

Dutch Disease and Industrial Development: An Investigation of the Determinants of Manufacturing Sector Performance in Nigeria

Authors : Kayode Ilesanmi Ebenezer Bowale, Dominic Azuh, Busayo Aderounmu, Alfred Ilesanmi

Abstract : There has been a debate among scholars and policymakers about the effects of oil exploration and production on industrial development. In Nigeria, there were many reforms resulting in an increase in crude oil production in the recent past. There is a controversy on the importance of oil production in the development of the manufacturing sector in Nigeria. Some scholars claim that oil has been a blessing to the development of the manufacturing sector, while others regard it as a curse. The objective of the study is to determine if empirical analysis supports the presence of Dutch Disease and de-industrialisation in the Nigerian manufacturing sector between 2019- 2022. The study employed data that were sourced from World Development Indicators, Nigeria Bureau of Statistics, and the Central Bank of Nigeria Statistical Bulletin on manufactured exports, manufacturing employment, agricultural employment, and service employment in line with the theory of Dutch Disease using the unit root test to establish their level of stationarity, Engel and Granger cointegration test to check their long-run relationship. Autoregressive. Distributed Lagged bound test was also used. The Vector Error Correction Model will be carried out to determine the speed of adjustment of the manufacturing export and resource movement effect. The results showed that the Nigerian manufacturing industry suffered from both direct and indirect de-industrialisation over the period. The findings also revealed that there was resource movement as labour moved away from the manufacturing sector to both the oil sector and the services sector. The study concluded that there was the presence of Dutch Disease in the manufacturing industry, and the problem of de-industrialisation led to the crowding out of manufacturing output. The study recommends that efforts should be made to diversify the Nigerian economy. Furthermore, a conducive business environment should be provided to encourage more involvement of the private sector in the agriculture and manufacturing sectors of the economy.

Keywords : Dutch disease, resource movement, manufacturing sector performance, Nigeria

Conference Title : ICIME 2023 : International Conference on Industrial Management and Economics

Conference Location : London, United Kingdom

Conference Dates : September 18-19, 2023