

2023

SPECIAL
RESEARCH
REPORT



MINI REPORT SERIES

Building a Stairway to a Shared Prosperity for All Nigerians



APRIL 2023

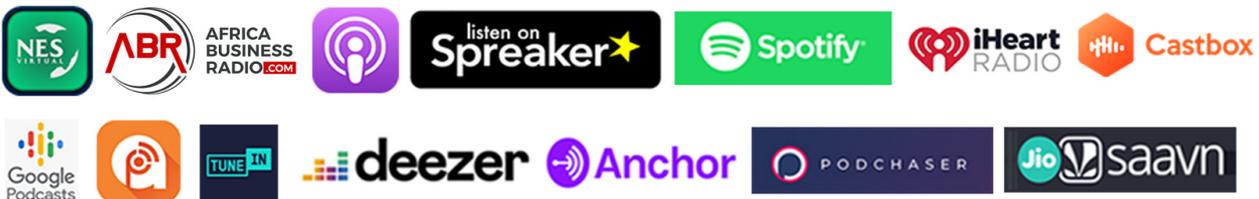


In February 2021, the Group launched the NESG Podcast services. The NESG Radio is a weekly, syndicated podcast that keeps Nigerians informed through curated localised content on economic policies and issues across sectors of the Nigerian economy. The NESG podcast will help effectively communicate the activities of the Group to a younger audience and extend research-based advocacy in a distillable localised format to all Nigerians. The radio has had guests from the private sector, public sector, civil societies and donor communities speak on issues of national interest. Thus far, NESG Radio has recorded **77 episodes** with several episodes translated to local languages for the mass audience.

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**Episodes are syndicated to radio stations across local communities in Nigeria*

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1. INTRODUCTION

Nigeria's economy has been performing poorly relative to the country's population growth rate of about 3.25 percent per year. The country's productivity is extremely vulnerable to shocks and insufficient to create new economic opportunities with the current growth performance.

Inadequate infrastructure, tariff and non-tariff barriers to trade, obstacles to investment, lack of confidence in currency valuation, and limited foreign exchange capacity are just some of the structural factors impeding Nigeria's productivity, culminating in poor economic growth.

The country is also experiencing rising inflation and persistently high unemployment. Nigeria's combined unemployment and underemployment rates reached a staggering 56.1 percent in 2020 (NBS, 2020). The inflation rate hit an all-time high of 18.91 percent in 2022, the highest level seen since 2002. Over 63 percent of Nigeria's population (133 million people) was estimated to live in multi-dimensional poverty due to rising unemployment, underemployment, and a high inflation rate (NBS, 2022). These deteriorating economic and social conditions have structural causes, but their root causes are largely self-inflicted due to poor policy choices.

The current economic and social problems are so large and pervasive that they leave no room for escape, except with strong economic policies and their effective implementation. This situation leaves the Nigerian government with a simple but not easy task.

With more than 133 million Nigerians already living in multi-dimensional poverty, so the task at hand is unambiguous and simply creating avenues or opportunities to generate economic prosperity for Nigerians. Economically and socially, the alternative to actively engaging in this task of creating prosperity is not desirable.

In Nigeria's context, what does economic success entail? In fact, it exceeds even the growth in Nigeria's real Gross Domestic Product (GDP). NESG proposed Shared Prosperity Framework for Nigeria defines economic prosperity as the expansion of existing economic wealth as well as the development of new economic wealth created by an emboldened private sector in a stable macroeconomic environment (NESG, 2023). This means bolstering the country's economy so that it can better capitalise on its distinct advantages in order to boost employment, income, productivity, welfare, economic growth, and diversification.

In pushing forward this argument, this report provides a simplified roadmap to bolstering and diversifying the Nigerian economy through broad-based sectoral growth and productivity as a necessary condition for creating economic prosperity. This condition, improved and all-around economic growth, will set the required foundation for generating or creating new wealth for all Nigerians, which is the priority or sufficient condition to achieving shared prosperity.

2. NIGERIA'S ECONOMY – ANALYSIS OF PERFORMANCE BETWEEN 2015 AND 2022

Considering its large population and diverse economic structure, Nigeria's economy is currently far behind her aspirations and comparator countries .

Nigeria's economy has grown by an annualised 2.6 percent in real GDP despite two recessions in the last decade (2015-2022). Furthermore, three overarching themes can be used to explain the current economic situation in Nigeria.

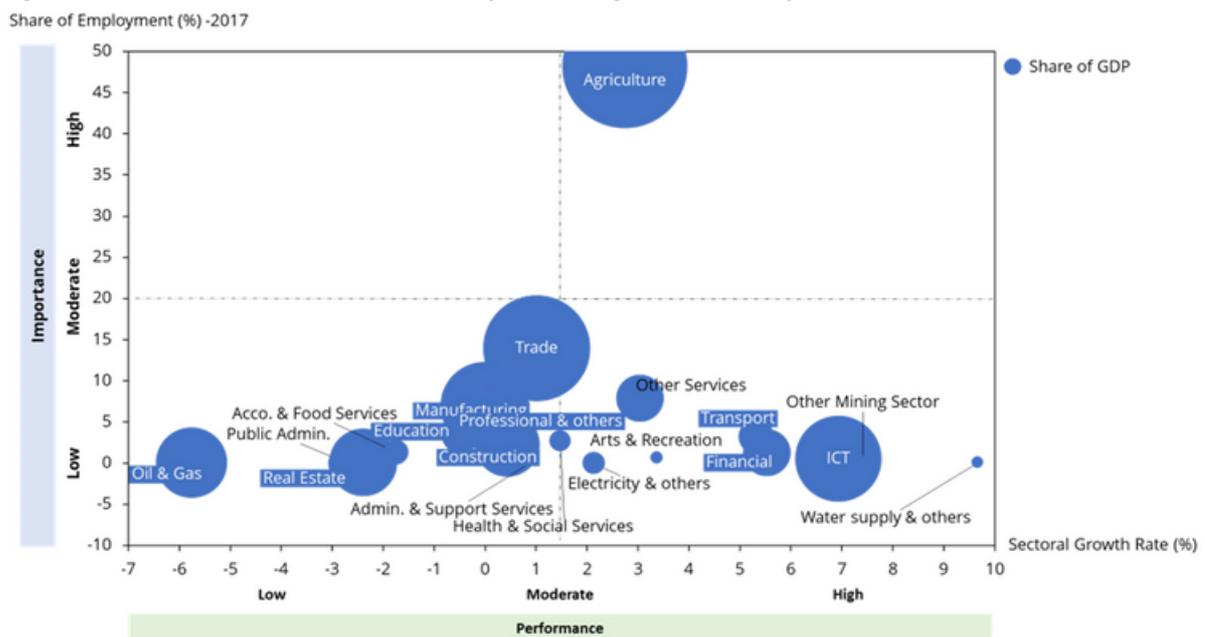
Low growth and productivity across sectors of the economy

Nigeria's economy is currently facing structural challenges such as infrastructural deficit, compounding policy issues etc., which have resulted in lower productivity and weak expansion in high employment elasticity sectors (see Figure 1). The high employment elastic sectors as highlighted in NESG macroeconomic outlook (2020) include manufacturing, agriculture, construction, education and health sectors

Except for the information and communication technology (ICT) sector, all other major sectors contributing significantly to the country's GDP are performing poorly. The worst-performing industries were agriculture (2.72 percent), trade (1.01 percent), and manufacturing (-0.01 percent) between 2015 and 2022.

This weak industrial performance has further compounded the unemployment problems in the country. Unemployment has increased from 10.4 percent in 2015 to 33.33 percent in 2020, primarily due to slow growth in these industries. The COVID-19 pandemic, the escalating impact of the Russia-Ukraine crisis, and other policy mismatches by the Nigerian government have all contributed to the country's already dire unemployment rate.

Figure 1: Sectoral Growth and Productivity of the Nigerian Economy (2015-2022)



Data: NBS, CBN Statistical Bulletin Chart: NESG Research

2.

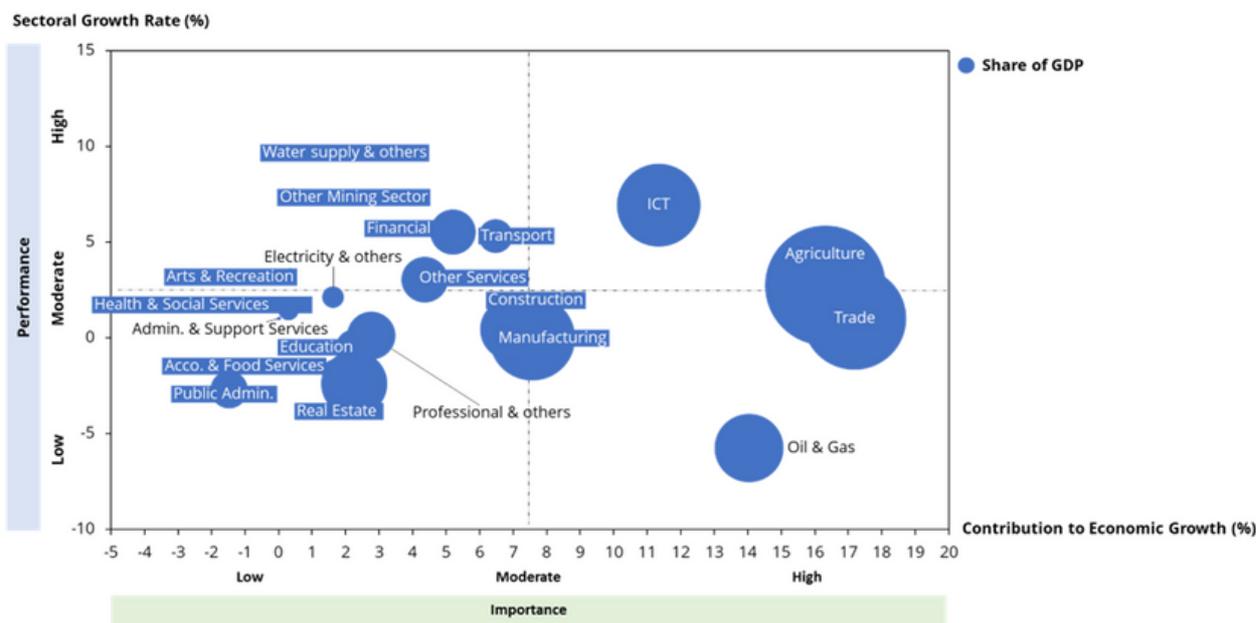
Excessive reliance on few sectors to drive overall growth

Another pervasive pattern in the Nigerian economy is the concentration of growth drivers in a few sectors, all of which have experienced growth rates of less than 5 percent. Figure 2 depicts Nigeria's most important sectors as trade, information and communication technology (ICT), agriculture, oil & gas, construction and manufac.

The average annual real growth in Nigeria's GDP between 2015 and 2022 can be attributed to just four of the country's 19 most broad economic sectors.

Consequently, the overall economic growth trend is highly reflective of any shocks to these sectors; for example, the global oil glut of 2016 and 2020 dragged the Nigerian economy into recession. The claim that Nigerian economy is diversified may be a mirage as the country's sectors importance and performance matrix, as illustrated in Figure 2, suggest concentration of growth drivers in four (4) economic sectors.

Figure 2: Importance & Performance of Sectors to Nigerian Economy (2015-2022)



Data: NBS, CBN Statistical Bulletin Chart: NESG Research



2.

Weak capital flow into the economy's productive sectors

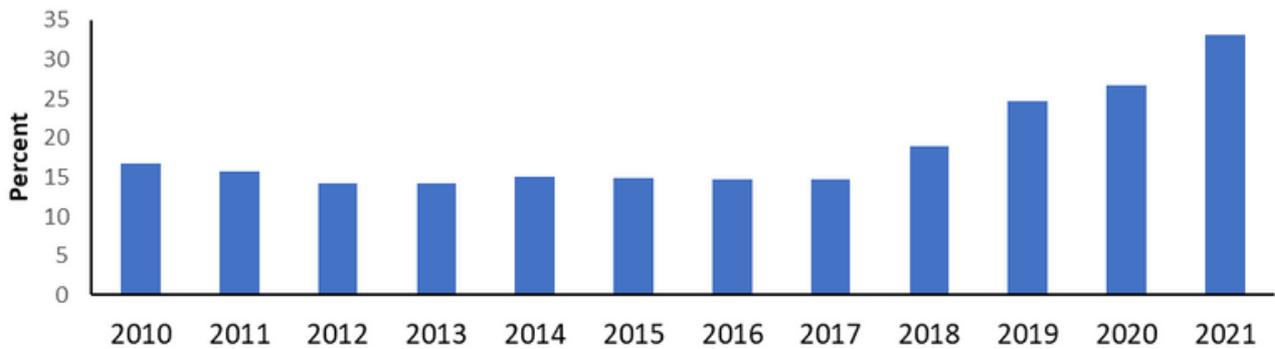
Increasing investment has been shown to increase productivity and boost economic growth. Productivity in most vital sectors of the Nigerian economy has remained fragile despite the recent uptick in real investment as a share of GDP (see Figure 3). As a result, the significance of the connections between investment, productivity, employment, and economic growth is being called into question.

However, we can deduce that the inefficient distribution of these expenditures, both from local and foreign sources, among productive industries is essentially to blame.

High-impact sectors such as agriculture (5 percent), manufacturing (16 percent), construction (5 percent), trade (7 percent), power & energy (2 percent), and real estate (3 percent) only received 39 percent of total banking sector credit in 2021.

Despite being in a continuous recession since 2020, the oil and gas industry accounted for the largest share (18 percent) of all banking sector credit to the economy in 2021 (NBS, 2021). Following a similar pattern, foreign investment in critical economic sectors like agriculture, construction, and trade received only a small percentage of total foreign investments in 2022.

Figure 3. Real Gross fixed capital formation (% of GDP)



Data: World Bank Chart: NESG Research

3. NIGERIA'S GROWTH ASPIRATIONS – SHARED PROSPERITY FRAMEWORK

Consequent to the Nigerian economy's need to produce desired economic outcomes for all its citizens and residents, the NESG's Shared Prosperity becomes a veritable tool to guide the country's economic dynamics.

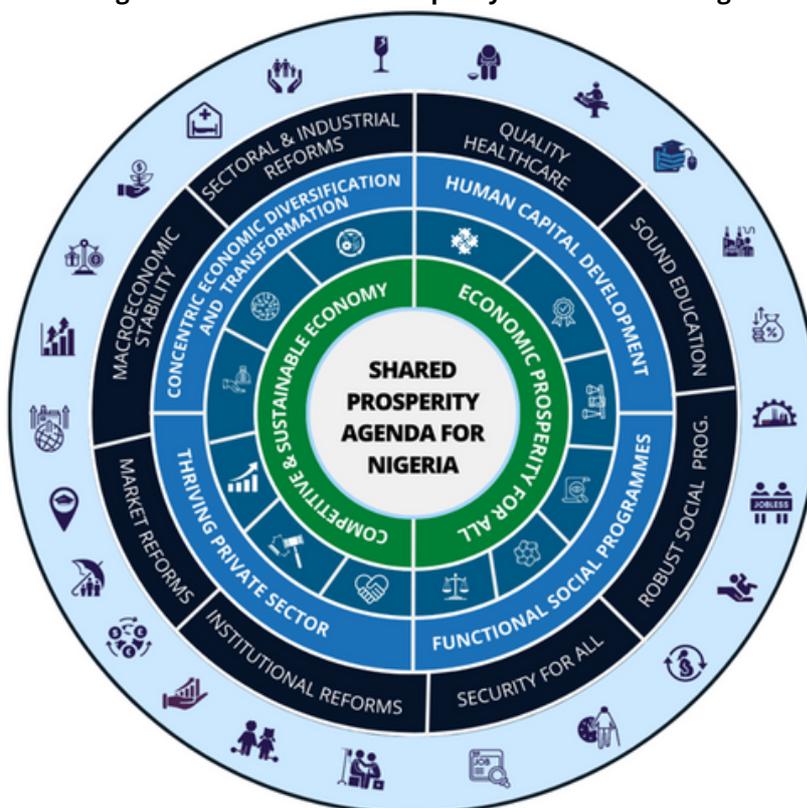
Notably, Nigeria needs to achieve broad-based growth and improved productivity across all the sectors of the economy to create wealth that will be available for all to share. Thus, creating new sources of economic wealth is the first starting point of the Shared Prosperity Agenda (see NESG Macroeconomic Outlook 2023 for more details).

The next milestone is the need to achieve concentric economic diversification and transformation in Nigeria. This is a significant milestone in creating economic prosperity.

In addition, this stage comes with the emergence of new economic activities and improvement in the existing productive structure of the Nigerian economy.

When concentric economic diversification and transformation are achieved, the country moves to the stage of building a competitive and sustainable economy. The second milestone is a prerequisite for higher investments (domestic and foreign), high economic growth, and improved sectoral performance.

Figure 4: NESG's Shared Prosperity Framework for Nigeria



● OBJECTIVES ● GUIDING PRINCIPLES ● STRATEGIC THRUST ● ENABLERS ● TARGETS

Source: NESG Macroeconomic Outlook Report 2023

4. BUILDING THE STAIRWAY TO ECONOMIC PROSPERITY IN NIGERIA

As highlighted above, the SPA Framework relies on inter-connected layers of objective, strategic thrust, enablers and key economic targets. In order to achieve these lofty milestones, the following are key policy recommendations towards creating economic prosperity for all.

1. STRENGTHEN GROWTH AND PRODUCTIVITY

MACROECONOMIC STABILITY

Growth-promoting policies are more likely to succeed in a stable macroeconomic environment and achieve desired economic outcomes. Therefore, the first top priority of the Nigerian government - both the fiscal and monetary authorities - is to improve the country's macroeconomic environment. Under a stable macroeconomic condition, Nigeria could attract substantial investments, unleash economic potential, achieve rapid growth, and lift millions of people out of poverty as quickly as possible.

TRANSFORMATION OF AGRICULTURE SECTOR

Government must consolidate current private sector activities in the agricultural sector to bring back the 1960 era of agro-processing in Nigeria. Afterwards, developing large-scale and commercial agricultural activities must be the government's priority across all levels.

Key recommendations towards achieving a concentric economic diversification and transformation in Nigeria as well as creating economic prosperity for all. .

2. EXPAND SOURCES OF GROWTH

DIVERSIFY THE ECONOMY

All efforts must be directed at strengthening Nigeria's industrial and service sectors. Developing agro-industrial and light manufacturing activities must be an anchor point for Nigeria's economic diversification agenda. Also, constraints around logistics and regulation must be addressed to unlock opportunities in the services sector.

3. IMPROVE CAPITAL FLOW INTO THE ECONOMY

INSTITUTIONS & GOVERNANCE

There is a need to guarantee proper operations of economic and non-economic institutions towards addressing the challenges of stabilising the macroeconomic environment. This is because productive and economic activities flourish in an environment with effective institutions and the rule of law. The following are suggested approaches to strengthen institutions and governance in Nigeria (1) Build public confidence through transparency in governance; and (2) Engage the private sector in advocacy for policies and regulatory reforms.

NATURAL RESOURCES-BASED SECTORS

There is a need to open Nigeria's natural resources sector for private investments. The government must provide detailed information about the natural resources availability and volume across the country. In addition, there is a need to learn from the country's experience with crude oil exploration. Hence, there is a need for accountability and transparency in natural resource exploration in the country.

CONCLUSION

As with the other Mini-reports in this series, this report continues the conversation about the NESG's Shared Prosperity Agenda. The document provides a concise approach to creating economic prosperity with consideration for the current state of the Nigerian economy, intending to achieve the critical targets of the SPA.

Other smaller reports within this series will focus on key aspect of the SPA framework and offer practical suggestions for policy consideration by the Nigerian government. If these suggestions are put into action, they will lead to the expansion of economic opportunities and the improvement of living standards for all people in Nigeria.

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The NESG is an independent, non-partisan, non-sectarian organisation, committed to fostering open and continuous dialogue on Nigeria's economic development. The NESG strives to forge a mutual understanding between leaders of thought to explore, discover and support initiatives to improve Nigeria's economic policies, institutions and management.

Our views and positions on issues are disseminated through electronic and print media, seminars, public lectures, policy dialogues, workshops, specific high-level interactive public-private sessions and special presentations to the executive and legislative arms of government.

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For a deeper conversation, collaboration and additional information with respect to this Report, please contact the following:

Dr. Olusegun Omisakin
Chief Economist & Head of Research
and Development
olusegun.omisakin@nesgroup.org

NESG Research & Development
research@nesgroup.org



THE SUMMIT HOUSE
6, Oba Elegushi Street,
off Oba Adeyinka Oyekan Avenue,
Ikoyi, Lagos.
P.M.B 71347, Victoria Island, Lagos

ABUJA LIAISON OFFICE
4th Floor, Unity Bank Tower,
Beside Reinsurance Building
Plot 785, Herbert Macaulay Way,
Central Business District, Abuja.

www.nesgroup.org
info@nesgroup.org
+234-01-295 2849

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