CHAPTER ONE

1.0 INTRODUCTION

1.1 Material Resources

Nigeria is well endorsed with vast human and material resources that can guarantee sustainable economic growth and development. The country has a land area of 923,773km^2, with varied vegetation and soil types that are suitable for a variety of agricultural purposes. The Rivers Niger and Benue divide the country into three major geographical sections, west, east and north, and acting in synchrony with the Lake Chad and a few other rivers, provide the needed irrigation potentials for all-year-round farming activities. The traditional agricultural specialization in tandem with the vegetation, soil and climatic conditions vary from root and tree crops in the south to grains and livestock in the north.

The country has large reserves of solid minerals including bitumen, topaz, lignite, coal, tin, columbite, iron ore, gypsum, barite and talc. Mining activities which are largely informal are concentrated in particular areas of the country: metallic minerals are mostly found in the middle belt, coal is found in the South East and Middle Belt, and bitumen predominantly in the South West. Crude petroleum and natural gas are prevalent in the southern area of the country referred to as the Niger Delta region. The proven reserves of crude petroleum are well over 37 billion barrels, while reserves of natural gas stand at over **187** trillion standard cubic feet. The pattern of material endowment facilitates inter regional trade within the country. This is why the country was a veritable source of raw materials for industries in Europe, especially Britain during the colonial era.

1.2 Human Resources and Governance System

Nigeria has a population of over 160 million people of diverse cultural backgrounds. The more than 250 constituent ethnic nationalities of the country add a dynamic blend to the socio-political and cultural landscape of the country. The country operates a three-tier federal system of government with 36 states and a Federal Capital Territory, and 774 local councils. The legislative structure is bicameral with upper and lower chamber at federal level while state governments and local councils operate single legislative chambers. A judicial structure erected in all three tiers of government completes the operational framework for checks and balances and separation of powers in governance as enshrined in Nigeria's Constitution.

1.3 Harnessing the Resources for Growth and Development

The resources at Nigeria's disposal offer a solid base for engineering rapid growth and sustainable development. On account of the immense potentials of the country, the leadership has crafted a vision for leapfrogging into one of the top twenty largest economies of the world by year 2020. To actualize this vision, an implementation framework consisting of a National Council, a Steering Committee, Business Support Group, National Technical Working Groups, Special Interests Groups, various stakeholders development committees and a Secretariat were set up to design the implementation roadmap for actualizing the Vision. The Vision Document which was finalised in the fourth quarter of 2009 addresses structural weaknesses in the economy and outlines strategies for harnessing the country's resources to realise the Vision goals and targets. The NV20:2020 First Implementation Plan (2010-2013), which is a medium-term plan, was concluded in 2010 to kick start the implementation of NV20:2020.

1.4 Structure of the Nigerian Economy

After fifty years of political independence, the productive base of the Nigerian economy remains weak, narrow and externally-oriented with primary production activities of agriculture and mining and quarrying (including crude oil and gas) accounting for about 65 percent of the real gross output and over 80 percent of government revenues. In addition, primary production activities account for over 90 percent of foreign exchange earnings and 75 percent of employment. In contrast, secondary activities comprising manufacturing and building and construction, which traditionally have greater potential for broadening the productive base of the economy and generating sustainable foreign exchange earnings and government revenues account for a mere 4.14 percent and 2.0 percent of gross output respectively. Services or tertiary activities which depend on wealth generated by the productive sectors for their operations comprise about 30 percent of gross output. Significantly, service activities have been expanding their influence in the economy over the last decade accounting for over 35 percent of the growth of the real gross domestic product (GDP).

Over the last five years, certain changes have taken place in the structure of output in the economy, prominent among which is the entry of the telecommunications sector which has witnessed explosive and sustained real GDP growth. The sector's share of GDP and contribution to GDP growth jumped from barely 1 percent and 3 percent respectively in 2005 to over 3 percent of GDP share and over 14 percent of GDP growth respectively, in 2010. This represents an annual average growth rate of about 34 percent in the last five years. Similarly, wholesale and retail trade sector accelerated by more than 10 percent per annum in the last five years, accounting for over 32 percent of GDP growth and 16 percent of GDP during 2006-2010.

By contrast, the oil and gas sector shrank in importance during 2006-2010 as its share of GDP declined from about 25 percent in 2005 to about 16 percent in 2010. With an average annual real growth rate of -3 percent, the sector's contribution to GDP growth was negative between 2005 and 2009.It however had a positive growth rate in 2010 as normalcy returned to the Niger Delta region. Manufacturing sector's contribution to real GDP growth which declined from over 5 percent in 2005 to about 3.96 percent in 2009, however edged up to 4.14 % in 2010. The lacklustre performance of the manufacturing sector reflects the appalling state of infrastructure and a constellation of other growth-inhibiting constraints as well.

Agricultural activities comprising crop production, forestry, livestock and fishery recorded an average annual growth rate of about 5.74 percent and remain the dominant sector of the economy with 41 percent share of the real GDP during 2006-2010. The sector's activities are largely informal and dominated by use of simple technologies. Consequently, productivity is low as growth has been largely induced by expanding hectares cultivated. However, recent entry of commercial farmers notably from Zimbabwe and the planned land reform by the Federal Government could engender greater productivity in the agricultural sector.

1.5 Challenges

The Nigerian economy continues to grapple with a number of challenges that has hampered efforts at economic transformation. First, the economy is yet to achieve the necessary structural changes required to jump-start rapid and sustainable growth and development. Aside disarticulated and narrow productive base, sectoral linkages in the economy are weak. Primary production comprising agriculture, mining and quarrying inclusive of oil and gas dominate national output while the manufacturing sector role in the economy is decidedly small in terms of share of gross output, contribution to growth, foreign exchange earnings, government revenues and employment generation.

The economy also confronts monumental challenges in form of dilapidated and chronically non-functional infrastructure. The decay in the country's infrastructural base reflects decades of poor maintenance and weak technological base. The weak technological base is a consequence of low research and development efforts and disconnect between research findings and industry. The private sector is equally weak and diffuse with poor response record to industrial incentives.

Although the economy experienced respectable GDP growth rates, averaging over 6.5 percent per annum between 2006 and 2010, this growth did not spawn corresponding employment nor resulted in attenuation of poverty. Moreover, growth rates of the non-oil output remains unsatisfactory. Concomitantly, there has been gradual decline in the level of competitiveness of the Nigerian economy to the extent that the country has become one of the least competitive economies in Africa. The narrow base of government revenue and the near monolithic nature of exports constitute additional challenges confronting the economy. Finally, the global financial crisis that engulfed the world during 2008-2009 and which impacted negatively on macroeconomic aggregates in the Nigerian economy introduced additional complications to the task of managing the Nigerian economy.

The effectiveness with which the above challenges are tackled, especially the reduced government revenue, foreign exchange earnings and depletion of the external reserves, arising from downturn in crude oil fortunes in the international oil market will determine in large measure, the level of progress the Nigerian economy would make in the next one year.

This report is structured into five sections. Section one presents the introduction, while section two provides an overview of macroeconomic trends during 2006 - 2009. The performance of the economy in 2010 is reviewed in section three. Finally, section four sketches prospects and expectations for the 2011 fiscal year.

CHAPTER 2

Summary of Performance of the Nigerian Economy in 2009

2.1 Output Performance

The Gross Domestic Product (GDP) at Current Basic Prices stood at ₦24.7 trillion, equivalent to US$164.8 billion in 2009 compared to ₦24.3 trillion, or $204.9 billion achieved in 2008. In retrospect, Nigeria's GDP more than doubled in five years, rising from ₦11.41 trillion in 2004 to ₦24.7 trillion in 2009. At this rate of growth, the size of the economy could quadruple to about ₦210.9 trillion or US $1.1 trillion by 2020. Comparison of Nigerian economy's performance to that of Belgium and Indonesia which the country aspires to equal in terms of size by 2020 reveals that Nigeria's nominal GDP was a mere 41.1% of Belgium's and 39.8% of Indonesia's in 2008.

A disaggregation of 2009 GDP for Nigeria reveals that non-oil and oil GDP totalled ₦17.4 trillion and ₦7.3 trillion respectively in comparison to ₦15.2 trillion and ₦9.1 trillion respectively for 2008. Further inspection of the nominal GDP exposes the dominance of primary production activities in the Nigerian economy compared with secondary production activities. This structure explains the susceptibility of the economy to external shocks.

Nigeria's Gross Domestic Product (GDP) at 1990 constant prices stood at ₦0.72 trillion, or $4.78 billion, in 2009 in contrast to about ₦0.67 trillion, or $5.67 billion, in 2008. In perspective, this implies that the 2009 real GDP is 223.3 percent of that of 1997 (₦0.3 trillion or $4.2 billion); meaning that Nigeria's real GDP increased by about 123.3 percent in twelve years. If historical trends are maintained, the size of the Nigerian economy could reach about US$1.5 trillion GDP in 2020. Relative to the size of some comparator economies in 2008 for which latest data are available, Nigeria's real GDP performance was 0.25 percent and 2.84 percent of China's ($2.3 trillion) and South Africa's ($0.2 trillion). Real non-oil and oil-GDP for Nigeria in 2009, stood at about ₦0.60 trillion and ₦0.12 trillion as against ₦0.67 trillion and ₦0.12 trillion in 2008 respectively.

At current population growth rate of 3.2 percent, the real GDP growth of 6.66% in 2009 resulted in a real per capita growth rate of 3.46%. At current basic prices, the per capita GDP which was N165,517.52, or US $1,395.98 in 2008 declined to ₦150,008.2 or US$1,000.32 in 2009. Thus a negative real per capita GDP growth obtained in tandem with a positive nominal per capita GDP growth - a reflection of price driven growth performance.

From 5.98% in 2008, the growth rate of real Gross Domestic Product (GDP) registered 6.66% in 2009, despite lingering global economic crisis. This was short of the projected 8.2% growth rates for 2009 in the Federal Government budget and lags behind double-digit growth rates projected for actualizing Vision 20:2020.

The sources of growth analysis shows that non-oil sectors broadly powered growth in 2009. Non-oil GDP accelerated by 8.32% while oil and gas registered modest growth of 0.45%. The building and construction sectors expanded by 11.97% as against 13.1% in 2008. Primary activities comprising agriculture, solid minerals and oil and gas grew by 4.34% in 2009 reflecting the depressive effects of performance of the oil and gas sector. In addition, the manufacturing sector recorded a real GDP growth rate of 7.85% in 2009 as against 8.89% in 2008.

In terms of sector contribution to overall real GDP growth rate of 6.96%, the services sectors accounted for 54.84% of this growth, primary activities spurred 37.4%, and the balance of 7.76% derived from secondary activities. When decomposed into oil and the non-oil GDP contributions, non-oil GDP share was 99% of overall GDP growth.

A modest structural change was observed in the economy between 2008 and 2009. The contribution of agriculture to real GDP growth declined from 42.13% in 2008 to 41.7% in 2009 while the share of oil and gas sector moderated to 16.29% from 17.35%. The declining fortunes of the oil and gas sector occasioned by the Niger Delta crisis were responsible for the marginal shift in structure. However, the deepening of reforms in the telecommunications sector further upped its share to GDP from 2.85% in 2008 to 3.59% in 2009.

2.2 Sectoral Development In 2009

2.2.1 Agriculture

An analysis of the National Accounts of Nigeria showed that value-added in agricultural sector comprising crops production, livestock, forestry and fishing was considerable in 2008 and 2009. The sectors accounted for N0.30 trillion (or 41.70%) of total value-added in 2009, compared with N0.28 trillion (or 42.13%) achieved in 2008. This represents a growth rate of 5.88% for 2009, compared with 6.27% for 2008.

The structure of agricultural production in Nigeria shows dominance of crops production which accounts for 89.1% of the total in 2009. This is followed distantly by livestock with a share of 6.4% of agricultural production in 2009.

In terms of contribution to growth, the agricultural sector share of GDP stood at 37.6% of total GDP growth in 2009 dropping from 44% in 2008 making agriculture the most dominant sector of the economy. The performance of the sector could be attributed to a number of factors including favourable weather, the Presidential Initiatives on seven agricultural products, especially cassava, rice, cocoa, cotton and the promotion of commercial agriculture.

Crop production constitute the most important sector of the Nigerian economy in terms of contribution to output growth, real GDP share and as source of employment by providing livelihoods to most rural dwellers. The sector's output growth in 2009 stood at 5.8% as against 6.2% in 2008. In terms of contribution to growth or GDP, crop production accounted for 33% of total GDP growth in 2009 compared to 38% in 2008. The sector's share of real GDP was 37.56% and 37.2% in 2008 and 2009 respectively.

The livestock, forestry and fishing sub-sectors hold tremendous potential for growth and development of the economy being a principal source of inputs for industrial production. Their combined output in nominal terms totalled N985.4

billion in 2009, declining from N866.60 billion in 2008. As share of GDP, they contributed 4.54% in 2009. Their growth performance was moderately good as livestock grew by 6.5% in 2009 down from 6.8% in 2008, while fishing output quickened by 6.57% and 6.17% respectively during the period. Forestry production, on the other hand, accelerated by 5.85% in 2009 from 6.10% in 2008. The sporadic outbreak of avian influenza in the last four years constrained growth of the livestock sector.

2.2.2 Mining and Quarrying

Mining and quarrying sector comprising the oil and gas and solid minerals is heavily dominated by the oil and gas sector which account for 99% share of the total nominal mining and quarrying GDP value of ₦7,458.8 billion in 2009. The nominal value of solid minerals at ₦40.6 billion in 2009 pales into insignificance despite rapid growth of solid minerals sub-sector. Overall, the oil and gas sector remains growth-retarding in view of negative growth rates recorded in the sector in the past few years. Measures to address the Niger Delta crisis which has progressed significantly are expected to improve the fortunes of the sector. Moreover, the search for alternative funding arrangements for joint venture activities could enhance the growth of the oil and gas sector.

Oil and gas accounted for 17.35 and 16.29 percent of the GDP in 2008 and 2009 respectively. This represented a share loss of 1.06 percentage points in 2009 to other sectors and a waning in its contribution to overall GDP growth rate.

The growth rate of the oil and gas sector stood at 0.45%, improving from -6.19% in 2008 while oil production in barrels rose to 780,347,940 billion barrels (bbl) in 2009 from 768,745,932 bbls in 2008.

Solid minerals, which include coal mining, iron ore and quarrying and other mining activities, grew by 12.08% in 2009 compared to 12.77 percent in 2008. This growth was reinforced by demand for road and housing construction.

2.2.3 Manufacturing

Manufacturing activities comprises cement, oil refining and other manufacturing sectors. Other manufacturing sector is dominant in terms of size of manufacturing activities. The value added of manufacturing activities at current basic prices rose to N612.3 billion in 2009 from N585.6 billion in 2008. In real terms, manufacturing value added growth rate slowed to 7.85% in 2009 from 8.89% in 2008. In terms of contribution to growth, the manufacturing sector accounted for 0.32% of the total GDP growth rate of 6.46% in 2009 and 0.36% of the 5.98% real GDP growth achieved in 2008. Relative to size of the economy, the manufacturing sector contributes 4.17% of the real GDP in 2009 in contrast to 4.14% in 2008.

The miniscule manufacturing sector share of GDP reflects the abysmal performance of the sector over several years constrained by pervasive growth-inhibiting factors not least, the appalling state of physical infrastructure. Other constraints include high cost of funds to meet working capital requirements, heavy reliance on the external sector for raw materials and other intermediate inputs, hostile business environment characterised by multiplicity of taxes and levies, widespread application of obsolete technology and machinery especially in sectors like textiles, etc. These operating conditions undermined capacity utilization as average capacity utilization rates stagnated 53.52% in 2009 and 54.67% in 2008. Meanwhile, the index of industrial production declined. The net effect of all these was high mortality rates of industries.

The output growth for the cement and oil refinery sectors registered 10.83% and 6.95% respectively in 2009 down from 11.65 percent and 10.48 percent growth rates recorded in 2008 respectively. The resumption of production by the Kaduna Refinery and Petrochemical Company (KRPC) after three years of shutdown enhanced activities in the oil refinery sector in 2008, but growth slowed in 2009 as there were little efforts to expand and boost production. More recently, government has revoked oil refining licenses issued some years ago due to non-utilisation by the recipients. Meanwhile, the refining capacity of the country remains inadequate to satisfy local demand hence reliance on imported refined petroleum products persisted in 2009.

2.2.4 Building And Construction

The building and construction sector sustained its strong growth trend in 2009 as it registered 11.97% growth rate. This however represents a slight decline from the 13.07% growth rate recorded in the preceding year. The sector's contribution to overall GDP increased to 1.92% exceeding the 1.84% achieved in 2008. The contribution of the sector to total growth stabilized at 0.22% for 2008 and 2009.

2.2.5 Services

The services sector comprises domestic trade, tourism/hotel and restaurant, transportation, post and telecommunications, social services, utilities, finance and insurance, real estate, etc. This sector remains a major growth driver in the economy, accounting for 65.89% and 54.89% of the total GDP growth in 2008 and 2009 respectively. The strong growth rate of the services sector was underpinned by increased activities in domestic trade, and the telecommunications sector. Despite stellar growth performance of services sectors in the last couple of years, the sector cannot be regarded as the mainstay of the economy especially when viewed from the perspective of the nation's balance sheet with the rest of the world. Whereas merchandise trade in the balance of payments statement has been in surplus over several years, the services account has consistently registered deficits, reflecting its weak linkage with the rest of the economy. Activities in these sectors would have to be deepened so that it could play a more productive role in the economy.

Wholesale and retail trade is one of the dominant sectors of the Nigerian economy in terms of contribution to real GDP growth. Value added in the sector in nominal terms stood at N3,503.18 billion and N4,082.35 billion in 2008 and 2009, respectively. In terms of growth, the sector accounted for 28.74% of real GDP growth in 2009 down from 37.96% in 2008. Overall, the sector grew by 11.48% in 2009 compared with 14.02% in 2008. The sector's share of real GDP was 18.14% in 2009 as against17.41% in 2008, indicating that it gained share in the economy.

Tourism industry's potential to power growth in the economy is immense. In 2008 the total expenditure of all visiting tourists in the country increased from about

N16.62 billion in the first quarter to over N273.2 billion in the second quarter and then declined to less than N60.2 billion in the third quarter of 2008. The global economic crises which impacted several facets of the society accounted for the decline. Tourism's performance can also be gauged from the fortunes of hotel, restaurant and tourism sector in the national accounts which grew by 11.95% in 2009 compared to 12.94% in 2008. The sector's contribution to real GDP growth was 0.79% in 2009 compared to 0.94% in 2008.

2.2.6 Finance And Insurance

The total value added in nominal terms for the financial institutions and insurance sectors recorded N444.2 billion in 2009 as against N392.0 billion in 2008. In real terms the sectors grew by 3.79% and 9.6% in 2009 respectively. This is in contrast to 4.59% and 10.99% respective growth rates in 2008. The sectors' (financial institution and insurance) share dropped to 3.70% in 2009 from 3.81% in 2008. The implication of the decline is that banking sector reforms are yet to impact positively on growth in the economy. This may be attributable to the weak link between the financial and real sectors of the Nigerian economy. Much of banking industry resources are channelled to the services sectors, effectively crowding out the manufacturing and agricultural sectors of the economy. The deplorable state of infrastructure has also impinged adversely on growth of the sector. However, the immediate cause of decline in fortunes of the finance and insurance sector is the global financial crisis which squeezed liquidity in the banking system. Indeed, the huge magnitude of non-performing loans highlighting poor managerial capacity within the sector remains the most troubling factor that hindered the sector's growth in 2008 and 2009.

2.2.7 Capital Market Development

Movement in stocks of quoted companies on the floor of the Nigerian Stock Exchange from March to end of December 2009 showed that investors were predominantly bearish, leading to massive losses. Available data showed that the All Share Index declined to 20,827.17 in December 2009 from 31,450.78 in December 2008. This decline reflects the interplay of a host of fundamental and technical factors including drop in prices of equities especially for banks and other highly capitalized stocks; hike in interest rates in the money market in the second quarter to keep real lending rates positive as inflation accelerated; announcement by CBN on the harmonization of financial year-end for banks which triggered irrational response from stakeholders while rumours on the suspension of margin trading, incessant profit taking by traders due mainly to influx of private placements, correction of some overpriced stocks, perception of a sliding market which fuelled panic trading and so on had a dampening effect on the market. The Nigeria Stock Exchange market capitalisation dropped by 26.5% from N9.563 trillion to N7.03 trillion at December 2009. This decline resulted from equity price losses during the period and the delisting of 64 securities including 11 equities and 53 fixed income securities. The equity price loss also gave rise to a drop in the All Share Index (ASI) by 10,623.61 points to close at 20,827.17.

Total turnover on the exchange for 2009 was N685.72 billion representing a decline of 71.2% when compared with the 2008 figure of N2.4 trillion. This turnover corresponds to 2.9% of GDP as against 10.4% of GDP in 2008. This drastic decline reflects the harsh operating environment faced by most companies and impact of the global meltdown on the stock exchange as foreign investors shunned assets they considered risky while local investors rationally chose to invest only in short-term securities.

The number of listed companies increased from 213 in 2008 to 216 in 2009 while the number of securities declined from 299 in 2008 to 266 in 2009. Despite avoiding risky investments, foreign investors demonstrated some measure of confidence in the Nigerian economy as foreign investment during 2009 increased by 33.4% from N153.457 billion in 2008 to N228.986 billion in 2009. The number of new issues considered and approved by the Exchange stood at 30 in 2009 as against 70 applications for new issues in 2008.

As major stock market indicators (Market Capitalisation, All Share Index and Total Turnover) recorded downward movements during the period in response to a rash of factors such as difficult economic environment, rising unemployment, waning confidence of investors and impact of the global economic meltdown.

2.2.8 Transportation

Transportation activities are disaggregated into road, rail and pipelines, water, air and transport services subsectors in the National Accounts of Nigeria. Transportation experienced relative freeze in real growth, declining slightly to 6.83% in 2009 from 6.97% in 2008. Virtually all subsectors contributed to the relative stability in growth with rail and pipelines subsector experiencing marginal declines. In terms of contribution to GDP growth, transportation activities accounted for 2.70% in 2009 as against 2.71% in 2008.

The less than impressive performance of transportation sector during the period could largely be attributed to the poor state of transport infrastructure. The rail system had remained inactive for many years with obsolete tracks and equipment while water transportation has been undone by poor state of water routes. The growth of road transport activities have been largely constrained by the poor state of roads. More positively, there was the reopening of the Port Harcourt Airport in 2008 while government demonstrated renewed efforts to revive the rail system.

2.2.9 Energy (Electricity)

The electricity sector of the economy experienced mixed fortunes during 2008-2009. The sector recorded a growth rate of 48.42% in terms of generation capacity in 2009 although installed capacity dipped by -15.58% during the year.

Specifically, generation capacity improved from an average of 2,226.68 MW/H during 2005 – 2008 period to 2,900 MW/H in 2009. But installed capacity declined from an average of 7,631.50 MW during 2005 – 2008 to 7,150 MW in 2009. Capacity utilisation trended the same direction with generation capacity, increasing from 23.07% in 2008 to 39.16% in 2009. The capacity utilisation attained in 2009 compares favourably with an average of 29.67% for 2005 – 2008.

Given Nigeria's population and the desire to sufficiently power the industrial sector, generation capacity remains grossly inadequate as does capacity utilisation. Low water level and vandalization of gas pipelines have been identified as critical factors stalling improvements on these fronts.

2.2.10 Telecommunications Sector

Growth in the telecommunication sector remained impressive in 2009, standing at 34.18%. This matches the 34.08% achieved in 2008. In terms of share of GDP, telecommunications share rose from 2.92% in 2008 to 3.66% in 2009. Its contribution to overall GDP growth was equally significant, rising from 13.11% in 2008 to 14.32% in 2009.

The number of telecommunication lines grew by 15.90% during the year. This growth was largely driven by mobile lines that expanded by 16.05% in 2009 as against the 55.93% growth rate of 2008. Fixed lines grew by 8.51% in 2009 as against -17.22% in 2008. Meanwhile, teledensity rose from 45.93 in December 2008 to 53.23 in December 2009

2.3 Nature of Expenditure on GDPs

Expenditure on the gross domestic product at current market prices stood at N25,860.63 billion at the end of 2009, reflecting marginal increase from N25,424.95 billion in 2008. Disaggregation of these figures show that government final consumption expenditure stood at N2,926.0 billion and N2,803.98 billion in 2008 and 2009 respectively. Private final consumption expenditure registered N17,072.18 billion and N20,285.5 billion in 2008 and 2009 respectively. Total consumption expenditure accounted for 78.66% and 89.28% in 2008 and 2009 respectively while gross fixed capital formation accounted for 7.99% and 11.57% respectively.

Examined from incomes perspective, compensation of employees at current prices accounted for 3.97% in 2010. Operating surplus took the lion share of 91.10% respectively in both 2009 and 2010. Capital consumption allowance share was 0.87% for the two years while indirect taxes accounted for the balance of 4.58%.

Expressed in 1990 constant prices, expenditure on the GDP grew by 9.14% in 2008 but declined by -9.35% in 2009, perhaps, reflecting the impact of the global crisis on consumption and investment. Private consumption expenditure declined by 13.57% in 2008 but rose by 6.78% in 2009. The explanation for growth in private consumption expenditure could be inertia on the part of economic agents to resist consistent decline in the standard of living which may then inspire dissaving to meet current expenditures.

Government final consumption expenditure on the other hand, grew by 54.64% in 2008 before declining by 14.39% in 2009. Gross fixed capital formation exhibited the same trend as private final consumption expenditure declined -3.08% in 2008 but rose by 33.67% in 2009.

Savings rate stood at 23.77% and 16.95% respectively in 2008 and 2009. The savings-investment gap registered N5,821.74 billion and N4,157.4 billion respectively in 2008 and 2009. As percentage of GDP, savings-investment surplus stood at 22.9% and 16.08%, in 2008 and 2009 respectively, implying a dearth of investment efforts. This is perhaps reflective of the prevailing hostile business environment particularly widespread infrastructural decay.

2.4 Government Finance and Fiscal Policy Developments

The revenue and expenditure profile of Governments in Nigeria encompasses activities of the three tiers of Government; Federal, State and Local Governments. There are two principal sources of revenue in Nigeria, oil and non-oil while expenditure consists of recurrent and capital expenditures.

In 2009, total federally collected revenue was N4,181.38 billion short of approved budget estimate of N5,311.55 billion. In comparison, total federally collected revenue from oil and non-oil sources in 2008 was ₦7,747.88 billion. Oil revenue amounted to ₦2,776.74 billion which represented about 66.41% of total revenue while the balance was derived from non-oil sources. When compared with the oil revenue figure of ₦6,530.63 billion realised in 2008, this gives a negative variance of N3,753.89 billion. By implication, oil revenue, comprising receipts from NNPC direct sales of crude, petroleum profit tax (PPT) and royalty and domestic sales, did not match its 2008 performance.

Oil continues to be the dominant source of government revenue for financing the annual budget. Total amount collected during 2009 was N2,776.74 billion as against budget estimate of N3,114.42 billion for the year. The budget estimate of crude production of 2.292 million barrels per day could not be realized due to persistent shut-down of float stations as a result of unrest occasioned by militant activities in the Niger Delta area.

Aggregate revenue of the Federal Government from various sources was ₦1,704.99 billion in 2009. This is ₦521.67 billion lower than ₦2,226.66 billion realised in 2008. Total federal government expenditure during 2009 was N2,697.23 billion while federal government retained revenue was N1,704.79 billion implying overall deficit of N1,141.04 billion or -3.59% of GDP compared with total expenditure of N2,806.74 billion in 2008 and retained revenue of N2,226.66 billion representing overall deficit of N580.01 billion or -2.33% of GDP. As in 2008, federal government recurrent expenditure continued to dominate capital. In 2009, recurrent expenditure amounted to N857.04 billion while capital expenditure totalled N562.37 billion. Comparatively, recurrent expenditure was N942.53 billion and capital expenditure N711.63 billion in 2008.

Despite shortfalls in revenue in 2009, full budgetary releases were made to critical infrastructure projects via withdrawals from the Excess Crude Account and the securing of concessionary financing.

The total releases for Federal Government budgetary expenditure in 2009 was N2.4 trillion of which non-debt recurrent expenditure was N1,717.50 billion, debt recurrent expenditure equalled N251.79 billion, capital expenditure was N562.37 billion and statutory transfer was N168.62 billion. Capital budget implementation stood at 60.59% at the end of December 2009. This improved to 77.13% by March 2010 following releases of supplementary appropriations. Meanwhile performance of non-debt recurrent expenditure was 93% in 2009.

2.5 Monetary Policy Developments

Developments in monetary aggregates in 2009 were generally less than satisfactory. Net foreign assets grew by an average monthly rate of 5.75% (year-on-year) before declining consistently throughout the year. The negative growth rate of -11.19% recorded in December 2009 contrasts sharply with the 17.67% growth rate achieved in the corresponding period of 2008.

The growth rate of money supply trended down in 2009, falling below targets set for the year. Specifically, growth rate of money, narrowly defined dropped from 55.87% in December 2008 to 36.08% in January 2009. By the third quarter of 2009, it had entered negative territory. The drift of broad money was more erratic. Broad money growth rate declined steeply from 57.78% in December 2008 to 1.39% in January 2009 and moved into negative territory until August 2009 before rebounding to reach 17.46% in December 2009.

The rudimentary nature of the Nigerian finacial system is exemplified by the share of currency outside the banking system in total money stock. Currency outside banks as proportion of narrow and broad money stood at 17.76% and 9.03% respectively in January 2009 through 16.64% and 8.22% in June 2009 to 18.53% and 8.61% respectively in December 2009. These sizable proportions reflects considerable informality in the economy and prevalence of monetary assymmetry.

The movement of net credit to the domestic economy mirrors trend in assets of the financial sector (money supply and foreign assets). The growth rate of net domestic credit declined from 84.20% in December 2008 to 6.9% in January 2009 and thereafter turned negative for two months before returning to positive growth. As percentage of GDP, net credit to the domestic economy rose modestly from 0.20% in 2008 to 0.30% in 2009.

An inspection of structure of interest rates during 2009 revealed that the spread between deposit and lending rates widened. The inter-bank call rate surged from 7.91% in January to 20.60% at the end of the first quarter and thereafter plunged to 18.60% in June, 2009, 9.70% in September and 4.68% respectively in December. The Monetary Policy Rate however declined from 9.75% in the first quarter to 8.0% in the second before settling at 6.0% for the remainder of the year. The cost of borrowing represented by the prime lending and maximum lending rates increased respectively by 18% and 16% during the year. The spread between the Treasury bill rate and the maximum lending rate (TB-ML) widened from 471.39% in January to 845.05% at the end of the first quarter. The spread narrowed further to 581.93% at the end of June 2009 and to 378.54% and 486.50% respectively by September and December. The ample spread which reflects the high cost of doing business induced by infrastructural deficiencies hurts the growth of industry.

2.6 Foreign Exchange Market Developments

The Naira depreciated in all segments of the foreign exchange market in 2009 due largely to the combined impact of the global economic crisis and negative developments in the Niger Delta region for most part of the year. The average exchange rate of the Naira to the Dollar in 2009 at the Dutch Auction System depreciated from an average rate of N126.4756 to the US$1.00 in December 2008 to N145.7803 to the US$1.00 in August 2009 before stabilizing at N149.95 to the dollar at the end of December 2009 (Figure 3.3.6). At the interbank and Bureau De Change, the value of the naira depreciated from N134.3261 and N137.6500 respectively in December 2008 to N146.5855 and N149.8750 in January 2009. The naira depreciated further to N155.2295 and N158.9524 respectively at the interbank and Bureau De Change markets in August 2009 before stabilizing at N149.79 and N153.47 respectively in December 2009.

2.7 Debt Profile

Following Nigeria's exit from both Paris and London Clubs of creditors in 2006 and early 2007, the country's total public debt stock has remained within sustainable levels. The total public debt outstanding, that is, both external and securitized domestic debt of the Federal Government, stood at US$25,817.42 million in 2009. This represents an increase of US$4,418.51 million or 21% when compared with US$21,398.91 million outstanding at the end of 31st December 2008. The public debt/GDP ratio increased from 11.48% in December 2008 to 16.0% in December 2009. This figure is however below the maximum sustainability threshold of 45.0%. The composition of the total public debt in the period under review revealed that domestic debt constituted 84.71% of the total public debt while external debt make up the balance of 15.29%.

In line with Federal Government's policy that external borrowings should be contracted mainly from concessional windows, multilateral debts comprise 88.78% of the country's external debt portfolio in 2009. These debts include soft loans from multilateral sources such as the World Bank, African Development Bank, international Fund for Agricultural Development and the European Investment Bank. The total external debt stock at the end of December, 2009 was USD3.95 billion which represents external debt/GDP ratio of 2.39% well within the norm of maximum sustainability threshold of 20.0%.

Consistent with Nigeria's domestic debt management policy and debt restructuring initiative, the domestic debt stock which stood at N3.23 trillion in December 2009 and comprising Federal Government Bonds of various tenors, constituted over 61.2% of the total domestic debt portfolio. The current domestic debt structure starkly contrasts with what obtained in the period prior to 2003 when FGN bonds issue were dominated by short-term liabilities held mainly by the Central Bank of Nigeria with the attendant pressure on FGN for repayment.

2.8 Developments in Price Level

The analysis of developments in respect of price level include trends in headline inflation based on 12-month moving average and year-on-year changes as well as core and non-core inflation on same basis.

The Price level developments in 2009 shows mixed picture. Headline inflation (year-on-year) decelerated from 14.0% in January 2009 to 10.4% in September before upturning to 11.6% in October and 12.4% in December 2009. The core inflation rate (year-on-year for all items less farm produce) accelerated from 8.0% in January 2009 to 9.7% in December 2009 with wide fluctuations in the intervening months. The various inflation measures reveal that the price level exceeded or approximated double digits in negation of single digit inflation rates projected in the budget for the year. The ascendant prices reflects expansionary fiscal stance engendered by enhanced disbursements to the three tiers of Government from the excess crude account during the period.

Similarly, food inflation (year-on-year) climbed from 18.4% in January 2009 to 20.0% in February 2009 before declining to 12.5% in September and 13.6% in December 2009. The non-core inflation on 12-month moving average basis recorded 16.5% in January 2009, rising to 17.9% in May. Subsequently, it declined steadily to stand at 14.3% in December 2009. Poor harvest as a result of flooding incidences in rice/grains producing areas and drought in northern parts of the country coupled with rising global food and energy prices drove price movements during the year. However, government is taking steps to moderate price increases by enhancing access to improved seedlings and fertilizers, and investing in infrastructure to facilitate sustainable long-term agricultural productivity while alleviating supply side constraints.

The headline inflation increased from 14.0% in January to 14.6% in February and declined to 10.4% in September. It however increased to 12.4% in November and further to 12.0% by end of December 2009. Similarly, the 12-month average for the headline inflation stood at 12.0% and 12.6% in the first two months of 2009 respectively. It however rose gradually to 13.8% in May, and decreased gradually from 13.7% in June to close at 12.4% in December 2009.

Core inflation which stood at 8.0% in January, jumped to 11.8% in March. It however declined dramatically to 7.4% in September before surging to 8.9% and 10.7% in October and November respectively and moderating to 9.7% in December 2009. The 12-month average of core inflation began the year at 5.5% before soaring to 6.5% in March, 8.3% in June and culminating at 9.10% in December 2009.

The urban inflation rate stood at 10.4% in January 2009 on an annual basis, declining to 9.5% in May and to 7.9% in December 2009 with some gyration in the intervening months. Unlike year on year inflation, which fluctuated significantly, the 12-month moving average measure maintained a consistent course declining from 11.8% in January to 9.0% in December 2009.

The rural headline inflation rate was 15.9% and 17.2% in January and February 2009 respectively and stood at 14.0% in December 2009. For the 12-month average, the rural inflation rate registered 12.1% in January 2009, reaching 14.1% in December 2009. As food inflation was a principal driver of inflation during the year, the differential between urban and rural inflation rates is explainable by increase in costs of conveying products from urban to rural areas following higher fuel prices particularly in rural areas as well as bad road networks and poor distribution channels.

The general price level measured by the implicit GDP deflator declined in 2009; reflecting the depression in the global economy that prevailed during the year. The implicit GDP deflator slumped by -4.63% in 2009 compared with corresponding growth rates of 10.98% in 2008 and 4.53% in 2007. The declining trend was spurred by the crude petroleum and gas manufacturing and telecommunications sectors. These three sectors are highly externally dependent, reflecting the fact that the price depressing forces were externally generated. It is interesting to note that non-oil GDP experienced an inflation rate of 5.64% during 2009 while utilities, dominated by electricity recorded an inflation rate of 14.19%; capturing the preponderance of generators and other domestic sources of power supply which are more expensive than electricity distributed through the national grid.

2.9 External Sector Developments

The performance of Nigeria's external sector was largely unimpressive in 2009 relative to 2008. External reserves plummeted as did trade, resource and current accounts balance, while the naira weakened relative to the US dollar.

The overall balance of payments recorded a surplus of N5,951.67 billion in 2009 compared to N2,954.92 billion in 2008. As percentage of GDP, the 2009 value was actually lower than the 5.46% of GDP achieved in 2007. The current account balance registered a surplus of N3,408.1 billion in 2009 compared to N3,748.3 billion in 2008. This was underpinned by robust trade surpluses recorded in the two years of N4,507.3 billion and N5,537.79 billion respectively coupled with huge net current transfers of N2,676.7 billion in 2009 and N2,221.7 billion in 2008. Remittances maintained strong growth of 20.48% in nominal naira terms, despite the global economic crisis. However, remittances declined by 3.65% in dollar terms in 2009. The current account as share of nominal GDP stood at 13.79% in 2009, down from 15.43% in 2008. Closer scrutiny of Nigeria's balance of payments showed that services account deficit equals N2,284.03 billion (about $15.51 billion), showing a decline of 28.29% from the previous year. Similarly, the income account, comprising income accrued to factors of production registered a deficits of N1,491.91 billion (or US$10.13 billion) in 2009. Meanwhile, the capital account recorded a surplus of N2,543.56 billion (or US$17.27 billion) in 2009.

Nigeria's external reserve stock stood at US$42.382 billion in December, 2009 from a peak of US$62.08 billion in September 2008 and US$53 billion in December 2008. This reserve level could only support 17.32 months of imports. Meanwhile both exports and imports declined in 2009. Clearly, Nigeria's external sector in 2009 remains characterized by weak services and capital accounts and strong trade balance. An interesting question that bears further inquiry is why services exhibit strength in terms of contribution to real growth and share of the GDP but remain rather weak in relation to the rest of the world as demonstrated in the Balance of Payments statements.

Expectedly, crude oil dominated the country's merchandise exports to the tune of 84.5% of total exports in 2008 down from 92% in 2008. Non-oil exports accounted for the remainder of 15.5% in 2009 up from 8% in 2008. Total exports value declined by 22.31% in 2009, inspired by slump in crude oil exports. Indeed, while crude oil exports dropped by 28.19% non-oil exports expanded by 40.72% during 2009. In volume terms, total crude oil exports however rose from 724,479,796 barrels in 2008 to 769,195,205 in 2009, an increase of 44,715,509 barrels or 6.2% growth. The decline was provoked by the global economic crisis which undermined demand and export price of crude oil in the world market.

Deeper analysis of composition of non-oil exports showed dominance of agricultural exports to the tune of over 60% of total non-oil exports in the period under review. Sesame Seeds' contribution to agricultural exports, was highest, accounting for about 40% of the total agricultural exports and about 24% of the total non-oil exports in 2009. Evidently, the passage of time has seen the disappearance of tree crops which constituted the bulk of Nigeria's exports in the immediate post-independence period and its replacement by new crops such as sesame. Indeed, Nigeria's export structure remains fragile reflecting narrow productive base and neglect of alternative sources of foreign exchange earnings in particular, from manufacturing.

The analysis of destination of Nigeria's exports reveal that 53% of the country's oil exports was delivered to the Americas while 23% and 12% respectively headed for Europe and Asia. Thus, as with export base, Nigeria's oil export market destination is undiversified. Again, this makes the country vulnerable to externally induced shocks on this front. Nigeria's trade with other African countries remains quite small because the country, as most other African countries, exports primary products – a classic fallacy of composition case.

Manufactured exports accounted for less than 2% of total merchandise exports in 2009. To remedy this disturbing scenario, the authorities will need to vigorously implement policies that would engender resuscitation of the prostrate manufacturing sector especially those related to infrastructure and business environment as part of deliberate efforts to broaden the productive and export bases of the economy.

Nigeria's total imports expanded from US$24,887.53 million in 2008 to US$33,722.15 million in 2009, a growth rate of 35.50%. The astronomical import growth rate suggests slippages in managing dwindling foreign exchange resources following poor export performance in the wake of the global economic downturn.

Import composition reveals that oil imports accounted for 28.86% while non-oil accounted for 72.82% of total imports. The colossal share of oil in total imports is reflective of the dire state of the nation's refineries which has forced the country to meet increasing demand of refined oil products through importation.

With respect to exchange rate movements, the value of the Naira began to slide from November 2008 to the end of the first quarter 2009 in all segments of the foreign exchange market. The intervention of the CBN stabilized the exchange rate from April to July before it slipped into further depreciation in August 2009. In the end, the exchange rate stabilized at US$1=N149/N150 during the fourth quarter of 2009. By comparison, the average exchange rate of Naira vis-à-vis US Dollar in the WDAS registered N118.92/US$1.0 in 2008 while at the Interbank and BDC segments of the foreign exchange market, the Naira traded at an average exchange rate of N119.07 and N120.81 to the Dollar respectively. Exchange rate depreciation was precipitated by dampening effects of the global economic crisis on the fortunes of Nigeria chief export as price of a barrel of crude oil nose-dived from US$141.26 in July 2008 to $45.45 in December 2008 and to about $30.00 in 2009.

Evidently, demand for foreign exchange (FOREX) has always slightly outstripped supply. Overall, there were positive developments in the FOREX market occasioned by the deregulation of the FOREX Market and other policies implemented by the CBN to stabilise the market.

2.10 Employment Situation

The composite employment data showed that the rate of unemployment surged from 11.9% in 2006 to 14.6% in 2007 and 19.7% at end-December 2009. The recently published employment survey data by the NBS also revealed that unemployment rate for January, 2010 was 21.1%. Unemployment was more endemic in rural communities than in cities for all age groups. The gap between rural and urban unemployment rate narrowed in 2010 reflecting a sharp increase in urban sector unemployment rate as growth of rural unemployment slowed.

Unemployment rate among 15-24 age group was highest at 30.8% in 2006 before tumbling to 15.1% in 2007. Age group 25-44 had the next highest unemployment rate at 8.8% in 2006 and 14.1% in 2007. Other age groups also recorded rising unemployment rates between 2006 and 2007.

The distribution of unemployment rate by states and geo-political zones in December 2009 reveals that the Yobe State has the highest unemployment rate of 39%, followed by Sokoto (32.4%). Lagos State recorded the lowest rate of unemployment at 7.6% while South Western States recorded the lowest unemployment rate among the zones. The distribution of unemployment by educational levels in 2009 reveals that both the composite rate and the rural and urban categories exhibited the same pattern. The composite unemployment rate for graduates of tertiary institutions stood at 24.6% for first degree graduates, 13.7% for Masters degree holders and 17.8% for doctoral graduates.

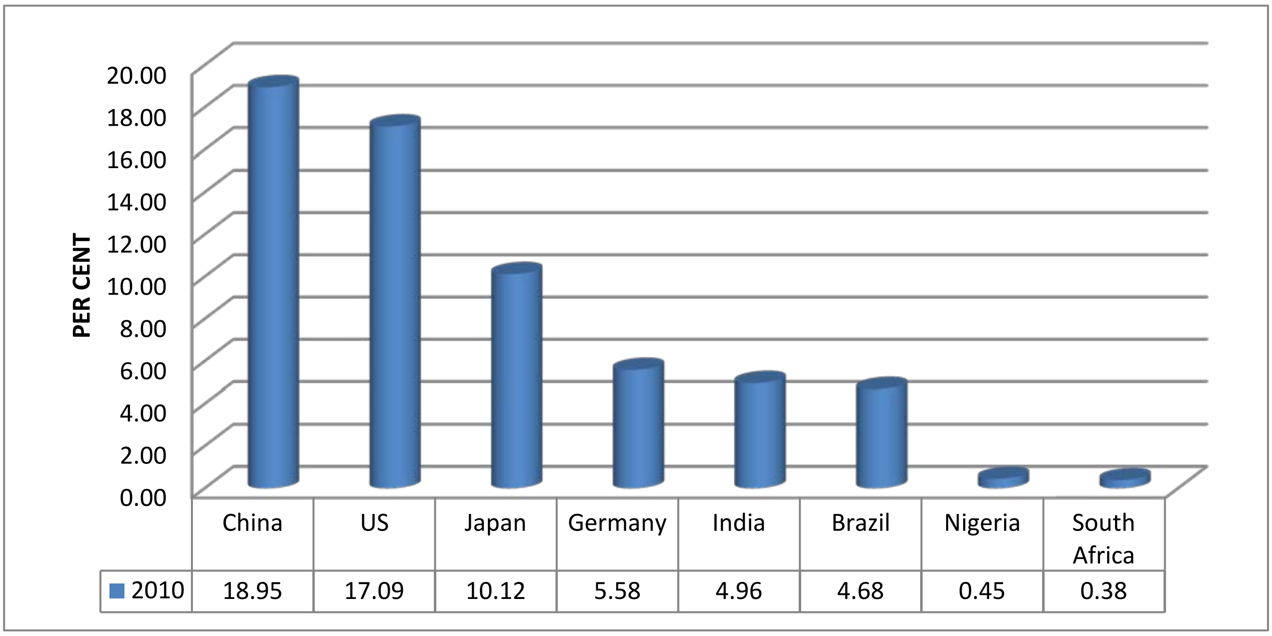
CHAPTER THREE

3.0 PERFORMANCE OF THE NIGERIAN ECONOMY IN 2010

3.1 Summary of Global Developments in 2010

The global economy recovered significantly in 2010 as output growth swung from -0.6 per cent in 2009 to 5 per cent in 2010, according to statistics released by the International Monetary Fund (World Economic Outlook, April 2011 on www.imf.org). In comparison, data from the World Bank (World Bank website) indicated a growth rate of 3.78 per cent for the world economy in 2010 as against negative growth rate of 2.06 per cent recorded in 2009. According to World Bank data; East Asia, North America, and Europe accounted for 35.31, 19.10, and 14.92 per cent respectively of world output growth during 2010. By contrast, Sub-Saharan Africa contributed a meagre 1.95 per cent to global economic growth in 2010, with Nigeria and South Africa responsible for the bulk of this growth performance. Global growth was largely propelled by China and United States of America, followed by Japan, Germany, India and Brazil (see Figure 3.1).

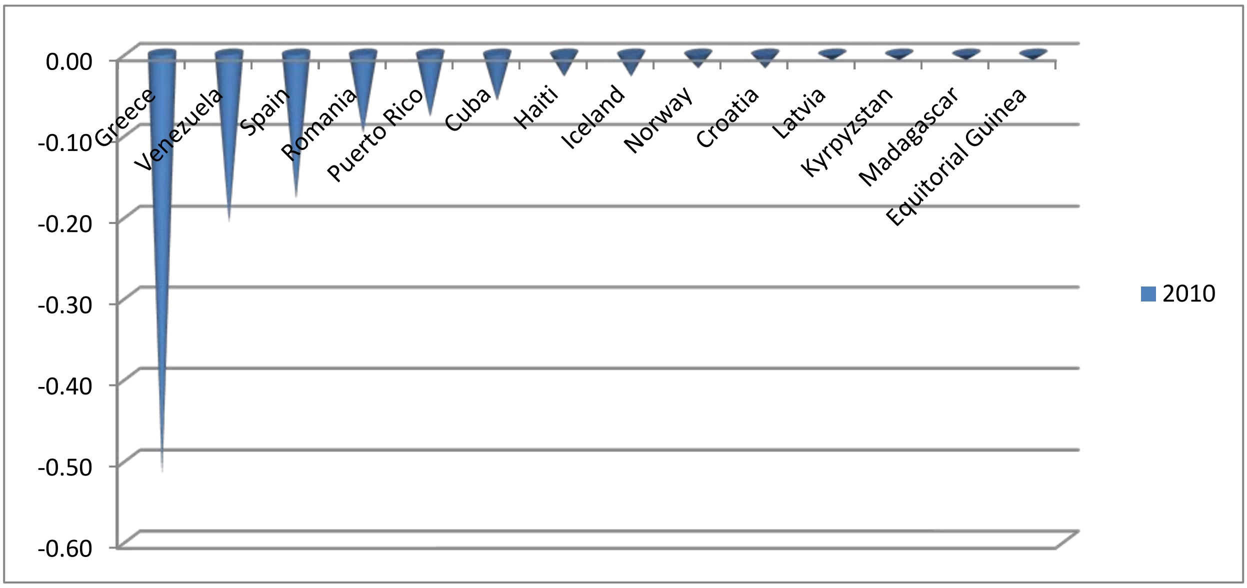
Figure 3.1: Share of selected countries contribution to Output Growth in 2010(%)



Source: World Bank

Interestingly, growth in a number of countries in Europe including Greece, Venezuela, Spain, Romania, and Puerto Rico, contracted during the year, constrained by adverse fiscal developments (Table 3.2).

Table 3.2: Poor Performing Economies in the World (2010)



Source: Computed from the World Bank Data

Meanwhile, China's economy, currently the second largest in the world gauged by nominal GDP and Nigeria's foremost import-trading partner, grew by a phenomenal 10.3 per cent in 2010 as against 9.2 per cent in 2009, according to IMF data. This growth was driven largely by retail sales, industrial production and fixed assets investments. Growth in the United States rebounded at 3.0 per cent and 2.4 percent in 2010 by IMF and World Bank data respectively from -2.6 per cent in 2009. The strong growth reflected stronger-than-expected growth in private consumption, exports and non-residential fixed investments. By contrast, private inventory investment and states and local governments spending contracted, thereby dampening the growth momentum. The unprecedented macroeconomic policy stimulus, and emergency financial stabilization measures implemented during the period supported growth. Rising stock prices encouraged the rebuilding of household wealth, boosting consumer spending and confidence through positive wealth effect. However, consumer spending was constrained by high unemployment and adverse effect of substantial declines in home values.

In East Asia, Japan's negative growth of -6.3 per cent in 2009 was reversed to a 4.3% and 4.4% growth in 2010, according to IMF and World Bank data. This earned the country the rating of best performer among the Group of Seven industrialized nations in 2010. Stimulus measures partly inspired the strong output growth. However, appreciation of the Yen due to financial volatility in Europe mildly hurt export growth. Consequently, the country's ranking in terms of GDP, dropped from number three to four during the year. Going forward, high public debts, rising commodity prices and a treacherous political environment remain challenging concerns for Japan.

In Europe, the German economy recovered significantly in 2010, growing by 3.6 per cent after a precipitous slump of -4.7 per cent in 2009. Growth was driven by strong manufacturing exports and government consumption supported by solid labour market situation, particularly in the services sector (i.e, education, health and social work); and a robust increase in new orders of capital goods received by industry since the New Year. However, growth slowed later in the year, following sluggish growth in the economies of the country's trading partners as private consumption weakened in the wake of rising unemployment and roll back of stimulus measures in France and Italy.

In South Asia, India, Nigeria's second largest export-trading partner recorded 9.7 per cent and 8.5 per cent growth in 2010 respectively by IMF and World Bank data. This compared favourably to corresponding 5.7 per cent and 7.6 per cent growth rates in 2009. Growth was driven by domestic demand as investment expanded in response to robust corporate profits and favourable external financing. Taming rapidly rising inflation remains a challenge to output growth, as evidenced by rising interest rate.

Economic growth in South America in 2010 was largely led by Brazil, Nigeria's third largest export-trading partner, after the United States and India. Brazil's output grew by 7.5 per cent in 2010 from a -0.6 per cent contraction in 2009. However, industrial production and agricultural output fell short of targets during the year and growth in imports outstripped that of exports. Brazil remained challenged by the overvalued currency and inflow of hot money. Consequently, the required reserves for banks were raised in an effort to tighten liquidity while direct tax were imposed on fixed income and equity inflows to eliminate asset price bubbles and discourage inflows. Table 3.1 shows growth rates in selected regions and countries in 2009 and 2010.

Table 3.1: GDP Growth Rate for Selected Countries and Regions (Per cent)

Country	**2009**	**2010**	**2009**				**2010**			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
World	-0.6	5.0								
US	-3.4	3.0	-4.9	-0.7	1.6	5.0	3.7	1.7	2.6	3.1
China	9.2	10.3	6.2	7.9	9.1	10.7	11.9	10.3	9.6	9.8
Japan	-6.3	4.3	-5.4	2.6	-0.5	1.8	1.5	0.5	1.8	-0.3
Germany	-4.1	1.8	-3.4	0.5	0.7	0.3	0.6	2.2	0.8	0.4
India	5.7	9.7	5.8	6.0	8.6	8.5	8.6	8.9	8.9	8.2
Brazil	-0.6	7.5	-1.5	1.5	2.2	2.3	2.7	1.2	0.4	0.7
Netherlands	-3.9	1.7	-2.4	-1.3	0.7	0.6	0.5	0.9	-0.1	0.6
Indonesia	4.6	6.1	1.7	2.3	3.8	-2.4	1.9	2.8	3.5	-1.4

Turkey	-4.7	7.8	-7.6	6.7	2.3	1.7	0.4	3.7	1.1	3.6
Switzerland	-1.5	2.7	-1.0	-0.6	0.8	0.7	1.0	0.8	0.7	0.9
Belgium	-3.4	3.2	-1.7	0.1	1.0	0.4	0.1	1.1	0.4	0.5
Sweden	-5.1	5.3	-2.9	0.6	0.4	0.5	1.5	1.9	2.1	1.2
Poland	1.8	3.9	0.4	0.6	0.4	1.5	0.6	1.1	1.2	0.8
Spain	-3.6	-0.1	-1.6	-1.1	-0.3	-0.2	0.1	0.3	0.0	0.2
Greece	-2.0	-3.9	-3.0	2.7	-1.1	-0.5	-0.9	-1.8	-1.7	-1.4
Romania	-7.1	-1.5	-4.8	-1.4	0.9	-1.4	-0.2	0.2	-0.7	0.1
Madagascar	-5.0	-2.0								

Sources: IMF, World Bank and National Data

3.1.1 Commodity Market

Price of oil and non-oil commodities rose significantly in 2010 by 27.8 per cent and 23.0 per cent respectively after contracting by 36.3 per cent and 18.7 in 2009. This reflected strong global demand as well as supply constraints for these commodities in 2010. The upward pressures on prices are expected to persist into 2011. Similarly, rising inflationary pressures in emerging economies during 2010 was attributed to escalating food prices. Consumer prices inflation is expected to perpetuate in 2011. Table 3.2 present demand and supply dynamics for crude oil for 2009-2011.

Table **3.2: Global Oil Demand and Production**

	2009	**2010**	**2011 Proj**	**2009**	**2010**	**2011 Proj**
Demand	Millions of barrels per day			Y-on-Year % change		
Advanced economies	44.9	45.7	45.6	-4.0	1.8	-0.2
United States	19.1	19.5	19.6	-3.7	2.4	0.3
Euro Area	10.5	10.5	10.3	-6.0	-0.3	-1.1
Japan	4.4	4.4	4.3	-8.8	1.3	-2.8
New Industrialized Asia economies	4.6	4.9	4.9	3.5	5.5	1.4
Emerging & developing economies	40.1	42.2	43.8	1.9	5.2	3.6
Developing Asia	23.6	24.9	25.9	5.6	5.5	4.2

India	3.3	3.3	3.4	5.7	2.3	3.2
China	8.4	9.4	10.0	8.0	12.0	6.5
World	85.0	87.9	89.4	-1.3	3.4	3.5
Production						
OPEC	33.5	34.5	35.7	-6.0	4.7	3.5
Saudi Arabia	9.5	9.8	--	-9.1	3.1	--
Nigeria	2.1	2.4	--	-0.4	16.1	--
Venezuela	2.4	2.4	--	-7.8	3.1	--
Iraq	2.5	2.4	--	2.5	-2.2	--
Non-OPEC	51.7	52.8	53.6	2.2	3.7	0.3
World	85.2	87.4	89.4	-1.4	3.2	1.6
Net Demand	-0.2	0.6	0.0	-0.2	0.7	--

Source: International Monetary Fund & International Energy Agency

3.1.2 Developments in the Nigerian Economy

The Nigerian economy exhibited a strong and robust output performance, with a growth rate of 7.87 per cent in 2010 as against 6.69 per cent in 2009. The performance was due to a combination of factors. The resilience of the economy was linked to a growth model that is related to the expansive fiscal deficit spending of 5.8 per cent per cent of GDP and strong external demand growth of 150.4 per cent in 2010. The resilience of the economy was supported by solid fundamentals before the crisis such as low external debt, high foreign reserves, excess crude oil savings, etc. The country also benefited from rising oil prices in the international market and increased production of crude oil, which rose to $80.92 per barrel and 2.45 mbpb in 2010 from $63.9 per barrel and 2.11 mbpd in 2009 respectively, due to the sustenance of the amnesty programme in the oil producing Niger Delta region. Government had in the wake of the global crisis adopted the strategy of expansionary fiscal policy to keep the economy afloat to ensure that the economy was not trapped in the global recession as well as to ensure that the economic was rekindled for growth. This goal was actualized and helped in accelerating growth in the face of the global financial and economic crisis. Arising from the robust performance of the real sector, non-oil exports grew significantly by 235.3 per cent in 2010 as against 40.7 per cent during the period.

In the area of employment, data from NBS on National manpower and employment revealed that economic growth during the period was not accompanied by significant employment creation as unemployment rate soared. These inclined the economy to greater youth restiveness as the malaise was more prevalent among the youths. Inflation rate mirrored by the Consumer Price Index climbed to 13.5 percent compared to 12.6 percent in 2009. However, inflationary pressures decreased to a record low of 11.8 percent on year-on-year basis in 2010, compared with 13.9 percent in December 2009, as food prices, tumbled. This followed the implementation of a combination of tight monetary policy, steady supply of fuel and availability of food items in the market. In the money market, lending rates declined, although remaining positive in real terms. The capital market showed improved performance, driven by enhanced fortunes of stocks in the banking, food and beverages and oil and gas sectors. Government revenue earnings did not keep pace with growth in spending, despite enhanced revenue receipts during the year as oil revenue surged in the face of relatively high oil prices and improved output. The high level of government spending led to domestic debt accumulation in the course of the year.

The Naira appreciated against major world currencies reflecting recovery in international crude oil price and production. Indeed, exchange rates in the various markets recorded some degree of convergence. However, international reserves plummeted during the year but still sufficient to finance 7.6 months of merchandise imports. The drop in reserves was precipitated by depletion of the Excess Crude Account and the net effect of the spate of CBN interventions in the foreign exchange market to defend the value of the Naira.

It is important to note that non-economic factors played increasingly important role in shaping economic performance in the period. In this regard, the poor health of the former President, militancy activities in the Niger Delta and other security challenges influenced to some degree to affect economic performance during 2010. Moreover, election related expenses exerted pressure on the price level and foreign exchange market conditions as well as governments expenditure patterns. Similarly, delay in passage of important bills before the National Assembly including the Petroleum Industry Bill, Nigerian Sovereign Wealth Fund Authority Bill, and so on, weakened economic growth efforts.

In what follows, the performance of the economy in 2010 is analysed in greater detail, straddling developments in respect of overall output and sectoral performance, monetary sector, price level, foreign exchange market and external sector developments.

3.2 Overall Output Performance

3.2.1 Gross Domestic Product at Current Basic Prices

Table 3.3 below provides information on overall economic activities in 2010.

Table 3.3: Gross Domestic Product

	2009	2010
Real GDP (Naira Billions)	719.0	775.5
Real GDP Growth Rate (%)	6.96	7.87
Nominal GDP (Naira Billions)	24,794.0	29,205.8
Nominal GDP (US$ Billions)	165.7	194.3
Nominal Per Capita GDP (Naira)	160,637.0	183,351.3
Nominal Per Capita GDP (US$)	1,073.8	1,219.9
Real Per Capita GDP Growth Rate (%)	3.6	4.5

Source: NBS and NPC

The Gross Domestic Product (GDP) at current basic prices registered ₦29.2 trillion, equivalent to US$194.3 billion in 2010 compared to ₦24.8 trillion, or $166.5 billion achieved in 2009 (Table 3.3). This represents a nominal GDP growth rate of 17.7 per cent. A breakdown of this performance into oil and non-oil sectors revealed that non-oil GDP rose from N17.4 trillion in 2009 to N19.5 trillion in 2010. Similarly, nominal oil GDP increased to N9.5 trillion from N7.4 trillion in 2009, indicating improvements by over N2.3 trillion and N2.1 trillion respectively during the year. This qualifies the country as one of the fastest growing economies in the world in 2010. However, this performance fell below the projected nominal GDP under the 1st Implementation Plan for NV20:2020.

Disaggregation of 2010 nominal GDP for Nigeria into agriculture, industry and services reveal increases by N1.1 trillion, N2.4 trillion and N0.9 trillion to N10.3 trillion, 10.9 trillion and N8.0 trillion respectively. Evidently, agriculture and crude petroleum production activities still dominate GDP. The two sectors accounted for 68.6 per cent of the total nominal GDP in 2010 (Tables 3.19, 3.20 and 3.23).

3.2.2 Gross Domestic Product (GDP) at 1990 Constant Prices

Gross Domestic Product (GDP) recorded ₦0.78 trillion, or $5.83 billion, at 1990 constant prices in 2010, up from ₦0.72 trillion, or $4.16 billion, in 2009 (table 3.4 below). The real oil and non-oil GDP also improved from over N0.11 trillion and N0.60 trillion in 2009 respectively to N0.12 trillion and N0.65 trillion in 2010. In each case also the economy performed below targets set under the Vision as highlighted in table above.

Table 3.4: Gross Domestic Product

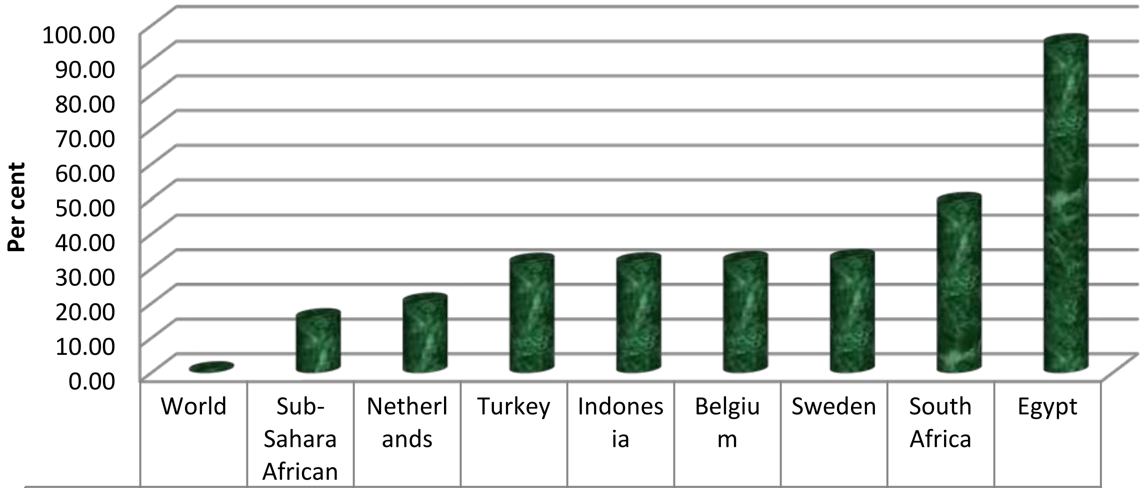
	2009	2010
Real GDP (Naira Billions)	719.0	775.5
Real GDP Growth Rate (%)	6.96	7.87
Nominal GDP (Naira Billions)	24,794.0	29,205.8
Nominal GDP (US$ Billions)	165.7	194.3
Nominal Per Capita GDP (Naira)	160,637.0	183,351.3
Nominal Per Capita GDP (US$)	1,073.8	1,219.9
Real Per Capita GDP Growth Rate (%)	3.6	4.5

Source: NBS and NPC

Breakdown of real GDP into agriculture, industry and services also shows improvement in their performances in 2010 by N16.9 billion, N5.0 billion and N28.6 billion respectively to N0.32 trillion, N0.75 trillion and N0.12 trillion.

Relative to the size of some comparator economies in 2010, Nigeria's real GDP performance stood at 0.25 percent, 48.94 per cent, 94.72 per cent and 32.11 percent of world's GDP ($50,158.97 billion), South Africa's GDP ($255.27 trillion), Egypt's GDP ($131.89 billion) and Belgium's GDP ($389.00 billion) respectively as highlighted in Figure 3.1 and Table 3.4. At current growth rate of the Nigerian economy, relative to these comparator economies, the country will likely improve on its world ranking by GDP in the future.

Figure 3.1: Nigeria's Real GDP Size Relative to Some Comparator Economies in 2010



	World	Sub-Sahara African	Netherl ands	Turkey	Indones ia	Belgiu m	Sweden	South Africa	Egypt
Series1	0.25	15.57	20.11	31.59	31.72	32.11	32.74	48.94	94.72

Source: World Bank Development Indicator, International Financial Statistics of the International Monetary Fund

Table 3.5: Real GDP: Nigeria and Comparator Economies in 2010

	US$ 'Billion
World	50,158.97
Sub-Sahara African	802.52
Netherlands	621.22
Turkey	395.38
Indonesia	393.86
Belgium	389.00
Sweden	381.51
South Africa	255.27
Egypt	131.89
Nigeria	124.92

Source: World Bank Development Indicator, International Financial Statistics of the International Monetary Fund

3.2.3 Per Capita GDP and Consumption

At current population growth rate, nominal per capita GDP rose to N183,351.3 (US$1,219.9) respectively from N160,637.0 ($1,078.8) in 2009.

Table3.6: Per Capita GDP and Consumption

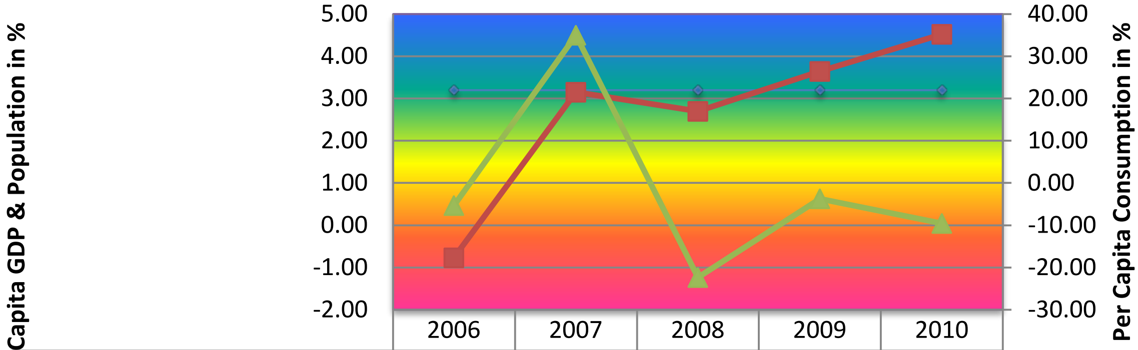
	2009	2010
Population Growth Rate (%)	3.2	3.2
Per Capita GDP at Current Naira Prices	160,637.0	183,351.3
Per Capita GDP at Current Dollar Prices	1,078.8	1,219.9
Real Growth in Per Capita Consumption (%)	-3.7	-9.6

Source: NPC computation from national accounts and population data from the National Bureau of Statistics and National Population Commission

This translates to a real GDP per capita growth rate of 4.5 per cent, indicating a higher standard of living in 2010 than in 2009. It also implies that Nigeria kept her place as a middle low income country, which she attained in 2006 in line with the World Bank's analytical incomes categorization. At current pace, incomes would double every 16 years, allowing subsequent generation to enjoy a living standard that is twice as high as the previous one. This indicates that Nigeria is on its way to becoming an upper lower income country. To put this in context, from historical perspective, Britain's per capita GDP grew at a mere 1.3 per cent per annum during its period of economic supremacy in the 19th century while the United States grew by 1.8 per cent during the first half of the 10th century before World War I when it overtook Britain as the world economic leader. Moreover, GDP per capita in developing countries grew by 2.3 per cent between 1960 and 2000 and at that pace incomes doubles in every 30 years. Therefore, Nigeria's 2010 growth record looks impressive and should be sustained and improved upon.

Analysis of expenditure on the real GDP for 2010 showed that the real per capita consumption contracted significantly by -9.6 per cent to $910.78 in 2010 respectively, as against a contraction of 3.7 per cent in 2009 (table 3.6). This rate of growth in consumption per capita is too low to raise aggregate domestic demand for goods and services necessary to achieve a double digit GDP growth. There is therefore the need to take adequate measures to safeguard per capita real consumption or average standard of living, not only to arrest the slide, but to upturn it to achieve moderate increase per annum.

Figure 3.2 Nigeria's Population, per capita Real GDP and Real consumption Growth rates, 2006-2010



	2006	2007	2008	2009	2010
Population growth rate (%)	3.20	3.20	3.20	3.20	3.20
Real GDP per capita growth rate (%)	-0.77	3.15	2.70	3.64	4.52
Real consumption per capita growth rate (%)	-5.33	34.99	-22.36	-3.72	-9.56

Source: Derived by National Planning Commission from data on population and national accounts supplied by the National Bureau of Statistics and National Population Commission

Table: 3.5: Nigeria and Comparator Countries by the World Bank's Analytical Income Categories in 2010

Region or Economy	Region	Income category	GNI per capita (US$)	Population
Ecuador	Latin America & Caribbean	Lower middle income	3,643.20	13,478,599
Angola	Sub-Saharan Africa	Lower middle income	3,446.80	18,020,668
Jordan	Middle East & North Africa	Lower middle income	3,306.10	5,906,042
Tunisia	Middle East & North Africa	Lower middle income	3,291.90	10,327,800
Ukraine	Eastern Europe & Central Asia	Lower middle income	3,213.30	46,258,200
Cape Verde	Sub-Saharan Africa	Lower middle income	3,131.10	498,672
Thailand	East Asia & Pacific	Lower middle income	2,844.00	67,386,383
Iraq	Middle East & North Africa	Lower middle income	2,814.90	30,096,252
China	East Asia & Pacific	Lower middle income	2,774.90	1,325,639,981

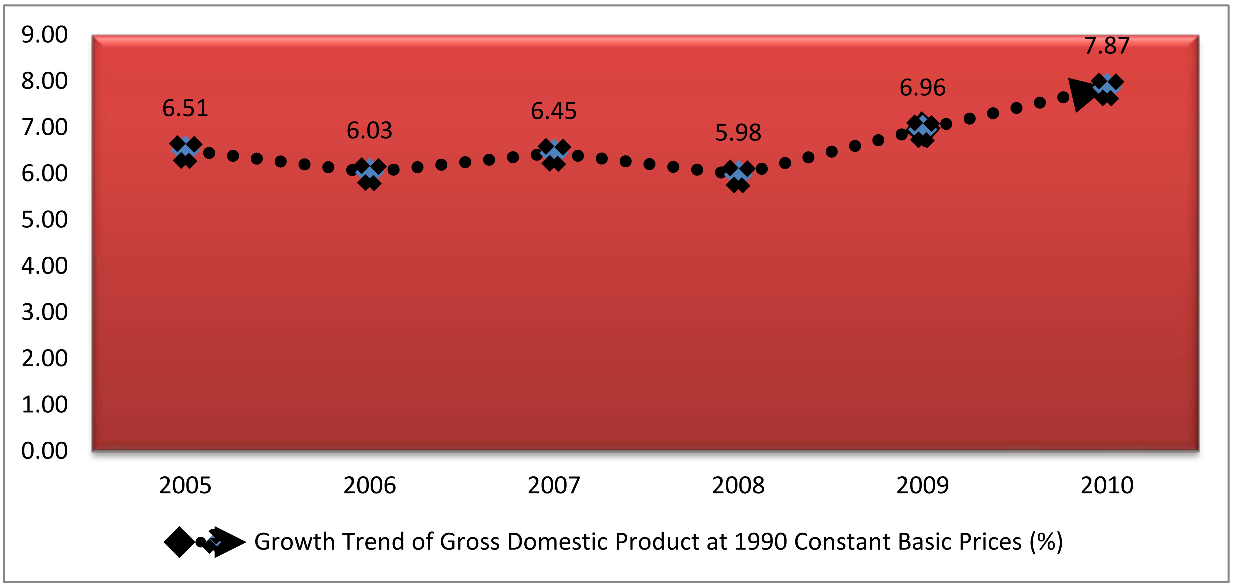
Morocco	Middle East & North Africa	Lower middle income	2,579.10	31,228,981
Swaziland	Sub-Saharan Africa	Lower middle income	2,521.60	1,167,834
Paraguay	Latin America & Caribbean	Lower middle income	2,180.00	6,226,806
Syrian Arab Republic	Middle East & North Africa	Lower middle income	2,093.50	21,226,920
Indonesia	East Asia & Pacific	Lower middle income	2,007.30	228,248,538
Congo, Rep.	Sub-Saharan Africa	Lower middle income	1,973.40	3,615,152
Philippines	East Asia & Pacific	Lower middle income	1,886.10	90,348,437
Egypt, Arab Rep.	Middle East & North Africa	Lower middle income	1,801.20	81,527,172
Honduras	Latin America & Caribbean	Lower middle income	1,798.90	7,241,503
Sri Lanka	South Asia	Lower middle income	1,788.50	20,047,263
Mongolia	East Asia & Pacific	Lower middle income	1,675.60	2,632,386
Bolivia	Latin America & Caribbean	Lower middle income	1,456.60	9,684,093
Nigeria	Sub-Saharan Africa	Lower middle income	1,160.60	151,319,499
Cameroon	Sub-Saharan Africa	Lower middle income	1,152.50	18,897,956
India	South Asia	Lower middle income	1,066.20	1,139,964,931
Co´te d'Ivoire	Sub-Saharan Africa	Lower middle income	983.7	20,591,302
Pakistan	South Asia	Lower middle income	981.3	166,036,895

Source: World Bank Development Indicators, International Financial Statistics of the International Monetary Fund

3.2.4 Growth Rate of Real GDP

Growth rate of Gross Domestic Product (GDP) at 1990 constant basic prices stood at 7.87 percent in 2010 as against 6.96 per cent in 2009 (Figure 3.3). This represents the highest growth performance in five years although still 0.33 percentage points short of the growth target of 8.2 per cent set for 2010 under the 1st National Implementation Plan for Nigeria Vision 20:2020.

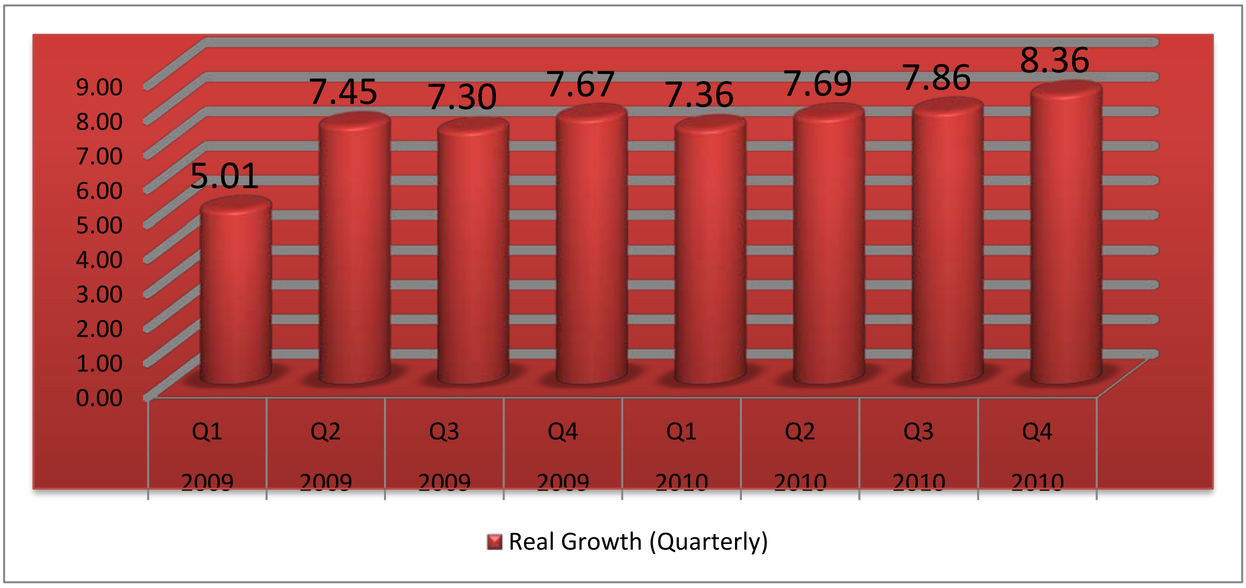
Figure 3.3: Growth Trend of Real Gross Domestic Product (Per cent), 2005-2010



Source: Derived by National Planning Commission from NBS' Data on National Accounts

Quarterly growth trend depicted in Figure 3.4 shows respective growth rates for the four quarters in 2010 were 7.36 per cent, 7.69 per cent, 7.86 per cent and 8.36 per cent as against 5.01, 7.45, 7.30 and 7.67 per cent in the same periods of 2009.

Figure 3.4: Quarterly Growth Rate (Year on Year % Change)



Source: Derived by National Planning Commission from NBS's Data on National Accounts

Despite this impressive performance, actual growth of the economy relative to its potential continues to be inhibited by the poor business environment. The survey of Business Environment in Nigerian States (BECANS), carried out in 2010 revealed that using 2007 as baseline which is the year of the last survey, the country performed worse in two components and slightly better in two others in 2010. Table 3.6 below presents the performance of the country in the component parts of business environment.

Table 3.6: Nigeria's Performance in Business Environment: 2007 and 2010

S/No	Component	2007	2010
1.	Security	62.69	49.49
2.	Regulatory Service	41.32	45.48
3.	Infrastructure	49.76	51.76
4.	Business Dev. Support & Investment promotion	43.63	33.48

Source: BECANS-II, 2010. The surveys were carried out by a team of researchers led by Prof Eric Eboh with collaboration from the States government in 2007 and 2010

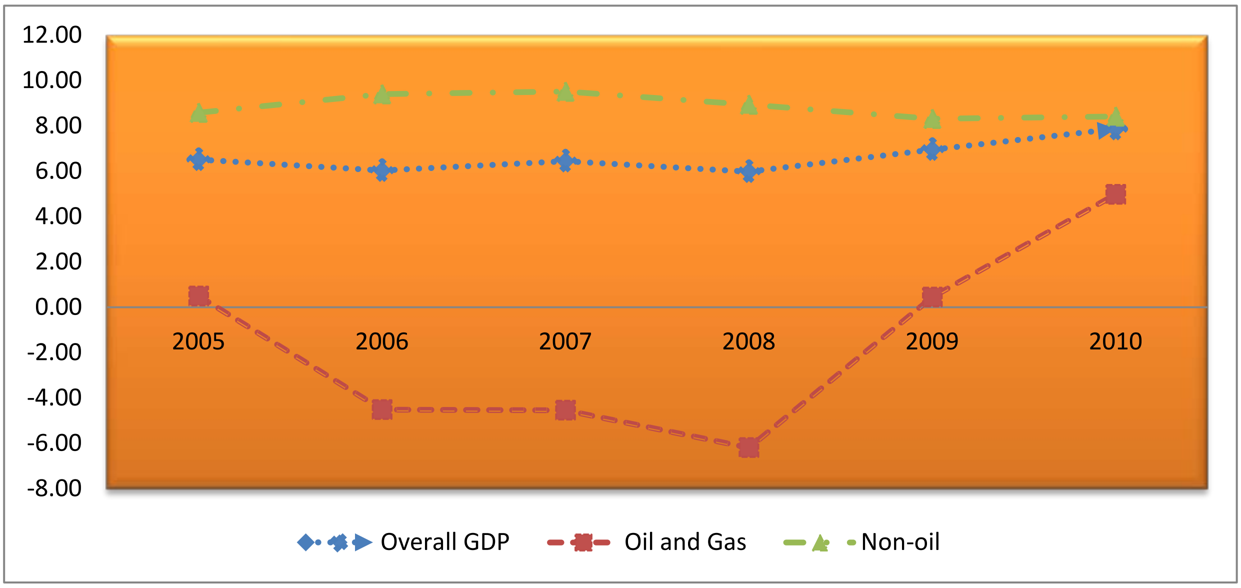
Notwithstanding improvements in these two components (regulatory service and infrastructure), overall scores remain low. Huge improvements are needed in various facets of the economy to meet the NV20:2020 targets.

3.2.5 Sources of Growth

3.2.5.1 Supply-Side

Oil and non-oil sectors contributed substantially to real Gross Domestic Product growth in 2010. Higher international crude oil prices, increased government final consumption expenditure and external demand impacted positively on production and exports, while weaker domestic aggregate demand resulting from the contraction in private final consumption expenditure and aggregate gross investments in capital goods dampened the adverse effect of imports on domestic production. In line with this developments, non oil GDP grew by 8.43 per cent in 2010, compared with 8.32 per cent in 2009, while oil GDP rebounded significantly to record a growth rate of 4.98 per cent in 2010 on the back of an equally positive growth rate of 0.45 per cent in 2009 (Figure 3.7). The growth performance for oil and gas GDP exceeded that year's target by 2.38 percentage points, largely due to the unexpected improvement in global economic conditions and enhanced domestic production of crude oil in 2010, associated in large part, with the relative peace in the oil producing Niger Delta Region, and underpinned by the largely successful implementation of the Presidential Amnesty Programme.

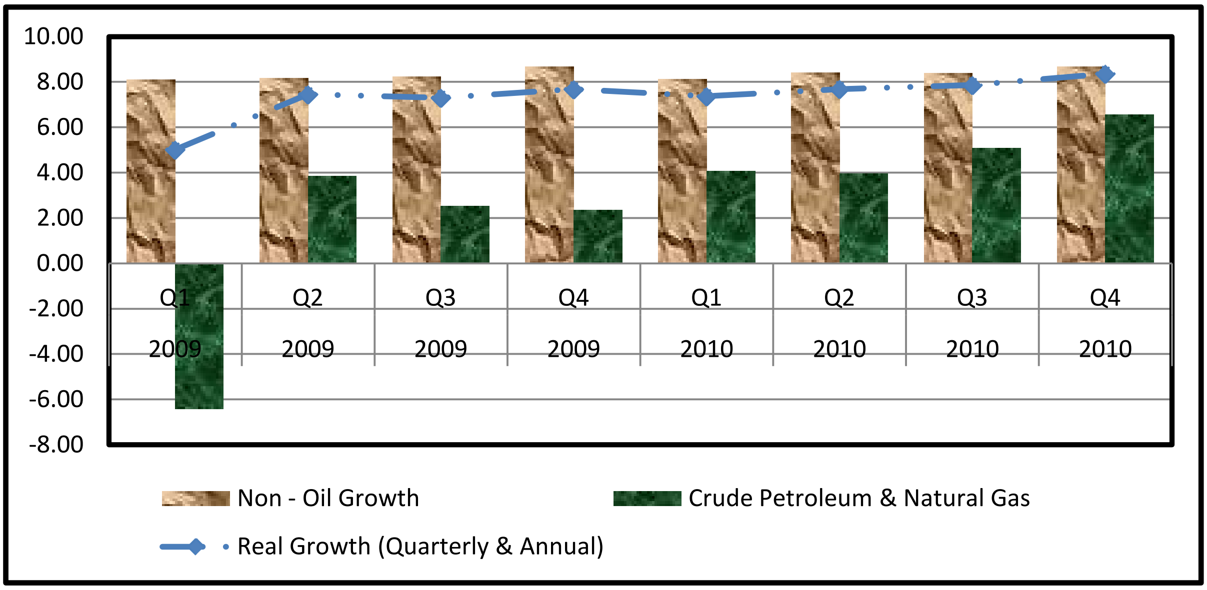
Figure 3.7: Growth Trends in Overall GDP, Oil & Gas GDP and Non-oil GDP (%), 2005-2010



Source: Derived by National Planning Commission from NBS's Data on National Accounts

On quarterly basis, GDP growth trend for oil and non-oil peaked at 6.56 per cent and 8.68 per cent in the second quarter and fourth quarter of 2010 respectively as against 3.86 per cent and 8.67 per cent in the second and fourth quarters of 2009 (Figure 3.8).

Figure 3.8: Quarterly Growth Trends in Oil and Non-oil GDP (Year on Year % Change)



Source: Derived by National Planning Commission from NBS's Data on National Accounts

The growth performance of the non-oil sector fell below the set target by 2.57 percentage points. This reflect the slowdown in growth in 12 activity sectors, viz., agriculture, wholesale and retail trade, finance and insurance, manufacturing (with the exception of oil refining and cement), and water and air transports, which registered aggregate average growth rate of 7.70 per cent in 2010 as against 7.87 per cent in 2009 (Table 3.9).

Table 3.9: Economic Activity Sectors with Growth De-acceleration in 2010 Relative to 2009

ACTIVITY SECTOR	2009	2010
Crop Production	5.83	5.57
Livestock	6.48	6.45
Forestry	5.85	5.84
Fishing	6.17	5.97
Other Manufacturing	7.82	7.59
Wholesale and Retail Trade	11.48	11.19
Water Transport	5.66	5.48
Air Transport	7.92	7.45
Financial Institutions	3.79	3.73
Insurance	9.60	9.21
Real Estate	10.94	10.66
Business Services (Not Health or education)	6.19	6.08
Public Administration	4.41	4.23
Education	10.01	9.79
Health	10.01	9.99
Private Non Profit Organisations	11.19	11.11
Other Services	9.89	9.88
Broadcasting	8.48	8.36
AVERAGE	**7.87**	**9.70**

Source: National Bureau of Statistics

Meanwhile, 15 activity sectors registered stronger growth rates in 2010 compared to their 2009 performance. These sectors recorded aggregate average growth rate of 10.40 per cent in 2010 on the back of an equally robust growth rate of 10.05 in 2009. These included solid minerals, 12.28 per cent, oil and gas, 4.98 per cent, telecommunications, 34.93 per cent, building and construction, 12.08 per cent, oil refining, 7.01, cement manufacturing, 10.85, electricity, 3.0 per cent and hotel and restaurants, 12.01 per cent (Table 3.10).

Table 3.10: Economic Activity Sectors with Growth Accelerations in 2010 Relative to 2009

ACTIVITY SECTOR	2009	2010
Coal Mining	8.85	8.76
Crude Petroleum & Natural Gas	0.45	4.98
Metal Ores	11.51	11.53
Quarrying & Other Mining	12.09	12.29
Oil Refining	6.95	7.01
Cement	10.83	10.85
Electricity	2.94	3.00
Water	10.19	10.21

Building & Construction	11.97	12.08
Hotel and Restaurants	11.89	12.01
Road Transport	6.91	6.81
Rail Transport & Pipelines	5.75	5.81
Transport Services	5.47	5.48
Telecommunications	34.73	34.93
Post	10.24	10.24
Average	**10.05**	**10.40**

Source: National Bureau of Statistics

Eleven activity sectors sustained double-digit growth rates in 2010. However, average growth rates for the sectors moderated to 13.15 per cent in 2010 from 13.17 per cent in 2009. Wholesale and retail trade, private non-profit organisations and real estate sectors could not maintain their paces of growth in 2010 due to lower economic activities during the period arising from the credit squeeze and stumpy implementation of public sector capital budget. Similarly, health and education sectors were not able to sustain their double-digit growth momentum in 2010 again owing to the economic slowdown. In contrast, economic activities in telecommunication, quarrying and other mining, building and construction, hotel and restaurants, metal ores and cement manufacturing were relatively stronger in 2010 (Table 3.11).

Table 3.11: Activity Sectors with Sustained Double-Digit Growth rates

ACTIVITY SECTOR	2009	2010
Telecommunications	34.73	34.93
Quarrying & Other Mining	12.09	12.29
Building & Construction	11.97	12.08
Hotel and Restaurants	11.89	12.01
Metal Ores	11.51	11.53
Wholesale and Retail Trade	11.48	11.19
Private Non Profit Organisations	11.19	11.11
Cement	10.83	10.85
Real Estate	10.94	10.66
Post	10.24	10.24
Water	10.19	10.21
Health	10.01	9.99
Education	10.01	9.79
AVERAGE	**13.17**	**13.15**

Source: National Bureau of Statistics

3.2.5.2 Expenditure on the GDP

On the demand side, aggregate demand recorded a significant contraction of -6.22 per cent in 2010 compared to a positive growth rate of 0.65 in 2009, reflecting the low absorptive capacity of the economy and the increase in stocks of goods in trade by 10.19 per cent (Table 3.12). The contraction in private consumption spending and investment in capital goods by 26.67 per cent and 3.58 per cent impacted negatively on domestic aggregate demand or absorptive capacity of the economy due to insufficient credit to the private sector and lower public investment. This is also consistent with the high investment-savings ratio of 52.21 per cent recorded in 2010, as economic agents could not utilize the entire gross national savings which stood at N7,679.90 billion to impact on investments in capital goods which stood at N4,009.73 billion.

Given the slowdown in domestic aggregate demand growth, the external sector largely drove economic activities, following improvements in global economic conditions, higher exports and restoration of relative peace in the oil producing Niger Delta Region, which inspired greater crude oil production and sales. Consequently, export rebounded to record a growth rate of 11.45 per cent in 2010 as against a contraction of 30.02 per cent in 2009. However, imports of goods and factor services continued its downward trend from 15.83 per cent in 2009 to 15.28 per cent in 2010. Notably, government final consumption expenditure grew by a staggering 17.8% to boost economic activities, reflecting countercyclical fiscal policy evidenced by soaring budget deficits of the Federal Government.

Table 3.12: Growth Trend in Aggregate Demand for the Real Gross Domestic Product (Per cent)

Demand Side	2009*	2010*
GOVERNMENT FINAL CONSUMPTION EXPENDITURE	-8.08	17.84
PRIVATE FINAL CONSUMPTION EXPENDITURE	6.38	-26.67
INCREASE IN STOCKS	10.92	10.18
GROSS FIXED CAPITAL FORMATION	9.11	-3.58
Domestic Demand	0.65	-6.22
EXPORTS OF GOODS AND SERVICES	-30.02	11.45
LESS IMPORTS OF GOODS AND SERVICES	-15.83	-15.28
EXPENDITURE ON THE GROSS DOMESTIC PRODUCT	-8.28	2.76

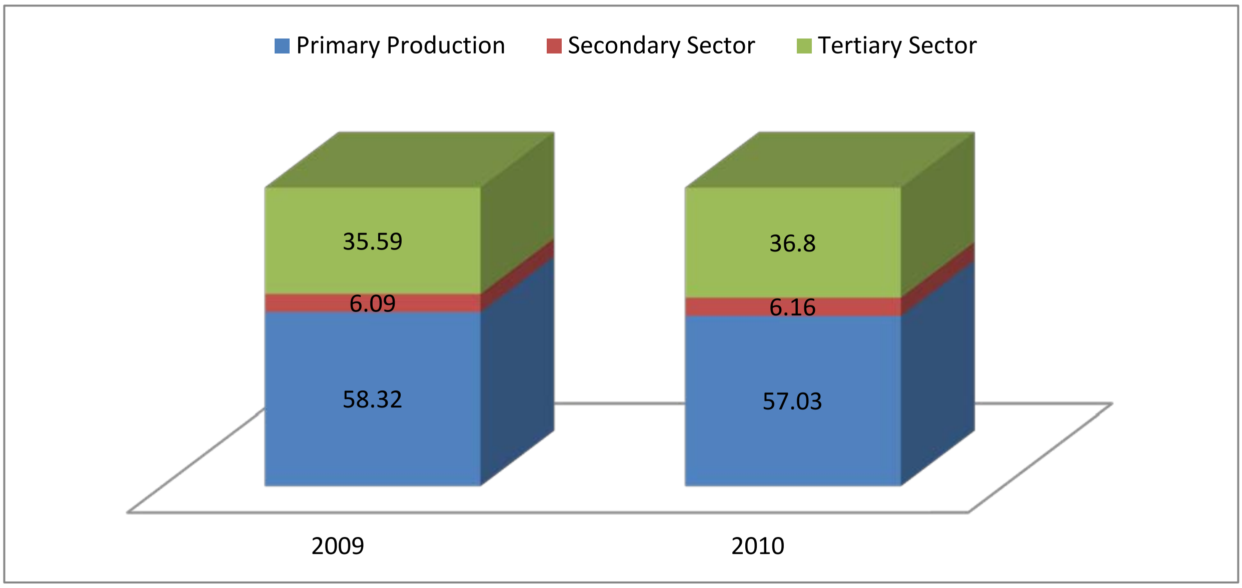
Note: * Provisional figures
Source: National Bureau of Statistics

3.2.5.3 Structure of the Real GDP

Primary production activities comprising agriculture, crude petroleum and natural gas, and solid minerals dominated economic activities in 2010 with a share of 57.03 per cent in total GDP, compared with 40.84 per cent in 2009. By contrast, secondary production activities of manufacturing and building and construction which have greater potential to broaden the productive base of the economy played a marginal role with a share of 6.16 per cent in the real GDP. The role of tertiary sector has been on the upward trend in the last five years, and accounted for 36.80 per cent of the GDP during 2010 compared with 35.59 per cent in 2009.

The growth transition witnessed during period pinpoints a gradual shift away from primary production to both secondary and tertiary sectors of the economy.

Figure 3.10: Structure of Real GDP in Terms of Primary, Secondary and Tertiary Sectors of the Economy, 2009-2010

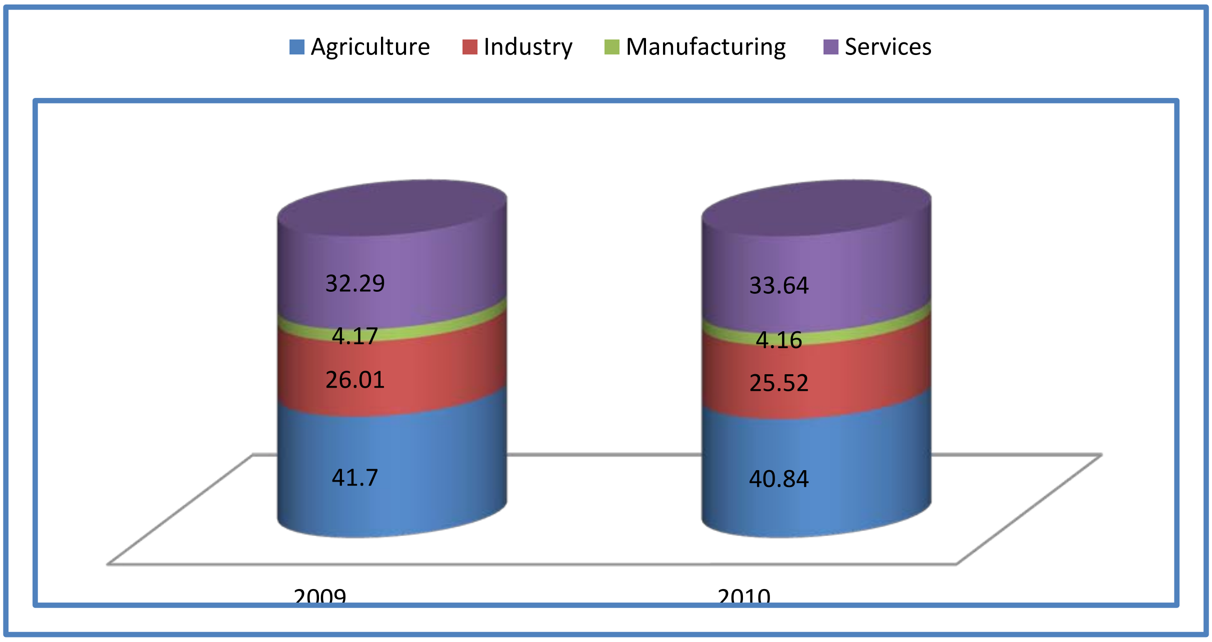


Source: Derived from NBS' Data on National Accounts

Agriculture alone accounted for 40.84 per cent of total GDP in 2010 as against 41.70 per cent in 2009 (Table 3.13). Its contribution to overall GDP growth during 2010 also declined to 29.89 per cent from 35.59 per cent in 2009. The crop production sector chiefly spurred agriculture's contribution to GDP with a share of 36.37 per cent in 2010 from 37.16 per cent in 2009. In the same vein, industry share of GDP stood at 25.52 per cent in 2010 as against 26.01 per cent in 2009. This contribution represents a modest decline of 0.49 percentage points over the 26.01 per cent achieved in 2009. The phenomenal surge in output growth of oil and gas by 4.98 per cent in 2010 from 0.45 per cent in 2009 explains the marked escalation in the contribution of oil and gas to overall GDP growth from 1.13 per cent in 2009 to 10.32 per cent in 2010. Contrary to expectation, the share of manufacturing in real GDP dropped from 3.59 per cent in 2009 to 4.49 per cent in 2010. Poor infrastructure especially energy and transport impaired the performance of the sector during the year.

In contrast, the share of services in the GDP in 2010 rose from 32.29 per cent in 2009 to 33.64 per cent (Table 3.13), indicating a shift away from agriculture and industry to services. This looks abnormal in the sense that the transition should have pass through industry to services but this is not the case as the industrial sector remained underdeveloped, being only empowered by natural factors. Similarly, the pattern of the growth transition led by wholesale and retail trade is not a welcome development as it threatens the manufacturing sector.

Figure 3.11: Share of the Real GDP in Terms of Agriculture, Industry and Services



Source: Derived from NBS's Data on National Accounts

3.2.6 Global Comparison of Structure of GDP

It is evident from the foregoing that while shares of agriculture and industry in GDP registered declines, services shares rose in 2010 (Table 3.16). To contextualise this development, Table 3.17 shows the structural pattern of GDP across a number of countries between 2008 and 2009. It is apparent from the table that the services sector is dominant for advanced countries in the sample. Evidently, the contributions of the services sector to total GDP in the high income countries of The Netherlands, Belgium, New Zealand and Israel ranged from 55 per cent to 65 per cent. Comparatively, their agricultural sectors are quite small, consistent with their levels of affluence and populations as well as land areas. Specifically, the shares of agriculture in GDP in high income countries, ranged from one to five per cent. By comparison, the share of agriculture in low and middle income economies of China, Indonesia, Egypt, Nigeria, India, and Ghana range from 11 to 42 per cent in 2009. With the exception of China which manufacturing sector contributed 42 per cent to GDP in 2008 and 2009, the contributions of industry, in these class of countries is dominated by natural resources such as oil or solid mineral extraction by between 23 per cent and 48 per cent in 2009. Overall, in terms of structural change, while shares of services rose, that of agriculture and industry, inclusive of manufacturing declined.

Table 3.16: Contribution of Key Sectors to GDP

	2009			2010		
	% of GDP	Growth (%)	Contribution to GDP Growth (%)	% of GDP	Growth (%)	Contribution to GDP Growth (%)
GDP BASIC PRICES	**100.00**	**6.96**	**100.00**	**100.00**	**7.87**	**100.00**
Oil & Gas	**16.29**	**0.45**	**1.13**	**15.85**	**4.98**	**10.32**
Non-oil	**83.71**	**8.32**	**98.87**	**84.15**	**8.43**	**89.68**
Agriculture	**41.70**	**5.88**	**35.59**	**40.84**	**5.64**	**29.89**
a. Crop Production	37.16	5.83	31.45	36.37	5.57	26.30
b. Other Agriculture	4.54	6.31	4.14	4.47	6.23	3.60
Industry	**26.01**	**2.85**	**11.09**	**25.52**	**5.81**	**19.23**
a. Mining & Quarrying	16.62	0.66	1.67	16.20	5.13	10.84
i. Oil & Gas	16.29	0.45	1.13	15.85	4.98	10.32
ii.Solid Minerals	0.33	12.08	0.55	0.34	12.28	0.52
b. Manufacturing	4.17	7.85	4.67	4.16	7.64	4.05
c. Building & Construction	1.92	11.97	3.16	2.00	12.08	2.95
d. Utilities	3.30	3.23	1.59	3.16	3.32	1.39
Services	**32.29**	**12.04**	**53.32**	**33.64**	**12.39**	**50.87**
a. Wholesale and Retail Trade	18.14	11.48	28.72	18.70	11.19	25.81
b. Hotel & Restaurants	0.48	11.89	0.79	0.50	12.01	0.74
c. Transport	2.70	6.83	2.66	2.68	6.72	2.31
d. Telecommunication	3.59	34.73	14.22	4.49	34.93	15.94
e. Finance & Insurance	3.70	4.01	2.19	3.57	3.95	1.86
f. Real Estate & Business Service	1.81	10.62	2.67	1.85	10.36	2.38
g. Public Administration	0.68	4.41	0.44	0.66	4.23	0.37
h. Health & Education	0.25	10.01	0.34	0.25	9.82	0.31
i. Other Services	0.93	9.80	1.27	0.94	9.78	1.15
Primary Production	**58.32**	**4.34**	**37.27**	**57.04**	**5.49**	**40.73**
Secondary	**6.09**	**9.12**	**7.83**	**6.16**	**9.04**	**7.00**
Tertiary	**35.59**	**11.16**	**54.91**	**36.80**	**11.55**	**52.27**

Source: Computed from NBS Data

Table 3.17: Structural Pattern of GDP in Selected countries

Country Name	GDP Per Capita in 2009 (US$)	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
		Agriculture		Industry Less Manufacturing		Manufacturing		Trade, hotels & Restaurants		Other Services	
Netherlands	47,889	2	2	26	24	14	13	15	14	58	60
Belgium	44,254	1	1	23	21	15	14	14	14	61	64
New Zealand	27,384	5	5	25	24	15	15	15	15	55	55
Israel	27,061	2	2	24	23	17	16	11	11	64	65
Republic of Korea	17,707	3	3	38	37	29	28	11	12	49	48
Poland	11,311	4	4	31	31	19	19	19	19	46	45
Brazil	8,114	6	6	27	25	16	15	20	21	47	48
Mexico	7,956	4	3	37	36	19	19	18	19	41	42
Malaysia	6,967	10	9	48	44	26	25	13	14	29	33
Botswana	5,959	2	3	53	40	4	4	11	14	34	42
South Africa	5,707	3	3	33	31	16	15	13	13	51	52
China	3,769	11	11	48	48	42	42	11	10	29	30

Indonesia	2,349	14	15	48	48	28	26	14	13	23	23
Egypt	2,265	13	14	38	37	16	17	15	15	34	34
Nigeria	1,123	42	42	23	22	4	4	18	19	13	14
India	1,075	17	17	29	28	16	16	17	17	38	38
Ghana	626	37	36	30	27	8	8	8	8	26	29

Source: United Nations and NBS

3.3 Sectoral Development In 2010

Sectoral growth performance in 2010 presented in Table 3.18 reveals that only three sectors, namely oil and gas, transportation and wholesale and retail trade attained the growth targets set for them in 2010 under the 1st NIP. However, the manufacturing sector, utilities (including electricity), and building and construction sectors, which are critical to achieving NV20:2020, performed short of targets. This dramatizes the need for drastic measures to alleviate binding constraints to growth, to unleash the growth potentials of these sectors.

Table 3.18: Sectoral Growth Performance (%): 2009 & 2010

Key Sectors	**Baseline**	**Actual**	**Target**
	2009	**2010**	**2011**
Oil	0.45	4.98	2.60
Non-Oil	8.32	8.43	11.00
Agriculture	5.88	5.64	6.60
Manufacturing	7.85	7.64	22.3
Finance & Insurance	4.01	3.95	4.50
Building, Construction & Real Estate	11.49	11.41	34.00
Utilities	3.23	3.32	17.40
Transport	6.83	6.72	7.20
Wholesale & Retail Trade	11.45	11.19	10.80

Source: National Bureau of Statistics and National Planning Commission

3.3.1 Agriculture

Table 3.19 presents value-added in the agriculture sector, comprising crop production, livestock, forestry and fishery over 2009 and 2010. In general, government efforts in the sector were directed at strengthening value chain activities. Agriculture value added in nominal terms registered N10,273.65 billion in 2010 as against N9,186.31 billion in 2009. In real terms, the sector's value added stood at N326.73 billion in 2010, compared with N299.82 billion in 2009. The trend growth rate shows a de-acceleration in growth to 5.64 per cent in 2009/2010 as against 5.88 per cent in 2008/2009. This brings the contribution of agriculture to overall real GDP growth to 29.89 per cent in 2010 from 35.59 per cent in 2009.

The adverse effects of climate change on agriculture production and other growth inhibiting factors contributed to the slide in the sector's performance.

Table 3.19: Value-Added in the Agriculture Sector, 2009-2010

ACTIVITY SECTOR	Real GDP (Naira Billions)		Nominal GDP (Naira Billion)		% annual change		% Distribution		Contribution to Growth (percent)	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
Agriculture	299.82	316.73	9,186.31	10,273.65	5.88	5.64	41.70	40.84	35.59	29.89
Crop Production	267.18	282.05	8,200.92	9,159.98	5.83	5.57	37.16	36.37	31.45	26.30
Livestock	19.04	20.26	583.62	661.66	6.48	6.45	2.65	2.61	2.48	2.17
Forestry	3.80	4.02	111.07	124.28	5.85	5.84	0.53	0.52	0.45	0.39
Fishing	9.81	10.40	290.69	327.72	6.17	5.97	1.36	1.34	1.22	1.03

Source: Derived by National Planning Commission from NBS' Data on National Accounts

Access to credit remains a major challenge to farmers. In a bid to address these problems including high interest rates on agriculture loans, the Central Bank of Nigeria, in collaboration with the Federal Ministry of Agriculture and Water Resources, established the Commercial Agricultural Credit Scheme (CACS) for the to provide low-interest loans to farmers. By end-December 2010, the scheme had been funded to the tune of N200 billion from the issuance of Government Bonds to the public. By the same date, the scheme had released a total sum of N96.811 billion for disbursement to 86 projects in 18 States of the Federation. Out of 347 and 32 project applications received by the CBN from the private sector and 18 State Governments respectively, only 85 and 19 projects, valued at N78.811 billion and N18 billion respectively were approved and funded, indicating approval rate of 24.50 per cent and 59.38 per cent . The balance of CACS funds as at December, 2010 was N103.189 billion. The low performance of credit under CACS has been attributed to a number of factors including:

i Inadequate ability of participating banks to assess the level of risk in lending to agriculture,
ii Information asymmetry,
iii Capacity of banks and farmers in terms of skill gaps,
iv Inability of project promoters and State Governments to meet lending conditions, and
v Non-clarity of implementation modalities due to constant revision of implementation guidelines.

The N1.00 billion loans each to 18 State Governments were for on-lending to farmers' co-operative and other areas of agricultural interventions in their various

States. The FCT Administration had accessed N0.05 billion each from the United Bank for Africa (UBA) and United Bank of Nigeria PLC.

The Federal Ministry of Agriculture has also established the Rural Finance Institution Programme with the assistance of The International Fund for Agricultural Development. This programme which is financed with a concessionary loan of US$27 million and a grant of US$400 million from the IFAD, a US$500 million grant from the Ford Foundation and Government contribution of US$11.9 million, is to be implemented over a seven-year period. All of these initiatives are expected to have positive impact on agricultural production in the immediate future.

3.3.1.1 Crop Production

Crop production still dominates agricultural production. The major agricultural crops in Nigeria include cassava, yam, maize, guinea corn, millet, rice, groundnuts, cocoyam, beans, and cocoa. The contribution of agricultural crops to GDP was 36.37 per cent in 2010 down from 37.16 per cent in 2009. In nominal terms, value added in crop production rose from N8,200.92 billion in 2009 to N9,159.98 billion in 2010. This translates to a growth rate of 5.57 per cent in 2010 as against 5.83 per cent in 2009. In terms of contribution to growth, crop production declined from 31.59 per cent in 2009 to 26.30 per cent in 2010. The slide in the sector’s growth could be attributed to a host of factors including flooding in some parts of the country during the year.

The abysmal level of productivity of crop production remains an enduring challenge. The Government is investing heavily in several agricultural value chain projects across the country, enhancing the availability of and delivery of appropriate inputs for commercial agricultural development programme, providing storage facilities, creating an enabling environment for agricultural growth and promoting inter-sectoral linkages as well as the practice of commercial agricultural. It is expected that these efforts including those to modify the land tenure system would improve crop production in the country. Specifically, the slowdown in the pace of growth of crop production was mitigated by a combination of factors, namely:

i. increased cocoa production from 170,000 metric tonnes in 1999 to 380,000 metric tonnes in 2009/2010 and contributing in excess of N130 billion to the economy, due to training of 25,000 cocoa farmers and facilitators on nursery management, fermentation, drying and processing in most cocoa producing states; and the raising and distribution of about 5.9 million cocoa seedlings to farmers free of charge, covering over 5,433.6 hectares between 2000 and 2010;
ii. procurement and distribution of 3,405 metric tonnes of certified maize seeds from six seed companies for field planting in 2009 cropping season;
iii. procurement and distribution of 105,200 litres of assorted agro chemicals to farmers;
iv. construction, rehabilitation and completion of storage silos for storage of agricultural produce to reduce the incidence of post harvest losses;
v. 25 per cent subsidy on the procurement and distribution of 900,000 metric tonnes of fertilizers valued at N89.31 billion;

vi. Increase in hectarage from 2.2 million hectares in 1999 to 2.8 million hectares in 2009
vii. establishment of 1,785 hectares of improved varieties of oil palm, capable of producing about 267.81 metric tonnes of crude palm oil in a short time; and
viii. Distribution and sale of about 1,000 tractors, implements and spare parts to large farmers, cooperatives and farmers groups.

3.3.1.2 Livestock

The growth rate of livestock production slowed during 2010 to 6.45 per cent from 6.58 per cent in 2009. The sector however witnessed increased support to livestock farmers to modernise their production, which included establishment of abattoirs and sanitary sales outlets across the country. The sector also benefited from the establishment of six (6) model grazing reserves with complementary infrastructure, including pastoralist at Udubo in Bauchi, Runka Kukar Tangere in Katsina State, Paikon Kure in FCT, Bobi in Niger State, Sankara in Jigawa State and Gidan Jaja in Zamfara State. A model fish feed meal equipped with good quality fish feed at low cost was constructed in Ibadan.

3.3.1.3 Forestry

Forestry is a very small component of the agricultural sector, contributing less than 3 per cent to GDP. The sub-sector grew slightly by 5.84 per cent in 2010 as against 5.85 per cent in 2009, due to lower demand for wood products and depletion of existing resources. There were notable effort by the Forestry Research Institute of Nigeria to increase wood production in the country including supplying improved breeder seedlings to replace harvested tree stocks.

3.3.1.4 Fishing

The growth rate of fishing sector declined to 5.97 per cent in 2010 from 6.17 per cent in 2009, following lower production of fish due to heavy rainfall. However, there are plans on the part of Government to prioritize and increase domestic fish production from all sources on a sustainable basis to achieve self-sufficiency. The rehabilitation and equipping of Igbokoda Boatyard/Fiberglass fabrication and training centre to produce modern fish craft (boats, canoes, etc) as well as the construction of model fish feed meal in Ibadan equipped to produce quality fish feed at low costs are part of initiatives to raise domestic fish production to meet local demand. Historical evidence revealed that domestic fish production fell below the national demand estimate of 1.5 million tonnes (Federal Ministry of Agriculture and Water Resources) in both 2008 and 2009.

3.3.2 Industry

The industrial sector which comprises oil and gas, solid minerals, manufacturing, utilities and building and construction is dominated by primary production, with little or no value-addition, in particular crude oil production. Low value addition, arising from poor state of infrastructure and low investment constitute the bane of industrial development in Nigeria. Recent National Accounts data reveals that growth in the industrial sector accelerated in 2010 by 5.81 per cent as against 2.85 per cent in 2009, largely driven by the oil and gas sector (Table 3.20). Significantly, the contribution of the industrial sector to overall GDP growth improved substantially from 11.09 per cent in 2009 to 19.23 per cent in 2010. However, the share of the industrial sector in overall real GDP declined slightly to 25.52 per cent in 2010, from 26.01 per cent in 2009.

Table 3.20: Value-Added in the Industrial Sector, 2009-2010

ACTIVITY SECTOR	Real GDP (Naira Billions)		Nominal GDP (Naira Billion)		% annual change		% Distribution		Contribution to Growth (percent)	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
Industry	187.03	197.91	8,480.91	10,904.90	2.85	5.81	26.01	25.52	11.09	19.23
Crude Petroleum & Natural Gas	117.12	122.96	7,418.15	9,747.36	0.45	4.98	16.29	15.85	1.13	10.32
Solid Minerals	2.37	2.67	40.61	45.66	12.08	12.28	0.33	0.34	0.55	0.52
Coal Mining	0.00	0.00	0.00	0.00	8.85	8.76	0.00	0.00	0.00	0.00
Metal Ores	0.01	0.01	0.03	0.04	11.51	11.53	0.00	0.00	0.00	0.00
Quarrying & Other Mining	2.36	2.65	40.58	45.62	12.09	12.29	0.33	0.34	0.54	0.51
Manufacturing	29.99	32.28	612.31	647.82	7.85	7.64	4.17	4.16	4.67	4.05
Oil Refining	0.98	1.05	53.96	61.27	6.95	7.01	0.14	0.14	0.14	0.12
Cement	0.61	0.68	19.56	22.12	10.83	10.85	0.09	0.09	0.13	0.12
Other Manufacturing	28.40	30.55	538.79	564.43	7.82	7.59	3.95	3.94	4.41	3.81
Utilities	23.73	24.52	62.15	70.54	3.23	3.32	3.30	3.16	1.59	1.39
Electricity	22.68	23.36	59.61	67.68	2.94	3.00	3.15	3.01	1.38	1.21
Water	1.05	1.15	2.54	2.86	10.19	10.21	0.15	0.15	0.21	0.19
Building & Construction	13.82	15.48	347.69	393.53	11.97	12.08	1.92	2.00	3.16	2.95

Source: Derived by National Planning Commission from NBS' Data on National Accounts

3.3.2.1 Crude Petroleum and Natural Gas

Within the industrial sector, crude petroleum and natural gas with a share of 62.13 per cent, dominates industrial production. The growth in crude petroleum and natural gas exhibited significant buoyancy during 2010. The sector's growth rate surged from 0.45 per cent in 2009 to 4.98 per cent in 2010, due to enhanced production and sale of crude oil occasioned by more propitious global economic conditions and restoration of peace in the oil producing Niger Delta region. This was underpinned by the successful implementation of the Presidential Amnesty Programme. The sector also contributed significantly to aggregate GDP growth rate, jumping from 1.13 per cent in 2009 to 10.32 per cent in 2010. In nominal terms, output value stood at N9,747.36 billion in 2010 as against N7,418.15 billion in 2009. Table 3.21 below presents crude oil production and prices in 2009 and 2010. Crude oil production per million barrels per day averaged 2.45 in 2010 as against 2.11 in 2009, indicating an increase of 16.11 per cent, or 0.34 mbpd in 2010. Similarly, the daily average spot price of (Nigeria Bonny Light) crude trended up from US$63.90 per barrel in 2009 to $80.92 per barrel in 2010, indicating an average increase of 26.64 per cent. Oil price peaked at a monthly average of

$93.00 per barrel in December 2010 as against a peak of $78.25 recorded in October 2009. However, maintenance work at various oil terminals, sabotage attacks, vandalization and ruptures of aged pipelines that occurred in the months of May and June 2010 marginally undercut crude oil production in 2010.

Table 3.21
Monthly Crude Oil Production and Spot Prices (Bonny Light)

Year/Month	2009		2010	
	Production (mbpd)	**Average Price (US$)**	**Production (mbpd)**	**Average Price (US$)**
January	2.03	44.95	2.33	77.62
February	2.06	46.52	2.39	75.06
March	2.07	49.70	2.44	80.27
April	1.86	51.16	2.41	85.29
May	2.22	60.02	2.41	77.54
June	2.17	72.24	2.21	75.79
July	2.14	66.52	2.48	77.18
August	2.12	74.00	2.50	78.67
September	2.18	70.22	2.48	79.45
October	2.28	78.25	2.88	84.42
November	2.15	78.11	2.50	86.71
December	2.05	75.11	2.58	93.00
Average (mbpd)	**2.11**	**63.90**	**2.45**	**80.92**

Source: Central Bank of Nigeria

Annual data for gas production and utilization have not been released by the NNPC. But analysis of gas production and utilisation for the first half of 2010 indicates that average monthly gas production leapt from 130.17 BSCF in the first half of 2009 to 317.17 BSCF in the first half of 2010. Total gas utilization also increased from 79.28 BSCF in the first half of 2009 to 263.73 BSCF in the same period of 2010. The volume of gas flared was 52.55 BSCF in the first half of 2010 as against 42.79 BSCF in the corresponding period of 2009. Table 3.22 provides details on gas production, utilisation and gas flare.

The contribution of the crude oil and natural gas sector to employment is quite low owing to its capital-intensive nature. Its contribution to employment was a paltry 0.04 per cent in both 2009 and 2010. The Government is currently reforming the petroleum industry which might pave the way for a profound overhaul of the oil and gas sector. The objectives of the reforms are to substantially raise the contribution of the oil and gas sector to employment, local value added and GDP and enhance access to oil fields especially for indigenes of oil producing areas, update existing regulatory framework and improve transparency and accountability in the sector.

Table 3.22: Gas Production, Utilization and Flared, January 2009-June 2010

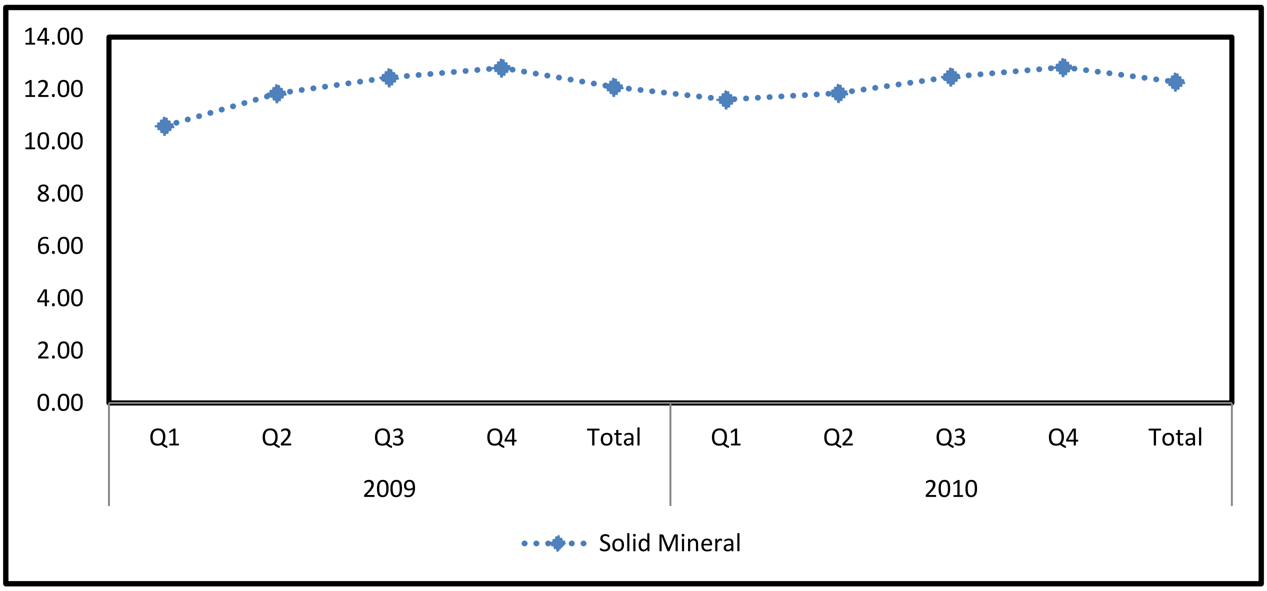
Month	Year	Production BSCF	Total Gas Utilized BSCF	Gas Flared BSCF	% Flared
January	2010	95.74	67.28	30.00	31.34
	2009	140.30	73.20	42.40	30.22
February	2010	174.03	133.07	38.77	22.06
	2009	85.90	35.43	28.40	33.06
March	2010	205.26	164.15	41.11	20.03
	2009	142.91	93.91	49.00	34.29
April	2010	918.26	809.09	109.18	11.89
	2009	94.29	48.79	43.78	46.42
May	2010	192.55	145.07	43.69	22.69
	2009	168.57	121.19	48.86	22.69
June	2010	na	na	na	na
	2009	149.03	103.14	44.28	29.71
Monthly Average	2010	317.17	263.73	52.55	21.60
	2009	130.17	79.28	42.79	32.73

Source: Nigeria National Petroleum Corporation (NNPC)

3.3.2.3 Solid Minerals

Solid minerals production contribution to GDP is extremely modest. Activities in the solid minerals sector can be grouped into coal mining, metal ores and quarrying and other mining. Solid minerals production was valued in nominal terms at N45.66 billion in 2010, as against N40.61 billion in 2009. The sector's contribution to the overall real GDP in 2010 rose marginally to 0.34 per cent from 0.33 per cent in 2009. Nonetheless, the sector is a potential driver of the growth of the economy since the country is endowed with over 34 solid mineral varieties, dispersed in 450 locations. Importantly, the sector's real GDP grew strongly at 12.28 per cent, compared to 12.08 per cent in 2009. This growth performance reflects the quickened pace of building and construction in 2010, which draws raw materials such as limestone, stone aggregates, laterite, sand, etc., from the solid minerals sub-sector. Data provided by the Ministry of Mines and Steel Development reveals that production capacity in solid minerals rose strongly from 14.76 million tonnes in 2009 to 24.79 million tonnes in 2010 (Figure 3.12).

Figure 3.12: Quarterly and Annual GDP Growth Rate in Solid Minerals (YoY % Change)



Source: Derived by National Planning Commission from NBS' Data on National Accounts

Within the solid minerals subsector, quarrying and other mining accounts for 99.25 per cent of the total gross value added. Specifically, quarrying and other mining grew by 12.29 per cent in 2010, compared with 12.03 per cent in 2009. The rate of growth of coal mining and metal ores rose 8.76 per cent and 11.53 per cent, respectively in 2010 as against 8.85 per cent and 11.51 per cent in 2009.

Some of the favourable policies that has influenced the performance of the solid minerals activities includes:

- i establishment of a computerized National Mining Cadastre and Minerals Title Registry for processing and improving of all applications for permits and licences;
- ii privatization of moribund public mining institutions, mineral promotion and human resources development;
- iii development of skills of indigenous mining companies, through technical support services and funding; and
- iv disbursement of a total sum of N218.60 million to mining cooperatives, quarrying associations and mining communities nationwide.

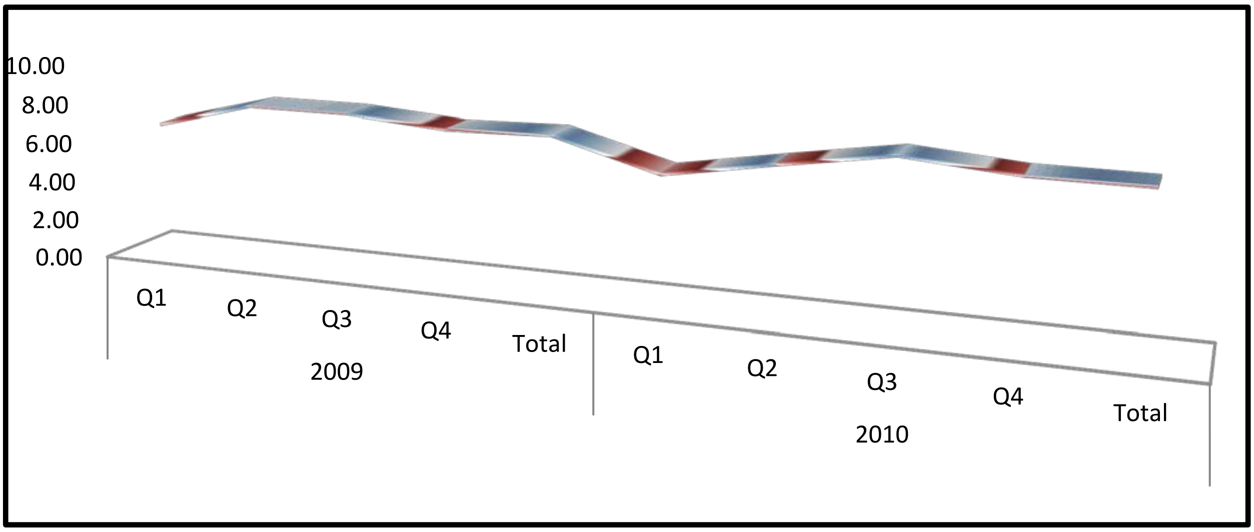
The Government has also enhanced support for artisanal and small-scale miners who constitute over 90 per cent of local operators in the mining industry. A total of seven strategic minerals that are critical for Nigeria's industrial development have been identified, including gold, coal, iron ore, and bitumen. In view of these interventions, the solid minerals sector is expected to maintain its strong growth momentum.

3.3.2.4 Manufacturing

Manufacturing activities in Nigeria is categorised by the NBS into cement production, oil refining and other manufacturing sectors. The sector makes up only a small fraction of GDP and accounts for less than 5 per cent of overall output growth in the economy, stunted by a litany of growth inhibiting factors. The value added of manufacturing activities at current basic prices rose from N612.3 billion in 2009 to N647.82 billion in 2010. The real growth rate of manufacturing de-accelerated during 2010 as a result of dearth of funding of the sector by banks and contraction of domestic aggregate demand. However, the sector grew by 7.64 per cent in 2010, down from 7.85 per cent in 2009. The broadly anaemic performance of the manufacturing sector partially mirrors the perennially low capacity utilization in the sector which was about 40 per cent in 2010. In terms of contribution to GDP, the manufacturing sector accounted for 4.16 per cent in 2010, down from 4.17 per cent in 2009. Relative to overall GDP growth, the manufacturing sectors contribution declined to 4.05 per cent in 2010, in contrast to a 4.67 per cent decline in 2009 (Figure 3.13).

Manufacturing sector performance during the year was partly conditioned by the introduction of a number of tax incentives, including: (i) the granting of a pioneer status to export producing companies which established new companies or expanded existing facilities, (ii) tax holiday from income tax up to five years, (iii) a tax credit of 20 per cent of cost for a period of five years to engineering companies which use a minimum of 60 per cent of locally sourced raw materials for production, and (iv) tax exemption on dividends from small companies in manufacturing sector in the first five years of their operation. However, findings from a recent survey by Manufacturers Association of Nigeria (MAN) and a US based organization (Manufacturers Association, Newspaper Publication) revealed that the burden of taxes and levies on the sector are inimical to the survival of the sector. The report also revealed that activities of sub-national governments' revenue agents were most obstructive, in spite of State Governments efforts to clearly delineate lines of collectible taxes and levies. At the moment, the National Economic Council is working to end the problem of multiple taxation in the manufacturing sector.

Figure 3.13: Quarterly and Annual Growth Trends in the Manufacturing Sector (YoY % Change), 2009-2010



Source: Derived from NBS' Data on National Accounts

The acutely dismal performance of the manufacturing sector over the years has traditionally been attributed to a rash of constraints such as inadequate physical infrastructure, including inadequate and erratic power supply, poor transport system, leading to high cost of transportation, increased cost of diesel used in private power generation; high cost of funds; low access to finance; heavy dependence on external sector for raw materials and intermediate inputs, which is adversely affected by exchange rates variations; smuggling, counterfeiting and dumping of foreign made goods; multiple taxation and low domestic patronage.

The government have been addressing head-on the various bottlenecks undermining performance of the sector. Consequently, noticeable improvement in electric power supply was recorded during the year. Data from the Federal Ministry of Power shows that power supply in 2010 was nearly twice that of the previous year. In specific terms, the highest monthly peak generation average rose to 3,474 Mega Watt (MW) in August 2010 from 3229 MW in December 2009. By comparison, the lowest electricity generation average was 2662 MW in February 2010, compared to 1955 MW in July 2009. Moreover, the transmission of generated power improved significantly by 25 per cent and the number of system collapse obviated to 13 per cent in 2010 from 17 in 2009, due to large scale improvements in power infrastructure.

In terms of finance, the manufacturing sector benefited immensely from the N200 billion Manufacturing Intervention Fund (MIF) approved by the CBN in April 2010 to improve access to credit by manufacturers and to refinance and restructure banks' loan profile to the manufacturing sector. The N100 billion bail-out funds supervised by the Bank of Industry was instrumental in reviving/resuscitating the textile and garment industry while the N10 billion rice processing facility is being disbursed to rice millers to rehabilitate and upgrade installed capacity for the packaging of local rice.

During December 2010, the Government announced a US$500 million loan facility intended to support economic growth in SMEs and which is to be administered by the Bank of Industry. The manufacturing sector is expected to directly benefit from this facility.

However, the non-achievement of the much vaunted 6,000 MW power generation capacity by the promised date of December 31, 2010; meant that significant power deficits still exist and which continued to drag down production as manufacturers devote considerable financial resources to provide their power needs. Unfortunately, escalating cost of procuring diesel for running their standby generators has exacerbated the situation. Meanwhile, the government is on the verge of privatising the power sector through core investment sales, concessions and management contract strategies in the hope that this will improve the fortunes of the sector.

The rehabilitation and marking of new rail lines as well as the repair of roads and construction of new ones across the country may also impact positively on the manufacturing sector as is the construction of new ports and the dredging of the River Niger.

Oil Refining

The output of domestic refineries depends to a great degree on the level of capacity utilization of the four government owned refineries at Kaduna, Warri and Eleme (two refineries). Specifically, the output of these refineries grew by 7.07 per cent in 2010 as against 6.95 per cent in 2009, due to improved utilization of their combined installed capacities from 10.9 per cent in 2009 to 21.3 per cent in the first half of 2010. The increased capacity utilization was underpinned by reduction in pipeline vandalism and functioning of all refineries in the country. However, the contribution of the sub-sector to overall GDP remains miniscule. Output stood at N61.27 billion in nominal terms in 2010, compared to N53.96 billion in 2009. The relatively small output of the refining sector reflects its small size and low capacity utilization which falls short of the average estimated daily domestic aggregate demand of 30 million litres of refined petroleum products, including naphtha (a mixture of hydrocarbons used as feedstock for producing gasoline).

Empirical data released by NNPC on capacity utilization in the downstream sector of the petroleum industry in the first half of 2010, revealed that average capacity utilizations for the three refineries; Port Harcourt Refining Company (PHRC), Warri Refining and Petrochemical Corporate Limited (WRPC) and Kaduna Refining and Petrochemical Company (KRPC), declined to 10.63% from 15.80% in first half of 2009. This is broken down into an average capacity utilizations of 7.70%, 4.61% and 19.60% for KRPC, PHRC and WRPC respectively. In the first half of 2009, capacity utilization for the three refineries recorded 4.27%, 10.77% and 32.37% on average (Table 3.14).

Table 3.14: Capacity Utilization (%) by Name of Refinery in the 1st Half 2009 and 2010

Month	Year	KRPC	PHRC	WRPC	Average
	2010	5.11	14.56	0.00	6.56
January	2009	0.00	3.51	50.32	17.94
	2010	8.73	3.88	34.26	15.62
February	2009	0.00	24.31	48.86	24.39
	2010	0.06	0.00	0.00	0.02
March	2009	0.00	0.00	4.99	1.66
	2010	na	na	na	na
April	2009	8.91	22.69	48.36	26.65
	2010	16.89	0.00	44.12	20.34
May	2009	2.01	7.66	41.68	17.12
	2010	na	na	na	na
June	2009	14.70	6.43	0.00	7.04
	2010	7.70	4.61	19.60	10.63
Monthly Average	2009	4.27	10.77	32.37	15.80

Source: Compilation by NPC from NNPC Monthly Petroleum Information

The three refineries produced an average of 250 thousand metric tones (mt) of finished and intermediate products per month in the first half of 2010 as against

268 thousand mt per month in first half of last year. This represents a 6.72 monthly decline in production in the three refineries in the first half of 2010. The Pipelines and Products Marketing Company Limited (PPMC) evacuated an average of 335 thousand mt of products per month, which included Petroleum Motor Spirit (PMS), DPK, AGO and fuel oil. This implies that evacuation of petroleum products from the three refineries by PPMC was lower by 17.91% in the first half of 2010 compared to the corresponding period of 2009 (Table 3.15). Some of the factors constraining investment inflow into the Nigerian petrochemical industry have been the lack of a competitively priced and reliable feedstock supplies, fire and sabotage by militants, poor management, lack of turnaround maintenance and corruption. The price control and subsidies on refined petroleum products, in particular, has been a disincentive to private interests pondering investing in the sector. As government deregulates the sector and allow prices to reflect the interplay of market forces, it should attract more private investment and improve overall performance.

Table 3.15: Domestic Production Returns of Refinery

Month	Year	Production Thousand MT	Evacuation Thousand MT
January	2010	134	155
	2009	262	297
February	2010	202	139
	2009	306	256
March	2010	265	261
	2009	299	443
April	2010	345	369
	2009	354	361
May	2010	302	449
	2009	279	504
June	2010	na	na
	2009	108	147
Monthly Average	2010	250	275
	2009	268	335

Note: Na means not available
Source: Compiled from NNPC Monthly Petroleum Information
Cement Production

Growth in value-added for cement production climbed marginally from 10.83 per cent in 2009 to 10.85 per cent in 2010, on account of increased capacity utilization and heightened building and construction activities. Locally manufactured output of cement surged from 2 million metric tonnes in 2002 to 10.5 million metric tonnes in 2010, indicating a monumental 425 per cent increase during the period. In value terms, output of cement registered N22.12 billion in 2010 as against N19.56 billion in 2009. Unravelling of slower growth developments in the sector revealed that imported cement was approximately 11 per cent of total supply whilst locally manufactured cement accounted for 89 per cent. However, the contribution of the cement industry to GDP remains minute and unchanged in

2010. Its share of overall real GDP was 0.09 per cent in 2010 and 2009. In the same vein, its contribution to aggregate growth was negligible, declining slightly from 0.13 per cent in 2009 to 0.12 per cent in 2010.

Other Manufacturing

Within manufacturing, other manufacturing sector leads with a total contribution of approximately 95 per cent. During the year under review, value-added for other manufacturing de-accelerated to 7.59 per cent from 7.82 per cent in the previous year as a result of contraction in domestic aggregate demand and credit squeeze in the banking system. The subsector's contribution to overall GDP consequently moderated from 3.95 per cent in 2009 to 3.94 per cent in 2010. Its contribution to economic growth also plunged from 4.41 per cent in 2009 to 3.81 per cent in 2010. In value terms, other manufacturing activities totalled N564.43 billion in 2010, as against N538.79 billion in 2009. There were interesting developments in the sub-sector in 2010. For instance, fruit juice achieved almost 100 per cent local production and cassava revolution is driving local starch manufacturing, as value chain activities are manifesting in agro-allied industries. There was also the N100 billion bail-out funds for the revival/resuscitation of the textile and garment industry as well as the N10 billion rice processing facility to rice millers to rehabilitate and upgrade capacity.

3.3.2.5 Utilities

Utilities, including electricity and power and water supply contribution share of GDP remains puny due to aging infrastructure, insufficient power generation, high transmission and distribution losses, as well as lack of synergy between the supply of gas and power generating companies. However, the pace of growth of utilities edged up from 3.23 per cent in 2009 to 3.32 per cent in 2010, on account of improved electric power generation, transmission and distribution. Data released by the Federal Ministry of Power indicate that electric power supply was almost twice the previous year level, with the monthly average generation peaking at 3,474 MW in August as against 3,229 MW in December 2009. This improvement in power could in turn be attributed to significant repairs and upgrade to systems and consequent increases in the capacity of power plants and quantum of power that was released into the system which rose 25 per cent. The number of system collapse also moderated to 13 from 17, reflecting extensive improvements in transmission infrastructures. Distribution capacity increased marginally to 19,163.89 MVA, or equivalent to 16,289.31 MW. The report on NIPP from the Ministry of Power reveals a less than optimal performance of the NIPP, occasioned by initial policy reversals by the Yar'Adua administration and inability to obtain both foreign and local loans as investors worried about government regulation of electricity tariffs in the country. The report shows that a total of 34 companies were licensed a IPP but only 8 companied had commenced operation with 1990 MW of installed capacity.

Important policy developments in the electricity sector in 2010 include the development of a roadmap for power sector reform which was launched in August 2010. The aims are to eliminate obstacles to private sector investment in the power sector (including the provision of credit enhancement and acceptance of appropriate pricing regime); permit the privatisation of the generation and distribution companies, which were unbundled from PHCN; as well as facilitate the construction of new transmission networks and reform the fuel-to-power sector.

The Government targets 40,000 MW of electricity by 2020, requiring an investment of US$3.5 billion per annum. Meanwhile, the value of electricity subsector in overall GDP was N67.68 billion in nominal terms, or equivalent to 95.95 per cent within the utilities sub-sector, in 2010 as against N57.61, or 95.91 per cent in 2009.

Similarly, value-added in the water sector rose by 10.21 per cent in 2010 as against 10.19 per cent in 2009. In nominal terms, this amounts to N2.86 billion in 2010, compared with N2.54 billion in 2009. The sector's share of GDP remained small at 0.15 per cent in both 2009 and 2010, indicating significant untapped water resources, on account of uncoordinated implementation of water policies and programmes especially at the state level. Although Nigeria has abundant water resources to guarantee sustainable water supply to the entire population, only about 65 per cent of urban population and 30 per cent of rural population have access to improved drinking water sources based on population and water supply coverage in 2006. However, to bridge this slack, the government has articulated a multi-pronged approach to water supply management in the country. Meanwhile a rash of support from donors on bilateral and multilateral basis has helped to shore up water supply in the country. There are also a number of plans and programmes that are awaiting approval or implementation by relevant authorities.

3.3.2.6 Building and Construction

The building and construction sector registered strong growth, standing at 12.09 per cent in 2010, compared to 11.97 per cent in 2009, reflecting greater investments in both residential and non-residential building and other construction activities. Growth in land improvement related activities rose by 12.24 per cent in 2010 as against 11.97 per cent in 2009. Some major projects that were executed in 2010 impacted the sector's performance include: national roads rehabilitation totalling 1,975 km; Presidential Initiative Projects adding up to 853.82 km of roads; PPP projects; several housing unit types, dredging of River Niger and railway lines. The nominal value of activity in the sector amounted to N393.53 billion in 2010, or equivalent of 2.0 per cent of overall real GDP, as against N347.69 billion, or 1.92 per cent in 2009 while the sector's share of GDP growth declined from 3.16 per cent in 2009 to 2.95 per cent in 2010. Going forward, the execution of several infrastructural projects outlined in NV20:2020 will likely impact on the sector in a positive way.

3.3.3 Services

NBS data shows that half of economic growth in Nigeria is driven by the services sector. The growth in the service sector is for the most part, powered by trade, followed by telecommunications. The role of real estate, road transport and financial institutions is relatively modest. In 2010, value added of the services sector in nominal terms stood at N8,027.23 billion as against N7,127.02 billion in 2009, indicating that the sector expanded by N900.21 billion in 2010 (Table 3.23). In real terms, the sector accounted for N260.89 billion or equivalent of 33.64 per cent of the GDP in 2010, compared with N232.12 billion (32.29 per cent) in 2009. The analysis of growth performance shows that services growth rate accelerated to

12.39 per cent in 2010 from 12.04 per cent in 2009. However, the contribution of services to the real GDP growth declined by 2.45 percentage points from the 2009 performance to 50.87 per cent in 2010. A disaggregated analysis of growth trend in services sector for 2010 indicates that sub-sectors such as telecommunications, hotel and restaurants, rail transportation, and transport services recorded higher growth in comparison with their 2009 performance. In contrast, growth rates of wholesale and retail trade, real estate, road transport, financial institutions, insurance, air transport, water transport, public administration, business services, private non-profit organizations, education, health, broadcasting and other services declined in 2010.

Table 3.23: Value-Added in the Services Sector, 2009-2010

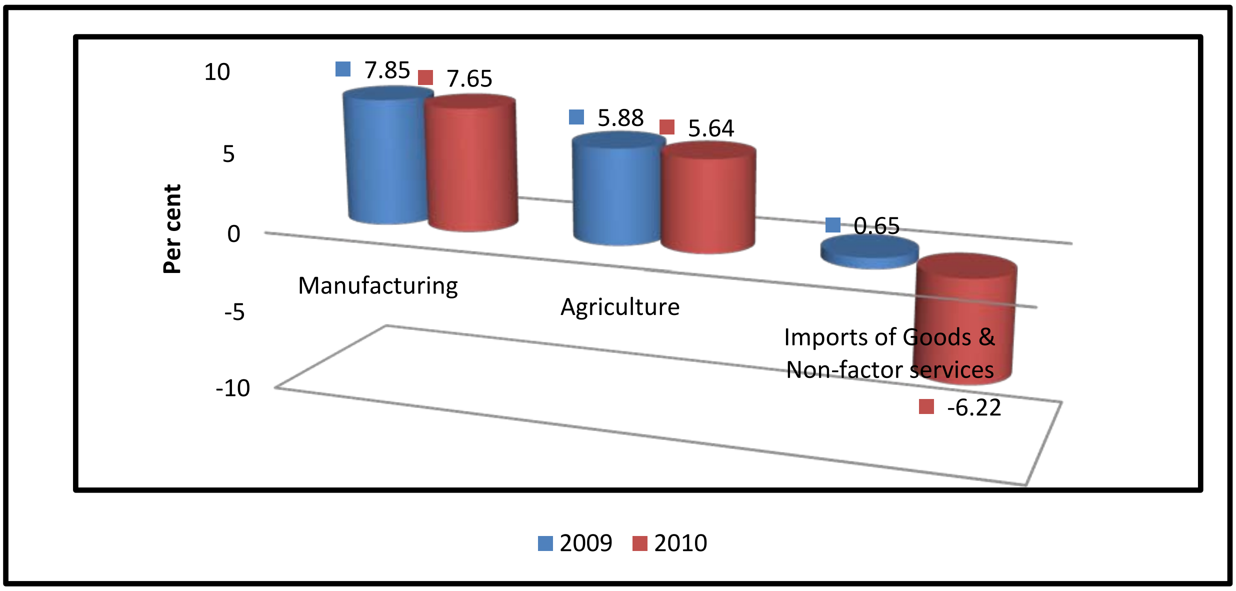
ACTIVITY SECTOR	Real GDP (Naira Billions)		Nominal GDP (Naira Billion)		% annual change		% Distribution		Contribution to Growth (percent)	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
Services	232.12	260.89	7,127.02	8,027.23	12.04	12.39	32.29	33.64	53.32	50.87
Wholesale and Retail Trade	130.44	145.03	4,082.35	4,667.66	11.48	11.19	18.14	18.70	28.72	25.81
Hotel and Restaurants	3.47	3.89	98.96	113.68	11.89	12.01	0.48	0.50	0.79	0.74
Road Transport	17.53	18.73	475.91	495.11	6.91	6.81	2.44	2.41	2.42	2.11
Rail Transport & Pipelines	0.00	0.00	0.01	0.01	5.75	5.81	0.00	0.00	0.00	0.00
Water Transport	0.41	0.43	1.25	1.36	5.66	5.48	0.06	0.06	0.05	0.04
Air Transport	0.43	0.46	5.24	5.81	7.92	7.45	0.06	0.06	0.07	0.06
Transport Services	1.08	1.14	24.31	25.98	5.47	5.48	0.15	0.15	0.12	0.10
Telecommunications	25.81	34.83	254.20	260.77	34.73	34.93	3.59	4.49	14.22	15.94
Post	0.49	0.54	1.81	1.85	10.24	10.24	0.07	0.07	0.10	0.09
Financial Institutions	25.54	26.50	430.99	492.26	3.79	3.73	3.55	3.42	1.99	1.69
Insurance	1.08	1.18	13.24	15.23	9.60	9.21	0.15	0.15	0.20	0.18
Real Estate	12.17	13.47	1,142.37	1,262.79	10.94	10.66	1.69	1.74	2.57	2.29
Business Services (Not Health or education)	0.85	0.90	70.64	80.14	6.19	6.08	0.12	0.12	0.11	0.09
Public Administration	4.88	5.09	197.26	224.20	4.41	4.23	0.68	0.66	0.44	0.37
Education	1.44	1.58	47.10	56.01	10.01	9.79	0.20	0.20	0.28	0.25
Health	0.33	0.36	11.09	12.46	10.01	9.99	0.05	0.05	0.06	0.06
Private Non Profit Organisations	0.03	0.03	0.21	0.24	11.19	11.11	0.00	0.00	0.01	0.01
Other Services	5.56	6.11	267.19	308.64	9.89	9.88	0.77	0.79	1.07	0.97
Broadcasting	0.58	0.63	2.89	3.02	8.48	8.36	0.08	0.08	0.10	0.09

Source: Derived by National Planning Commission from NBS' Data on National Accounts

3.3.3.1 Wholesale And Retail Trade

Wholesale and retail trade is the largest sub-sector in the services sectors and second largest sector in the Nigerian economy in terms of size. Its performance is linked to performances of manufacturing, agriculture and imports. Growth in wholesale and retail trade declined marginally from 11.48 per cent in 2009 to 11.19 per cent in 2010. The slowdown in growth was consistent with the performance of agriculture, manufacturing and demand for imported goods, which also trended down during the year in 2010 (Figure 3.14). It is also dependable with the subdued credit growth to the private sector and weak performance of Federal Government public investment spending in 2010.

Figure 3.14: Real Growth rates of agriculture, manufacturing and imports of goods & nonfactor services, 2009-2010



Source: Derived by National Planning Commission from NBS' Data on National Accounts

The value added of the wholesale and retail sector in nominal terms stood at N4,667.66 billion in 2010, compared with N4,082.35 billion in 2009. In real terms, the sub-sector accounted for N145.03 billion, or 18.70 per cent of GDP in 2010, as against N130.44 billion, or 18.14 per cent in 2009. However, the contribution of the sector to GDP growth moderated to 25.81 per cent in 2010 from 28.72 per cent in 2009.

3.3.3.2 Hotel and Restaurant

Hotel and restaurant sector's share of GDP remains small. Value-added of hotel and restaurant subsector rose from N98.96 billion in 2009 to N113.68 billion in 2010 in nominal terms, and N3.89 billion in 2010 compared with N3.47 billion in 2009 in real terms, translating to 0.50 per cent of real GDP share in 2010, as against, 0.48 percent in 2009. In terms of real growth rate, hotel and restaurants quickened from 11.89 per cent in 2009 to 12.01 per cent in 2010, which is consistent with growth transitions in total services. The growth in the sector could be attributed to government consumption spending and heightened political activities in an election year which escalated the patronage of hotels and restaurants.

3.3.4 Transportation

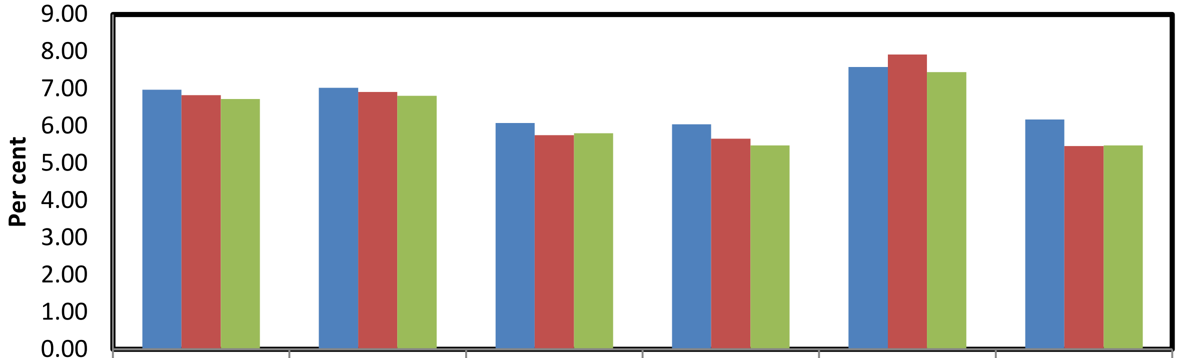
Transportation activities in the country comprises road, railway and pipelines, ports, inland waterways and aviation mode of transportation. Road, followed by air transport is the principal modes of transportation in Nigeria. Growth in value-added in transport decelerated from 6.83 per cent in 2009 to 6.72 per cent in 2010 on account of slower trade related activities and poor condition of roads and the rail system, as well as high level of insecurity in the country. However, growth in rail transport and pipelines accelerated from 5.75 per cent in 2009 to 5.81 per cent in 2010. The successful rehabilitation of some rail tracks and equipments as well as reduction in pipeline vandalism contributed to the improvement. Table 3.24 and Figure 3.15 summarises activities in the transport sector in 2010 relative to 2009.

Table 3.24: Value added in the transport sector, 2009-2010

ACTIVITY SECTOR	Real GDP (Naira Billions)		Nominal GDP (Naira Billion)		% annual change		% Distribution		Contribution to Growth (percent)	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
Total Transport	19.45	20.75	506.72	528.27	6.83	6.72	2.70	2.68	2.66	2.31
Road Transport	17.53	18.73	475.91	495.11	6.91	6.81	2.44	2.41	2.42	2.11
Rail Transport & Pipelines	0.00	0.00	0.01	0.01	5.75	5.81	0.00	0.00	0.00	0.00
Water Transport	0.41	0.43	1.25	1.36	5.66	5.48	0.06	0.06	0.05	0.04
Air Transport	0.43	0.46	5.24	5.81	7.92	7.45	0.06	0.06	0.07	0.06
Transport Services	1.08	1.14	24.31	25.98	5.47	5.48	0.15	0.15	0.12	0.10

Source: Derived by NPC from NBS' Data on National Accounts

Figure 3.15: GDP growth rates of transport sector components, 2009-2010



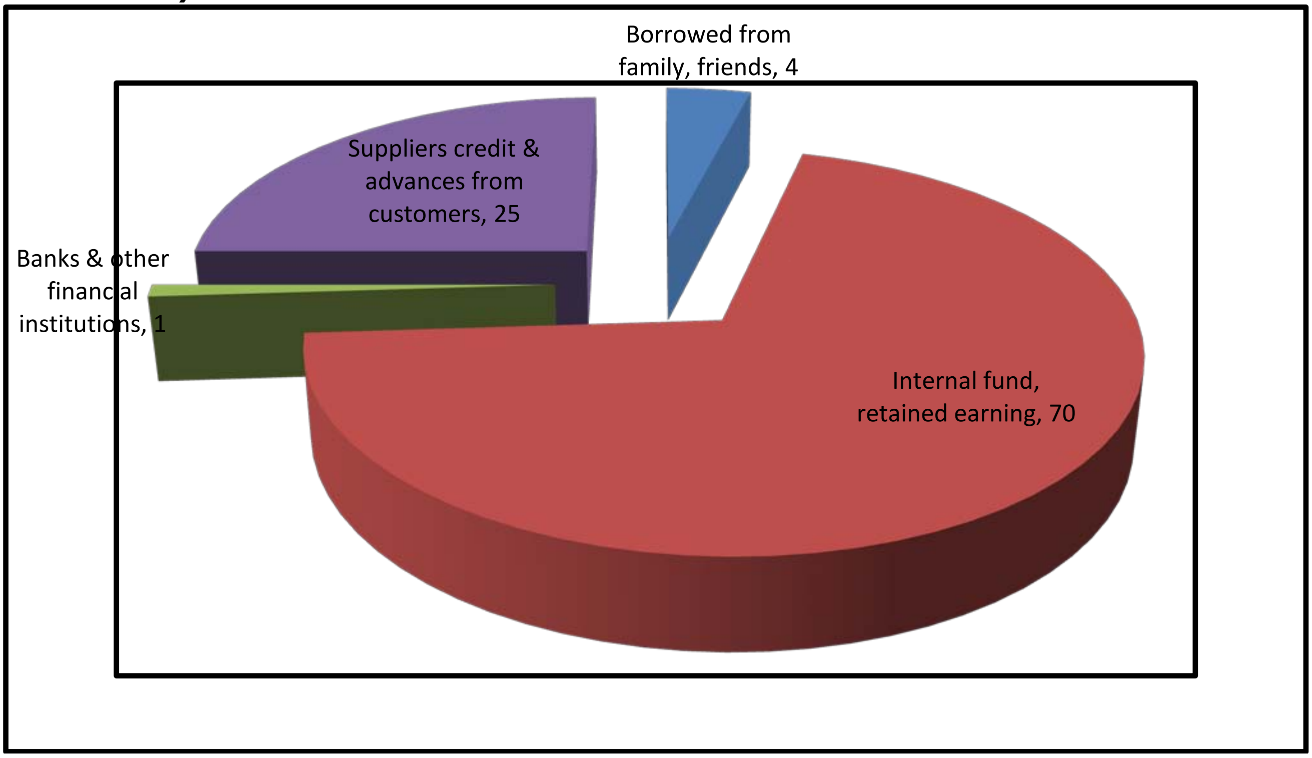
	Total Transport	Road Transport	Rail Transport & Pipelines	Water Transport	Air Transport	Transport Services
2008	6.97	7.03	6.08	6.05	7.59	6.18
2009	6.83	6.91	5.75	5.66	7.92	5.47
2010	6.72	6.81	5.81	5.48	7.45	5.48

Source: Derived by National Planning Commission from NBS' Data on National Accounts

3.3.5 Finance And Insurance

Nominal value added for the financial institutions and insurance sectors stood at N492.26 billion in 2010 as against N430.99 billion in 2009. In real terms, the sector grew by 3.95 per cent in 2010, down from 4.01 per cent in 2009. The downturn in the performance of the sector is inconsistent with the buoyancy of the overall economy and the services sector, and could be attributable to a weaker link between the financial and real sectors of the Nigerian economy. A World Bank analysis (reported in Minister of Finance's Presentation at EMT on February 2011) has revealed that only one per cent of the financing of formal business in Nigeria comes from the banks (Figure 3.16).

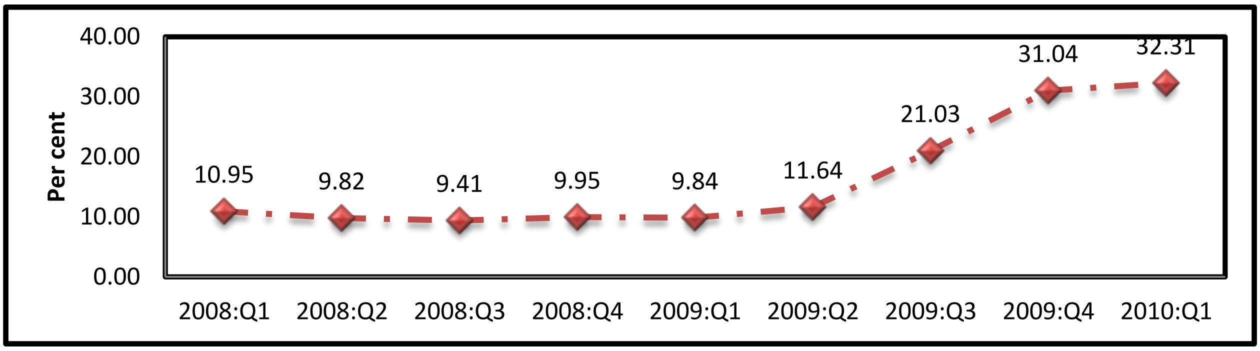
Figure 3.16: Sources of Finance for Formal Business in Nigeria (in % Distribution)



Source: World Bank Report on Nigeria in Minister of Finance's Presentation at EMT on February 2011

Activities in the finance and insurance sector slowed somewhat following the introduction of risk management reforms in the banking system, which further constrained lending to the domestic economy, particularly the private sector (see Box 1 below). This new direction in financial resource management in the country's banking system was inspired by the detection of huge levels of non-performing loans in the banking system which undermined the quality of bank assets. In the first quarter of 2010, low quality of bank assets measured by the 3-month net non-performing loans ratio, rose to 32.31% from 9.84% in the first quarter of 2009 (Figure 3.17). In context, the average ratio of non-performing loans in Malaysia for instance, is 2.2%.

Figure 3.17: 3-Month Net Non-Performing Loans ratio of DMBs, 2008:Q1-2010:Q1



Source: CBN Statistical Data

BOX 1: PROVISIONING FOR RISK ASSETS IN NIGERIA

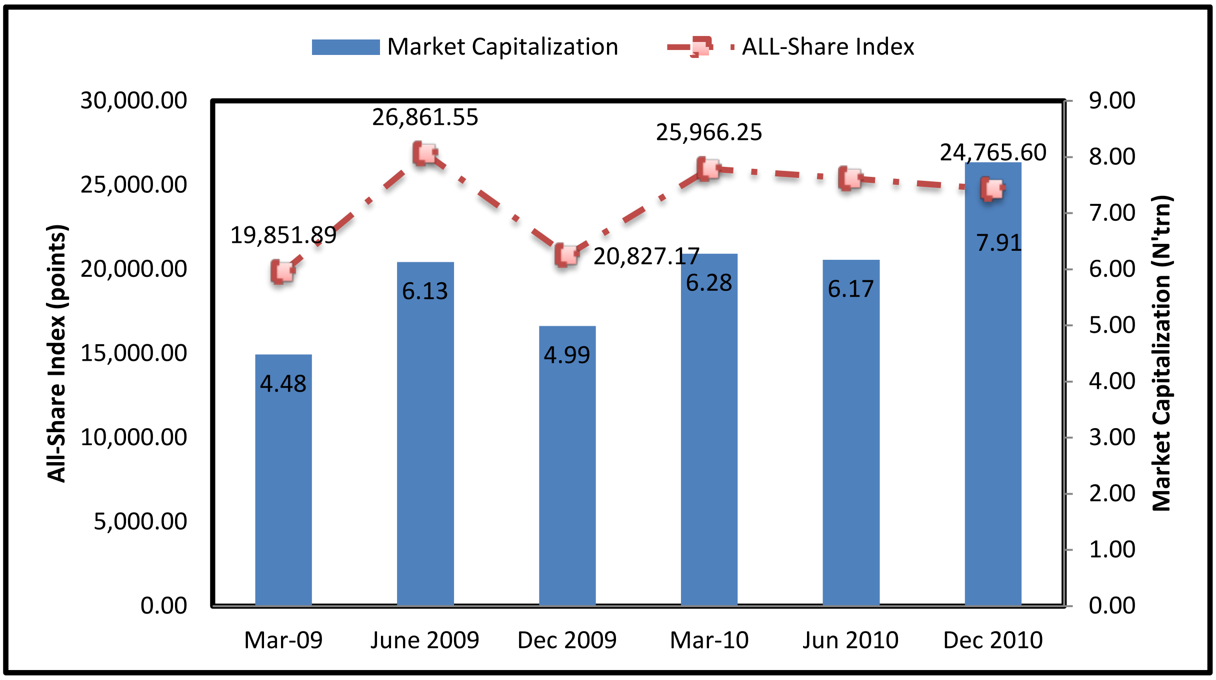
Situation analysis in the banking sector's balance sheet revealed that Provisioning for risk assets rose significantly to N785 billion in 2009 from N84.9 billion in 2008, following implementation of Central Bank of Nigeria on full disclosure by banks and adequate provisioning for their non-performing assets. The effect of this provisioning reflected in significant drop in profits of banks. According to Companies Annual Report, total profit dropped by 80.71% from N194.6 billion in 2008 to N37.5 billion in 2009. With significantly high non-performing loans in the first quarter evidenced by data from the Central Bank of Nigeria, it implies that a great proportion of previous provisions were not recovered and consequently it is expected that total profit of banks would decline further due to provisioning for non-performing assets. It is also envisaged that risks management reforms being implemented in the sub-sector coupled with the establishment of Asset Management Company and credit bureau will ultimately reduce the ratio of non-performing loans to total assets of banks.

This scenario may account for the decline in the sector's contribution to GDP from 3.70 per cent in 2009 to 3.57 per cent in 2010. However, the application of the Federal Government's Asset Management Company of Nigeria (AMCON) intervention funds and refocusing of development financial institutions are expected to boost lending to the domestic economy and possibly raise the sector's contribution to economic growth. AMCON is a resolution vehicle for providing liquidity and capital to the banking sector through purchase of non-performing loans (NPLs). As at 2010, AMCON had already acquired non-performing loans (NPLs) from 21 banks. With AMCON, the NPL ratios of individual banks and the industry have fallen significantly and should decline still with enhanced capitalization. Outstanding balances of NPLs in intervened banks and non-intervened banks totalled N1.8 trillion and N154 billion respectively. In the case of development banks, disbursements by the Bank of Industry (BoI) was reported to have risen by 828.5 per cent N91 billion in 2010 from N9.8 billion in 2005.

3.3.6 Capital Market Development

The trend of stocks of quoted companies on the floor of the Nigerian Stock Exchange from March to end-December 2010 showed that investors were predominantly bearish, leading to massive losses. Market capitalization rose from N4.99 trillion at end-December 2009 to N7.79 trillion at end-December 2010. The rise reflects increases in the prices of equities. Similarly, the All-Share Index surged from 20,827.17 at end-December 2009 to 24,765.60 at end- December 2010 (Figure 3.28). Key sectoral drivers include banking, food and beverages and oil and Gas. Figure 3.18 presents the summary of performance of the Stock market (Equities) in 2009-2010.

Figure 3.18: Stock Exchange All-Share Index and Capitalization, 2009-2010



3.3.7 Telecommunications Sector

In tandem with the resilience of the services sectors of the economy, telecommunication sector growth accelerated by 34.93 per cent in 2010 compared to 34.73 per cent in 2009, reflecting intense competition in the market, underpinned by aggressive market strategies and adoption of new technologies and innovations. The growth momentum of this sector demonstrates that the telecommunication and wholesale and retail trade sectors are driving the shift in GDP shares from agriculture to services, effectively bypassing the industrialization phase which Kuznets referred to as an inevitable concomitant to modern economic growth. In nominal terms, value added in the telecommunication sector was registered N260.77 billion in 2010 as against N254.20 billion in 2009.

3.4 The Nature of Expenditure on the GDPs

3.4.1 Expenditure on the Current GDP

Expenditure on the gross domestic product at current market prices stood at N29,498.16 billion at the end of 2010 as against N25,225.14 billion in 2009, indicating an increase of N4,273.02 billion. A disaggregaton of expenditure on current GDP showed that government final consumption expenditure registered N4,265.93 billion, or 14.48 per cent of total expenditure in 2010 as against N3,213.15 billion, or 12.68 per cent in 2009. Strikingly, private final consumption expenditure recorded N17,539.05 billion in 2010 and N18,859.55 billion in 2009 or 59.32 per cent and 74.75 per cent of total expenditure respectively. High unemployment rate, paltry share of compensation to employees in total factor income, astronomical inflation rate and low banking sector credit to the private sector, probably accounts for the marked contraction in the share of private final consumption expenditure in total expenditure.

Gross fixed capital formation in nominal terms climbed to N4,007.83 billion in 2010 from N3,048.02 billion in 2009, representing 13.56 per cent of the economy-wide spending in 2010 compared to 11.90 per cent in 2009. However, in real terms gross fixed capital formation actually declined to N77.44 billion in 2010 from N80.31 billion in 2009. Inventory of unsold goods was valued in nominal terms at N1.90 billion in 2010 as against N1.77 billion in 2009, while the real increase in stocks was valued at N0.10 billion in 2010 as against 0.09 billion in 2009, indicating a cut-back in domestic aggregate demand for goods and services.

Net export of goods and factor services registered a surplus of N3,683.46 billion in 2010, as against N0.10 billion in 2009. This is a consequence of higher exports and lower imports recorded during the year. Quantitatively, total exports value stood at N13,441.33 billion in 2010 – a significant rise from the 2009 figure of N7766.23 billion. The surge in exports is reflective of improved global economic conditions which manifested in higher volume and prices of export commodities especially crude oil prices. In comparison, total imports value stood at N9,757.87 billion in 2010, as against N7,663.58 billion in 2009.

The compensation of employees at current market prices recorded a modest N1,146.04 billion, or 3.73 per cent of total expenditure in 2010, as against N1,023.39 billion, or 3.97 per cent in 2009. By contrast, operating surplus was N27,691.57 billion, or 93.90 per cent of total expenditure in 2010 as against N23,528.82 billion, or 93.25 per cent in 2009. Capital consumption allowance, indirect taxes and subsidies respective shares were 1.02, 1.36 and 0.14 per cent in 2010, closely mirroring their 2009 shares of 0.95, 1.86 and 0.16 per cent, respectively in 2009 (Table 3.18).

Table 3.18: Appropriation of the GDP

	2009	2010
Compensation of Employees	3.97	3.73
Operating Surplus	93.25	93.90
Consumption of Fixed Capital	0.95	1.02
Indirect Taxes	1.86	1.36
Less Subsidies	0.16	0.14
Gross Domestic Product	100.00	100.00

Note: 2009 & 2010 figures are provisional
Source: NBS

3.4.2 Savings and Investment

Real investment declined by -6.22% in 2010, against the target of stagnating it at the 2009 level (Table 3.19). Moreover, a wide savings-investment gap was recorded in 2010. This is a worrying trend, given the wide gap between expected investment of about N32 trillion and feasible investment based on the **1st NIP**. A careful examination of available data across the various strands of the macroeconomy reveals that the low level of budget performance and steep decline in foreign direct investment inflow, consequent upon the poor business environment are principal factors responsible for declining level of aggregate investment. Also the growth rate of credit to the private sector in 2010, at 12.02%, was far short of the target of 36.0% set for the year, thereby starving the sector of vital investment credit. A closer inspection of Table 3.19 reveals that the savings-investment gap widened in 2010, overshooting the target in terms of growth and as a percentage of GDP. This is evidently a reflection of the slack in investment. Moreover, whereas domestic savings ascended by 42.24%, national savings grew by 29.04% in 2010, indicating net capital flight. Both variables, however, overshot their respective targets in 2010, which is healthy especially if the savings gain were invested in the economy.

Table 3.19: Aggregate Expenditure and its Components: 2009 and 2010

Components	**2009**	**2010**	
	Baseline	**Actual***	**Target**
Growth in Real Values (%)			
Aggregate Demand	8.28	2.76	6.97
Aggregate Real Domestic Absorption	0.65	-6.22	4.34
Gross Real Investment	9.11	-3.56	0.1
Net Real External Demand	-62.70	150.37	-450.95
Gross Real National Savings	-15.33	12.34	11.07

Gross Real Domestic Savings	-30.63	42.24	9.78
Gross Real National Savings-Investment Gap			
Percentage Share of Real GDP(%)	**2009**	**2010**	**2010**
Aggregate Demand	82.64	78.73	116.67
Aggregate Real Domestic Absorption	77.90	67.73	114.46
Gross Real Investment	11.18	10.00	29.91
Net Real External Demand	4.74	11.00	2.21
Gross Real National Savings	21.37	22.26	32.83
Gross Real Domestic Savings	15.92	20.26	32.12
Gross Real National Savings-Investment Gap	10.19	12.26	2.92

Source: NBS and NPC
Note: *Estimate

3.5 Government Finance and Fiscal Policy Developments

Fiscal performance in 2010 show a mixed picture. Overall fiscal performance, measured by the fiscal-deficit to GDP ratio, at 3.8 per cent, exceeded the target of 3 per cent set for that year, and also represented a further slip-up from the 3.59 per cent recorded in 2009. Meanwhile, government expenditure as a percentage of total government budget, registered 78 per cent, down from the 2009 figure of 84.2 per cent (Table 3.20). Although, quality of expenditure is crucial, the generally low level of implementation of the capital budget, adversely affected the level of investment during the year.

Table 3.20: Fiscal Indicators, 2009 and 2010

Components	**2009**	**2010**	
	Baseline	**Actual***	**Target**
Naira Billions			
Total Federal Collected Revenues	4,332.58	6,362.56	6,367.6
Total Oil & Gas Revenues	2,999.58	5,396.19	4,211.4
Total Non-oil Revenues	864.61	966.47	2,156.2
FAAC Revenues	3,864.19	4,417.01	6,367.63
VAT Revenues	468.39	562.04	568.40
Capital Expenditure	562.37	912.30	1,853.91
Government Expenditure as % of GDP (%)	10.9	16.3	18.1
Government Expenditure as % of Budget (%)	84.2	78.0	90.0
Collected Total Tax Revenues as % of GDP(%)	5.7	6.8	9.0
Government Operating Revenues as % of Budgeted Revenues (%)	91.5	89.8	95.0
External Debt – Stock (US$ Billions)	3.95	4.58	4.03
External Debts Growth (%)	0.06	15.95	2.0
External Debt as % of GDP (%)	2.38	2.36	2.18

Source: Budget Office of the Federation, Office of the Accountant General of the Federation and NPC

The stance of fiscal policy in 2010 was to support economic growth and ensure macroeconomic stability. The fiscal strategy emphasized channeling of budgetary allocations to priority sectors of the economy, especially infrastructure with a view to broadening the productive base of the economy so as to accelerate economic growth and development. In the mean time, fiscal reforms broadly targeted revenues protection, diversification and maximization, ensuring value for money, savings and institutional strengthening.

3.5.1 Federally Collected Revenue

In terms of government revenue, the performance of the Nigerian economy in 2010 was impressive, as total federally collected revenue jumped by 46.85% (Tables 3.21 and 3.22). The surge was driven largely by crude oil revenues which leapt from N2,999.58 billion in 2009 to N5,396.26 billion in 2010. This improved performance reflected improvements in oil production and market conditions occasioned by favourable global economic conditions and relative peace in the Niger Delta region following successful implementation of the Presidential Amnesty Programme. However, total revenue performance fell short of the target set in the First National Implementation Plan (1st NIP) by N5.0 billion, representing 99.93% performance. Non-oil revenue performance was less inspiring as it fell short of the target set in the 1st NIP by 55.2% in 2010. Tax revenues also performed below target in 2010, standing at 5.7% and 6.8% as percentage of GDP in 2009 and 2010 respectively as against a target of 9% of GDP. The mediocre performance of non-oil revenues can be attributed to the weak and narrow tax base engendered in part by the poor performance of industry. An integration of the informal sector into the mainstream of economic activities coupled with drastic measures to address binding constraints to business would enhance tax revenue collection in the country.

Federal Government Independent Revenue stood at N97.43 billion in 2010 as against N67.49 billion in the same period of 2009. Aggregate revenue available for distribution to the three tiers of government at Federation Account Allocation Committee totalled N2,941.6 billion with augmentation from Excess Crude Account (ECA) in 2010. Meanwhile, actual revenue receipts fell short of budget estimate by N362.45 billion in the period.

Table 3.23: Federally Collected Revenue (N'billion)

Revenue Items	2009	2010	% Annual Change
Totally Federally Collected Revenue	4,332.58	6,362.55	48.84
Total Oil Revenue	2,999.58	5,396.26	80.0
NNPC Receipts	6,070.73	11,796.32	93.44
IOCs Receipt	10,550.53	16,641.28	56.60

Component of JVR	177.09	335.79	89.61
Total Non-Oil Receipt	864.61	966.47	11.78
FGN Independent Revenue	67.49	97.43	44.36

Source: Office of Accountant General of the Federation [OAGF]

Data from OAGF revealed that consolidated income for the first half of 2010 stood at N2,941.6 billion compared to the pro-rata budget amount of N3,187.7 billion indicating a short-fall of N246.1 billion or 8.4%. This underperformance was due mainly to non-realization of budgeted statutory allocations and independent revenues target (Table 3.24) **(?) (The red font here is not from me, Pls. crosscheck the facts and accept or reject).**

Table 3.24: Performance of the 2010 Half Year Budget Revenue Breakdown

S/N		**2010 Budget Amendment and Supplementary pro-rata**	**2010 Budget Performance**	**Variance**	
		Naira billion	Naira Billion	Naira Billion	%
	FGN Revenue				
1.	Retained Revenues				
2.	FGN Share of Federation Account	934.39	925.99	(8.40)	(0.90)
2.	FGN VAT	580	565.60	(14.4)	(2.48)
3.	FGN Independent Revenue[1]	300.00	97.43	(202.57)	(67.52)
4.	FGN's Balances in Special Levies Accounts	7.74	1.24	(6.50)	(83.99)
5.	FGN's Unspent Balances of Previous Fiscal Year	64.77	198.30	133.54	206.54
6.	FGN Bond Issuance for PHCN Arrears of Monetisation[2]	100.00	-	(100.00)	(100)
7.	Other Revenue (for Supplementary Budget)[2]	199.16	-	(199.16)	(100)
8.	Carry-over from Supplementary II 2009	30.00			
10.	Total inflow	1,525.03	1.228.70	(296.33)	(19.43)

Note: 1 this category includes augmentation from Excess Crude Account

2 Bond to be raised on an ongoing basis

Sources: BOF and OAGF

3.5.2 Federal Government Expenditure

Federal Government's (FG) cumulative expenditure was N4.027.76 billion as against budget pro-rate of N5,160.00 billion, indicating a shortfall of N1,132.24 billion or 21.94%. The cumulative recurrent and other related expenditure was N2,916.86 billion or 92.22% of the annual recurrent budget of N3,211.82 billion (table 3.2.8). The cumulative capital releases stood at N883.88 billion as against budget pro-rate of N1,764.68 billion for the period, resulting into an overall deficit of N880.81 billion or 49.91%.

Given that an annual average investment outlay of N2.5 trillion has been projected for the 1st NIP for 2010–2013, the downward trend in capital expenditure has implications for the actualization of NV20:2020. Capital budget Implementation Performance varies across MDA's, but the average capital utilization of MDA's by the end of December 2010 was about 70.46%. The significant shortfall was due to the payment of 53% increase in salaries of Public Servants and the budgetary allocation of N87 billion for INEC during the period

Table 3.2.8: 2010 Budget |Expenditure Breakdown

	2010 Budget Amendment & supplementary Prorata	2010 Budget Performance	Variance	
FGN Expenditure	Naira Billion	Naira Billion	Naira Billion	%
Statutory Transfer				
National Judicial Council	91.0000	91.0000	-	0.0
UDDC	46.4900	44.9377	1.5523	3.34
Universal Basic Education	46.0860	46.0856	0.0004	0.001
Sub-Total	183.576	182.023	(1.553)	-0.85
Recurrent Non-Debt Expenditure				
Personnel Cost	1478.9158	1380.4958	(98.4200)	
Overhead Cost + MYTO + SWV	965.3163	982.2643	16.9480	1.76
Pensions and Gratuities	225.0207	183.4810	(41.5397)	-18.46
Pensions and Public Service Reforms	-	-	-	-
Pension Redemption Funds	-	-	-	-
Other (Service Wide Vote)	-	-	-	-
Sub-Total	2,669.439	2,546.2411	(123.198)	-4.62
Recurrent Debt Expenditure				
Foreign Debt Service	38.9160	39.8600	0.944	2.43
Domestic Debts & Int. on Ways & Means	503.4650	375.7617	(127.703)	-25.37
Sub-Total	542.381	415.622	(126.759)	-23.37

Recurrent Expenditure	3,211.82	2,961.8631	(249.9569)	-7.78
Others	-	-	-	-
Sub-Total	-	-	-	-
Capital Expenditure				
Capital Release	1,764.6840	883.8745	(880.8095)	-49.91
Sub-Total	1,764.6840	883.8745	(880.8095)	-49.91
Total Outflows or Expenditure	5,160.08	4,027.7606	(1132.3194)	-21.94

Source: OAGF

Table 3.25: Federal Government Financial Position (N' Billion) in Fiscal Year 2010

	2010 Budget Amendment& Supplementary pro-rata	2010 Budget Performance
Total Revenue[1]	**7,089.15**	**6,362.56**
Recurrent Expenditure	5,189.89	4,047.06
Current Balance	-159.55	-71.87
Capital Expenditure[2]		
Capital Releases	**851.39**	947.16
Aggregate Expenditure	5,189.89	4,047.06
Overall Balance	-1010.94	-525.16
% to GDP	-7.66	-3.98
Financing:		
Fed Govt Cumulative Debt (end of Period)	-	**5,262.00**
External Debt (end of period)(US$ million)	-	*4,578.77*
Domestic Debt (end of period)	-	*4,551.82*
Memo Items		
Total Revenue (% to GDP)	24.27	21.79
Total Expenditure (% to GDP)	19.22	13.29
Overall Balance (% to GDP)	-7.66	-3.98
Fed Govt Debt (end of Period) % to Annual GDP	-	14.44

Note: Assumption is that all releases during the period were expended
1This category includes augmentation from the Excess Crude Account
2This includes refunds to UBA Plc and FIRS

2This includes releases made to honour existing commitments in the 1st 2009 Capital Budget

Sources: Computed from Statistical Data obtained from BOF, OAGF and NBS

3.5.3 Debt Profile

Total Public Debt Outstanding

Statistics released by the Debt Management Office (DMO) shows that the public debt stock, i.e. external and domestic debt of the Federal and State Governments, recorded US$40.10 billion at end-December 2010, compared to US$25.82 billion in the corresponding period of 2009. Federal Government's share of this debt is US$30.51 billion or 76.10 per cent while the share of the sub-national governments totalled US$5.00 billion or 12.48 per cent (Table 3.26).

Table 3.26: Total Public Debt Outstanding, 2008-2010 (US$ Million)

Debt Category	2008	2009	2010
Total Public External Debt Stock	3,720.36	3,947.30	4,578.77
Federal Government's Domestic Debt	17,678.55	21,870.12	30,514.3
State Governments' Domestic Debt Stock	NA	NA	5,006.90
Total	21,398.91	25,817.42	40,100.00
As % Share of Total Public Debt Outstanding			
Total Public External Debt Stock	17.39	15.29	11.42
Federal Government's Domestic Debt	82.61	84.71	76.10
State Governments' Domestic Debt Stock	NA	NA	12.48
Total	100.00	100.00	100.00

Source: Debt Management Office (DMO)

The rise in total public debt from US$25.82 billion or 15.50 per cent of GDP in 2009 to US$40.10 billion or 20.64 per cent of GDP in 2010 was provoked by the increase in the domestic component of the Federal Government debts, as well as the inclusion of State Government's domestic debt in the aggregate debt portfolio. Specifically, total domestic debt of both the FGN and States spiralled to US$35.52 billion or 88.58 per cent of total debt in 2010, from US$21.87 billion or 84.71 per cent in 2009.

Total Public Debt Service Payments

Total public debt service payments, i.e. external and domestic debt of the Federal and State Governments, for the year 2010 recorded US$4.15 billion as against US$2.34 billion in 2009, reflecting soaring domestic debt service payments. Of the total debt service payments, US$2.37 billion or 91.47 per cent represented service payments on domestic debt, while the balance of US$0.35 billion or 8.53 per cent was for external debt service payments (Table 3.27).

Table 3.27: Total Public Debt Service Payments, 2008-2010 (US$ Million)

Type	2008	2009	2010
Total Public External Debt Service	468.63	428.04	354.42
Domestic Debt Service (FGN)	3,590.67	1,907.45	2,373.98
Domestic Debt Service (State Governments)	NA	NA	1,424.94
Total	4,055.30	2,335.49	4,153.34
As % Share of Total Debt Service Payments			
Total Public External Debt Service	11.46	18.33	8.53
Domestic Debt Service (FGN)	88.54	81.67	57.16
Domestic Debt Service (State Governments)	-	-	34.31
Total	100.00	100.00	100.00

Source: Debt Management Office (DMO)

External Debt Stock

External debt outstanding rose from US$3.95 billion in 2009 to US$4.58 billion at end-December 2010; multilateral debts constituted US$4.22 billion or 92.12 per cent of the total external debt stock, compared with US$3.95 billion or 88.78 per cent as at end-December 2009 (Table 3.28). The increase of US$0.27 billion or 6.85 per cent in 2010 was due to additional disbursement on existing loans and exchange rate variations over the period 2006 to 2010, despite principal repayments. Of the external debt outstanding in 2010, the States debt component totalled US$2.00 billion or 43.70 per cent of total external debt. Notably, the bulk of the outstanding external debts were contracted at fixed interest rates.

Table 3.28: Total Public External Debt Outstanding by Creditor Category, 2008-2010 (US$'Million)

Credit Category	2008	2009	2010
A. Official:			
1. Bilateral Non-Paris Club	182.42	181.60	163.20
2. Multilateral	3,172.87	3,504.51	4,217.76

Sub-total	3,355.29	3,686.11	4,380.96
B. Private:			
1. Promissory Notes	0.00	0.00	0.00
2. Other Commercial	365.07	261.19	197.81
Sub-total	365.07	261.19	197.81
Grand Total	3,720.36	3,947.30	4,578.77
AS % Share of Grand Total Public External Debt Outstanding			
A. Official:			
3. Bilateral Non-Paris Club	4.90	4.60	3.56
4. Multilateral	85.28	88.78	92.12
Sub-total	90.19	93.38	95.68
B. Private:			
3. Promissory Notes	0.00	0.00	0.00
4. Other Commercial	9.81	6.62	4.32
Sub-total	9.81	6.62	4.32
Grand Total	100.00	100.00	100.00

Source: Debt Management Office (DMO)

External Debt Service Payments

External debt service payments in 2010 stood at US$354.41 million, compared with US$428.04 million in 2009. Of this amount, the share of the State Government is US$149.45 million or 42.17 per cent, while the balance of US$204.29 billion or 57.83 per cent represents external debt service payments of the Federal Government.

Total Public External Debt Service Payments, 2008-2010 (US$'Million)

	2008	2009	2010
Federal Government	309.26	287.14	204.94
State Governments	155.37	140.90	149.47
Total	464.63	428.04	354.41

Source: Debt Management Office

Federal Government Domestic Debt Stock

The securitized total domestic debt outstanding of the Federal Government swelled to N4,551.82 billion at the end of December, 2010 as against N3,228.03 billion in 2009 (Table 3.30). A decomposition of these debts revealed that the stock of FGN bonds increased from N1,974.93 billion in 2009 to N2,901.60 billion in 2010, NTBs also soared from N797.48 billion in 2009 to N1,277.10 billion in 2010, owing to the issuance of NTBs by the DMO to correct observed structural liquidity challenges in secondary bonds. In contrast, the stock of treasury bonds plummeted from N392.07 billion in 2009 to N0.22 billion in 2010, due to debt service payments.

Table 3.30: Trend of the Federal Government's Domestic Debt Outstanding by Instruments, 2008-2010 (₦'Billion)

Instrument	2008	2009	2010
FGN Bonds	1,44.60	1,974.93	2,901.60
Nigeria Treasury Bonds	471.93	797.48	1,277.10
Treasury Bonds	402.26	392.07	372.90
Development Stock	0.52	0.52	0.22
Promissory Note	-	63.03	-
Total	2,320.31	3,228.03	4,551.82

Source: Debt Management Office (DMO)

Federal Government's Domestic Debt Service Payments

The FG total domestic debt service payments in 2010 amounted to N0.36 billion compared to N281.54 million in 2009, an increase of 25.78 per cent. FGN bonds service payments formed the bulk of domestic debt service in 2010 totalling N231.11 billion or 65.26 per cent, while payments in respect of the NTBs, and development stock comprised 18.37 per cent and 16.26 per cent, respectively (Table 3.31).

Table 3.31: Total Domestic Debt Service Payments, 2009-2010 (Naira 'million)

Instruments	2009	2010
FGN Bonds	193,787.57	231,112.92
1. Interest	0.00	-
2. Principal	-	0.00
NTBs	38,788.79	-
1. Interest	0.00	-
2. Principal	-	65,070.20
Treasury Bonds		
1. Interest	38,711.12	0.00
2. Principal	10,187.65	38,427.63
Development Stocks	65.00	19,170.00

1. Interest	0.00	46.25
2. Principal	-	300.00
Total	281,540.13	364,127.00

Source: Debt Management Office (DMO)

3.6 Monetary Policy Developments

3.6.1 Money and Credit

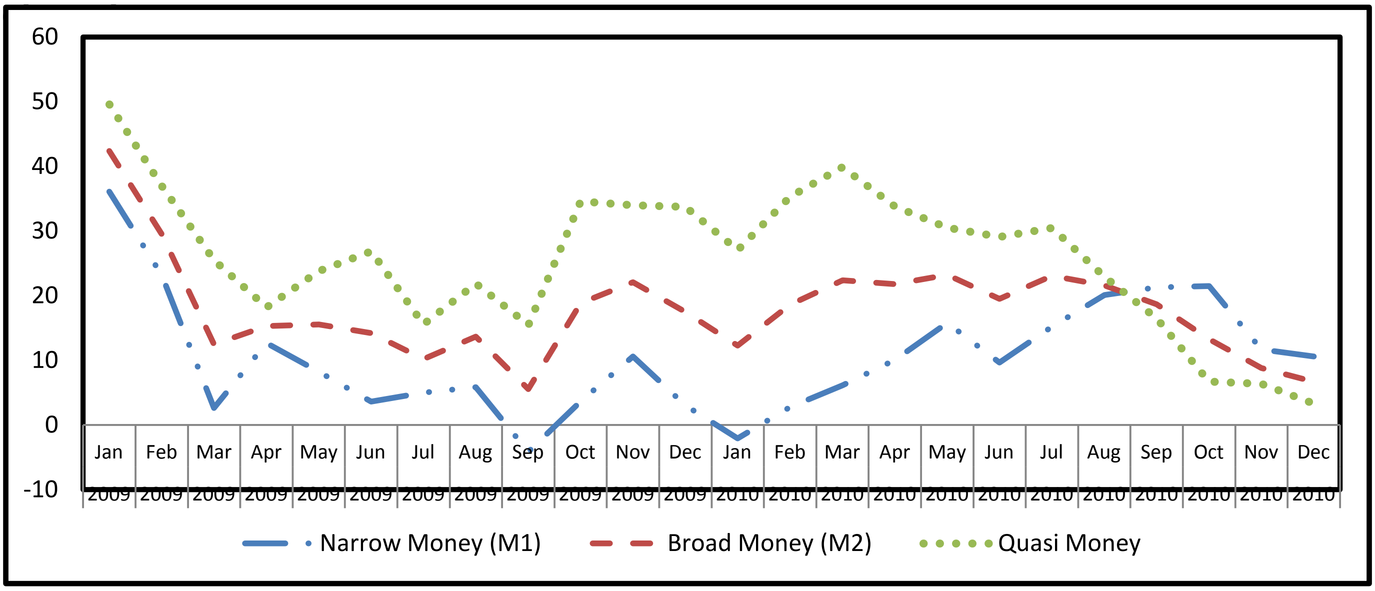
The growth rate of money slowed on year-on-basis in 2010. Average growth rate of money supply (M2) for the year decelerated to 17.48 per cent in 2010 compared with 18.11 per cent (Table 3.31) and 73.06 per cent in 2009 and 2008, respectively. The lowest growth in money supply (M2) during the year under review was 6.7 per cent as at end-December 2010, compared with 5.56 per cent as at end-September 2009.

Monetary contraction was attributed to decline in both net foreign assets and net credit to the domestic economy. The rate of decrease in broad money was offset by increase in narrow money (M1) to foster economic activity during the year. Growth in quasi-money was consistent with trend in broad money movements during the year as financial assets were unattractive in the face of lower returns on savings and time deposits. Specifically, M1 rose from 9.2% in 2009 to 11.89% in 2010, driven largely by growth in demand deposit. The growth rate of currency in circulation however, ebbed from 11.38% in 2009 to 6.84% in 2010.

Table 3.31: Monetary Variables (Year-on-Year % Change)

Year	**2009**	**2010**
Month	Average	Average
Narrow Money	9.2	11.89
Broad Money	18.11	17.48
Net Foreign Assets	-4.85	-12.42
Net Domestic Credit	52.36	47.43
Credit to Government	6.68	-55.61
Credit to Private Sector	32.54	12.02
Base Money	13.44	14.97
Currency in Circulation	11.38	6.84
Bank Reserves	27.98	53.47
Currency Outside Banks	12.82	6.28
Demand Deposits	8.56	13.09
Quasi Money	28	23.49

Figure 3.19: Growth Rates of Money and Total Money Supply (Year-on-Year %

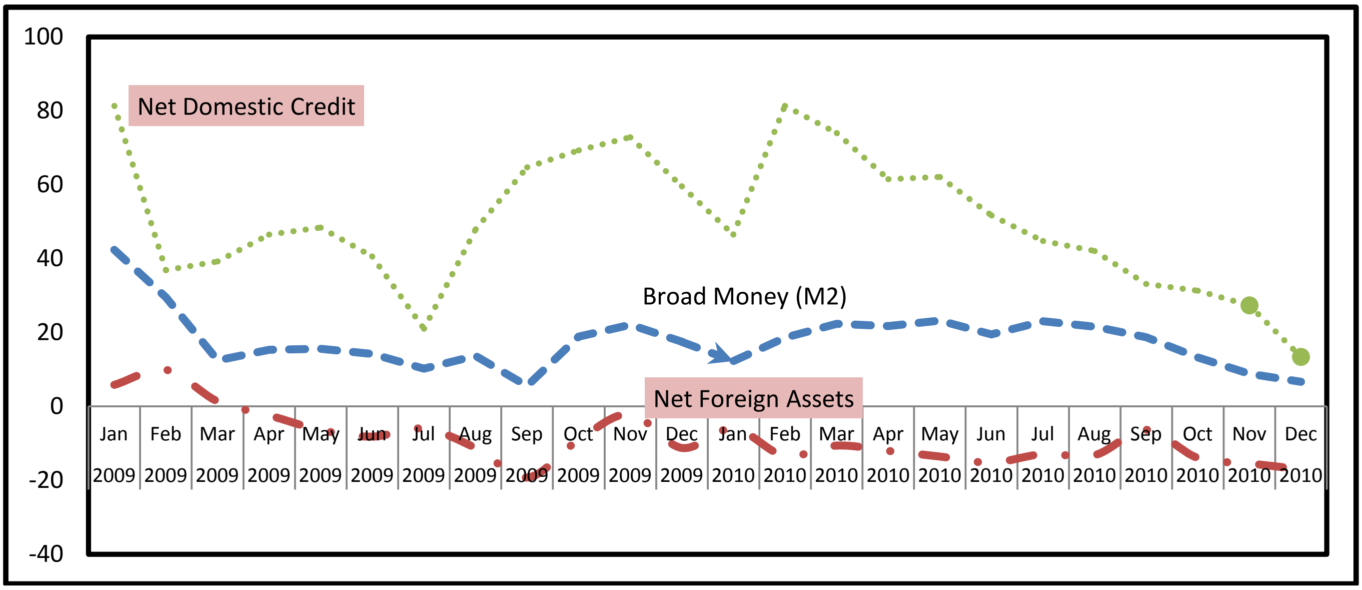


3.6.2 Net Foreign Assets

Total net foreign assets (NFA)

Total net foreign assets (NFA) position of the economy trended down from an average rate of 4.85 per cent per month in 2009 to 12.42 per cent per month in 2010 (Figure 3.20). The drop stemmed from a net sale of foreign exchange and the continuous drawdown in Excess Crude Accounts. The depletion of Excess Crude Oil Account was used to finance part of the huge fiscal deficits that emerged from both Federal and sub-national Governments. The rationale for deficit spending was to stimulate economic growth as federal and sub-national governments were expected to use the Excess Crude Oil Account to invigorate social and economic development. In the case of net sale of foreign exchange, the purpose of CBN intervention in the FOREX market was to shore up the value of the national currency.

Figure 3.20: Determinants of Money Supply (Year-on-Year % Change)

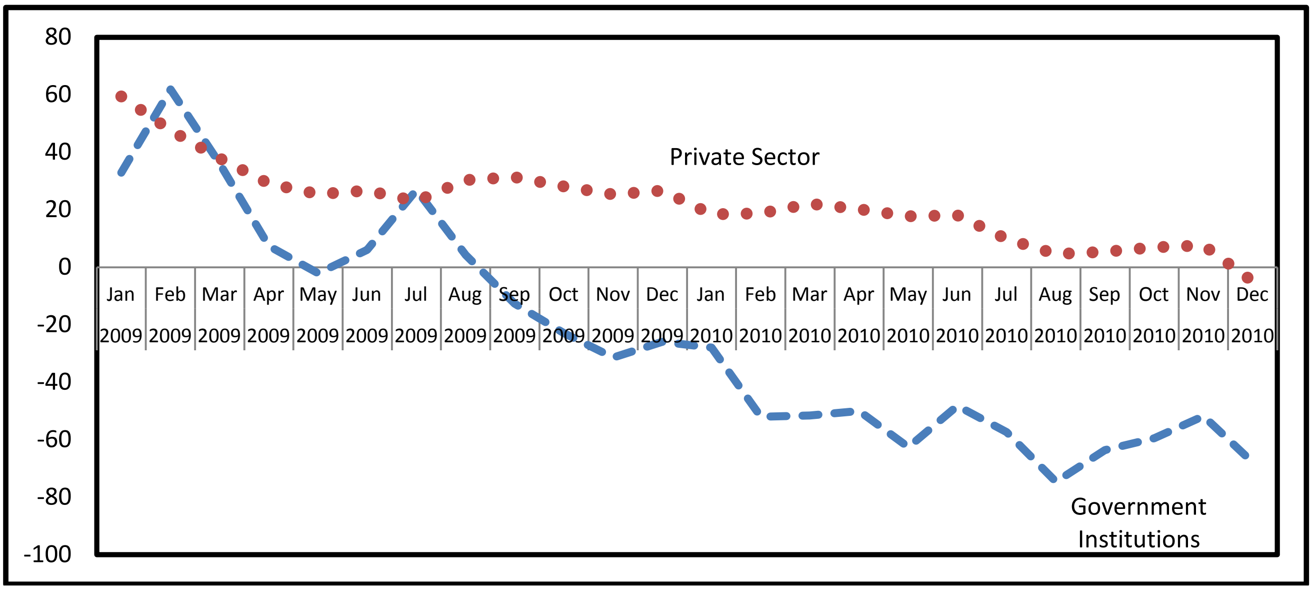


Net Credit to the Domestic Economy

Growth in net domestic credit decelerated from 52.36 per cent in 2009 to 47.43 per cent in 2010, due largely to a significant slowdown in private sector credit from 32.54 per cent in 2009 to 12.02 per cent in 2010. The slowdown on private sector credit followed credit squeeze in the banking sector in the wake of the implementation of a more thorough risk- based lending practices in response to high levels of non-performing loans in Deposit Money Banks. This sluggish private credit growth also squares with the contraction in gross capital formation and household consumption expenditure during the year. The commencement of monetary tightening to maintain price stability and address risks by the CBN in September 2010 only served to aggravate the situation. However, the growth rate of bank credit to governments decelerated -55.61 per cent in 2010 as against 6.68 per cent rise in 2009. The slump in the growth rate of net credit to government is indicative of growing claims of government institutions on the banking system (Figure 3.21).

The trend in deposit money banks claims on the economy on monthly basis presented in Figure 3.20 shows that net domestic credit declined precipitously from May 2010 up to December.

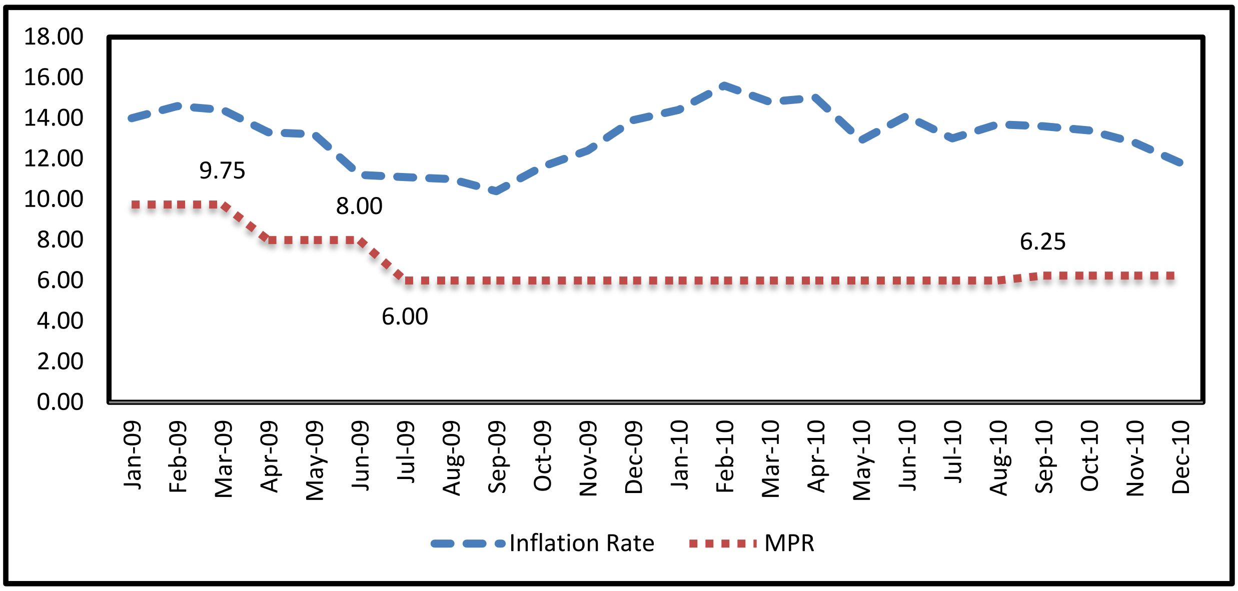
Figure 3.21: Deposit Money Banks Claims on Government Institutions and Private Sector (Year-on-Year % Change)



Structure of Interest Rate

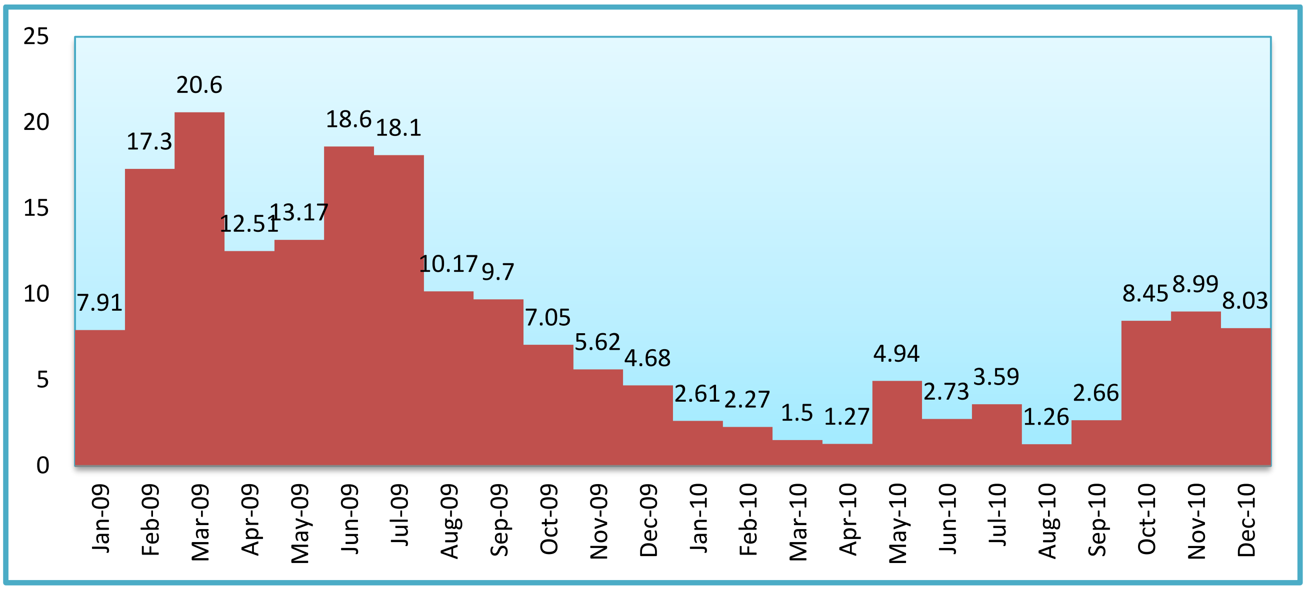
The Monetary Policy Rate (MPR) was raised by 250 basis points to 6.25 per cent in September 2010 after being held steady at 6.00 per cent since July 2009 (Figure 3.22). This illustrates a slight change in the policy focus of the Central Bank in favour of monetary tightening to the end of maintaining price stability. Prior to then, the policy posture was to stimulate economic growth, in efforts to cushion the impacts of the global downturn on the domestic economy. The consumer price index peaked at 15.6 per cent in February 2010 following the high food prices and non-food prices during the period. It later oscillated within the range of 12.9 and 15.0 per cent between March and August 2010 to remain at double digit.

Figure 3.22: Inflation and MPR Trends



With MPR remaining low and unchanged for most of the period in 2010, the interbank lending rate remained moderate and at single digit of 4.03 per cent per month as against 12.12 per cent per month in 2009. This low level was supported by Central Bank's guarantee on interbank transactions with the aim of providing liquidity to protect the banking system from failure due to a prevalence of low quality assets. However, following monetary tightening in September, the interbank lending rate edged up to 2.66 per cent and peaked at 8.99 per cent in November. The least interbank lending rate of 1.26 per cent during the period was registered in August 2010 (Figure 3.23).

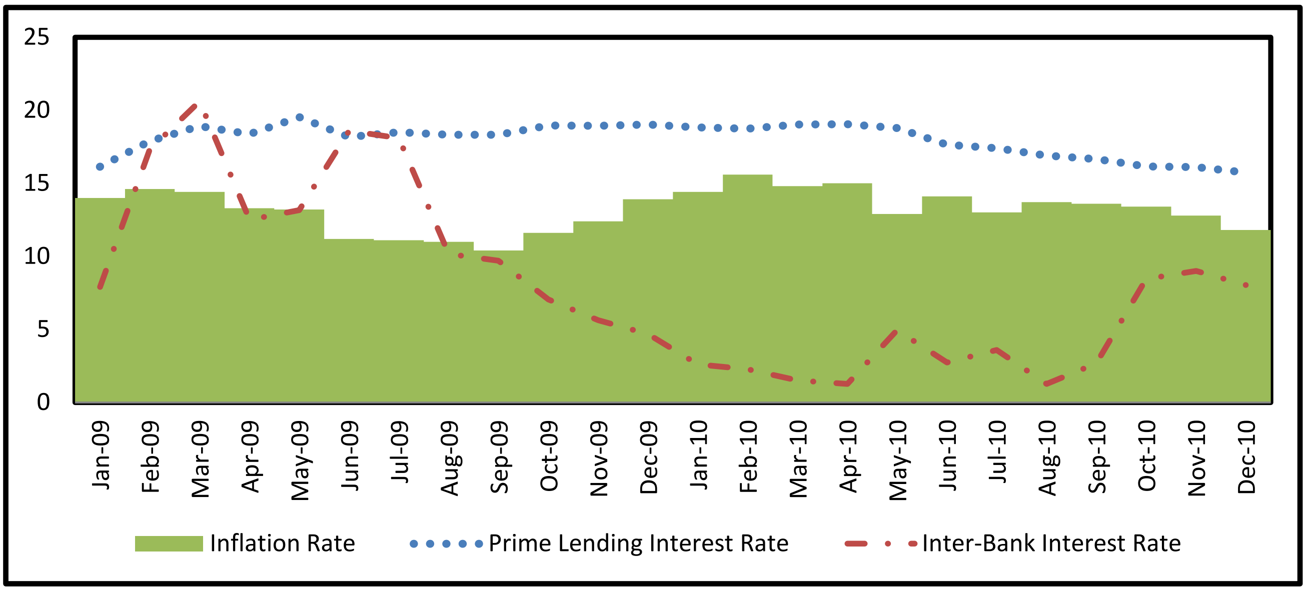
Figure 3.23: Trend in Interbank Nominal Lending Interest Rates (%)



Prime Lending Interest Rates

In 2010, monetary policy, predominantly, aimed at ensuring that banks provide inexpensive credit to the private sector. In practice, average prime lending interest rate trended down but remained at double-digit. The rate stood at 17.59 per cent per annum in 2010, compared to 18.42 per cent in 2009 (Figure 3.24). The bottlenecks to realising the cheap credit policy in the banking sector include the prevalence of non-performing loans and structural rigidities in the economy. With the AMCON initiative and infrastructural improvements particularly in the electric power sector, single-digit lending rate may well be actualised in the future.

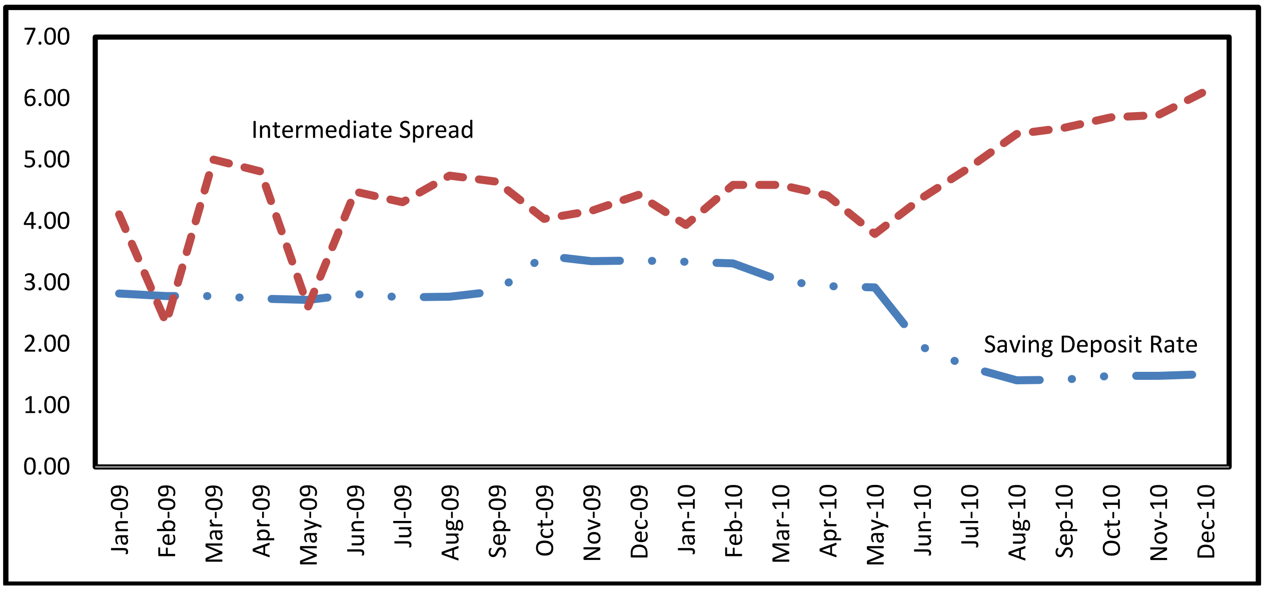
Figure 3.24: Prime Lending Interest Rate, Inflation Rate and Interbank Lending Rate (%)



Savings Lending Interest Rate and Intermediate Spread

Savings and time deposit rates declined during the period under review. Average savings deposit interest rate registered 2.20 per cent in 2010 as against 2.93 per cent in 2009 (Figure 3.25). The intermediate spread between 12 month term deposit and prime lending rates was 4.92 per cent in 2010, compared with 4.14 per cent in 2009. This could be attributed to the credit squeeze and the high cost of doing business engendered by infrastructural deficiencies and lack of competition among banking institutions.

Figure 3.25: Savings Deposit and Intermediate Spread between 12 Months Term Deposit and Maximum Lending Interest Rates



3.7 Foreign Exchange Market Developments

Exchange Rate Movements

The performance of the Naira against major currencies in 2010 was mixed. During the period under review, the Naira depreciated against the dollar at both the DAS/WDAS and IFEM by 0.95 percent and 0.66 percent respectively on year on year basis while at the BDC the Naira appreciated by 0.54 percent (Table 3.32).

In terms of Euro, Pound Sterling and CFAFr, the Naira appreciated against the CFAFr by 5.36 percent, Euro by 4.32, and Pound Sterling by 0.56 percent on year on year basis in 2010. A plethora of factors were at play in the foreign exchange market: the global economic and financial crisis might have affected countries to varying degrees, but Europe's economy was especially hit such that by 2010, most countries in Europe, including the United Kingdom were still battling hangovers from the crisis. The net effect was mutual depreciation of their respective currencies. Indeed, the Euro and Pound Sterling almost had a run in 2010, following fiscal crisis in some of the countries. The economies of the Francophone countries in West Africa, being anchored on the Euro was not immune from all of these developments.

On the domestic front, both value reinforcing and dampening forces were at work in the Nigerian economy. While improvements in the fortunes of oil in the international market made more foreign exchange earnings available to shore up the value of the local currency, pressures from various other sources, including electioneering expenses, had the reverse effect of dampening the Naira value. In the end, the interplay of these forces induced a depreciation of the naira against the Dollar at both the DAS/WDAS and IFEM(Figure 3.26).

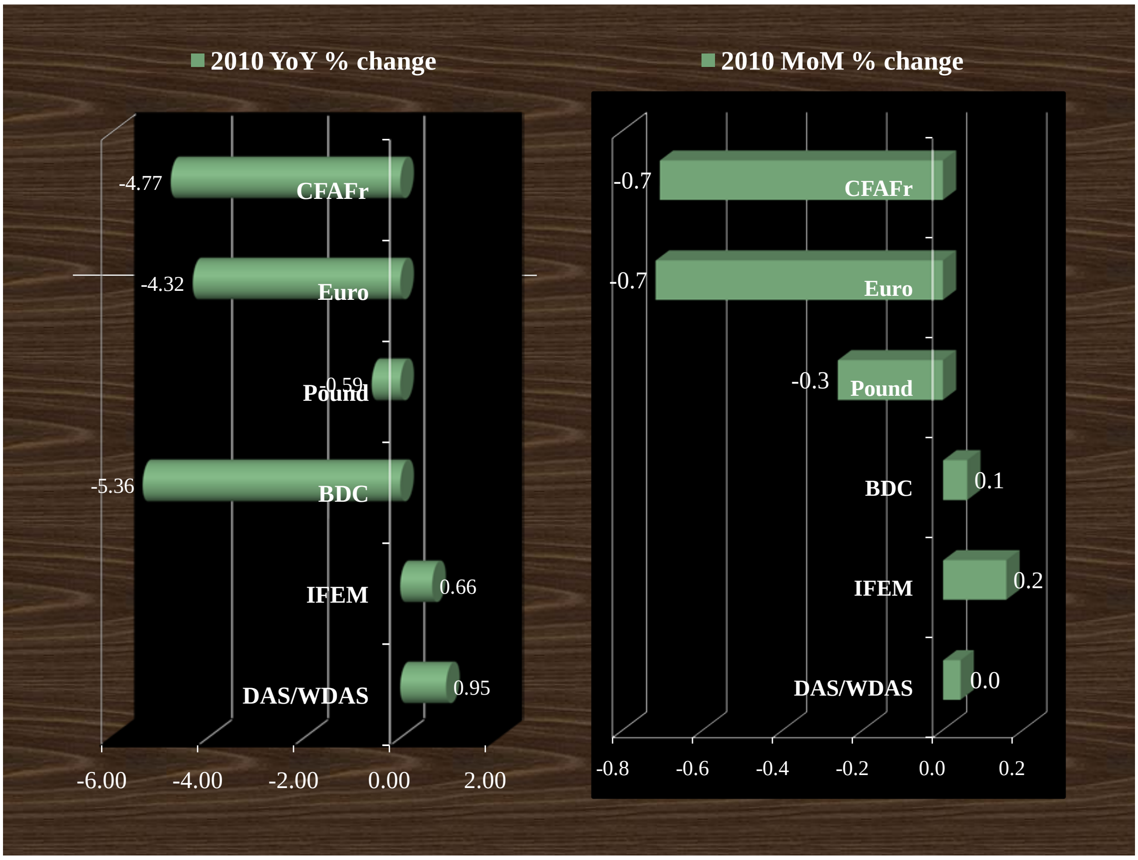
.

Table 3.32: Average Naira Performance against Selected Currencies

	US Dollar			Pound	Euro	CFAFr
	DAS/WDAS	IFEM	BDC			
2008	118.57	119.00	120.71	218.12	173.15	0.26
2009	148.88	150.09	161.64	230.75	205.39	0.31
2010	150.30	151.09	152.98	229.38	196.53	0.30

Source: Computed from CBN Data

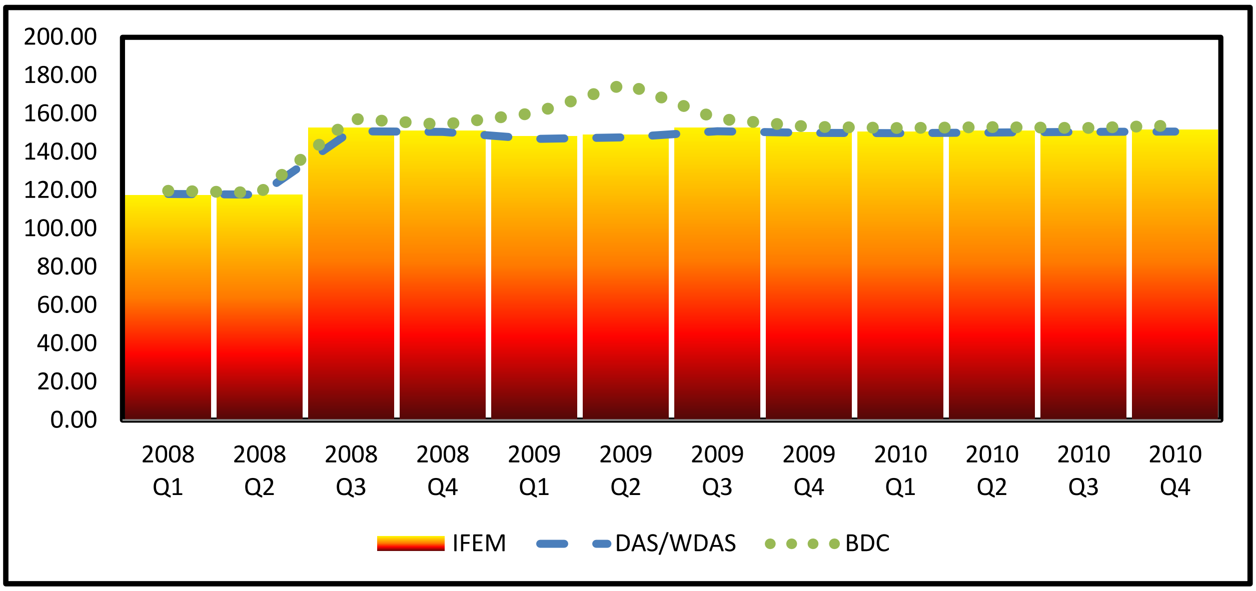
Figure 3.26: Naira Performance against Selected Currencies



Source: Derived by NPC from Data supplied by the Central Bank of Nigeria

In terms of convergence or stability of exchange rates of the Naira at various segments of the markets for foreign exchange, the premium between WDAS/IFEM and WDAS/BDC narrowed from 1.0 per cent and 8.6 per cent in 2009 to 0.5 per cent and 1.8 per cent, respectively, indicating that the exchange rate stabilized during the year (Figure 2.7).

Figure 3.27: Stability of Naira against the US Dollar at various Markets



Source: Computed from CBN data

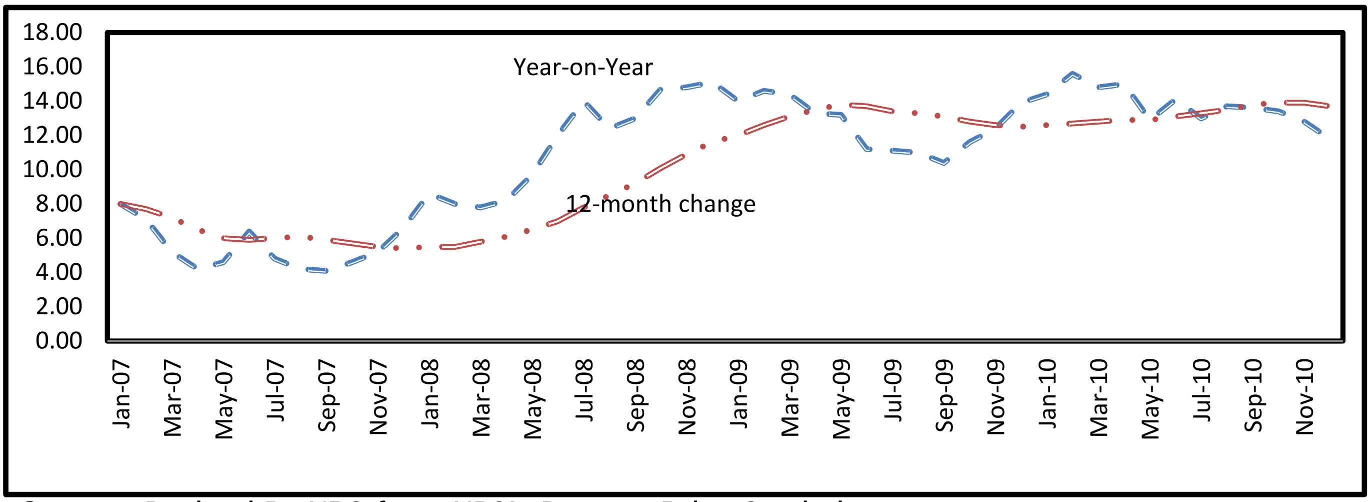
3.8 Developments in Price Level

The Consumer Price Index (CPI) which is a measure of the average change in prices of goods and services purchased by households compiled by the National Bureau of Statistics has November 2009 as base. The analysis of CPI developments are centred on trends in headline inflation based on 12-month moving average and year-on-year changes as well as on core and non-core inflation development.

Consumer Price Index (Covering Headline, Core and Non-Core)

Consumer price index trended up in 2010, reflecting the deliberate policy of fiscal and monetary expansion aimed at stimulating growth and dampening the impact of the global downturn on the Nigerian economy. Consequently, headline consumer price rose by 13.7 per cent for the 12-month up to December 2010, compared with 12.5 per cent in 2009. Similarly, the year-on-year headline inflation accelerated. The strongest year-on-year headline inflation pressure for 5 years was reported in February 2010 at 15.6 per cent, compared with 14.6 per cent in February 2009 and 15.1 per cent in December 2008. The policy stance of the monetary authorities to return the economy to single-digit inflation that began with monetary tightening in September 2010 produced the desired results as inflation rate plunged to 11.8 per cent on year-on-year basis in December 2010, compared with 13.9 per cent in December 2009 and 13.6 per cent in September 2010 (Figure 3.28).

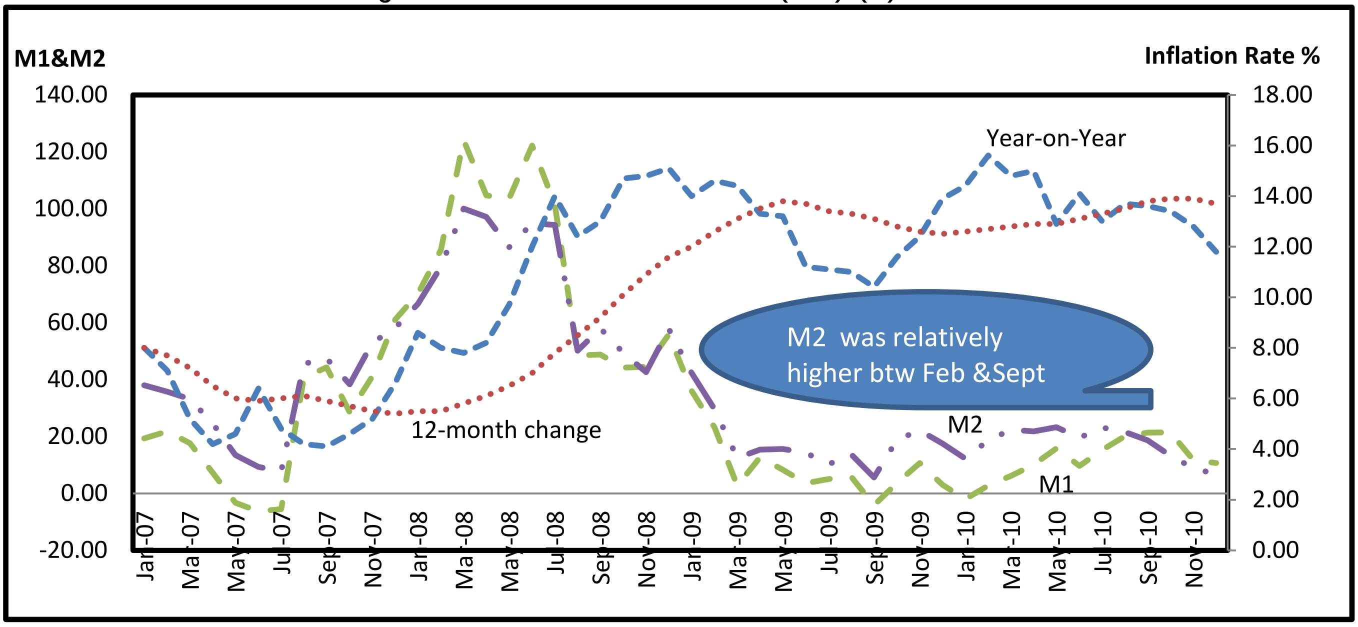
Figure 3.28: Year-on-Year and 12-month Change in the Headline CPI



Source: Derived By NPC from NBS's Data on Price Statistics

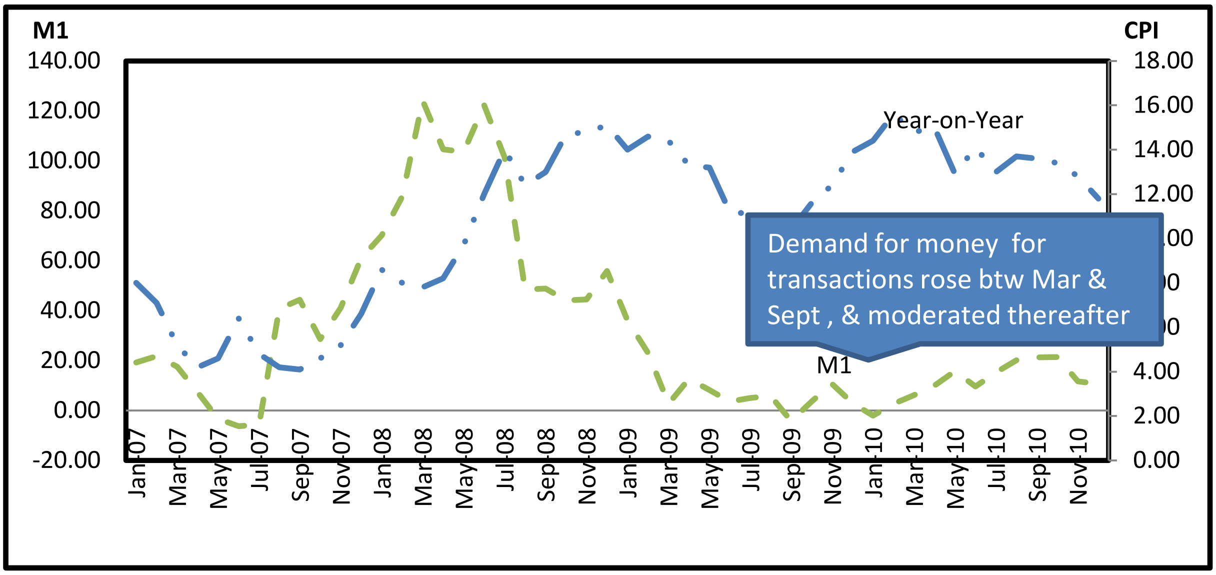
A juxtaposition of inflation trend with key monetary variables shows that the trend of year-on-year headline inflation mimics that of M2 in 2010, indicating that monetary tightening embarked upon during the third quarter of 2010 was fruitful (Figures 3.29 and 3.30). It also demonstrates that the path of inflation was consistent with gradual growth in M2 between February and August in 2010. Similarly, the growth in transaction demand for money (M1), trended closely with year-on-year headline inflation. This is also indicative of the fact that monetary expansion has broadly spurred inflationary currents as a result of demand pressures. This is consistent with the conclusions from output gap analysis which showed that the economy was overheated during the first-to-third quarter of 2010 but moderated in the fourth quarter, signalling less pressure on inflation (Figure 3.31). The drop in inflation coincided with the narrowing of the output gap as the authorities implemented monetary tightening policies.

Figure 3.29: Growths in Money Supply (M1 and M2) and Year-on-Year and 12-month change in Consumer Price Index (CPI) (%)



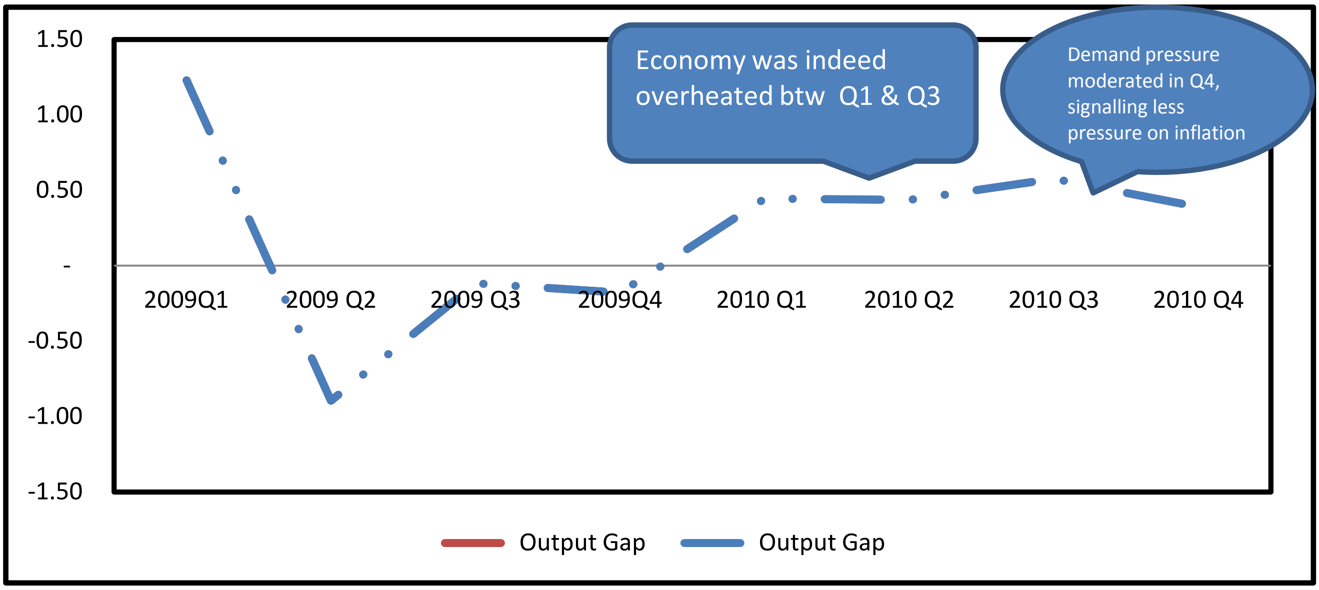
Source: Derived By NPC from NBS's Data on Price Statistics and CBN Statistical Bulletin

Figure 3.30:Growth in Demand Indicator (M1) and Year-on-Year Consumer Price Indicator (%)



Source: Derived By NPC from NBS' Data on Price Statistics and CBN Statistical Bulletin

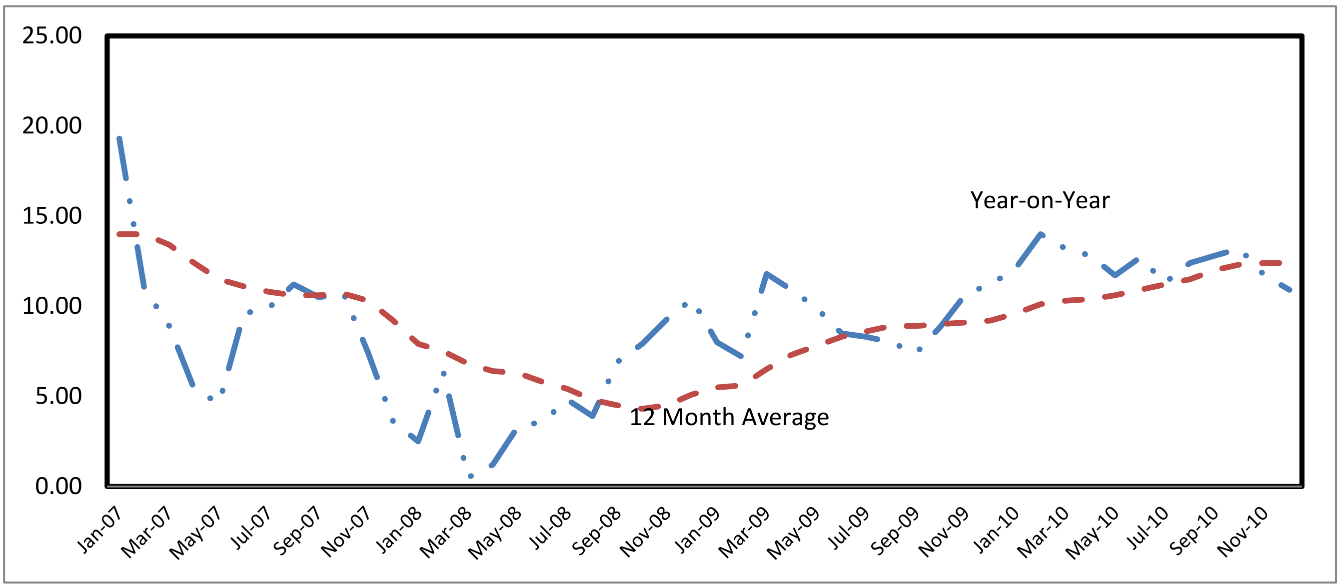
Figure 3.31: Behaviour of Domestic Demand Indicator (Output Gap)



Source: Derived By NPC from NBS's Data on National Accounts

Food and non-food items in the CPI are the key drivers of inflation in Nigeria and are correlated with cost, structural and supply factors. The strongest upward pressure on the CPI in 2010 is largely from non-food items, which prices accelerated by 12.4 per cent on average for the 12-month leading up to December 2010, compared with corresponding figures of 9.2 per cent and 5.1 per cent for 2009 and 2008 respectively. Notably, end-year non-food inflation pressures decelerated to 10.9 per cent, compared with 11.2 per cent in 2009 following monetary tightening which reduced demand pressures on non-food items (Figure 3.32).

Figure 3.32: Trend of Core Inflation



Source: Derived By NPC from NBS's Data on Price Statistics

Food Inflation

Food prices typically follows a secular trend of rising relative to other prices, heightening overall inflation due to supply factors and natural limitations in production. However, inflation in 2010 was not driven completely by food prices although persistence of double-digit inflation rates for food prices was significant in propagating inflation in the period. In specific terms, the pressure on consumer price index for food inflation was slightly lower, but remained at double-digit in 2010 as prices tended to correlate with domestic demand. The downward trend in food price, on year-on-year basis, closed at 12.7 per cent in 2010, compared with 15.5 per cent in 2009, reflecting an array of factors, including greater availability of food in the markets following good rainfall patterns, contraction in real private final consumption expenditure, appreciation of the domestic currency against major world currencies and implementation of tight monetary policy in the fourth quarter of 2010.

The Consumer Prices Index for food registered the strongest upward pressure in April 2010 at 16.3 per cent as against 20.0 per cent and 20.9 per cent in 2009 and 2008 respectively. In contrast, the lowest pressure on food prices at 12.7 per cent occurred in December. The pass-through from higher transport fares and oil and gas prices to food prices was swift such that hikes in transport fares and oil and gas prices swamped declining food prices (Table 3.33).

Table 3.33: CPI Food Inflation and Components (Per cent)

Year-on-Year	Food	Food & Non-Alcoholic Beverage	Alcoholic Beverage, Tobacco & Kola
Jan-09	20.88	20.45	7.97
Mar-09	17.74	17.39	7.26
Jun-09	13.64	13.42	4.87
Sep-09	12.68	12.52	2.46
Dec-09	16.70	17.20	6.19
Jan-10	17.19	17.66	6.25
Mar-10	15.64	15.88	6.82
Jun-10	16.63	16.91	11.50
Sep-10	15.83	15.23	12.46
Dec-10	13.59	13.22	9.89
12-month average			
2009	15.92	15.74	6.21
2010	15.87	16.05	9.90

Source: NBS

Figure 3 .33: Headline & Food Inflation (YoY)

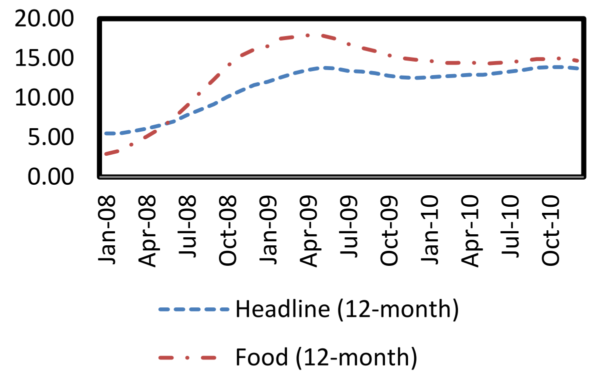
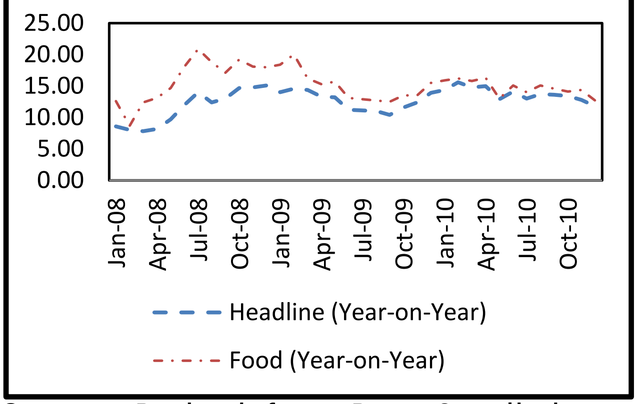


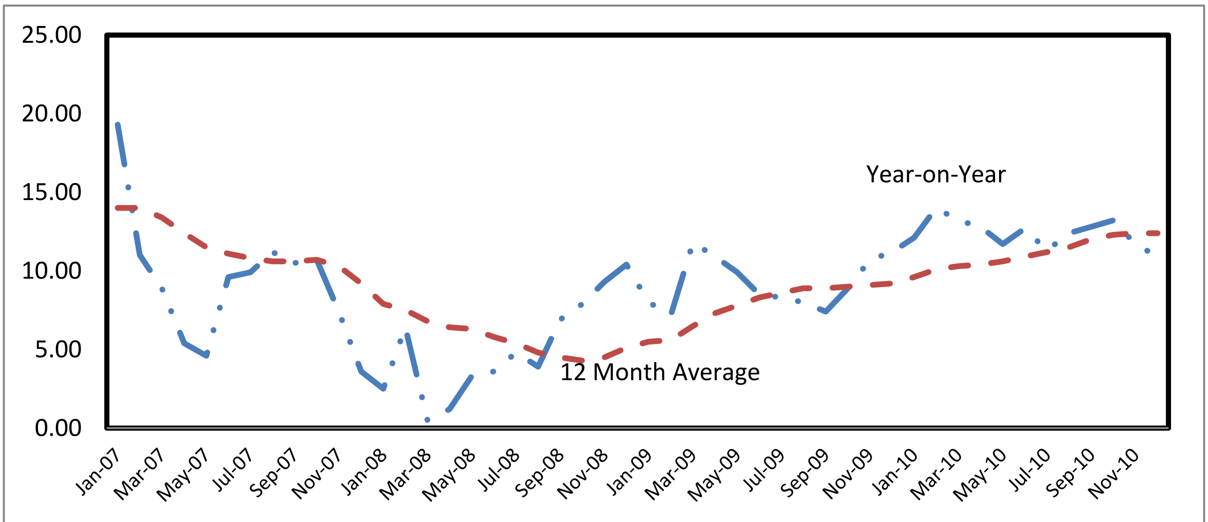
Fig 3.34: Headline & Food Inflation (12 Months)



Source: Derived from Data Supplied by National Bureau of Statistics on Prices

Core inflation rate (year-on-year for all items except farm produce) soared from 8.0% in January 2010 to 9.7% in December 2010 with wide fluctuations in the intervening months (Figure 3.35.)

Figure 3.35: Core Inflation Rate



Source: Derived from Data Supplied by NBS on Prices

The various inflation measures reveal that inflation exceeded double digits in negation of single digit inflation rates projected in the budget for 2010. The ascendant prices reflects expansionary fiscal stance engendered by enhanced disbursements to the three tiers of government from the excess crude account.

Imported food prices inflation (Year-on-Year) was in double digit at 14.36 per cent in 2010.

Table 3.34: Imported Food Prices Inflation (Month-on-Month, or otherwise stated), 2010

	Imported Food (%)
Jan-10	-0.12
Feb-10	1.14
Mar-10	-0.73
Apr-10	3.95
May-10	- 1.20
Jun-10	3.65
Jul-10	0.26
Aug-10	1.72
Sep-10	2.42
Oct-10	-0.14
Nov-10	2.25
Dec-10	0.44
Year-on-Year for 2010	14.36

Source: National Bureau of Statistics

China, Nigeria's most important import trading partner, was challenged with reducing the upward pressures on consumer prices during the period in 2010. Consumer price inflation in China peaked at 5.0 per cent in November 2010, compared with 1.5 per cent in January 2010 and -1.8 in July 2009. However, consumer prices in OECD countries were low and stable at 1.7 per cent in the 3rd and 4th quarters of 2010 while in the United States inflation was observed to have trended downwards by 1.1 per cent in the 4th quarter of 2010 as against 1.4 per cent reported in quarter three of 2010.

F(Make statements about the 2 graphs below and number Figure 3.36 and 3.37 to follow above)

Figure 3.36:Inflation in China (% YoY)

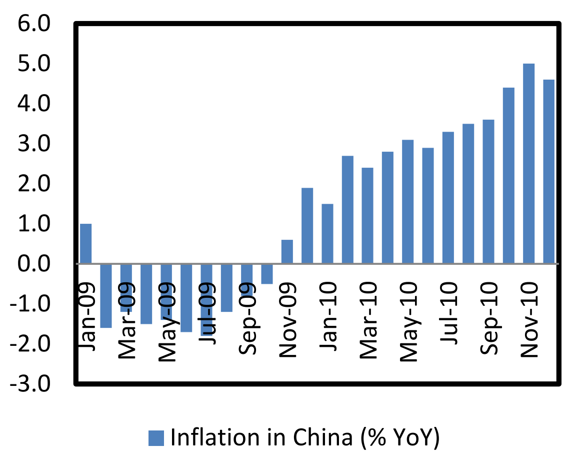
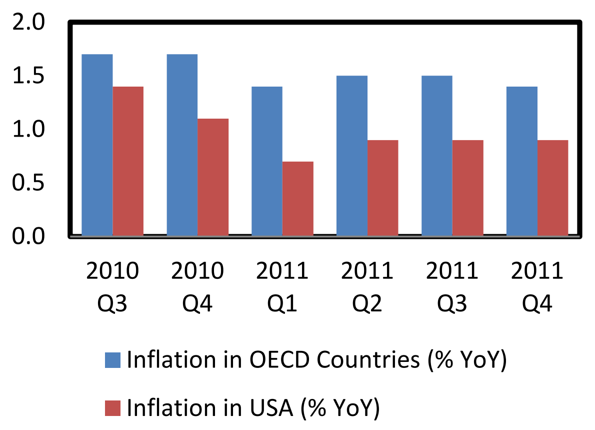


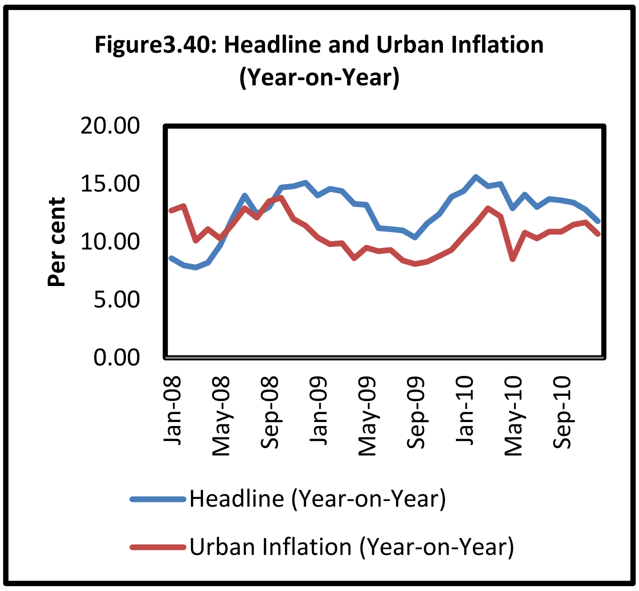
Figure 3.37: Inflation in OECD Countries (% YoY)

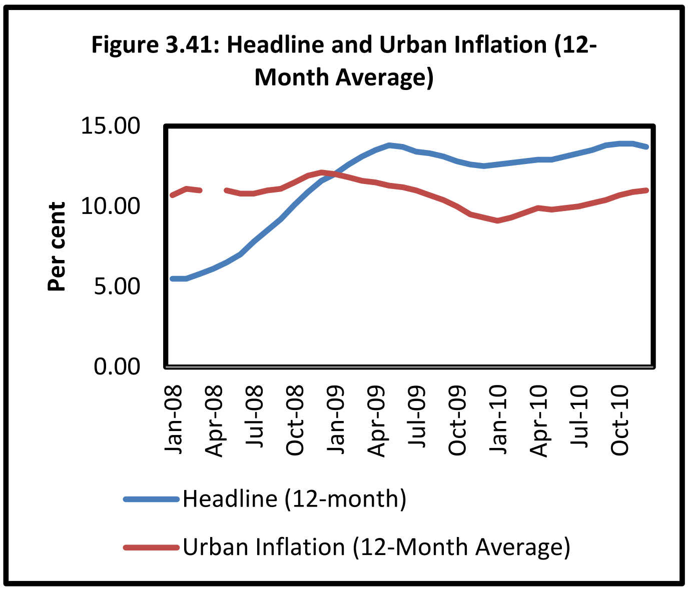


Source: Derived from Data Supplied by NBS

Urban And Rural Price Developments in 2010

Rural CPI on 12-month average basis, rose from 14.3% in December 2009 to 15.4% in December 2010. In comparison, urban CPI recorded 9.1% and 11.0% over the same period. On year-on-year basis, urban inflation rate stood at 10.5 per cent in January 2010, rising to 12.2 per cent in April and moderating to 10.7% in December 2010 (Figures 3.38 and 3.39).





Source: Derived from NBS Data on Prices

The fact that headline inflation is largely urban driven is revealed in Fig 3.41. Rural inflation usually occurs where consumers exceed producers. Nigerian demographics suggest that, consumers significantly outstrip producers by the ratio 34:66 and rural areas are especially affected by this. By this logic, it seems the best way to fight inflation in the rural areas is to employ supply-response measures, rather than demand management; implying that monetary tightening may not be appropriate for controlling inflation in rural areas.

3.9 External Sector Developments

External Trade

Nigeria's export basket is dominated by primary products, especially crude oil, while imports, in particular, goods imports is dominated by machinery and equipment and other manufacturers. Overall, trade balance has traditionally been in surplus while services accounts have predominantly been in deficit since political independence.

Trade Policy

Nigeria's trade policy targets the production and distribution of goods and services to satisfy domestic production and export markets for the purpose of accelerating economic growth and development. Ongoing trade negotiations expected to impact the country's trade relationships going forward include:

i) European Economic Partnership Agreement (EPA), which is intended to create a zero tariff between the EU and the West African region. Liberalization under this trade agreement is expected to last for over 25 years;
ii) D-8 Preferential Agreement, which is a reciprocal market access agreement among the D-8 countries, comprising Nigeria, Malaysia, Egypt, Turkey, Iran, Bangladesh and Indonesia;
iii) Generalised System of Trade Agreement, which is intended to boost South-South trade among 40 members.

Historically, trade policy in Nigeria is associated with import prohibition of a wide range of items, primarily to encourage local production and conserve foreign exchange. The most recent review of the import prohibition list was undergirded by significant loss of revenue to government through trade diversion to neighbouring countries and routine smuggling of supposedly banned products into the country. In November 2010, the country lifted the ban on a number of items and replaced them with tariffs ranging from 10-20 per cent and levies of between 15-20 per cent. The affected commodities include cassava, toothpicks, furniture, textiles, water and beverages and vehicles that are more than 10 years old.

The country's tariff policy for the West African region was governed by the ECOWAS Common External Tariff (CET). The system requires members to harmonise ad valorem tariff rates into four bands:

i) Zero duty on social goods such as medicine and publications;
ii) 5 per cent duty on raw materials;
iii) 10 per cent duty on intermediate goods;
iv) 20 per cent on finished goods

The four band CET was reviewed in June 2009 to include a fifth band of 35 per cent for final goods that are manufactured locally and which therefore require some protection in order to promote local industries.

Merchandise Trade

Merchandise trade during 2010 expanded appreciably in favour of Nigeria. Growth in merchandise trade rose by 57.5 per cent to N19,658.43 billion in 2010, from N12,482.4 billion in 2009 as export growth jumped by 73.0 per cent and import growth plummeted by 31.7 per cent during the year (Table 3.35, Figure 3.42)). With export receipts higher than imports, merchandise trade surplus trebled in 2010. Thus, surplus in merchandise trade account registered N6,361.38 billion in 2010, compared with N2,386.68 billion in 2009. This represents a significant increase by 166.53 per cent, after a contraction of 61.93 per cent in 2009. Merchandise trade performance was bolstered by strong growth in terms of trade, reflecting commodity price increases (particularly for crude oil), in response to improvements in global demand and more favourable production conditions in the domestic oil and gas sector.

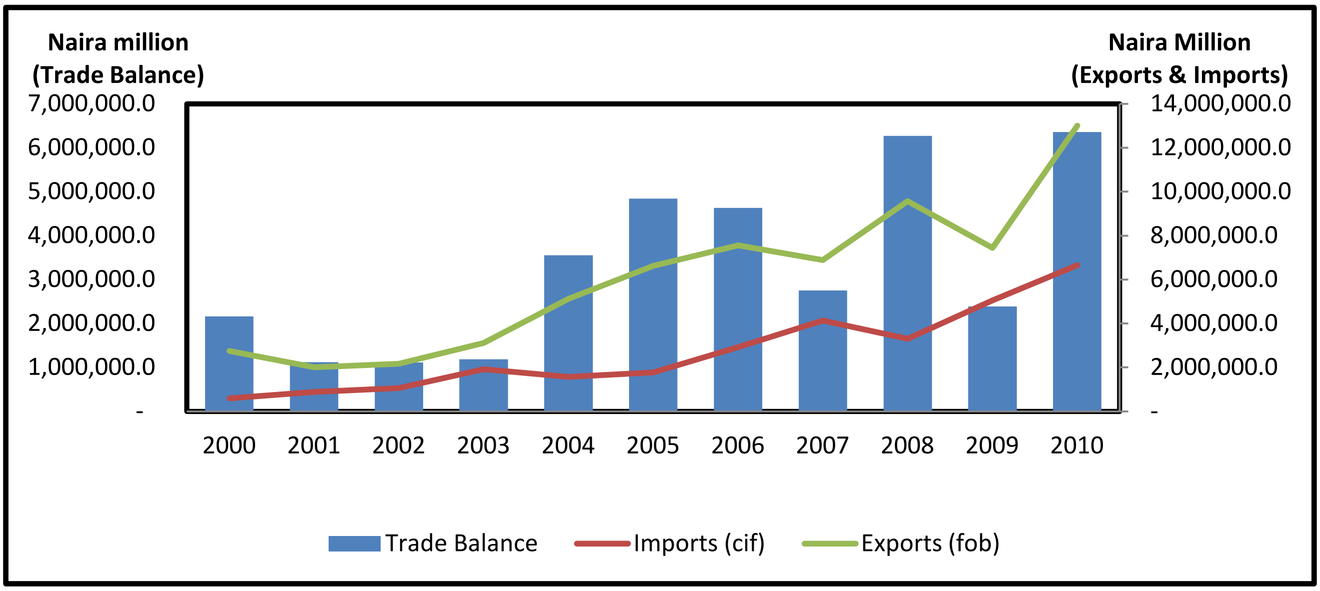
Overall, weak domestic demand slowed growth of imported goods while exports rebounded to impact positively on merchandise trade. The slowdown in the growth of imports mirrors retrenchments in real private final consumption expenditure and gross fixed capital formation. Meanwhile cut-backs in access to bank credit, in the wake of measures taken by the Central Bank of Nigeria to restore stability to the banking sector, also contributed to restrain imports.

Table 3.35: Balance of External Trade

Year	Imports (cif)	Exports(fob)	Balance of Trade	Total Trade	Exports as % of Imports	Imports	Exports	Balance of Trade	Total Trade
	Naira Million					% annual Change			
2008	3,299,096.6	9,568,949.2	6,269,852.6	12,868,045.9	290.0	-20.1	39.1	127.7	16.9
2009	5,047,868.6	7,434,543.9	2,386,675.3	12,482,412.5	147.3	53.0	- 22.3	- 61.9	- 3.0
2010	6,648,525.9	13,009,905.7	6,361,379.8	19,658,431.6	195.7	31.7	75.0	166.5	57.5

Source: National Bureau of Statistics

Figure 3.42: Merchandise Trade Balance



Source: Derived from Data Supplied by National Bureau of Statistics on Trade

Trade in Services

Trade in services is dominated by transportation. Services exports quickened by 30.1 per cent to reach N431.42 billion in 2010, compared to an increase of 23.6 per cent to N331.68 billion in 2009. However, the services balance recorded a deficit of N2,677.93 billion in 2010, compared with N2,284.03 billion in 2009. The significant decline in the growth of visitors' arrivals (tourists) and increasing patronage of foreign owned transport operators, strong growth in number of Nigerians travelling overseas, imports of construction services, other computer and information services, transportation services and business services by Nigerian residence fuelled the services deficit by 17.2 per cent in 2010 as against a contraction of 10.3 per cent a year ago (Table 3.36 and Figure 3.43).

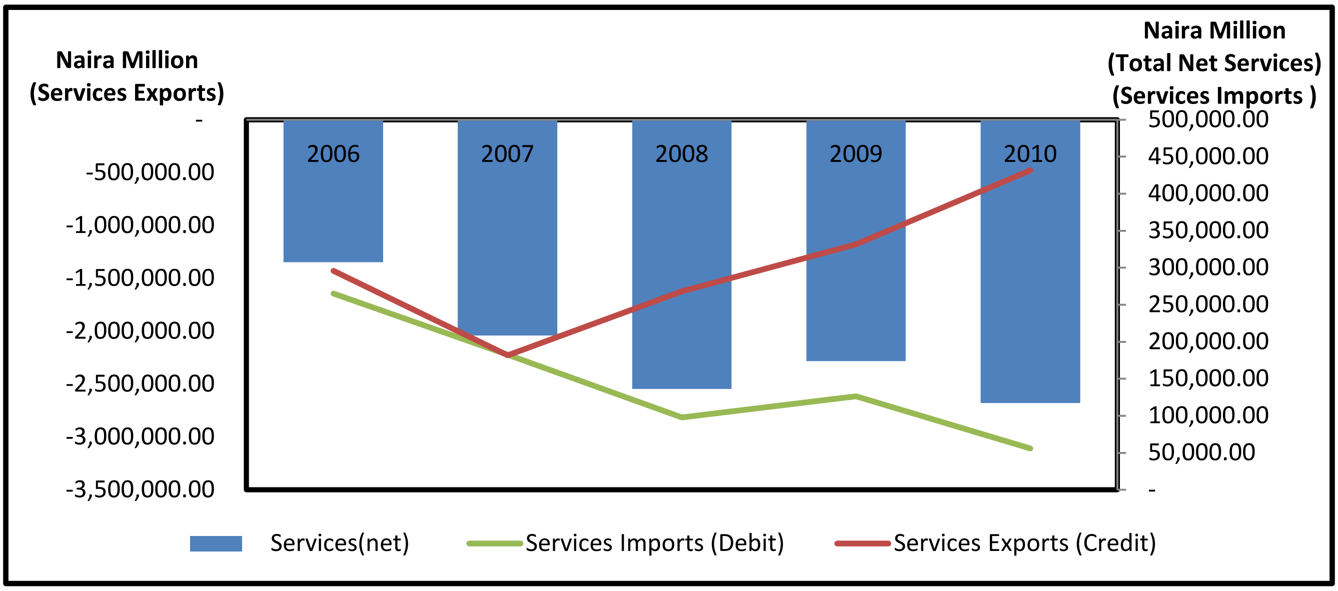
Table 3.36: Total Trade in External Services Balance, 2009-2010

		2009/1	2010/2	2009/1	2010/2
		(Naira Million)		(% Annual Change)	
Services(net)		**(2,284,030.0)**	**(2,677,926.1)**	-10.3	17.2
Credit		331,683.3	431,420.9	23.6	30.1
	Transportation	163,530.1	308,860.7	14.1	88.9
	Travel	89,605.0	32,828.7	32.9	-63.4
	Insurance Services	112.9	144.1	157.4	27.6
	Communication Services	5,449.0	6,941.2	54.2	27.4
Construction Services		-	-	-	-
Financial Services		3,092.7	2,774.1	75.1	-10.3
Computer & information Services		-	-	-	-
	Royalties and License Fees	-	-	-	-
	Government Services	68,223.6	77,879.4	33.8	14.2
Personal, cultural & recreational services		-	-	-	-

	Other Business Services	1,670.0	1,991.5	35.0	19.2
Debit		2,615,713.3)	(3,109,348.5)	-7.1	18.9
	Transportation	(902,100.9)	(1,183,385.5)	10.8	31.2
	Travel	(608,057.4)	(774,954.7)	-47.5	27.4
	Insurance Services	(57,769.5)	(73,822.2)	-51.9	27.8
	Communication Services	(51,096.1)	(38,899.6)	83.8	-23.9
Construction Services		(6,466.0)	(13,018.0)	-18.7	101.3
Financial Services		(7,363.5)	(4,908.1)	95.4	-33.3
Computer & information Services		(27,716.8)	(34,116.2)	5.3	23.1
	Royalties and License Fees	(31,032.7)	(24,115.8)	37.5	-22.3
	Government Services	(214,363.2)	(208,264.4)	53.5	-2.8
Personal, cultural & recreational services		(53.9)	(10.4)	4.9	-80.7
	Other Business Services	(709,693.4)	(753,855.0)	43.6	6.2

Note: /1Revised
/2Provisional
Source: Central Bank of Nigeria (CBN)

Figure 3.43: Balance of Trade in External Services, 2006-2010



Source: Derived from Data Supplied by National Bureau of Statistics on Trade

Composition of Merchandise Exports and Imports

Exports

Crude oil exports dominated the country's merchandise exports to the tune of 70.4 per cent of total exports in 2010, down from 84.5 per cent in 2009 (Table 3.37). Non-oil exports accounted for 29.6 per cent in 2010 up from 15.5 per cent in 2009.

Total exports value leapt 75% in 2010 after a negative growth rate of 22.3 per cent in 2009. The significant growth in total exports was led by oil exports, due to improvements in global demand and domestic supply conditions. Crude oil exports accounted for 51.5 per cent of total exports growth, while non-oil exports accelerated by 48.5 per cent during 2010. The increasing role of non-oil exports signifies some gains in respect of the diversification policy of the government away from oil.

Table 3.37: Composition of Exports by Broad Categories, 2008-2010

	2008	2009	2010	2009	2010	2009	2010	2009	2010
	(Naira Million)			Growth (%)		% of Total		% Contribution to Growth	
Oil Exports	8,751,618.0	6,284,405.6	9,153,087.7	-28.2	45.6	84.5	70.4	115.6	51.5
Non-Oil Exports	817,331.3	1,150,138.3	3,856,818.0	40.7	235.3	15.5	29.6	-15.6	48.5
Total	9,568,949.2	7,434,543.9	13,009,905.7	-22.3	75.0	100.0	100.0	100.0	100.0

Source: Derived from Data Supplied by National Bureau of Statistics on Trade

Further decomposition of merchandise exports reveals the dominance of mineral products to the tune of over 87.7 per cent of total exports in 2010. Commodities such as raw hides and skins, leader, fur-skins; saddler and prepared foodstuffs, beverages, spirits and vinegar and tobacco appear promising as potential non-oil exports sources. These products accounted for 18.2 per cent of non-oil exports and 5.3 per cent of total export in 2010 as against 27.5 and 4.2 per cent respectively in 2009 (Table 3.38).

Table 3.38: Composition of Principal Merchandise Exports, 2008-2010

	2008	2009	2010	2009	2010	2009	2010	2009	2010
I. Value (fob N million)	(Naira Million)			Growth (%)		% of Total		% Contribution to Growth	
Vegetable products	38,239.3	80,240.4	182,263.3	109.8	127.1	1.1	1.4	-2.0	1.8
Prepared foodstuffs; beverages, spirits and vinegar; tobacco	84,657.0	239,973.5	240,073.8	183.5	0.0	3.2	1.8	-7.3	0.0
Mineral products	8,804,543.1	6,720,181.6	11,415,944.4	-23.7	69.9	90.4	87.7	97.7	84.2
Plastic, rubber and articles thereof	118,798.3	49,133.9	147,479.5	-58.6	200.2	0.7	1.1	3.3	1.8
Raw hides and skins, leather, furskins etc.; saddlery	79,684.2	76,577.7	461,088.0	-3.9	502.1	1.0	3.5	0.1	6.9
All other Commodities	443,027.3	268,436.8	563,056.7	-39.4	109.8	3.6	4.3	8.2	5.3
Total	9,568,949.2	7,434,543.9	13,009,905.7	-22.3	75.0	100.0	100.0	100.0	100.0

Source: NPC's Compilation and Computation from NBS' Trade Statistics

Imports

Nigeria's main import commodities include boilers, machinery and appliances and their spare parts; machinery, including vehicles, aircraft and parts, vessels, etc,. Imports of boilers, machinery and appliances and spare parts grew by 33.3 per cent in 2010 as against 40.7 per cent in 2009 register N1,931.01 billion or 29.0 per cent of total imports in 2010. In 2009 these products accounted for N1,448.99 billion or 28.7 per cent of total imports value. The second largest import category - vehicles, aircraft and spare parts and vessels, etc; grew by 39.9 per cent in 2010 compared to 102.4 per cent in 2009 to reach N1,404.50 billion or 21.1 per cent of total imports. A year earlier, these imports totalled N1,003.78 billion or 19.9 per cent of total imports value. Imports of mineral products; textiles and textiles articles; and optical, photographic, cinematographic, and measuring appliances constitute relatively small fractions of total imports. Following the removal of textile materials from the imports prohibition lists, import of textile materials in the fourth quarter of 2010, stood at N108.52 billion or 55.36 per cent of total imports values for the year as against 39.66 per cent in the corresponding period of 2009 (Table 3.39).

The increased imports of mineral products could be attributed to the failure of local refineries to meet domestic demand for refined petroleum products and government's incentives to marketers and consumers of petroleum products in form of price subsidies. Although government's objective for lifting the ban on textiles was to discourage smuggling of the product into the country and raise revenues from import duties, the consequent inflow of imported textile materials have implications for employment generation, incomes and foreign reserves, and may necessitate a re-visitation of the policy.

Table 3.39: Composition of Principal Merchandise Imports, 2008-2010

	2008	2009	2010	2009	2010	2009	2010	2009	2010
I. Value (cif N million)	(Naira Million)			Growth (%)		% of Total		% Contribution to Growth	
Live animals; animal products	118,632.1	156,978.5	190,034.3	32.3	21.1	3.1	2.9	2.2	2.1
Vegetable products	108,124.9	268,641.9	270,774.5	148.5	0.8	5.3	4.1	9.2	0.1
Prepared foodstuffs; beverages, spirits and vinegar; tobacco	93,143.9	176,927.9	207,717.9	90.0	17.4	3.5	3.1	4.8	1.9
Mineral products	113,940.8	118,101.2	176,585.4	3.7	49.5	2.3	2.7	0.2	3.7
Products of the chemical and allied industries	263,172.6	434,652.6	476,265.8	65.2	9.6	8.6	7.2	9.8	2.6
Plastic, rubber and articles thereof	212,523.5	392,254.2	490,070.9	84.6	24.9	7.8	7.4	10.3	6.1
Paper making material; paper and paperboard, articles	83,300.2	125,223.7	162,525.6	50.3	29.8	2.5	2.4	2.4	2.3
Textiles and textile articles	176,301.0	90,448.4	196,025.4	-48.7	116.7	1.8	2.9	-4.9	6.6
Articles of stone, plaster, cement, asbestos, mica, ceramic	65,919.7	123,730.7	219,637.7	87.7	77.5	2.5	3.3	3.3	6.0
Base metals and articles of base metals	409,987.5	531,351.9	598,167.7	29.6	12.6	10.5	9.0	6.9	4.2
Boilers, machinery and appliances; parts thereof	1,029,870.1	1,448,992.7	1,931,013.7	40.7	33.3	28.7	29.0	24.0	30.1
Vehicles, aircraft and parts thereof; vessels etc.	496,022.0	1,003,780.7	1,404,496.3	102.4	39.9	19.9	21.1	29.0	25.0
Optical, photographic, cinematographic, measuring appliances	49,894.2	59,167.0	125,602.6	18.6	112.3	1.2	1.9	0.5	4.2
All other commodities	78,264.1	117,617.4	199,608.0	50.3	69.7	2.3	3.0	2.3	5.1
Total	3,299,096.6	5,047,868.6	6,648,525.9	53.0	31.7	100.0	100.0	100.0	100.0

Source: NPC's Compilation and Computation from NBS's Trade Statistics

The composition of imports by SITC also reveals that Nigeria's dominant import commodities in 2010 include machinery and transport equipment, manufactured goods and chemical and related products. In terms of contribution to growth of imports, machinery and equipment leads with 52.9 per cent, followed by manufactured goods with a share of 28 per cent (Table 3.40). The rate of growth of food and live animals slowed in 2010 as did its contribution to growth of imports. The collapse of local manufacturing industries due to chronic infrastructural deficits and the premature transition from industry to services, in particular to trade, affected local manufacturing industry that were expected to be the engine of growth. There is need to refocus industrial policy towards export promotion, rather than mere import substitution, so as to fast-track the process of achieving a globally competitive manufacturing sector.

Table 3.40: Composition of Imports by SITC, 2008-2010

	2008	2009	2010	2009	2010	2009	2010	2009	2010
	(Naira Million)			Growth (%)		% of Total		% Contribution to Growth	
Food & live animals	288,944.9	561,342.7	605,296.7	94.3	7.8	11.1	9.1	15.6	2.7
Beverages & tobacco	18,672.2	24,770.3	33,340.4	32.7	34.6	0.5	0.5	0.3	0.5
Crude inedible materials	49,901.4	70,134.6	91,078.8	40.5	29.9	1.4	1.4	1.2	1.3
Mineral fuel etc.	52,376.2	49,830.7	87,196.6	-4.9	75.0	1.0	1.3	-0.1	2.3
Oils, fats & waxes	14,624.3	12,229.7	24,222.8	-16.4	98.1	0.2	0.4	-0.1	0.7
Chemicals & related products	400,899.0	680,331.6	708,794.3	69.7	4.2	13.5	10.7	16.0	1.8
Manufactured goods	791,478.5	950,484.0	1,411,633.3	20.1	48.5	18.8	21.2	9.1	28.8
Machinery & transport equipment	1,525,462.9	2,437,901.6	3,285,219.4	59.8	34.8	48.3	49.4	52.2	52.9
Miscellaneous manufactured articles	156,565.6	259,194.9	397,829.7	65.6	53.5	5.1	6.0	5.9	8.7
Commodities n.e.s.	171.6	636.9	3,913.9	271.1	514.5	0.0	0.1	0.0	0.2
Total	3,299,096.6	5,046,857.0	6,648,525.9	53.0	31.7	100.0	100.0	100.0	100.0

Source: NPC Compiled from NBS Trade Statistics

Destination of Exports

Nigeria's largest export market - America, accounted for N6,122.85 billion or 47.1 per cent of total exports in 2010, compared with N2,026.63 billion or 44.4 per cent in 2009 evidencing a lack of diversification of export destinations (Table 3.41). Growth in exports to the region recovered 85.3 per cent in 2010 after a slump of 33.0 per cent in 2009, such that the region drove Nigeria's total exports growth by 50.5 per cent, compared to 76.3 per cent in 2009. The major destination of Nigeria's export in the region is the United States of America. In particular, Nigeria's total exports to the U.S. surged 120.6 per cent to N4,471.39 billion as against a growth decline of 50.0 per cent in 2009. In effect, American markets accounted for 34.4 per cent of Nigeria's total exports and propelled export growth by 43.8 per cent in 2010.

Europe is Nigeria's second largest export destination with the Netherlands and France as leading recipient of Nigeria's exports. Nigeria's exports to the Netherlands outgrew those of other countries in the region at 196.7 per cent, a dramatic rebound from a contraction of 48.2 per cent in 2009. Indeed, The Netherlands accounted for N591.61 billion or 4.5 per cent of total exports in 2010 as against N199.43 billion or 2.7 per cent in 2009. Overall, total exports to Europe registered N2,995.79 billion or 23.0 per cent of aggregate exports in 2010 as against N1,750.62 billion or 23.5 per cent in 2009.

Nigeria's exports to Asia accelerated by 104.6 per cent in 2010, reversing the negative growth rate of 6.0 per cent in 2009. Exports to China leapt 177.1 per cent in 2010 as against 1.6 per cent in 2009 to maintain its lead over Japan. Nigeria's exports to Africa and ECOWAS Member States remain small, accounting for 11.9 per cent and 2.4 per cent of total exports despite the integration and their proximity to the Nigeria's market.

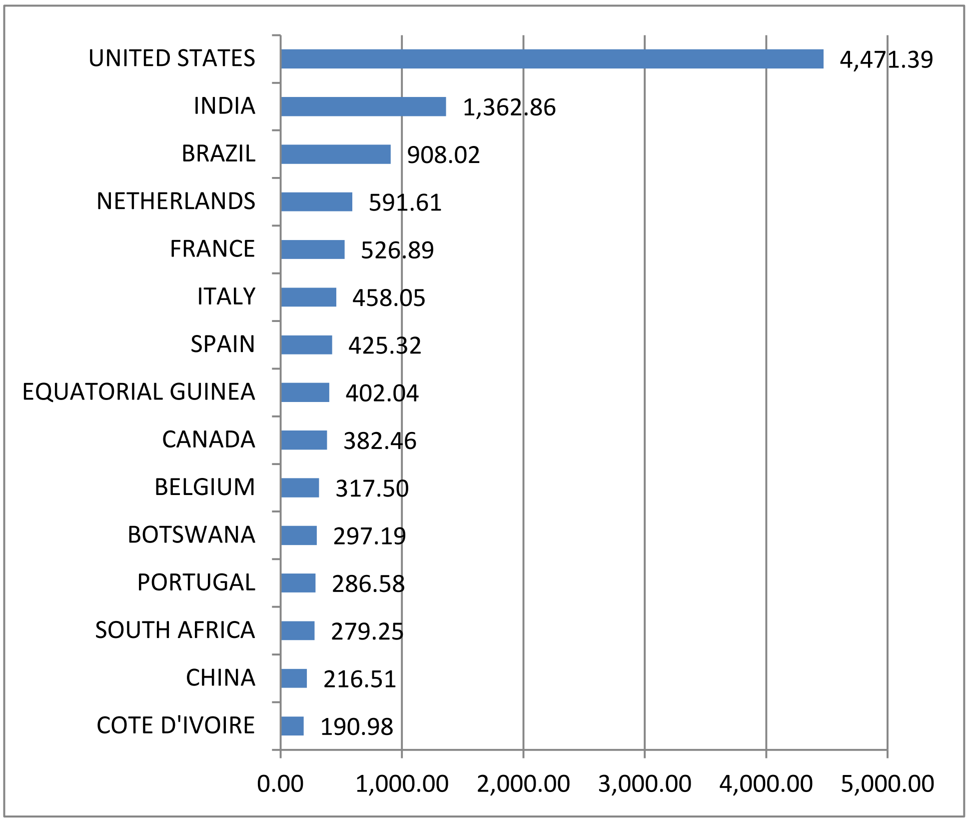
Table 3.41: Destination of Nigeria's Exports, 2008-2010

Regions		2008	2009	2010	2009	2010	2009	2010	2009	2010
		(Naira Million)			Growth (%)		% of Total		% Contribution to Growth	
Africa	Total	1,098,003.6	1,267,083.3	1,547,937.2	15.4	22.2	17.0	11.9	-7.9	5.0
	ECOWAS	693,918.1	320,707.2	307,447.9	-53.8	-4.1	4.3	2.4	17.5	-0.2
America	Total	4,933,644.6	3,304,644.2	6,122,850.7	-33.0	85.3	44.4	47.1	76.3	50.5
	USA	4,051,344.8	2,026,629.5	4,471,385.3	-50.0	120.6	27.3	34.4	94.9	43.8
	Canada	175,893.8	261,437.4	382,456.7	48.6	46.3	3.5	2.9	-4.0	2.2
	Brazil	620,773.8	593,511.2	908,020.1	-4.4	53.0	8.0	7.0	1.3	5.6
Europe	Total	2,089,193.3	1,750,615.7	2,995,789.2	-16.2	71.1	23.5	23.0	15.9	22.3
	Germany	148,006.8	67,695.7	84,278.4	-54.3	24.5	0.9	0.6	3.8	0.3
	UK	156,914.8	156,642.9	190,466.0	-0.2	21.6	2.1	1.5	0.0	0.6
	Netherlands	385,363.7	199,426.0	591,606.2	-48.2	196.7	2.7	4.5	8.7	7.0
	Italy	314,336.1	309,693.3	458,048.7	-1.5	47.9	4.2	3.5	0.2	2.7
	France	394,192.0	407,357.8	526,894.4	3.3	29.3	5.5	4.0	-0.6	2.1
	Spain	327,299.7	324,292.4	425,319.4	-0.9	31.2	4.4	3.3	0.1	1.8
Asia	Total	1,138,257.9	1,069,928.0	2,188,596.2	-6.0	104.6	14.4	16.8	3.2	20.1
	Japan	34,480.3	34,484.7	58,979.3	0.0	71.0	0.5	0.5	0.0	0.4
	China	76,895.8	78,134.0	216,506.1	1.6	177.1	1.1	1.7	-0.1	2.5
Others	Total	309,849.8	42,272.8	154,732.3	-86.4	266.0	0.6	1.2	12.5	2.0
World	Grand Total	9568949.25	7434543.9	13009906	-22.3	75.0	100.0	100.0	100.0	100.0

Source: NPC's Compilation and Computation from NBS's Trade Statistics

The top fifteen export trading partners with Nigeria in 2010 are shown in Figure 3.44. United States ranked first, followed by India.

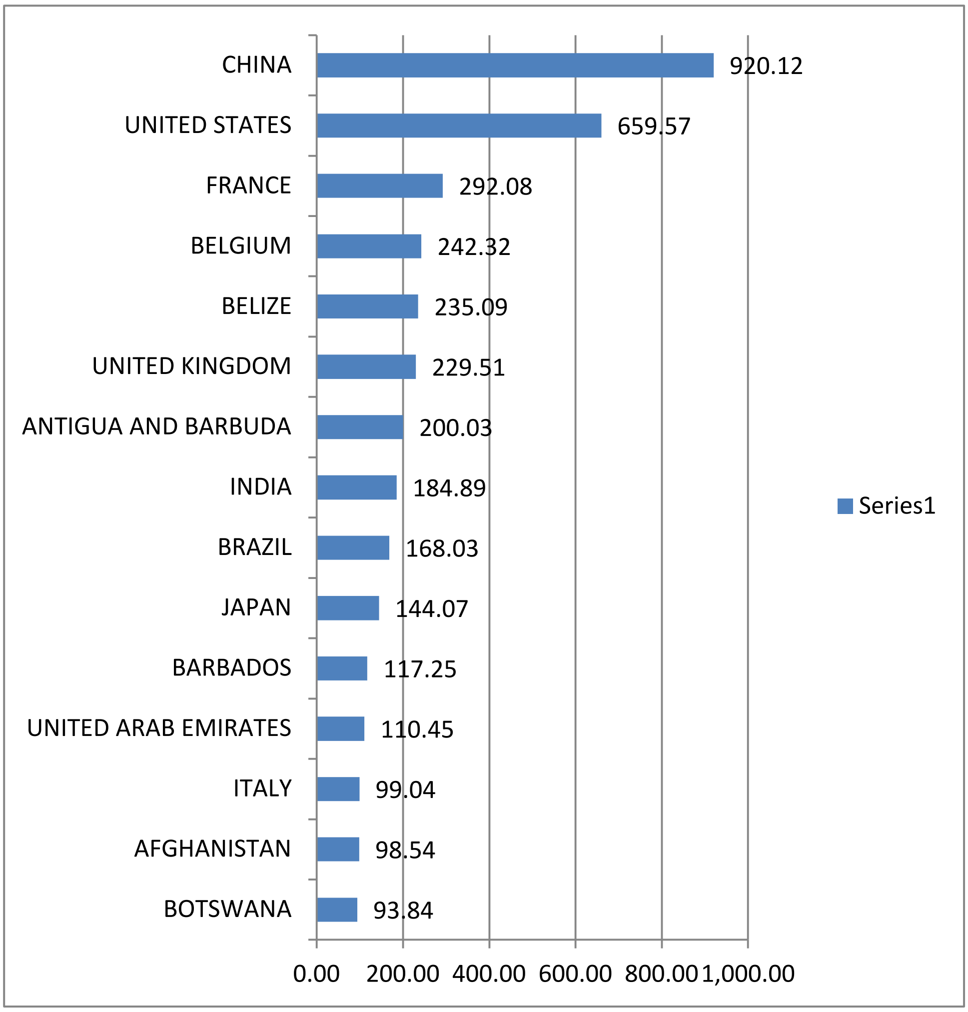
Figure 3.44: Top 15 Export Trading Partners of Nigeria in 2010 and Corresponding Exports Values (N' Billion)



Source: Derived from Data Supplied by National Bureau of Statistics on Trade

In terms of imports, China and United States ranked as numbers first and second topmost import trading countries with Nigeria (Figure 3.45).

Figure 3.45: Top 15 Principal Import Trading Partner of Nigeria in 2009 and Imports Values (Naira Billion)



Source: Derived from Data Supplied by National Bureau of Statistics on Trade

On regional basis, Nigeria's largest importing region is Asia, which supplies 37.6 per cent of imports in 2010. The Americas supplied 30.0 per cent of Nigeria's total imports as against 21.2 per cent in 2009. African countries supplied only 6.5 per cent of total imports with ECOWAS, accounting for a mere 0.6 per cent of the total imports in 2010, compared with 0.2 per cent in 2009 (Table 3.46)

Table 3.46: Origin of Imports, 2008-2010

		2008	2009	2010	2009	2010	2009	2010	2009	2010
		(Naira Million)			Growth (%)		% of Total		% Contribution to Growth	
Africa	Total	218,687.2	360,001.4	429,562.4	64.6	19.3	7.1	6.5	8.1	4.3
	ECOWAS	111,024.6	10,685.5	36,735.1	-90.4	243.8	0.2	0.6	-5.7	1.6
America	Total	654,198.8	1,071,063.5	1,992,692.4	63.7	86.0	21.2	30.0	23.8	57.6
	USA	267,722.0	303,733.6	1,192,835.3	13.5	292.7	6.0	17.9	2.1	55.5
	Canada	2,899.3	1,086.2	418.7	-62.5	-61.5	0.0	0.0	-0.1	0.0
	Brazil	57,739.8	168,033.3	216,933.0	191.0	29.1	3.3	3.3	6.3	3.1
Europe	Total	1,223,725.9	1,631,803.0	1,618,626.3	33.3	-0.8	32.3	24.3	23.3	-0.8
	Germany	223,026.7	45,393.9	30,842.4	-79.6	-32.1	0.9	0.5	-10.2	-0.9

	UK	143,627.1	229,514.9	185,552.3	59.8	-19.2	4.5	2.8	4.9	-2.7
	Netherlands	52,151.4	31,318.4	52,781.5	-39.9	68.5	0.6	0.8	-1.2	1.3
	Italy	85,411.7	99,037.8	300,238.4	16.0	203.2	2.0	4.5	0.8	12.6
	France	155,688.6	292,084.1	388,674.4	87.6	33.1	5.8	5.8	7.8	6.0
	Spain	9,730.2	10,772.2	48,841.1	10.7	353.4	0.2	0.7	0.1	2.4
Asia	Total	1,162,073.8	1,896,085.9	2,496,640.9	63.2	31.7	37.6	37.6	42.0	37.5
	Japan	88,834.2	144,074.9	171,829.8	62.2	19.3	2.9	2.6	3.2	1.7
	China	502,302.3	893,194.7	1,100,780.5	77.8	23.2	17.7	16.6	22.4	13.0
Others	Total	694,609.6	1,159,978.4	2,103,696.2	67.0	81.4	23.0	31.6	26.6	59.0
World	Grand Total	3,299,096.6	5,047,868.6	6,648,525.9	53.0	31.7	100.0	100.0	100.0	100.0

Source: Derived from Data Supplied by National Bureau of Statistics on Trade

3.10 Foreign Investment Policy

As a general rule, the Nigerian authority recognises the positive contribution of foreign investment to the economic and social development. Nigeria's regulations governing foreign investment policy is quite liberal by international standards as the country maintains targeted foreign investment restrictions on only a few areas of critical interest. Certain industry specific laws preclude some categories of Nigerian companies from being wholly owned by foreigners, or give preference to a Nigerian majority shareholding. Such policies include the Nigerian Oil and Gas Content Development Act 2010. The content Act seeks to grant preferential treatment to Nigerian companies in the award of contracts and other activities in the Nigerian oil and gas sector. Another such policy is also defined with regards to the reparation of foreign capital or any income thereon. Under the Foreign Exchange Monitoring and Miscellaneous Act, it is expected that any person may invest in Nigerian enterprise or any security with foreign currency imported into the country through an authorized dealer (typically a Nigerian Bank) by telegraphic transfer, cheques or other negotiable instruments converted into Naira. Upon such importation, the authorized dealer is required to issue a Certificate of Capital Importation (CCI), evincing receipt of foreign investment capital within 24 hours of receipt of imported fund. There is also a law stipulating that any vessel seeking to operate in the domestic coastal carriage of cargo and passengers within the costal territorial inland waters, or, at any point within the waters of exclusive economic zone of Nigeria, should be wholly owned and manned by Nigerians, unless the requirement is waived.

Foreign Investment Inflows

Foreign investment inflow in Nigeria is dominated by indirect investment. Foreign investment inflow shrank by 14.8 per cent in 2010, compared to a positive growth rate of 61.3 per cent in 2009 (Table 3.47). The negative growth in foreign investment was provoked by decline in direct investment, which was partly offset by portfolio investments. Specifically, total investment inflow stood at N1,200.29 billion (US$8.02 billion) in 2010 as against N1,408.58 billion ((US9.56 billion) in 2009. Direct investment, which is made up of equity capital, re-investment earnings and other capital; accounted for N613.24 billion, or equivalent of US$4.13 billion (51.1 per cent) of total investment inflows, compared with N861.63 billion or equivalent of US$5.85 billion (61.2 per cent) in 2009. Evidently, the deplorable state of the business environment in large part accounted for the slump. With the deregulation and liberalization of the power and energy sectors may induce an improvement in the business environment, which could improve the fortunes of direct investment inflow in the years ahead.

Portfolio investment recorded N428.85 billion or US$2.89 billion (i.e., 35.7 per cent of total investment) in 2010, compared with N107.84 billion, or US$0.73 billion (7.7 per cent) in 2009. Growth in portfolio investment soared from negative 31.4 per cent in 2009 to a phenomenal 297.7 per cent growth in 2010. With oversubscription of the Nigerian Eurobond issued in January 2011, the country's portfolio investment inflow is expected to improve still in 2011. In context, the Nigerian Eurobond is intended as a pricing benchmark against which corporate organisations can access the international capital markets for funds. This is expected to impinge positively on foreign direct investment inflows.

Other investment inflows including government borrowing, short term trade credit, and most transactions between Nigeria's Deposit Money Banks and the rest of the world, registered N158.20 billion or US$1.07 billion (13.2 per cent) of total investment inflows in 2010 as against N439.11 billion or US$2.98 billion (31.2 per cent) in 2009. This represents a contraction of 64.0 per cent in 2010 in contrast to an expansion of 568.6 per cent in 2009.

Table 3.47: Composition of Foreign Investment Inflows, 2008-2010

	2008	2009	2010	2009	2010	2009	2010	2009	2010
	(Naira Million)			Growth (%)		% of Total		Contribution to Total Growth (%)	
Foreign Investment Inflows	873,261.0	1,408,579.4	1,200,288.4	61.3	-14.8	100.0	100.0	100.0	100.0
Direct Investment	650,431.6	861,636.5	613,239.4	32.5	-28.8	61.2	51.1	39.5	119.3
Portfolio Investment	157,157.2	107,837.3	428,847.3	-31.4	297.7	7.7	35.7	-9.2	-154.1
Other investment Inflows	65,672.3	439,105.6	158,201.6	568.6	-64.0	31.2	13.2	69.8	134.9

Source: Central Bank of Nigeria

3.11 Balance of Payments

The current account surplus registered 4.0 per cent of GDP in the twelve months leading up to December 2010, compared with 13.1 per cent in 2009. A key feature of Nigeria's current account surplus is the large deficit on investment income and trade in services, reflecting net foreign liability positions. Investment income deficit rocketed from 1.9 per cent in 2009 to 51.4 per cent in 2010, resulting in the narrowing of current account surplus by 37.2 per cent as against 16.5 per cent in 2009. The widening investment income deficit was inspired by significant decrease in the compensation of employees' receipts and enhanced investment incomes payments from abroad. Lower receipts on compensation of employees was due to acute unemployment in industrial economies while the increase in investment incomes payments was facilitated by improved domestic conditions especially in oil and gas sector. Manifestly, the surplus in the current transfer contracted from a positive growth of 20.5 per cent in 2009 to -6.0 per cent in 2010.

The overall BOPs deficits as percentage of GDP narrowed at 7.74 in 2009 to 5.20 in 2010. Table below is the details on BOPs.

Table 3.48: Balance of Payments (Naira Million), 2008-2010

	2008 /2	2009 /2	2010 /1
Current Account	3,395,446.35	3,225,065.84	1,162,859.03
Goods	5,184,891.71	4,324,288.43	3,583,651.93
Exports fob	9,907,611.54	8,832,413.76	10,988,841.14
Oil	9,659,772.56	8,543,261.19	10,612,471.27
non-oil	247,838.99	289,152.57	376,371.36
Imports fob	- 4,722,719.84	- 4,508,125.33	- 7,405,189.21
Oil	- 1,261,924.24	- 1,017,748.81	- 1,399,975.11
non-oil	- 3,460,795.60	- 3,490,376.52	- 6,005,214.09
unrecorded(TPAdj)	-	-	-
Services(net)	- 2,547,340.25	- 2,284,030.00	- 2,677,926.07
Credit	268,321.83	331,683.26	431,420.94
Transportation	143,318.68	163,530.08	308,860.67
Travel	67,438.61	89,604.96	32,828.67
Insurance Services	43.85	112.88	144.05
Communication Services	3,533.47	5,448.99	6,941.16
Construction Services	-	-	-
Financial Services	1,766.73	3,092.67	2,774.09
Computer & information Services	-	-	-
Royalties and License Fees	-	-	-
Government Services	50,983.77	68,223.64	77,879.36
Personal, cultural & recreational services	-	-	-
Other Bussiness Services	1,236.71	1,670.04	1,991.46
Debit	- 2,815,662.08	- 2,615,713.27	- 3,109,348.49
Transportation	- 814,198.30	- 902,100.88	- 1,183,385.49
Travel	- 1,159,073.56	- 608,057.35	- 774,954.72

Insurance Services	- 120,181.58	- 57,769.48	- 73,822.18
Communication Services	- 27,793.09	- 51,096.13	- 38,899.58
Construction Services	- 7,953.72	- 6,465.99	- 13,018.01
Financial Services	- 3,769.03	- 7,363.50	- 4,908.11
Computer & information Services	- 26,333.41	- 27,716.75	- 34,116.21
Royalties and License Fees	- 22,561.20	- 31,032.73	- 24,115.84
Government Services	- 139,640.90	- 214,363.16	- 208,264.39
Personal, cultural & recreational services	- 51.35	- 53.89	- 10.40
Other Bussiness Services	- 494,105.94	- 709,693.40	- 753,855.03
Income(net)	- 1,463,834.37	- 1,491,905.97	- 2,258,906.84
Credit	278,765.18	154,203.77	155,483.98
Investment Income	263,708.42	133,640.17	138,257.32
Compensation of employees	15,056.76	20,563.60	17,225.18
Debit	- 1,742,599.54	- 1,646,109.74	- 2,414,390.82
Investment Income	- 1,738,447.01	- 1,640,561.93	- 2,408,095.66
Compensation of employees	- 4,152.53	- 5,547.81	- 6,295.16
Current transfers(net)	2,221,729.26	2,676,713.38	2,516,041.49
Credit	2,284,636.19	2,745,752.47	2,589,719.62
General Government	22,967.55	30,632.16	51,518.11
Other Sectors	248.49	639.67	2,538,200.02
Workers Remittance	2,261,420.16	2,714,480.64	2,537,381.76
Debit	- 62,906.93	- 69,039.09	- 73,678.13
General Government	- 14,046.72	- 17,492.73	- 23,438.65
Other Sectors	- 46,118.25	- 47,318.24	- 46,011.52
Workers Remittance	- 2,741.97	- 4,228.12	- 4,227.96
Capital and Financial Account	- 793,424.37	2,543,560.58	1,877,311.05
Capital account(net)	-	-	-
Credit	-	-	-

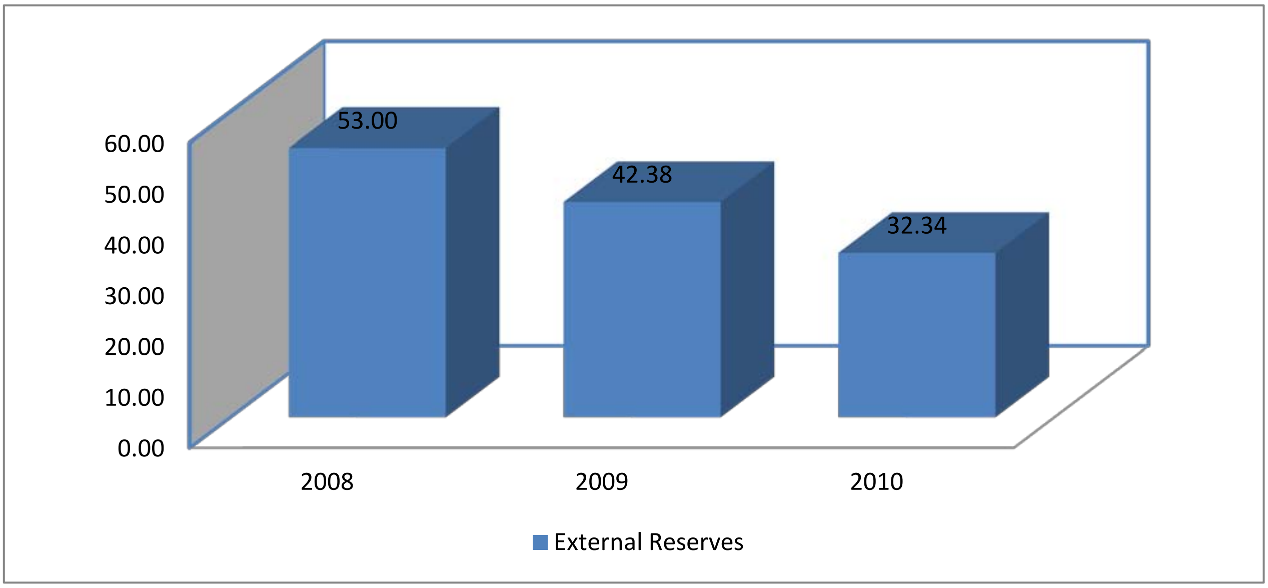
Capital Transfers(Debt Forgiveness)	-	-	-
Debit	-	-	-
Capital Transfers	-	-	-
Financial account(net)	- 793,424.37	2,543,560.58	1,877,311.05
Assets	- 1,666,685.39	1,134,981.15	677,022.64
Direct investment (Abroad)	- 42,197.41	- 20,772.45	- 18,487.47
Portfolio investment	- 560,498.52	- 135,799.43	- 150,051.64
Other investment	- 867,621.63	- 272,140.68	- 645,915.15
Change in Reserve	- 196,367.83	1,563,693.71	1,491,478.39
Liabilities	873,261.02	1,408,579.42	1,200,288.41
Direct Invesment in reporting economy	650,431.55	861,636.52	613,239.44
Portfolio Investment	157,157.16	107,837.28	428,847.34
Other investment liabilities	65,672.31	439,105.63	158,201.64
Net Errors and Omissions	- 2,602,021.98	- 5,768,626.42	3,040,170.08
Memorandum Items:	2008 /2	2009 /2	2010 /1
Current Account Balance as % of G.D.P	13.97	13.01	4.05
Capital and Financial Account Balance as % of G.D.P	- 3.27	10.26	6.54
Overall Balance as % of G.D.P	0.81	- 7.74	- 5.20
External Reserves - Stock (US $ million)	53,000.36	42,382.49	32,339.25
Number of Months of Imports Equivalent	15.86	16.61	7.78
External Debt Stock (US$ million)	3,720.00	3,947.30	4,578.77
Debt Service Due as % of Exports of Goods	-	-	-
and Non Factor Services	-	-	-
Effective Central Exchange Rate (N/$)	117.78	147.27	148.51
Average Exchange Rate (N/$)	118.57	148.88	150.30
End-Period Exchange Rate (N/$)	132.56	149.58	150.66
1/ Provisional			
2/ Revised			

Source: Central Bank of Nigeria

Oversea Reserves

Nigeria's official external reserves was US$32.34 billion in 2010 and $42.38 billion in 2009, representing a decrease of $10.04 billion or 23.69 per cent. In 2009 it depleted by $10.62 billion or 20.04 per cent. At $32.34 billion, the external reserves could support over 7 months of imports equivalent as against 16.61 months in 2009.

Figure 3.46: Official External Reserves (US$'Billion), 2008-2010



Source: Central Bank of Nigeria

4.0 Economic Prospects for 2011

Outlook for Nigeria in 2011 remains positive. The Nigerian economy is expected to continue on its growth trajectory in 2011. The real Gross Domestic Product is projected to grow at 8.5 per cent in 2011 and will be driven by oil and gas, due to the pace of recovery in the advanced economies, crisis in the Middle East and sustenance of the peace initiatives in the oil producing Niger Delta, given rise to increased crude oil production and enhanced oil revenue receipts. The global economy is expected to grow at 4.4 per cent in 2011 with growth in advance and emerging/developing economies projected at 2.4 per cent and 6.5 per cent respectively. Growth of output in China, India and Sub-Sahara Africa is put at 10.3, 10.4 and 5.5 per cent respectively. This will translate to 2.4 per cent growth in domestic oil and gas output in 2011.

Growth in the domestic economy will also be supported by agriculture at 5.7 per cent, manufacturing at 7.6 per cent, telecommunications/postal services at 34.5 per cent, wholesale and retail trade at 11.2 per cent, building and construction/ real estate at 11.5 per cent, etc. Improved growth in the sectors of the economy will be enhanced by improved domestic demand and reduction in supply-related constraints to production. This is in line with the expected improved coordination and management of the Nigerian economy within the framework of the NV20:2020. The passing into law of the Development Planning and Continuity Bill and the streamlining of budget process to ensure greater clarity of role, strengthening of monitoring and evaluation of programme's output, outcome and impacts are all expected to improve growth in 2011.

The major down-side risks to growth will include high rate of youth unemployment, high inflation rate, high budget deficit, high costs of imported intermediate goods due to depreciation of the Naira, credit squeeze to the private sector, divergence between annual capital budget and medium term plan for 2011, depleting foreign reserves and excess crude oil account, mounting domestic public sector debt and high lending interest rates. Other downside risks include volatile oil crude prices, terrorist attacks, infrastructure deficits particularly electric power, etc.

5.0 Conclusion

The Annual performance review of the Nigerian economy confirmed an improved real Gross Domestic Product and per capita GDP in 2010 by 7.87 per cent and 4.5 per cent respectively. It highlighted both non-oil and Oil GDP as the drivers of growth with growth rates of 8.43 per cent and 4.98 per cent respectively, as against 8.32 and 0.45 per cent in 2009. The recovery in Government final consumption expenditure and external sector demand were also very supportive to growth. Additional disclosure showed that the improved non-oil growth in 2010 was largely attributed to the growth progress achieved in telecommunications, building and construction and hotel and restaurants.

However, the pace of growth in non-oil GDP and overall GDP was mainly eased by the weaker growth in agriculture, wholesale and retail trade and manufacturing. Similarly, the slump in gross capital formation and private final consumption expenditure was not consistent with the improved growth in GDP.

The major threats to sustainable growth of the economy remains the persistent slow growth in bank credit to the private sector of the economy, high Government deficit spending, rising public sector domestic debt profile, high inflation pressures and unemployment rate particularly the youth.

In terms of revenue receipts, Government benefited from the global resource boom following improved global demand for commodities particularly crude oil. However, Government revenue receipts did not keep pace with a much higher growth in Government expenditure, leading to significant depletion of both official external reserves and excess crude oil account. Overall balance of payments narrowed during the year and high international reserves allowed the country to maintain a stable foreign exchange rate.

Successful enforcement of the minimum wage law, the implementation of the Roadmap on Power sector, AMCON initiatives, political reforms, fiscal consolidation, passage of PIB and the strengthening of long term planning, and monitoring and evaluation will ensure that Nigeria continue to build a positive business environment for growth and poverty alleviation.

ANNEXURES

Table A1: Gross Domestic Product at Basic Prices by Sector, 2009-2010

ACTIVITY SECTOR	Real GDP (Naira Billions)		Nominal GDP (Naira Billion)		% annual change		% Distribution		Contribution to Growth (percent)	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
Agriculture	299.82	316.73	9,186.31	10,273.65	5.88	5.64	41.70	40.84	35.59	29.89
Crop Production	267.18	282.05	8,200.92	9,159.98	5.83	5.57	37.16	36.37	31.45	26.30
Livestock	19.04	20.26	583.62	661.66	6.48	6.45	2.65	2.61	2.48	2.17
Forestry	3.80	4.02	111.07	124.28	5.85	5.84	0.53	0.52	0.45	0.39
Fishing	9.81	10.40	290.69	327.72	6.17	5.97	1.36	1.34	1.22	1.03
Industry	**187.03**	**197.91**	**8,480.91**	**10,904.90**	**2.85**	**5.81**	**26.01**	**25.52**	**11.09**	**19.23**
Crude Petroleum & Natural Gas	117.12	122.96	7,418.15	9,747.36	0.45	4.98	16.29	15.85	1.13	10.32
Solid Minerals	**2.37**	**2.67**	**40.61**	**45.66**	**12.08**	**12.28**	**0.33**	**0.34**	**0.55**	**0.52**
Coal Mining	0.00	0.00	0.00	0.00	8.85	8.76	0.00	0.00	0.00	0.00
Metal Ores	0.01	0.01	0.03	0.04	11.51	11.53	0.00	0.00	0.00	0.00
Quarrying & Other Mining	2.36	2.65	40.58	45.62	12.09	12.29	0.33	0.34	0.54	0.51
Manufacturing	**29.99**	**32.28**	**612.31**	**647.82**	**7.85**	**7.64**	**4.17**	**4.16**	**4.67**	**4.05**
Oil Refining	0.98	1.05	53.96	61.27	6.95	7.01	0.14	0.14	0.14	0.12
Cement	0.61	0.68	19.56	22.12	10.83	10.85	0.09	0.09	0.13	0.12
Other Manufacturing	28.40	30.55	538.79	564.43	7.82	7.59	3.95	3.94	4.41	3.81
Utilities	**23.73**	**24.52**	**62.15**	**70.54**	**3.23**	**3.32**	**3.30**	**3.16**	**1.59**	**1.39**
Electricity	22.68	23.36	59.61	67.68	2.94	3.00	3.15	3.01	1.38	1.21
Water	1.05	1.15	2.54	2.86	10.19	10.21	0.15	0.15	0.21	0.19
Building & Construction	13.82	15.48	347.69	393.53	11.97	12.08	1.92	2.00	3.16	2.95
Services	**232.12**	**260.89**	**7,127.02**	**8,027.23**	**12.04**	**12.39**	**32.29**	**33.64**	**53.32**	**50.87**
Wholesale and Retail Trade	130.44	145.03	4,082.35	4,667.66	11.48	11.19	18.14	18.70	28.72	25.81
Hotel and Restaurants	3.47	3.89	98.96	113.68	11.89	12.01	0.48	0.50	0.79	0.74
Road Transport	17.53	18.73	475.91	495.11	6.91	6.81	2.44	2.41	2.42	2.11
Rail Transport & Pipelines	0.00	0.00	0.01	0.01	5.75	5.81	0.00	0.00	0.00	0.00
Water Transport	0.41	0.43	1.25	1.36	5.66	5.48	0.06	0.06	0.05	0.04
Air Transport	0.43	0.46	5.24	5.81	7.92	7.45	0.06	0.06	0.07	0.06
Transport Services	1.08	1.14	24.31	25.98	5.47	5.48	0.15	0.15	0.12	0.10
Telecommunications	25.81	34.83	254.20	260.77	34.73	34.93	3.59	4.49	14.22	15.94
Post	0.49	0.54	1.81	1.85	10.24	10.24	0.07	0.07	0.10	0.09
Financial Institutions	25.54	26.50	430.99	492.26	3.79	3.73	3.55	3.42	1.99	1.69

Insurance	1.08	1.18	13.24	15.23	9.60	9.21	0.15	0.15	0.20	0.18
Real Estate	12.17	13.47	1,142.37	1,262.79	10.94	10.66	1.69	1.74	2.57	2.29
Business Services (Not Health or education)	0.85	0.90	70.64	80.14	6.19	6.08	0.12	0.12	0.11	0.09
Public Administration	4.88	5.09	197.26	224.20	4.41	4.23	0.68	0.66	0.44	0.37
Education	1.44	1.58	47.10	56.01	10.01	9.79	0.20	0.20	0.28	0.25
Health	0.33	0.36	11.09	12.46	10.01	9.99	0.05	0.05	0.06	0.06
Private Non Profit Organisations	0.03	0.03	0.21	0.24	11.19	11.11	0.00	0.00	0.01	0.01
Other Services	5.56	6.11	267.19	308.64	9.89	9.88	0.77	0.79	1.07	0.97
Broadcasting	0.58	0.63	2.89	3.02	8.48	8.36	0.08	0.08	0.10	0.09
GDP BASIC PRICES	**718.98**	**775.53**	**24,794.24**	**29,205.78**	**6.96**	**7.87**	**100.00**	**100.00**	**100.00**	**100.00**

Table A2: Quarterly Naira Exchange Rates against selected Currencies

Period	US Dollar (N/$1)			Pound (N/£1)	Euro (N/€1)	CFAFr (N/CFAFr1)
	DAS/WDAS	IFEM	BDC			
2008 Q1	118.04	117.34	119.79	233.20	175.10	0.26
2008 Q2	117.84	117.67	118.82	229.87	182.24	0.28
2008 Q3	150.92	152.79	157.36	245.43	213.62	0.34
2008 Q4	150.55	151.08	154.37	243.97	219.57	0.33
2009 Q1	146.88	148.35	160.38	208.09	189.05	0.29
2009 Q2	147.76	148.89	175.68	226.53	199.16	0.30
2009 Q3	150.92	152.79	157.36	245.43	213.62	0.34
2009 Q4	149.97	150.35	153.16	242.95	219.75	0.33
2010 Q1	149.94	150.46	152.49	231.88	205.59	0.31
2010 Q2	150.13	151.05	153.04	218.73	184.90	0.28
2010 Q3	150.47	151.20	152.50	230.94	192.55	0.29
2010 Q4	150.65	151.65	153.89	235.97	203.08	0.31

Source: Compute from CBN Data

Table A3: Components of Core Inflation (Year-on-Year % change)

	Clothing & footwear	Housing, water, electricity, gas, &other fuel	Furnishings & household equipments & Maintenance	Health	Transport	Communication	Recreation & culture	Educ	Restaurant & Hotels	Miscellaneous & services
Weight	76.502	167.34	50.265	30.04	65.08	6.789	6.909	39.435	12.12	16.63
Jan-09	12.45	9.06	11.57	15.84	5.42	16.78	5.51	17.26	29.23	14.36
Feb-09	12.06	8.66	11.34	18.29	2.12	17.14	6.54	16.75	28.05	14.93
Mar-09	14.03	11.17	9.19	15.02	7.81	18.55	5.01	20.16	25.77	19.61
Apr-09	9.03	10.13	9.84	13.02	6.50	3.36	6.28	21.25	22.43	18.56
May-09	6.56	10.24	6.05	9.51	9.13	- 0.47	6.20	23.21	9.03	9.38
Jun-09	4.65	8.92	3.77	9.26	6.55	0.64	7.12	18.07	7.15	13.18
Jul-09	3.94	8.25	13.07	8.81	3.17	2.22	6.44	16.13	4.92	8.87
Aug-09	3.62	6.34	14.64	10.10	5.11	4.30	6.15	18.79	3.51	13.59
Sep-09	3.72	4.92	12.99	10.00	7.52	3.54	5.45	19.91	2.98	12.62
Oct-09	3.81	6.67	12.57	9.73	8.13	3.22	4.94	15.43	1.39	10.22
Nov-09	4.30	8.69	14.75	6.19	12.15	2.97	6.50	17.74	2.09	9.79
Dec-09	4.71	7.21	16.80	5.98	12.04	2.98	8.95	15.88	3.08	9.47
Jan-10	5.52	9.02	18.02	6.03	12.92	2.60	9.94	16.79	7.37	10.02
Feb-10	6.60	10.46	19.82	6.37	16.04	3.30	7.17	20.33	5.86	12.59
Mar-10	7.67	10.42	20.29	6.35	15.21	3.62	11.49	17.34	5.41	9.98
Apr-10	7.84	10.02	15.84	3.76	13.19	3.41	10.36	18.23	8.27	11.28
May-10	9.53	8.23	15.57	5.69	10.77	3.20	9.24	17.71	9.85	13.47
Jun-10	12.38	8.85	23.56	8.38	14.20	5.16	7.94	15.16	5.75	12.09
Jul-10	12.69	6.94	9.81	8.44	16.21	3.18	6.46	12.54	6.13	12.04
Aug-10	13.79	7.95	10.03	10.36	16.59	- 0.86	7.02	6.61	6.01	11.24
Sep-10	13.47	11.31	13.56	10.29	18.19	0.60	11.10	8.80	7.15	11.55
Oct-1-	13.23	11.54	14.25	12.20	11.57	2.46	12.37	12.67	9.60	10.91
Nov-10	12.00	12.60	13.10	11.10	11.70	2.00	7.80	7.70	8.20	12.80
Dec-10	12.02	12.97	11.31	10.71	10.90	2.40	5.79	7.49	6.82	10.23

Source: NBS