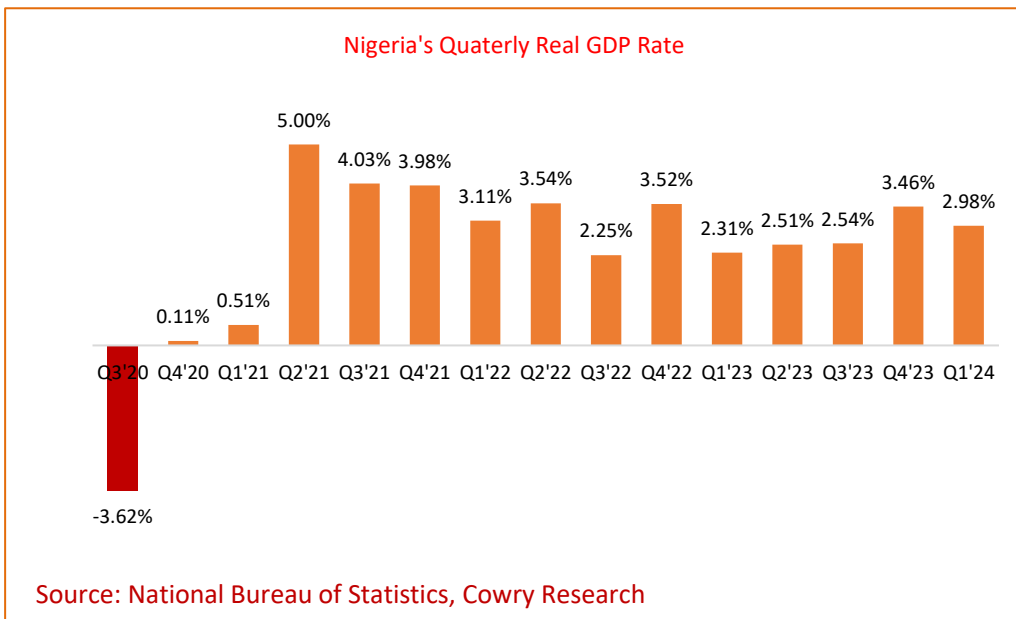


Analyst's Note on: Nigeria's Gross Domestic Product – Q1'24

Nigeria's Economic Upside Remains Robust with 2.98% Real Growth; Non-oil Sector Upholds Rally...

According to the latest GDP data from the National Bureau of Statistics, Nigeria's economy posted robust gross domestic output growth of 2.98% to N18.28 trillion in real terms in the first quarter of 2024, slightly lower than the 3.46% growth reported in the fourth quarter of 2023, but higher than the 2.31% recorded in the corresponding quarter of 2023. This growth marks the 14th consecutive quarter of economic expansion and at a solid pace since exiting recession in 2020 following the effect of the pandemic.

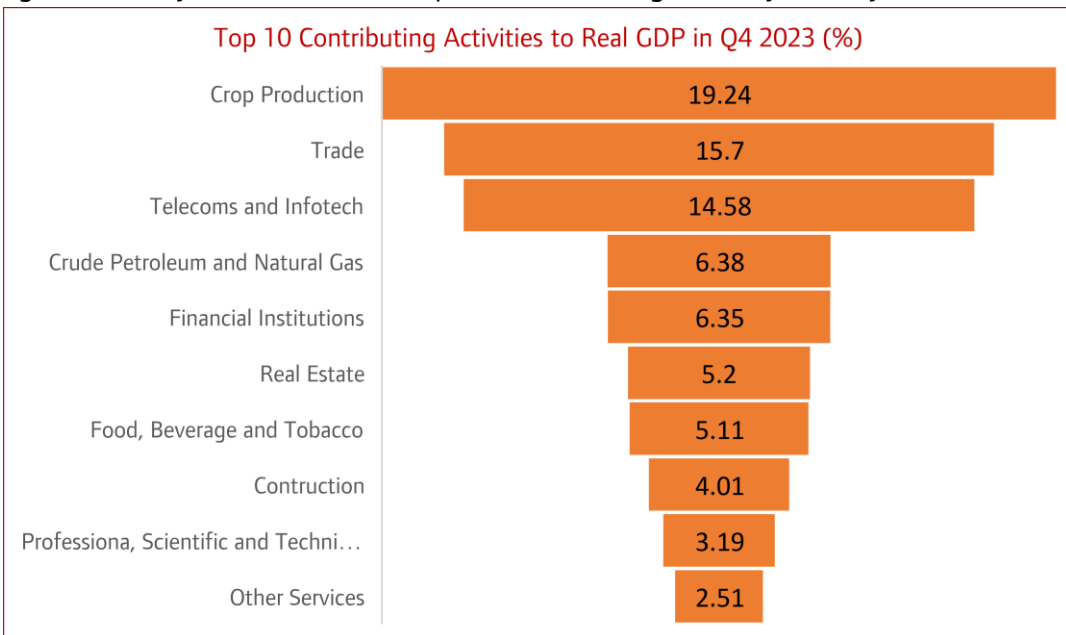
The positive output growth was underpinned by the non-oil sector which grew by 2.80% in real terms during the reference quarter (Q1 2024). This rate was higher by 0.02% points compared to the rate recorded in the same quarter of 2023 and 0.28% points lower than the fourth quarter of 2023. This sector was driven in the first quarter of 2024 mainly by Financial and Insurance (Financial Institutions); Information and Communication (Telecommunications); Agriculture (Crop production); Trade; and Manufacturing (Food, Beverage, and Tobacco), accounting for positive GDP growth.



Consequently, the Services sector, which recorded a growth of 4.32% and contributed 58.04% to the aggregate GDP led the growth momentum. Performance of the service sector comes from strong activities in the finance and insurance sector, information and communication as was driven by improvement in financial services offerings, development in the technology space as well as investments into finance and technology companies (Fintechs) to drive services offerings. In terms of share of the GDP, the services sector contributed more to the aggregate GDP in the first quarter of 2024 compared to the corresponding quarter of 2023.

Elsewhere, the agriculture sector grew by 0.18%, from the growth of -0.90% recorded in the first quarter of 2023 as a result of the breather experienced in the insecurity level which has bedeviled agricultural activities in the country. However, the sector contributed 21.07% to overall GDP in real terms in Q1 2024, lower than the contribution in the first quarter of 2023 and lower than the fourth quarter of 2023 which stood at 21.66% and 26.11% respectively. The growth of the industry sector was 2.19%, an improvement from 0.31% recorded in the first quarter of 2023. This sector's growth was propelled by growth in the manufacturing, water supply, construction, trade, arts and entertainment, and other complimenting sectors during the review period.

The pivotal oil sector continued to grow robustly, albeit at a slower pace and reaching 5.70% year on year in the first quarter when compared to the 12.11% in Q4 of 2023. Growth decreased by 6.41% points when compared to Q4 2023 which was 12.11%. On a quarter-on-quarter basis, the oil sector recorded a growth rate of 13.77% in Q1 2024. The Oil sector contributed 6.38% to the total real GDP in Q1 2024, up from the figure recorded in the corresponding period of 2023 and up from the preceding quarter, where it contributed 6.21% and 4.70% respectively.



Consequently, Nigeria in the first quarter of 2024 recorded an average daily oil production of 1.57 million barrels per day (mbpd), higher than the daily average production of 1.51mbpd recorded in the same quarter of 2023 by 0.06mbpd and higher than the fourth quarter of 2023 production volume of 1.55 mbpd by 0.02mbpd.

In our view, Nigeria's economic growth remain robust with positive upsides despite several headwinds which comes on the back of insecurity challenges, high inflation rate and sluggish pace of economic activities. Nigeria's economic growth has been forecast to remain subdued in the near term as current performance paints a nuance that the actual performance will depend on a complex of domestic and global economic factors. The intricacies of this outlook are shaped by a complex interplay of domestic and global economic factors. Pertinently, aggressive rate hikes by the central bank in response to escalating inflation, concurrently with fluctuating but upward-trending employment figures, dwindling daily crude oil production, and escalating debt levels, collectively contribute to Nigeria's economic challenges.

As noted in our 2024 outlook, we anticipate a higher real GDP growth than in 2023, with expectations of accelerated growth in the oil sector, aligned with the recovery in crude oil production. Additionally, the normalisation and permeation of new government reforms and policies are expected to propel growth in the non-oil sector, particularly supported by the Services sector. Overall, Cowry Research projects a 3.25% year-on-year real GDP growth in 2024.

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