The current crisis and macroeconomic statistics: statistical initiatives and challenges at the Central Bank of Nigeria

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1. Introduction

As for how and where this financial crisis began, Adedipe (2009) quotes British comedians John Bird and John Fortune, putting it succinctly: "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 started to unravel, trust in the whole system started to fail."

UNCTAD's *Trade and Development Report 2009*, however, summarized five factors as causes of the global financial crisis (GFC):

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 Nigeria's Central Bank Governor, Mallam Sanusi Lamido Sanusi (2010), "the world economy was hit by an unprecedented financial and economic crisis in 2007–09, 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 2008–09 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 ₦620 billion of liquidity into the banking sector and replaced the leadership at eight Nigerian banks. Since then, the sector has considerably stabilized." 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 in its own right. Acting together they brought the entire Nigerian financial system to the brink of collapse.

These eight factors were:

1.   Macroeconomic 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 with respect to the financial position of banks.

5. Critical gaps in regulatory frameworks and regulations.

6. Uneven supervision and enforcement.

7. Unstructured governance and management processes at the CBN and weaknesses within the CBN.

8. Weaknesses in the business environment.

In tackling the menace of the GFC, Nigeria's Central Bank Governor stated that the CBN was pursuing a four-pillar reform program that called for CBN to take the lead in implementing reforms in most areas, 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 that the financial sector contributes to the real economy.

While elaborating further on the reforms, the CBN Governor stressed that in the first part of the first pillar, the industry remedial programs will include a set of initiatives to fix the key causes of the crisis, namely **data quality**, enforcement, governance, risk management and financial crime. Likewise, in terms of monetary policy the CBN Governor categorically observed that informed decision-making by the Monetary Policy Committee 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 Central Bank Governor Sanusi, it's obvious that Nigeria also suffered its share of the repercussions of the GFC and is striving strategically to mitigate the effects.

This paper discusses how the Statistics Department of the CBN is strategically repositioning itself to provide the macroeconomic statistics needed to fill the gaps revealed by the GFC and meet domestic data needs. The initiatives and challenges involved 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 macroeconomic statistics for domestic needs and informational gaps revealed by the GFC are discussed in Section 3. In Section 4, some more data gaps are enumerated, while in Section 5 some recommendations are given.

2. Background and functions of the Statistics Department

The CBN is the top regulatory authority in the Nigerian financial system. It was established by the CBN Act of 1958 and commenced full operation on 1 July 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 spelled out in the new CBN Act (2007), are to: (1) ensure monetary and price stability, (2) issue legal tender 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.

Over the years, the Bank has consistently ensured discreet macroeconomic management and a sound financial system through a prudent regulatory framework; enhanced payment system; strengthening/restructuring of weak institutions under its supervision; and, when necessary, closure of insolvent institutions.

As part of the process of reengineering the CBN under project EAGLES, especially with respect to the production of statistics to support monetary policy formulation and implementation, the Bank's management approved the creation of the Statistics Department (SD), which was carved out of the former Research and Statistics Department in February 2008. This move was 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 SD, under the 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 the statistics it requires to deliver on its core mandate, the SD also responds to data requests from other stakeholders, such as the government, MDAs, OPS, international organizations and academia, among others.

The major functions of SD are:

1. To collect and compile monetary and financial data in particular and data on macroeconomic variables, in general, of various periodicity.

2. To prepare methodological manuals for macroeconomic statistics compilation in conformity with the provisions of GDDS, SDDS and System 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, policymakers and other users on a timely basis in accordance with the best statistical practices and standards.

8. To conduct collaborative periodic surveys on consumer confidence, business conditions and expectations, inflation attitudes and other surveys using standard survey methodology.

The CBN disseminates statistics through different media. These include press briefings, publications, seminars, workshops and the CBN's 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 the GFC: domestic and international data requirements

The establishment of CBN's Statistics Department coincided with the onset of the GFC. The SD took off in February 2008 and by September the GFC had already started affecting the Nigerian economy. The question then is should the SD focus on domestic data requirements or on the data gaps revealed by the GFC? Both are extremely important and are the uphill tasks that must be accomplished by the SD.

It is a fact that the principal reason for the establishment of the SD was the production and dissemination of macroeconomic statistics for domestic monetary policy formulation, but with the eruption of the GFC the Department had no option other than to take the bull by the horns and address holistically and comprehensively both domestic and GFC data needs. The Department has since been 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 during 4–17 March 2010 to provide technical assistance on the compilation of monetary, external, fiscal and national accounts statistics.

Initially, the SD had three divisions and nine 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 SD has been restructured to comprise five divisions, 10 offices and 12 branch offices. As at July 2010 there were 85 staff members out of the 166 required, and most of them require rigorous training in collection, compilation, analysis and dissemination of macroeconomic statistics.

Notwithstanding the shortage of highly skilled manpower, the Department has been trying to weather the storm. Summarized in Table 1 are some of the Department's initiatives and challenges and the proposed way forward.

<table>
<tr><td colspan="4" align="center">Table 1

Statistical Initiatives, Challenges and Way Forward at the Central bank of Nigeria</td></tr>
<tr><td align="center">**Sector**</td><td align="center">**Initiatives in addressing domestic and GFC data needs**</td><td align="center">**Challenges**</td><td align="center">**Way forward**</td></tr>
<tr><td>Financial Sector (money and banking statistics)</td><td>*Monthly Monetary survey Report.*
Central Banking Activities Report.
Deposit Money Banks (DMBs) Activities Report.
Discount Houses Activities Report.
DMBs interest rates compilation.
Money market statistics update.
IFS-IMF statistics update.
Finance Companies Activities Report.</td><td>Non-reporting of other deposit taking institutions (PMI, MFB) and other non-bank financial institutions on electronic Financial Analysis and Surveillance System (eFASS).</td><td>Incorporation of PMIs and MFBs templates on the eFASS and their commencement of rendition of returns.
There is also need for effective collaboration with other institutions/agencies both local and international.</td></tr>
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	Table 1 (cont)		
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) (cont)	*Primary Mortgage Institutions (PMI) Activities Report.* *Microfinance Banks (MFB) Activities Report.* *Insurance Operations Report.* *Capital Market Activities Report.* *Quarterly Other Financial Institutions (OFI) Activities Report.* *Pension Fund Activities Report.* Compilation of financial soundness indicators (FSIs).		
Fiscal Sector (Govt. Finance Statistics)	Compilation of budgets statistics. Compilation of domestic debt statistics. Compilation of expenditures statistics. Compilation federation account allocation statistics. Compilation of functional and economic classification of government expenditure. Compilation of grants and other international aid statistics. Compilation of revenue statistics. Migration from the IMF GFSM 1986 to GFSM 2001.	Staff skills gap in transformation to GFSM2001	Training of Staff to bridge the skills gap in transformation to GFSM2001.
Real Sector (Real Sector Statistics)	*Standardized Monthly Inflation Report* *standardized Report on Quarterly / Annual Gross Domestic Product (GDP) (Nominal and Real)*	Availability of timely data from the National Bureau of Statistics (NBS).	There should be effective collaboration and support to the NBS.

Table 1 (cont)			
Statistical Initiatives, Challenges and Way Forward at the Central bank of Nigeria			
Sector	**Initiatives in addressing domestic and GFC data needs**	**Challenges**	**Way forward**
External Sector (BoP and other external sector statistics)	*Quarterly External Sector Monitor.* *Quarterly and Annual Balance of Payments (BOP) and International Investment Position (IIP) Statistics.* Compilation of monthly trade (imports and exports) and invisibles receipts/payments Compilation of external sector data for various international organizations, such as the IMF, UNCTAD, World Bank, WAMA, WAMI and WAIFEM.	Lack of timely and reliable data from data generating agencies and ministries. Low response rate in establishment surveys such as the Coordinated Direct Investments Survey (CDIS). Over reliance on banks returns in the Electronic Financial Analysis and Surveillance System (e-FASS) for data for BOP and IIP compilation.	More stakeholders meetings with data generating agencies to ensure availability of administrative data on regular and timely basis as well as conduct of surveys. Specialized BOP/IIP tailored establishment surveys. Specialized BOP/IIP tailored establishment surveys. Need to involve the organized private sector bodies such as the Manufacturing Association of Nigeria (MAN) with respect to surveys. There should be more technical meetings with relevant officials of DMBs to ensure their understanding of items in the e-FASS. Exposure of compilers to more training especially the IMF courses. Enhanced relationship management between the CBN and Nigeria Custom Services (NCS). Organization of frequent stakeholders/"know your respondents" forum.
Survey Management Unit	Conduct of monthly business sentiment surveys. Conduct of nation-wide retail price survey for the production of retail price index (RPI) Conduct of nation-wide quarterly business expectations survey. 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.

Table 1 (cont) Statistical Initiatives, Challenges and Way Forward at the Central bank of Nigeria			
Sector	**Initiatives in addressing domestic and GFC data needs**	**Challenges**	**Way forward**
Statistical Systems Management (Data quality and dissemination)	Establishment of Statistics Data warehouse *Bi-annual CBN Journal of Applied Statistics* *Handbook of Statistical Methodologies* *Annual Statistical Bulletin.* *Handbook of Key Financial and Statistical Terms.* *CBN Statistics Policy / code of practice.*	Manpower shortage, especially trained statisticians/data analyst.	Recruitment of trained statisticians to meet full staff complement. Structured training to fill identified skill gaps on Statistical computing and methodology. The staff should be exposed to requisite skills in the macroeconomic accounts as taught by the IMF and other capacity building institutions Staff exposure/attachment to key Institutions (IMF, BIS and other relevant statistical institutions, etc)

4. Data gaps

The Statistics Department of the Central Bank of Nigeria was established during the GFC. The Department therefore had no option other 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 to make data more accessible and timely as well as to address new data needs arising from the crisis. They include:

1. Compilation of aggregate leverage and maturity mismatches in the financial system.

2. Compilation of risk transfer instruments, including data on the credit default swap markets.

3. Data collection on international financial network connections.

4. Compilation of information on the financial linkages of systemically important global financial institutions.

5. Data collection on cross-border banking flows, investment positions and exposures, in particular to identify activities of non-bank financial institutions.

6. Sectoral coverage of national balance sheet and flow of funds data.

7. Compilation of data on real estate prices and housing statistics.

8. Improvement of the dissemination of official statistics.

5.   Recommendations

1.   Work is needed to address the data gaps listed above.

2.   SD should tailor most of its training to the understanding and use of SRF and IMF manuals.

3.   SD staff should be seconded to the IMF Statistics Department, Eurostat, UNSD and other central banks worldwide for training.

4.   A committee of SD and FPRD should be set up to provide better indicators of systemic risks and address data gaps.

5.   The FSRCC should cooperate and coordinate the identification of data gaps resulting from the GFC and strengthen data collection and dissemination of principal financial indicators through its website.

6.   NBS should reactivate the National Committee on Dissemination of Nigeria's data on the IMF's GDDS and SDDS website. The last posting of GDDS for Nigeria was in 2005.

Acronyms

ABS	Analytical Balance Sheet
BIS	Bank for 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	Efficiency Accountability Goal Orientation Leadership Effectiveness and Staff Motivation
SNA	System of National Accounts
SDDS	Special Data Dissemination Standard
SSDS	Sector Strategy for the Development of Statistics
SD	Statistics Department
RSSO	Real Sector Statistics Office
TA	Technical assistance
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

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