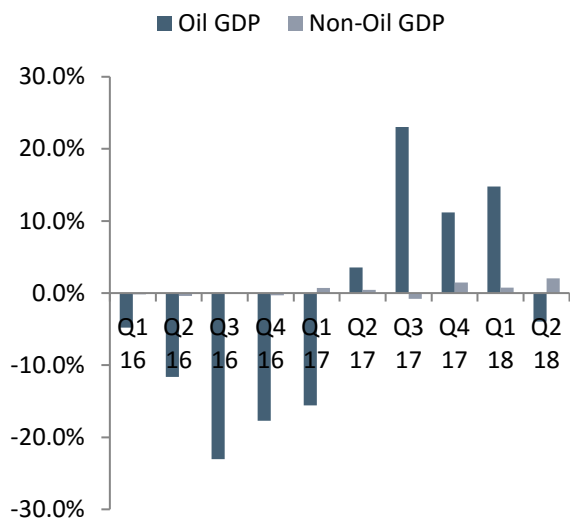
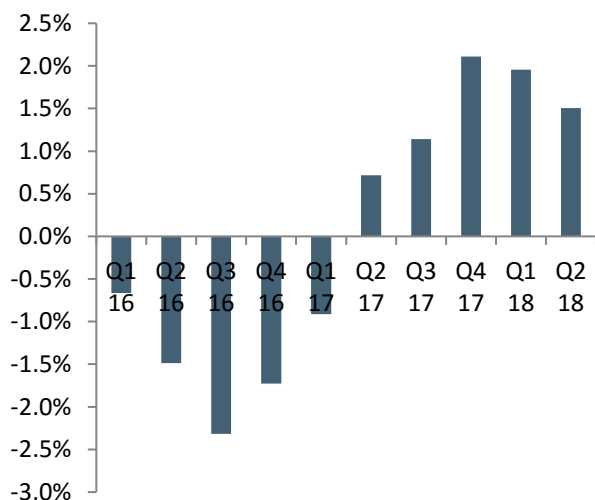


**Figure 1: Growth in oil and non-oil GDP**

Source: National Bureau of Statistics

Figure 2: Growth in Real GDP (YoY)

Source: National Bureau of Statistics

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Q2 18 GDP: Non-oil sector takes the lead**Initial View**

- In line with our estimate, data released by the National Bureau of Statistics (NBS) showed that the Nigerian economy grew by 1.50% YoY in Q2 18 compared with 1.95% YoY in Q1 18. Interestingly, contrary to the trend of an oil led growth since the economy exited recession in Q2 17, the non-oil sector was the major driver for growth this quarter. Precisely, the non-oil sector grew by 2.05% (vs. 0.8% in Q1 18) while the oil sector contracted by -3.95% (vs. growth of 14.8% in Q1 18). In the non-oil territory, services subsector was the major driver of growth, as it grew by 4.1% in Q2 18 (vs. 0.5% in Q1 18), accounting for 37.5pps of overall growth.
- Sturdy output in services upholds the non-oil sector growth.** Solidifying the gains in Q1 18, the services sector grew 4.1%, buoyed by an improvement in the ICT and transport sub segment, recording respective growth of 11.8% and 21.8%. The robust performance in ICT mirrors growth in both data and voice output. For context, according to data by the Nigerian Communications Commission, active subscribers – a proxy for callable minutes – grew by 11% YoY to 162 million subscribers while data output grew by 2.94% YoY. Elsewhere in the non-oil space, the construction and manufacturing sectors grew by 7.7% YoY and 0.7% YoY respectively. Improvement in construction mirrors improved activities in the private and public sectors even as cement companies within our coverage reported growth in volumes by 16.4% to 5.3 million metric tonnes, by our estimate. In the manufacturing sector, growth was supported by improved activities in the cement, Food, beverage & Tobbaco as well as the textiles, apparel & Footwear subsectors which grew by 3.8% YoY, 1.2% YoY and 2.7% YoY respectively. Elsewhere, the trade sector contracted by -2.1% YoY (vs. -2.6% in Q1 18) for the second time this year,

notwithstanding the CBN's effort to ensure FX stability and availability.

- ***Herdsmen Conflict slows growth in the Agric sector:*** Notwithstanding the government support, the agriculture sector growth slowed, printing at 1.9% - it's the slowest we've seen in 14 years - precisely Q3 2004. The weak growth picture mirrors a slow-down in crop production (+1.5% YoY vs. 3.5% in Q1 18) as well as contraction in livestock (-2% YoY vs. -1.9% in Q1 18) – an offshoot of the conflict between the farmers and the herdsmen. According to FEWSNET, the heavy conflict between the farming communities and herdsmen in the central and north western areas of the country has led to the destruction of properties which affected both cultivation activities and herdsmen movement in feeding their animals. Pertinently, with lack of efforts by the government to address these issues, we foresee further slowdown in the agriculture sector.
- ***Crude output reverses its jolly ride:*** The oil sector contracted in the review quarter (Q2 18: -3.95%) underpinned by lower crude production. According to NBS, daily crude production in the period averaged 1.84 mbpd (-1.6% YoY), lower than our estimate of 1.89mbpd. For us, the slowdown in production mirrors the temporary closure of the transforcados terminal for repairs, due to a leakage discovered in May. According to media sources, the repair of the terminal shut in 220,000 – 250,000bpd crude production across 15 different oil fields
- **More Analysis to follow**

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