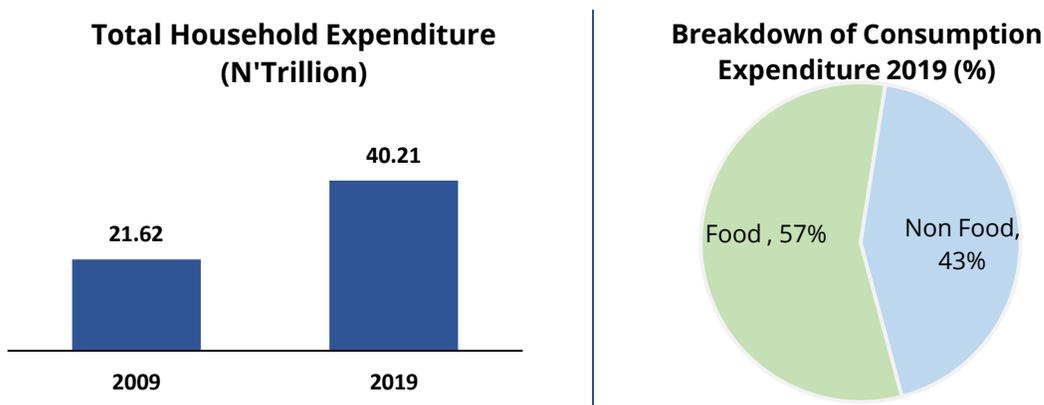


Nigeria's Consumption Expenditure stood at N40.2 trillion in 2019

Nigerian Consumption expenditure on food and non-food items in 2019 almost doubled relative to 2009 figure

The Nigerian Bureau of Statistics recently published its report on Consumption Expenditure Pattern in Nigeria for 2019. The report shows that Nigeria's total consumption expenditure on food and non-food items in 2019 stood at N40.2 trillion. This represents an 86 percent increase from N21.6 trillion recorded in 2009/2010 - almost double within a decade. The consumption figure as reported depicts the level of aggregate demand and welfare in the economy. This by extension suggests improved aggregated demand over the past ten years, which amounts to 55.8 percent share of the real gross domestic product (GDP) in 2019.

Figure 1. Consumption Expenditure Pattern in Nigeria



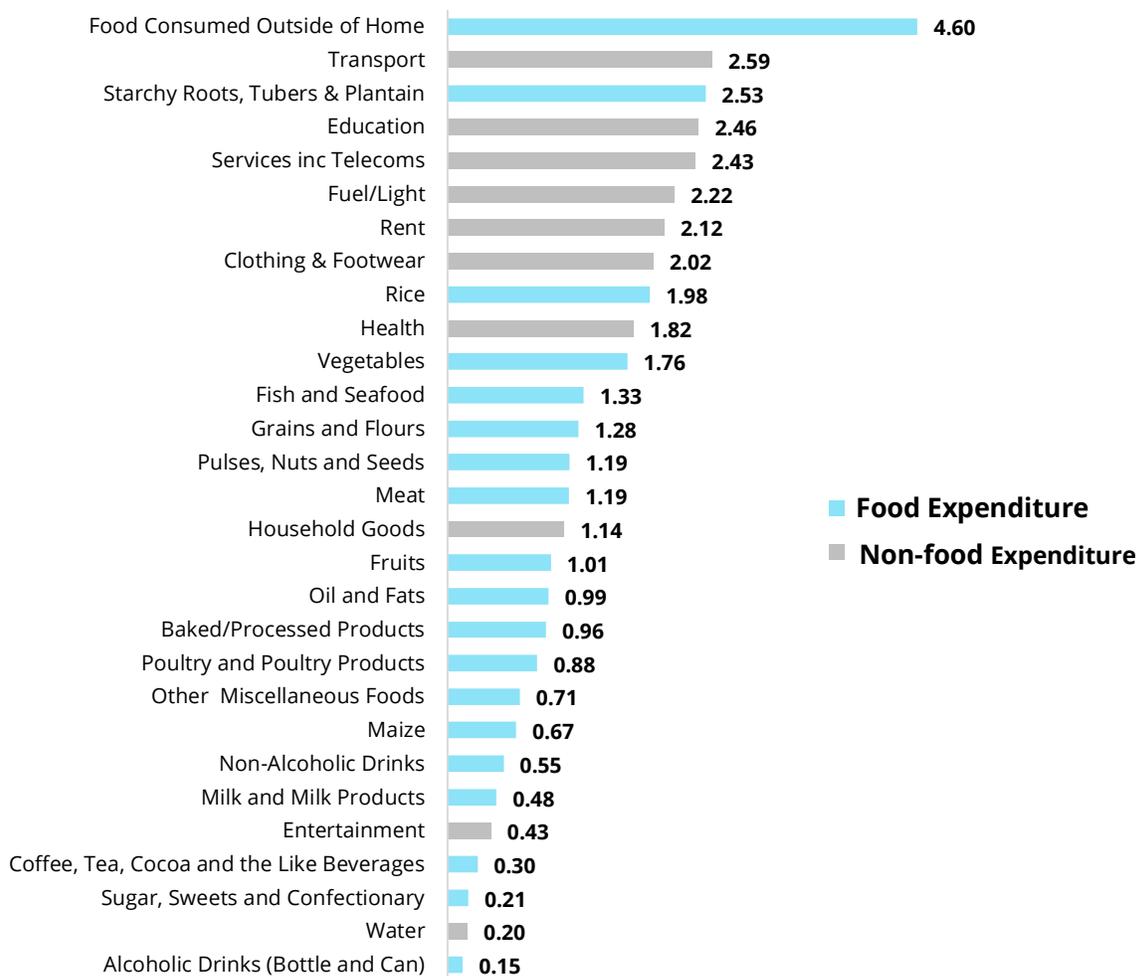
Source: NBS, NESG Research

Nigerians spent more on food items than on non-food items in 2019. However, the share of food in total expenditure declined from 60.2 percent in 2009 to 56.7 percent in 2019. For non-food expenditure, its share in total expenditure increased to 43.3 percent in 2019 from 39.8 percent in 2009. This implies that food consumption gave way for more sophisticated consumption despite its dominance. This speaks volume about the evolution of Nigeria's development; as an economy moves up the ladder of development, the household consumption pattern tilts towards non-food items and the share of food expenditure shrinks. However, when Nigeria's share of food expenditure in total expenditure is compared with that of countries such as Mexico (35.3 percent – 2018) and Indonesia (31.6 percent – 2018), Nigeria lags behind.

Expansion in non-food expenditure more than doubled in the past decade; food expenditure expanded by 75%

In 2019, Nigerians spent a sum of N22.8 trillion across 19 food categorizations up from N13 trillion recorded in 2009. This represents a 75 percent increase in food expenditure over the past ten years. Expenditure on non-food items stood at N17.4 trillion in 2019 up by 102.56 percent from N8.6 trillion in 2009. A breakdown of total expenditures by categories shows that Food Consumed Outside of Home, accounted for 11.4 percent of total consumption expenditure; and 20.2 percent of total food expenditure in 2019. The order of consumption expenditure items provides an insight into what Nigerian households spend their income on, which could be a useful guide for real sector investors/entrepreneurs and for government policymaking.

Figure 2. Breakdown of Consumption Expenditure Pattern in Nigeria (N'Trillion)



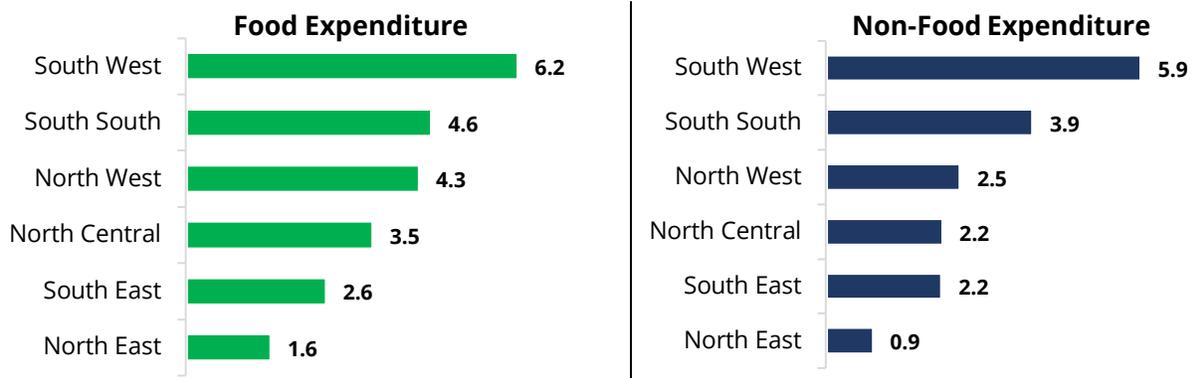
Source: NBS, NESG Research

There is wide disparity in consumption pattern across regions and states

The South West region is responsible for spending the most when compared with other regions. The South West region spent a total of N6.2 trillion on food items representing 27.1 percent of total food consumption expenditure. Meanwhile, the region's consumption expenditure on non-food items stood at N5.9 trillion

accounting for 33.6 percent of total non-food consumption expenditure. The South-South region was next highest, accounting for 21 percent of total consumption expenditure at N8.4 trillion; 20 percent (N4.6 trillion) and 22 percent (N3.9 trillion) on food and non-food expenditure respectively. This is unsurprising given that these regions account for a significant share of economic activities in the country even as income levels in both regions are higher when compared with other regions.

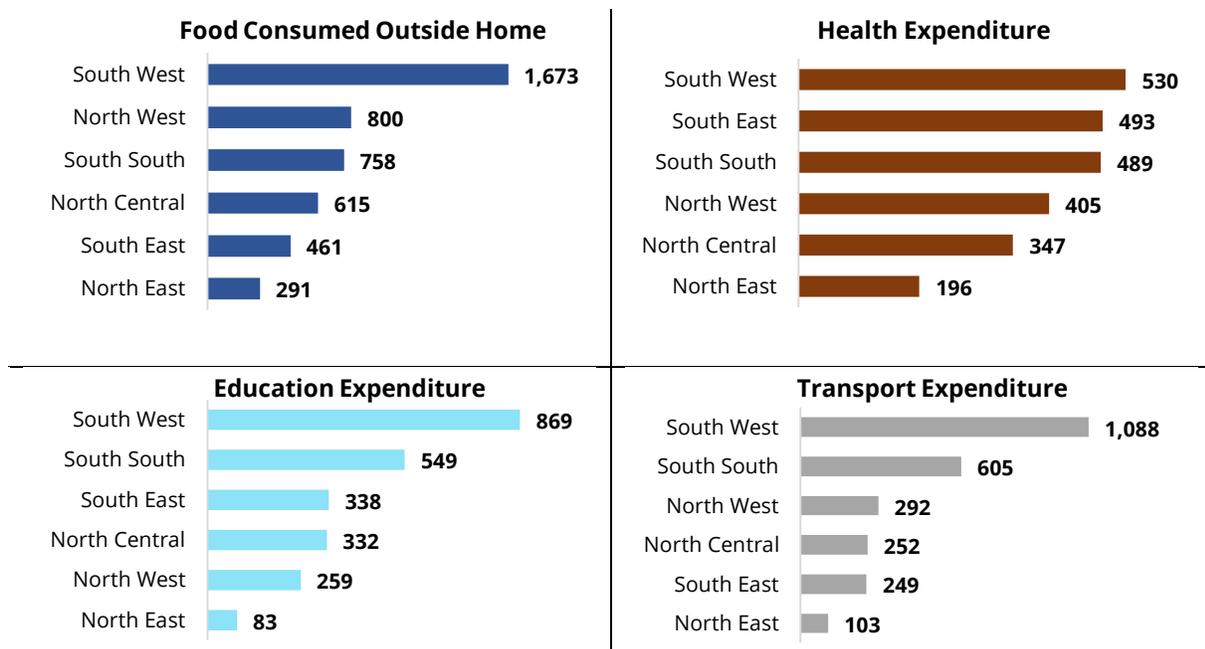
Figure 3. Regional Distribution of Consumption Expenditure Pattern in Nigeria (N'Trillion)

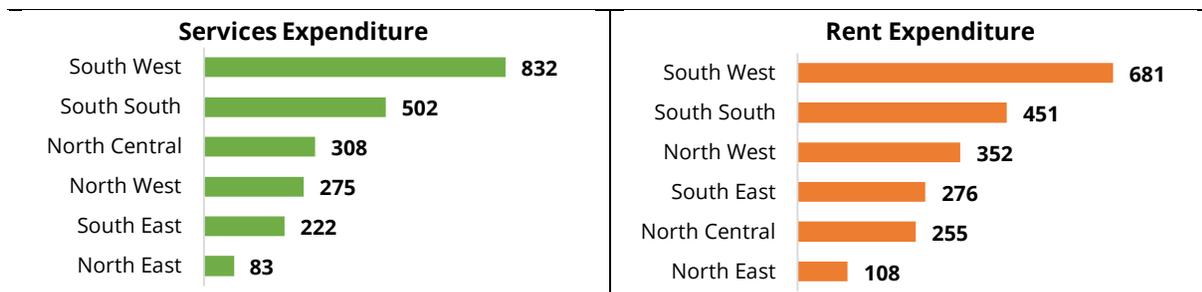


Source: NBS, NESG Research

On the flip side, the North East region (excluding Bornu State) spent the least, accounting for 6 percent of total expenditure in Nigeria, amounting to N2.5 trillion. The region consumed 7 percent and 5 percent of total food and total non-food expenditure respectively. The North West, North Central and South East recorded N4.3 trillion, N3.5 trillion and N2.6 trillion in food expenditure respectively while their non-food expenditure stood at N2.5 trillion, N2.2 trillion and N2.2 trillion respectively.

Figure 4. Regional Distribution of Top Consumption Expenditure Items (N'Billion)





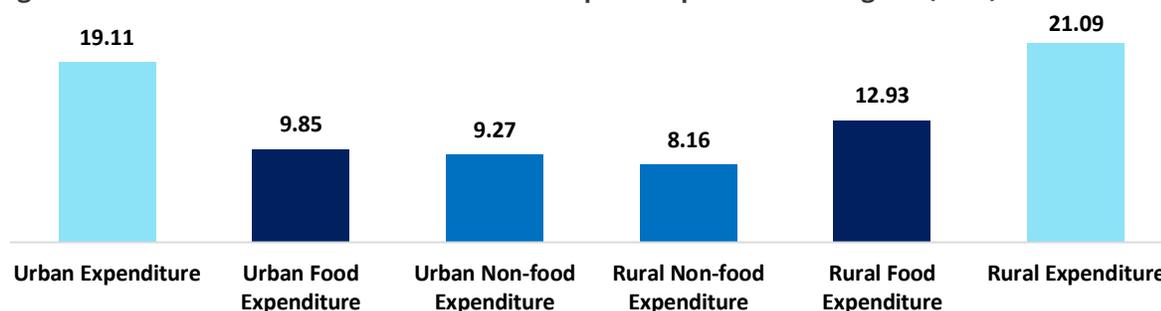
Source: NBS, NESG Research

In terms of distribution of consumption expenditure across states, Lagos tops the list. Lagos State, the economic nerve center of the country, accounted for 12.6 percent of total consumption in Nigeria amounting to N5.1 trillion. Meanwhile, it recorded total of N2.4 trillion in food consumption and N2.6 trillion in non-food expenditure. Lagos State (along with Imo State) exhibited the characteristics of a developed economy with greater share of non-food expenditure (51.9 percent) than the food expenditure (48.1 percent) in total expenditure. Other states on the top five include Oyo, Delta, Rivers and Kano in that order. They accounted for 5.8 percent, 5.4 percent, 5 percent and 4.9 percent of total consumption expenditure in the economy, amounting to N2.3 trillion, N2.2 trillion, N2.0 trillion and N1.97 trillion respectively. These top five spending states together accounted for 33.7 percent of total consumption spending. Taraba, Ebonyi and Nasarawa states recorded the lowest spending.

Consumption expenditure in rural areas surpassed that of urban areas with higher concentration of food expenditure

Consumption expenditure in the rural areas surpassed that in the urban centres in 2019 as rural spending stood at N21.1 trillion, 10.4 percent higher than N19.1 trillion spent in the urban centres. Food and non-food expenditure in the urban centres stood at 51.5 percent and 48.5 percent respectively. This is because urban dwellers spend significant proportion of their income on sophisticated items and most developed/advanced economic activities happen in the urban areas. However, food consumption took dominance in the rural areas. Food and non-food consumption accounted for 61.3 percent and 38.7 percent of rural consumption expenditure respectively. This is evident as most primary economic activities take place in the rural areas. The fact that rural spending exceeded that in urban centres further emphasizes the size of the rural & informal economy and its importance in driving aggregate demand in Nigeria.

Figure 5. Urban and Rural Distribution of Consumption Expenditure in Nigeria (N'Tn)



Source: NBS, NESG Research

Conclusion

Food consumption continues to occupy a larger proportion of the total expenditure in Nigeria

The dominance of food consumption over more sophisticated consumption as well as the high rural consumption vis-a-vis that of urban area emphasize the following: First is the importance of the informal and household sectors in driving aggregate demand. Second is the low-income level of the average citizen vis-à-vis other countries. Government efforts, therefore, must be geared towards raising income levels of citizens through cash transfer schemes, skills development programmes and enabling the expansion of the private sector by addressing bottlenecks such as inadequate power supply, infrastructure deficit among others. As citizens' income increases, spending pattern are expected to tilt towards non-food expenditures.

Data show similar pattern of consumption expenditure and poverty rate

According to the consumption data and the recently released poverty data, regions that prioritise spending on education have lower poverty rate when compared with regions that spend lesser on education. For instance, in the South West, South South, South East and North Central, Education was the second biggest expenditure item among consumers. In the North West and North East, Education was ranked seventh. Efforts are therefore required among all stakeholders to intensify campaigns on the importance of education and incentivise spending on education in the North West and North East.

The hierarchical order of consumption expenditure spells out the opportunities in Nigeria

The order of consumption expenditure from the top consumption items to the lowest provides insights for investors and entrepreneurs on consumer spending pattern. Food consumption remains a big expenditure item in Nigeria and businesses can therefore explore deeper the opportunities that avail in the agricultural sector, particularly in food processing.

About NESG

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

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