

FDC Economic Bulletin

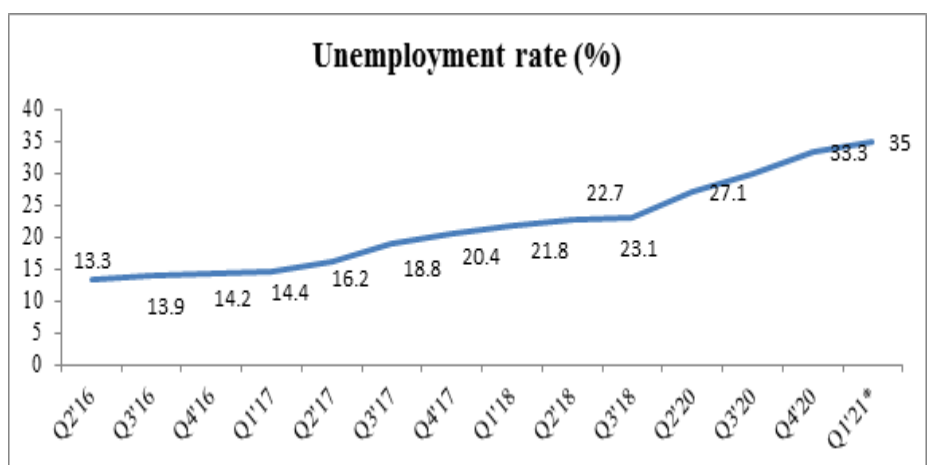
March 15, 2021

COVID-19 further pushes Nigeria's unemployment rate northwards

After a spasmodic schedule of data releases on unemployment and labour statistics, the NBS finally released the much awaited unemployment numbers for Q4'20 this afternoon. Not surprisingly, the number spiked by 6.2% to 33.3% from 27.1% in Q2'20. The figure now makes Nigeria jump from No. 5 to the 3rd highest rate of unemployment in the world. The highest being Bosnia and Herzegovina (33.69%) and the 2nd highest in Africa next to Namibia, which has an unemployment rate of 33.4%.

This data point will be very disturbing to policy makers after the stimulus package of N2.3trn or 4% of GDP and the recent greatly heralded exit from recession. It is troubling to the extent that when conflated with the high level of multidimensional poverty of 64.8% in the Northwest of Nigeria, it shows that there is a simmering crisis of poverty, unemployment, debt and productivity in Nigeria. The misery index, which is the sum of unemployment and inflation, will increase to 49.77%.

The good news, however, is that underemployment declined by approximately the same magnitude 5.8% as the increase in unemployment. It looks coincidental but it means that an underemployed man is less dangerous to society than a completely unemployed citizen.



¹ NBS, FDC Think Tank

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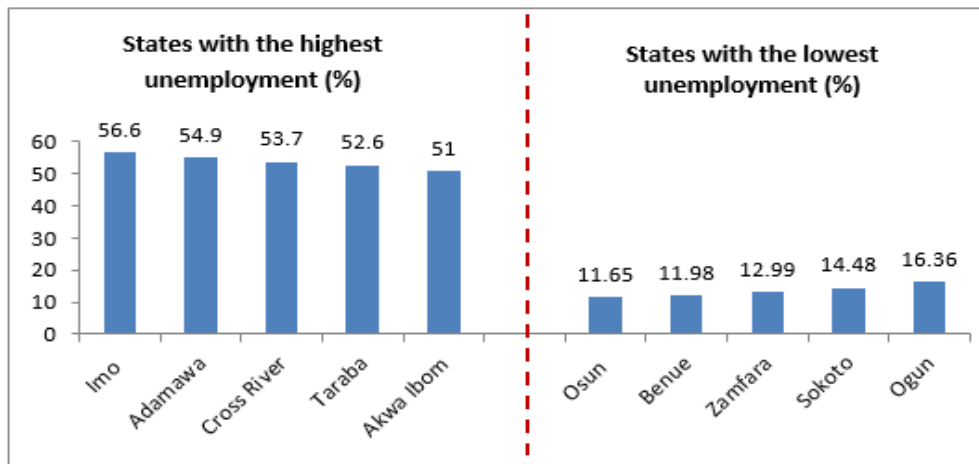


PARTNERS



Unemployment highest in the North East and South-South states

The state by state breakdown shows that Imo (56.6%) had the highest unemployment rate, followed by Adamawa (54.9%), Cross River (53.7%), Taraba (52.6%) and Akwa Ibom (51.0%). Apart from Imo, the worst performing states are in the South-south and North East, suggesting that oil revenue has not had the multiplier effect of leading to inclusive growth, creating jobs and lifting people out of poverty. Osun state had the lowest unemployment rate (11.7%).



The states with the highest underemployment rates are mostly in the North West - Benue (43.5%), followed by Zamfara (41.7%) and Jigawa (41.3%). Lagos state had the lowest rate of underemployment (4.5%).

Youth unemployment - A ticking time bomb!

Youth unemployment in Nigeria is a ticking time bomb and a recruitment ground for banditry, kidnapers and ransom seekers. Unemployment increased across all age brackets but young people were particularly hard hit, with those aged 15-24 years suffering the biggest drop in employment (53.4%). Youth unemployment increased to 42.5% from 34.9% in Q2'20. An alarmingly high unemployment rate among the youths has major social and economic consequences. It slows down economic growth, contributes to crime rates and has an adverse effect on both physical and mental health. Crimes such as robbing, kidnapping, and fraud increase when unemployment increases, because of the widening disparity between the rich and poor.

Age Group (years)	Unemployment rate (%)	Underemployment rate (%)
15-24	53.4	19.8
25-34	37.2	21.6
35-44	27.2	23.6
45-54	25.4	24.4
55-64	25.9	25.7

Outlook

Our projections based on the FBN PMI employment subset is that unemployment is likely to increase but at a slower pace in the coming quarters. It is estimated to rise to 35% in Q1'21.

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