The State of Nigeria's Economy

... not too late to turn the curve.

September 2022

The report examines the Nigerian economy in the first eight months of 2022. It also includes an update on macroeconomic variable projections and broad policy recommendations.

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THE NIGERIAN ECONOMIC SUMMIT GROUP

EXECUTIVE SUMMARY

Whilst the world continues to recover from the COVID-19 pandemic, new shocks, such as the Russia-Ukraine conflict, and heightened inflationary trend, have emerged, thereby wreaking havoc on the global economy. These shocks drifted many economies, including advanced and emerging countries, far from full recovery from the impacts of the COVID-19 pandemic. A combination of a surge in commodity prices, heightened global inflationary pressure and supply chain disruptions dampened the global economic performance and outlook.

On the domestic front, the Nigerian economy witnessed a recovery from the COVID-19 pandemic with a real Gross Domestic Products (GDP) growth of 3.33 percent in H1-2022 (3.11 percent in Q1-2022 and 3.54 percent in Q2-2022). The performance of the economy in the period under review signified that Nigeria has fully recovered from the impact of the pandemic. However, there are mixed performances in policy and external environments with a hostile business operating space for private sector in the period.

The GDP growth projection for the year 2022 was also revised downward to 2.5 percent in business as usual, while the best case is 3.5 percent, and the worst case is estimated at 1.0 percent. In addition to reviewing other key macroeconomic variables, the report ends with specific and short-term policy recommendations to ensure the Nigerian economy closes the year on a robust level.

01

OVERVIEW OF THE GLOBAL ECONOMY

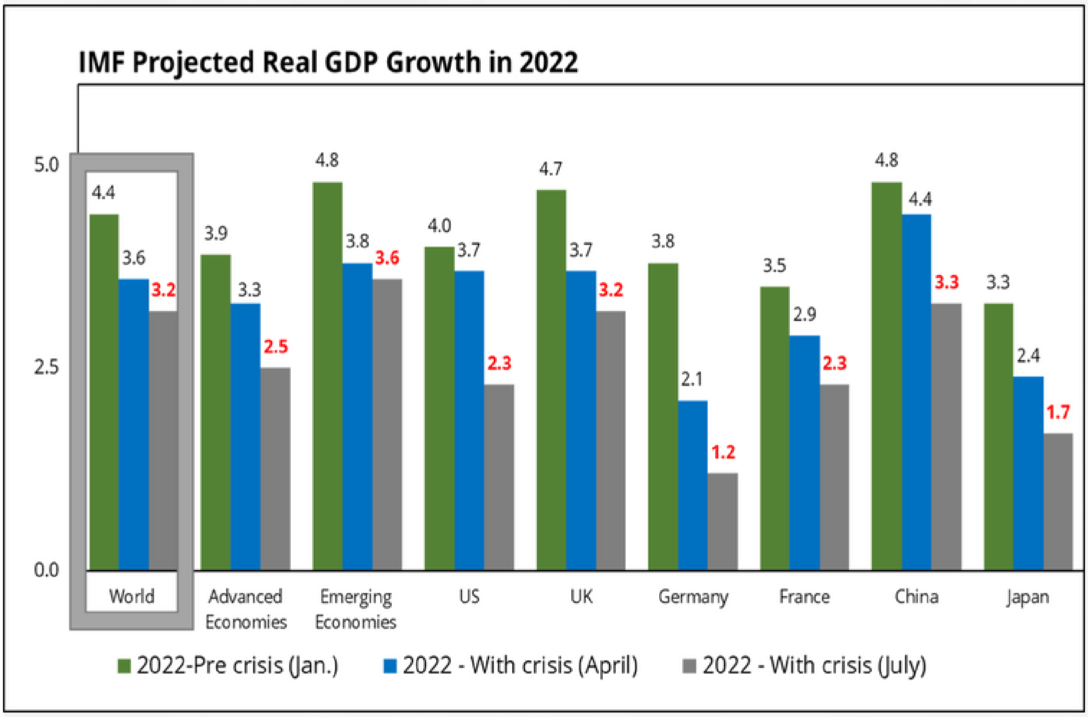
Whilst the world continues to recover from the COVID-19 pandemic, new shocks, such as the Russia-Ukraine conflict, heightened inflationary trend, have emerged, thereby wreaking havoc on the global economy. Prior to the outbreak of conflict, the global economy was predicted to fully recover from the pandemic in 2022. Many forecasts for 2022 predicted a robust macroeconomic environment with favourable economic and financial conditions in both emerging and advanced economies.

On account of the direct and indirect effects of new economic shocks, the global economic situation remains dire. A classic example is the economic effects of the Russia-Ukraine conflict attributable to Russia's deep integration into the global economy through commodity markets - gas, oil, and metals - trade, and financial linkages.

Global economic outlook remains dire as the Russia-Ukraine conflict & associated spillover effects take a toll on productivity.

The global GDP growth has been revised downward in three consecutive World Economic Outlook (WEO) publications of the International Monetary Fund (IMF) for 2022, from 4.9 percent in October 2021 to 4.4 percent in January 2022, 3.6 percent in April 2022, and 3.2 percent in July 2022.

The growth forecast for Advanced Economies and Emerging Markets for 2022 has also been reduced. Sub-Saharan Africa is expected to benefit significantly from the spillover effects of the conflicts on international commodity markets as commodity prices rise significantly.



Data: IMF, World Economic Outlook 2022, Different Editions (January, April & July 2022) | **Chart**: NESG Research

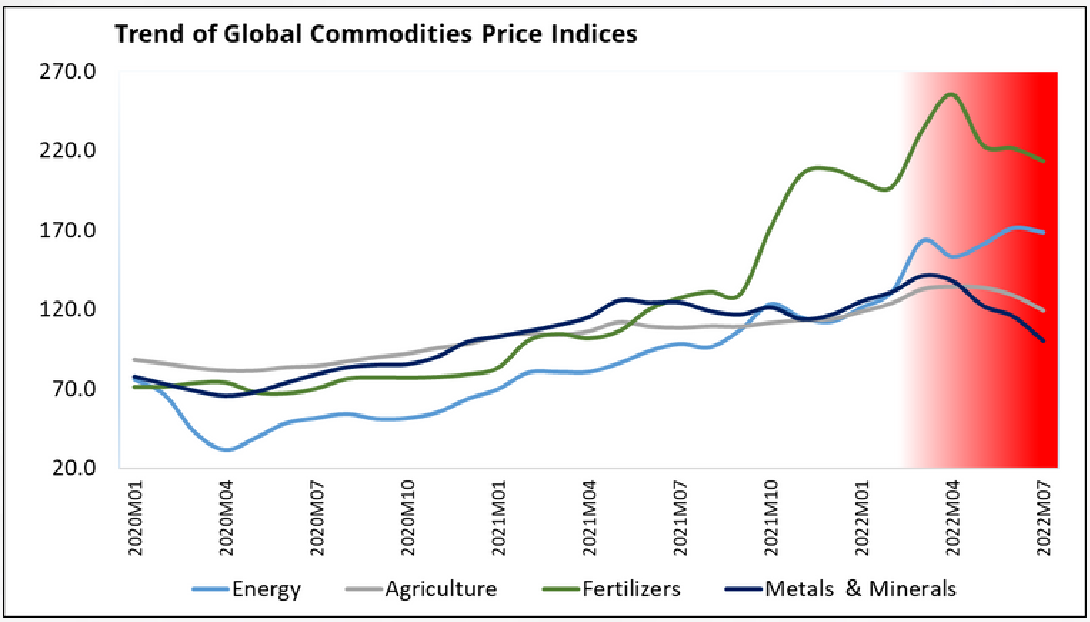
Emerging Shocks Height the Fear of Global Recession

In the first eight months of 2022, commodity prices rose due to Russia-Ukraine conflict, which disrupted global commodity flows, particularly energy, fertilisers and selected agricultural products.

Russia, for example, is the world's leading exporter of natural gas, nickel, and wheat, while Ukraine is the world's leading exporter of wheat and soyabean. Following the outbreak of the conflict (Russia-Ukraine war), these commodities recorded a sharp increases in prices. Crude oil prices have reached their highest level in ten years. Brent crude oil prices averaged US$102 per barrel in the period under review, the highest level since 2013.

Food prices also increased globally. Trade disruptions and high input costs fueled a rally that triggered prices to all-time highs for some food commodities, particularly wheat, fertiliser, and other agricultural commodities.

The World Bank's food price index also gained 7.2 percent in the period under review. . The metals price index also increased significantly. Since these metals are critical inputs into renewable energy technologies, price increases or supply disruptions of metals could make the energy transition more costly.



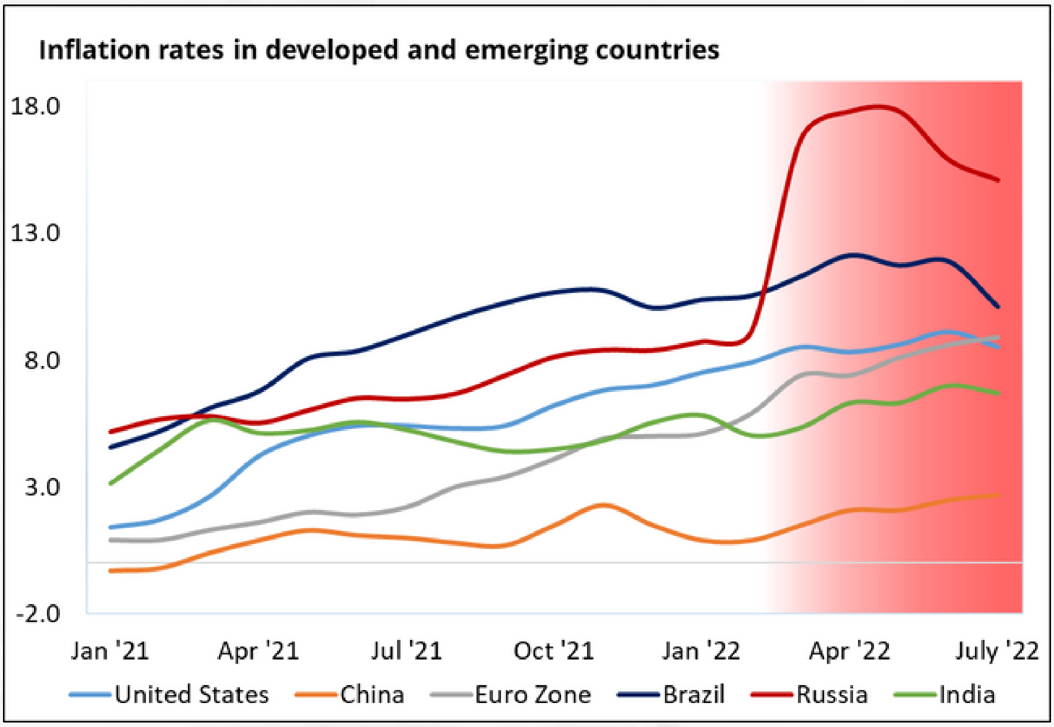
Data: World Bank, Commodity Price Database, July 2022 , **Chart:** NESG

Global economy experiencing *'globalisation of inflation'* as stagflation risk rises amid sharp slowdown in growth.

Inflation in advanced and emerging economies reached multi-year highs in the period under review, as global supply chains tightened and commodity prices skyrocketed. Local food prices surged in response to the increasing energy and fertiliser prices, effects of bolstered fiscal conundrum and 'hawkish' monetary stances.

Also, currency depreciation in emerging economies and rising production costs across board played a role in the rising global inflation.

The net effect is the observed higher food inflation in several developing economies, particularly Sub-Saharan Africa (up 11 percent in the period) compared to the same period in 2021) and Europe and Central Asia (10 percent).



Data: Bureau of Labor Statistics; National Bureau of Statistics of China; Statistisches Bundesamt; Eurostat; Brazilian Institute of Geography and Statistics; Russian Federal State Statistics Service; Labour Bureau India | **Chart**: NESG Research

Hawkish Monetary Policies Endanger Capital Flows to Emerging Market

In a number of economies, inflationary pressures are reshaping central banks' monetary policy stance. This situation prompted an aggressive policy response to combat the rising inflation level in advanced and emerging economies. For example, the US Federal Reserve raised its interest rate four times in 2022, which now stands at 2.25-2.50 percent as of August 2022. Similarly, the Bank of England increased interest rates to 1.75 percent in August 2022, the highest level in 27 years.

In response, some Emerging countries have increased policy (interest) rates, including Brazil (9.25 percent to 13.75 percent), South Africa (4.25 percent - 5.50 percent), Egypt (12.25 hiked by 900 basis points (9 percent) so far), and India (5.4 percent), to either curb inflation or mitigate capital flight out of their economies.

Following suit, JP Morgan's Emerging Market Bond Global Diversified Index fell by 7.2% between January and August 2022 (IIF, 2022). During this period, Emerging Markets debts and equities saw a net outflow of $18.7 billion from foreign portfolio investors (IIF, 2022).

02

OVERVIEW OF NIGERIAN ECONOMY

The first half of 2022 in Nigeria was dominated by a combination of political tension and the country's deteriorating socioeconomic structure.

The run-up to the 2023 General Election had sparked new political tensions across ethnic groups, political parties, and demographic divides, as it did in 2007 when there was a possibility of an inter-parties transition of power. These tensions have given rise to new policy dimensions in the country's political development. In addition to the escalating political tensions and risks, the pace of economic activity slowed significantly during the review period.

The country's economy experienced increased policy uncertainty, inflationary pressure , exchange rate volatility, and dwindling fiscal space, which eclipsed the Nigerian economy as at August 2022.

Increased socio-cultural hostility due to insecurity, kidnapping, farmer-herder clashes, and other factors complicates the situation.

Economic & social factors contributed to the vulnerable state of the Nigerian economy

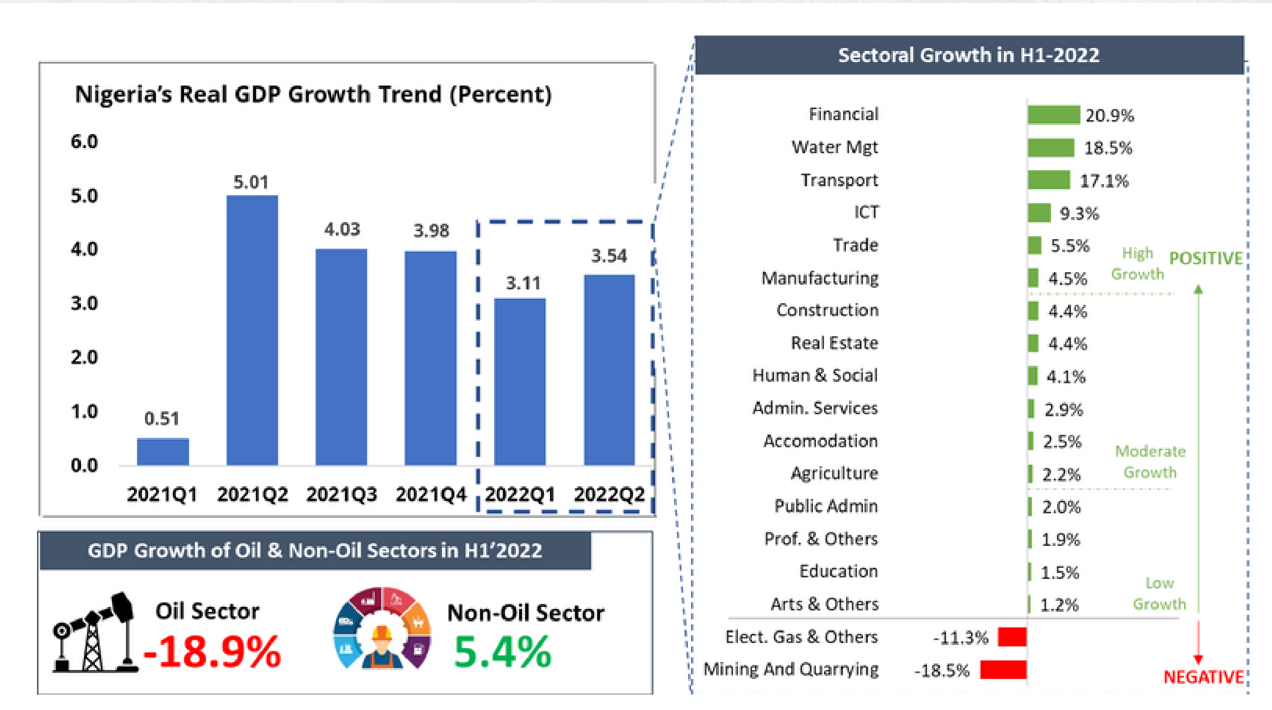
2.1
REAL SECTOR DEVELOPMENT

Non-Oil Sector Resilience Keeps Economic Recovery and Growth Momentum

In H1-2022, the Nigerian economy maintained its positive growth trajectory. However, the growth trend was at a slower pace than in the same period in 2021. According to the National Bureau of Statistics (NBS), the economy ('real' Gross Domestic Product – Real GDP), grew by 3.33 percent in H1-2022 (3.11 percent and 3.54 percent in Q1'2022 and Q2'2022, respectively).

The growth composition analysis showed that the economy's overall growth footprint was primarily sustained by the growth of 10.8 percent in the non-oil sector – non-oil industrial (4.0 percent), Services (7.1 percent) and Agriculture (2.2 percent) sectors.

The growth in these sectors helped to neutralise the adverse impact of continuous negative performance (growth) of the oil sector (-37.8 percent in H1-2022 and it has recession since Q1'2020) to Nigeria's GDP growth rate.



Data: Budget Office, 2022 | **Chart:** NESG Research

Return of ballooning inflationary pressure and eroding purchasing power

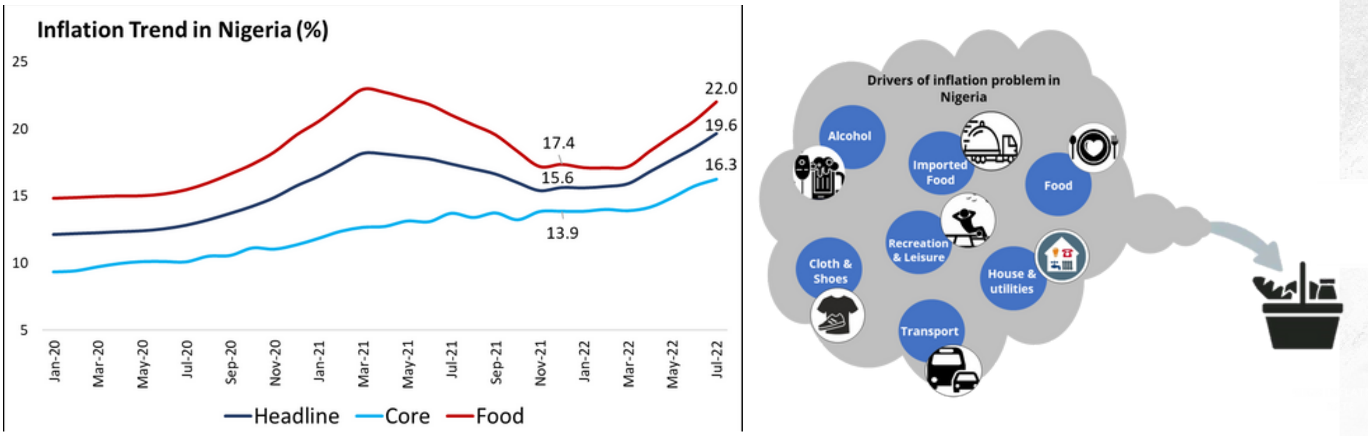
Figure xxxx: Implications of Rising Inflation Rate on Purchasing Power of Money

Inflationary pressures escalated in first seven months of 2021, and the rising price level had detrimental impacts on the purchasing power of businesses and households in Nigeria. After a relative slowdown in January 2022, the headline inflation rate continued to rise throughout the period under review and stood at 19.6 percent in July 2022.

Critical drivers of inflation, include but are not limited to, insecurity, infrastructural decay, exchange rate depreciation and supply chain disruption due to poor logistics, exchange rate challenges, and increasing costs of energy and transport.

Furthermore, the increased inflation risk reduced household purchasing power and increased the cost of business operations. Specifically, the purchasing power of N1000 in January 2022 had fallen to NGN904 in July 2022 (lost 9.6 percent of its value within the first seven months of 2022).

Drivers of Rising Inflationary Pressure in Nigeria



Data: Budget Office, 2022 | **Chart:** NESG Research

2.2 POLICY ENVIRONMENT

This section outlines the level of support and changes in government actions or that of its agencies that impacted businesses and overall economic performance in H1-2022. The government's key policy activities are categorised into fiscal policy, monetary policy, and regulatory environment.

Revenue Underperformance Bolsters Fiscal Deficit

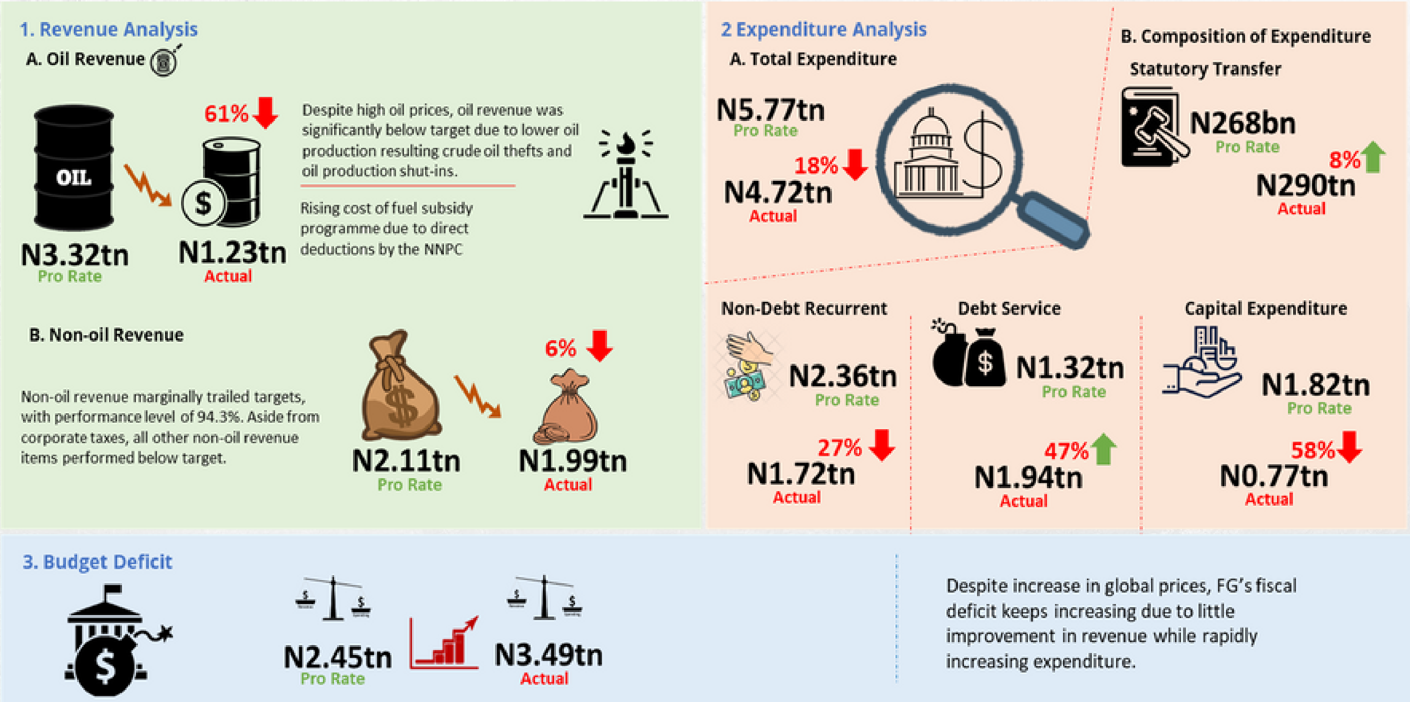
In line with historical precedent, Nigeria's fiscal space has been largely unimpressive, primarily on the revenue alongside a growing fiscal deficit. Despite an increase in global oil prices, FG's actual revenue (NGN 1.63 trillion for January - April 2022) is short of the pro-rated budget (NGN N3.32 trillion), while government spending (NGN N4.72 trillion for January - April 2022) was significantly closer to the budgeted levels (NGN 5.77 trillion for January - April 2022).

A cursory examination of the revenue and expenditure sides revealed that all critical components decreased during the period except for debt servicing costs.

The cost of debt servicing (NGN 1.94 Trillion) was 47 percent higher than projected (NGN 1.32 Trillion) and 19.0 percent higher than FG revenue (NGN 1.63 Trillion) between January and April 2022. This explains the country's sing debt profile, which increased by 5.2 percent in Q1-2022 to N41.6 trillion from N39.6 billion in Q4-2021.

Furthermore, the Federal Government's borrowings from the CBN's Ways and Means reached a high of N19.9 trillion in June 2022, with the FGN borrowing from the local bond market totaling N296.37 billion.

From the standpoint of fiscal sustainability (solvency and liquidity), Nigeria is gradually approaching a Fiscal Cliff or Trap as the country's debt service to revenue climbs unchecked (currently at 119% of revenue) and debt-to-GDP ratio approaches the 35 percent weak-risk threshold set by the International Monetary Fund (currently at 23.3 percent in Q1-2022).



Data: Budget Office, 2022 | **Chart:** NESG Research

Deteriorating Fundamentals Compel a Hawkish Shift

The Central Bank of Nigeria (CBN) shifted from its unorthodox stance to hawkish policy options in 2022. The CBN's Monetary Policy Committee members unanimously agreed to raise the interest rate from 11.5 percent to 13.0 percent in May 2022, and to 14.0 percent in July 2022 whilst holding other policy parameters constant.

This decision, along with other recent policy changes, is motivated by the need to reduce rising domestic inflationary pressures, limit capital flight to advanced economies, and slow the rate of local currency depreciation.

Historical analysis of credit supply to the economy revealed that credit to the government is growing faster than credit to the private sector. A total of NGN4.1 trillion (11.6 percent growth) in new credit was supplied or released to the private sector in H1-2022.

This figure is less than the NGN4.7 trillion (35.0 percent growth) raised by the government through financial markets such as the bond market and other channels. In response to global and domestic monetary policy changes, yields on all sovereign instruments increased but remained at negative net returns due to the elevated inflation rate in H1-2022.

Government strategic positioning and rate increases in advanced economies, and in some emerging economies, have motivated accelerated yields across fixed and money market instruments in the first half of 2022. The yield on FGN bonds fell 32 basis points to 11.5 percent during the eventful half-year, with strong bullish momentum continuing from the first quarter.

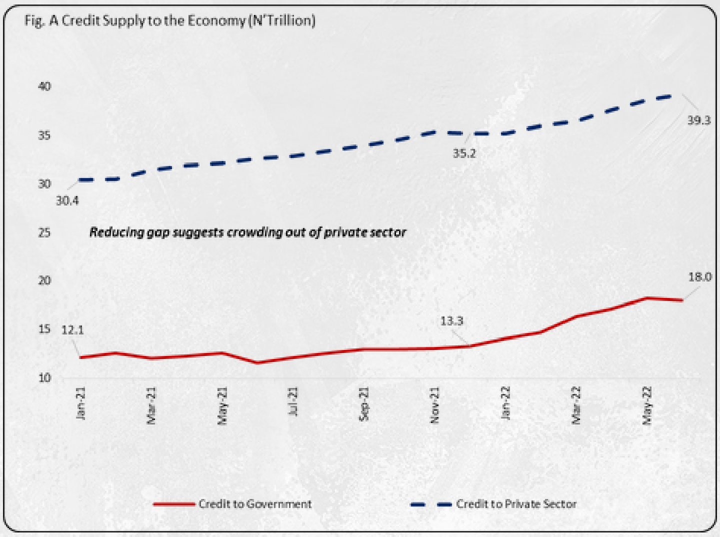
In response to liquidity movements, the equity market maintained an inverted posture toward yield performance in 2021. The equity market maintained its positive momentum from 2021 in the first half of the year, outperforming other major stock markets globally with an H1-2022 performance of 21.3 percent.

Snapshot of Nigeria's Monetary Policy Environment

MPC increased all policy parameters for the first time in 20 months.

Monetary Policy Parameters as of July 2022

14.0%	27.5%	30.0%
Monetary Policy Rate	Cash Reserve Ratio	Liquidity Ratio



Data: CBN, 2022 | **Chart:** NESG Research

2.3
BUSINESS ENVIRONMENT: NEW CHALLENGES, NEW TRENDS

So far in the year, Nigerian private-sector players faced new business and regulatory challenges. These challenges have had significant impacts on the performance and profitability of businesses in Nigeria across all sectors.

The worsening foreign exchange crisis is one of these business headwinds, as it discourages foreign and domestic investors, raises the cost of production for local businesses and makes international transactions difficult. As key sectors of the economy, such as agriculture, manufacturing (construction, etc.), trade, and real estate, rely on imports of critical inputs and raw materials, productive activities operate under suffocating conditions, slowing productivity in Nigeria.

To ensure liquidity in the foreign exchange market, the CBN also introduced the Electronic Invoicing and Valuator (E-Invoicing and E-Valuator) for local exporting businesses in February 2022. The E-invoicing and E-Valuator, however, has been assessed to have the potential to entrench bureaucracy, increase business disruptions, FX risk, transaction costs, entrench bureaucracy and erode investor confidence.

Continuous Naira depreciation also contributed to increased production and operating costs in H1-2022. The private sector and the government struggled to maintain productive activities in the face of rising inflationary pressures. The current lack of business supporting infrastructure, such as roads and ports, among other things, complicated productive activities during the review period. Because not all increases in production costs can be passed on to consumers, businesses profit margins suffer.

Energy cost increases were also unprecedented in H1-2022, having a massive impact on all economic agents in the country, including the government, businesses, and households. Diesel oil, one of the main energy products, increased by 255 percent from NGN 288.1 per litre in January 2022 to NGN700.0 per litre in August 2022.

The increase in diesel oil price contributed to higher cost of transportation and logistics for businesses operating in the country.

BUSINESS ENVIRONMENT: NEW CHALLENGES, NEW TRENDS

Aviation fuel prices also increased by a similar amount, causing operational disruptions in the Nigerian aviation sector. The scarcity and rising cost of Liquefied Petroleum Gas (LPG) and petrol also increased during the period, reducing households' purchasing power and raising the cost of production for businesses.

Furthermore, the CBN's hawkish stance, combined with high uncertainty in Nigeria, resulted in higher costs of credit to the private sector and hampered credit supply to the private sector.

Credit supply to the private sector was slower in H1-2022 than the rate of recovery of the Nigerian economy.

Non-performing loans (NPL) in Nigeria's banking industry have also slightly worsened, according to Q1'2022 banking industry data (5.1 percent from 4.5 percent in 2021).

Finally, all economic agents - households, businesses, and the government - must deal with rising insecurity across the country. Kidnapping, banditry, crude oil thefts, and secessionist activities, among other things, are dampening economic activities in major cities. Being a pre-election year, political activities contributed slightly to the insecurity problem.

2.4
EXTERNAL SECTOR

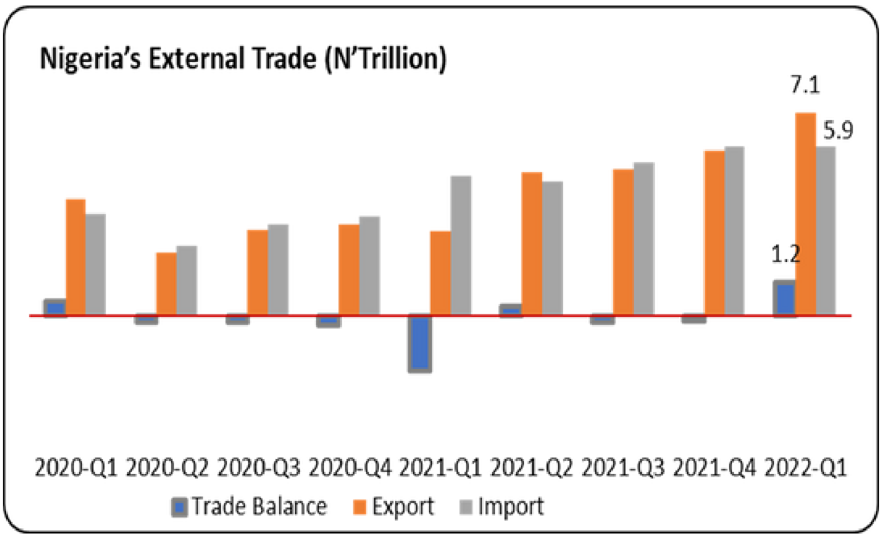
Nigeria experienced an impressive trade performance due to rising crude oil prices. In the period under review, The country's total trade grew by 11 percent to N13 trillion in Q1-2022 from N11.7 trillion in Q4-2021. Dominated by crude oil and gas export receipt, high global commodity prices triggered the external trade surplus of NGN1.2trillion in Q1-2022 from a deficit of N0.17 trillion in the last quarter of 2021.

Aggregate export value expanded by 23.1 percent and 138.3 percent to US$5.23 billion in Q1-2022 compared with Q4-2021 and Q1-2021 respectively. Similar to historical performance, the country's export basket is hugely dominated by crude oil, accounting for 79 percent of the total export.

Nigeria's imports remained subdued owing to lingering global supply chain disruptions heightened by the ongoing Russia-Ukraine crisis. In Q1-2022, the total imports declined by 0.67 percent to NGN5.90 trillion.

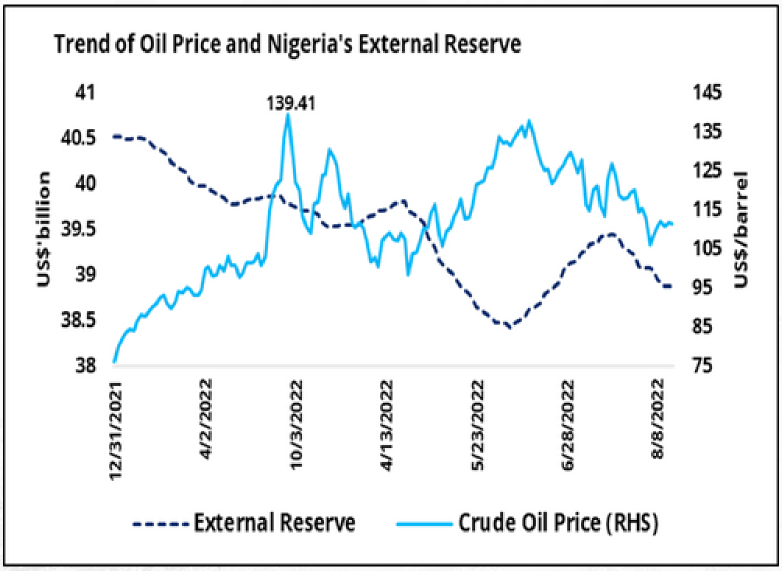
Foreign investors' attitude to investments in Nigeria remained significantly dampened. In H1-2022, total foreign capital inflows increased by 10.7 percent to US$3.1 billion from US$2.8 billion in H1-2021.

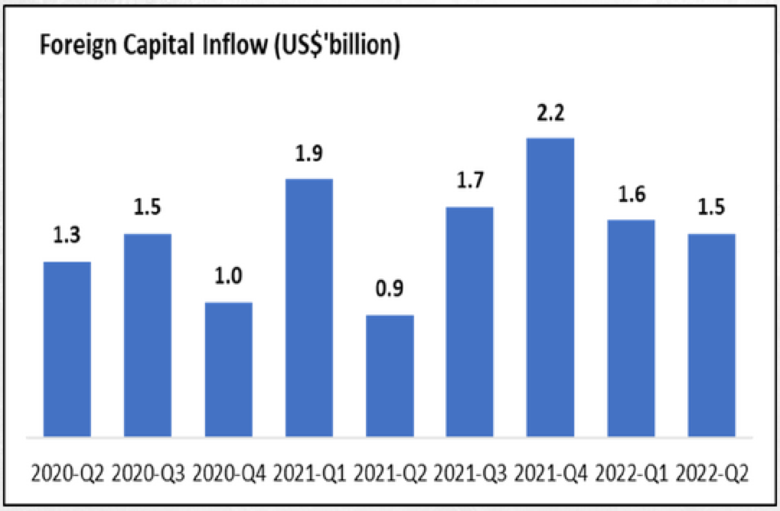
Foreign Portfolio Investment which accounted for 55.2 percent of total foreign capital in the period, increased by 12. The Foreign Direct Investment and other investments also increased by 30 percent and 7 percent respectively.

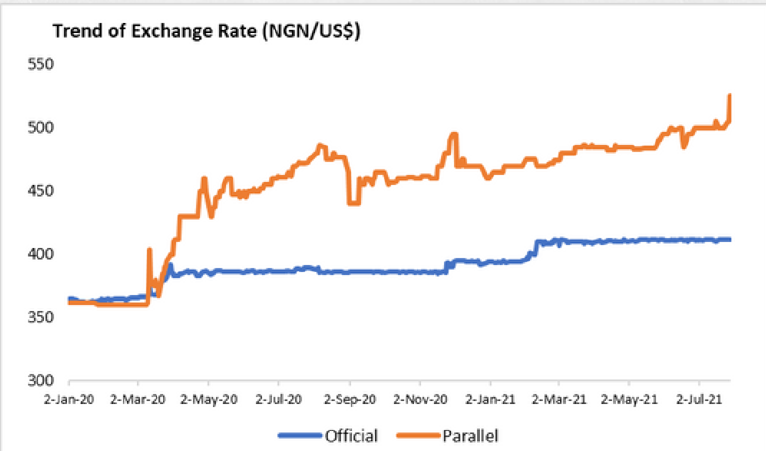


Data: NBS, 2022 | **Chart:** NESG Research

Higher Oil Prices Inspires Trade Surplus...







Data: NBS, CBN, 2022 | **Chart:** NESG Research

Exchange rate crunch persists, despite CBN's interventions

Foreign exchange crisis or crunch dominated the country's external sector in the first half of 2021. The situation persisted despite the CBN's move to harmonise the official exchange by adopting the Nigerian Autonomous Foreign Exchange Fixing (NAFEX) rate in May 2021 and significant FX market liquidity interventions. Between January and June 2022, the NAFEX (official) rate remained relatively stable at NGN420/US$1, while the parallel market depreciated significantly by 9.1 percent. In the period, the premium (the gap between official and parallel rates) widened considerably by 13 percentage points - from 32 percent in January 2022 to 45 percent in June 2022.

On a positive note, the Russia-Ukraine crisis triggered a higher crude oil price. In H1-2022, crude oil prices average US$119/barrel. In contrast to the historical relationship between rising oil price and Nigeria's external reserves, higher oil prices failed to reflect on Nigeria's external reserves accumulations within the period. Nigeria's external reserves declined by 2.7 percent to US$39.4 billion in June 2022 from US$40.5 billion at the beginning of the year. To strengthen the country's reserve buffers, the Federal Government issued Eurobonds to help shore up the reserves.

03

UPDATED OUTLOOK FOR 2022

This section assesses how the Nigerian economy will likely perform in the remaining part of 2022. It highlights key events that will drive the projected outlook for this part of the year and concludes with a projection – a revision of NESG's projected figure for growth and other key macroeconomic variables in the Macroeconomic Outlook for 2022 titled: The Last Mile: Reforms towards significant improvement in national economic outcomes.

Despite beginning the year 2022 with high optimism of advancing economic recovery, albeit with inflationary pressures, there are some key assumptions and events that would influence the performance of the Nigerian economy in second half of 2022. These events are highlighted below with some inherent expectations.

- Global economic momentum to decelerate in H2-2022.
- Fiscal weakness will be amplified by expanding borrowing cost and debt servicing obligations.
- Inflationary pressure will intensify deep into the year with no end to the cause of disruption in the global supply chain.
- Nigeria's external balance will continue to improve into the year but is divergent from the exchange rate performance as the pressure on the Naira will continue to mount.
- The interest rate environment will worsen as a rise in Monetary Policy Rate (MPC) is expected in H2-2022 to match up with inflation and reduce capital flight.
- Nigeria's economic growth will be sustained in the second half of the year; however, it would fall short of expectations.
- The need for a coordinated policy mix becomes imperative; however, it will be constrained.

3.2

NIGERIA ADJUSTED MACROECONOMIC PROJECTIONS FOR 2022

The projections herein are updates to the Macroeconomic Projections for 2022. They are computed using the NESG Computable General Equilibrium (CGE) and Macroeconomic Models to simulate and analyse the impacts of different policies and economic developments on major macroeconomic indicators. As presented earlier, the projections are driven by recent global and domestic economic developments and outlooks. The major dynamics in the global space we looked out for include emerging trends such as the Russia-Ukraine war, energy (crude oil) prices (the main driver of inflationary pressure), food prices, interest rate and liquidity, growth in global output and policy (fiscal & monetary) response. In addition, budgetary spending and pre-election activities are expected to shape the domestic economic environment. While precise forecasts may be unlikely, scenario building give some flexibility. Hence, the following presents our updated scenario projection of Real GDP growth, inflation, government revenue, exchange rate and unemployment for 2022, exploring three scenarios:

1 The Business-as-Usual Scenario

builds on the basic ceteris paribus assumption that the macroeconomic condition remains the same as in the first half of the year, particularly as presented in the outlook drivers.

2 The Best-Case Scenario

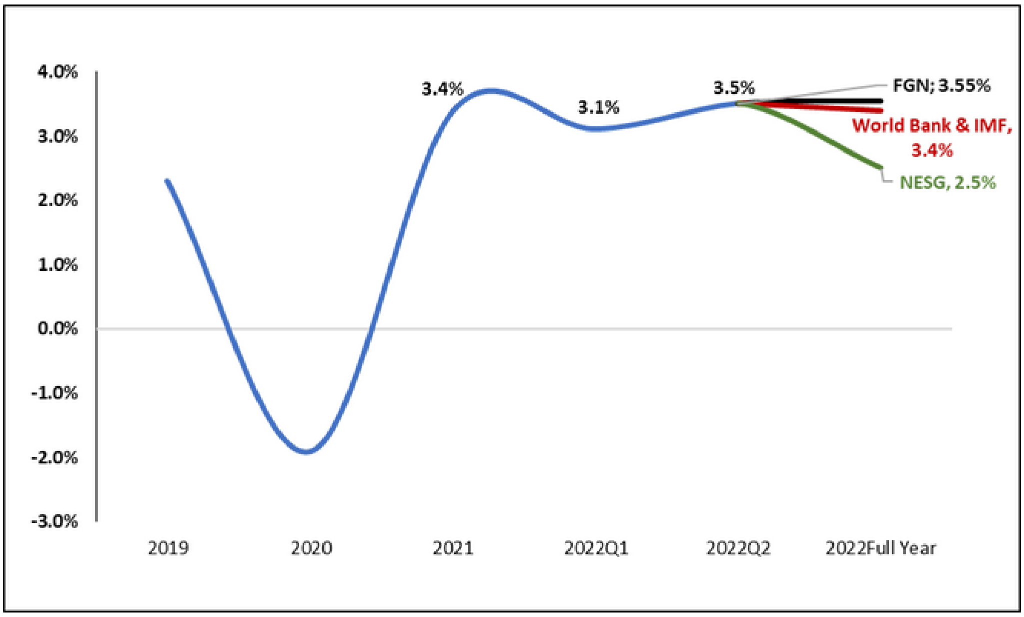
is a more optimistic view of the economy in H2-2022 than the current macroeconomic condition, especially with a significant improvement in crude oil output.

3 The Worst-Case Scenario

is a slightly pessimistic view of the economy relative to the business-as-usual scenario, particularly with interest rate hikes and worsened crude oil production and prices.

	Assumptions	Outcomes	Implication
Scenario 1: Business as Usual	• Crude oil price averages US$100pb; • Crude oil production average 1.25 million barrels per day (mbpd); • Capital Expenditure at N2 trillion •	• Real GDP expands by 2.5 percent; • Inflation rate average 20.0 percent; • Government revenue increases by 10 percent; • Official exchange rate depreciates and stabilises at N430/US$1; • The parallel exchange rate at N650/US$1; • Unemployment rate at 33 percent; • Underemployment rate at 29 Percent	• Per capita spending increases by 3 percent; • Government debt increases by 15 percent
Scenario 2: Best Case	• Crude oil price averages US$140 per barrel (pb); • Crude oil production average 2.0mbpd; • Capital Expenditure at N4.05 trillion	• Real GDP expands by 3.5 percent; • Inflation rate moderates to 18.0 percent; • Government revenue increases by 30 percent; • Official exchange rate stabilises at N415/US$1; • The parallel exchange rate at N600/US$1; • Unemployment rate at 30 percent; • Underemployment rate at 22 percent	• Per capita spending increases by 10 percent; • Government debt increases by 6 percent
Scenario 3: Worst Case	• Crude oil price averages US$70pb; • Crude oil production average 1.0 mbpd; • Capital Expenditure at N1.1 trillion	• Real GDP expands by 1.0 percent; • Inflation rate increases to 24.5 percent; • Government revenue declines by 20 percent; • Official exchange rate depreciates to N450/US$1; • The parallel exchange rate at N720/US$1; • Unemployment rate at 40 percent; • Underemployment rate 32 percent	• Per capita spending decreases by 2.5 percent; • Government debt increases by 25 percent

Figure 14: Revised 2022 Full Year Real GDP Growth Projections



Data: FMFBNP, World Bank, IMF, NESG, 2022 | **Chart:** NESG Research

04

POLICY RECOMMENDATIONS

The section provides short-term policy recommendations that could reduce the impacts of current economic challenges in Nigeria. For some of these policies, their implementation is a foundational step which requires subsequent policy follow-up in the next fiscal year – 2023.

As a result of the policy recommendation approach, the recommendations are structured to a particular issue of focus. For this report, the focus issues are **reducing inflationary pressure, addressing FX market bottlenecks, cutting the government's fiscal deficit, and supporting sectoral productivity growth.**

A.Reducing Inflationary Pressure

1.

Government needs to halt or reduce excise taxes. In H1-2022, the Nigerian Government has increased the excise rate of more than five different sectors or items with low demand elasticity, i.e. goods or services that consumers cannot reduce their consumption due to price increases. These sectors or items include telecommunication services, tobacco, non-alcoholic beverages, and alcoholic beverages, among others. These increases have contributed significantly to the hike in final prices of goods and services as producers transferred most of these new taxes to final consumers in the form of high prices.

2.

Boosting agricultural productivity to reduce food import inflationary pressure. Government can achieve this by first minimising or addressing insecurity challenges facing the major food-producing regions. In addition, improving the farm mechanisation rates and ensuring an efficient transport system connecting the farm to the market should be considered.

3.

Suspension of road taxes for agricultural produce and locally manufactured goods. The Federal Government needs to issue an Executive Order excluding all agricultural products from all road tolls or highways payments in the country. These illegal tolls along inter-state roads by non-state actors and security agencies contribute significantly to exorbitant food prices in the country as traders/commuters/farmers often transfer these additional costs to consumers.

B. Addressing Foreign Exchange (Forex) market bottlenecks

1.
Removal of current cap or controls on capital outflow. To address sustainable Foreign dominated investment inflows, the government and monetary authorities must remove the existing cap or controls of capital outflows. This strategy is a big disincentive for foreign investment inflows as stiff controls on capital outflows through forex rationing discouraged prospective investors from considering Nigeria a good investment destination. If this recommendation is adopted, it will support Nigeria's investment environment and foreign exchange market stability. This is important for attracting foreign investments and contributing significantly to a stronger local currency.

2.
Implementation of a coherent policy to govern the Central Bank's interventions in the foreign exchange market. The Economic Management team of the Federal Government must agree unanimously that the Central Bank of Nigeria would support Forex market liquidity, among others. This policy stance is important in boosting investors' (local and foreign) confidence in the country.

C. Cutting the government's fiscal deficit

1.
Embark on the gradual phasing out of the Fuel Subsidy programme. Aside from taking a clear position on the fuel subsidy issue, the Federal Government must begin the shutting-down phase of subsidy programmes to save the country from impending fiscal crisis. Understandably, this suggestion will affect the welfare of the citizens, but it is only in the short term. On the other hand, the more extended effects of sustaining this programme are disastrous.

2.

Efficiency and transparency in Government spending. Transparency and accountability in government spending behaviour is a precondition to building trust and confidence needed to sustain the private sector's (including foreign investors) interest in paying taxes and supporting government programmes. Government must be ready to channel the country's limited revenue to addressing social and developmental issues such as infrastructure, health, and education.

D. Supporting sectoral productivity growth.

1.

Supporting linkages among sectors for positive spillover of growth and productivity. There is a need to kick-start an economic framework that links sectors with complementary activities in Nigeria. For example, through the development of appropriate pricing for agricultural products to keep farmers' incomes stable and quality output, the Agricultural sector supplies its output as industrial inputs for the manufacturing sector. Similar sector-level interaction must also be activated between industrial and services as well as services and agriculture.

2.

Develop tailor-made finance and competitive grants to support innovative development and start-up of nascent industrial and manufacturing enterprises. Economic growth supporting sectors must be supported with the required significant capital outlay for production and expansion. This strategy is important to support local productivity and reduce the country's reliance on imports for manufactured goods.

3.

Set up a home-grown quality control system to ensure that Nigerian-made products become attractive to foreign buyers. This will help boost forex earnings from non-oil export commodities. In addition, this will provide adequate incentives such as affordable credit facilities to manufacturers to facilitate mass production of exportable commodities.

ABOUT THE NESG

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 so as to explore, discover and support initiatives directed at improving NIgeria's economic policies, institutions, and management.

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