



ECONOMIC SPLASH

GDP REPORT Q1'24

Growth masks underlying structural problems

May 27, 2024

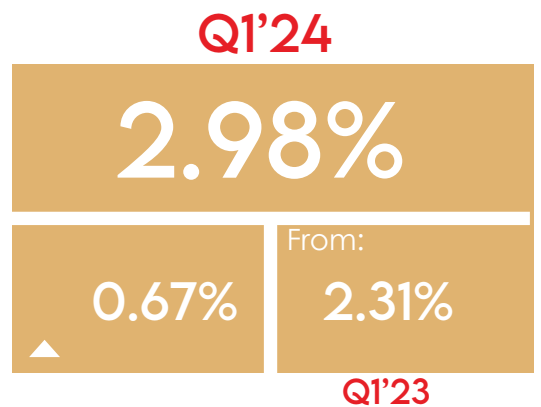
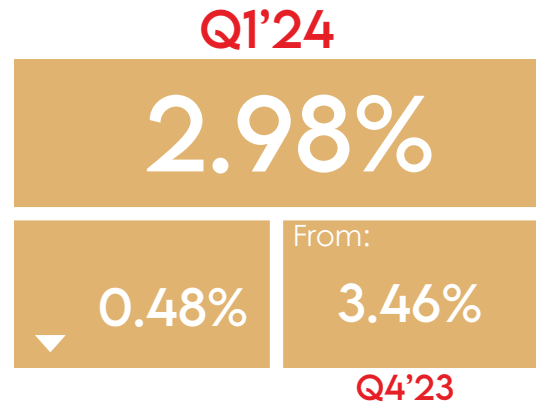


NIGERIA'S Q1 GDP GROWTH (2.98%) MASKS UNDERLYING STRUCTURAL PROBLEMS

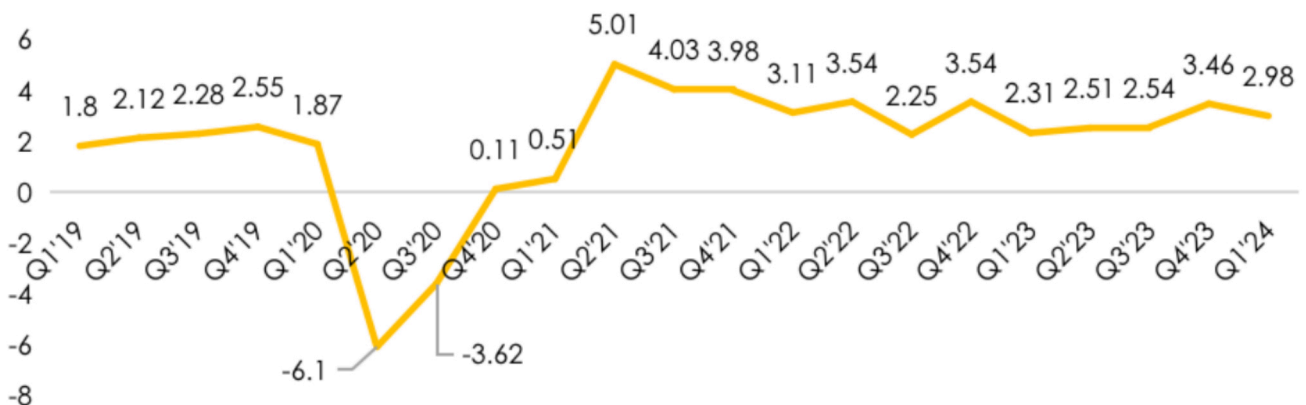
Depending on how you want to interpret Nigeria's Q1 GDP data, there is something in it for everybody. The data released showed a growth rate of 2.98% which came in 0.67% higher than the corresponding period in 2023 but slower than Q4'23 growth of 3.46%. Most analysts were expecting a higher growth rate than was reported. They were of the view that some of the policy reforms of the administration were beginning to have a positive effect on aggregate output and growth.

Political interpretation of data serves no purpose

While the political class is interpreting it to suit their personal persuasion, it is clear that some structural problems of the economy persist. The Q1 data shows a flat level of business activities. Of the 46 activities tracked only 14 expanded, whilst 19 and 13 slowed and contracted respectively. From an aggregate output perspective, the number shows an underwhelming performance. The key sectors of the economy that have strong linkages like (manufacturing), agriculture, and trade all slowed or contracted. When you consider the level of employment in these industries, it means that



REAL GDP GROWTH (%)



1.

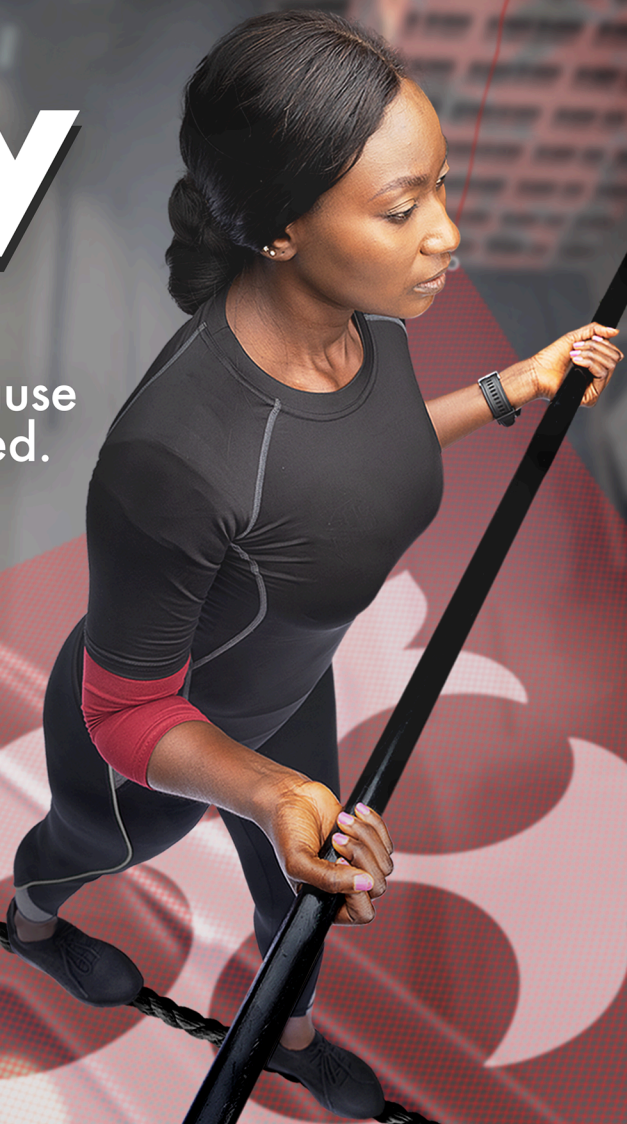
Source: NBS, FDC Think Tank



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BUSINESS ACTIVITIES TRACKED BY THE NBS

14

19

13

EXPANDED

SLOWED

CONTRACTED

there will be an increase in the unemployment numbers when they are released later.

Activities increased but in low-employment areas

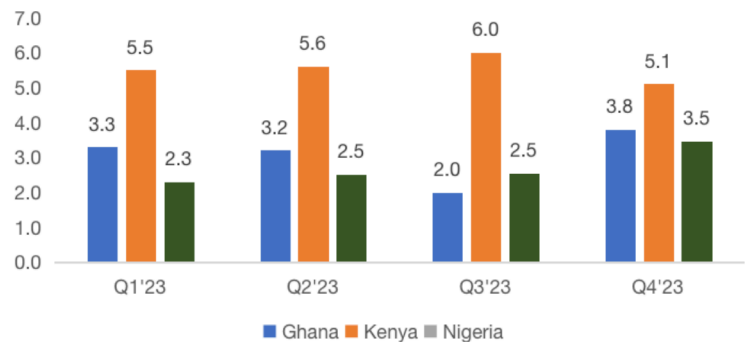
The purchasing managers' index (PMI) for the months of January and February fell to 51.0 points, already pointing towards a possible slowing in the GDP. This is because the twin factors of higher inflation and declining consumer incomes were already crimping aggregate demand.

The central bank has always maintained that inflation above 12% was growth retarding. The inflation trajectory suggests that headline inflation may be approaching a point of inflection and a possible cut in interest rates later in 2024.

The growth numbers were also affected by the base year effects of Q1'23. In 2023, there were elections, Naira redesign, etc., which reduced economic activities. Therefore, it was no surprise that Q1'24 outperformed the growth in the prior year. When normalized you find that GDP in Q1'24 was not stellar.

As Nigeria celebrates the first anniversary of this administration, there are likely to be various fiscal expansionary announcements. These will include a stimulus package of approximately 1 – 2% of GDP.

Quarterly GDP growth: Nigeria vs. selected SSA



Source: Trading Economics, FDC Think Tank

Whilst this in pure macroeconomic terms may be modest, it may help in pushing growth upwards mildly. In the final analysis, Nigeria needs massive investment in infrastructure, power, and the oil sector for it to realize its true potential and keep up with its SSA peers.

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