

Nigeria

An overview of the economy and of the business environment



Nigeria, is probably the Africa most populous country and one of the largest economy of the continent. Nigeria has just hold the presidential election last Saturday February the 25th. The outgoing president Muhammadu Buhari, who has just finished his second four-year term, was ineligible to run for re-election.

Due to the current national economic and security problems, for these elections the stakes are high and the race has remained competitive and highly unpredictable until the last moment. The results will be announced in these days.

According to the country's constitution, the candidate with the most votes who also earns at least 25% of the votes in two-thirds of Nigeria's 36 states will be declared the winner. If no candidate meets that threshold, the top two candidates then face off in a second round of voting within three weeks.



After the recession caused by the 2020 pandemic, Nigeria's economic growth recovered but macroeconomic stability weakened. The growth outlook is subject to downside risks including further declines in oil production and increased insecurity. The uncertainty is also related to high inflation and continued fiscal and debt pressures.

While Nigeria has made some progress in socio-economic terms in recent years, the country continues to face big developmental challenges, including the need to reduce the dependency on oil and diversify the economy. Inequality, in terms of income and opportunities, remains high.

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Nigeria has extensive arable land overall, but there is an extreme scarcity of farmland in the most densely populated areas of the southeastern states. This has forced large numbers of Igbo, Ibibio, and Hausa people to migrate to other parts of the country. Often, however, cultural traditions, such as the prohibition against selling family land, have restricted access to farmland in some localities that appear to have abundant cultivable land, and, in the far north, desertification has severely limited the land area available for cultivation.



Many Nigerians obtain a living from agricultural production. Most are small-scale subsistence farmers who produce only a little surplus for sale and hand tools are still dominant in agriculture.



Root crops (mainly yams, taro, and cassava) are the main food crops in the south, while in the North, which is drier, there are grains and legumes (sorghum, millet, cowpeas, and corn). Rice is also an important domestic crop. Oil palm, cacao, and rubber trees are the main industrial crops in the South, while peanuts and cotton are produced in the north. Cocoa beans, from the cacao tree, are the major agricultural export; production of other industrial crops has declined, owing to the general stagnation in agriculture.

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The raising of sheep, pigs, and goats is still not very developed.

Nigeria's permanent forest reserves occupy less than one-tenth of the total land area. Outside these reserves, much of the forest cover has been destroyed through regular burning to prepare land for farming or to facilitate hunting. There are many large plantations of exotic species, such as gmelina and teak, established by the government to provide electric and telegraph poles, and fuelwood. In the drier zones, forest belts have been established to help arrest the advance of the Sahara. Forest plantations have been established also in many watersheds to protect them and to reduce soil erosion.

Fishing is very important and the domestic catch supplies more than half of the fish demand. Nigeria has a variety of both renewable and non-renewable resources, some of which have not yet been effectively exploited. Solar energy is probably the most extensive of the underexploited renewable resources.

Resource extraction is the most important sector of the economy. The most economically valuable minerals are crude oil, natural gas, coal, tin, and columbite (an iron-bearing mineral that accompanies tin). Petroleum is the most important source of government revenue and foreign exchange. Most of the oil output comes from onshore fields in the Niger delta, although an increasing proportion of the crude is produced at offshore locations.



There are vast reserves of natural gas, but most of the gas produced is a by-product of crude oil and Nigeria has become a globally ranked exporter of this commodity..

Nigeria has also significant reserves of coal, but these deposits are being developed gradually. Coal is used by the railroad, by traditional metal industries, and by power plants to generate electricity.

There are extensive iron ore and limestone mines in many areas, where it is widely exploited for manufacturing cement and for use in the steel industry. Other mined minerals include gypsum, kaolin, barite, gold, sapphires, topazes, and aquamarines. There are also uranium deposits in the country.

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About one-fifth of the country's power is provided by hydroelectricity, although this source has the potential to provide an even greater amount of power. Firewood and charcoal are still an important energy source for domestic use.



The federal government has established capital-intensive industries like steel mills, pulp and paper mills, petrochemical plants, and an aluminium smelter. In the past, foreign investors mainly controlled the large-scale manufacturing of textiles, tobacco, beverages, and cement. The government's indigenization efforts have counter-balanced the ownership situation, although the management and effective control of most large factories is still in the hands of expatriate representatives of multinational corporations.

Traditional industries carried out in homes or in makeshift craft workshops include the making of iron implements such as hoes and hatchets, door hinges and bolts, soap- and salt, pottery making and wood carving , cane work and the making of bags and mats from raffia.



In addition, the services sector is a major contributor to Nigeria's economy, including industries such as telecommunications, banking, and tourism. The banking sector is well developed and there are a stock exchange and a securities exchange commission in Lagos. Nigeria has also many attractions of interest to tourists. There are miles of coastal beaches, wildlife reserves, a variety of cultures, and many museums that house artistic treasures.

Nigeria most exported goods/commodities are crude oil and natural gas, cocoa beans and other crops, rubber, solid minerals (such as tin, iron ore, and coal), processed foods and beverages and textiles and leather products.

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It is worth noting that crude oil and petroleum products make up a significant portion of Nigeria's export earnings. However, the government has been working to diversify the country's export base and promote non-oil exports in order to reduce the country's reliance on oil and gas.

The main markets for Nigerian exports are India, the United States, Spain, the Netherlands, Brazil, Indonesia, South Africa, Turkey, Togo and Ghana.



Nigeria is also a big importer. The major import goods are machinery and transport equipment, manufactured goods (iron and steel products, textiles, and paper products), chemicals and food. The top import countries are China, India, The Netherlands, United States, Belgium, United Kingdom, France, Italy, Spain and South Africa.

Doing good business in Nigeria and importing or exporting to/from this region requires an in depth knowledge of the country. In order to overcome these problems and get reliable information on companies, a business information company needs to have a local presence in the country.

Only the local presence and the support of local and native agents can allow access to manual registries, build stronger networks and react faster to political and social unrests and cultural/religious manifestations affecting the delivery time of SkyMinder ensure the most reliable business credit information available on Nigerian companies thanks to the most trustworthy and competent local information providers.



Team of high skilled local experts' access all local official entities and other sources, collect all available data and analyse them by using trusted and sophisticated risk models.

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- Directors and company structure: board of directors, shareholders and related companies
- Financials: most times financials are not filed at the local registries, however, our local providers thanks to their information network and to the interview to the company try to get the most detailed financial information on the requested company
- Credit rating and suggested credit limit
- Number of employees
- Activity details: sector and industry of the company, when possible also, information on import and export activities, company brands, main suppliers and customers names, etc.
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- Cyber Risk Report: thanks to the test performed to a company website and related domains and emails, you can understand in advance if a partner or potential partner is vulnerable to a cyber-attack.
- Registry documents, company profile and shareholder list from the Legal Entity Identifier official registry

Sources: <https://time.com/>; <https://www.worldbank.org/>; <https://www.britannica.com/>; <https://www.afdb.org/>;
<https://www.studysmarter.co.uk/>