

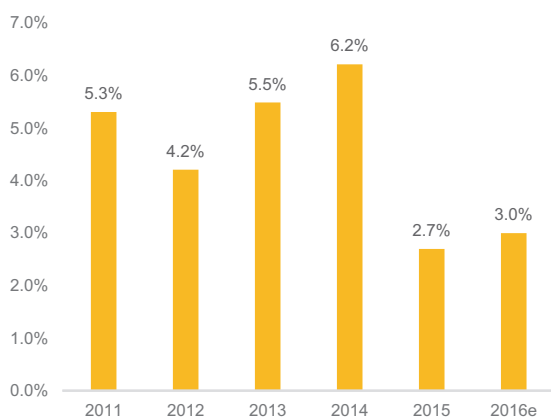
# Economy Alert: Nigeria 2015 GDP

10 March 2016

## 2015 Real GDP growth moderates on currency challenges

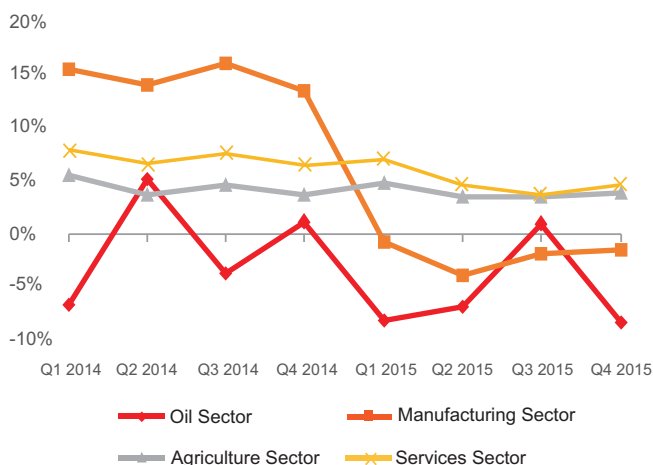
Nigeria's economy grew by 2.7%/y in 2015, which represents the slowest growth in the past five years, much lower than the 5-year real GDP average of 4.8%/y. Real growth decelerated sharply to 2.1%/y in Q4'15, reflecting the weakest quarterly performance following a contraction in growth across industries and moderation in the services sector (77% of GDP). Despite slowing significantly, Nigeria's economy remains driven by the non-oil sector which recorded growth of 3.7%/y (2014: 7.1%/y) as the oil sector continues to underperform, contracting further by -5.4%/y (2014: -1.32%/y).

### Real GDP Growth (2011-2015)



Sources: NBS, CBN, PwC Analysis

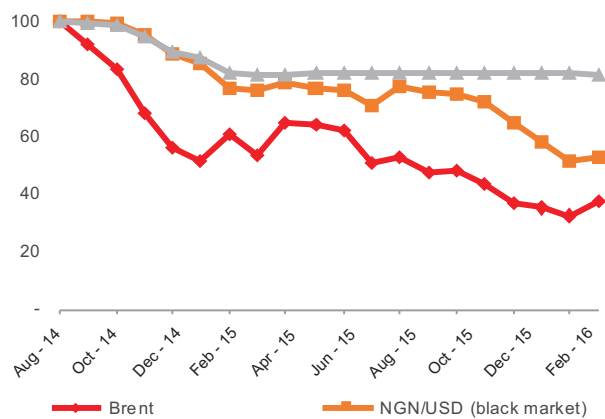
### Sector Real GDP Growth



Sources: NBS, CBN, PwC Analysis

## NGN/USD vs oil price

(August 2014 – March 2016, August 2014 = 100, monthly averages)



Sources: NBS, CBN, PwC Analysis

## Oil sector growth contracts on lower oil exports

Real growth in the Crude petroleum and natural gas sector was -5.4%/y in 2015, even as oil exports declined c.49%/y in 2015. Excluding this sector, the performance of the manufacturing sector was unimpressive with real growth at -1%/y (2014:15%/y) with the sector plagued by the deteriorating operational and macro backdrop; largely the impact of FX unavailability on raw materials and intermediate inputs. Real GDP growth across the manufacturing sector heavyweight: Food, Beverage and Tobacco (45% of Manufacturing GDP), contracted an average -5.4% in 2015 relative to 5.6%/y recorded in 2014.

## Slower growth in Services sector amidst tepid consumer demand

Services sector recorded real growth of 4.7%/y in 2015, slower than the 6.8%/y in 2014. Notably, the fourth quarter growth at 3.4%/y was significantly lower than 6.5%/y recorded in Q4'14. In fact, the only period with a similar trend was 2012 with consumer spend adversely impacted by the reduction in fuel subsidy which resulted in an increase in the pump price of Premium Motor Spirit (PMS). More recently, the tightness of dollar liquidity in the official market and the sharp weakness in the parallel market exchange rate appear to have increased operating costs as imports become more expensive. With some states falling behind on wages owed to their workers and an uptick in underemployment and unemployment rates, activities in the services sector slowed significantly as consumers' trade down with the impact being felt at the bottom of the pyramid.

## 2016 Prospects

Nigeria's economic prospects in 2016 remain centered around the oil price and the currency. In 2015, we developed three economic scenarios for 2015 and 2016 based on an oil price shock and a political shock. Whilst the political event has occurred without a shock, we think the oil price shock remains relevant even in 2016. Interestingly, 2015 real GDP growth at 2.7%/y is slightly higher than PwC's forecast of 2.5%/y under a "severe oil price" scenario where the Brent crude averages US\$45/bbl in 2015. Under this scenario, we expect a recovery in the oil price to US\$60/bbl in 2016, with real GDP growth rebounding slightly to 3.0%/y. In addition, pressures from the FX market will tell and we expect the official Naira rate to be devalued to 225N/US\$, giving the Central Bank of Nigeria (CBN) some room to ease FX market restrictions.

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