

Economic Update

Nigeria | Economy | GDP Analysis | May 24, 2016

PAC RESEARCH

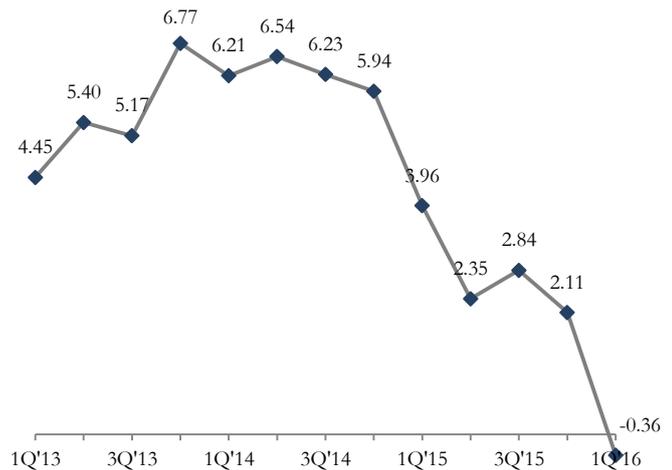
GDP growth rate: Deceleration from a decline to a contraction

Nigeria's real gross domestic product (GDP) contracted by 0.63% in 1Q'16. In the first quarter to March 2016, Nigeria recorded GDP real growth rate of -0.36% y/y relative to growth rate of +3.96% and +2.11% in the first quarter and the fourth quarter of 2015 respectively. The negative real growth rate recorded in the review quarter was due to the weakness in government spending in the period, moreover the overall economic activities was weigh down by decline in the activities in the non-oil sector. The absolute real GDP value in the period stood at ₦16.14 trillion compared with ₦18.74 trillion in 4Q'15 and ₦16.20 trillion in 1Q'15 accordingly. In our view, the real growth rate in the second quarter of the year is expected to be weak as well due to the delay in the passage of the 2016 Appropriation Bill, nevertheless we expect to see a robust growth in the economy from the third quarter of the year.

Furthermore, the oil sector recorded an improvement in real growth rate in the period which stood at -1.89% relative to real growth rate of -8.28% and -8.15% in 4Q'15 and 1Q'15 in that order. The improvement was achieved on the back of a slight increase in the prices of crude oil in the international market in the period. However, crude oil production remained relatively stable in the period at an average of 2.11 million barrel per day (mbpd) with a decline of 2.3% quarter-on-quarter compared with an average production of 2.16 mbpd in 4Q'15 and a decline of 3.2% against an average of 2.18 mbpd in 1Q'15. We forecast a lower crude oil production in the second quarter in light of the unrest in the Niger Delta which has led to destruction of facilities in the oil and gas sector. On the other hand, the non-oil sector also recorded real growth rate of -0.18% in the period compared with +3.14% and +5.59% in the fourth quarter and the first quarter of the previous year. The real growth rate of the non-oil sector was hindered by declines in manufacturing, financial institutions, real estate and construction economic activities among others in the review period.

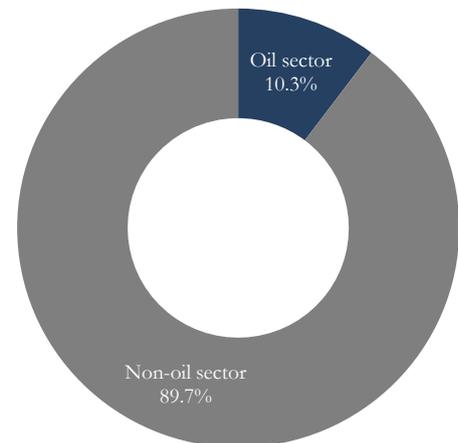
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Fig. 1: Quarterly GDP real growth rates (%)



Source: NBS, PAC Research

Fig. 2: Contribution to GDP in 1Q'16 – oil sector and non-oil sector



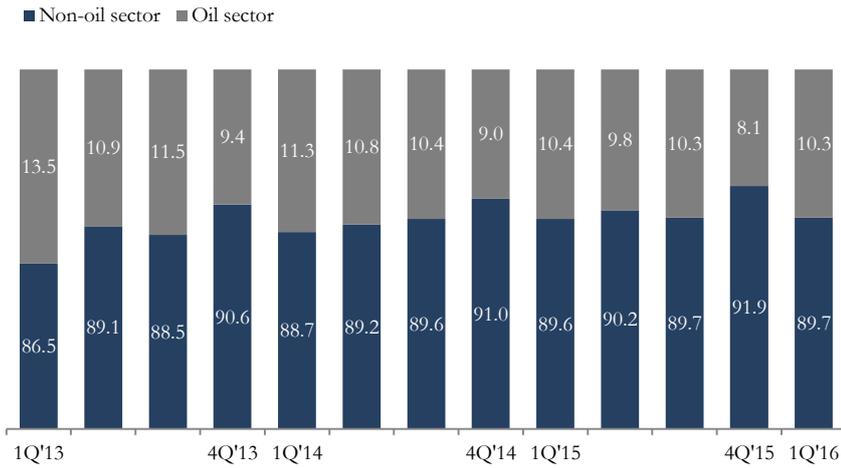
Source: NBS, PAC Research

Table 1: Oil sector and non-oil sector – quarterly real growth rates

	1Q'15	2Q'15	3Q'15	4Q'15	1Q'16
Oil sector	-8.15%	-6.79%	+1.06%	-8.28%	-1.89%
Non-oil sector	+5.59%	+3.46%	+3.05%	+3.14%	-0.18%

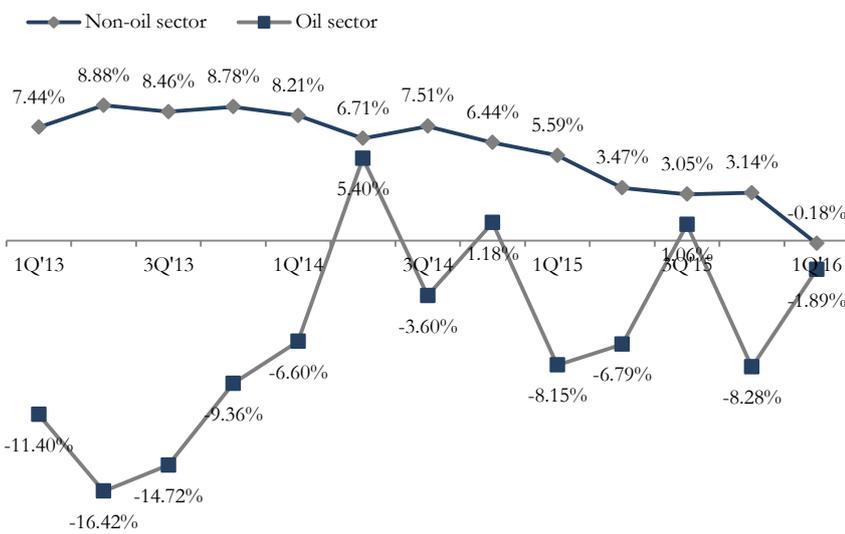
Source: NBS, PAC Research

Fig. 3: Oil sector and non-oil sector – quarterly contribution to real GDP (%)



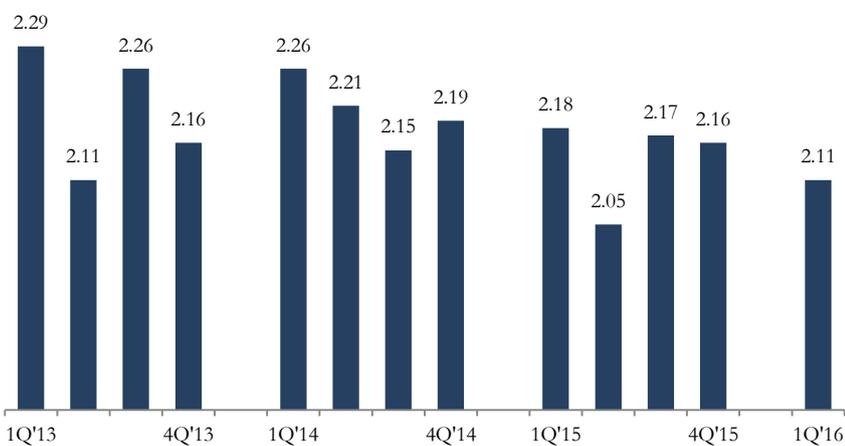
Source: NBS, PAC Research

Fig. 4: Oil sector and non-oil sector – quarterly real growth rates



Source: NBS, PAC Research

Fig. 5: Crude oil production (mbpd)

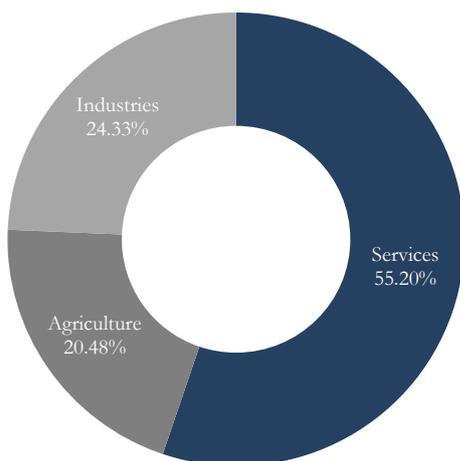


Source: NBS, PAC Research

Services sector maintains its leading role in contribution to GDP in 1Q'16. In the review period, the non-oil sector accounted for 89.71% of the GDP while the oil sector represented 10.29%; however the contribution of services sector and industries sector increased to 55.20% and 24.33% respectively relative to 54.30% and 21.52% in the fourth quarter of 2015. On the contrary, the contribution of agriculture declined to 20.48% against 24.18% in 4Q'15, although agriculture recorded real growth rate of +3.09% lower than +3.48% in 4Q'16 and +4.70% in 1Q'15. We are keen to highlight that agricultural sector was classified into four main activities, that is crop production, livestock, forestry and fishery. While crop production and livestock accounted for 86.82% and 8.94% respectively of the activities in the sector, fishery and forestry represented 3.03% and 1.17% accordingly. The lower growth rate recorded by the sector was due to declining crop output in the period which was a result of lower productivity during dry season farming period. Moreover, crop production contributed 17.78% to the GDP in the period while livestock and forestry accounted for 1.83% and 0.24% respectively and fishery contributed 0.62%.

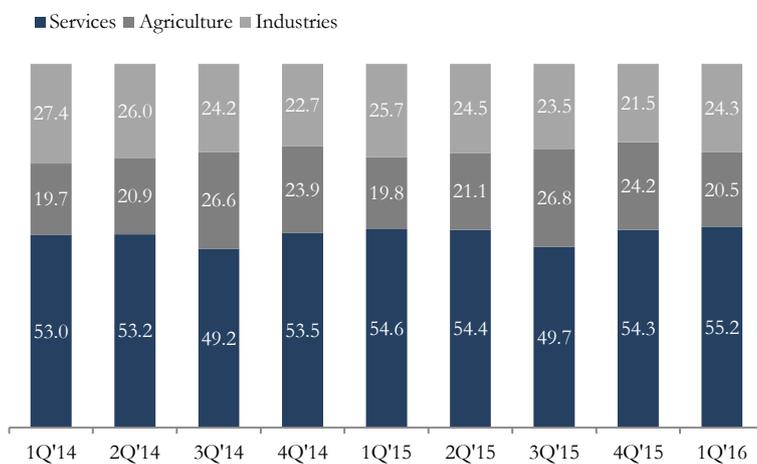
“ On the contrary, the contribution of agriculture declined to 20.48% against 24.18% in 4Q'15, although agriculture recorded real growth rate of +3.09% lower than +3.48% in 4Q'16 and +4.70% in 1Q'15.”

Fig. 6: Sectoral contribution to GDP in 1Q'16



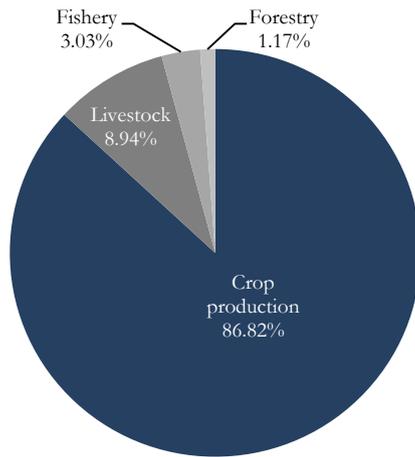
Source: NBS, PAC Research

Fig. 7: Quarterly sectoral contribution to GDP (%)



Source: NBS, PAC Research

Fig. 8: Components of agricultural sector



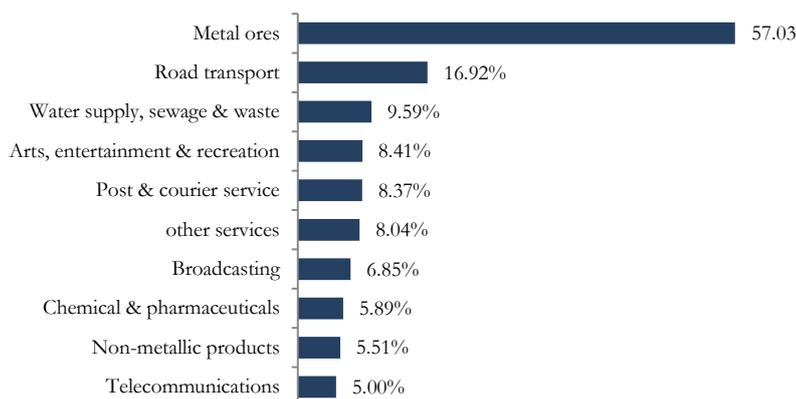
Source: NBS, PAC Research

Other economic activities recorded weak performances in the review period.

Manufacturing sector recorded real growth rate of -8.06% y/y compared with +0.38% in the corresponding quarter of the previous year, the sector was weigh down by weakness in economic activities such as oil refining, cement and food, beverage and tobacco. Moreover, mining and quarrying sector also recorded a weak performance with real growth rate of -2.96% on the back of contraction in quarrying and other mineral activities which recorded real growth rate of -88.87%, although coal mining and metal ores grew by +3.34% and +57.03% respectively. In addition, transportation and storage sector achieved an impressive growth rate of +14.73% aided by activities of road transportation which grew by +16.92% y/y, post & courier services and water transportation recorded real growth rate of +8.37% y/y and +3.76% y/y. On the other hand, rail transportation & pipelines economic activities contracted by 3.26% y/y in the review period. Furthermore, information and communications sector grew by +4.07% in 1Q'16 supported by telecommunications, broadcasting and publishing with real growth rate of +5.00%, +6.85% and +4.31% accordingly. On the contrary, motion pictures & sound recording economic activities contracted by 5.12% y/y. Considering the performance of other critical sectors, real estate and construction recorded -4.69% and -5.37% growth rate in 1Q'16 respectively relative to +0.79% and +3.58% in 4Q'15.

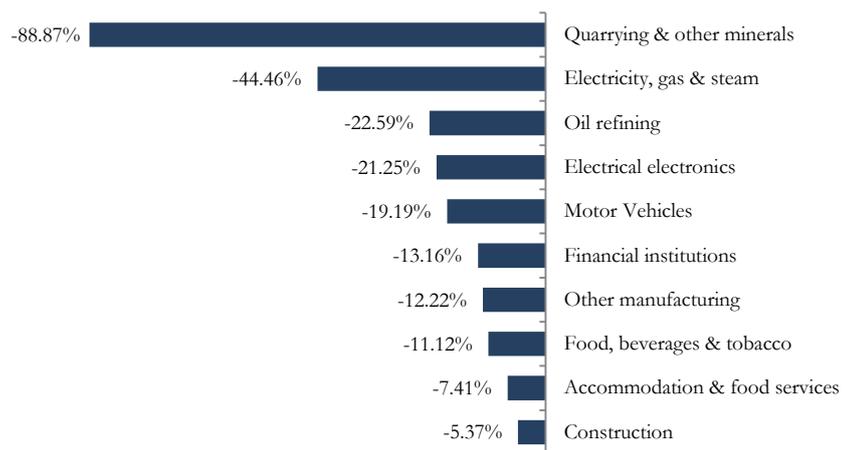
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Fig. 9: Economic activities: Top ten highest real GDP growth rates in 1Q'16



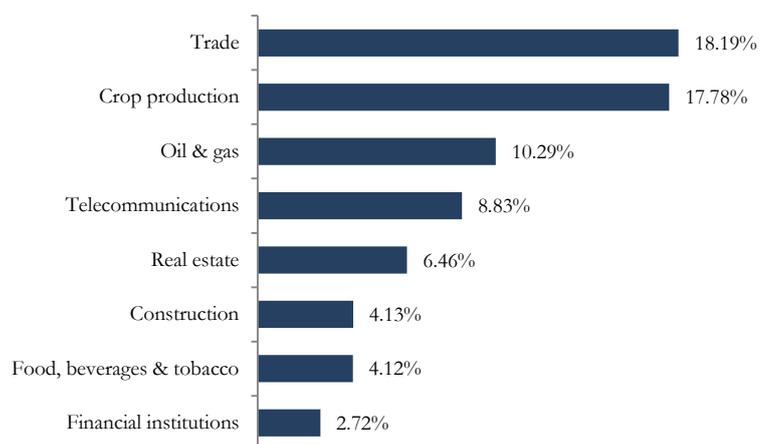
Source: NBS, PAC Research

Fig. 10: Economic activities: Top ten highest decline in real GDP growth rates in 1Q'16



Source: NBS, PAC Research

Fig. 11: Economic activities: Top eight contributors to real GDP in 1Q'16



Source: NBS, PAC Research

IMPORTANT DISCLOSURES

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