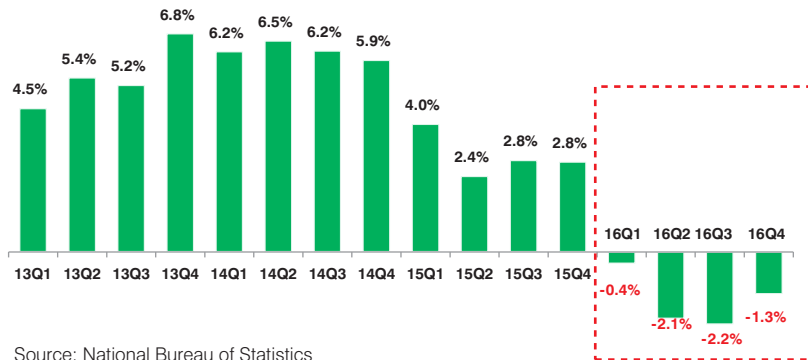


# Nigeria's real Gross Domestic Product (GDP) declined by 1.51% in 2016, as closely predicted by the NESG

March 2017

According to the National Bureau of Statistics (NBS), Nigeria's aggregate output contracted by 1.51% in 2016, a far cry from 2.8% growth rate in 2015. The GDP growth rate in 2016 was close to NESG's estimate of -1.6% as presented in its [Macroeconomic Outlook for 2017](#). Relative to 2015, the Nigerian economy in 2016 performed poorly largely as a result of foreign exchange scarcity, higher production cost and lower government revenue.

Figure 1: Nigeria's Real GDP Growth Rate



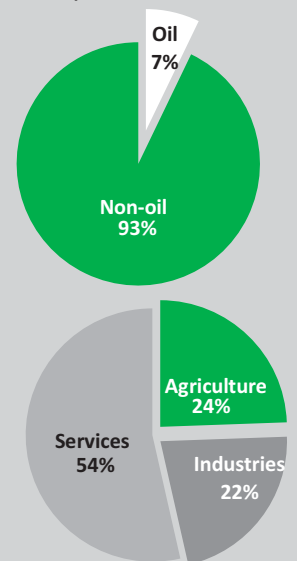
Source: National Bureau of Statistics

In the fourth quarter of 2016, although real GDP was still in the negative trajectory, the economy fared better relative to the second and third quarters in the year. On a year-on-year basis, the economy declined by 1.3% in 2016Q4, an improvement from -2.06% and -2.24% achieved in Q2 and Q3, respectively. This implies that real GDP growth remained in the negative in all quarters of 2016.

### Relative to 2015, the Oil Sector performed sub-optimally in 2016 largely due to vandalism

The crude oil sector, which accounted for 8.24% of GDP in 2016, experienced major setbacks largely as a result of vandalism in the Niger Delta. In 2016, crude oil output was estimated at 1.83 million barrels per day (mbpd), a decline of 14% from 2.13 mbpd in 2015. On a quarterly basis, however, the oil sector in 2016Q4 performed better than the previous quarter, but worse than the fourth quarter of 2015. The sector declined by -12.4% in 2016Q4, a better performance when compared with -22% in 2016Q3 but worse in relation to -8.23% in 2015Q4. Crude oil output increased from 1.63 million barrels per day (mbpd) in 2016Q3 to 1.90 million (mbpd) in the fourth quarter of 2016, representing an increase of 16.6%. This was largely owing to improved negotiation between the federal government and militants in the Niger Delta region. In all, when compared to 2015Q4, which had an estimated output of 2.16 mbpd, oil output performed sub-optimally in 2016Q4.

Figure 2: Nigeria's GDP Composition in 2016



Source: NBS

### Non-oil sector growth slipped into the negative for the third time in 2016

With a share of 92.85% to real GDP, the non-oil sector suffered severe setback in 2016Q4, declining by 0.33% in the same period. This negative growth was owing to contraction in real estate, manufacturing, construction and trade sectors of the economy. On the flip side, Agriculture remained resilient, growing at 4% due to significant increase in crop production.

For the year 2016, the non-oil sector recorded a negative growth rate of -0.22%, which was far behind the 3.75% growth achieved in 2015. It is, therefore, ironical that oil sector which accounts for about 8% of GDP is depended upon for foreign exchange as well as government revenue. The uptick in crude oil production together with increase crude oil prices in the global market witnessed in the last quarter of 2016 has improved public revenue profile, boosted external reserve and reduced the magnitude of negative growth in the industrial sector.

### Performance by Economic Activities

From the 46 economic activities (subsectors) captured by NBS, 21 subsectors expanded in terms of output in 2016. Some economic activities with huge growth rate include Metal Ores (20.7%), Water Supply, Sewerage & Remediation (9.27%) and Broadcasting (6.1%). The remaining 25 subsectors recorded output contraction in the year (See table 1).

Table 1: Performance Of Major Economic Sectors In 2016 (%)

Sectors	Q4 Real GDP Growth (Year-on-Year)	Real GDP Growth Rate (Full Year)
Metal Ores	7.03	20.74
Water Supply, Sewerage and Waste Management	10.76	9.27
Broadcasting	5.33	6.13
Other Services	3.07	4.93
Crop Production	3.07	4.34
Arts and Entertainments	2.04	3.72
Plastic and Rubber products	3.25	3.59
Non - Metallic Products	1.22	3.2
Motor vehicles & assembly	-36.31	-29.01
Post and Courier Services	-20.19	-21.33
Quarrying and Other Minerals	6.13	-17.42
Electricity Gas Steam & AC	-5.16	-15
Other Manufacturing	-15.73	-14
Crude Petroleum and Natural Gas	-12.36	-13.65
Electrical and Electronics	-5.37	-8.13
Real Estate	9.27	-6.86

Source: NBS

### Stimulating Recovery and moving into the Growth Phase

Though the 2016Q4 GDP report reaffirms that the Nigerian economy is still in recession, it is also a pointer that recovery is not far-fetched given the slower rate of real GDP contraction. In fact, the economy in 2016 exceeded the growth forecast of -1.8% by the International Monetary Fund (IMF). As the economic fundamentals continue to improve, it is, therefore, instructive to consolidate our gains.

- Given the resilience and importance of Agriculture to the Nigerian economy, the government must provide support and incentives to smallholder farmers in form of seedlings and fertilizers to sustain increases in crop production. Also, with crop production accounting for about 88% of Agriculture output, efforts must be made to develop other subsectors such as fishery, livestock and forestry. While we expect Agriculture to continue to exhibit positive growth in 2017, diversification within the sector is crucial in reducing Nigeria's import bills and enhancing job creation.
- For the industrial sector, Nigeria's foreign exchange crisis has forced some firms to source their raw materials from within. We believe this act should be encouraged and scaled-up where possible, especially in the manufacturing sector. As stated in our [Macroeconomic Outlook for 2017](#), Nigeria must look inwards to strengthen the manufacturing sector such that it produces key goods that are currently being imported while leveraging on regional advantages. Support structures must be built across the productive sector to unleash productivity in the sector. In all, we expect mild improvement in industrial activities in 2017.
- Prior to 2016, GDP growth was driven largely by the service sector, which still accounts for a significant 53% share of GDP. The decline of this sector in recent times stems from the tougher macroeconomic environment occasioned by foreign exchange scarcity and policy uncertainty. Going forward, we believe that this sector will rebound to positive growth in 2017 as Nigeria treads towards the path of stable macroeconomic environment. Issues of ease of doing business, boosting foreign exchange earnings and reviving the manufacturing sector are fundamental to the growth of services sector in Nigeria.
- Overall, we believe that the Nigerian economy, in 2017, will grow by 0.6%, on the backdrop of higher crude oil prices and improved production volumes in the year.