FOCUS ON ECONOMIC RECESSION IN NIGERIA

Edited By:

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Preface

This book of reading examined economic recession as a global phenomenon, but authors opined that Nigeria's worse economic woes were caused by the past and present dispensations of political, career, traditional/religious and corporate leadership. Some blamed the cantankerous and precarious condition of Nigeria's economy on cultural peculiarities of the Nigerian people that aid and abet unethical practices and behaviours over the years.

Many individuals and organizations have argued that decline in GDP of the country for three consecutive quarters, instability in the exchange rate, cut in foreign reserve, mono-economic structure of the Nigerian polity leading to non-diversification of Nigerian economy, huge external debt as well as mismanagement and misappropriation of resources by corrupt politicians among others are responsible for the economic recession. All these resulted into hyper-inflation without corresponding increase in purchasing power of all strata of the Nigerian civil society, employee layoffs and benefit reduction, poverty, hunger, disease, insecurity as well as infrastructure decay and deficit. Other attendant problems of economic recession are: credit impairment and bankruptcy, reduction in government revenue and increased borrowing, cuts to quality of goods and services, reduced liquidity leading to paucity of funds for transaction and investment, decline in foreign Direct investment, especially to banks as well higher consumer price index (inflation) and currency devaluation as well asdastard impact on family life – living standard payment for education and so on. Several authors proffered solutions to ease Nigeria out of recession in no distance future among which are: Diversification and restructuring of the economy, increase in Agricultural produce/processing/export, increase in manufacturing produce and export effective spending and discipline. Government should cut down unnecessary expenditure, block leakages, stealing, looting and wasteful spending by shenanigans in positions of authority and focus on health care and educational infrastructure. We also need to run knowledge economy, enhance ICT with huge dependence on ICT for businesses, security, improvements, information exchange, social sector and practically all spheres of life. Also, our Government should consider FOREX conservation a priority to boost foreign reserve by utilizing home grown/manufactured raw materials and also manufacture for export.

This book *Focus on Economic Recession InNigeria,* arranged in twelve chapters is well designed and sequentially arranged with a view to illume the readers' understanding of the concepts of economic recession particularly as related to Nigeria. This book is carefully packaged to reflect the various situations in Nigeria economically and politically.

Chapter One analyses the impact of economic recession on Nigeria's development, particularly hyper-inflation, currency devaluation and poor direct investment in banks as well as downsizing and right sizing of the work force Banks, industries and public sector, irregular payment of salary and stunte economic growth with reference to Gross Domestic Products (GDP). In Chapt two, the author discusses how *Space Science And Technology Education* can b repositioned to turn around the economy, particularly in the midst of econom recession in Nigeria, especially the causes, consequences and the way forwar Chapter four examines fall in the volume and value of oil revenue in Nigeri activities of Niger-Delta militants, decline in GDP of Nigeria for thre consecutive quarters, instability in the exchange rate, over-reliance on oil and lac of diversification of Nigerian economy among others, as the major causes o economic recession, consequences of economic recession are discussed an solutions proffered.

Also, Chapter five analyses issue of knowledge economy as a veritabl tool to drive economic development and launch the nation into buoyant, globally competitive economy. In chapter six, strategies of maximizing the benefits o 2017 Nigeria's annual budget for the purpose of addressing the current econom recession are articulated while chapter seven provides econometric approach to minimize the effects of economic recession on the performance of deposit mone banks credit in Nigeria, especially the Nigerian banks financial intermediation Chapter eight investigates the impact of socio-economic status and personality characteristics on entrepreneurial intention of undergraduates in Oduduwa University. The study establishes significant relationship between personality characteristics and entrepreneurship education as a catalyst to youth enterprises and sustainable development in Nigeria, as it provokes self-reliance and job creation, thus goes a long way to eradicating poverty.

Chapter Ten makes appraisal of the Nigerian 2016 budget as it affects Nigeria's economy and how it fails to address critical economic indices that canlift our nation out of the present economic recession. In chapter eleven, information technology (IT) for wealth creation and poverty reduction in Nigeria towards leading Nigeria to economic prosperity is analysed. Chapter twelve makes a critical appraisal of the impact of foreign aid on Nigeria's economic crisis. It is expedient to add that editors take responsibility for the editorial work, the respective authors of various chapters take full responsibility for the contents of their studies.

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CHAPTER ONE

Assessing The Impact of Economic Recession on Nigeria's Development

Erigbe, P.A

Introduction

The National Bureau of Economic Research (NBER), defines recession as significant decline in economic activity spread across the macro economy, last more than a few months, normally visible in real gross domestic product (GD real income, employment, industrial production and wholesale-retail sale Usually, recession may be triggered by financial crisis and or credit crunch, well as demand and supply-side shocks, (Kamar, 2012).

The Nigerian economy has been hit hard by a recession, caused by excess imports, plunging oil revenue and sharply low investment inflows. The glob financial crisis brought about economic downturn or meltdown in most of t developed economies with great implication for developing ones like Niger Economic recession is perceived as a symptom of deeper structural proble inherent in the Nigerian economy, and overdependence on external mode capitalist societies. (Agri, Mailafia & Umejiaku, 2017).

Conceptual Issues

Economic Recession

There are remote and immediate causes of the current economic recession i Nigeria. Globally, there is geopolitical tension around the world, causing glob crisis and commodity prices dropping, the drop in crude oil prices, Brexit, cruci American election in 2016, South China Sea issues, Russia-Syria crisis, ISIS illegal migration and refugee crisis which are remote but important causes of th recession as Nigeria is an integral part of the global economy. .Following th mortgage crisis of 2009 which started in the USA, there have been a couple o actions which, given the size of US economy in the world, has had certain impac both positive and negative on emerging markets and frontier markets (Adelman 2011), where Nigeria unfortunately stands today. Amongst the immediate causes the current recession in Nigeria is a symptom of monoproduct economi structure, lack of economy diversification and over-reliance on imports.

The Nigerian economy contracted due to global oil price shocks an volatility, worsened by oil pipeline vandalism and depletion of foreign reserve previous governments. Nigeria's recession was triggered by a sharp drop in government revenues and /or a drop in consumer spending. A drop in global oil prices(which Nigeria cannot control), triggered a drop in revenue and government spending due to Nigerian government not being able to earn what it used to earn before the drop. The mono product economy structure, heavy dependent on crude oil export, and official corruption are the root causes of the economic recession. In Nigeria, where federal and state governments are the biggest spenders in the economy, a drop in Government spending can dovetail into a drop in consumer spending which in turn means businesses cannot invest in products and services, and also cannot employ. Instead, there is lying off of workers and high rate of job losses. What Nigeria should realize is that, by allowing the import of goods that can be produced in Nigeria, we export wealth and jobs to those countries and import recession, unemployment and poverty to Nigeria. The country has had no control over the price and output of oil at the domestic and international market.

In recession, there is usually a decline in certain macroeconomic indicators such as GDP, employment, investment spending, capacity utilization, household income, business income, and inflation, with the attendant increase in the rate of unemployment, (CBN, 2012).Chinguwo and Blewit, (2012) posited that economic recession, financial crisis and climate change problems combined to make life even more difficult for many working people and their families. According to Mailafia,(2016), economic recession stagnates wage growth and increases the proportion of people on low pay, as well as swelling unemployment and underemployment. In a research by Bauer, (2009), economic recession and the global financial crisis have inter-linkages with poverty incidence in developing countries. In a study by Oyesiku (2009), economic recession does not just occur, certain factors trigger recession which include; inflation, loss of consumer confidence, excess supply over demand, excess demand over supply, and global economic crisis. The present economic recession has severe negative and also some positive impacts on aggregate economic activities in Nigeria. It causes extreme poverty and suffering of the masses, children's right to quality education, affordable inclusive healthcare are deprived, there is adverse demand and supply shocks. It has contractionary effects on aggregate demand and supply resulting to volatile shocks in economic activities. There is scarcity of foreign exchange, few money, reduced income, decreased finances available to previous governments. Nigeria's recession was triggered by a sharp drop in government revenues and /or a drop in consumer spending. A drop in global oil prices (which Nigeria cannot control), triggered a drop in revenue and government spending due to Nigerian government not being able to earn what it used to earn before the drop. The mono product economy structure, heavy dependent on crude oil export, and official corruption are the root causes of the economic recession. In Nigeria, where federal and state governments are the biggest spenders in the economy, a drop in Government spending can dovetail with a drop in consumer spending which in turn means businesses cannot invest in products and services, and also cannot employ. Instead, there is lying off of workers and high rate of job losses. What Nigeria should realize is that, by allowing the import of goods that can be produced in Nigeria, we export wealth and jobs to those countries and import recession, unemployment and poverty to Nigeria. The country has had no control over the price and output of oil at the domestic and international market.

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According to NBS data, the Nigerian economy has recorded two cons quarters of economic contraction. In Q1 2016, GDP growth was nega 0.36%) and recently released Q2 2016 data reflects a larger contraction (-2. The economic contraction is fairly broad and includes both oil and n sectors. The oil sector contracted by 17.48% and non-oil sectors by 0 Virtually all major economic sectors are in recession, manufact construction, trade, transport, hotels and restaurants, finance and insurance estate and government. The only exceptions are agriculture telecommunications.

Economic Development

Economic development typically involves improvements in a varie indicators such as literacy rates, life expectancy, and poverty rates. Essenti country's economic development is related to its human development, w encompasses, among other things, health and education. These factors however closely related to economic growth so that development and gr often go together. Since economic development and growth cannot be disc in isolation of a referenced community, society or nation, efforts will be ma relate essentially to the economic development parameters in the Nig nations. Nigerians economic aspirations has remained that of altering structure of production and consumption patterns, diversifying the economic and reducing dependence on oil with the aim of putting the economy on a p sustainable, all inclusive and non-inflationary growth. The implication of t that while rapid growth in output, as measured by the real gross domestic pro (GDP) is important, the transformation of the various sectors of the econor even more critical. This is consistent with the growth aspirations of developing countries as the structure of the economy is expected to chan progresses. (Kelikume, 2015).

Statement of The Problem

Nigeria has been an economically slavish neocolonial state. The present economic recession in Nigeria is manifestation of long-term ills in the structure of the economy that became full-blown under the present government. The recession seems to affect socio-political structures, Nigeria's credit condition, general living standard, imports, production and employment as well as consumption demand in Nigeria. Fast developing economies like China, India, Brazil, including Vietnam and Thailand depend on exports to drive their economies. Nigeria cannot afford to do otherwise. 80 percent of Nigerians still lack access to electricity, decent housing, portable water and good healthcare. This figure is growing as a result of increasing unemployment caused by the recession. For many years, The importation of petroleum products covers 30 percent of Nigeria's GDP, importation of toothpick, rice, fish, cassava starch, sugar and processed tomatoes take 20 percent; importation of garments and fabrics 15 percent, importation of cars and electronics 20percent; resulting to sky-rockets inflation of 17.8 percent in 2016 The demand for foreign exchange and imports(including imports of petroleum products) remained high structure of the economy has not only been export dependent, but also on a resource that is non-renewable.

According to RTC Advisory service limited, Nigeria's GDP is quite diversified so the problem is not structure of domestic production. The issue is undiversified structure of government revenue and exports (FX) revenue. The reasons include:

- Legacy Factors
- Policy Factors
- Political/Security Factors

Literature Review

Conceptual and Empirical Impact Review of Economic Recession on Nigeria's Development.

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Following the loss of jobs is the loss of income; the cost of living has gone astronomically too high for the core poor and the middle class. There is sharp decline in savings and investment; decline in the stock market activities, as some investors have pulled out their funds from the stock market due to high risks and uncertainties. There is also increase in the crime rates as life gets harder for a greater number of,the population(the poor), living conditions are getting worse, crime rates have escalated; increase in robberies, petty stealing, street hawking, kidnapping, child trafficking, fraudulent schemes and other financial crimes. The aggregate poverty incidence continues to increase. There is budget deficit in government spending. The national and state budgets are experiencing spending unemployment, (CBN, 2012). Chinguwo and Blewit, (2012) posited t economic recession, financial crisis and climate change problems combined make life even more difficult for many working people and their famil According to Mailafia, (2016), economic recession stagnates wage growth a increases the proportion of people on low pay, as well as swelling unemploym and underemployment. In a research by Bauer, (2009), economic recession a the global financial crisis have inter-linkages with poverty incidence developing countries. In a study by Oyesiku (2009), economic recession does n just occur, certain factors trigger recession which include; inflation, loss consumer confidence, excess supply over demand, excess demand over supp and global economic crisis. The present economic recession has severe negati and also some positive impacts on aggregate economic activities in Nigeria. causes extreme poverty and suffering of the masses, children's right to quali education, affordable inclusive healthcare are deprived, there is adverse deman and supply shocks. It has contractionary effects on aggregate demand and supp resulting to volatile shocks in economic activities. There is scarcity of foreig exchange, few money, reduced income, decreased finances available t households and businesses. There is also weak purchasing power, reduce consumer spending and decrease in sales of goods and services. The purchase o goods and services by individuals, households and firms has drastically reduce as a result of the economic recession. Business activities are now at the low ebb there are jobs losses and increase in unemployment rate. The reduce employment is due to decreased sales of goods and services by business owners, companies, street vendors, farmers, shop owners, retailers and wholesalers. The aggregate spending power has sharply declined.

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Conclusion

The economic recession in Nigeria is caused by both endogenous and

exogenous factors. There have been symptoms of a recession in the
economy, just that it became full-blown under the President Mohamma
civilian regime due to certain drastic actions taken to solve perennial
economic problems. It is not abnormal for a market economy to go
business cycle: boom, recession, and recovery. What matters is how
phase of recession is managed to avoid a depression. The economic rec
serious negative impacts on government revenue, employment
vulnerability, inflation, human health, infrastructural supply, poverty a
resource management in Nigeria. Recovery and sustained economic dev
are desirable, but presently, Nigeria is a dependent capitalist economy
not the first time Nigeria is experiencing economic recession, as the
experienced recession in the 1970s, 1980s and 1990s. The global
(financial) crisis of 2007/2008 affected Nigeria as a periphery econo
dependent on the global trade. Nigeria has unrepentant, unpunishe
political class, over relies on the Federal Government revenue, over-d
crude oil, to a large extent, feeds on imported food, lives on foreig
household electronics and communication manufactures, military
transport and electricity, infrastructure inputs, cloth in imported te
garments and drives in 100 percent imported cars. These are the root ca
recession. The country looses $18 billion FDI annually to foreign entrep
telecommunications, with over-blown financial corruption and rec
These are the internal problems that caused the recession. Nigeria sho
measures that will conserve its foreign reserves by reducing the de
foreign exchange on imports that could be produced in Nigeria.
reforms that would lead to diversifying the economy must be fully imp
The socioeconomic effects of the recession include; unemployment, inf
loss of livelihood strategies. These have serious negative consequen
stability of families. The standard of living, education, healthcare, infr
and general wellbeing are affected. People are suffering, life is tough
rates are on the increase as life expectancy reduces with increases in
maternal mortality rates. Consumer confidence is lost; there is psychol
faith in the economy and the government, especially by the suffering
households, businesses and external sectors.

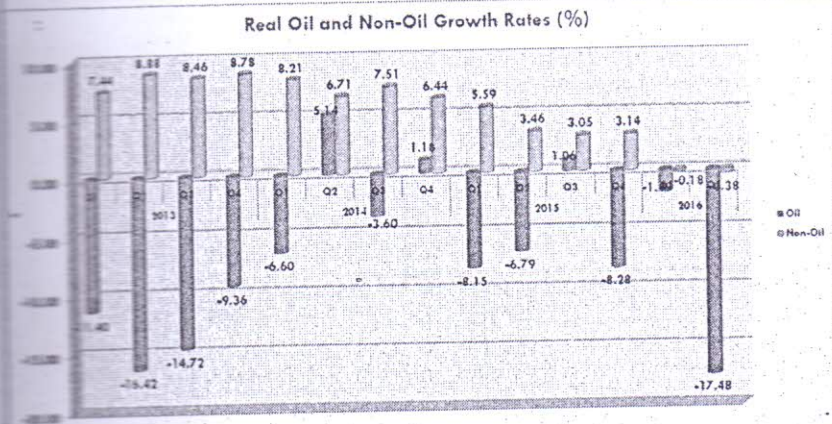
Recommendations

It is recommended that Nigeria needs positive economic change that is caused structural and fiscal reforms. Nigeria should strive to diversify the economy, be self-reliant and corruption-free. Addressing the economic recession requires a shift from a mono-product economy structure, overdependence on imports and diversification of the economy with at least 70 percent local contents. In order to make economic progress, Nigeria must change the structure of the economy and move away from oil to agriculture, value added entrepreneurship, chemicals, pharmaceutical industry, develop the iron and steel industry, revamp the machine tools industry for local fabrication of industrial tools. This will change the structure of the economy to a path of sustainable growth. The provision of infrastructure, qualitative education, affordable health care, constant power supply and human capital development are recommended. Unemployed people should accept a low paying job as a short-term solution, pending when a better job offer is available. In order to generate sustainable growth and maintain social cohesion, Nigeria must rise to the urgent challenge of creating 40 million productive jobs over the next decade. Government and private sector should partner to promote community based enterprises, innovation, recycling, re-using, local farmers markets, financial cooperatives, community health and fitness, local training and skills, household gardening and natural resource conservation.

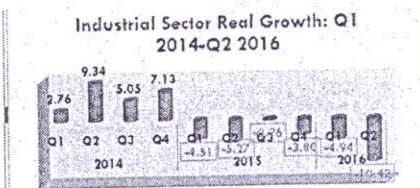
The youth with all their energies and education should not shy away from agriculture, but embrace it with pride and dignity of labor, as a business and means of livelihood. Government should encourage and promote modern agriculture for big and small farm holders. There should be deliberate policy to demystify the oil sector, promote the manufacturing sector, and small and medium scale enterprises. Ideas and innovation of Nigerians must be converted into "made in Nigeria" goods and services, not just classroom theories, empty political speeches or sentimental religious sermons. Monetary policy should provide access to cheap credits and sources of financing start-ups, with very low lending rates. There is need to reduce over-reliance on foreign goods and finance capital, with good example from the political class. States also should not over-rely on the federal government for funding, they should use local-content resources to innovate, produce, collaborate and compete for self reliance and economic independence. The states must be able to generate their own revenue without depending on the federal allocation, as it is done in China and other fast developing countries. Presently, only Lagos State in Nigeria is capable of doing so. There is need to diversify the state and federal economy, improving t industrial capacity; Nigeria should grow its own rice, refine its crude oil. Farme should be empowered to grow and process their tomatoes, value-added cassava, cotton, cocoa, rubber, palm oil and fruits. Government and priva sectors' investment in agriculture to acquire latest technology innovations in t sector is still grossly inadequate, and does not trickle down on peasant farmers poor areas. Government should focus on the social factors and conditions th affect the poor's capacity to respond to the economic recession such as the housin scheme, electricity, water supply, employment opportunities, health ca provision, entrepreneurship and improving the quality of education. Niger should continue to implement fiscal and monetary policies that would reduc overreliance on the dollar so as to bring about economic stability and self-relia development. In these ways, Nigeria can have resilience in the face of glob economic (price) volatility.

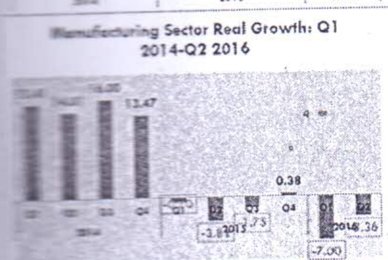
Nigeria's Economy and Recession: Outlook for 2017
Real GDP Growth: Q1 2013-Q2 2016

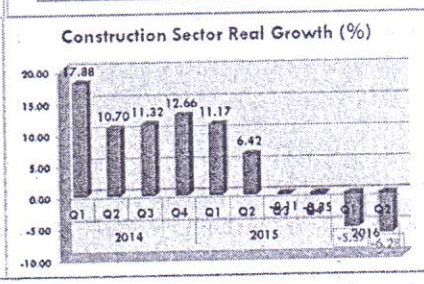
Source: NBS & RTC Research


Real Oil and Non-Oil Growth Rates (%)
8.46
8.78
8.21
6.71
7.51
6.44
5.59
3.46
3.05
3.14
1.16
1.06
-0.18
-3.60
-6.60
-9.36
-14.72
-8.15
-6.79
-8.28
-17.48
2013
2014
2015
2016
Q1
Q2
Q3
Q4
Oil
Non-Oil

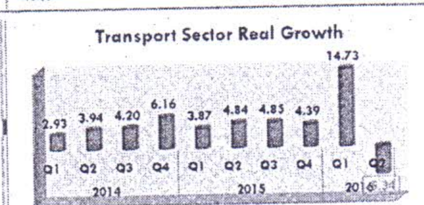

Agriculture Sector Real Growth: Q1 2014-Q2 2016
4.70
3.49
3.46
3.48
3.09
4.53
2014
2015
2016

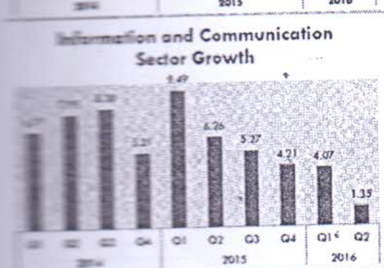

Industrial Sector Real Growth: Q1 2014-Q2 2016
2.76
9.34
5.05
7.13
Q1
Q2
Q3
Q4
2014
2015
2016

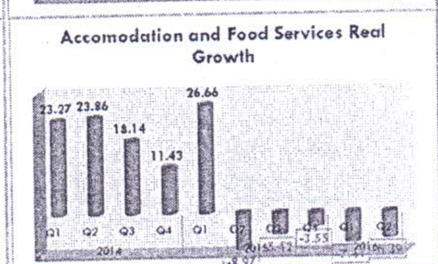

Manufacturing Sector Real Growth: Q1 2014-Q2 2016
13.47
0.38
-7.00
2014
2015
2016


Construction Sector Real Growth (%)
17.88
10.70
11.32
12.66
11.17
6.42
20.00
15.00
10.00
5.00
0.00
-5.00
-10.00
2014
2015
2016

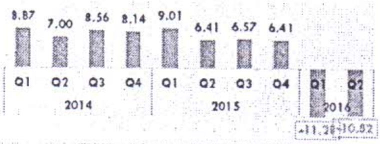

Trade Sector Real Growth: Q1 2014-Q2 2016
4.47
5.07
4.40
4.69
2.02
2015
2016


Transport Sector Real Growth
2.93
3.94
4.20
6.16
3.87
4.84
4.85
4.39
14.73
2014
2015
2016

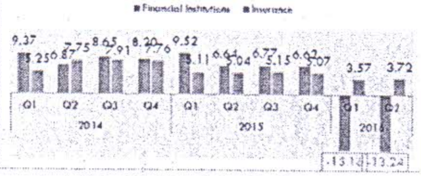

Information and Communication Sector Growth
9.49
6.26
5.27
4.21
4.07
1.35
2015
2016


Accomodation and Food Services Real Growth
23.27
23.86
18.14
11.43
26.66
-8.97
-3.55
2014

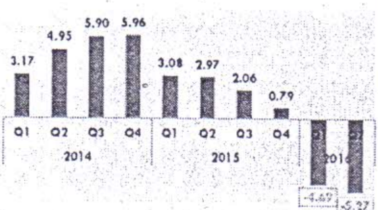
Finance & Insurance Real Growth (%)



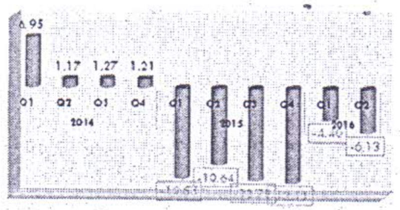
FIs & Insurance Sector Growth



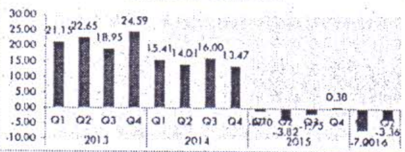
Real Estate Growth



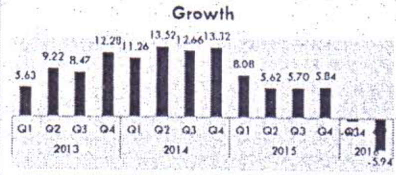
Public Administration Real Growth



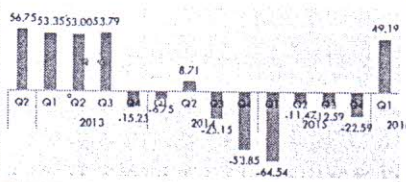
Manufacturing Sector Real Growth: Q1 2013-Q2 2016



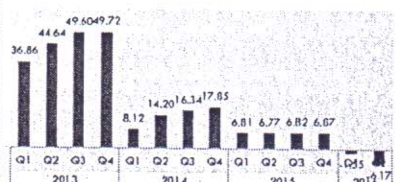
Wood and Wood Products Real Growth



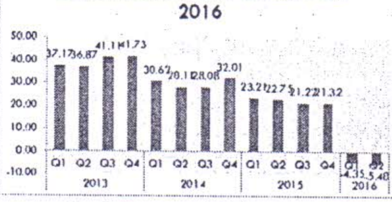
Oil Refining Real Growth: Q1 2013-Q2 2016



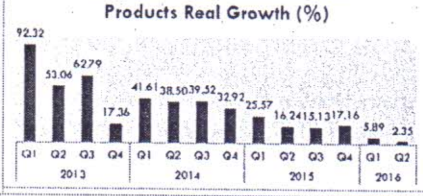
Pulp, Paper and Paper Products Real Growth(%)



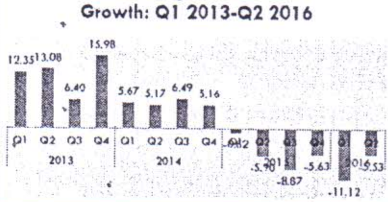
Cement Real Growth: Q1 2013-Q2 2016



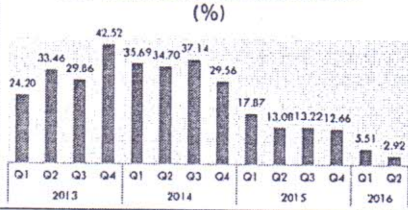
Chemical and Pharmaceutical Products Real Growth (%)



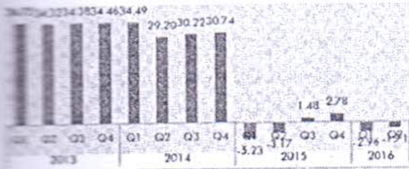
Food, Beverage & Tobacco Real Growth: Q1 2013-Q2 2016



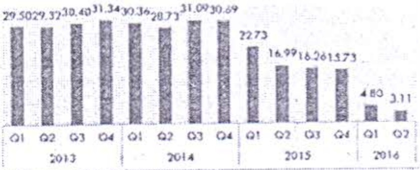
Non-Metallic Products Real Growth (%)



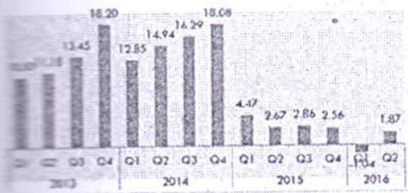
Textile, Apparel and Footware Real Growth



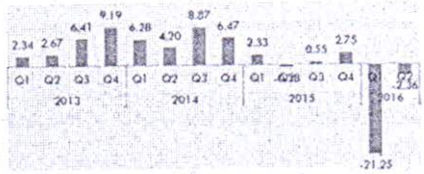
Plastic and Rubber Products Real Growth (%)



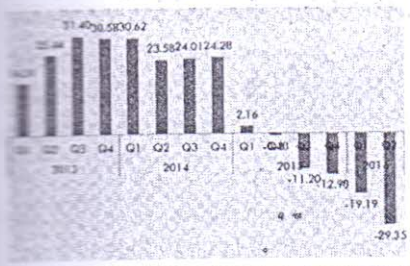
Basic metal , Iron and Steel Real Growth(%)



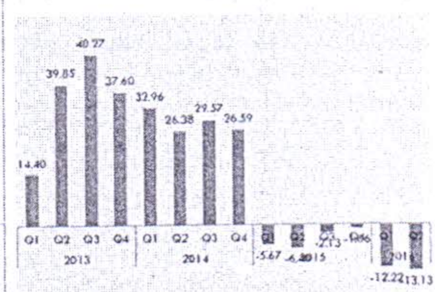
Electrical and Electronics Real Growth (%)



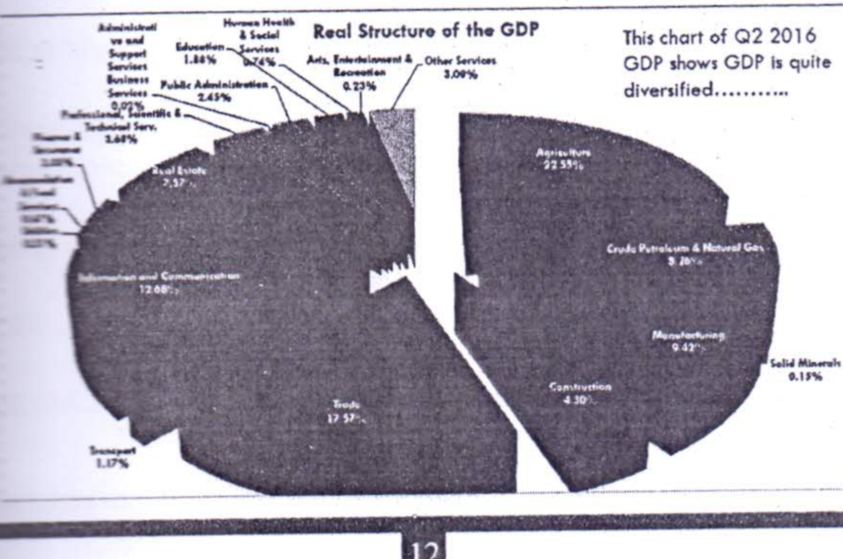
Motor Vehicles & Assembly Real Growth (%)



Other Manufacturing Real Growth (%)

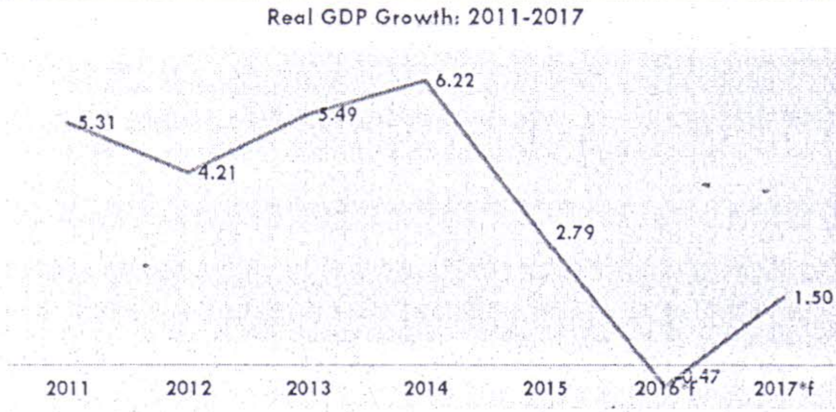


Real Structure of the GDP



This chart of Q2 2016 GDP shows GDP is quite diversified..........

Real GDP Growth: 2011-2017



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