The Nigerian economy expanded by 3.5 percent in 2022Q4 but slowed for FY’2022
According to the National Bureau of Statistics (NBS), the Nigerian economy grew by 3.5 percent (year-on-year) in 2022Q4, relative to a growth of 2.3 percent in the corresponding period of 2021 (see Figure 1a). In the full year (FY) 2022, the real Gross Domestic Product (GDP) growth averaged 3.1 percent. This represents a slight slowdown relative to an economic expansion of 3.4 percent recorded in FY’2021 (see Figure 1b). In nominal terms, the size of the economy in FY’2022 stood at N199.3 trillion (US$470.7 billion), representing a 14.9 percent increase relative to 2021 (N173.5 trillion or US$434.4 billion).\(^1\)\(^,\)\(^2\) This translates to a per capita income of US$2,154 in 2022, which is 5.6 percent higher than its level of US$2,039 in 2021. However, the size of the economy in real terms stood at N74.6 trillion in 2022, which is less than half its nominal value. This reflects the eroding effect of rising prices in the year.

However, on a quarterly basis, the economy grew faster for the second consecutive quarter by 11 percent in 2022Q4 relative to a quarter-on-quarter growth of 9.7 percent in 2022Q3. Moreover, the sustained growth momentum through the four quarters of 2022 partly reflects the positive impact of pre-election spending despite monetary policy tightening in most of 2022 in an attempt to rein in inflationary pressures.

The non-oil sector drove the growth momentum, as the oil sector remained in contraction. Accounting for 95.7 percent of the total real GDP, the non-oil sector expanded by 4.4 percent (year-on-year) in 2022Q4, representing a slight improvement compared with a 4.3 percent growth in 2022Q3 (see Figure 2). This performance was driven by the fast pace of growth in the Agricultural and ICT sectors and a rebound in the Manufacturing sector, which jointly accounted for 51 percent of the total real GDP in the fourth quarter of 2022. For FY’2022, the non-oil sector grew faster by 4.8 percent, relative to a growth of 4.4 percent in 2021.

\[^1\] We utilised the average official exchange rate of N423.4/US$ in 2022 for a currency conversion (see https://www.cbn.gov.ng/Functions/export.asp?tablename=exchange). The population figures for 2021 and 2022 were obtained from the World Population Review (see https://worldpopulationreview.com/countries/nigeria-population).

\[^2\] We utilised the average official exchange rate of N399.4/US$ in 2022 for currency conversion.
The Agricultural sector grew by 2.1 percent in 2022Q4. The Agricultural sector expanded faster by 2.1 percent (year-on-year) in 2022Q4, compared with a 1.3 percent growth in 2022Q3, but slower relative the corresponding period's performance in 2021 (3.6 percent) (see Figure 3). The improved performance of the sector in 2022Q4 could be attributed to a pick-up in activities in the crop production sub-sector, which grew by 2.4 percent. Conversely, while activities slowed in the forestry sub-sector (1.6 percent), other activity sectors contracted: livestock (-1.6 percent) and fishing (-3.0 percent) in the fourth quarter of 2022. Moreover, in FY'2022, the Agricultural sector grew by 1.9 percent, representing a slowdown relative to the growth of 2.1 percent recorded in 2021.

The performance of the Industrial sector was driven by a slump in crude petroleum activities. The Industrial sector contracted by 0.9 percent (year-on-year) in 2022Q4 relative to a negative growth of 0.1 in 2021Q4 and -8 percent in 2022Q3 (see Figure 4). The further decline in the industrial output in 2022Q4 could be attributed to the persistent contraction in the Crude Petroleum and Natural Gas sub-sector (-13.4 percent), which accounted for 29.8 percent of the Industrial GDP in 2022Q4. Out of the 20 industrial sector activities, 13 sub-sectors expanded while 7 activities contracted in 2022Q4. In addition, in FY'2022, the contraction of the Industrial sector deepened to 4.5 percent from 0.5 percent in 2021.

The performance of the Services sector outpaced other broad sectors in 2022Q4. The Services sector grew by 5.7 percent (year-on-year) in 2022Q4, slightly improving from 5.6 percent in 2021Q4, but slowing from 7 percent in 2022Q3 (see Figure 5). Meanwhile, the sustained growth in
the Services sector in 2022Q4 was driven by improved performances of key sub-sectors, including Trade (4.5 percent), ICT (10.4 percent), and Finance (11.6 percent). Out of 22 activities, 21 Services sub-sectors expanded, while the Road Transport sub-sector contracted by 0.7 percent in 2022Q4, perhaps due to fuel scarcity. In addition, in FY'2022, the Services sector grew by 6.7 percent outpacing its growth of 5.7 percent in 2021.

Figure 5: Year-on-Year Growth Performance of Services Sector (percent)

![Chart showing year-on-year growth performance of Services Sector](chart.png)

Data: NBS; Chart: NESG Research

**CONCLUDING REMARKS**

It is impressive to note that the growth rate of the economy in 2022 (3.1 percent) exceeded the population growth of 2.5 percent. However, many Nigerians grapple with worsening living standards and weak purchasing power attributed to persistently high and increasing inflation rate, which averaged 18.8 percent in 2022. Also, the gap between the nominal and real size of the economy suggests that macroeconomic instability in terms of rising inflation has a dire consequence for productivity and must be urgently tackled. Furthermore, the government still requires much effort to achieve high economic growth and ensure that such growth becomes pro-poor.

The Manufacturing sector reverted to positive territory following a brief contraction, thanks to the recovery of the Food and Beverages sub-sector, which accounted for half of the manufacturing output in 2022Q4. Meanwhile, the cash crunch associated with the Naira redesign, in addition to structural challenges faced by the Manufacturing sector (foreign exchange scarcity, power outages, infrastructural and regulatory bottlenecks), if left unaddressed, could negatively impact the productivity of the sector and other industrial activities in 2023.

The persistent contraction recorded in the oil and gas sector could worsen the external performance of the country at a time when global crude oil prices are easing. Meanwhile,
the fight against crude oil theft is gradually yielding positive results as reflected in the increase in domestic crude oil production from 1.2mbpd in 2022Q3 to 1.3mbpd in 2022Q4. Nonetheless, there is an urgent need for the Nigerian government to prioritise non-oil sector activities, particularly agro-processing, to achieve structural economic transformation and diversify the sources of fiscal revenue and foreign exchange in the country.

★ It is important to note that the Construction sector has sustained growth above 3 percent since the second quarter of 2021. This is impressive, but concerted efforts are needed to explore alternative project

financing options, including equity capital, project-tied loans and privatisation of insolvent state-owned enterprises, and Public-Private Partnerships (PPP). This could be supportive of growth in the sector and reduce the country's huge infrastructural deficit.

★ The stellar growth in the Services sector is quite remarkable. Meanwhile, the policy environment needs to be business-friendly to sustain the sector's growth momentum. For instance, the 2022 Finance Act introduces an excise duty on all categories of Services aside from telecoms. This could put upward pressure on the prices of intangibles and undermine efforts at combating high inflation.