

# Analyst’s Note on: Nigeria’s Gross Domestic Product – Q3’23

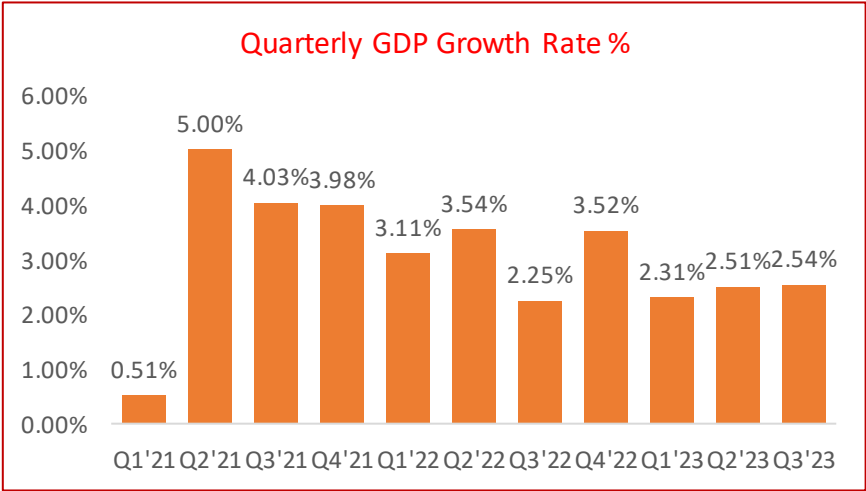
Nigeria’s Economy Expands by 2.54% y/y Against All Odds....

.....Fueled by Non-Oil Sector Rally; Economic Diversification efforts...

The latest GDP report published by Nigeria’s National Bureau of Statistics show that Nigeria’s economy grew by 2.54% year-on-year in real terms to N19.44 trillion. This growth rate marks an improvement over the corresponding period in 2022 (2.25%) and the preceding quarter of 2023 (2.51%) which poses a positive trajectory for Nigeria; staying indicative of the economy's resilience and its ability to rebound from challenges. This is also the strongest number on record so far in 2023 amid election jitters and the impact of the various government reforms.

In nominal terms, the aggregate GDP for Q3 2023 inched further to N60.7 trillion and eclipses the parallel figure of N52.3 trillion from the third quarter of 2022, translating to a striking year-on-year nominal expansion of 16.08%. This figure bespeaks a significant surge in the nominal economic value during this interval, revealing a noteworthy upward trajectory.

According to the report, the standout performance of various economic sectors was central to this economic trajectory. Nevertheless, the Services sector emerges as the principal growth catalyst during the third quarter, and exhibiting an impressive expansion of 3.99%. This sector not only contributed significantly to the overall GDP but also demonstrated its pivotal role in driving economic activity. The Services sector's 52.70% share in the aggregate GDP underscores its dominance and influence in shaping the country's economic landscape.

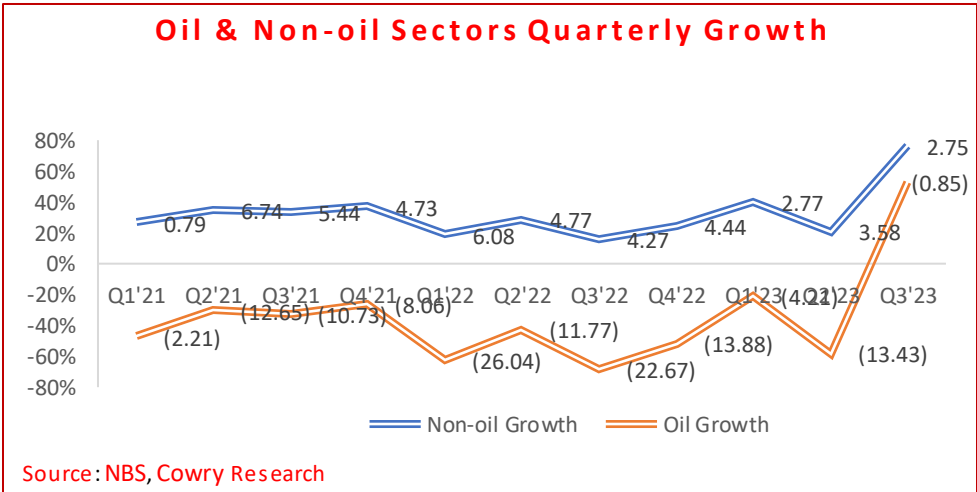


Zooming further into the sectoral echelons that have driven growth of Nigeria’s real output during the review period, the Agriculture sector, alongside the services sector, contributed to the positive momentum, registering a growth rate of 1.30%. While this represents a slight dip from the previous year's figure, it underscores the sector's continued role in supporting economic growth. Similarly, the Industry sector, after facing a notable contraction of -8.00% in Q3 2022, showcased resilience with a growth rate of 0.46% in Q3 2023. This recovery signals positive shifts within the industrial landscape and aligns with broader economic stabilization efforts.

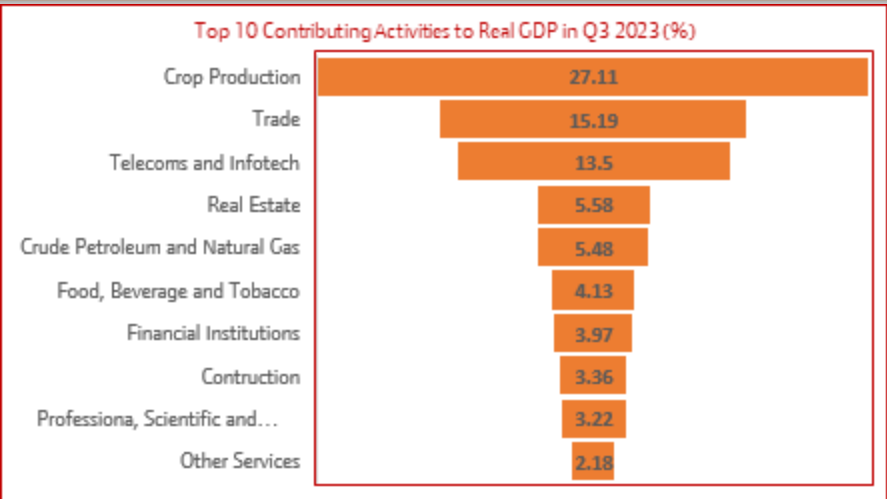
On the contrary, the Industry sector paints a contrasting picture as it experienced a contraction of -1.94% in the second quarter of 2023, albeit less severe than the -2.30% recorded in the corresponding period of the preceding year. While negative growth raises concerns, the mitigated decline signals a certain degree of stabilization within the sector. Meanwhile, 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 recovered from their slumps as was reported in Q2, and paints a positive picture of resilient and evolving economy when compared to the same timeframe in 2022.

Elsewhere, the oil sector’s retarded growth conundrum wane gradually as it contributed 5.48% to the total real GDP in Q3 2023, down from the figure recorded in the corresponding period of 2022 and up from the preceding quarter, where

it contributed 5.66% and 5.34% respectively. On a year over year analysis, the sector’s real growth was on a negative of 0.85% in Q3’23 indicating an increase of 21.83% points relative to the rate recorded in the corresponding quarter of 2022 (-22.67%). Growth also increased by 12.58% points when compared to Q2 2023 which was – 13.43%. On a quarter-on-quarter basis, the oil sector recorded a growth rate of 12.47% in Q3 2023.



During the period, Nigeria recorded an average daily oil production of 1.45 million barrels per day (mbpd), higher than the daily average production of 1.20mbpd recorded in the same quarter of 2022 by 0.25mbpd and higher than the second quarter of 2023 production volume of 1.22 mbpd by 0.23mbpd. This comes on the back of abating level of pipeline vandalism and the menace of oil theft as well as the phased implementation of the petroleum industry Act (PIA).



For the non-oil sector, it grew by 2.75% in real terms in Q3'23, lower by 1.52% point from Q3'22 and down by 0.84% in Q2'23. 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 94.52% in Q2'23, higher than the share recorded in the third quarter of 2022 which was 94.34% and lower than the second quarter of 2023 recorded as 94.66%.

The 2.54% real growth reflects positive economic dynamics amidst a challenging backdrop marked by a high inflation rate, a depreciating currency, elevated unemployment, pervasive poverty, and persistent security concerns. Despite these formidable obstacles, various sectors contributed to the growth, although falling short of the nation's anticipated sustainable growth potential of 5% to 6%. The Services sector's dominance, coupled with recovery in Agriculture and Industry, underscores the country's resilient effort toward economic diversification. However, the economic hurdles, particularly inflation and unemployment, require targeted policy measures to navigate the complexities and achieve the aspired double-digit economic growth in the near-term.

In the face of adversities, Cowry Research maintains a cautious 2023 GDP forecast at 3%, acknowledging the positive momentum but emphasizing the need for proactive policies to address the multifaceted challenges hindering Nigeria's journey towards sustained and inclusive economic growth.

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