

## Economic Commentary

### Employment Numbers Hit the Bottom, Unemployment Rate Rose to 27.1%

- Overall employment declined by 11.1 million in Q2 20 compared to Q3 18
- Unemployment rate increased 398bps to 27.1% in Q2 20
- Female unemployment surged 1.4 million compared to the decline in Male unemployment of 559,061.

The Nigerian Bureau of Statistics (NBS) published the long awaited Nigerian Labour Market Statistics this morning. The data provided little information for comparability, with the Q2 2020 data only comparable with the Q3 2018 numbers published in December 2018. As such, estimating the cost of economic disruptions occasioned by Covid-19 will be largely impossible, as we cannot estimate the level of improvement/contraction in employment since the Q3 2018 numbers were published.

The data showed that overall employment declined 11.1 million between Q2 20 and Q3 18 to 58.5 million. Interestingly, the labour force population declined over the same period by 10.1 million to 80.3 million people (indicating a decline in labour force participation rate by 6.89% to 71.4%), with the unemployment rate over the same period rising by 837,000 to 21.8 million people. The data showed a 398bps jump in the unemployment rate to 27.1% in Q2 2020 compared to 23.1% in Q3 2018 and the underemployment rate also expanding by 844bps to 28.6% when compared to the Q3 18 number of 20.1%.

Data Summary (%)	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q2 2020
Total Employed ('000)	68,866	68,955	69,166	69,543	58,527
Underemployed	20.5%	20.2%	20.1%	20.1%	28.6%
Unemployment	20.4%	21.8%	22.7%	23.1%	27.1%
Labour Force Participation	77.2%	77.9%	78.3%	78.3%	71.4%
Urban Unemployment	18.7%	20.2%	21.5%	21.2%	25.4%
Rural Unemployment	21.1%	22.7%	23.3%	23.9%	28.0%
Youth Unemployment	26.6%	29.0%	30.5%	29.7%	34.9%
Youth Underemployment	26.4%	26.1%	25.6%	25.7%	28.2%

Source: NBS, NOVA Research

The data showed an increase in Urban unemployment by 1.6 million to 7.3 million people, which in our view reflects the shutdown of some services like retail, hospitality and restaurants in urban areas. While Rural unemployment, which is largely agrarian was less affected by the associated lockdown of economic activities as seen in the urban areas. However, we note the impact conflicts and the restriction of supplies of essential commodities could have had on herding/pastoral activities. Rural unemployment fell by 805,474 to 14.5 million people. Elsewhere, youth unemployment rose to the highest level, increasing 841,259 to 13.97 million people, with

underemployment within the same group as high 11.3 million people (a decline of 85,885 compared to Q3 18). The breakdown by educational group showed that the largest increases in unemployment was from the Secondary school group, which rose 1.96 million to 9.5 million people in Q2 20. Followed by the Post-secondary group which recorded an increase of 955,209 over the same period, dominated BA/BSc/Bed/HND group which recorded increase of 1.35 million. Unemployment rate among the youth (15-34) and middle age (35-44) rose 841,259 and 635,236 to 13.97 million and 4.1 million respectively. The classification by gender showed the increase in unemployment rate was largely dominated by the female group. While Male unemployment declined by 559,061, Female unemployment surged 1.4 million over the same period.

Given the absence of comparative data for 2019 and even Q1 2020, we find it difficult to quantify the rate of actual increase in the unemployment rate as it relates to economic events over the period. But based on our estimate of a contraction in GDP by 6.6% YoY in Q2 20, we believe the number reflects a contraction in GDP of employment elastic/labour intensive sectors such as construction, transportation, manufacturing and real estate.