

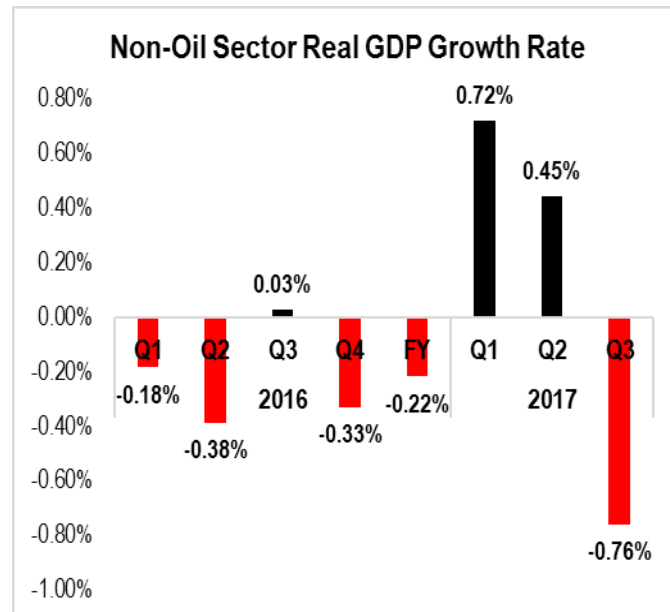
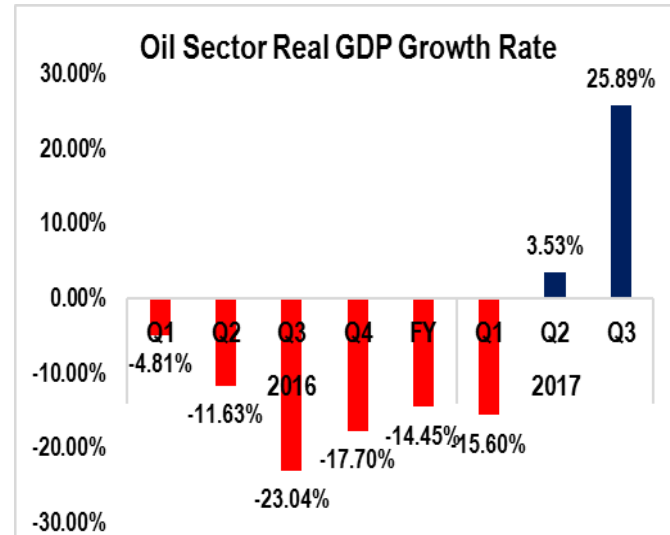
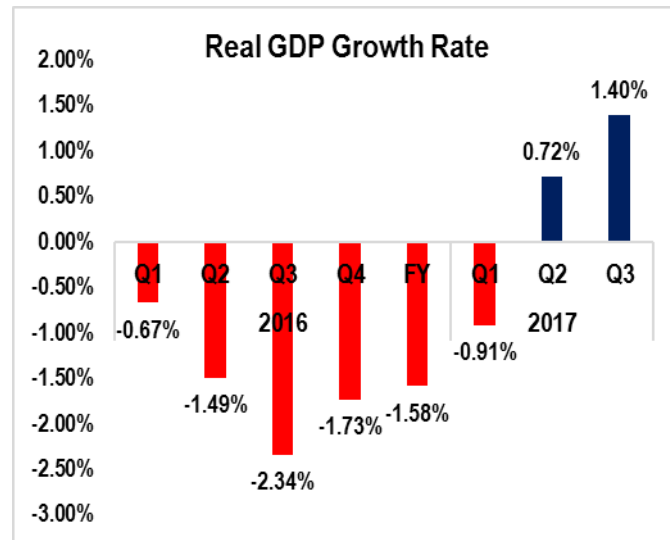
## Fragile Growth – A Need for Expansionary Policies:

The fragile growth that the Nigerian economy recorded in Q3 2017 further buttresses the need for expansionary policies to stimulate inclusive growth. The Gross Domestic Product (GDP) grew by 1.4% in Q3 2017 which was higher than the revised growth rate of 0.72% recorded in Q2 2017. The growth rate is lower than the forecast of FSDH Research for Q3 2017 which was 2.25%. Although the growth rate recorded in Q3 2017 was higher than that of Q2 2017, the contraction recorded in the non-oil sector may expose the Nigerian economy to the volatility in the oil sector. FSDH Research's revised forecasts for Q4 2017 and Full Year (FY) 2017 are now 2.53% and 1.0% respectively.

A further analysis of the growth pattern in Q3 2017 shows that the two major drivers of growth are Mining & Quarrying and Agriculture with weighted growth contributions of 2.59% and 0.89% respectively. While Crude Oil Production dominates the Mining & Quarrying sector (accounting for 98.55%), Crop Production dominates the Agriculture sector (accounting for 92.26%). Other leading sectors of the economy by size which are Trade, Information & Communication, Manufacturing and Real Estate contracted in Q3 2017 and they recorded weighted contractions of 0.28%, 0.43%, 0.25% and 0.28% respectively as shown on Table 1 below.

The increase in the crude oil price at the international market coupled with the relative peace in the oil producing region in Nigeria were the major drivers of the growth recorded in the Mining & Quarrying sector in Q3 2017. The hope of a continuous increase in the crude oil price to drive the GDP growth is not a sustainable growth strategy.

Agriculture is growing below its potential and there is a weak linkage between the sector and the manufacturing sector. A strong linkage is needed to enable the Agriculture sector to supply critical inputs to the Manufacturing sector.



The absence of this linkage results in wastage of farm produce. The weak purchasing power in the country and weak infrastructure were the main reasons for the contractions recorded in the Trade, Manufacturing and Information & Communication sectors.

**FSDH Research is of the opinion that an expansionary fiscal policy to address the bottleneck in the production and distribution of good and services across the country will promote inclusive and sustainable growth. In addition, monetary policy easing is important to enable the banking sector provide the needed intermediation role that can stimulate growth.**

**Table 1: Performance of Leading Sectors of the Nigerian Economy in Q3 2017**

Activity Sectors	^Contribution	Q3**	Q3 *WG
Agriculture	29.20%	3.06%	0.89%
Trade	15.90%	-1.74%	-0.28%
Mining And Quarrying	10.20%	25.44%	2.59%
Information & Communication	9.60%	-4.48%	-0.43%
Manufacturing	8.80%	-2.85%	-0.25%
Real Estate	6.80%	-4.12%	-0.28%
Professional Services	3.70%	-1.38%	-0.05%
Construction	3.00%	-0.46%	-0.01%
Financial and Insurance	2.70%	-5.96%	-0.16%
Other Services	2.52%	1.72%	0.04%

Source: National Bureau of Statistics (NBS) and FSDH Research Analysis.

\*WG: Weighted Growth. ^Sector Contribution to GDP.

\*\*Sector Growth Rate

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