KMPG predicts Nigeria's unemployment rate to hit 41% in 2023

Young Nigerians scrambling to get Job opportunity

KPMG has stated that the Nigerian unemployment rate had increased to 37.7per cent in 2022 and will further rise to 40.6per cent, due to the continuing inflow of job seekers into the job market. The multinational consulting firm, in a newly released report tagged 'KPMG Global Economy Outlook report, H1 2023,' said unemployment will continue to be a challenge due to the slower-than-required economic growth and the inability of the economy to absorb the 4-5 million new entrants into the Nigerian job market every year. "Unemployment is expected to continue to be a major challenge in 2023 due to the limited investment by the private sector, low industrialisation and slower than required economic growth and consequently the inability of the economy to absorb the 4-5 million new entrants into the Nigerian job market every year. Although the National Bureau of Statistics recorded an increase in the national unemployment rate from 23.1per cent in 2018 to 33.3per cent in 2020. We estimate that this rate has increased to 37.7per cent in 2022 and will rise further to 40.6 per cent in 2023."

The report also said that in 2024, the unemployment rate will grow to 43 per cent while inflation will accelerate to 20.3 per cent in 2023 and 20.0 per cent in 2024. The KPMG further noted that the incoming administration will face a deeply rooted challenging environment, characterised by fragile and slow economic growth and challenges in the foreign exchange market. "Additionally, government revenue remains inadequate to support much-needed expenditure, leading to a high debt stock and high debt service payments. The Nigerian economy ended the past year with a GDP growth rate of 3.52 per cent in Q4 2022, compared with 2.25 per cent in Q3 2022, with growth averaging 3.10 per cent over 2022," it explained.

The firm projected recovery in

telecommunications, and trade services, as well as an expected recovery in the oil sector, on account of measures being taken to tackle security issues, to drive the forecast of three per cent growth in 2023. "Growth in 2022 was driven by the non-oil sector, as continuous recovery in household consumption boosted spending, particularly in the finance and insurance services, telecommunications, and transportation and storage services. "While the non-oil sector grew by 4.84 per cent, the oil sector contracted by 19.22 per cent, largely attributed to worsening oil theft, pipeline vandalisation, underinvestment, and other operational challenges inhibiting oil production. Accordingly, oil output (including condensates) declined from 2.07 million barrels per day in Q1 2020 to 1.34 million by Q4 2022." It further said that the spillover from an expected slowdown in the global economy in 2023 and its trade and financial flows implications would drag on Gross Domestic Product.

The report claimed that growth will be negatively affected by the naira redesign policy introduced in Q4 2022 and Q1 2023. According to KPMG, it has implications on key non-oil sectors like manufacturing, trade, accommodation and food services, transportation and other services, further slowing down overall GDP growth in 2023.

"Headline annual inflation maintained its upward trend throughout 2022, reaching its highest levels in almost two decades and closing the year at 21.34 per cent, with food inflation and core inflation growing by 23.75 per cent and 18.49 per cent, respectively. This was driven by persistent structural issues, which impacted domestic food production and transportation such as insecurity, floods in key agricultural producing areas and rising international food and energy prices following the Russia-Ukraine conflict and other policy-related bottlenecks, which continue to impact the cost of doing business."

It also noted that the expected fuel subsidy removal and the 2023 fiscal bill would also mount pressure on domestic prices in 2023. "To combat rising inflation, the Nigerian Central Bank raised the monetary policy rate by a cumulative 500 basis points in 2022, to 17.5 per cent, and increased the cash reserve ratio from 27.5 per cent to 32.5 per cent. However, despite these aggressive rate hikes, inflation has remained stubbornly high and is predicted to remain above 20 per cent in 2023, due to the persistence of the structural and policy issues."

KPMG further said that growth was set to be driven by the continuous recovery in household consumption, sustained performance of the non-oil sector and a recovery in oil production. "Inflation to remain elevated, driven partly by persistent food supply shocks, foreign exchange illiquidity, and insecurity. We expect Nigeria's GDP to continue to grow at a relatively slow pace of three per cent in 2023, due to the slowdown in economic activity that typically characterises periods of political transition in Nigeria."

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