



# Analysts Monthly Review

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## Now that Nigeria’s Economic Growth and Recovery Plan is Launched

Having recognised effective planning as a tool for restructuring and developing Nigerian economy, the Federal Government released the Economic Recovery and Growth Plan (ERGP) on Tuesday, March 7th, 2017. Todaro (1992) describes development planning as government’s deliberate effort to influence changes in major economic indicators to achieve some predetermined goals.

The ERGP represents a medium term plan from 2017 to 2020 with the primary objectives of restoring growth, building a globally competitive economy and investing in the Nigerian people all towards achieving a sustained inclusive growth in Nigeria.

It is instructive to note that Nigeria has launched and implemented a number of plans in the last five decades which are summarised below:

- Pre-independence Plans: For welfare and development of Nigeria to meet colonial interests
- 1<sup>st</sup> NDP (1962-1968): To develop agriculture, industry, transport, manpower and living standard
- 2<sup>nd</sup> NDP (1970-1974): For reconstruction after the civil war
- 3<sup>rd</sup> NDP (1975-1980): Oil boom era with the objective of unemployment reduction, income distribution, economic diversification, indigenisation etc
- 4<sup>th</sup> NDP (1981-1985): An ambitious plan with objectives to increase income and productivity, technological development and others in 3<sup>rd</sup> NDP
- 5<sup>th</sup> NDP /Structural Adjustment Programme – SAP (1986): Aimed at consolidating earlier NDP but suffer from the external debts and declined oil price; hence, SAP was adopted for economic restructuring, diversification from oil, increased private sector participation etc.
- Rolling Plans (1990-1998): 15-20years perspective plans broken down into 3 years rolling plans that feeds into the annual budget. Aimed at linking long, medium and short- term goals.
- National Economic Empowerment and Development Strategy – NEEDS (2003-2007): Aimed at wealth and employment creation, poverty reduction and value re-orientation.

### ECONOMIC RECOVERY & GROWTH PLAN 2017-2020



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- Vision 20:2020: Making Nigeria one of the top 20 economies by the year 2020
- Nigeria Industrial Revolution Plan (2014): 5-year plan to rapidly build up industrial capacity and improve competitiveness in sector where Nigeria has comparative advantage

Had all, or even any, of these plans achieved the stated objectives, there might not have been a need for the ERGP at this time. The problem has always been implementation. Interestingly, everyone recognises this as the problem and most of the plans also recommend their implementation strategies, but things are not just implemented.

The culprits in many times have been lack of political will and commitment to implement; fall in government revenue source like oil price; change in governments; political crisis and elections; poorly-designed public investment programmes, failure to link annual budget to the plan; too ambitious programmes; lack of clear strategies that tie plan objectives to programmes, deliverables and timelines; failure to define a dispassionate baseline as well as measurement metrics and milestones; lack of pressure from citizens and groups; lack of clear ideology on the complementarity and substitutability between the roles of the market and state in economic development; lack of incentives (compensation and sanction) for complying with the plan; corruption and other rent-seeking activities; poor identification of who plays which role; dearth of capacity for monitoring and evaluation; among others.

The current Plan however claims to be different from previous ones because there is political commitment leading to the establishment of a Delivery Unit in the Presidency and the merger of Budget and Planning into the Ministry of Budget and National Planning (MBNP) which is expected to align budget with planning for effective implementation.

No doubt, the Delivery Unit and MBNP have a lot to do in ensuring effective implementation of the Plan. Since the ERGP document itself is not explicit on how some of its objectives and strategies will be achieved, these MDAs will have to come up with supporting documents and programmes to the Plan. In drafting these documents and overseeing the Plan implementation, the question that should come to the mind is: to what extent are we arresting each of the culprits identified above?

## Economic Growth and Development



## Nigeria's Economy Ended 2016 in recession

For the fourth consecutive time, the Nigerian economy contracted again during the last quarter of 2016. Data on Q4 2016 estimates released by the National Bureau of Statistics on 28th February confirmed that the Nigeria's GDP contracted by 1.30 percent in real terms in this quarter. This was attributed to the decline in the prices and output of crude oil as well as the increases in vandalism. Also, the decline in the non-oil industries performance adversely affected the economic growth. However, the negative decline of 1.3 percent was less severe than the decline of 2.24 percent reported in the previous quarter of 2016 which slightly improved due to the federal government's efforts in addressing the security challenges in the Niger Delta.

The Real GDP growth rate declined by 1.51% in real terms (year on year change). This negative growth rate recorded in the fourth quarter of 2016 is more visible in industrial sector, electricity, gas and oil sector.

During the period 2016 Q4 under review, aggregate nominal GDP was ₦29,293 billion at current basic prices. This was 12.97% higher than the fourth Quarter 2015 value of ₦25,930.47 billion. Overall, aggregate nominal GDP for the year 2016 stood at ₦101,598.48 billion compared to ₦94,144.96 billion in the year 2015.

Examining the trend of the GDP growth in 2016, it is observed that the decline in the fourth quarter growth rate is less severe compared to the second and third quarter rate, indicating that we are at a point of inflexion. Despite the negative performance, we are confident that the economy will recover in the year 2017 but the government must be proactive and implement stimulus policies that will not only boost growth but also reduce its vulnerability and pave way for higher levels of development. While the World Bank and the IMF are projecting a growth rate of 0.8% and 1% for Nigeria's economy in 2017, the country's recently-released Economic Growth and Recovery Plan is more ambitious by projecting 2.18% for the year.

## CBN New Forex Policy Braces the Naira

Despite the steady rise in the nations' reserves, the Naira continued to depreciate at the parallel market till mid February. However, the Central Bank of Nigeria on the 20th February announced the new foreign exchange policy actions which is designed to narrow the gap between the parallel and interbank bank market and to ease the difficulties encountered by Nigerians in obtaining funds for invisible transactions. These measures include the provision of direct additional funding to banks to meet the needs of Nigerians for personal and business travel, medical needs and school fees at 20% above the interbank market rate. As a result of implementation of this policy, the Nigerian currency sustained its gains against the dollar.

At the interbank market, the naira closed the month at ₦305.5/US\$ while the parallel market closed at ₦455/US\$. The Interbank market gained 0.08% during the month while the parallel rate lost 8.633% at the end of the February, 2017. Also, the Nigeria's external reserves level rose by 5.23 percent to \$29.65 billion as at the end of the February, 2017. Going further into the month of March, some of these indicator has also shown some level of improvement, for instance, the rate at the parallel market is falling towards ₦350/US\$1.

In the money market, the average inter-bank call and OBB rates, stood at 9.05 percent and 8.27 percent at the start of activities this year on 3<sup>rd</sup> January and closed at 6 percent and 12.5 percent, respectively, on March 15th, 2017.

While the gains recorded so far by the naira is commendable, it is hoped that the recent intervention efforts of the CBN will be sustainable. If this is achieved, the rate of inflation may fall further, thereby supporting a reduction in interest rate.

## Nigeria's GDP Growth Rate



Source: National Bureau of Statistics, 2017

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## Interbank & Parallel Market EXR

	2016: DEC	2017: JAN	2017: FEB
Interbank EXR	305.3	305.2	305.3
Parallel EXR (AVR)	487	495.4	497.9
Ext. Res.(\$' Billion)	25.84	28.17	29.65

Source: Central Bank of Nigeria, 2017 & Abokifx

As a result of implementation of this policy, the Nigerian currency sustained its gains against the dollar.

## FGN Revenue Disbursement in February, 2017

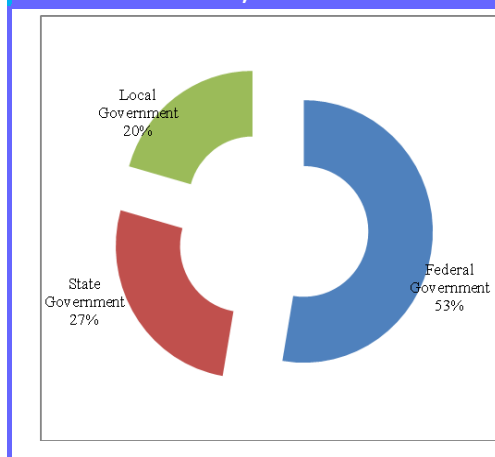
The three tiers of government shared a total of N429.13 billion from the February 2017 Federation Account Allocation Committee (FAAC) disbursements. The details show that the figure is N36.02 billion less than the amount of N465.15 billion shared in January 2017. The gross statutory revenue received for the month is N290.16 billion, which is lower than the sum of N324.99 billion received in the previous month. This significant decrease in revenue was noted from Petroleum Profit Tax, Company Income Tax Import and export duties and oil royalty.

The shared amount comprises the Statutory distributable revenue of N258.692 billion, Value Added Tax of N69.207 billion, exchange gain of N40.329 billion and Excess PPT Account of N60.899 billion. There was also a N6.330 billion refund to the Federal Government by Nigerian National Petroleum Corporation (NNPC).

The shared amount from net Statutory revenue revealed that the Federal Government received N117.581 billion representing (52.68%); States received N59.639 billion (26.72%); Local Government Councils received N45.979 billion representing (20.60%); while the Oil Producing States received N23.191 billion as 13% derivation revenue. In addition, the shared amount from the Value Added Tax (VAT), Federal Government received N9.966 (15%); States received N33.220 billion (50%) while the Local Government Councils received N23.254 (35%).

Also, it was observed that there was a revenue increase of \$4.06 million in Federation export sales due to a rise in the Crude oil export volume by 0.30 million barrels while it recorded a decrease in the average price of Crude oil from \$49.57 to \$44.74 per barrel during the period under review.

## Net Statutory Revenue Distributable in Feb, 2017



Source: Federal Accounts Allocation Committee Report

*The shared amount comprises the Statutory distributable revenue of N258.692 billion, Value Added Tax of N69.207 billion, exchange gain of N40.329 billion and Excess PPT Account of N60.899 billion.*

## Do Nigerian Firms Engage in Corporate Philanthropic Activities?

Firms are committed to the provision of activities which enhance the sustainable development within their local community and the society at large. This usually involves incurring short term costs that do not provide an immediate financial benefit to the company but instead promote positive social and environmental change. These philanthropic activities help to improve the quality of life in ways that are good for the business and international best practices.

We have examined the philanthropic activities of 132 companies listed on the Nigeria Stock exchange from the year 2000 – 2015. It is observed that on the average, 36% of the sampled firms do not have any record of their philanthropic activities, 55% provide details of such activities while 9% do not provide any details of their philanthropic activities. This suggests that more than 48% of the companies are committed to engaging in their philanthropic activities yearly. Also, the numbers of companies that engage and keep records of their philanthropic activities have increased over the sampled period. Furthermore, firms should be encouraged to meet the social and environmental needs to the people and also keep adequate records of such activities.

Corporate philanthropic activities of selected firms					
Years	2000	2005	2010	2015	Total
No record	35	45	37	28	36
Recorded with details	50	48	55	66	55
Recorded without details	15	7	8	6	9
	100	100	100	100	100

Source: Company's Annual Report and Anastat

*It is observed that on the average, 36% of the sampled firms do not have any record of their philanthropic activities, 55% provide details of such activities while 9% do not provide any details of their philanthropic activities.*

## Inflation Declines by 0.94% in February 2017

Nigeria's headline inflation rate recorded 17.78 percent year on year in February 2017. This is the first time in 15 months that inflation dropped by 0.94 percent compared to January which was 18.72 percent. The decline represents the effects of slower movement in already high food and non-food prices as well as the favourable base effects. On a month on month basis, the headline inflation increased by 1.49 percent point in February compared to the rate of 1.01 percent recorded in January. Also, the higher cross broader demand for Nigerian grains increased food inflation which stood at 18.53 percent for the review period. The current high inflation can be traced to the major divisions in housing, water, electricity, gas and other fuel, education, food and alcoholic beverages, clothing and footwear and transportation services.

More so, the year-on-year (y-o-y) prices in urban and rural centres stood at 18.57 percent and 16.98 percent respectively in the same period, indicating that urban index continued to increase at a faster pace compared to the rate of increase in the rural areas. Since the naira now records a significant gain against the US dollar at the parallel market, it is expected that the high rate of inflation would decline further in 2017.

### Trend of Inflation Rate in Nigeria

	2015: Feb	2016: Feb	2017: Jan	2017: Feb
Headline	8.36	11.38	18.72	17.78
Core	6.99	11.04	17.9	16.01
Food	9.36	11.35	17.82	18.53
Urban	8.41	12.25	20.31	18.57
Rural	8.29	10.69	17.34	16.98

Source: National Bureau of Statistics, 2017

*The decline represents the effects of slower movement in already high food and non-food prices as well as the favourable base effects.*

## Corporate Board Size has been Relatively Stable in Nigeria

There is an optimal board size that yields highest value to companies. Too few directors may imply low board diversity, less oversight and capacity; conversely, too many directors may constitute a crowd, patronage and redundancy.

Empirical studies on board size reveal a link with performance. The relationship is such that at the initial stage as board size of the companies are increased over a range, it improves performance but beyond a certain point, increases in board sizes exert adverse impact on its operation. This supports the agency theory that as the large board members (being the agents) tend to look after their own interest.

Consequently, some studies have suggested a board size ranging between 5 and 15, depending on the complexity of operations of a company, will be optimal. In order to gain insights in the size of the board members in Nigeria, we analyse the information extracted from the annual reports of listed companies on the Nigerian Stock Exchange from the year 2000 to 2015.

It is shown that the board size ranged between three (3) and twenty five (25) with an average number of ten (10) board members. In each of the years examined, it is found that the average board size is between nine (9) to ten (10) members. This means that the corporate board size has been relatively stable over the sampled periods in Nigeria. However, this should display a good spread of monitoring skills of the board and allow quality communication within the board.

### Board Size of Firms by Selected Years

Years	Average of Board	Maximum of Board	Minimum of board
2000	9	21	4
2005	9	19	3
2010	10	25	4
2015	10	19	4
Total	10	25	3

Source: Company's Annual Report and Anasat Platform

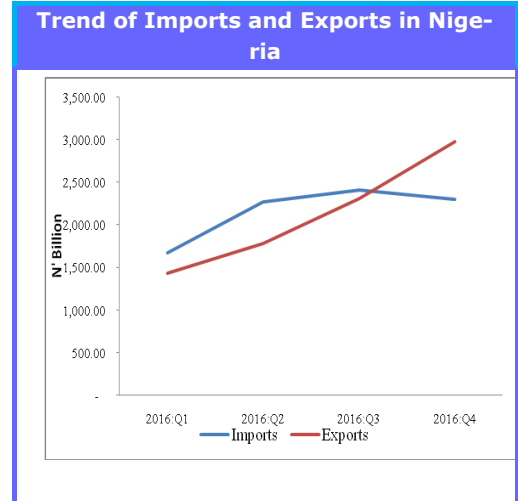
*It is shown that the board size ranged between three (3) and twenty five (25) with an average number of ten (10) board members.*

## Total Trade increased by 10.6% in Q4 2016

The total value of Nigeria’s merchandise trade at the end of Q4, 2016 stood at ₦5,286 billion, an increase of 10.6% from the preceding quarter value of ₦4,781.1 billion. Exports stood at ₦2,978.9 billion resulting to an increase of 28.3%, while imports fell to ₦2,307.6 billion which depicts a decrease of 6.1%. The faster rise in exports brought about a positive trade balance during the review quarter compared to the deficit recorded in preceding quarter of 2016. Overall, Nigeria’s total export trade stood at ₦8,527.4 billion while the total import stood at ₦8,817.5 billion resulting into a negative trade balance for the year 2016.

Import trade by section was dominated by imports of mineral products which accounted for ₦724 billion, representing 31.4 percent of the total value of imported trade in Q4 2016. Other commodities which contributed noticeably to the value of import trade were Boilers, machinery and appliances; products of the chemical and allied industries; prepared foodstuffs, beverages, spirit and vinegar; tobacco and base metals and articles of base metals accounting for ₦469.9 billion, ₦217.2 billion, ₦148.5 billion and ₦130.1 billion respectively. Nigeria imported goods mostly from China, Belgium, Netherlands, United States and India.

Export trade by section revealed that Nigeria exported mainly mineral products which accounted for ₦2,872.7 billion, representing 96.4% of the total export value in Q4 2016. Other products exported include prepared foodstuff; beverages spirits and vinegar; tobacco stood at ₦50.8 billion while products of chemical and allied industries stood at ₦18.7 billion. In addition, Nigeria exported goods mainly to India, Netherland, United States, Spain and South Africa.



Source: National Bureau of Statistics (NBS), 2017

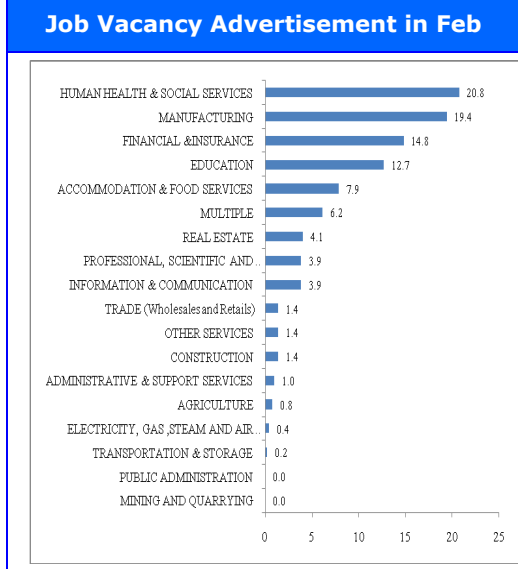
*The faster rise in exports brought about a positive trade balance during the review quarter compared to the deficit recorded in preceding quarter of 2016.*

## Nigeria’s Job Openings decline in February

The surveys of Job vacancy advertisement extracted from Anastat shows the trend, type and pattern of job advertised in Nigeria for the month of February, 2017. It is found that the total number of job advertisement was 521, reflecting a decrease of 36 jobs. This shows a reduction of 29.17% and 6.91% for month over month and year over year respectively. Human Health and Social Services form the largest proportion of job advertisement contributing as much as 20.8% with month over month and year over year increases at 92.86% and 61.19% respectively. Manufacturing sector followed closely at 19.4% with month over month decrease of 27.85 but year over year increase of 11.40%. No advertisement was placed for Public administration and mining had no contribution in the month under review. Transportation and storage had the lowest contribution at 0.2%.

Some of the sectors that experience an increase in the month under review include administrative and support services, construction, financial and insurance while there was downturn in job advert placement for accommodation and food services, agriculture, construction, information and communication, manufacturing, mining and quarrying, multiple and other services.

The skill most sort for by companies in February 2017 was the professionals. This accounts for 41.65% of the job advertisement for the month under review and with a month over month increase of 15.43%. Other skills with significant increase in the month include managers and technicians and associate professional accounting for 20.35% and 15.55% of the job advertisement while Plant and machine operators and assemblers account for only 1.15%. Some of the skills that experience negative growth include Skilled Agricultural, Forestry and Fishery workers, Clerical Support Workers, Elementary Occupations, Craft and related Workers.



Source: Anastat, 2017

*It is found that the total number of job advertisement was 521, reflecting a decrease of 36 jobs.*

## WISE QUOTES

"A man is not paid for having a head and hands, but for using them."

- **Elbert Hubbard**

"Success is most often achieved by those who don't know that failure is inevitable."

— **Coco Chanel**

"I have rubbed shoulders with the rich, the powerful, and the armless. It's how to network when handshakes aren't an option."

- **Jarod Kintz**

Try not to become a man of success, but rather a man of value

- **Albert Einstein**

"No man can make good during working hours who does the wrong thing outside of working hours."

- **William J.H. Boetcker**

A wise man can learn more from a foolish question than a fool can learn from a wise answer.

- **Bruce Lee**

If you spend too much time thinking about a thing, you'll never get it done.

- **Bruce Lee**

## Jokes

My friend thinks he is smart. He told me an onion is the only food that makes you cry, so I threw a coconut at his face.

Three drunk guys entered a taxi. The taxi driver knew that they were drunk so he started the engine & turned it off again. Then said, "We have reached your destination". The 1st guy gave him money & the 2nd guy said "Thank you". The 3rd guy slapped the driver. The driver was shocked thinking the 3rd drunk knew what he did. But then he asked "What was that for?". The 3rd guy replied, "Control your speed next time, you nearly killed us!"

I was in the public restroom

I was barely sitting down when I heard a voice in the other stall:

"Hi, how are you?"

Me: (embarrassed) "Doing' fine!"

Stall: "So what are you up to?"

Me: "Uhhh, I'm like you, just sitting here."

Stall: "Can I come over?"

Me: (attitude) "No, I'm a little busy right now!!"

Stall: "Listen, I'll have to call you back. There's an idiot in the other stall who keeps answering all my questions!"



## Analysts

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As an academic authority, ADSR is a partner of choice to researchers and postgraduate candidates for dissertation advisory. As an advisor, ADSR works with corporates, governments and supranationals to deliver data and intelligence support that cuts through complex decision making issues thus unearthing intrinsic value in a way that builds public confidence.

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Our services include: Economic Research and Advisory, Economic and Statistical Modelling, Postgraduate Thesis Support, Training, Data Processing and Analytics and AnaStat Data Platform.

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