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## Gross Domestic Product (GDP)

Recent Data on Nigeria's Real GDP growth rate (Year-on-Year) declined by 2.47 percentage points, from 2.11 per cent in 2015Q4 to -0.36 percent in 2016Q1<sup>1</sup>. This is the lowest GDP growth rate since 2004Q2 (-0.81 percent). The Oil sector continued to contract, as -1.89 percent growth was recorded in 2016Q1. The negative growth witnessed in the oil sector was likely driven by the fall in global oil prices by \$9.73<sup>2</sup> and decline in domestic crude oil production, relative to preceding quarter. Similarly, the Non-oil sector witnessed a negative growth as it declined by 3.32 percentage points from 3.14 percent in 2015 Q4 to -0.18 percent in 2016Q1. The underperformance in the non-oil sector was driven by significant contractions in financial (by 17.69 percent), manufacturing (by 8.77 percent), and real estate (by 5.48 percent) sub-sectors. Given that the present economic fundamentals point to a likely recession in 2016Q2, the government can stir economic activities by speeding up the budget implementation process to spur growth in the non-oil sector and the economy at large. More so, the domestic production shock in the oil sector needs to be addressed to effectively leverage on the present marginal rise in crude oil prices.



## Inflation

The Consumer Price Index (CPI) increased for the third consecutive month. Precisely, the index grew by 0.95 percentage points, from 12.77 percent recorded in March 2016 to 13.72 percent in April 2016<sup>3</sup>. This is the highest rate since the 14.1 percent recorded in June 2010, representing a 6-year high. Both Food and Core sub-indices of the CPI increased. This is attributable to: a nationwide increase in electricity tariffs, rise in food prices due to supply side shocks, rising cost of importation due to currency pressure, and rise in transportation cost occasioned by rising Premium Motor Spirit (PMS) price from N86.50k to N145 (officially) but averaging N162.82<sup>4</sup> across states. To reduce inflationary pressures, monetary and fiscal authorities may need to address FOREX difficulties faced by oil exporters to address rising PMS Price and cost of importation.



## Unemployment Rate

Recent data on Nigeria's labour market points to a rise in unemployment and underemployment rates in 2016Q1. Specifically, relative to 2015Q4, the unemployment and underemployment rates rose to 12.1 percent and 19.1 percent, from 10.4 percent and 18.7 percent respectively<sup>5</sup>. Disaggregated data shows that Youth unemployment (15-24 age group) remains the highest and it increased from 19 percent in 2015Q4 to 21.5 percent in 2016Q1. Unemployment by gender indicates that unemployment is higher among females (14.0 per cent) than males (10.3 per cent). It is expected that the recent passage of the 2016 Appropriation Act (which has N2 billion allocated for National Job Creation Scheme)<sup>6</sup> will considerably boost economic activities in the near term and subsequently improve the employment situation in the country.



## Fiscal Focus

The N6.06 trillion<sup>7</sup> 2016 Appropriation Act indicates a 34.88 percent budget increase from the N4.49 trillion<sup>8</sup> in 2015. Disaggregated data shows that capital expenditure increased by 185.03 percent –from N557 billion<sup>8</sup> in 2015 to N1.589 trillion<sup>7</sup> in 2016, recurrent expenditure marginally increased by 1.51 percent –from N2.607 trillion<sup>8</sup> to N2.646 trillion<sup>7</sup>, and debt servicing increased by 54.71 percent –from 953.6 billion<sup>8</sup> to N1.48 trillion<sup>7</sup> within the same period. Key assumptions of the budget envisage a daily crude oil production of 2.2 million barrel, crude oil price benchmark of \$38 per barrel, an average exchange rate of N197 per dollar and an estimated net distributable revenue of N5.72 trillion<sup>9</sup>. Further Disaggregated data shows sectoral allocation to Ministry of Interior (N513.7 billion)<sup>10</sup>, Ministry of Education (N480 billion)<sup>11</sup>, Ministry of Works, Power and Housing (N456.9 billion)<sup>12</sup>, Ministry of Defence (N443.1 billion)<sup>13</sup>, Ministry of Health (N250.1 billion)<sup>14</sup>, Ministry of Transport (N202.3 billion)<sup>15</sup> and Ministry of Agriculture (N75.8 billion)<sup>16</sup>. While the gradual rise in oil price, above the budget benchmark gives a ray of hope on the successful implementation of the 2016 budget, the domestic shock on oil production dampens revenue prospects.



Compiled by the Information and Data Management (IDM) Unit, CSEA

- <sup>1</sup>National Bureau of Statistics, 2016. "Nigerian Gross Domestic Product Report Quarter One 2016" Retrieved from, <http://www.nigerianstat.gov.ng/download/398>
- <sup>2</sup>U.S. Energy Information Administration (2016). "Crude Oil Spot Brent" Retrieved from, [https://www.eia.gov/dnav/pet/pet\\_pri\\_spt\\_s1\\_d.htm](https://www.eia.gov/dnav/pet/pet_pri_spt_s1_d.htm)
- <sup>3</sup>National Bureau of Statistics, 2016. "Consumer Price Index (CPI) April 2016." Retrieved from, <http://www.nigerianstat.gov.ng/report/394>
- <sup>4</sup>National Bureau of Statistics, 2016 "Premium Motor Spirit (Petrol) Price Watch April 2016." Retrieved from, <http://www.nigerianstat.gov.ng/report/395>
- <sup>5</sup>National Bureau of Statistics, 2016. "Unemployment/ Under-Employment Watch Q1 2016" Retrieved from, <http://www.nigerianstat.gov.ng/report/397>
- <sup>6</sup>Budget Office of the Federation, 2014. "2016 Appropriation Act Summary". Page 7. Retrieved from, <http://www.budgetoffice.gov.ng/pdfs/2016m/2016%20Appropriation%20Act.pdf>
- <sup>7</sup>Budget Office of the Federation, 2016. "2016 Appropriation Act Summary". Page 9. Retrieved from, <http://www.budgetoffice.gov.ng/pdfs/2016m/2016%20Appropriation%20Act.pdf>
- <sup>8</sup>Budget Office of the Federation, 2015. "2015 Appropriation Act Summary". Page 2. Retrieved from, <http://www.budgetoffice.gov.ng/pdfs/2015appropriation/2015%20APPROPRIATION%20ACT.pdf>
- <sup>9</sup>Francis Ndubuisi. "2016 Budget: FG Identifies Priority Areas." Thisdayonline, May 13, 2016. Accessed May 22, 2016. <http://www.thisdaylive.com/index.php/2016/05/13/2016-budget-fg-identifies-priority-areas/>
- <sup>10</sup>Budget Office of the Federation, 2016. "Federal Ministry of Interior". Page 1. Retrieved from, <http://www.budgetoffice.gov.ng/pdfs/2016app/Interior.pdf>
- <sup>11</sup>Budget Office of the Federation, 2016. "Federal Ministry of Education". Page 1. Retrieved from, <http://www.budgetoffice.gov.ng/pdfs/2016app/Education.pdf>
- <sup>12</sup>Budget Office of the Federation, 2016. "Federal Ministry of Works, Power and Housing". Page 1. Retrieved from, <http://www.budgetoffice.gov.ng/pdfs/2016app/Works%20Power%20Housing.pdf>
- <sup>13</sup>Budget Office of the Federation, 2016. "Federal Ministry of Defence". Page 1. Retrieved from, <http://www.budgetoffice.gov.ng/pdfs/2016app/Defence.pdf>
- <sup>14</sup>Budget Office of the Federation, 2016. "Federal Ministry of Health". Page 1. Retrieved from, <http://www.budgetoffice.gov.ng/pdfs/2016app/Health.pdf>
- <sup>15</sup>Budget Office of the Federation, 2016. "Federal Ministry of Transportation". Page 1. Retrieved from, <http://www.budgetoffice.gov.ng/pdfs/2016app/Transportation.pdf>
- <sup>16</sup>Budget Office of the Federation, 2016. "Federal Ministry of Agriculture". Page 1. Retrieved from, <http://www.budgetoffice.gov.ng/pdfs/2016app/Agriculture.pdf>