

# Economic Update

Nigeria | Economy | Q4 & FY 2021 GDP Report | February 25, 2022

PAC RESEARCH

## Nigeria's Economy Grows by 3.40% in FY'21; Highest Since 2014

Nigeria's economy records strong growth in the full year of 2021 as the economic output grows by 3.40%.

Having recorded impressive growth in the first three quarters of 2021, Nigeria's real Gross Domestic Product (GDP) further accelerated by 3.98% year-on-year (y/y) in the fourth quarter of 2021. This resulted in annual real GDP growth rate of 3.40% in 2021. Although the growth recorded in 2021 is the highest since 2014 (when the nation's GDP expanded by 6.22%), the growth was mainly driven by the base effect when the nation's GDP contracted by 1.92% on restriction caused by Covid-19 pandemic in 2020. The growth rate in the review quarter is higher than 0.11% in the corresponding period of the previous year but lower than the growth rate of 4.03% in the preceding quarter (**fig. 1**). Impressively, forty-one out of the forty-six economic activities in the nation's GDP basket recorded various degrees of growth compared to the forty in the third quarter of 2021. Meanwhile, only five economic activities recorded various levels of decline in the fourth quarter of 2021. In the full year of 2021, thirty-seven economic activities recorded positive growth, which is higher than the seventeen recorded in 2020. On the other hand, only nine economic activities reported negative growth in the full year of 2021.

The aggregate GDP stood at ₦49.28 trillion in nominal term in Q4'21. This is higher by 13.11% and 9.23%, compared with the ₦43.56 trillion and ₦45.11 trillion achieved in Q4'20 and Q3'21 respectively. Also, the aggregate nominal GDP of ₦173.53 trillion in FY'21 is 13.92% higher than the nominal GDP of ₦152.32 trillion recorded in FY'20.

Going forward, we expect the country to continue on its upward growth path in the first quarter of 2022 on increasing economic activities but may slow thereafter due to base effect. Also, the ambitious 2022 budget is expected to support growth in 2022.

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

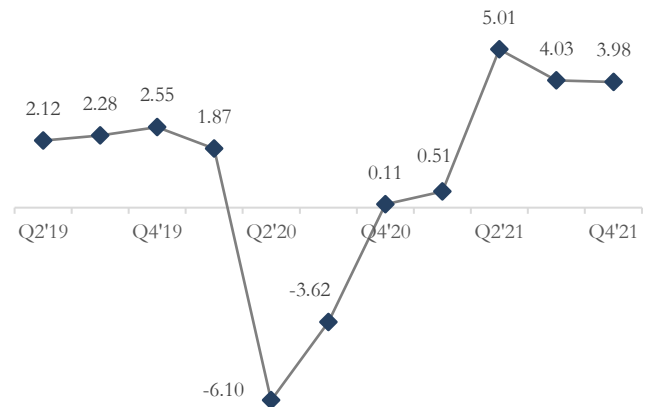
	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21
Oil sector	-19.76%	-2.21%	-12.65%	-10.73%	-8.06%
Non-oil sector	+1.69%	+0.79%	+6.74%	+5.44%	+4.73%

Source: NBS, PAC Research

Oluwole Adeyeye

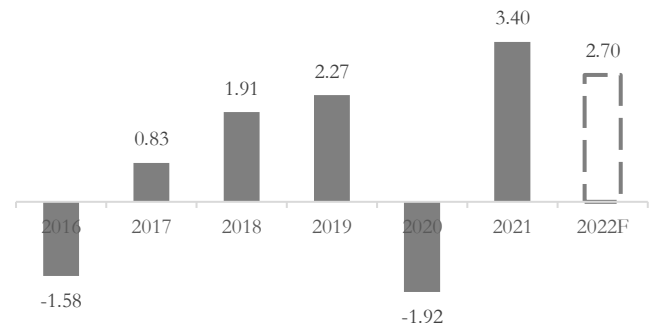
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Fig. 1: Quarterly real GDP growth rates (%)



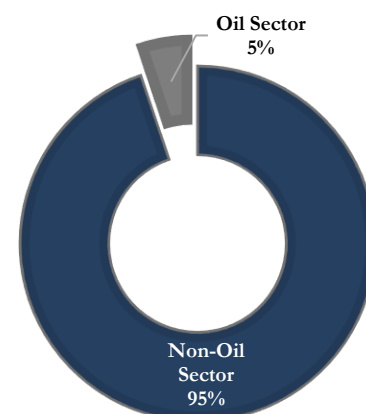
Source: NBS, PAC Research

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



Source: NBS, PAC Research

Fig. 3: Contribution to GDP in Q4'21 – oil sector and non-oil sector



Source: NBS, PAC Research

**Non-oil sector extends impressive performance to the fourth quarter while oil sector**

**remains in recession:** The remarkable GDP growth recorded in the fourth quarter of 2021 was mainly driven by the non-oil sector which recorded a real growth rate of 4.73% during the period. This is higher than the real growth rate of 1.69% in the fourth quarter of 2020 but lower than the real growth rate of 5.44% achieved in the third quarter of the year. The impressive performance of the non-oil sector in the fourth quarter was driven by the performance of agriculture, trade, information & communication, financial and insurance, among others. In total, the non-oil sector grew by 4.44% in the full year of 2021, higher than the contraction of 1.25% recorded in the full year of 2020. The non-oil sector contributed 94.81% and 92.76%, in real term, to the nation's economic output in the fourth quarter and the full year of 2021 respectively. With the efforts of monetary and fiscal authorities to drive growth in the non-oil sector through various programmes/interventions, we expect the sector to maintain sustain the growth momentum in the coming quarters.

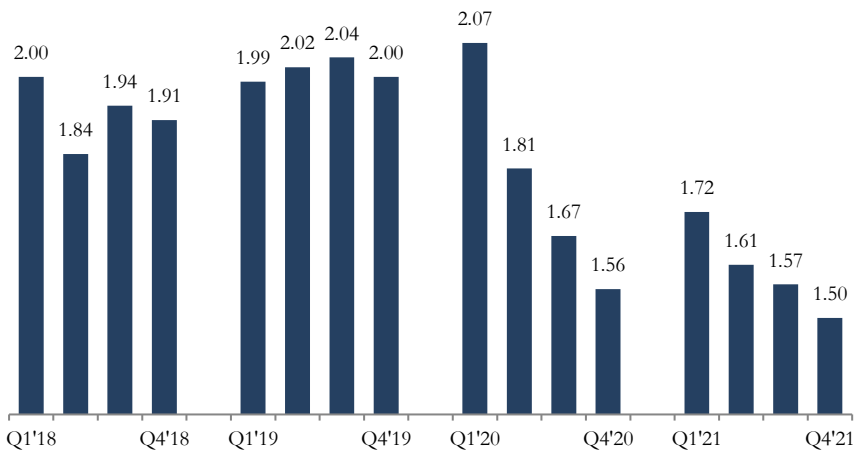
Despite the significant increase in the price of crude oil in the commodity market in the fourth quarter of 2021, the oil sector remained in recession as it contracted by 8.06% during the period. However, the performance of the oil sector in the review period is better than the contraction of 10.73% and 19.76% recorded in the third quarter of 2021 and fourth quarter of 2020 respectively. The annual growth rate of the oil sector stood at -8.30% in 2021, which is higher than the -8.89% achieved in 2020. The weak performance of the oil sector was as a result of low oil output in the period. Crude oil production stood at an average of 1.50 million barrel per day (mbpd) in the period, lower by 3.85% compared with an average production of 1.56 mbpd in the corresponding quarter of the previous year. Also, the review quarter's production is lower by 4.46% compared with the average daily production of 1.57 million barrels in the third quarter of 2021 (**fig. 4**). In total, the average daily production stood at 1.60 million barrels in 2021, lower by 10.11% compared with the production of 1.78 mbpd in 2020. The lower average daily production in the period could be attributed to the nation's compliance with the production quota of Organisation of Petroleum Exporting Countries (OPEC). The contribution of the oil sector to the nation's GDP stood at 5.19%, in real term, in the fourth quarter of 2021. This is lower than the 5.87% and 7.49% recorded in the corresponding period of 2020 and preceding quarter respectively.

However, the Brent Crude Oil traded at an average price of US\$79.66 per barrel in the review quarter, higher by 76.01% and 8.78% relative to the average price of US\$45.26 and US\$73.23 per barrel in the fourth quarter of 2020 and third quarter of 2021, respectively. Also, Brent Crude Oil prices traded at an average price of US\$70.95 in the full year of 2021, higher than the average price of US\$43.21 per barrel in 2020 by 64.20%. The significant increase in the price of crude oil could be attributed to the improved economic activities in various countries, which resulted in increased demand for crude oil during the period. In addition, OPEC members reduced oil production in 2021 and had a positive impact on the price of crude oil in the commodity market during the period.

The country's oil sector may likely exit recession in 2022 due to the expectation of increase in the price of crude oil (traded at US\$96.25 per barrel as of February 23, 2022) and possible increase in its oil rig count.

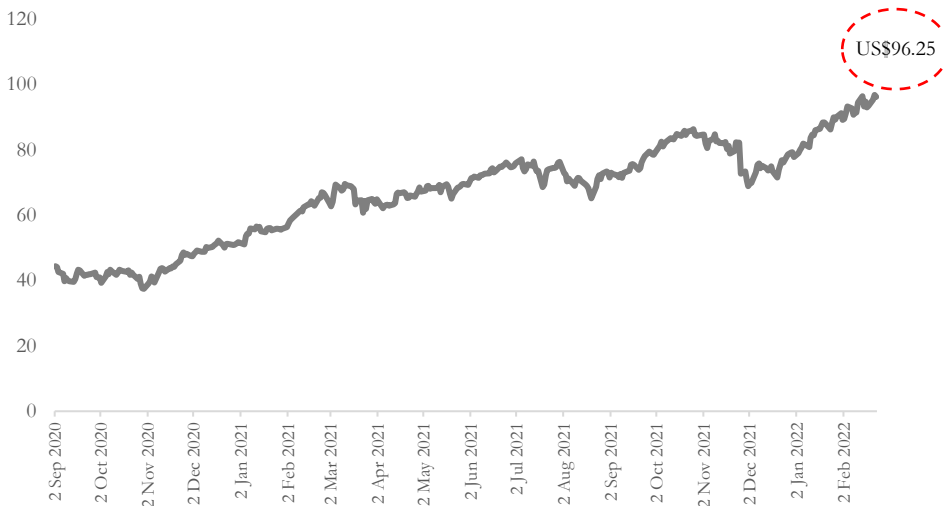
*Despite the significant increase in the price of crude oil in the commodity market in the fourth quarter of 2021, the oil sector remained in recession*

Fig. 4: Crude oil production (mbpd)



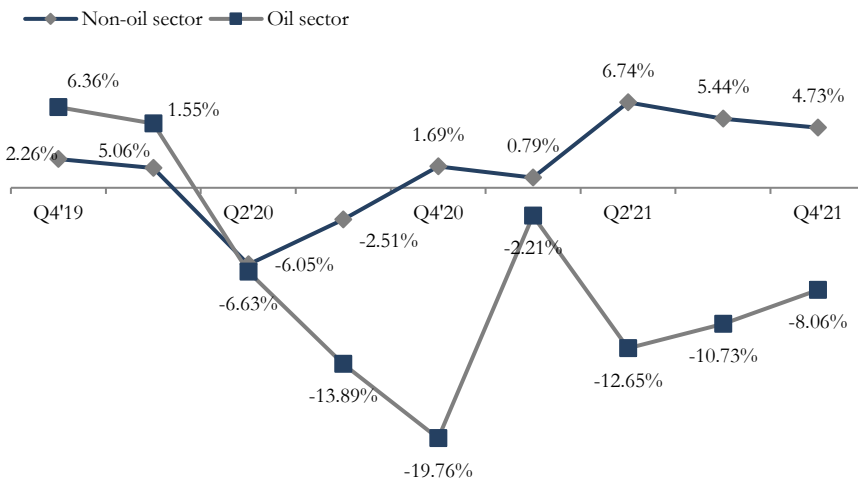
Source: NBS, PAC Research

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 rises further in the fourth quarter of 2021

The interventions of government, through various programmes, continued to yield positive results as agriculture sector recorded real GDP growth rate of 3.58% in the fourth quarter of 2021. This is higher than both the growth rate of 3.42% and 1.22% recorded in the corresponding quarter of 2020 and the preceding quarter, respectively. (fig. 9). It is worthy to state that Agricultural sector contributed 26.84% to overall GDP, in real term, in the fourth quarter of 2021. This is lower than both the contribution in the fourth quarter of 2020 and third quarter of 2021 which stood at 26.95% and 29.94% respectively. Only four sub-activities make up the Agricultural industry: Crop production, livestock, forestry and fishery.

Of all the sub-activities in the industry, Crop production activity was the major driver of the sector as it accounted for 90.77% of the agricultural industry in the fourth quarter of 2021, followed by Livestock (6.41%), Fishing (1.87%) and Forestry (0.95%). Crop production recorded real GDP growth rate of 3.87% in the period, higher than both the growth rate of 3.68% in the corresponding quarter of 2020 and the 1.36% recorded in the third quarter of the year. Crop production contributed 24.36% to overall GDP, in real term, in the fourth quarter of 2021. Also, Livestock economic activity recorded a real growth rate of 0.41% in the period, lower than the growth rate of 2.38% in the fourth quarter of 2020 but higher than the 0.12% recorded in the preceding quarter. Livestock economic activity contributed 1.72% to the overall real GDP in the review quarter. Furthermore, forestry and fishery recorded growth rate of 1.41% and 1.69% respectively in the period.

**Industry sector remains in recession:** In the fourth quarter of 2021, the economic activities in the industry sector continued with lackluster performance as the real GDP of the sector contracted marginally by 0.05%. This is a better performance relative to the contraction of 7.30% and 1.63% recorded in the corresponding quarter of 2020 and the preceding quarter respectively. The sub-sectors that held the industry sector in recession is mining & quarrying as it contracted by 6.16% in the fourth quarter of 2021, although this is better than the -18.44% and -10.56% real growth achieved in the fourth quarter of 2020 and third quarter of 2021 respectively. Crude Petroleum and Natural Gas (Q4'21: 8.06%) is the only economic activity that contributed to the weak performance of mining and quarrying sub-sector. Other economic activities, under the mining and quarrying sub-sector, recorded significant growth during the period.

However, the manufacturing sub-sector and construction sub-sector of the industry sector maintained impressive performance in the fourth quarter of 2021. In the fourth quarter to December 2021, the manufacturing sub-sector grew by 2.28%, in real term, higher than the -1.51% real growth recorded in the corresponding period of 2020 but lower than the 4.29% real growth recorded in the preceding quarter. All the economic activities in the manufacturing sub-sector recorded an impressive performance in the fourth quarter, except oil refining (-4.94%), textile, apparel & footwear (-2.37%), wood & wood products (-4.82%) and pulp, paper and paper products (-3.33%).

*The interventions of government, through various programmes, continued to yield positive results as agriculture sector recorded real GDP growth rate of 3.58%...*

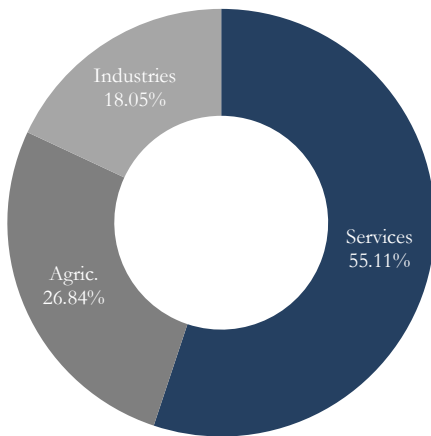
Also, construction sub-sector recorded a real growth rate of 3.46 % in the quarter, higher than the growth rate of 1.21% in the fourth quarter of 2020 but lower than real growth rate of 4.10% in the third quarter of 2021. Overall, the contribution of the industry sector to GDP declined to 18.05% in the period, relative to 18.77% in the fourth quarter of the previous year and 20.41% in the preceding quarter of the year. In total, industry sector contributed 20.56% to GDP in the full year of 2021.

**Services sector maintains positive growth rate of 5.58%:** In the fourth quarter of 2021, the country's services sector maintained impressive performance as it recorded a real growth rate of 5.58% relative to the 1.31% in the same quarter of 2020 and 8.41% in the third quarter of the year. In addition, the sector reported an annual real growth rate of 5.61% in 2021 (2020: -2.22%). Impressively, all the twenty-two economic activities in the services sector recorded various level of positive economic growth, in real term, in the fourth quarter of 2021. However, only three economic activities (Accommodation & food services (-0.45%), public administration (-0.30%) and education (-0.75%)) declined in the full year of 2021.

Specifically, trade sub-sector grew by 5.34% in the fourth quarter of 2021, higher than the real growth of -3.20% in the corresponding quarter of 2020 but lower than the real growth rate of 11.90% achieved in the third quarter of 2021. The impressive growth recorded in the trade sub-sector could be mainly attributed to the significant improvement in various economic activities in the country during the period. In addition, the telecommunication & information services economic activities recorded real growth rate of 5.31% in the review quarter, relative to the growth rate of 17.64% in the fourth quarter of 2020 and the 10.87% in the third quarter of the year. The factors that supported the consistent growth rate of telecommunication & information services economic activities are high consumption of data for internet services (as many companies instructed their workers to work from home and maintained virtual meetings), improved mobile phone penetration, increase in online shopping, the growth of e-commerce, among others. Also, the real estate sector abetted the performance of the services sector with growth rate of 1.47% in the quarter, relative to the growth rate of 2.81% and 2.32% in the corresponding period of the previous year and the third quarter of the year respectively. Interestingly, the financial institution sub-sector and insurance sub-sector grew significantly by 25.19% and 12.90% in the fourth quarter of 2021 respectively. The impressive growth recorded in the financial institution sub-sector could be attributed to the improvement in the banking sector, driven by high income from interest income lines and improvement in electronic banking (such as Agency banking, POS, ATM transactions, mobile and online banking). Also, the increased awareness in health insurance and life assurance contributed to the significant growth recorded in the insurance sub-sector during the period.

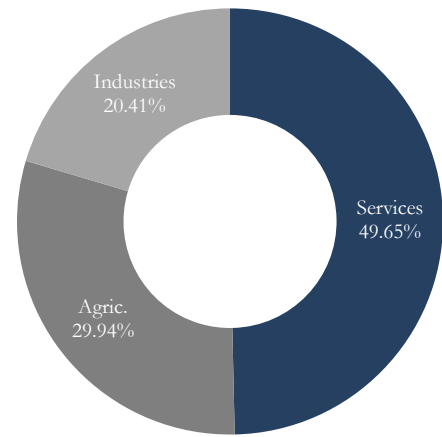
*...all the twenty-two economic activities in the services sector recorded various level of positive economic growth, in real term, in the fourth quarter of 2021*

Fig. 7: Sectoral contribution to real GDP in Q4'21



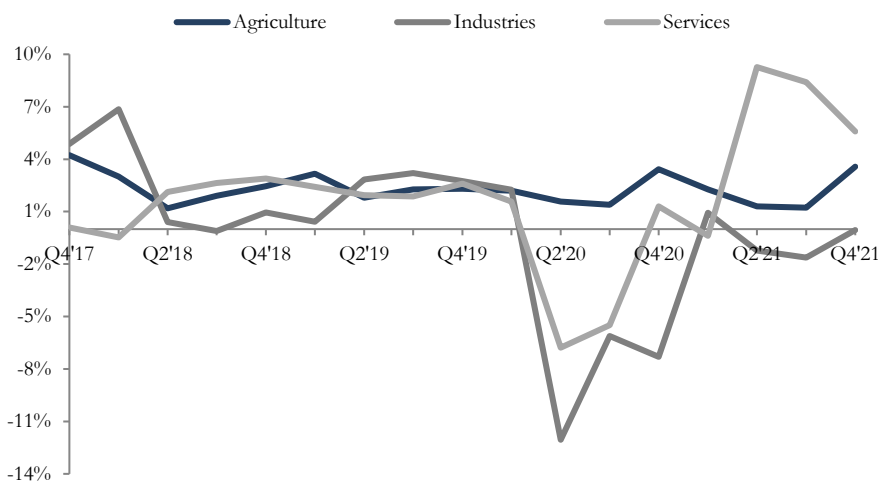
Source: NBS, PAC Research

Fig. 8: Sectoral contribution to real GDP in Q3'21



Source: NBS, PAC Research

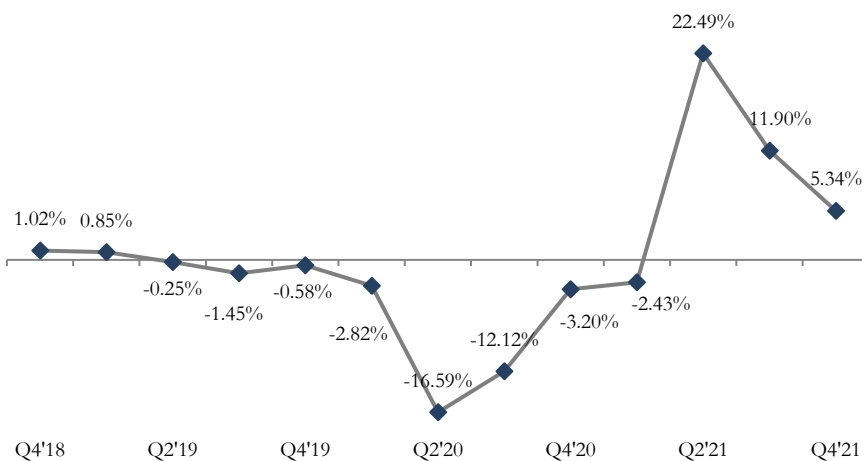
Fig. 9: Quarterly sectoral real GDP growth rate



Source: NBS, PAC Research

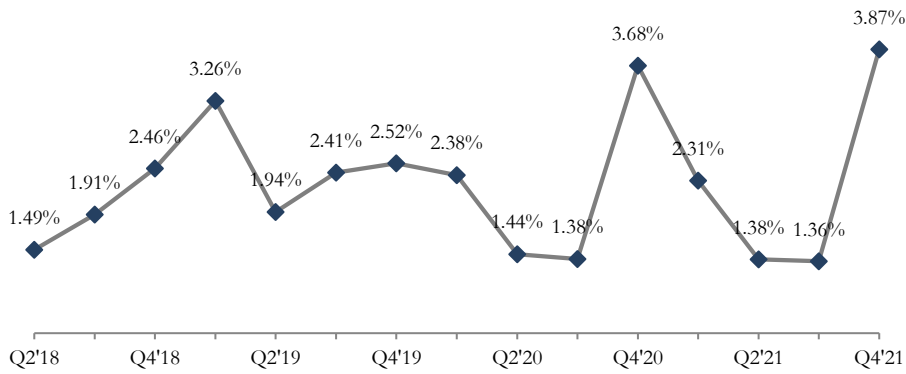
	Q3 2021	Q4 2021
Industries	-1.63%	-0.05%
Agric.	1.22%	3.58%
Services	8.41%	5.58%

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



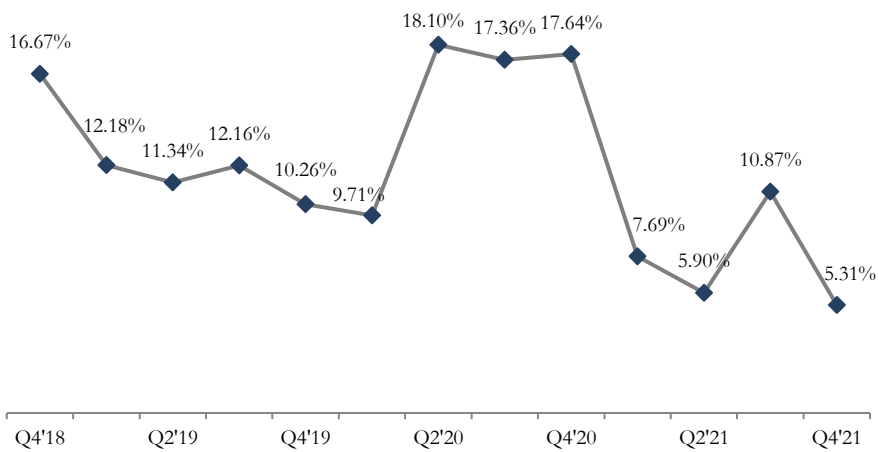
Source: NBS, PAC Research

Fig. 11: Crop production - quarterly real GDP growth rate



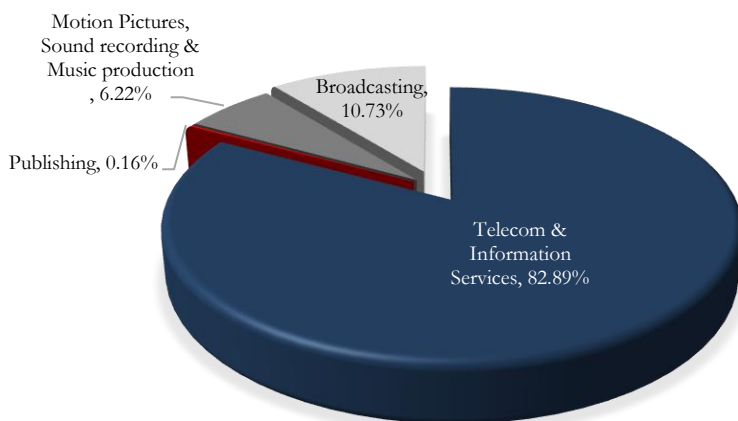
Source: NBS, PAC Research

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



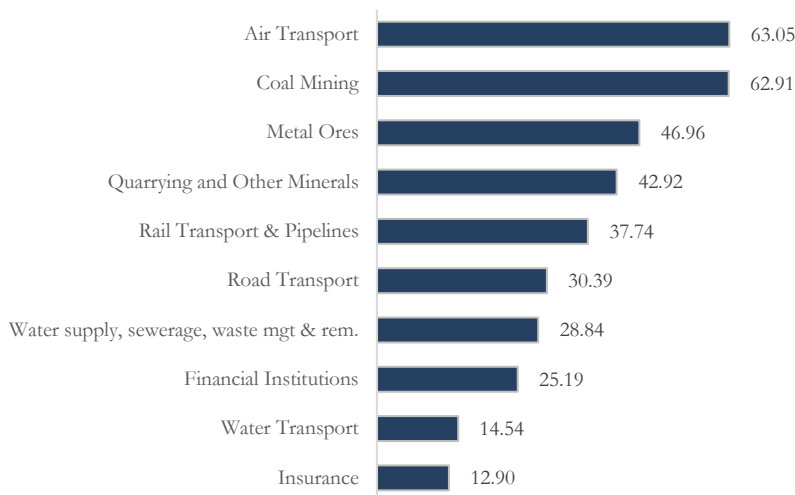
Source: NBS, PAC Research

Fig. 13: Sectoral analysis: Information & communication services (Q4 2021)



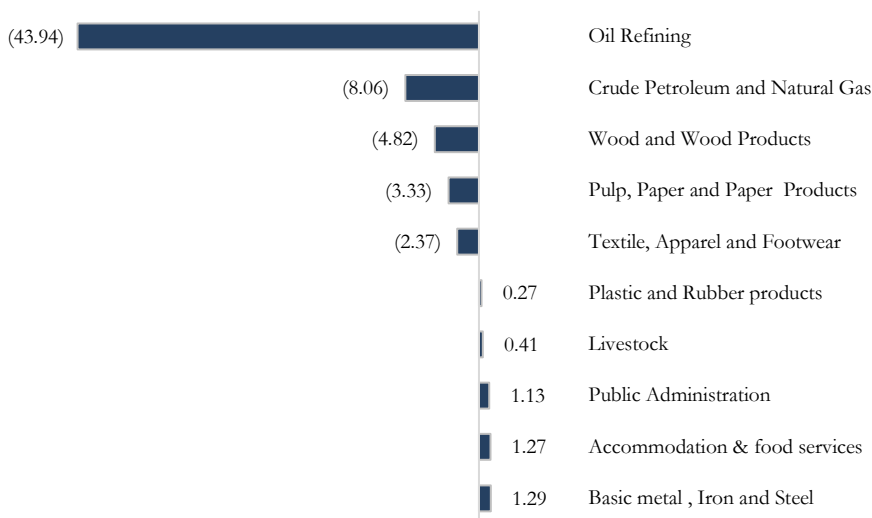
Source: NBS, PAC Research

**Fig. 14: Economic activities: Top ten increase in real GDP growth rate in Q4'21 (%)**



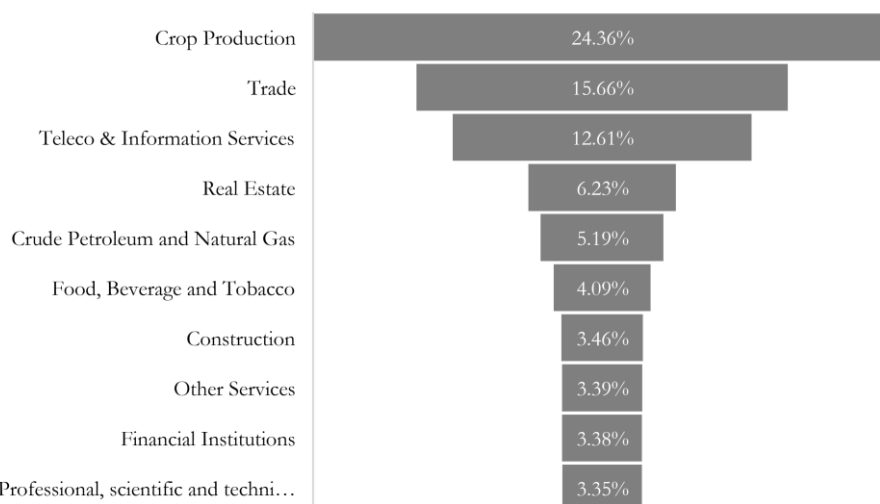
Source: NBS, PAC Research

**Fig. 15: Economic activities: Least ten in real GDP growth rate in Q4'21 (%)**



Source: NBS, PAC Research

**Fig. 16: Economic activities: Top ten contributors to real GDP in Q4'21**



Source: NBS, PAC Research



## IMPORTANT DISCLOSURES

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