

# Economic Update

Nigeria | Economy | 3Q 2021 GDP Report | December 9, 2021

PAC RESEARCH

## Decelerating recovery: Due to the thinning impact of the base effect

The Nigerian economic recovery strengthens with output growth rate of 4.03% year-on-year in the third quarter of 2021. In the third quarter to September 2021, the Nigerian economy recorded a real gross domestic product (GDP) growth rate of 4.03% y/y. The growth rate in the review quarter is lower than the growth rate of 5.01% in the second quarter of the year and higher than the decline of 3.62% in the corresponding quarter of the previous year (fig. 1). The rate of recovery in the review quarter decelerated relative to the preceding quarter because of the diminishing impact of the base effect. The pace of the recovery of the economic activities since the nation exited recession has been slowly matching up with the performance in the previous periods, thereby reducing the impact of the base effect. Nevertheless, the economic performance in the review period is inspiring, however, we expect the performance to normalise in the quarters ahead and fully eliminate the advantage of the base effect.

In addition, aggregate nominal GDP in the period was ₦45.11 trillion, higher by 15.40% compared with the ₦39.09 trillion in the corresponding period of the previous year. Moreover, in the review period, forty out of the forty-six economic activities in the nation's GDP basket recorded various degrees of growth rate compared with the forty-two in the second quarter of the year. While six economic activities recorded various levels of decline. The performance of the economy in the review quarter was driven by the non-oil sector with the real growth rate of 5.44% relative to the contraction of 2.51% in the corresponding quarter of 2020 and the growth rate of 6.74% in the second quarter of the year. On the other hand, the oil sector recorded a contraction of 10.73% relative to the contraction of 13.89% and 12.65% in the third quarter of 2020 and the second quarter of 2021 respectively (Table 1).

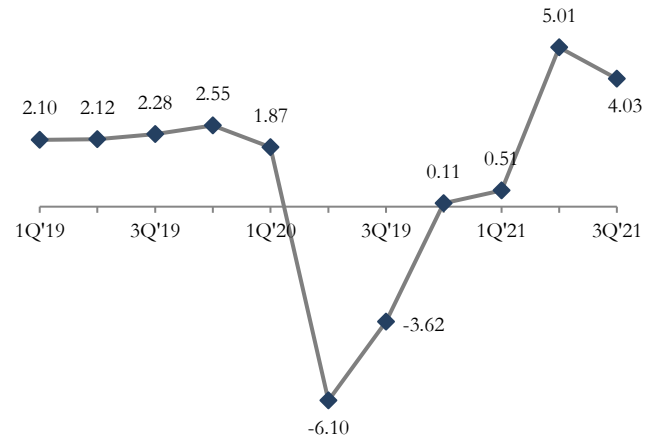
Table 1: Oil sector and non-oil sector – quarterly real GDP growth rates

	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21
Oil sector	-13.89%	-19.76%	-2.21%	-12.65%	-10.73%
Non-oil sector	-2.51%	+1.69%	+0.79%	+6.74%	+5.44%

Source: NBS, PAC Research

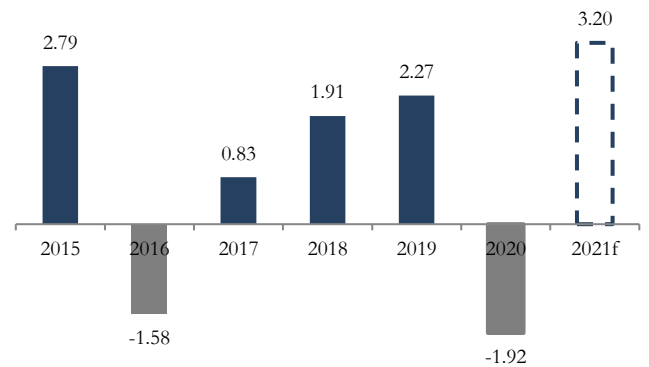
Moses Ojo  
moses.ojo@panafricancapitalholdings.com

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



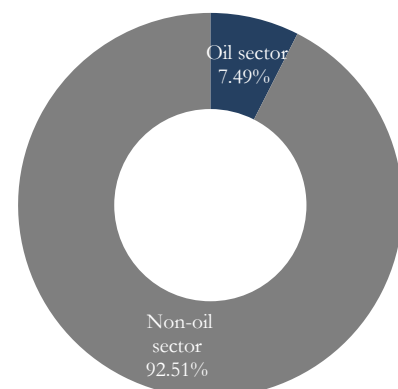
Source: NBS, PAC Research

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



Source: NBS, PAC Research

Fig. 3: Contribution to GDP in 3Q'21 – oil sector and non-oil sector



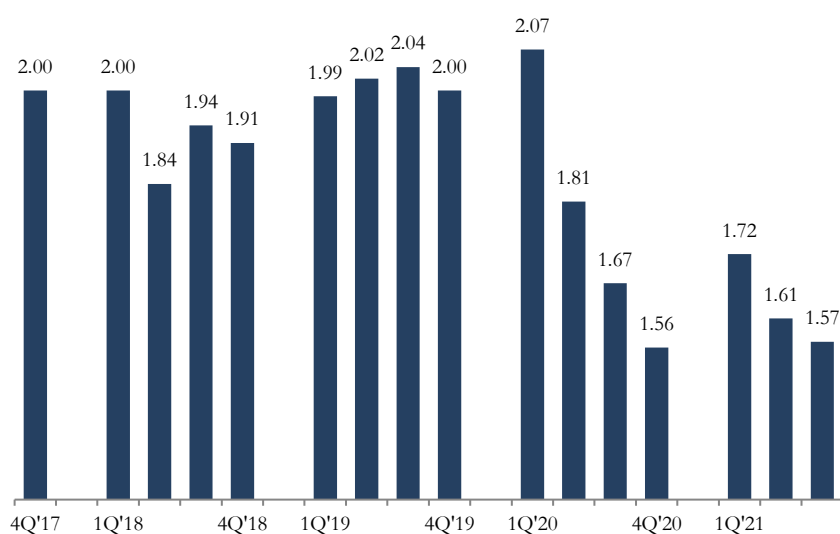
Source: NBS, PAC Research

Brent Crude Oil traded at an average price of US\$70.66 per barrel in the quarter, higher by 49.89% relative to the average price of US\$47.14 per barrel in the third quarter of 2020. In addition, Brent Crude Oil traded at an average price of US\$67.82 year-to-date. On the other hand, production quantity has been declining consecutively since the first quarter of the year. The nation recorded average daily production of 1.57 million in the third quarter, lower than both the 1.67 million barrel per day (mbpd) and the 1.61 mbpd by 5.99% and 2.48% respectively in the third quarter of 2020 and the second quarter of 2021 (fig. 4). The weak performance of the oil sector was due to the decline in the production quantity in the period which was partly attributable to the OPEC production cut. The prices of oil is expected to stabilise in 2022 as global demand is projected to slow as the post-pandemic recovery is thinning out.

*On the other hand, production quantity has been declining consecutively since the first quarter of the year. The nation recorded average daily production of 1.57 million in the third quarter ...*

For the year 2022, the Economic Intelligent Unit (EIU) projected Brent Crude Oil to trade at an average price of US\$78.50, higher than the projected average price of US\$71.70 in the year 2021. The projection is based on the expectation that OPEC+ will continue the restraint on production output among its members in order to maintain the price of crude oil. The oil sector contributed 7.49% to the overall output while the non-oil sector accounted for 92.51% in the period.

Fig. 4: Crude oil production (mbpd)



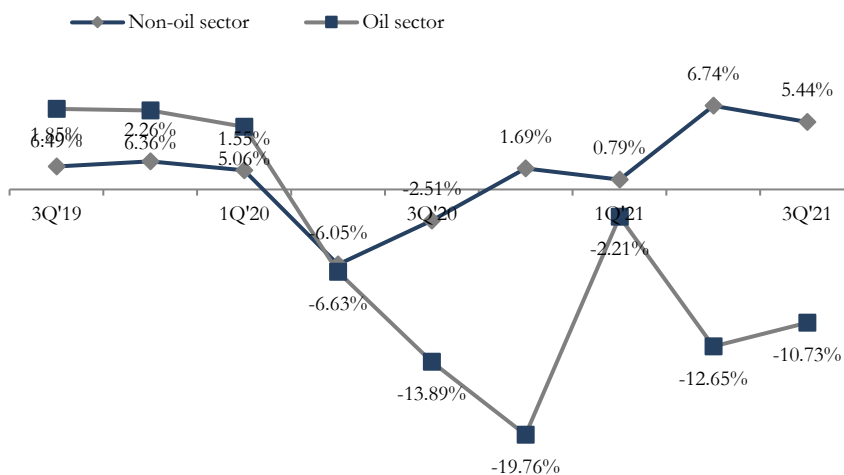
Source: NBS, PAC Research

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 sector maintains moderate performance in the period.** For the third quarter of 2021, agriculture sector recorded real GDP growth rate of 1.22%, lower than both the growth rate of 1.39% and 1.30% in the third quarter of 2020 and the preceding quarter respectively. The performance of the sector was driven by the economic activities of crop production with real growth rate of 1.36%, compared with the growth rate of 1.38% in both the third quarter of 2020 and the second quarter of 2021. Moreover, livestock and forestry recorded real growth rate of 0.12% and 1.98% respectively, while fishery recorded a decline of 3.97%. Crop production contributed 92.45% to the economic activities in the agriculture sector while livestock, fishery and forestry contributed 5.38%, 1.34% and 0.84% accordingly. Agriculture sector contributed 29.94% to the total output in the period, higher than the 23.78% in the second quarter of 2021.

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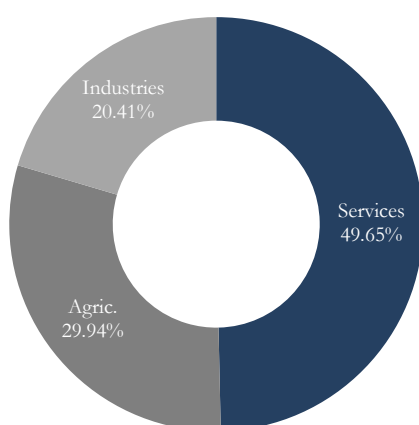
**Non-oil industries mitigate the weakness of the oil sector.** For the review quarter, the industries sector recorded a contraction of 1.63% relative to the contraction of 6.12% in the third quarter of 2020 and the decline of 1.23% in the preceding quarter. The review quarter’s performance is an indication that the activities of the oil-industries sub-sector weighed heavily on the performance of the sector in the period. Nevertheless, the positive performance of the non-oil industries sub-sector such as manufacturing and construction with the real growth rate of 4.29% and 4.10% ameliorated the weakness. The economic activities that drove the performance of the manufacturing sector are cement, food, beverage and tobacco and chemical and pharmaceutical products with the growth rate of 5.68%, 6.07% and 10.02% respectively. The manufacturing sector contributed 8.69% while the construction sector accounted for 3.22% of the total output. Overall, the industries sector contributed 20.41% to the overall output in the period, slightly lower than the 21.59% in the third quarter of 2020 and the 20.57% in 2Q2021.

**Services sector extends its performance.** For the period, the services sector recorded a strong real GDP growth rate of 8.41% relative to the contraction of 5.49% and the growth rate of 9.27% in the third quarter of 2020 and in the preceding quarter respectively. The major economic activities that supported the performance of the service sector are trade, information and communication, real estate, and financial institutions. The trade sector recorded a strong performance of 11.90% in the review period, relative to the contraction of 12.12% and the growth rate of 22.49% in the third quarter of the previous year and the second quarter of 2021. The contribution of the trade sector to the overall output stands at 14.93% relative to the contribution of 13.88% in the third quarter of 2020 and 16.66% in the preceding quarter. Furthermore, the information and communication sector recorded a real GDP growth rate of 9.66%, higher than the growth rate of 5.55% in the second quarter of the year. The sector contributed 14.39% to the total output in the period. Other economic activities that contributed to the performance of the service sector are real estate and transportation and storage with the growth rate of 2.32% and 20.61%. Overall, the contribution of the services sector to the output in the period stood at 49.65%.

*The economic activities that drove the performance of the sector are cement, food, beverage and tobacco and chemical and pharmaceutical products...*

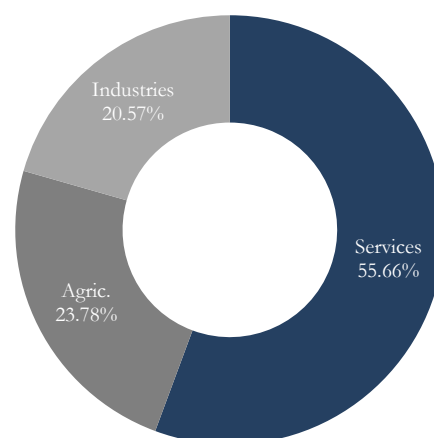
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**Fig. 7: Sectoral contribution to real GDP in 3Q'21**



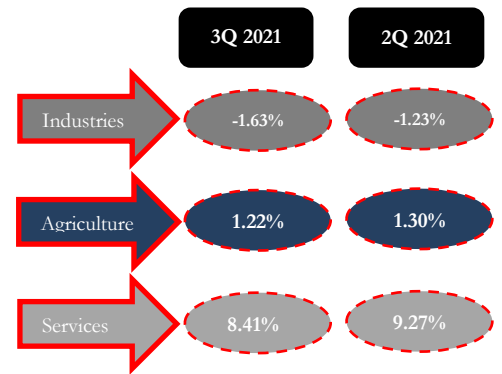
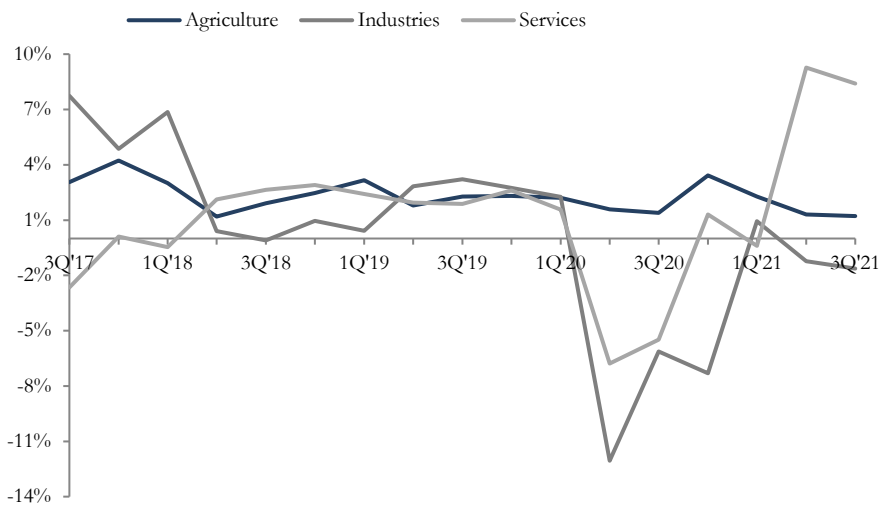
Source: NBS, PAC Research

**Fig. 8: Sectoral contribution to real GDP in 2Q'21**



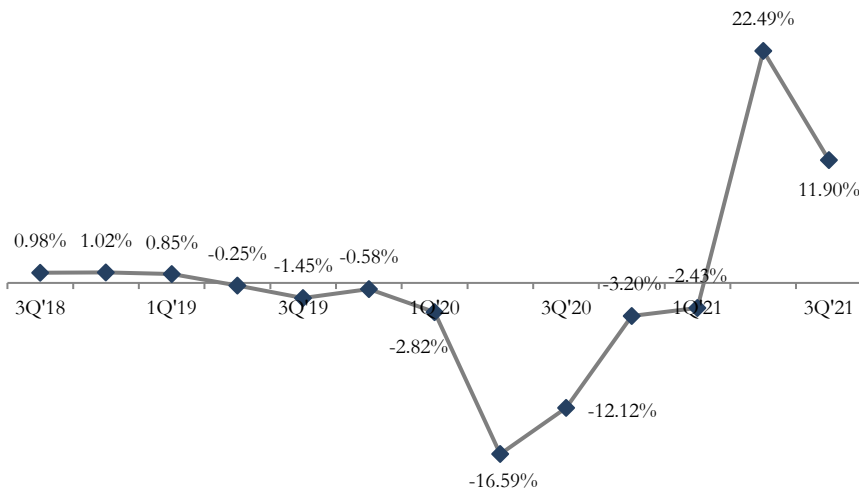
Source: NBS, PAC Research

Fig. 9: Quarterly sectoral real GDP growth rate



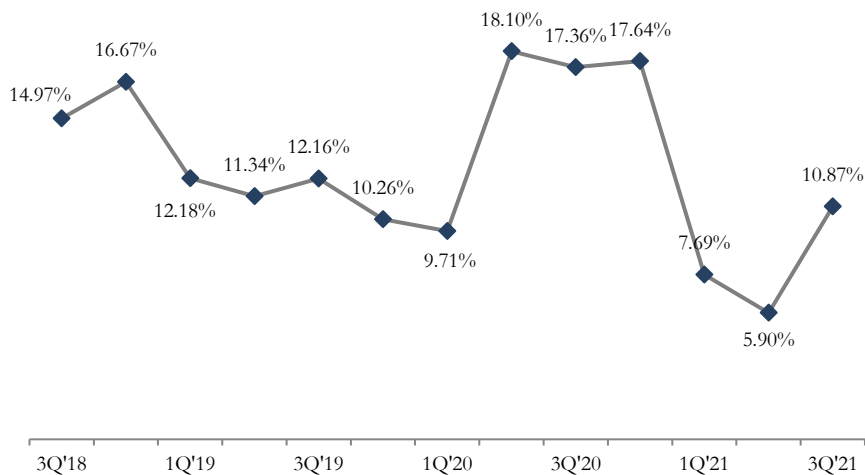
Source: NBS, PAC Research

Fig. 10: Trade sector - quarterly real GDP growth rate



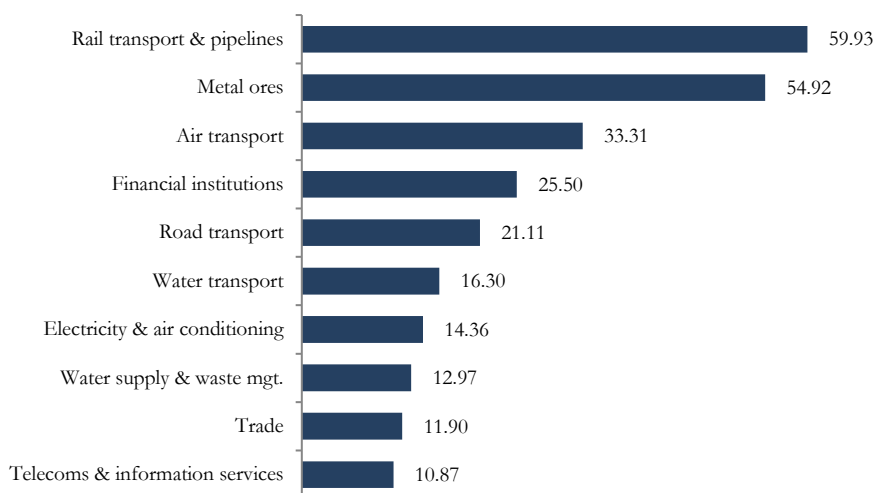
Source: NBS, PAC Research

Fig. 11: Telecoms & information services - quarterly real GDP growth rate



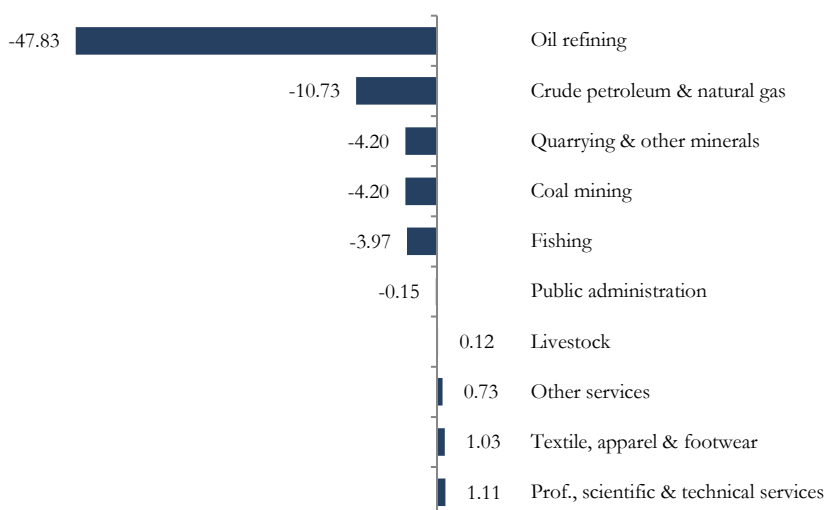
Source: NBS, PAC Research

Fig. 12: Economic activities: Top ten increase in real GDP growth rate in 3Q'21 (%)



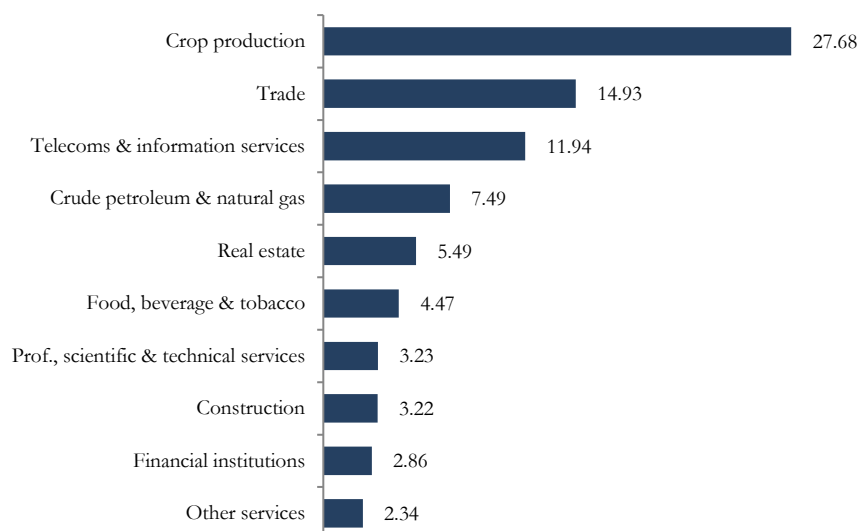
Source: NBS, PAC Research

Fig. 13: Economic activities: Least 10 in real GDP growth rate in 3Q'21 (%)



Source: NBS, PAC Research

Fig. 14: Economic activities: Top ten contributors to real GDP in 3Q'21 (%)



Source: NBS, PAC Research

## IMPORTANT DISCLOSURES

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**PanAfrican Capital Holdings Ltd**

8A, Elsie Femi Pearse Street

Victoria Island

Lagos, Nigeria

Tel: +234 (1) 2716899, 2718630

[www.panafriancapitalholdings.com](http://www.panafriancapitalholdings.com)