

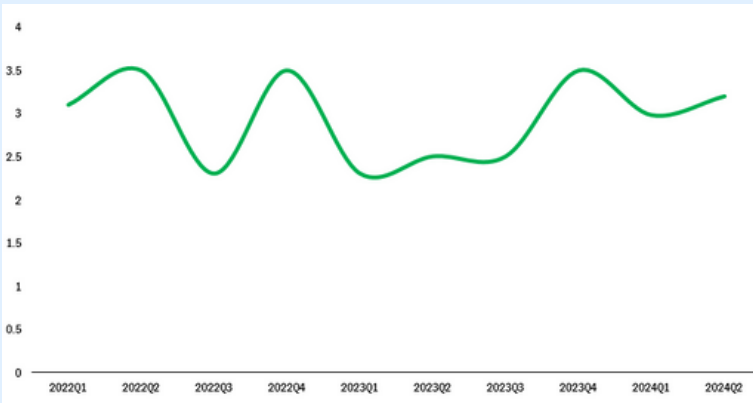
NESG 2024Q2 GDP ALERT

August 2024

Nigerian economy improved in 2024Q2

The Nigerian economy grew by 3.19 percent (year-on-year) in 2024Q2, representing a fast pace of expansion compared to the growth of 2.98 percent and 2.51 percent in 2023Q2 and 2024Q1, respectively (see **Figure 1**). On a quarterly basis, the real Gross Domestic Product (GDP) rose marginally by 0.04 percent in 2024Q2 relative to a 16.1 percent decline in 2024Q1.

Figure 1: Nigeria's Year-on-Year Real GDP Growth (percent)

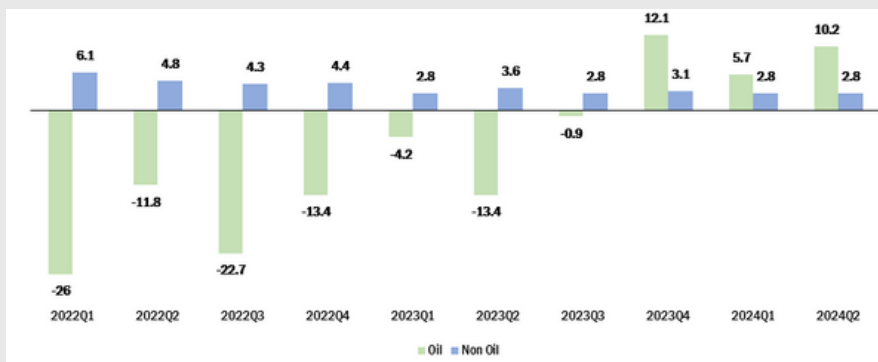


Data: NBS; Chart: NESG Research

The cumulative GDP growth for the first half of 2024 stood higher at 3.1 percent compared with 2.4 percent in the corresponding period of 2023. In nominal terms, the size of the economy stood at N60.9 trillion (US\$43.9 billion) and N119.8 trillion (US\$89 billion) in 2024Q2 and H1'2024, respectively [1].

Growth in the Oil sector outpaced that in the Non-Oil sector in 2024Q2. Accounting for 94 percent of the total real GDP in 2024Q2, the non-oil sector expanded by 2.8 percent (year-on-year), the same growth rate recorded in 2024Q1, but a slowdown compared to 3.6 percent growth in 2023Q2 (see **Figure 2**). Similarly, in H1'2024, the non-oil sector grew by 2.8 percent, lower than 3.2 percent growth posted in H1'2023. The slowdown experienced in 2024Q1 could be attributed to the subdued performance of key activity sectors, including Manufacturing, Construction, Trade, and Information & Communications Technology (ICT), which jointly accounted for 51.3 percent of the total real GDP. Conversely, the Oil sector sustained growth for the third consecutive quarter, expanding significantly by 10.2 percent relative to a contraction of 13.4 percent and a growth of 5.7 percent in 2023Q2 and 2024Q1, respectively (see **Figure 2**).

Figure 2: Year-on-Year Oil and Non-oil Sector Growth (percent)



Data: NBS; Chart: NESG Research

The Oil sector's impressive performance was driven largely by the improvement in domestic crude oil production and global oil prices. The average domestic crude oil production rose to 1.4 million barrels per day (mbpd) in 2024Q2 from 1.2mbpd in 2023Q2. On the other hand, global oil prices increased by 8.7 percent (year-on-year) to US\$86.6 per barrel in 2024Q2. Cumulatively, in H1'2024, the Oil sector grew by 7.9 percent compared with a contraction of 8.8 percent in H1'2023.

[1] The average official exchange rates of N1,386.5/US\$ and N1,345.4/US\$ for 2024Q2 and H1'2024 were utilised for currency conversion

SUB-SECTOR ASSESSMENT

Agricultural sector picked up in 2024Q2.

The Agricultural sector grew faster by 1.4 percent (year-on-year) in 2024Q2 relative to a 0.2 percent growth in 2024Q1, albeit slowing slightly from 1.5 percent in the corresponding period of 2023 (see **Figure 3**). The performance of the sub-sectors was mixed in the quarter. Growth improved in activities, including Forestry (2.8 percent) and Fishing (0.4 percent). Similarly, the Livestock sub-sector contracted minimally by 1.7 percent. However, Crop Production expanded slowly by 1.65 percent. Cumulatively, the Agricultural sector expanded by 0.8 percent in H1'2024, relative to the average growth of 0.3 percent in H1'2023.

Figure 3: Year-on-Year Growth Performance of Agricultural Sector (percent)

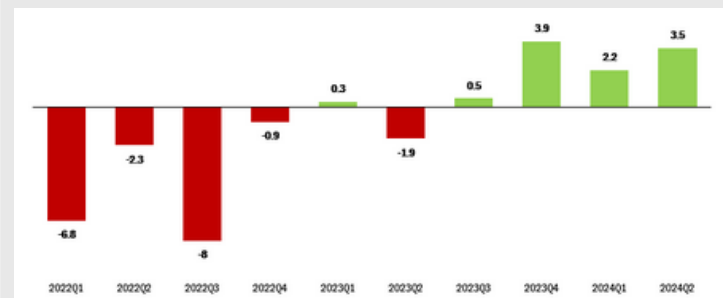


Data: NBS; Chart: NESG Research

Industrial sector sustained growth for the fourth consecutive quarter buoyed by the Oil & Gas Sector.

The Industrial sector expanded by 3.5 percent (year-on-year) in 2024Q2 relative to a contraction of 1.9 percent and 2.2 percent growth recorded in 2023Q2 and 2024Q1, respectively (see **Figure 4**). Similarly, in H1'2024, the Industrial sector grew by 2.9 percent, an improvement over a contraction of 0.8 percent in H1'2023. This performance could be attributed to the sustained growth in the Crude Petroleum and Natural Gas sub-sector, which accounted for 31 percent of the total Industry GDP in 2024Q2. Out of the 20 activities in the Industrial sector, 15 sub-sectors expanded, while 5 activities recorded a negative growth in 2024Q2.

Figure 4: Year-on-Year Growth Performance of the Industrial Sector (percent)

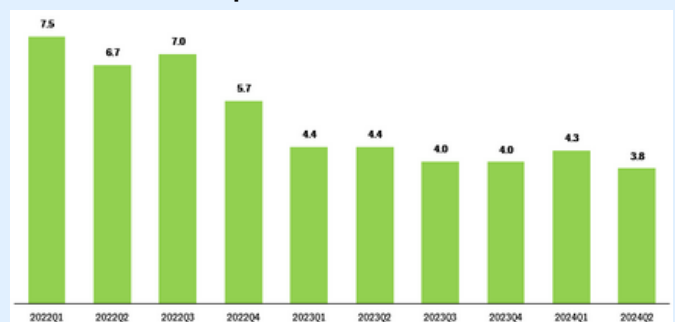


Data: NBS; Chart: NESG Research

Services sector was the best growth performer in 2024Q2.

The Services sector expanded slowly by 3.79 percent (year-on-year) in 2024Q1 from 4.42 percent and 4.32 percent in 2023Q2 and 2024Q1, respectively (see **Figure 5**). This was driven by the subdued performance in the key activity sectors, including Information and Communications Technology (which grew by 4.4 percent in 2024Q2 down from 8.6 percent in 2023Q2), Trade (0.7 percent down from 2.4 percent) and Real Estate (0.8 percent down from 1.9 percent). Cumulatively, the Services sector grew by 4.1 percent in H1'2024, lower than the growth posted in H1'2023 (4.4 percent). Out of the 22 Services sub-sectors, 17 activities grew, while 5 sub-sectors contracted in 2024Q2.

Figure 5: Year-on-Year Growth Performance of Services Sector (percent)



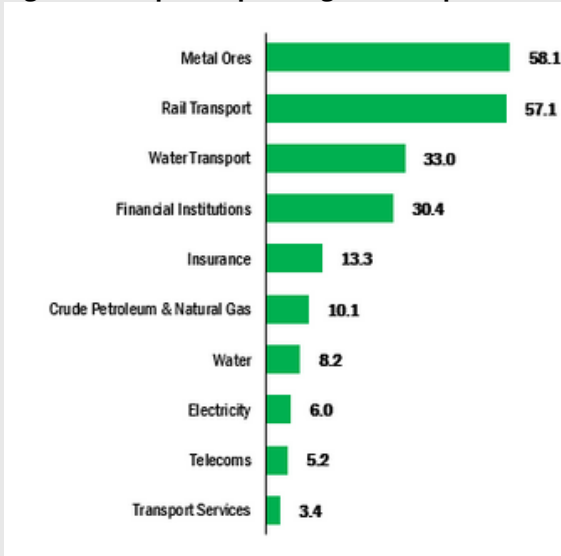
Data: NBS; Chart: NESG Research

Sectoral Breakdown of Growth – Expanding & Contracting Sub-sectors.

A further breakdown of the growth numbers showed that Metal Ores led the 35 expanding sectors with the highest growth of 58.1 percent in 2024Q2, followed by Rail Transport (57.1 percent) and Water Transport (33 percent) (see **Figure 6a**).

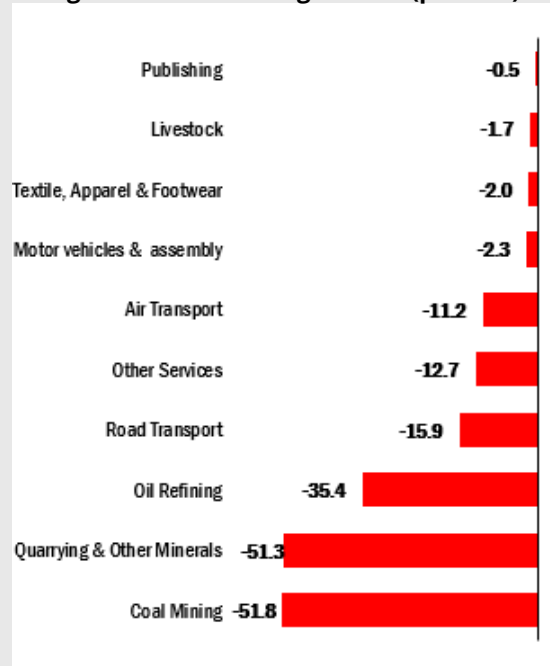
On the other hand, activities contracted in 11 sub-sectors led by Coal Mining (-51.8 percent), followed by Quarrying & Other Minerals (-51.3 percent), and Oil Refining (-35.4 percent) (see Figure 6b).

Figure 6a: Top 10 Expanding Sectors (percent)



Data: NBS; Chart: NESG Research

Figure 6b: Contracting Sectors (percent)



Data: NBS; Chart: NESG Research

CONCLUDING REMARKS

- * **The impressive performance of the Oil & Gas sector is not sustainable unless some structural bottlenecks are addressed.** The performance of the sector is positively correlated with domestic crude production. Therefore, factors hindering crude oil production, including oil theft, pipeline vandalism, infrastructural decay and divestments, need to be adequately tackled. Despite accounting for less than 10 percent of the total real GDP, persistent improvement in the Oil & Gas sector has the potential to boost the overall economic growth.
- * **To benefit from the expected crop harvests, the perennial insecurity challenges facing the Agricultural sector need to be tackled.** The Crop Production sub-sector has continued to experience a slowdown partly due to persistent insecurity in the food-producing regions. To avert this and achieve a further slide in food inflation in the coming months, proactive steps must be taken to curtail insecurity in these regions.
- * **The non-oil Industrial activities are still struggling with growth.** The Manufacturing sector, most especially, has recorded growth in the range of 1.5 percent and 2.2 percent over the last six (6) quarters. Growth has nosedived in the key sub-sectors including Cement, Textiles, and Food, Beverages & Tobacco, which accounted for 79 percent of Manufacturing GDP in 2024Q2. This suggests that many businesses are faced with an elevated cost of doing business and need some financial support to remain in operation.
- * **The Services sector has also experienced a slowdown in recent times, which has been exacerbated by the exchange rate harmonisation policy.** Leading players in key Services sub-sectors, including ICT, Trade, and Real Estate, have yet to recover from the adverse impact of the policy on their financial performance. Meanwhile, for activities to pick up in these sub-sectors in subsequent quarters, there is a need for an improvement in access to foreign exchange, consumer spending, and policy environment.

About the NESG

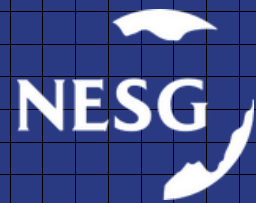
The NESG is an independent, non-partisan, non-sectarian organisation, committed to fostering open and continuous dialogue on Nigeria's economic development. The NESG strives to forge a mutual understanding between leaders of thought to explore, discover and support initiatives to improve Nigeria's economic policies, institutions and management.

Our views and positions on issues are disseminated through electronic and print media, seminars, public lectures, policy dialogues, workshops, specific high-level interactive public-private sessions and special presentations to the executive and legislative arms of government.



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