

# GDP

## OVERVIEW OF REAL AND NOMINAL GROSS DOMESTIC PRODUCT (GDP) Q1 AND Q2, 2021



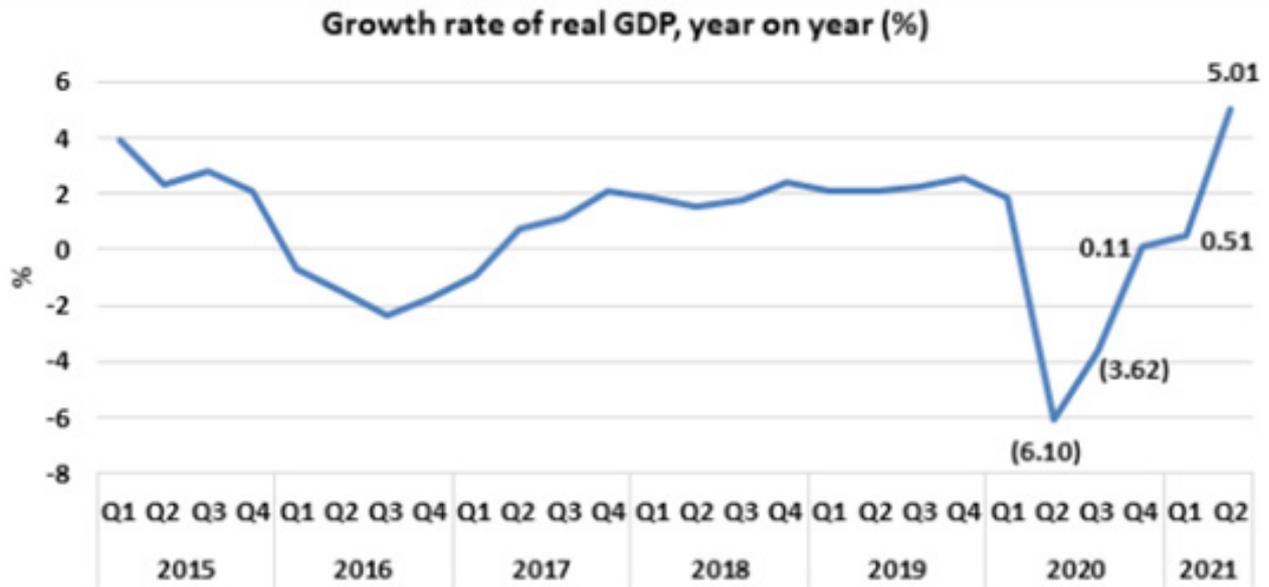
# INTRODUCTION

The Gross domestic Product (GDP) is the total monetary or market value of all finished goods and services produced within a country's border in a specific period. This value addition could be adjusted for inflation, the real GDP or unadjusted for inflation, the nominal GDP. When GDP is adjusted for, changes in real output is put into consideration. For better understanding, real GDP is a macroeconomic measure of the value of the economy's output adjusted for price changes.

This change in prices of goods and services is described as inflation or deflation. On the other hand, nominal GDP is another macroeconomic measure of the value of the economy's output that is not adjusted for inflation. It is against this backdrop that we would be looking at some sectors of the economy with the aim of measuring performance and their contribution to the country's economic outlook when prices of goods and services have been adjusted for (real GDP measure) and not adjusted for prices (nominal GDP).

The Nigerian Gross Domestic Product Report for Quarter 2, 2021 (Q2, 2021) released by the Nigerian Bureau of Statistics, gave credence to the Nigeria GDP growth of 5.01 (year-on-year) in real terms in the second quarter of 2021. Aggregate GDP in this quarter stood at ₦39,123,713.32 million in nominal terms (i.e. not accounting for changes in goods and services). This is higher than what was obtainable at the second quarter of 2020 wherein the aggregate GDP was ₦34,023,197.60 million suggesting a year on year nominal growth rate of 14.99%. The implication of which is that regardless of the changes in the prices of goods and services produced in the economy in the second quarter of 2021, there was a slight increase in the GDP growth rate for this quarter compared to what obtained in the second quarter of 2020. Furthermore, the nominal growth rate in Q2 2021 was found also to be higher than what obtained in Q1 2021. The growth difference was 12.25% higher in Q2 2021 than Q1 2021 (Figure. 1).

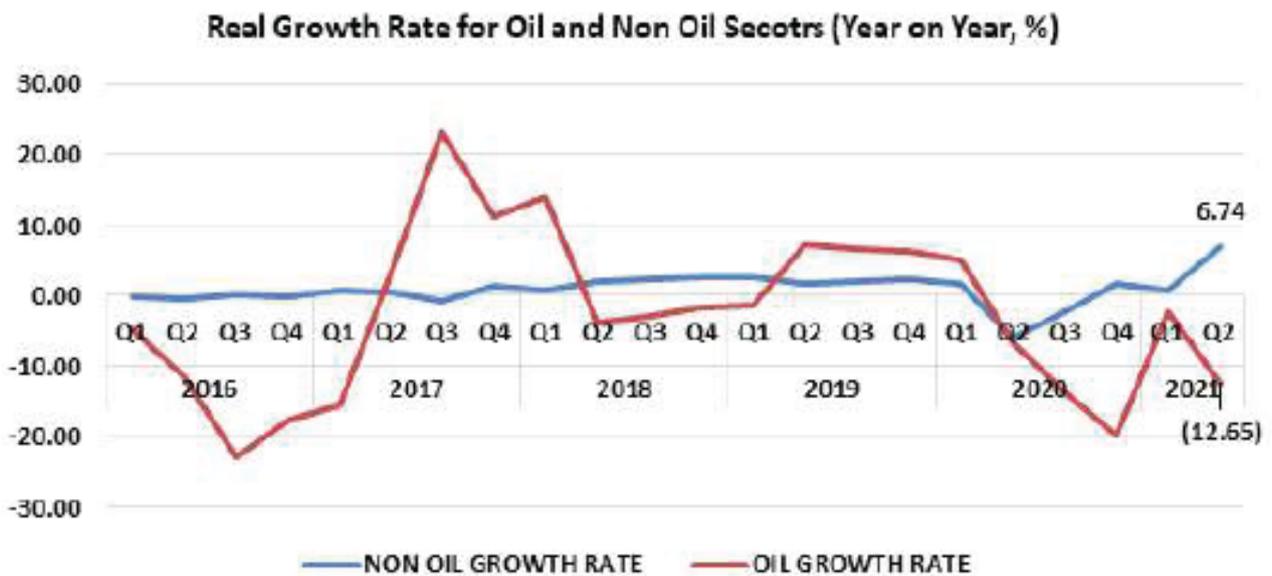
Figure 1: Real GDP growth rate



Source: Nigerian Bureau of Statistics (NBS), Q2, 2021

Nigeria’s economy has an interesting sub-division into oil and non-oil sectors. The non oil sector grew by 6.74% during the Q2 2021. The growth rate recorded had a higher 12.80% compared to what obtained in the same quarter of 2020. The growth recorded was driven by Trade, Information and Communication (Telecommunication), Transportation with road transport being the main driver, Electricity, Agriculture (mainly crop production) and manufacturing with food, beverage and tobacco taking the lead (Figure 2).

Figure 2: Crude oil and Non Oil Growth

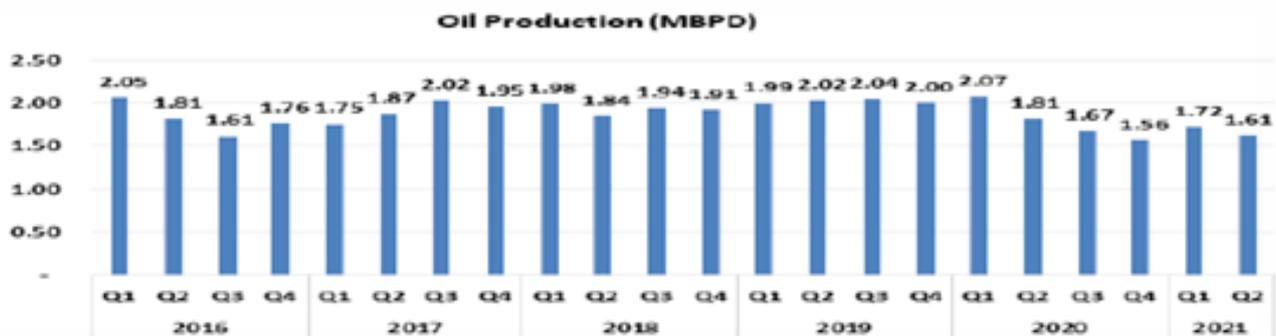


Source: Nigerian Bureau of Statistics (NBS), Q2, 2021

The Nigerian Oil sector in Q2 2021 had an average daily production of 1.61 million barrels per day (mbpd). This was -0.19mbpd lower than the average daily production recorded same quarter of 2020. The average daily production during Q2 2020 was recorded to be 1.81mbpd. This average daily production of 1.81mbpd is -0.10mbpd lower than the average oil production of 1.72mbpd of Q1 2021 (Figure 2). This narrative is further illustrated in Figure three below.

Figure 3: Crude Oil Output (MBPD)

\*MBPD-millions barrel per day

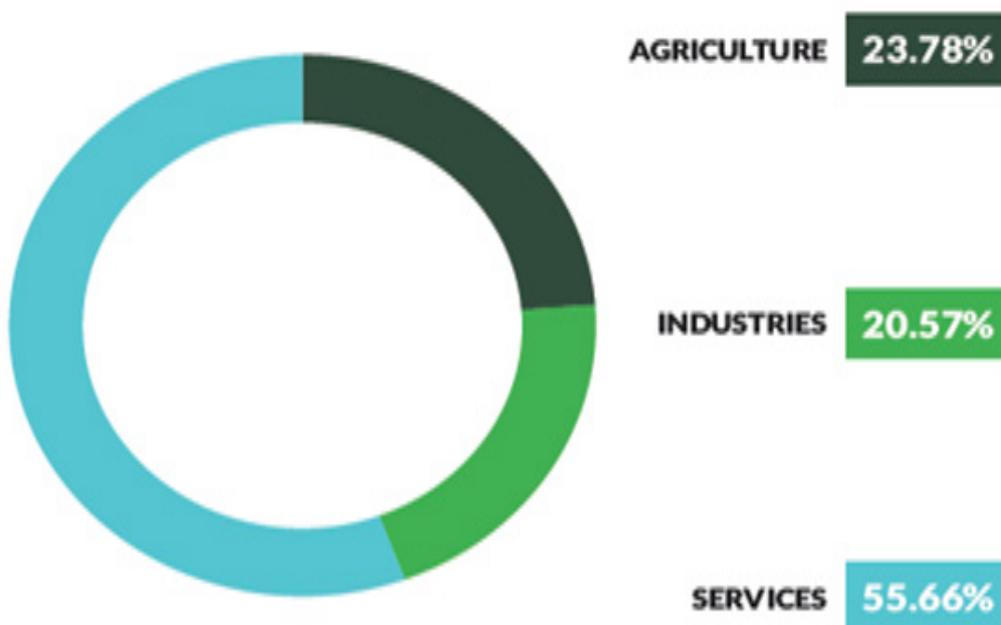


Source: Nigerian Bureau of Statistics (NBS), Q2, 2021

The non-oil sector in Q2 2021 contributed 92.58% to the real GDP with the services sector contributing the most (55.66%), followed not so closely by the industries (23.78%) and the agricultural sector (20.57%) (Figure 4)

Figure 4: Overall contribution of non-oil sectors to GDP, Q2 2021

## CONTRIBUTION TO REAL GDP Q2 2021 (%)



Source: Nigerian Bureau of Statistics (NBS), Q2, 2021

The Agricultural sector consists mainly of crops, livestock, fisheries and forestry. The contribution of the sector to the country's real GDP is still quite low compared to the numerous resources the sector boosts of in real time; however, the sector is plagued by numerous constraints and bottlenecks some of which are the unpredictability of weather such as the inconsistencies in rainfall, lack of inputs, un-predictable market prices, farmer herders' clashes, poor transportation system, poor storage facilities, inaccessibility of markets, climate change and the actions of man to mention a few.

Table 1 below gives an overview of the agriculture sector's contribution to the nations real GDP in Q2, Q3, and Q4 of 2020 and Q1 and Q2 of 2021. In Q2 2020, agriculture contributed 1.58% to the GDP growth which increased to 3.42% in Q4, this however declined in Q1 2021 to 2.28% and a further decline to 1.30% in Q2 2021.

Table 1: Contribution of Agriculture Sector to the real GDP growth rate

		2020				2021	
	ACTIVITY SECTOR	Q2	Q3	Q4	Total	Q1	Q2
<b>SN</b>	<b>AGRICULTURE</b>	<b>1.58</b>	<b>1.39</b>	<b>3.42</b>	<b>2.17</b>	<b>2.28</b>	<b>1.30</b>
<b>1</b>	<b>Crop Production</b>	<b>1.44</b>	<b>1.38</b>	<b>3.68</b>	<b>2.24</b>	<b>2.31</b>	<b>1.38</b>
<b>2</b>	<b>Livestock</b>	<b>2.26</b>	<b>2.29</b>	<b>2.38</b>	<b>1.91</b>	<b>1.65</b>	<b>0.13</b>
<b>3</b>	<b>Forestry</b>	<b>1.08</b>	<b>2.55</b>	<b>1.24</b>	<b>1.62</b>	<b>1.28</b>	<b>1.06</b>
<b>4</b>	<b>Fishing</b>	<b>5.68</b>	<b>-2.07</b>	<b>-3.60</b>	<b>0.26</b>	<b>3.24</b>	<b>2.27</b>

Source: National Bureau of Statistics (NBS), 2021, real GDP growth rate

In nominal terms, the agricultural sector grew by 6.36% Q2 2021, this shows that there was a fall of -13.54% points from what occurred in Q2 2020. In comparison with the 15.14% growth rate of preceding quarter, there was a decrease of -8.78% points. The major drivers of the agricultural sector are crop production accounting for 68.60% of the overall nominal growth of the sector in Q2 2021. The agricultural sector contributed 2.13% to nominal GDP in Q2 2021. This was lower (23.9%) compared to what was recorded in the Q2 2020.

In real GDP growth rate terms, the data from Table 1 can be interpreted as crop production grew by 1.38% in Q2 2021 from 2.31% in Q1 2020 and 1.44% in Q2 2020. Under the agriculture sector, livestock grew by 0.13% in Q2 2021 from 1.65% in Q1 2020 and 2.26% in Q2 2020. Forestry grew by 1.06% in Q2 2021 from 1.28% in Q1 2020 and 1.08% in Q2 2020, while the fisheries grew by 2.27% in Q2 2021 from 3.24% in Q1 2020 and 5.68% in 2020.

Table 2: Contribution of other non-oil sectors to real GDP growth rate

ACTIVITY SECTOR	2020					2021	
	Q1	Q2	Q3	Q4	Total	Q1	Q2
<b>AGRICULTURE</b>	<b>2.20</b>	<b>1.58</b>	<b>1.39</b>	<b>3.42</b>	<b>2.17</b>	<b>2.28</b>	<b>1.30</b>
<b>Industries</b>	<b>2.26</b>	<b>-12.05</b>	<b>-6.12</b>	<b>-7.30</b>	<b>-5.85</b>	<b>0.94</b>	<b>-1.23</b>
<b>Services</b>	<b>1.57</b>	<b>-6.78</b>	<b>-5.49</b>	<b>1.31</b>	<b>-2.22</b>	<b>-0.39</b>	<b>9.27</b>

Source: National Bureau of Statistics (NBS), 2021, real GDP growth rate

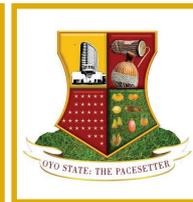
Industries as shown in table 2 had a boost Q1 2020 with a growth of 2.26%, this reduced drastically Q2 2020 (-12.05%) as a result of the COVID 19 pandemic, this went on Q3 and Q4 2020. There was a gradual improvement in the sector first quarter 2021 (0.94) and a decline Q2 2021 (-1.23). This can be alluded to insecurity resulting in reduction in output.

Furthermore an increase in the cost of raw materials, high naira to dollar exchange rates for those that import raw materials and high worker turnover for companies finding it hard to pay for workers' services, these and many more are other possible factors that is causing a decline in this sector. Consequently, bad road networks is another determining factor for reduction in output of services rendered.

The services sector had an increase in real GDP Q1 2020 (1.57), while there was a drastic decline Q2 2020, this also can be linked to the COVID 19 pandemic. However, there was an increase in Q3 (-5.49) which became better Q4 2020(1.31). However, there was a decline in the sector Q1 2021 with a boost in Q2 2020. There is the general conservative mentality of spending less among the populace during the first quarter.

However, the increase in the services sector during the second quarter could be as a result of the shift to the use of technology. Service providers and consumers are now more technology aware, this could be linked to the observable boost recorded in the service sector Q2 2021. The use of technology had also increased the awareness to the use of platforms like internet banking, online buying and selling, scheduling meetings virtually, and an increase in the use of technologically facilitated platforms for businesses.

In a nut shell, Q2 2020, both the real GDP (adjusted for prices) and the nominal GDP (not adjusted for prices) had a boost, with the non oil sector contributing 92.58% and the oil sector contributing 7.42%.



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