

Nigerian economy is shaping up

Juwon Obajemu examines how the economy has fared in the last quarter and the effect the promising opportunities in it will have in the next quarter

Strong indications from Nigeria's domestic and external sectors show that Nigerian economy is receiving a positive impact. The second quarter and indeed, this year are promising opportunities for accelerated economic growth for Nigeria, especially, after the April general elections. The third quarter will actually reveal the true pace of the economy, because, by then, the newly elected officials, will have assumed governance duties. Currently, Nigeria's foreign exchange reserves is standing at about 43.48 billion U.S. dollars. The government, through the creation of the Independent Corrupt Practices Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC), is waging a ferocious war on corruption, money laundering and related offenses.

Gross Domestic Product per capita was 1,114 U.S. dollars, oil production grew by 2.5 percent, Gross National Savings by 20.6 per cent, the oil sector by 4.7 per cent while the non-oil sector by 8.9 per cent, at the end of 2006. According to the Governor of the Central Bank of Nigeria (CBN) Charles Soludo, Nigeria now has a sustained macroeconomic stability, rapidly growing non-oil sector, telecommunications and capital market, among others. Finance Minister, Nenadi Usman, a month ago, disclosed that the removal of the country's debt overhang has restored investors' confidence in Nigeria and also facilitated trade with other countries by improving access to export credit facilities. "Nigeria's exit from the Paris Club is the biggest debt write-off for any sub-Saharan African country. The debt was structured to enable Nigeria secure a complete and permanent exit from the Paris Club within the shortest possible time," Usman said. Before August, 2005, when Nigeria secured a debt forgiveness of 18 billion, U.S. dollars from the Paris Club of creditor nations, the country's external debts were about 30 billion dollars. Now, the country's external debt stands at 3.03 billion dollars, considered sustainable following internationally-accepted benchmarks.

The Nigerian economy is on a reforms journey it embarked upon, some eight years ago, it was ostensibly to have its inherent structural defects corrected. Before now, virtually every aspect of the economy, agriculture, manufacturing industry, energy, transport, communications, education, information, culture, sports, water, housing, and general administration, among others, abound with unjustifiable subsidies, resource mismanagement and waste. The story is a different one today, as the African giant is under reforms. A sector by sector overview of the economy in reforms reveals an upward trend in manufacturing industry. This is based on economy-wide optimism while hope is placed on possible improved funding from the recapitalized banking system. Currently, the capitalization of Nigerian Stock Exchange (NSE) is 6.754 trillion naira strong (about 52.77 billion U.S. dollars). The banking sub-sector has continued to inspire hope as it remained the most active on the floor of the Exchange. Now, about 16 Nigerian banks are in the list of top 1,000 banks in the world while five are in Africa's top 10 banks' list. The public sector has been investing greatly on infrastructure including the ones for transport and the Power Holding Company of Nigeria, formerly National Electric Power Authority (NEPA), among others. About 1.3 trillion naira (about 10.16 billion U.S. dollars) is believed to have been sunk into the power sector over the past eight years.

There has been some inflow of direct foreign investments into the economy, mainly from the telecommunications sector. The agricultural sector is showing some promises, although government's objective of food security is yet to be achieved. The petroleum sector, which is the cash cow of the economy, is undergoing reforms to make it competitive internationally. A better accounting system for oil proceeds has been established for the purpose of consolidating inflows and outflows into the national

budget. Soludo has advised newly-elected President Umaru Yar'Adua to consolidate on the modest achievements of the current reforms "by breaking the national resource curse" of dependency on oil, ensure micro-economic stability and fiscal responsibility to sustain the gains of the reforms. The challenge before the new government is how to reverse an entrenched tendency of sharing oil riches to the few and leaving the vast majority in crippling poverty.

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