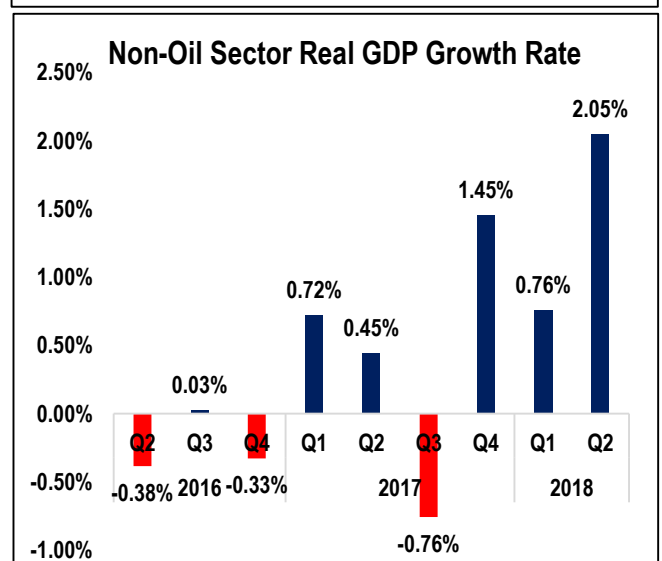
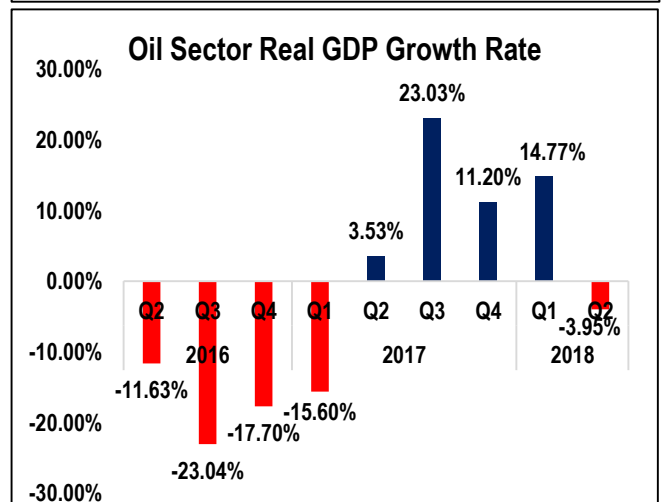
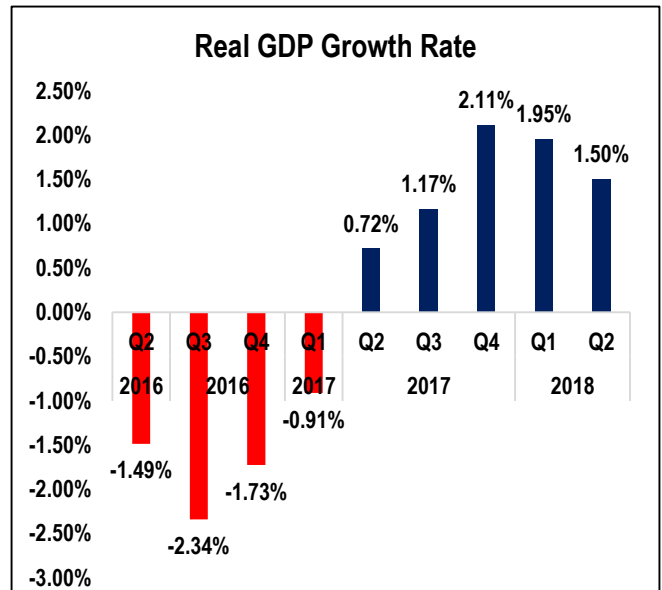


Low GDP Growth Rate in Nigeria: A New Norm?

The real Gross Domestic Product (GDP) growth rate of 1.50% recorded in Q2 2018 was below the expectations of most analysts. The GDP numbers reflect the impact of the rising uncertainties in the country. The low growth and contraction across many sectors of the Nigerian economy also underscore the need for an urgent set of policies and engagements to rescue the economy.

Although the fragile growth was driven by the Non-Oil sector, the fact that dominant sectors of the economy either recorded low growth or contracted in Q2 2018 indicates that urgent actions are required. Agriculture, which is the largest sector of the Nigerian economy at 22.86%, recorded a marginal growth of only 1.19%. FSDH Research notes that the slow growth in the Agriculture sector, if not checked, may lead to food shortage in the country and consequently escalating food prices and rising inflation rate.

Trade, which is the second largest sector of the Nigerian economy, contracted by 2.14% and also entered a recession in Q2 2018. The weak purchasing power in the country (occasioned by non-payment of salaries, high unemployment rate and high consumer prices) is responsible for the contraction in the Trade sector. Improvement in the business environment that can lead to job creation and payment of salary of workers, particularly among the state civil servants, will stimulate purchasing power.



FSDH Research observes strong growth in the Information & Communication and the Construction sectors of the economy. The growth in internet data consumption and increase in road and rail construction works across the country are the major drivers of the growth in the Information & Communication and the Construction respectively. We believe the two sectors can achieve higher growth rates given the enormous potentials inherent in these sectors.

Performance of Leading Sectors of the Nigerian Economy: Q2 2018			
Activity Sectors	^Contribution	GDP GR	WG
Agriculture	22.86%	1.19%	0.27%
Trade	16.45%	(2.14%)	(0.35%)
Information & Communication	13.63%	11.81%	1.61%
Manufacturing	9.29%	0.68%	0.06%
Mining and Quarrying	8.71%	(3.84%)	(0.33%)
Real Estate	6.83%	(3.88%)	(0.27%)
Construction	4.51%	7.66%	0.35%
Professional, Scientific and Technical	3.59%	2.07%	0.07%
Financial and Insurance	3.31%	1.28%	0.04%
Public Administration	3.16%	2.72%	0.09%

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

The contraction in the Real Estate sector can be reversed

if government at all levels partners with private sector operators to provide affordable housing units for Nigerians. Government can provide land, lower the cost of registration and perfection of titles, and provide long-term loans for their employees. The current low GDP growth rate is not strong enough to stimulate credit creation. It has also increased the risk of doing business in Nigeria. Therefore, urgent measures are required so that low GDP growth rate does not become a new norm in Nigeria.

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