

## An Analysis of Nigerian Recession

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Received 23 December 2017, Accepted 12 January 2018

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### ABSTRACT:

Over the years, Nigeria depends on crude oil proceeds as the major source of national income, foreign exchange and external reserves. This dependence coupled with the huge cost of running and maintaining the political structure among other factors prove disastrous by leading the economy to the worst recession in decades. We therefore, chronicle the origin, effects and way out of the recession via trend analysis and desk review. Having analyzed the remote and immediate causes of the recession, we observed that the dependence on crude oil whose price is highly volatile made the Nigerian economy susceptible to shocks. Hence the oil price and output shocks coupled with high cost of governance, excessive importation, corruption, sudden implementation of Treasury Single Account (TSA), insurgency and Niger Delta Militancy among other factors destabilized all macroeconomic variables and threw the economy to the worst scenario of recession (stagflation). Thus, diversification of the Nigerian economy by prioritizing agriculture and manufacturing, massive fiscal stimulus plan to enhance domestic infrastructure and production, re-injection of recovered loots, resolution of Niger Delta militancy among other policies are recommended to ameliorate the effects of current recession and strengthen the structures of the economy in order to prevent reoccurrence of economic recession in the country.

**Keywords:** *Crude oil price, Economic growth, Economic recession, Exchange rates*

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### INTRODUCTION

Nigeria is facing its worst economic crisis in decades. Its slippery into recession was pronounced and became evident following two quarterly consecutive contractions in economic growth in the current year (2016). It might be interesting to know what recession entails. Recession is a period of significant decline in output (income or expenditure) and rise in unemployment. For the first and the second quarters of 2016, Nigeria recorded negative economic growth rates of 0.36% and 2.06% respectively (CBN, 2016). Hence, it became obvious that the Nigerian economy is in recession. Consequently, national income is on a fall. Firms record declining sales which give

rise to fall in production and income while individuals who are engaged by one firm or the other experience job loss, wage-cut and welfare (measured by consumption) suffers drastic reduction. Impacts of this recession appear and promise to have far-reaching effects on our economy as many international firms have been leaving for other countries, thereby further reinforcing job-cuts and welfare loss.

Unfortunately, these recessionary impacts are worsened by inflation, which itself is mainly import-driven in response to exchange rate deterioration. So, Nigeria is currently experiencing stagflation, which is a combination of recession and inflation. Stagflation is a period

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of falling output, rising unemployment and rising price level. This attracted the attention of some stakeholders and researchers alike. Therefore, it becomes imperative to analyze the origin, consequences and the way out of the recession. In view of this, we therefore, chronicle the causes, effects and way out of the recession.

### **Background of Nigerian Economy**

Nigerian economy is strongly vulnerable to both internal and external shocks with near zero absorptive capacity (Alhassan and Kilishi, 2016). The vulnerability to shocks is due to weak structure of the Nigerian macro economy characterized by some key features worthy of mention as important background framework. First, the economy is highly mono-cultured. Since the discovery of oil, agriculture has been neglected while proceeds from oil has not been well and sufficiently channeled to developing other key sectors such as industrial, infrastructural and agricultural sectors. In one perspective, income from oil has been more of a curse than blessing to the Country and in fact the on-going recession is one of many indications of the curse. This is what economists refer to as Dutch Disease Syndrome. It is a situation in which boom in one sector (in our case, oil) leads to decline in the commitment to and increased attitude of neglect of other sector(s).

Next to this flawed and fragile economic structure is the political and governance structure of the economy which is more of a consumption economy. No concrete policies are made to improve supply side of our economy as all eyes are centred on oil (Sanusi, 2016; Utomi, 2016; Babalola, 2016; Emefiele, 2016). Legislations at different tiers of the government concentrate on allocation to each sector with little or no emphasis on production (Supply Side). At Federation Accounts Allocation Committee (FAAC) meetings, discussion is about sharing income and nothing about production, generating values and incomes by different tiers of the government. Worst still, most booms in oil sector translate to rising allowances for political office-holders who in real terms, contribute the least (if any) to the economy. This poor governance and poor policy implementation result from weak and extractive

political and economic institutions (Acemogulu and Robinson, 2012).

Another key feature of our economy high cost of governance. While political office holders are the fewest in the distribution of populace, they seem to get most of this oil proceeds in relative terms. For contributing almost nothing to the economy, they have created and imputed them into constitutions, legislations that guarantee unreasonably high pay that does not exist elsewhere in the globe. More so at each level, the leader has the discretion to decide how many sub-political office-holders (aid and advisers) to engage. This further puts more pressure on our income-generating limited source. In an obvious note, the constituents of spending on the aggregate are a source of concern.

With little or no production, bulk of our income oil is trapped in personnel cost as government is the largest employer of labour, most of whom are employed with little or no analysis done on need and use. Over the years since independence, statistics have shown that recurrent spending across all levels of government in Nigeria has been on the rise for no rationally economic reasons. During campaigns, politicians do campaign with job opportunities. So, on assumption of offices, they employ large number of people, not minding the outcome of "need analysis", if at all they do any. Government staff's figure in Nigeria exhibits one-directional trend, always on rising horizon and this generates strongly high correlation with personnel cost which is being constantly offset predominantly by oil proceeds. Contribution of civil service still poses a question as oil, rather than civil service output, pays for their service in Nigeria. As earlier mentioned, high cost of governance stems from high cost of democracy in Nigeria, with political office-holders receiving crazy allowance that puts them above common and average working class within little time.

### **Causes of the Nigerian Recession**

#### **Remote Causes**

With Nigerian economic background, one can be convinced to accept that the economy was founded on a very weak economic base, defective structure and volatile design that makes it highly susceptible to shocks. From the

background demonstrated above, remote causes of Nigerian recession are as follows.

First, cost of governance in any decade (or year) is higher than in the preceding decade (or year). With rising population and rising governmental responsibilities, including insecurities, governance becomes more costly on yearly basis. But instead of ensuring economic security by investing in welfare-enhancing and youth-empowering schemes, the Nation instead concentrates on voting significant part of the budget to Defence Ministry to maintain security.

Negligence of other sectors was not very obvious until in the recent time when the negligence was felt at its extreme. For instance, since oil was found, agriculture was on a fall as young farmers started to leave villages for cities in search for white-collar jobs. But this negligence becomes definitely more apparent with rising population and rising global economic dynamics and competitions.

Another reason why more pains are felt now relates to issues of infrastructures which were easily provided then than now. Why cost of infrastructural provision was lower in the past and infrastructural decay and repair were minimal in the past, due to less pressure on their use (due to relatively lower population

particularly in the 1960s, 1970s and 1980s) and high quality of infrastructures (due to minimal corruption tendencies that prevailed then).

In fact, another key factor why the impact of weak Nigerian economic structure was not much felt in the past is the then system of government as past periods were mainly military regimes, where the integrity of the leader is a key to cost of governance. While democracy in global standards and view holds keys to sustaining equitable distribution of income through democratic dividends, “Nigerian version” of democracy seems to be a different story. No doubt, manners of current democratic settings and dispensations in Nigeria since 1999 put a strong argument to support that democracy is very expensive in Nigeria, as it “consumes” a huge portion of national wealth.

Corruption and sentimental tendencies exhibit probably highest grades in recent time in the history of Nigeria. Relatively lower corruption in the past would mean that resources lost to corruption were lower than what obtains now. Sentiments, by influencing who are appointed and who are charged for corrupt practices means that this economy wastes more money than before and all summed together impose core burdens on the oil money.

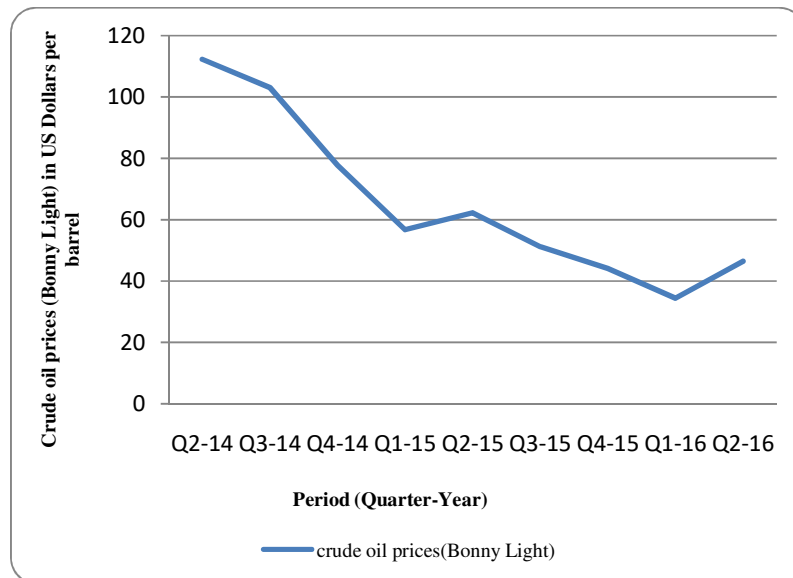


Figure 1: Trend of crude oil prices in international market

### Immediate Causes of the Recession

Immediate causes of Nigerian recession still linger in the minds of all. As at June 10, 2013, the then Minister of Finance and Co-ordinating Minister for the Economy in Nigeria, Dr. Okonjo Iweala stated that despite impressive macroeconomic fundamentals, Nigerian economy was shaky and that drastic steps were needed to save it from imminent collapse. She revealed this at the 50<sup>th</sup> meeting of the 15-member Federal Government Economic Implementation Team held behind closed doors at the Presidential Villa. By the last quarter of 2014, oil price had fallen to a four-year low with New York Mercantile Exchange (NYMEX) December WTI oil futures selling for around \$75 per barrel at that time. With this development, the then Minister of Finance warned that tougher time awaited Nigerian economy. The logic from this inference is that if oil price of around that price range predicted a gloomy future for the nation's economy, what will current oil price hovering between \$40- \$50 per barrel imply?

In June 2016, the price of crude oil, which contributes the largest share of Nigerian Foreign Exchange Reserves, dropped by over 70. In view

of this, significant decline in Foreign Exchange Reserves from about US\$42.8 billion in January 2014 to about US\$26.7 billion June, 2016 was witnessed (figures 1 and 2). In terms of inflows, the CBN foreign exchange earnings have fallen from about US\$3.2 billion monthly to current levels of below a billion dollars per month (Emefiele, 2016).

Equally, Nigeria also witnesses a huge dip in oil output. For instance, crude oil production in Nigeria dropped from about 2.24 million barrels in 2014 to about 1.8 million barrels per day in 2016 (CBN, 2016). The fall in oil output in aggregate terms is in one of its peak since 1999 with oil production and exports highly distorted following renewed militancy in Niger Delta Region. This distortion at a time degenerated into all-time low of oil output of about 900 million barrels per day (CBN, 2016). At times, oil export terminals are damaged and cut while oil companies begin to panic for safety of both staff and facilities. Impact of loss in the oil price becomes compounded with loss in oil output, thereby inducing huge dip in revenue and foreign exchange earnings (figure 3).



Figure 2: Trend in Nigerian external reserves

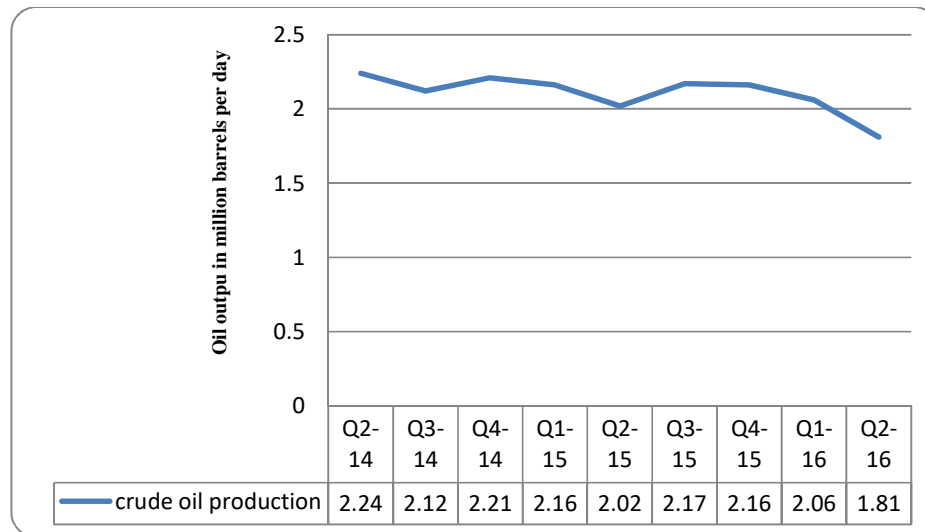


Figure 3: Trend of crude oil production in Nigeria

Expenditures are on the rise while income is on a fall, so that the gap between the two continues to widen. Foreign earnings from oil which at present stays at about 90% of aggregate foreign exchange earnings is on a strong decline due to simultaneous all-time lows of oil output (oil export) and world crude oil prices. Despite this decline, the demand for foreign exchange has risen significantly. For example, average import bill raised from N148.3 billion per month in 2005 to about N917.6 billion per month in 2015 (Emefiele, 2016). This led to deterioration of naira and strengthening inflationary pressures which worsen the recession.

Notwithstanding the benefits that come with its introduction in terms of accountability and transparency, sudden implementation of Treasury Single Account (TSA) hurts the economy via contraction of monetary in circulation. Much of these idle funds credited to government agencies used to be deposited in banks which most banks use in carrying out their transactions including lending to the economy and other core businesses and transactions. In fact, banks have “institutionalized” it as source of operational funds. Hardly had the TSA been implemented when banks began to feel the pain which manifest in consequent sack of many of their workers. One can recall in vivid terms that

among sectors to downsize (lay workers off) at the start of this recession were banks and as of today, bank employees are among the worst hit. In a nutshell, monetary contraction occurs, in addition to fiscal collapse. Policy co-ordination between monetary and fiscal sectors suffers a near complete collapse.

The problem becomes more compounded as we have nothing to fall back on as buffers. Foreign reserves and excess crude accounts have been severely depleted. For instance, external reserves dropped from about 38 billion US Dollars in second quarter of 2014 to about 27 billion US Dollars in second quarter of 2016 while excess crude accounts was completely depleted. Declining oil price with its consequent impact on oil income (and of course on national revenue), coupled with maintenance of same trend on imports of manufactures, food and oil which choke trillions worth of naira, induces exchange rate deterioration and decline in external reserves which further worsens the economic woes of Nigeria.

Resulting from the above, manufacturers most of whom rely on raw materials imports, face rising cost of production in response to the rise in exchange rate. Obviously, ease of doing business in the country is nothing to write home about, given rising cost of production and

security challenges currently posed by Boko Haram in the North Eastern part of the country and those of militants in the oil-rich Niger Delta Region. Also, while arguments from some quarters have it that Boko Haram has been reduced to near zero, recent killings of some military men of high ranks and professor in University of Maiduguri suggest that the group still constitutes a threat, huge enough to deter foreign investment in the same manner that oil companies have begun to panic in response to renewed militancy in the Niger Delta. Both circumstances spell doom and constitute a threat to maintenance of reasonable business confidence in the country.

As a consequence, job-cuts, job losses, pay-cuts and welfare loss becomes inevitable due to declining income in real terms (purchasing power effects). And for people who suffer job losses plus rising prices of necessities, welfare reduces to near zero level. So to a reasonable extent, recessionary impacts affect virtually all economic agents and masses as consumers feel the impact most.

One key economic channel through which money flows and rotates in Nigerian economy is salary pay to civil servants. The disruption in this channel is strong enough to induce recession. In fact, symptoms of Nigerian economic recession started to become more apparent when most states began to owe salaries of workers. States fail to regularly pay salary of workers as they receive declining revenue share from the FAAC.

The way the channel works is not beyond explanation. First it is worthy of note that the current political regime came into power at a time that about two-thirds of the states of the Federation could no longer pay salary on regular basis. Why? State's wage bill has always been insured against allocation from the Federation Account because, Internally Generated Revenue (IGR) is always far below the wage bill for most states. In fact during period of booms, allocation from centre could be more than needed to offset the wage bill. However, with declining national revenue, declining allocation to state imposes problem as honoring the wage bill becomes a big deal.

The channel is defective and highly flawed in the sense that it connotes a highly inefficient system of civil service whereby aggregate wage

to civil servants exceeds what is generated as IGR. Consequently, state's share of oil money is the answer to meeting this shortfall and this channel has indeed come to stay. Any shock to oil revenue, either in terms of oil price shocks or oil output shocks (as being currently experienced) can incapacitate state governments in paying workers' wages, let alone carrying out other responsibilities.

The channel further works in such a way that, workers after getting one-month salary, they use it to pay for food, manufactured goods and oil that are imported from abroad. Hence, money got from abroad is still paid back abroad in payments for imports so that transactions in the domestic economy still remain at low ebb. That explains much of what led to the economic recession. Even a quick look at CBN Statistical Bulletin reveals that except for oil proceeds, federal government seems to be in the same shoe with states because non-oil revenue accruing to the government since independence always falls short of recurrent spending. One might want to expect that oil income (analogically similar to individual's income from inherited property) should be meant for sustainable development that takes care of not only present generation but also those of future generations. Nigeria's is a case in which oil money remunerates civil servants and Nigeria seems to be at "equilibrium" with this circumstance. Oil price collapses, oil production gets distorted and states can no longer pay workers' salaries. Less purchasing power causes sales decline, firms cut production and workers begin to experience job-loss and wage-cuts. Fall in output and rise in unemployment become the outcome in the short run.

Recession resulted from administrative and policy laxities. In the words of Former Vice President of the World Bank, Mrs Oby Ezekwesili "while the Jonathan administration failed to do something about the impending recession before leaving office, the government of his successor failed to launch a comprehensive fiscal stabilization program on assumption of office in May 2015". To make matters worse, the current regime concentrates massively on blaming past regimes. Commitment to handling security challenges and corruption fights, as important as they are, do not alone translate into improved economy

unless right economic policies with appropriate values and channel of implementation are timely put in place.

The combined effects of the aforementioned factors led to the Contraction in the economy 0-36% and 2.06% fall in growth rate of Gross Domestic Product for the first and second quarter of 2016 respectively. This result is not unexpected. World oil price has not improved as it continues to hover between \$40-\$50 dollar per barrel while oil output has not reasonably improved with failed dialogues and continued mistrust between Nigerian government and Niger Delta Militant groups (NBS, 2016). Pronounced efforts to diversify the economy remain highly threatened by poor infrastructures, security challenges and power inadequacies. On these key notes, tendencies are strongly there that the on-going recession may last longer than hoped as real and key changes that could put us out of recession are still underway and do not appear to be hit yet.

If this recession remains unabated for longer time say for over a year or so, Nigeria might be unprepared to find itself locked in depression and this does not augur well for the country with rising population and already deteriorated exchange rate. People are already reportedly dying of hunger as prices of foods continue to skyrocket, a development that itself worsens recessionary woes for all.

#### **The Way out the Recession**

With highly flawed macroeconomic background, articulation of ideas to solve economic woes should not be limited to current recessionary pressures, but should also be designed to prevent future re-occurrence. Having found ourselves in this nightmare with seemingly no close solution in sight, it is imperative to disclose that solutions abound but do not come at zero cost. It demands that we go for right policies, in the right time, by the right policy choices, in the hands of right team of experts devoid of sentiments and political affiliations. It is time we realized that economic outcomes neither pity efforts nor factor in intentions of policy-makers; they only respond to policy choices.

The background to our economic woes owes a lot to elements of both remote and immediate causes and so also analogically is the nature of

the solution that needs to be sought. To tame its massive deteriorating effects on the economy that have negatively impacted on welfare of all, this recession calls for immediate and instantaneous policies which need to be put in place as earlier as possible to avoid outrageous starvation. People no longer appear interested in future promises because according to John Maynard Keynes (1936), "in the long run, we are all dead". So, to come out of the current economic recession and strengthen the economic structures the following rules must be religiously observed.

#### **Long Term Solutions**

##### **Prioritization of Agriculture**

The mercantilist observed that the foundation of the improvement of national wealth is agriculture (Mun, 1664). It is therefore, suggested that the country's soil should be inspected with the greatest care, and not to leave the agricultural possibilities or a single corner or clod of earth unconsidered. Every useful form of crops and livestock under the sun should be experimented with, to see whether it is adapted to the country. Nigeria imports about 93% of the food consume by her citizenry. Food sufficiency will largely reduce the level of importation of consumables and consequently improves the balance of payment and exchange rate woes faced by the country. So, agriculture should be prioritized and efficiency most be ensure in the sector to enable the country self-subsistent in food production.

##### **Development of Manufacturing Sector**

The manufacturing sector should be developed by ensuring that all commodities found in the country, which cannot be used in their natural state, are worked upon within the country. Since the payment for manufactured products generally exceeds the value of the raw material by many folds, the export of former will improve national wealth faster than the export of the latter. This brings about favorable balance of payment. The neglect of this rule counts doom for the Nigerian economy. It is an irony that Nigeria is one of the largest producers of crude oil but spends billions of Dollars on the import of refined oil. Equally, agricultural produce particularly cash crops (cocoa, cashew etc) as well as forest resources are exported in their



crude form while billions of dollars are expended on the import of furniture, cooking oil and beverages. So, for the structure of the Nigerian economy to be strengthened, efforts must be made to export more of finished product (such as refined oil,) than raw materials like crude oil. This will not only end current recession but prevent its future reoccurrence.

#### **Prevention of Capital Flight and Capital Redundancy**

Capital, once in the country, whether from its own resources or obtained by industry from foreign countries, are under no circumstances to be taken out for any purpose, so far as possible, or allowed to be buried in chests or coffers, but must always remain in circulation; nor should much be permitted in uses where they are at once destroyed and cannot be utilized again (Mun, 1664). Under these conditions, it will be impossible for a country that has once acquired a considerable supply of cash, especially one like Nigeria that is endowed with numerous natural resources, ever to sink into recession. Policies should be put in place to avoid capital flight and siphoning of funds. Also, capital redundancy should be avoided. For instance, Federal Government of Nigeria claims to have amassed over three (3) trillions naira from TSA while loots recovered so far in cash and assets are also in trillions worth of Naira. Noting that these resources were moved from the economy, to avoid capital redundancy, we suggest immediate re-injection of such funds into the economy. This can also assist the states in fulfilling their obligations (including those of wage bills), stimulate the economy and improve the level of economic activities. The amounts in lump sum can offer reasonable part of the reliefs the economy is begging for. Mere pronouncing what TSA has generated and what has been recovered so far adds no value to the economy; it is what we do with it that matters and massive fiscal expansion policies are the answers, in manners that strengthen people's access to means of purchasing powers.

#### **Consumption of Domestic Products**

Most policy prescriptions in different quarters have concentrated on what government needs to do but other economic agents too have responsibilities to salvage this economy. As

individuals, we also have roles to play in this situation. Nigerians should make every effort to get along with their domestic products, to confine their luxury to these alone, and to do without or with little foreign products as far as possible. Unnecessary demands for foreign products destroy the tentacles of the Nigerian economy. Hence, alignment campaigns on the economic importance of consuming locally made products should be embarked upon to lessen the effects of the recession.

#### **Exchange of Goods for Goods**

In case importation of goods was indispensable because of necessity or irremediable abuse, we advocate the exchange of goods for goods. We do not mean trade by barter. This is not even possible for a modern economy. By implication, we mean Nigeria should send her export to countries whence she imports. Engage in trade agreement that will create markets for Nigerian goods and services in such countries from which the bulk of our imports come. For instance, Nigeria should create market in China for her exports.

#### **Encourage Export Promotion and Import Substitution**

Foreign commodities should be imported in unfinished form, and worked up within the country, thus earning the wages of manufacture there. Opportunities should be sought night and day for selling the country's superfluous goods to these foreigners in manufactured form, so far as this is necessary, and for foreign exchange; and to this end, consumption, so to speak, must be sought in the farthest ends of the earth, and developed in every possible way. Also, Except for important considerations, no importation should be allowed under any circumstances of commodities of which there is a sufficient supply of suitable quality at home; and in this matter neither sympathy nor compassion should be shown foreigners, be they friends, kinsfolk, allies, or enemies (Hornick, 1684). And this should hold well, even if the domestic commodities are of poorer quality, or even higher priced. For it would be better to pay for an article two dollars which remain in the country than only one which goes out We need to collectively increase productivity in all sectors, particularly those that promote exports



and those which substitute for bulk and cores of our imports. Chiefly, food, fuel and manufactures. Boosting confidence in the economy, articulation of clear and sound policies regarding export promotion and import substitution with strong implementation mechanisms are keys to reviving the economy.

#### **Short Term Solutions**

##### **Prompt Payment of Salary by State Government**

Massive fiscal stimulus plan must be deployed as short-term plans and this must begin with state governments clearing salary arrears and honouring wage bills as at when due. States must be made to pay salary arrears and feasible frameworks should be put in place to make them regularly pay workers henceforth. We cannot completely analyse Nigerian recessionary nightmare by ignoring impact of salary delays and arrears on our economic activities.

Easy said than done, how can states pay workers in the light of declining allocation emanating from declining share of federal revenue? States in Nigeria seem to be of two varieties. First, data about states in Nigeria reveals that despite declining income to states, many can still afford to pay salaries of workers in full but deliberately choose not to. Why? Governors will want to embark on one project or the other and they tend to prioritize the projects over workers' salaries. For example, governor of a state in the Federation presently concentrates on one multi-billion white elephant project while its workers are at the same time dying of hunger owing to salary delays and non-payment. A worker interviewed in Lafia, Nasarawa state capital said "Their priority of projects over salaries stems not necessarily from love of people per se but due to the ease with which they stand to benefit from project contract inflation". Prompt payment of salary will serve as a viable stimulus package to revive the economy in no long period of time.

##### **Cut Down the Cost of Governance and Administration**

It might also be an important option to revisit our recurrent spending across all government levels and agencies which continues to skyrocket, largely due to high cost of governance and democracy. Redesigning wages and allowances of political office holders who

continue to live in luxury even in recession might be necessary as their allowances chokes bulk of what should be devoted to key sectors of the economy. Politics should be made less lucrative. Allowances that significantly appear luxurious even including those of heads of agencies should be cut and re-channeled into activities that represent collective social good. Prudence and discipline in fiscal spending hold keys to cutting cost and may lead to reduced burden on national revenue.

##### **Resolve Niger Delta Crisis**

While we cannot reasonably influence world oil price which is exogenously determined, oil output is in reasonable terms within our control. Government needs to show real commitments in alleviating pains and cries of the people of the oil rich Niger Delta region and builds trust. Necessary stakeholders should be involved timely, especially those that can reach the militants operating in the creeks. Attitudes, policies and acts that will change the whole scenario should be demonstrated in time so that activities in the Region returns to normalcy and oil production (and export) can be improved. Resolving this crisis holds a key to putting relief to our economic woes in the short run.

##### **Nigeria Should Operate "Need and Use" Employment Policies**

Across all levels of government and government agencies, it is very important that each agent strictly operates on the "basis of use and need" in its employment policies. This is the ideal of cost-benefit analysis. Having established that salary arrears and delays contribute immensely to the current economic declines, one suggests that self-generated resource (IGR), rather than oil money should be key determinant of each state's staff strength. This study, therefore articulate and suggest a civil service structure model in which each government unit/level employs civil servants only up to a level at which IGR is at least equal to the wage bill. Then whatever comes in form of state allocation from federation account can be channeled into provision of key infrastructures and social welfare-enhancing schemes as obtained in serous developing and developed economies. The inference from this is that current civil service structure is indicative of

inefficiency which suggests that either civil servants are over-employed thereby inducing wage bill offsetting challenges or they are being underutilized to generate IGR huge enough to pay for their services. One big reality we need to face is that some civil servants stand to face job-transfers (not job loss) as many of them could lose out in civil service structure model being articulated but find their way into farming thereby fitting into the real diversification struggle that we all advocate for. Affected people can be given some compensation to start in new sector(s), outside civil service sector.

### CONCLUSION AND RECOMMENDATIONS

Over the years Nigeria depends on crude oil proceeds as the major source of national income, foreign exchange and reserves. This dependence coupled with the huge cost of running and maintaining our political structure and other factors earlier discussed prove disastrous by leading the economy to the worst recession in decades. Having discussed the remote and immediate causes of the recession, we conclude that the dependence on crude oil whose price is highly volatile made the Nigerian economy susceptible to shocks. Hence the oil price and output shocks coupled with high cost of governance, excessive importation, corruption, sudden implementation of TSA, insurgency and Niger Delta Militancy among other factors put all macroeconomic variables off balance and threw the economy to the worst scenario of recession (stagflation). Therefore, diversification of the Nigerian economy by prioritizing agriculture, massive fiscal stimulus plan to enhance domestic infrastructure and production, re-injection of recovered loots of Niger Delta militancy among other policies are recommended to ameliorate the effects of current recession and strengthen the structures of the economy in order to prevent reoccurrence of economic recession in the country.

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