

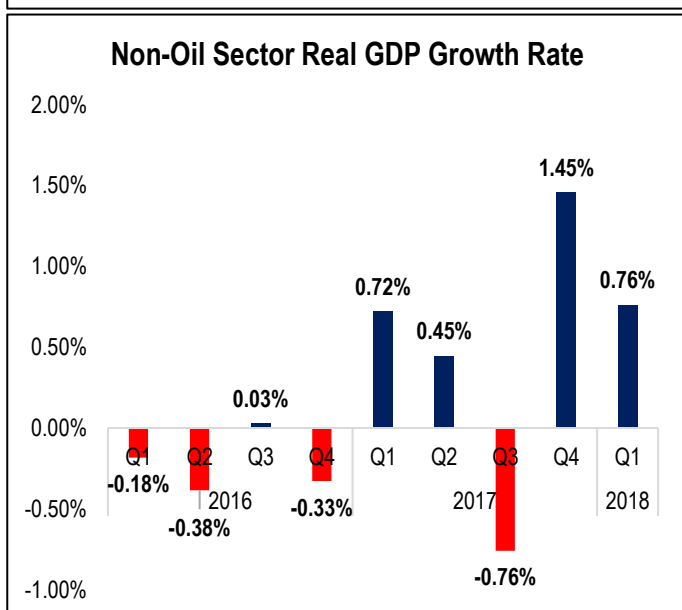
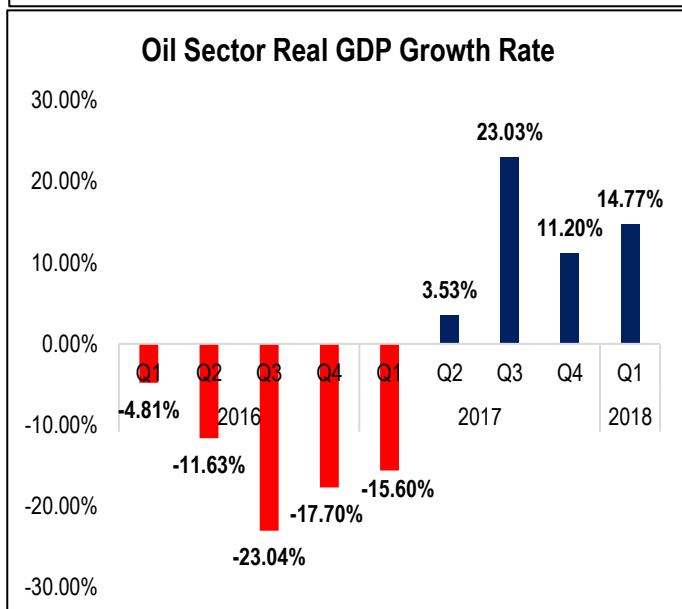
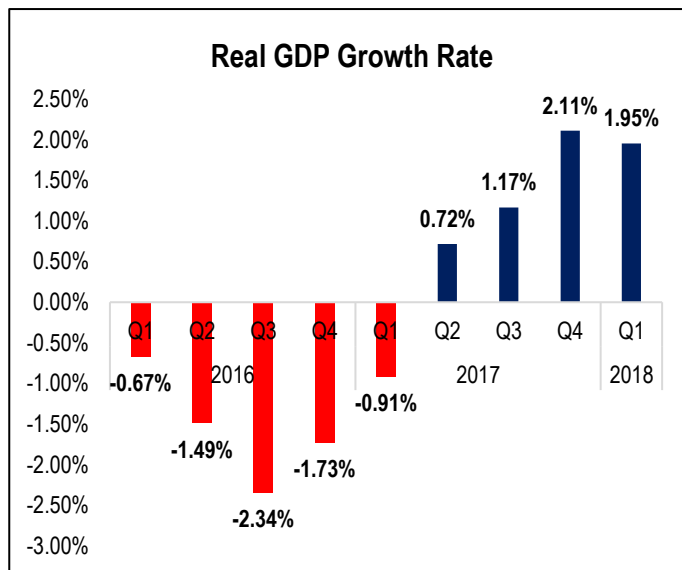
Expansionary Policies Required to Stimulate Economic Recovery

The recovery path of Nigeria's economy decelerated in Q1 2018. FSDH Research however observed steady recoveries recorded in both the manufacturing, and information and communication sectors. According to data from the National Bureau of Statistics (NBS), the real Gross Domestic Product (GDP) grew by 1.95% in Q1 2018, compared with the growth rate of 2.11% recorded in Q4 2017.

A further analysis of the growth pattern in Q1 2018 shows that the major drivers of the recovery are within the mining and quarrying, agricultural, financial and insurance, and manufacturing sectors, with weighted growth contributions of 1.44%, 0.65%, 0.47% and 0.34% respectively.

Crude oil production dominates the mining and quarrying sector (accounting for 99.28%, up from 98.54% in Q4 2017). Crop production dominates the agricultural sector (accounting for 87.32%, down from 90.08% in Q4 2017). Transportation and storage, information and communication also grew in Q1 2018. Other leading sectors of the economy by size (trade and real estate) contracted in Q1 2018.

The nominal GDP stood at N28.46trn in Q1 2018. This represents an increase of 9.34% from N26.03trn recorded in Q1 2017. Nominal GDP measures the monetary value of national output at current market prices while real GDP is measured at constant prices (at 2010 prices). The services sector contributed 54.35% to the GDP in Q1 2018, industries contributed 24% while the agricultural sector contributed 21.65%. FSDH Research believes that more fiscal and monetary policy measures are required to stimulate the recovery in the economy in order to generate employment opportunities.



Looking at the recovery path in Q1 2018, FSDH Research has revised the GDP growth forecast for 2018 to 2.78%, down from our previous forecast of 3.16%. The major sectors that will lead the recovery in 2018 are: mining and quarrying, agriculture, manufacturing, trade, and information and communication. We believe there are financing and investment opportunities in these sectors. The major downside risks to the recovery is the security challenge in some parts of Nigeria. The expected growth in government spending in the second half of the year, once the 2018 budget has been signed into law, should increase economic activities, with positive impacts on the income of households and firms.

Performance of Leading Sectors of the Nigerian Economy:			
Q1 2018			
Activity Sectors	^Contribution	GDP GR	WG
Agriculture	21.65%	3.00%	0.65%
Trade	17.06%	(2.57%)	(0.44%)
Information & Communication	12.41%	1.58%	0.20%
Manufacturing	9.91%	3.39%	0.34%
Mining and Quarrying	9.67%	14.85%	1.44%
Real Estate	5.63%	(9.40%)	(0.53%)
Construction	4.04%	(1.54%)	(0.06%)
Financial and Insurance	3.55%	13.30%	0.47%
Professional, Scientific and Technical	3.51%	(2.35%)	(0.08%)
Public Administration	2.23%	(1.72%)	(0.04%)

Sources: National Bureau of Statistics (NBS) and FSDH Research Analysis; ^Sector Contribution to GDP, GR: Growth Rate; WG: Weighted Growth

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