



Nigeria Economic Update: Q4 2022 GDP Report

MPR: 17.50% Jan'23 Inflation Rate: 21.82

Q 4'22 Real GDP Growth Rate: 3.52%

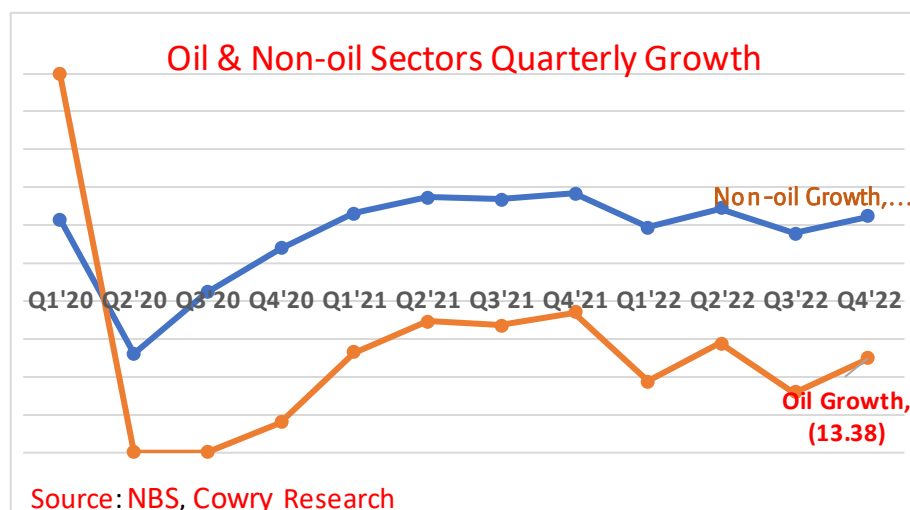
Growth Potential in Positive Trajectory as Non-Oil Sector Gains Uphold Real GDP to 3.54% in Q4'22

Nigeria's economy is on a growth trajectory for another quarter as the gross domestic product (GDP) grew 3.52% to N21.04 trillion in Q4'22, slightly weaker than the 3.98% delivered in the corresponding period of 2021 and higher by 1.27 percentage points from the 2.25% in the third quarter. This brings the overall growth level down to 3.1% from the 3.4% delivered in 2021. This is according to the GDP report published by the National Bureau of Statistics (NBS).

Our expectation was for a more modest full-year growth of 2.9%, but the outperformance relative to our forecast was mainly because of a robust growth of 5.69% in the services sector, which contributed 56.27% to the aggregate GDP. Although the agriculture sector

grew by 2.05% in Q4'22, its performance was significantly fraught by severe incidences of flooding experienced across the country, accounting for lesser growth relative to the fourth quarter of 2021, which was 3.58%; then, the industry sector saw a retarded growth of 0.94%, contributing less to the total output as against the last quarter (-8.0%) and Q4'21 (-0.05%).

On the sectoral performance of the oil and non-oil sectors, the non-oil sector continues to be a major growth driver in line with broad expectations, as it delivered real growth of 4.44% in the quarter and was probably underpinned by an increase in consumer spending during the holiday season. This growth was lower by 0.29 percentage points relative to the Q4'21 figures and 0.18% percentage points higher than the prior quarter's growth. This growth was spurred by the telecommunications (11.24%); trade (4.54%); crop production (2.41%); financial institutions (12.41%); food, beverage, and tobacco (4.94%); real estate (2.78%); and construction (3.80%) sectors.



IMPORTANT DISCLOSURES: This report is produced by the Research Desk, Cowry Asset Management Limited (COWRY) as a guideline for Clients that intend to invest in securities on the basis of their own investment decision without relying completely on the information contained herein. The opinion contained herein is for information purposes only and does not constitute any offer or solicitation to enter into any trading transactions of facts, and any direct or consequential loss arising from these of this report or its contents. While care has been taken in preparing this document, no responsibility or liability whatsoever is accepted by any member of COWRY for errors, omissions.

In real terms, the non-oil sector contributed 95.66% to Nigeria's GDP in the fourth quarter of 2022, higher than the share recorded in the fourth quarter of 2021 (94.81%) and higher than the third quarter of 2022, which delivered 94.34%. Moreover, on aggregate, 94.33% was contributed by the sector in 2022, higher than the 92.76% reported in 2021.

On the other hand, for the oil sector, growth in real terms shrank by -13.38% year on year in the final quarter of 2022 and signals a decrease of 5.33% points compared to the same period of 2021, but rose 9.29% points as against -22.67% in Q3'22. This shows a marginal but significant improvement as the nation's oil output stood at an average of 1.34 million daily barrels, up 0.14 million barrels from 1.20 million barrels in Q3'22. However, the figure is lower (0.16 mbpd) than the average daily oil production of 1.50 million barrels per day in the same quarter of 2021.

On a yearly basis, real growth stood at -19.22% as against the -8.30% recorded in 2021. However, the oil sector contributed 4.34% to the total real GDP in Q4 2022, down from the figures recorded in the corresponding period of 2021 and the preceding quarter (Q3'22), where it contributed 5.19% and 5.66%, respectively. The total annual contribution of oil to aggregate GDP in 2022 was 5.67%.

In 2022, growth momentum saw a knock to print below the 2021 overall average as weak macro fundamentals emanating from the effects of geopolitical (Russia-Ukraine) unrest, expanding inflation, other environmental factors such as floods, and intensified monetary policy tightening by the central bank took centre stage. Amidst these drags, Nigeria needs to achieve GDP growth of over 6% to achieve more inclusive growth and move closer to its long-run GDP potential. For Cowry Research, we forecast year 2023 growth of 3.74%, revised from our earlier projection of 2.9%, as base effects taper off.