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A Review of the Structural Adjustment Programme, the Foreign Exchange Market and Trade Policies in Nigeria

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A REVIEW OF THE STRUCTURAL ADJUSTMENT PROGRAMME, THE FOREIGN EXCHANGE MARKET AND TRADE POLICIES IN NIGERIA:

Abstract

The purpose of the paper was to throw more light on the Structural Adjustment Programme currently under implementation in Nigeria through a detailed review and appraisal of its policy framework. This was considered to be desirable in view of recent public criticisms many of which appeared not to be well informed. In a more balanced approach, the paper reviewed the benefits and costs of the Programme. Among the benefits highlighted were the removal of the overvaluation of the naira exchange rate, the boost to agricultural exports, greater industrial capacity utilization and the improved international confidence in the Nigerian economy. Some of the costs of the programme were the increased inflationary pressures, the credit squeeze and influx of imported finished goods. The overall conclusion of the paper was that the SAP has been a worthwhile policy package in the context of Nigeria's contemporary economic problems.

Introduction

For some time now, many academic economists, bankers, industrialists and the general public have expressed opinions on the way they conceive the economy to be moving under the influence of the Structural Adjustment Programme (SAP) with the Foreign Exchange Market as its core element. A great many people have rightly described the SAP as the boldest economic policy action ever taken by any Government in Nigeria since Independence because of its radical approach to finding solution to the country's persistent economic crisis.

However, some protagonists of the system of controls have levelled criticisms on the Authorities for unleashing such "debilitating" economic measures on the economy. Too often such criticisms although well-meaning do not appear to be well-informed.

This paper seeks to throw light on the SAP through a detailed review and appraisal of its policy framework, implementation and impact on the economy. For purposes of easy exposition, the paper is divided into four parts. Part I highlights the genesis of the economic crisis which led to the adoption of the SAP. Part II focusses on the policy framework while Part III dwells on other economic policy measures, especially trade policies, adopted under the SAP. Part IV attempts some analysis of effects of the policy measures on the economy and presents the paper's summary and conclusion.

PART I THE GENESIS OF THE ECONOMIC CRISIS

The Oil boom 1973-80

The oil boom of the 1970s brought with it fundamental changes in the Nigerian economy. The first is the heavy dependence of the economy on crude petroleum export as the main source of foreign exchange earnings and government revenue. By 1980 the oil sector which accounted for 22 per cent of the Gross Domestic product (GDP) provided 80 per cent of government revenue and over 96 per cent of export earnings. Secondly, the competitiveness of the agricultural sector in the international market was eroded by over-valued naira exchange rate, inadequate pricing policies, rural-urban migration and neglect arising from the so-called oil syndrome. The share of the agricultural sector in GDP fell rapidly from 40 per cent in the early 1970s to 20 per cent in 1980. Low productivity in the agricultural sector became so acute that Nigeria became heavily dependent on imported food and agro-allied industrial inputs. Thirdly, the structure of policy incentives and controls encouraged import-oriented production and consumption pattern with little incentives for non-oil exports. For example, exporters were compelled to surrender foreign exchange receipts to Authorised dealers and because of the over-valued naira exchange rate, the official naira equivalent of the foreign exchange receipts often fell short of the cost of non-oil exports. Finally, the public sector, assisted by the Nigerian Enterprises Promotion Decree of 1972/74 became the prime mover of the economy through huge investments of growing oil revenue in social, physical and economic infrastructure. By 1980 the Government accounted for about 50 per cent of GDP and over 60 per cent of modern-sector employment. It had created some 70 non-commercial and 110 commercial federal parastatals together with a large number at the State level, many of which relied on government subvention to cover operating losses.

The collapse of the world oil market 1981-86

From about mid-1981 the world oil market started to collapse and with the collapse an economic crisis emerged in Nigeria, although its magnitude and duration could not be ascertained at the time. The resultant declines in oil export and prices were reflected in declines in foreign exchange receipts and government revenue. For example, crude oil exports fell from a daily average peak of 2.2 million barrels per day (bpd) in 1979 to 1.23 and 1.0 mbd in 1981 and 1982, respectively, and had since remained at below 1.3 mbd. Crude oil export prices which rose rapidly from US $20.94 per barrel in 1979 to US $36.95 in 1980 and US $40 in 1981 fell to US $29 in 1983 and to a trough of US $14.85 in 1986. Consequently, foreign exchange receipts which rose from US $15.7 billion in 1979 to a peak of US $24.9 billion in 1980 fell to $17.2 billion in 1981, $12.8 billion and $10.1 billion in 1982 and 1983, respectively and collapsed to only $5.2 billion in 1986. Thus external reserves fell sharply and foreign debts mounted in the face of rising imports; government deficits widened and efforts at containing the adverse developments created some other serious problems such as economic depression, rising prices and unemployment.

Review of Policy measures 1982-1986

During the period 1982 to mid-1986, a number of policy measures, largely demand management in content, were taken. In April 1982, the Federal Government enacted the Economic Stabilization Act designed to arrest the deterioration in the balance of payments position and revamp the economy. The stabilization measures concentrated on exchange control, import restrictions as well as measures in monetary and fiscal policies. Efforts were made in successive years to reduce the public sector deficit through a reduction of capital and recurrent expenditures and an increase in revenue. Some government projects were abandoned or suspended and emphasis of government shifted to maintenance and rehabilitation projects, especially in the social and health services. Government workers were laid off through efforts at streamlining public sector employment to reduce the burden of the wage bill. Similarly, existing exchange control measures were reinforced and made increasingly more stringent. From 1984, all imports were placed under specific import licencing.

In October 1985, government declared a fifteen-month Economic Emergency period during which specified proportions of workers' salaries and companies' profits were compulsorily paid to government. On January 1, 1986, about 80 per cent of the subsidy on petroleum products computed based on the prevailing exchange rate was removed and consumers made to pay more for them. Several initiatives were also embarked upon from 1983 to negotiate with overseas creditors on the rescheduling and re-financing of trade arrears.

The various austerity measures drastically reduced supply of raw materials and spare parts to the import-dependent industrial sector, leading to extensive plant closure, substantial drop in capacity utilisation and retrenchment of many workers. Severe market shortages led to very high prices of many essential commodities. Investments, both by the public and private sectors shrank and the depression deepened. Thus by end-1985, real per capita GDP and consumption were well below the levels recorded in the early 1970s. External debt service obligations increased to 32 per cent of exports. The external debt outstanding rose to over US$18 billion out of which about $5 billion represented trade arrears. It became obvious that the various measures, especially the restrictive exchange and trade control, taken since 1982 were mere palliatives as their effectiveness at solving the fundamental and financial problems of the economy was constrained by the continued fall in foreign exchange earnings, the over-valuation of the naira exchange rate and other distortions and rigidities in the economy.

PART II THE STRUCTURAL ADJUSTMENT PROGRAMME (JULY 1986-JUNE 1988)

The serious economic problems facing the Nigerian economy at the close of 1985 led to the adoption of a programme of far-reaching economic consequences in the 1986 budget. During the second half of the year, the programme was revised in close collaboration with the IMF and the World Bank into a more comprehensive Structural Adjustment Programme (SAP). The aim of the SAP is to effectively alter and restructure the consumption and production patterns of the economy, as well as eliminate price distortions and heavy dependence on the export of crude oil and imports of consumer and producer goods. Specifically, the major objectives of the programme are to:

(a) restructure and diversify the productive base of the economy in order to reduce dependence on the oil sector and on imports;
(b) achieve fiscal and balance of payments viability over the period;
(c) lay the basis for a sustainable non-inflationary or minimal inflationary growth;
(d) lessen the dominance of unproductive investments in the public sector, improve the sector's efficiency and intensify the growth potential of the private sector.

The main strategy of the adjustment programme includes:

(a) the adoption of a realistic exchange rate policy coupled with the liberalisation of the external trade and payments system;
(b) adoption of appropriate pricing policies in all sectors with a greater reliance on market forces and reduction in complex administrative controls;
(c) further rationalisation and restructuring of public expenditures and custom tariffs.

The Second-Tier Foreign Exchange Market (SEFEM)

The Second-Tier Foreign Exchange Market (SFEM) which constitutes an important aspect of Nigeria's structural adjustment programme commenced on the 29th September, 1986. The objective of the SFEM is to evolve a realistic and market-determined exchange rate for the naira, so as to reduce demand for foreign exchange to available supply and to reduce the pressure on the balance of payments. Such a realistic exchange rate is expected to eliminate the distortions in all the major sectors of the economy, reduce imports, stimulate exports, encourage efficient import substitution, encourage capital inflow and pave the way to a more self-reliant and sustainable growth.

The operational framework of the SFEM (now FEM) is the Closed Auction System, whereby the Central Bank calls for bids from all authorised foreign exchange dealers once a week, now once a fortnight, for available foreign exchange. Within the limit set for each authorised dealer, available foreign exchange is sold to successful bidders for on the counter sale to their customers at a price determined at the bidding sessions plus a one per cent margin fixed by the Central Bank of Nigeria. Interbank transactions are also permitted. With the exception of transactions related to government foreign debt, contributions to international organisations and transfers to Nigeria's Missions abroad, which were carried out at the official first-tier rate, all transactions are through the SFEM. The first-tier rate was expected to move in sympathy and eventually merge with the SFEM rate within a period of nine months.

However, some experimentation was resorted to in determining the SFEM rate. Initially, the "Average of Successful Bid Rates" was used as the basis for determining naira exchange rate. When it was realised that the above pricing arrangement was inappropriate as a basis for determining a realistic exchange rate, the "marginal rate" was introduced as the basis on 9th October, 1986. Again, following the recognition that the marginal rate pricing arrangement did not work satisfactorily in terms of ensuring fair competition and professionalism in bidding, the Dutch Auction pricing system was adopted, effective 2nd April, 1987. Soon, bi-monthly bidding session was adopted. In line with the expectation of a merger of the first-tier rate and the SFEM rate, the two rates were actually merged on 2nd July, 1987 and what we now have is a single Foreign Exchange Market (FEM).

The FEM remains a free market for the sale or purchase of foreign exchange based on rates determined by market forces of supply and demand. However, there is scope for the Monetary Authorities to intervene in the market to ensure its orderliness and stability as well as to exercise supervision and monitoring functions over its operation. The structure also remains the same as that of the SFEM, and bidding sessions continue as a mechanism for channelling official funds into the market. The

SFEM guidelines on eligible transactions, documentation requirements, processing of applications, submission of returns and sanctions apply to the FEM.

The major source of supply of foreign exchange to SFEM/FEM is expected to be the Central Bank of Nigeria, augmented over time with flows from autonomous sources such as foreign currency domiciliary accounts, and capital inflows from corporate and non-corporate bodies. The World Bank provided a loan of US $452 million for funding the SFEM, in 1986. As at June 1987, this was fully drawn down. Also part of the foreign exchange in the Escrow accounts from the countertrade deals have been used to finance the market. The African Development Bank (ADB) has also been contacted for a loan of $300 million much of which is expected to be used in funding the SFEM.

PART III OTHER ECONOMIC POLICY MEASURES ADOPTED UNDER THE SAP

(a) Current Trade Policies

An important aspect of the introduction of the SFEM is trade liberalisation. This is reflected in the immediate abolition of import and export licensing and exchange control on all current transactions and the reduction of prohibited import items from 74 to only 16. Similarly, the previous requirement that Nigerian residents should surrender their foreign exchange earnings to the Central Bank of Nigeria was abolished. Henceforth, exporters and other foreign exchange earners are entitled to 100 per cent of their foreign exchange earnings which they must repatriate and keep in their domiciliary account on which they can freely draw to meet all eligible foreign exchange transactions under the SFEM. Also, the Central Bank delegated to the authorised dealers full approving authority for current private sector current account transactions. As for Capital account transactions, the Federal Ministry of Finance continued to be the approving authority.

With the introduction of SFEM, the 30 per cent import levy introduced in January 1986 was abolished as superfluous. In recognition of the need to improve the financial liquidity of companies for trade and other purposes, a system of advance payment of import duties whereby importers were required to pay the appropriate import duty at the time letters of credit are opened, was revised. Under the revised system, only 25 per cent of the assessed import duty need be paid, effective January 1, 1987. The balance of 75 per cent was to be paid when the goods actually arrive. A related trade policy measure announced in the January 1987 budget and designed to promote exports is the duty draw-back/suspension. Under the scheme, exporters/producers could import raw materials and intermediate products for use in the manufacture of export products free of import duty and other indirect taxes and charges. The scheme also covered exports made on Letters of Credit as well as those made on sight or usuance.

(b) Fiscal Measures

Some of the existing fiscal policy measures were reviewed and rationalised in line with the structural adjustment programme, with a view to ameliorating the expected inflationary impact of SFEM. Besides the abolition of the 30 per cent import levy and the reduction of import prohibition list from 74 to 16, import and excise duties were substantially reduced pending the results of studies commissioned for their further review and rationalisation in keeping with the regime of flexibile exchange rates. Also, the deduction from workers' salaries under the national economic recovery fund was discontinued and deductions already made from workers with annual salaries not exceeding ₦3,600 was refunded to them.

(c) Monetary Policy measures

In order to reduce the ability of the commercial banks to grant credit for trading on the SFEM, the Central Bank of Nigeria required the commercial banks on the 15th August, 1986, to deposit in non-interest bearing deposit account at the CBN the naira counterpart of all outstanding external payments arrears. About ₦4.2 billion was lodged with the Bank at the end of the exercise. Also, in line with the objectives of the SAP and the introduction of the SFEM, the following monetary policy measures were adopted:

(a) The 1986 ceiling of 10 per cent imposed on the rate of credit expansion by the big and medium-sized commercial banks was reduced to 8.0 per cent for the rest of 1986 and the whole of 1987;

(b) The 9½ per cent interest rates payable on savings deposit was retained. However, in the place of the range of 8½ to 12 per cent interest payable on time deposits of varying maturities, a floor of 8½ per cent was fixed. The ceiling of bank lending rates was raised from 13 to 15 per cent. Other lending rates were to adjust upwards accordingly. However, the banks and their customers were given the freedom to negotiate deposit and lending rates within the stipulated range which might vary from bank to bank and according to the size and maturity of deposits or loan as well as the forces of supply of, and demand for, funds;

(c) Additional measures were adopted with effect from 1st August, 1987;

  (i) The 8 per cent ceiling on commercial bank credit expansion was revised to 7.4 per cent for the last three quarters of the year. Banks which exceed the permissible rate of credit expansion shall be required to deposit an amount equivalent to the excess credit with the Central Bank of Nigeria free of interest;

  (ii) All controls on interest rates were removed in line with the emphasis on the deregulation of the economy in the SAP;

  (iii) In order to encourage the private sector non-bank public to invest in government securities, the treasury bill rate was raised from 10 to 14 per cent and the minimum rediscount rate was fixed at 15 per cent;

  (iv) The minimum liquidity ratio for commercial banks was raised from 25 to 30 per cent.

Financing the Adjustment Programme

A review of the SAP and the specific organs and measures adopted under it would be incomplete if something is not said about how the government plans to finance the adjustment programme. This section briefly outlines the financing arrangement.

Government expects substantial public and private sector savings mobilisation to finance the programme. The expectation was based on the planned reform of the parastatals and the financial system. Also, government seeks to finance the programme through measures designed to control public expenditures and reduce import demand. Through the adoption of more realistic exchange rate and deregulation of interest rates, government expects a considerable amount of capital inflow. Of importance in the financing plan is debt rescheduling.

In order to reduce the debt service burden, continuous negotiations had been going on with the overseas creditors to reschedule the country's foreign debt, that is, to re-arrange debt maturities with new repayment schedule and grace period. The negotiations with the London Club — the private creditors (banks) — had commenced during the second quarter of 1986 while those with tbe official creditors in the Paris Club began in December 1986. Agreement was reached with the Steering Committee of the member banks of the London Club to reschedule repayments on medium and long-term debts owed them for nine years with a four-year grace period, with interest of 1¼ per cent above LIBOR and a restructuring fee of ½ per cent on total rescheduled amount.

Existing arrangements to refinance uninsured trade debts through the issuance of promissory notes and the rescheduling of payments have also progressed satisfactorily. The estimated short-term trade debt in respect of bills maturing up to 31st December, 1986 is of the order of $7.0 billion. Promissory notes already issued to uninsured creditors stand at about £3.2 billion. However, claims worth about £800 million have been verified and accepted for insured creditors.

PART IV THE EFFECTS OF THE SAP ON THE ECONOMY

The Structural Adjustment Programme has been in operation for a little over one year. However, since most of the objectives and measures of the programme need medium to long-term gestation periods to fructify, it is perhaps too early to attempt a full assessment. Even so, some preliminary appraisal is still in order if only to give a fair indication of developments in the economy since the introduction of the SAP.

It may be convenient to begin the appraisal of the SAP by highlighting developments in the naira exchange rate — perhaps the most important relative price in the economy, which influences movements in most macro-economic variables. Developments in the SFEM/FEM do indicate that a realistic market-determined naira exchange rate is emerging.

In the first week of operation of the SFEM, the naira exchange rate stood at ₦4.6174 to $1.0000; compared with the first-tier rate of ₦1.5731 to $1.0000 as at 26th September, 1986, the rate reflected a depreciation of about 66 per cent. Although there have been fluctuations in the exchange rate through the various bidding sessions, there has been remarkable narrowing of the difference between the highest and the lowest bid rates. The median exchange rate during the review period, that is, 26th September, 1986, through 18th June, 1987, was about ₦4.00 to the US $1.00.

With the operation of SFEM and the subsequent substantial depreciation of the naira exchange rate, the wide margins between the parallel and the official exchange rates narrowed down. This was reflected in the decline in the immediate pre-SFEM parallel market premium, defined as the ratio of the parallel market rate and the official exchange rate. The premium declined monotonically from 238 per cent in 1986 to about 12 per cent in July, 1987. Among other things, the current low premium reflects the fact that much of the over-valuation of the naira exchange rate has been successfully eliminated through the SFEM and the naira is now much closer to its realistic exchange rate than was the case in the immediate pre-SFEM period.

Besides resolving the problem of over-valuation, the implementation of the SAP through the SFEM has enhanced administrative and allocative efficiency of government as access to foreign exchange by industries and other users is now much easier compared with the regime of foreign exchange rationing through import licence and pervasive intervention in the financial market (see Table 5). The financial market has been substantially de-regulated, especially since August 1, 1987. This has, among other things, engendered competition among banks for deposits, savings mobilisation, reduced capital flight and to some extent boosted capital inflow.

There were indications that capacity utilisation has been enhanced in a number of industries, especially those that are less dependent on imported inputs. The results of a Central Bank of Nigeria country-wide survey of manufacturing firms in Nigeria indicate that industrial enterprises such as paper manufacturing, beer brewing, textiles, vegetable oil, paints and cement recorded significant increases in capacity utilisation, averaging 51.7, 41.5m 60.4, 42.5, 59.8 and 84.7 per cent, respectively during the first quarter of 1987 compared with 41.8, 39.5, 46.4, 26.9, 45.3 and 70.7 per cent, respectively in the corresponding period of 1986.

The survey, however, reported declines in capacity utilisation in industries which were heavily dependent on imports. In those industries including motor vehicle assembly, carpets/rugs, and electronic equipment manufacture, capacity utilisation declined to 7.0, 15.0 and 18.5 per cent; respectively in the first quarter of 1987 compared with the levels of 16.2, 45.0 and 24.5 per cent recorded in the corresponding period of 1986. A significant development in the manufacturing sector was the steady growth in the volume of locally sourced raw materials in such industries as meat and meat products, beer and stout, textiles, plastic products, paints and structural metal products.

A major effect of the SAP has been the boost to non-oil exports as a result of the alteration of relative prices via exchange rate adjustment, which has made our exports more competitive, as well as the various export incentive schemes including 100 per cent retention of proceeds accorded non-oil exporters. The output of agricultural export crops, especially cocoa, cotton, rubber, groundnut, palm produce, ginger and coffee was stimulated and actively traded as a result of the sharp increase in farmgate prices of these cash crops following the substantial depreciation of the naira exchange rate with the introduction of the SFEM. In some cases, such as rubber and cocoa, abandoned trees are being rehabilitated. The table below is indicative:

Autonomous (non-oil) Inflow of Foreign Exchange
($ mil.)

Category	1984	1985	1986 (Oct.-Dec.)	1987 (Jan.-May)
Non-oil exports plus others net of domiciliary account	322.7	392.0	227.6	478.4

On the external sector, there has been a gradual return of the country to creditworthiness. The SAP has provided a favourable environment for debt rescheduling and negotiating refinancing arrangements. Thus far, Nigeria has signed bilateral agreements with the United Kingdom, France, the Republic of Austria and the Swiss Confederation The rescheduling effort brought the debt service ratio from 42 per cent in 1986 to 24 per cent in 1987. Thus rescheduling has enabled the country to devote more foreign exchange earnings towards meeting the needs of the more pressing and growth-oriented sectors.

An analysis of the effects of SAP on the economy would be incomplete if it is silent on the adverse side effects. Among these effects include the inflationary pressure generated by the high cost of foreign exchange. Fortunately, the inflationary pressures turned out to be a good deal less than was expected, being seriously mitigated by the effective demand management policies adopted by Government and the welcome emergence of "consumer resistance" to prohibitive prices.

Although the observed average liquidity ratio in the banking system is over 50 per cent compared with the statutory minimum liquidity ratio of 25 per cent now raised to 30 per cent under the monetary policy circular amendment, effective August 1, 1987, the business community continues to harp on the issue of credit squeeze. The squeeze had in fact been felt by the small and medium scale industries. However, it should be recognised that the current tight monetary policy is being pursued as a stabilisation measure and that any undue liberalisation of credit would generate serious inflationary pressures, and pressures on the balance of payments especially in the present circumstances of a fragile external reserve position. The other negative side effect has been the influx of imported finished goods following the reduction of average trade-weighted tariff rate from 35 to 25 per cent (see Table 5). This modified tariff structure has worsened the problems of protection for local industries and is in need of urgent review.

Summary and Conclusion

This paper has discussed the perverse economic situation that led to the adoption of the Structural Adjustment Programme. It has also outlined the major strands of policy under the SAP, namely, the SFEM/FEM and the accompanying trade, fiscal and monetary measures. Performance appraisal of the SAP was reviewed and some interesting results emerged.

Of great importance has been the successful elimination of over-valuation of the naira exchange rate — an over-valuation that imparted far-reaching distortions into the economic system. The naira exchange rate at about ₦4.00 to the US $1.00 is now much closer to its realistic level than was the case in the immediate pre-SFEM period. The elimination of over-valuation is reflected in the current low level of the parallel market premium.

With the SFEM achieving naira exchange rates which largely reflect the forces of supply and demand for foreign exchange, the implementation of the SAP has enhanced administrative and allocative efficiency of government. In most industries that are less dependent on imported inputs, such as paper manufacturing, beer brewing, textiles, paints, cement and vegetable oil, significant increases were recorded in capacity utilisation during the first quarter of 1987 compared with the position in the corresponding period of 1986. A significant development in the manufacturing sector was the steady growth in the volume of locally sourced raw materials, especially meat and meat products, beer and stout, textiles, paints, etc. Also, the SAP has induced a boost in non-oil exports as a result of the alteration of relative prices via exchange rate adjustment. International confidence in the Nigerian economy is gradually improving with the operation of the Structural Adjustment Programme.

Although some adverse side effects have been associated with the operation of SAP, such as increased inflationary pressures, credit squeeze and influx of imported finished goods, the net gains to the economy have been tremendous. It is thus little wonder that many have dubbed the SAP as the most desirable policy option at this critical moment in the nation's economic circumstances.

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APPENDIX I

List of eligible transactions under SFEM

1. Visible Private Sector Imports (Except Imports under Absolute Prohibition)
2. Visible Public Sector Imports (Except Imports under Absolute Prohibition)

(i) Educational Expenses — Student Tuition and Maintenance

(ii) Expatriate Personal Home Remittances
- Monthly Remittance
- Gratuity
- Leave Pay
- Final Balance
- Bonus

(iii) Re-insurance

(iv) Personal Insurance

(v) Net Proceeds of International Air Ticket sales

(vi) Aircraft Lease Fees

(vii) Charter fees for bunkering and Fishing Vessels

(viii) Repairs and Maintenance of shipping vessels and aircraft

(ix) Travel
- Basic Travel Allowance (BTA)
- Business Travel
- Medical Tours
- Pilgrimage

(x) Conferences and Seminars

(xi) In-service Training

(xii) Contract Service Fees
- Management Services
- Service charges for work done in Nigeria by highly skilled expatriate personnel
- Consultancy fees
- Directors' fees

(xiii) Membership Subscriptions and Examination Fees

(xiv) Single copies of books for personal use

(xv) Miscellaneous
- Judgment Debt
- Commissions and Brokerages
- Copyright Patent and Royalties
- Advertisement outside Nigeria
- Others

(xvi) Correspondence Course

(xvii) Freight of Personal Effects for Returning Students

(xviii) Investment Income

(xiv) Pre-paid Travel Advice (for the guidance of airlines only)

SCHEDULE OF EXCHANGE RATE DEVELOPMENTS IN SFEM (26th SEPTEMBER, 1986 TO 30th JUNE 1987)

Table 1

Session	Date	Amount (Supply)	Demand	Highest Bid Rate	Lowest Bid Rate	SFEM Rate	First-Tier	REMARKS	
								No. of Successful Banks	No. of Unsuccessful Banks
		$	$	₦	₦	₦	₦		
1.	26/9/86	50m	84.37m	5.1250	2.5000	4.6174	1.5691	16	18
2.	2/10/86	50m	99.11m	5.5999	3.0000	5.0585	1.6171	13	25
3.	9/10/86	75m	75.525m	5.3499	2.7050	3.4999	1.7004	36	02
4.	16/10/86	80m	93.55m	4.8000	3.3450	3.9101	1.8064	33	06
5.	23/10/86	75m	88.00m	4.4999	3.7500	4.1775	1.9384	34	06
6.	30/10/86	86m	90.55m	4.0000	3.7001	3.8525	2.0387	39	02
7.	6/11/86	75m	69.25m	4.3640	3.6000	3.6000	2.1441	30	09
8.	13/11/86	75m	76.65m	4.2013	3.4993	3.4993	2.2548	36	NIL
9.	20/11/86	75m	81.34m	3.9995	3.3125	3.4599	2.3469	35	03
10.	27/11/86	75m	79.68m	3.8750	3.4462	3.4945	2.4679	35	02
11.	4/12/86	75m	60.862m	3.6065	3.0005	3.0005	2.5954	35	NIL
12.	11/12/86	75m	75.295m	3.5021	2.9900	3.2000	2.5954	29	10
13.	18/12/86	50m	52.235m	3.6500	3.2000	3.3000	2.5954	37	02
14.	8/1/87	50m	55.41m	4.0000	3.3825	3.4422	2.5954	34	05
15.	15/1/87	50m	61.59m	3.9876	3.4950	3.5547	2.5954	32	08
16.	22/1/87	50m	64.60m	4.2565	3.6000	3.7002	2.5954	32	10
17.	29/1/87	55m	64.10m	4.3977	3.7895	3.8914	2.6752	36	06
18.	5/2/87	75m	94.04m	4.3116	3.6852	3.9412	2.8129	34	09
19.	12/2/87	75m	74.97m	4.3213	3.5000	3.0000	2.9577	42	NIL
20.	19/2/87	50m	66.96m	4.2220	3.5000	3.9246	2.9577	33	11
21.	26/2/87	53m	63.40m	4.3000	3.5000	3.9242	3.0479	36	08
22.	5/3/87	50m	38.39m	4.2755	3.8050	3.8241	3.1407	27	NIL
23.	12/3/87	50m	46.40m	4.2000	3.8999	3.9195	3.2051	29	NIL
24.	19/3/87	50m	65.80m	4.2500	3.6500	4.0203	3.3036	32	10
25.	2/4/87	80m	102.18m	4.0604	3.5250	3.7001		34	10
26.	16/4/87	70m	95.96m	4.0205	3.7500	3.8990		33	11
27.	30/4/87	70m	100.70m	4.1501	3.9499	3.9999		35	11
28.	14/5/87	85m	120.70m	4.2502	4.0207	4.1617	3.5088	32	14
29.	4/6/87	100m	150.00m	4.6599	4.6000	4.3637	3.5088	33	15
30.	18/6/87	70m	64.39m	4.2140	3.7001	3.7375	3.6887	30	NIL
	TOTAL	$1,999.00m	$2,355.93m						

AUTHORISED DEALERS SOURCES OF FOREIGN EXCHANGE (OCTOBER 1986 TO JUNE 1987) Table 2

	1986 October	1986 November	1986 December	1987 January	1987 February	1987 March	1987 April	1987 May	1987 June	Cumulative up to June 1987 ($ M)	
1. C.B.N. Auction	371.83	330.54	237.99	209.93	268.59	142.67	197.69	113.94	152.50	2,025.68	72.27%
2. Inflows (autonomous sources to banks)	49.84	75.16	102.57	102.44	130.64	106.80	81.70	56.84	71.59	777.56	27.73%
(a) Non-oil Exports	7.93	14.59	24.60	40.24	48.38	40.33	30.26	27.39	36.01	269.75	
(i) Out-right purchase	2.82	9.84	10.13	15.65	11.66	26.03	15.05	17.16	16.24	124.58	
(ii) Lodge in Domiciliary Accounts ..	5.11	4.75	14.47	24.59	36.72	14.30	15.21	10.24	19.78	145.17	
(b) Invisibles Services	17.65	16.51	28.99	36.74	27.72	20.48	13.28	10.88	8.12	180.38	
(c) Others	24.26	44.06	48.98	23.46	54.52	45.98	38.16	18.57	27.45	325.46	
3. Domiciliary Accounts	—	—	·	—	—	-		—	—	—	
(a) Opening balance for the month under review	—	—	—	—	54.81	61.26	64.23	73.32	61.46	—	
(b) Closing balance for the month under review	—	—	-	—	50.75	57.33	74.48	68.86	68.09	—	
(c) Net Change in Domiciliary Accounts for the month under review	7.51	2.59	22.49	8.84	- 4.06	- 3.93	+ 10.25	4.46	+ 6.63	—	
Total sources net of increase/decrease on Domiciliary Accounts (1 & 2)	421.67	405.70	340.56	312.37	399.23	249.47	279.39	170.78	224.09	2,803.26	100%

Source: Central Bank of Nigeria

SECTORAL ALLOCATION OF FOREIGN EXCHANGE UNDER SFEM FOR THE MONTHS OF MAY AND JUNE 1987 AND CUMULATIVE OCTOBER 1986 TO JUNE 1987

Table 3

	Total figure in US $ for May 1987	% of Total	Total figure in US $ for June 1987	% of Total	Cumulative figure in US $ for up to June 1987	% of Total
A. Imports	155,300,672.60	91.86	174,854,718.69	91.39	1,810,893,567.59	92.35
Industrial Sector	99,381,857.20	58.78	121,767,992.22	63.64	1,295,787,457.65	66.08
(i) Raw Materials	53,292,940.78	31.52	58,928,183.45	30.00	737,593,863.49	37.81
(ii) Machinery, Spare Parts and CKD	46,088,916.42	27.26	62,839,808.77	32.84	558,193,594.16	28.46
Agricultural Sector	426,081.53	0.25	753,087.70	0.39	8,903,223.44	0.45
Finished Goods	55,492,733.87	32.82	52,333,638.77	27.35	506,202,886.50	25.81
(i) Food	25,894,356.06	15.32	10,538,249.94	5.50	140,927,130.82	7.19
(ii) General Merchandise	28,769,488.69	17.02	41,516,425.83	21.69	354,492,251.79	18.08
(a) Drugs & Pharmaceuticals	6,861,466.61	4.06	16,030,991.48	8.37	79,381,431.35	4.05
(b) Books & Educational Materials	1,251,149.03	0.74	783,719.07	0.40	13,991,492.31	0.71
(c) Other General Merchandise	20,656,873.03	12.22	24,701,715.28	12.91	261,119,324.13	13.32
(iii) Capital Goods – Aircraft Shipping	828,889.12	0.49	278,963.00	0.14	10,783,503,89	0.55
B. Invisibles	13,770,597.30	8.15	16,470,499.52	8.59	149,875,072.30	7.64
(i) Education	522,711.85	0.31	1,171,691.87	0.61	6,095,222.35	0.31
(ii) Personal Home Remittance	2,553,144.38	1.51	1,602,533.05	0.84	13,923,884.15	0.71
(iii) Airline Remittances	2,484,698.89	1.47	3,939,351.15	2.06	42,493,861.64	2.17
(iv) Travel	1,232,183.00	0.73	2,561,397.69	1.34	11,056,390.41	0.56
(v) Re-Insurance	88,886.61	0.05	83,832.87	0.04	2,040,394.05	0.10
(vi) Contract	1,126,171.29	0.67	554,285.06	0.29	5,244,433.46	0.27
(vii) Aircraft lease Maintenance Fees	21,778.59	0.01	119,518.59	0.06	1,480,010.21	0.08
(viii) Shipping Vessels Charter & Maintenance	300,000.00	0.18	2,208,902.90	1.15	5,696,418.08	0.29
(ix) Investment Income Profit & Dividend	1,556,658.16	0.92	2,139,943.40	1.12	17,818,012.95	0.91
(x) Others	3,884,364.53	2.30	2,089,042.74	1.09	44,026,045.00	2.25
TOTAL (A + B)	169,071,269.90	100%	191,325,218.21	100%	1,960,768,639.89	100%

Source: Central Bank of Nigeria

SECTORAL ANALYSIS OF NON-OIL EXPORTS FROM 1st OCTOBER TO 30th JUNE 1987

Table 4

No.	Items	Value of Goods Exported ($)	Proceeds due up to 30th June 1987 ($)	Total Proceeds repatriated as at 30th June 1987
1.	**Agricultural Products**	420,623,870	368,716,703	201,867,414
	Cocoa	324,093,370	287,695,929	148,720,902
	Cocoa Products	30,719,639	26,276,728	19,326,015
	Palm Produce	25,699,584	22,060,433	10,474,654
	Rubber	12,508,049	10,047,354	7,792,068
	Wood Products	12,167,513	10,712,510	8,097,969
	Fish and Shrimps	2,533,102	1,891,350	1,381,272
	Hides and Skin	1,112,792	859,972	587,518
	Coffee	2,520,966	1,934,871	1,090,765
	Ginger	287,760	185,427	62,962
	Gum Arabic	5,154,401	3,762,645	2,353,644
	Other Agric Products	3,826,694	3,289,484	1,979,645
2.	**Minerals**	3,227,820	2,500,264	1,298,222
	Tin	2,763,524	2,120,844	1,199,253
	Other Minerals	464,296	379,420	98,969
3.	**Manufactured Goods**	6,067,782	4,780,620	3,097,785
	Beer	260,130	46,582	10,450
	Soap and Detergents	—	—	—
	Textiles	2,748,190	1,836,466	1,571,373
	Plastics	50,088	50,088	—
	Others	3,009,374	2,847,484	1,515,962
4.	**Others**	2,290,519	1,368,528	975,525
	Scrap Materials	464,750	377,250	—
	Craft-Rafia Baskets	5,000	5,000	—
	Others	1,820,769	986,278	975,525
		432,209,991	377,366,115	207,238,946

Source: Central Bank of Nigeria

SECTORAL ALLOCATION OF FOREIGN EXCHANGE

Table 5

%

Sectors	1984[1]	1985[1]	1986 (October-December)[2]	1987 (January-May)[2]
1. Industrial	58	60	78	57
Raw Materials	—	(42)	(48)	(30)
Spare Parts	—	(18)	(30)	(27)
2. Finished Goods	30	20	19.0	31
Food	(18)	(8)	(4.7)	(10)
General Merchandise	(12)	(12)	(14.3)	(21)
3. Invisibles, etc	12	20	2.7	12

Sources:

[1] CBN Annual Report, various years

[2] SAP Monitoring Committee