



# RTC Business and Economic Review Q1 2019

RTC Advisory Services Ltd

April 5, 2019



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- Profile
- People



# Strategy & Advisory Services

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# Outline

- Introduction
- Global Overview
  - Global GDP Growth
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  - GDP and Sectors
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  - Fiscal and Debts Situation
- Comparative State/Regional Analysis
- Politics and Policy
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- Conclusions

# Introduction

- In this report, we review the global economy focusing on expectations for global growth and oil prices in 2019.
- Thereafter we carry out a detailed dissection of Nigeria's economic conditions including overall GDP and sectors, macroeconomic conditions and a unique insight into the performance of states and regions across multiple variables.
- Finally we examine the results of Nigeria's recent presidential and national assembly elections and draw implications for business and policy from the data and analysis presented.
- Overall Nigeria's economy is recovering from recession, but growth levels are constrained and reforms must resume to catalyse higher levels of growth and employment.

# Global Overview

Global GDP Growth



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# Global Economic Growth Summary

- The IMF projects 2019 global growth at 3.5% with the USA expected to record 2.5% growth and the Euro area at 1.6%. Developed and emerging economies are projected to grow at 2.0% and 4.5% respectively, while sub-Saharan Africa as a whole is expected to record 3.5%.
- The IMF expects the Nigerian economy to grow at 2.0% in 2019 versus the World Bank's estimate of 2.2%-both estimates are significantly lower than the Government of Nigeria's budget forecast of 3.0%.

# Global Overview

Global Oil Price Review



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# Oil Market Summary

- Our multiple source global oil price projections suggest a realistic oil price range of \$50-74 per barrel in 2019. Current oil prices are within that forecast range.
- The International Energy Agency (IEA) average estimate for Brent crude for 2019 is \$73.26 while the OPEC target is \$70. The OPEC basket is currently priced around \$66.37 (as at March 2019) while Brent traded around \$67.37.
- Most projections do not support expectations of aggressive price gains into the long term.



# Nigerian Economic Review

GDP & Sectors

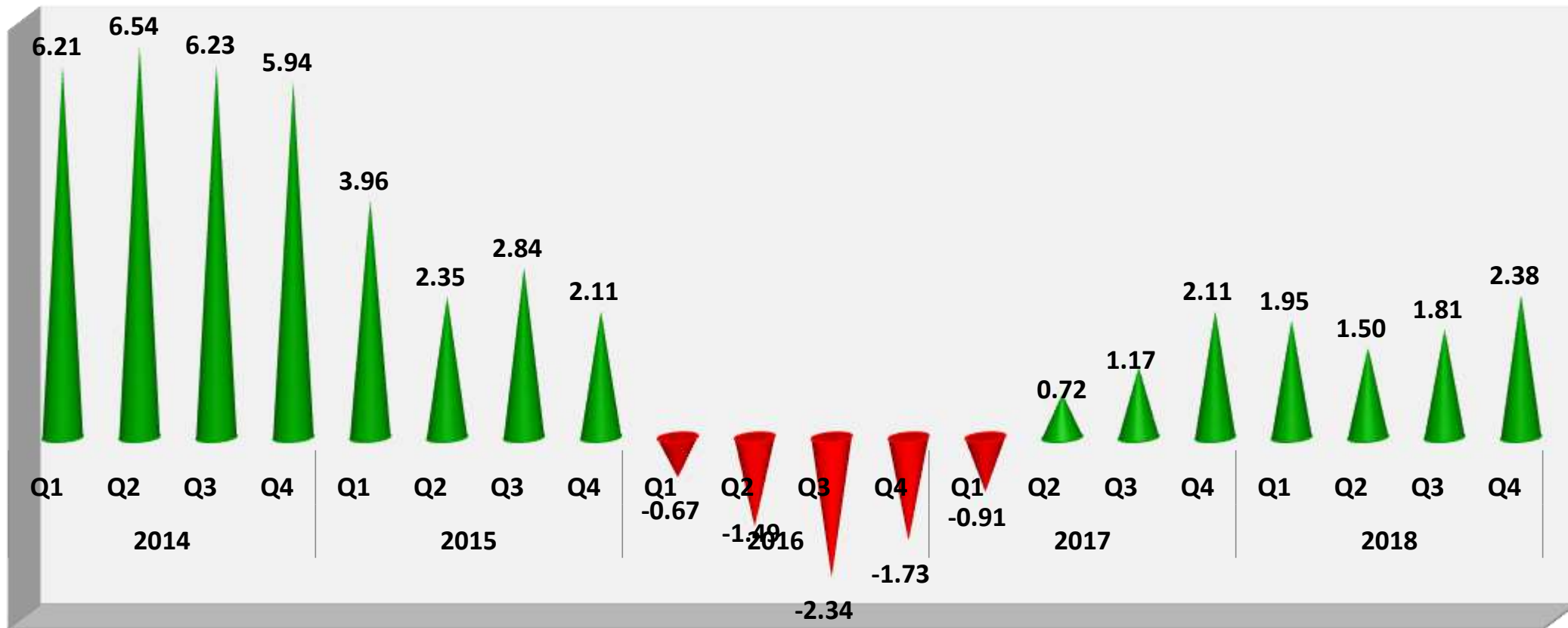


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# Real Growth of the Nigerian Economy: Q1 2014-Q3 2018

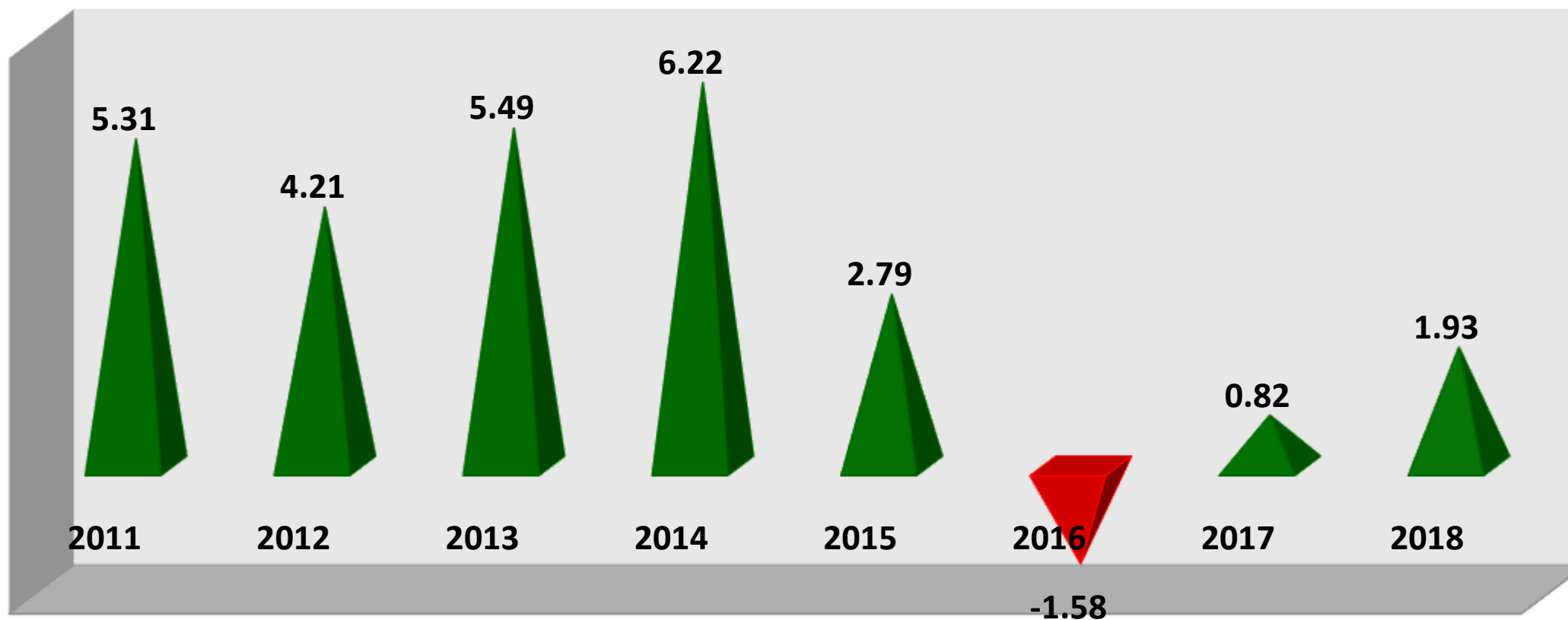
The Nigerian economy grew by 1.93% in 2018, with Q4 coming in at 2.38%, evidence that the slow post-recession recovery is continuing...

## Real GDP Growth: Q1 2014-Q4 2018



# Annual Real Growth (%)

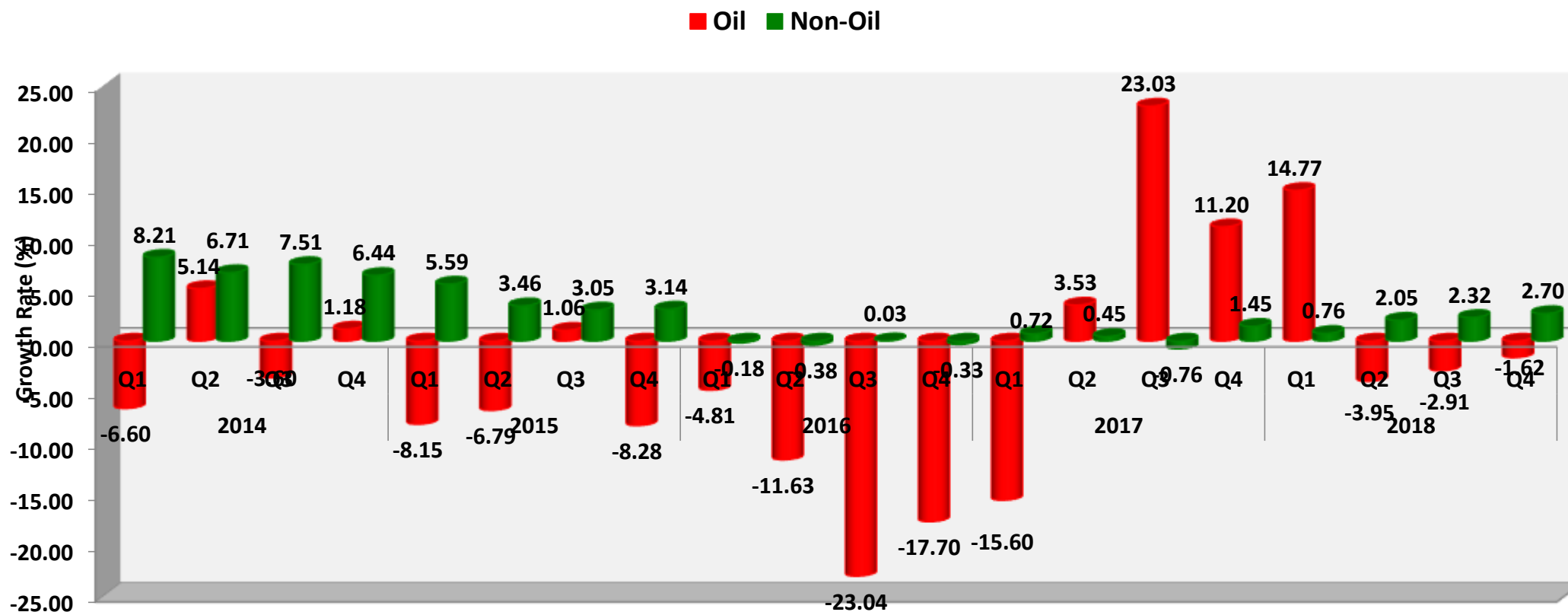
Annual GDP Growth Rate: 2011-2018



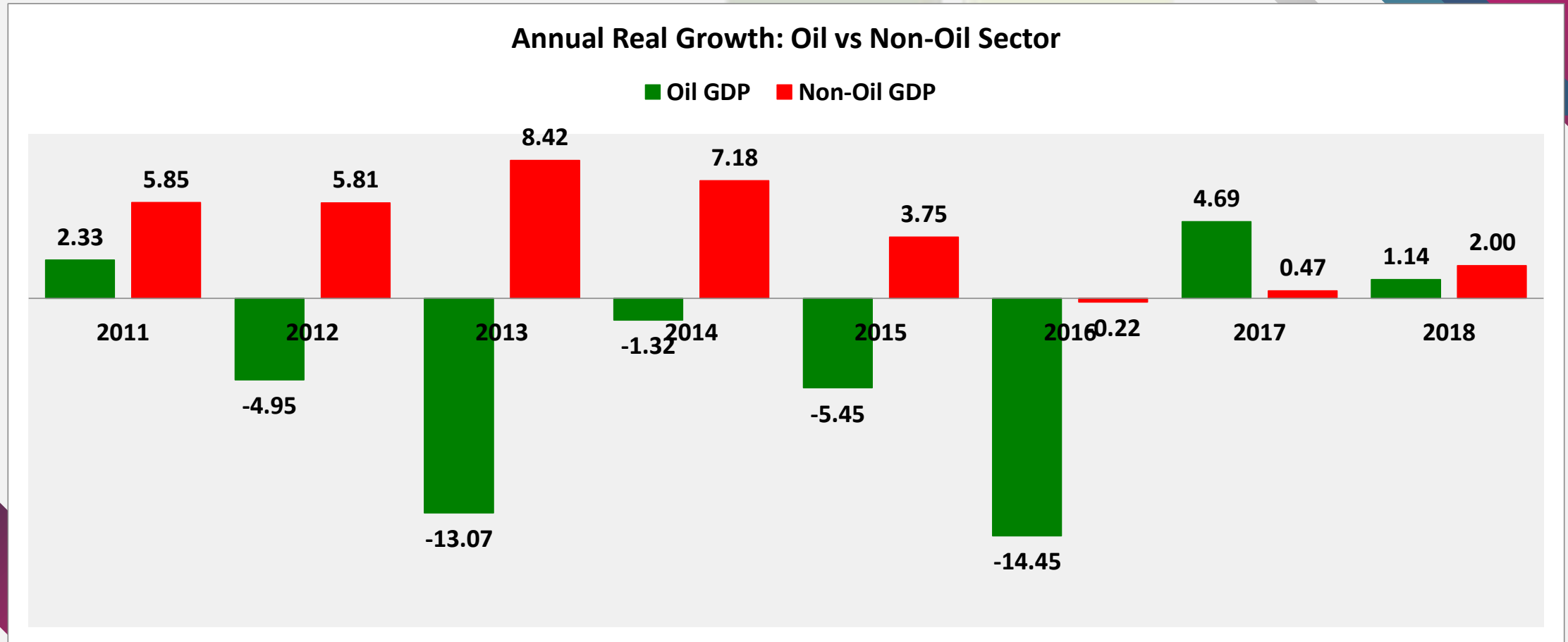
# Oil vs Non-Oil GDP Growth: Q1 2014-Q4 2018

Growth in the last three quarters of 2018 were driven by non-oil activities as Nigeria's oil sector started to contract once again. Modest non-oil growth averaging slightly over 2% ensured continued overall GDP growth

## Real Oil and Non-Oil Growth Rates

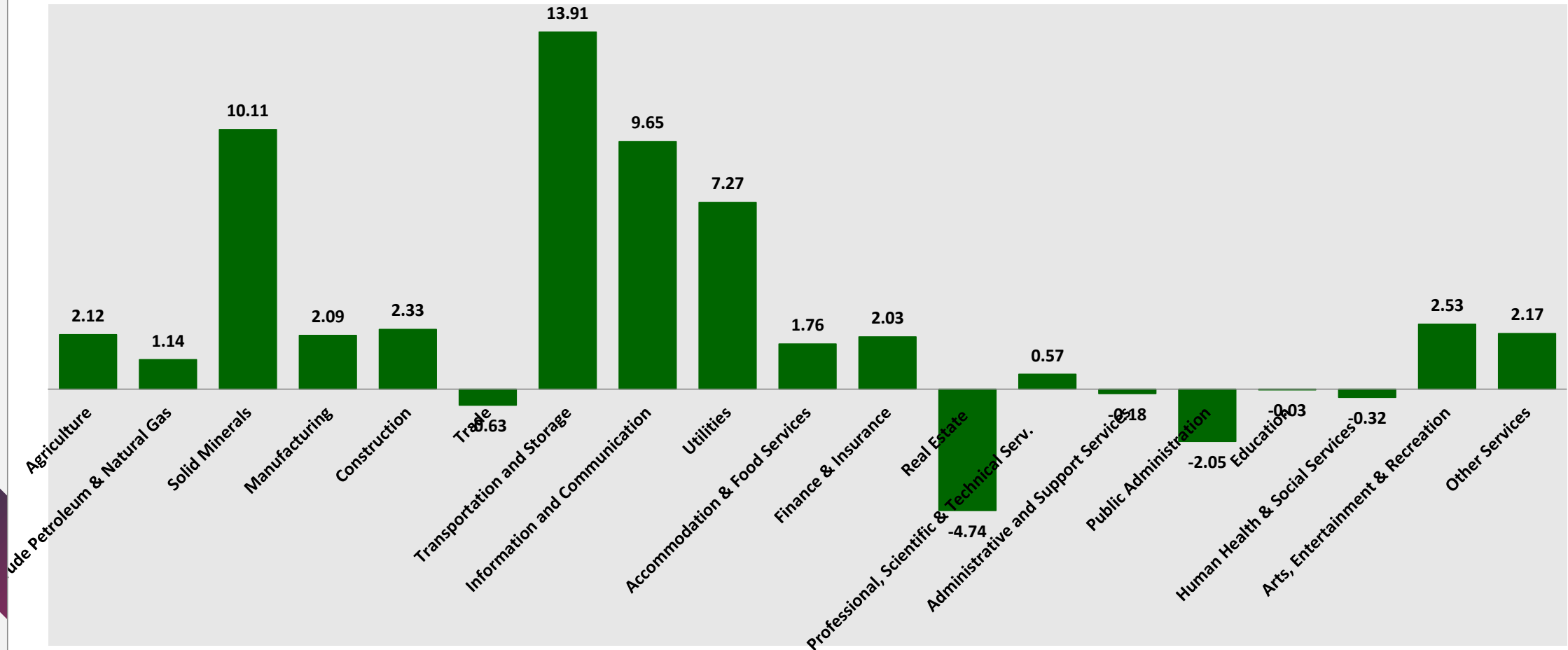


# Annual Growth Rate: Oil vs Non-Oil GDP Growth

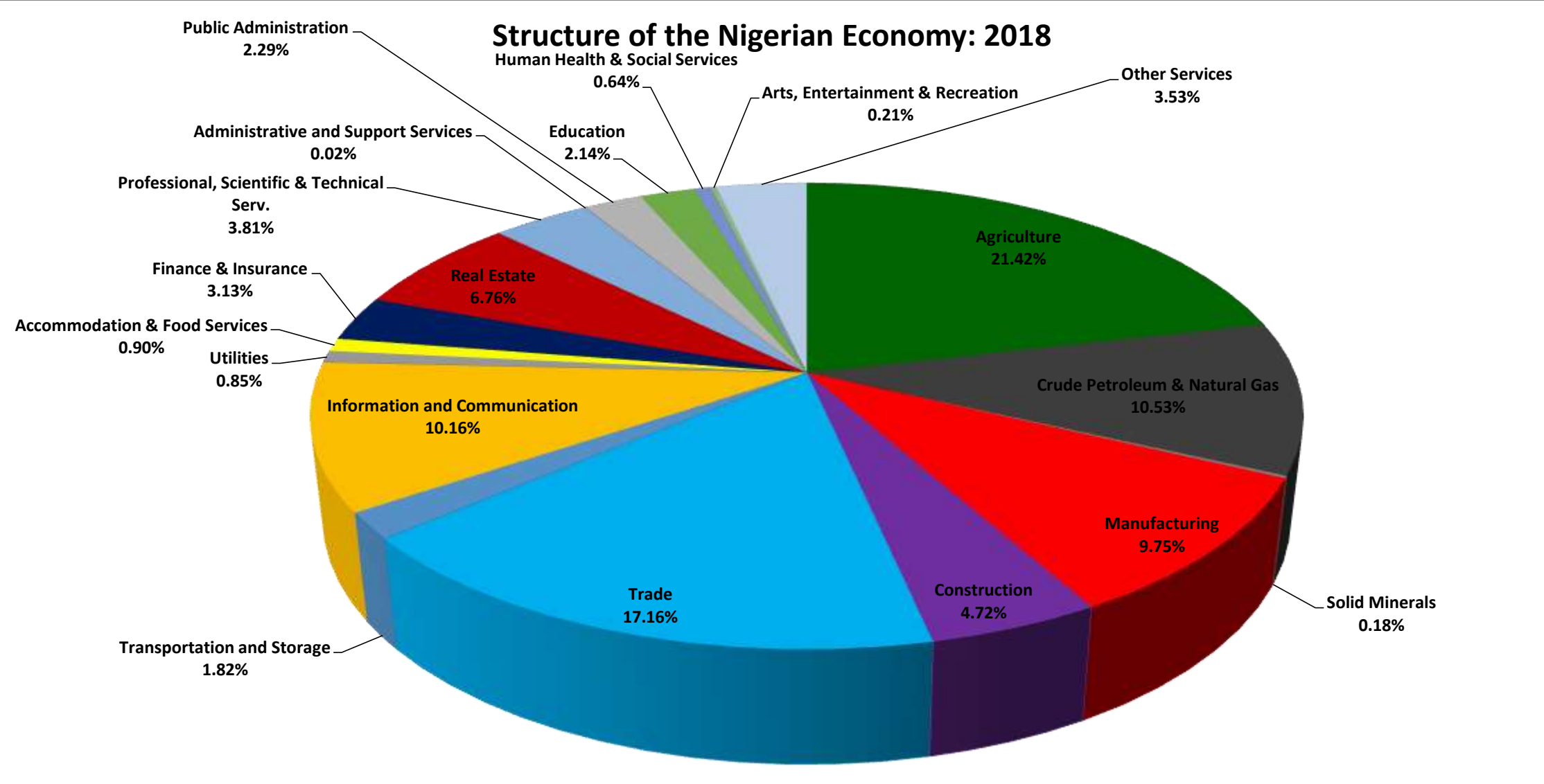


# Analysis of Annual GDP Growth by Sectors

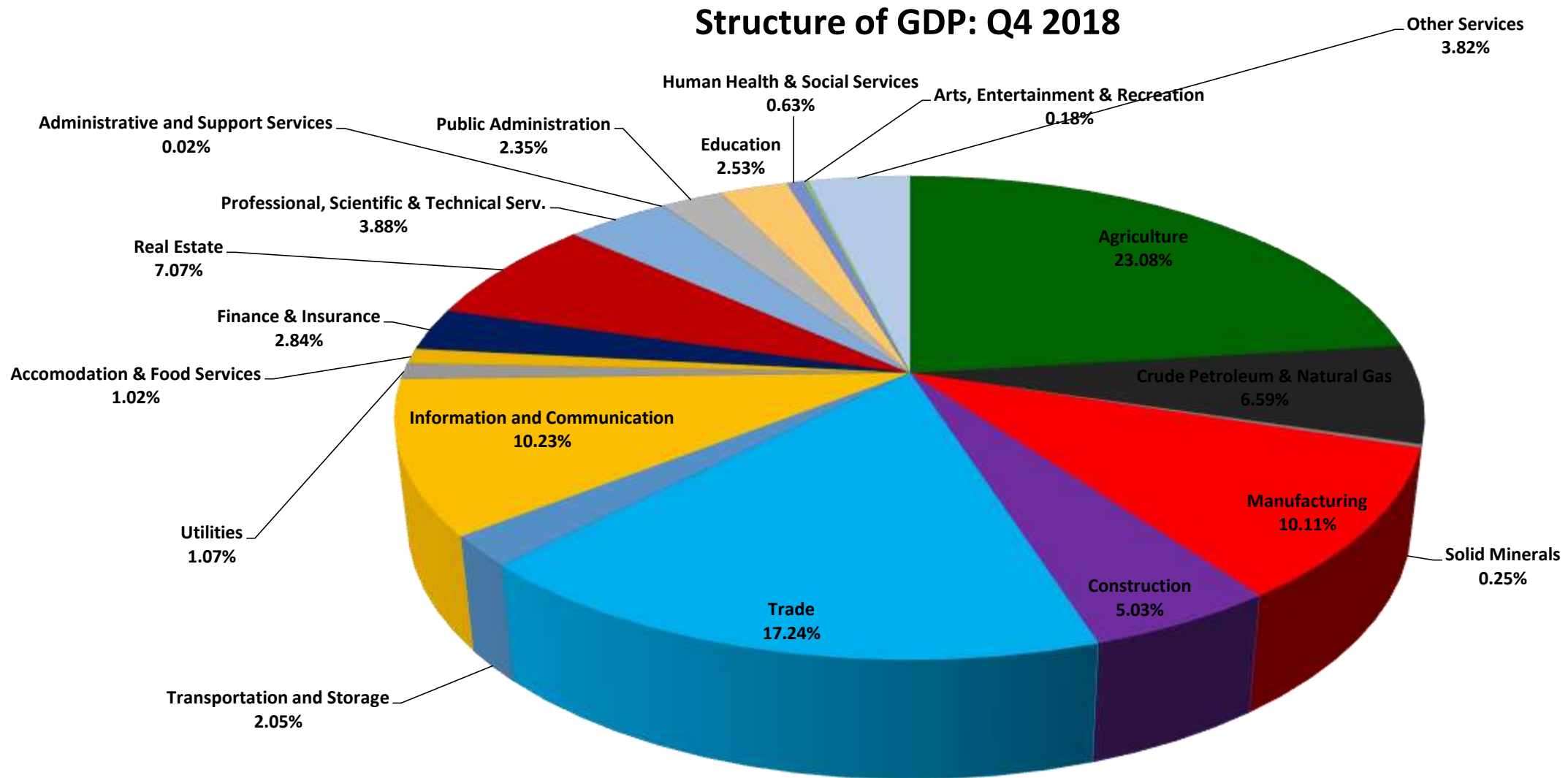
## 2018 Annual GDP Growth by Sectors



# 2018 Structure of the Nigerian Economy



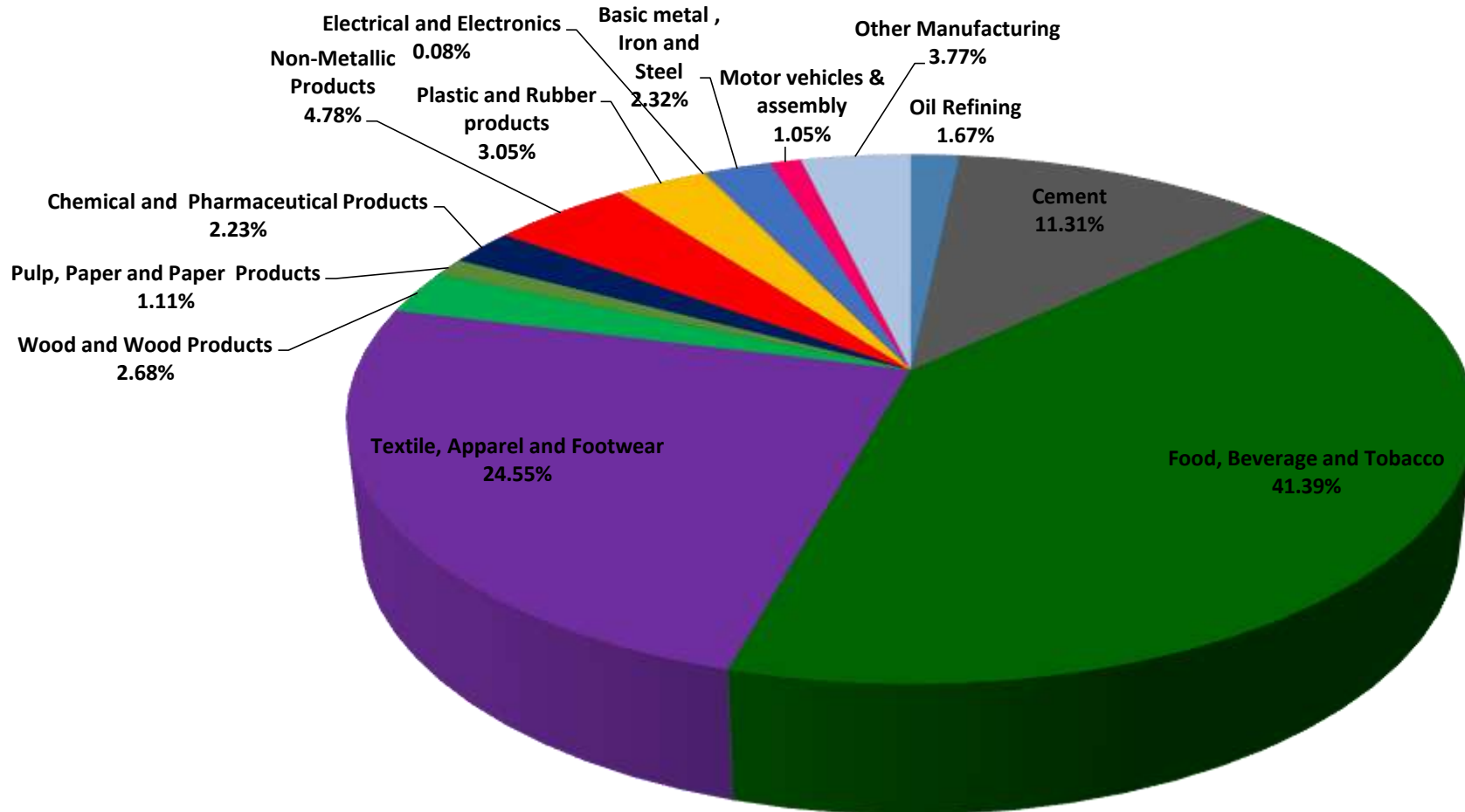
# Structure of the Nigerian Economy: Q4 2018





# Structure of Manufacturing Sector: Q4 2018

Structure of Manufacturing Sector: Q4 2018



# GDP Summary

- Agriculture remained Nigeria's largest economic sector as at Q4 2018 at 23.1% followed by Trade (17.2%), Information and Communication, principally Telecommunications (10.23%), Manufacturing (10.11%), Real Estate (7.1%), Oil and Gas (6.6%) and Construction (5%)
- In terms of quarterly growth, the highest growing sectors were solid minerals (17.7%), information and communication (13.2%), transport (9.5%), art, entertainment and recreation (4.2%) and agriculture (2.5%).
- Overall GDP and sectoral growth remained by-and-large sub-optimal with larger sectors in particular, including manufacturing, underperforming.



# Macroeconomic Review

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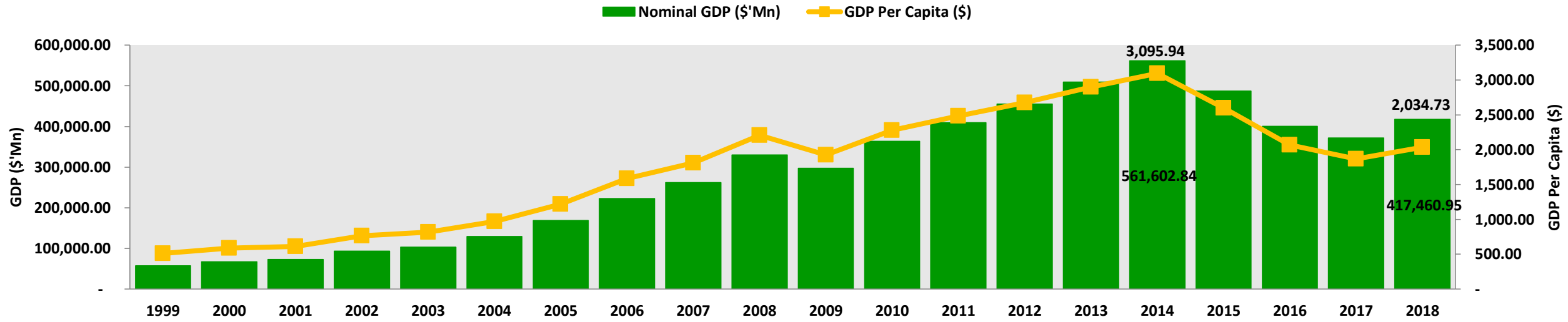
# IMF Article IV Consultation Report

- The International Monetary Fund (IMF) Article IV Consultation Report concluded March 29 and released April 3, 2019 confirms that “Nigeria’s economy is recovering” with real GDP growing 1.9% in 2018, up from 0.8% in 2017 accompanied by converging exchange rates and falling inflation.
- The report however calls attention to structural and policy challenges such as large infrastructure gaps, low revenue mobilisation, continued FX restrictions and banking sector vulnerabilities. The IMF notes that “under current policies, the outlook therefore remains muted” and concludes that growth may not exceed 2.5% except additional reforms are implemented.
- In the Fund’s view, risks are “moderately tilted downwards” with possible upsides from higher oil prices.

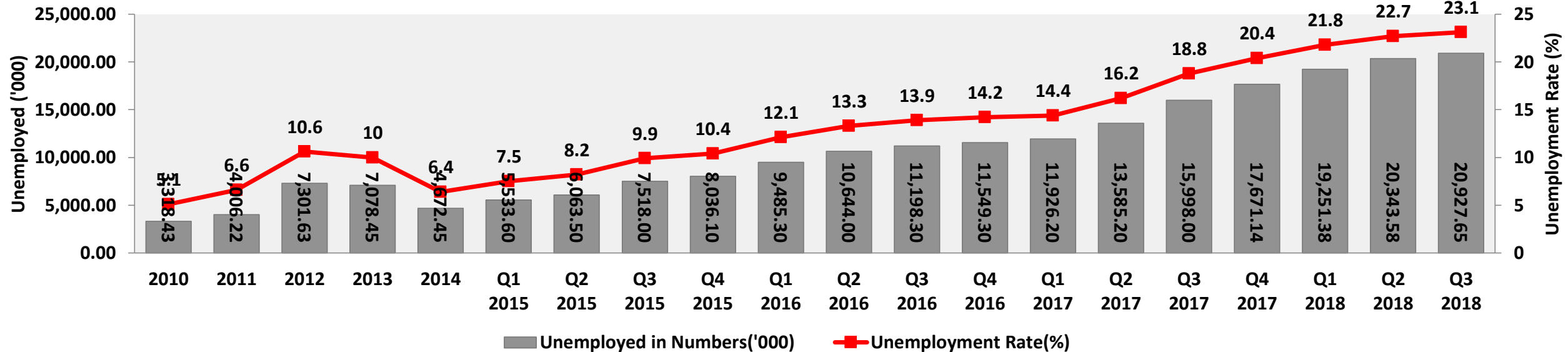
# 2019 IMF Article IV Consultation

	2016	2017	2018	2019	2020
			Est.	Projections	
<b>National income and prices</b>	(Annual percentage change, unless otherwise specified)				
Real GDP (at 2010 market prices)	-1.6	0.8	1.9	2.1	2.5
Oil and Gas GDP	-14.4	4.7	1.1	4.4	6.1
Non-oil GDP	-0.3	0.5	2.0	1.9	2.2
Production of crude oil (million barrels per day)	1.81	1.89	1.93	2.00	2.10
Nominal GDP at market prices (trillions of naira)	102.6	114.9	129.1	144.6	161.2
Nominal GDP per capita (US\$)	2,254	1,995	2,049	...	...
GDP deflator	9.5	11.1	10.2	9.6	8.8
Consumer price index (annual average)	15.7	16.5	12.1	11.7	11.7
Consumer price index (end of period)	18.5	15.4	11.4	12.1	11.7
<b>Investment and savings</b>	(Percent of GDP)				
Gross national savings	16.0	18.2	15.8	13.8	13.9
Public	-0.1	-0.7	0.8	-0.1	-0.1
Private	16.1	18.9	15.0	13.9	14.0
Investment	15.4	14.7	13.2	13.7	13.6
Public	2.2	3.1	3.3	3.0	2.8
Private	13.2	11.6	9.9	10.7	10.8
Current account balance	0.7	2.8	2.1	-0.4	-0.2

## Nominal GDP & Nominal GDP Per Capita: 1999-2018

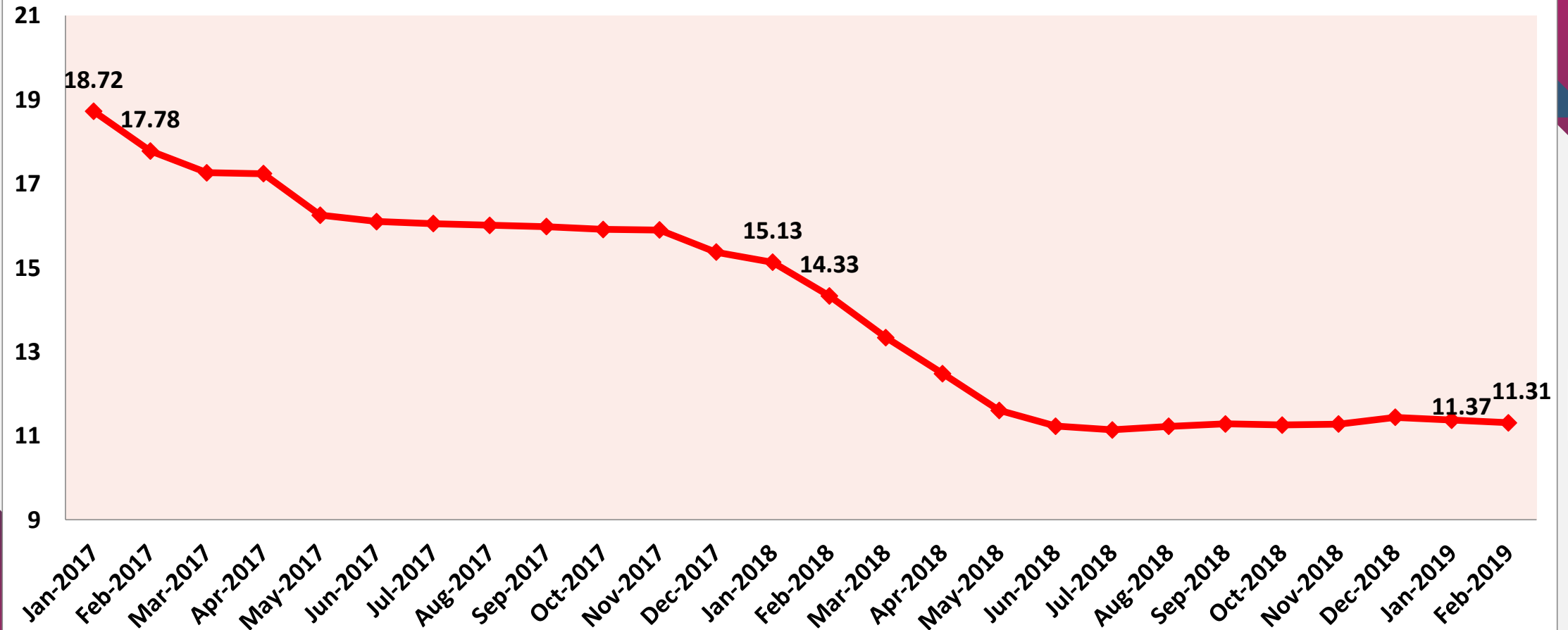


## Nigeria's Unemployment Situation: 2010-Q3 2018



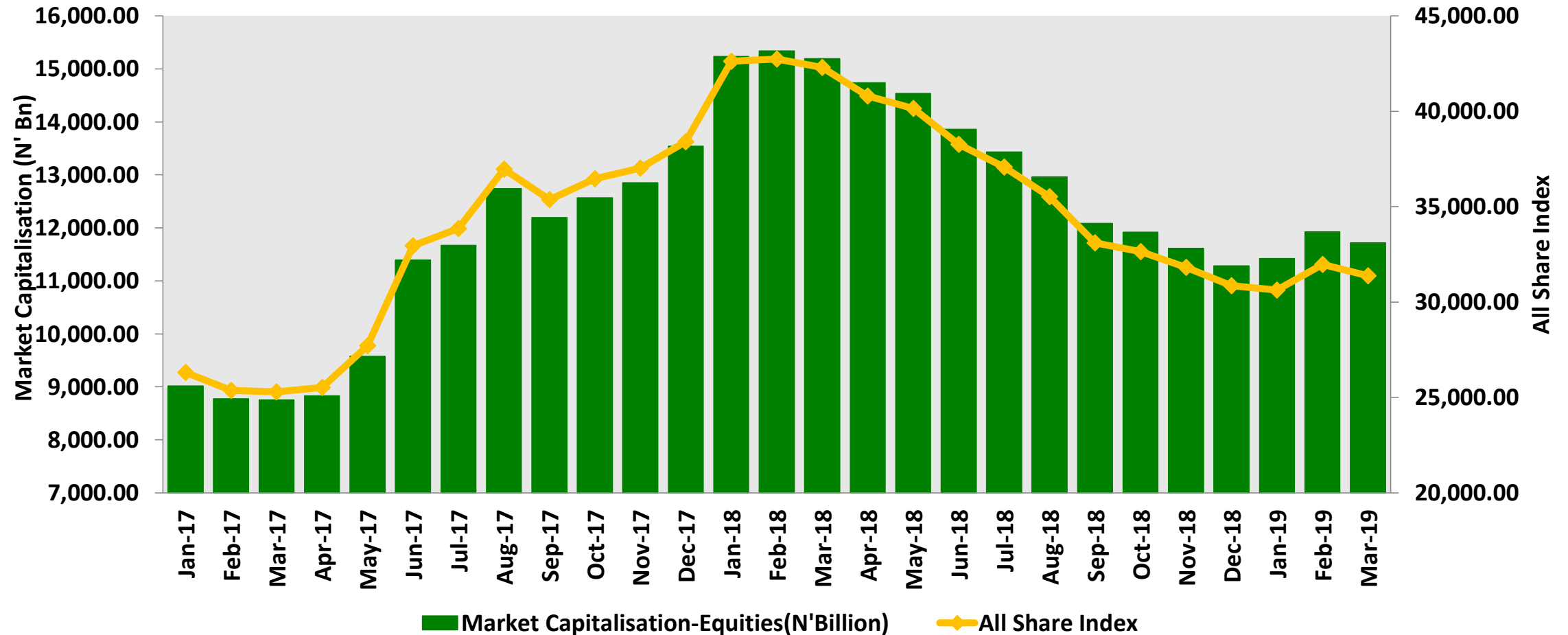
# Inflation Rate

Inflation Rate (%): Jan. 2017-Feb. 2019



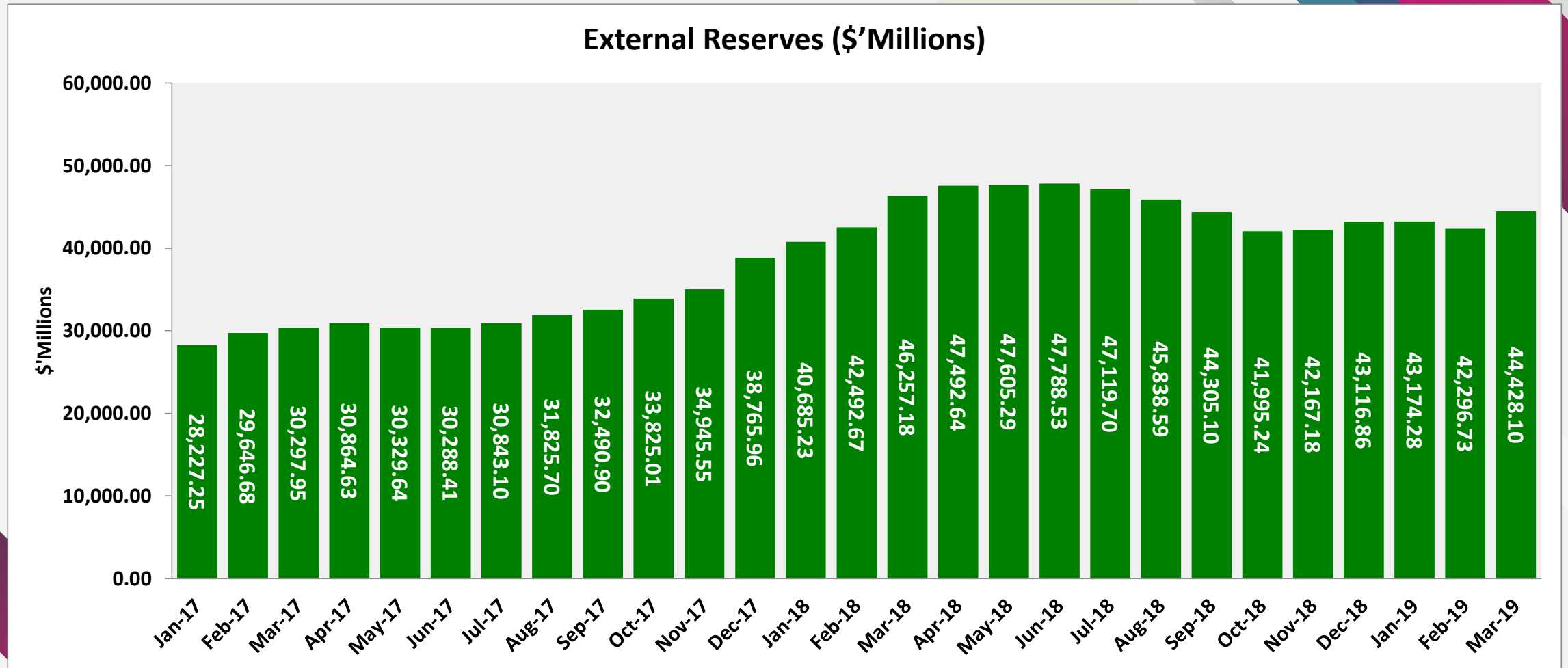
# Nigeria's Capital Market Update

## Capital Market Developments





# Nigeria's External Reserves: Jan'17-Mar'19



# Overall Macroeconomic Conditions

- Nigeria's social context remained dire with unemployment as at Q3 2018 at 23.1% (20.9 million unemployed persons) and per capita income at \$2,034, down from 2014 high of over \$3,000.
- However macroeconomic conditions have improved significantly with inflation down to 11.31% by February 2019; external reserves growing again, reaching \$44.4bn in March 2019; and official and NAFEX exchange rates remaining stable.
- Capital markets however remain depressed even though they rose briefly in February.



# Fiscal and Debt Situation

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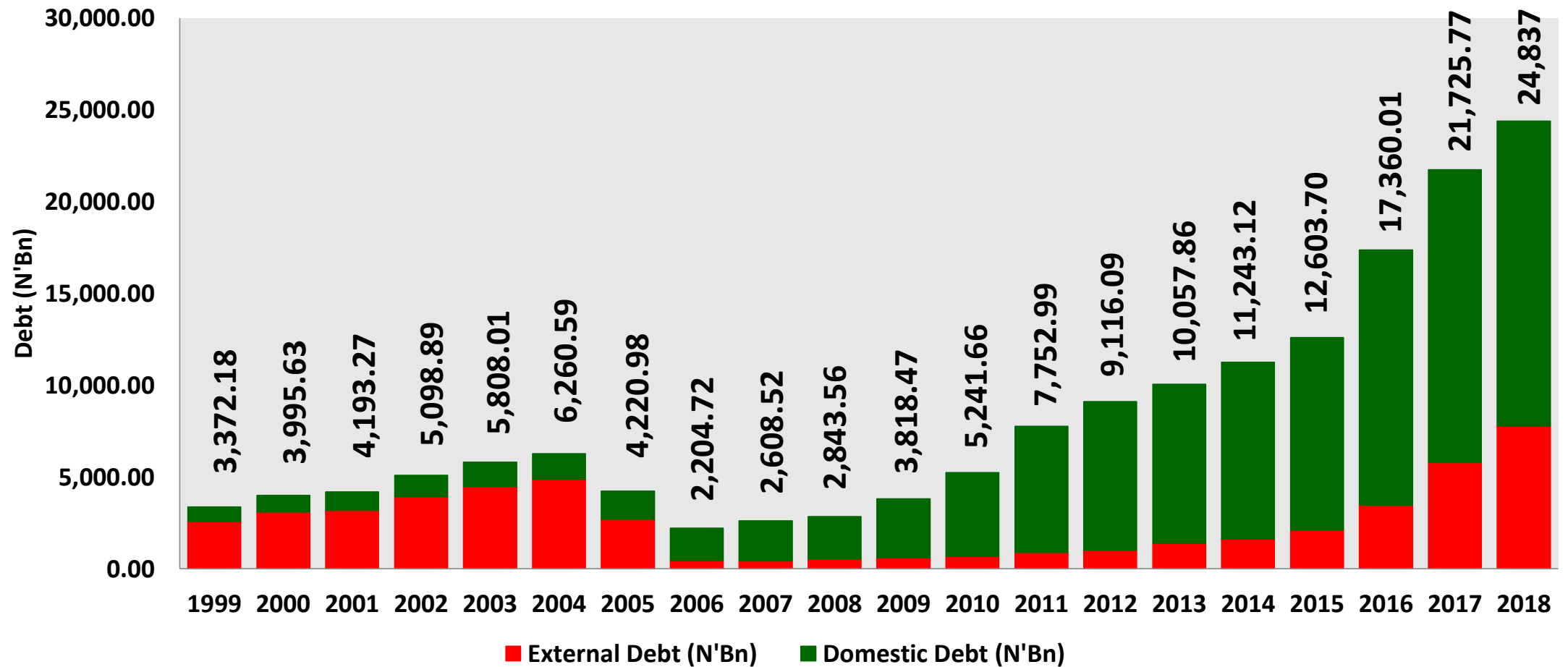
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# Fiscal and Debt Overview

- Nigeria's average annual budget increased from around N5trillion in 2010-2015 to N6trillion in 2016; N7.1trillion in 2017; N9.1trillion in 2018; and N8.82trillion initially proposed in the 2019 budget.
- In \$ terms, the numbers present a different picture-Nigeria's largest budget over the last decade was in 2010 (\$34.32bn) followed in 2013 (\$31.7bn), over \$29bn in each of 2012, 2014 and 2011, as well as recently in 2018 (\$29.8bn). Debt-led budgetary expansion in the last three years has however restored some real growth to Nigeria's budgets, at the expense of higher debt levels and debt service obligations.
- A significant fiscal challenge is the high debt service obligations accounting for 25.6% of total 2019 budget proposal and reportedly 66% of actual revenues as at Q3 2018.
- Total public debt as at 2018 now amounts to N24.8trillion!

# Nigeria's Public Debt

## Profile of Nigeria's Total Public Debt: 1999-2018



# Comparative State/Regional Analysis

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# Economic Comparisons-Summary

- Lagos State is sui generis amongst Nigeria's states in terms of external and domestic debts, and internally generated revenue.
- In terms of external debts, Rivers, Edo, Kaduna and Bauchi are the next highest; with regard to domestic debt profile, Delta, Rivers, Akwa Ibom and Osun follow Lagos; while in respect of IGR, Rivers, Ogun, Delta and FCT are the other leading states.
- Lagos State expectedly tops 2018 state budgets, followed by Akwa Ibom, Rivers, Ogun, Bayelsa and Delta. Even though Cross-River presents figures higher than Lagos, those are not believed to be credible.
- With regard to 2019 budget announcements, Lagos also leads, followed by Akwa Ibom, Rivers, Ogun and Delta States.

# Social Comparisons-Summary

- The South-West region generally presents better social indicators in terms of HDI, unemployment and poverty even though its own indicators are unacceptable.
- The worst indicators for HDI are from the three Northern regions; while the South-East and South-South present highest unemployment figures.
- With regard to poverty, the highest levels are indicated in the North-West and North-East.



# Infrastructure Comparisons-Summary

- The states with the highest internet penetration are Lagos, Ogun, Kano, Oyo, FCT and Kaduna; and a similar distribution is presented with regard to GSM phone use with the same states dominating.
- With regard to number of airports however, the South-West has the least number of airports (4) with the South-South having the highest (12). North-West and North-Central both have 10 airports.

# Health Comparisons-Summary

- Akwa Ibom State has the highest number of persons infected with the HIV virus followed by Plateau, Nasarawa, Benue, Kano, Yobe and Edo States with the lowest figures presented by Ekiti and FCT. Lagos State has an (implausibly?) low number of 31,980 persons infected with HIV.
- Life expectancy amongst states in the South-West range between 49 and 53 years; in the South-East, the range in the South-South is 47-54 years; the figures in the North-East are alarming ranging from 43-48 years; in the North-West states, life expectancy ranges from 45-52; and in the North-Central, it ranges from 46-52.
- Generally life expectancy in Nigeria is very poor by global standards, reflecting very poor standard of living and healthcare.

# Wealth Comparisons-Summary

- Lagos, Kano, Oyo and FCT are the locations in which the highest number of small and medium enterprises are present indicating concentrations of enterprise and capital.
- While Lagos, Kano and Oyo lead in small businesses, Lagos, Oyo, Kano and FCT top the number of medium enterprises.

# Politics and Policy

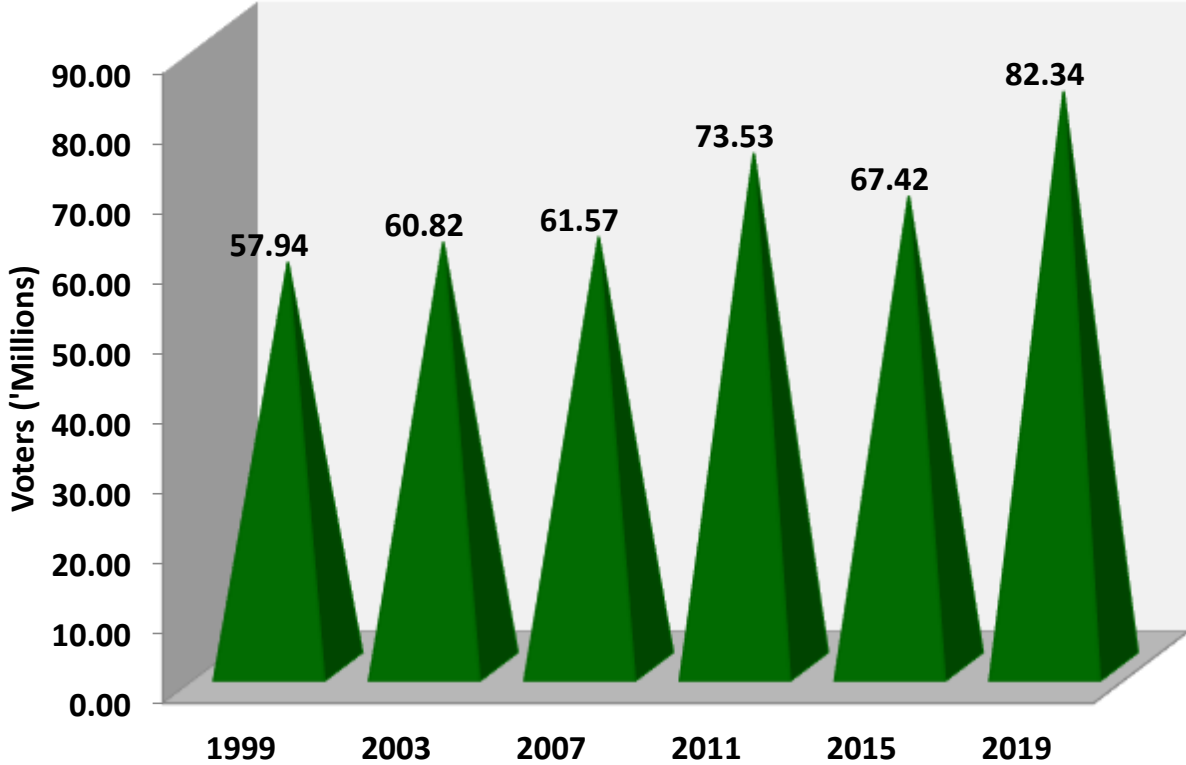
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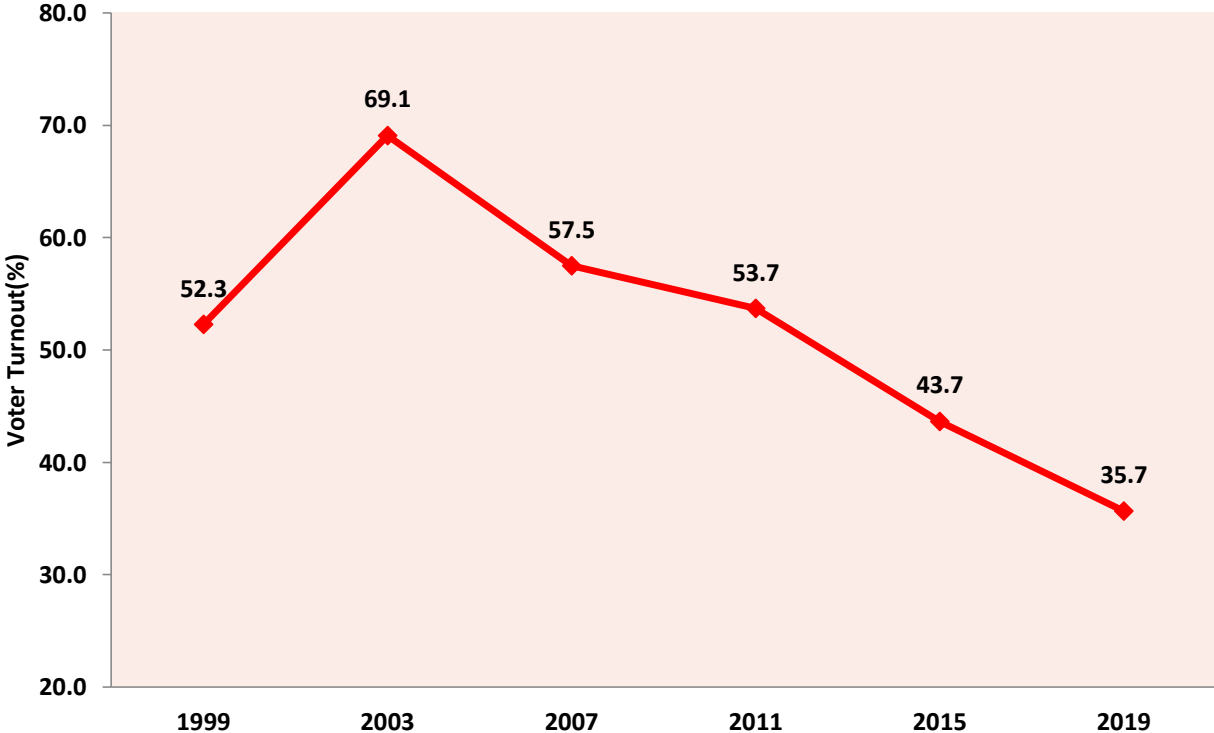
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# Voter Statistics

### Number of Registered Voters: 1999-2019

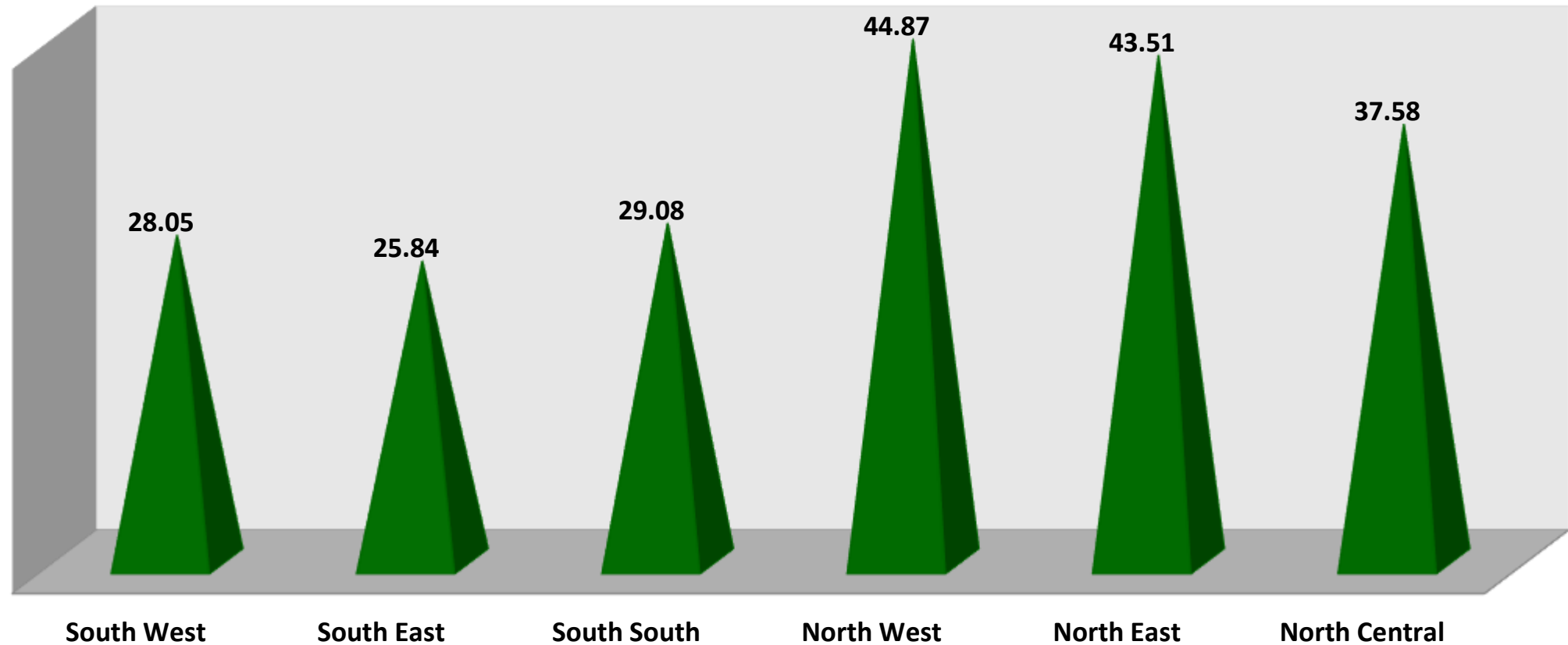


### Nigeria's Presidential Election Voter Turnout (%): 1999-2019



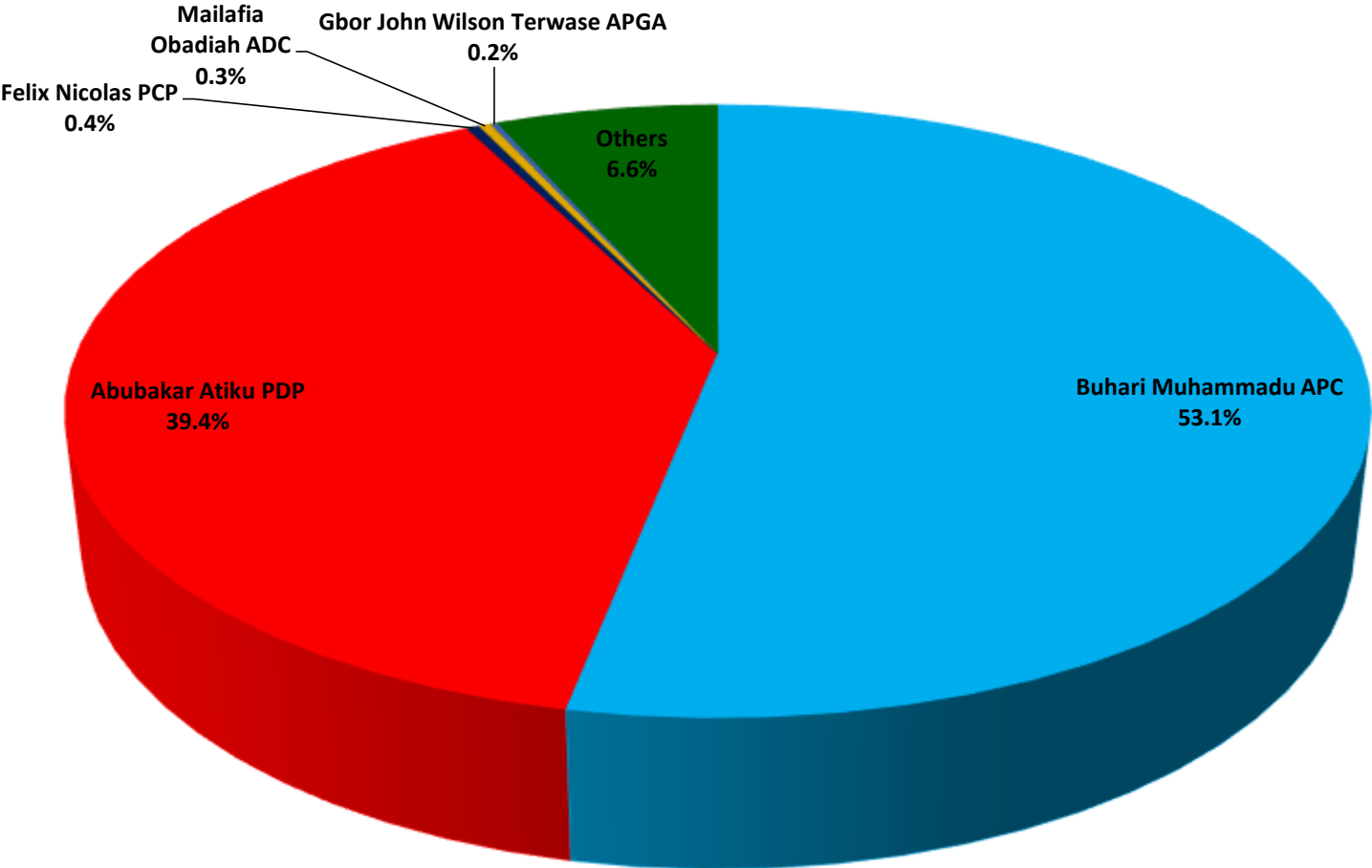
# Voter Statistics (contd.)

## 2019 Presidential Election Voter Turnout by Regions



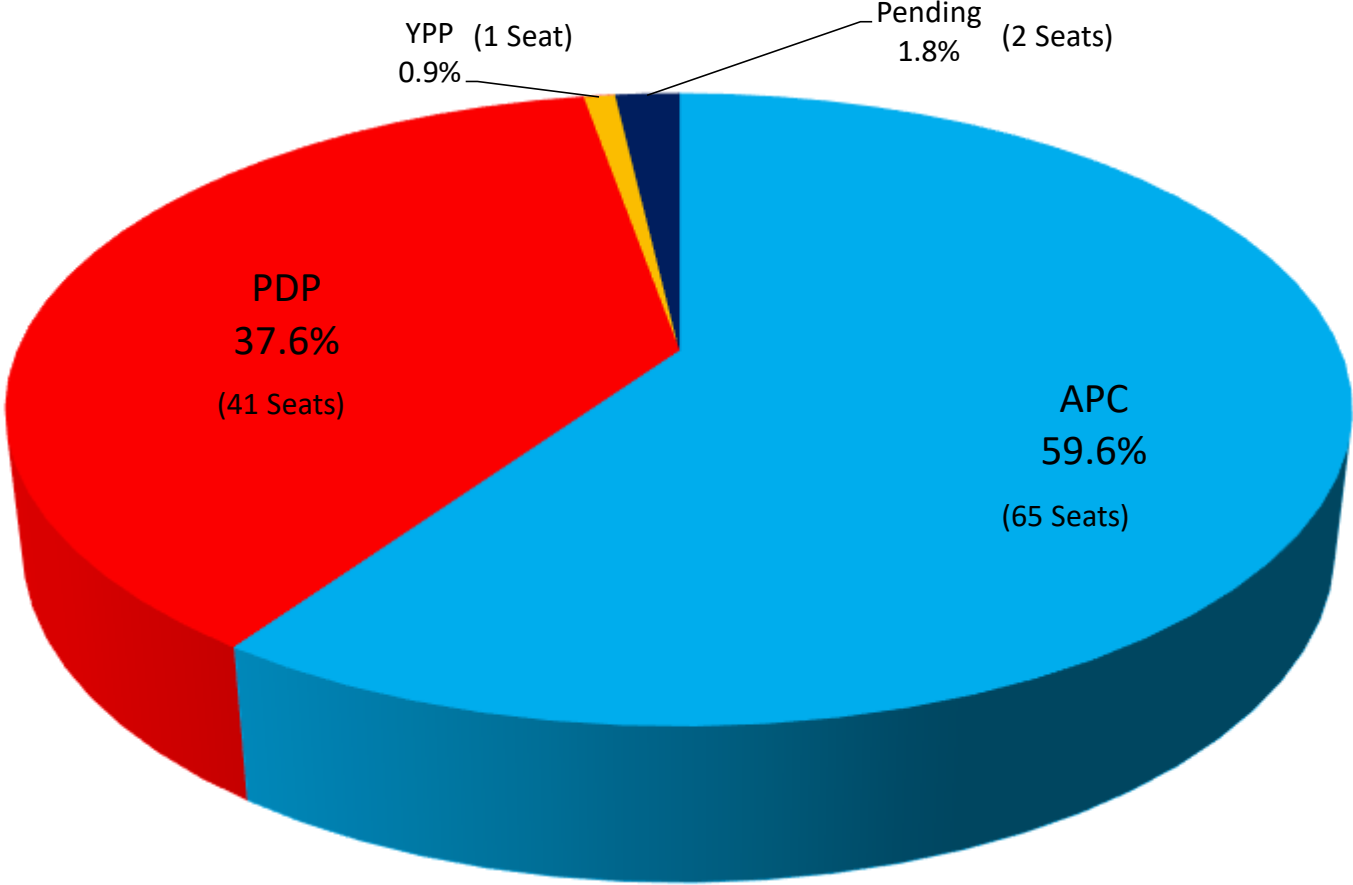
# 2019 Presidential Election Result

### Analysis of Presidential Election: 2019



# 2019 Senatorial Elections Result

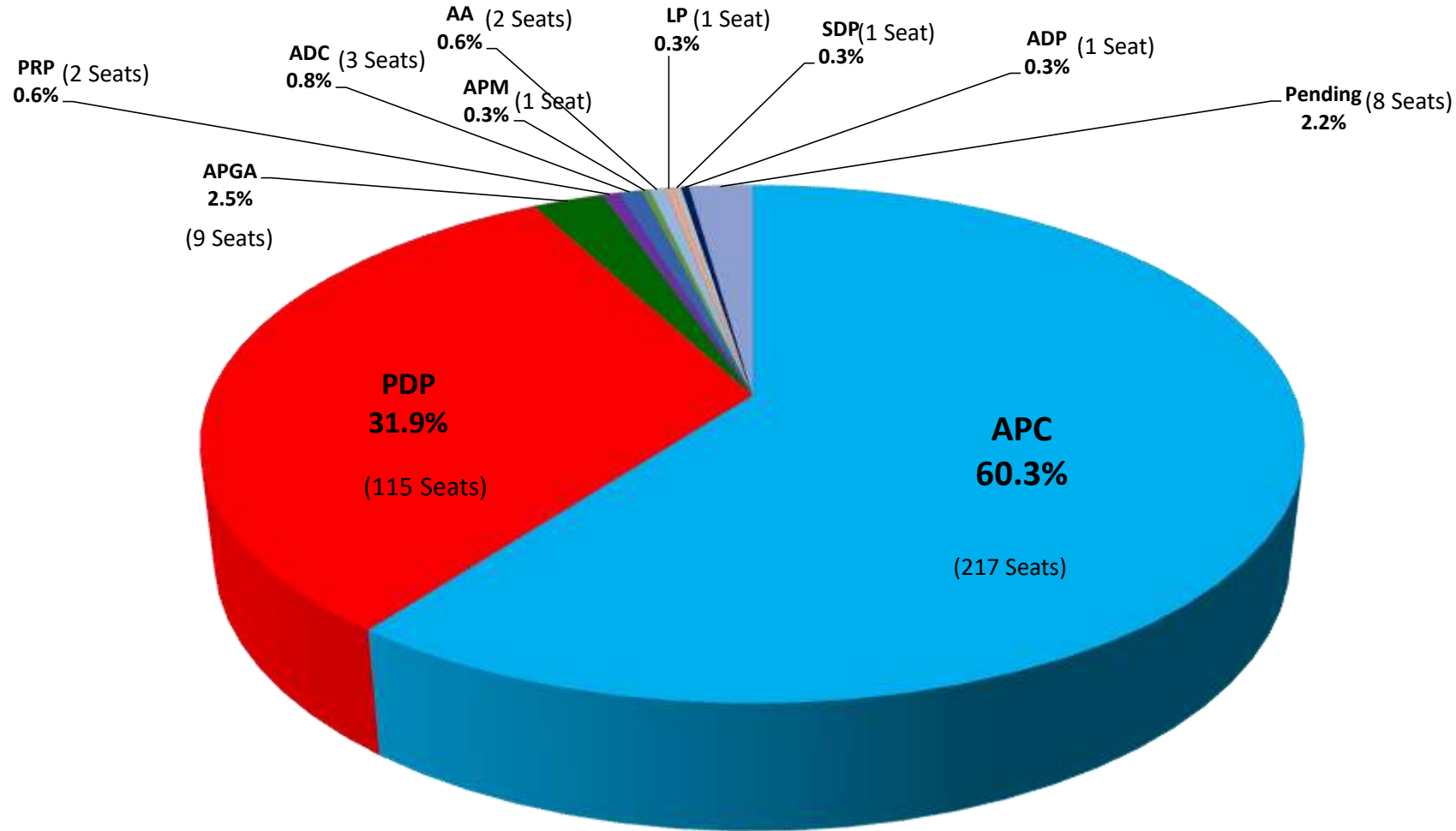
### 2019 Analysis of Senatorial Elections





# 2019 House of Representatives Elections Result

## Analysis of House of Representatives Elections



# 2019 Governorship Elections Result

s/n	State	Name	Party
1.	Gombe	Inuwa Yahaya	APC
2.	Niger	Abubakar Bello	APC
3.	Yobe	MaiMala	APC
4.	Lagos	Babajide Sanwo-Olu	APC
5.	Ogun	Adedapo Abiodun	APC
6.	Borno	Babagana Zulum	APC
7.	Kaduna	Nasir El-Rufai	APC
8.	Jigawa	Mohammed Badaru	APC
9.	Katsina	Aminu Masari	APC
10.	Kebbi	Atiku Bagudu	APC
11.	Kwara	Abdulrahman Abdulrazaq	APC
12.	Nasarawa	Abdullahi Sule	APC
13.	Zamfara	Muktar Idris	APC
14.	Kano	Abdulahi Ganduje	APC
15.	Plateau	Simon Lalong	APC

s/n	State	Name	Party
1.	Enugu	Ifeanyi Ugwuanyi	PDP
2.	Ebonyi	David Umahi	PDP
3.	Abia	Okezie Ikpeazu	PDP
4.	Oyo	Seyi Makinde	PDP
5.	Akwa Ibom	Emmanuel Udom	PDP
6.	Cross River	Benedict Ayade	PDP
7.	Delta	Ifeanyi Okowa	PDP
8.	Imo	Hon. Emeka Ihedioha	PDP
9.	Taraba	Darius Ishaku	PDP
10.	Benue	Samuel Ortom	PDP
11.	Sokoto	Aminu Tambuwal	PDP
12.	Adamawa	Ahmadu Fintiri	PDP
13.	Rivers	Nyesom Wike	PDP
14.	Bauchi	Bala Mohammed	PDP

# Politics and Policy

- Even though Nigeria's registered voters has increased from 57.94million in 1999 to 82.34million by 2019, voter turnout has steadily declined since 2003 (69.1%) falling to 57.5% in 2007; 53.7% in 2011; 43.7% in 2015; and 35.7% in the recent 2019 elections.
- Lagos State leads voter registration with 6.3million voters, followed by Kano with 5.3million; and then Kaduna (3.8million), Rivers (3.2million), Katsina (3.2million), Oyo (2.79million) and Delta (2.719million).
- However based on INEC figures, voter turnout was highest in the North-West (44.87%), North-East (43.51%) and North-Central (37.58%); with the Southern Regions recording 29.08%, 28.05% and 25.84% in the South-South, South-West and South-East respectively

# Politics and Policy (contd.)

- INEC results showed that President Buhari of the APC won comfortably in the North-West and North-East, and marginally in the North-Central and South-West; while opposition Atiku Abubakar of the PDP was dominant in the South-East and South-South.
- The ruling APC recorded majorities in both houses of the National Assembly even though the opposition PDP made significant gains in the gubernatorial races.

# Implications for Business and Policy

Nigerian Economic Review 2019 Q1



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# Policy

< Economic, Social and Development Policy - Sectoral Reform - Regulatory Frameworks and Institutions - Private Sector Markets & Structures; *Deregulation & Liberalization; Privatization & Commercialization; Public-Private Partnership & Concessions; Competition & Anti-Trust Policy* - Political strategy & communication >

### Global Economic Growth: 2019

Indicators	IMF	World Bank	UN-DESA/UNCTAD	FGN	
				Budget	ERGP
Global Growth	3.5	2.9	3.0		
Emerging Economies	4.5	4.2	4.3		
Sub-Saharan Africa	3.5	3.4	3.4		
South Africa	1.4	1.3	1.7		
Nigeria					

# Implications for Business and Policy

- Political risk has been significantly de-escalated with the re-election of President Buhari and the ruling APC's governing majority in the national assembly. However given Nigeria's weak political party system and opportunistic politics, fluidity in political behaviour may remain. The recourse to the election tribunal by PDP's Atiku Abubakar is in line with the rule of law.
- In spite of the de-escalation of political risk, policy risks remain high! Government faces tough choices around economic policy and reforms including VAT and taxation generally; subsidies and oil sector management in both the upstream and downstream; fiscal policy around revenues, debt service and trade; and generating higher growth and employment. More broadly the government's posture towards private capital and investment must be clarified.

# Implications for Business and Policy (contd.)

- There is consensus that the Nigerian economy is recovering but also concerns that GDP growth levels are insufficient given Nigeria's population growth rate, poverty, unemployment and infrastructure gap. Policy must leverage private capital particularly in infrastructure, industry and services to boost growth and employment.
- Based on projections from OPEC, EIA, IMF and the World Bank, we expect oil prices to range between \$50 and \$74 per barrel in 2019.
- Nigeria's overall macroeconomic conditions are improving with continued stability in exchange rates, declining inflation and rising FX reserves even though capital markets remain weak. Policy is however insufficiently supportive of growth and public sector finances may be distressed! A restructuring of government revenue and debt is urgently required especially in light of imminent increases in government wage bills.



# Conclusions

- Nigeria faces tough policy choices over removal of oil subsidies (which has historically been unpopular); probably contentious proposals to increase VAT rates; how to stimulate higher GDP growth and reduce poverty and employment; measures to reduce the infrastructure deficit particularly in power and transportation; reducing insecurity; and increasing investment in, and improving the quality of education, health and rural infrastructure.
- Investors will be watching the first appointments and policy pronouncements that the President Buhari administration will make in its second term for hints of a direction towards re-invigorated economic reforms and prioritising private capital, local and foreign.

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