

# Nigeria in a New Era: Opportunities in our Next Growth Phase

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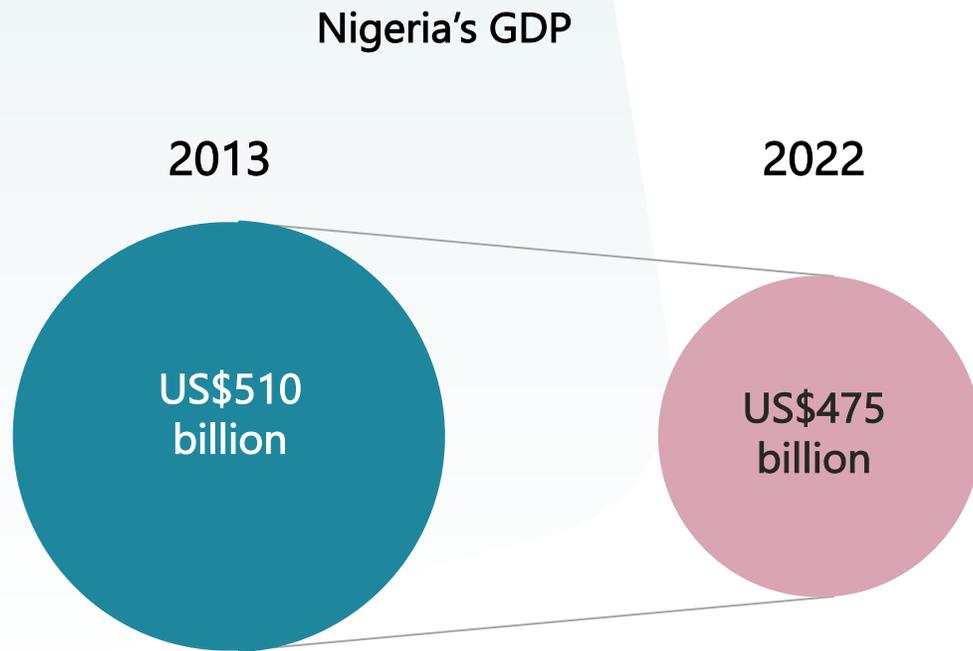
# Outline

- Theme 1: A Shrinking Economy with Very Little to go Round
- Theme 2: The Art of Policy-Making: Ignoring the Economics of Our Backyard
- The Way Forward

## Theme 1

# A Shrinking Economy with Very Little to go Round

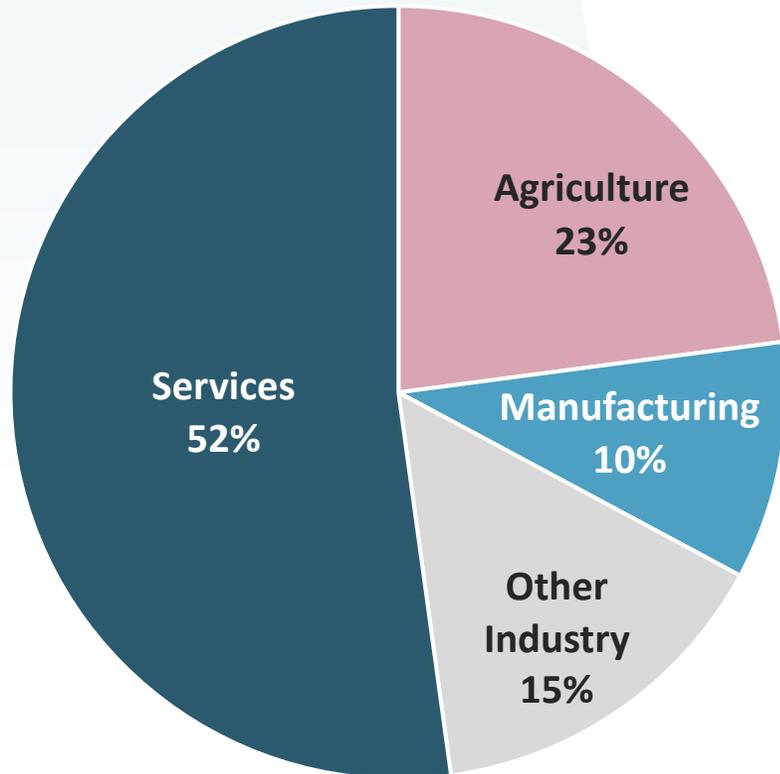
# Economic Growth has slowed considerably in the last decade



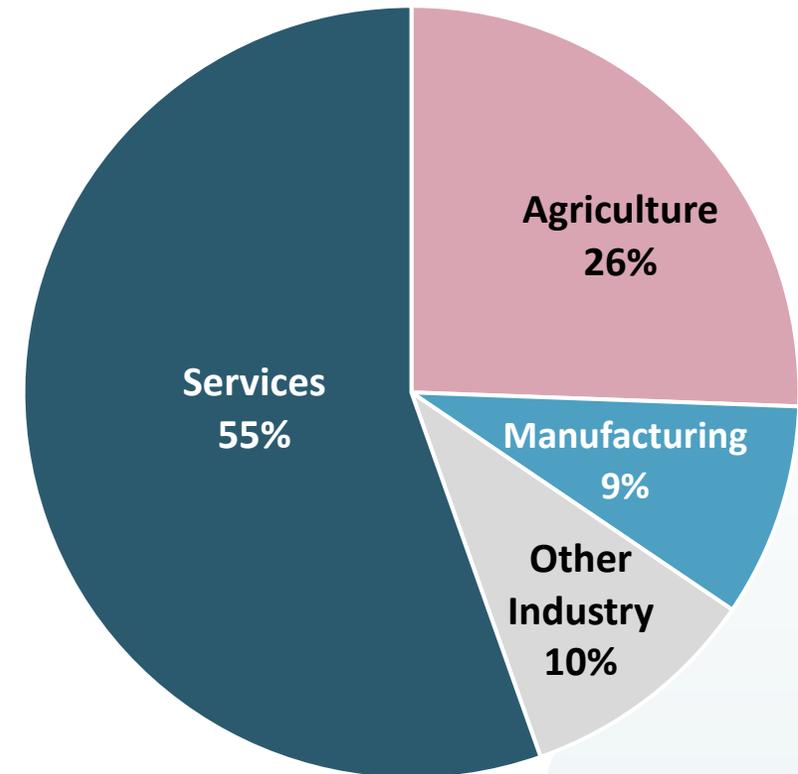
The economic pie has shrunk significantly in the last 9 years and there is very little to share among the populace. Part of why there are 133 million individuals living in multidimensional poverty.

# Agriculture's share in output is expanding. Not a good sign for a country like Nigeria

2014



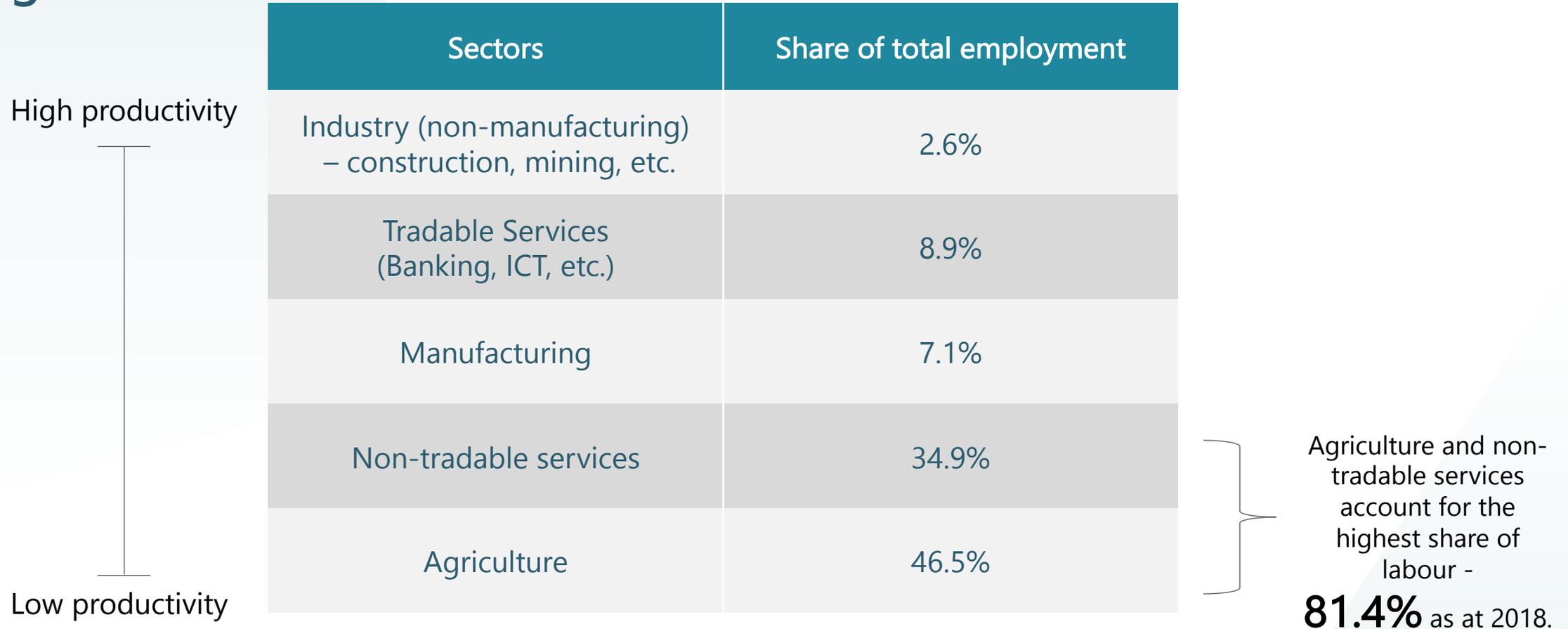
2022



Agriculture is the sector with the lowest labour productivity in Nigeria but its share of GDP is increasing. Agriculture is important, but we need technology in agriculture to raise its productivity.

Data Source: CBN, NBS

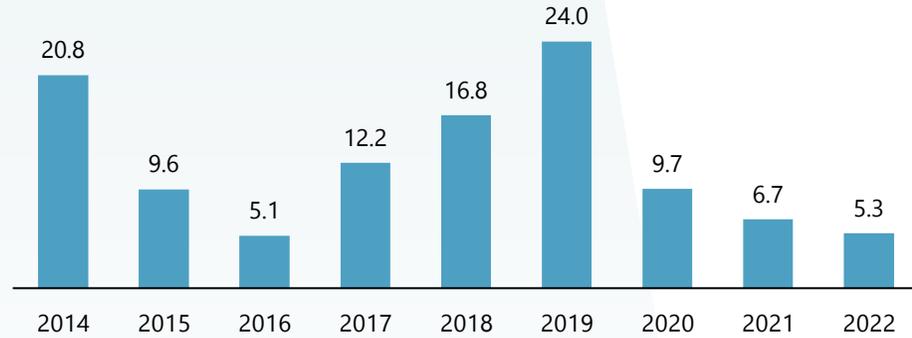
# The least productive sectors employ the largest share of workers in Nigeria



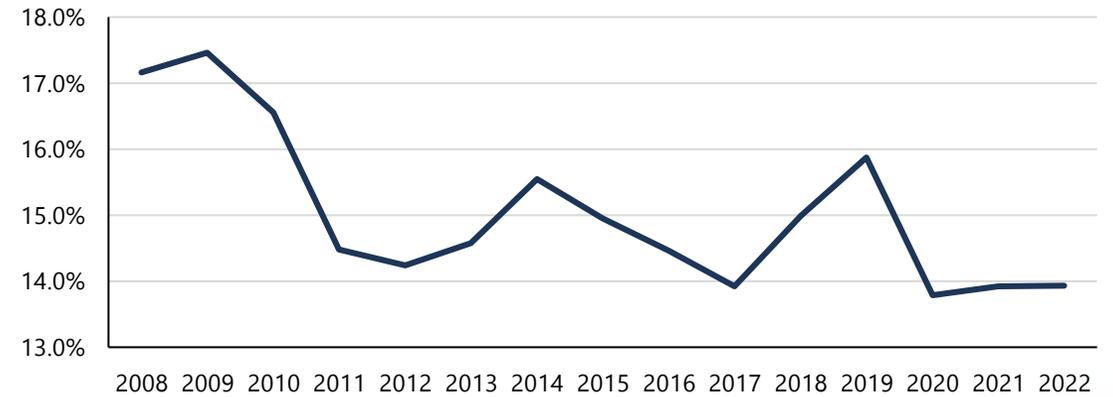
Essentially, the jobs that will lift people out of poverty in Nigeria do not exist in large numbers.

# Investment inflows has dwindled since 2019, likewise investment/GDP

Nigeria's Foreign Investment Inflows (US\$ Billion)



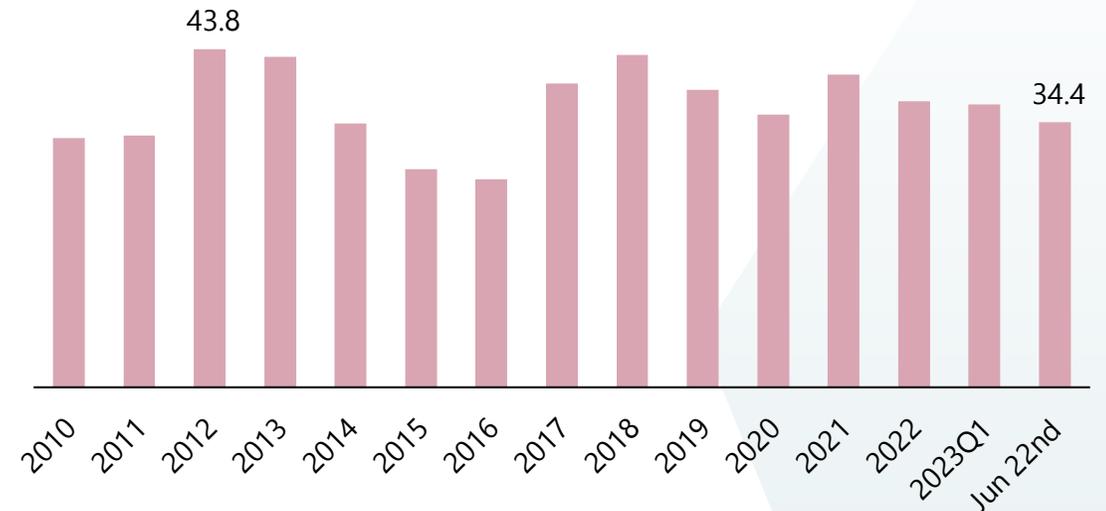
Investment as a share of GDP



Nigeria's Foreign Direct Investment Inflows (US\$ million)



Nigeria's External Reserves (Billion US\$) (End-period)



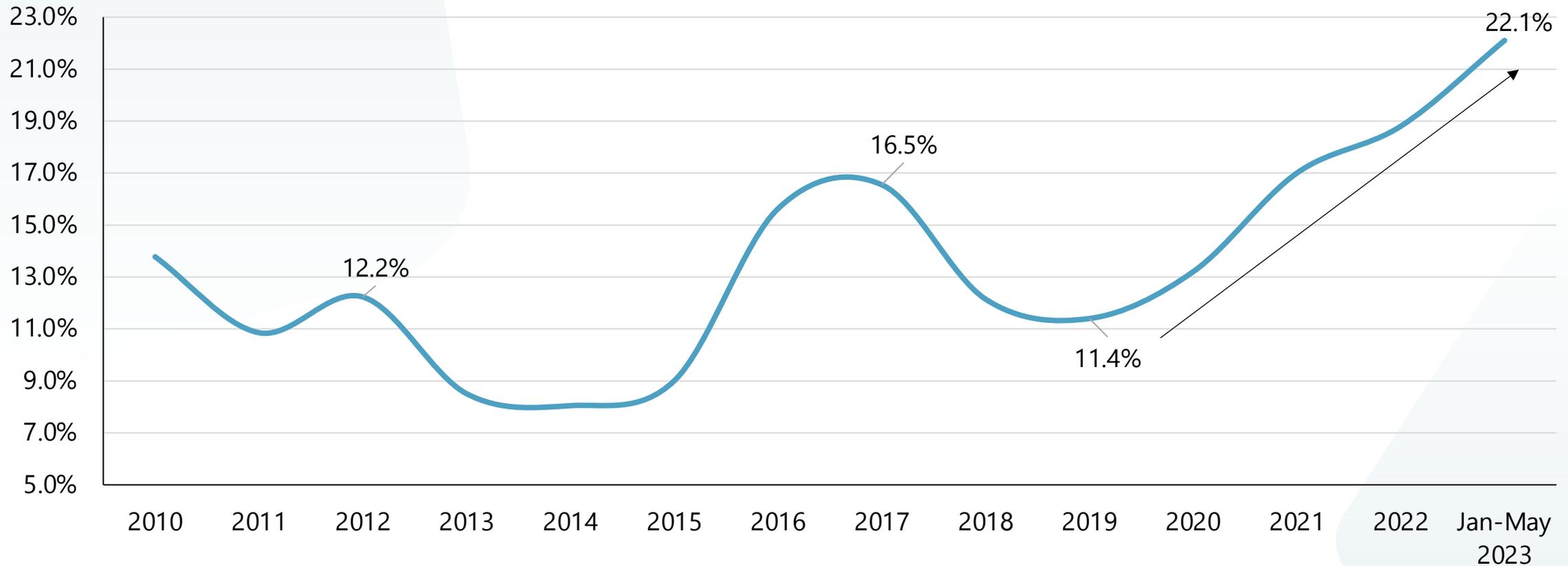
Data Source: NBS, CBN

## Theme 2

# The Art of Policy-Making: Ignoring the Economics of Our Backyard

# Inflation keeps pushing millions into poverty but is it more of a monetary phenomenon?

Nigeria's Average Inflation Rate (%)



Data Source: CBN, NBS

# Possible drivers of Inflation in Nigeria

## Monetary factors

- High lending rate
- Money supply growth-  
Printing of money
- FX depreciation.

## Fiscal factors

- Rising budget deficits
- VAT increases
- Subsidy removal.

## Structural Factors

- Infrastructure deficits
- Border/Port charges
- Power supply deficit
- Logistics problems
- Extortions of traders during inter-state journeys
- Low productivity.

## Other Factors

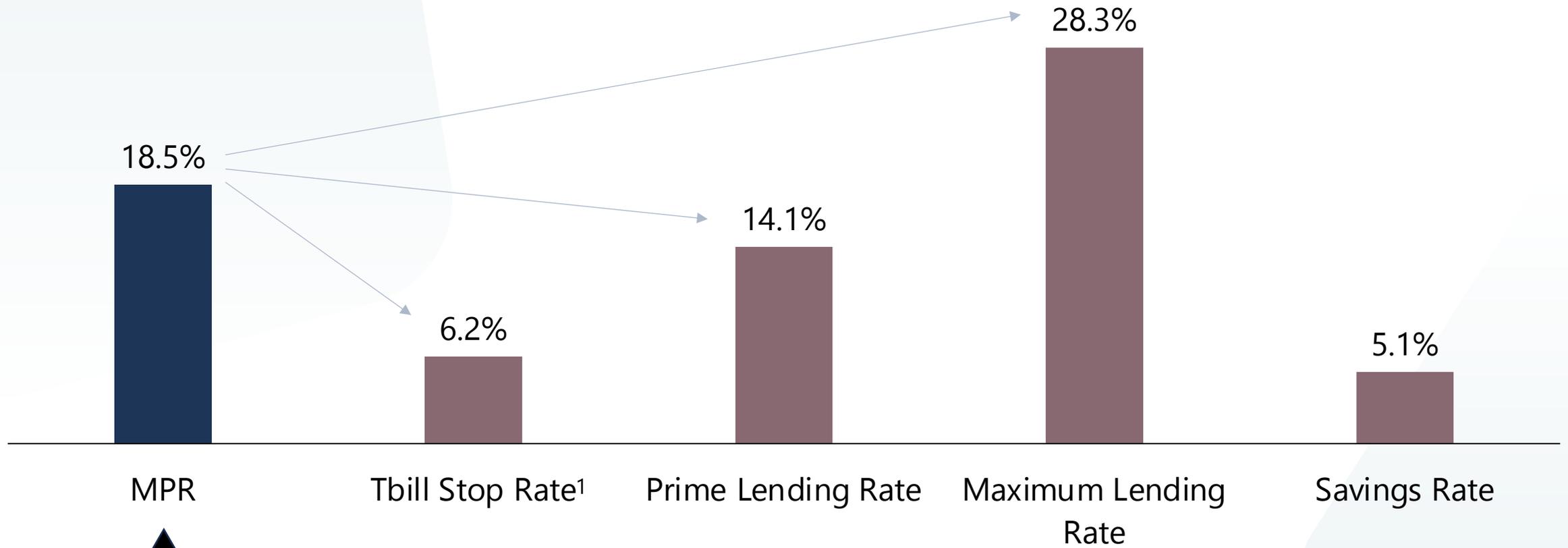
- Closure of land borders
- Insecurity
- Corruption
- Charges by non-state actors.
- Corporate greed.

## What can the CBN do?

**Solution:** We need a committee that consists of the CBN Governor, Ministry of Agriculture, Trade, etc to tackle this problem.

# Are we really raising the MPR to tame inflation? Is it working? Or are we 'following' actions taken by Central Banks in the global north?

Nigeria's key Interest Rates as at May 2023



▲  
By the way, is this not supposed to be the BENCHMARK rate?

<sup>1</sup>as at June 30, 2023

Data Source: CBN

# Nigeria has one of the highest CRR in the world at 32.5%. How do we finance development?

## Bank Reserves as the May 2023



Cash Reserve Ratio						
World	Europe	America	Asia	Africa	Australia	G20
Country	Last		Previous		Reference	
<b>Angola</b>	22		22		May/23	
<b>Belarus</b>	4		4		May/23	
<b>Brazil</b>	21		21		Jun/23	
<b>China</b>	10.75		10.75		Jun/23	
<b>Croatia</b>	2.68		5		Dec/22	
<b>Czech Republic</b>	2		2		May/23	
<b>Hungary</b>	10		10		Jun/23	
<b>India</b>	4.5		4.5		Jun/23	
<b>Indonesia</b>	9		9		Feb/23	
<b>Iraq</b>	13		13		Jan/23	
<b>Malaysia</b>	2		2		May/23	
<b>Moldova</b>	34		34		May/23	
<b>Nigeria</b>	32.5		32.5		Jun/23	
<b>Philippines</b>	9.5		12		Jun/23	
<b>Poland</b>	3.5		3.5		Jun/23	
<b>Romania</b>	5		5		May/23	

# Other examples of ignoring the economics of our backyard

- The failed Naira Redesign Policy underestimated the importance of the informal economy in Nigeria.
- Advice to raise VAT at a time when consumer demand is depressed?
- Over-centralised data – Recent GDP data by states, LGAs are unavailable. Recent population data & forecasts by states are not available, etc..

# The Way Forward

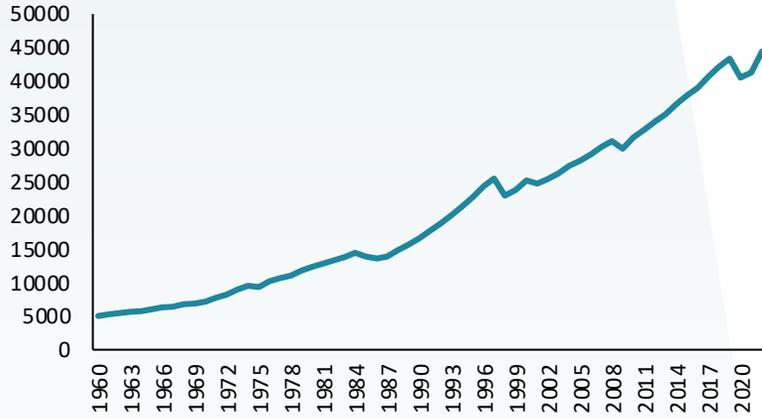
# 1. Develop an inclusive growth agenda

Growth  
for what?

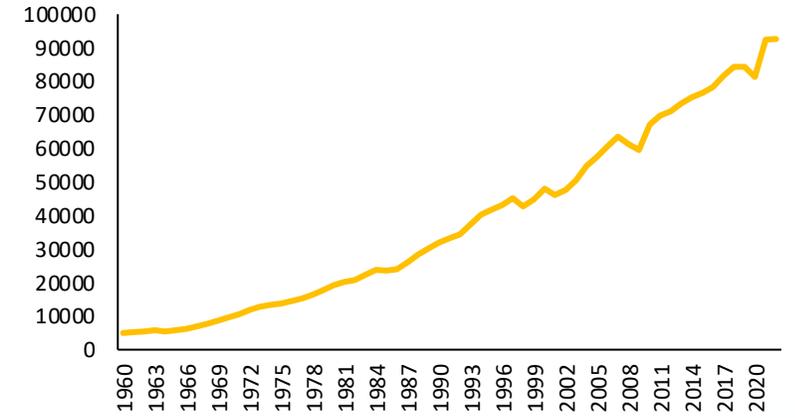


# GDP per capita (constant local currency) – Years of increase

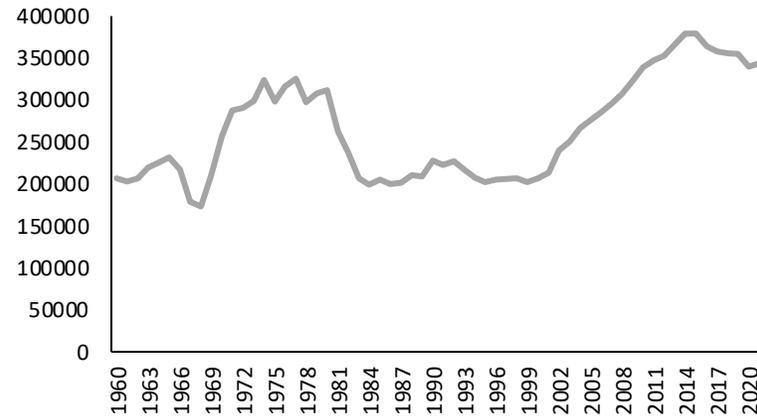
Malaysia - 24 years of increase only one decline



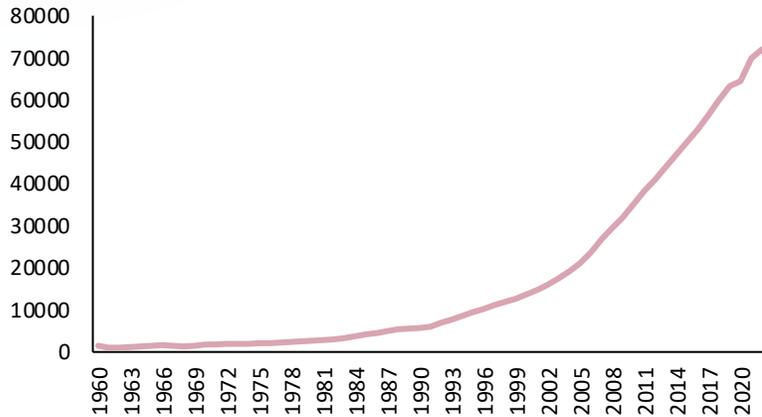
Singapore - 33 years of increase only one decline



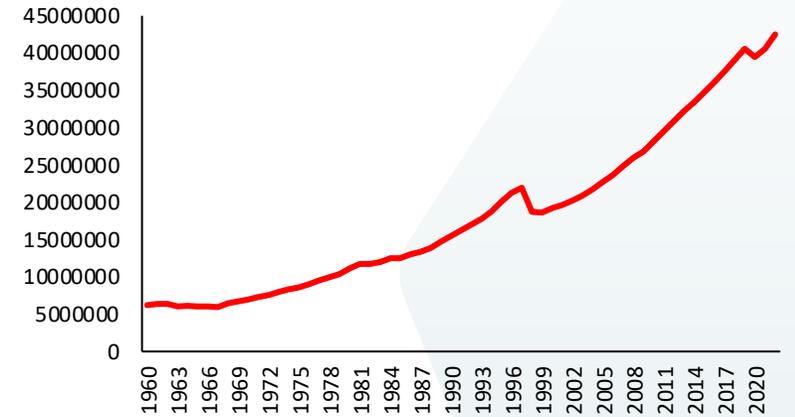
Nigeria - 16 years of increase



China - 54 years of increase only one decline



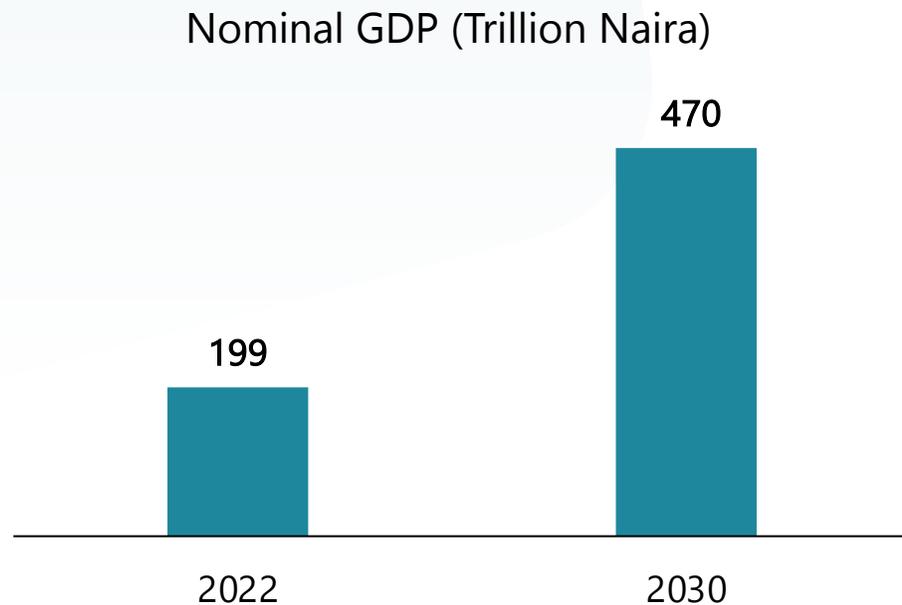
Indonesia - 30 years of increase only one decline



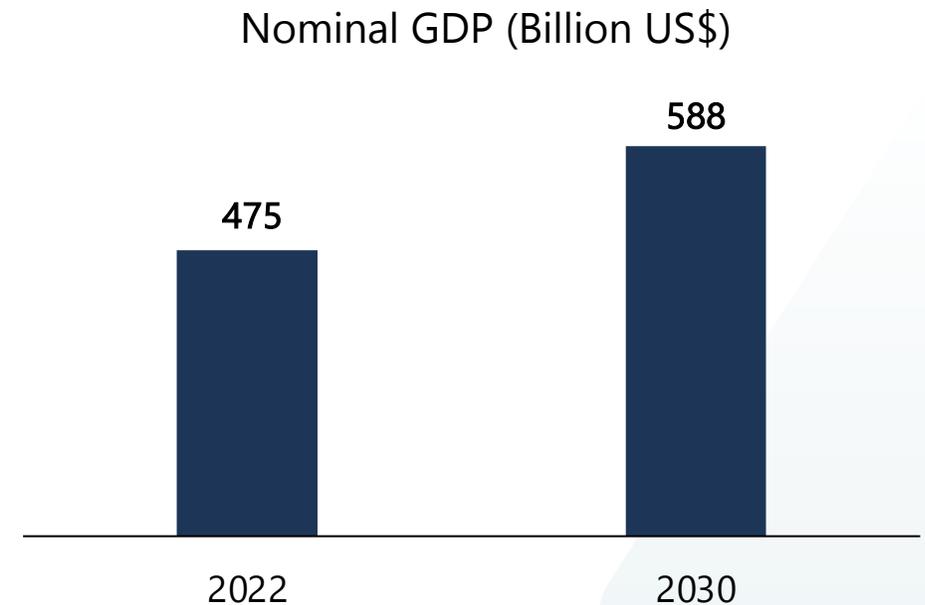
Nigeria's growth in the 2000s was not long enough to significantly address unemployment and poverty.

# The President's plan for Nigeria is a GDP growth of "not less than 6%". We must unlock economic opportunities to increase the pie!

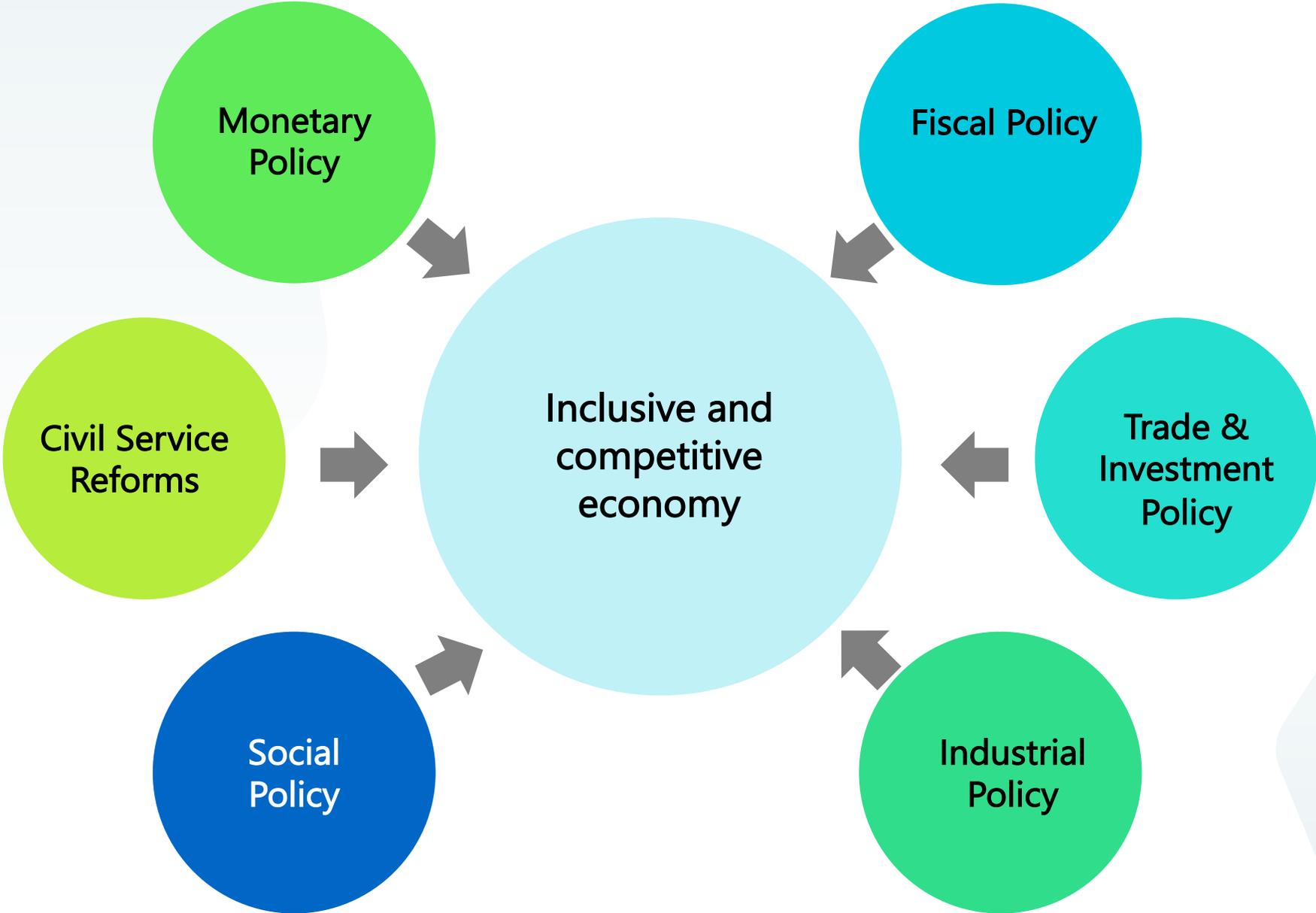
Nominal GDP could more than double at an average real GDP growth of 6% in the next 7 years



With the 6% real growth and assuming an exchange rate of N800 per US\$, the size of the economy will still be far from US\$1 trillion by 2030



## 2. We must align our policies and priorities



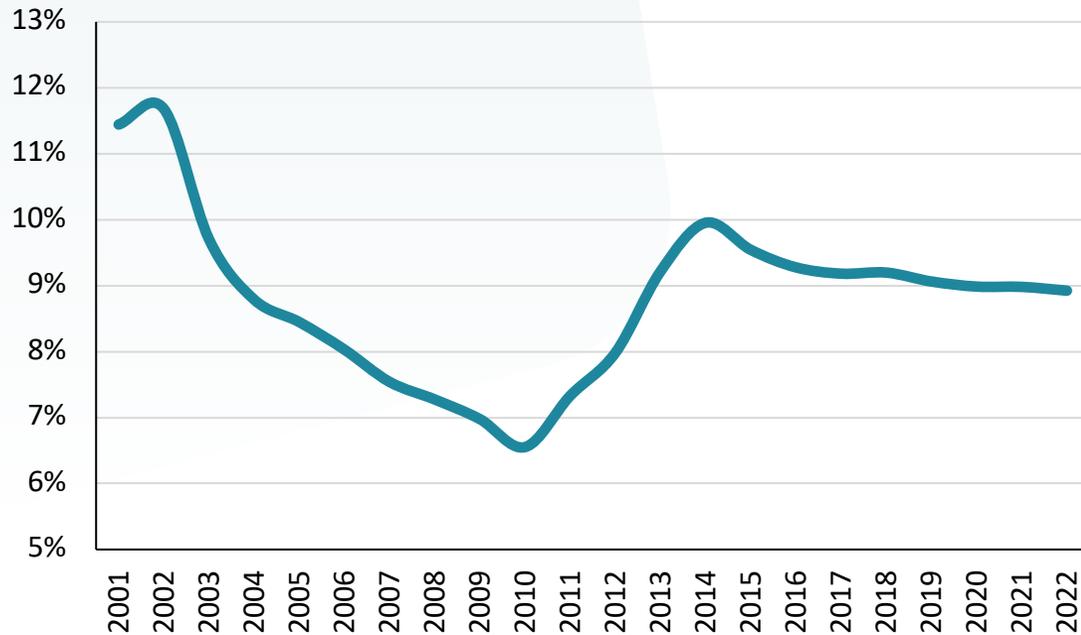
We must allow markets to function with undue interference. However, inequality comes with the markets. Government must provide social support to the vulnerable.



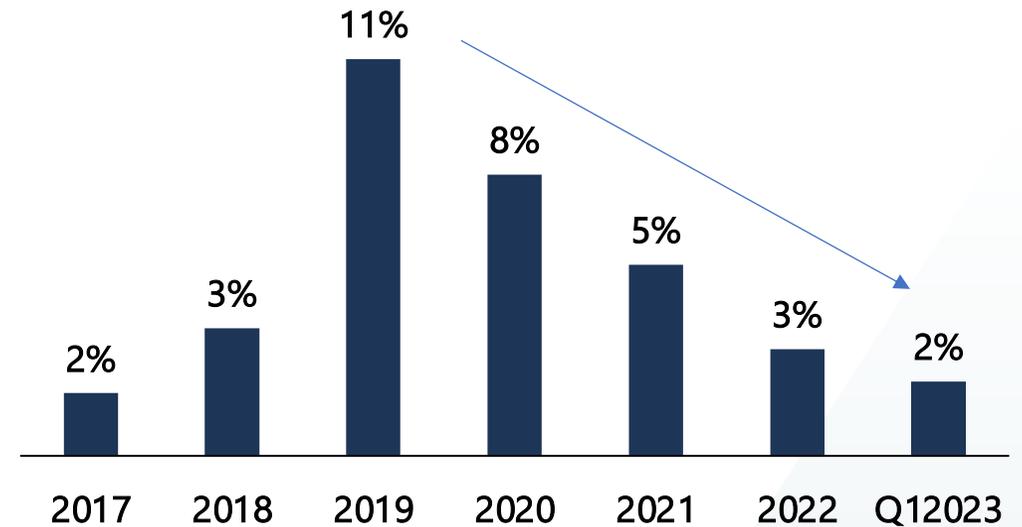
# 3. Manufacture, Nigeria!

Economic Emergency: Nigeria is not producing enough for local consumption and export

Manufacturing output as a share of GDP



Manufactured goods as a share of total goods Exports



We must tackle problems of infrastructure deficit, inadequate power supply, create and IMPLEMENT an industrial and trade policy and incentivise manufacturing. Other sectors such as creatives, ICT, transportation, health and education are crucial. The constitutional review bills signed by former President Buhari present huge opportunities.

Data Source: CBN, NBS

## On the recent FX reforms:

“To fix our foreign exchange market, we must fix the economy!”<sup>1</sup>

<sup>1</sup>OA

**Thank You**



# Contact!

**Wilson Erumebor on:**



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