



May 27, 2024

**Berkshire Market Briefs**

**Real GDP Growth Slows as Currency Pressures and Aggressive Monetary Tightening Stifle Business Growth**

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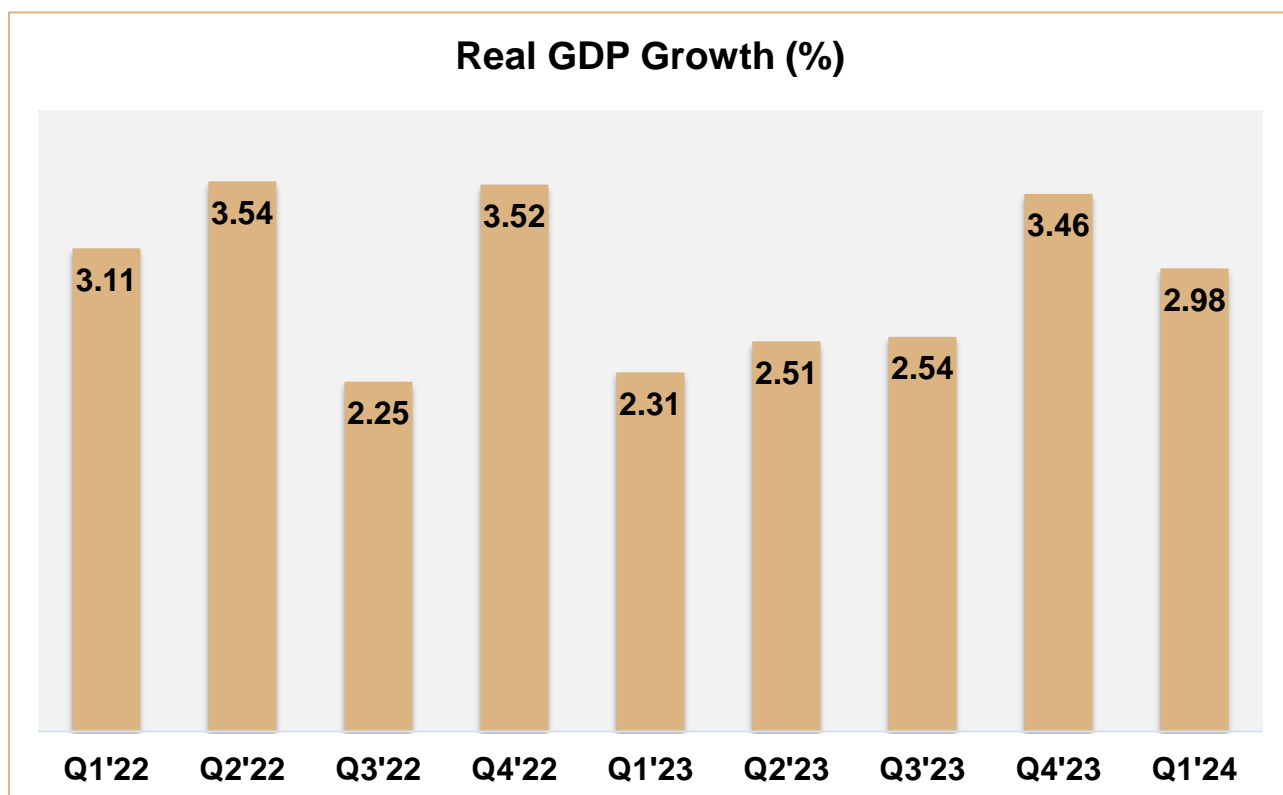
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Nigeria's real GDP growth came in at 2.98% in Q1'24, a decline from 3.46% in Q4'23 but higher than the 2.31% recorded in Q1'23. This decline relative to the previous quarter was not surprising, given the typical slowdown in economic activities at the beginning of the year, exacerbated by the heightened insecurity, sharp Naira depreciation, weak aggregate demand and the Central Bank of Nigeria's (CBN) hawkish monetary policy stance. The Naira reached a peak of ₦1,915/\$ during the quarter, pushing up import costs and stifling business expansion. To mitigate inflationary and currency pressures, the CBN also implemented a series of interest rate hikes totalling 600 basis points in Q1'24, thereby elevating the cost of borrowing and further restraining business growth.

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**The Oil and Non-oil Sectors Both Experienced Decelerations**

In the first quarter of 2024, there was a slowdown in both the oil and non-oil sector growth. The oil sector growth slowed to 5.70% from 12.11% in Q4'23, although it exceeded the negative growth rate of -4.21% observed in Q1'23. This slowdown was despite a rise in average oil production, suggesting that higher oil production was insufficient to compensate for the decline in prices. Oil production increased by 1.29% to 1.57 million barrels per day while oil prices dropped by 1.30% to \$81.74 per barrel. Meanwhile, the oil sector's contribution to GDP rose to 6.38% from 4.6% in Q4'23 and 6.21% in Q1'23.

During the review period, the non-oil sector grew by 2.8%, a decline from 3.08% in Q4'23 but higher than the 2.78% in Q1'23. Expansion in this sector was fuelled by financial institutions, telecommunications, crop cultivation, trading, and the food, beverage, and tobacco industries. The non-oil sector contributed 93.62% to GDP in Q1'24, down from 95.30% in Q4'23 and 93.79% in Q1'23.

**Sector Breakdown – 14 Expanded, 19 Slowed and 13 Contracted**

A breakdown of the NBS data showed that only 14 of the 46 activities tracked expanded, while 19 slowed and 13 contracted. Some of the sectors that slowed and contracted include:



	Q4'23	Q1'24	Rationale
<b>Agriculture</b>	2.10	0.18	▪ Affected by insecurity challenges in the food belt, higher logistics costs, infrastructure deficiencies, and exchange rate pass-through
<b>Trade</b>	1.40	1.23	▪ Slowdown was partly due to weak demand and cost pressures emanating from currency depreciation
<b>Construction</b>	3.70	-2.14	▪ Sector was affected by subdued demand amidst rising costs of building materials

### What to Expect in Q2

We anticipate that real GDP growth will continue to be positive; however, it may continue to decline in the second quarter due to the lagged impact of significant currency depreciation and the CBN's hawkish monetary stance. This situation could be aggravated by shortages in the agricultural sector during the second quarter, which coincides with the peak of the planting season.

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