

ECONOMIC RECESSION AND THE FUTURE OF THE NIGERIAN ECONOMY: ISSUES, CHALLENGES AND PROSPECTS



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1. Introduction

Nigeria has the potential to become a major player in the global economy by virtue of its human and natural resource endowments. However, this potential has remained relatively untapped over the years. After a shift from agriculture to crude oil and gas Nigeria's growth has continued to be driven by high oil prices lately. Previous economic policies left the country ill-prepared for the recent collapse of crude oil prices and production. The structure of the economy remains highly import dependent, consumption driven and undiversified. While Oil accounts for more than 95 per cent of exports and foreign exchange earnings, the manufacturing sector accounts for less than one percent of total exports (Ministry of Budget and National Planning, 2017).

After more than a decade of economic growth, the sharp and continuous decline in crude oil prices since mid-2014, along with a failure to diversify the sources of revenue and foreign exchange in the economy, led to a recession in the second quarter of 2016. The challenges in the oil sector, including sabotage at oil export terminals in the Niger Delta, negatively impacted on the government revenue and export earnings. The capacity of government spending was equally constrained by lack of fiscal buffers to absorb the shock, as well as leakages of public resources due to corruption and inefficient spending.

Therefore, the current economic recession or economic downturn which has negative effects on the economic betterment of the individuals is not a surprise. Such factors that readily come to the mind in today's Nigeria include: unemployment, inflation, loss of income, insufficient food provision, high income inequality, inadequate clothing and dilapidated shelter. However, if we look out a little into the wider society, we find additional factors, which pose serious economic challenges to the welfare of the society as a whole. These include non-functional healthcare system, inadequate funding of the education sector, poor sanitation and bad drainage, absence of public convenience, highway potholes, preference for imported goods, subsistence agriculture, youth unemployment, indiscipline, poor governance, corruption among others.

Moreover, the rising prices of currently produced goods and services in the market are evidence of high cost of production and grossly inadequate domestic production. The factors of production are said to include: labour, land, capital and management (entrepreneurship). For total output to be more adequate land, labour and capital must be combined in a productive ratio. Unfortunately, managers have adopted an attitude of wait and see before risking their capital into any new investment and it is this same attitude of "wait-and-see" that aggravates the already existing inability of the economy to produce sufficient goods. Thus, raw materials lay waste and land previously "earmarked" for certain kinds of production cannot be easily used, (Anyanwu, 2017).

Therefore, the task of achieving economic recovery and sustainable growth and development is rather daunting as Nigeria appears to be trapped into vicious circles, which have interacted to keep it in a low growth equilibrium trap. The major challenges facing the Nigerian economy include inherited weak institutional structure coupled with exogenous and endogenous shocks and their attendant unwelcome effects on economic management. Government efforts in getting the economy out of the recession and in

putting it on a sustainable growth path are contained in the Economic Recovery and Growth Plan, 2017-2020 (ERGP).

The Government has a big role to play in ensuring that the economy flourishes over time irrespective of the enormous challenges it faces including those that happen beyond the shores of the country, that is, the international political economy.

According to Ekpo (2016), the Nigerian Economy is currently in recession, after studying relevant macroeconomic and social indices such as the Gross Domestic Product (GDP), unemployment rate, inflation rate, among others. The high rates of unemployment, combined with reduced output in two quarters of 2016 suggest an economy in the sphere of stagflation, a prelude to a recession”.

In addition, the National Bureau of Statistics (NBS) of Nigeria released official Gross Domestic Product (GDP) figures for the second quarter of 2016, confirming that the Nigerian economy is in recession. According to the statistics released, the GDP contracted by 2.06 percent in the second quarter of 2016, following a contraction of 0.36 percent in the first quarter. This officially places Nigeria in a recession, which is defined by two or more consecutive quarters of negative economic growth.

The term Recession can be used to describe situations in which some financial institutions or assets suddenly lose large proportions of their values. Recessions are usually associated with banking panics, stock market crashes and the bursting of other forms of financial bubbles, currency crises and sovereign defaults. Key macroeconomic aggregates such as, GDP, growth, employment, investment spending, capacity-utilization, household incomes and business profits usually record decline during a recession. It is called a recession because it has brought about huge reduction in economic output and employment as well as diminished cross-border financial flows (Anyanwu, 2009).

Economic recession is a period of economic slowdown featuring low output, illiquidity and unemployment. It is characterized by its length, abnormal increases in unemployment, falls in the availability of credit, shrinking output and investment, reduced amounts of trade and commerce, as well as highly volatile relative currency value fluctuations, mostly devaluations, financial crises and bank failure.

Therefore, it is generally agreed that the slowdown in 2015 and descent of the Nigerian economy into recession in 2016 were both caused by two inter-related factors. These are the fall in world oil prices and reduction of Nigeria's oil production. The first of these represents an external shock, while the second is an internal one. Based on this background this paper focuses on the economic recession and the future of the Nigerian economy: issues, challenges and prospects.

2. The Nigerian Economy in Perspective

Economic crisis generated by oil slide is not new to Nigeria. The large and abrupt oil price decline since June 2014 is just one of the largest declines. The other price declines of similar magnitude occurred in 1985-86 and 2008-2009. In addition to these, were milder

cases in 1978, 1981 and 1997. Since Nigeria's economy survived these earlier experiences, one may be tempted to presume that managing the current recession should not be too difficult. Unfortunately, this presumption may not necessarily be valid. This is because the impact of an economic downturn induced by an oil price decline is typically diverse, reflecting differences in initial conditions, transmission channels, fiscal and external vulnerabilities of economies along with the role of government policies in mitigating the economic downturn.

The 1985-86 oil price decline episode is associated with the global oil glut of that period. In the face of an oversupply in the world oil market, members of the Organization of Oil Exporting Countries (OPEC) decided to partly reverse their previous production cuts. As a result, average oil prices fell by 48% between 1985 and 1986. This induced a severe economic recession in Nigeria. The economy contracted at a rate of 8% for two consecutive years, while the naira depreciated by more than 70%.

As part of the Asian Financial Crisis of 1997, oil price fell progressively from about \$20 per barrel in early 1997 to below \$11 in February 1999. The impact of this oil price decline on the Nigeria economy was worsened by the deteriorating political situation in 1999. This combination generated an economic downturn in the context of which the naira experienced a depreciation of 75% with the economy grinding to a halt.

The next big one was associated with the Global Financial Crisis of 2008-2009. The build-up to this event started during 2003 when world oil price rose above \$30 per barrel to reach \$60 per barrel in August 2005 and finally peaked at \$149.30 per barrel afterwards. The resulting recession in the global economy caused demand for energy to shrink and oil price to collapse to \$32 per barrel in 2008.

There were several factors which enabled the Nigerian economy to avoid the worst possible impact of this global event. First, the non-oil domestic economy had built strong growth fundamentals that helped to mitigate the full impact of the oil sector decline. Second, due to the weakness of the US dollar to which the naira was pegged, the naira did not have to fall more than 20% against the dollar before its downward pressure was relieved. Third, by 2008, the government had accumulated \$22 billion in the Excess Crude Account (ECA), which it was able to draw from to smooth the volatility in the oil sector. Hence, the Nigerian economy was able to resume its growth at the pre-2008 level only two years later.

The emergence of the oil sector from the early 1970s and its position of dominance as the primary source of Nigeria's export earnings and government revenue since then have created special policy challenges both for (a) establishing and maintaining short-term macroeconomic stability and (b) promoting and ensuring high, inclusive and sustainable economic growth over the medium and long-term. More specifically, the presence of a dominant and booming oil sector has exposed the Nigerian economy to external shocks that are generated by oil price volatility. The associated pro-cyclical fiscal policy bias has further worsened the management and impact of the incidence of the vulnerability. In this context, the establishment and sustenance of short-term macroeconomic stability have been difficult while high growth rates are unsustainable.

More directly, the presence of the oil sector also has significant implications for Nigeria's economic growth prospects in the medium to long-term. One channel for this is the well-known Dutch disease effect in the context of which large capital inflows generated by the oil boom tend to appreciate the real exchange rate that, in turn, retards the growth of non-oil tradable. The second channel consists of the use of the oil-induced capital flows to fund imports of non-oil tradable, especially raw materials and processed inputs of the manufacturing industry. More specifically, an inward-oriented manufacturing sector which does not export and relies heavily on imported raw materials, semi-processed inputs and machinery is kept alive through the funding of its import bill by the oil revenues. Therefore, the Nigeria's manufacturing industry is exposed to the same kind of vulnerability to external shocks as the whole economy. In this context, the manufacturing sector performs well in terms of the utilization of capacity during an oil-boom period but poorly when oil price falls, and when export earnings are drastically reduced and the economy's capacity to import is sharply reduced either through increased import controls or exchange rate depreciation.

This has also impacted on the various sectors in the Nigerian economy. Nigeria's real GDP growth performance was quite robust over the 2010-2014 periods when the real GDP growth rate varied between 4.21% and 7.80%, with an average of 5.81%. This growth rate fell to 2.79% in 2015; a decline of 52% from the 2010-2014 average growth rate. A more comprehensive picture of the economic slowdown and the economy's descent into recession between 2014 and 2016 is presented in Table 1. This shows that while real GDP growth rate declined sharply between 2014 and 2015, it remained positive until 2016.

Table 1: GDP and Sectoral Growth Rate (%), 2014-2016

	Growth Rate (%)		
	2014	2015	2016
Real GDP	6.22	2.79	-1.51
Agriculture	4.27	3.72	4.11
Manufacturing	14.72	-1.46	-4.32
• Food, Beverage and Tobacco	5.63	-5.38	-6.57
• Textile, Apparel and Footwear	31.19	-1.07	-1.09
• Motor Vehicle and Assembly	25.61	-5.55	-29.01

Source: National Bureau of Statistics (2017),
Nigerian Gross Domestic Product Report (Q4, 2016)

As shown in Table 1, in the case of the agricultural sector, the average growth rate during the 2014-2016 was 4.03% and although the growth rate in 2015 was slightly below this average, it more or less returned to trend by 2016. By comparison, the manufacturing sector appears to have borne the main burden of the economic slowdown and recession. This sector which grew at 14.72% in 2014 had its growth rate reduced to -1.46% and -4.32% in 2015 and 2016 respectively. This growth and decline pattern are replicated in the case of Foods, Beverages and Tobacco (FBT) and Textile, Apparel and Footwear (TAF) which together account for well over 50% of the total output of the manufacturing sector. The same sharp descent was the case of Motor Vehicle and Assembly (MNA), which represents the center-piece of Nigeria's current industrial revolution plan.

Table 2: Growth Rates of Some Economic Activities in 2016

ACTIVITY	Q1	Q2	Q3	Q4
AGRICULTURE	3.09	4.53	4.54	4.03
MINING AND QUARRYING	-2.96	-17.19	-21.64	-12.04
Crude Petroleum and Natural Gas	-1.89	-17.48	-22.01	-12.38
Coal Mining	3.34	2.68	-7.76	0.44
Metal Ores	57.03	4.22	6.89	7.03
Quarrying and Other Minerals	-88.87	2.52	7.07	6.13
MANUFACTURING	-7.00	-3.36	-4.38	-2.54
CONSTRUCTION	-5.37	-6.28	-6.13	-6.03
TRADE	2.02	-0.03	-1.38	-1.44
TRANSPORTATION AND STORAGE	14.73	-5.34	0.72	-5.32
INFORMATION AND COMMUNICATION	4.07	1.35	1.11	1.38
FINANCIAL AND INSURANCE	-11.28	-10.82	2.64	2.68
REAL ESTATE	-4.69	-5.27	-7.37	-9.27
EDUCATION	3.82	2.88	-0.11	-0.09
HUMAN HEALTH AND SOCIAL SERVICES	0.55	-2.64	-2.31	-2.49
GDP at 2010 constant price	-0.36	-2.06	-2.24	-1.30

Source: National Bureau of Statistics (2017), Nigerian Gross Domestic Product Report (Q4, 2016)

Table 2 shows in a glance the negative growth rates of economic activities recorded over the last four quarters of 2016. The mining and quarrying sector had the most negative rates as well as manufacturing, construction, real estate.

Further evidence on the extent of the economic slowdown and recession is provided by the Central Bank of Nigeria's Purchasing Managers Index (PMI) in the February 2017 Report. This report shows that the manufacturing sector PMI stood at 44.6 index in February 2017, thus indicating declines in the sector for two consecutive months since an up-tick in December 2016. Similarly, the composite PMI for non-manufacturing sector declined. In both cases, production and employment levels continued to decline.

In spite of this declining trend, a broad consensus seems to be emerging that the economy will emerge from recession in 2017 and grow further in 2018 and 2019. More specifically, the World Bank (2017) projects the following real GDP growth rates for the Nigerian economy: 1.0% (2017), 2.5% (2018) and 2.5% (2019). Similarly, the International Monetary Fund (IMF) projects that the Nigerian economy will grow by 0.8% in 2017, 1.9% in 2018, 1.9% in 2019 and 1.8% in 2020. By comparison, the Economic Recovery and Growth Plan (ERGP) of the Nigerian Government contains significantly higher growth rates as follows: 2017 (2.2%), 2018 (4.8%), 2019 (4.5%), and 2020 (7.0%).

Table 3: Projections of Real GDP Growth Rates for Economic Recovery

Year	GDP Growth Rates Projections		
	World Bank	IMF	ERGP
2017	1.0%	0.8%	2.2%
2018	2.5%	1.9%	4.8%
2019	2.5%	1.9%	4.5%
2020	NA	1.8%	7.0%

3. Conceptual Issues on Economic Recession

3.1. Definition of Economic Recession

There is no official definition of recession but it is a general consensus among Economists that a recession is a general downturn in economy associated with high unemployment, slowing gross domestic product and high inflation. Recessions could be as a result of a fall in aggregate demand, which results from a fall in consumption or intended investment. In order to spur aggregate demand, government spending is introduced to increase aggregate demand (Goodwin et. al., 2009). Recessions generally occur when there is a widespread drop in spending. This may be triggered by various events, such as a financial crisis, an external trade shock, an adverse supply shock or the bursting of an economic bubble. Governments usually respond to recessions by adopting expansionary macroeconomic policies, such as increasing money supply, increasing government spending and decreasing taxation. A depression on the other hand, is a deep and long-lasting recession. While no specific criteria exist to declare a depression, unique features of the last U.S. depression, the Great Depression of the 1930s, included a GDP decline in excess of 10% and an unemployment rate that is up to 25%.

Most commentators and analysts use, as a practical definition of recession, two consecutive quarters of decline in a country's real (inflation adjusted) gross domestic product (GDP) the value of all goods and services a country produces. A focus on GDP alone is narrow, and it is often better to consider a wider set of measures of economic activity to determine whether a country is indeed suffering from a recession or not. According to the [National Bureau of Economic Research \(NBER\)](#), **recession** is defined as "a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in [real gross domestic product \(GDP\)](#), [real income](#), employment, industrial production and wholesale-retail sales". More specifically, recession is defined as when businesses cease to expand, the GDP diminishes **for two consecutive quarters, the rate of unemployment rises** and housing prices decline.

The National Bureau of Statistics (NBS), provided research evidence on negative growth rate of Gross Domestic Product and an increasing unemployment, inflation and poverty figures on recession situations. Other Schools of thought also believe that a recession is when the economy declines significantly for at least six months. That means there's a drop

in the following five economic indicators: real GDP, income, employment, manufacturing, and retail sales. Increased government spending works during a recession because some resources are not being fully utilized, as the economy is not working at full-employment capacity. Furthermore, government outlays are being directly injected to the public to increase consumption.

According to NBS first Quarter GDP Report just released, the Nigerian Economy is still in recession. The good news is that Nigeria is gradually getting out of the recession. The fourth quarter GDP figure (year on year) which stood at - 1.73% slowed to - 0.52% in the first quarter of 2017. With effective government policies, it is hoped that the economy will be out of recession in the second quarter of 2017 and Nigerians will be better for it. (NBS, 2017).

3.2. Common Characteristics of Recession

Although each recession has unique features, recessions often exhibit a number of common characteristics:

- a. They typically last about a year and often result in a significant output cost. In particular, a recession is usually associated with a decline of 2 percent in GDP. In the case of severe recessions, the typical output cost is close to 5 percent.
- b. The fall in consumption is often small, but both industrial production and investment register much larger declines than that in GDP.
- c. They typically overlap with drops in international trade as exports and especially, imports fall sharply during periods of slowdown.
- d. The unemployment rate almost always jumps and inflation falls slightly because overall demand for goods and services is curtailed. Along with the erosion of house and equity values, recessions tend to be associated with turmoil in the financial markets (Claessens, Kose and Terrones 2008).

There are various reasons why countries enter into a recession and it all depends on the economic framework of that country. Nevertheless, there are generally several factors that may cause recession.

3.3. Causes of Recession

Understanding the causes of recessions has been one of the enduring areas of research in economics. There are a variety of reasons recessions take place. Some are associated with sharp changes in the prices of the inputs used in producing goods and services. A recession can also be triggered by a country's decision to reduce inflation by employing contractionary monetary or fiscal policies. When used excessively, such policies can lead to a decline in demand for goods and services, eventually resulting in a recession.

According to Claessens, Kose and Terrones (2008), some recessions, including that in the USA, are rooted in financial market problems. Sharp increases in asset prices and a

speedy expansion of credit often coincide with rapid accumulation of debt. As corporations and households face difficulties in meeting their debt obligations, they reduce investment and consumption, which in turn leads to a decrease in economic activities. Not all such credit booms end up in recessions, but when they do, these recessions are often costly than others. Recessions can be the result of a decline in external demand, especially in countries with strong export sectors. Adverse effects of recessions in large countries such as Germany, Japan, and the United States are rapidly felt by their regional trading partners, especially during globally synchronized recessions.

Because recessions have many potential causes, it is a challenge to predict them. The behavioral patterns of numerous economic variables including credit volume, asset prices, and the unemployment rate around recessions have been documented, but although they might be the cause of recessions, they could also be the result of recessions or may be endogenous to recessions. Even though Economists use a large set of variables to forecast the future behavior of economic activity, none has proven a reliable predictor of whether a recession is going to take place. Changes in some variables such as asset prices, the unemployment rate, certain interest rates, and consumer confidence appear to be useful in predicting recessions, but Economists still fall short of accurately forecasting a significant fraction of recessions, let alone predicting their severity in terms of duration.

So many factors could be responsible for the cause of a recession in an economy. Some of them include:

- a. High interest rates might be cause of a recession because they limit liquidity, or the amount of money available to invest.
- b. Increased inflation: Inflation refers to a general rise in the prices of goods and services over a period of time. As inflation increases, the percentage of goods and services that can be purchased with the same amount of money decreases.
- c. Reduced consumer confidence is another factor that can cause a recession. If consumers believe the economy is bad, they are less likely to spend money. Consumer confidence is psychological but can have a real impact on an economy.
- d. Reduced real wages, that is, wages that have been adjusted for inflation. Falling real wages means that a worker's paycheck is not keeping up with inflation. The worker might be making the same amount of money, but his purchasing power has been reduced.

Narrowing it down to Nigeria, analysts and social commentators have tried to provide reasons why they think economic recession was triggered. To most people, a dip in government revenues arising from a significant drop in oil prices and/or a drop in consumer spending are some of the reasons for recession. A nation like Nigeria where government remains the highest spender in the economy, a drop in Government spending can dovetail into a drop in consumer spending which in turns affects businesses.

Traditionally, Nigerians believe that the current recession was scaled up by the following factors:

- i. Implementation of TSA.
- ii. Pipeline Vandalism and Stoppage of Pipelines Contracts
- iii. The Anti-Corruption War
- iv. Consumer's Debt and Spending Reduction
- v. Delayed Budget Approval and Implementation
- vi. Nigeria's Over-Dependence on Foreign Products
- vii. Inability of the Previous Administrations to Save for the Rainy Day
- viii. Oil Prices Glut and Decline GDP
- ix. Collapse of the Capital Market
- x. Reduction in Oversea Development Assistance and Foreign Direct Investment (FDI)
- xi. Rising Tide of Corruption and Social Vices
- xii. Rise in Inflation
- xiii. Government Finance and Fiscal Operation
- xiv. Consumption – Based Economy
- xv. Poor Savings and High Credit Culture
- xvi. Huge Financial Outflow Spent in Prosecuting War against Terrorism
- xvii. Inadequate Regulatory Framework
- xviii. Saudi Arabia Oil Price Reduction.

3.4. Effects of Economic Recession

i. Fall in Business Activities: When households' incomes are cut as a result of economic recession, they reduce their demand for goods and services. As a result of low demand from households, firms reduce their production of such goods and services in order to cut cost and profit will decline. As a consequence of production fall, workers would be laid off, there will be no buying of new equipment, no funding for research and development, no new product rollouts and general business activities would also fall. During recessions, stronger companies look to swallow up weaker and smaller ones through mergers and outright takeovers, and this negatively affects the competitive environment; these mergers or outright acquisitions also result in job losses; thereby, further depressing family incomes and reducing discretionary spending that is needed to combat recession. The combined effect of job losses, scarcity of goods, and increased prices help drive families further into economic difficulties.

ii. Falling Stocks and Dwindling Dividends: Stocks prices mirror the performance of businesses in the economy because they move proportionately with the returns earned. As revenues decline on the statutory reports of businesses, lower dividends are declared. This will depress the price of stocks in the market. So many businesses have lost their viabilities because of the risks they are carrying at the moment. When dividends fall or vanish, this creates other problems such as the sacking of the Board of Directors and senior management of the company. The advertising/marketing unit may be affected, creating unemployment problem for the economy. When a manufacturer's stocks fall and the dividends decline or stop, institutional investors, holding the stocks may sell and reinvest the proceeds in better performing stocks. This will further depress the company's stock price and affect the entire equities market and the cycle continues.

iii. Credit Default and Bankruptcy: Recession also has effect on the ability of customers to pay their debt to the creditors, leading to growing non-performing loans (NPL). In the heat of the economic recession, so many subprime debts went bad, thereby impairing the ability of debtors to service their debts. As a result, so many banks went bankrupt. Also, when debtors are not able to repay their debts, companies' ability to repay their creditors is hampered as a result of falling revenues. This leads to default in paying interest and the principal. The resulting consequence is debt downgrade and rescheduling. In the process, investors will lose confidence in the company and the company may not be able to raise money from the capital market again. When the source of funding ceases, the business will fold up resulting in employees lay-off, and increasing the unemployment in the economy.

iv. Product Quality Compromise: Recession affects the revenue of firms, and by extension, profitability. In an effort to cut costs and improve its bottom line, the company could compromise product quality, and in the process lose its market share. A baker could offer the same loaf of bread at the same price but reduce major ingredients such as milk, butter, etc. so as to cut cost and improve the bottom line during recession. Recession could force airlines to lower their maintenance standards in order to cut cost and break even or increase the fees. They may cut flights to routes that are not profitable and frequently cancel flights when there are insufficient passengers for a particular flight. This could cause some inconveniences to passengers, leading to economic loss.

v. Unemployment and Delay in the Payment of Salaries: Recession has a devastating impact on employment worldwide. According to the International Labour Organization (ILO), at least 20 million jobs were lost by the end of 2009 due to the impact of the Global Financial Crisis, mostly in construction, real estate, and financial services sector, bringing the world unemployment above 200 million for the first time. Similarly, in Nigeria, quite a number of people have been dismissed from their places of work and this has increased the rate of unemployment in the country. There is also delay in salary payment for those working in some cases.

vi. Decline in Social Life/Tourism: Recession affects the social life in some respects, especially tourism. Reasons for the fall in business travels include company travel policy changes, dwindled personal economic fortunes, uncertainties and high airline prices. Hotels are responding to the downturn by dropping rates, and negotiating deals for both business travellers and tourists.

vii. Politics: The recession leads to electoral misfortunes; though democratic institutions continue to exist. Some of the electoral officers appointed by INEC to oversee elections are compromising.

viii. Increase in expenditures: Recession often leads to increased expenditure in developing countries as increased unemployment and poverty automatically lead to increased welfare spending by the governments. This can lead to increased national debt and macroeconomic instability.

ix. Effects on the Society: With more people out of work, and families increasingly unable to make ends meet, the pressure on demand for government-funded social services increases. Since governments also experience a fall in revenue collection during recession, it becomes difficult to meet the increased demands on social services. Effect on the **pensioners and those on fixed income** is worst e.g. social security checks, the elderly and disabled. With the loss of a job, every plan for the future – college education, home purchase, vehicle replacement, and other family-enhancing plans are all suspended, and may never be reactivated or achieved.

4. The Vision for the Economic Recovery and Growth Plan (ERGP), 2017 – 2020

The current administration recognizes that the economy is likely to remain on a path of steady and steep decline if nothing is done to change the trajectory, therefore, the vision of the ERGP is for sustained inclusive growth. There is an urgent need as a nation to drive a structural economic transformation with an emphasis on improving both public and private sectors efficiency. It aims at increasing national productivity and achieving sustainable diversification of production, to significantly grow the economy and achieve maximum welfare for the citizens, beginning with food and energy security.

The Economic Recovery and Growth Plan (ERGP), a Medium Term Plan for 2017 – 2020, builds on the Social Investment Programme (SIP) and has been developed for the purpose of restoring economic growth while leveraging the ingenuity and resilience of the Nigerian people – the nation's most priceless assets. Consistent with the aspirations of the Sustainable Development Goals (SDGs), the ERGP initiatives address three dimensions of economic, social and environmental sustainability issues.

Outlook for the Plan

By 2020, Nigeria will have made significant progress towards achieving structural economic change and having a more diversified and inclusive economy. Overall, the Plan is expected to deliver on the following key outcomes:

Stable Macroeconomic Environment: The inflation rate is projected to trend downwards from the current level of almost 19 per cent to single digits by 2020. It is also projected that the exchange rate will stabilize as the monetary, fiscal and trade policies are fully aligned. This outcome will be achieved through policies that seek to remove uncertainty in the exchange rate and restore investors' confidence in the market.

Restoration of Growth: Real GDP is projected to grow by 4.6 percent on average over the Plan period, from an estimated contraction of 1.51 percent recorded in 2016. Real GDP growth is projected to improve significantly to 2.19 per cent in 2017, reaching 7 per cent at the end of the Plan period in 2020. The strong recovery and expansion of crude oil and natural gas production will result as challenges in the oil-producing areas are overcome and investment in the sector increases. Crude oil output is forecast to rise from about 1.8 mbpd in 2016 to 2.2 mbpd in 2017 and 2.5 mbpd by 2020. Relentless focus on electricity and gas will also drive growth and expansion in all other sectors.

Agricultural Transformation and Food Security: Agriculture will continue to be a stable driver of GDP growth, with an average growth rate of 6.9 per cent over the Plan period. The Agricultural sector will boost growth by expanding crop production and the fisheries, livestock and forestry sub-sectors as well as developing the value chain. Investment in agriculture will drive food security by achieving self-sufficiency in tomato paste (in 2017), rice (in 2018) and wheat (in 2020). Thus, by 2020, Nigeria is projected to become a net exporter of key agricultural products, such as rice, cashew nuts, groundnuts, cassava and vegetable oil.

Power and Petroleum Products Sufficiency: The ERGP aims to achieve 10 Gigawatt (GW) of operational capacity by 2020 and to improve the energy mix, including through greater use of renewable energy. The country is projected to become a net exporter of refined petroleum products by 2020.

Improved Stock of Transportation Infrastructure: By placing transportation infrastructure as one of its key execution priorities, effective implementation of this Plan is projected to significantly improve the transportation network (road, rail and port) in Nigeria by 2020. Given the scale of investment required to deliver this outcome, strong partnership with the private sector is expected to result in completion of strategic rail networks connecting major economic centres across the country, as well as improved federal road networks, inland waterways and airports.

Industrialized Economy: Strong recovery and growth in the manufacturing, SMEs and services sectors are also anticipated, particularly in agro-processing, and food and beverage manufacturing. Ongoing strategies to improve the ease of doing business will boost all manufacturing sector activities. Overall, the ERGP estimates an average annual growth of 8.5 per cent in manufacturing, rising from -5.8 per cent in 2016 to 10.6 per cent by 2020.

Job Creation and Youth Empowerment: The implementation of the Plan is projected to reduce unemployment from 13.9 per cent as of Q3 2016 to 11.23 per cent by 2020. This translates to the creation of over 15 million jobs during the Plan horizon or an average of 3.7 million jobs per annum. The focus of the job creation efforts will be youth employment, and ensuring that the youths are the priority beneficiaries.

Improved Foreign Exchange Inflows: The reduction in the importation of petroleum products resulting from improvement in local refining capacity following the implementation of the ERGP is projected to reduce demand for foreign exchange. The economic diversification focus of the Plan is also projected to translate into enhanced inflows of foreign exchange from the non-oil sector.

On the whole, Nigeria is expected to witness stability in exchange rate and the entire macroeconomic environment. The country will also witness a major improvement in economic performance which should result in the following, amongst others: (a) reduction in importation of food items and refined petroleum products, (b) improved power supply, (c) higher quality transport infrastructure, (d) expansion in the level of

industrial production, (e) improved competitiveness, (f) greater availability of foreign exchange, (g) job creation, (h) reduction in poverty and (i) greater inclusiveness in the spread of the benefits of economic growth.

Unlike previous government policies and plans, the ERGP outlines a proposed delivery strategy which, amongst other things, establishes clear accountability, sets targets, allocates resources to established priority areas, creates enabling policy and regulatory environments, monitors and drives progress and ensures effective communication. Whilst Nigerians continue to wait on the implementation of the Plan, it remains to be seen if the ERGP can deliver on its promise given its relatively ambitious timeline and the many other challenges to overcome. What appears to be clear however is that the ERGP, if successfully implemented, would have tremendous effect in almost every sector of the Nigerian economy while leveraging on science, technology and innovation. Although the timeline for achieving most of its priority objectives appear ambitious, the Plan undoubtedly presents significant trade and investment opportunities for both local and international investors and businesses at a time when this is sorely needed (Templars, 2017).

Table 4 presents Selected Macroeconomic Projections, 2016-2020 (in percent of GDP except otherwise specified).

Table 4a: Selected Macroeconomic Projections, 2016-2020 (in percent of GDP except otherwise specified)

	2016	2017	2018	2019	2020
REAL					
<i>Real GDP Growth %</i>	-1.54	2.19	4.80	4.50	7.00
<i>of which...Agriculture %</i>	4.69	5.03	7.04	7.23	8.37
<i>of which...Industry %</i>	-10.13	7.74	6.11	6.07	8.02
<i>of which...Services %</i>	-0.51	-1.26	3.16	2.45	5.82
<i>Non Oil GDP %</i>	-0.07	0.20	4.83	4.52	7.28
<i>Oil GDP %</i>	-15.41	24.30	4.55	4.35	4.45
<i>Gross National Disposable Income (GNDI)</i>	101.73	101.86	101.83	101.78	101.70
<i>Gross National Income (GNI)</i>	97.48	97.67	97.77	97.88	97.91
<i>Gross National Savings</i>	11.29	13.71	15.53	18.19	21.31
<i>Total Consumption (C)</i>	90.44	88.14	86.30	83.59	80.39
<i>Private Consumption (Cp)</i>	86.33	83.28	81.08	77.92	73.84
<i>Government Consumption (Cg)</i>	4.11	4.86	5.22	5.67	6.55
<i>Gross Domestic Investment (I)</i>	13.95	13.90	14.34	15.57	17.34
<i>Government Investment (Ig)</i>	3.53	3.71	3.15	2.89	2.76
<i>Private Investment (Ip)</i>	10.42	10.20	11.19	12.68	14.58
<i>Inflation Rate %</i>	18.55	15.74	12.42	13.39	9.90
<i>Oil Price Benchmark US\$</i>	38.00	42.50	45.00	50.00	52.00
<i>Oil Production (mbpd)</i>	1.7	2.2	2.3	2.4	2.5
<i>Labor Force growth rate %</i>	3.66	3.92	4.37	3.98	4.09
<i>Unemployment %</i>	14.20	16.32	14.51	12.90	11.23
<i>Unemployment inc underemployment rate%</i>	32.77	33.51	31.88	29.65	26.92
EXTERNAL					
<i>Current Account, n.i.e.</i>	-1.84	0.65	1.96	2.59	2.89
<i>Trade Balance</i>	-0.31	1.80	2.85	3.26	3.42
<i>Capital and Financial Accounts</i>	1.02	1.32	1.35	1.28	1.34
<i>of which: FDI</i>	0.21	0.22	0.33	0.33	0.43
<i>PI</i>	0.85	1.14	1.06	0.98	0.95
<i>Overall Balance</i>	1.38	-2.11	-3.43	-3.99	-4.34
<i>Net Factor Income Payments (Yf)</i>	-2.52	-2.33	-2.23	-2.12	-2.09
<i>Exports of goods and services (X)</i>	9.01	10.82	11.52	11.39	11.66
<i>.....of which exports of goods</i>	8.38	10.23	10.95	10.85	11.13
<i>Imports of goods and services (M)</i>	-12.58	-12.03	-11.40	-10.58	-10.47
<i>.....of which imports of goods</i>	-8.69	-8.43	-8.11	-7.59	-7.71

Sources: MBNP, NBS, FMF and CBN; ERGP, 2017

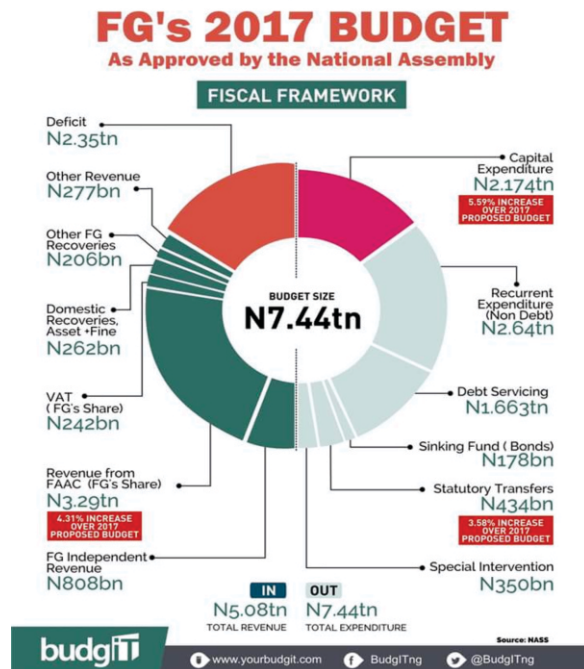
Table 4b: Selected Macroeconomic Projections, 2016-2020 (in percent of GDP except otherwise specified)

FISCAL					
<i>Revenue</i>	3.95	4.68	4.30	4.61	4.46
<i>.....of which oil</i>	0.74	1.88	1.68	2.11	2.01
<i>...of which non oil (including accrued government revenue & other government independent revenue)</i>	3.22	2.80	2.62	2.50	2.45
<i>Non-debt recurrent expenditure</i>	2.40	2.49	2.22	2.02	2.03
<i>Interest payments</i>	1.40	1.58	1.64	1.59	1.54
<i>Expenditure</i>	6.21	6.92	6.27	5.85	5.57
<i>Capital Expenditure</i>	1.63	1.95	1.54	1.42	1.41
<i>Primary Balance</i>	-0.86	-0.66	-0.33	0.35	0.42
<i>Deficit (-) or Surplus (% GDP)</i>	-2.26	-2.23	-1.96	-1.24	-1.12
<i>Financing</i>					
<i>Domestic (% of financing)</i>	53.68	53.21	34.38	20.57	26.06
<i>Foreign (% of financing)</i>	28.80	45.30	65.62	79.43	71.66
<i>Other Financing (% of financing)</i>	17.52	0.00	0.00	0.00	0.00
<i>Use of Cash Balances (% of financing)</i>	0.00	1.49	0.00	0.00	2.28
<i>Primary balance (% of GDP)</i>	-0.84	-2.80	-6.19	-4.33	-6.08
MONETARY (yoy %)					
<i>Net Domestic Credit (NDC) YOY growth rate</i>	33.32	10.26	14.72	18.20	19.88
<i>Government (NDCg) YOY growth rate</i>	12.30	14.23	9.16	8.66	10.71
<i>Private (DCp) YOY growth rate</i>	30.74	10.68	14.12	17.21	19.00
<i>M2 Growth YOY growth rate</i>	22.18	22.89	20.06	21.84	19.52
<i>Income Velocity</i>	4.32	3.80	3.46	3.12	2.83

Sources: MBNP, NBS, FMF and CBN, ERGP, 2017

4.1. Budget 2017

Figure 1: Approved 2017 Budget Proposal



Source: Budget, 2017

From Figure 1, Nigeria's budget has continued to increase since 2015 from N4.8trillion to N6.1trillion in 2016 and an estimated N7.4 trillion in 2017. In 2017, budget tagged budget of recovery, the proposed breakdown N2.64trillion (non-debt recurrent expenditure), N2.174trillion (capital expenditure), N434billion (statutory transfers) and N1.663trillion for debt servicing. Deficit is estimated at N2.35trillion, N808billion (independent revenue), N5.08trillion as revenue projections. Top priorities among the sectors are education, defense, health, interior, while among others, top capital allocation goes to transportation, defense, education, industry, trade and investment, interior, health, education, Niger Delta, special intervention etc.

5. Challenges and Prospects of the Nigerian Economy

5.1. Challenges of the Nigerian Economy

Nigeria is a **mono-product economy** with the bulk of government revenue coming from oil exports which is susceptible to shocks in the international oil market. Moreover, many other solid minerals with which the country is richly endowed with remain generally untapped. More fundamentally, the economy has disproportionately relied on the primary sector (subsistence agriculture and the extractive industry) without any meaningful value addition (Sanusi, 2010). In light of this, the little growth recorded in the economy, thus far, has been without commensurate employment, positive attitudinal change, value reorientation, and equitable income distribution, among others.

These could be attributed to poor leadership, poor implementation of economic policies, weak institutions, poor corporate governance, endemic corruption, etc. According to Sanusi, 2010, these challenges have remained largely unresolved owing to the myriad of problems. Presently, Nigeria is also facing the following challenges:

i. Infrastructural challenges: The main challenges facing the economy are poor economic and social infrastructure: bad roads, erratic power supply, limited access to portable water and basic healthcare, and much more. Building a vibrant economy or restoring growth to a sluggish economy requires resources. The infrastructural deficiencies in the economy lead to low productivity, poor quality products and non-competitiveness in the global market place. The annual budgets are defective in structure and adequacy to address infrastructural problems.

ii. Corruption challenges: Although corruption is a global scourge, Nigeria appears to suffer seriously from it. Everyone appears to believe that the nation has a “culture of corruption”. Over the years, Nigeria has earned huge sums of money from crude oil, which appears to have largely gone down the sinkhole created by corruption. Corruption has denied Nigerians the value of the petro-dollar that has accrued to the country over the years. The failure of infrastructure, political and ethical standards as well as moral standards can easily be traced to corruption. There are not enough checks and balances.

iii. High cost of governance. Nigeria continues to maintain a very high cost of governance and wasteful spending which must be addressed at all levels.

iv. Macroeconomic challenges: The Nigerian macro economy is still characterized by structural rigidities, dualism and the false paradigm model. Generally, the sectors of the economy are in silos to the extent that the primary sector does not relate meaningfully with the secondary sector and the same for the secondary and the tertiary sectors. Agricultural produce end up as final consumer goods as only a small quantity is processed or used as raw materials for local manufacturing industries. Also, the produce of the extractive industries are exported in their raw forms without local value addition.

v. The Dutch disease: Since the oil price boom of the early 1970s, the country abandoned the agricultural and industrial sectors of the economy to the old and the weak. Both the public and private sectors of the economy concentrate their efforts on oil and gas industry to the extent that the mainstream economy is denied funding, requisite investment and even managerial capabilities. Thus, the mainstream economy has become uncompetitive globally while the country has turned into a trading outpost for foreign companies. This has hindered the much-needed transformation of the economy in the last four decades.

vi. Poor institutions and corporate governance: Another important challenge to sustainable economic growth in Nigeria is ineffective institutions and poor governance. These factors have been hindering various efforts and reforms of the government to stimulate economic growth for sustainable development in Nigeria. The prevalence of

weak institutions and poor corporate governance as well as poor ethical standards in most public and private organizations, hinder the attainment of the goals of economic policies in the country. Poor corporate governance has adversely affected the quality of institutions to the extent that public and private institutions are used for selfish interests, thereby, making regulation and law enforcement ineffective, lack of respect for the laws of the land, impunity and accountability.

vii. Low quality of education: Education is an important factor in economic growth and development. But the nation's educational system has been facing myriad of challenges, which prevent the country from achieving its economic objectives. The problems include: inadequate funding and planning and management, inadequate infrastructure, irrelevance of curricula to industrial needs, and inadequate commitment on the part of students and teachers, among others. All these have combined to hinder the production of a high quality work force to propel the economy (Aigbedion, Anyanwu and Wafure, 2016).

viii. Poor investment climate and business environment: The consequence of all that have been said above is the poor investment climate in the economy that has rendered the economy uncompetitive. In the absence of adequate infrastructure (power, roads, water, etc.), the cost of doing business in the country remain high, forcing business to relocate to neighbouring countries like Ghana, Niger, Chad etc even companies that had existed in Nigeria for upwards of four decades.

ix. Non-implementation of Budgets Fully: The annual budgets are not usually implemented 100% and this constitutes a cog in the wheel of economic progress of Nigeria.

x. Political Overburden and Insecurity: This has a lot of cost implications as top class decisions and policies are compromised. There is also the problem of insecurity in Nigeria.

5.2. Prospects of the Nigerian Economy

This section deals with the prospects which are bright for the economy. Indeed, it has been projected that by the year 2050, Brazil, Russia, India and China, usually referred to as the BRIC countries, would have a combined economy that is bigger than the group of six (G6) industrialized countries – USA, Japan, Germany, UK, France and Italy.

The 2005 “Global Economics” Paper No. 134 published a list of eleven countries that could have the BRIC effect and achieve global economy-giant-status by 2025. The countries include: Bangladesh, Egypt, Indonesia, Iran, Mexico, **Nigeria**, Pakistan, Philippines, South Korea, Turkey and Vietnam. In the projection of Goldman Sachs, only about 11 countries may have bigger economies than Nigeria by 2050. It is clear that the Nigerian economy has great potentials, all that is required is a policy framework that can jump-start it. Nigeria can leverage on its sizeable population, with a relatively highly-educated and enterprising workforce and its richly endowed economic potentials: physical, human and natural resources.

Therefore, the potentials in the oil and gas sectors, agriculture and manufacturing, telecommunications and tourism, among others brighten the growth prospects of the country. Nigeria is also a major growth pole in the West African sub-region and the African continent, and so it has enormous geo-political and strategic advantage that if leveraged upon would foster growth and economic recovery.

In summary, this growth prospects and economic recovery can be achieved and sustained if:

- a. The economy is diversified from the primary products and away from crude oil and natural gas; to other sectors such as agriculture, manufacturing, solid mineral, services, tourism and trade. The downstream petroleum sub-sector is deregulated and encouraged the setting up of private refineries;
- b. Efforts are sustained to maintain peace in Niger Delta to boost crude oil and gas output;
- c. Electricity supply is increased to 15,000-25,000 MWh between now and 2020, to boost manufacturing capacity utilization and activities in other critical sectors;
- d. Other key economic and social infrastructure is improved to facilitate the performances of other sectors.
- e. Agricultural output is increased barring adverse weather conditions, with continued implementation of various government programmes, especially preserving, processing and marketing activities; to add value to agricultural output.
- f. The banking sector reforms and efforts to resolve liquidity challenges are sustained to channel credit massively to the real sector of the economy.
- g. The growth in the services sector is sustained, by increasing the local contents of the industry and by expanding the tele-density of the country.
- h. The balance of trade is persistently positive, as it has been in the last five years.
- i. External reserves can be substantially built up to boost the credit worthiness of the economy and attract foreign investment.
- j. Government sustains the current reforms in the various sectors of the economy to achieve rapid growth and development.
- k. The existing democratic governance is sustained, rule of law, justice, fairness and equity and inclusive growth are given priorities they deserve in Nigeria.
- l. Strengthen law enforcement institutions and sustain fight of corruption.

- m. Put in place definite effort to reduce cost of governance and restructure government expenditure pattern in favour of capital expenditure.
- n. Motivate the SMEs and enhance good governance.
- o. Full implementation of the Budget 2017 to achieve sustainable development.
- p. Nigeria should borrow a leaf from USA and other countries that have successfully come out of recessions (Britain, Canada, Ireland, Singapore, etc.).

6. Recommendations for Economic Recovery

a) Diversification of the Economy: Government intervention on agriculture is heavily needed in boosting production in the sector across the variety of crops and animal production in Nigeria. Although output in crop has continued to increase quarterly year - on -year according to the NBS in 2016, more resources need to be devoted into the agricultural sector, as well as amendment of the Land Use Act of 1978 and protection of farmers against the attacks, agriculture needs to be business inclined away from subsistence production. Government subsidies and support to enhance productivity should be the watch word. Already a lot of efforts have been made, including those by the Central Bank of Nigeria, aimed at improving the funding of the sector at affordable costs. Bringing back the river basin schemes would go a long way to transform the agricultural sector. The CBN Anchor Borrowers Programme (ABP) launched in November 17, 2015 to create a linkage between anchor companies involved in the processing and small holders farmers (SHFs) of the required key agriculture commodities is good, however, more initiatives and efforts must be made to boost agriculture in all chains of production by the Ministry of Agriculture.

In the ERGP, the Plan proposes to establish a N200billion **solid minerals** seed fund. The establishment of this Fund undoubtedly offers renewed hope for improved access to finance for participants in this industry but the terms, structure, implementation and administration of this Fund may not entirely dispel the concerns of industry participants in the light of previous experiences. For example the CBN's-Nigerian Electricity Market Stabilization Facility (CBN-NEMSF) and the Power and Airline Intervention Fund (PAIF).

b) The Wholesale and Retail Trade Sectors and Service Sector: These would blossom and contribute highly to GDP. The service sector is another source of life for the Nigerian economy. The telecommunications sub-sector continues to drive that sector. Improvements in power supply would increase the output of the sector. The local content of the sector can also be improved upon. In the context of the ERGP, the Plan for "Diversification and Growth" by the Federal Ministry of Industry, Trade and Investment ("The MITI Plan"), is being implemented. The MITI Plan is focused on industry, trade and the investment dimensions of the economy. This must be taken seriously to boost the level of economic activities in the country.

c) Revitalize the Manufacturing and Industrial Sector: We must also improve the business climate by upgrading corporate governance, promoting venture capital

investment, redesigning policies for small and medium-sized enterprises (SMEs) to serve as engine of growth and for employment creation. SMEDAN and BOI should be much more empowered and structured to meet the needs of the SMEs in the country. In terms of empowerment, the Federal Government through the Bank of Industry (BOI) is rolling out Government Enterprise and Empowerment Programme (GEEP) as a no-interest loan scheme to traders, farmers and entrepreneurs across 13 States and the FCT. This is a good step in the right direction. The ERGP proposes to generate about 1.5million jobs by 2020, promote exports, boost growth and upgrade skills of MSMEs through unique innovations whilst focusing on modern ICT products and services. What appears to be lacking however are clearly-defined job creation initiatives, steps and an implementation and monitoring plan to put into effect the ERGP. Currently, the Social Investment Programme (SIP) under the N-Power Volunteers Corps plans to hire 350,000 more unemployed graduates in 2017 to engage as artisans and in other creative ventures.

d) Grow the Oil and Gas Sector: The oil and gas industry can be grown through its greater integration with the rest of the economy. The establishment of more thermal power plants and diversification of energy sources should be encouraged. Sustained peace in the Niger Delta area would guarantee that Nigeria's OPEC quota is met at the current price. Thus, the contribution of the oil and gas industry to the economy can be facilitated. In fact, the link between the oil and gas industry and the rest of the economy should be strengthened through a more effective implementation of the local content policy.

e) Infrastructural Development: For nearly six decades, infrastructure deficit has been a perennial problem in Nigeria and still remains a recurring theme amidst talks of potential investments through PPPs. The government should create the enabling environment, focus on improving infrastructure such as power supply, good roads, etc. The adoption of best practices, welfare of host communities/Community Development Service and timely review of policy become imperative. In addition to the Abuja-Kaduna rail launched in July 2016, Lagos-Ibadan rail under construction and the Kaduna-Kano, Ibadan-Ilorin, Minna-Abuja and Ilorin rails running, more railways should be built for ease of transportation.

f) Quick and firm intervention of the CBN in stabilizing the financial sector. This involves strengthening banking supervision by Asset Management Corporation of Nigeria (AMCON), recapitalizing insolvent banks and returning them to private hands, establishing clear criteria for eligible assets and ensuring full transparency and accountability of AMCON's operational and financial results. Proper monitoring and controlling of the money market, addressing investor's withdrawal of money from foreign stock markets to meet liabilities at home and curbing inflation.

g) Fiscal and Monetary Policies: The nature of fiscal and monetary policies determines recovery of any economy in recession. According to Nigeria's CBN governor, "in times like this, there is usually the need for strong policy coordination between the key aspects of economic policy making space. This would include fiscal, monetary, exchange and trade policies". For example, the US economy was said to contract rapidly toward the end of 2008, and continued into 2009 and beyond. The new Administration and new

Congress developed a stimulus program to soften the recession and accelerate the recovery, policy makers needed to pursue stimulus policies that work, the tax reductions. What USA and UK did during the global financial crisis for recovery were as follows: real take-home pay was sustained by cuts in interest rates and VAT and to maintain consumer demand, Central banks cut interest rates to unprecedentedly low levels and embarked on programmes of 'quantitative easing' – buying assets, mainly government bonds, and creating the money to do so –to increase the money supply. Finance ministries pursued policies of 'fiscal stimuli – rising public spending or lowering taxes to boost demand. Nigeria can borrow a leaf from all these policies. Fundamentally, Nigeria needs to transfer much of the financial burden from its masses to the government by controlling tax rates but increasing the tax base. The idea of over weighting the tax burden on Nigerians would only increase sufferings.

h) The Exchange Rate: The current exchange rate problem was caused by the deficit in foreign exchange earnings which could be solved by increasing oil production, non-oil exports and reduction of imports of luxury goods. Dealing with the unfavourable exchange rate and multiple rates can solve half of the current economic problems that Nigeria is facing. To deal with the current rising exchange rate particularly in the parallel market, the CBN must find a way to regulate the illegal trading of the dollars and push the rate down by injecting dollars into the economy as a short term strategy. This is on-going already as the government has injected quite some dollars into the economy in recent times to push the value of the dollar down from N500 and above to less than N400. It is important to mention, with respect to the foreign exchange market, that the CBN recently recorded some success in trying to increase market liquidity, mitigate FX availability risks (at least to retail users) and foster a more efficient and competitive FX market. Whilst it is unclear if similar efforts can be sustained throughout the lifespan of the ERGP, the assumption is that there might be renewed optimism and increased likelihood of success if the CBN continues with its recent measures.

i) Promote Foreign Direct Investment: With the right business environment and investment in infrastructure, the Nigerian population is a good destination for FDI. Nigeria needs to create a favourable and secured business environment for investors, a reasonable exchange rate and positive image building.

j) Promote Entrepreneurship to Curb Unemployment. Skills development and entrepreneurship must be well funded especially in our educational institutions and encouraged by national and international governments and agencies. CBN interventions in this area are commendable. This will also curb brain drain.

k) Boost lending to small businesses (SMEs). This should be promoted through targeted reforms, such as effective credit risk bureau, better collateral execution, bankruptcy procedures, capacity building, improved land tenure system and strengthening of the BOI, SMEDAN, NDE, ITF etc to promote the SMEs.

l) Encourage Private Sector Participation: Thus, the private sector is expected to ensure competitiveness in the solid minerals sector, create the necessary environment for achieving high productivity in the sector and investment. More so, PPP is viable and has

the ability to provide a cost reduction and effective programme implementation options for economic expansion.

m) Curb Corruption: The anti-corruption war must continue particularly in strengthening institutions to perform their mandates within the ambit of the law. All prosecutions must be followed and convicted persons jailed as a deterrent to others. The Economic Financial Crime Commission (EFCC), ICPC and other related agencies must be strengthened for greater performance and supported to sanitize the inherent corruption in all sectors of the economy. Currently, billions of naira have been recovered by the EFCC while prosecutions are on-going.

n) Ensure Peace and Security: The government should do all it can to provide peace in the country. A country with so much conflict and agitations can never prosper. Ethnic and religious tensions have increased in recent years. We have the terrorist group, kidnapping as well as violence in the Niger Delta, the Southern Kaduna killing, all represent sources of insecurity. It is commendable to say that the Acting President, is working extremely hard to put a stop to pipeline vandalism in the Niger Delta through dialogue and reinvestment in the region.

o) Quantitative Easing: The Central Bank can manipulate the money supply by buying government bonds to increase the volume of money in circulation. This increases banks' reserves which will, in theory, encourage banking lending to businesses. The other effect of the Central Bank action is a reduction in bond interest rates, which is expected to help increase investment spending. Some of the drawbacks or dangers, of quantitative easing are possibilities of financial losses by the Central Bank, difficulty in gauging exactly how much money is needed for injection into the economy, likelihood of loss of confidence in the economy, especially by external investors-, and the danger of the plan not working out as intended.

p) Treasury Single Account (TSA): The TSA is good but it is important for the government to re-structure the forms of payments within the TSA framework. Immediate payments and disbursement of approved funds must be made for the performance of institutions. TSA shouldn't be bureaucratic as funds ought to be accessed in order to prevent irregularities within the system.

q) Tax cuts: The most popular, or most recommended policy for any country to dig itself out of recession is expansionary fiscal policy or fiscal stimulus. This is usually a two-pronged approach – tax cuts and increased government spending. The idea of tax cuts in times of recession is to increase family disposable income, in the hope that these families will go out and spend the extra money which, in turn, will spur increased production in companies; the increased production is expected to result in increased job creation. What of if the people use the extra disposable income from tax cuts to pay off their accrued debts, and the financial institutions refuse to lend the extra revenue to businesses for investment? Recession will persist.

r) Increased Government Spending: This is more advocated than tax cuts. However, since most of government revenue is generated through taxes, levies, and duties on imports and exports, the receipts from these sources fall during recession. It is a well-known fact that government capital investments can lead to massive employment and its attendant multiplier effects, especially on public works such as: roads, rail, ports, water, electricity etc., which have direct impact on economic growth. But where will the money come from. Since tax cuts will lead to reduced government revenue. Then the only option is external borrowing. However, the money must be spent on productive activities like agriculture, SMEs to diversify the Nigerian economy.

s) Currency Devaluation: This is not good for Nigeria. Currency devaluation is expected to cause a boost in aggregate demand of goods and services; that is, if the nation produces what other nations need. For industrialized nations with diversified economies and multiple products, currency devaluation in periods of recession will be beneficial to export the products. However, for mono-product economies, like some African nations, currency devaluation will not have much positive impact in times of international supply glut. So, even though the product will be cheaper to export, there may be no sufficient market. Now, the other effect of devaluation is to increase demand for domestic goods. Where such goods are produced domestically, this plan will work. But, where the absence is the case, then the purpose of currency devaluation is defeated. It is very difficult for most Third World economies to get out of recession through currency devaluation, because they are mostly mono-product economies with devastating international competition, and little diversified domestic production. For example, suppose that in a global recession, Nigeria decides to devalue its currency to boost oil export, the expectation that Angola, Venezuela, and many other oil-dependent economies will follow suit is very real. In the end the market is flooded with cheap oil that no one wants. So, everyone suffers from this policy decision, instead of benefitting.

t) Full implementation of the Budget 2017. The budget for 2017 should be implemented faithfully by all the three tiers of government. In addition, Nigeria should support government's efforts by patronizing made in Nigerian goods to reduce import bills.

u) The Role of the National Assembly (NASS). The support of the NASS to pass the bills as at when due becomes imperative to facilitate economic recovery and development of Nigeria.

v) The Role of the Judiciary. The Judiciary has important roles to perform in economy recovery of Nigeria through adjudication and non-delay of cases in the court.

w) The Role of the Mass Media. The print and electronic media needs to support the government efforts to promote policies and programmes that will eliminate economic recession and facilitate inclusive growth and sustainable development.

x) The Role of the Development Partners. The role of the development partners cannot be over-emphasized. Nigeria needs their support in promoting foreign direct investment (FDI) and in capacity building.

y) **The Role of the Armed Forces.** Security of lives and properties in Nigeria is a collective effort. Therefore, the Army, Air force, Navy, Police and other related forces should ensure peace in Nigeria to enable free flow of FDI and expertise into Nigeria.

z) **Reduce the cost of governance (NASS, SHAs and the LGA Councils).** Nigeria needs to reduce the cost of governance and restructure government expenditures in favour of capital expenditures.

7. Conclusion

Nigeria needs to rapidly apply appropriate policies to rescue the nation from its current recession. Millions have lost their jobs and millions more are suffering severe hardship and dying or at risk of death. Indeed, we are all responsible, but most especially those who have been in governments in the past; however, blaming is a counterproductive and anti-development. What Nigeria needs now is economic recovery.

The prospects for growth in Nigeria are very bright going by the achievements recorded during the last ten years and the current reforms in the various sectors. However, for Nigeria to consolidate these economic gains and move higher in the front lines of growth, development and economic recovery, it must deepen reforms that improve human capital, promote high-quality public infrastructure and encourage competition. All efforts must be directed towards ensuring proper fiscal policies, transparent fiscal operations, development-oriented monetary and exchange rate policies, strengthening of the financial sector and strict adherence to the rule-of-law and respect for the sanctity of contract as well as commitment to fighting corruption. We must build a new Nigeria that the future generations of Nigerians would be proud of. Our electoral process must not only be credible, but must be seen to be credible because economic performance requires a robust political environment.

In addition, for Nigeria to achieve economic recovery from the current recession that has led to unemployment, poverty, fall in demand for goods and services and rising demand for dollars, Nigeria needs to implement faithfully all the recommendations mentioned above. Nigeria needs to use oil revenue to diversify her economy to create job opportunities and satisfy the basic needs of Nigerians and to ensure sustainable development. To achieve this, she has to address all the challenges highlighted above. Finally, governments at all levels should look beyond oil and tap other natural resource endowments, if the country's economy should be diversified as crude oil price has continued to dwindle.

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