International Journal of Social Science and Economic Research

ISSN: 2455-8834

Volume:02, Issue:01

GDP REBASING AND THE NIGERIAN ECONOMY: A POST REBASING IMPACT ANALYSIS

PIUS EFFIONG AKPAN, *LAWRENCE E. UDOFIA

DEPARTMENT OF ECONOMICS, UNIVERSITY OF UYO, NIGERIA
*Corresponding Author

ABSTRACT

This paper focused on assessing the impact of GDP rebasing on the Nigerian economy. It examined the Nigerian economy in the light of the post-rebased period as well as the pre-rebased period. The emerging revelations from the GDP rebasing exercise showed that the Nigerian economy appeared to be driven by the services sector, followed by industrial and agricultural sectors respectively. Comparatively, the old GDP of 2013, showed the industrial sector as having the highest contribution, followed by agricultural and services sectors respectively. The rebased real GDP revealed an increased growth rate of 7.41 percent in 2013. The paper also found that the rebased GDP results released by the National Bureau of Statistics, revealed Nigerian to be the largest economy in Africa and the 26th largest in the world, but with a low per capita income as at 2014, which placed Nigeria among the lower middle income economies. It is observed from the study that few years after the exercise the Nigerian economy is bedeviled by economic recession occasioned by low GDP growth, high inflation, high unemployment, low capacity utilization and poverty. In conclusion, the paper recommended among others, that the government should diversify the economy to manufacturing production in order to increase the productive capacity of the economy while exploiting the new opportunity provided by the service sector. Also, in order to take advantage of the new size of the economy, the government should provide the necessary macroeconomic environment in order to increase Foreign Direct Investment in Nigeria.

Keywords: Recession, Quantity Revaluation, Deflation, Volume Extrapolation, Rebasing.

1.0 INTRODUCTION

The National Bureau of Statistics is the Nigeria's national statistical agency statutorily responsible for the compilation of the national accounts statistics. The Nigerian System of

ISSN: 2455-8834

Volume:02, Issue:01

National Account (SNA) statistics is a balance sheet of the most significant economic transaction among the major participants in the economy during a reference period (NBS, 2014). More specifically, the National Accounts are integrated system of macroeconomic accounts designed to describe the entire system of production in a nation during a reference period.

The Gross Domestic Product is derived from a country's System of National Account (SNA). A key attribute of the National Accounts series is that they provide reasonable level of details of the economy that help policymakers to assess, analyze and monitor economic growth and sectoral developments on a regular basis. Also, the accounts provide a comprehensive and detailed record of the complex economic activities taking place within an economy and of the interaction between different economic agents.

The Gross Domestic Product (GDP) of an economy is a key policy variable that has the implications for government policies, economic planning, investment decisions and economic management. Hence, capturing the true picture of the economy in terms of size and structure is critical for policy makers in the domestic economy and the global economy at large. However, Gross Domestic Product could simply be defined as the market value of all officially recognized final goods and services produced within a country in a given period (Kale, 2014).

In a bid to improve the quality of the Nigerian statistical system to conform with the latest System of National Accounts (SNA) of the United Nations and global best practices, the National Bureau of Statistics (NBS) rebased Nigeria's National Accounts Estimate (from which the Gross Domestic Product is computed) in April, 2014, and changed the base year from 1990 to 2010. This rebased exercise made the Nigeria's GDP to increase from USD27 billion to USD51 billion (Oyedele, 2014). This increase was attributed to the inclusion of new sectors of the economy which were previously not captured or under-reported such as telecommunications, entertainment industry and retail. As a result of the rebasing exercise, Nigeria is now ranked as the largest economy in Africa and 26th largest economy in the world.

According to Uzor (2014), GDP rebasing involves replacing the old base year used in the computation of GPD with a New Year or more recent year to reflect structural changes of the economy. In the same vein, Rewane (2014), looked at GDP rebasing as the process of replacing present price structure (based year) and then compile volume measures of GDP with a new or more recent base year. This entails adjusting price and quantity base for individual price and quantity relatives, updating weights used in aggregating these sub-indexes into more aggregated indexes (NBS, 2014). The base year, on the other hand, is critical because it determines the year in which prices are held constant and it is expected to be a normal year devoid of dramatic economic changes. GDP rebasing exercise is usually carried out at an average interval of five years in order to ensure that national accounts statistics present the most accurate reflection of

ISSN: 2455-8834

Volume:02, Issue:01

the economy through the incorporation of new economic activities which have not been captured in the previous computational framework (Rewane, 2014).

The development in the Nigerian economy since 1990 necessitated that such developments be captured in the compilation of Nigeria's National Accounts. Also, the nation's economic structure which had witnessed changes over the years needed to be appropriately reflected in the national accounts framework. Therefore, based on the rebasing exercise of Nigeria's GDP in 2014, this paper attempts to assess the impact of GDP rebasing on the Nigerian economy, few years after the exercise which is not captured in extant literature.

Following this introduction, section 2 deals conceptual framework, and highlights the rationale for Nigeria's GDP rebasing, section 3 presents an overview of surveys conducted for the rebasing exercise, section 4 shows the implication of GDP rebasing on the Nigerian economy visa-vice the structure of the Nigerian economy, section 5 shows the impact assessment of the Nigerian economy: post GDP rebasing period as well as the conclusion and recommendation of the study.

2.0 CONCEPTUAL FRAMEWORK

2.1 GROSS DOMESTIC PRODUCT (GDP) COMPILATION IN NIGERIA:

The GDP measures the value of the output of goods and services produced by labour and capital in a country (NBS,2014). This implies that it is a measure of overall economic activity and signals the direction of aggregate economy activity. According to Kale (2014), GDP is the market value of all officially recognized final goods and services produced within a country in a given period. Estimating the value of GDP is important because it is a key determinant in measuring how much a country can afford to consume as well as employment levels. According to NBS (2014), there are three procedures for estimating GDP:

1. **The Production Approach:** This approach estimates the gross output of each industry within a country and subtracts the corresponding intermediate inputs from other industries to estimate each industry's residual value added. This residual is then summed up across industries in combination with the difference between indirect taxes and subsidies on products.

2. **The Expenditure Approach:** This approach captures the final use or demand of the output compiled according to the production approach. GDP here is the sum of consumption expenditures (both government and final private) expenditures on investments (otherwise known as Gross Fixed Capital Formation), changes in Stocks, and Net Export.

ISSN: 2455-8834

Volume:02, Issue:01

3. The Income Approach: This approach measures the income earned by various factors of production. It is a sum of compensation to workers, gross operating surplus, gross mixed income, taxes on production (less subsidies), interest and miscellaneous payments and depreciation.

In theory, all the three approaches should yield the same GDP estimate. As the three measures of GDP are however, derived separately from various independent data, sources, discrepancies among them often arise. Thus an objective of the rebasing exercise is to reconcile the three estimates of GDP on the basis of the updated 2010 data and in the process cross-validate the data sources and ensure the coherence of the three separate measures of GDP.

GDP estimates are expressed at current and constant prices (CBN,2013). Current prices are prices of the prevailing accounting period. This is also known as nominal GDP Changes in nominal GDP overtime arise from two effects: Price effects (inflation) and Volume effects (change in quantity of goods and services). A proper assessment of economic growth requires removal of price effect. This is done by calculating GDP for each year at the prices if a particular year (often referred to as the base year). The base year provides the mathematical anchor, or the reference point to which future comparisons are made. It is also the year to which the weights relate in the construction of a volume or price index. GDP measures with the price effect removed are known as volume measures of GDP and changes in volume measures of GDP are referred to as real GDP growth (NBS,2014). Volume measures of GDP (real GDP) can be obtained through various methods.

Deflation: .0This involves dividing nominal values of the transaction (output, intermediate consumption, final consumption, etc.) by an appropriate price index.

Quantity revaluation: Multiplying base periods prices by actual quantity data.

Volume extrapolation: Extrapolating base period values by appropriate quantity indicators. NBS uses a combination of all the three methods when estimating volume GDP estimates.

2.2 RATIONALE FOR NIGERIA’S GDP REBASING

The rebasing exercise appeared to be a collective debate in the public discourse since the National Bureau of Statistics (NBS) concluded the exercise of rebasing Nigeria’s GDP in 2014. According to the United Nations Statistics Division (UNSD), rebasing a country’s GDP is imperative because of continually changing economic environment (Uzor,2014). These changes manifest as structural variations in production patterns over time, continuous developments and innovations, and obsoleteness of many products.

ISSN: 2455-8834

Volume:02, Issue:01

There are also structural changes in consumption patterns and acquisition of capital goods, and changes in the openness of the economy to the rest of the world. These imply that relative prices change over time and price structure become less representative of the base year structure as time progresses (Kale, 2014). Moreso, the calculation of GDP become less accurate and unreliable for economic analysis due to effect of structural changes on the economy. As the price structure changes overtime, a substitution effect also occurs in which consumers move away from relatively more expensive products to buy goods with relatively cheaper prices (NBS,2014). Thus, goods with higher real growth ten to have relatively weaker price increases. It is therefore important to correct the substitution bias. The rebasing exercise improves the estimates of economic growth and reflects the underlying changes in relative prices.

The last time Nigeria rebased her GDP was in 1990 which was twenty four years before the last rebasing exercise. This made GDP data prior to the rebasing exercise to have largely underestimated the true size of the Nigeria's economy. It is to be noted that the Nigerian Bureau of Statistics not only rebased the GDP but also re-benchmarked the GDP. According to Kale (2014), the re-benchmarking the Nigeria's GDP means that the economy's base year was revised to 2010 and the sample frame of the economy expanded from 83,733 to 851,628. Thus, capturing more subsectors, most especially within the service sector that were hitherto not included in the GDO such as; arts, entertainment and recreation, motion pictures, sound recording and music, telecom, real estate among others. The inclusion of these new sectors among others, changed the size of the economy from N42.40 trillion to N80.22 trillion in 2013-about 90 percent increase (Kale,2014).

In rebasing the GDP, the data from national households surveys are incorporated to expound neglected or under reported sectors that contribute to economic activity and in the process there is usually an upward review of GDP estimates. For instance, Uzor (2014) showed that South Africa rebased her GDP in 2009, and changed the base year from 2000 to 2005. This exercise led to an increase of 2.1 percent of South Africa's GDP. In 2010, Ghana rebased her GDP, moving the base year from 1993 to 2006 and there was an increase of 62.8 percent in her GDP. Malaysia rebased her GDP from 2000 to 2005 and reported a 3.2 percent increase in nominal GDP estimate. In Turkey, the GDP rebasing exercise led to 30 percent increase in the country's GDP in 2008. The by-product of the rebasing exercise is that it generally result in revisions to real GDP growth rates after the base year.

3.0 OVERVIEW OF SURVEYS CONDUCTED FOR THE REBASING EXERCISE

This section provides an overview of the survey design and methodology for the field surveys and data gathering exercise undertaken by National Bureau of Statistics since 2010 as part of the

ISSN: 2455-8834

Volume:02, Issue:01

rebasing exercise. Three basic instruments employed by NBS were: the household questionnaire, microenterprise questionnaire and the manual of instructions.

Specifically, the survey designed as discussed by NBS (2014) are as follows:

i. Harmonized Nigerian Living Standard Survey (HNLSS) conducted in 2010.
ii. National Manpower and Employment Generation Survey 2010.
iii. Fourteen Sectors Surveys.
iv. Supplementary data gathering from Federal Inland Revenue Service (FIRS) Tax offices conducted in 2013.
v. Administrative data from various MDAs and professional bodies.

3.1 Harmonized Nigerian Living Standard Survey (HNLSS) conducted in 2010:

The Harmonized Nigerian Living Standard Survey (HNLSS) 2009/2010 was an enlarged scope of previous National Consumer Surveys and also a follow-up of Nigeria Living Standard Survey (NLSS) 2003/2004. The scope of the NLSS 2009/2010 was enlarged to include: Demography; Health; and Fertility behavior. Education and Skill/Training: Employment and Time-use; Housing and Housing condition; Social Capital; Agriculture; Household Income and Consumption Expenditure. While it was essentially designed to provide an update on the poverty situation in Nigeria for the purposes of the national accounts, it provided data regarding household consumption expenditure patterns. The survey covered the entire 36 States of the federation and the Federal Capital Territory (FCT). It was designed to investigate both urban and rural areas of all the 774 Local Government Areas (LGAs) of the country. The welfare approached component was conducted on 77,400 households which is an average of one hundred households per Local Government Area, while the consumption approach covered 50 household in each Local Government Area. Both the welfare approach and the consumption approach were linked together to produce the Nigeria Poverty Profile.

3.2 National Manpower and Empowerment Generation Survey 2010:

This was to determine the employment situation in Nigeria.

The specific objectives relating to household and informal include:

(i) Determining the economically active population by examining the employment, underemployment characteristics distributed by demographic, socio-economic and geographic variables.

ISSN: 2455-8834

Volume:02, Issue:01

(ii) Assessing the stocks and requirements of human resources in informal sector (micro enterprises) in order to determine under-utilization and over-supply of these resources in the Nigerian labour market.

(iii) Analyzing the manpower stock and occupational profile of the labour force in Nigeria.

(iv) Identifying labour market related problems militating against effective development and utilization of manpower in the country.

(v) Computing labour market data for policy formulation on employment generation, career planning, employers of labour, job seeker etc.

(vi) Measuring the size of the informal sector.

3.4 Sectoral Surveys:

To this end, the list of surveys conducted for the purpose of the rebasing are listed below:

1. Mining and Quarying
2. Manufacturing
3. Construction
4. Whole & Retail Trade, Repair of motor vehicle & motor cycles
5. Transportation and Storage
6. Accommodation & Food service activities
7. Information & Communication
8. Real Estate activities
9. Professional, Scientific & Technical activities
10. Administrative & Support Service activities
11. Education
12. Human Health and Social Work activities
13. Arts & Entertainment
14. Other service activities

NBS (2014), added that supplemental data gathering was collected from the FIRS and other MDAs which supplied data on: Electricity, Gas, Steam & Air conditioning Supply, Water Supply, Sewage, Waste Management and remediation activities and Oil marketing activities.

3.5 Survey Frames

NBS, for the purpose of the rebasing exercise, updated the existing frame in the country. This was done by merging the existing frame with the list of establishments obtained from the Federal Inland Revenue Service (FIRS). At the end of merging, sorting and removal of duplicates, a total of eight hundred and fifty one thousand, six hundred and twenty eight (815,628) establishments

ISSN: 2455-8834

Volume:02, Issue:01

were in the new frame against eight three thousand, seven hundred and thirty (83,733) establishments that were in the old frame. The ensuing multiple frames were then used for the sampling and selection of study units. This is shown in Table 1 blow:

Table 1: NBS Harmonized Frame

S/N	SECTORS	NBS FRAME	NBS FRAME: OLD
1	AGRICULTURE, FORESTRY AND FISHING	1,116	671
2	MINING AND QUARYING	971	261
3	MANUFACTURING	76,656	16,248
4	CONSTRUCTION	53,507	551
5	WHOLESALE AND RETAIL TRADE, REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES	502,085	16,583
6	TRANSPORTATION AND STORAGE	5,902	1, 418
7	ACCOMODATION AND FOOD SERVICE ACTIVITIES	13,109	5,774
8	INFORMATION AND COMMUNICATION	1,719	2,183
9	PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	125,482	4,593
10	ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	2,048	1,096
11	EDUCATION	34,974	24,713
12	HUMAN HLTH AND SOCIAL WORK ACTIVITIES	13,083	6,749
13	ARTS, ENTERTAINMENT AND RECREATION	805	281
14	OTHER SERVICE ACTIVITIES	8,405	2,002
15	REAL ESTATE	11721	610
	TOTAL	**851,628**	**83,733**

SOURCE: NBS (2014)

4.0 IMPLICATIONS OF GDP REBASING FOR THE NIGERIAN ECONOMY

From the rebased GDP, it becomes imperative to set out the fundamental implication of the new reality. Nigeria became the biggest economy in Africa with a GDP of US$510billion after the rebased exercise and per capita income of Nigeria moved up to $2,688 in 2014. This per capita

ISSN: 2455-8834

Volume:02, Issue:01

income position is an indication of an economy with low productivity (Ahmed, 2014). The component of our national output and production which had always put agriculture at over 30 percent, showed that agric was 24 percent. Oil and gas at 14 percent, telecommunication at 8 percent, services at 50 percent and manufacturing at 7 percent (NBS,2014). This new statistics depicted Nigeria as an economy moving away from a factor-driven economy to knowledge or service-driven economy (Ahmed,2014)

Despite the size of the economy, Nigeria is still classified as a lower medium income economy due to its lower per capita income of $2,688, relative to South Africa's GDP per capita of $6,800, which makes it an upper middle income economy (Emejo, 2014). Accordingly, the real GDP growth rate of Nigeria following the rebasing exercise by the National Bureau of Statistics (NBS) was estimated at 5.09 percent in 2011, 6.66 percent in 2012 and 7.41 percent in 2013.

Uzor (2014), argued that there is limited evidence of immediate real impact of GDP rebasing on the economy as the new GDP measurement is not expected to reduce poverty, employment and eliminate any obstacle to the country's development. However, the rebasing exercise gave a reflection of the accurate value added of the production of goods and services in all sectors of the economy. The new system of National Accounts (SNA) from where GDP was computed showed the level of Nigeria's under-realized economic potentials which is likely to trigger an upsurge in foreign direct investment as more investors would be attracted to take advantage of investment opportunities by virtue of the size of the economy.

The rebasing exercise led to the significant shift in the perception of Nigeria's economic potentials and improved the country's overall rating in the comity of nations (Rewane,2014). The new rebased value revealed the size of the economy to be 89.2 percent larger than the price-rebased value of 40 percent. The rebased GDP provided reliable information needed for evidence-based planning, policy formulation and informed debate about the Nigerian economy. The rebased GDP also necessitated researchers and the policy makers to investigate the casual mechanism at work within the economy.

Consequently, Nigeria's debate to GDP ratio before the rebasing exercise stood at 19 percent in 2013 which was below World Bank/IMF recommended threshold of 50 percent and Federal Government of Nigeria benchmark of 40 percent. The lower debate to GDP of 11 percent post rebasing makes more room for higher borrowing capacity which must be matched with government's debt-serving capacity given the international dynamic of crude oil market and the economy's independence of oil as the chief foreign exchange earner.

According to Rewane (2014), evidence from other countries on the status of investment in the post rebasing period showed the following:

ISSN: 2455-8834

Volume:02, Issue:01

(i) Uganda rebased its GDP in 2011 and Foreign Direct Investment (FDI) inflows in Uganda went up from $151,486,150 (2,6 percent of GDP) in 2011 to $1,721,169,095 in 2012 (8.6 percent of GDP).

(ii) Malaysia rebased its GDP in 2005 and FDI inflows in Malaysia went from $3,924,786,634 (2.7 percent of GDP) in 2005 to $15,119,371,104 (5.22 percent of GDP).

(iii) Brazil rebased its GDP in 2005 and FDI inflows went from $15,459,981,604 (1.8 percent of GDP) in 2005 to $71,538,657,409 (2.9 percent of GDP) in 2011.

The evidence above shows that there is a higher tendency for investment as a ratio of GDP to rise following the rebasing of a country's GDP especially the Foreign Direct Investment (FDI).

4.1 STRUCTURE OF THE NIGERIAN ECONOMY: POST REBASING ERA

With a population of about 170 million people, Nigeria is a resource rich country with about 34 different minerals, including gold, iron ore, coal and limestone. The country is endowed with about 37.1 billion barrels of proven oil reserves, 187 trillion cubic feet of natural gas reserves, and produces about 2.3 million barrels of oil per day (Uzor, 2014). Nigeria also has over 70 million hectares of cultivable arable land – 60 percent of it is idle.

The Nigerian economy is oriented towards primary production activities which account for over 90 percent of foreign exchange earnings. However, the emerging revelations from the Nigeria's GDP rebasing result showed that the structure of the Nigerian economy is changing. The economy is now driven largely by the service sector which accounts for 53 percent of GDP as against 29 percent pre-basing. Agriculture accounts for 22 percent as against 35 percent and industry slipped to 25 percent compared to 36 percent pre-basing as shown in Table 2.

Table 2: Percentage Contribution to GDP by Sectors in 2013

SECTORS	2013 OLD GDP	2013 NEW GDP
AGRICULTURE	35%	22%
INDUSTRY	36%	25%
SERVICES	29%	53%

SOURCE: NBS (2014)

An analysis of the percentage change between the old and new GDP from 2010 to 2013 showed that the total nominal GDP increased from 59.50 percent in 2010 to 89.22 percent in 2013.

ISSN: 2455-8834

Volume:02, Issue:01

Table 3: Percentage Change between Old and New GDP (2010-2013)

SECTORS	2010	2011	2012	2013
AGRICULTURE	25.97%	24.40%	18.67%	19.82%
INDUSTRY	10.65%	6.31%	15.60%	34.46%
SERVICES	239.68%	237.63%	239.56%	240.49%
TOTAL NOMINAL GDP	59.50%	69.10%	75.58%	89.22%

SOURCE: NBS (2014)

Table 4: Value of old Nominal GDP (N'trillion)

SECTORS	2010	2011	2012	2013
AGRIC	10.31	15.93	13.41	14.71
INDUSTRY	15.66	16.56	16.46	15.37
SERVICES	8.01	9.25	10.67	12.31
TOTAL NOMINAL GDP	33.98	37.41	40.54	42.40

SOURCE: NBS (2014)

Table 5: Value of New Nominal GDP (N'trillion)

SECTORS	2010	2011	2012	2013
AGRIC	12.99	14.42	15.92	17.63
INDUSTRY	13.99	17.62	19.02	20.67
SERVICES	27.22	31.22	36.24	41.93
TOTAL NOMINAL GDP	54.20	63.26	71.19	80.22

Table 6: Real GDP Growth Rate (Old vs New)

GDP	2011	2012	2013
GDP Growth at 2010 constant basic price	5.09	6.66	7.41
GDP Growth at 1990 constant basic price	7.43	6.58	6.89

SOURCE: NBS (2014)

ISSN: 2455-8834

Volume:02, Issue:01

Table 7 shows selected countries that have undertaken rebasing exercise and the magnitude of the changes. From the table, Nigeria has the highest number of years between base years (24) seconded by Brazil (15) and Nicarague (14) respectively. The country with the highest percentage difference in GDP after rebasing is Nicaragua (70.0 percent), followed by DR Congo (66.4 percent) and Ghana (62.8 percent). However, Argentina shows a negative difference of -8.2 percent.

Table 7: Rebasing Exercise of Selected Countries and the Magnitude of the Changes

Countries	Old Base Year	New Base Year	No of Years between base years	Percentage difference in GDP after rebasing
Argentina	1986	1993	7	-82.2
Brazil	1985	2000	15	7.0
DR Congo	2000	2005	5	66.4
Ghana	1993	2006	13	62.8
Nicaragua	1980	1994	14	70.0
Morocco	1988	1998	10	11.7
Nigeria	1990	2010	24	59.50
Tunisia	1990	1997	7	9.8
South Africa	2000	2005	5	2.1

SOURCE: NBS (2014)

An analysis of the inequality level of selected countries in 2010 as shown in Table 8 using the Gini coefficient of these countries, showed Nigeria as having the highest inequality level of 0.49 followed by Argentina (0.44) while Poland shows a low inequality level of 0.34.

Table 8: Selected Countries Gini coefficient in 2010 (Rebased GDP)

COUNTRIES	GINI COFFICIENT
ARGENTINA	0.44
THAILAND	0.39
POLAND	0.34
NIGERIA	0.49

SOURCE: NBS (2014)

ISSN: 2455-8834

Volume:02, Issue:01

5.0 IMPACT ASSESSMENT OF THE NIGERIAN ECONOMY: POST GDP REBASING PERIOD

More than two years after the rebasing exercise and the euphoria of being the greatest economy in Africa measured by GDP, Nigeria is now experiencing an economic recession as announced by the National Bureau of Statistics in August, 2016. According to Ekong(2016), a recession occurs when there is a negative economic growth for two consecutive quarters. It is also a business cycle contraction which results in a general slowdown in economic activity. In recession, macroeconomic indicators such as GDP, investment spending, capacity utilization, household income, business profits, and inflation fall, while bankruptcies and the unemployment rise (Ekong, 2016). The basic characteristics of Nigeria's recession as published by NBS (2016) include;

(i) An increase in unemployment rate followed by increasing inflation(a situation of stagflation).According to National Bureau of Statistics(2016), the Nigeria's unemployment rate rose from 6.5% in January, 2015 to 13.3% in July, 2016 showing an increase by more than 100%.Also youth unemployment rate rose from 14.4% in April, 2015 to 24% in April, 2016.

(ii) An increase in inflation rate from 8.7% to 17.2% within the period Oct, 2015 to July, 2016,in July, 2016, respectively.

(iii) Nigeria's capacity utilization fell from 60.3% in Jan, 2015 to 50.7% in July, 2016. Also, Nigeria's capacity production reduced from 24.6% in January, 2014, to 1.7% in January, 2016.

(iv) Nigeria's Foreign Direct Investment dropped from $1381.06m in July, 2014 to 673.95 in July, 2016.

(v) The second quarter of 2016 showed that Nigeria's GDP contracted by 2.06% after shrinking by 0.36% when compared to first quarter of 2016.

(vi) The multiple exchange rate regime in operation threatens macroeconomic stability as Central Bank of Nigeria sells foreign exchange to private sector at N285/$1 as at October 17,2016, which allows for huge racketeering (black market rate N456/$1) while government goes borrowing to bridge a fiscal viability crisis(Amasi,2016).

(vii) Food inflation rose from 10.6% in January 2016 to 16.6% in September 2016.

According to African Economic Outlook (2016), the Nigerian economy has had sluggish economic growth since the end of 2015 with the rate dropping to an estimated 3.0% in December 2015, which prompted the authorities to adopt an expansionary 2016 budget in order to stimulate the economy. Particularly, the Nigerian economy has been adversely affected by external shocks due to a fall in global price of crude oil. Growth slowed sharply from 6.2% in 2014 to an

ISSN: 2455-8834

Volume:02, Issue:01

estimated 3.0% in 2015. This sluggish growth is mainly attributed to a slowdown in economic activities due to the inadequate supply of foreign exchange and aggravated by the foreign exchange restrictions targeted at a list of 41 imports, some of which are inputs for manufacturing and agro-industry. This has resulted in cuts in production and shedding of labour in some sectors.

CBN(2016), posited that Nigeria's external debt profile increased to $11,261.89m in the second quarters of 2016 from $11,194.65m in first quarter of 2016. External debt in Nigeria averaged $6,660.80m from 2008-2016 reaching an all time high of $11,261.89m in the second quarter of 2016 and a record of $3,627.50m in the first quarter of 2009.

Table 9: Nigeria's Economic Indicators (2013 – July.2016)

	2013	2014	2015	2016(July)
Real GDP Growth	7.41%	6.23%	2.7%	-2.06%
Inflation Rate	8.48%	7.8%	9.02%	17.2%
GDP per Capita growth	2.6%	3.5%	-	-
Unemployment Rate	10%	7.8%	9.0%	13.3%
Capacity Utilization	58.3%	60.3%	53.7%	50.7%
FDI	$1000.08m	$1030.06m	$501.33m	$673.96m
External Debt	$8821.9m	$9711.45m	$10718.43m	$11261.89m

Source:World Development Indicators(2016) and CBN(2016)

The economic indicators of Nigeria as shown in Table 9 depicts a declining economy occasioned by high inflation rate and unemployment rate. The economy's capacity utilization decreased from 58.3% in 3013 to 50.7% in July, 2016. The Foreign Direct Investment which was expected to increase due to the size of the economy (rebased GDP), declined from $1000.08m in 2013 to $673.96m in July, 2016. The country's external debt increased from $8821.9m in 2013 to $11,261.89m in July 2016.

5.1 CONCLUSION AND RECOMMENDATION

Beyond the euphoria and the bragging right of being on top as a result of the GDP rebasing in 2014, concerted effort is required to move Nigerian economy out of recession and from a disarticulated and narrow primary production activities to secondary production activities especially manufacturing. Productivity, economic-inclusiveness and wealth creation is much higher in manufacturing sector than in primary production activities such as agriculture and mining, which aptly explains the declining economic growth of -2.06% in July 2016 and the high

ISSN: 2455-8834

Volume:02, Issue:01

unemployment rate of 17.2% in July 2016. Comparatively, the manufacturing sector offers better opportunities for capital accumulation, economies of scale and has a higher multiplier effects on all the sectors of the economy because of its forward and backward linkages with other sectors of the economy.

To really be the continent's leading economy, the Nigerian economy must also be transformed to become competitive. The near monolithic nature of exports exposes the economy to the vagaries of crude oil price fluctuations in the international market. This is evident in the fall in the crude oil price which hovers between $45 and $52 per barrel for sometimes now, resulting in massive reduction in government revenue and depletion of external reserves.

In order to benefit from the rebasing exercise and to promote FDI in Nigeria, the government should strive to overcome the challenge of its level of development, poor state of socio-economic infrastructure, significant level of insecurity, high level of corruption, low financial and credit penetration and low quality of governance. The government should also build enduring institutions and provide a conducive macroeconomic environment as well as increased funding of education and health sectors of the economy.

The rebased GDP of Nigeria showed the service sector to have contributed 53 percent to GDP in 2013. This is the new opportunity that should be exploited by the Nigerian government, but this has to be done without jettisoning Nigeria's industrialization goal especially the manufacturing sector. The decline in GDP growth in 2016 compared to the impressive GDP growth in 2013 is an indication of a decreasing and weak capacity production. The government should rise up to this challenge and put the Nigerian economy back on the positive growth path in order to reduce the high level of poverty, unemployment and poor infrastructural base. By implication, the policy makers have a lot to do in terms of improving the welfare of the citizenry, proper planning and implementation targeted at priority areas of the economy. Nigeria's negative economic growth should not be allowed to continue, but the economy should be transformed to improved the living conditions of people, greater prosperity, higher life expectancy and also put Nigeria among the best 20 economies in the world by the year 2020.

REFERENCES

Ahmed, Tunde Popoola (2014). 'Nigeria Economy and the Future Generation'. Being a Paper Delivered at the 10th Nasfat Youth Conference in Abuja.

Amasi, Okon (2016), "Economic Recession through the Lens of Enterprenuers and the Private Sector", being a Paper Presented at a Symposium Organized by the Department of Economics, University of Uyo, Uyo, Akwa Ibom State, on Nigeria's Economic Recession.

ISSN: 2455-8834

Volume:02, Issue:01

Emejo, James (2014). 'Post Rebasing, Nigeria's GDP Growth Revised Downward' www.google.com, June 17, 2015.

Central Bank of Nigeria (2013, 2016). *Statistical Bulletin.*

Ekong, Christopher N.(2016). "Nigeria's Economic Recession: Navigating a Breakout". Being a Paper Presented at a Symposium Organized by the Department of Economics, University of Uyo, Uyo, Akwa Ibom State, on Nigeria's Economic Recession.

Kale,Yemi (2014). 'Measuring Better: Rebasing/Re-benchmarking of Nigeria's Gross Domestic Product'. www.nigerianstat..gov.ng. June 22, 2015.

National Bureau of Statistics (2014). *Rebasing of National Accounts Statistics.* April.

Oyedele, Taiwo (2014). 'Economic and Fiscal Implication of Nigeria's Rebased GDP'. www.pwe.com/nigeriataxblog. June 19,2015.

Rewane, Bismark J. (2014). 'GDP Rebasing and Impact on Nigeria's Investment Environment', Being a Paper Delivered for Finance Correspondents and Business Editors in Kaduna.

Uzor, Sunday Enebell (2014). 'GDP Rebasing: Implications of a Bigger Nigerian Economy. *Zenith Economic Quarterly,* 10 (1).

World Development Indicators 2016

