

## **NIGERIA'S ECONOMIC OUTLOOK IN 2015**

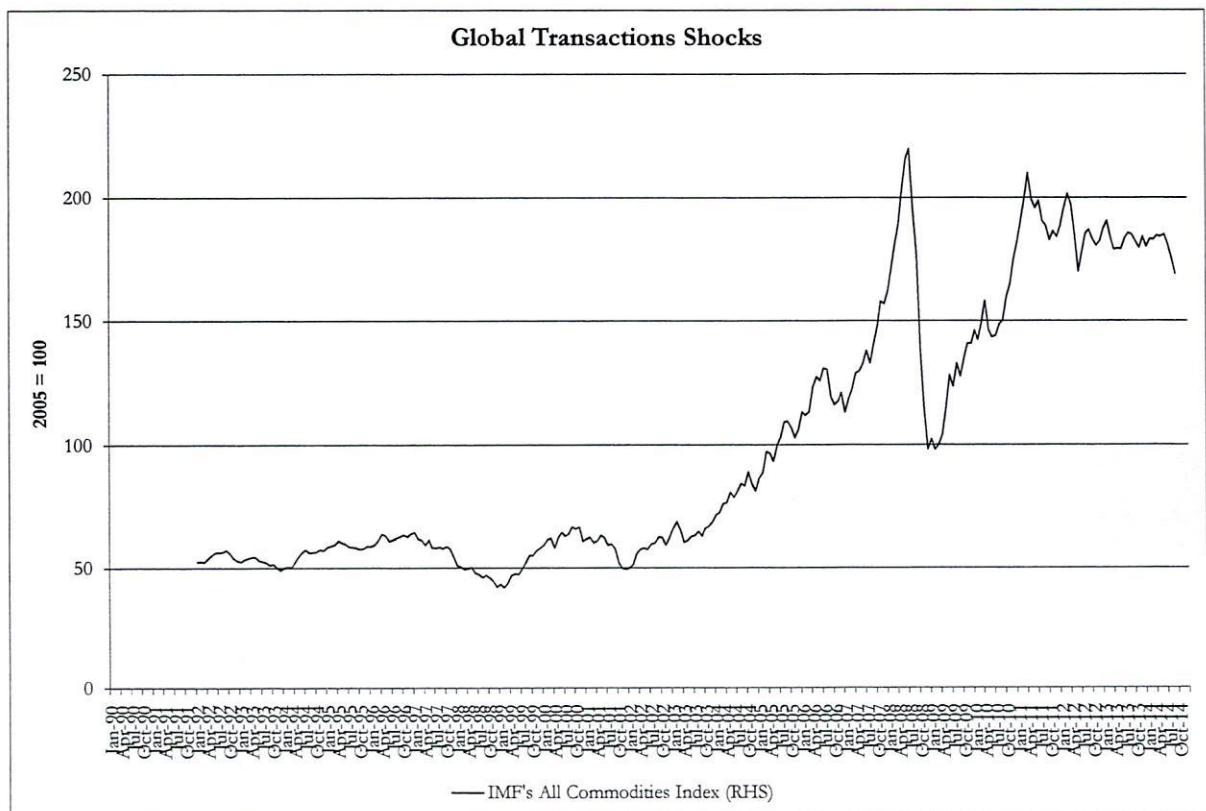
Ayo Teriba  
CEO, Economic Associates  
ayo.teriba@econassociates.com  
Author page: <http://ssrn.com/author=358232>

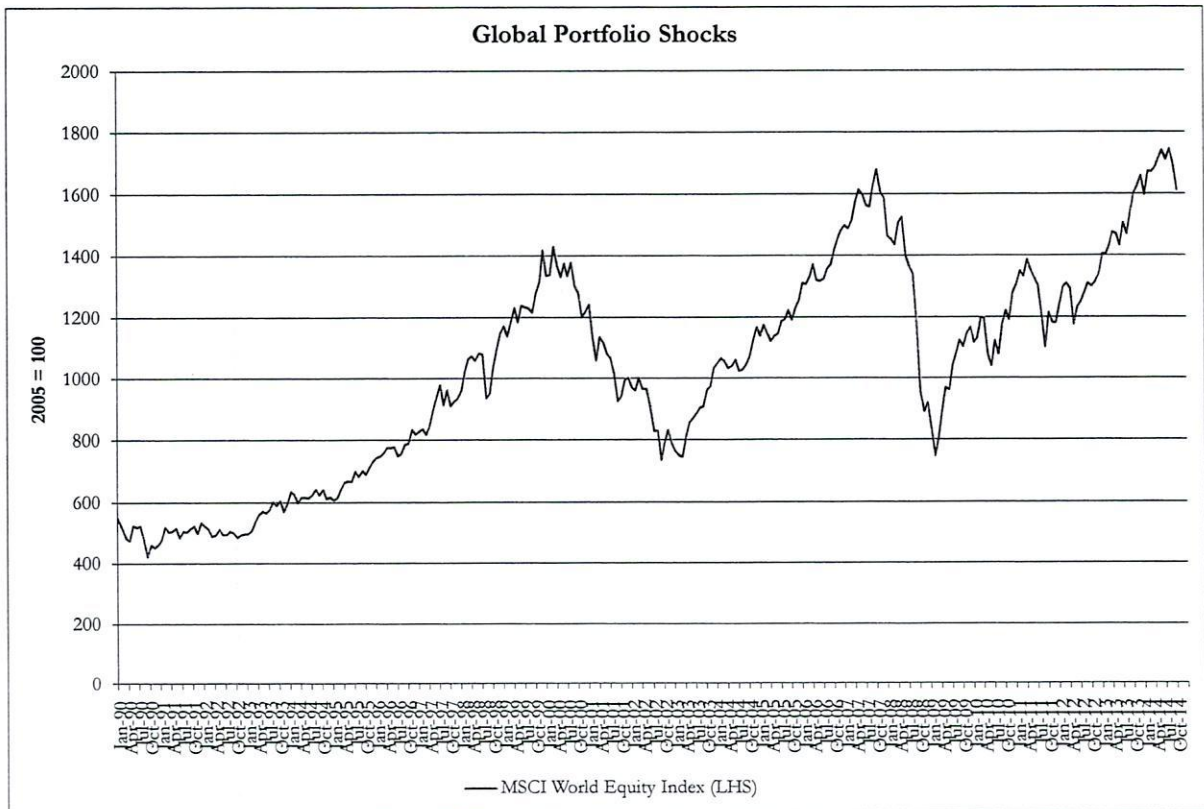
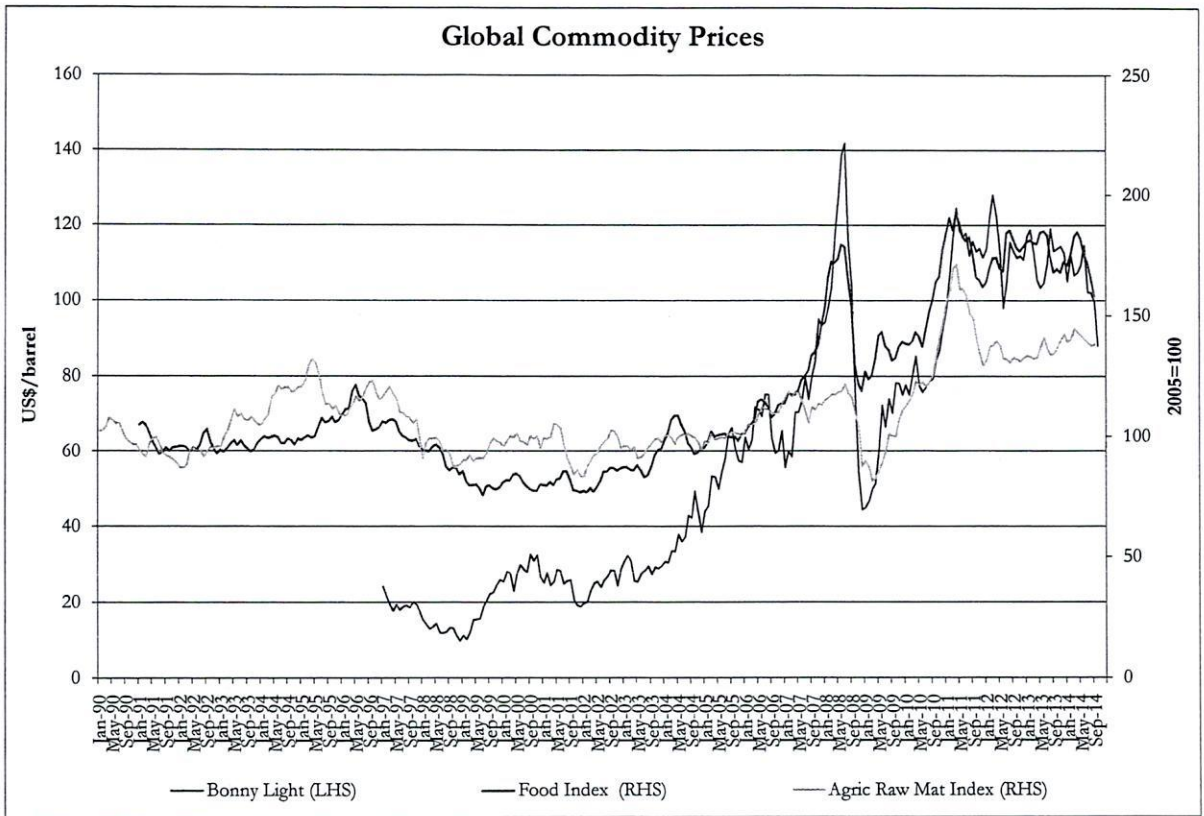
October 22 2014

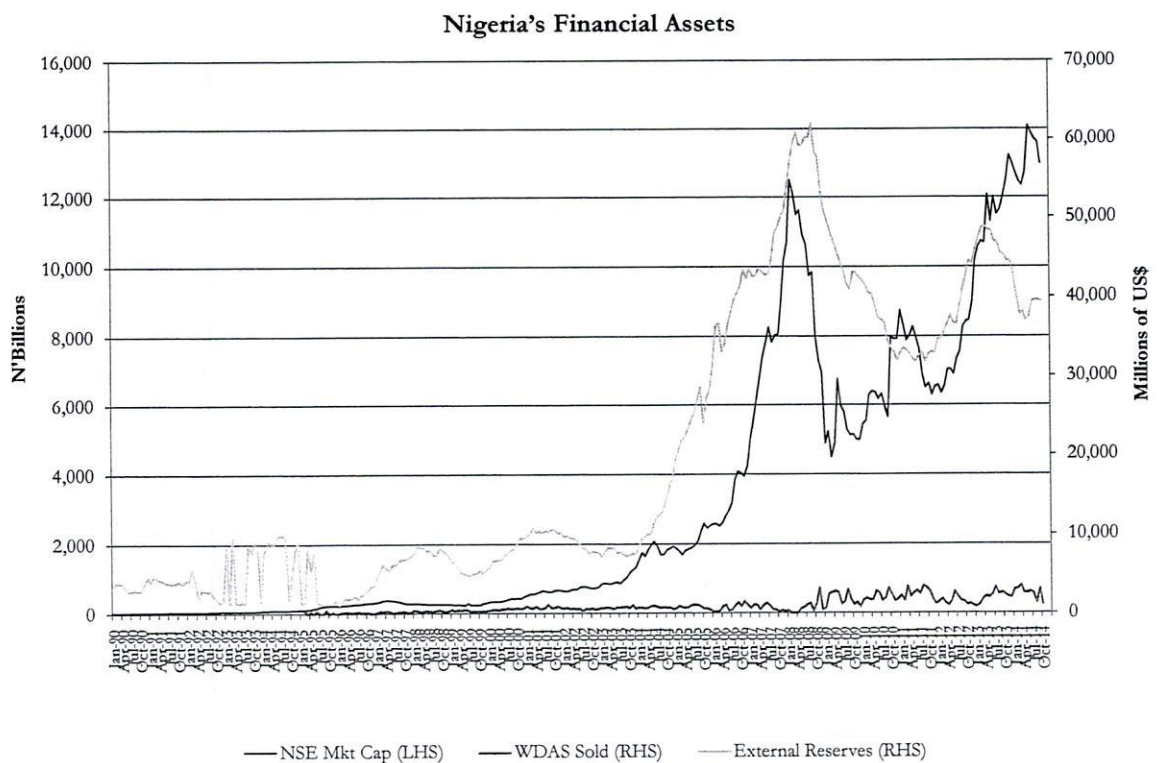
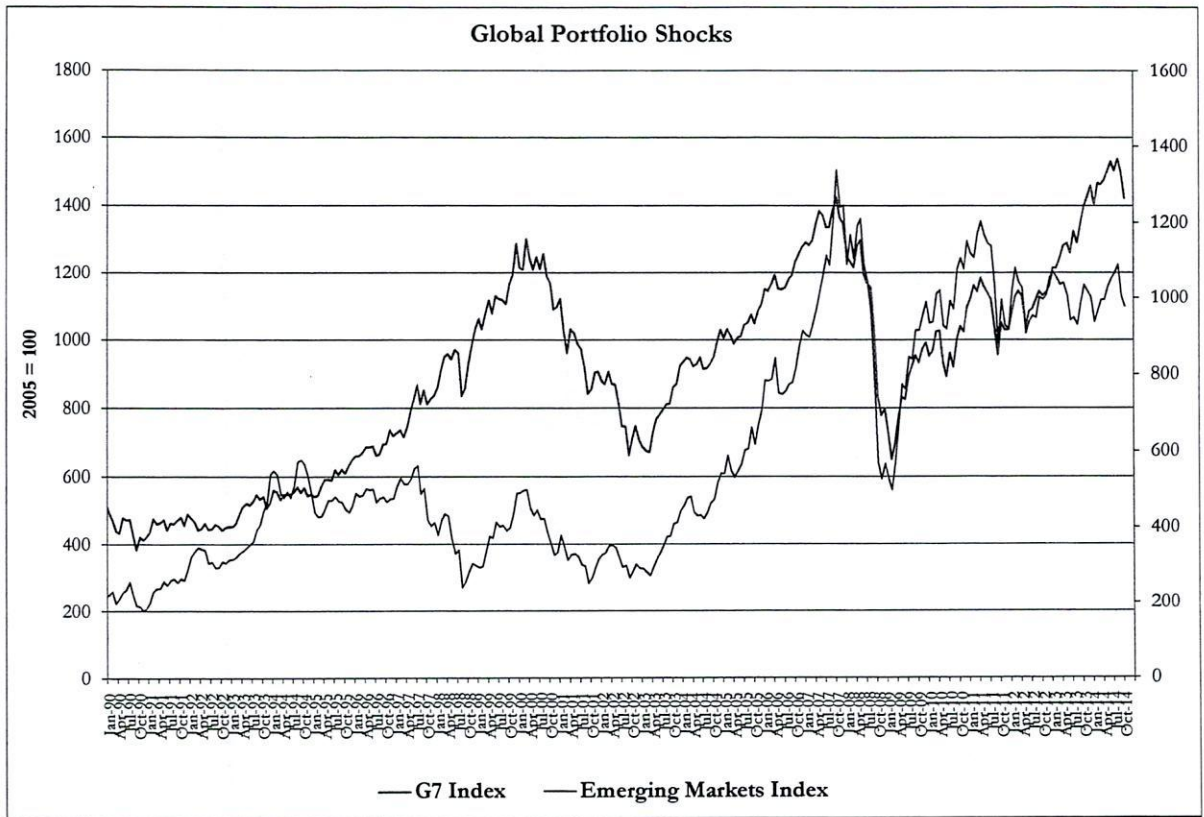
## NIGERIA'S ECONOMIC OUTLOOK IN 2015

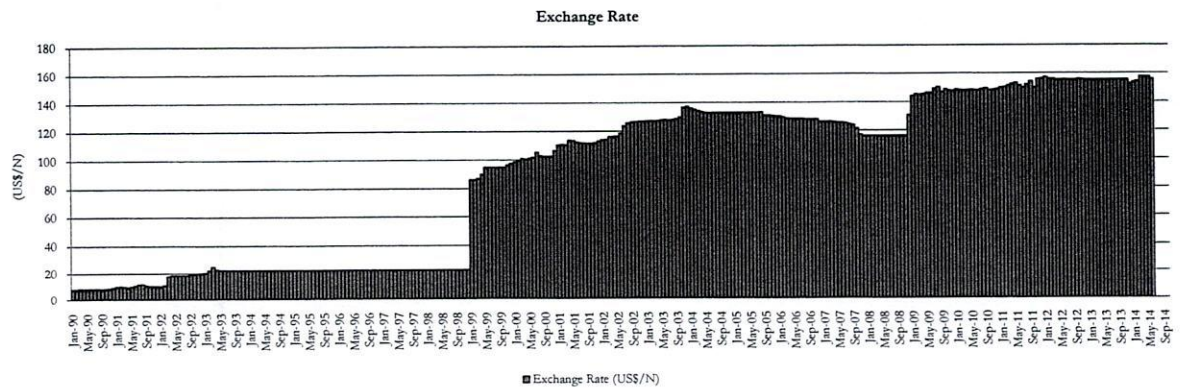
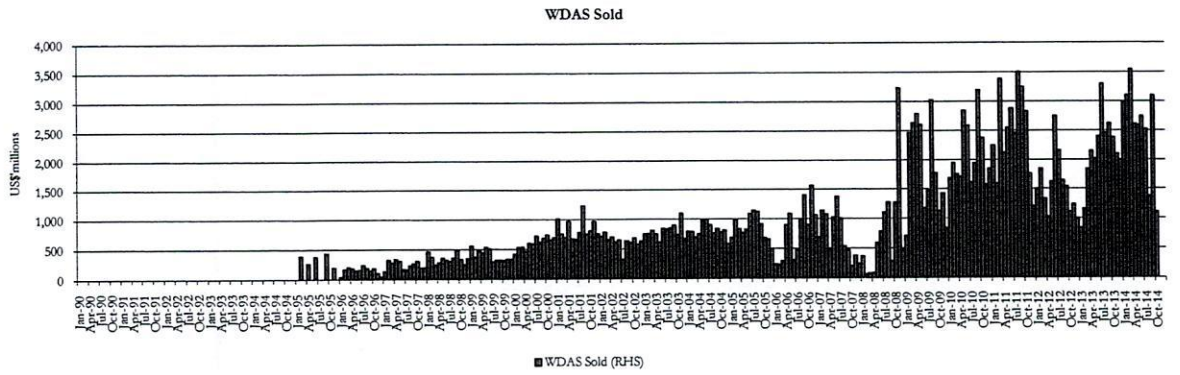
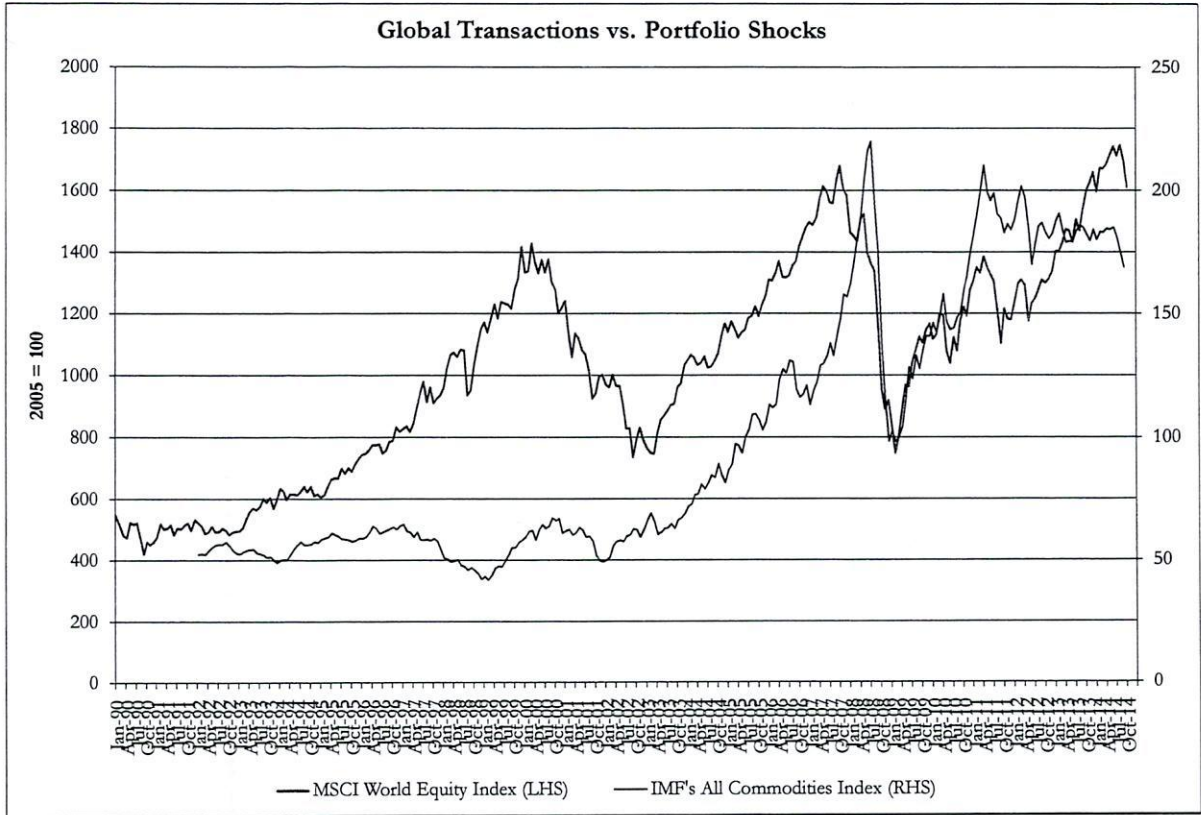
1. **Outlook of Global Economic/Financial Impulses**
  - **Transaction Shocks**- Global Commodity Prices
  - **Portfolio Shocks**- Global Equity Prices
2. **Outlook of Domestic Impact-Points**
  - **Financial Assets**- Market Capitalization, Forex, External Reserves
  - **Prices**- Inflation, Interest Rates, Exchange Rate
3. **Likely impact of the 2015 elections on the outlook**
  - **On production and spending**
  - **On goods and asset price inflation**
4. **Sectoral Essence and Implications of GDP Rebasing**
  - Sectoral Implications of GDP Rebasing: **Old, New and Emergent Giants**
  - Implications of the rebased GDP for **Consumption and Investment**
5. **Implications of the Rebasing on States/Regional Outlook**
  - Implications of GDP Rebasing for **Output/Spending across the States/Regions**
  - Implications of GDP Rebasing for **IGR/VAT Outlook across the States/Regions**

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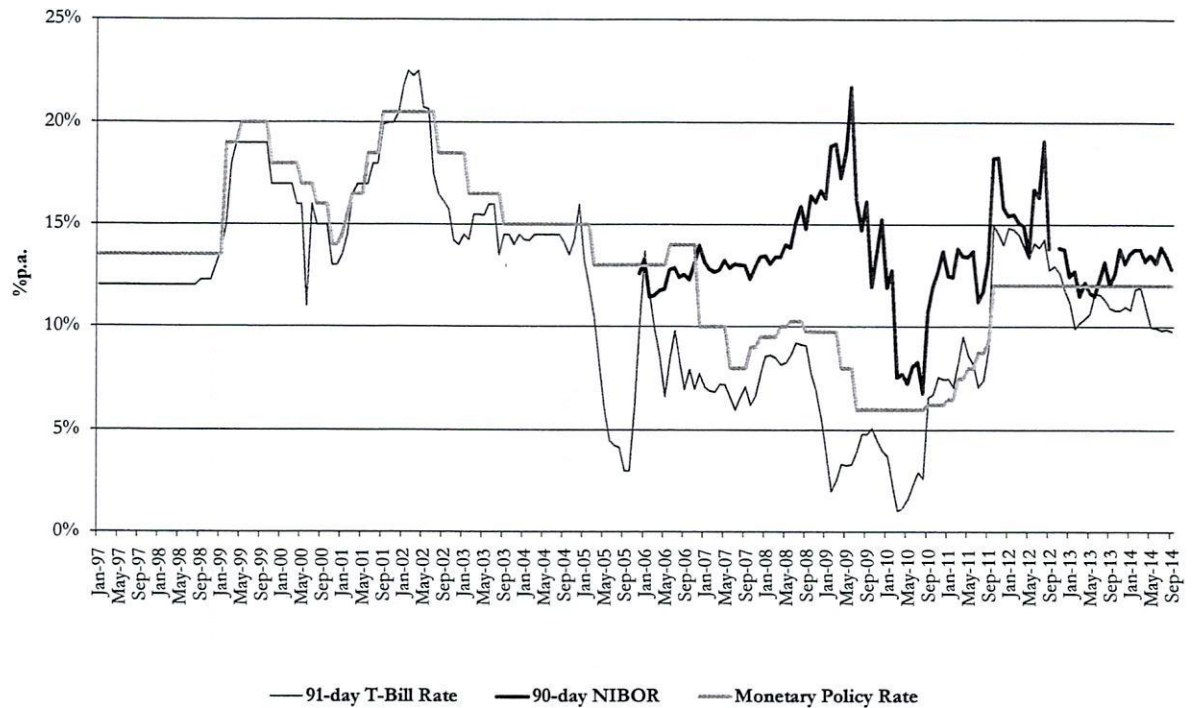








## Interest Rates



## 2015 Elections

### Implications of restriction of movement for real output

- Restrictions on Movement/Economic Activity towards/on election day
- Loss of demand, output, and income could dampen growth and inflation

### Implications of election spending for inflation

- Asset price inflation more likely in the presence of a deepening equity market
- Goods price inflation less likely, given weak demand/alternative investment

## GDP REBASING AND NIGERIA'S ECONOMIC OUTLOOK

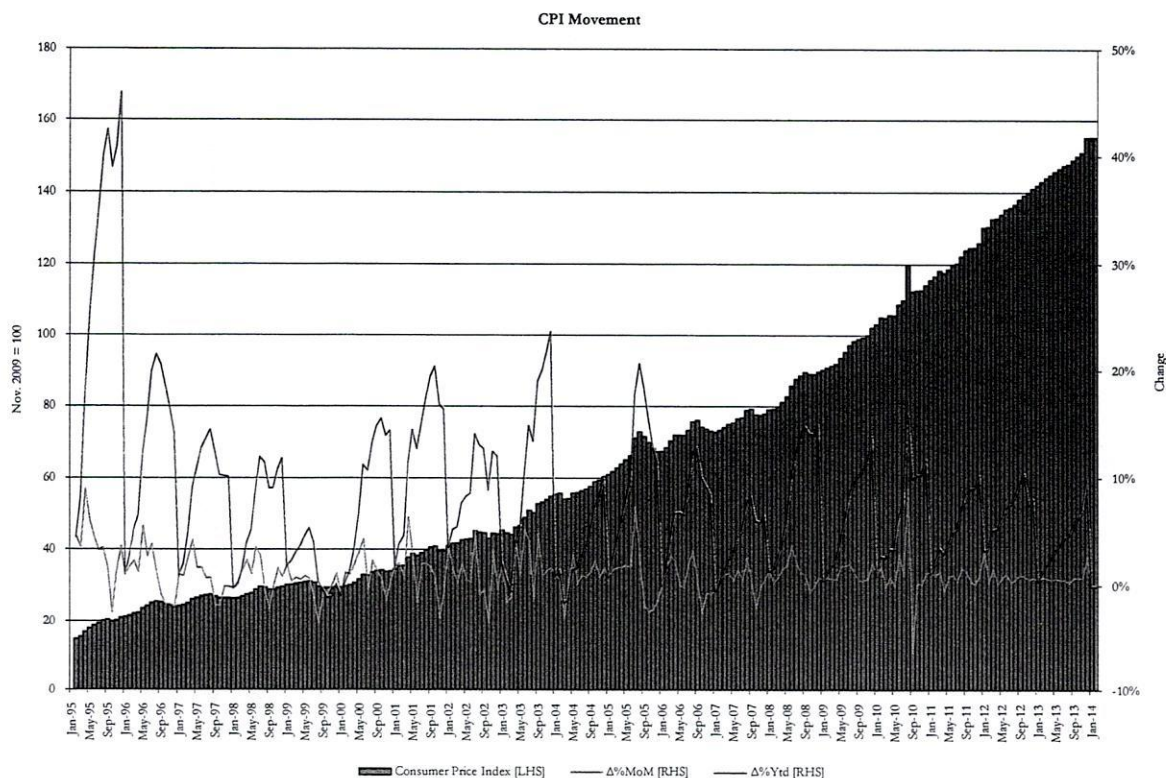
### 1. Global Economic/Financial Outlook

- Global Commodity Prices
- Global Equity Prices
- ... **Domestic Impact-Points**
- Market Capitalization, Forex Demand, External Reserves, and Exchange Rate
- Consumer Price Inflation, Interest Rates, Money, Bonds, and Real GDP Growth
- ... **2015 Elections**
- Implications of electioneering and post-election politicking for real output
- Implications of election related spending for consumer and asset price inflation

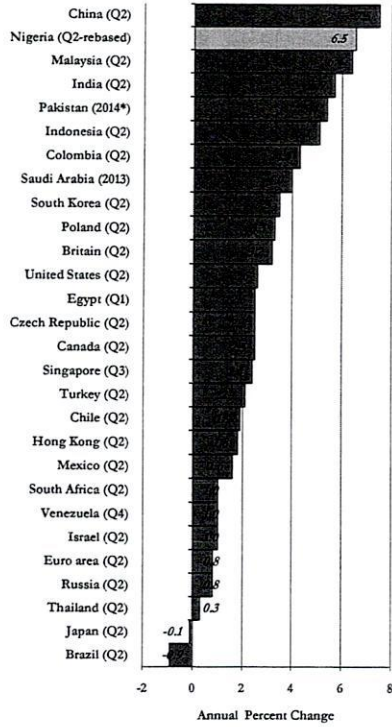
### 2. GDP Rebasing

- Essence
- Import
- ... **Impact on Sectoral Outlook**
- Sectoral Implications of GDP Rebasing: *Old, New and Emergent Giants*
- Implications of the rebased GDP for *Consumption and Investment*
- ... **Impact on States/Regional Outlook**
- Implications of GDP Rebasing for *Output/Spending* across the States/Regions
- Implications of GDP Rebasing for *IGR/VAT* Outlook across the States/Regions

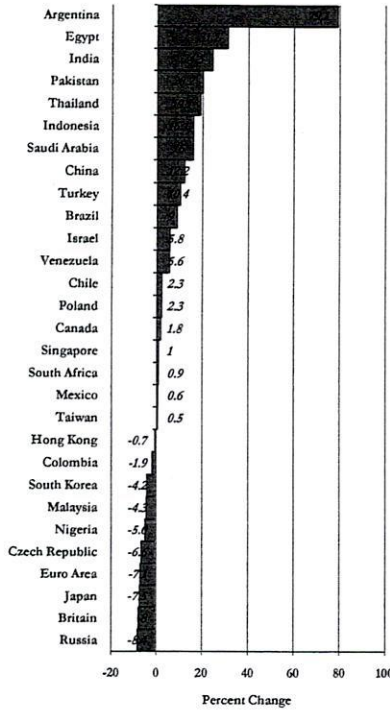
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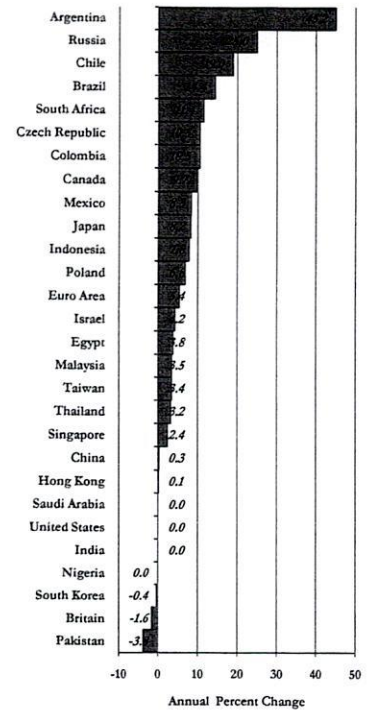
### GDP Growth



### Stock Markets (Year to October 15, 2014)



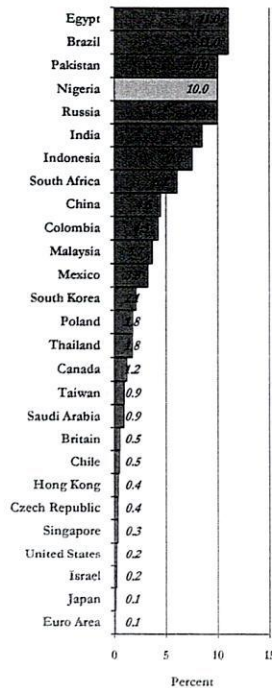
### Exchange Rate Movement (September 17, 2014)



### Consumer Price Inflation



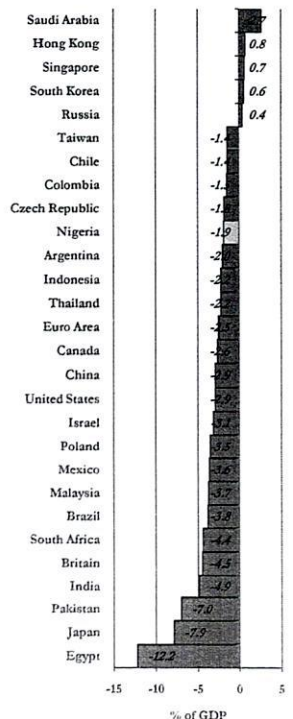
### 3-Month Treasury Bill Rate (October 17, 2014)



### 10 Year Government Bond Rate (October 17, 2014)



### Fiscal Deficits in 2014





## GDP REBASING AND SECTORAL OUTLOOK

### □ GDP Rebasing

- Essence
- Import

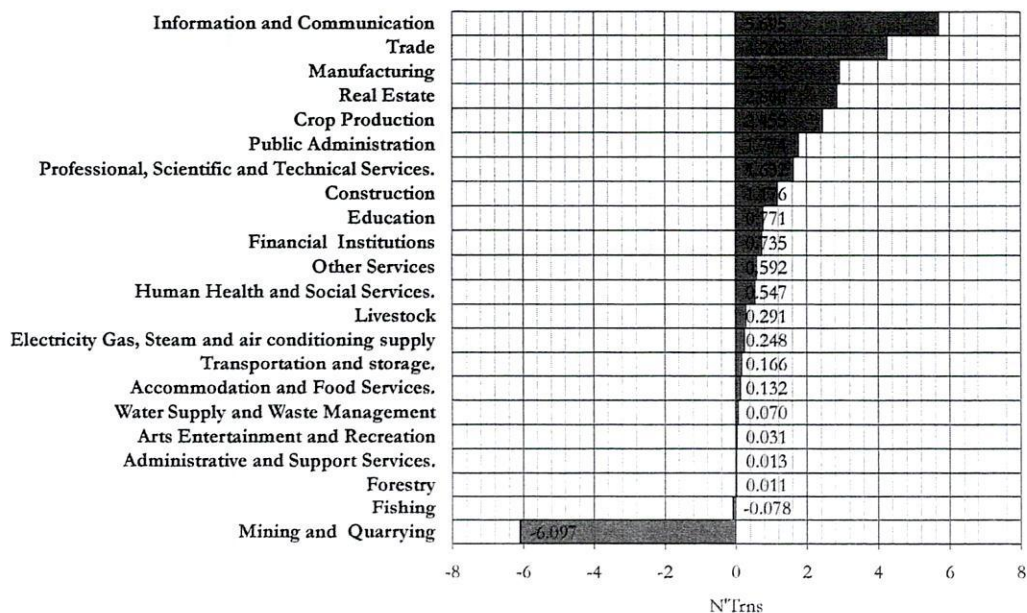
#### ... Impact on Sectoral Outlook

- Sectoral Implications of GDP Rebasing: *Old, New and Emergent Giants*
- Implications of the rebased GDP for *Consumption and Investment*

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## ESSENCE OF THE REBASING

Simple Differences btw New and Old GDP 2010



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## ESSENCE OF THE REBASING

- Rebasing lifts Nigeria's nominal GDP by 59.5%, driven largely by big jumps in the output of 10 subsectors.
- How can we explain big changes in sectoral output? It will be nice to provide some intuitive explanations very big changes.
  1. How did Mining and Quarrying dip by N6.1trn from N14.55trn to 8.45trn, mainly reflecting the big dip in crude petroleum?
  2. How did Information & Communication Jump by N5.7trn from N270bn to N5.96trn?
  3. How did Trade jump by N4.26trn from N4.65trn to 8.91trn?
  4. It would be nice to understand the basis of the N2.94trn jump in Manufacturing,
  5. ... N2.86trn jump in Real Estate, and
  6. ... N2.4trn jump in Crop Production.
- Sectors that jumped by half a trillion Naira or more need explaining.

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## IMPORT OF THE GDP REBASING FOR SECTORAL OUTLOOK

- Old vs. New Giants
  - Crops, 21.5% of GDP, and Trade, 16.4%, are now individually larger than Oil, 15.6%.
  - Information and Communication, 11% of GDP
  - Real Estate, 7% of GDP
  - Manufacturing, 6.6% of GDP
- Nigeria now has SIX 'giant' sectors instead of the traditional THREE
- New Growth Sectors
  - Reclassification from 33 to 46 subsectors reveals many as fast growing, though small.
- Enablers- the next giants
  - Rail Transport & Pipelines (competition and privatization will revive and upgrade this enabler)
  - Fuel/Energy
    - . Electricity (end of government monopoly, and privatization should boost explosive growth)
    - . Gas (Currently the neglected utility in Nigeria. If only gas can be piped to homes across Nigeria!)
    - . Oil refining
    - . Coal Mining
  - Manufacturing/Industry
  - Metal Ores
  - Insurance (Agric, personal, property, communal, social insurance are close to nil in Nigeria!)
  - ...

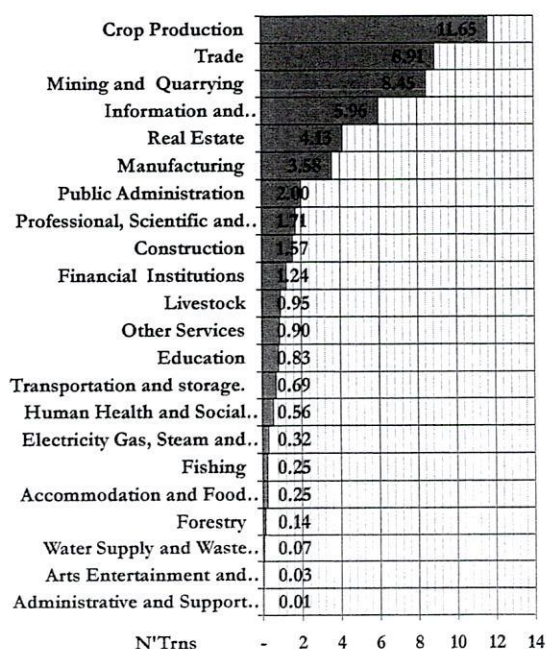
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**SUB-SECTORS, SORTED BY THE SIZE OF THE CHANGE IN OUTPUT AFTER REBASING**

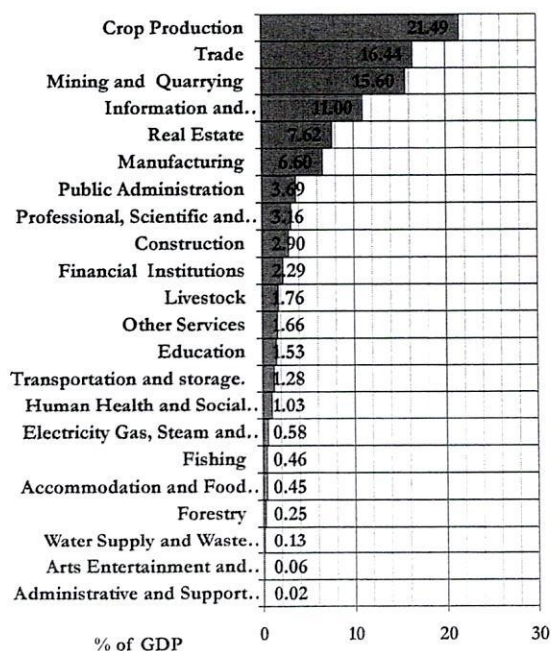
	Sub-sector	Diff (N'Trns)	Diff (%)	Rebased	Old
1	Information and Communication	5.70	2,144.66	5.96	0.27
2	Trade	4.26	91.67	8.91	4.65
3	Manufacturing	2.94	456.49	3.58	0.64
4	Real Estate	2.86	225.50	4.13	1.27
5	Crop Production	2.45	26.69	11.65	9.20
6	Public Administration	1.77	791.42	2.00	0.22
7	Professional, Scientific and Technical Services.	1.63	2,038.43	1.71	0.08
8	Construction	1.18	298.05	1.57	0.39
9	Education	0.77	1,373.80	0.83	0.06
10	Financial Institutions	0.74	144.75	1.24	0.51
11	Other Services	0.59	191.72	0.90	0.31
12	Human Health and Social Services.	0.55	4,304.80	0.56	0.01
13	Livestock	0.29	43.89	0.95	0.66
14	Electricity Gas, Steam and air conditioning supply	0.25	367.58	0.32	0.07
15	Transportation and storage.	0.17	31.34	0.69	0.53
16	Accommodation and Food Services.	0.13	115.97	0.25	0.11
17	Water Supply and Waste Management	0.07	2,450.80	0.07	0.00
18	Arts Entertainment and Recreation	0.03	-	0.03	-
19	Administrative and Support Services.	0.01	-	0.01	-
20	Forestry	0.01	9.17	0.14	0.12
21	Fishing	-0.08	-23.91	0.25	0.33
22	Mining and Quarrying	-6.10	-41.90	8.45	14.55
	<b>GDP</b>	<b>20.22</b>	<b>59.50</b>	<b>54.20</b>	<b>33.98</b>

**REBASED GDP**

Rebased (New) Series, 2010

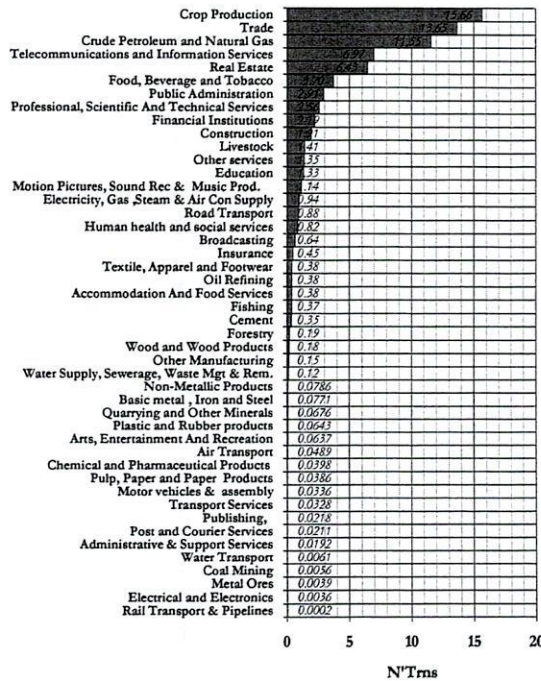


% of GDP (2010, Rebased)

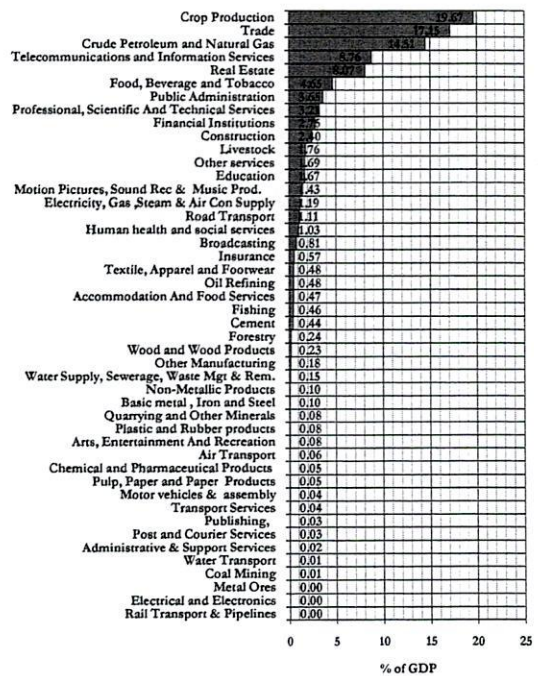


# REBASED GDP

Nominal GDP, N'Trns, 2013



Contributions to Nominal GDP

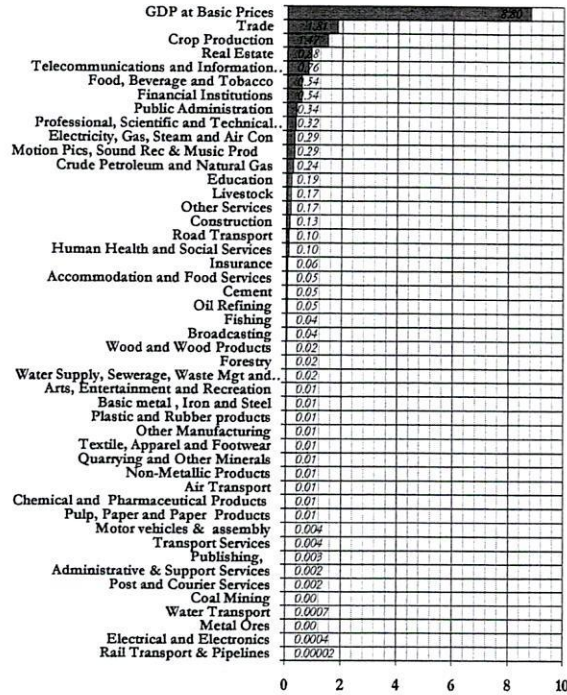


## CONTRIBUTIONS TO GDP

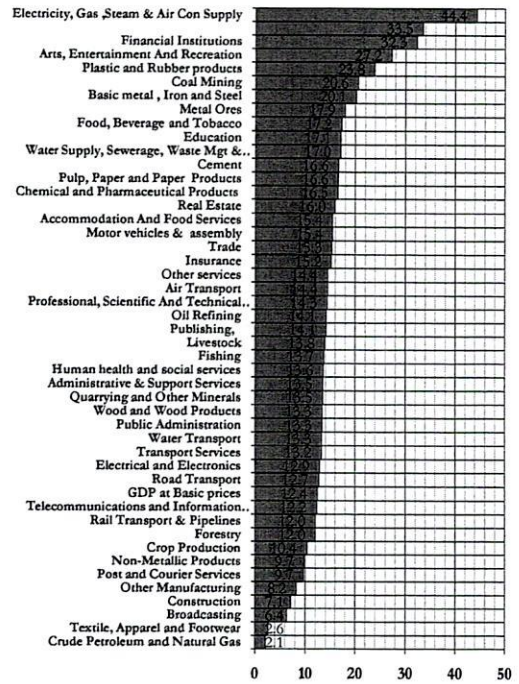
Sub-sectors	N'Trns 2013	% of GDP	Cummulative
Crop Production	15.66	19.67	19.67
Trade	13.65	17.15	36.81
Crude Petroleum and Natural Gas	11.55	14.51	51.32
Telecommunications and Information Services	6.97	8.76	60.08
Real Estate	4.43	8.07	68.16
Food, Beverage and Tobacco	3.70	4.65	72.81
Public Administration	2.91	3.65	76.46
Professional, Scientific And Technical Services	2.56	3.21	79.67
Financial Institutions	2.19	2.75	82.42
Construction	1.91	2.40	84.83
Livestock	1.41	1.76	86.59
Other services	1.35	1.69	88.28
Education	1.33	1.67	89.95
Motion Pictures, Sound recording and Music production	1.14	1.43	91.38
Electricity, Gas, Steam and Air Conditioning Supply	0.94	1.19	92.57
Road Transport	0.88	1.11	93.68
Human health and social services	0.82	1.03	94.71
Broadcasting	0.64	0.81	95.52
Insurance	0.45	0.57	96.09
Textile, Apparel and Footwear	0.38	0.48	96.57
Oil Refining	0.38	0.48	97.04
Accommodation And Food Services	0.38	0.47	97.52
Fishing	0.37	0.46	97.98
Cement	0.35	0.44	98.42
Forestry	0.19	0.24	98.66
Wood and Wood Products	0.18	0.23	98.88
Other Manufacturing	0.15	0.18	99.07
Water Supply, Sewerage, Waste Management and Remediation	0.12	0.15	99.21
Non-Metallic Products	0.08	0.10	99.31
Basic metal, Iron and Steel	0.08	0.10	99.41
Quarrying and Other Minerals	0.07	0.08	99.49
Plastic and Rubber products	0.06	0.08	99.57
Arts, Entertainment And Recreation	0.06	0.08	99.65
Air Transport	0.05	0.06	99.72
Chemical and Pharmaceutical Products	0.04	0.05	99.77
Pulp, Paper and Paper Products	0.04	0.05	99.81
Motor vehicles & assembly	0.03	0.04	99.86
Transport Services	0.03	0.04	99.90
Publishing	0.02	0.03	99.93
Post and Courier Services	0.02	0.03	99.95
Administrative & Support Services	0.02	0.02	99.98
Water Transport	0.01	0.01	99.98
Coal Mining	0.01	0.01	99.99
Metal Ores	0.00	0.00	100.00
Electrical and Electronics	0.00	0.00	100.00
Rail Transport & Pipelines	0.00	0.00	100.00
GDP at Basic prices	79.63	100.00	

# REBASED GDP

Absolute Growth in 2013 (N'Trns)



% Growth Nominal GDP, 2013



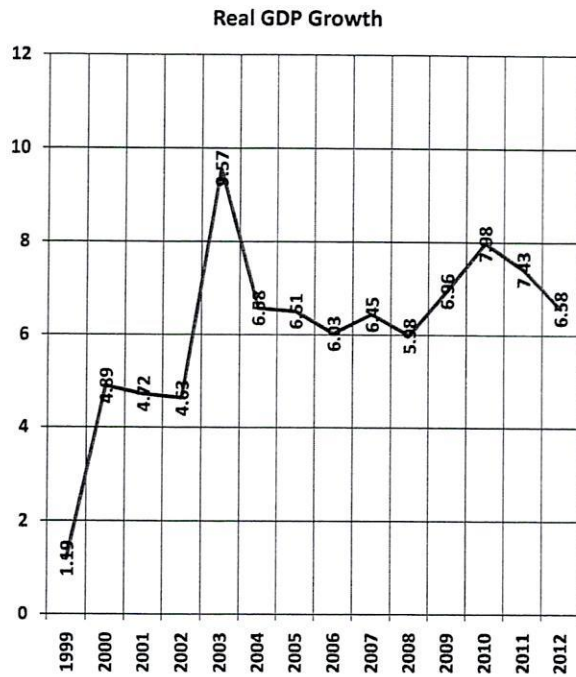
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## CONTRIBUTIONS TO GDP GROWTH

Sub-sector	Change in 2013 (N'Trns)	% of Total	Cumulative
Trade	1.80	20.57	20.57
Crop Production	1.47	16.71	37.28
Real Estate	0.88	10.08	47.33
Telecommunications and Information Services	0.76	8.64	55.98
Food, Beverage and Tobacco	0.54	6.19	62.16
Financial Institutions	0.54	6.08	68.25
Public Administration	0.34	3.89	72.13
Professional, Scientific and Technical Services	0.32	3.63	75.77
Electricity, Gas, Steam and Air Con Supply	0.29	3.30	79.07
Motion Pictures, Sound recording and Music production	0.29	3.25	82.31
Crude Petroleum and Natural Gas	0.24	2.72	85.03
Education	0.19	2.20	87.23
Livestock	0.17	1.94	89.17
Other Services	0.17	1.93	91.10
Construction	0.13	1.45	92.55
Road Transport	0.10	1.13	93.68
Human Health and Social Services	0.10	1.11	94.80
Insurance	0.06	0.68	95.48
Accommodation and Food Services	0.05	0.57	96.05
Cement	0.05	0.57	96.62
Oil Refining	0.05	0.53	97.15
Fishing	0.04	0.50	97.65
Broadcasting	0.04	0.44	98.09
Wood and Wood Products	0.02	0.24	98.33
Forestry	0.02	0.23	98.56
Water Supply, Sewerage, Waste Mgt and Rem.	0.02	0.19	98.75
Arts, Entertainment and Recreation	0.01	0.15	98.91
Basic metal, Iron and Steel	0.01	0.15	99.05
Plastic and Rubber products	0.01	0.14	99.19
Other Manufacturing	0.01	0.13	99.32
Textile, Apparel and Footwear	0.01	0.11	99.43
Quarrying and Other Minerals	0.01	0.09	99.52
Non-Metallic Products	0.01	0.08	99.60
Air Transport	0.01	0.07	99.67
Chemical and Pharmaceutical Products	0.01	0.06	99.74
Pulp, Paper and Paper Products	0.01	0.06	99.80
Motor vehicles & assembly	0.004	0.05	99.85
Transport Services	0.004	0.04	99.89
Publishing,	0.003	0.03	99.92
Administrative & Support Services	0.002	0.03	99.95
Post and Courier Services	0.002	0.02	99.97
Coal Mining	0.00	0.01	99.98
Water Transport	0.0007	0.01	99.99
Metal Ores	0.00	0.01	100.00
Electrical and Electronics	0.0004	0.00	100.00
Rail Transport & Pipelines	0.00002	0.00	100.00
GDP at Basic Prices	8.80	100.00	

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## High Growth



- Nigeria's average annual real GDP growth rose from 2.95% per year over 1990-1999 to 6.5% over 2000-2012. Marked growth deceleration in the last two years from 8% in 2010 to 6.6% in 2012 is noteworthy.
- Nigeria's economy has grown very fast in the last thirteen years in response to the surges in global oil and non-oil commodity prices. In particular, Nigeria's nominal GDP doubled from N20 trillion in 2007 to N40 trillion in 2012! Oil and gas output rose from N7.5 trillion in 2007 to 15 trillion in 2012. Non-oil GDP rose from N12.5 trillion in 2007 to N25 trillion in 2012. Crops rose from N6 trillion in 2007 to N12 trillion in 2012. Trading and commercial services rose from N6 trillion in 2007 to N11 trillion in 2012.
- According to Wikipedia, with a nominal GDP of \$250 billion in 2012 (\$451 billion PPP), Nigeria was the 30th (40th in 2005, 52nd in 2000) largest economy in the world (PPP), 2nd largest within Africa behind South Africa, and was on track to overtake South Africa and become one of the 20 largest economies in the world before or by 2020 (it must have been added, if recent trends persist!!!).
- Rebasing has hastened the process, as Nigeria did overtake South Africa after the rebasing.

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## NIGERIA'S GROWTH PROFILE

### □ Nigeria's growth is however:

- Cyclically dependent on global economic swings ...
  - ... especially vulnerable to a protracted decline in global prices of crops and oil
  - ... most likely to reverse in the face of a protracted global economic contraction (early 1980s. 1996)
- Structurally weak
  - Crop production is surging in response to favorable global prices, but *uninsured* against price risks
  - *Forward linkages* from crops to manufacturing/industry *weakened* by energy supply and transport failures
  - Domestic trade is boosted by high crops income, but held back by high logistics costs
- Sectorally concentrated, creating sectoral growth divergence
  - 73 percent of economic activity come from six sectors
  - 68 percent of growth come from six sectors
  - Sectoral concentration of the incidence of rebasing widens the diversity
- Regionally concentrated, widening regional growth divergence
  - Crops, Trade, Telecoms, Oil, and Manufacturing are heavily concentrated in only two or three regions
  - Two of the six regions are excluded from the growth process
  - Rich regions are thus getting richer, poor regions, poorer!

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## FISCAL CHALLENGES HIGHLIGHTED BY REBASING

<b>Nominal GDP</b>	<b>80,009.1</b>
▫ Oil GDP	10,296.00
▫ Non-Oil GDP	69,926.13
<b>Expenditure on GDP</b>	<b>81,010.0</b>
▫ Private Consumption	58,440.00
▫ Investment	11,924.00
▫ Government Consumption	6,548.00
▫ Net Exports	4,097.00
<b>Total Fed. Col. Rev.</b>	<b>9,759.8</b>
▫ Oil Revenue	6,809.2
▫ Non- Oil Revenue	2,950.6
- <i>Corporate Income Taxes</i>	<i>848.0</i>
- <i>Value Added Tax</i>	<i>710.0</i>
- <i>Customs and Excise Duty</i>	<i>475.0</i>
- <i>Custom Levies</i>	<i>161.6</i>
- <i>Education Tax</i>	<i>214.6</i>
- <i>FG Independent Revenue</i>	<i>206.8</i>
- <i>States IGR</i>	<i>543.0</i>
- <i>LG IGR</i>	<i>26.6</i>
<b>Memo Items: External Spending</b>	
▫ Exports	14,615.00
▫ Imports	10,518.00
▫ Net Exports	4,097.00

Note: Italicized items are for 2012, all other are for 2013

- Rebasing highlights a high degree of fiscal disconnect.
- There is a lot more to do to ensure that non-oil sector growth is reflected in non-oil revenue generation.
- This is true for all levels of government ...
- And all types of non-oil revenue

## STATES AND REGIONAL ECONOMIC DISPARITIES

- **DISPARITIES IN STATES AND REGIONAL ENDOWMENTS**
  - PATTERNS OF REGIONAL RESOURCES ENDOWMENTS
  - PATTERNS OF REGIONAL ECONOMIC DIVERSITY
- **STATES AND REGIONAL GROWTH DISPARITIES**
  - SECTORAL CONCENTRATION AND REGIONAL GROWTH
  - REGIONAL LINKAGES AND GROWTH DISPARITIES
- **STATES AND REGIONAL FISCAL DISPARITIES**
  - BUDGET VS. ACTUAL
  - FISCAL DISCONNECT?
- **STATES AND REGIONAL CONSUMPTION DISPARITIES**
  - JUST HOW LARGE ARE THE STATES' ECONOMIES?
  - JUST HOW LARGE ARE THE STATES' REVENUE POTENTIALS?

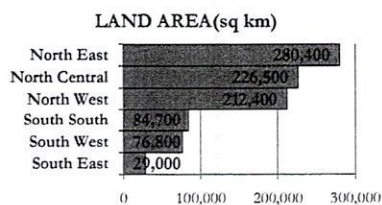
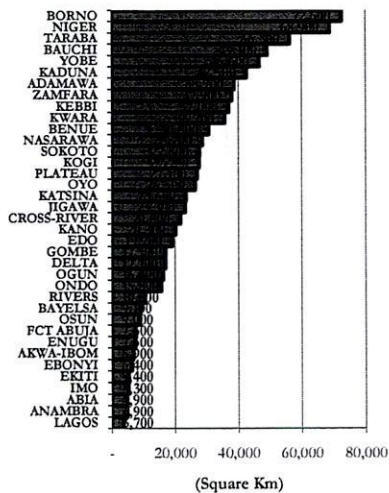
## STATES AND REGIONAL ECONOMIC DISPARITIES

- ❑ Disparities in endowments of agricultural, mineral and commercial wealth across Nigeria's six geopolitical zones determine the rates at which the different regions can grow.
- ❑ Economic activities and growth are concentrated in four regions.
  - Two regions, North West and North Central, account for 90 percent of crop production,
  - South-South accounts for 92 percent of oil production, and
  - South West account for 60 percent of trading and commercial activities, with North Central and South-South combining to contribute another 30 percent of this.

	Land Area	Coastline	Boarders	Crops	Oil	Trading
North-central	Large, landlocked	Nil	Nil	30%	-	16.33%
Northeast	Large, semi-arid	Nil	Yes	5%	-	1.46%
Northwest	Large	Nil	Yes	60%	-	4.41%
Southeast	Small, landlocked	Nil	Nil	2.18%	2.69%	2.73%
South-south	Small, coastal	Yes	Yes	1.25%	91.52%	13.45%
Southwest	Small, coastal	Yes	Yes	2.73%	5.79%	61.33%

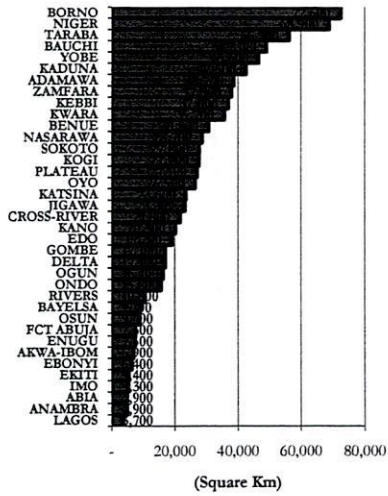
- ❑ The remaining two regions, the North East and the South East, are excluded from the growth processes.
- ❑ In the absence of a national interregional redistributive policy, rich regions will continue to get richer, just as poor regions get poorer. Sustenance of growth in the country can only be assured through peaceful redistribution of growth from rich to poor regions. Otherwise, violent redistribution of the pains and anguish of penury from poor to rich regions will be inevitable, breach the peace among regions, and the country will be the worse for it.
- ❑ Fast and efficient rail links between rich and poor regions could bring resource-poor regions closer to needful inputs, ensure benefits of growth are more evenly distributed across regions, ultimately eliminate interregional growth disparities, and ensure the peaceful coexistence that is required to sustain growth.

### LAND AREA

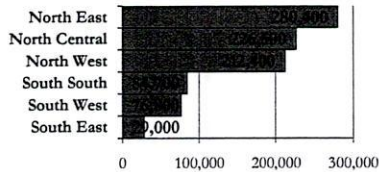




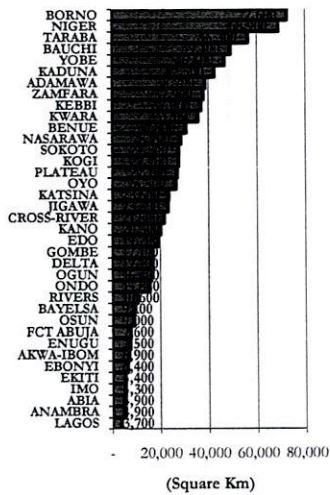
### LAND AREA



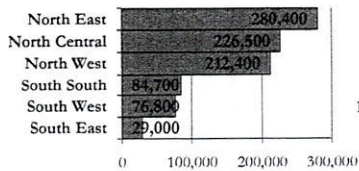
### LAND AREA(sq km)



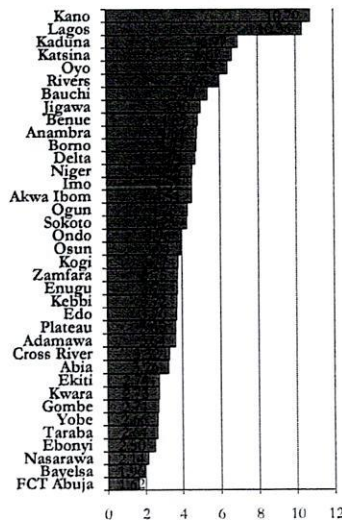
### LAND AREA



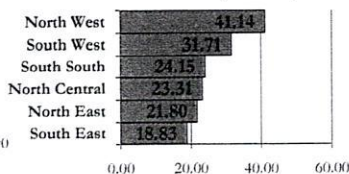
### LAND AREA(sq km)



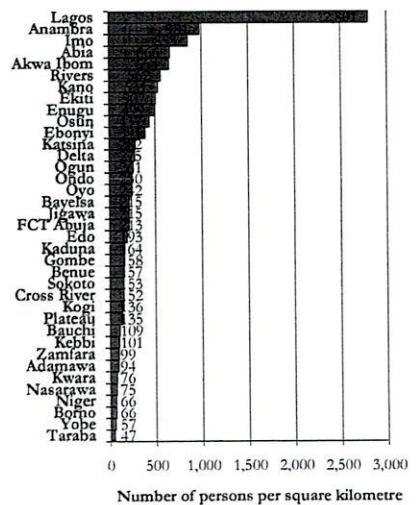
### POPULATION 2011 (Millions)



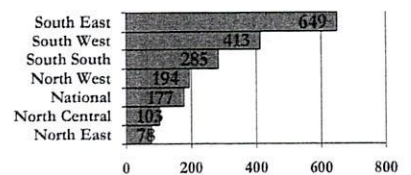
### POPULATION 2011 (millions)



### POPULATION DENSITY 2011

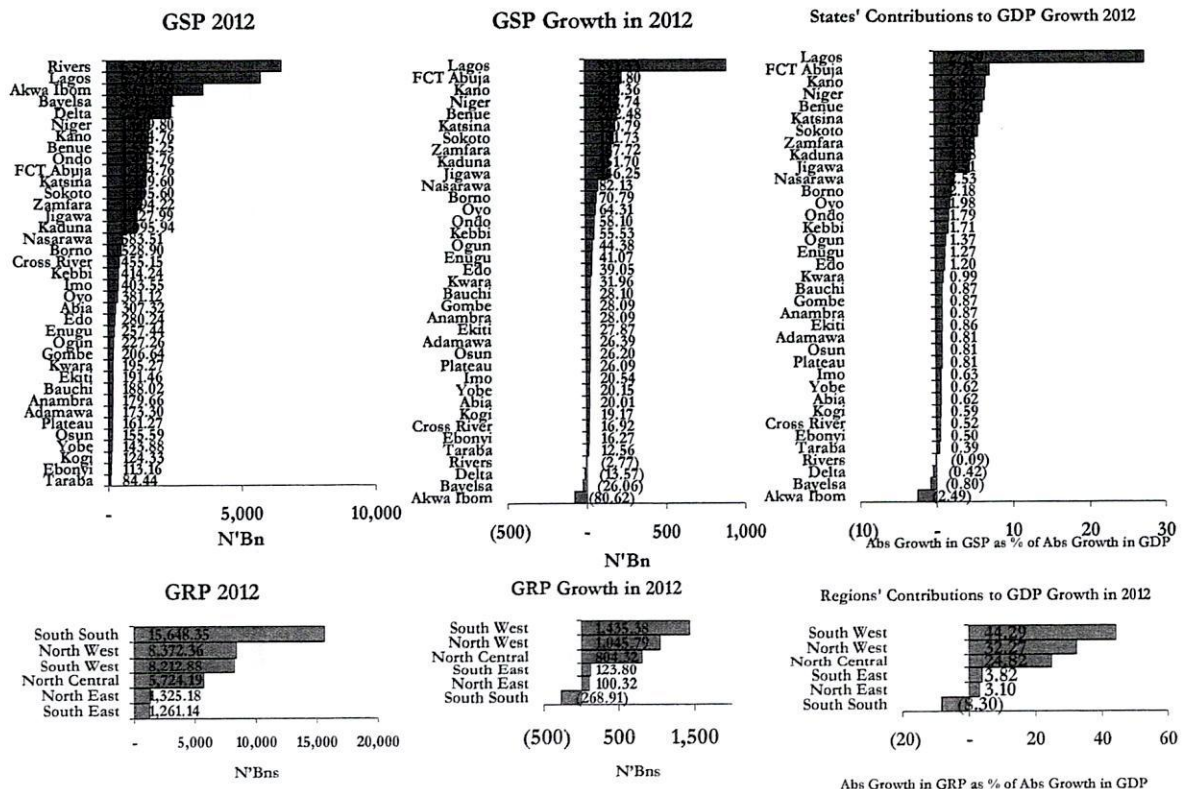


### DENSITY 2011

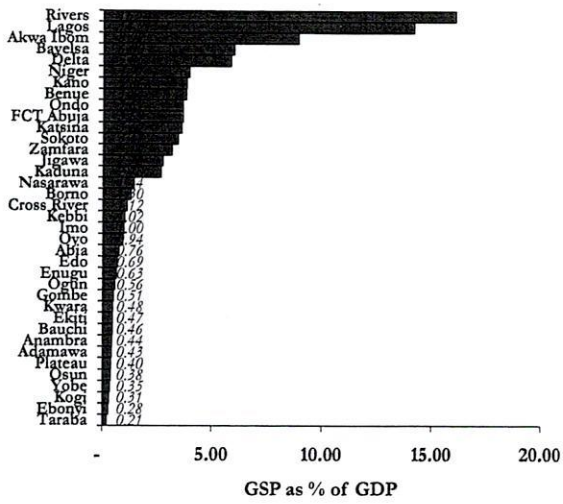


## STATES AND REGIONAL INCLUSION

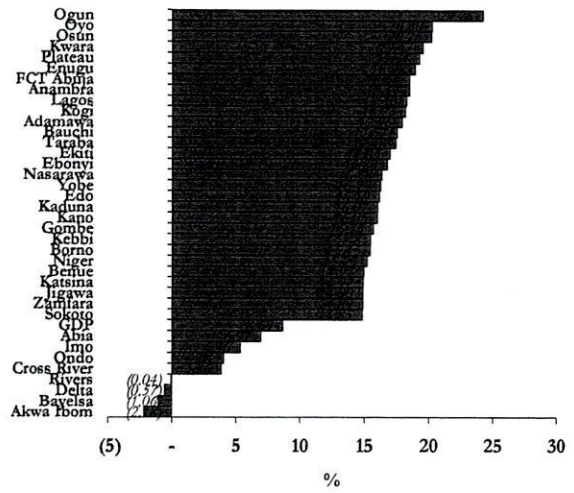
- A combination of resource endowments and favorable global commodity prices now determine which states/regions enjoy growth. Coastal access bestows commercial and oil wealth, while arable land brings agricultural wealth at a time when global oil and non-oil commodity prices are at their highest.
- Well-endowed states/regions have seen unexpected growth in their economies, while poorly-endowed states'/regions' economies have stagnated in spite of rapid growth in the national economy. Notably:
  - 15 states (including FCT) now generate a trillion Naira or more in GSPs, up from just five in 2008.
  - Two states generate between half a trillion and a trillion Naira, down from ten in 2008.
  - Nine states muster between N200 billion and half a trillion naira in GSPs, up from six in 2008.
  - The remaining 11 states make do with less than 200 billion in GSPs, down from 16 in 2008.
- The reality is that some states/regions can seek and achieve faster growth rates in the prevailing global economic and financial environment, while others cannot. The rich states/regions are likely to get richer, and the poor, poorer. Knowledge of the spread of these different groups of states across the six geo-political zones of Nigeria, and the sectoral dynamics behind the divergence, must be imperative for business leaders, federal and state government officials, and development partners, though for different reasons.
- There is thus a need to investigate the likely role of economic exclusion in aggravating the security situation in parts of the country, and identify policies that might be necessary to reassure and empower states/regions that are poorly-endowed, economically marginalized by nature and the generic growth processes. As tensions originating from states/regions excluded from economic growth processes threaten the sustenance of growth in states/regions that are included in the growth processes, policies to peacefully redistribute wealth will be necessary to ensure socio-political stability required to sustain growth.



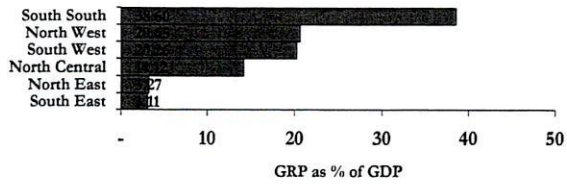
States' Share of GDP IN 2012



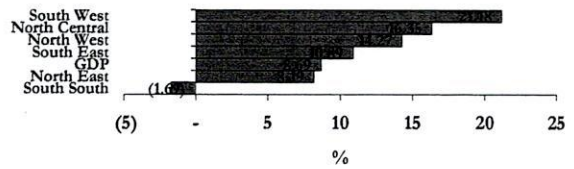
GSP Growth in 2012 (%)



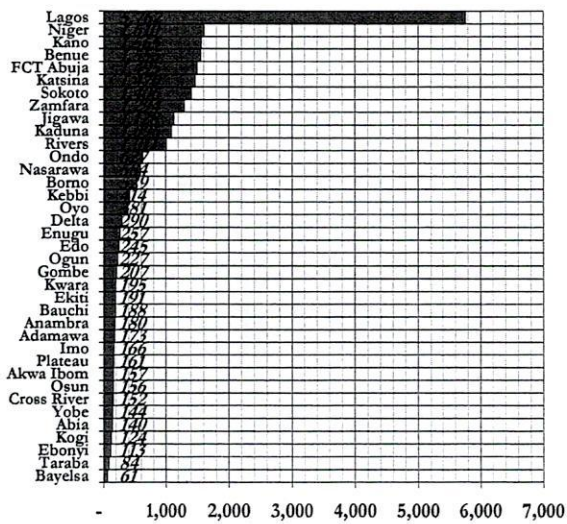
Regions' Share of GDP IN 2012 (%)



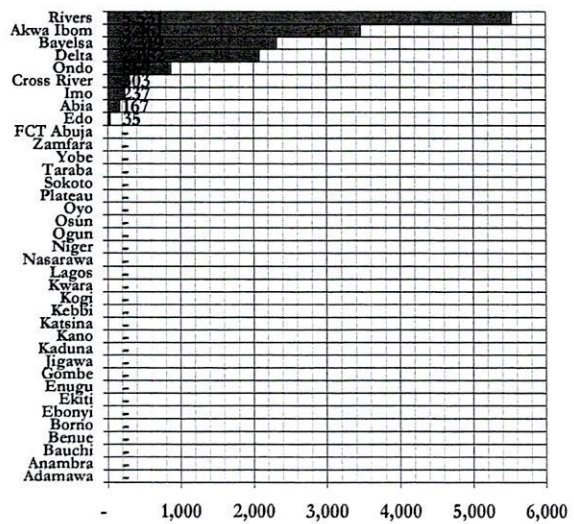
GRP Growth in 2012 (%)



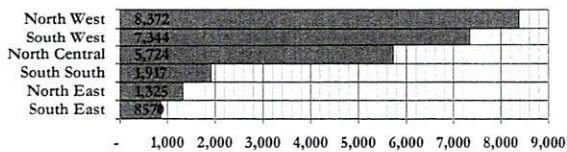
Non-Oil GSP



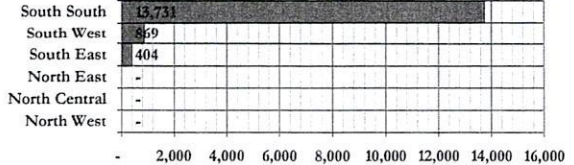
Oil GSP



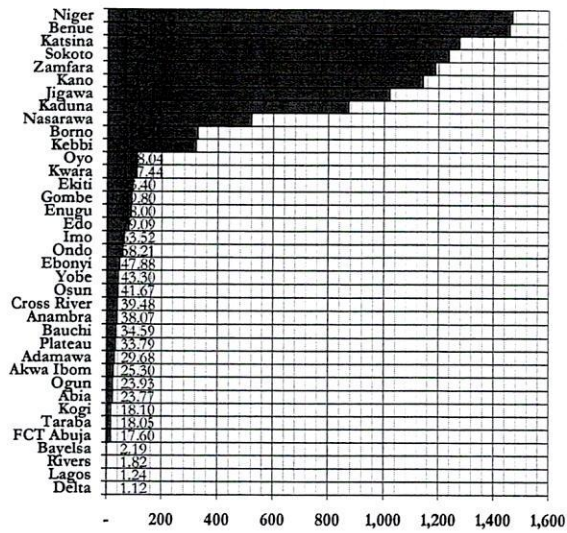
Non-Oil GRP 2012 (N'Bns)



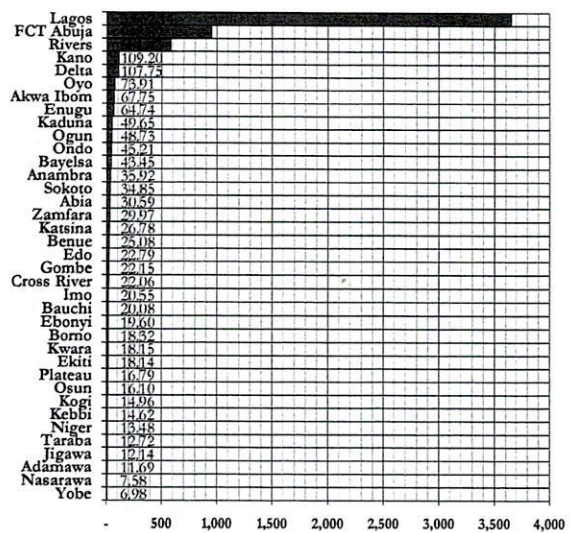
Oil GRP 2012 (N'Bns)



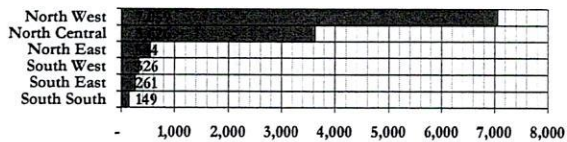
Crops 2012 (N'Bns)



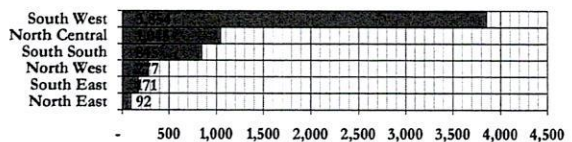
Wholesale and Retail Trade 2012 (N'Bns)



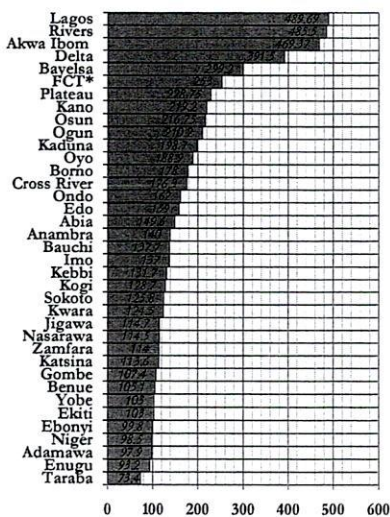
Crops 2012 (N' Bns)



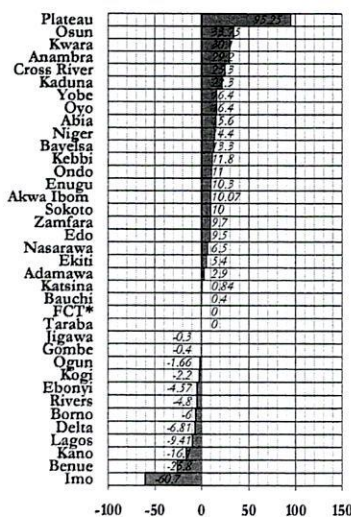
Wholesale & Retail Trade 2012 (N'Bns)



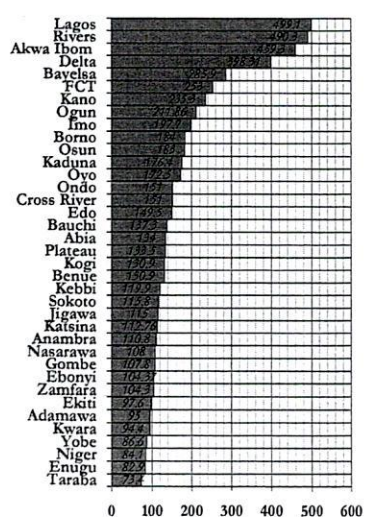
Budget 2014



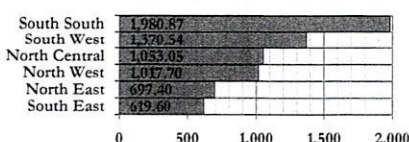
Budget Change in 2014



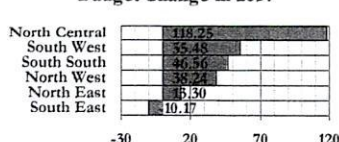
Budget 2013



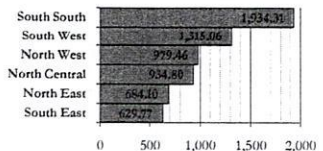
Budget 2014

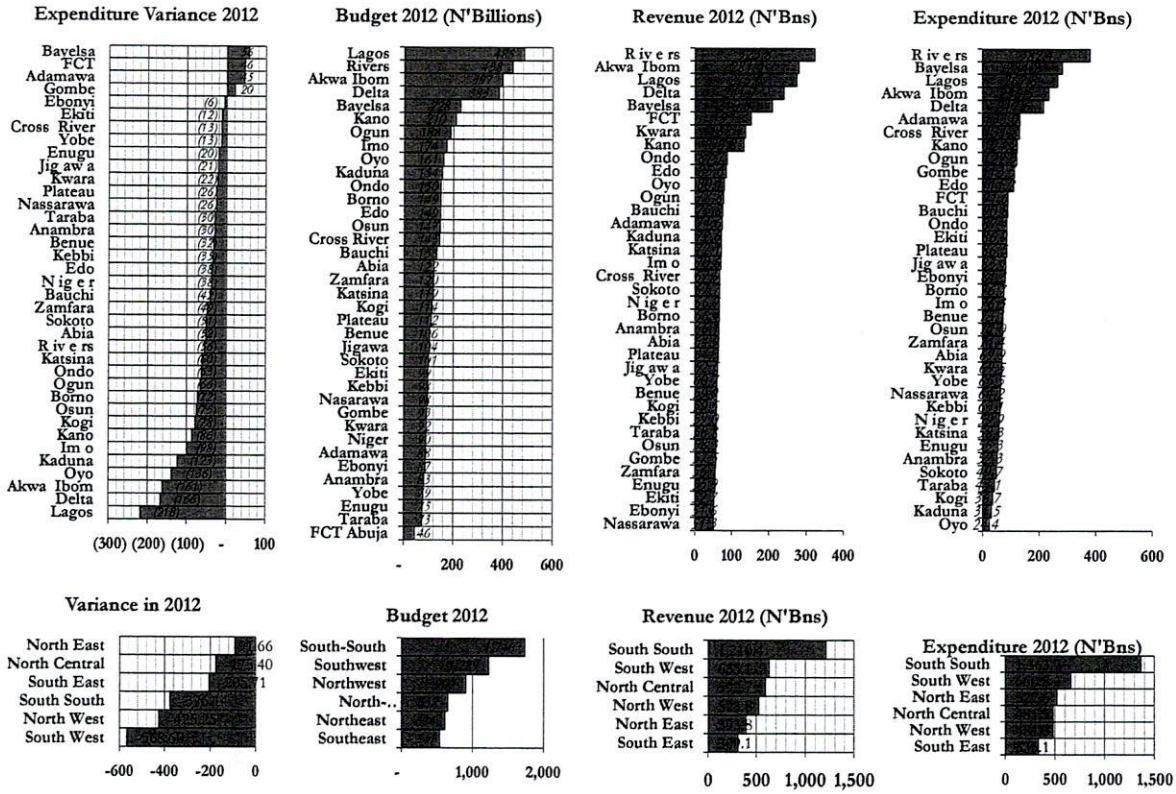


Budget Change in 2014



Budget 2013





# About EA

- We clarify the trends and outlook of risks and opportunities in the Nigerian economy, given the realities of the international economic situation, and the economic policy directions of the government. Our products and services currently include:
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Economic Associates, 16 Amodu Ojikutu Street, Victoria Island, Lagos, Nigeria. Tel: 0803 305 5380; e-mail [info@econassociates.com](mailto:info@econassociates.com); home page <http://www.econassociates.com>