

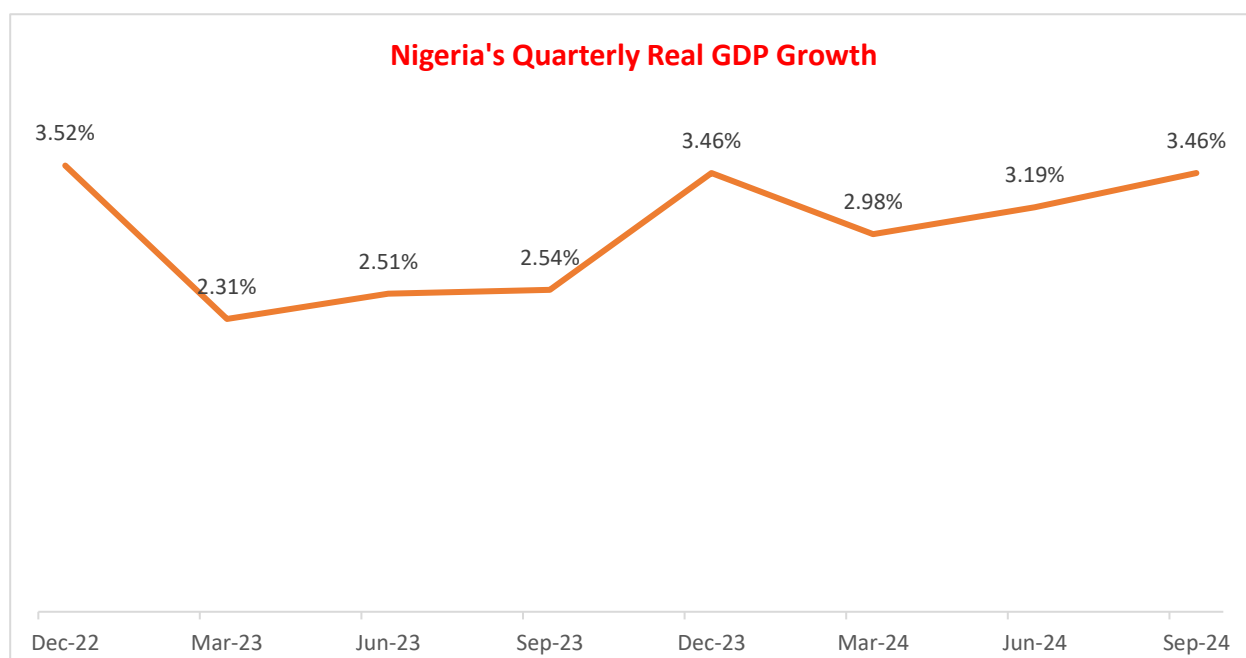
Analyst's Note on: Nigeria's Gross Domestic Product – Q3'24

Non-Oil Sector Inspires Growth Momentum as Economy Expands by 3.46% in Q3:2024

According to the latest gross domestic product (GDP) report from the NBS, Nigeria's economy expanded by 3.46% year-on-year in the third quarter of 2024, reaching N20.12 trillion, marking the highest growth since the fourth quarter of 2023. This was a significant acceleration from the 3.19% recorded in the previous quarter and a considerable improvement from the 2.54% growth in the same period of 2023. This growth is the strongest observed so far this year and reflects a broader economic rebound as Nigeria recovers from the impacts of the pandemic, with notable improvements in economic activities across key sectors of the economy.

The non-oil sector was the main driver of the growth, expanding by 3.37% in real terms. The services sector was particularly resilient, growing by 5.19% and contributing 53.58% to the total GDP. Several sub-sectors within services recorded strong performances. Financial and insurance services grew by an impressive 30.8%, driven by technological advancements and the development of tailored financial products. Other contributors included information and communication, which grew by 5.9%, transportation and storage, which saw a 12.2% rise, trade, which grew by 0.7%, and construction, which expanded by 2.9%.

In terms of share of the GDP, the services sector contributed more to the aggregate GDP in the third quarter of 2024 compared to the corresponding quarter of 2023. Thus, services sector grew by 5.19% year on year and accounted for 53.58% of overall GDP.



The agricultural sector, however, continued to face challenges, registering a growth of only 1.14%, a slight decline from the 1.30% growth in Q3 2023. This lacklustre performance can largely be attributed to persistent security challenges in food-producing regions, exacerbated by flooding in parts of the northern states. Meanwhile, the industrial sector saw a recovery, posting a growth of 2.18%, an improvement from the 0.46% recorded in the same period of 2023. While the sector's performance improved, it still faces challenges that limit its growth potential.

Meanwhile, the all-important oil sector rebounded with a growth of 5.17%, a significant recovery from the -0.85% decline in Q3 2023. The growth of the oil sector was 6.02 percentage points higher than the previous year, although it slowed down compared to the previous quarter's 10.15% growth. The slowdown in growth during Q3 was partly due to a 6% reduction in crude oil prices to \$82 per barrel and high base effects from the previous period. The oil sector's contribution to the total GDP was 5.57% in Q3 2024, slightly higher than the 5.48% recorded in the corresponding period of 2023 but lower than the 5.70% contribution in the previous quarter.

Meanwhile, in terms of oil production during the third quarter of 2024, Nigeria recorded an average daily oil production of 1.47 million barrels per day (mbpd), higher than the daily average production of 1.45 mbpd recorded in the same quarter of 2023 by 0.02 mbpd and higher than the second quarter of 2024 production volume of 1.41 mbpd by 0.07mbpd.

Overall, Nigeria's economy has shown sustained growth for the sixteenth consecutive quarter, with a 3.46% expansion in Q3 2024. This growth is underpinned by robust activity in the non-oil sector, particularly in services, and despite challenges such as inflationary pressures, global economic dynamics, rising interest rates, and a depreciating naira. The continued growth in the services sector, coupled with improvements in the financial industry, has been pivotal to this positive trajectory.

However, concerns remain regarding the challenging operating environment for businesses. The devaluation of the naira has impacted the manufacturing sector by weakening consumer purchasing power, which, in turn, has led to the exit of several multinational companies. Additionally, the high interest rate environment continues to pose a threat to economic stability, further exacerbating the challenges faced by businesses operating in Nigeria. As noted in our 2024 Economic Outlook, Cowry Research maintains its projections for a 3.25% year-on-year real GDP growth in 2024.

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