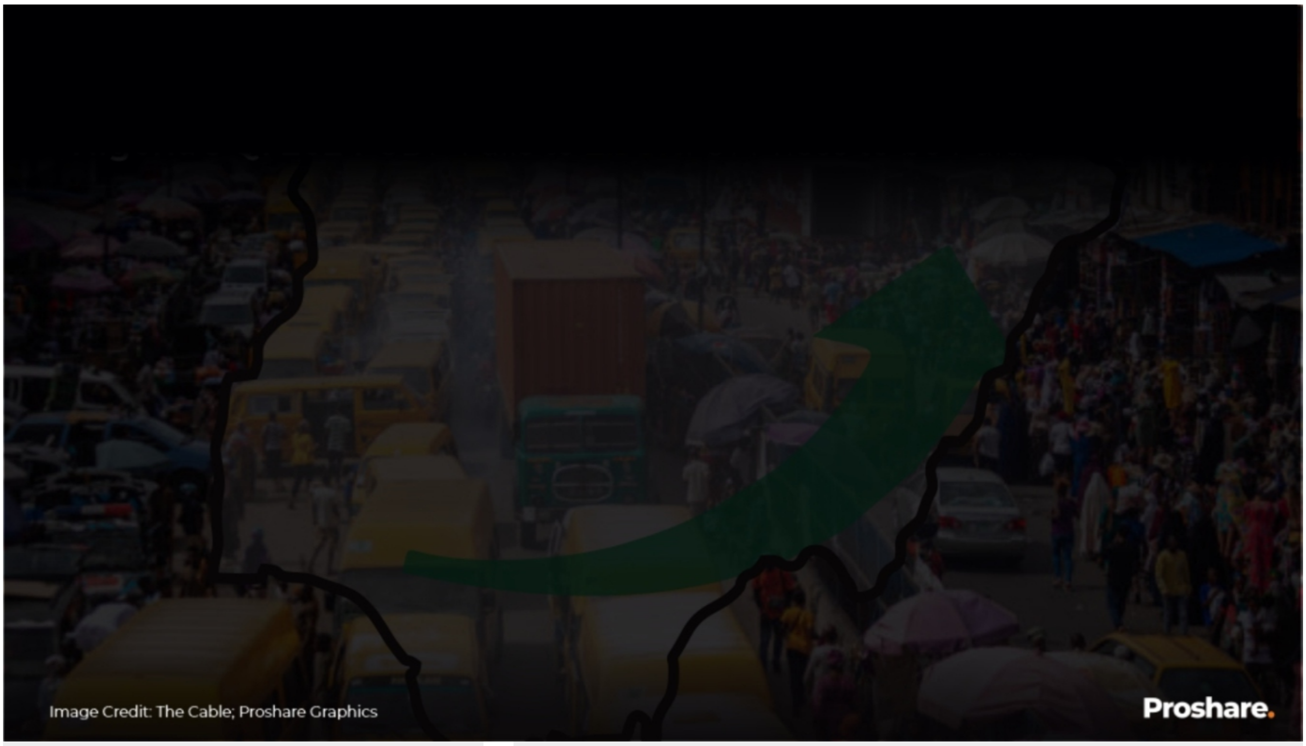
The Analyst Note.

Nigeria's Q1 2024 GDP Falls to 2.98%: Of Prices to be Paid.



Issue Date:
Tuesday, May 28, 2024

A Market Intelligence and Strategic Advisory Group Report

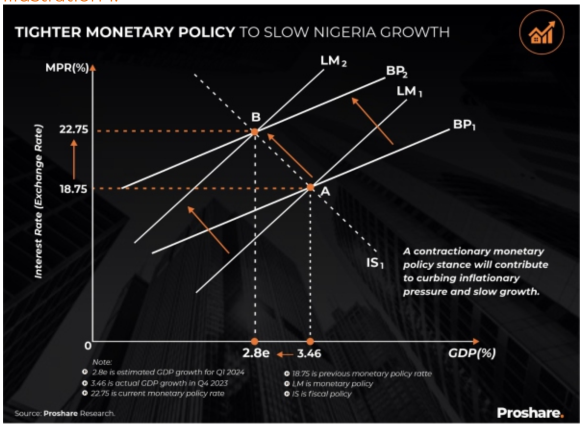
Production:
Proshare Graphics.

The Nigerian government projected a growth of 3.70%, 4.22%, and 4.78% over 2024, 2025, and 2026 in its medium-term expenditure framework (MTEF 2024-2026) while aiming to achieve a US$1trn GDP economy in the next eight years. These projections are threatened by currency risk and inflationary macroeconomic environments.

Stability seems to be the aim of the monetary authority, evidenced by the 750 basis points hike in MPR so far in 2024, while the target of the fiscal authority seems to be locked in revenue generation and the projected one trillion-dollar economy. The dilemma comes in balancing price and exchange stability with a strong output level necessary for a thriving economy that can be taxed as continuous monetary tightening risk tipping the current and future growth of the country into repression. This makes the reality of average required growth for a trillion-dollar economy glide deeper into an uncertain space.

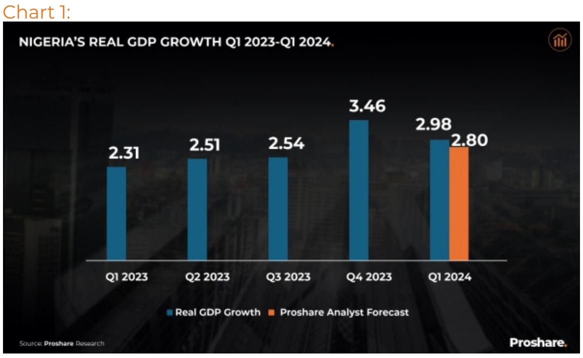
Proshare analysts had noted in *Economic Gains, Pains, and Uncertainties* following the recent policy approach by Nigeria's Monetary Policy Committee that the policy approach would come with ***a price to be paid***, projecting that growth would decline to about 2.8% in the first quarter of 2024. Actual growth, however, came in better than expected (*see illustration 1*).

Illustration 1:



Data from the National Bureau of Statistics (NBS) revealed that Nigeria's GDP growth in Q1 2024 rose 2.98% relative to 3.4% in Q4 2023 and 2.31% obtained in Q1 2023 (*see chart 1*).

Chart 1:



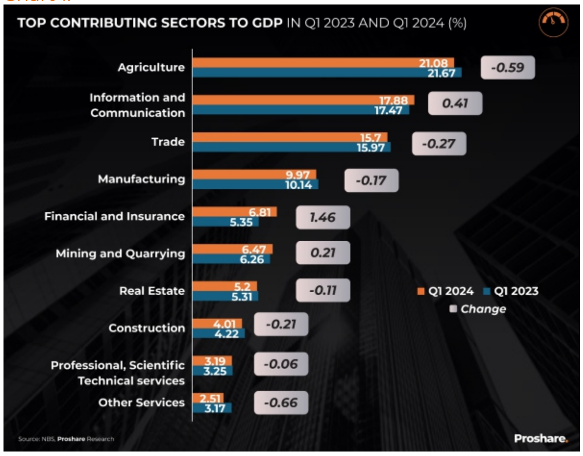
Sectoral/Activity Growth and **Performance.**

Growth in Q1 2024 was majorly driven by agriculture, ICT, trade, manufacturing, financial insurance, and real estate sectors, each contributing over 5%. However, the contributions of these sectors seem to be waning, with mostly negative or muted growth compared to their contribution in Q1 2023.

Macroeconomic analysts say the challenge to growth is a sector-wide issue, with each industry struggling to maintain activity level amidst the general macroeconomic uncertainties and global supply chain challenges.

Despite the muted interventions in the agricultural, ICT, and Trade sectors, private sector activities have remained resilient in these sectors, facilitating growth and activity levels in other sectors (*see chart 2*).

Chart 1:



Crop production remains a dominant activity that contributes to Nigeria's growth. However, the challenge associated with the country's agricultural value chain has heightened food insecurity as food inflation surged to 40.53% at the end of April 2024 (*see chart 3*).

Chart 3:

The dominance of agriculture (particularly crop production) as the largest contributor to GDP amidst high food insecurity raises many concerns, some of which are:

1. Does this reinforce our assumption that productivity levels in Nigeria are low with outdated farming techniques, inadequate access to modern inputs (such as fertilizers and high-yield seeds), and poor irrigation infrastructure, which have resulted in suboptimal crop yields and inefficiencies?
2. Does it suggest our agricultural outputs deviate from our food needs as a country, or a significant proportion of our outputs are diverted into neighbouring countries?
3. Does this suggest a significant portion of agricultural produce is lost after harvesting

due to inadequate storage facilities, poor transportation infrastructure, and inefficient supply chains?

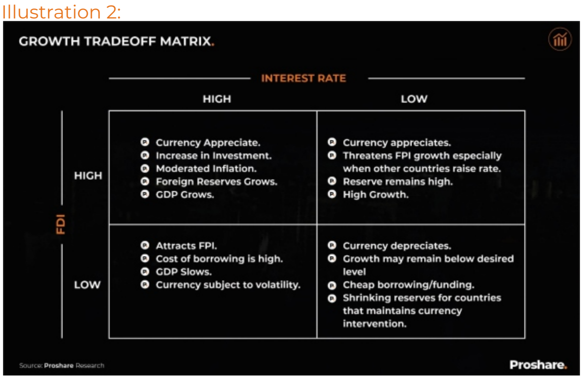
4. Does this suggest that many smallholder farmers remain impoverished and lack access to markets, credit, and extension services? Implying that farmers do not benefit proportionately from their contribution to the economy.

Closing thoughts: **Between Projections and Reality.**

Growth may be sacrificed in the bid to force stability. Management of an economy is a complex process of understanding balance and adjustment. The economy must be made attractive to businesses and FDI inflow, not through random policy choices but a carefully designed roadmap with clear victuals and targets. Such an approach will achieve true stability by increasing output level and external reserves and reducing unemployment.

Proshare analysts have found that an appropriate mix of at least 4.23% to 7% growth and about 40% appreciation in the naira must be sustained over an eight-year period to achieve half a trillion-naira economy. The right dose of policy mix must continuously be strategically considered in policy development and execution (*see illustration 2*).

Illustration 2:



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Creation Date

This report was published on May 28, 2024, and is based on the best publicly available information at that time. The PDF version was created on May 29, 2024. For comments, feedback, and updates, kindly send us an e-mail via **research@proshare.co**. Thank you.

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