

# Petroleum Production and Economic Performance of the Niger Delta Region in Nigeria

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## Overview

Nigeria ranks among top 15 nations endowed with crude oil and natural gas reserves majorly deposited in the Niger Delta region. The region produces about 80% of the petroleum production in the country. The economic impact studies of petroleum extractive activities in developing nations have been limited as concentration of these studies have been solely at the national level. However, recent studies on the economic impacts of petroleum production in developed nations have shown that mineral resource extractive industry, though an enclave industry generates multiplier effects for producing regions or states that stimulate economic growth. Hence, the purpose of this paper is to evaluate the economic impact of petroleum extraction on the producing region in Nigeria. This study is directed at evaluating the general assertion, that there is no linkage between petroleum industry and economic growth in Nigeria. The debates on the linkages of the petroleum industry to the national economic growth have been largely conclusive with the assertion of a non-linkage. However, this assertion has remained generally inconclusive for a sub- regional or state economy in Nigeria.

## Methods

This paper employs a static panel data model to ascertain the impact of petroleum extraction on economic performance of producing region in Nigeria.

## Results

The study reveals that petroleum extraction activities contribute significantly to the overall gross domestic product of the producing subregions in Nigeria. This significant impact is found to be largely driven by the value of petroleum extraction but no valid evidence of a direct impact on the non-oil gross domestic product. The extraction activities also has a significant positive impact on the gross revenue of producing subregions, hugely driven by petroleum windfall in form of derivation fund that accrues to producing regions. However, these extraction activities has no significant impact on the internally generated revenue of the producing subnational, which infers that the benefits from petroleum activities at the subnational revenue accrues only through resource windfall.

## Conclusions

Petroleum extraction, through its resource windfall yields significant benefits for producing subregions in Nigeria, which when properly harnessed can stimulate economic growth for these subregions and the nation at large. Hence, subregional government spending of the resource windfall, should be aimed at key economic sectors that can enhance economic growth.

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