

What you need to know about GDP and CPI Rebasing

The National Bureau of Statistics (NBS) is set to release the Consumer Price Index (CPI) and Gross Domestic Product (GDP). These economic indicators measure the patterns of consumption and production in the country. Considering the importance of this data in understanding Nigeria's economic trajectory, as well as its role in shaping sound economic planning, policy interventions, and informed decision-making for businesses and foreign investors, it is crucial for key stakeholders to understand the new estimates, the underlying rationale, the process, and potential implications. Join us on a three-month sensitization journey as we unfold key facts about rebasing and its impact on policy and economic planning. You can also ask your questions and follow us on all our social media handles.

Background

In recent years, the National Bureau of Statistics (NBS) has conducted rebasing exercises for key socioeconomic indicators, specifically focusing on the Gross Domestic Product (GDP) and Consumer Price Index (CPI). This rebasing reflects shifts in consumption patterns among Nigerians, increased exposure of Nigeria's economy to the global market, the introduction of new products and services, as well as changes in capital investment and the overall structure of economic activities. Given the evolving nature of economic activities globally, such rebasing is essential to ensure that Nigeria's economic data aligns with international standards.

Considering the importance of this data in understanding Nigeria's economic trajectory, as well as its role in shaping sound economic planning, policy interventions, and informed decision-making for businesses and foreign investors, it is crucial for

key stakeholders to understand the new estimates, underlying rationale, process, and potential implications. Hence the following presents a Frequently Asked Question (FAQ) to engage the public.

A. General Questions on GDP and CPI Rebasing

1. What does GDP rebasing mean?

Answer: GDP rebasing is the process of updating the base year used to calculate a country's Gross Domestic Product (GDP) to align with current economic realities. This involves revising the methodologies and incorporating updated data to better capture structural shifts in the economy such as the emergence of new industries, price changes, and the introduction of new products and services.

2. What is CPI rebasing, and why is it important?

Answer: CPI rebasing updates the base year used to calculate the Consumer Price Index (CPI), which measures changes in the average prices of goods and services over time. This helps ensure that the CPI accurately reflects current realities and accounts for structural changes in the economy.

3. Who conducts the rebasing of GDP and CPI in Nigeria?

Answer: The rebasing is conducted by the National Bureau of Statistics (NBS), the official agency responsible for compiling and disseminating official data. The exercise is conducted in close collaboration with relevant

stakeholders and follows international standards and best practices to ensure accuracy and credibility.

4. How often should the National Bureau of Statistics (NBS) rebase the GDP and CPI?

Answer: The 2008 System of National Accounts recommends rebasing national accounts every 5 years. However, some countries keep the same base period for as long as 10 years which aligns with 5-10 years recommended by the UN Statistical Commission (UNSC) and International Monetary Fund (IMF). The last time the NBS rebased Nigeria's GDP was in 2014 with 2010 as the base year.

5. What period is being used for the recent rebasing of Nigeria's GDP?

Answer: The NBS stated that the reference year for the rebased GDP is 2019 as compared with 2010 for GDP in the previous rebasing exercise. In line with IMF guidelines, 2020, 2021 and 2022 were avoided as base years due to economic instabilities experienced during these periods.

6. What period is being used for the recent rebasing of Nigeria's CPI?

Answer: The NBS stated that the price reference period (base year) for the rebased CPI is 2024 compared with 2009 for CPI in the previous rebasing exercise.

7. How is the GDP rebasing process conducted?

Answer: The process involves collecting new data, reviewing and updating classifications of economic activities, and applying updated statistical methods to reflect changes in the economy.

8. How is the CPI rebasing process conducted?

Answer: The NBS collects new data on household consumption patterns, updates the goods and services in the CPI basket, and adjusts the weight for different items in the CPI basket to accurately reflect current prices and spending trends.

9. What international guidelines are followed for GDP rebasing?

Answer: The National Bureau of Statistics (NBS) aligns its GDP rebasing process with internationally recognized guidelines from the International Monetary Fund (IMF), World Bank, and United Nations. Specifically, it follows the System of National Accounts (SNA) 2008, International Standard Industrial Classification of Economic Activities (ISIC Rev 4), and Classification of Products by Activity (CPA ver. 2.1).

10. Who decides when rebasing should occur?

Answer: The National Bureau of Statistics (NBS) decides the appropriate timing for rebasing the GDP and CPI based on comprehensive economic analysis, data availability, and significant changes in Nigeria's economic structure, consulting with relevant stakeholders when necessary.

B. Impact and Implications of Rebasings

11. How will GDP rebasing affect Nigeria's economy?

Answer: GDP rebasing will provide a more accurate estimate of the size and structure of Nigeria's economy, enhancing economic planning and policymaking. It will also improve international perceptions of the country's economic standing, boosting investor confidence and strengthening Nigeria's position in global rankings.

12. Will rebasing the GDP lead to an increase in Nigeria's GDP?

Answer: Rebasings could lead to an increase in the reported GDP if previously underrepresented or newly emerging sectors are incorporated or updated. However, this adjustment represents a more accurate measurement of economic activities rather than actual economic growth.

13. What are the expected changes in the CPI after rebasing?

Answer: The rebased CPI may show different inflation trends if the updated basket of goods and services better reflects current spending patterns.

14. How does the CPI rebasing impact the inflation rate?

Answer: The rebased CPI may lead to a one-time shift in the inflation rate, which could either be upwards or downwards, depending on the new weights that account for changes in consumption patterns. These changes do not indicate a sudden shift in actual price levels but rather provide a more accurate measure of inflation.

15. How will the CPI rebasing impact the cost of living index?

Answer: The cost of living index may change if the rebased CPI better captures current household spending patterns. This can provide a more accurate picture of changes in the cost of living over time.

16. Will rebasing the GDP and CPI affect Nigeria's standing in the international community?

Answer: Yes, rebasing can affect Nigeria's global standing by providing a more accurate value of its economic size and structure. An accurate GDP value might improve Nigeria's global rankings and boost foreign investment inflows.

17. How will GDP rebasing impact foreign investment in Nigeria?

Answer: A higher GDP value may improve investor confidence, signalling a larger market size and more economic opportunities, which could potentially attract more foreign investments.

18. How will the GDP rebasing affect poverty and unemployment rates?

Answer: Rebasing does not directly change poverty or unemployment rates but may alter the perception of Nigeria's economic capacity to address these issues.

19. Will the GDP rebasing affect the taxes citizens pay?

Answer: Rebasing alone does not directly impact taxes. However, it could influence tax policies if the revised GDP shows economic changes that affect tax revenue.

20. How will businesses be impacted by the

new GDP and CPI figures?

Answer: The potential data changes will not have any direct impact. However, businesses may adjust their strategies based on the new data, particularly if rebasing highlights emerging sectors or changes in consumer spending patterns.

C. Technical Details and Methodology

21. What methodology is used for rebasing Nigeria's GDP and CPI?

Answer: The NBS employs internationally recognised statistical methods, incorporating updated classifications, data sources, and estimation techniques in line with the System of National Accounts (SNA, 2008) for GDP and established guidelines for accurate CPI computation.

22. How does NBS determine new products and services for GDP rebasing?

Answer: NBS analyses recent surveys and data on economic activities to identify new products and services that have become significant in the Nigerian economy.

23. Does rebasing include informal sector data, and how is it captured?

Answer: Yes, rebasing includes informal sector data, collected through surveys to capture economic activities outside formal channels. The rebased data captured 244 activities compared with 15 activities in the existing one.

24. How is global market exposure factored into the GDP rebasing?

Answer: Exposure to global markets is reflected in rebasing through data on trade (exports and imports), remittances and foreign investment, which influence overall economic activity.

25. How are new technologies accounted for in GDP rebasing?

Answer: New technologies are included in GDP rebasing as part of sectors like telecommunications, ICT, and e-commerce, reflecting their growing impact on the

economy.

26. What weights are assigned to various goods and services in CPI rebasing?

Answer: Weights are based on recent consumption surveys, assigning higher weights to goods and services that constitute a larger share of household spending. The rebased CPI data include 13 commodity divisions, increasing from 12 in the existing estimate. The weight of commodity baskets, such as Food & Non-alcoholic beverages, Clothing & Footwear, and Housing, Water Electricity, Gas & Other Fuels contracted to 40.1 percent, 5.0 percent, and 8.4 percent from 51.8 percent, 7.7 percent and 16.7 percent, respectively. However, the weight of Health, Education, Transport, ICT and Restaurants & Accommodation Services increased to 6.1 percent, 6.2 percent, 10.7 percent, 3.3 percent and 12.9 percent from 3.0 percent, 3.9 percent, 6.5 percent, 0.7 percent and 1.2 percent, respectively.

27. What data sources are used in the GDP and CPI rebasing process?

Answer: NBS uses data from household surveys, business surveys, government reports, and international trade data to update GDP calculations. This includes Nigeria Living Standard Survey (NLSS) 2018/2019, National Business Survey of Establishments (NBSE, 2021), National Agriculture Sample Census (NASC, 2022), as well as other data sourced from MDAs. The rebased data also include information from measurement of Digital Economic activities, Incorporation of Pension Funds, National Health Insurance Scheme (NHIS), Nigerian Social Insurance Trust Fund (NSITF), Modular Refineries, and Domestic Households as Employers of Labour amongst others.

D. Communication and Engagement

28. What role does the Nigerian Economic Summit Group (NESG) play in this process?

Answer: NESG facilitates stakeholder

engagement, public awareness, and dialogues to ensure informed discussions on rebasing and its implications.

Will there be reports or publications on the findings of the rebased GDP and CPI?

Answer: Yes, NBS will release detailed reports on the rebased GDP and CPI, available to the public and stakeholders.

29. How can businesses use the new data for planning and decision-making?

Answer: Businesses can use the new GDP and CPI data to assess market size, spending patterns, and inflation trends for better strategic planning.

30. Where can I find more detailed technical explanations on rebasing?

Answer: Detailed technical documents and guidelines are available on the NBS website and through public releases.

E. Comparisons and International Context

31. How does Nigeria's rebasing compare to other countries' GDP rebasing?

Answer: Nigeria employs methodologies consistent with international best practices to ensure cross-country comparison. The NBS follows guidelines from organisations such as the International Monetary Fund (IMF), World Bank, and United Nations, particularly the System of National Accounts (SNA) 2008, International Standard Industrial Classification of Economic Activities (ISIC Rev 4), and Classification of Products by Activity (CPA ver. 2.1).

32. How does Nigeria's GDP growth after rebasing compare to other African countries?

Answer: Post-rebasing, Nigeria's GDP may reflect a higher growth rate, similar to other African countries that recently rebased their economies.

33. How does Nigeria's CPI rebasing methodology compare with other countries?

Answer: Nigeria's CPI rebasing aligns with

international CPI practices, ensuring data consistency with other economies.

F. Policy and Economic Planning

34. How will rebasing affect Nigeria's fiscal and monetary policies?

Answer: The rebased data will not directly impact fiscal policy conditions, such as revenue, expenditures and debt. However, it may inform policy decisions by offering a more accurate understanding of economic performance, highlighting growth opportunities and identifying inflationary pressures.

35. How will rebasing help in assessing Nigeria's economic development goals?

Answer: Rebasing provides a more accurate baseline for tracking progress toward national and international development objectives.

36. Will rebasing impact Nigeria's GDP growth targets?

Answer: Yes, rebased GDP data may adjust growth targets to reflect the actual economic structure, allowing for more realistic goal setting.

37. How will the rebasing support economic and social planning for Nigeria's future?

Answer: Accurate data from rebasing allows for better planning and resource allocation, supporting sustainable economic and social development.

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ABOUT THE NESG

The NESG is an independent, non-partisan, non-sectarian organisation, committed to fostering open and continuous dialogue on Nigeria's economic development. The NESG strives to forge a mutual understanding between leaders of thought so as to explore, discover and support initiatives directed at improving Nigeria's economic policies, institutions, and management.

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