

2022

GDP BULLETIN

FEBRUARY 23, 2023



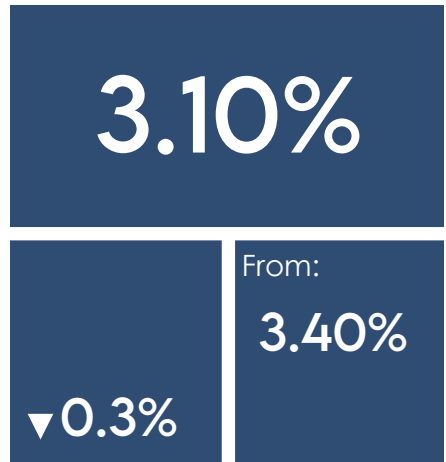
12%

NIGERIA'S GDP GREW BY 3.10% IN 2022—COULD THE ECONOMY BE ON THE MEND?

The long-anticipated 2022 full-year GDP report was released yesterday. In line with the IMF (3.2%), World Bank (2.7%), and FDC (3.01%) forecasts, the economy grew by 3.1% in 2022—0.3% lower than 3.4% recorded in 2021.

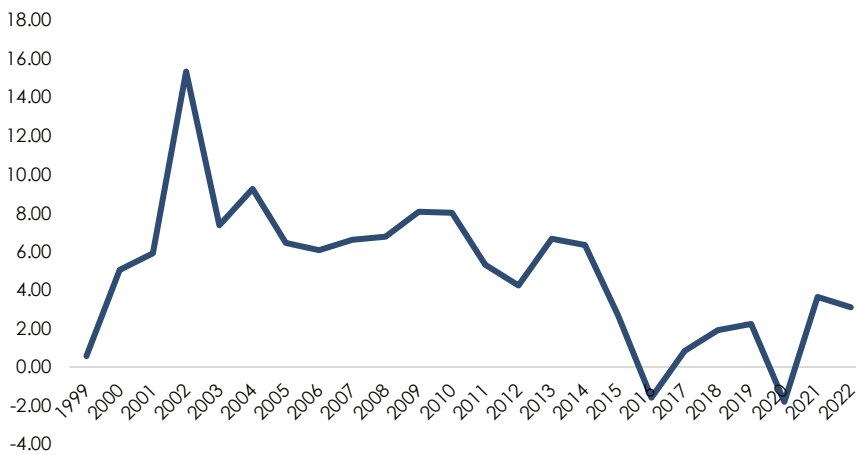
On a quarterly basis, the real GDP grew by 3.52% in Q4'22, down by 0.46% from 3.98% in Q4'21. Meanwhile, it rose by 1.27% from 2.25% in Q3'22. The positive growth rate can be attributed to the festive period and increased economic activities in Q4. Typically, Q4 growth rates are higher than in preceding quarters.

2022

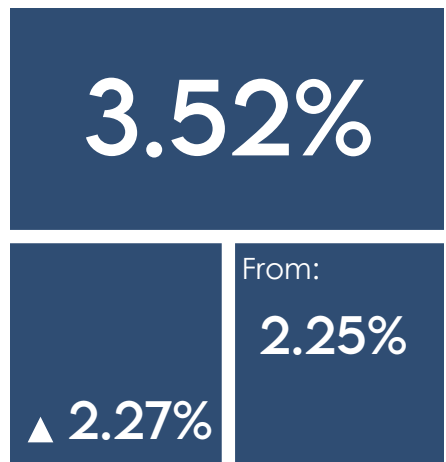


2021

ANNUAL GDP GROWTH (%)

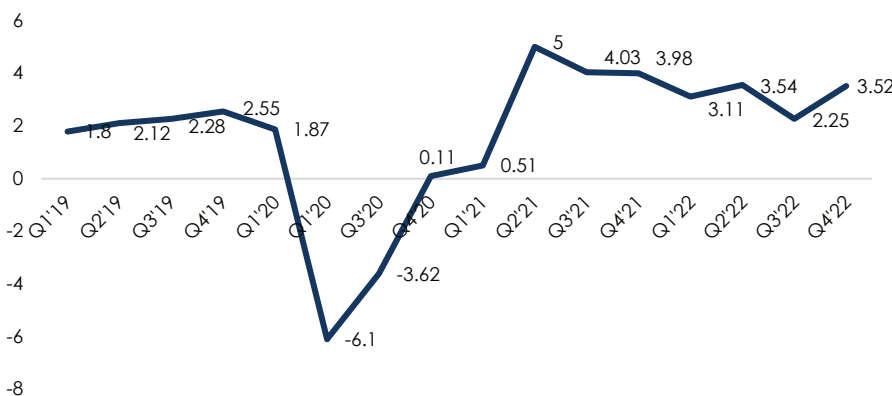


Q4'22



Q3'22

REAL GDP GROWTH (%)



Source: NBS, FDC

Ultimately, Nigeria's GDP figures for 2022 show that the economy could be on a mend, despite the headwinds it faced in the year. Nigeria wriggled through spiralling inflation (2022's average: 18.75%), currency crises (₦740/\$ at the parallel market), escalating insecurity, restrictive monetary policy, dwindling fiscal revenue, and policy inconsistency. All these happened together with external imbalances stemming from the lingering Russian-Ukraine war.

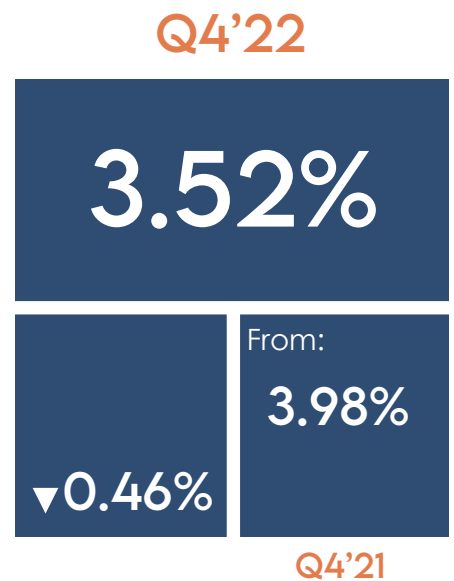
BREAKDOWN OF DATA

OIL AND NON-OIL SECTORS

The non-oil sector grew by 4.44%, a 0.17% increase from 4.27% in Q3'22. However, compared to the corresponding quarter in 2021, it slowed by 0.29% from 4.73%. On average, the sector grew by 4.84% in 2022 from 4.44% in 2021, while its contribution to GDP rose to 95.66% from 94.33% in Q3'22.

The oil sector continued its downward trend in 2022. The sector recorded another negative growth in 2022 (-19.22%), an improvement of 6.82% from -26.04% recorded in 2021. Quarterly, the oil sector contracted by 13.88% in Q4'22 from -22.67% in the previous quarter—also an improvement of 8.81%. The marginal boost in the oil sector growth can be partly attributed to improved security measures to curb oil theft and vandalism by the federal government. The security measures also resulted in an increase of 18.85% in oil output to 1.267mbpd in December 2022, although still lower than OPEC's quota of 1.732mbpd.

However, zooming in on oil's contribution to GDP, which slowed to 5.67% in 2022 from 7.24% in 2021, and slowed to 4.34% in Q4'22 from 5.66% in Q3. We see that more needs to be done to boost oil sector growth. Oil theft, pipeline vandalisation, underinvestment, and other operational challenges persist, stifling the sector's growth. Despite its tepid and negative growth, oil contributes over 70% to Nigeria's export earnings.



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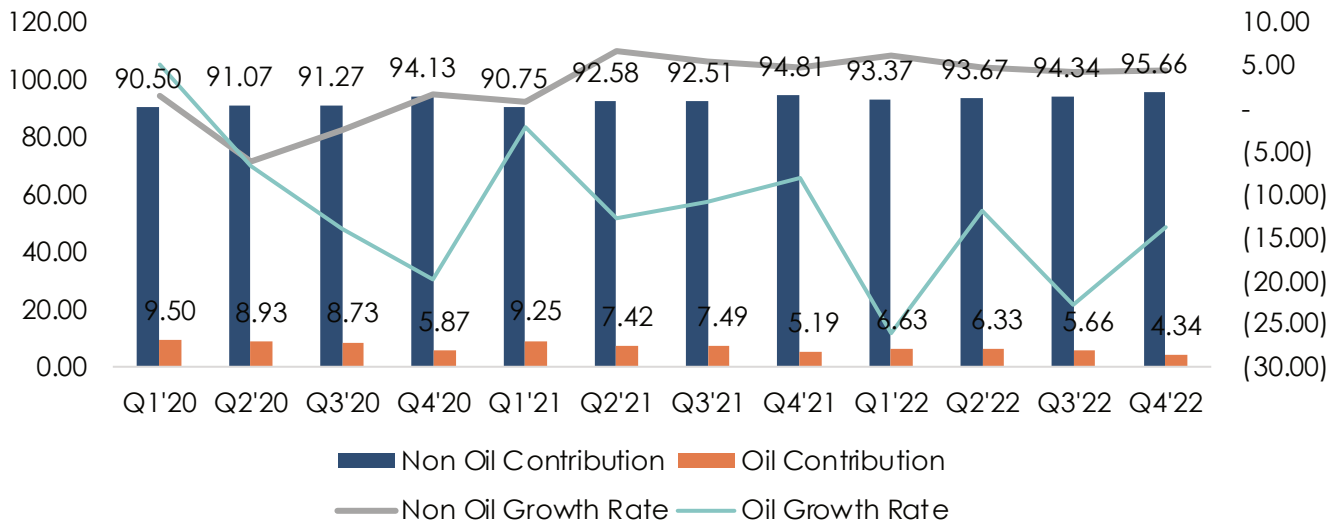
▪ Africa

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OIL SECTOR VS NON OIL SECTOR



SECTOR PERFORMANCE

SECTOR ACTIVITIES TRACKED

17

EXPANDED

18

SLOWED

11

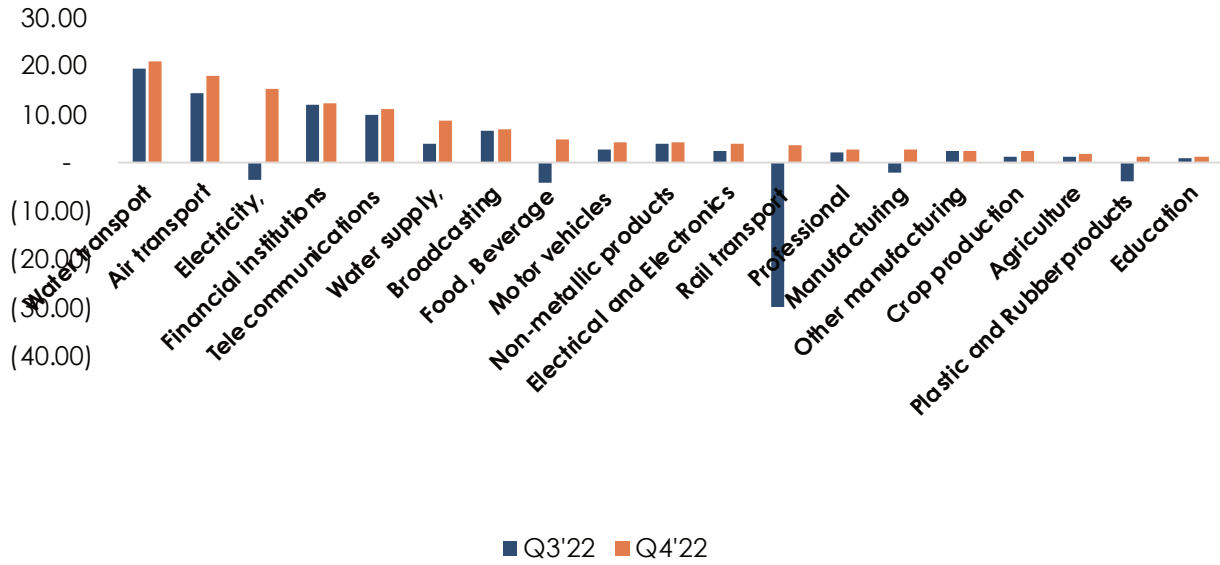
CONTRACTED

Of the 46 activities tracked by the NBS, 17 expanded in Q4'22 compared to 26 in Q3'22. Some of the expanding activities include telecommunication (11.24%), agriculture (2.41%), manufacturing (2.83%), rail transport (3.81%), and air transport (18.01%).

Unlike the preceding quarters, the expanding sectors in Q4'22 are job elastic, contributing positively to employment. For instance, agriculture employs 48% of Nigeria's labour force.

However, the annual performance of these sectors compared to 2021 indicates a general slowdown in economic activities. For example, agriculture, manufacturing, and rail transport slowed to 1.88%, 2.42%, and 2.24% in 2022 from 2.13%, 3.35%, and 36.95% in 2021, respectively.

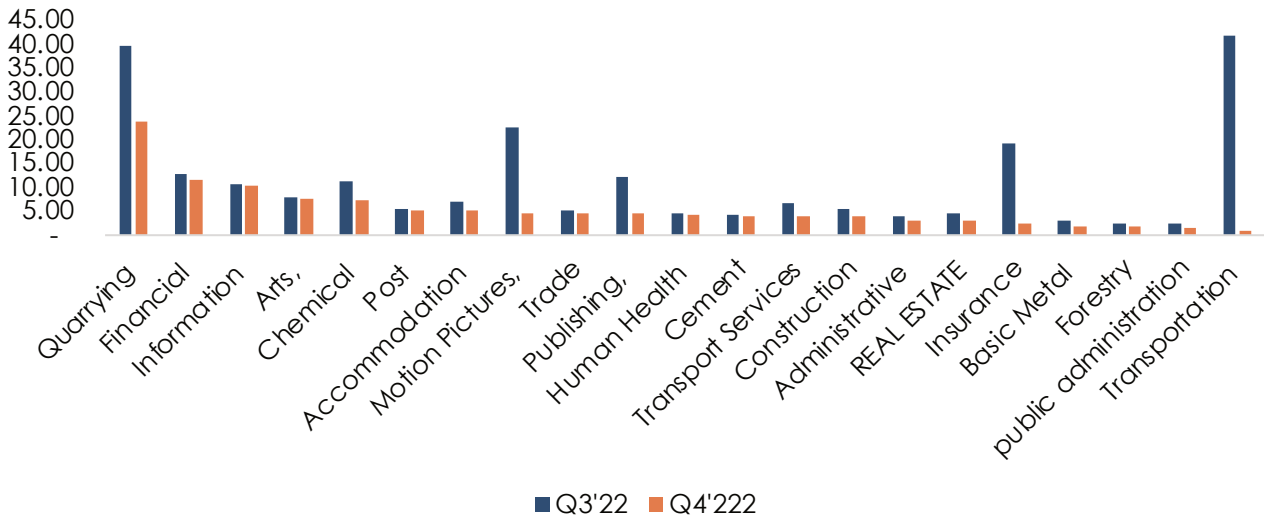
EXPANDING SECTORS



CONTRACTING AND SLOWING SECTORS ACCOUNT FOR 63% OF TOTAL ACTIVITIES

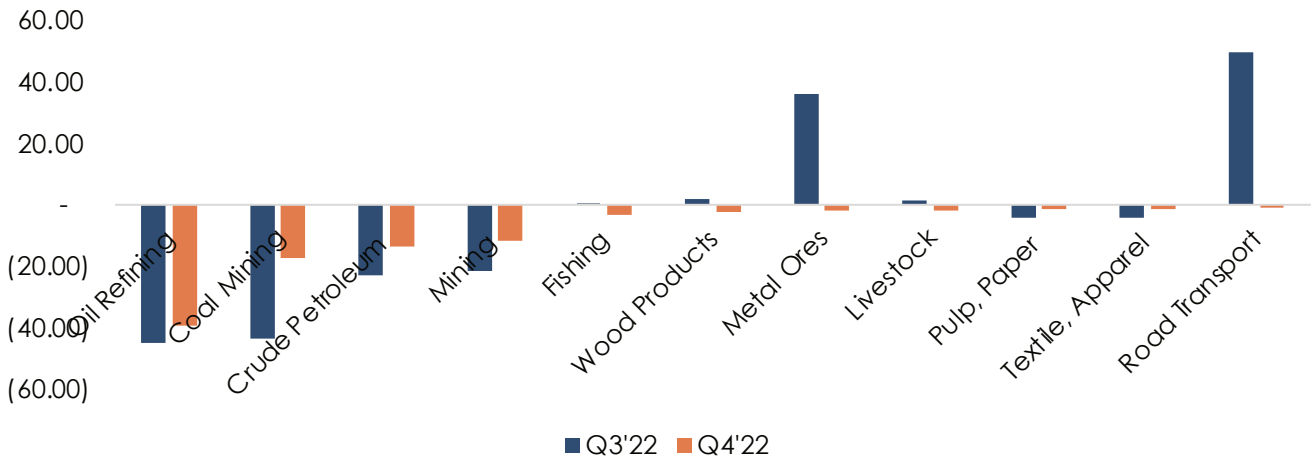
A total of 29 (63%) activities slowed or contracted in Q4'22. A deeper look at the sectors within this category shows that they are mostly exposed to forex rationing shocks and interest rate hikes.

SLOWING SECTORS



For instance, trade slowed to 4.54% in Q4'22 from 5.08% in Q3'22, and construction declined to 3.80% in Q4'22 from 5.52% in Q3'22. Meanwhile, crude Petroleum and natural gas recorded the deepest contraction of 13.38% in Q4'22 from -22.67% in Q3'22.

CONTRACTING SECTORS



NIGERIA – AN OUTLIER AMONG OIL-PRODUCING COUNTRIES

In 2022, the Russian-Ukraine war increased energy prices. Brent crude climbed to a near decade high of \$127.23pb at its peak in May, while LNG prices spiked by 22.8%. The oil price boom supported revenues for oil exporting and producing countries, except Nigeria.

For example, Middle East and Central Asian countries earned a combined surplus of \$843 billion (as reported by the IMF) in 2022. This led to a miracle economic growth in Saudi Arabia (8.7%)—the highest level in four years, and Kuwait (7.9%).

However, Nigeria saw its oil revenue decline by 64.3% to ₦2.19trn, and its contribution to GDP sank to 5.67% from 7.24% in 2021. The country faces the twin problems of oil theft and a lack of political will to remove oil subsidies. In 2022, oil production averaged 1.2mbpd, 28.14% below 2022's budget estimate of 1.67mbpd.

Meanwhile, oil subsidies totaled more than ₦6 trillion, ten times the federal government's share of oil revenues in 2022 (₦586.7 billion). The continuing oil subsidy payment amid dwindling oil production weighed on government revenue, heightening fiscal pressures and contributing to the mounting public debt. Nigeria added more N8trn—50% of the 2022 budget—to its debt stock.

OUTLOOK

We expect real GDP growth to sustain its positive trend in Q1'23, albeit lower than Q4'22, on the impact of currency scarcity, political uncertainty, and geopolitical tensions. We are forecasting GDP growth of 1.35% in Q1'23. In addition, the expected decline in growth with the sharp uptick in headline inflation to 21.8% in January will be major considerations for the monetary policy committee at its next meeting in March.

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