**Project Topic: Technology Advancement and the Nigeria** **Economy (The Past, Present and Future)**

**General Overview of the Nigeria Economy**

There has been a drastic change in the Nigerian Economy overtime, and this economic change can be broadly categorized into two segments namely;

* The Colonial ( Pre-independence Era)
* The Post-Independence Era

The Colonial (Pre – Independence Era)

Nigeria Pre – Independence economy era was the exact replica of the British economy due to the fact that Nigeria as a country was colonized by Britain. The country’s output as at then was predominately agricultural products like groundnut, palm oil, rubber, cotton to mention quit a few. The economy of Nigeria was quit better off than some African countries because a large portion of the agricultural product were exported to Britain while the country also provide a virile market for Britain goods imported into Nigeria.

However, the first ten years development plan between (1945 – 1955) and the second years development plan between (1945 – 1960), no conscious attempt was deliberately made to accelerate economic growth but rather more priority was given to the welfare of citizens and social services plan. The economy witnessed some level of growth during the plan period but little is known about sectorial performance especially on an account that most sectors were at their emerging stage except for the agricultural sector which the country was known for. The performance of the Nation’s economy during the pre-independence era is summarized in the tabe below

Table 1.0: Nigeria Pre-Independent Economic Performance Indices

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Expenditure Category | 1950 | 1955 | 1960 | Increase  Amount | 1950-1960  % Increase | %  Per Annum |
| Gross  Domestic Product (GDP) | 699.3 | 891.9 | 1023.9 | 329.7 | 42.1 | 4.1 |
| Govt. exp. on Goods and services (GE) | 24.4 | 45.5 | 77.0 | 53.0 | 220.8 | 22.1 |
| Gross Fixed Invest. (GFI) | 48.4 | 102.6 | 158.0 | 109.6 | 226.4 | 22.6 |
| Consumption Expenditure (CE) | 609.4 | 805.5 | 870.0 | 260.6 | 42.76 | 4.28 |
| G.E as % of GDP | 3.4 | 4.9 | 7.7 | 4.3 | 126.5 | 12.7 |
| GFI as % of GDP | 6.9 | 11.1 | 15.4 | 8.5 | 123.2 | 12.3 |
| C.E as % of GDP | 87.1 | 87.4 | 85.0 | -2.1 | -2.4 | -0.2 |

The table below clearly shows that the country’s Gross Domestic Product (GDP) increased by 42.1 percent between (1950 and 1960) while the percentage increase per annum was 4.1 percent. Government Expendicture and Gross Fixed Investment increased tremendously by 220.8 percent and 226.1 percent respectively within the same period , more so consumption expenditure equally grew by 42.76 percent between 1950 and 1960. The annual increment for Government Expendicture, Gross Fixed investment and consumtion expendicture were 22.1, 22.6, 4.28 percent. However, Consumption Expenditure in relation to Gross Domestic Product declined by 2.4 percent as against Consumption Expenditure (as a percentage of Gross Domestic Product) and Gross Fixed Investment as a percentage of Gross Domestic Product) which respectively increased by 126.5 and 123.2 percent.

**The Post- Independent Economy**

Nigeria econmy was still under the influence of Britain in the early Post-independent era, as import and export of the nation’s was skewed to their advantage. The first and second national development plans culminated into substantial overall economic growth as indicated in the rise in Gross domestic product. In the era of 1970 a structural change was experience in the economy due to the discovery of crude oil as a major contributor to Gross National Product (GNP), ) and the growing dominance of building and construction as an item of capital formation. Manufacturing fell below expectation due to infrastructural constraints and scarcity of willing and competent partners. The agricultural sector witnessed a negative total average growth of -0.4% and become stagnated during the third development plan. About 23 institutions were established during this period to provide economic drive for the country e.g. the Central Planning Office, Agricultural Development Bank, Nigeria National Oil Corporation etc. The economic growth were hindered by oil glut of the 1980’s, high level of corruption , high level of inflation, lack of good data base and non-evolution of coherent policies to give a direction to the economy.

From decades after independence, in terms of national income, the agricultural sector dominated the economy in the first decades with no significant contribution from the oil sector. The second decade witnessed agriculture maintaining the lead in the contribution to GDP in the first half while this lead was taken over by the mining and quarrying sector in the second half due to increase in oil prices and rise in nation’s oil reserve. Others sectors had insignificant contribution to the GDP.

In the third decade, while the agricultural sectors attain its dominance of the national economy, Crude oil on the other hand was known to be the foreign exchange earner. Going to the fourth and fifth decades there was a noticeable decline in agricultural growth and over dependency on crude oil as the major income source became the other of the day in the Nigerian Economy

**The Structural Adjustment Program (SAP)**

SAP has been used overtime to categorize the nation’s economy into segments which are

* Pre-SAP Period (1960 – 1985)
* SAP Period (1986 – 1993)
* Post- SAP Period (1994 till date)

The Structural Adjustment Program (SAP), with its entire fundamental features such as deregulation, massive devaluation of Naira privatization, liberalization etc. no doubt has effect on different sectors of the economy during the SAP era. The building and construction sector witnessed a reduction in growth rate due to high cost of material, so also the manufacturing sector. Generally, the structural adjustment program led to increase in nominal GDP.

A view of the level and Sectorial distribution of the country’s Real GDP between 1960 and 2010 (#Million)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Sectors | 1960 | 1965 | 1970 | 1975 | 1980 | 1985 |
| 1 | Agric  Crop  Livestock  Forestry  fisheries | 1, 599.8 1, 284.4 139.6 131.8 44.0 | 1,742.2 1, 366.2 158.0 143.4  74.6 | 1, 887.7 1,437.0 143.8 129.2 177.7 | 7,639.4 4,942.8 973.1 320.5 1, 403.1 | 6,5018.8 3,944.7 1,557.1 270.7 729.4 | 6,5018.8 3,944.7 1,557.1 270.7 729.4 |
| 2 | Industry CrudePetr.&gas Solid Minerals Manufacturing | 145.6  11.0  20.6  114.0 | 370.8 116.8  33.0 221.0 | 819.1 465.6  35.9  317.6 | 7,463.0 5,770.6 505.9 1,186.5 | 10,922.9 6,754.3 682.7 3485.9 | 85,097.4 72,152.0 913.0 12,032.4 |
| 3 | Building & Construction | 110.8 | 162.2 | 221.0 | 1,932.5 | 3,056.0 | 3,308.0 |
| 4 | Wholesale and Retail Trade | 309.4 | 418.4 | 512.9 | 5,718.9 | 6,318.0 | 27,876.7 |
| 5 | Services | 323.4 | 453.2 | 778.3 | 4,418.3 | 4,748.1 | 19,005.7 |
|  | Total GDP | 2,489.0 | 3,146.8 | 4,219.0 | 27,172.0 | 31.546.8 | 201.0363 |
|  | Sector | 1990 | 1995 | 2000 | 2005 | 2008 | 2010 |
| 1. | Agriculture  Crop  Livestock  Forestry  Fisheries | 83,344.6 68,416.7 9,562.0 2,149.1 4,216.8 | 96,220.7 80,702.8 10,051.3 2,421.9 3,044.6 | 117,945.1 98,392.6 11,449.9 2,555.5 5,547.1 | 233,463.6 206,178.4 14,643.9 3,005.4 7,636.0 | 283,175.4 252469.7 17,877.6 3,587.5 9,240.5 | 316,728.7 282,049.7 20,264.1 4,019.3 10,395.6 |
| 2 | Industry Crud.Petr.& gas Solid Minerals Manufacturing | 115,591.4 100,223.4 665.6 14,702.4 | 108,162.7 93,536.7 789.8 13,836.1 | 121,756.6 106,827.5 970.2 13,958.8 | 159,161.4 136,345.5 1,510.8 21,305.1 | 146,519.6 116,594.6 2,118.3 27,806.8 | 157,905.0 122,957.9 2,665.8 32,281.3 |
| 3 | Building & Construction | 4,350.8 | 5,221.7 | 6,433.8 | 8,544.5 | 12,338.8 | 15,484..9 |
| 4 | Wholesale and Retail Trade | 35,837.7 | 38,310.1 | 43,161.9 | 77,283.1 | 117,002.9 | 145,034.5 |
| 5 | Services | 27,425.6 | 32,492.3 | 39,881.5 | 85,478.8 | 113,165.8 | 140,373.6 |
|  | Total GDP | 267,550.0 | 281,407.4 | 329,178.7 | 561,931.4 | 672,202.6 | 775,525.7 |

Source: Central Bank of Nigeria, Statistical Bulletin, Golden Jubilee Edition, 2008; National Bureau of Statistics, Statistical Bulletin, 2010 compiled edition\*Note that the GDP was compiled from 1960-1973 using 1962/1963 constant basic price, from 1974-1980 using 1977/1978 constant basic price and from 1981-2010 using 1990 constant basic price.

It is glaring that from the above table Nigeria total GDP using1962/63 constant basic price was N2.5 billion at independence in 1960. This figure consistently rose to N4.2billion in 1970 and N31.5 billion in 1980. In 1990, the total GDP value amounted to N267.6 billion and by 2000 the total GDP valued at 1990 constant basic price was N329.2 billion. There was an incremental surged to N775.5 billion in the year 2010 and The agricultural sector accounted for more than 40 percent of the total GDP making that sector to become the largest contributor of Nigeria’s output of goods and services. The enormous contribution of the agricultural sector to Nigeria economy was short live because in recent times its contribution was not as much as its contribution at independence. Crude oil sector accounted for about 21.4 percent in 1980. In absolute terms, this contribution rose to N106.8 billion in 2000. This represents about 33.3 percent for that year. It is also apparent from the above Table that significant contribution to the GDP in 2000 came from wholesale and retail trade and this increment was sustained till 2010. Significantly, less contribution were made by the solid minerals and the manufacturing subsector of the industrial sector over the years although the industrial sector as a whole witnessed increasing contribution through the crude petroleum and gas subsector. It is important to note that the service sector as a whole recorded substantial improvement from 1995 till 2010 but relatively small compare to other main sectors. The contribution of the building and construction sector has remained minimal in relative terms throughout the period of analysis.

Okuneye and Ayinde (2011) stated that the Civil War (1967-70) and the emergence of petroleum in the early 1970s scuttled the production foundation of agriculture through lack of visionary planning for sustainable development. The sector is yet to regain its central role in the economy. The misfortune is that, based on the voluminous human, material and financial resources expended on agriculture in the last 40 years, the country ought to have done much better to address the fight against the mysteries of poverty, hunger, malnutrition and ill-health. The oil boom of the early 1970s relaxed the financial constraints to development. The GDP at 1977/78 factor cost grew at an average rate of only 5.0% per annum between 1975 and 1980. One major characteristic of this growth was its very unstable nature. The growth rates ranged from -1.3% in 1975/76 to 9.5% in 1979/80. Generally, government services recorded the highest growth of 17.7% in constant terms during this period. Manufacturing grew at 13.3%, while agriculture recorded a growth rate of -2.3%. The performance of the economy suggests that there was more to underdevelopment than financial constraints. The oil boom of the 1970s led Nigeria to neglect its strong agricultural and light manufacturing bases in favor of an unhealthy dependence on crude oil. In 2000, oil and gas exports accounted for more than 98% of export earnings and about 83% of Federal Government revenue. In recent time, mining constitutes the country’s major source of wealth accounting for slightly less than 20percent of the GDP above 90percent of Nigeria’s foreign exchange earnings and about 80 percent of the country’s revenue. The crude oil industry is capital intensive. This explains why there is not much prospect in this industry in terms of providing employment opportunities for its labour force due to its relatively low labour absorptive-capacity. Currently, this industry provides employment for about two percent of the country’s labour force. New oil wealth, the concurrent decline of other economic sectors, and a lurch towards a statist economic model fueled massive migration to the cities and led to increasingly widespread poverty, especially in rural areas. A collapse of basic infrastructure and social services since the early 1980s accompanied this trend. By 2000, Nigeria's per capita income had plunged to about one-quarter of its mid-1970s high, below the level at independence. Along with the endemic malaise of Nigeria's non-oil sectors, the economy continues to witness massive growth of informal sector economic activities, estimated by some to be as high as 75% of the total economy. Nigeria’s manufacturing sector consists of the manufacture of some light consumer products such as canned foods, drinks, textiles, shoes, tobacco, plastics, leather goods household utensils, detergents and others. Incidentally, while agricultural activities constitutes peculiarities of the rural areas, the manufacturing economic are those of the relatively large urban centres such as Lagos, Ibadan, Aba, Onitsha, Port Harcourt, Enugu, kano, kaduna and Zaria to mention a few. Quite unlike the situation in most industrialised economies, the manufacturing sector is a rather small source of employment for the labour force in Nigeria. Currently, it accounts for less than 10 percent of the GDP (Ayodele and Falokun, 2005). 52 Given the Nigerian trend, pace and pattern of development, the country can be defined as one that is rapidly getting to modernize. Nonetheless, the Nigerian economy is largely economically under-developed in many respects. In modern socio-economic terminology, Nigeria has usually been defined as a developing country. Under this classification, most of its major economic activities are carried out within its informal sector which in crude economic terms can best be classified as the traditional sector. In recognition of the operational framework of the traditional setting, most of the economic activities with their associated outputs do not lend themselves to easy estimation. In this regard, the lack of adequate data to analyse the goings-on in the informal sector impose some restrictions which limit the extent to which the Nigerian national accounts data can be accepted as telling the true economic story. This must be borne in mind in our discussions of the pace, trends and patterns of production and economic development in the Nigerian economy. SELF ASSESSMENT EXERCISE 3 Briefly comment on the performance of the following sectors after independence in the Nigerian economy: i. The agricultural sector ii. The mining sector iii. The manufacturing sector 4.0 CONCLUSION Given the foregoing sectoral distribution of the GDP, it is important to note that when these current figures are compared with what they were within the 1950/75 period, a significant structural, change had eventually occurred. We may wish to observe that the contributions of all sectors had grown phenomenally in absolute terms over what they were about at independence (1960). This growth could be attributable to the importance of structural change in the Nigerian economy. One of the most significant changes occurred in agricultural sector where although still predominates in its contributions but has sharply fallen from above 65 percent in the 1960s to about 40percent in recent times. Although the contributions from agriculture declined overtime, nonetheless, it still constitutes Nigeria’s largest economic sector to date. Some other sectors have appreciably risen within the last two decades or so to account probably for the decline in agriculture. Such sectors include mining whose phenomenal increase is attributable to the sudden growth of the petroleum industry in Nigeria which is currently the main basis of the economic strength of the Nigerian economy. Inspite of the potentials for industrial growth in Nigeria, the level and pace of industrialisation in the country is relatively low. This therefore explains why the 53 contribution from this sector remains low. Government overtime has therefore place emphasis on evolving economic policies to increase the pace of industrialisation in the country. As typical of a developing country, distribution activities are sizable in the economy. This explains why the tertiary sector accounts for as much as an average of 39 percent of the GDP within 1952/2002. The indication from this is that, the Nigerian economy is really a trading economy with little transformation of its primary goods into secondary goods. Moreover, since the Nigerian agriculture is largely peasantry, the high contributions of the tertiary sector to the GDP suggest that the sector is not really servicing the Nigerian economy, but indeed the economies of its trading partners. In sum, the indication from the structure and pattern of growth of the GDP in Nigeria is that the Nigerian economy, inspite of its dynamism, is still characterised by excessive dominance of the primary sector, particularly agriculture. The manufacturing sector remains rather insignificant. On the whole, the Nigerian economy has not really been developing as expected. There is therefore the need to design socio-economic policies to restructure the economy in such a way as to start servicing the domestic economy. 5.0 SUMMARY In this unit we categorised the Nigerian economy based on pre and post-independence, decades of analysis and Pre and Post structural adjustment period. We went ahead to examined the status of the Nigerian economy before independence. We equally examined the absolute and relative performance of various sectors in the economy in holistic term after independence. This analysis is to serve as a tip of the ice bag because we are going to examine all the sectors in the Nigerian economy one after the other in details from the next module. With this you have successfully completed your studies on this module and I believe you had an interesting experience on the background and structure of the Nigerian economy. You will undoubtedly be comfortable studying subsequent modules because they are mere expansion of this just concluded module. 6.0 TUTOR-MARKED ASSIGNMENT Compare and contrast the Nigerian Economy before and after independence (a minimum of one-page A4, 1.5 spacing, 12pts, Times New Roman font) 7.0 REFERENCES/FURTHER READING Anyanwu, J.C., A. Oyefusi, H. Oaikhenan and F.A. Dimowo (1997). The Structure of the Nigerian Economy (1960-1997), Joanee Educational Publishers Ltd., Anambra, Nigeria. 661pp. 54 Ayodele, A.S. and G.O. Falokun (2005). The Nigerian Economy; Structure and Pattern of Development, Printoteque, Lagos, Nigeria, 301pp. Balogun E.D (1999). Structure of the Nigerian Economy, A paper delivered at a

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