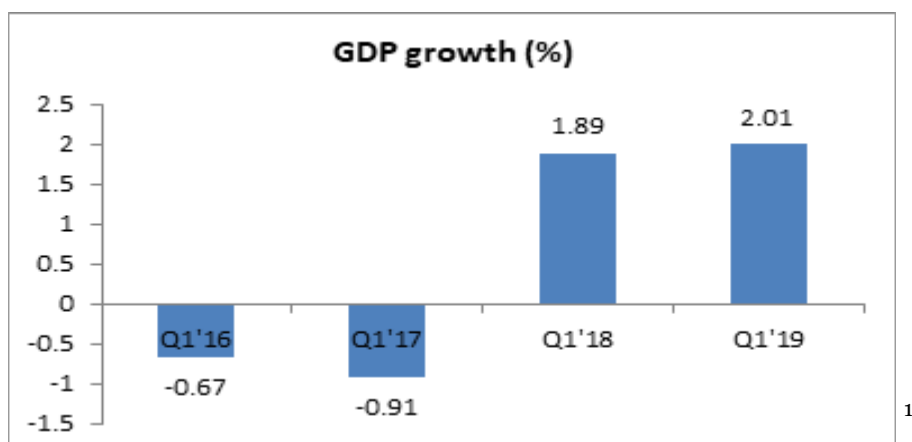


Real GDP growth slows to 2.01% in Q1'19

Nigeria's real GDP growth came in at 2.01% in Q1'19, which is 0.37% lower than Q4'18. The deceleration in the growth numbers was due to seasonality and a fall in consumer disposable income in January. The first quarter is usually typified by a lull in economic and business activities due to the delay in resumption of business operations.

Even though the Q1'19 GDP growth slowed, it is the strongest first quarter growth in the last three years. This could be partly attributed to election activities and spending as the economy benefited from increased spending in the construction and real estate sectors.



Both the oil and non-oil sectors slowed in the first quarter of 2019. The performance of the interest rate sensitive and employment elastic sectors were mixed. While agric, construction and real estate sectors expanded at a slower pace, manufacturing, wholesale and retail trade sectors contracted.

Non-oil sector slowed, but remained the driver of growth

Although, the non-oil sector growth fell slightly by 0.23% to 2.47%, the sector remained the major contributor to economic growth. Its contribution to GDP declined by 2.08% to 90.86%. The slowdown in its growth was partly due to the decline in the ICT growth to 9.48% (the first slowdown in the last four quarters).

¹ NBS, FDC Think Tank

Petroleum sector growth contracted for the 4th consecutive quarter

The petroleum sector's growth contracted further to -2.4% in Q1'19 from -1.62% in the preceding quarter. However, its contribution to GDP expanded to 9.14% from 7.06% in Q4'18. This could be attributed to the 2.62% increase in oil production to 1.96mbpd.

Sector Analysis

A breakdown of the report showed that the fastest growing sectors were the usual suspects – transport, electricity, accommodation, construction, agric and real estate. The slowing sectors were manufacturing, Information and Communications Technology and wholesale and retail trade. Despite the slowdown in the ICT growth, it remained one of the fastest growing sectors. The lagging sectors were finance & insurance, mining & quarrying and public administration.

Fastest Growing Sectors				Lagging Sectors			
Sectors	Q4'18 (%)	Q1'19 (%)	% Change	Sectors	Q4'18 (%)	Q1'19 (%)	% Change
Transport	9.48	19.5	10.02	Mining & Quarrying	-2.31	-1.23	1.08
Electricity	0.95	8.47	7.52	Finance & Insurance	-7.60	-1.77	5.83
Accommodation	2.05	4.15	2.1	Public Administration	-14.21	-0.32	13.89
Construction	2.05	3.18	1.13				
Agric	2.46	3.17	0.71				
Real Estate	-3.85	0.93	4.78				

Slowing Sectors			
Sectors	Q4'18 (%)	Q1'19 (%)	% Change
Manufacturing	2.35	0.81	-1.54
ICT	13.2	9.48	-3.72
Trade	1.02	0.85	-0.17

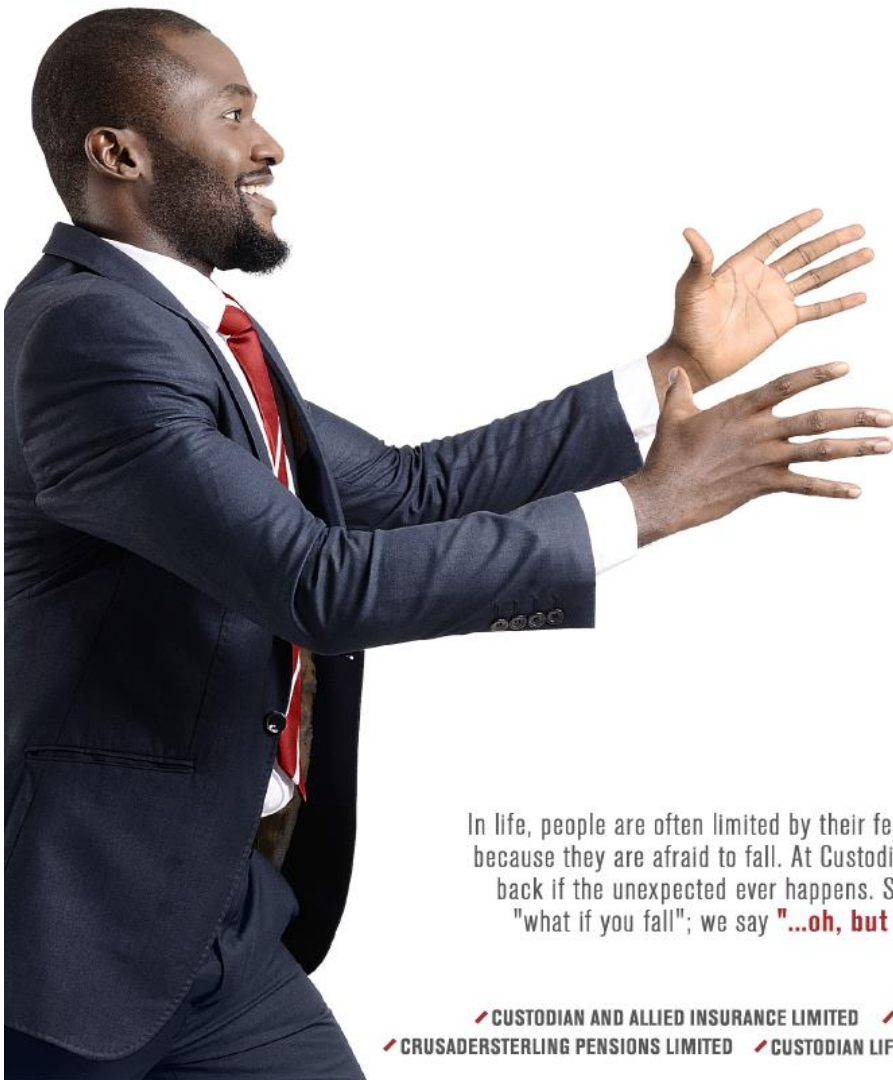
Real Estate sector now in positive territory

For the first time in 3 years (12 quarters), the real estate sector recorded a positive growth of 0.93%. The sector benefitted from increased government infrastructure spends. The peaceful conduct of the 2019 general elections also buoyed investor confidence and increased investments in the sector.

²NBS, FDC Think Tank

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Implications on the economy and policy makers

Q1'19 GDP growth is 0.69% below the population growth of 2.7%. This shows that the Nigerian economy is in need of fiscal stimulus and a boost in aggregate investment especially gross capital formation. To absorb the fast growing population, Nigeria needs to achieve a growth rate of 3-4%. The fiscal catalyst will need to be supported by pro-cyclical monetary policy and equilibrium pricing of factors of production.

State-by-State Analysis

The National Bureau of Statistics also released the GDP numbers for 22 states (59% of total states) for the period (2013-2017). The combined nominal GDP of these states is N63.8trn (56% of nominal GDP) in 2017, up from N44.65trn in 2013. This shows that about 59% of the 37 geopolitical areas accounted for approximately 56% of national output. The remaining 15 states account for 44%, which results in an average growth of 2.93%. Some of the states that were excluded are states with high economic activities: Lagos (commercial hub for the country) and Abia (commercial hub for the East) states.

The states with the highest GDP were mainly the oil producing states - FCT (N10.6trn), Akwa-Ibom (N5.14trn), Rivers (N5.11trn), Delta (N4.06trn), Bayelsa (N3.16trn) and Anambra (N3.08trn). Apart from FCT and Anambra, oil accounts for at least 40% of the remaining 4 states' GDP

Sub-Saharan Africa

Nigeria's GDP growth of 2.01% is below SSA average of 3.2%. None of the Sub-Saharan African countries under our review have released their GDP numbers for Q1'19. In Q4'18, Kenya, South Africa, Ghana and Uganda recorded a decline while Angola posted an increase.

Country	GDP Growth Rate Q4'18 (%)	GDP Growth Rate Q1'19 (%)	
Nigeria	2.38	2.01	↓
Angola	-1.6	2.2*	↑
Kenya	6.4	5.9*	↓
South Africa	2.6	1.4*	↓
Ghana	7.4	6.8*	↓
Uganda	2.2	1.2*	↓

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³EIU

Outlook

The minimum wage bill has been signed into law and payments are expected next month. The implementation of the minimum wage would boost consumers disposable income and increase aggregate demand. This in addition to the 2019 capital expenditure would boost economic growth. Although a higher wage without an increase in productivity could be inflationary.

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