



Manufacturing for Prosperity: A Roadmap for Industrial Growth in Nigeria

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Outline



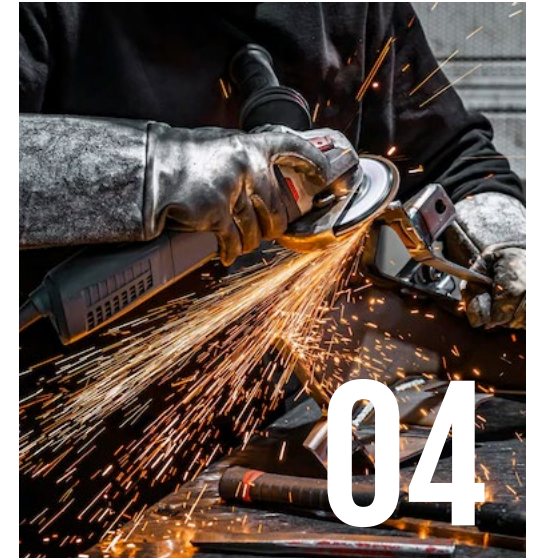
**Importance of
Manufacturing**



**Current State &
Performance of the
Manufacturing Sector in
Nigeria**



**Roadmap for Industrial
Growth**



Conclusion

01

Importance of Manufacturing

Importance of Manufacturing



Employment Opportunities




Economic Diversification and Reduced Dependency on Oil



Regional Economic Development



Import Substitution & Export Promotion



Stimulate Favourable Trade Balances



Infrastructural and Human Capital Development



Transfer of Technology and Innovation



Government Revenue Generation

02

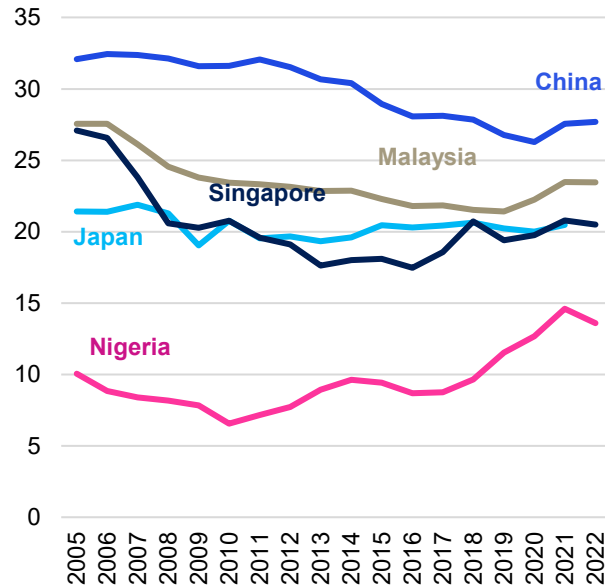
Current State & Performance of the Manufacturing Sector in Nigeria

Real GDP Growth and the Manufacturing Sector Performance

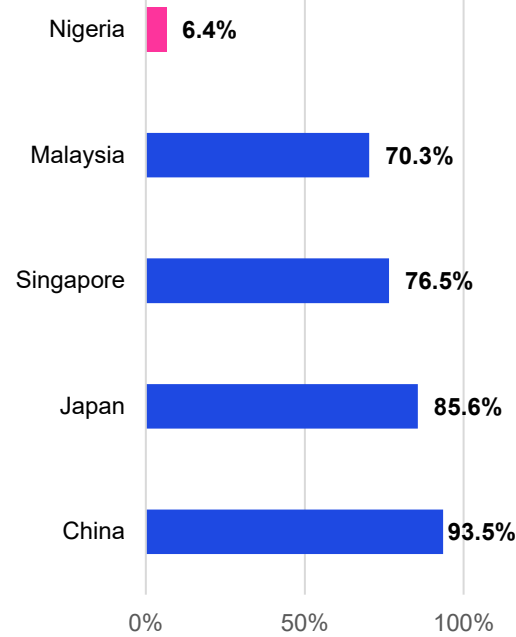
Manufacturing Sector Growth



Contribution of Manufacturing to GDP(%)



Manufacturing Exports (% of Exports) 2021



Sub-Sectors' %Contribution in 2022

Top Performers		
Sub-Sector	% of Manufacturing GDP	Share of GDP (%)
Food, Beverage and Tobacco	34.02%	4.69%
Cement	22.75%	3.14%
Textile, Apparel and Footwear	19.61%	2.71%
Total (%)	76.38%	10.54%
Other Sub-Sectors		
Sub-Sector	% of Manufacturing GDP	Share of GDP (%)
Non-Metallic Products	6.44%	0.89%
Motor vehicles & assembly	3.86%	0.53%
Chemical and Pharmaceutical Products	2.90%	0.40%
Plastic and Rubber products	2.65%	0.37%
Other Manufacturing	2.44%	0.34%
Wood and Wood Products	1.95%	0.27%
Basic metal , Iron and Steel	1.92%	0.27%
Pulp, Paper and Paper Products	1.33%	0.18%
Oil Refining	0.07%	0.01%
Electrical and Electronics	0.07%	0.01%
Total (%)	23.62%	3.26%

Sluggish Growth

The growth of the manufacturing sector has been weak and sluggish since its recovery from the Covid-19 Pandemic with an average annual growth of 3.4% in 2021 and 2.4% in 2022.

Low Contribution to GDP and Exports

The contribution of the manufacturing sector to Nigeria's GDP still falls far short of globally competitive levels, averaging 10% annually in its contribution to GDP in almost 2 decades.

The manufacturing sector also underperforms in its contribution to exports as the sector accounted for only 6.4% of total exports recorded in 2021 compared to other countries where manufacturing accounts for over 70%.

Lack of Depth and ESG Concerns

The manufacturing sector lacks depth as most of its growth are driven by few sub-sectors. **In 2022, only three sub-sectors accounted for about 76% of manufacturing GDP.**

Growing global ESG concerns and technological shifts are gradually making products of sub-sectors like Plastic and Rubber Products, Motor Vehicles and Assembly less attractive.

03

Roadmap for Industrial Growth

Slowing Growth and Rising Inflation



Inflation to remain high and Global tightening to continue

- Global Inflation set to remain high after falling for most of the year and as policymakers continue their fight against inflation, more increases from central banks are expected in Q1 2023 and moderate thereafter.



OPEC Oil cut and rise in oil prices

- OPEC cuts could trigger another energy and commodity price surge. Reverse the gains in slowing down global inflation.



Shrinking Global FDI and Capital flows

- Greenfield FDI is expected to continue to decline in 2023. The economic turmoil of 2022 as well as the implementation of international taxes will turn out important risk drivers for FDI levels



Geopolitical tensions and De-globalisation

- The war in Russia-Ukraine, US-China tensions, Taiwan- China conflict, Israel-Hamas war and Military Coups in some African countries crisis pose the most significant risks to the global economy in 2023 and beyond.
- Deglobalisation stand to be driven by nationalist movement, supply chain disruption, growth of emerging economies like china, etc



BRICS admitting 6 new members

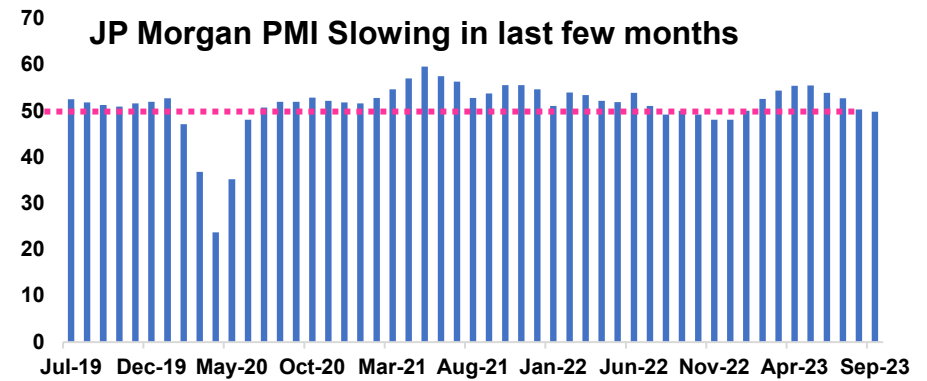
- The Decision of the BRICS to admit new members from North Africa, South America, Middle East, points to plans to decouple the global economy from the stranglehold of the West.



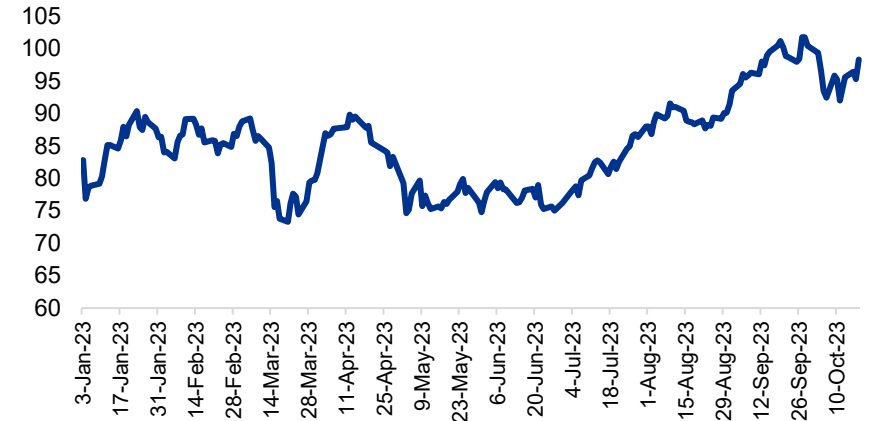
Slowing growth but global Recession still unlikely

- Economists reviewed growth forecast for 2023 to 2.7% at the beginning of the year with expert consensus projecting a recession that would have started in Q1 2023.

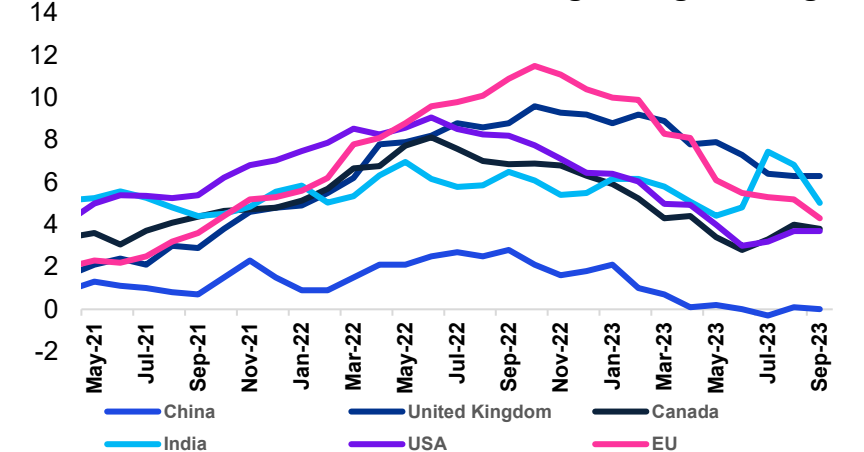
JP Morgan PMI Slowing in last few months



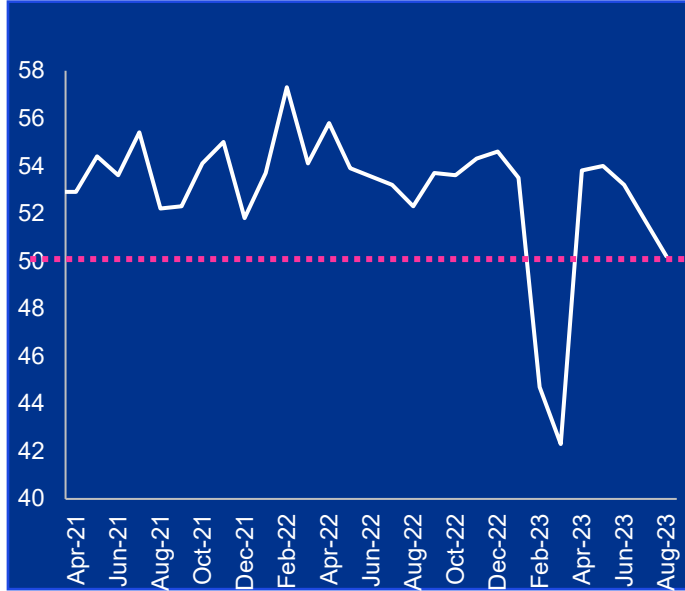
Crude oil price is on the rise, approaching US\$100pb



Inflation across selected countries growing once again



Purchasing Managers' Index



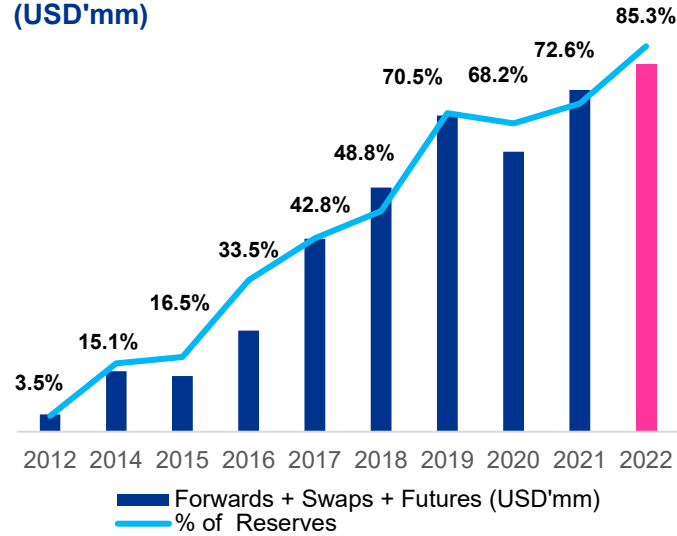
Inflation Rate (%)



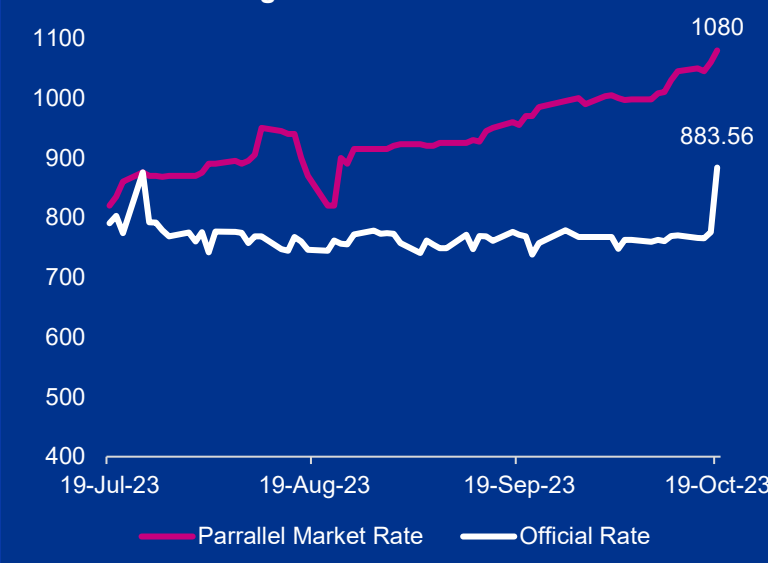
Public Debt Stock (N trillion)



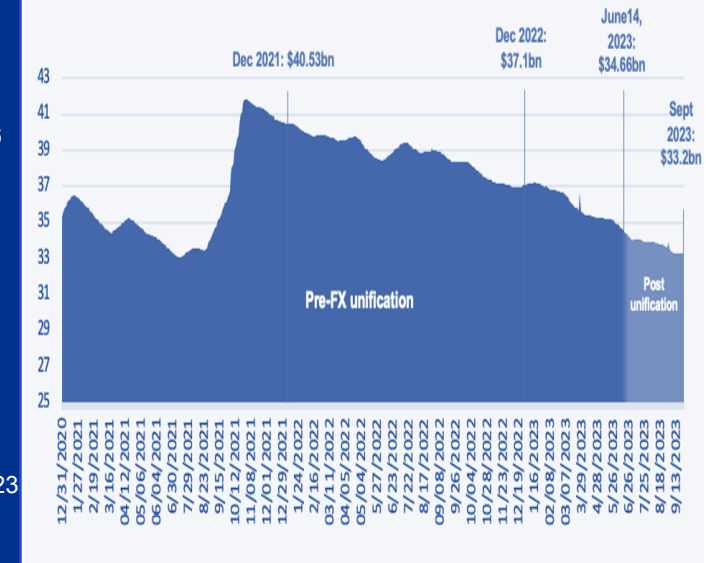
FX Forwards + Swaps + Futures (USD'mm)



Naira/USD Exchange Rate



Gross External Reserves (Billion US\$)



Source: NBS, CBN, Stanbic IBTC & KPMG Research



Key Challenges of the Manufacturing Sector in Nigeria



Geopolitical Tensions and De-globalisation

The Russia/Ukraine War, US-China tensions, Taiwan-China conflict, Israel – Palestine dispute and Military Coups in some African countries pose major external risks to the manufacturing sector because their implication for fuel and other input costs.



Shrinking Global FDI and Capital flows

Greenfield FDI continues to decline in 2023. The economic turmoil of 2022 as well as the implementation of international taxes will turn out important risk drivers for FDI levels



OPEC Oil Cut and Rise in Oil Price

OPEC cuts could trigger another energy and commodity price surge which may further increase the operating cost of the manufacturing sector.



Infrastructure Deficit and Competitiveness

Nigeria's infrastructure deficit amounts to 30% of GDP compared to the 70% international benchmark set by World Bank reflecting a 40% gap.

Addressing Nigeria's infrastructure challenges will require sustained expenditure of \$14.2 billion annually or 12% of GDP over the next decade (Nigeria currently spends \$5.9 billion).



High Inflation, High Production Costs and Demand Destruction

By mounting an upward pressure on production costs and lowering consumer purchasing power, inflation complicates investment decisions by bringing higher uncertainties to the sector that is already exposed to market risks.



Multiple and High Tax Rate

The heavy tax burden on the manufacturing industry, increases operational costs, discourages investments, increases compliance complexities and lowers competitiveness.



Limited Access and High Cost of Finance and Insecurity

The dearth of credit limits the ability of the manufacturing sector to raise finance for expansion. In addition, widespread insecurity disrupts input supply chains and raise the prices of critical inputs



Policy Inconsistency and Implementation

The policy environment also adversely impacts the manufacturing sector. These usually take the form of poor policy design and implementation, bureaucratic delays and policy inconsistencies caused by changes in government..

Roadmap for Industrial Growth

**Infrastructural
Development**

1

**Access to Finance
and Investment**

2

Skill Development

3

**Collaboration and
Partnerships**

4

**Ease of Doing
Business**

5



Access to Markets

6

**Sustainable
Manufacturing**

7

Policy Reforms

8

**Supporting Micro,
Small and Medium
Enterprises (SMEs)**

9

**Technology Adoption
and Research and
Development**

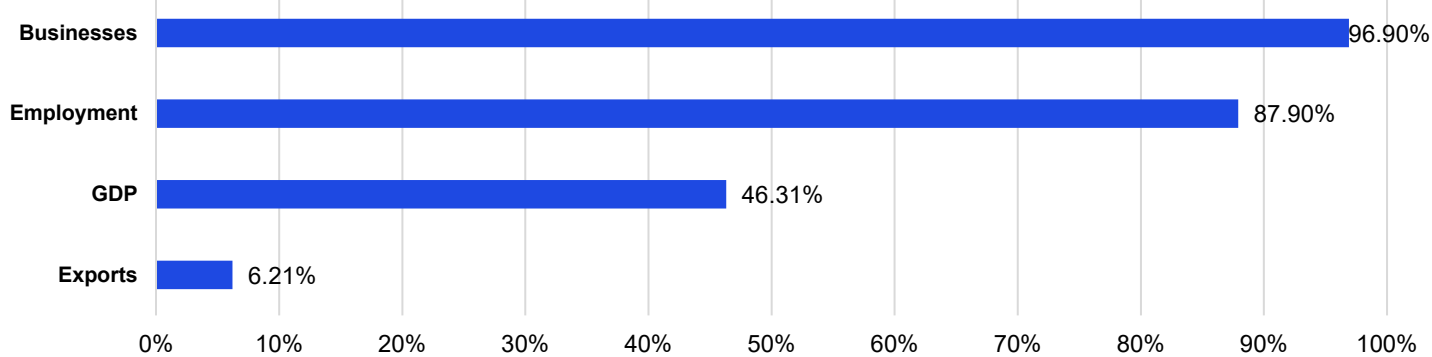
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Conclusion

MSMEs: Engines for Industrialization and Sustainable Growth

Performance Snapshot of MSMEs in Nigeria



Linking MSMEs to Manufacturing



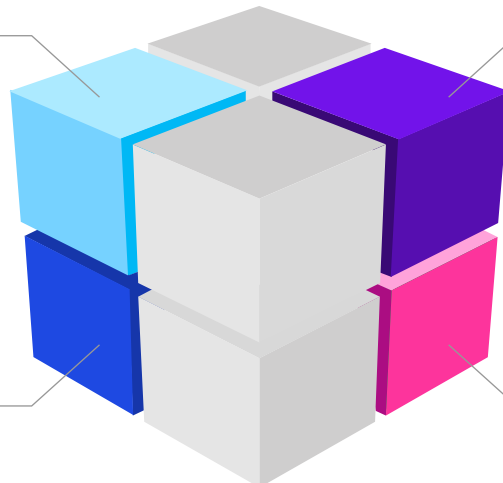
Backward Linkages

MSMEs supply raw materials and semi-finished products to manufacturers along various value chains in the economy



Businesses

The manufacturing sector (22.5%) is only second to the Wholesale and Retail Sector in its concentration of MSMEs.



41.5M+
MSMEs in 2017

39.6M+
MSMEs in 2020



Forward Linkages

MSMEs connect manufacturers to their markets locally and internationally by acting as distributors, wholesales, retailers and exporters.



Employment

The highest (21.6%) formal employment generated by MSMEs are concentrated in the manufacturing sector.

MSMEs: The Case for Intervention

1. Resources

MSMEs are constrained by:

- Low access to finance
- Poor compliance and bankability problems
- High energy costs
- Lack of Infrastructure

2. Capacities

MSMEs also have gaps in the following areas:

- MSMEs owners have huge skill gaps
- Low technology adoption and Innovation in MSMEs
- Research and Development

3. Policies

The policy environment is not favourable for MSMEs

- Multiple taxation
- Ease of doing business
- Security architecture

4. Markets

- MSMEs are vulnerable to macroeconomic shocks like inflation and devaluation.
- MSMEs lack the sophistication to detect demographic shifts and Preferences and develop effective responses

Matters Arising: Key Considerations

Only one-third of the gains from the global manufacturing value chain comes from actual production



Technology, R&D and Innovation-led Manufacturing Processes

To successfully unlock the full potentials of the manufacturing sector to drive prosperity in Nigeria, there is the need to emphasize the deployment of technology and R & D in all manufacturing processes.



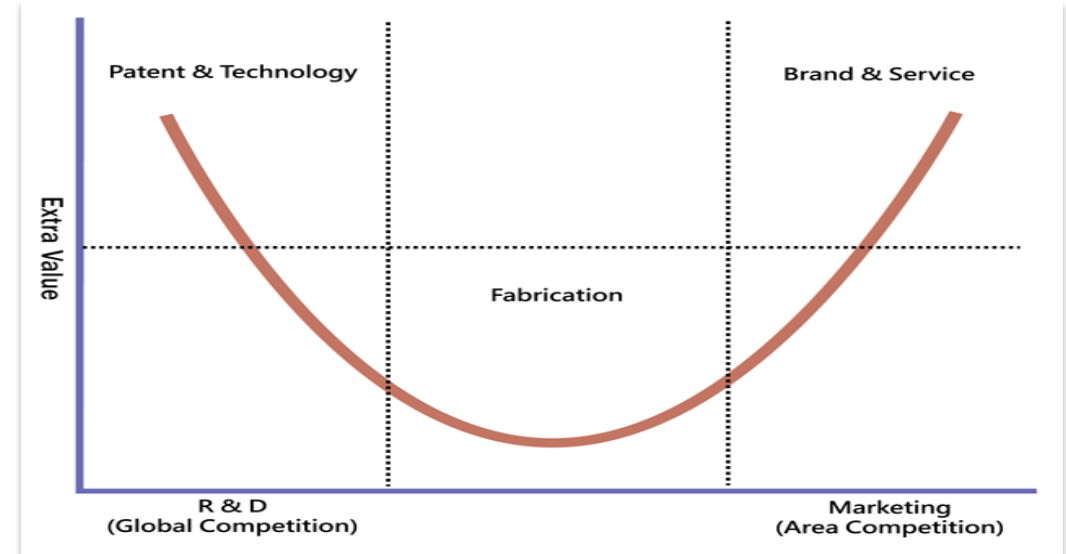
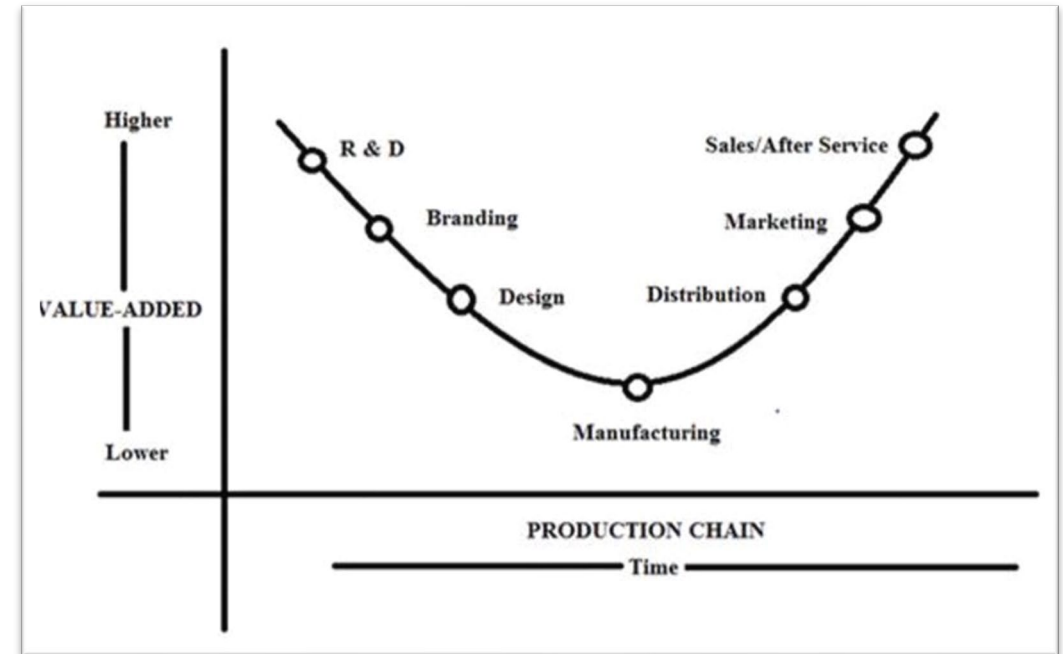
Adaptive Marketing, Branding and Sales Models

In a highly competitive and constantly evolving global market, there is also the need to constantly rethink and adapt our marketing, branding and sales models to enable the sector compete more efficiently in the global space.



Obsolete Development Strategies

Learnings and strategies from the development plans of countries dominating the manufacturing arena must be applied with caution. Most available plans are dated and do not reflect the shifts from traditional manufacturing approaches, apart from not reflecting the unique challenges of Nigeria.





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