THE GLOBAL ECONOMIC RECESSION: NATURE, IMPACT AND INVESTMENT OPPORTUNITIES FOR AN EMERGING MARKET- NIGERIA.

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ABSTRACT
A global economic recession is a period of global economic slowdown. It has raised a considerable debate all over the world. For growth of any country now that we have global economic slowdown is to look at areas of their comparative advantage. Countries should also know that there is always right course for tough economic times. Research indicates that there are a lot opportunities in Nigeria waiting to be taped. The anxiety created by the Global Economic Recession all over the world should not weigh the country down, rather it should enhance our ability of attracting foreign investors in the country. The goal of this paper is to project Nigeria (an emerging market) to the rest of the world, of the great opportunities in the country in the mist of this Global Economic Recession. The opportunities are discussed in details and the role of government also stated in the conclusion.

INTRODUCTION
In the mist of crisis, there is an opportunities. In attempt to identify available investment opportunities in the mist of the present global financial crises, it is firstly important to trace the development and causes of the crisis.

Global financial crisis can be defined as the period of economic downturn (Recession). In business or economic activities, recession means that economic boom or prosperity begins to wane.

Recessions have occurred in the world at different times. In each of the cases it has its root from united states of America which more or less, had spread to other countries.

So far, there had been three major economic crisis in the history of the united states of America. The earliest we can remember occurred in the 1830s. The global spread of the 1830s depression was largely restricted due to limited communication and globalization. The depression sneaked across the US borders to some European countries.

Another economic crisis struck in the United States of America after 100 years of the depression of 1830s. And that is the 1930s economic crisis. This was regarded as the most vicious, and therefore referred to as the Great depression. The 1930s depression was more global in spread. This is because the world was more closely knit through advancements in communication technology.

Nearly another one hundred years, another economic crisis has hit the United States and it has spread all over the world again because the world is a global village.
Before now, Nigeria was thought to be insulated from the global financial crisis, given our limited exposures to the international financial market. From the African Report Agency of France rating on the Nigeria Banking Industry, it shows the continued worsening of the business environment and a deterioration of Nigeria balance sheet. The global economic financial crisis has reduced the value of money in Nigeria in terms of exchange rate.

The global financial crisis of 2008, 2009 emerged in September 2008 with the failure of several large united states based financial firms and spread with the insolvency of additional companies, government in Europe, recession and declining stock prices around the world.

A critical issue here is the need to foster an enabling environment that would propel and accelerate private sector development and ensure quick economic diversification. Current investment options in the economy are too narrow and restrictive, and this is not healthy for the country.

We need to address the infrastructure and policy conditions that are currently strangulating the real and services sectors of the economy. This is the way to ensure sustainable growth and development of the Nigeria economy. This would broaden and deepen the investment space as well as strengthen the synergy between Nigerian financial system and the rest of the economy.

Nigeria is a land blessed with vast natural resources, abundant mineral wealth, including huge crude oil and gas reserves, and large deposits of a variety of solid minerals, fertile agricultural lands, educated but relatively cheap labour, a large and vibrant population and a sizeable domestic market.

CHALLENGES

The issue of this global financial crisis basically details in a sever credit, Banking currency and trade crisis that emerged in September 2008 and is traced to the financial market events dating from July 2007. The credit crisis resulted from the sub-prime mortgage crisis. And this is the root of all economic problems during the late 2000s. The predictions from the G-20 summit in washing D.C suggested that more than 80 percent of the future growth of the global economy will depend on emerging market countries.

It is however, disheartening that despite our endowment with rich resources, the Nigerian economy has been in steep decline over the past two decades. The Nigerian economy is yet to experience the necessary critical structural changes that would guarantee rapid and sustainable human development. Poverty and unemployment are seemingly endemic. Educational and health facilities are degraded and the services provided have declined, quantitatively and qualitatively. The infrastructural facilities are in a state of decay. The economy remains mono-cultural and depends mainly on the sale of crude petroleum, with agricultural cash crops contributing a small proportion to export earnings. The prices of all our exports are externally determined, and there is the relentless movement of the terms-of-trade against us. Nigeria, today ranks among the poorest nations of the world with a per capita income of less than 300 US dollars per annum. This is a sharp and tragic fall from the per capita income of more than 1000 US dollars that we enjoyed in 1980.

The failure of the world economy was basically caused by misapplication of risk controls for bad debts, collaterization of debt insurance and fraud, large financial institutions in the United States and
in Europe. The World Bank has forecasted a significant decline in global economic growth this year 2009 for both developed and emerging countries. In a report assessing economic prospects, the Bank has predicted that the world’s annual economic growth will slow down to 0.9 percent in 2009 from 2.5 percent in 2008. The rate of growth for emerging economies is expected to be around 4.5 percent, down from 7.9 percent in 2007.

It will be noted that in our country Nigeria, we don’t have to blame the bad economic conditions on the global economic crisis. But sincerely, Nigeria economy had been in recession even before the global tumult. Companies were closing shops on daily basis, There were high inflation rate in the country, unemployment rate were so high and also the high standard of living in the country. The Nations Development programme (UNDP) made it known that higher percentage of Nigerians are living below the $1 poverty line.

The current global economic crisis only worsens the situation on the ground. With the crisis, Nigeria has witnessed high withdrawal of foreign investment; drop in income from oil, which lead to budget deficit, depreciation in the value of the naira, low production capacity by the manufacturing sector, and high job loss. Also, our banks and other financial institutions are also badly affected by the global melt down.

There is a need for action, what the country needs are sustainable policies that can pull Nigeria economy from the wood. Government needs to do something urgently to salvage the country because there are a lot of investment opportunities on ground. There are various sectors of the Nigerian economy that are comfortable for investors to invest in without the fear of their investments getting entangled adversely with the global financial crisis. Following the above are concise lists of various sectors of the economy which are quite comfortable for investors to invest in.

**AGRICULTURE**

Agriculture in Nigeria has suffered a relative declined because of the dominance of oil in the economy, but still accounts for about a third of GDP and provides employment for a large majority of the population. The sector is dominated by traditional farmers raising subsistence crops. Irrigation schemes, higher producer prices, the expansion of credit and improvements in the rural infrastructure are however slowly transforming the sector. Nigeria’s highly fertile soil makes it easy to produce cassava, yam, melon, millet, sorghum, banana, palm oil and groundnuts. The main cash crops are tobacco, groundnuts, cocoa, beans, rubber, cotton, Soya bean and cashew nuts. Grasslands in the northern part of the country are also ideal for ranching and the rearing of cattle and other livestock. Nigeria is also gifted with aquaculture, given its cheaper price; fish has become an integral part of Nigerians diet and remains the main product consumed in terms of animal protein. Nigeria has become a major destination for imported seafood. Fish farming is on the rise in country and tilapia and catfish are the major species farmed by local fish farmers. Opportunities for investment exist in the various sub-sectors, especially in the areas of storage, processing and preservation of the captured fish and fish seed duplications for aquaculture.
BANKING SECTOR

As to getting the economy back on track, especially in the current gloomy global economic environment, I believe that now is a good time to focus on the long term and on the fundamental drivers of economic growth. We need to make the reversal of our crumbling infrastructure a priority and work hard to rebuild confidence in our capital markets and banking system.

A robust and well managed banking sector is key to economic growth. It is therefore important that effort is made to support and encourage the banking sector. The banking sector contributes 10% to the gross domestic product and represents 60% of the stock market capitalization while there was the reduction in the number of banks from 89 to 25.

With the new central Bank governor Sanusi lamido Sanusi sacking managing Directors of five Banks: namely

- Erustus akingbola          Intercontinental Banks
- Cecilia Ibru                     Oceanic Bank
- Barthlomew Ebong         Union Bank
- Sebastine Adigwe           Afribank
- Okey Nwosu                   Finbank

The CBN Governor, at an meeting in Lagos, said that the action followed the audit of their books which, he disclosed, concluded that they were in a grave situation. (Nigeria compass of August 15th Saturday,2009). This is an opportunity for investors to invest in the Nigerian Banking sector.

TELECOMMUNICATION

In telecommunication, statistics reveal that mobile phone users in Africa were about 280 million overtaking United States and Canada with their 270 million users in the opening quarter of 2008. As Nigeria accounts for 57% of the west African mobile phones, the country is acknowledged as the leading and fastest growing telecomm market in Africa. It is clearly evident that the telecom market is a booming sector in the Nigerian economy, this is why telecom companies such as visafone quickly joined the I MTN, Globacom and Celtel in exploiting opportunities in the country. With these facts above, one can safely conclude that the Nigeria telecomm sector offers lucrative investment opportunities to global investors.

INDUSTRY AND COMMERCE

These are industry which can convert raw materials to finished products, using special machines and equipments. Examples of these industries are Textile industries which produces clothing, Plastics industries e.t.c The foreign investors have a great opportunity in this area because is not yet saturated yet and there is a large market for anything that is produced in the country. And again, the goods
produced could be exported to other countries, thereby helping in the nations balance of trade. Industrialization brings employment opportunities in the country and also helps in the development of the nation.

MINNING INDUSTRY

This industry is concerned with the extraction of mineral resources from the soil by special devices. This is another sector with great investment opportunities because Nigeria is endowed with numerous mineral resources. Recently, public reforms have brought the solid mineral sector to the fore. The emphasis is on encouraging massive foreign investors participation in this sector. The seven strategic minerals are coal, bitumen, limestone, iron-ore, barite, gold and lead/zinc. Foreign investors will find this sector worth investing.

INDEGENOUS SOFTWARE

To strengthen the Nigerian software sector for global challenges goes beyond mere establishment of agencies and committees. Conscious attempt should be made towards retaining the countries good brains as well as nursing potential talents, a good number of global technological inventions brought to bare today, have the contributions and experts of some Nigerian citizen on board, especially in the Diasporas. Expert say “snail like” growth of the software sector over the years goes a long way to show that the sector needed the full presence of the government, playing required role that will indeed drive the growth of our indigenous software industry. The sustained growth of this industry as shown in some economies will not only create another source of income, in order to reduce the dependence on oil thus improving the domestic product, but will go a long way to reduced unemployment of graduates from the universities and harness their energies away from crimes and other anti-social activities. This is aside to promote technology transfer to Nigerians as well as lure/promote foreign investment into the country.

HOMES AND PROPERTY

Nigeria’s property market has grown extensively and offers unique opportunities for those who desire to buy property for investment or personal use. The majority of the country’s population live in sub-standard housing conditions with little access to basic services. Many houses therefore need to be built which presents vast opportunities for property developers and other relevant parties. There has recently also been a lot of activity in the high-end of the market with the development of luxury residences, hotels and resorts.

CULTURE AND TOURISM

This sector has received quite a substantial attention from investors like the TINAPA group (which has transformed calabar) but I believe that calabar is just a tip of the ice berg as there are other nice and scenery places of interest like the origin of Adada river in Lejja, Erin Ijesha waterfalls, ogbunike lake e.t.c. These would create investment opportunities for investors, create adequate publicity for the country, more tourists, and also for revenue generation.
EDUCATION

This sector remains grossly under funded with issues such as unqualified teachers, lack of teaching materials and inadequate facilities being widespread in many countries. On the other some private education institutions are thriving. Poor enrolments in primary school remain a challenge for many governments. This has presented investment opportunities for the establishment of secondary and tertiary institutions to absorb the large number of primary school graduates. A 2008 World Bank report raised a red flag over the reducing quality of tertiary education in Africa, saying it would compromise the continent’s efforts to achieve the Millennium Development Goals. To improve this status, government should put necessary infrastructures to lure investors to help in raising the quality of education, as well as train and upgrade skills of workers.

HOTEL BUSINESS

Investing in Nigerian economy in the area of hotel business is very profitable due to high demand, high population and Government policy to encourage foreign investors.

Nigeria is the largest economy, largest trading Nation, and the largest populated nation in Africa. There are great opportunities and potential for the business (Hotel) venture in Nigeria because of the large population and high demand. I believe that where the people are, there, the market is. With an estimated population of over 140 million, Nigeria is Africa’s biggest market and investment opportunities. Hotel development in Lagos and Abuja (Federal Capital Territory) in Nigeria are very competitive and highly profitable.

SPORTS

This sector is quite an interesting sector as there are various types or varieties of sports which can be invested in. The essence of investment in this sector generally in not only the sporting activity, but other businesses like infrastructures (stadiums, sport centers etc).ticket sales, event rights broadcasted on television, advertisement e.t.c, which are very profitable.

Crude oil and Gas Investment

Now that the Niger delta rebels have dropped their arms, Nigerian crude oil and gas investment doors have become a gold mine and only wise investors will take advantage of it. It is the 10th largest oil producer in the world, the third largest in Africa and the most prolific oil producer in Sub-Saharan Africa. The Nigerian economy is largely dependent on its oil sector which supplies 95% of its foreign exchange earnings. The upstream oil industry is the single most important sector in the economy providing over 90% of its total exports. The Nigerian government plans to expand its proven reserves to 40 billion barrels by 2010. Most of this is produced from the prolific Niger River Delta.

HEALTH SECTOR

Nigeria makes up about two percent of the global population, but bears ten percent of the global burden of maternal mortality, according to UNFPA. Maternal and infant mortality, especially in rural
areas, is the result of lack of health facilities, and where there are such facilities, poor management of them.

Statistics show that close to 80 percent of Nigeria’s population are rural dwellers that do not have access to adequate healthcare delivery. In places where health centers do exist, there is lack of funds to provide the necessary drugs. The situation is compounded by the fact that many health workers have left Nigeria seeking better prospects. The Health sector in Nigeria needs experts in the field medicine to come and invest in it.

CONCLUSION

Today’s economic conditions are difficult, but the foundations of our economy are strong and we face no problems that cannot be overcome with insight, patience, and persistence. The Government of this nation should make the Nigerian market conditions to become internationally competitive if we are to achieve our target of attracting at least ten billion US dollars of investment inflows annually and this would go a long way of lifting our country Nigeria.

Efforts should be made by our Government to address some of the risks associated with investments in Nigeria. For example risks like: political activity, civil unrest, border disputes, government under funding and corruption within the system.

Above all, there is the imperative to deepen the economy by reinvigorating the real sector of the economy as well as revitalising the service sector. A virile economy is needed to sustain and ensure a sound financial system. The Government should be determined to put the economy on a path of steady growth and development, hence the need to provide incentives to investors as well as eliminate bureaucratic bottlenecks and bad practices in the economy.

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