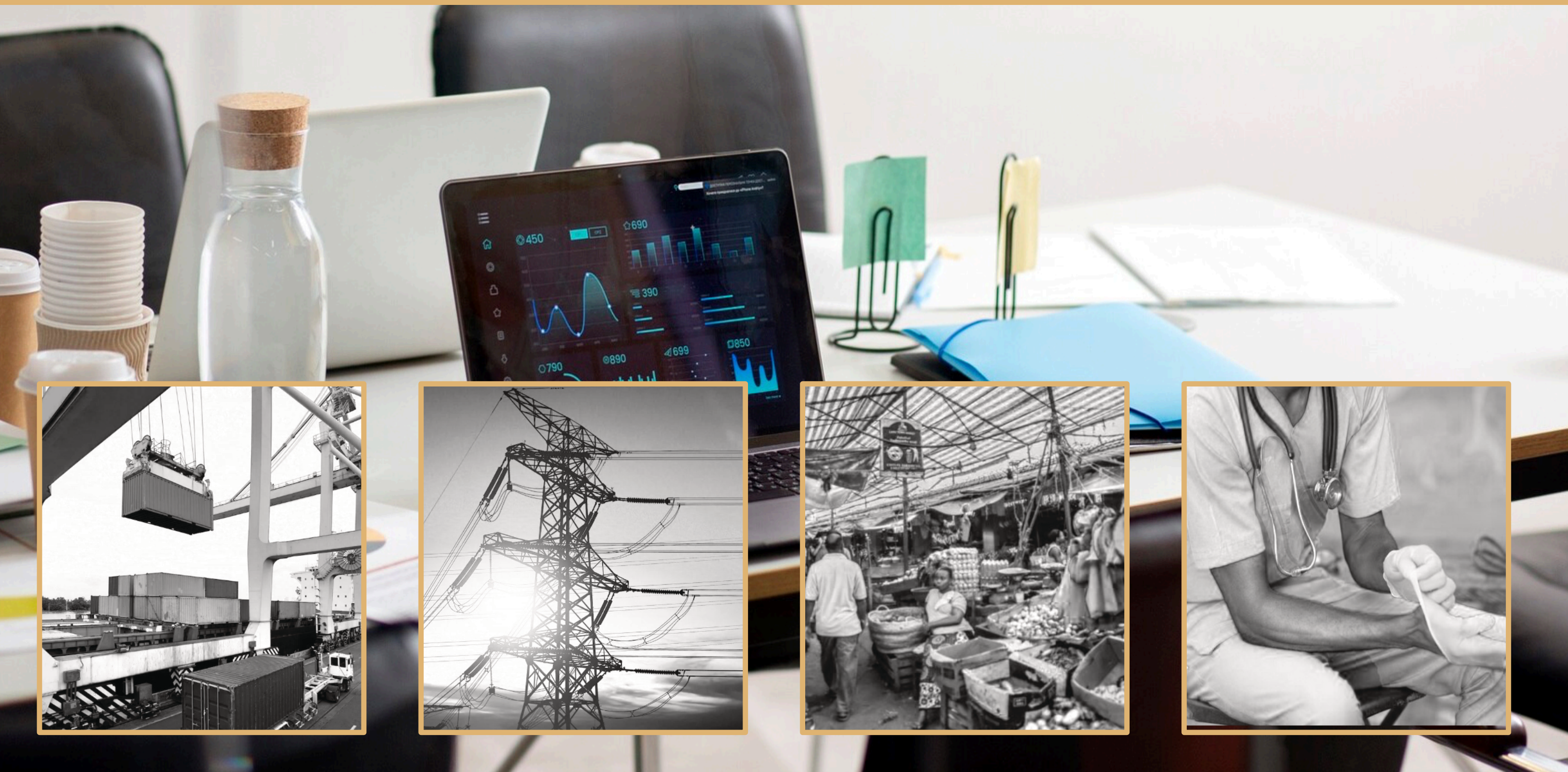
ECONOMIC SPLASH

Nigerian economy on a growth spree - Q3 GDP at 3.46%

GDP REPORT Q3'24

December 03, 2024



NIGERIAN ECONOMY ON A GROWTH SPREE - Q3 GDP AT 3.46%

Q3'24

3.46%

0.27%

From:

3.19%

Q2'24

Q3'24

3.46%

0.92%

From:

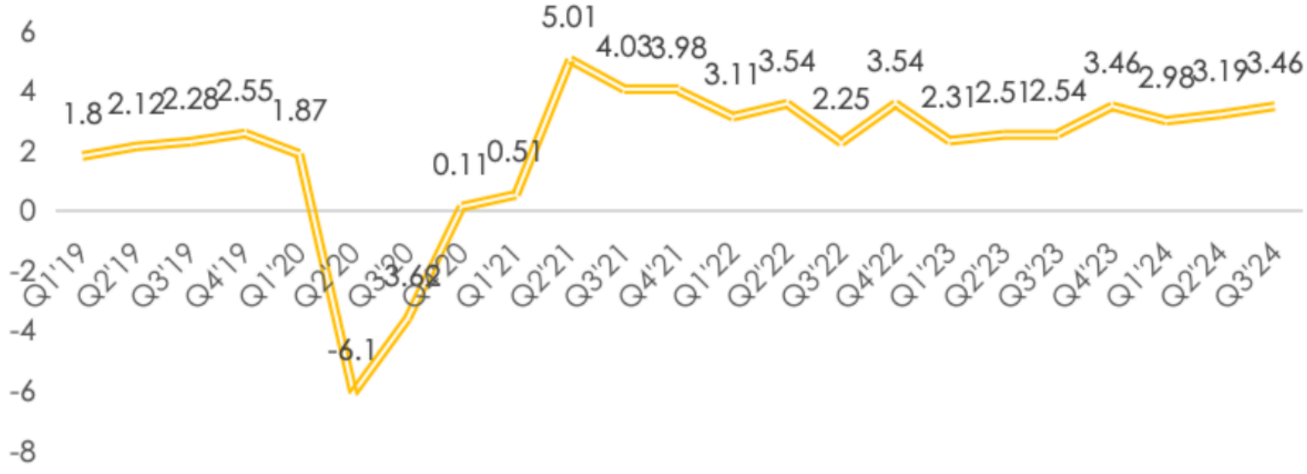
2.54%

Q3'23

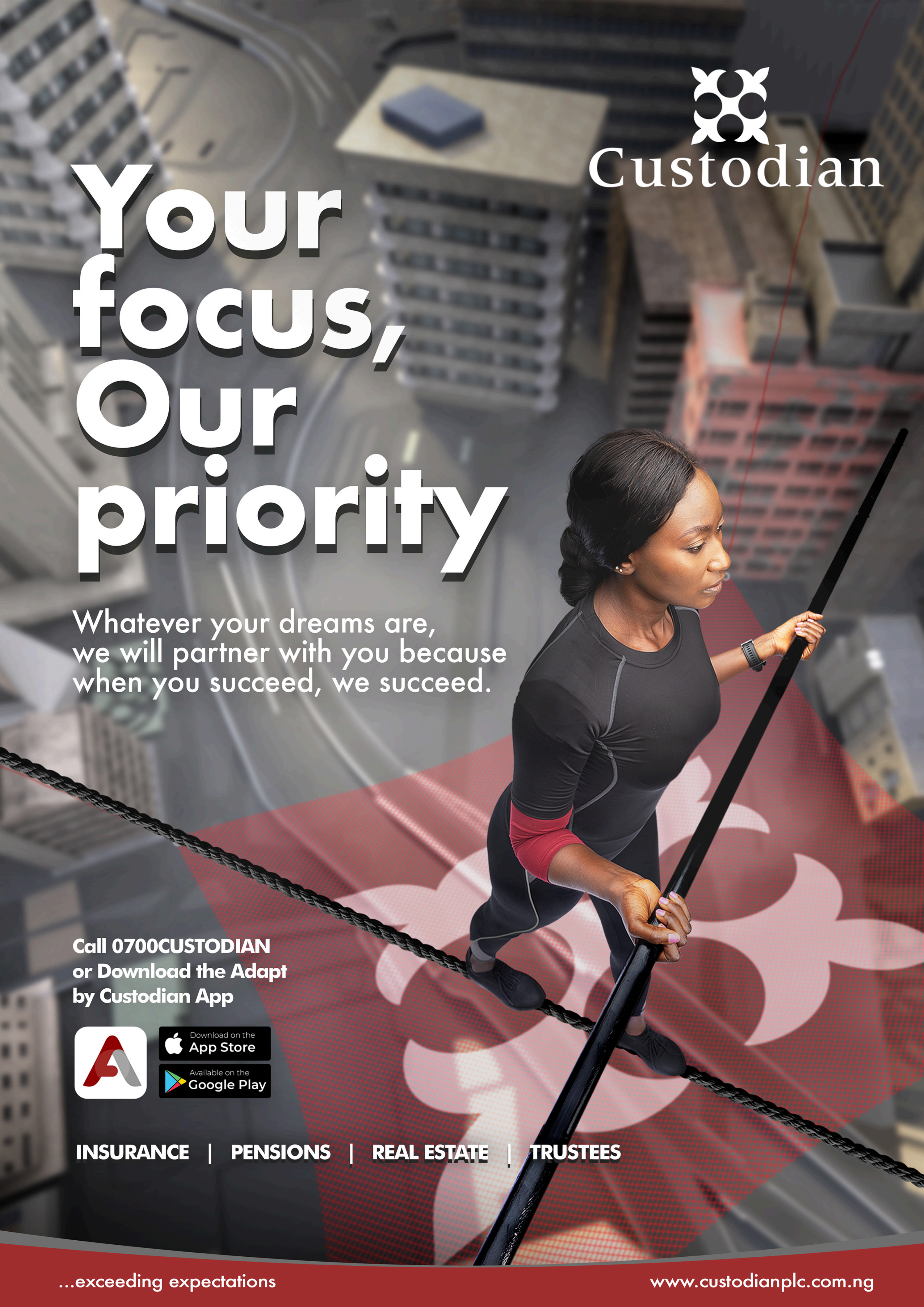
The NBS announced Nigeria's real GDP growth on November 25. The data shows that real GDP growth increased to 3.46% in Q3 2024 from 2.54% in Q3 2023. This increase in growth was primarily driven by the services sector, especially insurance and financial services. The fastest-growing industries were the financial sector (30.83%), metal ore (21.83%), and rail transport and pipeline (19.68%). Although the GDP data was stronger than expected, the average purchasing power index (PMI) in Q3 declined to 49.97 points, reflecting a contraction in economic activity.

In spite of the spiraling inflation and high borrowing costs due to a cumulative interest rate hike of 8.75%, the economy remained resilient. However, overall financial conditions remain relatively loose.

REAL GDP GROWTH (%)



Source: NBS, FDC Think Tank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BUSINESS ACTIVITIES TRACKED BY THE NBS

15	21	10
EXPANDED	SLOWED	CONTRACTED

Sector Breakdown – 15 expanded, 21 slowed and 10 contracted

To evaluate the economic performance, NBS also released its tracking of the 46 activities that it observes every quarter. This showed that 15 of these activities expanded whilst 21 slowed and 10 others contracted. In other words, 32.6% of business activities in Nigeria were positive in direction. The business environment was also a victim of rapidly increasing inflation, which is currently at 33.88%. The CBN had earlier indicated that any inflation rate above 12% is growth retarding.

Another significant deduction from the growth data is that the expanding and rapidly growing sectors are job inelastic. This means that growth may not be inclusive and will not result in lower levels of unemployment.

The oil sector also recorded a third consecutive increase in Q3 2024 after rebounding from a -0.85% contraction in Q3 2023. However, this growth in the oil sector translates into increased revenue, as oil production increased from 1.45 mbpd in Q3 2023 to 1.47 mbpd in Q3 2024. This is greeted by a ramp-up of 650,000 barrels/day by Dangote mega refinery. There is also hope for complete deregulation of petrol prices as the government revamped state-owned refineries. Interestingly, the Q2 unemployment numbers showed an improvement from 5.3% to 4.3%.

Policy changes without institutional reform could be counterproductive

Although the growth trend is positive, the macroeconomic environment remains strained with increasing price of PMS and a weak naira in the forex market. The average purchasing power index (PMI) declined to 49.97 reflecting a contraction in economic activity. Policy changes in the last 12 months have faced significant headwinds. This is mainly because the institutions meant to deliver value to the people remain weak and ineffective. Therefore, policy change must be followed by institutional reforms.

CBN continued its rate hikes – at a slower pace

The CBN raised interest rates by 25 basis points (bps), adding to a cumulative 875 bps hike over the past year. Despite these increases, the economy showed resilience, with Q3'24 growth remaining strong. CBN has continued its rate hikes, though at a slower pace, driven by persistent inflation and a weak exchange rate, which remains the central focus of its inflation-targeting strategy. The ongoing policy adjustments aim to balance inflation control with sustained economic growth, but the effectiveness of these measures in the long term remains to be seen. Despite the high inflation and a steep rise in MPR by 25bps to 27.50%, the economy is still exhibiting a high degree of resilience.

What next

Looking ahead, there is cautious optimism for stronger growth in Q4 compared to Q3. The Economic Intelligence Unit revised up real GDP growth estimate for 2024, from 3% previously, to 3.2%. The policy-making environment is expected to become clearer and more predictable, especially in exchange rate and inflation management. However, the tangible benefits of market reform policies are unlikely to manifest in the second quarter of 2025.

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