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ЭКОНОМИЧЕСКИЙ СПАД В НИГЕРИИ

Аннотация: Нигерийская экономика скатилась на путь рецессии в первом квартале 2016 года. Негативные последствия рецессии привели к снижению уровня и качества жизни людей и увеличению уровня бедности. Основные причины возникновения экономического спада в Нигерии можно сгруппировать по трем основным факторам: унаследованные факторы, политические факторы и факторы политики/безопасности. Возникает необходимость в эффективном вмешательстве правительства посредством эффективной синхронизации мер налогово-бюджетной и денежно-кредитной политики в направлении увеличения ликвидности в экономике, снижения процентных ставок, увеличения инвестиций и занятости, увеличения доходов хозяйствующих субъектов и, наконец, в направлении увеличения совокупного спроса.

Ключевые слова: экономический спад, Нигерия

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ECONOMIC RECESSION IN NIGERIA

Abstract: the Nigerian economy slid into recession path in the first quarter of 2016. The negative consequences of the recession have led to the reduction of standard of living and the quality of life of the people and increase in poverty rate. The main causes for the emergence of the economic recession in Nigeria can be group under three main factors: legacy factors, policy factors and political/security factors. This recommends among other, effective government intervention through an effective synchronization between measures of fiscal and monetary policy in the direction of increasing liquidity in the economy, decreasing interest rates, increasing investment and employment, increasing the income of economic entities and finally, in the direction of increasing aggregate demand as an exit from the phase of recession.

Key words: economic recession, Nigeria

Recession is a period of significant decline in output (income or expenditure) and rise in unemployment. Economic recession is the combination of two different words “economic” and “recession”. According to Merriam-Webster Dictionary, the word ‘economic’ deals with managing the production, distribution and consumption of goods and services. Omolua and Adeyemo see recession as the general slowdown in the level of economic activities around its long term growth trend for two consecutive quarters. According to the same dictionary, recession is the period of reduced economic activities [1]. The economic activities earlier mentioned are production, distribution, and consumption. According to Study.com, a recession is a general downturn in an economy. It is associated with high unemployment, slowing gross domestic product and high inflation. In the same view, recession is generally less severe than a depression; the blame for a recession generally falls on the federal leadership, often either the president himself, the head of federal revenue, or the entire administration.

Among all causal factors of economic recession are:

1. High interest rates: This limits the liquidity or the amount of money available to invest.

2. Increased inflation: Rise in prices of goods and services over a period of time. As inflation increases, the percentage of goods and services that can be purchased with same

3. Reduced consumer confidence: If consumer believe that the economy is bad, they are less likely to spend money. This is psychological which have real impact on the economy.

4. Reduced real wages: Falling real wages means that a worker's pay check is not keeping up with inflation [4].

The worker might be making same amount of money, but his purchasing power has been reduced (Study.com). Economic recession is a situation of warning before transitioning into economic meltdown. Economic recession is in-between economic buoyancy and economic meltdown. Economic buoyancy is a situation whereby the indicators of the economy are tending towards the upward position. Economic recession is a situation whereby the indicators are tending towards the positive horizontal or negative horizontal position. Economic meltdown is a situation whereby the indicators are tending towards the downward position [5].

Nigeria's economy grew by 3.6% in 2021 from a 1.8% contraction in 2020, underpinned on the supply side by 4.4% expansion in the non-oil sector against 8.3% contraction in the oil sector; non-oil growth was driven by agriculture (2.1%) and services (5.6%). On the demand side, public and private consumption were contributors to GDP growth. Per capita income grew by 1.0% in 2021 [2].

The fiscal deficit narrowed to 4.8% of GDP in 2021 from 5.4% in 2020, due to a modest uptick in revenues, and was financed by borrowing. Public debt stood at \$95.8 billion in 2021, or about 22.5% of GDP. Annual average inflation stood at 17.0% in 2021 against 13.2% the previous year and above the central bank's 6–9% target. Inflation was

fueled by food price rises at the start of the year and exchange rate pass-through. The central bank kept the policy rate unchanged at 11.5% in 2021 to support economic recovery [8].

The current account deficit narrowed to 2.9% of GDP in 2021 from 4% the preceding year, supported by recovery in oil receipts. Improved oil exports and disbursement of the SDR allocation of \$3.4 billion (0.8% of GDP), pending decision on its use, helped to boost gross reserves to \$40.1 billion in 2021. The ratio of NPLs to gross loans was 4.9% in December 2021 (regulatory requirement 5%), while the capital-adequacy ratio was 14.5% (regulatory benchmark 10%). Poverty and unemployment remained high, broadly unchanged from 40% and 33.3%, respectively, in 2020. Outlook and risks Growth will decelerate, averaging 3.2% during 2022–23, due to persistent low oil production and rising insecurity. Inflation is projected to remain elevated at 16.9% in 2022 and to stay above pre-pandemic levels in 2023, fueled mainly by rising food, diesel, and gas prices and persistent supply disruptions amplified by the Russia–Ukraine conflict [6].

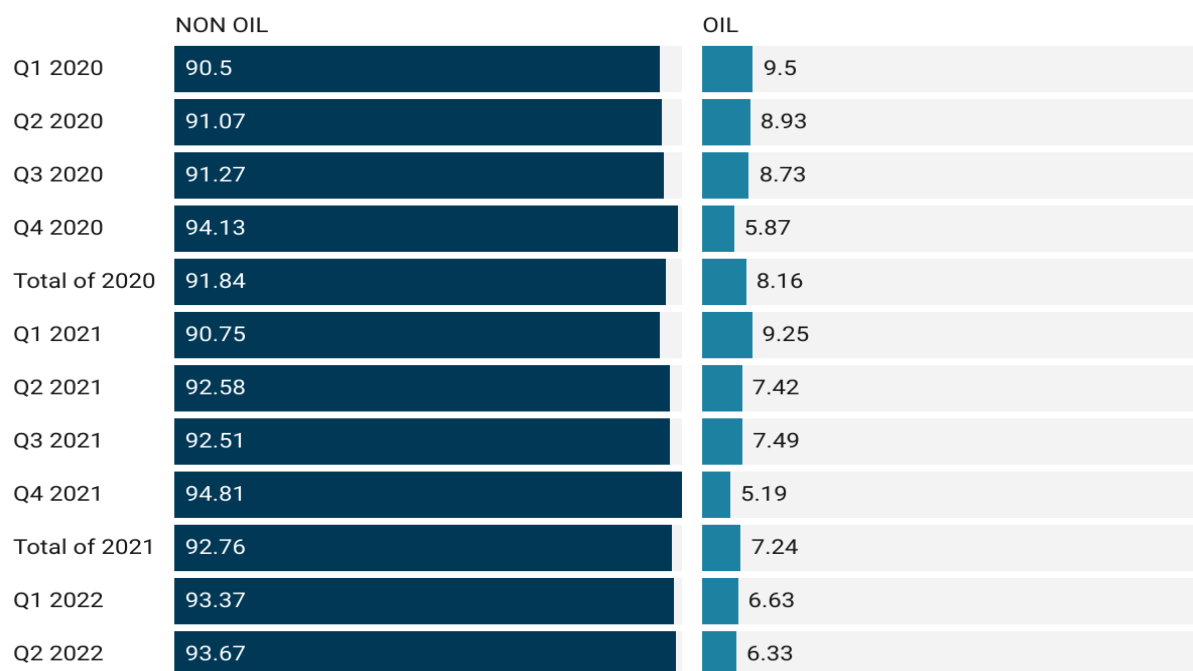
Capital inflows are projected to recovery, while oil exports are projected to increase slightly. The benefit of a forecast positive oil price shock on exports may, however, be partly offset by a weak output effect due to lower oil production, stoked by infrastructure deficiencies and rising insecurity. The projected marginal current account surplus of 0.1% of GDP in 2022 could turn into deficit of 0.2% in 2023 [7].

Improved revenue collection will help narrow the fiscal deficit to an average of 4.5% of GDP. Public debt targeted to reach 40% of GDP by 2024 on fresh borrowing. The headwinds to the outlook may be exacerbated by rising insecurity and policy uncertainty underpinned by reversal of initially planned removal of subsidies on premium motor spirit a year before the 2023 elections. Climate change issues and policy options Climate change's impact is seen in crop yields declining by 7% in the short term (2006–35) and by 25% in the long term (by 2050). Projected increases in annual maximum

temperature of 3–4°C between 2050 and 2070 could further undermine agricultural productivity and cause greater water stress. Already, shortages of water and grazing land are generating communal conflicts. Nigeria is 73 on the 2021 GCRI [9].

Transition to low carbon highlights the plight facing Nigeria’s oil sector and energy infrastructure. Oil and gas account for more than 85% of exports and about half of revenues. Eliminating fossil fuels will act as a drag on the transition to higher income but provides a chance for inclusive and green development. The revised NDC 2021–30 and National Adaptation Plan 2021 set emission targets for 2030 at 453 MtCO₂eq, around half the level forecast in 2015. This is a 2.6% annual increase, with total financing estimated at \$177 billion. The Climate Change Act (2021), aligned with the Medium-term National Development Plan, provides the legal framework. Investing in clean energy, smart agriculture, and climate-proofing technology are vital for the economic transformation’s resilience and export-led diversification. Nigeria’s policy efforts bode well for meeting SDG13 on climate action by 2030, but risks abound [2].

Oil and Non-oil Contribution to GDP



Source: Central Bank Of Nigeria Economic Report

World Bank cited in Owan, Ndibe and Anyanwu specifically employed Nigeria to consider production in her diversification approach to embraced robust manufacturing, processing of agricultural product, production of other nonagro related goods, sophisticated industrial goods and other services [5].

The National Bureau of Economic Research (NBER), defines recession as “a significant decline in economic activity spread across the macro-economy, lasting more than a few months, normally visible in real gross domestic product (RGDP), real income, employment, industrial production and wholesale-retail sales”. The entire views of these scholars are geared towards the fact that diversification in recession period serves as mechanism for checks and balances. The oil boomed the Nigeria economy with increase in its contribution from 8.26% to 9.25% at as early 2019. By the end of the year 2019, the exchange rate and price of petroleum products swindled occasioned by the emergence of the Coronavirus (COVID-19) pandemic that crumble almost every economy of the world. The National Budget (2021) revealed that Nigeria oil production reduces to 1.78million barrels per day in the year 2020 invariably contributing 8.16% to the country’s Gross Domestic Production (GDP) in 2020 [3].

Nigeria is a mono-product economy, which solemnly dependence on oil exportation for its survival. Therefore, the fall of oil price in the international market and the activities of the Niger-Delta avengers’ calls for and inward looking into the Nigerian economy and the need to shore up the non-oil sector of the economy to diversify the structure of government revenue and export revenue. Mere increase in government spending will not solve the problems posed by the recession, but rather planned and strategic spending in area with high multiplier effect such as the agricultural, manufacturing, and construction sectors that has the ability to stimulate aggregate demand [1].

The concept of economic diversification has received several scholarly debatable definitions; Owan in their explanation on economic diversification opines that diversification of any economy propel a country in boosting the economy through several

sources of income, with the view that crisis in any sector of the economy will neither lead the country on total recession nor result to failure in other sectors but to use one sector to boost the sector with such crisis and such a country's economy could be self-sustaining. The government needs to expand her export earnings and production base away from the oil sector through wise investment on non-oil sector with high multiplier effect, because such sectors will produce alternative goods and goods that can be exported to make up for the earning or deficit for imported goods [7].

The raising of the cash reserve requirement (CRR) and monetary policy rate (MPR) which pursue monetary tightening is not an accommodative monetary policy for an economy in recession. Therefore, the CBN should increase access to credit facilities by reducing the real interest rate to encourage new investment by both foreign and domestic investors. With the increase of money supply and reducing interest rates in the short run, central bank can improve the deteriorated economic performance. The government should ensure continued efforts to restore normalcy in the North-East and also resolve the IDPs situation in the region. There should be political engagement and security measures to end the sabotage of oil infrastructure in Niger-Delta as well as zero tolerance for herdsmen/farmers clashes in the North-Central and across the country [6].

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