An X-Ray of External Sector Indicators on The Performance Inclusivity of Nigeria Economy: A Pathway for National Transformation

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Abstract
This paper examines an x-ray of external sector economic performance inclusivity in Nigeria economy from 1981 to 2025. Time series data were collected from secondary sources on real gross domestic product, unemployment rate, gross fixed capital formation, per capita income and human capita development as proxies of economic performance inclusivity while imports, exports exchange rate, and foreign direct investment, oil and non-oil balance of trade, external debt and balance of payment as external sector variables. The study adopted descriptive statistics as a method of data analysis. The study found out that external sector variables exerts strong relationship in the fluctuations in economic performance inclusivity. The study concludes that external sector variables determine fluctuations of economic performance inclusivity within the periods of this study which is a pathway for national transformation. Nigerian government need to encourage and strengthen foreign direct investment inflows by implementing the Nigeria Investment Promotion Commission Act, which allows foreign investors to own up to 100% equity in Nigerian subsidiaries and conduct any business in Nigeria, with some exceptions

Keywords: *External Sector Variables, Economic Performance, Unemployment Rate, Gross Fixed Capital Formation, Per Capita Income, Human Capita Development, Imports, Exports Exchange Rate, And Foreign Direct Investment, Oil and Nonoil Balance of Trade, External Debt, Balance of Payment*

Introduction

External sector analysis is one of the critical sectors that bring about economic growth and development processes in mostly developing economies such as Nigeria. Admittedly, external sector is the only means through which countries of the world transact economic activities. In a real sense, external sector contributes to stable equilibrium, which leads to sustainable growth and national transformation. Many empirical evidences have documented either positive or significant relations between external aggregates and growth while others found that external sector aggregate has a negative and not significant relationship with growth (Francis and Augustine, 2019; Akidi, Tubotamuno and Obayori, 2018; Akani, Akani and Anyamaobi, 2025; Berasaluce and Romero (2017). However, the major indicators of external sector aggregates can be identified to include the balance of payments, exchange rate variation, foreign exchange earnings, imports, exports, external debt and among others. Trade provides both foreign exchange earnings and market stimulus for accelerated economic growth and development especially in developing economies (Berasaluce and Romero (2017), Akani, 2025 & Onyuku, Ohaka & Akani, 2025). The external sector is a network of economic activities a country has with other countries and reflects the transactions between the residents of an economy and the rest of the world. On the other hand, economic performance, proxied by GDP, depends on the interplay of various factors and sectors in an economy, one of which is the external sector. The external sector can either be in a state of stability or instability, in deficit or surplus. An ideal external sector is stable and in equilibrium over time; this situation occurs when inward payments from activities are exactly equal to outward payments (Gbosi, 2015). The major indicators of the external sector, according to Mordi *et al.* (2010), Akani and Onyema, (2017) are the exchange rate, external debt, and exports. Other indicators include foreign exchange earnings, imports, foreign direct investment, and balance of payments. The exchange rate as a performance indicator of the external sector is the number of units of a country's currency required to purchase one unit of another country's currency. External debt is the funds borrowed from foreign or external lenders, including foreign commercial banks, individuals or organizations, foreign governments, or international financial institutions and agencies for expenditure items in the economy. Historically, the structure of the external sector has remained relatively unchanged since the 1960s. For instance, the export sector has been characterized by the dominance of one export commodity (Mordi, Englama and Adebusuyi, 2010). According to them, from the sixteenth Century to the nineteenth century, palm oil was the dominant export commodity and later rubber, timber, cocoa and groundnut were exported. The export of crude oil began in 1958, although it was not the main export at that time. However, in the mid-1970s, a shift occurred following the oil price shock in the international market, after which crude oil exports dominated the export sector. Krugman (2018) defines external sector shocks as unexpected changes in international economic conditions capable of influencing domestic macroeconomic performance inclusivity through trade, exchange rate movements, capital flows, and external balances. Obstfeld and Rogoff (2019) describe external sector shocks as sudden fluctuations in external variables such as oil prices, foreign capital inflows, trade balances, and exchange rates that transmit instability into domestic economies. Iyoha (2021) argues that

external sector shocks represent external economic disruptions capable of altering fiscal sustainability, inflation dynamics, and exchange rate stability in developing economies such as Nigeria. In Nigeria, external sector shocks commonly manifest through crude oil price volatility, exchange rate depreciation, decline in foreign direct investment, fluctuations in external reserves, and instability in international trade.

It is imperative to note that external sector shocks significantly affect macroeconomic stability in Nigeria through several transmission channels. Since Nigeria depends heavily on crude oil exports for foreign exchange earnings and government revenue, fluctuations in global oil prices directly affect fiscal operations, exchange rate stability, inflationary trends, and economic growth. This is particularly important because macroeconomic stability depends largely on the ability of an economy to maintain stable prices, exchange rate equilibrium, sustainable output growth, and external sector balance. Consequently, persistent external shocks often distort these macroeconomic fundamentals and weaken economic performance.

Previous, studies investigating the relationship between external sector shocks and macroeconomic stability have produced mixed findings. Adeniran and Yusuf (2022) examined the effect of external sector volatility on macroeconomic stability in Nigeria using the Vector Error Correction Model and found that exchange rate fluctuations and oil price shocks exert significant negative effects on inflation and economic growth. Adewuyi and Ogunrinola (2021) investigated oil price shocks and macroeconomic performance in Nigeria using the Autoregressive Distributed Lag model and reported that external shocks significantly increase inflation and exchange rate instability in the short run. Okoye and Eze (2023) analyzed external sector indicators and macroeconomic performance in Nigeria using the Autoregressive Distributed Lag approach and reported that foreign direct investment and external reserves positively contributed to macroeconomic stability in the long run. Udeh and Nwosu (2022) found that trade openness and capital inflows positively influenced macroeconomic stability in Nigeria during the study period. This study used descriptive trends to examine external sector and macroeconomic performance in Nigeria.

Literature Reflection

External Sector

The external sector encapsulates a country's economic transaction or activities with other countries of the world (trading partners). Maurice [39] defines the external sector as that sector of an economy of a country that interacts with the economies of other countries in services and goods market. The external sector involves exports and imports and in the financial market, it involves capital flows. According to Omole and Paula–Charles (2020) it measures the economic transactions between the residents of an economy and the rest of the world. The economic features related to external sector include: BOP, current Account, capital account, external debt, exchange rate, foreign exchange reserves, external investment position and others. An ideal external sector could only be achieved when it is stable and in equilibrium over time. Equilibrium is achieved when external receipts and payments are equal, the exchange rate is stable and external reserves are adequate, but such ideal system is difficult to get in more practical terms. The external sector affects the various sectors of the real economy through the linkages of the various current account components in BOP as well as its contributions to net foreign assets. The optimal functioning of the external sector is important to the growth and stability of every open economy. The external sector can either be in a state of stability or in a state of instability in deficit or surplus. A stable and balanced state of equilibrium occurs when

receipts (inward payments) from activities in the sector are exactly enough and equal to outpayments (Gbosi, 2015; Akani, 2025; Akani & Sarakiri, 2022). According to Mordi, Englama and Adebusuyi (2010) the major indicators of external sector are trade openness, exchange rate and external debt. Other indicators include: Foreign Exchange Earnings, Imports, Foreign Portfolio Investment and Foreign Direct Investment. These indicators contribute in one way or the other to performance of manufacturing sector in Nigeria.

Ejike, Anah and Onwuchekwa (2015) noted that the ultimate goal of trade openness is to enhance free trade by the removal of all trade barriers and restrictions. This is believed to promote the growth of manufacturing sector and the economy as a whole by capturing the static and dynamic benefits from trade through a more robust and efficient allocation of resources, healthy competition among nations, increase in the flow and exchange of technological advancement and investment, and of course, a faster pace of technological progress and capital accumulation. Exchange rate as an indicator of external sector bears on trade by determining the relationship between international and domestic prices (Olufayo & Fagite, 2014, Sarakiri & Akani, 2021). In addition, inflow of foreign direct investment has positive spillover associated with the provision of funds and expertise that could help smaller companies to expand and increase international sales and transfer of technology hence, contribute to the growth of the manufacturing sector and the economy as a whole (Asogwa & Osondu, 2014; Akani, Ogolo & Sarakiri, 2023 & Akani, Azike & Nwonodi, 2022).

Economic Performance Inclusivity

The use of indicators in the assessment of economic performance inclusivity has a long history, both in the Fund and elsewhere. Their basic purpose is to give quantitative content to governments' economic aims and achievements, both in the realm of policies and performance. Indicators can thereby be used as a guide in helping judge the realism and appropriateness of objectives, and their consistency with international goals such as efficient adjustment, stability in trade flows, and sustainability of capital movements. They can also be used to publicize governments' commitments to a particular course of policy, and thus to improve the basis for private sector decision taking.

Indicators can be used both ex ante, in formulating objectives, policies and projections, as well as ex post, in monitoring progress toward desired objectives. In a forward-looking sense, indicators can help define a government's economic objectives and the policies through which it hopes to achieve those objectives. Economic objectives include variables such as output, employment, and balance of payments and price stability. The policies which are available to foster these objectives include: fiscal policy, that is, the level and structure of government revenues and expenditures; monetary policy, or the rate of growth of monetary and credit aggregates and the setting of other monetary instruments; and structural policies, such as the degree of regulation in particular industries and markets (Akani, Uchechukwu & Ezebunwo, 2021, Akani, 2025; Akani & Agilebu, 2022). There are, in addition, intermediate variables that are neither ultimate goals of policy nor direct policy instruments, but which nevertheless have an important bearing on the interaction of policies among countries. These variables include real and nominal interest rates, exchange rates, and the relative growth rates of domestic saving and investment. Normally countries will have expectations or forecasts of how such variables might evolve, based on their assumptions about the channels through which policies work to influence the outcome for broader economic objectives.

Theoretical Review

Open Economy Theory

According to Jhingan, (1998) an open economy is one that interacts freely with other economies round the world. It is where, not only domestic factors, but also entities in other countries, engage in trade of products (goods and services). External sector modeling starts with a simple open economy model, where total spending in the domestic economy is divided into domestic and foreign components. This can be represented as shown below

$$Y= (C –C^*) + (I –I^*) + (G –G^*) + EXP \quad (1)$$

Where C is domestic consumption of goods and services, C* is consumption of foreign goods and services, while I am domestic investment in goods and service and I* is investment in foreign goods and services. G and G* are government purchases of domestic and foreign goods and services, respectively. EXP is exports of domestic goods and services. Interaction between EXP and IMP reflect the external sector performance, if EXP exceeds IMP, external sector is said to be in surplus, but where the reverse holds, external sector is said to be in deficit.

Theory of Foreign Balance

According to Matlanyane (2024) the foreign balance framework is built on the assumption that the economy is open and too small to influence the prices of goods and services as well as interest rate in the global market. The framework further assumes all trade-partner countries as the rest of the world. The mode of exchange between domestic economy and the rest of the world is the real exchange rate and is computed as e PfIPd, where he stands for nominal exchange rate, Pr represents the foreign price level and Pdis the domestic price level. The relationship between exports and the real exchange rate is assumed to be positive i.e. when real exchange rate goes up or depreciates, domestically produced goods become cheaper and attractive to foreigners, thereby increasing domestic exports. However, a rise in exchange rate (depreciation) makes import more expensive, while home goods become more attractive to domestic residents, thereby reducing imports. On the other hand, a rise in the domestic income increases the demand for imports under the assumption that the imports are normal goods with positive income elasticity of demand.

Empirical Review

Omoke and Opuala–Charles (2020) attempted to fill the prior knowledge gap in the nexus between trade openness and economic growth in Nigeria by incorporating the role of institutional quality. The study covered the period from 1984 to 2017 and employed three indicators of trade openness including total trade, import trade, and export trade. Cointegration among the variables is examined using the ARDL bounds testing approach. The results provided evidence of a long-run relationship among the variables. The estimates suggested that export trade has a significant positive impact on economic growth while the impact of import trade on economic growth is negative and significant. The results also showed that the negative long-run effects of import trade on economic growth in Nigeria decreases as institutional quality (quality of governance) improves. These empirical results have important policy implications for Nigeria. Among others, the study highlights the needs to improve the quality of governance in the country.

Effiong, Odey and Nwafor (2019) investigated the nexus between globalization, foreign direct investment and industrial sector performance in Nigeria. In achieving this, contemporary econometric approach involving unit root tests, co-integration test and error correction model was adopted to analyze the time series data from 1981 to 2017. The study used trade openness

and current account balance to capture globalization while portfolio investment was used to represent foreign direct investment (FDI) inflows into the country. The findings revealed that FDI has a direct relationship with the Nigerian industrial sector, and globalization exerts a positive impact on industrial sector performance. It was concluded from the study that the development of any nation is tied to the ability of the country to industrialize its manufacturing sector, and industrial performance is seen as a surest way for countries especially developing economies to enhance sustainable growth and development. The study recommended amongst others; the development of the manufacturing, mining and quarrying subsectors of the industrial sector, and reduce the over dependence on crude oil revenue which has partly led to the neglect of these sub-sectors.

Sule (2019) examined the potential of external financing in spurring industrial growth in Nigeria within the period of 19852018. The study used Industrial Output (INDO), External Loans (EXL), Foreign Direct Investment (FDI), Remittances (RIMT), Gross Fixed Capital Formation (GFCF), Industrial Energy Consumption (IEC) and Contract Intensive Money (CIM) as variables in estimating the relationship. The study hinged on Great Big Push Theory and Kaldor‟s First Law and adopted the Autoregressive Distributive Lagged (ARDL) bound approach as the estimation technique. The findings revealed that, a positive relationship exists between EXL and INDO while FDI and RIMT exerts a negative effect on industrial growth. The control variables further showed that GFCF, IEC, CIM exerts positive influence on industrial growth. Since only EXL exerts positive influence on INDO, the study concludes that external financing (that is, FDI and RIMT) has not yielded the desired effect on industrial growth in Nigeria. The study recommended amongst others that; publicprivate partnership, is necessary to spur the industrial sector activities with strong institutional setup.

Ajayi and Araoye (2019) examined the effect of trade openness on economic growth of Nigeria using data from 1970 to 2016. The study used secondary data obtained from world development data base (2000), World Bank and International Financial Statistics, IFS- International Monetary Fund Data Base (2010) and Central Bank of Nigeria Statistical Bulletin 2014. Using the Augmented Dickey-Fuller (ADF) and PhillipPeron (PP) unit root test, the study discovered that all the series are non-stationary at levels. However taking the variables at first difference, results showed that all are I(1) at 5% for ADF and 1% for PP level of significance except the labour input which was not stationary at first difference in ADF. The findings from Co-integration test showed that an equilibrium relationship exists among the variables and using the Cointegration test in line with Engel and Granger (1987) which believed that there is a long-run relationship among economic variables if tested for unit root problem and since no problem is found which then conform to the claim of the study. Thus, all the coefficients were correctly signed and stationary at 5% level. Trade openness and economic growth depicted a positive relationship but a negative relationship existed between economic growth and exchange rate but this was expected especially for a country that engaged in international trade.

Akidi, *et al.*, (2018) empirically examined the effects of selected external sector aggregates on economic growth in Nigeria from 1981 to 2016. Time series data on Real Gross Domestic Productas proxy for economic growth, and on Imports, Exports, Exchange Rate and Foreign Direct Investment were collected from secondary sources. The data sets were analyzed using descriptive statistics, unit root test, cointegration test and error correction technique of model estimation. The result of the analysis revealed that Imports, Exchange Rate and Foreign Direct Investment are negatively related with economic growth while Exports positively related with economic growth in Nigeria within the reviewed period. Also, except Exchange Rate all the

other explanatory variables Imports, Exports and Foreign Direct Investment did not impact significantly on economic growth in Nigeria within the period of study. Based on these findings, the study recommends that government should encourage export diversification, especially the nonoil sector exports. This can be achieved through value addition in both the agriculture and manufacturing subsectors output.

Bamidele, *et al.,* (2018) investigated the growth effects of external sector in Nigeria taking into consideration the role played by non-oil export commodities within the periods, 1980-2016. The Vector Error Correction Model (VECM) was employed to analyse the dynamic long-run and short-run estimates. The stationarity level of the variables at first difference and cointegration are confirmed prior VECM estimation. The results showed that the parameter of non-oil export was positive and significant at 10% in the long-run indicating that the contribution of non-oil export commodity on output growth is weak. However, the parameter was positive and significant in the short-run at the conventional level. This implies that government policy should be directed towards increasing non-oil export commodities of agriculture, manufacturing and service industries with the aim of boosting output growth in Nigeria.

Aidi, et al., (2018) investigated the relationship between exchange rate volatility and industrial sector performance in Nigeria using quarterly time series data spanning from 1980Q1 to 2016Q4. The researchers relied on the use of OLS multiple regression technique for analysis while exchange rate volatility was generated using Exponential Generalised Autoregressive Conditional Heteroskedasticity (EGARCH). The result showed that exchange rate volatility is inversely related to industrial sector performance (using industrial sector contribution to GDP as a proxy) in Nigeria. Furthermore, trade openness was observed to have a negative sign (though statistically insignificant) while exchange rate and interest were also found to be strong and significant positive drivers of industrial sector performance in Nigeria. Following the findings, the Nigeria government and other stakeholders are advised to hasten efforts to arrest the perennial fluctuations in exchange rate in the country in order to stimulate expansion of productivity in industrial sector.

Methodology

In order to achieve the purpose of this paper, time series data were sourced from the World Bank data base and Central Bank of Nigeria Statistical Bulletin. The study adopted descriptive statistics to analyze the trends and ascertain the relationship between external sector and economic performance inclusivity in Nigeria. The trend introduces the assumption that an imported commodity through external sector, which is not produced domestically, is essential for the production of investment goods.

Trend Analysis of External Sector

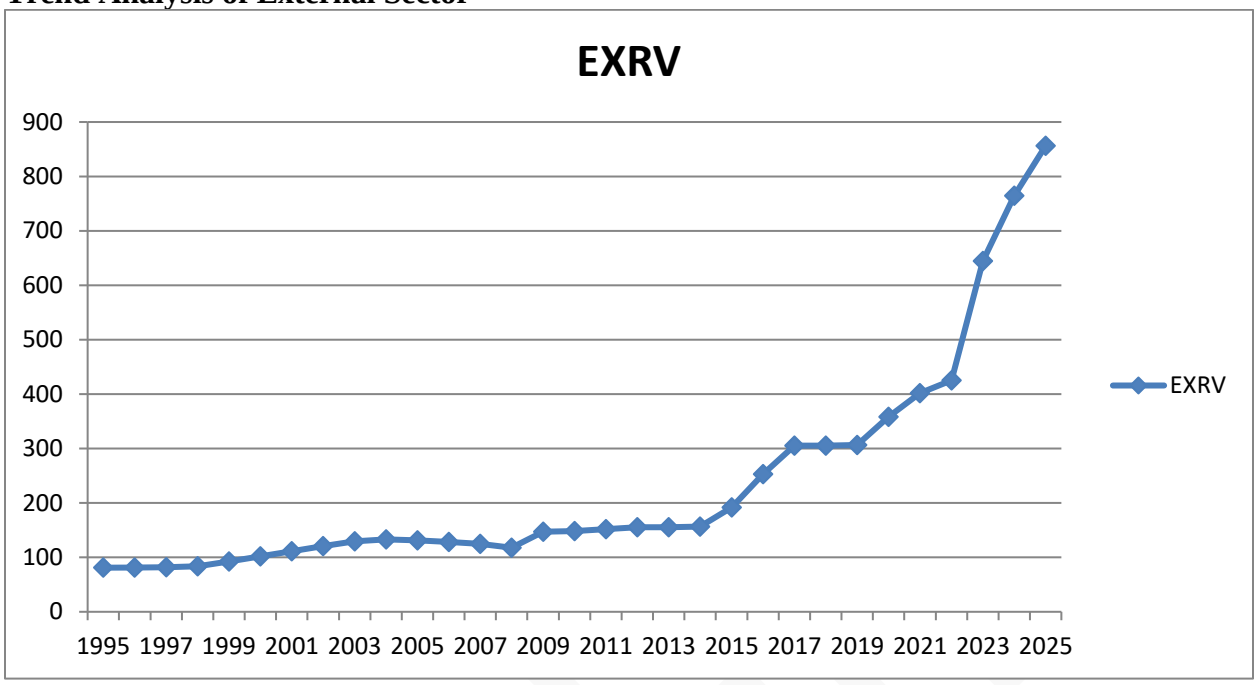

Figure 1 illustrated movement of naira exchange rate per US dollar from 1995-2025

From 1995 to 2025, the Nigerian Naira experienced massive depreciation against the US Dollar, shifting from an official rate of about ₦22 to ₦25 per dollar in 1995 to surpassing ₦1,500 per dollar by late 2025. This decline was driven by structural economic adjustments, oil price shocks, and the unification of foreign exchange windows. Upon the introduction of RDAS in 1990, there seemed to be a bit of sanity, but after a while, the norm returned, and the rate became very unstable. The Naira depreciated considerably, creating a high premium above the international benchmark rate of 5%. The exchange rate premiums were 20%, 35.5% and 79.2% for 1990, 1991 and 1992, respectively (CBN, 2003; 2021:, Ekemene & Akani, 2020; Akani & Anyamaobi, 2021). This was overly high, created an avenue for unnecessary exchange rate gains, and increased the activities of the speculators. The behaviour called for attention to rescue the Naira. On March 5, 1992, CBN embarked on a rescue mission and completely deregulated Naira by introducing a floating exchange rate system. On March 6, 1992, the rate moved from US$1/₦10.5564 to US$1/₦18.000. The Apex bank provided enough foreign exchange if the authorized dealer banks (ADB) offered adequate Naira. By the close of 1993, the rate averaged ₦21.9000 per United States Dollar, although this was pegged for the more significant part of the year. By the end of 1994, the exchange rate premium in the market was 350%. To curb this, CBN introduced a sectorial allocation of foreign exchange. Consequently, allocation was made to critical sectors/products, and some sectors or products were given priority. By 1998, the AFEM rate was ₦84.4 per US$, a 283.81% drop in Naira value, underscoring the urgency of the situation. The official fixed exchange rate for official transactions was subsidized compared with the AFEM rate, which led to round-tripping and other sharp practices. In January 1999, the official rate was eliminated, and the unitary AFEM rate was adopted as the exchange rate; however, by October 25, 1999, the market could not stand as the rate was no longer sustainable (CBN, 2021; Femi-Olagundoye & Adedokun, 2025).

The wholesale Dutch Auction System (WDAS) continued from 2006 to July 10, 2009. The RDAS was introduced briefly before the system reverted to WDAS. The BDC reform introduced

the classification of BDC into classes A and B and effective September 4, 2008, the maximum amount sold to BDC increased from US$200,000 to US$300,000 per market session (CBN, 2008). The net open position (NOP) for banks was adjusted on January 15, 2009, and CBN maintained a band of -/+3 for the exchange rate. The wholesale Dutch Auction System (WDAS) continued from 2006 to July 10, 2009. The RDAS was introduced briefly before the system reverted to WDAS. The BDC reform introduced the classification of BDC into classes A and B and effective September 4, 2008, the maximum amount sold to BDC increased from US$200,000 to US$300,000 per market session (CBN, 2008). The net open position (NOP) for banks was adjusted on January 15, 2009, and CBN maintained a band of -/+3 for the exchange rate. Upon resumption in office by President Bola Ahmed Tinubu, he announced the removal of subsidies and unification of rates. This led to rapid depreciation. Thirty days after the announcement, the rate depreciated from ₦461.60/US$1 on May 30, 2023, to ₦770.88/US$1 on June 30, 2023.

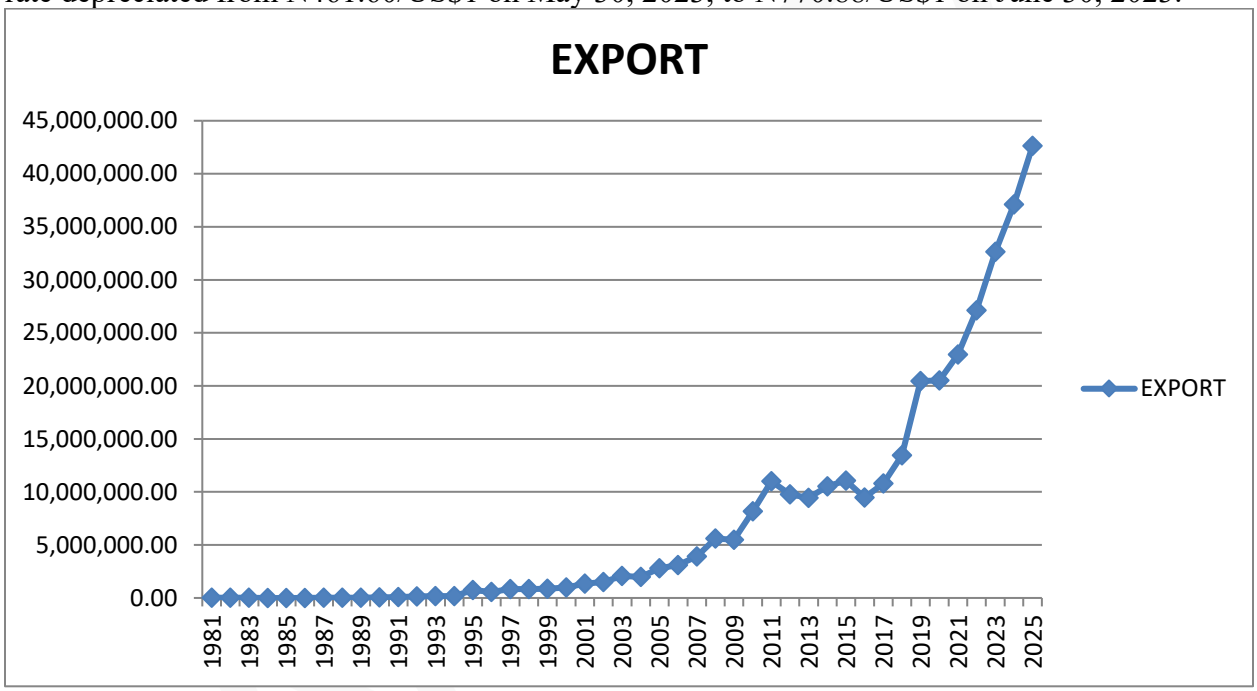

Figure 2 illustrated movement of Nigeria exports from 1981-2025

This refers to the aggregate value of products (not oil), made in a nation like Nigeria, and distributed to other countries, selling non-oil products to another country helps increase Nigeria's total output. Many countries with few trade rules, such as steep tariffs or government subsidies, export a lot of non-oil goods. Along with oil, Nigeria also has several natural resources (Chinyere et al., 2021). Nigeria's export trade is growing, led by a surge in non-oil goods. Non-oil exports grew from $2.97 billion in 2013 to $6.1 billion by 2025, adding 117 new global markets (Akani, & Nathaniel, 2021, Akani, Azuibuke & Ezebunwo, 2021) . Crude oil and gas still make up the largest share of total export value, but policy drives are slowly expanding local processing and trade. Data currently available indicates that agriculture accounted for over 80% of the nation's export revenue and roughly 63% of its GDP (Sahar, 2020). During the last five reported years, the exports of Nigeria have increased by $6.59B from $57B in 2019 to $63.6B in 2024.

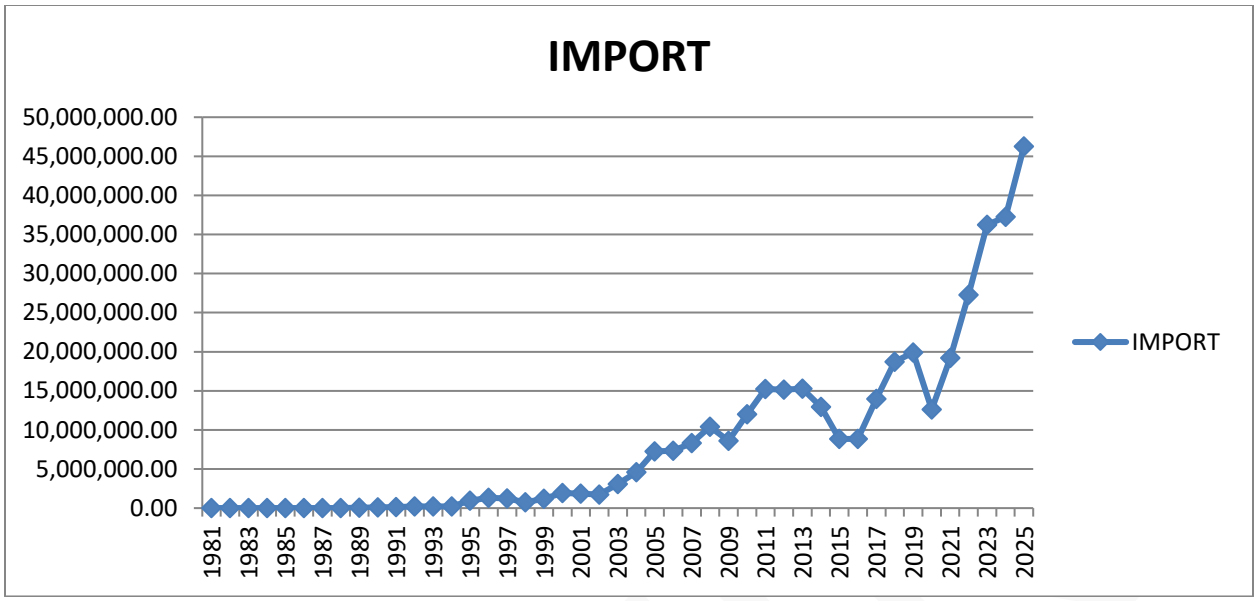

Figure 3 illustrated movement of Nigeria Imports from 1981-2025

Data from the National Bureau of Statistics shows that imports from Asia exceeded ₦34 trillion in 2025, accounting for over 50% of total imports, with a year-on-year increase of roughly $3.7 billion (₦5.7 trillion). Within this, China remained the single largest source, with imports estimated at over $13 billion (₦19.8 trillion), reinforcing its position at the center of Nigeria's supply chain. Imports of goods and services represent the value of all goods and other market services received from the rest of the world. They include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal, and government services. They exclude compensation of employees and investment income (formerly called factor services) and transfer payments. The value for Imports of goods and services (annual % growth) in Nigeria was -23.30 as of 2020 (Akani, Amadi-Oparaeli & Ajinwo,2022 & Akani & Chittey, 2021). As the graph below shows, over the past 38 years this indicator reached a maximum value of 60.89 in 2001 and a minimum value of -37.14 in 1987.

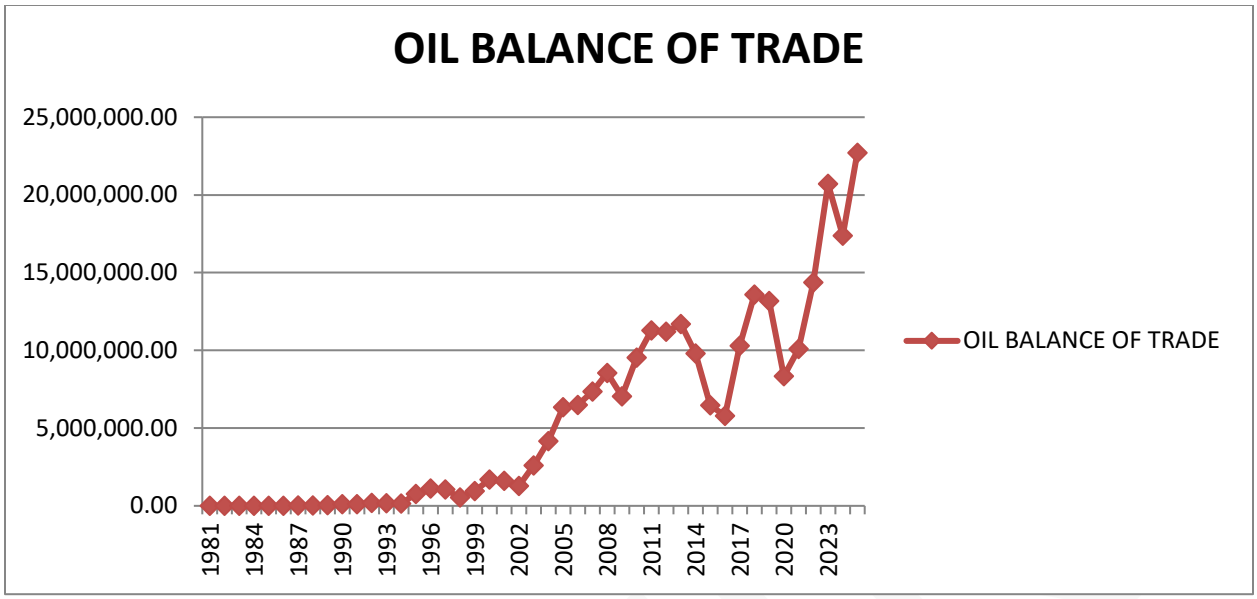

Figure 4 illustrated movement of Nigeria Oil Balance of Trade from 1981-2025

The economy of Nigeria has been largely dependent on crude oil since 1956, when it was discovered, until 2021, when crude oil contributed about 9% of the gross domestic product of the nation. Nigeria has often had a daunting balance of payment (BOP) deficit due to its overreliance on crude oil (Knoema, 2020). According to the World Bank, Nigeria had a negative $15.4 billion and a negative $16.9 billion in current account balance of payment in 2015 and 2020, respectively (The World Bank, 2023, Akani & Lucky, 2022, Akani & Ebunwo, 2021). While the balance of payment deficit shows high consumption and perhaps a high quality of life, it tells a different story when it becomes unsustainable. Nigeria has dealt with an unsustainable balance of payment deficit for a long time. This is evidenced in the frequent IMF loans, frequent naira devaluation, and frequent contractionary monetary policy (Oladipupo, 2011). Oil alone accounts for 40% of the country's GDP, 70% of budget revenues, and 95% of foreign exchange earnings. Doing this gives the scholar an idea about the data behaviour over the period. The figure below presents the graphical illustration of the movement of both oil price (WTI) and balance of payment (BOP) from 1991 to 2023. From the graph, WTI (brown line) shown a slight variation from 1991 up till year 1998 where it dipped a bit and aftermath maintained an increasing positive trend attaining its peak in the year 2011 (at a price of about $98.83 for a barrel of crude oil using WTI as proxy). However, as a result of unstable exchange rate in Nigeria, the crude oil price was reported increased, but the price in dollar reduced as at 2023 as a result of more oil that was discovered in other countries which cause high competition of crude oil export among the oil-producing countries.

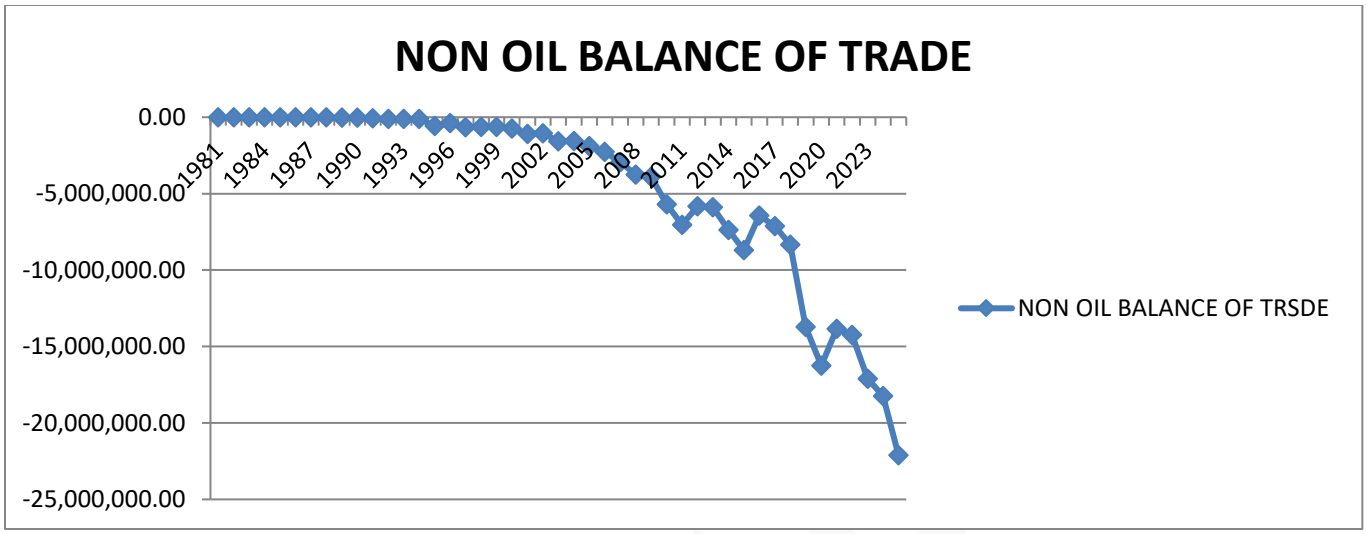

Figure 5 illustrated movement of Nigeria non-Oil Balance of Trade from 1981-2025

The trend shows a steady decline in non-oil export, export expansion is one of the major determinants of growth. Hence, using trend analysis, we observed that between 1981 and 1985, non-oil exports like agriculture and manufacturing sectors increased from 14.4% to 19% and 20.3% to 21.1%, respectively, while service and oil sectors decreased from 47.5% to 47.3% and 0.14% to 0.13% respectively. Within these periods, GDP increased from -15.45% to 3.2%. Again, between 1991 to 2000, agriculture, oil and service sectors increased from 24.9% to 28.5%, 1.1% to 15.7% and 42% to 43.7% respectively while manufacturing sector and GDP even decreased from 17.7% to 13.9% and 8.9% to 2.4%. Similarly, between 2001 and 2011, agricultural and manufacturing sectors decreased from 51.6% 25.3% and 13.9% to 6.5% respectively, on other hand, oil, service sectors and GDP increased from 14.7% to 70.9%, 43.79% to 50% and 3.3% to 5.15%, respectively. Lastly, between 2011 and 2020, agriculture, oil, service sectors and GDP decreased from 24.8% to 24.15%, 87.5% to 58.2%, 48.7% to 46.4% and 2.5% to -1.8%, respectively, while manufacturing increased from 7.1% to 12.7% (CBN, 2020). The aggregate value of nonoil exports accelerated from N552.10 billion in 1986 to N1,130,170.52 billion in 2013, decreased to N656,793.95 billion in 2016, and then increased to N2,466,831.25 billion in 2021 (Central Bank of Nigeria [CBN], 2021) (Akani, 2022 & Akani, Ejire & Boma-Oruwari,2023). Thus, nonoil exports have been somewhat neglected, disregarding their potential to foster economic growth.

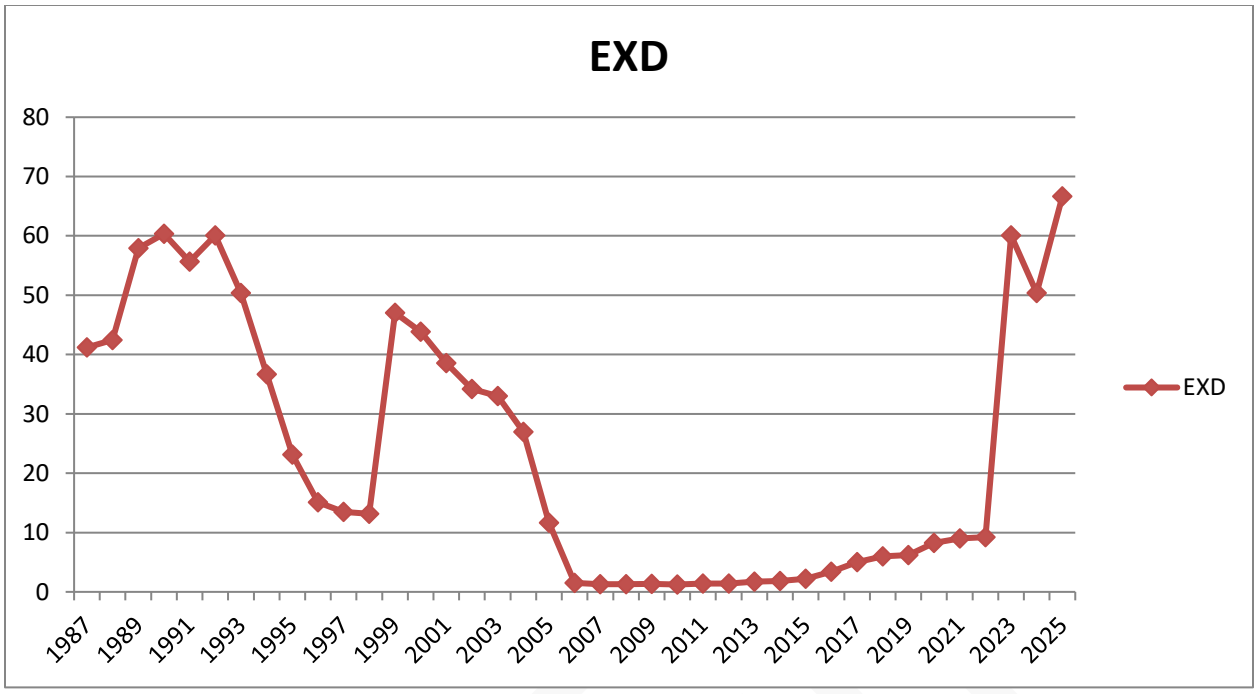

Figure 6 illustrated movement of Nigeria External Debt from 1987-2025

The first major borrowing made by Nigeria as a result of oil glut was $1 billion in late 1970s. Without any doubt, the critical and undeniable factor affecting economic growth globally is the excessive external debt taken especially for unproductive projects not meant for sustainable capacity development. But if the excessive external borrowing is being adequately utilized for productive projects which can yield much return through economic expansion, there will not be a cause of regret for obtaining such a huge amount of loan by the time refund is being made. The report from Debt Management Office (DMO, 2025) concerning Nigerian debts indicated that her debt stock at 2017 was N21.68 trillion, which rose to $76 billion (N22.50 trillion) as at end of 2021. From the report collected information, the effect of DMO could be felt on Nigeria's loan stock through monitoring of monetary policy. The report from DMO shows that Nigeria is heavily dependent on external loans for one project or another, and this has resulted in the continuous accumulation of the debt year-in year-out, leading to the country huge external debt (Olasehinde & Afolabi, 2023). However, in December 2022 Nigeria's external debt stood at $41.69 billion (N18.70 trillion). By first quarter of 2024, external debt had risen to $42.12 billion (N56.02 trillion). But in the first quarter of 2025, Nigeria's external debt reached $45.97 billion (N70.63 trillion), a 26.07% year-on-year increase (Akani, 2023 & Adumene & Akani, 2020). Nigeria's external debt has significantly increased from 2022 to 2025, with a notable rise in the first quarter of 2025 (DMO, 2025). But one thing could be discerned that after the COVID-19, there is an increasing trend in external debt ratio to GDP in Nigeria.

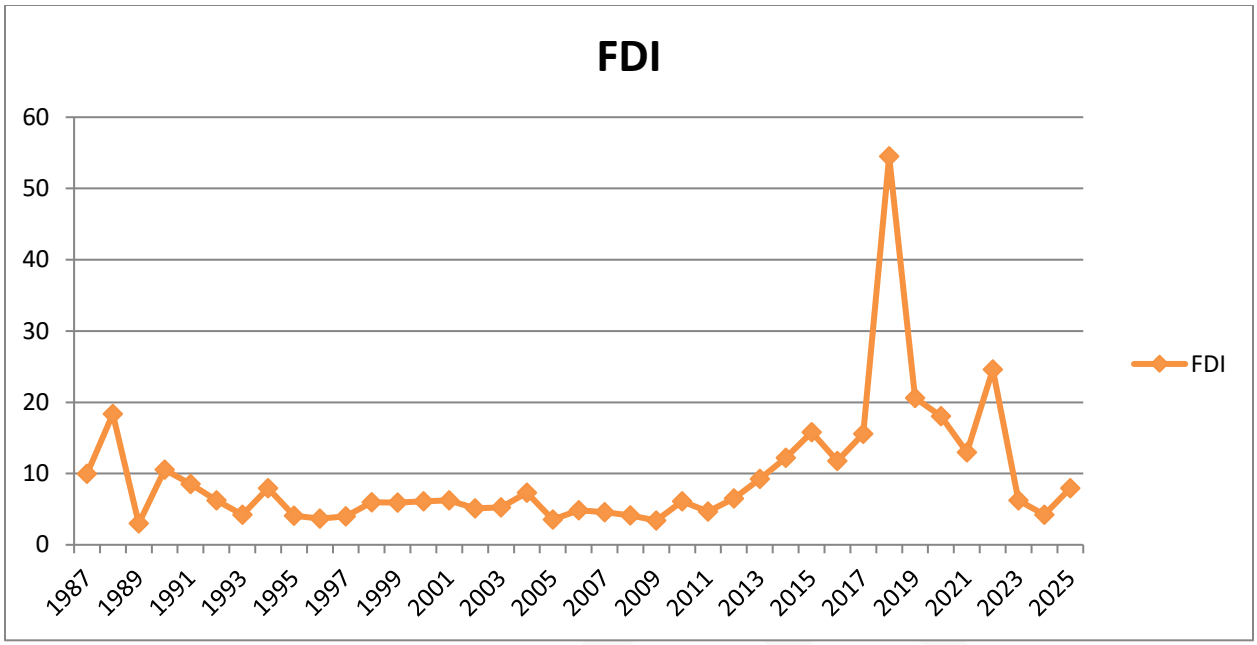

Figure 7 illustrated movement of Nigeria inflow of foreign direct investment from 1987-2025

FDI inflow is relatively low from 1981 to 2004 before increasing sharply in 2005, averaging 4.9 billion USD, until reaching an all-time high in 2011 at 8.8 billion USD. From 2012 to 2020, FDI inflows experienced a decline. The level of FDI fell over time due to high exchange rates, ongoing inflation, uncertainties, and subpar infrastructural facilities. The rate and proportion of Nigeria's non-oil exports have been negatively impacted by the aforementioned issues with FDI inflows, as shown in Fig. 2 above, as observed from 1981 to 2001, maintaining a relatively low rate of 342.8 in 1981, 203.2 in 1982, 301.3 in 1983, etc., still 2001, averaging a value of 28008$. However, since 2004, non-oil exports have increased significantly, reaching a record high of 3.7 million USD in 2019 and a downturn intercept of 1.7 million USD in 2020 as a result of the COVID 19 epidemic and continue decline after 2019 hike.

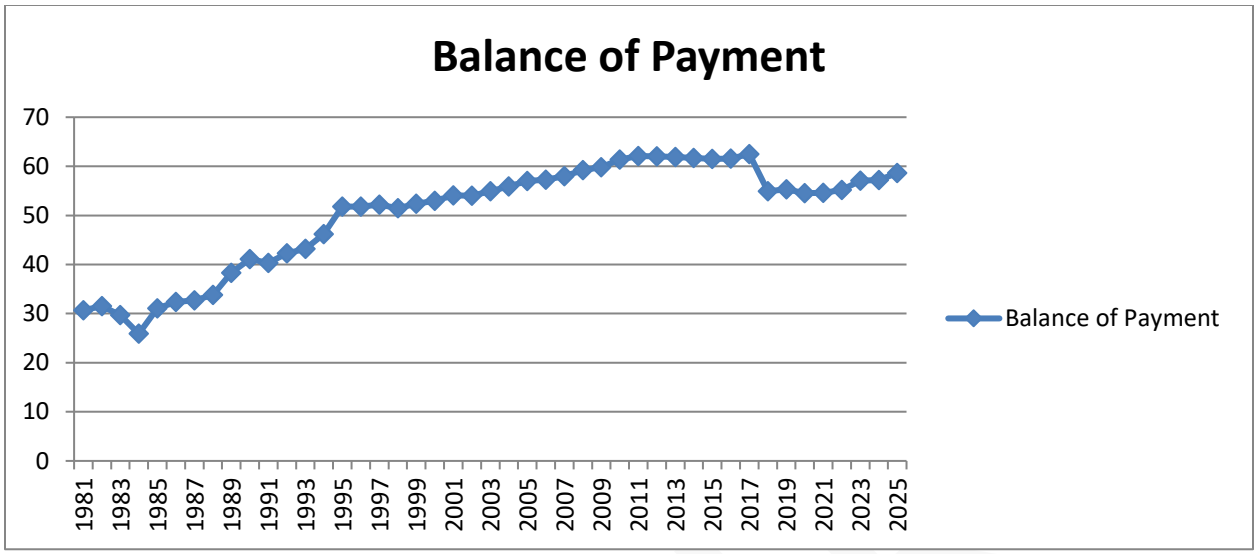

Figure 8 illustrated movement of Nigeria balance of payment from 1981-2025

Reflecting the persistent deficits of the current and capital accounts, the overall balance as defined earlier to exclude exceptional financing items, also remained in substantial deficit throughout the period under review. The deficit averaged $3085.4 million annually or 25.4 per cent of GDP. However, overall surpluses were recorded in 1980 and 1990 largely as a result of the buoyant current account position following the up-swing in crude oil price. Nigeria's external sector faced significant headwinds in 2025, as the country's overall Balance of Payments (BOP) surplus plummeted by 38.1 per cent to $4.23 billion, down from the $6.83 billion recorded in 2024.Provisional data from the Central Bank of Nigeria (CBN) reveals a complex economic landscape where a sharp decline in crude oil earnings and a massive retreat in foreign portfolio investments outweighed the gains made in gas exports and the emergence of the Dangote Refinery as a major exporter of refined petroleum products. The Current Account, which represents the net of the country's trade in goods and services, remained in surplus but saw a significant contraction (Akani, 2025 & Akani & Lenyie, 2023). The surplus fell by 26.2 per cent to $14.04 billion in 2025, compared to $19.03 billion in the previous year. A major driver of this decline was the 14.4 per cent drop in crude oil exports, which fell to $31.54 billion from $36.85 billion in 2024. This shortfall in oil revenue occurred despite a 21.4 per cent surge in gas exports, which climbed to $10.51 billion. Furthermore, the Goods Account, a subset of the current account, recorded a higher surplus of $14.51 billion. This was bolstered by the Dangote Refinery, which contributed $6.13 billion in refined petroleum exports and help slash fuel imports by 28.9 percent from $14.06 billion to $10.00 billion

Trend Analysis of Economic Performance Indicators

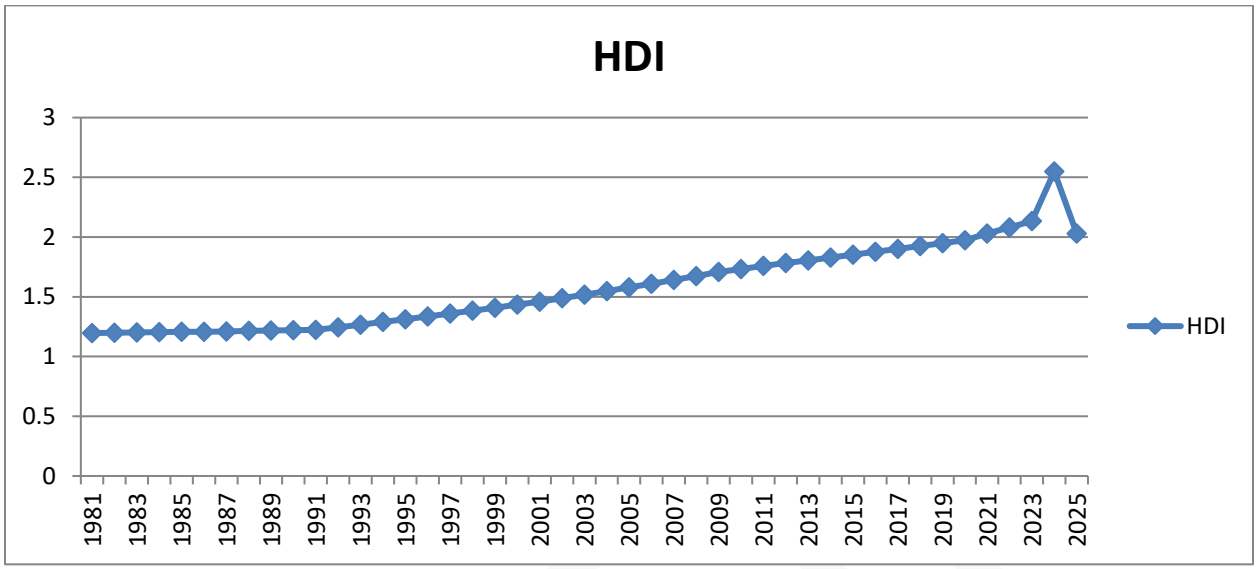

Figure 9 illustrated movement of Nigeria Human development index from 1981-2025

The index showed a slight growth of 18.43% from 0.445 recorded in 2003 to 0.527 recorded in 2015. Considering economic activities and growth in the Nigerian economy over the years, the trends in the HDI value was not encouraging. The Human development index in Nigeria in 2023 was 0.560 points. In 2022, the index value was 0.548. It has grown in this country for already 5 years in a row. 1 = the maximum level of human development. Since 2003, over the entire period of UNDP data, this indicator has increased in 1.24 times. The highest level of Human Development in Nigeria was recorded in 2023, with a value of 0.560. The lowest HDI was observed in 2003, when it reached 0.450. The index is calculated by the United Nations Development Programme, which supports transformative change and provides access to knowledge, experience, and resources to help improve people's lives. the HDI has shown a 22% increase in 19 years but remains low at 0.548, categorizing the country as having low human development. The report emphasizes Nigeria's significant loss in HDI due to inequality, estimated at 32.7% (Akani, 2024 & Roger-Banigo, 2023). Gender disparities persist, with a notable gap between male and female HDI values and a Gender Inequality Index (GII) ranking placing Nigeria poorly. Furthermore, Nigeria's Multidimensional Poverty Index (MPI) indicates that 33% were multidimensionally poor in 2021.

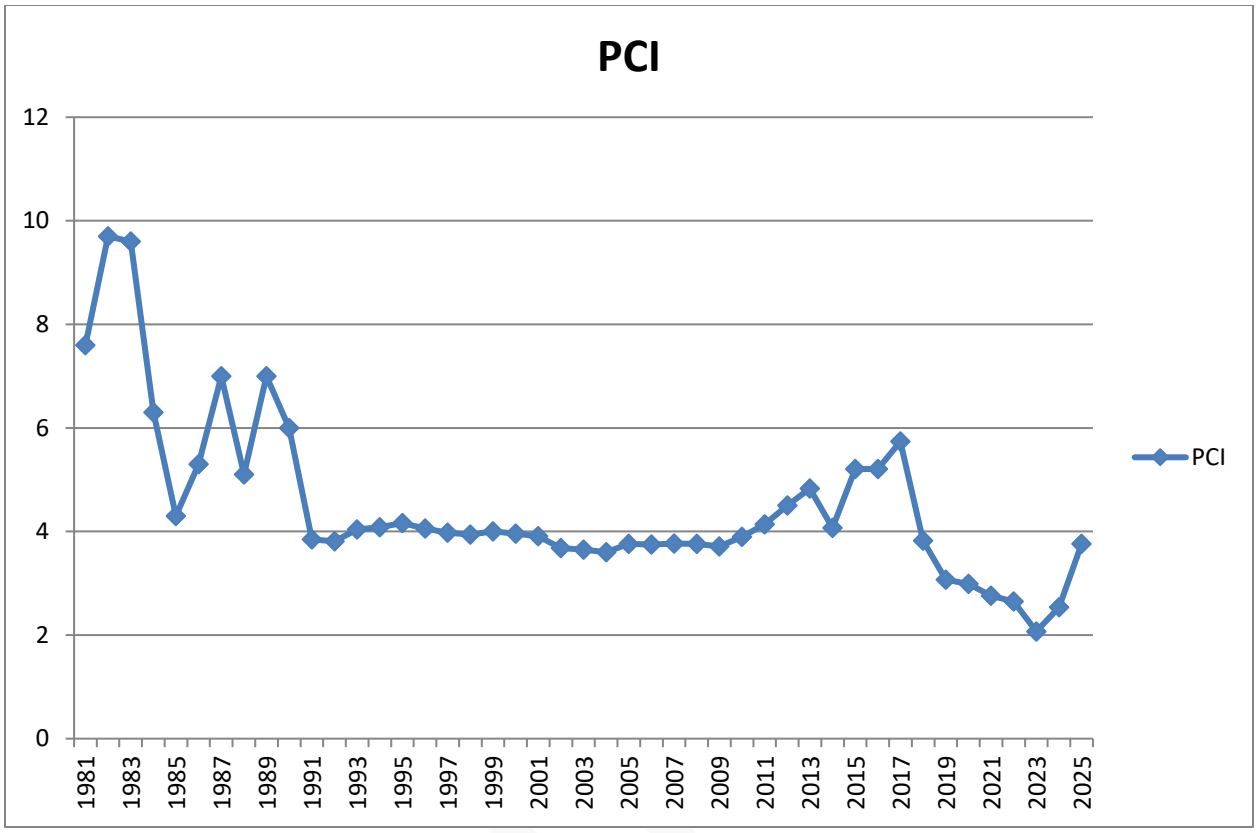

Figure 10 illustrated movement of Nigeria per capita income from 1981-2025

Nigeria's per capita income (GDP per capita) from 1981 to 2025 experienced volatile shifts, moving from roughly $2,187 in 1981, plunging to a low under $500 in the late 1990s, peaking near $3,300 in 2014 and 2019, and recovering to about $1,224 by 2025 following major currency devaluations, the Gross Domestic Product (GDP) per capita in Nigeria in 2025 amounted to 1,224 USD, which is 12.92% more than in 2024, when it was 1,084 USD. This is the first year of growth after a decline. According to the World Bank data, since 1960, this indicator value increased by 13.16 times, the lowest GDP per capita was recorded in 1960, with a value of 93 USD. The maximum GDP per capita of Nigeria was in 2019, when it reached 3,190 USD. The core indicator (GDP) has been divided by the general population to achieve a per capita estimate (Akani & Ede, 2025 & Akani & Lucky,2023). This indicator is expressed in current prices, meaning no adjustment has been made to account for price changes over time.

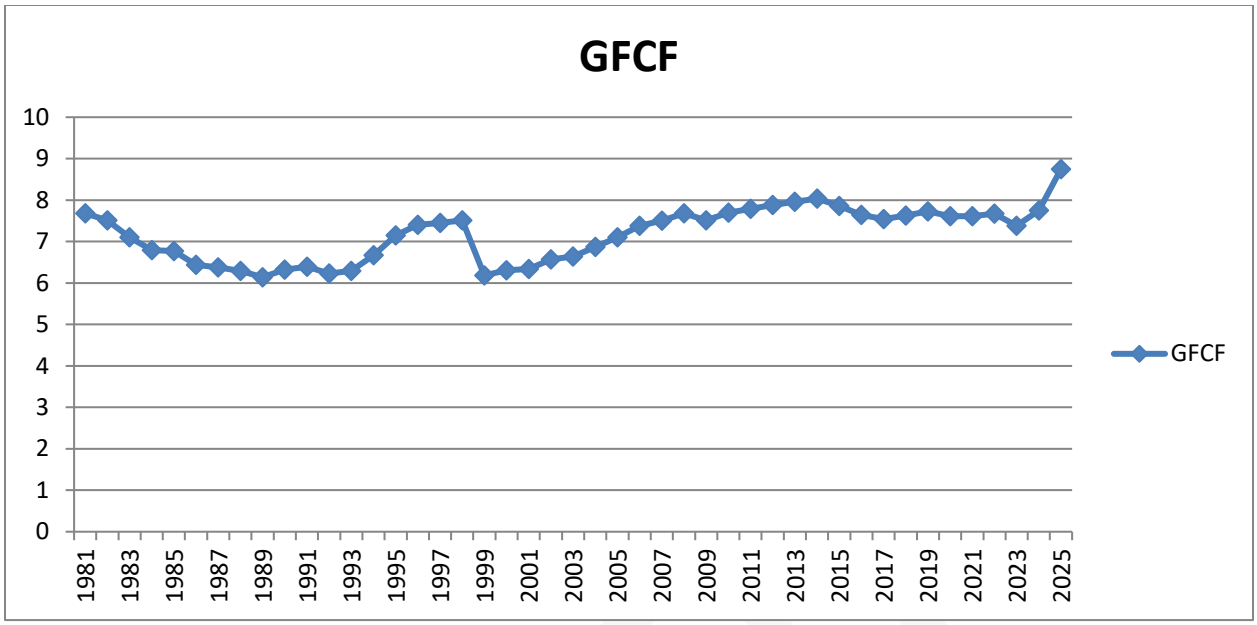

Figure 11 illustrated movement of Nigeria gross fixed capital formation from 1981-2025

Nigeria's gross fixed capital formation (GFCF) experienced a massive initial peak at over 35% to 89% of GDP in 1981, followed by a sharp structural decline. From the mid-1980s through 2025, GFCF largely stagnated, hovering inconsistently between 10% and 20% of GDP due to low public investment, macroeconomic volatility, and infrastructure deficits. Gross Fixed Capital Formation in Nigeria increased to 2914571.33 NGN Million in the fourth quarter of 2024 from 2617119.11 NGN Million in the third quarter of 2024 (Akani,2026 & Agwor and Akani, 2020). Gross Fixed Capital Formation in Nigeria averaged 2114254.89 NGN Million from 2007 until 2024, reaching an all-time high of 3480268.24 NGN Million in the second quarter of 2024 and a record low of 17236.65 NGN Million in the fourth quarter of 2007

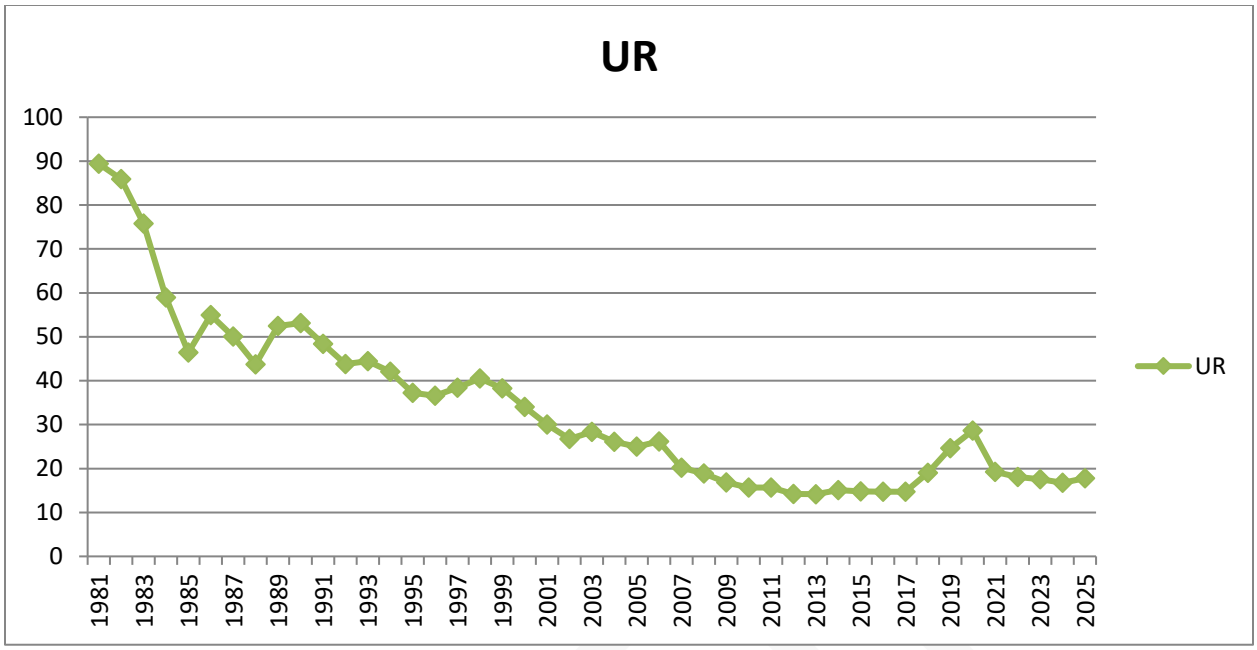

Figure 12 illustrated movement of unemployment rate from 1981-2025

Nigeria's unemployment rate from 1981 to 2025 followed an uneven path, shifting from low single-digit estimates in the 1980s, climbing through economic recessions in the 2000s and 2010s, and shifting sharply after methodology updates by the National Bureau of Statistics in 2023 to hover near 3.06% by 2025. The unemployment rate in Nigeria in 2025 amounted to 3.06% of total labor force. In 2024, the value was 3.05%. This is the first year of growth after a decline. Over the entire period of ILOSTAT data since 1991, this indicator has decreased in 1.25 times. The lowest percentage of unemployed was recorded in 2024, when it was 3.05. The maximum was in 2020, when number of unemployed persons in Nigeria reached 5.71 % of total labor force.

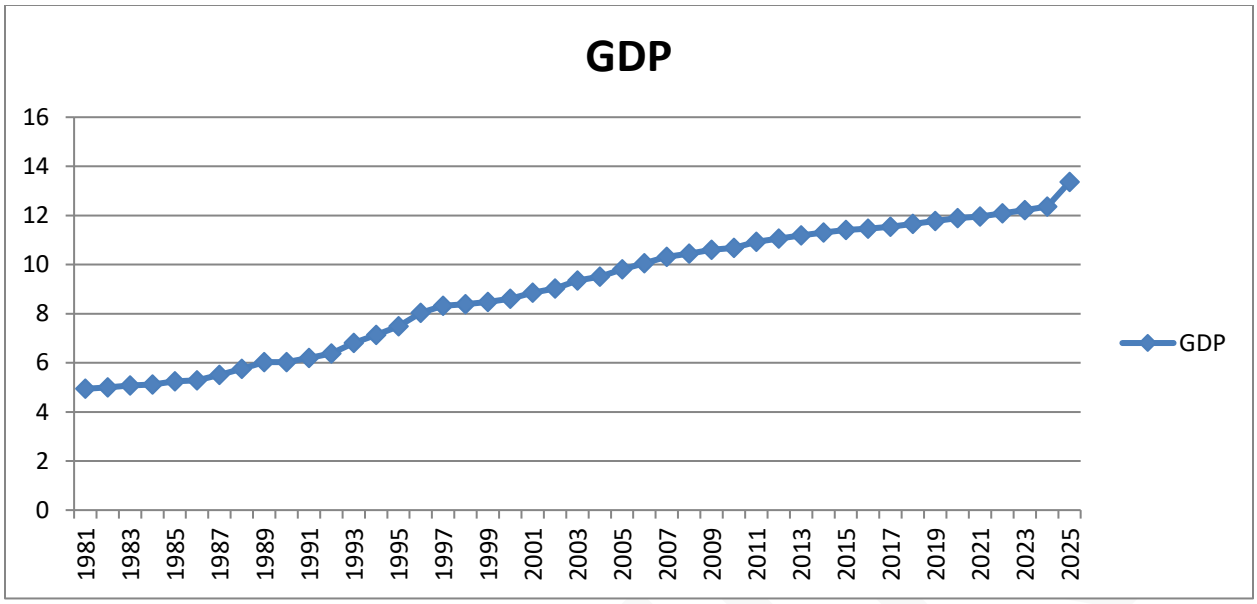

Figure 13 illustrated movement of Nigeria real gross domestic product from 1981-2025

Gross domestic product is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Nigeria's gross domestic product (GDP) from 1981 to 2025 followed an uneven, volatile trajectory shaped by oil price shocks, structural reforms, and currency devaluations, growing from nominal values in the early 1980s to roughly ₦441.5 trillion ($290 billion nominal) by the end of 2025. The trend show that Nigeria gross domestic has been on the increase with little fluctuation over the periods.

Conclusion

This paper examines an x-ray of external sector indicators on the performance inclusivity of Nigeria Economy from 1981 to 2025. Time series data were collected from secondary sources on real gross domestic product, unemployment rate, gross fixed capital formation, per capita income and human capita development as proxies for economic performance inclusivity while imports, exports exchange rate, and foreign direct investment, oil and nonoil balance of trade, external debt and balance of payment as external sector variables. The study found out that external sector variables exerts strong relationship in the fluctuations of economic performance inclusivity. The study concludes that external sector variables determines fluctuations in economic performance inclusivity within the periods of this study which is a path way to national transformation

Recommendations

i. Government should encourage strengthen export diversification of non-oil sector exports. This can be achieved through promoting the output of the agriculture and manufacturing sub-sectors of the economy.

ii. Government need encourage and intentionally promote private investors to import more productive capital goods to boost production to satisfy local demands.

iii. Nigerian government should encourage foreign direct investment inflows by implementing the Nigeria Investment Promotion Commission Act, which allows foreign investors to own up to 100% equity in Nigerian subsidiaries and conduct any business in Nigeria,

with some exceptions.

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