



Macro-Economic Ratios After the Rebasing of Nigeria's GDP: Implications for Transformative Development

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Outline

- Background and Key Milestones
- Results of Finalized Estimates
- Macro Economic Summary
- Key Ratios and Indicators
 - Financial and Monetary
 - Fiscal
 - External
 - Socio-Economic
- Implications and Recommendations
- Comparative Analysis
- Conclusion

Background and Key Milestones

Rebasing was apart of a wider statistical reform on Methodology

- Unemployment
- National Accounts (includes GDP series)
- Trade
- CPI (Inflation)
- National Census of Commerce and Industrial Businesses
- National Agricultural Sample Census ...
- etc

Background and Key Milestones

○ Methodology

○ Four major methodological pillars

- The System of National Accounts (SNA 2008 version),
- The International Standard Industrial Classification (ISIC Revision 4),
- The Central Product Classification (CPC version 2)
- The development of a Supply and Use Table/matrix (SUT)
- NBS conducted 14 sector surveys
- Data collected from various MDAs, and private businesses:
 - FIRS, MoF, SEC, CBN, Customs, MAN, REDAN, NEITI, MTN, Ministry of Solid Minerals, NAICOM, NCC, etc.
- Validation by International and Domestic experts
 - IMF, World Bank, ADB, 6 renowned economists

Background and Key Milestones

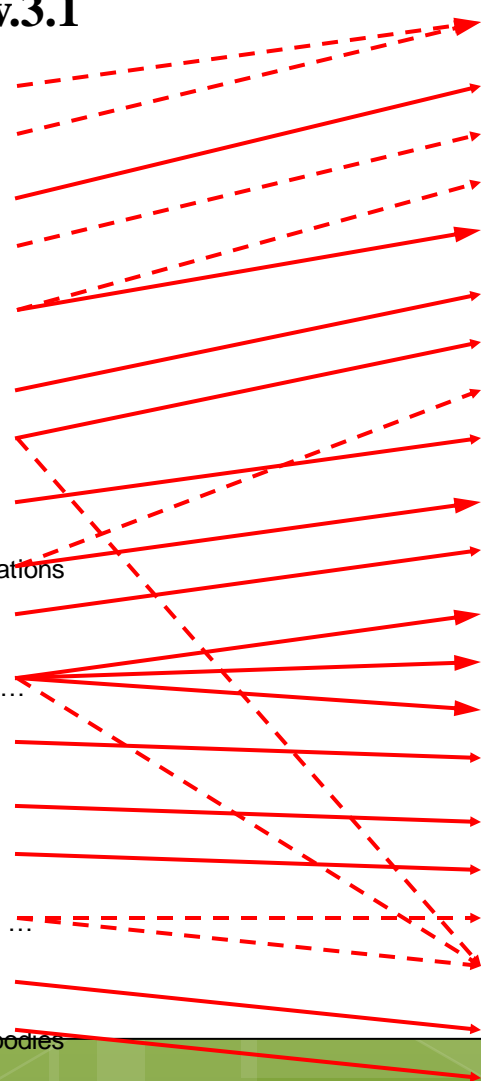
The Movement from ISIC 3.1 to 4

ISIC Rev.4

ISIC Rev.3.1

A Agriculture, hunting and forestry
 B Fishing
 C Mining and quarrying
 D Manufacturing
 E Electricity, gas and water supply
 F Construction
 G Wholesale and retail trade; ...
 H Hotels and restaurants
 I Transport, storage and communications
 J Financial intermediation
 K Real estate, renting and business ...
 L Public administration ...
 M Education
 N Health and social work
 O Other community, social, personal ...
 P Activities of private households
 Q Extraterritorial organizations and bodies

A Agriculture, forestry and fishing
 B Mining and quarrying
 C Manufacturing
 D Electricity, gas, steam ...
 E Water supply; sewerage, waste ...
 F Construction
 G Wholesale and retail trade; ...
 H Transportation and storage
 I Accommodation and food service activities
 J Information and communication
 K Financial and insurance activities
 L Real estate activities
 M Professional, scientific and technical activities
 N Administrative and support service activities
 O Public administration ...
 P Education
 Q Human health and social work activities
 R Arts, entertainment and recreation
 S Other service activities
 T Activities of households ...
 U Activities of extraterritorial organizations ...



Background and Key Milestones

The SNA 2008 and The SUT

[illegible]

Background and Key Milestones

7

NBS Harmonized Frame			
	Sectors	NBS FRAME	NBS Old Frame
1	AGRICULTURE, FORESTRY AND FISHING	1,116	671
2	MINING AND QUARRYING	971	261
3	MANUFACTURING	76,656	16,248
4	CONSTRUCTION	53,507	551
5	WHOLESALE AND RETAIL TRADE, REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	502,085	16,583
6	TRANSPORTATION AND STORAGE	5,902	1,418
7	ACCOMMODATION AND FOOD SERVICE ACTIVITIES	13,109	5,774
8	INFORMATION AND COMMUNICATION	1,719	2,183
9	PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	125,482	4,593
10	ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	2,048	1,096
11	EDUCATION	34,974	24,713
12	HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	13,083	6,749
13	ARTS, ENTERTAINMENT AND RECREATION	805	281
14	OTHER SERVICE ACTIVITIES	8,450	2,002
15	Real Estate	11721	610
	Total	851,628	83,733

Results of Finalized Estimates: Nominal Estimates

	Old Series (N, Million, Current Prices)			
	2010	2011	2012	2013F
Agriculture	10,310,655.64	11,593,434.13	13,413,842.46	14,709,104.92
Industry	15,659,521.00	16,569,291.58	16,456,457.10	16,374,554.67
Services	8,014,577.50	9,247,134.90	10,673,800.38	12,313,106.11
TOTAL	33,984,754.13	37,409,860.61	40,544,099.94	42,396,765.71

	New Series (N, Million, Current Prices)			
	2010	2011	2012	2013
Agriculture	13,048,892.80	14,037,825.84	15,815,997.51	16,816,553.01
Industry	13,826,433.90	17,853,113.99	19,587,721.32	20,853,845.33
Services	27,736,937.48	31,089,457.4	36,310,216.23	42,422,165.04
TOTAL	54,612,264.18	62,980,397.22	71,713,935.06	80,092,563.38

	Percentage change between Old and New Estimates (%)			
	2010	2011	2012	2013
Agriculture	27%	21%	18%	14%
Industry	-12%	8%	19%	36%
Services	246%	236%	240%	245%
TOTAL	61%	68%	77%	89%

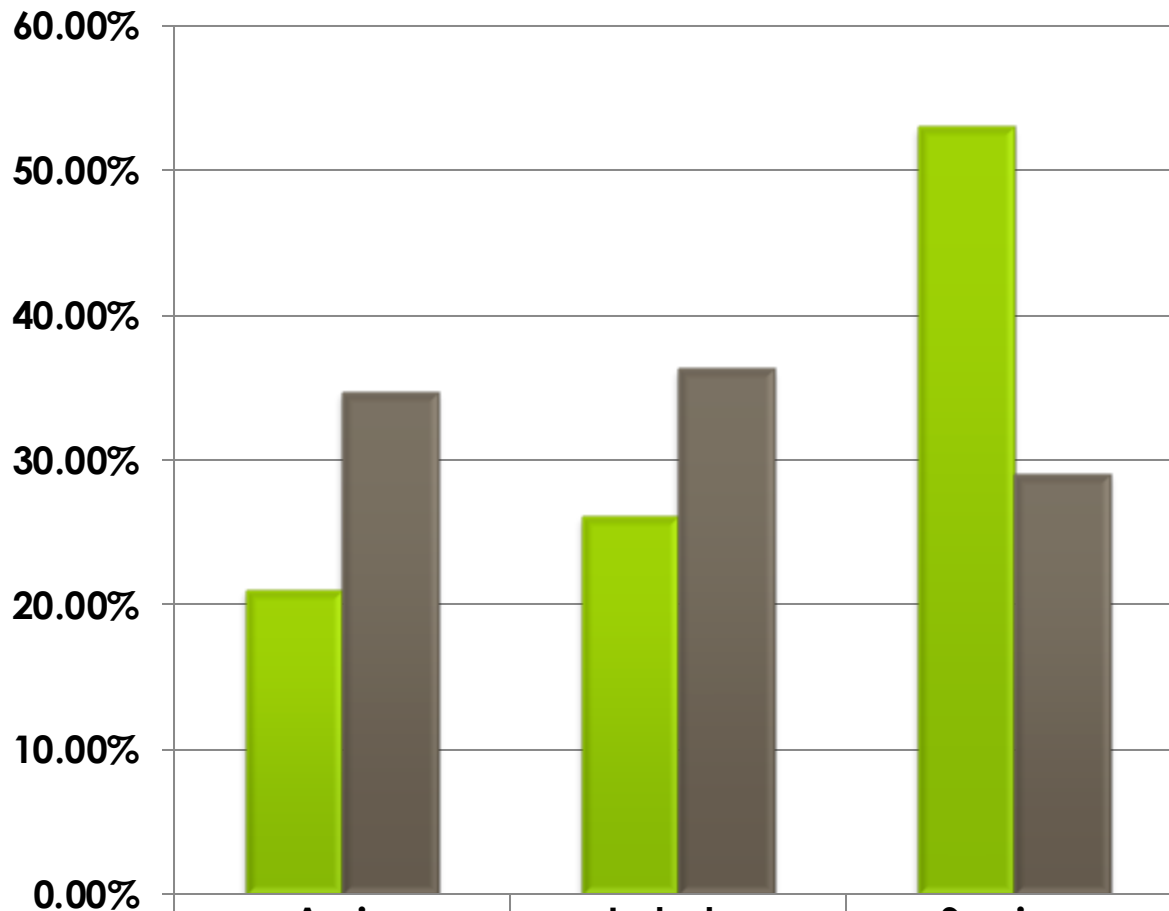
Nominal GDP (2013) est.: N80.1trillion

This translates to US\$509.1 billion

Largest economy in Africa; 26th largest in the world

Results of Finalized Estimates: Nominal Estimates

Nominal GDP by Sector, 2013



A decline in the share of **Agriculture...**

Decline in the share of **Industry ...**

A rise in the share of **Services...**

■ New Series

■ Old Series

21.00%

34.69%

Industry

26.04%

36.26%

Services

52.97%

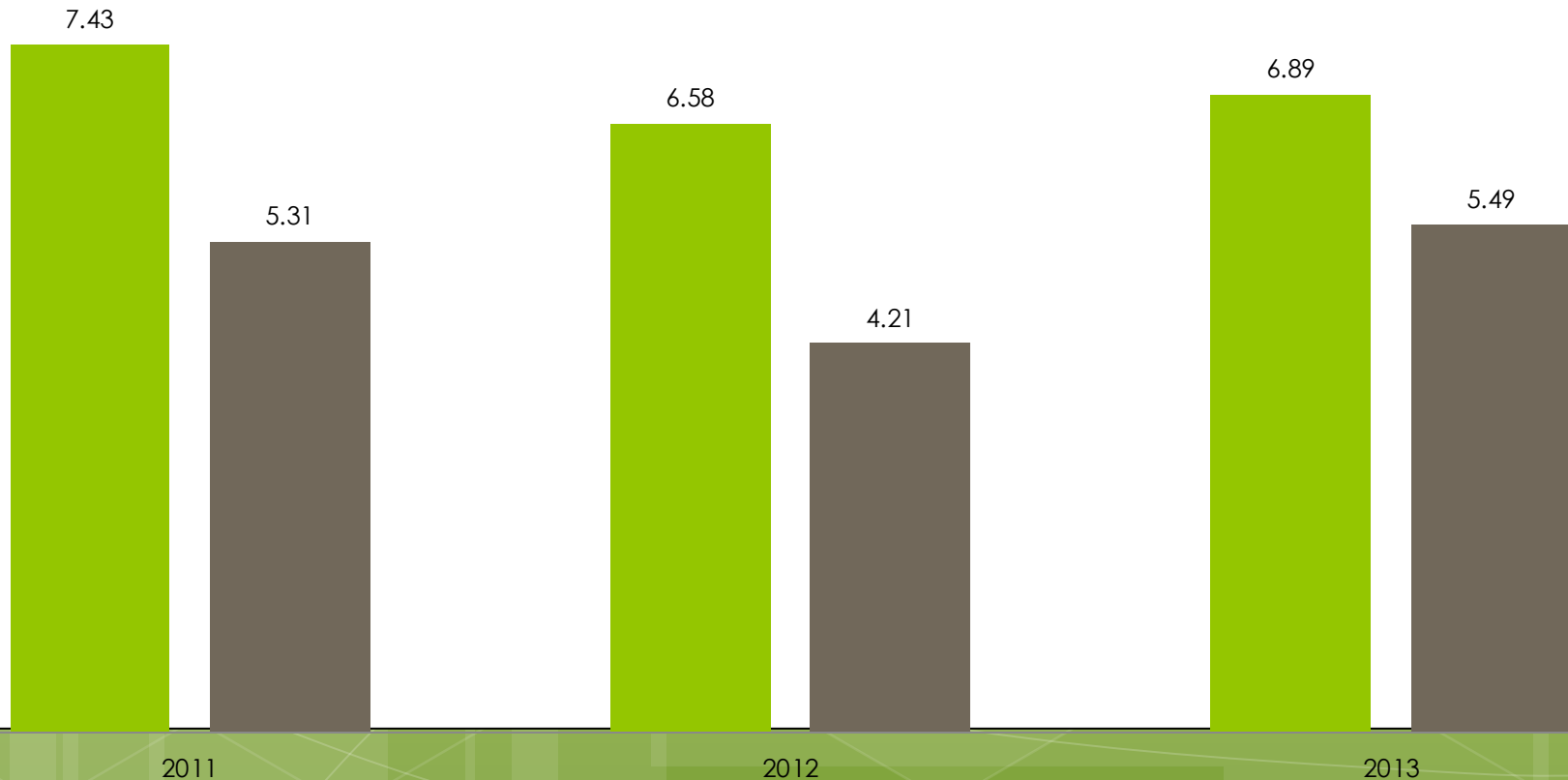
29.04%

Macro Economic Summary

Real GDP Growth: Slower yet strong

Real GDP Growth

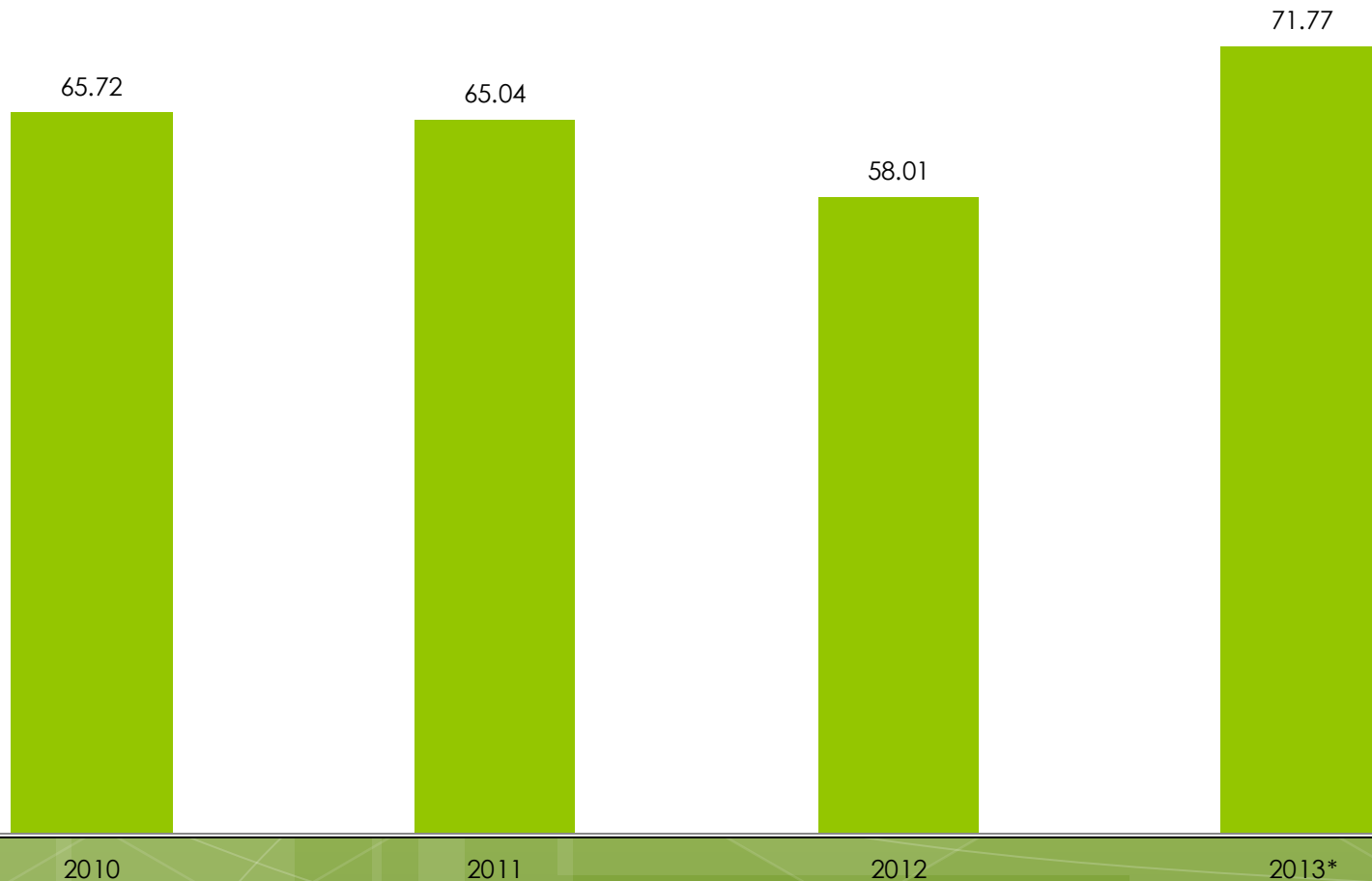
■ Old Series (%) ■ New Series (%)



Macro Economic Summary: Strong Consumer Expenditure

PFCE To GDP

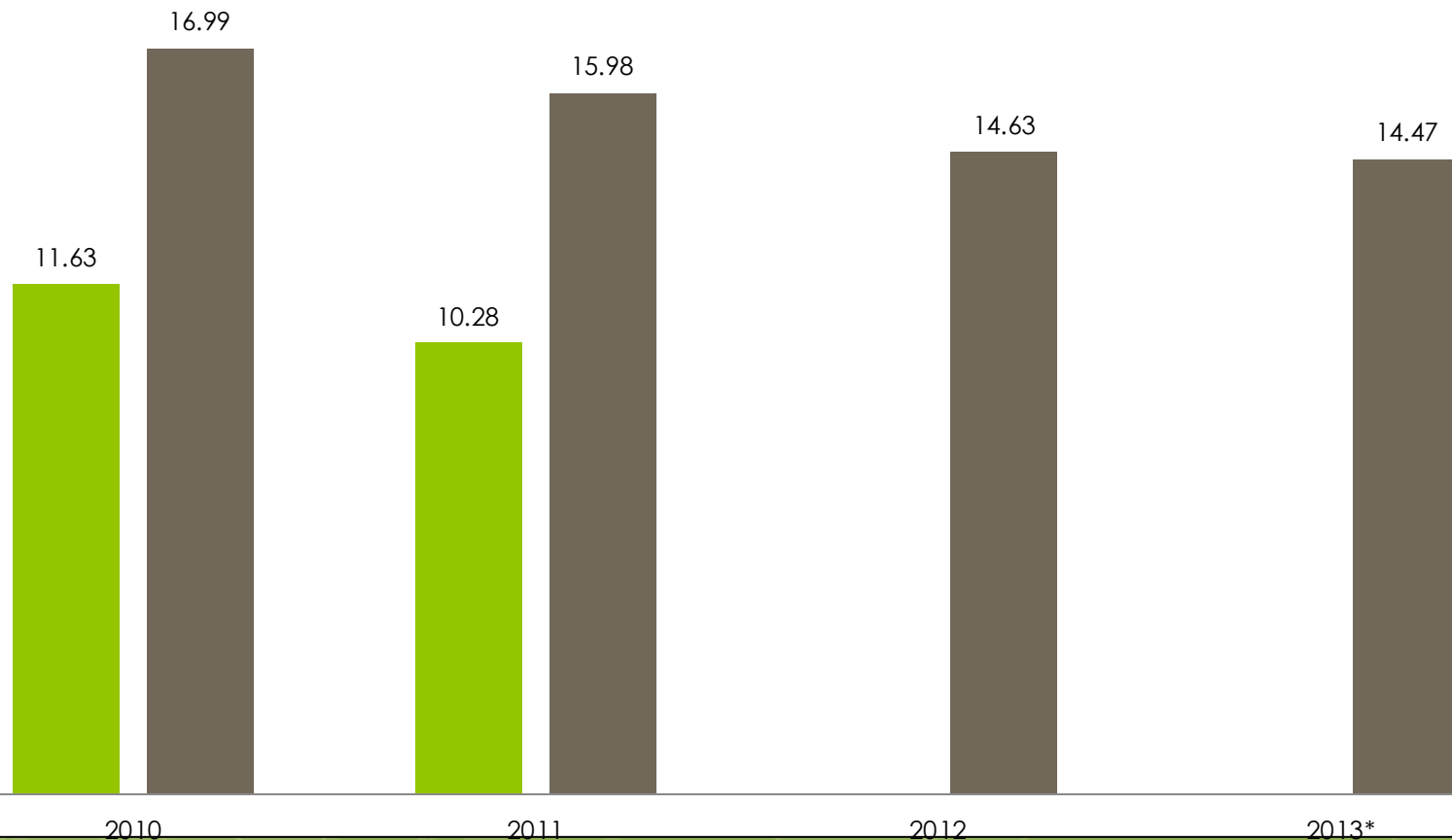
■ PFCE To GDP



Macro Economic Summary Higher Investments

Investments to GDP (Percentage)

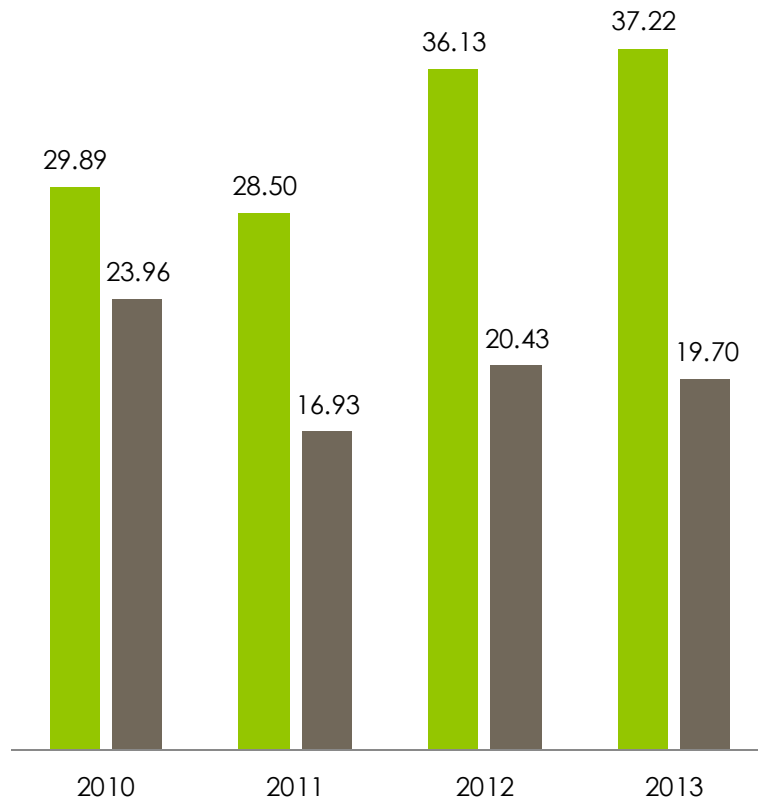
■ GFCF Old Series ■ GFCF New Series



Financial and Monetary Ratios

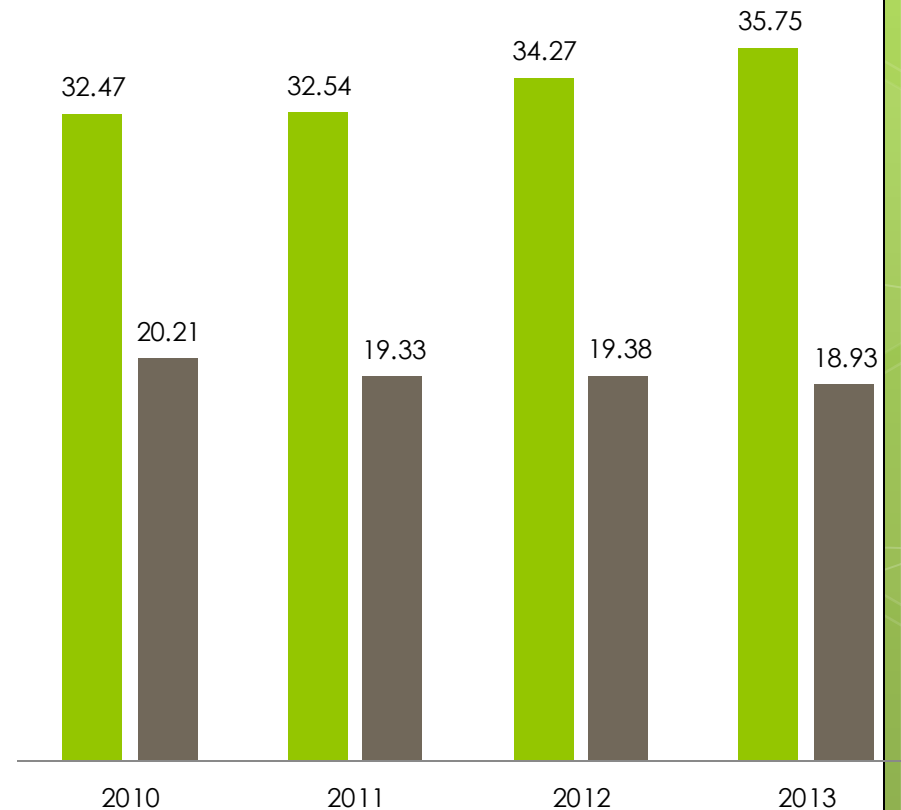
Credit to Private Sector as % GDP

■ Old Series ■ New Series



Financial System Depth (%)

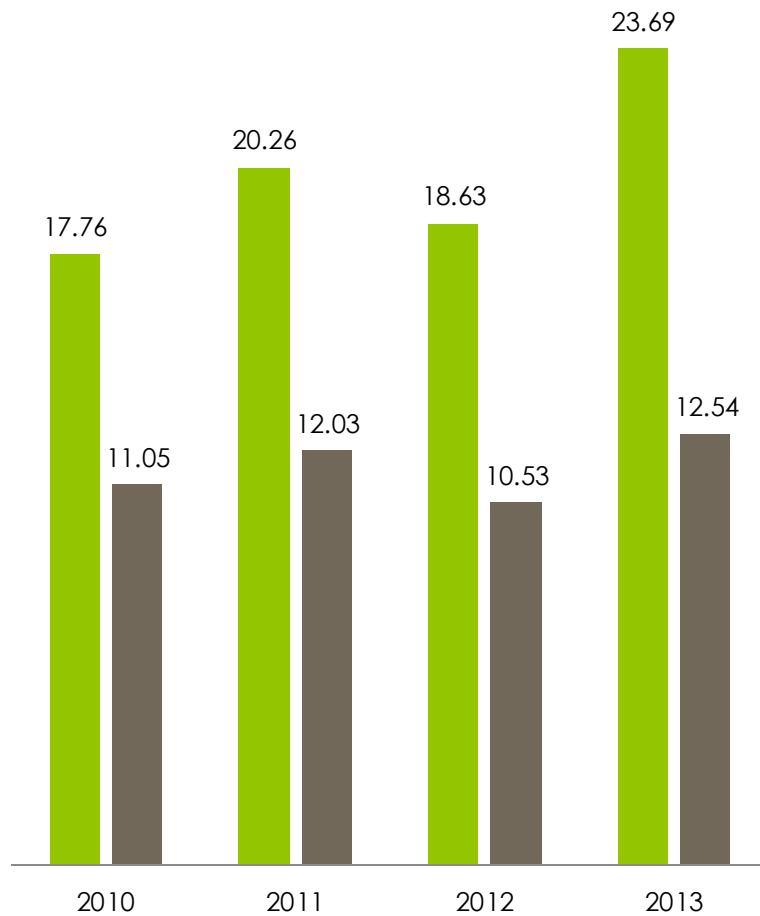
■ Old Series ■ New Series



Fiscal Ratios

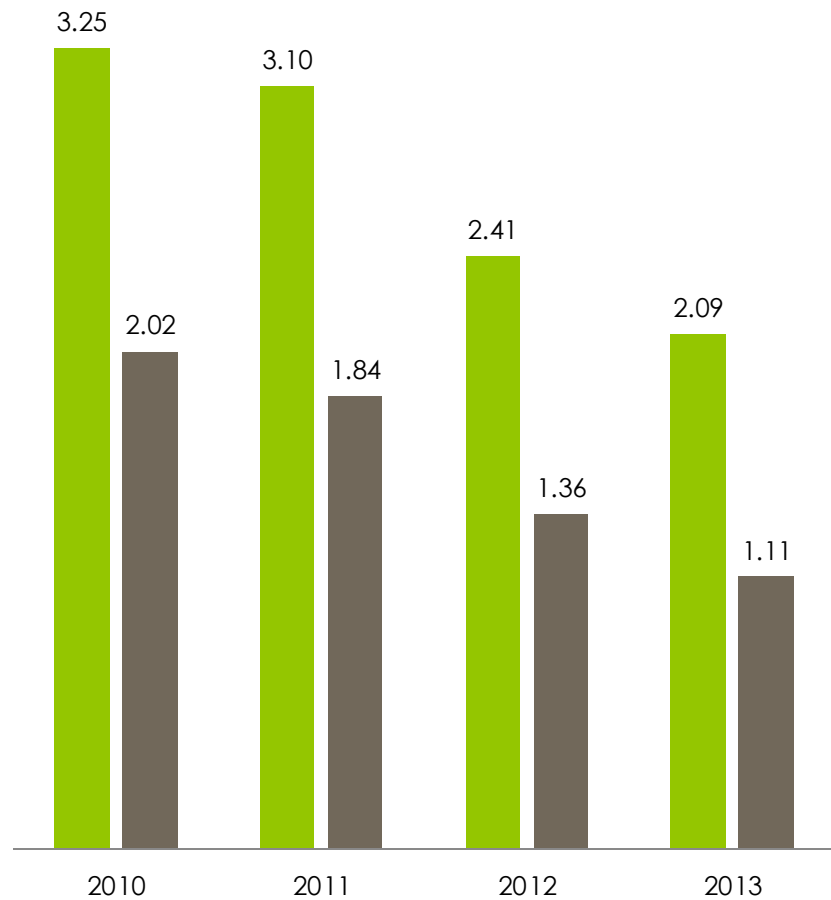
Debt to GDP (%)

■ Old Series ■ New Series



Fiscal Deficit to GDP (%GDP)

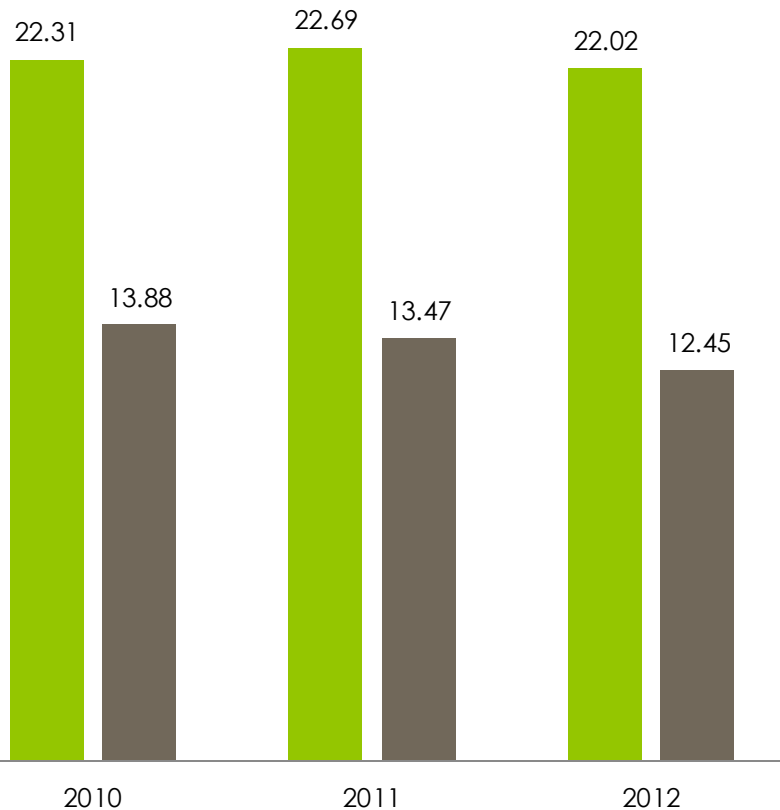
■ Old Series ■ New Series



Fiscal Ratios

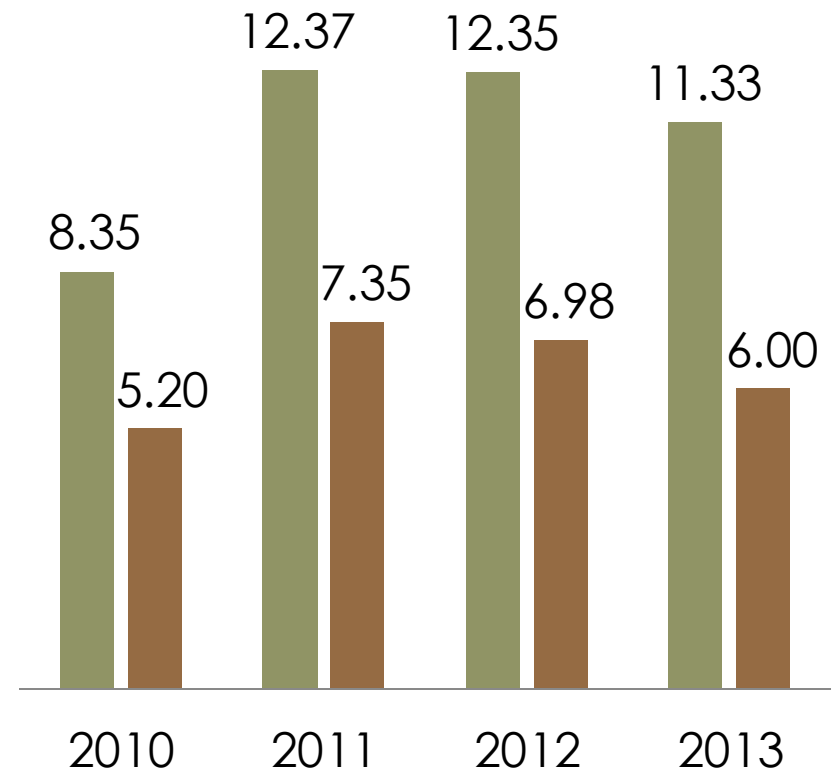
Government Revenue to GDP (%)

■ Old Series ■ New Series



Federal Tax Revenue to GDP

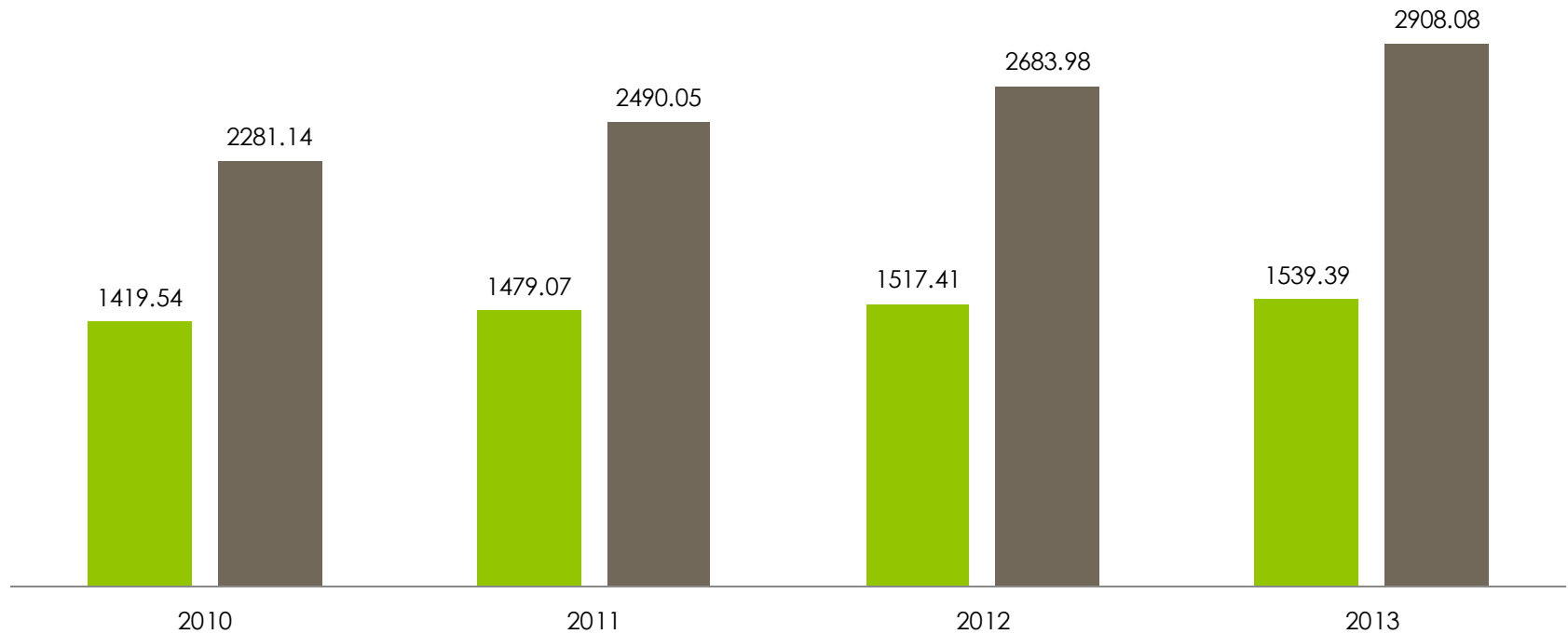
■ Old Series ■ New Series



Socio Economic Ratios

Per-Capita GDP

■ Old Series ■ New Series



GROWTH AND PER CAPITA GDP RANKINGS

GDP and GDP per capita of top 10 economies, 2013, IMF

Rank	Country	GDP USD trn\$	Rank	Country	GDP US\$
1	United States	16.79	1	Qatar	98,814
2	China	9.18	2	Luxembourg	78,670
3	Japan	4.9	3	Singapore	64,584
4	Germany	3.63	4	Norway	54,947
5	France	2.73	5	Brunei	53,431
6	United Kingdom	2.53	6	United States	53,101
7	Brazil	2.24	7	Switzerland	46,430
8	Russia	2.11	8	Canada	43,472
9	Italy	2.07	9	Australia	43,073
10	India	1.87	10	Austria	42,597
26	Nigeria	0.5	121	Nigeria	2,689

Countries with the **highest GDP** are not necessarily the same countries with the **highest per capita GDP**

...Except for the US

GDP Growth vs. development

- GDP growth isn't synonymous with development
 - ...but is required for Development
 - Rising output → Increase in tax revenue → development infrastructure (public goods) → higher output
- Infrastructure needed to stimulate inclusive growth and development:

RAIL



ELECTRICITY

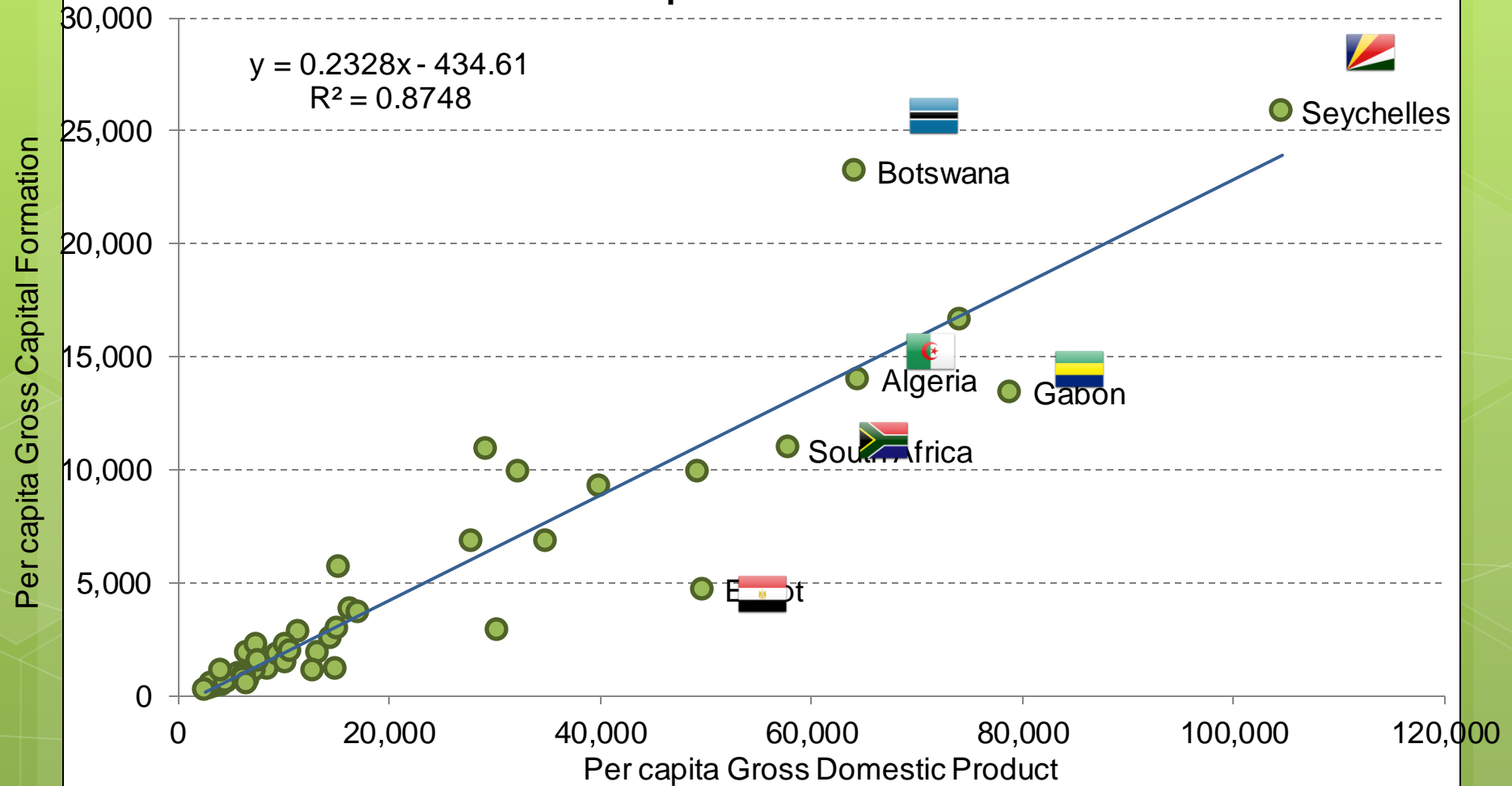


FINANCING



GDP Growth vs. development

Correlation between per capita Gross Domestic Product and per capita Gross Fixed Capital Formation



Rebasing: Implications and Recommendations

A. Non-Oil Revenue Mobilisation:

- Tax revenue to GDP ratio is about 22% for middle-income African countries, and is estimated at about 20% or higher for emerging economies.
- Nigeria's federal tax revenue to GDP ratio of 6% low in comparison.

B. McKinsey & Co's diagnostic study revealed interesting findings, for example:

- **65%** of registered tax payers have not filed their returns for the **past 2 years**, and **75%** of small and medium businesses are not currently in the tax system

C. Results: Revenue Collection is improving:

- Actual non-oil collection (FAAC and VAT revenue collection) for January to April 2014 was N521 billion.
- This represents N37 billion above the seasonally adjusted target based on 2011, 2012, and 2013 collections
- May and June expected to outperform the previous 4 months

Source: FMF/ERPMD/0982014

Rebasing: Implications and Recommendations

- Infrastructure provision
 - Need for continuous public investment in infrastructure (Power)
 - According to the NBS/SMEDAN report:
 - 39.8% of SMEs had to use alternative power sources for 5 hours
 - 34.9% of SMEs had to use alternative power sources for 6-10 hours
 - 13.3% of SMEs had to use alternative power sources for 11-15 hours
 - 12.0% of SMEs had to use alternative power sources for 16-20 hours
 - The rule of thumb for any developed industrial nation is that at least 1 gigawatt (i.e. 1,000 megawatts) of electricity generation and consumption is required for every 1 million head of population.
 - Ideal level is 160,000 MW

Electricity Generation

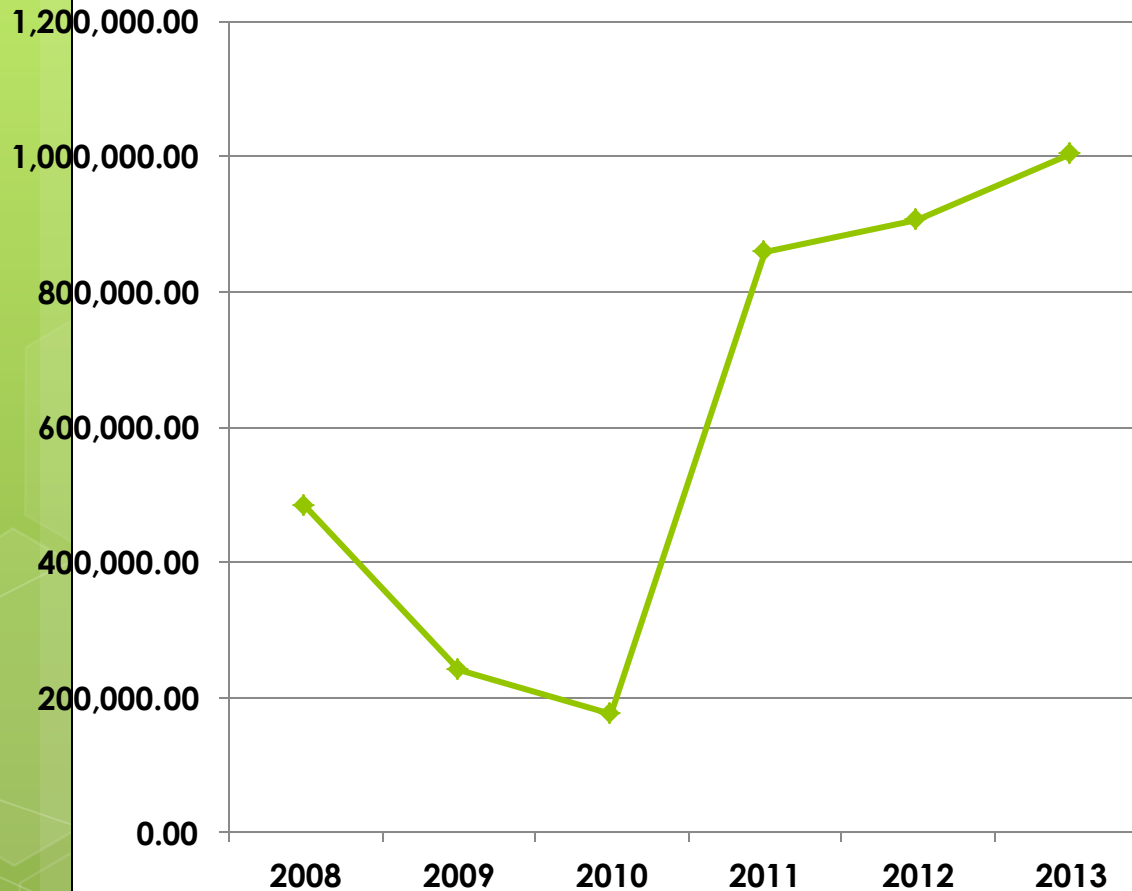


Hydro Power Generation

- Nine dams completed in: Akwa Ibom, Katsina, Enugu and Ondo States

Rebasing: Implications and Recommendations

Bank Loans to SMEs (Nmillion), 2008-2013



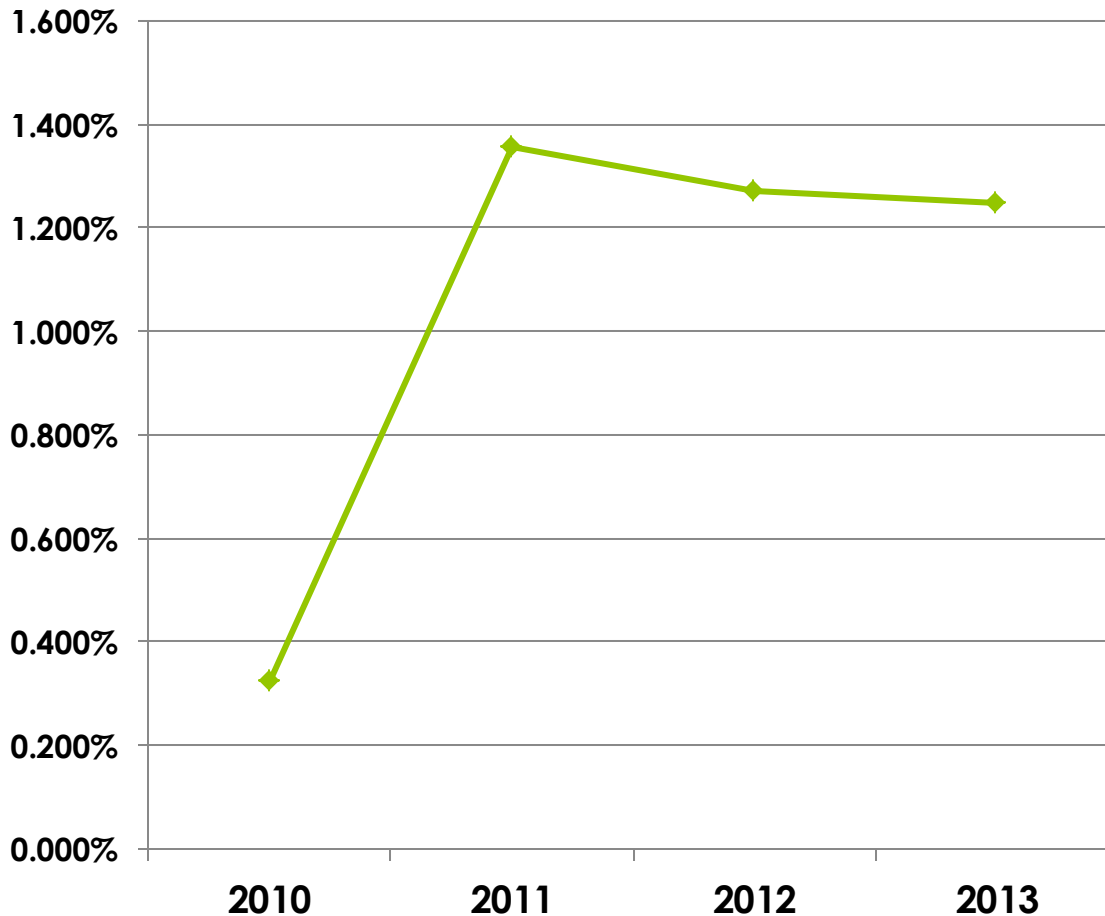
Most firms captured in the GDP compilation framework are NOT listed on the Stock Exchange...

...but probably prefer bank loans despite high rates

Problem of information, regulation or difficulty with access to finance or all?

Rebasing: Implications and Recommendations

Bank loans to SMEs as percentage share of GDP (2010-2013)



Bank loans to SMEs as a percentage of GDP less than 1%

Growth in nominal GDP not commensurate with growth in SME loans

Bank loans per SME (2013) was equiv. N60,000

Rebasing: Implications and Recommendations

Financing still remains a key obstacle for businesses.

As of Q1 2014 Spread between prime and maximum lending rate for DMB's id 9.11 Percentage points

This begs the question:
How many DMB clients are in the Prime Category? vs how many are not?

DMB Lending Rates: Q1 08- Q1 2014



Rebasing: Implications and Recommendations

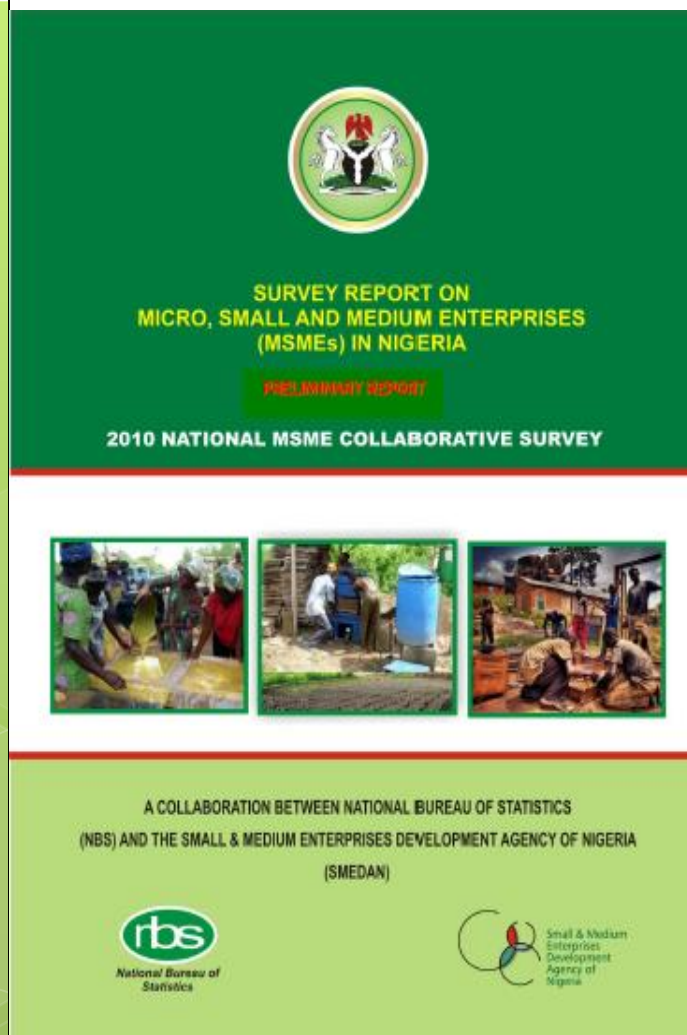


Table 50 Rank of Problems Militate Against Enterprises Development in Nigeria

Services	Rank							
	1	2	3	4	5	6	7	8
Lack of access to finance	13,273	2,200	1,168	607	406	228	268	19
Lack of work space	1,212	4,312	2,116	1,664	1,553	1,733	2,512	132
Weak infrastructure	2,619	5,435	4,493	1,851	1,487	830	586	66
Lack of entrepreneurship/vocational training	1,178	2,801	2,832	3,908	2,163	2,245	909	46
Obsolete equipment	884	1,526	2,005	2,403	4,061	2,597	1,640	54
Lack of access to research & development	875	1,392	2,329	2,892	2,646	3,302	1,903	113
Inconsistent policies	1,903	1,975	2,710	2,092	1,690	1,722	3,606	222
Transportation	501	619	357	222	230	166	392	1,270
Lack of gov't support	237	363	193	149	151	186	104	142

CBN launched at N220 billion SMES intervention Fund in 2013

Rates: 9%
Duration: Longer than traditional DMB loans

FGN New DFI

Rebasing: Implications and Recommendations

- New Zealand Transport Agency research report 497 (October 2012)
- A comparative study of three different transport modes (coastal shipping, rail and road) used to haul 20ft shipping containers
- Containers had been instrumented to allow real-time monitoring of time, location and impact forces

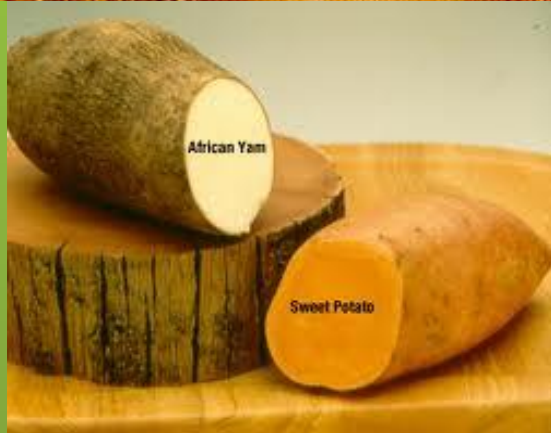
Transportation Mode	Fuel consumption (l/km)		CO2 emission rate (kg/km)	
	Per Vehicle	Per Container	Per Vehicle	Per Container
Road	0.193	0.193	0.509	0.509
(40 containers/train)	4.25	0.106	12.431	0.311
(25 containers/train)		0.17		0.497
Maritime (ie coastal shipping)				
(550 containers/vessel)	51.476	0.094	150.719	0.274
(297 containers/vessel)		0.173		0.507

- The maritime mode is shown to be slightly more efficient in terms of fuel consumption and CO² emissions than the rail mode, and markedly better than the road mode.
- In fact, both maritime and rail modes are about twice as efficient as the road mode.
- As the journey distance increased, the cost difference between maritime, rail and road modes was shown to increase.

Rebasing: Implications and Recommendations

- Rehabilitation of the main Rail Lines (moribund for 15 years):
 - Western Line: Lagos – Kano; 1,124km completed and functional
 - Work Ongoing on:
 - Eastern Line: Port-Harcourt – Maiduguri (2 of 3 sections to be completed by 3rd quarter 2014)
 - Abuja – Kaduna Standard Gauge Line (72 percent completed)
 - Itakpe – Ajaokuta – Warri Standard Gauge Rail Line (to be completed by end of 2014)
- Procured 25 new locomotives from General Electric (GE)
- 40 new oil tank wagons already lifting petroleum products
- Labour could be a curse or a gift: 1.8 million new entrants into the labour force every year, coupled with the existing stock of the unemployed.
- Perhaps use the labour to build rails as in East Africa in colonial times?

Rebasing: Implications and Recommendations



Federal Ministry of Finance:

- **₦30 billion** credit risk guarantee to Nigeria's commercial banks to support the supply of fertilizers and seed by the private sector

World Bank:

- **US\$ 200 million** to support the ATA for staple crop processing in the six geo-political zones
- **US\$ 300 million** support to Fadama and commercial agriculture

China Exim Bank:

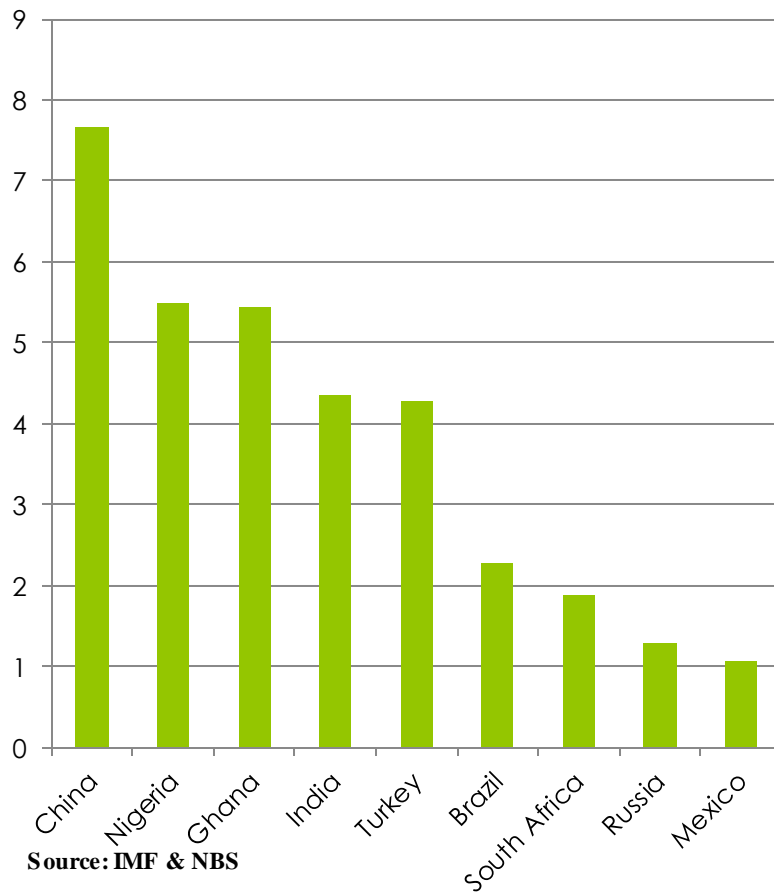
- **US\$ 500 million** importing 18 cassava processing mills and 40 rice processing units (under discussions)
- **US\$ 75 million** Rural Access and Mobility project

IFAD

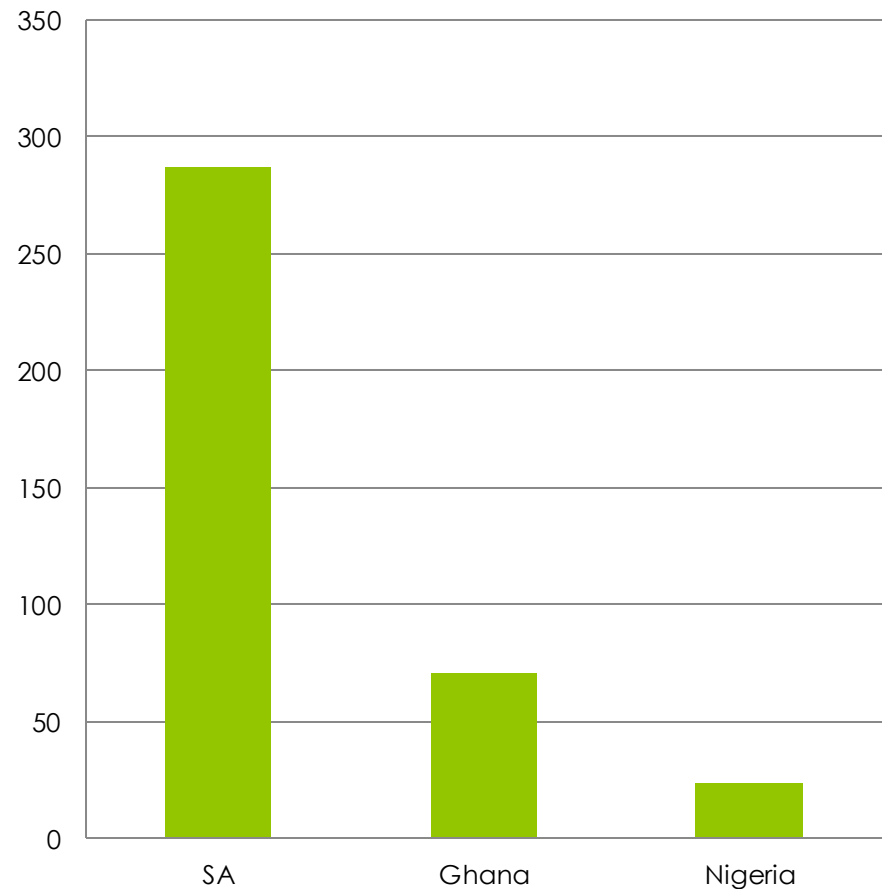
- **US\$73 Million** Value Chain Development Programme
- **US\$ 85 million** Climate Change Adaptation and Agribusiness Support Programme.

Comparative Analysis

Real GDP Growth in 2013

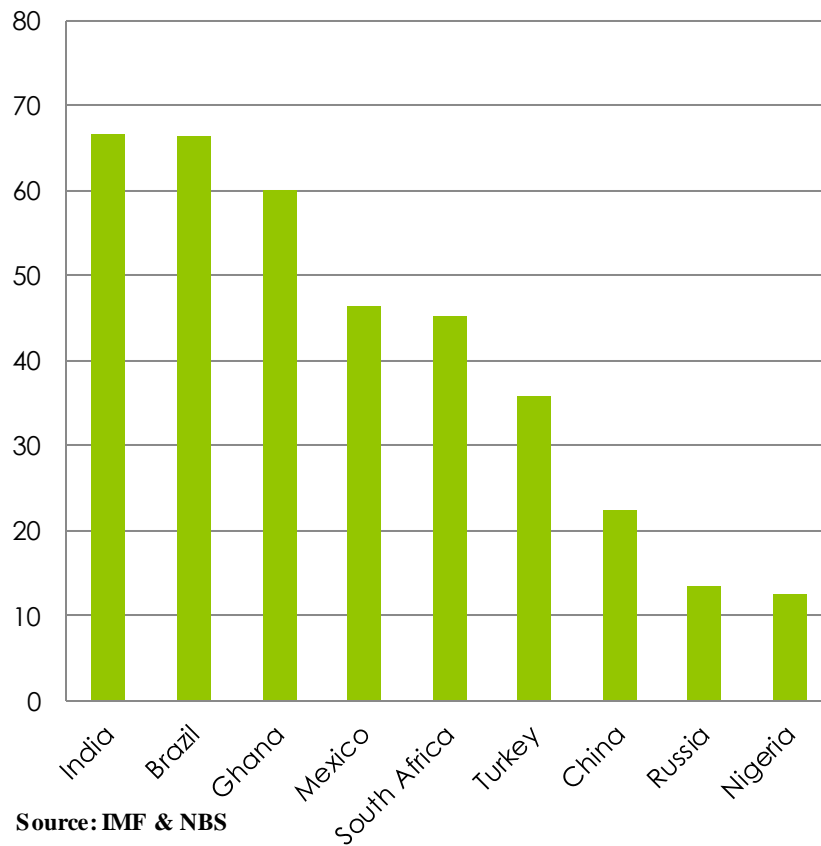


Market Capitalization to GDP (2013)

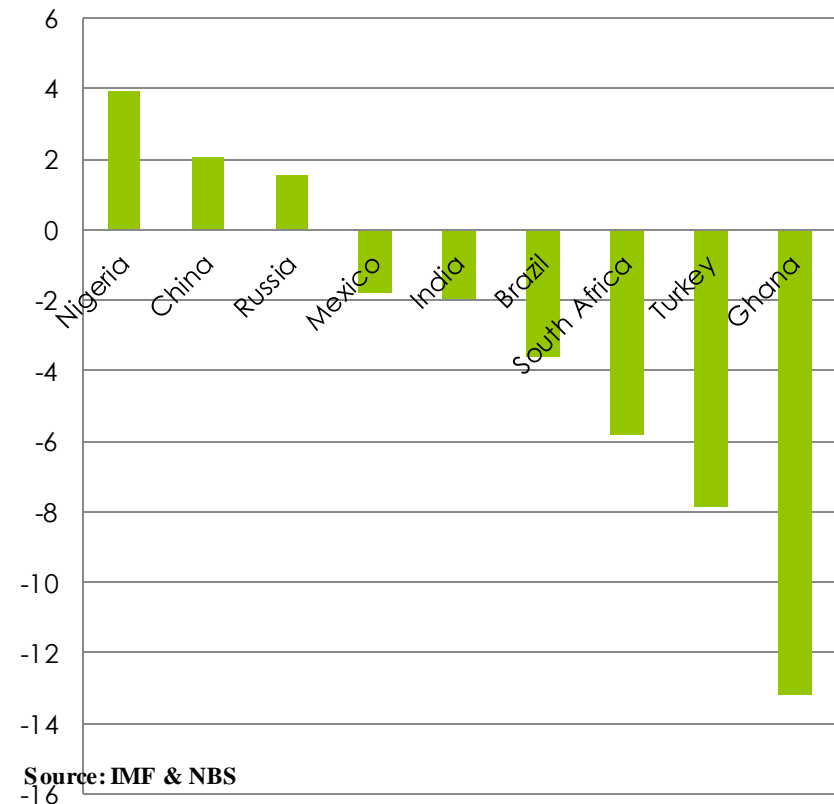


Comparative Analysis

Debt to GDP (2013)



Current Account Balance to GDP (2013)



Conclusion

- The current administration has the vision, just needs to broaden scope.
- We Could greatly increase the tax base of the government which the CME is already working on
- This in turn will give us the ability to borrow more and expand our investments which will propel growth
- We have to increase expenditure on education and health- the bedrock for every society
- Financial deepening is key
- Government should also concentrate on making affordable loans available to the private sector- a key engine for growth.

THANK YOU FOR YOUR ATTENTION!

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