

## GROSS DOMESTIC PRODUCT (GDP) REPORT – Q3 2021

18 November 2021

### *Sustained Positive GDP Growth But Not Out of the Woods*

The National Bureau of Statistics published the Q3-2021 GDP figures yesterday.

According to the report, the Q3-2021 GDP grew **4.03%** representing the fourth consecutive positive quarterly growth since Q4-2020 where activities; especially in Manufacturing, Transportation and Trade, nearly came to a halt due to the nationwide implementation of COVID-19 related restrictions.

The Nigerian economy has enjoyed a rebound in its GDP growth rate partly due to the weak base year and the steady improvement in the Non-Oil sector.

In nominal terms, the aggregate GDP was at ₦45.1 trillion in Q3-2021, **15.41%** higher than the amount recorded in Q3-2020 at ₦39.09 trillion, which is impressive.

### *The Oil Sector – Infrastructure Deficit Persist*

Despite the weak performance in Oil sector for the 6<sup>th</sup> consecutive period, the sector still performed mildly better than the previous quarter (Q2-2021) and the previous year (Q3-2020).

The Oil sector contracted by **10.73%** y/y in Q3-2021, 192bps higher than Q2-2021 at **12.65%** y/y and 316bps higher than the performance recorded in Q3-2020 at **13.89%**.

Even with the increase in Crude Oil prices in the international market, up **4.5%** from \$75.1/b to \$78.5/b during the period under review, Nigeria's Oil sector performance was unimpressive due to the weakening Oil & Gas infrastructure and inadequate investments.

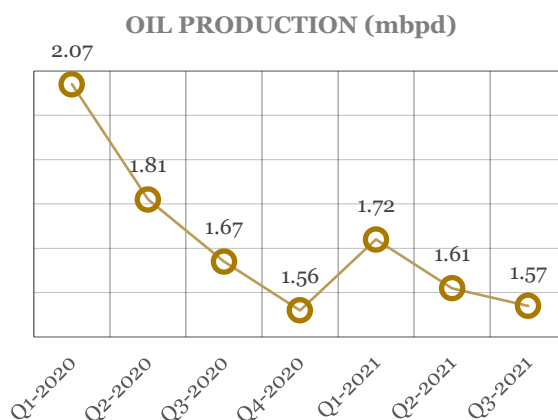
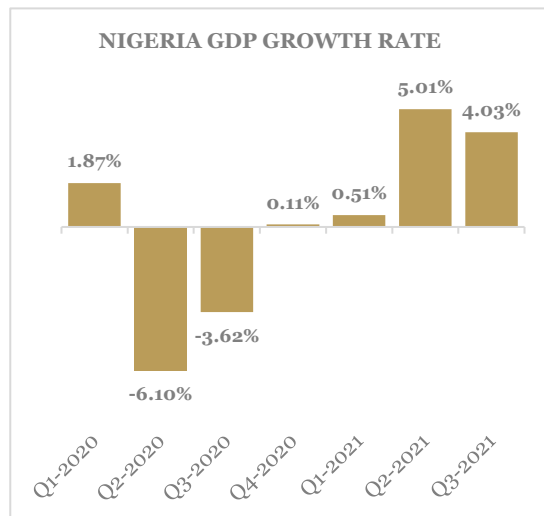
The domestic Oil production stood at 1.57mbpd compared to the 1.61mbpd recorded in Q2-2021 and 1.67mbpd posted in Q3-2020.

In addition, the Oil contribution to GDP was at 7.49% in Q3-2021, lower than the 8.73% recorded in Q3-2020. Interestingly, the Oil contribution in the third quarter of 2021 was higher than 7.42% recorded in Q2-2021.

### *Non-Oil Sector – Driving the Recovery*

The Non-Oil sector posted a real growth rate of **5.44%** y/y up by 795bps compared to the **2.51%** contraction in Q3-2020. On a quarterly basis, the non-oil sector declined by 130bps compared to the **6.74%** recorded in Q2-2021.

The industries responsible for the growth in the Non-Oil sector include Financial Services, Transportation & Storage, Trade, and Information & Communication.



Source: NBS, PSL Research

Agricultural Sector – Post Harvest Losses

The Agricultural sector in real terms grew by 1.22% y/y in Q3-2021, 17bps lower than the growth recorded in Q3-2020 and 8bps lower than the figure posted in Q2-2021.

The weak growth in the Agricultural sector can be attributed to the lack of storage facilities during harvest and the lingering insecurity in specific farming areas in the Country.

Manufacturing Sector: Stable FX Liquidity

The Manufacturing sector grew by 4.29% y/y in Q3-2021, 80bps higher than the 3.49% recorded in Q2-2021 and 580bps higher than the -1.51% recorded in Q3-2021.

Generally, the Manufacturing sector improved due to the better consumption patterns in Q3-2021 compared to the previous periods. Also, the FX liquidity for the sector was relatively stable for two months within the quarter.

Outlook

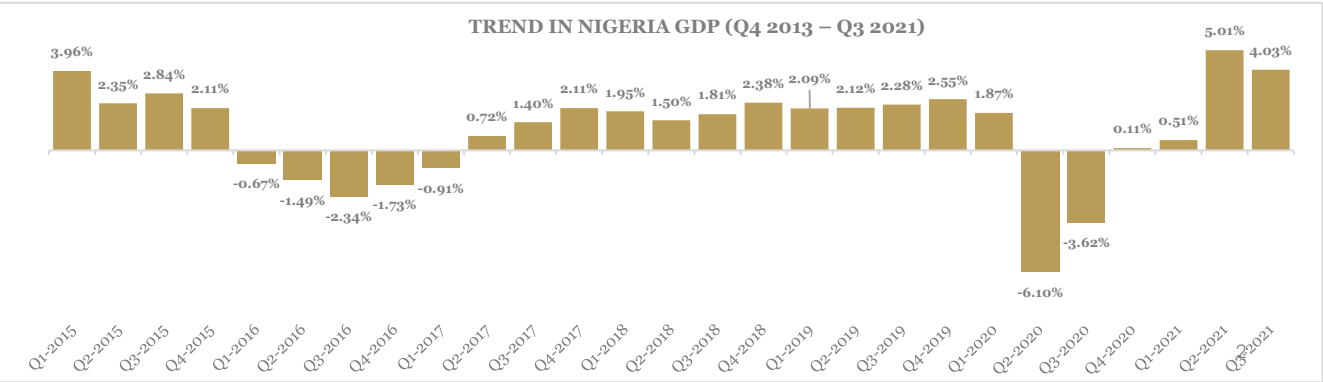
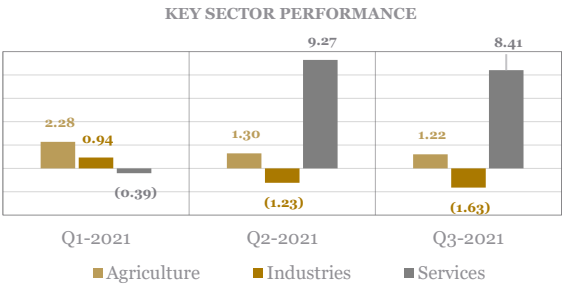
We remain optimistic about the positive growth trajectory for the rest of the year. However, the growth rate is expected to decline as the impact of the low base year effect fades.

Structural challenges in the Oil sector will likely persist until the full implementation of the Petroleum Industry Act (PIA) and the kickoff of the Dangote Refinery in 2022.

As such, we do not expect the negative performance in the Oil sector to improve drastically in Q4-2021. Nonetheless, the sustained increase in Crude Oil prices will provide a cushioning for the current performance in the Oil sector.

We expect the positive performance in the Non-Oil sector to be sustained owing to growth in key industries such as Telecommunications, Constriction, Real Estate, Financial Services, Trade, Transportation and Manufacturing.

Additionally, we believe that the new FX policy by the CBN to suspend sale of US Dollars to the BDC's will provide some stability and reduce the pressure on the Naira.





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