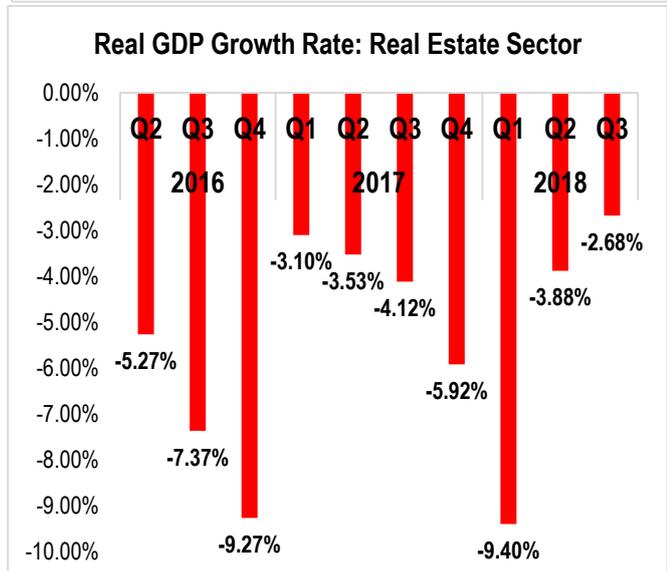
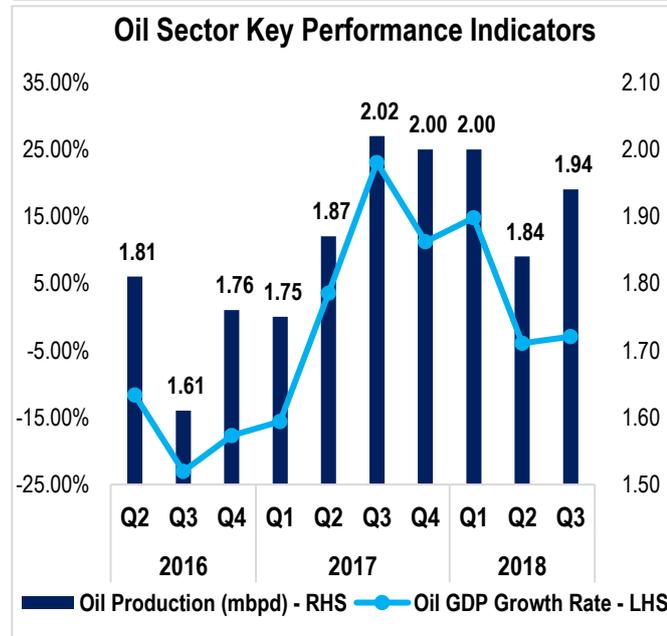
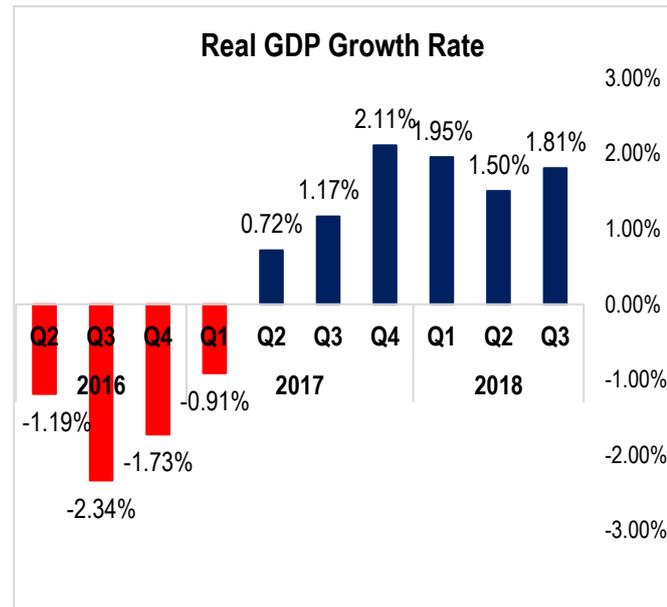


Nigerian Economy Gathers Momentum, but additional Policies Required to Achieve Broad-Based and Strong Growth – FSDH Research

The real Gross Domestic Product (GDP) report that the National Bureau of Statistics (NBS) published shows that the Nigerian economy gathered more momentum in Q3 2018 than in Q2 2018 and in the corresponding period of Q3 2017. The real GDP growth rate still remains sluggish – lower than the population growth rate in the country of about 2.75% (according to the figure from the International Monetary Fund). However, the three largest sectors of the economy, which account for 56% of the total GDP, recorded positive growth rates in Q3 2018. FSDH Research notes that other dominant sectors of the economy which contracted during the quarter recorded lower contractions than were recorded in Q2 2018. ‘Financial Institutions and Insurance’ is the only sector among the top ten biggest sectors that moved from growth in Q2 2018 to contraction in Q3 2018. The Q3 GDP numbers show that additional policies are required for the Nigerian economy to achieve and sustain strong growth that could create jobs.

The Nigerian economy expanded by 1.81% in Q3 2018 compared with the figure recorded in the corresponding period of 2017. The growth rate in Q3 2018 is higher than the growth rate recorded in Q2 2018 at 1.51%. Similar to the growth pattern recorded in Q2 2018, the driver of the GDP growth rate in Q3 was the Non-Oil sector of the economy which expanded by 2.32% in Q3, higher than 2.05% in Q2 2018. ‘Information and Communication’ was the largest contributor to the GDP growth rate in Q3 2018. Despite the double-digit growth rate recorded in ‘Information and Communication’, the World Economic Forum (WEF) rates Nigeria low in its Information and Communication Technology adoption in The Global Competitiveness Report 2018. FSDH Research believes this is an indication of huge untapped opportunities within the sector. However, policies are needed that could create an enabling environment for this sector to thrive.



The Oil sector of the Nigerian economy entered a recession in Q3 2018 following two consecutive quarters of contraction. FSDH Research notes, however, that the contraction in the sector moderated in Q3 2018 compared with the contraction recorded in Q2 2018. Anecdotal evidence shows that Nigeria was not able to sell some of its crude oil in Q3 2018. Subsequently, crude oil production was reduced in addition to other technical challenges the industry faced. Nigerian economic managers need to engage in high-level international negotiations with crude oil buyers on a global scale to guarantee a market for Nigerian crude oil.

The fact that the Real Estate sector is still in economic depression is of concern to FSDH Research. Real Estate is a labour-intensive sector, which provides job opportunities for different categories of labour: unskilled, semi-skilled and highly skilled. Strong economic activities that propel growth in the Real Estate sector could employ many unemployed Nigerians, which would help to address the high unemployment level in the country. In addition, the sector has a multiplier effect on other sectors of the economy such as manufacturing (cement production) and construction. Improved activities in the Real Estate sector could improve the standard of living through the provision of quality and affordable housing for Nigerians, which in itself should increase labour productivity.

FSDH Research estimates that the Nigerian economy will generate a real GDP of N19.05trn in Q4 2018, translating to a growth rate of 2.44% in Q4 2018 and a growth rate of 1.94% in 2018. We recommend the following additional measures to stimulate economic activities in Nigeria: The immediate abolition of additional income taxes that some state governments in Nigeria charge on employees of companies who obtain mortgage loans below market rates. The tax is a major hindrance to the growth of the real estate sector in Nigeria. Government at all levels should provide long-term guarantees for civil servants to access mortgage loans at low interest rates. Long-term funds, specifically for the development of affordable housing units, can be sourced from international development corporations. Government could donate land free of charge for such housing developments. State governments should also reduce the time and costs involved in property registration.

Performance of Leading Sectors of the Nigerian Economy

Q3 2018			
Activity Sectors	^Size	GDP*	WG
Agriculture	29.25%	1.91%	0.56%
Trade	15.80%	0.98%	0.16%
Information and Communication	10.55%	12.09%	1.28%
Mining and Quarrying	9.53%	-2.81%	-0.27%
Manufacturing	8.84%	1.92%	0.17%
Real Estate	6.50%	-2.68%	-0.17%
Professional, Scientific and Technical Services	3.75%	1.93%	0.07%
Construction	3.01%	0.54%	0.02%
Other Services	2.55%	2.86%	0.07%
Financial and Insurance	2.52%	-4.81%	-0.12%

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

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