FDC Economic Bulletin

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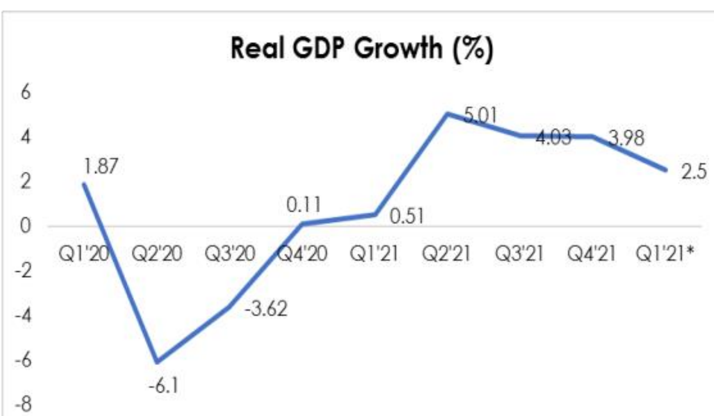
Sustained positive growth but most crucial sectors are lagging

Nigeria's real GDP growth topped most analyst expectations, expanding by 3.98% in Q4, bringing the annual growth rate to 3.4%. The CBN had estimated a growth rate of 3.1%, whilst the IMF projected 2.6%. The annual growth rate is higher than the population growth of 2.6%. This means that GDP per head will increase for the first time in many years.

This impressive Q4 GDP expansion was largely due to base effects, harvesting activities and waning COVID restrictions. A breakdown of the report showed that 18 of the 46 activities tracked by the NBS expanded, 23 slowed while 5 contracted. The agric sector, which contributes 27% to GDP and employs over 45% of the labour force, spiked by 3.58%, almost twice as much as in the previous quarter (1.22%). The sector got a boost from favourable weather and a bumper main cocoa crop. It is estimated that Nigerian cocoa exports could reach 280,000 metric tonnes in 2021. This growth of 3.58% is in-spite of huge post-harvest losses and disruptions from herdsmen conflict.

A major concern however is that some key sectors of the economy are deteriorating. The oil sector, which is a major source of government revenue and foreign exchange earnings, contracted by 8.06%. The country has failed to take advantage of the rally in oil prices as it battles to ramp up production due to persistent operational challenges. Also, the unavailability of foreign exchange, logistics constraints and dwindling consumer income have limited growth in the manufacturing sector and trading activities.

The sustained positive growth trajectory and the marginal drop in inflation could propel an increase in interest rates at the MPC meeting next month.



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[1] NBS, FDC Think Tank

Farming just got easier

With Dangote Fertiliser Urea's low moisture that helps easy application to crops, farmers now have a choice of fertiliser that delivers healthy crop, high yield, rapid growth and quality produce.

Oil sector growth still in the negative territory

The oil sector growth of -8.06% remained negative but was slightly better than the previous quarter of -10.73%. This tepid performance can be largely attributed to lower oil production. Oil output fell to 1.5mbpd in Q4'21 from 1.57mbpd in Q3'21. This was due to a slowdown in drilling activities and pipeline sabotage.

Sector Performance – 18 expanded, 23 slowed and 5 contracted

Of the 46 activities tracked by the NBS, 18 expanded, 23 slowed and 5 contracted. While the agric sector benefitted from the year-end harvest, trade and manufacturing sector growth was limited by forex unavailability, logistics constraints and dwindling consumer purchasing power.

Expanding Sectors	Q3'21	Q4'21	% Change
Water supply	12.97	28.84	+15.87
Transport & storage	20.61	29.72	+9.11
Agric	1.22	3.58	+2.36
Public administration	-0.15	1.13	+1.28
Financial & insurance	23.23	24.14	+0.91
Other services	0.73	1.63	+0.90
Arts & entertainment	3.68	4.31	+0.63
Professional services	1.11	1.50	+0.39
Human health	4.99	5.14	+0.15
Education	1.37	1.42	+0.05

Slowing Sectors	Q3'21	Q4'21	% Change
Manufacturing	4.29	2.28	-2.01
Electricity	14.36	2.78	-11.58
Construction	4.10	3.46	-0.64
Trade	11.90	5.34	-6.56
Accommodation	2.07	1.27	-0.80
ICT	9.66	5.03	-4.63
Real estate	2.32	1.47	-0.85
Admin	3.36	2.70	-0.66

Outlook & Impact

We expect the positive growth momentum to be sustained in subsequent quarters. However, Q1'22 real GDP growth could slow to 2.5% due to weak aggregate demand and the commencement of the planting season. The MPC will be meeting next month to determine the direction of its monetary policy. The sustained positive growth and the marginal decline in inflation will embolden the hawks in the MPC. The committee had maintained status quo 27 times in the last 3 years.