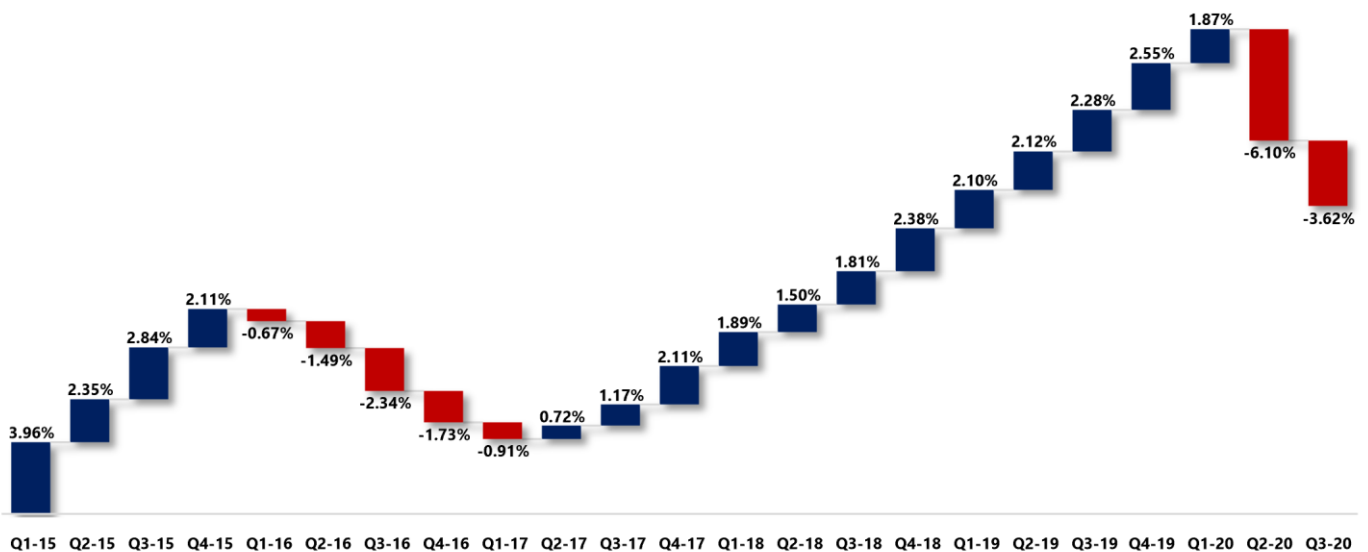


The National Bureau of Statistics recently released the Gross Domestic Data which showed that the Nigerian Economy contracted further by 3.62% (Year-on-Year) in the third quarter, as the economy entered a second recession in four years. The third quarter figure shows an improvement in economic activities when compared to the 6.10% contraction recorded in the second quarter but represents a significant drop when compared with the moderate growth of 2.28% achieved in the third quarter of 2019.

Nigeria GDP Growth Rate (YoY)



The Nigerian economy continued to witness low level of economic activities locally and internationally, as the effect of the pandemic lingers on, coupled with relatively low crude oil prices and reduced oil output in the country.

The Oil Sector contracted by 13.89% (year-on-year) in the third quarter, compared to 6.63% decline reported in Q2 2020. The sector was affected by the reduction in oil production to an average of 1.67mbpd in compliance with the OPEC+ imposed cuts, as well as low crude prices in the international market. Despite contributing about 8.73% to the total GDP, the oil revenue constitutes the major proportion of overall government revenue.

The Agricultural Sector of the economy which contributes 30.77% to the GDP grew at a declined rate, rising by 1.39% in the third quarter, compared to 1.58% in the previous quarter, and 2.28% in third quarter 2019. This moderate growth in the agricultural sector does not conform with the government plan to diversify the economy from being oil dependent to more of agro-exporting economy.

Despite government effort towards reviving the Nigerian manufacturing sector (which contributes 8.93% to overall GDP) through series of interventions and border closure to spur local production, this sector declined further by 1.51%, following a 8.78% contraction in the second quarter 2020.

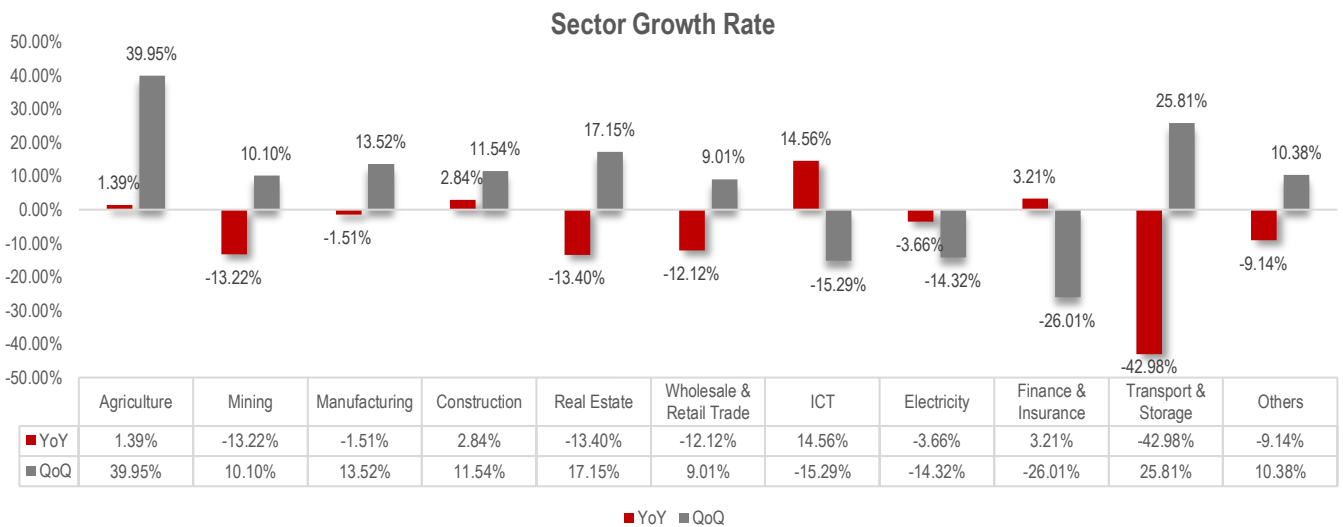
Meanwhile, the real estate sector declined for the seventh consecutive quarter, as the sector recorded a negative growth rate of 13.40%.

Likewise, wholesale and retail trade activities in the economy dipped further for the seventh consecutive quarter. The wholesale and retail trade sector of the economy contracted by 12.12%, as economic activities reduced due to country-wide lockdown.

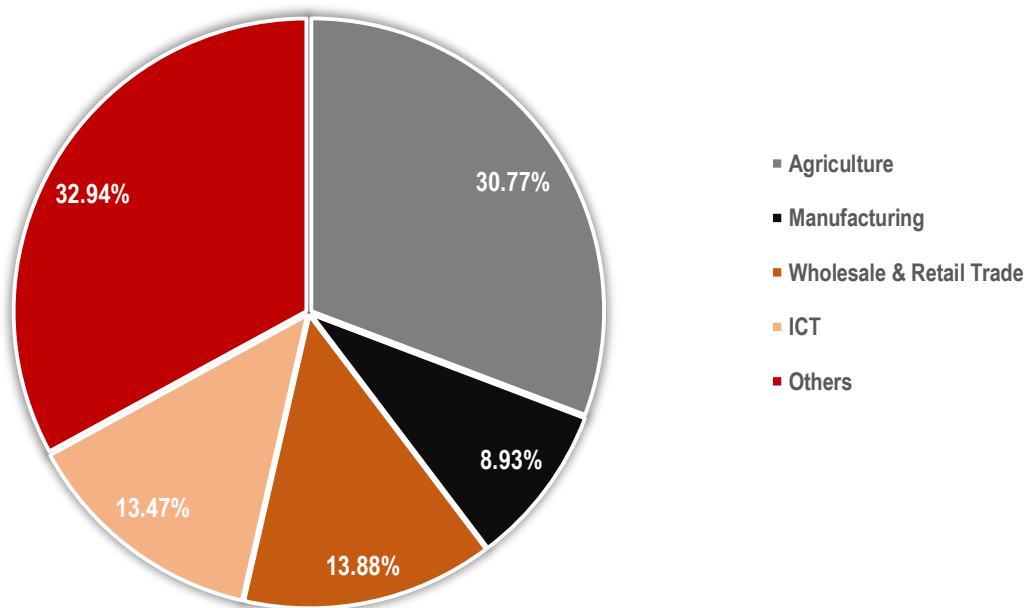
Although, the Information Communication Technology (ICT) sector's contribution to the overall GDP reduced to 13.47% (compared to 17.83% in the second quarter), the sector recorded a significant growth of 14.56% in the third quarter 2020. The Telecommunication Industry grew by 17.36% to prop the sector.

Financial activities grew moderately in the third quarter, as the Finance & Insurance sector recorded a 3.21% growth in the third quarter.

The country-wide lockdown reduced transportation of both goods and humans, with the transportation & storage sector of the economy nosediving by 42.98% in the third quarter, after contracting by 49.23% in the second quarter.



Sector Contribution to GDP



Although, the effect of the pandemic was felt more in the second quarter, series of activities are expected to affect the Nigerian economy negatively in the fourth quarter. The country's oil revenue remained low on the back of low prices and reduced output. The outcome of the EndSars protest which has led to total shutdown of some business will also have a negative impact on the fourth quarter GDP. A worsened economy in the fourth quarter may overshadow all the effect of moderate economic growth over the years. Increasing flood, inadequate storage and transportation facilities may hinder overall agricultural output in the fourth quarter.

Based on our estimates, we expect the fourth quarter figure to print at a negative figure, bringing the total GDP for the year to almost a four decade low.

As the Nigerian economy experiences stagflation (negative GDP growth rate and rising inflation), it is expected that the government would intervene in some sectoral. However, reduced government revenue as a result of reduced oil revenue may hinder government ability to assist some sectors in the economy.