

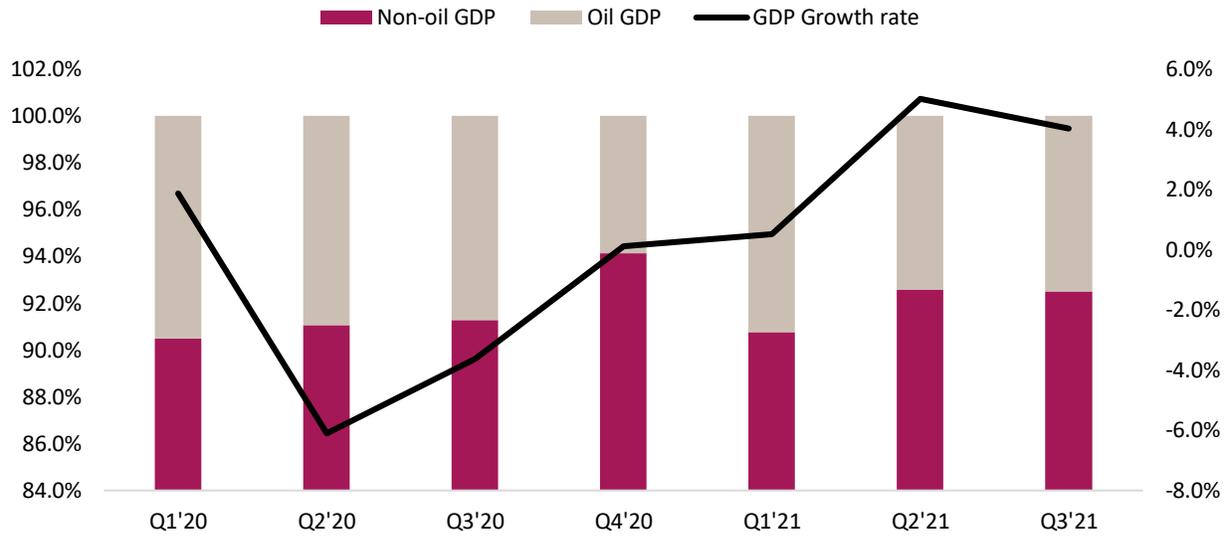


### *Q3 2021 GDP Report - The Nigerian Economy Sustains Recovery as Oil Sector Remains Depressed*

- The National Bureau of Statistics released the GDP report for Q3, revealing a sustained rebound in economic performance as GDP growth printed at 4.03% (-3.62% in Q32020). Although Q3 growth slightly lags Q2 growth of 5.01%, we note that the rapid growth in Q2 and Q3 were mainly supported by the base effect from 2020 when the economy contracted 6.10% and 3.62% respectively. The performance of the oil sector remained depressed and negative for the sixth consecutive quarter since Q22020 with a -10.73% YoY growth recorded in the quarter due to lower oil production during the quarter compared with same period last year. Oil production declined to 1.57mbpd in Q32021 compared with 1.67mbpd in Q32020 due to technical and operational problems impeding production despite gradual easing of supply by OPEC.
- On the flip side, the non-oil sector recorded an impressive 5.44% YoY growth in Q32021 driven by trade and services sector. The trade sector grew strongly by 11.90% in the quarter due to full resumption of economic activities and the base effect from last year when the sector declined 12.12%. For services, ICT maintains spectacular growth (+9.66%) boosted by the telecommunications sector (+10.87%) which sustained high growth despite regulatory bottlenecks. Surprisingly, financial services, especially financial institutions, posted 23.23% after two quarters of contraction, as data from the CBN reveals increased credit to the private sector and financial results of some banks shows higher incomes from fees and commissions. The manufacturing sector continued the solid pace of growth witnessed since Q12021, posting a 4.29% YoY growth (-1.51% in Q32020). Agriculture sector growth for Q3 was sub-par at 1.22% and we suspect that this is due to increased insecurity in the food-producing regions as flooding were minimal this harvest season.
- We maintain our expectation for GDP growth for FY2021 to come in at 2.5% (IMF: 2.6%), with major growth from the non-oil sector (mainly services) as oil production remains underwhelming. Although we expect that the gradual easing of oil supply cut by OPEC to give volumes a boost, technical issues and oil spillage remains a major bane to the sector's performance. Conversely, services sector is expected to support non-oil sector's steady

performance as increased digitization and the suspension of regulatory restrictions in the telecommunications sector boost output.

Chart: Quarterly GDP Growth rate Trend, Oil and Non-Oil Contributions to GDP



Source: NBS, ARM research