

Hope rising: Overall economy set on the path of recovery

Nigeria's real gross domestic product (GDP) contracted by 1.51% year-on-year in 2016. For the full year 2016, the nation recorded real GDP growth rate of -1.51% relative to +2.79% in the previous year (fig. 2). Similarly, in the fourth quarter to December 2016, real GDP growth rate of -1.30% was posted, which was an improvement relative to the -2.24% in the third quarter of 2016 (fig. 1). Overall, twenty-three economic activities declined out of forty-six while the remaining twenty-three recorded positive growth. Furthermore, the improvement in the real GDP growth rate recorded in the review quarter was due to the decrease in the level of decline in the performance of the oil sector, which recorded real GDP growth rate of -12.38% compared with -22.01% in the third quarter, although it is below the -8.28% in the fourth quarter of 2015 (table 1).

In addition, the improvement in the performance of the oil sector in the period was on the back of the increase in the prices of crude oil in the international commodity market which was a result of agreement by the global crude oil cartel to cut output. Also, the decline in the level of unrest in the oil producing region has led to increase in the output in the review period. In the fourth quarter of 2016, Brent crude oil traded at an average price of US\$51.69, up by 3.74% and 6.11% compared with an average price of US\$49.83 and US\$48.71 respectively in the fourth quarter of 2015 and the third quarter of 2016 (fig. 5). Similarly, average daily crude oil production of 1.90 million barrel was recorded in the review quarter, up by 16.56% q/q compared with an average production of 1.63 million barrel per day (mbpd) in the third quarter of 2016. However, the production for the quarter is lower than 2.16 mbpd recorded in the fourth quarter of 2015 by 12.04% (fig. 4).

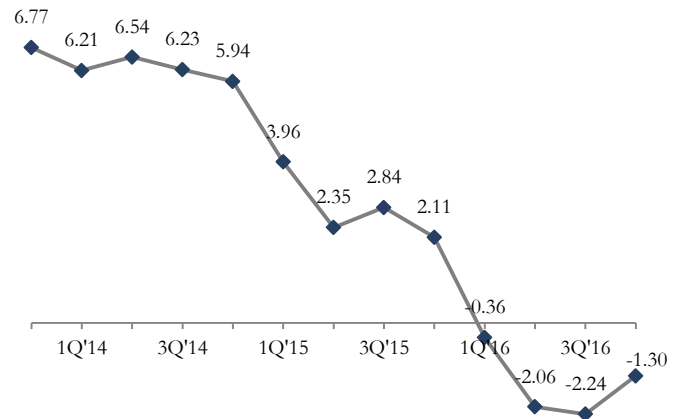
Table 1: Oil sector and non-oil sector – quarterly real growth rates

	4Q'15	1Q'16	2Q'16	3Q'16	4Q'16
Oil sector	-8.28%	-1.89%	-17.48%	-22.01%	-12.38%
Non-oil sector	+3.14%	-0.18%	-0.38%	+0.03%	-0.33%

Source: NBS, PAC Research

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



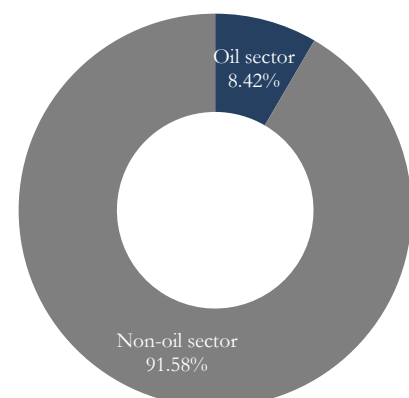
Source: NBS, PAC Research

Fig. 2: Yearly GDP real growth rates (%)



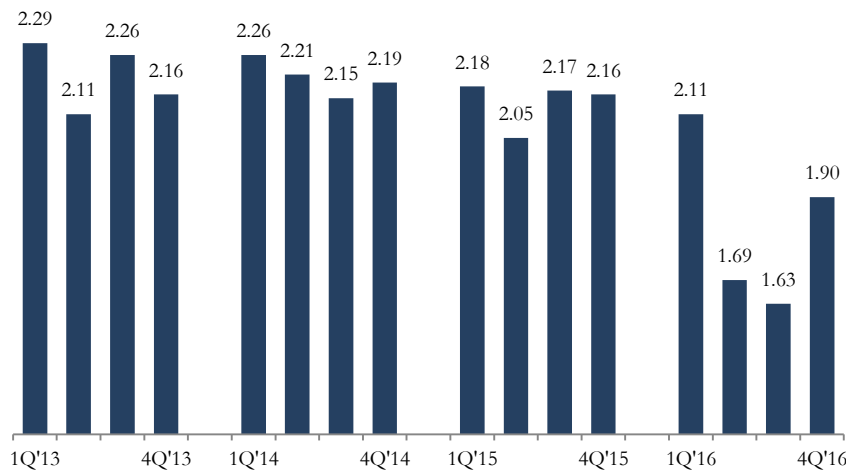
Source: NBS, PAC Research

Fig. 3: Contribution to GDP in 2015 – oil sector and non-oil sector



Source: NBS, PAC Research

Fig. 4: Crude oil production (mbpd)



Source: NBS, PAC Research

Fig. 5: Prices of Brent crude oil (US\$/barrel)



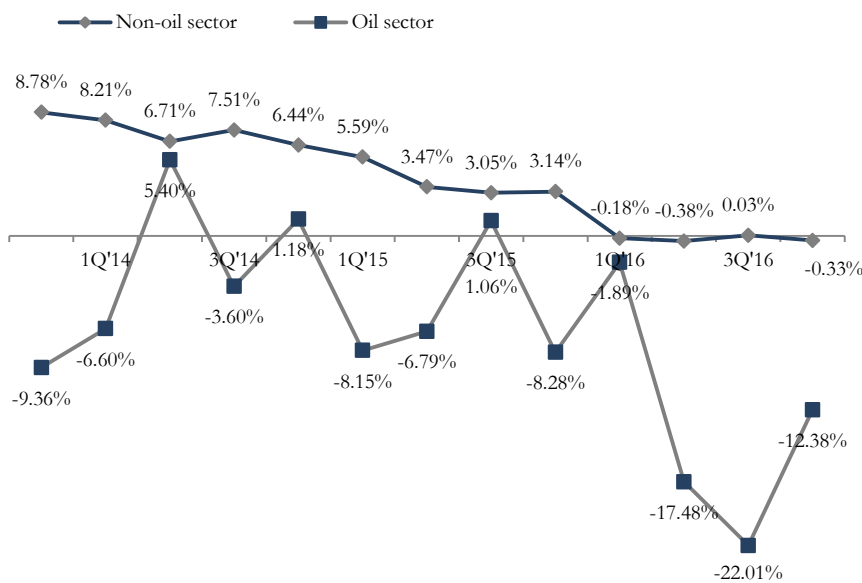
Source: NBS, PAC Research

The non-oil sector slid to a decline weighs on by Real Estate sector. In the review quarter, the non-oil sector failed to sustain the resilience it displayed in the third quarter. The sector reverted to a decline by recording -0.33% in the fourth quarter relative to +0.03% in the third quarter of 2016 and +3.14% in the fourth quarter of the previous year (fig. 6). The performance of the non-oil sector was weighed on by activities in real estate, construction and manufacturing, for example real estate sector with contribution of 7.59% to real GDP in the fourth quarter recorded real growth rate of -9.27% relative to -7.37% in the third quarter and +0.79% in the fourth quarter of 2015. In the same way, the activities in the construction sector contracted by 6.03% in the quarter, a marginal improvement compared with -6.13% in the third quarter, however the performance is below -0.35% in the corresponding period of the previous year.

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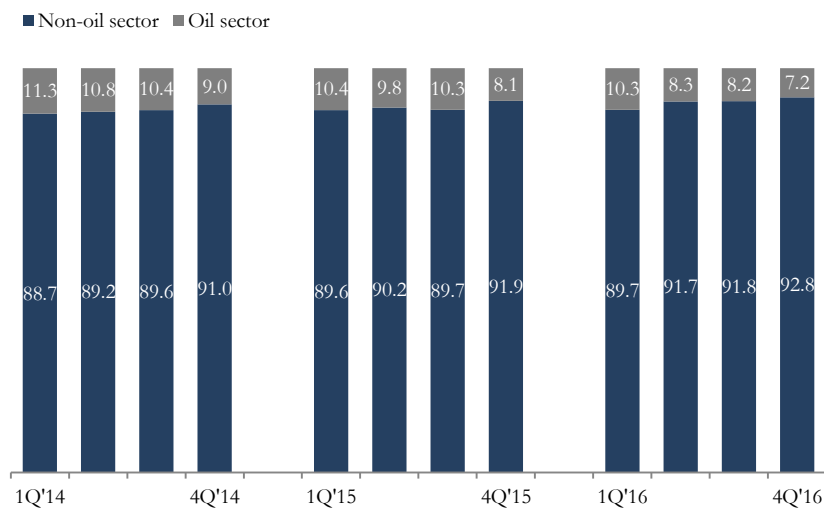
In addition, manufacturing sector with thirteen activities and contribution of 8.98% to the real GDP in the fourth quarter of 2016 contracted by 2.54% in the period, that is an improvement relative to -4.38% in the third quarter but a weak performance compared with +0.38% in the fourth quarter of 2015 (fig. 10). It is worthy of note to state that four out of the thirteen activities in the sector recorded real positive growth rate in the quarter compared with three in the third quarter. The weakness in the performance of the sector in the period reflected a number of challenges faced by the sector in 2016 such as higher cost of imported inputs as a result of foreign exchange crisis and higher energy cost due to a fall in electricity generation and the use of an expensive alternative source of energy.

Fig. 6: Oil sector and non-oil sector – quarterly real growth rates



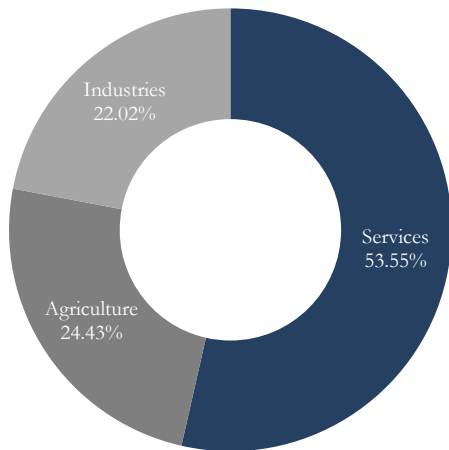
Source: NBS, PAC Research

Fig. 7: Contribution to real GDP (%)



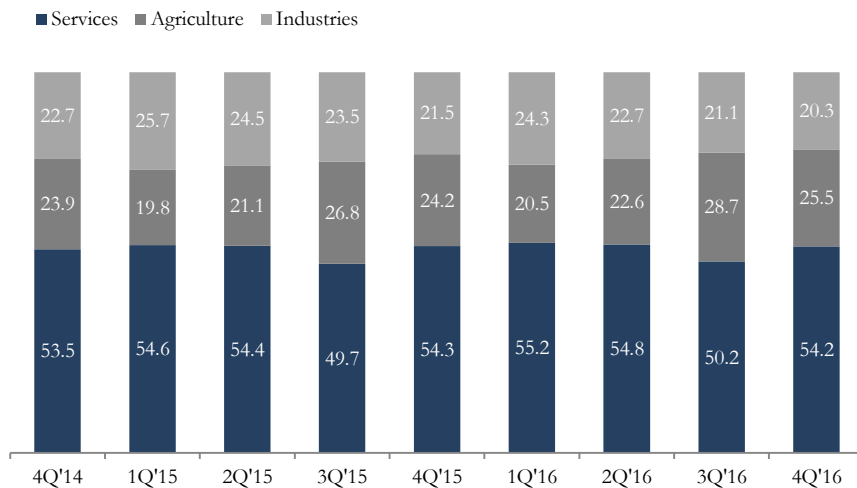
Source: NBS, PAC Research

Fig. 8: Sectoral contribution to real GDP in 2016



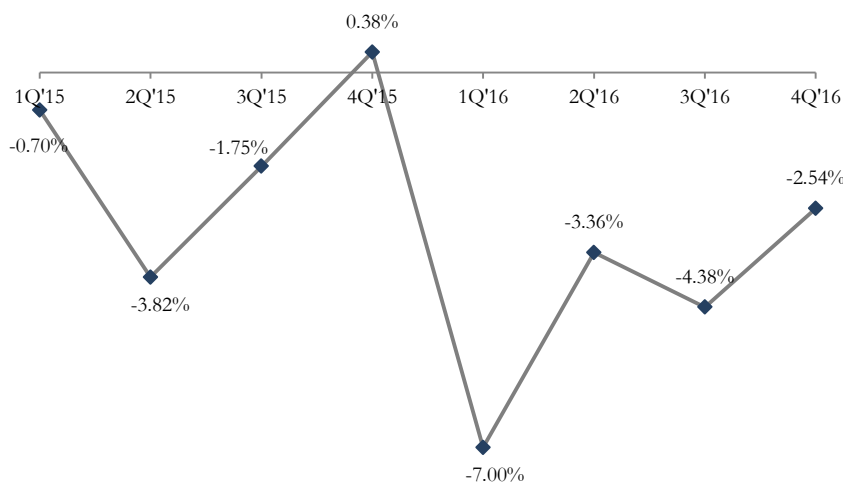
Source: NBS, PAC Research

Fig. 9: Quarterly sectoral contribution to real GDP (%)



Source: NBS, PAC Research

Fig. 10: Manufacturing sector - quarterly growth rates

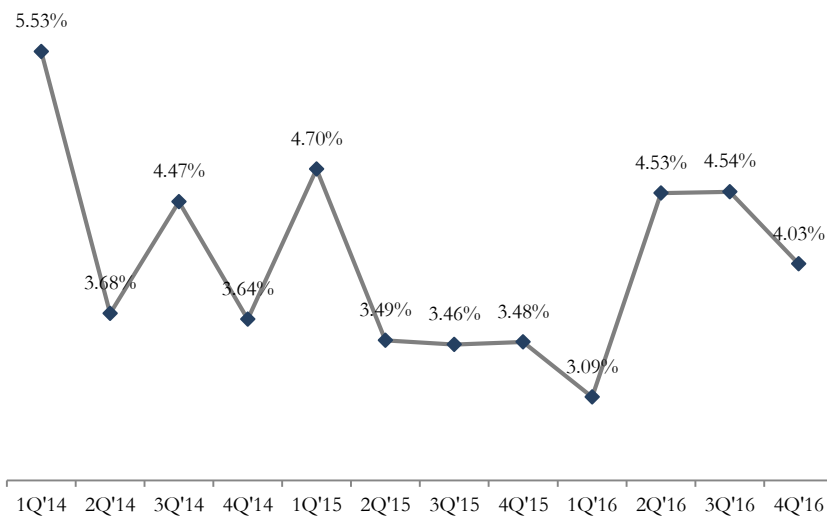


Source: NBS, PAC Research

The growth rate in agriculture mitigated the weakness of the non-oil sector. In the fourth quarter of 2016, agricultural sector recorded a real growth rate of 4.03%, i.e. a marginal decline relative to 4.54% in the third quarter but a significant improvement compared with 3.48% in the corresponding quarter of 2015 (fig. 11). The reason for the marginal decline was a result of the seasonality of the activities in the sector which saw the harvest season ended in the third quarter. It is worthy of note to state that the performance of agriculture was driven by crop production which accounted for 89.76% of the sector and recorded real growth rate of 4.36% in the quarter. Also, livestock and fishery represented 7.14% and 2.04% of the total activities in the sector accordingly and they posted real growth rate of 1.23% and 0.76% respectively while forestry accounted for 1.02% with real growth rate of 0.23% in the fourth quarter of 2016.

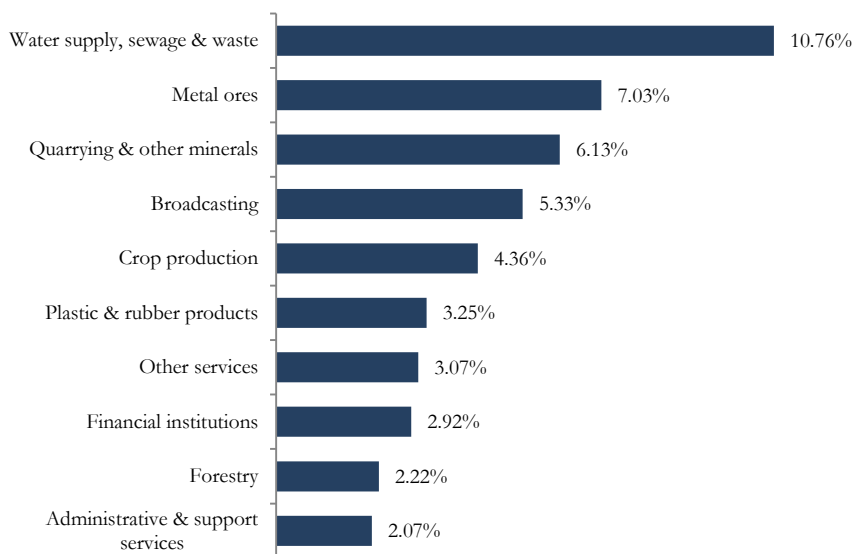
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Fig. 11: Agricultural sector - quarterly growth rates



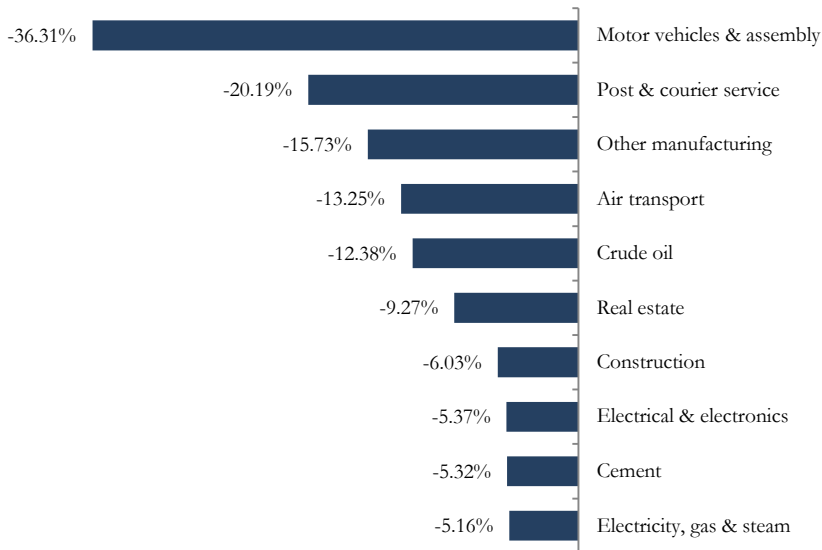
Source: NBS, PAC Research

Fig. 12: Economic activities: Top ten increase in real GDP growth rates in 4Q'16



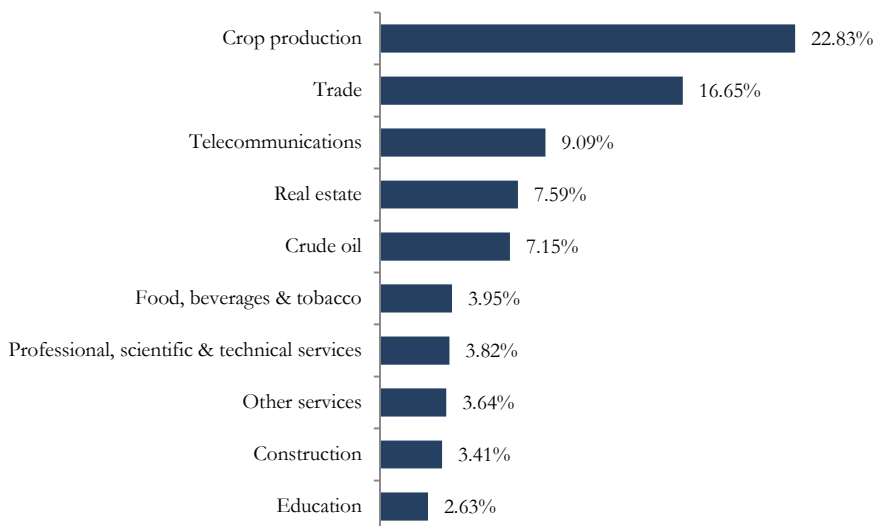
Source: NBS, PAC Research

Fig. 13: Economic activities: Top ten decline in real GDP growth rates in 4Q'16



Source: NBS, PAC Research

Fig. 14: Economic activities: Top ten contributors to GDP in 4Q'16



Source: NBS, PAC Research

IMPORTANT DISCLOSURES

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