



## GDP Report: Q1:2022

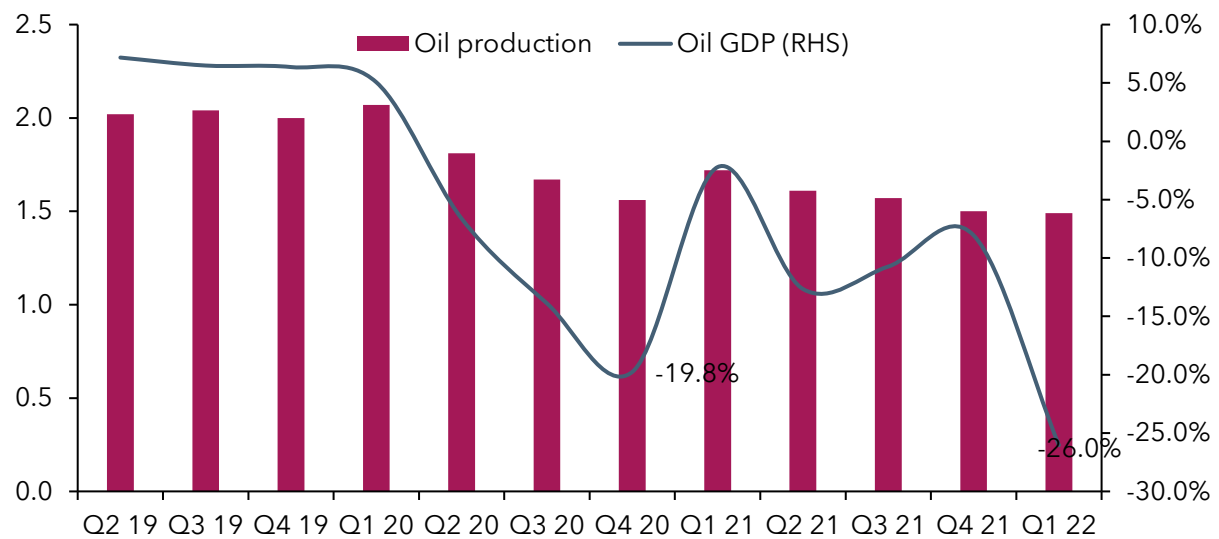
### Non-Oil Sector Fuels Growth; Base Effect and Improved Conditions to the Rescue

Building on the resurgence reported in FY 2021 when the Nigerian Gross Domestic Product (output method) posted a 3.40% YoY performance. In the recently released data by the National Bureau of Statistics (NBS), the economy grew 3.11% in the first quarter of 2022.

### Oil Sector: Still in the Abyss

The oil sector remained in the woods for the eighth consecutive quarter (since Q2 2020) with a 26.0% YoY contraction in Q1 2022 – the worst quarterly performance on record. We observed that the sustained plunge in production volumes; an offshoot of the woes (theft, vandalism, weak infrastructure) that betide the sector, affected the sector’s performance. Specifically, oil production reported marked decline (Down 15.4% to 1.49mbpd in Q1 2022 compared to 1.72mbpd in Q1 2021) in the period.

**Figure 1: Trend in oil production vs oil GDP**



Source: National Bureau of Statistics, ARM Securities Research

**Non-Oil Sector: Powering Overall Growth**

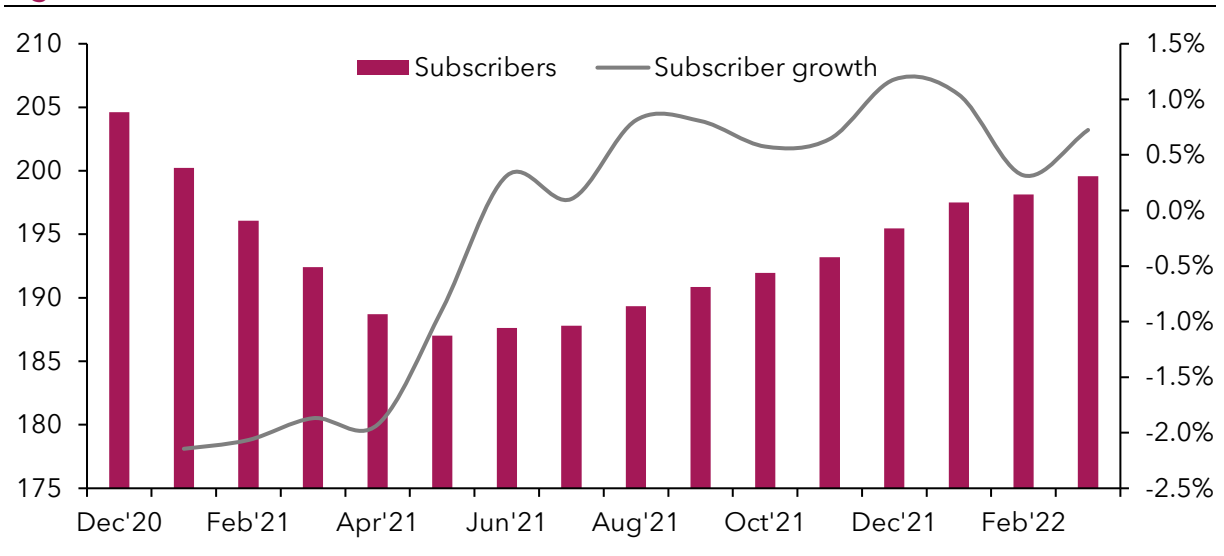
On the other hand, the non-oil sector reported sustained positive momentum, growing by 6.08% in the period. The impressive performance rode on improvements recorded across agriculture, manufacturing, telecommunications, trade, and financial services. In the Agricultural Sector, growth (Up 3.16% YoY) primarily hinged on improved crop production in the quarter.

In addition, we observed a momentous performance (Up 5.9% YoY) in the manufacturing sector – the best quarterly growth since Q4 2014. This was buoyed by both the Food, Beverage, & Tobacco (Up 9.8% YoY) and Cement (Up 9.6% YoY) sectors. These echoes improved consumer demand for consumer staples and the impact of burgeoning capital projects in Nigeria.

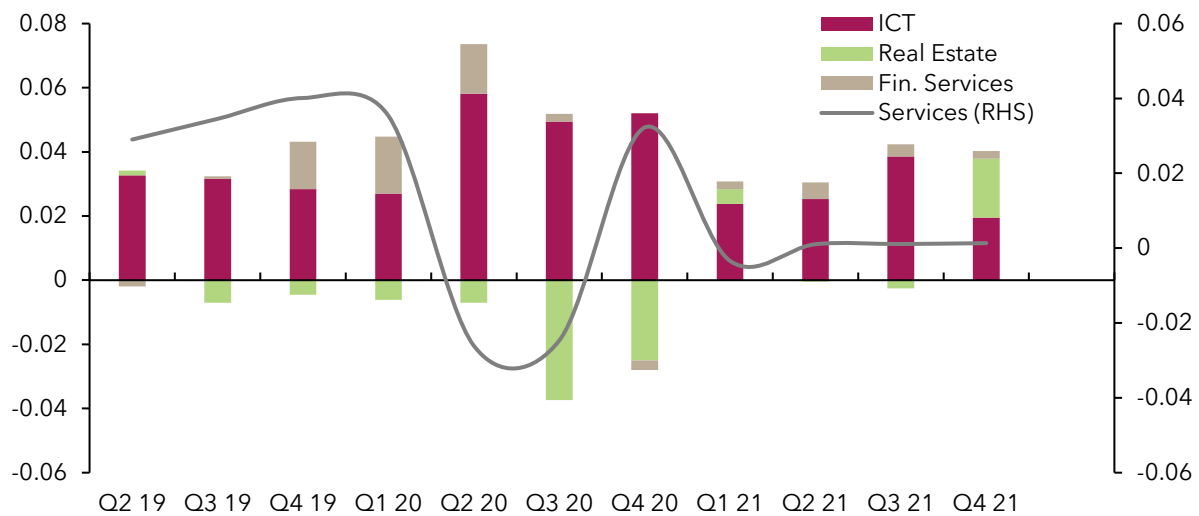
Furthermore, the Information Communication Technology (ICT) was up 12.07% YoY as of Q1 2022. We observed a broad-based rise across all the sub-segments of the line. In addition, we note the impact of the growth (Up 14.5% YoY) in Telecommunications which constituted 94.0% of the total line as the major driver of the segment. The performance of the Telecommunication sub-segment is ascribable to increased data consumption and recovery in subscriber base (following the regulatory encumbrances last year) in Q1 2022.

On the Trade segment, we believe the uptick (Up 6.5% YoY) derives from the low base from last year when the sector contracted 2.4% YoY. Also, Financial Services surged (Up 23.2% YoY) in the period. The growth in the sector was an offshoot of the sustained improvements recorded in transactions in the period as evident in the increase in National Interbank Settlement System transaction volume in Q1 2022. We believe this drove the double-digit growth in fees and commission income of Deposit Money Banks.

**Figure 2: Trend in Telecom subscriber data from 2021**



Source: NCC, ARM Research

**Figure 3: Attribution analysis of services GDP sector growth and key sub-components**

Source: National Bureau of Statistics, ARM Securities Research

### Outlook: Higher Base to Slow Down Overall Growth Trajectory

For 2022, we see the oil sector sustaining its downtrend, contracting within a range of 6 - 10% by full year. This position is guided by our expectation that oil production would remain below 1.5mbpd (Vs 1.6mbpd in 2021). For the non-oil sector, we expect growth to normalize in the remaining quarters of the year due to high base effect from 2021. For Agriculture, we expect tepid growth, as food production slows down from Q2 2022. We believe this would ride on the back of surging input prices (especially fertilizers) amid the commencement of planting season.

Furthermore, we expect the Telecommunications sector growth to be encumbered from Q2 as the ban on un-linked SIM cards takes a toll on the segment. For the Manufacturing sector, increased capital projects which should be sustained as the general elections moves closer would keep Cement consumption healthy. Similarly, we are optimistic that the Food, Beverage, and Tobacco sub-segment would support the segment. On the balance of factors, we expect the higher base from Q2 2021 to slow down overall GDP growth for the later periods of the year. In this light, we expect growth to range between 2.3% to 2.7% in the period.