

Nigeria's GDP

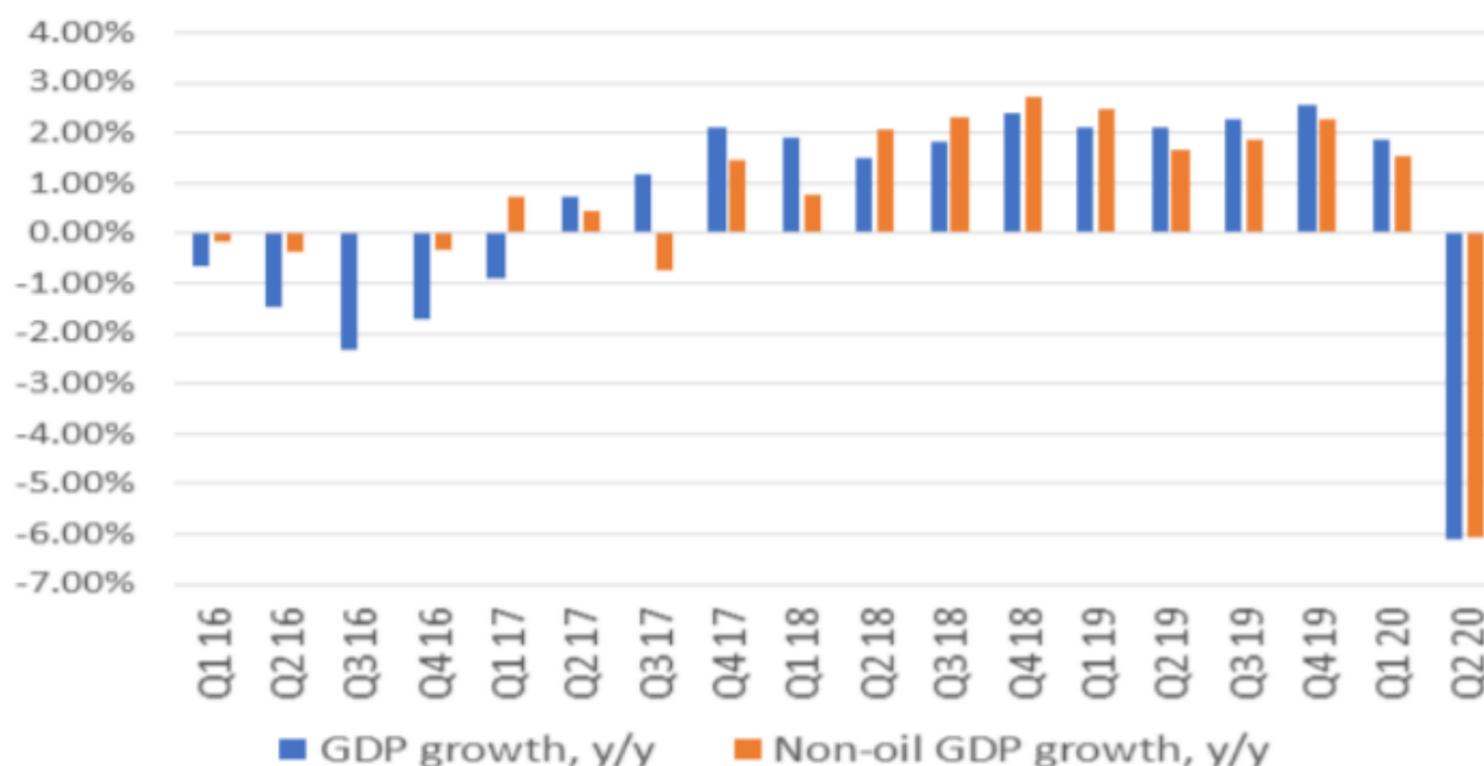
24th August, 2020

Economics Note

Nigeria's GDP shrinks by 6.10% y/y in Q2' 2020

The National Bureau of Statistics (NBS) showed that Nigeria's Gross Domestic Product (GDP) contracted by 6.10% y/y in real terms in Q2' 2020 from 1.87% y/y growth in the prior quarter, ending the 3-year trend of low but positive real growth rates recorded since the 2016/17 recession. Apparently, the significant drop reflects the negative impact of the COVID-19 pandemic on the economic activity, the crash in oil price and the OPEC oil production cut.

The Nigeria's GDP got less of the COVID-19 hit compared to industrialised countries like Germany whose economy contracted by 10.1% y/y in Q2' 2020; or a services-led economy like the USA whose economy is estimated to have contracted by 32.9% y/y in Q2' 2020.



Real GDP	-6.10%
Oil GDP	-6.63%
Non-Oil GDP	-6.05%

Marco Variables	
Inflation	12.82%
MPR	12.50%
Brent Crude	\$45.51/barrel
External Reserves	\$35.6b
Naira Sovereign Yields	
Spot	
277-day (OMO)	4.21%
293-day (T-bill)	2.34%
3 Year	5.63%
7 Year	7.79%
10 Year	8.76%

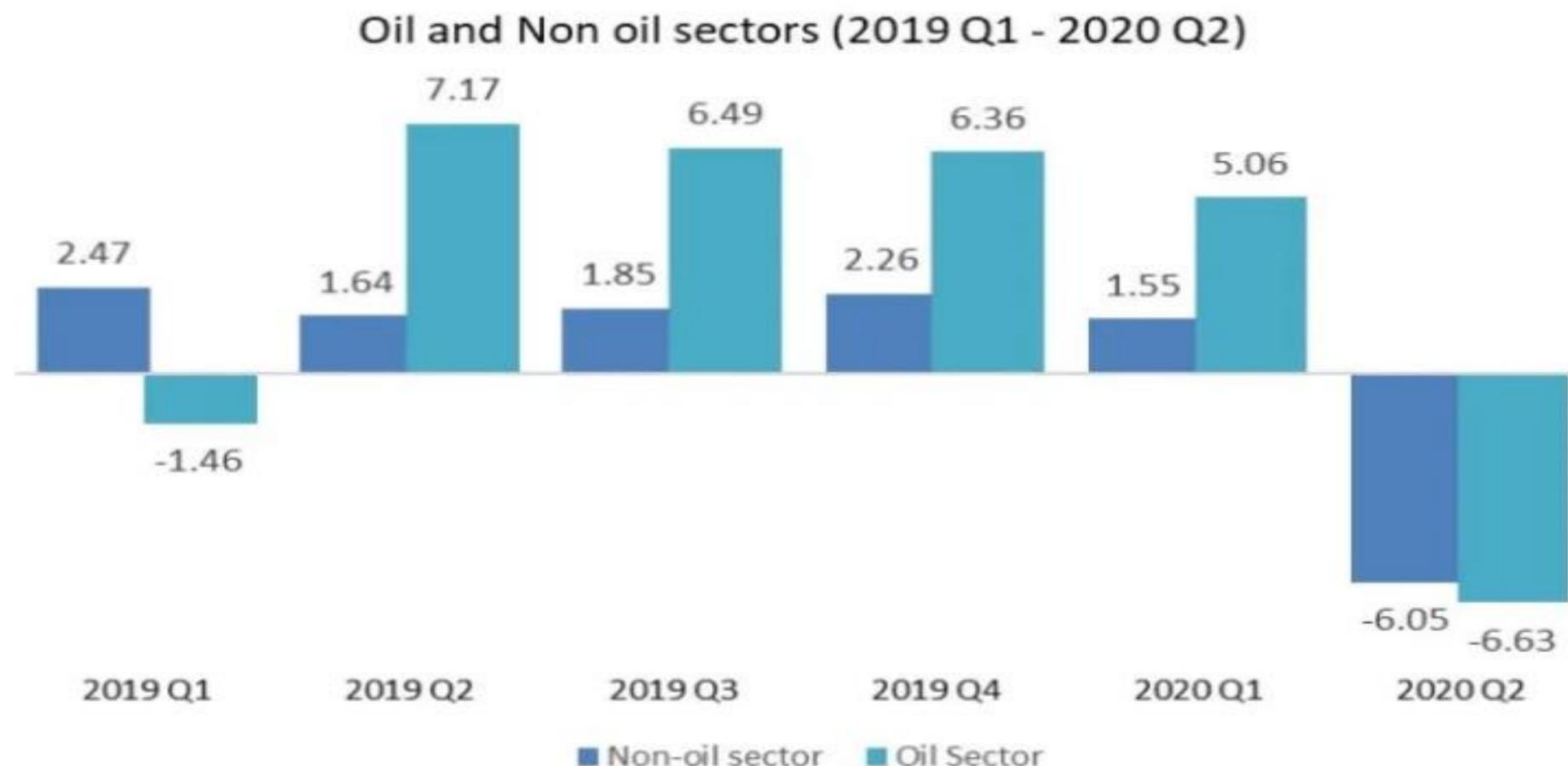
Source: CBN, Bloomberg, FMDQ, CBP Research

The Oil Sector: Covid Sonami Hit

As expected, the largest revenue provider Oil sector contracted by 6.63% y/y in Q2' 2020, relative to the 5.06% y/y growth in Q1' 2020 and 7.17% y/y growth in Q2' 2019. The contraction was largely contributed by the full compliance with OPEC + production cut agreement, daily oil production declined by 12.56% from 2.07mbpd in Q1' 2020 and 10.40% from 2.02mbpd in Q2' 2019 to 1.81mbpd Q2' 2020

The Non-Oil Sector

The negative impact of the COVID-19 induced lockdown measures were evident in the performance of the non-oil sector contracting by 6.05% in real terms during the reference quarter (Q2 2020). It was the first decline in real non-oil GDP growth rate since Q3 2017. Notably, the Sectors which recorded the highest negative growth in Q2 2020 include Transport (-49.23%), Education (-24.12%), Real estate (-21.9%) and Trade (-16.59%). Nevertheless, growth in non-oil sector output was driven by Financial services (+18.49%) and ICT (+15.09%).



Outlook

In Oil Sector, we expect the further contraction as Nigeria comply to OPEC + production cut agreement and compensation for prior months overproduction, Nigeria promised that it is working hard to meet full compliance with the cuts.

In Q3' 2020E, we expect a slow-paced recovery following the lifting of the lockdown measures, movement restrictions and government efforts to stimulate the economy but the economic performance will remain contractionary as business activities continue to struggle to return to their normal. As the key sectors such as Oil & Gas, Manufacturing, Trade, Agriculture, Aviation & Services accounting for over 50% of the Real GDP, may not bound fully by the end of September 2020, this signals **Recession** in Q3' 2020E (two consecutive quarters of negative economic growth).