

# Recession, Economic Recovery and Growth Plan and the Nigerian Economy

Duruji, Moses Metumara  
Covenant University. Ota, Nigeria.

## 1. Issue statement

The 2<sup>nd</sup> quarter of 2016 was the period the Nigerian economy slid into a recession for the first time in 25 years under the administration of Mohammadu Buhar who a year earlier upstaged the incumbent in a keenly contested election ((McGroarty&Vogt, 2015) The dual effect of low oil price in the international market and low production output due to militant activities in the oil bearing region of the country, led to drop in Nigeria's income, thereby affecting the country's revenue profile negatively (Omonisa, 2016). The delay by the president to put his government together contributed to the inability of the administration to articulate programme to tackle the recession head on, rather, for most of 2016, the absence of fiscal policies exposed the Central Bank of Nigeria (CBN) to dish out all kinds of monetary policies aimed at tackling the resultant foreign exchange crisis and making the naira stable but all to no avail as the value of the naira against other currencies continued to go down (Yahaya, 2016). The implication of these was the spiraling inflation that weakened the economy with attendant economic hardship precipitating an outcry for the government to take action (Business Hallmark, 2016). Two years into the tenure of the Mohammadu Buhari administration and almost a year after the country slid into recession, the administration, reel out the a programme called the Economic Growth and Recovery Plan (EGRP).What are the prospects of this plan to lead Nigeria to sustainable economic development?

## 2. Causes and Analyzation

The early sign that Nigeria's economy would glide into recession started to appear in 2014 under the administration of President Goodluck Jonathan following the crash and dwindling price of crude oil in the International market (Vanguard, 2014). The contentious presidential election of 2015 in which the incumbent faced a formidable challenge from a coalition of opposition parties, beclouded attention of the politicians on formulating policies that would have saved the economy from sliding into recession (Aderinokun, 2017). Again the outcome of that election which saw an opposition candidate emerging the winner and coming into the government with a new team that was unfortunately put together very late after swearing in of the president, compounded the impending economic problem as the country entered into recession for the first time in 25 years (Fick, 2015). Even when the new administration managed to put a government together, their inability to articulate policies and programmes to revamp the economy and prevent the economy from sliding into recession worsened the situation (Uzodinmma, 2017). The continuing crash of crude oil prices in the international market for most of 2015 brought calamity to the Nigerian economy which depends significantly on export of crude oil for its foreign exchange (Aderinokun, 2017). The implication is shortages of forex and depreciation of the naira, Nigeria's local currency thereby plunging the economy into stagflation (Oyadeyi, 2017).

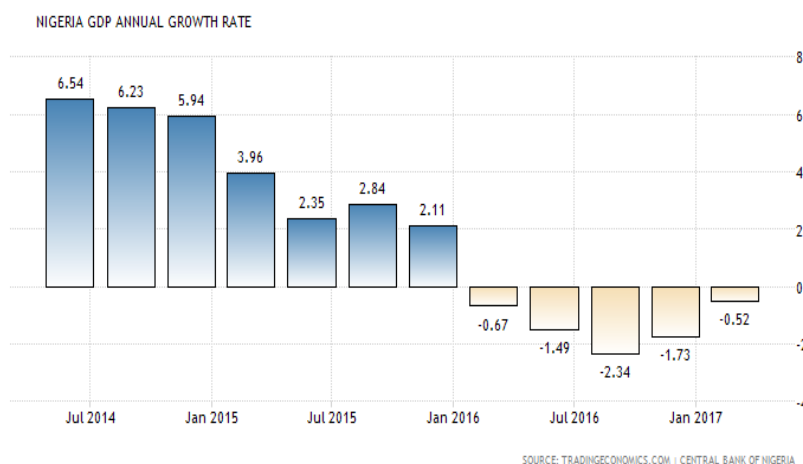
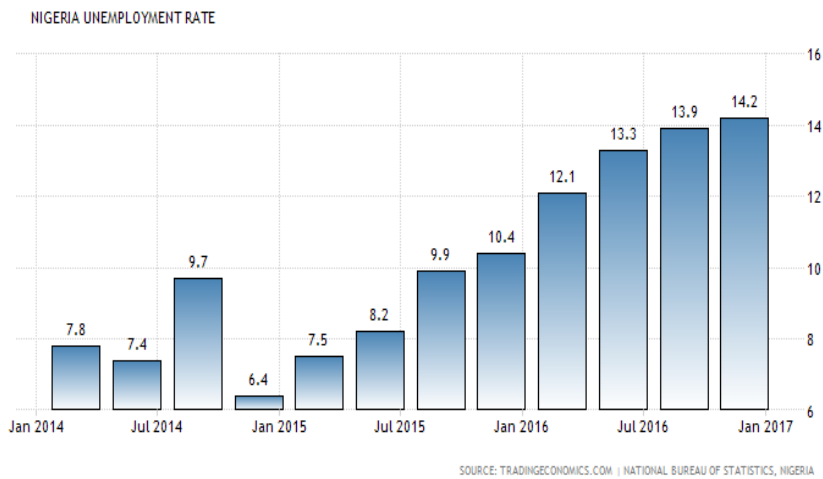


Figure 1: Nigeria GDP Annual Growth Rate

Figure 2: Nigeria Core Inflation Rate



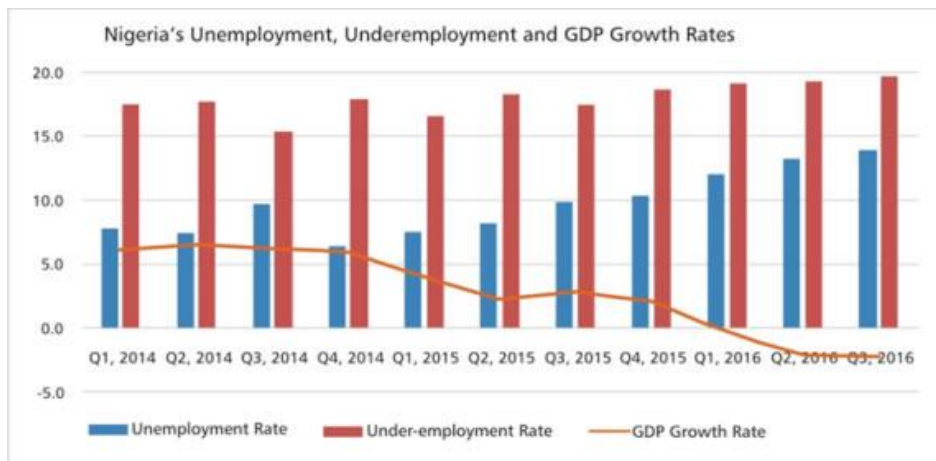
Figure 3: Nigeria Unemployment Rate



The economy was worsened due to lack of economic blueprint from the Buhari administration that would have allowed for an alignment between fiscal and monetary policies. This was evidenced in the manner with which the Central Bank of Nigeria churned out policies that attracted criticism of the ministry of finance (Aderinokun, 2017).

That Economic Recovery and Growth Plan (ERGP) which eventually appeared one year into economic recession and almost two years in the life of the administration, was designed to tackle the recession and propel Nigeria back to sustainable, accelerated development that restores economic growth in the medium term of 2017 to 2020.

Figure 4: Nigeria's Unemployment, Underemployment and GOP Growth Rate

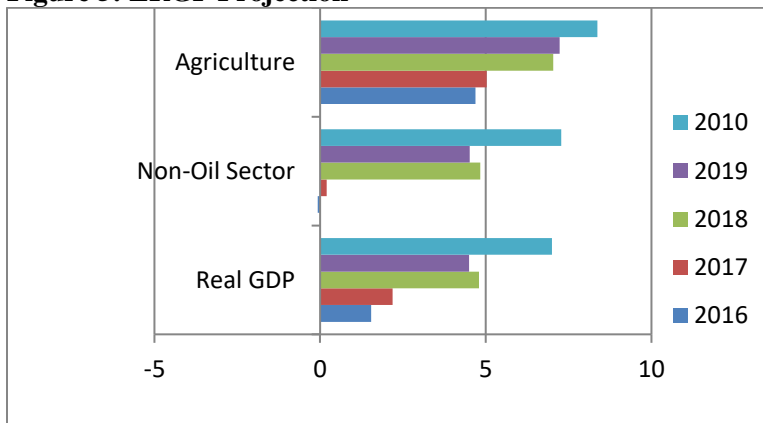


Source: NBS, XCA Research

The objectives of ERGP are three-fold which include restoring growth, macroeconomic stability and engendering economic diversification. The Plan intends to achieve this by driving fiscal stimulus (through increased government spending), ensure monetary stability, improve the balance of trade and focus on key sectors that drive and enable growth (such as agriculture, energy, Micro, Small and Medium Enterprises (MSMEs), manufacturing and services) (Aderinokun, 2017). The ERGP would achieve the above by, leveraging on information technology. Secondly, ERGP also aims to invest in the Nigerian people by continuing to provide support for the economically-disadvantaged, create jobs, improve accessibility, affordability and quality of healthcare across the country and guarantee improved human capital (through access to basic quality education for all). Finally, the ERGP aims to significantly increase investment in infrastructure through robust Public Private Partnership arrangements, simplify and improve the legal and regulatory framework for doing business in Nigeria and promote digital-led growth through the expansion of broad band coverage (Awunor, 2017)..

To implement the plan, the administration proposed a humongous budget of 7.2 trillion naira for the 2017 fiscal year (Udo, 2017). Other actions taken so far include signing of executive orders that aims to achieve easy of doing business in Nigeria as well as another that aims to shore up tax revenue as a way of reducing the reliance of crude oil revenue (Nwabughio, 2017; Daka, 2017). How will the objectives of ERGP be realized given the fact that over 196 companies were shut down and over 2 million jobs lost due to the recession(). Would the ERGP be able to transform the Nigerian economy? Economic analysts sees ERGP as a well-thought-out and well-written blueprint that is capable of thrusting the economy to recovery and growth but expresses reservation on the ability of the government to muster the political will to implement the plan (Aderinokun, 2017).

**Figure 5: ERGP Projection**



Source: <http://leadership.ng/2017/05/21/fiscal-monetary-policy-mix-success-ergp/>

### 3. Outlook and Implication

Though pundits acclaim ERGP as sound document, they remain skeptical about its implementation given experience in the past with similar documents (Awunor, 2017). But the promise of a delivery unit is the Presidency to drive the implementation of key ERGP priorities if adhered to would no doubt make a positive impact (Peterside, 2017). It is expected that the Ministry of Budget and National Planning will coordinate plan-implementation by building up its capability for robust monitoring and evaluation. Also the government is expected to drive fiscal stimulus through a package of spending to stimulate private consumption and investments by businesses including dedicating at least 30 percent of federal budget spending to capital expenditure (Awunor, 2017). However, if the character of the administration remains the same, the much taunted ERGP may end up like other policy documents launched with fanfare in the past.

### 4. Conclusion

Though signs of impending economic crisis can be felt in the horizon prior to the emergence of the Muhammadu Buhari administration, the handling of the economy by the administration is blamed for the recession the country is experiencing. Criticism and pressure for a more coordinated response led to the formulation of the ERGP. The document with laudable objectives has been appraised as possessing the potential of propelling the economy out of recession and towards the path of sustainable development. However, the concern of most analysts is centered on commitment of the administration to implementation which has been the bane of Nigeria over the years,

### Reference

- Aderinokun, Kunle (2017) Assessing the Economic Recovery and Growth Plan, Thisdaylive.com March 12 <https://www.thisdaylive.com/index.php/2017/03/12/assessing-the-economic-recovery-and-growth-plan/>
- Awunor, Anthony (2017) Fiscal, Monetary Policy Mix And The Success Of ERGP, Leadership.ng May 21, <http://leadership.ng/2017/05/21/fiscal-monetary-policy-mix-success-ergp/>
- Business Hallmark (2016) Nigerians lament economic hardship, high cost of living, Halmarknews.com September, 16 <http://hallmarknews.com/nigerians-lament-economic-hardship-high-cost-of-living/>
- Daka, Terhemba (2017) Osinbajo signs executive order to enforce tax collection, Guardian, June 30 <https://guardian.ng/news/osinbajo-signs-executive-order-to-enforce-tax-collection/>
- Fick, Maggie (2015) Nigeria investors rattled by Buhari delays on economic plans, Financial Times August 3 <https://www.ft.com/content/cdd28b88-35de-11e5-b05b-b01debd57852>
- McGroarty, Patrick & Vogt, Heidi (2015) Muhammadu Buhari Defeats Goodluck Jonathan in Nigeria, The Wall Street Journal, March 31 <https://www.wsj.com/articles/officials-tally-remaining-votes-in-nigeria-presidential-election-1427796882>
- Nwabughio, Livinus (2017) Osinbajo signs 3 executive orders on ease of doing business, Vanguard, May 19 <http://www.vanguardngr.com/2017/05/osinbajo-signs-3-executive-orders-ease-business-2/>
- Omonisa, Oghene (2016) New Year Oil Price crash: Nigerians as victims, Vanguardngr.com, January 23 <http://www.vanguardngr.com/2016/01/new-year-oil-price-crash-nigerians-as-victims/>
- Oyadeyi, Olajide (2016) STAGFLATION In Nigeria – How do we move on? Linked in, November 14, 2016 <https://www.linkedin.com/pulse/stagflation-nigeria-how-do-we-move-olajide-oyadeyi>
- Peterside, Chamberlain (2017) Appraising the Economic Recovery and Growth Plan, Financial Nigeria, April 4 <http://www.financialnigeria.com/appraising-the-economic-recovery-and-growth-plan-feature-134.html>
- Vanguard (2014, October 16) Okonjo-Iweala urges Nigerians to bear with the nature of the economy. Vanguardngr.com, <http://www.vanguardngr.com/2014/10/nigeria-is-not-broke-okonjo-iweala/>
- Uzodinma, Emmanuel (2017) Buhari's government has worsened Nigeria's economy – Soludo, Daily Post, March 2 <http://dailypost.ng/2017/03/02/buharis-government-worsened-nigerias-economy-soludo/>
- Udo, Bassey (2017) Buhari presents N7.28 trillion "Budget of Recovery and Growth" to National Assembly for 2017. Premium Times, December 14 <http://www.premiumtimesng.com/news/headlines/217934-breaking-buhari-presents-n7-28-trillion-budget-recovery-growth-national-assembly.html>
- Yahaya, Ibrahim Muye (2016) Nigerian economy: Recession, depression and recovery, Daily Trust, September 8. <https://www.dailytrust.com.ng/news/opinion/nigerian-economy-recession-depression-and-recovery/161848.html>