

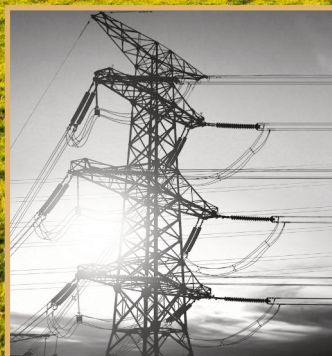


ECONOMIC SPLASH

Nigeria's GDP Growth Hits 3.19% Year-on-Year

GDP REPORT Q2'24

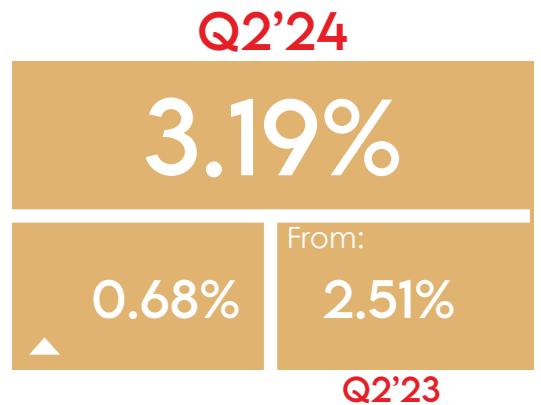
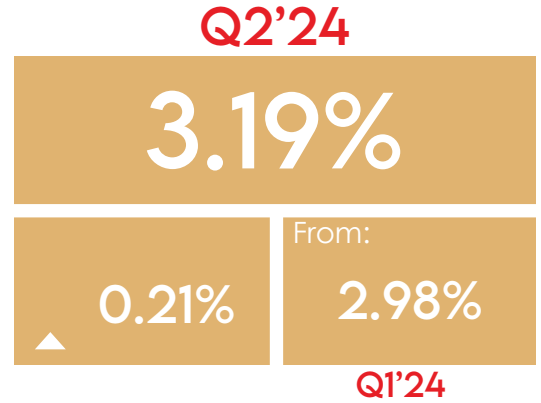
August 28, 2024



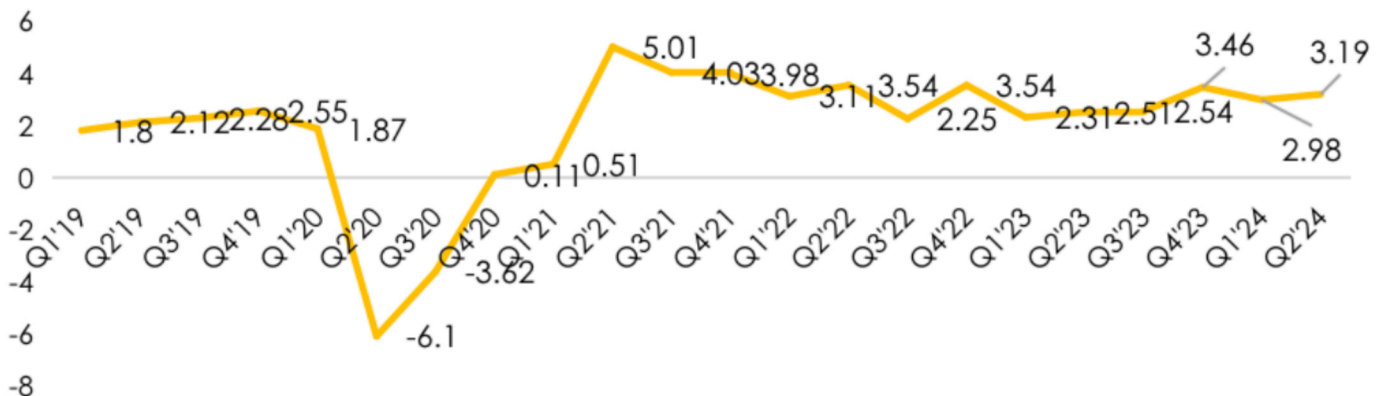
GDP AT 3.19% NOT YET UHURU

The National Bureau of Statistics (NBS) released Q2 GDP numbers for Nigeria today. Good news! Nigeria's GDP for Q2'24 rose to 3.19% year-on-year. Should we be excited? Not so fast. Compared to Q2'23, when the GDP grew by 2.51%, Q2'24 appeared to have performed better. However, a deep dive into the analysis revealed that in Q2'23 there was the issue of low liquidity (Naira redesign)—the lingering effects of the currency change on POS, tribunal petitions, and the contentions around President Tinubu's swearing-in. The average PMI in Q2,'23 was 46.33, inflation was 22.6%, and the interest rate was around 18.7%. In the same Q2'23, the exchange rate was N460/\$ and the average FDI was about \$86.02Mn.

In Q2'23, 14 sectors expanded, 24 slowed, and 8 contracted. The expanded sectors include crop production, metal ores, quarrying, electricity, accommodation and food services, rail transport and pipelines, water transport, telecoms, broadcasting, arts, financial institutions, insurance, public administration, and education.



REAL GDP GROWTH (%)



Source: NBS, FDC Think Tank

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BUSINESS ACTIVITIES TRACKED BY THE NBS

10

25

11

EXPANDED

SLOWED

CONTRACTED

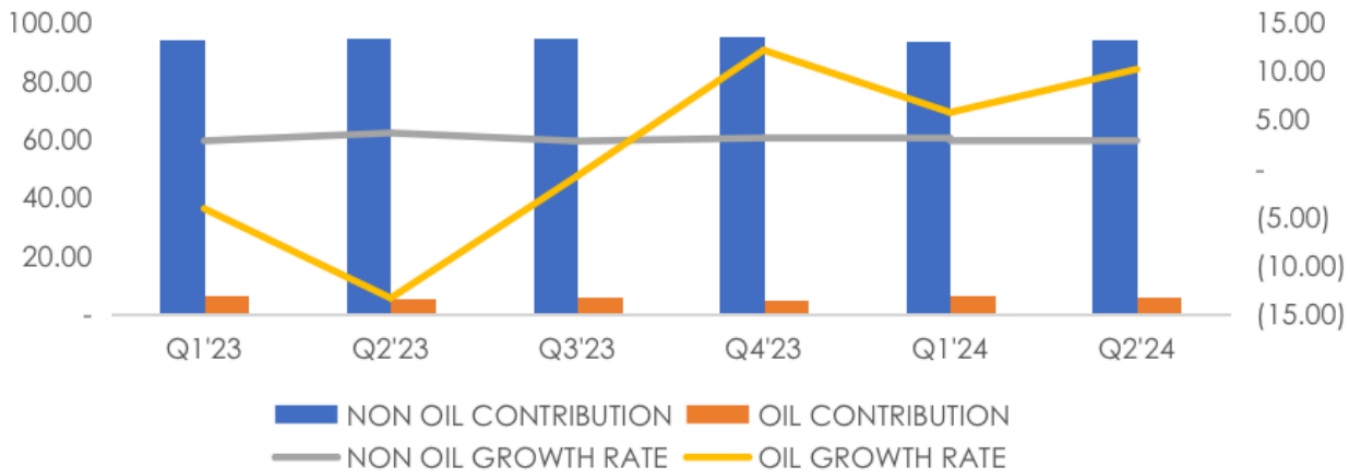
Fast forward to Q2'24, the economic realities are different. If the increase in supply results from an increase in demand, demand is a function of how much money economic agents have to spend. In Q2'23, people did not have cash to pay for goods and services. In Q2'24, people have the cash to spend, but the petrol price has increased; the exchange rate is now N1,500/\$, and inflation is at 33.40%. The average PMI in Q2'24 was 51.06 and the interest rate was 26.25%.

The breakdown of the Q2'24 growth shows that crude oil and gas production expanded by 10.15%. Over the last two quarters, the oil sector has expanded, but before then it was in recession. The oil sector, apart from its output measure, is the principal productivity-aiding commodity. The expansion in Q2'24 was also driven by the oil & gas sector, but most importantly gas production and export increased tremendously in Q2'24. Also, the services sector, which accounted for 58.76% of the total GDP and grew by 3.79%. The financial institutions grew by 30.37%, while the insurance

grew by 13.30%; the financial and insurance sectors contributed 6.39% to the Q2'24 GDP. These sectors remain key drivers of the economy. Additionally, the stability is the exchange rate around N1,500/\$, and the harvest season had a significant positive impact on Q2 growth.

Sectoral analysis for the quarter showed mixed results. The agriculture sector experienced a slight decline, with growth slowing to 1.41% from 1.50% in Q2 2023. Conversely, the industrial sector grew by 3.53%, a sharp contrast to the negative growth of -1.94% recorded in Q2 2023. The oil sector saw a remarkable growth rate of 10.15% in Q2 2024, rebounding from a -13.43% contraction in Q2 2023, following a positive growth of 5.70% in Q2 2024. However, this growth in the oil sector did not translate into increased revenue, as oil production fell from 1.57 million barrels per day (mbpd) in Q1 2024 to 1.41 mbpd in Q2 2024. Meanwhile, the non-oil sector grew by 2.80% in Q2 2024, consistent with Q1 2024 but lower than the 3.58% growth in Q2 2023. The non-oil sector contributed 94.30% to GDP, while the oil sector's contribution stood at 5.70% in Q2 2024.

Oil Sector Vs. Non-Oil Sector



Sectoral Activity Overview

To further explain the Q2 2024 performance, the NBS monitored 46 economic activities. The report indicated that 10 of these activities expanded, representing 22% of Nigeria's business activities in Q2 2024. While the inflation rate eased slightly from 34.19% to 33.40%, it remains a critical challenge, impacting various sectors of the economy, including business operations. In contrast, 25 sectors experienced slowdowns, and 11 sectors contracted, with many being sensitive to employment dynamics, currency devaluation, and increased insecurity.

Interestingly, the road and aviation sectors contracted by -15.88% and -11.17%, respectively. The rise in petrol and aviation kerosene increased transport costs, therefore demand for transport services dropped.

Agricultural Sector Performance

Crop production in Nigeria has been on a decline over the past two years, largely due to insecurity, including farmer-herder clashes and kidnappings for ransom. This has reduced crop yields, affected farmers' livelihoods, and exacerbated food insecurity. The agriculture sector grew by 1.23% to 1.41% in Q2 2024, up from 0.18% in Q1 2024.

Outlook for Q3 2024

Despite the stronger-than-expected growth of 3.19% in Q2 2024, up from 2.98% in Q1 2024, the outlook for Q3 2024 remains cautiously optimistic.

In other words, it is too soon to bring out the champagne glasses.



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