

## Analyst’s Note on: Nigeria’s Gross Domestic Product – Q2’23

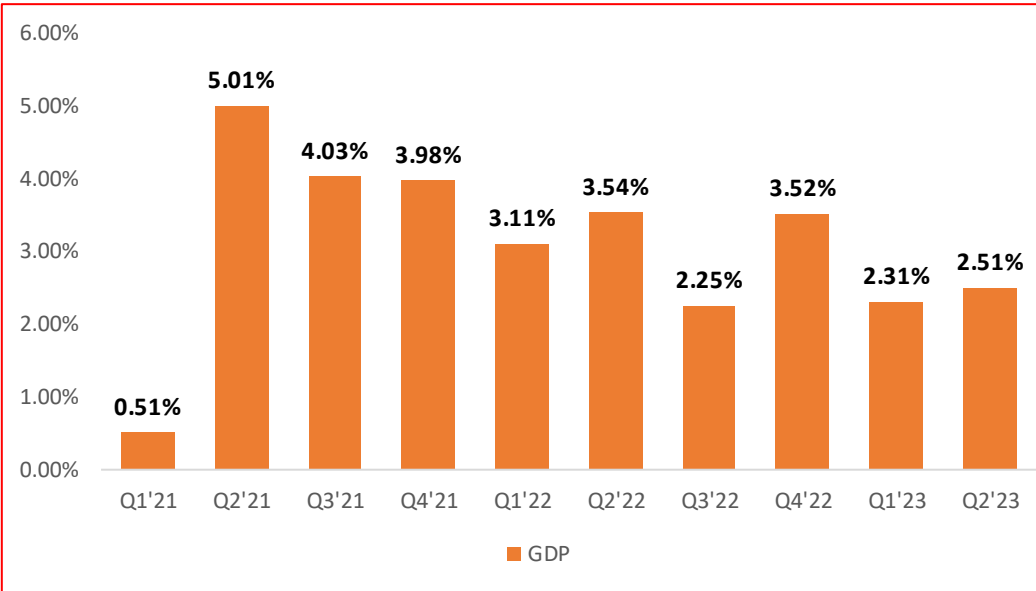
Non-Oil Sector Rallies Expansion in Nigeria’s GDP Growth to 2.51% in Q2’23....

❖ GDP growth averaged 2.41% in 2023 on the back of the slowdown in economic activities....

The latest GDP report published by Nigeria’s National Bureau of Statistics show that Nigeria’s economy grew by 2.51% year-on-year in real terms to N17.72 trillion. This figure, while it is reflective of expansion, is notably lower than the robust 3.54% achieved in the corresponding quarter of the prior year, a difference that can be attributed to the prevailing formidable economic headwinds. However, it was a positive show of resilience when compared to the 2.31% growth during Q1’23 despite the palpable slowdown in economic activities and post-election jitters.

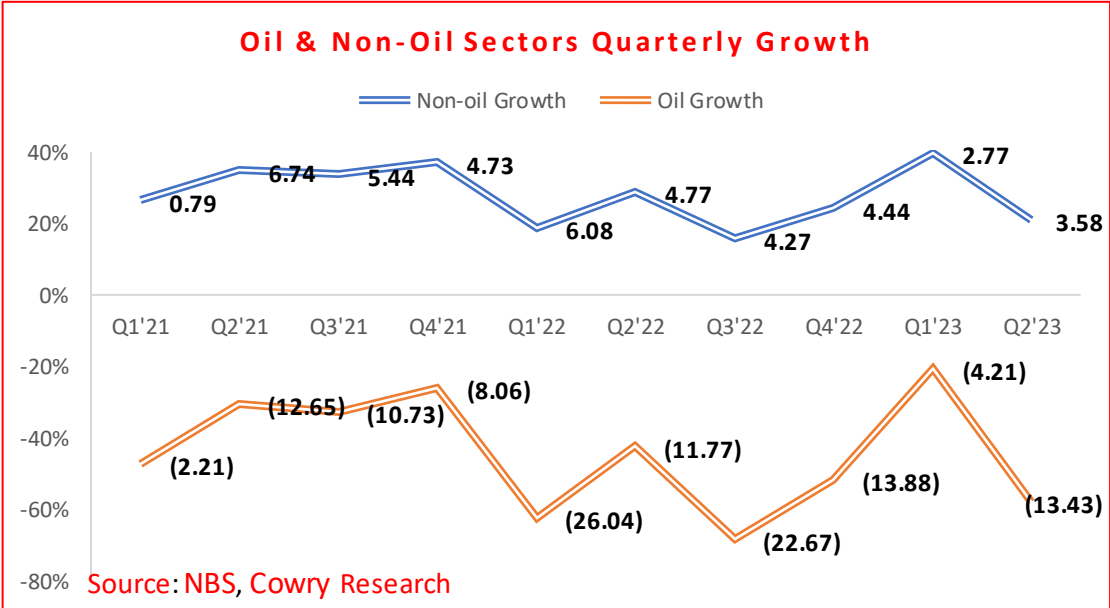
In nominal terms, the aggregate GDP for Q2 2023 stands at an impressive N52.10 trillion and eclipses the parallel figure of N45 trillion from the second quarter of 2022, translating to a striking year-on-year nominal expansion of 15.77%. This figure bespeaks a significant surge in the nominal economic value during this interval, revealing a noteworthy upward trajectory.

Nigeria’s Q2’23 GDP report as published by the NBS paints a nuanced picture as the standout performance of various economic sectors was central to this economic trajectory. Thus, the Services sector emerges as the principal growth catalyst during the second quarter, and exhibiting an impressive expansion of 4.42%. This sector's pivotal role is further emphasized by its contribution of 58.42% to the overall aggregate GDP.



Zooming further into the sectoral echelons that have driven growth of Nigeria’s real output during the second quarter, alongside the services sector, the Agriculture sector, too, demonstrated resilience, notching a growth of 1.50%. This is a marked improvement from the lackluster 1.20% growth witnessed in the second quarter of 2022. Such progress is indicative of the sector's adaptive strategies amid evolving market dynamics. On the contrary, the Industry sector paints a contrasting picture as it experienced a contraction of -1.94% in the second quarter of 2023, albeit less severe than the -2.30% recorded in the corresponding period of the preceding year. While negative growth raises concerns, the mitigated decline signals a certain degree of stabilization within the sector.

A cursory analysis in the slices of the GDP pie that these sectors contributed, it becomes evident that both Agriculture

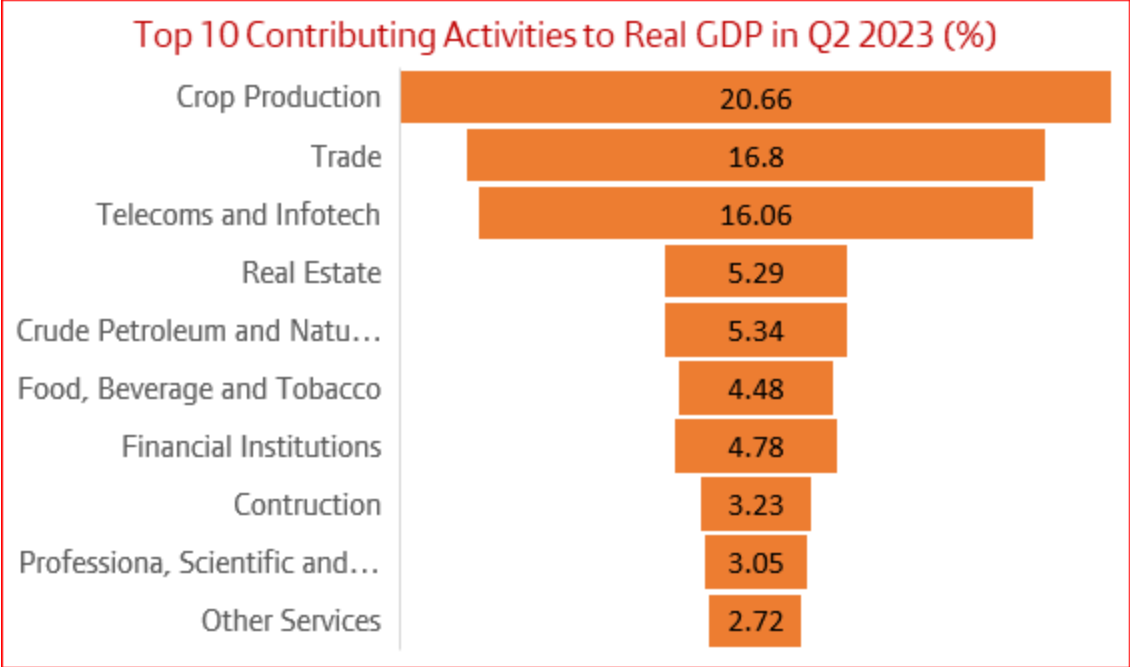


and the Industry sectors have given up their grip on the aggregate GDP in the second quarter of 2023 when compared to the same timeframe in 2022. This shift in the economic landscape implies a recalibration where the Services sector ascends as the chief driver of growth and economic contribution.

Elsewhere, the oil sector continues to experience retarded growth as it

contributed 5.34% to the total real GDP in Q2 2023, down from the figure recorded in the corresponding period of 2022 and down from the preceding quarter, where it contributed 6.33% and 6.21% respectively. On a year over year analysis, the sector’s real growth was on a negative of 13.43% in Q2’23 which indicates a decrease of 1.66% points relative to the rate recorded in the corresponding quarter of 2022 (-11.77%).

During the period, Nigeria’s crude oil production averaged 1.22 million barrels per day. This was lower than the daily average production of 1.43mbpd recorded in Q2’22 by 0.22mbpd and lower than Q1’23 production volume of 1.51 mbpd by 0.29mbpd. This can be evident in the country’s ability to grow its oil receipts owing to high subsidy payments that has remained a threat to government’s revenues. The decrease can be attributed to low investment into the oil sector, pipeline vandalism and the menace of oil theft. Also, the 1.22mbpd in Q2’23 stands as the lowest since Q3’22. Meanwhile, on a quarter on quarter basis, the sector’s contribution to the total real GDP printed at 5.34%, down from the 6.33% and 6.21% it contributed during the Q2’22 and Q1’23 respectively.



For the non-oil sector, it grew by 3.58% in real terms in Q2’23, up 0.81% q/q from Q1’23 and down by 1.19% y/y from Q2’22. The principal drivers of the non-oil sector were the telecommunication, financial institutions, trade, crop production, the food, beverage and tobacco, construction and real estate sectors. The contribution of the non-oil sector in real terms was 94.66% in Q2’23, 3, higher than the share recorded in the second quarter of 2022 which was 93.67% and higher than the first quarter of 2023 recorded as 93.79%.

Nigeria's GDP growth has averaged 2.41% in 2023 on the back of the slowdown in economic activities. This, however, stays below the expectations for a considerable pace of at least 5% to 6% to achieve more inclusive growth and edge closer to its growth potential. Economic growth in the second quarter not only serves as a barometer of economic health but also highlights the sectoral dynamics at play during the period. Also, the Services sector's remarkable surge, coupled with the Agriculture sector's steady recovery and the Industry sector's tempered decline, together form a considerable tableau to help foster all-inclusive growth.

On the other hand, we maintain that the soaring inflation, particularly in view of commodity price shocks and imported food inflation due to the Russian -Ukraine conflict, fuel subsidy removal, floating of the naira by the CBN and tumbling daily oil production volumes may pose as a downside risk to growth this year. Thus, Cowry Research trims it 2023 GDP forecast to 3% from the earlier projection of 3.74%.

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