

Economic Update

Nigeria | Economy | 4Q & FY 2020 GDP Report | March 02, 2021

PAC RESEARCH

Narrow exit from recession: V-Shape recovery continues

Nigeria exits recession with economic output growth rate of 0.11% year-on-year in 4Q'20. In the fourth quarter to December 2020, Nigeria narrowly escaped economic recession with real gross domestic product (GDP) growth rate of 0.11% y/y, however the nation recorded a contraction of 1.92% for the full year 2020. The growth rate in the review quarter is lower than the growth rate of 2.55% in the corresponding period of the previous year but it is an improvement compared with the contraction of 3.62% in the preceding quarter (fig. 1). The positive growth rate reflects the gradual return of economic activities following the easing of restriction on movements and limited local and international commercial activities in the review quarter. The measures that involved partial lockdown of the economy were put in place earlier in the year to limit the spread of COVID-19 virus. Also, the discovery of vaccines against the virus restored confidence globally and this has boosted economic activities to a great extent in some jurisdictions. Although, the emergence of the second wave of the pandemic in some countries in the first quarter of 2021 has resulted in partial lockdowns in those countries. This poses a threat to the full recovery of economic activities that we are envisaging in the quarters ahead.

Furthermore, aggregate nominal GDP in the review quarter stood at ₦43.56 trillion, higher by 10.07% compared with the ₦39.58 trillion in the corresponding quarter of 2019, also the nominal GDP is higher by 11.43% relative to the ₦39.09 trillion in the preceding quarter. Furthermore, the number of economic activities that recorded positive growth in the period were seventeen while twenty-nine economic activities recorded various levels of decline out of the forty-six economic activities in the nation's GDP basket. In our view, the economic growth rate in the quarters ahead is expected to be strengthened with improvement in the prices of crude oil.

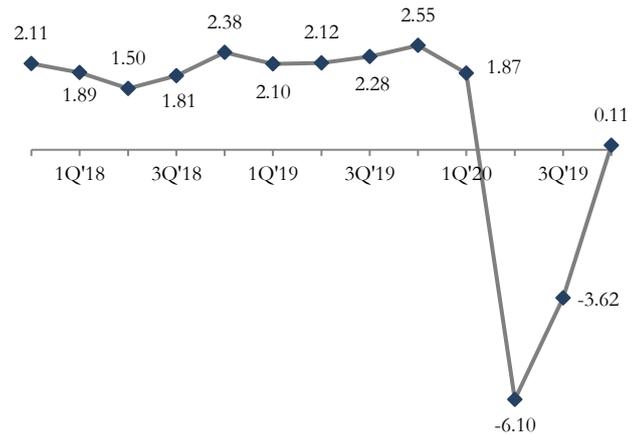
Table 1: Oil sector and non-oil sector – quarterly real GDP growth rates

	4Q'19	1Q'20	2Q'20	3Q'20	4Q'20
Oil sector	+6.36%	+5.06%	-6.63%	-13.89%	-19.76%
Non-oil sector	+2.26%	+1.55%	-6.05%	-2.51%	+1.69%

Source: NBS, PAC Research

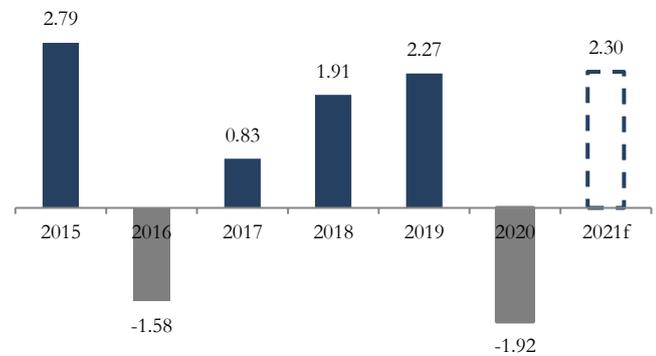
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Fig. 1: Quarterly real GDP growth rates (%)



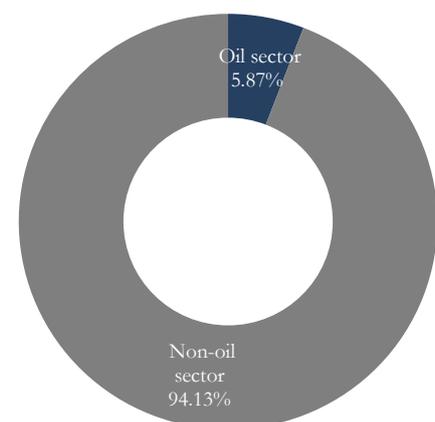
Source: NBS, PAC Research

Fig. 2: Yearly GDP real growth rates (%)



Source: NBS, PAC Research

Fig. 3: Contribution to GDP in 4Q'20 – oil sector and non-oil sector



Source: NBS, PAC Research

Morover, the marginal growth rate in the economic output in the fourth quarter of 2020 was driven by the performance of the the non-oil sector with real growth rate of 1.69%, lower than the real growth rate of 2.26% in the fourth quarter of 2019 but higher than the contraction of 2.51% in the third quarter of the year. The positive performance of the non-oil sector in the quarter was driven by the performance of agriculture sector and the services sector. However, the non-oil sector recorded a contraction of 1.25% for the full year 2020. It is worthy of note to state that the non-oil sector contributed 94.13% to the nation's economic output in the quarter relative to the contribution of 92.68% in 2019.

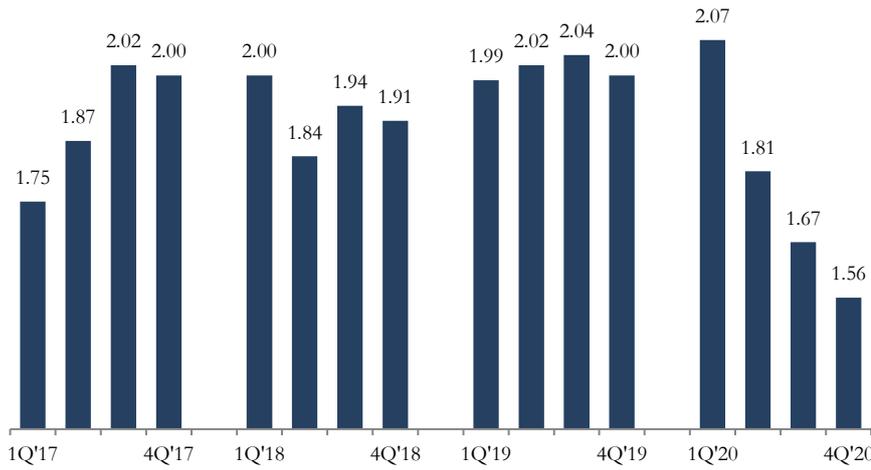
On the other hand, the oil sector contracted by 19.76% in the period, lower than the growth rate of 6.36% in the corresponding quarter of 2019 but it is worse than the contraction of 13.89% in the preceding quarter. In addition, the weak performance of the sector was driven by both the fall in the price of crude oil and low production quantity in the period. For example, Brent Crude Oil traded at an average price of US\$45.99 per barrel in the review quarter, lower by 20.47% relative to the average price of US\$57.79 per barrel in the fourth quarter of 2019 but the average price in the review quarter is almost flat with the US\$45.33 per barrel in the third quarter of the year. Also, Brent Crude Oil prices traded at an average price of US\$45.99 in the full year 2020, lower than the average price of US\$60.01 per barrel in 2019 by 24.03%. Following the closure of many national borders and the implementation of travel-related restrictions to stop the spread of the virus, demand for crude oil slumped globally. However, oil prices has improved significantly from the beginning of 2021, Brent Crude Oil is currently trading at around US\$66 per barrel as at 25 February 2021. A combination of continued production cuts by OPEC+ and an increase in economic activities has prompted oil prices to return to the pre-pandemic level – a factor that is crucial to the full recovery of the nation's economic output. Furthermore, with the global rollout of various COVID-19 vaccines, it is believed that the world will return to a degree of normality in 2021 in terms of global travel and consumption. This is expected to further spur oil demand. Although, the outlook for oil demand in 2021 is brighter relative to the preceding year, there are still a number of factors that could hinder a sustained rebound such as a further outbreak of the pandemic and the intensity of the second wave, the possibility of delays in the rollout of vaccines and disagreement among the major oil producers.

Similarly, crude oil production stood at an average of 1.56 million barrel per day (mbpd) in the period, lower by 22.00% compared with an average production of 2.00 (mbpd) in the corresponding quarter of the previous year. Also, the review quarter's production is lower by 6.59% compared with the average daily production of 1.67 mb in the third quarter of 2020 (**fig. 4**). Overall, for the full year 2020, average daily production stood at 1.78 million barrel, lower by 11.44% compared with the production of 2.01 mbpd in 2019. In addition, the lower average daily production in the period was also due to the negative impact of the COVID-19 global healthcare crisis and the need to comply with the production quota of OPEC. It is worthy of note to state that the oil sector contributed 5.87% to the output in the period, relative to the contribution of 7.32% in the fourth quarter of 2019 and the contribution of 8.73% in the preceding quarter.

The positive performance of the non-oil sector in the quarter was driven by the performance of agriculture sector and the services sector.

In addition, the lower average daily production in the period was also due to the negative impact of the COVID-19 global healthcare crisis and...

Fig. 4: Crude oil production (mbpd)



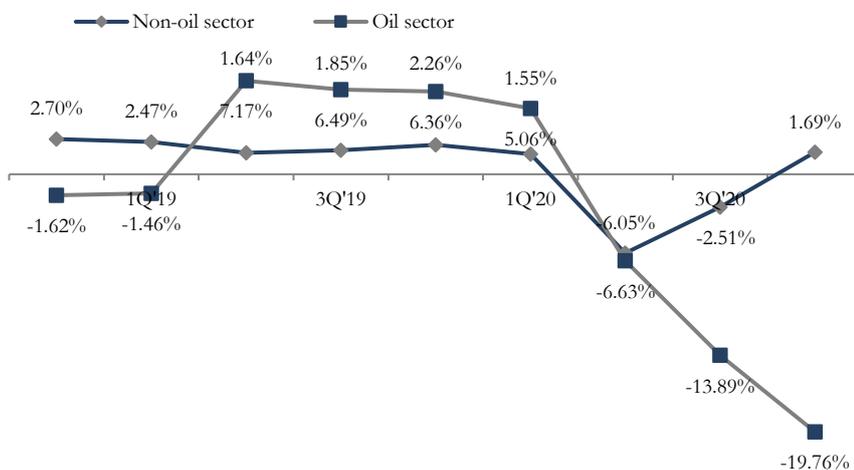
Source: NBS, PAC Research

Fig. 5: Prices of Brent crude oil (US\$/barrel)



Source: Bloomberg, PAC Research

Fig. 6: Oil sector and non-oil sector – quarterly real GDP growth rates



Source: NBS, PAC Research

Agriculture industry extends its performance in the quarter. In the period, agriculture sector recorded real GDP growth rate of 3.42%, higher than both the growth rate of 2.31% recorded in the corresponding quarter of 2019 and the 1.39% in the preceding quarter. **(fig. 9).** The sector comprises crop production, livestock, forestry and fishery, however crop production activity remains the major driver of the sector and it accounted for 90.50% of all the economic activities in the agriculture sector in the review period. Crop production recorded real GDP growth rate of 3.42% in the period, higher than both the growth rate of 2.31% in the corresponding quarter of 2019 and the 1.39% recorded in the third quarter of the year. Also, livestock accounted for 6.60% of the total activities in the agriculture sector, the economic activity recorded real growth rate of 3.68% in the period, higher than both the growth rate of 2.52% in the fourth quarter of 2019 and the 1.38% in the preceding quarter. Livestock economic activity contributed 1.78% to the overall real GDP in the review quarter. Furthermore, forestry and fishery recorded real growth rate of 2.38% and 1.24% respectively in the period. Overall, agriculture sector contributed 24.39% to the total economic output in the quarter higher than the contribution of 23.55% in the corresponding quarter of the previous year and lower than the 28.41% in the third quarter of the year 2020.

Industry sector's negative performance worsens. In the fourth quarter to December 2020, the economic activities in the industry sector deteriorated with real GDP contraction of 7.30% relative to the real growth rate of 2.75% in the corresponding quarter of 2019 and the contraction of 6.12% in the preceding quarter. The sub-sectors that contributed to the contraction are mining & quarrying and manufacturing while construction sub-sector mitigated the contraction. Mining and quarrying sub-sector recorded a contraction of 18.44% in the period, relative to the growth rate of 6.07% in the corresponding quarter of the previous year and a contraction of 13.22% in the preceding quarter. In addition, the economic activities that contributed to the weak performance of mining and quarrying sub-sector are crude oil and natural gas and coal mining, while quarrying and other minerals economic activities mitigated the weakness of the sub-sector with real growth rate of 48.42% in the quarter. Furthermore, the performance of the manufacturing sub-sector remained flat with a contraction of 1.51% relative to the same level of contraction in the preceding quarter. The sub-sector recorded a real growth rate of 1.24% in the corresponding period of the previous year. The economic activities that accounted for the weakness of the manufacturing sub-sector are textile, apparel & footwear, wood & wood products, non-metallic products and electrical & electronics with contractions of 5.55%, 3.17%, 9.92% and 12.14% respectively. On the other hand, the economic activities that mitigated the weakness are cement and food, beverage & tobacco with real growth rate of 6.59% and 2.15% accordingly. Also, construction sub-sector mitigated the weakness with a real growth rate of 1.21% in the quarter relative to a growth rate of 1.31% and 2.84% in the fourth quarter of 2019 and the third quarter of 2020 respectively. Overall, the contribution of the industry sector declined to 18.77% in the period relative to the 20.27% in the fourth quarter of the previous year and the 21.59% in the preceding quarter of the year and 21.36% for the full year 2020.

The sector comprises crop production, livestock, forestry and fishery...

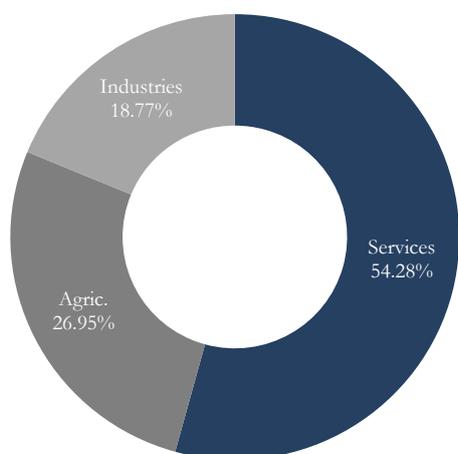
The sub-sectors that contributed to the contraction are mining & quarrying and manufacturing while construction sub-sector mitigated the contraction.

Services sector exits recession with real GDP growth rate of 1.31%. In the review quarter, the negative performance of the services sector reversed with real GDP growth rate of 1.31% relative to the 2.60% in the same quarter of 2019 and the contraction of 5.49% in the third quarter of the year. Out of the twenty-two economic activities in the services sector, seven recorded different levels of growth rate while fifteen recorded various degree of decline. The performance of the information & communication sub-sector was majorly responsible for the good performance of the services sector; information and communication sub-sector recorded real growth rate of 14.70% relative to the growth rate of 10.16% in the fourth quarter of 2019 and the 16.13% in the third quarter of the year. Also, real estate sector aided the performance of the services sector with real growth rate of 2.81% in the quarter relative to the contraction of 3.45% and 13.40% in the corresponding period of the previous year and the third quarter of the year respectively. On the flip side, the services sector could have recorded a better performance but for the dismal performance of the following economic activities; trade, accommodation & food services, transportation & storage and finance & insurance. Accommodation & food service recorded the highest decline of 15.03% relative to the growth rate of 2.02% in the previous year and a decline of 22.61% in the preceding quarter. Furthermore, education economic activities recorded a contraction of 11.43%, this is an improvement relative to the contraction of 20.74% in the third quarter of the year. In addition, transportation & storage, trade and finance & insurance sectors recorded a contraction of 5.95%, 3.20% and 3.63% accordingly.

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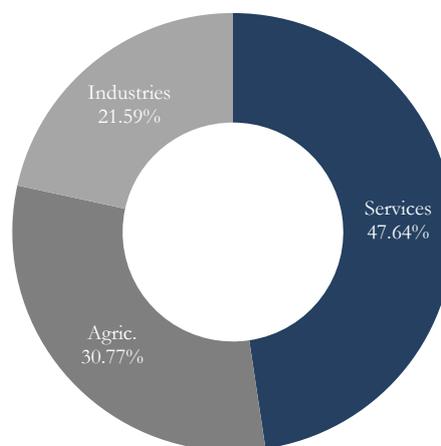
The factors that supported the consistent growth rate of telecommunication & information services economic activities are high mobile phone penetration, increase in online shopping, the growth of e-commerce and increasing consumption of data for internet services among others. Services sector contributed 54.28% to the overall GDP in the period relative to the contribution of 47.64% in the preceding quarter.

Fig. 7: Sectoral contribution to real GDP in 4Q'20



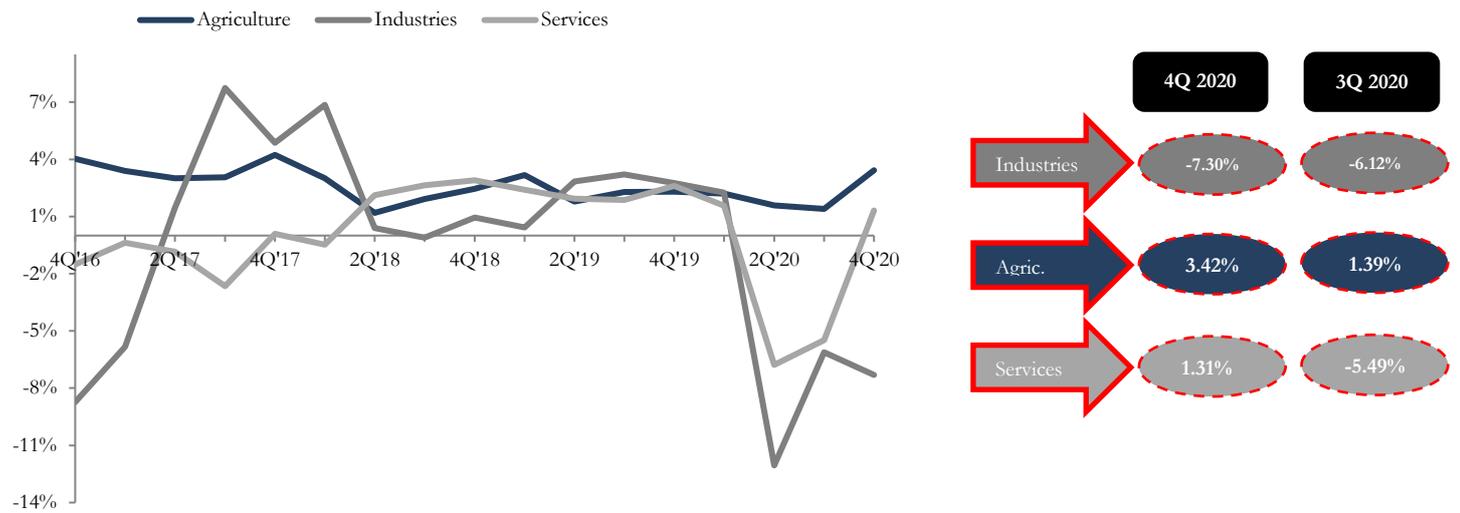
Source: NBS, PAC Research

Fig. 8: Sectoral contribution to real GDP in 3Q'20



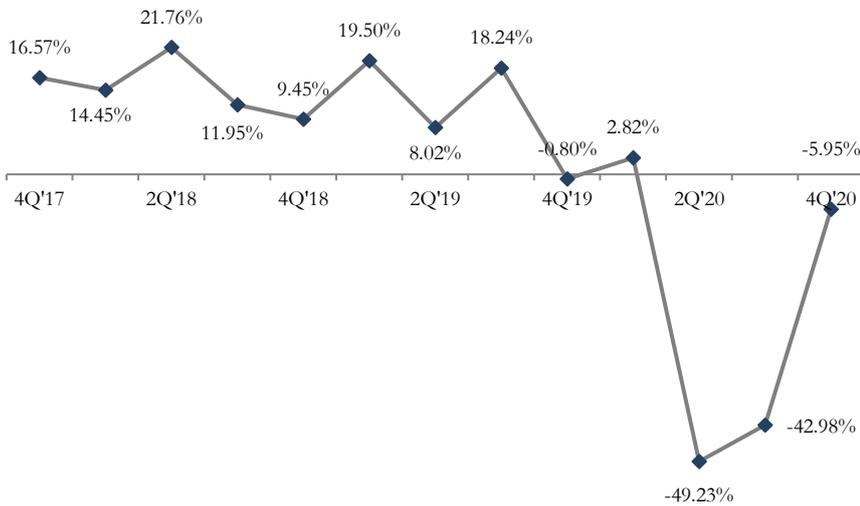
Source: NBS, PAC Research

Fig. 9: Quarterly sectoral real GDP growth rate



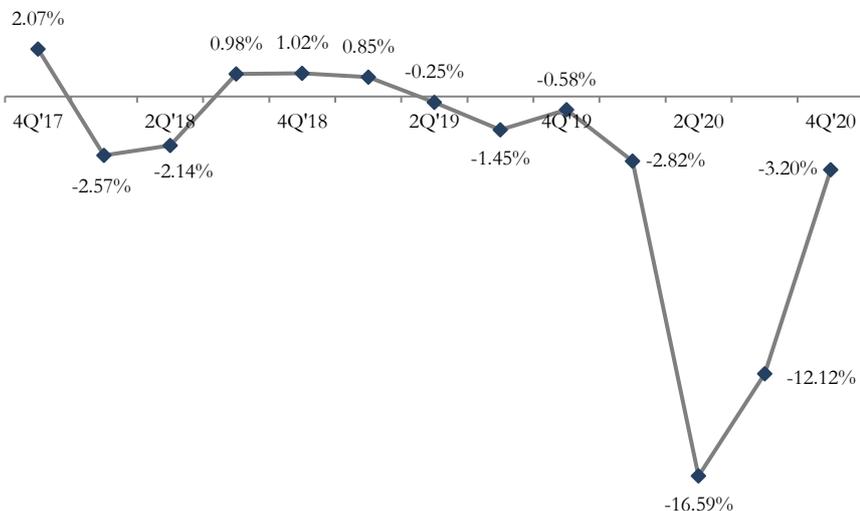
Source: NBS, PAC Research

Fig. 10: Transport & storage - quarterly real GDP growth rate



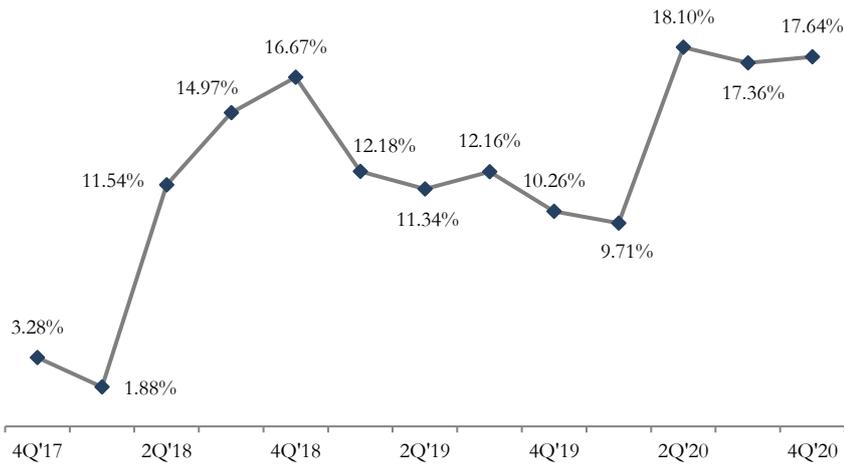
Source: NBS, PAC Research

Fig. 11: Trade sector - quarterly real GDP growth rate



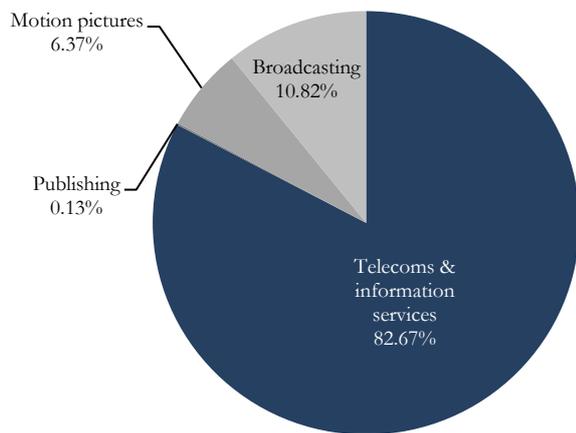
Source: NBS, PAC Research

Fig. 12: Telecoms & information services - quarterly real GDP growth rate



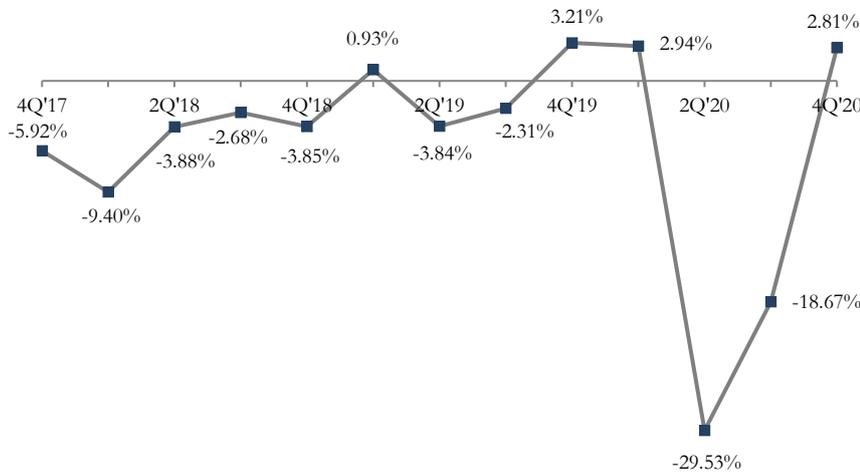
Source: NBS, PAC Research

Fig. 13: Sectoral analysis: Telecommunication & communication services (Q4 2020)

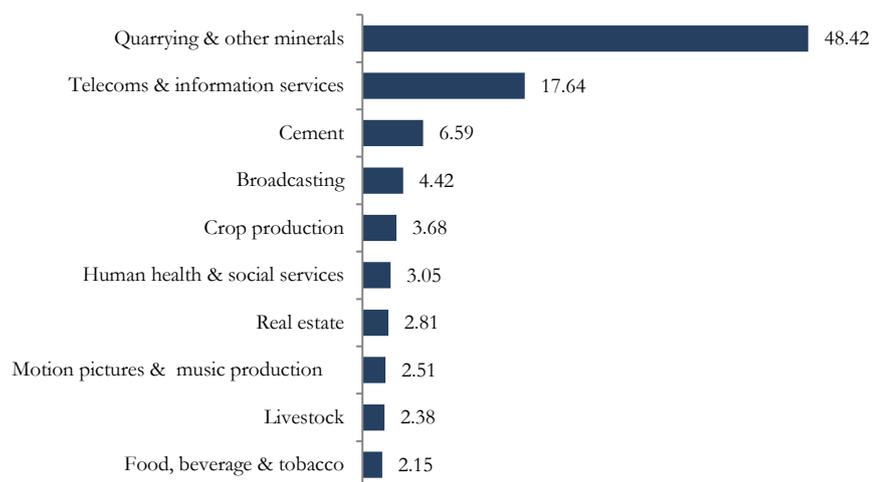


Source: NBS, PAC Research

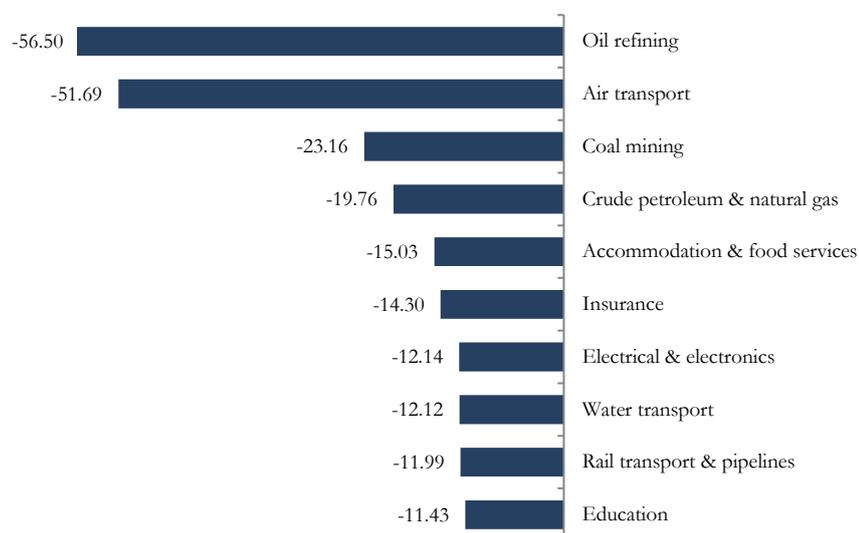
Fig. 14: Real estate - quarterly real GDP growth rates



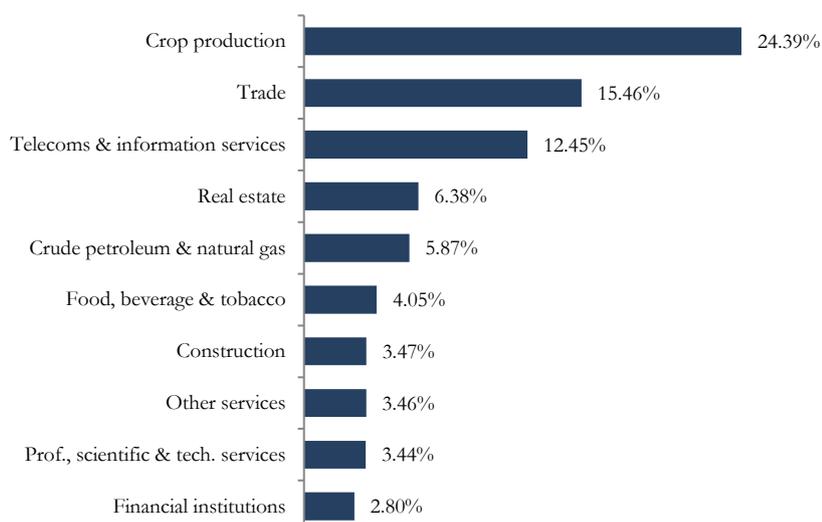
Source: NBS, PAC Research

Fig. 15: Economic activities: Top ten increase in real GDP growth rate in 4Q'20 (%)

Source: NBS, PAC Research

Fig. 16: Economic activities: Decline in real GDP growth rate in 4Q'20 (%)

Source: NBS, PAC Research

Fig. 17: Economic activities: Top ten contributors to real GDP in 4Q'20 (%)

Source: NBS, PAC Research

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