



Q3:2023 GDP Report

A Show of Resilience amid Economic Challenges

In the recently published Q3:2023 GDP¹ report by the NBS², the Nigerian economy grew modestly by 2.54% YoY³ compared to 2.51% YoY in Q2:2023. This marks the twelfth (12th) consecutive quarter of expansion since H2:2020, underscoring the doggedness of the Nigeria economy despite macroeconomic and structural challenges including inflationary pressure, high-interest rate environment and insecurity issues.

Oil Sector: A Rebound in the Offing?

In Q3:2023, the Oil sector contracted at a much slower pace (-0.85% YoY) compared to Q2:2023 (-13.43% YoY). We believe that the improvement in oil production (1.45MMbpd in Q3:2023 vs. 1.22MMbpd in Q2:2023) helped to minimize the contraction rate in Q3:2023. This improvement is linked to the government's efforts in engaging with stakeholders (locally and internationally) to tackle challenges hampering the oil sector such as oil theft and vandalism. Consequently, the sector's contribution to GDP climbed by 13bps QoQ⁴ to 5.48% in Q3:2023 (vs. 5.34% in Q2:2023).

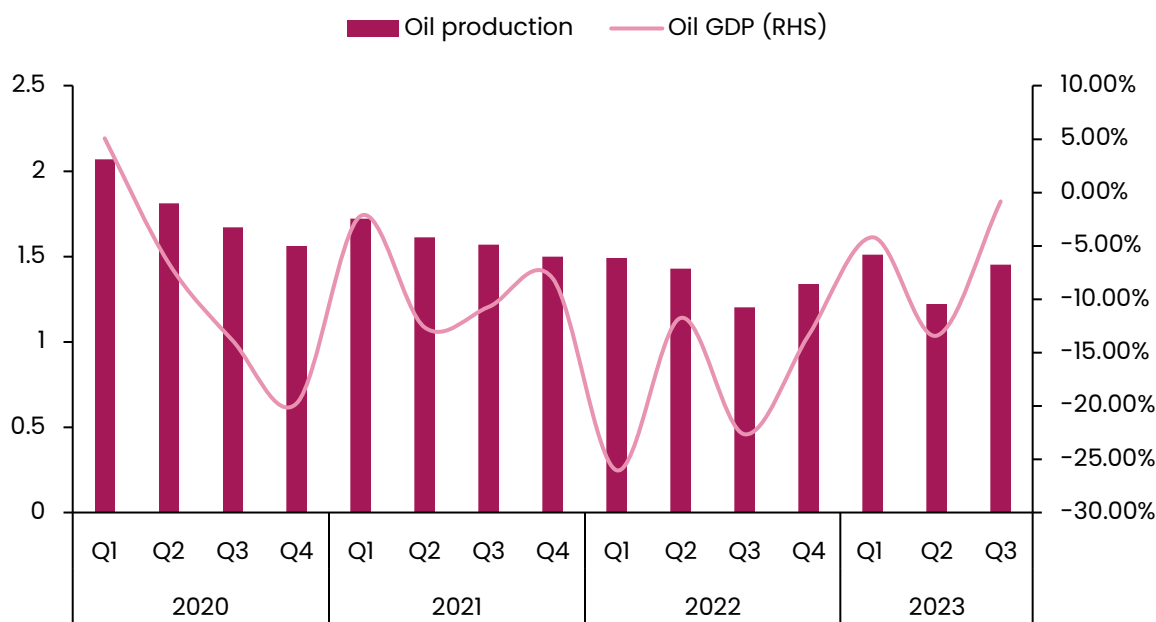
¹ Gross Domestic Product

² National Bureau of Statistics

³ Year-on-Year

⁴ Quarter-on-Quarter

Figure 1: Trend in Oil Production vs Oil GDP



Source: NBS, ARM Research

Non-Oil Sector: Impacted by Macroeconomic Challenges

On the flipside, the non-oil sector continued to expand, albeit at a moderated pace, growing by 2.75% YoY in Q3:2023 (vs. 3.58% YoY in Q2:2023). This resilience was driven by positive contributions from several sub-sectors, including Information and Communication, Financial and Insurance, Agriculture, Trade, Manufacturing, Construction, and Real Estate.

Growth in the agricultural sector slowed to 1.30% YoY in Q3:2023 (vs. 1.50% YoY in Q2:2023). This is on the back of sluggish performance in two sub-sectors: Crop production (1.35% YoY in Q3:2023 vs. 1.82% YoY in Q2:2023) and Livestock (1.18% YoY in Q3:2023 vs. 2.30% YoY in Q2:2023). We believe that the clamped growth in the sector signals the effect of insecurity issues, logistics challenges among other macroeconomic challenges.

Similarly, the manufacturing sector grew by a meagre 0.48% YoY in Q3:2023, compared to 2.20% YoY in Q2:2023. This slow growth is further buttressed by the decline in the average Stanbic PMI⁵, which fell to 51.00 points in Q3:2023 from 53.67 points in Q2:2023. We believe that the high interest rate environment, inflationary pressures, and foreign exchange devaluation in the quarter helped to hinder significant growth in the sector.

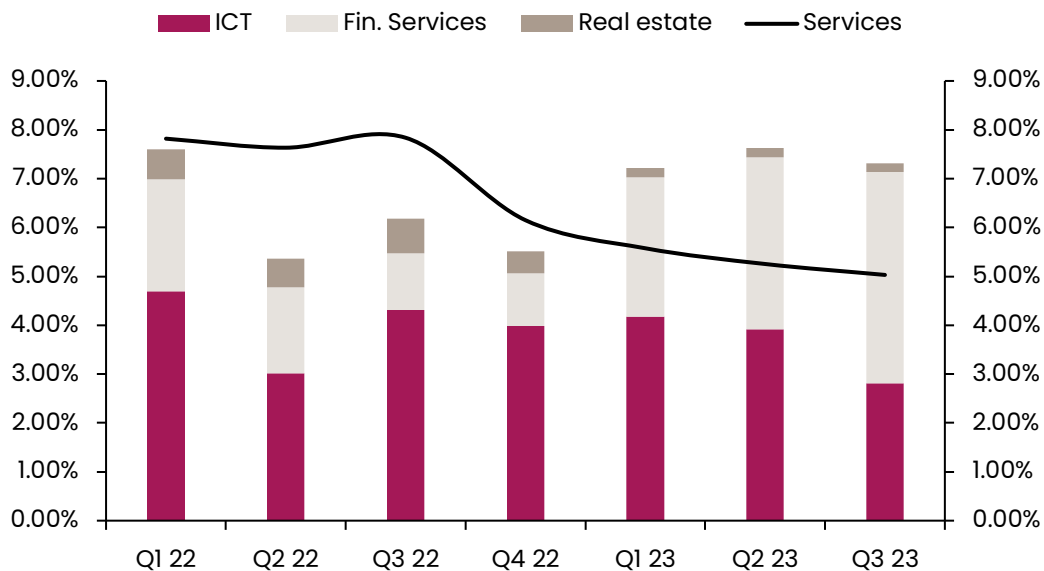
The Information and Technology sector grew by 6.69%, marking the second consecutive quarter of subdued expansion (compared to 8.60% YoY in Q2:2023). This slowdown was primarily driven by a sluggish performance in the sector's key sub-sector, Telecommunications and Information Services, which grew by 7.74% YoY (compared to a robust 9.74% YoY in Q2:2023).

The Financial and Insurance sector continued to expand in Q3:2023, with growth accelerating to 28.21% YoY compared to 26.84% YoY in Q2:2023. This robust performance underscores the sector's resilience amidst macroeconomic headwinds. In contrast, the Trade sector's growth moderated to 1.53% YoY in Q3:2023, compared to 2.41% YoY in Q2:2023, reflecting the effect of inflation on consumers' purchasing powers.

Exhibiting resilience amidst macroeconomic uncertainties, the Construction and Real Estate sectors demonstrated a stronger performance in Q3:2023. The Construction sector expanded by 3.89% YoY (vs. 3.42% YoY in Q2:2023). Similarly, the Real Estate sector grew by 1.90% YoY (vs. 1.87% in Q2:2023). This robust performance highlights the sectors' adaptability and their ability to navigate challenging economic conditions.

⁵ Purchasing Managers' Index

Figure 2: Attribution Analysis of Services GDP Sector Growth and Key Sub-Components



Source: NBS, ARM Research

Outlook: An Optimistic End to the Year

In Q4:2023, we expect further improvement in GDP figures spurred on by the optimism surrounding increased oil production in Q4 and its likely effect on oil sector growth. Furthermore, we believe that the festivities in the quarter will help to improve non-oil sector growth, particularly the agriculture sector. For the most part, our base case forecast for 2023FY GDP growth remains 2.66%

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