The Nigerian economy expanded by 2.3 percent in 2022Q3 amidst monetary tightening

According to the National Bureau of Statistics (NBS), the Nigerian economy grew by 2.3 percent (year-on-year) in 2022Q3. This represents a slowdown relative to an economic expansion of 3.5 percent recorded in 2022Q2 (see Figure 1). The growth drag is coming at a time when the CBN’s Monetary Policy Committee (MPC) resumed a tight monetary policy stance. The MPC hiked the monetary policy rate (MPR) by 500 basis points to 16.5 percent between May and November 2022, aimed at reining in the unabated inflationary pressures.

Figure 1: Nigeria’s real GDP growth rate (percent)

However, on a quarterly basis, the economy grew faster by 9.7 percent in 2022Q3 relative to a quarter-on-quarter growth of 0.4 percent in 2022Q2. In the first three quarters of 2022, the real Gross Domestic Product (GDP) growth averaged 3 percent, compared with an average growth of 3.2 percent in the corresponding period of 2021. In nominal terms, the size of the economy in 2022Q3 stood at N52.3 trillion (US$117.8 billion).¹

The non-oil sector drove sustained economic growth, as the oil sector remained in contraction

Accounting for 94.3 percent of the total real GDP, the non-oil sector expanded by 4.3 percent (year-on-year) in 2022Q3, representing a slowdown compared with a 4.8 percent growth in 2022Q2 (see Figure 2). In the first three quarters of 2022, the non-oil sector grew by 5 percent, representing an improvement compared with an average growth of 3.2 percent in the corresponding period of 2021. The growth of the non-oil sector reflected the sustained growth posted by activity sectors, including Agriculture, Construction, Information & Communications Technology (ICT), Real Estate and Finance, among others.

¹We utilised the official exchange rate of N443.8/US$ as of November 2022 for currency conversion.
Meanwhile, the oil GDP declined further by 22.7 percent in 2022Q3 from a negative growth of -11.8 percent in 2022Q2 (see Figure 2), representing the tenth consecutive quarter of the oil sector remaining in the contraction territory. This could be largely due to the fall in average domestic crude oil production to 1.2 million barrels per day (mbpd) in 2022Q3 from 1.7mbpd in 2021Q3, attributable to persistent crude oil theft in the Niger-Delta region.

Sub-sector Assessment

The Agricultural sector grew by 1.3 percent in 2022Q3

The Agricultural sector expanded faster by 1.3 percent (year-on-year) in 2022Q3, compared with a 1.2 percent growth in 2022Q2 (see Figure 3). This performance could be attributed to the rebound in the livestock sub-sector (1.6 percent) and improved growth recorded in the forestry sub-sector (2.2 percent) in 2022Q3. Conversely, activities slowed in other sub-sectors: crop production (1.3 percent) and fishing (0.4 percent) in the quarter. The slowdown in the crop production sub-sector could be attributed to flood incidence coupled with heightened insecurity in the major food-producing regions.
Industrial sector performance was worsened by negative growth in key sub-sectors

The Industrial sector contracted by 8 percent (year-on-year) in 2022Q3 relative to a negative growth of -2.3 percent in 2022Q2 (see Figure 4). This represents the sixth consecutive contraction recorded by the sector. The decline in industrial output was motivated by a contraction in key industrial activities in the quarter, including Crude Petroleum and Natural Gas (-22.7 percent) and Manufacturing (-1.9 percent), which significantly suppressed the growth recorded by other Industrial sub-sectors including Construction (5.5 percent) and Water Supply (3.9 percent). Out of the 20 industrial sector activities, 12 sub-sectors expanded while 8 activities contracted in 2022Q3.

Figure 4: Year-on-Year Growth of the Industrial Sector (percent)

The Services sector outperformed other broad sectors and grew by 7 percent in 2022Q3

The Services sector grew faster by 7 percent (year-on-year) in 2022Q3, compared with a 6.7 percent growth in 2022Q2 (see Figure 5). This represents the sixth consecutive quarter of growth posted by the Services sector. The performance of the Services sector in 2022Q3 was driven by high and improved growth recorded in key activity sectors, including Trade (5.1 percent), ICT (10.5 percent), Transportation and Storage (41.6 percent), Real Estate (4.6 percent), and Finance (12.7 percent). Out of 22 activities, 20 Services sub-sectors expanded, while 8 activities contracted in 2022Q3.

Figure 5: Year-on-Year Growth Performance of Services Sector (percent)
Sectoral Breakdown of Growth – Expanding & Contracting Sub-sectors

A further breakdown of the growth numbers showed that Road transport led the 36 expanding sectors with strong growth of 49.7 percent in 2022Q3, followed by Quarrying & Other Minerals (39.6 percent) and Metal Ores (36.2 percent) (see Figure 6a). On the flip side, activities contracted in 10 sub-sectors led by Oil Refining (-44.7 percent) in the quarter, followed by Coal Mining (-43.5 percent), Rail Transport & Pipelines (-29.9) and Crude Petroleum & Natural Gas (-22.7 percent) (see Figure 6b).

Concluding Remarks

- The global economy faces more downside risks as inflationary pressures have warranted persistent monetary tightening across many countries and Nigeria is not an exception. While this would help combat inflation somewhat, the pass-through effect on lending rates could discourage borrowing, subdue private investments and stifle economic growth. Meanwhile, election-induced spending is expected to offset some downside risks to the growth outlook in 2022. This suggests the need for improved coordination between the fiscal and monetary authorities in managing the trade-off between sustained economic growth and high inflation.

- Global supply chains face massive disruptions emanating from the resurgence of the COVID-19 pandemic and the resulting lockdown restrictions in China. Consequently, the Nigerian economy would face constrained importation of intermediate inputs from China, one of its largest importing partners. This, coupled with structural bottlenecks, including foreign exchange market illiquidity, infrastructural decay, power outages and regulatory constraints, could cripple the performance of the Manufacturing sector. Unless these challenges are addressed, the sector could remain in the contraction territory much longer than expected.
• Despite the sustained growth in the Agricultural sector, food insecurity still persists, and inflation remains on the high side. To this end, addressing the insecurity challenges facing the major food-producing regions of the country would enhance agricultural productivity and moderate inflationary pressures. There is also an urgent need for the government at all levels to scale-up climate-resilient measures which would moderate the impact of climate change on agricultural productivity in Nigeria.

• Nigeria’s oil and gas sector has faced significant challenges from crude oil theft in the Niger-Delta region. This has disincentivised investment inflows into the sector, which only attracts less than 1 percent of total foreign investments annually. Since crude oil remains the country’s largest foreign exchange earner, the persistent oil and gas sector contraction could reverse the subsisting trade surplus unless non-oil export products are prioritised to fill income gaps created by dwindling crude oil revenues.

• Alternative project financing models, including Public Private Partnership (PPP) arrangements, equity funding and project-tied debt instruments (such as Sukuk bonds), should be explored mainly in infrastructure delivery. This could improve the Construction sector’s performance and free up public resources for other developmental uses.

• Over 90 percent of cross-border trading in Nigeria occurs through the seaport. However, the capacities of the existing seaports are limited, and the Apapa Port is overburdened. Hence, there is an urgent need to upgrade other seaports and automate processes to ensure speedy clearance of consignments. Achieving this would sustain the growth in the Trade sector.