The main objective of the country profiles is to provide a vehicle for the Economic Commission for Africa (ECA) to produce and disseminate country- and region-specific policy analyses and recommendations for economic transformation that will promote sustainable growth and social development; strengthen regional integration, development planning and economic governance; and mitigate potential risks. The process of compiling the country profiles involves continuous collection and harmonization of country data and information, aggregating the indicators for the regional economic communities and other country groupings, and analysing trends to produce timely forecasts.

One of the distinguishing features of the ECA country profiles is that they are anchored on a sound methodology, which is based on the joint gathering of data with credible national sources, including national statistics offices, finance ministries and central banks, and on their timely periodic release. The country profiles are meant to serve a number of clients, ranging from member States to academics, policymakers, civil society and analysts within and outside Africa.
Ordering information

To order copies of Country Profile - Nigeria please contact:

Publications
Economic Commission for Africa
P.O. Box 3001
Addis Ababa, Ethiopia

Tel: +251 11 544-9900
Fax: +251 11 551-4416
E-mail: ecainfo@uneca.org
Web: www.uneca.org

Addis Ababa, Ethiopia
All rights reserved
First printing: March 2015


Material in this publication may be freely quoted or reprinted. Acknowledgement is requested, together with a copy of the publication.

Note
The designations used and the presentation of material in this publication do not imply the expression of any opinion whatsoever on the part of the United Nations Economic Commission for Africa (ECA) concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process.

Cover design: Carolina Rodriguez
Layout and Graphics: Yaphet Lijalem
Contents

Acknowledgements v
Notes on data source classifications vi
Nigeria at a glance 1
Overview 2
Economic performance 3
Measuring regional integration dynamics and processes 16
Subregional integration trends 17
Social transformation 18
Thematic analysis: forecasts and scenarios for structural transformation 22

Tables
Table 1: Balance / GDP 8
Table 2: Data classification scores for international institutions 8
Table 3: Ranking of Nigeria on the Africa Regional Integration Index 16

Figures
Figure 1: Gross domestic product (million naira) 4
Figure 2: Forecasts of gross domestic product growth for 2014-2019 5
Figure 3: Forecasts of inflation for 2014-2019 6
Figure 4: Forecasts of current account for 2014-2019 7
Figure 5: Sectoral contribution to gross domestic product in constant prices (percentage) (2012), after rebasing 9
Figure 6: Sectoral growth rates (percentage), 2005 – 2013, before rebasing 10
Figure 7: Current account, 2005 – 2013 14
Figure 8: Capital and Financial Account - Nigeria, 2005 – 2013 15
Figure 9: Economic growth versus unemployment rate, 2005-2013 19
Figure 10: Under-5 mortality rate and causes of death 21
Figure 11: Oil price 23
Figure 12: GDP growth 23
Figure 13: Growth in government expenditure 24
Figure 14: GDP growth 25
Acknowledgements

The Nigeria country profile was prepared under the overall leadership of Dimitri Sanga, Director of the ECA Subregional Office for West Africa and the direct supervision of Aboubacry Lom, Chief of the Subregional Data Centre, and later of Amadou Diouf, Acting Chief of the Data Centre. The drafting team was led by Zacharias Ziegelhöfer and consisted of Oumar Sissoko and Jérôme Ouedraogo. The drafting team would like to thank other colleagues at the Subregional Office for their contributions.

We also wish to acknowledge the overall substantive coordination role of Abdalla Hamdok, Deputy Executive Secretary of ECA, and the invaluable support of Francis Ikome in the Office of the Deputy.

We are grateful to the African Centre for Statistics, the Regional Integration, Trade and Infrastructure Division, the African Trade Policy Centre, the Social Policy Division, the African Centre for Gender Development and the Macroeconomic Policy Division of ECA for their assistance with the statistical work, analysis and observations. The drafting team also benefited from the data provided by the Federal Ministry of Finance and the Central Bank of Nigeria and by other intergovernmental and international organizations and institutions.

Special thanks also go to the participants at the annual session of the Intergovernmental Committee of Experts for West Africa, which was held in Dakar on 18 and 19 March 2015; their valuable suggestions and observations allowed us to further improve the quality of the country profile.

Lastly, we would like to thank Jim Ocitti, Director of the Public Information and Knowledge Management Division of ECA, for the guidance provided to the Publications Section for the editing, translation, text processing, graphic design and printing of the profile and to Carolina Rodriguez for inspiring the cover design.
Notes on data source classifications

Data sources for the “At a Glance” summary page and data forecast table have been classified as “good,” “satisfactory,” and “needs improvement”. They are colour coded accordingly.

Data sources in the “At a Glance” summary page have been evaluated for transparency and accessibility for each statistic. The evaluation took into consideration data timeliness, reproducibility, citation, and availability in the public domain. For timeliness, we checked whether the latest year’s data are available. For reproducibility, we evaluated the data based on whether methodologies were available by the source, and whether metadata were sufficient for researchers to comprehend how these statistics were produced. Citation criteria evaluated the clarity of the data source, be it from the national statistical offices or international institutions. Finally, public domain criteria evaluated whether data were in an easily accessible, open-access database. We have also provided a numerical index indicating the source of each statistic.

The data forecast table has been classified by data transparency, accessibility and forecasting accuracy for each selected international institution. The scores take into consideration the data reproducibility, timeliness, history, source, format, availability in the public domain, and forecasting accuracy.
## Nigeria at a glance

### General information
- **Region**: West Africa
- **Official language**: English
- **Currency**: Naira
- **Capital city**: Abuja
- **REC memberships**: ECOWAS, CEN-SAD

### Key demographic indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (millions)</td>
<td>183.5 (2015)</td>
</tr>
<tr>
<td>Child (0-14 years)</td>
<td>81.4 (2015)</td>
</tr>
<tr>
<td>Adult (15-64 years)</td>
<td>97.1 (2015)</td>
</tr>
<tr>
<td>Aged (65+ years)</td>
<td>5.0 (2015)</td>
</tr>
<tr>
<td>Annual average growth rate</td>
<td>2.8 (2014)</td>
</tr>
<tr>
<td>Urban (%)</td>
<td>46.9 (2014)</td>
</tr>
<tr>
<td>Crude birth rate (0/00)</td>
<td>41.5 (2014)</td>
</tr>
<tr>
<td>Crude death rate (0/00)</td>
<td>13.4 (2014)</td>
</tr>
<tr>
<td>Total fertility rate</td>
<td>6 (2014)</td>
</tr>
<tr>
<td>Life expectancy at birth (years)</td>
<td>52.3 (2014)</td>
</tr>
</tbody>
</table>

### Education and employment

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Literacy rate (15-24)%</td>
<td>72.8 (2015)</td>
</tr>
<tr>
<td>Net attendance rate in % primary</td>
<td>68.7 (2014)</td>
</tr>
<tr>
<td>Employment to population ratio (total)%</td>
<td>51.8 (2013)</td>
</tr>
<tr>
<td>Unemployment rate %</td>
<td>23.9 (2011)</td>
</tr>
<tr>
<td>Population below International poverty line $2/day)%</td>
<td>82.2 (2010)</td>
</tr>
</tbody>
</table>

### Economic performance and inflation

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP, billion USD current</td>
<td>520.1 (2013)</td>
</tr>
<tr>
<td>Real GDP Growth rate (%)</td>
<td>6.2 (2014)</td>
</tr>
<tr>
<td>Inflation - Annual change (%)</td>
<td>8 (2014)</td>
</tr>
</tbody>
</table>

### Money and finance

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>International reserves, million USD</td>
<td>46,442 (2012)</td>
</tr>
<tr>
<td>Total external debt, million USD</td>
<td>9,358 (2013)</td>
</tr>
</tbody>
</table>

### Government finance

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues and Grants (% of GDP)</td>
<td>17.2 (2013)</td>
</tr>
<tr>
<td>Total Expenditures and Net Lending (% of GDP)</td>
<td>15.0 (2013)</td>
</tr>
<tr>
<td>Overall deficit (-) / Surplus (+) (% of GDP)</td>
<td>2.1 (2013)</td>
</tr>
</tbody>
</table>

### External sector

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports, Total, billion Naira*</td>
<td>17,204 (2014)</td>
</tr>
<tr>
<td>Imports, Total, billion Naira</td>
<td>7,231.4 (2014)</td>
</tr>
<tr>
<td>Net ODA, million USD</td>
<td>2,529.5 (2013)</td>
</tr>
<tr>
<td>Net FDI Inflows, million USD</td>
<td>5,609 (2013)</td>
</tr>
</tbody>
</table>

### Top three crops production

<table>
<thead>
<tr>
<th>Crop</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cassava, thousand tonnes</td>
<td>53,000 (2013)</td>
</tr>
<tr>
<td>Yams, thousand tonnes</td>
<td>40,500 (2013)</td>
</tr>
<tr>
<td>Maize, thousand tonnes</td>
<td>10,400 (2013)</td>
</tr>
</tbody>
</table>

### Top Three Minerals Production

<table>
<thead>
<tr>
<th>Mineral</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude Petroleum (millions Barrel)</td>
<td>778 (2010)</td>
</tr>
<tr>
<td>Natural gas (standard cubic feet)</td>
<td>1,837 (2009)</td>
</tr>
<tr>
<td>Limestone (millions tonnes)</td>
<td>5,123 (2010)</td>
</tr>
</tbody>
</table>

### Use of new information and communication technologies

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile cellular penetration rate (%)</td>
<td>73.3 (2013)</td>
</tr>
<tr>
<td>Individuals using the Internet (%)</td>
<td>38 (2013)</td>
</tr>
</tbody>
</table>

### Environment

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forest area (% of land area)</td>
<td>9 (2012)</td>
</tr>
<tr>
<td>CO2 emission (1,000 metric tons)</td>
<td>78,910 (2010)</td>
</tr>
<tr>
<td>Per capitametric tons</td>
<td>0.5 (2010)</td>
</tr>
<tr>
<td>Energy consumption per capita (kg oil equivalent)</td>
<td>721 (2011)</td>
</tr>
</tbody>
</table>

### Health

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of children under 5 underweight</td>
<td>255 (2014)</td>
</tr>
<tr>
<td>Prevalence of Undernourishment (%)</td>
<td>6.4 (2014)</td>
</tr>
<tr>
<td>Under 5 mortality rate per 1,000</td>
<td>117.4 (2013)</td>
</tr>
<tr>
<td>Infant mortality rate per 1,000</td>
<td>74.3 (2013)</td>
</tr>
<tr>
<td>Neo-natal mortality rate per 1,000 live births</td>
<td>37.4 (2013)</td>
</tr>
<tr>
<td>Maternal mortality ratio per 100,000 live births</td>
<td>243 (2014)</td>
</tr>
</tbody>
</table>

### Data Source Code Index:

1. National official data
2. ASYB 2014
3. FAO
4. UN Population Division
5. WHO
6. UN
7. IMF
8. World Bank
9. OECD
10. UNCTAD
11. MO Ibrahim foundation
12. Transparency International
13. UNESCO
14. ILO
15. UN inter-agency group for child mortality estimation
16. ITU
17. UNDP
18. USGS

- Good
- Satisfactory
- Needs improvement
Overview

The Economic Commission for Africa (ECA) started preparing country profiles in 2014, with Nigeria serving as the pilot for the West Africa region. The Commission will scale up its work on the country profiles in the coming years, eventually covering all member States. Although other institutions have also prepared country profiles, those prepared by ECA are expected to add value by providing timely policy analysis and forecasts from an African perspective, in addition to monitoring and reporting on the central theme of economic and structural transformation in member States.

The ECA country profile for Nigeria was developed in the context of the rebasing of that country’s gross domestic product (GDP), which has changed the economic weight of Nigeria in Africa. Using 2010 rather than 1990 as the base year for GDP estimates, Nigeria has become Africa’s largest economy, accounting for 75.45 per cent of economic activity in West Africa in 2013. The increase in GDP reflects a long-standing trend: Nigeria has posted rapid economic growth over the last decade, which was only partly captured in the unrevised GDP figures. For the purposes of national accounts statistics, the rebasing has not only affected the nominal value of GDP, but has also changed sector shares in the GDP. This country profile attempts to reflect that change by relying on the rebased figures, wherever possible and as appropriate, while discussing long-term trends and policy issues based on historical information.

The Nigerian economy is estimated to grow at a rate of 6.2 per cent in 2014 and 6.1 per cent in 2015, exceeding the average growth rate of the continent. This strong growth is an extension of the rapid economic development that has taken place in Nigeria in the last decade, with an average growth rate of 6.8 per cent. After a recent revision of GDP, Nigeria has become Africa’s largest economy in absolute terms, with current GDP of 80,092 billion naira in 2013 ($520.1 billion).1 However, at $2,738.9, in current 2012 United States dollars, the GDP per capita rate of Nigeria remains well below that of South Africa, the second-largest economy on the continent, which stands at $7,352 (2012 current United States dollars).

In the past, the structure of the Nigerian economy was dominated by agriculture (23 per cent of GDP in 2013), crude petroleum and gas and construction (11 per cent of GDP in 2013), but a transformation is under way. Manufacturing and services are outperforming the other sectors in terms of growth and, already in 2013, accounted for 9 per cent and 36 per cent of GDP respectively, with an increasing trend. Most members of the labour force are employed in agriculture and services.

Nigeria is a major exporter of oil and gas, which makes up over 85 per cent of its exports, and an importer of machinery, transport equipment, manufactured goods and food.

Social development in Nigeria has been below expectations. Despite the high and sustained rates of growth in the last decade, unemployment rose from 12.3 per cent in 2006 to 23.9 per cent in 2011. In 2010, 68 per cent of the population lived below the poverty line of $1.25 per person per day, with a poverty gap of 33.7 per cent. The Nigerian Gini index was 48.1 in 2010, indicating a high level of income inequality.

1 National Official Data
All considered forecasts are bullish about economic development in Nigeria. Growth is expected to stay above 6 per cent beyond 2014. But many downside risks loom, most notably oil demand and price shocks, the security situation in the north-east, and the task of maintaining fiscal discipline and political stability with the approaching elections.

**Economic performance**

The rapid economic development of Nigeria, with a projected growth rate of 6.2 per cent in 2014, takes place in an environment of decelerated global growth and subdued global demand. However, global prospects are pointing up. The euro area finally came out of recession in 2013 and growth is strengthening in the United States and stabilizing in most emerging markets and developing economies.

Economic growth in Africa has slowed down from 5.6 per cent in 2012 to a projected 3.5 per cent in 2013, surpassing global growth of 2.5 per cent by a factor of 1.4 but lagging behind the average growth of 4.8 per cent recorded in developing countries. Growth in Africa was supported by relatively high commodity prices, increased trade and investment ties with emerging economies, strengthened domestic demand underpinned by urban consumers with rising incomes, and public investments in infrastructure. Given relatively high commodity prices and growing domestic demand, GDP growth in Africa is projected to increase from 3.5 per cent in 2014 to 4.6 per cent in 2015 and 4.9 per cent in 2016.

Real growth has varied between subregions. As in 2012, West Africa led the other subregions with an average growth rate of 7 per cent in 2013, almost unchanged from the previous year (6.9 per cent). West Africa benefited from investments in the oil and mineral sectors, which are among the key drivers of growth in the subregion, especially in Burkina Faso, Ghana, Guinea, Liberia, the Niger and Sierra Leone.

In 2014, the spread of the Ebola virus disease in Guinea, Sierra Leone and Liberia severely affected public health and economic activity in those countries. For 2014, projections by the national authorities suggest that growth would be reduced by -3.2 per cent for Guinea, -4.9 per cent for Liberia, and -4.7 per cent for Sierra Leone. If the virus would be contained, its negative effects on growth in the subregion and the region are expected to be limited, due to the small size of the affected economies. Based on a pessimistic scenario, ECA estimates that the effect on economic growth in West Africa and Africa are unlikely to surpass -0.19 per cent and -0.05 per cent respectively.

The estimated growth rate of 6.2 per cent for Nigeria in 2014 is in line with the growth rate for the subregion (6.3 per cent) and exceeds the rate for Africa as a whole (3.5 per cent). Real growth in Nigeria was on an upswing in 2012-2013, rising from 4.2 per cent in 2012 to 5.5 per cent in 2013. Overall, Nigeria has seen sustained and rapid growth over the last decade, with an average growth rate at 6.8 per cent (2005-2013).

As in the other oil-producing countries of the subregion, namely Ghana, the Niger and Côte d’Ivoire, the non-oil economy in Nigeria has been growing at a rate of more than 5 per cent annually. Nigeria and the subregion remain highly dependent on primary resources and raw materials, although that dependence seems to be subsiding. Recent growth in Nigeria is driven by the service (in particular telecommunications) and manufacturing sectors and, to a lesser extent,
the agricultural sector. Growth in agriculture (5.64 per cent in 2011, 3.97 per cent in 2012 and 4.55 per cent in 2013) has lagged behind that of telecommunications (34.58 per cent in 2011, 31.83 per cent in 2012 and 24.59 per cent in 2013) and manufacturing (7.5 per cent in 2011, 7.55 per cent in 2012 and 8.22 per cent in 2013). The oil and gas sector has been a drag on growth in recent years and has thus declined in relative importance due to its slow or negative growth (0.14 per cent in 2011, -0.91 per cent in 2012 and -0.45 per cent in 2013).

In early April 2014, Nigeria revised its GDP figures – implementing a long-expected rebasing of its GDP estimates using 2010 as the base year rather than 1990. After the revision, the country’s nominal GDP was estimated at 81,009 billion naira in 2013, compared with 42,397 billion naira before the revision, making it Africa’s largest economy in nominal terms. Following the revision, nominal GDP estimates for 2013 showed an increase of 91.07 per cent.

Despite the impressive absolute economic performance and sustained high rates of growth, Nigeria has posted gross national income per capita of only $2,101 (UNDP, 2005), reflecting regional disparities and widespread poverty in the country. According to the World Bank, 68 per cent of the population were recorded as living below the poverty line of $1.25 per person per day in 2010, with a corresponding poverty gap of 33.7 per cent. The Gini index of income inequality was at 48.1 in 2010, which is high when compared to those of neighbouring countries (e.g. 39.8 in Burkina Faso).

Due to high population growth rates and migration from rural to urban areas, unemployment rose from 12.3 per cent in 2006 to 24.6 per cent in 2012 and was

![Figure 1](https://example.com/figure1.png)

**Figure 1**

Gross domestic product (million naira)

Source: Central Bank of Nigeria.
projected to stay high in 2014 (24.3 per cent). The high unemployment rate goes hand in hand with high youth unemployment – 25 per cent of young people between 15 and 24 years of age are unemployed and the situation is not likely to abate in the immediate future.

Currently, the demand side of the Nigerian economy is sluggish. While international demand for Nigerian exports decreased from 2011 to 2013, domestic demand does not show a clear trend. Net exports decreased from 13,676 billion naira in 2011 to 9,395 billion naira in 2012 and increased slightly to 10,519 billion naira in 2013. During the same period, final consumption by households declined slightly from 41,438 billion naira in 2011 to 42,116 billion naira in 2012 and then jumped to 58,138 billion naira in 2013.

According to World Bank data (unrevised), net inflows of foreign direct investments increased from 1.65 per cent of GDP in 2010 to 2.1 per cent of GDP in 2011, and subsequently fell to 1.5 per cent of GDP in 2012. Inflows of foreign direct investments for those three years declined overall, compared to the previous years (2005 to 2009); while net inflows of foreign direct investment as a percentage of GDP ranged between 3.3 per cent and 5 per cent. Gross fixed capital formation reached a high in 2011, standing at 15.3 per cent of GDP, according to World Bank data (unrevised), and declined thereafter to 14 per cent in 2011 and 12.8 per cent in 2012. However, the level of gross fixed capital formation in 2012 still exceeded the average rate of previous years (8.7 per cent of GDP from 2005 to 2009).

**Forecast and risk analysis**

According to projections by the National Bureau of Statistics, the International Monetary Fund, the Economist Intelligence Unit, the United Nations Department for Economic and Social Affairs, the African Economic Outlook and the World Bank, the growth rate of the Nigerian economy for 2014 will be between 5.8 per cent and 7.2 per cent. The mean forecast for 2014 is at 6.5 per cent. 

![Figure 2](image-url)
cent, decreasing slightly to a mean rate of 6.1 per cent for 2015, 5.9 per cent for 2016 and 6.3 per cent for 2017.

The assessments of the country’s prospects vary throughout the period. The coefficient of variation increases from 8.1 per cent for the 2014 forecasts to 14.5 per cent for 2015 and decreases to 1.7 per cent for 2016 and then bounces back to 8.0 per cent for 2017. Beyond 2017, only two institutions have made any projections: the Economist Intelligence Unit forecasts a growth rate of 7.3 per cent for 2018 and 6.8 per cent for 2019, the latter being identical with the International Monetary Fund forecasts for 2019.

Inflation is forecasted to remain stable and high, with a mean forecast of inflation of 8.2 per cent for 2014 and 8.8 per cent for 2015. Throughout the period 2016-2019, the mean forecast of inflation ranges between 7.6 per cent and 8.8 per cent.

The forecasts of inflation have a range of 0.45 percentage points for 2014, 2.4 percentage points for 2015 and 1.8 percentage points for 2016. The coefficient of variation is 2.3 per cent for 2014, 10.5 per cent for 2015 and 11.6 per cent for 2016, revealing a considerable variation in forecasts, after accounting for inflation.

The current account balance of Nigeria is forecasted to remain positive with a decreasing trend over the period of analysis. The mean of the considered forecasts evolves from 3.9 per cent of GDP for 2014 to 1.8 per cent of GDP for 2015 and 1.0 per cent for 2016. Beyond that date, the Economist Intelligence Unit forecasts the current account at between 0.6 per cent and 0.9 per cent until 2019, which is comparable to the International Monetary Fund’s estimate of 1.1 per cent for 2019.

There are considerable variations in the forecasts of the current account balance,
with the African Economic Outlook taking the most optimistic and the Economist Intelligence Unit being the most pessimistic stance. Throughout the period, the forecasts diverge by as much as 7.0 percentage points, for 2015, where the African Economic Outlook projects a strongly positive current account balance and Economist Intelligence Unit projects a negative balance. The coefficient of variation is 36.10 per cent for 2014, 157 per cent for 2015 and 156 per cent for 2016.

**Outlook: Positive but with downside risks**

The economic outlook for Nigeria is positive, albeit with considerable downside risks: first, the country’s high dependence on the oil and gas sector makes its economic growth, government revenue and external accounts vulnerable to negative and sustained oil price shocks. Second, the Nigerian Government has partially lost control over the security situation in the north-east, as terrorist violence has spread to other parts of the country. The terrorist threat and insecurity may deter international investors and also pose a challenge for local businesses in the affected regions. Third, political competition between and within the major parties in view of the upcoming presidential and parliamentary elections, which have been postponed from mid-February 2015 to late March 2015, may lead to increases in public spending and make it more difficult for the Government to successfully continue its reform agenda.

In the thematic analysis at the end of this document, we analyze the potential effect of an oil price shock and a shock in government expenditure on the growth prospects of the Nigerian economy.

**Accuracy of forecasts**

How reliable are these forecasts? Are they precise enough for policymakers to use them as a basis for their decision-making? Are some of the forecasts too optimistic or too pessimistic? To provide policymakers with information on the accuracy of the forecasts, the ex-ante forecasts $(t+1)$ of the respective institutions were compared with the actual data based on the criteria of mean absolute deviation, bias, variance and covariance (see

![Figure 4](Forecasts of current account for 2014-2019)
The following analysis rests on the joint evaluation of the bias and variance criteria.

For GDP growth, the smallest deviation of the forecasts from the actual data was recorded by the World Bank (0.04), followed by the National Bureau of Statistics (0.07), International Monetary Fund (0.21), the Department of Economic and Social Affairs (0.38) and the Economist Intelligence Unit (0.44). Hence, the World Bank and the National Bureau of Statistics provided the most accurate forecasts for GDP growth, with the National Bureau of Statistics turning in a good performance probably owing to its advantage as a home institution. For inflation, the forecasts of the Department of Economic and Social Affairs were most accurate (0.31), followed by those of the Economist Intelligence Unit (0.34), the National Bureau of Statistics (0.62) and the International Monetary Fund (0.63). For the current account balance, the Fund had the most accurate forecast (0.07), followed by the Intelligence Unit (0.43) and the World Bank (0.56).

**Optimistic or pessimistic forecasts**

To assess whether forecasts are systematically optimistic or pessimistic, the negative and positive deviations from the actual value are weighed.

For GDP growth, the World Bank, International Monetary Fund and the National Bureau of Statistics were optimistic, predicting higher rates of growth than were actually recorded, while the Department of Economic and Social Affairs and the

### Table 1
**Balance / GDP**

<table>
<thead>
<tr>
<th>Institutions</th>
<th>IMF</th>
<th>EIU</th>
<th>World Bank</th>
<th>UNDESA</th>
<th>NBS</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Growth</td>
<td>1.72</td>
<td>2.58</td>
<td>6.22</td>
<td>2.11</td>
<td>2.94</td>
</tr>
<tr>
<td>Inflation</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Current Account Balance*</td>
<td>8.84</td>
<td>1.56</td>
<td>3.36</td>
<td>1.86</td>
<td>3.12</td>
</tr>
<tr>
<td>Mean Absolute Devaluation (MAD)</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Decomposition of MSE</td>
<td>0.38</td>
<td>0.06</td>
<td>0.43</td>
<td>0.33</td>
<td>0.00</td>
</tr>
<tr>
<td>Bias</td>
<td>0.06</td>
<td>0.28</td>
<td>0.10</td>
<td>0.04</td>
<td>0.05</td>
</tr>
<tr>
<td>Variance</td>
<td>0.56</td>
<td>0.66</td>
<td>0.57</td>
<td>0.96</td>
<td>0.44</td>
</tr>
<tr>
<td>Covariance</td>
<td>0.93</td>
<td>0.93</td>
<td>0.93</td>
<td>0.38</td>
<td>0.38</td>
</tr>
</tbody>
</table>

Note: Significance is denoted by ** for p<0.01. *** for p<0.05 and p<0.1, +Current Account/GDP.  

### Table 2
**Data classification scores for international institutions**

<table>
<thead>
<tr>
<th>Institutions</th>
<th>IMF</th>
<th>EIU</th>
<th>World Bank</th>
<th>UNDESA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classification score</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Legend**
- **Good**
- **Satisfactory**
- **Need improvement**
Economist Intelligence Unit were pessimistic in their forecasts.

For inflation, all of the considered forecasts were systematically below the actual inflation rates; the International Monetary Fund being the most optimistic, followed by the Department of Economic and Social Affairs, the Economist Intelligence Unit and the National Bureau of Statistics.

With respect to the current account balance, the World Bank predicted higher rates than the realized values; the International Monetary Fund and the Economist Intelligence Unit predicted lower values than the actual data.

**Sectoral performance**
The four leading contributors to the nation's GDP are agriculture, crude oil and gas, manufacturing and telecommunications. The rebasing of GDP estimates has led to a shift in weights in the sectors’ contributions to GDP. Agriculture, formerly at 38 per cent of GDP in 2013, contributes only 23 per cent to GDP in 2013 after the revision. Also, the crude petroleum and gas sector decreased in importance from 13 per cent of GDP to 11 per cent of GDP. With the revision of GDP figures, the service and manufacturing sectors have increased in their share of GDP from 21 per cent to 36 per cent and from 4 per cent to 9 per cent respectively.

The revised sector shares reflect a trend which was already noticeable from the pre-revision data but which had been underestimated. The agricultural sector which had dominated the Nigerian economy, contributing around 40 per cent of GDP on average over the period 2005-2013, had

---

**Figure 5**

*Sectoral contribution to gross domestic product in constant prices (percentage) (2012), after rebasing*

Source: Central Bank of Nigeria.
recently become slightly less significant as a driver of GDP, owing to increased activities in the telecommunications and manufacturing sectors. The agricultural sector grew at about a 7 per cent clip between 2005 and 2007 and slowed down in the subsequent years, eventually growing by 4.55 per cent in 2013. Growth in agriculture was supported by the Government, which provided seeds, manure, subsidies and improved access to credit. The crude oil and gas sector has witnessed negative growth rates for most of the 2005 to 2013 period. While the sector is still an important contributor to GDP, its relative importance has decreased in recent years.

The sectors which continuously expanded their contribution to GDP are manufacturing and telecommunications. While the manufacturing sector grew from 7.5 to 9.6 per cent between 2005 and 2013, the telecommunications sector has witnessed even more rapid growth due to strong growth in the mobile phone segment.

Before the advent of mobile telecommunications in 2000, there were about 750,000 functional telephone land lines for over 120 million Nigerians. However, in 2013, about 90 million of the 170 Nigerians were connected to mobile lines (Nigerian Communications Commission). In 2005, the telecommunications sector grew at a rate of 9.61 per cent, which rose to 34.58 per cent in 2011 before dropping to 31.83 per cent in 2012 and 24.59 per cent in 2013. The other sectors that maintained growth rates of over 10 per cent throughout the same period are those of wholesale and retail, building and construction, hotel and restaurants and real estate.

Considering the structural changes in the Nigerian economy, the development of the telecommunications sector is most

---

**Figure 6**

*Sectoral growth rates (percentage), 2005 – 2013, before rebasing*

![Figure 6](chart.png)

*Source: Central Bank of Nigeria.*
striking: The telecommunications sector has been the fastest growing sector of the Nigerian economy and has overtaken manufacturing as the fourth-largest sector in the economy. Against a backdrop of strong and sustained growth in manufacturing and telecommunications, Nigeria is shifting slowly away from its stark reliance on the primary sector.

**Inflation and monetary policy**

Strong economic growth in Nigeria has been accompanied by a high rate of inflation, although that rate abated slightly in 2013. The headline inflation rate stood at 11.6 per cent in 2005, fell to 8.6 per cent in 2007, and rose to 15.10 per cent in 2008. The 2008 increase was due to robust political activity, with the attendant relaxation of spending, owing to the national elections in 2007. Inflation fell to 13.9 per cent in 2009, 11.8 per cent in 2010 and 10.3 per cent in 2011. There was an upswing in 2012 to 12.0 per cent, mainly due to increases in food prices caused by a flood disaster which affected food production across Nigeria. The estimated inflation rate for 2014 (8.05 per cent) is lower than the rate for 2013; the forecast for 2015 shows inflation rising to 8.78 per cent. This trend should be reversed in 2016 and 2017; when it is expected to fall to 8.1 per cent and 7.52 per cent, respectively.

In 2013, the Central Bank of Nigeria initiated a regime of high interest rates and reduction in money supply by restricting easy access to public sector bank deposits. This helped to bring the inflation rate down to below 10 per cent for most of 2013, hitting the annual average of 8.5 per cent in December that year. The tight monetary policy regime remains in place in 2014 with combination of approaches, and inflation in 2014 is estimated at below 10 per cent despite an anticipated increase in spending due to the upcoming elections in early 2015.

Foreign assets, domestic credit and total monetary liabilities increased substantially from 2005 to 2012, but the growth rate of money aggregates slowed down towards the end of the period. The growth rate of the intermediary aggregate known as M2 fell from 43.1 per cent in 2005-2006 to 16.4 per cent in 2011-2012 and reached 1.2 per cent in 2012-2013. That slowdown has had a dampening effect on inflation recently. The decrease in the monetary liabilities is also due to a fall in foreign assets, the growth rate of which decreased from 26.69 per cent in 2011-2012 to -5.86 per cent in 2012-2013. Domestic credit, meanwhile, increased between 2011 and 2013, from a rate of -7.22 per cent in 2011-2012 to 18.45 per cent in 2012-2013. Nevertheless, for the period of analysis, inflation remained well above the ceiling rate of 5 per cent stipulated by the convergence criteria of the Economic Community of West African States and is expected to maintain that pace in the future.

**Public finances**

Total government revenue increased from 7,582.55 billion naira in 2010 to 8,486.50 billion naira in 2011 and then to 8,928.88 billion naira in 2012. Non-oil and gas revenue is only a minor contributor to total revenue. For example, revenue from corporate income taxes represented less than 10 per cent of total government revenue from 2008 to 2012. According to World Bank data, overall tax revenue represented only 2.3 per cent of GDP in 2010, 1.8 per cent of GDP in 2011 and 1.5 per cent of GDP in 2012, indicating an overall low tax burden. Most of the Government’s revenue comes from oil and gas, which represented between 57 per cent and 69 per cent of total revenue during the 2010-2013 period, and generated revenue of 4,337 billion naira in 2011, 5,872 billion naira in 2012 and 5,956 billion naira in 2013. The heavy reliance on revenue from oil and
gas makes Nigerian public budget vulnerable to adverse oil price shocks.

The Government of Nigeria aims to centre its expenditure on investments in economic, social and instructional infrastructure, and to reduce its participation in direct economic activities, such as fertilizer importation, agricultural production and banking. Despite this intention, a large share of government expenditure is tight up in recurrent expenses, with few government funds available for capital investments. In 2012, federal government expenditure amounted to 4,605.32 billion naira, of which 3,325.16 billion naira were spent on recurrent expenditure. In the same year, the federal Government’s capital expenditure stood at 874.76 billion naira (roughly 2 per cent of unrevised GDP), which constitutes a decrease from the previous year’s level of 918.55 billion naira. Similar patterns characterize government expenditure at all levels of government in Nigeria, leaving little room for capital expenditure. According to a report of the West African Monetary Agency, current expenses decreased by 10.6 per cent, current expenses fell from 23.8 per cent of GDP in 2012 to 20.3 per cent of GDP in 2013, while capital expenditure amounted to 2.2 per cent of GDP versus 1.8 per cent in 2012, an increase of 22.6 per cent.

Total government expenditure was 8,789.49 billion naira in 2010, 9,774.26 10 billion naira in 2011, and 10,097.00 billion naira in 2012. Expenditure surpassed revenue by 16 per cent in 2010, 15 per cent in 2011 and 13 per cent in 2012, indicating a slight narrowing of the budgetary deficit. According to the West African Monetary Agency, the budget deficit as a proportion of GDP was in line with the convergence criteria of the Economic Community of West African States for 2010 (3.8 per cent) and 2012 (2.6 per cent), but exceeded the 4 per cent threshold, reaching 5.03 per cent in 2011.

The Federal Government’s domestic debt increased from 2,320 billion naira in 2008 to 6,537 billion naira in 2012, while its external debt rose from 523 billion naira in 2008 to 1,026 billion naira in 2012, according to the Central Bank of Nigeria. The Government’s outstanding debt increased from 11.8 per cent of GDP in 2006 to 18.4 per cent in 2012. With the recent rebasing of its GDP estimates, the Government’s total debt represented 11 per cent of the revised GDP in 2012. Total outstanding public debt amounted to $51.4 billion at the end of December 2013, compared with $46.65 billion at the end of December 2012. According to the International Monetary Fund, the Government’s external debt stock was at 2.9 per cent of GDP in September 2013 (before revision). The figures for 2013 are still being processed by the Central Bank of Nigeria, but indications are that external debt might inch up to 1,500 billion naira in absolute terms in 2013.

The debt-service-to-exports ratio has been falling continuously since 2005. While it stood at 15.4 per cent in 2005, it only hit 0.4 per cent in 2010-2011 and 0.3 per cent in 2012. The debt-service-to-fiscal revenue ratio fell from 22.4 per cent in 2005 to 0.5 per cent in 2009, and increased thereafter to 14.8 per cent in 2011 and 18.7 per cent in 2012.

A debt sustainability analysis by the International Monetary Fund conducted in February 2014 concluded that although its external debt has increased, Nigeria remains at low risk of debt distress. Its outlook remains robust, whether using a baseline scenario or a standardized stress test. However, the analysis also reveals that a persistent oil price shock or fiscal shortfall could undermine the country’s debt
sustainability if timely countervailing policy measures are not taken.

In conclusion, the outstanding debt service of the Nigerian Government appears to be sustainable. Most of the debt is held domestically, thereby limiting the Government’s exposure to fluctuations in the exchange rate and changes in the perception of international creditors. With the recent revision of the bases for calculating GDP estimates, the Government’s outstanding debt was at 11 per cent of GDP in 2012, which can be considered low compared to the outstanding debt of Senegal (32 per cent according to the Central Bank of West African States) and Ghana (43.4 per cent according to the Bank of Ghana). However, due to the Nigerian Government’s high dependence on oil and gas revenue, its finances are vulnerable to sustained oil price shocks.

**Investment and capital account**

Net direct investments abroad were at a negative -1,921 million naira in 2005 and decreased continuously to -227 billion naira in 2009 and in the subsequent two years to -137 billion naira and -125 billion naira, only to mount again to -241 billion naira in 2012. Net direct investments abroad were projected to be 193 billion naira for 2013. Portfolio investments remained negative during the same period without showing a clear trend: they ranged from -560 billion naira (2008) to -122 billion naira (2009), but reached 507 billion naira in 2013. Other investments ranged from 174 billion naira in 2005 to -1,276 billion naira in 2008. After increasing to -966 billion naira in 2009, they fell to -2,021 billion naira in 2010, -2,676 billion naira in 2011 and -3,562 billion naira in 2012. They were expected to amount to -1,616 billion in 2013.

Foreign reserves decreased for most of the period of analysis, ranging from -1,488 billion naira in 2005 to -47 billion naira in 2011 and -1,748 billion naira in 2012. In 2009 and 2010, they increased by 1,564 billion naira and 1,491 billion naira, respectively. According to data from the West African Monetary Agency, Nigeria complied with the convergence criterion for external reserves of the Economic Community of West African States over the observed period from 2006 to 2012. During this period, the value of gross external reserves always sufficed to cover the cost of six months worth of imports. In 2013, they are estimated to reach 154 billion naira.

Except for the period 2008-2009, Nigerian ownership of foreign assets increased continuously throughout the period of analysis (2005-2012), reflecting a net outflow of capital. The net inflow of investments was at a negative -2,497 billion naira in 2005. Subsequently, the capital and financial account increased continuously to -1,667 billion naira in 2007, -992 billion naira in 2008 and reached a positive 1,862 billion naira in 2009, to fall thereafter to 306 billion naira in 2010, -831 billion naira in 2011 and -1,949 billion naira in 2012.

Net inflows of official development assistance diminished considerably from 2005 to 2012. According to World Bank data, whereas the inflow of official development assistance was at $6.4 billion in 2005 and increased to $11.4 billion in 2006, such assistance ranged from only $1.2 billion to $2.1 billion for the period 2007 to 2012, without revealing a clear trend. Recent official development assistance inflow is below the levels of 2005-2006 by a factor of 3 to 10; it was at $1.9 billion in 2012, which corresponds to 0.4 per cent of unrevised GDP. According to the Organization for Economic Cooperation and Development and the Development Assistance Committee, in 2011-2012, the largest donors of official development assistance were the International Development Agency of the
World Bank, followed by the United States of America, the United Kingdom of Great Britain and Northern Ireland, the Global Fund to Fight AIDS, Tuberculosis and Malaria, the European Union, the United Nations Children’s Fund and Japan. More than 70 per cent of official development assistance went to the health and population and other social sectors, followed by economic infrastructure and services, which took up more than 10 per cent of official development assistance.

**Foreign trade and balance of payments**

The external trade of Nigeria is dominated by the export of crude petroleum and gas, which account for over 85 per cent of exports. While the balance of trade in crude petroleum and gas has always been positive, the opposite is true for non-oil trade. Machinery and transport equipment, manufactured goods and food make up most Nigerian imports. Typical imported food items include rice, milk products, fish and wheat flour.

For oil exports, the trade partners of Nigeria are the United States (18.5 per cent), the emerging economies of Brazil, India, China and South Africa (jointly 30.3 per cent), the Netherlands, Italy, Spain, France and Australia (jointly 25.9 per cent), and other countries (20 per cent). The share of exports to the United States has fallen continuously, from 45.7 per cent in 2008 to 37.5 per cent in 2010 and 18.5 per cent in 2012 due to the availability of oil and gas from unconventional oil exploitation technologies in North America. This trend is expected to persist and exports to the United States will fall further as the production of unconventional oil continues to increase.

While oil and gas trade with developed or emerging markets dominates Nigerian

---

**Figure 7**

**Current account, 2005 – 2013**

<table>
<thead>
<tr>
<th>Year</th>
<th>Current Account</th>
<th>Exports fob</th>
<th>Crude oil &amp; gas</th>
<th>Imports fob</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>(15,000.0)</td>
<td>5,000.0</td>
<td>15,000.0</td>
<td>20,000.0</td>
</tr>
<tr>
<td>2006</td>
<td>(10,000.0)</td>
<td>5,000.0</td>
<td>10,000.0</td>
<td>20,000.0</td>
</tr>
<tr>
<td>2007</td>
<td>(5,000.0)</td>
<td>5,000.0</td>
<td>5,000.0</td>
<td>20,000.0</td>
</tr>
<tr>
<td>2008</td>
<td>0</td>
<td>5,000.0</td>
<td>5,000.0</td>
<td>20,000.0</td>
</tr>
<tr>
<td>2009</td>
<td>0</td>
<td>5,000.0</td>
<td>5,000.0</td>
<td>20,000.0</td>
</tr>
<tr>
<td>2010</td>
<td>0</td>
<td>5,000.0</td>
<td>5,000.0</td>
<td>20,000.0</td>
</tr>
<tr>
<td>2011</td>
<td>0</td>
<td>5,000.0</td>
<td>5,000.0</td>
<td>20,000.0</td>
</tr>
<tr>
<td>2012</td>
<td>0</td>
<td>5,000.0</td>
<td>5,000.0</td>
<td>20,000.0</td>
</tr>
<tr>
<td>2013</td>
<td>0</td>
<td>5,000.0</td>
<td>5,000.0</td>
<td>20,000.0</td>
</tr>
</tbody>
</table>

*Source: Central Bank of Nigeria.*
exports trade, formal and informal trade links with the West African subregion are also important, in particular for its neighbouring countries. According to the United Nations Comtrade database, exports to Nigeria accounted for 3.21 per cent, 3.06 per cent and 1.58 per cent of the GDPs of Benin, Côte d’Ivoire and Togo, respectively, in 2010-2012. Imports from Nigeria accounted for 8.6 per cent, 4.31 per cent and 2.93 per cent of the GDPs of Côte d’Ivoire, Senegal and Cameroon, respectively, in 2010-2012. The informal trade links between Nigeria and its neighbours are deemed important but hard to quantify. The common external tariff for the Economic Community of West African States region, which was initiated on 1 January 2015, is expected to lower the incentives for informal trade and strengthen formal trade integration within the subregion.

In 2005, the value of exports was at 31.7 per cent of GDP, rising to 39 per cent of GDP in 2010, 52.5 per cent in 2011 and 55.4 per cent in 2012. Over the same period, the value of imports as a percentage of GDP fluctuated, without revealing a clear trend. It ranged from 19 per cent in 2005 to 36 per cent in 2011 and 22.8 per cent in 2012.

The trade balance as a percentage of GDP has remained positive since 2005, with the exception of 2009, when the trade balance was a negative -0.27 per cent of GDP. Before that, the trade balance ranged from 3 per cent to 21.6 per cent of GDP. In recent years, the trade balance has increased considerably, from 10 per cent of GDP in 2010 to 16.5 per cent of GDP in 2011 and 32.6 per cent of GDP in 2012.

Current net income remained negative throughout the period. In 2005, current...

In sum, the current account remained positive throughout 2005 to 2012. It stood at 32.84 per cent of unrevised GDP in 2005, or 4,891,744 billion naira, and declined steadily on an annual basis to 5.18 per cent in 2011, or 1,931,402 billion naira, but increased thereafter to 7.87 per cent, or 3,191,523 billion naira, in 2012. The current account remained positive in 2013, with a balance estimated at 7.4 per cent of GDP.

**Measuring regional integration dynamics and processes**

The Africa Regional Integration Index is designed to measure how far each country in Africa has integrated with the rest of the continent. The index assesses achievement of the goals laid out in integration agreements such as the African Union’s Minimum Integration Programme and the Abuja Treaty establishing the African Economic Community. The index is composed of around 80 indicators, although the final index may be based on fewer indicators, if data is not available for some of them. The index is a joint project of the Economic Commission for Africa, the African Development Bank and the African Union Commission.

The table below shows data for Nigeria for selected indicators from the index, comparing the country’s values with those of other African countries. The table shows where Nigeria ranks in respect of the various dimensions of the regional integration index for which data are available. In total, 54 countries are ranked, with the median rank being 27.

Looking at the indicators in more detail, it can be seen that Nigeria has a lower infrastructure ranking than the African median; it also ranks below the median in net electricity trade (23rd) and electricity production capacity (26th), but ranks above the median in Internet bandwidth per person (29th) and quality of transport infrastructure (30th).

Nigeria needs to step up its efforts to facilitate its trade with the rest of the world.

**Table 2**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>Infrastructure</td>
</tr>
<tr>
<td>45</td>
<td>Trade</td>
</tr>
<tr>
<td>41</td>
<td>Investment</td>
</tr>
<tr>
<td>6</td>
<td>Regional value chains</td>
</tr>
<tr>
<td>21</td>
<td>Macroeconomic policy convergence</td>
</tr>
</tbody>
</table>

Source: ECA, 2015.
Based on the World Bank’s Ease of Doing Business Index, Nigeria ranks 34th among African countries, well above the median, for ease of trading across borders, and 47th for the number of documents required to import and export in the continent. Nigeria ranks 26th in merchandise trade complementarity with the rest of Africa (just below the median). Trade with the rest of Africa is relatively low; Nigeria ranks 48th out of 51 on the continent in terms of intra-African goods traded as a percentage of GDP.

With regard to investment, the country’s regulatory environment is among the least conducive in Africa for starting up and operating a local firm, with a ranking of 41st in Africa; Nigeria ranks 42nd in Africa in attracting foreign investments, but ranks 6th in encouraging the establishment of regional value chains. The country ranks 9th in terms of the share of intra-African intermediate goods imports, and 4th for the total share of intra-African intermediate goods exports. Nigeria stands in 21st position among African countries in macroeconomic policy convergence.

**Subregional integration trends**

**Convergence criteria**

According to the West African Monetary Agency, Nigeria improved its performance with respect to the convergence criteria of the Economic Community of West African States in 2013, meeting six of the convergence criteria, compared to five in 2012.

With respect to the primary convergence criteria, it met the targets for the budgetary deficit, central bank financing and gross external reserves. However, it did not meet the target for inflation. In sum, it met three of the four primary criteria, which is identical to the performance it posted in 2012.

With respect to the secondary convergence criteria, Nigeria made progress in 2013 compared to 2012. While meeting only two of the criteria in 2012, it hit three of the targets in 2013. The targets for real interest rate, stability of the nominal exchange rate and public debt were met, while those pertaining to fiscal revenue, public investments and the wage bill could not be met. Due to a lack of data, the criteria on internal arrears could not be evaluated.

**Payment systems**

Implementation of the pilot programme Cash-Lite is proceeding accordingly. The Central Bank has also initiated an amendment to the law on payment systems and a forum against web-based fraud.

**Integration of the financial sector**

In January 2013, Nigeria established its Securities and Exchange Commission, which aims to improve the competitiveness of the country’s capital markets and has approved minimum capital requirements for financial institutions according to their type of operation. According to the West African Monetary Agency, the financial indicators for 2013 show the robustness of the Nigerian banking system, with the rate of non-performing loans decreasing from 4.6 per cent in 2012 to 3.7 per cent in 2013.

**Common external tariff**

The States members of the Economic Community of West African States agreed to put in place a common external tariffs system as of 1 January 2015. The aim of the system is to facilitate trade integration by increasing the transparency and coherence of tariffs. As a result of the reform, uncertainties
for businesses may be reduced and formal trade ties between Nigeria and other States members of the Economic Community of West African States are expected to be strengthened.

**Harmonization of statistics**
Nigeria is making significant progress in its efforts to harmonize its statistics with international standards. The change in base year for its GDP estimates from 1990 to 2010 was completed in April 2014. The Nigerian consumer price index, which is established on a monthly basis, captures information at the national level, although it makes a distinction between rural and urban regions. A producer price index is also being developed.

**Social transformation**
Nigeria is Africa’s most populous nation and had a population of 180 million people in 2014 on a surface area of 923,786 km2. Population growth remains high but has slowed down considerably, with a rate of 3.18 per cent in 2006 and 2.47 per cent in 2014. Despite its economic achievements, with high sustained growth of 6.77 per cent between 2005 and 2013 (unrevised estimates), which exceeds the rate of growth of the population, Nigeria has been lagging in its social development.

**Labour force, unemployment and social protection**
A large share of the labour force is employed in the primary sector. About 40.1 per cent of males and 19.9 per cent of females in the labour force are employed in the agriculture, forestry and fishing sectors. Despite its high contribution to GDP, the mining and quarrying sector only employs 0.3 per cent of the labour force. Another important source of employment is the service sector. The wholesale and retail trade (including repairs) employs 24.9 per cent of the labour force. These sectors are followed by other service activities (7.1 per cent), accommodation and food services (5.6 per cent), transport and storage (4.1 per cent) and education (3.2 per cent), while manufacturing employs 11 per cent of the labour force and construction 2.4 per cent.

Due to strong population growth and migration from rural to urban areas, and despite high and sustained economic growth, unemployment has doubled in the last decade, rising from 12.3 per cent in 2006 to 23.9 per cent in 2011. It is projected to stay high in 2014 (24.3 per cent). High unemployment is most acute among young people: 25 per cent of them between the ages of 15 and 24 are unemployed, and the situation is not likely to abate in the immediate future. The high and stagnating rate of unemployment in a period of rapid economic growth is a worrying trend and has contributed to the high income inequality observed in the country.

According to the Overseas Development Institute/UNICEF, Nigeria currently allocates a relatively small share of its budget to the social sectors, compared to other countries: 12 per cent of government expenditure to education and 7 per cent to health. Recent efforts by the Government have put a higher priority on social protection. For instance, the Government has used funds from a debt relief initiative, which had been negotiated with the Paris Club in 2005, to fund a pilot conditional cash transfer programme, a maternal and child health fee-waiver programme, and interventions in the areas of health, education, water and sanitation. Despite recent progress, the existing social protection programmes have limited coverage. For instance, the pilot conditional cash transfer programme was
intended to be scaled up with state-level financing. However, only one third of the state governments have committed fund to the programme and coverage extends to only 0.001 per cent of poor households nationally, as reported by the Overseas Development Institute/UNICEF).

Poverty
Even though Nigeria has turned in an impressive economic performance in absolute terms, according to World Bank data, its gross national income per capita (current dollars, Atlas method) stands at only $2,490, which is below that of other emerging economies. In 2012, the gross national income per capita of Brazil was $11,630, that of South Africa was $7,460, and that of China was at $5,720.

The relatively low gross national income per capita of Nigeria reflects regional disparities and widespread poverty in the country. The Gini index of income inequality was at 48.1 in 2010, indicating high levels of inequality compared to other countries of the subregion. In 2010, the Gini indices of Ghana, Senegal and Burkina Faso were 42.8, 39.2 and 29.8, respectively.

In that same year, according to the Millennium Development Goals monitoring system, 68 per cent of the population lived below the poverty line of $1.25 per person per day and the poverty gap was at 33.7 per cent. Considering the poverty line of $2 per person per day, according to World Bank data, 84.5 per cent of the Nigerian population lives in poverty and the poverty gap is at 50 per cent. National poverty statistics indicate that poverty is more severe in rural areas. Whereas 52.8 per cent of the rural population lives below the national poverty line, 34.1 per cent of the urban population is categorized as poor.

In 2012, Nigeria had a low score of 0.471 on the Human Development Index, a multi-
dimensional measure of poverty, with a ranking of 153 out of 187 countries. If the Index is discounted for inequality, that score for Nigeria would fall to 0.276, a loss of 41.4 per cent, which can be considered high when compared with an average loss due to inequality discounting of 35.5 per cent for countries with a low ranking on the Index, and 35 per cent for sub-Saharan Africa. This high loss indicates that the Index does not reveal the true level of poverty due to widespread inequality in the country.

From a dynamic perspective, Nigeria has made some progress in reducing poverty. However, it is still performing below its potential in that regard when that progress is mapped against the high rates of economic growth in the country. Poverty headcount based on the poverty line of $1.25 per person per day fluctuated between 61.9 per cent in 1992 and 68 per cent in 2010 without showing a clear trend. Estimates established by the Millennium Development Goals monitoring system suggest a decline to 54.4 per cent in 2011. It remains uncertain whether the country could achieve Millennium Development Goal 1 of halving poverty by 2015. Similarly, its score on the Human Development Index improved slightly from 2005 to 2012, by an annual average rate of 1.2 per cent, reflecting improvements in life expectancy, schooling and gross national income per capita.

**Health and education**

The country's health profile has seen improvements in recent years, but remains worrisome. The under-5 child mortality rate of 12.5 per cent, while being an improvement over the rate of more than 20 per cent recorded in 1990, remains higher than the regional average (9.5 per cent) and is more than double the global average (4.8 per cent). Malaria (20 per cent), pneumonia (17 per cent), other diseases (14 per cent), premature birth (12 per cent) and diarrhea (11 per cent) are the most frequent causes of child death. Child malnourishment is widespread: stunting among children less than 5 years of age has been stagnating above 40 per cent since 2000. For the general population, the most frequent causes of death are communicable diseases (81 per cent), followed by non-communicable diseases (14 per cent) and injuries (5 per cent). Nigeria is one of the few countries in the world in which polio still persists, although this is limited to the north-eastern states.

The fertility rate is at six children per woman, which is above the regional average (five children) and the world average (two and a half children). Maternal mortality is at 560 per 100,000 live births and thus higher than the regional average of 500 deaths and the world average of 200 deaths. Life expectancy at birth was at 49 years in 2005 and increased to 52.3 years in 2012 (53.4 for women and 51.7 for men).

The strong population growth in the country has put pressure on its already challenged education system. In 2011, according to the United Nations Educational, Scientific and Cultural Organization (UNESCO), primary school age children account for over 16 per cent of the population. Estimates suggest that 10.1 million children are out of school and 26 per cent do not complete the cycle. According to the World Bank Development Indicators, primary school enrollment fell from 100 per cent in 2005 to 84.8 per cent in 2010; adjusted net enrolment was 66.6 per cent in 2005 and fell to 58.6 per cent in 2010. In 2008, only 61 per cent of men and 41 per cent of women could read and write. Enrolment in tertiary education was at 10.4 per cent for men and 8 per cent for women in 2005.
Lately, the ongoing war and insecurity in the northeast of the country have made schooling close to impossible. In the state of Borno, where more than 200 female pupils were kidnapped by Boko Haram in April 2014, most secondary schools have closed. Due to a lack of resources, the police force and army are unable to keep schools safe.

**Gender equality and policy**

Women and girls make up approximately 49 per cent of the population of Nigeria. According to a report by the British Council on the status of women in Nigeria, women and girls have significantly worse life chances than men and also their sisters in comparable societies. A national gender policy has been instituted, but it still has not produced any results, although considerable progress has been made in some aspects.

The maternal mortality rate fell from 1,100 deaths per 100,000 live births to 970 deaths in 2000 and 630 in 2010. Recent progress is promising and if sustained, the Millennium Development Goal on maternal mortality (5.1) could be attained. Despite this progress, maternal mortality is still high compared to other countries in the subregion. In Burkina Faso, maternal mortality was at 300 deaths per 100,000 live births in 2010 and in Senegal, the figure was 370 deaths per 100,000 live births.

Women are underrepresented in economic activity. While 63.3 per cent of men participated in the labour market in 2011, only 47.9 per cent of women did so, marking a difference in labour market participation of 15.4 percentage points. According to a report by the British Council, 60 per cent to 79 per cent of the rural workforce is female, but men are five times more likely to own land.

In the political sphere, women's participation is still marginal. In 2012, only 6.7 per cent of seats in the national parliament were occupied by women. The proportion of women holding a ministerial office is considerably higher, at 28.1 per cent, even though there are examples of women in some leadership positions.
Thematic analysis: forecasts and scenarios for structural transformation

The hypothetical effect of low oil prices and higher government expenditure was assessed using two forecasting scenarios based on the LINK/World Economic Forecasting Model. The Model consists of more than 150 linked country models and is regularly used by the United Nations Department of Economic and Social Affairs and the regional commissions to project GDP growth and other key economic variables at global, regional and country levels. The forecasts below were established using the country model for Nigeria. The results are compared to the latest forecast by the Department of Economic and Social Affairs for Nigeria, which is used as the baseline scenario.²

Scenario 1: Low oil prices

Despite the growing importance of non-oil sectors as drivers of growth in recent years, oil and gas production remains an important economic factor; oil still has an important weight in Nigerian exports (more than 85 per cent) and government revenue. Weak global demand and the development of unconventional oil in the United States have led to a plunge in oil prices, which reached a five-year low in November 2014, when oil producers of the Organization of Petroleum Exporting Countries decided to sustain their oil production. Figure 11 indicates the original baseline assumptions on oil price levels in forecast and the assumptions for a lower scenario with lower oil prices.

The plunge in oil prices in November and December 2014 will only translate into a slight dip in average oil prices for 2014, because price had been high throughout the year. For the low oil price scenario, the assumption is that oil prices will recover slightly from their low of about $70 per barrel in early December 2014 and stabilize around $80 in 2015 and 2016. For 2014, the lower oil prices had only a limited effect on GDP growth (~0.2 percentage points). If annual average oil prices stabilize around $80 per barrel, growth will slow down considerably. The growth rate of Nigeria would drop by -0.8 per cent in 2015 and -0.6 per cent compared to the baseline scenario. The fall in oil prices will also have a negative impact on the Nigerian current account, which is estimated to deteriorate by -0.5 per cent of GDP in 2014 and by -2 per cent and -2.4 per cent in 2015 and 2016, respectively, vis-à-vis the baseline scenario.

The recent growth in non-oil sectors has decreased the country’s dependence on oil production as an engine of growth. However, the simulation exercise demonstrates that a plunge in global oil prices still has a strong negative effect on the Nigerian economy. Continued strengthening of the non-oil economy will reduce the country’s exposure to this downside risk in the future.

Scenario 2: Government expenditures

With the approaching general elections in March 2015, observers expect an increase in overall government expenditure in 2014 and the first quarter of 2015. Figure 13 illustrates a possible trajectory of growth in government expenditure in this context. The growth rate in government expenditure is depicted in figure 13 for the baseline and the high expenditure scenario. In 2013, the rate is at 3.7 per cent for both the baseline and the high government expenditure scenarios. Under the latter scenario, government expenditure increases to 14.35 per cent in 2014, up 5.25 per cent.

Figure 11
Oil price

Figure 12
GDP growth
vis-à-vis the baseline scenario. Due to the anticipation that some 2015 expenditures will be carried out in 2014, government expenditure growth will fall below the baseline scenario in 2015 and 2016.

The resulting growth scenario is reported in figure 14. The increased government expenditure in 2014 acts as a stimulus to GDP growth: Under this scenario, the Nigerian economy is expected to grow by one percentage point faster than under the baseline scenario. The accelerated growth will be accompanied by a 0.4 per cent increase in inflation in 2014 and a 0.2 per cent increase in 2015, compared to the baseline. The positive effect on GDP growth will be sustained only in 2014, with growth in 2015 and 2016 falling short of the baseline scenario.

**Take away message**

Overall, all considered forecasts indicate that the economic prospects of Nigeria remain positive, despite significant downside risks. The two scenarios discussed in this section illustrate that low global oil prices and increased government expenditure can pose a risk for the country’s growth trajectory. First, the Nigerian economy is currently undergoing a structural transformation, which should be continued, because it reduces the country’s dependence on the oil sector. Second, in the light of the approaching general elections, increased government spending might provide a temporary stimulus to the economy. However, for balanced long-term economic development, fiscal prudence is in order.

![Figure 13](image-url)

**Figure 13**

_Growth in government expenditure_
Figure 14
GDP growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Scenario: Gov. Exp</th>
<th>Baseline</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td>2014</td>
<td>6.50%</td>
<td>6.00%</td>
</tr>
<tr>
<td>2015</td>
<td>4.50%</td>
<td>5.50%</td>
</tr>
<tr>
<td>2016</td>
<td>5.00%</td>
<td>6.00%</td>
</tr>
</tbody>
</table>
The main objective of the country profiles is to provide a vehicle for the Economic Commission for Africa (ECA) to produce and disseminate country- and region-specific policy analyses and recommendations for economic transformation that will promote sustainable growth and social development; strengthen regional integration, development planning and economic governance; and mitigate potential risks. The process of compiling the country profiles involves continuous collection and harmonization of country data and information, aggregating the indicators for the regional economic communities and other country groupings, and analysing trends to produce timely forecasts.

One of the distinguishing features of the ECA country profiles is that they are anchored on a sound methodology, which is based on the joint gathering of data with credible national sources, including national statistics offices, finance ministries and central banks, and on their timely periodic release. The country profiles are meant to serve a number of clients, ranging from member States to academics, policymakers, civil society and analysts within and outside Africa.