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Macroeconomic Update | Nigeria

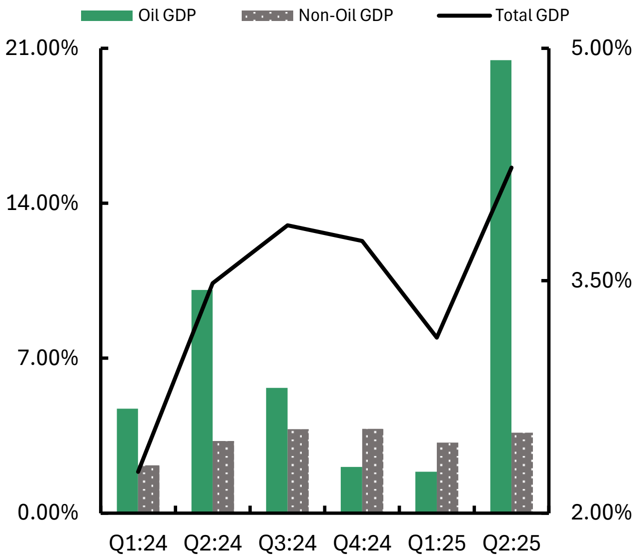
GDP Report Q2:2025

September 2025

According to the National Bureau of Statistics (NBS), Nigeria's economy expanded by 4.23% YoY in Q2:2025 (from 3.48% in Q2:2024), supported by growth in both the oil and non-oil sectors. The oil sector posted its strongest performance under the new methodology, rising 20.46% YoY (vs. 10.08% in Q2:2024), boosted by higher crude output (1.68mbpd vs. 1.41mbpd in Q2:2024) and a low base effect. The non-oil sector also strengthened, expanding by 3.64% YoY (vs. 3.26% in Q2:2024), led by growth in ICT (+6.61% YoY), Agriculture (+2.82% YoY), Real Estate (+3.79% YoY), and Financial & Insurance (+16.13% YoY).

In terms of sectoral contributions, Services remained dominant at 56.53% of GDP, though slightly below 56.69% in Q2:2024 and 57.50% in Q1:2025. Agriculture's share also eased to 26.17% (vs. 26.53% in Q2:2024) but higher than 23.33% in Q1:2025. Industry's share rose to 17.31% from 16.79% in Q2:2024, though down from 19.18% in Q1:2025.

Chart 1: Real GDP Growth Rate (% YoY)



Source: *NBS, Meristem Research*

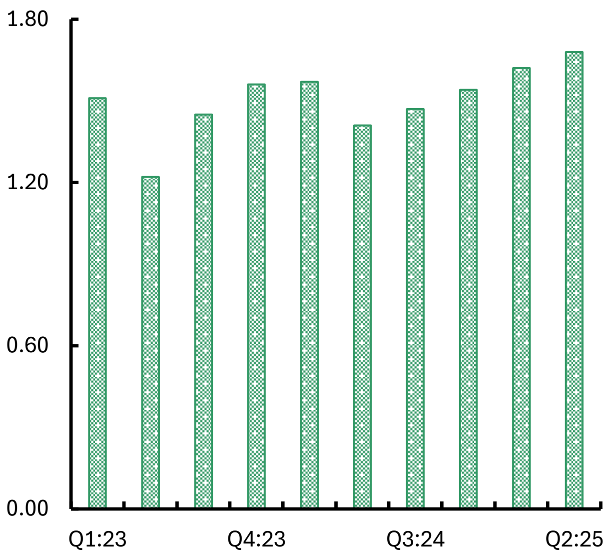
Energy Renaissance: Oil Leads GDP Expansion

Nigeria's oil sector grew by 20.46% YoY in Q2:2025 (its fastest pace since Q3:2017, 25.89%), up sharply from 10.08% in Q2:2024 and 1.87% in Q1:2025. The rebound can be attributed to higher crude production, which averaged 1.68mbpd during the quarter (vs. 1.41mbpd in Q2:2024), driven by stronger security measures and operational efficiencies that improved terminal receipts and curbed theft and vandalism. Output gains were recorded across key terminals: Bonny (+51.16% YoY), Forcados (+23.17% YoY), Qua Iboe (+24.84% YoY) and Escravos (+6.69% YoY). Increased deepwater activity, evinced by the higher rig count (average of 41 vs. 32 in Q2:2024), also boosted production. The low base from Q2:2024, when output averaged 1.41mbpd, further amplified growth figures.

As a result, the sector's contribution to total GDP rose to the highest level under the revised methodology at 4.05%. Notably, the Crude petroleum and Natural Gas component was the largest single contributor to overall GDP growth, accounting for 16.95% of total YoY expansion.

We expect the oil sector to sustain its recovery in the medium to long term, bolstered by ongoing security improvements, rising rig activity, and stronger local output following IOC divestments. In addition, we envisage that government initiatives, including tax incentives, new licensing rounds, and partnerships with major players such as Shell and TotalEnergies, should attract more investment into the country's oil and gas sector, reinforcing this growth momentum.

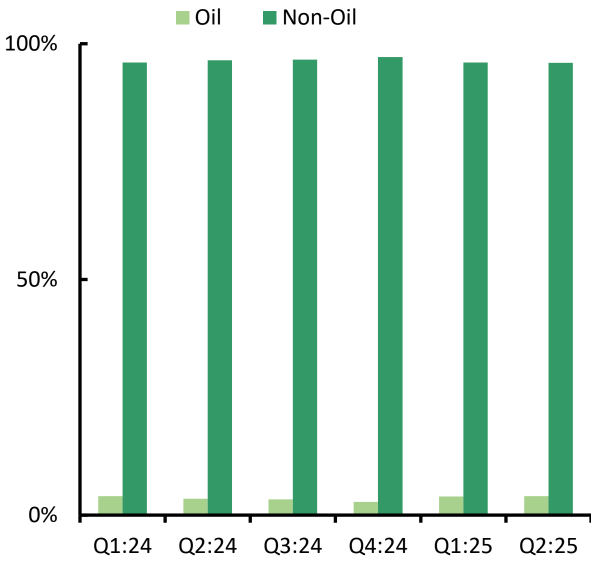
Chart 2: Average Daily Oil Production (mbpd)



Source: *NBS, Meristem Research*

Macroeconomic Stability Lifts Non-Oil Output

Chart 3: Oil & Non-oil Contribution to GDP (%)



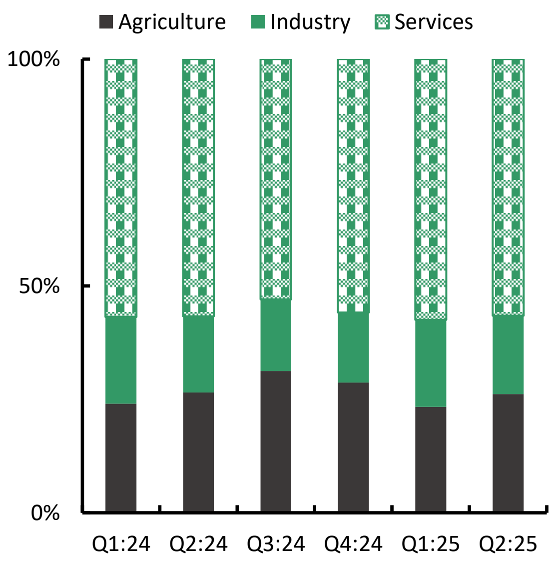
Source: NBS, Meristem Research

The non-oil sector expanded by 3.64% in Q2:2025, up from 3.26% in Q2:2024 and 3.19% in Q1:2025. The improvement was largely aided by a more favorable macroeconomic backdrop, including more stable exchange rate (Naira volatility index declined to 0.55% in Q2:2025 vs. 3.33% in Q2:2024) and a stable interest rate environment (no policy change in Q2:2025 vs. a 200bps hike in Q2:2024). Softer input prices also enhanced inventory levels and production capacity, lifting industrial output during the period. Consequently, both Agriculture and Industry recorded their strongest growth since the rebasing, rising by 2.82% YoY and 7.45% YoY respectively, compared to 2.60% and 3.72% in Q2:2024. Meanwhile, the Services sector grew by 3.94% YoY, slightly above 3.83% in Q2:2024 but below 4.33% in Q1:2025. Telecommunications & Information Services (+7.39% YoY) emerged as the largest contributor to the services sector growth, followed by Real Estate (+3.79% YoY) and Financial institutions (+16.18% YoY).

The agriculture sector recorded its strongest expansion in three years (since Q1:2022), growing by 2.82% YoY in Q2:2025 (vs. 2.60% YoY in Q2:2024). The rebound was driven by higher output in Crop Production (+3.71% YoY), Livestock (+1.64% YoY), and Fishery (+2.57% YoY). Substantiating this performance, PMI data from the Central Bank of Nigeria (CBN) showed an average of 54.13pts in Q2:2025 (vs. 49.40pts in Q2:2024), linked to increased farming activity and stronger farm yields. Additionally, lower input costs relative to the prior year provided support to the sector's growth.

We expect the agricultural sector to maintain its growth path, anchored on higher farm yields tied to the ongoing harvest season. In addition, government-led pro-growth initiatives, including partnerships with Japan and the FAO, alongside schemes like the rehabilitation of idle silos for optimal use, are likely to enhance output and reduce post-harvest losses. However, persistent structural challenges, particularly insecurity in key food-producing regions and transportation bottlenecks, may continue to constrain the sector's growth prospects.

Chart 4: Contribution to GDP by Sectors (%)



Source: NBS, Meristem Research

The Information and Communication Technology (ICT) sector grew by 6.61% YoY in Q2:2025, up from 4.92% in Q2:2024, though slightly below 7.40% in Q1:2025. Telecommunications & Information Services (+7.39% YoY), which accounts for c.82% of total ICT output, remained the primary growth driver. The sector's performance was buoyed by rising internet penetration (48.58% vs. 43.85% in Q2:2024), a 10.80% YoY increase in broadband subscriptions, robust data usage (+31.38% YoY), and deeper adoption of 4G (50.12% vs. 39.85%) and 5G (2.94% vs. 1.62%). However, mobile subscriptions declined by 7.62% YoY to 172.45mn (vs. 186.67mn in Q2:2024), due to regulatory actions such as the enforcement of SIM-NIN linkage, which led to the deactivation of unlinked SIMs and moderated overall growth.

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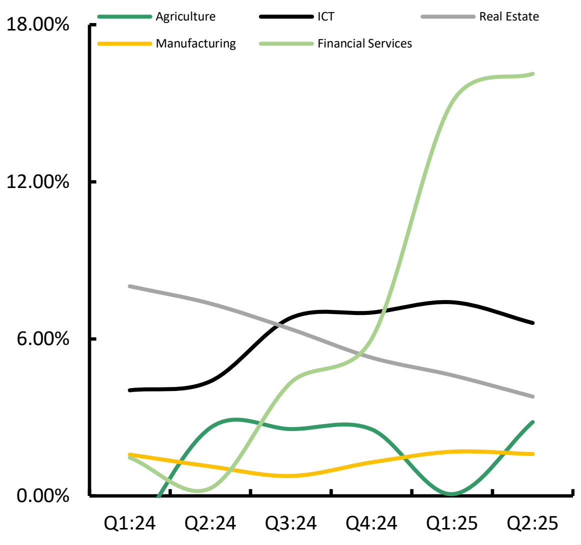
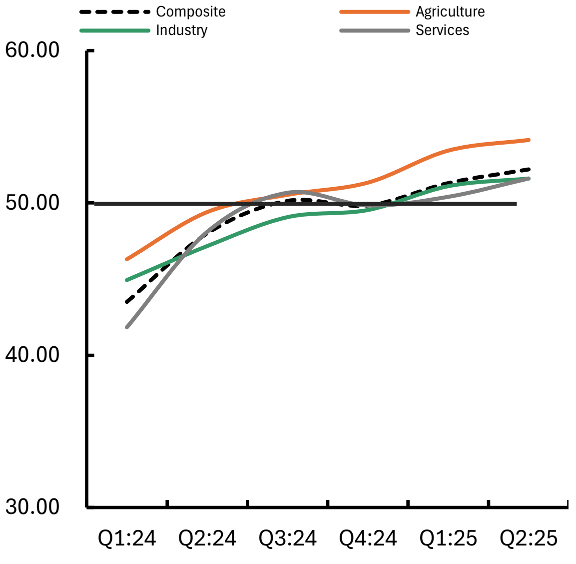
From Stability to Strength: Growth Outlook Remains Bright

Chart 5: Sectoral Real GDP Growth (% YoY)



Source: *NBS, Meristem Research*

Chart 6: Average Quarterly PMI Data (pts)



Source: *CBN, Meristem Research*

We envisage continued expansion in the ICT sector, underpinned by ongoing investments in network infrastructure, rising data consumption, and broader adoption of 4G and 5G technologies. Moreover, stable exchange rates and stronger revenue performance are expected to strengthen industry earnings, creating room for further upgrades that could enhance network capacity and connectivity quality.

The Financial and Insurance sector recorded its fastest growth post rebasing, expanding by 16.13% YoY in Q2:2025, a sharp increase from 0.29% in Q2:2024 and 15.03% in Q1:2025. This strong performance was driven by the inclusion of fintech and e-commerce activities under the new methodology, alongside a stronger capital base among banks, expanded loan portfolios, and the rising digitization trend.

The Financial and Insurance sector's growth momentum is poised to persist, anchored on continued advances in digital innovation as well as steady product and market expansion initiatives by industry players. Moreover, the MPC's shift to a dovish stance, coupled with accompanying expansionary measures, could improve credit access and stimulate demand in the real sector, further strengthening the sector's performance.

The manufacturing sector expanded by 1.60% YoY in Q2:2025, up from 1.13% in Q2:2024 but marginally below 1.69% in Q1:2025. Growth was primarily driven by improvements in the Food, Beverage & Tobacco (+2.15% YoY) and Cement (+4.86% YoY) segments. Meanwhile, the oil refining subsector maintained its upward trajectory for the third consecutive quarter, accelerating by 15.78% YoY in Q2:2025 (its fastest pace in over seven years), on the back of stronger output from the Dangote Refinery compared to the prior period, when refining activity was relatively subdued.
The manufacturing sector's performance was reinforced by relative exchange rate stability, with the Naira's appreciation in June moderating import bills and improving production volumes. Manufacturing PMI data from the CBN also confirmed expansion, with an average of 51.43pts in Q2:2025 vs. 46.67pts in Q2:2024, when the sector experienced monthly contractions.

Looking ahead, the manufacturing sector is expected to sustain its recovery in the near to medium term, hinged on exchange rate stability, subsequent accommodative monetary policy measures to enhance credit accessibility, and improve financing conditions. Additionally, easing cost pressures could help moderate input costs, bolster inventories, and reinforce sectoral growth.

Overall, we project continued economic expansion in the coming quarters, underpinned by supportive government policies, exchange rate stability, and expansionary monetary measures, which should spur sustained growth across key industries.

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