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AN ECONOMIC SNAPSHOT

Overview
Nigeria is a country rich in oil wealth. Crude oil reserves were estimated at 24 billion barrels in 2001 (IMF 2004). In 1990, agriculture comprised 33 percent of Gross Domestic Product (GDP), mining and quarrying 36 percent, services 26 percent, and manufacturing 6 percent. By 2002, agriculture comprised 30 percent, mining and quarrying 37 percent, services 29 percent and manufacturing 4 percent of GDP.

Growth rates have remained positive over the last two decades peaking in the early 1990s at a little less than 10 percent. The economy is historically agrarian and GDP generated in agriculture is significant, but forty years after the discovery of oil, it has become a net importer of food.

Table 1: Key Economic Indicators

	1990	2000	2002
Economy			
GDP per capita (current US$ at est. mkt. exc. rate)	258	260	300
GDP growth rate (year on year)	8.2	4.2	5.5
Value added in agriculture (% of GDP)	33	26	30
Value added in mining and quarrying (% of GDP)	36	39	37
Value added in manufacturing (% of GDP)	6	4	4
Value added in services (% of GDP)	26	32	29
X/M (%)	211	181	110
Current Account Balance (billions of current US$)	5.0	9.1	1.0
People			
Total Fertility Rate	6.0	5.3	5.1
Under 5 mortality rate	235	205	201
Poverty	42.7[*]		54.4[†]
Population (millions)	96.2	126.9	132.8

Note: Mining and quarrying includes crude petroleum and gas.
Source: World Development Indicators; poverty data are from the Federal Bureau of Statistics 2004.

Trade Timeline
Nigeria is a relatively closed and highly regulated economy. Liberalization efforts have been slow and import controls and bans have been frequently in place but erratically applied. Although Nigeria has been an active member of the World Trade Organization (WTO) since 1995, non tariff barriers have increased

[*] Data for 1992 from IMF (2005b).
[†] Data for 2004 from FOS (2004).

in recent years with the imposition of import bans placed on numerous items[‡] not sanctioned by the WTO. Nigeria's ability to participate in trade liberalization given the country's weak governance is uncertain.

Simple average tariffs increased to 30 percent at the end of 2004, and are now among the highest in the world, and weighted average tariff rates were estimated to be approximately 16.9 percent in 2002 due to tariff reductions in raw materials, intermediate products, and capital goods (Manson 2005).[§] Overall, foreign direct investment and the participation of foreign and Nigerian companies in economic activity outside the oil and gas sectors have been low. Even with significant foreign exchange earnings from oil revenues, savings rates are low and bottlenecks in investment are apparent. Studies also show that Nigerian manufacturing firms are more reluctant than other firms in sub-Saharan Africa to compete outside of their domestic market (IMF 2005).

Poverty Rates

Despite the oil wealth and revenues, Nigeria is a poor country where per capita income averaged $350 in 2003. Since non-oil exports are small, Nigerian export revenues are greatly influenced by oil and gas prices. This means that fiscal policy is also driven by oil and gas prices as government revenue fluctuates in line with these prices. Stabilizing expenditures and ensuring the government's ability to meet social and human development goals is essential.

Estimates indicate that around 52 percent of Nigerians live in poverty and around 70 million people are living on less that 1 dollar a day (FBS 2004). Furthermore, women may be particularly disadvantaged. In 1996, 68 percent of households living in poverty were female-headed (AIAE 2003).

The causes of poverty are variously attributed to insufficient and poorly distributed GDP growth in combination with high population growth and inadequate job creation to absorb the growing labor force. Volatility in oil sector revenues and weak governance continues to hamper public sector initiatives to reduce poverty (IMF 2004). A generalized lack of social consensus which is exacerbated by internal conflicts has also stymied initiatives to reform public sector institutions and create an enabling environment for investment and ensure the successful roll-out of anti-poverty programs. Other factors which have hindered successful poverty reduction include limited investment in the non-oil sector. Corruption and the irregular application of laws and regulations have proven to be a consistent deterrent to investment (IMF 2004). Moreover, poor rural infrastructure and low productivity in agriculture combined with high rates of rural-urban migration (AfBD 2005) fuel a growing informal economy and have ensured that the benefits from growth are not evenly distributed throughout the economy.

Nigeria also reports significant gender inequalities in women's labor market participation, remuneration, health and human capital, with indicators for women being recorded as substantially lower than those for men. Women are likely to be poorer than men and have fewer options for escaping poverty (IMF 2004). Widows are also more vulnerable to poverty than widowers—which partly reflects patriarchal property rights and inheritance practices. Moreover, because women have less formal education than men they tend to be disproportionately confined to lower return, low productivity employment in the informal economy. Consequently, their ability to escape poverty through employment is also limited.

Labor Market

Accurate data on the Nigerian labor market are sparse. Official statistics are collected sporadically and are not necessarily representative of the entire country. Those data that are available indicate that Nigerian wage employment is disproportionately concentrated in the services sector: services absorb 63 percent of total female wage labor and 51 percent total male wage labor. Manufacturing absorbs a little over 4 percent of women and 3 percent men, while the agriculture sector accounts for 33 and 46 percent of economically active women and men respectively. The majority of workers, however, are engaged in the informal economy which generates almost 60% of GNP (Verick 2005).

[‡] Including agriculture products (wheat flour, sorghum, cassava, frozen meat and poultry products, pasta, etc.), textile products (printed products, yarn, leather and plastic bags, used clothes, etc.), and certain solid minerals.

[§] http://www.heritage.org/research/features/index/country.cfm?id=Nigeria

Table 2: Distribution of Economically Active Population by Sector and Sex in 2005 in percentages

	Percent in Each Sector		Percent of the Labor Force**	
	Women	Men	Women	Men
Agriculture	21.8	78.2	32.8	46.2
Manufacturing	12.3	87.7	4.2	3.0
Services	39.1	60.9	63.0	50.8

Notes: Persons aged 15 and older. Manufacturing includes manufacturing and industry.
Source: GATE calculations using data from UNECA 2005 and NBS 2005

The lack of reliable data, and data disaggregated by sex, greatly limits any labor market analysis that would link trade liberalization to changes in the sex and skill composition of the labor force, remuneration or hours worked in different sectors. Labor market data are spotty and inconsistent, household and enterprise surveys are partial and infrequent, and the Federal Bureau of Statistics maintains only a limited number of consistent datasets. Trade statistics are also poorly managed and collected and tariff rates and import bans are erratically applied. Consequently, policymaking and monitoring in most arenas are significantly hampered by the lack of data. Furthermore, the lack of data makes any analysis of the differential impact of trade and investment policy on poor men and women particularly difficult.

In highly segmented labor markets the benefits from trade are likely to be unevenly distributed. Where women are typically confined to low return and non-traded production in agriculture and services, greater openness does not necessarily imply that women reap greater benefits from trade.

It is likely that substantial impacts from continued trade liberalization will be felt in agriculture in Nigeria. Where women farm, they are often chiefly in charge of subsistence production for household consumption or sale locally, whereas men may be disproportionately engaged in and export production. It is possible that as the volume of traded agricultural products increases, land is being lost to domestic and household production, food security is exacerbated and women are losing control over any potential surplus that they may have generated. The increase in traded agricultural products should provide cheaper foodstuffs in urban areas, but the decline of agricultural prices and the removal of subsidies can be accompanied by a decline in agricultural incomes, which will have far-reaching distributional implications. Cash-poor households typically have to increase their expenditures or switch to cheaper calories in this situation. Where productive opportunities are constrained and rural household incomes are declining, the household may adjust by changing the type and mix of purchased inputs. Less processed foods and unfinished goods may be purchased requiring more home processing. Cheaper calories may be substituted for expensive ones and there may be an overall deterioration in nutrition and diet quality. Attention should be paid to the potential impact of liberalization on women's time burdens, rural incomes and individual and household indicators of food security and wellbeing.

** Data from the National Bureau of Statistics for 2005.

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WTO (2005) “Trade Policy Review, Nigeria”, Report by the Secretariat to the World Trade Organization, 13 April 2005.

Data Sources

National
Nigerian Federal Office of Statistics
http://www.bosng.org

Bilateral
CIA World Factbook
http://www.cia.gov/cia/publications/factbook/
International Database, US Census Bureau
http://www.census.gov/ipc/www/idbnew.html

Multilateral
United Nations Economic Commission for Africa
http://www.uneca.org

Non Governmental
The Heritage Foundation
http://www.heritage.org/research/features/index/country.cfm?id=Nigeria