



ECONOMIC SPLASH

GDP REPORT (Q4'23)= 3.46%

Not all that glitters is gold

February 23, 2024

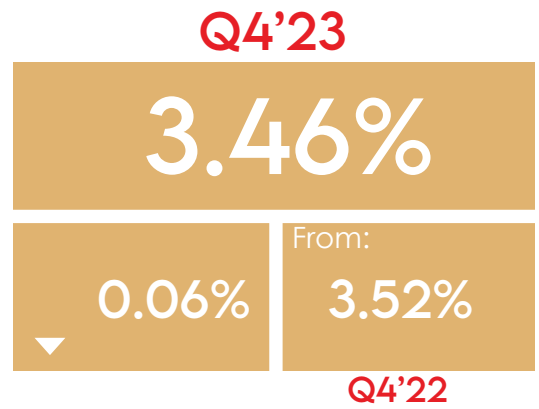
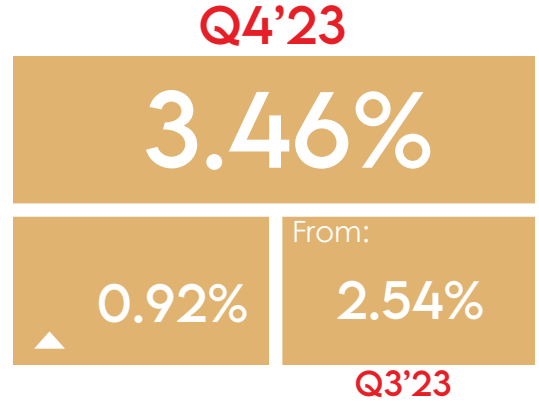


GDP GROWTH EXPANDED BY 3.46% IN Q4'23

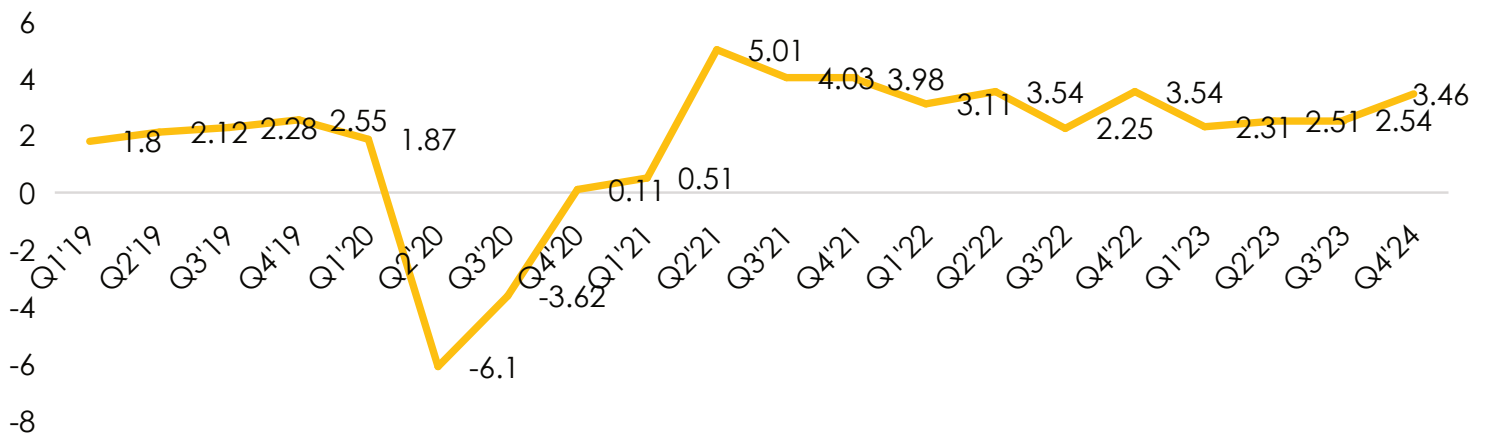
The NBS announced Nigeria's real GDP growth for the fourth quarter of 2023. As widely expected, the report indicates that real GDP growth increased by 0.92% to 3.46% from 2.54% in the preceding quarter. However, the growth rate is lower than the same quarter 2022 (3.52%). The annual growth rate declined by 0.36% to 2.74% from 3.1% in 2022, underpinned by economic headwinds that adversely affected economic activities.

Notably, the oil sector expanded in Q4'23 to 12.11% from -13.38% in Q4'22 after a negative trend for eight quarters at a stretch. Nevertheless, the output growth does not translate to revenue growth as oil production is already plagued. More so, the non-oil sector grew by 3.07% in Q4 2023, lower than Q4 2022 (4.44%) but higher than Q3'23 (2.75%).

The Services sector played a significant role in driving GDP performance, experiencing a growth of 3.98% and contributing 56.55% to the overall GDP. The agriculture



REAL GDP GROWTH (%)



BUSINESS ACTIVITIES TRACKED BY THE NBS

9

23

14

EXPANDED

SLOWED

CONTRACTED

sector also grew by 2.10% compared to the fourth quarter of 2023. Furthermore, the industry sector displayed notable improvement with a growth rate of 3.86%, a considerable increase from the previous year's -0.94%.

Of the 46 activities tracked by NBS, 9 sectors expanded, 23 slowed and 14 contracted. Another notable deduction from the growth data is that sectors experiencing expansion and rapid growth are not job elastic. This indicates that economic growth might not be inclusive and may fail to lead to a reduction in unemployment rates.

Sector Performance

Oil and Non-oil Sectors

In Q4'23, the oil sector grew by 12.11% year-on-year, a notable increase from the corresponding quarter of 2022 (-13.38%). Compared to Q3'23, growth rose by 12.96%. However, the sector experienced a decline of -3.81% on a quarter-on-quarter basis. The leading causes of this ongoing decline in the sector's performance were recurrent pipeline damage, force majeure, and decreased oil

production due to persistent oil theft. Annually, the oil sector's growth improved to -2.22% in Q4'23 from -19.22% in Q4'22. Its contribution to real GDP was 4.70% in Q4'23, up from Q4'22 (4.34% a) but down from Q3'23 (5.48%).

More so, the non-oil sector grew by 3.07% in Q4 2023, lower than Q4 2022 (4.44%) but higher than Q3'23 (2.75%). Notable contributors to this growth were Financial and Insurance (Financial Institutions), Telecommunication, Agriculture, Trade, Construction, Manufacturing (Food, Beverage, and Tobacco), and Real Estate. Annually, the non-oil sector's growth was 3.04% in 2023, down from 4.84% in 2022. It contributed 95.30% to GDP in Q4'23, slightly lower than Q4 2022 but higher than Q3'23 (94.52%).

Activities– 9 Expanded, 23 Slowed while 14 Contracted.

To verify the below-average performance, the NBS also made its quarterly tracking of the 46 activities it monitors available. Year-over-year, it revealed that out of the 46 activities monitored by the NBS, 9 expanded, which implies that 19.56% of business activities in Nigeria were

Farming just got easier



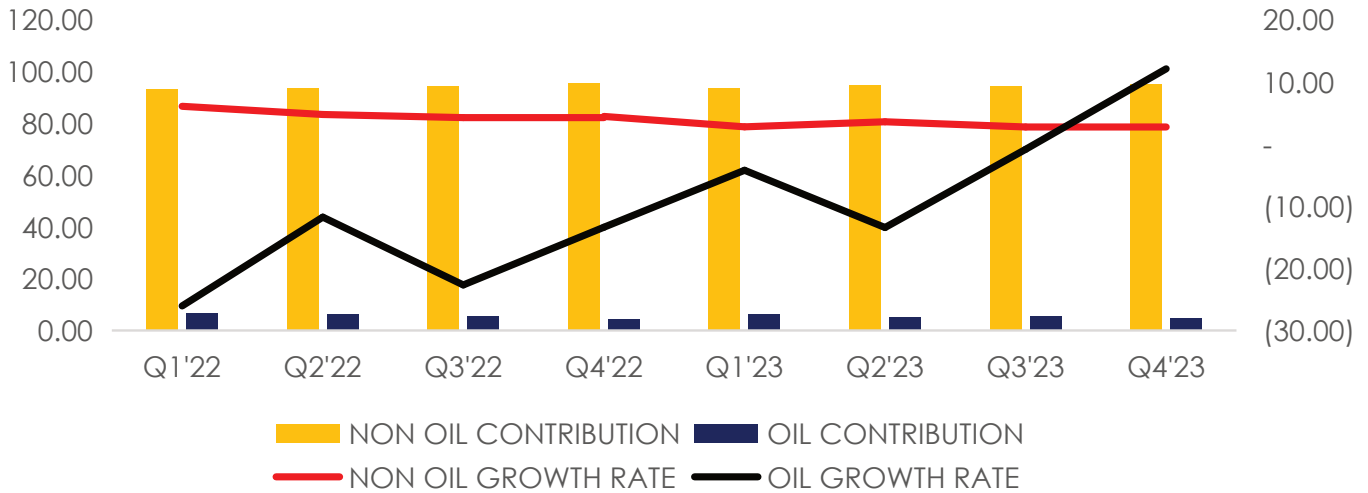
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Oil Sector Vs Non-Oil sector



positive in direction in 2023. The unrelenting inflationary pressure significantly affected various aspects of the economy, including business activities. High inflation rates and weaker currency lead to increased production costs, reduced consumer purchasing power, and decreased business profits.

On the other hand, 23 sectors slowed, and 14 contracted. Most sectors are sensitive to employment dynamics, affected by currency devaluation, weak consumer spending, and increased insecurity.

Growth in the agriculture sector remains tepid at 2.10%

Crop production in Nigeria has steadily declined in the past two years. The decline has been attributed to insecurity, including farmer-herder clashes, and kidnapping for ransom. This has contributed to decreased crop production, affected farmers' livelihoods, and increased

food insecurity. The sector grew by 0.5% to 2.10% in Q4'23 from Q'22 2.05%. The industry's performance has further escalated inflationary pressure as the significant cuprite of annual inflation has remained food inflation (35.41%).

Outlook - Real GDP growth to remain positive but sub-optimal

Although the economy expanded by 3.46% in Q4'24, annualized at 2.74% from 3.1% in 2022 showing a 0.36% decline. Underperforming its expectations due to pressing concerns about exchange rate misalignment, and persistent inflationary pressure. The growth outlook for the next quarter is likely to be tepid if these concerns linger.

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