



### *Q1 2020 GDP: A pre-pandemic glimpse into Nigeria's economy*

- Data released by the NBS yesterday provides a pre-pandemic glimpse into the performance of Nigeria's economy which grew by 1.87% YoY in Q1 2020 relative to our estimate of 1.83%. The deviation stemmed from a better than expected performance in oil sector. Notably, slower growth was seen in both oil and non-oil sector. On the former, growth in the oil sector trimmed to 5.1% YoY relative to 6.4% in Q4 2019, while the non-oil sector expanded by 1.5% YoY (vs Q4 2019: 2.3%).
- Starting out, the oil sector expanded by 5.1% YoY in Q1 2020, albeit it is a moderation from the growth level recorded over Q4 19, reflecting base effect from lower crude produced in Q4 18. Crude oil production improved over the review period printing at 2.07mbpd, relative to 2.00mbpd in Q4 19. For us, we believe the improved production continues to reflect output at Egina which has left the country's overall production hovering around the 2mbpd mark since 2019.

### *A languid performance in the Non-oil sector*

- At the other end, tepid growth was seen in the non-oil sector printing at 1.5% YoY (Q4 19: 2.3% YoY), owing to a contraction in trade and moderation in manufacturing and services sectors. To begin, the trade sector declined by 2.8% YoY (vs Q4 19: -0.6%), which we believe mirrors border closure, naira depreciation at both the parallel market and the IEW towards the later part of Q1 2020. For context, for the month of March, the Naira depreciated to an average of ₦374/\$ in the parallel market relative to ₦359/\$ in February. Meanwhile, the manufacturing sector grew by 0.4% YoY (vs Q4 2019: 1.2%), reflecting a deceleration oil refining which contracted by 53% YoY and a mild growth in Food, Beverage and Tobacco (FBT) subsector which printed at 1.1% YoY (vs Q4 2019: 2.7%). This more than outweighed the growth Cement sector (Q1 2020: 1.7% YoY vs 1.1% in Q4 2019) and Textile, Apparel and Footwear sector which flatlined at 1.0% YoY.
- Elsewhere, the Agric sector grew by 2.2% YoY, albeit at a slower pace compared to Q4 2019: 2.3%. Marginal moderation in crop production and fishing subsectors anchored the drag in the Agric sector, while we saw improved activities in livestock and forestry segments. In addition, growth in the services sector lingered, printing at 3.5% YoY (Q4 19: 4% YoY). Specifically, the financial services segment maintained its momentum, expanding by 20.8% YoY (Q4 2019: 20.2%). This mirrors improved loan to the private sector relative to the same period in 2019 as banks strive to meet the 65% LDR requirement placed by the apex

bank. Furthermore, ICT segment supported growth numbers, expanding by 9.71% YoY due to increase in subscriber base by 7.4% YoY in Q1 2020<sup>1</sup>.

**Figure 1: Trend in the real sector growth (YoY)**

	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19	Q1 2020	FY 18	FY 19
<b>Agriculture</b>	2.5%	3.2%	1.8%	2.3%	2.3%	2.2%	2.1%	2.4%
<b>Manufacturing</b>	2.4%	0.8%	-0.1%	1.1%	1.2%	0.4%	2.1%	0.8%
<b>Services</b>	3.8%	3.1%	2.9%	3.5%	4.0%	3.5%	3.0%	3.4%
<b>Construction</b>	2.0%	3.2%	0.7%	2.4%	1.3%	1.7%	2.2%	1.9%
<b>Trade</b>	1.0%	0.8%	-0.2%	-1.5%	-0.6%	-2.8%	-0.7%	-0.4%
<b>Oil GDP</b>	-1.6%	-1.5%	7.2%	6.5%	6.4%	5.1%	1.4%	4.6%
<b>Non-Oil GDP</b>	2.7%	2.5%	1.6%	1.8%	2.3%	1.5%	2.0%	2.1%
<b>Real GDP</b>	2.4%	2.1%	2.1%	2.3%	2.6%	1.87%	1.9%	2.3%

Source: NBS, ARM Research

### **Q2 2020 GDP - A bleak outlook**

- As stated in our economic update, the growth picture for Nigeria’s economy in 2020 remains bleak due to slowdown in economic activities, which began in Q2 2020. For starters, we expect the oil sector to contract in Q2 2020 owing to lower crude oil sales compared to prior period. This is hinged on the adverse impact of the pandemic on crude oil demand and prices, which was further aggravated by the Russia-Saudi Arabia Oil price war. We believe the excessive global supplies of crude oil which led to unsold cargoes of crude oil in Nigeria would weigh heavily on performance of the oil sector in subsequent quarters. Furthermore, the need to fully comply with the agreed OPEC cut of 0.42mbpd to 1.41mbpd (excluding condensates) further guides to a contraction in the sector in Q2 2020 relative to the same period in the prior year. Meanwhile, save for the Agricultural and ICT sectors, the interruption in the production of non-essential services and restriction in movement, as well as technical devaluation of the Naira is expected to inflate pressures in other segments of the non-oil sector. Against this backdrop, we expect the economy to contract by 1.95% in Q2 2020.
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<sup>1</sup> January & February subscribers only.