

# **The Current Crisis and Macroeconomic Statistics: Statistical Initiatives and Challenges at the Central Bank of Nigeria**

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## **Abstract**

What is now crystal clear is that the current global financial crisis (GFC) has created new demands for macroeconomic statistics. The Statistics Department of the Central Bank of Nigeria (CBN) is strategically repositioning herself to provide the macroeconomics statistics gaps created by the GFC. This paper discussed the Statistics Department initiatives and challenges in trying to capture all the informational gaps exposed by the GFC. The initiatives are to make data more accessible and timely, as well as address the new data needs, mostly in monetary and financial statistics, national accounts, balance of payments and international investment position, and government finance statistics.

\*The views expressed in this paper are those of the Author and do not represent those of the Central Bank of Nigeria.

## 1. INTRODUCTION

As for how and where did this financial crisis begin?, Adedipe (2009) quotes British comedians, John Bird and John Fortune, putting it succinctly as: “a collapse of the US sub-prime mortgage market and the reversal of the housing boom in other industrialized economies have had a ripple effect around the world. Furthermore, other weaknesses in the global financial system have surfaced. Some financial products and instruments have become so complex and twisted, that as things start to unravel, trust in the whole system started to fail.”

The trade and development report 2008 however, summarized causes of the Global Financial Crisis (GFC) to five factors, these are:

- (1) The global fallout from the financial crisis in the United States.
- (2) The bursting of the housing bubbles in the US and in other large economies.
- (3) Soaring commodity prices.
- (4) Increasingly restrictive monetary policies in a number of countries.
- (5) Stock market volatility.

According to Sanusi (2010), “the world economy was hit by an unprecedented financial and economic crisis in 2007-2009, tipped into recession by the sub-prime crisis in the US in August 2007. This crisis led to the collapse of many world renowned financial institutions and even caused an entire nation to be rendered bankrupt. In Nigeria, the economy faltered and the banking system experienced a crisis in 2009, triggered by global events. The stock market collapsed by 70% in 2008-2009 and many Nigerian banks had to be rescued. In order to stabilize the system and return confidence to the markets and investors, the Central Bank of Nigeria (CBN) injected ₦620billion of liquidity into the banking sector and replaced the leadership at eight Nigerian banks. Since then, the sector has considerably stabilised”. He also stated that, in Nigeria, eight main interdependent factors led to the creation of an extremely fragile financial system that was tipped into crisis by the global financial crisis and recession. Each of these factors is serious on its own right. Acted together they brought the entire Nigerian financial system to the brink of collapse.

These eight factors were –

1. Macro-economic instability caused by large and sudden capital inflows
2. Major failures in corporate governance at banks
3. Lack of investor and consumer sophistication
4. Inadequate disclosure and transparency about financial position of banks
5. Critical gaps in regulatory framework and regulations
6. Uneven supervision and enforcement
7. Unstructured governance & management processes at the CBN/Weaknesses within the CBN
8. Weaknesses in the business environment

In tackling the menace of GFC the Nigeria’s Central Bank Governor stated that the CBN is pursuing a four pillar reform programme, where in most areas, CBN would take the lead in implementing reforms while in other areas, CBN would play a key advocacy role.

The four pillars are -

Pillar 1: Enhancing the quality of banks

Pillar 2: Establishing financial stability

Pillar 3: Enabling healthy financial sector evolution

Pillar 4: Ensuring the financial sector contributes to the real economy

While elaborating further on the reforms the CBN Governor stressed that in the first part, the industry remedial programmes will include a set of initiatives to fix the key causes of the crisis, namely **data quality**, enforcement, governance, risk management and financial crime. Like wise in terms of monetary policy the CBN Governor categorically observed that informed decision-making by the MPC and the Financial Services Regulation Coordinating Committee (FSRCC) will be possible with **better data and analysis** following investment in the CBN's analytical function.

From the above statements of the Nigeria's Central Bank Governor, Sanusi Lamido Sanusi, it's conspicuous that Nigeria also had its own share of the shot of the GFC and its striving strategically to mitigate the effects.

This paper discussed how the Statistics Department of the CBN is strategically repositioning herself to provide the macroeconomics statistics gaps created by the GFC and the domestic data needs. The initiatives and challenges in trying to capture all the informational gaps are highlighted. After this introduction the next section gives the background and functions of the statistics department. The initiatives and challenges of capturing the general macroeconomics statistics for domestic needs and informational gaps created by the GFC are discussed in section three. In section 4, some more data gaps were enumerated while in section five some recommendations were given.

## **2. BACKGROUND AND FUNCTIONS OF STATISTICS DEPARTMENT**

The CBN is the apex regulatory authority in the Nigerian financial system. It was established by the CBN Act of 1958 and commenced full operation on July 1, 1959 with an initial capital of £17.0 million. The Bank is responsible for formulating and implementing monetary and financial policies to achieve and maintain economic stability. The core mandates of the Bank, as spelt out in the new CBN Act (2007) are to, (1) ensure monetary and price stability, (2) issue legal tender currency in Nigeria, (3) maintain Nigeria's external reserves to safeguard the international value of the legal currency, (4) promote a sound financial system in Nigeria, and (5) act as banker and provide economic and financial advice to the Federal Government of Nigeria (FGN).

Over the years, the Bank has consistently ensured discreet macroeconomic management and a sound financial system through prudent regulatory framework; enhanced payment system; strengthening/restructuring of weak institutions under her supervision; and where it became inevitable, initiated the closure of insolvent institutions.

As part of the process of reengineering the CBN under project EAGLES, especially in the aspect of production of statistics to support monetary policy formulation and implementation, the Bank's management approved the carving out of Statistics Department (STD), from the former Research and Statistics Department in February 2008. This is aimed at improving the quality and timeliness of the monetary, financial and balance of payments statistics, which are key inputs for achieving the Bank's strategic goals. The STD under Economic Policy Directorate is therefore mandated to collect, analyze and manage data on all sectors of the economy, in order to provide statistical support to the Bank, the government, international organizations and other stakeholders. Thus, beyond supporting the Bank with requisite statistics to deliver on her core mandate, the STD also responds to data requests of other stakeholders, such as government, MDAs, OPS, International Organizations, the academia, among others.

The major functions of STD are:

- (1) To collect and compile monetary and financial data in particular and, on macroeconomic variables, in general, of various periodicity.
- (2) To prepare methodological manuals for macroeconomic statistics compilation in conformity with the provision of GDDS, SDDS and Systems of National Accounts (SNA).
- (3) To manage the central repository of all data produced by the CBN to avoid data conflict.
- (4) To compile leading and financial stability/soundness indicators that would aid policy analysis.
- (5) To compile international banking and other statistics for benchmarking Nigeria's economic progress and attainment.
- (6) To undertake statistical modeling and, forecast the future paths of major economic indicators.
- (7) To publish and disseminate economic and financial statistics to Government, policy makers, and other users on timely basis in tune with best statistical practices and standards.
- (8) To conduct collaborative/periodic surveys on consumer confidence, business conditions/expectations, inflation attitudes and other surveys using standard survey methodology.

The CBN however, disseminates statistics generated through different media. These include press briefings, publications, seminars, workshops and on her website – <http://www.cbn.gov.ng>. The Bank's library, which is accessible to the general public, holds various publications on diverse subjects including the latest journals of the International Statistical Associations and Societies. Some of the Bank's publications include the CBN Annual Report and Statement of Accounts, Statistical Bulletin, CBN Briefs, Occasional Papers, CBN Economic and Financial Reviews, CBN Bullion and most recently CBN journal of Applied Statistics.

### **3. STATISTICS DEPARTMENT AND GFC: DOMESTIC AND INTERNATIONAL DATA REQUIREMENTS**

The establishment of CBN statistics department and the advent of GFC coincided. The STD took off in February 2008 and by September the GFC has already started hitting the Nigerian economy. The question then is should STD focus on domestic data requirements or the data gaps created by the GFC? Both are extremely important and are the uphill tasks that must be accomplished by the STD.

It is a fact that the principal reason for the establishment of STD is the production and dissemination of macroeconomics statistics for domestic monetary policy formulation but with the manifestation of GFC the department had no option than to take the Bull by the Horn and address holistically and comprehensively the data needs of both domestic and the GFC. The department had since being receiving technical assistance from the IMF Statistics department on the compilation and dissemination of macroeconomic statistics. The most recent, IMF mission visited the Statistics Department (STD) during March 4 – 17, 2010 to provide TAs on the compilation of Monetary, External, Fiscal and National Accounts Statistics.

At take-off the STD had 3 Divisions and 9 Offices, as well as 18 Branch Offices in some states of the federation. However, in order to effectively address data gaps created by the GFC, the STD has now being restructured to comprise 5 Divisions, 10 offices as well as 12 Branch offices. As at July, 2010 there are 85 staff out of the 166 required and most of them require rigorous training in collection, compilation, analysis and dissemination of macroeconomics statistics.

Notwithstanding the shortage of high skilled manpower the department had being trying to weather the storm. Summarize below are some of the initiatives, challenges and the proposed way forward for the department.

**Table 1: Statistical Initiatives, Challenges and Way Forward at the Central bank of Nigeria**

| Sector   | Initiatives in addressing domestic and GFC data needs   | Challenges  | Way forward   |
|--|---|---|---|
| Financial Sector (money and banking statistics)            | <p>Monthly Monetary survey (SRF)</p> <p>Central Banking Activities (SRF)</p> <p>Deposit Money Banks (DMBs) Activities</p> <p>Discount Houses Activities</p> <p>DMBs Interest Rates Compilation</p> <p>Money Market Statistics Update</p> <p>IFS-IMF Statistics Update</p> <p>Finance Companies Activities</p> <p>Primary Mortgage Institutions (PMI) Activities</p> <p>Microfinance Banks (MFB) Activities</p> <p>Insurance Operations Report</p> <p>Capital Market Activities Report</p> <p>Quarterly Other Financial Institutions (OFI) Activities Report</p> <p>Compilation of pension fund activities</p> <p>Compilation of financial soundness indicators (FSIs)</p> | <p>Occasional data inconsistency with DMBs' returns.</p> <p>Non uploading of fully disaggregated MBR 300 of deposit taking institutions on the Data Submission System (DSS) of the e-FASS;</p> <p>Non-reporting of other deposit taking institutions (PMI, MFB) and other non-bank financial institutions on electronic Financial Analysis and Surveillance System (eFASS).</p> | <p>The Monetary and Financial Statistics Division (MFSD) should be split into two divisions to enable a division focus on financial institutions and the other on monetary institutions.</p> <p>Uploading of the disaggregated DMBs returns schedules/attachments on the DSS of the eFASS.</p> <p>Incorporation of PMIs and MFBs templates on the eFASS and their commencement of rendition of returns.</p> <p>There is need for effective collaboration with other institutions/agencies both local and international.</p> |
| Fiscal Sector (Govt. Finance Statistics)                   | <p>Compilation of Budgets Statistics</p> <p>Compilation of Domestic Debt Statistics</p> <p>Compilation of Expenditures Statistics</p> <p>Compiles Federation Account Allocation Statistics</p> <p>Compilation of Functional and Economic Classification of Government Expenditure.</p> <p>Compilation of Grants and other International Aid Statistics</p> <p>Compilation of Revenue Statistics.</p> <p>Migration from the IMF GFSM 1986 to GFSM 2001.</p>  | <p>Training of staff on how to use GFSM2001 as it is the best international method of reporting government finance statistics and it provides a comprehensive analytical framework within which the national statistics can be summarized and presented, suitable for analysis, planning and policy purposes.</p>   | <p>The Government Finance Statistics Office (GFSO) should be made a division of its own.</p> <p>Successful migration from GFSM1986 to GFSM2001 will lead to recording fiscal economic events in disaggregated way The migration process should be fast-tracked so that government finance statistics will be reported in the International Financial Statistics (IFS) publication by the IMF. Presently, there is no record of government finance statistics for Nigeria in any of the IMF publications.</p>                |
| Real Sector (real sector statistics)                       | <p>The preparation of a standardized Monthly Inflation Report</p> <p>Analyses of the decomposed CPI on monthly basis.</p> <p>Improved Methodological Framework on CPI and Inflation forecast (Six months ahead)</p> <p>The Preparation of a standardized Report on Quarterly/Annual Gross Domestic Product (GDP) (Nominal and Real)</p>   | <p>Availability of timely data from the National Bureau of Statistics (NBS).</p> <p>Few members of staff of the office are skilled in forecasting techniques.</p>   | <p>The Real Sector Statistics Office (RSSO) should be made a division of its own.</p> <p>There should be support to NBS staff involved in data analysis to facilitate timely release of inflation data</p> <p>Training of all staff of the office on forecasting and forecasting techniques</p>   |
| External Sector (BoP and other external sector statistics) | <p>Publication of quarterly External Sector Monitor.</p> <p>Regular Publication of Quarterly and Annual Balance of Payments (BOP) and International</p>   | <p>Availability of timely and reliable data from data generating agencies and ministries.</p> <p>Low response rate in</p>   | <p>More stakeholders meetings with data generating agencies to ensure availability of administrative data on regular and timely basis as well as conduct of surveys.</p> <p>Specialized BOP/IIP tailored establishment</p>  |

|                                |  |  |  |
|--------------------------------|--|--|--|
|                                | Investment Position (IIP) Statistics.<br>Compilation of monthly Trade (imports and exports) and invisibles receipts/payments<br>Compilation of external sector data for various international organizations, such as the IMF, UNCTAD, World Bank, WAMA, WAMI and WAIFEM.                     | establishment surveys such as the Coordinated Direct Investments Survey (CDIS).<br>Over reliance on banks returns in the Electronic Financial Analysis and Surveillance System (e-FASS) for data for BOP and IIP compilation.<br>Paucity of data on some categories of transactions and Lack of specialized BOP/IIP surveys. | surveys.<br>Specialized BOP/IIP tailored establishment surveys.<br>Need to carry along the organized private sector bodies such as the Manufacturing Association of Nigeria (MAN) with respect to surveys.<br>There should be more technical meetings with relevant officials of DMBs to ensure their understanding of items in the e-FASS.<br>Exposure of compilers to more training especially the IMF courses.<br>Enhanced relationship management between the CBN and Nigeria Custom Services (NCS).<br>Organization of frequent stakeholders/"know your respondents" forum. |
| Survey Management Unit         | Conduct of monthly Business Sentiment Surveys.<br>Conduct of nation-wide retail price survey for the production of Retail Price Index (RPI)<br>Conduct of nation-wide Quarterly Business Expectations Survey.<br>Conduct of quarterly Consumer Expectations and Inflation Attitudes Surveys. | General apathy to data gathering and difficulty in collecting reliable, timely and adequate secondary data from other institutions.  | More stakeholders meetings with data generating agencies to ensure availability of administrative data on regular and timely basis as well as conduct of surveys.<br>Provision of Adequate Funds to conduct surveys.   |
| Data quality and dissemination | Establishment of Statistics Data warehouse<br>Bi-annual CBN Journal of Applied Statistics<br>Handbook of Statistical Methodologies<br>Annual Statistical Bulletin<br>Handbook of Key Financial and Statistical Terms.<br>CBN Statistics Policy / code of practice                            | Manpower shortage, especially trained statisticians.<br>Adequate funding for the Training Needs and Activities of the Department.  | Recruitment of trained statisticians to meet full staff complement.<br>Structured training to fill identified skill gaps on Statistical computing and methodology.<br>Urgent measure to ensure the completion of the Data warehouse.<br>The staff should be exposed to requisite skills in the macroeconomic accounts as taught by the IMF and other capacity building institutions<br>Staff exposure/attachment to key Institutions (International Monetary Fund, Bank for International settlement (BIS) and other relevant statistical institutions, etc)                     |

#### 4. DATA GAPS

STD of CBN was established during the hit of the GFC. The department therefore had no option than to holistically address the domestic data needs (of monetary policy) and the conspicuous data gaps created by the GFC as can be observed from the initiatives in the above table.

However, there are still some more initiatives that are needed in making data more accessible and timely as well as addressing new data needs arising from the crisis. They include:

- i. Compilation of aggregate leverage and maturity mismatches in the financial system
- ii. Compilation of risk transfer instruments, including data on the credit default swap markets.
- iii. Data collection on international financial network connections
- iv. Compilation of information on the financial linkages of systemically important global financial institutions
- v. Data collection on cross-border banking flows, investment positions, and exposures, in particular, to identify activities of nonbank financial institutions.
- vi. Sectoral coverage of national balance sheet and flow of funds data.
- vii. Compilation of data on real estate prices or housing statistics.

viii. Improving the communication of official statistics.

## **5. RECOMMENDATIONS**

- i. Work is needed to address the above listed Data Gaps.
- ii. STD should tailor most of its trainings toward understanding and the usage of SRF and IMF manuals.
- iii. STD staff should be sent on industrial attachment to IMF statistics, Euro stat, UNSD and other Central Banks worldwide for understudy.
- iv. A committee of STD and FPRD should be set up to provide better indicators of systemic risks and address data gaps.
- v. The FSRCC should cooperate and coordinate the identification of data gaps by the GFC and strengthen data collection and dissemination of principal financial indicators through its website.
- vi. NBS should re-activate the national committee on dissemination of Nigeria's data in IMF's website of GDDS and SDDS. The last posting of GDDS for Nigeria is 2005.

## **6. REFERENCES**

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## ACRONYMS

|                |   |
|----------------|---|
| ABS            | Analytical Balance Sheet  |
| BIS            | Bank of International Settlements   |
| CBN            | Central Bank of Nigeria   |
| CPI            | Consumer Price Index  |
| DHs            | Discount Houses   |
| DMBs           | Deposit Money Banks   |
| DSS            | Data Submission System  |
| eFASS          | electronic Financial Analysis and Surveillance System   |
| FGN            | Federal Government of Nigeria   |
| FPRD           | Financial Policy and Regulation Department  |
| FSRCC          | Financial Services Regulation Coordinating Committee  |
| GDDS           | General Data Dissemination System (GDDS)  |
| GFC            | Global Financial Crisis   |
| GFSM           | Government Finance Statistics Manual  |
| GFSO           | Government Finance Statistics Office  |
| IFS            | International Financial Statistics  |
| IMF            | International Monetary Fund   |
| MDAs           | Ministries, Departments and Agencies  |
| NBS            | National Bureau of Statistics   |
| OAGF           | Office of the Accountant General of the Federation  |
| OFI            | Other Financial Institutions  |
| OPS            | Organized Private Sector  |
| Project EAGLES | EAGLES: Efficiency Accountability Goal Orientation Leadership<br>Effectiveness and Staff Motivation |
| SNA            | Systems of National Accounts  |
| SDDS           | Special Data Dissemination Standard   |
| SSDS           | Sector Strategy for the Development of Statistics   |

|        |  |
|--------|--|
| STD    | Statistics Department  |
| RSSO   | Real Sector Statistics Office                                |
| TAs    | Technical Assistances  |
| UNCTAD | United Nations Conference on Trade and Development           |
| UNSD   | United Nations Statistics Division                           |
| WAIFEM | West African Institute for Financial and Economic Management |
| WAMA   | West African Monetary Agency                                 |
| WAMI   | West African Monetary Institute                              |