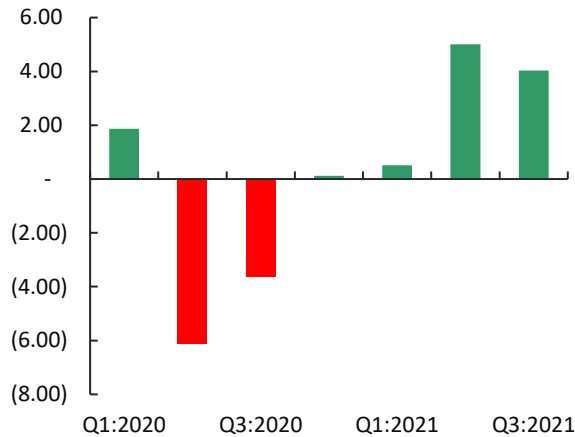
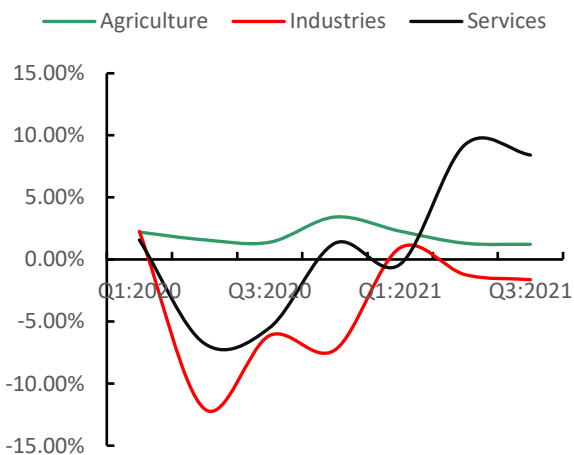


**Chart 1: Real GDP Growth rate (%)**



Source: NBS, Meristem Research

**Chart 2: Sector Contribution to GDP**



Source: NBS, Meristem Research

The recently released Gross Domestic Product (GDP) figures for Q3:2021 by the National Bureau of Statistics (NBS) reports real GDP to have expanded by 4.03% YoY. This marks the fourth consecutive quarter of growth after exiting recession in Q4:2020. Total real GDP for the quarter stood at NGN18.54trn (vs NGN17.82trn in Q3:2020) as non-oil GDP expanded (+5.44% YoY), while oil GDP contracted (-10.73% YoY). Although the growth number was flattered by the steep contraction in Q3:2020 (when real GDP declined by 3.62% YoY), the financial institutions and insurance sectors, which had in the past two quarters contracted by 0.46% and 2.48% respectively, joined the league of growth drivers. Other growth drivers include the agriculture (+1.22%YoY), Information & Telecommunication (+9.66% YoY), Manufacturing (+4.29% YoY), and Trade (+ 11.90 % YoY). The oil sector growth remained negative due to lower oil production in the quarter (1.57mbpd), compared to Q3:2020 (1.67mbpd).

## Oil Production Remains Low

Although in August 2021 OPEC+ reviewed production volume upward for member countries, the rise in oil demand continued to widen the supply deficit gap. Consequently, this sparked the increase in oil prices with Brent crude averaging at USD75.95/bp in Q3:2021 compared to USD43.18/bp obtained in the corresponding period last year. While this should spur producers to ramp up production, Nigeria's production volumes have remained subdued despite the increase in production quota to 1.65mbpd from 1.58mbpd. According to NBS, production fell to 1.57mbpd in Q3:2021, implying a 5.99% decline year-on-year. While we acknowledge the improvement in the country's rig count as reported by OPEC (from 8 in Q3:2020 to 10 in Q3:2021) signifying increased field activities, the drop in final volume can mainly be traced to production shut-in as a result of prolonged maintenance and pipeline sabotage. Also, as companies and investors begin to dive into green energy projects, this incites worry to the future development of the sector.

However, demand for petroleum commodity remains strong, growing by 2.63%QoQ and 7.36%YoY, for the rest of the year, we expect production to rise above Q4:2020 volume (1.56mbpd). This is on the back of improved rig counts and lower royalty fees, down to an average of 10% (dependent on volume as against field depth in the previous bill) from avg. 14.17%. On this note, we maintain a positive outlook for the sector, barring any socio-political interruptions.

## Non-Oil Sector Continues to Hold the Fort

Although the non-oil sector continues to sustain economic growth, expanding by 5.44%YoY in Q3:2021, the pace was however slower when compared to Q2:2021 (+6.74%YoY) but stronger in comparison with Q3:2020 (-2.51%YoY). The Information, Communication and Telecommunication (ICT) sector contributed the most to this growth, expanding by 9.66% in the quarter. This

**GDP | Q3:2021**



growth was particularly underscored by the telecoms subsector which witnessed a 10.87% YoY growth. We opine that the increase in the number of telecoms subscriber base (according to data from NCC), by 1.62% between July and September 2021 acts as a major catalyst to this growth, as this signified a reversal of the previous downward trend in subscriber base. Also, Industry players within the space recorded increased average revenue per user during the quarter due to higher voice and data traffic.

In our view, the post-harvest supplies of crops such as Maize, Cereals and some tubers reflected on agriculture output. The sector expanded by 1.22%YoY, supported by growth across its subsectors (crop production, forestry, and livestock, excluding fishing whose growth contracted. The manufacturing sector also expanded by 4.29% in the quarter

We expect the CBN’s intervention and enhanced credit facilities particularly to the agricultural, manufacturing and healthcare to continue to support growth. However, the persistent insecurity challenges in major food producing areas of the country pose a downside risk to this expected growth.

Generally, latest PMI readings (second and third quarter reading averaged 46.70pts vs 44.90pts in Q1:2021) suggest manufacturing activities have moved from the steep contraction witnessed in the second half of 2020. However, there is still some way to go till a full rebound.

**For the rest of the year, we view the yuletide season to be a mild positive especially for sectors like telecommunications. Year-to-Date, real GDP has expanded by 3.17%YoY. Hence, with a positive outlook for Q4:2021, we revise our full year growth projection to 3.60%YoY (vs 2.30%YoY previously)**

## Contact Information

---

### Investment Research

ahmedjinad@meristemng.com (+234 809 187 8917)  
research@meristemng.com

---

**Corporate websites:** [www.meristemng.com](http://www.meristemng.com)[www.meristemwealth.com](http://www.meristemwealth.com)[www.meristemregistrars.com](http://www.meristemregistrars.com)

---

### Meristem Research can also be accessed on the following platforms:

**Meristem Research portal:** [meristem.com.ng/rhub](http://meristem.com.ng/rhub)

**Bloomberg:** MERI <GO>

**Capital IQ:** [www.capitaliq.com](http://www.capitaliq.com)

**ISI Emerging Markets:** [www.securities.com/ch.html?pc=NG](http://www.securities.com/ch.html?pc=NG)

**Reuters:** [www.thomsonreuters.com](http://www.thomsonreuters.com)

**FactSet:** [www.factset.com](http://www.factset.com)

---

### IMPORTANT INFORMATION: DISCLAIMER

**Meristem Securities Limited ("Meristem")** equity reports and its attendant recommendations are prepared based on publicly available information and are meant for general information purposes only and it may not be reproduced or distributed to any other person. All reasonable care has been taken to ensure that the information contained herein is not misleading or untrue at the time of publication; **Meristem** can neither guarantee its accuracy nor completeness as they are an expression of our analysts' views and opinions.

**Meristem** and any of its associated or subsidiary companies or the employees thereof cannot be held responsible for any loss suffered by relying on the said information as this information as earlier stated, is based on publicly available information, analysts' estimates and opinions and is meant for general information purposes and should not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell securities or any financial instruments. The value of any investment is subject to fluctuations, i.e. may fall and rise. Past performance is no guide to the future. The rate of exchange between currencies may cause the value of investment to increase or diminish. Hence investors may not get back the full value of their original investment. Meristem Securities is registered with the Securities and Exchange (SEC) and is also a member of The Nigerian Stock Exchange (The NSE). Meristem Securities' registered office is at 124 Norman Williams Street, South West, Ikoyi, Lagos, Nigeria. Website: [www.meristemng.com](http://www.meristemng.com); Email: [research@meristemng.com](mailto:research@meristemng.com).

© **Meristem Securities Limited 2021.**