



ECONOMIC COST OF THE NATIONWIDE STRIKE ACTION
OF 9TH JANUARY - 16TH JANUARY, 2012: INITIAL ASSESSMENT

Introduction

The National Bureau of Statistics hereby provides an initial estimate of the economic cost of the nationwide strike action embarked upon by labour unions and civil society organizations in the country which lasted from Monday, 9 January, 2012 till Monday 16th January, 2012. As widely observed, the strike action involved street demonstrations, public rallies, sit-at-homes, and some level of violent riots which led to a near-shutdown of economic and social activities in several parts of the country, including the nation's federal capital city, Abuja, and the commercial capital, Lagos.

Methodology

Instrumental in estimating the incurred economic losses over the strike period is the Gross Domestic Product (GDP). This is the basic measure of a country's output within a given time period. It is thus the valued of all goods and services produced within the borders of Nigeria over a period. In addition, it is the country's expenditure on all final goods and services consumed within the borders of the country during a given year and at market price.

The international standard for measuring GDP is contained in the book System of National Accounts (1993), which was prepared by representatives of the International Monetary Fund, European Union, Organization for Economic Co-operation and Development, United Nations and World Bank. SNA1993 provides a set of rules and procedures for the measurement of national accounts. The standards are designed to be flexible, to allow for differences in local statistical needs and conditions. The main objective

of the SNA, is to provide a comprehensive conceptual and accounting framework which can be used to create a macroeconomic database for analyzing and evaluating the performance of an economy.

The GDP of Nigeria is calculated by the NBS via the production method (by calculating the total market value of goods and services produced) and by the application of the 1993 SNA divided into 33 activities across 3 main sectors (agriculture, industry, and service sectors).

In estimating the cost to the economy by GDP, we have taken in to consideration that the strike lasted for 5 and a half working days and a weekend. While the strike was called off on Monday 16th January, economic activity across the country only gradually began to be restored later in the afternoon and several sectors remained completely shut. Additionally, while Saturday and Sunday were regarded as strike free days by protesters and being a weekend, it is



expected that many activities would be minimally operative (for example, Financial and Manufacturing sectors).

It is pertinent to take into consideration the fact that activities such as Wholesale and Retail trade, Transportation, Hotels and Restaurants for example tend to continue during the weekend. Thus despite the strike free weekend, while such activities were operational, economic activity was nevertheless not fully restored. It has also been factored out into our methodology that while there was significant disruption in economic activity through the country, some regions in the country actually experienced economic activity. In computing our estimates, we have also taken into consideration the relative weights of various activities covered under GDP computation and the effect of seasonality on GDP estimates.

For example contributions to GDP are typically smaller in the first quarter (between 18-21%). It is important to note, however, that we are using GDP at current prices and not at constant prices which adjusts for inflation. At constant prices, Agriculture accounts for about 40 percent of GDP, while Crude Oil and Gas accounts for 21 percent, and Wholesale and Retail accounts for about 12 percent. Whereas at current prices, crude oil and gas accounts for the largest share of GDP, nevertheless, these 3 activities account for the largest proportion of GDP and the impact on GDP will be largely determined

by the impact of the strike on these activities.

Against this backdrop, we use our GDP forecast for the first quarter 2012 and not the average of the full year GDP so as to avoid distortions in the computation that may tend to magnify the impact of the strike on GDP.

NBS arrives at the estimated losses by projecting the GDP for the 1st quarter of 2012 based on historical weighted growth rates for the 1st quarters of the last three years (2009-2011) for each the activities covered, adjusting for current realities where and if necessary. This is preferred to just using the more aggregated quarterly average which hide the impact on sectors and may distort the estimates. Thus rather than applying the same rate of growth to all sectors, we have instead estimated the growth that would have been expected under normal circumstances.

This is divided by 90 days (of a quarter) to arrive at a "GDP per day". Given an understanding of the current economic structure of the Nigerian economy, discussions with sector participants, we arrive at an assumed/estimated rate of daily loss rate for each activity sector, the value of total economic activity lost is computed for each day. By sector, Crude oil and Natural gas, Agriculture and Wholesale and Retail trade constitute over 70 percent of GDP and the impact of the strike on oil and natural gas production was could have been



substantially more, though wholesale and retail trade will be significant.

For instance Petroleum and Natural Gas Senior Staff Association of Nigeria did not actually go on strike, and crude oil production remained at close to full capacity. Thus it is estimated that a 10 percent loss rate of economic activity here was due to logistical problems. Secondly in the Agricultural sector minor disruptions in economic activity were also estimated. This is because agriculture in Nigeria remains largely on a subsistence level and in rural areas where the impact of the strike was not as intense. However fishing and forestry experienced significantly higher numbers as producers could not take their products to the market.

While the Coal Production sector experienced a loss rate of 20 percent, losses in this sector were tempered due to the fact that a substantial percentage of coal production is located in Enugu, which had minor disruption in economic activity. The Metal Ores, Quarrying and Other Mining sectors predominantly in the North and South-western regions of the country experienced substantial slowdowns as the protests were intense in these areas.

Finally, the Wholesale and Retail Trade sector experienced substantial loss rate of 80 percent as major cities Lagos, Kano and the FCT were significantly affected. In these cities, most activity in this sector were carried out by petty traders

(estimates for this sector also take into consideration that markets such as Onitsha and Aba still recorded close to normal economic activity). The estimated economic loss is multiplied by eight days (six working days and the weekend) to arrive at the value of total economic activity that did not take place during the period of the strike.

Economic costs

The real cost of any socio-economic disturbance is the tragic but avoidable loss of human life, the value of which cannot be accurately computed. In this brief, the NBS relies on the Gross Domestic Product (or GDP) to estimate the monetary value of economic activity “lost” during the period of the strike. In this regard, it is estimated that the nation lost ***N207,408.28 million*** during the eight-day strike.

The sector, which accounts for about 18 percent of GDP, was worst hit by the crisis was the Wholesale and Retail Sector both with respect to absolute amount and relative proportion to other sectors, which recorded a loss of approximately N86,981.84. This sector accounted for 42% of the overall total loss in output during the period. This was followed by the Crude Petroleum and Natural Gas Sector, the largest source of government revenue i accounting for N28,710.87 million, and 14% of economic losses. Next in line was Crop Production accounting for N15,220.37 million and 7 percent of economic losses during the period.



Conclusion

It is pertinent to state that the estimates are as stated “estimates” for three main reasons. First, they are early estimates which are derived from projected GDP figures rather than actual surveys, and this has its inherent limitations. In particular, the rate of daily loss significantly affects the final estimates, although they are only, at best, estimates given our understanding of the economy, and feedback we received from sectional operators. Secondly, the estimates do not include the actual cost of violence such as property destroyed. These costs can be considerably high in certain circumstances, particularly where violent demonstrations occur in large commercial cities. Lastly, the estimates do not capture secondary-level costs, such as employment opportunities lost. However, it is expected that these estimates will be revised in the coming weeks as more information on the extent of compliance with the strike, and disturbance witnessed become available.

The following columns present the detailed estimates by economic activity based on the 1993 System of National Accounts (SNA93).



ACTIVITY SECTOR	Real growth rate, 2009-2010 (%)	Real growth rate, 2010-2011 (%)	2009-2011 Average Growth rate (%)	2012 Q1 GDP Projection (=N=Million)	Daily (Weekday) GDP (=N=Million)	Weekday Loss Rate (%)	Daily (Weekday) losses (=N=Million)	Saturday Loss Rate (%)	Saturday Losses (=N=Million)	Sunday loss rate (%)	Sunday Losses (=N=Million)	Total GDP Losses (Nmillion)	Share of total losses
Crop Production	0.15	0.10	0.12	2,107,435.25	23,415.95	0.10	2,341.59	0.05	1,170.80	0.00	0.00	15220.37	0.07
Livestock	0.15	0.14	0.15	210,566.62	2,339.63	0.10	233.96	0.05	116.98	0.00	0.00	1520.76	0.01
Forestry	0.06	0.06	0.06	31,360.61	348.45	0.50	174.23	0.25	87.11	0.00	0.00	1132.47	0.01
Fishing	0.17	0.17	0.17	117,248.67	1,302.76	0.40	521.11	0.20	260.55	0.00	0.00	3387.18	0.02
Coal Mining	0.24	0.21	0.23	0.36	0.00	0.20	0.00	0.10	0.00	0.00	0.00	0.01	0.00
Crude Petroleum & Natural Gas	0.77	-0.15	0.31	3,691,398.17	41,015.54	0.10	4,101.55	0.10	4,101.55	0.00	0.00	28710.87	0.14
Metal Ores	0.11	0.11	0.11	16.68	0.19	0.90	0.17	0.10	0.02	0.00	0.00	1.02	0.00
Quarrying & Other Mining	0.14	0.14	0.14	16,162.63	179.58	0.90	161.63	0.10	17.96	0.00	0.00	987.72	0.00
Oil Refining	0.15	0.15	0.15	20,905.92	232.29	0.10	23.23	0.10	23.23	0.00	0.00	162.60	0.00
Cement	0.14	0.16	0.15	6,731.97	74.80	0.90	67.32	0.10	7.48	0.00	0.00	411.40	0.00
Other Manufacturing	0.03	0.03	0.03	28,768.58	319.65	0.90	287.69	0.10	31.97	0.00	0.00	1758.08	0.01
Electricity	0.21	0.12	0.17	21,906.38	243.40	0.10	24.34	0.05	12.17	0.00	0.00	158.21	0.00
Water	0.15	0.12	0.13	916.23	10.18	0.10	1.02	0.05	0.51	0.00	0.00	6.62	0.00
Building & Construction	0.15	0.13	0.14	131,014.75	1,455.72	0.95	1,382.93	0.00	0.00	0.00	0.00	8297.60	0.04
Wholesale and Retail Trade	0.15	0.13	0.14	1,449,697.25	16,107.75	0.80	12,886.20	0.40	6,443.10	0.20	3,221.55	86981.84	0.42



Hotel and Restaurants	0.17	0.15	0.16	38,782.59	430.92	0.75	323.19	0.38	161.59	0.19	80.80	2181.52	0.01
Road Transport	0.02	0.02	0.02	108,101.42	1,201.13	0.80	960.90	0.40	480.45	0.20	240.23	6486.09	0.03
Rail Transport & Pipelines	0.02	0.02	0.02	1.58	0.02	0.90	0.02	0.45	0.01	0.23	0.00	0.11	0.00
Water Transport	0.03	0.03	0.03	283.68	3.15	0.60	1.89	0.30	0.95	0.15	0.47	12.77	0.00
Air Transport	0.20	0.11	0.16	1,668.48	18.54	0.90	16.68	0.45	8.34	0.23	4.17	112.62	0.00
Transport Services	0.02	0.02	0.02	4,757.90	52.87	0.90	47.58	0.45	23.79	0.23	11.89	321.16	0.00
Telecommunications	0.05	0.05	0.05	70,130.57	779.23	0.10	77.92	0.05	38.96	0.03	19.48	525.98	0.00
Post	0.03	0.03	0.03	463.74	5.15	1.00	5.15	0.50	2.58	0.00	0.00	33.49	0.00
Financial Institutions	0.17	0.15	0.16	169,801.52	1,886.68	0.95	1,792.35	0.00	0.00	0.00	0.00	10754.10	0.05
Insurance	0.17	0.13	0.15	4,646.95	51.63	0.95	49.05	0.00	0.00	0.00	0.00	294.31	0.00
Real Estate	0.15	0.11	0.13	342,140.56	3,801.56	0.95	3,611.48	0.10	380.16	0.00	0.00	22049.06	0.11
Business Services (Not Health or education)	0.13	0.13	0.13	24,833.50	275.93	0.90	248.33	0.10	27.59	0.00	0.00	1517.60	0.01
Public Administration	0.15	0.14	0.14	72,522.10	805.80	0.95	765.51	0.00	0.00	0.00	0.00	4593.07	0.02
Education	0.20	0.18	0.19	19,512.07	216.80	0.90	195.12	0.00	0.00	0.00	0.00	1170.72	0.01
Health	0.15	0.13	0.14	4,181.39	46.46	0.75	34.84	0.38	17.42	0.19	8.71	235.20	0.00
Private Non Profit Organisations	0.15	0.12	0.14	78.00	0.87	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
Other Services	0.25	0.12	0.18	124,110.68	1,379.01	0.90	1,241.11	0.45	620.55	0.23	310.28	8377.47	0.04
Broadcasting	0.10	0.04	0.07	942.17	10.47	0.10	1.05	0.00	0.00	0.00	0.00	6.28	0.00
TOTAL GDP ESTIMATE	-	-	-	8,821,088.99	98,012.10		31,579.15		14,035.82		3,897.58	207,408.28	1.00