

**2023**

**MACROECONOMIC  
OUTLOOK**



# **NIGERIA** **IN TRANSITION:**

**RECIPES FOR SHARED PROSPERITY**



In February 2021, the Group launched the NESG Podcast services. The NESG Radio is a weekly, syndicated podcast that keeps Nigerians informed through curated localised content on economic policies and issues across sectors of the Nigerian economy. The NESG podcast will help effectively communicate the activities of the Group to a younger audience and extend research-based advocacy in a distillable localised format to all Nigerians. The radio has had guests from the private sector, public sector, civil societies and donor communities speak on issues of national interest. Thus far, NESG Radio has recorded **77 episodes** with several episodes translated to local languages for the mass audience.

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**2023**

NESG MACROECONOMIC  
OUTLOOK

# **NIGERIA IN TRANSITION:**

## **RECIPES FOR SHARED PROSPERITY**



# FOREWARD



In 2022, the global economy faced numerous challenges, including increased political risks, energy and food shortages, and the ongoing effects of the COVID-19 pandemic. Despite these challenges, Nigeria's economy sustained its recovery from the recession of 2020, with a 3.0 percent expansion in real Gross Domestic Product (GDP) during the first three quarters of the year. However, this growth was not without its challenges. It was accompanied by increased inflationary pressure, a worsening poverty situation, and increased external vulnerability, despite some improvement in the external position. Overall, the year 2022 presented a complex and challenging economic landscape for Nigeria.

In 2022, our Macroeconomic Outlook emphasised the importance of implementing reforms to sustain economic recovery in Nigeria. These reforms were meant to address macroeconomic and sector-specific challenges in the country. Despite these efforts, the growth experienced by Nigeria has not had a significant impact on the standard of living or socioeconomic indicators for most of the population. This lack of shared prosperity highlights the urgent need for comprehensive reforms that can address the underlying issues limiting the economy's ability to generate sufficient growth and improve the well-being of the Nigerian people. The country's current state of socioeconomic indicators requires immediate action to address the structural issues hindering prosperity for all.

As a transition year, 2023 offers a chance to reassess and adjust Nigeria's growth strategy to implement effective and efficient reforms that benefit the entire population. In the NESG Macroeconomic Outlook for 2023, we stress the importance of reforms in achieving Shared Prosperity in Nigeria. The report outlines the key factors that will support the two (2) specific goals identified and provides policy recommendations to drive the economy towards a prosperous future for all. Nigeria must take advantage of this opportunity to realign its growth strategy and make the necessary reforms to improve the well-being of its citizens and create a more equitable and sustainable future.

A stylized white signature of 'Laoye Jaiyeola on a dark green background.

**'Laoye Jaiyeola**  
**CEO, NESG**







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# EXECUTIVE SUMMARY

The year 2022 brought with it a mix of challenges for countries across the globe, including Nigeria. The Nigerian economy sustained post-COVID-19 growth momentum. However, it was lower than expected and led by the non-oil sector, while the oil sector remained in contraction, despite elevated global oil prices. Furthermore, economic expansion has not translated into improving socioeconomic conditions, such as poverty and inequality.

To address these issues, comprehensive and system-driven economic reforms are necessary to change Nigeria's economic trajectory and create economic value and benefits for all. The 2023 Macroeconomic Outlook Report, titled "Nigeria in Transition: Recipes for Shared Prosperity," addresses pertinent questions relating to policy design, processes, and framing in creating economic prosperity for all.

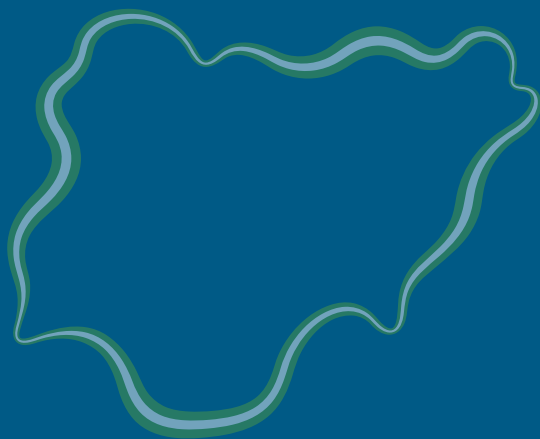
The report is divided into three parts. Part A of the report offers a comprehensive examination of the state of the Nigerian economy in 2022 and delves into six (6) key themes that contributed to its weak performance. These themes are a relapse in economic growth, a combination of cost-push and demand-pull inflationary pressure, a decline in fiscal performance, tight monetary policy, amplified external vulnerability, and a decline in investor confidence.

Part B presents an implementable policy framework for achieving Shared Prosperity in Nigeria. The framework's overall objectives include building a robust, competitive, and sustainable economy and ensuring economic prosperity for all. It includes four (4) strategic thrusts, eight (8) enablers, measurable targets, and immediate and medium-term recipes to build a solid foundation and attain core indicators of Shared Prosperity.

In conclusion, Part C presents the macroeconomic projection for Nigeria in 2023 and the risks that could impact these projections. These projections, along with the implementable policy framework provided in Part B, will guide policy-makers in addressing the challenges faced by the Nigerian economy and moving towards a path of Shared Prosperity.

**Olusegun Omisakin, PhD.**  
**Chief Economist, NESG**





# **PART A:**

**The Nigerian  
Economy in 2022**



## Overview of the Nigerian Economy in 2022

The year 2022 brought a mix of heightened political tension and deteriorating socioeconomic situations for most countries across the globe, including Nigeria. The Nigerian economy maintained its post-COVID-19 recovery momentum but fell short of expectations due to global and domestic factors. The global factors included the protracted impact of the geopolitical tension between Russia and Ukraine, inflationary trends, and weak industrial productivity. On the home front, the economy was overshadowed by increased policy uncertainty, inflationary pressure, exchange rate fluctuation, and tightened fiscal space.

With 2022 being a pre-election year, the build-up to the 2023 General Elections added a new layer of political tensions. These tensions were similar to those observed in 2007 when a transition of political power from one party to another was possible. Furthermore, in 2022, political uncertainty and increased insecurity, kidnapping, and other factors engendered a slowdown in economic activity, particularly investment and other drivers of economic growth.

These economic, political, and social factors created a distinctive environment for the Nigerian economy in 2022. This section examined six (6) critical overriding narratives that shaped the Nigerian economy in 2022 namely;

1. Economic growth relapsed as the oil sector remained in contraction.
2. Nigeria faced a combination of cost-push and demand-pull inflationary pressure.
3. Weak fiscal performance pushed the country closer to a fiscal cliff.
4. Monetary policy tightens to curtail inflationary pressure.
5. Nigeria's external vulnerability was amplified despite favourable trade outcomes.
6. Rising interest rates in the global market dampened investors' confidence.

Weak fiscal performance  
pushed the country  
closer to a fiscal cliff.

Nigeria faced a  
combination of cost-  
push and demand-  
pull inflationary  
pressure.

Monetary policy  
tightens to curtail  
inflationary  
pressure.

**Six (6) themes**  
drove  
**Nigeria's  
socioeconomic  
narrative**  
in 2022

Economic growth  
relapsed as the oil  
sector remained in  
contraction.

Nigeria's external  
vulnerability was  
amplified despite  
favourable trade  
outcomes.

Rising interest rates in the  
global market dampened  
investors' confidence.



# 1. ECONOMIC GROWTH RELAPSED AS THE OIL SECTOR REMAINED IN CONTRACTION

**Nigeria extended its economic recovery momentum but edged toward the pre-COVID-19 pandemic growth rate. Cumulatively, the economy recorded real Gross Domestic Product (GDP) growth of 3.0 percent in the first three quarters of 2022. As it stands, economic growth for FY'2022 is expected to be relatively lower compared with 2021.**

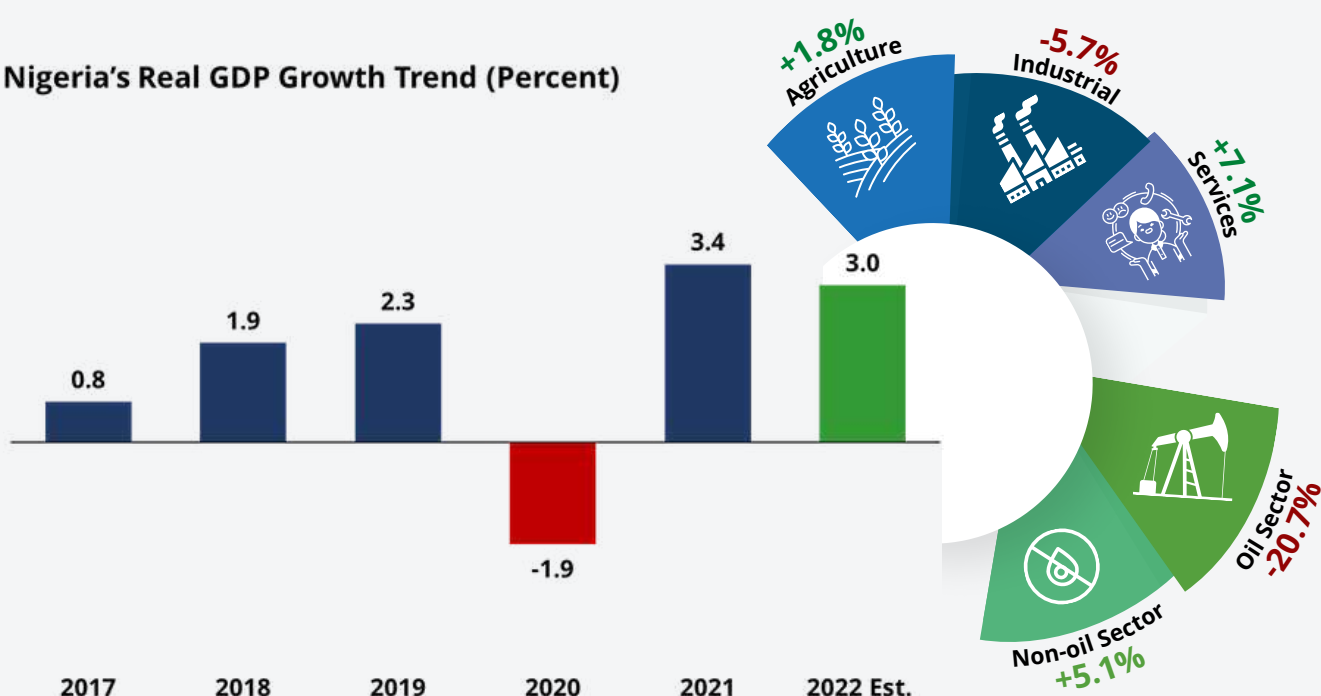
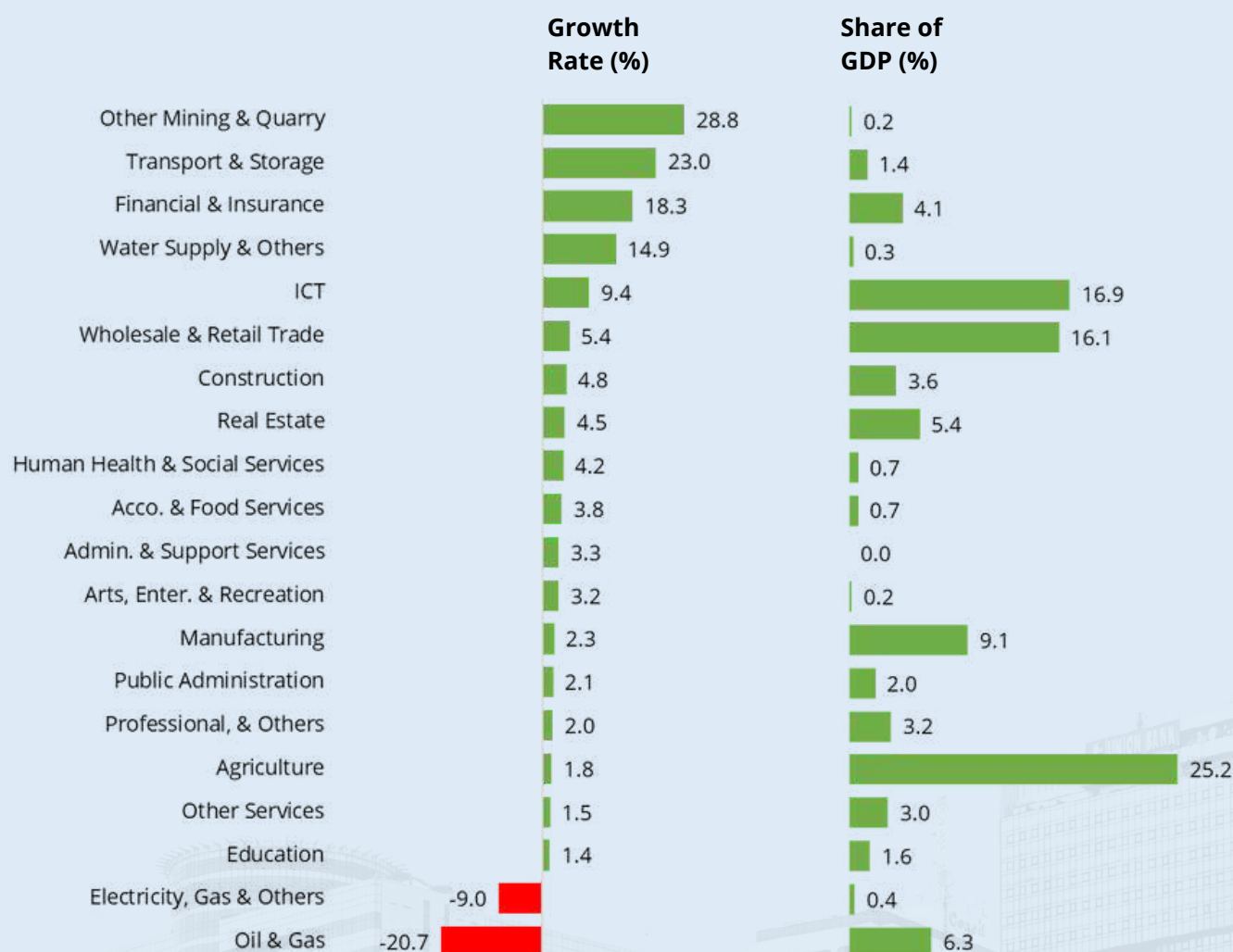
The economic performance in 2022 was driven by the Non-oil sector, which posted an average growth of 5.1 percent in 2022Q1-Q3, while the Oil sector contracted by 20.7 percent in the same period (see Figure A1). Furthermore, the oil sector performance was occasioned by the prolonged decline in domestic crude oil production due to massive crude oil theft and a lack of investment. The Services sector grew by 7.1 percent, while the Agricultural sector experienced weak productivity levels with a growth of 1.8 percent in the first three quarters of the year. Conversely, the Industrial sector remained in the contraction territory posting negative growth of 5.7 percent in the same period.

With an estimated real GDP growth of 2.7 percent in the fourth quarter of 2022, the economy would achieve a full-year growth of 3.0 percent in 2022 (see Figure A1). This figure is lower than the 3.4 percent achieved in 2021. The overall economic performance in 2022 also fell short of the Federal Government of Nigeria's initial and revised projections of 4.2 percent and 3.6 percent, respectively.

It is, however, not surprising that Nigeria's economic growth relapsed in 2022. The fading COVID-19 recession base effect and other drivers of vulnerability, such as weak productivity, infrastructural deficit, macroeconomic instability, insecurity, and skewed growth, among others, played critical roles in exposing the fragility of the Nigerian economy.

The structure of Nigeria's economy is evolving, with new sectors taking centre stage. However, most sectors that reported high growth in 2022Q1-Q3 had low contributions to GDP. For instance, aside Finance and Insurance, other double-digit growing sectors, such as other Mining & Quarry, Water & Waste Management, and Transport & Storage, contributed less than 15 percent to the overall GDP.

This sectoral performance showed that the economy has productivity problems and is overly influenced by a few sectors.

**FIGURE A1: PERFORMANCE OF NIGERIA'S ECONOMY IN 2022 (Q1-Q3)**
**01 Nigeria's Real GDP Growth Trend (Percent)**

**02 Sectoral Performance in 2022 (Q1-Q3)**


Data: NBS, Chart: NESG Research



## 2. NIGERIA FACED A COMBINATION OF COST-PUSH AND DEMAND-PULL INFLATIONARY PRESSURE

**The global supply disruptions in 2022 inflated industrial input costs and amplified inflationary pressure in Nigeria, as the inflation rate averaged 18.5 percent in 2022, up from 17.0 percent in 2021**

A further breakdown of the inflation numbers showed that the Food and Core inflation averaged 20.6 percent and 15.8 percent, respectively, in 2022. Since the country relied heavily on imports for manufactured and industrial intermediate goods, global inflationary pressure permeated all productive activities in Nigeria.

Domestically, a combination of cost-push and demand-pull factors constituted significant drivers of the surge in the general price level. Some of these factors include shortage of industrial inputs, insecurity, lower agricultural productivity, the high price of fuel, logistics problems, increased VAT, increasing energy cost (electricity), and foreign exchange scarcity.

Since the demand for necessities is relatively inelastic – the change in demand is relatively

unresponsive to the change in price – many businesses transferred additional production costs to consumers, resulting in higher overall prices for goods and services, particularly food.

On the welfare side, rising inflationary pressures reduced households' purchasing power and access to necessities. To illustrate, the purchasing power of N1000 in January 2022 had fallen to N851 by the end of the year. This situation exacerbates various forms of poverty – monetary and non-monetary deprivation – and contributes to Nigeria's multi-dimensional poverty, which is currently estimated to affect over 6 out of every 10 Nigerians. In addition, the elevated inflation rate plunged an additional 5 million Nigerians into extreme poverty in the first ten months of 2022 (World Bank, 2022).

**FIGURE A2: NIGERIA EXPERIENCED OVERWHELMING INFLATIONARY PRESSURE IN 2022**

Annual Average Inflation Rate in Nigeria



### COST-PUSH & DEMAND-PULL INFLATION



**High production cost** (e.g raw-materials, wages etc)



**Decline in supply** due to logistics problems, poor infrastructure, insecurity



**Businesses pass** additional production cost e.g taxes, FX problem etc to the consumer through higher prices



**Excess demand** due to supply shortages, insecurity and high cost of imports.

### Inflation by Types of Goods, 2022 (As November)

Figure in Red Ink or Green Ink indicates the Percentage Point (PP) changes

Imported Foods



**17.8%**  
(+0.7PP)

Food & Non Alcoholic Beverages



**20.1%**  
(-0.2PP)

Alcoholic & Tobacco



**16.6%**  
(+3.9PP)

Clothing & Wear



**16.9%**  
(+3.1PP)

Water, Electricity, Gas & Fuel



**14.2%**  
(+3.9PP)

Communications



**11.2%**  
(+0.7PP)

Recreation & Culture



**15.5%**  
(+3.0PP)

Education



**15.2%**  
(+3.5PP)

Restaurant & Hotels



**16.9%**  
(+3.1PP)

Transport



**16.8%**  
(+2.1PP)

+PP – Deterioration

-PP – Improvement

Data: NBS, Chart: NESG Research

### 3. WEAK FISCAL PERFORMANCE PUSHED THE COUNTRY CLOSER TO A FISCAL CLIFF

**In 2022, Nigeria sustained the historical precedent of unimpressive revenue performance and a growing fiscal deficit. Thus, the country's precarious fiscal position worsened as the budget deficit and borrowing increased.**

At N6.5 trillion, FG's revenue fell short of budget projections by 13.1 percent in 2022 (January-November). The shortfall in revenue was primarily caused by the gross underperformance of oil revenues, 64.3 percent less than the budget projection (see Figure A3), despite higher global oil prices. This situation is attributable to a combination of factors, including oil theft, fuel subsidy payments, and insufficient investment in the Oil & Gas sector. However, the non-oil revenue was particularly strong in 2022, reflecting a robust tax revenue collection on the back of economic recovery. The government received an estimated N2.1 trillion from non-oil revenue in 2022 (January-November), significantly above the budget expectations by 23.3 percent.

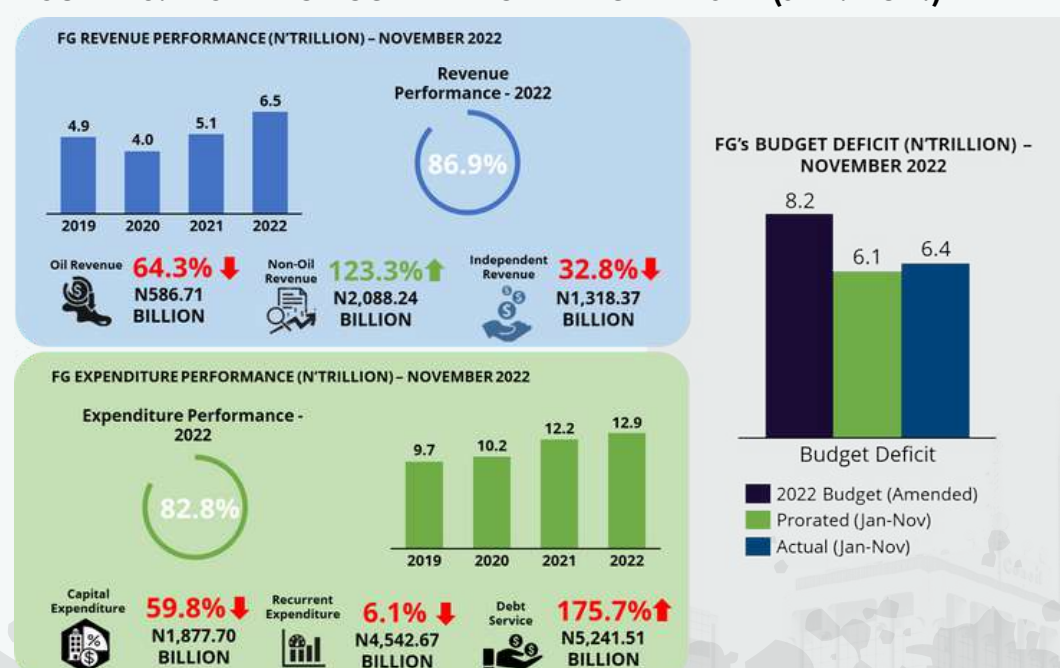
Weighed by higher public debt service, which exceeded expectations by 75.7 percent, capital expenditure was sluggish and less than half of the planned expenditure for January-November 2022.

A close analysis of the FG's finances indicated that the total budget deficit (N6.4 trillion) in the first eleven months of the year (see Figure A3) was slightly below total expenditure on capital projects and non-debt recurrent spending.

By implication, the new debts amounting to N4.5 trillion were accumulated, bringing the total public debt to N44.1 trillion in September 2022, which was 11.1 percent higher than its value of N39.6 trillion in December 2021 (DMO, 2022). Another component of the country's public debt not captured in the DMO's estimate is the CBN's Ways & Means financing extended to the Federal Government. The value of this debt instrument hit N23.8 trillion in October 2022, growing by N7 trillion from its value in December 2021.

Nigeria's debt position echoes concern as the government spending on debt service stood at 89.4 percent of revenue in 2022 (January-November). This suggests that government borrowing was channelled to meet administrative needs and investments.

**FIGURE A3: NIGERIA'S FISCAL PERFORMANCE IN 2022 (JAN. NOV.)**



Calculations are based on the difference between Prorated and Actual Budget Figures for 2022.

Data: FMFBP, Chart: NESG Research



## 4. MONETARY POLICY TIGHTENS TO CURTAIL INFLATIONARY PRESSURE

**Similar to the monetary policy posture of most developed and emerging market economies, the Central Bank of Nigeria (CBN) took a hawkish position in 2022 as the Monetary Policy Committee (MPC) increased the Monetary Policy Rate (MPR) four times from 11.5 percent in May 2022 to 16.5 percent in November 2022 – 500 basis points increase.**

Similarly, the monetary authority hiked other policy parameters, such as the Cash Reserves Ratio (CRR), by 250 basis points to 32.5 percent in 2022 to further constrain the money supply growth in the economy. The CBN maintained an elevated interest environment to rein in inflation. Consequently, there was an upward inch in market interest rates, especially the saving rate, which increased by about 268 basis points to 3.93 percent in the year. Other reasons for the policy rate hike, as stated by the CBN, are;

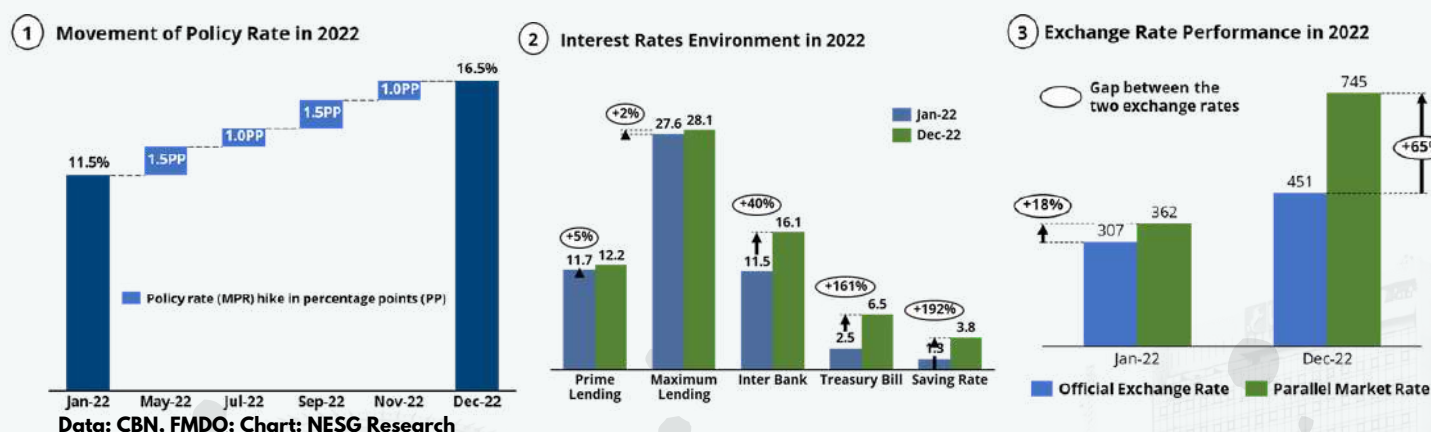
- To reduce capital flight due to rising interest rates in advanced economies.
- To slow down the speed of depreciation of the local currency.

Also, in December 2022, the Monetary Authority initiated the redesign of the N200, N500, and N1,000 notes to manage Naira liquidity.

This action triggered further depreciation of the Naira against the US dollar in the foreign exchange rate market, especially the parallel market rate. Aside from the CBN currency redesign, other issues that triggered Naira depreciation include US monetary policy tightening that strengthened the US dollar and the proliferation of political activities with the US dollar.

In 2022, Naira depreciated by 2.4 percent and 30.1 percent in the Investors' & Exporters (I&E) and the parallel market rates to N451/US\$ and N745/US\$, respectively (see Figure A4). Consequently, the premium (the gap) between the official and the parallel markets expanded from N55 (18 percent of the official rate) at the beginning of the year to N294 (65 percent) at the end of 2022.

**FIGURE A4: MONETARY POLICY PERFORMANCE IN 2022**



# 5. NIGERIA'S EXTERNAL VULNERABILITY WAS AMPLIFIED DESPITE FAVOURABLE TRADE OUTCOMES

**Nigeria's trade outcomes improved in 2022 on the back of the oil price (Bonny Light) increase. In the first three quarters of 2022, the country's total trade increased by 29.7 percent to N37.4 trillion and a trade surplus of N3.4 trillion was achieved. This performance was motivated by a 43.9 percent increase in exports against a 14.1 percent increase in imports.**

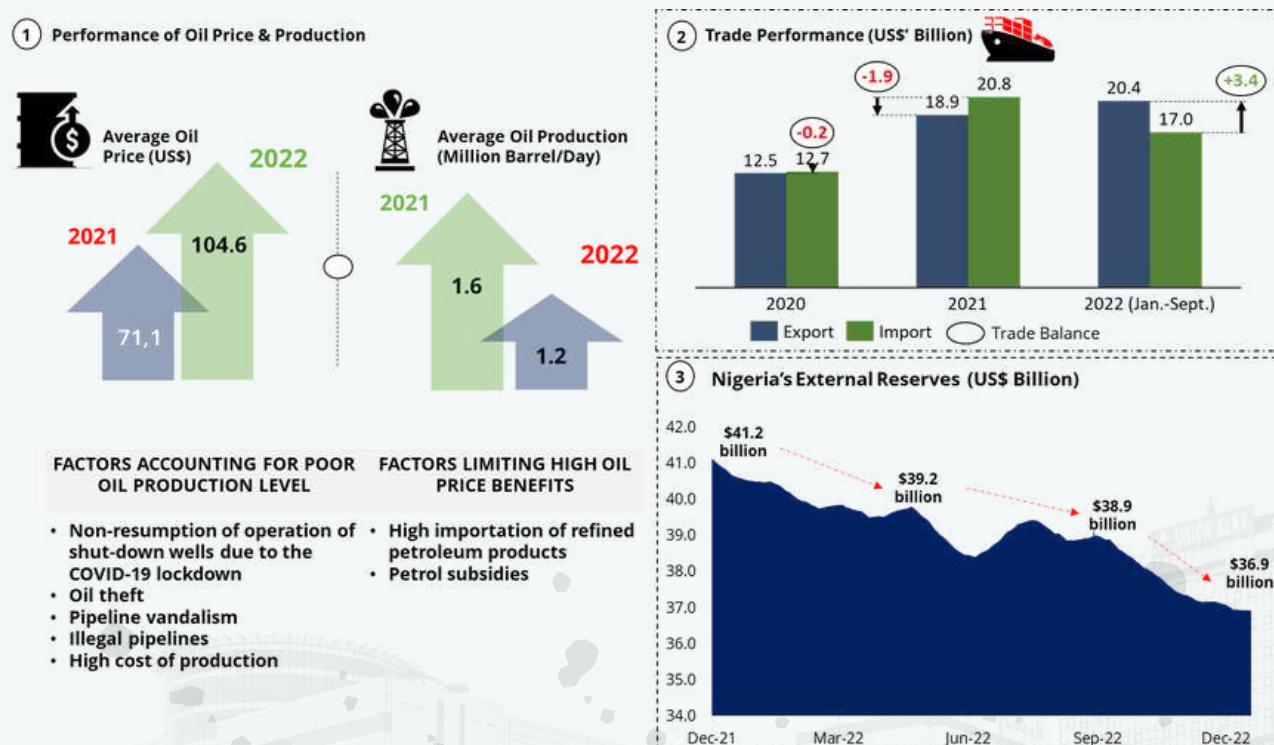
The export growth was driven by crude oil export, accounting for 79.2 percent of total export, and grew by 59.6 percent. Non-oil exports also increased by 41.8 percent. On the other hand, the import was driven by refined petroleum products, machinery & transport equipment.

In addition, the benefits from crude oil price increases were not adequately harnessed due to subdued domestic crude oil production occasioned by oil theft, pipeline vandalism, and high cost of production. Consequently, the rising crude oil price was accompanied by lower oil revenue and a decline in foreign reserves in 2022 (see Figure A5). Besides, CBN interventions in the foreign exchange market contributed immensely to the drag on Nigeria's external reserves.

As a result, in 2022, the country's external reserves declined by 8.2 percent to US\$37.1 billion from US\$40.5 billion at the start of the year.

The situation above reiterated Nigeria's vulnerability to oil price movement from two sides - high oil share of export (more than 90 percent) and dependence on imports for refined petroleum. This condition resulted in paradoxical outcomes and a devastating impact on the country's macroeconomic conditions in 2022 as it became more susceptible to the global energy crisis and other externally induced economic and geopolitical shocks.

**FIGURE A5: EXTERNAL TRADE AND RESERVE PERFORMANCE**



Data: CBN, NBS; Chart: NESG Research



## 6. RISING INTEREST RATES IN THE GLOBAL MARKET DAMPENED INVESTORS' CONFIDENCE

**Nigeria's attractiveness as an investment destination faltered in the year compared with the pre-pandemic level of foreign investment inflow. In 2022, the total foreign investment inflow increased to US\$4.0 billion in January-August from US\$3.9 billion in the same period in 2021.**

A disaggregation of the foreign capital inflows showed a continued concentration in the financial sector, as banking and finance together accounted for 55 percent of total inflows in 2022 (January-August). This situation reflects the dominance of Foreign Portfolio Investment (FPI), which accounted for 52.3 percent of foreign investment inflows during the period under review (see Figure A6).

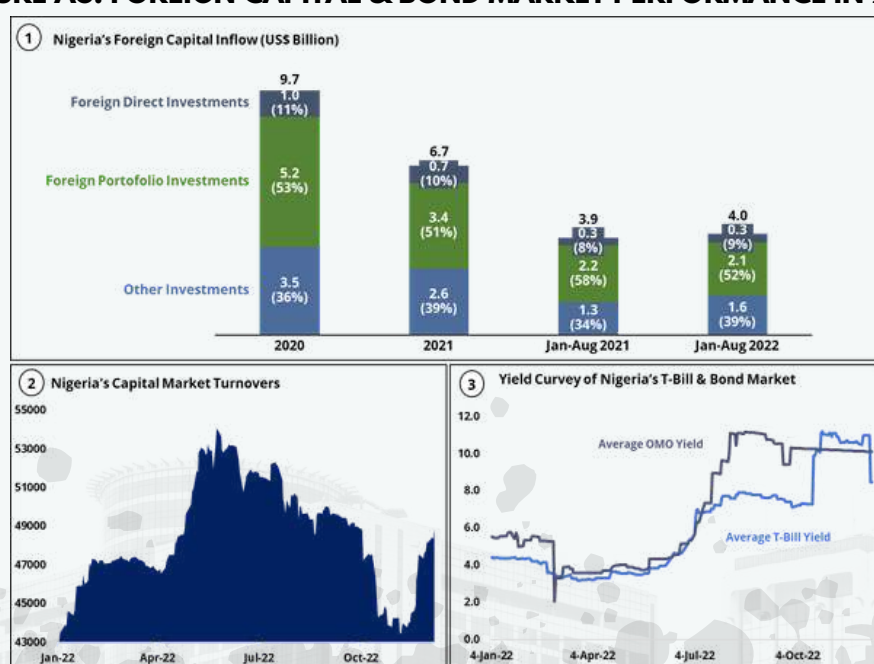
As of the first eight months of 2022, Foreign Direct Investment (FDI) inflow stood at US\$340 million, representing an 11.0 percent increase from US\$310 million in the corresponding period of 2021 (see Figure A6). Despite this performance, FDI inflows into Nigeria continued to lag behind other emerging markets, such as Egypt (US\$12.5 billion) and South Africa (US\$4.3 billion), within the same period.

Heightened socioeconomic instability, such as insecurity, constituted a disincentive for Nigeria's domestic and foreign investors. Exchange rate fluctuation and high inflationary pressure intensified in Nigeria and created an atmosphere

of macroeconomic instability. Together, these challenges heightened the transaction costs of investing in Nigeria and subdued the competitiveness of investment relative to other, more stable economies.

The global hikes in interest rates impacted Nigeria's capital market in 2022. Expectedly, the rise in interest rates in the global market motivated increased yield across the fixed-income and money market in Nigeria. At the end of 2022, average yields in the FGN Bond and Treasury Bill, markets increased by 1.8 and 1.0 percentage points to 13.0 percent and 5.4 percent, respectively. This situation was due to the sell-offs and lower turnovers in the market to take advantage of higher yields in advanced countries. Meanwhile, the stock market staged a rebound towards the end of the year and closed positively (a rise of 16.4 percent). The equity market rode on the improved efficiency in the operation of the Securities and Exchange Commission as new primary listings continued to boost market depth and confidence.

**FIGURE A6: FOREIGN CAPITAL & BOND MARKET PERFORMANCE IN 2022**



Data: CBN, NBS, FMDQ, NGX

Chart: NESG Research

## Conclusion

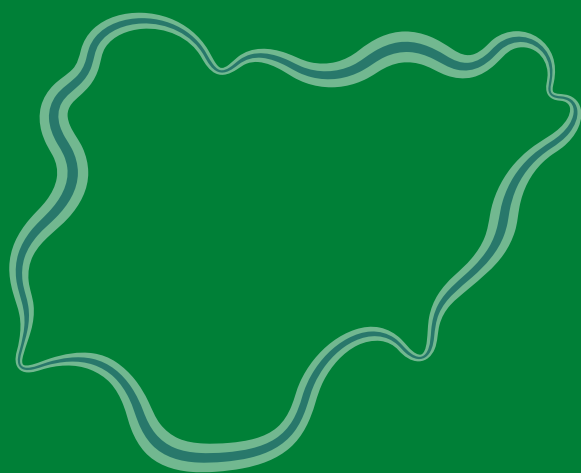
Nigeria approached 2022 with high expectations of advancing its economic recovery from the COVID-19-induced recession. The outbreak of the Russia-Ukraine war constituted new global shocks to the economy, generating mixed outcomes for the country while also amplifying some of the pre-existing structural and vulnerability issues bedevilling the economy.

The economy sustained its real GDP growth in 2022, albeit lower than projected. This was mainly driven by the Non-oil sector, while the Oil sector persisted in its recessionary trend despite elevated oil prices. Indeed, the economy expanded, but it was accompanied by amplified inflationary pressure emanating from food and energy crises, further worsening the poverty situation in the country. Similarly, Nigeria's trade position improved; however, the economy's vulnerability amplified due to the reversal effect of importing petroleum products and subsidies payment. The investment climate was further clouded as interest rates, and yields picked up in advanced countries. Meanwhile, the policy constraints were amplified as fiscal weakness worsened, approaching a fiscal cliff, and the monetary policy growth-inflation dilemma heightened.

Like in earlier years, economic growth in Nigeria has often been fragile, vulnerable, and devoid of prosperity for the people. The attendant headwinds accompanying Nigeria's recent growth continue to decimate the prosperity generated, limiting the economy's capacity to generate sufficient economic growth that will lead to shared prosperity for the citizens. While the economy appears to record growth, though still slow and inadequate, its deficiency in creating sufficient prosperity and getting the same shared accentuates the need for reforms.

The urgency of these reforms cannot be overemphasised as the headwinds accompanying growth and the attendant impacts on the social setting are now complementing and amplifying each other. Any procrastination in implementing effective and efficient reforms could send Nigeria's economy into depression, amplify the people's economic woes and threaten the country's sovereign existence.





# PART B:

**Recipes for Shared  
Prosperity**

## Introduction

Nigeria is a country with great potential. Its vast natural resources and large population offer the possibility of great prosperity for its people. However, Nigeria faces significant challenges in achieving shared prosperity and economic inclusion.

Over time, Nigeria's economy has faced a wide range of challenges that have shaped its socioeconomic fabric. While the economic gains and progress of early 2000, as a result of a wide range of economic and policy reforms, unleashed a new optimism, the overall abysmal socioeconomic performance of recent years has left many asking what the fate of this country is.

Going by different projections, the economic outlook for the year 2023 remains pessimistic for Nigeria, with only moderate economic growth in the cards—not enough to boost the long-desired robust and inclusive economic growth needed to tackle unemployment, reduce poverty incidence, and address other socioeconomic challenges.

Comprehensive and system-driven economic reforms are needed to change Nigeria's economic trajectory from a weak, non-inclusive and highly vulnerable narrative to one with the guiding principle of creating economic value and benefits for all. But driving this economic agenda requires a set of reforms that ensures a conducive and enabling environment for generating economic benefits and prosperity. It also requires that no one is left behind in this process.

Accordingly, the question arises: what type of economic reform agenda can deliver this economic state? Nigeria needs an economic vision driven by clear, implementable and consistent policy reforms and an agenda for shared prosperity. Nigeria needs to implement reforms to improve the lives of its people, especially the vulnerable and create an economy that is more diversified and resilient.

The shared prosperity framework is not only based on expanding the economic pie to be shared but also ensuring that the income disparity is narrowed. The underlying principle is not to redistribute a percentage of an existing pie but to continuously expand the size of the pie and share it so people can improve their quality of life as quickly as possible. Sustainably expanding and sharing prosperity entails monetary and non-monetary dimensions of economic efficiency and well-being for the current and future generations.



Therefore, the Shared Prosperity Agenda (SPA hereafter) proposes reforms that promote broad-based economic growth, create jobs, reduce poverty and inequality, and ensure socioeconomic prosperity for all. The SPA includes measures to achieve broad-based economic progress via concentric economic diversification and transformation, thriving private sector, human capital development and functional social programmes while ensuring institutional quality. If appropriately implemented, the SPA has the potential to transform Nigeria into a prosperous country with a thriving middle class.

This section attempts to conceptualise a policy framework for achieving SPA for Nigeria. It aims to show the policies that are prerequisites for shared prosperity in the Nigerian context. To do that, we provide a tool to help structure policy discussions and determine what policies are linked specifically to shared prosperity objectives. It includes "supply-side" policies that seek to increase incomes and "demand-side" interventions that focus on ensuring everyone has access to essential services or safety nets.

Here are the critical policy questions this section aims to address:

- What does shared prosperity mean for Nigeria?
- What should the framework of SPA look like for Nigeria?
- What reforms are needed to achieve sustainable SPA outcomes in Nigeria?

To answer the questions raised above, the subsequent part of this section starts by contextualising SPA for Nigeria. After that, we developed a SPA analytical framework that helps identify foundational principles, objectives, pillars/drivers and SPA outcomes in Nigeria amidst some required enablers. Finally, the section identifies the needed reforms to achieve improved shared prosperity outcomes in Nigeria.

## Shared Prosperity: Global Definitions

The term "Shared Prosperity" has evolved and expanded beyond the scope initially defined by the World Bank Group (WBG) in 2013. From its inception to the present, Shared Prosperity has advanced from an economic concept to a development agenda for most developing countries and emerging market economies. As a result, there is no simplistic definition for the idea of Shared Prosperity. There are two broad definitions of Shared Prosperity worldwide.

### GLOBAL DEFINITIONS

The World Bank Group defined "Shared Prosperity" **as the process of fostering income growth among the bottom 40 percent of a country's population through sustained economic growth and equitable distribution of growth outcomes.**

The United Nations Industrial Development Organization (UNIDO) defined "Shared Prosperity" in its development strategy as: **"...a strategy for achieving sustained growth, in the form of industrialisation, creating opportunities that are accessible to all and broadly distributes income and non-income gains across groups in the society."**

### COUNTRY-SPECIFIC USE



#### MALAYSIA

Malaysia, in its Vision 2030, defined "Shared Prosperity" as

**"a commitment to make Malaysia a nation that achieves sustainable growth along with fair and equitable distribution across income groups, ethnicities, regions, and supply chains. The primary aim of Shared Prosperity Vision is to provide a decent standard of living to all Malaysians by 2030."**



#### BRITISH COLUMBIA

**Shared Prosperity is a society where a significant majority of citizens work together to pursue opportunities, where institutions enable collective, and sometimes difficult, decisions to be made, and where all can share in the benefits of a thriving economy – both now and for future generations.**



## Shared Prosperity: What it means for Nigeria

According to the definitions highlighted above, Shared Prosperity aims to address developmental imbalances, including widening economic inequalities. Due to this, Shared Prosperity's measures, strategies, and focus can be tailored for each country based on its unique characteristics and needs.

In light of Nigeria's developmental needs and goals, the country's Shared Prosperity will be defined as a situation or state in which every Nigerian enjoys a decent standard of living measured by equitable access to economic opportunities, including decent jobs, quality education and health care, along with the protection of lives and properties.

Building on the above definition, some elements of the Nigerian-centric meaning of Shared Prosperity are crucial. The first component emphasises creating a competitive economy with high and sustainable growth. If realised, the targets which align with the country's long-term development goals as outlined in the National Development Plan 2021-2025 and Nigeria's Agenda 2050 - could revitalise the private sector to drive economic wealth creation needed to be shared.

The second component focuses on creating an equitable and inclusive society, both economically and socially. This component is "...the equitable and fair distribution of economic prosperity across all income groups." This component brings to life the establishment of a robust institutional structure and systems that support the construction of a united, peaceful, and prosperous nation.



# SHARED PROSPERITY AGENDA FOR NIGERIA

*What*

**Comprehensive and system-driven economic reforms** to change Nigeria's economic trajectory from a weak, non-inclusive and highly vulnerable narrative to one with the guiding principle of creating economic value and benefits for all.

*How*

**Shared Prosperity Agenda (SPA)** aims to achieve broad-based economic growth, create jobs, reduce poverty and inequality, and ensure socioeconomic prosperity for all.

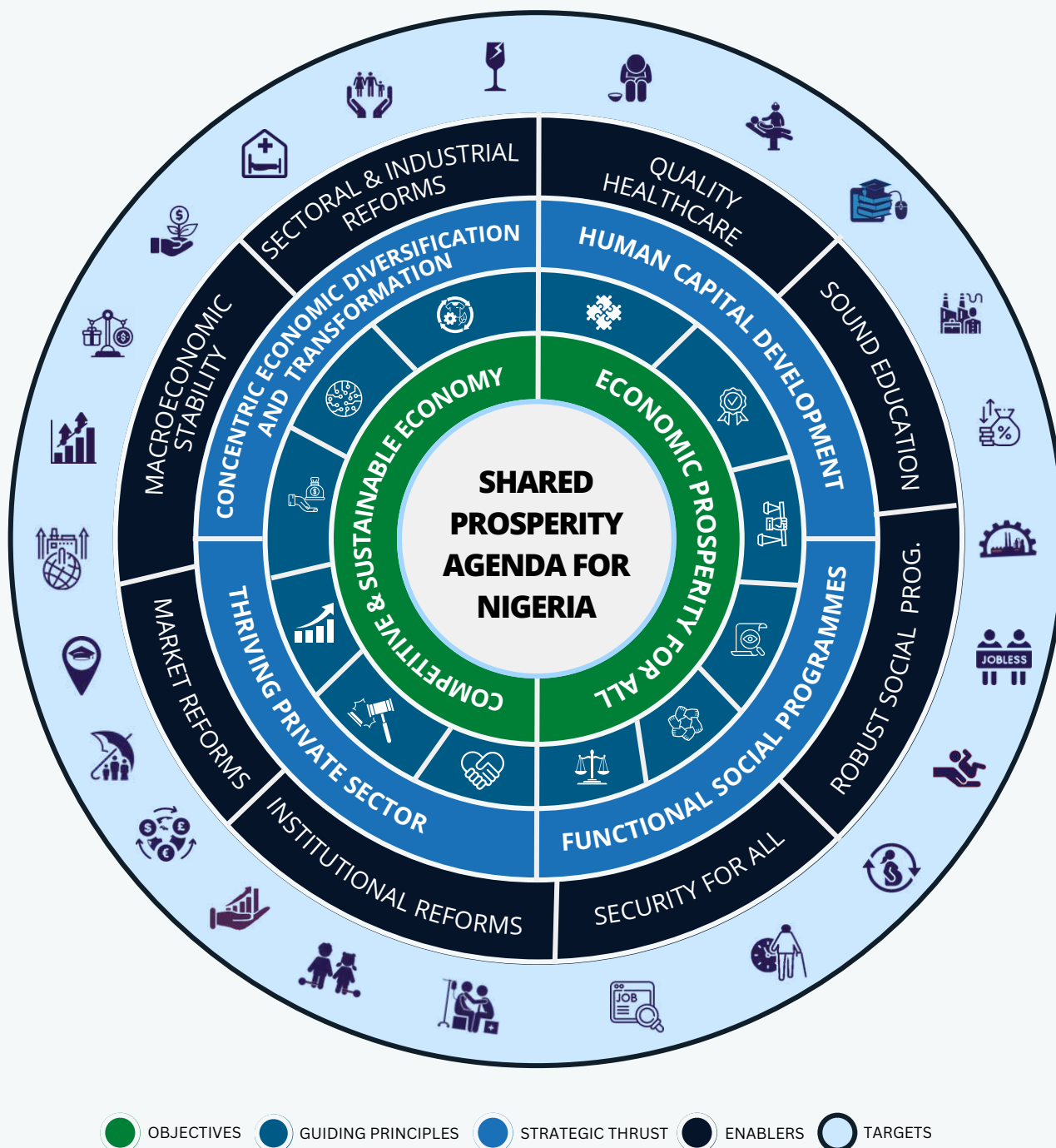




# **SHARED PROSPERITY FRAMEWORK FOR NIGERIA**

Shared Prosperity encapsulates a comprehensive, systemic and broad spectrum of concepts, views, and philosophies that capture Nigeria's existing socioeconomic context and distinctive circumstances and envisions a future for Nigeria by achieving specific developmental goals.

# NIGERIA'S SHARED PROSPERITY AGENDA FRAMEWORK



# LAYERS

## 1 CORE OBJECTIVES

1

COMPETITIVE AND  
SUSTAINABLE  
ECONOMY

2

ECONOMIC  
PROSPERITY  
FOR ALL

2

## GUIDING PRINCIPLES



BROADLY DISTRIBUTED  
ECONOMY



ECONOMIC  
PARTNERSHIP



TRANSPARENT  
PUBLIC FINANCE  
MANAGEMENT



AFFORDABILITY OF ESSENTIAL  
GOODS & SERVICES



SUB-NATIONAL  
COMPETITIVENESS



SOCIAL COHESION  
& UNITY



ECONOMIC OPPORTUNITY &  
GROWTH



IMPROVING LIVING  
STANDARDS



JUSTICE &  
FAIRNESS



ROBUST & ENFORCEABLE  
LEGISLATIVE & REGULATORY  
FRAMEWORK



POLITICAL STABILITY



DIGITAL LITERACY &  
TRANSFORMATION

3

## STRATEGIC THRUSTS

1

CONCENTRIC ECONOMIC  
DIVERSIFICATION AND  
TRANSFORMATION

HUMAN  
CAPITAL  
DEVELOPMENT

3

2

THRIVING  
PRIVATE SECTOR

FUNCTIONAL SOCIAL  
PROGRAMMES

4



## 4 EIGHT (8) ENABLERS

### Thrust 1

**MACROECONOMIC  
STABILITY**

**SECTORAL &  
INDUSTRIAL  
REFORMS**

### Thrust 2

**MARKET  
REFORMS**

**INSTITUTIONAL  
REFORMS**

### Thrust 3

**SOUND  
EDUCATION**

**QUALITY  
HEALTHCARE**

### Thrust 4

**ROBUST SOCIAL  
PROGRAMME**

**SECURITY  
FOR ALL**

## 5 TARGETS

**MODERATE  
INFLATION RATE**



**INCREASE  
MANUFACTURING  
OUTPUT/GROWTH**



**HIGH SCHOOL  
ENROLMENT**



**EXTEND  
UNIVERSAL  
HEALTHCARE**



**LOW INFANT  
MORTALITY**



**IMPROVE  
FRAGILE STATE  
RANKING**



**EXCHANGE RATE  
STABILITY**



**BROADEN  
SECTOR'S  
GROWTH**



**LOW OUT-OF-  
SCHOOL  
CHILDREN**



**INCREASE  
DOCTOR/PATIENT  
RATIO**



**LOW  
MATERNAL  
MORTALITY**



**HIGH LIFE  
EXPECTANCY**



**LOW INTEREST  
RATE**



**PRIVATE  
SECTOR  
DEVELOPMENT**



**IMPROVE QUALITY  
OF TERTIARY  
EDUCATION**



**INCREASE  
NURSE/PATIENT  
RATIO**



**REDUCE POVERTY**



**DECENT JOB  
CREATION**



**LOW BUDGET  
DEFICIT RATIO**



**HIGH PRIVATE  
INVESTMENTS**



**INCREASE  
INDUSTRIAL  
OUTPUT/GROWTH**



**IMPROVE ACCESS  
TO PRIMARY  
HEALTHCARE**



**IMPROVE ACCESS  
TO SOCIAL  
SERVICES**



**LOW  
UNEMPLOYMENT  
RATE**



## Situating the Shared Prosperity Agenda Framework within Nigerian Context

Nigeria has vast opportunities considering its resource endowments and large population size. However, the physical and human resources remain underutilised, with implications for the country's realisation of shared prosperity. Gauging the performance of the Nigerian economy over time against the shared prosperity targets is critical to identifying the outcome-target gap and tackling the underlying drivers of the wedge between the actual and the desired states of shared prosperity in Nigeria.

**The first objective of shared prosperity is building a strong and competitive economy.** To start with, the quest for structural economic transformation in Nigeria is age-long. The country depends mainly on crude oil as its primary source of foreign exchange, although the sector contributes less than 10 percent to national output and little to job creation.

Meanwhile, the high-growth and employment-elastic sectors, Agriculture and Manufacturing, accounted for 2.7 percent and 5.2 percent in total export earnings for 2021. The overreliance on petro-dollars has heightened Nigeria's vulnerability to external shocks, fuelling macroeconomic instability in terms of high inflation, volatile exchange rates, high external debts, shallow external reserves, high cost of borrowing and the misalignment in the fiscal and monetary policy imperatives.

The unstable macroeconomic environment has left the private sector's ability to drive economic growth potential untapped. This is not unprecedented, as businesses in Nigeria face numerous challenges, including the poor state of infrastructure, regulatory bottlenecks, high informality and a huge skills gap. This partly explains the limited capacity of the private sector to create more jobs and match Nigerian graduates to decent employment opportunities.

Achieving the first objective of shared prosperity requires that Nigeria sustainably achieve at least a 7.5 percent growth rate per annum, primarily boosted by stellar growth in the Industrial and Manufacturing sectors at 8 percent and 10 percent per annum, respectively. However, economic growth averaged 2.5 percent between 2012 and 2021. Similarly, the Industrial sector remains underdeveloped, contributing an average of 23 percent to national output and negatively to economic growth over the same period.

This reflects the skewed sector growth in favour of the Agricultural and Services sectors, which accounted for 77 percent of the national output and contributed substantially and positively to economic growth in the past decade (2012-2021). Nigeria's slow pace of industrialisation is also reflected in the sub-optimal manufacturing capacity utilisation, which has hovered around 50 percent over the years. This has, in turn, undermined the potential of the Industrial sector to contribute significantly to national output, economic growth and job creation.

Moreover, the Industrial and Manufacturing sector's contributions to the total employment as of 2017 stood at 9.6 percent and 7 percent, respectively. However, the Agricultural and Services sectors accounted for 48.2 percent and 42.2 percent of the total employment, respectively. This suggests that Nigeria requires structural economic transformation and growth led by the private sector to achieve a strong and globally competitive economy. This is imperative, considering Nigeria accounted for a meagre 0.4 percent and 0.6 percent of the global output in 1990 and 2021, respectively.

Similarly, the country's share of global external trade value is low, as it stood at 0.3 percent and 0.2 percent, respectively, in 1990 and 2021. In addition, Nigeria is still ranked among the bottom 20 countries on the Global Competitiveness Index (GCI), with its global ranking hovering around 112th and 127th between 2015 and 2017. Specifically, with 48.3 out of 100 points, Nigeria ranked 116th out of 140 countries on the GCI in 2019.

**The second objective of the shared prosperity framework is the equitable distribution of economic prosperity.** Sharing the economic pie is as complex as building the economic pie in the first place. The oil-rich Africa's largest economy is now home to many of the global poor, surpassing India in 2018. Nigeria is also battling the highest prevalence of severe malnutrition in Africa, with about two (2) million children being affected. As of 2018, about 44 percent of children have stunted growth in the country.

Moreover, Nigeria ranked 103rd out of 121 countries on the global hunger index in 2022. These unimpressive social statistics are a direct result of acute food insecurity, rising internally displaced persons, an unhealthy environment, and lack of access to quality healthcare.

Consequently, Nigeria has one of the world's poorest human capital indices (education and health outcomes). Aside from the considerable health infrastructural gap, Nigeria has lost many medical professionals to brain drain, leading to personnel inadequacy in the Health sector. As of 2017, the country has just one (1) doctor and thirteen (13) nurses per 10,000 patients. This is far below the World Health Organisation's recommendation of fifteen (15) doctors and twenty (20) nurses per 10,000 patients.

The low presence of infrastructural development and wide access gap reinforces that Nigeria's economic pie remained primarily skewed in favour of the high-income class (the top 20 percent of the population accounted for 42.4 percent of the National income in 2018) and the political elite. As of 2019, about 60 percent of Nigerians have access to electricity. Meanwhile, being connected to the national grid does not guarantee a stable power supply. Owing to the inefficiencies in the Power sector, Nigeria could only distribute about 4,000 MegaWatts (MW) to end-users, far below the installed power generation capacity of 16,384MW.



The country requires investments worth US\$100 billion over the next 20 years to provide a stable power supply. Compounding the country's socioeconomic woes is the vast regional disparity in development outcomes. The Northern region is considered the poverty capital of Nigeria, having the worst socioeconomic indices, including poverty, literacy rate, primary school enrolment, per capita income, mortality rates, out-of-school children, income and gender inequality, among others.

In addition to worsening socioeconomic conditions as highlighted above, the poor and vulnerable groups appear excluded from enjoying the economic pie. Currently, the national social register has only profiled about 20 million beneficiaries, representing less than one-fifth of poor persons in Nigeria. This suggests that leaving many people behind would continue to threaten the country's social stability and elevate insecurity, as statistics depict. In 2021, the pace of conflicts in the Northern region at 3,188 cases far outweighed the Southern region's 1,744 cases.

In 2022, Nigeria ranked 16th out of 179 countries on the Global Fragile States Index and 143rd out of 163 countries on the Global Peace Index. To curtail insecurity, the Nigerian government has, over time, spent hugely on the security architecture at the expense of the social services sector. In the 2023 approved budget, Defence & Security accounted for 13.4 percent of the aggregate expenditure, whereas the budgetary allocation for the Education sector, Health sector and social development & poverty reduction programmes stood at 7.2 percent, 5.1 percent and 3 percent, respectively.

In conclusion, Nigeria is yet to achieve high and sustained economic growth due to low economic competitiveness and weak productive capacity. Also, socioeconomic indicators showed falling living standards for many Nigerians. This suggests that the country is far away from achieving Shared Prosperity. Not taking proactive steps towards achieving Shared Prosperity in Nigeria might worsen the state of insecurity with the attendant humanitarian crisis, including the displacement of many Nigerians and loss of lives and livelihoods.



# **DISSECTING SHARED PROSPERITY AGENDA FOR NIGERIA**

## OBJECTIVE 1: COMPETITIVE AND SUSTAINABLE ECONOMY

Nigeria's aspiration to build a competitive economy and achieve sustainable economic progress has not been attained. Successive governments or administrations since the 1960s have outlined these goals - building a competitive economy and achieving sustainable economic growth, as their focal points. The state of the country now confirms that these goals are far from being achieved and still relevant to the country's development.

In the proposed SPA framework for Nigeria, achieving these goals are essential in increasing productivity across all sectors, creating new opportunities and economic wealth. The potential outcomes of building a competitive and sustainable economy are robust economic growth, job creation and a reduction of the extreme poverty rate in Nigeria.

As proposed in Nigeria's SPA framework, two (2) strategic thrusts - concentric economic diversification & transformation and a thriving private sector - are needed to achieve this core objective.

### STRATEGIC THRUST 1: CONCENTRIC ECONOMIC DIVERSIFICATION AND TRANSFORMATION

Nigeria needs to achieve broad-based growth and improved productivity across all the sectors of the economy to create wealth that will be available for all to share. Over the past decade (2011 - 2020), Nigeria's economy recorded an average real GDP growth of 2.6 percent despite experiencing two recessions. Nevertheless, the economic growth has underperformed the population's growth rate of 2.5 – 3.2 percent, suggesting a low growth rate. While Nigeria's economic growth has been lethargic, economic growth has been accompanied by increasing unemployment, poverty, and deteriorating socioeconomic indicators, suggesting Nigeria's economic growth is devoid of Shared Prosperity due to factors such as:

- The heavy concentration of economic growth in a few sectors;
- Low growth and productivity across sectors of the economy;
- The slow pace of industrialisation and economic transformation; and
- Low investment inflows into productive sectors of the economy.

Consequently, improving the country's economic dynamics by achieving concentric economic diversification and transformation is a significant milestone in creating economic prosperity. This is so because achieving this strategic thrust - concentric economic diversification and transformation, is a prerequisite for higher investments (domestic and foreign), high economic growth, and improved sectoral performance. The main enablers of this thrust are (1) Macroeconomic Stability and (2) Sectoral and Industrial Reforms.



## MACROECONOMIC STABILITY

A stable economy is crucial for the competitiveness and profitability of businesses and firms that make up different sectors of the economy. On one side, the macroeconomic environment reflects the productive capacity and performance of sectors and the effectiveness of their output in supporting the economy, thus contributing to output, revenue, export, and employment. On the other hand, the macroeconomic environment shows the government's capacity to intervene and maintain stability across all macroeconomic indicators, irrespective of the distortions.

Since 2016, Nigeria's macroeconomic environment has been largely unstable, limiting

the country's economic growth, diluting the benefits of economic growth and resulting in low socioeconomic gains for the people. Key drivers of the poor socioeconomic outcomes from economic growth in Nigeria are high inflation rate, foreign exchange volatility and fiscal unsustainability, among others - all these drivers can be summed as macroeconomic instability. An assessment of the macroeconomic instability condition in Nigeria using the Economic Community of West African States (ECOWAS) convergence criteria suggests that Nigeria only met two (2) of the criteria in 2022 (see Table below), suggesting that the Nigerian economy is far from being stable.

## NIGERIA'S MACROECONOMIC CONDITION VS ECOWAS CONVERGENCE CRITERIA

Indicators	Convergence Standard	Nigeria in 2022	Remark
<b>Primary Criteria</b>			
Annual Average Inflation rate	≤5%	18.2%*	×
Budget Deficit (% Nominal GDP)	≤3%	4.4%*	×
External reserve (months of import cover)	≥3 months	9.35*	✓
CBN Financing of Budget deficit (Ways and Means)	≤ 10% of the previous year's tax revenue	99%**	×
<b>Secondary Criteria</b>			
Exchange rate fluctuation	±10%	30.1%* <sup>a</sup>	×
Total Public debt (% Nominal GDP)	≤70%	24%***	✓

SOURCE: ECOWAS, CBN, NESG RESEARCH. NOTE: \* JANUARY-NOVEMBER, \*\*JANUARY-OCTOBER & \*\*\* AS AT Q3 <sup>a</sup> = Unofficial FX Market

## SECTORAL AND INDUSTRIAL REFORMS

Beyond economic growth, industrialisation and economic transformation are drivers of growth in job opportunities and poverty reduction. These are outcomes of expanding industrial activities across manufacturing and non-manufacturing mineral exploration and the emergence of new sectors.

The Nigerian economy, however, appears de-industrialising over the years due to the consistent decline in the share of the Industrial sector as well as the constituent Manufacturing sector. Over the past four decades, the GDP share of the Industrial sector has declined from 60.1 percent in 1981 to 20.6 percent in 2021.

Likewise, the GDP share of the Manufacturing sector has declined from 29.9 percent in 1981 to 9 percent in 2021. The declining share of the Manufacturing sector has been motivated by a near-static trajectory of the sector over the past four decades, while the swaying performance of the Oil & Gas sector drives down the share of the non-manufacturing Industrial sector.

Factors that have stalled the process of Nigeria's industrialisation include policy summersault and regulatory inconsistency, macroeconomic instability, infrastructural deficiency, lack of investment, poor sectoral depth and value chain development, dependence on imports for raw

materials and intermediate inputs, uncompetitive business environment, among others. The abysmal performance of Nigeria's industrial sector has had the following implications for the economy:

- It has inhibited the country's job creation and poverty reduction efforts.
- It has kept Nigeria's economy vulnerable and fragile while contributing to the economic hardship experienced by the citizens.
- It has constrained Nigeria's competitiveness and inhibited the growth of value-add and complex products produced in Nigeria.
- It has made Nigeria an import-dependent and a net consumer economy.

## STRATEGIC THRUST 2: THRIVING PRIVATE SECTOR

Nigeria's development experience and the quest for prosperity have attested to the critical role played by the private sector in realising these dreams. The private sector, in addition to creating well-functioning markets, drives economic growth, which improves social and income mobility for the poor. Improving the social and economic mobility of the poor through equitable economic opportunity distribution is critical to achieving Nigeria's Shared Prosperity. It is, therefore, critical to position the private sector as a significant player in the country's pursuit of poverty eradication and shared prosperity.

### CHALLENGES OF NIGERIA'S PRIVATE SECTOR

- Widespread and rising informality.
- A "missing middle" and lacking upward mobility.
- Weak inter-firm linkages.
- Lack of export competitiveness.
- Lack of innovation capabilities

Nigeria's private sector, proxied by the Micro, Small and Medium Enterprises (MSMEs) industry, accounted for 49.7 percent of the GDP, 96.7 percent of firms and 87.9 percent of the labour force (SMEDAN, 2021). The ecosystem is generally expanding, but it is dominated by small businesses operating in the informal economy. Growing Nigeria's private sector is important for two (2) major reasons:

- (a) Creation of economic opportunities and prosperities
- (b) Strengthen Nigeria's pursuit of pro-poor economic outcomes such as job creation, reducing poverty etc.

Achieving a thriving private sector is a watershed moment in any country's economic development journey. Some enablers set the foundation for economic development and help to establish an efficient market system. A functioning market system is deemed a haven for investments, innovation, and enhanced enterprise development, all of which are required to generate economic prosperity. The enablers of a thriving private sector are as follows (1) Macroeconomic Stability, as already discussed in Strategic Thrust 1 (2) Market reforms, mainly accentuating the role of the private sector, appropriate pricing, and a stable business environment; and (3) Institutional reforms.

## MARKET REFORMS

Since 1999, a wide range of structural reforms has been introduced to improve the domestic business climate and competitiveness, deregulate and reduce government activity in various economic sectors, and address structural growth constraints. All these actions are targeted at creating an environment supporting the growth of Nigeria's private sector.

However, the last decade in Nigeria witnessed a significant upturn in economic growth and poor

private sector performance due to an unfavourable business environment, among other factors. A shift in government policy posture from a capitalist market to pro-social economic stances also heightened policy uncertainties about what are the roles of the private sector in Nigeria. This points to Nigeria's shrinking size of private investments in recent times. The country's real investment as a share of GDP has trended downwards and remained low in most of the last decade.



As of 2019, Nigeria has experienced a 13.6 percentage point decline in investment as a share of real GDP from 38.3 percent in 1999 to 24.6 percent. There was an uptick in 2022, and this upward trend was maintained, but it is still 5.2 percentage points lower than the country's performance at the start of the fourth republic (1999). The current situation suggests a massive burst in real investment in the past decades and a constrained private sector environment. This condition contributes to the poor linkages between economic growth and social indicators such as unemployment and poverty.

Just like at the beginning of Nigeria's fourth republic, there is a need to adjust the country's current economic system through market reforms to set a foundation for unlocking the performance of the private sector in the country.

- **Upgrade the market rules and systems.** This involves creating new and improving existing markets by expanding access to the private sector and building the underlying infrastructure of a market economy in Nigeria. In all, these market reforms will not only enhance the participation of the private sector in economic activities but also foster the expansion of the Nigerian economy.

- **Improve the allocation of incentives and resources.** Market reforms will also facilitate markets or industries to operate more efficiently and effectively.
- **Develop the capacity of public and private market participants - including regulators, investors, and policymakers.** This involves strengthening the capacity of the government to become an effective regulator and other private sector players to have the ability to predict regulations.

Some of the benefits and outcomes of effective market reforms in Nigeria include the following.

- Encouraging market competition.
- Creating economic opportunities for improved productivity.
- Making markets work for all businesses.
- Creating jobs and new sources of income.
- Putting purchasing power in the hands of poor people.
- Technology-enhanced service delivery.
- Public-Private Partnerships (PPPs) – public and private combinations that bring the best out of both stakeholders

## INSTITUTIONAL REFORMS

Institutional and regulatory environments have catalytic effects on spurring growth and creating economic prosperity. Nigeria's experience has shown that economic reforms constitute a start and foundation to achieve a thriving private sector, but these reforms may not be sufficient. Hence, the need to support economic reforms with a stable regulatory and policy environment. In this environment, both public and private sectors work together to create economic opportunities and shared prosperity.

It is clear from the preceding that addressing Nigeria's policy and institutional constraint to private sector growth is a major developmental milestone the country must achieve. This position is essential due to the following reasons.

- The private sector needs a clear legal and regulatory framework to grow and thrive.
- The regulatory environment is the mechanism to promote productive engagement between policymakers and the private sector.

Paradoxically, Nigeria faces many challenges from a weak institutional & regulatory environment. On the one hand, these challenges include deep-rooted corruption, deepening poverty, income inequality, etc. On the other hand, issues relating to the continuity of policies and programmes and ineffective monitoring and implementation evaluation have continued to hinder economic prosperity. On many occasions, crucial decisions and essential policies are made without necessary research and data to support the government or regulators' position. All these have resulted in a colossal loss of economic opportunities and robbed the country of significant social progress.

A review of Nigeria's performance on the global competitiveness indicators clearly illustrates that the country's institutional and regulatory environment had not supported the private sector development.

Regarding government or institutional effectiveness, Nigeria ranked among the 14.4 percentile (100 percentile being the highest score) in 2021, which is an improvement of two percentile compared with 2014 performance. However, the country's regulatory quality declined compared to its 2014 level.

Changing the current tide of the regulatory environment is beneficial to supporting the growth of the private sector. A stable regulatory environment is one major critical factor for investment in any country. Thus, getting the institutional and regulatory environment right through reforms is crucial to create the stage for a thriving private sector that supports the creation of economic prosperity. Some of the benefits of a stable institutional and regulatory environment and reforms for the private sector in Nigeria include the following.

- Reducing barriers, costs, and risks of doing business
- Cutting red tape around public sector bureaucracy
- Reducing corruption
- Expanding markets and trade opportunities
- Reducing the costs of trading
- Creating and sustaining market linkages, both domestic and international.

From the experience of other emerging market economies, it is not only the private sector that will benefit from robust reforms of Nigeria's institutional and regulatory environment. Advancement in other related sectors, as experienced with ICT market reforms in Nigeria, will enjoy spillover effects from the innovation and efficiency of sectors positively impacted by a stable institutional and regulatory environment.

## OBJECTIVE 2: ECONOMIC PROSPERITY FOR ALL

Ensuring shared prosperity requires inclusive growth and development that bridges economic inequalities and income disparities. Promoting socioeconomic inclusion and leaving no one behind is possible by building resilience through social programs and interventions.

As highlighted in Nigeria's Shared Prosperity framework, the objective of economic prosperity for all revolves around two (2) strategic thrusts - human capital development and functioning social welfare programmes.

### STRATEGIC THRUST 3: HUMAN CAPITAL DEVELOPMENT

One of the major factors inhibiting Nigeria's economic development has been the brain drain and knowledge gap in human capital. Knowledge as a significant driver of economies of scale can be increased by investing in education and providing better health services, which is the nation's human capital formation. An equipped labour force, a stable economic environment, a thriving private sector and robust social welfare programmes are crucial in attaining Shared Prosperity in Nigeria. However, developed human capital will only be actualised if some fundamental enablers operate efficiently. These fundamental enablers of human capital development include:

1. **The education sector** with a target to improve access to essential skills, improve the quality of higher education, and reduce the number of Youth (15-24) Not in Education, Employment or Training (NEET) and,
2. **The health sector** with a target to increase health service delivery, extend Universal Health coverage, and reduce infant and maternal mortality.

**The education sector continues to operate at the sub-optimal level.** Over 2010 and 2018, Nigeria's average school drop-out rate stood at 33.7 percent, far above the global average of 8.5 percent. Remarkably, one out of every five out-of-school children in the world resides in the country. The high incidence of school drop-out in Nigeria could be attributed to insecurity, gender bias, low literacy rate and an increase in displacement. Insurgency, banditry and kidnapping, particularly in the Northern region, have displaced many households, including children, thereby increasing the rate of school drop-out in Nigeria. Estimates showed that internally-displaced children account for more than half of the out-of-school children in Nigeria. On a regional basis, as of 2017, the youth literacy rate stood at about 55 percent in the Northern region, relative to a youth literacy rate of over 90 percent in Southern Nigeria. This demonstrates the regional disparity in school enrolment rates and the quality of education across Nigeria.



**Moreover, Nigeria has also not fared well in terms of health-related indicators globally.**

Many Nigerians are exposed to high and catastrophic out-of-pocket spending with little or no health insurance coverage. According to the World Bank, out-of-pocket spending accounted for 70.5 percent of current healthcare spending in 2019, higher than the global average and sub-Saharan average of 29 percent and 18 percent, respectively. Despite introducing the health insurance scheme, the National Health Insurance Scheme (NHIS) has only covered about 5 percent of Nigerians, while private health insurance covers about 1 percent. Accordingly, Nigeria ranked 170th out of 194 countries on the WHO's global universal health service coverage index in 2019. In addition, Nigeria ranked 187th out of 195 countries on the Health Access Quality (HAQ) index in 2018. The index measures the quality and accessibility of healthcare based on 32 causes of medically preventable death.

**COVID-19 was a test of Nigeria's Education and Health sectors' resilience.** Before the outbreak of the COVID-19 pandemic, the priority of human capital development has received little attention at the national and sub-national levels in Nigeria. To a large extent, the country's Health and Education sectors were a shadow of themselves during the heights of the global pandemic in 2020. This has been reflected in Nigeria's poor global Human Capital Index (HCI) ranking. According to the World Bank, the country's HCI stood at 0.36 points in 2020, slightly above 2018's 0.35 index points, thereby positioning the country among the bottom ten countries with the lowest HCI globally. Nigeria's HCI also fell short of the global average of 0.57 points in 2020. This poor performance over the years could be attributed to inadequate funding of education and health sectors, limited capacity to harness citizens' human capital potential – resulting in brain drain, and high school drop-outs and child labour.

Unless the huge regional disparity in human capital outcomes in Nigeria is urgently addressed, the actualisation of SDG goal 3–equitable access to quality healthcare– and SDG goal 4–equitable access to quality and affordable education–would remain a daunting exercise.

## STRATEGIC THRUST 4: FUNCTIONAL SOCIAL PROGRAMMES

The assertion of the Nigerian President, in the 2020 new year's message, to lift a hundred million Nigerians out of mass poverty over the next ten years has been a wild goose chase as poverty headcount has since increased to 90 million people in 2022 from 82.9 million people in 2019 (World Bank Report, 2022). A major inhibiting factor has been the oblivious existence of poorly captured and weak social programmes exhibited in poor social welfare programmes and insecurity & safety. To set the foundation for realising Shared Prosperity, Nigeria must develop and ensure a well-functioning social welfare programme, developed human capital, a competitive economic environment, and a thriving private sector. Furthermore, a functioning social programme is contingent on some essential enablers, which include:

1. Robust Social Programme underlined by social protection targeted at the most vulnerable group.
2. Security For All that eliminates all national security threats and delivers peace and national cohesion

### ROBUST SOCIAL PROGRAMME

As poverty and inequality are related to crime and insecurity, social welfare in the form of social protection programmes which can alleviate these problems is essential for social, economic and political stability. Social Protection includes a range of policies and programmes designed to alleviate the long-term effects of poverty and exclusion (UNICEF, 2019). The three main branches of social protection are social assistance/welfare, social insurance, and labour market policies. These programmes target people who are poor, vulnerable, and facing social and economic risks.

Meanwhile, social assistance involves cash and in-kind transfers to the poor and vulnerable. This includes conditional and unconditional cash transfers, public works programmes, fee waivers and subsidies. On the other hand, social insurance is a contributory scheme mainly targeted at workers and retirees to provide compensatory support in the event of loss of income or livelihood. Social insurance schemes include contributory pensions, community-based health insurance, and occupational hazard benefits.

There is a range of benefits that accrue from social protection programmes. It contributes to poverty reduction, reducing inequality and deprivation. It thereby promotes social development. Social protection improves access to essential services. It also promotes equality of opportunities and human capital development, among others.

Social protection programmes are becoming increasingly prominent in Africa and developing nations. Nigeria has a National Social Protection Policy which aims, through developing guidelines, to provide a framework to "ensure a minimum social floor for all Nigerian citizens for a life of dignity". The Federal government also established the National Social Investments Programmes (NSIP) to tackle hunger and poverty nationwide. Some of the more recent federal social protection programs in Nigeria include:

- The Fertilizer market stabilisation programme
- Growth enhancement scheme
- Nigeria Youth Employment and social support operations
- Government Enterprise and Empowerment Programme (GEEP)
- YouWin
- The N-power programme
- National Programme on Immunisation
- Subsidy Reinvestment and Empowerment Programme (SURE-P)
- Community Services Women and Youth Employment (CSWYE)

Despite the strides in implementing social protection schemes, the International Labour Organisation (2022) asserts that social protection coverage for Nigerians is currently limited and primarily confined to the formal sector after assessing three (3) prominent contributory schemes: the National Health Insurance Scheme (NHIS), the National Social Insurance Trust Fund (NSITF) and the Pension Commission (PenCom).

Also, the World Bank notes that less than 2 percent of Nigerian households were enrolled in the country's National Social Safety Net Project (NASSP). Furthermore, the group exposed that low coverage hindered effective response to the COVID-19 pandemic and deepened the poverty rate in Nigeria. Moreover, passive Labour Market Programmes (LMPs) in the form of unemployment benefits are also lacking, which can accentuate poverty and criminal behaviour.

Over time, social protection programmes have been instrumental in reducing poverty and

inequality and promoting inclusive growth (Chowdhury, 2017). However, low scale and coverage limit the effectiveness of social protection policies in achieving stated goals. Unless existing social protection programmes are urgently assessed and reformulated, achieving Shared Prosperity will be a mirage in the face of rising poverty, vulnerability, and high food inflation, among other challenges in Nigeria. To this end, the key recommendations to improve social welfare outcomes in Nigeria are outlined below.

## SECURITY FOR ALL

Nigeria has witnessed an unprecedented and alarming level of insecurity, such as Boko Haram activities, banditry, kidnapping, and Fulani-Herders-Farmers clashes. This has elicited national discussions and concerns as national security, especially the threat to lives and properties, has increased the number of displaced persons, the relocation of valuable investment to neighbouring countries and prompted a huge allocation of the national budget to security. In addition, Nigeria has consistently ranked low on the Global Peace Index (GPI), signifying a worsened state of insecurity in the country. In 2021, Nigeria ranked 146th out of 163 countries on the GPI and was the 8th least peaceful in Africa.

To ameliorate the incidence of crime, the federal government has embarked on fundamental surveillance, investigation of criminal-related offences, increased physical security measures around the country to deter potential attacks,

provision of security facilities and developing and broadcasting security tips in mass media. Despite these efforts, the level of insecurity in the country is still high on the back of constrained operations due to poor investments in security infrastructure. Furthermore, government failure to checkmate widespread corruption indirectly contributes to rising insecurity and ineffectiveness of the country's fragile security architecture.

Despite concerted efforts by the Nigerian government to ensure peace and security for all, several challenges have limited progress towards neutralising domestic insecurity threats in the country. These challenges include inadequate funding for Armed Forces; poor skills development for the professionalism and efficiency of security agencies, and limited technological adaptation and innovation for intelligence gathering and safety assurance.



An abstract graphic in the top left corner of the page, consisting of numerous thin, light blue wavy lines that create a sense of movement and depth. A single vertical white line runs through the middle of this graphic.

# **CRITICAL RECIPES TO ACCELERATE SHARED PROSPERITY AGENDA IN NIGERIA**

## STRATEGIC REFORMS FOR ECONOMIC DIVERSIFICATION & TRANSFORMATION

Macroeconomic instability creates economic uncertainty, undermines efficiency and penalizes the vulnerable group mostly...

### IMMEDIATE ACTION POINTS FOR MACROECONOMIC STABILITY

#### BOOST FOREIGN EXCHANGE AVAILABILITY

Remove capital controls and encourage the inflow of stable investments (in oil and non-oil sources).

1

#### ENSURE APPROPRIATE PRICING AND MANAGEMENT OF FOREIGN EXCHANGE

Implement a clear forex policy to instill investors' confidence and ensure market stability.

2

#### IMPROVE GOVERNMENT REVENUE TO SHORE UP THE FISCAL SPACE

There is an urgent need to block channels of fiscal leakages such as subsidies, etc. In addition, the government must revisit the removal of tax holidays and other exceptions, discard redundant government assets and reduce discretionary public spending.

3

#### INFLATION CONTROL

Controlling inflation requires a combined efficiency of fiscal and monetary policies. Hence, there is a need to coordinate fiscal and monetary policies to avoid fueling inflation through CBN fiscal deficit financing or expansionary fiscal policies.

4

### MEDIUM-LONG TERM ACTION POINTS FOR SECTOR REFORM

#### STEP-UP INDUSTRIALIZATION THROUGH DIGITALIZATION

Industrialization is necessary for sustained prosperity however implementation of any industrial plan is a herculean task. The government should re-assess the implementation of Nigeria's industrial plan to keep pace with innovative competition by leveraging technology.

1

#### FACILITATE TRADE BY REMOVING ALL EXPORT AND FOREIGN EXCHANGE RESTRICTIONS

Aside from boosting value-add to exported products from Nigeria, the government should address all restrictions limiting export activities that hinder industrialisation. One approach is to adopt a single tariff window and address all bottlenecks at Nigeria's entry and exit points.

2

#### DEVELOP AGRICULTURAL VALUE CHAIN THAT INTEGRATES AGRO-PROCESSING INDUSTRIES

A well-conceptualized value chain with a comprehensive profiling of agro-processing industries is fundamental for industrialisation and important to improve competitiveness that will support pro-poor growth.

3

#### REDUCE INFRASTRUCTURAL DEFICIT BY LEVERAGING ALTERNATIVE FINANCING

A major challenge to sectors' scale and capacity is the huge infrastructural deficit that increases the cost of doing business, especially electricity and access to the market. A reduction in such extra cost could reduce prices and support SPA in Nigeria.

4

## STRATEGIC REFORMS FOR THRIVING PRIVATE SECTOR

Without market and institutional reforms that support the private sector to create decent jobs and expand the economic pie, Shared Prosperity in Nigeria could be elusive.

### ACTION POINTS FOR MARKET REFORMS

#### 1 REVIEW TRADE POLICIES TO SUPPORT AND DEEPEN COMPETITION

This could be achieved by adopting policies that facilitate trade and promote export. Also important is the automation of critical process by leveraging technology.

#### 2 DEEPEN AND BROADEN THE STANDARD OF GOODS PRODUCED

Improving the standard of goods will support the international acceptability of products that are competitively priced.

#### 3 REFORM THE TAX SYSTEM FOR IMPROVED TAX MOBILISATION

Harmonise the multiple taxes, create a system that incentivises businesses to be tax-compliant as well as adopting technology in tax assessments and collection.

### ACTION POINTS FOR INSTITUTIONAL REFORMS

#### 1 IMPROVE INSTITUTION EFFICIENCY

Improve the ease of doing business, especially with respect to property registration, solvency proceeding and trade across borders.

#### 2 ADEQUATE TRAINING AND RE-TRAINING OF LAW ENFORCEMENT AGENCIES

Partner with law enforcement agencies (especially the judicial and security personnel) to ensure personnel are adequately equipped to deliver safety and fairness for all.

#### 3 EXPAND ACCESS TO LEGAL SERVICES & CREATE AWARENESS OF SAME

Create awareness about legal rights and the ease of access, especially for vulnerable Nigerians. Also, corrupt practices and inefficiencies in the judicial system must be addressed decisively.



## STRATEGIC REFORMS FOR HUMAN CAPITAL DEVELOPMENT

Unless Nigeria's abysmal human capital outcomes are urgently addressed, the actualisation of SDGs goal 3 – equitable access to quality healthcare – and SDG goal 4 – equitable access to quality and affordable education – would remain a daunting exercise.

### ACTION POINTS FOR EDUCATION

#### EMPOWER YOUTHS WITH SKILLS AND TALENT DEVELOPMENT

1

This requires the resuscitation of the Technical and Vocational Education and Training (TVET) scheme that embraces both schooling and out-of-school children.

#### IMPROVED EDUCATION FUNDING TO PREPARE THE YOUTHS FOR THE FOURTH INDUSTRIAL REVOLUTION

2

Investment in specialized fields, such as Science, Technology, Engineering, and Mathematics (STEM) to adequately prepare Nigerian youths for future jobs that would be highly digitalized and automated.

#### NEED TO EMBRACE DIGITALIZED LEARNING

3

This is important to ensure that learning activities continue without hitches and that the population of out-of-school children is drastically reduced.

#### SCHOOL CURRICULUM THAT REFLECTS SPECIFIC AND DYNAMIC INDUSTRY NEEDS

4

There is a need for internship schemes to be tied to specific skills to improve youths' employability potential.

### ACTION POINTS FOR HEALTH

#### ENCOURAGE THE DIGITIZATION OF HEALTHCARE SERVICES

1

Digitalizing activities in hospitals would guarantee timeliness in service delivery at privately and publicly-owned healthcare centres and could reduce the mortality rate.

#### ENCOURAGE MASSIVE INVESTMENT INFLOWS INTO THE HEALTH SECTOR

2

The growing population in Nigeria offers huge market opportunities for private-sector investment. Private and non-profit organizations need to be incentivised to provide affordable and quality healthcare services.

#### BETTER WORKING CONDITIONS ARE NEEDED TO AVERT BRAIN DRAIN

3

The prospect of good pay and better working conditions for health professionals in developed economies has resulted in human capital flight from developing countries, including Nigeria.

#### COLLATE RELEVANT HEALTH- RELATED STATISTICS REGULARLY FOR ADEQUATE PLANNING

4

Building a sustainable and robust health system requires decisive leadership, improved governance and the continuous gathering of data. This will ensure that the target beneficiaries of interventions are reached.

## STRATEGIC REFORMS FOR FUNCTIONAL SOCIAL PROGRAMMES

Shared Prosperity could be achieved when the vulnerable are adequately reached and when lives, properties and livelihoods are secured for both current and future generations.

### ACTION POINTS FOR ROBUST SOCIAL PROGRAMMES

#### CAPACITY BUILDING FOR PROGRAM DELIVERY AT SCALE AT THE SUB-NATIONAL LEVEL.

States are at various stages of implementing the NSIP. To reduce fragmentation, develop a common delivery platform for social protection programs implemented by different ministries and agencies.

1

#### SUPPORT PARTICIPATION OF THE INFORMAL SECTOR BY EXTENDING THE REACH OF SOCIAL SAFETY NETS

Improve awareness of social protection schemes and the processes for enrolment, particularly for new initiatives. Extend targeted cash transfers and livelihoods grants for poor and vulnerable households.

2

#### INCREASE THE NUMBER OF VULNERABLE NIGERIANS THAT ARE CAPTURED

By leveraging technology and harmonising the multiple digital identifications (NIN and BVN).

3

#### FURTHER ADVANCES IN THE DEVELOPMENT AND USE OF DATA SYSTEMS

Develop and implement a social protection database. The collection and application of credible, up-to-date, and relevant information would be useful for program design, implementation, and reform.

4

### MEDIUM-LONG TERM ACTION POINTS FOR SECURITY FOR ALL

#### BOOSTING SECURITY CAPACITY TO REDUCE THREATS AND COUNTER- TERRORISM.

Augment national defence by investing and adopting AI, ICT, robotics, and drone technology and develop an active military research unit for designing, developing.

1

#### FORENSIC AND DIGITALIZED SECURITY SYSTEM

Develop an integrated forensic and digitalized security system that captures every threat to lives and property even in the absence of security personnel.

2

#### REFORM GOVERNANCE AND MINIMIZE CORRUPTION THROUGH ACCOUNTABILITY AND DIGITALIZATION

Good governance is the panacea for the insecurity challenge in Nigeria, and the war against insecurity would be won only by raising governance standards. That is, cultivating the culture of good governance where the government is responsible and accountable to the people.

3

#### PARTNERSHIP AND COORDINATION FOR RAPID RESPONSE

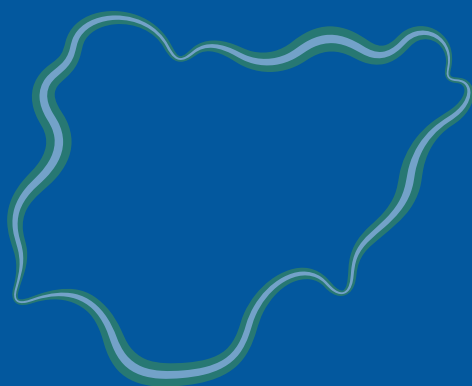
Increase efficient partnership and coordination among security intelligence agencies and boost security readiness by mobilising funding to sustain military operations including war operations, border security, and counter-terrorism.

4









# **PART C:**

## **Outlook for the Nigerian Economy in 2023**

## Section A: Projections for Nigeria Economy in 2023

Elections are considered the most potent political event and the bedrock of any economy. In Nigeria, the election cycle occurs every four (4) years, and the presidential election is scheduled to hold in February 2023. Presidential election announcement is believed to come with political instability and policy uncertainties that could trigger adverse economic implications and changes in economic indicators. Over the years, the presidential election in Nigeria reflects differing economic effects on account of varying domestic and global economic dynamics.

On the back of the preceding, both external/global developments and domestic economic conditions will drive the projections for 2023. The global developments considered include growth in global output, the global crude oil market, international trade, and other factors. On the other hand, fiscal spending and election activities are expected to shape the domestic economic environment. This section provides the forecast of real GDP growth, inflation, foreign reserve, exchange rate and unemployment for 2023.

### PROJECTIONS

The projection for 2023 assumes that crude oil future will average US\$85/barrel. This suggests that the effect of the Russia-Ukraine crisis on the energy market will remain subdued and that elevated demand for crude oil will sustain price at a level relatively higher than the US\$70/barrel proposed in the 2023 budget. As efforts to contain crude oil theft in Nigeria intensify, crude oil production will average 1.35 million barrels per day (mbpd) in 2023. This represents an improvement over 1.15mbpd in 2022 but is 20 percent lower than the 2023 budgetary oil production of 1.69mbpd. The outcome is an improvement in government capital expenditure to N2.35 trillion representing a budget implementation rate of 43.9 percent. Based on these assumptions, the outcomes are as follows:

**RGDP growth is expected to moderate to 2.98 percent.** Economic growth will be subdued in 2023 due to strains on investment and low productivity in critical sectors. The services sector will drive economic growth, but this growth will not be strong enough to generate significant jobs. As a result, unemployment will remain unabated. Economic growth will be supported by election-related spending and improvement in the oil sector.

**Inflation rate to average 20.5 percent in 2023.**

Inflationary pressure is expected to remain elevated, driven by structural, cost and monetary factors. Food inflation will remain the fundamental driver of inflation due to the enduring impact of flooding, increased production costs due to increased cost of credit, insecurity and displacement. Existing fuel shortages and the removal of fuel subsidies will continue to increase the core components, especially transportation.

**The unemployment rate will increase to 37 percent and the poverty headcount will amplify to 45 percent** due to weak performance in the job-elastic sectors, low labour absorption of sectors that will drive growth, and population growth estimated at 3.2 percent will lead to a decline in real per capita income.

**In 2023, foreign capital inflow will decline. The trade surplus will be sustained albeit lower, the foreign reserve will deplete further, and exchange rate pressure will persist.** Due to political risks and a negative yield on investment, investors will take a flight to safety in other emerging and developed economies. An improvement in crude oil production will sustain the trade surplus. CBN intervention in the FX market and shortage in FX inflow will culminate in a decline in foreign reserve to US\$34.9 billion at the end of 2023. The decline in forex supply will further support exchange rate depreciation. CBN may consider Naira devaluation to reduce the exchange rate premium and reduce market intervention on the back of external reserve depletion. As a result, the official exchange rate is expected to hit N500/US\$. Similarly, an FX shortage will support the black market operation, where the exchange rate will depreciate even at a faster rate.

**Monetary policy tightening will continue, the lending rate will remain high, and investment will be constrained.** A tight policy stance in developed economies leads to capital.

flight from developing and emerging markets and inflationary pressure will highlight the need for further tightening to close the interest rate differential and rein in inflation. This could heighten financial risk and increase Non-Performing Loans (NPL) in the banking system. Monetary tightening in 2022 has signalled an upward trend in interest rates. In addition, a faster increase in credit to the government will reduce credit availability to the private sector, thereby supporting further increases in the cost of borrowing.

**Nigeria's sovereign risks are expected to amplify in 2023.** The budget underscores fiscal deficit expansion and the upward trajectory in public debt stock to N53.8 trillion. Fiscal sustainability will remain a concern as government revenue will be eroded by personnel costs and high-interest payments on debt. While moderate crude oil prices and improvement in crude oil production are expected to support revenue, an increase in debt servicing – especially external debt due to exchange rate depreciation – will constrain the government from expanding capital project expenditure.

FIGURE C1: ACTUAL &amp; PROJECTED REAL GROWTH FOR 2023

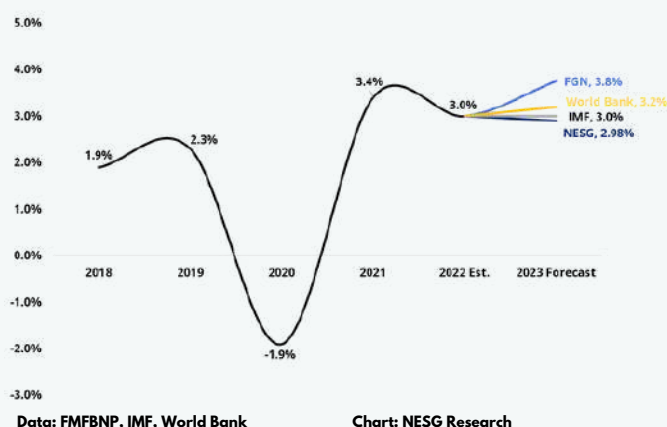
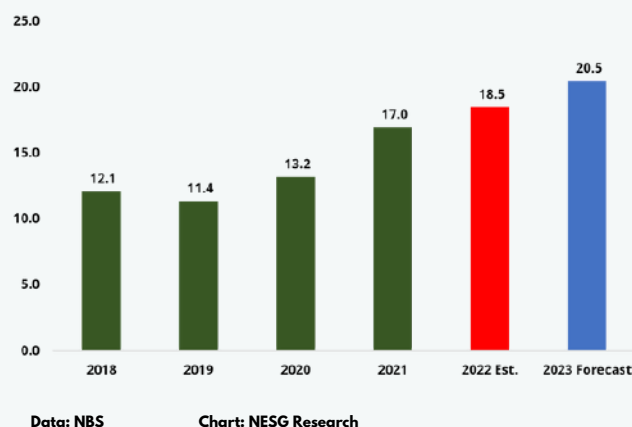


FIGURE C2: ACTUAL &amp; PROJECTED INFLATION RATE FOR 2023 (PERCENT)





## Section B: Upside and Downside Risk to Nigeria's 2023 Macroeconomic Projections

This section highlights the risks that could influence the economic outlook across indicators. The risks, if any occur, could make the forecast indicators perform above or below expectations.

FORECAST INDICATOR	RISK SCENARIO	RISK NATURE
GDP Growth	A slowdown of the global economy resulting from a mix of persistent inflationary pressures, monetary policy tightening and pandemic-induced global chain disruptions due to new COVID-19 cases in China.	Downside
	Election-related spending boosts specific sectors of the economy, as historical evidence shows that an economic expansion characterises every election year in Nigeria.	Upside
	Dangote refinery becomes operational, moderating the contraction in the oil refining sub-sector and supporting the Manufacturing sector.	Upside
Inflation	Persistent climate-induced shocks, such as flooding, incite a slowdown in crop production and push up food prices.	Upside
	An increase in energy prices and digital taxation will increase core inflation and even food price through upward pressure on the cost of producing both food and non-food components.	Upside
	The persistent weakness of the domestic currency, despite expectations that global commodity prices would ease.	Upside
Policy Outlook – fiscal & monetary positions	Fuel subsidy reforms delay beyond mid-2023 would prompt the new administration to introduce a supplementary budget to fulfil subsidy payment obligations, thereby constricting fiscal space further.	Downside
	Non-oil revenue targets could become unrealised due to inefficiency in tax revenue collection, regulatory bottlenecks, revenue leakages and unchecked discretionary spending.	Downside
	Persistent inflationary pressures juxtaposed with sustained growth could prolong aggressive monetary tightening in 2023	Upside
External Sector Outlook – trade & investment positions	Trade balance reverting to a deficit on the backdrop of a persistent slowdown in crude oil production, irrespective of the trajectory in global oil prices	Downside
	Stiff capital controls, foreign exchange shortages, foreign exchange rationing, and investment uncertainties ahead of the 2023 general elections elevating investors' apprehension	Downside

## SNAPSHOT OF NIGERIA'S 2023 BUDGET (TRILLION NAIRA)

REVENUE		EXPENDITURE	
OIL REVENUE	2.23	STATUTORY TRANSFERS	0.97
NON-OIL REVENUE	2.43	CAPITAL EXPENDITURE	5.97
INDEPENDENT & OTHER SOURCES	5.83	DEBT SERVICE	6.31
TOTAL	10.49	SINKING FUND	0.25
BUDGET DEFICIT	11.34	NON-DEBT RECURRENT EXPENDITURE	8.33
		TOTAL	21.83

### KEY ASSUMPTIONS



INFLATION  
RATE

**17.7%**



OIL  
PRICE

**\$75 pb**



EXCHANGE  
RATE

**N436/US\$1**



GDP  
GROWTH  
RATE

**3.75%**



OIL PRODUCTION  
VOLUME (bpd)

**1.69 million**

### INSIGHTS FROM THE BUDGET

- The FGN 2023 Budget appears quite ambitious, as revenue projections sit far above actual in 2022. Especially as oil revenue continues to falter, and there is no end in sight to the sector's problems.
- Despite the rising concern about the public debt situation, the government is not slowing down on borrowing. If the fuel subsidy is not removed in 2023, fiscal deficit and public debt are set to expand further.
- The 2023 budget intensifies spending to support the economy. Like previous ones, the budget does not state how the government intends to support growth and employment and tame inflation.
- Though it's titled "Fiscal Consolidation and Transition," the budget amplifies fiscal deficit, well above 100 percent of projected revenue.
- Using N435.57/US\$ as the benchmark exchange rate is also unrealistic and short-changing for the government.

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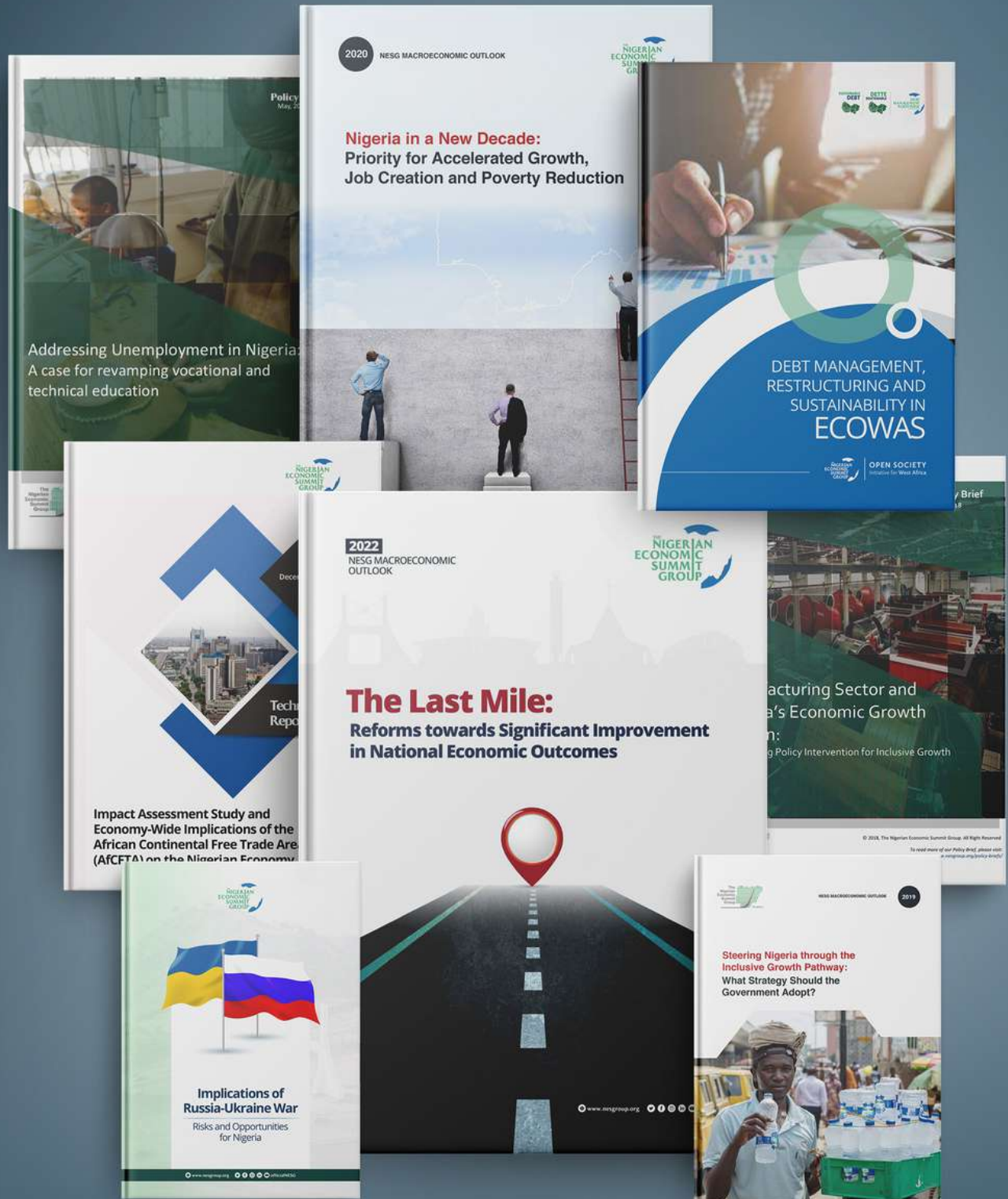
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