CHAPTER SIX

REAL SECTOR DEVELOPMENTS

The growth of the economy remained relatively strong in 2011. The real Gross Domestic Product (GDP), measured in 1990 basic prices, grew by 7.4 per cent, compared with 8.0 per cent in 2010. Growth in 2011 was broad-based, but driven mainly by the non-oil sector, which grew by 8.9 per cent, while the oil sector grew by 1.5 per cent. Agriculture grew by 5.7 per cent, led by livestock and fishery. Wholesale and retail trade grew by 11.3 per cent and building and engineering construction by 12.3 per cent. The services and industrial sectors grew by 13.3 and 1.3 per cent, respectively. The moderation in inflationary pressure witnessed in 2010 was sustained in 2011, but remained above the single digit. The moderate inflation recorded was attributable, largely, to good agricultural harvest, increase in crude oil production, sustained investment in infrastructure by Government and a non-accommodating monetary policy. Further expansion in output was, however, constrained by poor infrastructure, the most serious of which was inadequate power supply.

6.1 DOMESTIC OUTPUT

Provisional data from the National Bureau of Statistics (NBS) indicated that the estimated Gross Domestic Product (GDP), measured at 1990 constant basic prices, stood at N833.4 billion in 2011. This indicated a GDP growth of 7.4 per cent in 2011, compared with 8.0 per cent in 2010 and an annual average of 7.0 per cent over the period 2007 – 2011 period. The 7.4 per cent GDP growth rate was, however, higher than the target growth rate of 7.0 per cent for the year. In terms of contribution to GDP growth, the services sub-sector contributed the largest with 2.4 percentage points. This was followed by agriculture with a contribution of 2.3 percentage points; wholesale and retail trade contributed 2.1 percentage points; and building and construction 0.2 percentage point. Industry as a group made a contribution of 0.3 percentage point.

The Gross Domestic Product (GDP), measured at 1990 constant basic prices, was estimated at N833.4 billion in 2011, indicating a growth rate of 7.4 per cent. This was lower than the 8.0 per cent recorded in 2010, but higher than the target growth rate of 7.0 per cent for the year and the average annual growth rate of 7.0 per cent for the period 2007 – 2011.

The development in 2011 was attributed largely to the conducive macroeconomic environment. The specific factors included the favourable credit conditions, which enhanced financing of the private sector, and the stable supply of petroleum products. Others included the favourable weather conditions which boosted agricultural output, increase in crude oil production, sustained investment in infrastructure by government, building and construction activities across the country and expansion in the telecommunications sub-sector.

Figure 6.1 GDP Growth Rate (2007 -2011)

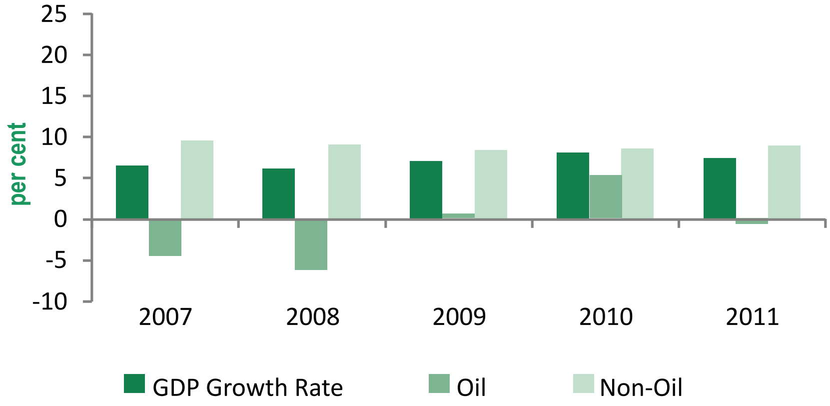


Table 6.1: Sectoral Growth Rates of GDP at 1990 Constant Basic Prices (per cent)					
Activity Sector	**2007**	**2008**	**2009**	**2010 1/**	**2011 2/**
1. Agriculture	**7.2**	**6.3**	**5.9**	**5.6**	**5.7**
Crop Production	7.3	6.2	5.8	5.6	5.7
Livestock	6.9	6.9	6.5	6.5	6.2
Forestry	6.1	6.1	5.9	5.8	5.9
Fishing	6.6	6.6	6.2	6.0	5.9
2. Industry	**-2.2**	**-3.4**	**2.0**	**5.6**	**1.3**
Crude Petroleum	-4.5	-6.2	0.5	5.0	-0.6
Solid Minerals	12.8	12.8	12.1	12.3	11.5
Manufacturing	9.6	8.9	7.9	7.6	7.6
3. Building & Construction	**13.0**	**13.1**	**12.0**	**12.1**	**12.3**
4. Wholesale & Retail Trade	**15.2**	**14.0**	**11.5**	**11.2**	**11.3**
5. Services	**9.9**	**10.4**	**10.8**	**11.9**	**13.3**
Transport	7.0	7.0	6.8	6.7	6.8
Communications	32.9	33.2	34.2	34.5	34.8
Utilities	4.9	3.7	3.2	3.3	3.4
Hotel & Restaurant	13.0	12.9	11.9	12.0	12.1
Finance & Insurance	5.0	4.8	4.0	4.0	4.0
Real Estate & Business Services	11.4	11.4	10.6	10.4	10.1
Producers of Govt. Services	5.9	6.0	5.9	5.7	5.6
Comm., Social & Pers. Services	10.6	10.7	9.8	9.7	9.9
TOTAL (GDP)	**6.5**	**6.0**	**7.0**	**8.0**	**7.4**
NON-OIL (GDP)	**9.5**	**9.0**	**8.3**	**8.5**	**8.9**

Source: National Bureau of Statistics (NBS)

Table 6.2: Sectoral Contribution to Growth Rates of GDP at 1990 Constant Basic Prices (percentage points)

Activity Sector	2007	2008	2009	2010 1/	2011 2/
1. Agriculture	**3.0**	**2.8**	**2.5**	**2.4**	**2.3**
Crop Production	2.7	2.4	2.2	2.1	2.1
2. Industry	**-0.6**	**-0.5**	**0.4**	**1.2**	**0.3**
Crude Petroleum	-1.0	-0.9	0.1	0.8	-0.1
3. Building & Construction	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**
4. Wholesale & Retail Trade	**2.3**	**2.3**	**2.0**	**2.0**	**2.1**
5. Services	**1.6**	**1.7**	**1.8**	**2.1**	**2.4**
Communication	0.6	0.7	1.0	1.3	1.6
TOTAL (GDP)	**6.5**	**6.0**	**7.0**	**8.0**	**7.4**
NON-OIL (GDP)	**9.0**	**9.4**	**8.3**	**8.5**	**8.9**

1/ Revised
2/ Provisional
Source: National Bureau of Statistics (NBS)

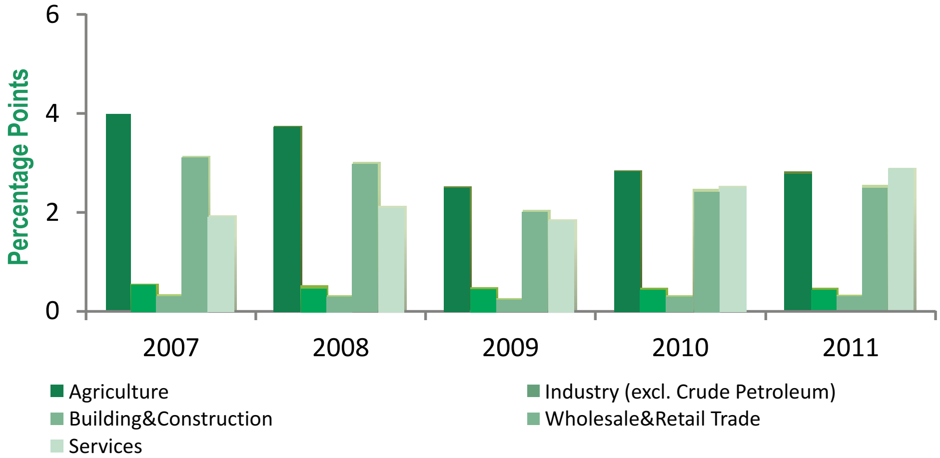
Non-oil GDP recorded a growth rate of 8.9 per cent, compared with 8.5 per cent in 2010. The improved performance in the sector was driven largely by the agricultural sector which grew by 5.7 per cent, underpinned by robust growth in all its components. Other drivers of growth in non-oil GDP included services, building and construction, and wholesale and retail trade, which recorded growth rates of 13.3, 12.3 and 11.3 per cent, respectively. In the services sub-sector, communications recorded the highest growth rate of 34.8 per cent, reflecting the sustained liberalisation and expansion of telecommunications services. At 7.9 per cent, the growth in industrial output (excluding crude petroleum) was sustained in 2011. A sub-sectoral analysis indicated that, solid minerals and manufacturing output grew by 11.5 and 7.6 per cent, respectively. The sustained implementation of the Federal Government amnesty programme, which paved the way for relative peace and, consequently, led to increased crude oil production in 2011, stability in the price and supply of petroleum products, continued government investment in critical infrastructure development, accounted for the performance. Other government programmes and policies, especially those in support of small- and medium-scale enterprises, also buoyed industrial growth.

Figure 6.2: Sectoral Share in GDP, 2007 - 2011

Figure 6.3: Growth Rate of Major Sectors of Non-oil GDP, 2007 - 2011

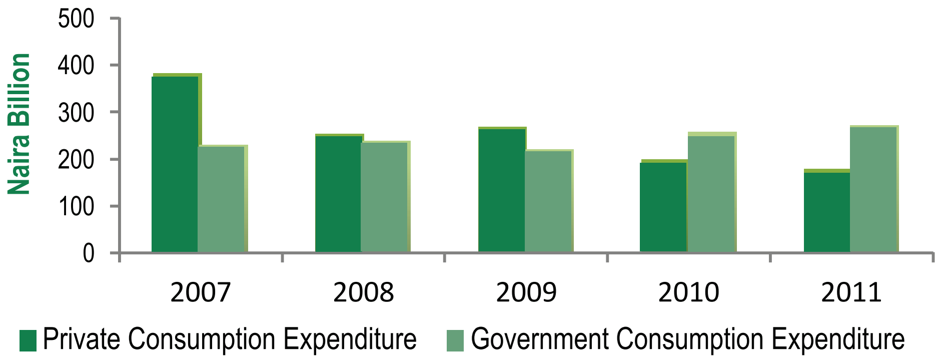
A sectoral analysis of the real GDP indicated that agriculture's share in total GDP was 40.2 per cent, slightly lower than the 40.8 per cent recorded in 2010. The share of industry increased marginally from 20.4 per cent in 2010 to 21.0 in 2011, while the share of crude oil in GDP declined from 15.9 per cent in 2010 to 13.5 per cent. The share of solid minerals and manufacturing components of industry remained minuscule. Services as a group had a share of 17.7 per cent of GDP, of which communications, finance and insurance, utilities and transport accounted for 5.7, 2.9, 2.9 and 2.5 percent, respectively.

Figure 6.4: Contribution to Growth Rate of Non-oil GDP, 2007 - 2011



Provisional data showed that real domestic demand at 1990 purchasers' price (GDP by Expenditure approach) fell by 0.6 per cent to N521.2 billion in 2011, compared with N524.6 billion in 2010. Private consumption was N174.4 billion, while government final consumption expenditures totalled N267.0 billion in 2011, compared with N193.5 billion and N253.8 billion, respectively, in the preceding year. This indicated a decrease of 9.9 per cent in real private consumption expenditure and an increase of 5.2 per cent in real government consumption expenditure. Investment (gross fixed capital formation) and net exports grew by 3.0 and 2.0 per cent, respectively, in real terms. The increase in government consumption was attributed mainly to the rise in government's investment in security and critical infrastructure.

Figure 6.5: GDP (Expenditure Approach) at 1990 Purchasers' Price



6.2 AGRICULTURE

6.2.1 Agricultural Policy and Institutional Support

The Federal Ministry of Agriculture and Natural Resources launched the Agricultural Transformation Action Plan (ATAP), 2011-2015, as the anchor for the Transformation Agenda of the Federal Government. The objectives of the plan were to facilitate the attainment of food security, diversify the economy, create more jobs, and generate foreign earnings. In specific terms, additional 20 million tonnes of food would be produced, while 3.5 million new jobs would be created in the agricultural sector over the four-year period. The key components of the plan involve reforms in input supply management, particularly fertilizer, marketing institutions, financing the agricultural value-chain, and creating an investor-friendly framework for agricultural investment.

Under the input supply management reform, government withdrew from direct participation in the purchase and distribution of fertilizers to farmers. The distribution of fertilizers and other agricultural inputs would be undertaken by the private sector to enhance efficiency. The policy would also improve farmers' access to the commodity as Government would pay 10% achievement fees to companies that meet supply targets. Government also intensified effort to ensure the rapid expansion of agro-dealer networks across the country. To this end, 60 one-stop agro-input shops were established across the country in 2011, with plans to build additional 18 shops in 2012.

The reform of the marketing institutions would support the establishment of marketing firms along agricultural value-chains by private sector institutions to coordinate market standards and promote export activities. In addition, agricultural commodity exchanges would be established to improve market access and stabilize prices.

In order to strengthen the financing of the agricultural value-chain, the Nigeria Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL), initiated in 2010, was formally launched in 2011. The scheme would focus on the agricultural value-chain and provide strong incentives for banks to lend to agriculture. The NIRSAL would stimulate innovations in agricultural lending, encourage bank lending to the sector, eliminate state dependency by banks for deploying loanable funds to agriculture, leverage DMBs' balance sheet for lending to agriculture, build a business approach to lending to the sector, and motivate banks to share in the risk.

The sum of US$500 million earmarked for the scheme would be administered by a non-bank financial institution. The five components of the scheme include: a Risk sharing Facility (US$ 300 million), an Insurance Facility (US$ 30million), a Technical Assistance Facility (US$ 60million), an Agricultural Bank Rating Mechanism (US$ 10 million), and a Bank Incentives Mechanism (US$ 100 million).

The agricultural investment component of the plan seeks to attract private investors into areas of high food production to set up food processing plants, reduce current high levels of post-harvest losses, and link farmers in clusters to food processing plants. The plan also seeks to establish more staple crop processing zones. The zones would offer fiscal incentives, such as tax breaks on import of agricultural processing equipment; and tax holidays for food processors and supportive infrastructure, such as power, roads, logistics, storage facilities and cargo airports. Furthermore, six priority crops, namely, rice, cassava, sorghum, cotton, tomato and maize in which Nigeria has competitive advantage, as well as livestock and aquaculture, have been identified and accorded priority with a view to increasing productivity and output.

The Rural Finance Institution Building Programme (RUFIN) in pursuit of its mandate, part of which was to enhance access to rural financial services, linked 3,508 rural microfinance institutions (RMFIs)to 32 participating MFBs and other banks. Through this linkage, N119.2 million was provided to village savings and credit associations for on-lending to their members /clients. In addition, various capacity building programmes were conducted for personnel of RMFIs and MFBs for all RUFIN participating states.

6.2.2 Agricultural Production

At 270.6 (1990=100), the provisional aggregate index of agricultural production increased by 5.7 per cent. Although the growth rate in 2011 remained unchanged from 2010, it was lower than the national sectoral target of 8.0 per cent. The prevalence of favourable weather conditions across the country's ecological zones and implementation of the various intervention programmes largely accounted for the growth in the sector.

6.2.2.1 Crop Production

The output of staples increased by 5.7 per cent in 2011, as in 2010. Estimated output for 'other crops' increased by 6.5 per cent, compared with 6.1 per cent in the preceding year. The performance of the crops sub-sector was buoyed by favourable weather conditions, private sector investments in food production, the creation of staple crop processing zones (SCPZ), reduced post-harvest losses, and the continuation of various government programmes initiated in 2010. Cassava output grew by 6.0 per cent, due to the increased use of improved cassava cuttings and expansion of processing facilities across the country. Also, government's directive on the use of at least 10.0 per cent of cassava flour in baking bread boosted output in cassava production. Rice production increased by 5.0 per cent, compared with 4.0 per cent in 2010.

Table 6.3: Growth in Major Crops Production (per cent)

Crop	2010	2011	Crop	2010	2011
Wheat	5.5	6.3	Plantain	5.5	6.5
Sorghum	4.0	5.4	Potatoes	5.8	6.8
Rice	4.0	5.0	Yam	4.8	5.4
Maize	5.9	6.5	Cassava	6.9	6.0
Millet	4.9	5.2	Rubber	5.6	5.9
Soya -Bean	8.4	8.6	Palm Oil	8.3	9.7
Beans	6.1	6.5	Cocoa	6.6	8.3

6.2.2.2 Livestock

Livestock output remained at 6.4 per cent in 2011, as in 2010. Analysis of the sub-sector showed that poultry and beef production increased by 5.2 and 8.7 per cent, respectively, when compared with their levels in 2010. The growth in the sub-sector was propelled by the support provided by government to expand the livestock value-chain, including the continued utilization of modern abattoirs, and sanitary sales outlets established across the country. Other factors were improved control of livestock diseases, and increased investment in poultry farming.

6.2.2.3 Fishery

Fishery production grew by 5.9 per cent to 804,223 tonnes from its level in 2010. The development reflected the improved usage of fish cage structures and dam reservoirs, coupled with increased investment in fish farming in the country. Despite of the impressive growth in the fishery subsector, the output was 46.4 per cent lower than the estimated national annual demand of 1.5 million tonnes.

6.2.2.4 Forestry

Forestry products increased by 5.9 per cent to 174.8 million cubic metres in 2011, higher than the 4.8 per cent increase in 2010. The growth was driven mainly by the increased demand for wood products. In addition, the Forestry Research Institute of Nigeria (FRIN) sustained the supply of improved breeder seedlings to replace the harvested tree stocks in order to sustain wood production in the country.

6.2.3 Agricultural Prices

The prices of most of Nigeria's agricultural export commodities were higher in 2011 when compared with the previous year. Despite of this development, the overall index computed, in US dollar terms, stood at 416.3 (1990=100), representing a decrease of 2.1 per cent from the level in 2010. The price of cocoa declined by 4.9 per cent below the level in the previous year due largely, to the increase in supply, arising from the relative peace in Ivory Coast, the leading global producer. However, other export commodities showed price increases during the year under review. Copra recorded the highest price increase of 54.3 per cent over the 2010 level due, largely, to strong demand. Similarly, cotton, coffee, soya beans, and palm oil recorded price increases of 49.7, 38.3, 25.3 and 25.2 per cent, respectively. The development was occasioned by supply cuts as a result of bad weather conditions in some producing countries. In naira terms, the all-commodities price index increased by 1.5 per cent to 6190.7 (1990=100) in 2011, ostensibly due to the depreciation of the Naira vis-a-vis the US dollar. Except for cocoa which declined by 2.71 per cent, compared with 2010, indices of all other commodities rose. Copra, cotton, coffee, soya beans and palm oil recorded price increases of 57.7, 52.9, 41.6, 28.3 and 28.1 per cent, respectively.

6.3 INDUSTRY

6.3.1 Industrial Policy and Institutional Support

The former Ministry of Commerce and Industry was transformed into the Ministry of Trade and Investment. The rationale was to ensure a seamless harmonization of domestic and foreign investment policy for focused growth and development. The mandate of the new Ministry was to attract investments into the country, coordinate trade activities, as well as oversee small and medium enterprises.

In order to encourage foreign investments, the Ministry created trade and investment desks in major Nigerian embassies to act as facilitators and provide guidance on business opportunities in Nigeria. The Ministry also launched the Nigeria Agribusiness and Agro-Industries Development Initiative (NAADI) to foster growth in the agribusiness sub-sector. With the success of the backward integration policy in the cement sub-sector in 2010 (which led to considerable expansion in local manufacturing capacity in 2011), the Ministry extended the same policy to the agricultural sector, targeting sugar and rice production in 2011.

In order to bridge the manpower gap in the industrial sector, the Ministry of Trade and Investment embarked on several specialized and vocational training programme for budding entrepreneurs. Some of the programmes included: the Train-to-Work Programme; SMEDAN's Young Entrepreneurs Programme; the African-Diaspora Partnership for Empowerment and Development; and the Human Capital Development Centre which would enable the country to leverage on the opportunities in the US African Growth and Opportunity Act (AGOA). It also equipped the Model Skills Training Centre in Abuja, and created three additional ITF Area Offices at Lekki, Lagos State, Warri, Delta State, and Yenagoa, Bayelsa State.

In 2011, policy also focused on promoting domestic manufacturing, through guided patronage of locally made products. Some of the policy initiatives in this regard included: approval of N119.82 million loans for manufacturers of motorcycle tyres and tubes; establishment of a long-term Automotive Development Fund for concessionary lending; and establishment of a Mechanics Credit Scheme (with a take-off fund of N1.0 billion).

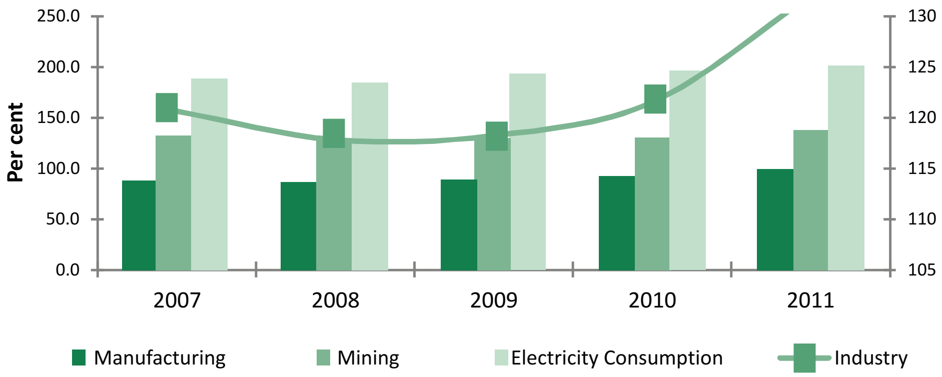
The Federal Government continued its quest to boost power supply with a two-pronged approach. The first was to ensure steady supply with respect to current installed capacity, while fast-tracking the completion of new generation plants to add new capacities. Since the launch of the road map for the power sector reforms, generation has stabilized above 3,500Mw and the frequency of grid collapse has drastically reduced. The achievement was attributed to the massive investment in the rehabilitation of generating plants, upgrading of the transmission lines, and expansion of the distribution network. Private sector participation, through better grid metering and a revenue collection management programme rendered the billing system more efficient, thereby growing the revenue base of the companies. Regarding the addition of new capacities, work reached an advanced stage in ten power plants across the country in 2011. The plants were expected to add 4,771MW to current installed capacity. Seven of them (Olorunshogo, Sapele, Ihovbor, Gbarain, Omoku, Geregu, and Omotosho) were scheduled for commissioning in December 2012.

The second approach was to fully privatize the power sector for greater efficiency. Eighteen successor companies to the PHCN became independent entities. Except for the Transmission Company of Nigeria (TCN), all others were being privatized. In the first quarter of 2011, the Bureau of Public Enterprises called for expressions of interest in the generation and distribution companies and received 929 bids, out of which 529 were for distribution while the rest were for generation. The overwhelming interest in the sector, as manifested in the large number of bids, was attributed to the Multi Year Tariff Order (MYTO) which was aimed at ensuring that investors would be able to cover their costs. The Board of the Nigeria Bulk Electricity Trading Company was inaugurated in 2011.

6.3.2 Industrial Production

At 132.0 (1990=100), the estimated industrial production index for 2011 rose by 8.7 per cent over the level in 2010. The improved performance of the industrial sector in 2011 resulted from the continuation of policies and programmes put in place the previous year. The growth was driven by increased activities in all the sub-sectors, reflecting renewed efforts of government to transform the economy. Also, the continuation of policies and programmes put in place in 2010, such as the intervention fund for the manufacturing sector, significantly improved the performance of the industrial sector. The indices of the manufacturing, mining and electricity sub-sectors increased by 7.4, 5.4 and 4.3 per cent, respectively, compared with the levels in 2010.

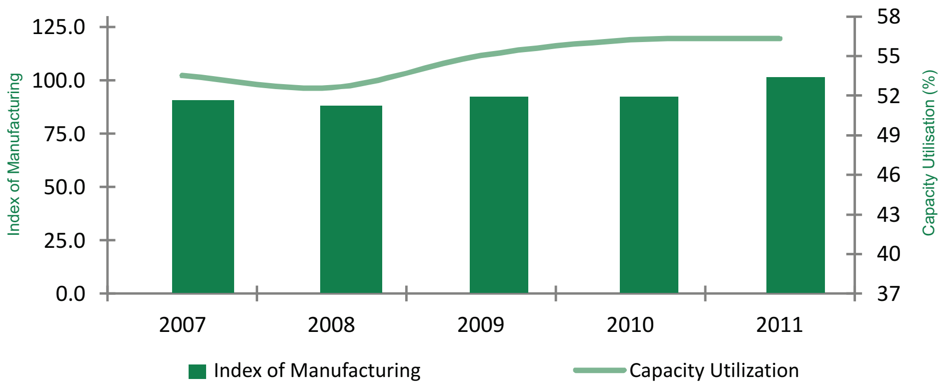
Figure 6.6: Index of Industrial Production, 2007 - 2011 (1990 = 100)



6.3.2.1 Manufacturing

The index of manufacturing production, estimated at 101.2 (1990=100), rose by 7.4 per cent above the level in 2010, while the average capacity utilisation rate of the manufacturing sub-sector showed a marginal improvement from 56.2 to 56.9 per cent in 2011. The increase was mainly due to the improved performance in the cement, sugar and confectioneries, electronics and electrical components, and motor vehicle assembly sub-sectors.

Figure 6.7: Index of Manufacturing Production and Capacity Utilisation



6.3.2.2 Extractive Industry

6.3.2.2.1 Oil & Gas

The implementation of the Nigerian Local Content Policy Act, which was enacted in April 2010, continued in 2011. Aspects of the Act yet to be implemented include: a local component manufacturing strategy, the development of Indigenous Marine Vessels, and an Offshore Assets Acquisition Strategy. Others are the: establishment of the Nigerian Content Development Fund and the development of the Nigerian Oil and Gas Employment/ Training Strategy.

a. Crude Oil Production, Refinery Utilization, Petroleum Products and Prices

I. Crude Oil and Condensates Production

Nigeria's aggregate crude oil production, including condensates and natural gas liquids, was 792.05 million barrels, averaging 2.17mbd in 2011. This represented a 1.9 per cent increase, compared with 777.45 million barrels or 2.13 mbd produced in 2010.The increase in production was attributed, largely, to the relative peace in the Niger Delta region, following the success of the Federal Government's amnesty programme.

The abated restiveness in the Niger Delta continued in 2011. This paved the way for improved crude production

ii. Refinery Utilization

In 2011, the actual refining capacity of the three (3) refineries increased by 4.1

percentage points, from 30.5 per cent in 2010. The Port Harcourt Refining Company (PHRC) and the Kaduna Refining and Petrochemical Company (KRPC) recorded an increased capacity of 8.0 and 5.1 per cent, respectively, while the Warri Refining and Petrochemical Company (WRPC) had a decline of 2.0 per cent. The total output of petroleum products from the refineries was 4.9 million tonnes in 2011, representing an increase of 7.6 per cent, compared with 4.5 million tonnes refined in 2010. The increase in output of the refineries was attributed to the rehabilitation and maintenance works on oil-processing facilities and pipelines, specifically, the restoration of System 2C. Of the total quantity of refined products, fuel oil accounted for the largest share of 28.7 per cent, while Premium Motor Spirit (PMS), Automotive Gas Oil (AGO), Dual Purpose Kerosene (DPK), and Low Pour Fuel (LPG) and others accounted for 27.5, 22.4, 15.7, 2.5 and 3.2 per cent, respectively. In terms of actual output, the WRPC, PHRC and KRPC refined 2.3, 1.6, and 0.9 million tonnes of products, respectively.

iii. Petroleum Products Consumption

The total volume of petroleum products consumed in 2011 was 22.3 billion litres. This represented an increase of 5.3 per cent, compared to 21.2 billion litres consumed in 2010. A breakdown by product showed that PMS had the highest figure of 17.1 billion litres (76.4 per cent of total). This was followed by AGO, with 2.9 billion litres (12.8 per cent of total), DPK, with 2.0 billion litres (9.0 per cent of total), LPFO, with 319.6 million litres (1.4 per cent of total), Liquefied Petroleum Gas (LPG), with 31.8 million litres (0.1 per cent of total), and Asphalt & Others with 51.5 million litres (0.2 per cent of total).

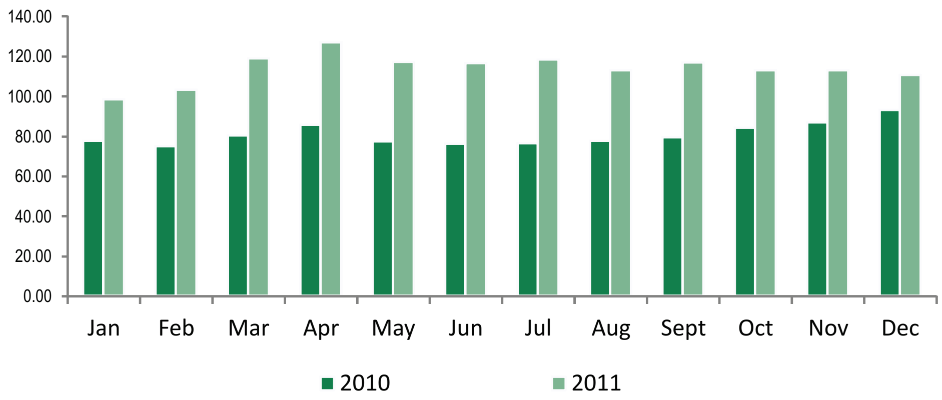
iv. Prices

The average spot price of Nigeria's reference crude, the Bonny Light, (37° API), stood at US$113.77 per barrel in 2011, compared with an average of US$80.81 per barrel in 2010. This translated to an increase of 40.8 per cent. Disruption of activities in the Sarir Oilfield at Sirte basin, Libya in February saw the price of Nigeria's Bonny Light rising from US$103.23 to US$126.91 in April. Other contributory factors to the high average price of the Bonny Light and, indeed, other crudes in 2011 were supply cuts in the North Sea, the Gulf of Mexico and China, and seasonal demand increases from Asian refineries.

The average spot price of Nigeria's reference crude, the Bonny Light, (37°API) stood at US$113.77 per barrel in 2011, compared with an average of US$80.81 per barrel in 2010.

The average prices of other crude streams, such as the West Texas Intermediate (WTI) at US$94.69; the UK Brent at US$111.92 and the Forcados at US$114.52, exhibited a similar trend as the Bonny Light. The average price of OPEC's basket, which comprised twelve (12) variants of crude, also increased by 38.7 per cent from US$77.45 to US$107.46 per barrel in 2011, mainly due to the loss in Libyan crude, El Sider.

Figure 6.8: Bonny Light Monthly Prices in 2010 and 2011



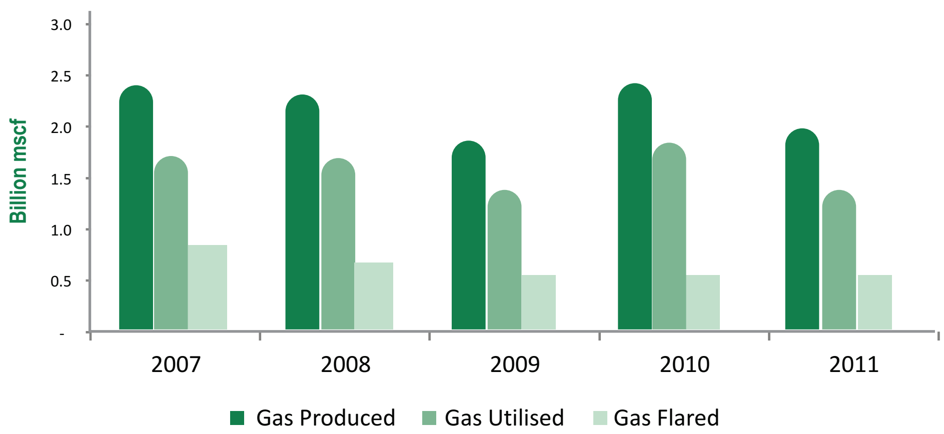
b. Gas

The cost regimes for gas-to-power and gas-to-industry, which were introduced in 2010 to ensure sustainability of supply, provided a strong impetus for the local gas market in 2011. The power, cement and steel sub-sectors were the major users.

i Gas Production and Utilization

The volume of gas produced in 2011 decreased to 1.9 billion mscf from 2.4 billion mscf, representing a decline of 18.7 per cent in 2010. Of the total, 70.6 per cent was utilized, while 29.4 per cent was flared. Out of the volume utilized, 49.5 per cent was sold to industries, including the power, cement and steel companies, while 25.5 per cent was re-injected, and gas lifted accounted 11.3 per cent. Gas sold to Nigeria Liquefied Natural Gas (NLNG) Company, used as fuel as well as gas converted to natural gas liquids, accounted for 7.6, 4.4 and 1.7 per cent, respectively.

Figure 6.9: Gas Production and Utilization (2007 - 2011)



6.3.2.2.2 Solid Minerals

a. Institutional Support for the Sector

The Federal Government sustained its reform of the solid minerals sector in 2011. Areas of focus were: governance, institutional and human capital development, poverty reduction initiatives, and resuscitation of abandoned projects. During the year, the minerals and mining regulations were released, while the Geosciences Research and Analytical Laboratory in Kaduna was upgraded with additional equipment. Also, as part of capacity building in the subsector, additional artisanal miners and gemstones cutters, polishers and beads makers were trained under the Train-the-Trainers programme. The government also made concerted efforts to revamp the Nigeria Iron Ore Mining Company (NIOMCO) which was expected to be the major iron ore supplier to Ajaokuta Steel Company Limited.

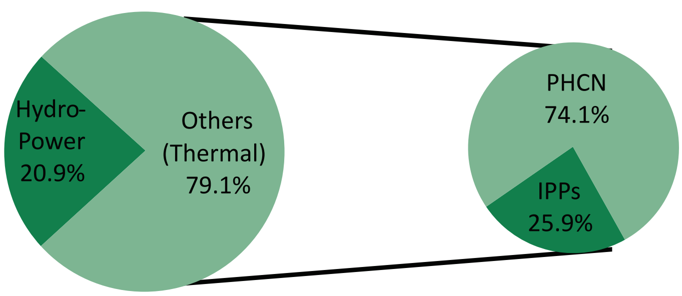
b. Solid Minerals Production

Efforts to boost mining activities in the country enhanced the aggregate output of solid minerals by 11.1 per cent to 53.61 million tonnes in 2011. All the principal minerals, especially limestone, barite, sand & stone aggregates, laterite, shale and lead/zinc contributed to the growth in output.

6.3.3 Electricity Generation

Total installed electricity generation capacity stood at 9287 MW in 2011, reflecting an increase of 5.4 per cent over the level in 2010. The additional capacity came from Olorunshogo II power plant which commenced operation in the year. A disaggregation of the installed capacity showed that hydro-power and thermal power accounted for 20.9 and 79.1 per cent, respectively. Further analysis showed that the former Power Holding Company of Nigeria (PHCN) had 74.1 per cent of the total installed capacity, while the Independent Power Plants (IPPs) accounted for the balance.

Figure 6:10 Nigeria' Power System Composition in 2011



At 3,086.1 mega-watts per hour (MW/h), electricity generation increased by 1.9 per cent above its level in 2010. The increase was attributed to improved gas supply to the thermal stations, refurbishment of power generation stations, and the commencement of operation at the Olorunshogo II Power Plant.

Figure 6.11: Electric Power Generation

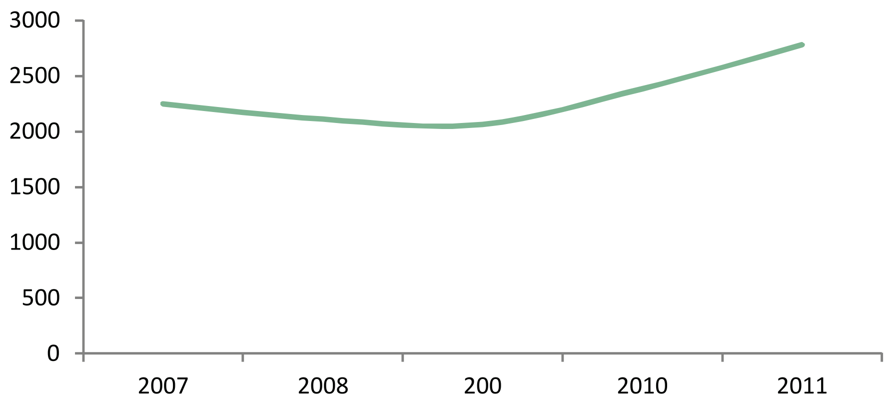
6.3.4 Energy Consumption

At 194.7 (1990=100), the index of energy consumption fell marginally by 0.2 per cent, compared with a decline of 3.2 per cent recorded in 2010. In absolute terms, aggregate energy consumed in 2011 stood at 17.6 million tonnes of coal equivalent (tce), compared with 17.7 million tce in the preceding year, representing a marginal decline of 0.4 per cent. The decline was attributed to the decline in the consumption of coal, hydro-power and natural gas which fell by 14.2, 7.7 and 6.4 per cent, respectively.

6.3.4.1 Electricity Consumption

At 2,703.0MW/h, electricity consumption increased by 13.4 per cent above the level of 2,383.1 MW/h in 2010. The development was attributed to enhanced generation and improvement in transmission and distribution infrastructure.

Figure 6.12: Electricity Consumption, 2007-2011



6.3.4.2 Hydropower Consumption

At 3,305,962.9 ton coal equivalent (tce), hydropower consumption in 2011 declined by 7.7 per cent, compared with the level in 2010. This was due to a fall in electricity generated at the Kainji and Jebba power plants, which declined by 34.5 and 14.3 per cent, respectively.

6.3.4.3 Coal Consumption

Aggregate coal consumption in 2011 was estimated at 39,213.4 tonnes, representing a decrease of 14.2 per cent, compared with 45,713.1 tonnes recorded in 2010. The decline in coal consumption was as a result of the shift to other sources of energy which are more environmentally- friendly.

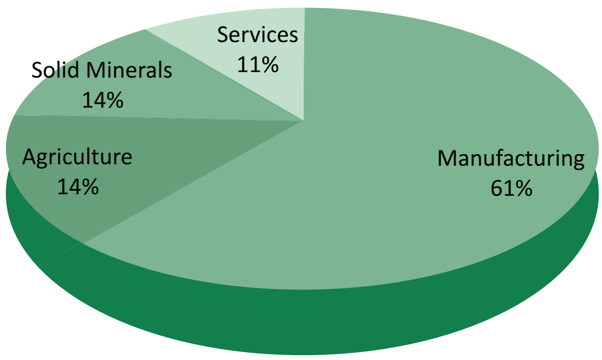
6.3.5 Industrial Financing

6.3.5.1 The Nigeria Export-Import Bank (NEXIM)

The sum of N8.55 billion was disbursed by NEXIM, under different facilities, to beneficiaries in 2011. Of this amount, N6.94 billon and N960.00 million were for standing and export credit guarantee facilities, respectively. The refinancing and rediscounting facility got N445.00 million, while N200.00 million and N2.00 million were disbursed under the direct lending and start-your-own business facilities, respectively.

A sectoral distribution showed that the manufacturing sector received the highest amount of N5.20 billion or 61.0 per cent of the total, while the agricultural and solid mineral sectors got 14.0 and 13.9 per cent, respectively, and the service sector accounted for the balance of 11.1 per cent.

Figure 6.13: Sectoral Distribution of NEXIM's Credit in 2011



6.4 TRANSPORTATION AND COMMUNICATIONS

6.4.1 Aviation Services

6.4.1.1 Policy and Airport Development

The sub-sector witnessed a boost as the rehabilitation of airports across the country commenced. The rehabilitation works covered eleven (11) airports: Murtala Muhammed

International Airport, Lagos; Murtala Muhammed Airport (General Aviation Terminal), Lagos; Nnamdi Azikwe International Airport, Abuja; Port Harcourt International Airport, Port Harcourt; Kaduna Airport, Kaduna; Margaret Ekpo International Airport, Calabar; Benin Airport, Benin-City; Akanu Ibiam International Airport, Enugu; Sam Mbakwe Airport, Owerri; Yola Airport, Yola; and Yakubu Gowon Airport, Jos. The cost of the special renovations and upgrades was put at N19.0 billion. The Federal Airports Authority of Nigeria (FAAN) maintained international standards for passenger safety and security. This resulted in a relatively safe year with no recorded accident in the programmed regular flight category.

6.4.1.2 Domestic Operations

The operations of airlines on domestic routes witnessed improvements in 2011. The number of passengers airlifted increased by 2.8 per cent, from 10.7 million in 2010 to 11.0 million in 2011. Aircraft movement increased by 6.1 per cent to 218,482 in 2011. The increase in passenger traffic and aircraft movement reflected increased government funding and regulation, an improvement in airline service delivery and greater public confidence in the sector.

6.4.1.3 International Operations

The operational performance of airlines on the international routes improved significantly in 2011, as the number of passengers airlifted on the routes increased by 21.9 per cent to 3.9 million in 2011, compared with 3.2 million in 2010. International flights also increased by 24.1 per cent, from 34,981 in 2010 to 43,395. The development was attributed to an improved business climate in the country, stable macroeconomic policies, improved infrastructure, and an enhanced investor confidence in the economy.

6.4.2 Railway Services

The Nigerian Railway Modernisation Project, which started in 2009 continued in 2011. The major projects in 2011 were: the rehabilitation of the 488 km Lagos-Jebba track with 97.0 per cent completion; rehabilitation of 636 km Jebba-Kano track with 80.0 per cent completion; and mobilization of contractors for the eastern and Zaria-Kaura Namoda lines rehabilitation. Other major projects were: workshop and training school rehabilitation with 80.0 per cent completion; procurement of additional 40 wagons and rehabilitation of two locomotives; procurement of three railroad recovery vehicles, as well as the rehabilitation of stations, buildings, bridges and culverts. During the year, the Nigeria Railway Corporation (NRC) entered into a number of MoUs with some strategic business partners which included the Osun State Government for the running of freight and passenger train services and the Reynolds Construction Company (RCC) for the lifting of 100,000 metric tons of lump stone

The Nigerian Railway Modernization Project which started in 2009 continued in 2011.

and sand traffic.

In terms of passenger carriage, the mass transit service of the NRC moved 3.1 million passengers in 2011, compared with 1.5 million in 2010, an increase of 107.7 per cent. The freight moved stood at 181,860 tons in 2011, as against 139,377 tons in 2010, an increase of 30.5 per cent. In addition, the corporation generated N684.8 million revenue in 2011, compared with N287.1 million in 2010, an increase of 138.5 per cent.

6.4.3 Maritime Services

The Nigerian maritime sector remained attractive for investors. During the year, a leading ship building firm from Asia signed an agreement to build a US$7.0 billion shipyard in Bayelsa State. The Federal Government continued the pursuit of key maritime programmes in the areas of security, safety, labour, marine environmental practices, human capacity building, and development of infrastructure, in recognition of the need to have a platform for promoting indigenous tonnage and capacity.

The Joint Committee of Freight Forwarders (JACOFF), was formed to bring almost all the freight forwarding associations under the same umbrella to engender transparency and probity in the sector. It was part of the on-going reform programmes in the maritime sector. The Federal Government intensified efforts to promote the utilization of inland waterways. It continued the dredging of the lower River Niger from Lokoja to Onitsha to harness economic benefits and reduce the risks associated with road haulage.

The cargo throughput handled in Nigerian ports increased by 10.5 per cent, from 74,910,284 in 2010 to 82,763,384 metric tons in 2011. Similarly, ship traffic at Nigerian ports increased in 2011 with the number of ocean-going vessels at 5,327, reflecting an increase of 7.4 per cent. The gross tonnage of ocean-going vessels increased by 13.1 per cent to 122.0 million, compared with 108.6 million in 2010. Laden container traffic throughput increased by 22.2 per cent, from 668,697 units in 2010 to 817,246 in 2011.

6.4.4 Communications

The communications sector sustained its growth in 2011, driven mainly by the Global System of Mobile Communications (GSM). However, the challenge of quality service delivery persisted.

Table 6.4: The Nigerian Telecommunications Market Statistics, 2007-2011

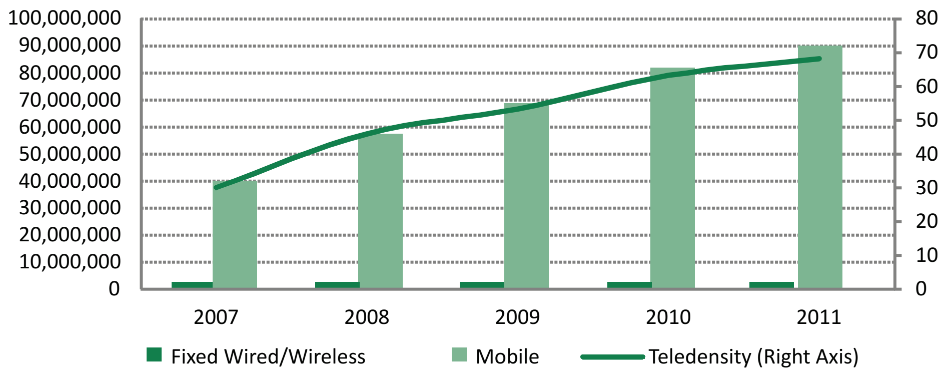
	2007	2008	2009	2010	2011
No. of Active Fixed Wired/Wireless Lines ('000)	1,580	1,308	1,481	1,050	753
No. of Active Digital Mobile Lines (million)	55.24	62.99	73.1	87.29	94.63
No. of National Carriers	2	2	2	2	2
No. of Operating ISPs	117	83	-	-	-
No. of Active Licensed Fixed Line Operators	29	20	22	-	-
Number of Licensed Mobile Operators	4	9	8	8	8
Teledensity	29.98	45.93	53.23	63.11	68.13
Cumulative Investment (US$ million)	11,500	12,000	18,000	-	-

Source: Nigerian Communications Commission (NCC)

As at end-December 2011, the combined active subscriber base of the telecommunications sub-sector had increased by 8.0 per cent, over its level in December 2010, to a total of 95,886,714 active lines (719,406 fixed wired/wireless and 95,167,308 mobile lines). Thus, the teledensity increased from 63.11 to 68.5 lines per 100 inhabitants over the same period. This has consistently exceeded the International Telecommunication Union (ITU) minimum standard of 1:100. In addition, the sub-sector grew by 35.0 per cent in 2011 and accounted for 5.6 per cent of the GDP.

Other developments in the sub-sector included the successful implementation of the compulsory SIM card registration which started in May 2010; the introduction of a mobile money policy by the CBN to promote financial inclusion; the e-registration exercise carried out by the Independent National Electoral Commission (INEC), and the launching of the NigComSat-1R at the Xichang Satellite Launch Centre, among others.

Figure 6.14: Trends of Total Connected Lines and Teledensity, 2007 - 2011



The sector in 2011 witnessed the creation of a new Information and Communication Technology (ICT) Ministry. Two e-libraries were established in each state of the federation by the Universal Service Provision Fund (USPF) of the NCC. The project was aimed at sensitising Nigerians on IT usage and boosting IT education in the country.

6.5 CONSUMER PRICES

Inflationary pressure was largely contained in 2011 though the rate remained above the single digit. Data from the NBS showed that the all-items composite Consumer Price Index (CPI) stood at 126.0 (November 2009=100) in December 2011, compared with 114.2 in December 2010. This represented a year-on-year headline inflation of 10.3 per cent, which was lower than the rate at end- December 2010 by 1.5 percentage points. A trend analysis indicated that inflation dropped from12.1 per cent at end-January 2011, to 9.3 per cent in August, before assuming an upward trend to 10.3 per cent from the end of the third quarter to end-December 2011. Core inflation (all-items, less farm produce) was 12.1 per cent at end-January, but fell to 10.9 per cent at end-August 2011. It fell further to close at 10.8 per cent at end-December 2011.

Food inflation, which was 10.3 per cent at end-January, fell to 9.2 and 8.7 per cent at end-June and end-August, respectively, before trending upwards to close at 11.0 per cent at end-December, 2011.

Inflationary pressure was largely contained in 2011 though the rate remained above the single digit.

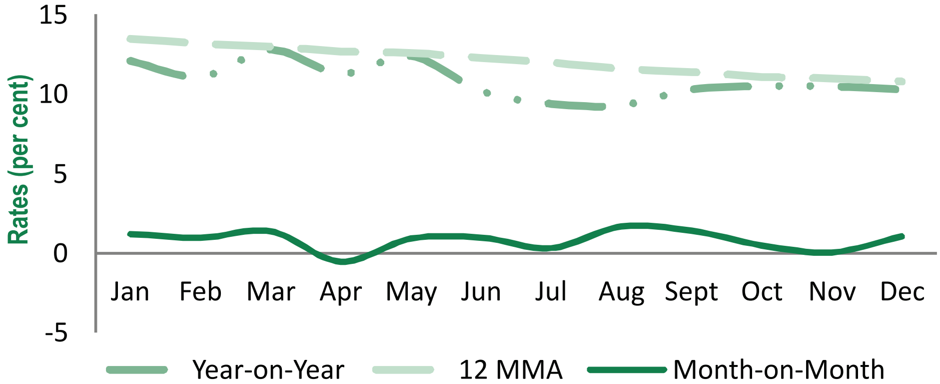
Urban inflation followed a similar pattern with headline inflation as the all-items index closed the year at 9.0 per cent, compared with 10.7 per cent at end–December 2010. Core urban inflation and food urban inflation were 9.7 and 9.8 per cent at end-December, compared with 9.8 and 11.6 per cent in 2010, respectively.

All three components of rural inflation also declined in 2011. At 11.3 per cent at end-December 2011, the all-items inflation fell by 1.4 percentage points, compared with end-December 2010. Similarly, rural core and rural food inflation both fell from 11.9 per cent each at end-December to 11.7 per cent each.

Table 6.5: Annual Headline Inflation Rates (Year-on-Year) (per cent)

	2007	2008	2009	2010	2011
January	8	8.6	14	14.4	12.1
February	7.1	8	14.6	15.6	11.1
March	5.2	7.8	14.4	14.8	12.8
April	4.2	8.2	13.3	15	11.3
May	4.6	9.7	13.2	12.9	12.4
June	6.4	12	11.2	14.1	10.2
July	4.8	14	11.1	13	9.4
August	4.2	12.4	11	13.7	9.3
September	4.1	13	10.4	13.6	10.3
October	4.6	14.7	11.6	13.4	10.5
November	5.2	14.8	12.4	12.8	10.5
December	6.6	15.1	13.9	11.8	10.3
Average	***5.4***	***11.5***	***12.6***	***13.8***	***10.9***

Figure 6.15: Trends in Inflation in 2011



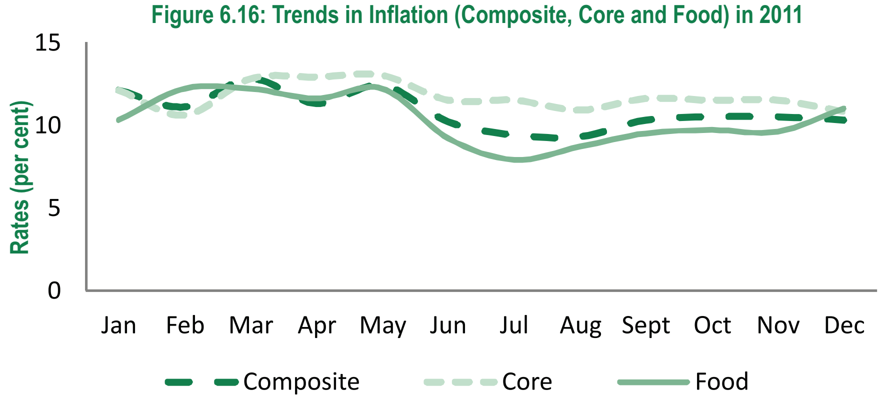
The 12-month moving average headline inflation rate was 10.8 per cent in 2011, compared with 13.7 per cent at end-December 2010.

Inflationary rate at the end of the year exceeded both the national and the WAMZ single-digit inflation rate target.

The inflation trend in the year was attributed to several factors such as the prevalence of favourable weather conditions in the year, which led to good harvests for most crops, relative stability of the naira exchange rate, and improved supply and relatively stable prices of petroleum products. The inflation rate at the end of the year exceeded both the national and the WAMZ single-digit inflation rate targets.

1/ 12 MMA is12-month moving average

Figure 6.16: Trends in Inflation (Composite, Core and Food) in 2011



6.6 UNEMPLOYMENT

The National Bureau of Statistics (NBS), in 2011, conducted the General Household Survey (GHS) under the auspices of the Annual NBS/CBN Collaborative Survey initiative. The result of the survey showed that the national unemployment rate increased to 23.9 per cent in 2011, from 21.4 per cent in 2010. The unemployment rate in the rural and urban areas was 25.6 and 17.1 per cent, compared with 20.7 and 22.8 per cent, respectively, in 2010. The unemployment rate by gender was 23.5 and 24.3 per cent for males and females, respectively.

Table 6.6: Labour Statistics, 2007 - 2011

	2007	2008	2009	2010	2011
Total Population	144,925,607	149,563,227	154,349,250	159,288,426	167,912,561
Economically Active	81,448,191	84,054,533	86,744,278	89,520,095	92,384,738
Labour Force	59,294,283	61,191,700	63,149,835	65,170,629	67,256,090
Employed	51,763,909	52,074,137	50,709,317	51,224,115	51,181,884
Unemployed	7,530,374	9,117,563	12,440,517	13,946,515	16,074,205
Newly Unemployed	463,323	1,587,189	3,322,954	1,505,997	2,127,691
Unemployment Rate (%)	12.7	14.9	19.7	21.4	23.9

Source: National Bureau of Statistics (NBS)

Table 6.7 Unemployment Rate by State in 2011					
State	**Rate**	**State**	**Rate**	**State**	**Rate**
Abia	11.2	Enugu	25.2	Niger	39.4
Adamawa	33.8	Gombe	38.7	Ogun	22.9
Akwa Ibom	18.4	Imo	26.1	Ondo	12.5
Anambra	12.2	Jigawa	35.9	Osun	3.0
Bauchi	41.4	Kaduna	30.3	Oyo	8.9
Bayelsa	23.9	Kano	21.3	Plateau	25.3
Benue	14.2	Katsina	28.1	Rivers	25.5
Borno	29.1	Kebbi	25.3	Sokoto	17.9
Cross River	18.2	Kogi	14.4	Taraba	12.7
Delta	27.2	Kwara	7.1	Yobe	35.6
Ebonyi	23.1	Lagos	8.3	Zamfara	42.6
Edo	35.2	Nasarawa	36.5	FCT Abuja	21.1
Ekiti	12.1				

Source: NBS

Table 6.8 Unemployment Rate by Educational Level, Age Group and Gender									
	2009			2010			2011		
Items	**Urban**	**Rural**	**Composite**	**Urban**	**Rural**	**Composite**	**Urban**	**Rural**	**Composite**
Educational Group									
Never Attended School	20.6	20	20.1	19.2	17.7	17.9	19	22.8	22.4
Below Primary	18.4	22.9	22.3	24.9	23.1	23.5	-	-	-
Primary	15.1	14.7	14.8	21.8	21.8	21.8	15.5	22.7	21.5
Secondary	21.4	25.3	23.8	-	-	-	-	-	-
Modern School	-	-	-	-	-	-	14.5	27.5	24.3
Post Secondary	13.9	26.4	21.3	-	-	-	-	-	-
JSS	-	-	-	24.5	22.4	23.1	16.6	36.9	33.4
Vocational/Commercial	-	-	-	27.9	24.1	25.7	34.5	27	28.7
SSS	-	-	-	24.2	23.6	23.9	13.9	22.5	20.1
A Levels	-	-	-	-	-	-	34.1	29.7	31
NCE/OND/Nursing	-	-	-	22.3	20.4	21.5	17.2	22.5	20.2
B.A/B.Sc./B.Ed./HND	-	-	-	24	21.5	23.1	16.8	23.8	20.2
Tech/Professionals	-	-	-	-	-	-	5	27.9	20.6
M.Sc/M.AM.Admin	-	-	-	20.7	18.5	20.1	3.2	8.3	5.1
Doctorate	-	-	-	19.6	19.6	19.6	11.1	7.7	9.1
Others	-	-	-	22	23.7	22.8	31.3	36.1	35.5
Age Group									
15-24	49.9	39.6	41.6	26	24.8	25.2	33.5	38.2	37.7
25-44	16.3	17.3	17.1	22.7	19.6	20.7	16.3	24.1	22.4
45-59	10	12.1	11.5	20.8	19.3	19.9	12.5	19.6	18
60-64	18.2	16.2	16.7	22.5	20.6	21.3	17.8	22.1	21.4
Gender									
Male	17.2	16.9	17	21.6	18.5	19.6	16.9	25.1	23.5
Femal	21.7	23.9	23.3	24.2	23.1	23.5	17.2	26.1	24.3
National	**19.2**	**19.8**	**19.7**	**22.8**	**20.7**	**21.4**	**17.1**	**25.6**	**23.9**

Sources: NBS/CBN/NCC GHS 2009 & 2010

6.7 THE SOCIAL SECTOR

6.7.1 Demography

The National Population Commission (NPC) estimated Nigeria's population at 167.9 million in 2011, based on an annual population growth rate of 2.3 per cent. A breakdown of the figure showed that 82.1 million or 48.9 per cent were females while males accounted for 85.8 million or 51.1 per cent.

6.7.2 Education

The education sector was plagued by instability in 2011, arising from various prolonged strike actions, the closure of a number of illegal universities, as well as an accreditation crisis in some tertiary institutions.

The Education Tax Fund (ETF) Act was amended to become Tertiary Education Tax Fund (TETFUND) Act for funding tertiary education in the country. Furthermore, nine (9) federal universities were established in Ebonyi, Kogi, Nasarawa, Gombe, Taraba, Katsina, Jigawa, Ekiti, and Bayelsa States. The National Universities Commission (NUC) embraced a cross-border university education approach to encourage foreign universities to offer degree programmes in Nigeria.

During the period, the Federal Government approved a new education system, the 1-6-3-3-4 to replace the existing 6-3-3-4. The new system entails a compulsory one-year early childhood education (ECE) for five-year old pupils, six years of primary, three years of junior secondary, three years of senior secondary, and four years of higher education.

The Nigerian Educational Research and Development Council (NERDC) introduced the new Senior Secondary School Curriculum in 2011. The new curriculum has five core subjects – English Studies, General Mathematics, Entrepreneurial Trade, Computer Studies, and Civic Education. It also has four distinct fields of study – Senior Secondary Education Science, Humanities, Technology and Business, with 34 entrepreneurial trades to provide the required skills for job creation and poverty eradication.

6.7.3 Health

In a bid to expand the scope of health care delivery, the Federal Government vigorously pursued collaboration with foreign partners in 2011. These efforts culminated in the signing of a number of MoUs. These included: public health collaboration between the governments of Nigeria and Austria collaboration on Reproductive Health between the Nigerian government and the United Nations Population Fund; renewal of the MoU between the Nigerian government and the University of Texas MD Anderson Cancer Centre on cancer control; and the Workforce Training and Capacity Building between the government of Nigeria and the Griffith University, Australia.

Achievements in the sector included the reduction of the wild polio virus transmission by

95.0 per cent; the establishment of mass cancer screening centres and the Nigeria Centre for Disease Control; and distribution of over four million insecticide-treated nets and 17.5 million free contraceptive commodities.

Others were: completion of the FGN/VAMED project at the University of Benin Teaching Hospital (UBTH), Benin-City, and at Obafemi Awolowo University Teaching Hospital (OAUTH), Ile-Ife; and the establishment of a stem cell transplantation centre at UBTH. In addition, the Avian Influenza Intensive Care Unit at the University of Abuja Teaching Hospital (UATH), Gwagwalada, was commissioned.

6.7.4 Poverty

Anecdotal evidence showed that the measures of the poverty level in Nigeria worsened in 2011, when compared with their levels in 2010. The estimated poverty measures, using the relative, absolute and US dollar-per-day, were 71.5, 61.9 and 62.8 per cent, respectively.

Table 6.9 Nigeria's Poverty Profile

	2004	2010	2011
Estimated Population (Million)	126.3	163	168
Relative Poverty (%)	54.4	69	71.5
Absolute Poverty (%)	54.7	60.9	61.9
Dollar Per Day (%)	62.8	61.2	62.8

Source: NBS Nigeria Poverty Profile 2010 Report; 2011 figures are estimates.