



Q4 19 GDP: Financial services takes a leap!

- Data released by NBS this morning, revealed the Nigerian economy expanded by 2.55% YoY over Q4 19. The outturn came in above our estimate of 2.4% and Q3 19 growth of 2.28%. Notably, better than expected output in the services – specifically financial services drove the deviation to our estimate. The slower contraction in trade further augmented the growth picture. Ergo, the non-oil sector expanded by 2.3% YoY. At the other end, growth in the oil sector moderated slightly to 6.4% YoY (vs. Q3 19: 6.5%). On that note, the Nigerian economy grew by 2.3% YoY over FY 19 which is an improvement from 1.9% reported in 2018.
 - As stated earlier, the surprise for us stemmed from financial services segment which expanded by 20.2% YoY - the highest recorded over five years. Clearly this mirrors the banking sector's drive to meet the 65% LDR requirement. According to CBN data, a total of ₦937 billion worth of loans was created by Deposit Money Banks over Q4 19. Also, the ICT segment maintained its momentum – supported by the increase in subscriber base by 8% YoY to approximately 183 million subscribers. Accordingly, the services expanded by 4.01% YoY. Also, we continue to see gains from the stable and available FX environment which has helped in moderating the contraction in the trade sector (-0.6% YoY vs Q3 19 of -1.5% YoY).
 - Further supporting the improvement in the non-oil space is the manufacturing and Agric sectors. On the former, the sector expanded by 1.2% YoY, reflecting a recovery in Textile, Apparel and Footwear expanding by 1.0% YoY coupled with expansion in FBT by 2.7% YoY. Meanwhile, reduced conflict as well as above average harvest over the review period spurred growth in the agriculture sector. Specifically, we saw improved activities in crop production, forestry and fishing leading to a 2.3% YoY expansion in the agricultural sector.
 - On the flipside, activities in the oil sector moderated slightly to 6.4% from 6.5% YoY recorded in Q3 19, following reduced crude oil production recorded during the period. In Q4 19, crude oil production printed at 2.00mbpd relative to 2.04mbpd in Q3 19 mirroring renewed spotlight on improved compliance by OPEC members to the crude production cut.
 - For us, while the growth number is positive, we do not expect significant reaction in the equities market given the current investor bias to the Nigerian market as a whole. However, we believe companies in telecoms sector are key players to look out for over 2020 as there might be some interest following the persistent growth in over 8 consecutive quarters.
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Figure 1: Trend in the real sector growth (YoY)

	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19	FY 18	FY 19	FY 2020E
Agriculture	2.5%	3.2%	1.8%	2.3%	2.3%	2.1%	2.4%	3.5%
Manufacturing	2.4%	0.8%	-0.1%	1.1%	1.2%	2.1%	0.8%	2.0%
Services	3.8%	3.1%	2.9%	3.5%	4.0%	3.0%	3.4%	3.0%
Construction	2.0%	3.2%	0.7%	2.4%	1.3%	2.2%	1.9%	2.0%
Trade	1.0%	0.8%	-0.2%	-1.5%	-0.6%	-0.7%	-0.4%	0.3%
Oil GDP	-1.6%	-1.5%	7.2%	6.5%	6.4%	1.4%	4.6%	3.6%
Non-Oil GDP	2.7%	2.5%	1.6%	1.8%	2.3%	2.0%	2.1%	2.0%
Real GDP	2.4%	2.1%	2.1%	2.3%	2.6%	1.9%	2.3%	2.2%

Source: NBS, ARM Research

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