MERISTEM

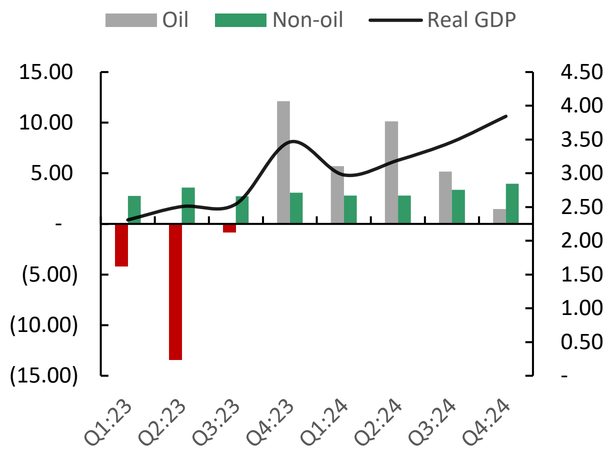
Macroeconomic Update | Nigeria

GDP Report

Q4:2024

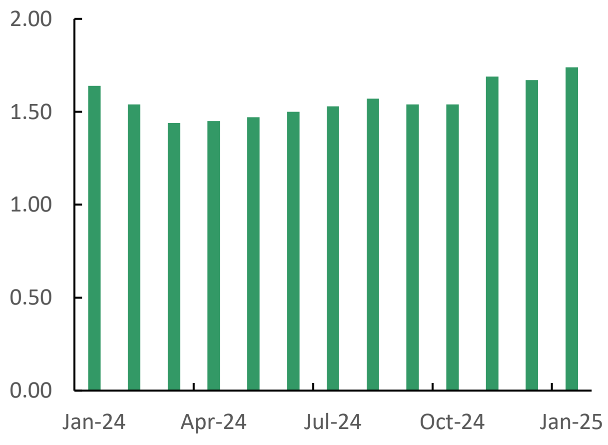
February 2025

Chart 1: **SECTOR CONTRIBUTION TO GDP**



Source: NBS, Meristem Research

Chart 2: **Average Daily Oil Production (mbpd)**



Source: NUPRC, Meristem Research

Macroeconomic Update
GDP Report | Q4:2024

The National Bureau of Statistics (NBS) reported that Nigeria's economy expanded by 3.84% YoY in Q4:2024, marking the strongest growth since Q4:2021. This performance was primarily driven by expansions in both the oil (+1.48%) and non-oil (+3.96%) sectors. The oil sector grew by 1.48% YoY, supported by a 6.54% increase in crude oil production to 1.63mbpd (from 1.53mbpd in Q3:2024). However, this represents the sector's weakest growth since its recovery in Q4:2023. Meanwhile, the non-oil sector demonstrated resilience despite persistent macroeconomic headwinds, expanding by 3.96% YoY—the highest growth in seven quarters (compared to 3.37% YoY in Q3:2024 and 3.07% YoY in Q4:2023). The strong performance was largely buoyed by the financial services (+27.78% YoY), Information & Communication Technology (+5.90% YoY), and Manufacturing (+1.79% YoY) sectors.

In terms of contribution, the Agriculture (25.59%), Information & Communication Technology (17.68%), Trade (15.46%), and Manufacturing (8.64%) sectors remained the dominant contributors for the period.

High Base Effect Dampens Growth Pace in Q4:2024

The Nigerian oil sector expanded by 1.48% YoY in Q4:2024, driven by increased crude oil production, which averaged 1.63mbpd during the period (vs. 1.53mbpd in Q4:2023). This increase can be largely tied to improved security in oil-producing regions and enhanced oil infrastructure which led to higher output from major terminals—Bonny (+49.07% YoY), Brass (+45.07% YoY), and Tulja-Okwuibome (+40.25% YoY).

Consequently, the sector recorded a full-year growth of 5.54% in 2024, a notable recovery from the 2.22% YoY contraction in 2023FY. However, the Q4:2024 growth rate remains the slowest since the sector rebounded in Q4:2023, primarily due to a high base effect from the previous year (12.12% YoY growth in Q4:2023) when oil production surged to 1.53mbpd (from 1.35mbpd in Q4:2022). Additionally, the sector's contribution to GDP declined to 4.60%, the lowest level since Q4:2023, reflecting the stronger expansion in the non-oil sector.

The oil sector is expected to maintain its growth trajectory into 2025, hinged on sustained government efforts to enhance security in oil-producing regions, such as the implementation of the data driven security framework. Furthermore, increased investment in infrastructure and policies aimed at attracting investors could foster the introduction of new oil blends, further boosting production levels.

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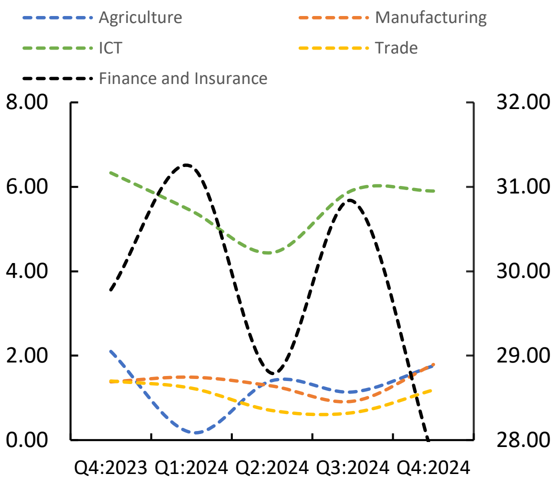
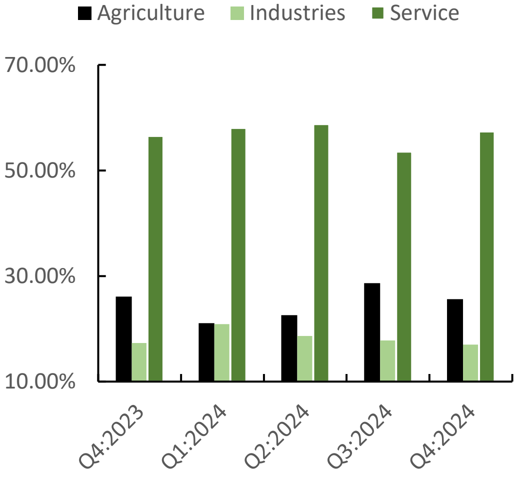
Steady Rates, Stable Naira: Paving the Path to Recovery

Chart 3: Real GDP Growth Rate According to Sectors (%)



Source: *NBS, Meristem Research*

Chart 4: Contribution to GDP by Sectors (%)



Source: *NBS, Meristem Research*

The non-oil sector grew by 3.96% in Q4:2024, the highest growth recorded since Q4:2022 (where growth was 4.44%). This expansion was driven by modest improvement in the macroeconomic landscape within the period – the foreign exchange market was less volatile as evinced by the volatility index (1.92% in Q4:2024 vs 9.45% in Q4:2023). This growth, however, comes despite persistent inflationary pressures and a high interest environment. For context, average inflation within the quarter increased to 34.43% (from 32.75% and 28.15% in Q3:2024 and Q4:2023 respectively) and interest rate was 27.50% vs. 18.75% in the prior period. As anticipated, the Financial services sector remained the major contributor to growth, accounting for c.35% of total GDP. Additionally, both the agriculture(+1.79% YoY) and manufacturing (+1.76% YoY) sectors posted their highest growth in the year.

The Financial and Insurance sector expanded by 27.78% YoY in Q4:2024, moderating from 30.83% in Q3:2024 and 29.78% in Q4:2023 (the slowest growth recorded in 2024). The sector's performance was supported by increased digitalization, expansion in loan portfolios amid a high-interest rate environment, and a strategic focus on customer base expansion. As a result, the sector's full-year growth accelerated to 29.57% (from 26.53% in 2023FY), while its contribution to total GDP improved to 6.22% (from 4.97% in 2023FY).

We anticipate sustained growth in the sector, underpinned by a potential moderation in interest rates, which could enhance credit accessibility and spur demand, particularly within the real sector. Additionally, continued advancements in digital innovation and ongoing diversification efforts are expected to further support sectoral performance.

The Information and Communication Technology (ICT) sector expanded by 5.90% YoY in Q4:2024, slightly below 5.92% in Q3:2024 and 6.33% in Q4:2023. Growth in the sector was driven by higher internet penetration (43.28% vs. 42.20% in Q4:2023) and the rising adoption of 4G and 5G networks—with 4G usage increasing to 46.85% (from 30.13% in Q4:2023) and 5G penetration rising to 2.09% (from 0.97%). However, regulatory policies such as the enforcement of SIM-NIN linkage, which led to the removal of unlinked SIMs, moderated the sector's expansion. This resulted in a decline in total mobile subscriptions to 160.79mn in Q4:2024, from 223.37mn in Q4:2023. Additionally, growth was hindered by reduced capital expenditure due to sector specific challenges (sustained FX losses and eroding bottom-line).

The ICT sector is poised for moderate growth, tied to sustained investments in network infrastructure, data expansion, and increased adoption of 4G and 5G technologies. Additionally, expectations of exchange rate stability and the recently approved tariff hike could bolster industry earnings, creating room for further capital investments and network upgrades.

The agriculture sector expanded by 1.76% YoY in Q4:2024, marking its highest quarterly growth in the year. This performance was supported by increased output, driven by the harvest season for key staples such as maize, millet, and sorghum during the period.. However, growth moderated from 2.10% in Q4:2023, reflecting the lingering impact of flooding in key food-producing regions, which continued to constrain sector output. Overall, full-year growth in the sector improved slightly to 1.19% in 2024, compared to 1.13% in 2023FY.

We anticipate moderate growth in the agricultural sector in the near term, as the existing infrastructure challenges may constrain output in the coming quarters. However, government interventions, including the 75.00% subsidy on key inputs such as fertilizers, chemicals, and seeds, are expected to yield gains in the medium to long term. This could ease supply constraints and enhance sector performance, supporting a gradual recovery.

The manufacturing sector expanded by 1.79% YoY in Q4:2024, marking its strongest growth since Q2:2024 (2.20%), following the removal of fuel subsidy and the unification of the foreign exchange market in June 2023. This rebound comes after two consecutive quarters of slower growth, largely impacted by volatility in the foreign exchange market and the MPC's rate-tightening cycle. The sector's performance was buoyed by the relative stability of the Naira during the period, with the appreciation in December easing importation costs for raw materials, thereby boosting production volumes. Additionally, the oil refining subsector returned to growth, expanding by 9.59% YoY in Q4:2024, its first expansion since Q1:2018. This was driven by higher output from the Dangote Refinery and the resumption of operations at the Port Harcourt and Warri refineries.

The manufacturing sector is expected to maintain its recovery path in the near term, linked to our expectation of a more stable exchange rate, a potential shift towards a more accommodative monetary policy stance, and gradual easing in cost pressures for manufacturers.

Overall, we anticipate improved economic growth in the coming year, underpinned by a stable interest rate environment, favorable government policies and exchange rate stability, which are expected to drive sustained expansion across key industries.

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