



Proshare **Confidential**



Poverty Tracker: Raising The Red Flag

June 2018

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According to the World Bank, an individual or person who lives or earn below \$1.9 per day is considered to be extremely poor. In line with this, the bank asserted that Nigeria currently has the highest number of extreme poor individuals (thus overtaking India) following results from the World Poverty Clock which showed that 86.99 million Nigerians fell within the extreme poor category in 2017. Most importantly, it brought to bear the dire position of the nation's social well-being, as its dependency ratio continues to grow.

With the present population dynamic, 45.7% of the Nigerian population is considered to be extremely poor far higher than the sub Saharan average ratio of 30 and worse off than Somalia!!

Certainly, such statements reverberated across the Nigerian society, thus this edition of the Proshare Confidential Report sought to trace the trajectory of extreme poverty as far back as 1985 to present day. In doing this, a liner interpolation was carried out which showed that in 1985, 60 million Nigerians were considered to be extremely poor, while it declined in subsequent periods.

The slump in the figure after 1985 was largely felt at the beginning of 2000 when income policies fused with the

adequate pre-condition for growth were in place. Some of these pre-conditions for growth include eliminating price discriminatory elements inherent in exchange rate, providing a fiscal rule, liberalizing sectors earlier dominated by government, debt relief and the recapitalization of bank. For the record, the recapitalization of banks addressed the repression experienced in the banking system and further widened the scope of the capital market. This further boosted the private sector and deepened financial intermediation. Following the decline in poverty in this period, the middle class grew in 2009.

As at the beginning of the new decade policy summersaults, rising tension in the Niger Delta, rising population growth and the inability to follow through with reforms made GDP growth more disconnected with the Human Development Index (HDI), thus earlier gains made in reversing poverty began to unwind and about 53.5 million Nigerians were considered extremely poor.

Furthermore, the inability to fully go through with reforms in critical sectors such as the Power and Energy sectors affected the nations competitiveness, thus making foreign direct investment experience an under heat. It then became harder to address the nation's export concentration; and

at the wake of 2014 when oil price ran nervy, GDP growth fell below population growth and the naira began to lose its slow biasness.

Subsequently, per capital income started to slide. By the time the cycle concluded an anti-clock wise movement in 2016, Poverty had taken new heights to about 83.69 million Nigerians been considered extremely poor while the weakness in qualitative indicators became more accentuated than ever.

In attempt to provide measures on how best to address poverty, the study considered Ethiopia's broad based approach and gradual transition to a private sector led economy.

Certainly, the implication of dampening in social well-being have come with dire consequences, as it further weakens the nation's ability to improve its income drive. More so, the growing dependency ratio, crime and widening inequality put the socio-economic fabric of this country under severe pressure. At the same time, the dynamic forces the fiscal authority in a position to take on social intervention programs, thereby widening the fiscal deficit.

Thus, there is a need to address factors that hold back private capital formation, improve trade openness and open sectors currently under the government's full control. In reality pro-poor policies are palliatives that complement structural reform, since they cannot on their own provide long term solutions.

More than ever before there is a need to address the growing structural distortions. The drawback from the Lua da Silva reform where pro poor polices took the front row ahead of structural reforms dented Brazil's potential output. This we must avoid.

The study also provides a macroeconomic outlook for the Nigerian economy. Based on our model in retrospect, we expect a 1.82% growth for the second quarter of 2018 on the heel of fiscal lags and ongoing shocks in the Agricultural sector, especially in the food belt region of the country. While we take this into account as a relative risk on to the economy, we are of the opinion that output will experience an under heat moving forward.

We take a mildly upbeat position moving into the other half of the year; forecasting 1.86% and 1.88% GDP growth for Q3 and Q4 2018 respectively.

As regards price movements, we see headline inflation dampening to 10.7% in June 2018 and 9.8% in August 2018; thus reaching the Central Bank's sweet spot which is a dial back of price movement to a single digit. In our Adjusted ARIMA model, money supply is projected to remain mute while the indirect relationship between oil price and inflation is vivid; thus supporting a further decline in inflation till September 2018.

As inflation dwindles, the real interest rate is bolstered and inflation premium will keep declining. The

expected short rate on treasury bills will cave inwards and liquidity premium would remain constant, as the slope remains largely steep, even though the coefficient between tenor and rate stands at 0.93. On the contrary, OMO bills will still rise

steeply as liquidity largely increases with maturity.

Temitope Babalola

Economy Desk, Proshare Research

July 03, 2018

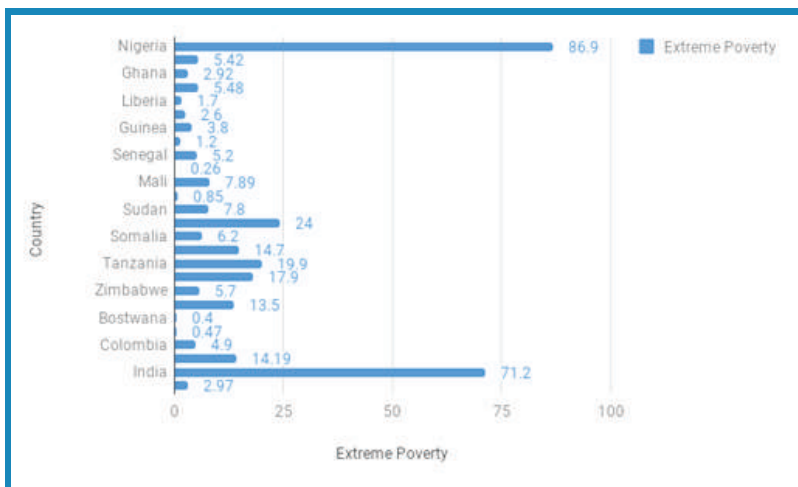
Introduction



The recent data from the World Bank Poverty Clock reaffirmed that Nigeria had overtaken India, as the country with the highest number of extreme

poor individuals, as 86.99 million Nigerians are presently considered to have fallen within the extreme poverty line.

Fig 1: Extreme poverty across Selected Countries



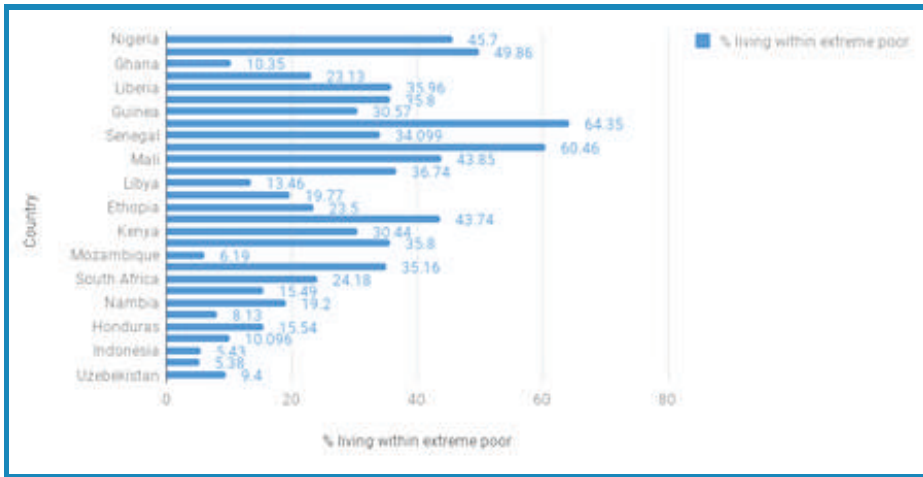
Source: World Poverty Clock

Firstly, this restates the acute level of income inequality witnessed in the country. Secondly, the weakness in qualitative indicators have become more accented due to the hysteresis experienced by certain variables such as Unemployment.

Even though leading indicators such

as GDP, inflation, exchange rate and Purchasing Managers' index have begun to beam green light, it has failed to revive the social well-being of individuals. Therefore, it not surprising to see that 45.7% of Nigerians are considered extremely poor.

Fig 2: Percentage living within Extreme Poverty



Source: World poverty clock

Thus, the total number of individuals who are believed to be extremely poor has increased. At the same time, there is a growing number of income inequality and rising dependency ratio

in Nigeria. Obviously, there is a need to look at the trajectory of the poverty over the years and the factors responsible for such.

Statement of Problem

- The weakness in social well-being have become accentuated following the present reality of negative output gaps, the disconnect between quantitative and qualitative variables, rising youth unemployment and high underemployment, frustration regarding the delay in reforms and the inability to carry out necessary reforms and the lack of pre-conditions for growth
- Low infrastructure stock to GDP
- Inability to take advantage of migrant inflows adequately
- Inability to manage population growth
- Lack of adequate income policies over the years
- Tepid foreign direct investment and staggering capital formation and a lack of adequate policy response
- Consistent emergence of risk of and risk on with no forward looking policy
- Monetary policy remains largely passive, as it currently chases the shadows of a secondary effect.

Objective of the Study

- To highlight the on-going dynamic in the global economy
- To trace the trajectory of extreme poverty and policies over the years
- To identify once again the factors responsible for weakness in social well being
- To provide a H2 Outlook for the macro economy
- Provide an hindsight into the Money Market

Methodology and Data Interrogation

The data used in the study have been extensively sourced from reputable institutions such as the International Monetary Fund (IMF), World Bank, the United Nations Developmental Program (UNDP), the Federal Reserve

District Reserve, New York, the Central Bank of Nigeria (CBN) and many others. At the same time, a hybrid of data was used as required during the research.

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Background to the Study



Global Economy

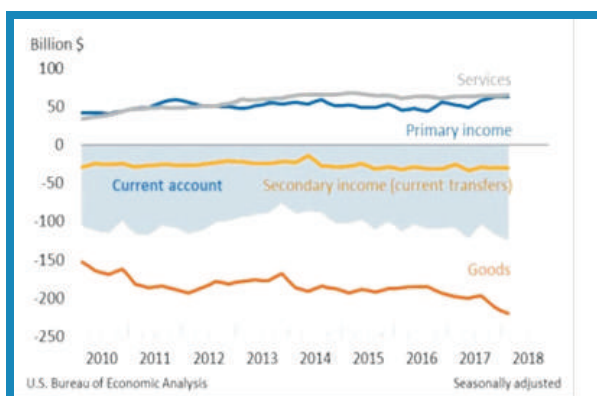
Table 1: Global Economy at a glance

Country	Inflation	Growth	PMI	Unemployment	Intrest rate
US	2.8	2.8	54.6	3.8	2
China	1.8	6.8	51.1	3.89	4.35
Japan	0.7	1.1	53.1	2.5	-0.1
Germany	2.2	2.3	55.9	3.4	0
France	2	2.2	53.1	9.2	0
India	4.87	7.7	51.2	3.52	6.25
UK	2.4	1.2	54.4	4.2	0.5
Brazil	2.86	1.4	50.7	12.9	6.5
Spain	2.1	3	53.4	16.74	0
Italy	1	1.4	52.7	11.2	0
Turkey	12.15	2	46.4	10.1	0
Russia	4.7	1.3	49.8	2.4	7.25
Indonesia	3.23	-0.42	51.7	5.13	4.75

Source: Trading economics

- There is a divergence in monetary policy among developed economies and how the Federal Reserve Bank continues to hike the fund rate. Regardless, the ECB and the BOJ have maintained their loose monetary policy.
- The United States current account at the end of the first quarter of 2018 rose from \$116.1 million to \$121.1 billion.

Fig 3: United States Current Account



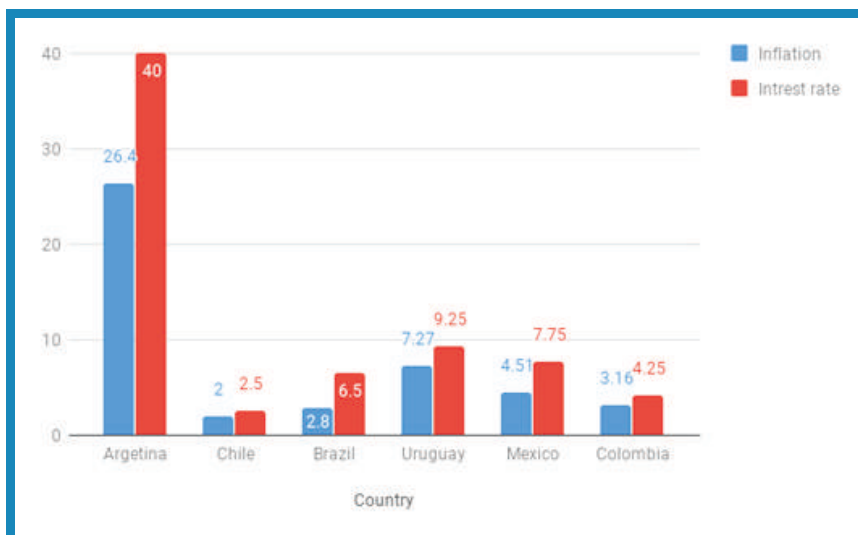
- The Peoples Bank of China (PBOC) have cut its rate by 50 basis point in attempt to avoid the economy slipping into an under heating
- Emerging economies with lean current account find themselves at the receiving end of a persistent currency depreciation
- The drums of trade wars and retaliations have formed dark clouds around the global economy
- Though the purchasing manager's index in Europe has sustained continuous upswing, unemployment in the Euro area remain high.
- Inflation in emerging economies like Brazil, Russia and Indonesia have cooled off.

Brazil: Waiting For the Second Round Effect

At the last meeting of the COPOM held on June 20, 2018, the committee held its monetary anchor rate stable, as it left the silica rate unshaved at 6.5%, though many expected the committee

to shave as inflation stands at 2.8%. After all, the dynamic of a positive real rate supports a dampening in both the silica and an inflation premium.

Fig 4: Inflation and Interest rate across selected countries



Source: Trading economics

Towing the same line, the committee admitted that inflation was below its expected long term rate. Moreover , coupled with an economy experiencing a low slack season, growth will take on a gradual pace. In principle the bank agreed that the economy is in need of accommodative pills but such cannot occur without structural reforms in place.

In reality accommodative pills won't be effective to prime without putting in place the right pre condition for growth, something Brazil is desperately lacking at this point.

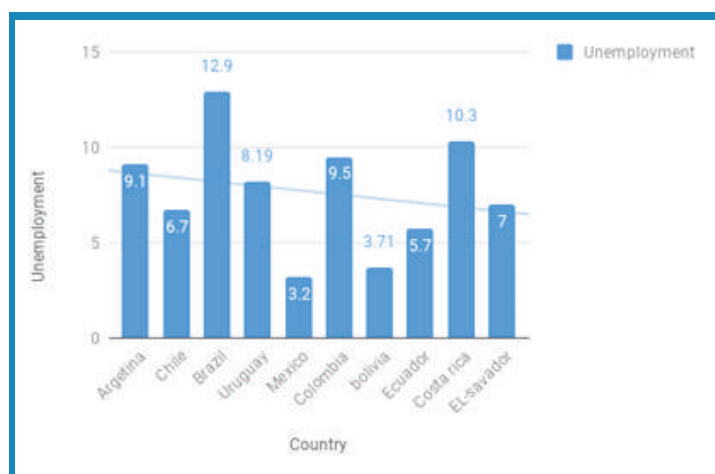
The fact that Brazil has one of the lowest infrastructure stock to Gross domestic product among the G20 countries underlines how vulnerable it is to supply shocks. Therefore it is not surprising to see why first round effect are easy to come by due to its exposure

to high commodity prices and strong vulnerability to supply shocks. In such scenario, the bank is left to respond only to a second round effect; though market responded to the earlier first effect, since wage negotiations are underway.

The rebound in commodity prices have failed to amplify growth, regardless the fiscal side finds itself battling with diminished capacity. With public debt making up 84% of GDP, thereby underpinning the upshot in debt.

More than ever before there is a need for structural reforms that can trigger trade openness, reduce fiscal pressure, ensure appropriate prioritization of spending and address current income inequality. One is not surprise to see why the bank vent its frustration at the relatively slow pace of reforms

Fig 5: Unemployment in Latin America

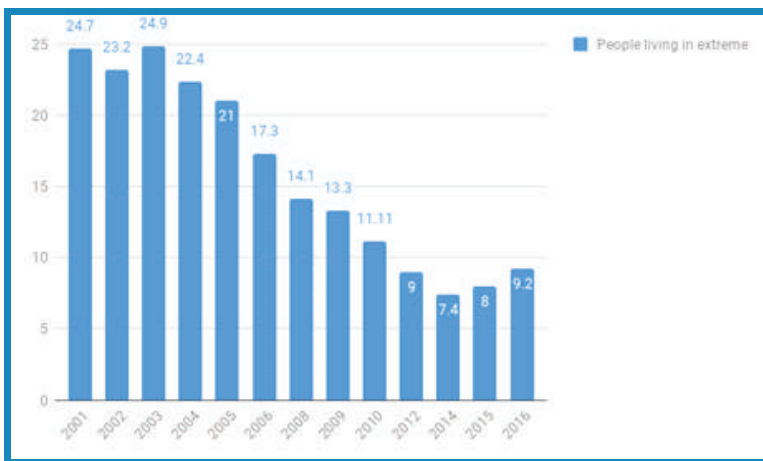


Source: Trading economics

Currently, the social well-being in Brazil is under severe duress as unemployment has peaked at 12.9%. Moreover, the weakness in qualitative variables have become so accentuated such that the gradual pace of growth cannot cause any form of dent on poverty, with the joblessness more pronounced among women and Afro Brazilians

For a country whose income inequality have been on the rise for quite some time just like Nigeria, such weakness has formed a substantial blight on social well-being causing poverty to take an uptick from 2014. Presently, it is estimated that 9.2 million Brazilians fall within the extreme poor.

Fig 6: Poverty head count



Source: World Bank

Apart from the present structural draw backs, the ongoing trifecta of rising oil prices, strong dollar and the rise in the fund rate have begun to trigger downward pressure on the real.

For a bank that certainly has a history with inflation inertia and exchange rate targeting, it is hard to see the bank guide the real downwards.

At the same time we must be care full the rate corridor, especially interest rate must not be considered as the first

point of defense when price movements are on a downward trajectory: with inflation premium low and real rates positive.

Therefore raising rates would be an unnecessary weight on the domestic economy. However the bank must come to terms that there is a gulf between the natural rate and inflation, thus boosting investment through its rate anchor at some point of the cycle is inevitable.



Review: Lingering negative Output Gaps

Table 2: Maco Economic Indicators

Indicator	PRESENT	PREVIOUS
Inflation	11.61	12.48
GDP	1.95	2
Oil production	1.95 million barrel	2 million barrels
Oil price	67.45\$/ barrel	62.43\$/barrel
Exchange rate (IFM)	N362.86/\$	N362.25/\$
Exchange rate (BDC)	N412.23/\$	N428.33/\$
T-bill rate	10.14	11
MPR	14	14
MLR	31.29	31.56
PMI	57	56.5
Foreign reserve	47.795	47.798
Net foreign asset	18.29	15.906
M2	25.169	24.52
Income velocity M2	4.57	4.69
M1	11.22	10.67
Income velocity M1	10.24	10.77
Unemployment	18.80%	16.20%
underemployment	21%	19.70%
Debt	22.07	21.725
debt to GDP	0.19	0.18
Debt Servicing	N643 billion	N429.7 billion

Source: CBN, NBS

Key Take aways:

- The economy grew by 1.95% at the end of Q1 2018, reflecting a simmering down in momentum.
- The rise in oil price from \$62.43 to \$67.45 per barrel provided leg wind for both output in nominal and boosted inflow. Thereby, lifting external trade to GDP from 19.3% to 25%
- Foreign reserve caved inwards in the month of June as the reserve partly absorb shock from outflow.
- Inflation dipped from 12.48% in April to 11.61% in May. In reaction to the dip in inflation the Treasury bill rate fell from 11% in April to 10.14% in June 2018.
- Money supply (broad money) rose tepidly from N21.75 trillion to 22.07 trillion,

however income velocity of M2 for the period stood at 4.57

Narrow money rose from N11.22 trillion to N10.67 trillion, at the same time income velocity of M1 for the

period under consideration stood at N10.24trillion

Net foreign asset have continued to surge as it rose from N15.906 trillion to N18.29 trillion

Outlook for GDP AND INFLATION

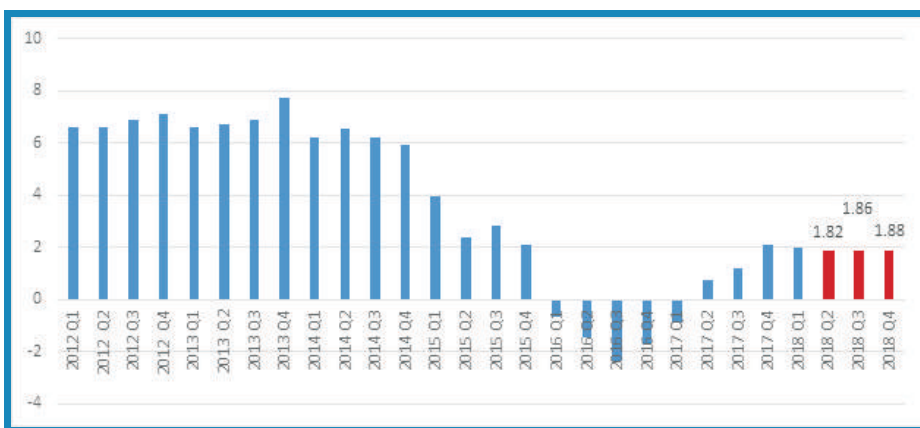
Output: Daggling towards an under heated cycle

GDP Growth at the end of the first quarter of 2017 dipped from 2% to 1.95%. The claw back witnessed in sectors such as construction and agriculture contributed to the dip in growth. Although with the passage of the budget, government expenditure is expected to stimulate the economy, the lag effects attributed to the budget will still play out for some time. Moreover with the elections taking

steam, political uncertainty will slow down capital formation.

Thus, we forecast dimmer growth momentum with relatively stable oil price, as we largely see the economy wobbling through the larger part of the year. On this note, we expect a 1.82%, 1.86% and 1.88% growth for Q2, Q3 and Q4 2018, respectively.

Fig 7: GDP Growth



Sources: NBS, Proshare Research

Evidently, the recovery have been far from a V recovery, as the desperately needed V recovery remains largely

elusive in 2018; far off from an escape velocity and still tagging behind population growth.



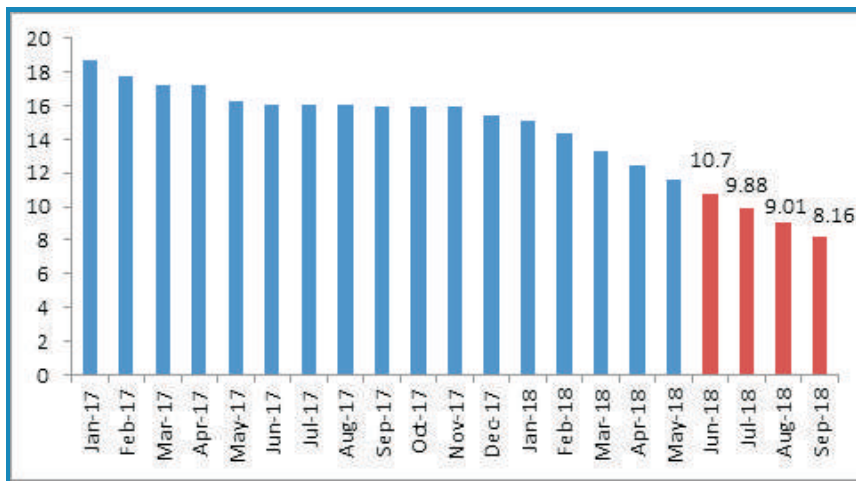
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Price Movement: Towards the Sweet spot

Fig 8: Inflation



Sources: NBS, Proshare Research

Based on our adjusted ARIMA model, we are of the opinion that inflation will maintain a downward trajectory moving forward. Therefore inflation will dip further southwards from 11.65% in May to 10.7% in June; at the same time pinpointing to a negative relationship between forecasted error and oil price at -0.492.

Thus, we see relatively limited room for forecasted error in the face of an oil price rally, underpinning the claw back in cost push inflation. Obviously, we expect price movement to touch down at a single figure by the month of

July, specifically 9.8%. Thus, dialing toward the Central bank's sweet spot for inflation.

We are of the opinion that with relatively more stable oil price combined with earlier one time off friction from first round effect fizzling off, inflation will sustain a downward trajectory till September 2018. Although an upswing in money supply is expected due to the passage of the budget and the election season, money supply remains muted in our forecast for now.

Money Market: mildly bearish - the new normal

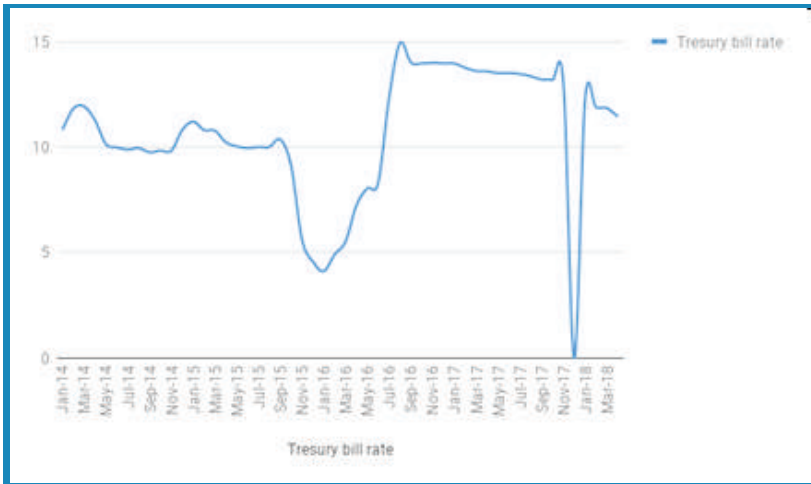
In the wake of 2016, the Federal government in attempt to reflate the economy due to liquidity concerns coupled with hard pegs hinged deeply on the domestic money market by focusing primarily on short term

instruments to fund the budget. The cost of financing the budget was high on the back of rising inflation and a hawkish monetary policy. Thus, the fiscal authorities found themselves absorbing huge debts at relatively high

cost, making debt servicing a smoking elephant. Expected, the expected short rate have shifted from “rising to

falling” on the back of dwindling inflation.

Fig 9: T-bill rate



Source: CBN

Liquidity premium have tilted from constant to rising, as forward rate take a lift - which is reflective in the OMO bills.

An humped yield curve gradually give way as a more inverse one take hold.

Therefore the dynamic between a positive real rate and lower inflation premium, allows a lower discounted cash flow to be applied on federal government long term instrument. However, with the normalization of interest rate abroad, expected rise on long rate on foreign interest have begun to rise as the effective annual rates have risen too. Underlying the

new reality that the cost of external borrowing will rise while the cost of domestic debt dampen as inflation fall.

Therefore a mildly bearish position has taken hold, even though we foresee an increase in the supply of long and medium term securities by the fiscal authorities to fund the N 9.12 trillion budget.

We also expect monetary authorities to revert back to dynamic sterilization in attempt to alter supply as the election season takes steam with the intent of influencing rates both at the interbank and exchange rate corridor.

Table 3: Treasury bill

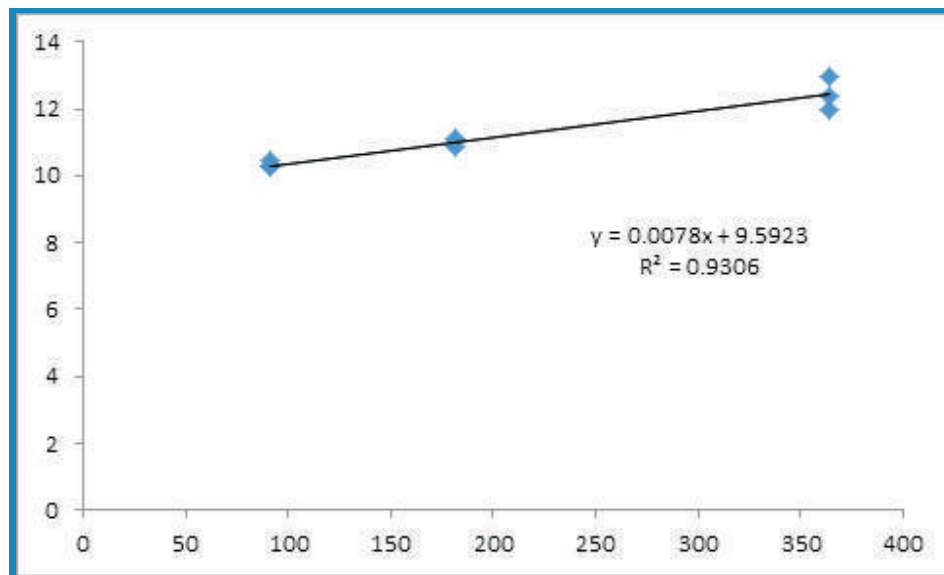
Date	Tenor (days)	Yield (%)
5/2/2018	91	10.2557
5/16/2018	364	11.9782
5/16/2018	182	11.0801
5/16/2018	91	10.2557
5/30/2018	364	12.3554
5/30/2018	182	10.8576
5/30/2018	91	10.2557
6/13/2018	364	12.9897
6/13/2018	182	11.0801
6/14/2018	91	10.4662

Source: CBN

Therefore, the rates are largely steep as inflation premium begin to trigger falling expected rate, while pinpointing to a more constant

liquidity premium, compared to the past where liquidity premium increased.

Fig 10: Correlation between tenor and yield (Treasury bills)



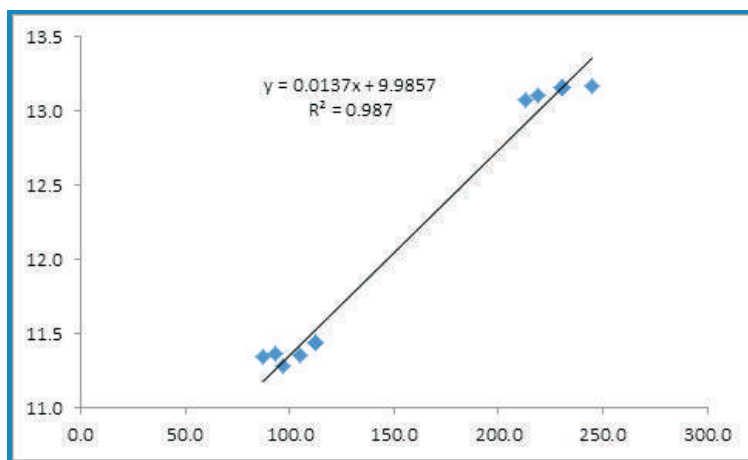
Source: Proshare research

Table 4: Open Market Operation (OMO)

Date	Tenor days	Yield (%)
4/27/2018	97.0	11.3
5/3/2018	245.0	13.2
5/3/2018	105.0	11.4
5/10/2018	231.0	13.2
5/24/2018	231.0	13.2
5/24/2018	112.0	11.4
5/25/2018	230.0	13.2
5/31/2018	112.0	11.4
5/31/2018	231.0	13.2
6/7/2018	112.0	11.4
6/19/2018	219.0	13.1
6/19/2018	93.0	11.4
6/25/2018	87.0	11.3
6/25/2018	213.0	13.1

Source: CBN

Fig 11: Correlation between tenor and yield (OMO)



Source: Proshare research

- On the other hand, OMO bills have risen steeply, as liquidity largely increases with maturity
- We expect supply of more OMO bills by the apex bank, as the election draws nearer in order to clamp down excess supply of the nominal currency.



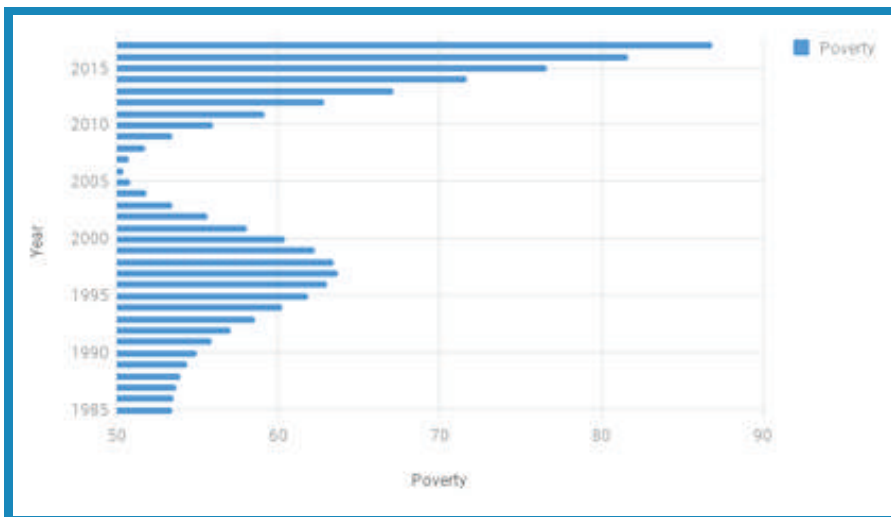
Poverty Clock: Shoveling through the numbers

According to the World Bank, individuals who live below \$1.9 per day are tagged to fall within the extreme poor category. As at 1985, 53.5 million Nigerians were considered to be extremely poor. By 2014, the base of the pyramid had widened such that 71.4 million Nigeria were living below \$1.9 per day.

Thus given the blight in social well-being and the inability to properly manage population growth, the downward spiral in per capital

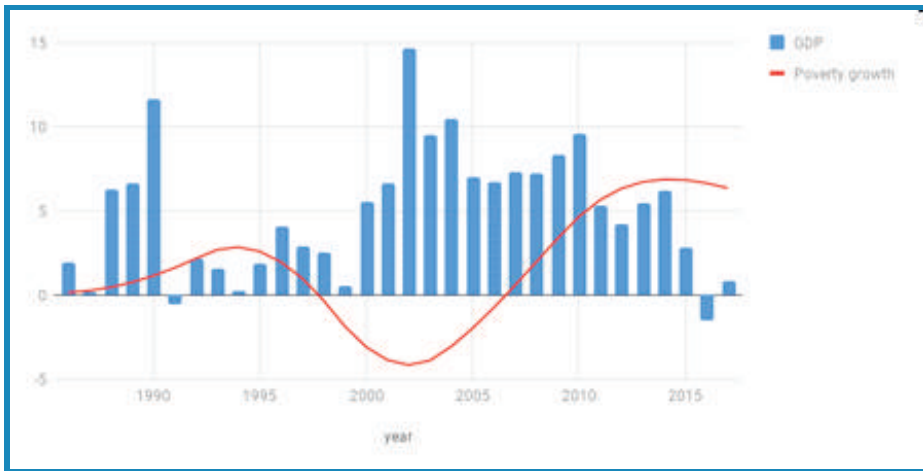
income, the growing level of unemployment and rising misery index's further inflamed extreme poverty, we can conclude that the poverty clock is largely in line, as 86.99 million Nigerians currently fall within the extreme poor category. Pinpointing to the astronomical uplift in poverty, at the same time capturing the stark reality which was addressed in our [May 2018 Proshare Confidential Report](#) titled "POCKET Economics: Addressing Income Inequality"

Fig 12: Extreme poverty from 1985 to 2017



Source: World bank

Fig 13: Poverty and GDP



Source: World bank, NBS

Initially poverty began to grow tepidly, at the tail end of the 1990s, even though growth was largely paltry. One major factor was that population growth experienced some cooling coupled with high migration. However, the decline in extreme poverty was more pronounced in the early 2000. This was because the pre-conditions for growth were created and substantial income policies were activated. More importantly, oil prices also enjoyed some lift, thus allowing fiscal policy to plough in some pro poor policies such as the establishment of SMEDAN.

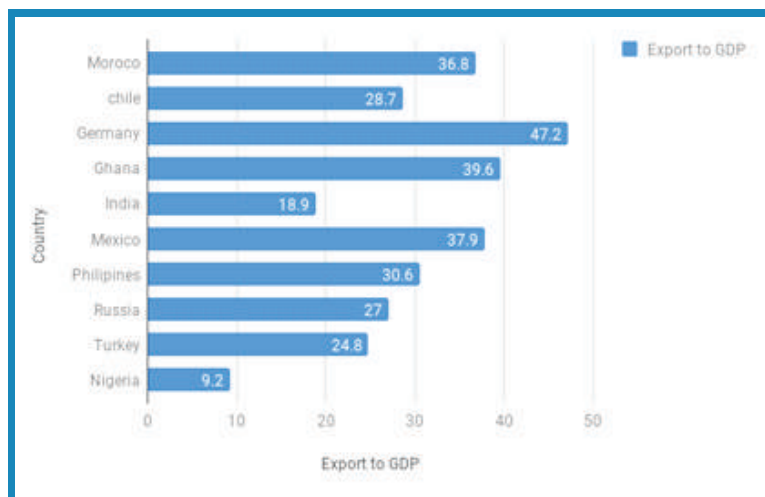
Thus, it was not surprising to see the number of Nigerians who were considered to be extremely poor, decline for the first time in 15 years; such that the end of 2000 recorded a decline in the number of Nigerians considered to be extremely poor from 61.5 million to 59.5 million.

With this trend, the new millennium ushered some hope, that Nigeria as a nation can reverse the clock on

poverty. The decline in poverty continued as growth began more robust on the heel of more trade openness, widening up the telecommunication sector and improving fiscal rule. Moreover the recapitalization of banks, eliminating the price discriminatory approach to foreign exchange, debt forgiveness and a more conscious approach to the social developmental goals (SDG) forced poverty to a downward trajectory. However, the inability to follow through with reforms in the power and petroleum sector and fully open up infrastructure left reforms in the middle; and though capital formation enjoyed a lift a lot more was needed in order to achieve export diversification.

Certainly, substantial dent was formed on poverty, which was reflective in improvement in the standard of living. It further fell short to address fully the structural concerns, thus leaving the country as an export concentrated country with relatively low export to GDP ratio compared to its peers.

Fig 14: EXPORT TO GDP as at 2014



Source: World Bank

The inability to address the rot in the petroleum sector made fiscal deficit, inevitable and spurred more import leakages. This slowed down private capital contribution to that particular sector, eventually limiting the sector's ability in terms of job creation.

It is important to note that Nigeria remains far off from a lifting, thus leaving the nation vulnerable to uptick in poverty especially in the face of cyclical recoil. In reality, we remain far off from reaching the Holy Grail to fully defeating extreme poverty.

In subsequent year's policy summersaults, relatively weaker government capital spending, growing fiscal deficits, rising uncertainty in the Niger delta and security in the northern part of the country forced

productivity to claw back. The inability to manage population growth properly also inflamed the dependence ratio, limiting the fiscal root.

Firstly, quantitative growth gradually became disconnected with HDI, given the decline in the quality of growth and the rise in population. More importantly, it made it harder to take on structural reforms and improve productivity.

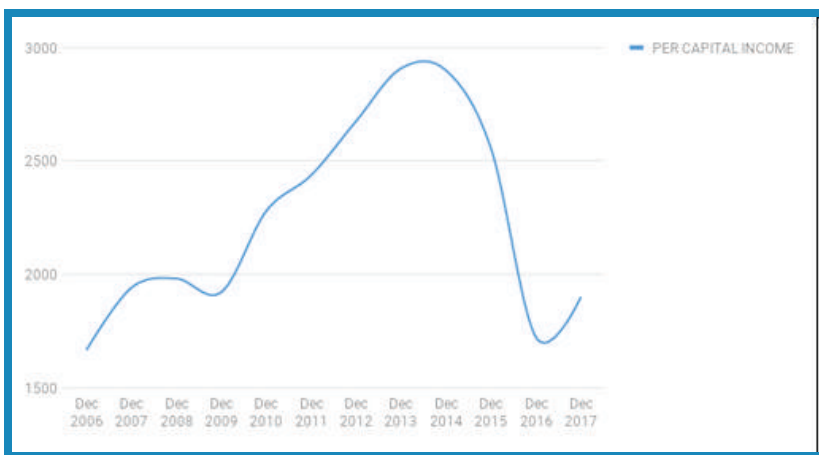
More than ever before the economy became more vulnerable to oil vagaries, causing the nominal currency to lose its slow biasness. By 2013, the total number of Nigerians reeling from extreme poverty had swollen to 63 million, thereby setting the stage for further inflammation.

Per Capital Income: Not far behind

Prior to the recession, the Nigeria per capital income had begun to experience a decline due to sluggish growth. Thus affirming the resurgence in poverty, however when the economy fell into a recession the

slump in per capital income was more evident as National income level depleted due to weaker productivity coupled with a growing population, allowing per capital to re affirm the weakness in social well-being.

Fig 15: PER CAPITAL INCOME FROM 2006 to 2017

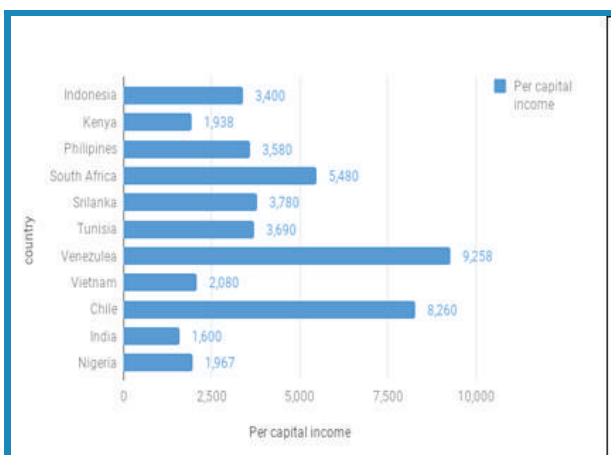


Source: CBN

Therefore, the decline in per capital income shows that poverty in Nigeria

dipped far below many countries.

Fig 16: Per Capital Income



Source: World Bank

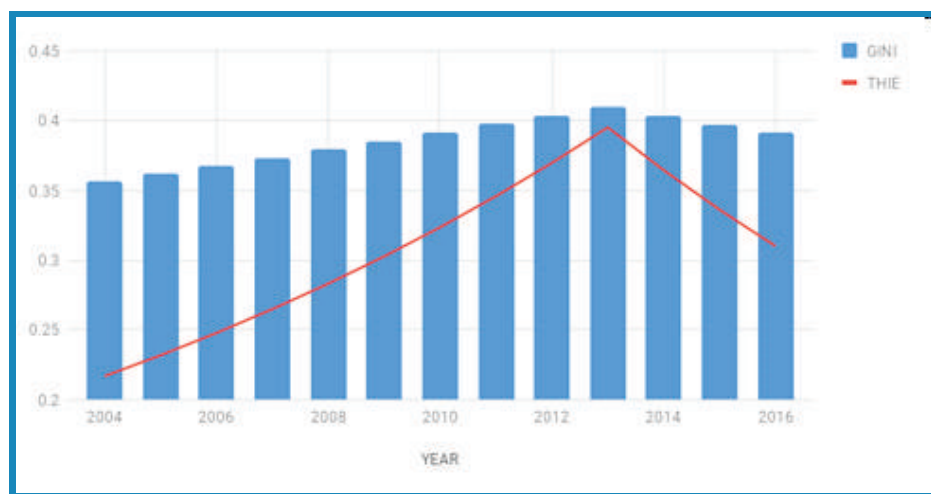
NBS Data: Another Snap shot view of inequality

According to the National Bureau of Statistics (NBS), the Gini coefficient dampened as it fell from 0.41 in 2014 to 0.39 in 2016, largely reflecting an improvement in the co-efficient. The Thiel co-efficient went in the same direction as it fell from 0.395 to 0.31,

also reflecting an improvement.

In attempt to reconcile the gaps over the period an in-house linear interpolation was done and the Gini fell from 39.7 in 2015 to 39.1 in 2016 reflecting an improvement in income.

Fig 17: Gini and Thiel



Source: NBS

Digging further the report stated that the share of income of the middle class have grown leaner by 0.08% compared to the 2014 figure. Whereas,

Thiel also fell from 0.336 to 0.33. In addition, the headline figures showed that the share of income held by the lower class dipped by -0.08%.

Nigeria: FG's Response / Position

On June 28, 2018, the Federal Government in response to the study emanating from World Poverty Clock stated that such figures could not be relied upon as they were derived from

models which could be misleading. After all such models were built around assumptions which fail to take into account the country specific dynamic and the prevailing

uncertainty.

Furthermore, they asserted that this model is based on the 2012 to 2013 outlook which cannot serve as a guide for the current state of the nation's social well-being. Moreover, the poverty clock did not carry out any house hold survey nor did any field projection, adding that at this point the only institution that can be relied upon regarding poverty data remains the National Bureau of Statistics (NBS).

Below is a snapshot of the statement released through the Ministry of Budget and National Planning:

“REPORT ON NIGERIA'S CURRENT POVERTY RATING NOT BASED ON ANY RECENT SURVEY –Budget and National Planning Ministry

The attention of the Ministry of Budget and National Planning has been drawn to a recent publication on the World Poverty Clock by World Data Lab in Vienna, Austria, indicating that Nigeria's poverty rating was getting worse. The Ministry of Budget and National Planning has reviewed this report and would like to assure Nigerians that the report is not based on any recent surveys of the poverty levels in Nigeria and cannot be relied upon as a factual indication of recent trends in Nigeria.

The authors of the report claim that the Poverty Clock is an online analytical/visualization tool that shows the number of people living in

extreme poverty worldwide and count(s) “excess” poverty - the gap between the actual number who have escaped poverty since end-December 2015 and the hypothetical number of who should have escaped in order for the world to be on-track to reach the global target of ending poverty by 2030.

It should be noted that in deriving its poverty estimates, the Poverty Clock does not, and in this case did not, directly rely on household survey data as national statistical offices in most countries do. Instead, as stated in their methodology, they rely on models to estimate poverty rates across countries using data provided by national governments to international agencies.

The models make assumptions on expected future changes in income, IMF medium-term growth forecasts and long-term projections and analysis developed by the OECD, all of which are significantly influenced by uncertainty. It is, in essence, just a model based on a lot of assumptions which cannot substitute for field work involving actual data collected from households in a consistent and representative way.

In the specific case of Nigeria, the Poverty Clock uses as baseline the General Household Survey 2012/13 which was not designed to measure poverty indicators accurately and follows a methodology that can be misleading if relied upon for poverty estimates.

In line with extant laws, the National Bureau of Statistics (NBS) remains the statutory agency of government with responsibility for producing Nigeria's official statistics, including poverty estimates. Like several other countries, Nigeria's poverty estimates are obtained from the National Living Standard Survey (NLSS) undertaken every five years, and which was last conducted in 2010.

While several other household surveys are routinely conducted by the NBS, none are as comprehensive as the NLSS, which is the appropriate household survey to determine poverty estimates. The next round of the NLSS is currently being undertaken by NBS, in collaboration with the World Bank, and this will be concluded in 2019. There is currently no other comprehensive household study on current poverty trends in Nigeria.

It is therefore pertinent to note that the World Poverty Clock is a model-based estimation of poverty, relying on projections and assumptions that cannot substitute for actual household survey approach which most countries adopt.

This implies that it is not possible to conclude Nigerians poverty position until the NBS completes the NLSS, as no comprehensive field work has been done in Nigeria, and among Nigerian households, as is required according to standard international methodology.

It is however important to point out that the Federal Government of Nigeria, in line with strategies outlined in the Economic Recovery and Growth Plan (ERGP), remains committed to promoting sustainable economic development through various social investment schemes that will yield positive impacts on poverty and unemployment; and will consequently change the trajectory of poverty in the country.

Apart from the Social Investment Programme (SIP) which has engaged a lot of youths in entrepreneurial and skills training alongside the school feeding programme which has provided balanced meals for millions of school children, government believes that the fastest way to reduce the level of poverty and increase social inclusion is to create jobs. In the ERGP this administration is committed to creating 15 million jobs in four years by 2020 by developing labour intensive sectors such as agriculture, manufacturing, housing and construction.

Government is also committed, and has been vigorously expanding public works in infrastructure, such as railways, roads and bridges, which is catalysing economic growth, as is evident from the turn-around in the GDP growth numbers.

In order to support and encourage private sector investment, government has placed emphasis on Made-in-Nigeria products; and public procurement is focused on local content and labour-intensive production processes. Government is also enhancing the ease of doing

business and tackling power challenges to attract private sector investment that will in turn create jobs and further reduce poverty levels across the country.

The impact of these efforts, amongst others, will certainly translate to a reduction of the poverty levels in Nigeria. After emergence from recession in 2017 all major economic indices have turned positive in the last 12 months. We are therefore optimistic that any poverty survey

carried out now will show that this Administration is succeeding in turning around the negative trajectory that the Nigerian economy had been on before we took over. And that this turnaround will succeed in lifting millions of Nigerians out of poverty.”

Signed

Akpanmdem James

Special Adviser (Media) to the Hon. Minister

Measures Needed

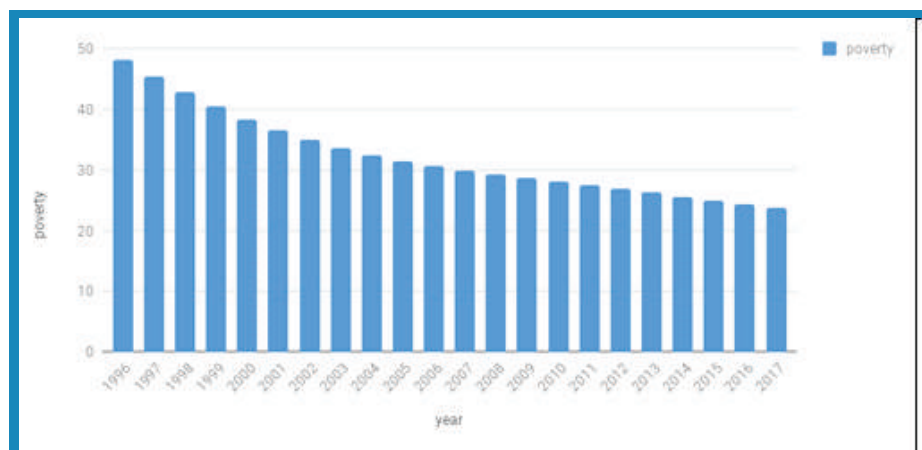


Over the last decade extreme poverty have fallen substantially in Ethiopia. In 1996, 48.1 million Ethiopians fell within the extreme poor category, however by 2017 the figure had greatly dampened to 23.7 million. Certainly it

did not come as a shock when the world poverty clock stated that Ethiopia was the only country which seem to be on track regarding SDG goals.

Ethiopia: How to dent poverty

Fig 18: Poverty in Ethiopia



Source: World Bank

Notably, Ethiopia has consistently been on the back of public sector led growth which has hinged on prioritizing investment in sectors that have substantial competitive advantage. Thus, leading into substantial investment in manufacturing, infrastructure and agriculture. The country has heavily invested railway so as to achieve the needed economic agglomeration. The ripple effect has forced the country to achieve an average growth rate of

10.3% from 2006 to 2016.

More importantly, Ethiopia had built the appropriate pre-conditions for an export take off, which has been met with increased foreign direct investment. The rub in effect on the agricultural and manufacturing sector have improved productivity, at the same time increased the net worth of the nation. In the same line, Ethiopia have also made use of pro-poor policies not as a first line of defense

against extreme poverty but rather as a complement to its export led initiative. Some of such policies are

- The productivity safety net program (PSN), which is aimed at addressing the effect of food shortage in rural areas. Apart from containing negative effect from food shortage, this measure helped to improve the purchasing power of rural communities by encouraging them to invest in productive activity.
- The productive safety net mechanism which is currently employed, focused on lifting household in urban areas from poverty.

Thus, it is not surprising to see the international monetary fund project 8.5% growth for Ethiopia in 2018. Thereby underlining the broad based growth witnessed in Ethiopia, which

has forced a blight on extreme poverty.

Ethiopia has begun a gradual transition from a central planning to a more private led growth which is spelt out in the long term strategic developmental plan. More recently Ethiopia opened up sectors such as telecommunication which enjoyed government monopoly. Therefore the ability to employ the appropriate pre-condition coupled with the pro-poor policies have drastically reduced the number of extremely poor individuals.

It is expected that as Ethiopia opens up its economy and solve age long boundary dispute with Eritrea, private capital formation will improve and fiscal debt will fall.

Learning from this, Nigeria can address poverty by making use of the appropriate income policies that will bolster productivity.

Conclusion



Certainly, the implication of dampening in the social well-being of the populace has come with dire consequences; further weakening the nation's ability to improve its income drive.

More importantly, the growing dependency ratio, crime rate and widening inequality gap (income and wealth) puts the socio-economic fabric of the country under severe pressure.

This is occurring at the same time, the fiscal authority is contending with dynamic forces impeding its position to take on planned social intervention

programs, thus widening the fiscal deficit.

Inevitably, there exists a strong case for an immediate focus on addressing factors that hold back private capital formation, improve trade openness and opening of sectors currently under the government's full control.

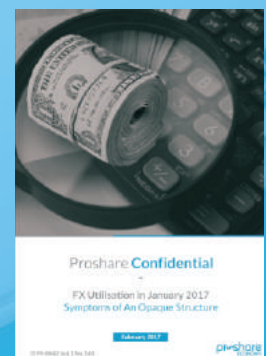
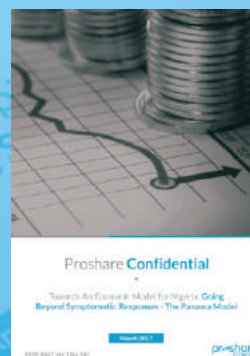
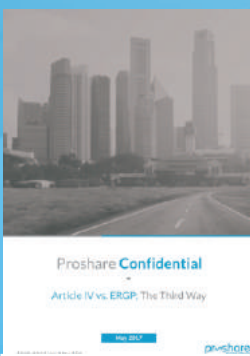
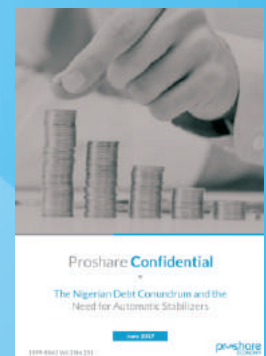
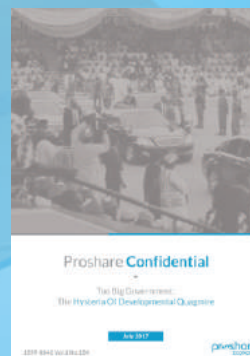
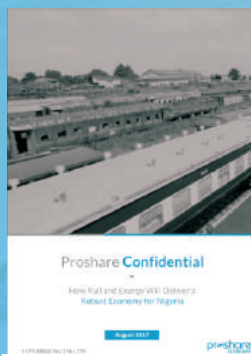
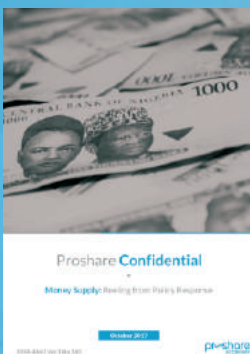
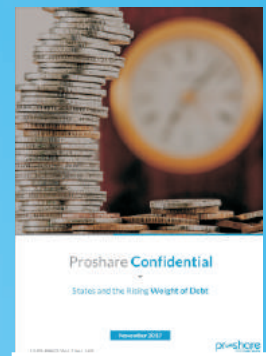
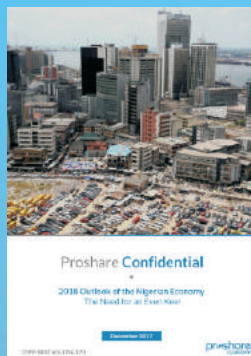
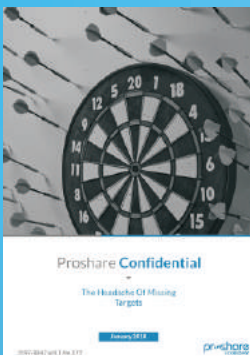
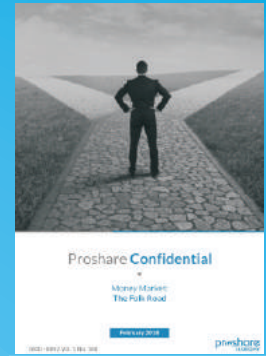
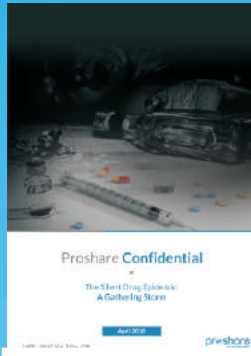
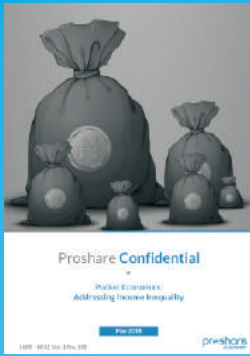
In reality pro-poor policies are no more than palliatives that complement structural reform, since they cannot on their own provide long term solutions. Nigeria has to rethink its plans for lifting the majority out of the poverty trap.



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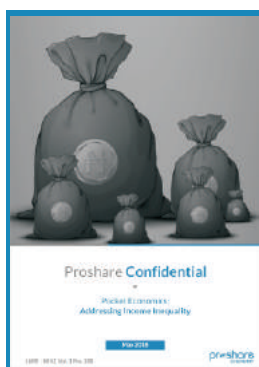


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