STEERING THE NIGERIAN ECONOMY OUT OF RECESSION

"FDIs are sure looking to invest in unstable markets where they can wait for stability to return. But sadly, this is not so for uncertain Frontiers because investment and uncertainty don't ever get to follow the same path". – Dr. Vincent Nwani

After GDP growth numbers recorded sharp and deepening negative growth over two successive quarters in Q2-2016, analysts and thought leaders are rallying to lend their expertise to minimise the consequence of sustained economic crisis. This article provides some initial perspectives on viable responses required to steer the Nigerian economy out of the recession that is currently ravaging its political, social and business landscape.

1. **Intended "Disposal" of Federal Assets:**

With the current state of the Nigerian economy, it has become eminent for the country to explore ways of generating Forex revenue to plough back into the economy and jump start economic activities. The term **"SALE of National Asset"** should be replaced with **"PRIVATISE"** to ensure the bye-in of key stakeholders and resolve controversies which the word, "Sale" is already generating. Privatisation of Federal assets can be viewed a welcome development as it seeks to enhance public private participation in the economy while providing revenue for the Government.

Thus, the debate should be drifted on what to privatise now to generate the needed foreign exchange, how to avoid the bitter experience of the past privatisation and best way to utilise the proceeds. The assets that are deemed attractive to investors should be first considered at this time in other to raise foreign exchange and address the prevailing crisis.

Assets such as pipe lines, transmission line, refineries, NLNG, rail corridor, steel company (etc.) should be considered for privatisation at this time. For instance, Saudi Arabia's is currently offering to sale 5% of its national oil company, "Arabco" valued at $2.2 trillion to generate about $120 billion as its response to the shortfall oil revenue. Nigeria can take a cue from this and act fast as well.

For privatisation to make an economic impact two keys factors are crucial;

- Ensure the assets sold are in demand
- The revenue generated from privatisation is solely utilised on productive activities that are capable of revamping and sustaining production in the real sector.

2. Boosting Forex Supply through FDIs

It is far more strategic to concentrate on Foreign Direct Investments (FDIs) rather than portfolio investment to resuscitate the economy at this time. Government should give thoughts to the following approaches for generating FDIs:

Brownfield FDIs: Allow investors to make investment (in Dollar terms) in already existing public assets. This can be done by Government selling down its equity holdings from 51% or 49% as the case may be to 25% on some specific assists on demand. This is best done through the capital market for transparency and inclusiveness. At the same time, it serves to deepen the country's capital market. Other than direct borrowing with come with costs and conditionality, this is potentially the quickest option available for the Government. With this, the assets are run more efficiently with less political interventions, free up government financial contributions to the asset maintenance and increase tax revenues. It also allows government to function efficiently as an industry regulator as opposed an operator and a regulator with inherent conflicts of interests and distractions.

Green Field FDI: This involves efforts of the government to open up investment opportunities in new infrastructures to attract Forex. It requires favourable policies, ease of doing business conditions and the Government being able to communicate its economic agenda such that investors' confidence is restored. Opportunities for new investments in solid minerals, and the industry abound in Nigeria due to abundant resources and large market size. Nigeria is the largest country by population in Africa, Middle East and Europe and its demand capacity have been proven and sustained in the GSM and telecoms story.

Diaspora FDI: Diaspora FDIs focuses on leveraging on the ability and commitment of Nigerians in diaspora to channel foreign currency flow at home through infrastructural investment and other forms of remittances. But this required strategic engagement by the Government to show and give Nigerians in diaspora the potentials and reason to invest in Nigeria. Nigerians in diaspora can boost the economy if the right information is provided and the Government actively discuss the various investment options available from national assists, bonds, real estate and agriculture. Diaspora can come in through debentures for a specific timeline with the option of convertibility to equities.

Diaspora investment is very key in growing a troubled economy especially in the period of recession as it can become. This has been replicated in other countries such as India. Nigeria's Diaspora dropped from $23 billion to $20 billion over the last few years while in countries like India it has moved from $15 billion in 2006 to $72 billion in 2015. Government would have to alleviate fear from its citizenry for this approach to be achieved as inflow Diaspora investment can only be made attractive if the right attitude and value is projected.

3. CBN Monetary Policy

The recent decision of CBN Monetary Policy Committee (MPC) to retain is policy rate at 14% and keep the liquidity ratio at 22% is worrisome. Firstly, it appears that the Government economic departments (CBN and the Federal Ministry of Finance) are not making collaborative efforts to respond to the ongoing recession. These negative input would have an adverse consequence on investors as the CBN and the Minister of finance have divergent views on interest rate reduction as one of the tools needed to steer Nigeria out of the prevailing economic crisis.

The prevailing monetary policy seem to further support increased portfolio investment and check rising inflation trend. It is pertinent to state that the recent raise of inflation rate are not the function of lower interest rates. We all know that portfolio investment is very volatile, short-lived and not beneficial to the economy especially during recession.

4. More Coherent Massage from Government on their plans and actions

We have seen many cases of divergent approach between government ministries and departments in their individual attempt to resolve the same issue. Reversals of initial pronouncements of policy action plans are also predominant in recent time. All of these send poor signals to the business community and affect investors' confidence to key into Government plans. We want to see a more coherent, definite and coordinated on step by step plans by the Government to address the prevailing economic recession. One message, one story all the way.

5. **Economic stabilization Emergency Bill**

Government should enact an act focused on economic restoration "*Nigerian Economic Recovery Act"* emulating the trend in United State; extracting all delay and inhibiting factors to economic decisions and actions of the executive and seek possible ways to expunge. This bill should be passed within a day to avoid delays, sentiments and further create a coherent package bringing all key stakeholders on board. The bill should be passed with emphasis on forex shortage and recession, modified to favour the Public Procurement Act. A collaborative effort is very key in achieving this milestone to bring Nigeria out of recession.

The Nigerian economy is currently experiencing recession largely due to the inability of the productive sector to gain access to forex thereby hampering business activities and leading to negativity in the productive sector. The Nigerian economy is currently insolvent but not poor and requires infrastructural intervention and tactical diversification mechanism to reposition itself as the giant of Africa.

For Nigeria to regain stability, Government must be willing and able to engage all aspects of the productive sector and seek avenues to generate revenue. Several models of FDI stated above should be explored to ease the burden of recession.

Outlook of the Economy in Q4-2016

Based our estimations the Nigerian economy in Q4-2016 will likely show a better outcome relative to Q3 and Q2-2016. At least we hope to see a lesser negative growth figures. This will signal recovery in near term depending on the quality of message and actions of the Government over the next few weeks. It should be noted that Nigerian economy is not insolvent but illiquid due to unavailability of foreign exchange. Therefore, anything done to address this will lead to rapid positive adjustments of key economic indicators.

Nigeria is still an untapped large economy and if the right information is feed to the global market, attract investments will be easier. *FDIs are sure looking to invest in unstable markets where they can wait for stability to return. But sadly, this is not so for uncertain Frontiers because investment and uncertainty don't ever get to follow the same path.*

Finally, the Federal Government in its foreign trips and engagements with external communities should henceforth centre its engagement conversation on the Nigeria Investment potentials. Security and corruption subjects should follow as part of what the Government is doing to create an attractive investment condition. This will serve to enlighten other nations on the economic prospects of investing in Nigeria.

We believe that the economy will fall back to line once forex supply issues are resolved especially through FDI inflows. Macroeconomic stability at this time largely depends on our ability to resolve foreign exchange scarcity.