

Nigeria's GDP Rebasing May Help Woo Investors, But Ordinary Citizens Will See Little Benefit

By Connor Adams Sheets on April 30 2014 2:54 PM

Last April 6, the economy of Nigeria almost doubled in size overnight, leapfrogging South Africa to become the biggest on the continent. That was because the [most populous nation](#) in Africa had just completed its [first GDP rebasing](#) in 24 years, whose results propelled Nigeria to the position of 26th largest economy in the world.

The new figures revised Nigeria's gross domestic product for 2013 to 80.3 trillion naira, or about \$490 billion, an increase of 89 percent over calculations before the rebasing, according to a statement from Yemi Kale, head of Nigeria's [National Bureau of Statistics](#). The number is also significantly higher than the World Bank pre-rebasing GDP estimates of \$262.6 billion, [Bloomberg reported](#).

That is good news for the government, which is making an international pitch to position the country as one of the world's best emerging-[market investment](#) opportunities. But experts believe that the development will have little impact on the lives of ordinary Nigerians. Their nation is still 121st in the world in terms of income per capita, with average income of \$2,688 per citizen.

Mark Bellamy, an expert on Africa who served as the U.S. ambassador to Kenya and is now the Warburg Professor in International Relations at Boston's Simmons College, said he does not think that the rebasing will have major positive benefits for the vast majority of Nigerians, 84.5 percent of whom made less than \$2 per day [as of 2010](#).

"I don't think any Nigerians are going to change their behavior, or their consumption or their jobs or anything because of this," he said. "If you start from a low, low base you can have this growth spurt, and I think that's true in Nigeria. It doesn't take much to double your income when you start at a dollar a day."

Nigeria's Finance Minister, Ngozi Okonjo-Iweala, acknowledged during an interview in New York that the rebasing does little to lift millions of Nigerians out of poverty -- but said it will be great in helping the nation attract investors.

"It's big news, at least it shows investors that this is a sizable economy with a large consumer base with opportunities for investment in durable goods, consumer goods and their manufacture," she said. "There was already interest, but I think this will be reconfirmed and you will see more investors coming in. Our own domestic investors are also important, and now there's a lot of excitement on this news among our investors, because they can say, 'Look, we really have the consumer base, the producer base, the sources of growth within the economy for important investment.'"

"I don't think investors are going to pour into Nigeria based on this rebasing," Bellamy said. "But what it will do is draw attention, and investors will take a closer look but they'll ultimately make their decision based on other factors."

And that's exactly the problem Nigeria will have to overcome.

Usha Haley, a professor of international management at West Virginia University who has written several books on emerging markets, cautioned that other endemic factors that have long plagued the [Nigerian economy](#) will likely limit any positive impact of the new GDP numbers.

"[The GDP] is one thing that goes into factoring whether a country is an attractive place for foreign investment. But there are others that include the governance system, how big the middle class is, corruption and poor infrastructure," Haley said, adding Nigeria has huge potential for further growth and investment going forward.

The rebasing also revealed that Nigeria's economy grew by 12.7 percent between 2012 and 2013, making it one of the fastest-growing in the world, another attractive statistic for investors looking to enter new markets.

Most countries rebase their economies every five years or so in order to ensure that they have an accurate picture. But Nigeria, like many other emerging-market nations, failed to follow that schedule for reasons that are not entirely clear. As such, the makeup of the Nigerian economy has changed drastically since 1990, the last time its GDP was rebased. That year, the Nigerian oil sector counted at 32 percent of the country's GDP, but it now weighs in at just 15 percent. Agriculture fell from 24 percent to 22 percent. Meanwhile, the services industry jumped from 29.4 percent of Nigeria's GDP in 1990 to 51.9 percent, and manufacturing rose from 1.9 percent to 6.8 percent.

"The structure of the Nigerian economy has changed tremendously and it's showing great diversification, which provides great opportunities for investment," said Okonjo-Iweala, a former managing director of the World Bank, who was in New York City earlier this month to receive the David Rockefeller Bridging Leadership Award. "As an economy grows and diversifies, you expect primary sectors to go down and services to increase and the Nigerian economy has shown us this diversification and this dynamism and this presents tremendous opportunities for people to come in and invest."

Despite the positive impacts the rebasing may have on the investment climate in Nigeria, Haley emphasized the importance of remembering that it will not bring with it better conditions for the country's average citizen.

"Will it actually make any difference on the ground? I don't think so," she said.