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Moving The Nigerian Economy From Recession To Renaissance: Where Rests The Solution?

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Abstract: *Given its consumptionist nature, economic activities in Nigeria are mainly driven by household aggregate consumption expenditure with greater percentage of the spending on consumer-goods-importation. A statistical performance-illustration of the sectoral components of Nigeria's gross domestic product (GDP) provided pointers to a recession and further provided insights towards facilitating functional dimensions for moving the economy from recession to renaissance. Evidences from the sectoral scrutiny showed asymmetric growth in GDP and its major components. While growth in agriculture, construction, trade, and service sectors boosted GDP growth in 2015, only the agricultural and service sectors recorded positive growths in the making of 2016 GDP leaving the abysmal performance of the other sectors accountable for the current recession. This study also documented a positive strength of relationship between the growth rates of Nigeria's real GDP and service sector contributions - a cursor to the role played by human capital development, administrative and professional services. Based on findings, this study recommends import-substitution strategies aimed at encouraging growth in the non-oil trade balance and the provision of basic infrastructure aimed at boosting real sector activities in the industrial, trade and construction sectors so as to actualize the country's desire for economic diversification.*

Key words*: aggregate demand/supply, economic growth, GDP, Nigeria, recession, sectoral contributions*
JEL*: E01, E32, O40, O41*

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I. Introduction

The basic allusion of macroeconomics is that alterations in aggregate demand explain why actual output and employment move away from their full employment levels. Instability in aggregate demand is hence an elemental macroeconomic crisis – with undesirable reduction in aggregate demand causing disproportionate employment and undesirable rise in aggregate demand bringing about excessive inflation. Therefore the key task of macroeconomic policy making centers on the stabilization of aggregate demand within the economy. Gordon (1978) cited in Blanchard (2003) documents gross output growth, price stability and employment growth as important target macro variables which every economy is interested in. These variables generally capture the growth of economies and when these target variables move away from their desired levels, policy advocates are made so as to bring them back to their equilibrium state.

Sustainable economic growth, usually measured by a positive and sustained growth in a nation's GDP, has been a traditional macroeconomic objective. This is inherent in the capacity of an economy to produce goods and services from one period of time to another. It is often gauged as a percentage increase in the real GDP and most often in per capita terms. Furthermore, economic growth occurs when there are increases in a country's productive potentials: increases in the capital stock, advances in technology and human capital development as well as environmental sustainability. Economic growth is reflected by two major scenarios: increase in aggregate demand (consumption expenditure) and increase in aggregate supply (productive capacity). Therefore, trend in aggregate consumption spending and aggregate productive capacity of an economy reflect the extent to which the economy is growing.

Aggregate demand can increase for the reasons of lowered interest rate which reduces the cost of borrowing and encourages spending and investment; increased wages as well as increased government spending which increases disposable income and expands consumers' spending; reduction in the value of the currency which makes domestic goods and services cheaper for exports and discourages imports; increased consumer confidence which increases aggregate production and aggregate spending; reduced income tax which increases disposable income, increase consumer spending and leads to expansion in production; and increased asset prices which creates a positive wealth effect for asset owners.

On the other hand, aggregate supply can increase for reasons of increased capital goods which lead to investment in new factories and infrastructural development; increased labour force which comes through increased birth rate, immigration, division of labour and specialization; increased labour productivity which comes through human capital development (better health and education); discovery of new raw materials and new minerals; technological improvements; economic and political stability which reassures business firms to increase investments and re-invest in order to expand capacity as rises in uncertainty discourages investment; and reduction in inflation encourages business investment while increase in inflation increases volatility, amongst others.

Earlier research on the interaction between aggregate demand and supply is credited to Frisch (1933) and Slusky (1937) cited in Sorensen and Whitta-Jacobsen (2003) and according to the Frisch-Slusky paradigm, economic recessions occur as a consequence of several impulses that affect aggregate demand and aggregate supply. Movements in macroeconomic variables produce time series that act as sequence of rising and falling movements with marks of certain approximate uniformities and regularities. This implies that performance in certain supply-side or demand-side aggregates affect the performance of the composite aggregate like GDP. Hence, shocks or impulses that hit certain key components of the real GDP is propagated and amplified through aggregate demand-aggregate supply interactions. Frisch-Slusky paradigm of business cycle has three main components: the shock, propagation mechanism and the cyclical fluctuations. The shock initiates a movement in economic activities while propagation mechanism transmits the shock to the economic system over time resulting to economic recession. According to Sorensen and Whitta-Jacobsen (2003), events that trigger shift in the aggregate demand and aggregate supply curves is at the root of recession. In this context, economic fluctuation is seen as the economy`s reaction to the demand and supply shocks.

Since independence 1960, Nigeria has witnessed many periods of economic recessions. At each recession, economic policies were made to counter the effect of the recession and bring the economy to the path of recovery. Table 1 shows a topology of recessions in Nigeria.

Table 1. Topology of shocks and Recession in Nigeria

S/N	Shock	Origin	Consequence
1	High crude oil price	OPEC decision to quadruple the price of crude oil: 1972	Economic boom
2	Low Crude Oil demand	Another round of crude oil price increase: 1979-1981	World economic recession that affected Nigeria
3	Foreign debt	Fiscal Policy Stance of external borrowing: 1981 - 1985	Debt crisis
4	Inappropriate policy	Poor macroeconomic management	Macroeconomic instability
5	Changes in Economic structure	Structural Adjustment Programme (SAP) :1986-1992	Mixed result
6	Global financial crisis	Subprime mortgage crisis 2007-2009	Weak demand for Crude oil causing global Economic crisis
7	Low crude oil price	Shale oil and middle East crisis 2015-2016	Recession

Source: Authors' Compilation

Following the discovery of oil in commercial quantity, Nigeria`s economy became heavily dependent on the oil sector to the neglect of other sectors. Oil serves as the major export commodity as well as the main source of foreign exchange and revenue to the Nigerian government. As a result, changes in the international oil market poses great concerns for Nigeria's fiscal outlook. Nigeria's budget process has been heavily determined by the activities of the international oil market which exposes the expected revenue to the government based on oil price benchmark to constant review to reflect the prevailing market price. This exposed the economy to the vagaries of international oil market with regular price fluctuations which helped to trigger many of the economic recessions experienced in Nigeria since the early1970s.

These fluctuations in oil price play a crucial role in macroeconomic performance of Nigeria because of its impact on the country's public revenue. For instance, it is observed that non-oil revenue constituted over 73 percent of total government revenue in Nigeria before the first oil price shock of 1972 when OPEC quadrupled international oil price. In order to correct this anomaly, several diversification policies targeted at encouraging the growth of non-oil were implemented. Despite these policies, growth in the different sectors of the economy remained unstable. A cursory look at the general performance of these sectors indicates an asymmetric growth which impacts on the real GDP. This can be observed from aggregate summary of economic activities in the annual growth rate of the real GDP as shown in Figure 1.

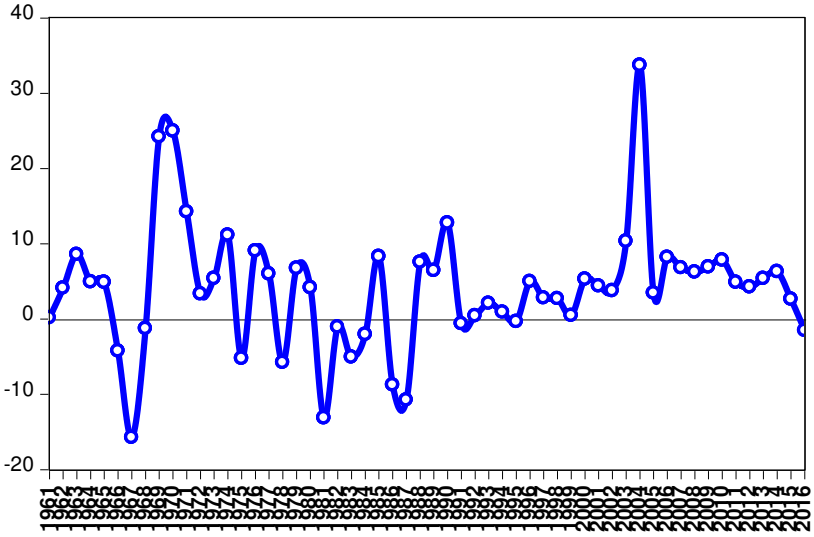


FIGURE 1 :ANNUAL REAL GDP GROWTH RATE (%)(WDI: 1961 - 2016)

Figure 1 reveal a positive growth in the early 60`s but negative growth rate in the late 60`s. Early 1970`s showed positive growth while there was negative growth rates of -5.23 percent in 1976 and -5.76 percent in 1979. The early 1980`s averaged a negative growth rate of 7.7 percent. There was a mixture of periods of positive and negative growth rates in 1990`s. The economy maintained a positive growth rate from the 2000`s until 2016. During the first quarter of 2016, the economy shrank by 0.36 percent to hit its lowest point in 25 years. By second quarter of 2016, Nigeria's GDP contracted by 2.06 percent to record its lowest growth rate in three decades (National Bureau of Statistics, 2016). The annual growth rate of the real GDP for the entire 2016 stood at -1.5 (World Bank, 2017)

The essence of this paper is to review the Nigerian scenario while probing into the extent of contribution of real sectors of the economy towards the making of the real GDP. The Nigerian economy comprises of five real sectors which are responsible for the creation and distribution of goods and services: The agricultural, industrial, construction, trade and the service sectors. A statistical analysis of the sectoral contributions to Nigeria's GDP provides clues as to the performance of the sectoral components of the economy while providing and facilitating functional dimensions for moving the Nigerian economy from recession to renaissance. In line with data availability, this paper adopted the content analyses style of interrogation while all the data were sourced from the Central Bank of Nigeria (CBN) Bulletin 2015 and National Bureau of Statistics (NBS) Quarterly Reports, for the four quarters of 2016.

II. Review of Basic Theory

Real Business Cycles Theory

The theory of real business cycle (RBC) is an off-shoot of the efforts of Lucas and Prescott (1977) and is credited to Kydland and Prescott (1982). The RBC theory consists of series of models which emphasize the role of technology shocks in motivating fluctuations in aggregate supply (production). The theory asserts that increase in aggregate supply through improvement in the rate of inputs usage is the main source of economic growth. Hence, if the output grows more than the inputs usage (causing increases in total factor productivity), then reallocation of factor inputs into more productive ventures can be achieved thereby bringing down the economy's rate of factor unemployment.

The real business cycle theory is at variance with the other theories of business cycle as propounded by the Keynesian and the monetarist economists in providing a response on the main factor that influence and consequently alter the allocation of factor inputs in an economy. Kydland and Prescott (1982) saw this as technological shocks captured by arbitrary fluctuations in productivity level which is capable of shifting constant growth trends up or down. Instances of such shocks include innovations, bad weather, imported inflation, stricter environmental and safety regulations, poor business and investment climate, political instability, etc. The common substance is that a *shock* directly changes the efficiency of capital and or labour, and this in turn changes the work decisions of workers and firms. These alter what the aforementioned agents buy and produce and ultimately change the level of aggregate outputs. RBC models predict time sequences of allocation for consumption, investment, etc. given these shocks.

The theory forecasts that there is general increase in output, consumption, investment, and input usage above their long-term trends given a temporary favourable shock. The implication is that a short-lived shock has

long-run impact in the future through increased investment that leads to more capital accumulation. The effect of the shock may become persistence and amplified through an internal *propagation mechanism* that sustains the *above-trend* behaviour of output.

The basic assumption of the RBC theory is that economic agents respond optimally all the time as they seek to maximize utility. This theory holds that economic agents will always prefer periodic fluctuations in economic activity to economic stagnancy. Economic agents abhors recessions as it is preceded by undesirable productivity shocks that constrain economic activities. Firms in a recessed economy require less inputs usage which implies increased in unemployment. Despite these constraints, agents still achieve the best possible outcomes While markets will react efficiently. This assumption upholds laissez-faire as the best policy in a recessed economy. However, it has been debated due to the abstract nature of the theory.

The real business cycle theory is criticized on a number of grounds. First, economists such as Mankiw (1989) and Summers (1986) have contested the assumption of large and sudden changes in available production technology as being unrealistic. More so, Summers (1986) had challenged Prescott model for its inability to suggest a specific technological shock for an actual downturn apart from the oil price shock in the 1970s as well as the lack of microeconomic evidence for the large real shocks that need to drive these models. Secondly, the assumption that unemployment reflects changes in people's decision to want implied that the recorded 25% unemployment observed at the summit of the 1933 Great Depression would have (unrealistically) been as the result of a mass decision to take a long vacation (Hoover, 1988).

Thirdly, the assumption, that monetary policy is an irrelevant tool for controlling economic fluctuation has also been floored because it has been widely agreed that wages and prices do not adjust as quickly as needed to restore equilibrium. Thus economists no longer accept the policy-ineffectiveness proposition (Hoover, 1988). Even in Nigeria, the Central Bank has effectively relied on the use of monetary policy to stabilize the economy in pursuance of a desired objective.

III. The Nigerian Economy: Sectoral Analyses In Search For Evidences Of Recession

3.1 Conceptual Issues on Economic Recession and Renaissance

A recession is a break away from normal economic activities of aggregate demand (consumption), aggregate supply (production), employment, investment, etc (CBN, 2016c). It is a decline in economic activities obviously denoted by a negative growth rate of the GDP for two consecutive quarters of a year. Its immediate presence is felt when the theory of business cycle is engaged: therein, the peak represents economic boom while the through represents economic recession. Recessions are caused by decline in real output where consumptionist rather than productionist-driven economic activities prevail. In this scenario, the main component of aggregate expenditure that drives economic growth is the household consumption expenditure. The effect of recession is visible in the downward trend of industrial production, employment, real income and wholesale-retail trade. Summarily, the growth rate of the country's GDP declines following decline in economic activities spread across the country. On the other hand, economic renaissance refers to the recovery, rebirth and revitalization of an economy which had previously been plunged into a recession. It is the phase of the business cycle following a recession. At this phase the economy regains and exceeds peak employment and output levels prior to the recession. It is typically characterized by abnormally high levels of growth in real GDP, employment, corporate profits, increase in consumer confidence and other indicators. At this phase, economic activities begin to rebound while the real sector growth rate turns positive. Both monetary and fiscal policies are required to put the economy on the part of renaissance (Romer, 2001).

3.2 Growth in Nigeria's Real GDP: 1970-2016

Nigeria is a country of about 178 million people, good vegetation, lots of water bodies, good climate and free from natural disasters such as earthquakes, tornados, volcanic eruptions and landslides. Over the past 50 decades, the economy had depended heavily on the proceeds of the crude oil sub-sector. Thus, agricultural sector suffered huge neglect due to overdependence on the oil sub-sector. However, economic diversification as a reliable economic propeller has recently been advocated following the dwindling oil revenue occasioned by incessant fluctuations in international oil price. The economy witnessed downturn as shown by key indicators. By the end of the first quarter of 2016, economic growth in Nigeria began to recede as shown by the negative GDP growth rate of -0.36.

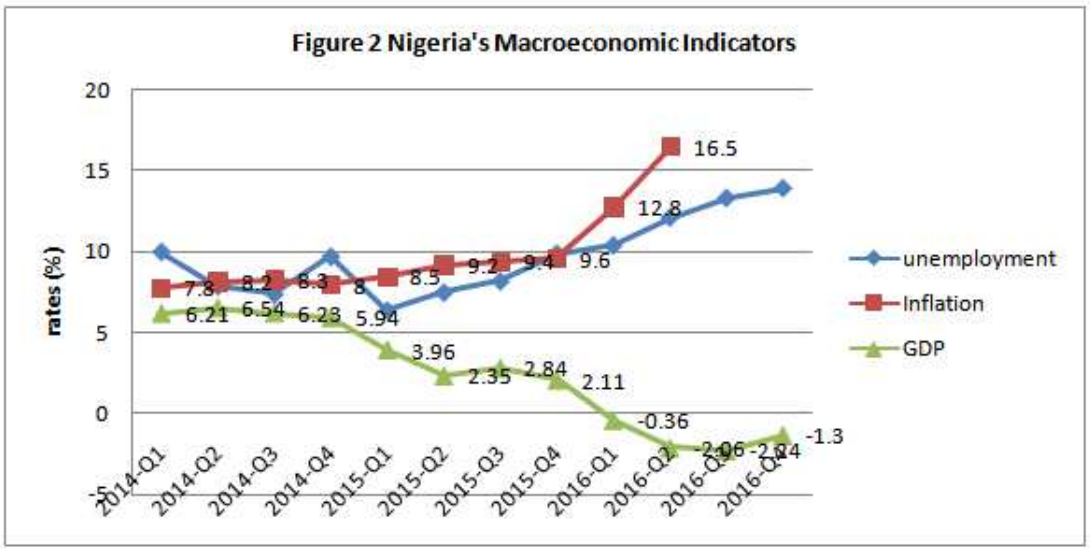


Figure 2 showed the trend in the growth rate of real GDP, inflation and unemployment (2014Q1 – 2016Q4). Evidence from Figure 2 indicates that there was stagflation in the economy as rates of unemployment and inflation (cost of living) grew in the same positive direction. A cursory look at these indicators reveals that stagflation existed prior to 2016 when recession was officially declared. For instance, annual unemployment rate for 2013 and 2016 stood at 26 percent and 29.8 percent respectively while inflation was 8.5 percent and 15 percent respectively for the same time periods. This implies that the economy was manifesting signs of economic downturn before the negative growth in the real GDP. By the end of the second quarter 2016, it became obvious that the Nigerian economy has slumped into recession following contractions in real GDP growth rate for more than two consecutive quarters. Figure 3 depicts the quarterly growth rate of Nigeria`s real GDP from 1971Q1 to 2016Q1.

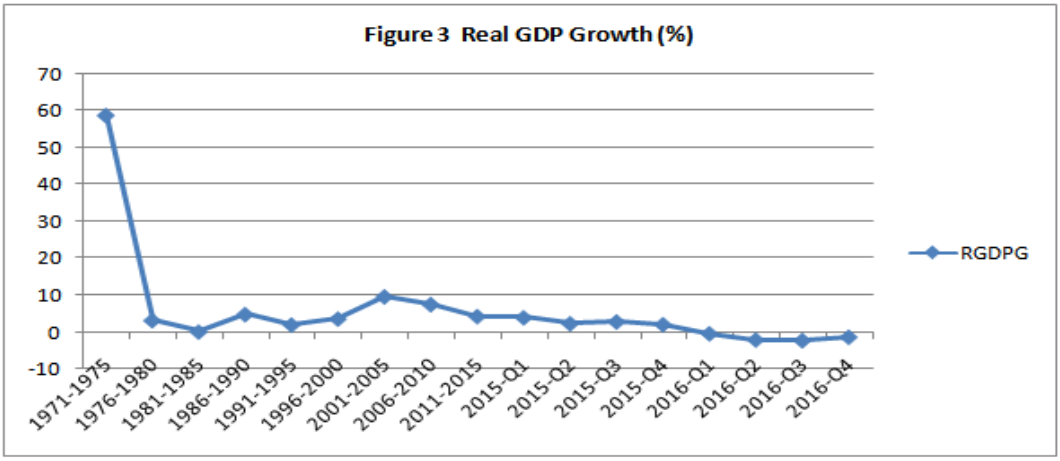
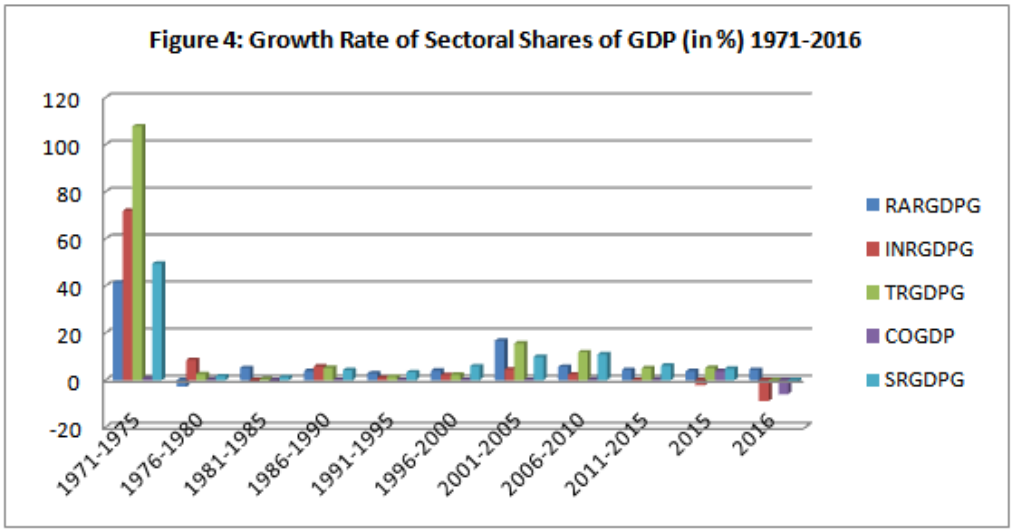


Figure 3 reveals that there were economic contractions since 1970 but got to its all time lowest of -2.24% in the third quarter of 2016. A critical look reveals a dwindling growth in the real GDP after the five-year period of 2001-2005 but it became evident during the last quarter of 2015 when the decline hit negative with a growth rate of -0.36%, -2.06%, -2.24% and -1.3% for the four quarters of 2016 respectively. Thus, the reality of an economy in recession cannot be denied even though the GDP growth rate moved up by 41% by the fourth quarter of 2016 showing signs that the economy is picking up.

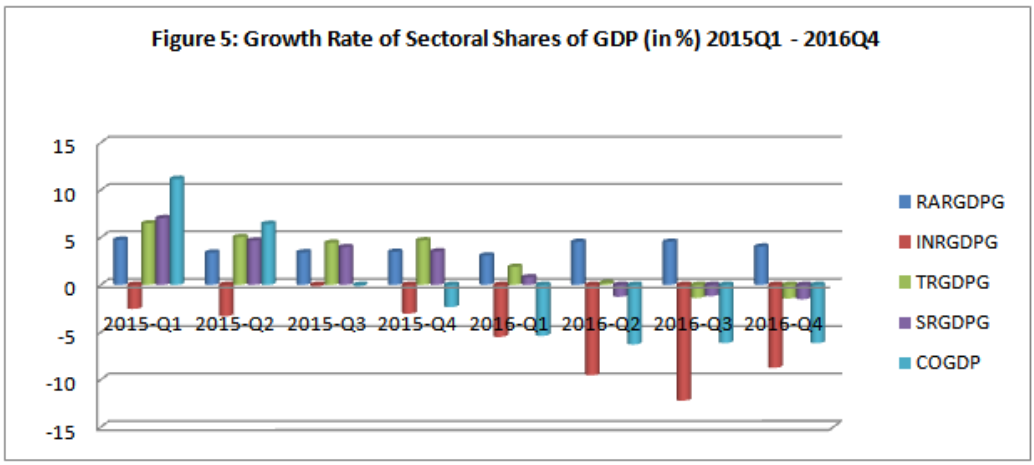
The major real sectors driving the Nigerian economy include the agricultural, industrial, construction, trade and the service sectors. Figure 4 portrays the contributions of these five sectors to economic growth in Nigeria from 1971 to 2016 in terms of their respective percentage growth rates. It is observable that all these sectors recorded positive growth rate in the past except the agricultural sector with a negative growth of about -2.9% between 1976 and 1980. This can easily be credited to the effect of the oil boom in the early 1970`s and the abandonment of the agricultural sector for white collar jobs. None of the sectors performed outstandingly except between 2001 and 2005 when the agricultural and trade sectors grew above 15% while the industrial and

service sectors grew at 4.5% and 9.8% respectively. This can be credited to the institution of democratic principles which hereto were not witnessed in the economy.



(RARGDPG-Agric,INRGDPG-Industrial,TRGDPG-Trade,COGDP-Construction,SRGDPG-Services)

Figure 5 makes Figure 4 clearer by showing the growth in the shares of the five real sectors of the Nigerian economy from the first quarter of 2015 to the fourth quarter of 2016. Apparently, growth in the contributions of other sectors except the agricultural sector to Nigeria's gross output has been on the decline. Second to the last quarter of 2016 was worst hit as only the real agricultural sector output grew at a positive rate as shown in Figure 5.



As stated earlier, a statistical illustration of the sectoral contributions to Nigeria's gross domestic product provides clues as to the performance of the sectoral components of the economy while providing and facilitating functional dimensions for moving the Nigerian economy from recession to renaissance. In the following sections, we concentrate on the statistical analysis of the individual performance of the respective sectors.

3.3 Evidence from Nigeria's Agricultural Sector

Figure 6 provides evidence that the average growth rate in Nigeria's agricultural output has been stable over time despite climatic distortions and huge neglect it has suffered. In terms of budgetary allocation to agricultural sector, the African Union in 2003 recommended 10% share of the annual budget in order to achieve a sustainable growth rate. In Nigeria, however, evidence shows that budgetary allocation to the agricultural sector stood at 1.7%, 1.44%, 0.9% and 1.6% for 2013, 2014, 2015 and 2016 fiscal years respectively.

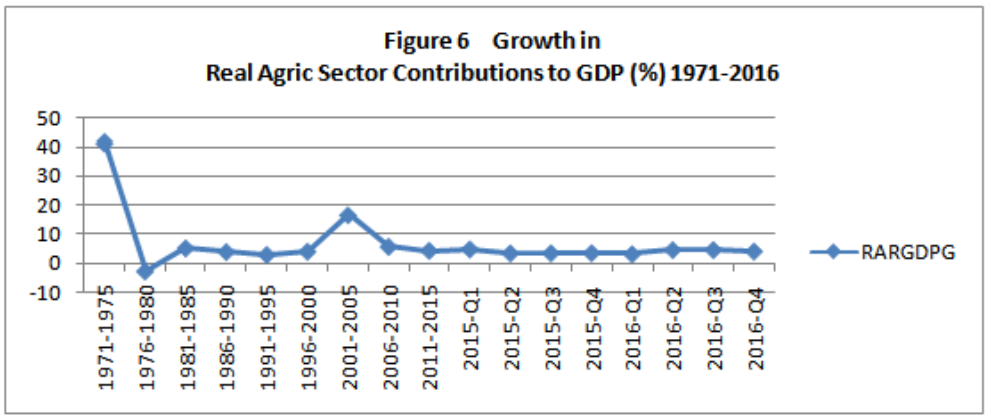
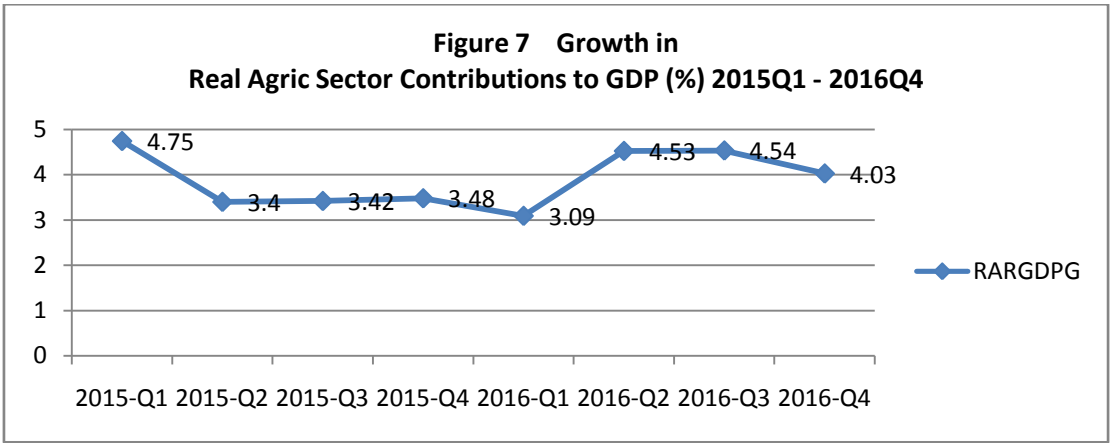


Figure 7 brings to clarity the present condition of the agricultural sector. It is worthy of note that at the onset of current recession, agricultural sector output growth nose-dived from 3.48% to 3.09% during the first quarter of 2016. However, the sector lent a heavy support to economic growth during the recessionary period as there was a rebound to about 4.5% in the following quarters. This is expected to continue irrespective of the decline in the sector outputs growth by the last quarter of 2016, which may be attributable to the harsh climatic conditions. This is indicative of the fact that Nigerians resorted to farming in order to survive the recession. From policy stance, this is non-repulsive and is healthy for future economic growth of the country.



3.4 Evidence from Nigeria's Industrial Sector

Nigeria's industrial sector output comprises of the crude oil, solid minerals and the manufacturing sub-sector outputs. Figure 8 provides evidence that the average output growth rate in Nigeria's industrial sector has been unstable over time. It has been on the decline after the 2001-2005 average growth rates of 4.5%. The industrial sector is obviously bedeviled by unfriendly business environment and poor investment climate: poor electricity supply, bad roads, rent-seeking in government offices (evidenced in the quantum of fraud and high-powered monies recovered from politicians and government officials), multiple taxation, high cost of fuels (kerosene, petroleum motor spirit, gasoline) etc, hence, its current negative growth rate.

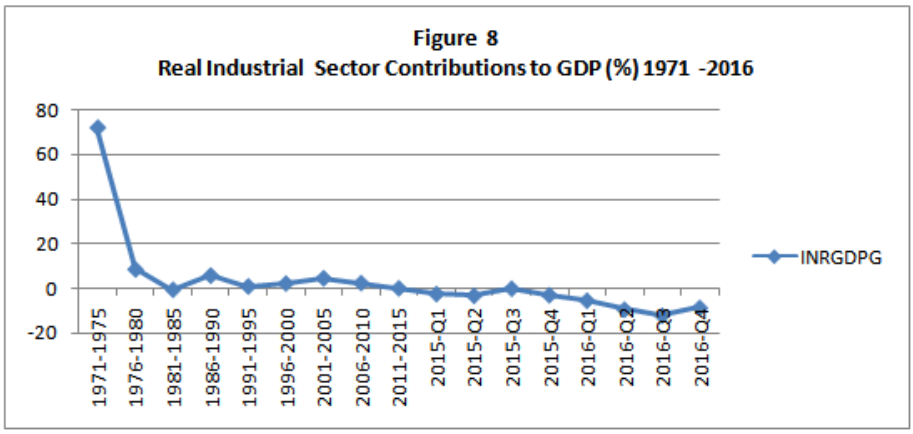
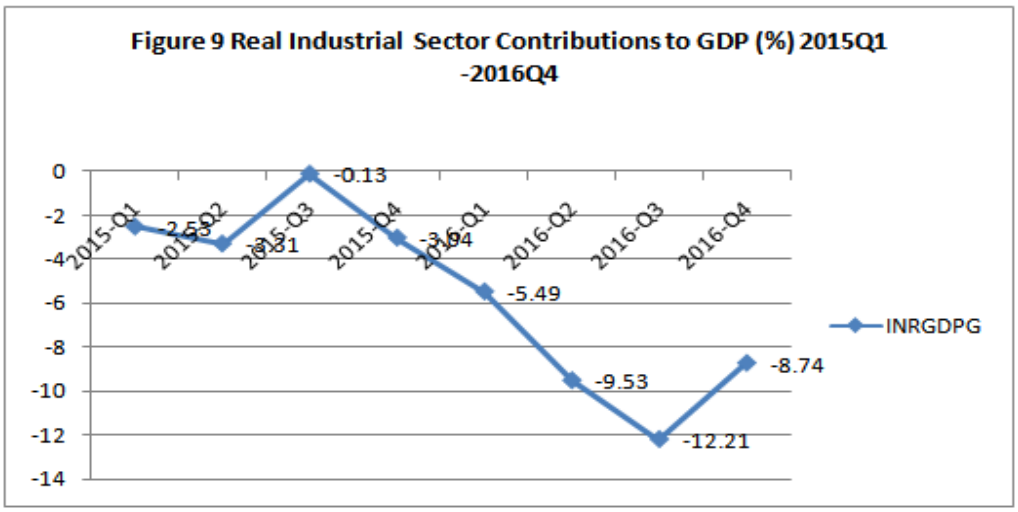
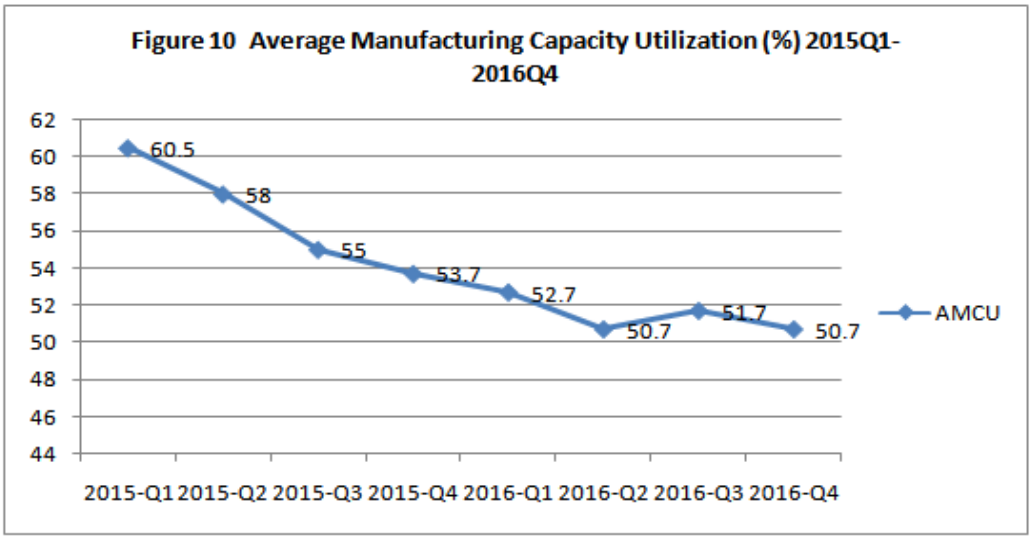


Figure 9 brings to clarity the present condition of the industrial sector. It is pertinent to note that the growth in this sector turned negative from the first quarter of 2015 till the last quarter of 2016, haven recorded a drop to 0.04% growth rate in the 2011-2015 five-year periods. Hence, it is noticeable that the Nigerian industrial sector first went into a recession before other sectors of the economy and thus, could have led the current economic recession.



The industrial sector's output growth rate reached an all time lowest of -12.21% in the third quarter of 2016 due to obvious reasons: current high debt profile with less infrastructural development; inability to effectively utilize foreign exchange from oil which pulls down the production of capital and producer goods due to the absence of foreign exchanges needed for the importation of raw materials; mismanagement of the windfall of 2010 to 2014. The consequent cash squeeze impacted negatively on overall business confidence (MAN, 2016; CBN, 2016a, 2016b). In fact, the negative growth rate of -12.21 during the third quarter of 2016 indicate the colossal decline in the manufacturing sector when a lot of companies either folded or relocated to other neighboring countries. From a policy stance, there should be deliberate efforts towards improving Nigeria`s ease-of-doing business index which currently stood at 169 out of 190 countries. This will create a profitable investment climate and enabling environment for small scale manufacturers.

Figure 10 lays credence to the serious decline in the productive capacity of the Nigerian economy. It provides evidence of reductions in the average manufacturing capacity utilization rate from the first quarter of 2015 to the last quarter of 2016.



The average manufacturing capacity utilization which measures the extent to which the productive capacity of the manufacturing sub-sector of the industrial sector is being used. Figure 3.9 provides evidence of the under-utilization and consequently, inefficient usage of capital in Nigeria.

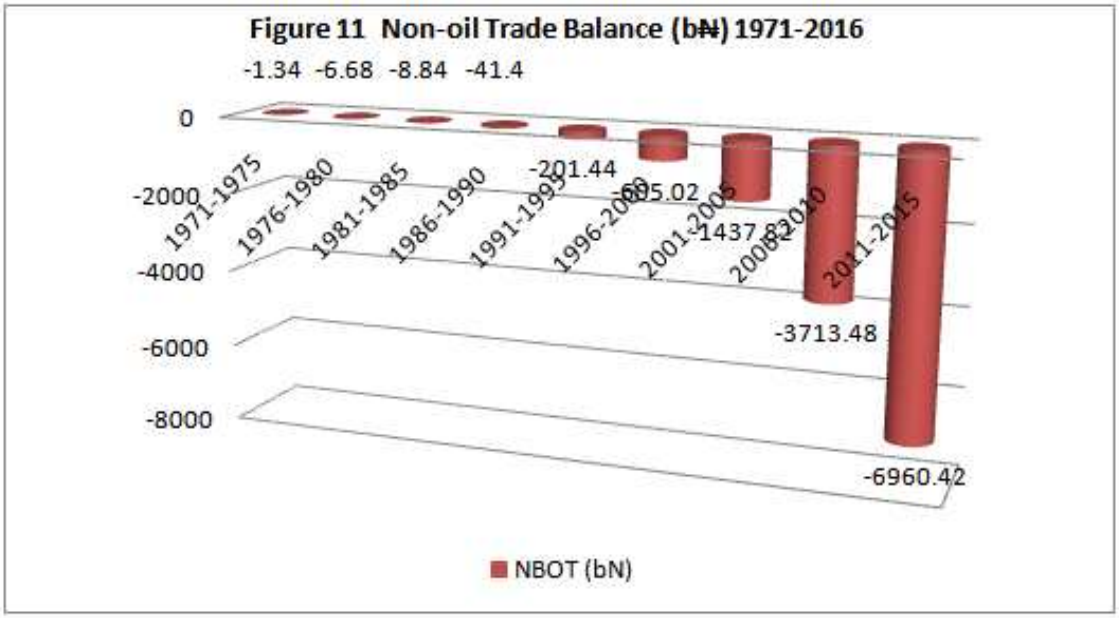
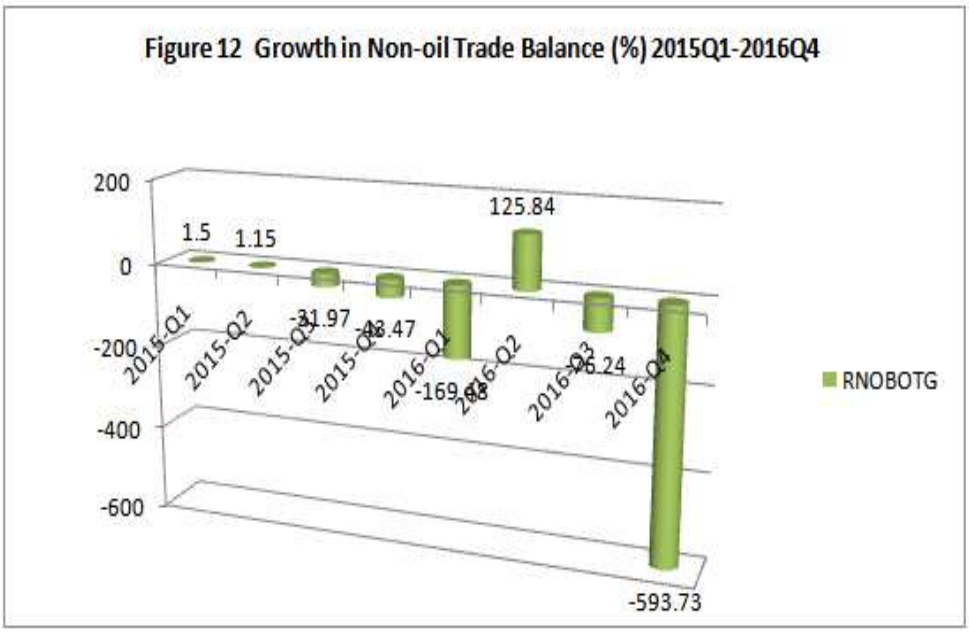


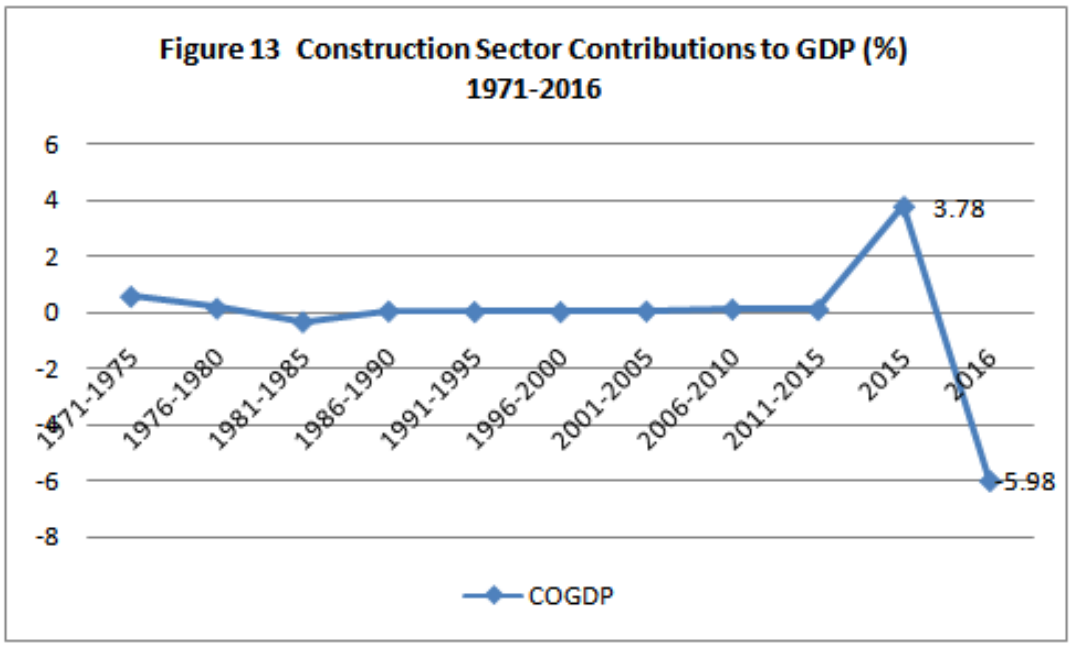
Figure 11 also exposes the gap in non-oil trade balance for the Nigerian economy from 1971 to 2015 on a five-year average. The non-oil trade balance reflects the extent to which there is a difference between the values of exports and imports of non-oil commodities. The non-oil sector external trade performance reflects the extent to which domestically produced commodities are exchanged in the international market. Figure 11 shows that the gaps between non-oil exports and imports have been negative since 1971 but this negative balance has been increasing in leaps and bounds since the 1991-1996 five-year periods. This gap further reinforces the non-diversified nature of the economy: Nigeria's inability to diversify its foreign exchange receipt to other real sectors of the economy (in consideration of the fact that its oil sector is an enclave) and the heavy reliance on importation as Nigeria is a consumptionist economy. Most of Nigeria`s consumer goods are imported into the country and the loss in the value of the naira makes it cheaper to have these rather than the domestically produced goods.



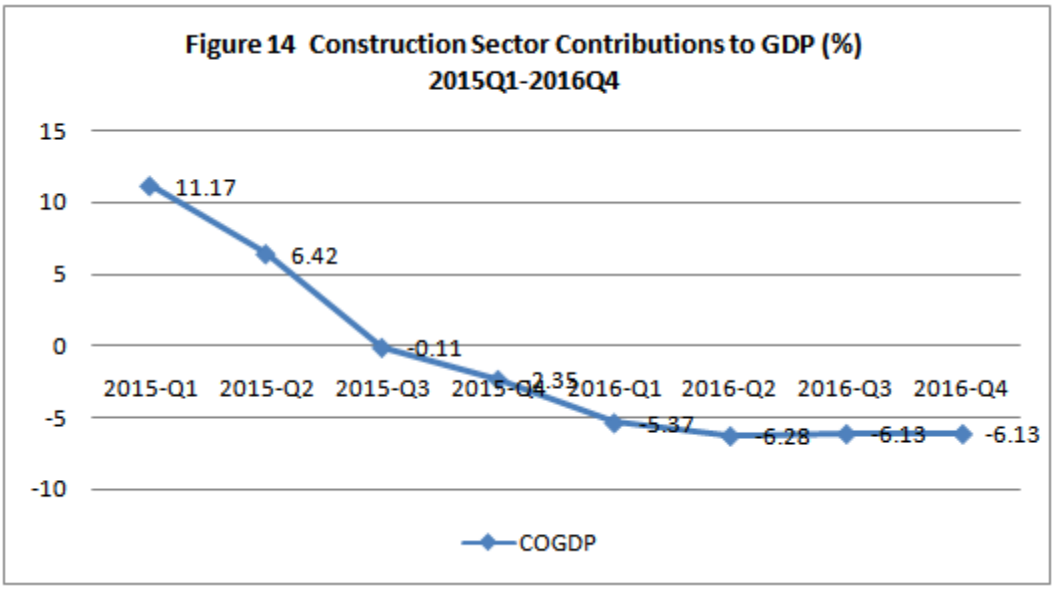
From Figure 12, it is easily observed that the growth in the non-oil balance of trade has turned negative since the third quarter of 2015. This may be credited to the scarcity and misplacement of priorities with respect to foreign exchange availability which deters importation. This underscores the need for proactive desire to industrialize, realign and diversify the economy. This implies a positive attempt at closing up the gap between non-oil exports and imports in Nigerian economy.

3.5 Evidence from Nigeria's Construction Sector

Figure 13 shows the growth in Nigeria's construction sector output and it is observable that output has been growing except for 1981-1985 five-year period when the sector recorded a negative growth. Of recent, growth in output reached its all time lowest of -5.98 in 2016 having recorded negative growths from the third quarter of 2015 as observed in Figure 14.

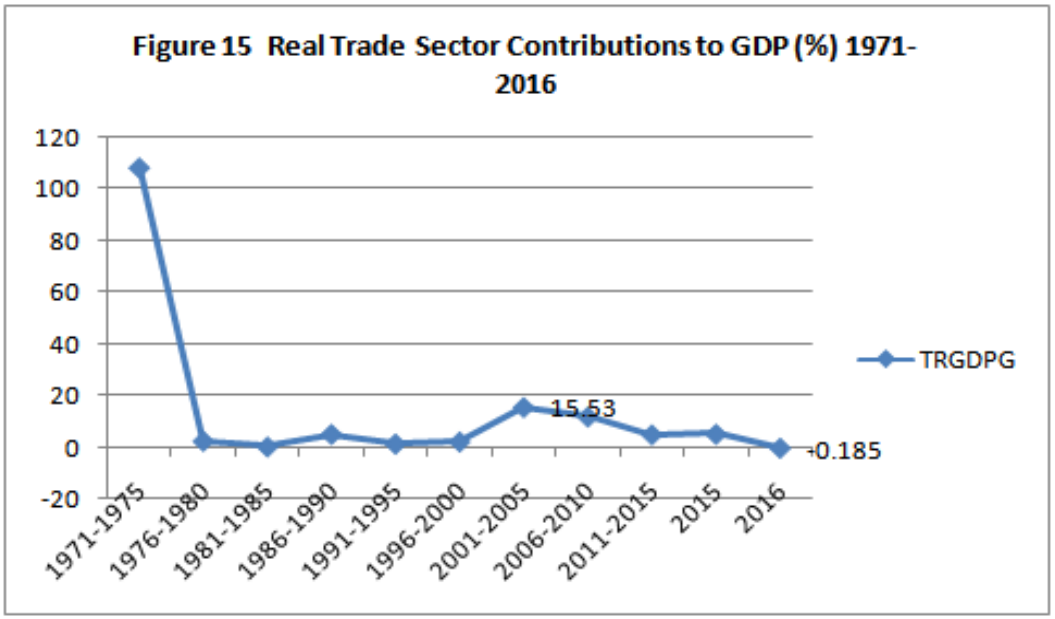


This poor performance of the construction sector is furtherance to Nigeria's current recession.



3.6 Evidences from Nigeria's Trade Sector

Evidences show that the agricultural and the trade sectors were very high contributors as the trade sector contributed 17.57% while agriculture contributed 22.5% respectively to the real GDP of Nigeria in 2016. Figure 15 shows that the growth in the trade (wholesale and retail) sector's output has been on steady decline as the most recent increase in real trade sector contributions to the GDP was a value of 15.33 obtained in the 2001-2005 five-year period after which it continually decreased until it got to an all time lowest of -0.185 in 2016.



To buttress the observations, Figure 16 shows the real-term contributions of the sector to economic growth between the first quarter of 2015 and the last quarter of 2016.

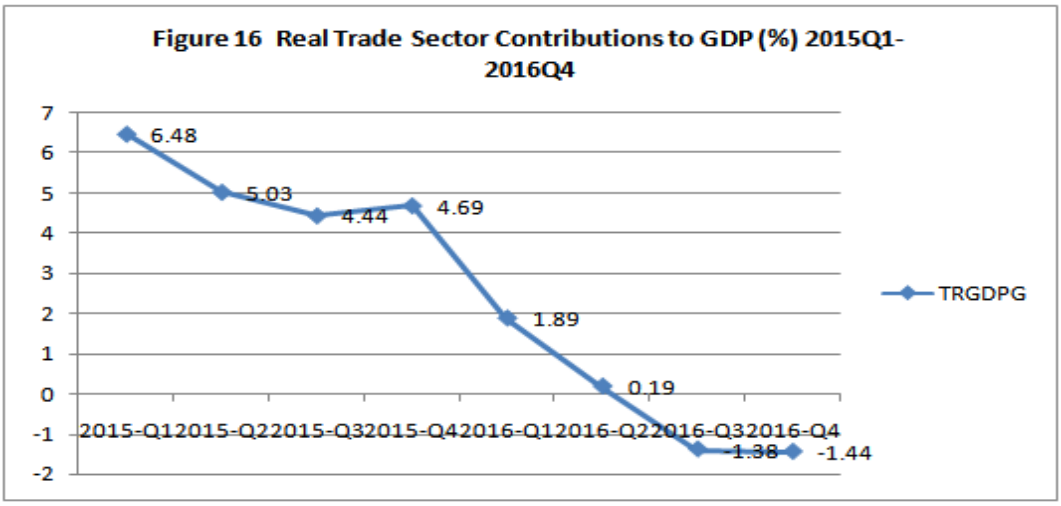
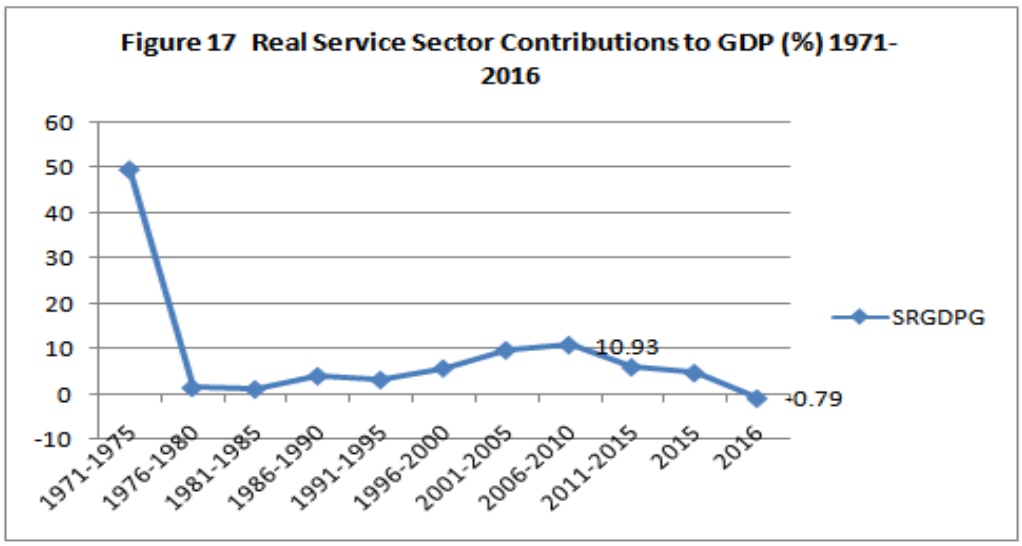


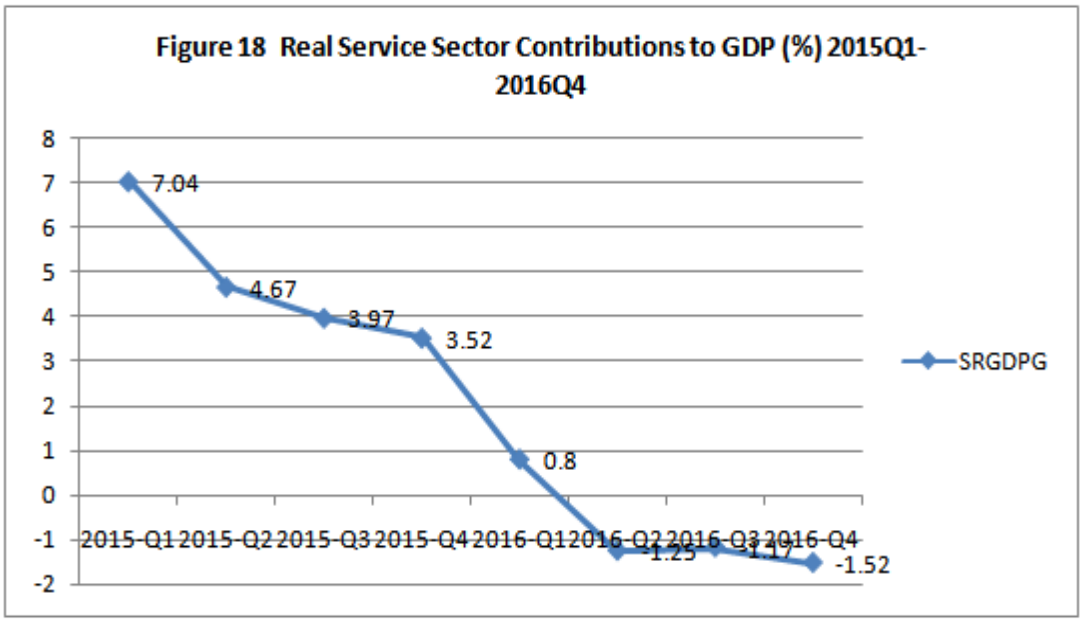
Figure 16 shows that apart from the fourth quarter of 2015, which recorded a slight improvement, the rate at which activities in the trade sector performed have continued to diminish with further downward movement from -1.38% to -1.44 in the fourth quarter of 2016. This is a feedback to the Nigerian economy and it points to the reality that retail and wholesale trading are performing below expectations.

3.6 Nigeria's Service Sector

Nigeria's service sector comprises of activities like transportation, communication, utilities, hotels & restaurant, government services, community, social & personal services, etc. Figure 17 contains the rates at which Nigeria's service sector grew, in real terms, between 1971 and 2016.



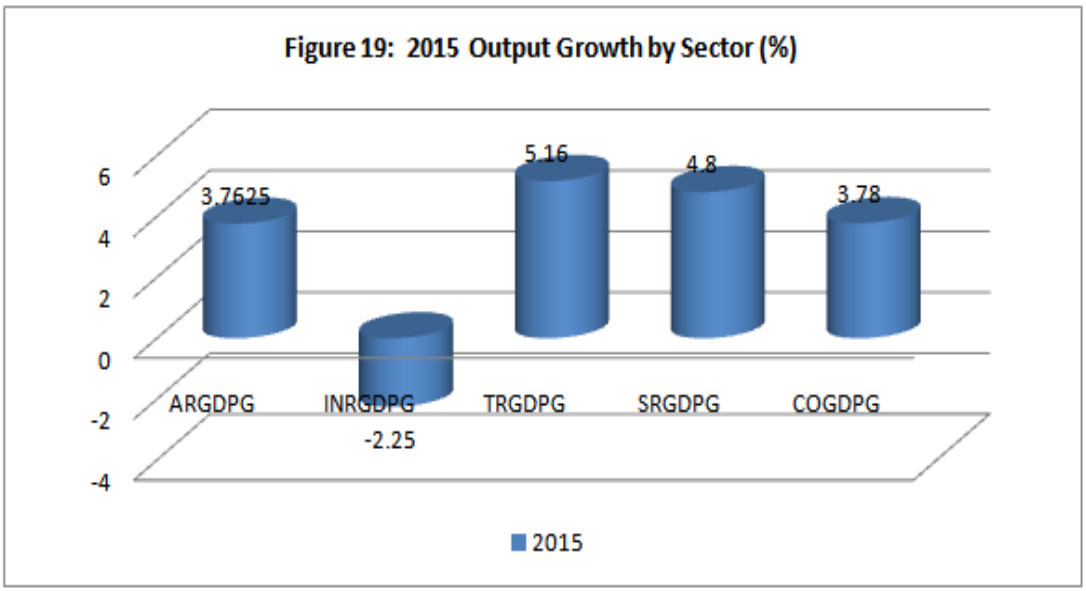
While acknowledging the steady growth in Nigeria's service sector output, it is clear that its recent all time high growth was recorded in the 2006-2010 five-year period (with an obvious push from the expanded telecommunication services, the delivery of good roads and other government services). Suffice it to note that this fit was lost in the 2011-2015 five-year periods with an all time lowest growth rate recorded in 2016.
Figure 18 further justifies this assertion by showing a downward movement, from -1.17% to -1.52% for the third and fourth quarter of 2016 respectively in the rate of growth in the real service sector output of the Nigerian economy.



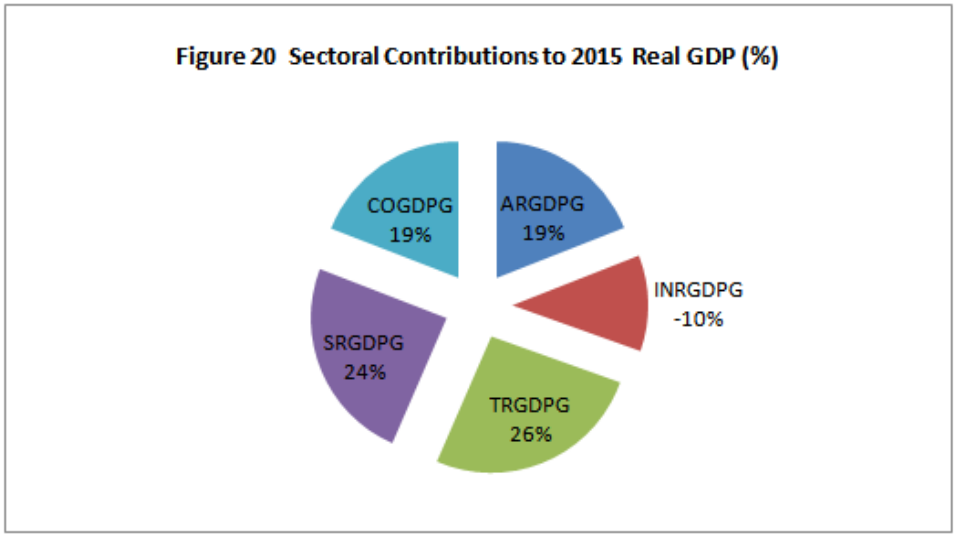
It is therefore conclusive that the poor performance of the service sector may have contributed to the recession currently faced by the Nigerian economy as activities of this real sector are receding.

IV. Implications of Sect oral Evidences of Economic Recession

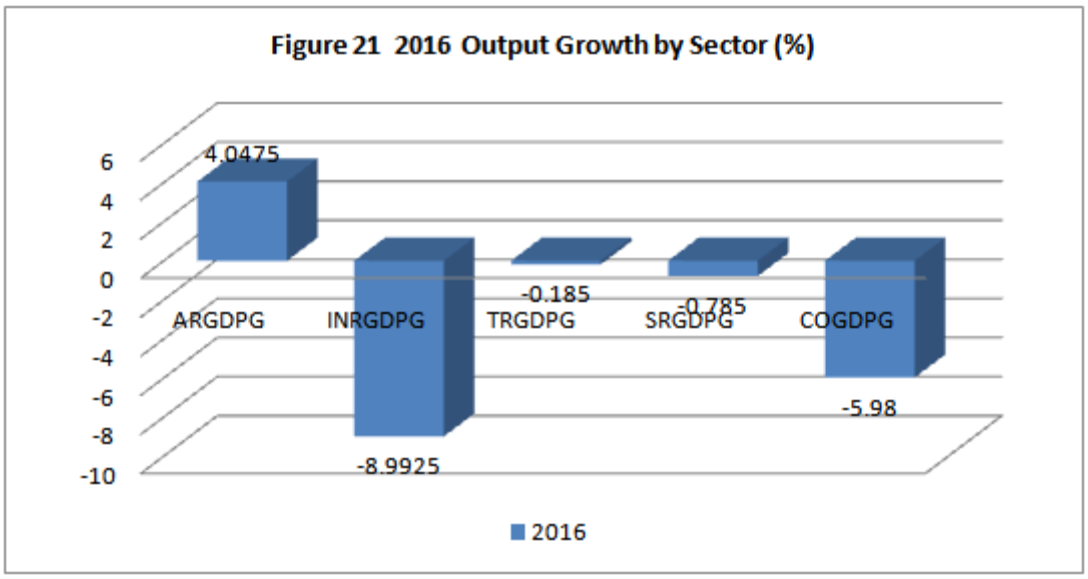
A comparative analysis of sectoral growth contributions to the 2015 GDP is captured on Figure 19. The diagram shows that while the agricultural, construction, trade, and service sectors had positive growths and were therefore not in recession, the industrial sector is suspected to have caused the receding economic growth observed in 2015, part of which spilled-over to 2016 as the sector grew by -2.25% in 2015. Figure 20 also provides the sectoral contributions to the real GDP in 2015.



It is easily observed that while the industrial sector contributed -10% to economic growth in 2015 (thereby reducing the potentials of the economy), the agricultural and construction sectors contributed 19% each, and the trade and service sectors respectively contributed 26% and 24% to Nigeria's economic growth for the year.



Furthermore, evidences from Figure 21 proved that only the agricultural and service sectors outputs had positive growth of 4.05% and 0.79% respectively throughout 2016. Growth in the trade sector output grew positively only in the first quarter of the year after which it became negative just like those of the other three real sectors of the Nigerian economy.



The negative sectoral contributions of the real sectors of the Nigerian economy are also brought to light in Figure 22. As noted earlier, only the agricultural sector was able to contribute to the real GDP for the year 2016. This is observably credited to the exigencies of the recession and the desire for the diversification of foreign exchange earnings pursued by both the central and federating units of the economy.

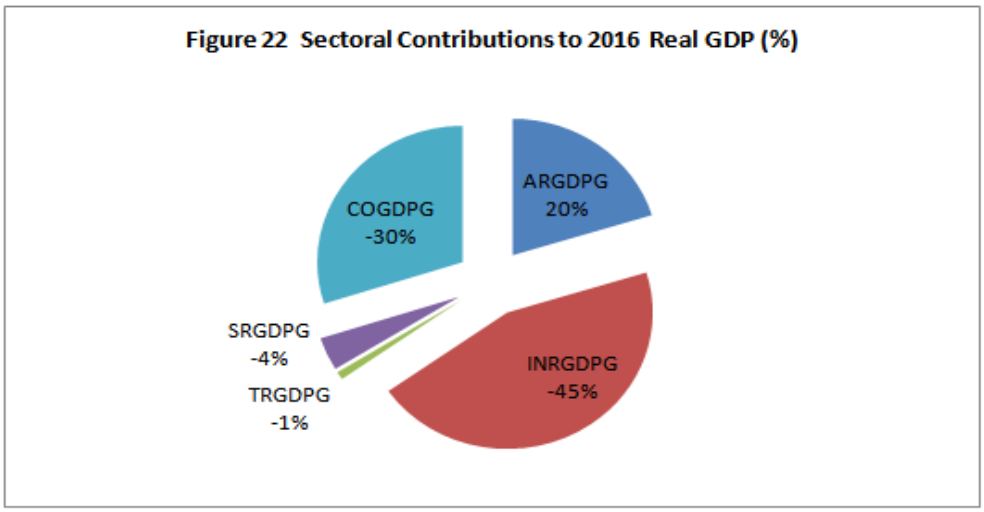
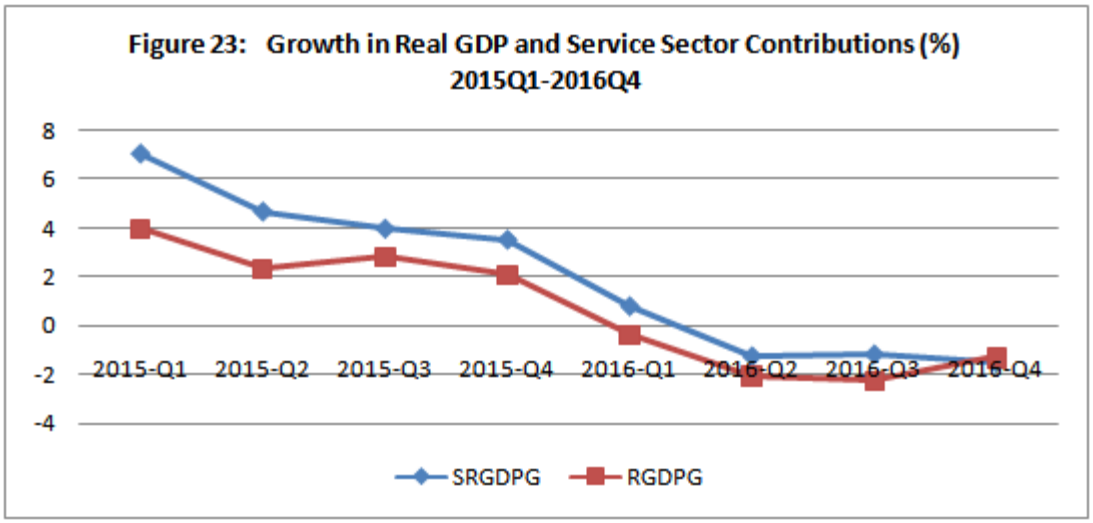


Figure 22 also confirms the situation already posited in Figure 21. While the other four real sectors of the economy bore tales of recession in their production activities, the agricultural sector was able to contribute positively to the growth of the Nigerian economy for the year 2016.

Conclusively, this study discovered a co-movement between the growth rates of Nigeria's real GDP and service sector contributions. This observation is a pointer to the role played by human capital development, entertainment subsector growth and improved service delivery in the distribution chain.



V. Conclusion and Policy Recommendations

Moving the Nigerian economy from recession to renaissance is achievable. It demands commitment on the part of government in providing the threshold. The potentials of the Nigerian economy have been greatly hampered by inconsistencies in policy applications as well as government's non-commitment to the provision of level playing grounds and favourable business climate. These insinuations are fathomed in government's inability to provide functional transportation facilities and steady electricity; charging of multiple and excessive taxations; high cost of fuel and general difficulty in Nigeria's business environment as expressed in CBN (2016c).

Provision of basic infrastructure, human capital development, steady energy and power supply, and good administration should be recognized as drivers of the industrialization process. As Nigeria pursues its policy of diversification, the service sector policy-mix which enhances the business and investment climate must be put in place while providing the enablement for sustaining the current tempo in the growth of the agricultural sector. This will give some respite for improvements in people's welfare as the agricultural sector has shown its potentials in contributing positively to the growth of the economy since the on-set of the current economic recession.

Import-substitution strategies are also recommended so as to improve the growth in the non-oil trade balance in order to move Nigeria from a consumptionist to a productionist based economy. The negative growth in the output of the construction sector may be as a result of Nigeria's poor image evolving from the spate Nigeria's poor electoral processes as well as the insurgency experienced in some part of the country. There is therefore a need for a laundry of the county's image through transparent electoral process as well as a call for global aid in the fight against insurgency. These are all aimed at attracting foreign direct investment inflows from which there are evidences of positive complementary spill-over effects especially in the construction and industrial, and trade sectors.

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