



MINISTRY OF ECONOMIC
PLANNING AND BUDGET,
LAGOS STATE

LAGOS ECONOMIC DEVELOPMENT UPDATE (LEDU)2024

Lagos State Economic Outlook:
Paving the Way for a 21st Century
Economy





Lagos State Development Plan (LSDP) 2022 - 2052



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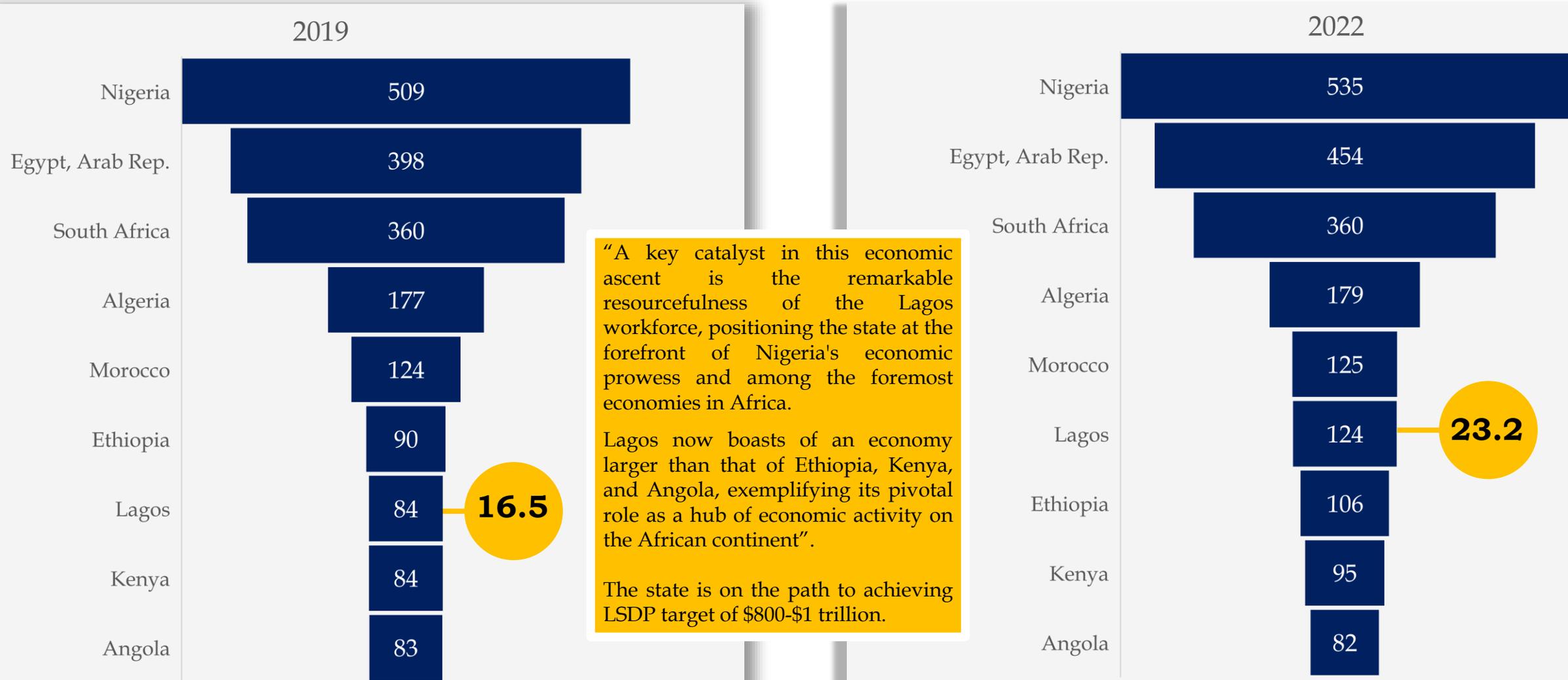
Part One

Recent Macroeconomic Issues and the Outlook for Lagos State

1. Recent Macroeconomic Development
2. Inflation and Exchange Rate
3. Capital Importation
4. Analysis of Fiscal Policy
5. Policy Actions and Events
6. Overview of the Macroeconomic Forecast for 2024



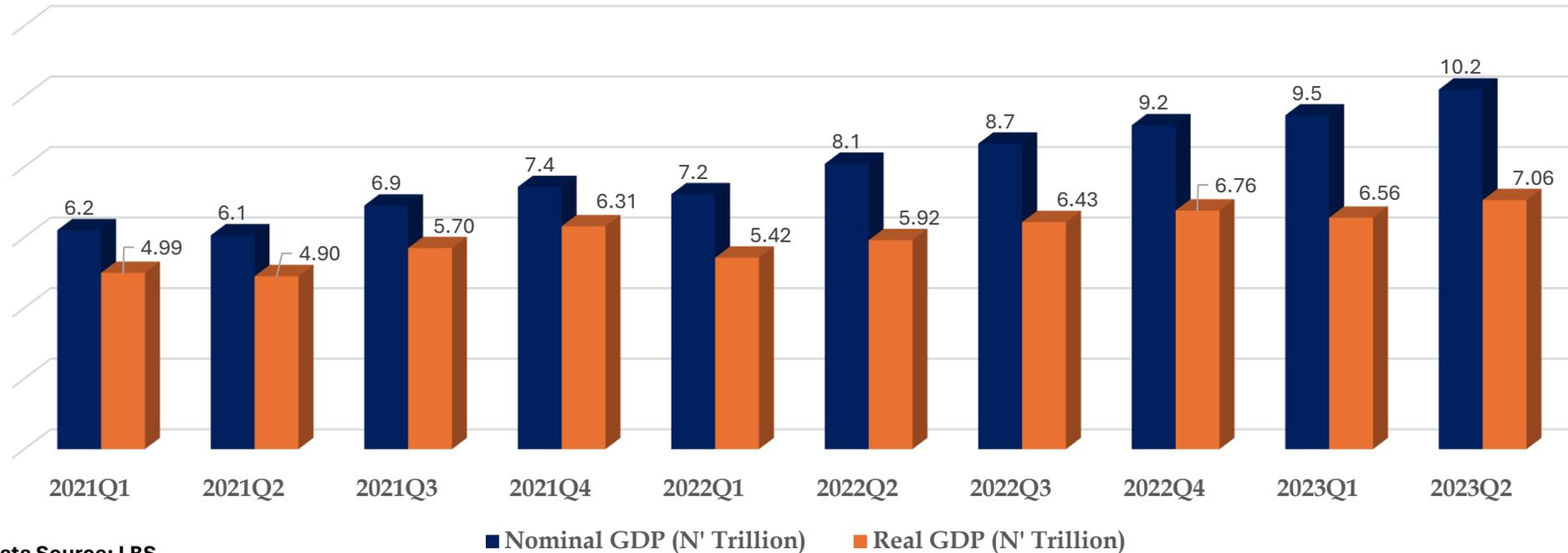
Ranking of Lagos State Economy Size in Africa (Real GDP in \$ billion)



Data Source: LBS, WDI, and LSDP (2022-2052)



Nominal and Real GDP of Lagos State



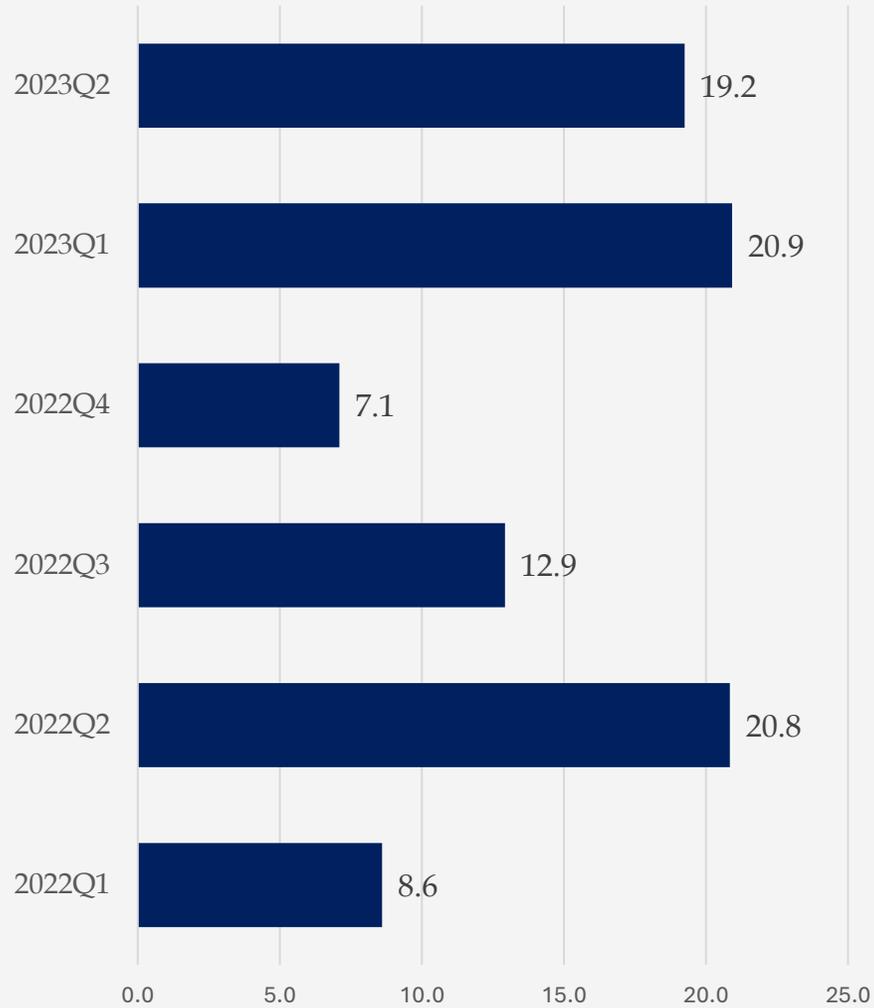
Data Source: LBS

Lagos, positioned as a commercial hub and investment nucleus within the Nigerian and West African economy, assumes a paramount role in the pursuit of sustainable economic prosperity across the African continent.

The Real Gross Domestic Product (GDP) has consistently demonstrated an upward trajectory. This augmentation is particularly discernible, with the size of the economy increasing from **N4.99 trillion** in the first quarter of 2021 to **N5.42 trillion** and subsequently to **N6.56 trillion** in the first quarters of 2022 and 2023, respectively.



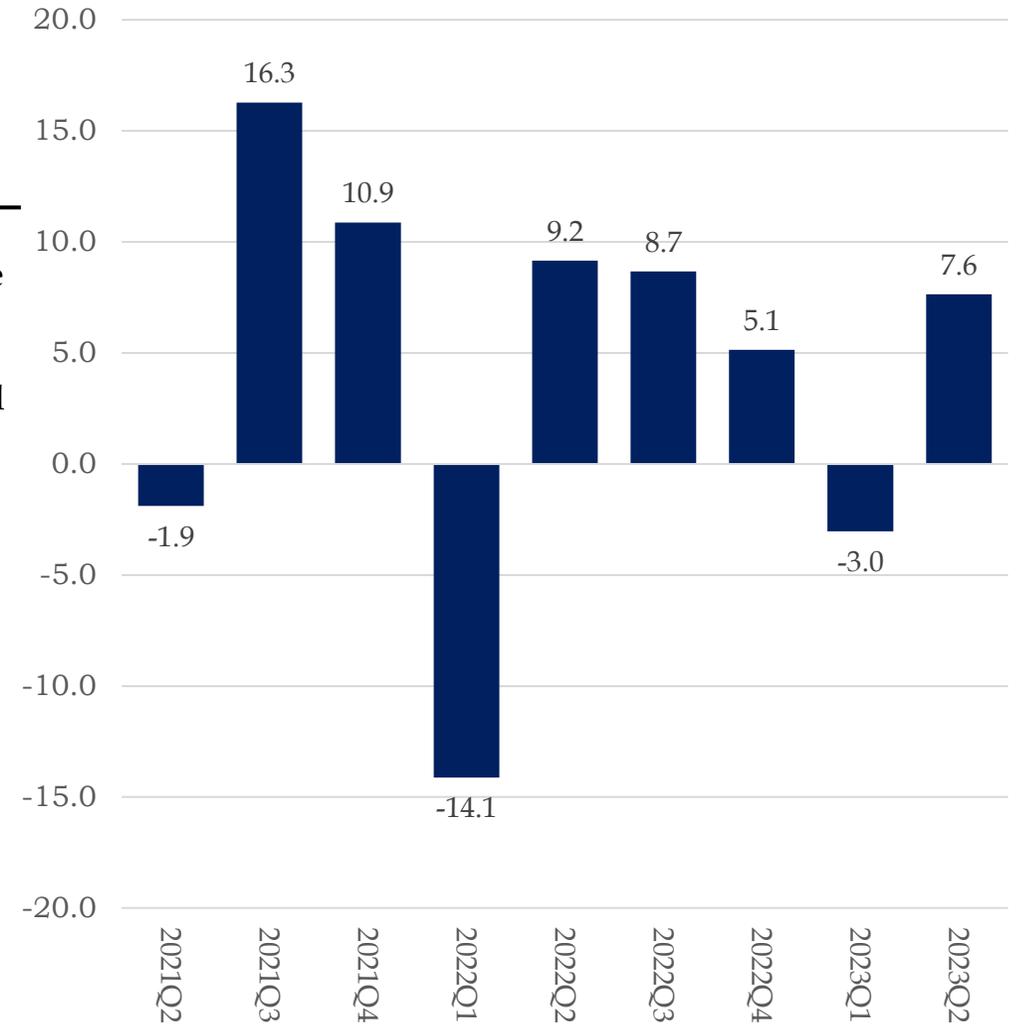
Real GDP growth (% , year-on-year)



Data Source: LBS

This contraction in Q1 2023 was attributed in part to the impact of the currency redesigning policy implemented by the Central Bank of Nigeria (CBN). Nevertheless, the economy rebounded impressively, achieving a substantial and positive real growth rate of 7.6 percent in the Q2 2023, signifying a notable recovery from the initial quarter

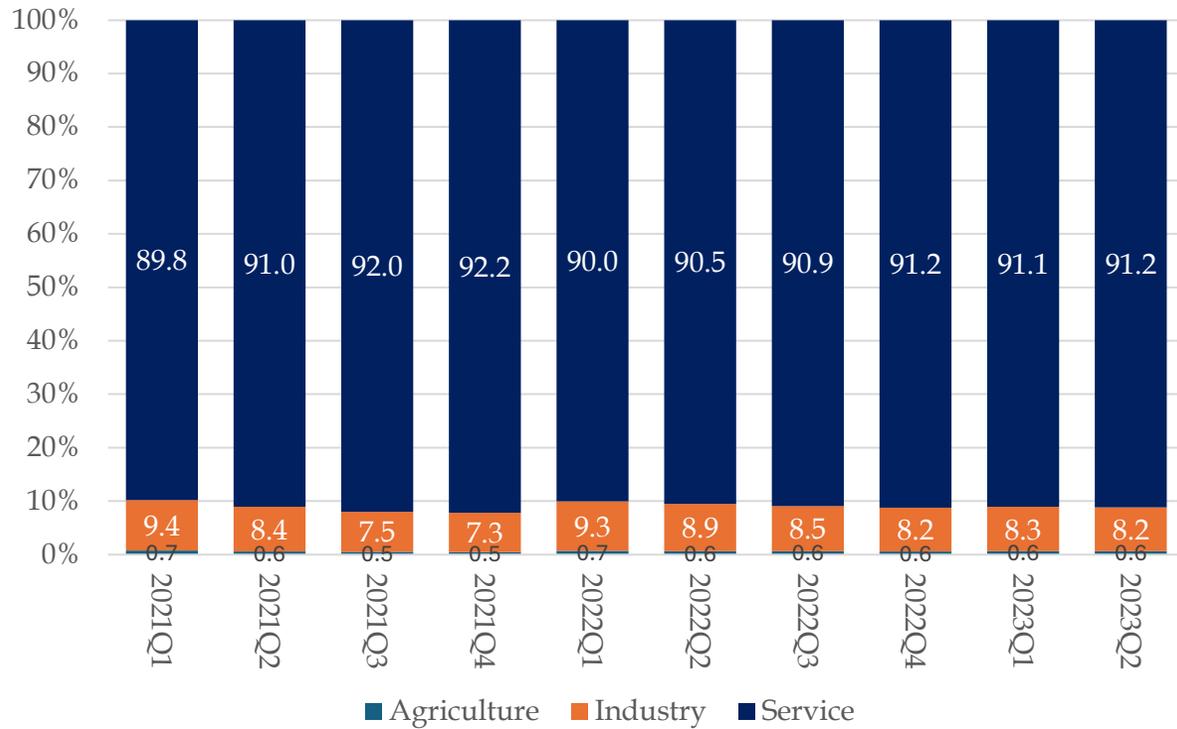
Real GDP growth (% , quarter-on-quarter)



Data Source: LBS

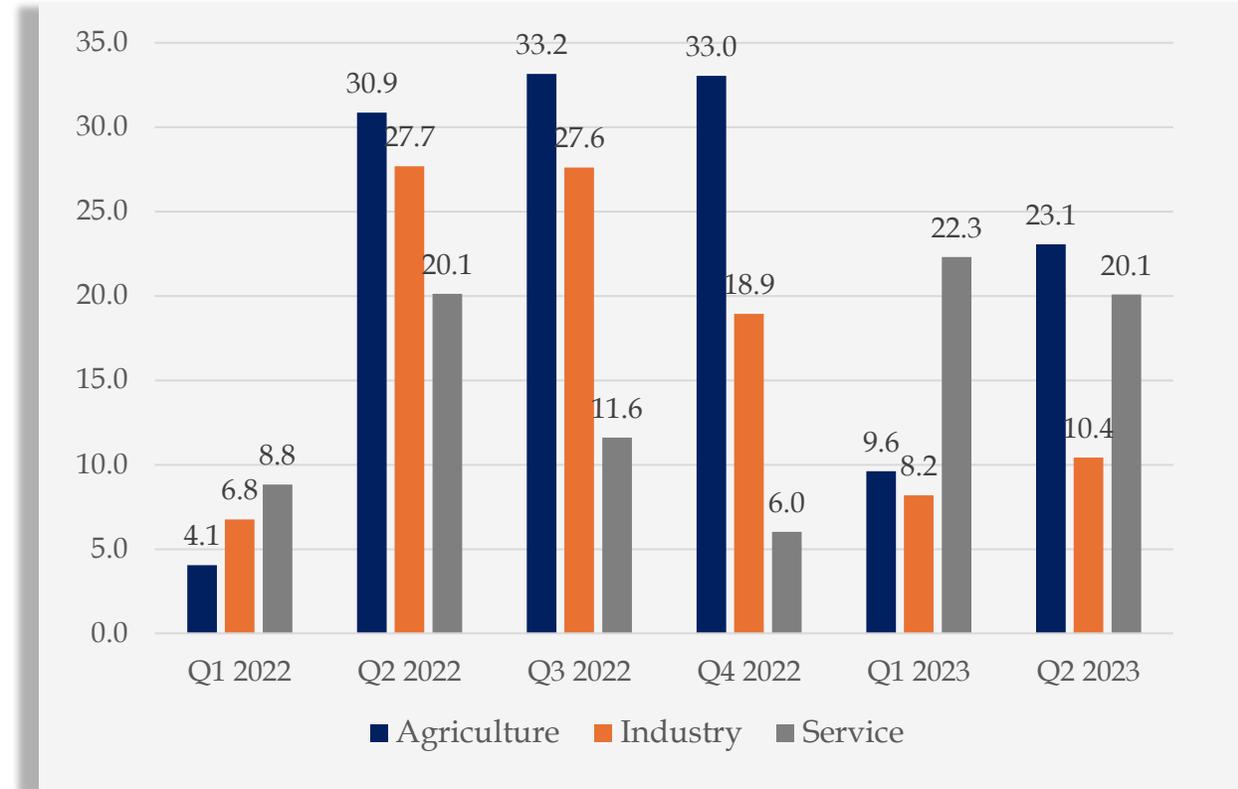


Sectoral Contribution to Lagos State Real GDP (%)



Data Source: LBS

Year-on-Year real sector growth (%)

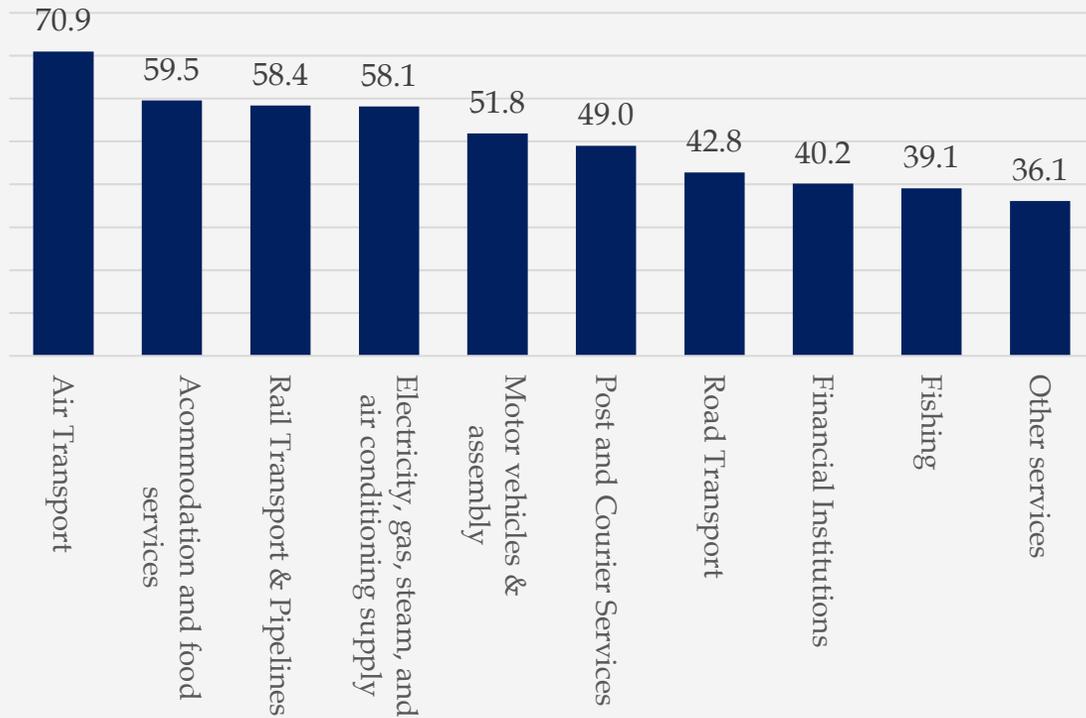


Data Source: LBS

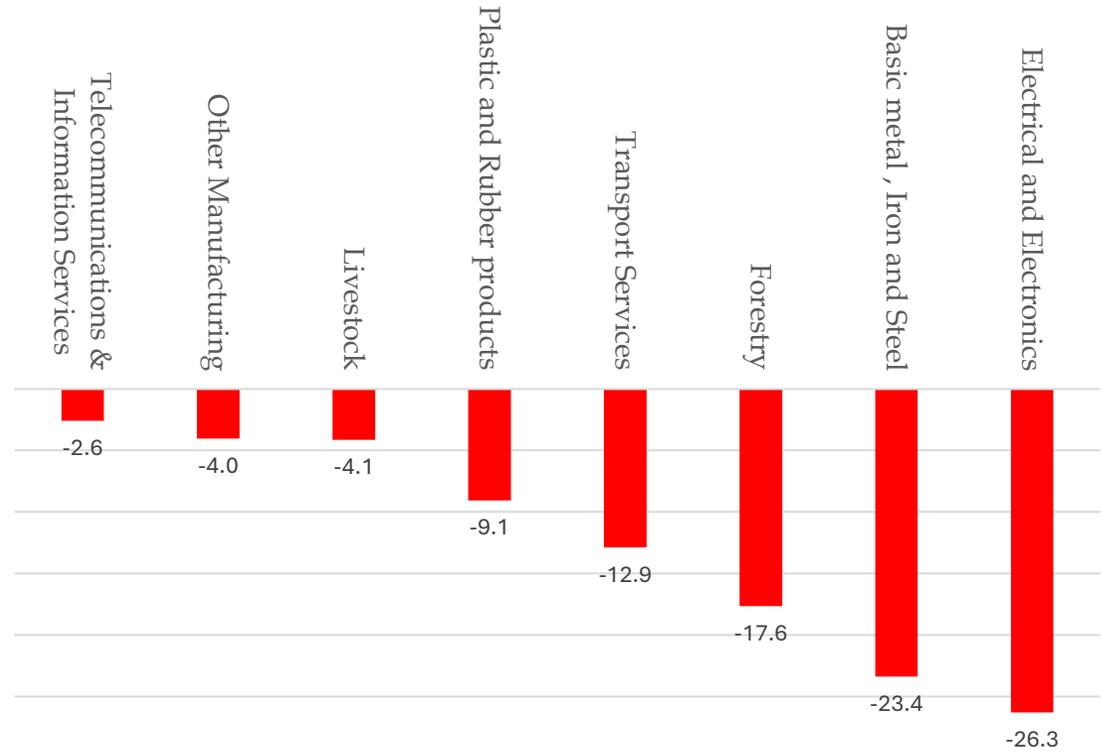
The prominence of the service sector as a principal driver of the Lagos State economy is a distinctive feature of its economic landscape.



Top expanding sub-sectors in Lagos State (%)



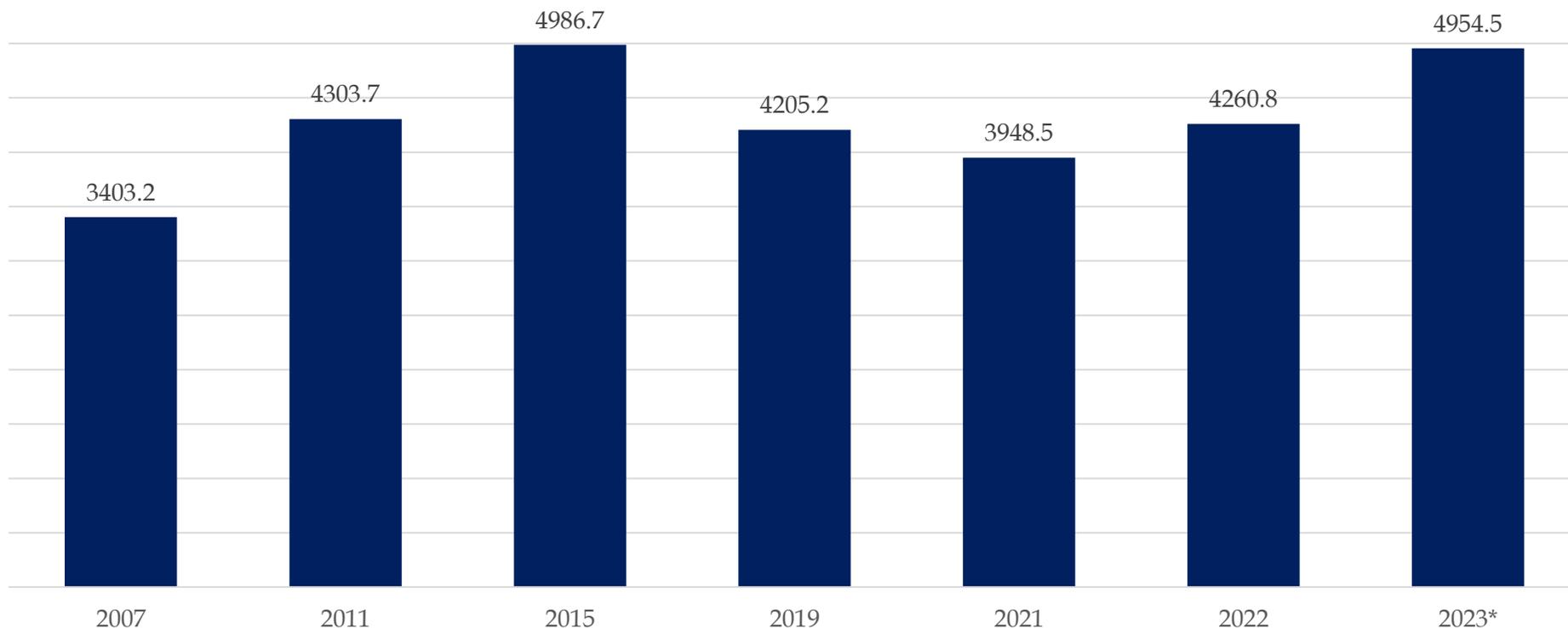
Top contracting sub-sectors in Lagos State (%)



Certain sub-sectors such as air transport, accommodation and food services, rail transport, and pipelines experienced notable growth, while others including electrical and electronics, basic metal, iron and steel, forestry, among others, exhibited negative growth.



Trend of Real GDP per capita (constant, 2015 \$)

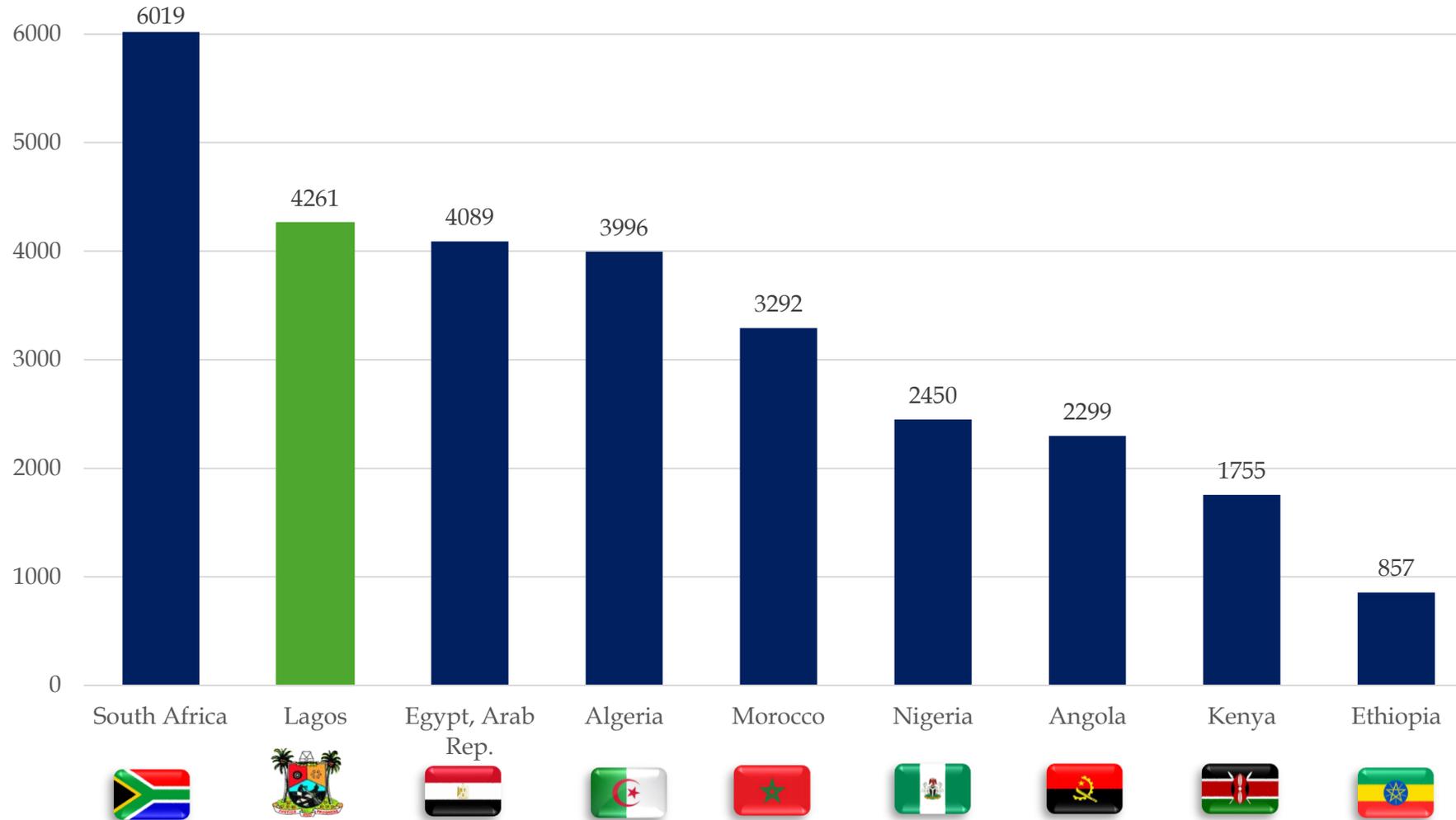


Data Source: LBS

During the period spanning 2007 to 2015, GDP per capita demonstrated a positive trend, subsequently experiencing a downturn from 2019 to 2021 before regaining momentum. The average annual growth rate over the entire period from 2007 to 2022 amounted to 5.7%. In order to attain the LSDP objective of reaching \$20,000 per capita GDP by 2052, an annual growth rate of 6.8% (\$20,371.31) is required, contrasting with the historical growth rate of 5.7% (\$12,805.19).



Lagos boost of higher per capita income (constant, 2015 \$) among African leading economies

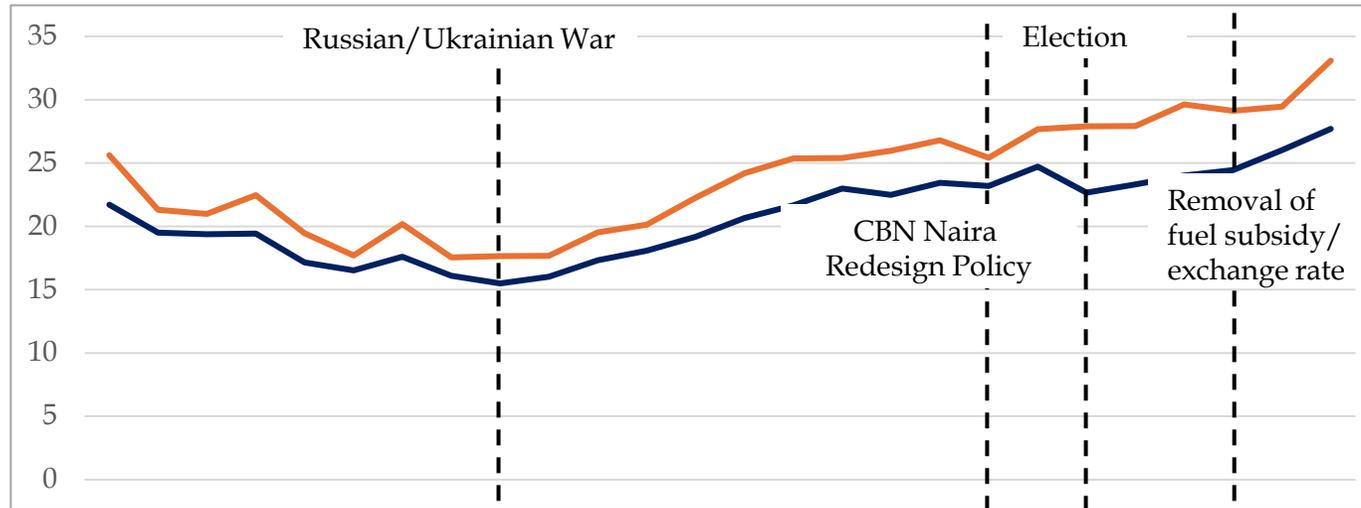


Data Source: LBS and WDI

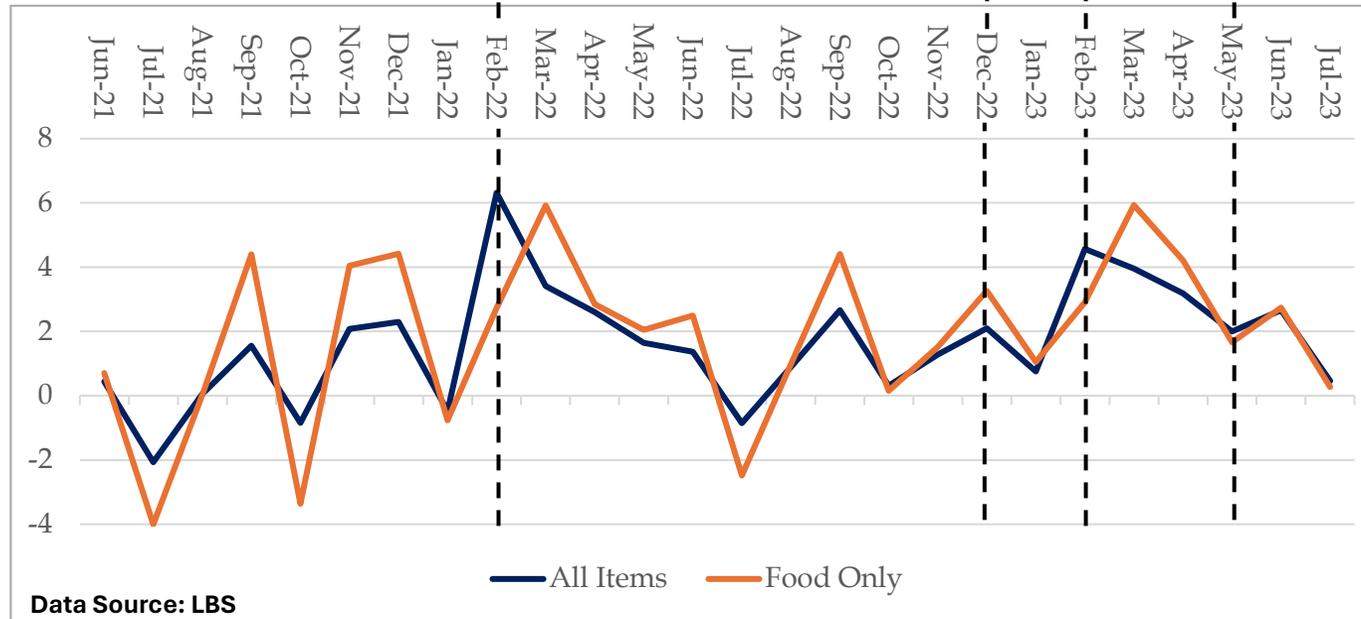




**Inflation rate
(%, Year-on-Year)**



**Inflation rate
(%, Month-on-Month)**

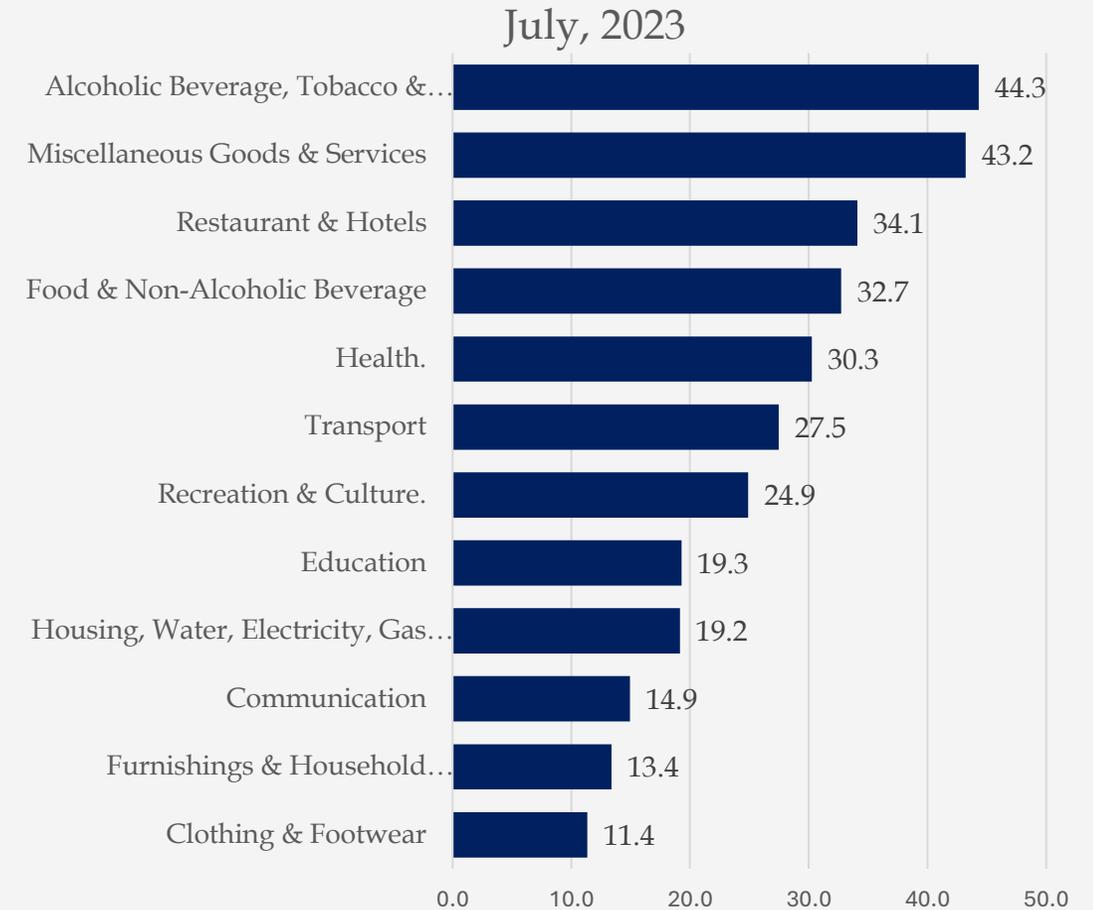
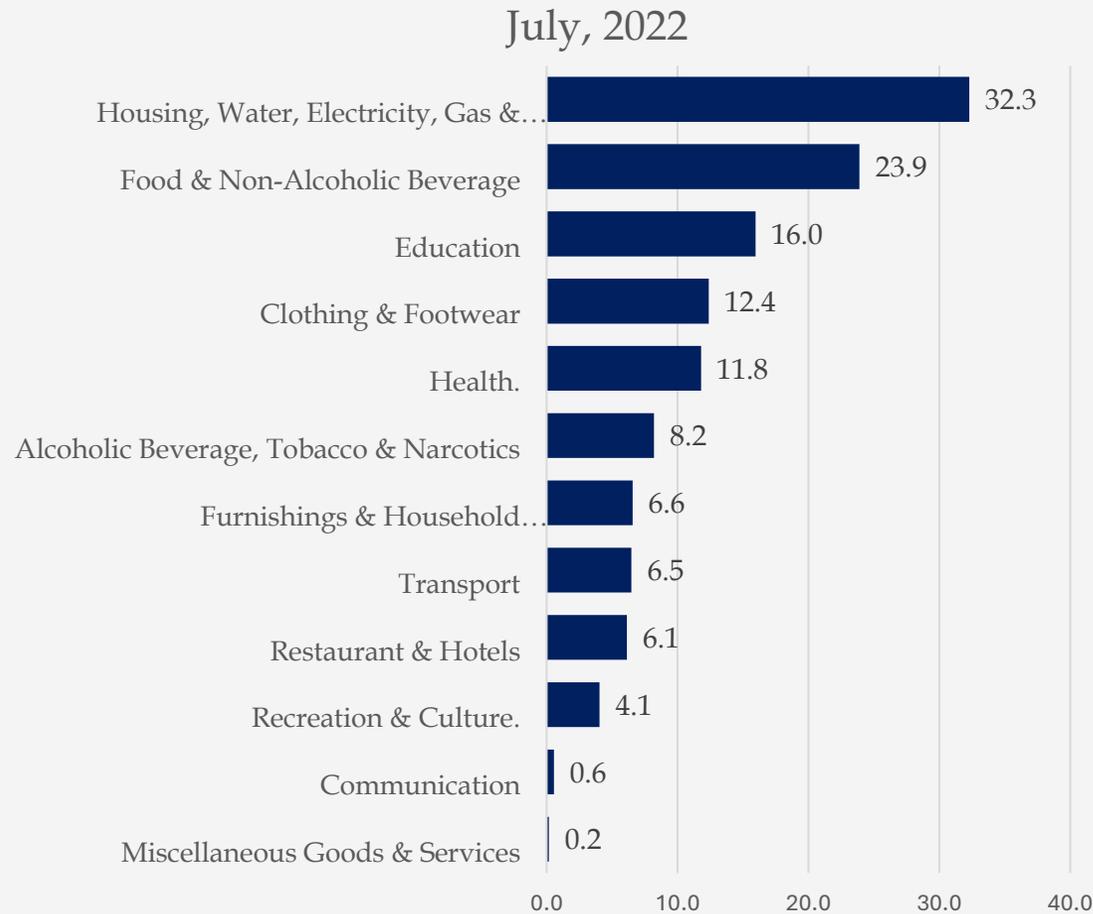


Data Source: LBS

“The inflationary pressures in state are intricately tied to a confluence of factors, encompassing exchange rate pass-through effects, instability in key food-producing regions, escalating energy prices, and the Central Bank of Nigeria's (CBN) subsidized developmental financing initiatives.”



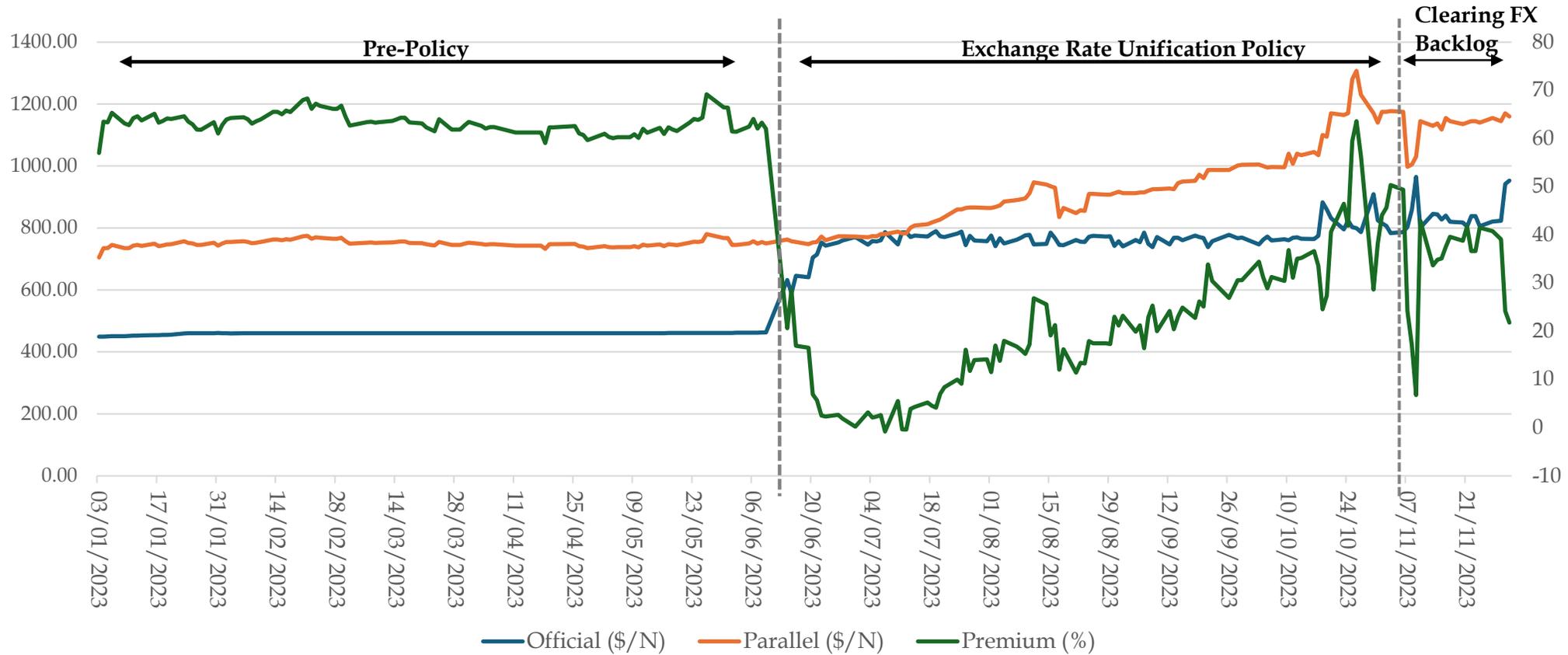
Change in Inflation Rate (%) at Disaggregated Level



Inflation has surged significantly across various sectors within a span of 12 months, reaching unprecedented levels. Notably, sectors such as Alcoholic Beverages, Tobacco, and Narcotics witnessed a substantial increase from 8.2% in July 2022 to 44.3% in July 2023. Similarly, sectors including health, education, transportation, recreation, and culture exhibited comparable trends of inflationary pressure.



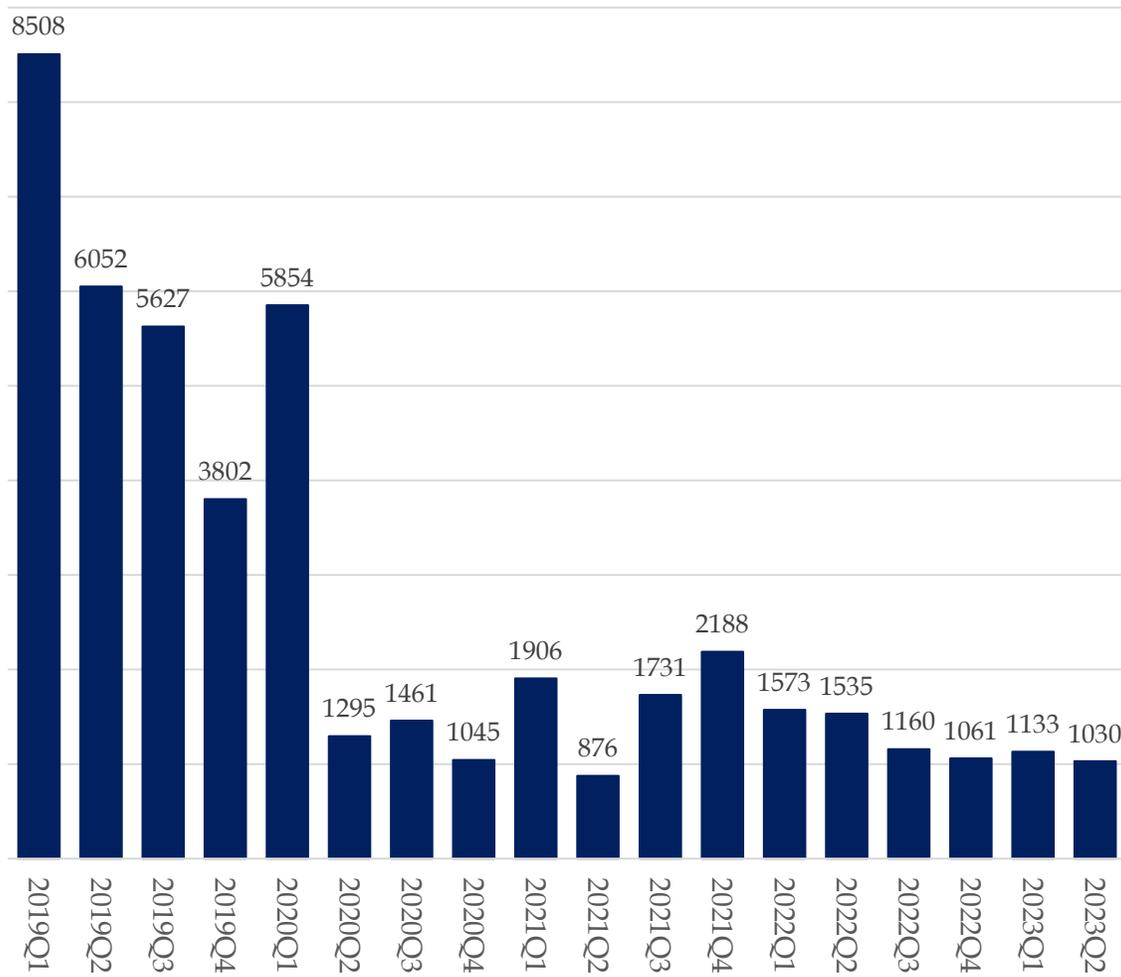
Exchange Rate Premium



Lagos, as a prominent economic entity, is not immune to the adverse effects of exchange rate distortions. These effects manifest in the deleterious impact on household welfare, exacerbating inflation, and impeding the operational efficiency of businesses due to elevated operational costs.

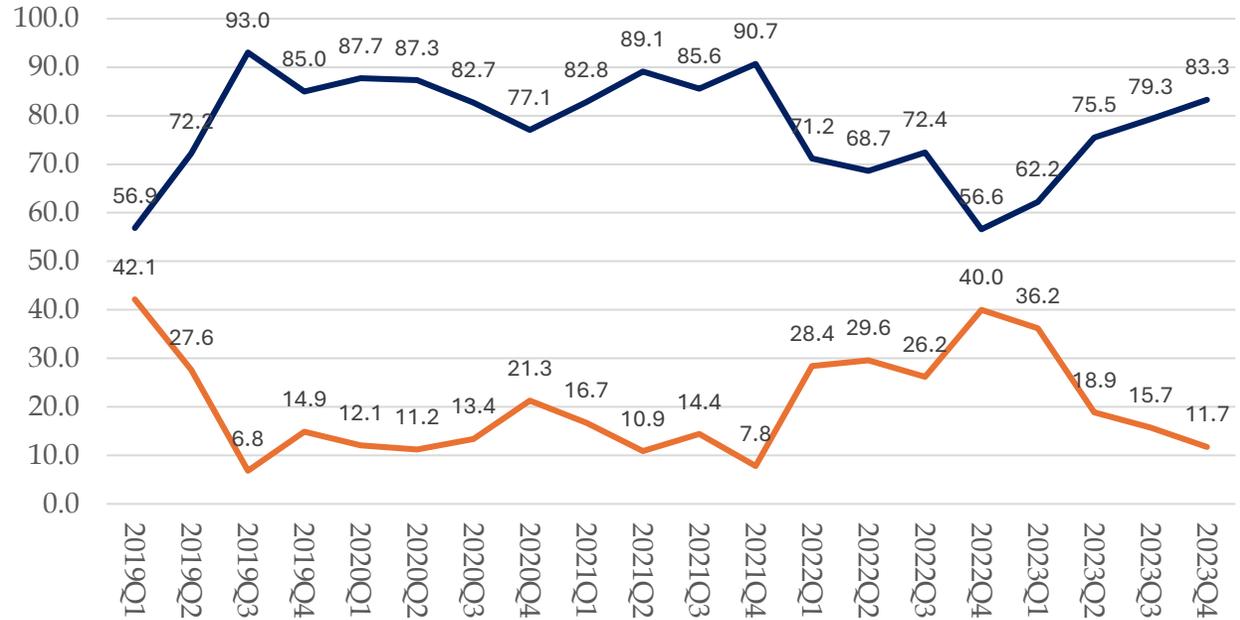


Capital Importation in Nigeria (US' Million)



Data Source: NBS

Distribution of capital importation between Lagos and Abuja



Data Source: NBS

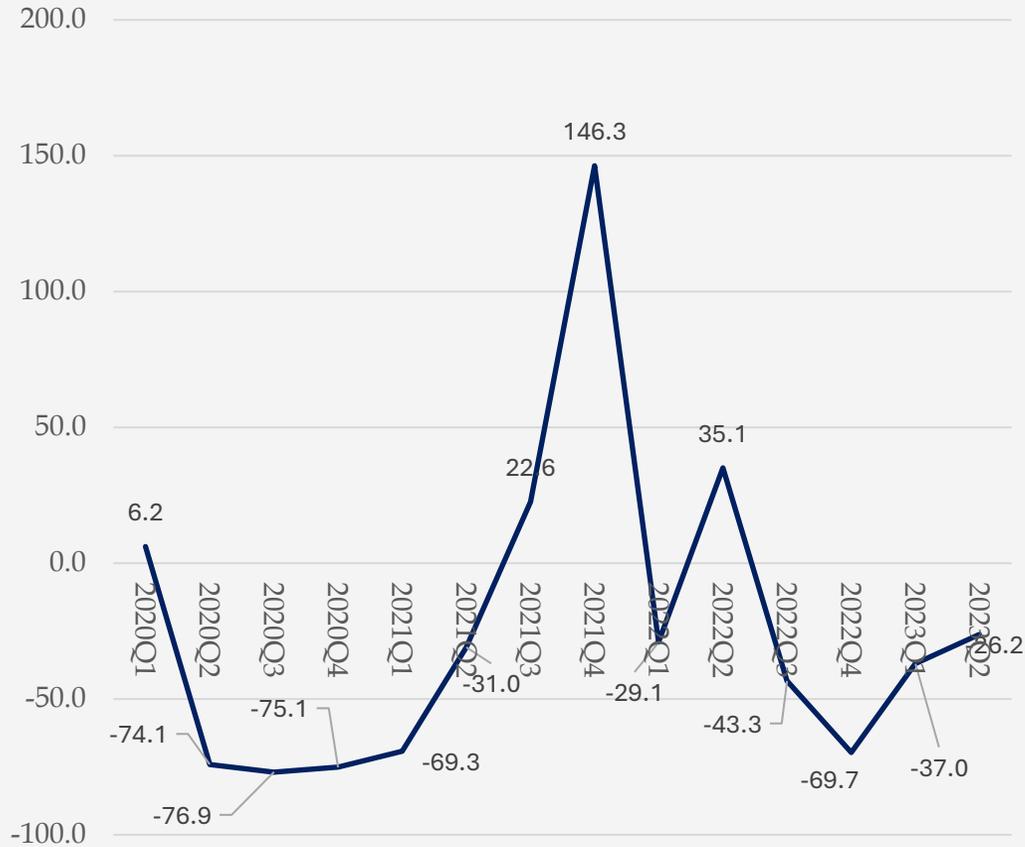
— Lagos — Abuja

The current global economic landscape, characterized by uncertainties such as the Ukraine conflict, rising inflation rates, and the adoption of restrictive monetary measures in key economies, has cultivated an environment conducive to risk aversion among investors. Concurrently, domestic factors including security issues, sub-optimal infrastructure, and challenges in business operations have further diminished the attractiveness of foreign investment.

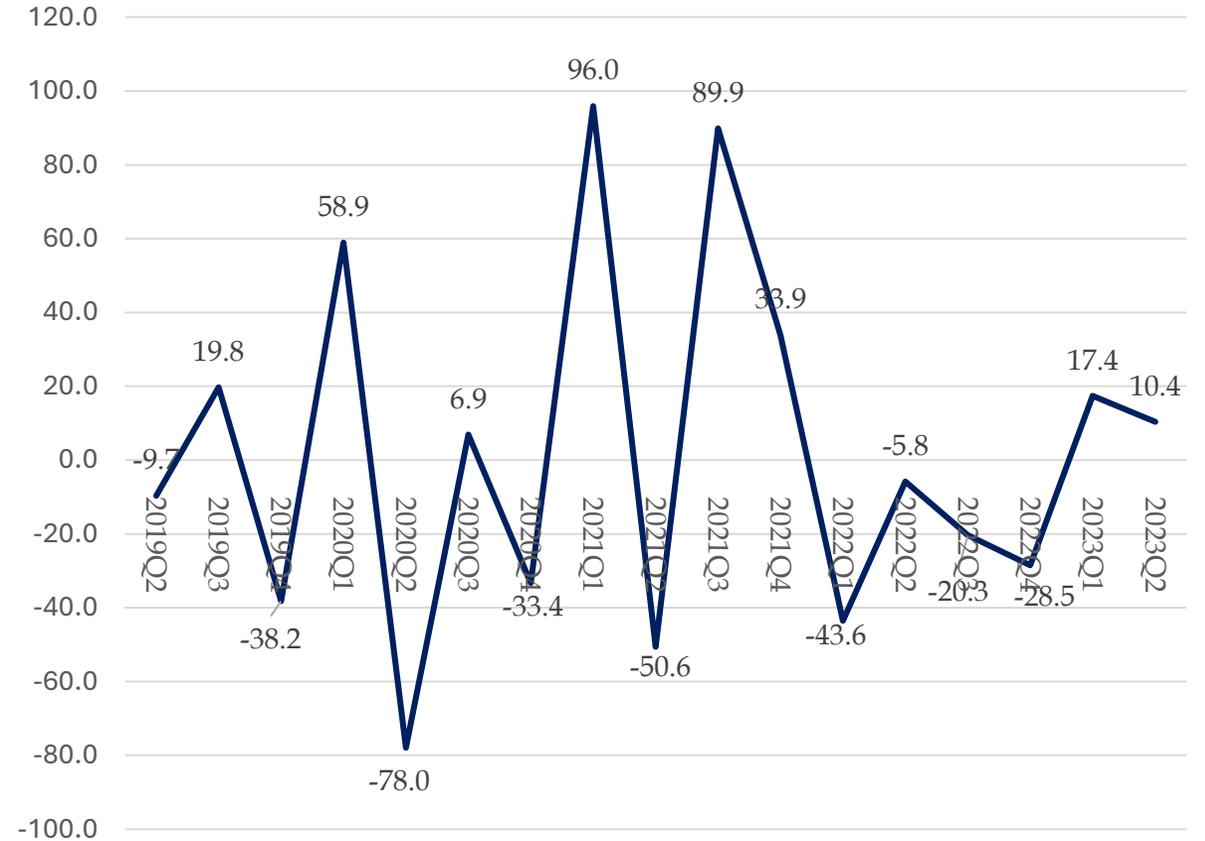
Capital Importation



Growth of Capital Importation (% , Year-on-Year)



Growth of Capital Importation (% , Quarter-on-Quarter)

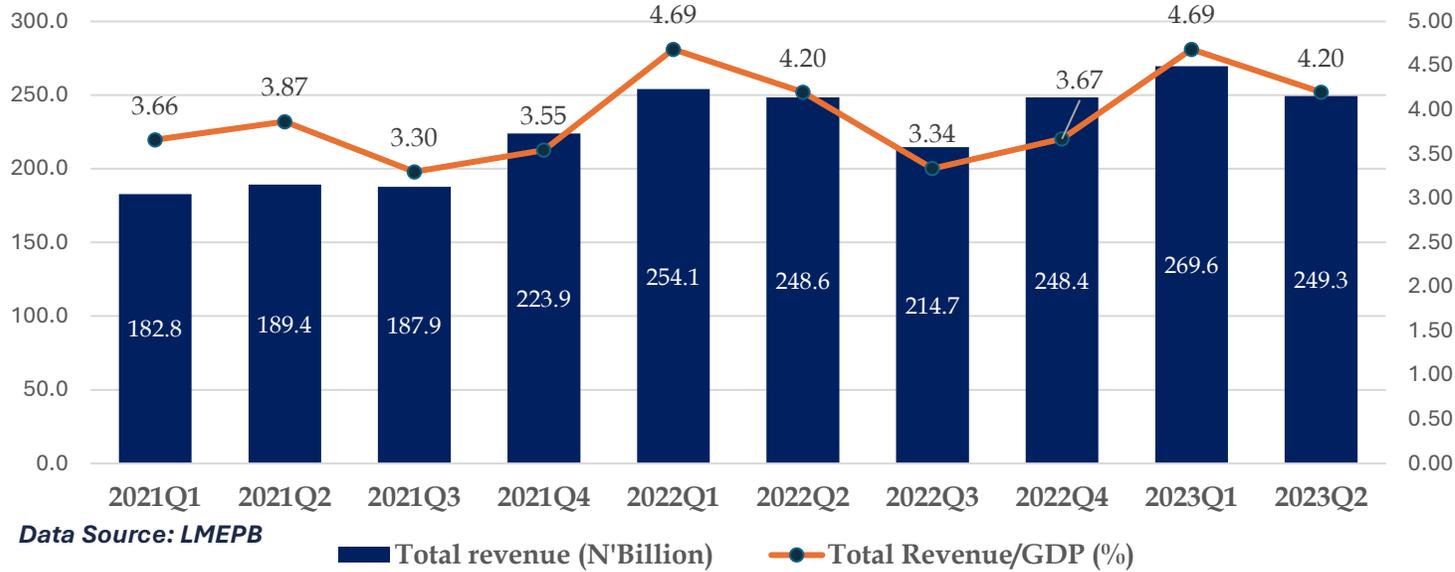


Data Source: LBS

The fluctuation poses challenges to the Lagos economy's aspiration for vibrancy, inclusivity, and sustainability, and can be attributed to a several factors, including capital reversals due to Covid-19, exchange rate uncertainties, escalating inflation, and infrastructural development considerations. More so, the capital importation is highly dominated by credit which may have limited impact on the economy. Thus, promoting foreign investment component is very crucial to achieving inclusive and sustainable growth.

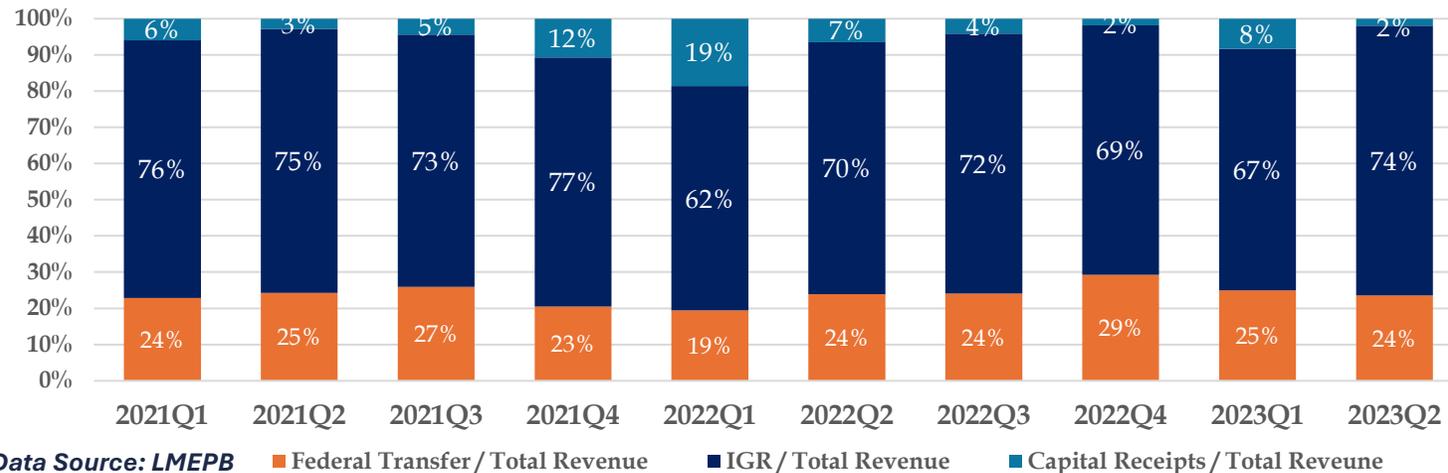


Trends of Total Revenue



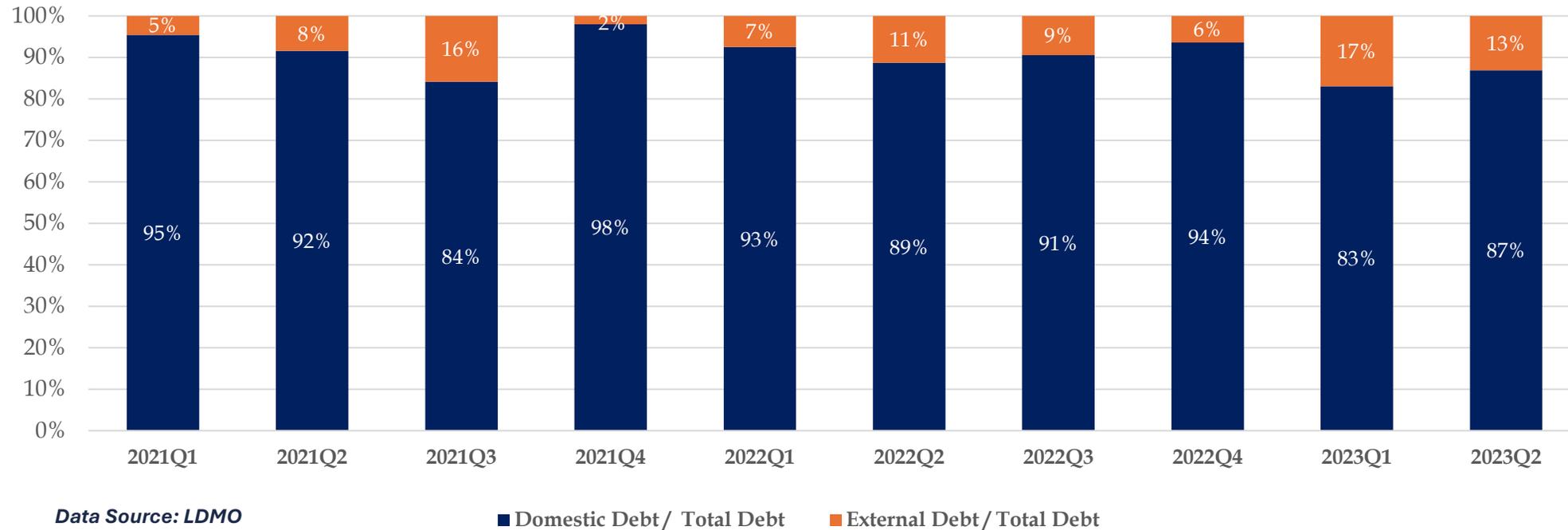
- Lagos State is progressively moving towards the LSDP 2052 target of achieving a 5% revenue-to-GDP ratio, currently standing at 4.20% as of 2023Q2.
- Although there are strong indications of nearing the 5% target in the short term, as evidenced by performance in the first and second quarters, the state still lags significantly behind Africa's average tax-to-GDP ratio of 15.6%.
- Lagos State's fiscal sustenance relies predominantly on Internally Generated Revenue (IGR), marking a notable shift toward greater fiscal autonomy.
- The State's IGR segment accounted for 74% in 2023Q2 compared to 67% in 2023Q1. This positioned Lagos as the foremost state in IGR generation nationwide.

Composition of Revenue Generation in Lagos State





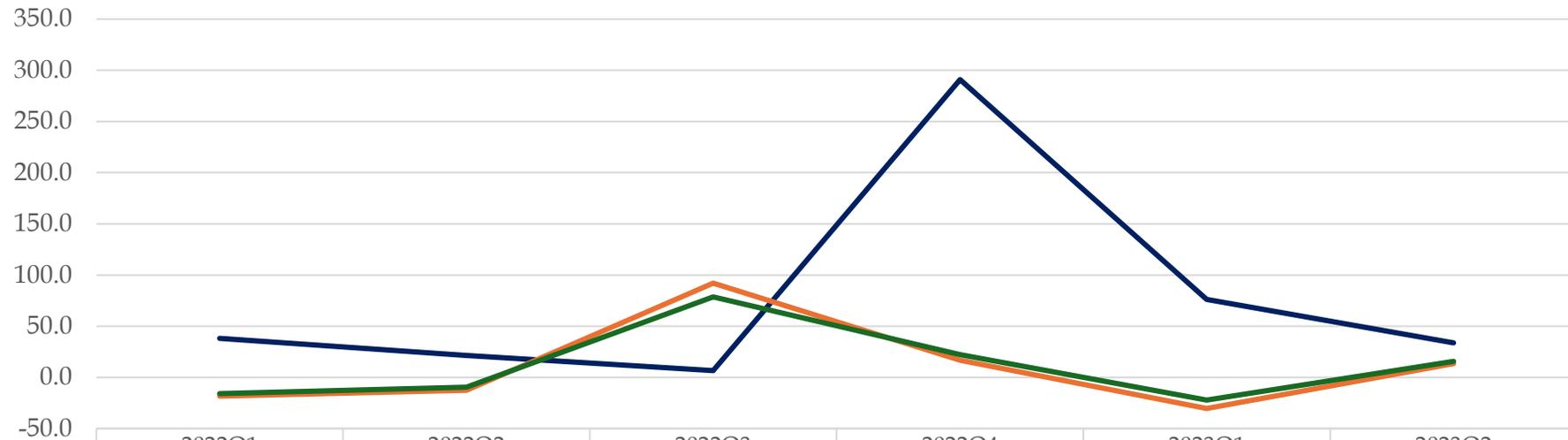
Composition of Public Debt



Lagos' current debt stock is deemed sustainable and resilient against external shocks, such as fluctuations in global interest rates and oil prices, stemming from persistent currency misalignment between the Naira (₦) and the Dollar (\$). This robust financial stance signifies the state's minimal reliance on external financing for supporting public investment endeavours.



Growth rate of public debt (% , year-on-year)



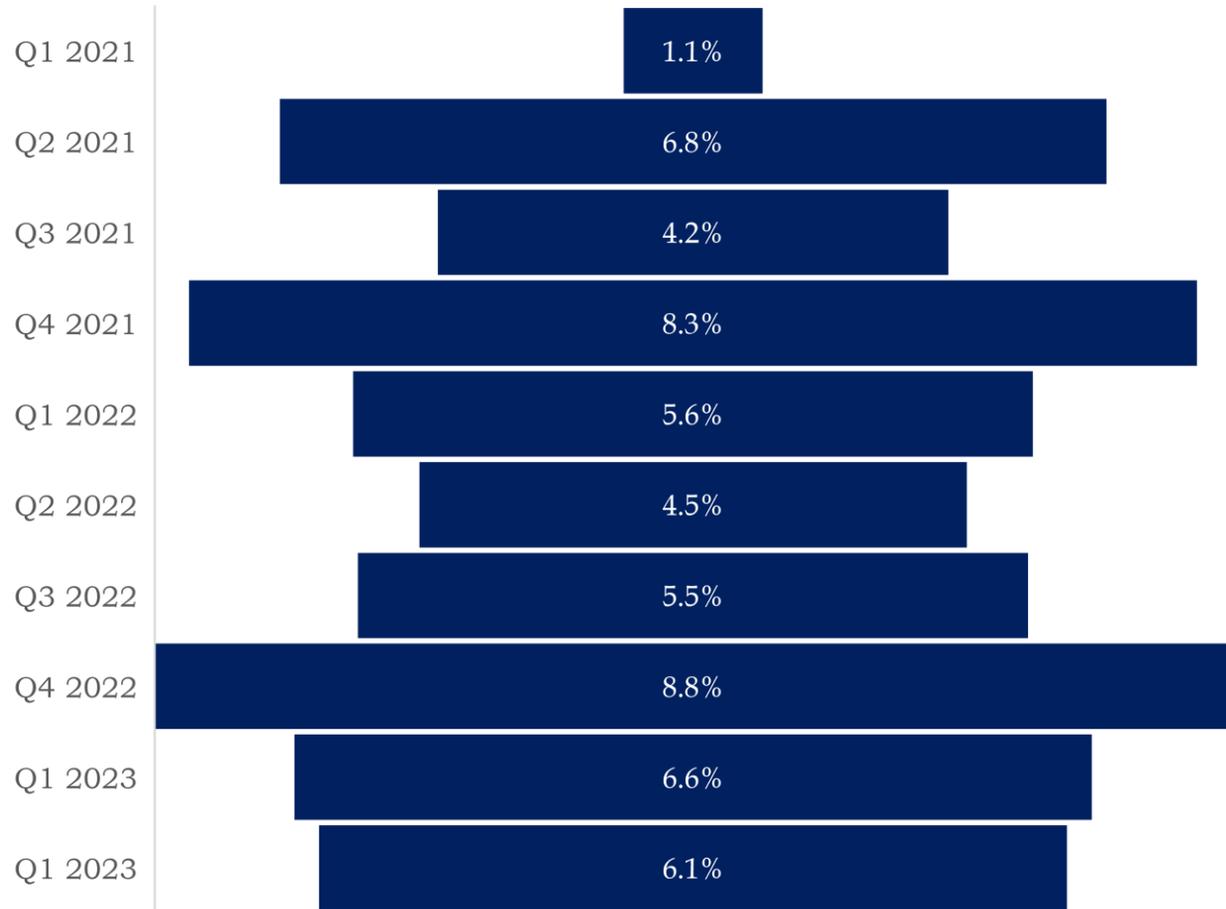
	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2
External Debt (%)	38.3	21.3	6.7	290.9	76.1	33.9
Domestic Debt (%)	-18.3	-12.4	92.2	16.7	-30.2	13.4
Total Public Debt (%)	-15.7	-9.6	78.6	22.2	-22.2	15.7

External Debt (%) Domestic Debt (%) Total Public Debt (%)

There are subsequent spikes and fluctuations in the first half of 2022 and 2023. More so, the analysis of public debt growth in the State reveals fluctuating trends, with a notable increase in external debt in 2022Q4. While domestic debt experienced a reduction initially, it rebounded in the second quarter of 2023. The overall total public debt demonstrated a decline initially but surged in the second quarter, largely attributed to substantial infrastructure development. Caution is advised in monitoring this growth for potential implications on debt service and repayment.



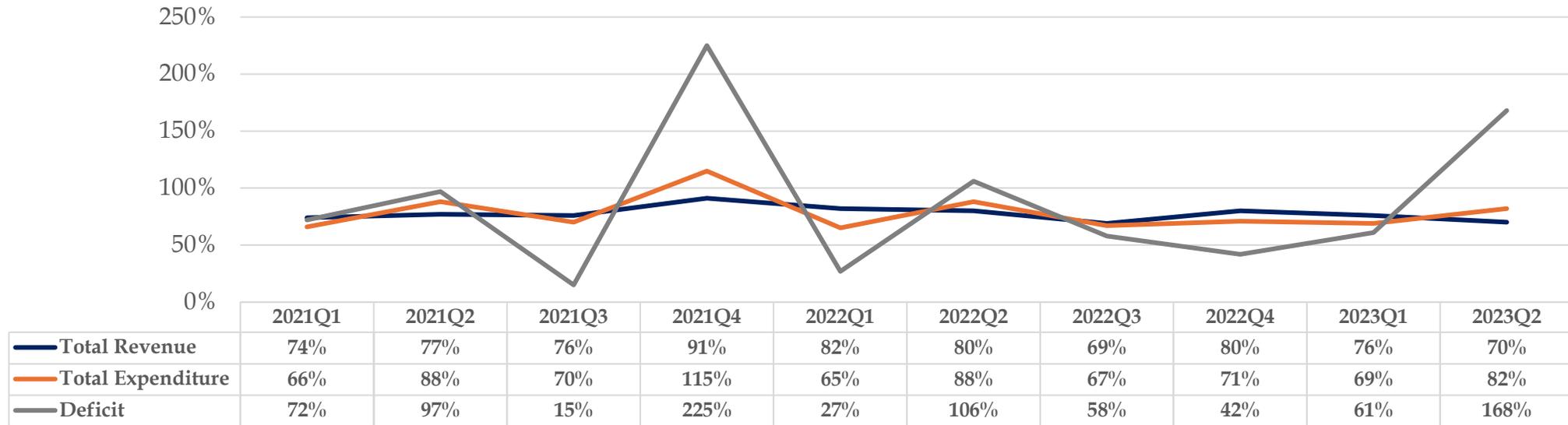
Trend of public debt service (as a percentage of Total revenue)



- Over ten consecutive quarters, the state has maintained a debt service-to-total revenue ratio consistently below 10%, well below the World Bank's recommended threshold of 22.5%.
- The government's adept management has led to a reduction in debt, contributing to enhanced financial sustainability and aligning with the overarching goal of transforming the state into a global megacity
- This aligns with the government's commitment to driving inclusive development and fortifying the state's stature as a global economic hub.
- The commendable debt sustainability achieved thus far underscores the state's fiscal resilience and bolsters its capacity to pursue ambitious developmental objectives.



Performance of Budget composition



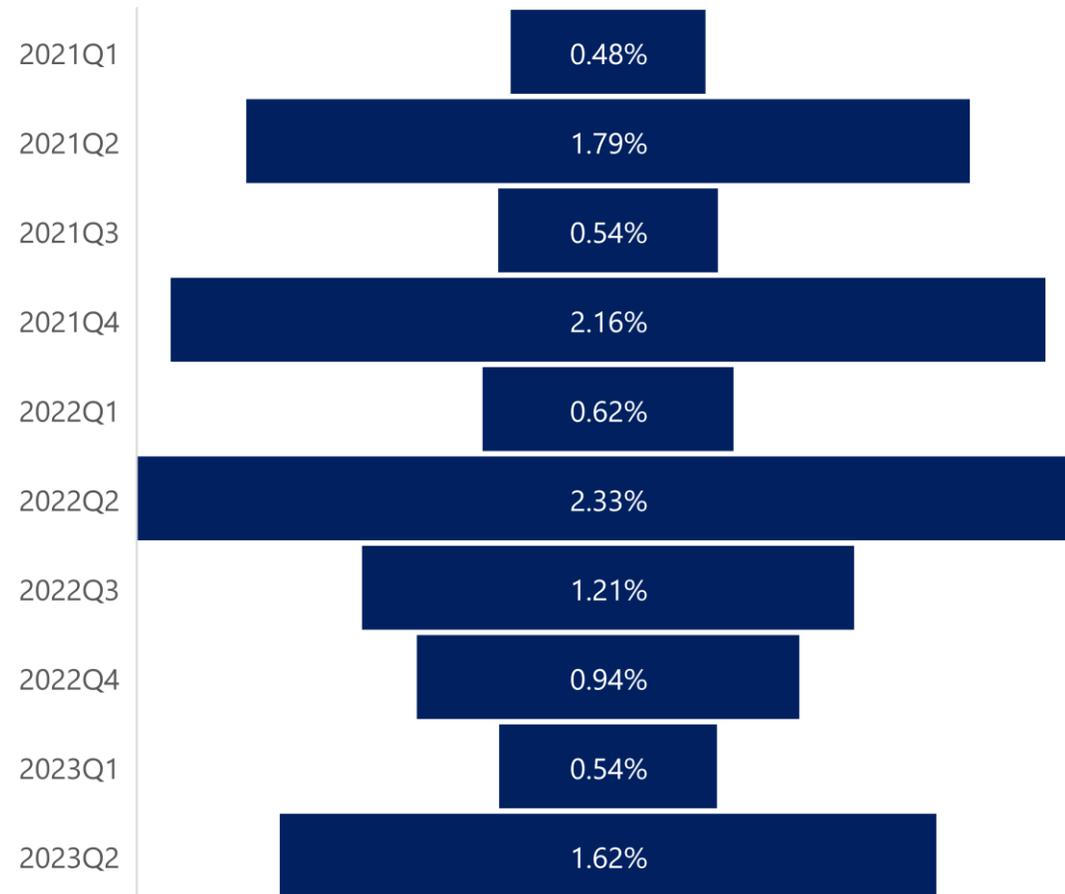
— Total Revenue — Total Expenditure — Deficit

Data Source: LMEPB

The robust performance in total expenditure is chiefly driven by the allocation to capital projects, emphasizing the State's commitment to fostering economic development through targeted investments.



Trend in deficit (as a % of GDP)

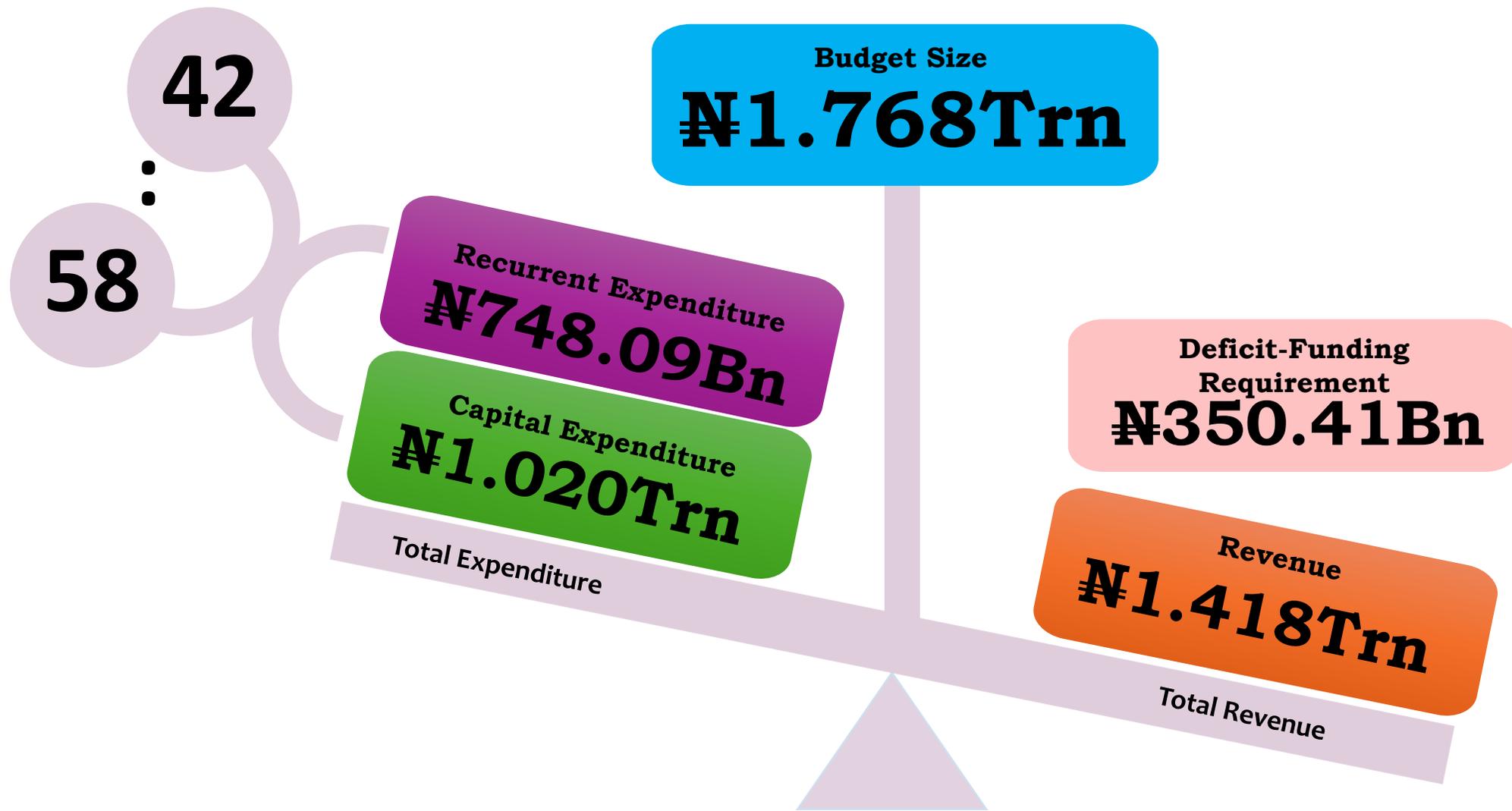


Data Source: LMEPB

- The State's commitment to sustaining a deficit-to-GDP ratio below the stipulated threshold is indicative of a robust and well-managed economy.
- This prudent fiscal stance positions the government favourably, enabling it to address existing debts effectively.
- The state is proactively taking measures to further curtail the budget deficit.

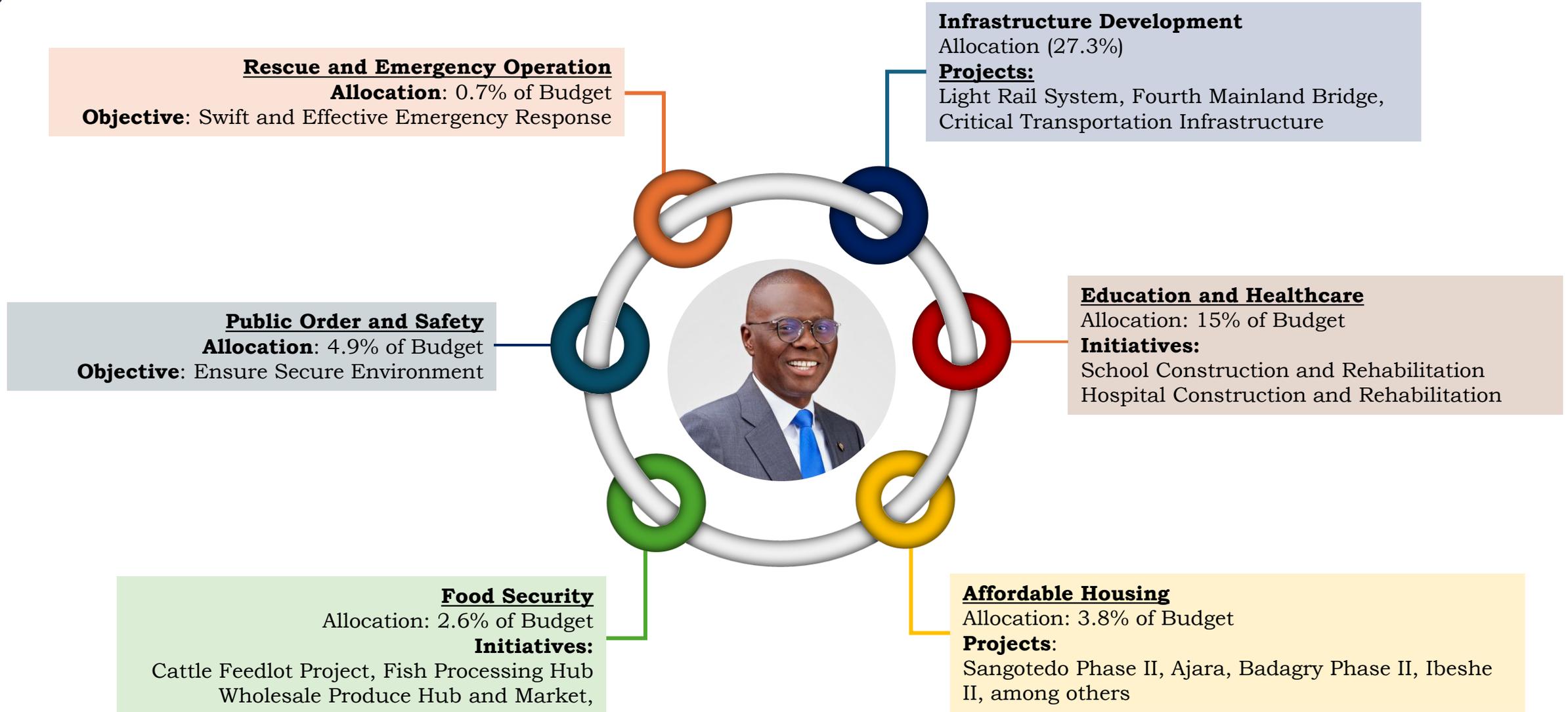


Y2023 Budget Allocation





Key Sector Priorities





Key Sector Priorities

Road Infrastructure

- Progress on Road Construction and Rehabilitation Projects:
- Over 1,600 roads constructed and rehabilitated.
- 141 new roads spanning 700 kilometers.
- Highlights of Major Road Projects Completed or Underway.

Alleviating Traffic Congestion and Enhancing Commute Times.

Transportation Enhancements

- Deployment of Various Public Transport Options:
- 1300 BRT Buses
- 1000 Medium Capacity Buses
- 500 Last Mile Business
- Around 1000 LagRide Taxis
- Introduction of Electric Mass Transit Buses with Oando PLC Collaboration
- Commissioning of Inaugural Phase of Blue Line Rail and Progress on Red Line Rail

Improvement in smooth and daily movement of large number of passenger

Waterway Improvements

- Commissioning of Multiple Jetties with Waiting Shelters.
- Expansion of Ferry Fleet from 6 vessels to 21, with an additional 10 vessels poised for deployment.
- Transportation of 1.8 million passengers on a monthly basis.

Contribute to Smoother Journeys Along Waterways and Overall Transportation Efficiency

Healthcare Advancements

- Establishment of Key Healthcare Infrastructure:
- Construction of Hospitals and Mental Health Facilities
- Renovation and Remodeling Initiatives at Healthcare Facilities
- Improvements in Emergency Response Measures and Medical Staff Accommodation

Enhance Healthcare Accessibility and Quality of Care

Educational Initiatives

- Upgrading of Public Schools and Recruitment of Teachers
- EKO EXCEL Program and Digital Skills Initiative:
- Training Programs for Teachers and Pupils
- Distribution of Personal E-Learning Devices and Textbooks

Contribute to Educational Standards and Technological Literacy





Key Sector Priorities

Women's Empowerment and Technological Advancements

- Support for Women's Empowerment Programs and Collaboration with Industry Entities
- Technological Advancements in Printing Industry and Inauguration of Lagos International Financial Centre Council

Contribute to Economic Growth and Job Creation

Industrialization and Environmental Programs

- Completion of GAC Car Assembly Plant and Participation in Global Environmental Programs
- Impact on Industrial Growth, Job Creation, and Environmental Sustainability

Government's Commitment to Holistic and Sustainable Development

Economic Relief Programs

- Food Bank Program and Transportation Cost Reduction
- Lagos Market Trader Money Scheme:
- Business Grants for Traders

Alleviating Economic Challenges and Empowering Small Businesses

Circular Economy and Deep-Sea Port

- Introduction of Circular Economy Hotspot and Commissioning of Deep-Sea Port
- Impact on Economic Growth, Job Creation, and Long-Term Material Use

Government's Dedication to Sustainable Economic Development

Housing and Entertainment Sectors

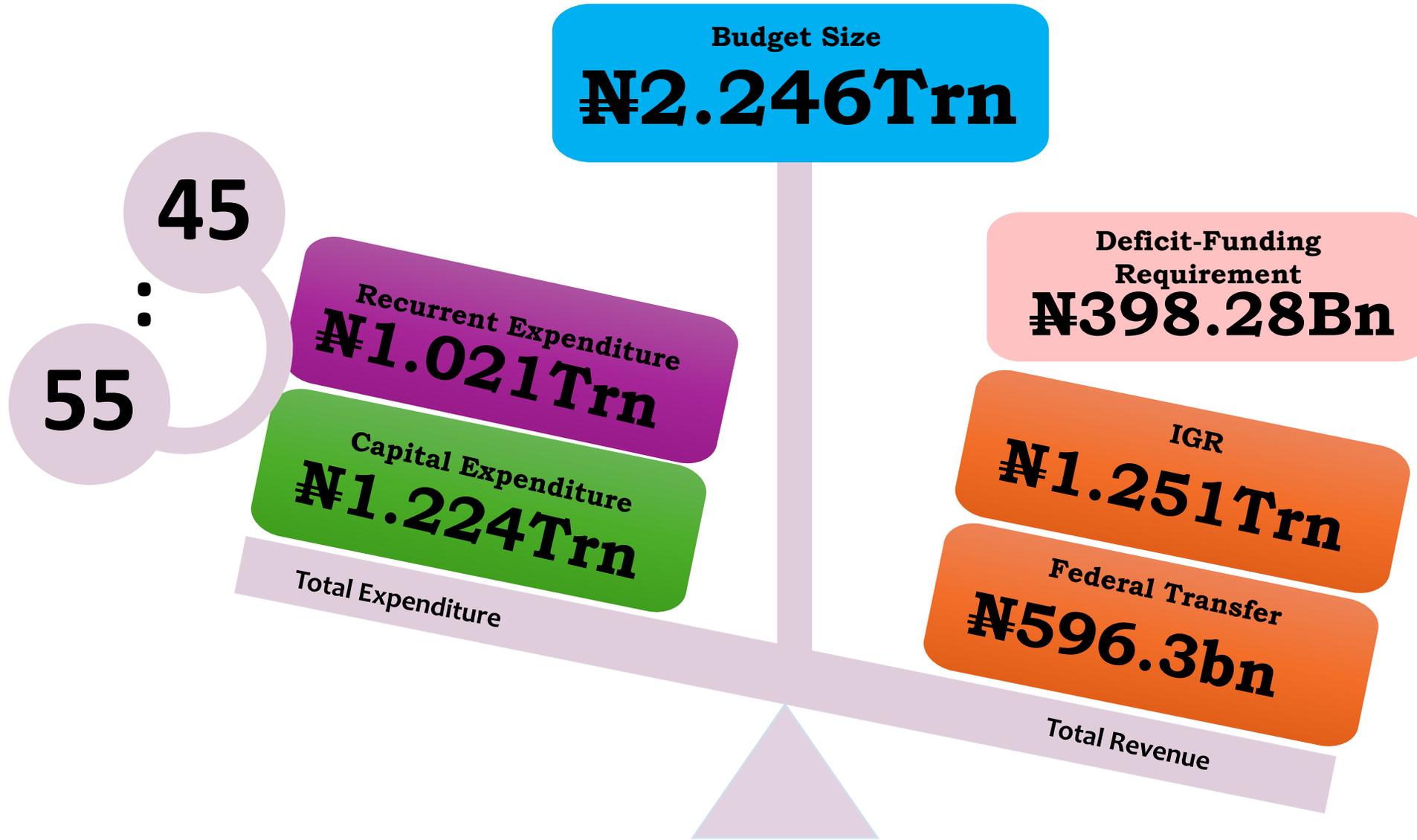
- Unveiling of Greenwich Gardens and Affordable Housing Initiatives
- Inauguration of Lagos Film City and Cultural Preservation Efforts

Housing Accessibility and Promotion of Cultural Heritage





Y2024 Budget Allocation



Sectoral Allocations

- Economic Affairs: 23.8% (N535 bn)
- Education: 8.9% (N199 bn)
- Health: 6.9% (N156 bn)
- Environment: 4.2% (N94 bn)
- Social Protection: 2.2% (N50 bn)
- Security: 3.7% (N84 bn)



Economic Growth to Remain Strong

8%

- This upswing is expected to stem from the commendable performances in the agriculture, industry, and service sectors, with estimated growth rates of 18.7%, 12.8%, and 20.5%, respectively.
- The substantial allocation to public investment is poised to fortify economic expansion within the state. The commendable track record of budget performance in public investment is anticipated to persist, fostering increased private investment from both domestic and international investors.

Persistence of inflation

33.1%

- The prevailing inflationary pressures in the State is projected to endure throughout the second half of 2023 and continue to 2024
- The persistent devaluation of the naira is poised to amplify inflation by raising input prices and production costs stemming from imported inflation.

Effectiveness of Fiscal policy

- The budget execution has demonstrated a commendable performance, with 78% of the 2023 budget implemented as of the third quarter.
- Specifically, N1.03 trillion has been executed out of the prorated estimate of N1.33 trillion. At a more detailed level, 80% of the capital expenditure has been realised, totaling N613.52 billion out of the budgeted N764.93 billion. .



Part Two

Business, Socio-economic and Infrastructure Developments

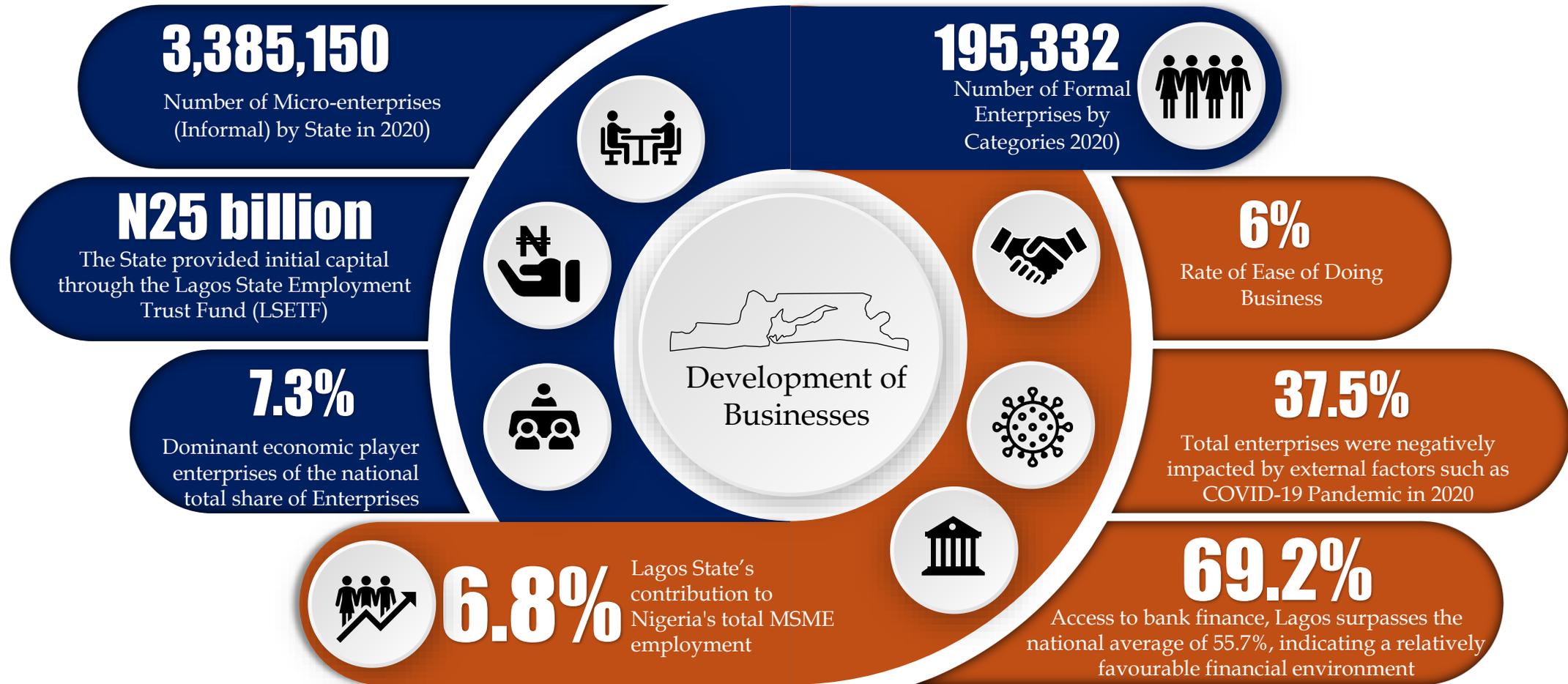
7. Development of Businesses

8. Socio-Economic Development

9. Infrastructure Development



Micro Small and Medium Enterprises



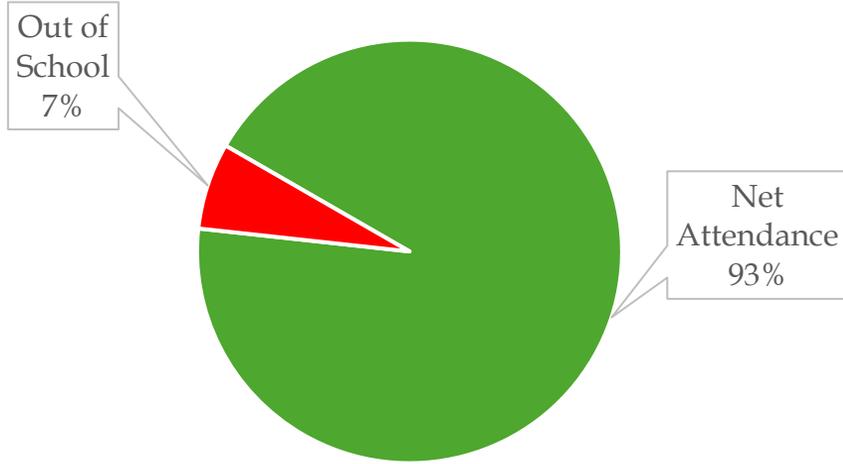
Source: NBS/SMEDAN 2021 MSME Survey Report

Lagos's key role in fostering formal economic activities and underlines the need for targeted strategies to sustain and replicate such success in other states. The diversity in enterprise categories in Lagos suggests a well-rounded economic environment, setting a precedent for inclusive growth and development in other states.

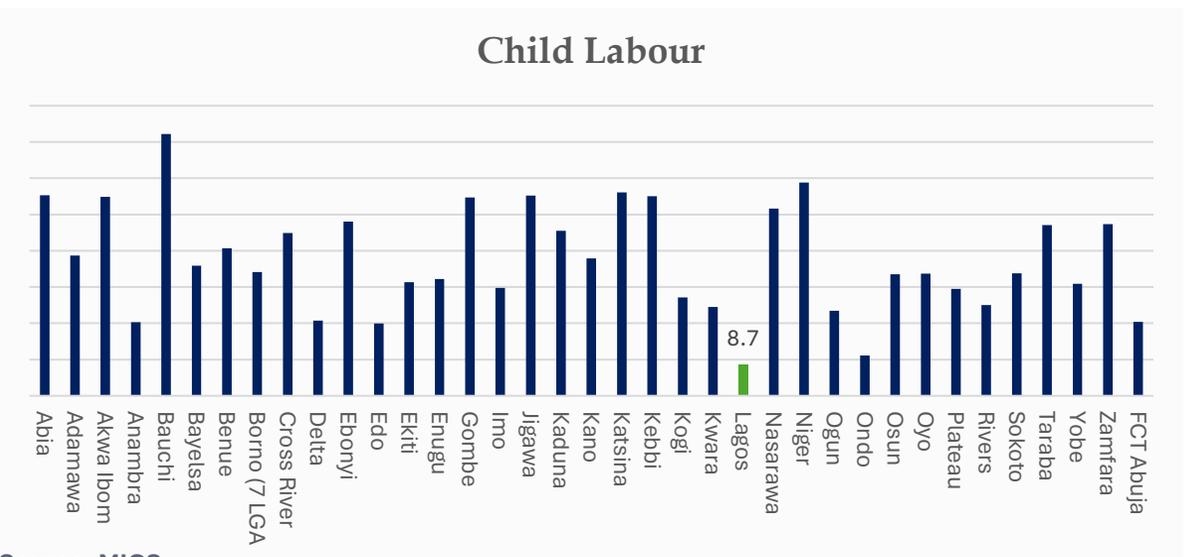


Education

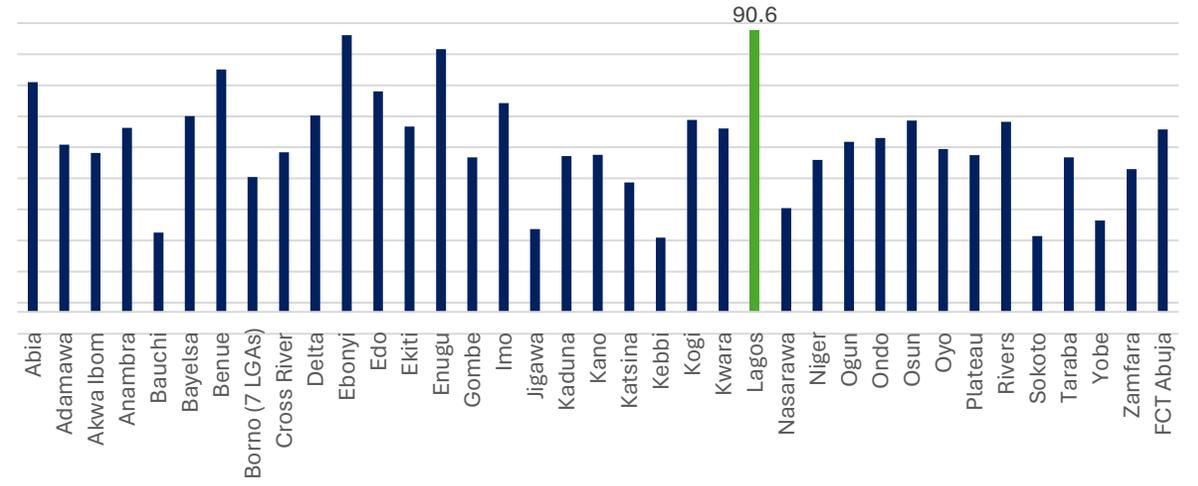
School Attendance



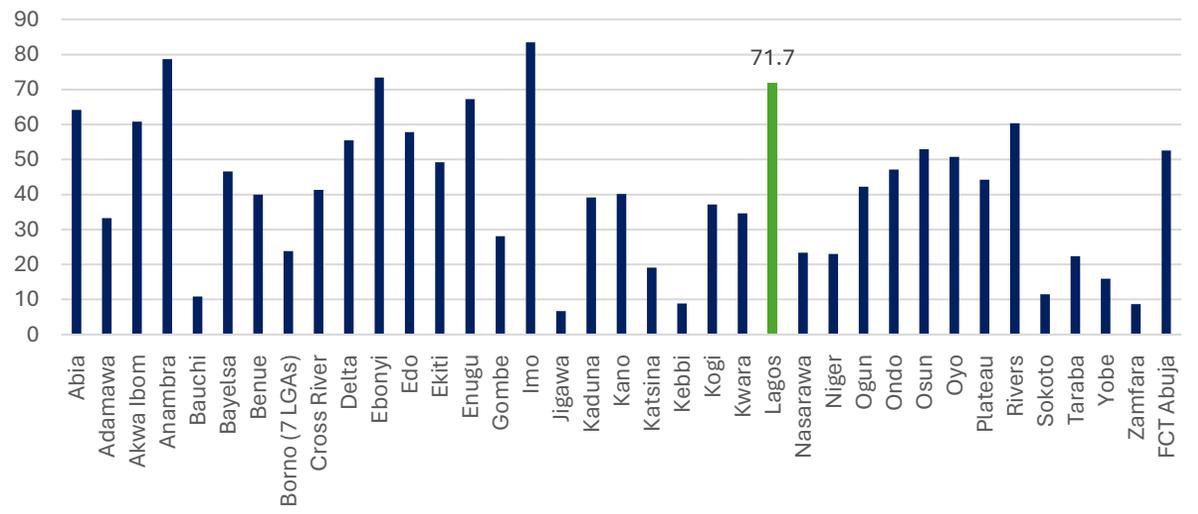
Child Labour



Literacy Rate (Men)



Literacy Rate (Women)



Source: MICS



Health



Neonatal Mortality Rate

11 Below the Sustainable Development Goals (SDG) target of 12 deaths per 1000 live births



Under-five Mortality Rate

15 Below the Sustainable Development Goals (SDG) target of 25 deaths per 1000 live births



Vaccination Records

84 Lagos demonstrates a commendable vaccination rate suggesting the efficacy of vaccination programs and comprehensive healthcare outreach



Health Insurance Coverage

8.6 This rate is exceptionally high which indicates robust vaccination programs and heightened community participation

Lagosians benefit from the Lagos State Health Scheme. This strategic imperative aligns with the broader goal of fostering inclusive healthcare access and strengthening the effectiveness of health insurance mechanisms across the State.

Source: MICS



Digital Infrastructure

97.2%



Distribution of Mobile Phone Usage

The exceptional mobile phone usage in Lagos highlights the paramount role of the state as the country's economic, commercial, and technological hub. The State is behind Abuja and Anambra both at 97.4%

22.4%



Distribution of Computer Usage

This underscores the significant digital footprint in Lagos, indicative of a well-developed technological infrastructure and a populace actively engaged in computer usage.

65%



Internet Accessibility

Lagos State emerges as the leader in Nigeria. The prevalence of high rates signifies an encouraging trend in internet connectivity, reflective of urbanization and technological integration.

18.3%



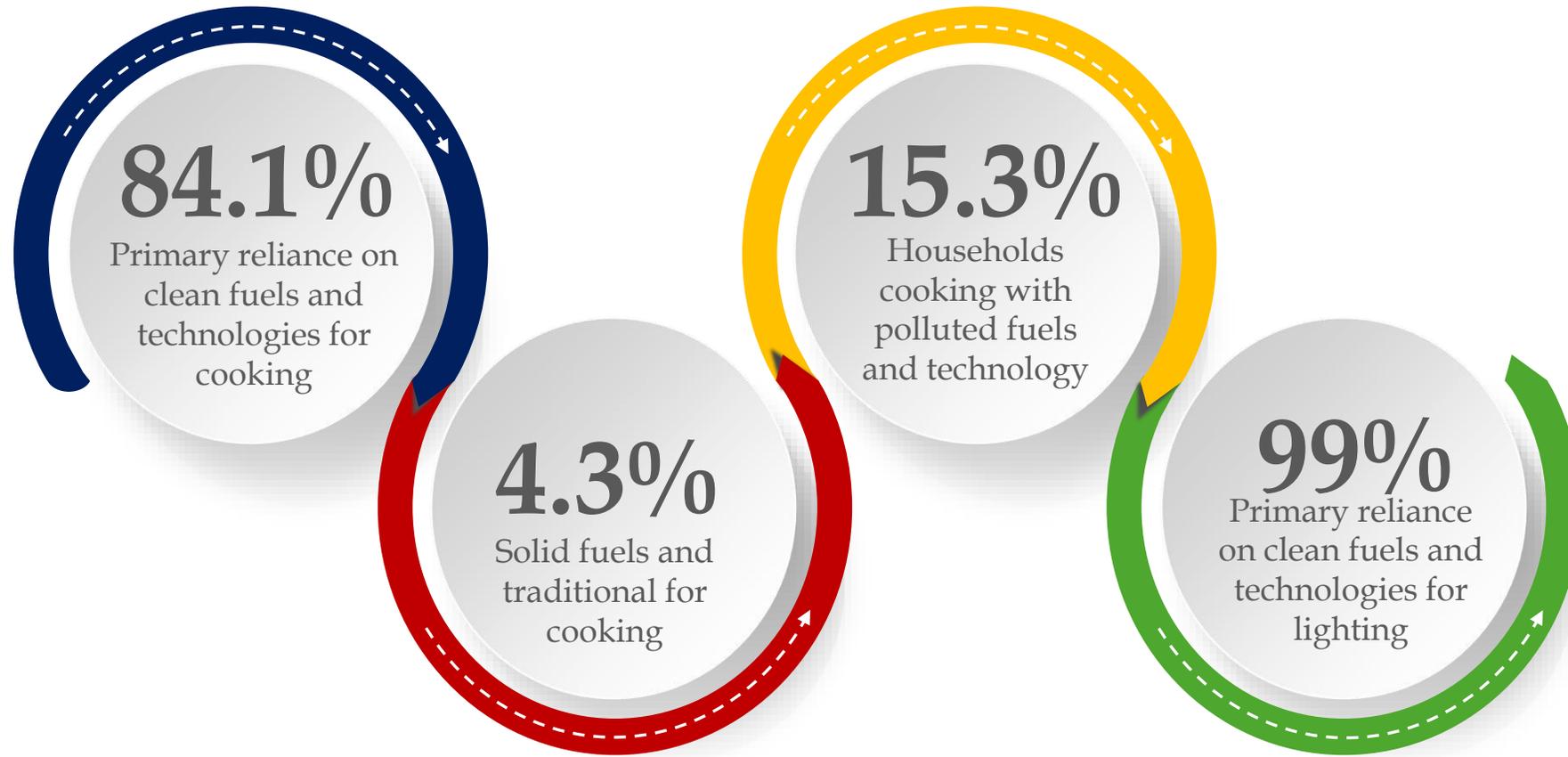
ICT skills

Lagos asserts its dominance in (ICT) skills, particularly in the utilization of digital devices for sending email-attached files, encompassing documents, pictures, and videos. Lagos emerges as a notable technological hub.



Energy

This signifies a well-developed infrastructure and widespread accessibility of clean energy, indicative of concerted governmental efforts to promote clean energy and cultivate an environment conducive to the prosperity of Lagosians



Source: MICS



Part Three

What next?



The following Ministries should focus on:

A. Lagos Internal Revenue Service and Ministry of Finance (Valuation Office)

1

Public investment Optimisation

- Optimize government investments to boost internally generated revenue without overburdening the populace and businesses.
- Actively participate in associated benefits (by capturing resulting value) from infrastructure projects like roads, rail, and water aimed at stimulating economic activities.

2

De-dollarisation and re-dollarisation Initiatives

- Move towards de-dollarization of the Lagos State economy by discouraging the practice of quoting sale prices and school fees in US Dollars.
- Require foreign airlines selling tickets in US Dollars to pay their obligations in the same currency, especially for expenses incurred locally.



B. Ministry of Finance and Ministry of Economic Planning and Budget

3

Debt Management Strategy

- Mitigating crowding-out effects by implementing measures to moderate domestic debt levels through to prevent the crowding-out effect on essential private investments.
- Enhancing revenue mobilization by expanding the array of options for domestic revenue mobilization to decrease reliance on domestic debt as a source of funding.
- Striving for fiscal balance or surplus through evaluation of the possibility of transitioning towards a balanced or surplus budget by enhancing revenue diversification efforts.

4

Promoting Capital Importation:

- Capital importation declined significantly in post-COVID-19, emphasizing the need for proactive measures to attract foreign investments rather than credit.
- Government initiatives, such as signing a Memorandum of Understanding with the Nigerian-Arabian Gulf Chamber of Commerce, and global support for long-term funding to address water shortage,
- demonstrate commendable steps.
- Collaborations with international entities like Dubai Chamber International and Daewoo Engineering and Construction Nigeria Limited are expected to revitalize capital inflows.
- Sustaining these efforts is crucial to ensure a conducive environment for foreign businesses, fostering long-term and consistent investor attraction..



C. Land Bureau and Ministry of Physical Planning and Urban Development

5

Real Estate Asset Optimization

- Focus on growing the number of undocumented real estate assets by establishing a time frame (6 to 12 months) for discounted documentation.
- Fast-track the process of issuing Certificates of Occupancy to convert dead real estate assets into commercial and bankable assets.
- Accelerate the registration of such assets in the official register to confirm them as revenue sources.

D. Ministry of Works and Infrastructure

Infrastructure Development:

6

- Embrace public-private partnership arrangements to leverage benefits from substantial public investments.
- Expand the scope of infrastructure development to integrate rural areas into the state's development process.



E. Ministry of Agriculture

7

Agricultural Improvement

- Concede the trade-offs between urbanization and agriculture due to expansive real estate projects encroaching on traditional farming lands.
- Meticulously ensure equitable land distribution to strike a balance between urban development and preserving space for crucial agricultural activities.
- Allocate land resources judiciously to optimize agricultural productivity and facilitate storage expansion.
- Align substantial government investments in agriculture with efforts to fortify food security, emphasizing the strategic use of land resources.

8

Taming Rising Prices:

- State government has initiated efforts to provide palliatives to mitigate the ripple effect of rising prices. Expansion and sustainability of these interventions are crucial to effectively alleviate the impact of high price levels.
- Commendable policy interventions in agriculture are expected to positively influence food prices. However, government must ensure the sustainability of these interventions to consistently address the challenges posed by rising prices.



F. Ministry of Commerce, Industry and Cooperatives

9

Strengthening Ease of Doing Business

- Ongoing efforts to enhance the ease of doing business are in progress, but further improvements are crucial for unlocking full business potential.
- Key areas for refinement encompass tax policies, business start-ups, contracts enforcement, and land and property acquisition and development.
- Collaboration with the Presidential Committee on Fiscal Policy and Tax Reforms, aiming to harmonize the tax structure, fostering business confidence and expansion.
- Complete the collaboration to eradicate multiple taxes and rebuild investor confidence, achieving a logical and conclusive resolution.
- Commendable introduction of the small claims court by the state judiciary, in collaboration with the Presidential Enabling Business Environment Council, requires broader implementation for expediting commercial dispute resolution.
- Commendable policy interventions in agriculture are expected to positively influence food prices. However, government must ensure the sustainability of these interventions to consistently address the challenges posed by rising prices.

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the Way for a 21st Century Economy



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PLANNING AND BUDGET,
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Economic Intelligence Department