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ANALYSIS OF SECTORAL ECONOMY PERFORMANCE IN NIGERIA: A CONCEPTUAL APPROACH

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Abstract

The study analysed the sectors economy performance in Nigeria spanning the period 2019-2021. Secondary data were used for the analysis and sourced from the National Bureau of Statistics (NBS) and Central Bank of Nigeria Statistical Bulletin (2021). The study uses conceptual method for analysis and study revealed that agricultural sector remains the major contributor to economics growth in Nigeria despite problems affecting the sector ranging from farmers/headers conflict, banditry, kidnapping and other related issues. Other sectors such as non-oil sector also contributing in GDP growth in the country during the period under review. The study therefore recommends that agricultural activities should be given more priority through addressing the farmers/headers conflict, banditry, kidnapping and other related issues.

Keywords: Sector, Economy, Performance. Agriculture, Manufacture

Introduction

Data and performances of an economy are important tools in evaluating the general economy of a nation with the aim of planning the economy activities for policy decision. The Nigerian Economy is a middle-income, mixed economy and cropping up market, with expanding manufacturing, financial, service, communications, technology, and entertainment sectors. Nigeria has the largest economy in Africa (Nigeria Economy, 2020). The country's re-emergent manufacturing sector became the largest on the continent in 2013, and it produces a large proportion of goods and services for the region of West Africa. The Nigeria economy expanded by 3.4% in real terms in 2021, with an estimated value of N72.39 trillion, increasing from N70.01 trillion recorded in the previous year. Considering the economic structure of the Nigerian economy, with concerted efforts being made to drive growth in some areas of the economy, some of which include the agriculture and trade sectors, it is imperative to regularly assess the contributions of the Nigerian sectors and their sub-sectors (Yunana & Idakwoji, 2019).

Nigeria's economy entered a recession in 2020, reversing three years of recovery, due to fall in crude oil prices on account of falling global demand and containment measures to fight the spread of COVID–19. The containment measures mainly affected aviation, tourism, hospitality, restaurants, manufacturing, and trade. Contraction in these sectors offset demand-driven expansion in financial and information and communications technology sectors (NBS, 2021). Overall real GDP is estimated by the Bank to have shrunk by 3% in 2020, although mitigating measures in the Economic Sustainability Programme (ESP) prevented the decline from being much worse. Inflation rose to 12.8% in 2020 from 11.4% in 2019, fueled by higher food prices due to constraints on domestic supplies and the pass-through effects of an exchange rate premium that widened to about 24% (CBN, 2020). The removal of fuel subsidies and an increase in electricity tariffs added further to inflationary pressures. The Central Bank of Nigeria cut the policy rate by 100 basis points to 11.5% to shore up a flagging economy. The fiscal deficit, financed mostly by domestic and foreign borrowing, widened to 5.2% in 2020 from 4.3% in 2019, reflecting pandemic-related spending pressures and revenue shortfalls. Total public debt stood at $85.9 billion (25% of GDP) on 30 June 2020, 2.4% higher than a year earlier. Domestic debt represented 63% of total debt, and external debt, 37%. High debt service payments, estimated at more than half of federally collected revenues, pose a major fiscal risk to Nigeria. The current account position was expected to remain in deficit at 3.7% of GDP, weighed down by the fall in oil receipts and weak external financial flows (CBN, 2022).

Manufacturing Sector

The manufacturing industries in Nigeria are economic sector that brings approximately 10 percent of total GDP (Gross Domestic Product) each year. Manufacturing activity is concentrated in large cities like Lagos, Port Harcourt, and Ibadan, in the south of the country. Millions of people are involved in producing household goods, consumer products, automobiles, agriculture, mining, cement and building materials etc. The Nigerian manufacturing sector is dominated by the production of cement and building materials, food and beverages, tobacco, chemicals and fertilizers, wood, and textiles. Out of all only 3 subsectors (food & beverage, cement, and textile) account for 77% of manufacturing output generating the greatest value. Also, breweries and flour mills contribute well in the manufacturing sector (Nigeria Economy, 2021).

Aggregate contribution of the manufacturing sector to the Gross Domestic Product (GDP), in real terms, over the three year period was N19.26 trillion (NBS, 2022). The manufacturing sector contributed 9% to the country's real GDP with a value of N6.5 trillion, increasing by 3.35% year-on-year from N6.29 trillion recorded in the previous year. The sector has been largely disrupted by the double-figure contraction of the oil refining sub-sector of the economy (Manufacturing Sector Report, 2021).

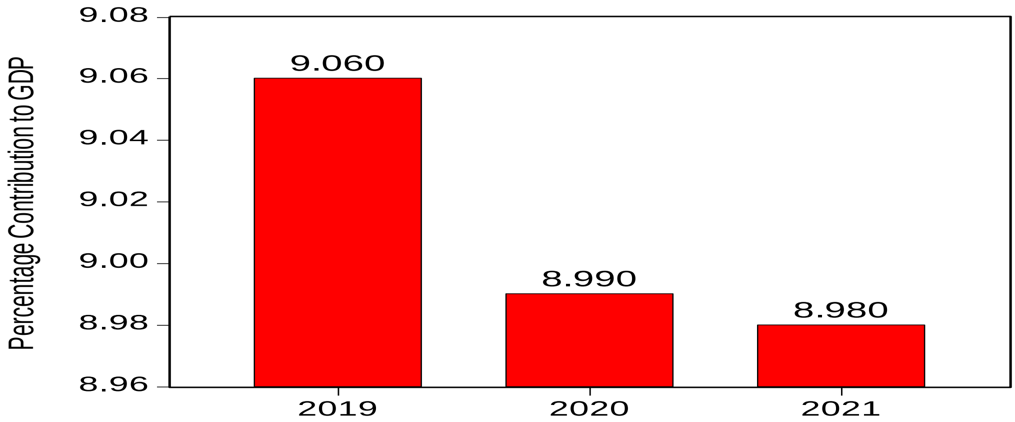

Figure 1: Manufacturing Contribution to GDP %
Source: NBS, 2022

The Nigerian manufacturing sector has 12 component sub-sectors, which include oil refining, cement manufacturing, food, textile production etc. The sector's contribution was largely driven by the N3.18 trillion valuations of the food, beverages and tobacco sub-sector and the N1.32 trillion cement industries. Others on the list of sectors with over 5% real GDP contribution include; Mining and quarrying (7.4%), and Real Estate (5.6%). Manufacturing in Nigeria is face with some challenges raging from power supply as over 98% of the industries rely on power generators to run operations eventually adding to costs, physical infrastructural deficiencies, difficult access to credit, and the cost of imported raw materials and skilled labour being the additional challenges (Manufacturing Sector Report, 2021).

Agricultural Sector

Agriculture in Nigeria is a branch of the economy in Nigeria, providing employment for about 35% of the population as of 2020. The sector remains the foundation of the Nigerian economy, despite the presence of oil in the country. It is the main source of livelihood for most Nigerians. Agriculture has been the backbone of the economy in Nigeria providing employment and source of livelihood for the increasing population it accounts for over half of the GDP of the Nigerian economy as at independence in 1960 (Nigeria Economy, 2019) . However, the role it plays in the regional and economic development of the country has diminished over the years due to the dominant role of the crude oil sector in the economy. With the increasing food demand in Nigeria, the country has available natural resources and potential for increasing the volume of crop production towards meeting the food and nutritional requirement of the rapidly increasing population and guarantee food security in the country. Therefore, the source of national wealth is essentially agriculture. The Agricultural sector is made up of four sub-sectors: crop production, livestock, forestry and fishing. Agriculture can help reduce poverty, raise incomes and improve food security for 90% of the country population. Agricultural sector maintains the largest sector in the economy, contributing 25.19% to the real GDP in 2019 with an estimated value of N18.74 trillion in 2021. The sector grew by 2.1% year-on-year from N18.35 trillion recorded in the 2019. The sector contributes 26.21% to real GDP in 2020 and dropped to 25.89% in 2021. The high level of insecurity ranging from Banditry, kidnapping and famers-herders conflict among others contributing to low agricultural activities in the country. However, the agricultural sector is very much below desired levels, despite numerous interventions by the CBN to develop the sector as agric import is still gulping a significant amount of our FX reserves and no significant inflow in terms of export earnings. The sector recorded a 2.13% year-on-year growth in 2021, which is slower than the 2.17% growth printed in 2020 (CBN, 2021).

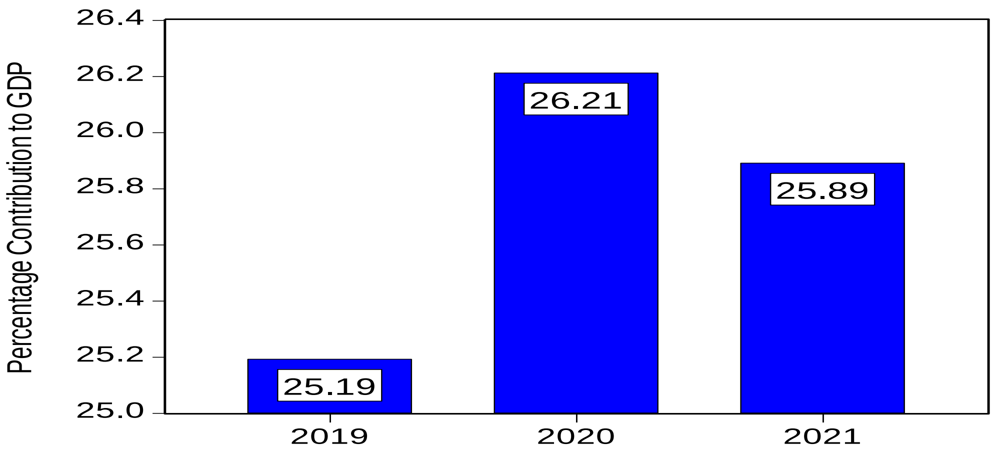

Figure 2: Agricultural Contribution to GDP %
Source: NBS, 2022

The agricultural sector has four components which are crop production, livestock, forestry, and fishing, with respective values of N16.92 trillion, N1.24 trillion, N193.22 billion, and N384.45 billion. The agricultural sector suffers from extremely low productivity, reflecting reliance on antiquated methods. Agriculture has failed to keep pace with Nigeria's rapid population growth due to recent insecurity in the country. Nigeria which once exported food, now imports a significant amount of food to sustain itself. However, agriculture remains the major contributor to economic growth of the country (CBN, 2021).

Non-Oil Sector

The non-oil sector comprises of economic activities which ore outside the petroleum and gas industry. The hub of the non-oil sector is the real sector, where goods and services ore produced through the combined utilization of row materials and other production factors such as labour, land and capital, it therefore forms the main driving force of any economy, and the engine of economic growth and development, This sector includes, but is not limited to, Agriculture, mining and quarrying, manufacturing, construction, trade, transportation and services. 'Services' is on amorphous subsector. It is on aggregation of several mini sectors such as telecommunication, financial, health, education, real estate and tourism (Nigeria Economy, 2021).

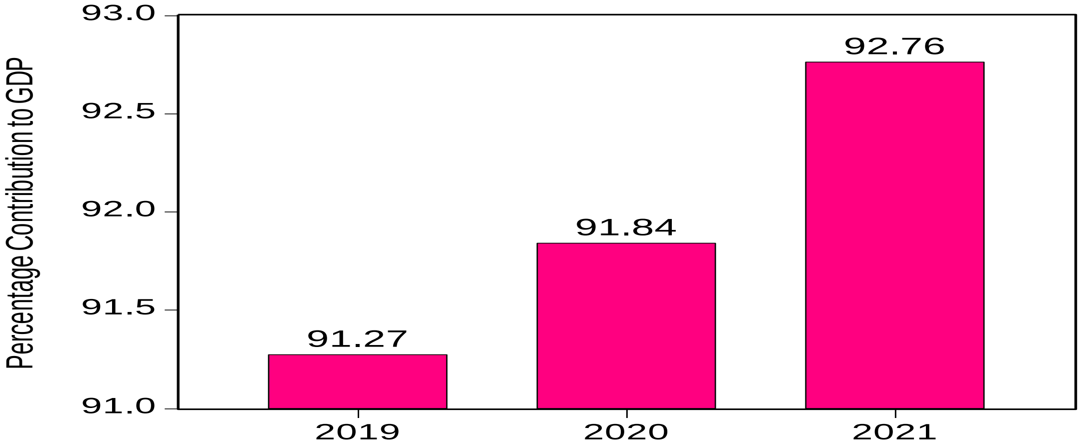

Figure 3: Non-Oil Sector Contribution to GDP %
Source: NBS, 2022

These non-oil sectors have the potential or capacity to provide food for human population, and act as source of raw materials for industries and thus, promote economic growth and poverty reduction. In real terms, the Non-Oil sector contributed **94.13%** to the nation's GDP in the fourth quarter of 2020, higher than the share recorded in the fourth quarter of 2019 (92.68%) and the third quarter of 2020 (91.27%). For 2020, the Non-Oil sector contributed 91.84% to real GDP, higher than 91.22% recorded in 2019. The non-oil sector contributed 92.76% to the economy in 2021, improving from 91.87% recorded in 2020, while the contribution of the oil sector dropped to 7.24% from 8.16% recorded in 2020 (CBN, 2021)

Services Sector

The Nigerian service sector consists of several industries such as banking, retail and wholesale trade, tourism, real estate, telecommunications, motion pictures (Nollywood), information and communication technology, entertainment, and education. The service sector is currently the fastest growing sector in the world (Khanna, Papadavid, Tyson, Willem te Velde, 2016). It accounts for a significant proportion of gross domestic product in most countries and makes significant contribution to the share of total employment. As of 2015, service sector contribution to Nigeria's GDP stood at about 60%, with an average of about 33% of employment share compared to 7% for industry (Uwitonze & Heshmati, 2016)

The Services sector which relay on wealth generated by the productive sectors of the economy for their activities accounted for about 10 percent of gross output. Whereas in other rapidly developing economies, service sector is the lifeline for the socio-economic growth of their countries. It is today the largest and fastest growing sector globally, contributing more to the global output and employing more people than any other sector. Services sectors have become more important in recent years as advances in technology have permitted new means of providing services across borders (Adetokunbo & Edioye, 2020)

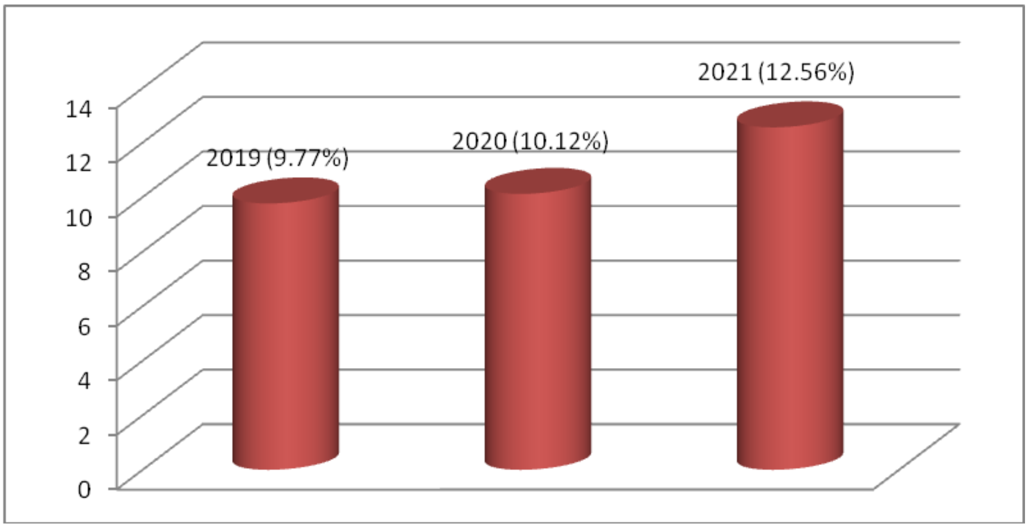

Figure 3: Service Sector Real GDP Growth in Nigeria (2019-2021)
Source: CBN, 2022

The sector contributed **9.77%** to total real GDP in Q3 2019, up from figures recorded in the corresponding period of 2018 as well as the preceding quarter, when it accounted for 9.38% and 8.98% respectively. The services sector contributed 10.12% to Nigeria's GDP in 2020, while the contribution of the sector expanded to 12.56% in 2021 (CBN, 2021).

Trade Sector

Trade sector narrowly means the direct export-promotion such as the trading business, the provision of marketing services for companies, and the development of the trade-related law. In addition, the assistance for the fosterage of SME/supporting industry, which is the indirect export-promotion like improving the companies' competitiveness, is also included in this evaluation scope. Such inclusion is necessary because those latter items are important for improving export performance, not to mention the importance of Capacity Development in the narrow meaning of trade sector (Nigeria Economy, 2021).

Nigeria has the largest market in Africa with a population of over 200 million. It is one of Africa's key oil producers, producing high-value, low-sulfur crude oil. The economy is heavily dependent on oil. In the first quarter of 2021, oil accounted for about 9.25% of Nigeria's gross domestic product (GDP), up from 5.8% recorded in the fourth quarter 2020, and contributing approximately 85% of export earnings and around 50% of total government revenues. Nigeria's economy and commercial activities were severely affected by the COVID-19 pandemic and associated declining oil prices due to the country's heavy reliance on oil (CBN, 2021).

Trade's contribution to GDP was 15.61%, which is lower than the 16.08% recorded in Q1 2020, but higher than the 15.46% recorded in the fourth quarter of 2020. The trade sector real GDP was estimated at N2.63 trillion in Q1 2021, with nominal GDP standing at N5.39 trillion (CBN, 2021).

Nigeria's trade sector expanded in 2021 by 8.62% year-on-year in real terms in 2021, contributing 15.7% to the nation's economy with a value of N11.36 trillion, making it the second-largest sector in the most populous black nation. Trading activities rebounded in the country in the review year both domestically and internationally, from the downturn in the previous year. For example, Nigeria's total foreign trade in 2021 jumped by 7.1% to $99.86 billion from $93.26 billion recorded in 2020 (CBN, 2021).

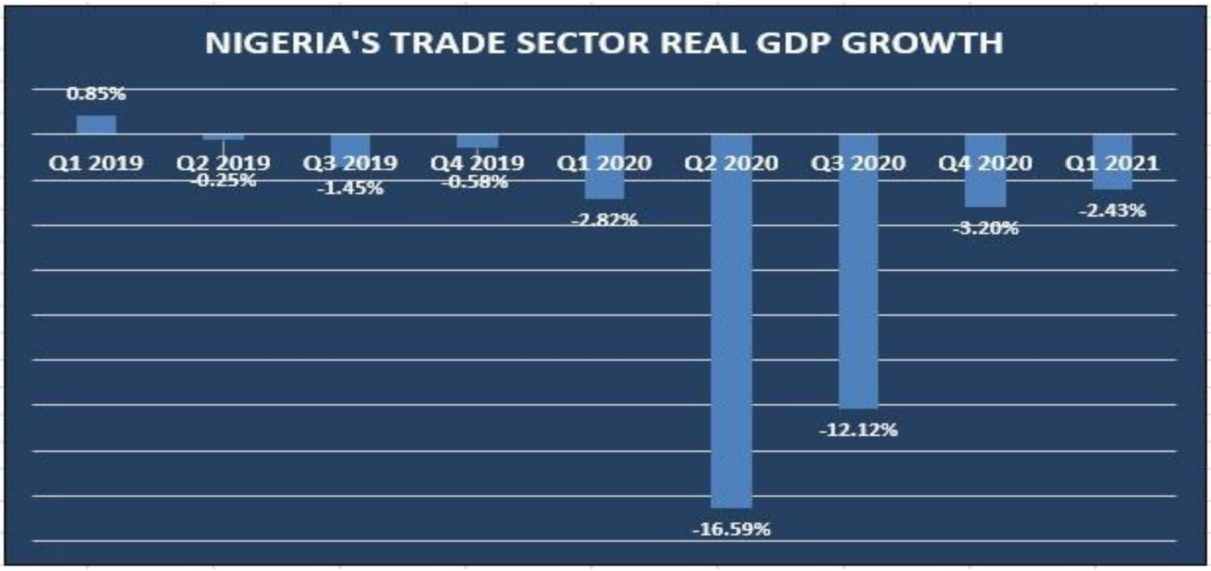

Figure 4: Trade Sector Real GDP Growth in Nigeria (2019-2021)
Source: CBN, 2022

The Nigerian trade sector is poised to gain from the African Continental Free Trade Area, which kicked off in 2021 to help bolster trading activities amongst African nations. Data from the Central Bank also shows that Nigeria recorded its first trade surplus in Q4 2021 after enduring 8 consecutive quarters of negative trade balance (CBN, 2021).

Information And Communication Sector

The information and communication sector of the Nigerian economy contributed 10% to the real GDP in Nigeria in 2019 and 12% in 2020 (CBN, 2021). The sector also contributes 15.5% to the aggregate real GDP with a value of N11.23 trillion in 2021, which represents a 6.55% expansion compared to N10.54 trillion recorded in the previous year. The sector is majorly driven by the telecommunication sector, which is estimated at N9.15 trillion representing 81.5% of the total value of the information and communication sector. However, the sub-sector recorded its slowest growth in 14 quarters. The sector houses major net-valued companies in the country, with the likes of MTN, Airtel, Glo, 9mobile amongst others reporting trillions of naira in annual revenue (Nigeria Economy, 2021). .

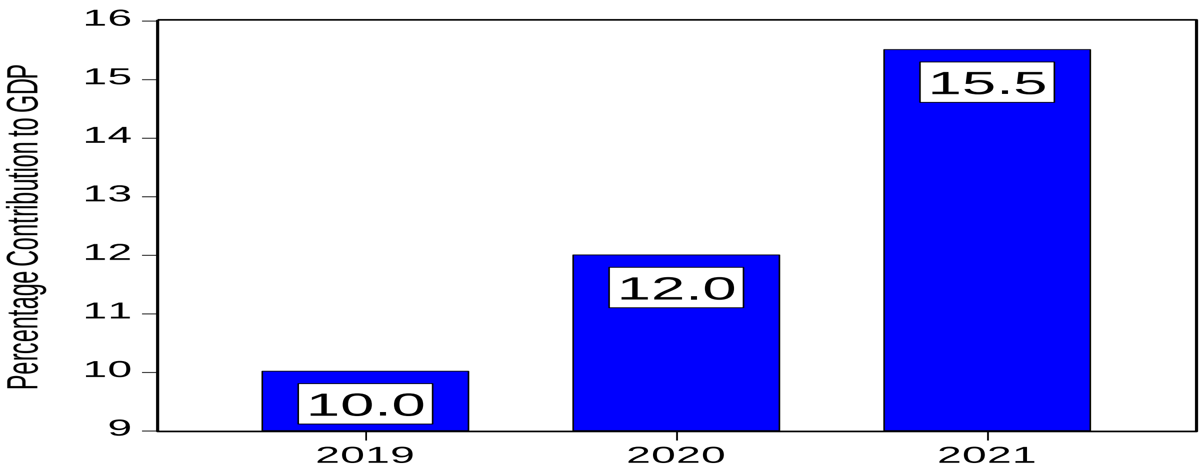

Figure 5: Information & Communication Sector Contribution GDP in Nigeria (2019-2021)
Source: CBN, 2022

The information and communication sub-sector contributed 12% in 2018 and has grown at about 4% over the last 5 years. Nigeria is home to the fastest growing and largest telecommunications industry in Africa. The industry has grown phenomenally from a very low tele-density of 1.89% in 1993 to a magnificent 124.29% in 2018 contributing an annual average of 9% to the national GDP and about 80% of the IC segment of the economy. With a population size of about 200 million, less than 60% of whom are active internet users, the information, communications and technology (ICT) industry presents attractive investment opportunities. Through various electronic platforms, Nigeria's ICT network has revolutionized business transactions by providing the highly mobile-technology-driven population seamless ability to bank, invest, purchase, distribute, communicate, and explore anytime and anywhere access to the internet is available (Nigeria Economy, 2021).

Conclusion and Recommendations

Nigeria's economic potential is constrained by many structural issues, including inadequate infrastructure, tariff and non-tariff barriers to trade, obstacles to investment, lack of confidence in currency valuation, and limited foreign exchange capacity. Nigeria's economy grew by 3.6% in 2021 from a 1.8% contraction in 2020, underpinned on the supply side by 4.4% expansion in the non-oil sector against 8.3% contraction in the oil sector; non-oil growth was driven by agriculture (2.1%) and services (5.6%). On the demand side, public and private consumption were contributors to GDP growth. Per capita income grew by 1.0% in 2021. The fiscal deficit narrowed to 4.8% of GDP in 2021 from 5.4% in 2020, due to a modest uptick in revenues, and was financed by borrowing. Public debt stood at $95.8 billion in 2021, or about 22.5% of GDP.
Annual average inflation stood at 17.0% in 2021 against 13.2% the previous year and above the central bank's 6–9% target. Inflation was fueled by food price rises at the start of the year and exchange rate pass-through. The central bank kept the policy rate unchanged at 11.5% in 2021 to support economic recovery. The current account deficit narrowed to 2.9% of GDP in 2021 from 4% the preceding year, supported by recovery in oil receipts. Improved oil exports and disbursement of the SDR allocation of $3.4 billion (0.8% of GDP), pending decision on its use, helped to boost gross reserves to $40.1 billion in 2021. The ratio of NPLs to gross loans was 4.9% in December 2021 (regulatory requirement 5%), while the capital-adequacy ratio was 14.5% (regulatory benchmark 10%). Poverty and unemployment remained high, broadly unchanged from 40% and 33.3%, respectively, in 2020. Based on the findings, the study recommends that Agriculture should be given more attention in terms of budgetary allocation, addressing farmers-headers conflict to increase productivity, tackle insecurity in terms of banditry, kidnapping and other related insecurity cases hindering productivity in the agricultural sector. The government should also encourage other sectors such as trade by addressing the problem of exchange rate in the country.

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