

Building A Stairway To Shared Prosperity For All Nigerians¹⁰

NESG Research



¹⁰ For an expanded discussion, refer to the NESG mini-report series, retrievable via: [https://nesgroup.org/download_resource_documents/NESG%20Macro%202023%20Mini-Report%20-%20Building%20a%20Stairway%20to%20a%20Shared%20Prosperity%20for%20all%20Nigerians_Final%20\(1\)_1684240604.pdf](https://nesgroup.org/download_resource_documents/NESG%20Macro%202023%20Mini-Report%20-%20Building%20a%20Stairway%20to%20a%20Shared%20Prosperity%20for%20all%20Nigerians_Final%20(1)_1684240604.pdf)

Abstract

Achieving shared prosperity in Nigeria requires a simplified roadmap to bolstering and diversifying the Nigerian economy through broad-based sectoral and productivity. Despite its large population and diverse economic structure, Nigeria has been performing poorly due to numerous structural factors, including inadequate infrastructure, obstacles to investment, lack of confidence in currency valuation, and limited foreign exchange capacity. These issues have impeded the country's productivity and also culminated in its poor economic growth. However, to achieve improved overall economic growth that will set the required foundation for creating new wealth for all Nigerians, there must be a positive growth rate and productivity across the sectors of the economy. This paper explains how Nigeria can achieve shared prosperity through sectoral and industrial reforms that pave the way for broad-based sectoral growth and productivity.

Introduction

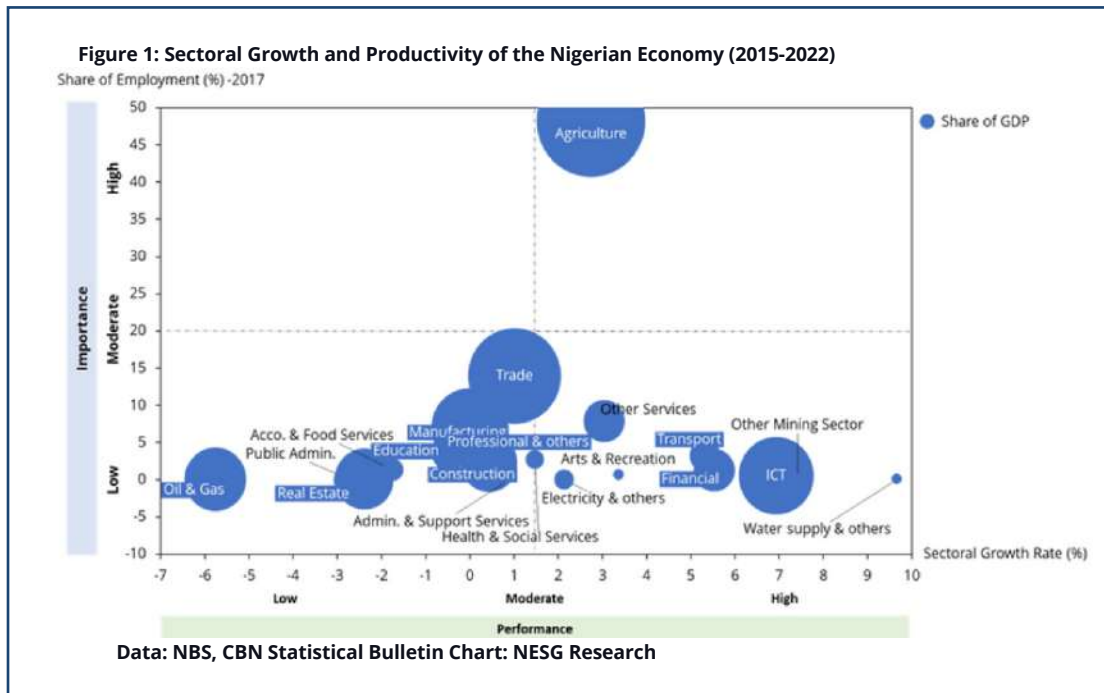
The NESG proposed shared prosperity framework for Nigeria defines economic prosperity as expanding existing economic wealth and developing new economic wealth created by an emboldened private sector in a stable macroeconomic environment. This means bolstering the country's economy to better capitalize on its distinct advantages to boost employment, income, productivity, welfare, economic growth, and diversification. Nigeria's economy needs to perform better relative to the country's population growth rate of about 3.25 percent. The country's productivity is highly vulnerable to shocks and insufficient to create new economic opportunities with the current growth performance. The country is also experiencing rising inflation, which hit an all-time high of 22.2 percent in April 2023, the highest level seen since 2002.

In 2020, the country's combined unemployment and underemployment rates reached 56.1 percent, while the inflation rate hit a record high of 18.91 percent in 2022. These economic challenges have resulted in a significant portion of Nigeria's population, estimated at 63 percent or 133 million people, living in multidimensional poverty (NBS, 2021). The root causes of these problems are largely attributed to poor policy choices. To achieve shared prosperity, the Nigerian government must effectively address these issues by implementing solid economic policies. However, this task is not accessible due to the magnitude and widespread nature of the problems.

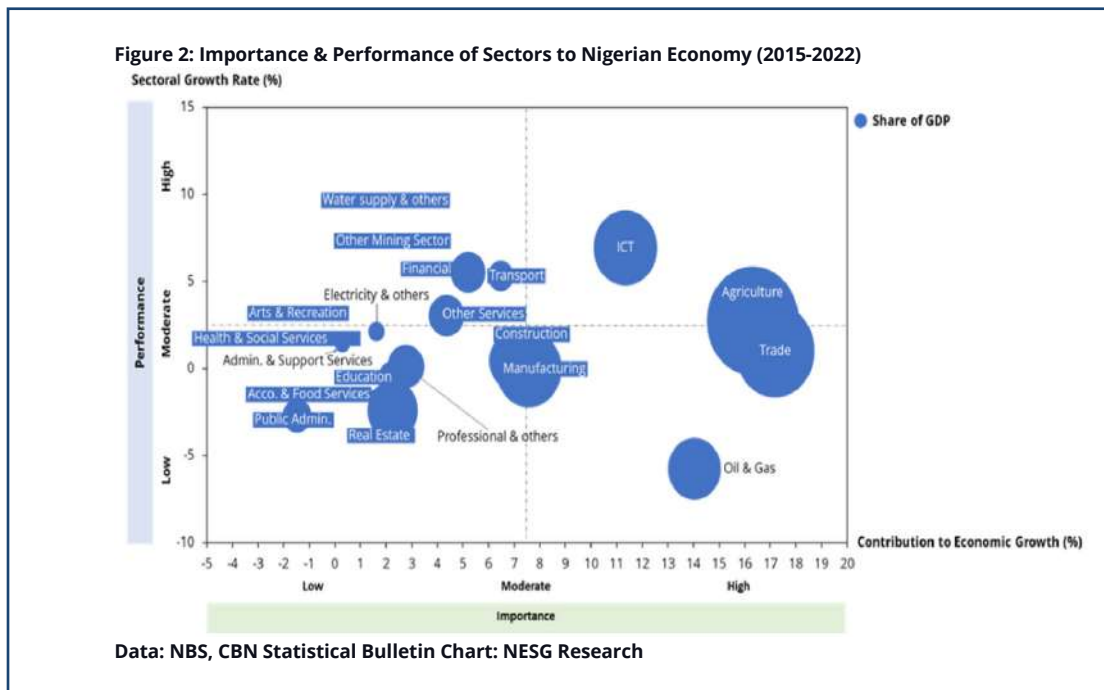
PERFORMANCE OF NIGERIA'S ECONOMY BETWEEN 2015 AND 2022

Three (3) overarching themes can be used to explain the current economic situation in Nigeria, these include:

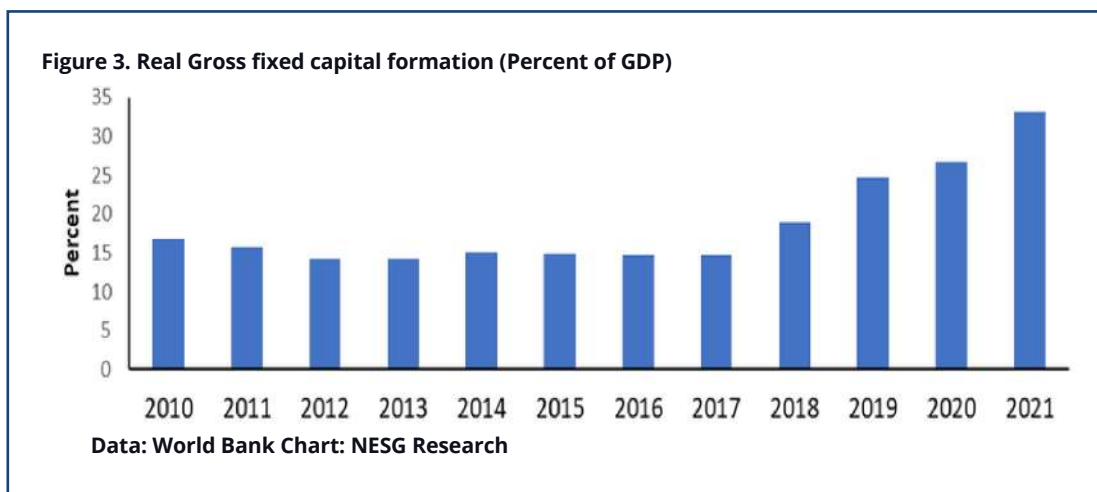
- **Low growth and productivity across the economy:** The Nigerian economy is struggling due to weak sectoral performance, particularly in Agriculture, Trade, and Manufacturing (see Figure 1). This has caused unemployment to increase from 10.4 percent in 2015 to 33.33 percent in 2020 due to slow growth in these industries, the COVID-19 pandemic, the Russia-Ukraine crisis, and policy mismatches.



- Excessive reliance on a few sectors to drive overall growth:** Nigeria's economy is dominated by a few key sectors, such as Trade, ICT, Agriculture, Oil & Gas, Construction and Manufacturing, with growth rates of less than 5 percent (see Figure 2). The average annual real growth in the GDP between 2015 and 2022 can be attributed to just four of the country's nineteen (19) broad economic sectors.



- Weak capital flow into the economy's productive sectors:** Inefficient distribution of expenditures among productive industries is responsible for the Nigerian economy's lack of productivity and 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).



CONCLUSION AND POLICY RECOMMENDATIONS

Nigeria needs to achieve broad-based growth and improved productivity across all sectors of the economy to create wealth that will be available for all to share. The next milestone is the need to achieve concentric economic diversification and transformation, which involves the emergence of new economic activities and improvement in the existing productive structure. This will lead to higher investments, high economic growth, and improved sectoral performance. The following are key policy recommendations towards creating economic prosperity for all.

- **Strengthen Growth and Productivity**

- * **Macroeconomic Stability:** Growth-promoting policies are more likely to succeed in a stable macroeconomic environment and achieve desired economic outcomes. 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 and revival of the Agriculture Sector:** Government must consolidate private sector activity 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.

- **Expand the Sources of Growth**

- * **Diversification of the economy:** Concerted efforts should be directed at strengthening Nigeria's industrial and service sectors. Developing agro-processing 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.

- **Improve Capital Inflows into the Economy**

- * **Institutions and Governance:** The most important idea is to strengthen institutions and governance in Nigeria to stabilise the macroeconomic environment and foster productive and economic activities. The following are viable 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.

- * **Attracting investors into natural resource-based sectors:** There is a need to open the natural resources sector for private investments. The government should provide detailed information about the natural resources available and volumes across the country. This would portray some level of accountability and transparency in natural resource exploration before prospective investors (domestic and foreign).

References

National Bureau of Statistics, GDP Quarterly Report. Various Editions, retrieved from: <https://nigerianstat.gov.ng/elibrary/>

National Bureau of Statistics, CPI Monthly Report. Various Editions, retrieved from: <https://nigerianstat.gov.ng/elibrary/>

National Bureau of Statistics, Labour Statistics Report. Various Editions, retrieved from: <https://nigerianstat.gov.ng/elibrary/>

Central Bank of Nigeria. (2021). Statistical Bulletin, retrieved from: <https://www.cbn.gov.ng/documents/Statbulletin.asp>

Nigerian Economic Summit Group. (2023). Macroeconomic Outlook 2023: Nigeria in Transition – A Recipe for Shared Prosperity, retrieved from: https://nesgroup.org/download_resource_documents/2023%20Macroeconomic%20Outlook_1674012875.pdf