



# Nigeria's GDP Update: Q2 2022

MPR: 14% Inflation Rate: 19.64%

Q2 Real GDP Growth Rate: 3.54%

## Nigeria's Economy Upbeat As Q2'22 Real GDP grew 3.54% y/y Despite Retarded Economic Activity...

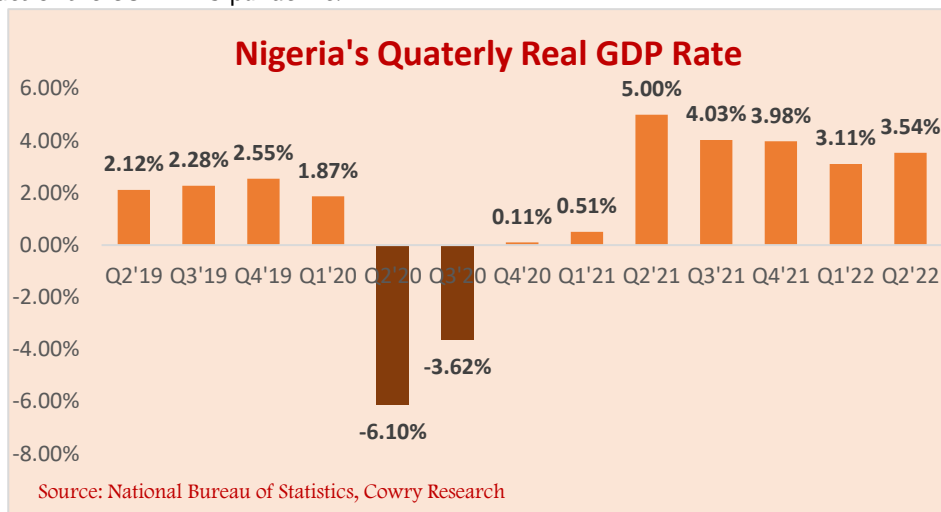
The Nigerian economy grew by 3.54% in real terms in Q2 2022 to N17.29 trillion, rising 0.44% points from 3.1% in Q1 2022 with growth driven by the non-oil sector. This shows a decline of 1.47% points from 5.01% in the corresponding period of 2021 when Nigeria recorded rapid growth following the impact of the COVID-19 pandemic.

The growth reflects the retarded economic activity during the quarter than was witnessed in the first quarter and was largely impacted by the recent increases in fuel, food, and other commodities during the period. In addition, power shortages, infrastructure challenges and insecurity, limited investment inflows, and business expansion further damped Nigeria's growth prospects, further heightened by inflationary pressure in 2022.

Now, Nigeria is not reaping from higher oil prices owing to high subsidy payments and lower crude oil production, which threaten government revenue and raise the need to borrow. Consequently, the NBS report revealed that Nigeria in Q2 2022 recorded an average daily oil production of 1.43 million barrels per day (mbpd), lower than the daily average production of 1.61mbpd recorded in the same quarter of 2021 by 0.18 mbpd and lower than the first quarter 2022 production volume of 1.49 mbpd by 0.06mbpd.

Given the decline in oil output in the second quarter of 2022 according to OPEC sources, the growth of the oil sector was negative mainly due to oil theft and limited investments in the oil and gas sector. Thus, the oil sector's real growth grew 14.27% points (-11.77% y/y) during the quarter, signaling an increase from -26.04% in Q1 2022 and 0.89% points relative to the rate recorded in Q2 2021. Aggregately, the oil sector contributed 6.33% to the total real GDP in Q2 2022, down from the figures recorded in the corresponding period of 2021 and the preceding quarter, where it contributed 7.42% and 6.63% respectively.

Further into the non-oil sector, there was a growth of 4.77% in real terms. Though the growth was lower by 1.97% points relative to Q2 2021 and 1.31% points lower than the first quarter of 2022, key sectors such as Information and Communication; Trade; Financial and Insurance; Transportation; Agriculture, and Manufacturing accounted for positive output growth. In real terms, the non-oil sector contributed 93.67% to the nation's GDP in the second quarter of 2022, higher than the share recorded in the second quarter of 2021 which was 92.58%, and higher than the first quarter of 2022 recorded as 93.37%.



Sectorial Share of Real GDP (%)	Q2'2022 Share	Q2'22 y-o-y Growth (%)	Q1 2022 y-o-y Growth
Agriculture	23.24	1.2	3.16
Trade	16.81	4.51	6.54
Info & Comms	18.44	6.55	12.07
Manufacturing	8.65	3	5.89
Mining & Quarrying	6.51	-11.09	-25.89
Real Estate	5.33	4.42	4.44
Construction	3.21	4.02	4.83
Financial & Insurance	4.25	18.48	23.24
Prof, Sci & Tech Services	3.04	1.96	1.85
Education	1.34	1.16	1.87
Transportation	1.84	51.38	-17.41
Other Economics Activities	2.74	3.05	3.14

From our analysis of the NBS data, Cowry believes that while the 3.54% year-on-year output growth rate is encouraging, the need for Nigeria to grow at a considerably greater pace of at least 5% to 6% is sacrosanct to achieve more inclusive growth and get closer to its growth potential. On the other hand, we opine that the soaring inflation, particularly in view of commodity price shocks and imported food inflation due to the Russian -Ukraine conflict, pending subsidy payments by the government, and tumbling daily oil production volumes may pose as a downside risk to growth this year.