

GROSS DOMESTIC PRODUCT (GDP) REPORT - Q2 2021

26 August 2021

V-Shaped Recovery: The Economy Expands by 5.01%

The National Bureau of Statistics published the Q2-2021 GDP figures earlier today.

According to the report, the Q2-2021 GDP grew 5.01% representing the third consecutive positive quarterly growth since Q1-2020, an indication that business and economic activity are returning to levels seen prior to the nationwide implementation of COVID-19 related restrictions.

The sustained recovery was reflected in the fact that 15 sectors (previously 7 sectors) expanded in Q2-2021 while 5 sectors (previously 10 sectors) contracted.

The positive sectors in the economy includes Construction, Trade, Transportation and Storage, Insurance and Real Estate. While Telecommunications, Crude Petroleum and Natural Gas, and Agriculture underperformed.

The Oil Sector Dipped further in Q2-2021

The Oil sector contracted by 12.65% y/y in Q2-2021 compared to a contraction of 2.21% y/y in Q1-2021.

The steeper decline in the Oil sector GDP in Q2-2021 reflects weaker Crude Oil production levels within the quarter as Nigeria had suppressed output to compensate for overproduction in Q2-2020 under the OPEC+ Oil production quota.

In Q2-2021, Crude Oil production averaged 1.61mb/d compared to 1.72mb/d in Q1-2021 due to the Country's compliance with OPEC's output quota, which has been in place since 2020 to stabilize the market amid supply and demand shocks.

Trade and Transportation Buoy the Non-Oil Sector

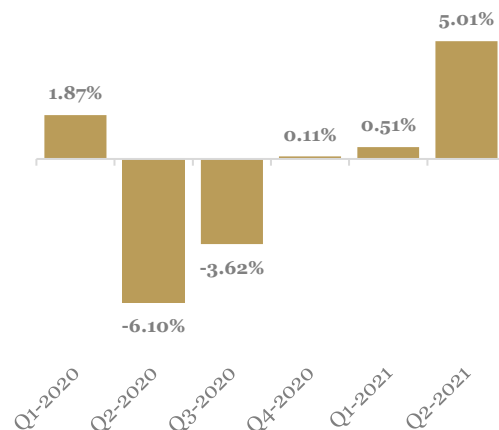
In Q2-2021, the non-oil sector output grew by 6.74% y/y compared to a 0.79% contraction in Q1-2021. The Non-Oil sector's contribution to real GDP improved during the period, accounting for 92.58% (vs 90.75% in Q1-2021 and 91.07% in Q2-2020).

The rebound in Non-Oil GDP was broadly supported by faster growth in Trade (22.5% y/y), Transportation and Storage (76.8%y/y) and Manufacturing (3.5% y/y).

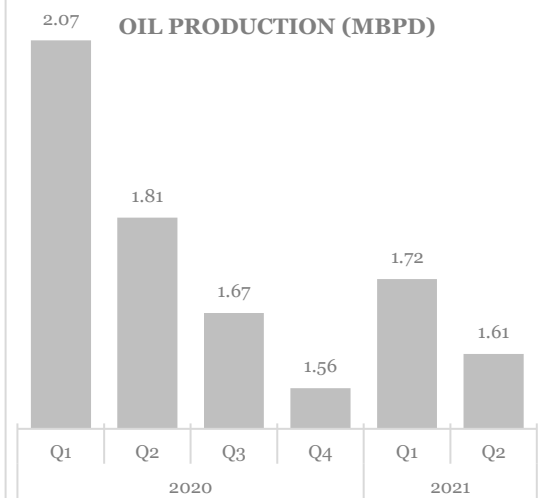
On a broader classification, the growth in Q2-2021 was supported by improved outing in the Agricultural and Services sectors up by 1.30% and 9.27% respectively.

Noticeably, the sectors that drove the recovery were sectors that benefitted from reopening of the economy which allowed people resume back to their normal life at a decent level.

NIGERIA GDP GROWTH RATE



OIL PRODUCTION (MBPD)



Source: NBS, PSL Research

Agricultural Sector: Heightened Insecurity Slowed Growth

The Agricultural sector grew by 1.30% y/y in Q2-2021, 97bps lower than the growth recorded in Q1-2021. The weak growth in the Agriculture sector was underpinned by heightened security concerns across most food producing states as farmer-herder crisis and attacks by terrorists continue to discourage farming activities.

Manufacturing Sector: FX and Movement Restrictions Hinder Recovery

The Manufacturing sector grew by 3.5% y/y in Q2-2021, 10bps higher than the 3.4% recorded in Q1-2021. Generally, the Manufacturing sector continued to suffer FX scarcity which impacted the ability to purchase key raw materials while movement restrictions in some countries due to the COVID-19 Delta variant slowed activities.

Outlook

We remain optimistic about the sustained pace of recovery (V-shaped recovery) in the aggregate level of economic activities.

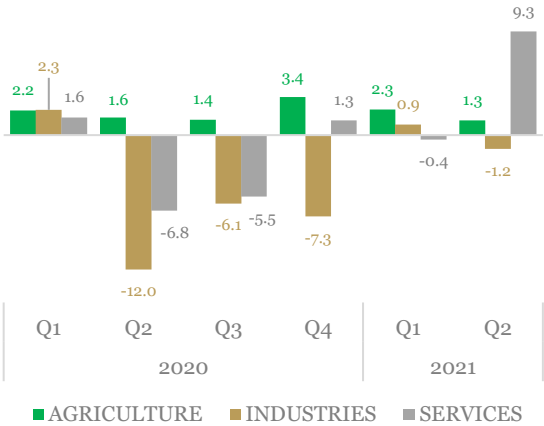
While growth in Q2-2021 maybe towering due to a low base effect of Q2-2020, our optimism is hinged largely on increased economic activities and an enabling environment for trade.

In the Oil sector, we expect improved performance in Q3-2021 considering the low base for oil production in 2020. While Nigeria’s production continues to be capped under the OPEC+ quota, we expect a recovery in production as OPEC+ gradually returns production output back to pre-pandemic levels.

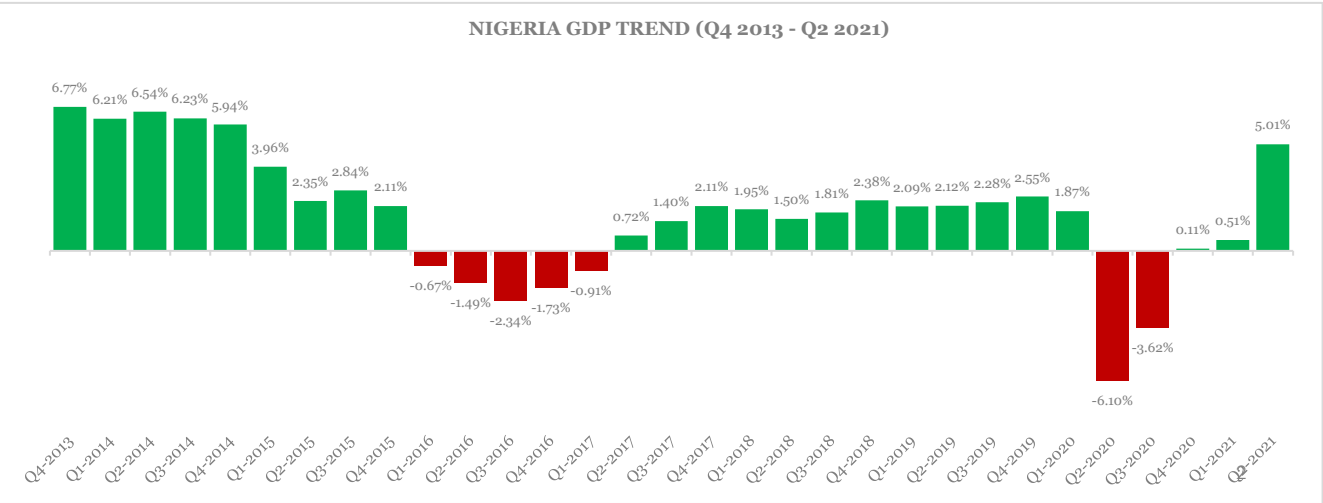
For the Non-Oil sector, we expect the positive performance in the Services sector to be sustained as people adapt to the new normal of social distancing and increased online transactions.

We also envisage that the Agricultural sector would improve as demand remains strong and the insecurity challenges subside.

KEY SECTOR PERFORMANCE



NIGERIA GDP TREND (Q4 2013 - Q2 2021)





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