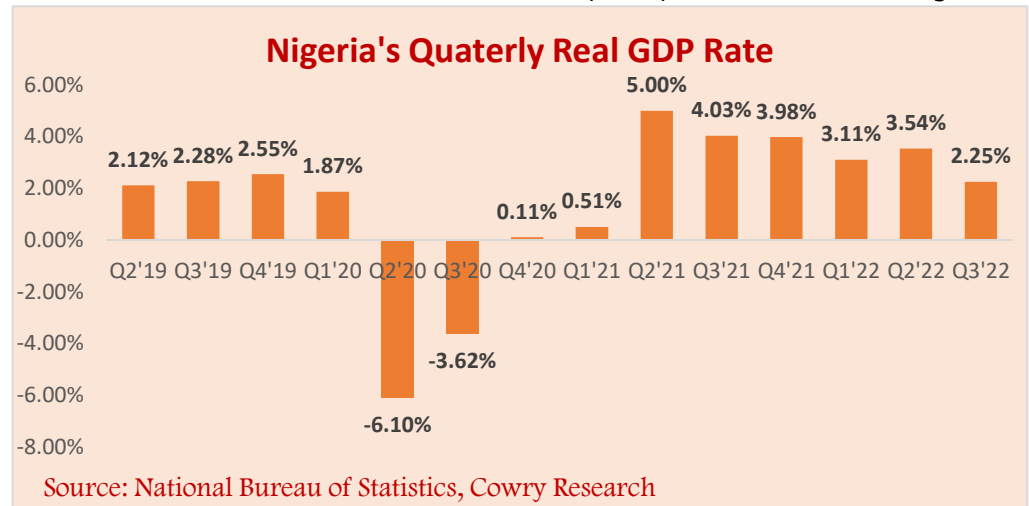


Nigeria's Real GDP Hits Low from Market Expectation at 2.25% y/y Prompted by Stewing Economic Conditions

Nigeria's gross domestic product (GDP) grew by 2.25% in real terms year on year to N18.96 trillion in the third quarter of 2022 but decelerated 1.29 percent points from the 3.54% expansion reported in the second quarter of 2022 and hits below market expectations for the reported period. However, the total real output surged by 9.68% quarter on quarter in the current period and was underpinned by the nations' involvement in more economic activities than the prior quarter. This is according to the latest GDP data released by the National Bureau of Statistics (NBS).

A peep into the report from the NBS showed that this advancement by 2.25% marks the eight-consecutive quarter of growth but at the slowest pace since Q1'21. This deceleration was prompted by the base effects of the 2020 recession as well as the slow pace of economic activities that was hampered by challenging economic conditions. Consequently, the Q3 growth deteriorated 1.78 percent points from the 4.03% reported in the corresponding quarter of 2021.



Taking a retrospect into how the nation's economy has fared so far this year and particularly in the reported quarter, the 2.25% slow in output growth reflects the worrying events such as the incessant power outages experienced by households and businesses which brought about an increase in operating cost and pressure on their margins, the impacts from increases in food and fuel prices plus rising imported food inflation figures, the bane of insecurity across the federation which affected business activities in some regions as well as the dampened business environment that has left Nigeria's growth prospect in the bleak.

The Q3 GDP growth in real terms saw a 4.27% growth for the non-oil sector which has been the engine of growth since late 2020. This performance was lower by 1.18% points when compared to the rate recorded in the same quarter of 2021 and 0.50% points lower than the second quarter of 2022. On aggregate, there was a 94.34% contribution from the non-oil sector and this was majorly driven by Information and Communication; Trade; Transportation (Road Transport); Financial and Insurance; Agriculture (Crop Production) and Real Estate sectors all accounting for positive GDP growth. This growth was higher than the share recorded in the third quarter of 2021 which was 92.51% and higher than the second quarter of 2022 recorded as 93.67%.

Meanwhile, the oil sector continued its trend of retarded growth as it shrank 22.67%, after an 11.77% slump in the previous quarter, and reflects lower oil output as the average daily crude oil production stood at 1.20 million barrels per day, down from 1.43 million daily barrels in Q2 and 1.57 million barrels daily a year ago. This decline in daily oil production can be said to have been precipitated by unprecedented oil theft through pipelines and fields in the oil-producing Niger Delta region; bringing Nigeria's daily oil production to a historic low.

Uncertainties cloud Nigeria's growth prospect in the face of aggressive rate hikes by central banks across the globe amidst soaring inflation and commodities prices which leaves Nigeria's economy limping. Recently, the IMF revised Nigeria's growth forecast to 3.2% for 2022 with the CBN and FGN also projecting 3.3% and 4.2% respectively and these forecasts and fundamentals may be dampened by the ominous clouds of worrying indices such as looming global recession, pending subsidy payments by the Nigerian government, and tumbling daily oil production volumes, among other factors. However, we believe that the need for economic diversification coupled with investment inflows into the oil and non-oil sectors respectively could be the right step to achieving more inclusive growth and getting closer to its growth potential.

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