Somalia National Bureau of Statistics

Economy on an upward trajectory: key insights from the 2024 GDP data analysis

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In order to continuously inform policy, the Somalia National Statistics Office launches the first in a series of policy briefs designed to provide policy actors with the crucial information they need to address challenges in their respective policy environments. The first edition of this is a policy brief on Gross Domestic Product (GDP) for the year 2024.

Since its establishment in 1947, two years after World War II, the United Nations Statistical Commission (UNSC) has developed methodologies, standards, and procedures to guide member states in collecting diverse data, including social, environmental, and economic statistics. Furthermore, the Commission was also focused on instruments for processing, and disseminating data. The compilation of GDP serves as a useful indicator through which countries measure the size of their economy as well as the changes that occur over time.

Nevertheless, despite the widespread use of GDP as an economic indicator, a longstanding critique has been that it is insufficient to accurately capture the complex relationship between economic activity and social issues such as well-being and poverty. Under the stewardship of the United Nations, a significant effort has begun to develop economic indicators that make GDP more sensitive to human well-being and planetary health, moving beyond the sole focus on profit.

Brief Points

- In 2024, Somalia's GDP grew by 4.1%, after adjusting for inflation, a rate comparable to the 4.2% growth recorded in 2023.
- The GDP growth was primarily driven by a significant rise in household consumption (up 8.8% in real terms). This was fueled by strong overseas remittances and a significant increase in gross fixed capital formation (up 21.1%), especially in the construction sector.
- The export sector showed an impressive growth rate of 42.3%, with agricultural products being the primary contributor. Nevertheless, this was overshadowed by a significant rise in imports (28.5%), which widened the trade imbalance.
- The Somali economy remains heavily dependent on external goods and financing.

Introduction

GDP is a key indicator of a country's economic performance. It shows the total value of goods and services produced in a specified timeframe. Accurate and reliable GDP data are essential for informing national policy, guiding budgetary allocation, and providing clear insights into a country's economic conditions and future outlook. As a nation in the state-building and economic recovery phase, macroeconomic indicators such as GDP are crucial for understanding the key drivers of Somalia's growth trajectory. It specifically enables the strategic allocation of resources to stimulate economic growth and to engage effectively with international development partners and prospective investors.

To support this goal, the Somalia National Bureau of Statistics (SNBS) plays a crucial role in collecting and disseminating GDP data using internationally recognised methodologies. This brief provides an analysis of the 2024 GDP data, highlighting the key drivers of economic growth, structural aspects of the economy, and key challenges. Furthermore, it offers policy recommendations that could inspire future policy and practical interventions aimed at enhancing economic growth and strengthening national economic resilience.

What methodology is used to estimate the GDP?

The SNBS has made commendable progress towards producing credible estimates of Somalia's national GDP. However, as with other statistical agencies, especially those in fragile post-conflict environments where data is scarce, it is vital to maintain transparency regarding data sources, methodological assumptions, and challenges. This is essential for fostering user confidence and ensuring accurate interpretation of the data.

The current GDP figures are calculated solely from the expenditure side, which quantifies the overall spending on goods and services within the economy. This approach provides a crucial overview of economic activity from the demand side, including consumption, investment, government expenditure, and net exports. Nevertheless, a comprehensive understanding of the economy cannot be achieved by exclusively relying on expenditures. The expenditure-based approach does not reveal the internal structure or sectoral influence of the economy. This contrasts with the production-based approach, which can provide disaggregated GDP by sectors (such as agriculture, manufacturing, and services). Consequently, it is difficult to exactly identify which sectors are either promoting or hindering economic growth.

Due to the scarcity of real-time data across sectors, we had to make some assumptions to address these critical gaps. For example, when estimating household consumption of essential products such as food and housing, it is assumed to move in line with the population growth rate of 2.8% per year. This assumption, which is based on demographic trends, may not fully capture the complexities of economic behaviour in a dynamic and often uncertain context where factors such as displacement, climatic shocks, or income fluctuations have substantial impacts on outcomes.

A key methodological strength of the current GDP estimates is that they are benchmarked on the comprehensive 2022 Somalia Integrated Household Budget Survey (SIHBS). This approach aligns with international best practices and IMF recommendations, which suggest that national accounts be rebased approximately every five years to ensure they reflect the most current economic realities. Following this standard methodology, the GDP figures for subsequent years are estimated by extrapolating these benchmarks using proxy indicators drawn from various sources. While this is the widely accepted method, the continued reliability of the estimates is contingent upon the quality and consistency of these indicators.

The compilation of GDP figures is based on a mosaic of administrative and statistical sources. These include the balance of payments data provided by the Central Bank of Somalia, government finance statistics, and the Consumer Price Index (CPI). Each of these sources contributes to a more comprehensive understanding of national economic activity.

Recognising this, continuous efforts are underway to enhance the reliability of these inputs. These crucial efforts, led by SNBS in close collaboration with the Central Bank of Somalia and other government agencies, focus on improving the quality, integration, and scope of Balance of Payments data and other key administrative datasets. This ongoing collaboration is a critical step toward boosting the overall robustness and accuracy of Somalia's future national accounts. Administrative data is particularly important as it provides a cost-effective and high-frequency source of information on economic activity.

How did Somalia's economy perform in 2024?

In 2024, Somalia's economy demonstrated sustained resilience, reinforcing the upward trajectory observed in the previous year. Real GDP, which is adjusted for inflation, grew by 4.1%, a pace nearly identical to the 4.2% growth recorded in 2023. This positive trend suggests that the economy is consumption-driven and heavily reliant on external inflows. Investment is also demonstrating signs of strength. In nominal terms, measured at current market prices, the GDP increased from $10.96 billion in 2023 to $11.97 billion. This increase translated into a rise in GDP per capita from $694 to $737, indicating an improvement in the average economic output per person. Meanwhile, the GDP deflator, a measure of overall inflation, increased by 4.9%, indicating that price pressure is rising across sectors.

A closer analysis of the variables influencing GDP growth in 2024 reveals that the key factors were strong domestic demand and robust export performance. However, these gains were partially offset by a significant rise in imports, which continued to surpass other components. Compared to 2023, the GDP growth in 2024 was positively impacted by household final consumption, government expenditure, investment, and exports. Conversely, imports exerted a more negative effect on the aggregate figure than they contributed positively.

Table (1) below breaks down the headline 4.1% growth figure, showing the specific contribution of each expenditure component in percentage points. The current GDP figures are calculated using the internationally recognised expenditure approach. This method provides a crucial overview of economic activity by measuring the total final spending on all goods and services within the economy. It is formally expressed by the standard macroeconomic formula:

$$GDP = C + I + G + (X - M)$$

Where each component represents a key area of spending:

- **C** represents Household Final Consumption Expenditure (HFCE), the total spending by resident households on goods and services.
- **I** represent Gross Fixed Capital Formation (GFCF), which is essentially investments that are spendings by businesses on assets such as machinery and buildings, as well as household spending on new housing.
- **G** represents Government Final Consumption Expenditure (GFCE), which includes all government spending on public services (such as education and healthcare) and public investment.
- **(X – M)** represents Net Exports, the total value of a country's exports (goods and services sold abroad) minus the total value of its imports (goods and services bought from abroad).

Table 1: **Contributions to Real GDP Growth, 2023 vs. 2024**

Expenditure Component	2023	2024
Household final consumption	7.0	11.0
Government final consumption	0.2	1.2
Gross fixed capital formation	3.4	5.5
Exports of goods and services	7.4	10.2
Minus: Imports of goods and services	-13.8	-23.8
GDP at purchasers' prices	4.2	4.1

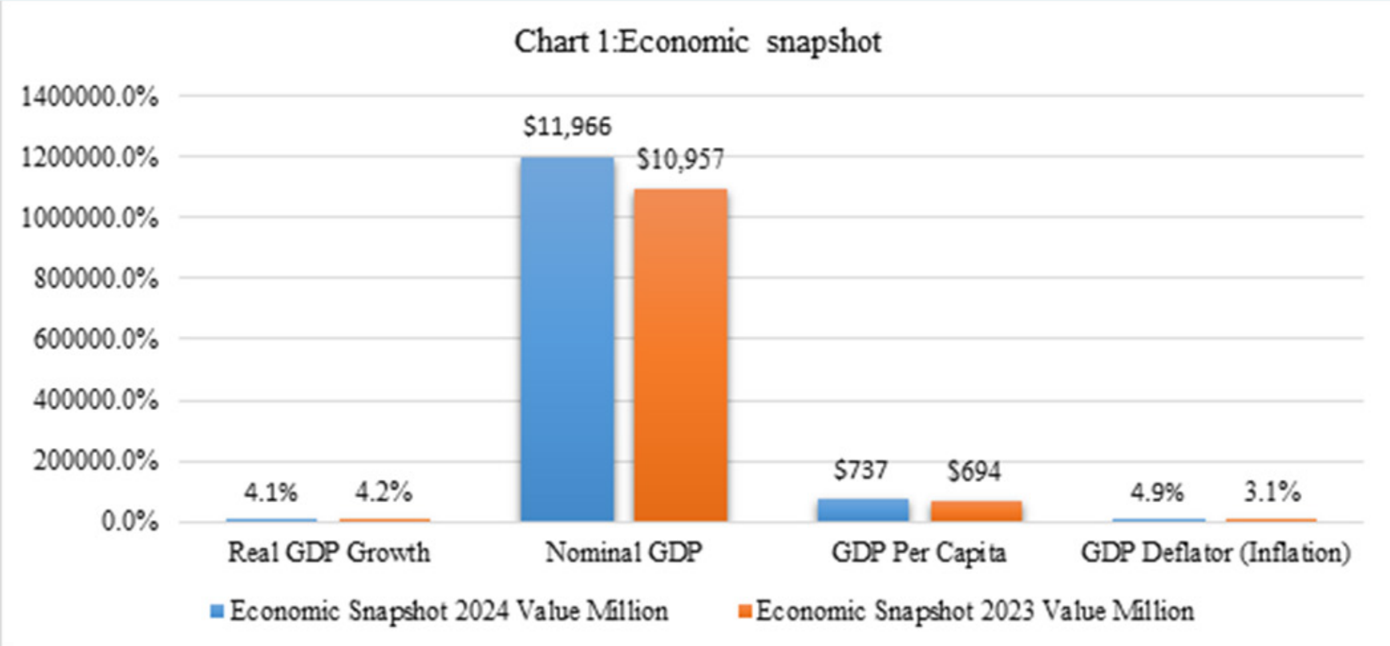


Table 2: **GDP by Expenditure, Current Prices (Millions of US Dollars)**

Expenditure Items	2022	2023	2024
Household final consumption	$12,683	$14,078	$15,961
Government final consumption	$759	$785	$931
Gross fixed capital formation	$2,413	$2,587	$3,201
Exports of goods and services	$1,804	$2,404	$3,735
Minus: Imports of goods and services	-$7,456	-$8,896	-$11,861
GDP at purchasers' prices	$10,203	$10,957	$11,966

How important is external income in Somalia's economy?

The data highlights the crucial role that external income plays in driving Somalia's economic growth and supporting the overall well-being of its people. In 2024, Somalia's Gross National Disposable Income (GNDI), which includes GDP plus net income and transfers from abroad (primarily remittances and international aid), reached $18.23 billion. This amount exceeds the total GDP by over $6 billion, reflecting how national purchasing power significantly exceeds domestic production.

This substantial surplus highlights a defining characteristic of Somalia's economy: its heavy reliance on external inflows. Remittances from the Somali diaspora and international aid have become the lifeblood of Somalia's economy. They directly support high levels of consumption, help finance the trade deficit, provide capital for investment, and serve as a stabilising, countercyclical force during potential economic downturns.

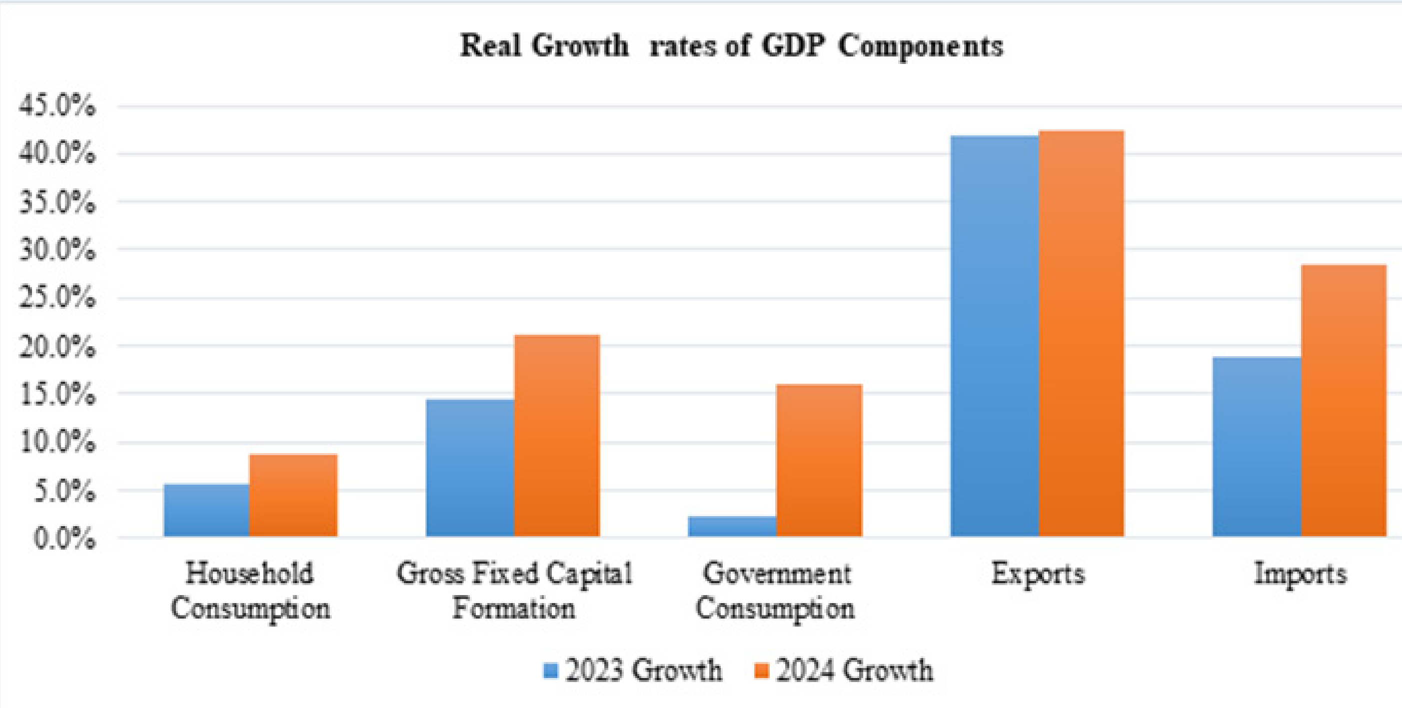
What drove economic growth in 2024 ?

Beneath the headline of 4.1% GDP growth in 2024, there is a more interesting story about where the growth is coming from. In 2024, a significant part of the growth came from strong domestic demand. These include household consumption, investments, and government expenditures. Despite the gains, Somalia's economy remains significantly dependent on imports. While strong domestic demand powered the economy in 2024, this was largely met by a surge in imports. This heavy dependence on imported goods hinders the growth of the country's domestic productive sectors, such as agriculture and manufacturing, as local producers struggle to compete. In Somalia's fragile context, these challenges are amplified by infrastructure gaps, limited access to finance, and security concerns.

Overcoming this requires tailored strategies aimed at building economic resilience and promoting sustainable development. Key among these are efforts to strengthen institutional capacity to create a stable and predictable regulatory environment for businesses. Concurrently, improving security is fundamental for enabling the safe production and transportation of goods. Finally, fostering public-private partnerships can be a powerful tool to mobilise the investment needed for critical infrastructure, thereby lowering production costs and enhancing the competitiveness of local industries.

In what follows, we provide an overview of findings about the impacts of various drivers on the 2024 economy.

Chart 2: Real growth rates of GDP components (annual % change)



- **Household Final Consumption Expenditure (HFCE) remains the engine of growth.**
It is the largest component of GDP, and increased by 8.8 percent in 2024 in constant prices, following growth of 5.6 percent in 2023 (revised up from 4.5 percent). The level of household consumption is more than 100 percent of GDP, indicating that a high proportion of consumption is supplied from imports. Strong inflows of remittances from the Somali diaspora drove much of the growth, increasing household incomes and purchasing power. While consumption of basic commodities, such as food, was expected to increase in pace with population growth, there was particularly significant growth in spending on other goods, reflected in the notable increases in imports of clothing, footwear, medical products, and construction materials.

- **Gross Fixed Capital Formation (GFCF), a proxy for investment was a standout performer in 2024.**
It increased by an impressive 21.1% in real terms, up from 14.5% in the previous year. This increase reflects the booming construction sector in major urban centres such as Mogadishu, Hargeisa, and Garowe, where demand for both commercial and residential properties continues to rise. The construction surge increases demand for imported construction supplies while simultaneously generating employment opportunities and supporting the local value chain. Furthermore, investment in machinery and equipment also increased, indicating that productive capacity in some sectors is expanding.

- **Exports of goods and services increased by 42.3% .**
in real terms. This was largely driven by a sharp increase in the export of agricultural products, specifically crops and vegetable oils. This highlights a potential area of competitive advantage for Somalia. Nevertheless, this promising development was offset by a 10.3% decline in livestock exports in real time in 2024. This is despite the fact that livestock export has historically been a major component of the export economy. This volatility underscores the urgent need for Somalia to diversify its export base to ensure more reliable foreign exchange earnings.

- **Imports increased by 28.5%, offsetting much of the growth in other sectors.**
This increase was broad-based, with notable increases in imports of food, clothing, medical products, and capital goods such as machinery and construction materials. Although vital for satisfying consumption and investment, the economy's large import dependence renders it susceptible to persistent trade deficits, foreign exchange volatility, and external price shocks.

- **Government Final Consumption Expenditure (GFCE) increased by 16.0% in 2024, a significant improvement from the 2.2% growth of 2023.**
This increase was the result of a surge in both public sector wage disbursements and the growth of government expenditure on goods and services. This is indicative of a modest increase in government activities, notwithstanding the significant dependence on international aid and the limited domestic revenue.

How is SNBS working to modernise national economic statistics?

Looking ahead, the SNBS is committed to improving the quality, scope, and timeliness of Somalia's economic statistics in line with international best practices. Our strategic goal is to generate data that is both reliable and responsive to the information needs of policymakers, investors, and international development partners.

One of the central priorities in our modernisation effort is improving the methodology of GDP production by introducing production-based GDP. Unlike the present focus on expenditures, the production approach will provide a more detailed breakdown of economic activity by sectors, including the contributions from agriculture, services, and industry. This will be supported by planned biennial data. Additionally, the planned 2026 Integrated Household Budget Survey and Agricultural Census will lay the foundation for filling data gaps in several sectors. The merit of focusing on production- based GDP is that it will provide policymakers a clearer picture of which sectors are driving growth, which are underperforming, and what policy and practical interventions may be necessary to further stimulate growth.

In addition to improving the methodology for GDP estimation, SNBS is also working to enhance the timeliness of economic data by generating Quarterly GDP (Q-GDP) estimates. The production of Q-GDP will facilitate more real-time economic monitoring, thereby allowing for quicker and well-informed decisions in response to dynamic economic conditions. This will be particularly useful for fiscal and monetary policy coordination.

Another important aspect of the modernisation process is to improve the integration and use of administrative data. SNBS is actively collaborating with various government agencies to enhance the accessibility, quality, and consistency of administrative datasets, such as tax records, trade statistics, as well as labour force and business registration data. This integration will reduce dependence on irregular surveys, thereby facilitating the production of more frequent and detailed economic data.

Finally, our modernisation effort is grounded on a vision of high-quality data that meets global standards. We seek to ensure that Somalia's national statistical outputs are credible, internationally comparable, and useful for benchmarking progress in line with global development agendas.

Policy recommendations

The 2024 GDP data indicates an economy on a positive trajectory, albeit fragile. Although the growth is strong, it is heavily dependent on external resource inflows. This is driving up the demand for imports, which presents long-term structural risks to growth in national productive sectors. The primary task for policymakers is to harness the current momentum from investment and consumption to build a more diverse and resilient domestic economy. To advance the national economy, we offer several recommendations:

1. **Direct remittances towards productive investment**. Although remittances from Somalia's diaspora community currently stimulate consumption, policies should be formulated to encourage allocation of a portion of these funds towards investing in Small and Medium-sized Enterprises (SMEs) that can generate employment opportunities and reduce imports.

2. **Diversify exports and promote value addition.** The increase in crop exports is promising. Policy should prioritise supporting the agricultural sector by improving infrastructure, increasing access to finance, and developing value chains to diversify exports and enhance the value-added capabilities of local products.

3. **Reduce import dependence.** The trade imbalance is widening, and this is a major concern for the development of productive domestic sectors. To increase the production and export of locally produced products, a long-term strategy is necessary. This would involve targeted industrial policies, trade facilitation to support local producers, and vocational training to build a skilled workforce.

4. **Enhance investment initiatives in both the public and private sectors**. The surge in construction and investment is a positive sign of confidence. To further stimulate private investment, the government should continue to promote a conducive business environment, streamline regulations, and use its capital expenditures to fix critical infrastructure bottlenecks.

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SNBS is the sole entity legally mandated to collect, compile, and disseminate the nation's official data.