,887	-
1989	342,579	342,581	-	-	35,042	12,874	47,916	-
1990	307,537	307,539	-	-	35,407	11,145	46,552	-
1991	272,131	272,132	-	-	28,344	9,412	37,756	-
1992	243,787	243,788	-	-	24,519	8,256	32,775	-

Notes: (1) Includes service on all debt listed in Table 1 prepared March 19, 1974 with the exception of the following

a. Debt for which repayment terms are not available:

Suppliers	$ 885
Loans from Governments - Japan	26,057
b. Principal in Arrears (See Table 1)	17,743
Total	44,685

(2) Projected amounts reflect currency realignment at March, 1973.

Source: Economic Analysis and Projections Department IBRD

5. PUBLIC FINANCE AND INVESTMENT

5.1 Summary of Federal and State Governments' Revenues and Expenditures, 1970/71 - 1973/74

5.2 Current Revenues of the Federal Government, 1969/70 - 1973/74

5.3 Functional Classification of Federal Government Current Expenditures, 1969/70 - 1973/74

5.4 Composition of State Governments' Current Revenues, 1969/70 - 1973/74

5.5 Statutory Transfers from Federal to State Governments, 1969/70 - 1973/74

5.6 Federal Government Capital Payments to States, 1970/71 - 1973/74

5.7 Federal Government Capital Expenditures, 1970/71 - 1973/74

5.8 State Governments Capital Expenditures, 1970/71 - 1973/74

Table 5.1: NIGERIA: SUMMARY OF FEDERAL AND STATE GOVERNMENTS' REVENUES AND EXPENDITURES, 1970/71 - 1973/74

	Revenues Transferred to the States	Recurrent Revenues	Recurrent Expenditures	Current Surplus (+) Deficit (-)	Capital Expenditures	Overall Surplus (+) or Deficit (-)
			(N Millions)			
1970/71 (Actual)						
Federal Government	245.7	509.9	480.0 a/	29.9	72.4 e/	-42.5
State Governments		339.7	278.4	61.3	102.6	-41.3
1. North West		25.6	17.3	8.3	6.6	1.7
2. North Central		22.1	16.8	5.3	5.2	0.1
3. Kano		30.0	7.4 b/	22.6	19.4	3.2
4. North East		20.2	18.6	1.6	8.9	-7.3
5. Benue Plateau		19.5	17.2	2.3	8.7	-6.4
6. Kwara		12.0 b/	11.8	0.2	4.6	-4.4
7. Lagos		40.8	22.4	18.4	5.0	13.4
8. West		61.5	60.0	1.5	23.1	-21.6
9. Mid-West		27.4	25.8 b/	1.6	16.1	-14.5
10. East Central		32.6	54.6	-22.0	5.5	-27.5
11. South East		23.6	17.5	6.1	10.7	-4.6
12. Rivers		24.4	9.0 c/	15.4	4.9	10.5
1971/72 (Actual)						
Federal Government	327.4	977.0	531.8 a/	445.2	234.7 e/	210.5
State Governments		436.2	352.6	83.6	187.2	-103.6
1. North West		28.5	17.3 c/	11.2	13.8	-2.6
2. North Central		25.8	18.6	7.2	14.8	-7.6
3. Kano		32.8	19.5	13.3	26.3	-13.0
4. North East		34.5	28.8 b/	5.7	15.7	-10.0
5. Benue Plateau		24.5	22.1	2.4	13.1	-10.7
6. Kwara		15.0 b/	14.8 b/	0.2	7.1	-6.9
7. Lagos		45.7	30.1	15.6	10.7	4.9
8. West		66.1	64.3	1.8	32.6	-30.8
9. Mid-West		54.3	32.0 b/	22.3	20.4	1.9
10. East Central		47.5	55.4	-7.9	13.9	-21.8
11. South East		24.7	24.5	0.2	12.6	-12.4
12. Rivers		36.8	25.2 c/	11.6	14.1	-2.5
1972/73 (Revised Estimate)						
Federal Government	322.6	1067.3	663.2 a/	404.1	433.7 e/	-29.6
State Governments		445.2	449.7	-4.4	293.5	-297.9
1. North West		27.6	28.2	-0.6	23.2	-23.8
2. North Central		27.0	26.2	0.8	26.0	-25.2
3. Kano		33.8	25.4 b/	8.4	37.0	-28.6
4. North East		32.4	31.5 b/	0.9	24.0	-23.1
5. Benue Plateau		24.8	23.8	1.0	22.5	-21.5
6. Kwara		18.9	18.9	-	15.7	-15.7
7. Lagos		41.3	41.8	-0.5	34.1	-34.6
8. West		59.8	64.9	-5.1	23.0	-28.1
9. Mid-West		56.9	44.0	12.9	29.3	-16.4
10. East Central		55.9	70.7	-14.8	11.5	-26.3
11. South East		28.7	29.4	-0.7	21.3	-22.0
12. Rivers		38.2	44.9	-6.7	25.9	-32.6
1973/74 (Budget)						
Federal Government	343.4	1068.0	893.5 a/	174.5	906.2 e/	-731.7
State Governments		540.0 d/	522.8	17.2	514.7	-497.5
1. North West		28.3	30.4	-2.1	29.8	-31.9
2. North Central		25.8	31.4	-5.6	54.5	-60.1
3. Kano		30.9	32.0	-1.1	39.0	-40.1
4. North East		36.0	37.6	-1.6	42.4	-44.0
5. Benue Plateau		23.8	27.2	-3.4	42.0	-45.4
6. Kwara		20.1	20.8	-0.7	42.0	-42.7
7. Lagos		51.5	49.3	2.2	53.0	-50.8
8. West		72.0	72.5	-0.5	31.0	-31.5
9. Mid-West		71.0	59.7	11.3	20.6	-9.3
10. East Central		71.4	82.9	-11.5	60.3	-71.8
11. South East		33.3	33.9	-0.9	49.5	-50.4
12. Rivers		41.8	45.1	-4.3	50.6	-54.9

a/ Including "capital" expenditure for defense and police.
b/ Budget estimate.
c/ Revised estimate.
d/ Includes N34 million of compensation for "loss" of export duty revenues by the states.
e/ Includes grants and loans to states.

Source: Federal and State Estimates of Revenue and Expenditure.

Table 5.2. NIGERIA: CURRENT REVENUES OF THE FEDERAL GOVERNMENT, 1969/70 - 1973/74

	Actuals				Budget	Mission Est.
	1969/70	1970/71	1971/72	1972/73	1973/74	
	(N Millions)					
Petroleum Revenues	68.0	196.5	640.0	732.0	857.9	2250
Profits Tax	23.8	132.8	474.3	537.5	652.1	...
Royalties	30.8	59.9	133.0	187.7	186.4	...
Other	13.4	3.8	32.7	6.8	19.4	...
Non-Petroleum Revenues	367.8	533.7	664.4	657.9	553.5	685
Import Duties	161.4	231.0	299.8	273.5	257.2	340
Export Duties	38.4	41.0	33.9	28.3	1.1	1
Excise Duties	78.0	131.8	171.7	182.7	167.0	200
Company Income Tax	36.0	55.4	87.4	70.5	66.8	80
Other Taxes	1.4	10.3	6.6	29.0	3.5	4
Non-Tax Revenue	51.6	89.6	71.3	73.9	57.9	60
TOTAL CURRENT REVENUES	435.8	755.6	1304.4	1389.9	1411.4	2935
Less Statutory Transfer to States	179.4	245.7	327.4	322.6	343.4	573
FEDERAL RETAINED REVENUES	256.4	509.9	977.0	1067.3	1068.0	2362

Source: Federal Government Estimates of Revenue and Expenditure and IBRD mission estimates.

Table 5.3. NIGERIA: FUNCTIONAL CLASSIFICATION OF FEDERAL GOVERNMENT CURRENT EXPENDITURES, 1969/70 - 1973/74

	Actuals				Budget	Mission Est.
	1969/70	1970/71	1971/72	1972/73	1973/74	
	(₦ Millions)					
Total Current Expenditure	507.1	480.0	531.8	663.2	893.5	860
Defense	381.3	324.4	328.8	419.7	502.9	465
Current	269.2	286.2	285.0	380.9	363.3	362
"Capital"	112.1	38.2	43.8	38.8	139.6	103
Non-defense	125.8	155.6	203.0	243.5	390.6	395
General Services	43.0	53.4	79.0	89.9	155.2	...
Economic and Social Services	38.9	47.6	61.0	73.7	121.3	...
Other	42.9	54.6	63.0	79.9	114.1	...

Source: Federal Government Estimates of Revenue and Expenditure and mission estimates.

Table 5.4: NIGERIA: COMPOSITION OF STATE GOVERNMENTS' CURRENT REVENUES, 1969/70 - 1973/74

	North West	North Central	Kano	North East	Benue Plateau	Kwara	Lagos	West	Mid-West	East Central	South East	Rivers	Total
						(N millions)							
1969/70 (Actual)													
Total	14.4	16.4	24.2	19.0	13.6	10.2	34.1	49.3	27.1	..	13.3	8.8	239.3 1/
Statutory Transfers	11.4	11.3	19.2	15.0	11.0	7.9	14.1	35.1	18.4	11.7	9.3	7.9	169.5 1/
Own-Revenues	3.0	5.1	5.0	4.0	2.6	2.3	20.0	14.2	8.7	..	4.0	0,9	69.8
Income Tax	..	2.2	1.3	0.5	0.8	0.6	12.9	4.5	4.4	..	0.8	0.4	...
Produce Tax	..	0.3	0.3	0.4	-	-	-	1.9	0.4	..	0.2	-	...
Other Taxes	..	-	-	1.5	0.4	0.4	1.8	0.9	1.4	..	0.2	-	...
Non-Tax Revenues	..	2.6	2.4	1.6	1.4	1.2	5.3	6.9	2.6	..	2.8	0.5	...
1970/71 (Actual)													
Total	25.6	22.1	30.0	20.2	19.5	..	40.8	61.5	27.4	32.6	23.6	24.4	327.7 2/
Statutory Transfer	18.3	15.8	23.0	14.9	16.0	12.5	13.3	48.4	17.6	24.3	19.7	21.8	233.1 2/
Own Revenues	7.3	6.3	7.0	5.3	3.5	..	27.5	13.1	9.8	8.3	3.9	2.6	94.6
Income Tax	..	2.9	1.8	0.8	1.0	..	15.8	3.8	4.7	3.7	1.7	0.9	...
Produce Tax	..	0.5	0.6	0.8	0.1	..	-	-	0.2	-	0.3	-	...
Other Taxes	..	0.1	1.7	1.4	0.4	..	1.6	1.3	1.4	0.5	0.4	0.4	..
Non-Tax Revenue	..	2.8	2.8	2.3	2.0	..	10.1	8.0	3.4	4.1	1.5	1.3	...
1971/72 (Actual)													
Total	28.5	25.8	32.8	34.5	24.5	..	45.7	66.1	54.3	47.5	24.7	36.8	421.2 2/
Statutory Transfers	23.0	19.6	25.5	27.7	20.0	16.1	15.6	52.5	44.3	31.0	18.9	33.2	311.3 2/
Own Revenues	5.5	6.2	7.3	6.8	4.5	..	30.1	13.6	10.0	16.5	5.8	3.6	109.9
Income Tax	..	3.2	2.2	1.0	1.1	..	18.2	4.5	4.3	4.1	2.7	1.5	...
Produce Tax	..	0.2	0.4	0.3	-	..	-	-	0.4	0.2	0.1	-	...
Other Taxes	..	0.1	1.1	0.2	0.7	..	1.9	1.4	1.2	1.4	0.7	0.6	...
Non-Tax Revenue	..	2.7	3.6	5.3	2.7	..	10.0	7.7	4.1	10.8	2.3	1.5	...
1972/73 (Rev. Est.)													
Total	27.6	27.0	33.8	32.4	24.8	18.9	41.3	59.8	56.9	55.9	28.7	38.2	445.2
Statutory Transfers	23.0	20.6	26.2	27.5	20.0	15.7	13.7	46.1	46.7	31.6	20.9	30.6	322.6
Own Revenues	4.6	6.4	7.6	4.9	4.8	3.2	27.6	13.7	10.2	24.3	7.8	7.6	122.6
Income Tax	0.8	3.4	1.8	1.1	1.3	0.9	17.0	4.5	5.0	4.9	2.0	3.2	45.9
Produce Tax	0.2	0.3	0.8	0.2	-	0.1	-	-	0.2	0.3	0.5	0.1	2.7
Other Taxes	1.0	0.1	1.4	0.7	0.8	1.1	2.1	1.4	0.8	2.2	0.6	0.5	12.7
Non-Tax Revenues	2.6	2.6	3.6	2.8	2.6	1.1	8.5	7.8	4.2	16.9	4.8	3.8	61.3
1973/74 (Budget)													
Total	28.3	25.8	30.9	36.0	23.8	20.1	51.5	72.0	71.0	71.4	33.3	41.8	540.0 3/
Statutory Transfers	22.3	18.6	22.4	26.4	19.3	15.1	13.8	31.4	54.0	31.5	20.6	34.0	343.4 3/
Own Revenues	6.0	7.2	8.5	9.6	4.5	5.0	37.7	40.6	17.0	39.9	12.7	7.8	196.6
Income Tax	0.8	3.1	2.1	1.4	1.8	1.3	25.0	6.0	5.2	10.5	3.7	3.3	64.2
Produce Tax	0.2	0.3	0.8	0.6	0.1	0.1	-	10.6	0.8	0.7	0.9	0.1	15.2
Other Taxes	1.1	0.1	1.2	1.9	0.9	0.7	2.1	1.9	1.0	3.0	1.4	0.6	15.9
Non-Tax Revenue	4.0	3.7	4.4	5.6	1.7	2,9	10.6	22.2	10.0	25.7	6.6	3.8	101.2

1/ Includes N 8.9 of unallocated mining royalties and rents; East-Central excluded.
2/ Excluding Kwara.
3/ Includes N 34 million unallocated compensation for loss of export duties.

Source: Federal and State Estimates of Revenue and Expenditure.

Table 5.5: NIGERIA: STATUTORY TRANSFERS FROM FEDERAL TO STATE GOVERNMENTS 1/
1969/70 - 1973/74

	Actuals				Budget
	1969/70	1970/71	1971/72	1972/73	1973/74
			(N millions)		
A. DERIVATION BASIS	78.7	95.8	112.5	165.8	146.0
North Western	2.7	3.7	3.1	8.5	6.9
North Central	4.2	3.5	3.0	7.2	5.9
Kano	10.4	8.3	5.5	11.6	7.0
North Eastern	4.1	4.7	3.7	10.1	8.0
Benue-Plateau	3.7	3.8	3.3	7.9	6.6
Kwara	2.2	2.5	2.5	5.8	4.7
Lagos	9.2	4.7	3.9	5.2	5.0
Western	22.8	28.4	24.5	26.2	10.8
Mid-Western	12.6	7.5	30.5	36.7	43.3
East Central	1.7	7.5	8.2	15.0	14.2
South Eastern	2.4	8.1	2.9	9.6	8.5
Rivers	2.7	13.1	21.4	22.0	24.8
B. DISTRIBUTABLE POOL	93.5	149.9	214.9	156.8	163.4
North Western	8.7	14.6	20.0	14.5	15.4
North Central	7.3	12.3	16.6	13.4	12.7
Kano	8.7	14.7	20.0	14.6	15.4
North Eastern	10.4	10.3	23.9	17.4	18.3
Benue Plateau	7.3	12.2	16.6	12.1	12.7
Kwara	6.0	10.0	13.6	9.9	10.4
Lagos	5.1	8.6	11.7	8.5	8.8
Western	11.9	20.0	28.1	19.8	20.6
Mid-Western	6.0	10.1	13.8	10.0	10.6
East Central	10.0	16.8	22.8	16.6	17.3
South East	6.9	11.6	16.0	11.3	12.1
Rivers	5.2	8.7	11.8	8.6	9.2
C. TOTAL STATUTORY TRANSFERS	172.2	245.7	327.4	322.6	309.4 3/
North Western	11.4	18.3	23.1	23.0	22.3
North Central	11.5	15.8	19.6	20.6	18.6
Kano	19.1	23.0	25.5	26.2	22.4
North Eastern	14.5	15.0	27.6	27.5	26.5
Banue Plateau	11.0	16.0	19.9	20.0	19.3
Kwara	8.2	12.5	16.1	15.7	15.1
Lagos	14.3	13.3	15.6	13.7	13.8
Western	34.7	48.4	52.6	46.1	31.4
Mid-Western	18.6	17.6	44.3	46.7	54.0
East Central	11.7	24.3	31.0	31.6	31.5
South Eastern	9.3	19.7	18.9	20.9	20.6
Rivers	7.9	21.8	33.2	30.6	34.0

1/ State governments receive two kinds of transfers. One part of statutory payments is allocated to the states on the basis of the "derivation principle", i.e. on the basis of the state of origin or consumption. All import duties on tobacco and motor spirits, most of the basic export duties on agricultural produce, and about half of mining rents and royalties are shared on this basis. Funds are allocated from a Distributable Pool Account on the basis of population and balanced development. Half of the funds are shared equally among the states and the other half is distributed on the basis of 1963 estimated population. About 35 percent of general import duties, 100 percent of import surcharges, 50 percent of excise duties and of mining royalties and rents are paid into the Distributable Pool Account.

2/ Excludes N 8.9 million of unallocated mining royalties and rents.

3/ Excludes N 34 million compensation for loss of export duties.

Source: Federal Government Estimates of Revenue and Expenditure

Table 5.5. NIGERIA: FEDERAL GOVERNMENT CAPITAL PAYMENTS TO STATES, 1970/71 - 1973/74

	Actual 1970/71	Actual 1971/72	Budget 1972/73	Actual 1972/73	Budget 1973/74	Revised 1973/74
			(N Millions)			
CAPITAL PAYMENTS	26.6	96.1	128.2	221.6	345.8	307.7
Grants	10.1	25.2	46.4	47.1	82.9	78.2
Agriculture	4.6	5.1	18.2	17.5	31.2	31.2
Education	0.2	8.1	5.2	5.4	7.3	4.8
Water Supply	-	-	-	-	24.0	24.0
Health	-	-	6.0	8.0	4.0	4.0
Other	5.3	12.0	17.0	16.2	16.4	14.2
Loans	16.5	70.9	81.8	174.5	262.9	229.5
Internal Development Loans	12.0	57.3	36.0	64.4	120.0	120.0
Federal Treasury Loans	-	-	..	98.3	100.0	100.0
Other Internal Loans	-	-	2.4	2.1	5.0	5.0
External Loans	4.5	13.6	43.4	9.7	37.9	4.5

Source: Federal Government Estimates of Revenue and Expenditure.

Table 5.7. NIGERIA: FEDERAL GOVERNMENT CAPITAL EXPENDITURES,[1/] 1970/71 - 1973/74

	Original Est. 1970/71	Rev. Est. 1973/74	Actual 1970/71	Actual 1971/72	Budget 1972/73	Actual 1972/73	Budget 1973/74	Revised 1973/74
					(N Millions)			
TOTAL CAPITAL EXPENDITURE	662.1	1,297.6	55.9	163.8	443.7	259.2	643.3	452.0
DIRECT INVESTMENT	423.5	828.8	29.3	84.9	277.2	147.4	350.3	197.2
Economic Services	293.3	577.8	22.0	56.4	179.5	98.8	197.8	104.4
Agriculture	34.4	39.8	0.5	6.7	11.4	5.0	12.6	10.7
Roads	201.9	441.1	18.0	47.1	131.6	75.7	140.3	71.1
Other Transport	40.5	66.2	0.7	1.4	24.5	8.4	28.5	13.2
Industry and Trade	6.7	7.1	-	0.8	2.1	0.8	3.0	2.1
Other	9.8	23.6	2.8	0.4	9.9	8.9	13.4	7.3
Social and Community Services	70.2	133.8	2.3	16.0	45.5	31.2	105.6	56.4
Education	28.3	56.4	1.6	5.1	18.1	9.7	38.7	14.0
Health	20.3	24.8	-	8.0	8.1	6.3	10.2	8.7
Housing	4.8	9.5	-	0.3	4.0	1.8	24.1	4.6
Other	16.8	43.1	0.7	2.6	15.3	13.4	32.6	29.1
General Services	60.0	117.2	5.0	12.5	52.2	17.4	46.9	36.4
FINANCIAL TRANSACTIONS	238.6	468.8	26.6	78.9	166.5	111.8	293.0	254.8
Grants to States	80.1	152.9	10.1	25.2	46.4	47.1	82.9	78.2
Industry and Trade	84.0	156.9	1.0	14.8	45.8	22.7	108.7	98.0
Participation in oil companies	-	30.0	-	0.4	8.0	1.0	65.5	65.5
Other equity investments	62.8	90.1	0.7	5.3	23.2	8.5	19.3	14.6
Loans	21.2	36.8	0.3	9.1	14.6	13.2	23.9	17.9
Agriculture	12.2	14.1	-	0.1	9.8	0.7	6.7	6.4
Communications	-	36.2	4.5	6.1	8.0	5.5	21.0	20.1
Education	51.3	64.0	1.0	21.6	20.0	20.0	21.9	21.7
Other	11.0	44.7	10.0	11.1	36.5	15.8	51.8	30.4

1/ Excluding loans to states.

Source: Federal Government Capital Estimates.

Table 5.8. NIGERIA: STATE GOVERNMENTS' CAPITAL EXPENDITURES, 1970/71 - 1973/74

	Original Estimate 1970 - 1974	Revised Estimate 1970 - 1974	Actual 1970-71	Actual 1971-72	Budget 1972-73	Prel. Estimate 1972-73	Budget 1973-74
			(N million)				
Total, by State	931.4	1556.0	118.8	195.0	423.1	293.5	514.7
North West	60.2	92.0	6.6	13.8	30.2	23.2	29.8
North Central	75.1	93.3	5.2	14.8	35.1	26.0	54.5
Kano	103.2	139.1	19.4	26.3	27.9	37.0	39.0
North East	71.9	119.7	8.9	15.7	28.8	24.0	42.4
Benue Plateau	52.9	103.8	8.7	13.1	27.1	22.5	42.0
Kwara	45.6	72.9	4.6	7.1	21.8	15.7	42.0
Lagos	54.2	162.2	5.0	10.7	52.1	34.1	53.0
West	162.9	162.9	23.1	32.6	24.5	23.0	31.0
Mid-West	77.0	227.3	16.1	20.4	27.7	29.3	20.7
East Central	101.6	104.9	5.5	13.9	56.2	11.5	60.3
South East	59.0	75.7	10.7	12.6	52.6	21.3	49.4
Rivers	67.8	202.2	4.9	14.1	39.1	25.9	50.6
Total, by Sector	931.4	1556.0	118.8	195.0	423.1	293.5	514.7
Economic Services	445.2	777.4	61.6	85.9	204.4	148.8	245.0
Agriculture	(194.1)	(215.0)	(20.1)	(33.8)	(63.8)	(44.5)	(61.2)
Roads	(151.1)	(369.7)	(22.0)	(30.5)	(75.5)	(69.2)	(103.4)
Industry	(85.3)	(120.8)	(7.6)	(9.1)	(37.2)	(13.5)	(48.6)
Other	(14.8)	(71.9)	(11.9)	(12.5)	(27.9)	(21.6)	(31.8)
Social and Community Services	416.7	533.6	43.8	90.1	154.9	113.2	187.7
Education	(179.3)	(236.7)	(19.6)	(31.7)	(65.5)	(42.2)	(65.7)
Health	(87.2)	(111.3)	(8.5)	(12.7)	(34.2)	(19.3)	(48.8)
Water and Sewerage	(103.3)	(135.7)	(8.7)	(33.9)	(38.4)	(25.4)	(54.8)
Other	(46.9)	(49.9)	(7.0)	(11.8)	(16.8)	(26.3)	(20.4)
Administrative Services	69.5	244.9	13.4	19.0	63.8	31.5	82.0

Sources: Capital estimates of the various states; Central Planning Office and mission estimates.

6. MONETARY STATISTICS

6.1 Summary Accounts of the Banking System, 1969 - 1972

6.2 Sectoral Distribution of Commercial Bank Credit: Official Guidelines and Actual Performance, 1970-1973

Table 6.1 NIGERIA: SUMMARY ACCOUNT OF THE BANKING SYSTEM, 1969-72

(In millions of Nigerian pounds; end of period)

	1969	1970				1971				1972			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
Central Bank													
Foreign assets (net)	40.6	47.1	51.9	52.8	77.9	101.3	24.5	22.7	80.2	117.0	104.[illegible]	120.6	121.8
Liquid assets	46.6	47.1	51.9	52.8	77.9	101.3	121.1	104.1	139.9	117.0	104.8	120.6	121.8
Assets	47.1	48.6	51.9	53.1	79.1	101.3	122.5	104.3	140.7	119.0	107	121.4	123.2
Liabilities	-0.5	-1.5	--	-0.3	-1.2	--	-1.4	-0.2	-0.8	-2.0	-1.0	-0.8	-1.4
Arrears of import payments 1/	--	--	--	--	--	--	-96.6	-81.[illegible]	-59.7	--	--	--	--
Credit to Federal Government	87.3	86.3	92.5	108.9	88.5	51.7	150.6	166.7	124.9	72.0	75.7	86.7	78.4
Advances	36.9	20.0	35.8	26.4	--	--	--	--	--	--	--	--	--
Treasury bills and certificates 1/	11.8	33.3	13.6	42.8	51.4	15.7	99.4	114.0	74.9	--	[illegible]	22.2	18.3
Government stock	38.6	33.0	43.1	39.7	37.1	33.0	51.2	52.7	50.1	72.9	69.9	64.5	60.1
Credit to marketing boards	40.7	58.4	43.7	32.5	58.7	70.8	47.5	36.3	40.9	50.6	50.8	40.3	63.4
Credit to private sector	2.4	0.9	0.9	1.0	5.5	4.1	4.1	4.2	5.9	4.6	[illegible]	5.4	7.3
Currency in circulation	134.6	132.1	145.1	158.4	171.2	171.3	163.9	169.1	177.2	174.1	167.0	172.8	190.5
Federal government deposits	2.1	1.9	1.5	2.4	1.7	1.4	1.9	2.5	[illegible]	[illegible]	2.9	4.1	5.0
State and local government deposits	3.4	11.2	4.0	5.3	4.2	6.1	10.1	3.7	4.7	6.0	10.9	14.1	5.4
Bankers' deposits and cash on hand	12.6	14.7	13.7	14.5	23.3	16.7	15.5	15.0	19.2	20.2	[illegible]	21.8	24.0
Other deposits	1.1	9.2	1.8	1.8	1.4	3.8	5.3	5.1	10.4	5.3	[illegible]	4.1	6.0
Counterpart of SDR allocations	--	--	6.0	6.0	6.0	11.2	11.2	11.2	11.2	[illegible]	[illegible]	16.3	16.3
Capital and reserves	3.2	3.2	3.2	3.2	3.5	3.5	3.5	3.5	3.8	[illegible]	[illegible]	3.8	4.0
Other items (net)	20.0	20.4	13.7	3.6	19.6	13.9	15.3	18.8	23.1	[illegible]	[illegible]	18.0	18.7
Commercial banks 2/													
Foreign assets (net)	-49.7	-58.8	-69.9	-79.1	-87.7	-110.3	-60.6	-23.4	-8.0	[illegible]	[illegible]	-0.2	-1.4
Liquid assets	-0.1	-0.1	-2.1	-2.2	-1.7	-8.3	-2.2	-7.6	0.2	[illegible]	[illegible]	[illegible]	-1.4
Assets	2.8	2.3	2.1	2.0	3.1	3.1	4.3	3.5	6.0	7.5	[illegible]	6.8	6.1
Liabilities	-2.9	-2.4	-4.2	-4.2	-4.8	-11.4	-6.5	-11.1	-7.8	[illegible]	[illegible]	-7.0	-7.5
Arrears of import payments 1/	-49.6	-58.7	-67.8	-76.9	-86.0	-102.0	-58.4	-15.8	-8.2	--	--	--	--
Cash and deposits at Central Bank	12.3	14.7	13.7	14.5	23.3	16.7	15.5	15.0	19.2	20.2	[illegible]	21.8	21.9
Credit to Federal Government	174.3	206.6	226.4	235.1	266.8	294.0	190.8	164.1	149.8	178.4	177.8	199.8	192.4
Treasury bills	97.8	108.7	126.6	130.6	138.4	161.2	80.2	57.5	50.9	76.4	75.7	97.9	87.1
Treasury certificates	69.4	94.1	95.1	95.3	111.7	125.8	105.2	102.2	94.5	97.6	97.6	97.5	101.0
Government stock	1.0	0.9	2.4	2.4	2.7	2.4	4.9	4.4	4.4	4.4	4.4	4.3	4.3
Other 3/	6.1	2.9	2.3	6.8	14.0	4.6	0.5	--	--	--	0.1	0.1	--
Credit to state and local governments	2.4	3.8	1.2	0.8	0.6	3.0	2.0	1.8	1.7	3.1	3.3	3.5	4.5
Credit to private sector	115.2	106.3	116.7	137.7	171.2	189.7	217.6	231.0	259.1	251.7	264.2	273.5	318.5
Demand deposits	85.5	103.7	99.5	104.2	131.6	144.1	122.8	112.8	126.8	135.2	128.7	136.3	151.3
Savings deposits	47.3	51.7	58.5	62.6	64.9	72.5	77.6	80.3	80.2	83.8	87.9	93.2	100.5
Time deposits	53.9	60.1	69.2	73.6	84.0	90.8	65.2	81.2	78.6	80.8	87.9	94.3	100.9
Deposits of state and local governments	13.8	15.5	22.3	31.3	32.4	30.5	43.3	35.4	43.0	49.5	43.9	50.0	44.2
Advances from Central Bank	--	--	--	--	--	0.8	0.8	--	--	--	2.6	2.3	1.9
Capital and reserves	27.2	27.3	27.6	27.9	28.7	30.6	31.2	34.4	35.1	36.7	37.0	37.3	38.4
Other items (net) 4/	26.8	14.3	11.0	9.4	32.6	23.8	24.4	44.4	58.1	70.0	79.1	84.5	98.7
Monetary survey 2/													
Foreign assets (net)	-3.1	-11.7	-18.0	-26.3	-9.8	-9.0	-36.1	-0.7	72.2	119.6	108.7	120.4	120.4
Liquid assets	46.5	47.0	49.8	50.6	76.2	93.0	118.9	96.5	140.1	119.6	108.7	120.4	120.4
Arrears of import payments 1/	-49.6	-58.7	-67.8	-76.9	-86.0	-102.0	-155.0	-97.2	-67.9	--	--	--	--
Domestic credit	402.9	433.7	453.6	477.0	553.3	575.3	557.3	562.5	532.3	503.4	518.6	541.0	608.9
Credit to Federal Government (net)	259.5	291.0	317.4	341.6	353.6	344.3	339.5	328.3	272.4	248.9	250.6	282.4	265.8
Credit to state and local governments (net)	-14.9	-22.9	-25.1	-35.8	-36.0	-33.6	-51.4	-37.3	-46.0	-52.4	-51.5	-60.6	-46.1
Credit to marketing boards	40.7	58.4	43.7	32.5	58.7	70.8	47.5	36.3	40.9	50.6	50.8	40.3	63.4
Credit to private sector	117.6	107.2	117.6	138.7	177.0	193.8	221.7	235.2	265.0	256.3	268.7	278.9	325.8
Money	221.1	245.0	246.4	264.4	304.2	319.2	292.0	287.0	314.4	314.6	299.2	313.2	349.9
Currency	134.6	132.1	145.1	158.4	171.2	171.3	163.9	169.1	177.2	174.1	167.0	172.8	192.6
Demand deposits	86.5	112.9	101.3	106.0	133.0	147.9	128.1	117.9	137.2	140.5	132.2	140.4	157.3
Quasi-money	101.2	111.8	127.7	136.2	148.9	163.3	142.8	161.5	158.8	164.6	175.8	187.5	201.4
Counterpart of SDRs	--	--	6.0	6.0	6.0	11.2	11.2	11.2	11.2	16.3	16.3	16.3	16.3
Capital and reserves	30.4	30.5	30.8	31.1	32.2	34.1	34.7	37.9	38.9	40.5	40.9	41.6	42.4
Other items (net) 4/	47.1	34.7	24.7	13.0	52.2	38.5	40.5	64.2	81.2	87.0	95.1	102.8	119.3

Source: **International Monetary Fund.**

1/ For commercial banks consists of arrears for which counterpart deposits have been made, while for the Central Bank it corresponds to the special deposits required in respect to these deposits, beginning in June 1971.
2/ Figures up to April 30, 1970 exclude banks in eastern states.
3/ Consists of advances and call money investments in government paper.
4/ Including net interbank float.

Table 6.2 NIGERIA: SECTORAL DISTRIBUTION OF COMMERCIAL BANK CREDIT - OFFICIAL GUIDELINES AND ACTUAL PERFORMANCE, 1970-73

	Actual Credit Outstanding at end of:										Credit Guidelines for period ending				
	1969/70 1/	1970	1971	1972	1972/73 1/	1969/70 1/	1970	1971	1972	1972/73 1/	March 2/ 1970	Dec. 2/ 1970	Dec. 1971	March 1973	March 1974
	(Naira Millions)					(Percentages)					(Percentages)				
Total (Annual growth, percentage)	227.8	351.3	502.0 (42.9)	619.5 (23.4)	579.6 (15.0)	100.0	100.0	100.0	100.0	100.0	100.0 (10.0) 3/	100.0 (20.0)	100.0 (8.4)	100.0 -	100.0 -
Production	71.0	116.0	178.0	222.6	210.8	31.2	33.0	35.5	35.9	36.4	32.4	33.4	39.6	45.0	45.0
Agriculture	4.8	7.0	9.3	19.2	16.0	2.1	2.0	1.9	3.1	2.8	2.9	3.0	4.6	4.0	4.0
Manufacturing	44.2	76.4	119.7	144.0	137.7	19.4	21.7	23.8	23.2	23.8	20.1	21.3	25.0	30.0	30.0
Mining and Quarrying	3.1	6.6	11.6	10.2	7.8	1.4	1.9	2.3	1.6	1.3	0.6	1.4	2.3	4.0	4.0
Real Estate and Construction	18.9	26.0	37.4	49.2	49.2	8.3	7.4	7.5	7.9	8.5	8.8	7.7	7.6	7.0	7.0
General Commerce	103.0	167.5	221.2	222.2	199.8	45.2	47.7	44.1	35.9	34.5	49.9	47.8	46.3	32.0	32.0
Exports	41.7	69.5	91.7	90.3	67.0	18.3	19.8	18.3	14.6	11.6	24.4	25.5	20.5	10.0	10.0
Imports	33.1	59.9	63.1	50.2	47.5	14.5	17.0	12.6	8.1	8.2	23.2	11.9	15.6	10.0	10.0
Domestic Trade	23.8	32.2	56.4	73.7	74.9	10.4	9.2	11.2	11.9	12.9		8.6	8.5	10.0	10.0
Bills Discounted	4.4	5.9	10.0	8.0	10.4	1.9	1.7	2.0	1.3	1.8	2.3	1.7	1.5	2.0	2.0
Services	12.3	19.7	35.4	49.5	48.1	5.4	5.6	7.0	8.0	8.3	5.1	5.8	5.7	11.0	11.0
Public Utilities	1.7	0.7	3.6	5.2	3.4	0.7	0.2	0.7	0.8	0.6	1.0	1.2	0.3	3.0	3.0
Transport	10.6	19.0	31.8	44.4	44.7	4.7	5.4	6.3	7.2	7.7	4.1	4.6	5.4	8.0	8.0
Other	41.5	48.1	67.4	125.2	120.9	18.2	13.7	13.4	20.2	20.9	12.6	13.0	8.4	12.0	12.0
Personal and Professional	13.2	23.3	33.1	61.9	54.8	5.8	6.6	6.6	10.0	9.4	2.7	4.0	3.0	6.0	6.0
Government	7.8	1.3	3.6	9.0	10.5	3.4	0.4	0.7	1.4	1.8	1.0	1.7	0.3	2.0	2.0
Other	20.5	23.5	30.7	54.3	55.6	9.0	6.7	6.1	8.8	9.6	8.9	7.3	5.1	4.0	4.0

1/ Fiscal year ending March 31.
2/ These guidelines were expressed as percentage growth of credit outstanding to various sectors and sub-sectors during a specified period. The implied structure of credit is shown here for ease of comparison with more recent guidelines.
3/ December 1968 to March 1970.

Source: Central Bank

8. INDUSTRY

8.1 Index of Industrial Production, 1966 - 1973

8.2 Index of Manufacturing Production, 1966 - 1973

8.3 Petroleum Sector Accounts, 1970/71- 1973/74

Table 8.1 NIGERIA : INDEX OF INDUSTRIAL PRODUCTION

(Base: Quarterly average 1965 = 100)

Period and Weight	Manufacturing 1/	Mining	Utility (electricity)	Total all Industries
Weight	512.6	435.8	51.6	1,000.0
1966	111.7	145.4	111.9	126.4
1967	114.2	112.4	97.1	112.5
1968	114.0	54.3	94.1	87.0
1969	150.2	181.5	104.9	161.5
1970	167.4	349.3	125.6	244.5
1971 2/	173.7	506.4	158.7	317.9
1972 3/	198.4	589.4	183.7	368.0
1973 3/	..	..	..	..
1966 1st quarter	111.5	125.0	110.9	110.7
2nd quarter	105.0	121.7	115.1	112.8
3rd quarter	108.4	156.3	105.0	129.1
4th quarter	121.4	178.3	117.2	146.0
1967 1st quarter	134.9	189.6	123.0	158.1
2nd quarter	132.4	194.4	98.7	157.7
3rd quarter	87.9	38.3	82.0	66.0
4th quarter	100.5	28.2	84.5	68.2
1968 1st quarter	105.9	26.1	91.6	70.4
2nd quarter	108.2	36.0	94.6	76.0
3rd quarter	108.2	44.3	92.5	79.5
4th quarter	132.6	111.2	98.3	121.5
1969 1st quarter	134.0	179.7	101.7	152.2
2nd quarter	136.1	178.8	102.9	153.0
3rd quarter	157.5	161.4	102.5	156.4
4th quarter	167.1	205.9	113.0	181.2
1970 1st quarter	153.3	261.1	115.5 2/	198.3
2nd quarter	158.4	310.7	124.8 2/	223.1
3rd quarter	175.5	386.9	127.5 2/	265.2
4th quarter	180.9	438.5	134.5 2/	295.9
1971 2/ 1st quarter	168.5	500.9	145.3	312.2
2nd quarter	166.1	501.9	152.7	311.8
3rd quarter	183.3	472.4	165.9	308.4
4th quarter	176.3	550.6	171.0	339.1
1972 3/ 1st quarter	183.0	560.2	170.7	346.7
2nd quarter	196.9	578.5	180.8	362.4
3rd quarter	208.0	605.3	176.2	378.5
4th quarter	210.2	621.8	197.1	388.9
1973 3/ 1st quarter	194.0	619.1	220.1	380.1
2nd quarter	..	640.6	220.9	..

1/ From the 3rd quarter of 1967 to the 2nd quarter of 1971, index does not include manufacturing production in the eastern states.

2/ Revised. 3/ Provisional.

Source: Central Bank

Table 8.2 NIGERIA : INDEX OF MANUFACTURING PRODUCTION, 1966-1973 1/

(Base: quarterly average 1965 = 100; weights: 1965 value added)

Weight and period	Aerated waters (soft drinks)	Beer (including stout)	Cement	Cigarettes	Cotton textiles	Footwear	Paints & allied products	Radios, changers, TV assembly etc.	Roofing sheets	Rubber (natural)	Soap & detergents	Sugar & confectionery	Tin metal	Vegetable oil	Vehicle assembly	Total
Weight	5.8	72.8	31.5	76.1	47.7	5.1	4.5	4.5	6.4	31.5	38.0	5.1	3.2	31.5	10.9	374.6
1966	89.1	110.2	102.0	90.0	171.8	186.4	120.4	136.7	196.2	92.9	112.7	150.0	98.0	68.8	113.2	111.7
1967	87.2	105.8	74.7	85.4	226.2	220.7	114.0	155.7	157.7	88.1	103.7	172.5	97.5	67.1	141.6	114.2
1968	84.5	123.7	58.4	90.8	212.6	214.9	102.6	150.6	142.3	85.7	74.2	175.0	104.8	97.3	125.9	114.0
1969	107.9	153.2	57.6	157.8	273.8	291.1	164.4	245.6	142.3	90.5	75.1	273.0	93.7	109.3	189.4	150.2
1970	140.0	192.5	59.5	141.1	314.6	423.1	265.2	340.5	184.6	102.4	81.6	352.5	85.0	105.0	226.4	167.4
1971 2/	216.5	222.4	65.4	144.2	303.6	397.5	269.5	258.2	284.5	100.0	85.7	543.8	77.5	62.5	228.6	173.7
1972 3/	261.8	331.3	115.7	157.8	277.7	385.0	321.9	212.7	365.4	85.7	120.8	322.5	73.8	56.8	194.4	198.4
1966 1st quarter	97.2	99.9	105.8	95.8	159.1	180.8	122.3	110.4	204.8	107.7	116.6	154.8	113.7	71.3	111.5	111.5
2nd quarter	94.5	113.9	104.1	80.8	148.4	138.9	130.4	138.9	193.6	85.4	113.7	135.3	103.2	63.9	72.3	105.0
3rd quarter	68.1	111.3	95.5	87.3	169.2	152.1	125.9	149.7	186.7	84.3	98.8	131.8	77.4	84.6	110.0	108.4
4th quarter	96.4	115.6	102.1	96.1	207.1	225.0	103.6	145.8	202.7	101.7	121.5	177.5	97.8	55.9	158.9	121.4
1967 1st quarter	119.7	112.5	98.8	89.5	258.0	225.5	151.3	176.7	205.1	150.2	155.9	195.4	92.1	59.5	153.5	134.9
2nd quarter	103.9	124.5	105.4	95.8	257.4	183.0	140.2	164.7	221.9	90.0	143.8	191.6	95.5	64.9	153.7	132.4
3rd quarter	48.9	77.7	45.0	78.0	178.8	191.9	71.9	164.5	111.3	51.5	48.6	156.7	101.5	72.0	138.3	87.9
4th quarter	76.3	108.4	49.2	78.2	107.7	224.2	93.3	116.9	91.0	64.3	66.4	148.9	100.8	72.6	120.7	100.5
1968 1st quarter	94.6	103.0	65.3	83.3	193.3	186.6	106.3	133.8	128.7	100.8	73.8	148.0	112.1	87.6	120.5	105.9
2nd quarter	86.1	113.6	64.0	97.7	187.4	178.8	104.5	124.1	136.0	61.1	78.3	172.6	96.7	99.0	124.8	108.2
3rd quarter	53.5	113.1	47.9	84.1	222.3	200.5	93.3	141.3	132.3	72.3	68.5	177.5	115.5	97.9	120.9	108.2
4th quarter	103.8	165.0	56.2	98.1	243.5	237.0	106.7	201.3	169.8	109.4	76.1	205.7	94.8	105.7	137.3	132.6
1969 1st quarter	114.8	130.2	63.2	110.1	268.2	268.9	174.6	159.1	134.1	112.2	70.1	270.9	106.7	106.9	171.2	134.0
2nd quarter	118.9	149.5	55.8	136.1	261.7	231.5	167.0	158.8	118.7	75.9	71.6	228.6	95.8	79.9	211.7	136.1
3rd quarter	84.1	147.5	51.7	186.5	276.4	294.2	159.4	374.3	159.4	88.3	83.2	267.8	82.9	135.3	184.6	157.5
4th quarter	113.9	185.4	59.5	198.7	285.7	293.0	157.6	287.0	162.3	87.4	75.5	328.6	89.2	115.3	190.1	167.1
1970 1st quarter	162.5	180.5	54.1	112.0	305.5	343.6	209.4	317.5	171.3	103.4	80.9	326.2	87.3	109.7	160.1	153.3
2nd quarter	168.3	176.1	64.0	149.4	286.5	362.6	286.6	322.0	181.6	94.3	84.3	372.3	93.2	91.1	178.0	158.4
3rd quarter	111.6	204.6	60.7	152.1	327.5	430.0	279.0	353.9	189.9	104.3	80.1	350.2	76.7	108.1	279.5	175.5
4th quarter	142.4	173.1	63.6	151.0	353.2	444.8	246.0	368.1	201.9	114.7	80.9	364.0	82.8	111.3	287.8	180.9
1971 2/ 1st quarter	220.1	204.9	53.9	133.2	305.5	375.1	328.6	280.3	258.4	114.8	77.3	350.5	80.8	94.7	242.7	168.5
2nd quarter	222.9	217.0	60.9	132.8	286.5	356.7	224.1	316.0	265.6	103.9	48.5	706.5	68.7	81.2	181.5	166.1
3rd quarter	175.3	222.7	71.5	156.4	314.6	379.3	287.5	223.5	322.6	96.4	114.6	630.1	85.4	53.9	236.3	183.3
4th quarter	247.2	244.9	74.4	154.2	308.0	374.4	238.8	210.2	291.5	89.8	102.4	494.8	75.3	20.4	254.0	176.3
1972 3/ 1st quarter	279.1	283.3	90.5	161.4	242.2	394.9	315.2	214.6	362.8	95.5	98.3	326.1	73.1	61.2	191.7	183.0
2nd quarter	217.4	338.2	119.0	164.2	234.1	326.6	333.5	238.3	383.7	76.2	147.7	348.1	75.9	50.9	192.9	196.9
3rd quarter	238.2	361.8	122.7	161.2	296.1	336.9	320.5	239.3	382.7	80.6	97.2	466.1	69.3	55.4	174.9	206.0
4th quarter	312.3	341.7	130.2	144.0	335.0	380.2	319.6	204.5	340.2	96.6	139.9	379.5	66.0	51.5	218.5	210.2
1973 3/ 1st quarter	312.9	280.9	117.8	144.0	291.0	352.2	300.0	204.8	332.9	116.9	164.2	389.3	76.1	57.6	160.6	194.0

1/ From the 3rd quarter of 1967 to the 2nd quarter of 1971, index does not include manufacturing production in the eastern states.

2/ Revised. 3/ Provisional.

Source: Central Bank

Table 8.3. NIGERIA: PETROLEUM SECTOR ACCOUNTS, 1970/71 - 1973/74

	1970/71	1971/72	1972/73	1973/74
		(₦ Million)		
Gross Proceeds	614	1100	1263	3000
Exports	586	1060	1218	2900
Local Sales	28	40	45	100
Loss: Intermediate inputs	80	80	90	100
Value added	534	1020	1173	2900
Government income	232	640	732	2250
Depreciation	60	80	90	100
Income of nationals	10	12	14	320
Income paid abroad	232	288	337	230
Gross Fixed Capital Formation	163	195	225	210
Exports of goods	586	1060	1218	2900
Imports of goods	-56	-50	-48	-50
Trade Balance	530	1010	1170	2850
Non-factor service, net	-95	-130	-150	-140
Income paid abroad	-232	-288	-337	-230
Current Account	203	592	683	2480
Direct investment	103	115	135	30
Overall Balance	306	707	818	2780
Direct payments to Government	232	640	732	2250
Other local payments of oil companies	112	107	131	350
Less: Local proceeds	-28	-40	-45	-100
Net Foreign Exchange Contribution of Oil Sector	306	707	818	2780
Annual Output (Million barrels)	435	585	675	750
Local Sales	6	14	15	15
Exports	429	571	660	735
Export price ($ per barrel)	1.91	2.60	2.81	6.61
(₦ per barrel)	1.37	1.86	1.85	3.95
Govt. revenues ($ per barrel)	0.75	1.53	1.65	4.91
(₦ per barrel)	0.53	1.12	1.08	3.00

Source: Mission Estimates.

9. PRICES

9.1. Index of Consumer Prices, 1966 - 1973

Table 9.1 NIGERIA: INDEX OF CONSUMER PRICES, 1/ 1966 - 73

	All items	Food	All Items less food	Accommodation	Clothing	Drinks	Fuel and light	Tobacco and kolanuts	Transport	Other purchases	Other services
					(1960 = 100; monthly averages)						
Weights	1,000	455	545	112	94	81	37	37	65	56	63
1966	125.5	133.1	118.8	116.8	127.7	123.3	120.3	87.8	122.9	113.3	123.5
1967	120.8	120.1	121.0	119.7	129.8	123.5	129.0	87.5	124.5	117.6	121.5
1968	120.3	112.6	126.6	122.6	137.7	135.1	128.9	88.9	130.2	129.0	121.1
1969	132.3	133.9	131.0	126.2	148.4	138.3	132.5	92.2	132.0	134.8	121.3
1970	150.6	164.4	138.8	129.7	160.6	140.1	144.9	97.1	143.4	151.5	125.7
1971	174.7	211.4	144.1	132.4	166.8	146.1	161.6	98.8	144.0	164.6	127.0
1972	179.6	216.6	148.8	135.4	167.3	152.7	178.3	102.7	149.5	169.0	130.6
1973	187.4	220.8	161.7	138.7	196.7	182.9	174.3	101.5	164.3	165.8	145.8
					(Changes in per cent)						
1967	-3.8	-9.8	1.9	2.5	1.6	0.2	7.2	-0.4	1.3	3.8	1.6
1968	-0.4	-6.3	4.6	2.4	6.1	9.4	-0.1	1.6	4.6	9.7	-0.3
1969	10.0	18.9	3.5	2.9	7.8	2.4	2.8	3.7	1.4	4.5	0.2
1970	13.8	22.8	6.0	2.8	8.2	1.3	9.4	5.3	8.6	12.4	3.6
1971	16.0	28.9	3.8	2.1	3.9	4.3	11.5	1.8	0.4	8.6	1.0
1972	2.8	2.5	3.3	2.3	0.3	4.5	10.3	3.9	3.8	2.7	2.8
1973	4.3	1.9	8.7	2.4	17.6	19.8	-2.3	-1.2	9.9	-1.9	11.6

1/ Composite of major cities.

Source: Central Bank of Nigeria, Monthly Report.