



NIGERIA



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Nigeria: Back on Track for Economic Development

By Craig Parker, Senior Economic Consultant,
Frost & Sullivan

After the successful elections in Nigeria, the country is set to get back on track with economic growth and increased investment. The road ahead will not be without challenges, but the overall outlook for Nigeria is positive. The large consumer segment, with growing access to credit, will continue to drive retail trade and boost the ever-growing tertiary sector. There have been a number of recent developments in Nigeria that will positively impact growth and investment in the second half of 2015 and 2016.

Significant security improvement is expected after the recent movement against Boko Haram before the 2015 elections. Insurgent attacks will not be entirely eradicated, but it is likely that their grip on the northern parts of the country may be considerably weaker. The commitment to eradicating the terrorist threat is seen as a strong positive message to potential investors, and especially those involved in the oil industry in the northern states of Nigeria. After the elections, the new government has sworn to strongly support the eradication of corruption in the oil industry, which is claiming billions of dollars in losses each year. Corruption has also resulted in disinvestment into the oil sector, with Royal Dutch Shell, along with France's Total and the Italian multinational ENI, all taking steps to reduce their exposure in Nigeria. Shell, who had suffered incredible losses from the effects of prolonged theft, and related vandalism of their onshore oil assets, decided to sell off \$5 billion in oilfields in 2014. The outlook for the oil industry, however, is becoming more positive after the elections.

Involvement of the private sector in Nigeria is also expected to increase, with the government pushing for a strategy of energy diversification, involving the privatisation of the power sector. In the past, the newly elected president, Buhari, led a significant solar campaign when he was a General. His positive sentiment to renewable energy is expected to improve the government's commitment to investment into the energy industry.

Despite the challenges of a declining oil industry in the country, and the decline in the oil price, economic diversification has been a significant driver of socio-economic development. Declining oil prices have allowed the government to support **economic diversification** by pushing strategic export products. Growth in the non-oil sector has been significant in the last few years, with non-oil exports increasing by 250% from 2008 to 2012, with a continuing trend in 2013 and 2014.

Infrastructure development is also expected to gain momentum in the latter half of 2015, with many companies delaying investment decisions due to uncertainty. The 2015 government budget has increased infrastructure spending and Nigeria remains the largest spender on infrastructure projects in West Africa with \$36.4 billion spend on infrastructure projects in 2014. Significant infrastructure development is expected to take place in Lagos, which is the non-oil economic capital of Nigeria, and East-west inter-regional trade is expected to increase substantially in the next 5 years.

Despite a number of challenges and a measure of uncertainty, Nigeria is still ripe for investment, due to positive signals from the new government.

For more information on these studies, please contact:

Samantha James

Corporate Communications – Africa

P: +27 21 680 3574

F: +27 21 680 3296

E: samantha.james@frost.com

T: @FrostSullivanSA

W: www.frost.com

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