



discretionary income
NIGERIA



Disclaimer

The data contained in this report is only up-to-date as at Friday, 2 August 2019. Some of it is subject to change during the natural course of events. SB Morgen cannot accept liability in respect of any errors or omissions that may follow such events that may invalidate data contained herein.

Our researchers employed methods such as one-on-one interviews and desk research to collate the available data. Our editors sifted through the data and prepared the report, using various proprietary tools to fact-check and copy edit the information gathered.

Our publicly released reports are formatted for easy and quick reading, and may not necessarily contain all the data that SB Morgen gathered during a given survey. Complete datasets can be made available on request.

All forecasts were built using data from a variety of sources. A baseline of accurate and comprehensive historic data is collected from respondents and publicly-available information.

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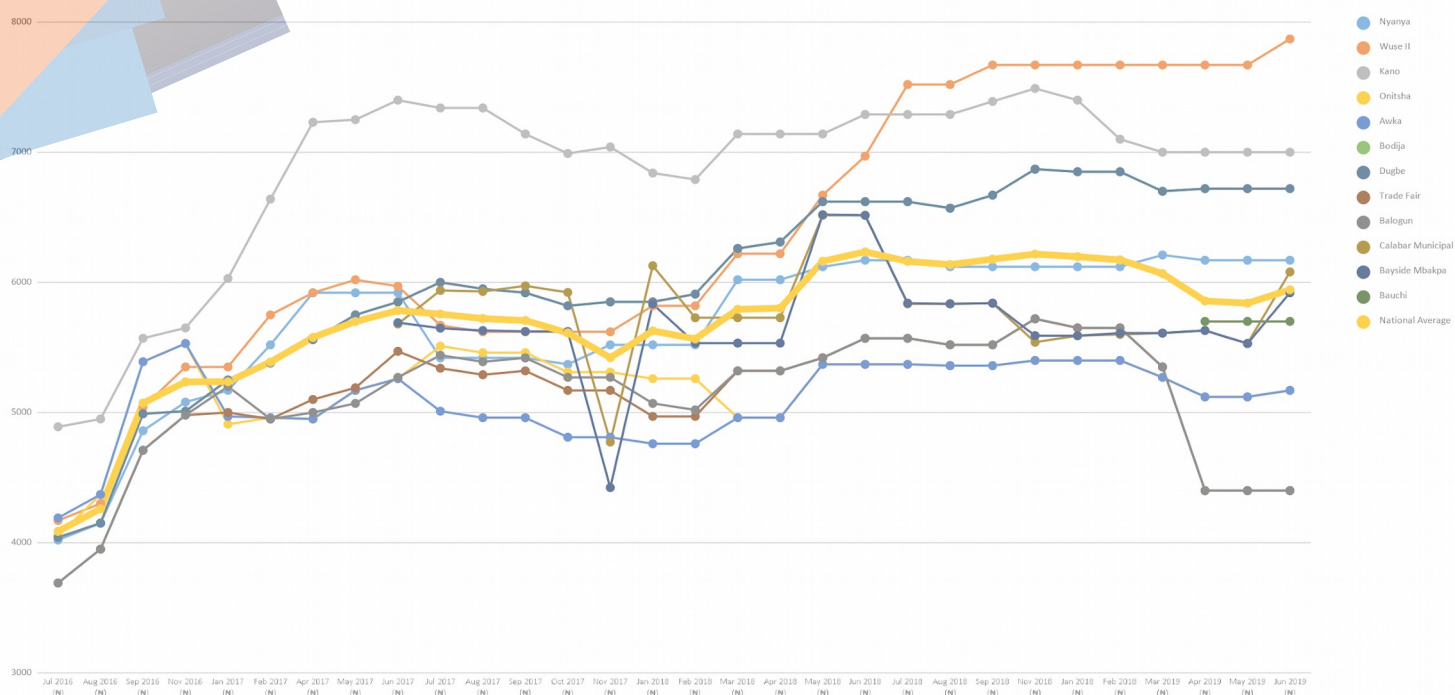


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Background

One question that our organisation gets asked regularly is what the size of Nigeria's market is. Many marketing brochures talk about a total population pushing 200 million people, but neglect to talk about the effective purchasing power of each of those people. Market size is really what people are able to buy once they get past spending on the essential commodities – except your product is one of those essential commodities.

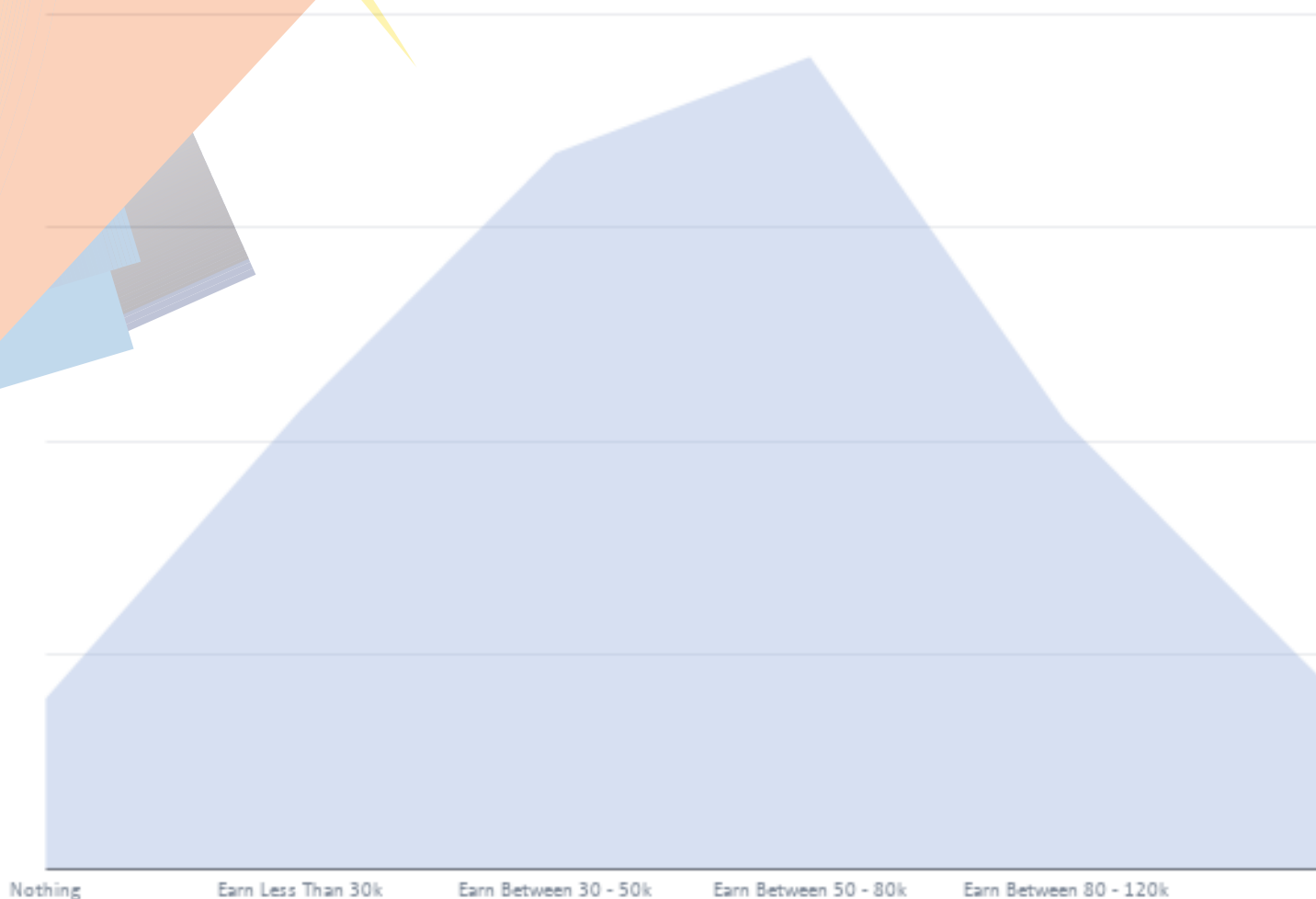
Jollof index 3 Year TREND



In collating our quarterly Jollof Index data over three years from July 2016 to June 2019, we have observed that majority of Nigerians spend a high percentage of their income on food, in line with data from Euromonitor which puts it at 58% in 2018. In July 2019, SBM decided to test this out and embarked on a survey that took us to Ibadan, Suleja, Abuja, Kaduna, Kano, Jos, Makurdi, Port Harcourt, Owerri, Onitsha, Warri, Benin City and Lagos.

Income

Income Distribution



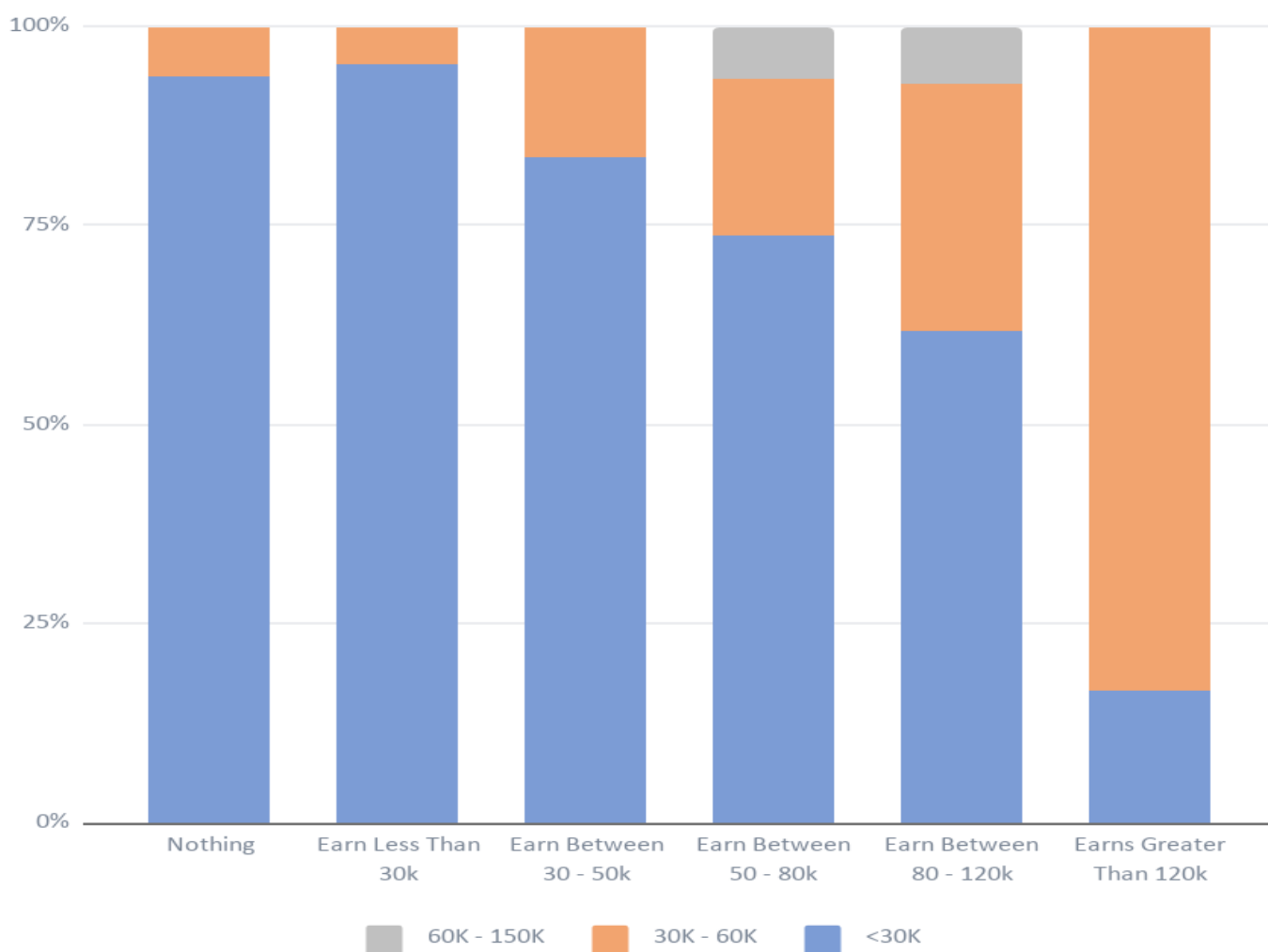
We sought to know the income distribution of our 1,633 respondents. The income distribution follows a normal Bell Curve as can be expected in such a random survey. 7% of our respondents earn more than ₦120,000 per month, while 6% of them earn nothing. The largest concentration of respondents (29%) earned the median range of between ₦50,000 and ₦80,000 per month while the bulk of respondents (a total 71%) earn their income in the three salary ranges that encompass ₦30,000 per month and ₦120,000 per month).

16% of our respondents earn less than the new minimum wage of ₦30,000 per month.

Spending

Based on these income distributions, the next thing we attempted to find out was what proportion of their wages, respondents within the various income distributions spent on food. 94% of those who earn nothing, presumably mainly young people, spend less than ₦30,000 a month on food, while the rest spend between ₦30,000 and ₦60,000 a month on food. For those earning less than minimum wage, the proportion of those who spend less than ₦30,000 monthly on feeding is 95%, which is natural as such people have to find a way to fit in their expenditures into their earnings. Among this class, there is 5% of them who spend more than they earn on feeding.

Spending on Food By Income Distribution



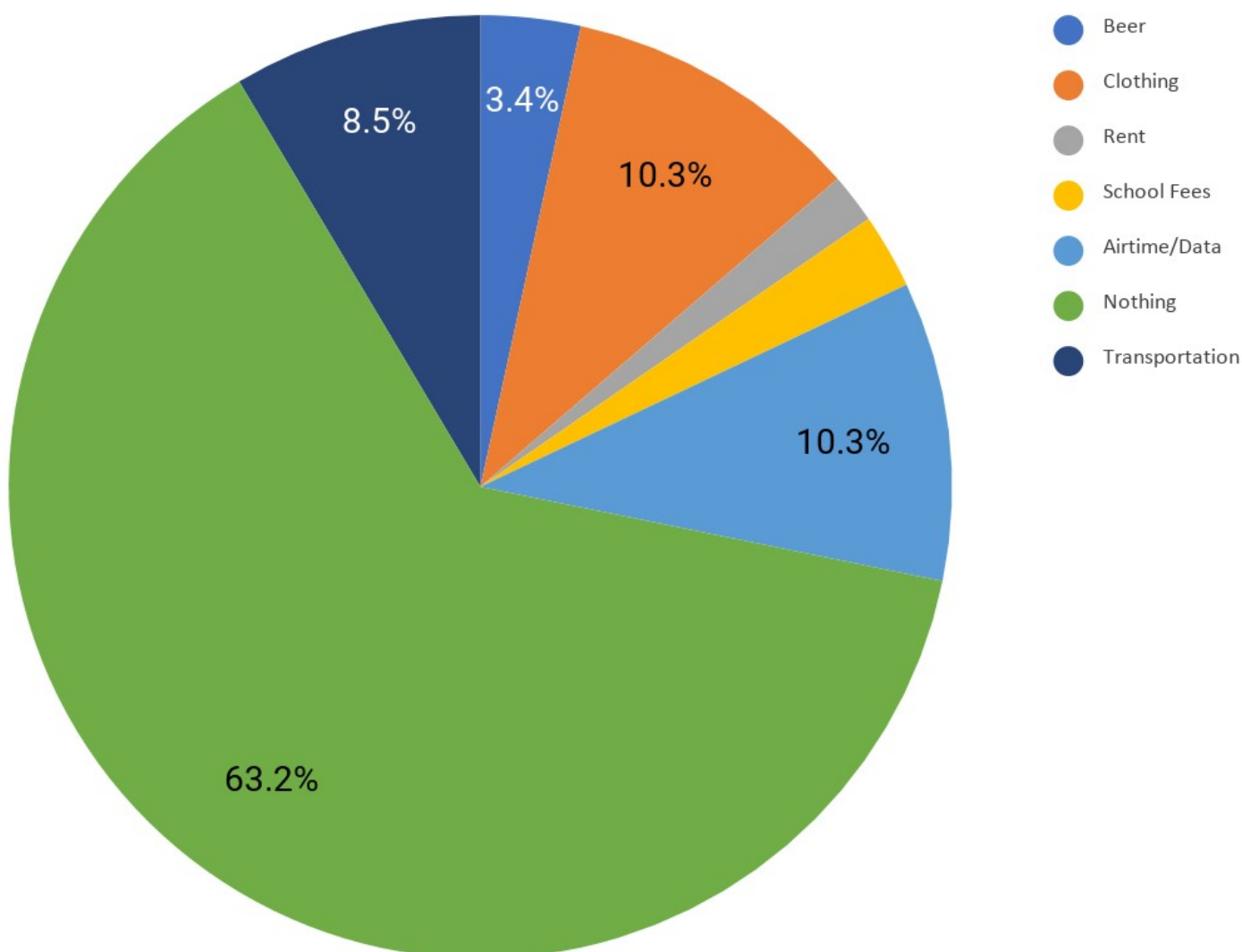
For people who earn slightly above the national minimum wage (₦30,000 to ₦50,000 a month), the proportion who spend less than ₦30,000 per month feeding is 84%, while 16% spend between ₦30,000 and ₦60,000 per month on food. In the next wage category, earners of ₦50,000 to ₦80,000 per month, we see a decrease in survival feeding as 74% of them spend less than ₦30,000 per month on food, and for the first time, we see a small percentage who are able to spend a bit more elaborately on food. 7% of respondents in this income category spend between ₦60,000 and ₦150,000 per month on food, and this percentage is mirrored in the relatively higher earners surveyed, while among that category of ₦80,000 to ₦120,000 per month earners, the percentage who spend less than ₦30,000 a month on feeding falls to 62%.

The most dramatic drop, naturally, occurs in the group of highest earners, people who earn more than ₦120,000 per month. Only 17% of them spend less than ₦30,000 (or 25%, or less, of their income) on food monthly. However, it is interesting to note that none of our respondents in that category spends more than ₦60,000 a month on food, suggesting that for an individual in Nigeria, ₦60,000 each month may be the right pressure point for a decent meal, and that the highest earners have other things to think about besides food, bringing us to the next data point, which is to find out what respondents use their surplus income for, after that most basic of needs, food, has been met. We posit therefore that for non-food items that are susceptible to discretionary spending, most Nigerians need to earn at least above ₦60,000 to be within the addressable market.

Conclusion

What you spend money on after taking care of food, that most basic of human needs, is an important question. For this question, **63% of our respondents** said that after taking care of food, they had nothing left to spend. The biggest groups after that were those who spend money on mobile phone cards to keep connected either via phone calls or on the internet, and those who spent their income on clothing, 10% of respondents falling into each of those categories. Perhaps reflecting Nigeria's housing shortage, only 2% of our respondents said that they spend their discretionary income on rent. It is more likely, however, that most Nigerians do not cater to rent from their monthly income and usually find other sources that will yield sizeable lump sums, either by borrowing or by looking for alternative income sources besides from their primary source to deal with rent and school fees.

What Do You Spend On After Food?



Conclusion

Nigeria's true market size is really the number of people who are able to spend discretely once they get past spending on the essential commodities, and this survey suggests that **this is just under 37% of the population.**

The two most important policy thrusts that the government must make central to its policy planning are to reduce the cost of food in order to free up more discretionary income as well as to increase productivity and therefore the income of Nigerians relative to the cost of the bare essentials.

Just as important is facilitating access to credit, in order to cater to bulk expenses such as rent and school fees, as well as increase the discretionary income pool. Without an increase in discretionary income, savings are unlikely to increase and therefore investible funds within the economy will remain relatively low. It is only as discretionary income increases that Nigerians will be able to afford more products, creating the environment for new businesses to thrive.



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Since 2013, we have provided data analytics and strategic communication solutions to clients across various sectors in Nigeria, Ghana, the Ivory Coast, Kenya, South Africa, the UK, France and the United States. In 2015 we became a partner to Stratfor, an American geopolitical intelligence firm that provides strategic analysis and forecasting to individuals and organisations around the world, including the various US departments and agencies like the Department of Defense (DoD) and the Federal Bureau of Investigations (FBI). We also have a partnership with GeoMarkets Africa, an American market research firm focused on explaining the African market for American audiences.